



sunshine



sunshine

Earnings Presentation 9MFY 19

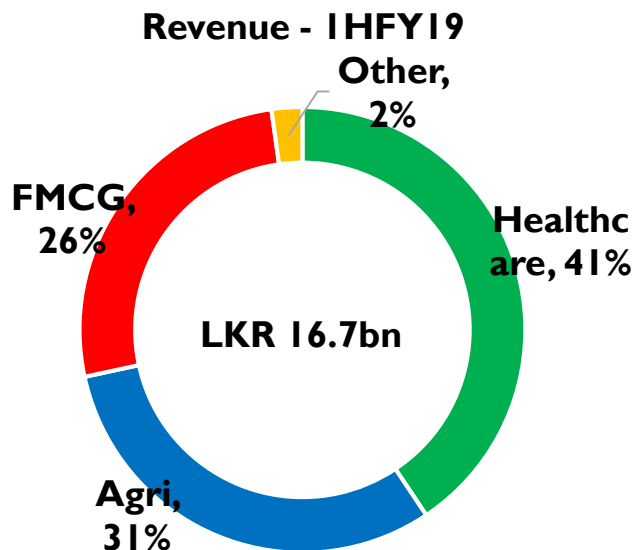
12th February 2019

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Group Performance

Group at a Glance – 9MFY19 [Apr-Dec]

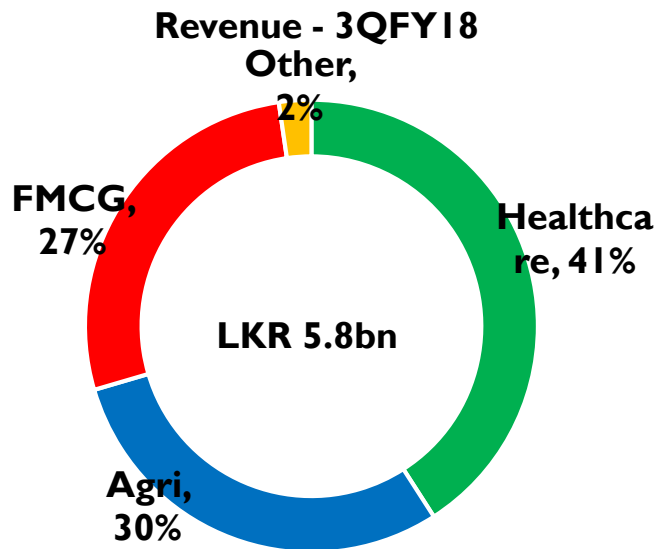
- **LKR 16.7bn** in Revenue; +7.3% YoY
- **LKR 1.3bn** PAT; -20.1% YoY
- PATMI of **LKR 700m**; +36.9% YoY



- Healthcare revenue; **LKR 6.8bn**; +12.8% YoY
- Agri revenue; **LKR 5.2bn**; -3.5% YoY
 - 8.9m kg of palm oil, +5.0% YoY
 - 5.5m kg of tea produced, -4.0% YoY
- FMCG revenue; **LKR 4.4bn**; +13.9% YoY
 - 3,333 kg of branded tea sold; +3.7% YoY

Group at a Glance – 3QFY19 [Oct-Dec]

- **LKR 5.8bn** in Revenue; +10.6% YoY
- **LKR 505m** PAT; +3.2% YoY
- PATMI of **LKR 276m**; +73.0% YoY



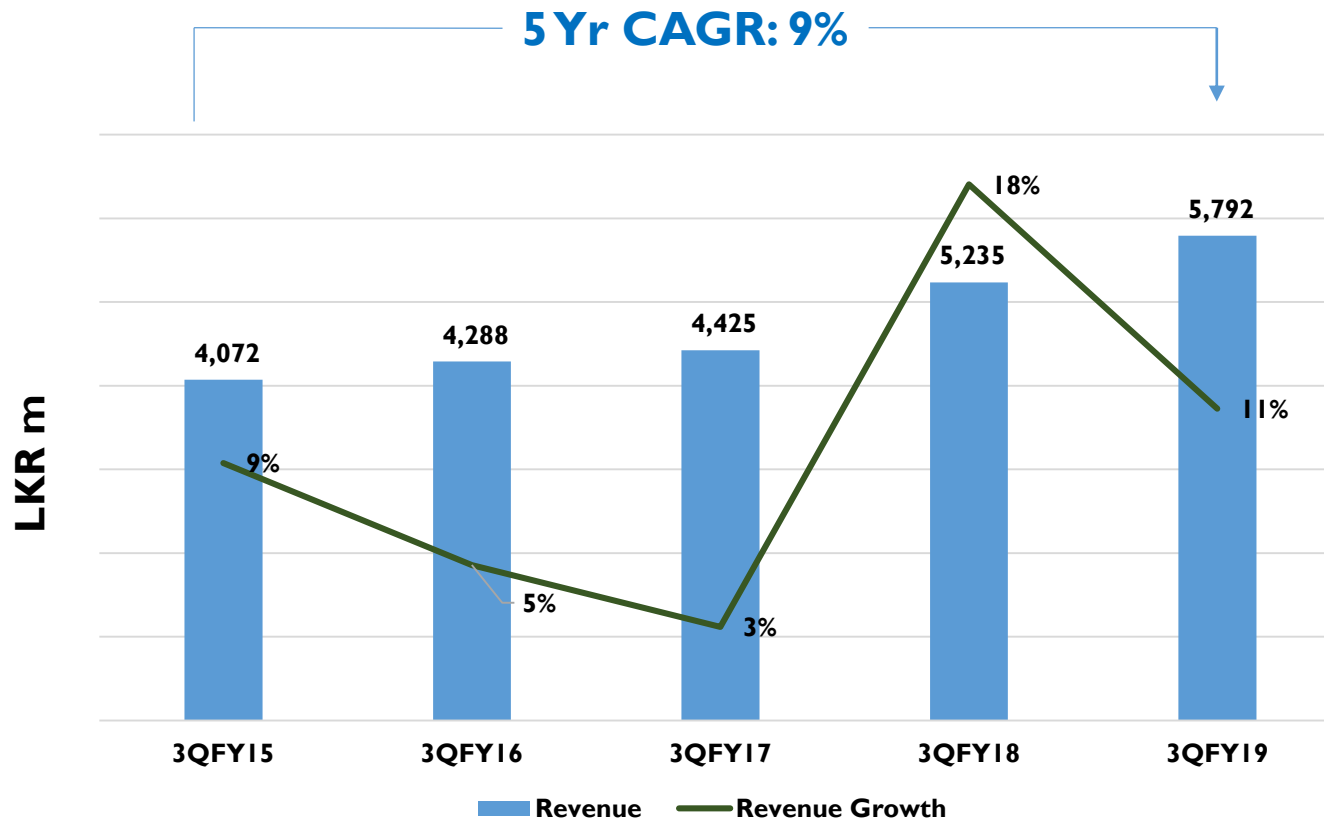
- Healthcare revenue; **LKR 2.4bn**; +15.2% YoY
- Agri revenue; **LKR 1.7bn**; +6.9% YoY
 - 2.7m kg of palm oil, +17.0% YoY
 - 2.3m kg of tea produced, +30.0% YoY
- FMCG revenue; **LKR 1.6bn**; +10.6% YoY
 - 1,222 k kg of branded tea sold; +3.7% YoY

Group Financial Highlights

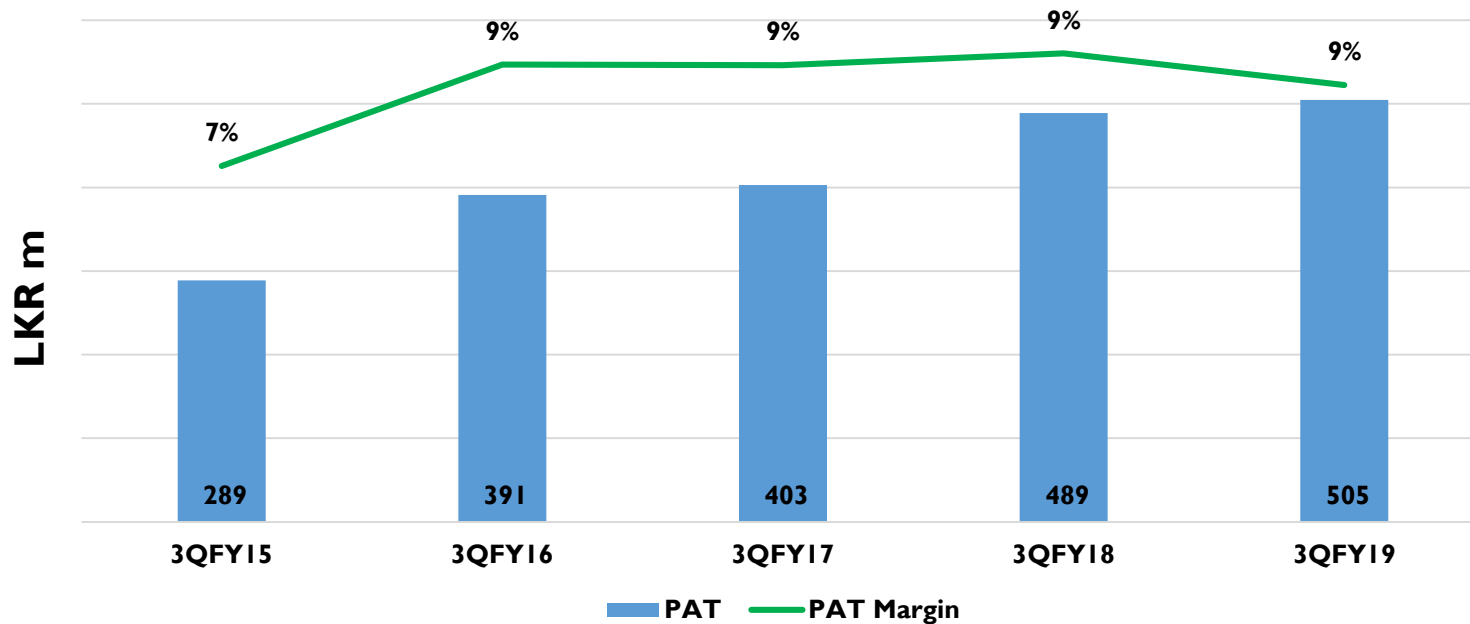
LKR m	9M FY19	9M FY18	Growth %	3Q FY19	3Q FY18	Growth %
Revenue	16,707	15,563	7.3%	5,792	5,235	10.6%
EBIT	2,070	1,989	4.1%	772	697	10.9%
<i>EBIT Margin</i>	<i>12.4%</i>	<i>12.8%</i>		<i>13.3%</i>	<i>13.3%</i>	
PAT	1,309	1,638	-20.1%	505	489	3.2%
<i>PAT Margin</i>	<i>7.8%</i>	<i>10.5%</i>		<i>8.7%</i>	<i>9.3%</i>	
PATMI	700	511	36.9%	276	160	73.0%
EPS (LKR)	4.87	3.69	31.9%	1.85	1.11	66.1%

3Q Revenue Growth Trend

- 5 Year CAGR of 9%



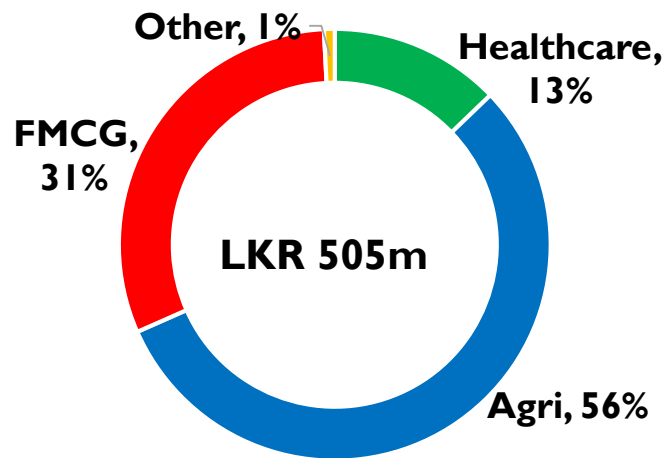
3Q Profitability



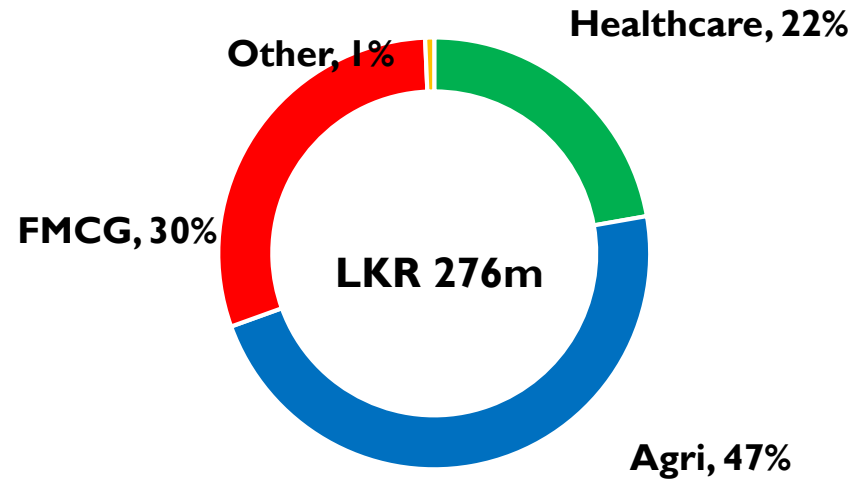
- PAT at LKR 505m increased by 3.2% YoY mainly due to higher performance in FMCG sector
- Agri margins decrease as a result of lower performance in Tea segment under Agri
- Healthcare recoded a slight increase in margins due to higher sales volumes
- FMCG margins expanded due to reduction in tea prices

Earnings Contribution 3QFY19

PAT - 3QFY19



PATMI - 3QFY19



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Segment Performance

Healthcare



LKR m	9M	9M	Growth	3Q	3Q	Growth
	FY19	FY18	%	FY19	FY18	%
Revenue	6,787	6,018	12.8%	2,369	2,058	15.2%
EBIT	331	324	2.3%	94	79	19.5%
<i>EBIT Margin</i>	<i>4.9%</i>	<i>5.4%</i>		<i>4.0%</i>	<i>3.8%</i>	
PAT	218	201	8.5%	65	46	41.7%
<i>PAT Margin</i>	<i>3.2%</i>	<i>3.3%</i>		<i>2.7%</i>	<i>2.2%</i>	

Highlights

- 3QFY19 Revenue up by 15.2% YoY due to higher sales volume in pharma sub-sector and footfall growth in Retail sub-sector
- EBIT margin Increased in 3QFY19 due to;
 - Increase in sales volumes
 - Price increases implemented for selected none gazette products

Healthcare Retail



23

Outlets existing
outlets in Colombo,
including 11 express
outlets

Highlights

- Continued focus on Wellness helped EBIT margin expansion - 2 bps compared to same period last year
- Strong growth in customer footfall and loyalty engagement
- Improve operational efficiency
- Improve online presence

FMCG

LKR m	9M FY19	9M FY18	Growth %	3Q FY19	3Q FY18	Growth %
Revenue	4,369	3,836	13.9%	1,577	1,425	10.6%
EBIT	564	293	92.8%	218	146	50.0%
<i>EBIT Margin</i>	<i>12.9%</i>	<i>7.6%</i>		<i>13.8%</i>	<i>10.2%</i>	
PAT	391	206	90.4%	155	105	47.8%
<i>PAT Margin</i>	<i>9.0%</i>	<i>5.4%</i>		<i>9.9%</i>	<i>7.4%</i>	

Highlights

- 3QFY19 Revenue growth of 10.6% YoY on the back of price & volume growth
- EBIT margin expanded to 13.8% from 10.2% due to lower tea prices resulting in lower input cost

Agri – Sector Results



LKR m	9M	9M	Growth	3Q	3Q	Growth
	FY19	FY18	%	FY19	FY18	%
Revenue	5,179	5,368	-3.5%	1,712	1,602	6.9%
EBIT	1,042	1,163	-10.4%	402	420	-4.2%
<i>EBIT Margin</i>	<i>20.1%</i>	<i>21.7%</i>		<i>23.5%</i>	<i>26.2%</i>	
PAT	734	1,040	-29.4%	280	296	-5.3%
<i>PAT Margin</i>	<i>14.2%</i>	<i>19.4%</i>		<i>16.4%</i>	<i>18.5%</i>	

Highlights

- Revenue increased by 6.9% YoY due to higher performance in the Palm oil segment
- Tea sub segment is below the expected performance due to lower NSA
- Current herd in the Dairy Farm established at 1,257 animals, of which 1,016 are milking.

Agri - WATA



LKR m	9M FY19	9M FY18	Growth %	3Q FY19	3Q FY18	Growth %
Revenue	2,322	2,034	14.1%	782	616	26.9%
EBIT	911	747	21.9%	282	234	20.5%
<i>EBIT Margin</i>	<i>39.2%</i>	<i>36.7%</i>		<i>36.1%</i>	<i>38.0%</i>	
PAT	673	667	1.0%	196	202	-3.2%
<i>PAT Margin</i>	<i>29.0%</i>	<i>32.8%</i>		<i>25.0%</i>	<i>32.8%</i>	

Highlights

- Revenue LKR 782m higher 26.9% YoY coupled with the price and yield increase
- Combined crop had increased by 17.0% YoY in 3QFY19 to 2.7m Kg of palm oil
- Reduction in PAT margin due to lower performance in the dairy sub sector

Agri - HPL



LKR m	9M FY19	9M FY18	Growth %	3Q FY19	3Q FY18	Growth %
Revenue	2,857	3,551	-19.5%	930	1,203	-22.7%
EBIT	131	397	-67.0%	120	167	-28.1%
<i>EBIT Margin</i>	<i>4.6%</i>	<i>11.2%</i>		<i>12.9%</i>	<i>13.9%</i>	
PAT	60	373	-83.8%	85	94	-9.9%
<i>PAT Margin</i>	<i>2.1%</i>	<i>10.5%</i>		<i>9.1%</i>	<i>7.8%</i>	

Highlights

- Revenue reduced by 22.7% YoY for 3Q mainly due to low NSA
- 30.0% YoY increase in crop due to favorable weather conditions
- Tea NSA below 23.0% YoY due to lower demand

Energy



LKR m	9M FY19	9M FY18	Growth %	3Q FY19	3Q FY18	Growth %
Revenue	311	204	52.6%	114	100	14.3%
EBIT	198	111	78.6%	77	66	16.8%
<i>EBIT Margin</i>	<i>63.6%</i>	<i>54.4%</i>		<i>67.4%</i>	<i>65.9%</i>	
PAT	165	57	191.9%	63	42	50.4%
<i>PAT Margin</i>	<i>53.0%</i>	<i>27.7%</i>		<i>55.1%</i>	<i>41.8%</i>	

Highlights

- Revenue increased by 14.3% is mainly due to higher rainfall in catchment areas
- Elgin Plant commissioned in end January 2019
- Installation of the first rooftop solar completed at the sunshine Tea Kelaniya premises

Additional data for analysts

LKR m	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	3Q FY19
Revenue	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	5,792
PAT	289	207	314	344	391	169	408	517	403	283	561	465	489	165	343	461	505
PATMI	104	76	162	171	175	78	207	227	13	126	244	286	160	120	192	232	276

Volumes	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	3Q FY19
Branded Tea (kg '000)	809	863	703	948	1,016	997	798	1100	987	1,062	950	1,085	1,178	1,181	1,026	1,085	1,222
Tea (kg 'mn)	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	2.3
Palm Oil (kg 'mn)	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	2.7



Outlook

Outlook for 4Q 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 while increasing the online presence

FMCG

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

Agri

- Better Tea NSA due to lower supply
- Palm Oil NSA to remain stable
- Wage increase will impact profitability in 4Q

Energy

- Elgin plant to start the operation with in the quarter
- Complete the construction of another two rooftop solar units

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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