

NEWS RELEASE

Johnson Electric reports results for the half year ended 30 September 2022

Highlights of FY22/23 Half-Year Results

- Group sales US\$1,770 million – up 6% compared to first half of the prior financial year. Excluding the effects of foreign currency movements and an acquisition, sales increased by 11%
- Gross profit US\$355 million or 20.0% of sales (compared to US\$357 million or 21.3% of sales in first half of the prior financial year)
- Adjusted EBITA US\$111 million (compared to US\$138 million in first half of the prior financial year)
- Net profit attributable to shareholders decreased by 40% to US\$56 million or 6.21 US cents per share on a fully diluted basis
- Net profit excluding non-cash foreign exchange rate movements and restructuring costs, decreased by 19% to US\$78 million
- Free cash flow from operations US\$80 million (compared to a free cash outflow of US\$56 million in first half of the prior financial year)
- Total debt to capital ratio of 17% and cash reserves of US\$298 million as of 30 September 2022
- Interim dividend 17 HK cents per share (2.18 US cents per share) with a scrip dividend alternative

HONG KONG, 9 November 2022 – Johnson Electric Holdings Limited (“Johnson Electric”), a global leader in electric motors and motion subsystems, today announced its results for the six months ended 30 September 2022.

Total Group sales for the first half of FY22/23 totalled US\$1,770 million, an increase of 6% over the first half of the prior financial year. Excluding the effects of foreign currency movements and an acquisition, sales increased by 11%. Net profit attributable to shareholders decreased by 40% to US\$56 million or 6.21 US cents per share on a fully diluted basis. Net profit, after adjusting for the effects of non-cash foreign exchange rate movements and restructuring costs, decreased by 19% to US\$78 million.

Automotive Products Group

The Automotive Products Group (“APG”), which accounted for 79% of total Group sales in the period under review, reported a 16% increase in sales on a constant currency basis. This robust growth rate, which comfortably exceeded global auto industry production volume growth over the same period, reflected the division’s focus on technology solutions that are enabling the industry’s shift to increased electrification, reduced emissions, and improved safety and comfort.

The global auto industry is presently experiencing its greatest upheaval in decades as a result of the combination of near-term supply chain constraints, the structural shift away from the internal combustion engine to electric propulsion, and increasing macro-economic headwinds. Although the recent global shortages of semiconductors have shown some signs of improvement, this critical supply bottleneck is continuing to have a highly disruptive impact on OEM production schedules for specific vehicle models that then cause knock-on disruptions and production inefficiencies for component suppliers.

On a geographic basis, APG grew sales in constant currency terms in each of its three major regional markets. However, the operating conditions and factors currently influencing end-market demand in these markets are starkly different.

In the Americas, APG’s sales increased by 23% on a constant currency basis. As a result of supply constraints and pent-up consumer demand for new vehicles, US light vehicle inventories remain at below-average levels and the average retail price of a car has risen

sharply to more than US\$48,000 (and currently stands at US\$65,000 for an electric vehicle). In Europe, although OEMs were also able to command higher retail prices for their most sought-after models, operating conditions were extremely challenging due to ongoing components shortages, high inflation, and growing concerns among both consumers and producers over the severe energy crisis triggered by the war in Ukraine. In this context, APG Europe performed creditably with constant currency sales growth of 8% – though it should be noted that due to the strength of the US Dollar against the Euro during the period, APG Europe’s reported sales in US Dollars declined by 3%. Finally, in China, end-market demand continues to be highly influenced by government policies. In the second quarter of the 2022 calendar year, car sales plunged due to Covid-related lockdowns. Sales demand subsequently recovered, due in part to tax incentives to purchase new energy vehicles, but remained relatively soft as Covid-related restrictions have continued and economic conditions have deteriorated. APG’s sales in Asia, the majority of which are to China, nonetheless increased by 17% in constant currency terms.

Industry Products Group

The Industry Products Group (“IPG”), which accounted for 21% of total Group sales, reported a 5% decrease in sales on a constant currency basis compared to the first half of the prior year.

At the height of the pandemic, IPG experienced exceptionally strong demand growth as consumer expenditure shifted disproportionately away from services and towards goods (especially “home-centric” goods). During the course of 2022, as pandemic restrictions began to lift in North America and Europe, there has been a gradual normalization of consumer expenditure patterns which has seen a number of IPG’s end customers and contract manufacturers move to reduce their excess inventory levels and cut back on orders. The second factor leading to reduced demand in some product areas is heightened concerns among consumers about inflation and the growing risk of a recession in many developed economies.

Notwithstanding the increasing macro-economic headwinds, IPG continued to make encouraging progress in growing its share in several high-growth market application segments, including medical devices, ventilation, window automation, and semiconductor manufacturing equipment.

Profitability and Financial Condition

Gross profit decreased by 1% to US\$355 million – which as a percentage of sales represented a decline from 21.3% to 20.0%. The decline in gross margins was largely the result of higher raw material expenditure and reduced gains on foreign currency hedging contracts, which were only partially offset by pricing adjustments, volume increases and cost-reduction initiatives.

Group operating profits amounted to US\$69 million compared to US\$117 million in the first half of the prior financial year. The reduction in reported operating income was primarily due to a loss of US\$7 million derived from Other Income and Expenses, compared to a profit of US\$30 million in the prior half year. This reversal was mainly due to unrealized foreign exchange rate losses resulting from the strength in the US Dollar and also the absence of a fair value gain on the Group's investment in an autonomous driving technology business that was recorded in the prior year.

Excluding costs related to the restructuring of the Group's manufacturing footprint and non-cash items related to foreign currency movements, the net profit margin for the first half decreased to 4.4% compared to 5.8% in the first half of the prior financial year.

Johnson Electric's financial condition remains sound with a total debt to capital ratio of 17% and cash balances of US\$298 million as of 30 September 2022.

Interim Dividend

The Board has today declared an interim dividend of 17 HK cents per share, equivalent to 2.18 US cents per share (2021/22 interim: 17 HK cents per share). The interim 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. The Board has further been informed that the controlling shareholder of the Company intends to subscribe for its entire eligible allocation of shares under the scrip dividend alternative. Full details of the scrip dividend alternative will be set out in a circular to shareholders.

The interim dividend will be payable on 18 January 2023 to shareholders registered on 6 December 2022.

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. On becoming a wholly-owned subsidiary of the Group, the business is being 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, after the closing of the financial statements for the first half, 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, manufactures, and brings to market 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 Half-Year Results and Outlook

Commenting on the results, Dr. Patrick Wang, Chairman and Chief Executive, said, “Johnson Electric’s financial performance in the six-month period ended 30 September 2022 was mixed. Sales grew at a healthy double-digit rate in constant currency terms despite ongoing supply constraints and increasing economic uncertainty in several end markets. At the same time, the exceptional strength of the US Dollar compared to other major currencies had a negative impact on both reported sales and operating margins. Combined with higher raw material costs and other operating cost increases, this resulted in significantly reduced earnings attributable to shareholders during the period.”

“With inflation in much of the world at a four-decade high, Europe’s economies shaken by an energy crisis and a war, and China persisting with highly-restrictive pandemic control measures, it is difficult not to foresee a challenging near-term outlook for global manufacturing businesses.”

“As noted earlier, the impact of weaker consumer confidence has already been felt in several of IPG’s product applications and is necessitating a review of costs and a reduction in capital investment in some segments. In the North American and European automotive sectors, the supply chain constraints that have dominated the industry in recent months can be expected to gradually improve, but end-customer demand may also begin to soften as interest rates rise and consumers turn increasingly cautious. The near-term outlook for China’s automotive sector will more likely hinge largely on whether the government adopts new policies to address the pandemic and stabilize the property market. APG’s business unit management is thus prioritizing cash generation, cost containment, and accelerating the rationalization of some product lines based on strict return on capital criteria.”

“A deteriorating macro-economic environment is not new territory for Johnson Electric and the business has a number of fundamental strengths that have enabled us to navigate our way through past recessions and market disruptions successfully. These include, firstly, recognized market leadership across a broad range of motion technologies that are critical enablers for increased electrification, lower emissions, improved safety, and greater controllability. Second, we serve a large and diverse customer base that is relatively evenly distributed across the three major economic regions. Third, the Group’s operating footprint has continued to expand and evolve to ensure that those customers can always rely on Johnson Electric for its speed of response and security of supply. And fourth, we have long track record of disciplined financial management.”

Dr. Patrick Wang further commented, “Therefore, looking beyond the near-term uncertainties, shareholders should feel confident that the Company remains soundly positioned to grow share and improve profitability in a widening range of high-growth applications for innovative motion technologies.”

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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.

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Note to Editors and Securities Analysts: The full text of the Half-Year Results announcement, including additional financial statements, is available through the Investors section of company’s website at www.johnsonelectric.com