



Earnings Release - SUN

SUN 2Q PAT Surges 28% YoY to LKR354m – Top Line hits LKR4.3bn

1HFY16 Highlights

- Consolidated revenue of LKR8.5bn, an increase of 4.5% YoY;
- PAT amounted to LKR669m, up 21.3% YoY, due to strong Healthcare and FMCG performance
- Healthcare revenue up 17.3% YoY to LKR3.4bn revenue
- Strong growth in FMCG, revenue up 19.9% YoY to LKR1.8bn
- Agri revenue contracted to LKR11.6m with lower tea prices in the market

2QFY16 Highlights

- Consolidated revenue of LKR4.3bn, an increase of 4.2% YoY;
- PAT amounted to LKR354m, up 57.6% YoY, due to top line growth and margin expansion
- Healthcare grew 17.2% YoY with marginal increase in cost
- FMCG revenue up 22.8% YoY to LKR6894m with increase in margins
- Agri revenue down 13.0% YoY. Spike in margin due to a challenging quarter last year which was affected by inclement weather

Colombo, November 02, 2015 – Sunshine Holdings PLC (CSE: SUN) reported consolidated revenues of LKR8.5bn for the half year ended 30 September 2015 (1HFY16), up 4.5% YoY. PATMI grew 9.5% YoY to stand at LKR334m for 1HFY16, on the back of a 21.3% YoY growth in PAT to LKR669m despite challenges in the Agri sector.

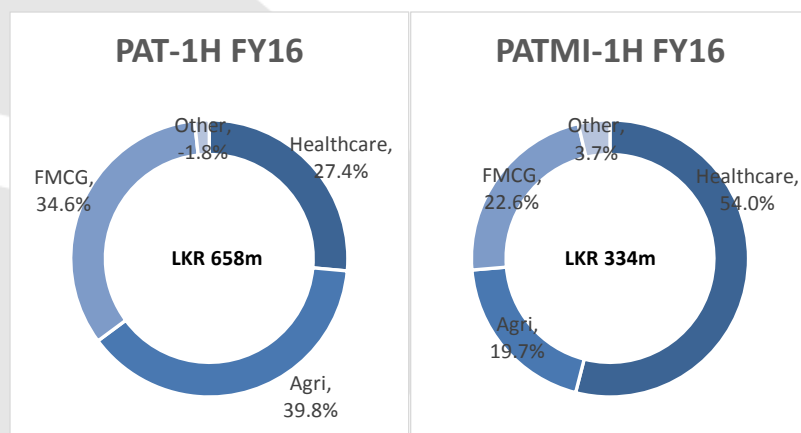
LKRm	1H	1H	Growth	2Q	2Q	Growth
	FY16	FY15	%	FY16	FY15	%
Revenue	8,520	8,150	4.5	4,341	4,166	4.2
EBIT	894	778	14.9	494	335	47.5
<i>EBIT Margin</i>	10.5%	9.5%		11.4%	8.0%	
Profit for the period	669	551	21.3	354	225	57.6
<i>PAT Margin</i>	7.8%	6.8%		8.2%	5.4%	
<u>Profit Attributable to</u>						
Equity owners	334	305	9.5	171	158	8.2
EPS (LKR)	2.47	2.28	8.2	1.27	1.18	6.9

All segments, apart from Agri (38.2% of Group Revenue) which contracted 11.6% YoY, contributed towards top-line growth during 1HFY16. Group's Healthcare sector (40.2% of Group Revenue) grew 17.3% YoY, and FMCG (18.5% of Group Revenue) grew 19.9% YoY against same period last year.



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For IHFY16, PAT amounted to LKR669m up 21.3% YoY, which trickled down to Profit After Tax and Minority Interest (PATMI) which went up by 9.5% YoY to LKR334m. PAT from both Agri and FMCG sectors has a lower impact on the group PATMI due to lower effective holding. Healthcare still remains the largest contributor to PATMI in IHFY16 with LKR180m, which represents 54.0% of total PATMI.



Net Asset Value per Share increased to LKR40.78 as at end IHFY16, compared to LKR39.24 at the beginning of the year (FY15).

Business Segments

Healthcare

LKRm	1H FY16	1H FY15	Growth %	2Q FY16	2Q FY15	Growth %
Revenue	3,427	2,921	17.3	1,765	1,506	17.2
EBIT	272	228	19.1	147	118	24.2
<i>EBIT Margin</i>	7.9%	7.8%		8.3%	7.9%	
Profit for the period	180	154	16.6	95	80	18.8
<i>PAT Margin</i>	5.3%	5.3%		5.4%	5.3%	

Healthcare Revenue for IHFY16 grew 17.3% YoY, exceeding management expectations, to stand at LKR3.4bn. The Healthcare segment has overtaken Agri to be the biggest contributor to Group Revenue, accounting for 40.2% of the total. EBIT margin for IHFY16 increased by 10 bps to 7.9% on the back of tight cost control, despite supply-side pressure from business partners. 2QFY16



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EBIT margin expanded to 8.3% against 7.9% during the same quarter last year due to higher productivity.

The Pharma sub segment which made LKR2.3bn in revenues (66.3% of Healthcare Revenue) grew 16.5% YoY over 1HFY15. Strong growth in this segment has outperformed the overall market which grew 4.8% YoY as reported by IMS. The company's Pharma segment is the 2nd biggest player in the country with 11.7% share of the market. Growth in other sub sectors were: Surgical (+15.2% YoY), Retail (+17.8% YoY), Diagnostics (+38.6% YoY), Wellness (+25.7% YoY) respectively.

PAT for Healthcare amounted to LKR180m in 1HFY16, up 16.6% YoY, but margins remained flat at 5.3% where GP margin pressure from suppliers were countered by higher productivity and tight control in overheads.

FMCG

LKRm	1H	1H	Growth	2Q	2Q	Growth
	FY16	FY15	%	FY16	FY15	%
Revenue	1,579	1,317	19.9	894	728	22.8
EBIT	253	143	77.6	164	109	50.6
<i>EBIT Margin</i>	<i>16.0%</i>	<i>10.8%</i>		<i>18.4%</i>	<i>15.0%</i>	
Profit for the period	228	123	85.1	146	94	55.2
<i>PAT Margin</i>	<i>14.4%</i>	<i>9.3%</i>		<i>16.3%</i>	<i>12.9%</i>	

The FMCG sector reported revenues of LKR1.6bn in 1HFY16, up 19.9% YoY, on the back of both volume and price growth, and the sector accounted for 18.5% of Group Revenue for the period. The branded tea business within FMCG sold 1.7m kg of branded tea, up 11.1% YoY, primarily driven by their largest brand 'Watawala Tea' – which is the number one selling Tea brand in Sri Lanka.

PAT from the FMCG segment grew 85.1% YoY, to stand at LKR228m in 1HFY16, with a margin of 14.4%, compared to 9.3% in the same period last year. The huge spike in profitability is attributable to lower raw material costs, resulting from depressed Ceylon Tea prices which affects the FMCG business favorably.

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Agribusiness

LKRm	1H	1H	Growth	2Q	2Q	Growth
	FY16	FY15		FY16	FY15	
Revenue	3,251	3,680	(11.6)	1,566	1,799	(13.0)
EBIT	343	365	(5.9)	176	64	174.3
EBIT Margin	10.5%	9.9%		11.2%	3.6%	
Profit for the period	262	262	(0.2)	131	31	319.9
PAT Margin	8.0%	7.1%		8.4%	1.7%	

The sector represented by Watawala Plantations PLC (WATA) saw revenue contract by 11.4% YoY to LKR3.3bn, on the back of a 22.3% YoY contraction in Tea revenue, despite an 8.8% YoY increase in volumes. The segment was adversely affected by the weak market prices in the Colombo Tea Auction stemming from lower demand from key export markets. The Palm Oil sub sector grew by 5.3% YoY for IHFY16, with volumes similar to IHFY15.

Description	Revenue (LKRm)			Volumes (MT)		
	1H	1H	Growth	1H	1H	Growth
	FY16	FY15		FY16	FY15	
Palm Oil	866	822	5.3	5,259	4,617	13.9
Tea	1,956	2,515	(22.3)	4,710	5,290	(11.0)

Description	Revenue (LKRm)			Volumes (MT)		
	1H	1H	Growth	1H	1H	Growth
	FY16	FY15	%	FY16	FY15	%
Palm oil	866	822	5.3	5,259	4,617	13.9
Tea	1,956	2,515	(22.3)	4,710	5,290	(11.0)

PAT for IHFY16 amounted to LKR262m, similar to that reported for the same period last year. Loss for the Tea segment amounted to LKR243m in IHFY16, compared to a loss of LKR199m in IHFY15 on the back of lower sales. Palm Oil segment which made LKR467m PAT for IHFY16, continued to be the largest contributor to WATA profits and managed to cover the losses in both Tea and Rubber.

Other

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Packaging revenues amounted to LKR169m, up 22.1% YoY in 1HFY16, against LKR137m in the same period last year. This performance is in line with management expectations for the segment, with the printed sheet business ramping up its contribution to Revenue. PAT amounted to LKR7m in 1HFY16 compared to a loss of (LKR7m) in 1HFY15 as a result of improved capacity utilization coming from new export orders.

Revenue for the Renewable Energy division amounted to LKR62m in 1HFY16, up 34.8% YoY from LKR46m during same period last year, due to heavy inter-monsoon rainfall and improved plant and grid stability. The mini-hydro plant, which is in its second year of operation, made PAT of LKR21m for 1HFY16, compared to LKR2m in 1HFY15.

Outlook

For 3QFY16, we are confident that both Healthcare and FMCG sectors will continue to perform well on the back of the momentum gained during 1HFY16. Our Healthcare Retail chain 'Healthguard' expanded its retail footprint during 1HFY16 by adding 3 new full service stores, located in Kirula Road, Colombo 03, and Maitland Crescent. Furthermore our flagship store which was re-launched in 4QFY15 has stabilized in terms of operations and we are encouraged by the increase in basket value and margins as a result of the sales mix tilting towards the Beauty and Wellness segments, as opposed to the prescribed pharma. In a bid to aggressively roll out the expansion, two more store are planned to be opened before the end of FY16. In the Agency business (covering Pharma, Surgical, Diagnostics, and Wellness) we expect more traction from the new products which were introduced during FY15. We are mindful of the contraction in margins due to pressure from our business partners and we are continuously on the look-out for new molecules in high growth therapeutic classes.

In FMCG, we will continue to expand distribution reach and improve availability of our products. If Tea prices continue to remain soft, we expect this segment to maintain the high margins which it currently enjoys. With the aim of expanding our product portfolio, we have invested in our own water bottling plant which is currently under construction. Upon completion we will also re-launch our bottled water brand 'Zest' subject to obtaining the necessary regulatory approvals.

For the Agri sector, we expect our Palm Oil sub segment to continue its strong performance for FY16 on the back of increased volumes as more trees move into maturity. We expect local Crude Palm Oil (CPO) prices to be challenged during the next quarter, given the global dip in CPO prices.

We are also mindful of the demand side issues in Tea associated with buying at the auctions slowing down due to issues in key Ceylon Tea markets within CIS and the Middle East. Furthermore, wage negotiations with the estate workers are still ongoing and are expected to be resolved in 2HFY16.

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On the Renewable Energy front we have commenced construction of 2 new projects for which PPAs have been signed during FY15. We expect the current plant to generate stable returns for 3QFY16.

The group's Metal Packaging plant is confident it can mimic its 1H performance for the following quarter given a strong order book which will result in improved machine utilization.

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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 multiple 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 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>

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