

NEWS RELEASE

Johnson Electric reports results for the half year ended 30 September 2024

Highlights of FY24/25 Half-Year Results

- Group sales US\$1,854 million – down 4% compared to first half of the prior financial year
- Gross profit US\$438 million or 23.6% of sales (compared to US\$430 million or 22.2% of sales in the first half of the prior financial year)
- Adjusted EBITA US\$177 million or 9.5% of sales (compared to US\$180 million or 9.3% of sales in the first half of the prior financial year)
- Net profit attributable to shareholders increased by 8% to US\$130 million or 13.92 US cents per share on a fully diluted basis
- Underlying net profit, excluding the net impact of unrealized gains or losses relating to exchange rate movements and restructuring costs, increased by 3% to US\$133 million
- Free cash flow from operations US\$144 million (compared to US\$208 million in the first half of the prior financial year)
- Total debt to capital ratio of 12% and cash reserves of US\$688 million as of 30 September 2024
- Interim dividend 17 HK cents per share (2.18 US cents per share)

HONG KONG, 20 November 2024 – 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 2024.

Total group sales for the first half of the 2024/25 financial year were US\$1,854 million, a decrease of 4% compared to the first half of the prior financial year. Net profit attributable to shareholders increased by 8% to US\$130 million or 13.92 US cents per share on a fully diluted basis. Underlying net profit increased by 3% to US\$133 million.

Automotive Products Group

The Automotive Products Group (“APG”), which accounted for 84% of total Group sales in the period under review, reported a 3% decline in sales on a constant currency basis – which was in line with the overall reduction in global light vehicle production volumes.

On a regional basis, APG’s constant currency sales were lower by 1% in Asia, 3% in Europe, and 5% in the Americas. All major product and subsystem categories felt the effects of weaker OEM demand as the industry worked to reduce excess inventory levels that accumulated during 2023’s post-Covid rebound in production. At the same time, consumer appetite to purchase new cars is being negatively impacted in China by concerns over declining property prices and, in the case of North America and Europe, by high vehicle prices and high interest rates.

Current macro-economic conditions notwithstanding, the automotive industry’s structural evolution is continuing at a rapid pace. Most notably, China has emerged as a transformative force in the sector through its position as both the world’s largest market and the most dynamic in terms of its adoption of electric propulsion technology. Sales of all-electric and plug-in hybrid models recently exceeded the rate of one million vehicles per month and these now account for close to half of all passenger vehicles sold. Furthermore, in less than five years, PRC OEMs have become the domestic market leaders by offering high-quality, cost-competitive new energy vehicles that feature integrated software and advanced infotainment systems. APG’s strategy of developing a portfolio of motion subsystems and products that function as key technology enablers of electrification has meant that we have continued to grow our sales across all of the major PRC OEMs. This includes the supply of electric water pumps, coolant valves, and integrated thermal management systems that optimize the performance of battery-powered vehicles, as well as a wide array of motion products that improve the comfort and safety of passengers.

The automotive markets in the major western economies are experiencing a period of adjustment which, for a number of reasons, is leading to greater volatility and less visibility on production volumes. In the face of changing consumer preferences, increasing regulatory pressures, and the imperative to reduce production costs, OEMs have been shifting production to different plants in different regions, exiting unprofitable models, and delaying new model launches. The pace of adoption of electric vehicles in some countries has also slowed as the market seeks to progress beyond early adopters to mass market acceptance at a time when consumers remain concerned about high vehicle prices and financing costs, along with persistent anxieties about driving range, charging infrastructure and resale values. Indicative of these concerns, sales of hybrid vehicles in Europe and North America have picked up strength as buyers view these vehicles as an affordable compromise between all-combustion and all-electric.

Although the varying speed and dimensions of the structural changes taking place in the automotive industry creates near-term operational challenges for component suppliers, APG remains particularly well positioned to continue to gain market share. We possess a unique global manufacturing footprint that extends across every major geographic market. And our strength in China places us at the forefront of vehicle electrification technology development.

Industry Products Group

The Industry Products Group (“IPG”), which accounted for 16% of total Group sales, reported a 9% decrease in sales on a constant currency basis. Although the rate of sales contraction compared to a year earlier has slowed, IPG continues to experience challenging operating conditions. In part this reflects the prolonged weakness in demand in the aftermath of the pandemic which has seen consumers generally less willing to spend on discretionary hardware products compared to services. It also reflects delays to a number of contracted new product launches and heightened competition in more commoditized product segments where price rather than functionality and reliability has become the key determinant of purchase.

IPG’s management is responding to these difficult conditions by rationalizing and consolidating its production to focus on segments where it can obtain the greatest leverage from highly automated assembly lines and digital processes. At the same time, the division is aggressively pursuing new business in a number of high growth segments where Johnson Electric has innovative solutions to customer problems, including warehouse automation, semiconductor manufacturing equipment, liquid cooling applications, and electric bikes.

Gross Margins and Operating Profitability

Despite the slowdown in sales in the first half of the year, management has continued to make encouraging progress in implementing its core strategies aimed at reducing operating costs and improving profitability.

Gross profit margins increased to 23.6% from 22.2%. The improvement was largely the result of lower raw material costs and gains from foreign currency hedging contracts.

Earnings before interest, tax and amortization (“EBITA”) were US\$171 million (compared to US\$168 million in the first half of the prior year). Adjusted to exclude non-cash foreign exchange rate movements and restructuring charges, EBITA was US\$177 million or 9.5% of sales (compared to 9.3% in the first half of the prior year). The increase in EBITA margins reflected the improvement in gross profit, offset by modest increases in freight and staff costs.

Net Profit and Financial Condition

Net profit attributable to shareholders totalled US\$130 million or 13.92 US cents per share on a fully diluted basis. Underlying net profit, adjusted to exclude the non-cash impact of foreign exchange rate movements and restructuring charges, was US\$133 million compared to US\$130 million in the first half of the prior year.

Free cash flow from operations declined from US\$208 million to US\$144 million due to an increase in working capital and slightly higher capital expenditure. Johnson Electric’s overall financial condition remains robust with a total debt to capital ratio of 12% and cash balances of US\$688 million as of 30 September 2024.

Interim Dividend

The Board has today declared an interim dividend of 17 HK cents per share, equivalent to 2.18 US cents per share (2023/24 interim: 17 HK cents per share). The interim dividend will be payable on 8th January 2025 to shareholders registered on 17th December 2024.

Chairman’s Comments on the Half-Year Results and Outlook

Commenting on the results, Dr. Patrick Wang, Chairman and Chief Executive, said, “Johnson Electric achieved satisfactory financial results in the six-month period ended 30 September 2024 in the context of a subdued global economy and reduced automotive industry output.”

“Global demand for manufactured goods, including automobiles, has been sluggish through the course of 2024. European economies are struggling to grow in the face of high interest rates and geopolitical volatility. China

continues to grapple with the effects of a severe property market downturn and an investment-driven model that has created significant excess capacity in many sectors. In the US, whilst overall economic conditions are more buoyant, industrial order levels have contracted in recent months and consumer confidence remains subdued.”

Regarding the outlook for the second half of the financial year, Dr. Patrick Wang commented, “Looking ahead to the second half of the financial year, we are cautiously optimistic that the scheduled launch of new programs and the replenishment of channel inventory in several application segments will provide the basis for a return to top-line growth.”

Dr. Patrick Wang further commented, “The main caveat to this sales outlook remains uncertainties over macro-economic conditions and consumer confidence. The recent US presidential election campaign has featured several potentially far-reaching, but loosely defined economic proposals that if implemented could have a highly disruptive impact on geopolitical relations and global trade. However, at this stage, it is not possible to gauge exactly how, or over what timeframe, the next US administration intends to proceed with its proposed radical changes to trade and economic policy. In the meantime, Johnson Electric will remain focused on executing its core strategies that include leading the market in developing innovative technology solutions to customer problems, driving continuous improvement in automation and digital processes to reduce cost, and optimizing a global manufacturing footprint that has consistently demonstrated its resilience and adaptability in response to external shocks or periods of volatility.”

* * * *

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 30,000 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 Half-Year Results announcement, including additional financial statements, is available through the Investors section of company’s website at www.johnsonelectric.com