



sunshine



sunshine

Earnings Presentation | QFY17

9th August 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 white, wavy, horizontal lines that sweep across the frame from left to right, creating a sense of motion and depth.

Group Performance

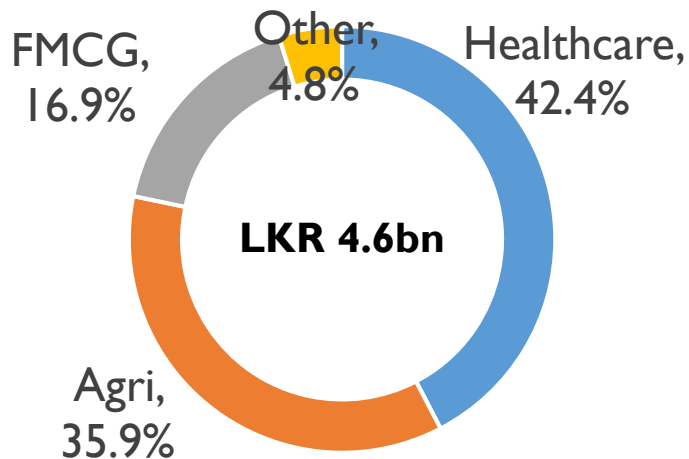
Group Financial Highlights

LKRm	1Q FY17	1Q FY16	Growth %
Revenue	4,621	4,179	10.6
EBIT	519	399	30.0
<i>EBIT Margin</i>	<i>11.2%</i>	<i>9.6%</i>	
Profit for the period	408	314	29.9
<i>PAT Margin</i>	<i>8.8%</i>	<i>7.5%</i>	
<u>Profit Attributable to</u>			
Equity owners	207	162	27.2
EPS (LKR)	1.53	1.20	27.2

Group at a Glance – IQFY17

- **LKR 4.6bn** in Revenue; +10.6% YoY
- **LKR 408m** PAT; +30% YoY
- PATMI of **LKR 207m**; +27% YoY

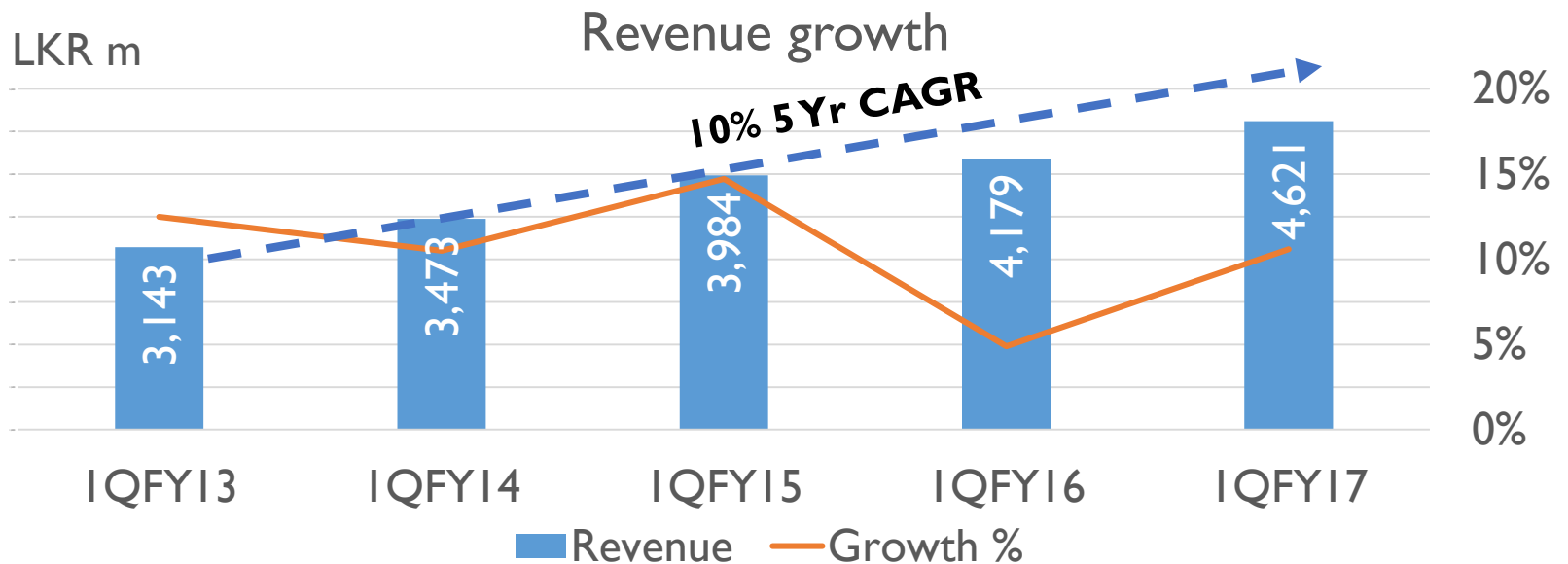
Revenue - IQFY17



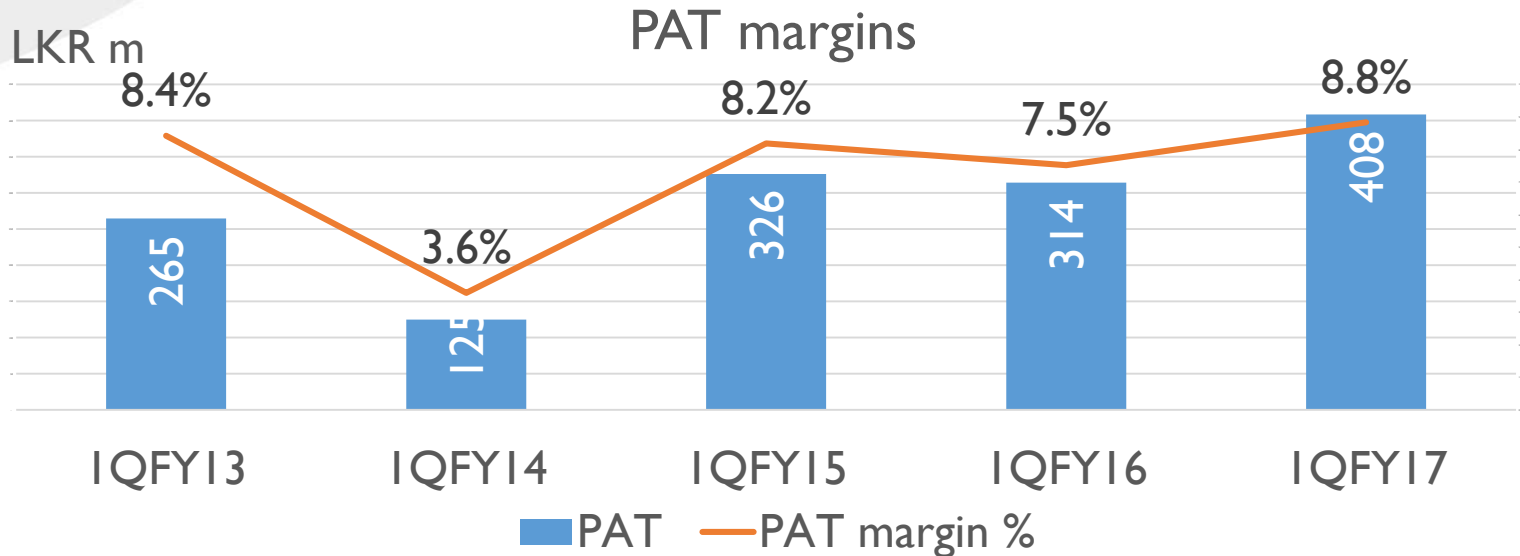
- Healthcare revenue; **LKR 2.0bn**; +18% YoY
- Agri revenue; **LKR 1.7bn**; -2% YoY.
 - 2.7m kg of palm oil, -4% YoY.
 - 2.5m kg of tea produced, -4% YoY.
- FMCG revenue; **LKR 783m**; +14% YoY
 - 798k kg of branded tea sold; + 14% YoY

Revenue Growth Trend

- Revenue growth of 11% YoY in IQFY17 to LKR4.6bn
 - Healthcare (+LKR 295m; +18%YoY), FMCG (+LKR 98m; +14%YoY), Agri (-LKR 26m; -2%YoY)
- 5 Year CAGR of 10%



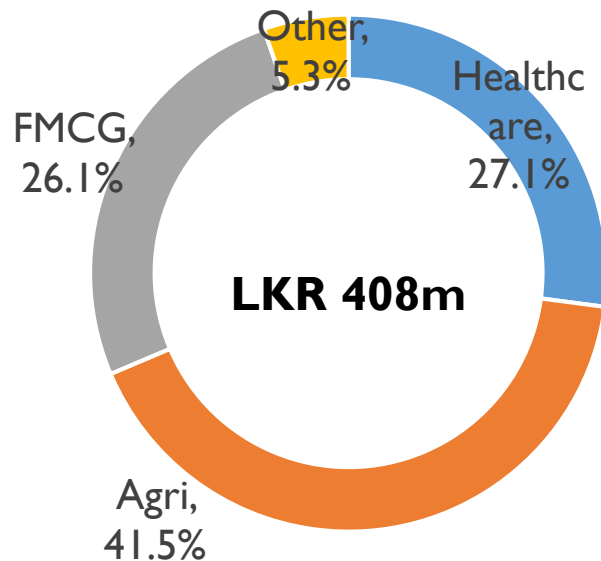
Profitability



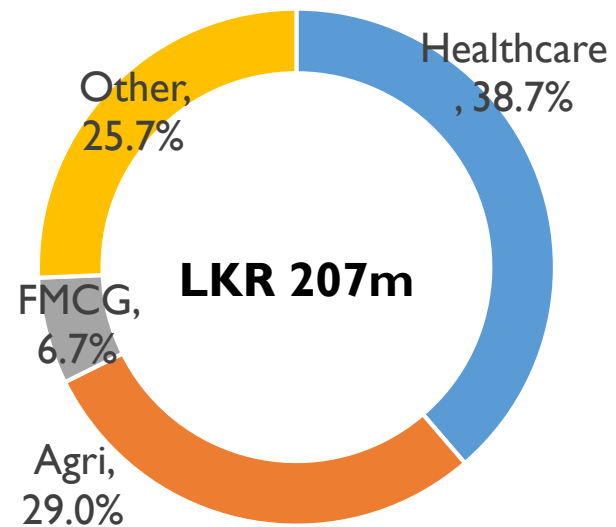
- Top line growth and margin expansion have driven growth in profitability
- Margin expansion fueled by the Agri business from reduction in Tea losses and better profits for Palm Oil.
- Healthcare and FMCG margins have contracted during IQ resulting in lower profitability in those segments

Earnings Contribution

PAT - IQFY17



PATMI - IQFY17



- Lower impact of Agri sector at PATMI level. Effecting holding just 25%.
- Healthcare contributed 39% of total PATMI IQ

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

The background is a solid blue color with several overlapping, wavy, horizontal bands of a slightly darker shade of blue, creating a sense of movement and depth.

Segment Performance

IQ FY17

Healthcare

LKRm	1Q FY17	1Q FY16	Growth %
Revenue	1,957	1,662	17.8
EBIT	126	125	1.0
<i>EBIT Margin</i>	<i>6.4%</i>	<i>7.5%</i>	
Profit for the period	80	85	(6.1)
<i>PAT Margin</i>	<i>4.1%</i>	<i>5.1%</i>	

Highlights

- Revenue growth of 18% YoY for 1QFY17: –Driven by strong Pharma growing 18% Vs Market growth of 10% (IMS)
- Segment growth: Surgical (+5% YoY), Retail (+44% YoY), Diagnostics (+1% YoY), Wellness (+22% YoY)
- Margins contraction due to Rupee depreciation and margin pressure from principals

Healthcare Retail



24

Outlets existing
outlets in Colombo,
including 12 express
outlets

Highlight

- Emphasis margin expansion with higher Beauty and wellness sales
- Focus on superior customer service by ramping up training activity at the in-house training center
- Renovation of Thalawathugoda outlet
- Challenges in customer count with new adverse weather in May and sluggish consumer spending in 1Q
- Hill Street outlet launched pushed to 2Q

FMCG

LKRm	1Q FY17	1Q FY16	Growth %
Revenue	783	685	14.4
EBIT	48	89	(46.6)
<i>EBIT Margin</i>	<i>6.1%</i>	<i>13.0%</i>	
Profit for the period	42	82	(49.1)
<i>PAT Margin</i>	<i>5.3%</i>	<i>12.0%</i>	

Highlights

- Sales growth driven higher branded tea volumes (+13% YoY) and price growth (+1% 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. Furthermore, Tea prices have somewhat recovered since the crash in 1Q last year. Hence Gross margin contracted by 330 bps

Agri

LKRm	1Q FY17	1Q FY16	Growth %
Revenue	1,659	1,685	(1.6)
EBIT	292	167	74.7
<i>EBIT Margin</i>	<i>17.6%</i>	<i>9.9%</i>	
Profit for the period	239	131	82.7
<i>PAT Margin</i>	<i>14.4%</i>	<i>7.7%</i>	

Highlights

- Contraction in revenue by design to focus on quality for the Tea segment; Tea crop down by -4%YoY
- Palm Oil PAT of **LKR 294m** for IQFY17, against LKR227m during last year
- Tea segment **lost LKR (79m)** in IQFY17, compared to a loss of LKR(137)m last year. Majority of the growth is PAT is attributed to the Tea sub segment
- Dairy Farm under construction
- Interim wage increase impact of LKR19m for IQ; Wage negotiations for FY17 underway

Other

Energy

- Revenue of **LKR 25m** for 1QFY17, down from LKR 32m due to change in weather pattern
- **LKR 7m PAT** for 1QFY17 against LKR 13m last year
- Upper Waltrim in testing stage. Elgin under construction

Packaging

- The packaging division reported **revenues of LKR 102m**, up 2% YoY
- **PAT of 8m** in 1QFY17 against LKR 6m last year
- Expansion of export business, but lower sales of tea caddies due to customers being impacted by floods

Additional Data

LKR m	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY17	1Q FY17
Revenue	3,984	4,166	4,072	4,105	4,179	4,341	4,288	4,615	4,621
PAT	326	225	289	207	314	344	391	169	408
PATMI	147	158	104	76	162	171	175	78	207

Volumes	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY17	1Q FY17
Branded Tea (kg '000)	648	838	809	863	703	948	1,016	997	798
Tea (kg 'mn)	3.4	1.9	2.6	2.5	2.6	2.1	2.5	2.2	2.48
Palm Oil (kg 'mn)	2.1	2.5	2.3	1.9	2.8	2.5	1.8	1.9	2.70

The background is a solid blue color with several overlapping, wavy, ribbon-like shapes in a slightly darker shade of blue. These shapes originate from the left side and curve towards the right, creating a sense of movement and depth. The word "Outlook" is positioned in the lower right quadrant of the image.

Outlook

Outlook for 2Q FY17

Healthcare

- Continue growth momentum in agency business, despite May being affected by weather
- 2 new FS retail outlet

FMCG

- Expand distribution
- Focus on Zest Water
- Expansion into International HoReCa segment

Agri

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

Packaging

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

Energy

- Upper Waltrim to commence operations

Thank you

For more information, Please visit our Investor Relations page



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