

Earnings release - SUN

SUN: Strong Healthcare and Consumer Sector Performance Cushions Revenue Drop from Tea Plantation Exit

1H FY20 Highlights

- Consolidated revenue of LKR 10.5bn, a decrease of 3.0% YoY
- PAT amounted to LKR 1.2bn, up 56.9% YoY
- Healthcare revenue up 19.2% YoY to LKR 5.3bn
- Consumer revenue up 0.5% YoY to LKR 2.8bn
- Agri revenue contracted 33.0% YoY to LKR 2.3bn
- EPS of LKR 4.89, up 62.1% YoY

2Q FY20 Highlights

- Consolidated revenue of LKR 5.3bn, an increase of 0.7% YoY
- PAT amounted to LKR 657m, up 48.5% YoY
- Healthcare revenue up 28.2% YoY to LKR 2.8bn
- Consumer revenue up 6.8% YoY to LKR 1.5bn
- Agri revenue contracted 42.6% YoY to LKR 932m
- EPS of LKR 2.61, increase 60.4% YoY

Colombo, November 14, 2019 – Sunshine Holdings PLC (CSE: SUN) top line contracted 3.0% YoY to stand at LKR 5.2bn, mainly due to the sale of a majority stake in the tea plantation business represented by Hatton Plantations PLC (CSE: HPL) during the 1st quarter. Energy sector also contributed towards the degrowth of consolidated revenue for the period.

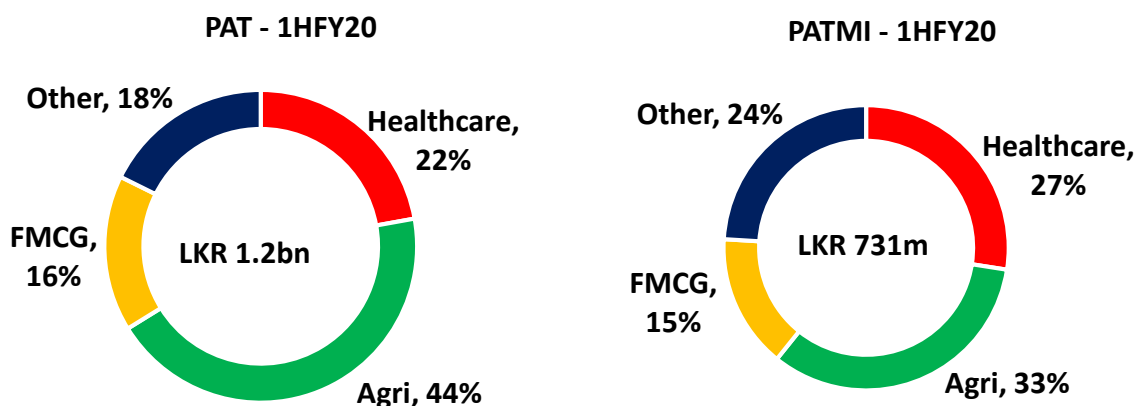
LKR m	1H FY20	1H FY19	Growth %	2Q FY20	2Q FY19	Growth %
Revenue	10,539	10,868	-3.0%	5,329	5,294	0.7%
EBIT	1,848	1,281	44.3%	937	682	37.4%
<i>EBIT Margin</i>	<i>17.5%</i>	<i>11.8%</i>		<i>17.6%</i>	<i>12.9%</i>	
PAT	1,230	784	56.9%	657	443	48.5%
<i>PAT Margin</i>	<i>11.7%</i>	<i>7.2%</i>		<i>12.3%</i>	<i>8.4%</i>	
Adjusted PAT*	948	808	17.4%	657	522	26.0%
PATMI	731	424	72.5%	398	234	70.0%
EPS (LKR)	4.89	3.02	62.1%	2.61	1.63	60.4%

*Adjusted for the HPL divestment

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Healthcare remained as the largest contributor to Group revenue accounting for 48% of the total, whereas Agribusiness contributed 21%, and Consumer Goods accounting for 25%.

For 1H FY20, PAT amounted to LKR 1.2bn representing 56.9% increase YoY, mainly due to the profit arising from the sale of Hatton Plantations PLC amounting to LKR 343m. Profit After Tax & Minority Interest (PATMI) increased by 72.5% YoY to LKR 731m. Agribusiness was the main contributor to the group PATMI.



The PAT margins increased to 11.7% during 1H FY20 compared to 7.2% same period last year mainly due to the profit gained from the sale of Hatton Plantations PLC.

Net Asset Value per share increased to LKR 53.52 as at end 1H FY20, compared to LKR 52.72 at end of 1H FY19.

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Business segments

Healthcare

LKR m	1H FY20	1H FY19	Growth %	2Q FY20	2Q FY19	Growth %
Revenue	5,267	4,417	19.2%	2,796	2,181	28.2%
EBIT	452	237	90.5%	222	90	147.8%
<i>EBIT Margin</i>	<i>8.6%</i>	<i>5.4%</i>		<i>7.9%</i>	<i>4.1%</i>	
PAT	273	154	77.5%	132	66	99.5%
<i>PAT Margin</i>	<i>5.2%</i>	<i>3.5%</i>		<i>4.7%</i>	<i>3.0%</i>	

Healthcare revenue for 1H FY20 grew 19.2% YoY, on the back of both volume and price growth in the pharma and medical devices sub sectors. Higher volumes, stronger Rupee, and increased contribution from the Medical Devices sub sector propelled EBIT margin by 320 bps in 1H FY20 cf. same period last year.

The Pharma sub-segment which represents 65% of Healthcare revenue grew 16.5% YoY for 1H FY20, due to higher sales volumes and price increases. The company's Pharma segment currently enjoys 11% share of the local private pharma market (IMS data). Movements in other sub-sectors were: Medical Devices (+41.4% YoY) and Retail (4.9% YoY).

PAT for Healthcare amounted to LKR273m in 1H FY20, up 77.5% YoY at a margin of 5.2%.

Consumer

LKR m	1H FY20	1H FY19	Growth %	2Q FY20	2Q FY19	Growth %
Revenue	2,782	2,769	0.5%	1,472	1,378	6.8%
EBIT	286	346	-17.3%	201	214	-6.0%
<i>EBIT Margin</i>	<i>10.3%</i>	<i>12.5%</i>		<i>13.7%</i>	<i>15.5%</i>	
PAT	199	236	-15.9%	141	146	-3.4%
<i>PAT Margin</i>	<i>7.1%</i>	<i>8.5%</i>		<i>9.6%</i>	<i>10.6%</i>	

The Consumer sector reported revenues of LKR 2.8bn in 1H FY20, up 0.5% YoY and accounted for 25% of group revenue for the period. The domestic branded tea business within Consumer sold 2.2m kg of branded tea, up 5.1% YoY, driven by their budget brand 'Ran Kahata', despite volumes of other brands remaining flat.

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PAT from the Consumer segment contracted by 15.9% YoY, to stand at LKR 199m for 1HFY20. The decrease was mainly due to higher investment in advertising and promotions relating to the relaunch of the 'Zesta' brand.

Agribusiness

Reported

LKR m	1H FY20	1H FY19	Growth %	2Q FY20	2Q FY19	Growth %
Revenue	2,324	3,467	-33.0%	932	1,623	-42.6%
EBIT	768	639	20.2%	454	353	28.8%
<i>EBIT Margin</i>	<i>33.1%</i>	<i>18.4%</i>		<i>48.7%</i>	<i>21.7%</i>	
PAT	541	453	19.4%	342	249	37.5%
<i>PAT Margin</i>	<i>23.3%</i>	<i>13.1%</i>		<i>36.7%</i>	<i>15.4%</i>	

Adjusted for HPL sale

LKR m	1H FY20	1H FY19	Growth %	2Q FY20	2Q FY19	Growth %
Revenue	1,812	1,540	17.6%	932	867	7.5%
EBIT	819	628	30.4%	454	418	8.8%
<i>EBIT Margin</i>	<i>45.2%</i>	<i>40.8%</i>		<i>48.7%</i>	<i>48.2%</i>	
PAT	603	478	26.1%	342	328	4.4%
<i>PAT Margin</i>	<i>33.3%</i>	<i>31.0%</i>		<i>36.7%</i>	<i>37.8%</i>	

The Agribusiness sector represented by WATA and HPL saw reported revenue decline by 33.0% YoY to LKR 2.3bn mainly due to unfavorable weather conditions impacting the tea plantations managed by HPL and the divestment of majority stake in the said business during 1QFY20.

Palm oil segment together with Dairy, recorded a 17.6% YoY growth mainly due to better performance of Palm oil sector driven by the shift in Palm oil yield curve. Palm oil production was at 7.1m Kg for the 1HFY20 which was 14.0% higher than the same period last year.

PAT for 1HFY20 amounted to LKR 541m increasing 26.1% YoY. The increase is mainly due to the divestment of the Tea plantations.

Renewable Energy

Revenue for the Renewable Energy division amounted to LKR100m in 1HFY20, down 49.4% YoY from LKR197m during 1HFY19 as a result of lower rainfall in the catchment areas and plant maintenance. The sector PAT was negative LKR37m for 1HFY20, compared to a profit of

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LKR102m in the same period last year. The Group also ventured into solar power with its new company, Sky Solar, with an installed capacity of 1MW.

Outlook

In Healthcare, we expect strong growth for 3QFY20, especially in the Medical devices and Pharma sub-divisions. 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. New price controls by the regulator remains a key risk for the profitability of the sector.

At Healthguard, the focus continues to be on developing specialty range of Beauty and Wellness products while attracting more customers to the chain. The new flagship store at One Galle Face Mall is expected to contribute towards revenue during 3QFY20.

The Consumer business would continue to invest behind its brands to scale the domestic businesses. We expect some increase in tea input cost which will create pressure on the margins. We are mindful of the new players entering the market and will continue to strengthen our international business operation efficiency.

In Agribusiness, we expect to see moderate growth in volumes for the Palm Oil segment due to shift in yield curve while prices are expected to be stable in the short term. RSPO audit is completed and we expect to receive the certificate by 4QFY20.

On the dairy sub sector, the total milking cows for the period stood at 853 and the total number of animals stand at 1,472. We expect to further rationalize the feed cost and increase selling price due to higher demand.

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

ABOUT SUNSHINE HOLDINGS

Sunshine Holdings PLC is a diversified holding company contributing to ‘nation-building’ by creating value in vital sectors of the Sri Lankan economy – including healthcare, agribusiness, fast-moving consumer goods and renewable energy. The business units comprise of Sunshine Healthcare Lanka Limited, Watawala Plantations PLC, Watawala Tea Ceylon Limited and Sunshine Energy Private Limited which are leaders in their respective sectors, have secured partnerships with top global brands and have won prestigious awards at the national as well as the regional level. The leading brands of the group include Zesta, Healthguard and Watawala Tea. The Estate Management Services Limited (EMS), the agri-business arm of Sunshine Holdings PLC, manages Watawala Plantations, Sri Lanka’s largest palm oil producer. The company’s healthcare marketing unit is the second largest in its sector nationally.

For more information, please visit our Investor Relations page.



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

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