

Earnings release - SUN

SUN: PAT up 69.2% in 1QFY22 backed by Healthcare and Agri sectors

1QFY22 Highlights

- Consolidated revenue of LKR 7.3bn, increase of 28.7% YoY
- PAT amounted to LKR 1.0bn, increase of 69.2% YoY
- Healthcare revenue up 28.7% YoY to LKR 4.0bn
- Consumer revenue up 22.5% YoY to LKR 2.0bn
- Agri revenue up 44.2% YoY to LKR 1.4bn
- EPS of LKR 0.74

Colombo, August 05, 2021 – Sunshine Holdings PLC (CSE: SUN) top line grew 28.7% YoY to stand at LKR 7.3bn for 1QFY22, with healthcare and consumer segments showing significant growth compared to 1QFY21, amid challenges arising from the third wave of 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, 1QFY21 is adjusted to reflect the performance of Daintee and APL.

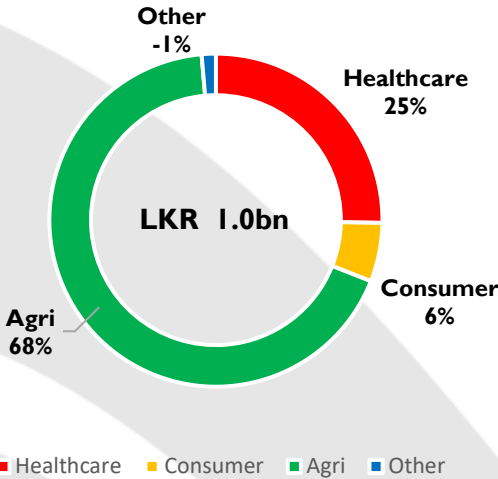
LKR m	1Q FY22	Adj. 1Q FY21	Growth %	Reported 1QFY21
Revenue	7,348	5,710	28.7%	4,786
EBIT	1,320	987	33.7%	860
EBIT margin	18.0%	17.3%		18.0%
PAT	1,040	615	69.2%	553
PAT margin	14.2%	10.8%		
PATMI	333	381	-12.8%	321
EPS (LKR)	0.74	0.85	-12.8%	0.72

Healthcare remained the largest contributor to Group revenue in 1QFY22, accounting for 54% of the total, whereas Consumer Goods contributed 25%, and Agribusiness accounted for 19%.

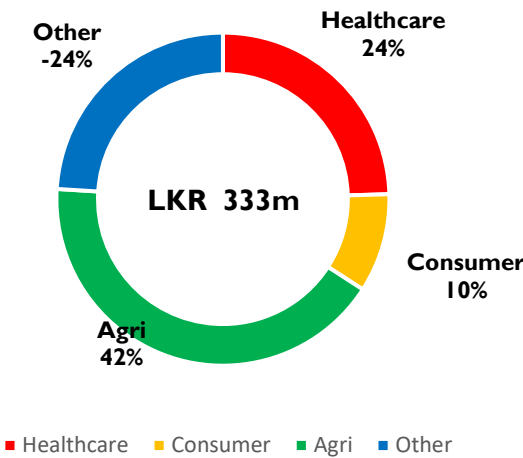
For 1QFY22, PAT amounted to LKR 1.0bn representing an increase of 69.2% YoY, stemming from overall revenue growth, improved performance in the Healthcare sector and contribution from Agri due to growth in NSA. Reported Profit After Tax & Minority Interest (PATMI) increased by 3.6% YoY to LKR 333m. However, PATMI compared to adjusted 1QFY21 results shows a decrease of 12.8%.



PAT - IQFY22



PATMI - IQFY22



The PAT margins increased to 14.2% during IQFY22 compared to 10.8% in IQFY21 mainly due to the margin increase in Agri segment as well as higher volumes in Healthcare segment.

Net Asset Value per share increased to LKR 23.52 as at the end of IQFY22 compared to LKR 23.48 at the end of IQFY21. Number of shares increased from 149,554,103 to 448,662,309 shares due to a 3:1 share split announced in February 2021.

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.

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 will be channeled in to diversify and expand Fast-Moving Consumer Goods (FMCG) portfolio while driving efficiency.

Business segments

Healthcare

LKR m	IQ FY22	Adj. IQ FY21	Growth %
Revenue	4,000	3,109	28.7%
EBIT	401	339	18.3%
<i>EBIT margin</i>	<i>10.0%</i>	<i>10.9%</i>	
PAT	270	197	37.1%
<i>PAT margin</i>	<i>6.8%</i>	<i>6.3%</i>	

Healthcare revenue for FY21 grew 28.7% YoY. The sector showcased significant revenue growth in Pharma subsector followed by Medical Devices Division (MDD) and Retail subsectors.

EBIT Margin contraction in the Healthcare sector is predominantly owing to LKR currency depreciation. However, the impact was minimized by increase in MRP's of selected non-price-controlled SKU's and margin improvement in MDD subsector.

MDD subsector growth reflects price and volume increase compared to IQFY21. Despite low footfall due to travel restrictions, the Retail arm was able to achieve growth with 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 IQFY21 results does not include the consolidation of APL results. APL contribution to revenue during IQFY22 stood at LKR 444m at a net loss of LKR 5m.

The Pharma subsector grew 38.7% compared to IQFY21. Movements in other key sub-sectors were: Medical Devices 32.5% growth compared to IQFY21 and Retail 71.2% compared to IQFY21. Further, stringent measures are continued to improve overall efficiency of the sector and to improve the working capital by reducing stock holding period while improving debtor collection.

PAT for Healthcare amounted to LKR 270m in IQFY22 at a margin of 6.8%.

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Consumer

LKR m	IQ FY22	IQ FY21	Growth %
Revenue	1,860	1,518	22.5%
EBIT	100	156	-36.0%
<i>EBIT margin</i>	<i>5.4%</i>	<i>10.3%</i>	
PAT	61	135	-54.8%
<i>PAT margin</i>	<i>3.3%</i>	<i>8.9%</i>	

The Consumer sector reported revenues of LKR 1.8bn in IQFY22, with an increase of 22.5% compared to corresponding quarter in the previous year and accounted for 25% of group revenue for the period.

Tea category experienced a 21.3% volume growth in IQFY22 compared to IQFY21. Value growth in the same period stood at 25.3%.

Travel restrictions imposed due to 3rd wave of Covid-19 significantly impacted the Confectionery industry. Recovery is expected in the following months. Revenue contribution from Daintee Ltd in IQFY22 was LKR 470m.

The reduction in EBIT in Tea subsector is owing to reduced GP margin due to higher RM cost and increased advertising and promotional expenses in IQFY22. Adverse impact on Daintee EBIT was observed due to increase in raw material cost as a result of LKR currency depreciation and corrections post-acquisition as per IFRS requirements, PAT from the Consumer segment decreased by 54.8% compared to IQFY21, to stand at LKR 61m for IQFY22. Post-acquisition Daintee contributed LKR 36m for the bottom line in IQFY22. The interest cost on the borrowing undertaken for the purpose of Daintee acquisition is included in IQFY22.

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Agri

LKR m	IQ FY22	IQ FY21	Growth %
Revenue	1,404	974	44.2%
EBIT	784	497	57.8%
<i>EBIT margin</i>	<i>55.8%</i>	<i>51.0%</i>	
PAT	724	406	78.1%
<i>PAT margin</i>	<i>51.5%</i>	<i>41.7%</i>	

The Agribusiness sector reported revenue increase of 44.2% against the corresponding quarter last year. This growth was predominantly due to increase in Palm oil NSA.

Palm oil production was at 3,632 MT for IQFY22 which was a growth of 7.4% compared to IQFY21. PAT for IQFY22 amounted to LKR 724m increasing 78.1% YoY due to better margins in palm oil and the profit contribution from Dairy segment.

Dairy segment, which commenced operations in 2018, contributed 2% of Agribusiness sector PAT for IQFY22.

Renewable Energy

Revenue for the Renewable Energy division amounted to LKR 11m in IQFY22, up 63.4% compared to LKR 7m in IQFY21 due to the expansion of the roof top solar projects. For comparison purpose, the IQFY21 revenue is considered after excluding revenue related to mini-hydro power plants which was divested in April 2021.

Outlook

In Healthcare we are closely monitoring the changes in exchange rate which is sensitive on our margins. The MDD subsector expects to mitigate LKR depreciation via price increases. We expect challenges to continue with less occupancy levels in hospitals during 2QFY22. 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 online business platforms with expansion in delivery areas and overall improvement.

The sector will further focus on further development of the pharma manufacturing facilities acquired via the merger with Akbar Pharmaceuticals. We expect to capitalize on principal relationships to rationalize the portfolio.

. 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. Confectionary category, having been impacted due to travel restrictions in the country is expected to recover in the following months.

In Agribusiness, we expect to see similar pricing trends in 2QFY22, while expecting marginal volume growth. With reference to the Gazette no. 2222/13 dated 5 April 2021, prohibiting the cultivation of palm oil in Sri Lanka, which we believe will have a negative impact on the long-term performance of the Palm oil business.

In the dairy subsector we expect to utilize the investment from SBI to expand the herd to reach 1000 milking cows [currently 781 milking cows] and strengthen the upstream value chain.

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 – mainly in the healthcare and consumer sectors, with strategic investments in agribusiness and renewable energy. Established over 50 years ago 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 21bn. The business units comprise of Sunshine Healthcare Lanka, Sunshine Consumer Limited, Daintee, Healthguard Pharmacy, Sunshine Energy and Watawala Plantations

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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.



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

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