



**Johnson
Electric**

Annual Results

For the year ended 31 March 2021

Investor Briefing – May 2021

FY2020/21

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Johnson Electric: Overview

JOHNSON ELECTRIC GROUP

AUTOMOTIVE PRODUCTS GROUP



INDUSTRY PRODUCTS GROUP



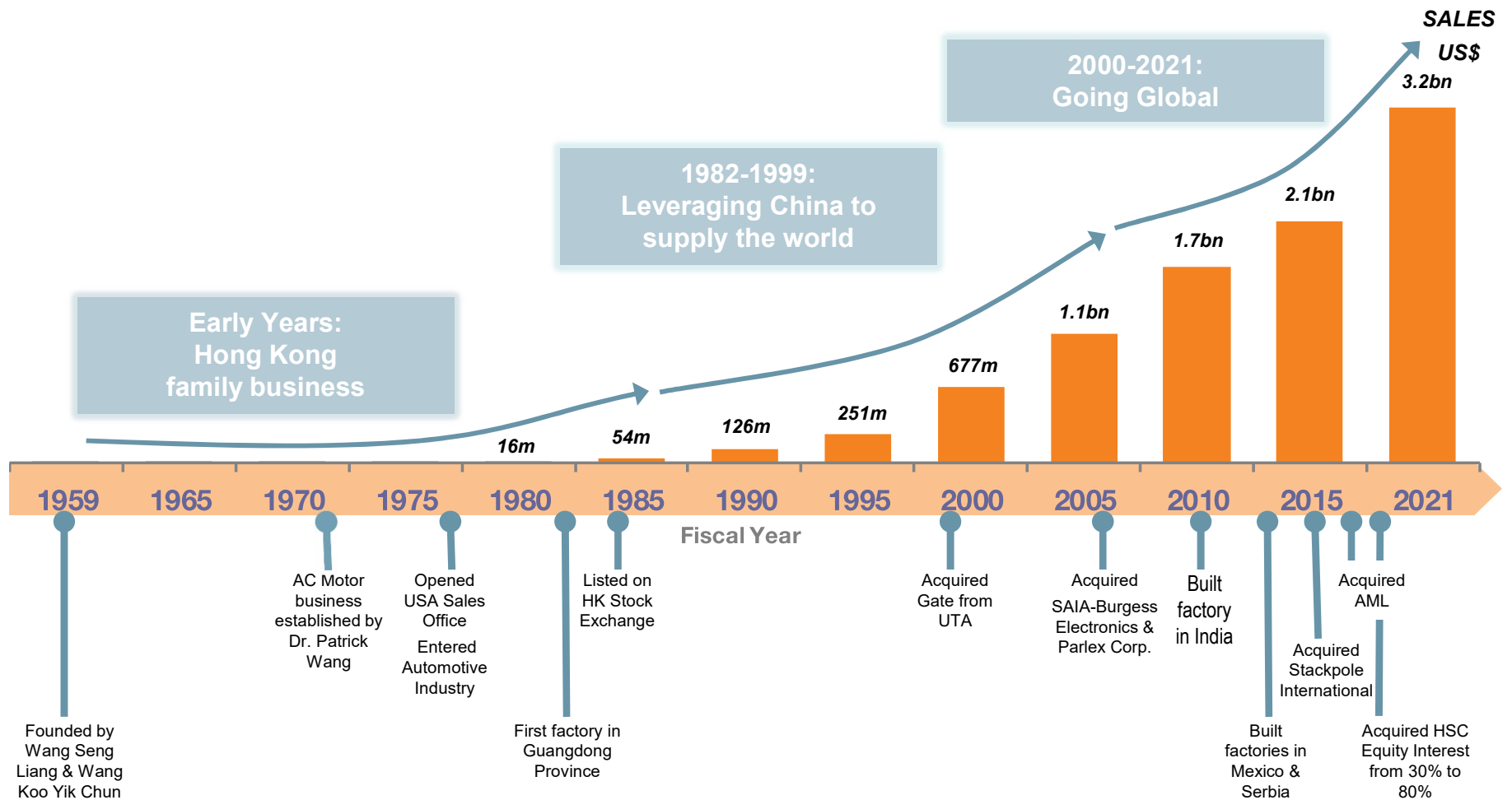
COMPONENTS AND SERVICES



- ◆ A global leader in electric motors, actuators, motion subsystems and related electro-mechanical components
- ◆ Serving a broad range of industries including Automotive, Smart Metering, Home Automation, Ventilation, White Goods, Robotics, Medical Devices, Business Equipment, Power Tools, and Lawn & Garden Equipment
- ◆ Over 35,000 employees in more than 22 countries
- ◆ Listed on the Hong Kong Stock Exchange since 1984



History & Development



ESG is Integral to Johnson Electric's Evolution

JE's ESG initiatives are generally aligned with the growing demands of its key stakeholders, and will gradually grow to become a core competitive advantage

ENVIRONMENTAL



Defined broadly, much of what JE does is aimed at making the world better through technology that:

- Makes products more energy efficient and less polluting
- Helps make people's lives safer, healthier and more comfortable

SOCIAL



Employing over 35,000 people worldwide, JE plays an important and valued role in a number of local communities where we operate – and we plan to expand our efforts in this regard

GOVERNANCE



Listed for 37 years, JE has – in the context of Hong Kong – a strong track record of protecting the interests of minority shareholders and ensuring high standards of transparency and disclosure



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Why Invest in Johnson Electric



- 1. Innovative motion solutions for consumers' needs today – and for the future**
- 2. Globally diversified sales and world-class customer base**
- 3. Global operating footprint**
- 4. Strongly positioned in China**
- 5. Winning market traction for sustainable growth**



... innovating motion ...

Innovative Solutions for Today and the Future

Applications for our motion technologies continue to grow



Automotive

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



Smart Home & IOT

Home automation for window and robotic floor care
Smart meters solution, and automated food and beverage preparation equipment



Healthcare

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



Electrification & Environment

Motion solutions for cordless gardening & power tools and home appliances



E-Commerce

Delivery robots and warehouse automation solutions

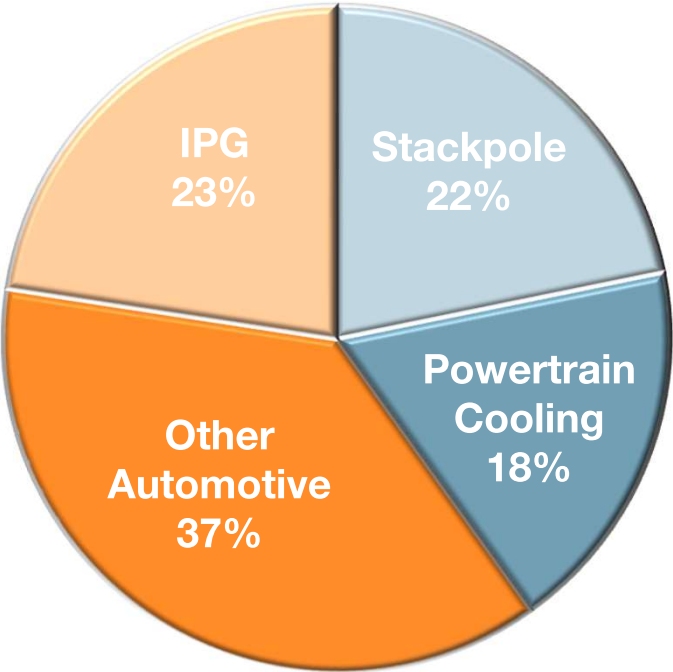


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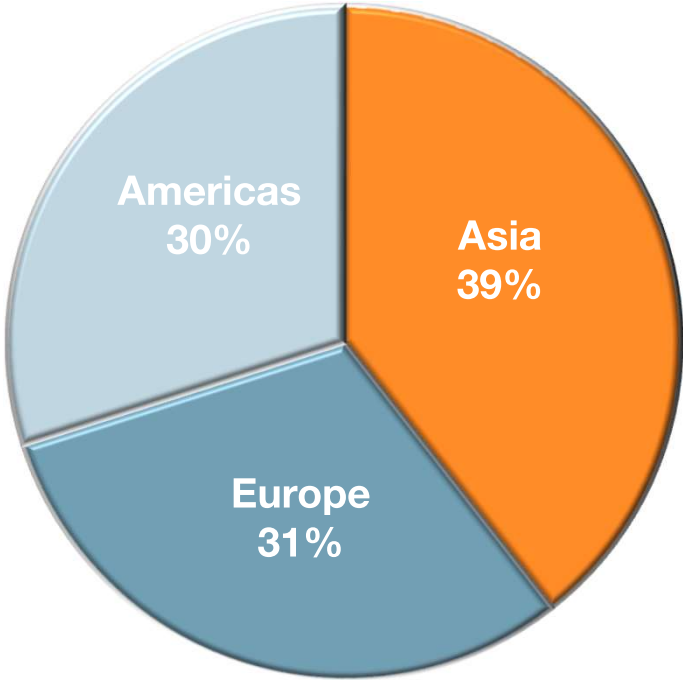
Balanced Sales Distribution

Group sales (FY20/21) are balanced across business groups and regions

By Major Lines of Businesses



By Destination



Diversified Customer Base

World-class customers across diversified industries

500
Automotive
Customers

2000
Non-Auto
Customers



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Longer Term Auto Industry Evolution

Wide divergence of opinion on the eventual phasing out of ICE

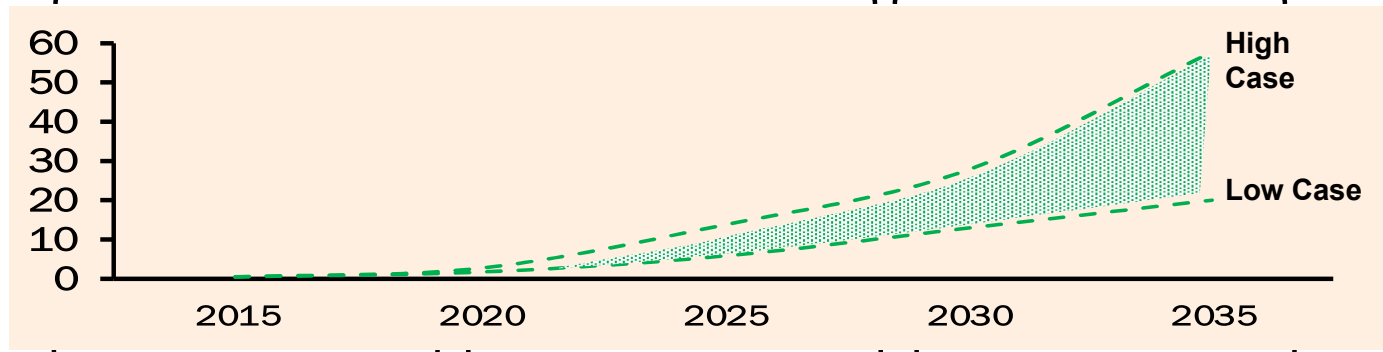
Incumbent Auto Industry View

Volume of ICE (incl hybrid) vehicle sales continue to grow until at least 2025

Hybrid sales grow rapidly and exceed BEV sales volumes to beyond 2030

Negative impact on ICE doesn't accelerate sharply until after 2035

EV Share of New Car Sales (%)



New Entrant / EV Optimist View

EV development highly dependent on government subsidies for next 5 years

EV driving range and infrastructure enhanced
Tipping point for total cost parity around 2023-26

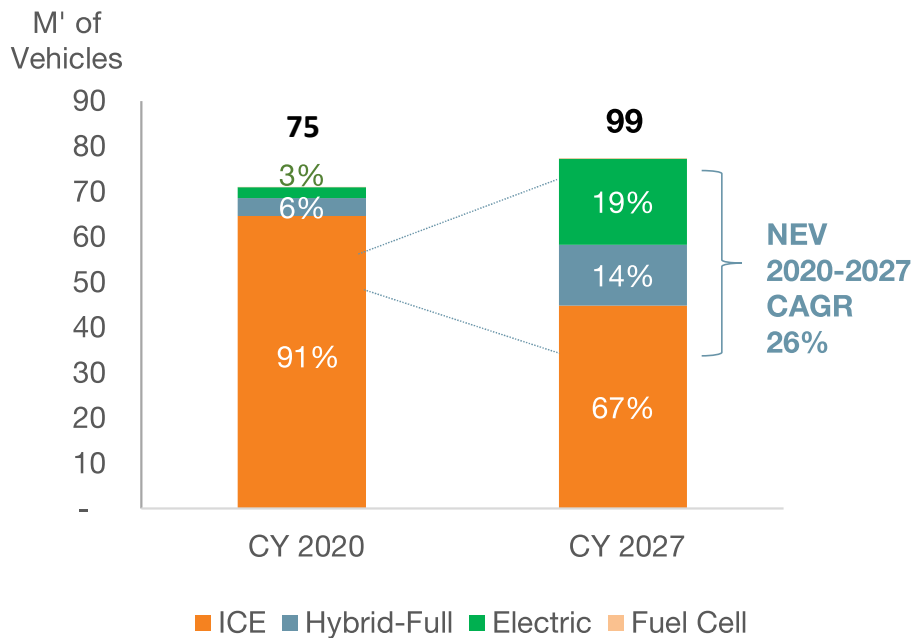
Rapid acceleration in EV adoption from around 2030
New OEM platforms become "BEV only". ICE/Hybrids begin phase out

Source: Media and Analyst Reports; JE Analysis

Electrification: APG's growth opportunity

While ICE powertrain volumes will progressively decline, there is huge demand for innovative technology that cost-effectively enables the shift to Hybrids and EV.

Global Light Vehicle Production Outlook



For APG, the growth opportunity stems from the market's need for innovative, cost-competitive solutions that:

1. Reduce emissions (including improving ICE efficiency)
2. Enable electrification
3. Optimize thermal management

These customer imperatives align directly with JE's core capabilities and range of electric motors, actuators and pump technologies.

Source: IHS

JE Product Platforms for NEV

JE
Applications Suitable for
All Vehicle Types

	Mild HEV	HEV	PHEV	BEV	FCV			
Thermal Management		CFM	HVAC	Grill shutter	ESS blower	Water pump	Coolant valve	Oil pump
Braking Transmission Steering	ESC /ABS	EPB	EVP	Brake booster	E-Parking lock	Shift by wire	Electric Power Steering	Steering wheel tilt
Power Closure Body Comfort Actuators	Power closure	Window Lift	Sunroof	Power Lift Gate	Seat motors	Lighting	Washer pump	
Powder Metal / Fluid Power Solution (Stackpole)	Pump gear	Large xEV Carriers	Shift-by-wire parts	FD Gerotor Hybrid Transmission	Planetary BEV Assemblies	BLDC eModule	ePump for cooling / lubrication	

JE
Applications for ICE, Hybrid & BEV

ICE / Mild HEV / HEV / PHEV	BEV / FCV
 E-Turbo Fuel pump EGR ETC eVVL DCT E-Clutch	 Air compressor Hydrogen circulation pump E-Shift (for 2 speed E-Axle)

JE Products for Autonomous & Connectivity

JE
Technologies

Closure



Seat



Steering



Vision





Window Lift and Sunroof Motor



Seat Adjuster Motor



Steering-by-Wire Motor



LiDAR Motor



Power Door Opening Motor



Rotating seat motor



EMB Motor



Sensor Washing System



Power Lift Tailgate / Frunk Motor



Haptic Actuator



Steering Wheel Folding Motor



Headlamp Actuator



Charger Lid Motor



Flush Handler Motor



Haptic Actuator



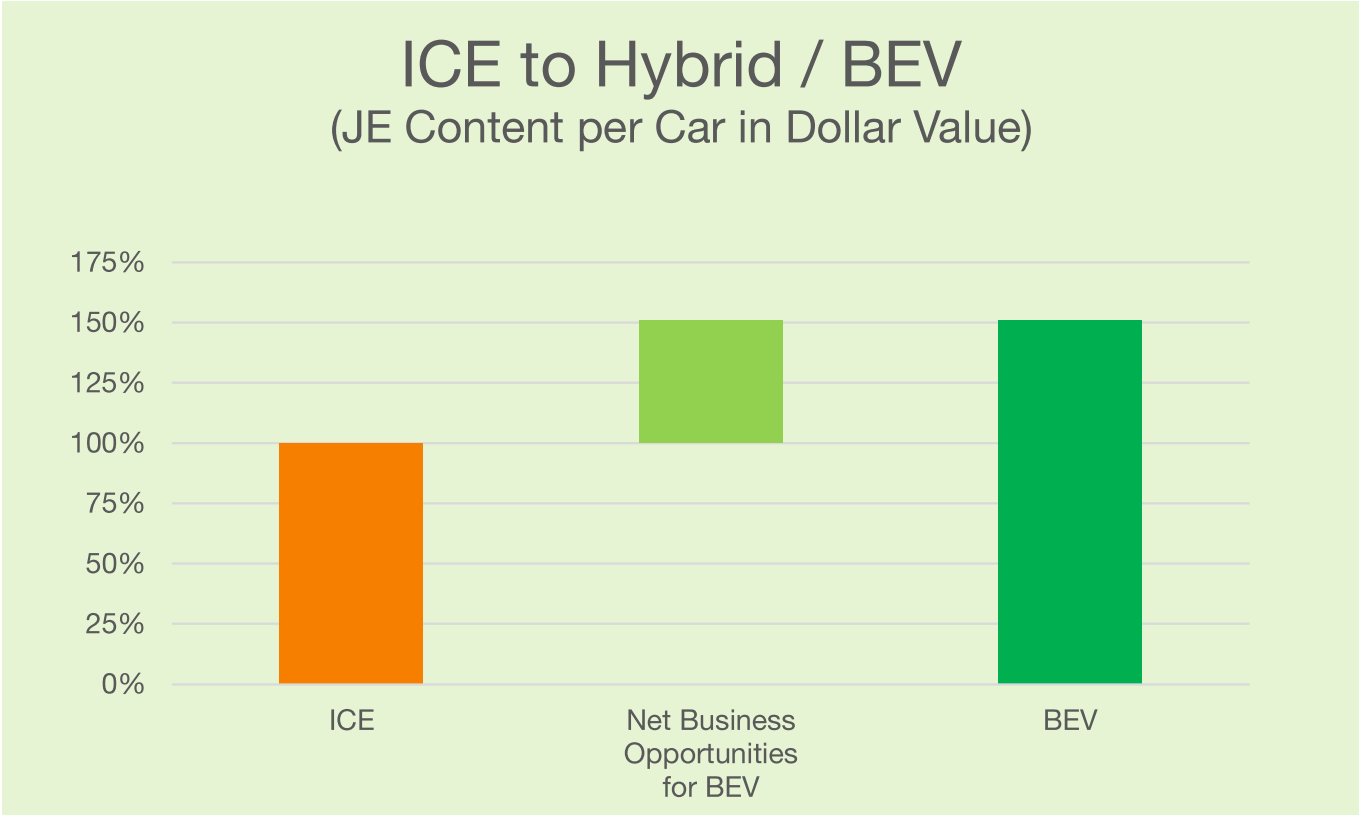
Haptic Actuator



Headlamp Actuator



JE is well positioned to capitalize as the market moves from ICE to Hybrid & BEV



Source: JE Analysis Apr 2021 – Indicative based on current available market intelligence & estimates



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IPG Growth supported by Mega-Trends

IPG product development and focus segments are aligned with the mega-trends and expected to deliver significant growth in the next few years

E-Commerce

Latches for smart lockers & material handling automation

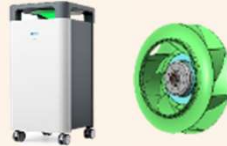


Last mile delivery robots



Health

Air filtration systems



Oxygen concentrator



Medication delivery



Diagnostics, dental flosser, smart sanitary, nebulizer ...

Smart Home & IOT

Robotic floor care



Window automation and smart homes



Smart furniture, food preparation, smart locks



Electrification & Environment

Electrification of gas lawn mowers and garden tools



Efficient range hoods



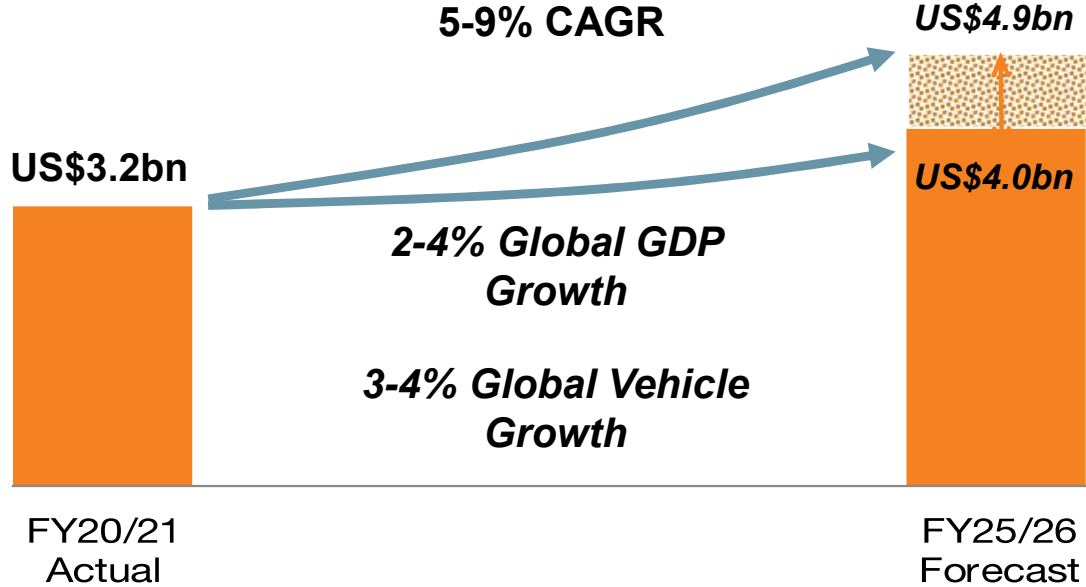
Service and outdoor robots



Winning Market Traction

New business wins and sales trajectory are set to sustain growth

Medium-Term Sales Outlook



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



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Global Operating Footprint

Operating in 22 countries across 4 continents



- Manufacturing
- Sales & Support Office
- Engineering
- Manufacturing, Sales & Support Office & Engineering

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Highlights

- Group sales US\$3,156 million – an increase of 3% compared to the prior financial year
- Gross profit totalled US\$723 million - an increase of 8%
- EBITA, adjusted to exclude restructuring charges and significant non-cash and unusual items, increased by 18% to US\$335 million or 10.6% of sales (compared to 9.3% of sales in FY2019/20)
- Net profit attributable to shareholders totalled US\$212 million – compared to a net loss of US\$494 million in the prior financial year which included a non-cash impairment charge against intangible assets of US\$796 million
- Underlying net profit totalled US\$251 million – an increase of 31%
- As of 31 March 2021, cash reserves amounted to US\$539 million and the ratio of total debt to capital at year end was 16% (a decrease from 18% a year earlier)

Financial Highlights

US\$ million	FY20/21	FY19/20
Sales	3,156.2	3,070.5
Gross profit	723.3	672.3
<i>Gross margin</i>	22.9%	21.9%
EBITA ¹	290.1	(413.5)
EBITA adjusted ²	335.5	284.5
<i>EBITA adjusted margin</i>	10.6%	9.3%
Profit / (loss) attributable to shareholders	212.0	(493.7)
Underlying net profit ²	250.9	191.0
Diluted earnings per share (US cents)	23.60	(55.55)
Capital expenditure	263.6	282.1
<i>Capital expenditure as % of sales</i>	8.4%	9.2%
Free cash flow from operations ³	171.1	258.4

1. Earnings before interest, tax and amortization
2. Adjusted to exclude the impairment of goodwill and other intangible assets and significant non-cash, divested items and restructuring costs
3. Principal portion of leases previously reported as a component of free cash flow in FY19/20 reclassified as a financing activity to conform to the current accounting treatment



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Financial Highlights

US\$ million	31 Mar 2021	31 Mar 2020	
Cash	539.5	384.4	4. Cash less total debt (including bonds)
Total debt	426.2	415.5	5. Enterprise value calculated as market capitalization plus non-controlling interests plus total debt less cash
Net cash / (debt) ⁴	113.3	(31.1)	
Enterprise value ⁵	2,368.6	1,505.8	
EBITDA adjusted ^{6,7}	555.0	488.8	6. Earnings before interest, tax, depreciation and amortization
Key Financial Ratios	31 Mar 2021	31 Mar 2020	
Enterprise value to EBITDA adjusted	4.3	3.1	7. Adjusted to exclude the impairment of goodwill and other intangible assets and significant non-cash, divested items and restructuring costs
Gross debt to EBITDA adjusted	0.9	1.1	

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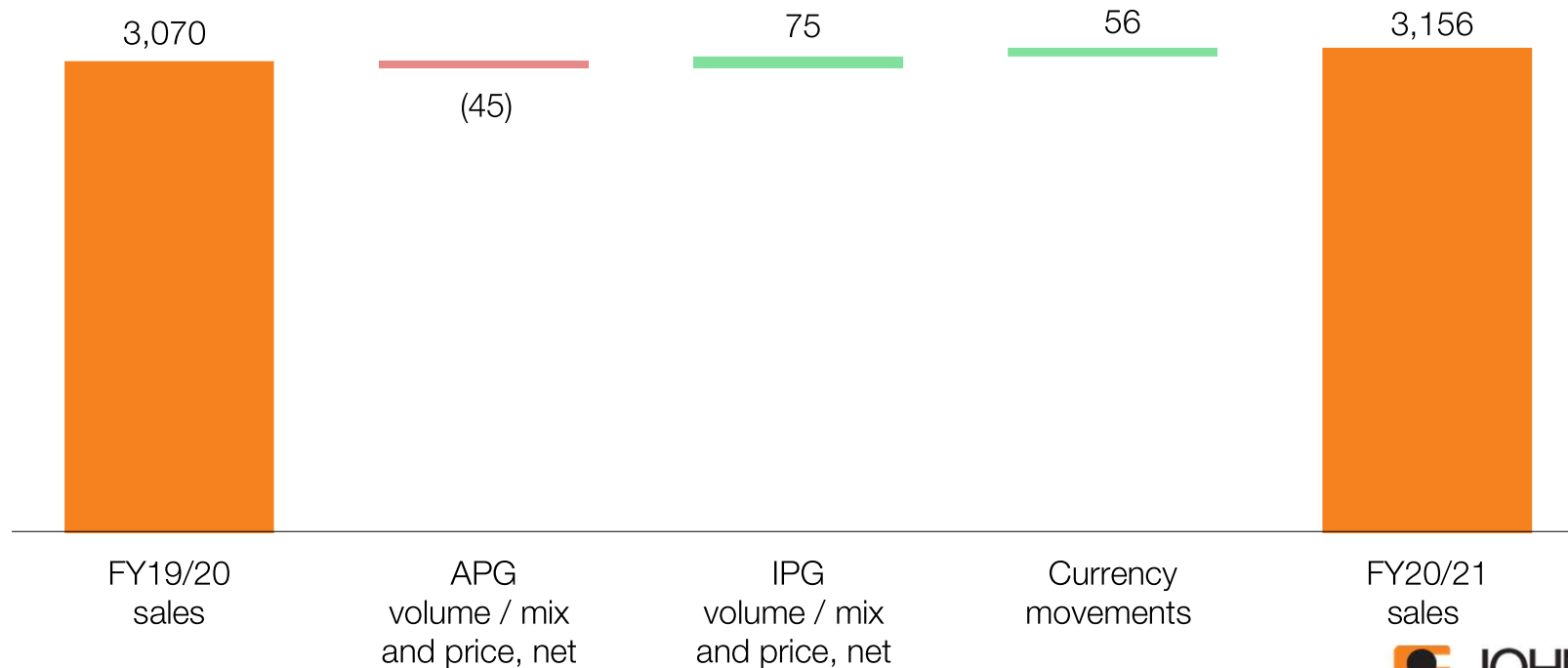
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Group Sales Movements

FY20/21 vs. FY19/20

Recovery in sales in the second quarter gathered momentum in the second half, largely mitigating the deep pandemic-driven decline in the first half

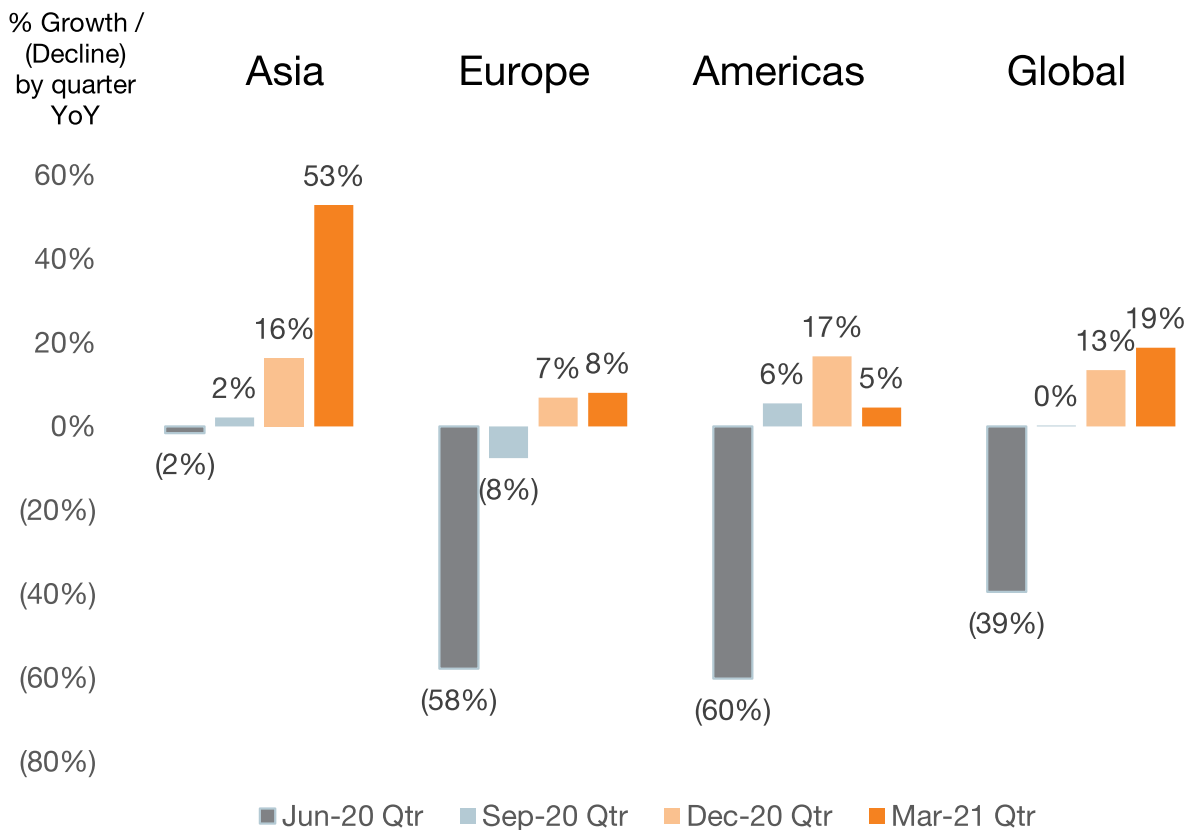
US\$ million



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APG Quarterly Sales Growth

COVID-19 sharply reduced APG's sales in the quarter ended June 2020, particularly in Europe and the Americas. The Group subsequently experienced a significant recovery in demand as shown below



Note:

APG sales movements % excludes currency impact

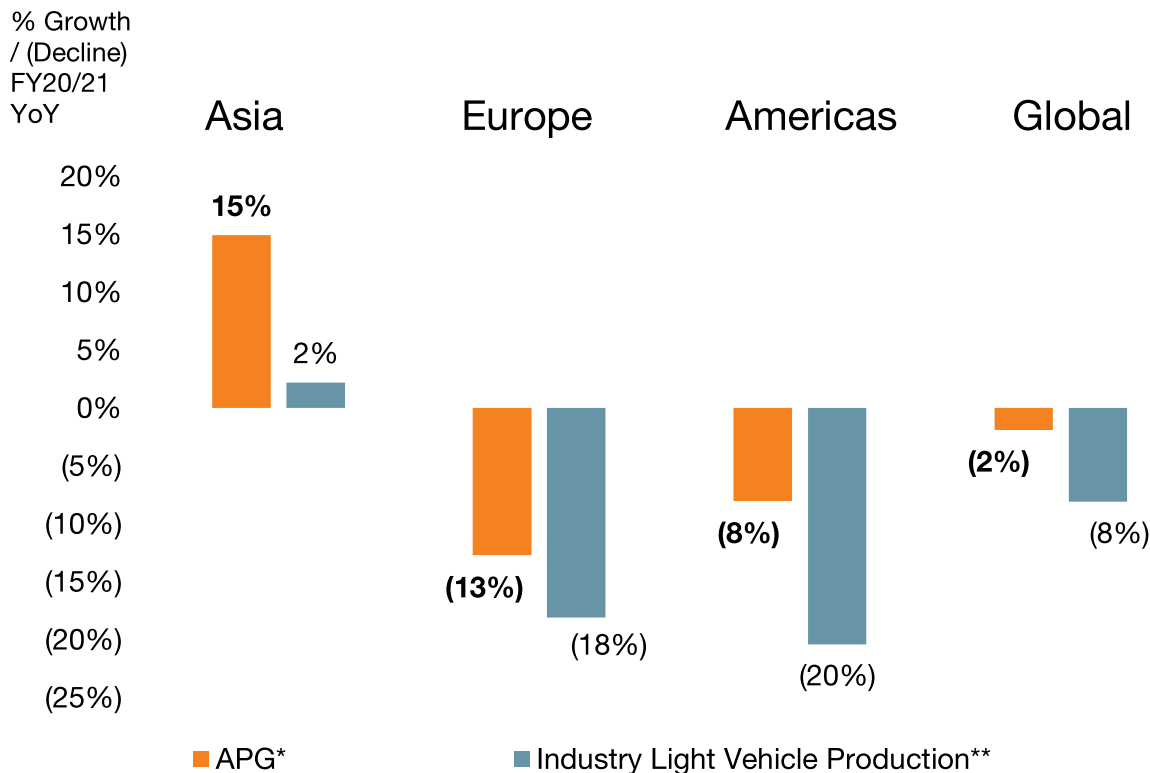


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APG Sales Growth / (Decline) vs Light Vehicle Production

Full year ended 31 March 2021

Outperformance vs light vehicle production volumes growth



Note:

* APG sales movements % excludes currency impact

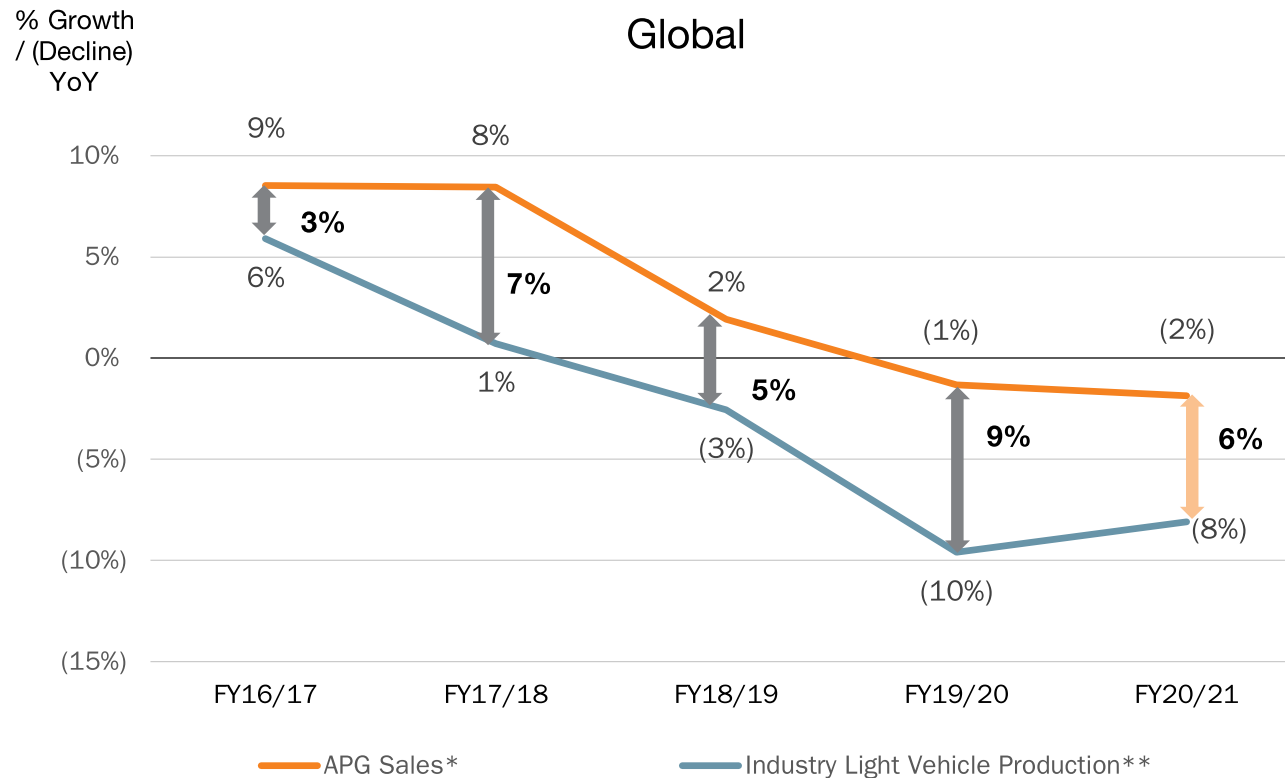
** Source: IHS



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APG Sales Trend vs Light Vehicle Production

APG has consistently outperformed light vehicle production over several successive years



Note:

* APG sales movements % excludes currency impact

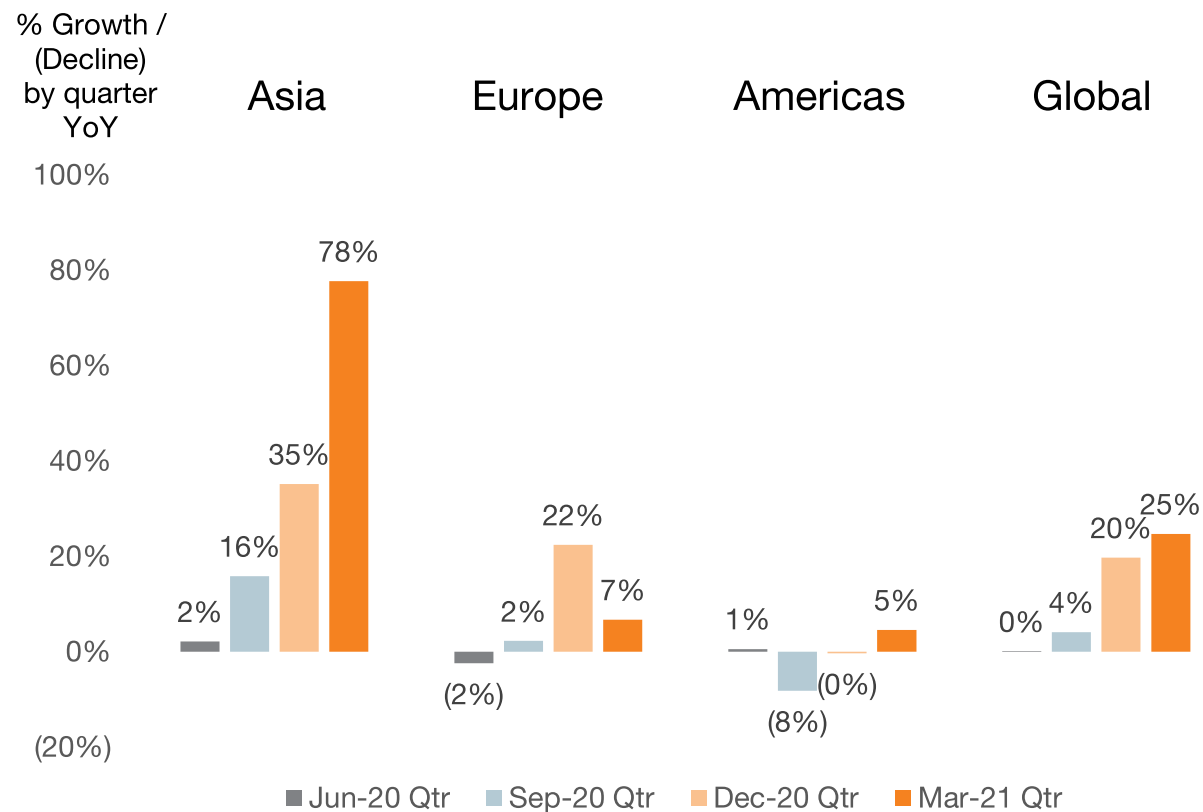
** Source: IHS



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IPG Quarterly Sales Movements

While COVID adversely impacted certain customers and market segments, overall, IPG benefited significantly from changes in consumer behaviour and expenditure



Note:

* IPG sales movements % excludes currency impact

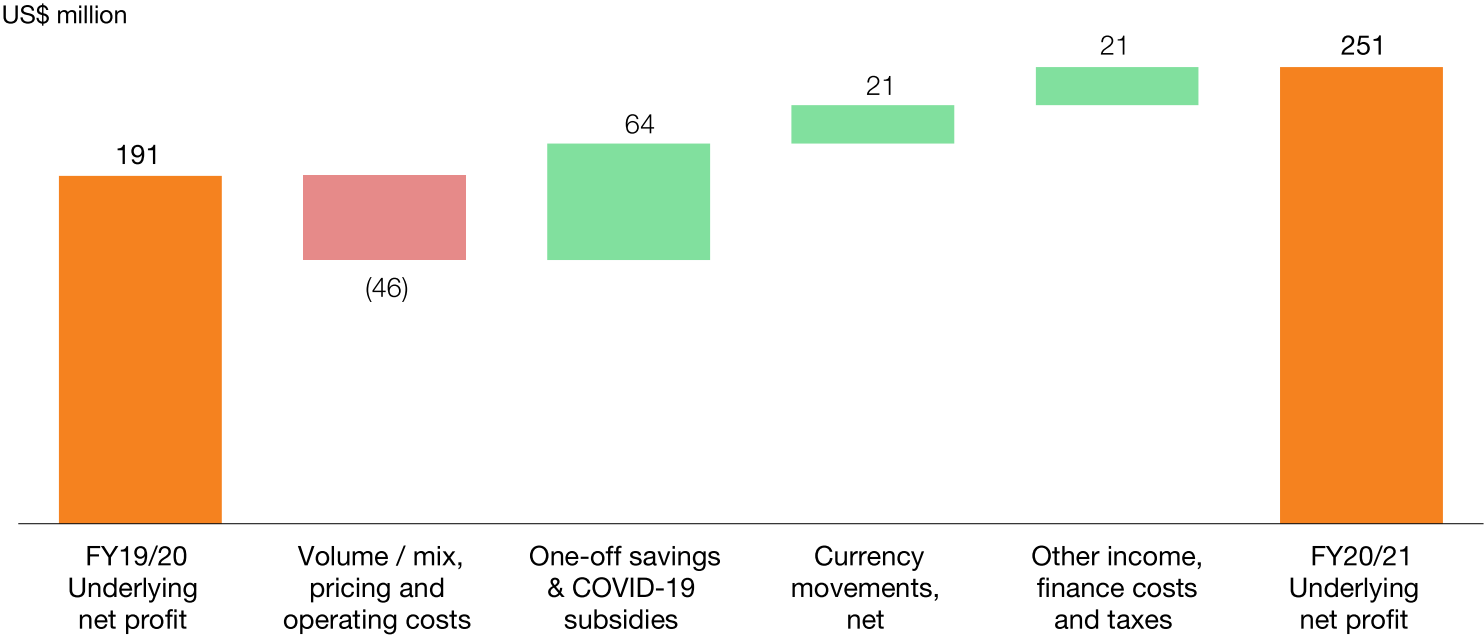
Sales Growth / (Decline) by Region - IPG

Sales Growth/(Decline) % Excluding Currency Movements

IPG	Asia	Europe	Americas	TOTAL
FY20/21	29%	6%	(1%)	12%
FY19/20	(18%)	(14%)	(14%)	(15%)
FY18/19	(2%)	(0%)	6%	1%
FY17/18	13%	6%	2%	7%
FY16/17	3%	18%	(3%)	5%

Underlying Net Profit Changes vs. Prior Year

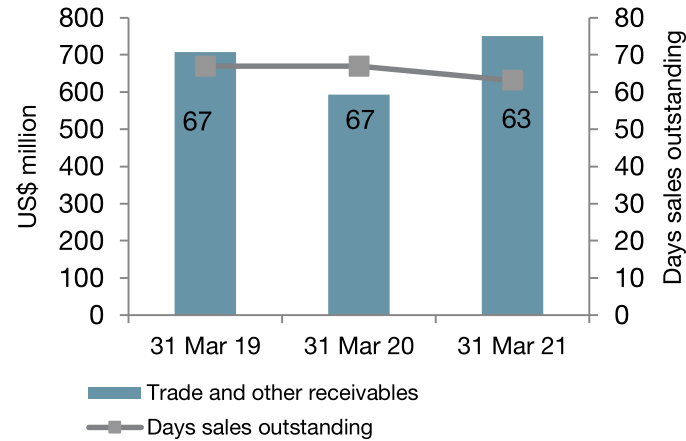
FY20/21 underlying net profit increased due to higher volumes and ongoing as well as one-off cost savings partially offset by price reduction and higher operating costs



Working Capital & CAPEX

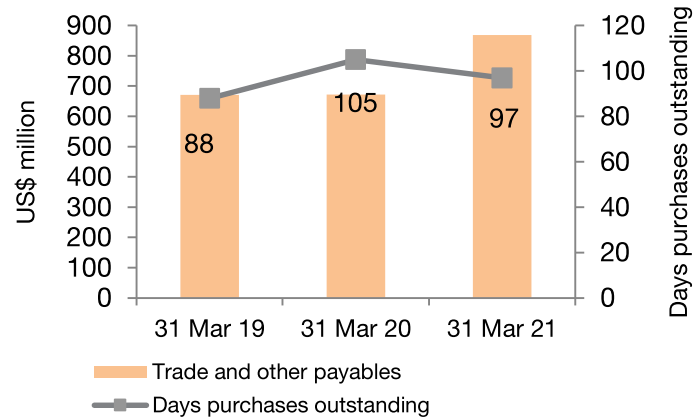
Trade and other receivables

(DSOs calculated on trade receivables only)

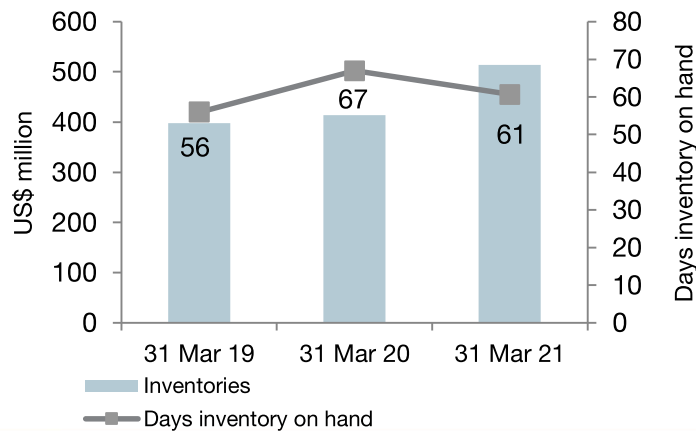


Trade and other payables

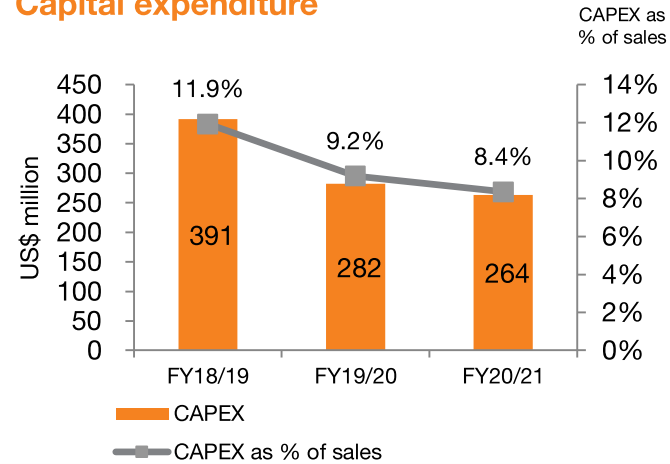
(DPOs calculated on trade payables only)



Inventories



Capital expenditure



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Free Cash Flow

US\$ million	FY20/21	FY19/20	Change
EBITDA	509.6	586.3	(76.7)
Other non-cash items	17.1	(61.9)	79.0
Working capital changes	(42.4)	81.9	(124.3)
Capital expenditure, net of subsidies & proceeds from disposal of fixed assets	(260.7)	(281.1)	20.4
Net interest, taxes and others	(52.5)	(66.8)	14.3
Free cash flow from operations ¹	171.1	258.4	(87.3)

1. The US\$17.2 million payment of lease – principal portion reported in FY19/20, previously reported as a component of free cash flow has been reclassified as a financing activity to conform to the current accounting treatment



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Use of Free Cash Flow

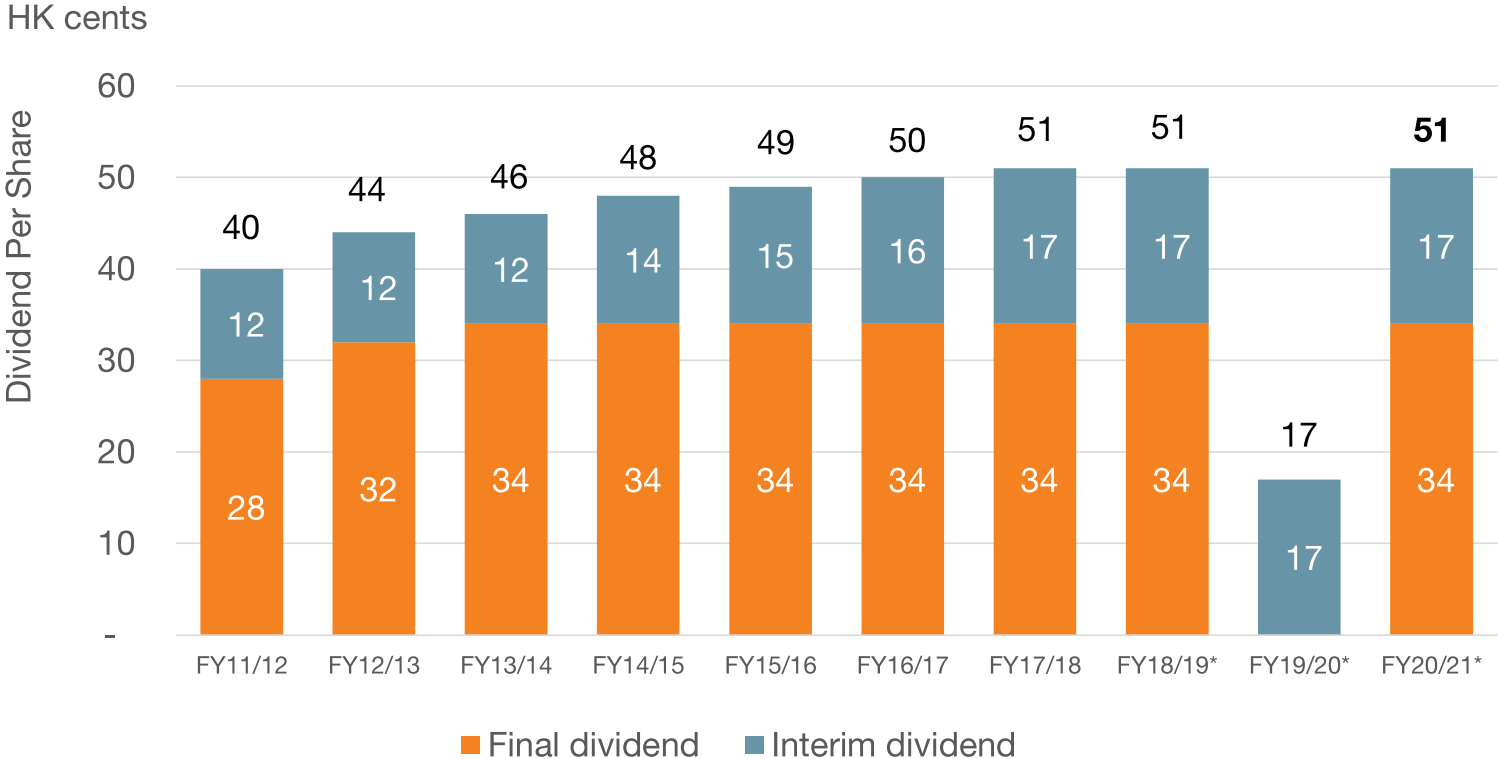
US\$ million	FY20/21	FY19/20	Change
Free cash flow from operations ¹	171.1	258.4	(87.3)
Dividends paid	(17.0)	(25.6)	8.6
Borrowings / (repayments), net	8.2	(112.3)	120.5
Others	(29.6)	(64.2)	34.6
Currency translation gains / (losses) on cash and cash equivalents	22.4	(11.9)	34.3
Net movement in cash and cash equivalents	155.1	44.4	110.7

1. The US\$17.2 million payment of lease – principal portion reported in FY19/20, previously reported as a component of free cash flow has been reclassified as a financing activity to conform to the current accounting treatment



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Dividends



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



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Outlook

- Johnson Electric's **positive business trajectory** in the 2nd half of FY20/21 **has continued in FY21/22**
- Customer demand** in both our automotive and industry products divisions **remains strong**:
 - APG is gaining share** in important thermal management, braking and transmission applications for new energy vehicles, as well as winning new business awards based on our compelling ability to serve global OEM customers in every major regional market
 - IPG also continues to experience robust demand** from many end-product applications that have seen significant volume growth as a result of “stay at home” measures that remain in effect in a number of countries
- Based on prevailing trading conditions and customer orders, the Group's **sales growth** in the current financial year is on track **to exceed 10%**
- Margins will face downward pressure** if raw material price **inflation** stays at or exceeds its present level
- Global shortages** of semiconductors and plastic resins, combined with other supply chain bottlenecks, are **causing disruptions to OEM production lines** could last into the 2nd half of calendar 2021
- I remain **confident that Johnson Electric's prospects for sustainable growth and value creation are highly attractive in the longer term**

Disclaimer

This presentation contains certain forward looking statements with respect to the financial condition, results of operations and business of Johnson Electric and certain plans and objectives of the management of Johnson Electric.

Words such as “outlook”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “projects”, variations of such words and similar expressions are intended to identify such forward-looking statements. Such forward looking statements involve known and unknown risk, uncertainties and other factors which may cause the actual results or performance of Johnson Electric to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Johnson Electric’s present and future business strategies and the political and economic environment in which Johnson Electric will operate in the future.



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Profitability Review

FY20/21 vs. FY19/20

US\$ million	FY20/21	FY19/20	Increase / (decrease)
Sales	3,156.2	3,070.5	85.7
Gross profit	723.3	672.3	51.0
<i>Gross margin %</i>	22.9%	21.9%	
Other income and (expenses)	30.0	121.0	(91.0)
<i>As a % of sales</i>	1.0%	3.9%	
Intangible assets amortization expense	(31.3)	(41.4)	10.1
<i>As a % of sales</i>	1.0%	1.3%	
Other selling and administrative expenses ("S&A")	(436.0)	(411.3)	(24.7)
<i>As a % of sales</i>	13.8%	13.4%	
Resturcturing and other costs	(27.5)	-	(27.5)
Operating profit	258.5	340.6	(82.1)
<i>Operating profit margin %</i>	8.2%	11.1%	

Profitability Review

FY20/21 vs. FY19/20

US\$ million	FY20/21	FY19/20	Increase / (decrease)
Operating profit	258.5	340.6	(82.1)
<i>Operating profit margin %</i>	8.2%	11.1%	
Impairment of goodwill and other intangible assets	-	(795.5)	795.5
Share of profit of associate	0.3	-	0.3
Net finance costs	(10.4)	(16.8)	6.4
Profit / (loss) before income tax	248.4	(471.7)	720.1
Income tax expense	(29.2)	(15.2)	(14.0)
Profit / (loss) for the year	219.2	(486.9)	706.1
Non-controlling interests	(7.2)	(6.8)	(0.4)
Profit / (loss) attributable to shareholders	212.0	(493.7)	705.7
Basic earnings per share (US cents)	23.77	(55.84)	79.61
Diluted earnings per share (US cents)	23.60	(55.55)	79.15

From Reported to Underlying Net Profit

US\$ million	FY19/20			FY20/21		
	Before tax	Tax effect	Net of tax effect	Before tax	Tax effect	Net of tax effect
Net (loss) / profit, as reported			(493.7)			212.0
Unrealized net (gains) / losses on other financial assets and liabilities	(29.5)	-	(29.5)	23.1	(0.1)	23.0
Unrealized net losses / (gains) from revaluation of monetary assets and liabilities	1.1	0.5	1.6	(18.7)	(1.0)	(19.7)
Unrealized net (gains) / losses on structured foreign currency contracts	(28.0)	3.4	(24.6)	13.5	(1.8)	11.7
Fair value (gains) on a divested item	(41.1)	-	(41.1)	-	-	-
Impairment of goodwill and other intangible assets	795.5	(17.2)	778.3	-	-	-
Restructuring and other costs	-	-	-	27.5	(3.6)	23.9
Net losses of significant non-cash, divested items, restructuring and other costs	698.0	(13.3)	684.7	45.4	(6.5)	38.9
Underlying net profit			191.0			250.9
<i>As a % of sales</i>			6.2%			7.9%

Average Exchange Rate – FY20/21 vs. FY19/20

USD	FY20/21	FY19/20	Change
Average Exchange Rate	APR-MAR	APR-MAR	
CAD per USD	1.320	1.330	CAD strengthen 0.7%
CNY per USD	6.781	6.953	CNY strengthen 2.5%
USD per EUR	1.167	1.111	EUR strengthen 5.0%

Source: Bloomberg daily rates



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