

NEWS RELEASE

Johnson Electric reports increase in sales and net income for the year ended 31 March 2019

Highlights of FY2018/19 Results

- For the financial year ended 31 March 2019, total sales amounted to US\$3,280 million – an increase of 1% compared to the prior financial year. Excluding the effects of acquisition and foreign currency movements, underlying sales increased by 2%
- EBITDA totalled US\$549 million – an increase of 6%
- Operating profits increased by 3% to US\$344 million or 10.5% of sales (compared to 10.4% of sales in FY17/18)
- Net profit attributable to shareholders increased by 7% to US\$281 million (or 31.60 US cents per share on a fully diluted basis). Underlying net profit, which excludes the net impact of non-cash foreign currency-related gains/losses and a prior year non-cash gain on an acquisition, decreased by 10% to US\$243 million
- Capital expenditure totalled US\$391 million – up 28%, reflecting major investments in advanced automation, technology and manufacturing footprint expansion
- As of 31 March 2019, cash reserves amounted to US\$340 million and the Group's ratio of total debt to EBITDA was 1.2 times

HONG KONG, 16th May 2019 – 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 2019.

Group sales for the 2018/19 financial year totalled US\$3,280 million – an increase of 1% compared to the prior financial year. Excluding the effects of acquisition and foreign currency movements, underlying sales increased by 2%. Net profit attributable to shareholders rose 7% to US\$281 million. Underlying net profit, which excludes the net impact of non-cash foreign currency-related gains/losses and a prior year non-cash gain on an acquisition, decreased by 10% to US\$243 million.

Sales Performance

The softening in the global economy in the second half of the financial year, along with industry-specific factors, represented a major headwind for the Group with the result that total sales amounted to US\$3,280 million, an increase of 1% over the prior financial year.

After several years of strong growth momentum, the global automotive industry stalled in 2018 as US car sales peaked, Europe was held back by new emissions testing rules and China sales declined for the first time in two decades.

The Automotive Products Group (“APG”), Johnson Electric’s largest operating division, achieved sales of US\$2,530 million. Excluding acquisition and currency effects, APG’s sales increased by 2%. On a regional basis, the strongest performance was in the Americas where APG increased sales by almost 8% in constant currency terms against a market where light vehicle production volumes were flat. In Asia, sales grew by just over 2% in constant currency terms compared to a decline in regional industry production of almost 3%. China’s car industry experienced a particularly sharp contraction in production volumes of over 6% as a result of the expiration of favourable tax purchase policies, as well as the overall slowdown in consumption and economic activity. APG performed less well in Europe with sales declining approximately 3% in constant currency terms compared to a decline of 2.6% in regional production volumes. European passenger car production was held back by the implementation of the “worldwide light vehicles test procedure”, or WLTP – designed to offer more realistic fuel economy results – which caused OEM production bottlenecks and negatively impacted car sales in the second half of the year.

The Industry Products Group (“IPG”) reported a 1% increase in sales to US\$750 million – representing 23% of total Group sales. Generally weaker macro-economic conditions and the US-China tariff dispute put a dampener on demand across many of the Group’s end-market segments. Nonetheless, through a combination of market share gains and new customer launches, IPG was able to grow sales in the Americas by over 6% in constant currency terms. Sales to European customers were essentially flat compared to the prior year. In Asia, sales were down just under 2% in constant currency terms due to the combination to uncertainties over US-China trade relations, slower economic growth in China and customer-specific launch delays.

Pressure on Underlying Profit

Gross profit decreased by 5% to US\$751 million – which as a percentage of sales represented a reduction from 24.4% to 22.9%. This disappointing performance was due to the combination of weaker sales volumes in a majority of APG’s business units (particularly in the second half when sales declined on both a sequential and year-on-year basis) and the negative impact of pricing pressure and higher raw material, labour and depreciation expenses.

The Group’s operating profit benefited from a substantial increase in “Other Income and expenses”. This was primarily due to the impact of a mark-to-market gain on structured foreign exchange contracts that form part of Johnson Electric’s long-term operational hedging activities and net changes in the revaluation of monetary assets and liabilities and other foreign currency hedging contracts. As a result of these and other non-cash items, operating profits increased by 3% to US\$344 million or 10.5% of sales.

A lower effective tax rate also boosted the bottom line, with net profit attributable to shareholders totalling US\$281 million – an increase of 7% compared to the prior year.

Dividends

In view of the decrease in underlying operating income and significant ongoing capital investments in strengthening the business, the Board recommends maintaining the final dividend of 34 HK cents per share, which together with the interim dividend of 17 HK cents per share, represents a total dividend of 51 HK cents per share.

Chairman’s Comments Outlook

Commenting on the outlook for the business, Dr. Patrick Wang, Chairman and Chief Executive, said, “Demand levels in several of our major markets have remained comparatively weak in recent months – with China’s automotive sector in particular continuing to contract. Consequently, the prospect of the US-China trade dispute escalating represents a significant risk as to whether trading conditions are able to improve in the near term.”

Dr. Wang further commented, “Approximately 5% of the Group’s total annual sales volume is currently subject to Section 301 tariffs that have been imposed on goods imported into the USA from China. While this exposure is not especially large in the context of Johnson Electric’s diversified global sales base, if the USA and China fail to reach a negotiated trade agreement in the coming weeks the effects will be disruptive to our global supply chain and could result in higher cost for our business, our customers and consumers.”

“Notwithstanding the difficult and highly unpredictable current operating environment, I remain optimistic about Johnson Electric’s competitive position and growth trajectory in the medium to longer term. Our product line is aligned with the market’s need for mission-critical solutions to electrification, emissions, cooling, weight reduction and energy saving

problems – as exemplified by a strong pipeline of new business launches scheduled for the current financial year. Our global manufacturing footprint provides us with the means to be both responsive to customers and mitigate the negative impact of foreign currency volatility and import tariffs. Further, we benefit significantly from a diverse, high-quality customer base balanced evenly across the world’s three major regional economies.”

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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 38,000 individuals in 23 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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JOHNSON ELECTRIC HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

	For the 12 Months Ended 31 March		
	2019	2018	
	US\$M	US\$M	% change
Sales	3,280.4	3,236.6	+1%
Cost of goods sold	(2,529.0)	(2,445.4)	
Gross profit	751.4	791.2	(5)%
Other income and (expenses)	78.9	13.9	
Selling and administrative expenses	(486.1)	(469.9)	
Operating profit	344.2	335.2	+3%
Finance income and costs, net	(16.4)	(13.5)	
Share of profits of associate	0.1	1.1	
Profit before income tax	327.9	322.8	+2%
Income tax expense	(38.3)	(48.6)	
Profit for the year	289.6	274.2	+6%
Deduct: Non-controlling interests	(8.3)	(10.2)	
Profit attributable to shareholders	281.3	264.0	+7%
Basic earnings per share (in US cents)	32.46	30.64	+6%
Diluted earnings per share (in US cents)	31.60	29.65	+7%

Note to Editors and Securities Analysts: The full text of the FY2018/19 Preliminary Results announcement, including additional financial information, is available through the Investor Relations section of company's website at www.johnsonelectric.com