

Earnings release - SUN

SUN: Revenue up 16% YoY in 2Q with further investment in Consumer Sector

1HFY21 Highlights

- Consolidated revenue of LKR 11.0bn, increase of 9.3 % YoY
- PAT amounted to LKR 1.3bn, increase of 34.8% YoY
- Healthcare revenue up 10.0% YoY to LKR 5.8bn
- Consumer revenue contracted 0.4% YoY to LKR2.8bn
- Agri revenue up 17.3% YoY to LKR2.1bn
- EPS of LKR 4.71

2QFY21 Highlights

- Consolidated revenue of LKR 6.2bn, increase of 15.7 % YoY
- PAT amounted to LKR 733m, increase of 11.0% YoY
- Healthcare revenue up 14.6% YoY to LKR 3.2bn
- Consumer revenue up 12.9% YoY to LKR1.7bn
- Agri revenue up 23.6% YoY to LKR1.2bn
- EPS of LKR 2.56

Colombo, November 13, 2020 – Sunshine Holdings PLC (CSE: SUN) adjusted top line grew 9.3% YoY to stand at LKR 11.0bn for 1HFY21, despite challenges for the Consumer and Healthcare Retail businesses due to C19 lockdown measures during 1Q. The adjustment relates to the sale of the tea plantation business represented by Hatton Plantations PLC (CSE: HPL) during the 1st quarter of last financial year.

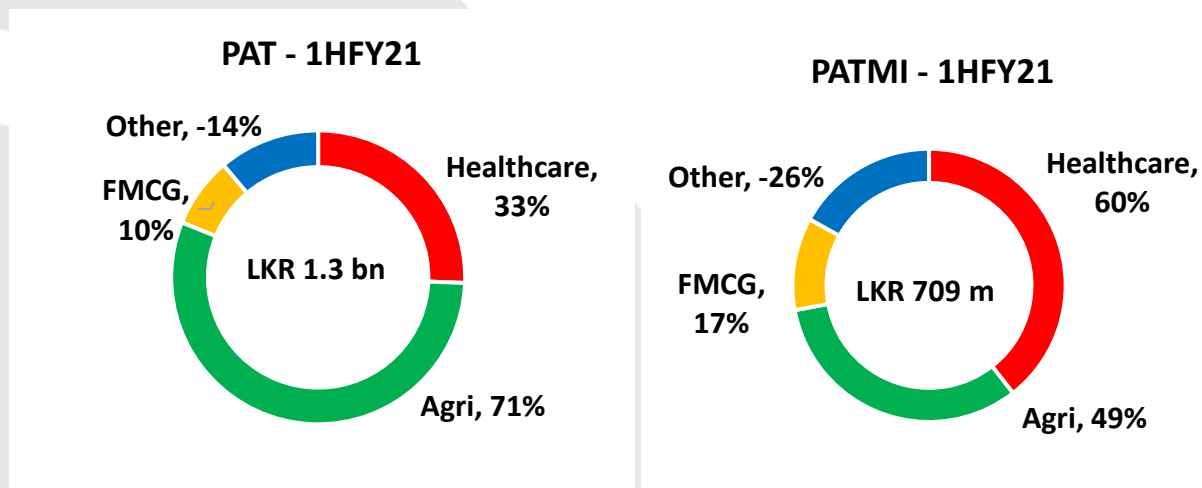
LKR m	1HFY21	1HFY20	Growth %	2Q FY21	2Q FY20	Growth %
Revenue	10,951	10,023	9.3%	6,164	5,327	15.7%
EBIT	1,967	1,560	26.0%	1,107	939	17.8%
<i>EBIT Margin</i>	<i>18.0%</i>	<i>15.6%</i>		<i>18.0%</i>	<i>17.6%</i>	
PAT	1,285	953	34.8%	733	660	11.0%
<i>PAT Margin</i>	<i>11.7%</i>	<i>9.5%</i>		<i>11.9%</i>	<i>12.4%</i>	
PATMI	709	554	28.0%	389	398	-2.2%
EPS (LKR)	4.71	3.70	27.1%	2.56	2.70	-5.2%

*1HFY20 results are adjusted for HPL divestment in 1QFY20

Earnings release - SUN

Healthcare remained the largest contributor to Group revenue in 1HFY21, accounting for 53% of the total, whereas Consumer Goods contributed 25%, and Agribusiness accounting for 19%.

For 1HFY21, PAT amounted to LKR 1.3bn representing an increase of 34.8% YoY, mainly due to the profit arising from the improved performance in the Agribusiness sector. Profit After Tax & Minority Interest (PATMI) increased by 28.0% YoY to LKR 709 m.



The PAT margins increased to 11.7% during 1HFY21 compared to 9.5% last year mainly due to the margin increase in Agribusiness sector.

Net Asset Value per share increased to LKR 59.33 as at end 1HFY21, compared to LKR 56.26 at end of 1HFY20.

Deal flow

During 2QFY21 the Groups Consumer sector acquired 100% shareholding of Daintee Limited to further expand its presence, beyond tea, in the local consumer goods sector. Daintee is a market leader in sweets and toffee category in Sri Lanka with 40% market share.

Business segments

Healthcare

LKR m	1HFY21	1HFY20	Growth %	2Q FY21	2Q FY20	Growth %
Revenue	5,795	5,267	10.0%	3,202	2,796	14.6%
EBIT	646	452	42.9%	365	222	64.1%
<i>EBIT Margin</i>	<i>11.1%</i>	<i>8.6%</i>		<i>11.4%</i>	<i>7.9%</i>	
PAT	423	273	55.3%	253	132	91.3%
<i>PAT Margin</i>	<i>7.3%</i>	<i>5.2%</i>		<i>7.9%</i>	<i>4.7%</i>	

Healthcare revenue for 1HFY21 grew 10.0% YoY. Higher volumes, stable Rupee, and increased contribution from the Pharmaceutical business propelled EBIT margin by 250 bps in 1HFY21 compared to the same period last year. It was a challenging period for the Medical Devices and Retail business within Healthcare, due to lower occupancy rates in hospitals and a significant reduction in store operating hours due to lockdown during 1QFY21. However significant improvement was reflected during 2QFY21 for both Medical Devices and Retail business.

The Pharma sub-segment which represents 68% of Healthcare revenue grew 14.3% YoY in 1HFY21, due to higher sales volumes. The company's Pharma segment currently enjoys 11% share of the local private pharma market (IMS data). Movements in other sub-sectors were: Medical Devices (3.0% YoY) and Retail (-0.5% YoY).

PAT for Healthcare amounted to LKR 423m in 1HFY21 at a margin of 7.3%.

Consumer

LKR m	1HFY21	1HFY20	Growth %	2Q FY21	2Q FY20	Growth %
Revenue	2,772	2,782	-0.4%	1,662	1,472	12.9%
EBIT	212	286	-26.0%	126	201	-37.6%
<i>EBIT Margin</i>	<i>7.6%</i>	<i>10.3%</i>		<i>7.6%</i>	<i>13.7%</i>	
PAT	128	199	-35.4%	58	141	-58.9%
<i>PAT Margin</i>	<i>4.6%</i>	<i>7.1%</i>		<i>3.5%</i>	<i>9.6%</i>	

The Consumer sector reported revenues of LKR 2.8 bn in 1HFY21, contracting 0.4% YoY and accounted for 25% of group revenue for the period. The domestic branded tea business within Consumer sector sold 2.4 m kg of branded tea with 6.7% growth YoY against the same period

Earnings release - SUN

last year. PAT from the Consumer segment decreased by 35.4% YoY, to stand at LKR 128m for 1HFY2. The decrease was mainly due to the retail price reductions effected from 3QFY20.

Agribusiness

LKR m	1HFY21	1HFY20	Growth %	2Q FY21	2Q FY20	Growth %
Revenue	2,125	1,812	17.3%	1,152	932	23.6%
EBIT	1,102	819	34.6%	606	454	33.4%
<i>EBIT Margin</i>	<i>51.9%</i>	<i>45.2%</i>		<i>52.6%</i>	<i>48.7%</i>	
PAT	918	603	52.3%	511	342	49.3%
<i>PAT Margin</i>	<i>43.2%</i>	<i>33.3%</i>		<i>44.4%</i>	<i>36.7%</i>	

The Agribusiness sector represented by Palm Oil and Dairy sectors reported revenue increase of 17.3% YoY to LKR 2.1 bn mainly due to increase in Palm NSA and milk prices.

Palm oil production was at 6.5m Kg for 1HFY21 which was 8.0% below than the same period last year. PAT for 1HFY20 amounted to LKR 918m increasing 52.3% YoY.

During 2QFY21 Company successfully obtained the world renowned RSPO certification (Roundtable on Sustainable Palm Oil) - a global standard for sustainable palm oil, effective September 2020. RSPO certification, is an assurance to the customer that the standard of palm oil production is sustainable. This standard is common in most parts of the world.

Renewable Energy

Revenue for the Renewable Energy division amounted to LKR 209m in 1HFY21, up 109.4% YoY from LKR 100m during 1HFY20 as a result of higher rainfall in the catchment areas and optimal operations of all three plants. The sector PAT was at LKR 56m for 1HFY21, compared to a loss of LKR 37m the last year.

Outlook

In Healthcare, we expect growth in 3QFY21, especially in the Medical devices and Pharma sub-sectors. Occupancy decrease can be expected in Hospitals, Operating Theatre and Lab tests. Hospital entry restrictions and limitations due to prevailing conditions and less patients for Pediatricians is likely to result in low sales in Pediatric and Respiratory products. We are closely monitoring the changes in the exchange rate which is sensitive on our margins. The sector will continue to focus on improving the product range and service quality while competing for more government tenders.

At Healthguard, the focus continues to be on developing online business with restricted operating hours has a result of lockdown measures.

The Consumer business will be expecting volume growth in 3QFY21. The company would continue to invest behind its brands to scale the domestic businesses. The newly acquired Daintee Limited will be key focus during the period.

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 term.

On the dairy sub sector, the total milking cows for the period stood at 784 and the total number of animals stand at 1,507. We expect to further rationalize the feed cost and increase selling price due to higher demand for quality milk.

In the Renewable Energy segment, we will continue to focus on expanding our production capacity via rooftop solar projects.

Earnings release - SUN



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. The business units comprise of Sunshine Healthcare Lanka Limited, Watawala Plantations PLC, Watawala Tea Ceylon Limited and Sunshine Energy Private Limited which 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 and Watawala Tea. The Estate Management Services Limited (EMS), the agri-business arm of Sunshine Holdings PLC, manages Watawala Plantations, Sri Lanka’s largest palm oil producer. The company’s healthcare marketing unit is the second largest in its sector nationally.

For more information, please visit our Investor Relations page.



<http://www.sunshineholdings.lk/investor%20relations/index.php>

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