

## Earnings release - SUN

### SUN: Sunshine FY21 revenue up 16.6% YoY, driven by core sectors - Healthcare and Consumer

#### FY21 Highlights

- Consolidated revenue of LKR 24.3bn, increase of 16.6 % YoY
- PAT amounted to LKR 2.5bn, increase of 38.5% YoY
- Healthcare revenue up 14.5% YoY to LKR 12.8bn
- Consumer revenue up 30.8% YoY to LKR 7.1bn
- Agri revenue up 2.4% YoY to LKR 3.9bn
- EPS of LKR 3.39

#### 4QFY21 Highlights

- Consolidated revenue of LKR 6.9bn, increase of 37.1% YoY
- PAT amounted to LKR 650m, increase of 387.9% YoY
- Healthcare revenue up 24.0% YoY to LKR 3.7bn
- Consumer revenue up 76.5% YoY to LKR 2.2bn
- Agri revenue up 30.0% YoY to LKR 1.0bn
- EPS of LKR 0.96

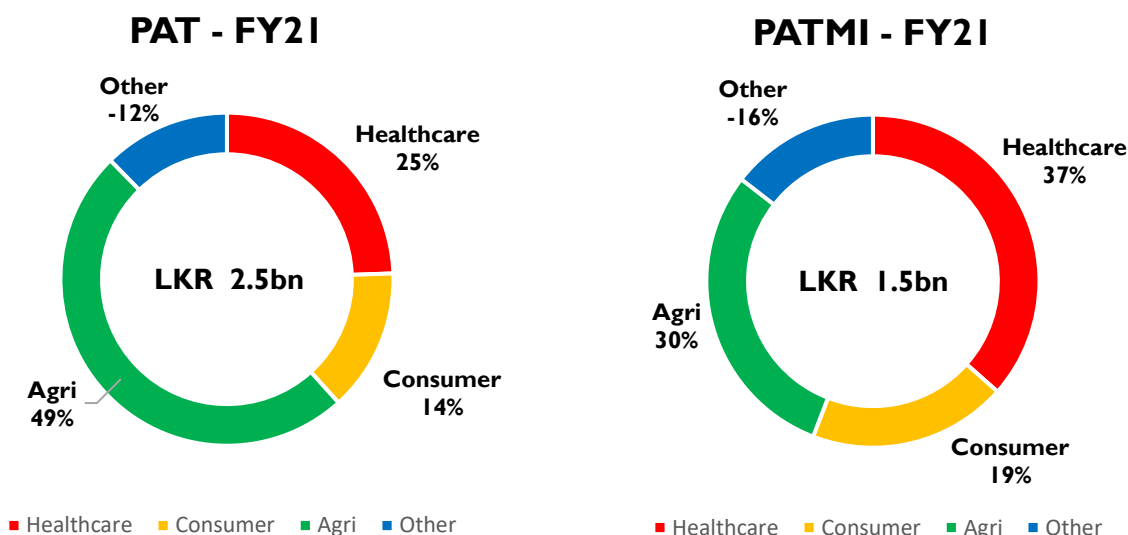
**Colombo, May 24, 2021** – Sunshine Holdings PLC (CSE: SUN) top line grew 16.6% YoY to stand at LKR 24.3bn for FY21, backed by strong performance in Healthcare and Consumer segments, despite macroeconomic challenges due to Covid-19 lockdown measures. Results of Akbar Pharmaceuticals (Pvt) Ltd are included from February 2021 onwards and Daintee Limited results from September 2021

LKR m	FY21	FY20	Growth %	4Q FY21	4Q FY20	Growth %
Revenue	24,339	20,875	16.6%	6,940	5,060	37.1%
EBIT	3,525	2,909	21.2%	619	353	75.6%
<i>EBIT margin</i>	<i>14.5%</i>	<i>13.9%</i>		<i>8.9%</i>	<i>7.0%</i>	
PAT	2,538	1,833	38.5%	650	133	387.9%
<i>PAT margin</i>	<i>10.4%</i>	<i>8.8%</i>		<i>9.4%</i>	<i>2.6%</i>	
PATMI	1,522	1,147	32.7%	431	127	240.3%
EPS (LKR)	3.39	2.56	32.7%	0.96	0.28	240.3%

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Healthcare remained the largest contributor to Group revenue in FY21, accounting for 53% of the total, whereas Consumer Goods contributed 29%, and Agribusiness accounted for 16%.

For FY21, PAT amounted to LKR 2.5bn representing an increase of 38.5% YoY, stemming from revenue growth, improvement in operating margins, and reduction in finance expenses. Profit After Tax & Minority Interest (PATMI) increased by 32.7% YoY to LKR 1.5bn.



The PAT margins increased to 10.4% during FY21 compared to 8.8% last year mainly due to the margin increase in Agri segment followed by margin increase in Healthcare and Consumer segments stemming from operating cost rationalization and lower finance cost.

Net Asset Value per share increased to LKR 23.48 as at the end of FY21 compared to LKR 18.75 at the end of FY20. Number of shares increased from 149,554,103 to 448,662,309 shares due to a 3:1 share split announced in February 2021.

The Group's increased exposure to its core sectors, Healthcare and Consumer, which are defensive in nature was reflected in the upward revision of Fitch rating to 'AA+(lka)'; Outlook Stable, from 'A(lka)' in January 2021 [reaffirmed in March 2021].

## Deal flow

During 2QFY21 the Consumer sector announced its acquisition of 100% shareholding of Daintee Limited, thus extending its consumer portfolio beyond tea into the confectionary sector. Daintee is the market leader in the hard-boiled candies category with ~43% market share.

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Group's Healthcare sector merged with Akbar Pharmaceuticals on 25<sup>th</sup> January 2021. Post-transaction, Sunshine Holdings owns 72% of Sunshine Healthcare Lanka Limited which was previously a fully owned subsidiary, whereas Akbar Brothers Ltd owns the remaining 28% shares. The merger led to Sri Lanka's first fully integrated Healthcare company with the addition of pharma manufacturing and R&D operations.

With the aim of re-focusing on its core sectors, the Group divested its stake in the Mini Hydro Power business, under Waltrim Hydropower (Pvt) Ltd to Aitken Spence PLC on the 7<sup>th</sup> of April 2021.

In the Agribusiness sector, the dairy business under Watawla Dairy Ltd (WDL) raised US\$2m in equity from SBI Japan for an 11% stake in the company on 12 May 2021. The proceeds will be utilized to expand dairy operations and strengthen the balance sheet of WDL.

### **Business segments**

#### **Healthcare**

LKR m	FY21	FY20	Growth %	4Q FY21	4Q FY20	Growth %
Revenue	12,770	11,150	14.5%	3,689	2,973	24.0%
EBIT	1,197	859	39.4%	273	161	69.4%
<i>EBIT margin</i>	<i>9.4%</i>	<i>7.7%</i>		<i>7.4%</i>	<i>5.4%</i>	
PAT	824	510	61.6%	231	103	124.2%
<i>PAT margin</i>	<i>6.4%</i>	<i>4.6%</i>		<i>6.3%</i>	<i>3.5%</i>	

Healthcare revenue for FY21 grew 14.5% YoY. The sector achieved growth in Pharma, MDD and Retail subsectors with significant improvement in second half of the year owing to the recovery from Covid-19 lockdown during 1QFY21. The pharma subsector remains as the 2<sup>nd</sup> largest player in the market with 12.5% market share. Pharma and MDD achieved the highest per quarter revenue in 4QFY21. Healthguard, the retail arm of the Healthcare sector, witnessed an increase in sales in the mid of FY21 which was predominantly driven by the increase in health and wellness consciousness of consumers with the spread of Covid-19 in the country. In response to lockdown periods in 1QFY21, the Healthcare sector widened its online presence with delivery services. However, improved footfall was observed during the latter part of FY21.

Despite a challenging 1<sup>st</sup> quarter, annual performance shows growth with strong performance in 2HFY21. The Pharma subsector which contributed 66% to Healthcare revenue, grew 14.8% YoY in FY21. Movements in other sub-sectors were: Medical Devices 9.1% YoY and Retail 5.2% YoY. Further, stringent measures have been taken during FY21 to improve overall efficiency of the

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sector and to improve the working capital by reducing stock holding period while improving debtor collection.

PAT for Healthcare amounted to LKR 824m in FY21 at a margin of 6.4%.

### Consumer

LKR m	FY21	FY20	Growth %	4Q FY21	4Q FY20	Growth %
Revenue	7,125	5,448	30.8%	2,187	1,239	76.5%
EBIT	581	417	39.2%	161	(6)	n/m
<i>EBIT margin</i>	<i>8.2%</i>	<i>7.7%</i>		<i>7.4%</i>	<i>-0.4%</i>	
PAT	467	297	57.2%	164	3	4637.1%
<i>PAT margin</i>	<i>6.6%</i>	<i>5.5%</i>		<i>7.5%</i>	<i>0.3%</i>	

The Consumer sector reported revenues of LKR 7.1bn in FY21, with an increase of 30.8% YoY and accounted for 14% of group revenue for the period. The revenue growth is predominantly due to the addition of the confectionary business via the acquisition of Daintee during 2QFY21, Strong performance in three consecutive quarters enabled the Tea category to end the year with a 14.5% volume growth. Value has been impacted by negative price growth of 6.2% arising from price reductions taken in 3QFY20.

Confectionery revenue growth is owing to higher volumes, supported by focused distribution and increased production capacity during the second half of the year.

PAT from the Consumer segment increased by 57.2% YoY, to stand at LKR 467m for FY21. Post-acquisition Daintee contributed LKR 185m for the bottom line.

### Agri

LKR m	FY21	FY20	Growth %	4Q FY21	4Q FY20	Growth %
Revenue	3,934	3,839	2.5%	962	739	30.1%
EBIT	1,818	1,115	63.0%	321	97	232.2%
<i>EBIT margin</i>	<i>46.2%</i>	<i>29.0%</i>		<i>33.4%</i>	<i>13.1%</i>	
PAT	1,663	755	120.2%	400	40	901.6%
<i>PAT margin</i>	<i>42.3%</i>	<i>19.7%</i>		<i>41.6%</i>	<i>5.4%</i>	

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The Agribusiness sector reported revenue increase of 2.5% YoY to LKR 3.9bn in FY21 mainly due to increase in Palm oil NSA and milk prices.

Palm oil production was at 10,925 MT for FY21 which was a degrowth of 4.9% YoY. PAT for FY21 amounted to LKR 1.7bn increasing 120.2% YoY due to better margins in palm oil and the Dairy project breaking even after its commencement 3 years ago.

Dairy segment, which commenced operations in 2018, made profits in FY21 contributing to 4% of Agribusiness sector PBT. In addition to increase in NSA, profitability of dairy segment was further driven by lean management and rationalization of the feed cost, despite increase in commodity prices of key raw materials during 4Q.

### Renewable Energy

Revenue for the Renewable Energy division amounted to LKR 440m in FY21, up 40.8% YoY from LKR 313m during FY20 as a result of favorable weather conditions in the Hydro segment and the expansion of the roof top solar projects.

### Outlook

In Healthcare we are closely monitoring the changes in exchange rate which is sensitive on our margins. We expect challenges to continue with less patients for Pediatricians, and low sales in Antibiotics and Respiratory products. The sector will continue to focus on improving the product range and service quality while competing for more government tenders. The sector will further focus on the integration and further development of the pharma manufacturing facilities acquired via the merger with Akbar Pharmaceuticals.

At Healthguard, focus will continue to be on online business platforms in response to travel restrictions due to the third wave of Covid-19.

The consumer segment will be expecting a challenging 1<sup>st</sup> quarter due to the accelerated outbreak of Covid-19. The company would continue to invest behind its brands to scale the domestic businesses. We further expect to drive distribution synergies in the retail channels.

In Agribusiness, we expect to see price increases, while the volume growth is expected to be stagnant owing to government restrictions on palm oil cultivation. With reference to the Gazette no. 2222/13 dated 5 April 2021, prohibiting the cultivation of palm oil in Sri Lanka, which we believe will have a negative impact on the long-term performance of the Palm oil business.

In the dairy subsector we expect to utilize the investment from SBI to expand the herd to reach 1000 milking cows [currently 788 milking cows] and strengthen the upstream value chain.

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

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### ABOUT SUNSHINE HOLDINGS

Sunshine Holdings PLC is a diversified conglomerate contributing to ‘nation-building’ by creating value in vital sectors of the Sri Lankan economy – mainly in the healthcare and consumer sectors, with strategic investments in agribusiness and renewable energy. Established over 50 years ago in 1967, the Group is now home to leading Sri Lankan brands such as Zesta Tea, Watawala Tea, Ran Kahata, Daintee Confectionary and Healthguard Pharmacy -, with over 2,300 employees and revenue of LKR 21bn. The business units comprise of Sunshine Healthcare Lanka, Sunshine Consumer Limited, Daintee, Healthguard Pharmacy, Sunshine Energy and Watawala Plantations PLC, which are leaders in their respective sectors and many of them certified as a “Great Place to Work” in 2021.

For more information, please visit our Investor Relations page.



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

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