



sunshine



Earnings Presentation 4QFY18

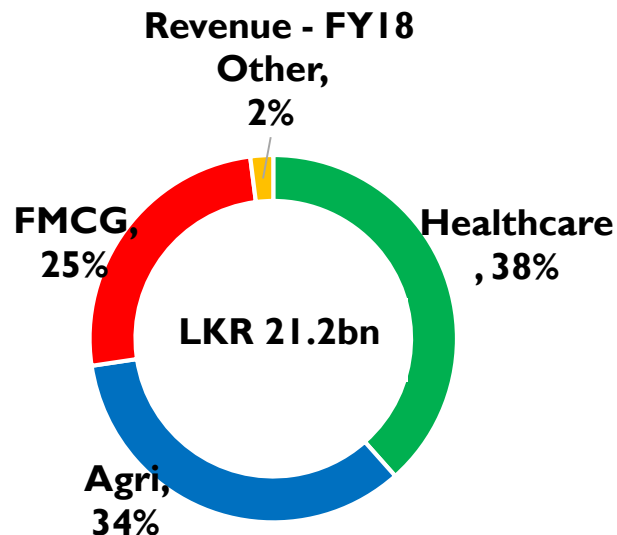
28th May 2018



Group Performance

Group at a Glance – FY18

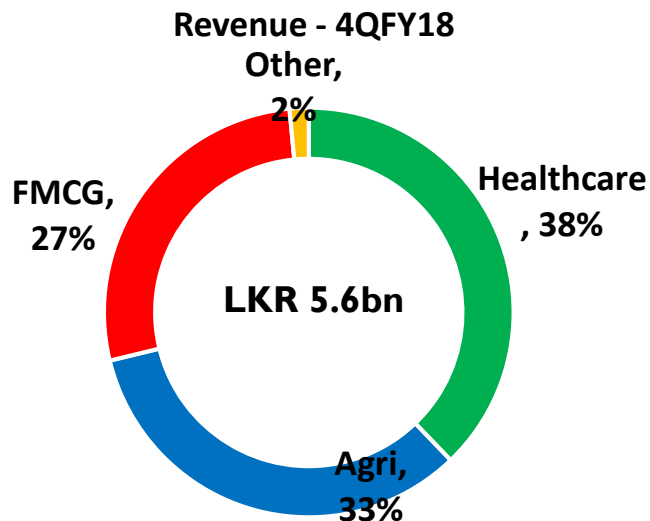
- **LKR 21.2bn** in Revenue; +12.4% YoY
- **LKR 1.8bn** PAT; +11.9% YoY
- PATMI of **LKR 829m**; +47.1% YoY



- Healthcare revenue; **LKR 8.2bn**; +3.8% YoY
- Agri revenue; **LKR 7.3bn**; +11.7% YoY
 - 10.8m kg of palm oil, +1.1% YoY
 - 8.0m kg of tea produced, +8.0% YoY
- FMCG revenue; **LKR 5.4bn**; +27.7% YoY
 - 4,484k kg of branded tea sold; +13.4% YoY

Group at a Glance – 4QFY18 [Jan-Mar]

- **LKR 5.6bn** in Revenue; +12.6% YoY
- **LKR 166m** PAT; -40.8% YoY
- PATMI of **LKR 108m**



- Healthcare revenue; **LKR 2.1bn**; +5.2% YoY
- Agri revenue; **LKR 1.9bn**; +7.3% YoY
 - 2.3m kg of palm oil, 4.5% YoY
 - 2.1m kg of tea produced, +31.2% YoY
- FMCG revenue; **LKR 1.4bn**; +28.1% YoY
 - 1,181k kg of branded tea sold; +10.4% YoY

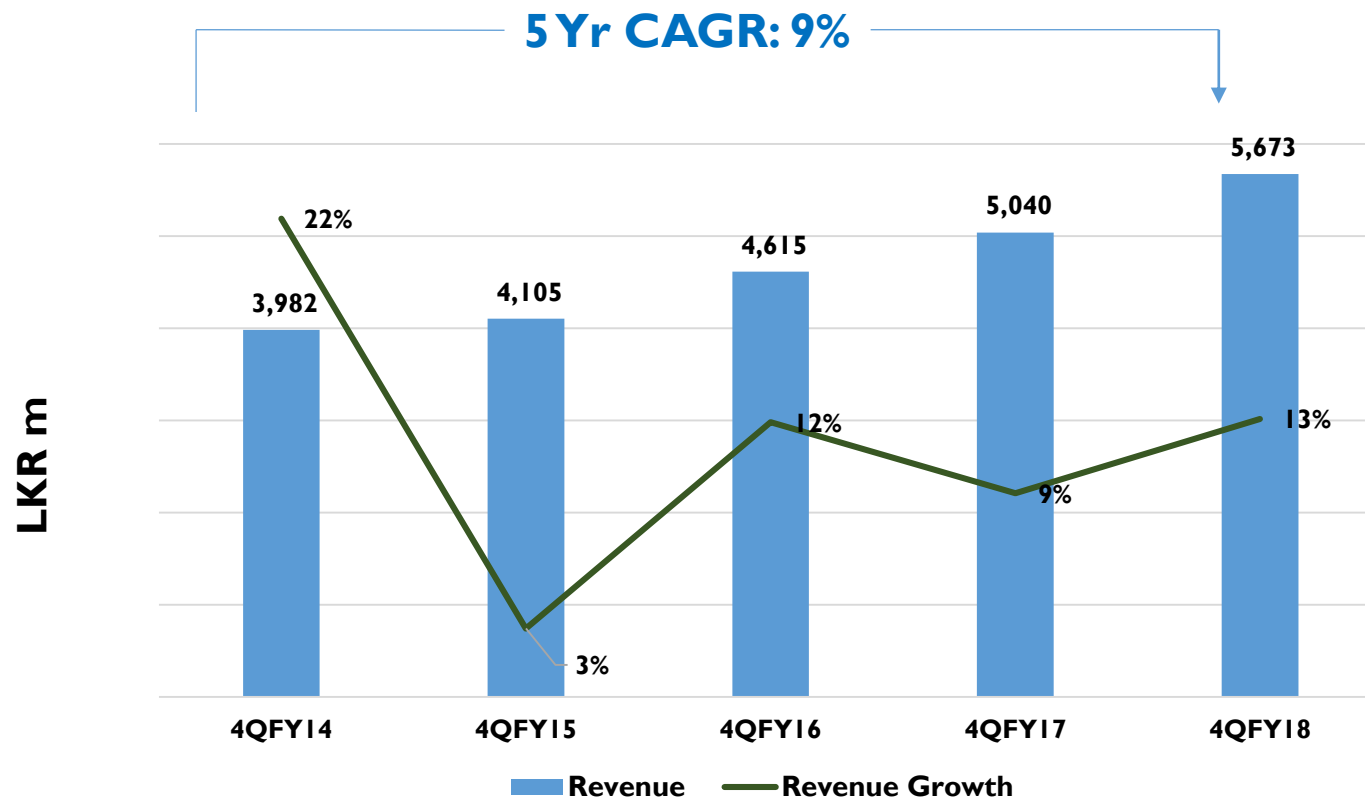
Group Financial Highlights

LKR m	FY18	FY17	Growth %	4Q FY18	4Q FY17	Growth %
Revenue	21,236	18,891	12.4%	5,673	5,040	12.6%
EBIT	2,580	2,073	24.5%	591	429	37.8%
<i>EBIT Margin</i>	<i>12.1%</i>	<i>11.0%</i>		<i>10.4%</i>	<i>8.5%</i>	
PAT	1,805	1,613	11.9%	166	281	-40.8%
<i>PAT Margin</i>	<i>8.5%</i>	<i>8.5%</i>		<i>2.9%</i>	<i>5.6%</i>	
PATMI	829	564	47.1%	108	123	-12.7%
Reported EPS (LKR)	6.08	4.13	47.1%	0.79	0.90	-12.7%
Adj. PAT*	1,795	1,707	5.1%	321	281	14.4%
Adj. EPS (LKR)*	5.53	4.94	11.9%	1.30	0.90	43.8%

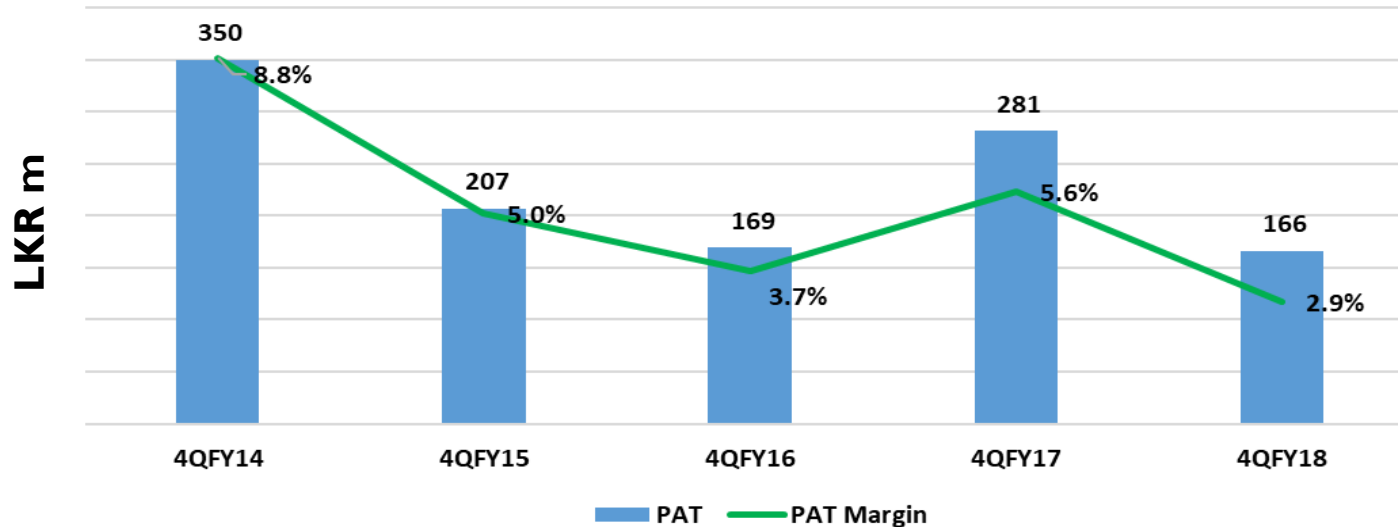
*Adjusted for one off gain/loss

4Q Revenue Growth Trend

- 5 Year CAGR of 9%

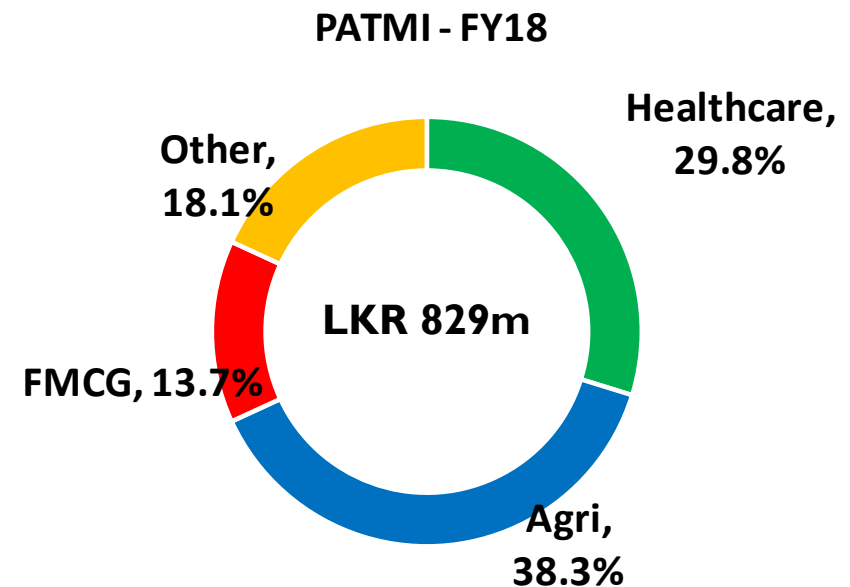
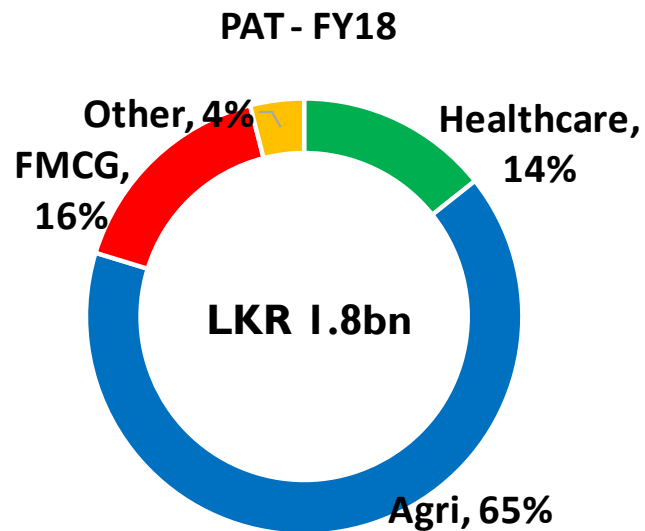


4Q Profitability



- PAT at LKR 166m reduced by 40.8% YoY mainly due to increase in finance cost and tax expenses –Differed tax expense of LKR 155m
- Healthcare margins have reduced due to depreciation in local currency.
- 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 FY18



Note: Other segment of PATMI includes valuation gain of Sunshine Packaging Property.



Segment Performance 4Q FY18

Healthcare



LKR m	Growth			4Q		Growth
	FY18	FY17	%	FY18	FY17	
Revenue	8,162	7,863	3.8%	2,144	2,037	5.3%
EBIT	416	343	21.0%	92	151	-39.2%
<i>EBIT Margin</i>	<i>5.1%</i>	<i>4.4%</i>		<i>4.3%</i>	<i>7.4%</i>	
Profit for the period	258	198	30.5%	57	107	-46.7%
<i>PAT Margin</i>	<i>3.2%</i>	<i>2.5%</i>		<i>2.7%</i>	<i>5.3%</i>	
Adjusted PAT*	258	321	-19.5%	57	230	-75.2%

*Adjusted for one off gain/loss

Highlights

- 4QFY18 Revenue up by 5.3% YoY due to higher sales volume in pharma sub-sector and footfall growth in Retail sub-sector
- EBIT margin for 4QFY18 decreased due to;
 - Depreciation of the local currency eroding GP margins
 - Increase in finance cost due to higher working capital

Healthcare Retail



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Outlets existing
outlets in Colombo,
including 11 express
outlets

Highlights

- Continued focus on Wellness helped margin expansion –170 bps
- Strong growth in customer footfall – 11% SSS Growth
- Higher focus on direct imports to increase margins
 - GNC
 - Ulta 3

FMCG

LKR m			Growth	4Q	4Q	Growth
	FY18	FY17	%	FY18	FY17	%
Revenue	5,381	4,213	27.7%	1,546	1,202	28.6%
EBIT	395	303	30.3%	102	22	365.7%
<i>EBIT Margin</i>	<i>7.3%</i>	<i>7.2%</i>		<i>6.6%</i>	<i>1.8%</i>	
Profit for the period	294	275	6.7%	88	26	235.3%
<i>PAT Margin</i>	<i>5.5%</i>	<i>6.5%</i>		<i>5.7%</i>	<i>2.2%</i>	
Adjusted PAT*	294	250	17.4%	88	26	235.3%

*Adjusted on one off provision

Highlights

- 4QFY18 Revenue growth of 28.6% YoY on the back of both volume (+10.4%) and price growth (+18.0%)
- EBIT margin expanded to 6.6% from 1.8% due to higher volumes and increased GP due to higher ASP.

Agri –Sector Results

LKR m	Growth			4Q		Growth
	FY18	FY17	%	FY18	FY17	%
Revenue	7,266	6,502	11.8%	1,898	1,764	7.6%
EBIT	1,566	1,494	4.9%	403	311	29.8%
<i>EBIT Margin</i>	<i>21.6%</i>	<i>23.0%</i>		<i>21.3%</i>	<i>17.6%</i>	
Profit for the period	1,179	1,226	-3.8%	140	212	-34.0%
<i>PAT Margin</i>	<i>16.2%</i>	<i>18.9%</i>		<i>7.4%</i>	<i>12.0%</i>	

Highlights

- LKR1.5bn distributed to shareholders through re-purchase
- Tea market NSA is higher in 4QFY18 in comparison to the LY.
 - 31% increase in crop due to favorable weather conditions
- Oil palm NSA slightly increased compared to last year
- 246 pregnant heifers imported from Australia. Current herd reached to 1,374 animals, of which 602 are milking.

Agri - WATA



LKR m	FY18	FY17	Growth %	4Q FY18	4Q FY17	Growth %
Revenue	4,949	4,447	11.3%	566	556	1.9%
EBIT	1,150	1,154	-0.4%	173	169	2.0%
<i>EBIT Margin</i>	<i>23.2%</i>	<i>26.0%</i>		<i>30.5%</i>	<i>30.4%</i>	
Profit for the period	939	950	-1.2%	(7)	131	-105.2%
<i>PAT Margin</i>	<i>19.0%</i>	<i>21.4%</i>		<i>-1.2%</i>	<i>23.5%</i>	

WATA results include pre split Tea results for 1H. FY17 adjusted to reflect this

Highlights

- Revenue LKR 4.9bn up 11.3% YoY despite of the NSA drop (-7.8%) in FY18
- Revision of Income tax rates had negatively impacted the PAT margins
- Initial losses in the Dairy Project weighing down profitability

Agri - HPL



LKR m	2H FY18	2H FY17	Growth %	4Q FY18	4Q FY17	Growth %
Revenue	2,317	2,055	12.8%	1,331	1,208	10.2%
EBIT	417	340	22.7%	231	142	63.0%
<i>EBIT Margin</i>	<i>18.0%</i>	<i>16.5%</i>		<i>17.3%</i>	<i>11.7%</i>	
Profit for the period	241	276	-12.6%	147	81	80.3%
<i>PAT Margin</i>	<i>10.4%</i>	<i>13.4%</i>		<i>11.0%</i>	<i>6.7%</i>	

FY17 comparative is based on Tea segment results for WATA for last year

Highlights

- Revenue growth of 12.8% is mainly driven by the volume increase
- Tea NSA up 1.5% YoY for the last 6 months due to the adoption of quality strategy
- Tax charge for the year including the differed tax of LKR149m resulted in lower PAT margin

Other

Energy

- Revenue of **LKR 44m** for 4QFY18 against LKR 21m for the same period last year, due to the contribution from the second power plant
- EBIT of **LKR 11m** for 4QFY18 against loss of LKR 10m for the same period last year
- Elgin Plant under construction & will be commissioned in 2QFY18

Additional data for analysts

LKR m	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	4Q FY18
Revenue	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	5,673
PAT	350	326	225	289	207	314	344	391	169	408	517	403	281	542	465	489	166
PATMI	170	147	158	104	76	162	171	175	78	207	227	13	123	225	286	190	108

Volumes	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	4Q FY18
Branded Tea (kg '000)	708	648	838	809	863	703	948	1,016	997	798	1,100	987	1,062	950	1,085	1,178	1,181
Tea (kg 'mn)	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	2.1
Palm Oil (kg 'mn)	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	2.3



Outlook

Outlook for 1Q FY19

Healthcare

- Effective principle contract management
- Further depreciation of LKR is expected
- Focus on Beauty & Wellness brands to increase margins with higher brand loyalty

FMCG

- Sales growth in established brands and consolidate on newly introduced brands
- Tea prices are expected to follow the same pattern as the last year

Agri

- Better Tea crop expected, slight dip in NSA
- Palm Oil NSA will be flat, increase in yield per hectare

Energy

- Higher rainfall is expected in 1Q
- 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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