NEWS RELEASE

Johnson Electric reports results for the year ended 31 March 2023

Highlights of FY2022/23 Results

- For the financial year ended 31 March 2023, total sales were US$3,646 million – an increase of 6% compared to the prior year. Excluding the effects of foreign currency movements and acquisitions, underlying sales increased by 11%

- Gross profit totalled US$716 million – an increase of 2%

- EBITA, adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, decreased by 10% to US$220 million or 6.0% of sales (compared to 7.1% of sales in FY21/22)

- Net profit attributable to shareholders totalled US$158 million – an increase of 8% compared to the prior year

- Underlying net profit, adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, totalled US$148 million – a decrease of 10%

- Free cash flow from operations totalled US$215 million (compared to a cash outflow of US$132 million in the prior year)

- A recommended final dividend of 34 HK cents per share (US 4.36 cents), which combined with the interim dividend paid, will amount to a 50% increase compared to total dividends declared for the prior year

- As of 31 March 2023, cash reserves were US$409 million and the ratio of total debt to capital at year end was 16%

HONG KONG, 18 May 2023 – Johnson Electric Holdings Limited ("Johnson Electric"), a global leader in electric motors and motion subsystems, today announced its results for the twelve months ended 31 March 2023.

Group sales for the 2022/23 financial year totalled US$3,646 million – an increase of 6% compared to the prior year. Excluding the effects of foreign currency movements and acquisitions, underlying sales increased by 11%. Net profit attributable to shareholders totalled US$158 million or 17.33 US cents per share on a fully diluted basis. Underlying net profit, adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, was US$148 million, a decrease of 10% compared to the prior year.

Sales Performance

The Automotive Products Group ("APG"), Johnson Electric's largest operating division, achieved sales of US$2,914 million. Excluding currency effects and an acquisition in the prior year, APG's sales increased by 16%. This compares favourably to the estimated 9% increase in global light vehicle industry production volumes over the same period. APG's sustained above-market growth reflects a product portfolio that is focused on the key long-term technology trends transforming the industry. This includes innovative technologies that enable electrification, reduce emissions, enhance safety and comfort, and heat, cool or lubricate critical vehicle systems.

The strength of APG's sales extended across every major geographic region. In the Americas, sales increased by 19% on a constant currency basis compared to light vehicle production volume growth of approximately 13%. In Europe, constant-currency sales grew by 17% compared to an 10% rise in the region's vehicle production. And in Asia, our constant-currency sales increased by 13% compared to a 8% increase in vehicle production.

Throughout FY22/23, the automotive components sector as a whole continued to wrestle with supply chain constraints, particularly shortages of semiconductors, as well as the disruptive effects of pandemic-related lockdowns in China and Russia's invasion of Ukraine. As a consequence, in most markets, OEMs and their dealerships have been unable to meet pent-up consumer demand for new cars for over two years and total industry output remains well below pre-pandemic levels. However, as supply chain problems have gradually eased, the ability to respond to this previously unmet demand has underpinned a large part of the industry's recent growth trajectory.

The second key factor driving the market has been the acceleration of the shift to New Energy Vehicles. Nowhere has this been more evident than in China, where for the month of March 2023 pure battery electric cars and plug-in hybrids accounted for 34% of new passenger car sales. In Europe, demand for NEVs varies by country and remains sensitive to the impact of government subsidies. Nonetheless, plug-in vehicles already amount to around one in six new car registrations. North America has been a laggard in the take-up of NEVs up until now, partly due to concerns over driving range and charging availability. This appears set to change as U.S. OEMs have brought forward the planned large-scale electrification of their vehicle fleets and the federal government has granted a number of tax credits and other incentives to support EV purchases and investments in battery manufacturing and charging infrastructure. While the auto industry's transition away from the internal combustion engine represents a watershed event for the majority of OEMs and component suppliers, the investments that Johnson Electric has made in new products specifically-designed to support this transition places APG in a particularly strong position to continue to gain share in the years ahead.

The Industry Products Group ("IPG") achieved sales of US$732 million, which represented 20% of total Group sales. Excluding the effects of currency movements and an acquisition, IPG's sales decreased by 7%.

The sales weakness that IPG experienced over the financial year reflected the combination of two main factors. First, the Covid-19 pandemic had led to an historically unprecedented surge in demand for many of the "home-centric" consumer product applications that IPG serves. However, once pandemic restrictions began to lift – especially in North America and Europe – consumer expenditure reverted back to their pre-pandemic pattern, including proportionally higher spending on services and travel. As a result, IPG's sales experienced a negative "bullwhip effect" whereby reduced demand from consumers led to retailers, followed by their suppliers, moving to cut-back on orders and sharply reduce inventory levels. The largest impact of these reductions during FY22/23 was felt by IPG's Asia region, which serves a number of contract manufacturers whose primary end markets are North America and Europe.

The second factor having a negative impact on IPG's sales has been the heightening concerns among consumers regarding inflation, higher interest rates, and job security – which tends to result in tighter expenditure on discretionary consumer goods and reduced activity in the housing sector.

An important feature of IPG that helps to mitigate the impact of periods of weaker consumer sentiment is the sheer diversity of its end-product applications and breadth of its customer base. Therefore, whilst the division continues to face headwinds in several markets as fears of a global recession increase, it is also experiencing strong demand in a number of attractive strategic growth segments including medical devices, robotic applications, window automation, ventilation, and semiconductor manufacturing equipment.

Gross Margins and Operating Profitability

The Group's gross profit was US$716 million – an increase of 2% compared to the prior year and, as a percentage of sales, represented a decrease from 20.4% to 19.6%. The erosion of gross margins was primarily due to higher raw material costs, unfavourable foreign exchange rate movements, and a reduction in the profitability of commodity hedging contracts that were only partially offset by sales volume growth, price increases, labour reductions, and other operating cost savings.

Reported earnings before interest, tax and amortization ("EBITA") was US$232 million (compared to US$222 million in the prior year). EBITA adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, was US$220 million or 6.0% of sales (compared to 7.1% in the prior year).

Net Profit and Financial Condition

Net profit attributable to shareholders increased by 8% to US$158 million or 17.33 US cents per share on a fully diluted basis. Underlying net profit, adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, was US$148 million compared to US$165 million in the prior year.

Cash generation improved sharply with free cash from operations amounting to US$215 million, largely due to lower working capital and capital expenditure. Johnson Electric's financial condition remains sound with a total debt to capital ratio of 16%.

Dividends

In the prior financial year 2021/22, during a period when cash flow generation was severely constrained, the Board determined that it was prudent for the Company to conserve its cash until the situation improved and accordingly recommended a 50 per cent reduction in the final dividend. Notwithstanding ongoing macro-economic uncertainties, the Board considers that the financial condition of the business has improved sufficiently to enable a return to the level of final dividend payments that prevailed prior to the reduction. It has therefore recommended to increase the final dividend payment to 34 HK cents per share (FY21/22: 17 HK cents per share). Together with the interim dividend of 17 HK cents per share, this represents a total dividend of 51 HK cents per share, equivalent to 6.54 US cents per share.

The final dividend will be payable in cash, with a scrip alternative where a 4% discount on the subscription price will be offered to shareholders who elect to subscribe for shares. Full details of the scrip dividend alternative will be set out in a circular to shareholders.

Corporate Development and Acquisitions

In September 2022, the Group acquired the remaining 20% equity interest it did not already own in Halla Stackpole Corporation, an Asia-focused powder metallurgy business with a strong presence in China and Korea. Since becoming a wholly-owned subsidiary of the Group, the business has been further integrated into the Stackpole Powder Metal business unit to realize additional operating synergies. As the automotive market transitions to electric vehicles, lighter-weight components produced using powder metal technology are expected to play an increasingly important role in delivering greater energy efficiency and improved performance compared to conventional forged or die cast metal counterparts.

In October 2022, the Group also completed the acquisition of an 80% equity stake in Pendix GmbH, an established, technology-driven player in the fast-growing electric bike ("e-bike") sector. Based in Zwickau, Germany, Pendix designs and manufactures complete electric cargo bikes and electric drives for bicycles. By combining Pendix's technology and application expertise with Johnson Electric's industrial scale and resources, the acquisition provides an exciting platform from which to build a strong and differentiated presence in the European e-bike market.

Chairman's Comments on the Annual Results and Outlook

Commenting on the annual results for the financial year 2022/23, Dr. Patrick Wang, Chairman and Chief Executive, said, "The financial year 2022/23 was challenging for Johnson Electric as macro-economic conditions continued to create unpredictable demands on global manufacturing supply chains and to pressure profit margins. Nonetheless, the business achieved solid sales growth in the face of rising consumer concerns regarding inflation and higher interest rates. Significant progress was also achieved in improving free cash flow generation and on focusing the business model on segments where the Group is best positioned to gain from the major structural shifts occurring in the industries we serve."

Commenting on the outlook for the business, Dr. Patrick Wang, said, "The near-term prospects for the global economy remain fragile. Although the distorting effects of the pandemic on both demand and supply have begun to ease, the steep increase in inflation and interest rates threatens to push some developed economies into recession. In this context, with quite limited visibility on whether a recession will be avoided, management is budgeting for sales growth in FY23/24 in the range of 5% to 7%."

"Our motion products and technologies are targeted directly at many of the most fundamental trends shaping modern society and which underpin our medium and long-term growth prospects. These trends include electrification, automation, environmental protection, mobility, health, and lifestyle improvement. In each of these dimensions, we are introducing a succession of innovative solutions that deliver the product application performance improvements that end consumers are demanding. In the automotive sector, for example, our electric water pumps and valve actuators are critical enablers to electric vehicle thermal management systems that enhance driving range, extend battery life, and shorten charging times. Other examples, in industrial and consumer applications, include BLDC motor technologies that enable lawn and garden OEMs to electrify their product ranges and kitchen ventilation system producers to meet the latest stringent regulations for energy efficiency."

"Innovative technology is only one element in a successful business model. The second key thrust to our strategy is to bring this technology to market through a global manufacturing platform that utilizes scale and standardized production lines to improve cost competitiveness through reduced cycle times, increased up-times, and lower requirements for additional capital expenditure and space. In its recent history, the Group has made considerable investments in re-designing and expanding its operating footprint to meet the requirements of a more automated and digital age, which provides a solid foundation for Johnson Electric to improve profit margins and cash generation."

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About Johnson Electric Group

The Johnson Electric Group is a global leader in electric motors, actuators, motion subsystems and related electro-mechanical components. It serves a broad range of industries including Automotive, Smart Metering, Medical Devices, Business Equipment, Home Automation, Ventilation, White Goods, Power Tools, and Lawn & Garden Equipment. The Group is headquartered in Hong Kong and employs over 35,000 individuals in 22 countries worldwide. Johnson Electric Holdings Limited is listed on The Stock Exchange of Hong Kong Limited (Stock Code: 179). For further information, please visit: www.johnsonelectric.com.

Forward Looking Statements

This news release 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", "believe", "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.

For more information, please contact:

Georgeana Fung
Etymon Communications & Brand
Management Consultants Ltd
Phone : (852) 2522-3822
Mobile : (852) 9101-3302
Email : georgeana.fung@etymon.com.hk

Note to Editors and Securities Analysts: The full text of the Annual Results announcement, including financial statements, is available through the Investor Relations section of company's website at www.johnsonelectric.com