



**sunshine**



**sunshine**

# Earnings Presentation 4QFY18

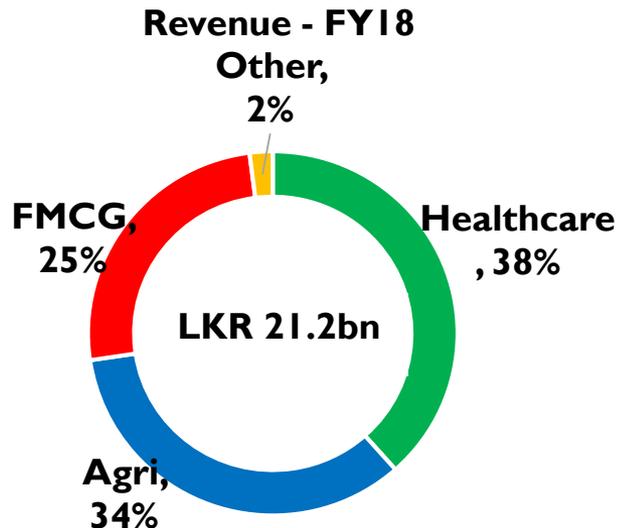
28<sup>th</sup> May 2018

The background is a solid blue color with several white, wavy, horizontal lines that sweep across the frame from left to right, creating a sense of motion and depth. The lines vary in thickness and curvature, with some appearing as thin streaks and others as broader, more defined bands.

# Group Performance

# Group at a Glance – FY18

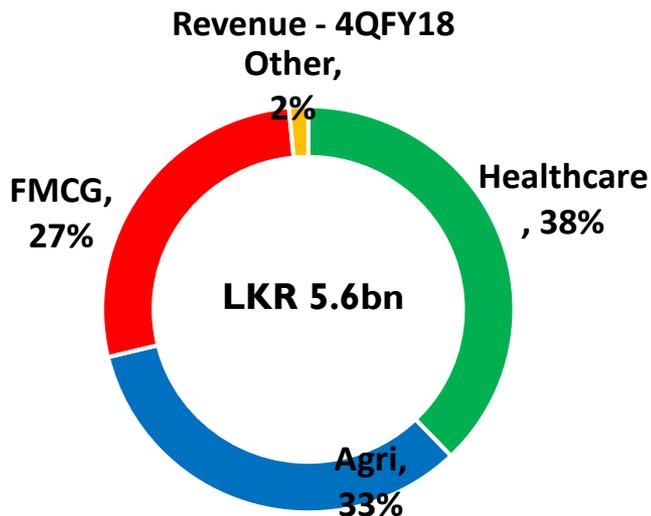
- **LKR 21.2bn** in Revenue; +12.4% YoY
- **LKR 1.8bn** PAT; +11.9% YoY
- PATMI of **LKR 829m**; +47.1% YoY



- 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

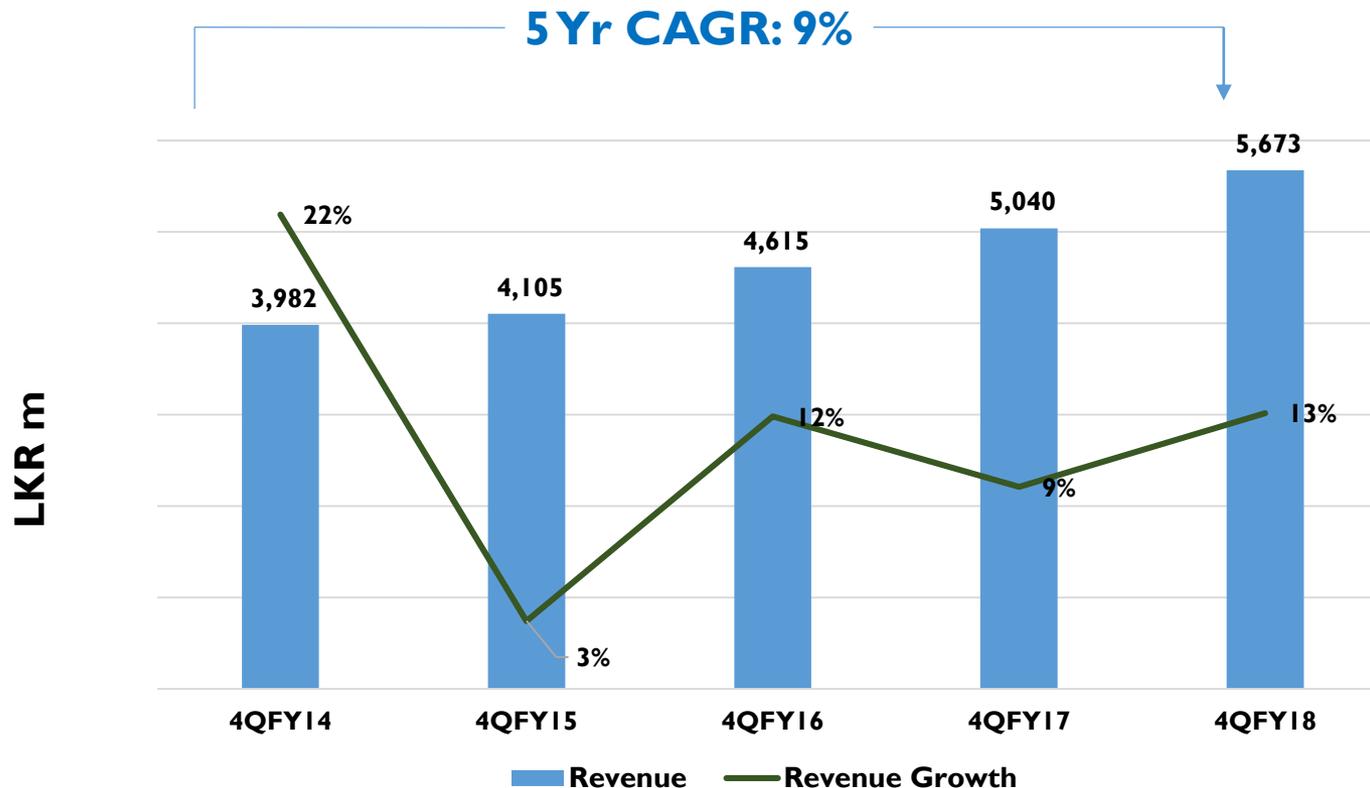
# Group Financial Highlights

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>	
<b>PAT</b>	<b>1,805</b>	<b>1,613</b>	<b>11.9%</b>	<b>166</b>	<b>281</b>	<b>-40.8%</b>
<i>PAT Margin</i>	<i>8.5%</i>	<i>8.5%</i>		<i>2.9%</i>	<i>5.6%</i>	
<b>PATMI</b>	<b>829</b>	<b>564</b>	<b>47.1%</b>	<b>108</b>	<b>123</b>	<b>-12.7%</b>
Reported EPS (LKR)	6.08	4.13	47.1%	0.79	0.90	-12.7%
<b>Adj. PAT*</b>	<b>1,795</b>	<b>1,707</b>	<b>5.1%</b>	<b>321</b>	<b>281</b>	<b>14.4%</b>
Adj. EPS (LKR)*	5.53	4.94	11.9%	1.30	0.90	43.8%

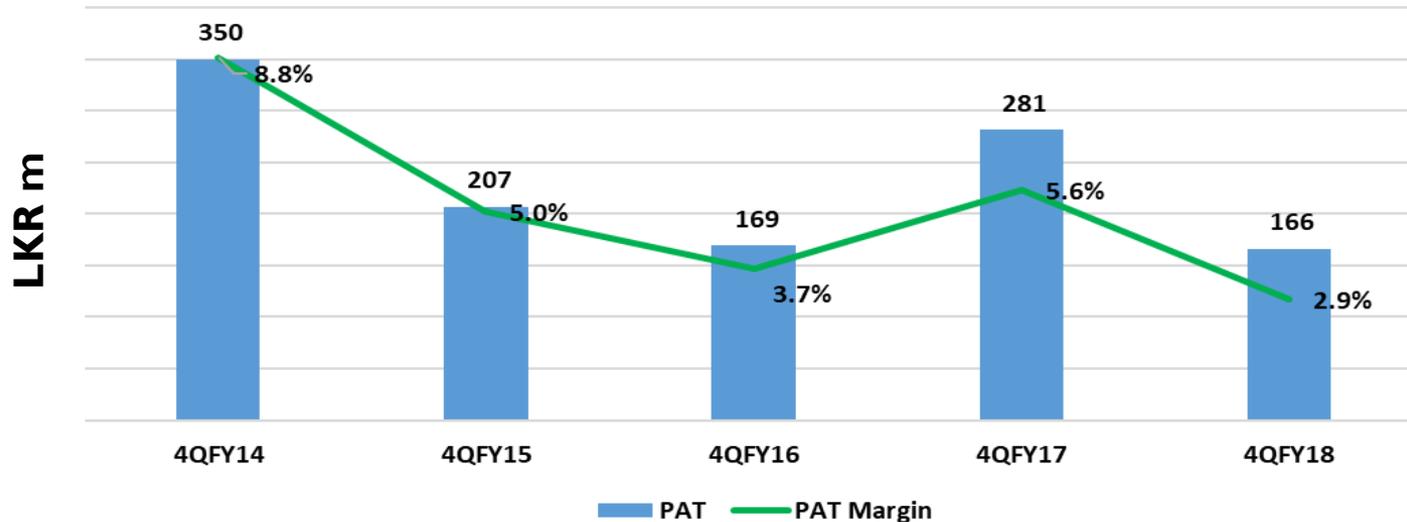
\*Adjusted for one off gain/loss

# 4Q Revenue Growth Trend

- 5 Year CAGR of 9%

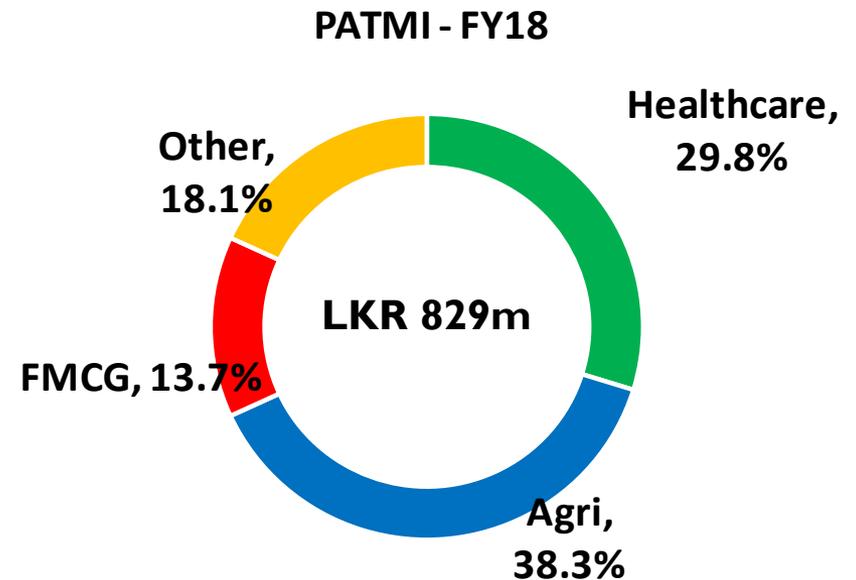
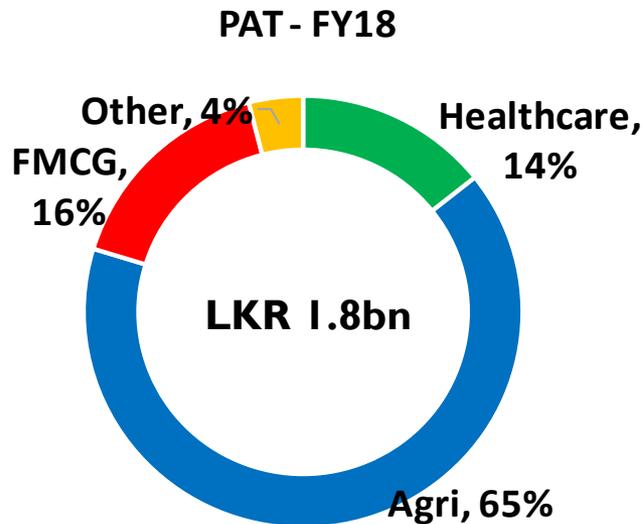


# 4Q Profitability



- 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.

The background is a solid blue color with several overlapping, wavy, ribbon-like shapes in a slightly darker shade of blue, creating a sense of movement and depth. The text is centered in the lower half of the image.

# 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>	
<b>Profit for the period</b>	<b>258</b>	<b>198</b>	<b>30.5%</b>	<b>57</b>	<b>107</b>	<b>-46.7%</b>
<i>PAT Margin</i>	<i>3.2%</i>	<i>2.5%</i>		<i>2.7%</i>	<i>5.3%</i>	
<b>Adjusted PAT*</b>	<b>258</b>	<b>321</b>	<b>-19.5%</b>	<b>57</b>	<b>230</b>	<b>-75.2%</b>

\*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



23

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		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>	
<b>Profit for the period</b>	<b>294</b>	<b>275</b>	<b>6.7%</b>	<b>88</b>	<b>26</b>	<b>235.3%</b>
<i>PAT Margin</i>	<i>5.5%</i>	<i>6.5%</i>		<i>5.7%</i>	<i>2.2%</i>	
<b>Adjusted PAT*</b>	<b>294</b>	<b>250</b>	<b>17.4%</b>	<b>88</b>	<b>26</b>	<b>235.3%</b>

\*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>	
<b>Profit for the period</b>	<b>1,179</b>	<b>1,226</b>	<b>-3.8%</b>	<b>140</b>	<b>212</b>	<b>-34.0%</b>
<i>PAT Margin</i>	<i>16.2%</i>	<i>18.9%</i>		<i>7.4%</i>	<i>12.0%</i>	

## Highlights

- LKR 1.5bn 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>	
<b>Profit for the period</b>	<b>939</b>	<b>950</b>	<b>-1.2%</b>	<b>(7)</b>	<b>131</b>	<b>-105.2%</b>
<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>	
<b>Profit for the period</b>	<b>241</b>	<b>276</b>	<b>-12.6%</b>	<b>147</b>	<b>81</b>	<b>80.3%</b>
<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 LKR 149m 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	1100	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 patten 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.

**The company undertakes no obligation to publicly revise any forward-looking statements to reflect any future events or circumstances.**

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