

## **NEWS RELEASE**

### **Johnson Electric reports results for the year ended 31 March 2021**

#### **Highlights of FY2020/21 Results**

- For the financial year ended 31 March 2021, total sales amounted to US\$3,156 million – an increase of 3% compared to the prior year. Excluding the effects of foreign currency movements, underlying sales increased by 1%
- Gross profit totalled US\$723 million – an increase of 8%
- EBITA, adjusted to exclude restructuring charges and significant non-cash and unusual items, increased by 18% to US\$335 million or 10.6% of sales (compared to 9.3% of sales in FY2019/20)
- Net profit attributable to shareholders totalled US\$212 million – compared to a net loss of US\$494 million in the prior financial year which included a non-cash impairment charge against intangible assets of US\$796 million
- Underlying net profit totalled US\$251 million – an increase of 31%
- As of 31 March 2021, cash reserves amounted to US\$539 million and the ratio of total debt to capital at year end was 16% (a decrease from 18% a year earlier)

HONG KONG, 12 May 2021 – 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 2021.

Group sales for the 2020/21 financial year totaled US\$3,156 million – an increase of 3% compared to the prior year. Excluding the effects of foreign currency movements,

underlying sales increased by 1%. Net profit attributable to shareholders totalled US\$212 million. Underlying net profit was US\$251 million, an increase of 31% compared to the prior year.

## **Sales Performance**

The Automotive Products Group (“APG”), Johnson Electric’s largest operating division, achieved sales of US\$2,443 million. Excluding currency effects, APG’s sales declined by 2%. This compares to a reduction in global light vehicle production volumes of approximately 8% over the same period.

APG continues to deliver results that exceed those of the automotive sector overall – even during cyclical periods of contraction – due to a product portfolio that is focused on the key long-term technology trends that are transforming the industry. These include innovative technologies that enable electrification, reduce emissions, enhance safety and comfort, and heat, cool or lubricate critical vehicle systems.

The strongest regional performance was in Asia, where APG increased sales by 15% in constant currency terms against a market where light vehicle production volumes grew by 2%. Asia was the only major region to achieve a growth in automotive industry volumes in the period due primarily to the fact that China bore the brunt of its pandemic-induced demand contraction in the fourth quarter of the prior financial year.

In contrast, the majority of automotive OEM assembly plants in Europe largely ceased operations in the period from late March to May 2020. Production resumed over the course of the summer and by autumn was matching the levels of the prior year. However, the industry’s recovery was somewhat tempered towards the end of the financial year due to the resurgence of COVID-19 in some countries and by shortages of electronic components, especially semiconductors. For the financial year as a whole, European light vehicle production volumes declined by approximately 18%. Over the same period, APG’s European sales in constant currency were down by 13%.

Automotive industry production and demand trends in North America over the period were broadly similar to those in Europe. APG's sales in the region declined by 8% in constant currency terms, compared to a 19% fall in North American light vehicle production over the same twelve month period.

The Industry Products Group ("IPG") achieved sales of US\$713 million, which represented 23% of total Group sales. Excluding currency effects, IPG's sales increased by 12%. This very satisfactory performance reflected the contrasting fortunes of the diverse range of end markets served by IPG as the pandemic reshaped consumer behaviour and altered demand patterns.

For example, sales to product applications such as aerospace subsystems, vending machines, professional power tools and commercial printers 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 benefitted from a surge in the consumption of consumer goods because of a redirecting of spending away from travel and entertainment and towards more "home-centric" lifestyles. Product applications that saw a strong increase in sales for Johnson Electric's precision motors, motion subsystems, switches and solenoids included coffee machines, lawn and garden products, kitchen appliances, floor care equipment, inkjet printers, medical devices and healthcare products.

### **Gross Margins and Operating Profitability**

The Group's gross profit rose by US\$51 million to US\$723 million, which as a percentage of sales represented an increase from 21.9% to 22.9%. This improvement was primarily due to the combination of volume growth, hedging contract gains, staff cost savings and COVID-19 related government subsidies, partly offset by increased depreciation, higher freight costs and pricing pressure.

A number of non-cash charges and gains, restructuring costs, and other unusual items distort year-on-year comparisons of the Group's reported operating profit. For the 2020/21 financial year, these included US\$28 million in restructuring charges associated with the

streamlining of the Group's manufacturing footprint in Europe and China and a US\$91 million decrease in Other Income and Expenses. In addition, in the prior 2019/20 financial year, the Company recorded an impairment charge against goodwill and other intangible assets.

Earnings before interest, tax and amortization ("EBITA"), adjusted to exclude the effects of restructuring charges and non-cash and unusual items referred to above, amounted to US\$335 million – compared to US\$285 million in the prior year. Adjusted EBITA margins increased from 9.3% to 10.6%.

### **Underlying Net Profit and Financial Condition**

Net profit attributable to shareholders totalled US\$212 million or 23.6 US cents per share on a fully diluted basis. Underlying net profit was US\$251 million, an increase of 31% compared to the prior year.

Free cash flow from operations totalled US\$171 million – a decline of US\$87 million. This decrease was almost entirely due to an expansion in working capital that occurred as business volumes recovered from the depressed levels reached during the first stages of the COVID-19 outbreak a year ago.

The overall financial condition and liquidity position of the Group remains robust. Total cash at year end amounted to US\$539 million and debt stood at US\$426 million. The ratio of total debt to capital at year end was 16% (a reduction from 18% a year earlier).

### **Dividends**

In view of the Company's financial performance over the course of the 2020/21 financial year and markedly improved macro-economic conditions, the Board has recommended a resumption in final dividend payments in the amount of 34 HK cents per share. Together with the interim dividend of 17 HK cents per share, this represents a total dividend of 51 HK cents per share, equivalent to 6.54 US cents per share. The final 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.

### **Chairman's Comments on the Annual Results and Outlook**

Commenting on the annual results for the financial year 2020/21, Dr. Patrick Wang, Chairman and Chief Executive, said, "The past twelve months have been truly extraordinary for most people and most businesses in virtually every country worldwide. When I wrote to shareholders a year ago, the COVID-19 pandemic had forced many major economies into unprecedented government-mandated "lockdowns" and the timing and nature of an "exit" point was impossible to project."

"One year on – and after more than three million COVID-related deaths – the global pandemic is still far from over. However, the successful development of vaccines against the virus has at last provided the world with a credible path towards a lifting of restrictions and created rising expectations of a return to social and economic "normality".

"For Johnson Electric, with manufacturing facilities in 18 countries on four continents, the financial year 2020/21 was a period of unique challenges that I am pleased to report the Company navigated with a good deal of success. After a particularly difficult first two months to the financial year, when large parts of our operations in Europe and the Americas were essentially shut down, a strong business recovery began to take hold in June 2020 and was sustained through to the end of the financial year in March 2021. It is a testament to Johnson Electric's diverse global customer base, sought-after technology and highly committed workforce, that the Company was able to deliver both sales and earnings improvements compared to the prior financial year."

Commenting on the outlook for the business, Dr. Patrick Wang, said, "The same factors that underpinned Johnson Electric's positive business trajectory in the second half of the past financial year have continued to support an encouraging start to FY2021/22. At the macro-economic level, these include the rebound in the global economy that is benefitting

from unprecedented fiscal support from governments, and improving consumer sentiment as vaccines against COVID-19 become more widely available.”

“For Johnson Electric, customer demand in both our automotive and industry products divisions remains strong. APG is gaining share in important thermal management, braking and transmission applications for new energy vehicles, as well as winning new business awards based on our compelling ability to serve global OEM customers in every major regional market. IPG also continues to experience robust demand from many end-product applications that have seen significant volume growth as a result of “stay at home” measures that remain in effect in a number of countries.”

“Based on prevailing trading conditions and customer orders, the Group’s sales growth in the current financial year is on track to exceed 10%. Margins, however, will face downward pressure if raw material price inflation stays at or exceeds its present level.”

“There remain, of course, numerous uncertainties that could affect this outlook in the coming months. Among them, on the demand side, are whether a resurgence in the pandemic will negatively impact consumer sentiment, the effectiveness of government stimulus to provide a bridge until higher levels of vaccinations are achieved, and the uneven length of time that it may take for different economies to return to pre-pandemic levels of output and growth. On the supply side, global shortages of semiconductors and plastic resins, combined with other supply chain bottlenecks, are causing disruptions to OEM production lines that by some estimates could last well into the second half of calendar 2021.”

“Nonetheless, it is reasonable to view the short to medium outlook with a much higher degree of optimism than was the case a year ago. I remain confident that Johnson Electric’s prospects for sustainable growth and value creation are highly attractive in the longer term.”

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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](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 Annual Results announcement, including financial statements, is available through the Investor Relations section of company’s website at [www.johnsonelectric.com](http://www.johnsonelectric.com)