Earnings release - SUN

SUN: 23.3% increase in EPS as a result of strategic consolidation in Consumer Goods sector

1HFY19 Highlights

- *Consolidated revenue of LKR10.9bn, an increase of 5.7% YoY*
- *PAT amounted to LKR804m, down 30.0% YoY*
- *Healthcare revenue up 11.5% YoY to LKR 4.4bn*
- *Strong growth in Consumer, revenue up 15.8% YoY to LKR2.8bn*
- *Agri revenue contracted by 7.9% YoY to LKR3.5bn*
- *EPS of LKR 3.02, 23.3% higher than last year*
- *Private placement to raise Rs. 775 million with SBI Ven Holdings Ltd*

2QFY19 Highlights

- *2nd round of drug price control from 1st September 2018*
- *Consolidated revenue of LKR5.3bn, an increase of 3.4% YoY*
- *PAT amounted to LKR461m, down 21.7% YoY*
- *Healthcare revenue up 7.7% YoY to LKR 2.2bn*
- *Strong growth in Consumer, revenue up 10.1% YoY to LKR1.4bn*
- *Agri revenue contracted by 8.7% YoY to LKR1.6bn*
- *EPS of LKR 1.66, 116.2% higher than last year*

Colombo, November 08, 2018 – Sunshine Holdings PLC (CSE: SUN) reported a 23.3% growth in EPS for the six months period ending 30 September 2018 (1HFY19), stemming from the strategic consolidation of its consumer goods sector during the latter part of FY18, despite a de-growth in PAT.

LKR m	1H FY19	1H FY18	Growth %	2Q FY19	2Q FY18	Growth %
Revenue	10,915	10,328	5.7%	5,337	5,164	3.4%
EBIT	1,298	1,292	0.5%	699	606	15.3%
EBIT Margin	*11.9%*	*12.5%*		*13.1%*	*11.7%*	
PAT	**804**	**1,149**	**-30.0%**	**461**	**588**	**-21.7%**
PAT Margin	*7.4%*	*11.1%*		*8.6%*	*11.4%*	
PATMI	**424**	**352**	**20.5%**	**232**	**107**	**116.2%**
EPS (LKR)	3.02	2.45	23.3%	1.66	0.77	116.2%
Adj. PAT*	**804**	**1,022**	**-21.3%**	**461**	**461**	**-0.1%**
Adjusted EPS (LKR)*	3.02	1.60	88.6%	1.66	(0.14)	N/A

*Adjusted for one off gains/(Losses)

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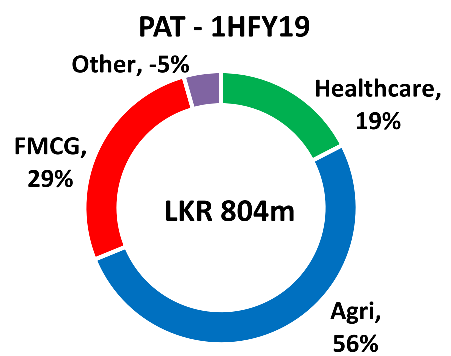
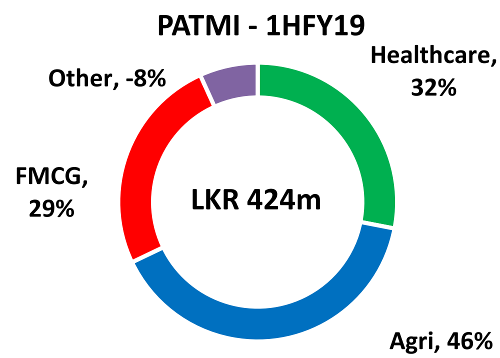
Top line indicated a growth of 5.7% to stand at LKR 10.9bn, on the back of strong performance in Consumer goods and Healthcare sectors despite a contraction in Agribusiness revenue.

Healthcare remained as the largest contributor to Group revenue accounting for 40% of the total, whereas Agribusiness contributed 32%, and Consumer goods 25%.

For 1HFY19, PAT amounted to LKR 804m down 30.0% YoY, mainly due to the lower performance of the Agribusiness sector. Profit After Tax & Minority Interest (PATMI) increased by 20.5% YoY to LKR 424m. The Agri sector represented by Watawala Plantation PLC (CSE: WATA) and Hatton Plantations PLC (CSE: HPL) accounted for 46% of PATMI





The PAT margins had reduced to 7.4% from 11.1% mainly due to lower profitability in the agribusiness sector and higher finance cost at the holding company.

Net Asset Value per share increased to LKR 52.72 as at end 1HFY19, compared to LKR 46.74 at end of 1HFY17.

Business segments

Healthcare

LKR m	1H FY19	1H FY18	Growth %	2Q FY19	2Q FY18	Growth %
Revenue	4,417	3,960	11.5%	2,181	2,025	7.7%
EBIT	237	245	-3.2%	90	109	-17.9%
EBIT Margin	*5.4%*	*6.2%*		*4.1%*	*5.4%*	
PAT	**154**	**155**	**-1.2%**	**66**	**71**	**-6.6%**
PAT Margin	*3.5%*	*3.9%*		*3.0%*	*3.5%*	

Healthcare revenue for 1HFY19 grew 11.5% YoY, on the back of volume increase in the pharma sub sector and foot fall growth in retail. Revenue for the current period was negatively impacted by the second round of drug price control which came into effect in September 2018. EBIT margin for 1HFY19 decreased by 80 bps to 5.4% mainly due to currency depreciation.

The Pharma sub-segment which represents 65% of Healthcare revenue grew 8.1% YoY for 1HFY19, due to higher sales volumes. The company's Pharma segment currently enjoys 12% share of the local private pharma market (IMS data). Growth in other sub-sectors were: Medical devices (+19.4% YoY) and Retail (+9.9% YoY).

Reported PAT for Healthcare amounted to LKR154m in 1HFY19, with a margin of 3.5%.

Consumer

LKR m	1H FY19	1H FY18	Growth %	2Q FY19	2Q FY18	Growth %
Revenue	2,792	2,410	15.8%	1,400	1,272	10.1%
EBIT	346	147	135.2%	214	78	174.9%
EBIT Margin	*12.4%*	*6.1%*		*15.3%*	*6.1%*	
PAT	**236**	**100**	**134.9%**	**146**	**49**	**194.6%**
PAT Margin	*8.5%*	*4.2%*		*10.4%*	*3.9%*	

The Consumer sector reported revenues of LKR 2.8bn in 1HFY19, up 15.8% 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 Consumer sold 2.1m kg of branded tea, up 3.8% YoY, driven by their largest brand 'Watawala Tea', and their budget brand 'Ran Kahata'.

PAT from the Consumer segment grew by 134.9% YoY, to stand at LKR 236m for 1HFY19. The increase was mainly driven by the lower input costs resulting in a higher gross profit margin.

Agribusiness

LKR m	1H FY19	1H FY18	Growth %	2Q FY19	2Q FY18	Growth %
Revenue	3,467	3,766	-7.9%	1,623	1,778	-8.7%
EBIT	639	743	-13.9%	353	300	17.5%
EBIT Margin	*18.4%*	*19.7%*		*21.7%*	*16.9%*	
PAT	**453**	**743**	**-39.0%**	**249**	**366**	**-32.0%**
PAT Margin	*13.1%*	*19.7%*		*15.4%*	*20.6%*	

The Agribusiness sector represented by WATA and HPL saw revenue decline of 7.9% YoY to LKR 3.5bn mainly due to unfavorable weather conditions impacting the tea plantations managed by HPL. Tea volumes contracted by 26.8% YoY resulting a revenue drop of 17.9% YoY due to unfavorable weather conditions. Palm Oil revenue increased by 4.8% YoY due to increase in NSA and a marginal increase in crop.

Description	Revenue (LKRm)			Volumes (MT)		
	1HFY19	1HFY18	Growth %	1HFY19	1HFY18	Growth %
Tea	1,927	2,348	-17.9%	3,177	4,340	-26.8%
Palm Oil	1,318	1,258	4.8%	6,230	6,192	0.6%

PAT for 1HFY19 amounted to LKR 453m contracting 39.0% YoY. The reduction was mainly due to the unfavorable weather conditions resulting in lowers yield for the HPL.

Other

Revenue for the Renewable Energy division amounted to LKR197m in 1HFY19, up 89.4% YoY from LKR104m during 1HFY18 as a result of higher rainfall in the catchment areas. The sector made a profit of LKR102m for 1HFY19, compared to a profit of LKR15m in the same period last year.

Outlook

In Healthcare, we expect strong growth momentum in volumes to continue into 2HF19. Revenue over the next six months will be challenged by the second round of drug price control which came into effect from 1st September 2018. The depreciation of the LKR against the USD continues to impact the margins of the entire industry. In Medical devices, we expect growth to be driven by newly acquired agencies of 3M Healthcare and Erba Lachema. The Pharma division revenue will be enhanced by the newly acquired Pharma agencies from Hayleys Consumer division.

At Healthguard, the focus continues to be on developing specialty range of Beauty and Wellness products while attracting more customers to the chain. Overall, we expect improvement in margins as a result of our chosen sales mix and increasing the presence in the digital platform.

The Consumer business would continue to invest behind its brands to scale the domestic businesses. We expect strong margins for 2H with weak tea prices at the auction during the 1H. We are mindful of the new players entering the market and will continue to strengthen our distribution and market share.

In Agribusiness, we expect to see moderate growth in volumes for the Palm Oil segment while prices are expected to increase with the currency depreciation. In the tea segment, we expect profitability to be challenged due to low crop on the back of adverse weather in the Hatton and Lidula region. Marginal growth in NSA is expected due to lower crop in the market. The collective agreement with the workers expired and new agreement is being negotiated.

On the dairy sub sector, the total milking cows has reached 991 and the total number of animals increased to 1,536. Overall operation is steadily growing to the target of 1,000 milking cows. Nevertheless, the interim cost of feeding the whole herd will have a negative impact on Agri profitability.

In the Renewable Energy segment, construction of our third plant which was planned to be commissioned during October 2018 has been postponed to December 2018 due to slow progress on account of inclement weather.

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 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, Tribe 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

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