

Investor Presentation



Hemas Holdings PLC

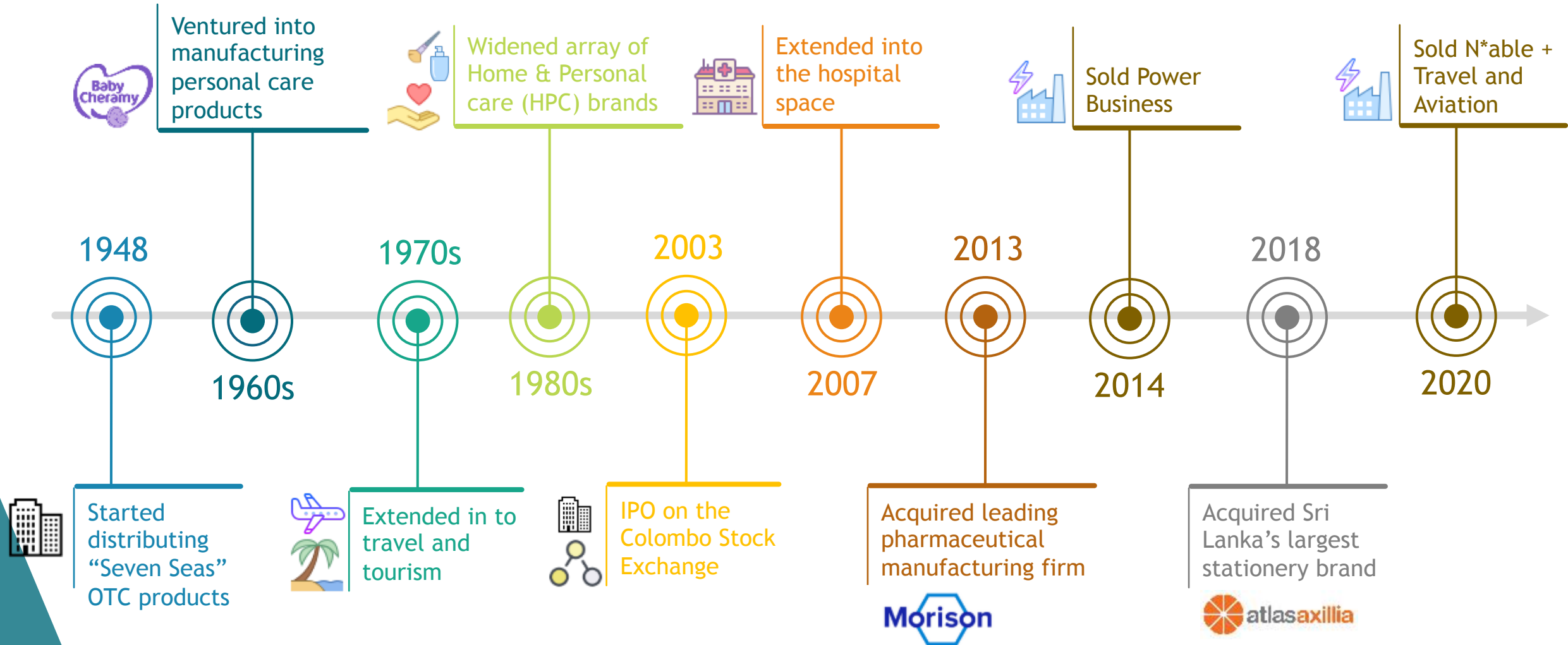
Q3 FY 2020-2021

February 15, 2021

Hemas Holdings PLC: About us

- ▶ Market cap: LKR 59.5 billion (USD 305.1 million)
- ▶ Shareholding structure: Esufally family holds 64.3%, 35.7% public holding.
- ▶ Governance:
 - HHL is governed by a 10-member board including 4 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: 29.9%
- ▶ Fitch ratings reaffirmed the “AAA (lka)- Outlook Stable” rating criteria for the Hemas Group following the recalibration of its Sri Lankan National Rating scale.

Hemas Journey: 70 years of serving the nation



Streamlined and poised for growth: Make Healthful Living Happen



We achieved an important milestone in our journey as a Group, with the launch of our purpose, 'Make Healthful Living Happen'

Navigating through the COVID-19 pandemic - second outbreak in Sri Lanka

HEALTHCARE

Revenue **LKR 27.2Bn** | EBIT **LKR 2.2Bn**

- Pharmaceutical distribution business in Sri Lanka is operating at normal levels.
- Myanmar operation encountered challenges during the quarter and will have a challenging upcoming quarter.
- Morison continued operations at optimum capacity with the second breakout impacting production.
- Hospitals faced challenges due to reduced patient footfall underpinned by the second outbreak.



CONSUMER

Revenue LKR 19.2Bn | EBIT LKR 2.6Bn

- Robust growth in the sector during the quarter
- Health and hygiene brand *Shield* was well received.
- Enhanced product offerings in ramping up innovation pipeline.
- Atlas experienced a significant disruption to the back-to-school season impacting quarter revenues.



MOBILITY

Revenue **LKR 1.4Bn** | EBIT **LKR 399Mn**

- Port of Colombo experienced a severe congestion as a considerable number of port workers had challenges in reporting to work as a result of local lockdowns.
- Both Container Depot and Distribution Centre within the Logistics witnessed improved occupancy and handling volumes



LEISURE

EBIT **LKR (253)Mn** | Earnings **LKR (857)Mn**

- Group divested its' shareholding in Serendib Hotel PLC to Eden Hotel Lanka PLC for a total consideration of LKR 792.9 million in December.
- HHL has classified the Leisure segment as a 'discontinued operation' from this quarter onwards.



Our market leading positions in Consumer and Healthcare enable us to deliver healthful outcomes



Sri Lanka's Largest Pharma Supplier

Market leading HPC Brands



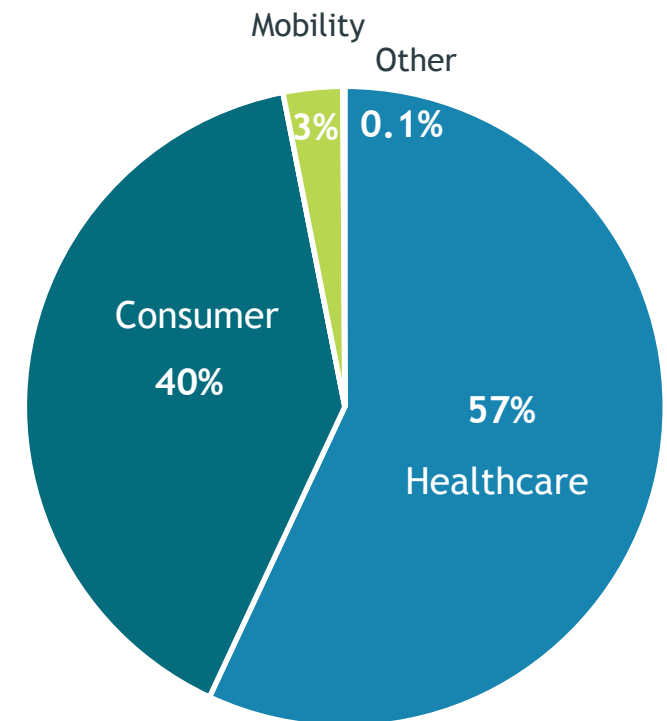
Partnered with Global Maritime and Logistics Brands

Luxury to Boutique Hotel Properties



Island-wide Coverage of Diagnostics & Healthcare Services

Group Revenue by Segment
Q3 YTD FY 2020-21*

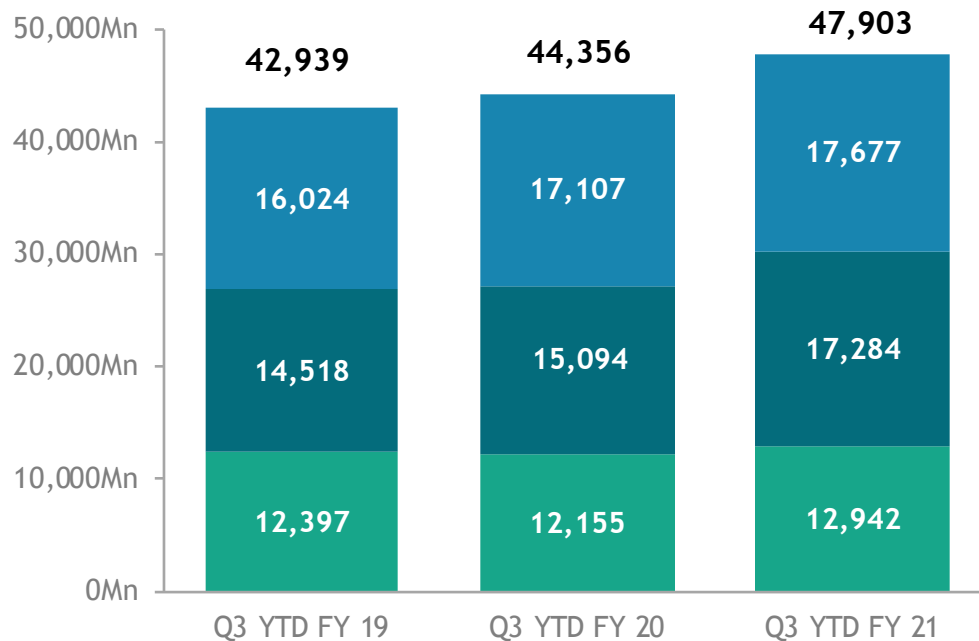


*Leisure segment has been discontinued

Q3 YTD FY 2020-21 - Group Underlying Revenue & Earnings

Group Revenue

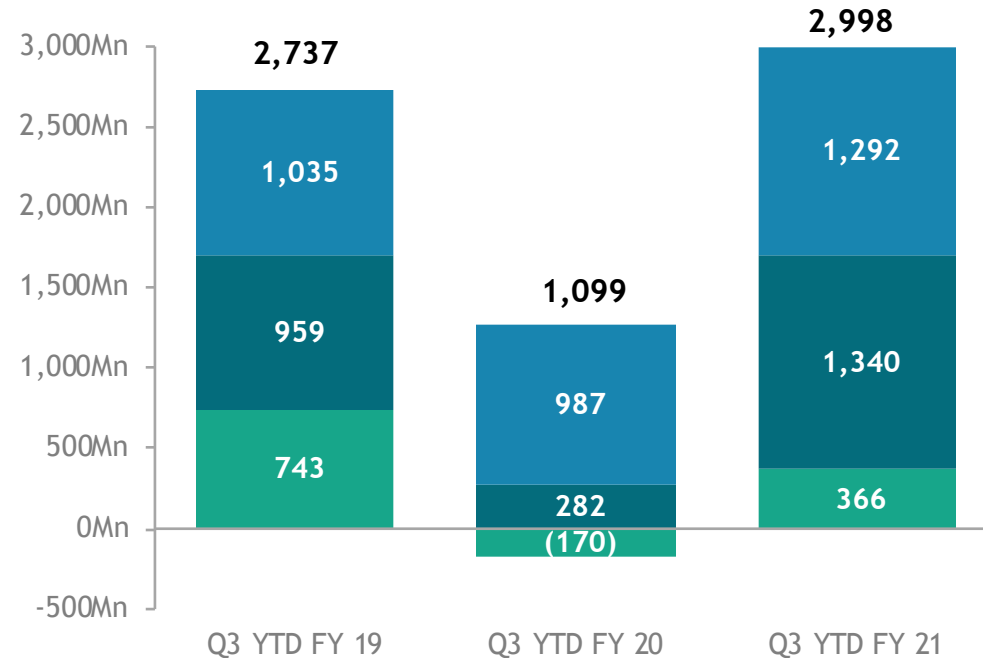
Q3 YTD FY 19 - Q3 YTD FY 21



Note 1: Group underlying revenue and earnings have been derived post adjusting for the disposal of the Leisure segment, N*able and DHS.

Group Earnings

Q3 YTD FY 19 - Q3 YTD FY 21



Note 2: In understanding the financial performance, relative to last year, it is important to note Q1 FY19/20 was negatively impacted by the aftermath of the 21st April terrorist attacks, with the COVID-19 pandemic impacting Q1 FY20/21.

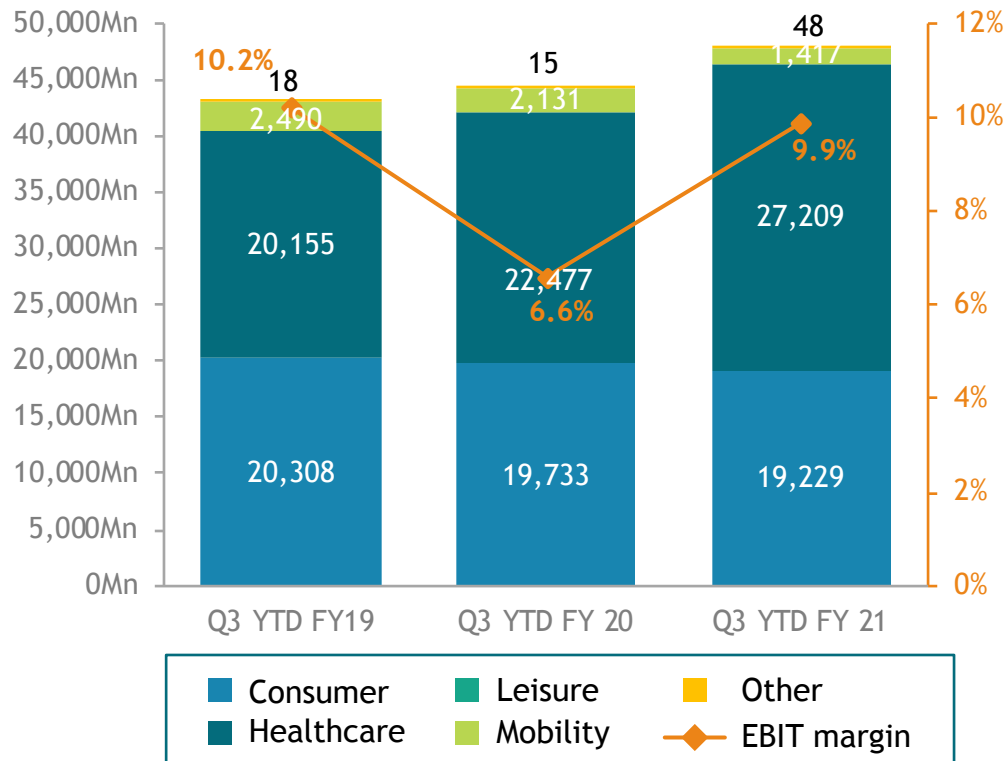


Demonstrated a steady growth, surpassing almost pre-COVID-19 levels during the quarter.

Q3 YTD FY 2020-21 - Underlying Operational Summary

Sector Revenue & EBIT Margin (%)

Q3 YTD FY 19 - Q3 YTD FY 21



Note: In understanding the financial performance, relative to last year, it is important to note Q1 FY19/20 was negatively impacted by the aftermath of the 21st April terrorist attacks, with the COVID-19 pandemic impacting Q1 FY20/21.

Group delivers resilient performance amidst a challenging quarter posed by the second outbreak in the island.

- ▶ First nine months underlying revenues (adjusting for the disposal of the Leisure segment, excluding other continuing joint venture assets) of Rs.47.9Bn indicate a year-on-year growth of 8.0%, indicating an improvement of Rs.3.5Bn.
 - ▶ Growth driven by all sectors as consumers adapt to the “new normal”.
 - ▶ Strong volume led recovery experienced in businesses which were impacted by the Easter Sunday attack last year.
 - ▶ Q-o-Q performance slowed down during Q3 due to the second outbreak in October.
- ▶ Group recorded a resilient year to date underlying EBIT of Rs.4.7Bn over last year amidst economic volatility, primarily driven by the core segments of Consumer and Healthcare.
 - ▶ Increased revenue from the core segments supported the robust growth in EBIT
 - ▶ Prudent cost conservation measures were implemented across the Group
 - ▶ Underlying EBIT margin improved by 3.3 basis points over last year.
 - ▶ Divestment of the Leisure segment is earnings accretive. Recorded an underlying year on year earnings growth of 175%.

Overview: Q3 YTD FY 2020-2021

- Industry Overview
- Group Operational Highlights
- Segment highlights
- Free Cash Flow

Rapidly evolving industry dynamics leading up to the first nine months

Home and Personal care Industry

- FMCG segment reached pre-COVID levels.
- Average purchases dipped post lock down and stabilized at a higher level than before while frequency of purchase returned to previous levels.
- Health and personal hygiene categories experienced a higher growth within both rural and urban.
- Cleaning categories drive home care segment - laundry powder.
- Slowdown in these categories was experienced towards the latter part of the quarter which is likely to roll-over into the forthcoming quarter.
- Strong movement towards buying local products due to import bans in 2020.
- The rise of the digital consumer - increased online shopping.

Healthcare Industry

- Decline in patient footfall at hospitals due to re-emergence of COVID-19 pandemic.
- Significant drop in infectious diseases resulting from increased health awareness and good hygiene practices
 - Prescription driven antibiotics and respiratory disease segment witnessed a slowdown
- Upscaling of virtual care capacity - telehealth.
- Surge in online delivery of medicine and growing number of repeat customers.
- Increased demand for "Consumer Health" as preventative care practices rise
 - Over-the-Counter medication
 - Supplements and nutraceuticals
 - Demand for laboratory testing

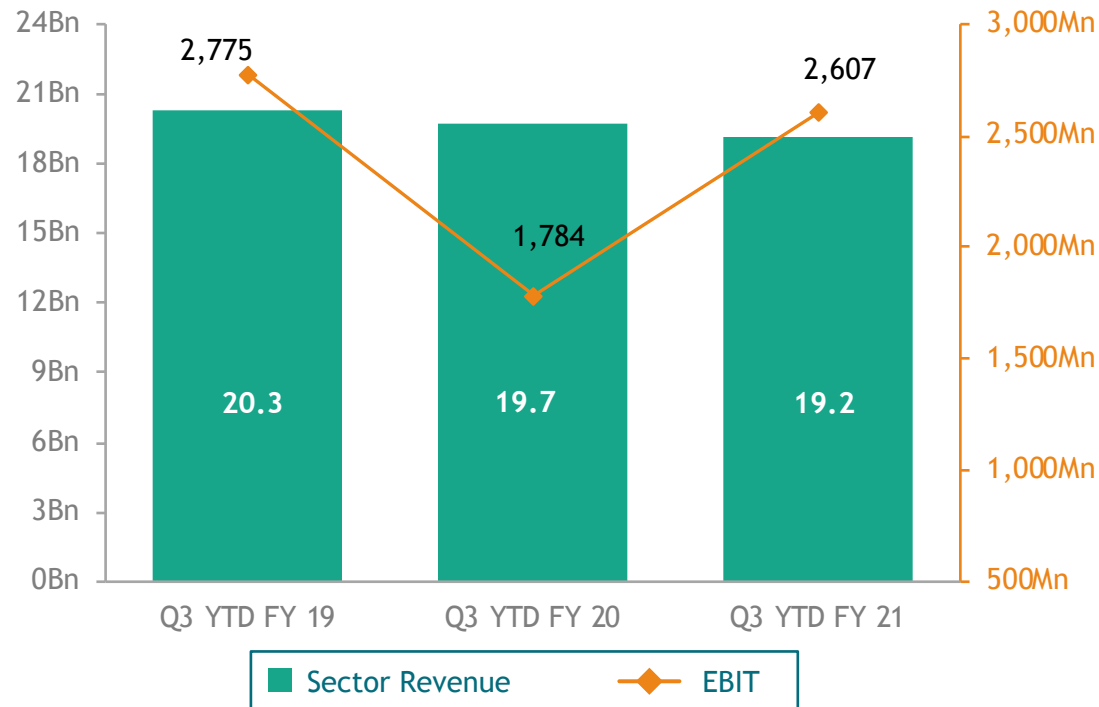
Logistics and Maritime Industry

- Port of Colombo witnessed a year on year drop in volumes due to interruptions in global trade
- Interruptions and Congestion at the Port of Colombo and resultant delays in berthing and long waiting times.
- Port congestion and inter terminal trucking delays impacted vessel schedules.
- Uptick in domestic logistics play due to business and end consumers showing interest in alternative logistics and distribution solutions

Consumer Sector Performance: Q3 YTD FY 2020-2021

Sector Revenues & EBIT in LKR

Q3 YTD FY 19 - Q3 YTD FY 21



Q3 FY 20 - Q3 FY 21 (03 months)

Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth
7,933	-5.5%	1,517	31.6%

Business Update

Home and Personal Care

- ▶ Volume led demand for both modern and general trade.
- ▶ Major brands across all categories personal care, personal wash & home care, performed strongly over last year.
- ▶ Strengthened innovation pipeline with the introduction of 5 new products year to date and were well received in the market.
- ▶ Slowdown in demand experienced towards the latter part of the quarter which is likely to roll-over into the forthcoming quarter.
- ▶ HPC International continued to focus on business model and indicated Q-o-Q growth in profitability.

School and Office Stationery - Atlas

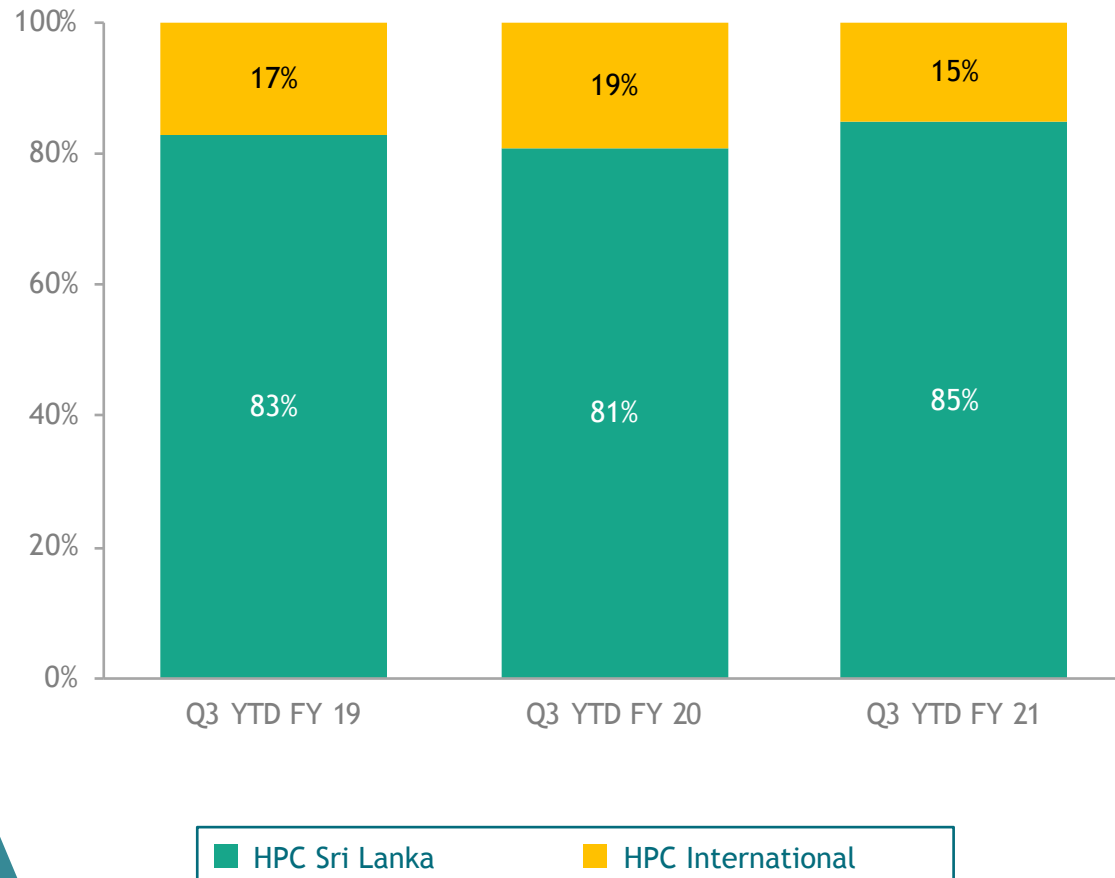
- ▶ With the second outbreak of the pandemic, Atlas experienced a significant disruption to its back-to-school season.
- ▶ With its distribution strength, Atlas was able to capture shelf space by driving stock to trade despite challenges.

Morison - Over-the-Counter (OTC)

- ▶ Morison OTC segment is currently undergoing a transition of its OTC distribution to the Group's Pharmaceutical Distribution business.

Home & Personal Care: International with our brand *Kumarika*

International Segment as a % of total HPC segment Q3 YTD FY 19 - Q3 YTD FY 21



Business Update

- ▶ HPC international segment had a turnaround in performance this quarter with a strong focus on strengthening fundamentals.
- ▶ As a result, Q-o-Q performance growth is experienced.

Bangladesh

- ▶ Decline in disposal income in Bangladesh has impacted performance in the non-essential categories.
- ▶ Bangladesh business gained traction post the launch of the hand sanitizer in Bangladesh. The business also launched a new Soap brand *Actisef* in late September.

West Bengal

- ▶ Extremely difficult first nine months for the operations due to nationwide lockdowns delaying manufacturing. Supply chain disruptions experienced.
- ▶ The introduction of *Kumarika* Body oil in West Bengal market targeting the season is a major contributor towards the quarter revenue.

Making brands matter - New product launches during the Quarter

Home & Personal Care



Kumarika - Hair Thinning Control Oil



Baby Cheramy - Herbal soap 125g



Kumarika - Nourishing Body Oil (West Bengal)



Diva - Germ Guard powder and liquid



Diva - Colour Guard powder and liquid



School & Office Stationery

Atlas Firm Grip Scissor



SportyFit



TummyFit

Atlas Lunch Boxes



Atlas Duo Eraser Pack



520ml bottles

720 ml bottles

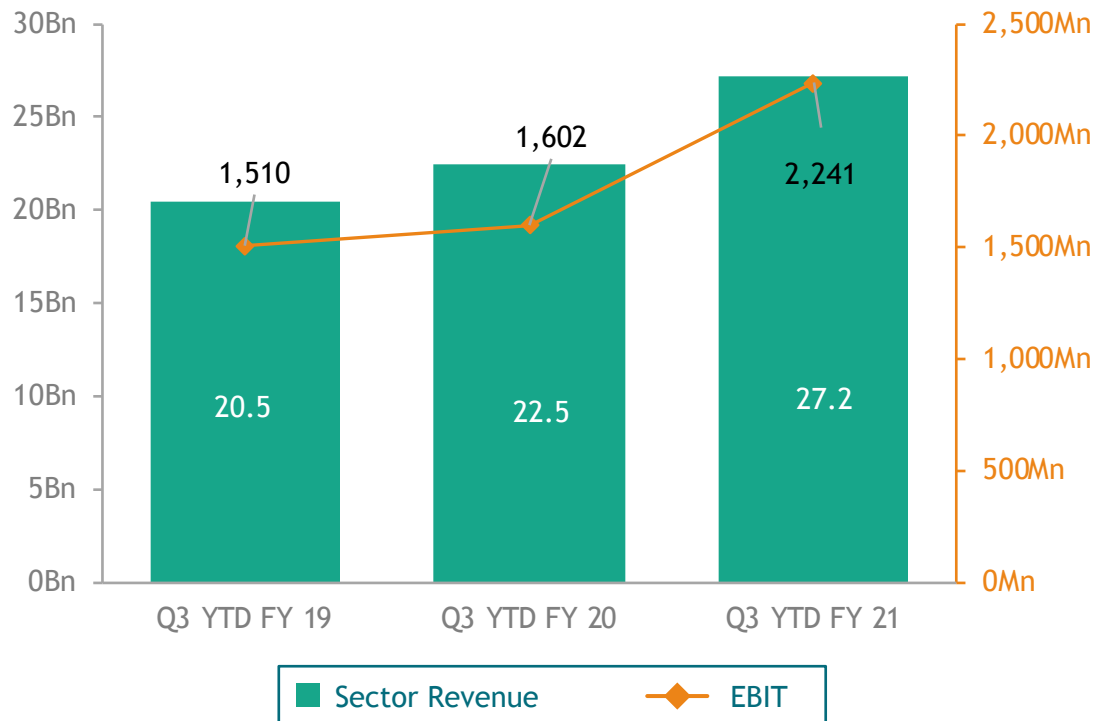
Atlas Water Bottle ECO FLIP



Launch of Atlas Online Store

Healthcare Sector Performance: Q3 YTD FY 2020-2021

Sector Revenues & EBIT in LKR Q3 YTD FY 19 - Q3 YTD FY 21



Q3 FY 20 - Q3 FY 21 (03 months)

Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth
9,265	16.2%	658	3.0%

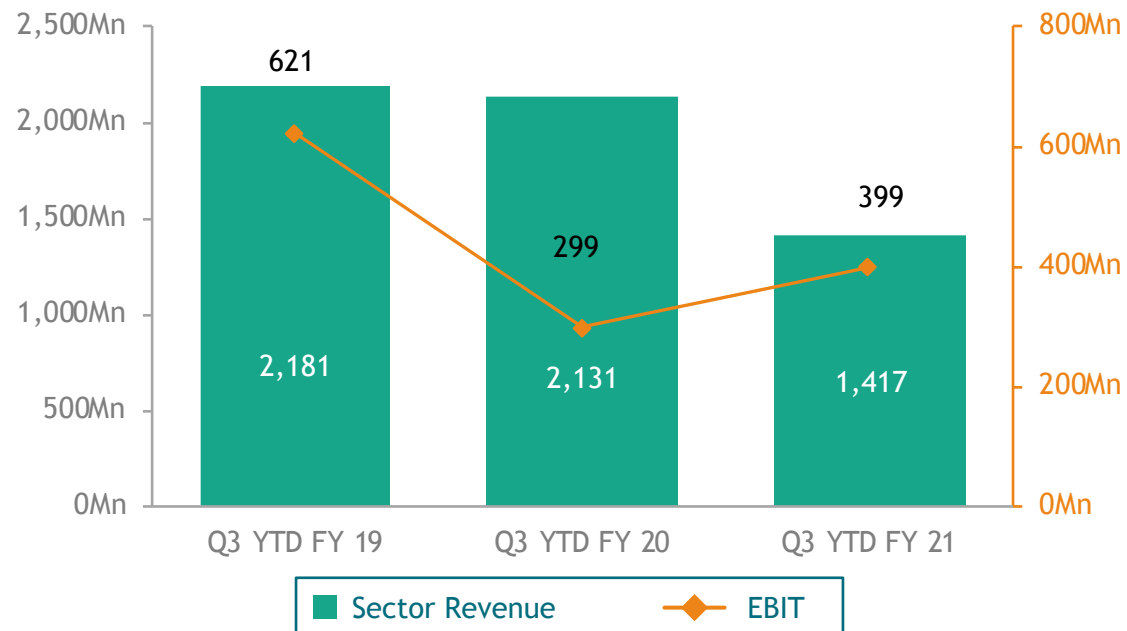
Business Update

- ▶ Demand for healthcare products and services has been steady through-out.
- ▶ **Pharmaceutical Distribution** arm showed resilient performance.
 - ▶ Profitability of the local segment was supported by the stability of the currency and low interest rates.
 - ▶ Myanmar operation continued to face challenges during the quarter, resulting in deteriorating profitability for the segment.
- ▶ E-commerce venture, *Healthnet* continue to experience a growth momentum in sales.
- ▶ **Morison** manufacturing arm faced challenges during the quarter.
 - ▶ Operated at optimum capacity due to adjacent areas being under lock down.
 - ▶ Diagnostics business was impacted as a result of reduced patient footfall at the hospitals.
- ▶ **Hospitals** witnessed lower patient footfall and cost increases on account of the stringent adoption of COVID-19 related health and safety protocols.
 - ▶ Average bed occupancy across both hospitals stood at 48%

Mobility Sector Performance: Q3 YTD FY 2020-2021

Sector Revenues & EBIT in LKR

Q3 YTD FY 19 - Q3 YTD FY 21



Q3 FY 20 - Q3 FY 21 (03 months)

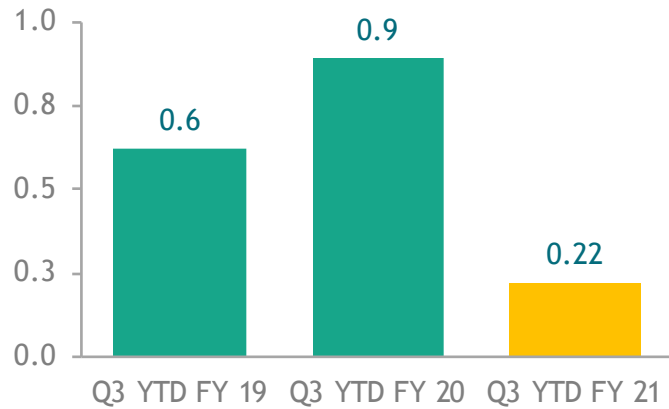
Rev (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth
458	-38.0%	143	27.3%

Business Update

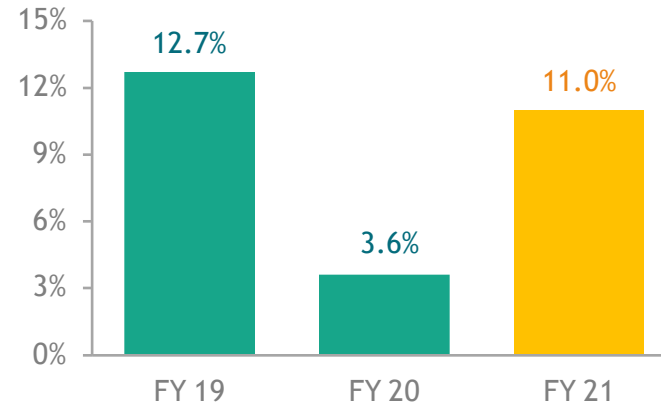
- ▶ With the outbreak of the second wave of the pandemic, Port of Colombo experienced a severe congestion.
- ▶ Transshipment volumes for the quarter witnessed a considerable drop as some vessels opted to bypass the Port of Colombo.
- ▶ At Spectra, both Container Depot and Distribution Centre verticals witnessed improved occupancy and handling volumes against last year.
- ▶ The Closure of the airport limited aviation activity predominantly to cargo operations only which enjoyed higher yields due to surge in demand for PPE and other essentials.

Investment Highlights

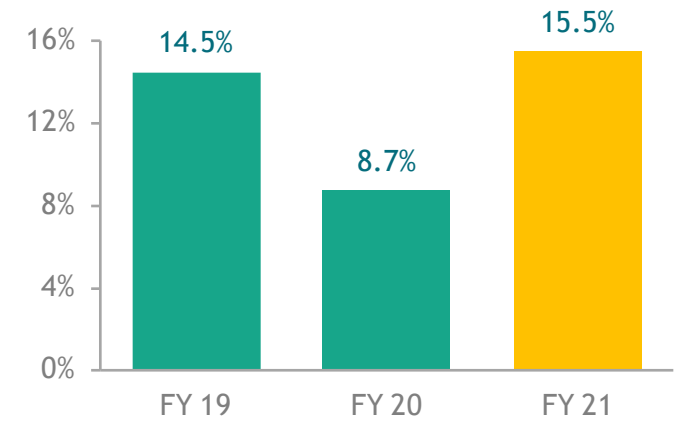
Net Debt/EBITDA



Return on Equity (%)*

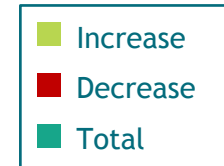
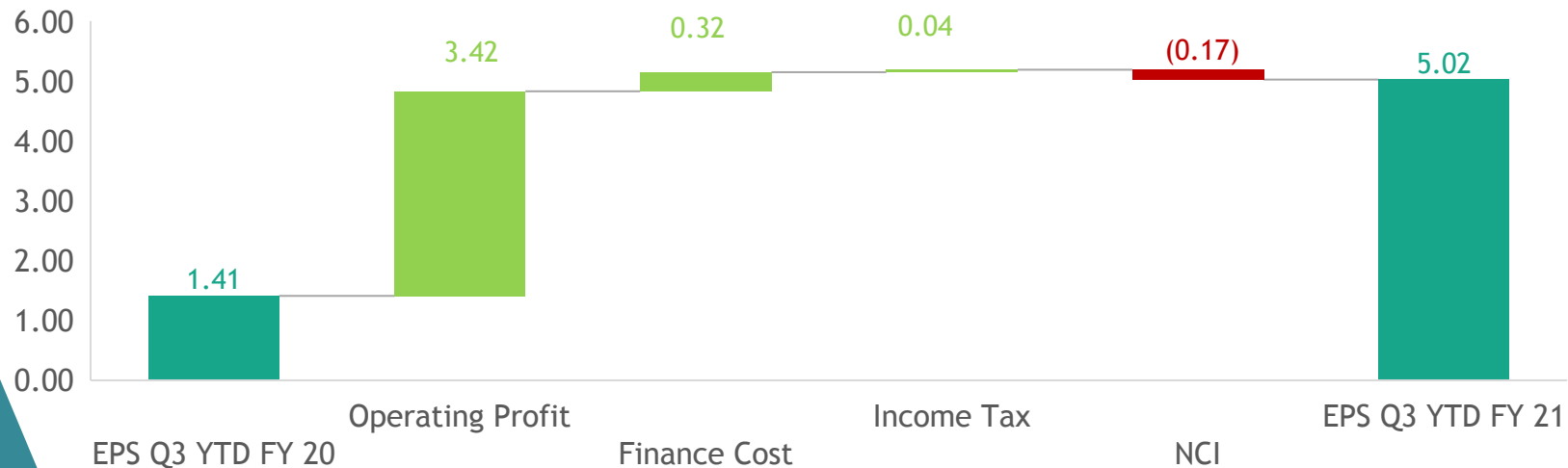


Return on Capital Employed (%)*

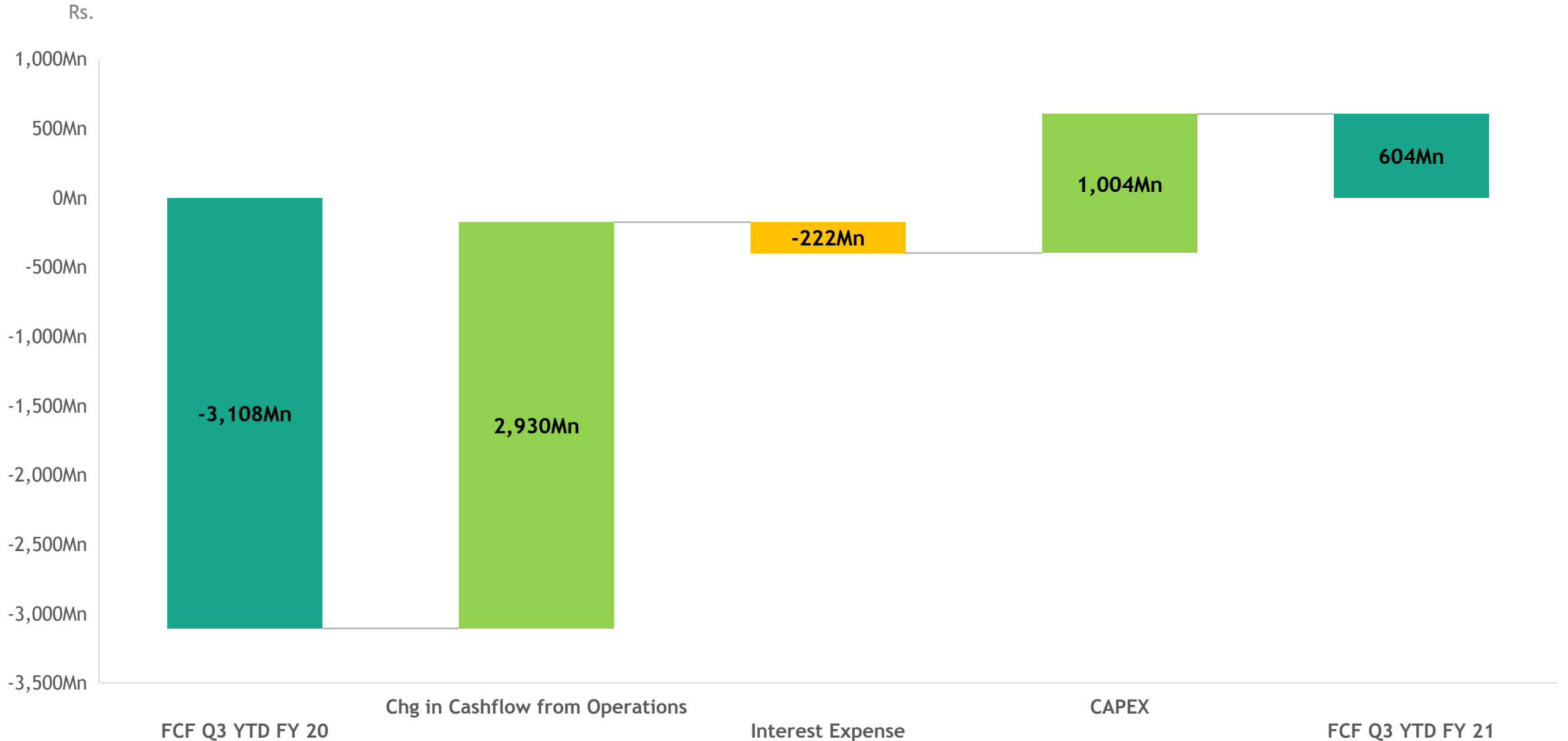


* Annualised

EPS Walk - Continuing Operation

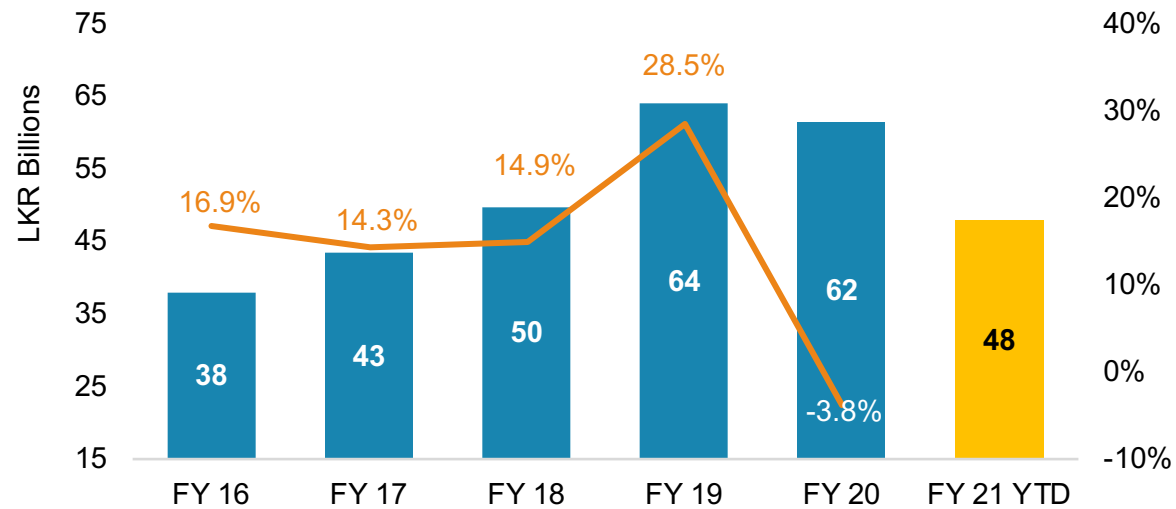


Managing cash and liquidity : Free Cash Flow Q3 YTD

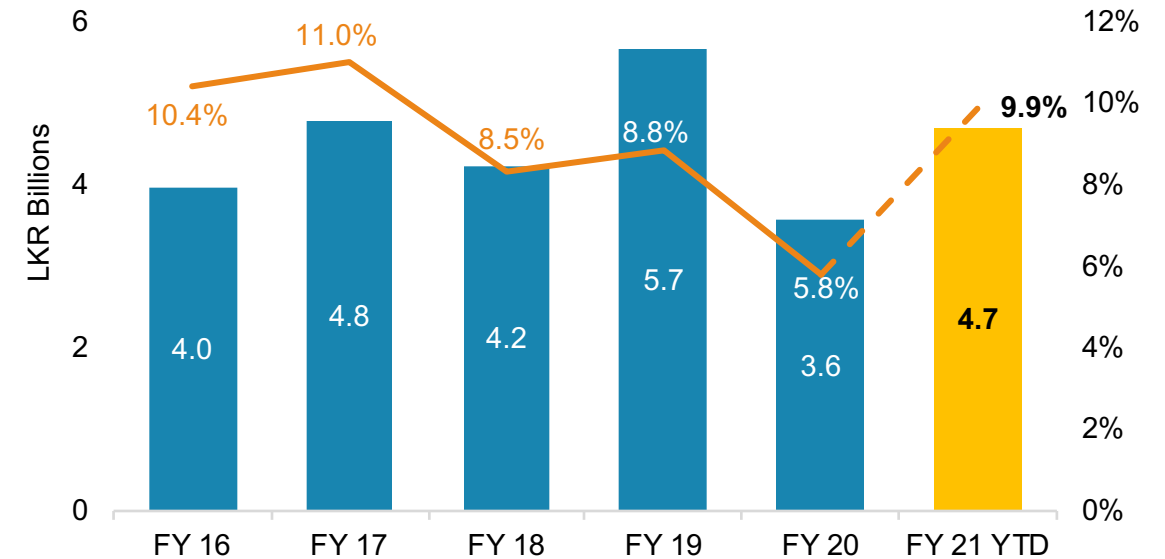


HHL Group Performance: Five year summary

Group Revenue and % Growth
FY 2016 - YTD FY 2021



EBIT and EBIT margin (%)
FY 2016 - YTD FY 2021



- Outlook and priorities
- Sustainability

Preparing for the next stage in our growth trajectory: FY 2020-21 priorities

Immediate Priorities

- ▶ Ensuring employee safety will be our key priority while maximizing the availability of products and service we provide to help people and their families with health and hygiene needs.
- ▶ Hemas has put in place a wide-ranging set of measures to support national efforts to tackle the COVID-19 pandemic and will continue to support communities and people who are on the front lines of this pandemic.

Strategic Priorities

- ▶ The group remains committed to cash conservation and resource optimization measures while harnessing the learnings from previous lock down to operate effectively within the parameters of ‘the new normal’.
- ▶ Despite the likely challenges in the upcoming quarters, we will continue to steer through our strategic priorities and capacity building investments in line with our recently launched Purpose.
 - ▶ Step-up impactful innovation in the consumer segment
 - ▶ Profit improvement, resilience building and operating model improvement projects to build an execution-focussed organization
 - ▶ Ensuring our Morison Pharmaceutical Plant is set for commercial production by Q2 FY 2021-22
 - ▶ Continued focus on portfolio rationalization
- ▶ As we continue to grapple with the rising macroeconomic conditions, we are also beginning to plan for the future—with the understanding that the pandemic is reshaping and restructuring the industries in ways that are likely to be permanent.

Sustainability

Group Environmental Goals by 2025



Reduction of consumption of water by 50%



25% reduction of energy consumption by 2022 and then 50% of energy to be offset by renewable energy



Zero waste to landfill

Engaging with Our Community



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



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

- Sri Lanka's first national center for children with disabilities has been opened. To date 5,311 children are registered.
- 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

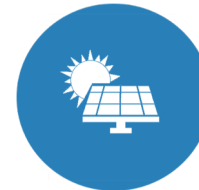
Performance (Q3 2020/21 vs Q3 2019/20)



Carbon Footprint
5,153 MT
↑ 7%



Water Consumption
83,001 m³
↑ 1%



Renewable Energy Generated
29,574 kWh
↑ 295%



Waste Generated
163,837 Kg
↓ 48%

Disclaimer

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