



**sunshine**

# **2QFY23 Earnings Webinar**

**Sunshine Holdings PLC**

**16 November 2022**

# Housekeeping Announcements



- The webinar will be recorded and later uploaded to our IR website for future reference
- All participants will be muted during the presentation.
- Participants can unmute themselves to ask questions in the Q&A session
- Participants can raise their questions via the chat box

# Corporate Announcements



- Share swap in May 2022 - SUN shares (8.8% stake) offered to Akbar Brothers at LKR 60 per share in exchange for their 28% stake in the Healthcare business and thereby SUN gained full control of the Healthcare segment
- Divestment of “Pride of Lonach”, downstream business under the Dairy Segment, for a cash consideration of LKR 27m to Ross Dairies Pvt Ltd.

# Group Performance

# Group at a Glance – 2QFY23



- **LKR 13.2bn** in Revenue

- **LKR 1.6bn** PAT

+9.5%YoY

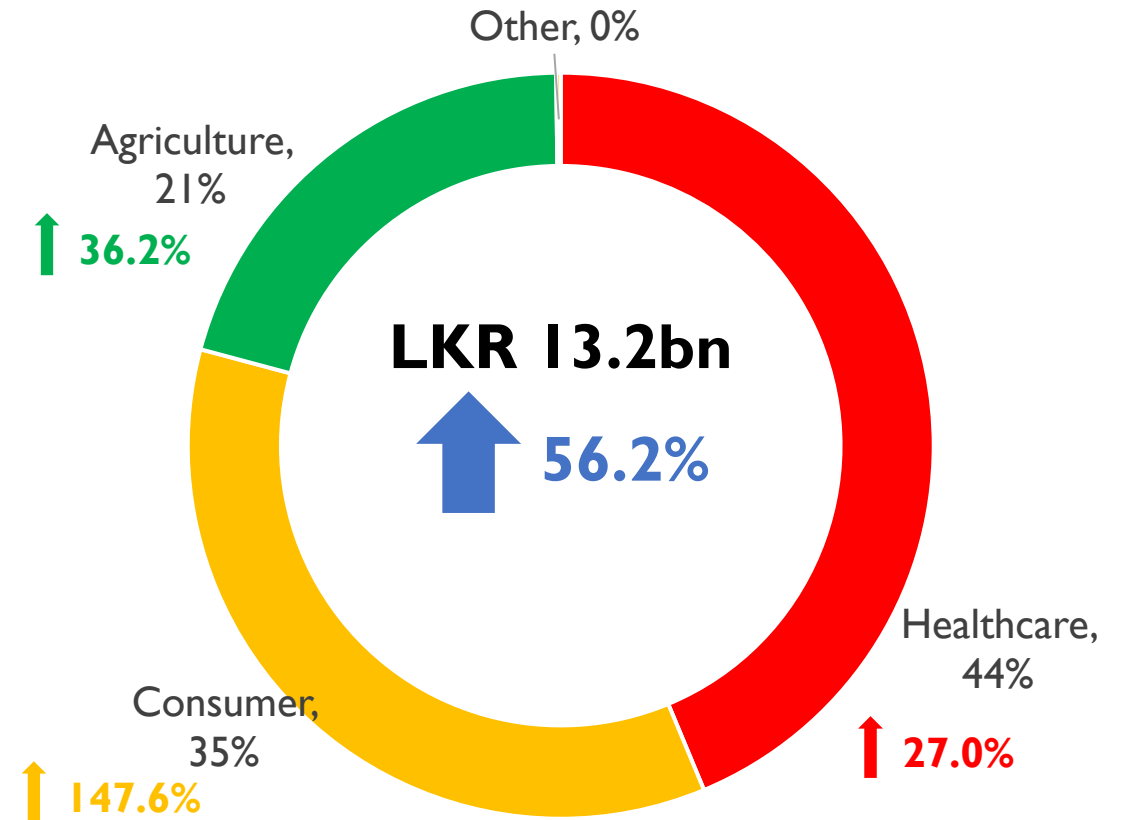
- PATMI of **LKR 893m**

+38.6%YoY

- ROE of **31.4%** (30.9% LY)

- Leverage at **30.6%** (FY22: 16.3%, FY22 adjusted to include export business: 21.9%)

## Revenue Composition - 2QFY23



# Group – Performance Highlights



| LKR m              | IHFY23       | IHFY22       | Growth % | 2QFY23       | 2QFY22       | Growth % |
|--------------------|--------------|--------------|----------|--------------|--------------|----------|
| Revenue            | 24,928       | 15,803       | 57.7%    | 13,209       | 8,456        | 56.2%    |
| EBIT               | 4,331        | 2,980        | 45.3%    | 2,336        | 1,660        | 40.7%    |
| <i>EBIT margin</i> | <i>17.4%</i> | <i>18.9%</i> |          | <i>17.7%</i> | <i>19.6%</i> |          |
| PAT                | 3,151        | 2,457        | 28.2%    | 1,551        | 1,416        | 9.5%     |
| <i>PAT margin</i>  | <i>12.6%</i> | <i>15.5%</i> |          | <i>11.7%</i> | <i>16.7%</i> |          |
| PATMI              | 1,935        | 1,209        | 60.0%    | 893          | 645          | 38.6%    |
| EPS (LKR)          | 3.93         | 2.46         | 60.0%    | 1.82         | 1.31         | 38.6%    |

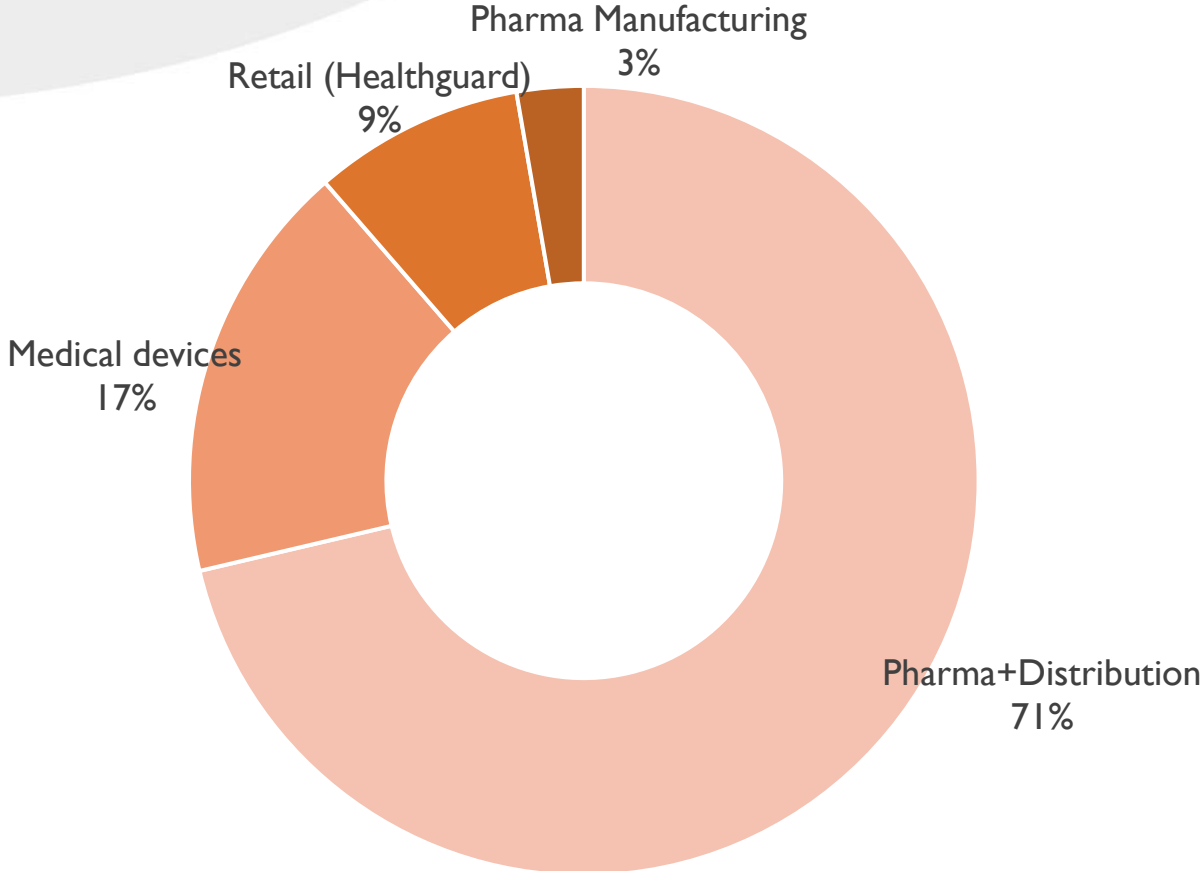
- Group Revenue growth in 2QFY23 compared to LY is predominantly driven by acquisition of Sunshine Tea (Pvt) Ltd and improved performance in all sectors. Excluding the new addition, YoY growth stood at 32.3%.
- GP margin stood at 29.1% for 2QFY23, 525 bps lower than 2QFY22 due to margin decrease in Agri and the dilution effect in the Export business.
- 500 bps decrease in PAT margin is stemming from challenges faced in the Agri sector and increase in finance cost owing to addition of export business, higher interest rates and working capital requirement.

Healthcare

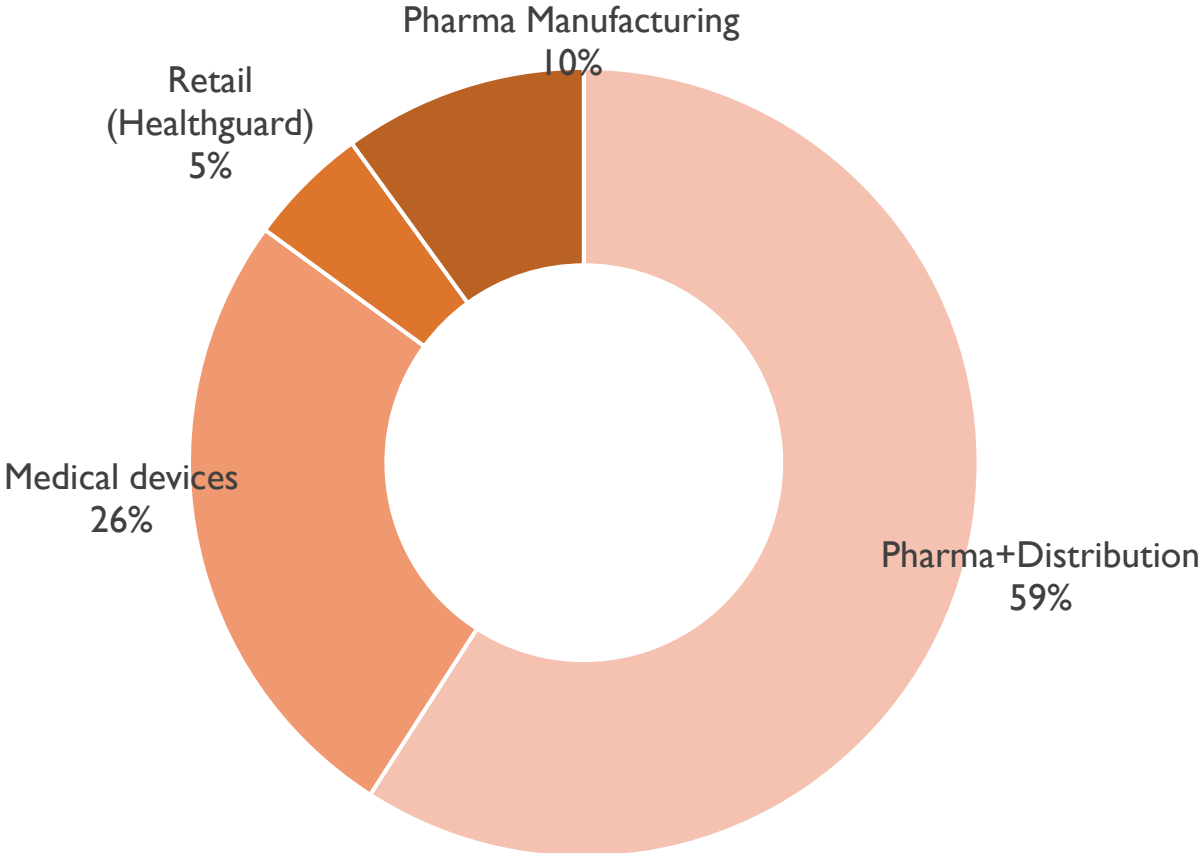
# Healthcare Sector



### Revenue Split [1H FY23]



### Total Asset Split [1H FY23]





# Healthcare – Performance Highlights

| LKR m              | IHFY23       | IHFY22      | Growth % | 2QFY23       | 2QFY22      | Growth % |
|--------------------|--------------|-------------|----------|--------------|-------------|----------|
| Revenue            | 11,611       | 8,546       | 35.9%    | 5,776        | 4,546       | 27.0%    |
| EBIT               | 1,505        | 760         | 98.0%    | 762          | 360         | 111.9%   |
| <i>EBIT margin</i> | <i>13.0%</i> | <i>8.9%</i> |          | <i>13.2%</i> | <i>7.9%</i> |          |
| PAT                | 770          | 507         | 51.7%    | 337          | 237         | 42.3%    |
| <i>PAT margin</i>  | <i>6.6%</i>  | <i>5.9%</i> |          | <i>5.8%</i>  | <i>5.2%</i> |          |

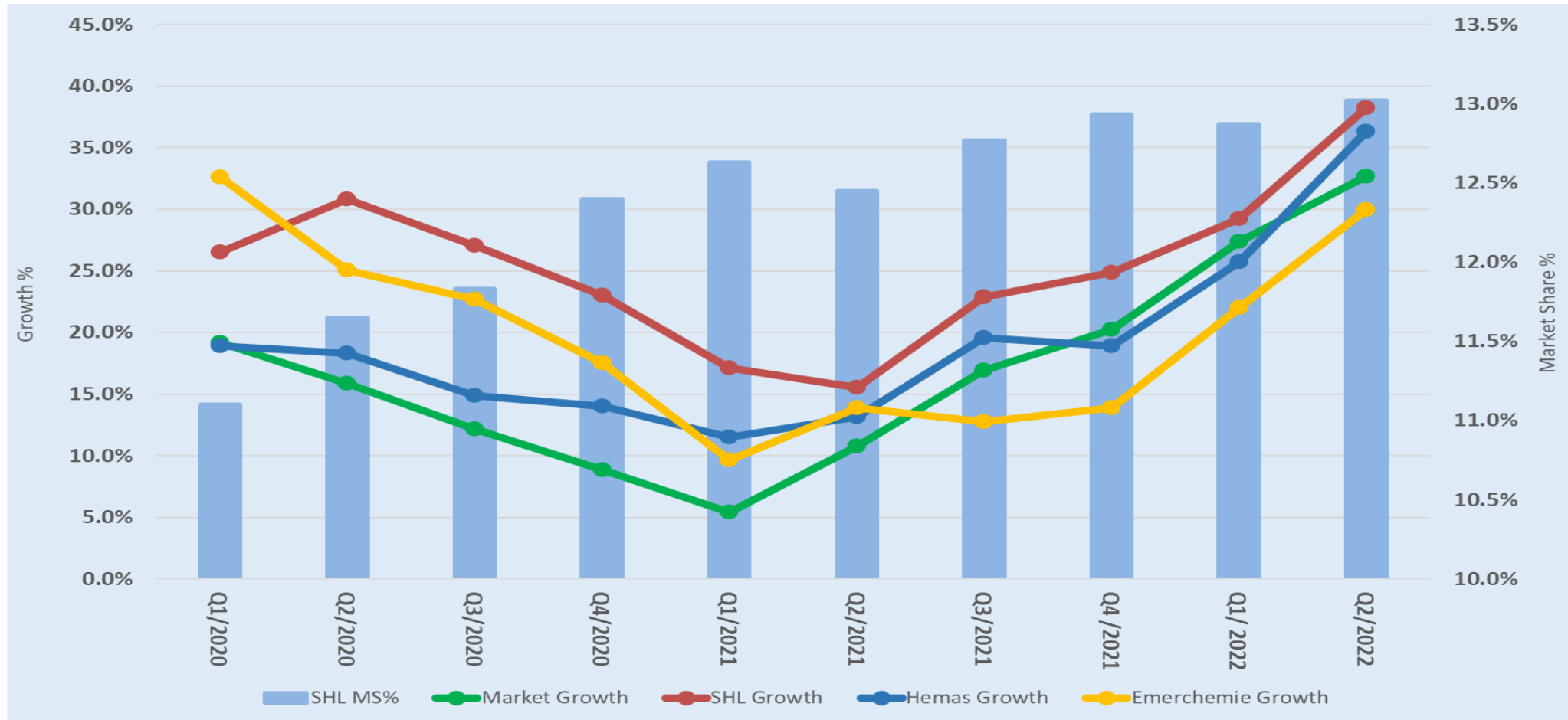
- Margins improved due to MRP price adjustments on all SKUs, due to the devaluation of Rupee against the USD.
- EBIT margin improvement is owing to improved GP margin and OH cost control during the quarter.

# Pharmaceuticals



## Pharma Segment Performance

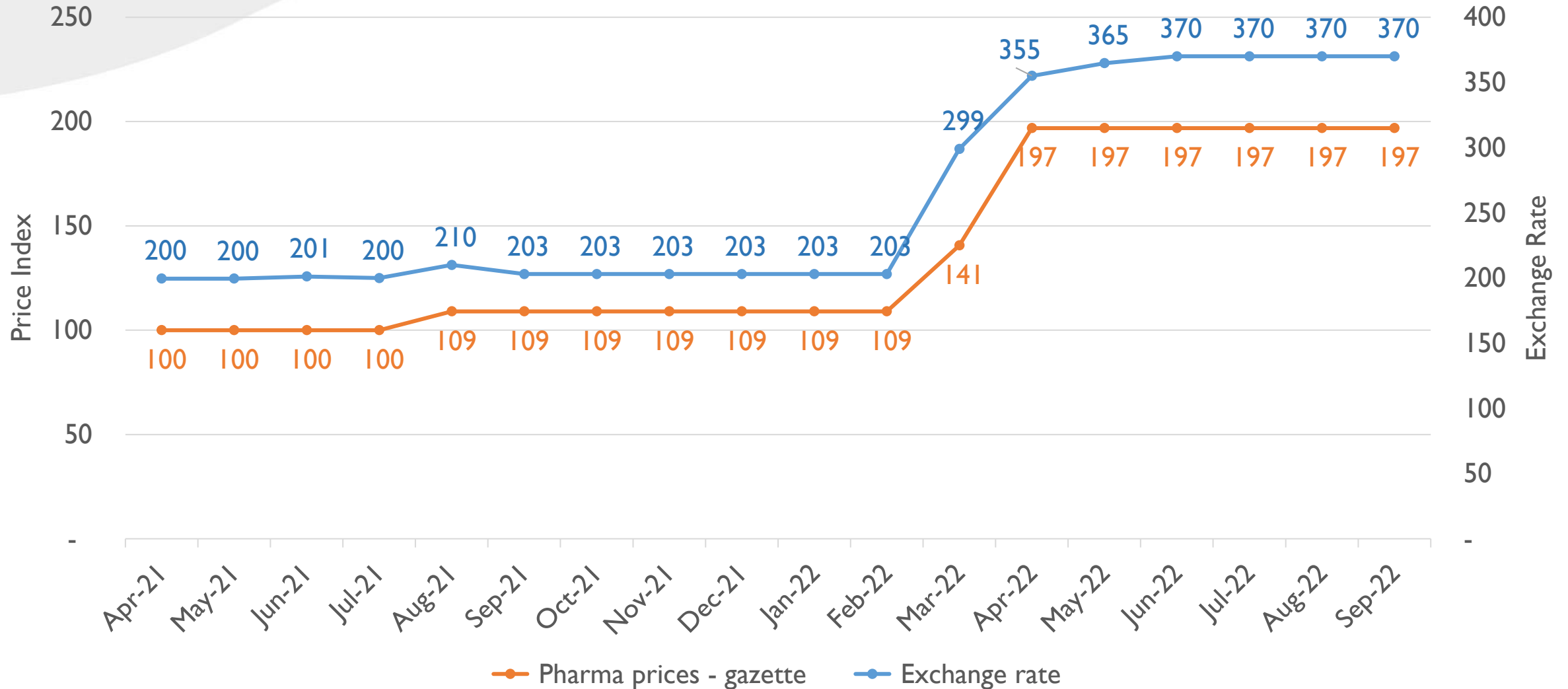
- Fastest growing Pharma company in Sri Lanka with 13.02% market share
- Revenue growth of 33.7% YoY in 2QFY23 and Volume degrowth of 18.8% YoY in 2QFY23



# Pharmaceuticals – Price Increase Index



April 2021 considered as the base (i.e., 100)



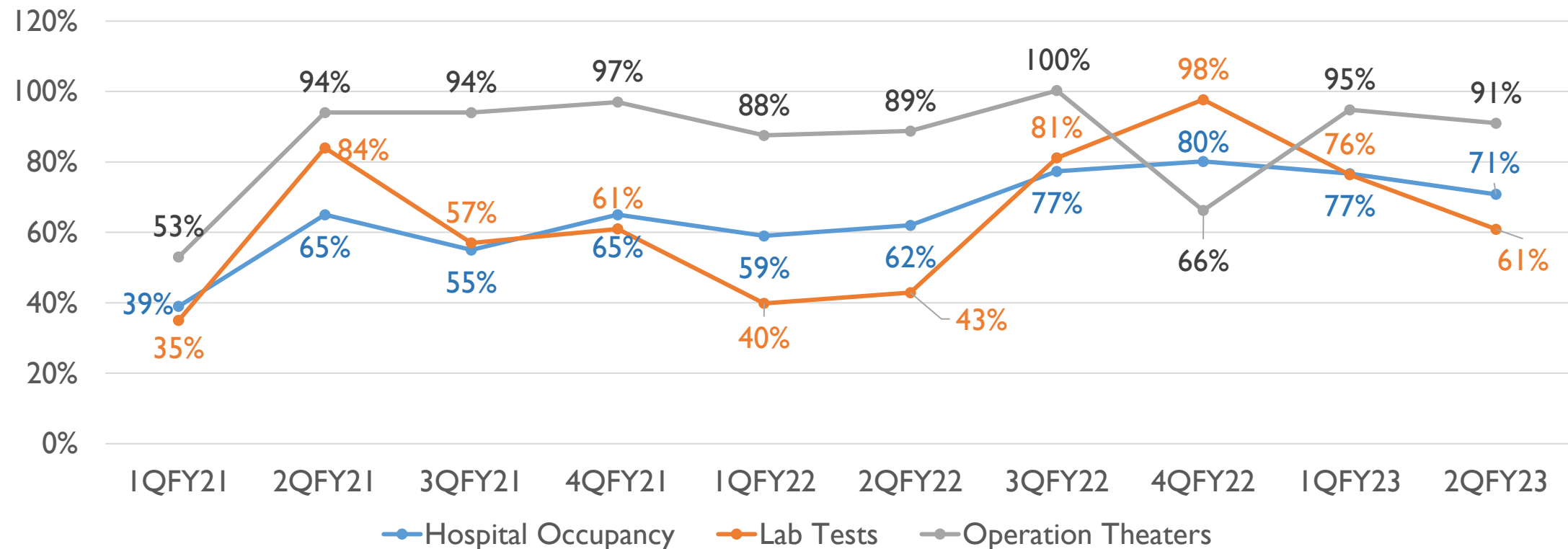
# Sunshine Medical Devices (SMD)



## Sunshine Medical Devices Segment Performance

- 2QFY23 witnessed a 32.5% growth in revenue vs 2QFY22, despite volume contraction of 33.0% YoY
- Average of 84% price increase taken in 1QFY23

Market Dynamics



# Pharma Manufacturing



## Pharma Manufacturing Segment Performance

- Revenue growth of 31.0% YoY compared to 2QFY22
- GP margins contracted due to product/ customer mix changes and rupee depreciation
- Lina Spiro delivered its first government order of MDIs (Metered Dose Inhalers) in July 2022

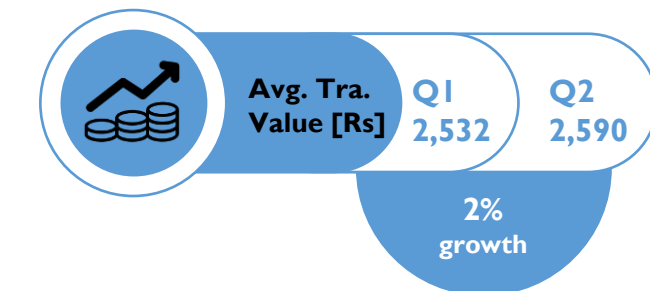
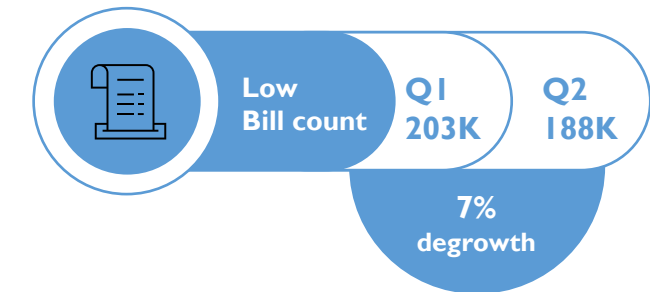
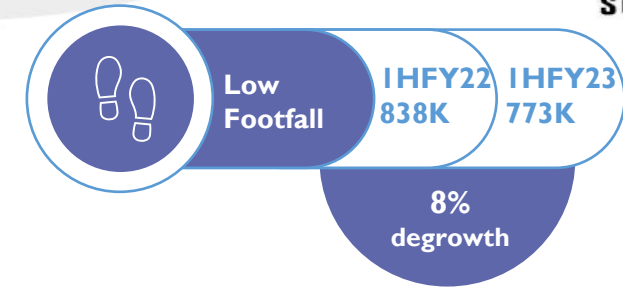


# Retail (Healthguard)



## Retail Segment Performance

- Revenue degrowth of 13% YoY
- Reduced footfall
- Less purchases in wellness products adversely impacted the GP margin
- Loyalty engagement improvement
- Adjusting to the new normal with change in shopper buying habits

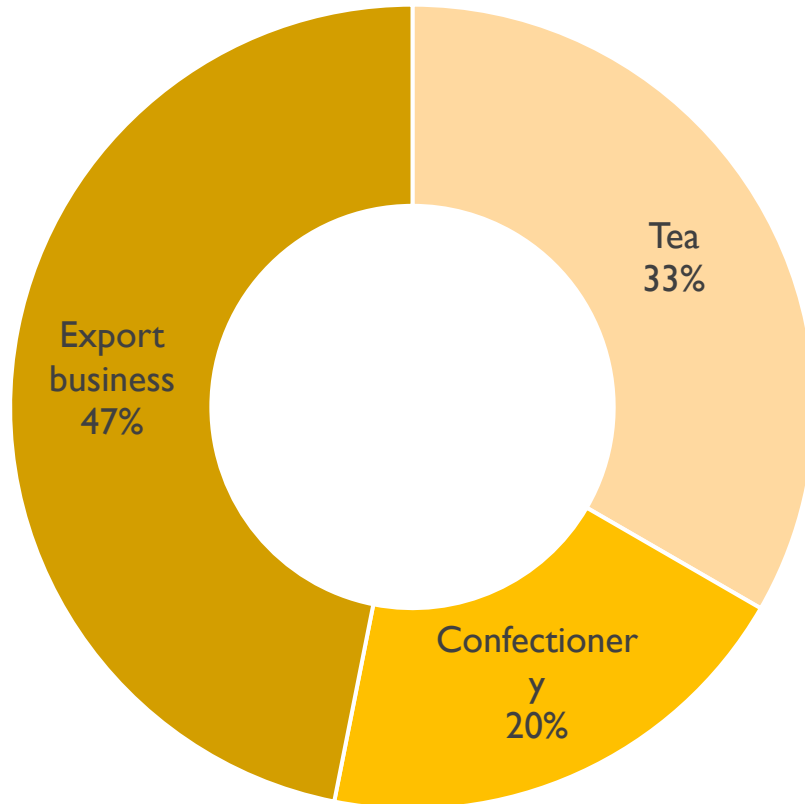


Consumer

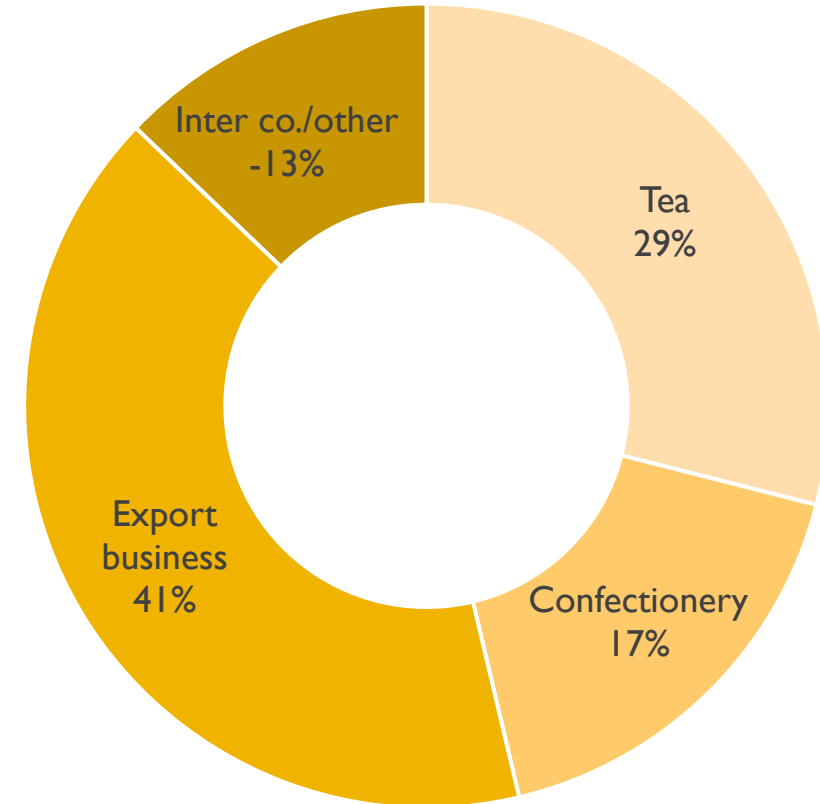
# Consumer Sector



Revenue Split [1H FY23]



Total Asset Split [1H FY23]





# Consumer – Performance Highlights

| LKRm               | IHFY23      | IHFY22      | Growth % | 2QFY23      | 2QFY22      | Growth % |
|--------------------|-------------|-------------|----------|-------------|-------------|----------|
| Revenue            | 8,567       | 3,750       | 128.4%   | 4,681       | 1,890       | 147.6%   |
| EBIT               | 700         | 210         | 232.7%   | 334         | 110         | 202.6%   |
| <i>EBIT margin</i> | <i>8.2%</i> | <i>5.6%</i> |          | <i>7.1%</i> | <i>5.8%</i> |          |
| PAT                | 493         | 109         | 350.1%   | 197         | 48          | 307.3%   |
| <i>PAT margin</i>  | <i>5.8%</i> | <i>2.9%</i> |          | <i>4.2%</i> | <i>2.6%</i> |          |

| IHFY23<br>Export<br>Contribution | LKR m |
|----------------------------------|-------|
| Revenue                          | 4,016 |
| EBIT                             | 446   |
| PAT                              | 336   |

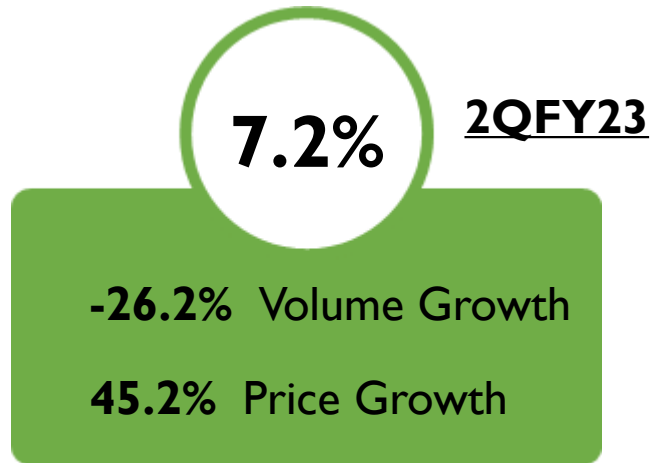
*\*\*Performance is consolidated under Consumer sector w.e.f. 1<sup>st</sup> April 2022*

- Growth was mainly driven by the acquisition of the Export business. Excluding the new addition, growth stood at 34.9% YoY for 2QFY23.
- Export revenue contribution in dollar terms stood at **USD 6.0m in 2QFY23**.
- EBIT and PAT margins were supported by the addition of tea export business.

# Local Business



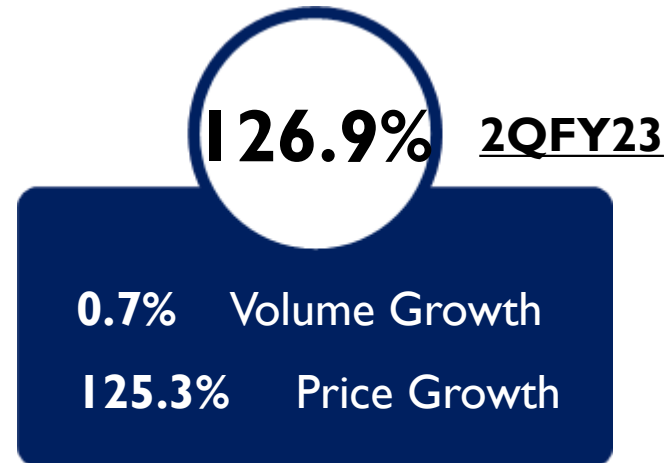
## TEA



Challenged in volumes due to;

- Low consumer sentiment
- Outlets reducing stocks
- Delivery disruptions in the month of July due to fuel shortages

## CONFECTIONERY

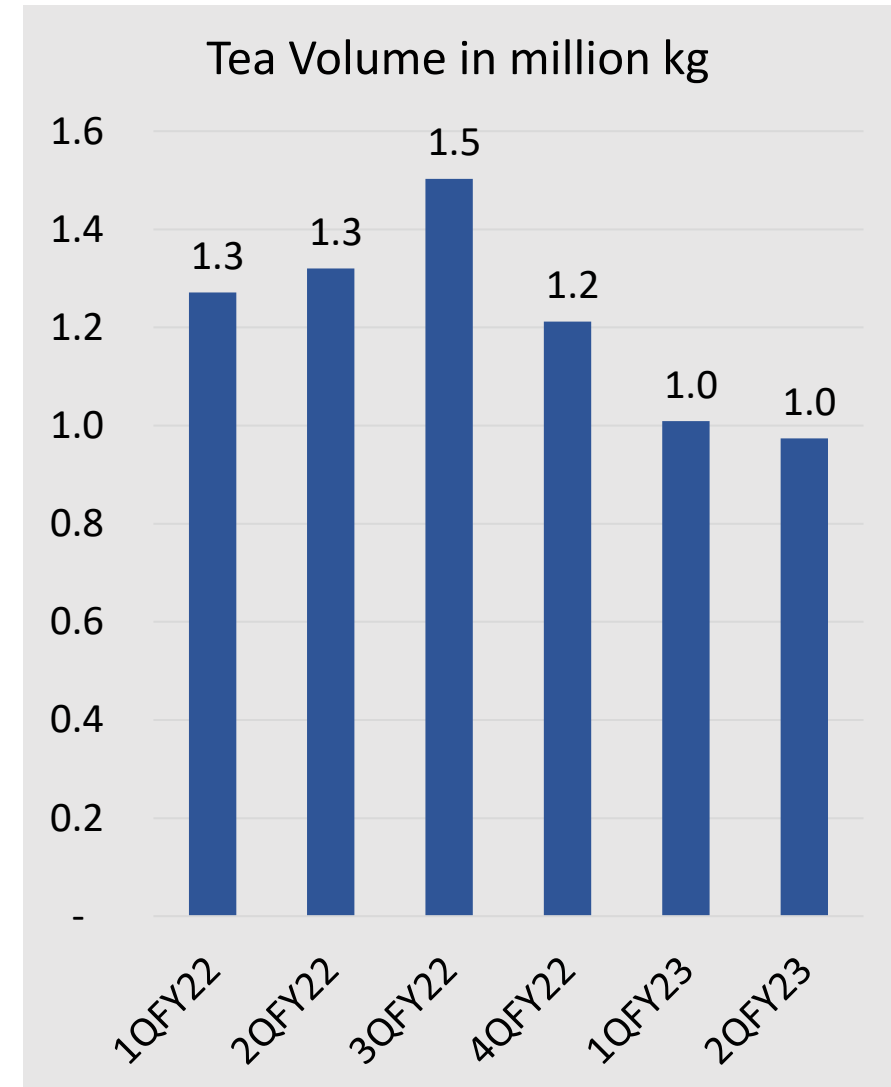
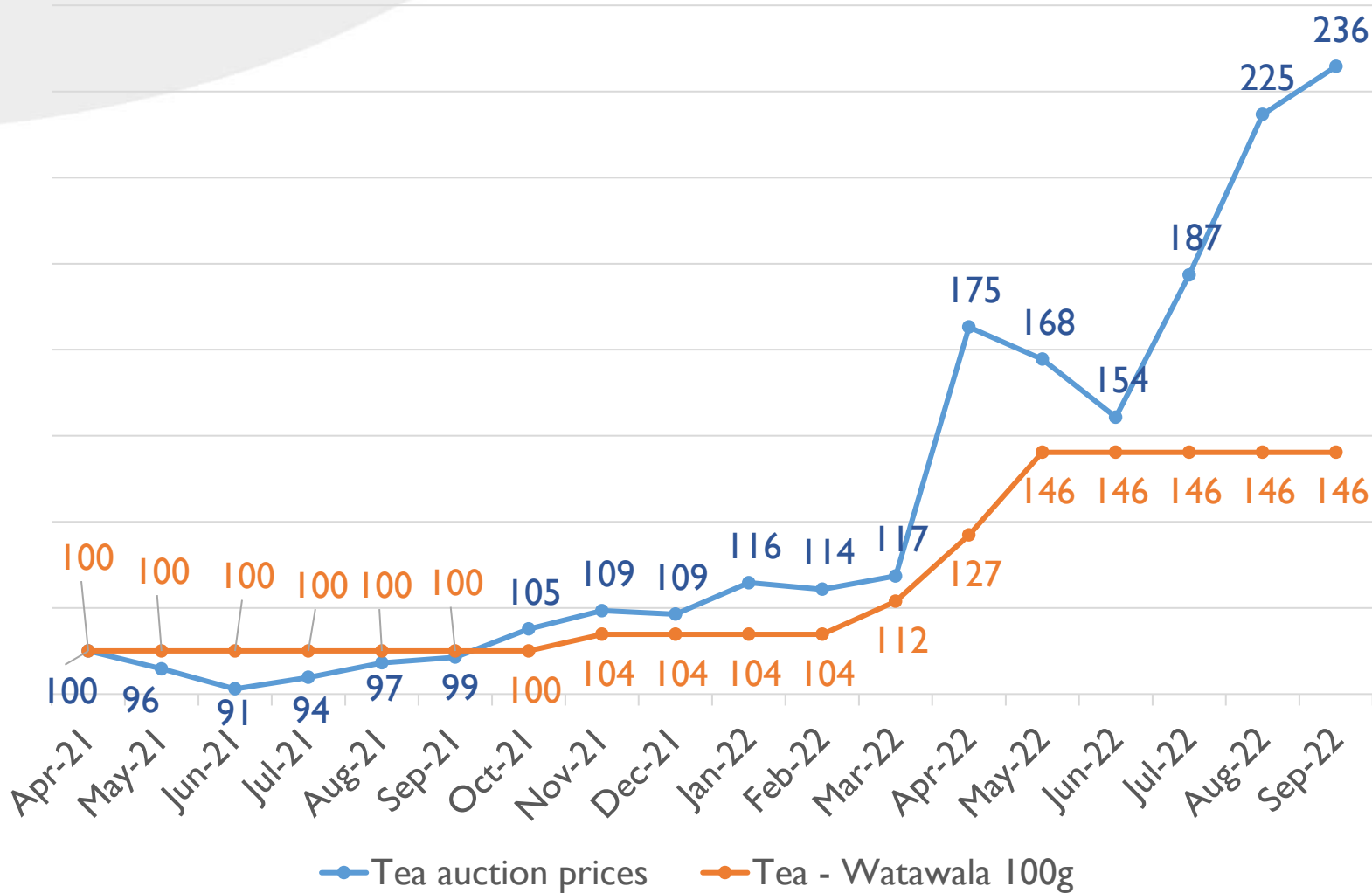


- Growth owing to price increases.

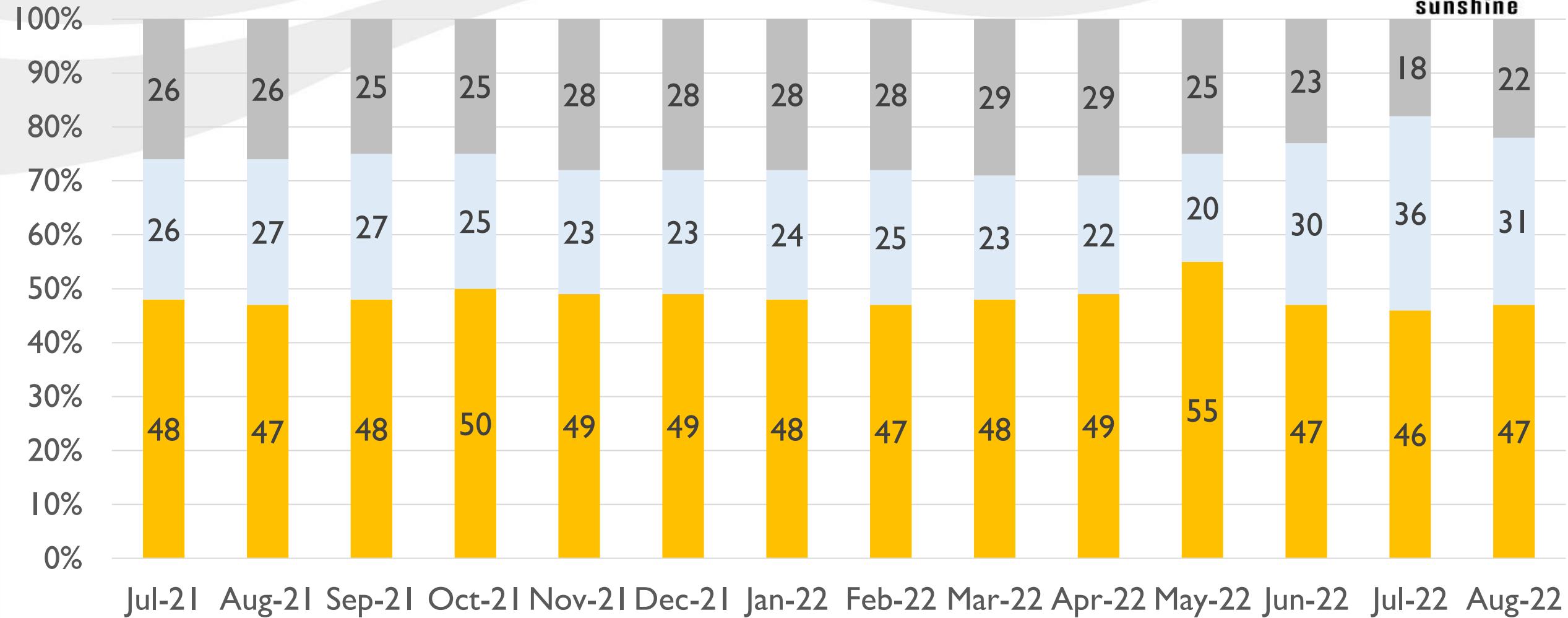
# Tea – Price Index



April 2021 considered as the base (i.e., 100)



# Tea - Brand Value Market Share



Source: CHP, Kantar

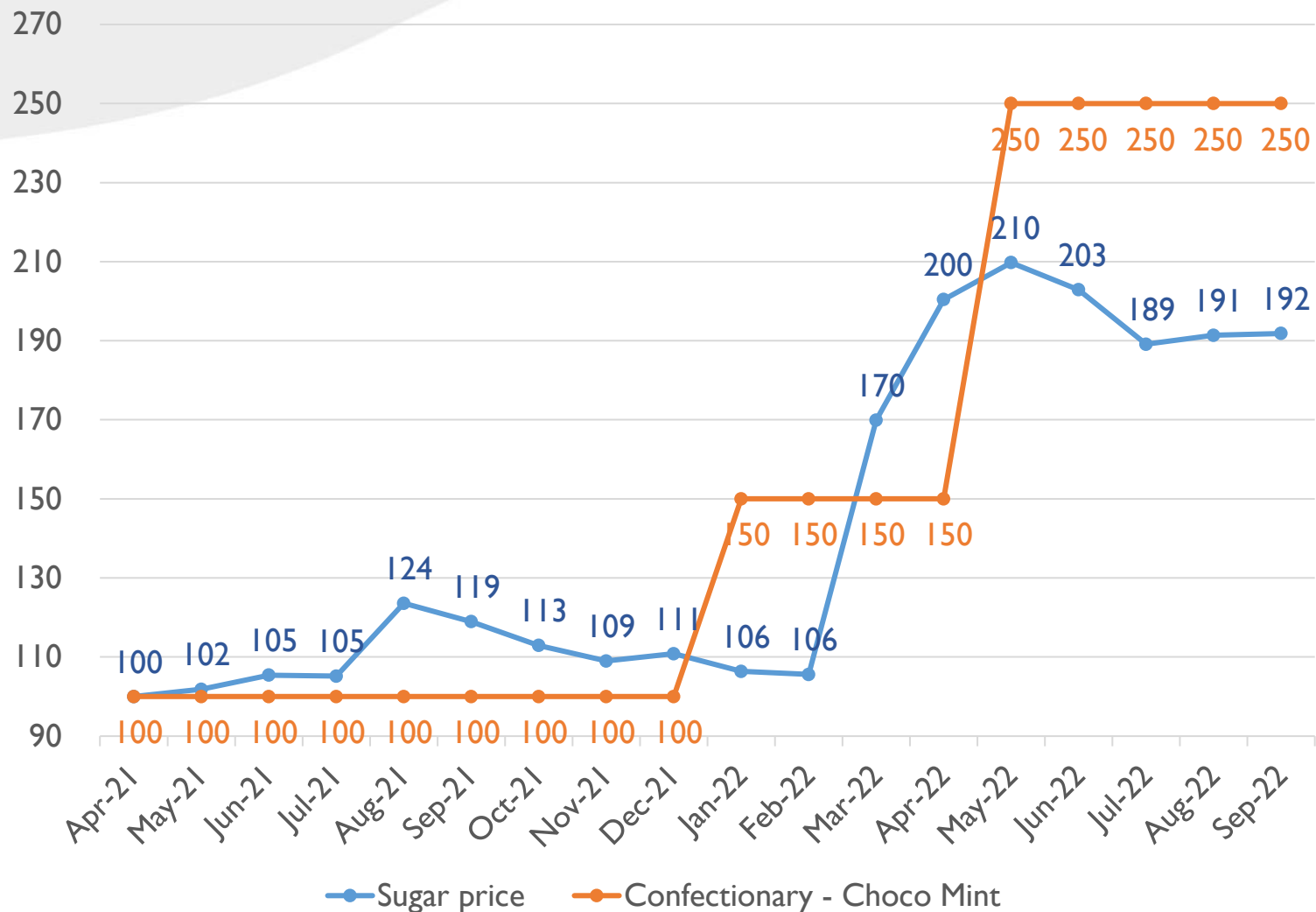
■ SCL ■ USL ■ Other

- Improvement in value market share in May 2022 is stemming from being the first in the market to increase prices.

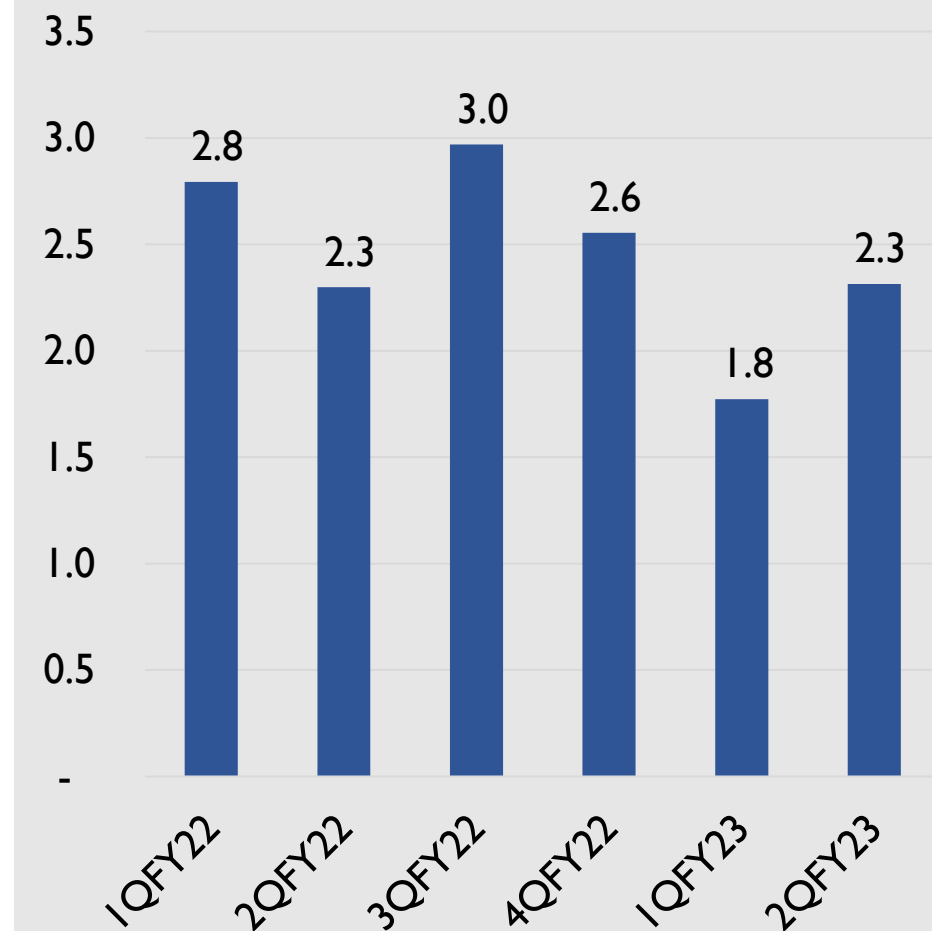
# Confectionery – Price Index



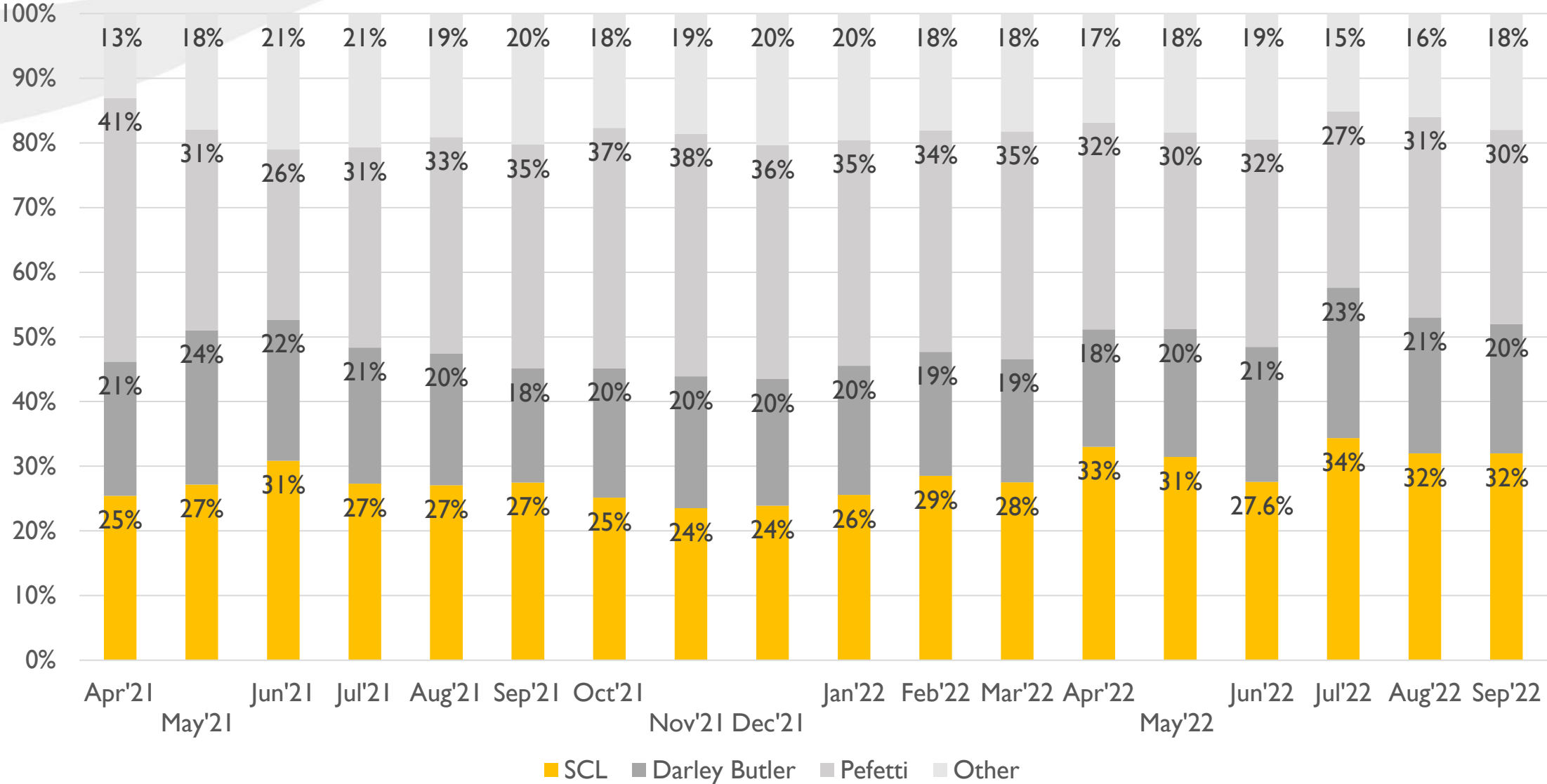
April 2021 considered as the base (i.e., 100)



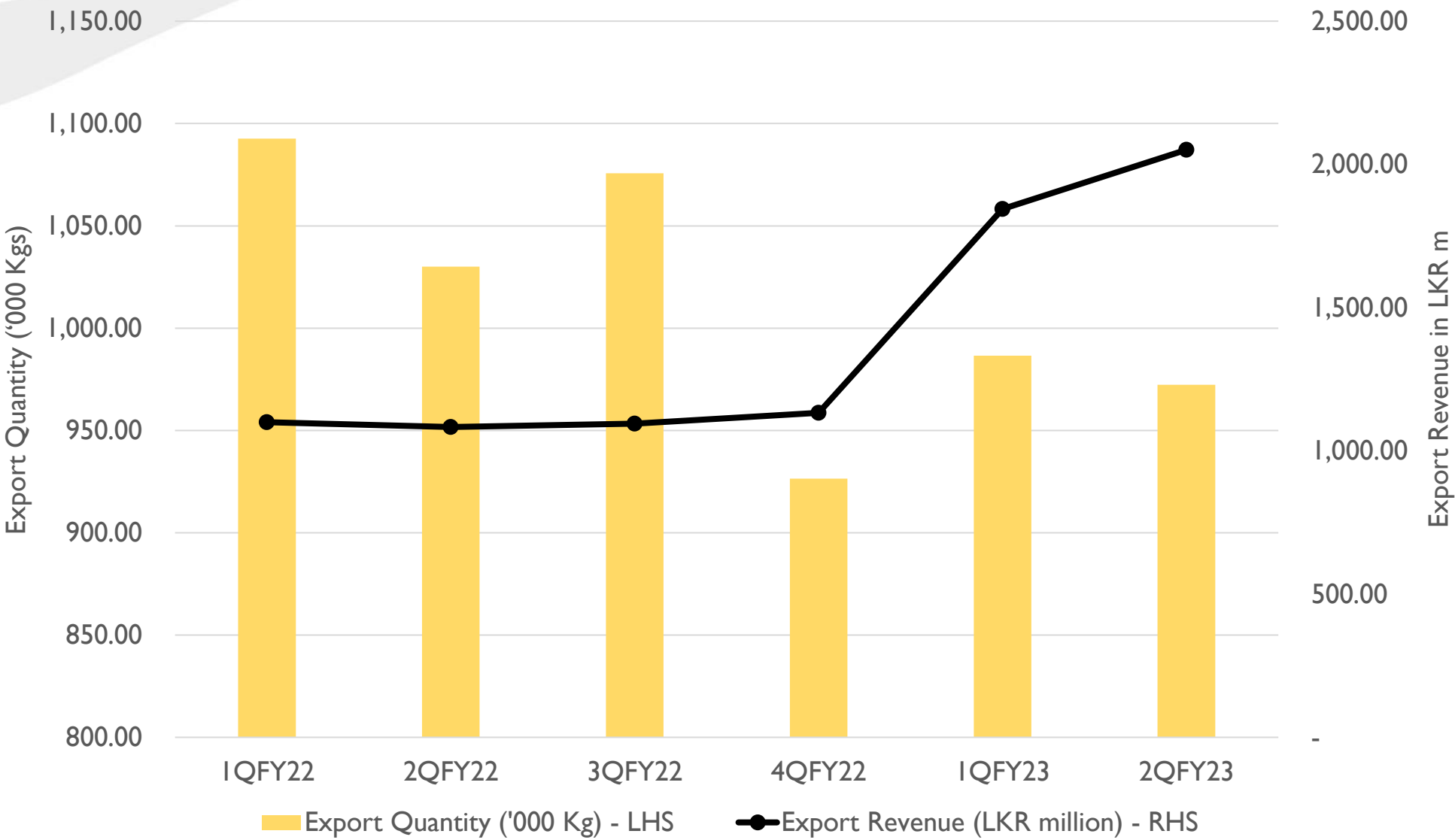
Confectionery - number of units sold in millions



# Confectionery – Value Market share



# Export Business



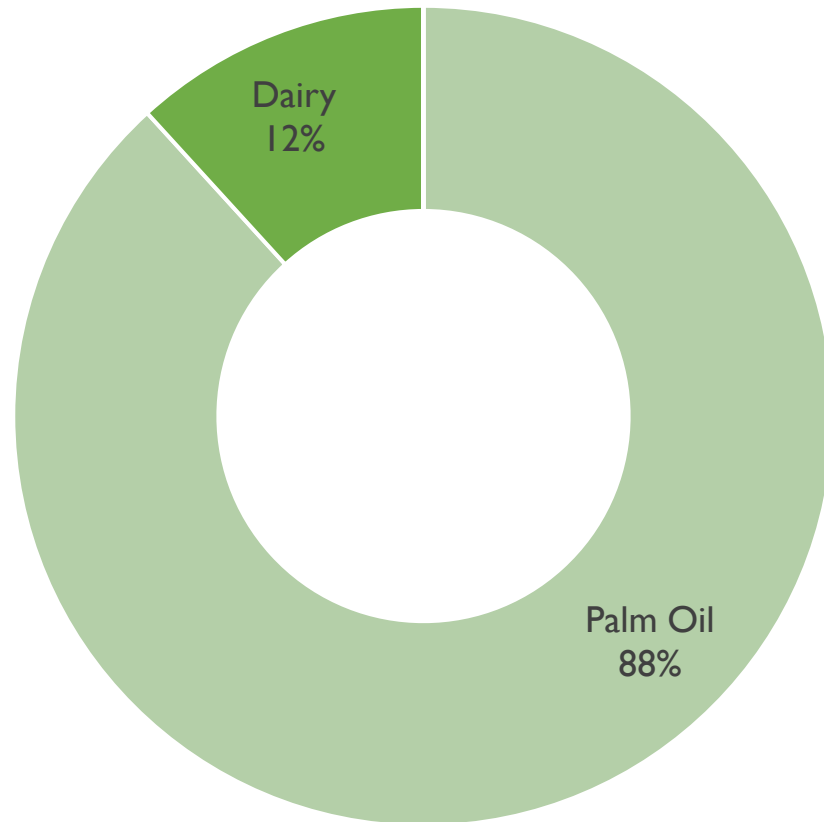
# Agribusiness



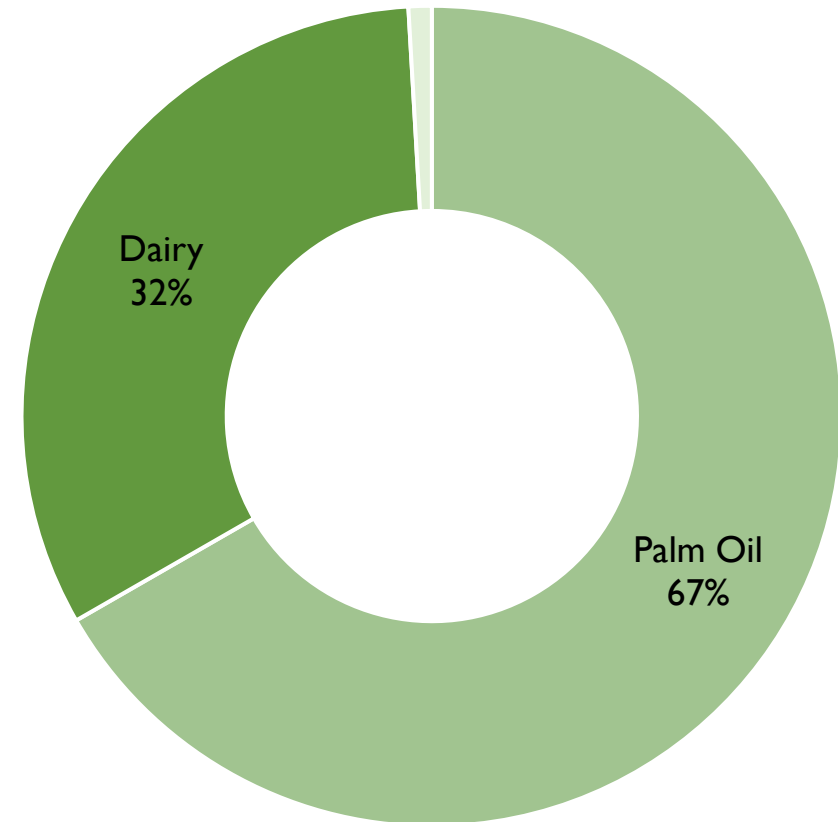
# Agri Sector



Revenue Split [1H FY23]



Total Asset Split [1H FY23]



# Agri – Performance Highlights

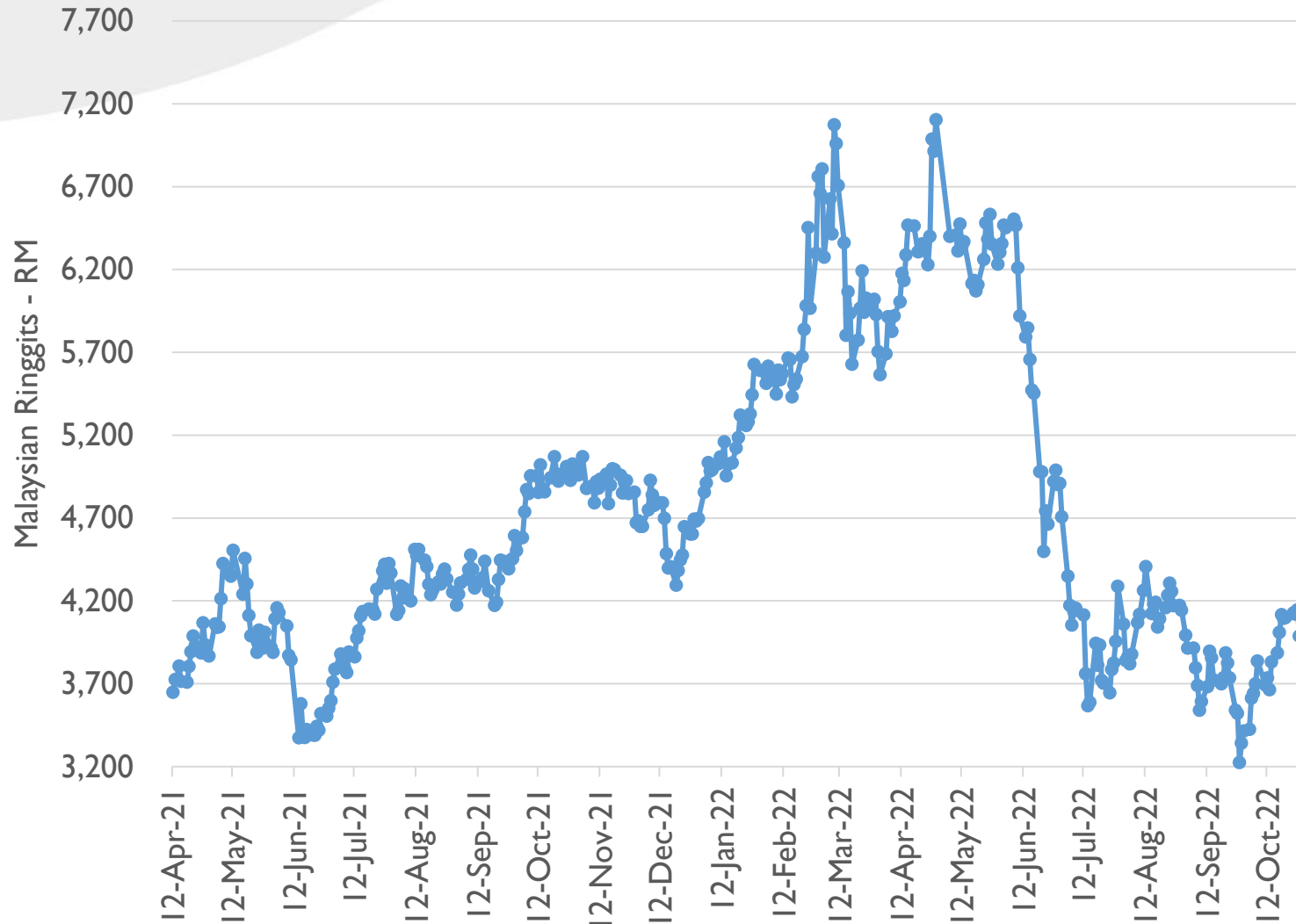
| LKR m              | IHFY23       | IHFY22       | Growth % | 2QFY23       | 2QFY22       | Growth % |
|--------------------|--------------|--------------|----------|--------------|--------------|----------|
| Revenue            | 4,579        | 3,406        | 34.4%    | 2,727        | 2,002        | 36.2%    |
| EBIT               | 2,033        | 2,020        | 0.6%     | 1,276        | 1,236        | 3.2%     |
| <i>EBIT margin</i> | <i>44.4%</i> | <i>59.3%</i> |          | <i>46.8%</i> | <i>61.8%</i> |          |
| PAT                | 1,934        | 1,889        | 2.4%     | 1,200        | 1,165        | 3.0%     |
| <i>PAT margin</i>  | <i>42.2%</i> | <i>55.4%</i> |          | <i>44.0%</i> | <i>58.2%</i> |          |

- Significant revenue growth YoY is driven by the palm oil segment recording higher NSA for palm oil
- Segment revenue growth 2QFY23 vs 2QFY22
  - Palm Oil: 31%
  - Dairy: 87%
- Profitability of Dairy segment was adversely affected due to increase in feed cost. Dairy business recorded a net loss of LKR 1.7m in 2QFY23 compared to a net profit of LKR 14.4m during the same quarter last year

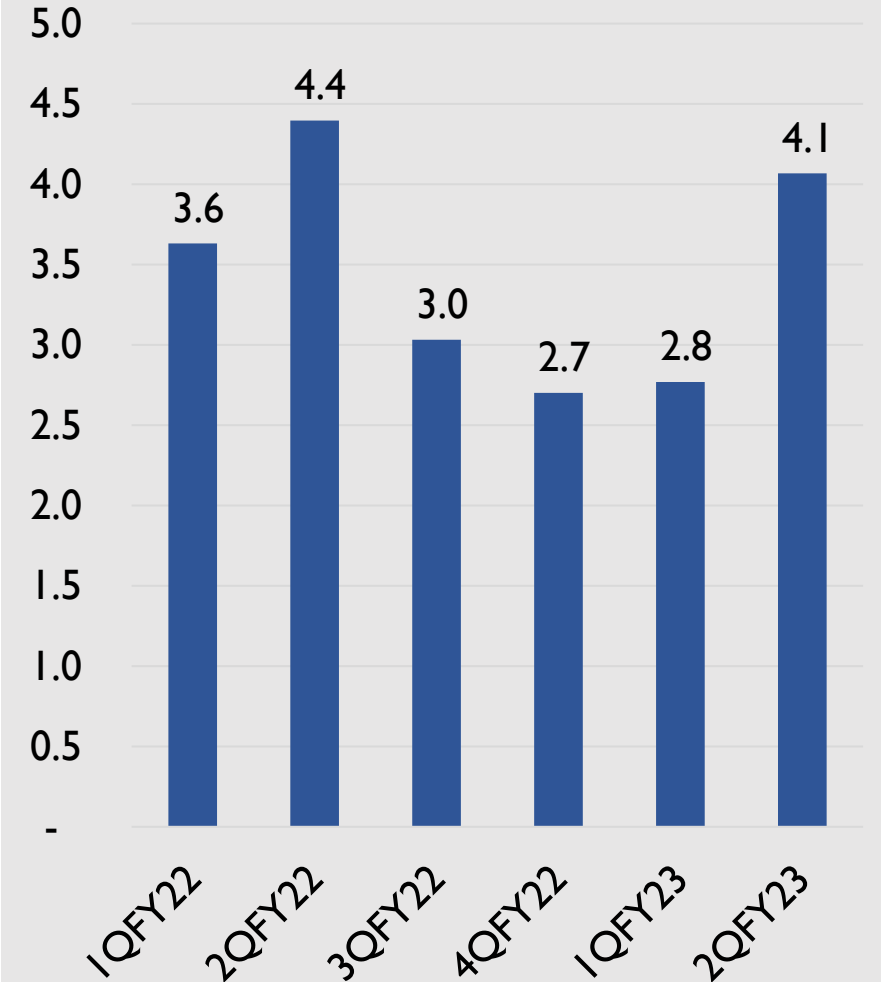
# Palm Oil



Settlement Price (RM)



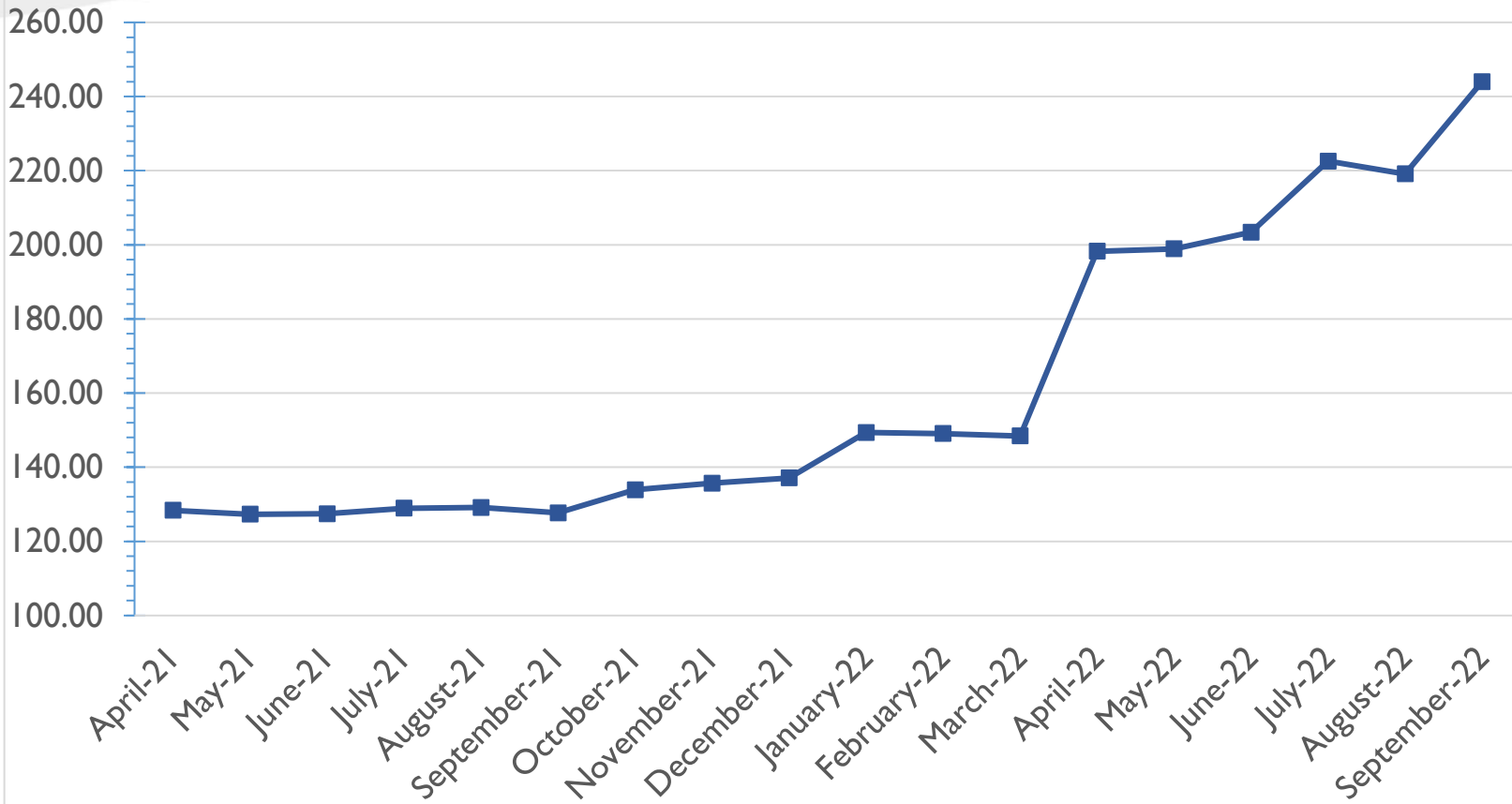
WATA Palm Oil Production [million kg]



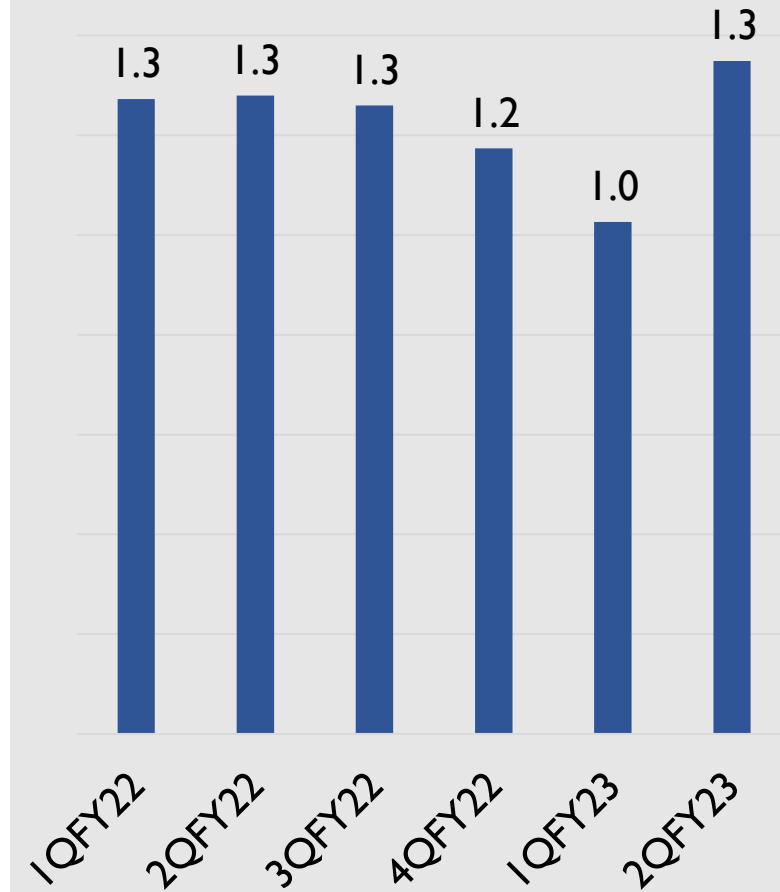
# Dairy



### WDL's Avg Milk Price



### WDL's Milk Sales Volume (million litres)



Q&A

# Forward Looking Statements

This presentation contains forward-looking statements that are based on management's current expectations and assumptions. Forward-looking statements include predictions of future results or activities and may contain the words "expects," "believes," "should," "will," "anticipates," "projects," "estimates," "implies," "can," or words or phrases of similar meaning. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the potential results discussed in the forward-looking statements. Our predictions could be affected by a variety of factors, including: competitive dynamics and the markets for our products, including new product introductions, advertising activities, pricing actions and promotional activities of our competitors; economic conditions, including changes in inflation rates, interest rates, tax rates, or the availability of capital; product development and innovation; consumer acceptance of new products and product improvements; consumer reaction to pricing actions and changes in promotion levels; acquisitions or dispositions of businesses or assets; changes in capital structure; changes in laws and regulations, including labeling and advertising regulations; impairments in the carrying value of intangible assets, or other long-lived assets, or changes in the useful lives of other intangible assets; changes in accounting standards and the impact of significant accounting estimates; product quality and safety issues, including recalls and product liability; changes in consumer demand for our products; effectiveness of advertising, marketing and promotional programs; changes in consumer behavior, trends and preferences, including weight loss trends; consumer perception of health-related issues; consolidation in the retail environment; changes in purchasing and inventory levels of significant customers; fluctuations in the cost and availability of supply chain resources, including raw materials, packaging and energy; disruptions or inefficiencies in the supply chain; benefit plan expenses due to changes in plan asset values and discount rates used to determine plan liabilities; failure or breach of our information technology systems; foreign economic conditions, including currency rate fluctuations; and political unrest in foreign markets and economic uncertainty due to terrorism or war.

**The company undertakes no obligation to publicly revise any forward-looking statements to reflect any future events or circumstances.**

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# Appendix



# Historical Trend - Revenue QonQ

