

# Investor Presentation

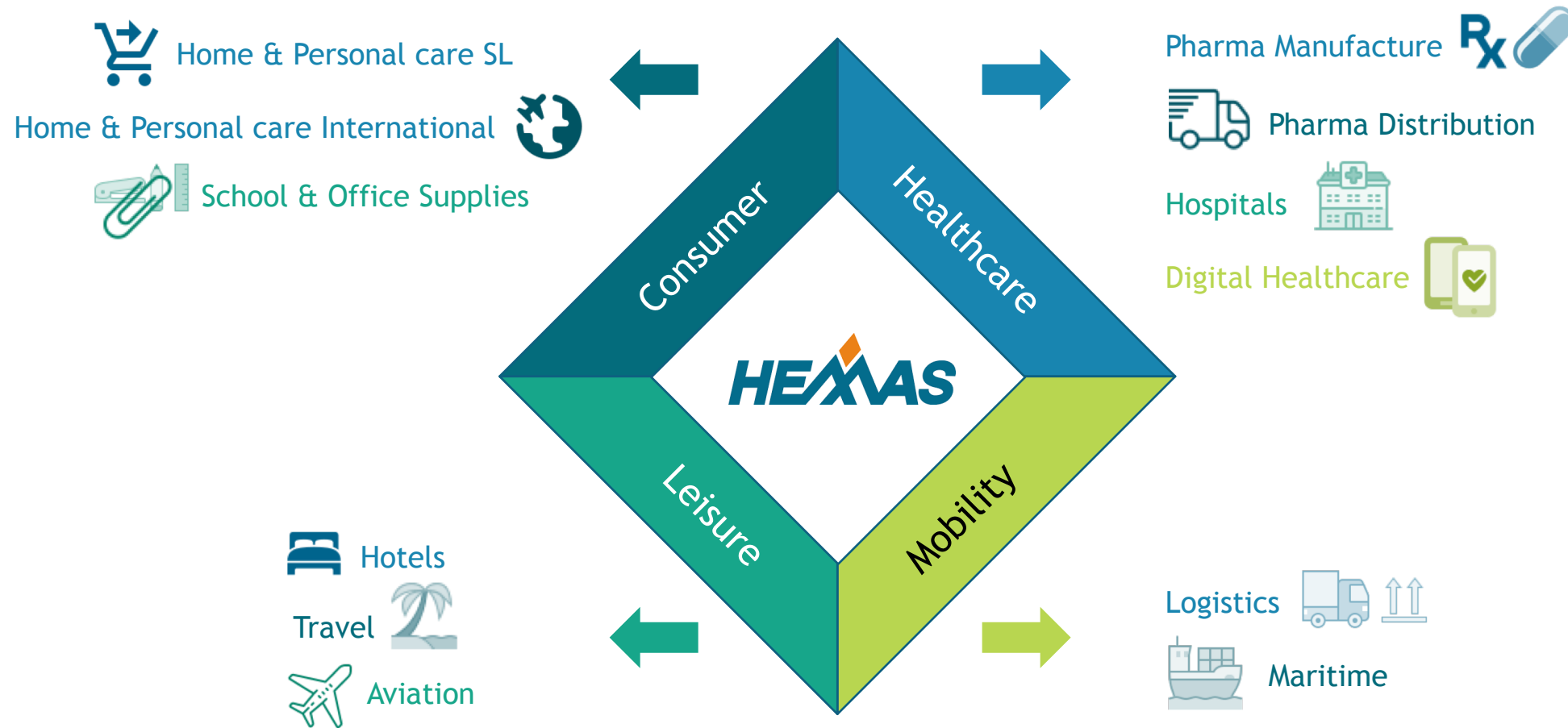
Hemas Holdings PLC

Q1 FY 2019-2020

August 22, 2019



# Hemas Holdings PLC: Our portfolio



# Hemas Holdings PLC: Market leading positions in Consumer and Healthcare



Sri Lanka's Largest  
Pharma Supplier

Market leading  
H&PC Brands



Island-wide Coverage of Diagnostics  
& Healthcare Services

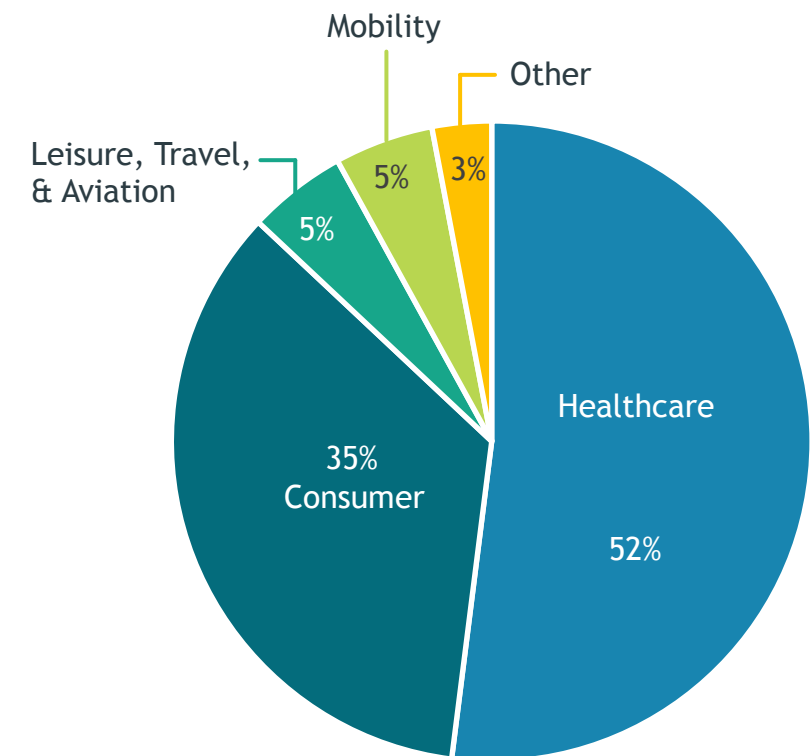


Partnered with Global Maritime  
and Logistics Brands

Presence across the Entire  
Leisure & Travel Value Chain



Group Revenue by Segment  
Q1 FY 2019-20



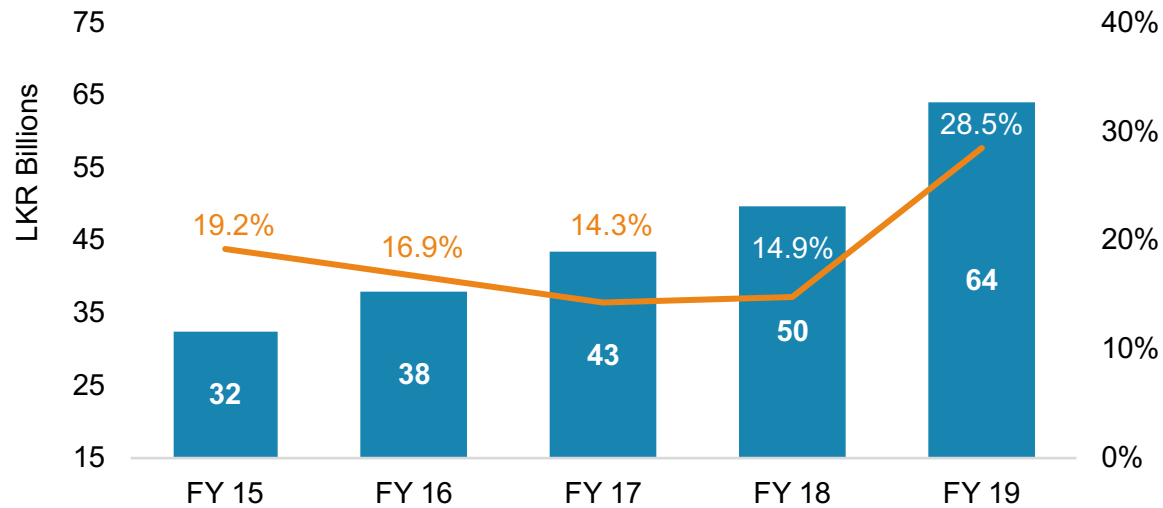
# Hemas Holdings PLC: Our Group

- ▶ Market cap: LKR 36.9 billion (US\$ 210 million)
- ▶ Shareholding structure: Esufally family holds 64.3%, 35.7% public holding.
- ▶ Governance:
  - HHL is governed by a 11-member board including 5 Independent Directors who are thought leaders in their respective fields of FMCG, Healthcare and Private Equity.
  - The board is supported by a system of Business boards and Audit and Risk committees to uphold robust levels of governance.
- ▶ Management:
  - Experienced senior management team with diverse backgrounds in FMCG, Healthcare, Finance, M&A, Supply Chain and Innovation.
  - Top 60 business leaders are entitled to stock options.
- ▶ Debt-Equity ratio: 39.6%
- ▶ TSR over 5 years: 116.2%

# HHL Group Performance: Five year summary

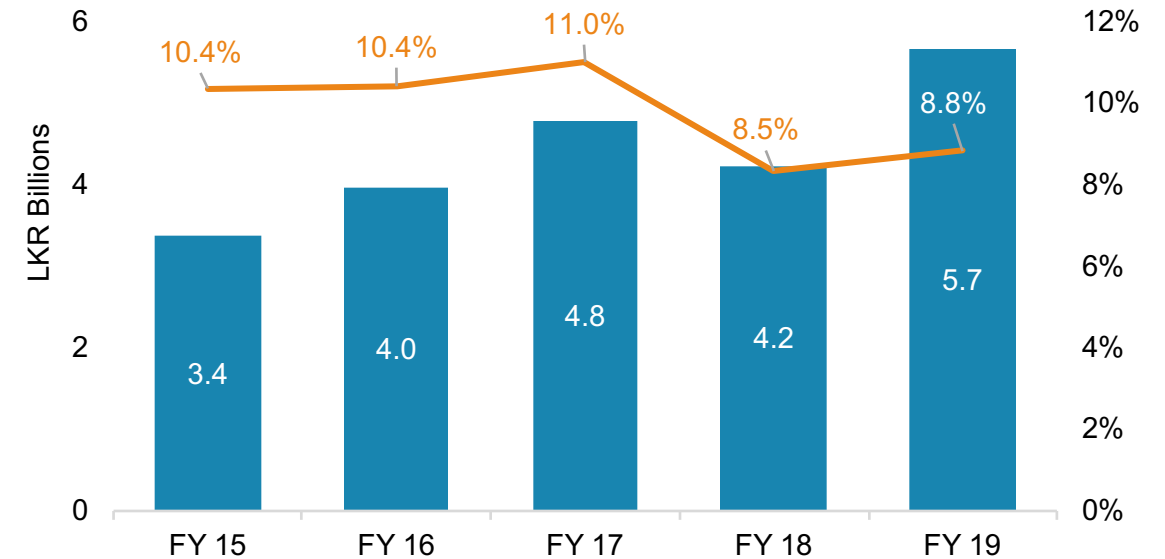
## Group Revenue and % Growth

FY 2014 - FY 2019

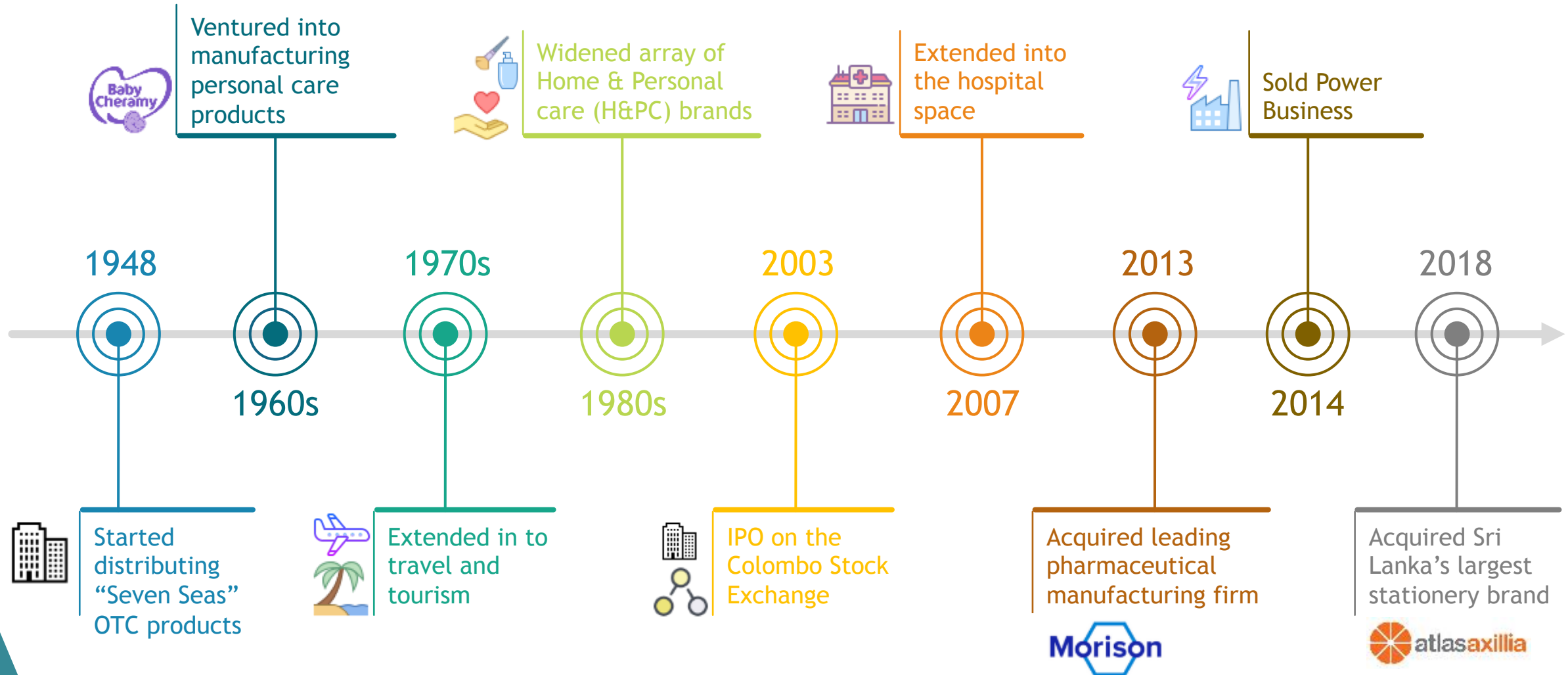


## EBIT and EBIT margin (%)

FY 2014 - FY 2019



# Hemas Journey: 70 years of serving the nation



# We do this by building strong consumer brands and providing access to a wide range of affordable healthcare solutions...

## Developing a portfolio of consumer brands that delight

- Consolidate market-leading positions in H&PC, and School & Office
- Expand share-of-wallet in branded Consumer products
- Deepen equity positions through premiumisation and localisation



## Delivering quality medicines and therapies to patients who need them

- Exceptional supply chain solutions for innovator medicines in emerging markets
- Superior range of OTC and Wellness offerings, including own brands
- Excellence in pharma manufacturing and self sufficiency in core therapies

## Tapping into the emerging Asian consumer

- Grow *Kumarika* brand platform in select South Asian markets
- Selective expansion of consumer portfolio into emerging South Asia

## Providing Affordable healthcare and diagnostics services

- Wide portfolio of tertiary healthcare services in our hospitals
- Focus on wellness, screening and early detection through our lab network

## ... And connecting suppliers with their customers, travellers with unique experiences and digital-first driven Wellness solutions

### Serving the region's logistics and route-to-market needs

- Drive superior mobility solutions to serve the region's logistics needs
- Extend into 3PL and last-mile RTM solutions



### Connect patients to excellent digital health solutions

- A digital-first access point for a range of Wellness products and services
- Connect the medical community with their patients and high quality therapies

### Experiential leisure to upscale travellers

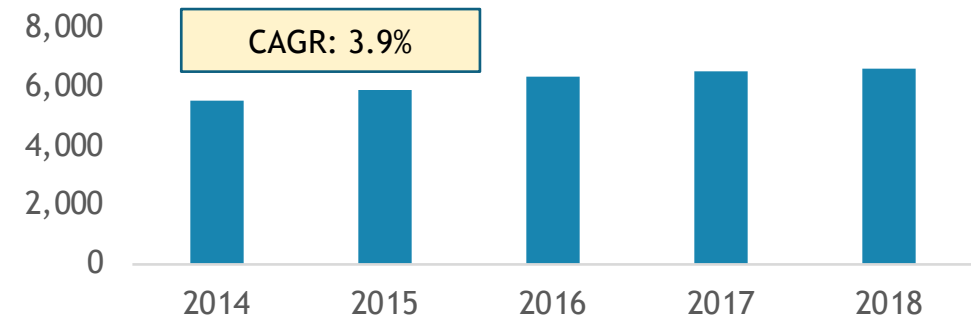
- Focus on building out a portfolio of experiential assets
- Serve the aviation and cargo needs of the region



# Industry Focus: Home & Personal Care Sri Lanka—driving branded personal care consumption in emerging categories

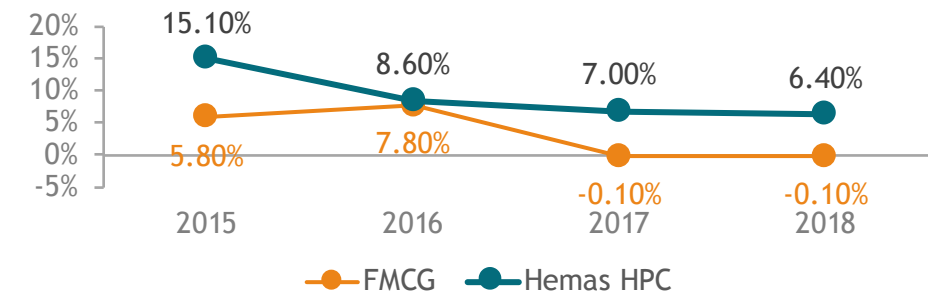
- ▶ Sri Lanka's household consumption grows at 4%, and personal care (H&PC) categories are highly penetrated.
- ▶ A weaker economic environment has kept consumer demand anemic over two years.
- ▶ Volume growth is led by emerging categories such as feminine hygiene as well as hair and skin, and price growth is driven by premiumization.
- ▶ Modern trade represents between 15%-17% of retail sales, expansion of the channel underpins growth in consumption.
- ▶ Hemas H&PC consistently outperformed the market by delighting customers with a continuous refreshment of our portfolio.
- ▶ We maintain depth of distribution of our market-leading brands in sizeable categories.

Household Final Consumption in Constant LKR Mn  
2014-2018



Source: Department of Census & Statistics

Sri Lanka FMCG Sector Value Growth & Hemas HPC growth  
2015-2018



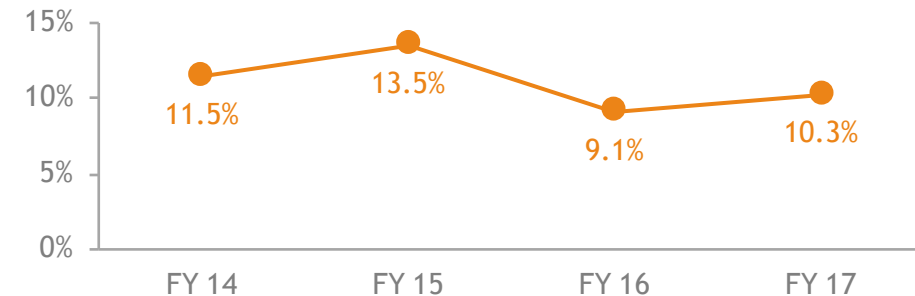
Source: Nielsen Sri Lanka

# Home & Personal Care—International: Taking the herbal beauty equity of *Kumarika* to select South Asian markets

- ▶ Rapid growth of personal care consumption in emerging middle class, adding nearly 30Mn consumers through 2030.
- ▶ Seeking functional, modern formats of recognizable herbal personal care traditions.
- ▶ Rapid premiumization in consumption of FMCG
- ▶ Relative under-penetration of key categories such as shampoo, feminine hygiene and oral care present opportunities.
- ▶ Hemas selectively positions in under-penetrated categories, leading with the herbal equity of *Kumarika*.
- ▶ Targeting a combined population of 250Mn with current product offerings in Bangladesh and India.

## FMCG Sales Growth, Bangladesh

FY 14 - FY 17



Source: FMCG Industry Review of Bangladesh, EBL Securities Bangladesh, 21<sup>st</sup> June 2018

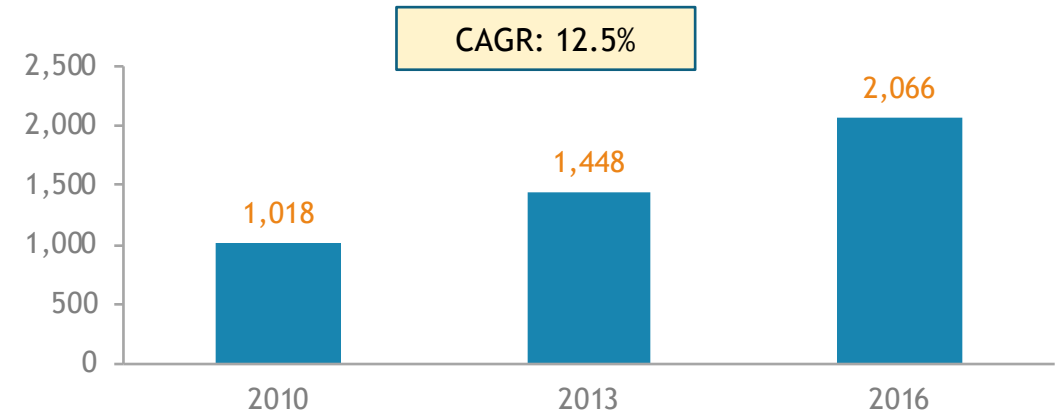


Bangladesh & West Bengal population = 250Mn

# School & Office Supplies: Strong outlook as education spending deepens in importance to the South Asian householder

- ▶ Education: an investible asset for the Sri Lankan family:
  - 4.5 million school going population, with rapid rise of per-child education spend.
  - Sri Lankan families place high importance on education, and are seeking higher functionality, reliable brands and competitive edge for children.
- ▶ Acquisition of 75.1% of Atlas Axillia—Sri Lanka's leading School consumer brand:
  - Hemas acquired Atlas for a consideration of LKR 5.7Bn (10x PE), the business will add 15% to revenues.
  - The brand holds a market leading position with over 40% share, and has been voted the "Sri Lanka's Most Loved Brand of 2017"
  - Atlas introduced seasonality to our business due to the importance of the Q3 back to school season.
  - Atlas consolidates Hemas market leading position in Sri Lankan consumer brands.

Monthly Household Education Spend  
2010-2016

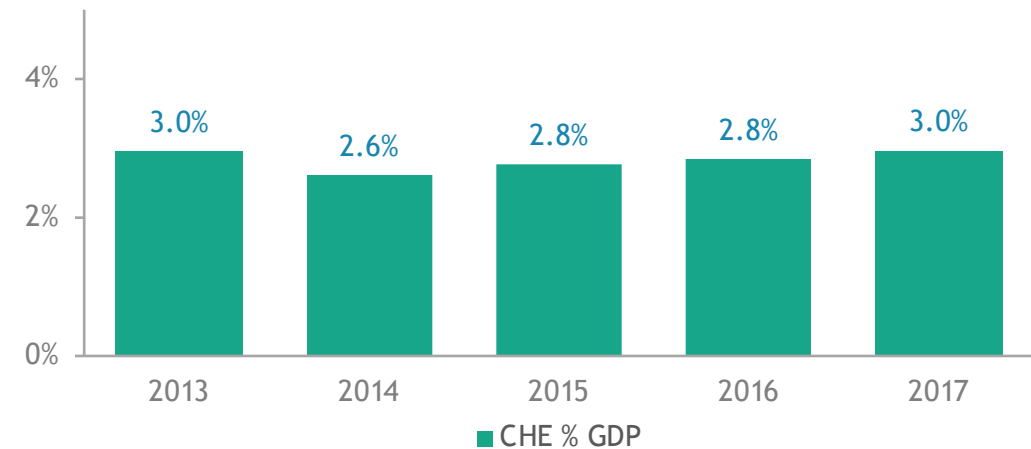


Source: Sri Lanka Household Consumption Survey, 2016; DCS.

# Healthcare: Rethinking private healthcare and widening access to medicines, wellness products and healthcare services

- ▶ Healthcare spend driven by growing burden of NCDs.
- ▶ Middle class consumers seeking convenience: 50% of patients use private outpatient services.
- ▶ State encouraging more domestic manufacturing of pharmaceuticals in the current 85%+ import market.
- ▶ Tele-medicine, direct-to-consumer pharma delivery gaining traction as more patients seek to bypass channeling services and seek healthcare on demand.
- ▶ Hemas' extending leading position in pharmaceutical import and distribution to expanding manufacturing
- ▶ Extending mid-tier hospital and laboratory business into more complex tertiary procedures and diagnostics.

Current spending on health as a % of GDP  
2013 - 2017

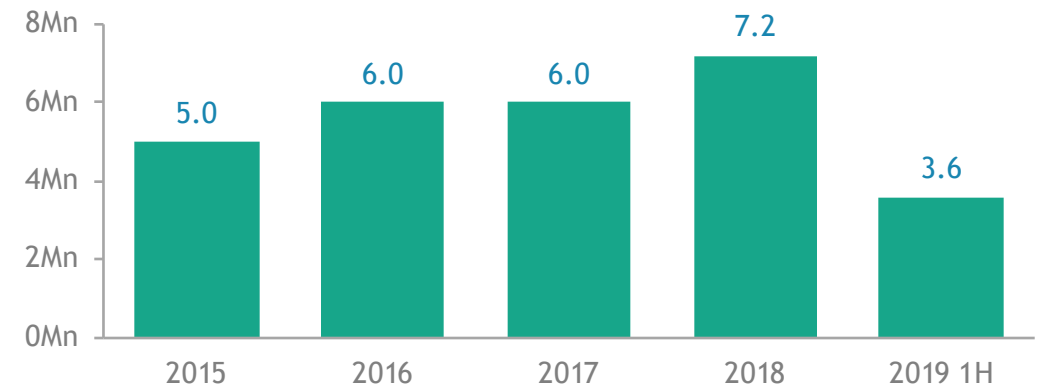


Source: CBSL, National Health Accounts of Sri Lanka, Sri Lanka Healthcare Financing Profile, WHO, 2017

# Mobility: Capitalising on Sri Lanka's excellent geo-strategic location

- ▶ Colombo Port throughput grew by 5% for the 1H 2019.
- ▶ Colombo Port ranked as the fastest growing port globally by Alphaliner in 1H 18/19
- ▶ Domestic logistics industry estimated to be USD 100Bn growing annual at 10-12%.
- ▶ More customers demand end to end supply chain solutions from logistics operators.
- ▶ Infrastructure development via ports, airports and expressways, FTZs adding to total logistics capacity.
- ▶ Port of Colombo saw a YoY growth 13.5% in 2018, transshipment volume growth at Colombo port was 20%.
- ▶ Hemas Mobility solutions encompass the spectrum of transportation, and is seeking to capitalize on both first, middle and last-mile delivery solutions.

Colombo Port's Throughput (TEU)  
2015 - 2017

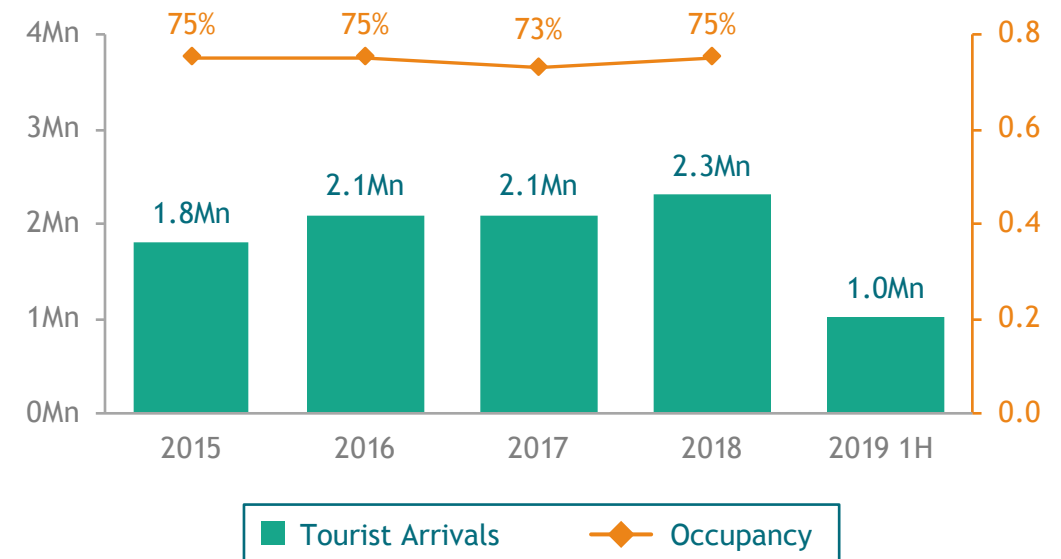


Source: Sri Lanka Ports Authority

# Leisure: Focusing on experiential leisure with an asset-light investment strategy

- ▶ Sri Lanka is ranked the No.1 travel destination in 2019 by Lonely Planet and continues to be a rich, yet-to-be discovered destination for many travellers.
- ▶ Long haul travellers (Europe, Australia) continue to contribute significantly to source markets.
- ▶ Rise of Asian travellers exploring the island and changing tourism
- ▶ “So Sri Lanka” amplifier campaign aimed at engages typical millennial travel exploration debuted at the World Travel Mart in London.
- ▶ Hemas LTA segment is focussed on experiential leisure and Sri Lanka’s geo-location advantages for major aviation and air-cargo networks.
- ▶ Represents Emirates, Malaysian Airlines, Indigo and China Southern’s aviation interests in the country.

**Tourist Arrivals and Occupancy**  
2015 - 2018



Source: Sri Lanka Tourism Development Authority

- ▶ The Easter Sunday Terror Attacks of 21<sup>st</sup> April, 2019 had a major impact on arrivals and bookings in the leisure segment, but a slow revival is being experienced.

## Overview: Q1 FY 2019-2020

- Strategic Priorities Update
- Group Operational Highlights
- Sector Performance

## Group Update: Despite the preliminary setback of FY 20 we have been executing on our Strategic priorities and capacity building investments

*The aftermath of the Easter Sunday Terror attacks impacted the normal course of business at the start of our fiscal year, but we are working hard to return to normal levels of business. Our focus and priorities this year remain*

- ▶ Profit improvement, resilience building and operating model improvement projects to build an execution-focussed organization
- ▶ Shape the portfolio around regional Consumer and Healthcare leadership
  - ▶ Disposed N\*able in early Q2
- ▶ Ramping up our international market presence by investing behind the growth of Bangladesh, West Bengal and Myanmar.
- ▶ Ensuring our Morison Pharmaceutical Plant is physically completed and operational in late 2020.
- ▶ Profit improvement projects to deliver results during the financial year
  - ▶ Building resilience in our route-to-market capability in Consumer and Pharmaceuticals
- ▶ Ramping up the operations of our new logistics park.

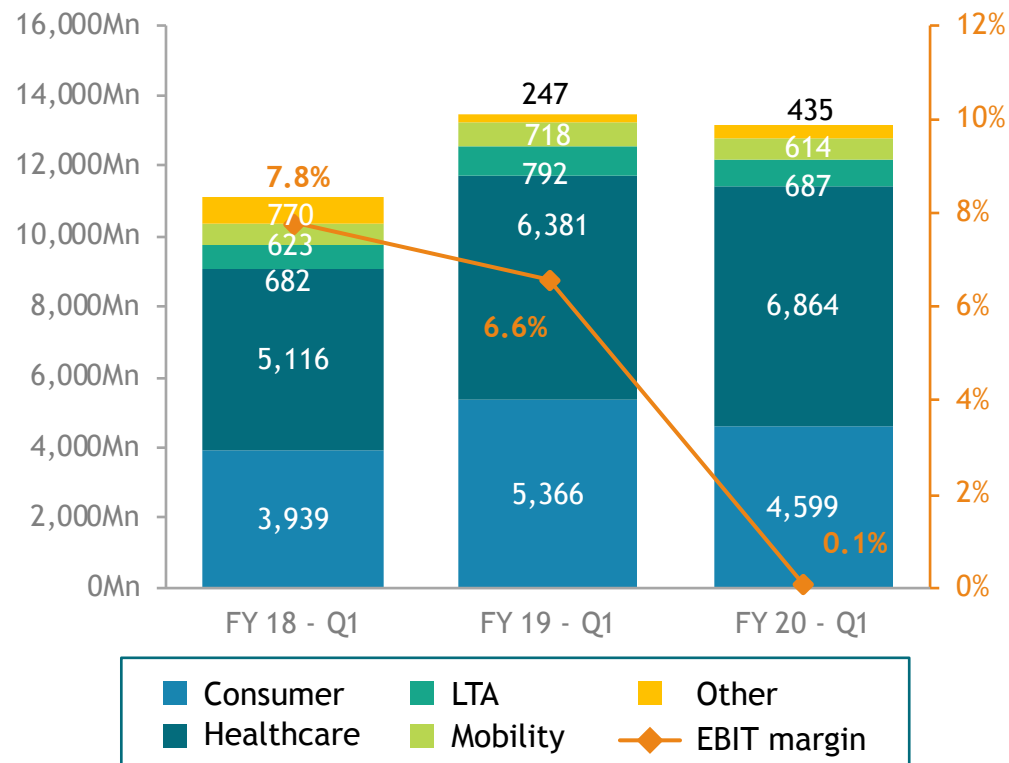
*Strong emphasis on building an organization focused on execution*



# Q1 FY 2019-20 Operations Summary: Consumer businesses experienced a slowdown

## Sector Revenue & EBIT Margin (%)

Q1 FY 18 - Q1 FY 20



- ▶ Challenging quarter with revenues below 2.3% last year, primarily as a result of the terrorist attacks of 21st April with the aftermath causing economic slowdown and challenging trading conditions.
- ▶ In Q1, both H&PC SL and Atlas have been impacted by poor consumer sentiment coupled with weak purchasing power and anti-communal pressures. This resulted in a considerable decline in performance.
- ▶ Profitability impact was higher as the Group recorded a breakeven in operating profits of Rs.19Mn
  - ▶ Key factors in this have been in the business mix with higher margin Consumer businesses experiencing a slowdown while lower margin healthcare businesses grew revenue by 7.6%.
  - ▶ In line with the sharp downturn in the tourism industry, Leisure and Travel interests have been directly impacted and incurred an operating loss of Rs.179Mn during the quarter.
  - ▶ Similarly, Morison and N\*able too dragged down group performance.
- ▶ During the quarter, the Group was also impacted by a number of one offs of Rs.130Mn including a charge from the adoption of SLFRS 16.
- ▶ Excluding one-offs operating profit for the period stood at Rs.150Mn over Rs.895Mn LY

*Challenging quarter as higher margin consumer segment sales declined. Modest recovery is experienced during early Q2.*

# Q1FY 2019-20 Sector Highlights

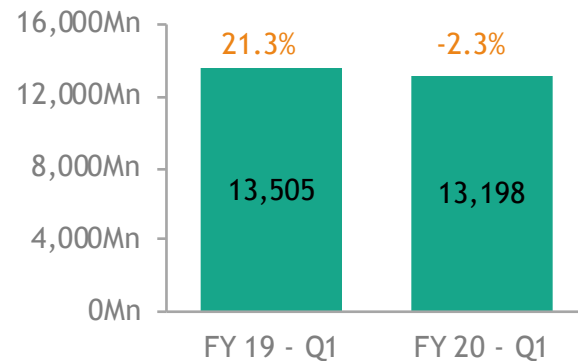
Consumer	Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth	<ul style="list-style-type: none"> <li>▶ Weaker performance from H&amp;PC SL and Atlas               <ul style="list-style-type: none"> <li>▶ Disruption to the sales and distribution led to a fall in the General Trade performance</li> <li>▶ Schools were also closed for nearly half the quarter</li> </ul> </li> <li>▶ H&amp;PC Bangladesh relaunched Kumarika in mid May. Volumes grew in Soap and facewash category over last year but steady pick up in West Bengal</li> <li>▶ Subdued performance in the Mori OTC segment</li> </ul>
	4,599	-14.3%	16	-97.2%	
Healthcare	Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth	<ul style="list-style-type: none"> <li>▶ Pharmaceutical distribution performance satisfactory as sales improved and pricing pressure was relieved through the Fx correction on price-controlled medicines in May</li> <li>▶ Hemas Hospitals achieved an overall average occupancy of 50%</li> <li>▶ Production interruptions at the Morison plant post Easter attacks.</li> <li>▶ Excluding the SLFRS 16 and SLFRS 9 impact mainly on hospitals and pharma distribution, and increased debtor provisioning, underlying operating profit decline stood at 12%</li> </ul>
	6,864	7.6%	380	-23.9%	
Mobility	Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth	<ul style="list-style-type: none"> <li>▶ Delays in the new Spectra distribution center ramp-up plans dragged down the sector performance</li> <li>▶ Additionally, segment profitability is impacted by the increased depreciation and finance costs resulting from the new facility</li> </ul>
	614	-14.6%	121	-44.5%	
Leisure	Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth	<ul style="list-style-type: none"> <li>▶ Loss of tourist arrivals from the key markets dragged the sector revenue and profitability down significantly.</li> <li>▶ A series of stringent cost control initiatives offset the unfavorable impact to profitability from a significant revenue loss.</li> <li>▶ Cancellations of tour groups in inbound and outbound segment further led to a decline in profitability.</li> </ul>
	687	-13.3%	(179)	-27.4%	

## Most Recent Quarter Performance: Q1, FY 2019-2020

- Group Operational Highlights
- Quarterly Sector Update
  - Consumer - Domestic
  - Consumer - International
  - Healthcare
  - Mobility
  - Leisure, Travel and Aviation

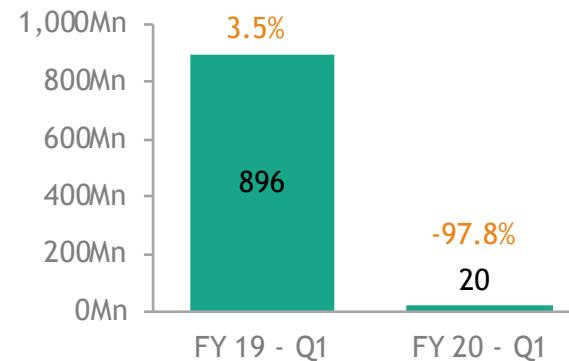
# Q1 (3 months) FY 2019-20: Group Operational Highlights

## Revenue



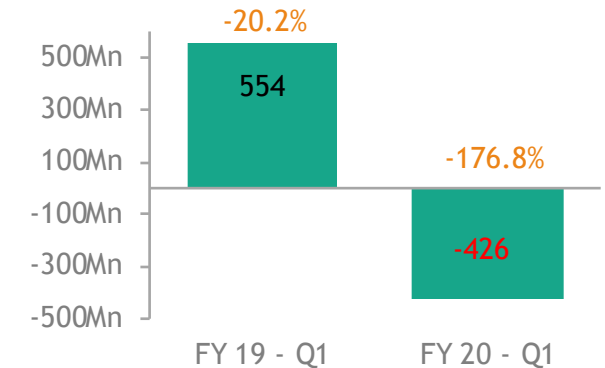
- Group experienced weaker consumer sentiment dampening performance over LY.
- 2.3% dip in revenue over last year, primarily due to H&PC SL, Atlas, Hospitals, LTA and Mobility recording poor performance.
- International revenues grew 7.4% supported by good traction in West Bengal.

## EBIT



- Business mix: Sales declines flowed through to EBIT, compressing margins across major profit contributors.
- OP margin stood at 0.1% (6.6% LY) as a result.
- Additionally, a number of one offs totalling up to Rs.130Mn including a charge from the adoption of SLFRS 16 were incurred.

## Earnings



- Increased Logistics and Pharma financing and working capital costs:
  - Working capital funding for Pharma due to delays in government receivables
- Further, a timing difference in the dividend tax charge of Rs.278Mn following the declaration of dividend at the recent AGM combined with the Debenture settlement

*Weaker topline driven by Consumer and Leisure segment, but Healthcare performance was robust; one-offs and working capital costs resulted in further earnings pressure*

# Consumer Sector Performance: Q1 FY 2019-2020

No. 1 School & Office Supplies Brand



No. 1 Baby Care Brand



No. 2 Oral Care Player



No. 1 Hair Oil



No. 1 Beauty Soap



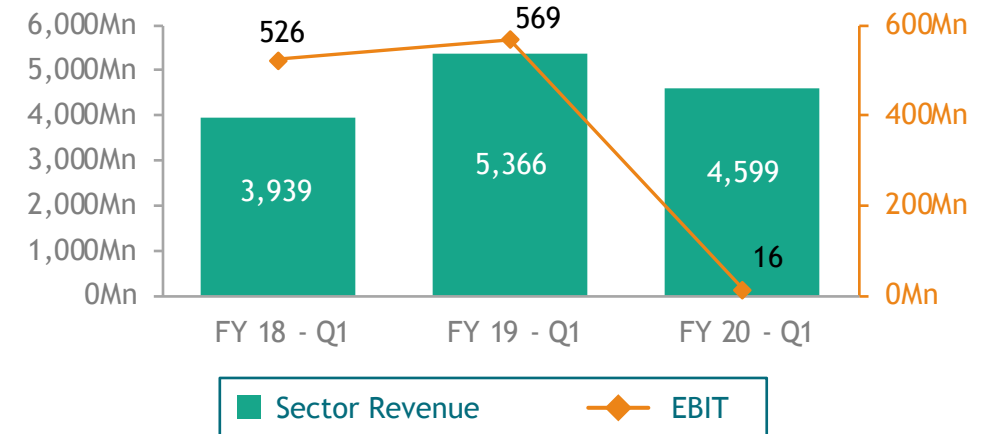
No. 2 Washing Powder Brand



No. 2 Feminine Hygiene Brand



## Sector Revenues & EBIT in LKR Q1 FY 18 - Q1 FY 20



Source: Restated revenue in accordance with IFRS 15

## Business Update

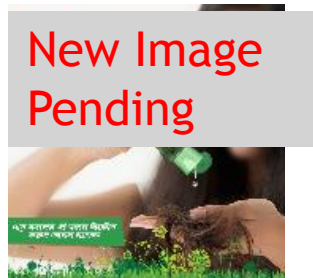
- ▶ Depressed demand in the first half of Q1 over security concerns and school closures affecting retailer and consumer purchasing.
- ▶ Hemas Consumer categories experienced sales decline as a result of anti-communal sentiment arising in the aftermath of the Easter attacks, in addition to overall categories declining by 4%.

# International entry to Bangladesh with our brand *Kumarika*

## Sector Highlights

- ▶ New brand architecture on *Kumarika* was introduced to the market in May 2019
- ▶ 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

Hair Oil



Face Wash



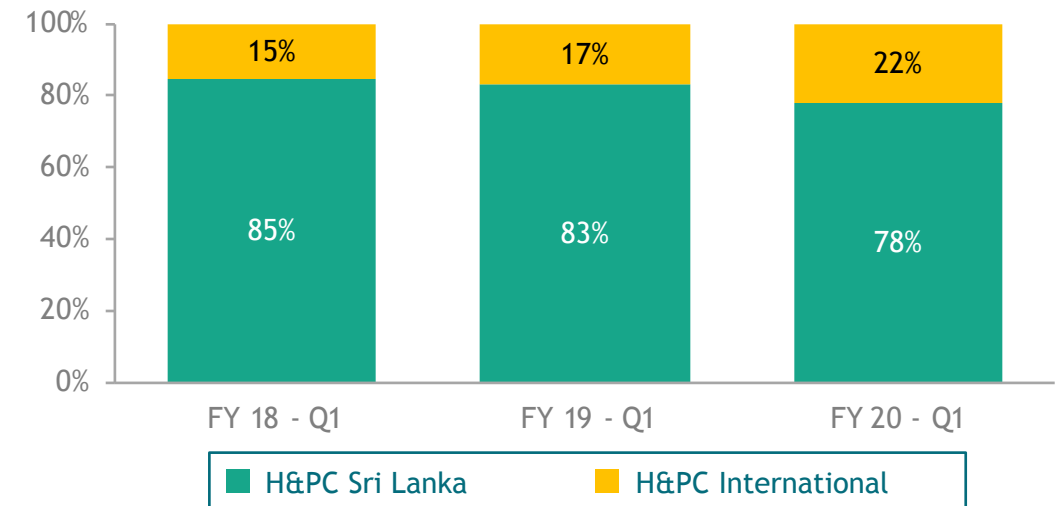
Herbal Beauty Soap



Feminine Hygiene



## International Segment as a % of total H&PC segment Q1 FY 18 - Q1 FY 20



## Business Update

- ▶ H&PC International grew by 7% in Q1, with revived sales post *Kumarika* relaunch in May.
- ▶ *Kumarika* maintained its VAHO market share through the year at 19%
- ▶ Total retail availability now over 200K, as restructured distribution benefits kick in.

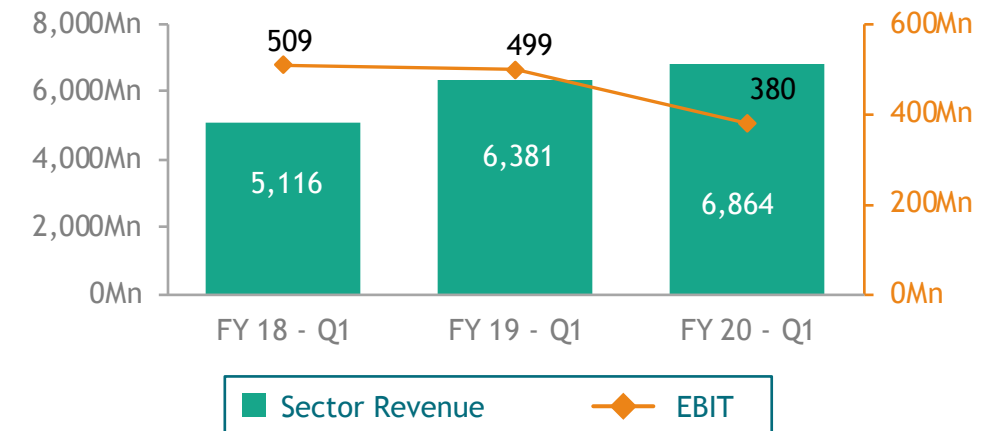
# Healthcare Sector Performance: Q1 FY 2019-2020

## Hemas Healthcare Sectors



- ▶ Hemas Hospitals clinched three coveted awards for Patient Care Initiative of the Year, Service Delivery Innovation Initiative of the Year, and Health Promotion Initiative of the Year at the Healthcare Asia Awards 2019
- ▶ Ayubo.life accredited by Health Informatics Society of Sri Lanka (HISSL) for digital and data security.

## Sector Revenues & EBIT in LKR Q1 FY 18 - Q1 FY 20



Source: Restated revenue in accordance with IFRS 15

## Business Update

- ▶ Modest improvement in topline. Steady growth in pharma distribution business followed by the price increase on regulated drugs.
- ▶ Excluding the SLFRS 16 impact mainly on Hospitals and SLFRS 9 impact resulting from increased debtor provisioning, the underlying operating profit decline stood at 12%
- ▶ Launched the Hemas Health mobile app

# Mobility Sector Performance: Q1 FY 2019-2020

Logistics

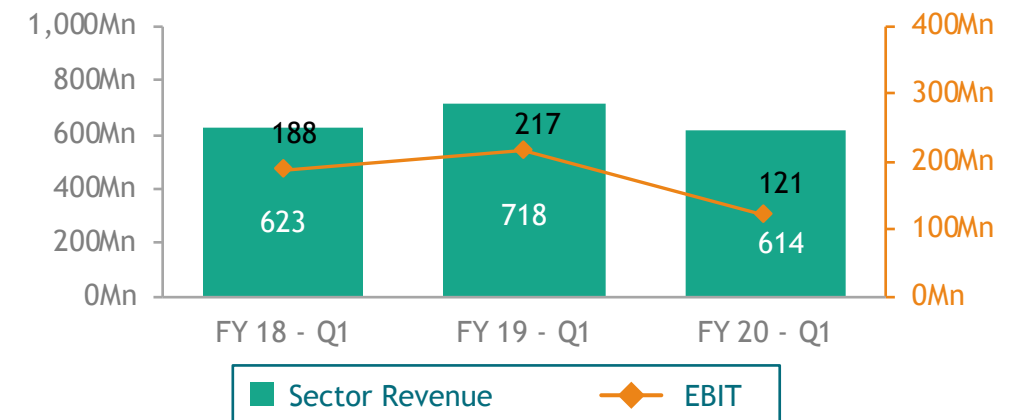
**SPECTRA**  
SYNERGIZING LOGISTICS

Maritime

**EVERGREEN**



## Sector Revenues & EBIT in LKR Q1 FY 18 - Q1 FY 20



## Business Update

- ▶ Delays in filling up the warehousing capacity
- ▶ Increased depreciation and finance costs from the new facility



# Leisure, Travel & Aviation Sector Performance: Q1 FY 2019-2020

## Hotels



## Travel

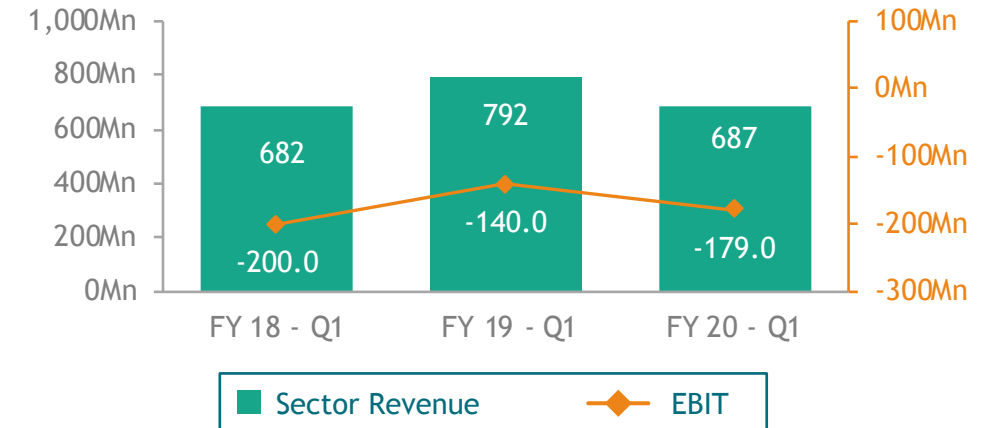


## Aviation



## Sector Revenues & EBIT in LKR

Q1 FY 18 - Q1 FY 20



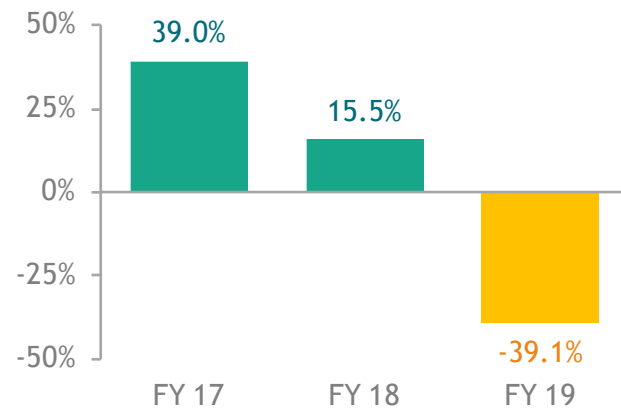
## Business Update

- ▶ 42% average occupancy across owned hotels, 20% lower than LY; Rates at all properties were reduced in order to uplift occupancy. RevPAR of Rs. 8,059 for the quarter is a 27% decrease over LY.
- ▶ A one-year moratorium on loans was granted along with a VAT revision to 7%.
- ▶ Travel and Aviation recorded a decline in performance due to inbound travel seeing a steep decline coupled with lower demand for corporate travel.
- ▶ In addition, Serendib Leisure Management Limited took over the management of Tri Lanka Koggala in May 2019, as well as the provision of marketing services for Stafford Bungalow Nuwara Eliya.

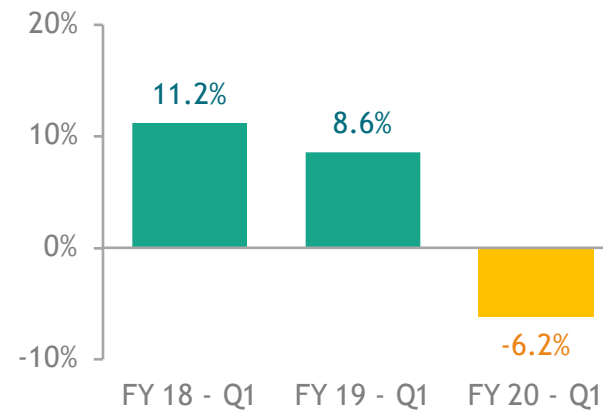
Investment Highlights  
Digital & Innovation  
People & Talent  
Sustainability & Wellness

# Investment Highlights

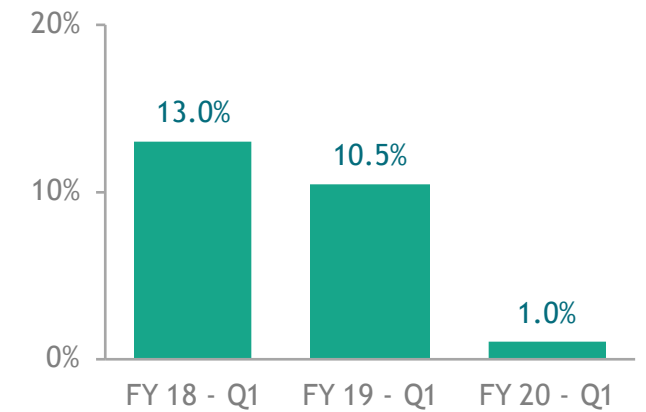
## Total Shareholder Return (%)



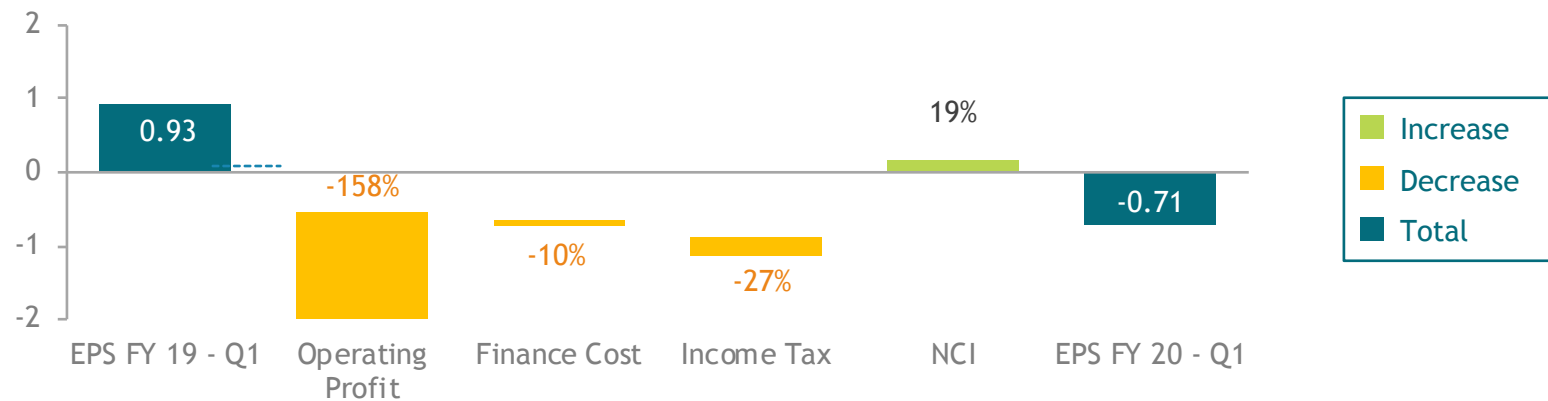
## Return on Equity (%)



## Return on Capital Employed



## EPS Walk



# Driving digital and innovation

- ▶ Being driven by Innovation is a core value of Hemas Group, and our digital strategy is at the forefront of our drive towards reinvention in preparation for the business world of tomorrow.

## Ayubo.life

Focusing on making Health and wellness more accessible digitally, connecting wellness experts within a click of button and maximizing impact with wellness analytics.

The Hemas Slingshot Program aims to provide talented entrepreneurs/ inventors a chance to commercialize inventions/ projects which fall into the strategic areas of our operations.



The “Adahas” Program of Hemas is an internal crowdsourcing effort aimed identifying and implementing good business related ideas among our 7,000+ team. The best ideas are evaluated and already being implemented.

# We continue to invest in people



Be your best self

- “360 You”, the Hemas Employee Value Proposition was launched in October 2017 and is an expression of how Hemas commits to enrich employee lives through the acknowledgement that an employee brings their whole self to work
- As an equal opportunity employer, Hemas was highlighted as a case study by #SheWorks Sri Lanka, an IFC led programme in our efforts to provide employer-supported child support.
- Hemas has also introduced flexible working as a policy, and is among the few organisations to offer paternity and adoption leave in addition to maternity leave.



Future Leaders'  
Programme

- Successful completion of a third year development program in partnership with Indian Institute of Management Bangalore (IIMB), to prepare Hemas Future Leaders.
- Over 90% of those that went through this programme have progressed in their careers through enriched job scopes and promotions.

Uniqueness

Excellence & Balance

Empowerment

Wellness

# Sustainability & Wellness

## Group Environmental Goals by 2025



Reduction of consumption of water by 50%



50% of reduction of energy consumption by 2022 and by 2025 to be offset by renewable



Zero waste to landfills

## Employee Wellness

Hemas is on the mission to become the healthiest workforce in Sri Lanka. Our goals for 20/20.

Blood Pressure  
↓25%

Cholesterol  
↓25%

**Halt** the  
Rise of Obesity

Raised Blood Sugar Levels  
↓

Physical Inactivity  
↓50%

% Salt Used in Canteens  
↓5%

Tobacco Usage  
↓5%

Worksite Health Score  
↑50%

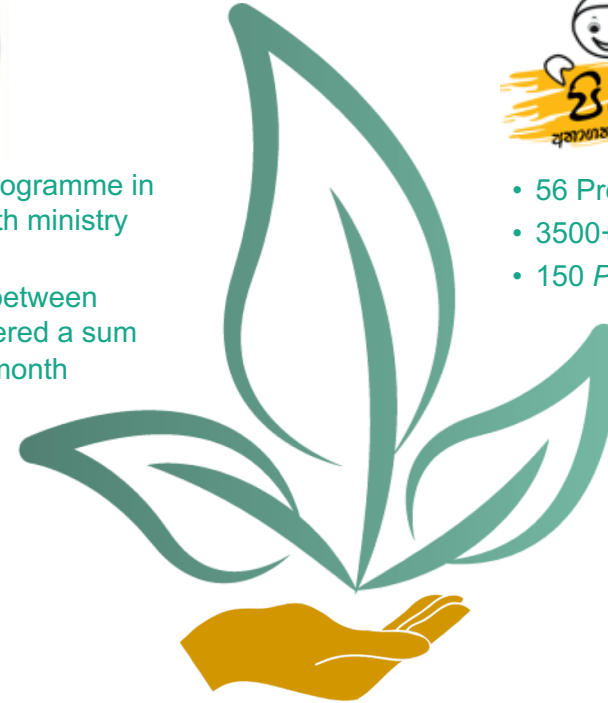
## Engaging with Our Community



- Scholarship programme in partnership with ministry of child affairs
- 219 Children between 5-10 years offered a sum of Rs 2000/= month



- 56 Pre schools
- 3500+ children impacted
- 150 Piyawara teachers



AYATI is a long-term initiative with three main aims:

- Sri Lanka Army Completes the Construction of the AYATI Center
- Changing the mindset of the public to eliminate any stigma and promote acceptance of children with disabilities
- Extending the services to the rural areas of Sri Lanka in time to come

## Disclaimer

The material in this presentation has been prepared by Hemas Holdings PLC (“Hemas”) and is general background information about Hemas’ activities current as at the date of this presentation. This information is given in summary form and does not purport to be complete. Information in this presentation, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Hemas’ businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Hemas does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Hemas’ control. Past performance is not a reliable indication of future performance. Unless otherwise specified all information is for the quarter ended 30<sup>th</sup> June, 2019.



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