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# Earnings Presentation | QFY18

04<sup>th</sup> August 2018

# 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.**

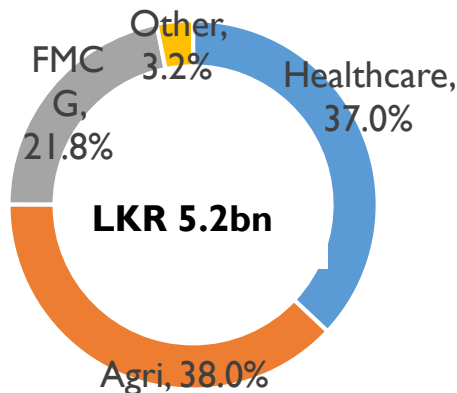
The background is a solid blue color with several large, overlapping, wavy lines in a slightly darker shade of blue. These lines flow from the left side towards the right, creating a sense of movement and depth. The lines vary in thickness and curvature, some appearing more like broad strokes while others are more defined.

# Group Performance

# Group at a Glance – I QFY18 [Apr-Jun]

- **LKR 5.2bn** in Revenue; +12.5% YoY
- **LKR 541m** PAT; +32.5% YoY
- PATMI of **LKR 224m**; +8.7% YoY

## Revenue - I QFY18



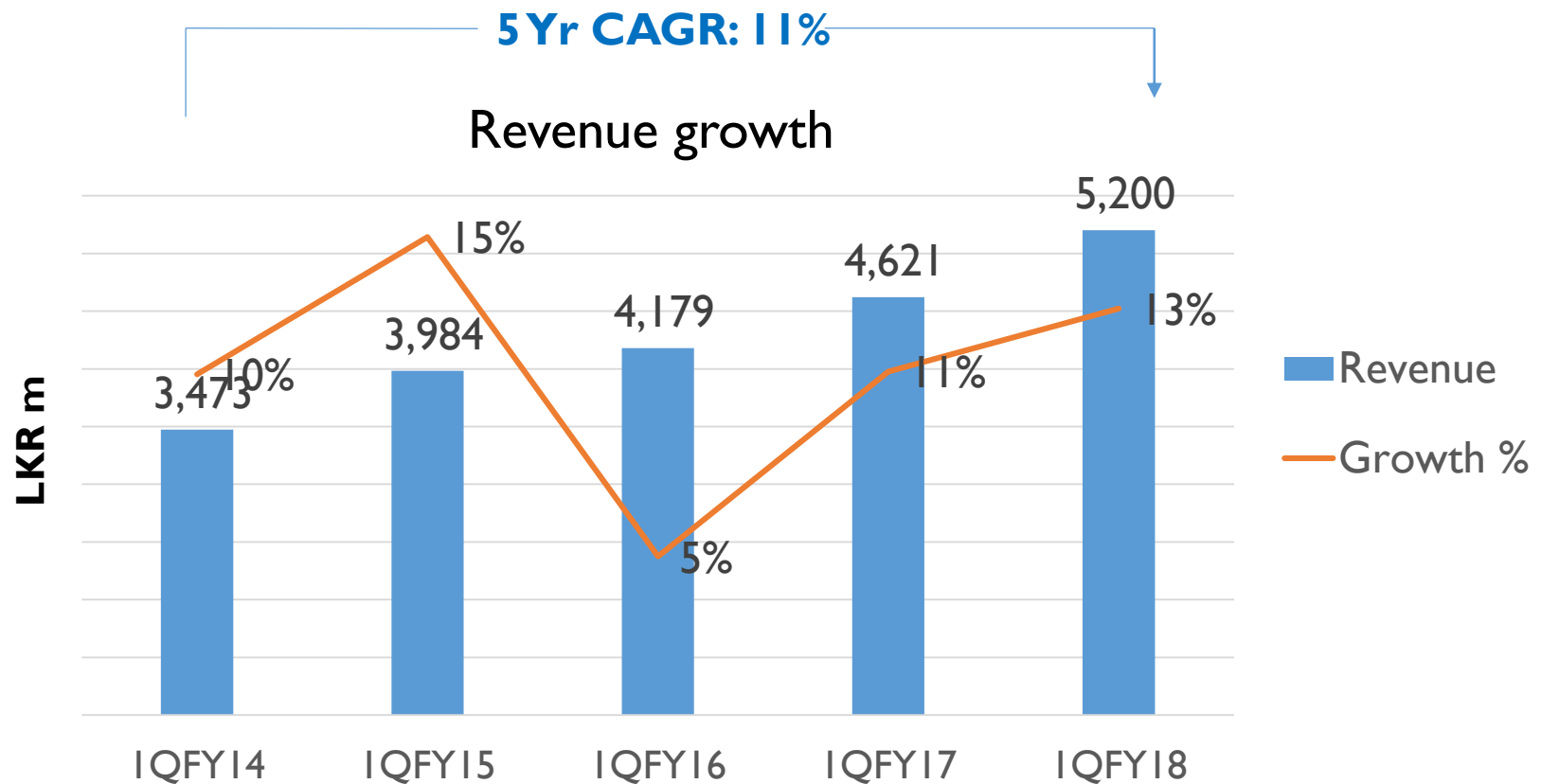
- Healthcare revenue; **LKR 1.9bn**; -1.2% YoY
- Agri revenue; **LKR 2.0bn**; +19.8% YoY.
  - 3.0m kg of palm oil, +10.7% YoY.
  - 2.4m kg of tea produced, -1.9% YoY.
- FMCG revenue; **LKR 1.1bn**; +45.4% YoY
  - 950k kg of branded tea sold; +19.0% YoY

# Group Financial Highlights

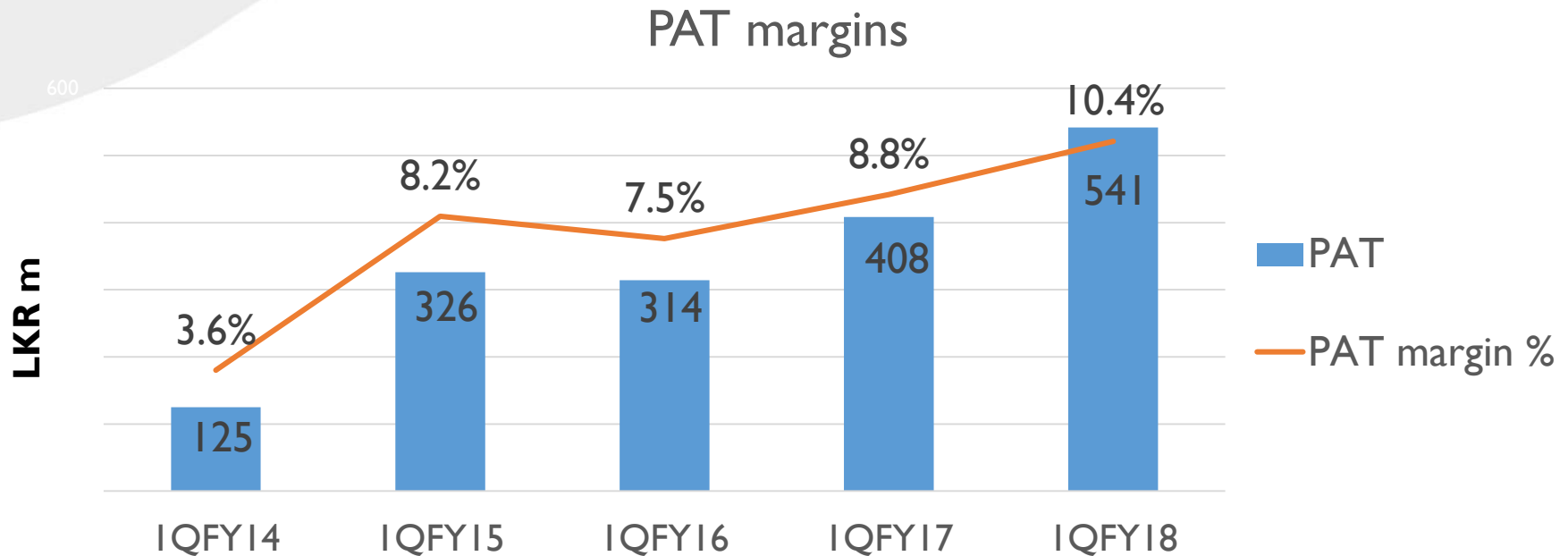
LKR m	1Q FY18	1Q FY17	Growth %
Revenue	5,200	4,621	12.5
EBIT	670	519	29.1
<i>EBIT Margin</i>	<i>12.9%</i>	<i>11.2%</i>	
<b>Profit for the period</b>	<b>541</b>	<b>408</b>	<b>32.5</b>
<i>PAT Margin</i>	<i>10.4%</i>	<i>8.8%</i>	
<b><u>Profit Attributable to</u></b>			
Equity owners	224	207	8.7
EPS (LKR)	1.68	1.54	8.7

# IQ Revenue Growth Trend

- 5 Year CAGR of 11%



# IQ Profitability

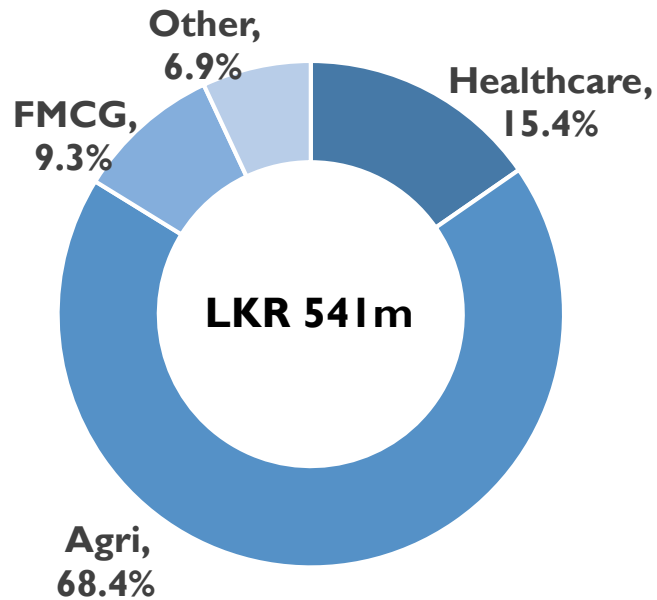


- PAT at LKR 541m up 32.5% YoY, on the back of sales growth and operating margin improvement
- Healthcare margins increased due to higher operating margins, despite a marginal contraction in revenue
- FMCG margins were maintained at steady levels despite higher Ceylon tea prices as a result of retail price increase
- However, Agri margins grew as a result of strong tea prices and firm Palm Oil prices

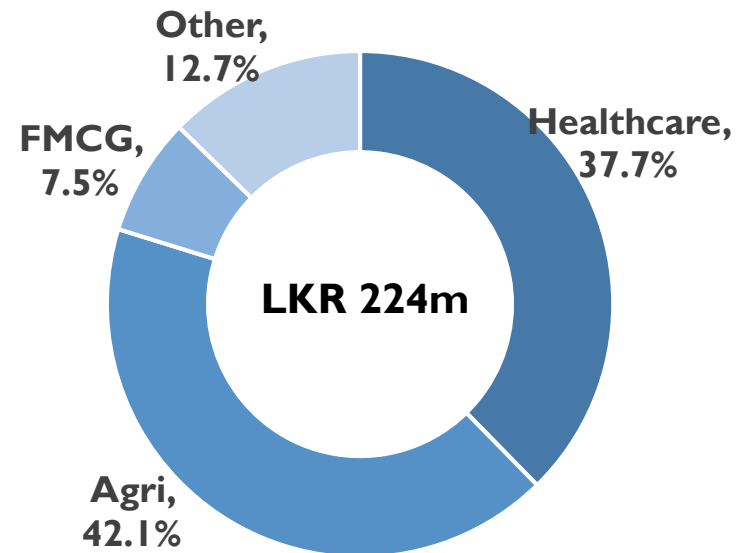


# Earnings Contribution

**PAT - I QFY18**



**PATMI - I QFY18**





# Segment Performance

## IQ FY18

# Healthcare

LKR m	1Q FY18	1Q FY17	Growth %
Revenue	1,935	1,957	(1.2)
EBIT	136	126	7.7
<i>EBIT Margin</i>	<i>7.0%</i>	<i>6.4%</i>	
<b>Profit for the period</b>	<b>85</b>	<b>80</b>	<b>5.8</b>
<i>PAT Margin</i>	<i>4.4%</i>	<i>4.1%</i>	

## Highlights

- IQFY18 Revenue contracted by 1.2% YoY due to negative impact of NMRA price control
- EBIT margin for IQFY18 increased due to;
  - Better margins in medical devices and surgical business
  - Cost rationalization
- IQFY18 PAT increased by 5.8% YoY, despite lower sales due to better operating margins,

# Healthcare Retail



23

Outlets existing  
outlets in Colombo,  
including 11 express  
outlets

## Highlights

- Continued focus on Beauty and Wellness sales helped margin expansion
- Strong growth in customer footfall
- Consumer spending on healthcare and wellness is picking up

# FMCG

LKR m	1Q FY18	1Q FY17	Growth %
Revenue	1,138	783	45.4
EBIT	69	48	45.3
<i>EBIT Margin</i>	<i>6.1%</i>	<i>6.1%</i>	
<b>Profit for the period</b>	<b>51</b>	<b>42</b>	<b>22.5</b>
<i>PAT Margin</i>	<i>4.5%</i>	<i>5.3%</i>	

## Highlights

- IQFY18 Revenue growth of 45% YoY on the back of both volume & price growth
- Strong growth in International business compared to same period last year
- PAT had increased by 22% YoY despite higher Ceylon tea prices as a result of price increase for the domestic market and growth in international business

LKR m	1Q FY18	1Q FY17	Growth %
Revenue	1,988	1,659	19.8
EBIT	443	292	51.7
<i>EBIT Margin</i>	<i>22.3%</i>	<i>17.6%</i>	
<b>Profit for the period</b>	<b>377</b>	<b>239</b>	<b>58.0</b>
<i>PAT Margin</i>	<i>19.0%</i>	<i>14.4%</i>	

## Highlights

- Revenue growth in line with strategy of focusing on quality v/s quantity in tea and higher tea prices at the Colombo auction
- Palm Oil segment continues to do well with crop growth and firm prices
- PAT grew 58.0% YoY with a contribution of LKR 267m from Palm Oil and LKR 90m from Tea
- Dairy Farm: 400 milking cows were imported from New Zealand.

# Other

## Energy

- Revenue of **LKR 41m** for IQFY18 against LKR 25m for the same period last year, due to the commencement of the second power plant
- PAT of LKR **3m** for IQ FY18 against LKR 7m for the same period last year
- Revenue below management expectation due to lower rain fall
- Elgin Plant under construction

## Packaging

- The packaging division reported revenues of **LKR 36m** for IQFY18 compared to LKR 102m same period last year
- Packaging operation to be restructured.

# Additional data for analysts

LKR m	1Q FY14	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY17	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18
Revenue	3,473	3,498	3,743	3,982	3,984	4,166	4,072	4,105	4,179	4,341	4,288	4,615	4,621	5,056	4,425	5,115	5,199
PAT	125	236	415	350	326	225	289	207	314	344	391	169	408	527	403	283	542
PATMI	65	176	187	170	147	158	104	76	162	171	175	78	207	227	13	126	225

Volumes	1Q FY14	2Q FY14	3Q FY14	4Q FY14	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY17	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18
Branded Tea (kg '000)	615	696	769	708	648	838	809	863	703	948	1,016	997	798	1100	987	1,062	950
Tea (kg 'mn)	2.4	1.9	2.9	2.7	3.4	1.9	2.6	2.5	2.6	2.1	2.5	2.2	2.48	1.39	2.00	1.55	2.43
Palm Oil (kg 'mn)	2.1	2.3	2.1	1.6	2.1	2.5	2.3	1.9	2.8	2.5	1.8	1.9	2.70	3.36	2.40	2.20	2.99





Outlook

# Outlook for 2Q FY18

## Healthcare

- Focus on volume growth in Pharma, despite margin challenges
- Focus on medical devices
- More Beauty and Wellness sales in Healthguard targeting higher margins

## FMCG

- Continue investments in brands
- Higher sales are expected in domestic market

## Agri

- Tea prices likely to be firm
- Focus on quality teas and crop
- Expected growth in Palm Oil crop, slight decrease in selling price

## Energy

- Higher rainfall is expected in 2Q
- Construction of Elgin plant (2.4MW capacity) underway

# Thank you

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