

**Investor  
Briefing**

**May 2022**

# FY21/22

**Annual Results**

For the year ended 31 March 2022

**FY21/22  
Annual Results**

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**Group  
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**Why Invest  
in Johnson  
Electric?**

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**Supplemental  
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**Key  
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**Operating  
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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

### Automotive Products Group



Braking, closure, interior, steering, thermal management, transmission and driveline, and vision, amongst others

### Industry Products Group



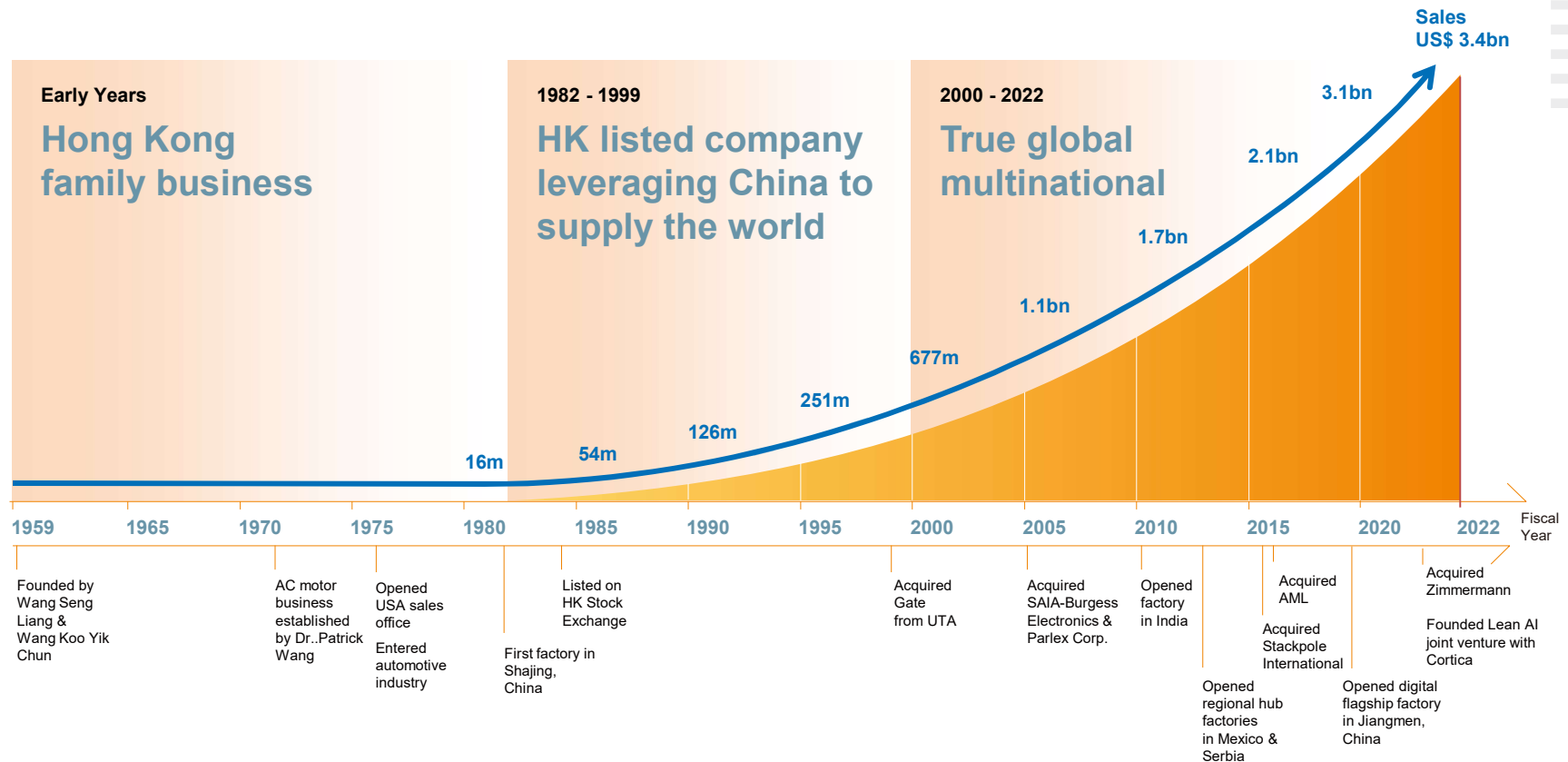
Business equipment, home automation, lawn & garden, medical devices, power tools, robotics, smart metering, ventilation and white goods, amongst others

### Components and Services



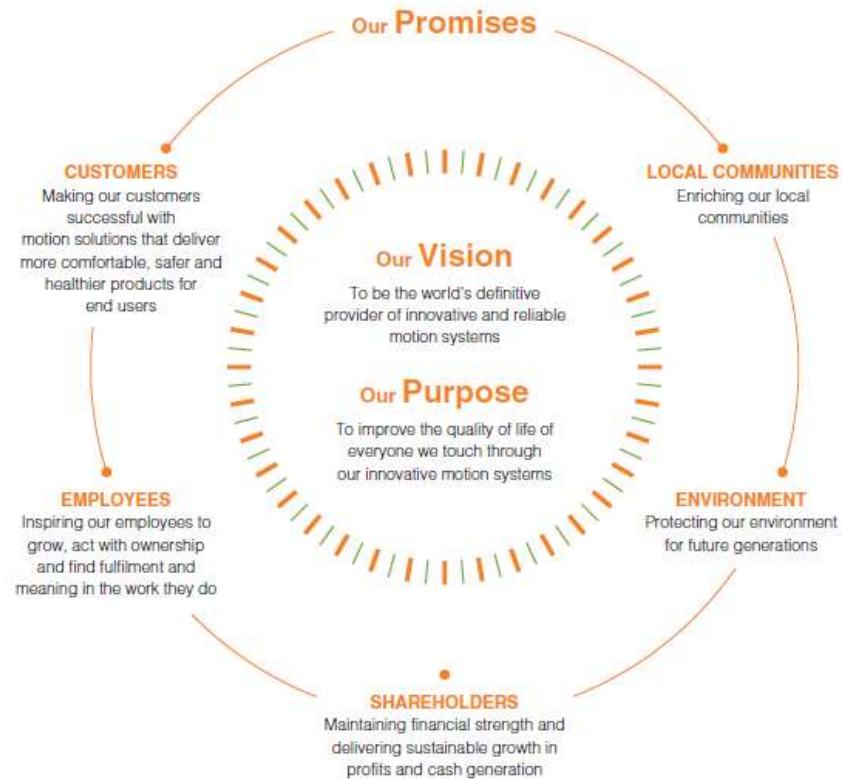
Vertical integration of die casting, injection molding, magnets, metal stamping, sintering and PCBs, amongst others

# History & Development



## Stepping Up to Drive a Sustainable Future

Leveraging 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 redefine industry standards

3

Building a resilient global manufacturing footprint supported by a strong “in region” supply chain network to provide 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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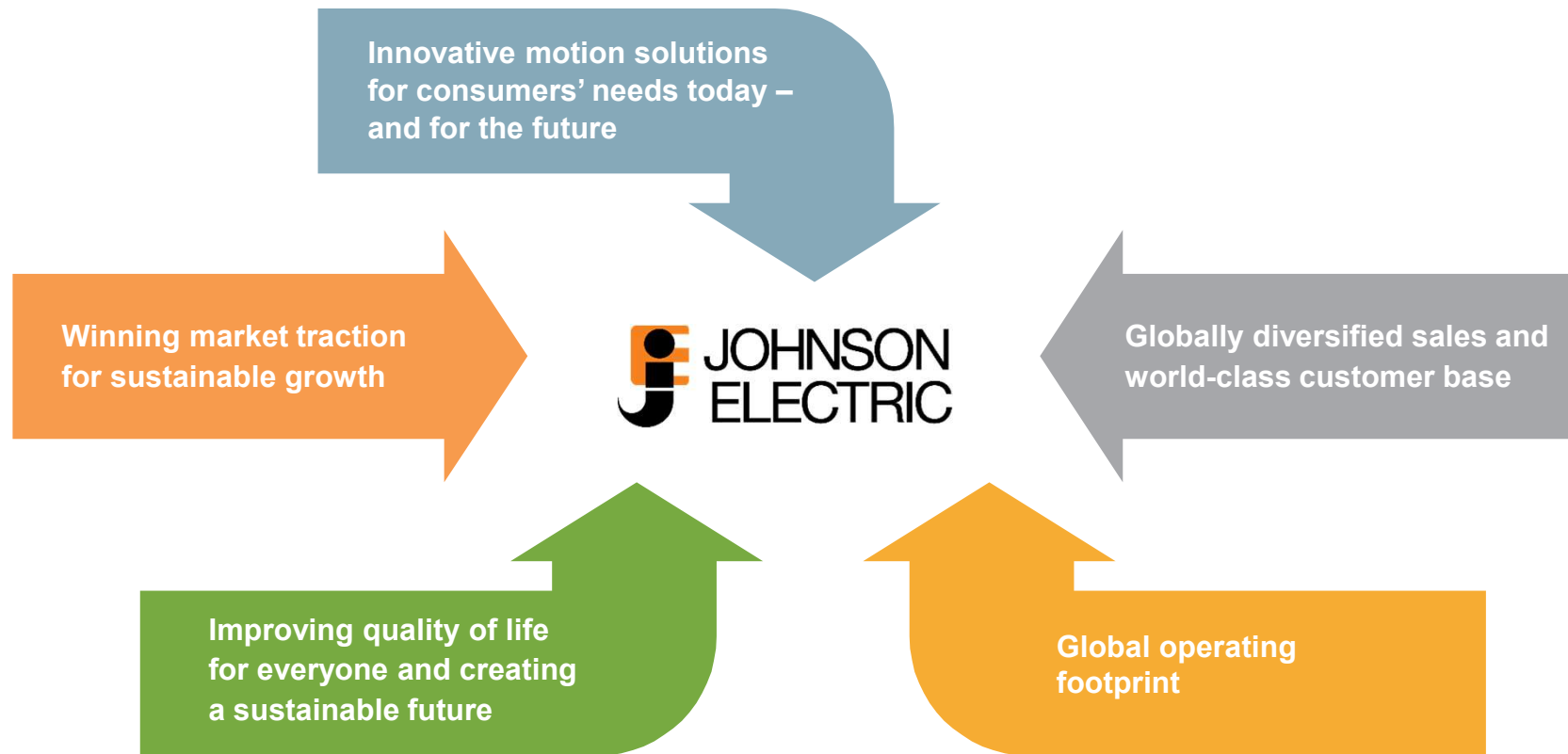
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**Operating  
Results**

## Why Invest in Johnson Electric

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## Innovative Solutions for Proliferating Applications



9

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



### Automotive

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



### Electrification & Environment

Zero- 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 & Industrial

Delivery robots and warehouse automation solutions

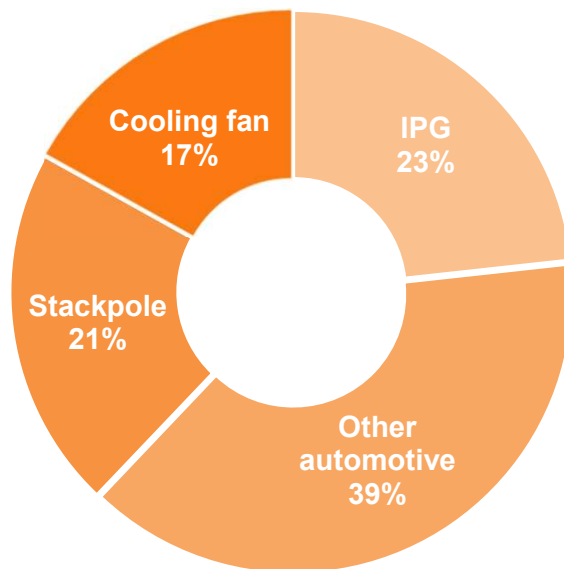


### Healthcare

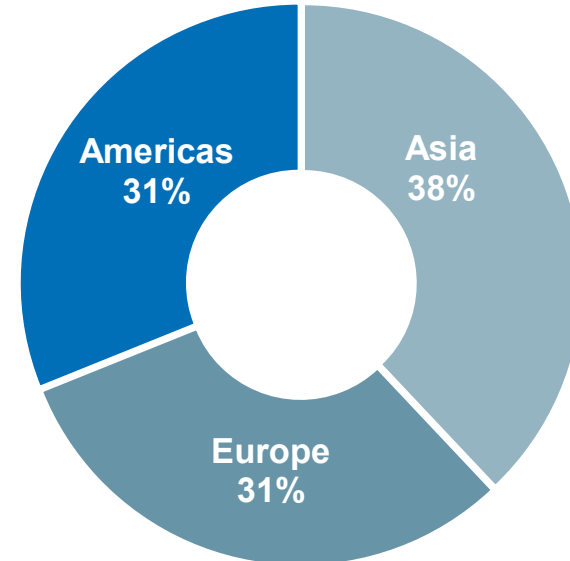
Medical device subsystems for improved patient outcomes. Surgical and diagnostic devices and medical wearables

## Diversified Sales

**By Major Lines of Business**



**By Destination**



## Diversified Customer Base

### World-class Customers Across Diversified Industries



Disclaimer: The customer tradenames and trademarks demonstrated herein are the properties of the respective customers. Their usage herein is for illustration purposes only

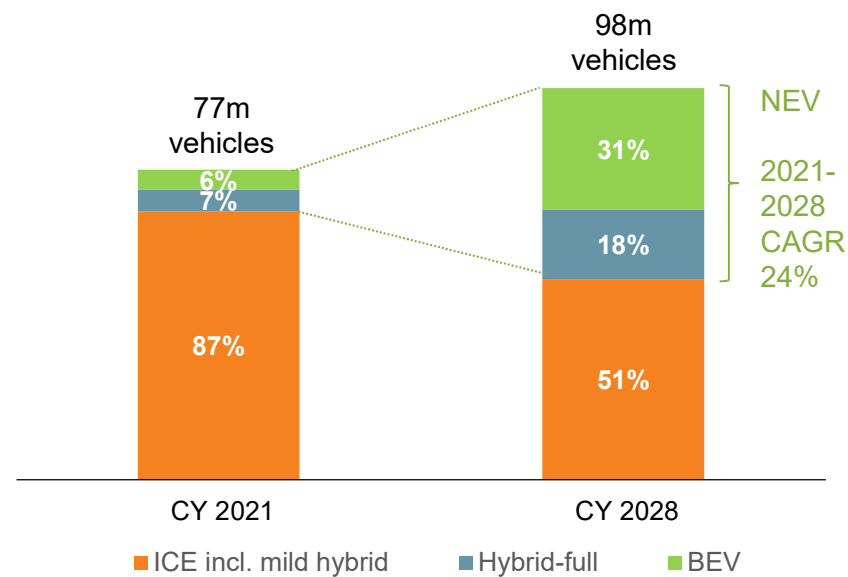
## Carbon Reduction APG's Growth Opportunity

Surging demand for innovative, cost-competitive solutions that:

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

APG is enabling the transition to hybrid and Battery-Electric Vehicles (BEV)

Global Light Vehicle  
Production Outlook



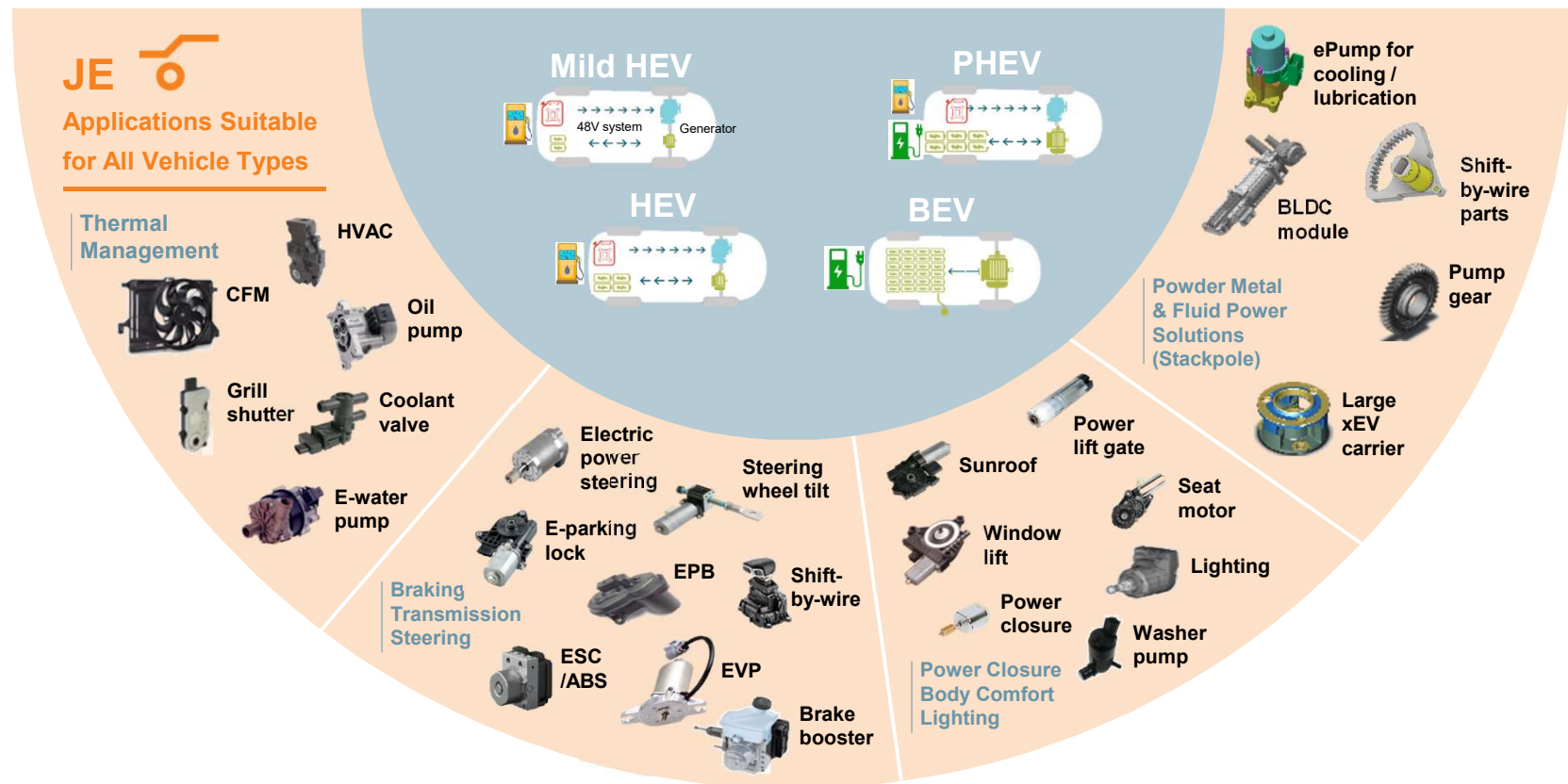
Source: IHS Apr 2022

# JE Automotive Products

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

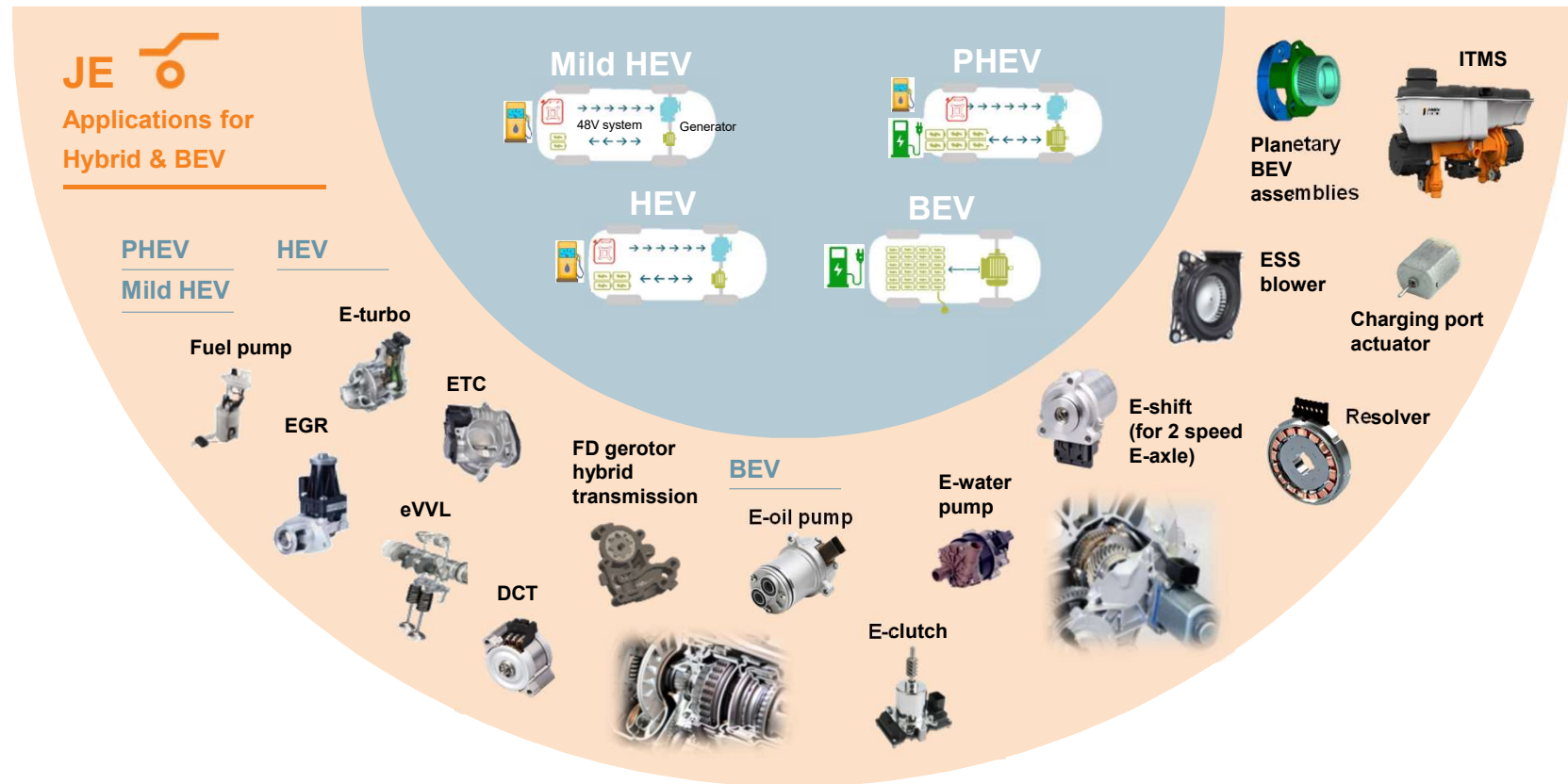


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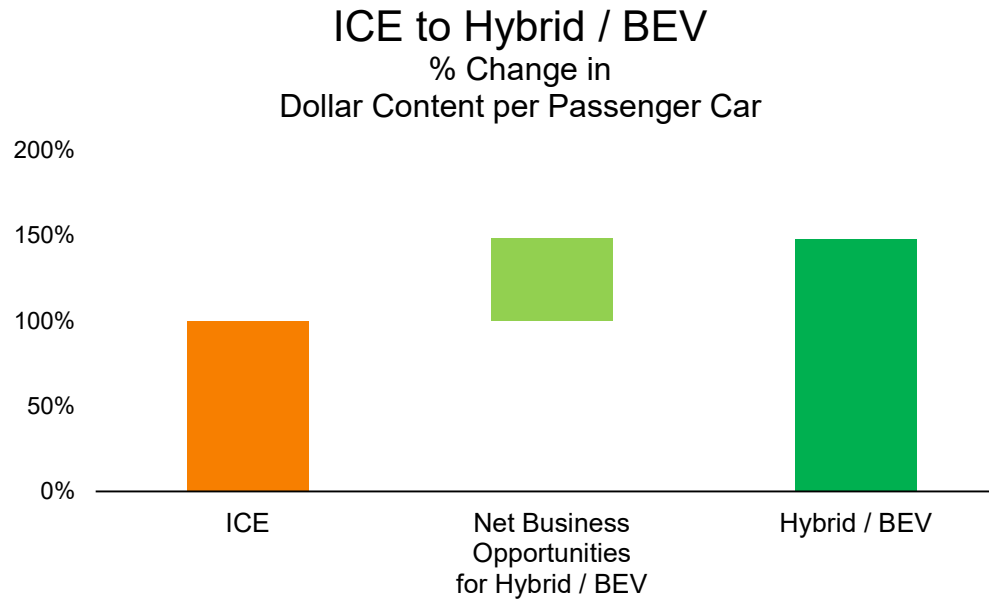
# JE Automotive Products

## Engineered for Tomorrow...Compatible with Today




## Well Positioned to Capitalize on the Automotive Market Move

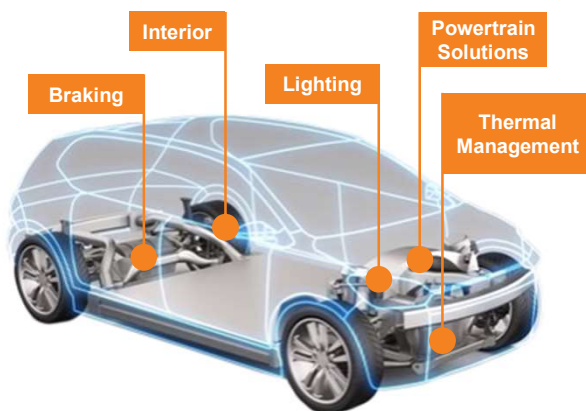
### Johnson Electric's Net Business Opportunities on NEV



Source: Johnson Electric analysis – indicative based on current available market intelligence and estimates

## Examples of Recent Automotive Business Wins for New Energy Vehicles

 Our innovative products are winning business on major NEV platforms



Disclaimer: The customer tradenames and trademarks demonstrated herein are the properties of the respective customers. Their usage herein is for illustration purposes only

### Braking Applications

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



### Interior and Lighting Applications

**Window-door-seat motor, LiDAR motor and headlamp actuator** for more comfortable, autonomous and automated features



### Powertrain Solutions

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



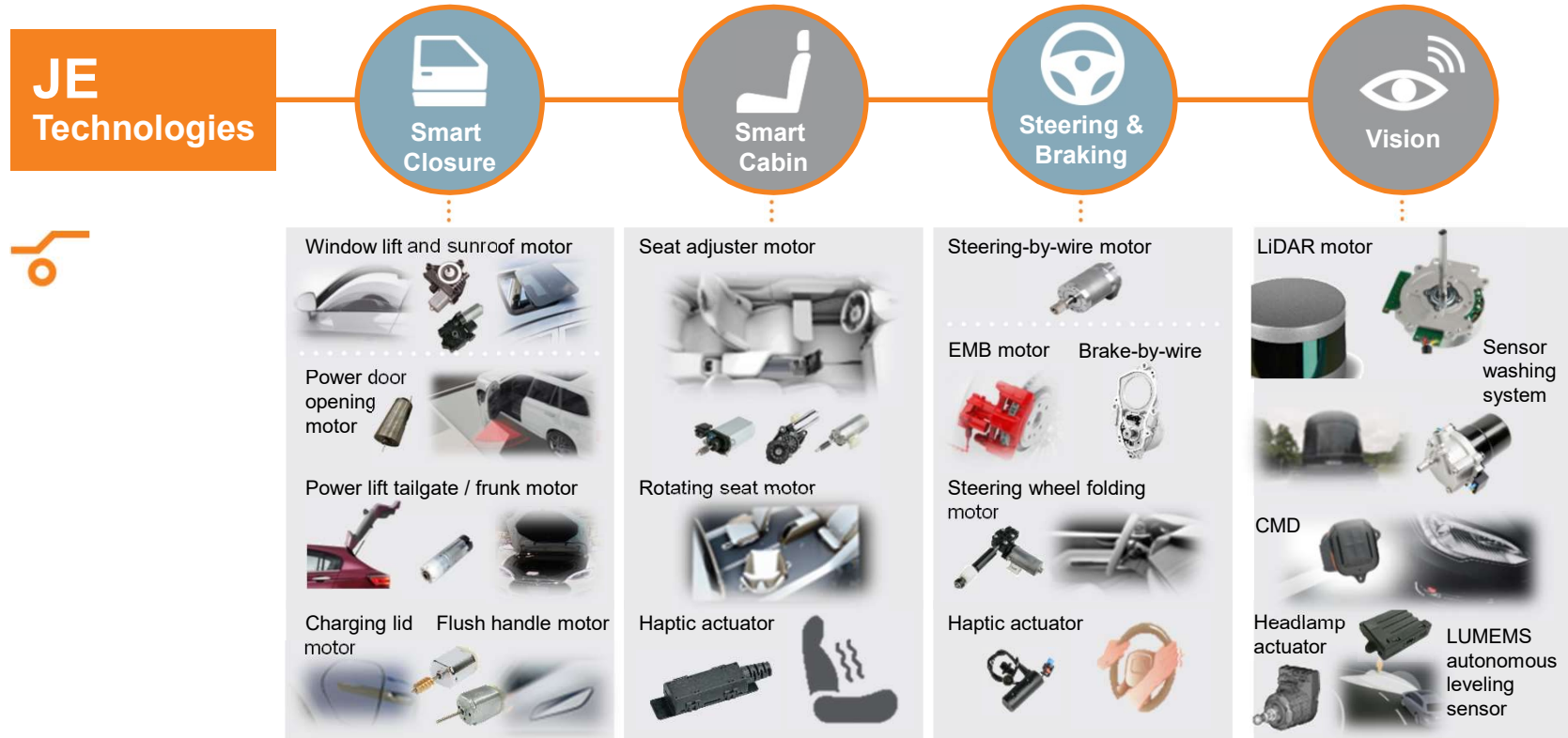
### Thermal Management Applications

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





# JE Automotive Products for Autonomous Driving & Connectivity



# IPG Growth Supported by Megatrends

 Smart Home and Internet of Things

 Electrification & Environment

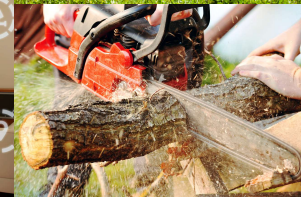
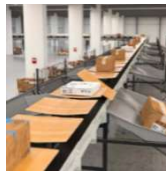
 E-commerce & Industrial

 Healthcare

More energy efficient  
Smaller and lighter  
Safer  
More controllable  
More connected

Touching Human Needs

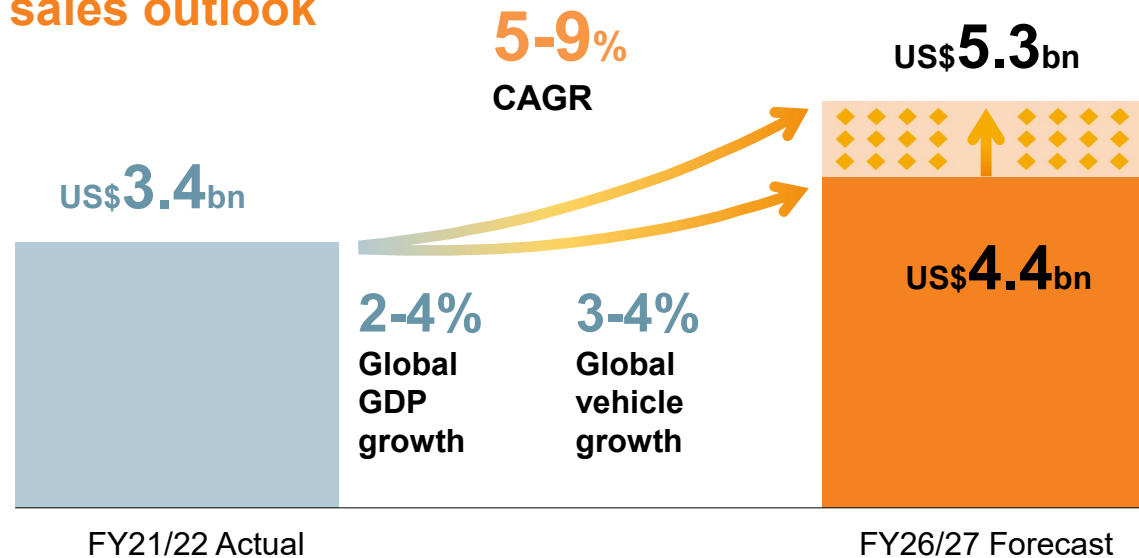
Proliferating



## Winning Market Traction

New business wins  
and opportunities  
are set to sustain  
growth

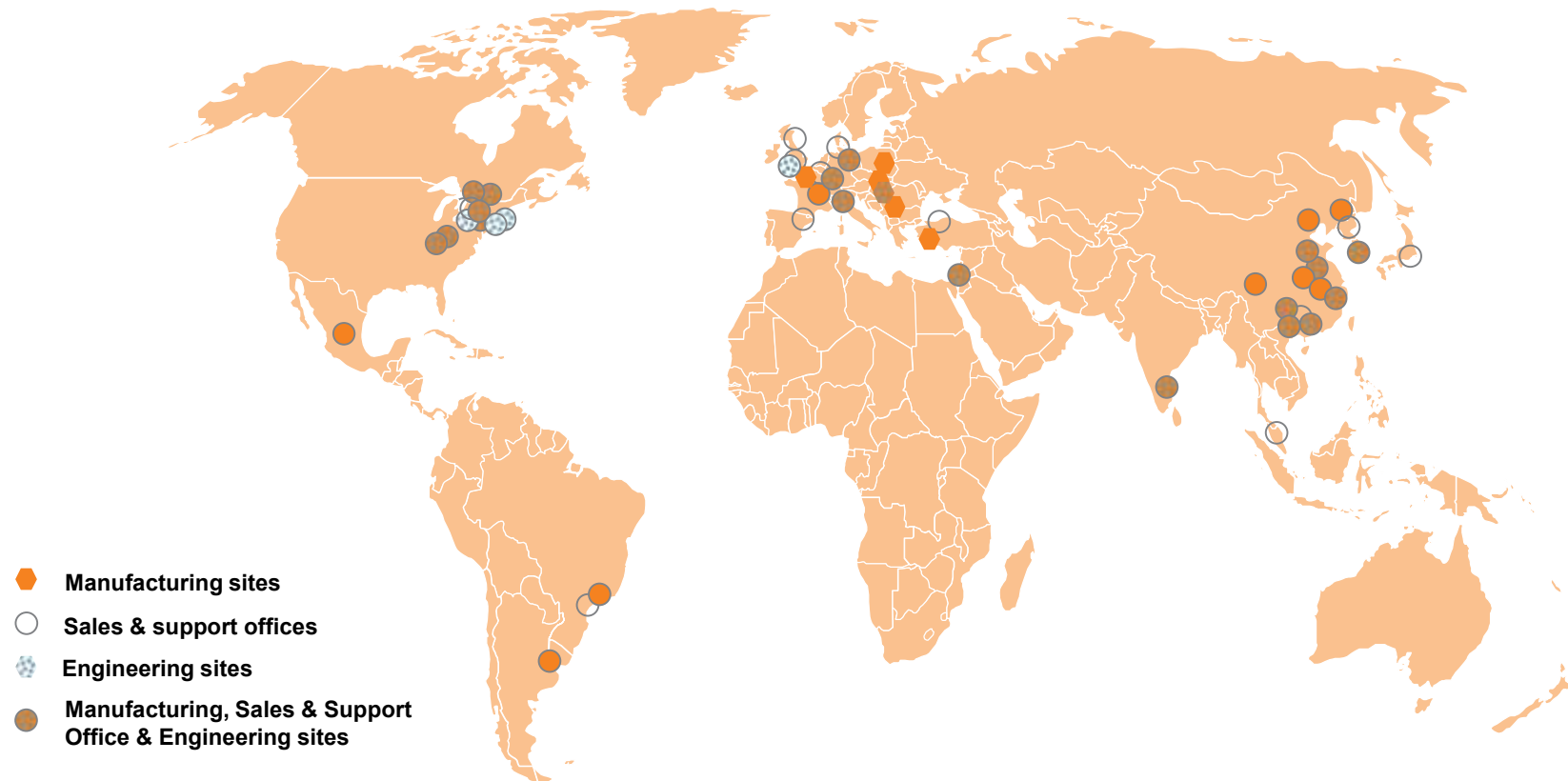
### Medium-term sales outlook



Note: estimated total Group sales outlook based on customer order book and other estimates assuming no acquisitions and no macro-economic cyclical downturns or other market disruptions

## Global Operating Footprint

### Operating in 22 Countries across 4 Continents



## ESG is Integral to Johnson Electric's Evolution

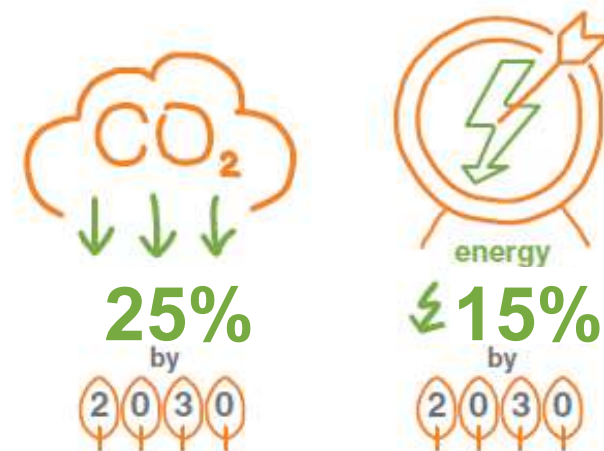
Bees in Johnson Electric Brazil factory grounds



Our environmental strategy and policies address:

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

### CO<sub>2</sub> and energy targets



25% absolute CO<sub>2</sub> emissions target aligned with the goal of curbing global temperature rises to well below 2°C

15% energy intensity target

## ESG is Integral to Johnson Electric's Evolution

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

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



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

**3,446** US\$  
million

up **9%** compared to FY20/21

### Gross profit

**702** US\$  
million

or **20.4%** of sales (compared  
to US\$ **723** million or 22.9% of  
sales in FY20/21)

### Adjusted EBITA

**244** US\$  
million

compared to US\$ **336** million in  
FY20/21

### Net profit attributable to shareholders

**146** US\$  
million

decreased by **31%** to  
**16.23** US cents per share,  
fully diluted

### Underlying net profit

**165** US\$  
million

excluding the net impact of  
restructuring costs and non-cash  
items, decreased by **34%**

## Financial Highlights

| US\$ million                             | FY21/22      | FY20/21      |  |
|--|--------------|--------------|--|
| Sales                                    | 3,446.1      | 3,156.2      | 1. Earnings before interest, tax and amortization  |
| Gross profit                             | 701.9        | 723.3        |  |
| <i>Gross margin</i>                      | <i>20.4%</i> | <i>22.9%</i> | 2. Adjusted to exclude significant non-cash items as well as restructuring and other related costs |
| EBITA <sup>1</sup>                       | 222.4        | 290.1        |  |
| EBITA adjusted <sup>2</sup>              | 243.8        | 335.5        |  |
| <i>EBITA adjusted margin</i>             | <i>7.1%</i>  | <i>10.6%</i> |  |
| Profit attributable to shareholders      | 146.4        | 212.0        |  |
| Underlying net profit <sup>2</sup>       | 164.9        | 250.9        |  |
| Diluted earnings per share (US cents)    | 16.23        | 23.60        |  |
| Capital expenditure                      | 316.4        | 263.6        |  |
| <i>Capital expenditure as % of sales</i> | <i>9.2%</i>  | <i>8.4%</i>  |  |
| Free cash (out) / inflow from operations | (132.4)      | 171.1        |  |

## Financial Highlights

| US\$ million                                     | 31 Mar 2022        | 31 Mar 2021        |
|--|--------------------|--------------------|
| Cash   | 345.4              | 539.5              |
| Total debt                                       | 490.8              | 426.2              |
| Net (debt) / cash <sup>1</sup>                   | (145.4)            | 113.3              |
| Enterprise value <sup>2</sup>                    | 1,470.2            | 2,368.6            |
| <b>Key Financial Ratios</b>                      | <b>31 Mar 2022</b> | <b>31 Mar 2021</b> |
| Enterprise value to EBITDA adjusted <sup>3</sup> | 3.0                | 4.3                |
| Gross debt to EBITDA adjusted <sup>3</sup>       | 1.3                | 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 adjusted to exclude significant non-cash items as well as restructuring and other related costs, resulting in adjusted EBITDA of US\$492.2 million (31 March 2021: US\$555.0 million)

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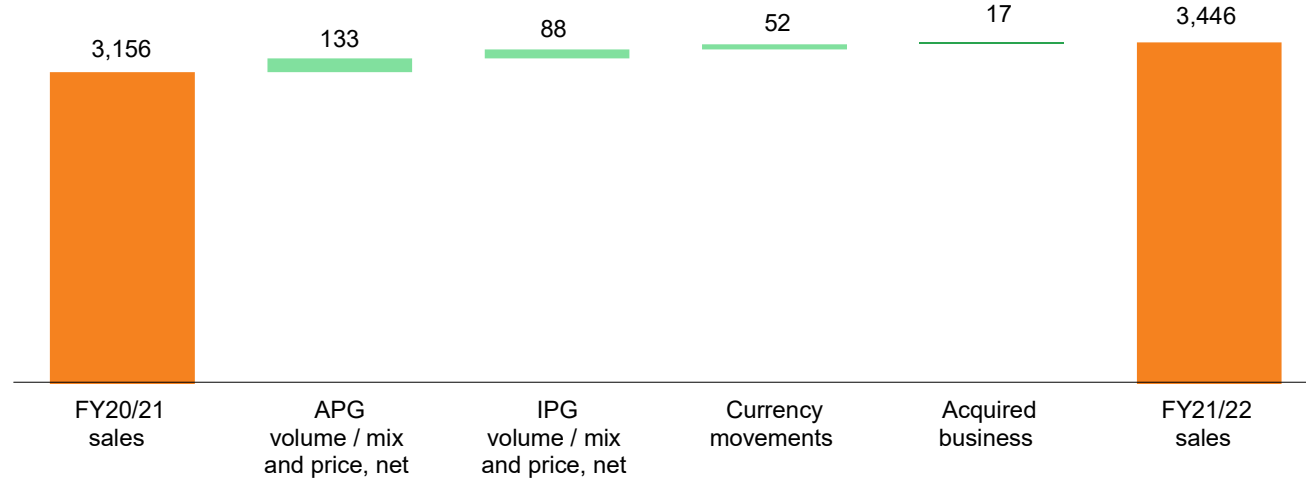
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**Operating  
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## Group Sales Changes FY21/22 vs. FY20/21

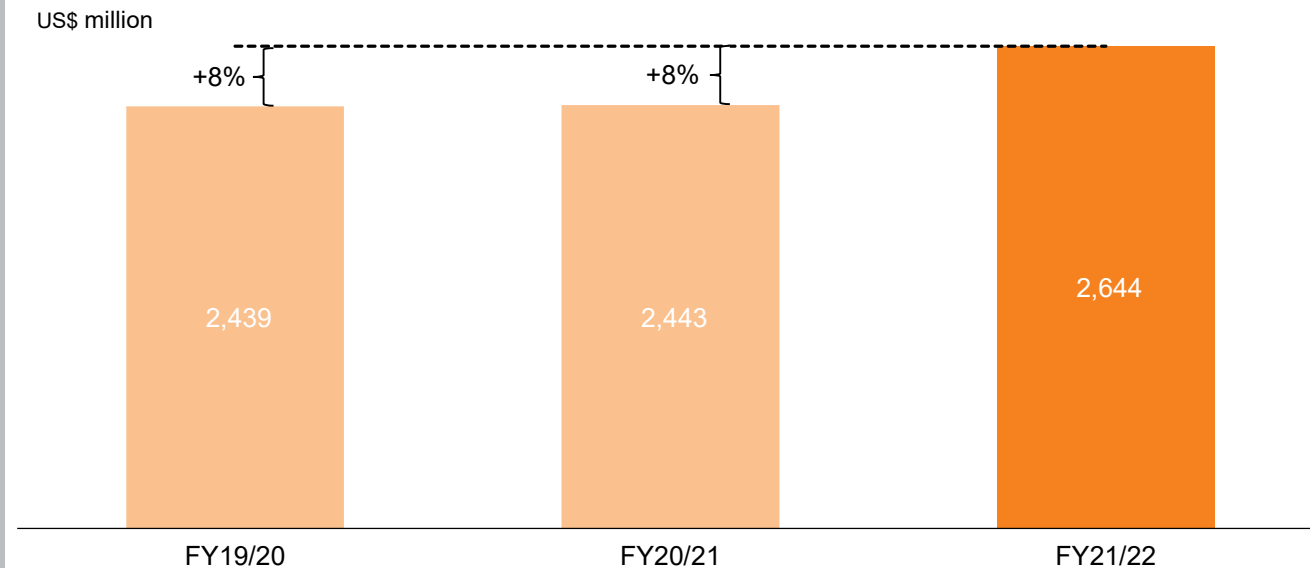
Solid sales  
despite  
supply chain  
bottlenecks  
hampering  
markets

US\$ million



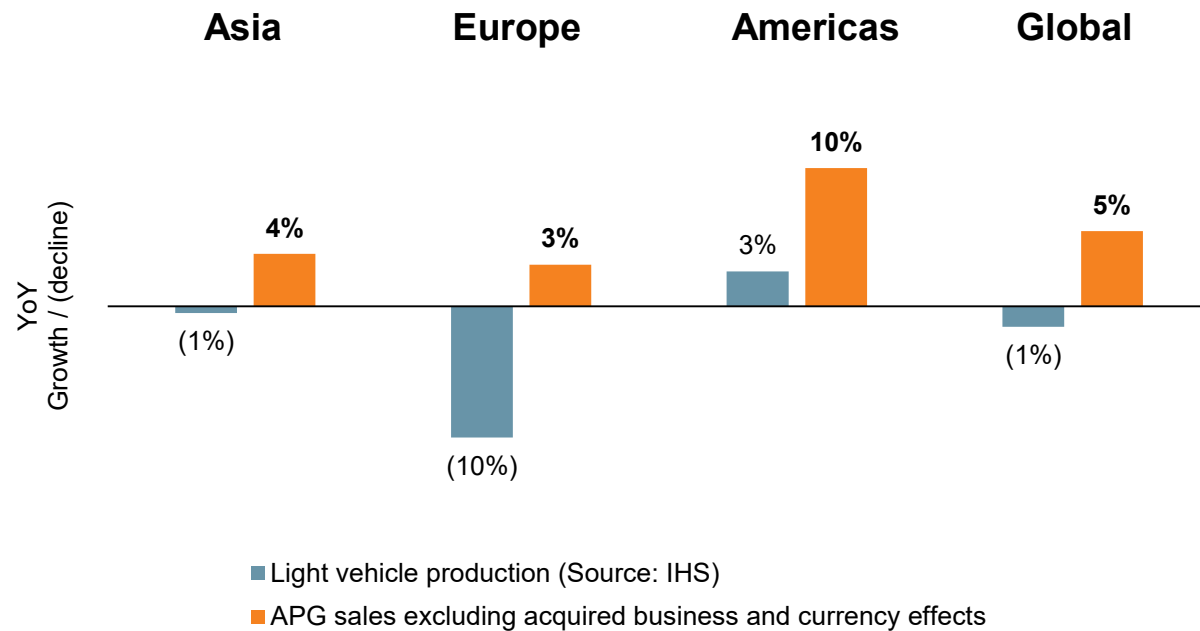
## APG Sales as Reported Fiscal Year Comparison

Sales grew above pre-COVID levels driven by the electrification of critical automotive functions, especially those required by hybrid and battery-electric vehicles



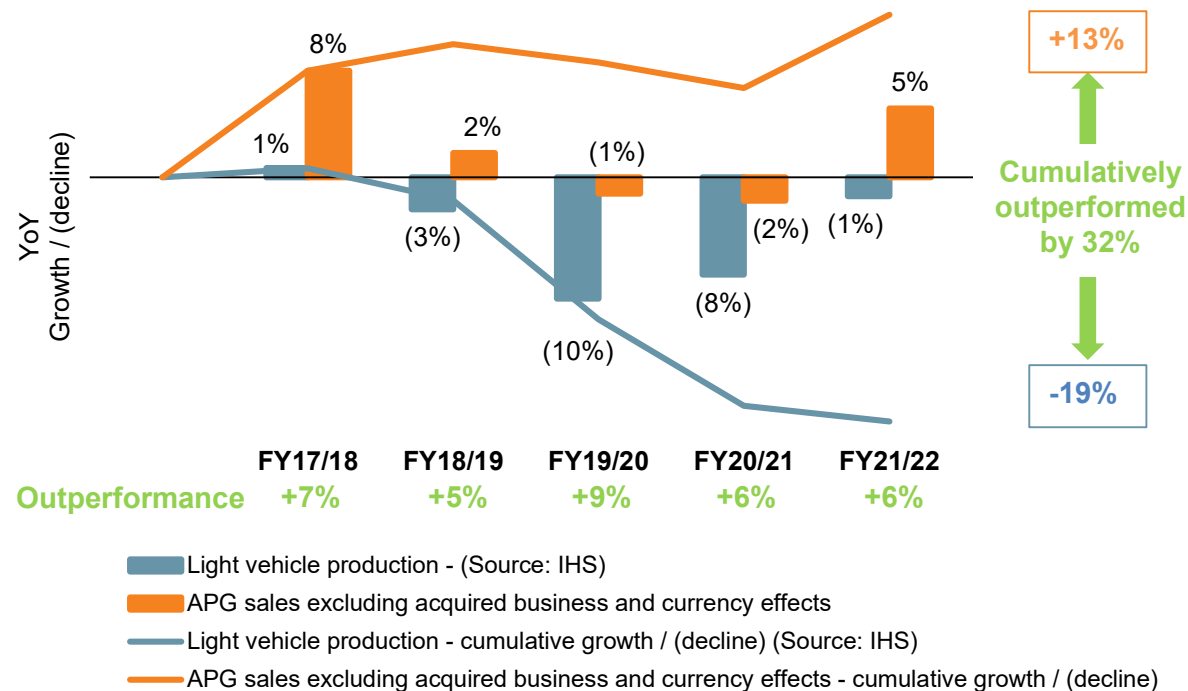
## APG Sales Growth vs. Light Vehicle Production FY21/22 vs. FY20/21

Outperformed  
in all regions  
compared to the  
changes in light  
vehicle  
production



## APG 5-Year Sales Changes vs. Light Vehicle Production

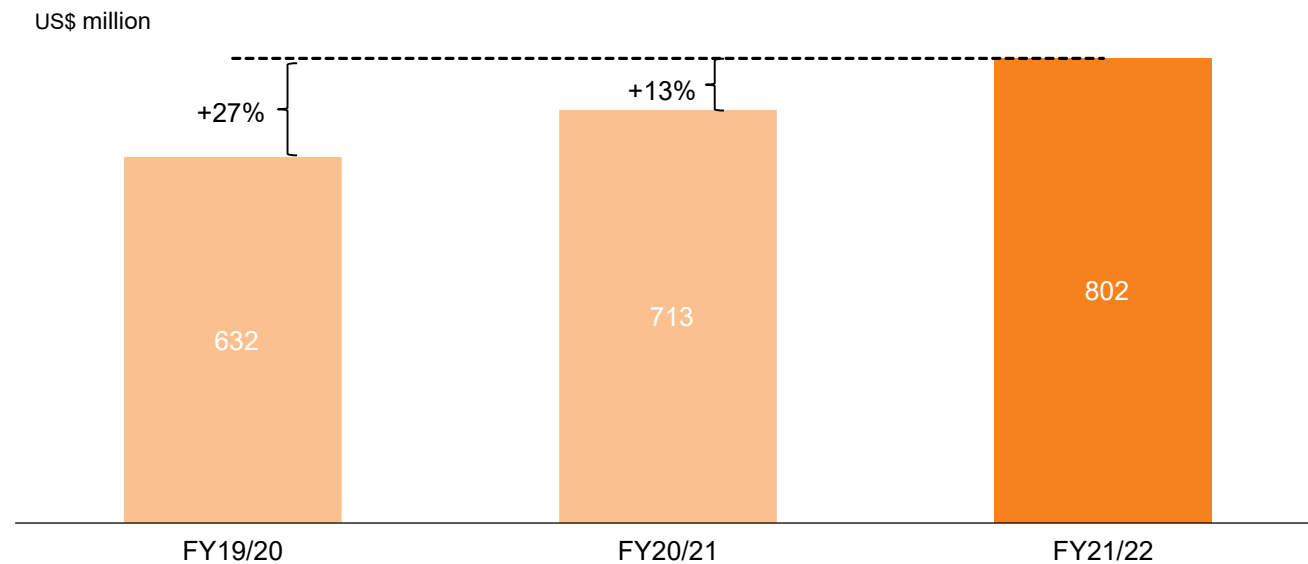
APG has consistently outperformed light vehicle production over several successive years





## IPG Sales as Reported Fiscal Year Comparison

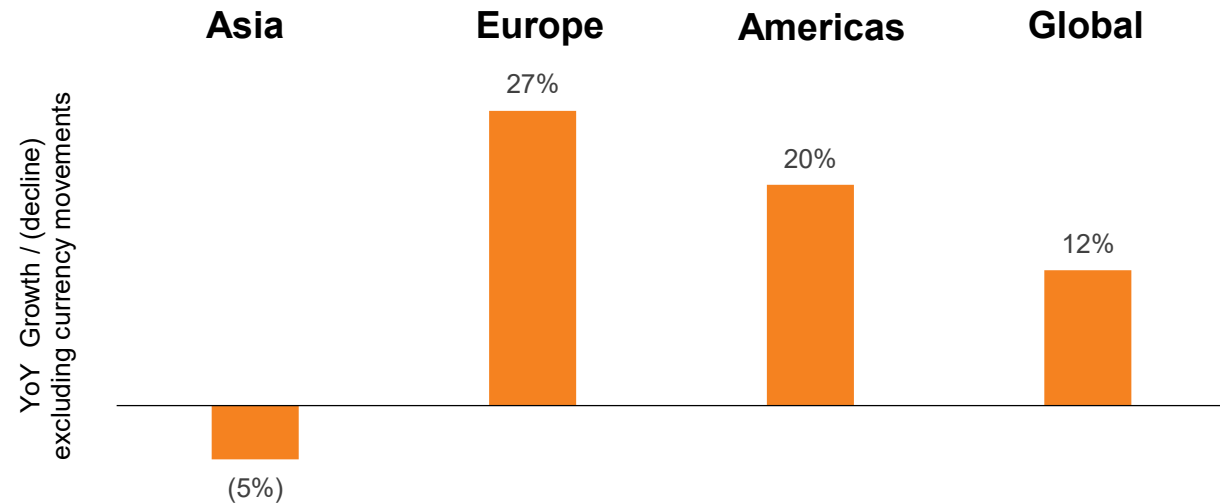
IPG benefited from the changes in consumer behavior that emerged during the pandemic and also gained from new business wins, product launches, enlarged market share and increased market demand



## IPG Sales Growth By Region FY21/22 vs. FY20/21

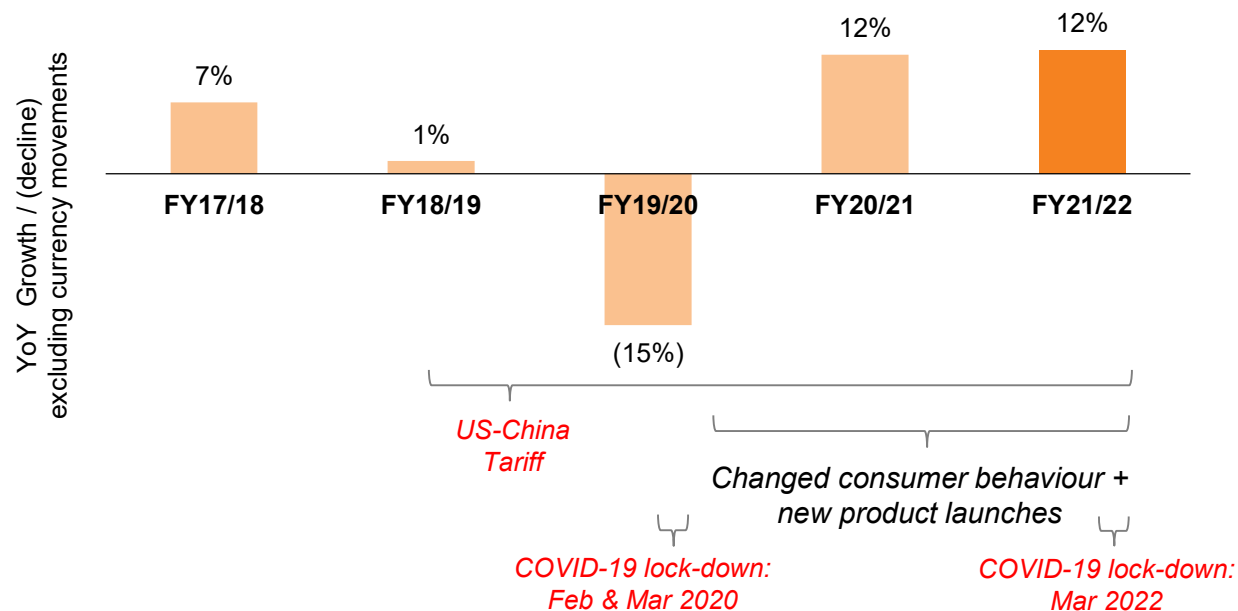
Supply chain bottlenecks and COVID disruption caused customers to delay orders in Asia

Europe and the Americas benefited from a rebound in sales to small and medium size enterprises and distributors, as well as growth in home-centric applications



## IPG 5-Year Sales Trend

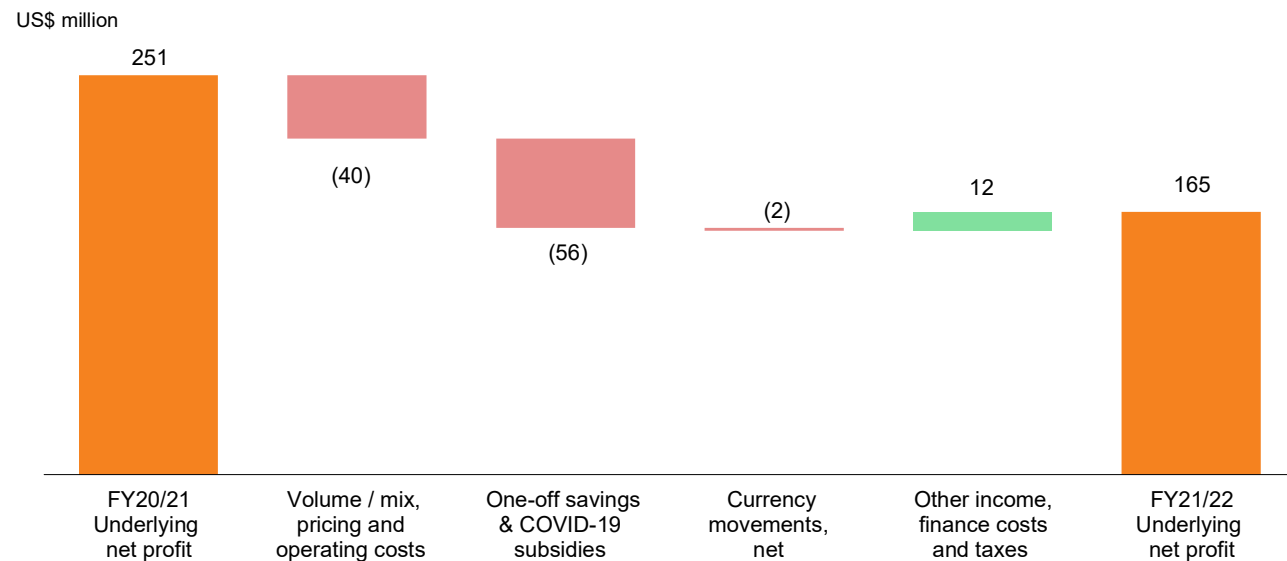
IPG has responded to overcome negative factors and gained additional impetus from changes in consumer behaviour as well as new product launches



## Underlying Net Profit FY21/22 vs. FY20/21

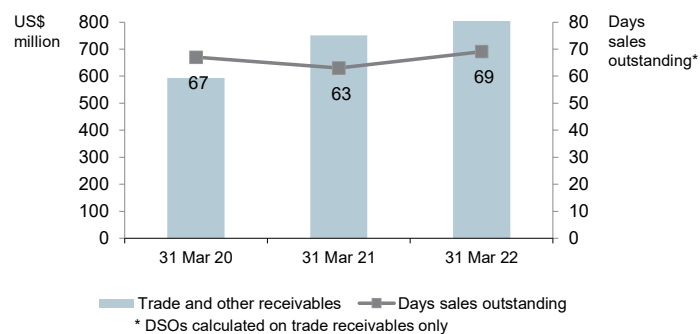
Higher volumes increased profit however this was offset by higher logistics expenses, raw materials price inflation and increased labour costs

The business was also impacted by the ending of COVID-19 related one-off cost savings and subsidies

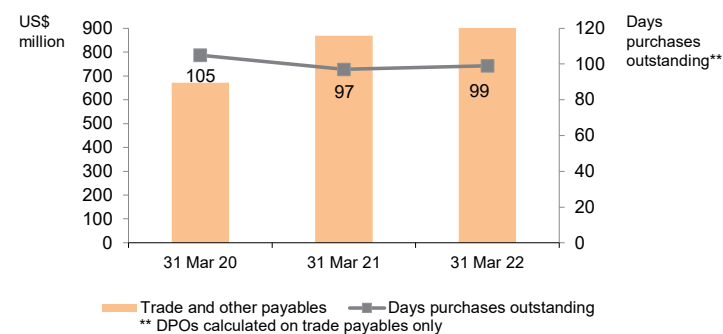


# Working Capital and CAPEX

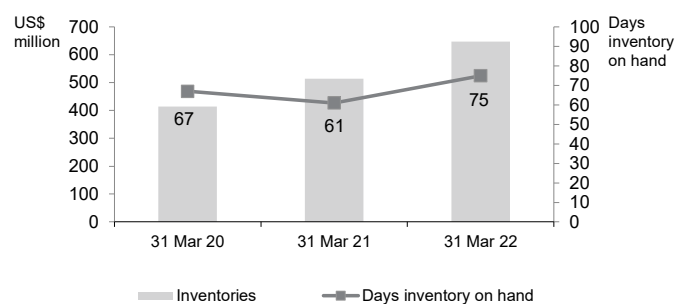
## Trade and Other Receivables



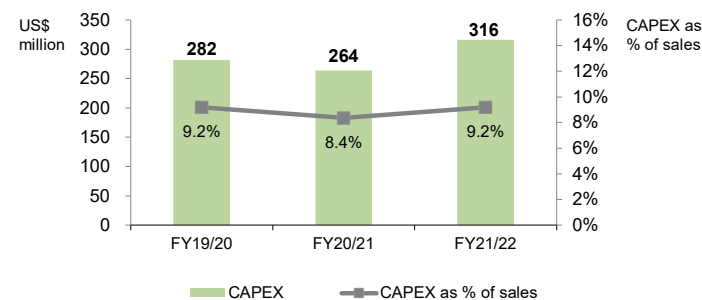
## Trade and Other Payables



## Inventories



## Capital Expenditure



## Free Cash Flow

| US\$ million                                    | FY21/22        | FY20/21      | Change         |
|---|----------------|--------------|----------------|
| EBITDA  | 470.8          | 509.6        | (38.8)         |
| Other non-cash items                            | 6.6            | 17.1         | (10.5)         |
| Working capital changes                         | (233.7)        | (42.4)       | (191.3)        |
| Capital expenditure*                            | (315.5)        | (260.7)      | (54.8)         |
| Net interest, taxes and others                  | (60.6)         | (52.5)       | (8.1)          |
| <b>Free cash (out) / inflow from operations</b> | <b>(132.4)</b> | <b>171.1</b> | <b>(303.5)</b> |

\* Capital expenditure, net of subsidies & proceeds from disposal of fixed assets

## Free Cash Flow

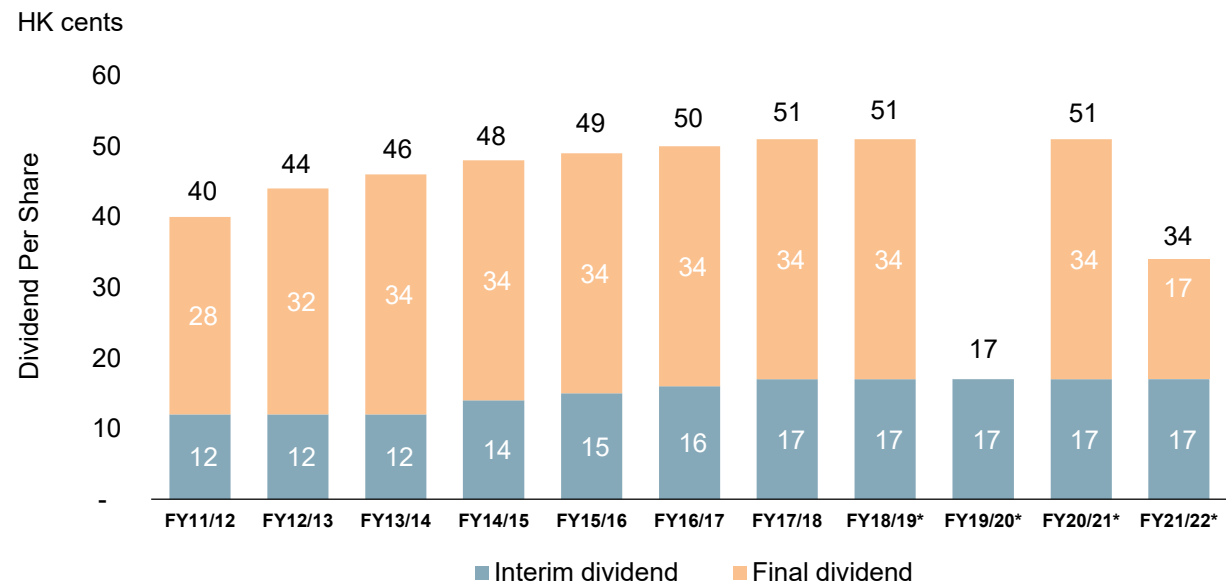
| US\$ million   | FY21/22        | FY20/21      | Change         |
|--|----------------|--------------|----------------|
| <b>Free cash (out) / inflow from operations</b>                    | <b>(132.4)</b> | <b>171.1</b> | <b>(303.5)</b> |
| Acquisition and related costs                                      | (28.2)         | -            | (28.2)         |
| Dividends paid   | (54.2)         | (17.0)       | (37.2)         |
| Borrowings, net  | 62.7           | 8.2          | 54.5           |
| Others   | (39.5)         | (29.6)       | (9.9)          |
| Currency translation (losses) / gains on cash and cash equivalents | (2.5)          | 22.4         | (24.9)         |
| <b>Net movement in cash and cash equivalents</b>                   | <b>(194.1)</b> | <b>155.1</b> | <b>(349.2)</b> |

## Dividends

Significant pressures from inflation, COVID-19 and supply chain disruptions including the shortage of semiconductors

The Board considers it prudent to conserve cash until operating conditions and the financial performance of the business improve

It has therefore recommended a final dividend payment of 17 HK cents per share for FY21/22



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



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## Outlook



- **Sound underlying demand** for Johnson Electric's products and technology solutions
  - **Positive sales performance** despite significant disruptions to global manufacturing supply chains
  - **Accelerating uptake** of new energy vehicles (NEVs) – both hybrid and fully-electric
  - Exciting **growth opportunities** for new IPG products
  - Our **new venture in AI-driven quality assurance software** takes IPG beyond hardware components
- Externally-driven **headwinds** and **disruptions** look set to continue in the near term
  - Industry-wide **shortages** of semiconductors and other components have yet to be resolved
  - Emerging risk of sharp rise in **global inflation** has the potential to crimp consumer demand in some end markets
  - Risks from the Russia-Ukraine war and the resurgence of COVID-19
- We remain **focused** on those aspects of our business that we can directly influence and **taking actions**, wherever possible, to mitigate the risk of things outside of our control

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## Profitability Review

### FY21/22 vs. FY20/21

| US\$ million                                      | FY21/22      | FY20/21      | Increase /<br>(decrease)<br>in profit |
|---|--------------|--------------|---------------------------------------|
| Sales   | 3,446.1      | 3,156.2      | 289.9                                 |
| Gross profit                                      | 701.9        | 723.3        | (21.4)                                |
| <i>Gross margin %</i>                             | <i>20.4%</i> | <i>22.9%</i> |                                       |
| Other income, net                                 | 33.3         | 30.0         | 3.3                                   |
| <i>As a % of sales</i>                            | <i>1.0%</i>  | <i>1.0%</i>  |                                       |
| Intangible assets amortization expense            | (35.2)       | (31.3)       | (3.9)                                 |
| <i>As a % of sales</i>                            | <i>1.0%</i>  | <i>1.0%</i>  |                                       |
| Other selling and administrative expenses ("S&A") | (508.2)      | (436.0)      | (72.2)                                |
| <i>As a % of sales</i>                            | <i>14.7%</i> | <i>13.8%</i> |                                       |
| Restructuring and other related costs             | (4.3)        | (27.5)       | 23.2                                  |
| Operating profit                                  | 187.5        | 258.5        | (71.0)                                |
| <i>Operating profit margin %</i>                  | <i>5.4%</i>  | <i>8.2%</i>  |                                       |

## Profitability Review

### FY21/22 vs. FY20/21

| US\$ million   | FY21/22      | FY20/21      | Increase /<br>(decrease)<br>in profit |
|--|--------------|--------------|---------------------------------------|
| Operating profit   | 187.5        | 258.5        | (71.0)                                |
| <i>Operating profit margin %</i>                         | <i>5.4%</i>  | <i>8.2%</i>  |                                       |
| Share of (losses)/profits of associate and joint venture | (0.3)        | 0.3          | (0.6)                                 |
| Net finance costs  | (17.1)       | (10.4)       | (6.7)                                 |
| Profit before income tax                                 | 170.1        | 248.4        | (78.3)                                |
| Income tax expense                                       | (17.9)       | (29.2)       | 11.3                                  |
| <i>Effective tax rate</i>                                | <i>10.5%</i> | <i>11.8%</i> |                                       |
| Profit for the year                                      | 152.2        | 219.2        | (67.0)                                |
| Non-controlling interests                                | (5.8)        | (7.2)        | 1.4                                   |
| Profit attributable to shareholders                      | 146.4        | 212.0        | (65.6)                                |
| Basic earnings per share (US cents)                      | 16.37        | 23.77        | (7.40)                                |
| Diluted earnings per share (US cents)                    | 16.23        | 23.60        | (7.37)                                |

## From Reported to Underlying Net Profit

| US\$ million  | FY20/21    |            |                   | FY21/22    |            |                   |
|---|------------|------------|-------------------|------------|------------|-------------------|
|   | Before tax | Tax effect | Net of tax effect | Before tax | Tax effect | Net of tax effect |
| Net profit, as reported   |            |            | 212.0             |            |            | 146.4             |
| Unrealized net losses / (gains) on other financial assets and liabilities           | 23.1       | (0.1)      | 23.0              | (5.6)      | (1.0)      | (6.6)             |
| Unrealized net (gains) / losses from revaluation of monetary assets and liabilities | (18.7)     | (1.0)      | (19.7)            | 29.4       | (2.0)      | 27.4              |
| Unrealized net losses / (gains) on structured foreign currency contracts            | 13.5       | (1.8)      | 11.7              | (6.7)      | 0.6        | (6.1)             |
| Restructuring and other related costs   | 27.5       | (3.6)      | 23.9              | 4.3        | (0.5)      | 3.8               |
| Net losses of significant non-cash items, restructuring and other related costs     | 45.4       | (6.5)      | 38.9              | 21.4       | (2.9)      | 18.5              |
| Underlying net profit <sup>1</sup>  |            |            | 250.9             |            |            | 164.9             |
| <i>As a % of sales</i>  |            |            | 7.9%              |            |            | 4.8%              |

1 Underlying net profit excludes unrealized gains or losses relating to exchange rate movements, and restructuring and other related costs to provide an additional measure to understand the long-term performance of the business

## Average Exchange Rates FY21/22 vs. FY20/21

| USD                   | FY21/22      | FY20/21 |                  |        |
|-----------------------|--------------|---------|------------------|--------|
| Average Exchange Rate | APR-MAR      | APR-MAR |                  | Change |
| CAD per USD           | <b>1.253</b> | 1.320   | CAD strengthened | 5.1%   |
| CNY per USD           | <b>6.420</b> | 6.781   | CNY strengthened | 5.3%   |
| USD per EUR           | <b>1.163</b> | 1.167   | EUR weakened     | 0.4%   |

## Acquisition of 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

- Machining know-how to meet the innovative powertrain requirements of NEV



## Lean AI

### AI Driven Quality Assurance Software

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Vast knowledge and  
experience in  
manufacturing  
processes



Joint venture  
formed on  
18 October 2021



Unique autonomous AI  
technology

## Joint Venture

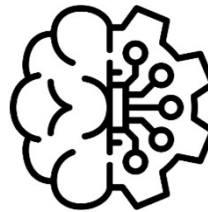
### Why invest in Lean AI?

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

## 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.