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Earnings Presentation 2QFY18

08th November 2017

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.

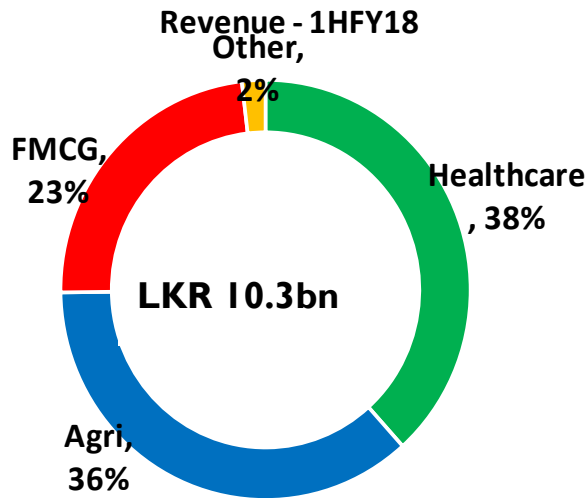
The company undertakes no obligation to publicly revise any forward-looking statements to reflect any future events or circumstances.

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 – 1HFY18 [Apr-Sep]

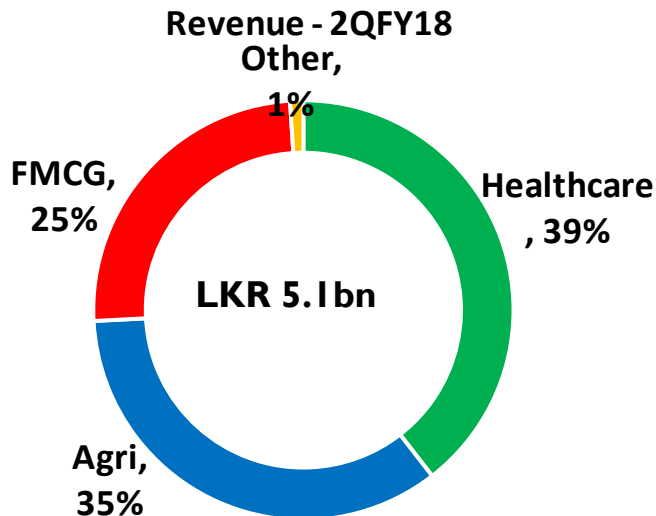
- **LKR 10.3bn** in Revenue; +8.9% YoY
- **LKR 1.1bn** PAT; +24.2% YoY
- PATMI of **LKR 532m**; +25.8% YoY



- Healthcare revenue; **LKR 4.0bn**; -2.0% YoY
- Agri revenue; **LKR 3.8bn**; +13.9% YoY.
 - 6.2m kg of palm oil, +1.9% YoY.
 - 4.0m kg of tea produced, +5.0% YoY.
- FMCG revenue; **LKR 2.4bn**; +27.0% YoY
 - 2.0m kg of branded tea sold; +14.0% YoY

Group at a Glance – 2QFY18 [Jul-Sep]

- **LKR 5.1bn** in Revenue; +5.4% YoY
- **LKR 608m** PAT; +17.6% YoY
- PATMI of **LKR 307m**; +41.8% YoY



- Healthcare revenue; **LKR 2.0bn**; -2.8% YoY
- Agri revenue; **LKR 1.8bn**; +7.9% YoY.
 - 3.2m kg of palm oil, -5.4% YoY.
 - 1.6m kg of tea produced, +14.3% YoY.
- FMCG revenue; **LKR 1.3bn**; +14.1% YoY
 - 1.0m kg of branded tea sold; +9.9% YoY

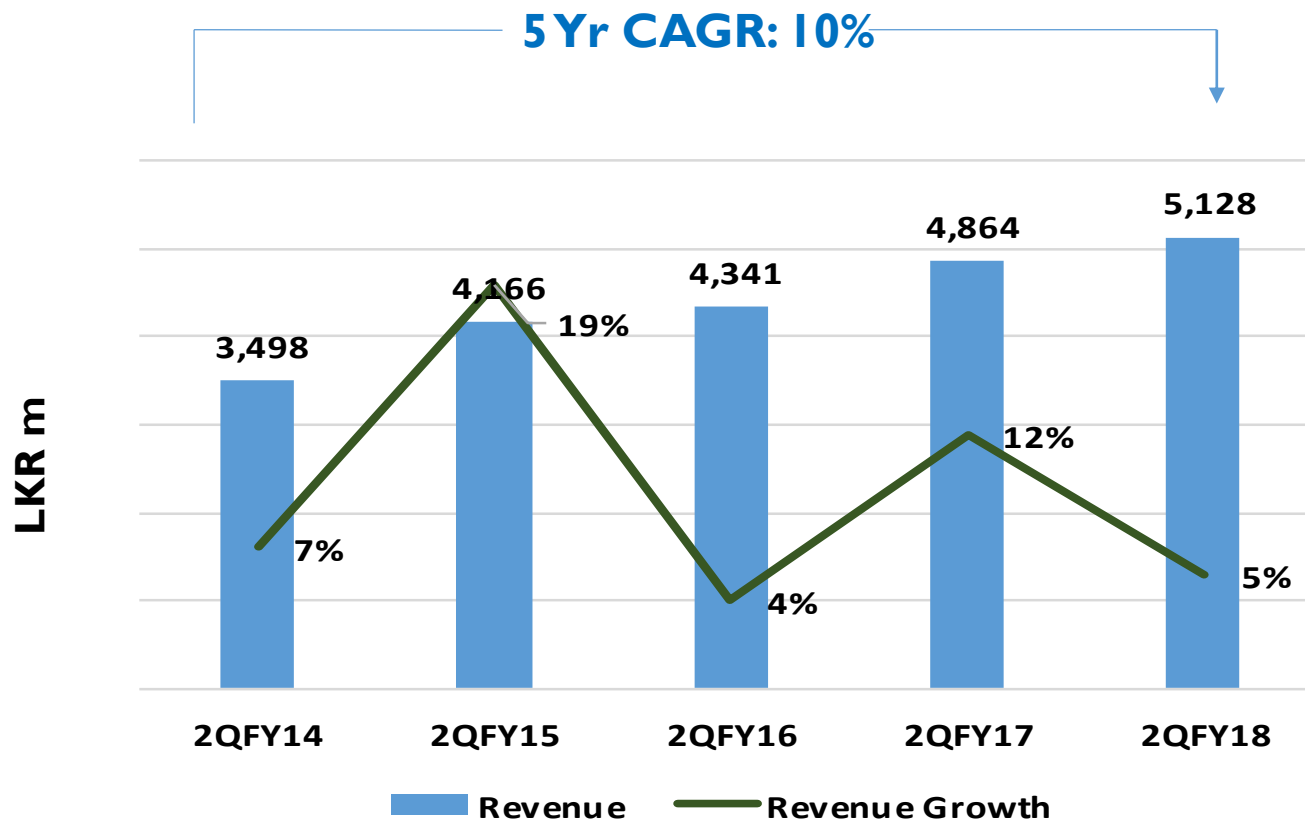
Group Financial Highlights

LKR m	1H	1H	Growth	2Q	2Q	Growth
	FY18	FY17	%	FY18	FY17	%
Revenue	10,328	9,485	8.9%	5,128	4,864	5.4%
EBIT	1,292	1,153	12.0%	622	634	-1.9%
<i>EBIT Margin</i>	<i>12.5%</i>	<i>12.2%</i>		<i>12.1%</i>	<i>13.0%</i>	
Reported PAT	1,149	925	24.2%	608	517	17.6%
<i>PAT Margin</i>	<i>11.1%</i>	<i>9.8%</i>		<i>11.9%</i>	<i>10.6%</i>	
Adjusted PAT*	1,022	900	13.6%	481	492	-2.2%
PATMI	532	423	25.8%	307	216	41.8%
Reported EPS (LKR)	3.90	3.10	25.8%	2.25	1.58	41.8%
Adjusted EPS (LKR)*	2.97	3.04	-2.4%	1.32	1.52	-13.7%

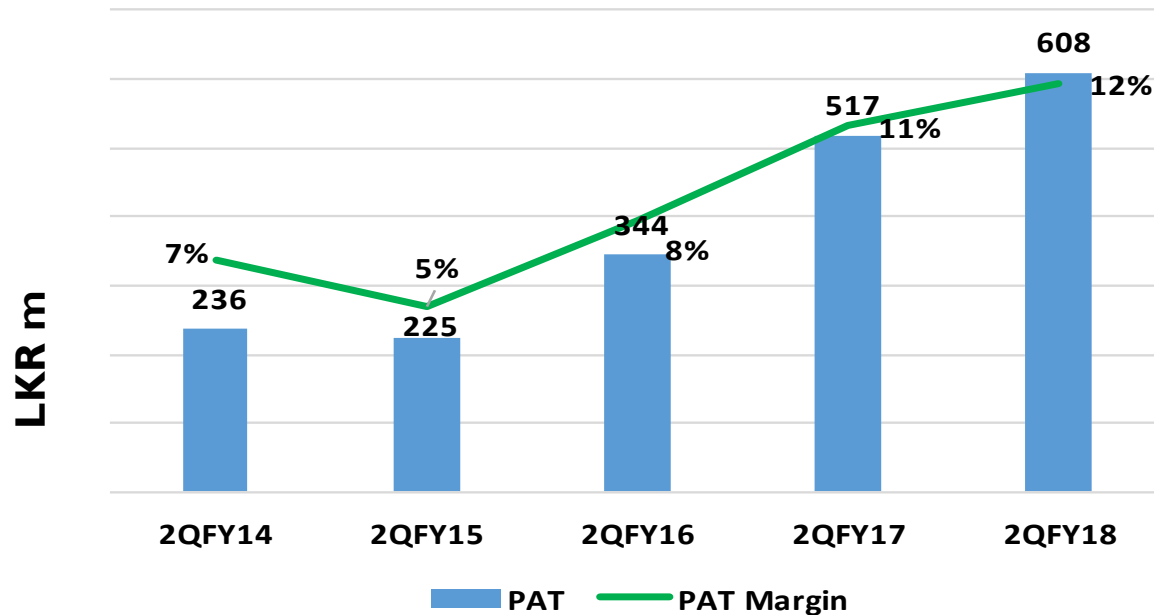
*Adjusted for one off gain/loss

2Q Revenue Growth Trend

- 5 Year CAGR of 10%

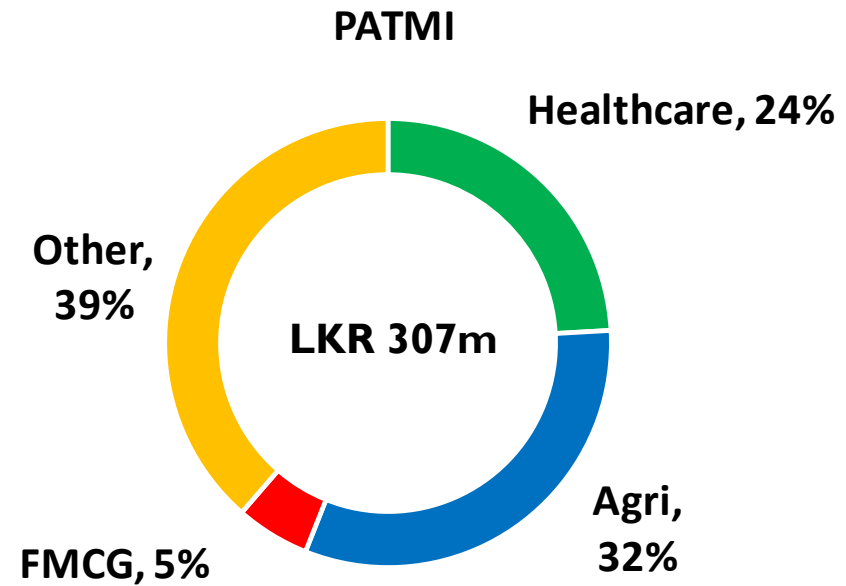
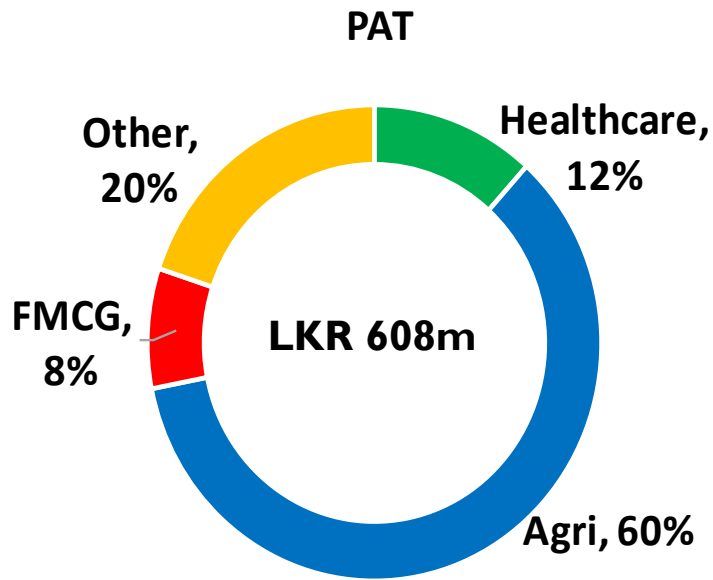


2Q Profitability



- PAT at LKR 608m increased by 17.6% YoY
- Healthcare margins contracted due to regulatory price control on essential drugs
- FMCG margins decreased due to higher raw material prices
- Agri margins contracted as a result of reduction in Palm Oil prices, despite improved profitability in the tea sub sector
- Gain on valuation of investment property of LKR 127m recorded under other operations

Earnings Contribution – 2QFY18



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Segment Performance

2Q FY18

LKR m	1H	1H	Growth	2Q	2Q	Growth
	FY18	FY17	%	FY18	FY17	%
Revenue	3,766	3,307	13.9%	1,778	1,648	7.9%
EBIT	743	664	11.9%	300	372	-19.4%
<i>EBIT Margin</i>	<i>19.7%</i>	<i>20.1%</i>		<i>16.9%</i>	<i>22.6%</i>	
Profit for the period	743	548	35.7%	366	309	18.6%
<i>PAT Margin</i>	<i>19.7%</i>	<i>16.6%</i>		<i>20.6%</i>	<i>18.7%</i>	

Highlights

- Tea market NSA is higher in 1HFY18 in comparison to 1HFY17, due to a shortfall in production volumes in the market
- Palm Oil NSA contracted slightly compared to last year
- Watawala Dairy – next herd of cattle expected end 2017

FMCG

LKR m	1H	1H	Growth	2Q	2Q	Growth
	FY18	FY17	%	FY18	FY17	%
Revenue	2,410	1,899	27.0%	1,272	1,116	14.1%
EBIT	147	180	-18.4%	78	132	-41.0%
<i>EBIT Margin</i>	<i>6.1%</i>	<i>9.5%</i>		<i>6.1%</i>	<i>11.9%</i>	
Profit for the period	100	164	-38.6%	49	122	-59.3%
<i>PAT Margin</i>	<i>4.2%</i>	<i>8.6%</i>		<i>3.9%</i>	<i>10.9%</i>	
Adjusted PAT*	100	139	-27.5%	49	97	-48.8%

*Adjusted on one off provision

Highlights

- 2QFY18 Revenue growth of 14.1% YoY on the back of both volume & price growth
- EBIT margin had dropped to 6.1% in 2QFY18 against 11.9% in 2QFY17 due to higher Ceylon Tea prices

Healthcare

LKR m	1H	1H	Growth	2Q	2Q	Growth
	FY18	FY17	%	FY18	FY17	%
Revenue	3,960	4,040	-2.0%	2,025	2,083	-2.8%
EBIT	245	284	-13.6%	109	158	-30.8%
<i>EBIT Margin</i>	<i>6.2%</i>	<i>7.0%</i>		<i>5.4%</i>	<i>7.6%</i>	
Profit for the period	155	189	-17.9%	70	109	-35.6%
<i>PAT Margin</i>	<i>3.9%</i>	<i>4.7%</i>		<i>3.5%</i>	<i>5.3%</i>	

Highlights

- 2QFY18 Revenue contracted by 2.8% YoY due to negative impact of NMRA price control
- EBIT margin for 2QFY18 decreased due to;
 - Impact of price control
 - LKR depreciation
 - Suppliers' stock out situation due to increased volumes in 1Q

Healthcare Retail



23

Outlets existing
outlets in Colombo,
including 11 express
outlets

Highlights

- Continued focus on Beauty and Wellness sales helped margin expansion
- Moderate growth in customer footfall
- Consumer spending has been weak in 2Q

Other

Energy

- Revenue of **LKR 63m** for 2QFY18 against LKR 20m for the same period last year, due to the commencement of the second power plant
- EBIT of LKR **33m** for 2Q FY18 against LKR 3m for the same period last year
- Elgin Plant under construction

Packaging

- The operations seized and the property will be rented out
- Loss on discontinued operation of LKR 195m
- Gain of LKR 127m recorded due to the revaluation of assets.



Outlook

Outlook for 3Q FY18

Healthcare

- User training to promote diagnostic brands in hospitals
- Further depreciation of LKR is expected
- Focus on Beauty & Wellness brands to increase margins

FMCG

- Sales growth driven by successful ad campaigns for Watawala & Zesta brands
- Continues focus on modern trade

Agri

- Tea NSA / Crop lower compared to last year
- Palm Oil NSA will be better than 2Q
- Next herd of cattle expected end 2017

Energy

- Higher rainfall is expected in 3Q
- Construction of Elgin plant (2.4MW capacity) underway

Additional data for analysts

LKR m	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY17	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18
Revenue	3,498	3,743	3,982	3,984	4,166	4,072	4,105	4,179	4,341	4,288	4,615	4,621	4,864	4,425	5,115	5,199	5,128
PAT	236	415	350	326	225	289	207	314	344	391	169	408	517	403	283	542	465
PATMI	176	187	170	147	158	104	76	162	171	175	78	207	227	13	126	225	286

Volumes	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY17	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18
Branded Tea (kg '000)	696	769	708	648	838	809	863	703	948	1,016	997	798	1100	987	1,062	950	1,085
Tea (kg 'mn)	1.9	2.9	2.7	3.4	1.9	2.6	2.5	2.6	2.1	2.5	2.2	2.5	1.4	2.0	1.5	2.4	1.6
Palm Oil (kg 'mn)	2.3	2.1	1.6	2.1	2.5	2.3	1.9	2.8	2.5	1.8	1.9	2.7	3.4	2.4	2.2	3.0	3.2

Thank you

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