



Investor  
Briefing

Nov 2021

# FY 2021/22

**Interim Results**

For the period ended 30 September 2021

**FY2021/22  
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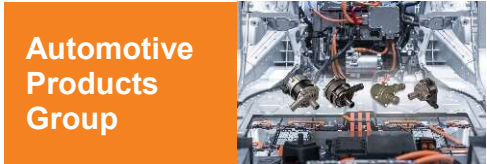
# Overview



•••• A global leader in electric motors, actuators, motion subsystems and related electro-mechanical components

•••• Listed on the Hong Kong Stock Exchange since 1984

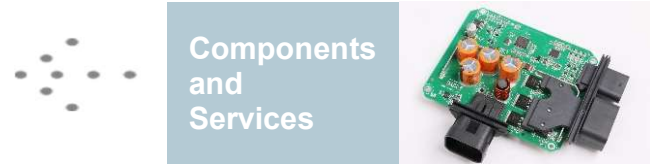
•••• Workforce of over 35,000 across 22 countries



Thermal management, braking, cabin, closure, lighting, amongst others

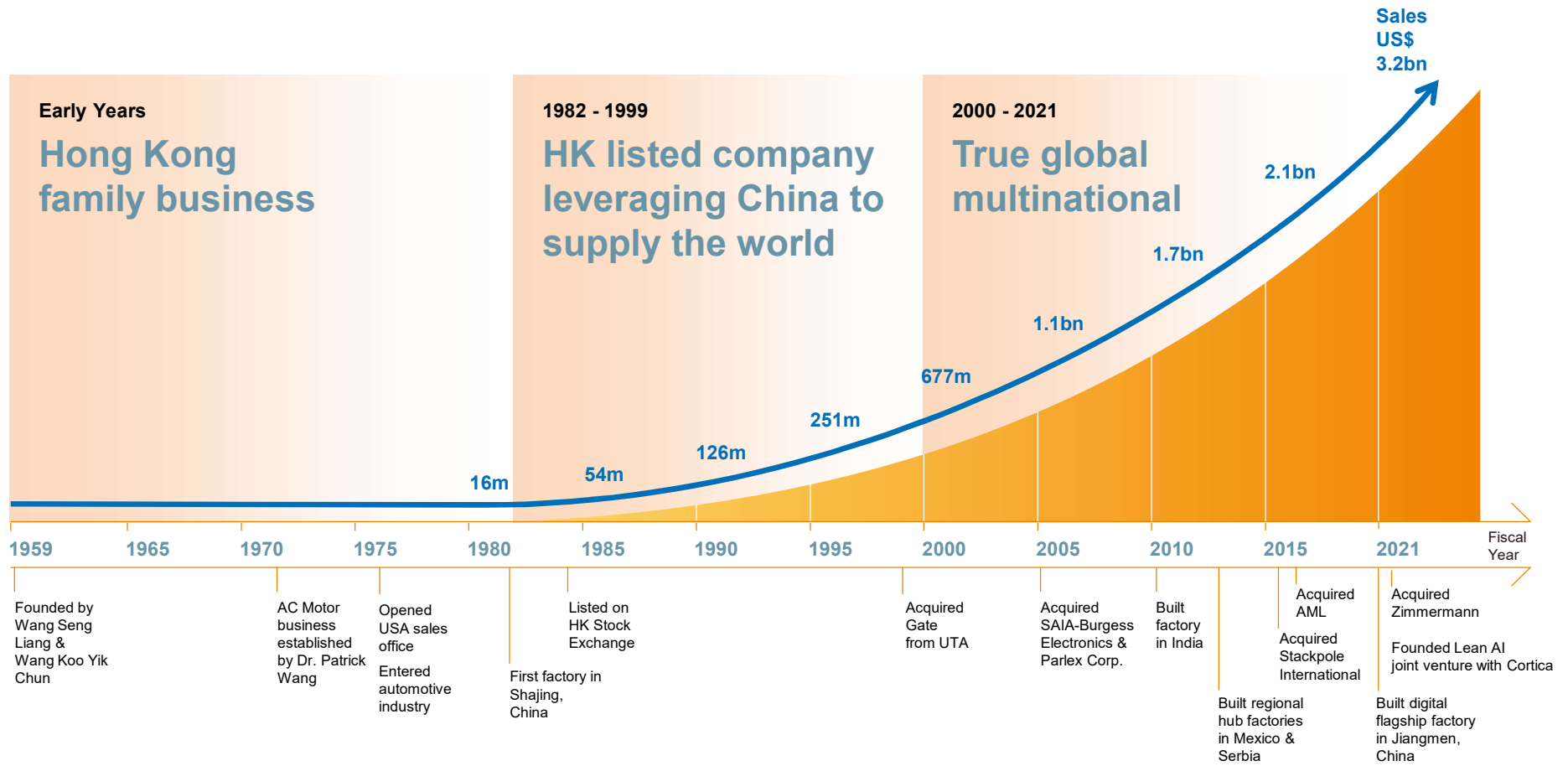


Home automation, ventilation, white goods, robotics, smart metering, medical devices, business equipment, power tools, and lawn & garden, amongst others



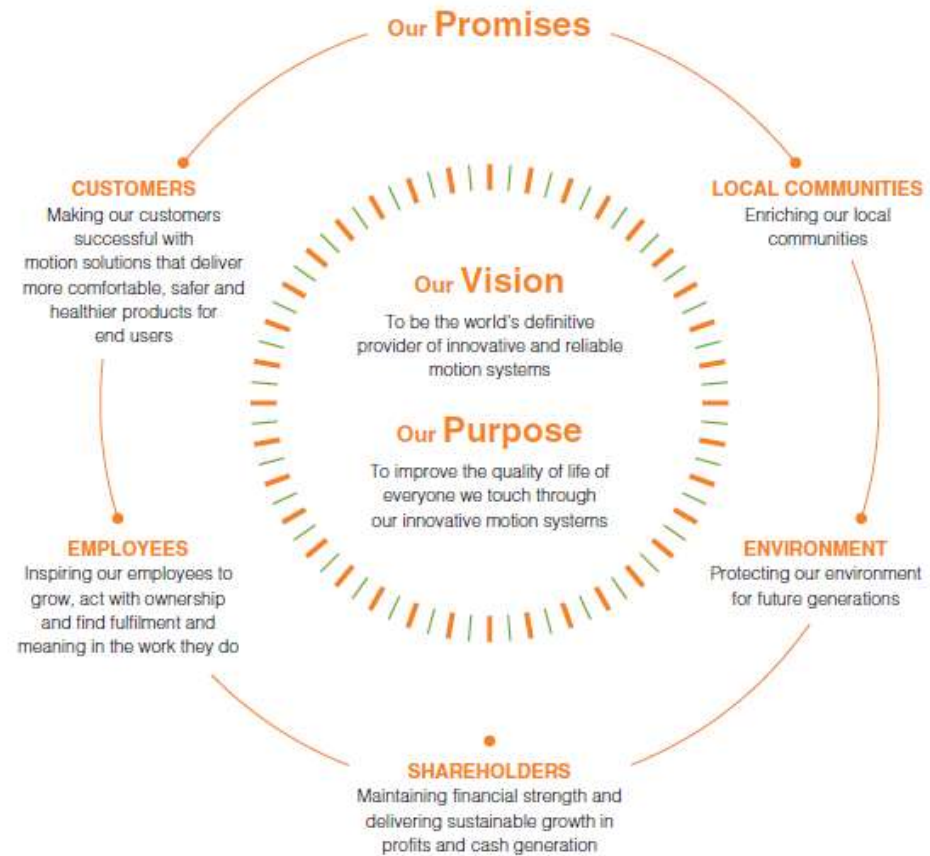
Metal stamping, die casting, injection moulding, sintering, magnets, PCBs, amongst others

# History & Development



# Stepping Up to Drive a Sustainable Future

Johnson Electric leverages our expertise in motion systems and our experience in serving local communities, to do good as well as to deliver sustainable value to our stakeholders



# Strategy Overview

1

Focusing on serving customers whose products are aligned to key underlying trends that drive long-term consumer demand – including the imperatives to reduce greenhouse gas and other emissions, improve health and safety, and increase mobility and controllability

2

Investing in technology innovation to provide unique motion solutions to customer problems and thrive in the digital world

3

Building a resilient global manufacturing footprint that provides greater customer responsiveness, improved cost competitiveness, and reduced exposure to tariffs, foreign currency volatility and single country risk

4

Aligning design and production processes with the industrial logic of advanced automation to continuously reduce cycle times and improve product quality

5

Making selective acquisitions that bring complementary technologies to the Group and strengthen our position in key markets

6

Developing and retaining a diverse and talented team of people, committed to making our customers successful and growing a world-class company that can share in that success



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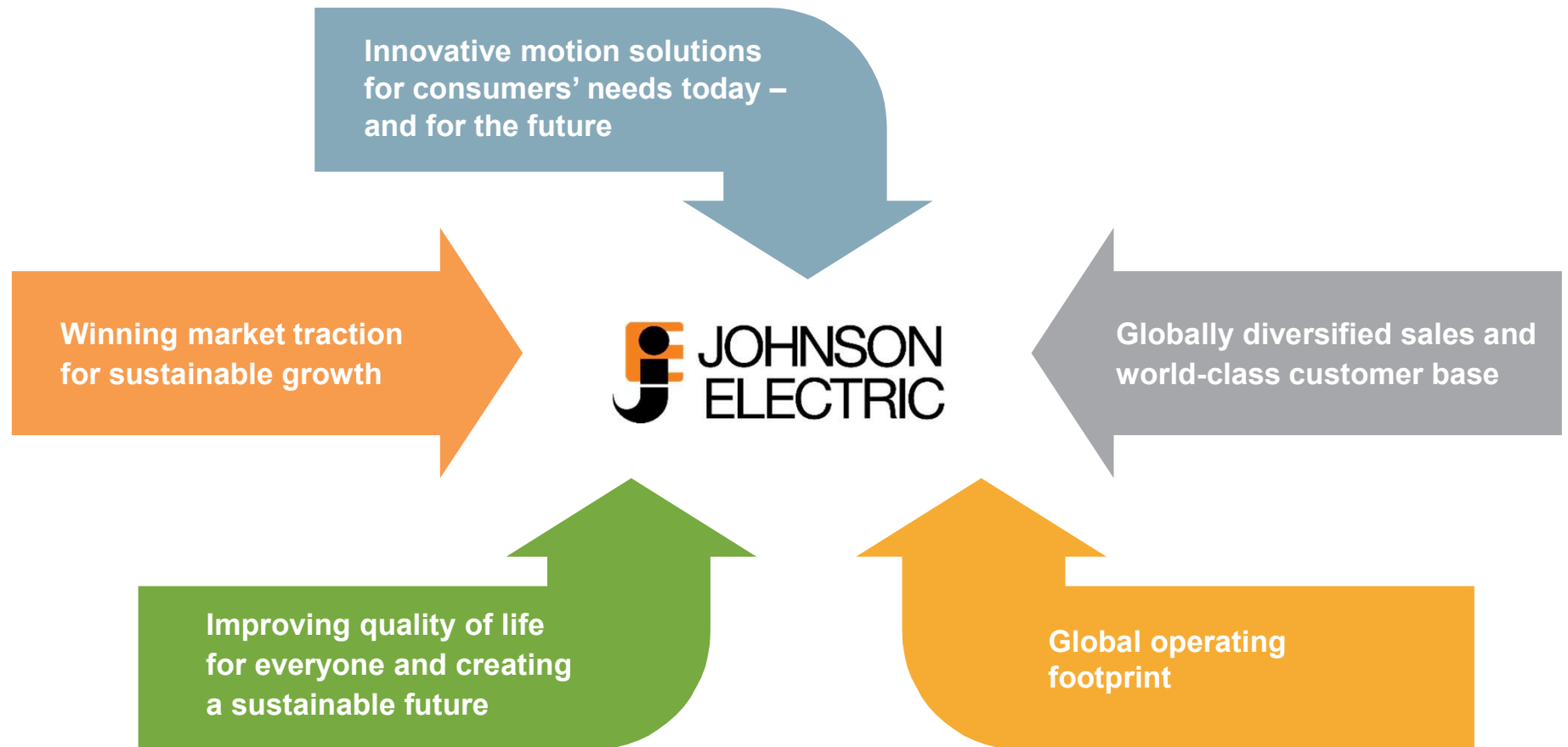
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## Why Invest in Johnson Electric

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# Proliferating Applications Innovative Solutions for Today and the Future

For **Today** & the  
**Future**



## Automotive

Subsystems and components that enable electrification, optimize thermal management, and provide comfort and safety



## Electrification & Environment

Zero carbon and low carbon solutions to combat climate change



## Smart Home & IOT

Home automation for windows and robotic floor care, smart meter solutions, and automated food and beverage preparation equipment



## E-Commerce

Delivery robots and warehouse automation solutions

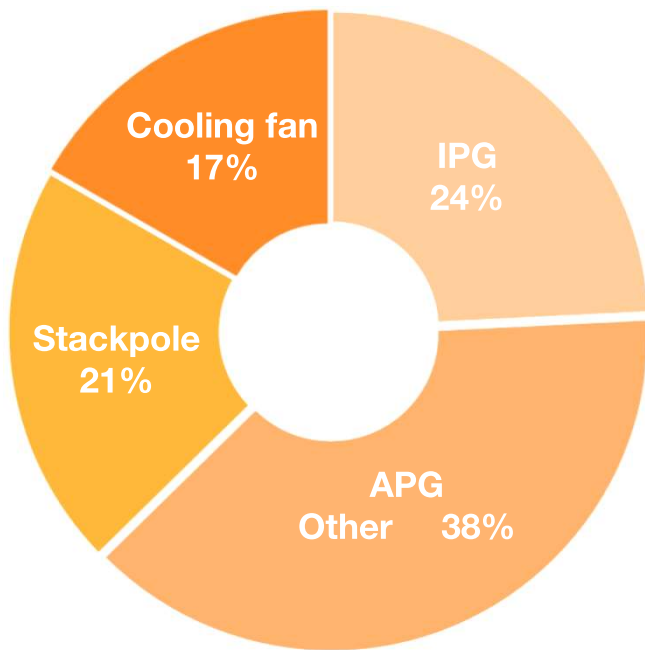


## Healthcare

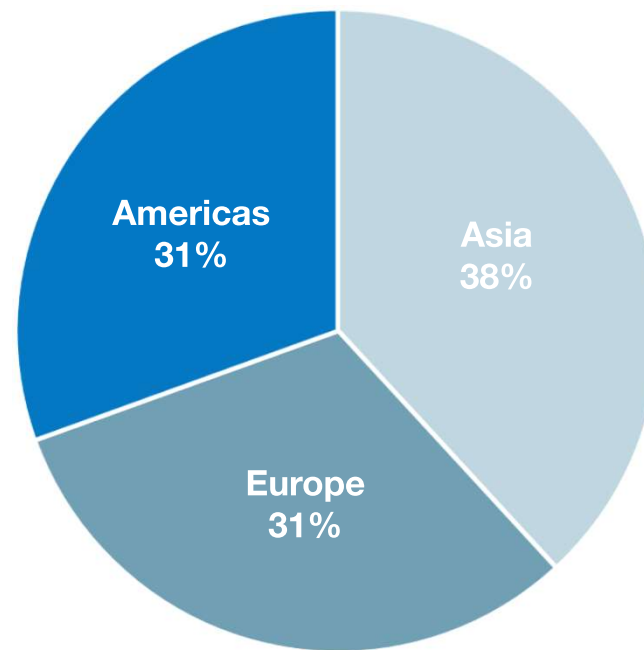
Medical device subsystems for improved patient outcomes. Surgical and diagnostic devices and medical wearables

# Diversified Sales

### By Major Lines of Business



### By Destination



# Diversified Customer Base

## World-class Customers Across Diversified Industries

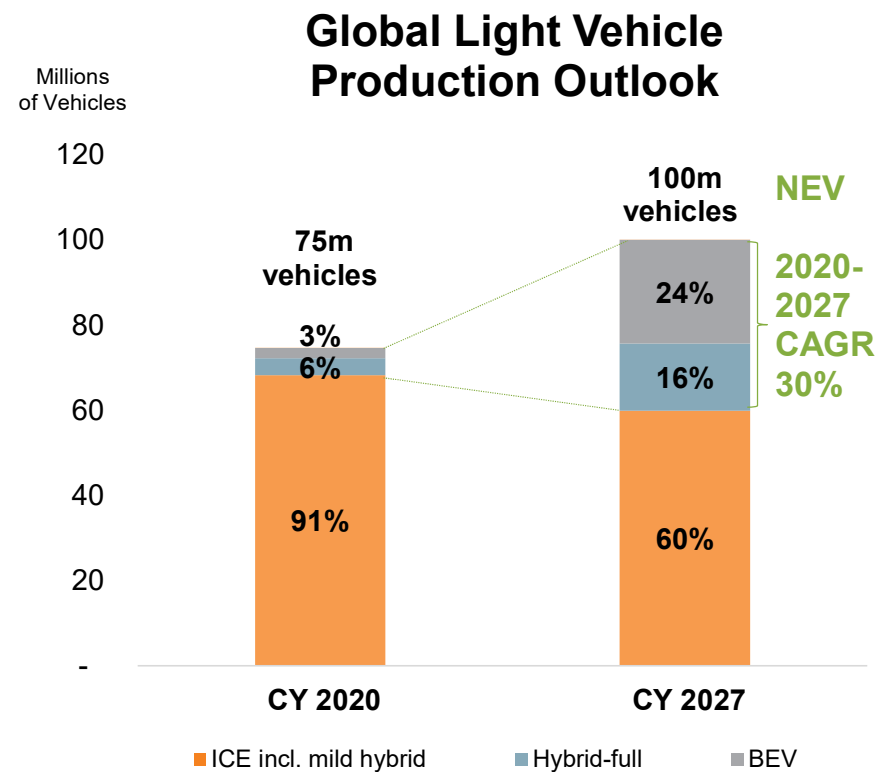


# Zero Carbon APG's Growth Opportunity

Surging demand for innovative, cost-competitive solutions that:

- Electrify critical automotive functions
- Optimize thermal management
- Prevent or reduce emissions

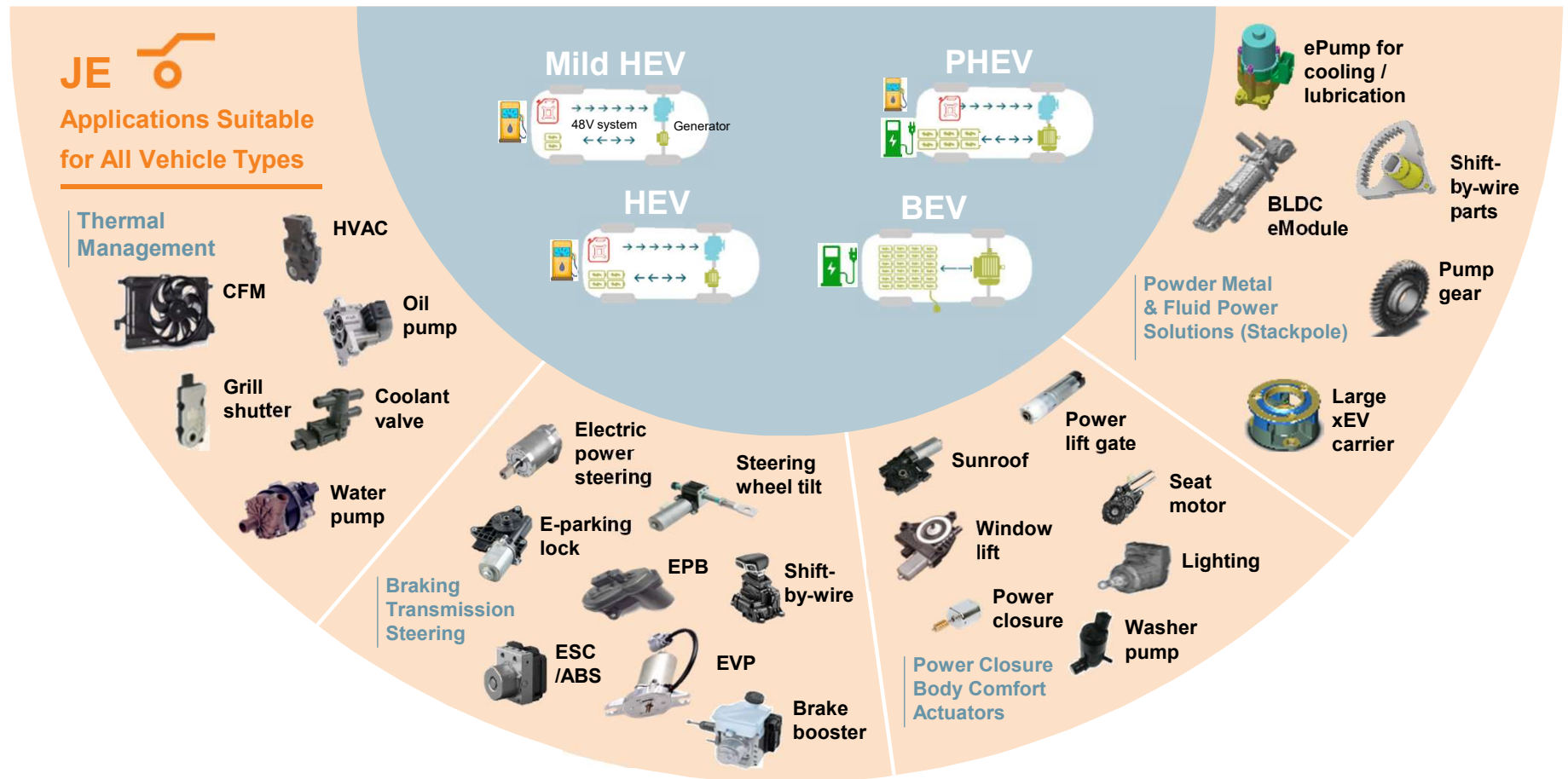
APG is enabling the shift to hybrids and BEV



Source: IHS

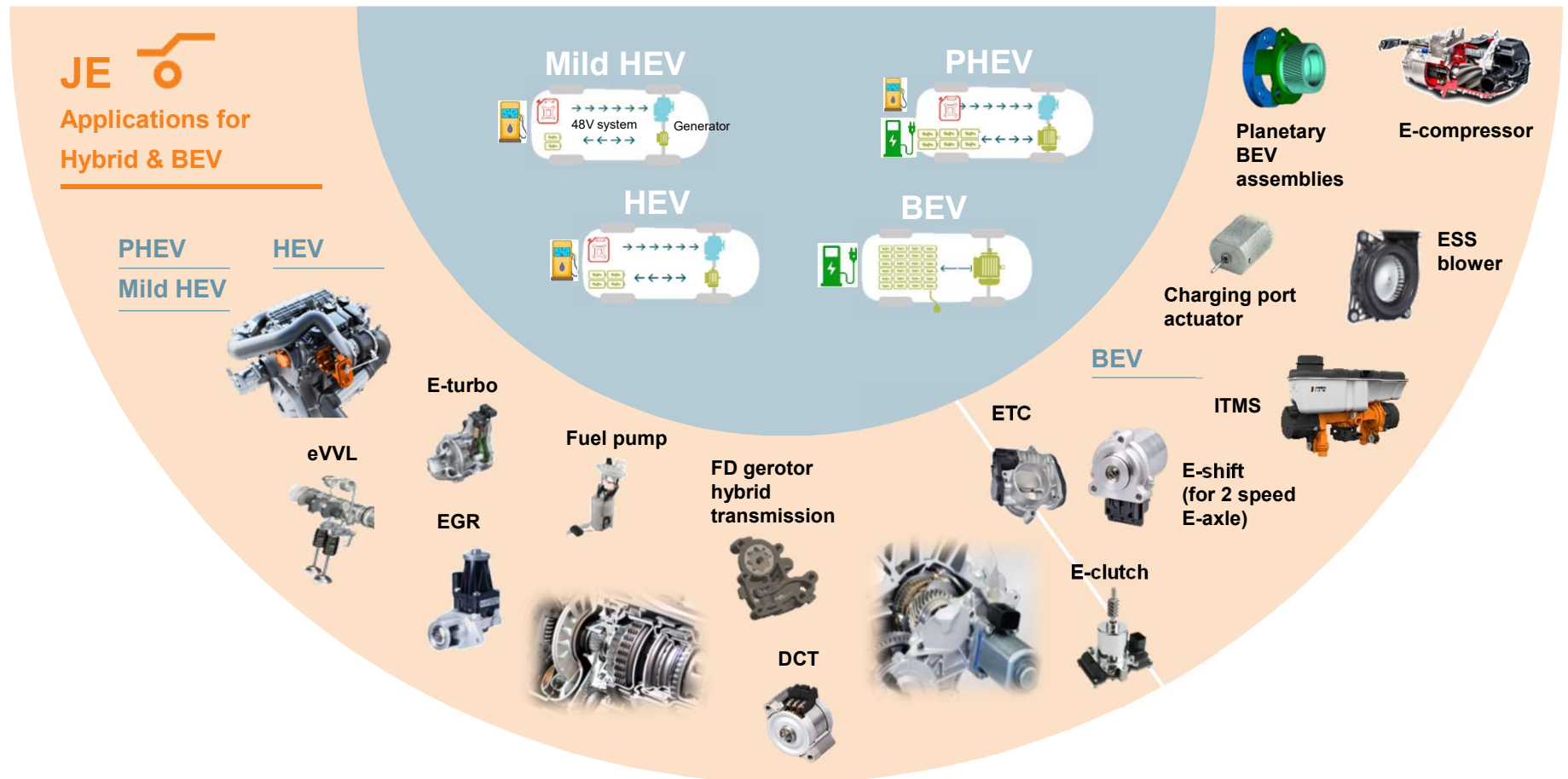
# JE Automotive Products

## Well Positioned for Growth in New Energy Vehicle (NEV)



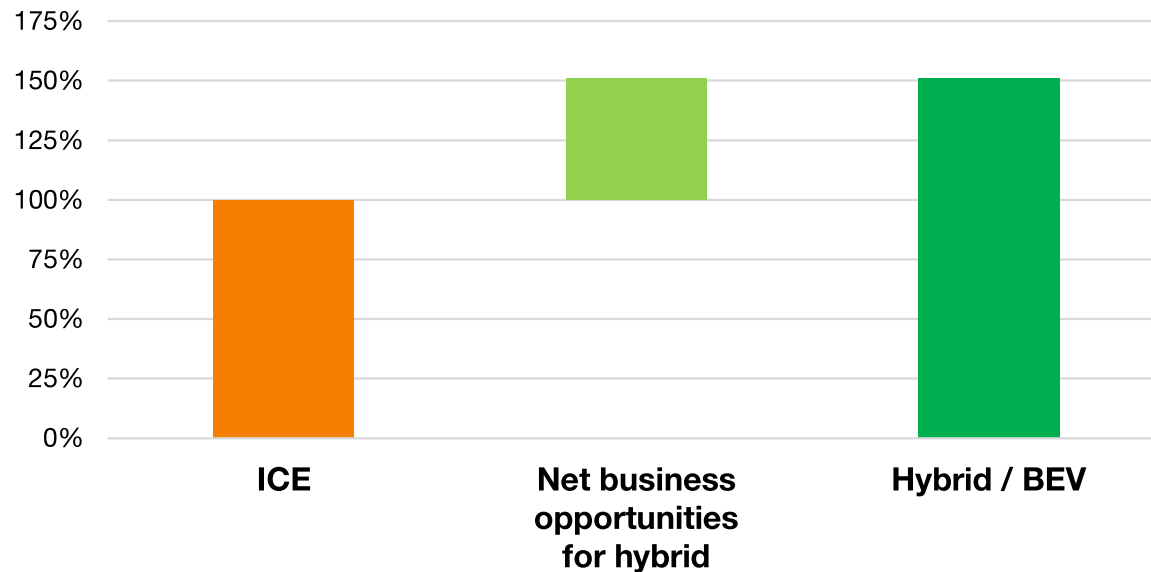
# JE Automotive Products

## Engineered for Tomorrow...Compatible with Today




# Johnson Electric is Well Positioned to Capitalize on the Market Move from ICE to Hybrid & BEV

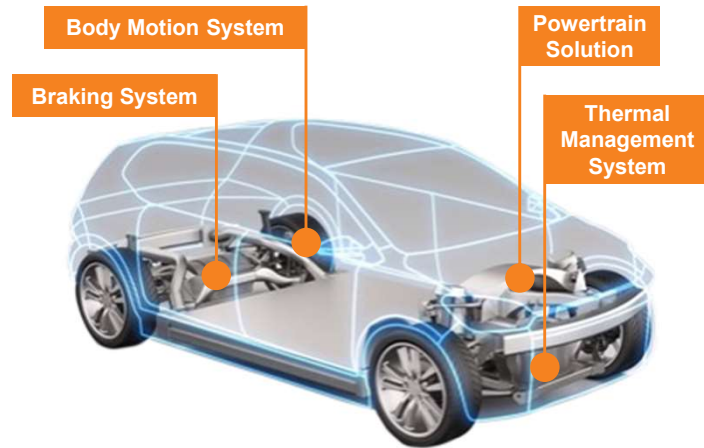
### ICE to Hybrid / BEV (JE dollar content per passenger car)



Source: JE Analysis – Indicative based on current available market intelligence & estimates

# Examples of Recent Automotive Business Wins for New Energy Vehicles

 Our innovative products are winning business on major NEV platforms



## Braking System

Brake booster, e-parking lock, e-parking brake, brake-by-wire and electric vacuum pump for safety and shorter braking distance, lower weight, and energy regeneration



## Body Motion System

Steering-by-wire, window-door-seat motor, LiDAR motor and headlamp actuator for more comfortable, autonomous and automated features



## Powertrain Solution

Mechatronics e-pump for lubrication and cooling of e-axe | E-clutch to support start-stop, sailing, etc.



## Thermal Management System

Electric water pump, cooling fan module, integrated thermal management and other cooling components for thermal management of battery, traction motor, power electronics and other components





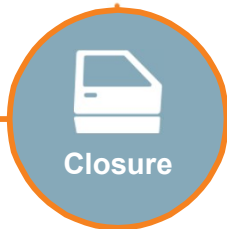
# JE Automotive Products for Autonomous Driving & Connectivity



**Brushless  
DC motor**



**JE  
Technologies**



**Brushed  
DC motor**



# IPG Growth Supported by Megatrends

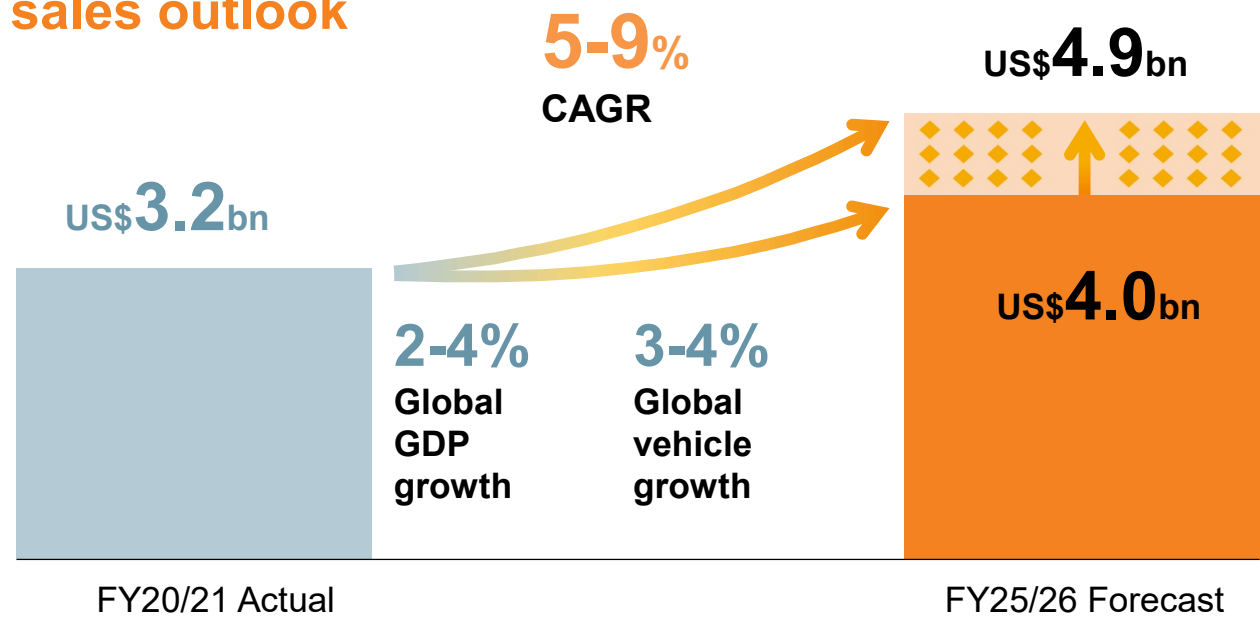
IPG product development and focus segments are aligned with megatrends that are delivering significant growth



# Winning Market Traction

## Medium-term sales outlook

New business wins  
and opportunities are  
set to sustain growth



Note: Estimated total Group sales outlook based on customer order book and other estimates assumes no acquisitions and macro-economic cyclical downturns

# Global Operating Footprint

## Operating in 22 Countries across 4 Continents



# ESG is Integral to Johnson Electric's Evolution

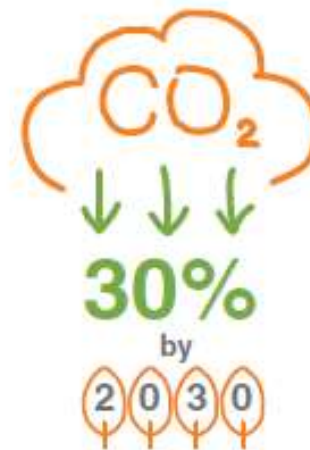
Bees in Johnson Electric Brazil factory grounds



Our environmental strategy and policies address:

- Climate change
- Our use of natural resources including water and raw materials
- Pollution prevention
- Waste minimization

## Intensity targets



We are actively seeking to reduce our energy and carbon intensity through efficiency improvements and the use of renewable energy

# ESG is Integral to Johnson Electric's Evolution

## One Johnson around the world, a great company and a great place to work!

We aim to offer our people a career development path that rewards results, enterprise, mentorship and teamwork

We protect labour rights and provide a safe and secure working environment for our employees



Our global team is bound together by our shared values. The talent and diversity of our people drives business results



We thrive on innovation and excel in execution to make our customers successful and our world a better place



We hire the right people and put them in the right jobs to maximize the success of our people and our business

# ESG is Integral to Johnson Electric's Evolution

We seek to identify social needs and fulfil these in a way that benefits both Johnson Electric and the local community.

For example, the Johnson Electric Technical College founded in 2004, operating from campuses in China and Mexico has lifted over a thousand families out of poverty while providing us with a stream of high quality recruits.

JETC students at study and play in China and Mexico



JETC  
Bringing education to the underprivileged

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## Highlights

### Group sales

**1,674** US\$ million

up **26%** compared to first half of FY20/21

### Profit Margin

declined due to significant supply chain disruptions impacting global manufacturers and the decrease in COVID-19 related subsidies that benefitted the business in first half of FY20/21

### Gross profit

**357** US\$ million

or **21.3%** of sales (compared to US\$**300** million or 22.5% of sales in first half of FY20/21)

### Adjusted EBITA

**138** US\$ million

compared to US\$**135** million in first half of FY20/21

### Underlying net profit

**96** US\$ million

excluding the net impact of restructuring costs and non-cash items, decreased by **2%**

### Net profit attributable to shareholders

**93** US\$ million

decreased by 8% to US\$**93** million or **10.36** US cents per share, fully diluted

### Free cash outflow from operations

**(56)** US\$ million

compared to a free cash inflow of US\$**68** million in first half of FY20/21

### Zimmermann acquisition

a specialist automotive machining business based in Germany

### Cash reserves

**487** US\$ million

and total debt to capital of **18%** as of 30 September 2021

### Interim dividend

**17** HK cents

per share (**2.18** US cents per share) with a script dividend alternative

## Financial Highlights

US\$ million	First half of FY21/22	First half of FY20/21
Sales	1,674.1	1,330.3
Gross profit	357.4	299.6
<i>Gross margin</i>	<i>21.3%</i>	<i>22.5%</i>
EBITA <sup>1</sup>	134.0	137.0
EBITA adjusted <sup>2</sup>	138.4	135.3
<i>EBITA adjusted margin</i>	<i>8.3%</i>	<i>10.2%</i>
Profit attributable to shareholders	93.2	100.8
Underlying net profit <sup>2</sup>	96.5	98.3
Diluted earnings per share (US cents)	10.36	11.27
Capital expenditure	152.3	116.8
<i>Capital expenditure as % of sales</i>	<i>9.1%</i>	<i>8.8%</i>
Free cash (out) / inflow from operations	(55.9)	68.2

1. Earnings before interest, tax and amortization
2. Adjusted to exclude significant non-cash items and restructuring costs

## Financial Highlights

US\$ million	30 Sep 2021	31 Mar 2021
Cash	486.5	539.5
Total debt	510.0	426.2
Net (debt) / cash <sup>1</sup>	(23.5)	113.3
Enterprise value <sup>2</sup>	2,013.1	2,368.6
<b>Key Financial Ratios</b>	<b>30 Sep 2021</b>	<b>31 Mar 2021</b>
Enterprise value to EBITDA adjusted <sup>3</sup>	3.5	4.3
Gross debt to EBITDA adjusted <sup>3</sup>	1.2	0.9

1. Cash less total debt (including bonds)

2. Enterprise value calculated as market capitalization plus non-controlling interests plus total debt less cash

3. Earnings before interest, tax, depreciation and amortization annualized using the last 12 months' results and adjusted to exclude significant non-cash items as well as restructuring costs, resulting in adjusted EBITDA of US\$575.8 million (31 March 2021: US\$555.0 million)

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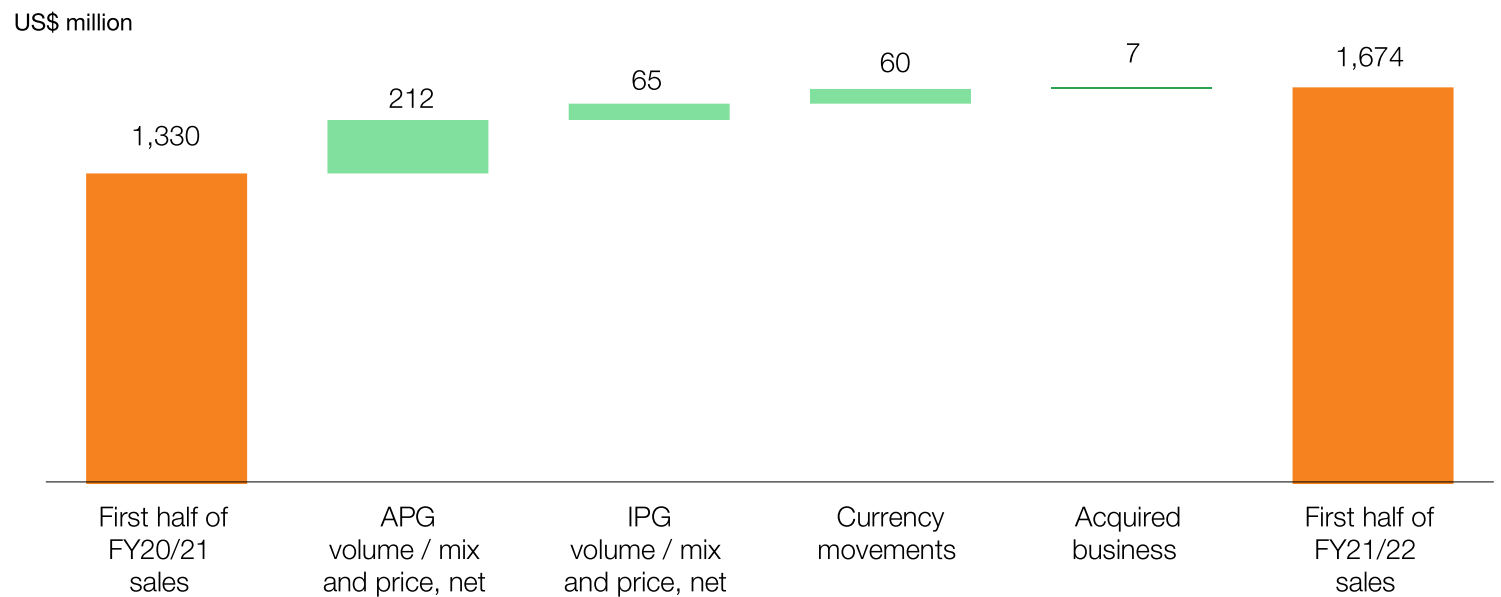
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## Group Sales Changes

### First Half of FY21/22 vs. First Half of FY20/21

Strong recovery in demand as most major economies rebounded from the COVID-19 global pandemic

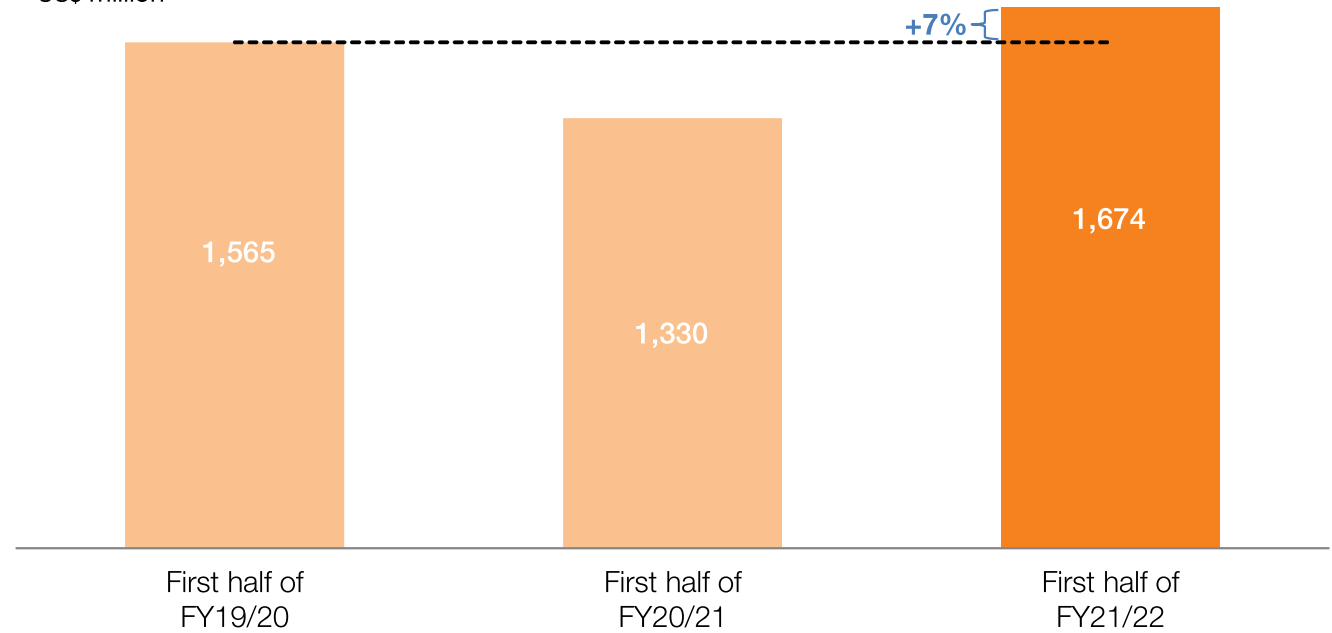


# Group Sales First Half Comparison

The Group's sales not only recovered but also increased to above the pre-COVID levels seen in the first half of FY20/21

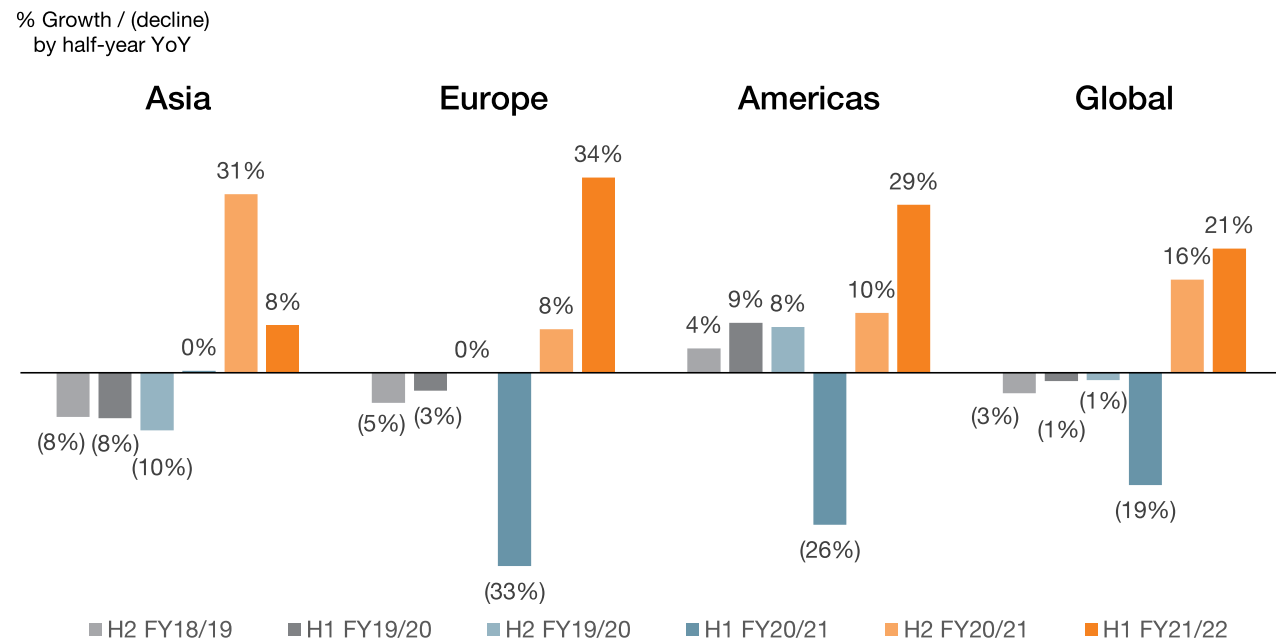
## Group sales, as reported

US\$ million



# APG Half-Yearly Sales Changes

APG's sales performance on a regional level reflected both variations in the progression of the COVID-19 pandemic and the disruptive impact of several supply chain bottlenecks that have hit the global automotive sector

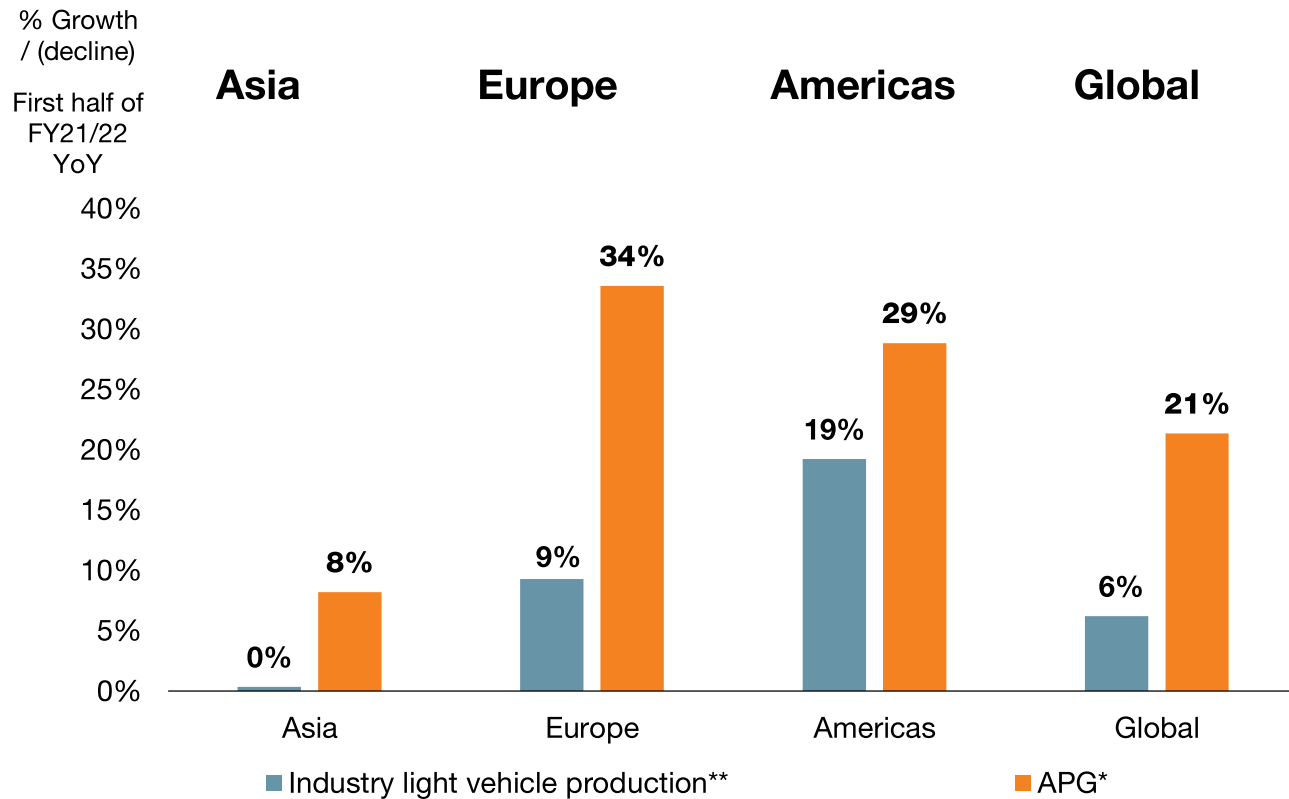


APG sales changes % excluding currency movements and the acquisition of Zimmermann

# APG Sales Growth vs. Light Vehicle Production

## First half of FY21/22

Sales growth well above global automotive industry production growth



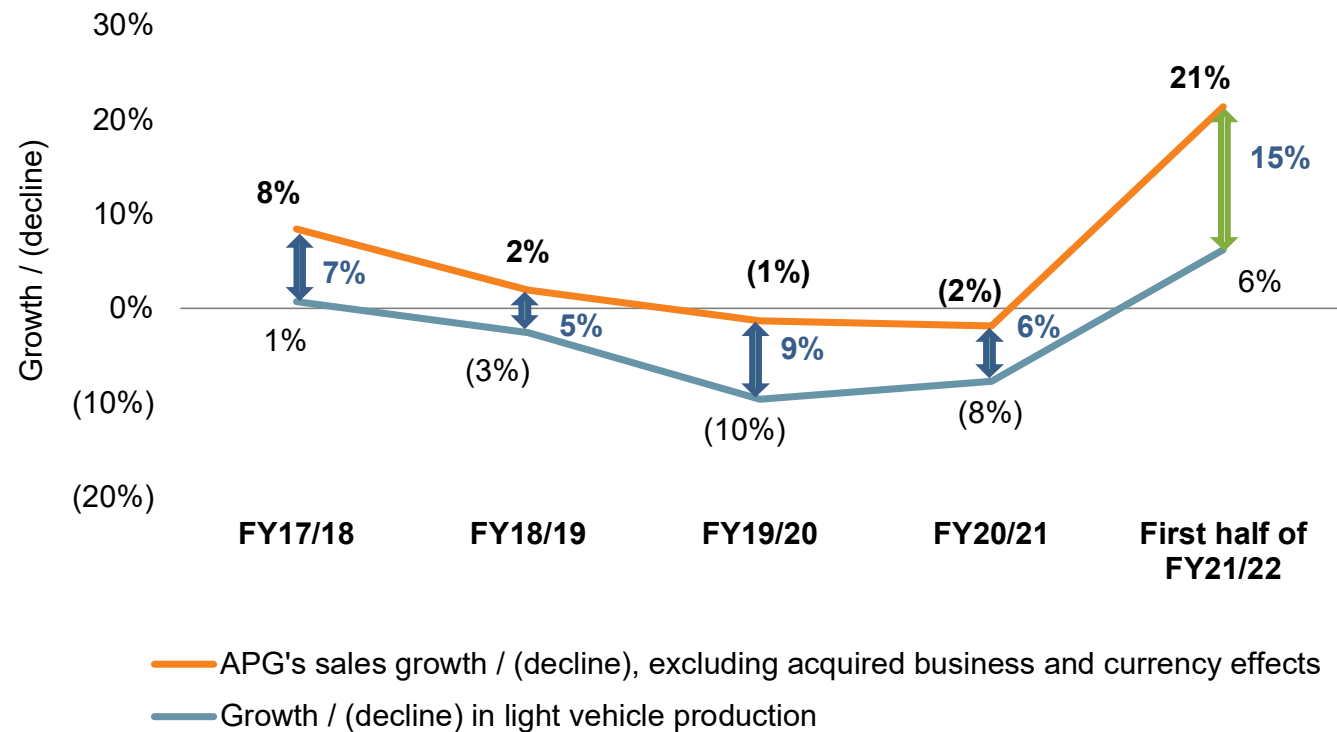
\* APG sales changes % excluding currency movements and the acquisition of Zimmermann

\*\* Source: IHS



## APG Sales Trend vs. Light Vehicle Production

APG has consistently outperformed light vehicle production over several successive years



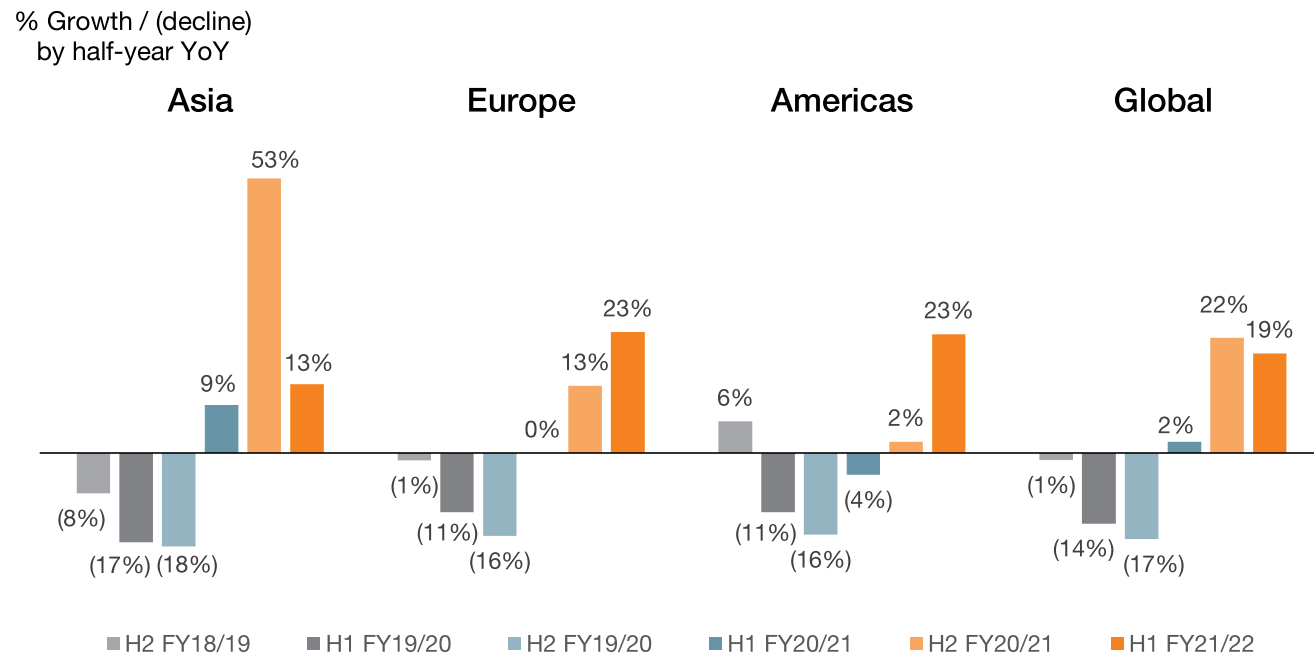
\* APG sales changes % excluding currency movements and the acquisition of Zimmermann

\*\* Source: IHS

# IPG

## Half-Yearly Sales Changes

IPG is exploiting the evolution of its markets – especially the imperatives to reduce carbon emissions, improve health and safety, and deliver the precise control required by the smart revolution

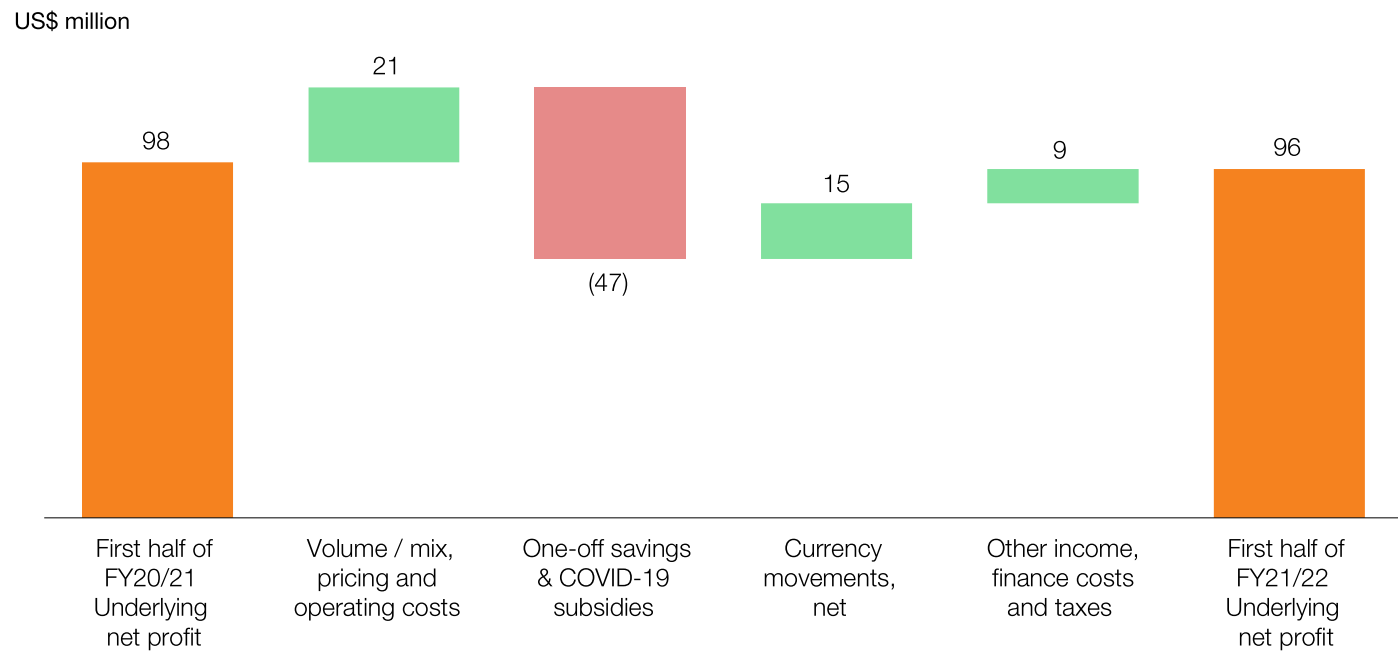


IPG sales changes % excluding currency movements

# Underlying Net Profit

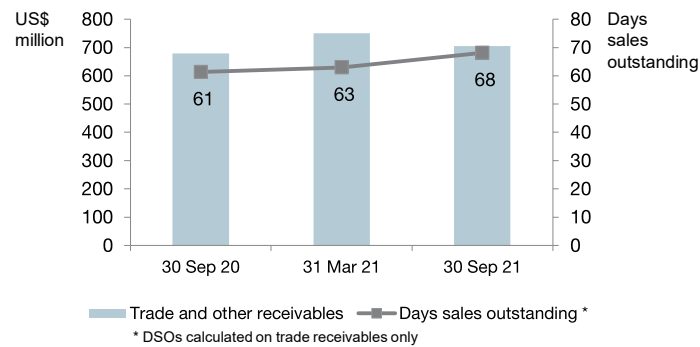
## First Half of FY21/22 vs. First Half of FY20/21

Higher volumes increased profit however this was partly offset by higher logistics expenses, raw materials price inflation and increased labour costs. This was outweighed by the impact of the ending of COVID-19 related one-off cost savings and subsidies

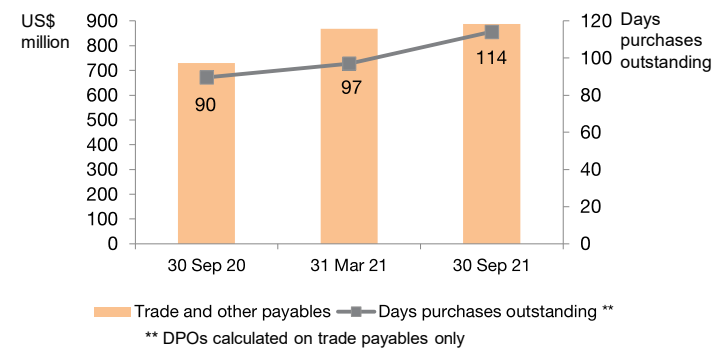


# Working Capital & CAPEX

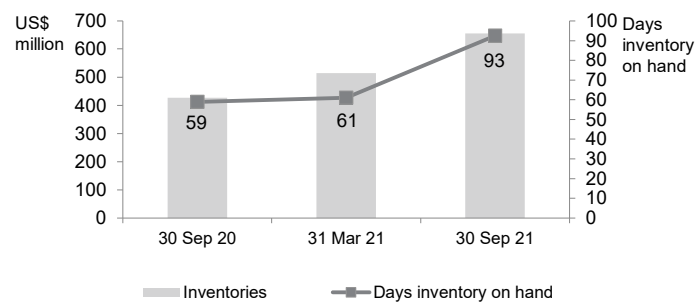
## Trade and other receivables



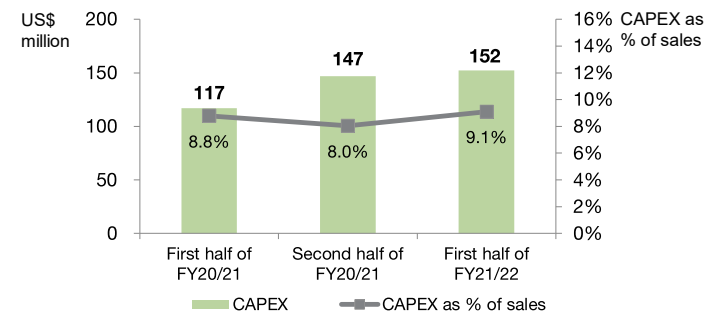
## Trade and other payables



## Inventories



## Capital expenditure



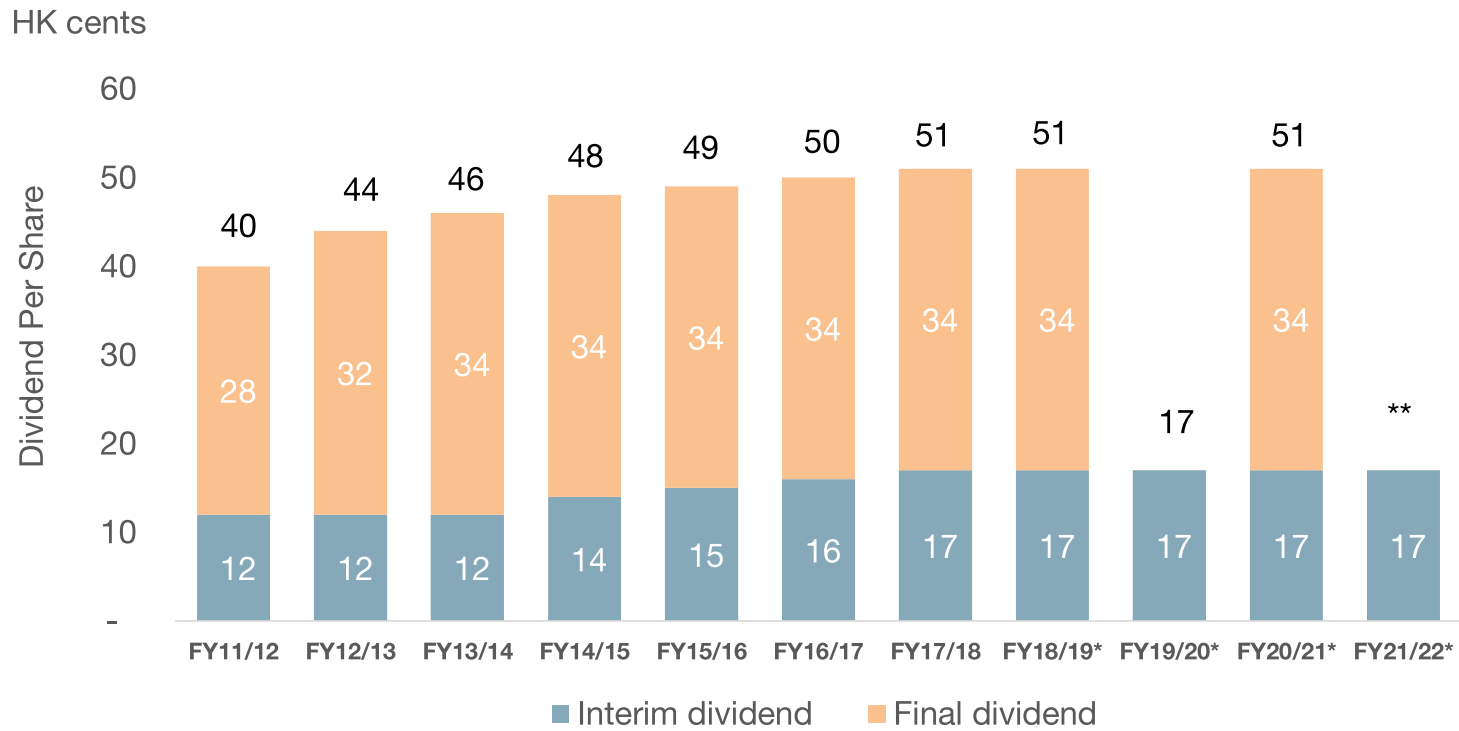
## Free Cash Flow

US\$ million	First half of FY21/22	First half of FY20/21	Change
EBITDA	257.5	242.7	14.8
Other non-cash items	(21.5)	14.5	(36.0)
Working capital changes	(117.4)	(54.4)	(63.0)
Capital expenditure, net of subsidies & proceeds from disposal of fixed assets	(151.8)	(116.3)	(35.5)
Net interest, taxes and others	(22.7)	(18.3)	(4.4)
<b>Free cash (out) / inflow from operations</b>	<b>(55.9)</b>	<b>68.2</b>	<b>(124.1)</b>

## Free Cash Flow

US\$ million	First half of FY21/22	First half of FY20/21	Change
Free cash (out) / inflow from operations	(55.9)	68.2	(124.1)
Acquisition and related costs	(24.2)	-	(24.2)
Dividends paid	(35.5)	-	(35.5)
Borrowings, net	83.5	15.9	67.6
Others	(18.9)	(13.0)	(5.9)
Currency translation (losses) / gains on cash and cash equivalents	(2.0)	13.3	(15.3)
Net movement in cash and cash equivalents	(53.0)	84.4	(137.4)

# Dividends



\* Scrip dividend offered as an alternative since the interim dividend of FY18/19

\*\* Final dividend to be determined

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## New Acquisition Zimmermann



- Purchased on 31 May 2021 for consideration of EUR 24.1 million (US\$29.3 million)

- Leading machining specialist in the area of automotive differential housings

- Complimentary to Stackpole's powder metal business

- Will accelerate our machining know-how to meet the innovative powertrain requirements of NEV

# Lean AI

## AI driven quality assurance software

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Joint venture  
formed on  
18 October 2021



Unique autonomous AI  
technology

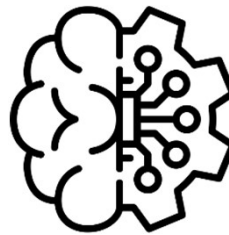


Vast knowledge and  
experience in  
manufacturing  
processes

## Joint Venture

### Why invest in Lean AI?

Lean AI intends to revolutionize quality inspection and reduce manufacturing costs



#### Two main ways of identifying manufacturing defects today:

- Machine vision inspection defect detection rates increase to over 90%
- Manual inspection – higher cost but lower consistency and reliability

#### Supervised-AI inspection can replace manual inspection, but:

- Today, deployment takes weeks or even months
- Requires thousands of images of defects, which tend to be rare
- High false-positive rates
- Need to retrain the model whenever new product variants are introduced

#### Lean AI will apply unsupervised self-learning which will:

- Significantly reduce deployment time
- Require far fewer images and much less computational power
- Deliver accurate and reliable detection over time
- Allow rapid scalability of the trained AI model to new product variants

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- Mixed picture of the first half of FY21/22 looks set to continue in the second half
  - End-market demand remains buoyant and the Group continues to win new business programs and market share
  - However, no clear sign that global supply chain disruptions and inflationary forces are behind us
- Prolonged shortage of semiconductors looks likely to persist through all of 2022
- High raw material and logistics costs, combined with rising labour rates in the near term
  - Practical challenges and lag effect of passing additional costs on through pricing changes
- Beyond the next six to twelve months, prospects for improved profitability and cash flow generation are more encouraging
  - Strong customer pull for Johnson Electric's technology solutions
  - Progress in transforming our global manufacturing footprint and business processes

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## Profitability Review

### First Half of FY21/22 vs. First Half of FY20/21

US\$ million	First half of FY21/22	First half of FY20/21	Increase / (decrease) in profit
Sales	1,674.1	1,330.3	343.8
Gross profit	357.4	299.6	57.8
<i>Gross margin %</i>	<i>21.3%</i>	<i>22.5%</i>	
Other income, net	30.1	20.5	9.6
<i>As a % of sales</i>	<i>1.8%</i>	<i>1.5%</i>	
Intangible assets amortization expense	(17.0)	(15.2)	(1.8)
<i>As a % of sales</i>	<i>1.0%</i>	<i>1.1%</i>	
Other selling and administrative expenses ("S&A")	(250.1)	(183.2)	(66.9)
<i>As a % of sales</i>	<i>14.9%</i>	<i>13.8%</i>	
Restructuring and other costs	(3.5)	-	(3.5)
Operating profit	116.9	121.7	(4.8)
<i>Operating profit margin %</i>	<i>7.0%</i>	<i>9.1%</i>	

## Profitability Review

### First Half of FY21/22 vs. First Half of FY20/21

US\$ million	First half of FY21/22	First half of FY20/21	Increase / (decrease) in profit
Operating profit	116.9	121.7	(4.8)
<i>Operating profit margin %</i>	7.0%	9.1%	
Share of profit of associate	-	0.1	(0.1)
Net finance costs	(8.7)	(4.9)	(3.8)
Profit before income tax	108.2	116.9	(8.7)
Income tax expense	(11.9)	(13.3)	1.4
<i>Effective tax rate %</i>	11.0%	11.4%	
Profit for the period	96.3	103.6	(7.3)
Non-controlling interests	(3.1)	(2.8)	(0.3)
Profit attributable to shareholders	93.2	100.8	(7.6)
Basic earnings per share (US cents)	10.43	11.30	(0.87)
Diluted earnings per share (US cents)	10.36	11.27	(0.91)



## From Reported to Underlying Net Profit

US\$ million	First half of FY20/21			First half of FY21/22		
	Before tax	Tax effect	Net of tax effect	Before tax	Tax effect	Net of tax effect
Net profit, as reported			100.8			93.2
Unrealized net losses / (gains) on other financial assets and liabilities	18.3	(0.2)	18.1	(4.2)	(0.1)	(4.3)
Unrealized net (gains) / losses from revaluation of monetary assets and liabilities	(34.1)	1.2	(32.9)	9.9	(1.0)	8.9
Unrealized net losses / (gains) on structured foreign currency contracts	14.1	(1.8)	12.3	(4.8)	0.5	(4.3)
Restructuring and other costs	-	-	-	3.5	(0.5)	3.0
Net (gains) / losses of significant non-cash, restructuring and other costs	(1.7)	(0.8)	(2.5)	4.4	(1.1)	3.3
Underlying net profit			98.3			96.5
<i>As a % of sales</i>			7.4%			5.8%

## Average Exchange Rate

### First Half of FY21/22 vs. First Half of FY20/21

USD Average Exchange Rate	First half of FY21/22 APR-SEP	First half of FY20/21 APR-SEP		Change
CAD per USD	1.243	1.358	CAD strengthen	8.4%
CNY per USD	6.465	6.999	CNY strengthen	7.6%
USD per EUR	1.192	1.136	EUR strengthen	5.0%

## Disclaimer

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