Earnings Release - SUN

SUN 3Q Adjusted PAT Surges 12% YoY to LKR390m – Top Line hits LKR4.3bn

9MFY16 Highlights

- *Consolidated revenue of LKR12.8bn, an increase of 4.8% YoY;*
- *PAT amounted to LKR1,049m, up 16.3% YoY, due to strong Healthcare and FMCG performance*
- *Healthcare revenue up 17.2% YoY to LKR5.3bn*
- *Strong growth in FMCG, revenue up 19.7% YoY to LKR2.5bn*
- *Agri revenue contracted 12.6% to LKR4.6bn with lower tea prices in the market*

3QFY16 Highlights

- *Consolidated revenue of LKR4.3bn, an increase of 5.3% YoY;*
- *PAT amounted to LKR391m, up 11.5% YoY on adjusted 3QFY15 earnings*
- *Healthcare grew 17.1% YoY, but margins contracting due to weakening Rupee*
- *FMCG revenue up 19.4% YoY to LKR941m but margins contracted on sales mix*
- *Agri revenue down 14.8% YoY. Spike in margin on the back of improvement in Tea quality*

Colombo, February 11, 2016 – Sunshine Holdings PLC (CSE: SUN) reported consolidated revenues of LKR12.8bn for the 9 months ended 31 December 2015 (9MFY16), up 4.8% YoY. PATMI grew 8.3% YoY on an adjusted basis to stand at LKR509m for 9MFY16, on the back of a 16.3% YoY growth in PAT to LKR1,049m despite challenges in the Agri sector.

LKRm	9M FY16	9M FY15	Growth %	3Q FY16	3Q FY15	Growth %
Revenue	12,807	12,221	4.8	4,288	4,072	5.3
EBIT	1,388	1,271	9.2	494	493	0.2
EBIT Margin	*10.8%*	*10.4%*		*11.5%*	*12.1%*	
Profit for the period	**1,049**	**840**	**24.8**	**391**	**289**	**35.2**
PAT Margin	*8.2%*	*6.9%*		*9.1%*	*7.1%*	
Normalized PAT*	**1,049**	**902**	**16.3**	**391**	**351**	**11.5**
Profit Attributable to	8.2%	7.4%		9.1%	8.6%	
Equity owners	509	408	24.6	175	104	69.3
EPS (LKR)	3.77	3.02	24.6	1.30	0.74	75.1

*9M and 3Q last year adjusted for one off G'will write off

In terms of contribution to group revenue in 9MFY16, Healthcare has emerged as the largest contributor accounting for 41.2% (36.8% last year). Agri which was the biggest contributor last year slips down to 2nd representing 36.0% of group revenue (43.2% last year). FMCG, the faster growing segment accounted for 19.7% of the revenue (17.2% last year)

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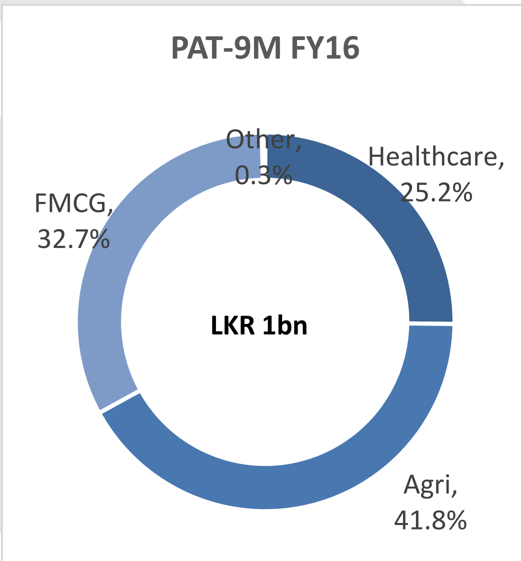
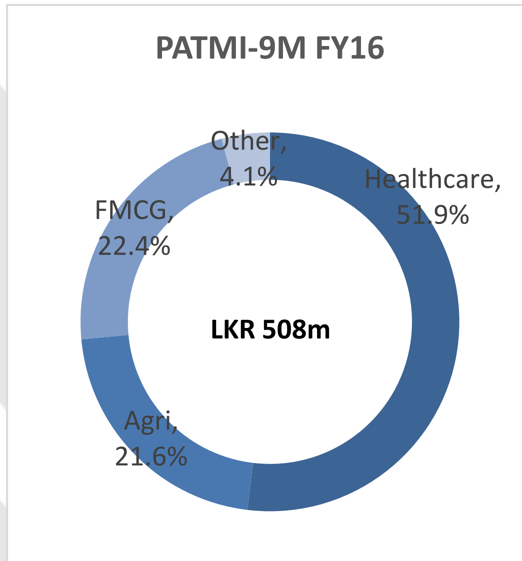
For 9MFY16, PAT amounted to LKR1,049m up 16.3% YoY on an adjusted basis. PAT for 9MFY15 was adjusted for a one-off G'will write off of LKR62m taken in 3Q last year. PAT margin amounted to 8.2% in 9MFY16 compared to an adjusted 7.4% in 9MFY15. The expansion in PAT margin is attributed to both FMCG and the Agri sector, despite Healthcare reporting a slight contraction.

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 for 9MFY16 with LKR264m, which represents 51.6% of total PATMI.





Net Asset Value per Share increased to LKR40.08 as at end 9MFY16, compared to LKR39.24 at the beginning of the year (FY15).

Business Segments

Healthcare

LKRm	9M FY16	9M FY15	Growth %	3Q FY16	3Q FY15	Growth %
Revenue	5,271	4,495	17.2	1,844	1,575	17.1
EBIT	400	350	14.4	128	121	5.5
EBIT Margin	*7.6%*	*7.8%*		*6.9%*	*7.7%*	
PAT	**264**	**174**	**51.4**	**84**	**20**	**319.0**
PAT Margin	*5.0%*	*3.9%*		*4.6%*	*1.3%*	
Normalized PAT*	**264**	**236**	**11.9**	**84**	**82**	**3.0**

*9M and 3Q last year adjusted for one off G'will write off

Healthcare Revenue for 9MFY16 grew 17.2% YoY, exceeding management expectations, to stand at LKR5.3bn. The Healthcare segment has overtaken Agri to be the biggest contributor to Group

Revenue, accounting for 41.2% of the total. EBIT margin for 9MFY16 contracted by 20 bps to 7.6% on the back of supply-side pressure from business partners and FX pressure in 3Q. 3QFY16 EBIT margin contracted to 6.9% against 7.7% during the same quarter last year.

The Pharma sub segment which made LKR3.5bn in revenues (66.1% of Healthcare Revenue) grew 16.2% YoY over 9MFY15. Strong growth in this segment has outperformed the overall market which grew 12.5% YoY as reported by IMS. The company's Pharma segment is the 2nd biggest player in the country with 11.3% share of the market. Growth in other sub sectors were: Surgical (+12.9% YoY), Retail (+21.5% YoY), Diagnostics (+31.7% YoY), and Wellness (+47.1% YoY) respectively.

PAT for Healthcare amounted to LKR264m in 9MFY16, up 11.9% YoY on an adjusted 9MFY15 PAT, but margins contracted slightly to 5.0% where GP margin pressure from suppliers were countered by higher productivity and tight control in overheads. 3QFY16 margins dropped to 4.6% on the back of a weaker Rupee.

FMCG

LKRm	9M FY16	9M FY15	Growth %	3Q FY16	3Q FY15	Growth %
Revenue	2,520	2,105	*19.7*	941	762	*23.5*
EBIT	381	290	*31.7*	128	147	*(12.9)*
EBIT Margin	*15.1%*	*13.8%*		*13.6%*	*19.3%*	
PAT	**343**	**254**	***34.9***	**116**	**131**	***(12.0)***
PAT Margin	*13.6%*	*12.1%*		*12.3%*	*17.2%*	

The FMCG sector reported revenues of LKR2.5bn for the 9MFY16, up 19.7% YoY, on the back of both volume and price growth, stemming from growth in disposable income. The branded tea business within FMCG sold 2.7m kg of branded tea, up 16.3% 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 34.9% YoY, to stand at LKR343m in 9MFY16, with a margin of 13.6%, compared to 12.1% in the same period last year. The spike in profitability is attributable to lower raw material costs, resulting from depressed Ceylon Tea prices which affects the FMCG business favorably, as well as volume growth resulting from increase in distribution and availability.

Agribusiness

LKRm	9M FY16	9M FY15	Growth %	3Q FY16	3Q FY15	Growth %
Revenue	4,615	5,280	(12.6)	1,364	1,601	(14.8)
EBIT	566	577	(2.0)	223	213	4.8
EBIT Margin	*12.3%*	*10.9%*		*16.3%*	*13.3%*	
PAT	**439**	**409**	**7.4**	**177**	**147**	**20.8**
PAT Margin	*9.5%*	*7.7%*		*13.0%*	*9.2%*	

The sector represented by Watawala Plantations PLC (WATA) saw revenue contract by 12.6% YoY to LKR4.6bn, on the back of a 19.1% YoY contraction in Tea revenue, and an 8.5% YoY decrease 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 company intentionally cut down on its output to curtail losses and to improve the quality. The Palm Oil sub sector contracted by 3.8% YoY for 9MFY16, as a result of a dip in prices, following a drop in global commodity prices.

Description	Revenue (LKRm)			Volumes (MT)		
	9M FY16	9M FY15	Growth %	9M FY16	9M FY15	Growth %
Palm Oil	1,179	1,226	*(3.8)*	7,100	6,933	*2.4*
Tea	2,901	3,584	*(19.1)*	7,192	7,856	*(8.5)*

PAT for 9MFY16 amounted to LKR439m, 7.4% over the same period last year. Loss for the Tea segment amounted to LKR213m in 9MFY16, compared to a loss of LKR253m in 9MFY15 on the back of lower sales. Palm Oil segment which made LKR558m PAT for 9MFY16, continued to be the largest contributor to WATA profits and managed to cover the losses in both Tea and Rubber.

Other

Packaging revenues amounted to LKR262m, up 40.9% YoY in 9MFY16, against LKR186m 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 LKR13m in 9MFY16 compared to a loss of (LKR20m) in 9MFY15 as a result of improved capacity utilization coming from new export orders.

Revenue for the Renewable Energy division amounted to LKR104m in 9MFY16, up 18.4% YoY from LKR88m during same period last year, due to heavy inter-monsoon rainfall and improved plant and grid stability in the 3QFY16. The mini-hydro plant, which is in its second year of operation, made PAT of LKR42m for 9MFY16, compared to LKR21m in 9MFY15.

Outlook

We are confident that all of the sectors will positively contribute to 4Q performance on the back of the momentum gained during 9MFY16. Our Healthcare Retail chain 'Healthguard' expanded its retail footprint during 9MFY16 by adding 3 new full service stores, located in Kirula Road, Colombo 03, and Maitland Crescent; 4 express stores located in Crescat, Liberty Plaza, Thimbirigasyaya, and Kohuwala. We also launched our Healthguard online store [www.healthguard.lk] during 3QFY16 to cater to the growth in the e-commerce sector in Sri Lanka. Looking at the 9M results, 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, one more full service store is planned to be opened in 4Q. In the Agency business (covering Pharma, Surgical, Diagnostics, and Wellness) we expect more traction from the new products which were introduced during FY15. Depreciation of the LKR against the USD will be a challenge for the business in 4Q resulting in pressure on the gross margins.

In FMCG, we will continue to expand distribution reach and improve availability of our products with a special emphasis on growing volumes in modern trade outlets. We expect a marginal increase in Ceylon tea prices which will slightly contract the higher margins enjoyed during 9MFY16. Given low tea prices over the last few quarters, we have seen several small regional brands entering the market. This has increased competitive rivalry, especially at the lower end of the market.

For the Agri sector, we expect our Palm Oil sub segment to continue its strong performance for 4QFY16 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. We have somewhat countered this by focusing on improving the quality of our teas to get a better price at the auction. This strategy has worked for us in 3QFY16 which saw the tea sub-segment churning out LKR30m in profits. Furthermore, wage negotiations with the estate workers are still ongoing and are expected to be resolved in early FY17.

On Renewable Energy, we have commenced construction of 2 new projects for which PPAs have been signed during FY16 and expect to complete construction by early FY17. We expect the current plant to generate stable returns for 4QFY16, but lower than 3QFY16 given that 4Q is historically a dryer quarter.

The group's Metal Packaging plant is confident it can mimic its 9M performance for the following quarter given a strong order book which will result in improved machine utilization.

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 11,000, 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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