Earnings release - SUN

SUN: EPS up 67% in 9MFY22 driven by acquisitions and Agribusiness

9MFY22 Highlights

- *Consolidated revenue of LKR 24.1bn, increase of 38.6% YoY*
- *PAT amounted to LKR 3.6bn, increase of 89.5% YoY*
- *Healthcare revenue up 42.6% YoY to LKR 12.9bn*
- *Consumer revenue up 22.1% YoY to LKR 6.0bn*
- *Agri revenue up 69.4% YoY to LKR 5.0bn*
- *EPS of LKR 4.06*

3QFY22 Highlights

- *Consolidated revenue of LKR 8.3bn, increase of 28.8% YoY*
- *PAT amounted to LKR 1.1bn, increase of 86.0% YoY*
- *Healthcare revenue up 33.9% YoY to LKR 4.4bn*
- *Consumer revenue up 5.1% YoY to LKR 2.3bn*
- *Agri revenue up 92.3% YoY to LKR 1.6bn*
- *EPS of LKR 1.36*

Colombo, February 3, 2022 – Sunshine Holdings PLC (CSE: SUN) top line grew 38.6% YoY to stand at LKR 24.1bn for 9MFY22, with Healthcare and Agriculture segments showing significant growth compared to 9MFY21, amid challenges arising from Covid-19 and resultant travel restrictions. On reported financials, results of Daintee Ltd and Akbar Pharmaceuticals (Pvt) Ltd [APL] are consolidated in September 2020 and February 2021 respectively. However, for comparison purpose, adjusted 9MFY21 is presented below to reflect the performance of Daintee and APL.

LKR m	9MFY22	9MFY21	Growth %	Adj. 9MFY21	Growth % vs Adj 9MFY21	3QFY22	3QFY21	Growth %
Revenue	24,109	17,400	38.6%	19,762	22.0%	8,305	6,449	28.8%
EBIT	4,451	2,906	53.2%	3,184	39.8%	1,471	939	56.6%
EBIT margin	*18.5%*	*16.7%*		*16.1%*		*17.7%*	*14.6%*	
PAT	3,577	1,888	89.5%	2,056	73.9%	1,120	602	86.0%
PAT margin	*14.8%*	*10.8%*		*10.4%*		*13.5%*	*9.3%*	
PATMI	1,820	1,091	66.8%			611	387	58.0%
EPS (LKR)	4.06	2.43	66.8%			1.36	0.86	58.0%

**9MFY21 is adjusted to reflect the performance of Daintee and APL*

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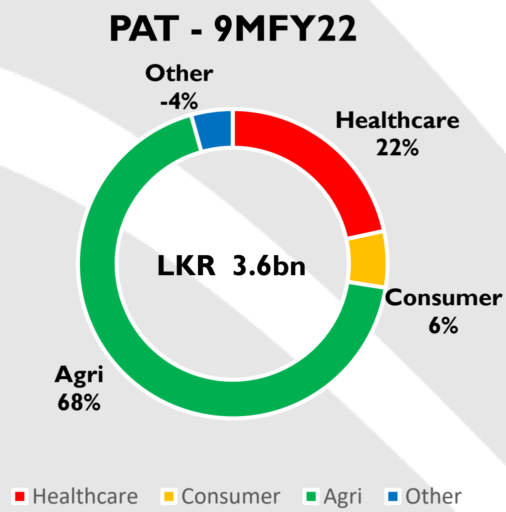
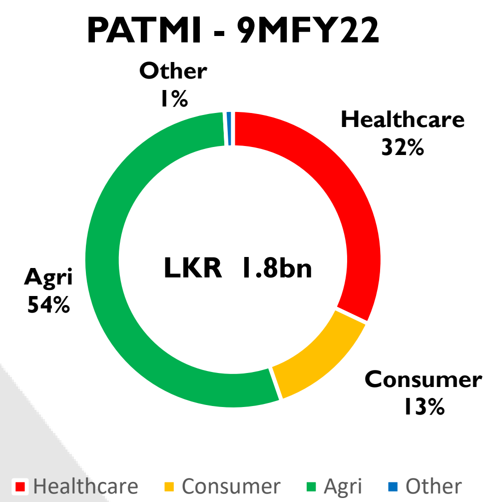
Healthcare remained the largest contributor to Group revenue in 9MFY22, accounting for 54% of the total, whereas Consumer Goods contributed 25%, and Agribusiness accounted for 21%.

For 9MFY22, PAT amounted to LKR 3.6bn representing an increase of 89.5% YoY, stemming from overall revenue growth, increased margins in the Agri sector due to growth in NSA and addition of confectionery and Akbar pharma businesses in FY21. Reported Profit After Tax & Minority Interest (PATMI) increased by 66.8% YoY to LKR 1.8bn.





The PAT margins increased to 14.8% during 9MFY22 compared to 10.8% in 9MFY21 mainly driven by a margin increase in Agri segment.

Net Asset Value per share increased to LKR 26.85 as at the end of 9MFY22 compared to LKR 23.48 at the end of FY21.

Deal flow

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 7th of April 2021. The Group further divested the Solar Power business in September 2021, completely exiting the renewable energy business. Sale proceeds will be re-invested in core business areas going forward.

In the Agribusiness sector, the dairy business under Watawala 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.

The Consumer sector secured USD 5m funding from IFC end of May 2021. The LKR-linked disbursement is IFC's first local currency investment in Sri Lanka's consumer goods sector. The proceeds were received in October 2021 and was channeled into Consumer Sector to settle the bridge loan taken for the purpose of acquiring Daintee Ltd.

Business segments

Healthcare

LKR m	9MFY22	9MFY21	Growth %	Adj 9MFY21	3QFY22	3QFY21	Growth %
Revenue	12,946	9,080	42.6%	10,579	4,400	3,285	33.9%
EBIT	1,253	925	35.5%	1,009	493	279	77.0%
EBIT margin	*9.7%*	*10.2%*		*9.5%*	*11.2%*	*8.5%*	
PAT	846	593	42.8%	601	339	169	100.2%
PAT margin	*6.5%*	*6.5%*		*5.7%*	*7.7%*	*5.2%*	

**9MFY21 is adjusted to reflect the performance of APL*

Healthcare revenue for 9MFY22 grew 42.6% YoY, driven by the addition of Akbar pharma business and improved performance in key subsectors. The sector showcased significant revenue growth in Pharma, Medical Devices Division (MDD) and Retail subsectors.

EBIT Margin contraction in the Healthcare sector is predominantly owing to LKR currency depreciation and lower margins in the Pharma manufacturing business. However, the impact was minimized by margin improvement in MDD and Retail subsectors, and 9% increase in MRP for gazette products from August 2021.

Pharma subsector achieved a record revenue of LKR 2.9bn for the quarter. MDD subsector growth reflects price and volume increase during the period. The retail arm was able to achieve growth with increased footfall during 3QFY22 and special focus on online presence and delivery services. The increase in sales was predominantly due to increased demand for pharma and wellness products.

The merger with Akbar Pharmaceuticals (Pvt) Ltd was in effect from February 2021. Therefore, reported comparative for 9MFY21 results does not include the consolidation of APL results. APL contribution to revenue during 9MFY22 stood at LKR 1,347m.

The Pharma subsector grew 31.9% YoY in 9MFY22 against the corresponding period last year. Movements in other key sub-sectors compared to 9MFY21were: Medical Devices 15.2% YoY, and Retail 35.0% YoY, Manufacturing 9.0% YoY.

Consumer

LKR m	9MFY22	9MFY21	Growth %	Adj. 9MFY21	3Q FY22	3Q FY21	Growth %
Revenue	6,027	4,937	22.1%	5,847	2,276	2,166	5.1%
EBIT	398	420	-5.1%	596	188	208	-9.5%
EBIT margin	6.6%	8.5%		10.2%	8.3%	9.6%	
PAT	231	303	-23.9%	445	121	175	-30.6%
PAT margin	*3.8%*	*6.1%*		*7.6%*	*5.3%*	*8.1%*	

**9MFY21 is adjusted to reflect the performance of Daintee*

The Consumer sector reported revenue of LKR 6.0bn in 9MFY22, with an increase of 22.1% YoY compared to corresponding period in the previous year and accounted for 25% of group revenue for the period. The revenue increase was predominantly driven by the addition of confectionery business. Revenue growth compared to adjusted 9MFY21 stands at 3.1%. YoY

Tea category experienced an 5.3% YoY volume growth in 9MFY22 compared to 9MFY21. Value growth in the same period stood at 10.3% YoY.

Sluggish market conditions with low consumer purchasing power coupled with travel restrictions due to Covid-19 during 1HFY22 significantly impacted the Confectionery business, before recovering during 3QFY22. The company is focusing on initiatives to ensure recovery in the following months. Revenue contribution from Confectionary for 9MFY22 was LKR 1,554m, compared to LKR 842m during the same period last year.

The increase in 9MFY22 EBIT margin in Tea subsector is owing to increase in selling prices offsetting the higher blend averages and curtailment of other operating expenses. EBIT margin contraction in Daintee was observed due to an increase in raw material cost as a result of LKR currency depreciation and global commodity price increase, and freight cost increase. PAT from the Consumer segment decreased by 23.9% YoY, to stand at LKR 231m for 9MFY22. Post-acquisition Daintee contributed LKR 73m to the bottom line in 9MFY22. The interest cost on the borrowing undertaken for the purpose of Daintee acquisition is included in 9MFY22.

Agri

LKR m	9MFY22	9MFY21	Growth %	3Q FY22	3Q FY21	Growth %
Revenue	5,033	2,972	69.4%	1,627	846	92.3%
EBIT	*2,824*	*1,497*	*88.7%*	*804*	*394*	*103.9%*
EBIT margin	56.1%	50.4%		49.4%	46.6%	
PAT	2,670	1,263	111.4%	781	346	126.1%
PAT margin	*53.0%*	*42.5%*		*48.0%*	*40.8%*	

The Agribusiness sector reported revenue increase of 69.4% during 9MFY22 against the corresponding period last year. This growth was predominantly due to increase in Palm oil NSA in line with global commodity trends and production volumes during the period.

Palm oil production was at 11,061 MT for 9MFY22 up 21.0% YoY. PAT for 9MFY22 amounted to LKR 2.7bn increasing 111.4% YoY due to better margins in palm oil.

Dairy segment, which commenced operations in 2018, contributed 1.4% of Agribusiness sector PAT for 9MFY22. The volume growth in dairy segment was adversely impacted due to inconsistency in feed mix stemming from the scarcity of feed in the market resulting from import ban on maize and low domestic maize production which further caused an increase in feed cost and thus contracting the GP margins for 9MFY22. 127 pregnant heifers were imported in November 2021 utilizing the investment from SBI with the aim of achieving 1,000 milking cows in the near future.

Outlook

In Healthcare we are closely monitoring the changes in 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, focus will continue to be on the enhancement of the online business platform with expansion in delivery areas and overall improvement.

The group will further focus on the development and increase in capacity utilization of the pharma manufacturing sub-sector.

The Consumer Segment would continue to invest behind its brands to scale the domestic businesses. We further expect to drive distribution synergies in the retail channels. The Consumer sector will continue to face challenges owing to macroeconomic pressures on consumer purchasing power. Further compression on gross margin is expected due to rupee depreciation against the dollar coupled with the increase in global prices on key raw material inputs. Price increases on selected categories, and cost reduction initiatives are expected to mitigate the impact on GP margin.

In Agribusiness, we expect to see similar pricing trends in 4QFY22, while expecting marginal volume growth. In the dairy subsector the average herd was 1,764 during 3QFY22 with 750 milking cows. The investment from SBI was partially utilized to import 127 pregnant heifers in November 2021 and we expect to utilize the remaining funds to further expand the herd with the objective of reaching 1000 milking cows while strengthening the upstream value chain. Increasing feed cost is expected adversely impact the profitability of the subsector.

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 – healthcare, consumer products and agribusiness. Established 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 24 bn. The business units comprise of Sunshine Healthcare Lanka, Sunshine Consumer Lanka 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.

https://www.sunshineholdings.lk/investor/financial-reports

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