

Earnings release - SUN

SUN: FY20 profit up 60% YoY, on the back of strong Healthcare & Agri sector performances

FY20 Highlights

- Consolidated revenue of LKR 20.8bn, a decrease of 8.0% YoY
- PAT amounted to LKR 1.8bn, up 60.0% YoY
- Healthcare revenue up 19.7% YoY to LKR 11.2bn
- Consumer revenue contracted 7.0% YoY to LKR 5.4bn
- Agri revenue contracted 46.1% YoY to LKR 3.8bn
- EPS of LKR 7.67, up 69.9% YoY

4QFY20 Highlights

- Consolidated revenue of LKR 5.0bn, a decrease of 16.6% YoY
- PAT amounted to LKR 133m
- Healthcare revenue up 17.6% YoY to LKR 3.0bn
- Consumer revenue contracted 18.7% YoY to LKR 1.2bn
- Agri revenue contracted 61.9% YoY to LKR 739m
- EPS of LKR 0.86

Colombo, May 27, 2020 – Sunshine Holdings PLC (CSE: SUN) top line contracted 8.0% YoY to stand at LKR 20.8bn, 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.

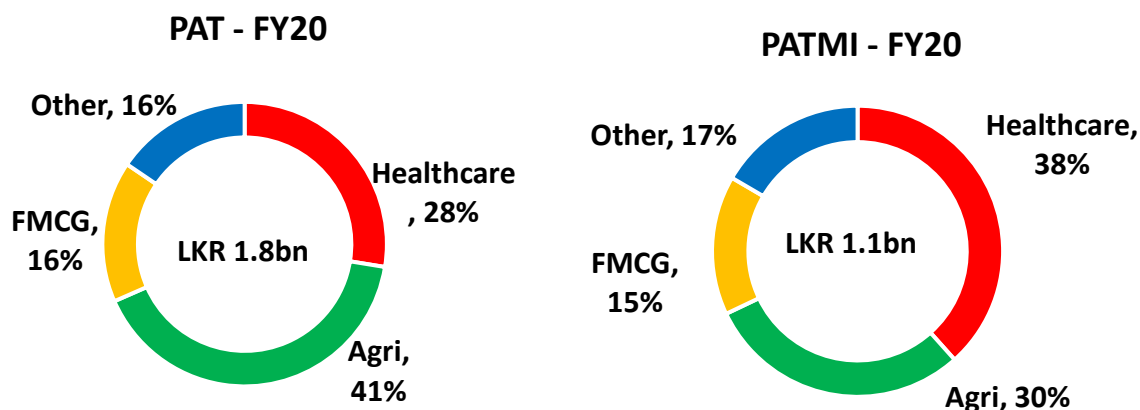
LKR m	FY20	FY19	Growth %	4Q FY20	4Q FY19	Growth %
Revenue	20,831	22,642	-8.0%	5,010	6,006	-16.6%
EBIT	2,909	2,218	31.1%	353	168	109.8%
<i>EBIT Margin</i>	<i>14.0%</i>	<i>9.8%</i>		<i>7.0%</i>	<i>2.8%</i>	
PAT	1,833	1,146	60.0%	133	(139)	n/m
<i>PAT Margin</i>	<i>8.8%</i>	<i>5.1%</i>		<i>2.7%</i>	<i>-2.3%</i>	
PATMI	1,115	553	101.5%	96	(144)	n/m
EPS (LKR)	7.67	4.51	69.9%	0.86	(0.35)	n/m
Adjusted PAT*	1,375	1,146	20.1%	17	(139)	n/m

*Adjusted for one-off gain in HPL divestment & revaluation gain on investment property valuation

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Healthcare remained as the largest contributor to Group revenue accounting for 52% of the total, whereas Consumer Goods contributed 26%, and Agribusiness accounting for 18%.

For FY20, PAT amounted to LKR 1.8bn representing 60.0% increase YoY, mainly due to the profit arising from the sale of Hatton Plantations PLC amounting to LKR 341m. Profit After Tax & Minority Interest (PATMI) increased by 101.5% YoY to LKR 1.1bn. Healthcare and Agribusiness are the main contributors to the group PATMI.



The PAT margins increased to 8.8% during FY20 compared to 5.1% last year mainly due to the profit gained from the sale of Hatton Plantations PLC.

Net Asset Value per share increased to LKR 56.37 as at end FY20, compared to LKR 52.45 at end of FY19.

During May 2020, the Group has boosted its stake in a branded tea company, Watawala Tea Ceylon to 100% and reduced the group interest in oil palm and dairy, by transferring a stake in Watawala Plantations PLC to a new joint venture- Sunshine Wilmar (Pvt) Ltd.

Business segments

Healthcare

LKR m	FY20	FY19	Growth %	4Q FY20	4Q FY19	Growth %
Revenue	11,150	9,315	19.7%	2,973	2,528	17.6%
EBIT	859	531	61.7%	161	200	-19.5%
<i>EBIT Margin</i>	<i>7.7%</i>	<i>5.7%</i>		<i>5.4%</i>	<i>7.9%</i>	
PAT	510	368	38.6%	103	150	-31.1%
<i>PAT Margin</i>	<i>4.6%</i>	<i>3.9%</i>		<i>3.5%</i>	<i>5.9%</i>	

Healthcare revenue for FY20 grew 19.7% 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 200 bps in FY20 compared to the same period last year.

The Pharma sub-segment which represents 65% of Healthcare revenue grew 17.2% YoY for FY20, 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 (+35.2% YoY) and Retail (10.8% YoY).

PAT for Healthcare amounted to LKR 510m in FY20, up 38.6% YoY at a margin of 4.6%.

Consumer

LKR m	FY20	FY19	Growth %	4Q FY20	4Q FY19	Growth %
Revenue	5,448	5,859	-7.0%	1,239	1,524	-18.7%
EBIT	417	683	-38.9%	(6)	118	-104.8%
<i>EBIT Margin</i>	<i>7.7%</i>	<i>11.7%</i>		<i>-0.5%</i>	<i>7.8%</i>	
PAT	297	489	-39.2%	4	97	-96.4%

The Consumer sector reported revenues of LKR 5.4bn in FY20, down 7.0% YoY and accounted for 26% of group revenue for the period. The domestic branded tea business within Consumer sold 4.6m kg of branded tea, up 2.6% YoY, mainly driven by their budget brand 'Ran Kahata', despite a slight volume contraction in the premium brand. PAT from the Consumer segment contracted by 39.1% YoY, to stand at LKR 297m for FY20. The decrease was mainly due to higher

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investment in advertising and promotions relating to the relaunch of the 'Zesta' brand and market disruptions during IQFY20.

Agribusiness

Reported

LKR m	FY20	FY19	Growth %	4Q FY20	4Q FY19	Growth %
Revenue	3,839	7,122	-46.1%	739	1,943	-61.9%
EBIT	1,115	981	13.7%	97	(61)	-259.6%
<i>EBIT Margin</i>	<i>29.0%</i>	<i>13.8%</i>		<i>13.1%</i>	<i>-3.1%</i>	
PAT	755	650	16.1%	40	(83)	-147.8%
<i>PAT Margin</i>	<i>19.7%</i>	<i>9.1%</i>		<i>5.4%</i>	<i>-4.3%</i>	

Adjusted for HPL sale

LKR m	FY20	FY19	Growth %	4Q FY20	4Q FY19	Growth %
Revenue	3,327	3,082	8.0%	739	760	-2.7%
EBIT	1,166	1,036	12.5%	97	126	-23.2%
<i>EBIT Margin</i>	<i>35.1%</i>	<i>33.6%</i>		<i>13.1%</i>	<i>16.6%</i>	
PAT	817	763	7.0%	40	90	-55.5%

The Agribusiness sector represented by WATA and HPL saw reported revenue decline by 46.1% YoY to LKR 3.8bn mainly due to divestment of said the tea plantation business (HPL) during IQFY20.

Palm oil segment together with Dairy, recorded 8.0% 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 12.2m Kg for FY20 which was 5.1% higher than the same period last year.

PAT for FY20 amounted to LKR 817m increasing 7.0% YoY.

Renewable Energy

Revenue for the Renewable Energy division amounted to LKR313m in FY20, down 12.1% YoY from LKR356m during FY19 as a result of lower rainfall in the catchment areas and plant maintenance. The sector PAT was negative at LKR 8m for FY20, compared to a profit of LKR 63m the 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 1QFY21, 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 while competing for more government tenders. 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. Retail operations were disrupted due to COVID 19 lockdowns. The online business will be further improved given opportunities in the post COVID environment.

The Consumer business will have a challenging 1st quarter due to the COVID 19 pandemic, especially due to disruption in logistics. The company would continue to invest behind its brands to scale the domestic businesses. We also expect a slower recovery in the gift boutique business, which is predominantly dependent on tourism.

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 during FY21.

On the dairy sub sector, the total milking cows for the period stood at 810 and the total number of animals stand at 1,460. 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.

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.



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

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