



Hemas Holdings PLC Investor Presentation
Q3 FY 2017–2018

Hemas is a LKR 43 Bn Sri Lankan Wellness, Leisure and Mobility Business

Largest private sector healthcare player with LKR 19 Bn. in revenues

Largest private pharmaceutical manufacturing company

Sri Lanka's leading domestic H&PC manufacturer with 25% market share

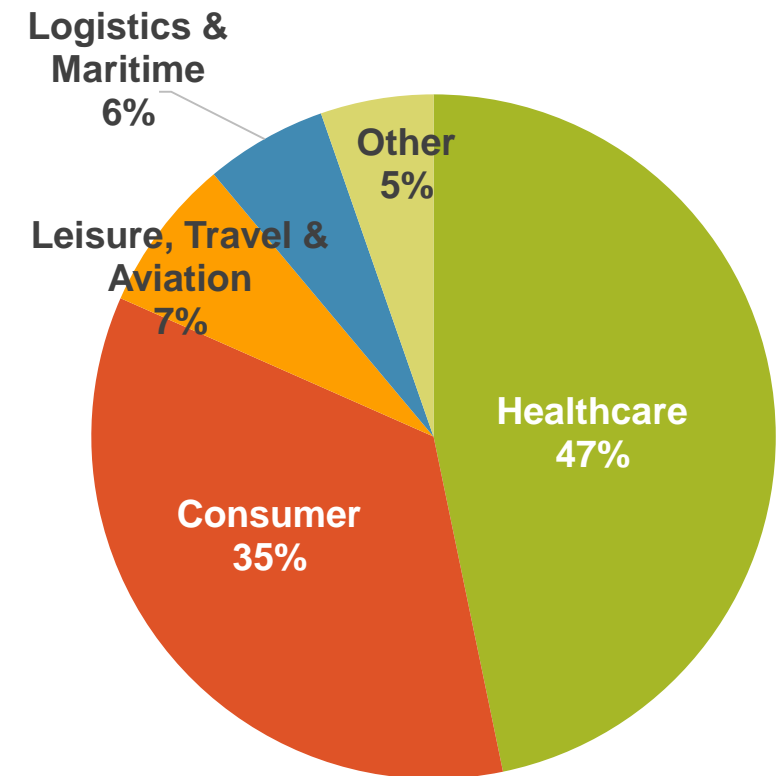
Market leading Value-added Hair oil brand in Bangladesh

Leading office and school stationery brand

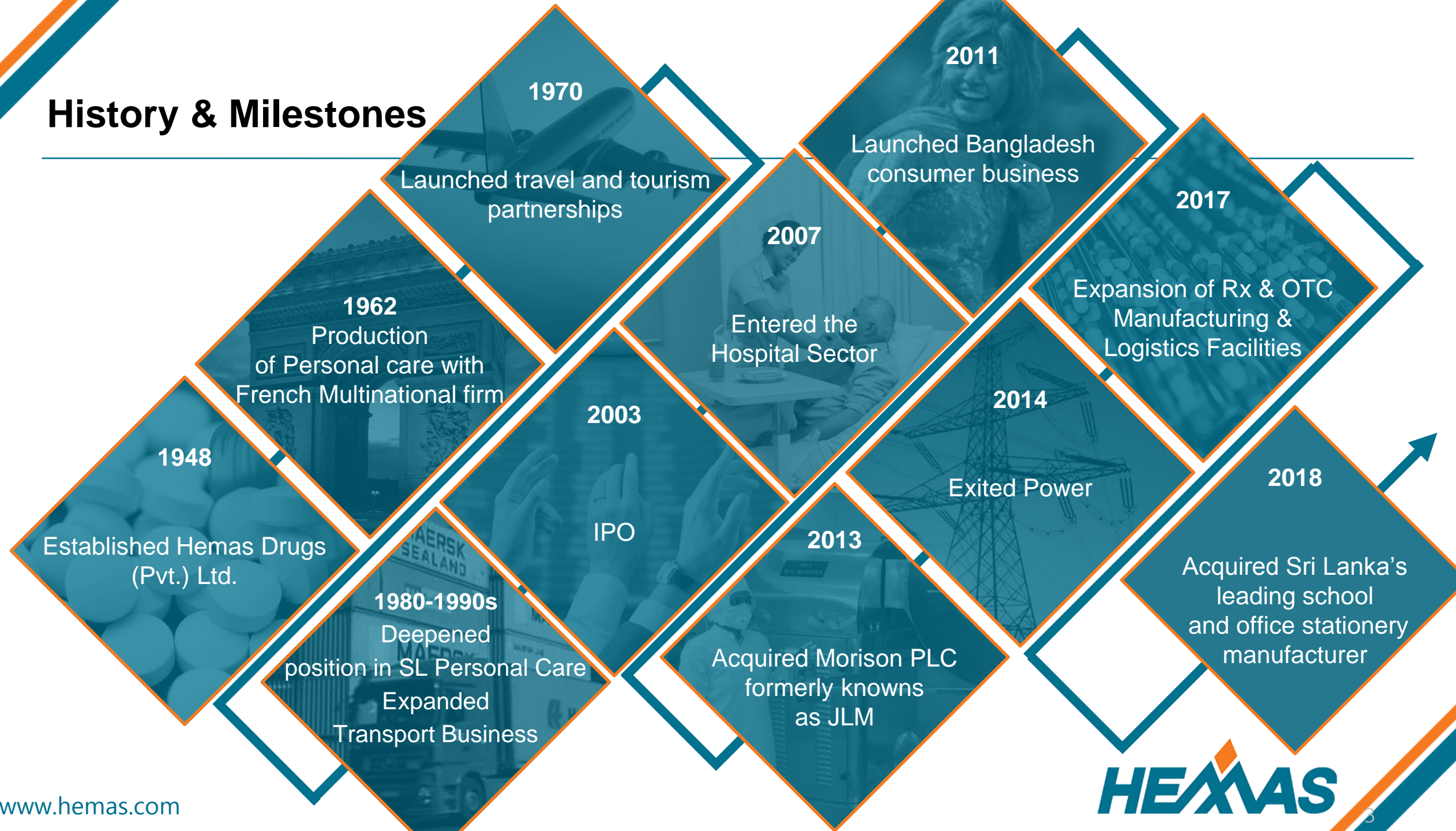
Leading maritime house representing 4th largest caller at Port of Colombo

Furthest reach across the Leisure, Travel and Aviation spectrum

Group Revenue by Segment
YTD (Q3) FY18



History & Milestones



Across our businesses we are Enriching Lives and driving towards Market Leadership

Developing great Consumer products and brands that delight Sri Lankan consumers

Developing our regional footprint by tapping into high growth emerging markets

Elevating our community with a focus on childhood education and development

Providing affordable healthcare outcomes for all Sri Lankans

Outstanding leisure experiences to the upscale traveler and excellence in aviation and travel services

Driving exceptional mobility solutions serving the nation's logistics needs

FY 2018 Business Highlights: Consumer & Healthcare



Premiumisation and deepening our positions in fast growing Personal Care categories

- Re-launched *Kumarika* Shampoo & *Dandex* Shampoo
- *Fems* launched 3D Sanitary napkin



Expanding our footprint in Emerging International Personal care markets

- Refreshed and relaunched *Kumarika* hair oil in December 2017 with a focus on rural expansion in Bangladesh
- Introduced a marbleized herbal beauty soap under *Kumarika* brand in Bangladesh and continue to push visibility of *Kumarika* facewash
- Continuing to drive early stage performance of West Bengal; Pakistan on hold due to resource constraints



Streamlining Portfolio and Adding Pharma manufacturing capacity

- Introduced “Morison”—a new identity for JLM in line with the ambition to be an innovator in pharmaceuticals
- Hemas Pharmaceutical Distribution commenced operations in Myanmar through a joint venture partnership
- Morison PLC launched baby diapers in Myanmar under the brand “Bunnies”.



Reconfiguring hospitals to improve asset utilization

- Expanded surgical capability in Orthopedics/ Urology/ IVF and Neurosurgery

FY 2018 Business Highlights: Leisure and Mobility



Expanded portfolio of maritime services and deepen offering in domestic logistics and distribution

- Launched “Spectra”, our joint venture 3PL brand with GAC Global, commencing operations with a new state-of-the-art container yard in the Muthurajawela Industrial Zone



Developing a suite of offerings for the emerging and upscale traveller

- Serendib Group acquired 51.15% stake of the boutique beach-front properties ‘Lantern’ Group for an investment of LKR 309.5Mn
- Expanded aviation representation portfolio to emerging carriers, adding IndiGo and China Southern



January 2018: Hemas Consolidates FMCG position by acquiring Atlas - Sri Lanka's most loved brand of 2017

- Hemas acquired 75.1% of Atlas Axillia Company (Private) Limited, Sri Lanka's leading School and Office brand, for a purchase consideration of Rs.5.7Bn (10x PE and 6X EBITDA)
- Atlas holds a leading position in School and Office with over 40% market share and has been voted Sri Lanka's most loved brand including 2017
- The business has a strong financial and dividend track record.
- Atlas will be the third largest business in the Hemas Holdings Group and will operate independently as a subsidiary of Hemas Holdings PLC.
- Atlas will add approximately 15% to our revenues but will introduce increased seasonality to our earnings due to the importance of the back to school season in Q3 of the financial year.
- With the acquisition of Atlas, Hemas is seeking to consolidate its leadership in Sri Lankan consumer brands.

Value Creation: continuing to drive Atlas' excellent sales and profitability growth

- Leverage synergies in sales and distribution
- Explore new routes to market
- Continue to drive lean manufacturing agenda
- Brand building and premiumization
- Extend brand selectively to emerging markets



People and Innovation

Second year of development program in partnership with Indian Institute of Management Bangalore (IIMB), to prepare Hemas Future Leaders

Launched a Group-wide Wellness initiative to make Hemas the healthiest workforce in Sri Lanka

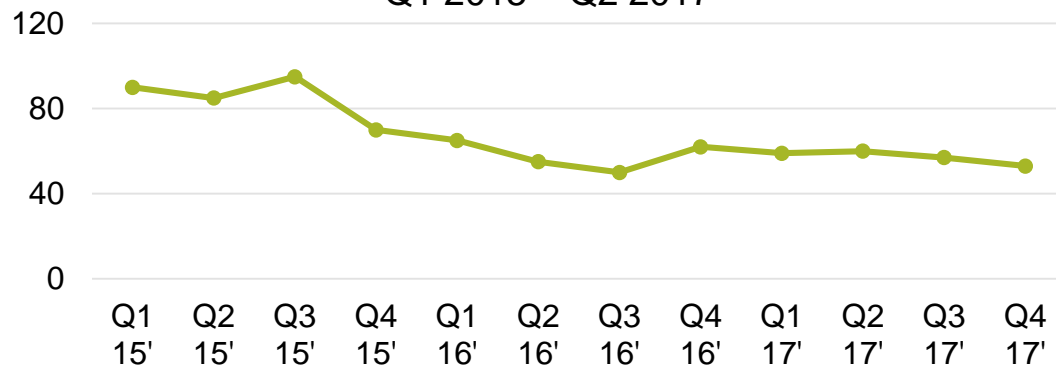
Trialling a Wellness Platform across the group and at two of Colombo's largest employment locations (leading IT park – Orion City and World Trade Centre) to meet health and wellness needs via digital delivery modes

Continue to drive digital initiatives around the group including finding better ways to reach customers through eCommerce across all business segments

Sri Lanka Personal Care Market

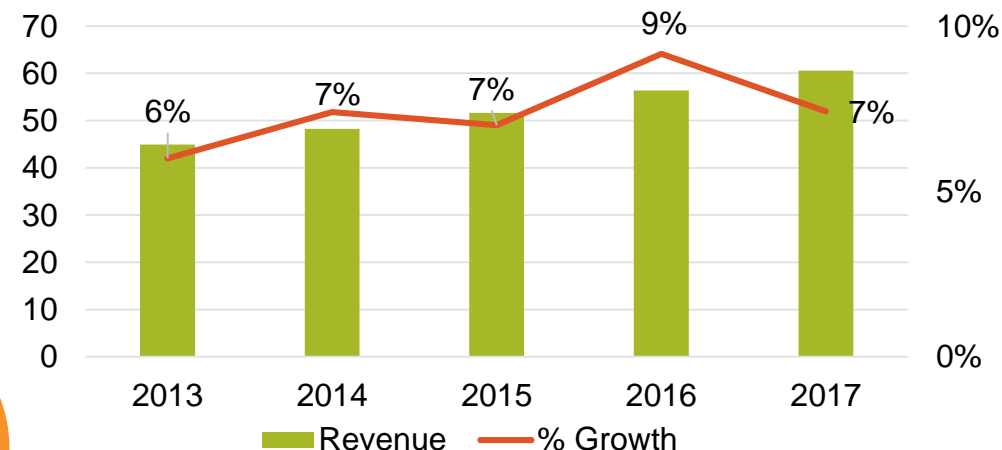
- Economy continues to feel the after-effects of prolonged drought and flood driving inflationary pressure on consumer spending.
- Rising inflation impacted consumption severely towards end of 2017 pulling down annual growth into negative territory. FMCG value sales growth in Sri Lanka experienced a -0.3% drop during 2017.
- Personal care declined by 6.1% during Q4 whilst home care segment experienced a drop of 6.6%
- Fiscal consolidation and a package of economic reforms underway should begin to push through to better economic and income growth
- Consumers experimenting with more categories than before. More focus on premiumisation, problem-solution and adult propositions in personal care

Nielsen Consumer Confidence Index
Q1 2015 – Q2 2017



16.0%
3-year end
Hemas
Consumer
Rev CAGR

Sri Lanka Home & Personal Care Industry
Spending and Growth in LKR Bn.
2013 – 2017



Source: MAT Nov 17' Lanka Market Research Bureau (LMRB), Nielsen Sri Lanka.

Our Consumer Business develops products specifically for Sri Lankan needs

Market
Share

No. 1 Hair Oil



No.1 Beauty Soap



No. 2 Oral Care Player



No. 2 Feminine Hygiene
Player



No.1 Baby care brand



No.2 Washing powder
brand



Revenue Contribution

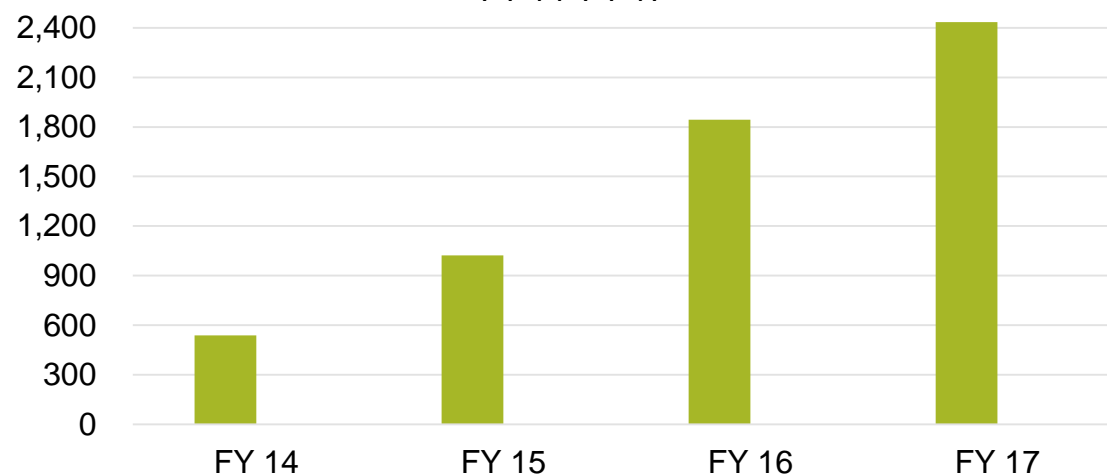
HEXAS

Hemas Consumer Bangladesh

- Kumarika hair oil has 20% share in the value-added hair oil segment in Bangladesh
- 132,000 retailers reached through own distribution
- Launched 2 variants of a “Science + Nature” based face wash in 2016 under the Kumarika brand
- Introduced the first ever marbled herbal-beauty soap “Kumarika Herbal Soap” in Bangladesh during August 2017.
- Consumer willingness to premiumise, explore new variants drives growth
- Selective exploration of other categories including feminine hygiene.



Bangladesh Revenue in LKR Mn
FY 14–FY 17



Consumer Sector Performance & Highlights

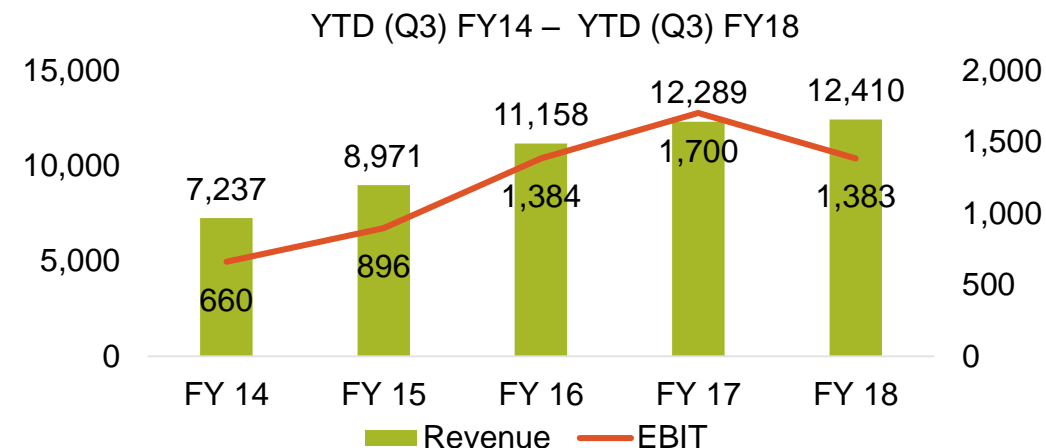
Domestic

- Consumer sector revenues are Rs.12.4Bn, a growth of 1.0% over the previous financial year; operating profits were Rs.1.4Bn, a decline of 18.6%
- Overall profitability growth was below expectations on account of Bangladesh operations
- Sector showed signs of recovery during Q3 with a revenue growth of 8.6% despite challenging domestic macro environment seen in the first six months
- Sanitary napkins, Shampoo and Skincare products indicated marginal growth while the other categories remained stable

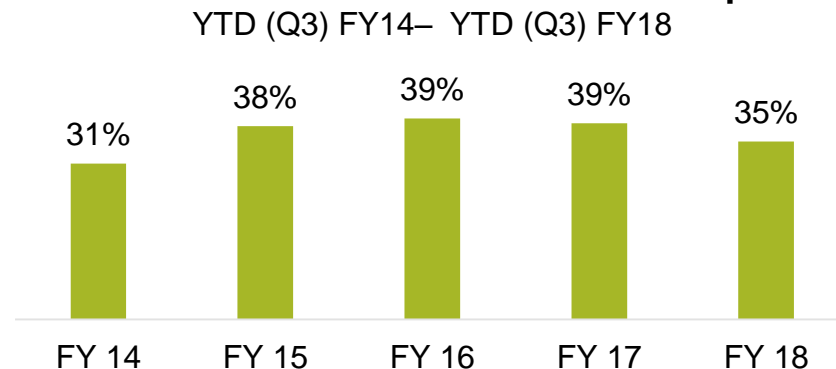
International

- Revenue and profitability impacted by sub-par Bangladesh performance; restructuring programme of Bangladesh sales & distribution network, increased competition and poor weather conditions during Q1
- Restructured sales and distribution network in Q3, and focus is driving investment in *Kumarika* with an aggressive relaunch; improved hair oil formulation
- Introduced the first ever marbleized herbal-beauty soap “Kumarika Herbal Soap” in Bangladesh during August 2017.

Hemas Consumer Sector Revenues & EBIT in LKR Mn.



Consumer Revenue Share of Group



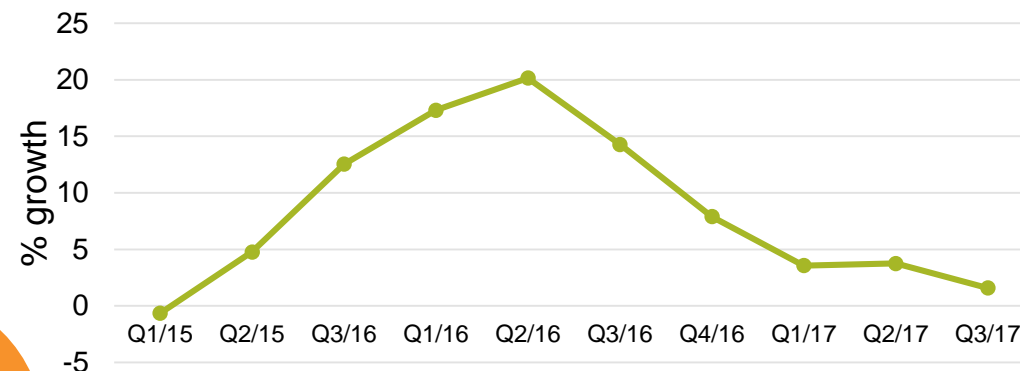
Sri Lanka Healthcare Trends

- Healthcare spend driven by growing burden of NCDs, underpinned by aging population contributing to increased Cardiovascular disease and Diabetes
- Middle class consumers seeking convenience: 50% of patients use private outpatient services
- Government agenda is to reduce healthcare cost burden, and limit healthcare cost inflation
- Price ceiling enacted in November 2016 covering 48 pharmaceutical molecules, but 5% increase in late 2017
- State encouraging more domestic manufacturing of pharmaceuticals in the current 85%+ import market
- VAT applied to portion of Private hospitals' room charges and consultation fees

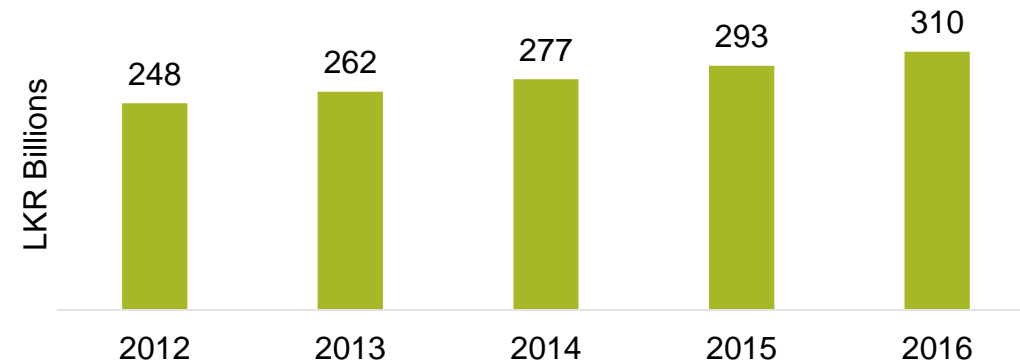
Source: IMS, Institute of Health Policy, Internal Analysis

16.3%
3-year end
Hemas
Healthcare
Rev CAGR

Private Retail Pharmaceutical Market Growth
FY14–FY17

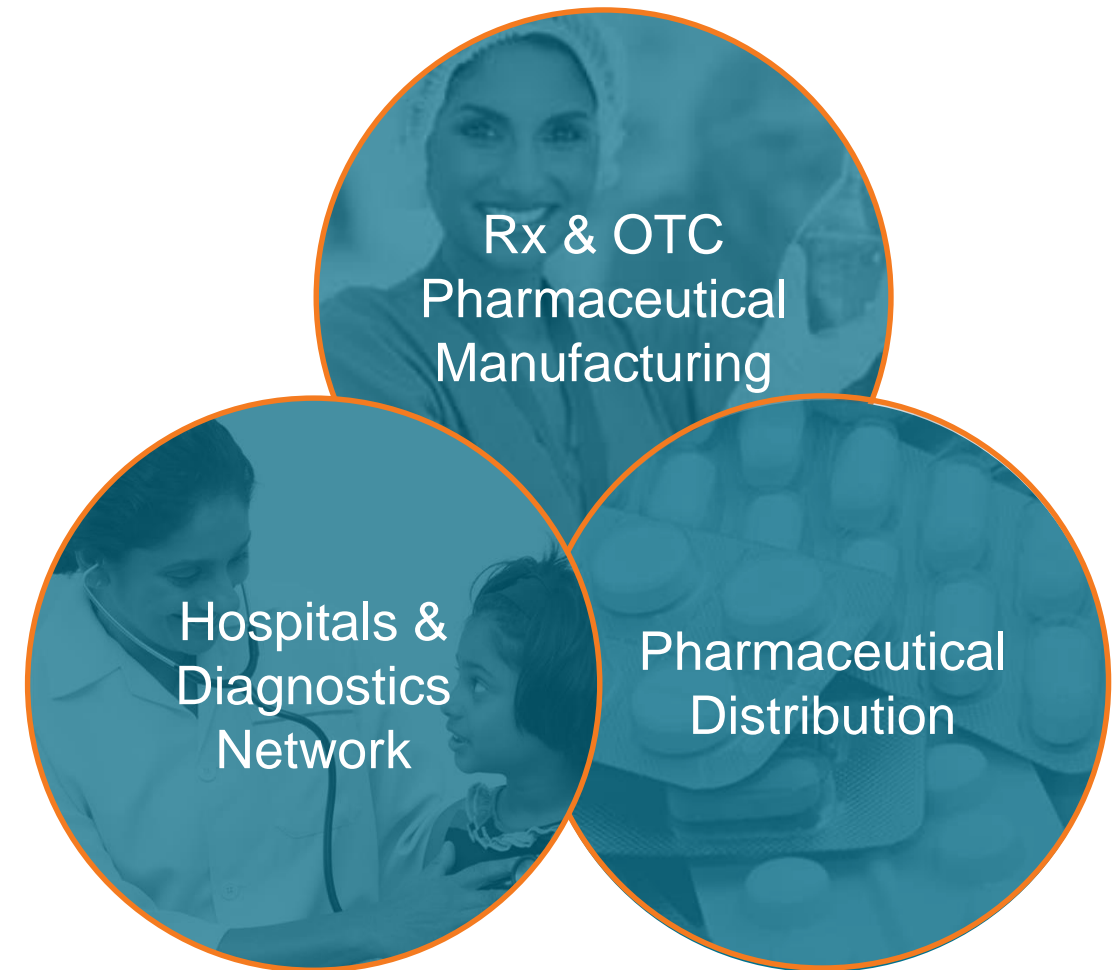


Sri Lanka Total Health Spending in LKR Bn.
FY 14 – FY 16E



Hemas Healthcare: Leadership in Pharmaceutical Distribution, Manufacturing and Healthcare Services

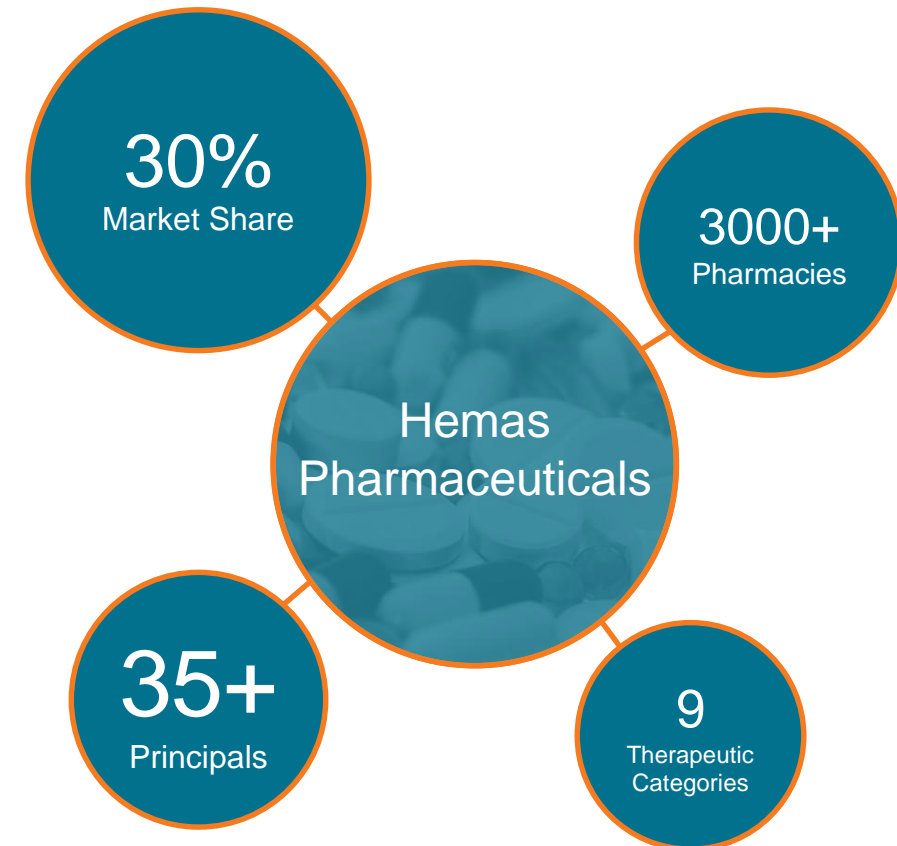
- Market leader in private retail pharmaceutical distribution services with 30% share
- Representation of major Multinational pharmaceuticals and Branded generics manufacturer
- Leading private suburban hospital network with 218 beds
- 34 laboratories—largest diagnostics footprint in Sri Lanka
- Morison PLC is the leading Rx and OTC manufacturer in Sri Lanka and one of the largest suppliers to government.



Source: IMS

Hemas represents the largest global multinational pharmaceutical manufacturers

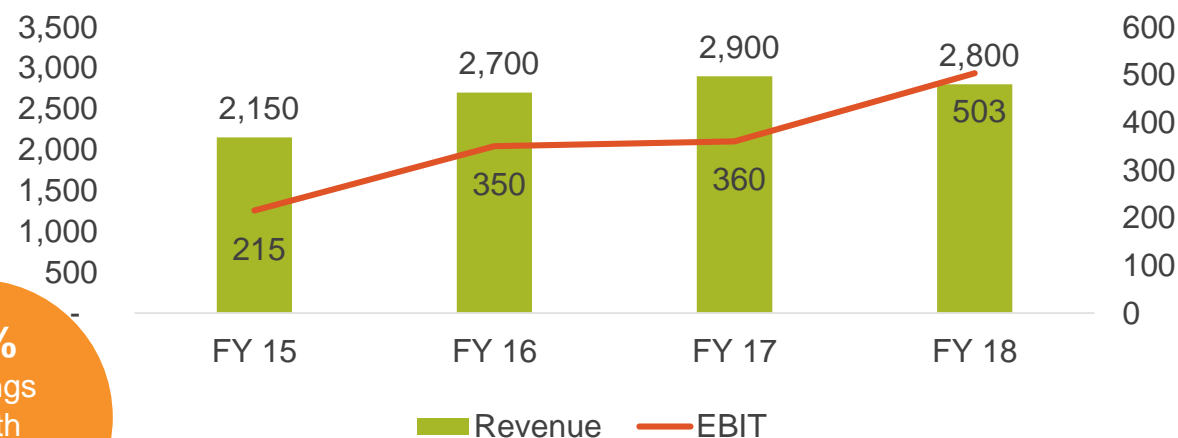
			
			
			
			
			
			
			
			
			
			



Morison PLC Pharmaceutical Manufacturing

- Through Morison PLC, Rx and OTC manufacturing subsidiary which was acquired in 2013, we own and market household brands such as Lacto Calamine and Gripe Mixture.
- In the second quarter, J.L. Morison Son & Jones (Ceylon) unveiled its new identity, rebranding to “Morison PLC”, emphasizing the Company’s role as an innovator in pharmaceuticals
- Ventured into Myanmar with distribution of its baby diaper brand “Bunnies”. This is the initial step towards establishing Morison PLC’s presence in a regional market.
- Signed a 5 year buy-back agreement in 2015 to provide government with essential medicines.
- Morison posted a revenue of Rs.2.8Bn and EBIT of Rs.503.6Mn and underlying OP growth of 38% excluding agriculture

Morison PLC Revenues & EBIT in LKR Mn
YTD (Q3) FY14– YTD (Q3) FY18



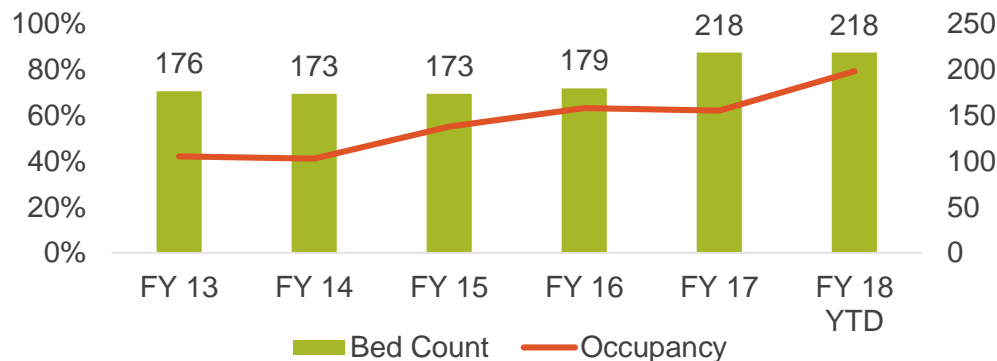
35%
Earnings
growth
since
acquisition



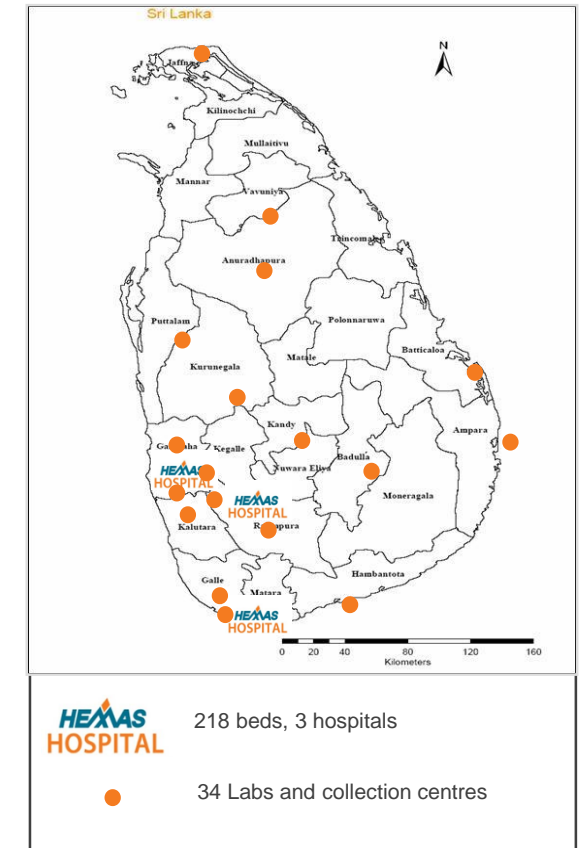
Hemas Hospitals

- Leader in non-urban based hospital and diagnostics services, with a vision of reaching patient populations where they live.
- 3 multi-specialty, ACHSI accredited hospitals in the North of Colombo, East of Colombo and in the Southern Province.
- Focus is on growing healthcare services reach through asset-light models
- Operating a Corporate Polyclinic, at a leading IT park in Sri Lanka
- Digital platform to accompany the rollout of Wellness management programmes

Hemas Hospitals Occupancy and Bed Count
YTD (Q3) FY13 - YTD (Q3)18



Hemas Hospital & Laboratory Network, 2017



Healthcare Sector Performance & Highlights

Performance

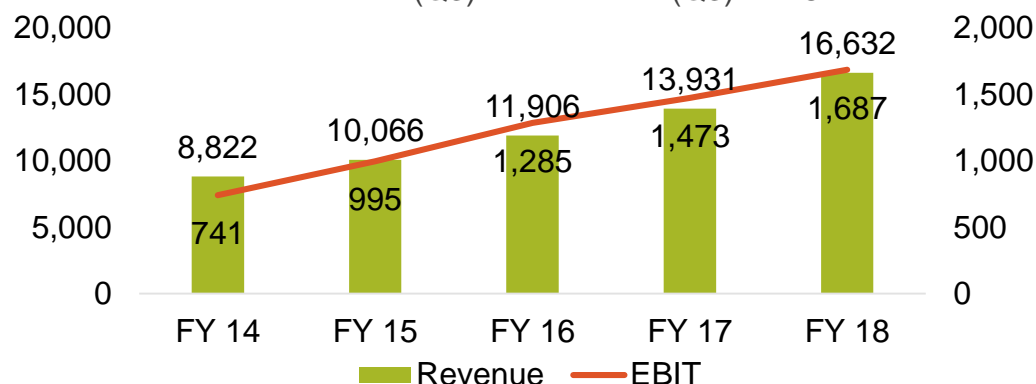
- Healthcare sector revenues are Rs.16.6Bn, total revenue growth of 19.4%, EBIT growth of 14.5%
- Key operational challenge of FY 18 has been the drag on profitability at pharma distribution due to government-imposed price ceilings and fx losses.
- Revenue growth driven by good volume growth of Pharma distribution and hospitals resulting from nation-wide epidemics
- Hospitals have operated at high occupancy levels, continue to drive inpatient and surgical volume

Highlights

- On December 15, 2017, the Government approved an increase of 5% on the Maximum Retail Price of 48 molecules that were under price control.
- Topline focus is growing OTC portfolio, and developing out underpenetrated therapeutic classes and regions.
- Hemas Pharmaceuticals extended distribution services to Myanmar in Q2 via a joint venture
- A major new Rx principal added to the pharma portfolio driving market share
- Ayubo.life, our digital healthcare business has continued to increase activities in app downloads and brand visibility through corporates

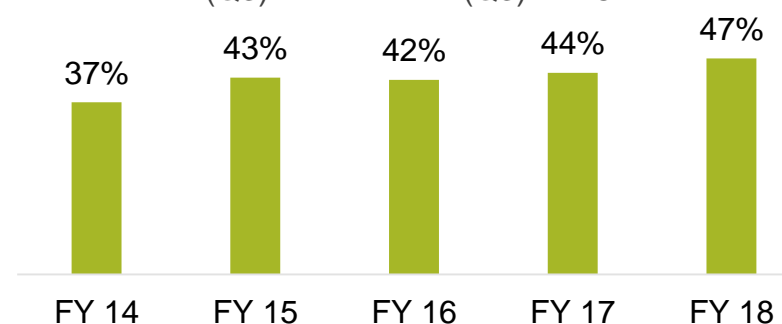
Healthcare Sector Revenues & EBIT in LKR Mn.

YTD (Q3) FY14 – YTD (Q3) FY18



Healthcare Revenue Share of Group

YTD (Q3) FY14 – YTD (Q3) FY18



Logistics and Maritime Industry

7%-8%

Domestic Logistics
Growth

- Domestic logistics industry estimated to be LKR8Bn–LKR9Bn
- More customers demand end to end supply chain solutions from logistics operators
- Market tendencies to move out from traditional warehouse model to 3PL
- Infrastructure development via ports, airports and expressways, FTZs adding to total logistics capacity.

- Freight rates saw a rise during Q3
- Limited Deep water berths available in Port of Colombo has direct impact on Transshipment volume growth
- 75% of shipping volumes are transshipments
- Port of Colombo to serve as major transshipment hub for South-Asia

8%

Increase in Annual
Shipping Volumes

Through our Mobility arm, we are securing new accounts and growing capacity in logistics, warehousing and haulage



- Integrated portfolio of container haulage, container operations, warehousing, and transportation of project and over-dimensional cargo.
- Growing base of leading domestic and MNC 3PL clients.
- Broke ground on \$18Mn Logistics City, a state-of-the-art warehouse and container park; a 50-50 JV with global 3PL provider, GAC Global
- New state-of-the-art container yard in the Muthurajawela Industrial Zone.



- Appointed General Agents for Evergreen, the fourth largest mainliner calling at the Port of Colombo
- Operates the largest feeder service to the Bay of Bengal
- Representatives of Far Shipping Lines (FSL) Singapore
- Exclusive agent for 'HC line' and NVOCC operator 'Asian Tiger Shipping'

Mobility Sector Performance & Highlights

Mobility sector recorded Rs.2.1Bn in revenues; a growth of 52.2%, EBIT growth of 114.6%:

Logistics:

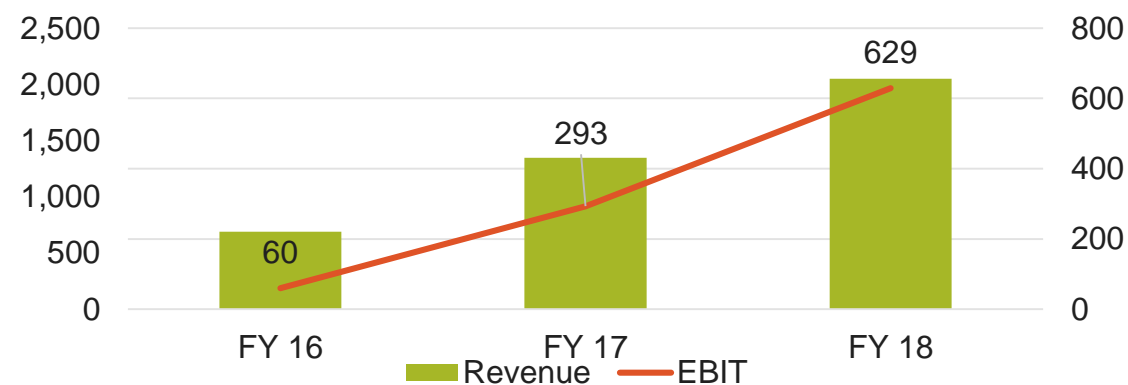
- Spectra, our joint venture has grown from increased handling volumes and 3PL services for new clients.
- Launched a new state-of-the-art container yard in the Muthurajawela Industrial Zone on January 22, 2018.
- New state-of-the-art Logistics Park to be underway at an investment of \$10 million to consolidate warehousing, improve capacity and provide a range of new services to clients.

Maritime:

- Continue to develop deeper competences in maritime services and build closer relationships with existing Principals.

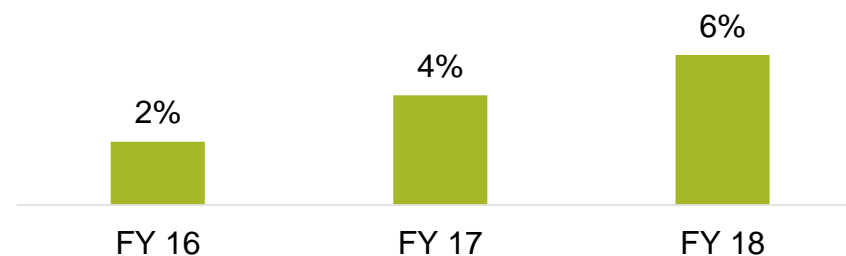
Mobility Sector Revenues (LKR Bn) & EBIT (LKR Mn)

YTD (Q3) FY14 – YTD (Q3) FY18



Mobility Sector Revenue Share of Group

YTD (Q3) FY14 – YTD (Q3) FY18



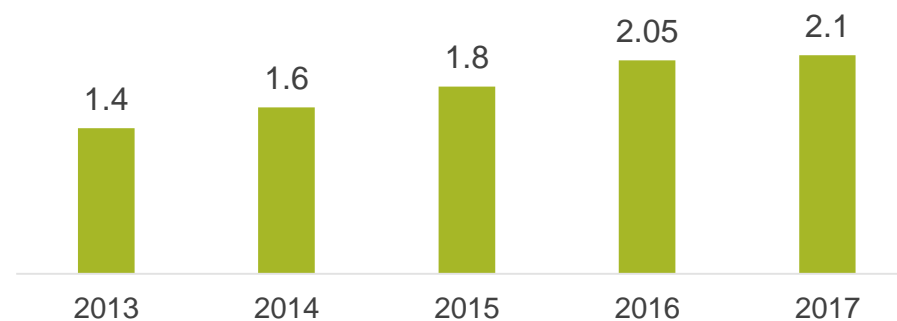
Sri Lanka Tourism Industry

- Double-digit tourist arrivals growth down to 3% in 2017; decline in emerging markets of China, Maldives, Middle East and Russia.
- Tourist arrivals in December rose 8.8% year-on-year to an all-time monthly peak, reversing the slowdown and decline experienced in the seven preceding months.
- Occupancy rates at graded hotel establishments growing along with inventory, however informal sector growing much faster.
- Formal tourism sector earnings crossed \$3 Bn, but significantly under-valued as contribution from informal sector is not captured.
- Graded (1–5 Star) establishments increased their capacity by 7.9%, up from 18,078 rooms in 2014, to 19,377 rooms by December 2015.
- Slew of new foreign hotel brands including ITC, Hyatt Regency, Ritz-Carlton, Marriot, Radisson and Sheraton developments either in early development or underway.

Source: Sri Lanka Tourism Development Authority

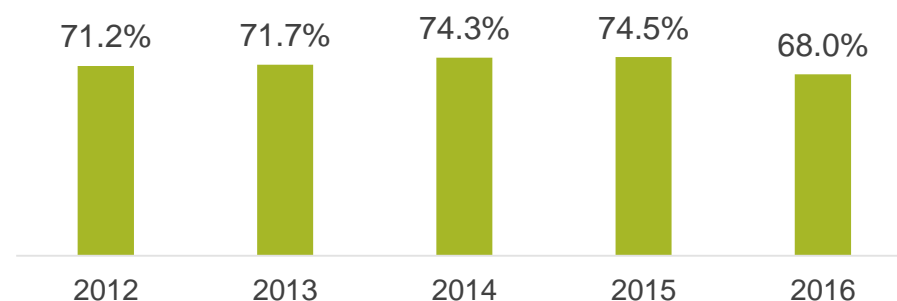
Tourist Arrivals in Millions

2012–2017



Hotel Occupancy in Sri Lanka

2012–2016



Leisure, Travel and Aviation Business

- Ownership and operation of hotels through listed subsidiary Serendib Hotels PLC
- Joint Venture partnership with the Minor Group to develop Anantara and Avani brands
- Inbound Travel joint venture partnership with the Diethelm-Kellar Group
- Wholly-owned Outbound Travel business – Hemas Travels, a leader in Corporate Travel
- Aviation representation services of leading airlines including Emirates and Malaysian Airlines
- Appointed GSA for Eva Air, private Taiwanese Airline subsidiary of Evergreen Corporation



Leisure Travel and Aviation Performance & Highlights

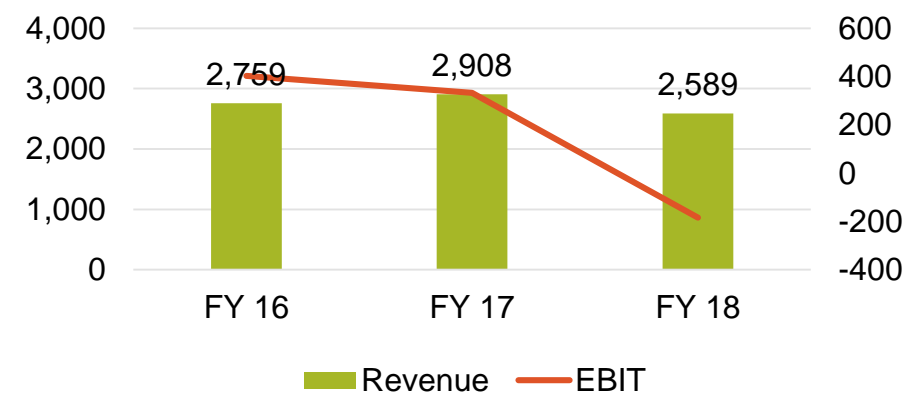
Performance

- LTA sector revenues are LKR 2.6Bn, a decline of 11.0% over the previous year; Overall profitability of this segment continued to be below expectations
- After two quarters of decline in revenue growth, Serendib Hotels reported stabilised revenue resulting from increased occupancies across the hotel portfolio
- However, lower room rates and a rise in operating expenses resulted in Serendib recording an operating loss for the segment
- Performance of Anantara Peace Haven Tangalle Resort ramped up during the last quarter under review
- Travel and Aviation segment indicated a decline in revenue of 4.2%. Overall profitability of this segment continued to be below expectations stemming from poor performance in inbound travels and hotels

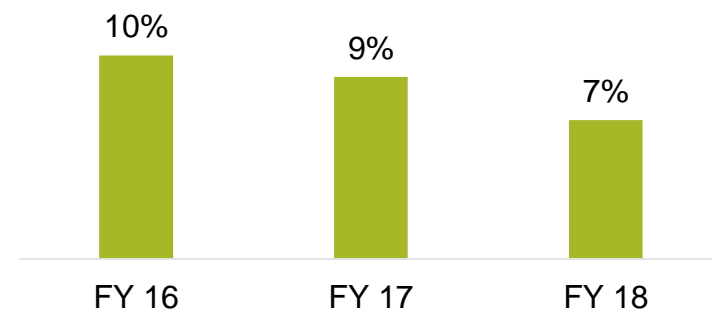
Highlights

- During the second quarter, Serendib Group announced the acquisition of a 51.15% stake of the 'Lantern' Group for an investment of Rs. 309.5Mn
- Focus on the “upscale traveller”, with dedicated products and services targeted towards this segment.
- Developing strong competences around Aviation management services
- During Q4 FY 17, we unified ownership of all our leisure investment property, travel and aviation businesses outside Serendib Hotels, under Leisure Asia, 100% owned by HHL

LTA Sector Revenues & EBIT in LKR Mn
YTD (Q3) FY14 – YTD (Q3) FY18



LTA Revenue Share of Group
YTD (Q3) FY14 – YTD (Q3) FY18

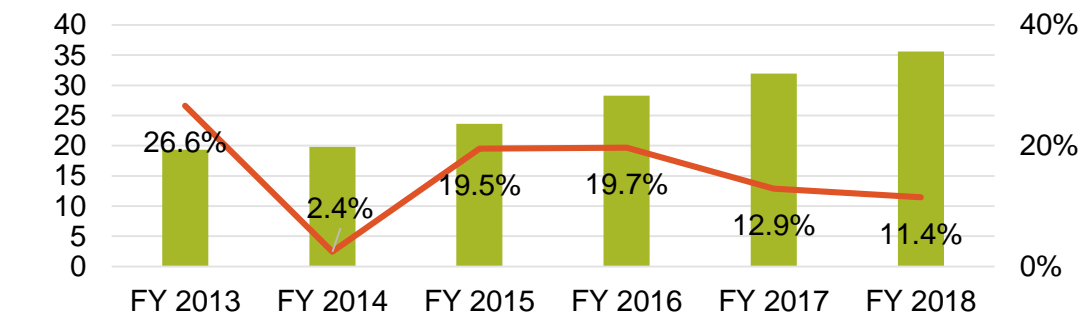


Financial Highlights

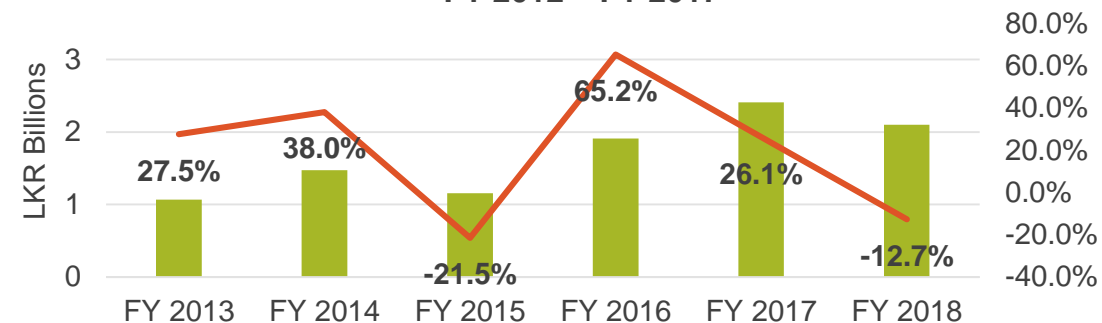
As at 31 st December	(9 months) 2015/16	(9 months) 2016/17	(9 months) 2017/18
ROE % (annualised)	14.10%	14.03%	10.98%
EPS (Rs.) (annualised)	4.55	5.61	4.89
Net Asset Value (Rs.)	35.69	41.51	45.46
Share Price as at December 31(Rs.)	93.00	98.00	126.00
Market Cap in Mn as at December 31 (Rs.)	53,247	56,126	72,436

Year to Date Group Performance

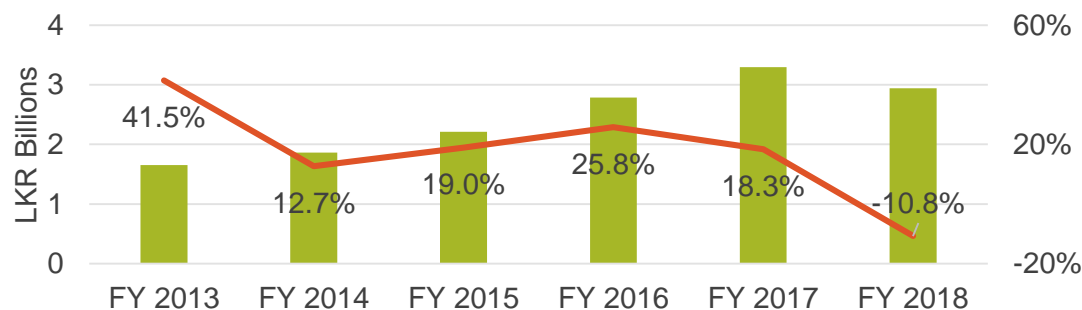
**Group Revenue and % Growth
FY 2012 – FY 2017**



**Group Earnings and % Growth
FY 2012 – FY 2017**



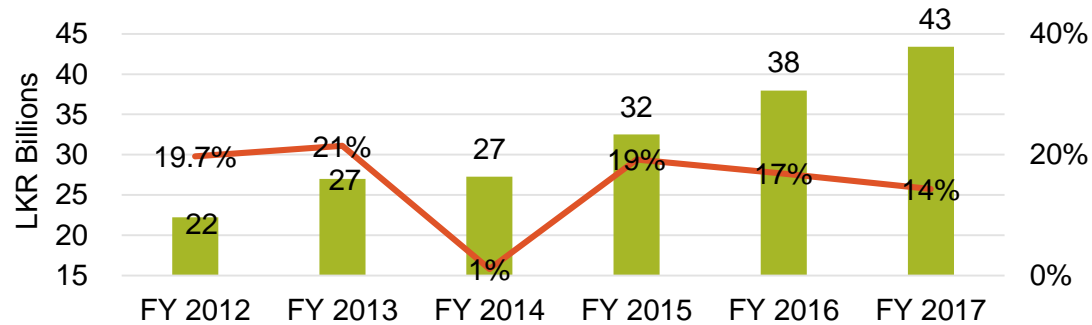
**Group EBIT and % Growth
FY 2012 – FY 2017**



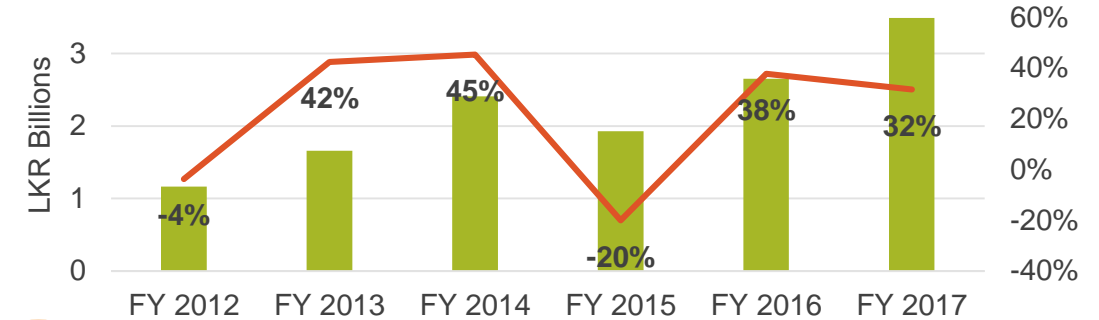
Note: 2014/15 Net Earnings have been impacted by one-off item i.e. Rs 157Mn loss on the disposal of the Group's stake in Hemas Power PLC and the capital gains recognised in the previous year of Rs. 364Mn from the land transfer of Peace Haven to PH Resorts

Strong and stable performance

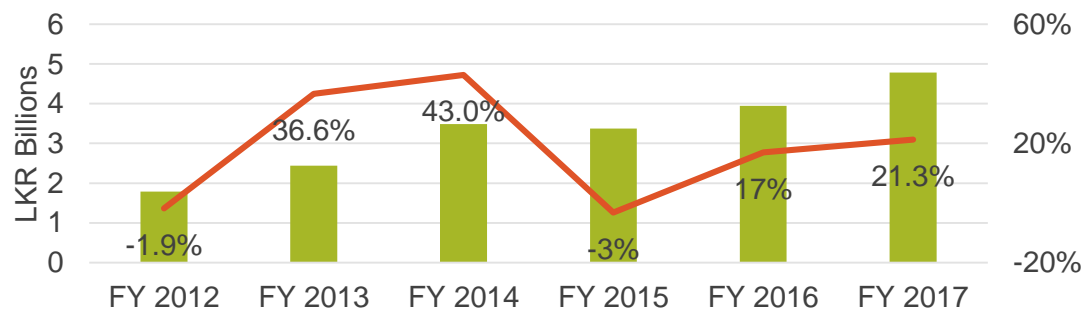
Group Revenue and % Growth
FY 2012 – FY 2017



Group Earnings and % Growth
FY 2012 – FY 2017



Group EBIT and % Growth
FY 2012 – FY 2017



12%
5-year
Revenue
CAGR

Note: 2013/14 Net Earnings have been impacted by one-off item i.e. Capital gain due to the transfer of Peace Haven hotel land to a joint-venture at fair value Rs.1.5 bn

Abhimana

- Abhimana is our ethos of sustainability that describes our vision of a sustainable and co-operative society, of people living and working together
- Inline with this, we have released our [Sustainability Report](#) providing insight into the Group's sustainability philosophy and initiatives in line with the Global Reporting Initiative G4 guidelines (GRI- G4)
- Today, our strategic path is governed not only by how well we develop growing commercial opportunities but also by listening to and responding to the communities of which we are a part.



AYATI

- First National Centre for Children with Disabilities to be constructed at the Faculty of Medicine of the University of Kelaniya in Ragama
- Hemas being the largest private sector healthcare Company in Sri Lanka took initiative to address a major gap in the national healthcare system by launching the first national center of excellence for children with disabilities
- The AYATI center will provide opportunities and hope for children with disabilities to achieve their maximum potential and be fully integrated into our society.
- This initiative will address a burning national issue prevailing in the country, by establishing a national center of excellence to provide these children with multidisciplinary care
- The proposed 42.000 sq.ft AYATI center designed by renowned Architect Channa Daswatte, and spread across 1.5 acres in the North of Colombo
- The centre will function as a hub with connected spokes to the peripheries within the 25 districts in Sri Lanka and will pioneer the provision of telemedicine to distant centers within low-resource areas during the initial phase





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