

SUN: Strong growth in Consumer Goods and Healthcare drive Sunshine Holdings' top line performance in 9MFY19

9MFY19 Highlights

- Consolidated revenue of LKR 16.7bn, an increase of 7.3% YoY
- PAT amounted to LKR 1.3bn, down 20.1% YoY
- Healthcare revenue up 12.8% YoY to LKR 6.8bn
- Strong growth in Consumer, revenue up 13.9% YoY to LKR 4.4bn
- Agri revenue contracted by 3.5% YoY to LKR 5.2bn
- EPS of LKR 4.87, 31.9% higher than last year
- Private placement to raise Rs. 775 million with SBI Ven Holdings Ltd

3QFY19 Highlights

- Consolidated revenue of LKR 5.8bn, an increase of 10.6% YoY
- PAT amounted to LKR 505m, up 3.2% YoY
- Healthcare revenue up 15.2% YoY to LKR 2.4bn
- Strong growth in Consumer, revenue up 10.6% YoY to LKR 1.6bn
- Agri revenue up 6.9% YoY to LKR 1.7bn
- EPS of LKR 1.85, up 66.1% YoY

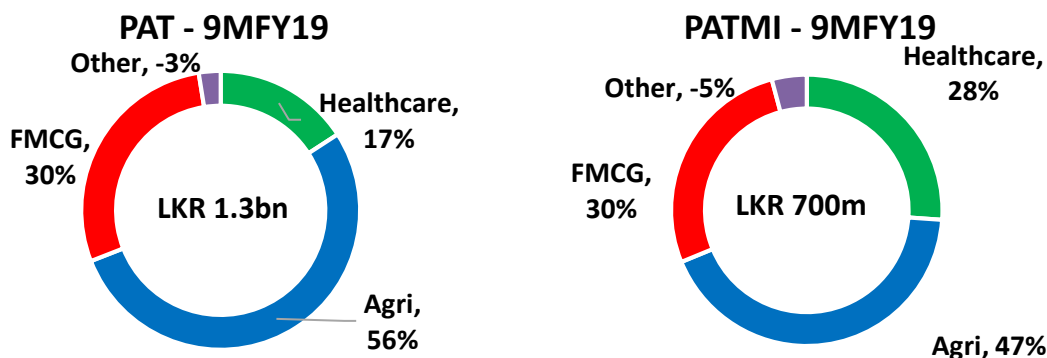
Colombo, February 12, 2019 – Sunshine Holdings PLC (CSE: SUN) reported top line grew 7.3% to stand at LKR 16.7bn, on the back of strong performance in Consumer goods and Healthcare sectors despite a contraction in Agribusiness revenue.

LKR m	9M FY19	9M FY18	Growth %	3Q FY19	3Q FY18	Growth %
Revenue	16,707	15,563	7.3%	5,792	5,235	10.6%
EBIT	2,070	1,989	4.1%	772	697	10.9%
<i>EBIT Margin</i>	<i>12.4%</i>	<i>12.8%</i>		<i>13.3%</i>	<i>13.3%</i>	
PAT	1,309	1,638	-20.1%	505	489	3.2%
<i>PAT Margin</i>	<i>7.8%</i>	<i>10.5%</i>		<i>8.7%</i>	<i>9.3%</i>	
PATMI	700	511	36.9%	276	160	73.0%
EPS (LKR)	4.87	3.69	31.9%	1.85	1.11	66.1%

Healthcare remained as the largest contributor to Group revenue accounting for 40% of the total, whereas Agribusiness contributed 31%, and Consumer goods 26%.

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For 9MFY19, PAT amounted to LKR 1.3bn down 20.1% YoY, mainly due to the lower performance of the Agribusiness sector. Profit After Tax & Minority Interest (PATMI) increased by 36.9% YoY to LKR 700m. The Agri sector represented by Watawala Plantation PLC (CSE: WATA) and Hatton Plantations PLC (CSE: HPL) accounted for 46% of PATMI



The PAT margins contracted to 7.8% for 9MFY19 from 10.5% last year 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 53.54 as at end 9MFY19, compared to LKR 48.81 at end of 9MFY17.

Business segments

Healthcare

LKR m	9M	9M	Growth	3Q	3Q	Growth
	FY19	FY18	%	FY19	FY18	%
Revenue	6,787	6,018	12.8%	2,369	2,058	15.2%
EBIT	331	324	2.3%	94	79	19.5%
<i>EBIT Margin</i>	<i>4.9%</i>	<i>5.4%</i>		<i>4.0%</i>	<i>3.8%</i>	
PAT	218	201	8.5%	65	46	41.7%
<i>PAT Margin</i>	<i>3.2%</i>	<i>3.3%</i>		<i>2.7%</i>	<i>2.2%</i>	

Healthcare revenue for 9MFY19 grew 12.8% 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 9MFY19 decreased by 50 bps to 4.9% mainly due to currency depreciation.

The Pharma sub-segment which represents 65% of Healthcare revenue grew 9.3% YoY for 9MFY19, due to higher sales volumes. The company's Pharma segment currently enjoys 11% share of the local private pharma market (IMS data). Growth in other sub-sectors were: Medical devices (+38.8% YoY) and Retail (+7.4% YoY).

Reported PAT for Healthcare amounted to LKR218m in 9MFY19, up 8.5% YoY at a margin of 3.2%.

Consumer

LKR m	9M	9M	Growth	3Q	3Q	Growth
	FY19	FY18	%	FY19	FY18	%
Revenue	4,369	3,836	13.9%	1,577	1,425	10.6%
EBIT	564	293	92.8%	218	146	50.0%
<i>EBIT Margin</i>	<i>12.9%</i>	<i>7.6%</i>		<i>13.8%</i>	<i>10.2%</i>	
PAT	391	206	90.4%	155	105	47.8%
<i>PAT Margin</i>	<i>9.0%</i>	<i>5.4%</i>		<i>9.9%</i>	<i>7.4%</i>	

The Consumer sector reported revenues of LKR 4.3bn in 9MFY19, up 13.9% YoY, on the back of both volume and price growth, and accounted for 26% of group revenue for the period. The domestic branded tea business within Consumer sold 3.3m kg of branded tea, up 3.7% YoY, driven by their largest brand 'Watawala Tea', and their budget brand 'Ran Kahata'.

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PAT from the Consumer segment grew by 90.4% YoY, to stand at LKR 391m for 9MFY19. The increase was mainly driven by the lower input costs resulting in a higher gross profit margin.

Agribusiness

LKR m	9M	9M	Growth	3Q	3Q	Growth
	FY19	FY18	%	FY19	FY18	%
Revenue	5,179	5,368	-3.5%	1,712	1,602	6.9%
EBIT	1,042	1,163	-10.4%	402	420	-4.2%
<i>EBIT Margin</i>	<i>20.1%</i>	<i>21.7%</i>		<i>23.5%</i>	<i>26.2%</i>	
PAT	734	1,040	-29.4%	280	296	-5.3%
<i>PAT Margin</i>	<i>14.2%</i>	<i>19.4%</i>		<i>16.4%</i>	<i>18.5%</i>	

The Agribusiness sector represented by WATA and HPL saw revenue decline of 3.5% YoY to LKR 5.2bn mainly due to unfavorable weather conditions impacting the tea plantations managed by HPL. Tea volumes contracted by 4.0% YoY resulting a revenue drop of 19.5% YoY due to unfavorable weather conditions. Palm Oil revenue increased by 12.1% YoY due to increase in NSA and a marginal increase in crop.

Description	Revenue (LKRm)			Volumes (MT)		
	9MFY19	9MFY18	Growth %	9MFY19	9MFY18	Growth %
Tea	2,857	3,551	-19.5%	5,520	5,750	-4.0%
Palm Oil	1,954	1,743	12.1%	8,930	8,502	5.0%

PAT for 9MFY19 amounted to LKR 734m contracting 29.4% YoY. The reduction was mainly due to the lower profitability in the Tea Sub-segment.

Other

Revenue for the Renewable Energy division amounted to LKR311m in 9MFY19, up 52.6% YoY from LKR204m during 9MFY18 as a result of higher rainfall in the catchment areas. The sector made a profit of LKR165m for 9MFY19, compared to a profit of LKR57m in the same period last year.

Outlook

In Healthcare, we expect to stabilize the volumes in 4QF19. Slight price increases will be taken for selected non-price control products to reflect the higher import cost. The depreciation of the LKR against the USD continues to impact the margins of the entire industry.

At Healthguard, the focus continues to be on developing specialty range of Beauty and Wellness products while attracting more customers to the chain. Furthermore, focus will be given on improving the online presence of the business.

The Consumer business would continue to invest behind its brands to scale the domestic businesses. Margins are expected to be challenged with the increasing tea prices. We are mindful of the new players entering the market and will continue to strengthen our international business operation efficiency.

In Agribusiness, we expect to see moderate growth in volumes for the Palm Oil segment due to shift in yield curve while prices are expected to be stable in the short run. 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 wage collective agreement was entered between the Regional Plantation companies (RPC's) and the trade unions on 28th January 2019 increasing the daily basic wage to LKR 700, the Price Share Supplement (PSS) to LKR 50, and thereby the total daily wage to LKR 855. The proposed wage increase would have an impact of LKR 350 Mn for the 4th quarter mainly due to the one time gratuity payment.

On the dairy sub sector, the total milking cows has reached 1,016 and the total number of animals increased to 1,257. 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 of 2.4 Mw had been concluded at the beginning of the 4th Quarter and 1st roof top solar unit at 400 Kw had commissioned at Sunshine Tea Kelaniya premises.

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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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