Earnings release - SUN

Record PAT of LKR1.6bn for SUN in FY17, up 33% on strong Agri results

FY17 Highlights
- *Consolidated revenue of LKR19.2bn, an increase of 10.3% YoY;*
- *PAT amounted to LKR1.6bn, up 33.1% YoY, due to strong Agri performance*
- *Healthcare revenue up 9.8% YoY to LKR 7.9bn revenue*
- *Strong growth in FMCG, revenue up 22.5% YoY to LKR3.2bn*
- *Agri revenue grew 3.2% YoY to LKR6.5bn*
- *However, EPS contracted 2.5% YoY due to pharmaceutical price control impact in 3Q*

4QFY17 Highlights
- *Consolidated revenue of LKR 5.1bn, an increase of 10.8% YoY;*
- *Strong recovery in Healthcare to post LKR 2.0bn revenue down 7.7% YoY*
- *Agri revenue grew 4.8% on the back of 14.6% increase in Palm Oil volumes*
- *FMCG revenue up 30.6% YoY to LKR 1.2b*
- *PAT amounted to LKR 283m, up 68.0% YoY, with strong profitability in Agri business*

Colombo, May 31, 2017 – Sunshine Holdings PLC (CSE: SUN) reported consolidated revenues of LKR 19.2bn for the year ended 31 March 2017 (FY17), up 10.3% YoY. Reported PAT grew 33.1% YoY to stand at LKR 1.6bn FY17. After adjusting for the one off impact of the drug price control, PAT amounted to LKR1.8bn which represents a growth of 49.2% YoY. However PATMI declined -2.5% YoY mainly due to reduction in the Healthcare segment profits as a result of the regulatory body, NMRA's price control which impacted 2H profitability of the healthcare segment.

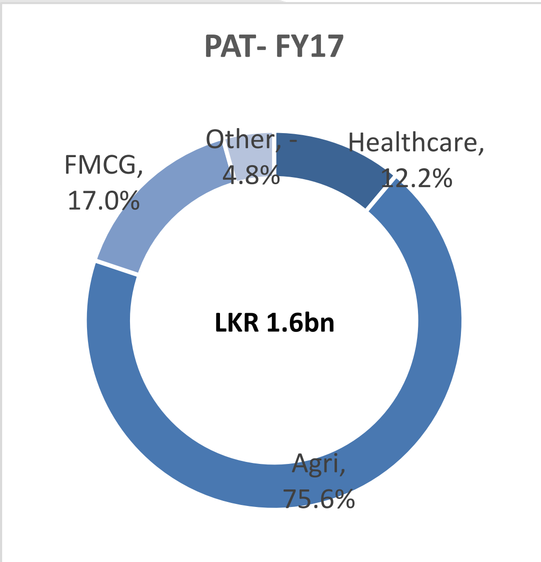
LKRm	FY17	FY16	Growth %	4Q FY17	4Q FY16	Growth %
Revenue	19,217	17,422	10.3	5,115	4,615	10.8
EBIT	2,098	1,661	26.3	433	273	58.9
EBIT Margin	*10.9%*	*9.5%*		*8.5%*	*5.9%*	
Profit for the period	**1,621**	**1,218**	**33.1**	**283**	**169**	**68.0**
PAT Margin	*8.4%*	*7.0%*		*5.5%*	*3.7%*	
Normalized PAT*	**1,816**	**1,218**	**49.2**	**355**	**169**	**110.7**
Profit Attributable to						
Equity owners	572	587	(2.5)	126	78	61.1
EPS (LKR)	4.23	4.34	(2.5)	0.92	0.57	60.9

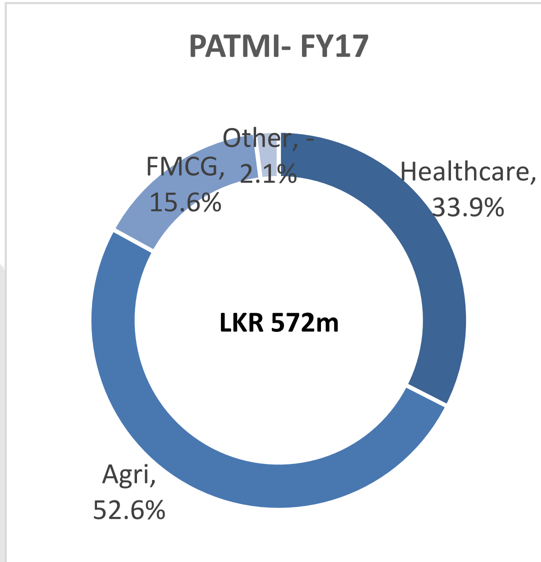
*Adjusted for one off impact from drug price control

Healthcare continued to be the largest contributor to group revenue accounting for 41%. Agri was the second largest with 34% followed by FMCG at 22% of the revenue.

Earnings release - SUN

For FY17, PAT amounted to LKR 1,621m up 33.1% YoY, with Profit After Tax & Minority Interest (PATMI) coming down -2.5% YoY to LKR 572m due to loss in the Healthcare business on account of price control, which resulted in a one off loss in 2H. As a result, Agri was the largest contributor to PATMI in FY17 with LKR 307m, which represents 53% of total PATMI.





Net Asset Value per share increased to LKR 46.25 as at end FY17, compared to LKR 43.20 at the beginning of the year.

Business segments

Healthcare

LKRm	FY17	FY16	Growth %	4Q FY17	4Q FY16	Growth %
Revenue	7,863	7,161	9.8	2,037	1,891	7.7
EBIT	343	514	(33.2)	151	114	31.8
EBIT Margin	*4.4%*	*7.2%*		*7.4%*	*6.1%*	
PAT	**198**	**327**	**(39.6)**	**107**	**63**	**69.3**
PAT Margin	*2.5%*	*4.6%*		*5.3%*	*3.3%*	
Normalized PAT*	**393**	**327**	**20.0**	**179**	**63**	**183.1**

*Adjusted for one off impact from drug price control

Healthcare revenue for FY17 grew 9.8% YoY, driven by strong growth in retail. This represents 41% of Group turnover for the period. EBIT margin for FY17 contracted by 280 bps to 4.4%, mainly on account of price control imposed under the NMRA regulation leading to a one-time stock correction loss in 2HFY17. Nevertheless, the sector managed to bounce back in 4Q with a recorded 7.7% growth in revenue.

The Pharma sub-segment which represents 64% of Healthcare revenue grew at only 6% YoY, due to the impact of price control. The company's Pharma segment is the 2nd largest player in the country with 11.3% share of the market. Growth in other sub-sectors were: Surgical (+16% YoY), Retail (+33% YoY), Diagnostics (+5% YoY), Wellness (+17% YoY).

Reported PAT for Healthcare amounted to LKR198m in FY17, down -39.6% YoY, and representing a margin of 2.5% in FY17. After adjusting for the one-off impact of the drug price control, PAT amounted to LKR393m.

FMCG

LKRm	FY17	FY16	Growth %	4Q FY17	4Q FY16	Growth %
Revenue	4,213	3,440	22.5	1,202	920	30.6
EBIT	303	469	(35.4)	22	88	(75.1)
EBIT Margin	*7.2%*	*13.6%*		*1.8%*	*9.5%*	
PAT	**275**	**423**	**(34.9)**	**26**	**80**	**(67.0)**
PAT Margin	*6.5%*	*12.3%*		*2.2%*	*8.7%*	

The FMCG sector reported revenues of LKR 3.2bn in FY17, up 22.5% YoY, on the back of both volume and price growth, and accounted for 22% of group revenue for the period. The domestic branded tea business within FMCG sold 3.95 million kilos of branded tea, up 8% YoY, driven by their largest brand 'Watawala Tea', and their converter brand 'Ran Kahata'.

PAT from the FMCG segment saw a contraction of 34.9% YoY, to stand at LKR 275m in FY17, with a margin of 8.5%, compared to 12.3% in the same period last year. The contraction in margins is attributed to higher Ceylon tea prices as a result of a shortfall in supply. Business expansion investments pertaining to scaling up of the 'Zesta Connoisseur' brand across Shangri-La properties worldwide continue, and also had an impact on the operating margins.

Agribusiness

LKRm	FY17	FY16	Growth %	4Q FY17	4Q FY16	Growth %
Revenue	6,502	6,299	3.2	1,764	1,684	4.8
EBIT	1,494	669	123.3	311	103	n/a
EBIT Margin	*23.0%*	*10.6%*		*17.6%*	*6.1%*	
PAT	**1,226**	**518**	**136.7**	**212**	**79**	**n/a**
PAT Margin	*18.9%*	*8.2%*		*12.0%*	*4.7%*	

The Agribusiness sector represented by Watawala Plantations PLC (WATA) saw revenue growth of 3.2% YoY to LKR 6.5bn, despite a 5.8% YoY contraction in Tea revenue. Palm Oil sub sector reported an increase of 43.8% YoY for FY17. Tea crop was affected by bad weather, even as the company continues to focus on its strategy of growing quality teas to curtail losses. Palm Oil volumes were 18.2% higher than last year. The company managed to obtain a higher price for its CPO during FY17, which positively contributed to both top line and bottom line of the Agri sector.

Description	Revenue (LKRm)			Volumes (MT)		
	FY17	FY16	Growth %	FY17	FY16	Growth %
Palm oil	2,162	1,504	43.8	10,662	9,019	18.2
Tea	3,909	4,118	(5.1)	7,422	9,413	(21.2)

PAT for FY17 amounted to LKR 1,226m, against LKR 518m last year. The growth in profits can be attributed to profitability in the Tea sub-sector compared to losses last eyar, and the increase in profits in the Palm Oil sub sector which was explained above. The Tea sub-sector recorded PAT of LKR 6m for FY17 compared to a net loss of LKR 314m last year.

Palm Oil segment, which made LKR 1,025m PAT for FY17 against LKR 682m last year, continued to be the largest contributor to WATA profits.

Other

Revenue for the Renewable Energy division amounted to LKR 89m in FY17, down 26.1% YoY from LKR 120m during last year as a result of the change in weather patterns. The sector which currently operates 2 mini-hydro power plants, made a loss of LKR 35m for FY17, compared to a profit of LKR 33m in the same period last year.

Packaging revenues amounted to LKR 326m, down 10.0% YoY in FY17, against LKR 362m last year. PAT amounted to LKR 3m in FY17 lower than LKR 16m recorded in FY16.

Outlook

At a macro-economic level, we expect consumer spend to be weaker in 1HFY18, as increased tax burden weighs on disposable incomes. Furthermore, we expect market volatility, as a result of adverse weather conditions prevailing in 1QFY18. Even so, we expect all our businesses to deliver above market growth for FY18.

In Healthcare, we look to volume increases to offset the impact of reduced prices in our product portfolio post the NMRA regulations on price control of 48 drugs. We will focus on reconfiguring cost structures to respond to this market challenge in FY18. Attention will be on growing the Surgical and Medical devices sub sectors which have significant growth potential.

At Healthguard, the focus continues to be on developing specialty range Beauty and Wellness products in FY18 as we look to introduce newer and exciting range of products to the Sri Lankan consumer. Overall, we expect improvement in margins as a result of our chosen sales mix.

The FMCG business would focus on initiatives to mitigate rising tea prices, which have reached record levels at the Colombo auctions this year. At the same time, we will continue investments behind our brands to scale both our domestic and international businesses. Margins would continue to be challenged in 1QFY18 on account of tea prices.

In the Agri business, we expect to see continued growth in the Palm Oil segment in FY18, as our agronomic practices pay off in the form of higher yields at the same time as firm prices in the market. In the tea segment, we expect better in 1QFY18. Our quality strategy will help us in a relatively high price environment for tea in 1QFY18.

On the dairy sub sector, we have imported an initial heard of 400 milking cows from New Zealand. The interim cost of feeding the heard with no milk revenue till 3QFY18 will have a negative impact on Agri profitability.

In the Renewable Energy segment, profits are expected to improve in 1QFY18 with heavy rainfall recorded in the area. Better weather will lead to higher output from our 2 plants in Waltrim, including Upper Waltrim Power plant, newly commissioned in 3Q FY17. The construction for our third plant is underway and is expected to commission in 4Q FY18.

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

Contact:
Hiran Samarasinghe
+94 11 4702455
Hiran.Samarasinghe@sunshineholdings.lk