

Earnings release - SUN

SUN: Healthcare and Consumer sectors drive growth for Sunshine while exiting tea plantations

FY19 Highlights

- Consolidated revenue of LKR22.6bn, an increase of 6.9% YoY
- PAT amounted to LKR1.1bn, down 36.5% YoY
- Healthcare revenue up 14.1% YoY to LKR 9.3bn
- Consumer revenue grew 8.9% YoY to LKR5.9bn
- Agri revenue contracted 2.0% YoY to LKR7.1bn
- EPS of LKR 4.43, 27.1% lower than last year
- Private placement to raise Rs. 775 million with SBI Ven Holdings Ltd

4QFY19 Highlights

- Consolidated revenue of LKR5.9bn, an increase of 5.6% YoY
- PAT amounted to LKR (163m), down 197.9% YoY
- Healthcare revenue up 17.9% YoY to LKR 2.5bn
- Degrowth in Consumer, revenue down 3.5% YoY to LKR1.5bn
- Agri revenue up 2.4% YoY to LKR1.9bn
- EPS of LKR (0.59), down 169.4% YoY

Colombo, May 30, 2019 – Sunshine Holdings PLC (CSE: SUN) reported top line growth of 6.9% to stand at LKR 22.6bn, on the back of strong performance in Consumer goods and Healthcare sectors despite a contraction in Agribusiness.

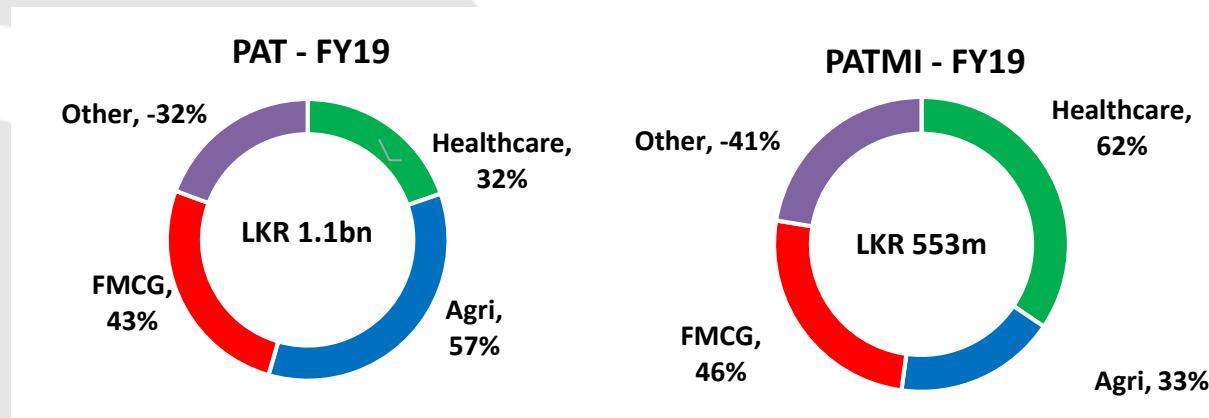
LKR m	FY19	FY18	Growth %	4Q FY19	4Q FY18	Growth %
Revenue	22,642	21,181	6.9%	5,935	5,618	5.6%
EBIT	2,218	2,580	-14.0%	148	591	-75.0%
<i>EBIT Margin</i>	<i>9.8%</i>	<i>12.2%</i>		<i>2.5%</i>	<i>10.5%</i>	
PAT	1,146	1,805	-36.5%	(163)	166	n/m
<i>PAT Margin</i>	<i>5.1%</i>	<i>8.5%</i>		<i>-2.7%</i>	<i>3.0%</i>	
PATMI	553	664	-16.7%	(147)	153	n/m
EPS (LKR)	4.43	6.08	-27.1%	(0.59)	0.85	n/m
Adj. PAT*	1,499	1,795	-16.4%	1	321	-99.7%

*Adjusted for one off gains/losses, and gratuity adjustments due to wage increase

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Healthcare remained as the largest contributor to Group revenue accounting for 40% of the total, whereas Agribusiness contributed 31%, and Consumer goods 25%.

For FY19, PAT amounted to LKR 1.1bn down 36.5% YoY, mainly due to the lower performance of the Agribusiness sector. Profit After Tax & Minority Interest (PATMI) decreased by 16.7% YoY to LKR 553m. Healthcare accounted for 62% of PATMI while Consumer accounts for 46%.



The PAT margins contracted to 5.1% for FY19 from 8.5% last year mainly due to lower profitability in the tea plantation sub sector and higher finance cost at the holding company.

Net Asset Value per share increased to LKR 50.26 as at end FY19, compared to LKR 46.71 at end of FY18.

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Business segments

Healthcare

LKR m	FY19	FY18	Growth %	4Q FY19	4Q FY18	Growth %
Revenue	9,315	8,162	14.1%	2,528	2,144	17.9%
EBIT	531	416	27.8%	200	92	118.0%
<i>EBIT Margin</i>	<i>5.7%</i>	<i>5.1%</i>		<i>7.9%</i>	<i>4.3%</i>	
PAT	368	258	42.4%	149	57	161.7%
<i>PAT Margin</i>	<i>3.9%</i>	<i>3.2%</i>		<i>5.9%</i>	<i>2.7%</i>	

Healthcare revenue for FY19 grew 14.1% YoY, on the back of volume increase in the pharma sub sector, agency acquisitions in medical devices, and foot fall growth in retail. Revenue for the current period was marginally affected by the second round of drug price control which came into effect in September 2018 which was countered with a price increase taken during the latter part of the financial year to reflect currency depreciation. EBIT margin for FY19 increased by 60 bps to 5.7% mainly due to higher volumes in pharma and increased contribution from medical devices sub sector.

The Pharma sub-segment which represents 66% of Healthcare revenue grew 10.4% YoY for FY19, due to higher sales volumes and price increases. The company's Pharma segment currently enjoys 11% share of the local private pharma market (IMS data). Growth in other sub-sectors were: Medical devices (+28.6% YoY) and Retail (+13.5% YoY).

Reported PAT for Healthcare amounted to LKR368m in FY19, up 42.4% YoY at a margin of 3.9%.

Consumer

LKR m	FY19	FY18	Growth %	4Q FY19	4Q FY18	Growth %
Revenue	5,859	5,381	8.9%	1,491	1,546	-3.5%
EBIT	683	395	73.2%	119	102	17.0%
<i>EBIT Margin</i>	<i>11.7%</i>	<i>7.3%</i>		<i>8.0%</i>	<i>6.6%</i>	
PAT	489	294	66.4%	97	88	10.5%
<i>PAT Margin</i>	<i>8.3%</i>	<i>5.5%</i>		<i>6.5%</i>	<i>5.7%</i>	

The Consumer sector reported revenues of LKR 5.9bn in FY19, up 8.9% YoY, on the back of both volume and price growth, and accounted for 25% of group revenue for the period. The

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domestic branded tea business within Consumer sold 4.6m kg of branded tea, up 3.8% YoY, driven by their largest brand ‘Watawala Tea’, and their budget brand ‘Ran Kahata’.

PAT from the Consumer segment grew by 66.4% YoY, to stand at LKR 489m for FY19. The increase was mainly driven by the lower input costs resulting in a higher gross profit margin.

Agribusiness

LKR m	FY19	FY18	Growth %	4Q FY19	4Q FY18	Growth %
Revenue	7,122	7,266	-2.0%	1,943	1,898	2.4%
EBIT	981	1,566	-37.4%	(61)	403	-115.0%
<i>EBIT Margin</i>	<i>13.8%</i>	<i>21.6%</i>		<i>-3.1%</i>	<i>21.3%</i>	
PAT	650	1,179	-44.9%	(83)	140	-159.6%
<i>PAT Margin</i>	<i>9.1%</i>	<i>16.2%</i>		<i>-4.3%</i>	<i>7.4%</i>	

The Agribusiness sector represented by WATA and HPL saw revenue decline of 2.0% YoY to LKR 7.1bn mainly due to unfavorable weather conditions impacting the tea plantations managed by HPL. Tea volumes contracted by 12.1% YoY resulting a revenue drop of 13.4% YoY due to unfavorable weather conditions. Palm Oil revenue increased by 21.5% YoY due to increase in both NSA and crop.

Description	Revenue (LKRm)			Volumes (MT)		
	FY19	FY18	Growth %	FY19	FY18	Growth %
Tea	4,040	4,665	-13.4%	7,056	8,030	-12.1%
Palm Oil	2,468	2,031	21.5%	11,830	10,792	9.6%

PAT for FY19 amounted to LKR 650m contracting 44.9% YoY. The reduction was mainly due to the losses in the Tea Sub-segment.

Other

Revenue for the Renewable Energy division amounted to LKR356m in FY19, up 43.2% YoY from LKR248m during FY18 as a result of higher rainfall in the catchment areas. The sector made a profit before tax of LKR162m for FY19, compared to a profit of LKR49m in the same period last year. Construction of the 3rd mini hydro plant was completed in 4QFY19. The Group also ventured into solar power with its new company -Sky Solar, with an installed capacity of 1MW.

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Outlook

In Healthcare, we expect to increase the revenue in 1QFY20 backed by the price increase taken for the non-price control products at the end of the financial year FY19. The NMRA took measures to increase the prices of molecules under price control during May 2019. The full impact of this increase will be witnessed from 2QFY20 onwards. The focus will be on improving the product range and service quality.

At Healthguard, the focus continues to be on developing specialty range of Beauty and Wellness products while attracting more customers to the chain. 1QFY20 will be challenging due to security issues faced by the country. We will also focus on improving the online presence of the business.

The Consumer business would continue to invest behind its brands to scale the domestic businesses. We expect some increase in tea input cost which will create pressure on the margins. We are mindful of the new players entering the market and will continue to strengthen our international business operation efficiency.

In Agribusiness, we expect to see moderate growth in volumes for the Palm Oil segment due to shift in yield curve while prices are expected to be stable in the short term.

On the dairy sub sector, the total milking cows has reduced to 851 and the total number of animals stand at 1,285. We expect to further rationalize the feed cost and increase selling price due to higher demand.

In the Renewable Energy segment, Sky Solar, the roof top solar company is evaluating its rapid expansion in solar power.

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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, Tribe 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>

Contact:

Hiran Samarasinghe
Head of Investor Relations and Strategy
+94 11 4702455
Hiran.Samarasinghe@sunshineholdings.lk

Kirana Jayawardena
Business Analyst
+94 11 4702479
Kirana.Jayawardena@sunshineholdings.lk