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## **Johnson Electric Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 179)

### **DISCLOSEABLE TRANSACTION ACQUISITION OF STACKPOLE INTERNATIONAL**

The Board of Johnson Electric announces that after trading hours on 10 August 2015, indirect wholly-owned subsidiaries of the Company entered into a Share Purchase Agreement with S.I. Investors, L.P. to acquire the entire share capital and convertible preferred equity certificates of three companies which together constitute the business of Stackpole International.

Stackpole International is a leading manufacturer of highly-engineered automotive engine and transmission pumps and powder metal components and is headquartered in Ontario, Canada.

Under the terms of the Acquisition, the total Consideration payable, including costs associated with the retirement of Stackpole International's 7.75% Senior Secured Notes, will amount to up to an estimated C\$867 million (equivalent to approximately US\$659 million) (subject to adjustments).

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios exceed 5% but are less than 25% and is subject to the notification and announcement requirements under the Listing Rules.

### **INTRODUCTION**

The Board of Johnson Electric announces that after trading hours on 10 August 2015, the Purchasers and the Guarantor entered into the Share Purchase Agreement with the Seller to acquire the Securities of the Target Companies which together constitute the business of Stackpole International.

The Directors, including the independent non-executive Directors, consider that the Share Purchase Agreement has been entered into in the ordinary course of business of the Group on normal commercial terms, and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

The prescribed particulars of the Acquisition and other information relating thereto are set out below:

## **THE SHARE PURCHASE AGREEMENT**

### **Date**

10 August 2015

### **Parties**

Purchasers : Johnson Electric International (UK) Limited, JE International Engineered Products Canada Limited and JE International Powder Metal Canada Limited, all indirect wholly-owned subsidiaries of the Company

Guarantor : Johnson Electric Industrial Manufactory, Limited, a wholly-owned subsidiary of the Company

Seller : S.I. Investors, L.P.

To the best of the Directors' knowledge, information and belief, and having made reasonable enquiries, the Seller and its ultimate beneficial owners are third parties independent of the Group and are not connected persons of the Group.

### **Subject of the Acquisition**

Pursuant to the Share Purchase Agreement, the Seller agreed to sell and the Purchasers agreed to purchase the Securities of the Target Companies, which together constitute the entire business of Stackpole International. The Seller is the legal and beneficial owner of the Securities.

### **Consideration**

The Consideration was determined on an arm's length basis following due diligence by the Company and negotiations with the Seller. It is based on a total enterprise valuation of Stackpole International of C\$800 million. The enterprise value comprises the following:

- (i) An estimated equity value of C\$279.8 million, subject to adjustments at Completion, including working capital;
- (ii) 7.75% Senior Secured Notes with a principal amount of US\$382.5 million (C\$503.6 million);
- (iii) Other assumed debt-like liabilities amounting to C\$16.6 million.

Additional amounts forming part of the total Consideration payable by the Purchasers include:

- (iv) An early redemption payment to the holders of the 7.75% Senior Secured Notes. Subject to the timing of Completion, this early redemption payment is estimated to amount to approximately US\$41.4 million (C\$54.5 million); and
- (v) A time-based, contingent additional amount of up to a maximum of C\$12.75 million payable if the timing of Completion occurs between 81 days and 165 days after entering into the Share Purchase Agreement.

The total Consideration payable by the Purchasers will therefore amount to up to an estimated C\$867 million (equivalent to approximately US\$659 million) (subject to adjustments). The total Consideration is payable in cash at Completion and will be financed from the Group's internal cash reserves and available credit facilities.

### **Guarantee**

Johnson Electric Industrial Manufactory, Limited has guaranteed to the Seller the performance by the Purchasers of its obligations under the Share Purchase Agreement.

### **Completion and Conditions Precedent**

Subject to satisfaction of customary regulatory approvals and receipt of certain consents required for the transfer of Stackpole International, Completion is currently expected to take place in the fourth quarter of 2015 unless otherwise agreed in writing by the Parties.

### **INFORMATION ON STACKPOLE INTERNATIONAL**

Stackpole International is a leading global manufacturer of highly-engineered engine and transmission pumps and powder metal components, primarily for automotive applications. It serves a blue-chip customer base comprised mainly of the world's leading automotive original equipment manufacturers and their Tier 1 suppliers.

Stackpole International is headquartered in Ontario, Canada. It employs over 2,000 individuals across a global operating footprint that includes nine manufacturing facilities located in North America, Europe and Asia, including two facilities owned by HSC Joint Venture in China and Korea, which is 30% owned by Stackpole International.

Stackpole International was formerly part of Gates Corporation, which in turn was formerly a division of Tomkins plc. Since its carve-out from Gates Corporation in 2011, Stackpole International has been under private equity ownership and is presently owned by the Seller, a limited partnership majority owned by Crestview Partners.

The table below shows the revenue, normalised EBITDA, profits, and net assets of Stackpole International for 2013 and 2014. The financial information shown for the year ended 31 December 2014 are extracted from the audited combined financial statements, which were prepared in accordance with International Financial Reporting Standards. Financial information for the year ended 31 December 2013 consist of the unaudited consolidated financial information of Stackpole Holding L.P. for the period from 1 January 2013 to 9 October 2013 prior to the Seller's acquisition of Stackpole Holding L.P., and the

audited combined financial information of Stackpole International for the period from 10 October 2013 to 31 December 2013.

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2013</b>
(1) Revenue of Stackpole International (excluding HSC Joint Venture)	C\$486.8 million	C\$464.7 million
(2) Normalised EBITDA of Stackpole International (including HSC Joint Venture)	C\$81.8 million	C\$94.3 million
(3) Reported profit (loss) before taxation and extraordinary items	(C\$0.8 million)	C\$25.8 million
(4) Net profit after taxation and extraordinary items	C\$0.3 million	C\$16.9 million
(5) Net assets of Stackpole International	C\$152.7 million	C\$154.2 million

In the year ended 31 December 2014, North America represented the largest sales region by destination and accounted for approximately 80% of revenue of Stackpole International (excluding sales of HSC Joint Venture).

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Johnson Electric Group is a leading global manufacturer of electric motors, motion subsystems and related electro-mechanical components serving a range of end markets, including the automotive industry. As previously announced, it is a key strategic priority of the Group to supplement its organic growth through selective acquisitions which can bring complementary adjacent technologies and strengthen the Group's position in key markets.

The Board views the Acquisition as an attractive opportunity to accelerate sales growth and strengthen the Group's position as a supplier to key engine and transmission applications that contribute to improved fuel economy and reduced emissions. Acquiring Stackpole International's pump technology and powder metal expertise will enable the Group to provide integrated motorised pump solutions to customers in a rapidly growing market segment within the automotive industry. In addition, the Acquisition will significantly increase the Group's exposure to the North American automotive market which is presently experiencing strong demand, as well as provide attractive longer term growth platforms in Europe and Asia.

Excluding one-time Acquisition transaction costs, the Acquisition is expected to be earnings enhancing for the Group in the first financial year following Completion.

The Directors, including the independent non-executive Directors, consider the terms of the Acquisition are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios exceed 5% but are less than 25% and is subject to the notification and announcement requirements under the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings :

Acquisition	the acquisition of the Securities by the Purchasers from the Seller pursuant to the Share Purchase Agreement
Board	the board of Directors
Company or Johnson Electric	Johnson Electric Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
Completion	the completion of the sale and purchase of the Securities in accordance with the Share Purchase Agreement
Consideration	the consideration payable by the Purchasers for the Securities (and including costs associated with the retirement of Stackpole International's 7.75% Senior Secured Notes), a sum of up to an estimated C\$867 million (subject to adjustments), payable in cash
connected persons	has the meaning ascribed thereto under the Listing Rules
C\$	Canadian dollar(s), the lawful currency of Canada
Directors	the directors of the Company
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Group	the Company and its subsidiaries
Guarantor	Johnson Electric Industrial Manufactory, Limited, a wholly-owned subsidiary of the Company
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China

HSC Joint Venture	the Halla Stackpole Corporation joint venture that is 30% owned by Stackpole International Global Holding Co. S.A. and 70% owned by subsidiaries of the Halla Group of Korea
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
Parties	Purchasers, Seller and Guarantor
Purchasers	<p>Johnson Electric International (UK) Limited, a limited liability company incorporated in the United Kingdom;</p> <p>JE International Engineered Products Canada Limited, a limited liability company incorporated in British Columbia, Canada;</p> <p>JE International Powder Metal Canada Limited, a limited liability company incorporated in British Columbia, Canada, and,</p> <p>All above are indirect wholly-owned subsidiaries of the Company</p>
Securities	<p>one common share of Stackpole International EP Holding, Ltd., representing 100% of its issued and outstanding share capital;</p> <p>48,367,339 common shares of Stackpole International PM Holding, Ltd., representing 100% of its issued and outstanding share capital;</p> <p>8,401,525 shares of Stackpole International Global Holding Co. S.A., representing 100% of its issued and outstanding share capital; and,</p> <p>All of the convertible preferred equity certificates issued by Stackpole International Global Holding Co. S.A.</p>
Share Purchase Agreement	a Share Purchase Agreement dated 10 August 2015 and entered into between the Parties in relation to the sale and purchase of the Securities
Seller or S.I. Investors	S.I. Investors, L.P., a Cayman Islands exempted limited partnership
Stackpole International	the Seller's business in engine and transmission pumps and powder metal components comprising three Target Companies and operating under the trading name of Stackpole International

Stock Exchange	The Stock Exchange of Hong Kong Limited
Subsidiary	has the meaning ascribed thereto under the Listing Rules
Target Companies	Stackpole International EP Holding, Ltd., a corporation incorporated under the laws of the Province of British Columbia, Canada;  Stackpole International PM Holding, Ltd., a corporation incorporated under the laws of the Province of British Columbia, Canada; and,  Stackpole International Global Holding Co. S.A., a <i>société anonyme</i> incorporated and existing under the laws of the Grand-Duchy of Luxembourg
US\$	United States dollar(s), the lawful currency of the United States of America
%	Percentage

*The translations of C\$ into US\$ throughout this announcement, unless otherwise stated, are based on the exchange rate of US\$1.00 to C\$1.3167 (the spot rate quoted at 5:00 p.m. Hong Kong time on 10 August 2015 on Bloomberg) and are provided for information purposes only.*

### **Board of Directors**

As of the date of this announcement, the Board comprises Patrick Shui-Chung Wang, Winnie Wing-Yee Wang, Austin Jesse Wang being the Executive Directors and Yik-Chun Koo Wang, Peter Kin-Chung Wang being the Non-Executive Directors and Peter Stuart Allenby Edwards, Patrick Blackwell Paul, Michael John Enright, Joseph Chi-Kwong Yam and Christopher Dale Pratt being the Independent Non-Executive Directors.

By Order of the Board  
**Johnson Electric Holdings Limited**  
**Lai-Chu Cheng**  
*Company Secretary*

Hong Kong, 11 August 2015

*www.johnsonelectric.com*