

# Investor Presentation

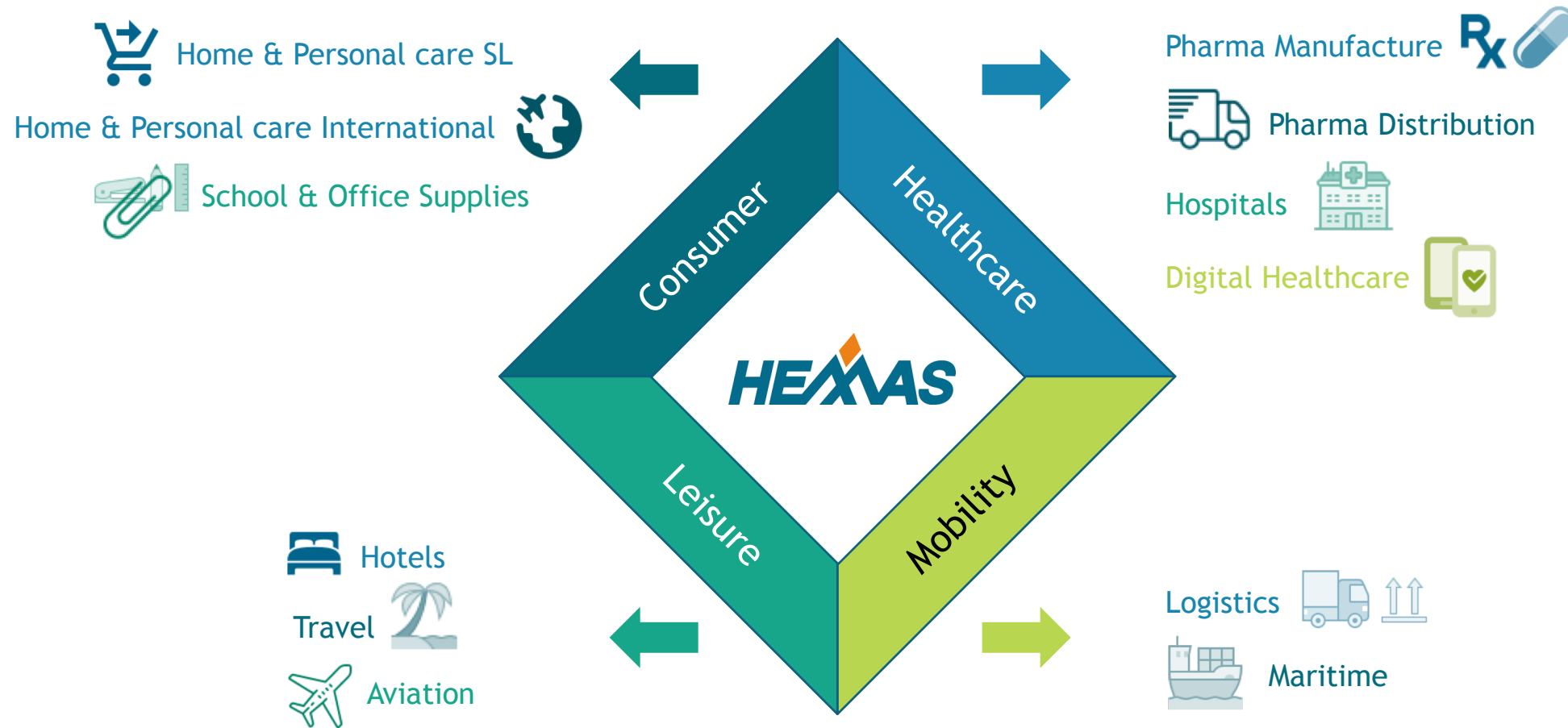
Hemas Holdings PLC

1H FY 2019-2020

January 16, 2020



# 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



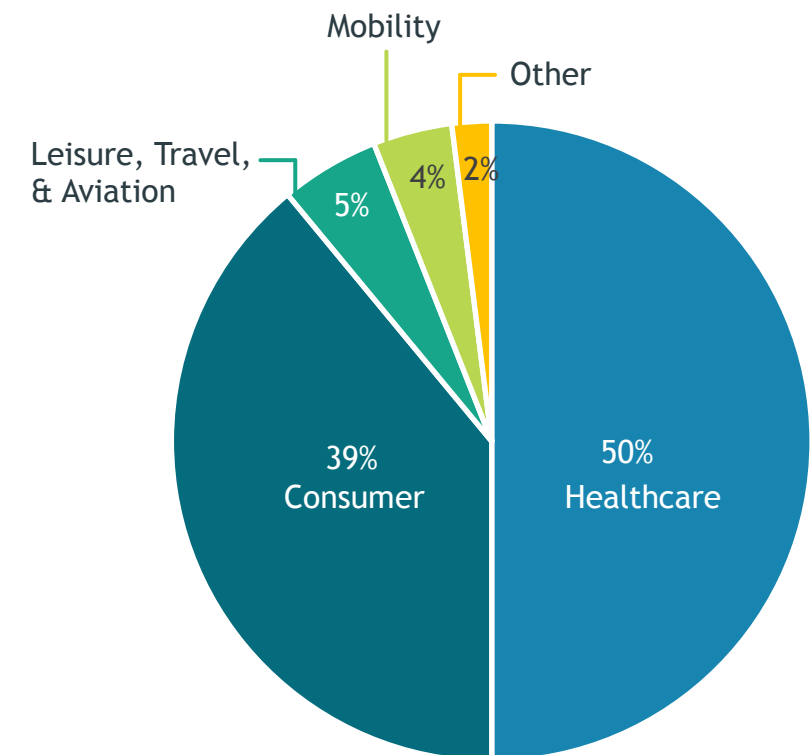
Partnered with Global Maritime  
and Logistics Brands

Presence across the Entire  
Leisure & Travel Value Chain



## Group Revenue by Segment

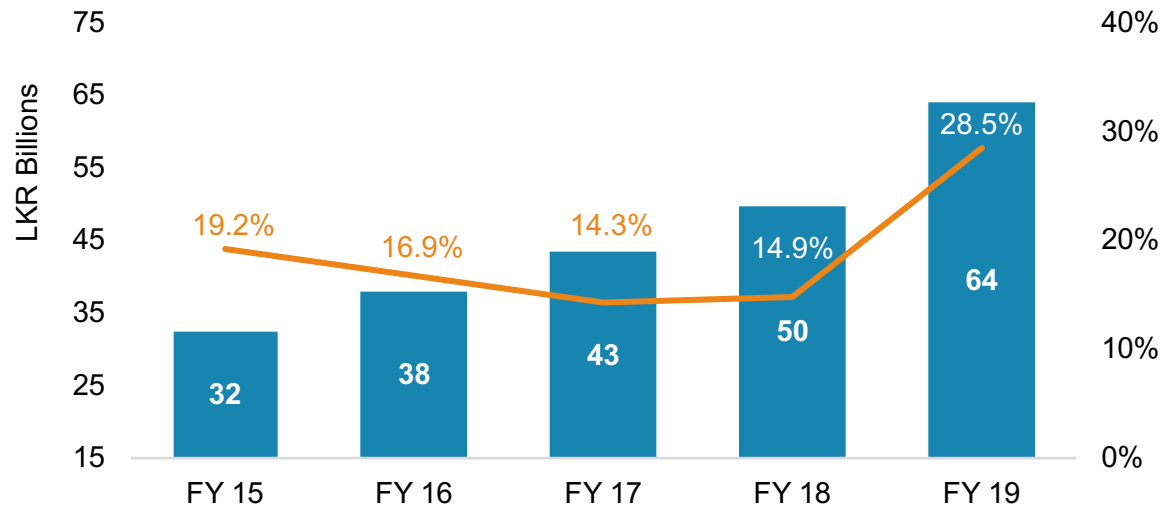
1H FY 2019-20



# HHL Group Performance: Five year summary

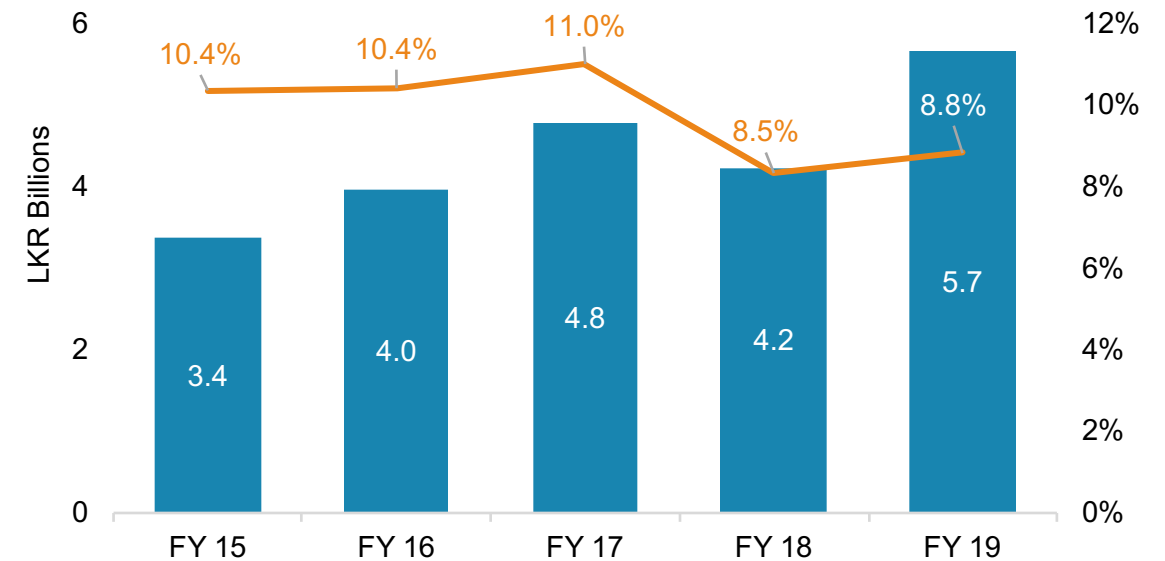
## Group Revenue and % Growth

FY 2014 - FY 2019



## EBIT and EBIT margin (%)

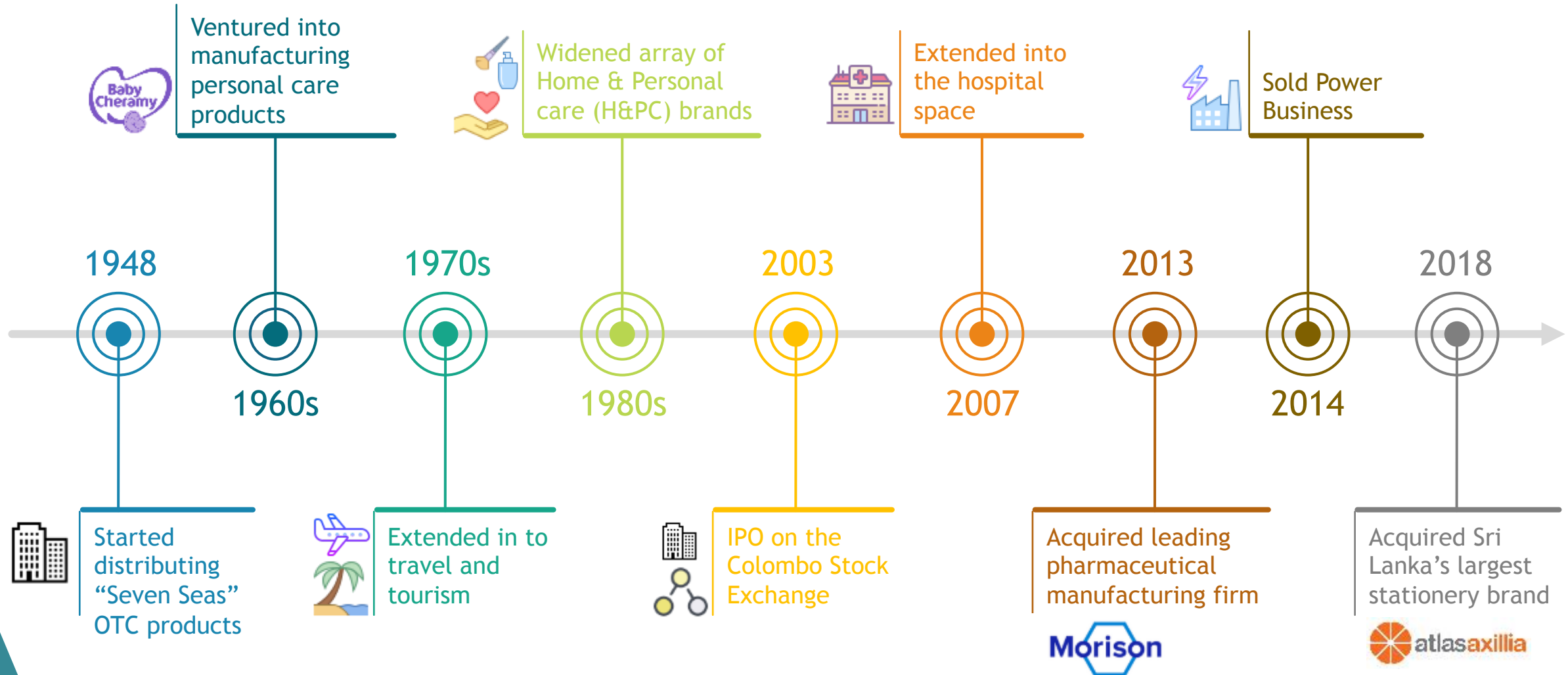
FY 2014 - FY 2019



# Hemas Holdings PLC: Our Group

- ▶ Market cap: LKR 43.8 billion (US\$ 242 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: 37.9%
- ▶ TSR over 5 years: 116.2%

# 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

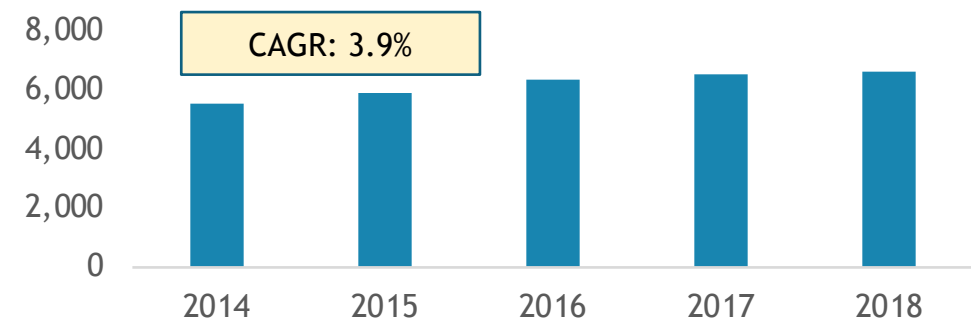
### Experiential leisure to upscale travellers

- 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

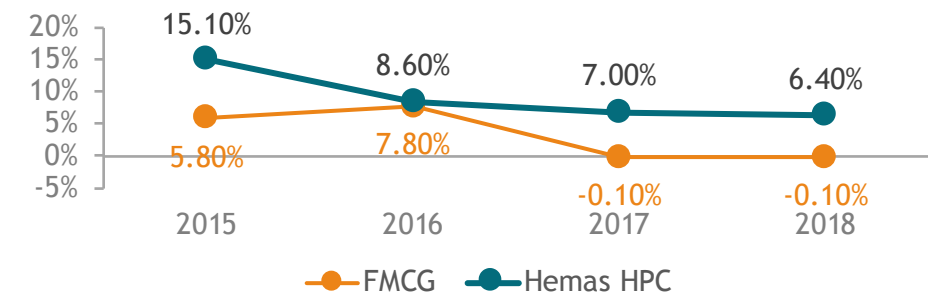
- ▶ Sri Lanka's household consumption grows at 4%, and personal care (H&PC) categories are highly penetrated.
- ▶ A weaker economic environment has kept consumer demand anemic over two years.
- ▶ Volume growth is led by emerging categories such as feminine hygiene as well as hair and skin, and price 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

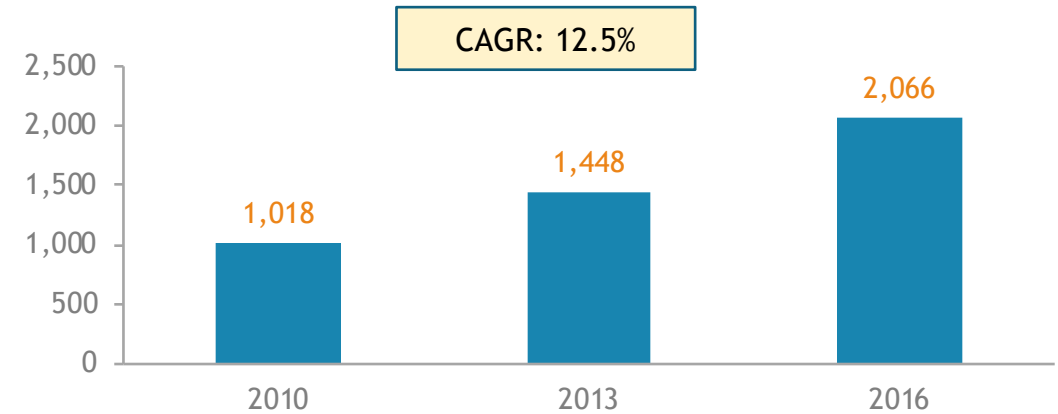


Source: Nielsen Sri Lanka

# 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.

# Consumer Sector Performance: 1H 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



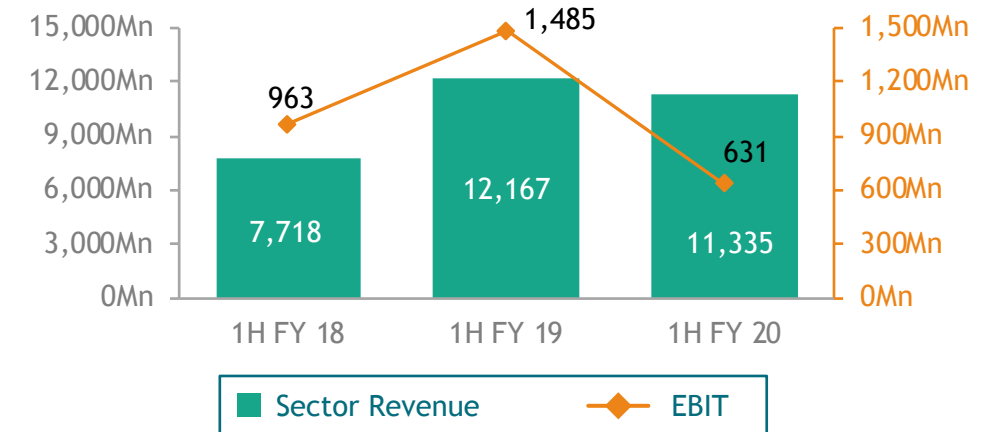
No. 2 Washing Powder Brand



No. 2 Feminine Hygiene Brand



## Sector Revenues & EBIT in LKR 1H FY 18 - 1H FY 20



Source: Restated revenue in accordance with IFRS 15

## Business Update

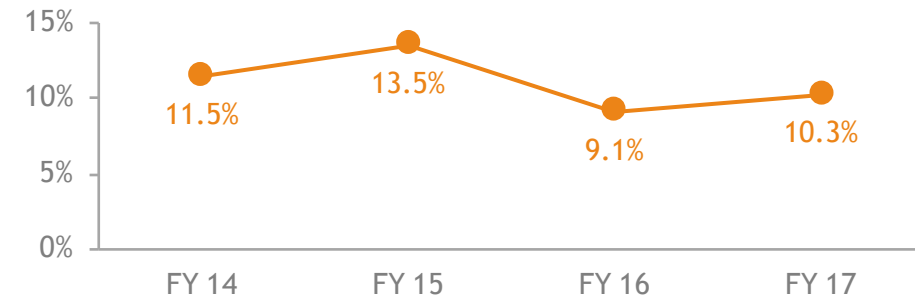
- ▶ Depressed demand in the first half of Q1 over security concerns and school closures affecting retailer and consumer purchasing.
- ▶ Segment returned to prior year levels by the end of Q2 and reported a quarter on quarter growth in operating profit and earnings of Rs.598.6Mn and Rs.346.4Mn

# 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

# H&PC International 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



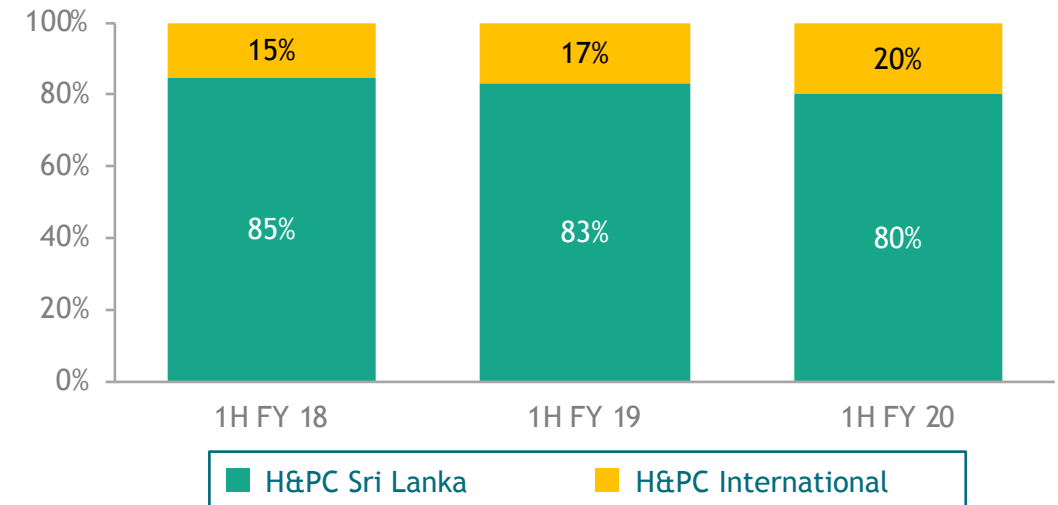
Herbal Beauty Soap



Feminine Hygiene



## International Segment as a % of total H&PC segment 1H FY 18 - 1H FY 20



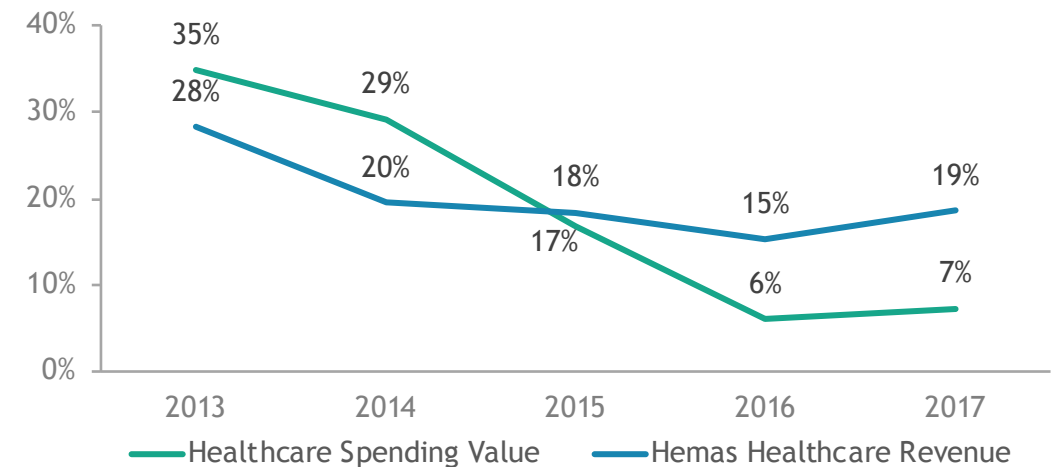
## Business Update

- ▶ International segment remained depressed during the quarter due to heavy competition in the value added hair oil segment in Bangladesh coupled with increased duty and tariff under the new budget.
  - ▶ Supplementary duty charge (Output), regulatory Duty of 3% imposed on importation of certain RMs and FGs and LLO assessment value for at a flat 1\$ per kg
- ▶ Kumarika maintained its VAHO market share through the year at 19%
- ▶ West Bengal is gaining traction

# 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.

Growth in Healthcare spending and growth in Healthcare revenue  
2013 - 2017



Source: Sri Lanka Healthcare Financing Profile, WHO, 2017

# Healthcare Sector Performance: Q2 FY 2019-2020

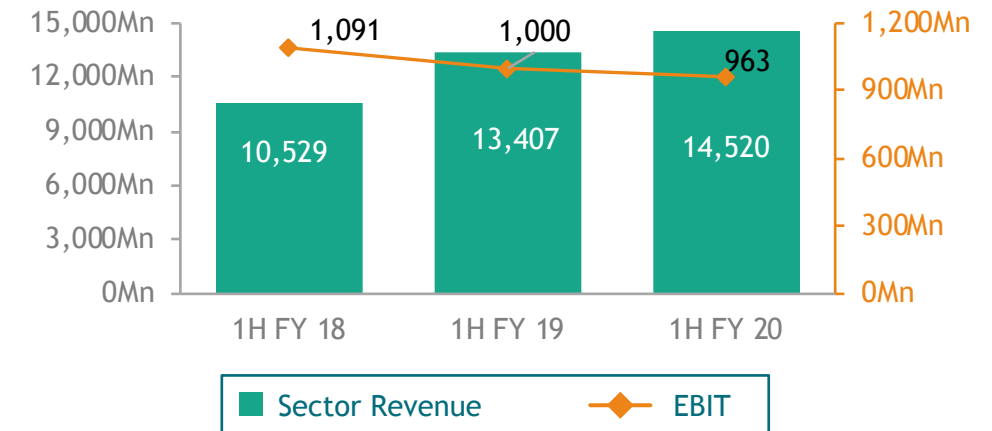
## Hemas Healthcare Sectors



- ▶ 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 (HISL) for digital and data security.

## Sector Revenues & EBIT in LKR

1H FY 18 - 1H FY 20



Source: Restated revenue in accordance with IFRS 15

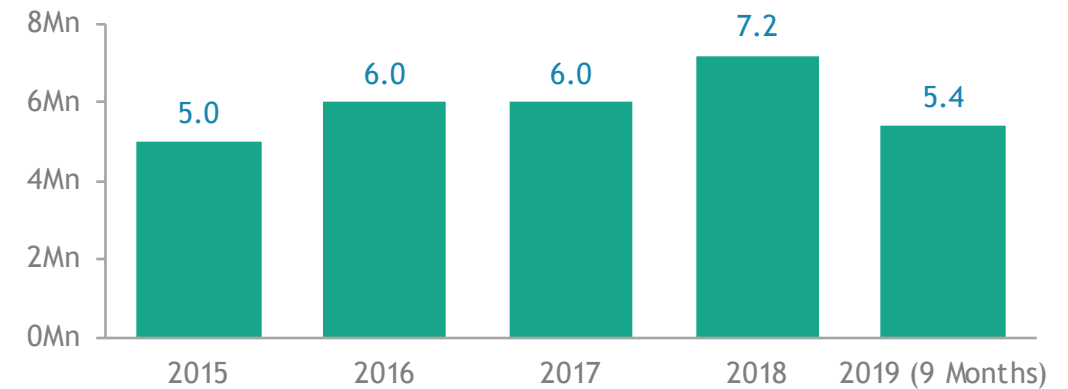
## Business Update

- ▶ Achieved an overall average occupancy of 54%, with profitability down on last year.
- ▶ Hospitals improved Q2 profitability over Q1 by approximately Rs.80.0Mn.

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

- ▶ Colombo Port throughput grew by 4% for the first nine months 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 - 2019



Source: Sri Lanka Ports Authority

# Mobility Sector Performance: Q2 FY 2019-2020

Logistics

**SPECTRA**  
SYNERGIZING LOGISTICS

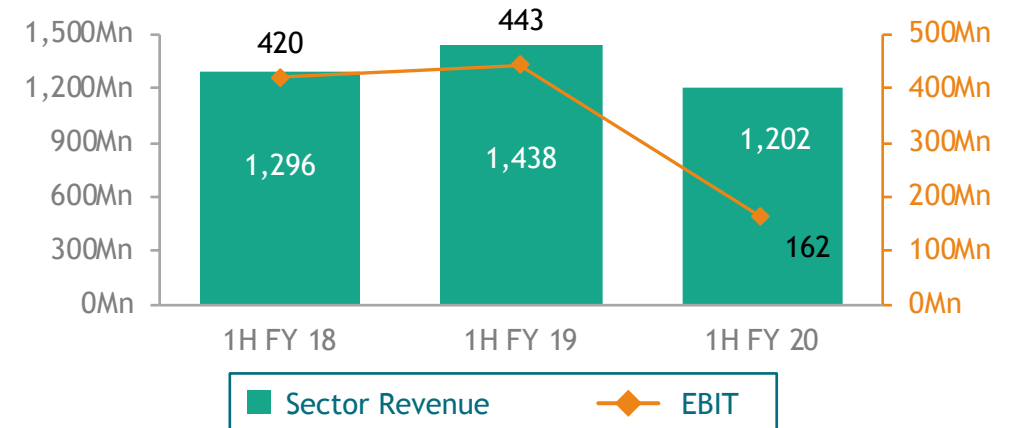
Maritime

**EVERGREEN**



## Sector Revenues & EBIT in LKR

1H FY 18 - 1H FY 20



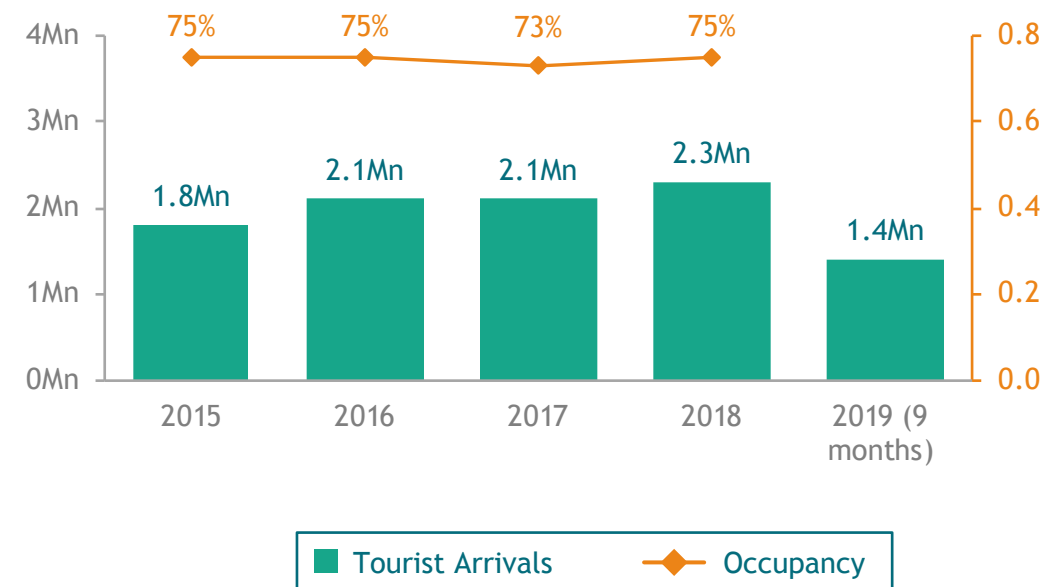
## Business Update

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

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

- ▶ Sri Lanka ranked No.1 travel destination in 2019 by Lonely Planet with tourist arrivals up by 10.7% during the quarter.
- ▶ Long haul travellers (Europe, Australia) continue to contribute significantly to source markets.
- ▶ Rise of Asian traveller - Chinese and Indian travellers exploring the island and redefining the tourism offering.
- ▶ New destination brand “So Sri Lanka”, an amplifier brand that supports and engages typical millennial travel exploration debuted at the World Travel Mart in London.
- ▶ Driving towards being a centre of excellence for Aviation services for leading airlines such as Emirate, IndiGo and Malaysian.
- ▶ Tourism sector was severely impacted following the terrorist attacks on the 21st of April 2019, with most countries immediately issuing adverse travel advisories on Sri Lanka.
- ▶ The incident resulted in Sri Lanka recording a steep 38% decline in tourist arrivals to the country by the end of quarter two compared to the same period last year

**Tourist Arrivals and Occupancy**  
2015 - 2018



Source: Sri Lanka Tourism Development Authority

- ▶ However, Sri Lanka tourism revives slowly after April bombings, as October records lowest tourist arrival decline, 22.5% since April attacks. (Highest was in May 70.8%)
- ▶ Forward bookings have witnessed a pick up compared to previous cancellations.

# Leisure, Travel & Aviation Sector Performance: Q2 FY 2019-2020

## Hotels



## Travel

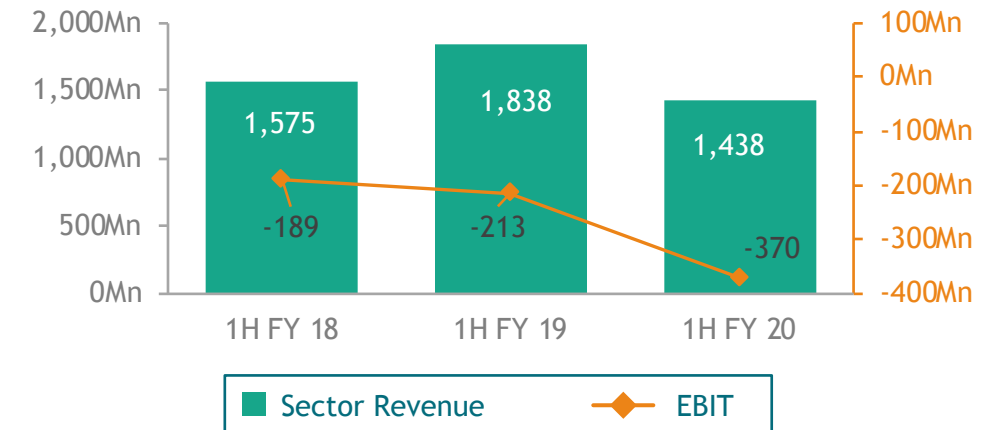


## Aviation



## Sector Revenues & EBIT in LKR

1H FY 18 - 1H FY 20



## Business Update

- ▶ One-year moratorium on loans was granted along with a VAT revision to 7%.
- ▶ 56% average occupancy across owned hotels, 21% lower than LY.
- ▶ Rates at all properties were reduced in order to uplift occupancy.

## Overview: 1H FY 2019-2020

- Strategic Priorities Update
- Group Operational Highlights

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

*Hemas sees steady recovery following a challenging first quarter*

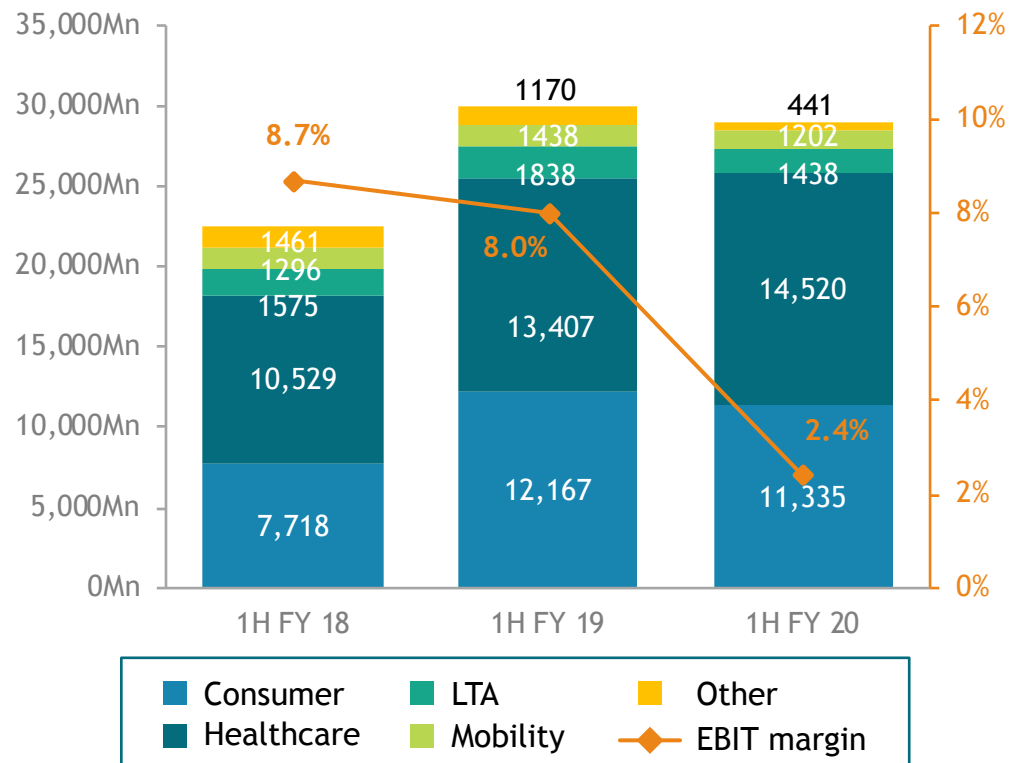
- ▶ In the aftermath of the Easter attack Hemas Consumer businesses have been impacted by market wide weak consumer sentiment and baseless ethnically divisive attacks on the business and brands.
- ▶ Q2 witnessed a steady month-on-month recovery with revenues and profitability returning to prior year levels across all our businesses
- ▶ 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*

# 1H FY 2019-20 Operations Summary

## Sector Revenue & EBIT Margin (%)

1H FY 18 - 1H FY 20



- ▶ Group witnessed a recovery in Q2 with revenues up by 19.2% over Q1 FY20 and operating profit and earnings growing by Rs.662.7Mn and Rs.633.1Mn.
  - ▶ Growth was driven by an improvement in our Consumer and Healthcare businesses and the normal positive seasonal trend at Atlas
- ▶ Consolidated revenue of Rs.28.9Bn for the 6 months ended September 30 2019 was recorded with 3.6% lower than last year.
- ▶ Operating profits for the first half of the financial year were Rs.701.5Mn, a Year-on-Year (YoY) decline of 70.8% in comparison to previous year.
  - ▶ H&PC Sri Lanka and Hospitals gained momentum over last quarter although they are behind last year profitability mainly due to the poor Q1 performance in the aftermath of the Easter attack
  - ▶ In addition, the disposal of N\*able coupled with increased dividend tax and adoption of SLFRS 16 has reduced earnings by Rs.566.0Mn.
- ▶ On an underlying basis, excluding the impact from, N\*able, our technology business sold in Q2 FY20 and Hemas Southern Hospitals which we exited in Q3 FY19, Group revenue was Rs.28.5Bn and earnings Rs.58.6Mn.

*Remarkable recovery across the Group in Q2 following a challenging Q1*

# 1H FY 2019-20 Sector Highlights

## Consumer

Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth
11,335	-6.8%	631	-57.5%

- ▶ Steady recovery with a Q-o-Q revenue and profitability growth
- ▶ Disruption to the sales and distribution due to negative sentiments created post ethnic backlashes continue to impact H&PC SL and Atlas in achieving budgets.
- ▶ Relaunched Kumarika in H&PC Bangladesh is yet to create traction, West Bengal has gained momentum.
- ▶ Steady pick up in Morison OTC segment

## Healthcare

Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth
14,520	8.3%	963	-3.7%

- ▶ Pharmaceutical distribution operation registered satisfactory performance with the price increase on price-controlled pharmaceuticals in May.
- ▶ Hemas Hospitals achieved an overall average occupancy of 54%, with profitability down on last year. Improved Q2 profitability over Q1 by approximately Rs.80.0Mn.
- ▶ Mori showed a strong pick up in revenue in 1H. However significant lag during April impacted overall YTD performance against budget of Mori.

## Mobility

Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth
1,202	-16.4%	162	-63.3%

- ▶ Delays in the new Spectra distribution center ramp-up plans dragged down the sector performance
- ▶ Poor stock turnaround of our major customers impacted the volumes at logistics
- ▶ Additionally, segment profitability is impacted by the increased depreciation and finance costs resulting from the new facility

## Leisure

Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth
1,438	-21.7%	(370)	-73.8%

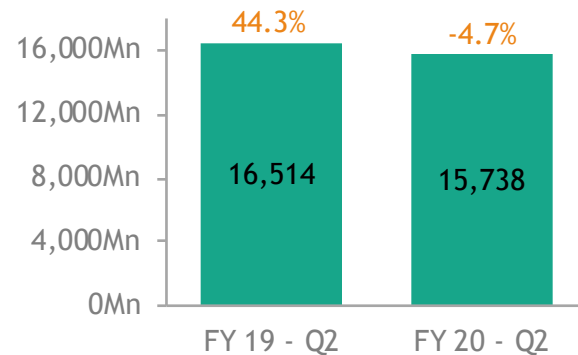
- ▶ Loss of tourist arrivals from the key markets dragged the sector revenue and profitability down significantly.
- ▶ Average occupancy stood at 49% with ARR's down over LY.
- ▶ A series of stringent cost control initiatives offset the unfavorable impact to profitability from a significant revenue loss.
- ▶ Cancellations of tour groups in inbound and outbound segment further led to a decline in profitability of the Travel and Aviation sector

## Most Recent Quarter Performance: Q2, FY 2019-2020

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

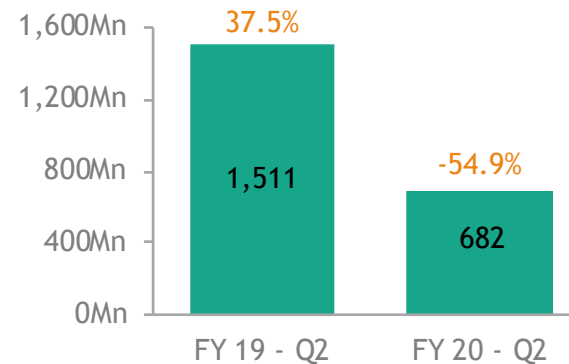
# Q2 (3 months) FY 2019-20: Group Operational Highlights

## Revenue



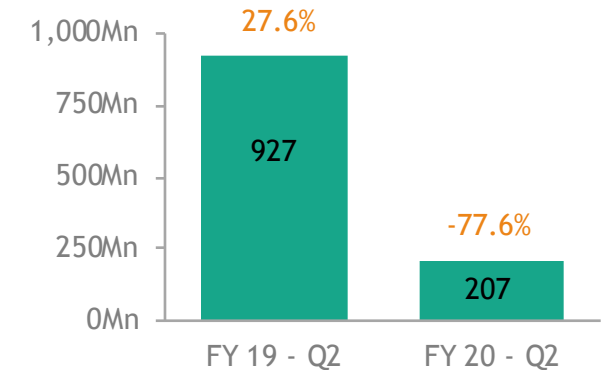
- Q-o-Q growth of 19% (+2.5Bn) reflecting the improved performance in H&PC Sri Lanka, Hospitals together with seasonal growth in revenue of Atlas
- 4.7% Y-o-Y revenue drop primarily driven by LTA, H&PC, Hospitals and the disposal of N\*able
- Steady International revenues supported by good traction in West Bengal.

## EBIT



- Improved EBIT in Q2 (+663Mn) over Q1 due to notable recovery in top line of consumer and LTA companies
- Stringent cost saving initiatives adopted by all the sectors across the group

## Earnings



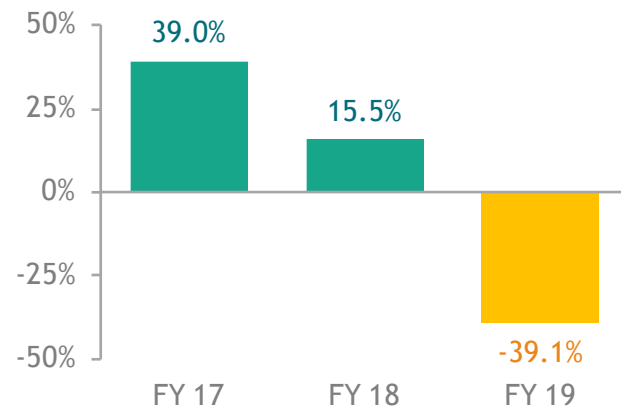
- Improved Q-o-Q earnings of Rs.633Mn due to topline growth
- Increased Logistics and Pharma financing and working capital costs:
  - Working capital funding for pharma due to delays in government receivables

*Steady month-on-month recovery with revenues and profitability returning to prior year levels across all our businesses during Q2*

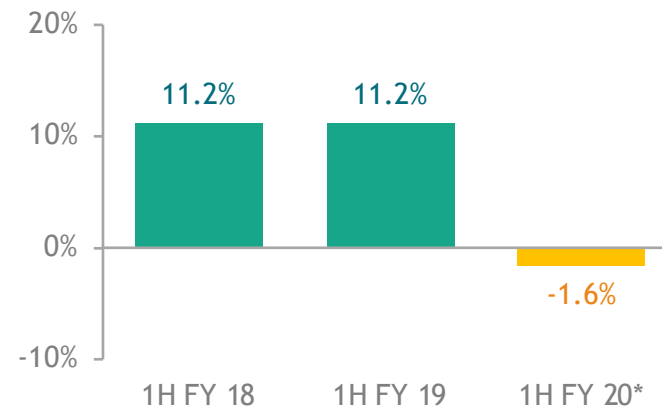
Investment Highlights  
Digital & Innovation  
People & Talent  
Sustainability & Wellness

# Investment Highlights

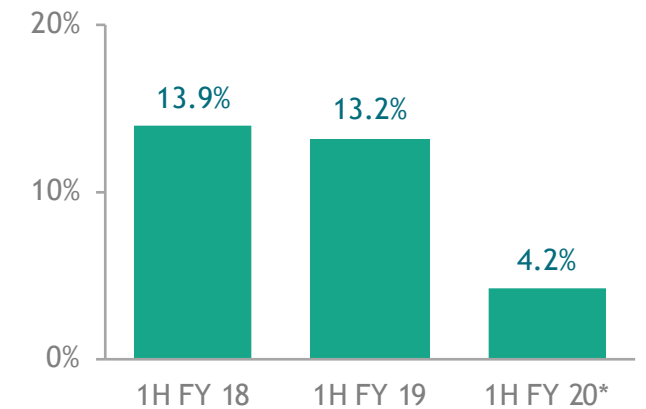
## Total Shareholder Return (%)



## Return on Equity (%)

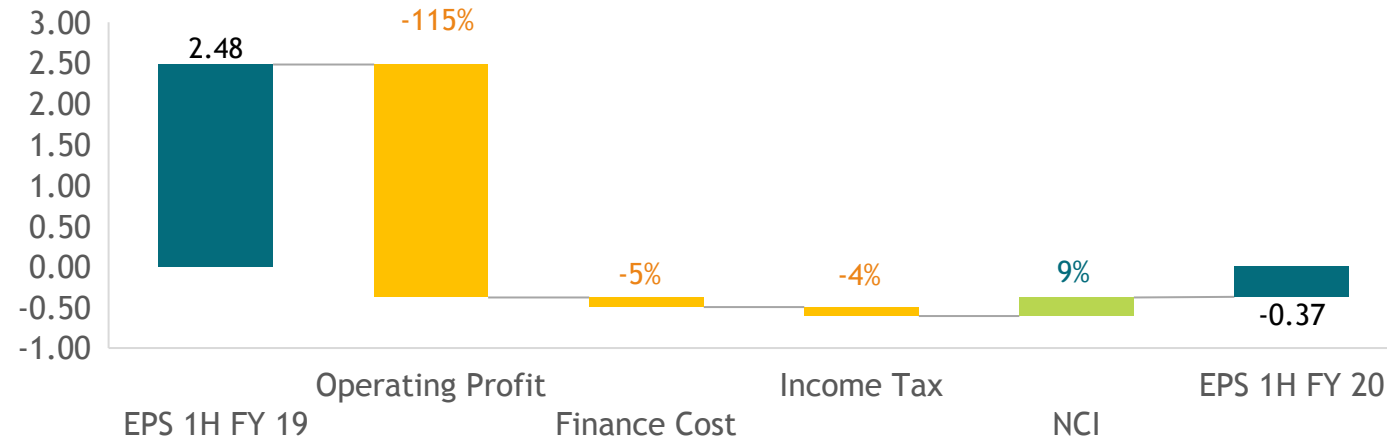


## Return on Capital Employed



*Note: Annualised FY 20*

## 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 energy

## 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%

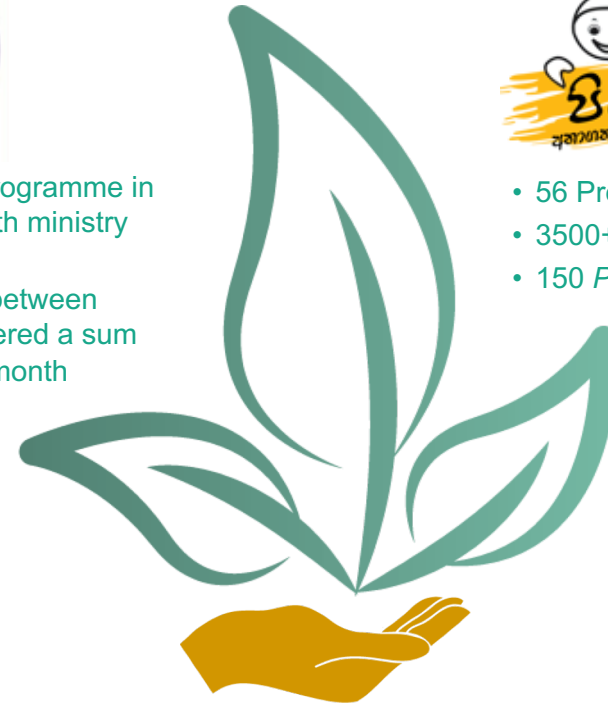
## Engaging with Our Community



- 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

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