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# Earnings Presentation 4QFY16

30<sup>th</sup> May 2016

# 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.**

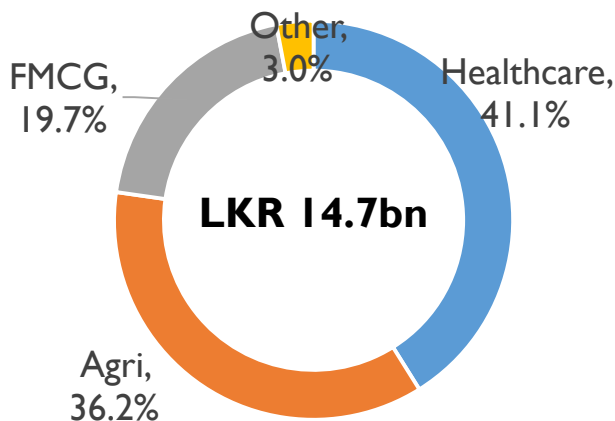
The background is a solid blue color with several overlapping, wavy, ribbon-like shapes in a slightly darker shade of blue. These shapes flow from the left side towards the right, creating a sense of movement and depth. The overall aesthetic is clean and modern.

# Group Performance

# Group at a Glance -FY16

- **LKR 17.4bn** in Revenue; +7% YoY
- **LKR 1.2bn** of PAT; +10% YoY\*
- PATMI of **LKR 587m**; up +8% YoY\*

Revenue- FY16



- Healthcare revenue: **LKR 7.2bn**; +18% YoY
- Agri revenue: **LKR 6.3bn**; -8% YoY.
  - 9.0m kg of palm oil, +2% growth YoY.
  - 9.4m kg of tea produced, -12% YoY.
- FMCG revenue **LKR 3.4bn**; +18%YoY
  - 3.7m kg of branded tea sold; + 16% YoY

\*Last year adjusted for one off G'will write off

# Group Financial Highlights

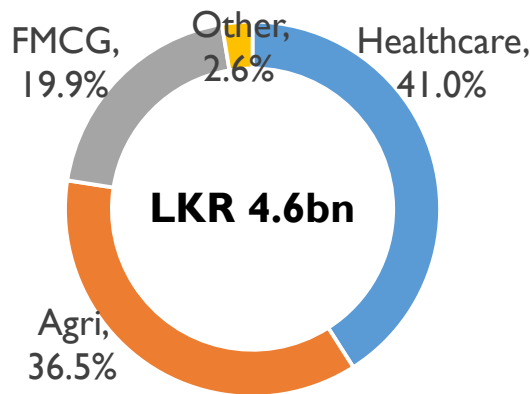
LKRm	Growth			4Q		Growth
	FY16	FY15	%	FY16	FY15	
Revenue	17,422	16,327	6.7	4,615	4,105	12.4
EBIT	1,661	1,413	17.5	273	142	92.2
<i>EBIT Margin</i>	<i>9.5%</i>	<i>8.7%</i>		<i>5.9%</i>	<i>3.5%</i>	
<b>Profit for the period</b>	<b>1,218</b>	<b>1,047</b>	<b>16.3</b>	<b>169</b>	<b>207</b>	<b>(18.4)</b>
<i>PAT Margin</i>	<i>7.0%</i>	<i>6.4%</i>		<i>3.7%</i>	<i>5.0%</i>	
<b>Normalized PAT*</b>	<b>1,218</b>	<b>1,108</b>	<b>9.8</b>	<b>169</b>	<b>207</b>	<b>(18.4)</b>
<u><i>Profit Attributable to</i></u>						
Equity owners	587	484	21.2	78	76	2.8
EPS (LKR)	4.34	3.62	19.9	0.57	0.60	(4.1)

\*Excluding Goodwill written-off in the Healthcare business amounting to LKR62m in FY15

# Group at a Glance – 4QFY16

- **LKR 4.6bn** in Revenue; +12% YoY
- **LKR 169m** PAT; -18% YoY
- PATMI of **LKR 78m**; +3% YoY

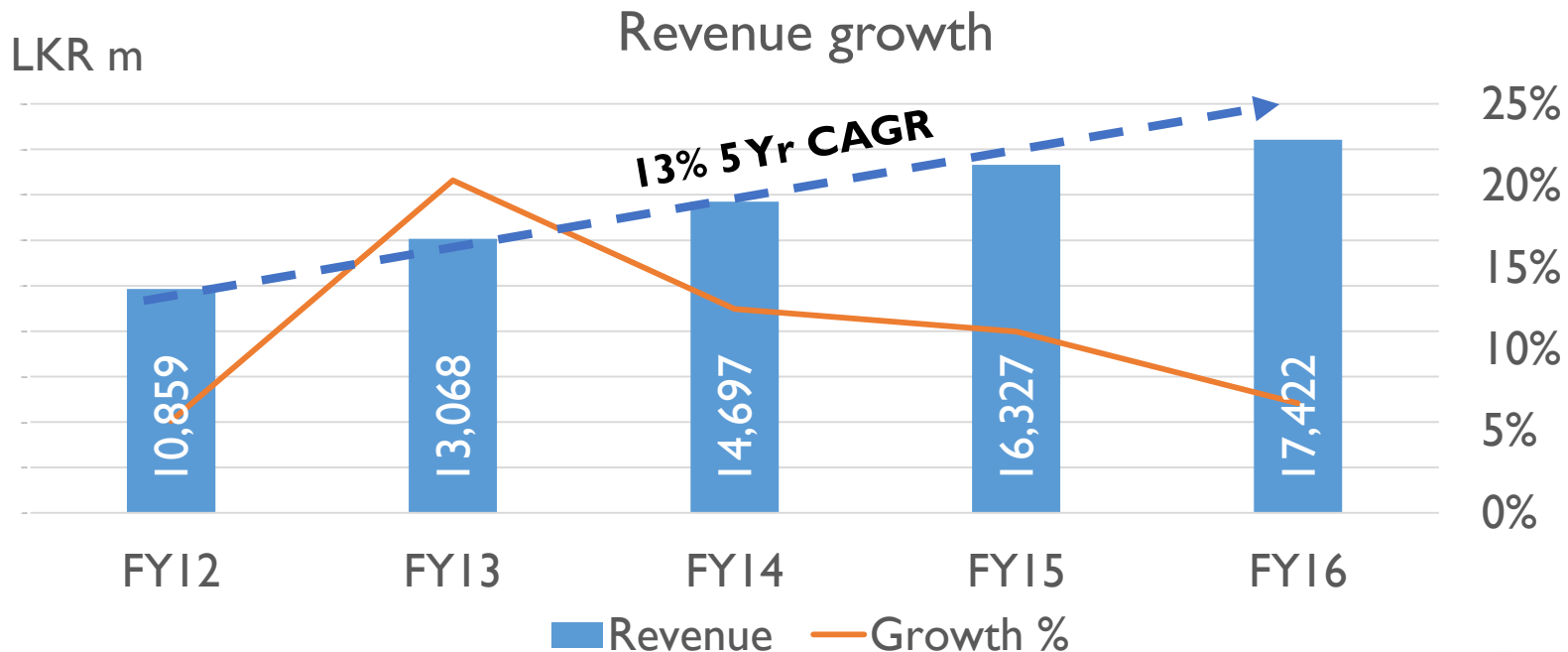
Revenue-4Q FY15



- Healthcare revenue; **LKR 1.9bn**; +20% YoY
- Agri revenue; **LKR 1.7bn**; +7% YoY.
  - 1.9m kg of palm oil, 0% YoY.
  - 2.2m kg of tea produced, -10% YoY.
- FMCG revenue; **LKR 920m**; +14% YoY
  - 997k kg of branded tea sold; +16% YoY

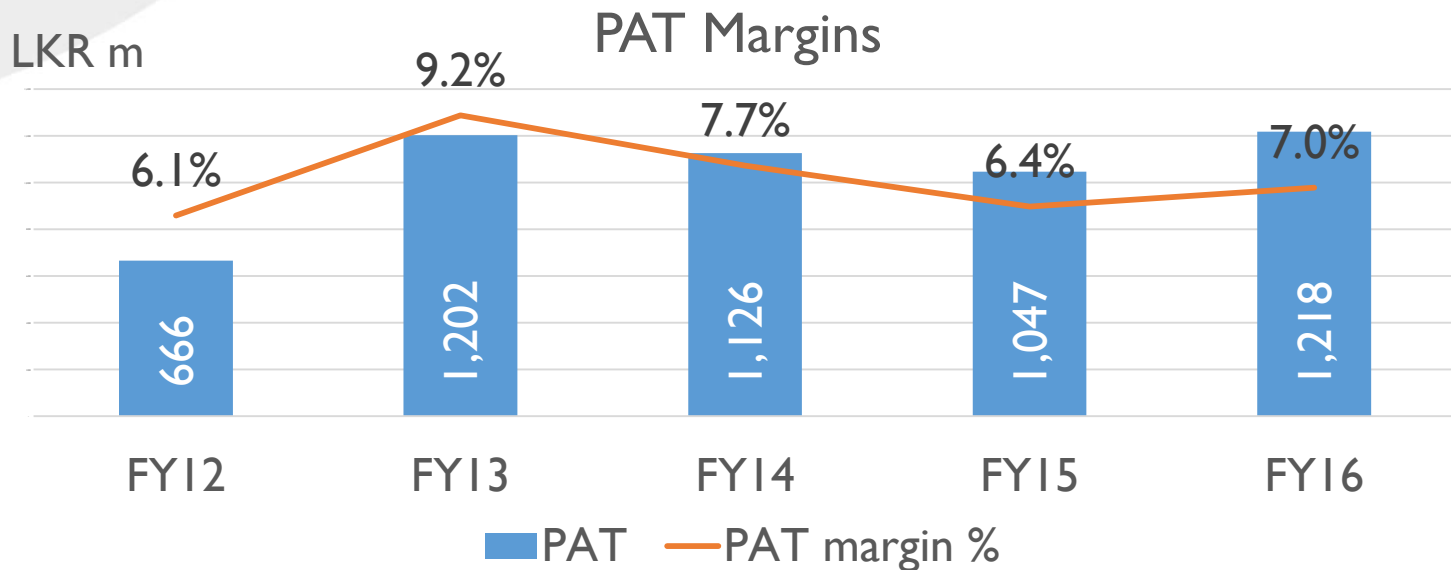
# Revenue Growth Trend

- Revenue growth of 7% YoY in FY16 to LKR17.4bn
  - Healthcare (+LKR 1,086m; +18%YoY), FMCG (+LKR 525m; +18%YoY), Agri (-LKR 550m; -8%YoY)
- 5 Year CAGR of 13%





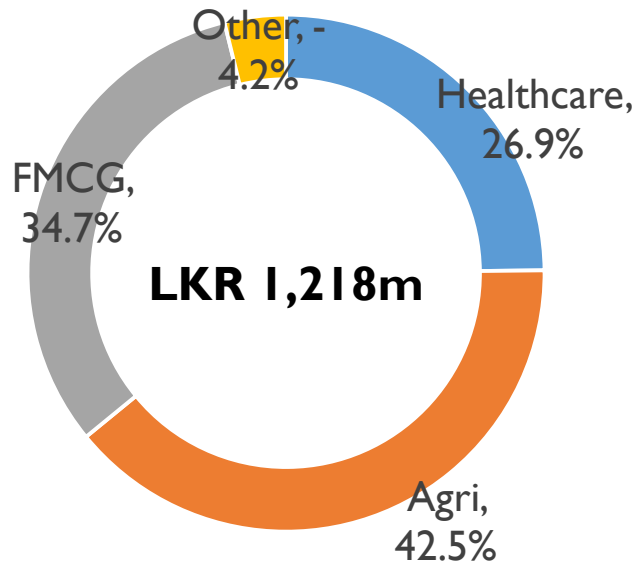
# Profitability



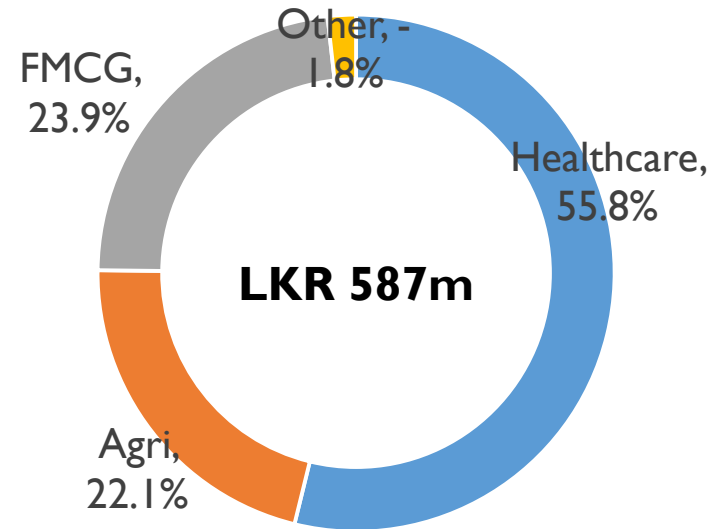
- Top line growth and margin expansion have driven growth in profitability
- Last year adversely affected by low margins in Agri and one off write-off in Healthcare
- Margin expansion fueled by; reduced losses in tea, low raw material cost in FMCG, and good cost control in Healthcare

# Earnings Contribution

PAT- FY16



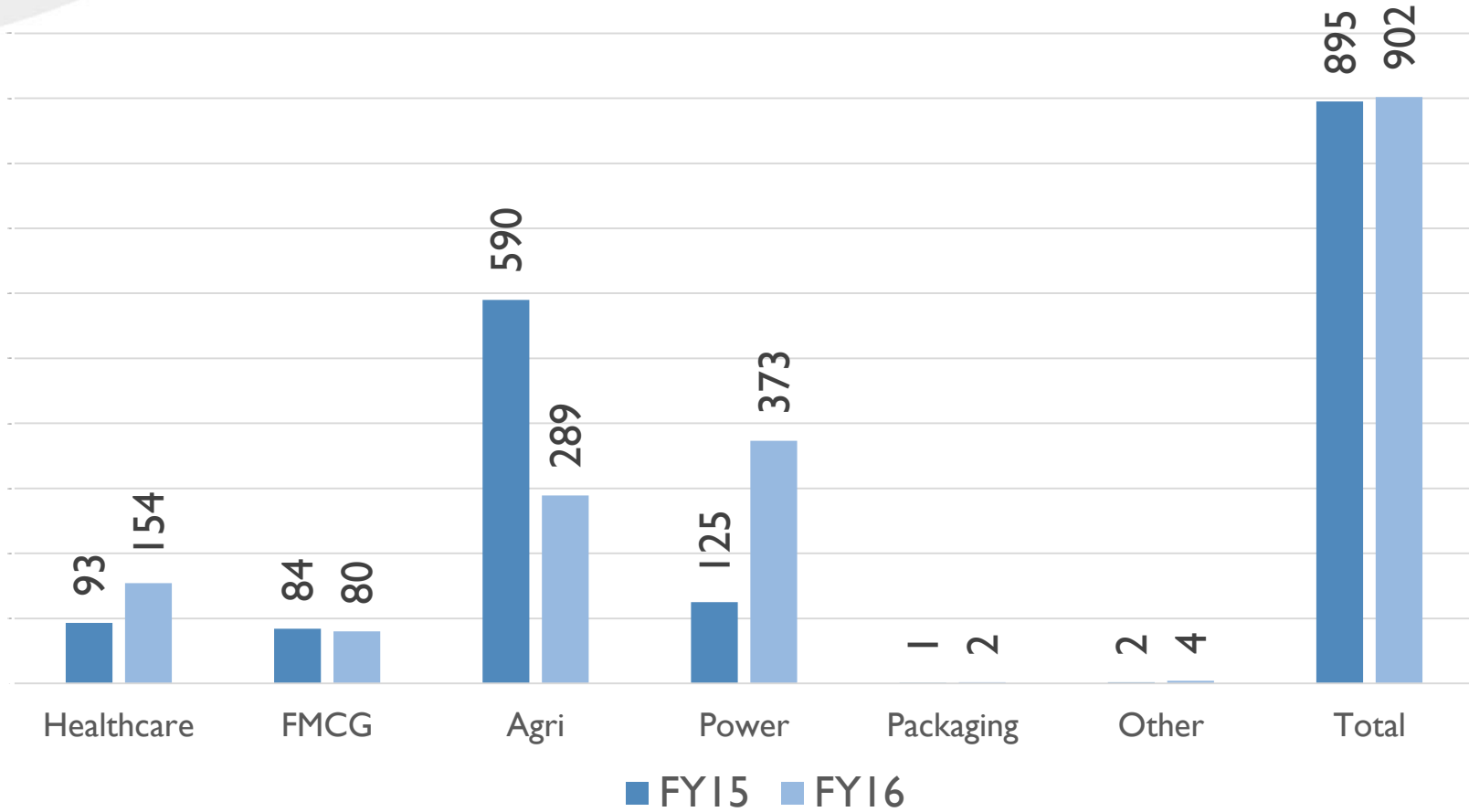
PATMI- FY16



- Lower impact of Agri sector at PATMI level. Effecting holding just 25%.
- Healthcare contributed 56% of total PATMI

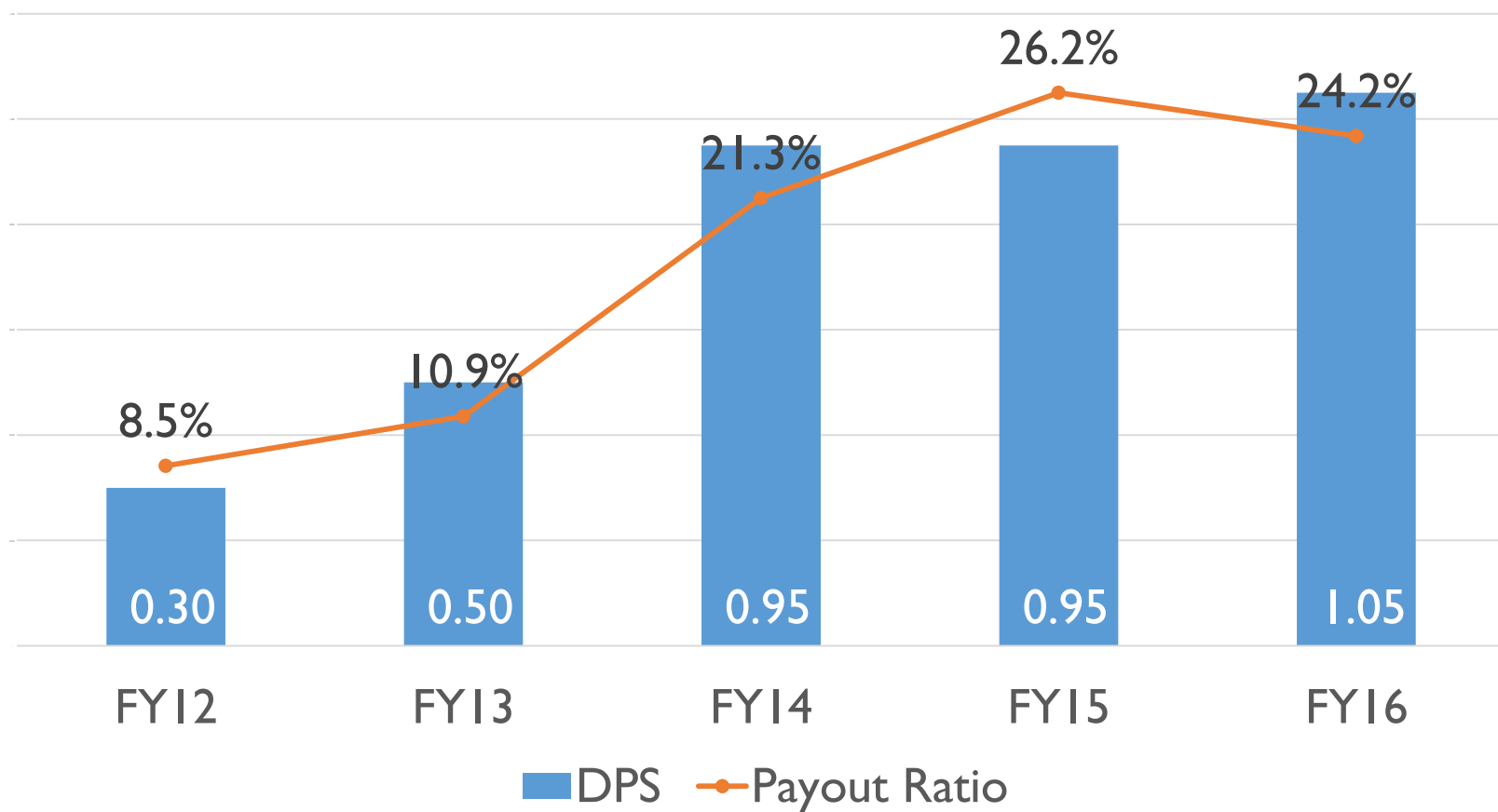
\*Other includes= Packaging + Power + Inter company dividend + Interest income

# Group CAPEX



In LKR m

# Dividend



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# Segment Performance

## FY16

# Healthcare

LKRm	FY16	FY15	Growth %	4Q FY16	4Q FY15	Growth %
Revenue	7,161	6,076	17.9	1,891	1,580	19.6
EBIT	514	382	34.8	114	32	257.3
<i>EBIT Margin</i>	<i>7.2%</i>	<i>6.3%</i>		<i>6.1%</i>	<i>2.0%</i>	
<b>PAT</b>	<b>327</b>	<b>232</b>	<b>41.2</b>	<b>63</b>	<b>57</b>	<b>10.3</b>
<i>PAT Margin</i>	<i>4.6%</i>	<i>3.8%</i>		<i>3.3%</i>	<i>3.6%</i>	
<b>Normalized PAT*</b>	<b>327</b>	<b>293</b>	<b>11.6</b>	<b>63</b>	<b>57</b>	<b>10.3</b>

## Highlights

- Revenue growth of 18% YoY for FY16: –Driven by strong Pharma growing 16% Vs Market growth of 6% (IMS)
- Segment growth: Surgical (+11% YoY), Retail (+26% YoY), Diagnostics (+26% YoY), Wellness (+41% YoY)
- Margins expansion due to tight cost control and launch of new principals

\*Last year adjusted for one off G'will write off

# Healthcare Retail



24

Outlets existing  
outlets in Colombo,  
including 12 express  
outlets

## Expansion of retail footprint

- 4 new full service stores opened in FY16
- 4 new express stores opened in FY16
- Emphasis margin expansion with higher Beauty and wellness sales
- Focus on superior customer service
- Launched online store-[www.healthguard.lk](http://www.healthguard.lk)

# FMCG

LKRm	Growth			4Q		Growth
	FY16	FY15	%	FY16	FY15	%
Revenue	3,440	2,915	18.0	920	810	13.6
EBIT	469	445	5.4	88	156	(43.6)
<i>EBIT Margin</i>	<i>13.6%</i>	<i>15.3%</i>		<i>9.5%</i>	<i>19.2%</i>	
<b>PAT</b>	<b>423</b>	<b>393</b>	<b>7.7</b>	<b>80</b>	<b>138</b>	<b>(42.4)</b>
<i>PAT Margin</i>	<i>12.3%</i>	<i>13.5%</i>		<i>8.7%</i>	<i>17.1%</i>	

## Highlights

- Sales growth driven higher branded tea volumes (+16% YoY) and price growth (+2% YoY)
- Distribution reach increased to 85,000 GT outlets cf, 60,000 last year.
- Marginal contraction in EBIT margin due to expenses relating to ramping up export business, despite expansion in gross margin due to lower raw material prices for FY16.
- 4Q PAT lower than last year due to expenses relating to export business



# Agri

LKRm	FY16	FY15	Growth %	4Q FY16	4Q FY15	Growth %
Revenue	6,299	6,848	(8.0)	1,684	1,568	7.4
EBIT	669	550	21.7	103	(28)	n/a
<i>EBIT Margin</i>	<i>10.6%</i>	<i>8.0%</i>		<i>6.1%</i>	<i>-1.8%</i>	
<b>PAT</b>	<b>518</b>	<b>391</b>	<b>32.5</b>	<b>79</b>	<b>(18)</b>	<b>n/a</b>
<i>PAT Margin</i>	<i>8.2%</i>	<i>5.7%</i>		<i>4.7%</i>	<i>-1.1%</i>	

## Highlights

- Contraction in revenue by design to focus on quality for the Tea segment
- As a result, Tea crop down by -9%YoY to 9.4m kg
- Palm Oil PAT of **LKR 682m** for FY16, down -12% YoY due to drop in price
- Tea segment **lost LKR (314m)** in FY16, compared to a loss of LKR(445)m last year. Majority of the growth is PAT is attributed to the Tea sub segment
- Dairy Farm under construction
- Associate wage negotiations for FY17 underway

# Other

## Energy

- Revenue of **LKR 120m** for FY16, up from LKR 113m due to heavy rainfall.
- Power generation 21% above budget
- LKR 32m PAT for FY16 against LKR 20m last year
- Upper Waltrim in testing stage. Elgin under construction

## Packaging

- The packaging division reported **revenues of LKR 362m**, up 34% YoY
- PAT of 16m in FY16 against LKR 24 loss last year
- New orders for Tin sheet exports to India
- \$2m FDI to modernize operation and increase focus on export market

# Additional Data

LKR m	1Q FY14	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY17
Revenue	3,473	3,498	3,743	3,982	3,984	4,166	4,072	4,105	4,179	4,341	4,288	4,615
PAT	125	236	415	350	326	225	289	207	314	344	391	169
PATMI	65	176	187	170	147	158	104	76	162	171	175	78

Volumes	1Q FY14	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY17
Branded Tea (kg '000)	615	696	769	708	648	838	809	863	703	948	1,016	997
Tea (kg 'mn)	2.4	1.9	2.9	2.7	3.4	1.9	2.6	2.5	2.6	2.1	2.5	2.2
Palm Oil (kg 'mn)	2.1	2.3	2.1	1.6	2.1	2.5	2.3	1.9	2.8	2.5	1.8	1.9



Outlook

# Outlook for 1Q FY16

## Healthcare

- Continue growth momentum in agency business, despite May being affected by weather
- 1 new FS retail outlet
- Dedicated Training centre

## FMCG

- Expand distribution
- Zest Water launch
- Expansion into International HoReCa segment

## Agri

- Palm Oil Prices supported by increase in duty component
- Slight increase in Tea price for better quality estates

## Packaging

- Focus on new export orders
- Strong order book with high plant utilization for 1Q

## Energy

- Strong performance expected with heavy rainfall
- Upper Waltrim to commence operations

# Thank you

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