

# JOHNSON ELECTRIC HOLDINGS LIMITED

**FY2015/16**

Annual Results

July 2016



innovating motion

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**Group Overview**

**Key Financial Highlights**

**Operational Results**

**AML Acquisition**

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**FY2016/17 June Quarter**

# JOHNSON ELECTRIC GROUP OVERVIEW

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*Johnson Electric is the global leader in custom designed motion subsystems, including motors, solenoids, switches and flexible interconnects. We serve a broad range of industry segments including automotive, building automation and security, business machines, security and aerospace, food and beverage equipment, home technologies, HVAC, industrial equipment, medical devices, personal care, power equipments and power tools.*

*Established in 1959, Johnson Electric designs and produces custom motion solutions throughout the world for use in a broad range of product applications. Innovation centers are located in Hong Kong, China, Switzerland, Germany, Italy, Israel, Japan and the UK and the USA. Total global headcount including contract staff stands at approximately 38,000 people.*

*The annual production capacity are over one billion motor and actuators and manufactures products in more than a dozen countries on four continents.*

*Johnson Electric has been listed on The Stock Exchange of Hong Kong Limited since 1984.*

# COMPANY VISION AND BRAND PROMISE

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## Company Vision

To be the world's definitive provider of innovative and reliable motion systems

## Brand Promise

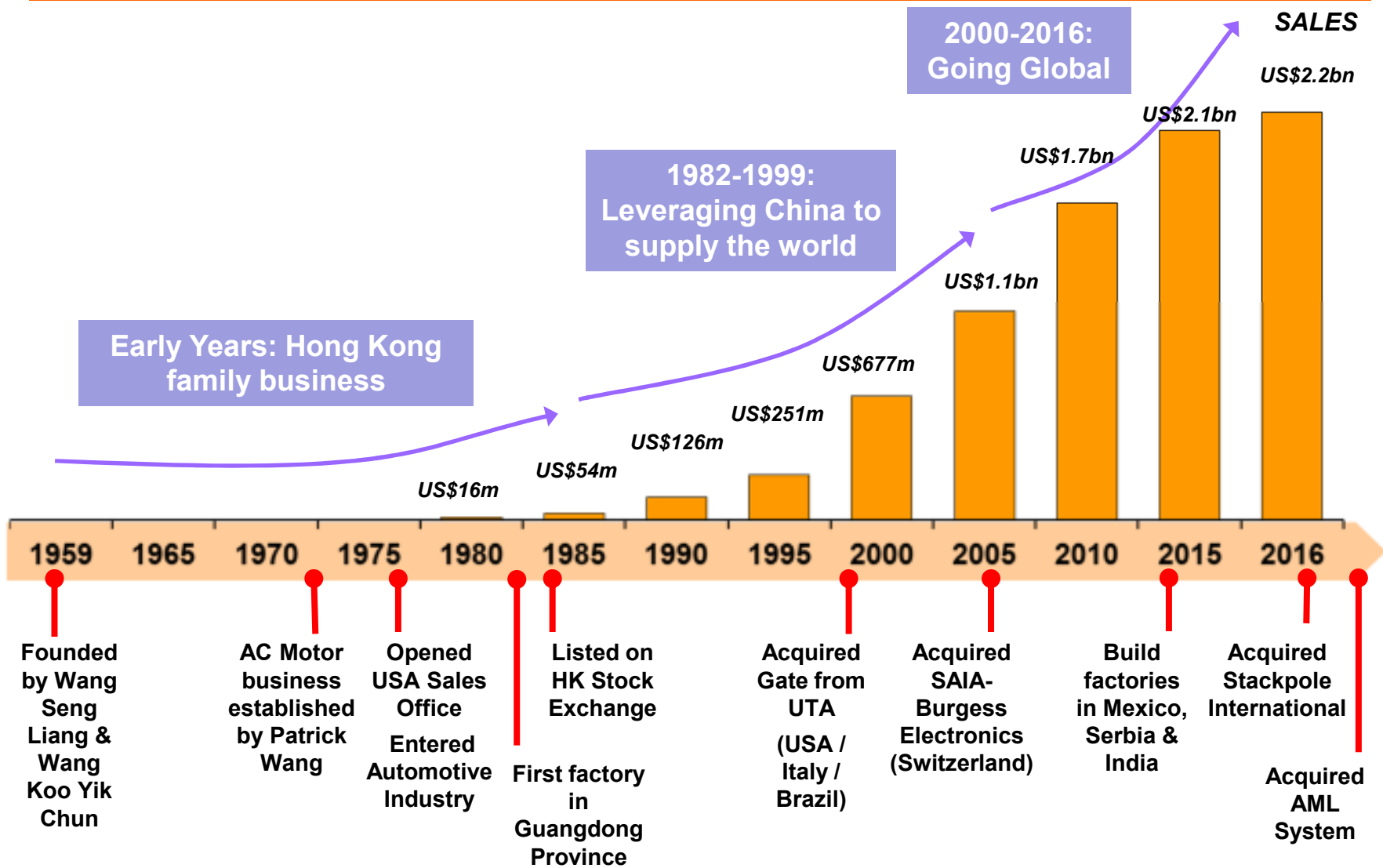
“Technology Leadership”

“The Safe Choice”



... innovating motion ...

# KEY MILESTONES 1959 – 2016



# APG APPLICATIONS

<b>Powertrain Cooling</b>  <b>Cooling Fan Module</b>	<b>Haptic</b>  <b>Command Feedback</b>	<b>HVAC</b>  <b>Mix</b>  <b>Air Distribution</b>	<b>Door Locks</b>  <b>Door Lock</b>	<b>Window Lift &amp; Sunroof Drives</b>  <b>Window Lift Drive</b>  <b>Sunroof Drive</b>	<b>Seating</b>  <b>Seat Adjuster</b>  <b>Seatbelt Pretensioner</b>
 <b>Battery Cooling</b>	<b>Lighting</b>  <b>Headlamp Adjuster</b>  <b>Headlamp Adjuster</b>  <b>LED Lighting</b>	<b>Washer Pumps</b>  <b>Washer Pump</b>  <b>Windshield Washer</b>  <b>Headlamp Washer</b>	<b>Mirrors</b>  <b>Mirror Adjuster</b>  <b>Power Folder</b>	 <b>Rearview Adjuster</b>  <b>Lumbar Support</b>	
 <b>Grill Shutter</b>  <b>Coolant Valve</b>				<b>Chassis &amp; Braking</b>  <b>Electronic Stability Control</b>  <b>Motorcycle ABS</b>  <b>Electric Parking Brake</b>	<b>Power Closure</b>  <b>Power Lift Gate Drive</b>  <b>Latching / Chocking</b>  <b>Door Closure Assist</b>
<b>Steering</b>  <b>Electric Power Steering</b>  <b>Electric Steering Column Lock</b>				<b>Engine</b>  <b>Electronic Throttle Control</b>  <b>Exhaust Gas Recirculation</b>  <b>Fuel Pump</b>  <b>Variable Geometry Turbocharger</b>  <b>Diesel Exhaust Fluid</b>	<b>Transmission</b>  <b>Automated Manual Transmission</b>  <b>Dual Clutch Transmission</b>

# STACKPOLE APPLICATIONS

## Pumps



**Engine Oil Pumps**



**Transmission Oil Pumps**



**Vacuum Pumps**

## Powder Metals



**Carriers**



**Clutch Components**



**Gears & Sprockets**

**Key Products**

**Market Position**

**Stackpole's Differentiation**

One of the leading oil pump manufacturer in North America and Europe

One of the leading powder metals manufacturer focusing in automotive industry of North America

- The pioneer of the fuel-efficient variable vane pump more than 20 years ago
- Over 25 million units installed globally, far in excess of any other supplier
- In-depth product know-how in noise, vibration and harshness, hydraulic and durability performance

- Proprietary technologies and processes that underpin a portfolio of highly complex, non-commoditized products
- Relied upon by customers for material process design and production capability
- Offers leading, value-added finishing capabilities

# IPG APPLICATIONS

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Medical Devices



Smart Meters



Circuit Breakers



Lawn & Garden



Power Tools



Personal Care



Power Sports



HVAC



Building Automation



Business Machines



Digital Security



Home Technologies



Food & Beverages



Industrial Equipment



Special Vehicles



Optronics



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# HIGHLIGHTS

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- ✓ **Sales, as reported, up 5%** from the prior year with the acquisition of Stackpole International. **Excluding currency movements and acquired business, sales increased 2%** (APG, 5% increase; IPG, 5% decrease)
- ✓ **Gross margin decreased to 26.4%**, due to wage and salary inflation, especially in China and the significant weakening of the Euro against the US Dollar
- ✓ **Acquired the Stackpole International group of companies in October 2015 for consideration of about US\$676 million** (C\$800 million enterprise value plus other considerations), **largely funded from the Group's cash reserves**
- ✓ **Binding offer made in February 2016 to acquire AML Systems for EUR65 million in cash.** This transaction **is expected to close in May 2016**, subject to customary conditions including obtaining applicable regulatory approvals
- ✓ **Inaugurated second plant in Zacatecas, Mexico and significantly expanded our plant in Niš, Serbia**
- ✓ **Total debt to capital ratio was 18% and total debt to EBITDA as adjusted to include 12 months of Stackpole International was 1.1 as of 31 March 2016**

# FINANCIAL HIGHLIGHTS

<i>US\$ million</i>	FY2015/ 16 <sup>1</sup>	FY2014/ 15
Sales	2,235.9	2,136.1
Gross profit	589.5	632.4
<i>Gross margin</i>	26.4%	29.6%
Profit attributable to shareholders	172.7	210.9
Diluted earnings per share (US Cents)	19.75	23.60
EBITDA <sup>2</sup>	334.3	335.5
<i>EBITDA margin</i>	15.0%	15.7%
Free cash flow from operations <sup>3</sup>	70.8	155.8
<i>US\$ million</i>	31 Mar 2016	31 Mar 2015
Cash	193.3	773.2
Total debt <sup>4</sup>	422.5	291.3
Net (debt) / cash (cash less total debt)	(229.2)	481.9
Enterprise value <sup>5</sup>	2,914.7	2,589.3
Enterprise value to EBITDA <sup>6</sup>	7.9	7.7
<b>Credit Quality - Financial Ratios</b>	31 Mar 2016	31 Mar 2015
Total debt to EBITDA <sup>6</sup>	1.1	0.9
Total debt to capital (total equity + total debt)	18%	13%

1. Includes 5 months results of Stackpole International

2. Earnings before interest, tax, depreciation and amortisation, excluding nonrecurring acquisition related transaction costs of US\$12.4 million

3. Net cash generated from operating activities plus net interest received, less capital expenditure (net of proceeds from disposal of fixed assets) and capitalisation of engineering development costs

4. Total debt calculated as borrowings plus convertible bonds

5. Enterprise value calculated as market capitalisation plus non-controlling interests plus total debt less cash

6. Calculated using EBITDA adjusted to include 12 months of Stackpole International on a pro forma basis

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# PROFITABILITY REVIEW

## FY2015/16 vs. FY2014/15

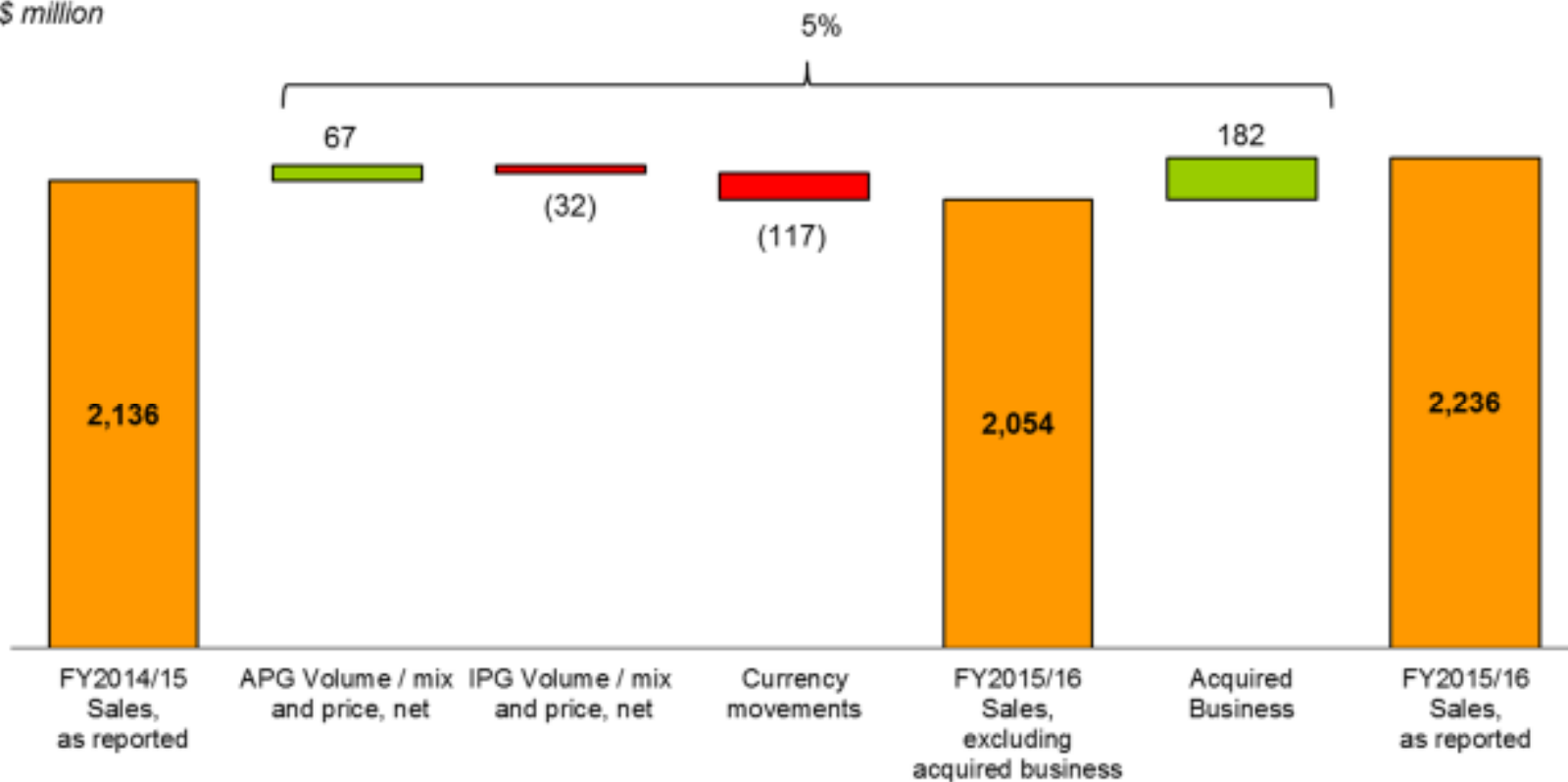
<i>US\$ million</i>	FY2015/ 16 <sup>1</sup>	FY2014/ 15	Increase / (decrease) in profit
Sales	2,235.9	2,136.1	99.8
Gross profit	589.5	632.4	(42.9)
<i>Gross margin %</i>	26.4%	29.6%	
Other income and gains, net	28.5	17.9	10.6
Selling and administrative expenses ("S&A"), excluding nonrecurring items	(398.4)	(407.5)	9.1
<i>S&amp;A % excluding nonrecurring items</i>	17.8%	19.1%	
Operating profit, excluding nonrecurring items	219.6	242.8	(23.2)
<i>Operating profit margin % excluding nonrecurring items</i>	9.8%	11.4%	
Nonrecurring items:			
Acquisition related transaction costs	(12.4)	-	(12.4)
Operating profit	207.2	242.8	(35.6)
<i>Operating profit margin %</i>	9.3%	11.4%	
Net interest (expense) / income	(3.2)	5.5	(8.7)
Share of profit of associates	2.6	0.7	1.9
Profit before income tax	206.6	249.0	(42.4)
Income tax expense	(23.9)	(29.2)	5.3
<i>Effective tax rate</i>	11.6%	11.7%	
Profit for the year	182.7	219.8	(37.1)
Non-controlling interests	(10.0)	(8.9)	(1.1)
Profit attributable to shareholders	172.7	210.9	(38.2)

1. Includes 5 months results of Stackpole International

# SALES CHANGES

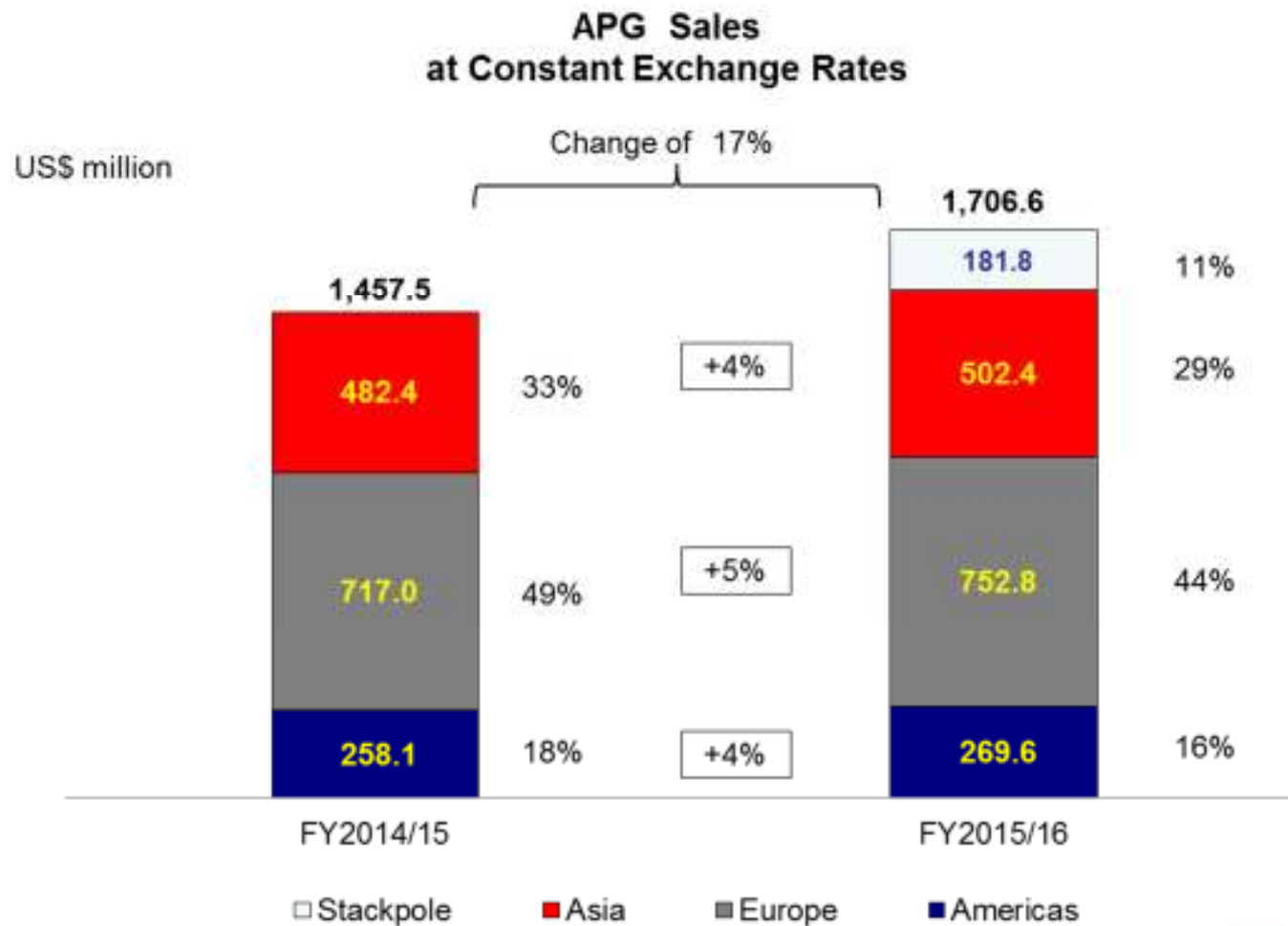
## FY2015/16 vs. FY2014/15

US\$ million

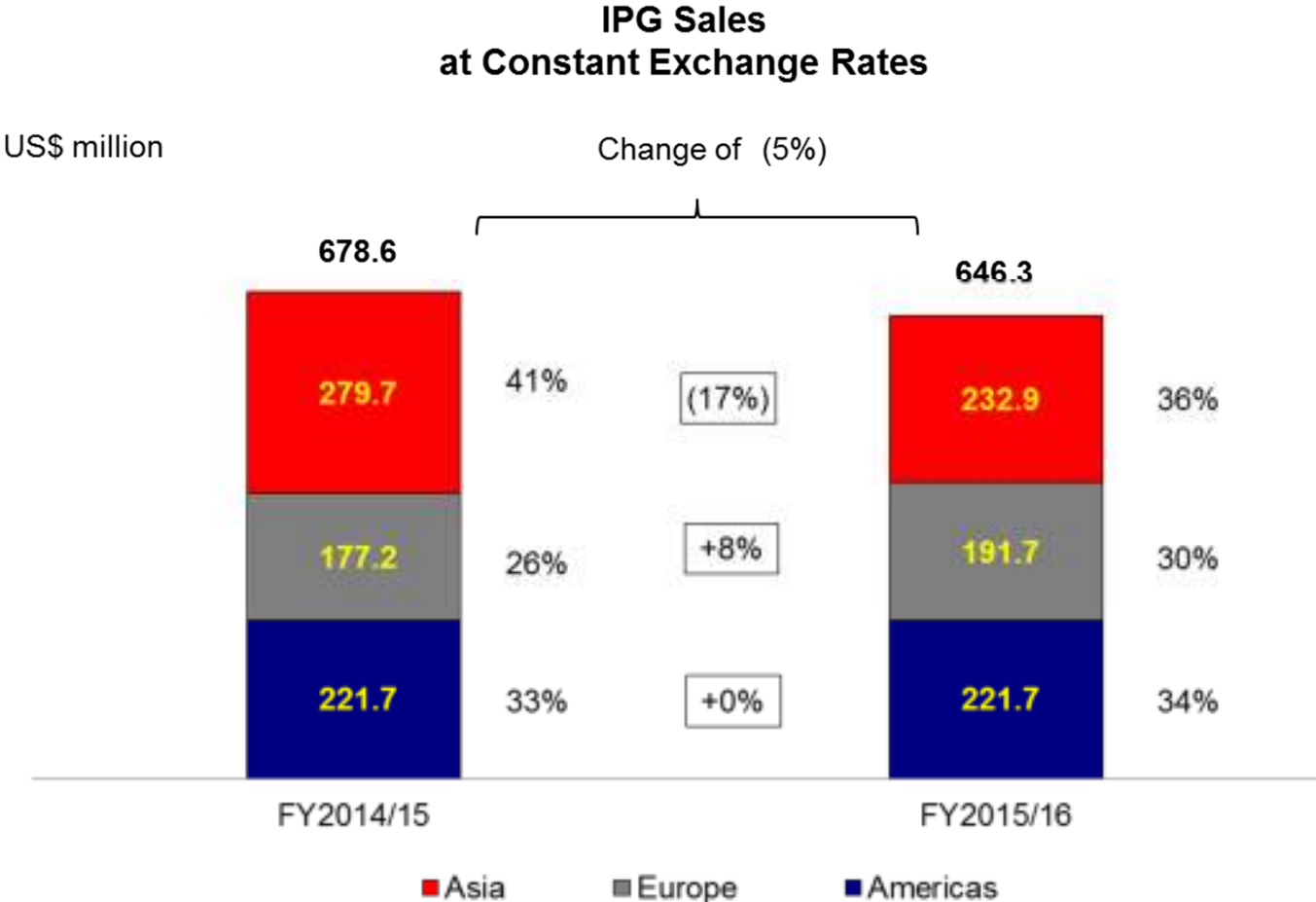


Note: Numbers do not add across due to the effect of rounding

# GROUP SALES BY BUSINESS - APG



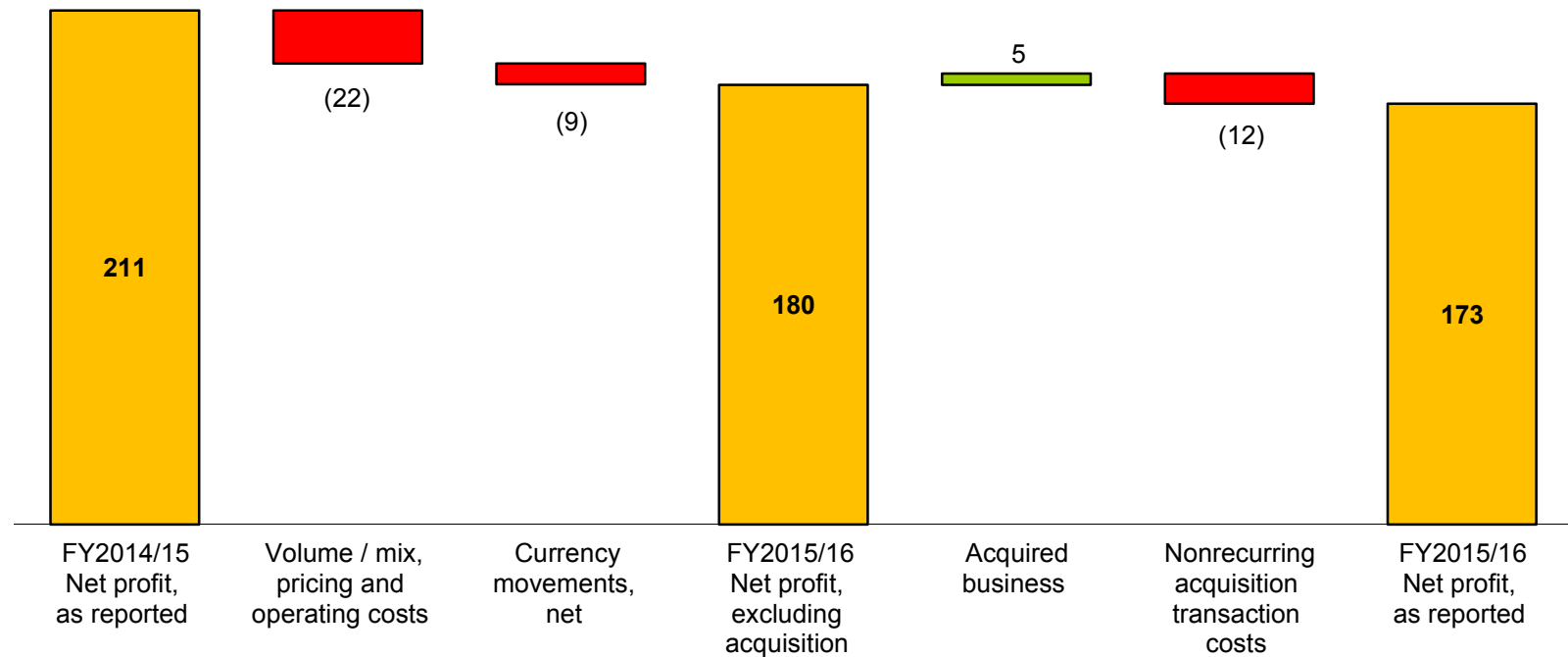
# GROUP SALES BY BUSINESS - IPG





# CHANGES IN PROFIT ATTRIBUTABLE TO SHAREHOLDERS

US\$ million



Note: Numbers do not add across due to the effect of rounding

# ANALYSIS OF CASH FLOW

<i>US\$ million</i>	FY2015/ 16	FY2014/ 15	Change
Operating profit <sup>1</sup>	207.9	243.0	(35.1)
Depreciation and amortisation	114.0	92.5	21.5
<b>EBITDA</b>	<b>321.9</b>	<b>335.5</b>	<b>(13.6)</b>
Other non-cash items in profit before taxes	4.8	(1.5)	6.3
Working capital changes <sup>2</sup>	(46.4)	(21.1)	(25.3)
Interest paid	(4.4)	(2.6)	(1.8)
Income taxes paid	(34.6)	(43.2)	8.6
Capital expenditure, net of subsidies	(186.2)	(119.9)	(66.3)
Proceeds from disposal of fixed assets	15.6	0.8	14.8
Capitalisation of engineering development costs	(6.1)	(6.2)	0.1
Interest received	6.2	14.0	(7.8)
<b>Free cash flow from operations</b>	<b>70.8</b>	<b>155.8</b>	<b>(85.0)</b>

1. Operating profit as reported plus US\$0.6 million dividend received from associates in FY2015/16 (FY2014/15: US\$0.2 million)
2. Please refer to working capital table on page 14 of the FY2015/16 Annual Results Announcement

# OTHER CASH FLOWS

<i>US\$ million</i>	FY2015/ 16	FY2014/ 15	Change
<b>Free cash flow from operations</b>	<b>70.8</b>	<b>155.8</b>	<b>(85.0)</b>
Acquisitions and related costs	(680.3)	(9.2)	(671.1)
Dividends paid	(54.4)	(54.3)	(0.1)
Purchase of shares held for incentive share schemes	(22.0)	(50.7)	28.7
Purchase of shares for cancellation of issued capital	(5.2)	(55.0)	49.8
Other investing activities	0.2	0.8	(0.6)
Other financing activities	(4.2)	(4.8)	0.6
Total cash flow (excluding changes in borrowings and currency movements)	(695.1)	(17.4)	(677.7)
Borrowing proceeds / (repayments) <sup>3</sup>	40.3	(10.8)	51.1
Proceeds from long term debts, net of transaction costs	74.2	197.3	(123.1)
(Decrease) / increase in cash (excluding currency effects)	(580.6)	169.1	(749.7)
Exchange gains / (losses) on cash	0.7	(39.9)	40.6
<b>Net movement in cash</b>	<b>(579.9)</b>	<b>129.2</b>	<b>(709.1)</b>

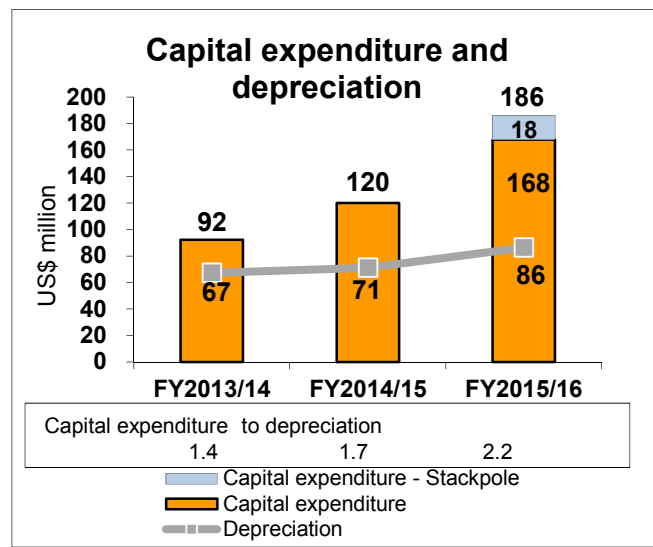
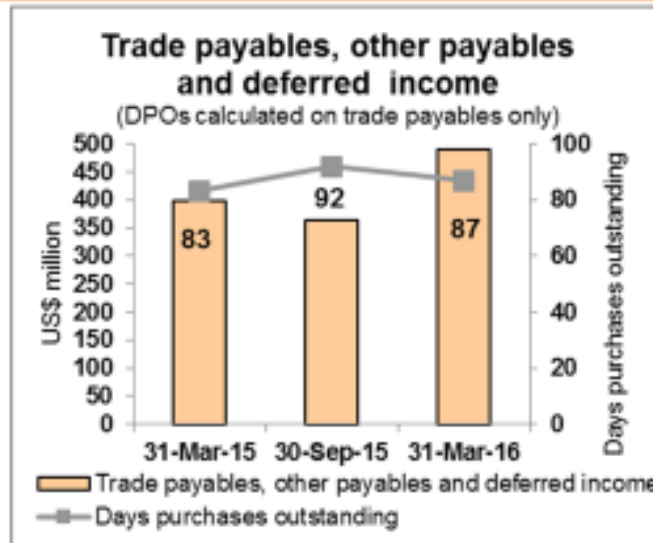
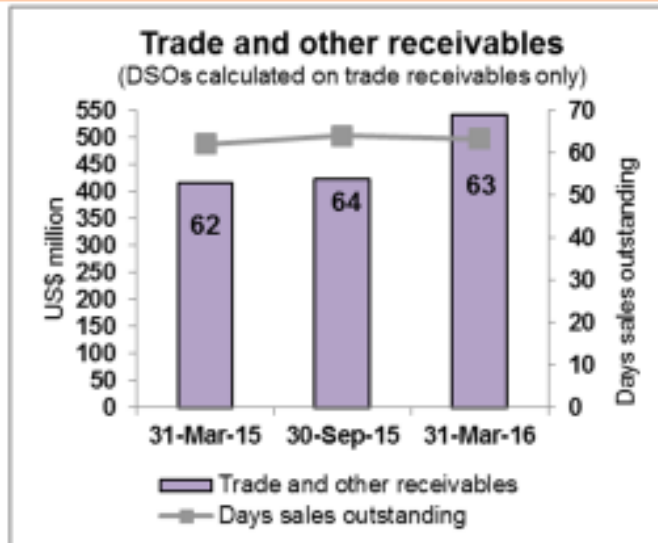
3. Includes US\$9.9 million of finance lease repayments mainly for extinguishment of lease liability acquired with Stackpole

# DIVIDENDS & SHARES

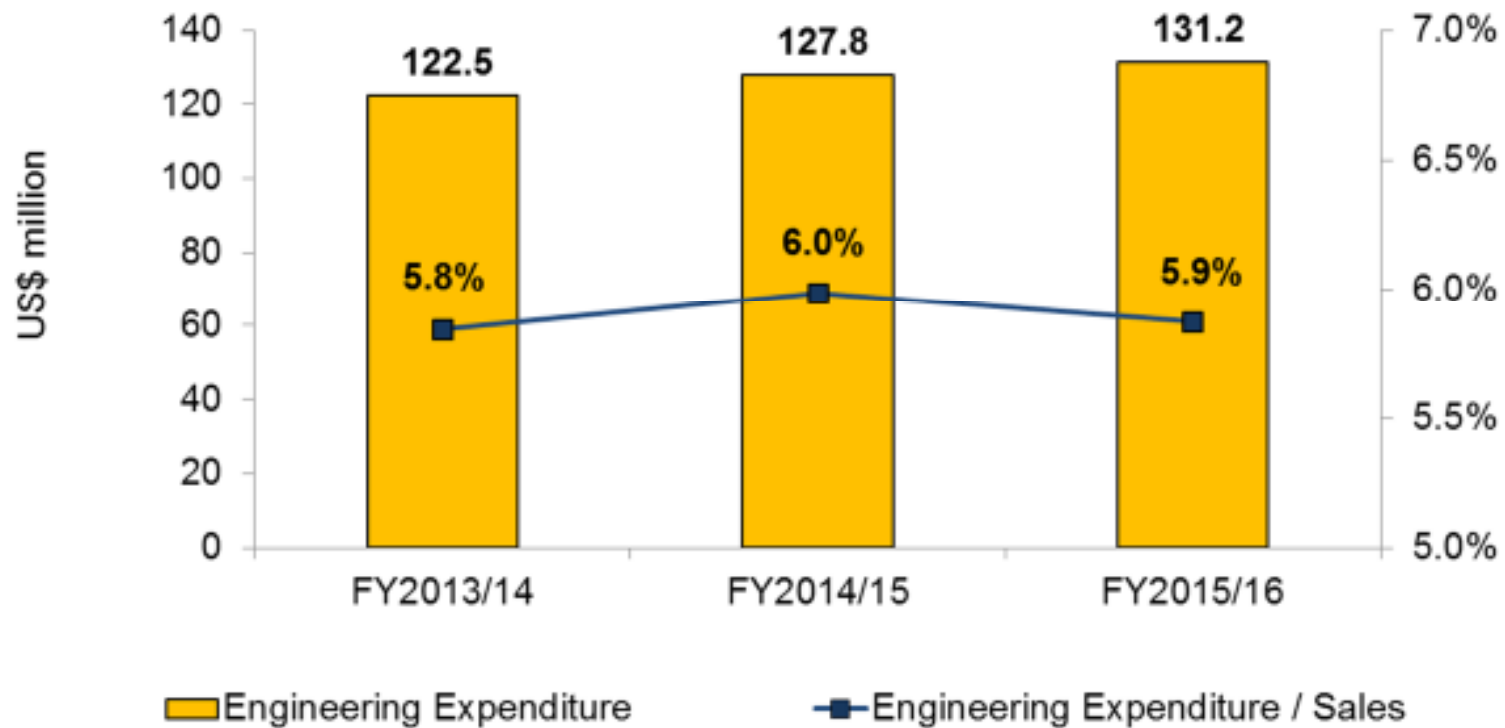
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- ▶ **Final dividend of 34 HK cents per share** to be paid for FY2015/16.  
Total dividend of 49 HK cents for FY2015/16 compared to 48 HK cents paid for FY2014/15
- ▶ **1.7 million shares were purchased for cancellation** in FY2015/16 at a total cost of US\$5.2 million including brokerage and cancellation fees

# WORKING CAPITAL & CAPEX



# ENGINEERING EXPENDITURE



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# PRODUCTS & TECHNOLOGIES

Product Types	Diagrams	Drivers	% of Sales
Headlamp Levelers	 (Static & Auto Static)	Manual levelers for halogen & automatic levelers for Xenon / LED lamps are <b>mandatory in EU / Japan / China / India</b>	69%
	 (Dynamic)		
Smart Actuators	 (ADB Actuator)	Adaptive lighting technology, an important means of differentiation in marketing cars (for both <b>safety</b> and <b>styling</b> reasons)	22%
	 (Bi-function / Tri-function)		
Headlamp Cleaning Systems		<b>Mandatory in EU / China / India</b> for light sources > 2K Lumen Also for harsh weather conditions	9%



# HISTORICAL FINANCIAL PERFORMANCE

	For the year ended 30 June 2015	For the year ended 30 June 2014
	€ millions	€ millions
Revenue	99.6	90.5
EBITDA	9.2	8.7
Reported profit before taxation and extraordinary items	6.5	5.0
Net profit after taxation and extraordinary items	4.5	3.4
Net assets	22.7	16.7

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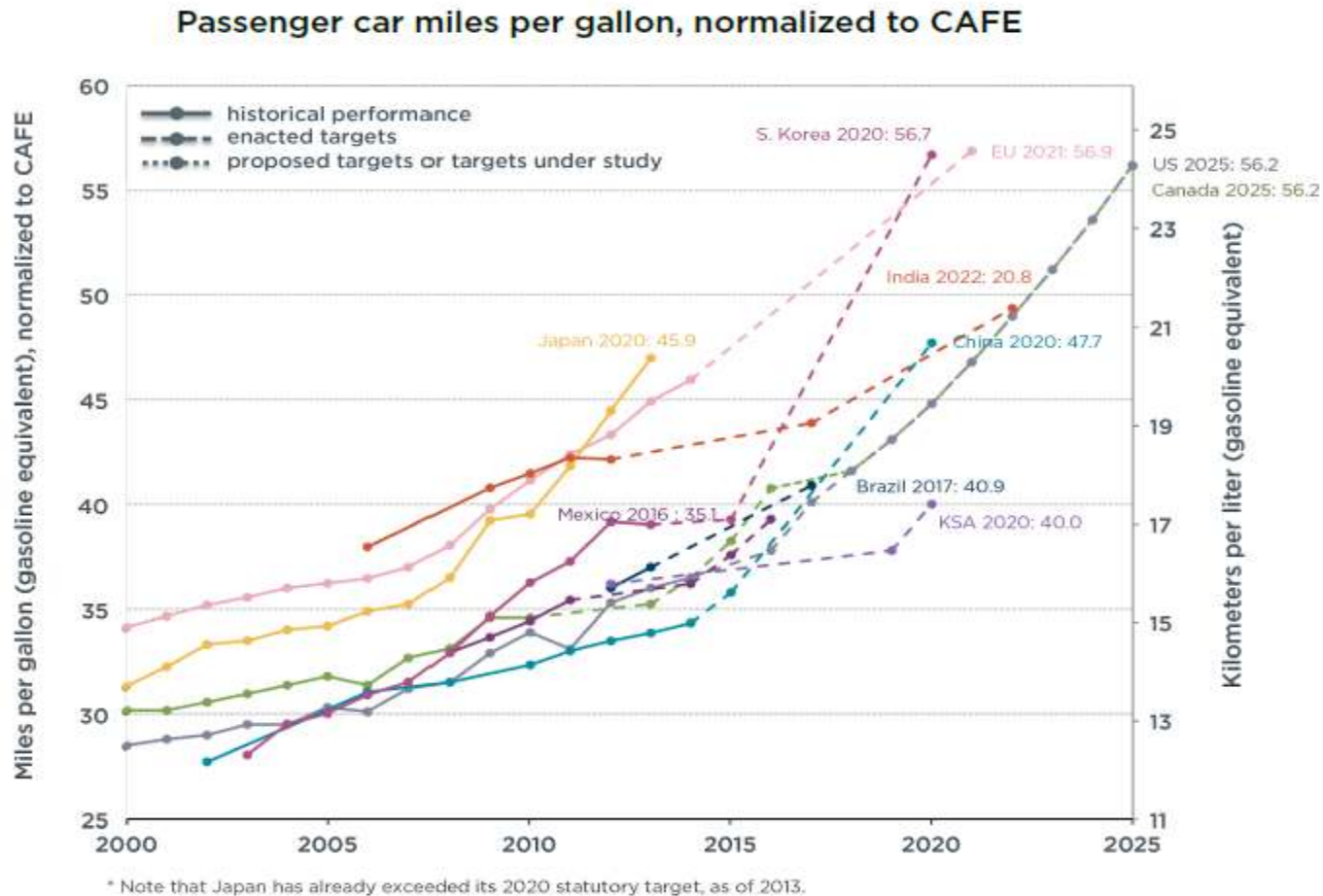
**FY2016/17 June Quarter**

# STRATEGY AND OUTLOOK

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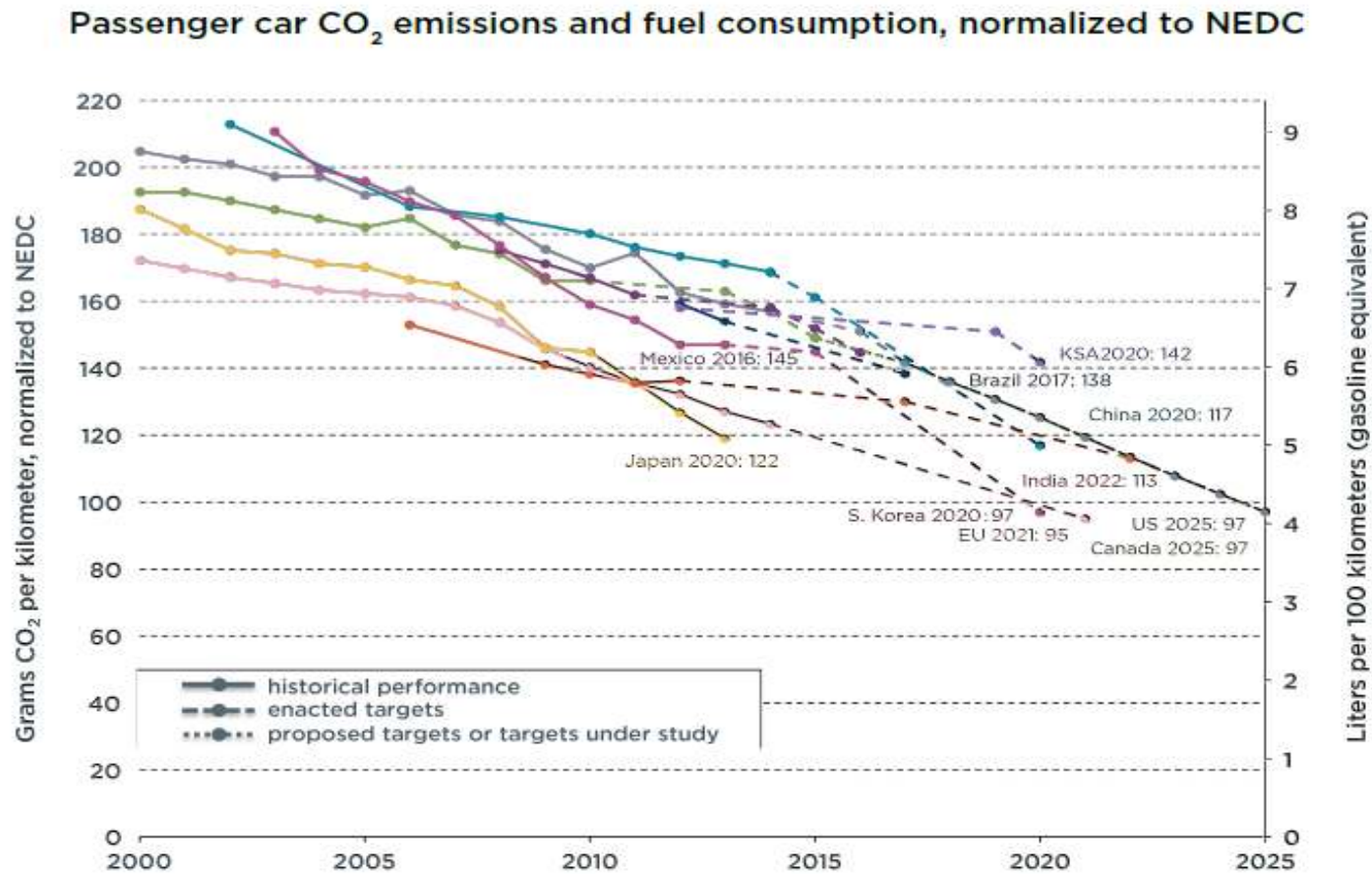
- ▶ New acquisitions set to accelerate growth:
  - Stackpole
    - Rapidly growing market for integrated motorised pumps that improve fuel economy
    - Worldwide sales, materially increases the Group's exposure to the North American economy
  - AML Systems
    - Strength in headlamp levelers complements the Group's headlamp actuators business
- ▶ Short term revenue and earnings:
  - FY 2016/17 to benefit from inclusion of Stackpole (full year) and AML Systems (10 months)
- ▶ Medium term progress:
  - Major new product program awards with large automotive OEM and Tier 1 customers, it typically takes 2 to 5 years before sales ramp up to full production volumes
  - Changes to product mix & price paths of new business and moving into longer term supply agreements with some customers to deliver cost competitiveness and expected profitability
- ▶ Long term success:
  - More standardisation and automation in our production processes
  - More investment in infrastructure for multiple new product launches across multiple geographies
  - Renewed focus on right-sizing and reducing overheads

# TRENDS IN AUTOMOTIVE – FUEL ECONOMY



Source: International Council on Clean Transportation - Sep 2015  
<http://www.theicct.org/global-pv-standards-chart-library>

# TRENDS IN AUTOMOTIVE – EMISSIONS



\* Note that Japan has already exceeded its 2020 statutory target, as of 2013.

Source: International Council on Clean Transportation - Sep 2015  
<http://www.theicct.org/global-pv-standards-chart-library>



# GROWING PRODUCTS - APG

## Fuel Economy

- Powertrain Cooling
- Engine Management

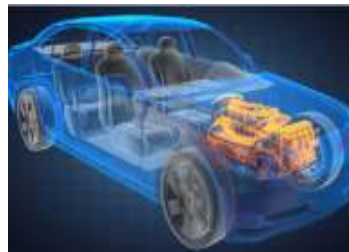


Brushless and Brushed Cooling Fan Module (CFM) Solutions

Variable Geometry Turbocharger (VGT) Motors

## Emission Control

- Engine Management

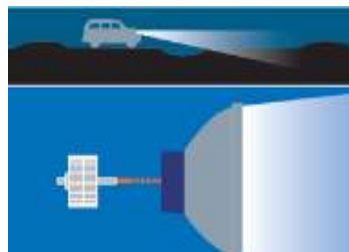


Valve Actuators for Automotive Coolant & Refrigerant Circuits

Dosing Solutions for Diesel Exhaust Fluid (DEF)

## Safety

- Lighting Adjustments
- Chassis Braking



Actuators for Adaptive Front Lighting System (AFS)

Highest Power Density Electronic Stability Control (ESC) Motors

# GROWING PRODUCTS - IPG

**Smart Meters** – [ Gas ] Highest intrinsic safety; Best resistance to impurities in gas supply; Compact; Cost effective.  
[ Electricity ] Highest resistance to shock and Longest service life; Fail safe; Assist electric utilities with increased efficiencies & reduced costs; Compact size.



**Building Automation** – [ Window automation actuators ] Complete drive system combining motor, gear box and electronics technologies; Optimised efficiency & torque; Customised system performance.

**Home Appliance & Ventilation** – [ Brushless DC drain pumps & Range hood Motors ] Low noise, vibration & cost; High energy efficiency.



**Medical Equipment** – [ Dosing system ] Precise and repeatable deliver of medication; High force; Low power consumption; Compact size.  
[ Diaphragm pump ] Precise working points regarding pressure and flow; Long life operation

# FY2015/16 KEY CUSTOMERS

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## APG



## STACKPOLE



## IPG





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# GLOBAL SALES & SUPPORT OFFICES & ENGINEERING CENTERS

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- ▶ **Argentina**
- ▶ **Austria**
- ▶ **Belgium**
- ▶ **Brazil**
- ▶ **Canada**
- ▶ **China**
- ▶ **France**
- ▶ **Germany**
- ▶ **Hong Kong**
- ▶ **India**
- ▶ **Italy**
- ▶ **Israel**
- ▶ **Japan**
- ▶ **Korea**
- ▶ **Netherlands**
- ▶ **Singapore**
- ▶ **Switzerland**
- ▶ **Turkey**
- ▶ **UK**
- ▶ **USA**



# WORLDWIDE MANUFACTURING

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- ▶ **Argentina**
- ▶ **Brazil**
- ▶ **Canada**
- ▶ **China**
- ▶ **France**
- ▶ **Germany**
- ▶ **Hungary**
- ▶ **India**
- ▶ **Italy**
- ▶ **Israel**
- ▶ **Korea**
- ▶ **Mexico**
- ▶ **Poland**
- ▶ **Serbia**
- ▶ **Switzerland**
- ▶ **Turkey**
- ▶ **UK**
- ▶ **USA**



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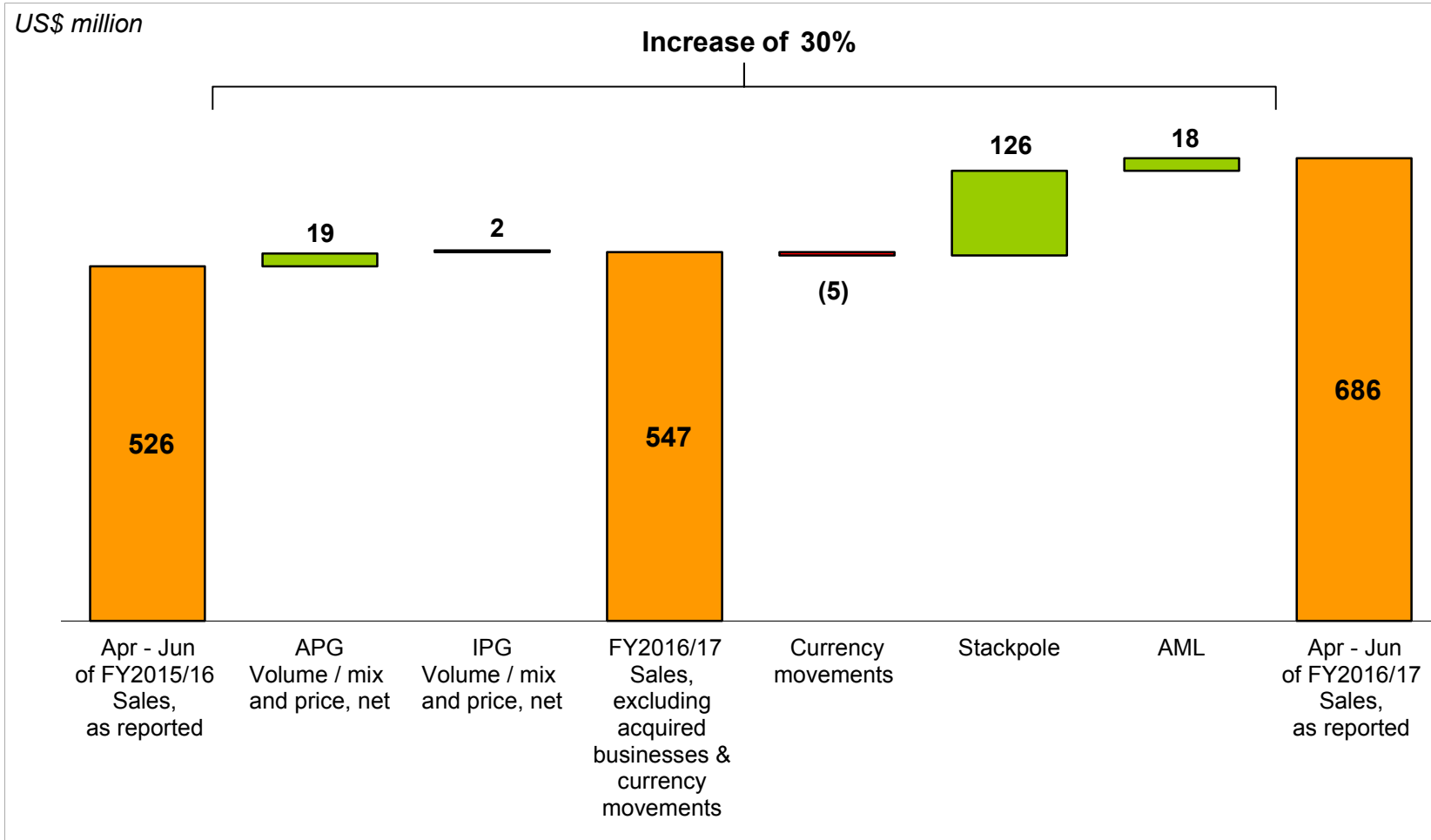
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# SALES CHANGES FOR APR-JUN FY2016/17 vs. 2015/16



Note: Numbers do not add across due to the effect of rounding

# SALES GROWTH BY REGION - APG

## Sales Growth/(Decline) % Excluding Acquisitions and Currency Movements

APG		Asia	Europe	America	TOTAL
FY2016/17	Q1	6.3%	5.0%	3.0%	5.1%
FY2015/16	Q4	5.3%	3.4%	8.1%	4.9%
	Q3	5.1%	4.5%	3.0%	4.4%
	Q2	(7.6%)	7.7%	5.2%	2.3%
	Q1	13.9%	4.5%	1.6%	6.8%
FY2014/15	Q4	11.7%	1.1%	(7.4%)	2.8%
	Q3	11.8%	6.9%	(5.3%)	6.1%
	Q2	13.4%	4.8%	(11.6%)	3.9%
	Q1	12.1%	6.4%	(7.0%)	5.3%

# SALES GROWTH BY REGION - IPG

## Sales Growth/(Decline) % Excluding Currency Movements

IPG		Asia	Europe	America	TOTAL
FY2016/17	Q1	(5.6%)	16.3%	(3.4%)	1.5%
FY2015/16	Q4	(16.8%)	15.1%	(2.5%)	(3.7%)
	Q3	(17.2%)	6.0%	(5.2%)	(7.3%)
	Q2	(12.2%)	0.5%	1.4%	(4.5%)
	Q1	(20.9%)	10.7%	7.2%	(3.8%)
FY2014/15	Q4	4.1%	6.9%	13.7%	7.9%
	Q3	(10.3%)	5.9%	19.8%	2.6%
	Q2	(10.2%)	5.3%	16.2%	0.9%
	Q1	3.5%	4.0%	0.4%	2.7%

# DISCLAIMER

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*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.*