

Investor Presentation



Hemas Holdings PLC

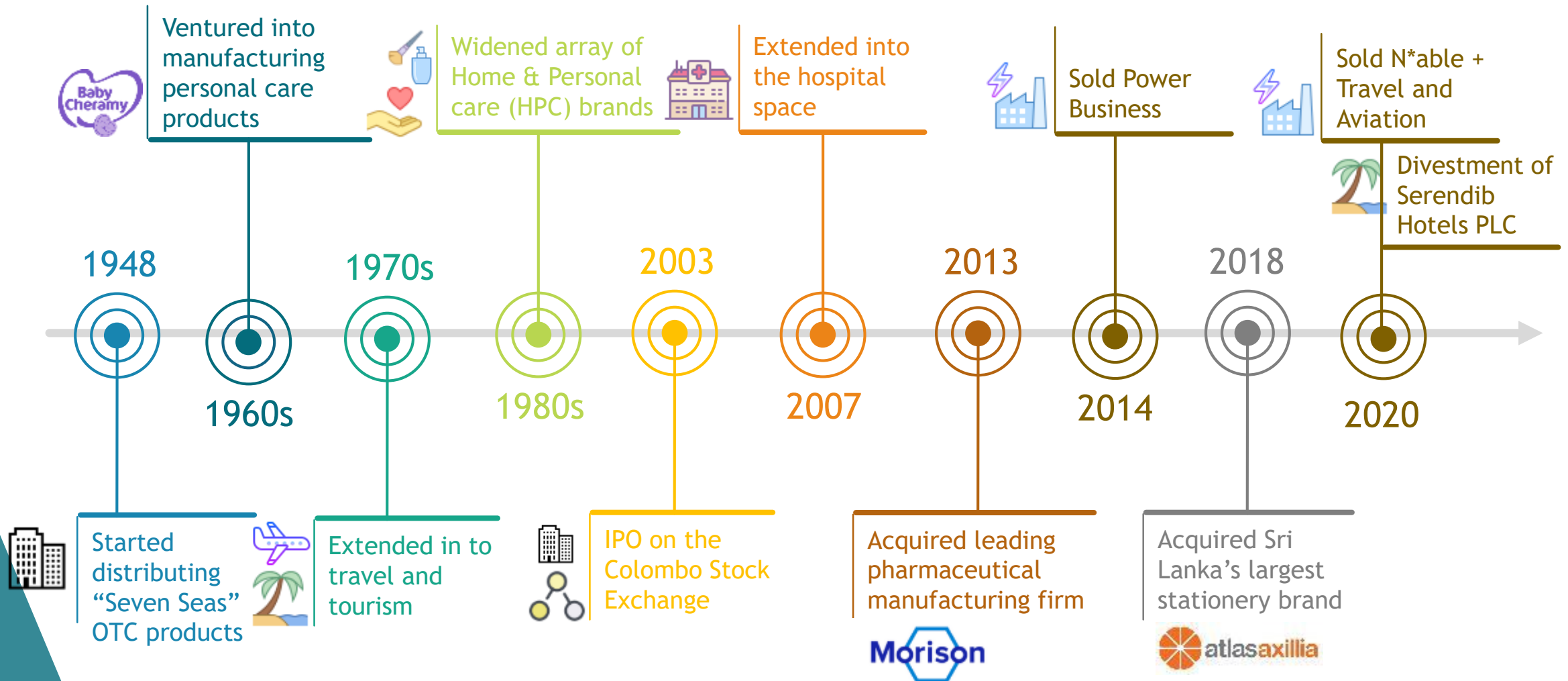
Q4 FY 2020-2021

May 25, 2021

Hemas Holdings PLC: About us

- ▶ Market cap: LKR 49.8 billion (USD 250.0 million)
- ▶ Shareholding structure: Esufally family holds 64.2%, 35.8% public holding.
- ▶ Governance:
 - HHL is governed by a 9-member board including 3 Independent Directors who are thought leaders in their respective fields of FMCG, Healthcare and Private Equity.
 - Mr. Ramabadran Gopalakrishnan, an Independent Non-Executive Director retired w.e.f. 31st March 2021. Mr. Murtaza Esufally who was an Executive Director till 31st March 2021 would be serving the board as a Non-Executive Director w.e.f. April 2021
 - 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: 20.8%
- ▶ Fitch ratings reaffirmed Hemas Holdings PLC's National Long-Term Rating at 'AAA(lka)' with a Stable Outlook for the second consecutive time.

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

HEALTHCARE

Revenue **LKR 37.2Bn** | EBIT **LKR 2.9Bn**

- Growth in the sector driven by Pharmaceutical distribution and Morison
- Myanmar operation continued to face challenges during the quarter where a steep depreciation in the MMK was observed
- Morison's Pharmaceutical Manufacturing plant awaiting the NMRA approval for commercialization
- Hospitals patient footfall has improved during the quarter

MOBILITY

Revenue **LKR 2.2Bn** | EBIT **LKR 654Mn**

- 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
- Aviation business managed to remain profitable due to higher cargo volumes

CONSUMER

Revenue **LKR 25.1Bn** | EBIT **LKR 3.3Bn**

- Robust growth in the sector during the quarter
- A slowdown in the market and basket sizes was witnessed compared to the previous quarter
- Enhanced product offerings in ramping up innovation pipeline
- Atlas displayed improved performance owing to the seasonal shift

LEISURE

EBIT **LKR (339)Mn** | Earnings **LKR (946)Mn**

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

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



Partnered with Global Maritime and Logistics Brands



Sri Lanka's Largest Pharma Supplier



Market Leading Purposeful HPC Brands



Island-wide Coverage of Diagnostics & Healthcare Services which are best in class



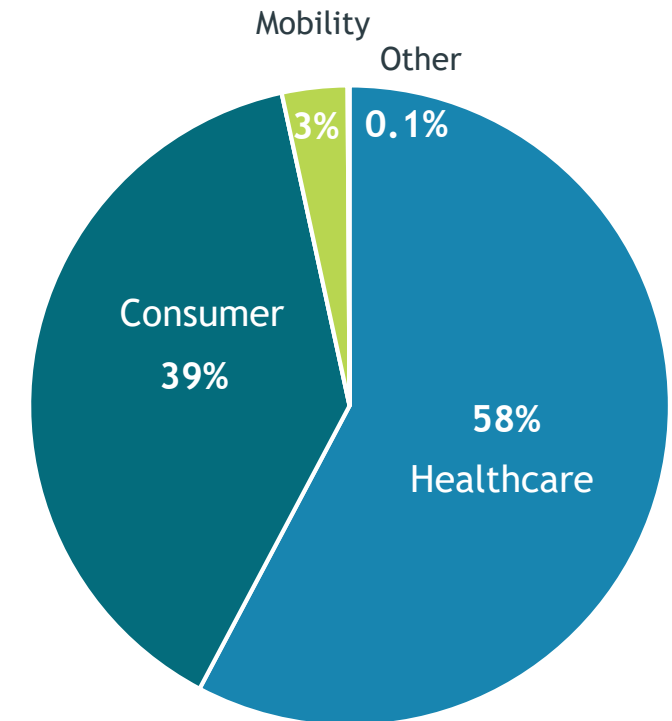
European Union- GMP Certified Manufacturing Plant



Trusted Learning Segment

Group Revenue by Segment

FY 2020-21*

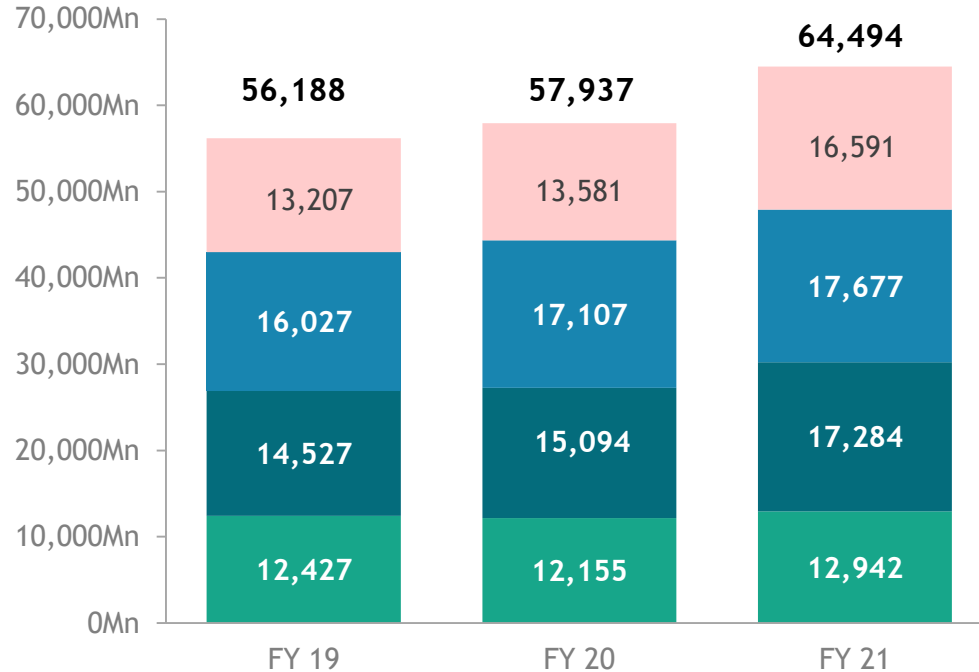


* Subsequent to the disposal of Serendib Hotels PLC the Leisure Segment has been considered as discontinued

FY 2020-21 - Group Underlying Revenue & Earnings

Group Revenue

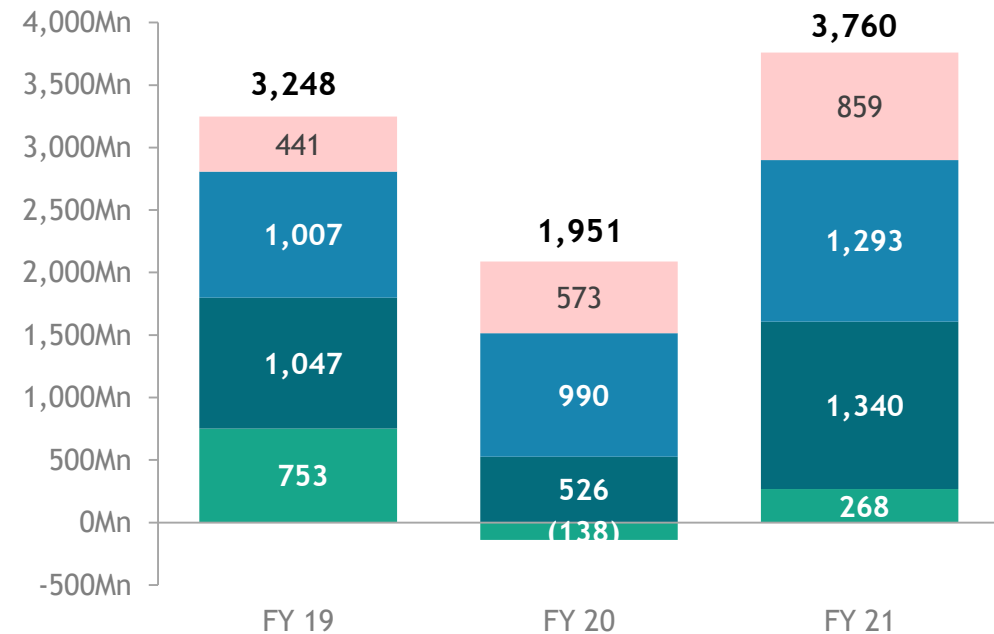
FY 19 - FY 21



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

FY 19 - 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.

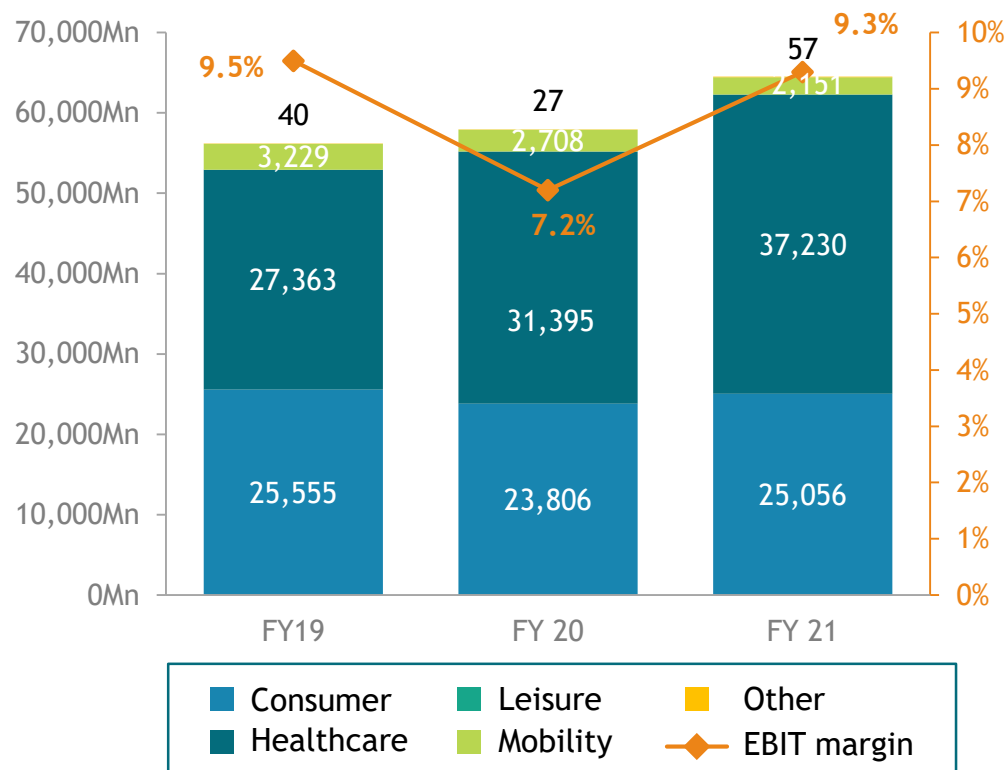
1Q 2Q 3Q 4Q

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

FY 2020-21 - Underlying Operational Summary

Sector Revenue & EBIT Margin (%)

FY 19 - 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.

- ▶ Underlying revenues (adjusting for the disposal of the Leisure segment, excluding other continuing joint venture assets) of Rs.64.5Bn indicates a year-on-year growth of 11.3%, an improvement of Rs.6.6Bn.
 - ▶ Growth in core sectors was driven by increased demand for health and hygiene products.
 - ▶ Gained traction with strong volume led recovery in consumer brands and hospitals which were impacted by the Easter Sunday attacks last year.
- ▶ Group recorded a resilient year to date underlying EBIT of Rs.5.9Bn over last year amidst economic volatility.
 - ▶ Greater focus on generating more from the core, innovations to create new within the core accompanied by margin improvements enabled the Group to achieve increased performance levels.
 - ▶ Continuous focus on working capital efficiencies, cost optimisation and cross functional synergies drove the performance.
 - ▶ Divestment of the Leisure segment is earnings accretive and resulted in an underlying year-on-year earnings growth of 93%.

Group delivers resilient performance amidst challenging macro-economic factors

Overview: FY 2020-2021

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

Standing strong and resilient amidst the pandemic

Home and Personal Care Industry

- Shift in consumer behavior and channel dynamics led to a slowdown in market and basket sizes compared to preceding quarter.
- Health and personal hygiene categories experienced a higher growth within both rural and urban.
- Home Care segment was driven by laundry powder.
- Profitability was impacted by increased raw material prices driven by steep exchange rate depreciation along with increased inflation.
- Bangladesh business continues to face challenges due to increased case loads and lockdowns imposed.

Healthcare Industry

- Footfalls at hospitals and bed occupancies remain the same as the previous quarter.
- Sudden surge of COVID-19 has increased caseloads resulting in near full occupancy at intermediary care centers.
- Demand for surgery is expected to continue.
- Diagnostics business witnessed improved performance due to greater focus on Non Communicable Diseases.
- 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.

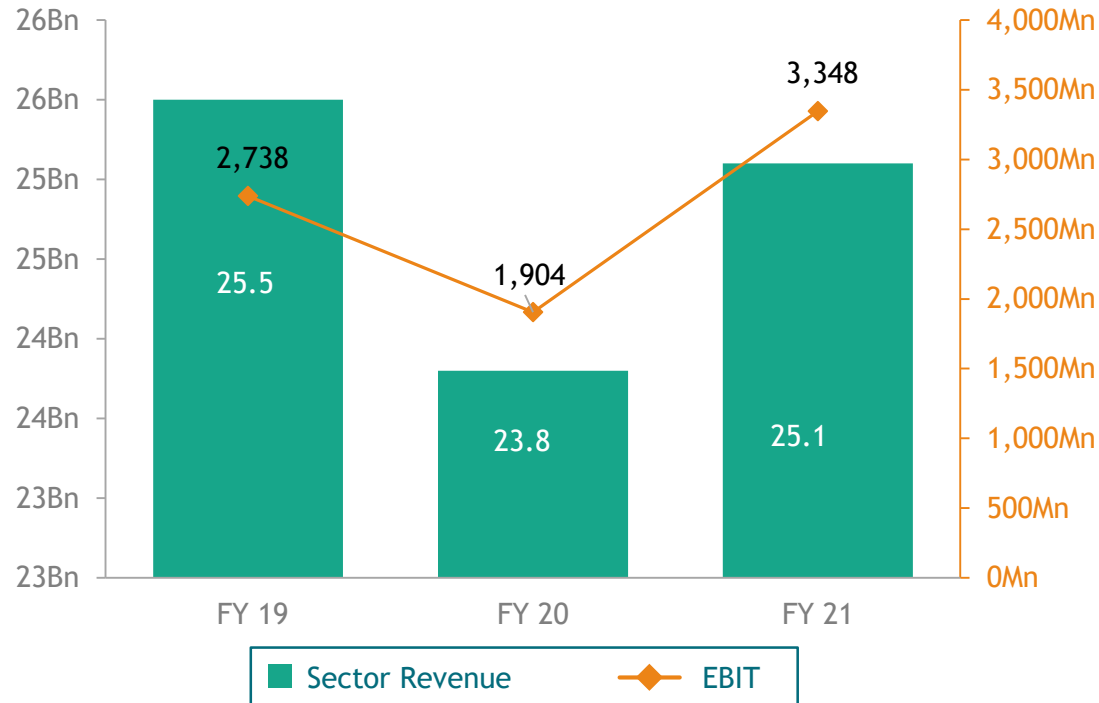
Logistics and Maritime Industry

- Port of Colombo witnessed a year on year drop in volumes (-6.1%) 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.
- Increased demand for general cargo and perishable cargo.

Consumer Sector Performance: FY 2020-2021

Sector Revenues & EBIT in LKR

Q4 FY 19 - Q4 FY 21



Q4 FY 20 - Q4 FY 21 (3 Months)

Revenue (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth
5,827	43.1%	741	514.8%

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 well over last year.
- ▶ Strengthened innovation pipeline with the introduction of 7 new launches year to date, which were well received in the market. Launching of preimmunized product ranges were strengthened.
- ▶ HPC International continued to focus on business model and indicated Q-o-Q growth in profitability.

Learning Segment - Atlas

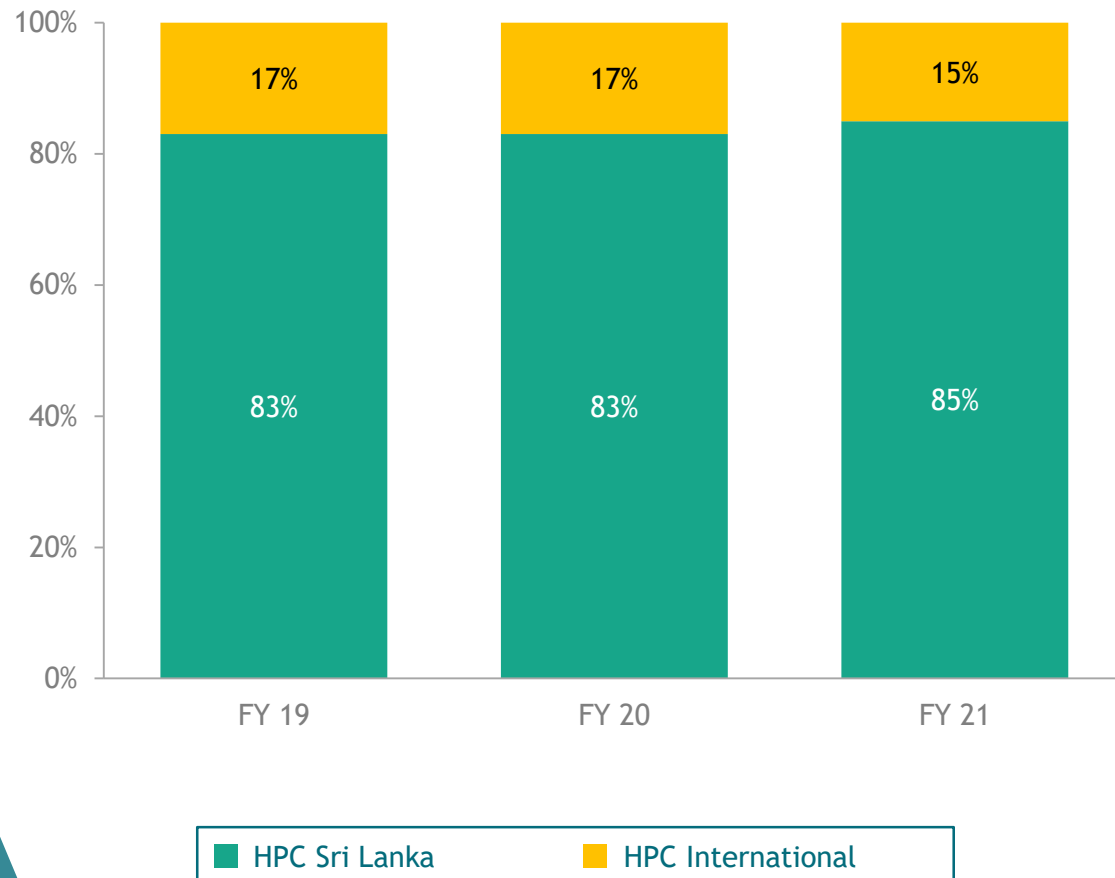
- ▶ Prolonged closure of schools resulted in a decline in quarterly performance compared to Q3.
- ▶ Atlas has managed to sustain its market leadership position despite the challenges faced and improve market share.

Morison; Over-the-Counter (OTC)

- ▶ Restructured Morison OTC portfolio with a view to exploit Group synergies.
 - ▶ Local distribution of brands such as Nivea and Garnier were transferred to the Consumer Sector
 - ▶ Distribution of OTC own brands were outsourced to Hemas Pharmaceuticals Pvt Ltd.

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

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



Business Update

- ▶ HPC international segment displays progress in performance in Q4 when compared to the same quarter last year.

Bangladesh

- ▶ The country went into a total lockdown in the beginning of April which in turn had an impact on revenue.
- ▶ The company is a dominant player in the market for value-added hair oil.
- ▶ *Kumarika* Hair Oil has been relaunched during with an improved design.

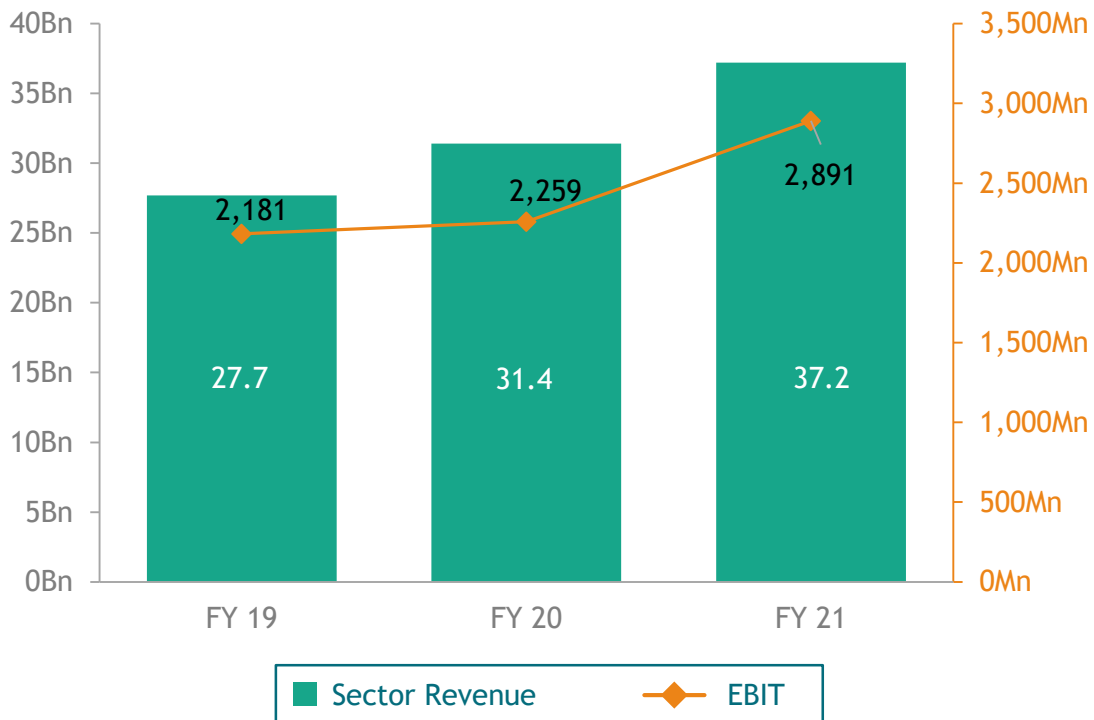
West Bengal

- ▶ Revenue was affected by the poor economic situation and lack of advertising of core hair oils on media.
- ▶ The introduction of *cooling* oil in to the Indian market market was seen as a New Product Launch in the quarter.

Healthcare Sector Performance: FY 2020-2021

Sector Revenues & EBIT in LKR

FY 19 - FY 21



Q4 FY 20 - Q4 FY 21 (3 Months)

Revenue (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth
10,021	12.3%	650	-1.1%

Business Update

- ▶ Demand for healthcare products and services has been steady through-out.
- ▶ **Pharmaceutical Distribution** arm showed an improvement in performance reaching a Rs.30Bn redistribution mark
 - ▶ Improvement in profitability supported by the low interest rates was negated due to the depreciation of the rupee.
 - ▶ Myanmar operation continued to face challenges during the quarter, resulting in deteriorating profitability for the segment.
- ▶ E-commerce venture, *Healthnet* continued to experience a growth momentum in revenue.
- ▶ **Morison** manufacturing arm achieved the original pre-covid budget
 - ▶ Morison completed the construction of the EU-GMP certified Pharmaceutical manufacturing and research plant in Homagama.
 - ▶ Private manufacturing product pipeline was strengthened with developments such as *Empamor*
- ▶ **Hospitals** witnessed an increase in patient footfall.
 - ▶ Lean initiatives and cost savings contributed towards the profitability.
 - ▶ Growth in surgical programme at both hospitals.
 - ▶ New initiatives such as mobile sample collection, home care services and telemedicine were implemented.

Making brands matter - New product/service launches

Consumer



Re-launch of
Kumarika -Hair Oil
in Bangladesh



Launch of
Kumarika-Cooling
oil in West Bengal



Launch of
Kumarika Hair
Thinning Control
Oil

Kumarika Damage
Repair Oil



Healthcare



Launched
Empagliflozin 10mg



Completed construction of
the EU-GMP certified
Manufacturing and Research
Plant



Lacto Hydra Intense



Primary Care Centre
at Negombo

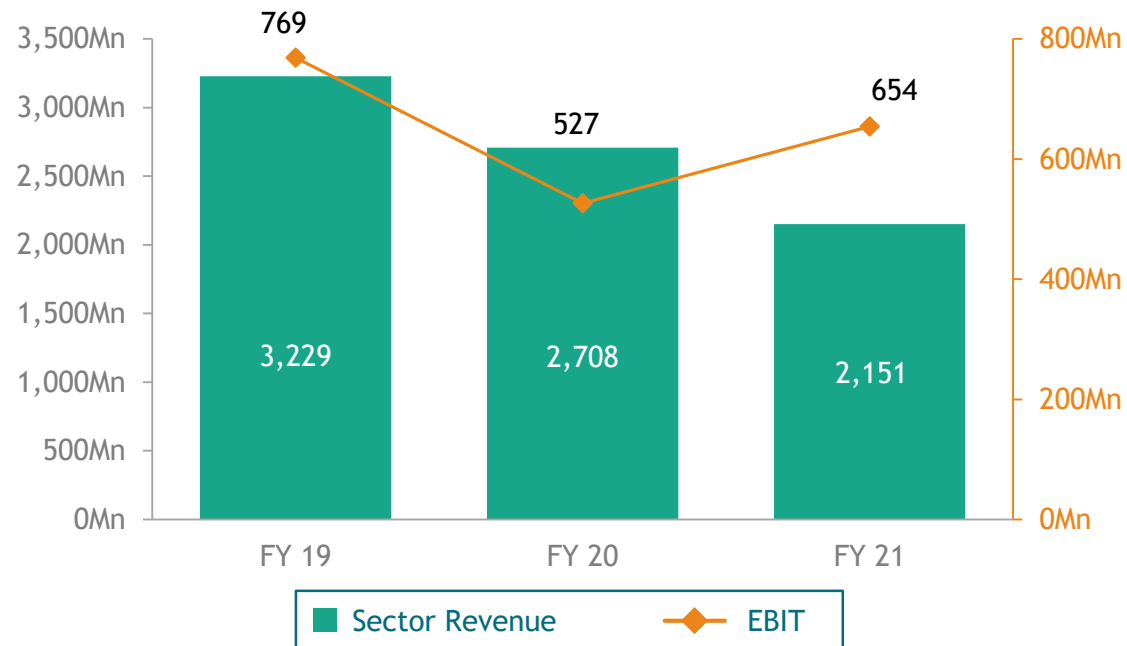


Commencing
operations at the
PCR Lab

Mobility Sector Performance: FY 2020-2021

Sector Revenues & EBIT in LKR

FY 19 - FY 21



Q4 FY 20 - Q4 FY 21 (3 Months)

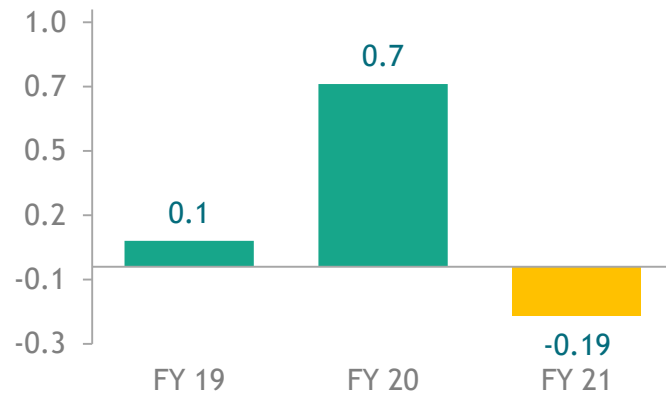
Revenue (LKR Mn)	% Growth	EBIT (LKR Mn)	% Growth
734	27.1%	255	12.0%

Business Update

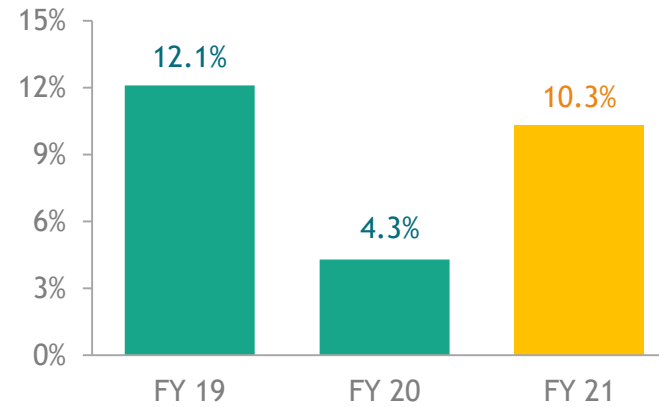
- ▶ Port of Colombo experienced a severe congestion due to the pandemic.
- ▶ Maritime segment operated regardless of facing tough industry conditions. New growth initiatives are looked into with global partners.
- ▶ Spectra, Distribution Centre achieved near full occupancy and improved handling volumes were witnessed in Container Depot vertical against last year.
- ▶ Aviation Segment's performance was driven primarily by cargo despite the drop in the passenger revenue segment.

Investment Highlights

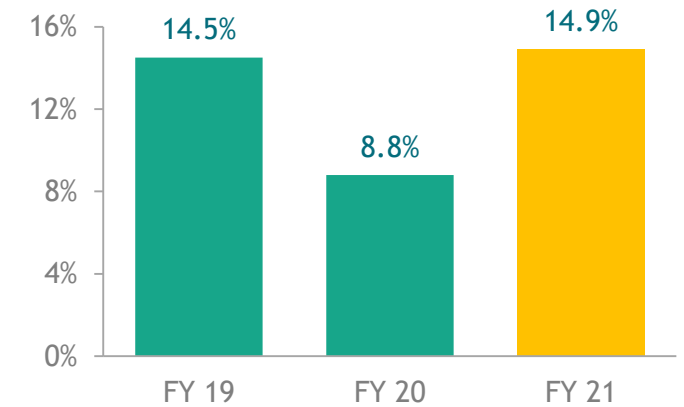
Net Debt/EBITDA



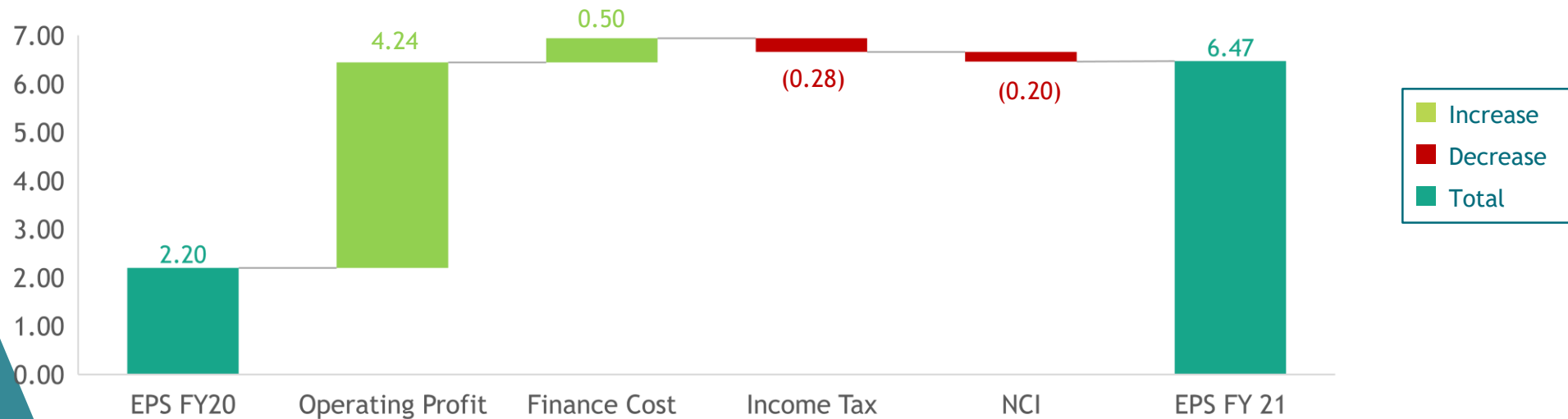
Return on Equity (%)



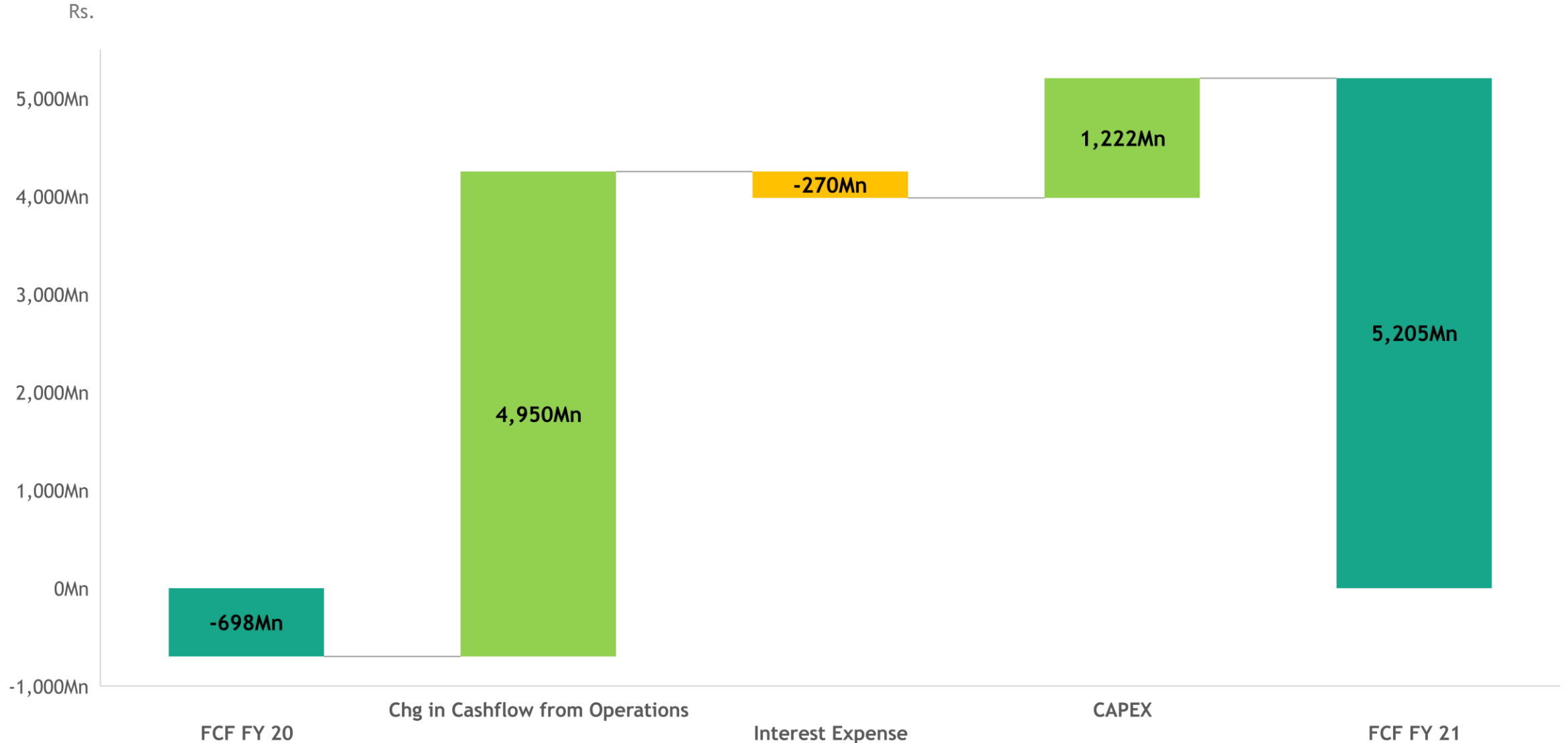
Return on Capital Employed (%)



EPS Walk - Continuing Operation



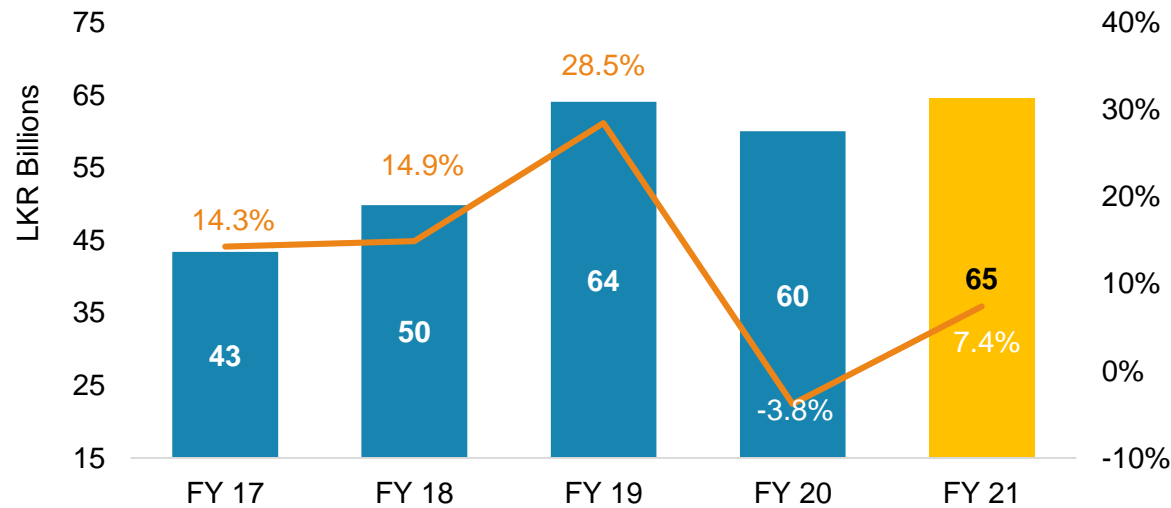
Managing cash and liquidity : Free Cash Flow



HHL Group Performance: Five-year summary

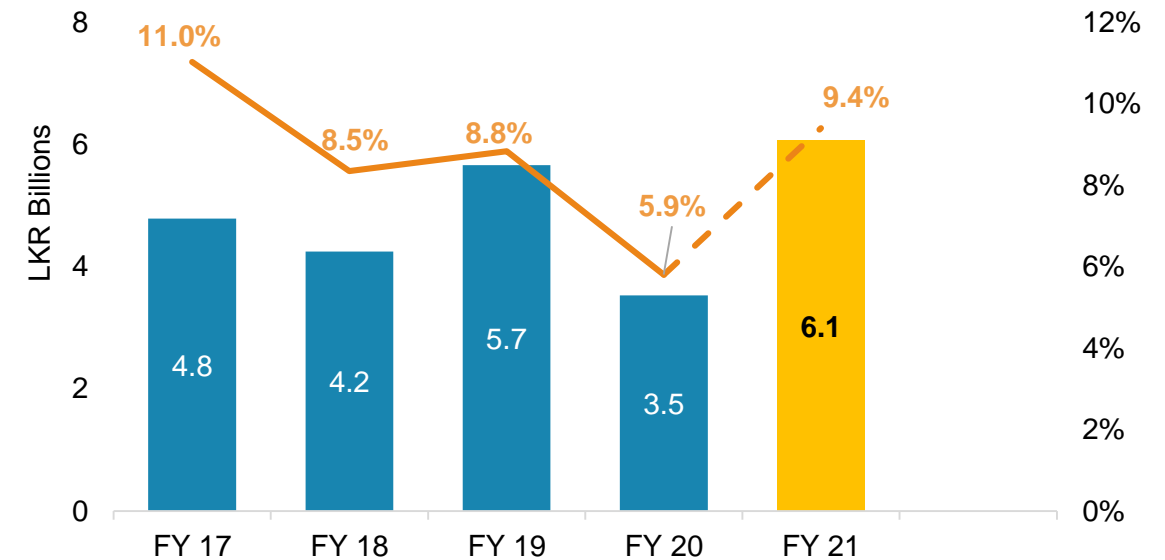
Group Revenue and % Growth

FY 2017 - FY 2021



EBIT and EBIT margin (%)

F 2017 - FY 2021



- Outlook and priorities
- Sustainability

Preparing for the next stage in our growth trajectory: FY 2021-22 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.
- ▶ Hospitals are actively working on increasing the capacity of ICCs with the increase in caseloads. They are also geared to provide homecare services and online consultations in order to face a total lockdown.
- ▶ Hemas Pharmaceuticals being the sole local agent of AstraZeneca and Pfizer vaccines in Sri-Lanka will continue to facilitate the Government's efforts in rolling out the planned vaccination programme.

Strategic Priorities

- ▶ The Group remains committed to cash conservation and resource optimisation 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 year, we will continue to steer through our strategic priorities and capacity building investments.
- ▶ Continuing to
 - ▶ Ensuring continuous availability of products and services and investing in future-oriented adjacencies.
 - ▶ Accelerating innovation across the core sectors.
 - ▶ Expanding the digital footprint.
 - ▶ Profit improvement, resilience building and operating model improvement projects to build an execution-focused organization
 - ▶ Focus on efficiencies through portfolio rationalisation and lean processes
- ▶ As we continue to grapple with the rising macroeconomic conditions as a result of the third wave, 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



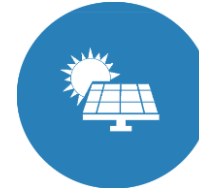
AYATI is a long-term initiative with three main aims:

- 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 (Q4 2020/21 vs Q4 2019/20)



Carbon Footprint
3,737 MT
↓ 19%



Renewable Energy Generated
29,574 kWh
↑ 295%



Water Consumption
54,931 m3
↓ 24%



Waste Generated
163,837 Kg
↓ 48%

Disclaimer

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