

Earnings release - SUN

SUN: EPS up 79% in FY22 driven by Healthcare and Agribusiness

FY22 Highlights

- Consolidated revenue of LKR 32.2bn, increase of 32.2% YoY
- PAT amounted to LKR 5.0bn, increase of 96.9% YoY
- Healthcare revenue up 37.1% YoY to LKR 17.5bn
- Consumer revenue up 13.2% YoY to LKR 8.1bn
- Agri revenue up 64.6% YoY to LKR 6.5bn
- EPS of LKR 6.06

4QFY22 Highlights

- Consolidated revenue of LKR 8.1bn, increase of 16.1% YoY
- PAT amounted to LKR 1.4bn, increase of 118.8% YoY
- Healthcare revenue up 23.5% YoY to LKR 4.6bn
- Consumer revenue down 6.6% YoY to LKR 2.0bn
- Agri revenue up 49.8% YoY to LKR 1.4bn
- EPS of LKR 2.01

Colombo, May 30, 2022 – Sunshine Holdings PLC (CSE: SUN) top line grew 32.2% YoY to stand at LKR 32.2bn for FY22, with Healthcare and Agriculture segments showing significant growth compared to FY21, amid challenges arising from Covid-19 and resultant travel restrictions.

LKR m	FY22	FY21	Growth %	4QFY22	4QFY21	Growth %
Revenue	32,166	24,339	32.2%	8,058	6,940	16.1%
EBIT	5,706	3,525	61.9%	1,256	619	102.7%
<i>EBIT margin</i>	<i>17.7%</i>	<i>14.5%</i>		<i>15.6%</i>	<i>8.9%</i>	
PAT	4,997	2,538	96.9%	1,419	650	118.4%
<i>PAT margin</i>	<i>15.5%</i>	<i>10.4%</i>		<i>17.6%</i>	<i>9.4%</i>	
PATMI	2,721	1,522	78.7%	900	431	109.0%
EPS (LKR)	6.06	3.39	78.7%	2.01	0.96	109.0%

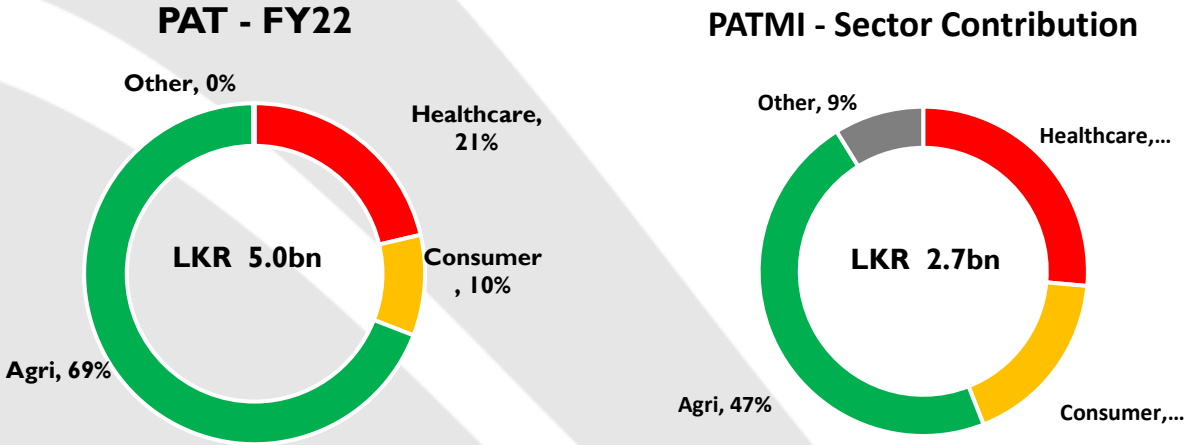
On reported financials, results of Daintee Ltd and Akbar Pharmaceuticals (Pvt) Ltd [APL] are consolidated in September 2020 and February 2021 respectively. Accordingly, the contribution of acquisitions during FY22 and the comparative period is as follows:

LKR m	APL Consol		Daintee	
	FY22	FY21	FY22	FY21
Revenue	1,496	643	2,195	1,508
EBIT	(40)	47	184	174
PAT	(157)	26	168	226



Healthcare remained the largest contributor to Group revenue in FY22, accounting for 54% of the total, whereas Consumer Sector contributed 25%, and Agribusiness accounted for 20%.

For FY22, PAT amounted to LKR 5.0bn representing an increase of 96.9% 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 the latter half of FY21. Reported Profit After Tax & Minority Interest (PATMI) increased by 78.7% YoY to LKR 2.7bn.



The PAT margins increased to 15.5% during FY22 compared to 10.4% in FY21 mainly driven by a margin increase in Agri segment.

Net Asset Value per share increased to LKR 28.93 as at the end of FY22 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 were 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

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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.

APL company, which was acquired in January 2021, was amalgamated into Sunshine Healthcare Lanka Pvt Ltd w.e.f. 31st December 2021 due to its similar nature of business.

In March 2022, Sunshine Tea (Pvt) Ltd which is a tea export business was acquired by the Group and the contribution of the acquired company can be expected from April 2022 onwards. Through this acquisition the Group managed to secure dollar income to somewhat counterbalance its exposure to imports.

Business segments

Healthcare

LKR m	FY22	FY21	Growth %	4QFY22	4QFY21	Growth %
Revenue	17,501	12,770	37.1%	4,555	3,689	23.5%
EBIT	1,631	1,197	36.2%	378	273	38.5%
<i>EBIT margin</i>	<i>9.3%</i>	<i>9.4%</i>		<i>8.3%</i>	<i>7.4%</i>	
PAT	1,070	824	29.9%	223	231	-3.2%
<i>PAT margin</i>	<i>6.1%</i>	<i>6.4%</i>		<i>4.9%</i>	<i>6.3%</i>	

Healthcare revenue for FY22 grew 37.1% 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.

Slight dip in EBIT Margin 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 the Retail subsector and 9% increase in MRP for gazette products from August 2021.

Pharma subsector achieved a record revenue of LKR 3.0bn 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 and growing online store during 4QFY22 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 and its subsidiaries, Lina Manufacturing and Lina Spiro, was in effect from February 2021. APL company was integrated into SHL w.e.f. 31 December 2021. The contribution of Pharma manufacturing business to Group revenue during FY22 stood at LKR 615m.

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The Pharma subsector grew 31.1% YoY in FY22 against the corresponding period last year. Movements in other key sub-sectors compared to FY21 were: Medical Devices 17.4% YoY, and Retail 33.0% YoY, Manufacturing 9.0% YoY.

Consumer

LKR m	FY22	FY21	Growth %	4QFY22	4QFY21	Growth %
Revenue	8,069	7,125	13.2%	2,042	2,187	-6.6%
EBIT	578	581	-0.6%	179	161	11.2%
<i>EBIT margin</i>	<i>7.2%</i>	<i>8.2%</i>		<i>8.8%</i>	<i>7.4%</i>	
PAT	479	467	2.6%	248	164	51.8%
<i>PAT margin</i>	<i>5.9%</i>	<i>6.6%</i>		<i>12.2%</i>	<i>7.5%</i>	

The Consumer sector reported revenue of LKR 8.0bn in FY22, with an increase of 13.2% 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 FY21 (Reflecting Daintee performance for the entire period) stands at 1.0% YoY.

Tea category experienced a volume contraction of 0.3% YoY in FY22 compared to FY21. Value growth in the same period stood at 5.2% YoY.

Sluggish market conditions with low consumer purchasing power coupled with travel restrictions due to Covid-19 during 1HFY22 significantly impacted the Confectionery business. The company is focusing on initiatives to ensure recovery in the following months. Revenue contribution from Confectionery for FY22 was LKR 2,195m, compared to LKR 1,508m during the same period last year.

The increase in FY22 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 Confectionery 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. Overall EBIT margin has contracted by 99 bps. PAT from the Consumer segment marginally increased by 2.6% YoY, to stand at LKR 479m for FY22. Confectionery subsector contributed LKR 168m to the bottom line in FY22. The interest cost on the borrowing undertaken for the purpose of Daintee acquisition is included in FY22. 4QFY22 PAT is after considering an expected tax benefit of LKR 65m in the Tea segment from gazette notification "2258/18 - Marketing and communication expenses".

Agri

LKR m	FY22	FY21	Growth %	4QFY22	4QFY21	Growth %
Revenue	6,475	3,934	64.6%	1,441	962	49.8%
EBIT	3,347	1,818	84.1%	523	321	62.6%
<i>EBIT margin</i>	<i>51.7%</i>	<i>46.2%</i>		<i>36.3%</i>	<i>33.4%</i>	
PAT	3,458	1,663	107.9%	788	400	97.0%
<i>PAT margin</i>	<i>53.4%</i>	<i>42.3%</i>		<i>54.6%</i>	<i>41.6%</i>	

The Agribusiness sector reported revenue increase of 64.6% during FY22 against 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 13,764MT for FY22 up 26.0% YoY. PAT for FY22 amounted to LKR 3.5bn increasing 107.9% YoY due to better margins in palm oil.

Dairy subsegment, which commenced operations in 2018, contributed 0.8% of Agribusiness sector PAT for FY22. 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 FY22. 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. With price increases, consumer spending power is going to be a key challenge over the next few quarters as volumes are expected to drop. Forex liquidity in the market will be a challenge for all importers and we aim to rationalize our product offering to prioritize essentials.

At Healthguard, focus will continue to be on the enhancement of the online business platform with expansion in delivery areas and overall improvement.

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 negative impact on GP margin. The Segment would continue to invest behind its brands selectively to maintain the domestic businesses. We further expect to drive distribution synergies in the retail channels.

In Agribusiness, we expect to see similar pricing trends in 1QFY23, while expecting marginal volume growth. In the dairy subsector the average herd was 1,837 during 4QFY22 with 723 milking cows. The investment from SBI was 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 and we are focused on backward integration in securing adequate feed supply.

With the new addition of the tea export business, we expect to achieve growth in the export market which will be a key focus area for the Group.

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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 - 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 32 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 2022.

For more information, please visit our Investor Relations page.



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

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