

NEWS RELEASE

Johnson Electric reports record results for the year ended 31 March 2017

Highlights of 2016/17 Results

- For the financial year ended 31 March 2017, total sales amounted to US\$2,776 million – an increase of 24% compared to the prior financial year. Excluding the effects of acquisitions and foreign currency movements, underlying sales increased by 7%
- EBITDA totalled US\$448 million – an increase of 34% excluding a nonrecurring item in the prior year
- Operating profits were US\$296 million or 10.6% of sales. This represented an increase of 35% when compared to US\$220 million or 9.8% of sales in FY2015/16 (excluding a nonrecurring item in the prior year)
- Net profit attributable to shareholders increased by 38% to a record US\$238 million or 26.91 US cents per share on a fully diluted basis
- As of 31 March 2017, cash reserves amounted to US\$128 million and the Group's total debt to capital (total equity + total debt) ratio was 16%

HONG KONG, 17 May 2017 – 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 2017.

Group sales for the 2016/17 financial year totaled US\$2,776 million – an increase of 24% compared to the prior financial year. Excluding the effects of acquisitions and foreign currency movements, underlying sales increased by 7%. Net profit attributable to shareholders rose 38% to a record US\$238 million or 26.91 US cents per share.

Sales Performance

Against a backdrop of a modestly improving, but still rather lacklustre global economy, the sales performance of the Group during the year was encouraging across all major business areas.

Total Group sales amounted to US\$2,776 million, an increase of 24% over the prior financial year. This figure included a full year sales contribution from Stackpole International of US\$475 million compared to a sales contribution of US\$182 million for five months in FY2015/16 following its acquisition. AML Systems, which was acquired in May 2016, contributed sales of US\$130 million. Excluding acquisitions and the impact of foreign exchange rate movements which negatively affected sales on translation by US\$34 million, underlying total sales increased by 7%.

The Automotive Products Group (“APG”), the largest operating division, achieved sales of US\$2,117 million including Stackpole International and AML Systems. Excluding acquisitions and currency effects, APG’s sales increased by 9%.

APG grew sales in each of the three major geographic regions, with the highest growth coming from Asia where sales increased by almost 20% on a constant currency basis. The majority of Johnson Electric’s automotive component sales in Asia are derived from mainland China where our rate of growth comfortably exceeded underlying passenger vehicle volume growth. It should be noted that the Chinese car market – the world’s largest – received an additional boost in 2016 due to a reduction on the sales tax on small-engine vehicles. With the expiration of that tax incentive in January 2017, sales volume growth in China is projected to slow in the near term.

After several years of buoyant demand growth, the North American car market is also showing signs of reaching a cyclical peak. U.S. automotive sales declined in each of the first four months of 2017, despite heavy price discounting by most major OEMs. This contrasted with Europe, APG’s largest end-market, where falling unemployment and 15 consecutive quarters of Euro-area economic growth have resulted in the seasonally adjusted annual sales rate for cars reaching its highest level since early 2008.

The Industry Products Group (“IPG”) reported a 5% increase in sales to US\$660 million – representing 24% of total Group sales. This was a satisfactory performance given relatively sluggish consumer demand in many of our customers’ end markets, as well as ongoing competitive pricing pressure for several lower-end product applications. The strongest sales performances in IPG occurred in market segments where Johnson Electric’s motion solutions have clearly differentiated technology, including remote disconnect metering, lawn and garden equipment and medical devices.

Improved Profitability and Record Net Profit Attributable to Shareholders

Gross margins, excluding the acquired businesses, increased from 27.4% to 29.7%. This was primarily the result of increased operating leverage from higher sales volumes and the relatively benign cost of raw materials during the year. The newly acquired Stackpole International 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. Consequently, the Group’s total gross margin for the year was 26.9% compared to 26.4% in the prior year. Total gross profits increased by 27% to US\$748 million.

Selling and administrative expenses as a percentage of sales declined from 18.4% to 17.0% reflecting the benefits of higher operating leverage, lower overhead structures of the acquired businesses, savings from a major initiative to streamline business processes and reduced one-time acquisition transaction expenses. These positive factors were partially offset by higher amortisation expenses, severance costs and warranty claims and provisions. Combined with a decline in Other Income & Gains compared to the prior year, the result was that Operating Profits increased 43% to US\$296 million or 10.6% of sales.

After taking into account the effect of higher net interest expense tax charges, total net profit attributable to shareholders increased 38% to a record US\$238 million.

Johnson Electric’s overall financial condition remains robust. As of 31 March 2017, cash reserves amounted to US\$128 million and the total debt to capital ratio was 16%.

Positive Impact from Recent Acquisitions

Over the past two and a half years, the Group has completed three significant acquisitions. These transactions – Stackpole International, AML Systems and the recently announced Halla Stackpole Corporation – together serve to expand our business scope and strengthen our growth prospects.

Since their acquisition, both Stackpole and AML have performed ahead of budget and we have been especially pleased with the progress made in integrating their people and operations into the enlarged Johnson Electric Group.

On May 16, 2017, the Group completed its acquisition of an additional 50% equity interest in Halla Stackpole Corporation (“HSC”). HSC is a major supplier of powder metal components to the automotive industry in Asia with operations in Korea and China. Increasing Johnson Electric’s ownership interest in HSC to 80% represents an attractive opportunity to increase our exposure to the region’s rapidly growing powder metal market. Stackpole International is already a recognised market leader in the powder metal industry in North America and this complementary investment will provide a platform for accelerating sales growth and strengthening the Group’s position as a global supplier to key automotive applications that contribute to improved fuel economy, reduced emissions and increased passenger comfort.

Dividends

The interim dividend paid in January 2017 was increased by 7% compared to the prior year to 16 HK cents per share. For the final dividend, in view of the uncertain global political landscape and the Group’s own need to continue to invest in increased automation and technology infrastructure, the Board considers it prudent to recommend maintaining the prior year’s figure of 34 HK cents per share.

Chairman’s Comments on Results and Outlook

Commenting on the full year results, Dr. Patrick Wang, Chairman and Chief Executive, said, “After achieving very satisfactory results for the past financial year, Johnson Electric

is in a strong position from which to make further progress in the execution of its long term growth strategy.”

Concerning the outlook for business, Dr. Wang commented, “For the first time since the 2010 initial rebound from the Financial Crisis, there are indications that each of the three major regional economic powers are experiencing improving economic conditions that, if sustained, have the potential to drive increased demand for manufactured goods.”

“Some of our end-markets – the US automotive sector, for example – are at a different stage in the cycle compared to the broader economy. Nonetheless, barring a major unexpected change in the operating environment, we are optimistic that Johnson Electric can continue to grow underlying sales over the next three to five years at a mid-single digit percentage rate on a constant currency basis.”

“In the short term, the major macro-economic challenges to the business are likely to be the recent increase in raw material prices, ongoing wage inflation and the strength of the US Dollar relative to a number of other currencies in which we do business – particularly the Euro and the Canadian Dollar. Based on recent trends in this regard, we anticipate some downward pressure on operating profit margins in the 2017/18 financial year that will necessitate further actions to drive down costs and improve productivity.”

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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 39,000 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.

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		
	2017	2016	
	US\$M	US\$M	% change
Sales	2,776.1	2,235.9	+24%
Cost of goods sold	(2,028.3)	(1,646.4)	
Gross profit	747.8	589.5	+27%
Other income and gains, net	19.1	28.5	
Selling and administrative expenses	(471.4)	(410.8)	
Operating profit	295.5	207.2	+43%
Share of profits of associate	4.8	2.6	
Finance income and costs, net	(10.0)	(3.2)	
Profit before income tax	290.3	206.6	+41%
Income tax expense	(43.8)	(23.9)	
Profit for the year	246.5	182.7	
Deduct: Non-controlling interests	(8.6)	(10.0)	
Profit attributable to shareholders	237.9	172.7	+38%
Basic earnings per share (in US cents)	27.71	20.09	+38%
Diluted earnings per share (in US cents)	26.91	19.75	+36%

Note to Editors and Securities Analysts: The full text of the 2016/17 Preliminary Results announcement, including additional financial information, is available through the Investor Relations section of company's website at www.johnsonelectric.com