# Earnings release - SUN

## 23% growth in bottom-line for SUN in 9MFY18

**9MFY18 Highlights**

- *SUN increases stake in FMCG and Agri sector by buying out Tata Global Beverages*
- *Tea plantation subsidiary, Hatton Plantations PLC (HPL), listed on CSE by introduction*
- *Consolidated revenue of LKR15.6bn, an increase of 12.4% YoY;*
- *PAT amounted to LKR1.6bn, up 23.0% YoY, due to strong Agri results*
- *Healthcare revenue up 3.3% YoY to LKR 6.0bn*
- *Strong growth in FMCG, revenue up 27.4% YoY to LKR3.8bn*
- *Agri revenue grew 13.3% YoY to LKR5.4bn*
- *EPS grew 63.8% YoY to LKR5.29*

**3QFY18 Highlights**

- *Consolidated revenue of LKR5.2bn, an increase of 19.9% YoY;*
- *PAT amounted to LKR489m, up 20.2% YoY, due to improved Healthcare results*
- *Healthcare revenue up 15.2% YoY to LKR2.0bn*
- *Strong growth in FMCG, revenue up 28.1% YoY to LKR1.4bn*
- *Agri revenue grew 12.0% YoY to LKR1.6bn*
- *EPS for 3QFY18 stood at LKR1.39*

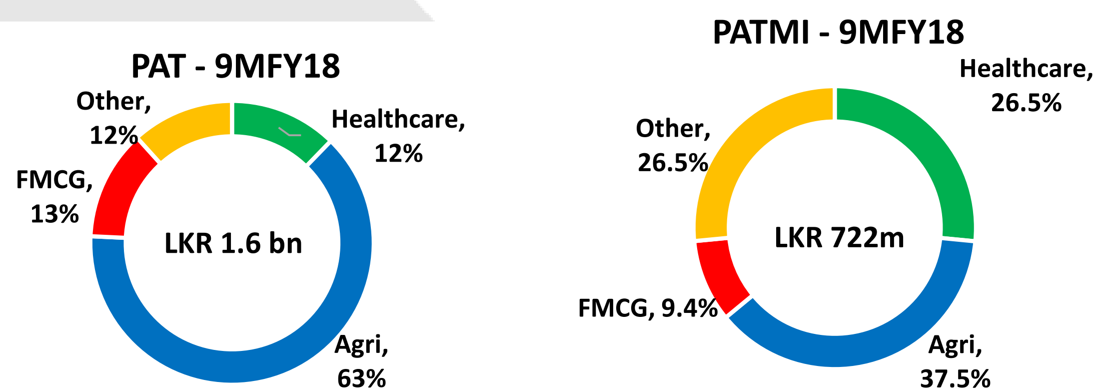
**Colombo, February 8, 2018** – Sunshine Holdings PLC (CSE: SUN) reported top line growth of 12.4% YoY to stand at LKR15.6bn, stemming from strong results in all three sectors of Agri, FMCG & Healthcare.

| 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 | nm |
| Reported EPS (LKR) | 5.29 | 3.23 | 63.8% | 1.39 | 0.13 | nm |
| Adjusted EPS (LKR)* | 5.89 | 4.05 | 45.6% | 1.39 | 1.06 | 31.8% |

*Adjusted for one off gain/loss, Pharma stock write down, and discontinued operations

Healthcare emerged as the largest contributor to Group revenue accounting for 39% of the total, whereas Agriculture contributed 34%, and FMCG 25%.

For 9MFY18, PAT amounted to LKR 1.6bn up 23.0% YoY, on the back of strong performance in the Agri sector. Profit After Tax & Minority Interest (PATMI) grew 63.8% YoY to LKR 722m. The Agri sector represented by Watawala Plantation PLC (CSE: WATA) and Hatton Plantations PLC (CSE: HPL) accounted for 38% of reported PATMI, with Healthcare accounting for 27%.




Net Asset Value per share increased to LKR48.74 as at end 9MFY18, compared to LKR 44.59 at end of 9MFY17.

## Corporate Updates

### Increase in stake in FMCG and Agribusiness

SUN Purchased EMSPL (Holding company for FMCG and Agribusiness sectors) shares held by TGBL to increase its stake to 60%, with Pyramid Wilmar increasing its stake from 35% to 40%. The deal was completed on 28th Dec 2017, where EMSPL was valued at LKR9.0bn. The deal was done in part with a share buyback by EMSPL, and the rest directly through SUN purchasing EMSPL shares from TGBL.

### Listing of Hatton Plantation PLC

Hatton Plantations Plc (CSE: HPL) share was listed on the Colombo Stock Exchange on 2nd Feb 2018, post the demerger from Watawala Plantations Plc (WATA). This completes the entire demerger transaction.

## Business segments

### 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) | nm |
| *EBIT Margin* | *5.4%* | *3.3%* | | *3.8%* | *-5.1%* | |
| **Profit for the period** | **201** | **91** | **121.6%** | **46** | **(99)** | **nm** |
| *PAT Margin* | *3.3%* | *1.6%* | | *2.2%* | *-5.5%* | |
| **Adjusted PAT*** | **201** | **214** | **-5.9%** | **46** | **24** | **87.8%** |

*Adjusted for one off stock write down due to drug price control

Healthcare revenue for 9MFY18 grew 3.3% YoY, on the back of volume increase in the pharma sub sector, despite the negative impact of NMRA price control. The 3Q growth of 15.2% gives a clear indication of the volume growth, where both quarters were under the new price control regime. EBIT margin for 9MFY18 increased by 210 bps to 5.4% mainly due to renegotiations with principles on input cost.

The Pharma sub-segment which represents 65% of Healthcare revenue up by 4.4% YoY for 9MFY18, due to higher sales volumes. The company's Pharma segment is the 2$^{nd}$ largest player in the country with 11% share of the market (IMS data). Growth in other sub-sectors were: Medical devices (-7.6% YoY) and Retail (+24.6% YoY).

Reported PAT for Healthcare amounted to LKR201m in 9MFY18, with a margin of 3.3%. The margin improvement was due to higher revenue and effective cost control.

### 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** | **60** | **73.9%** |

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The FMCG sector reported revenues of LKR3.8bn in 9MFY18, up 27.4% YoY, on the back of both volume and price growth, and accounted for 25% of group revenue for the period. The domestic branded tea business within FMCG sold 3.2m kg of branded tea, up 16% YoY, driven by their largest brand 'Watawala Tea', and their premium brand 'Zesta'.

PAT from the FMCG segment saw a decrease of 17.4% YoY, to stand at LKR206m for the nine months. The decline was due to higher Ceylon Tea prices eroding GP margins, coupled with an increase in finance cost.

## Agribusiness

| 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%* | |

The Agribusiness sector represented by WATA and HPL saw revenue growth of 13.3% YoY to LKR5.4bn, on the back of a 20.8% YoY growth in Tea revenue. Palm Oil revenue contracted by 7.5% YoY for 9MFY18 due to a decrease in CPO market price. Tea volumes were constant while Palm Oil volumes were 1% higher than the same period last year.

| Description | Revenue (LKRm) | | | Volumes (MT) | | |
|---|---|---|---|---|---|---|
| | 9M FY18 | 9M FY17 | Growth % | 9M FY18 | 9M FY17 | Growth % |
| Tea | 3,236 | 2,678 | 20.8% | 5,872 | 5,867 | 0.1% |
| Palm Oil | 1,605 | 1,736 | -7.5% | 8,519 | 8,462 | 0.7% |

PAT for 9MFY18 amounted to LKR1.0bn up 2.5% YoY. The growth in Agribusiness profits can be attributed to profitability in the Tea sub-sector compared to losses last year, despite a slight dip in profits in the Palm Oil sub sector.

Palm Oil segment, which made LKR833m PAT for 9MFY18 against LKR1,057m during the same period last year, continued to be the largest contributor to Agribusiness profits.

## Other

Revenue for the Renewable Energy division amounted to LKR204m in 9MFY18, up 201.6% YoY from LKR68m during 9MFY17 as a result of the commissioning of the second plant in 3Q last year. Power generation at the 2 plants have been lower than management expectations due to unfavorable weather conditions and grid issues during 1HFY18, despite good rainfall in 3QFY18. The sector, which currently operates 2 mini-hydro power plants, made a profit of LKR57m for 9MFY18, compared to a loss of LKR3m in the same period last year.

## Outlook

In Healthcare, we expect further growth in volumes to offset the impact of reduced prices in our product portfolio. Attention will be on growing the Surgical and Medical devices sub sectors which have significant growth potential. The depreciation of the LKR against the USD continues to impact the margins of the entire industry as the regulator controls the maximum retail price of pharmaceuticals. The regulator has granted a 5% price increase for all drugs that came under price control in October last year. This will have a positive impact on the margins from 4QFY18 going forward.

At Healthguard, the focus continues to be on developing specialty range Beauty and Wellness products as we look to introduce newer, more exciting ranges of products to the Sri Lankan consumer while attracting more customers to the chain. Overall, we expect improvement in margins as a result of our chosen sales mix and consolidated distribution center.

The FMCG business would continue to put investment behind its brands to scale both the domestic and international businesses. We expect margins to recover, with the brands taking multiple price increases to adjust for higher input cost.

In the Agri business, we expect to see moderate growth in volumes for the Palm Oil segment while prices remain at current levels. In the tea segment, we expect strong performance in 4QFY18. The tea prices are forecasted to remain at the high level due to lower production.

On the dairy sub sector, the total milking cows has reached 487 and the total number of animals increased to 1,073 with the new 500 in-calf heifers from Australia. The next herd of animals are also expected from Australia in April 2018. The daily milking volume has reached 10,000 liters per day. Nevertheless, the interim cost of feeding the whole herd will have a negative impact on Agri profitability.

In the Renewable Energy segment, we expect profitability to be challenged as 4Q historically is the driest quarter. The construction of our third plant is underway and is expected to be commissioned in the beginning of 2QFY19.

**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](http://www.sunshineholdings.lk/investor%20relations/index.php)

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