

## **NEWS RELEASE**

### **Johnson Electric reports results for the half year ended 30 September 2020**

#### **Highlights of FY20/21 Half-Year Results**

- Group sales US\$1,330 million – down 15% compared to first half of the prior financial year
- Gross profit US\$300 million or 22.5% of sales (compared to US\$357 million or 22.8% of sales in prior half year)
- Underlying EBITA margins, adjusted to exclude the impact of significant non-cash and divested items, increased to 10.2% from 9.9% in prior half year
- Net profit attributable to shareholders decreased by 38% to US\$101 million or 11.27 US cents per share on a fully diluted basis
- Underlying net profit, excluding the net impact of significant non-cash and divested items, decreased by 7% to US\$98 million
- Free cash flow from operations US\$68 million (compared to US\$90 million in prior half year)
- Total debt to capital ratio of 17% and cash reserves of US\$469 million as of 30 September 2020
- Interim dividend 17 HK cents per share (2.18 US cents per share) with a scrip dividend alternative

HONG KONG, 11 November 2020 – 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 2020.

Total Group sales for the first half of FY20/21 totalled US\$1,330 million, a decrease of 15% compared to the first half of the prior financial year. Net profit attributable to shareholders decreased by 38% to US\$101 million or 11.27 US cents per share on a fully diluted basis. Underlying net profit, after adjusting for the effects of a number of significant non-cash and divested items, decreased by 7% to US\$98 million.

Sales declined significantly in April and May due to the impact of the COVID-19 pandemic, particularly on the automotive industry in Europe and the Americas. During the month of June, the Group began to experience a marked recovery in demand and this positive trend continued throughout the second fiscal quarter. By the month of September, average weekly sales and profitability levels in most parts of our business had returned to levels of a year earlier – and in several areas exceeded them.

### **Automotive Products Group**

The Automotive Products Group (“APG”), which accounted for 75% of total Group sales, reported a 19% decrease in sales on a constant currency basis compared to the first half of the prior year. Global light vehicle industry production volumes fell by approximately 24% over the same period.

This overall decline in automotive industry activity reflected the progression of the COVID-19 pandemic across different geographic regions over the course of 2020, the impact of various government containment actions on production, and the consequent effects on consumer confidence and end-market vehicle sales.

OEM assembly plants in Europe and North America were largely shut down in the period from late March to May. Since then, production has resumed and by September, output for the month in both these regions exceeded the prior year. Nonetheless, total light vehicle production for six months to September in Europe and North America was down 36% and

35%, respectively. Over the same period, APG's sales in constant currency to Europe and the Americas region were down by 33% and 26%, respectively.

The COVID-19 outbreak hit China first and government-imposed containment measures were concentrated during the period from late January to early March 2020. The country has since witnessed a quicker and, so far, more sustained return to economic and social normality than any other major economy. This was reflected in China's passenger car production volumes for the six months to September, which were approximately 11% higher than the same period in 2019.

Elsewhere in Asia, however, the pandemic caused automotive industry production to decline sharply. The output of the export-oriented car industries of Japan and Korea fell by 30% and 13%, respectively. Emerging Asian car markets such as India, Thailand and Indonesia were hit even harder and experienced falls in vehicle output by as much as 50%. As a result, despite the recovery in China, total light vehicle production in Asia for the six months to September was down by almost 11%. Over the same period, APG's sales in Asia were flat in constant currency terms – reflecting both China's higher weighting in the Group's sales mix and APG's innovative product line that is closely aligned to the industry's key growth drivers of emissions reduction, fuel economy and electrification.

### **Industry Products Group**

The Industry Products Group (“IPG”), which accounted for 25% of total Group sales, reported a 2% increase in sales on a constant currency basis compared to the first half of the prior year. While the contraction in the global economy has resulted in a decline in demand from several of the wide range of market segments that IPG serves, others have prospered due to changing consumer behaviour and purchasing preferences in specific product applications.

For example, sales in applications such as aerospace subsystems, vending machines, professional power tools and commercial printers have all suffered as a direct result of the reduced activity in those end-markets caused by social distancing and COVID-19

containment measures. In contrast, IPG has benefitted from a surge in the consumption of more “home-centric” consumer and industrial goods. Product applications experiencing a strong increase in sales for Johnson Electric’s precision motors, motion subsystems, switches and solenoids include coffee machines, lawn and garden products, kitchen appliances, floor care equipment, inkjet printers, medical devices and healthcare products.

### **Profitability**

Gross profit decreased by 16% to US\$300 million – which as a percentage of sales represented a slight decline from 22.8% to 22.5%. Notwithstanding the significantly reduced sales volumes of APG in the first half, the impact on the Group’s gross margin was kept to a minimum by management’s actions to reduce operating costs and to the effects of many governments subsidizing the cost of employees who were furloughed during temporary plant shut downs.

Group operating profits were US\$122 million compared to US\$192 million in the first half of the prior financial year. The reduction in reported operating income and in net profit attributable to shareholders was primarily due to the lower sales volumes and a substantial decrease in the net contribution from Other Income and Expenses. In particular, the prior year period included a US\$41 million fair value gain related to the divestment of an investment property.

Excluding the significant non-cash items and property divestment, the net profit margin attributable to shareholders for the first half increased to 7.4% compared to 6.8% in the first half year of the prior financial year.

### **Interim Dividend**

At the time of the prior year’s annual results announcement in May 2020, when large parts of the Group’s operations were still severely disrupted by the COVID-19 outbreak, the Board determined that it would be prudent to suspend the final dividend payment for the 2019/20 financial year. Six months on, the Group’s global manufacturing operations and commercial conditions are more stable.

The Board will continue to monitor developments in the months ahead, but in keeping with the encouraging recovery of the business over the course of the first half of the 2020/21 financial year, it has determined that a resumption of dividend payments to shareholders is appropriate. Accordingly, the Board has today declared an interim dividend of 17 HK cents per share, equivalent to 2.18 US cents per share (2019 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. Full details of the scrip dividend alternative will be set out in a circular to shareholders.

The interim dividend will be payable on 12 January 2021 to shareholders registered on 2 December 2020.

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

Commenting on the results, Dr. Patrick Wang, Chairman and Chief Executive, said, “Johnson Electric delivered satisfactory results in the six-month period ended 30 September 2020 in the context of an unprecedented global pandemic that has had a profound impact on the economies where we operate.”

“The resumption of an interim dividend is an acknowledgement of the Group’s improved financial status and near-term business outlook compared to how things stood in the early months of the COVID-19 pandemic. It is also a testament to the extraordinary efforts undertaken by everyone working at Johnson Electric over the past six months. Their actions and, for many, personal financial sacrifices, have helped the company navigate successfully through a period of exceptional uncertainty and operational stress.”

“However, regrettably, there is no sign of plain sailing in the months ahead – for us as a business or for any other global manufacturing enterprise. Two factors, in particular, continue to have the potential to disrupt the prospects for the global economy returning to anything like a normalized pattern of cyclical growth.”

“Firstly, as noted earlier, the COVID-19 pandemic is far from being behind us. In the short term, it is unclear whether the resurgence of cases in many countries will lead to a re-imposition of social and economic lockdowns that could disrupt our business and operations. Until vaccines or effective treatments for the virus are found, it is also impossible to gauge the longer-term impact that the pandemic could have on unemployment, commerce, consumer confidence and economic prosperity more broadly.”

“Secondly, the geopolitical landscape remains highly unpredictable. There is no indication that the trade barriers put in place between the United States and China over the past four years will be lowered any time soon.”

“Johnson Electric is an international company whose purpose centres on improving the quality of life of everyone we touch through our innovative motion systems. This is the primary reason why we exist as a business and our strategies are directed towards meeting this goal whatever the nature of the operating environment and macro conditions.”

“In this respect, I remain confident that our company is positioned among the very best in our industry to continue grow and prosper over time.”

Dr. Wang further commented, “Our products and technology innovations are aligned with several of the major demand imperatives of our age: reducing emissions; enhancing energy efficiency; and improving safety and healthcare. Our operating model emphasizes high-speed automation, responsiveness and increasing levels of digitalization. Our customer base and manufacturing footprint is well balanced across Asia, Europe and the Americas. Last, but not least, our company is blessed with a diverse and uniquely talented team of employees working together across four continents.”

“Based on these significant attributes, I believe shareholders have reason to be optimistic that Johnson Electric has a robust business model that will continue to adapt and generate sustainable cash flows long into the future.”

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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 more than 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](http://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 information, is available through the Investor Relations section of company’s website at [www.johnsonelectric.com](http://www.johnsonelectric.com)**