

## NEWS RELEASE

### Johnson Electric reports record net income for the year ended 31 March 2018

#### Highlights of FY2017/18 Results

- For the financial year ended 31 March 2018, total sales amounted to US\$3,237 million – an increase of 17% compared to the prior financial year. Excluding the effects of acquisitions and foreign currency movements, underlying sales increased by 8%
- EBITDA totalled US\$520 million – an increase of 16%
- Operating profits increased by 13% to US\$335 million or 10.4% of sales (compared to 10.6% of sales in FY2016/17)
- Net profit attributable to shareholders increased by 11% to US\$264 million or 29.65 US cents per share on a fully diluted basis
- Capital expenditure totalled US\$306 million – up 27% and indicative of the Group's strong order book of new business and major investments in advanced automation and technology
- As of 31 March 2018, cash reserves amounted to US\$169 million and the Group's ratio of total debt to EBITDA was 0.9 times

HONG KONG, 16 May 2018 – 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 2018.

Group sales for the 2017/18 financial year totaled US\$3,237 million – an increase of 17% compared to the prior financial year. Excluding the effects of acquisitions and foreign currency movements, underlying sales increased by 8%. Net profit attributable to shareholders rose 11% to a record US\$264 million.

## Sales Performance

The Group's strong organic sales performance reflected the combination of an improving global economic environment, new product launches and market share gains in a number of key product applications.

Total Group sales amounted to US\$3,237 million, an increase of 17% over the prior financial year. This figure included a full year sales contribution from AML Systems compared to a ten and a half month contribution in FY2016/17 following its acquisition. Halla Stackpole Corporation, which became a 80% owned subsidiary in May 2017, contributed sales of US\$144 million. Excluding these acquisitions and the impact of foreign exchange rate movements, underlying total sales increased by 8%.

The Automotive Products Group ("APG"), the largest operating division, achieved sales of US\$2,494 million including Halla Stackpole Corporation and AML Systems. Excluding acquisitions and currency effects, APG's sales increased by 8%.

Despite passenger vehicle production volume growth in Asia of 1% over the past financial year, APG grew sales in the region by 15% in constant currency terms and excluding acquisitions. Johnson Electric's strong market position in China continues to be the main driver of APG's growth in Asia, with numerous new product launches and new platform awards across a range of product applications including powertrain cooling, engine and transmission oil pumps, lighting subsystems and engine management actuators.

European passenger car production volumes grew by almost 2% during the period and total annualised levels reached a 10-year high as the region's gradual economic recovery boosted consumer confidence. APG's European sales mirrored the overall market by increasing 2% in constant currency terms. In contrast, APG sales in the Americas region comfortably outperformed the overall market with growth of 9% following the launch and ramp-up of new programmes in powertrain cooling and electric parking brake applications. After several years of uninterrupted volume growth, the North American light vehicle sector experienced a softening in demand in 2017 due to the combination of rising automotive financing costs, a switch in consumer sentiment away from traditional passenger cars and towards SUVs, and targeted reductions in rental fleet sales by some OEMs.

The Industry Products Group ("IPG") reported a 8% increase in sales to US\$743 million – representing 23% of total Group sales. Divisional management has made excellent progress in implementing more focused go-to-market strategies that target segments and key customers where Johnson Electric's motion solutions and products are competitively advantaged. All geographic regions in IPG achieved higher year-on-year sales growth with standout performances from the floor care and printer application segments in Asia, the metering and lawn and garden application segments in Europe, and the lawn and garden and window automation application segments in the Americas.

## **Delivering Record Net Income**

Gross profit increased by 6% to US\$791 million – which as a percentage of sales represented a reduction from 26.9% to 24.4%. This was partly due to the negative impact of pricing pressure and higher raw material, labour and depreciation expenses; and also partly due to product mix changes as the result of acquisitions. The recently acquired Halla Stackpole Corporation and AML Systems are automotive components businesses that, consistent with the market segments they serve, have lower average gross margins than the Group as a whole – but also feature cost structures with much lower overheads.

Group operating profits increased by 13% to US\$335 million or 10.4% of sales (10.6% in the prior year). The slight decline in operating margins reflected the combined net negative pre-tax impact of US\$18 million from two non-cash items: a valuation gain related to the acquisition of an additional 50% equity interest in Halla Stackpole Corporation; and a mark-to-market liability related to structured foreign exchange contracts that form part of the Group's long-term operational hedging activities.

Net profit attributable to shareholders increased by 11% to a record US\$264 million.

## **Dividends**

Given the substantial capital investment requirements of the business projected for the short to medium term, the Board considers it prudent to recommend maintaining a final dividend of 34 HK cents per share. Together with the interim dividend of 17 HK cents per share paid in January 2018, this amounts to a total dividend of 51 HK cents per share (FY2016/17: 50 HK cents per share).

## **Chairman's Comments Outlook**

Commenting on the outlook for the business, Dr. Patrick Wang, Chairman and Chief Executive, said, "Heading into the new 2018/19 financial year, the business is performing well in the context of a global economy that is expanding – but at growth rates still below pre-crisis averages. Very robust demand for our motion products and solutions continues and, barring rising protectionist sentiment boiling over into a major trade war, we anticipate organic sales growth for the current financial year to be similar to the level achieved in 2017/18."

Dr. Wang further commented, "At present, it is not possible to predict whether the on-going public trade dispute involving the US, China and the European Union will result in higher tariffs or other measures that could seriously threaten the global economic recovery. It is equally difficult to gauge the potential impact on Johnson Electric and its customers with any degree of precision. However, based purely on information currently available relating to the proposed additional Section 301 tariffs on products imported into the USA from China, it appears that these may apply to product lines that amount to less than 3 per cent of the Group's total annual sales."

“In summary, I am excited by the growth trajectory of the business and optimistic that the investments we are making will position Johnson Electric for enduring success.”

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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 40,000 individuals in more than 20 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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# JOHNSON ELECTRIC HOLDINGS LIMITED

## CONSOLIDATED INCOME STATEMENT

	For the 12 Months Ended 31 March		
	2018	2017	
	US\$M	US\$M	% change
<b>Sales</b>	<b>3,236.6</b>	2,776.1	+17%
Cost of goods sold	(2,445.4)	(2,028.3)	
<b>Gross profit</b>	<b>791.2</b>	747.8	+6%
Other income and gains, net	6.2	19.1	
Selling and administrative expenses	(462.2)	(471.4)	
<b>Operating profit</b>	<b>335.2</b>	295.5	+13%
Share of profits of associates	1.1	4.8	
Finance income and costs, net	(13.5)	(10.0)	
<b>Profit before income tax</b>	<b>322.8</b>	290.3	+11%
Income tax expense	(48.6)	(43.8)	
<b>Profit for the year</b>	<b>274.2</b>	246.5	+11%
Deduct: Non-controlling interests	(10.2)	(8.6)	
<b>Profit attributable to shareholders</b>	<b>264.0</b>	237.9	+11%
Basic earnings per share (in US cents)	<b>30.64</b>	27.71	+11%
Diluted earnings per share (in US cents)	<b>29.65</b>	26.91	+10%

Note to Editors and Securities Analysts: The full text of the FY2017/18 Preliminary 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)