

# Earnings release - SUN



## SUN grows 12.4% YoY, fueled by the Consumer sector

### FY18 Highlights

- SUN consolidated stake in Consumer and Agri sector by buying out Tata Global Beverages
- Tea plantation subsidiary, Hatton Plantations PLC (HPL), listed on CSE
- Consolidated revenue of LKR21.2bn, an increase of 12.4% YoY
- PAT amounted to LKR1.8bn, up 11.9% YoY
- Healthcare revenue up 3.8% YoY to LKR 8.2bn
- Strong growth in Consumer, revenue up 27.7% YoY to LKR5.4bn
- Agri revenue grew 11.8% YoY to LKR7.3bn
- EPS grew 47.1% YoY to LKR6.08

### 4QFY18 Highlights

- Consolidated revenue of LKR5.7bn, an increase of 12.6% YoY;
- PAT amounted to LKR166m, down 40.8% YoY, due to drop in Healthcare and Agri
- Strong growth in Consumer, revenue up 28.6% YoY to LKR1.5bn
- Healthcare revenue up 15.3% YoY to LKR2.1bn
- Agri revenue grew 7.6% YoY to LKR1.9bn
- EPS for 4QFY18 stood at LKR0.79

**Colombo, May 28, 2018** – Sunshine Holdings PLC (CSE: SUN) reported top line growth of 12.4% YoY to stand at LKR21.2bn, stemming from strong results in Consumer and Agri, despite marginal growth in Healthcare.

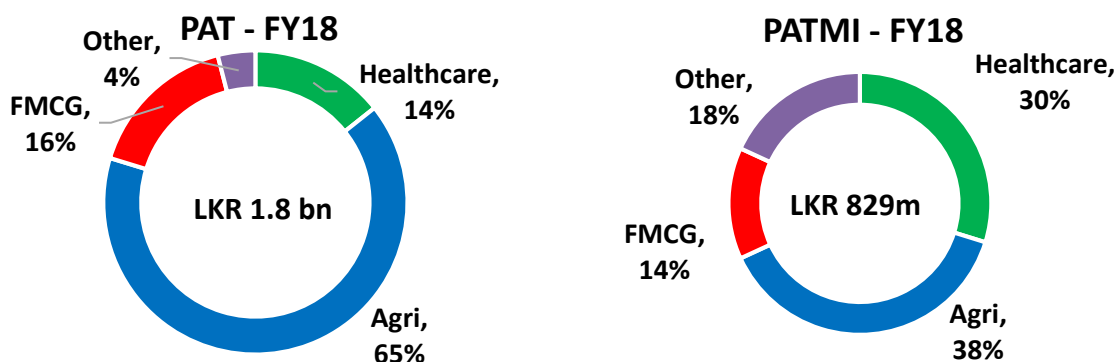
LKR m	FY18	FY17	Growth %	4Q FY18	4Q FY17	Growth %
Revenue	21,236	18,891	12.4%	5,673	5,040	12.6%
EBIT	2,580	2,073	24.5%	591	429	37.8%
<i>EBIT Margin</i>	<i>12.1%</i>	<i>11.0%</i>		<i>10.4%</i>	<i>8.5%</i>	
<b>PAT</b>	<b>1,805</b>	<b>1,613</b>	<b>11.9%</b>	<b>166</b>	<b>281</b>	<b>-40.8%</b>
<i>PAT Margin</i>	<i>8.5%</i>	<i>8.5%</i>		<i>2.9%</i>	<i>5.6%</i>	
<b>PATMI</b>	<b>829</b>	<b>564</b>	<b>47.1%</b>	<b>108</b>	<b>123</b>	<b>-12.7%</b>
Reported EPS (LKR)	6.08	4.13	47.1%	0.79	0.90	-12.7%
<b>Adj. PAT*</b>	<b>1,795</b>	<b>1,707</b>	<b>5.1%</b>	<b>321</b>	<b>281</b>	<b>14.4%</b>
Adj. EPS (LKR)*	5.53	4.94	11.9%	1.30	0.90	43.8%

\*Adjusted for one off gain/loss, Pharma stock write down, and discontinued operations

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Healthcare remained the largest contributor to Group revenue, accounting for 38% of the total, whereas Agribusiness contributed 34%, and Consumer 25%.

For FY18, PAT amounted to LKR 1.8bn up 11.9% YoY, on the back of strong performance in the Agri sector. Profit After Tax & Minority Interest (PATMI) grew 47.1% YoY to LKR 829m. The Agri sector represented by Watawala Plantations PLC (CSE: WATA) and Hatton Plantations PLC (CSE: HPL) accounted for 38% of reported PATMI, with Healthcare accounting for 30%. Reported PAT for 4QFY18 was negatively affected due to deferred tax charge stemming from the Agribusiness sector.



Net Asset Value per share increased to LKR46.08 as at end FY18, compared to LKR 45.79 at end of FY17.

### Corporate Updates

#### **Increase in stake in Consumer and Agribusiness**

SUN purchased EMSPL (holding company for Consumer and Agribusiness sectors) shares held by Tata Global Beverages Ltd (TGBL), to increase its stake to 60%, with Pyramid Wilmar increasing its stake from 35% to 40%. The deal was completed on 28<sup>th</sup> Dec 2017, where EMSPL was valued at LKR9.0bn. The deal was done in part with a share buyback by EMSPL, and the rest directly through SUN purchasing EMSPL shares from TGBL.

#### **Listing of Hatton Plantations PLC**

Hatton Plantations PLC (CSE: HPL) shares were listed on the Colombo Stock Exchange on 2nd Feb 2018, post the demerger from Watawala Plantations PLC (WATA). This completed the entire demerger transaction.

## **Business segments**

### **Healthcare**

LKR m	FY18	FY17	Growth %	4Q FY18	4Q FY17	Growth %
Revenue	8,162	7,863	3.8%	2,144	2,037	5.3%
EBIT	416	343	21.0%	92	151	-39.2%
<i>EBIT Margin</i>	<i>5.1%</i>	<i>4.4%</i>		<i>4.3%</i>	<i>7.4%</i>	
<b>PAT</b>	<b>258</b>	<b>198</b>	<b>30.5%</b>	<b>57</b>	<b>107</b>	<b>-46.7%</b>
<i>PAT Margin</i>	<i>3.2%</i>	<i>2.5%</i>		<i>2.7%</i>	<i>5.3%</i>	
<b>Adj. PAT*</b>	<b>258</b>	<b>321</b>	<b>-19.5%</b>	<b>57</b>	<b>107</b>	<b>-46.7%</b>

\*Adjusted for one off stock write down due to drug price control

Healthcare revenue for FY18 grew 3.8% YoY, on the back of volume increase in the pharma sub sector, despite the negative impact of NMRA price control, and supported by the strong growth in retail. EBIT margin for FY18 increased by 70 bps to 5.1% mainly due to renegotiations with principals on input cost coupled with the price increases in 4Q.

The Pharma sub-segment which represents 67% of Healthcare revenue grew 4.6% YoY for FY18, due to higher sales volumes. The company's Pharma segment is the 2<sup>nd</sup> largest player in the country with 12% share of the market (IMS data). Growth in other sub-sectors were: Medical devices (-6.2% YoY) and Retail (+21.9% YoY).

Reported PAT for Healthcare amounted to LKR258m in FY18, with a margin of 3.2%. The increase in PAT is attributed to margin improvement, supported by effective cost control.

### **Consumer**

LKR m	FY18	FY17	Growth %	4Q FY18	4Q FY17	Growth %
Revenue	5,381	4,213	27.7%	1,546	1,202	28.6%
EBIT	395	303	30.3%	102	22	365.7%
<i>EBIT Margin</i>	<i>7.3%</i>	<i>7.2%</i>		<i>6.6%</i>	<i>1.8%</i>	
<b>PAT</b>	<b>294</b>	<b>275</b>	<b>6.7%</b>	<b>88</b>	<b>26</b>	<b>235.3%</b>
<i>PAT Margin</i>	<i>5.5%</i>	<i>6.5%</i>		<i>5.7%</i>	<i>2.2%</i>	
<b>Adj. PAT*</b>	<b>294</b>	<b>250</b>	<b>17.4%</b>	<b>88</b>	<b>26</b>	<b>235.3%</b>

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Despite operating in a challenging macro-economic environment, the Consumer sector reported revenues of LKR5.4bn in FY18, up 27.7% YoY, on the back of both volume and price growth, and accounting for 25% of group revenue for the period. The domestic branded tea business sold 4.5m kg of branded tea, up 13.4% YoY, driven by their largest brand 'Watawala Tea', and their premium brand 'Zesta'.

PAT from the Consumer segment grew by 6.7% YoY, to stand at LKR294m for FY18. The increase was mainly driven by the higher sales volumes, despite a marginal increase in finance cost.

### Agribusiness

LKR m	FY18	FY17	Growth %	4Q	4Q	Growth %
				FY18	FY17	
Revenue	7,266	6,502	11.8%	1,898	1,764	7.6%
EBIT	1,566	1,494	4.9%	403	311	29.8%
<i>EBIT Margin</i>	<i>21.6%</i>	<i>23.0%</i>		<i>21.3%</i>	<i>17.6%</i>	
<b>PAT</b>	<b>1,179</b>	<b>1,226</b>	<b>-3.8%</b>	<b>140</b>	<b>212</b>	<b>-34.0%</b>
<i>PAT Margin</i>	<i>16.2%</i>	<i>18.9%</i>		<i>7.4%</i>	<i>12.0%</i>	

The Agribusiness sector represented by WATA and HPL saw revenue growth of 11.8% YoY to LKR 7.3bn, on the back of a 16.8% YoY growth in Tea revenue. Palm Oil revenue contracted by 5.5% YoY for FY18 due to a decrease in CPO market price. Tea volumes were higher by 8.0% YoY for FY18, while Palm Oil volumes were 1.1% higher than the same period last year.

Description	Revenue (LKRm)			Volumes (MT)		
	FY18	FY17	Growth %	FY18	FY17	Growth %
Tea	4,774	4,087	16.8%	8,096	7,496	8.0%
Palm Oil	2,027	2,146	-5.5%	10,775	10,662	1.1%

PAT for FY18 amounted to LKR1.2bn contracting 3.8% YoY. The reduction was mainly due to the CPO market price drop, partly off-set by the higher performance of the Tea sub sector.

Palm Oil segment, which made LKR978m PAT for FY18 against LKR1,129m during the same period last year, continued to be the largest contributor to Agribusiness profits.

## Other

Revenue for the Renewable Energy division amounted to LKR248m in FY18, up 179.7% YoY from LKR89m during FY17 after accounting for a full year of revenue for the second plant commissioned in 3QFY17. The sector, which currently operates 2 mini-hydro power plants, made a profit of LKR48m for FY18, compared to a loss of LKR35m in the same period last year.

## Outlook

In Healthcare, we expect further growth in volumes to offset the impact of reduced prices in our product portfolio. Attention will be on growing the Surgical and Medical devices sub sectors which have significant growth potential. The depreciation of the LKR against the USD continues to impact the margins of the entire industry as the regulator controls the maximum retail price of pharmaceuticals. The regulator has granted a 5% price increase in 4QFY18 for all drugs that came under price control in October 2016.

At Healthguard, the focus continues to be on developing specialty range Beauty and Wellness products as we look to introduce newer, more exciting ranges of products to the Sri Lankan Consumer while attracting more customers to the chain. Overall, we expect improvement in margins as a result of our chosen sales mix and consolidated distribution center.

The Consumer business would continue to invest behind its brands to scale both the domestic and international businesses. We expect strong margins with weak tea prices at the auction in 1Q.

In the Agribusiness, we expect to see moderate growth in volumes for the Palm Oil segment while prices remain at current levels. In the tea segment prices are expected to be challenged due to higher crop and external volatility.

On the dairy sub sector, number of total milking cows has reached 602 and the total number of animals increased to 1,374 with the additional 246 in-calf heifers from Australia. The daily milking volume has reached 10,000 liters per day. Nevertheless, the interim cost of feeding the whole herd will have a negative impact on Agri profitability.

In the Renewable Energy segment, construction of our third plant is underway and is expected to be commissioned in the beginning of 2QFY19.

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## ABOUT SUNSHINE HOLDINGS

Sunshine Holdings PLC is a diversified holding company contributing to ‘nation building’ by creating value in vital sectors of the Sri Lankan economy – including healthcare, agribusiness, fast moving Consumer goods and renewable energy. Many of its business units are leaders in their respective sectors, have secured partnerships with top global brands and have won prestigious awards at the national as well as the regional level. The leading brands of the group include Zesta, Healthguard, Watawala Tea, Pedia Plus and Diabeta Plus. Sunshine Holdings’ jointly-owned plantation company is Sri Lanka’s largest palm oil producer and has also been the country’s largest tea producer for several consecutive years. The company’s healthcare marketing unit is the second largest in its sector nationally. Its tea sector also consists of Sri Lanka’s best-selling tea brand locally. The group, which provides employment to approximately 12,000, generates over US\$ 120 million in revenue. Sunshine Holdings is consistently ranked among the LMD Top 50 companies in Sri Lanka.

For more information, please visit our Investor Relations page.



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

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