



**sunshine**

# **4QFY23 Earnings Webinar**

**Sunshine Holdings PLC**

**31 May 2023**

# Housekeeping Announcements



- The webinar will be recorded and later uploaded to our IR website for future reference
- All participants will be muted during the presentation.
- Participants can unmute themselves to ask questions in the Q&A session
- Participants can raise their questions via the chat box

# Corporate Announcements



- **April 2022** – Acquisition of Sunshine Tea for LKR 1.44bn
- **May 2022** - Share swap - SUN shares (8.8% stake) offered to Akbar Brothers at LKR 60 per share in exchange for their 28% stake in the Healthcare business and thereby SUN gained full control of the Healthcare segment
- **Sep 2022** - Divestment of downstream branded dairy business, for a cash consideration of LKR 27m to Ross Dairies Pvt Ltd. Focused on Upstream milk production and supply only.
- **May 2023** – Fitch Ratings affirmed Sunshine Holdings at ‘AA+(lka)’ Outlook Stable.
- **May 2023** - SUN declared a LKR 1.15 per share final dividend to be approved at the AGM.

# Corporate Governance

7

INE Directors  
including Chairman

2

Non-Executive  
Directors

2

Executive  
Directors

- Director appointments during FY23:
  - Tyeabally A.Akbarally
  - Reyaz Mihular
- Director resignations during FY23:
  - Harsha Abeywicrama
  - Shalini Ratwatte

## Corporate Governance Framework

Audit Committee

Nomination and Remuneration  
Committee

Investment Committee

Related Party Transactions Review  
Committee

Risk Review Committee

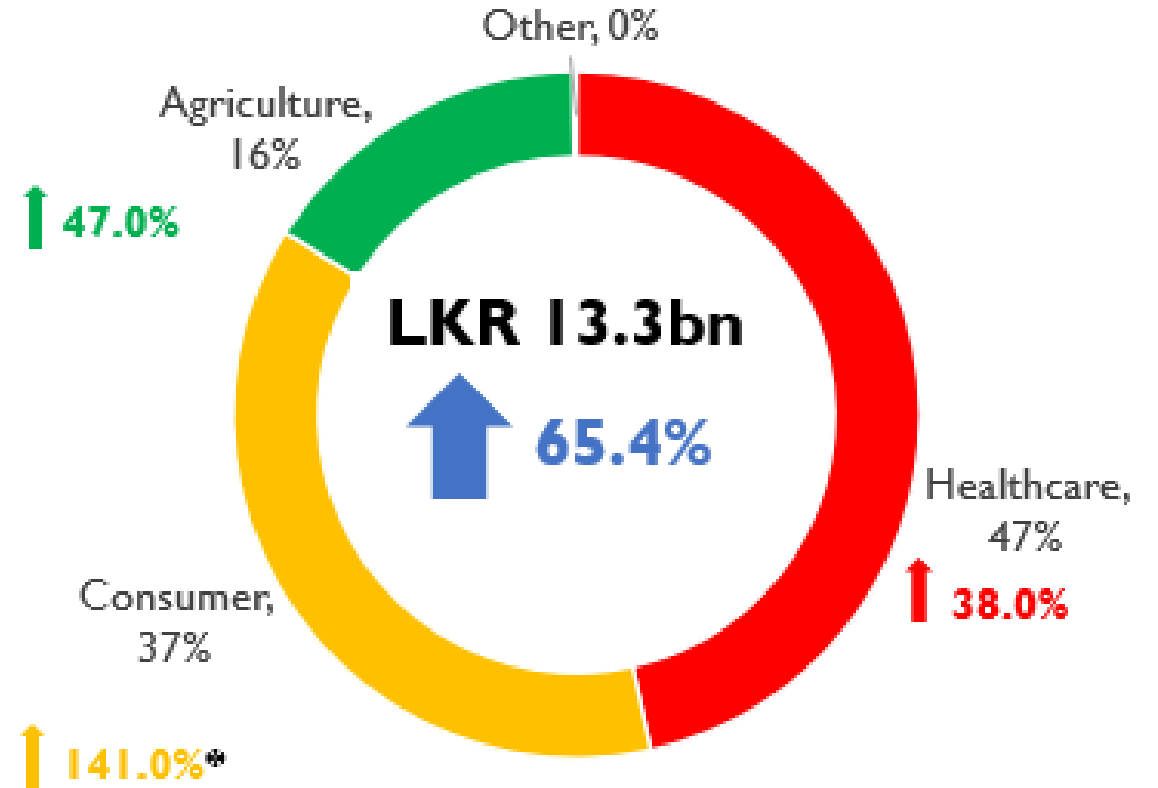
Strategy Committee

# Group Performance

# Group at a Glance – 4QFY23

- **LKR 13.3bn** in Revenue
- **LKR (162m)** PAT
- PATMI of **LKR 57m** -93.7%YoY
- Leverage at **27.1%** (FY22: 22.5%)

Revenue Composition - 4QFY23



# Group – Performance (Reported)



(LKR millions)

LKR m	FY23	FY22	Growth %	4QFY23	4QFY22	Growth %
Revenue	51,887	32,166	61.3%	13,326	8,057	65.4%
EBIT	7,001	5,706	22.7%	1,179	1,255	-6.1%
<i>EBIT margin</i>	<i>13.5%</i>	<i>17.7%</i>		<i>8.8%</i>	<i>15.6%</i>	
EBITDA	8,073	6,584	22.6%	1,576	1,511	4.3%
PAT	3,617	4,997	-27.6%	(162)	1,420	n/m
<i>PAT margin</i>	<i>7.0%</i>	<i>15.5%</i>		<i>-1.2%</i>	<i>17.6%</i>	
PATMI	2,264	2,721	-16.8%	57	901	-93.7%
EPS (LKR)	4.67	6.06	-23.0%	0.12	2.01	-94.1%

- FY23 revenue growth excluding acquisition of Sunshine Tea (Pvt) Ltd stood at 36.3% YoY.
- GP margin declined to 26.0% in FY23, cf. 31.8% in FY22 due to margin contraction in Agri, and the dilution effect of the Export business.
- 854 bps decrease in PAT margin is stemming from increased finance costs due to higher interest rates and increased leverage.

# Group – Performance (Adjusted)

LKR m	FY23	FY22	Growth %	4QFY23	4QFY22	Growth %
Reported Profit After Tax	3,617	4,997	-27.6%	(162)	1,420	n/m
Impairment of Goodwill	354	50	608.6%	144	50	188.6%
Deferred tax	680	(120)	n/m	475	(135)	n/m
<b>Adjusted Profit After Tax</b>	<b>4,651</b>	<b>4,927</b>	<b>-5.6%</b>	<b>458</b>	<b>1,335</b>	<b>-65.7%</b>

- PAT for 4QFY23 was impacted by the non-recurring expenses

## Impairment of goodwill –

- Healthcare – LKR 354 million during FY23

## Deferred tax adjustment –

- Healthcare – (LKR 29m) reversal during FY23
- Consumer – LKR 104m expense during FY23
- Agri – LKR 522m expense during FY23
- Other – LKR 83m expense during FY23

- **Recurring profit** has been recorded as LKR 458m for 4QFY23 and LKR 4.7 billion for the year.

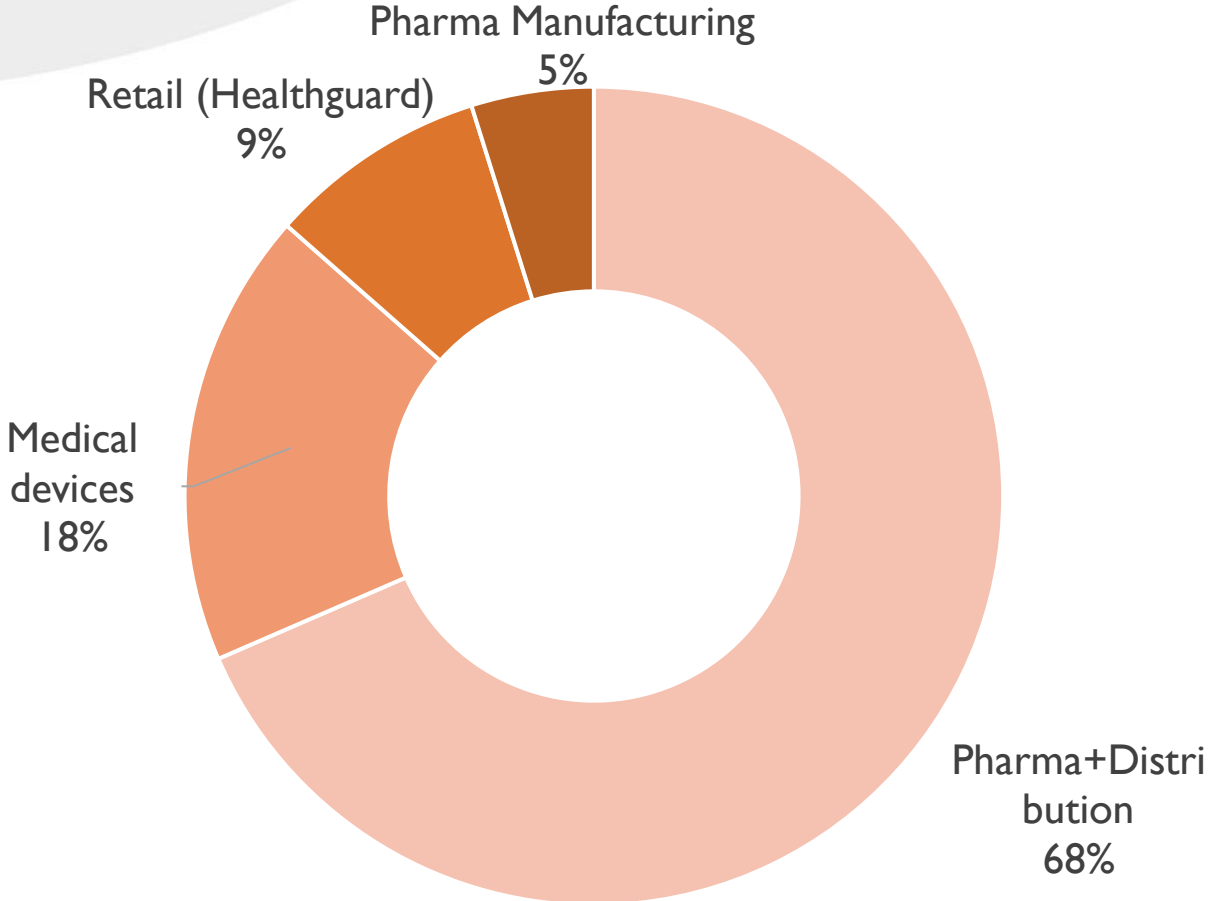


Healthcare

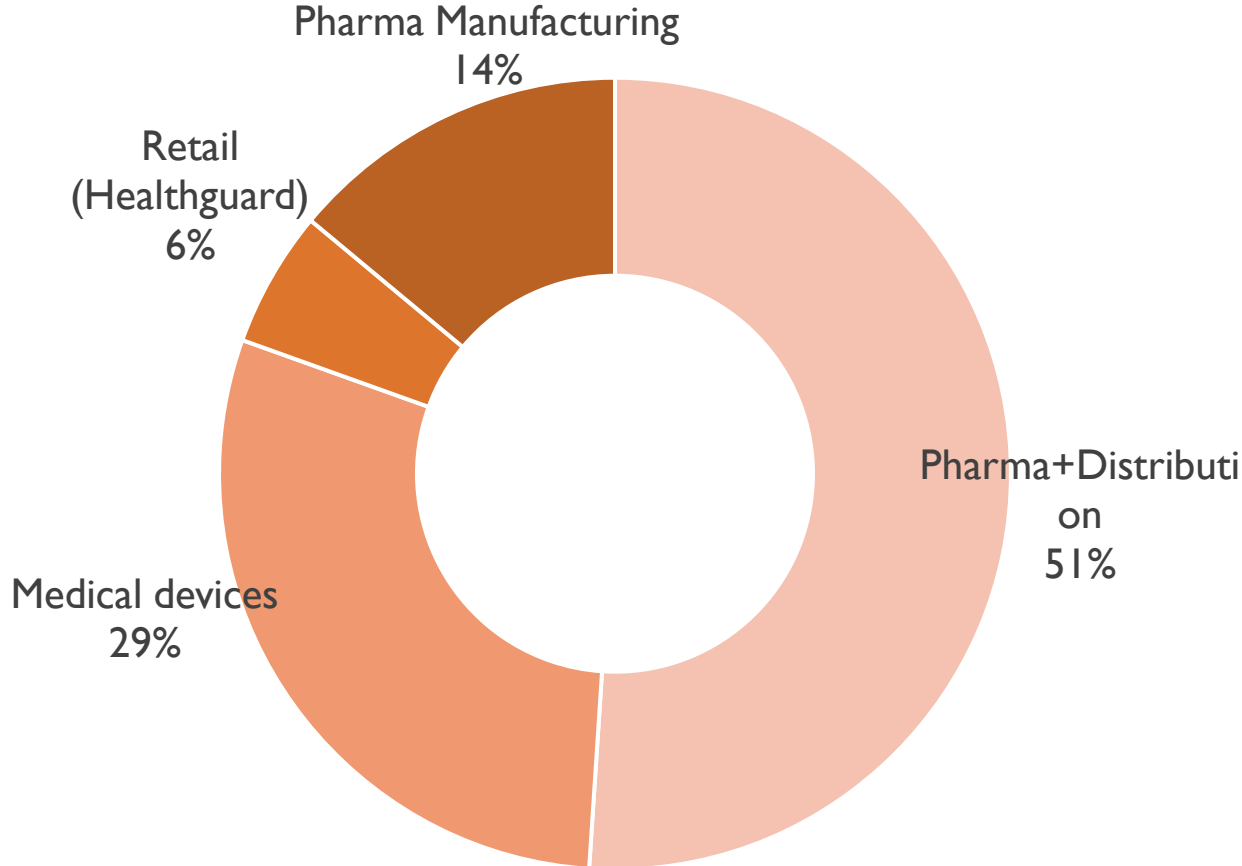
# Healthcare Sector



### Revenue Split [FY23]



### Total Asset Split [FY23]



# Healthcare – Performance Highlights

LKR m	FY23	FY22	Growth %	4QFY23	4QFY22	Growth %
Revenue	23,924	17,501	36.7%	6,284	4,555	38.0%
EBIT	2,973	1,631	82.3%	885	378	134.1%
<i>EBIT margin</i>	<i>12.4%</i>	<i>9.3%</i>		<i>14.1%</i>	<i>8.3%</i>	
PAT	1,209	1,070	13.0%	334	224	49.1%
<i>PAT margin</i>	<i>5.1%</i>	<i>6.1%</i>		<i>5.3%</i>	<i>4.9%</i>	
Adjusted PAT	1,535	1,120	37.1%	479	288	66.7%
<i>Adjusted PAT margin</i>	<i>6.4%</i>	<i>6.4%</i>		<i>7.6%</i>	<i>6.3%</i>	

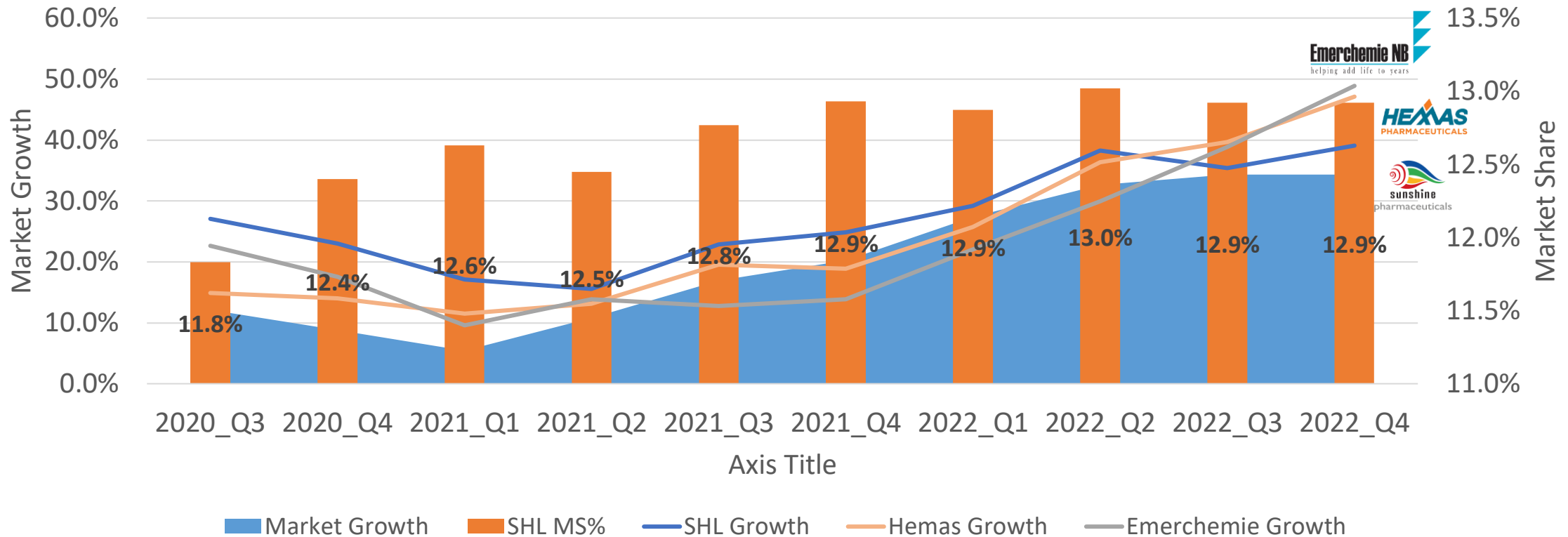
- Margins improved due to MRP price adjustments approved by the NMRA on all SKUs, due to the devaluation of Rupee against the USD.
- EBIT margin improvement is owing to improved GP (Pharma +SMD) and OH cost control during the quarter.
- PAT has been adjusted for the goodwill impairment and differed tax– Recurring PAT for FY23 is LKR 1.5b
  - Goodwill Impairment – LKR 354m expense in FY23 (50m expense in FY22)
  - Deferred tax – LKR 29m reversal in FY23 (0.3m reversal in FY22)

# Sunshine Pharmaceuticals



- Market growth at 34.3% YoY
- Sunshine recorded growth of 39.1%

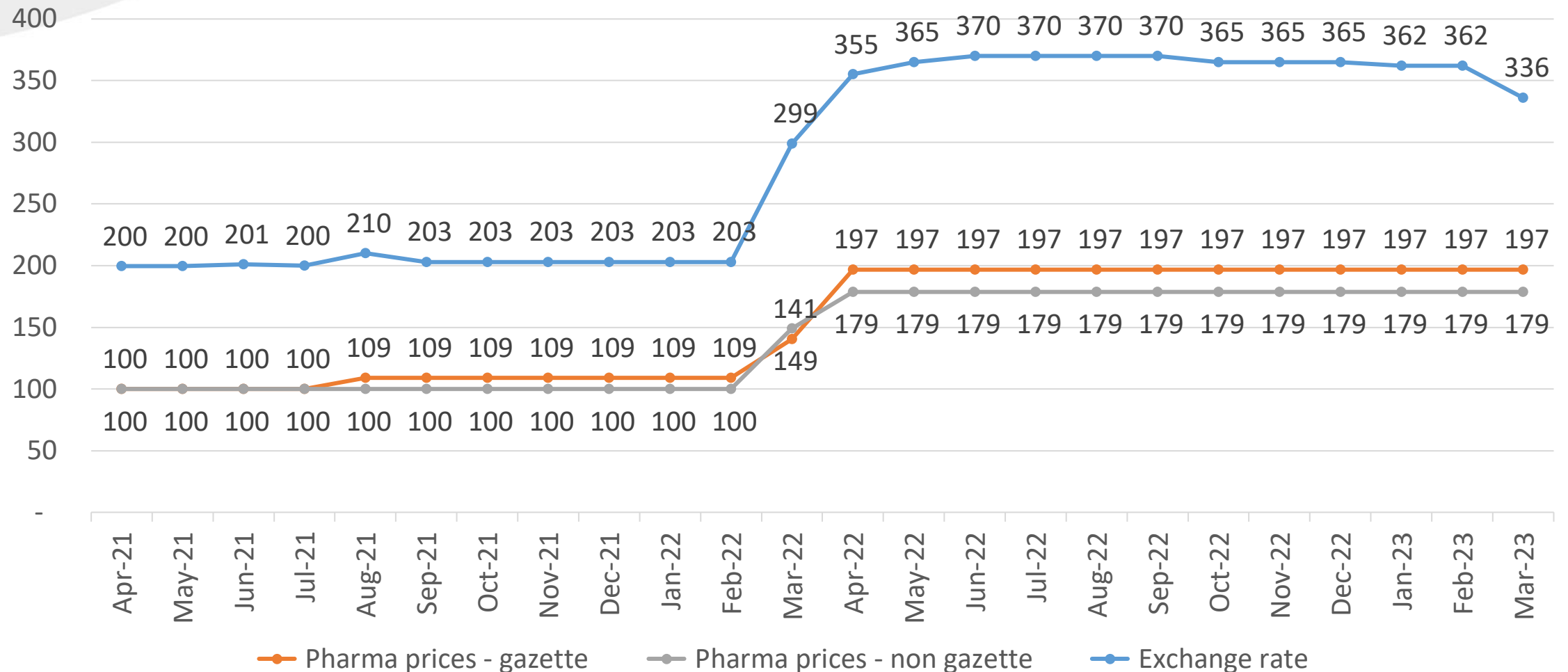
Last 10 Quarter MAT Performance of Top 03 Distributors



# Pharmaceuticals – Price Increase Index



April 2021 considered as the base (i.e., 100)

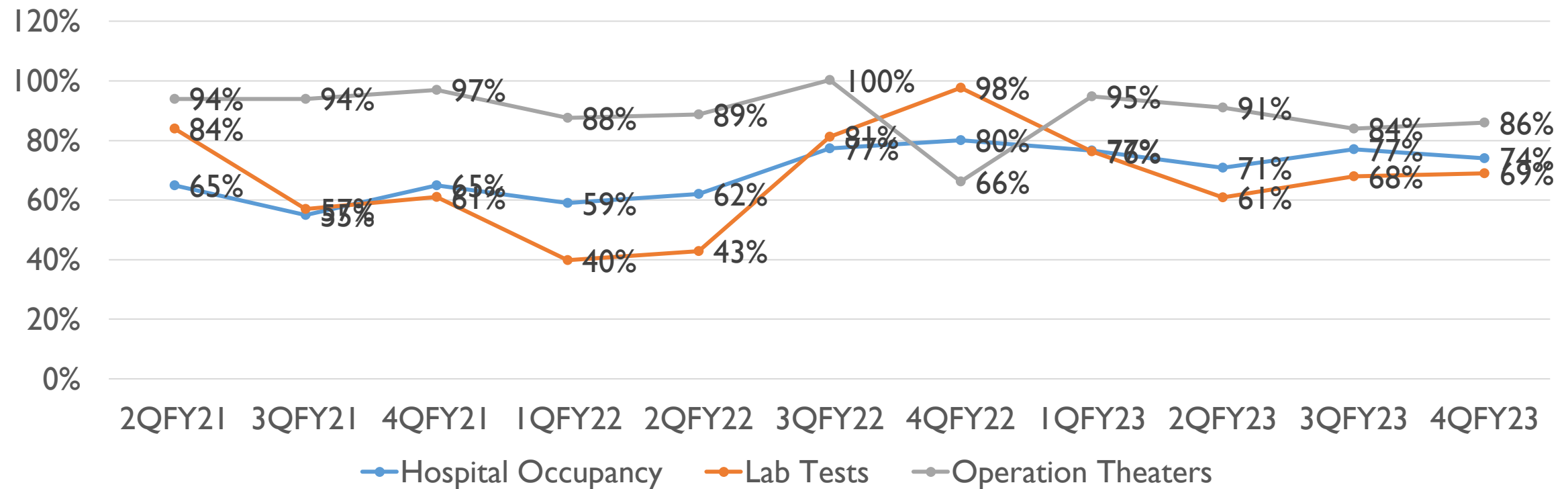


# Sunshine Medical Devices



- FY23 witnessed a 38.9% revenue growth despite volume contraction of 23% YoY.
- 4QFY23 revenue increased by 25.1% cf. 4QFY22.

Market Dynamics

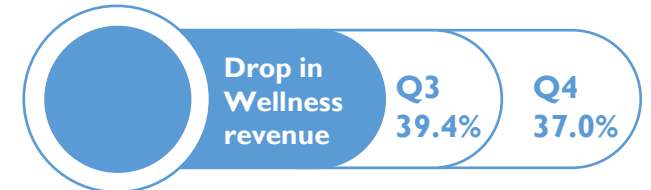
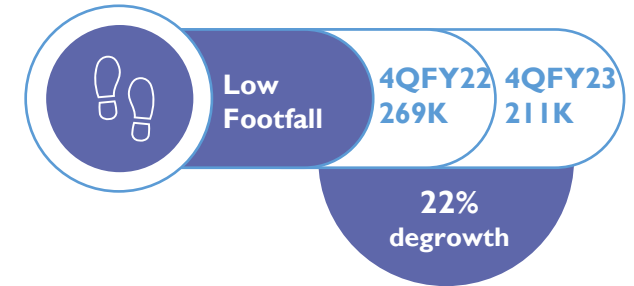


# Healthguard Pharmacy - Retail



## Retail Segment Performance

- 4QFY23 Revenue de-growth of 6.0% YoY
- Reduced footfall
- Less purchases in wellness products adversely impacted the GP margin
- Loyalty engagement improvement
- Adjusting to the new normal with change in shopper buying habits
- New store opened in Col 4, Duplication Rd – May 2023



# Lina - Pharma Manufacturing



- Revenue for FY23 was LKR 1.026 Bn – Highest ever sales (LKR 615mn LY)
- New MDI plant fully operational and commenced supplies to Ministry of Health; looking to expand capacity to meet further demand

*Lina*  
Manufacturing



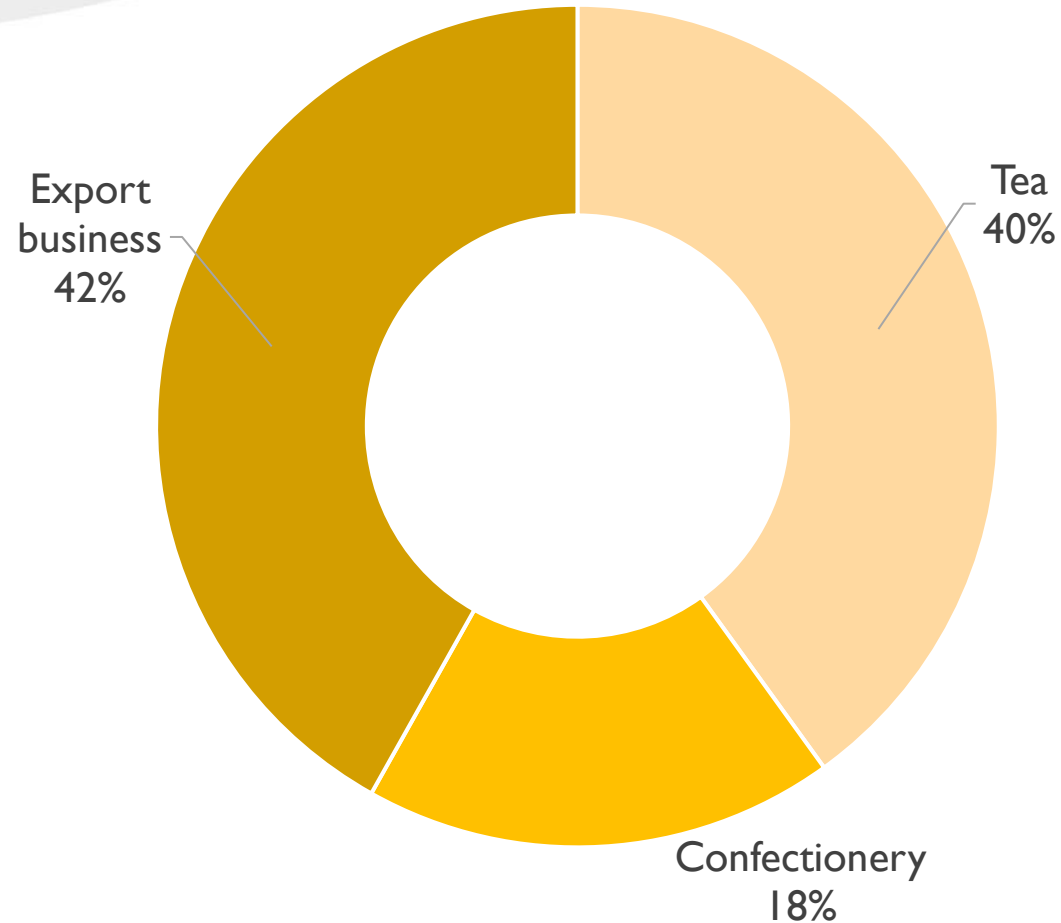


Consumer

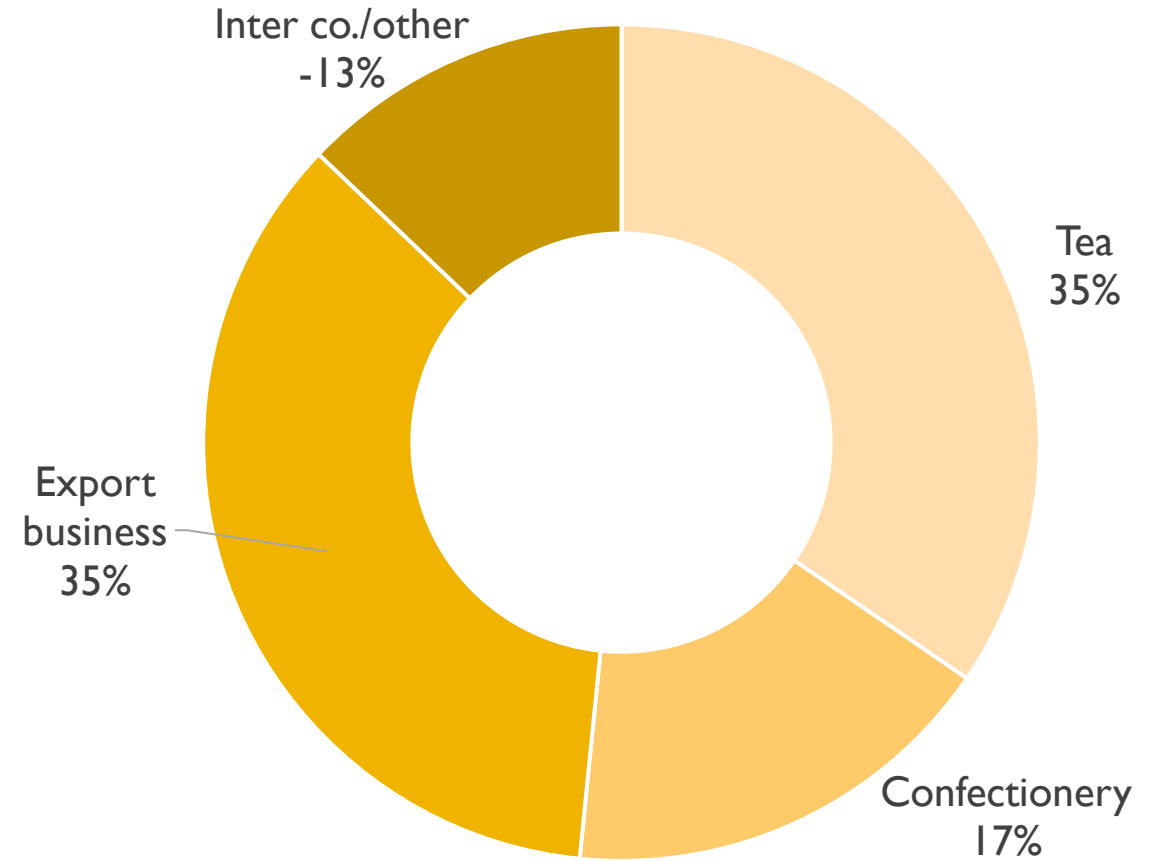
# Consumer Sector



## Revenue Split [FY23]



## Total Asset Split [FY23]



# Consumer – Performance Highlights



(LKR millions)

LKR m	FY23	FY22	Growth %	4QFY23	4QFY22	Growth %
Revenue	19,011	8,069	135.6%	4,921	2,042	141.0%
EBIT	1,188	578	105.6%	283	180	57.4%
<i>EBIT margin</i>	<i>6.2%</i>	<i>7.2%</i>		<i>5.8%</i>	<i>8.8%</i>	
PAT	524	479	9.4%	26	248	-89.5%
<i>PAT margin</i>	<i>2.8%</i>	<i>5.9%</i>		<i>0.5%</i>	<i>12.2%</i>	
Adjusted PAT	628	449	39.8%	12	226	-94.7%
<i>Adjusted PAT margin</i>	<i>3.3%</i>	<i>5.6%</i>		<i>0.2%</i>	<i>11.1%</i>	

- In 4QFY23, Consumer sector recorded a growth of 141.0% YoY. Growth was mainly driven by the acquisition of Sunshine Tea. Excluding the new addition, YoY growth stood at 55.5%.
- EBIT margins in 4QFY23 contracted due to the dilution effect from the export business and increased cost of production in local business cf. 4QFY22.
- PAT has been Adjusted for differed tax– Recurring PAT for FY23 is LKR 628m
  - Deferred Tax – LKR 104m expense during FY23 (30m reversal in FY22)

# Sunshine Consumer - Brands



## TEA

**85.1%** 4QFY23

**-9.6%** Volume Growth

**105%** Price Growth

Challenged in volumes due to;

- Low consumer sentiment
- Outlets reducing stocks

## CONFECTIONERY

**15.0%** 4QFY23

**-28.4%** Volume Growth

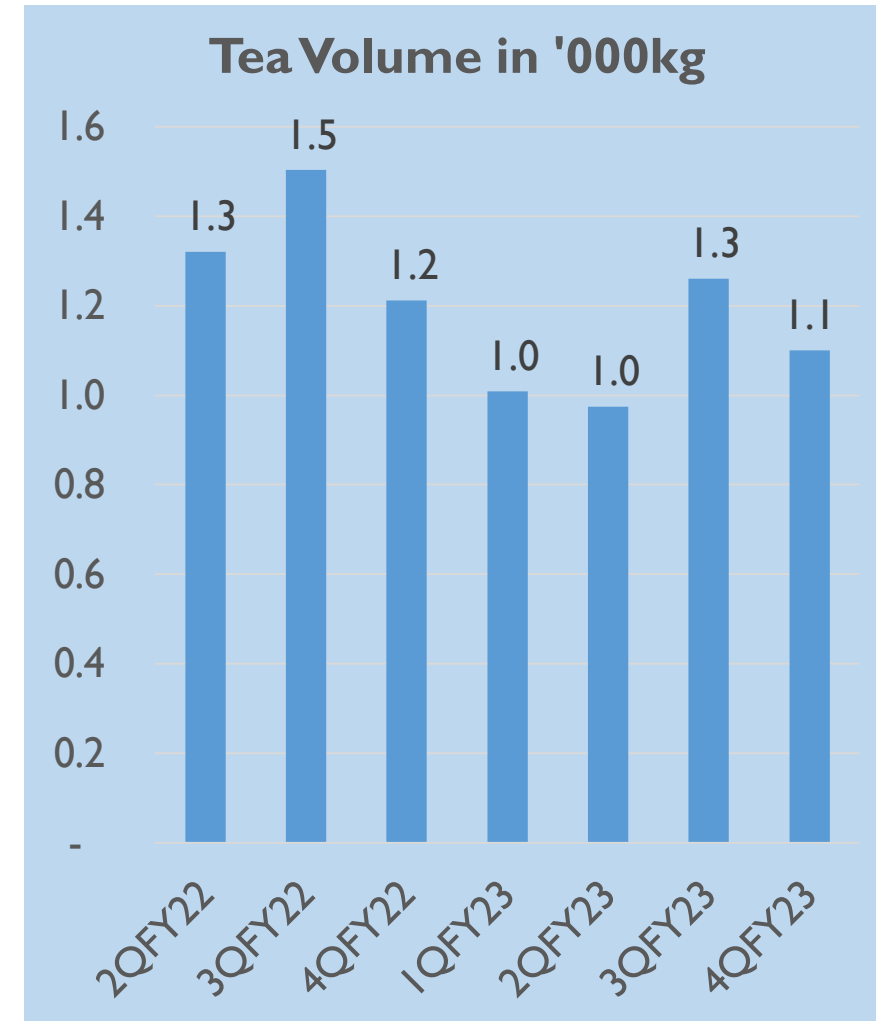
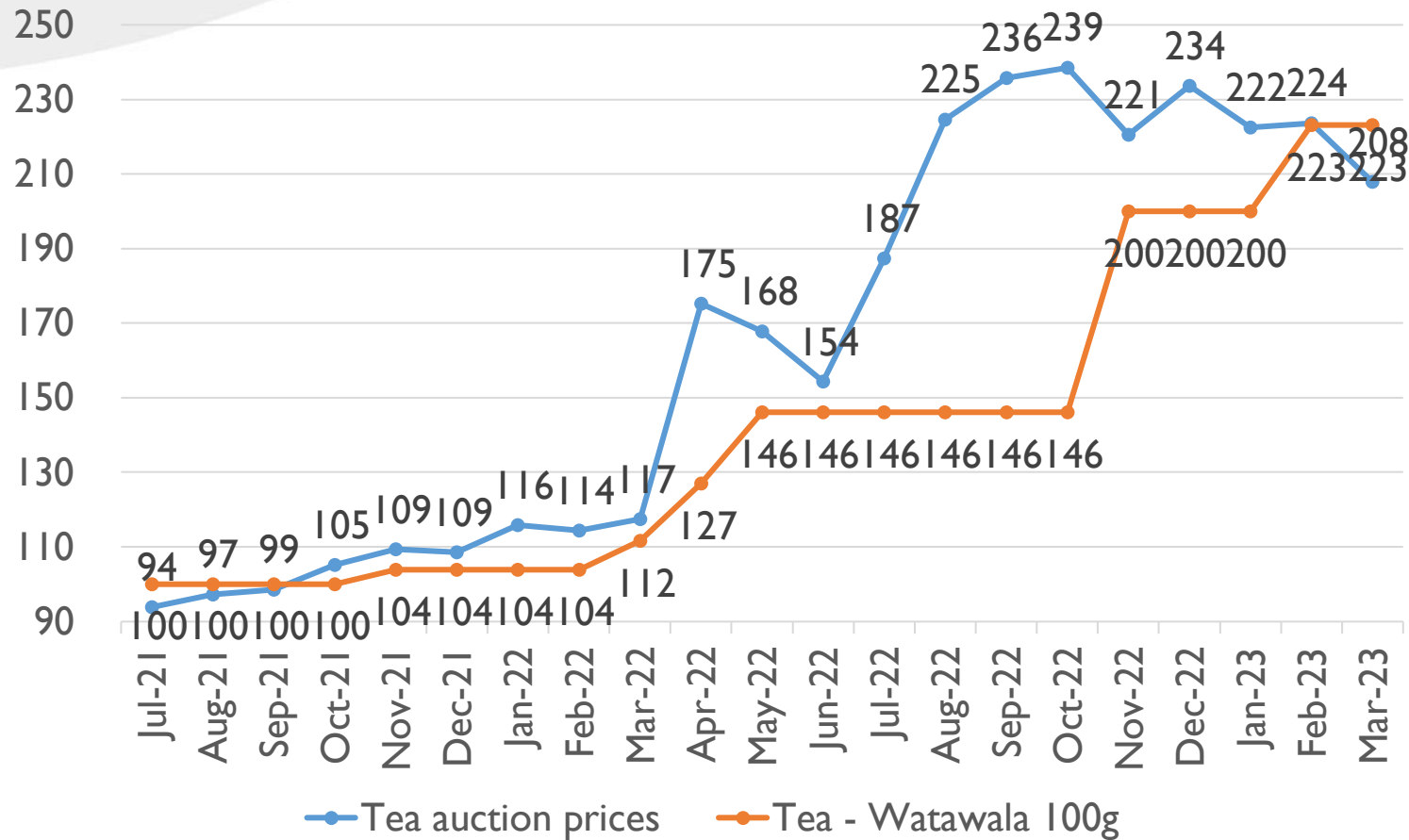
**61%** Price Growth

- Growth owing to price increases.

# Tea – Price Index



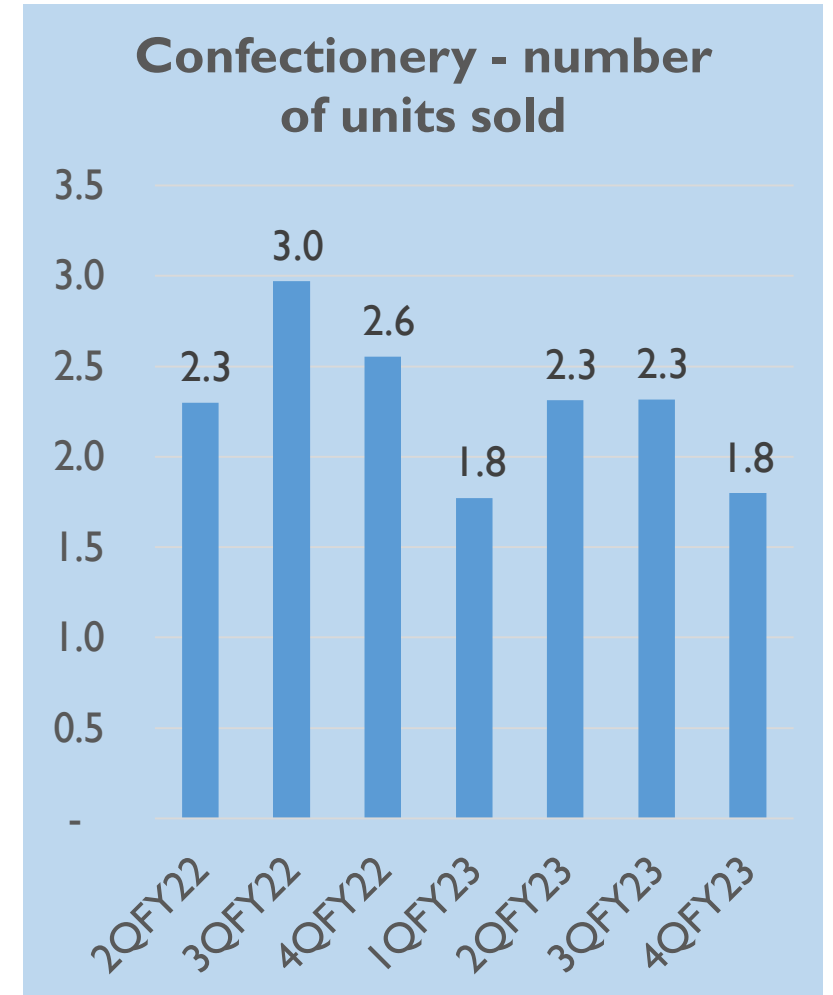
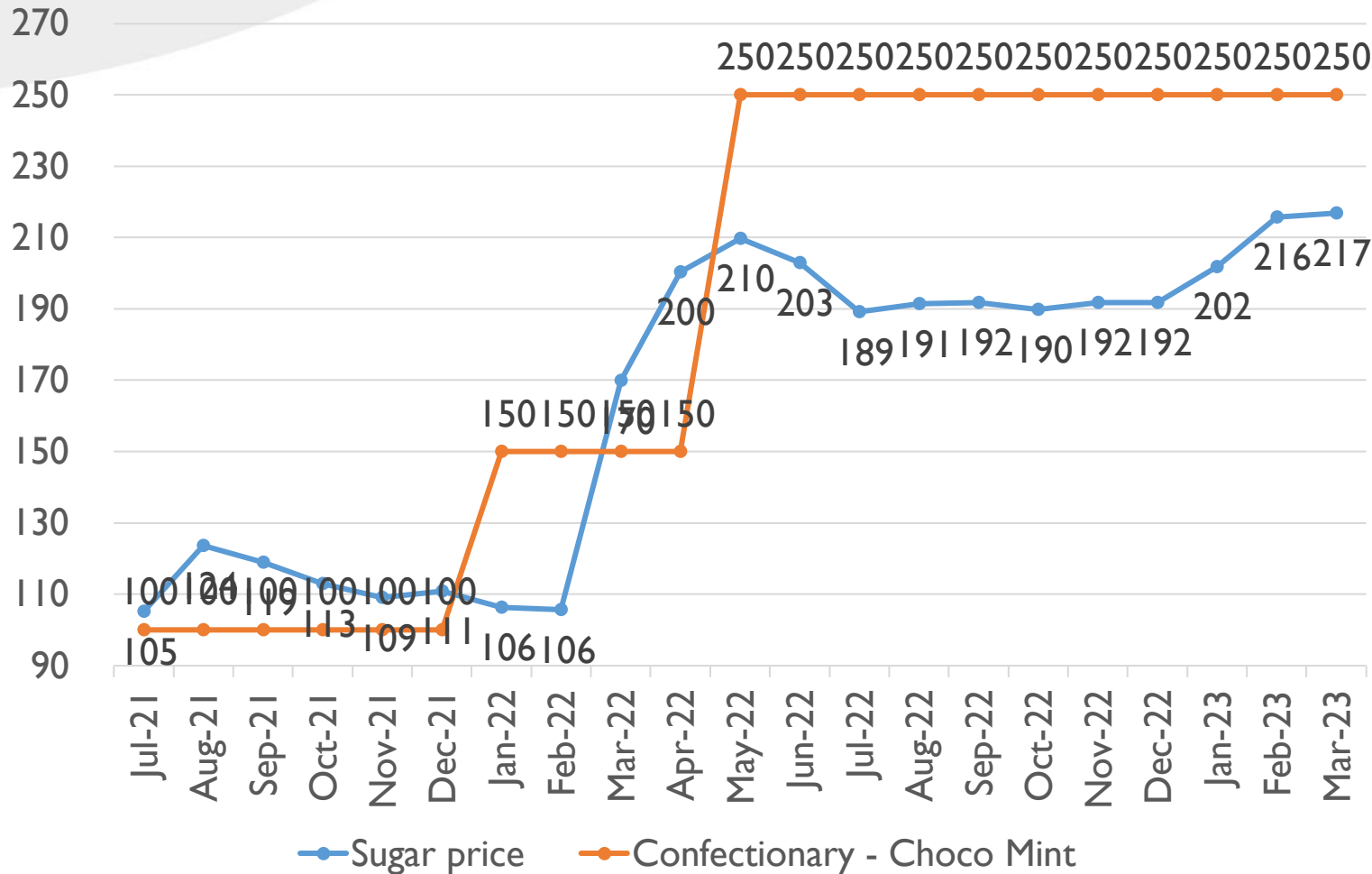
April 2021 considered as the base (i.e., 100)



# Confectionery – Price Index



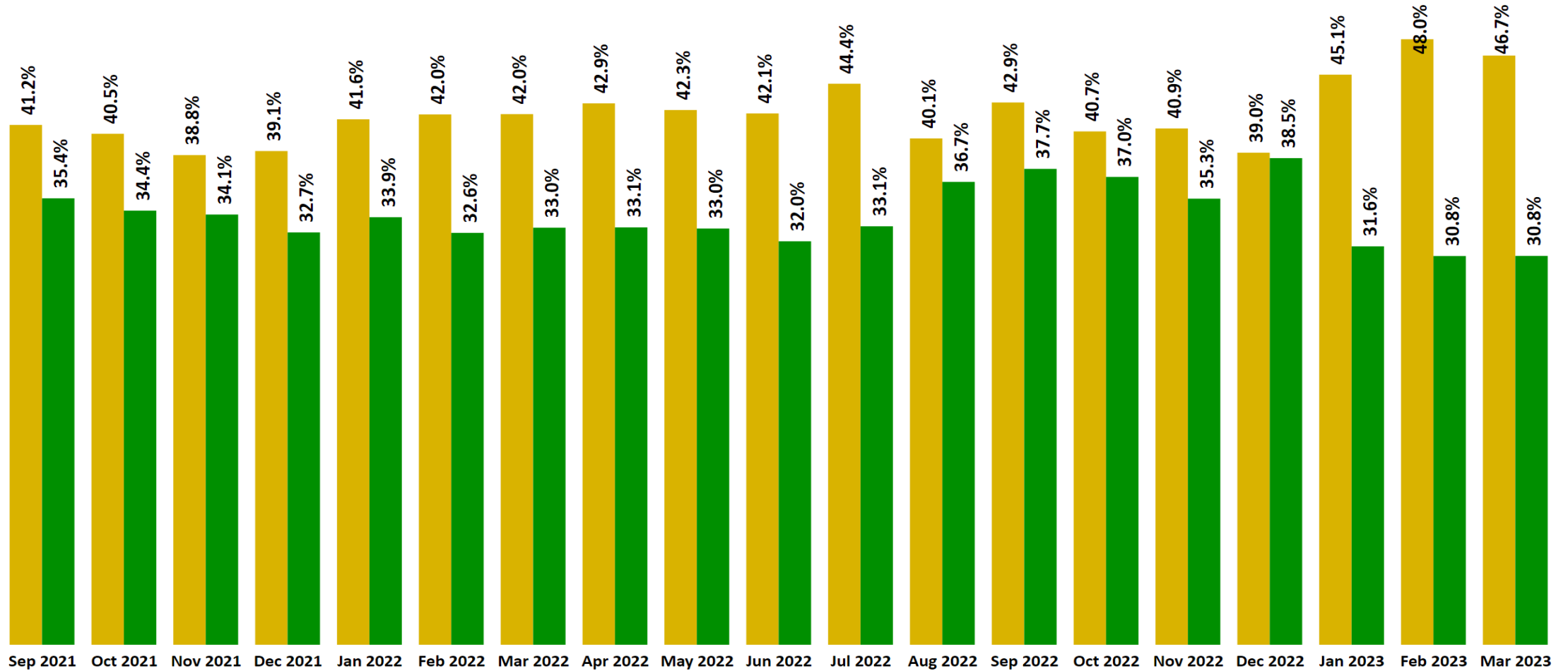
April 2021 considered as the base (i.e., 100)



# Brand Value Market Share - Tea

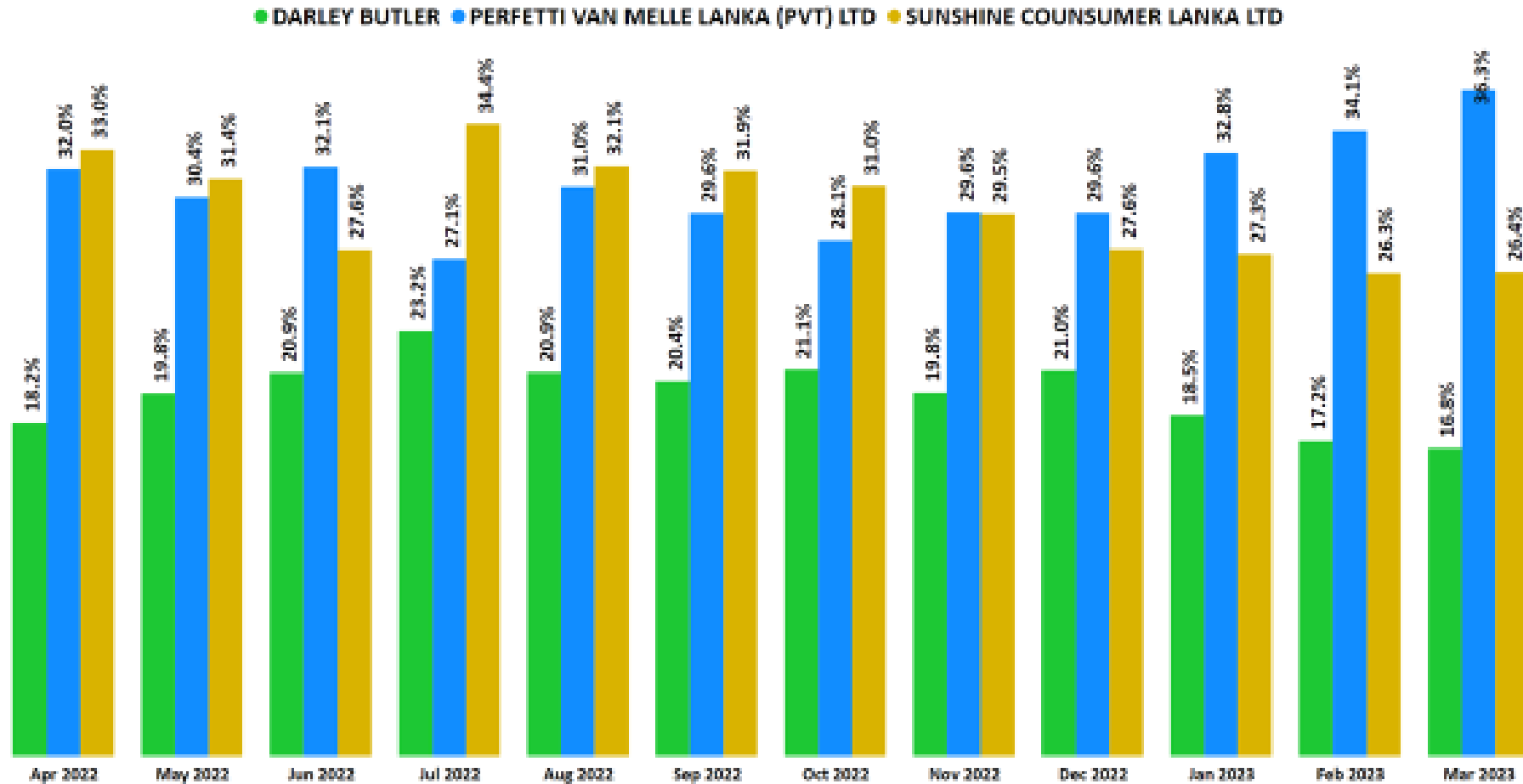


● SUNSHINE COUNSUMER LANKA LTD ● UNILEVER LIPTON CEYLON LTD



Source: Peppercube RMS

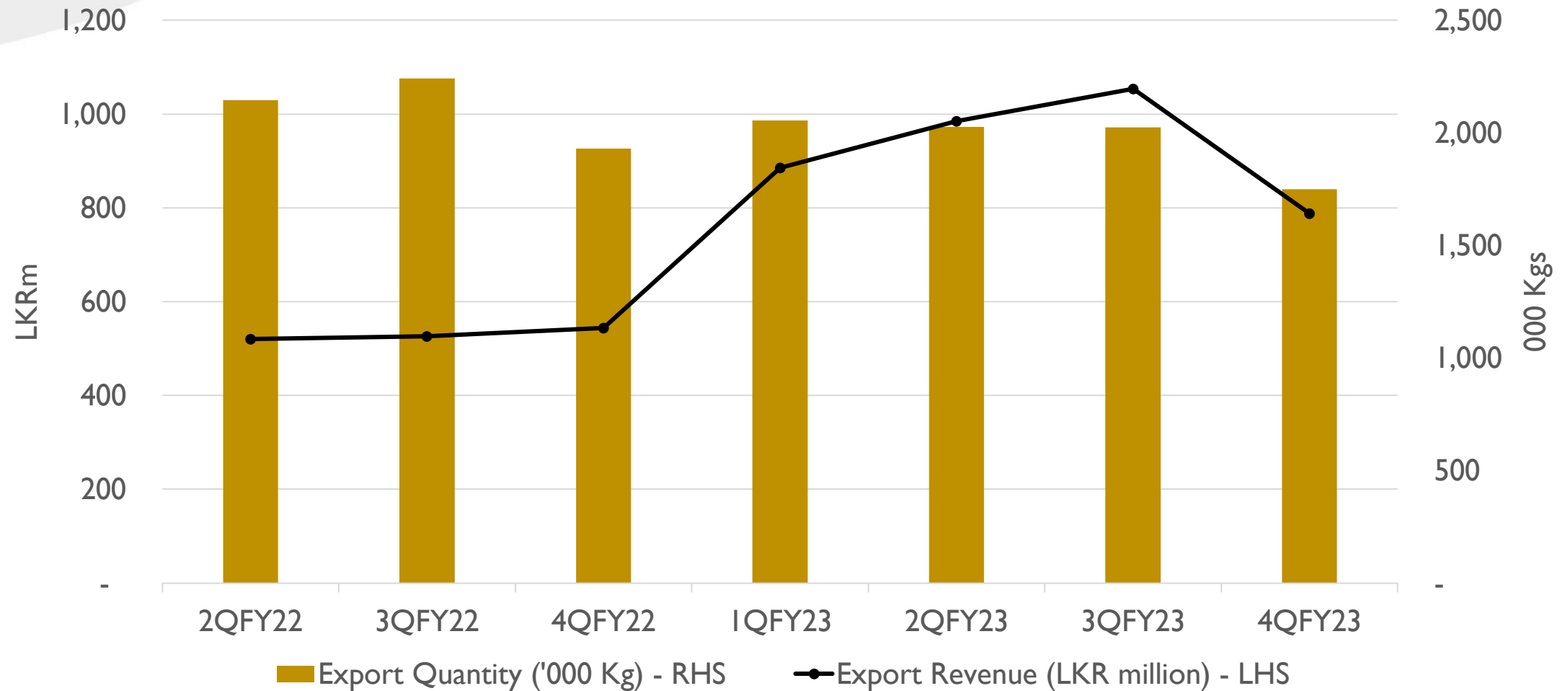
# Brand Value Market Share – Confectionary



Source: Peppercube RMS



# Sunshine Tea - Exports

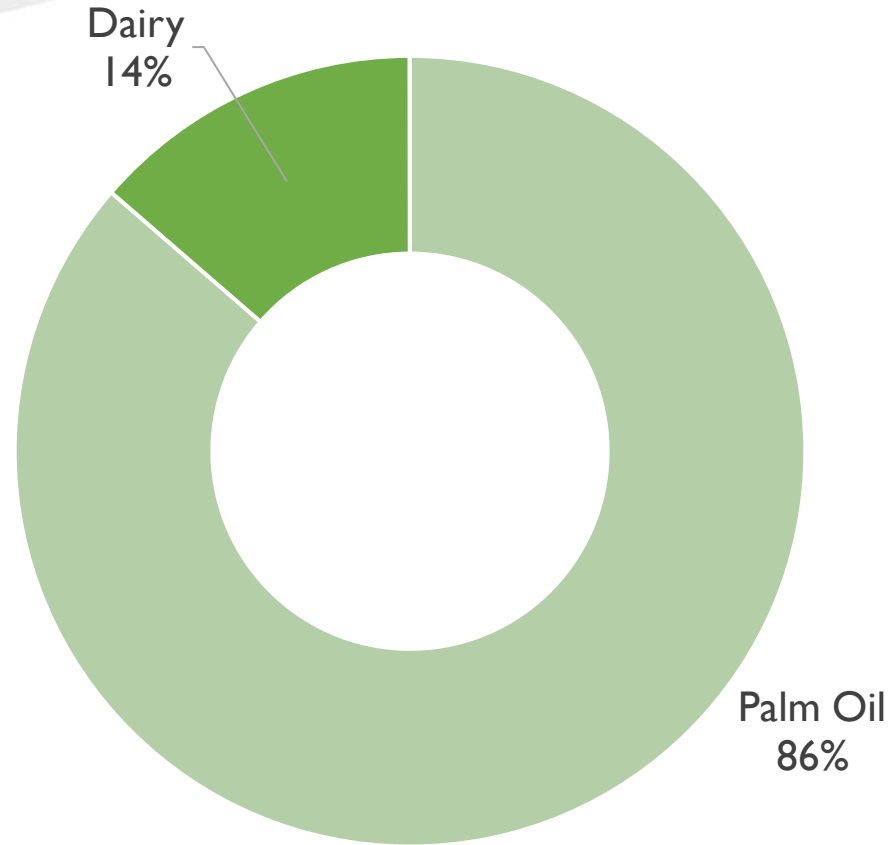


# Agribusiness

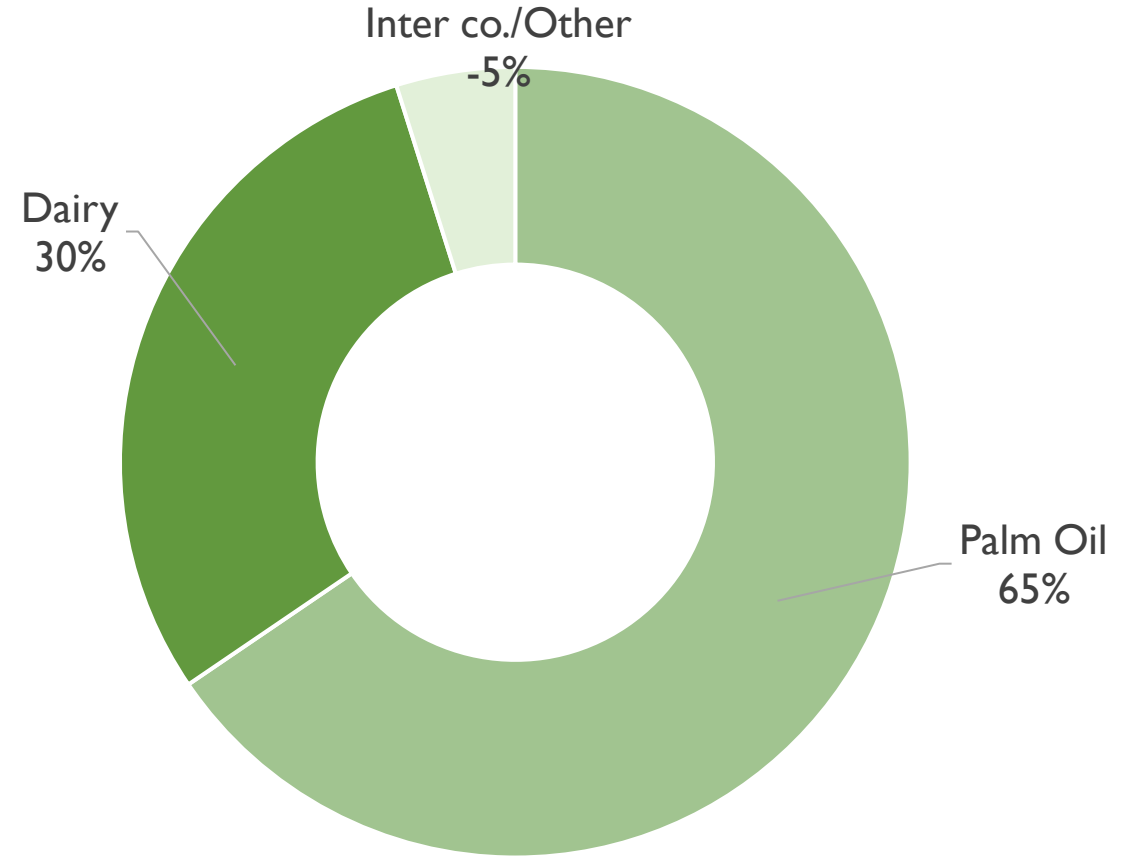
# Agri Sector



## Revenue Split [FY23]



## Total Asset Split [FY23]



# Agribusiness – Highlights

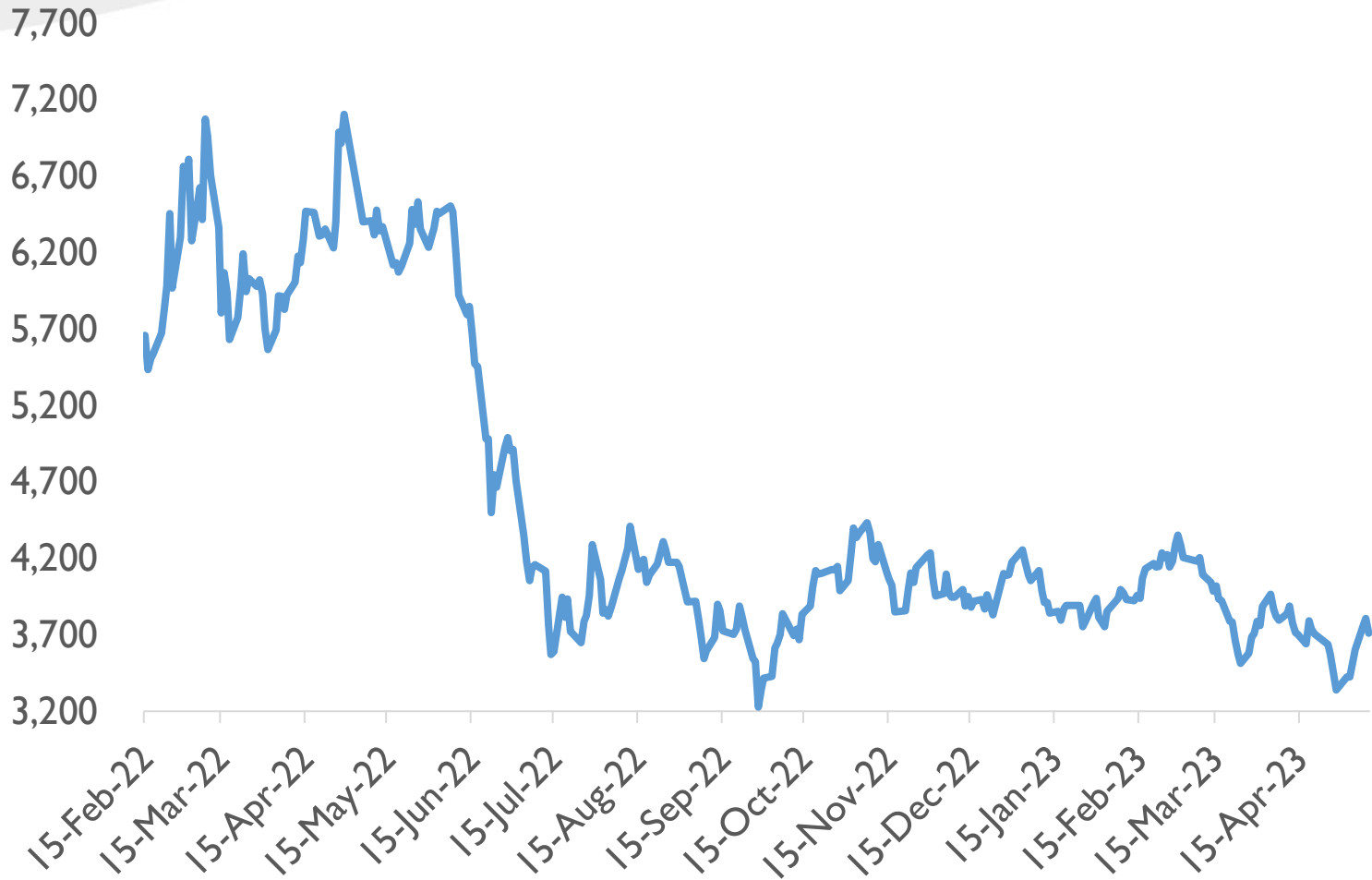
LKR m	FY23	FY22	Growth %	4QFY23	4QFY22	Growth %
Revenue	8,768	6,475	35.4%	2,119	1,442	47.0%
EBIT	2,931	3,347	-12.4%	235	523	-55.0%
<i>EBIT margin</i>	<i>33.4%</i>	<i>51.7%</i>		<i>11.1%</i>	<i>36.3%</i>	
PAT	2,332	3,458	-32.6%	(203)	788	-125.8%
<i>PAT margin</i>	<i>26.6%</i>	<i>53.4%</i>		<i>-9.6%</i>	<i>54.6%</i>	
Adjusted PAT	2,854	3,336	-14.5%	234	633	-63.0%
<i>Adjusted PAT margin</i>	<i>32.5%</i>	<i>51.5%</i>		<i>11.0%</i>	<i>43.9%</i>	

- Revenue growth in 4Q driven by the palm oil segment recording higher NSA and volumes cf. last year.
- GP margin contracted due to increased cost in bought crop and fertilizers.
- Oil production has increased in 4QFY23 by 54.2% YoY.
- Subsegment revenue growth 4QFY23 YoY
  - Palm Oil: 44%
  - Dairy: 69%
- Profitability of Dairy adversely affected due to increase in feed cost
- PAT is adjusted for deferred tax – Recurring PAT is LKR 2.9b for FY23.
  - Deferred Tax – LKR 522m expense during FY23 (121m reversal in FY22)

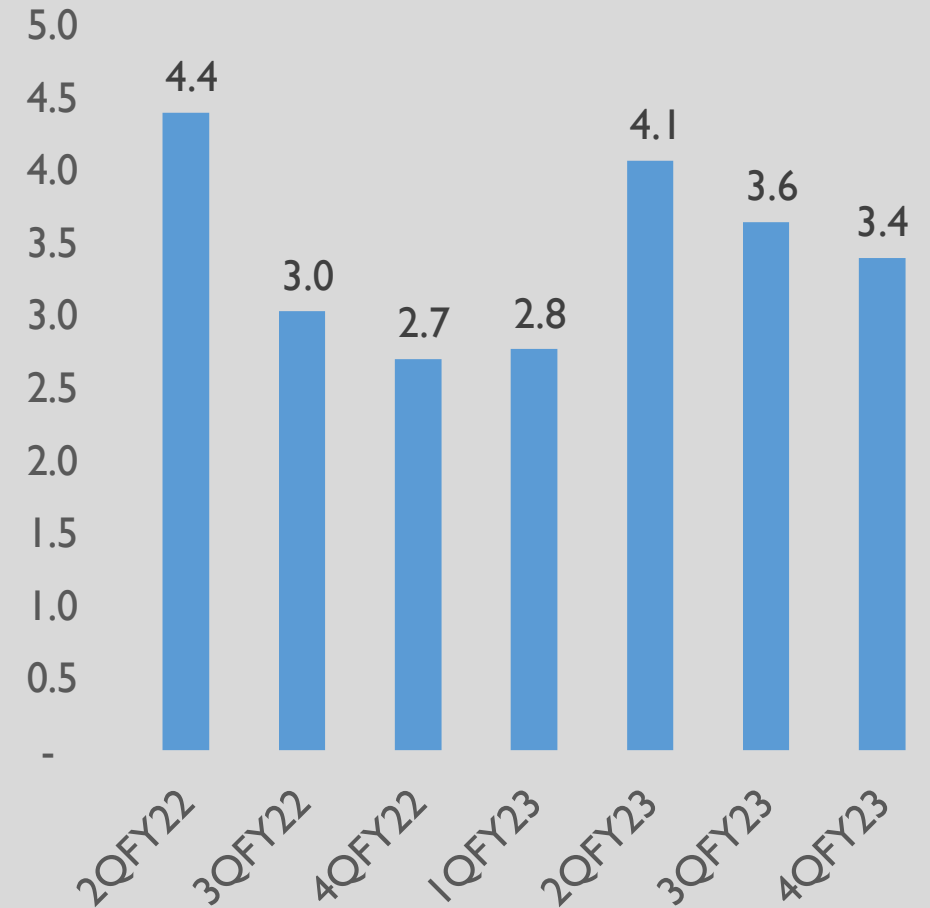
# Palm Oil



Settlement Price (MYR/ton)



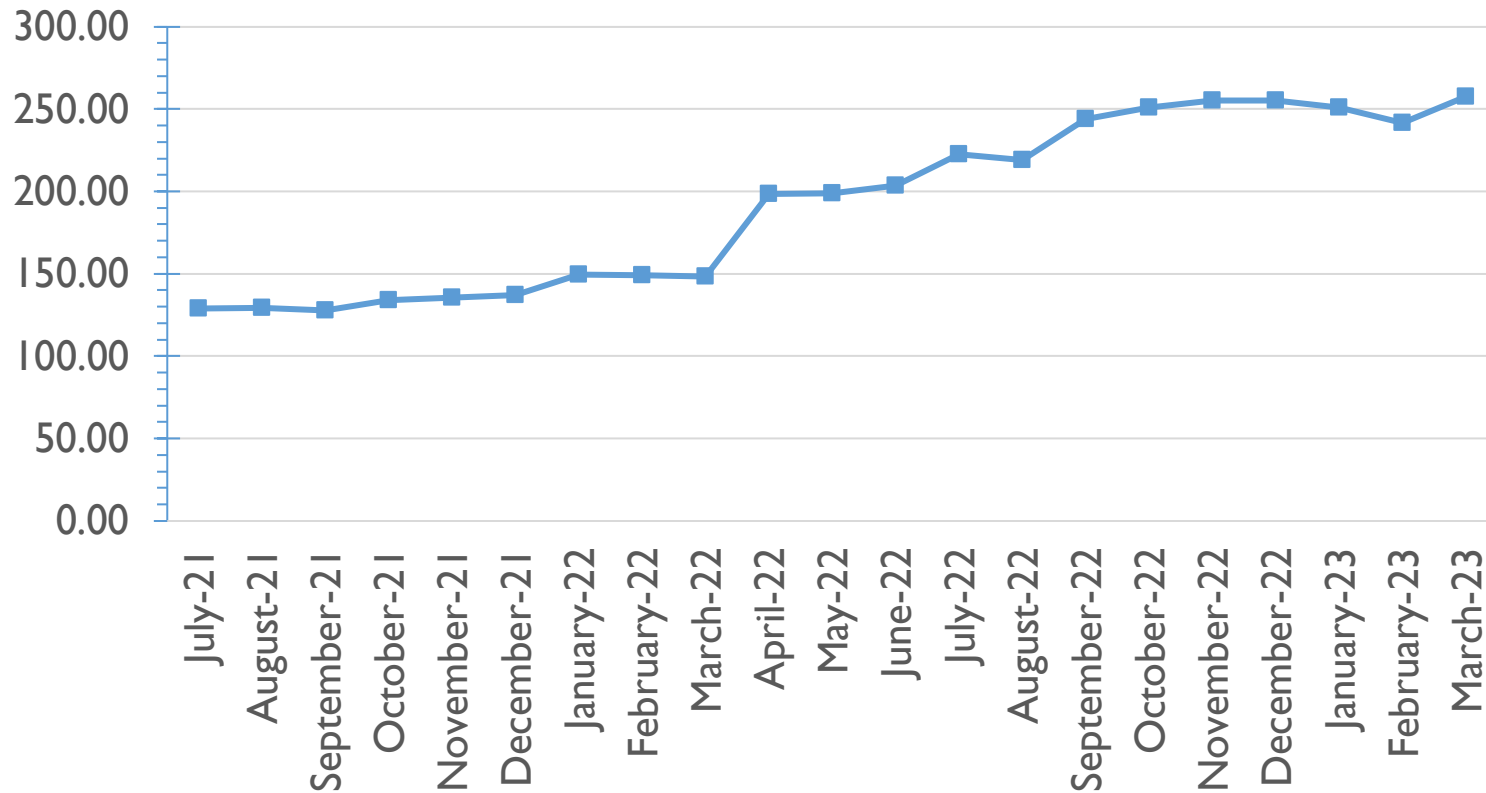
Palm Oil Production [million kg]



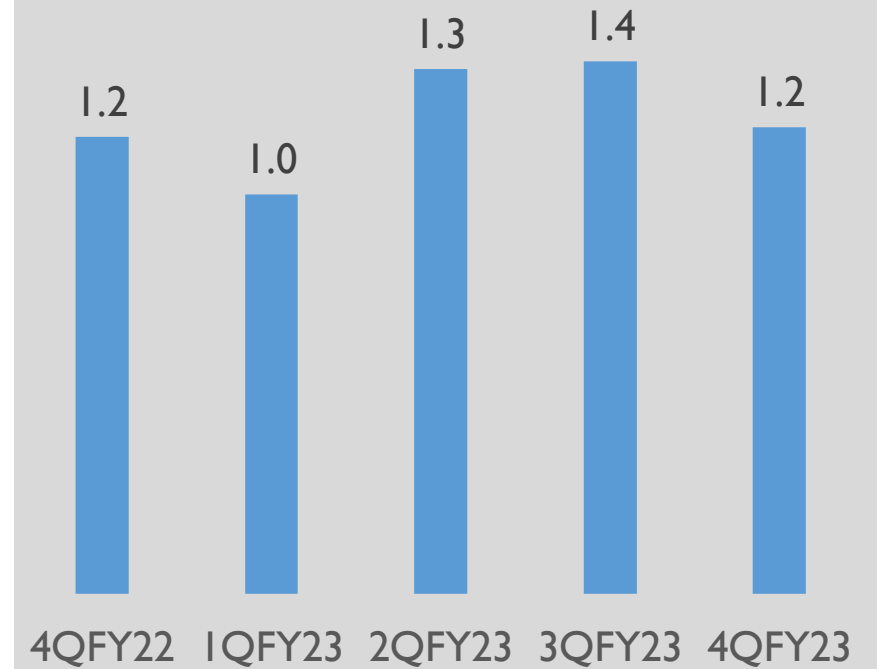
# Dairy



### WDL's Avg Milk Price



### WDL's Milk Sales Volume (million litres)



Q&A

# 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.

**The company undertakes no obligation to publicly revise any forward-looking statements to reflect any future events or circumstances.**



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# Appendix

# Historical Trend – Revenue QoQ

## Revenue Composition

