



sunshine



sunshine

Earnings Presentation | HFY 19

08th November 2018

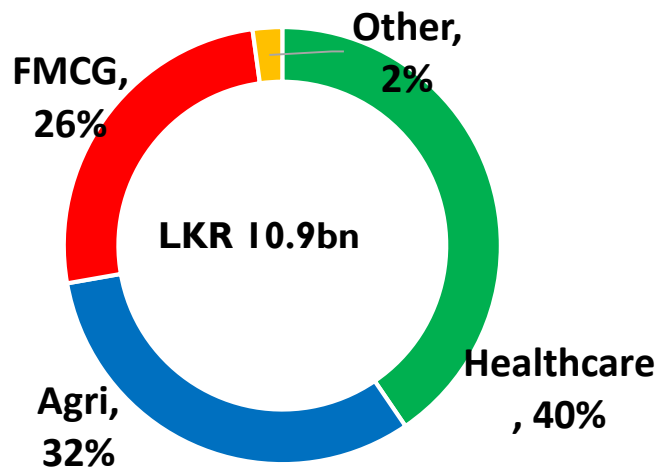
The background is a solid blue color with several white, wavy, horizontal lines that sweep across the frame from left to right, creating a sense of motion and depth.

Group Performance

Group at a Glance – 1HFY19 [Apr-Sep]

- **LKR 10.9bn** in Revenue; +5.7% YoY
- **LKR 804m** PAT; -30.0% YoY
- PATMI of **LKR 424m**; +20.5% YoY

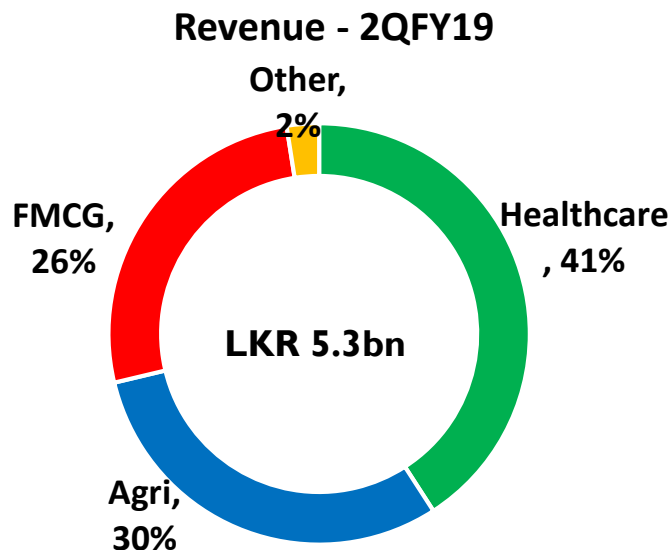
Revenue - 1HFY19



- Healthcare revenue; **LKR 4.4bn**; +11.5% YoY
- Agri revenue; **LKR 3.5bn**; -7.9% YoY
 - 6.2m kg of palm oil, +0.6% YoY
 - 3.2m kg of tea produced, -26.8% YoY
- FMCG revenue; **LKR 2.8bn**; +15.8% YoY
 - 2,111k kg of branded tea sold; +3.8YoY

Group at a Glance – 2QFY19 [Jul-Sep]

- **LKR 5.3bn** in Revenue; +3.4% YoY
- **LKR 461m** PAT; -21.7% YoY
- PATMI of **LKR 232m**; +116.2% YoY



- Healthcare revenue; **LKR 2.2bn**; +7.7% YoY
- Agri revenue; **LKR 1.6bn**; -8.7% YoY
 - 3.7m kg of palm oil, +16.6% YoY
 - 1.1m kg of tea produced, -31.0% YoY
- FMCG revenue; **LKR 1.4bn**; +10.1% YoY
 - 1,085k kg of branded tea sold; +0% YoY

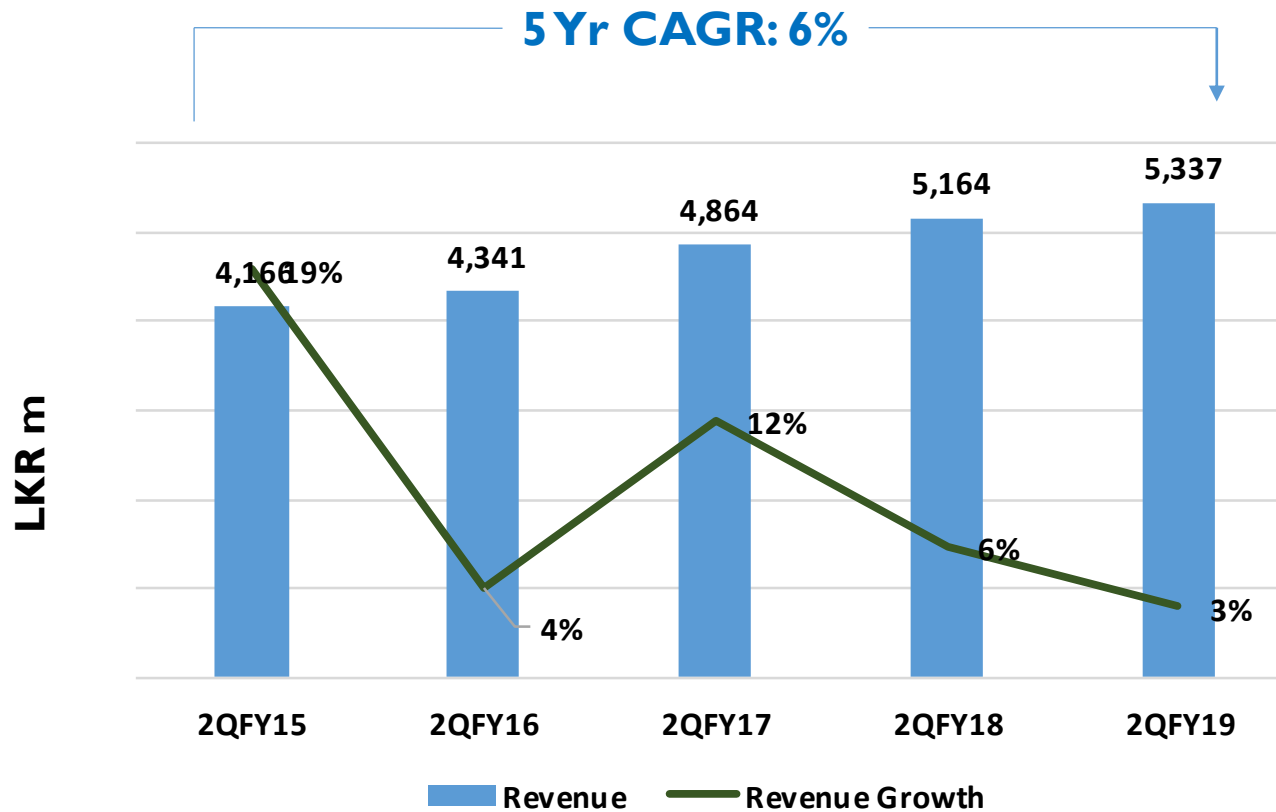
Group Financial Highlights

LKR m	1H FY19	1H FY18	Growth %	2Q FY19	2Q FY18	Growth %
Revenue	10,915	10,328	5.7%	5,337	5,164	3.4%
EBIT	1,298	1,292	0.5%	699	606	15.3%
<i>EBIT Margin</i>	<i>11.9%</i>	<i>12.5%</i>		<i>13.1%</i>	<i>11.7%</i>	
PAT	804	1,149	-30.0%	461	588	-21.7%
<i>PAT Margin</i>	<i>7.4%</i>	<i>11.1%</i>		<i>8.6%</i>	<i>11.4%</i>	
PATMI	424	352	20.5%	232	107	116.2%
EPS (LKR)	3.02	2.45	23.3%	1.66	0.77	116.2%
Adj. PAT*	804	1,022	-21.3%	461	461	-0.1%
Adjusted EPS (LKR)*	3.02	1.60	88.6%	1.66	(0.14)	N/A

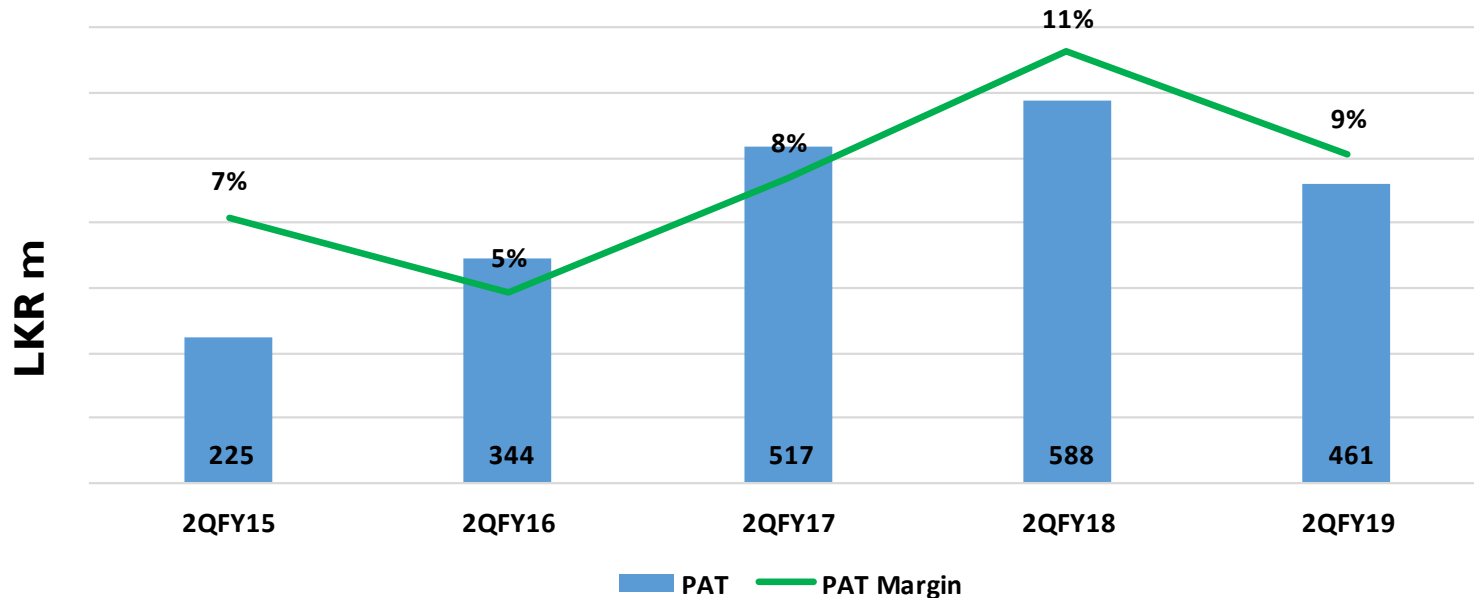
*Adjusted for one off gain/loss

2Q Revenue Growth Trend

- 5 Year CAGR of 6%



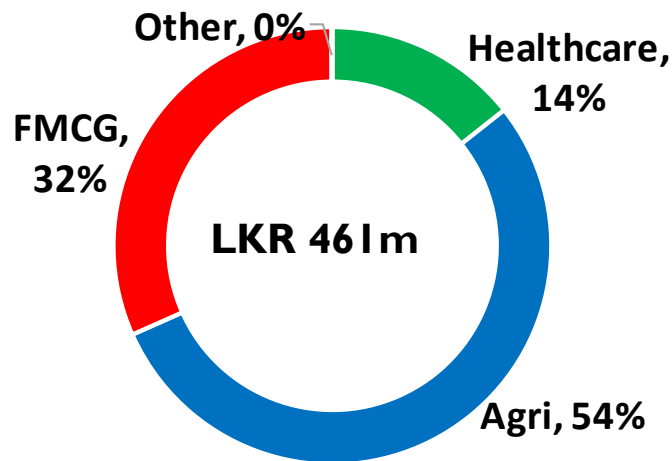
2Q Profitability



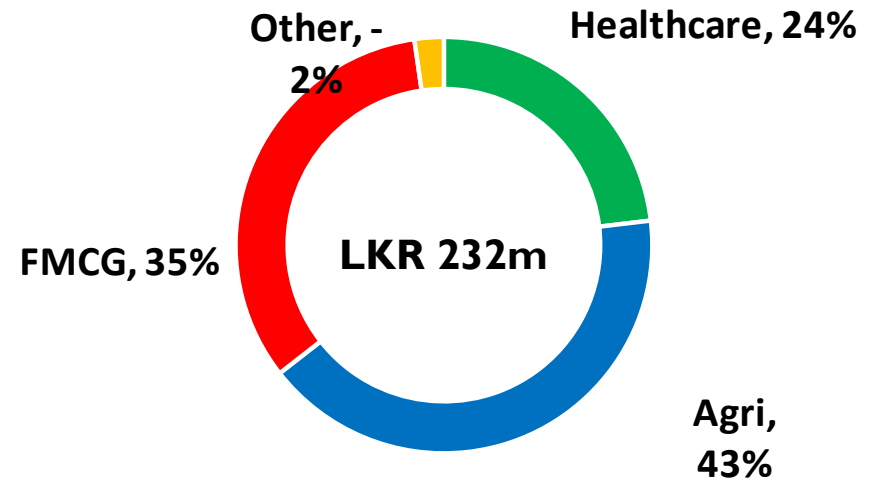
- PAT at LKR 461m reduced by 21.7% YoY mainly due to lower performance in Agri sector
- Agri margins decrease as a result of lower performance in Tea segment under Agri
- Healthcare recoded a slight reduction in margins due to depreciation in local currency and second round of price control on essential drugs
- FMCG margins expanded due to reduction in tea prices

Earnings Contribution 2QFY19

PAT - 2QFY19



PATMI - 2QFY19



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Segment Performance

Healthcare



LKR m	1H	1H	Growth	2Q	2Q	Growth
	FY19	FY18	%	FY19	FY18	%
Revenue	4,417	3,960	11.5%	2,181	2,025	7.7%
EBIT	237	245	-3.2%	90	109	-17.9%
<i>EBIT Margin</i>	<i>5.4%</i>	<i>6.2%</i>		<i>4.1%</i>	<i>5.4%</i>	
PAT	154	155	-1.2%	66	71	-6.6%
<i>PAT Margin</i>	<i>3.5%</i>	<i>3.9%</i>		<i>3.0%</i>	<i>3.5%</i>	

Highlights

- 2QFY19 Revenue up by 7.7% YoY due to higher sales volume in pharma sub-sector and footfall growth in Retail sub-sector
- EBIT margin contraction in 2QFY19 due to;
 - Depreciation of the local currency eroding GP margins
 - Second round of price controlling on the essential drugs
- Acquisition of Hayleys Pharma agencies and Erba Lachema agency

Healthcare Retail



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Outlets existing
outlets in Colombo,
including 11 express
outlets

Highlights

- Continued focus on Wellness helped EBIT margin expansion - 27 bps compared to same period last year
- Strong growth in customer footfall and loyalty engagement
- Higher focus on direct imports to increase margins & adding new brands

FMCG

LKR m	1H	1H	Growth	2Q	2Q	Growth
	FY19	FY18	%	FY19	FY18	%
Revenue	2,792	2,410	15.8%	1,400	1,272	10.1%
EBIT	346	147	135.2%	214	78	174.9%
<i>EBIT Margin</i>	<i>12.4%</i>	<i>6.1%</i>		<i>15.3%</i>	<i>6.1%</i>	
PAT	236	100	134.9%	146	49	194.6%
<i>PAT Margin</i>	<i>8.5%</i>	<i>4.2%</i>		<i>10.4%</i>	<i>3.9%</i>	

Highlights

- 2QFY19 Revenue growth of 10.1% YoY on the back of price growth
- EBIT margin expanded to 15.3% from 6.1% due to lower tea prices resulting in lower input cost

Agri –Sector Results



LKR m	1H	1H	Growth	2Q	2Q	Growth
	FY19	FY18	%	FY19	FY18	%
Revenue	3,467	3,766	-7.9%	1,623	1,778	-8.7%
EBIT	639	743	-13.9%	353	300	17.5%
<i>EBIT Margin</i>	<i>18.4%</i>	<i>19.7%</i>		<i>21.7%</i>	<i>16.9%</i>	
PAT	453	743	-39.0%	249	366	-32.0%
<i>PAT Margin</i>	<i>13.1%</i>	<i>19.7%</i>		<i>15.4%</i>	<i>20.6%</i>	

Highlights

- Revenue contracted by 8.7% YoY due to lower yield in tea sub segment
 - 31.0% decrease in Tea crop due to unfavorable weather conditions
 - Tea NSA lower 5.5% YoY due to lower demand
- Oil palm NSA increased 12.6% compared to last year 2Q
- Current herd in the Dairy Farm reached to 1,536 animals, of which 991 are milking.

Agri - WATA



LKR m	1H	1H	Growth	2Q	2Q	Growth
	FY19	FY18	%	FY19	FY18	%
Revenue	1,540	1,418	8.6%	867	728	19.1%
EBIT	628	513	22.5%	418	212	96.8%
<i>EBIT Margin</i>	<i>40.8%</i>	<i>36.2%</i>		<i>48.2%</i>	<i>29.1%</i>	
PAT	478	464	2.9%	328	191	71.3%
<i>PAT Margin</i>	<i>31.0%</i>	<i>32.7%</i>		<i>37.8%</i>	<i>26.3%</i>	

Highlights

- Revenue LKR 867m higher 19.1% YoY coupled with the price and yield increase
- Combined crop had increased by 16.6% YoY in 2QFY19, a record crop for any given quarter
- Significant expansion in margin due to the higher NSA

Agri - HPL



LKR m	1H	1H	Growth	2Q	2Q	Growth
	FY19	FY18	%	FY19	FY18	%
Revenue	1,927	2,348	-17.9%	756	1,050	-28.0%
EBIT	11	230	-95.2%	(65)	88	-173.9%
<i>EBIT Margin</i>	<i>0.6%</i>	<i>9.8%</i>		<i>-8.6%</i>	<i>8.4%</i>	
PAT	(24)	279	-108.8%	(79)	175	-145.1%
<i>PAT Margin</i>	<i>-1.3%</i>	<i>11.9%</i>		<i>-10.4%</i>	<i>16.7%</i>	

Highlights

- Revenue reduced by 28.0% YoY for 2Q mainly due low crop & low NSA
- 31.0% YoY decrease in crop due to unfavorable weather conditions
- Tea NSA slightly below 5.5% YoY due to lower demand

Energy



LKR m	1H FY19	1H FY18	Growth %	2Q FY19	2Q FY18	Growth %
Revenue	197	104	89.4%	105	63	67.6%
EBIT	121	45	168.9%	66	32	104.0%
<i>EBIT Margin</i>	<i>61.4%</i>	<i>43.3%</i>		<i>62.9%</i>	<i>51.6%</i>	
PAT	102	15	593.9%	58	12	380.0%
<i>PAT Margin</i>	<i>51.8%</i>	<i>14.1%</i>		<i>55.1%</i>	<i>19.3%</i>	

Highlights

- Revenue increased by 67.6% is mainly due to heavy rainfall in catchment areas
- Elgin Plant under construction & will be commissioned in end November 2018, construction was delayed due to higher rain falls
- Installation of the first rooftop solar started at the sunshine Tea Kelaniya premises

Additional data for analysts

LKR m	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	3Q FY18	4Q FY18	1Q FY19	2Q FY19
Revenue	4,166	4,072	4,105	4,179	4,341	4,288	4,615	4,621	4,864	4,425	5,115	5,164	5,128	5,235	5,673	5,578	5,337
PAT	225	289	207	314	344	391	169	408	517	403	283	561	465	489	165	343	461
PATMI	158	104	76	162	171	175	78	207	227	13	126	244	286	190	120	192	232

Volumes	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	3Q FY18	4Q FY18	1Q FY19	2Q FY19
Branded Tea (kg '000)	838	809	863	703	948	1,016	997	798	1100	987	1,062	950	1,085	1,178	1,181	1,026	1,085
Tea (kg 'mn)	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	1.8	2.1	2.1	1.1
Palm Oil (kg 'mn)	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	2.3	2.3	2.5	3.7



Outlook

Outlook for 3Q FY19

Healthcare

- Rupee depreciation to impact margins
- Higher volumes growth for molecules under price control
- Focus on Beauty & Wellness brands to increase margins with higher brand loyalty

FMCG

- Continue to invest in Brands
- Tea prices expected to increase

Agri

- Increase in Tea NSA due to lower supply
- Palm Oil NSA to increased with the depreciation of Rupee

Energy

- Higher rainfall to continue
- Construction of Elgin plant to be completed end November 2018
- Complete the first rooftop solar installation by Dec 2018

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.

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