sunshine

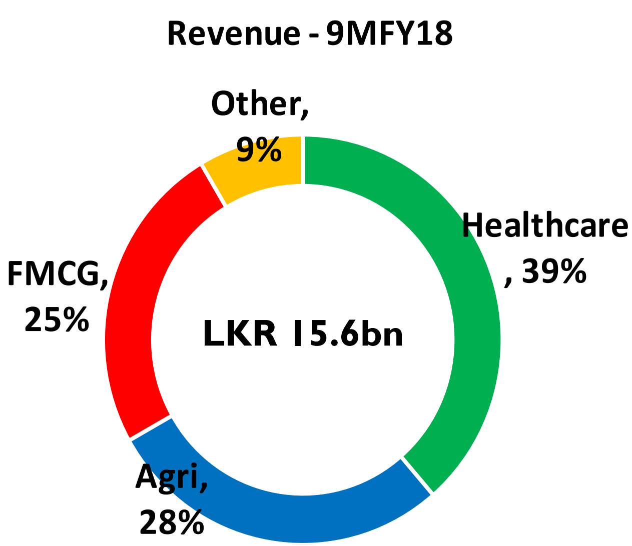
# Earnings Presentation 3QFY18

08th February 2018

# Group Performance

# Group at a Glance – 9MFY18 [Apr-Dec]

- **LKR 15.6bn** in Revenue; +12.4% YoY
- **LKR 1.6bn** PAT; +23.0% YoY
- PATMI of **LKR 722m**; +63.8% YoY




Healthcare revenue; **LKR 6.0bn**; +3.3% YoY

Agri revenue; **LKR 5.4bn**; +13.3% YoY

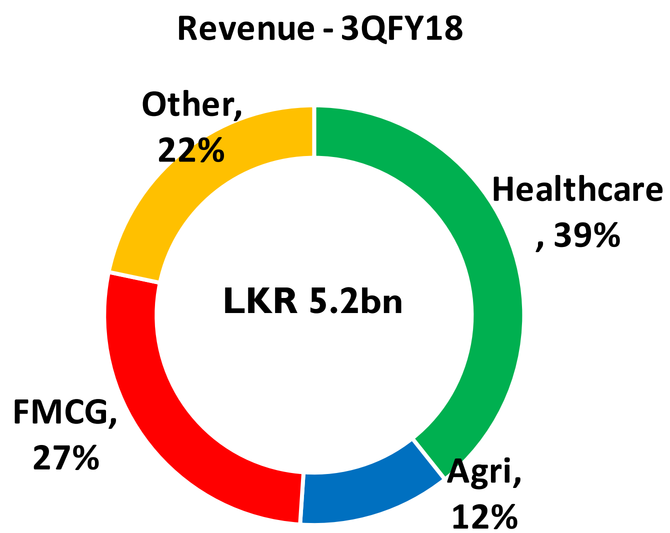
- 8.5m kg of palm oil, +0.7% YoY
- 5.8m kg of tea produced, -0.8% YoY

FMCG revenue; **LKR 3.8bn**; +27.4%YoY

- 3,213k kg of branded tea sold; +16.0YoY

# Group at a Glance – 3QFY18 [Oct-Dec]

- **LKR 5.2bn** in Revenue; +19.9% YoY
- **LKR 489m** PAT; +20.2% YoY
- PATMI of **LKR 190m**




- Healthcare revenue; **LKR 2.1bn**; +15.2% YoY
- Agri revenue; **LKR 1.6bn**; +12.0% YoY
  - 2.3m kg of palm oil, -4.2% YoY
  - 1.8m kg of tea produced, -13.5% YoY
- FMCG revenue; **LKR 1.4bn**; +28.1%YoY
  - 1,178k kg of branded tea sold; +18.9% YoY

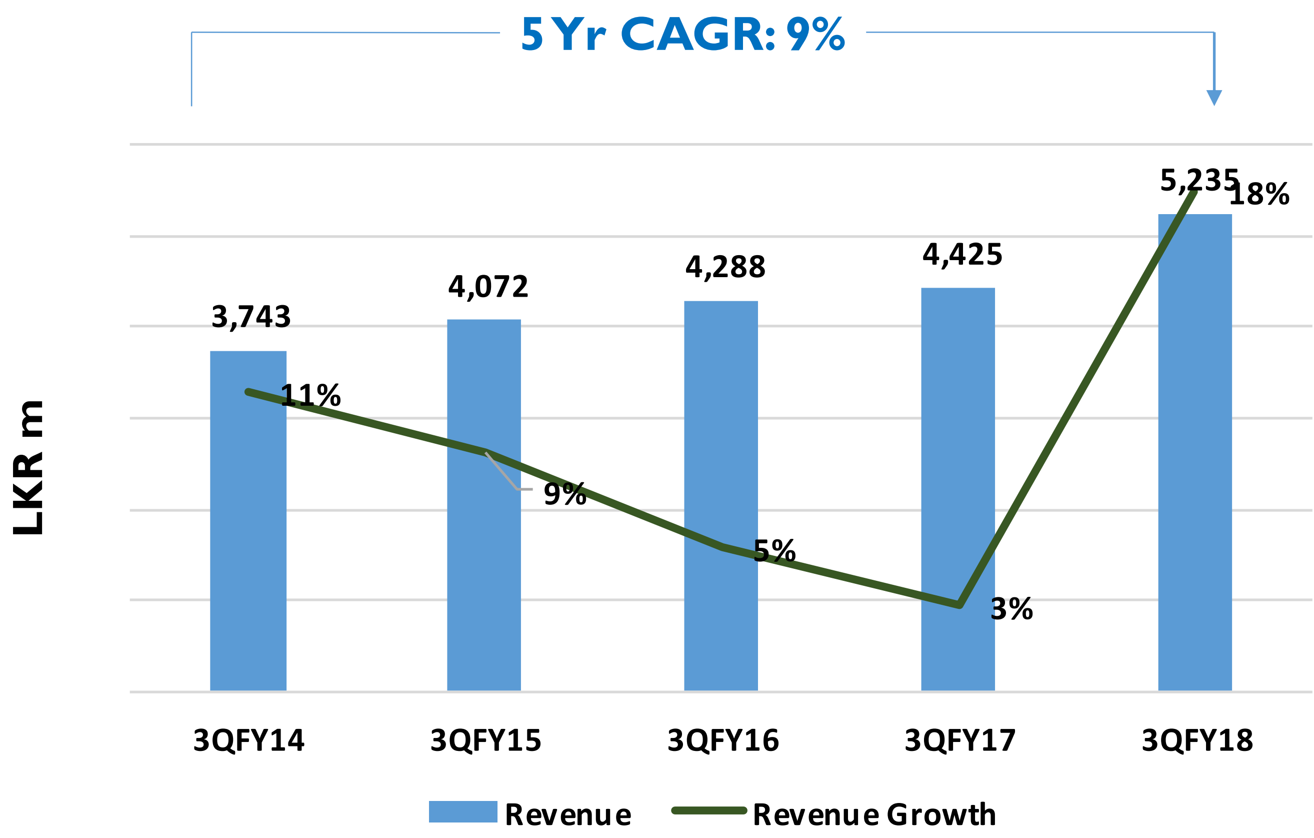
# Group Financial Highlights

| LKR m | 9M FY18 | 9M FY17 | Growth % | 3Q FY18 | 3Q FY17 | Growth % |
|---|---|---|---|---|---|---|
| Revenue | 15,563 | 13,851 | 12.4% | 5,235 | 4,366 | 19.9% |
| EBIT | 1,989 | 1,644 | 21.0% | 697 | 491 | 42.0% |
| *EBIT Margin* | *12.8%* | *11.9%* | | *13.3%* | *11.2%* | |
| **Reported PAT** | **1,638** | **1,332** | **23.0%** | **489** | **407** | **20.2%** |
| *PAT Margin* | *10.5%* | *9.6%* | | *9.3%* | *9.3%* | |
| **PAT*** | **1,721** | **1,427** | **20.6%** | **699** | **527** | **32.6%** |
| **PATMI** | 722 | 441 | 63.8% | 190 | 18 | 974.6% |
| Reported EPS (LKR) | 5.29 | 3.23 | 63.8% | 1.39 | 0.13 | 974.6% |
| Adjusted EPS (LKR)* | 5.89 | 4.05 | 45.6% | 1.39 | 1.06 | 31.8% |

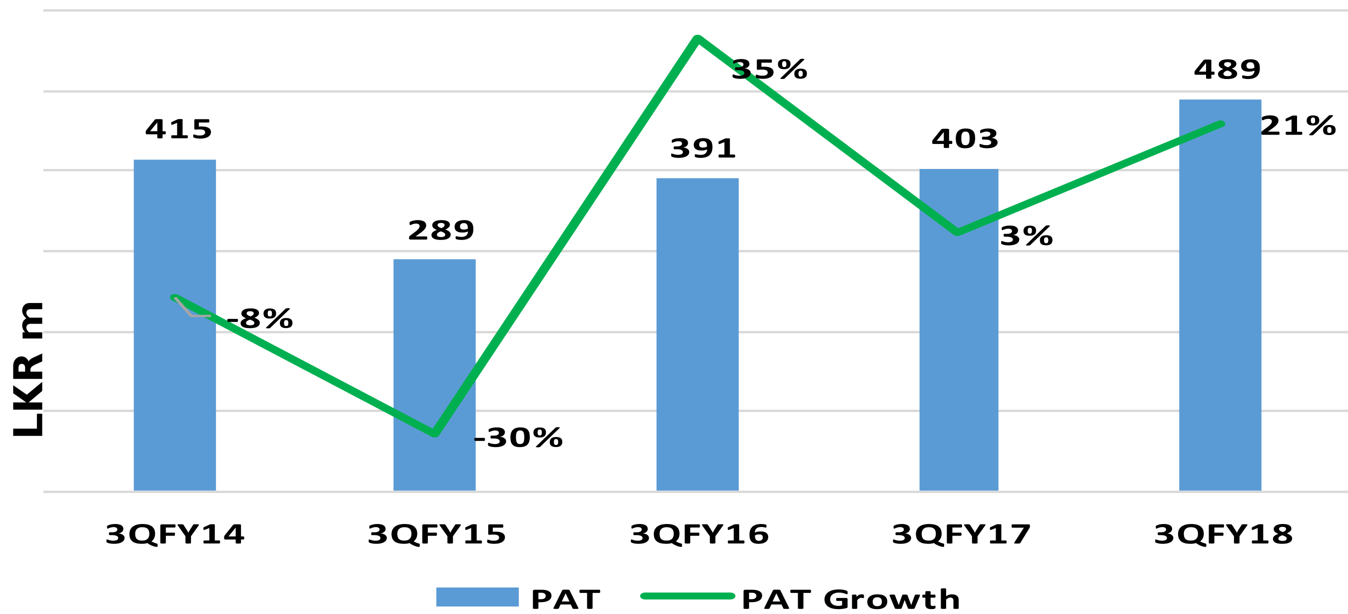
*Adjusted for one off gain/loss

# 3Q Revenue Growth Trend

- 5 Year CAGR of 9%

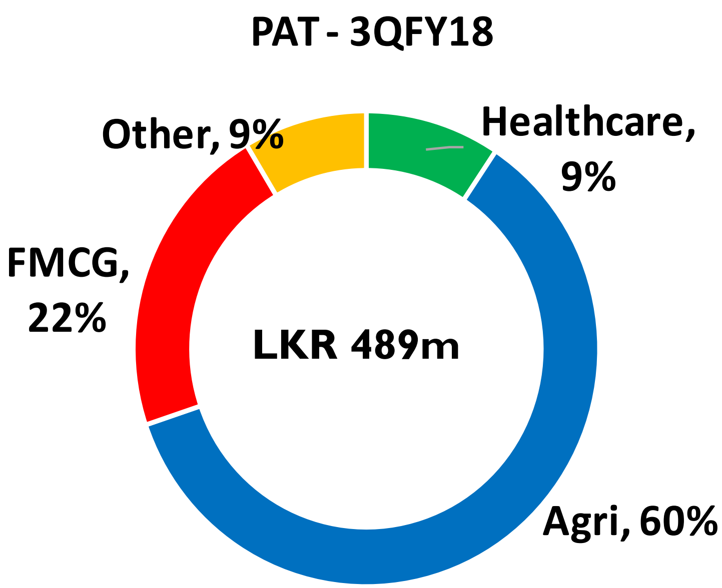


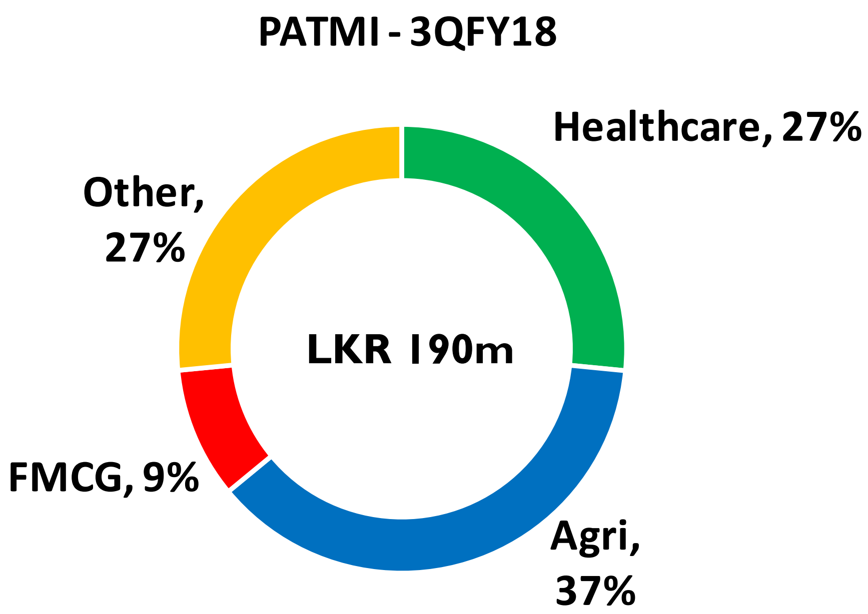
# 3Q Profitability




- PAT at LKR 489m increased by 21.3% YoY
- Healthcare margins have recovered with renegociation with principals on input cost post drug price control LY
- FMCG margins expanded due to price increases taken to reflect increase in input cost
- Agri margins decrease as a result of reduction in Palm Oil prices despite improved profitability in the tea sub sector

# Earnings Contribution



# Segment Performance
# 3Q FY18

# Healthcare

| LKR m | 9M FY18 | 9M FY17 | Growth % | 3Q FY18 | 3Q FY17 | Growth % |
|---|---|---|---|---|---|---|
| Revenue | 6,018 | 5,826 | 3.3% | 2,058 | 1,786 | 15.2% |
| EBIT | 324 | 193 | 68.2% | 79 | (91) | -186.1% |
| *EBIT Margin* | *5.4%* | *3.3%* | | *3.8%* | *-5.1%* | |
| **Profit for the period** | **201** | **91** | **121.6%** | **46** | **(99)** | **-146.2%** |
| *PAT Margin* | *3.3%* | *1.6%* | | *2.2%* | *-5.5%* | |
| **Adjusted PAT*** | **201** | **214** | **-5.9%** | **46** | **24** | **87.8%** |

*Adjusted for one off gain/loss

## Highlights

- 3QFY18 Revenue up by 15.2% YoY due to higher sales volume in pharma sub-sector and footfall growth in Retail sub-ector
- EBIT margin for 3QFY18 increased due to;
  - Renegotiation of input cost with principals post drug price control
  - Higher volumes growth in sales
  - Effective cost optimization

# Healthcare Retail

23 Outlets existing outlets in Colombo, including 11 express outlets

## Highlights

- Continued focus on Beauty and Wellness helped margin expansion
- Strong growth in customer footfall driven by loyalty program
- Focus more on own brand products for higher margins

# FMCG

| LKR m | 9M FY18 | 9M FY17 | Growth % | 3Q FY18 | 3Q FY17 | Growth % |
|---|---|---|---|---|---|---|
| Revenue | 3,836 | 3,011 | 27.4% | 1,425 | 1,113 | 28.1% |
| EBIT | 293 | 281 | 4.2% | 146 | 101 | 44.8% |
| *EBIT Margin* | *7.6%* | *9.3%* | | *10.2%* | *9.0%* | |
| **Profit for the period** | **206** | **249** | **-17.4%** | **105** | **85** | **23.0%** |
| *PAT Margin* | *5.4%* | *8.3%* | | *7.4%* | *7.7%* | |
| **Adjusted PAT*** | **206** | **224** | **-8.2%** | **105** | **85** | **23.0%** |

*Adjusted on one off provision

## Highlights

- 3QFY18 Revenue growth of 28.1% YoY on the back of both volume & price growth
- EBIT margin expanded to 10.2% from 9.0% due to increase in ASP

# Agri

| LKR m | 9M FY18 | 9M FY17 | Growth % | 3Q FY18 | 3Q FY17 | Growth % |
|---|---|---|---|---|---|---|
| Revenue | 5,368 | 4,738 | 13.3% | 1,602 | 1,430 | 12.0% |
| EBIT | 1,163 | 1,183 | -1.7% | 420 | 519 | -19.0% |
| *EBIT Margin* | *21.7%* | *25.0%* | | *26.2%* | *36.3%* | |
| **Profit for the period** | **1,040** | **1,014** | **2.5%** | **296** | **466** | **-36.4%** |
| *PAT Margin* | *19.4%* | *21.4%* | | *18.5%* | *32.6%* | |

## Highlights

- Tea market NSA is higher in 3QFY18 in comparison to the LY. Moderate dip in crop
- Oil palm NSA dropped compared to the last year
- Next herd (240 cows) is expected from Australia. Current heard reached to 1,073 animals, of which 487 are milking.

# Other

## Energy

- Revenue of **LKR 100m** for 3QFY18 against LKR 23m for the same period last year, due to the commencement of the second power plant
- EBIT of **LKR 66m** for 3QFY18 against LKR 0.2m for the same period last year
- Elgin Plant under construction & will be commission in 2QFY18

# Additional data for analysts

| LKR m | 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 | 2Q FY18 | 3Q FY18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 3,743 | 3,982 | 3,984 | 4,166 | 4,072 | 4,105 | 4,179 | 4,341 | 4,288 | 4,615 | 4,621 | 4,864 | 4,425 | 5,115 | 5,199 | 5,128 | 5,235 |
| PAT | 415 | 350 | 326 | 225 | 289 | 207 | 314 | 344 | 391 | 169 | 408 | 517 | 403 | 283 | 542 | 465 | 489 |
| PATMI | 187 | 170 | 147 | 158 | 104 | 76 | 162 | 171 | 175 | 78 | 207 | 227 | 13 | 126 | 225 | 286 | 190 |

| Volumes | 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 | 2Q FY18 | 3Q FY18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Branded Tea (kg '000) | 769 | 708 | 648 | 838 | 809 | 863 | 703 | 948 | 1,016 | 997 | 798 | 1100 | 987 | 1,062 | 950 | 1,085 | 1,178 |
| Tea (kg 'mn) | 2.9 | 2.7 | 3.4 | 1.9 | 2.6 | 2.5 | 2.6 | 2.1 | 2.5 | 2.2 | 2.5 | 1.4 | 2.0 | 1.5 | 2.4 | 1.6 | 1.8 |
| Palm Oil (kg 'mn) | 2.1 | 1.6 | 2.1 | 2.5 | 2.3 | 1.9 | 2.8 | 2.5 | 1.8 | 1.9 | 2.7 | 3.4 | 2.4 | 2.2 | 3.0 | 3.2 | 2.3 |

# Outlook

# Outlook for 4Q FY18

## Healthcare

- Rationalization of the cost structure
- Further depreciation of LKR is expected
- Focus on Beauty & Wellness brands to increase margins

## Agri

- Tea NSA higher, better crop expected
- Palm Oil NSA will be flat, dip in crop
- Next herd of 240 cows are expected from Australia.

## FMCG

- Sales growth driven Watawala & Zesta brands in local market
- Tea prices are expected to rise with the 'quality season' in tea in Q4

## Energy

- Low rainfall is expected in 4Q
- Construction of Elgin plant (2.4MW capacity) ongoing

# 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.

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