



**sunshine**



**sunshine**

# Earnings Presentation 1QFY16

14<sup>th</sup> August 2015

# Forward Looking Statements

This presentation contains forward-looking statements that are based on management's current expectations and assumptions. Forward-looking statements include predictions of future results or activities and may contain the words "expects," "believes," "should," "will," "anticipates," "projects," "estimates," "implies," "can," or words or phrases of similar meaning. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the potential results discussed in the forward-looking statements. Our predictions could be affected by a variety of factors, including: competitive dynamics and the markets for our products, including new product introductions, advertising activities, pricing actions and promotional activities of our competitors; economic conditions, including changes in inflation rates, interest rates, tax rates, or the availability of capital; product development and innovation; consumer acceptance of new products and product improvements; consumer reaction to pricing actions and changes in promotion levels; acquisitions or dispositions of businesses or assets; changes in capital structure; changes in laws and regulations, including labeling and advertising regulations; impairments in the carrying value of intangible assets, or other long-lived assets, or changes in the useful lives of other intangible assets; changes in accounting standards and the impact of significant accounting estimates; product quality and safety issues, including recalls and product liability; changes in consumer demand for our products; effectiveness of advertising, marketing and promotional programs; changes in consumer behavior, trends and preferences, including weight loss trends; consumer perception of health-related issues; consolidation in the retail environment; changes in purchasing and inventory levels of significant customers; fluctuations in the cost and availability of supply chain resources, including raw materials, packaging and energy; disruptions or inefficiencies in the supply chain; benefit plan expenses due to changes in plan asset values and discount rates used to determine plan liabilities; failure or breach of our information technology systems; foreign economic conditions, including currency rate fluctuations; and political unrest in foreign markets and economic uncertainty due to terrorism or war.

**The company undertakes no obligation to publicly revise any forward-looking statements to reflect any future events or circumstances.**

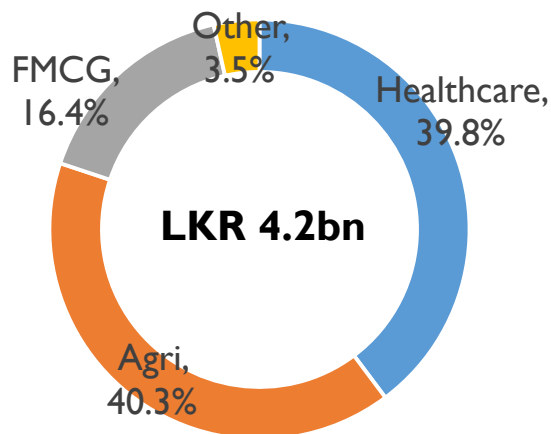
The background is a solid blue color with several overlapping, wavy, ribbon-like shapes in a slightly darker shade of blue. These shapes flow from the left side towards the right, creating a sense of movement and depth. The overall aesthetic is clean and modern.

# Group Performance

# Group at a Glance - IQ FY16

- **LKR 4.18bn** in Revenue; +5% YoY
- **LKR 314m** of PAT; down -4% YoY
- PATMI of **LKR 162m**; up 111% YoY

Revenue - IQFY16



- Healthcare revenue: **LKR 1.7bn**; +17% YoY
- FMCG revenue **LKR 685m**; +16%YoY
  - 703 Tonnes of branded tea sold; + 9% YoY
- Agri revenue: **LKR 1.7bn**; -10% YoY.
  - 2.8m kg of palm oil, + 35% YoY.
  - 2.6m kg of tea produced, -25% YoY.
  - Tea NSA down LKR 11 since IQFY15

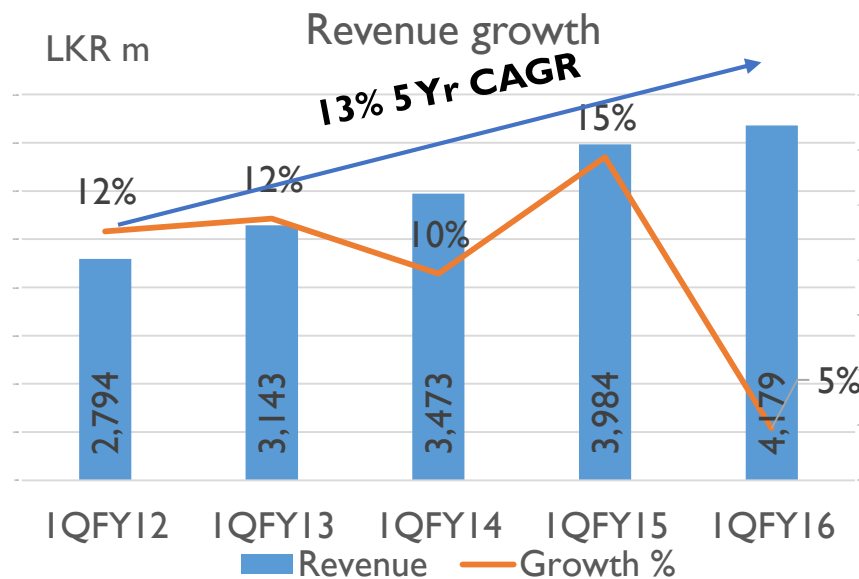
# Group Financial Highlights

LKRm	IQ FY16	IQ FY15	Growth %
Revenue	4,179	3,984	4.9
EBIT	399	443	(9.8)
<i>EBIT Margin</i>	<i>9.6%</i>	<i>11.1%</i>	
<b>Profit for the period</b>	<b>314</b>	<b>326</b>	<b>(3.7)</b>
<i>PAT Margin</i>	<i>7.5%</i>	<i>8.2%</i>	
<b><u>Profit Attributable to</u></b>			
Equity owners	162	147	10.8
EPS (LKR)	1.20	1.10	9.7

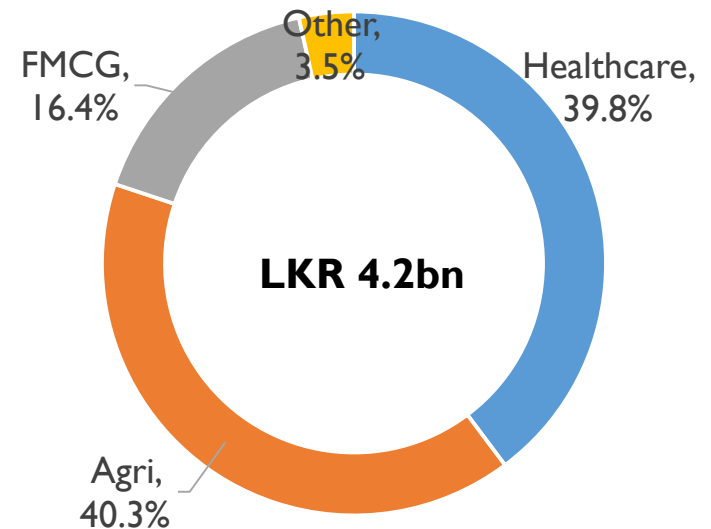
- Strong PATMI growth of 10.8% YoY on the back of a good growth in the Healthcare business, the biggest contributor to PATMI.
- Consolidate group results lagging with PAT contracting 3.7% YoY and revenue growth of just 4.9% YoY due to underperformance of the Agri sector

# Revenue Growth Trend

- Revenue growth of 5% YoY in IQFY16 to LKR4.2bn
  - Healthcare (+LKR 247; +17%YoY), FMCG (+LKR 96m; +16%YoY), Agri (-LKR 195m; -10%YoY)
- 5 Year CAGR of 13%

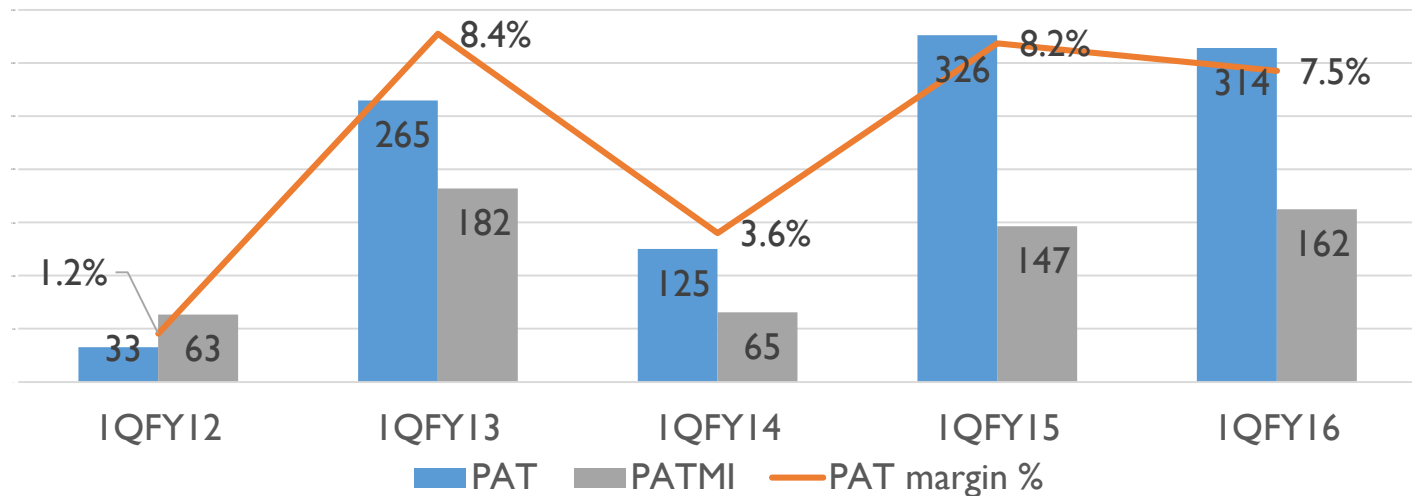


Revenue - IQFY16



# Profitability

LKR m

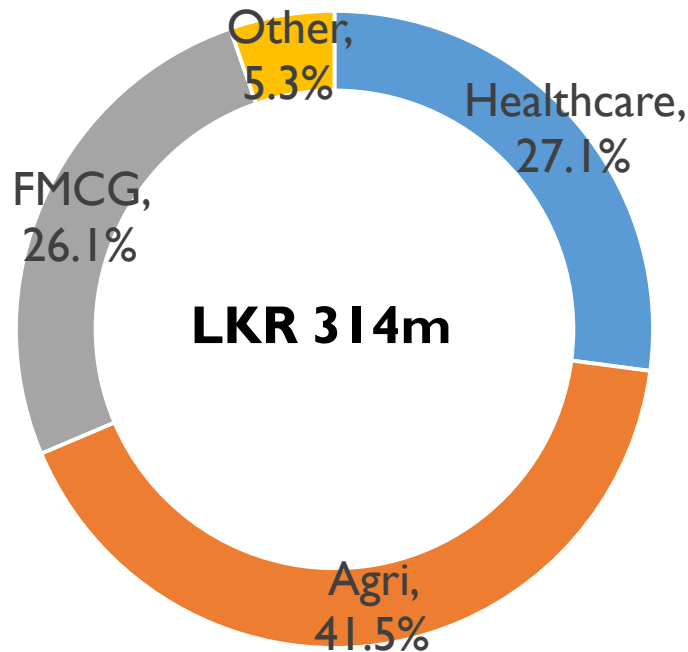


- Agri (-LKR 100m) is the main contributor for the decrease in PAT, partially offset by increase in FMCG +LKR 53m
- Nevertheless, PATMI is up 11% to LKR 162m due to lower effective holding in Agri

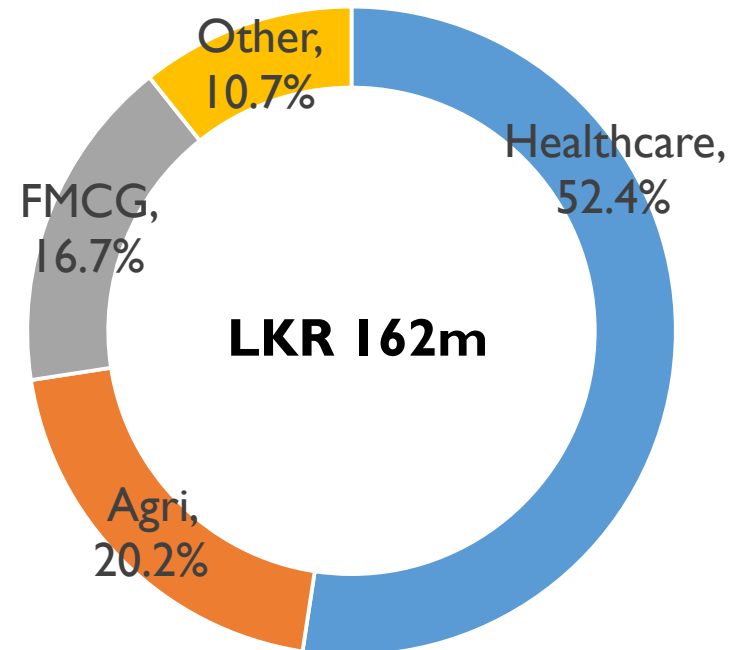


# Earnings Contribution

PAT - IQFY16



PATMI - IQFY16



- Lower impact of Agri sector at PATMI level. Effecting holding just 27%.
- Healthcare contributed 52% of total PATMI

\*Other include= Packaging + Power + Inter company dividend + Interest income

The background of the slide is a solid blue color with a decorative graphic on the left side. This graphic consists of several overlapping, wavy, curved bands in various shades of blue, creating a sense of movement and depth. The text is positioned on the right side of the slide, centered vertically relative to the graphic.

# Segment Performance

## IQFY16

# Healthcare

LKRm	IQ FY16	IQ FY15	Growth %
Revenue	1,662	1,415	17.5
EBIT	125	110	13.7
<i>EBIT Margin</i>	7.5%	7.8%	
<b>Profit for the period</b>	<b>85</b>	<b>74</b>	<b>14.3</b>
<i>PAT Margin</i>	5.1%	5.3%	

## Highlights

- 17.5% revenue growth; Pharma represents 67% of revenue and grew 16.7% YoY despite a slight contraction in the overall market as reported by IMS
- Segment growth: Surgical (+8.6% YoY), Retail (+12.9% YoY), Diagnostics (+40.6% YoY), Wellness (-1.8% YoY).
- PAT margin contracted due to GP erosion, especially for Diagnostics
- 2 new retail outlets opened in Kirula Road and Colombo 03

# FMCG

LKRm	IQ FY16	IQ FY15	Growth %
Revenue	685	589	16.3
EBIT	89	34	165.3
<i>EBIT Margin</i>	<i>13.0%</i>	<i>*5.7%</i>	
<b>Profit for the period</b>	<b>82</b>	<b>29</b>	<b>181.7</b>
<i>PAT Margin</i>	<i>12.0%</i>	<i>4.9%</i>	

## Highlights

- Sales growth driven higher branded tea volumes (+9% YoY) and price increase (+7% YoY)
- Volume growth driven by ‘Watawala Tea’ brand, which is the largest selling brand in the country (Nielsen). Strong growth in economy brand ‘Ran Kahata’ from a small base
- EBIT margin expansion due to lower raw material prices

*\*IQFY15 margins were abnormally low due to depressed quantities resulting from a change in the trade promotion scheme*

# Agri

LKRm	IQ FY16	IQ FY15	Growth %
Revenue	1,685	1,880	(10.4)
EBIT	167	300	(44.4)
<i>EBIT Margin</i>	<i>9.9%</i>	<i>16.0%</i>	
<b>Profit for the period</b>	<b>131</b>	<b>231</b>	<b>(43.5)</b>
<i>PAT Margin</i>	<i>7.7%</i>	<i>12.3%</i>	

## Highlights

- Volumes: 2.8m kg of palm oil, + 35% YoY; 2.6m kg of tea produced, -25% YoY.
- Palm Oil PAT of **LKR 228m** for IQFY16, up +24% YoY
- Challenging IQ for tea with weak auction prices and lower volumes YoY
- Tea segment **lost LKR (136m)** in IQFY16, compared to a profit of LKR32m in IQFY15
- Associate wage negotiations for FY16-FY17 underway

# Other

## Energy

- Revenue of **LKR 32m** for IQFY16, up from LKR15m due to heavy inter monsoon rainfall.
- LKR 13m PAT for IQFY16 compared to LKR6m in IQFY15
- Construction of Upper Waltrim plant ongoing.

## Packaging

- The packaging division reported **revenues of LKR 95m**, up 13% YoY
- PAT of LKR 5.7m in IQFY16 against LKR 400k same quarter last year
- New orders for Tin sheet exports
- Increased utilization of the factory

# Additional Data

Volumes	1Q FY14	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16
Branded Tea (Tonnes)	615	696	769	708	648	838	809	863	703
Tea (kg 'mn)	2.4	1.9	2.9	2.7	3.4	1.9	2.6	2.5	2.6
Palm Oil (kg 'mn)	2.1	2.3	2.1	1.6	2.1	2.5	2.3	1.9	2.8

LKR m	1Q FY14	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16
Revenue	3,473	3,498	3,743	3,982	3,984	4,166	4,072	4,105	4,179
PAT	125	236	415	392	326	225	289	207	314
PATMI	65	176	187	259	147	158	104	134	162



Outlook



# Outlook for 2Q FY16

## Healthcare;

- Agency business to continue on same growth momentum
- Negotiations underway to add new agencies
- 2 new outlets opened in 1Q to stabilize and generate steady revenue

## FMCG;

- Expand distribution reach
- Focus on converter brand 'Ran Kahata', steady growth expected despite tightening consumption trends.
- Strong margins with low tea prices
- Re-launch of 'Zest' bottled water brand after completion of our own bottling plant, subject to regulatory approvals

# Outlook for 2Q FY16

## Agri;

- CPO prices expected to remain stable at low levels
- Tea prices continue to be soft
- All factories shut down for 10 days in July due to Trade Union action.
- Wage negotiations for FY16 are underway. Significant impact on bottom line expected

## Packaging;

- Focus on new export orders from India, Dubai, UK
- Reduce dependency on local market – Tea/confectionery
- Better plant utilization with strong order book
- Global tin prices expected to ease in 2QFY16

# Thank you

For more information, Please visit our Investor Relations page



<http://www.sunshineholdings.lk/investor%20relations/index.php>