



sunshine



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Earnings Presentation | QFY 19

09th August 2018

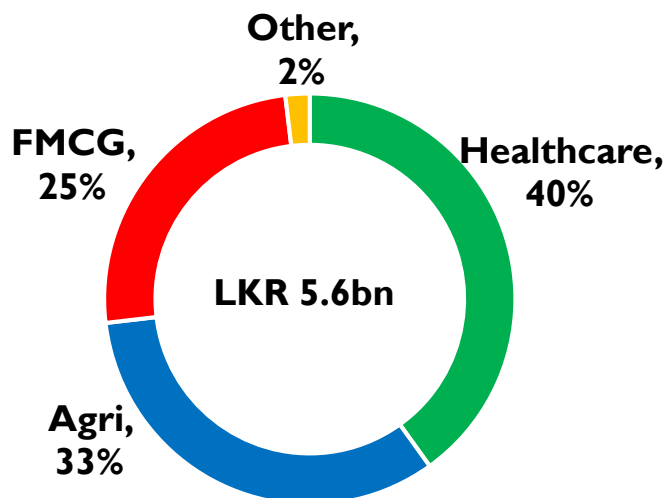
The background is a solid blue color with several white, wavy, ribbon-like shapes that flow from the left side towards the right. These shapes vary in thickness and curvature, creating a sense of movement and depth.

Group Performance

Group at a Glance – 1QFY19 [Apr-June]

- **LKR 5.6bn** in Revenue; +8.0% YoY
- **LKR 343m** PAT; -38.8% YoY
- PATMI of **LKR 192m**; -21.6% YoY

Revenue – 1QFY19



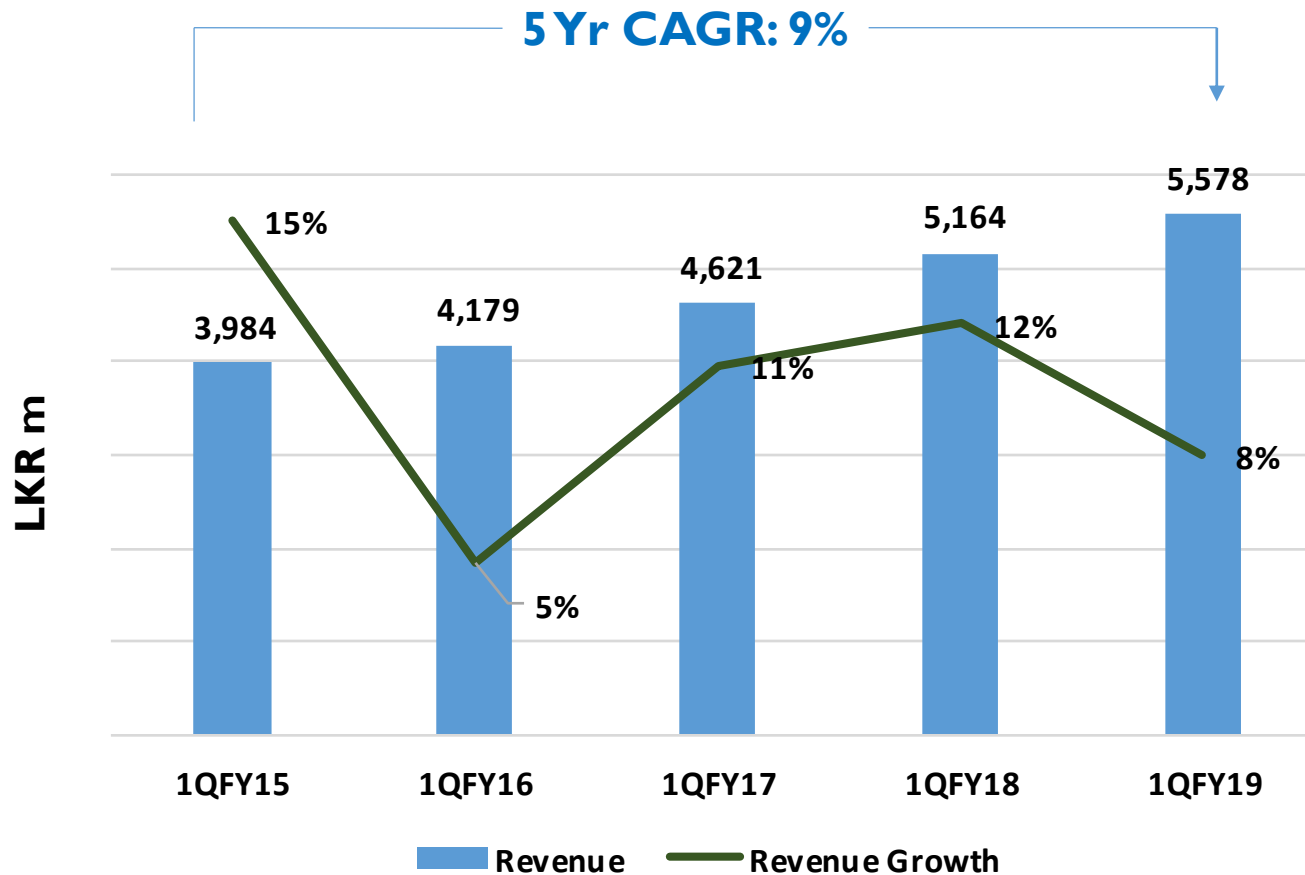
- Healthcare revenue; **LKR 2.2bn**; +15.6% YoY
- Agri revenue; **LKR 1.8bn**; -7.2% YoY
 - 2.5m kg of palm oil, -16.9% YoY
 - 2.1m kg of tea produced, -14.3% YoY
- FMCG revenue; **LKR 1.4bn**; +22.2%YoY
 - 1,026k kg of branded tea sold; +8.3YoY

Group Financial Highlights

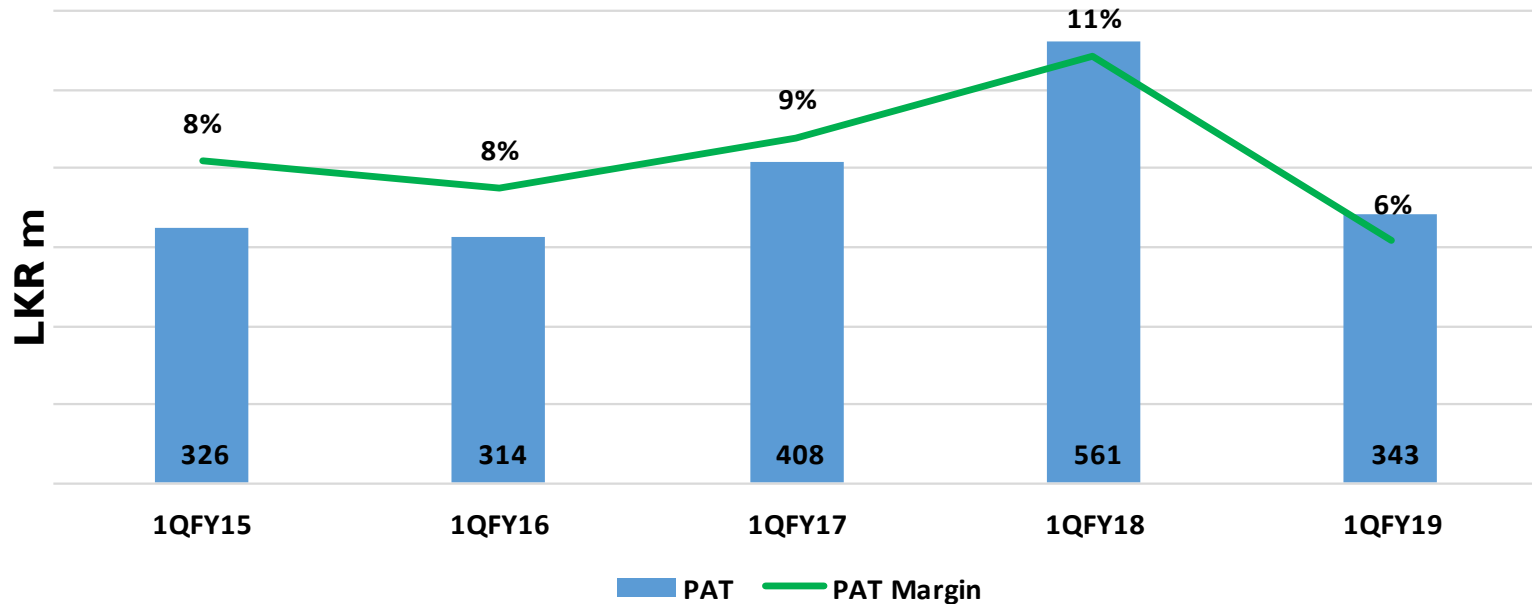
LKR m	1Q FY19	1Q FY18	Growth %
Revenue	5,578	5,164	8.0%
EBIT	600	687	-12.7%
<i>EBIT Margin</i>	<i>10.7%</i>	<i>13.3%</i>	
PAT	343	561	-38.8%
<i>PAT Margin</i>	<i>6.2%</i>	<i>10.9%</i>	
PATMI	192	244	-21.6%
EPS (LKR)	1.40	1.79	-21.6%

1Q Revenue Growth Trend

- 5 Year CAGR of 9%



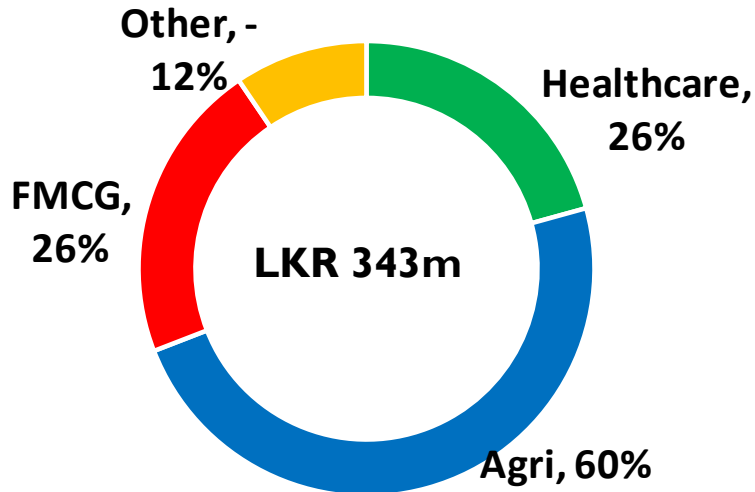
1Q Profitability



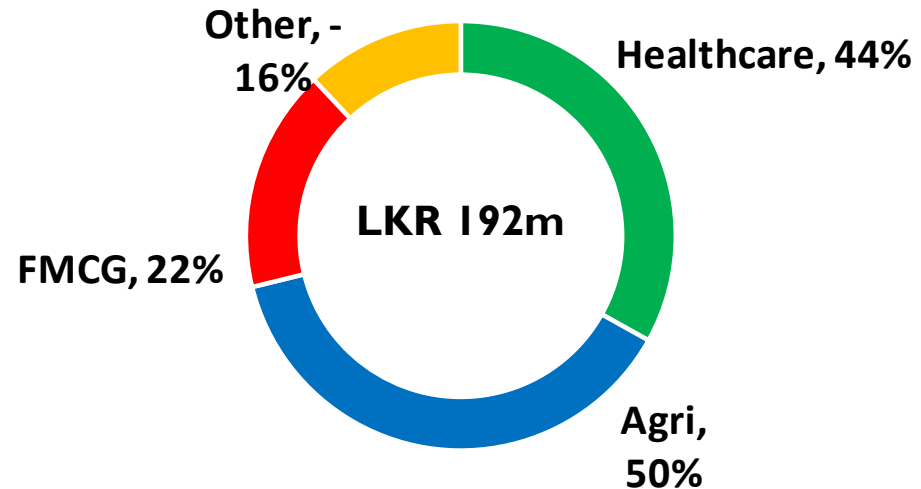
- PAT at LKR 342m reduced by 39.0% YoY mainly due to lower performance in Agri sector
- Agri margins decrease as a result of reduction in Palm Oil yield and decrease in tea prices
- Healthcare recorded the expected profitability despite the reduction in margins due to depreciation in local currency
- FMCG margins expanded due to decrease in input cost coupled with the volume growth

Earnings Contribution 1QFY19

PAT - 1QFY19



PATMI - 1QFY19



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Segment Performance

Healthcare



LKR m	1Q FY19	1Q FY18	Growth %
Revenue	2,236	1,935	15.6%
EBIT	148	136	8.6%
<i>EBIT Margin</i>	<i>6.6%</i>	<i>7.0%</i>	
PAT	87	85	3.3%
<i>PAT Margin</i>	<i>3.9%</i>	<i>4.4%</i>	

Highlights

- IQFY19 Revenue up by 15.6% YoY due to higher sales volume in pharma sub-sector and footfall growth in Retail sub-sector
- EBIT margin contraction in IQFY19 due to;
 - Depreciation of the local currency eroding GP margins
 - Higher marketing expenses to drive the sales growth

Healthcare Retail



23

Outlets existing
outlets in Colombo,
including 11 express
outlets

Highlights

- Continued focus on Wellness helped EBIT margin expansion –52 bps compared to same period last year
- Strong growth in customer footfall – 7% SSS Growth
- Higher focus on direct imports to increase margins
 - GNC
 - Ulta 3
 - Spa Farma

FMCG

LKR m	1Q FY19	1Q FY18	Growth %
Revenue	1,391	1,138	22.2%
EBIT	132	69	90.5%
<i>EBIT Margin</i>	<i>9.5%</i>	<i>6.1%</i>	
PAT	90	51	77.0%
<i>PAT Margin</i>	<i>6.5%</i>	<i>4.5%</i>	

Highlights

- 1QFY19 Revenue growth of 22.2% YoY on the back of both volume (+8.0%) and price growth (+13.0%)
- EBIT margin expanded to 9.5% from 6.1% due to higher volumes and increased GP due to higher ASP.

Agri –Sector Results

LKR m	1Q FY19	1Q FY18	Growth %
Revenue	1,844	1,988	-7.2%
EBIT	287	443	-35.2%
<i>EBIT Margin</i>	<i>15.5%</i>	<i>22.3%</i>	
PAT	204	377	-45.8%
<i>PAT Margin</i>	<i>11.1%</i>	<i>19.0%</i>	

Highlights

- Revenue contracted by 7.2% YoY due to lower yield in Palm Oil and drop in Tea NSA
- Tea NSA down 1% in IQFY19 in comparison to the LY.
 - 14.3% decrease in crop due to unfavorable weather conditions
- Oil palm NSA increased 5% compared to last year
- Current herd in the Dairy Farm reached to 1,598 animals, of which 896 are milking.

Agri - WATA



LKR m	1Q FY19	1Q FY18	Growth %
Revenue	673	690	-2.4%
EBIT	210	301	-30.0%
<i>EBIT Margin</i>	<i>31.3%</i>	<i>43.6%</i>	
PAT	150	273	-45.2%
<i>PAT Margin</i>	<i>22.2%</i>	<i>39.5%</i>	

Highlights

- Revenue LKR 673m down 2.4% YoY despite of the NSA increase of 5% YoY
- Combined crop had reduced by 9% YoY due to yield cycle which will be bridged at the second half of the financial year
- Profitability margin decrease is mainly due lower crop despite of the price increases incurred at the latter part of the 1QFY18

Agri - HPL



LKR m	1Q FY19	1Q FY18	Growth %
Revenue	1,171	1,298	-9.8%
EBIT	76	142	-46.4%
<i>EBIT Margin</i>	<i>6.5%</i>	<i>10.9%</i>	
PAT	54	104	-47.6%
<i>PAT Margin</i>	<i>4.7%</i>	<i>8.0%</i>	

Highlights

- Revenue reduced by 9.8% YoY is mainly due low crop.
- 12% YoY decrease in crop due to unfavorable weather conditions
- Tea NSA slightly below 1.0% YoY due to lower demand

Energy



LKR m	1Q FY19	1Q FY18	Growth %
Revenue	92	41	122.5%
EBIT	55	13	334.2%
<i>EBIT Margin</i>	<i>59.8%</i>	<i>30.7%</i>	
PAT	44	3	1567.9%
<i>PAT Margin</i>	<i>48.0%</i>	<i>6.4%</i>	

Highlights

- Revenue increased by 122.5% is mainly due to heavy rainfall in catchment areas
- Elgin Plant under construction & will be commissioned in end August 2018

Additional data for analysts

LKR m	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY17	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19
Revenue	3,984	4,166	4,072	4,105	4,179	4,341	4,288	4,615	4,621	4,864	4,425	5,115	5,164	5,128	5,235	5,673	5,578
PAT	326	225	289	207	314	344	391	169	408	517	403	283	561	465	489	165	343
PATMI	147	158	104	76	162	171	175	78	207	227	13	126	244	286	190	120	192

Volumes	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY17	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19
Branded Tea (kg '000)	648	838	809	863	703	948	1,016	997	798	1100	987	1,062	950	1,085	1,178	1,181	1,026
Tea (kg 'mn)	3.4	1.9	2.6	2.5	2.6	2.1	2.5	2.2	2.5	1.4	2.0	1.5	2.4	1.6	1.8	2.1	2.1
Palm Oil (kg 'mn)	2.1	2.5	2.3	1.9	2.8	2.5	1.8	1.9	2.7	3.4	2.4	2.2	3.0	3.2	2.3	2.3	2.5

The background is a solid blue color with several white, wavy, horizontal lines that sweep across the frame from left to right, creating a sense of motion and depth. The lines vary in thickness and curvature, with some appearing as thin streaks and others as broader, more defined bands.

Outlook

Outlook for 2Q FY19

Healthcare

- 2nd round of drug price controls
- Rupee depreciation to impact margins
- Focus on Beauty & Wellness brands to increase margins with higher brand loyalty

FMCG

- Sales growth in established brands and consolidate on newly introduced brands
- Tea prices to remain soft

Agri

- Increase in Tea NSA, crop affected by weather
- Palm Oil NSA to be volatile, increase in yield per hectare

Energy

- Higher rainfall to continued
- Construction of Elgin plant to be completed end August 2018
- Venture in to Solar power

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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