

Earnings release - SUN

SUN: YTD PAT up 32% YoY, on the back of strong Healthcare sector performance

9MFY20 Highlights

- Consolidated revenue of LKR 15.8bn, a decrease of 4.9% YoY
- PAT amounted to LKR 1.7bn, up 32.3% YoY
- Healthcare revenue up 20.5% YoY to LKR 8.2bn
- Consumer revenue contracted 2.9% YoY to LKR 4.2bn
- Agri revenue contracted 40.2% YoY to LKR 3.1bn
- EPS of LKR 6.81, up 40.0% YoY

3QFY20 Highlights

- Consolidated revenue of LKR 5.3bn, a decrease of 8.4% YoY
- PAT amounted to LKR 470m, down 6.2% YoY
- Healthcare revenue up 22.8% YoY to LKR 2.9bn
- Consumer revenue contracted 8.9% YoY to LKR 1.4bn
- Agri revenue contracted 54.7% YoY to LKR 775m
- EPS of LKR 1.92, increase 3.8% YoY

Colombo, February 13, 2020 – Sunshine Holdings PLC (CSE: SUN) top line contracted 4.9% YoY to stand at LKR 15.2bn, mainly due to the sale of the tea plantation business represented by Hatton Plantations PLC (CSE: HPL) during the 1st quarter. Consumer sector also contributed towards the degrowth of consolidated revenue for the period.

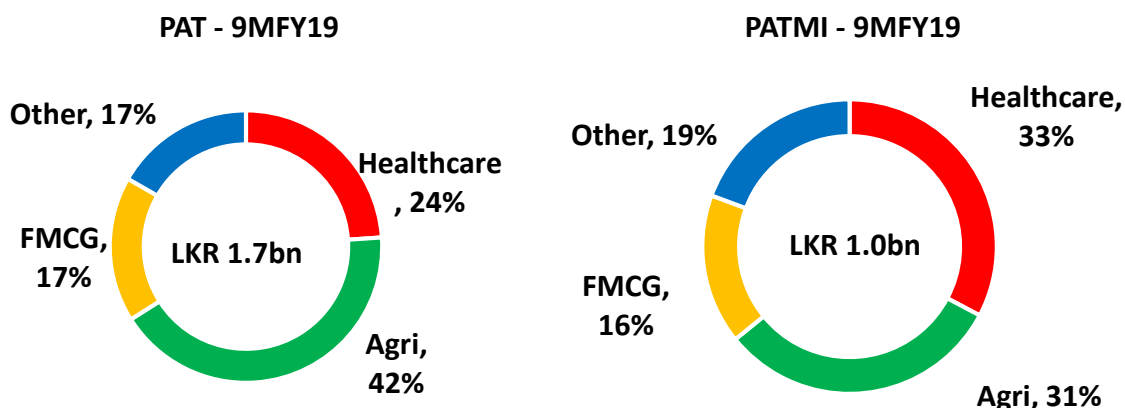
LKR m	9M FY20	9M FY19	Growth %	3Q FY20	3Q FY19	Growth %
Revenue	15,821	16,636	-4.9%	5,282	5,768	-8.4%
EBIT	2,556	2,050	24.7%	708	769	-7.9%
<i>EBIT Margin</i>	<i>16.2%</i>	<i>12.3%</i>		<i>13.4%</i>	<i>13.3%</i>	
PAT	1,700	1,285	32.3%	470	501	-6.2%
<i>PAT Margin</i>	<i>10.7%</i>	<i>7.7%</i>		<i>8.9%</i>	<i>8.7%</i>	
PATMI	1,019	697	46.1%	287	274	5.0%
EPS (LKR)	6.81	4.87	40.0%	1.92	1.85	3.8%
Adjusted PAT*	1,357	1,285	5.6%	470	501	-6.2%

*Adjusted for one-off gain in HPL divestment

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Healthcare remained as the largest contributor to Group revenue accounting for 50% of the total, whereas Consumer Goods contributed 26%, and Agribusiness accounting for 19%..

For 9MFY20, PAT amounted to LKR 1.7bn representing 32.3% increase YoY, mainly due to the profit arising from the sale of Hatton Plantations PLC amounting to LKR 343m. Profit After Tax & Minority Interest (PATMI) increased by 46.1% YoY to LKR 1.0bn. Healthcare and Agribusiness are the main contributors to the group PATMI.



The PAT margins increased to 10.7% during 9MFY20 compared to 7.7% same period last year mainly due to the profit gained from the sale of Hatton Plantations PLC.

Net Asset Value per share increased to LKR 55.45 as at end 9MFY20, compared to LKR 53.54 at end of 9MFY19.

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Business segments

Healthcare

LKR m	9M FY20	9M FY19	Growth %	3Q FY20	3Q FY19	Growth %
Revenue	8,177	6,787	20.5%	2,911	2,369	22.8%
EBIT	698	331	110.7%	251	94	166.9%
<i>EBIT Margin</i>	<i>8.5%</i>	<i>4.9%</i>		<i>8.6%</i>	<i>4.0%</i>	
PAT	407	218	86.4%	127	65	96.6%
<i>PAT Margin</i>	<i>5.0%</i>	<i>3.2%</i>		<i>4.4%</i>	<i>2.7%</i>	

Healthcare revenue for 9MFY20 grew 20.5% YoY, on the back of both volume and price growth in the pharma and medical devices sub sectors. Higher volumes, stable Rupee, and increased contribution from the Pharmaceutical and Medical Devices sub sectors propelled EBIT margin by 360 bps in 9MFY20 compared to the same period last year.

The Pharma sub-segment which represents 65% of Healthcare revenue grew 17.2% YoY for 9MFY20, 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). Movements in other sub-sectors were: Medical Devices (+43.2% YoY) and Retail (7.9% YoY).

PAT for Healthcare amounted to LKR 407m in 9MFY20, up 86.4% YoY at a margin of 5.0%.

Consumer

LKR m	9M FY20	9M FY19	Growth %	3Q FY20	3Q FY19	Growth %
Revenue	4,209	4,335	-2.9%	1,427	1,566	-8.9%
EBIT	423	565	-25.1%	137	218	-37.2%
<i>EBIT Margin</i>	<i>10.0%</i>	<i>13.0%</i>		<i>9.6%</i>	<i>13.9%</i>	
PAT	294	392	-25.1%	95	155	-38.9%
<i>PAT Margin</i>	<i>7.0%</i>	<i>9.0%</i>		<i>6.7%</i>	<i>9.9%</i>	

The Consumer sector reported revenues of LKR 4.2bn in 9MFY20, down 2.9% YoY and accounted for 26% of group revenue for the period. The domestic branded tea business within Consumer sold 3.5m kg of branded tea, up 3.8% YoY, mainly driven by their budget brand 'Ran Kahata', despite a slight volume contraction in the premium brand. PAT from the Consumer

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segment contracted by 25.1% YoY, to stand at LKR 294m for 9MFY20. The decrease was mainly due to higher investment in advertising and promotions relating to the relaunch of the 'Zesta' brand and market disruptions during 1QFY20.

Agribusiness

Reported

LKR m	9M FY20	9M FY19	Growth %	3Q FY20	3Q FY19	Growth %
Revenue	3,100	5,179	-40.2%	775	1,712	-54.7%
EBIT	1,018	1,042	-2.2%	250	402	-37.8%
<i>EBIT Margin</i>	<i>32.9%</i>	<i>20.1%</i>		<i>32.3%</i>	<i>23.5%</i>	
PAT	715	734	-2.5%	174	280	-37.9%
<i>PAT Margin</i>	<i>23.1%</i>	<i>14.2%</i>		<i>22.4%</i>	<i>16.4%</i>	

Adjusted for HPL sale

LKR m	9M FY20	9M FY19	Growth %	3Q FY20	3Q FY19	Growth %
Revenue	2,587	2,322	11.4%	775	782	-0.8%
EBIT	1,069	911	17.4%	250	282	-11.4%
<i>EBIT Margin</i>	<i>41.3%</i>	<i>39.2%</i>		<i>32.3%</i>	<i>36.1%</i>	
PAT	777	673	15.3%	174	196	-11.1%
<i>PAT Margin</i>	<i>30.0%</i>	<i>29.0%</i>		<i>22.4%</i>	<i>25.0%</i>	

The Agribusiness sector represented by WATA and HPL saw reported revenue decline by 40.2% YoY to LKR 3.1bn mainly due to divestment of said the tea plantation business (HPL) during 1QFY20.

Palm oil segment together with Dairy, recorded a 11.4% YoY growth mainly due to better performance of Palm oil sector driven by the shift in Palm oil yield curve. Palm oil production was at 9.9m Kg for the 9MFY20 which was 11.0% higher than the same period last year.

PAT for 9MFY20 amounted to LKR 777m increasing 15.3% YoY. The increase is mainly due to the divestment of the Tea plantations.

Renewable Energy

Revenue for the Renewable Energy division amounted to LKR255m in 9MFY20, down 18.1% YoY from LKR311m during 9MFY19 as a result of lower rainfall in the catchment areas and plant maintenance. The sector PAT was LKR29m for 9MFY20, compared to a profit of LKR165m in the same period last year. The Group also ventured into solar power with its new company, Sky Solar, with an installed capacity of 1MW.

Outlook

In Healthcare, we expect strong growth for 4QFY20, especially in the Medical devices and Pharma sub-divisions. We are closely monitoring the changes in exchange rate which is sensitive on our margins. The sector will continue to focus on improving the product range and service quality. New price controls by the regulator remains a key risk for the profitability of the sector.

At Healthguard, the focus continues to be on developing specialty range of Beauty and Wellness products while attracting more customers to the chain. The new flagship store at One Galle Face Mall is expected to contribute towards revenue during 4QFY20.

The Consumer business would continue to invest behind its brands to scale the domestic businesses. The business will have a challenging 4th quarter due to price cuts taken in-line with competition. We are also 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. RSPO audit is completed and we expect to receive the certificate by 1QFY21.

On the dairy sub sector, the total milking cows for the period stood at 881 and the total number of animals stand at 1,420. We expect to further rationalize the feed cost and increase selling price due to higher demand.

In the Renewable Energy segment, we will continue to focus on expanding our production capacity via rooftop solar project.

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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. The business units comprise of Sunshine Healthcare Lanka Limited, Watawala Plantations PLC, Watawala Tea Ceylon Limited and Sunshine Energy Private Limited which 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 and Watawala Tea. The Estate Management Services Limited (EMS), the agri-business arm of Sunshine Holdings PLC, manages Watawala Plantations, Sri Lanka’s largest palm oil producer. The company’s healthcare marketing unit is the second largest in its sector nationally.

For more information, please visit our Investor Relations page.



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