

Earnings release - SUN



SUN: Strong 1QFY21 performance despite challenges in Consumer and Retail businesses

1QFY21 Highlights

- Consolidated revenue of LKR 4.8bn, adjusted increase of 1.9 % YoY
- PAT amounted to LKR 553m, increase of 89.9% YoY
- Healthcare revenue up 4.9% YoY to LKR 2.6bn
- Consumer revenue contracted 15.3% YoY to LKR1.1bn
- Agri revenue contracted 30.1% YoY to LKR974m
- EPS of LKR 2.15

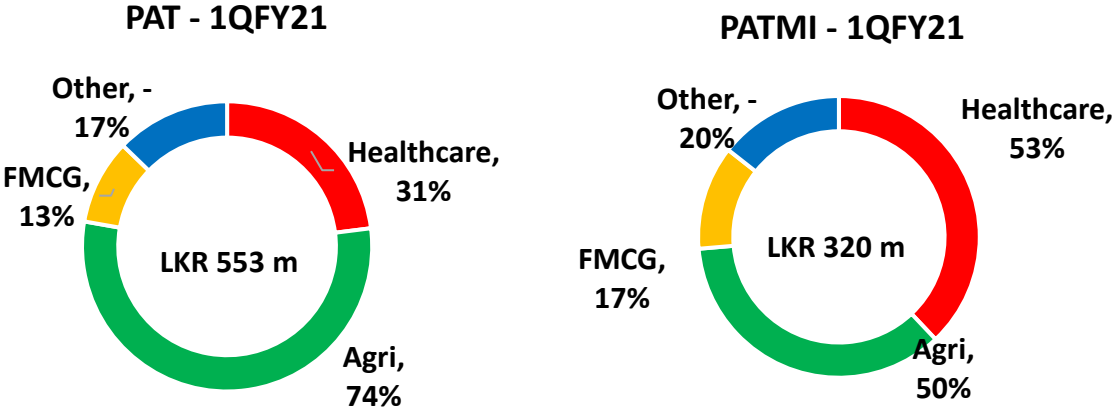
Colombo, August 06, 2020 – Sunshine Holdings PLC (CSE: SUN) adjusted top line grew 1.9% YoY to stand at LKR 4.8bn, despite challenges for the Consumer and Healthcare Retail businesses due to C19 lockdown measures during 1Q. The adjustment relates to the sale of the tea plantation business represented by Hatton Plantations PLC (CSE: HPL) during the 1st quarter of last financial year.

LKR m	1Q FY21	1Q FY20	Growth %
Revenue	4,786	4,696	1.9%
EBIT	860	619	38.9%
<i>EBIT Margin</i>	<i>18.0%</i>	<i>13.2%</i>	
PAT	553	291	89.9%
<i>PAT Margin</i>	<i>11.5%</i>	<i>6.2%</i>	
PATMI	320	155	106.5%
EPS (LKR)	2.15	1.04	106.7%

*1QFY20 results are adjusted for HPL divestment in 1QFY20

Healthcare remained the largest contributor to Group revenue accounting for 52% of the total, whereas Consumer Goods contributed 22%, and Agribusiness accounting for 20%.

For 1QFY21, PAT amounted to LKR 553m representing an increase of 89.9% YoY, mainly due to the profit arising from the improved performance in the Palm oil business segment. Profit After Tax & Minority Interest (PATMI) increased by 106.7% YoY to LKR 320 m. Healthcare and Agribusiness are the main contributors to the group PATMI.



The PAT margins increased to 11.5% during 1QFY21 compared to 6.2% last year mainly due to the margin increase in Agribusiness and consumer sectors.

Net Asset Value per share increased to LKR 56.92 as at end 1QFY21, compared to LKR 51.77 at end of 1QFY20.

Deal flow

During May 2020, the Group has boosted its stake in the 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.

Watawala Tea Ceylon, which is now a 100% subsidiary of the Group, signed a Share Purchase Agreement with the shareholders of Daintee Limited to acquire 100% of its equity on the 6th of August 2020. Daintee is the market leader in the sweets and toffee category in Sri Lanka with over 40% market share.

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Business segments

Healthcare

LKR m	1Q FY21	1Q FY20	Growth %
Revenue	2,593	2,471	4.9%
EBIT	281	230	22.4%
<i>EBIT Margin</i>	<i>10.8%</i>	<i>9.3%</i>	
PAT	171	141	21.4%
<i>PAT Margin</i>	<i>6.6%</i>	<i>5.7%</i>	

Healthcare revenue for IQFY21 grew 4.9% YoY. Higher volumes, stable Rupee, and increased contribution from the Pharmaceutical business propelled EBIT margin by 150 bps in IQFY21 compared to the same period last year. It was a challenging quarter for the Medical Devices and Retail businesses within Healthcare, due to lower occupancy rates in hospitals and a significant reduction in store operating hours due to lockdown.

The Pharma sub-segment which represents 65% of Healthcare revenue grew 9.9% YoY for IQFY21, due to higher sales volumes and price increases, despite a challenging quarter for both Medical Devices and Retail businesses due to C19 lockdown measures. 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 (-3.2% YoY) and Retail (-5.2% YoY).

PAT for Healthcare amounted to LKR 171m in IQFY21 at a margin of 6.6%.

Consumer

LKR m	1Q FY21	1Q FY20	Growth %
Revenue	1,110	1,311	-15.3%
EBIT	86	85	1.5%
<i>EBIT Margin</i>	<i>7.8%</i>	<i>6.5%</i>	
PAT	70	58	21.8%
<i>PAT Margin</i>	<i>6.3%</i>	<i>4.4%</i>	

The Consumer sector reported revenues of LKR 1.1bn in IQFY21, down 15.3% YoY and accounted for 22% of group revenue for the period. The domestic branded tea business within

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Consumer sector sold 1.0m kg of branded tea while the volumes were flat cf. same period last year. PAT from the Consumer segment increased by 21.8% YoY, to stand at LKR 70m for 1QFY2. The increase was mainly due to curtailing of advertising and promotional expenses during the period under review.

Agribusiness

Reported

LKR m	1Q	1Q	Growth
	FY21	FY20	
Revenue	974	1,392	-30.1%
EBIT	497	314	58.2%
<i>EBIT Margin</i>	<i>51.0%</i>	<i>22.5%</i>	
PAT	406	199	104.3%
<i>PAT Margin</i>	<i>41.7%</i>	<i>14.3%</i>	

Adjusted for HPL sale

LKR m	1Q	1Q	Growth
	FY21	FY20	
Revenue	974	880	10.6%
EBIT	497	365	36.1%
<i>EBIT Margin</i>	<i>51.0%</i>	<i>41.5%</i>	
PAT	406	260	56.2%
<i>PAT Margin</i>	<i>41.7%</i>	<i>29.5%</i>	

The Agribusiness sector represented by Palm Oil and Dairy sectors reported revenue decline by 30.1% YoY to LKR 974m mainly due to divestment of the tea plantation business (HPL) during 1QFY20.

Palm oil segment together with Dairy, recorded 10.6% YoY growth mainly due to better performance of Palm oil sector driven by the increase in NSA. Palm oil production was at 3.3m Kg for 1QFY21 which was 0.5% higher than the same period last year.

PAT for FY20 amounted to LKR 406m increasing 104.3% YoY.

Renewable Energy

Revenue for the Renewable Energy division amounted to LKR 76m in 1QFY21, up 197.6% YoY from LKR26m during 1QFY20 as a result of higher rainfall in the catchment areas and optimal operations of all three plants. The sector PAT was at LKR 4m for 1QFY21, compared to a loss of LKR 42m the last year.

Outlook

In Healthcare, we expect growth for 2QFY21, especially in the Medical devices and Pharma sub-sectors. 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. The online business will be further improved given opportunities in the post lockdown environment while adopting to the “new normal”.

The Consumer business will be expecting a volume growth for the 2QFY21. The company would continue to invest behind its brands to scale the domestic businesses. We do not expect any revenue 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 764 and the total number of animals stand at 1,508. We expect to further rationalize the feed cost and increase selling price due to higher demand for quality milk.

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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