



Hemas Holdings PLC Investor Presentation  
FY 2017–2018

# Hemas is a LKR 51 Bn Sri Lankan Wellness, Leisure and Mobility Business

Largest private sector healthcare player with LKR 23 Bn in revenues

Largest private pharmaceutical manufacturing company

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

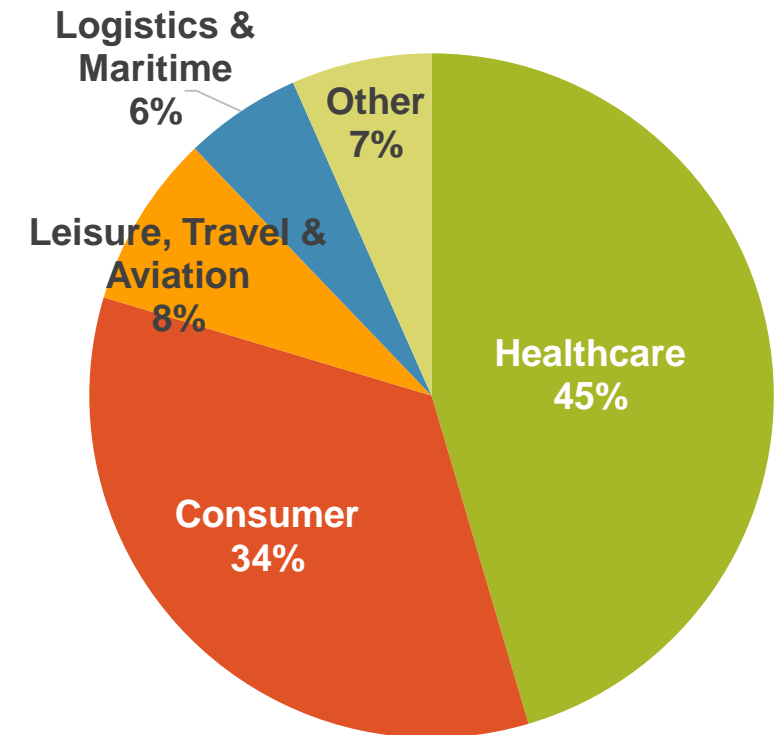
Market leading Value-added Hair oil brand in Bangladesh

Leading office and school stationery brand




Leading maritime house representing 3rd largest caller at Port of Colombo

Furthest reach across the Leisure, Travel and Aviation spectrum

Group Revenue by Segment  
FY 2017–18

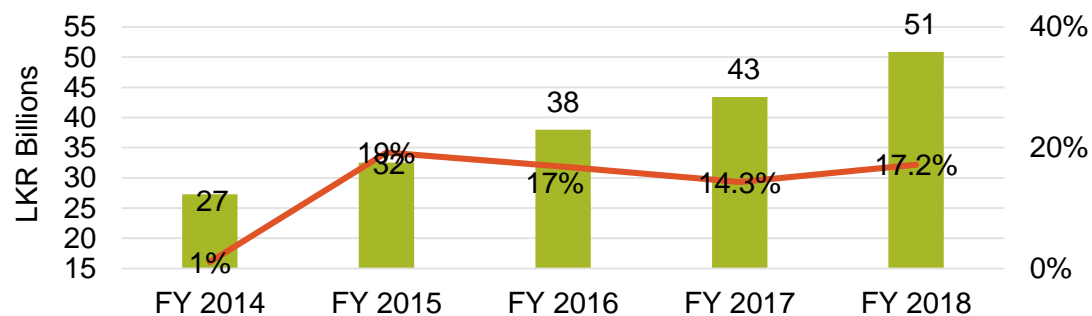


# Financial Highlights FY 2017–2018

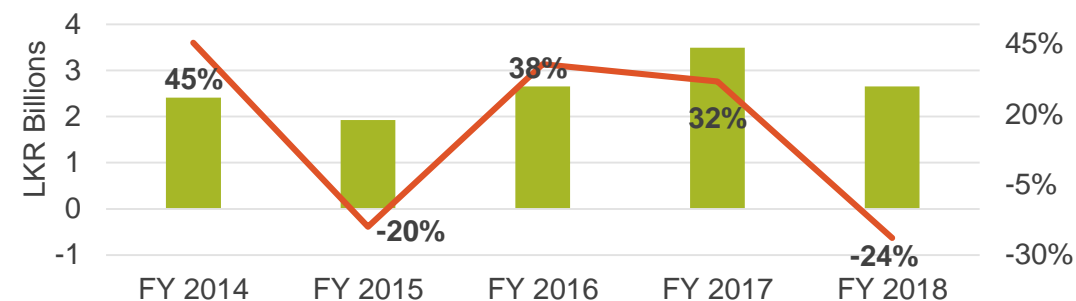
LKR Bn	2017/18	vs 2016/17	vs 2016/17	
Revenue	50.87	+ 7.46	+ 17.2%	 <ul style="list-style-type: none"><li>Enhanced performance of healthcare and mobility sectors contributing 61% to topline growth.</li></ul>
EBIT	4.25	- 0.54	- 11.3%	 <ul style="list-style-type: none"><li>Consumer sector investment and start-up losses of LKR 465Mn: Atlas Axillia off-season losses, West Bengal start-up, significant profit improvement project in H&amp;PC</li><li>Investments in digital start-ups: LKR 120MN</li><li>Under-performance of H&amp;PC Bangladesh and LTA</li></ul>
Earnings	2.94	- 0.55	- 15.8%	 <ul style="list-style-type: none"><li>Loss of interest income from investing in Atlas</li><li>Upstreaming dividends early to part-finance the acquisition of Atlas.</li></ul>

# Five Year Summary of Group Performance

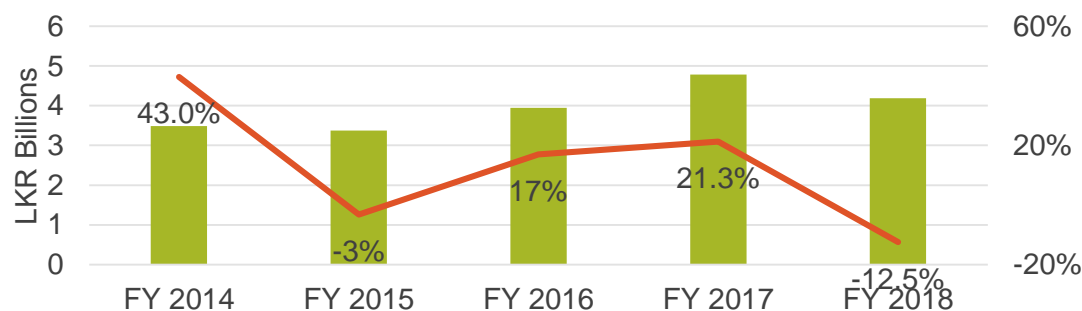
Group Revenue and % Growth  
FY 2013 – FY 2018



Group Earnings and % Growth  
FY 2013 – FY 2018



Group EBIT and % Growth  
FY 2013 – FY 2018



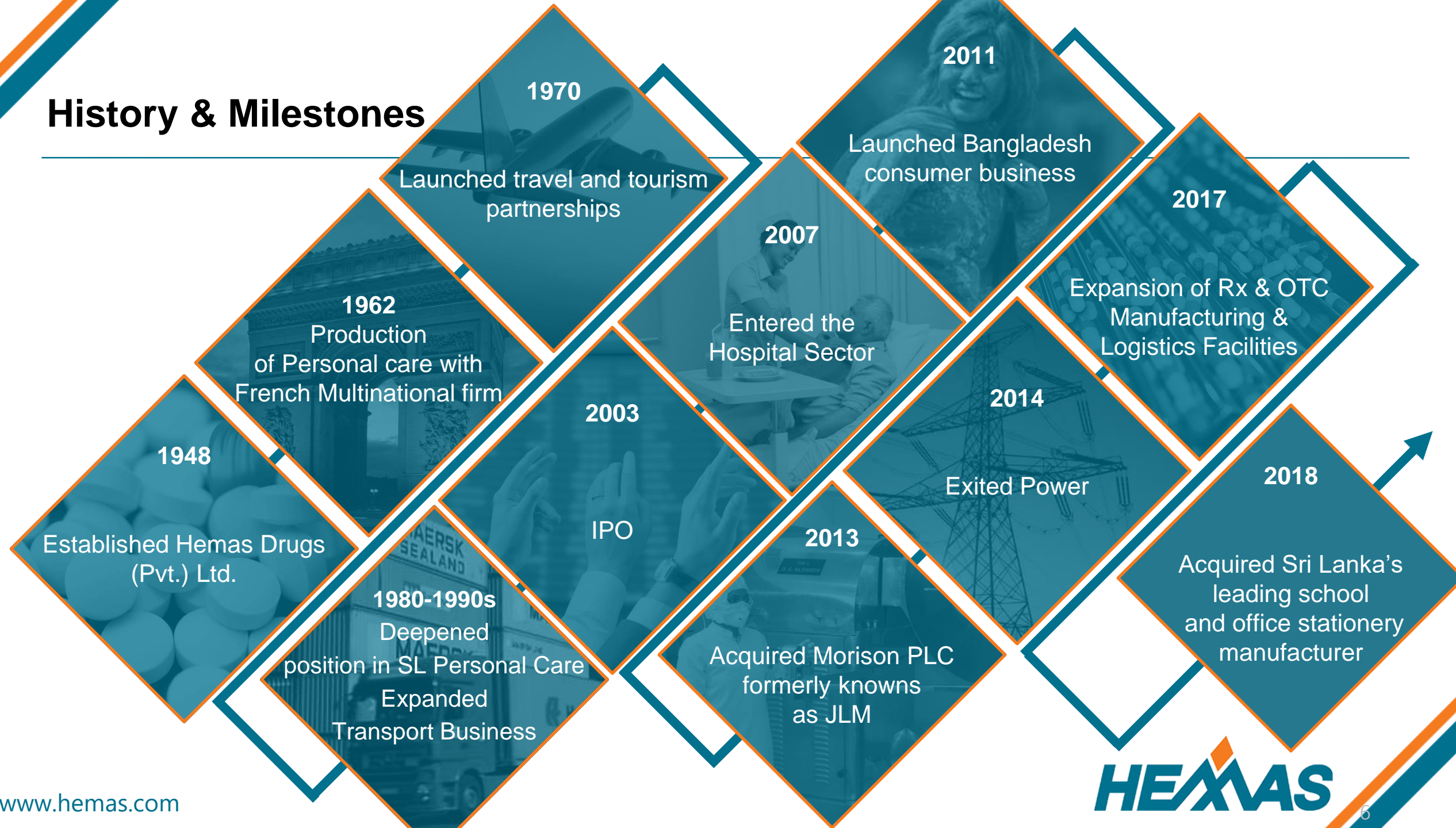
18%  
5-year  
Revenue  
CAGR

*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*

# Key Performance Indicators

As at 31 <sup>st</sup> March	2015/16	2016/17	2017/18
ROE %	14.09%	14.89%	10.32%
EPS (Rs.)	4.71	6.10	4.63
P/E	17.11x	17.82x	26.68x
Gearing	18.50%	16.00%	18.70%
Net Asset Value (Rs.)	38.41	43.50	46.24
Share Price as at March 31 (Rs.)	80.60	108.70	124.90
Market Cap in Mn as at March 31 (Rs.)	46,147	62,256	71,809

# 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

## Building for sustainable growth

- Profit improvement project with global consulting firm
- Re-defined our Route-To-Market excellence both in Sri Lanka and in Bangladesh



## Expanding our footprint in Emerging International Personal care markets

- Relaunched *Kumarika* hair oil with improved formulation in December 2017
- Continued focus on expanding into rural markets 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
- Morison adds Biocon’s affordable diabetes range to the portfolio
- Hemas Pharmaceutical Distribution commenced operations in Myanmar through a joint venture partnership
- Morison PLC launches baby diapers in Myanmar under the brand “Bunnies”.



## Improved hospitals operating model:

- Expanded surgical capability in Orthopedics/ Urology/ IVF and Neurosurgery
- Added high-demand bed capacity
- Recertifications for quality excellence: Australia Council on Healthcare Standards International (ACHSI) and ISO



# 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 100% stake of the boutique beach-front properties ‘Lantern’ Group for an investment of LKR 417.0Mn
- Serendib Leisure Management also took over the management of Villa 700, a five-room property located in Induruwa
- 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

Second year of Group-wide Wellness initiative to make Hemas the healthiest workforce in Sri Lanka with encouraging results

Continue to invest and improve the operating models of “Ayubo.life” and other digital healthcare start-ups

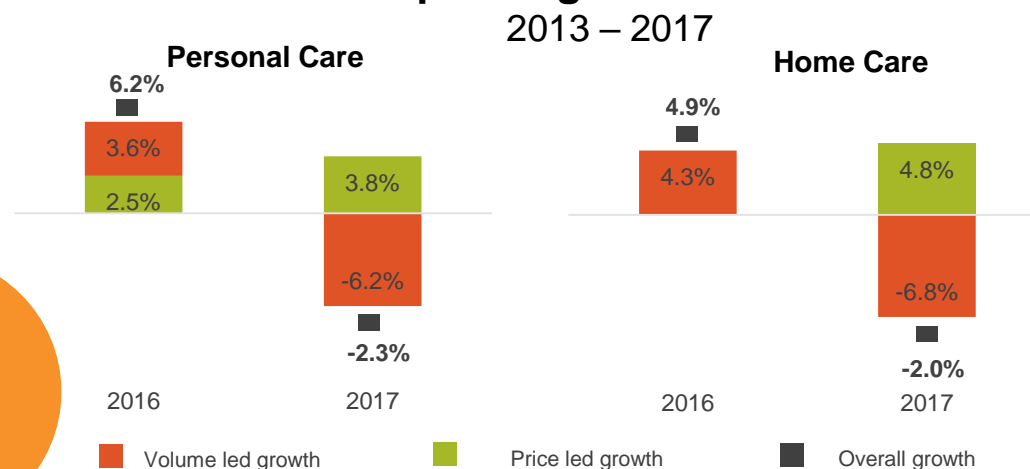
Continue to find better ways to reach customers through eCommerce across all business segments

# Sri Lanka Home & Personal Care Market

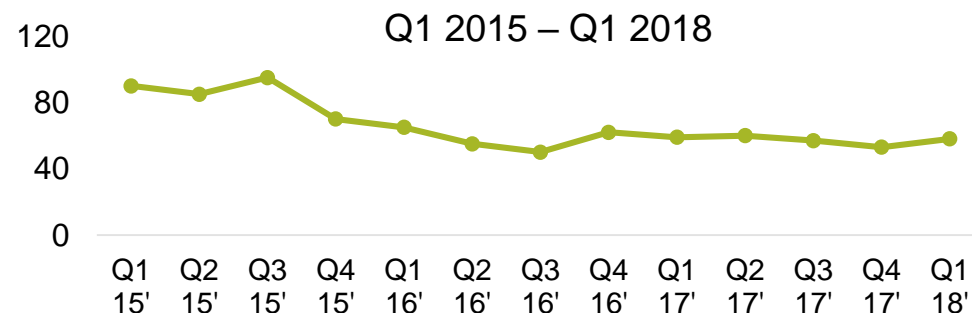
- Emerging categories of personal care and home care are driving growth.
- FY 2017/18 was one of depressed consumer sentiment due to prolonged adverse weather.
- Rising inflation impacted consumption severely towards end of 2017, resulting in a lower GDP growth of 3.1%.
- During Q4, inflation, though easing, continued to impact FMCG prices and FMCG consumption.
- FMCG value sales growth in Sri Lanka experienced a -2.0% drop during 2017, Personal care and homecare even further affected.

**16%**  
3-year end  
Hemas  
Consumer  
Rev CAGR

## Sri Lanka Home & Personal Care Industry Spending and Growth 2013 – 2017



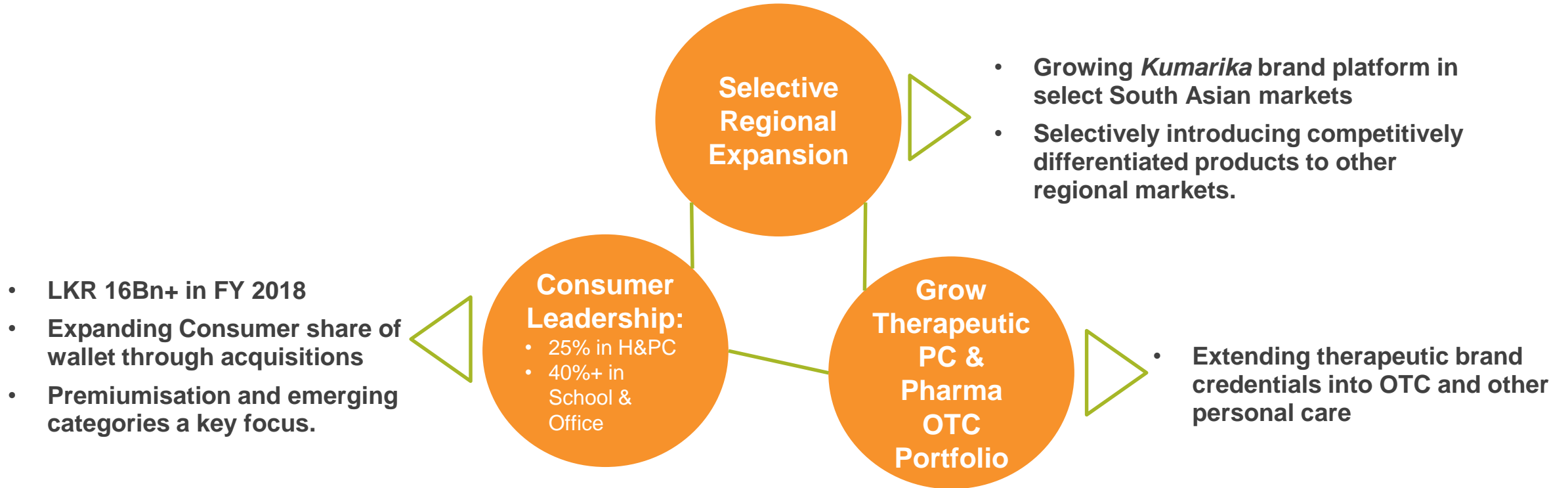
## Nielsen Consumer Confidence Index



Source: Nielsen Sri Lanka.



# Building a stronger presence in Consumer markets



# Our Domestic Consumer Business develops products specifically for Sri Lankan needs



## Consumer Brands Portfolio:

- Market Leadership – either #1 or #2 in categories
- Developing portfolio for local needs
- Building differentiated “Sri Lankan” brands

## FY 2018 Market Share

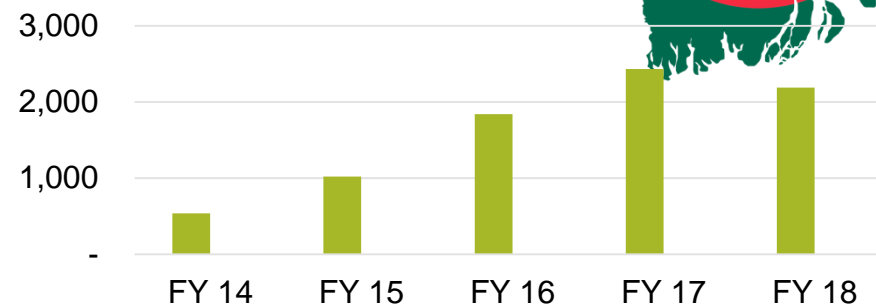
Baby Care	45%
Oral Care	25%
Beauty Soap	18%
Hair Care	53%
Laundry detergent	25%
Feminine Hygiene	21%
School & Office	40%



# Overseas we have entered Bangladesh with our brand *Kumarika*

- Leading Value-added hair oil with *Kumarika* brand and 20%+ share
- Relaunched formulation and brand architecture
- Reaches 135,000 retail points directly
- Selective extension of the *Kumarika* brand
- Exploration of other categories – feminine hygiene

Bangladesh Revenue in LKR Mn  
FY 14–FY 18



**HEXAS**



# Consumer Sector Performance FY 2017–2018

**Revenue**  
+8.6%

**EBIT**  
-31.1%

## FY 2018 Investments: LKR 595Mn impact to EBIT

- Profit improvement project
- Geography expansion – entry to West Bengal
- Category expansion
- Acquisition of Atlas

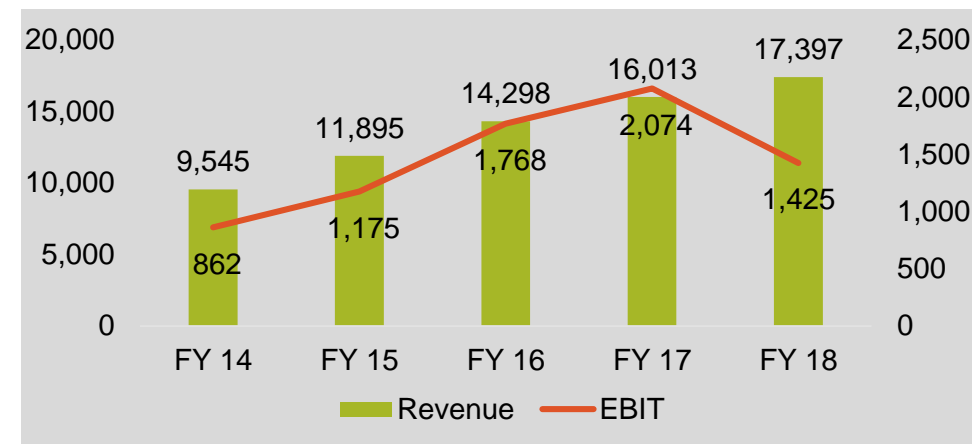
### **Domestic:**

- Sri Lanka consumer segment grew by **7%** both in topline and EBIT
- Seasonal nature of Atlas (Q4 being low season) and lower than expected profitability coming from Morison consumer impacted overall EBIT

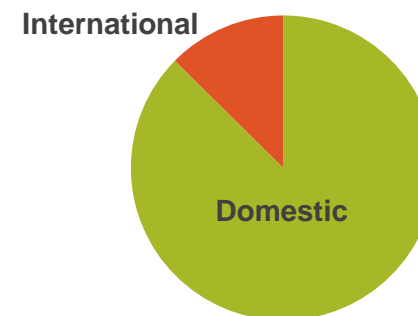
### **International:**

- Sub-par Bangladesh performance as our key product faced increased competition and poor weather Q1 FY 2018, contributing to lower than previous FMCG growth.
- Undertook major sales & distribution restructuring programme to upgrade network.
- Investments in *Kumarika* relaunch with new formulation and extension of brand with first ever marbleized herbal beauty soap.
- Investments in new categories including sanitary napkins impacted profitability.

**Consumer Sector Revenues & EBIT in LKR Mn.**  
FY14 – FY18



**Consumer Share of Revenues**  
FY 2018

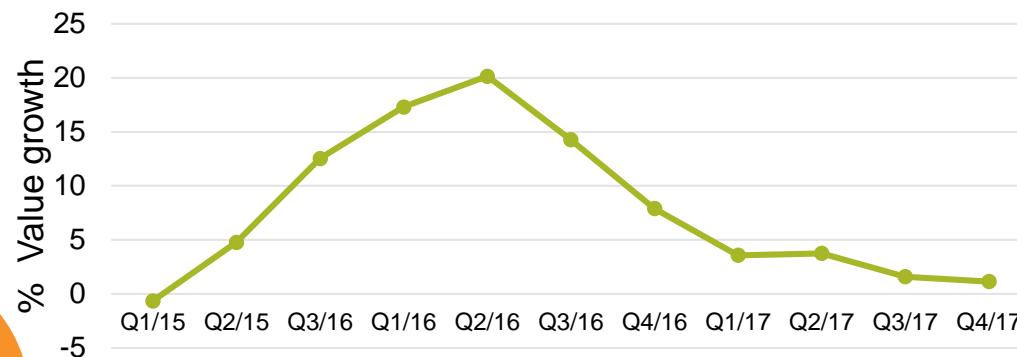


# Sri Lanka Healthcare Trends

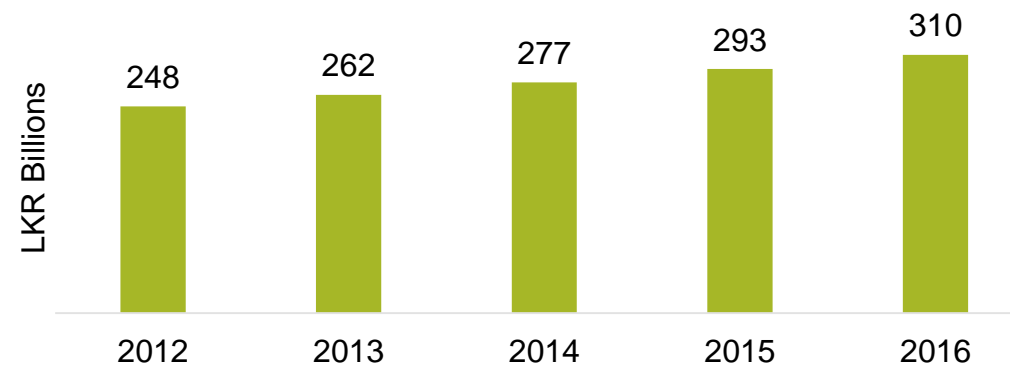
- Healthcare spend driven by growing burden of NCDs, underpinned by aging population contributing to increased Cardiovascular disease and Diabetes
- Middle class consumers seeking convenience: 50% of patients use private outpatient services
- Government agenda is to reduce healthcare cost burden, and 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

**16%**  
3-year end  
Hemas  
Healthcare  
Rev CAGR

**Private Retail Pharmaceutical Market Growth**  
FY14–FY17

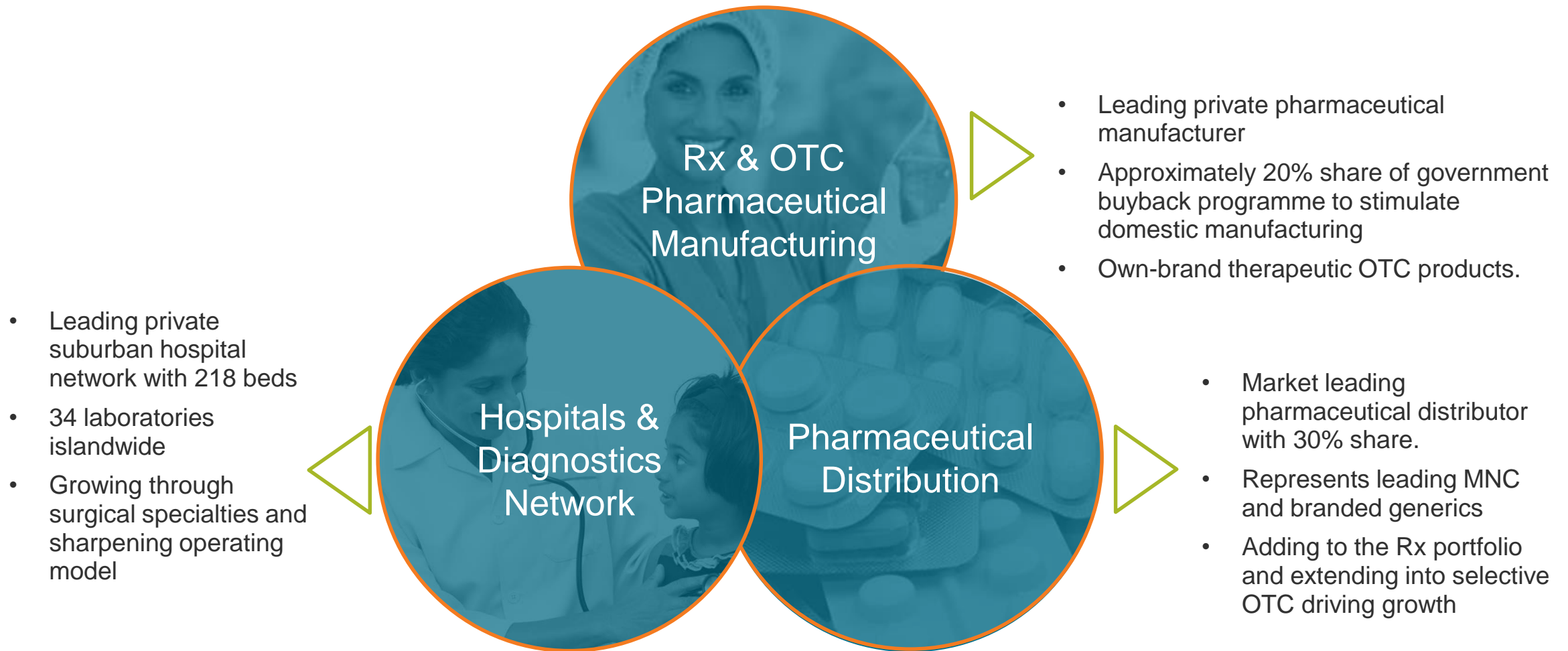


**Sri Lanka Total Health Spending in LKR Bn.**  
FY 14 – FY 16E



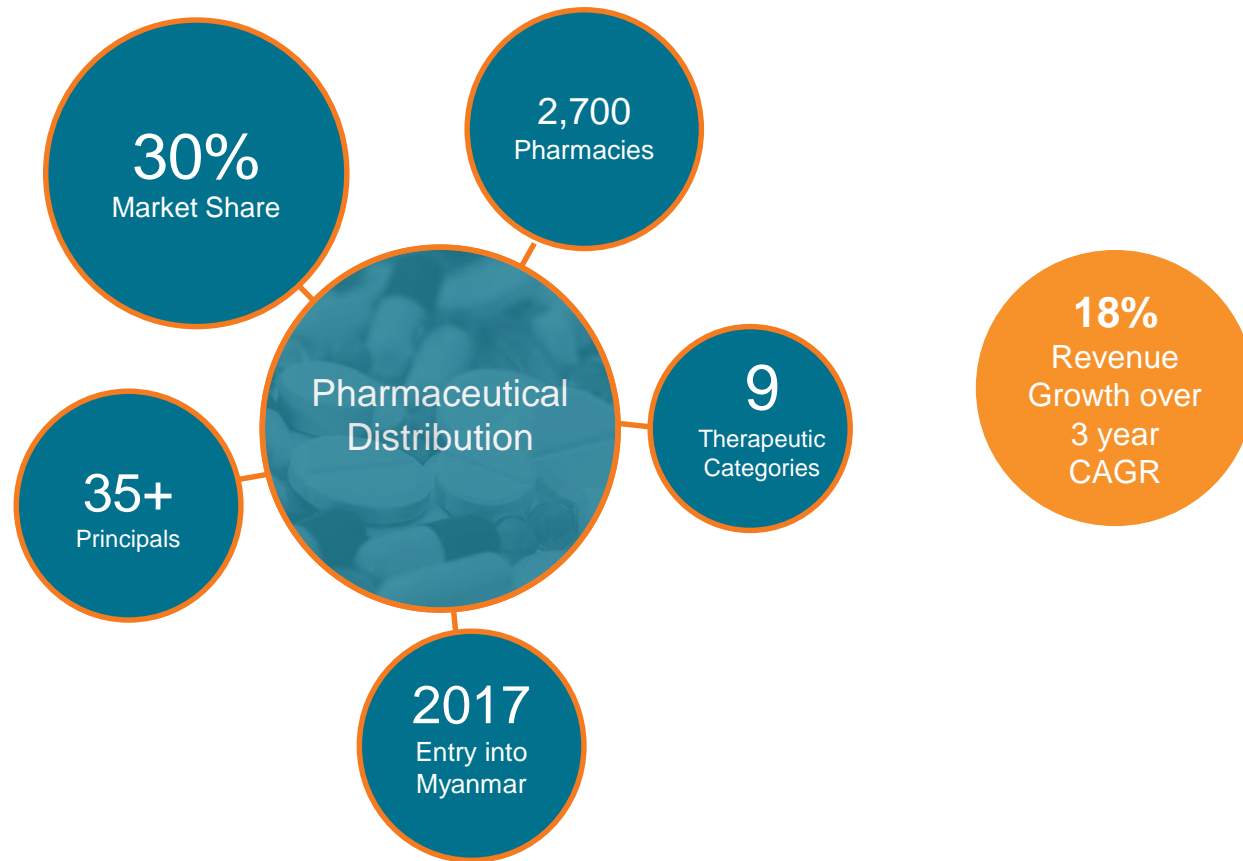
Source: IMS, Institute of Health Policy, Internal Analysis

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



Source: IMS

# Hemas Pharmaceutical Distribution represents global pharmaceutical majors including MNCs and Branded Generics




# Acquired in 2013, “Morison” is a leading pharma manufacturer, with its own loved OTC brands

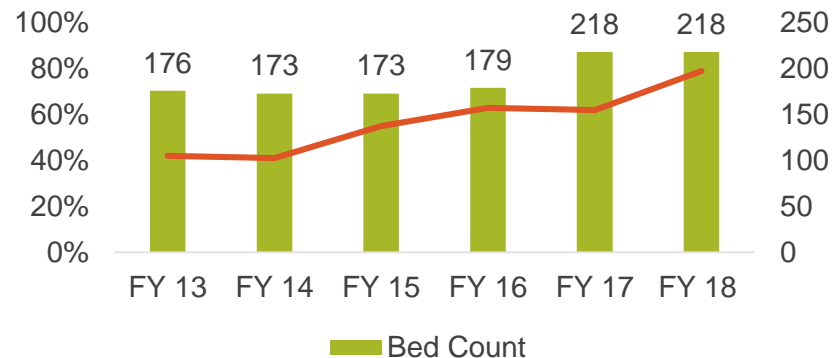


- Acquired by Hemas Holdings PLC. in 2013
- Portfolio includes Pharmaceutical manufacturing, distribution and own OTC brands
- Significant contracts from the government through the buyback programme
- New identity unveiled “Morison”, emphasizing innovation in pharmacotherapies.
- Extended into Myanmar through “Bunnies” baby diaper brands.

# Hemas Hospitals & Laboratories

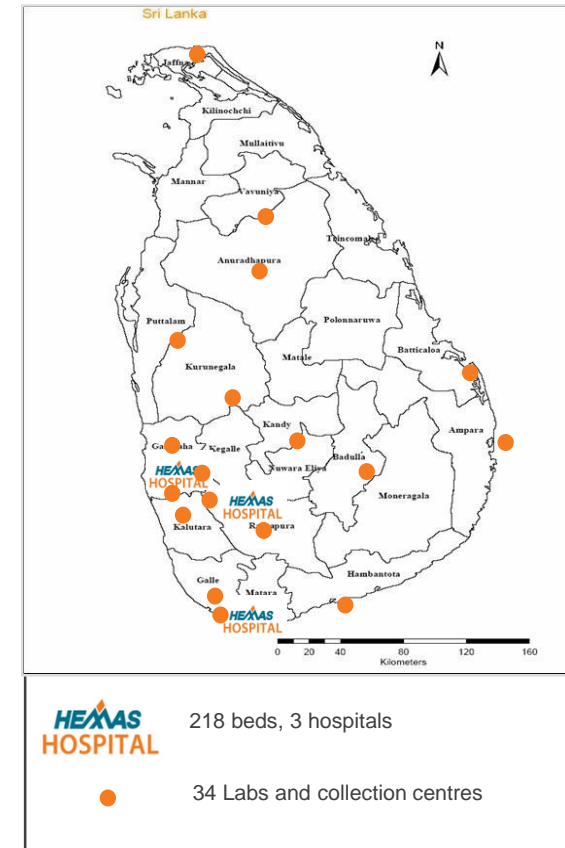
- 3 multi-specialty, ACHSI accredited hospitals in the North of Colombo, East of Colombo and in the Southern Province.
- Leader in non-urban based hospital and diagnostics services, with a vision of reaching patient populations where they live.
- Focus is on growing healthcare services reach through 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**  
FY13 - FY18



**115%**  
EBIT growth  
since  
FY 2014-  
2015

## Hemas Hospital & Laboratory Network, 2017





# Healthcare Sector Performance & Highlights

**Revenue**  
+22.6%

**EBIT**  
+11.6%

## Pharma Distribution:

- Government-imposed price ceilings and price freeze have compressed operating margins
- Revenue growth driven by increased volume and addition of *Cipla* to the distribution portfolio.
- Government approved a 5% increase on the MRP of 48 molecules that were under price control.

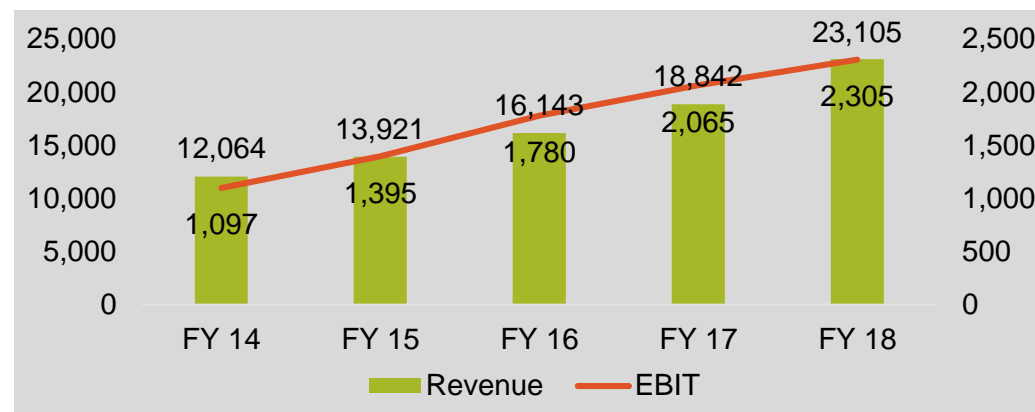
## Morison (Pharma Manufacturing):

- Revenues in pharma manufacturing flat as loss of key agencies
- Underlying profitability improved by 5% due to operational efficiencies
- New identity “Morison” unveiled in Q3, signifying a move towards innovation.

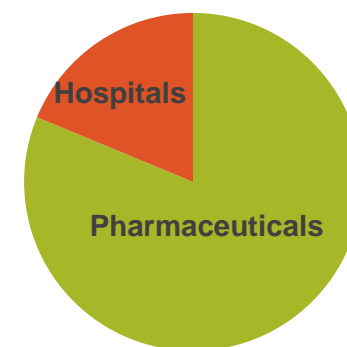
## Hemas Hospitals:

- Revenue growth of over 15% driven by increased surgical volumes and epidemic diseases
- Improved asset utilization drove operating profit improvement of over 30%
- 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.  
FY14 – FY18



Healthcare Share of Revenues  
FY 2018





# Sri Lanka's Logistics and Maritime Industry

7%-8%

Domestic Logistics  
Growth

- Domestic logistics industry estimated to be USD 8Bn–USD9Bn
- 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 & Q4
- 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

## Logistics



- 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.
- Developing Spectra Logistics City, a state-of-the-art warehouse and container park; a 50-50 JV with global 3PL provider, GAC Global

## Maritime

EVERGREEN



- 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

**Revenue**  
+45.7%

**EBIT**  
+85.3%

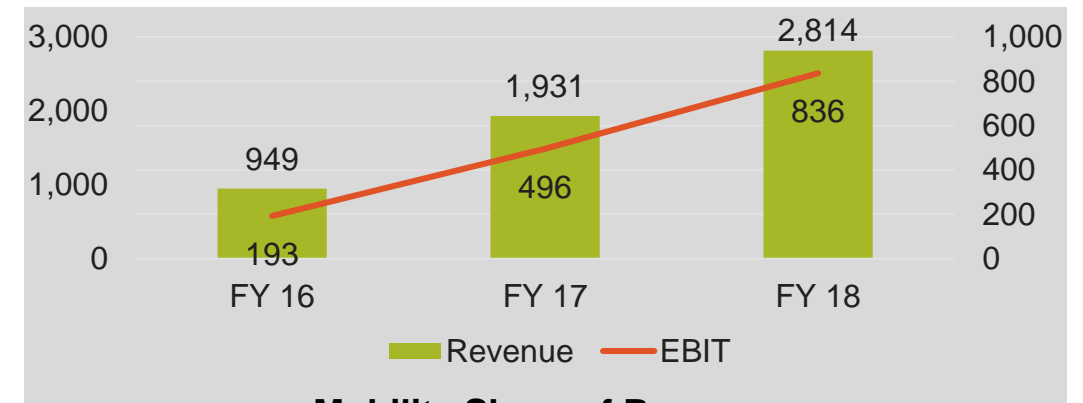
## Logistics:

- 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:

- Continued improvement in in container volumes handled at the Port of Colombo driving performance in the shipping services business.

**Mobility Sector Revenues (LKR Bn) & EBIT (LKR Mn)**  
FY16 – FY18



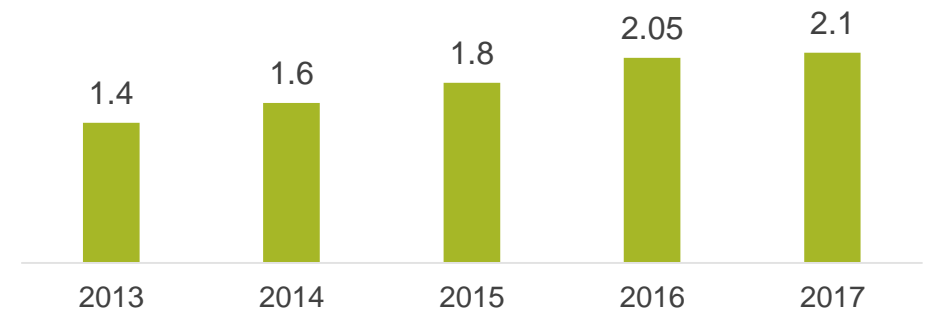
**Mobility Share of Revenues**  
FY 2018



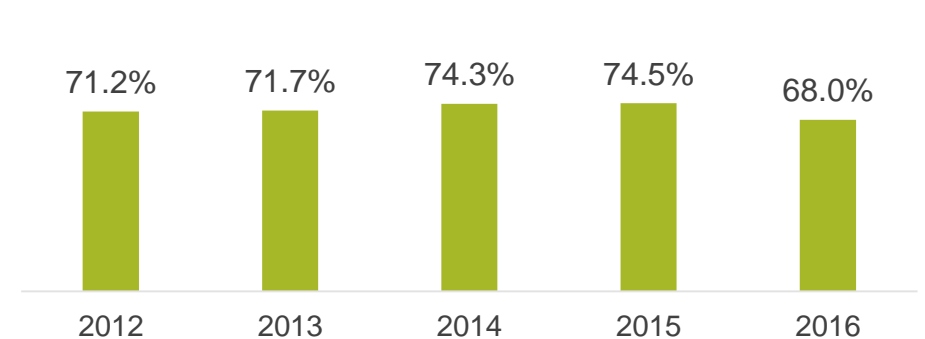
# Sri Lanka Tourism Industry

- 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.
- Slew of new foreign hotel brands including ITC, Hyatt Regency, Ritz-Carlton, Marriot, Radisson and Sheraton developments either in early development or underway.

**Tourist Arrivals in Millions**  
2012–2017



**Hotel Occupancy in Sri Lanka**  
2012–2016



Source: Sri Lanka Tourism Development Authority

# 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

**Revenue**

-3.0%

**EBIT**

-43.0%

- Revenue decline is driven by inbound and outbound travel whilst Serendib Hotels recorded a revenue growth
- Overall profitability decline is mainly due to the poor performance in inbound

## Serendib Hotels (SHOT)

- After 2 quarters decline in revenue, SHOT revenues stabilised, resulting from increased occupancy from 66% (Q3) to 88% (Q4)
- Serendib Hotels achieved top-line growth of 5.9%
- SHOT acquired 100% of 'Lantern' - 22 keys in the boutique villa space.

## Travel, Inbound & Aviation

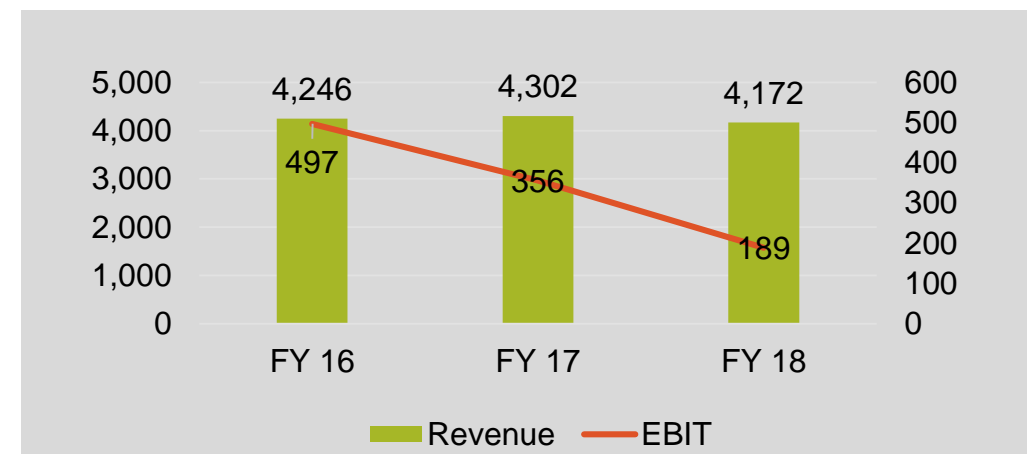
- Revenue decline driven by loss of key account in inbound while Travel and Aviation revenues remain flat
- Overall profitability below expectations due to poor performance in inbound and price pressure from airlines and OTAs

## Anantara Peace Haven:

- Occupancy of 45% during the year (76% in Q4) as performance continues to ramp up in the hotel entering 3rd year of operation.

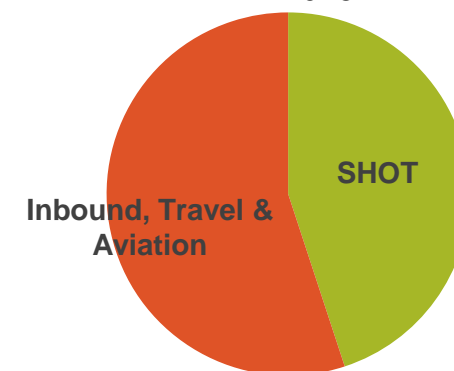
## LTA Sector Revenues & EBIT in LKR Mn

FY14 - FY18



## LTA Share of Revenues

FY 2018





# 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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