

Investor Presentation

Hemas Holdings PLC

Q1 FY 2021-2022

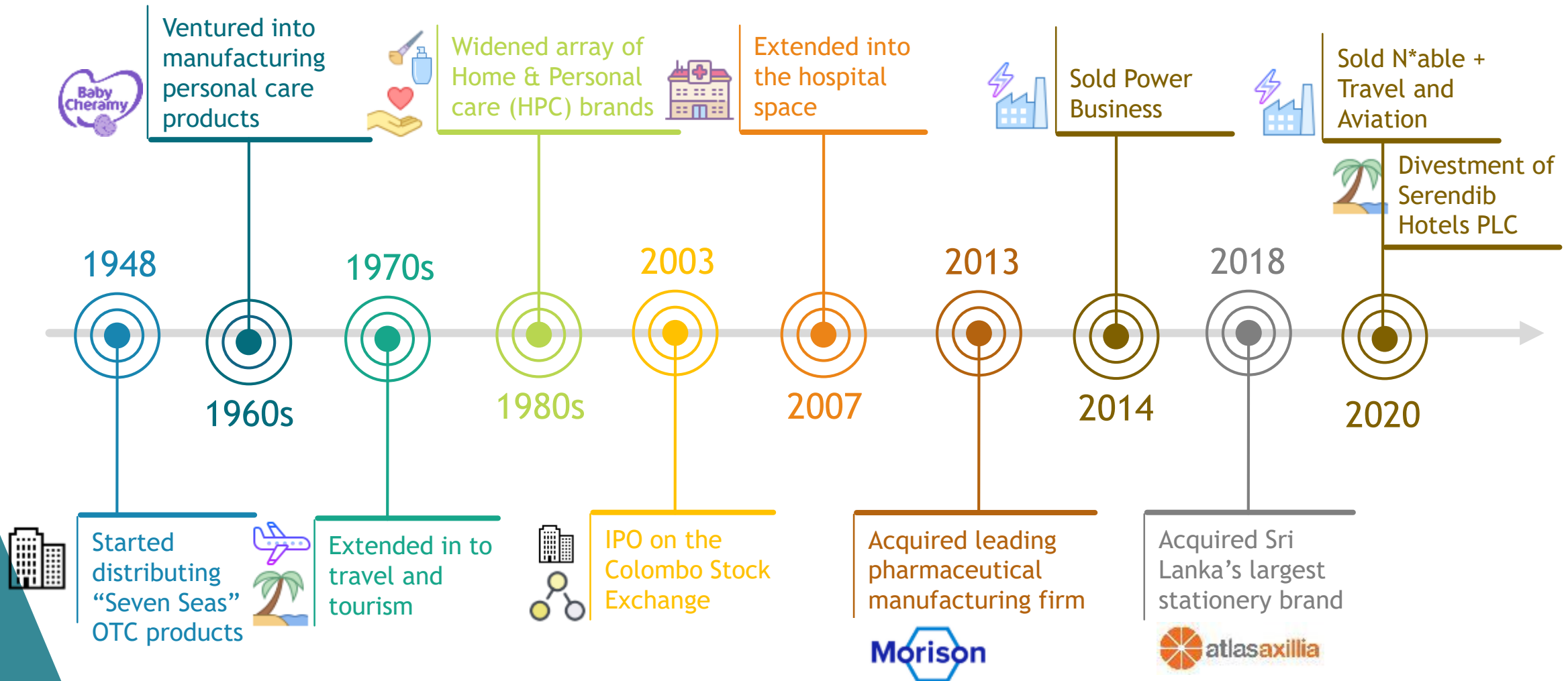
August 17, 2021



Hemas Holdings PLC: About us

- ▶ Market cap: LKR 48.7 billion (USD 242.0 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.
 - 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.
- ▶ Debt-Equity ratio: 25.4%
- ▶ 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

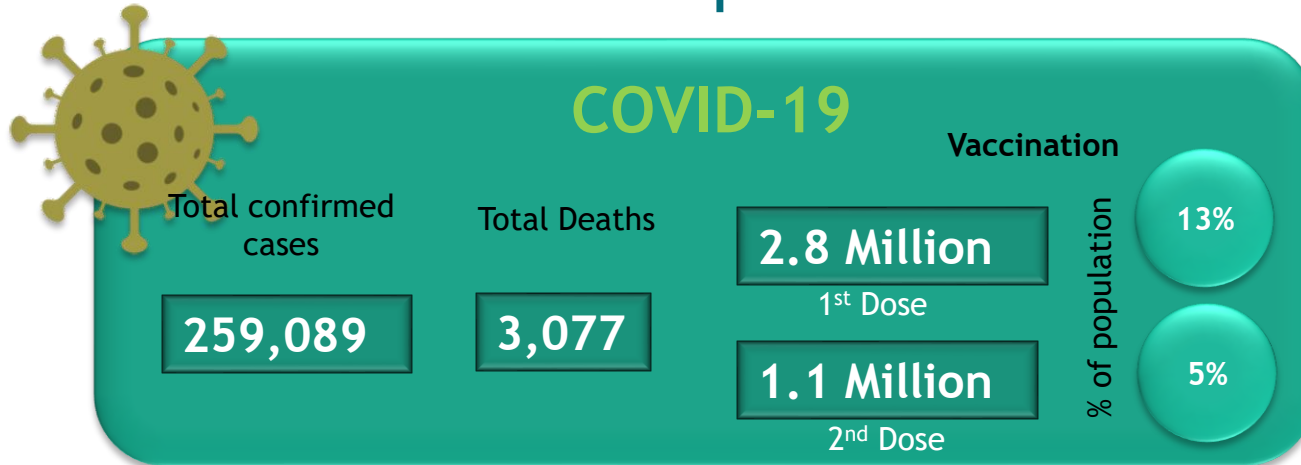


Streamlined and poised for growth: Make Healthful Living Happen



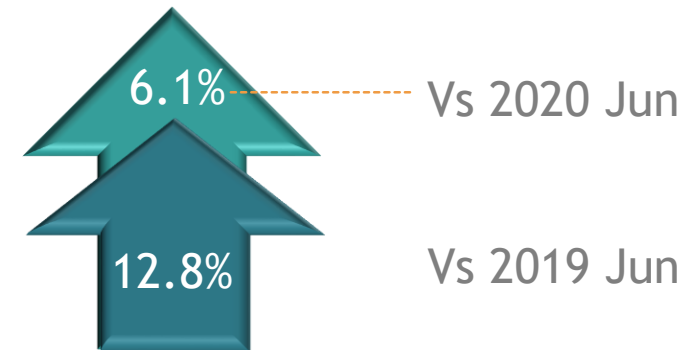
We achieved an important milestone in our journey as a Group, with the launch of our purpose, 'Make Healthful Living Happen'

Macro Economic Update

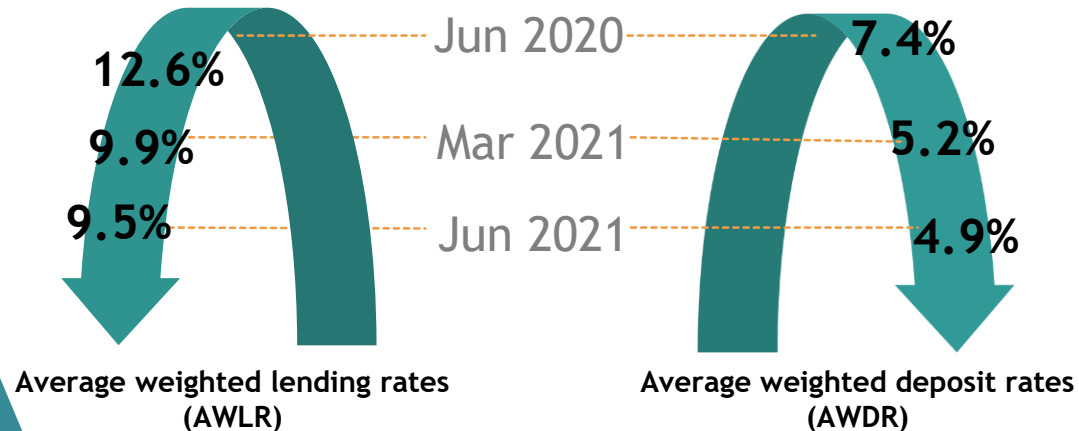


Note: Data from 27th January 2020 to 30th June 2021

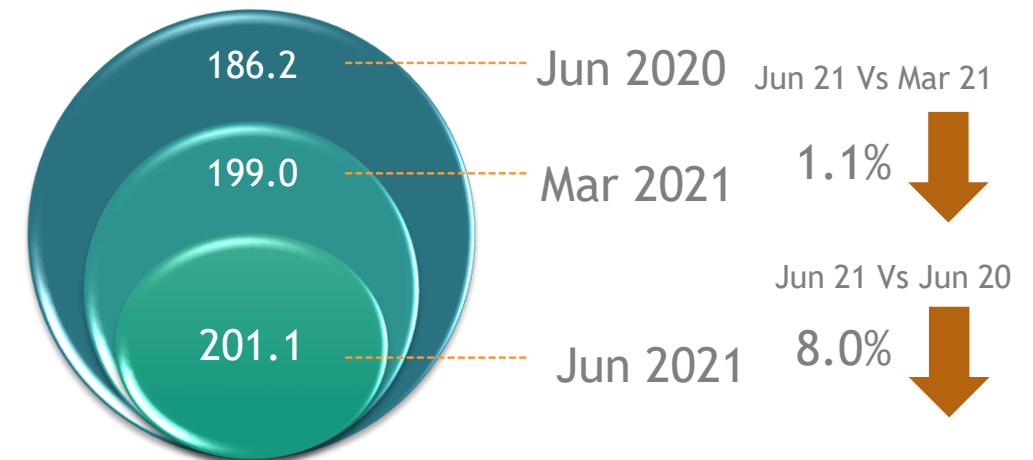
Y-o-Y increase in National Consumer Price Index



Downward trend in Interest Rates



Steep LKR depreciation



Navigating through the COVID-19 pandemic



Healthcare
Revenue - Rs. 10.5 Bn
EBIT - Rs. 0.8 Bn

- Stable growth was witnessed across the sector with Hospitals reporting robust performance.
- Overall occupancy at hospitals improved by 10% at both hospitals.
- Number of intermediate care centers operated by Hospitals increased during the quarter to 4.
- Steep exchange rate depreciation imposed pressure on Pharmaceutical businesses.
- Myanmar operations continued to face challenges due to political instability and exchange rate depreciation.
- New oral solid dosage manufacturing plant of Morison's is expected to commence commercial production in the second quarter of FY22.



Consumer Brands
Revenue - Rs. 5.4 Bn
EBIT - Rs. 0.2 Bn

- Robust Y-o-Y volume led growth recorded in the sector with continued focus on brand excellence and improving distribution reach.
- Key categories under personal care, personal wash and laundry care improved market share.
- Margins were under pressure due to increases in global commodity prices.
- Products that were launched last year continued to gain traction in the market.
- Despite the off season, Atlas witnessed improved sales across all key categories including books and pens were witnessed.
- Atlas e-shop successfully capitalized from growth in e-trade.



Mobility
Revenue - Rs. 0.6Bn
EBIT - Rs. 0.2 Bn

- Increased freight rates positively impacted the maritime business.
- Logistics business Spectra, onboarded new clients to the Distribution Center.
- Aviation business witnessed improvements in performance compared to Q1 last year.
- Passenger volumes were impacted with travel restrictions imposed on Sri Lankan passengers by most European counties and the UAE.

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



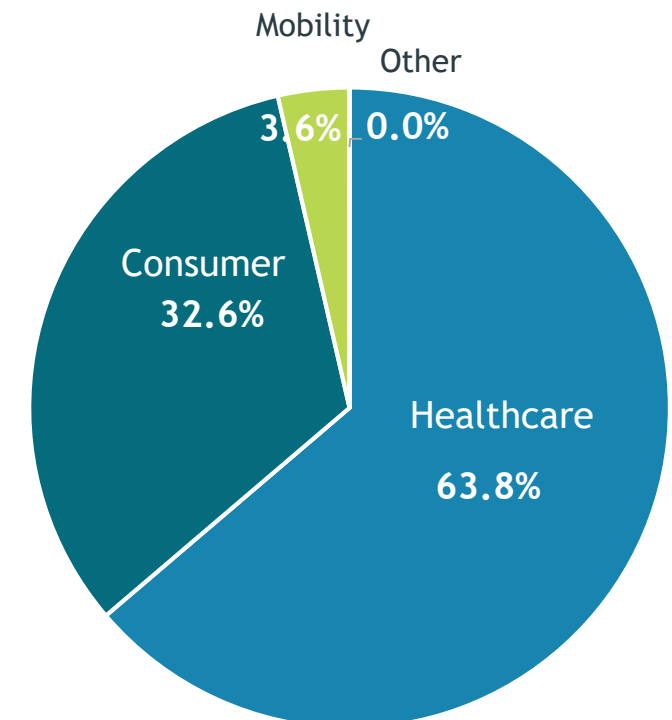
European Union- GMP Certified Manufacturing Plant



Trusted Learning Segment

Group Revenue by Segment*

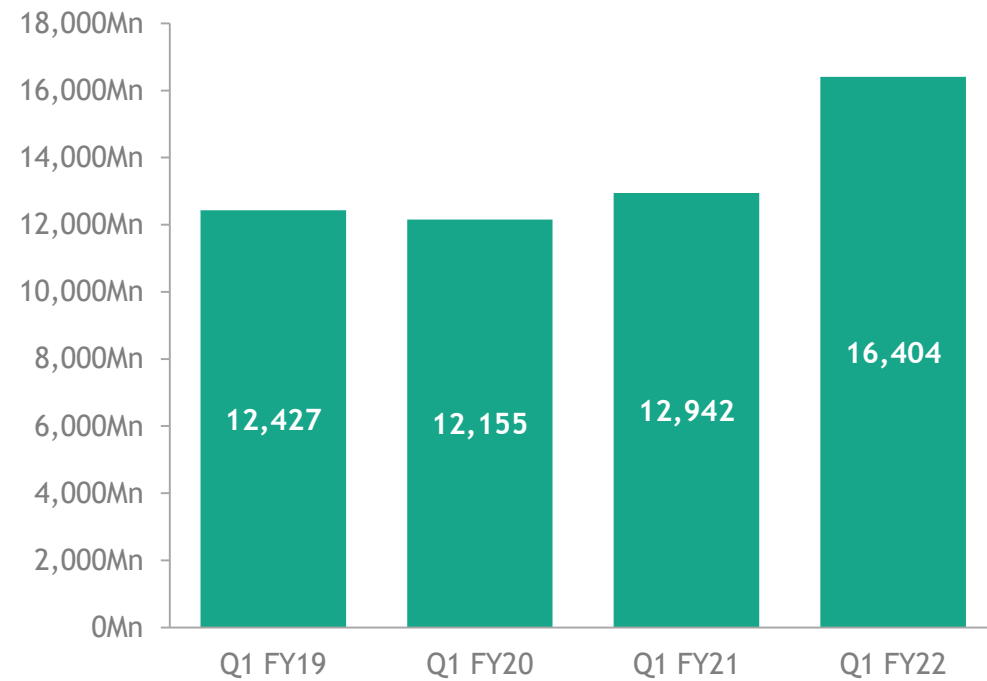
Q1 FY 2021-22



*Leisure segment has been discontinued

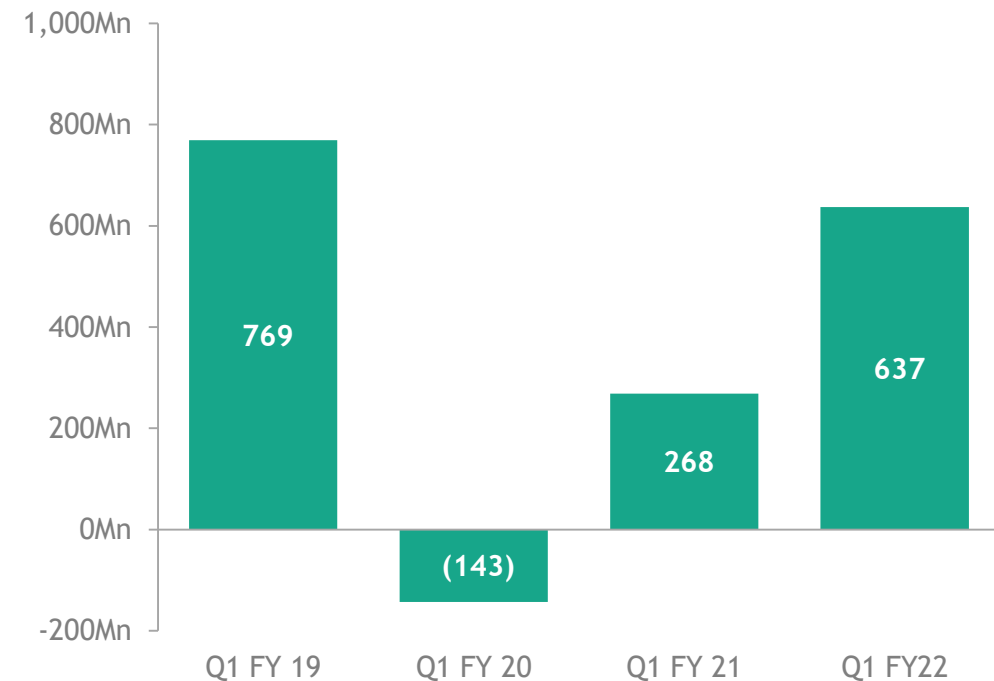
Q1 FY 2021-22 - Group Revenue & Earnings

Group Revenue
Q1 FY 19 - Q1 FY 22



*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
Q1 FY 19 - Q1 FY 22



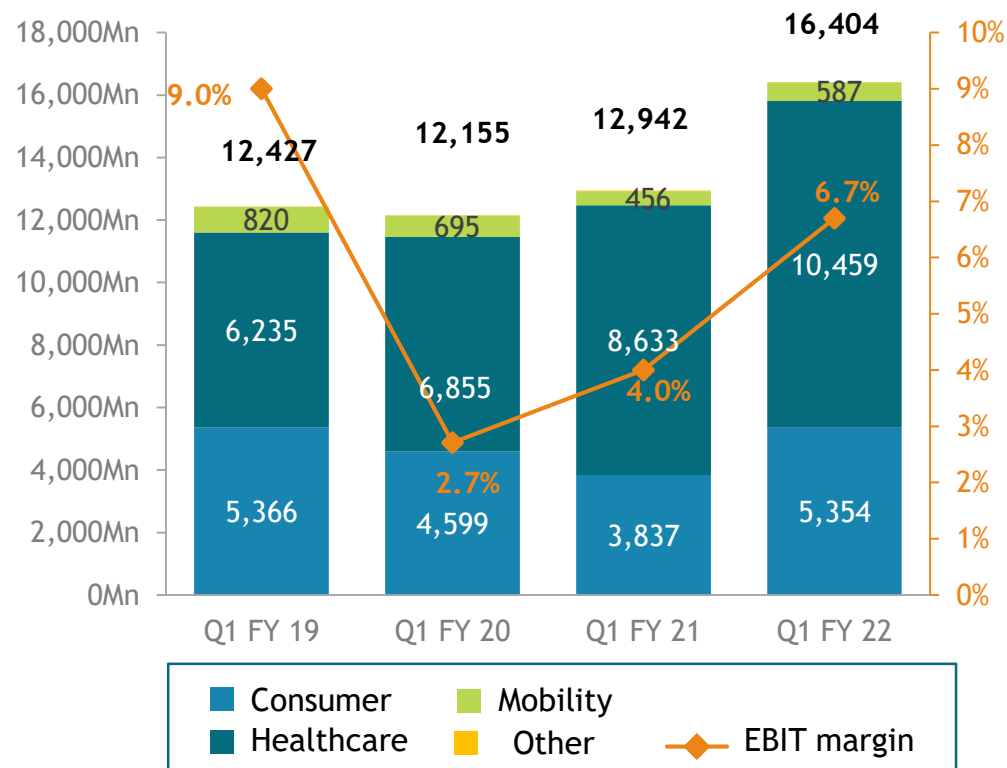
Note 2: In understanding the financial performance, it is important to note Q1 FY19/20 was negatively impacted by the aftermath of the 21st April terrorist attacks, with the COVID-19 pandemic impacting Q1 FY20/21.

■ 1Q

Q1 FY 2021-22 - Operational Summary

Sector Revenue & EBIT Margin (%)

Q1 FY 19 - Q1 FY 22



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

- ▶ Revenue of Rs 16.4Bn indicates a Y-o-Y growth of 26.8%, an improvement of Rs.3.5Bn.
 - ▶ All sectors witnessed a steady growth compared to lower operating results recorded in Q1 last year due to the first wave of COVID-19.
 - ▶ Core businesses reached pre-COVID performance levels in Q1 of FY22 with improved volumes in both consumer and healthcare sectors.
- ▶ Group recorded a resilient underlying EBIT of Rs.1.1Bn over last year, a growth of 109.6%, amidst economic volatility with the resurgence of COVID-19.
 - ▶ Greater focus on generating more from the core, innovations to create new within the core enabled the Group to achieve increased performance levels.
 - ▶ Continued focus on efficiency improvements, cost optimisation and cross functional synergies drove the performance.
- ▶ Group earnings excluding the remaining leisure assets stood at Rs.720.4 million. This is a Y-o-Y growth of 63.6%

Continued focus on Consumer and Healthcare delivered strong performance

FY 2021-22 - Quarter-on-Quarter Operational Summary

LKR Million	Q1 FY 22	vs Q4 FY 21	vs Q1 FY 21			
Revenue	16,404	-1.1%	+26.7%	►		
					vs Q4 FY 21	Vs Q1 FY 21
					Consumer	-8.1% +39.5%
					Healthcare	+4.4% +21.1%
					Mobility	-20.1% +28.7%
EBIT	1,092	- 17.1%	+77.5%	►		
					Consumer	-70.7% +554.9%
					Healthcare	+28.5% +29.0%
					Mobility	-5.3% +460.2%
Earnings	637	- 25.9%	+136.6%	►		
					Consumer	-62.9% +1119.8%
					Healthcare	+46.1% +32.2%
					Mobility	-13.9% +402.7%

Note: Results of remaining businesses of the Leisure segment has been reclassified to "Others" segment, pursuant to the disposal of Serendib Hotels PLC and its subsidiaries which represented a material component of the Leisure Segment.

Note: Consumer Brands includes the Learning Segment (Atlas) which has a seasonality effect. This is reflected in the comparison shown for Q4.

Healthcare Sector sustained its growth momentum whilst profitability margins continued to rise in the Group's Mobility Sector. However, overall Q-o-Q profitability decline was witnessed due to the surge in global commodity prices impacting Consumer Brands.

Overview: Q1 FY 2021-2022

- Industry Overview
- Group Operational Highlights
- Segment Highlights

Standing strong and resilient amidst the pandemic

Home and Personal Care Industry

- Extent of the COVID 3rd wave impact was lower with better preparedness of the Government and industry.
- Rise in food inflation resulted in a 6.2% Y-o-Y increase of the NCPI in June. Stocking up of goods decreased with lower personal savings.
- Profitability was challenged by rise in global commodity prices and steep exchange rate depreciation.
- Health and safety concerns impacted the footfalls at supermarkets, shifting consumer demand to general trade outlets.
- Prolonged school closure resulted in a contraction of stationery market and schools moving to digital based learning.
- Greater demand for craft related products with increased activity-based learning.

Healthcare Industry

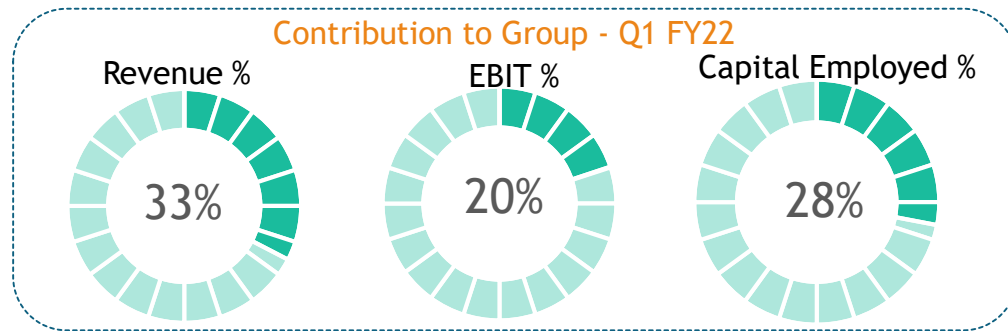
- Increased footfall and occupancy at hospitals led by increased patient confidence with the vaccine rollout programme.
- Government obtained assistance of private sector hospitals due to shortage of beds to treat COVID-19 patients.
- Strong demand for PCRs and Rapid Antigen Tests (RAT) resulted in many hospitals considering expanding capacities.
- Steep exchange rate depreciation continues to impose pressure on profit margins of pharma businesses.

Logistics and Maritime Industry

- Passenger travel was impacted due to travel restrictions imposed by UK, Italy and UAE.
- COVID-19 implications on apparel sector and cyclone Yass affected cargo volumes.
- Increased freight rates positively impacted the maritime business.
- Y-o-Y TEU and transshipment volumes handled by the Port of Colombo grew by 24% and 19% respectively.
- Increase in global port congestion resulted in vessels skipping Colombo to recover schedules.

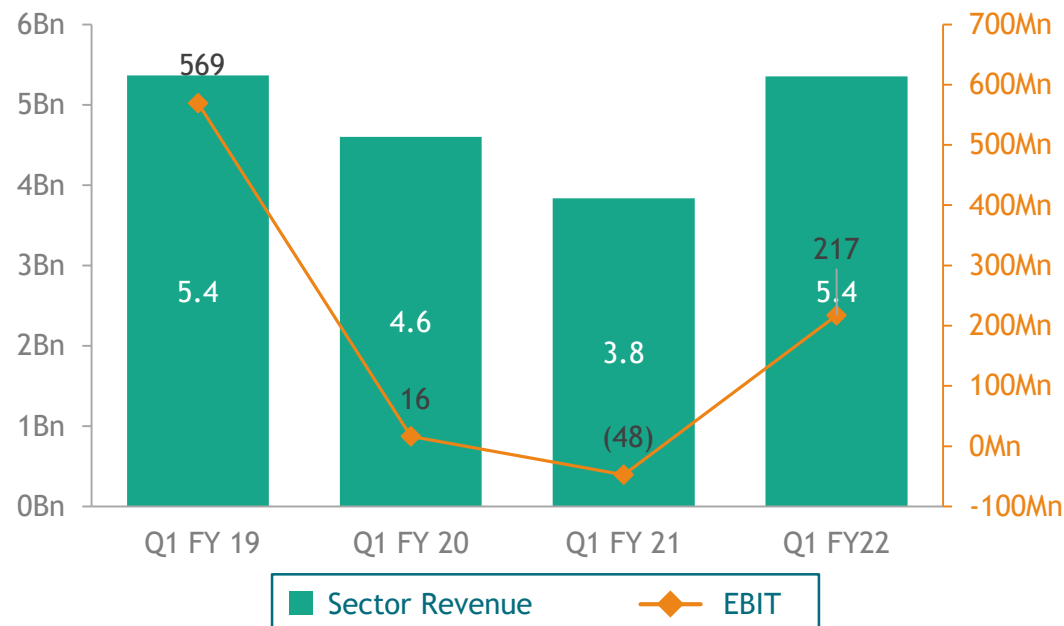
Source: Department of Census and statistics

Consumer Brands Performance: Q1 FY 2021-2022



Sector Revenues & EBIT in LKR

Q1 FY 19 - Q1 FY 22



Business Update

Home and Personal Care

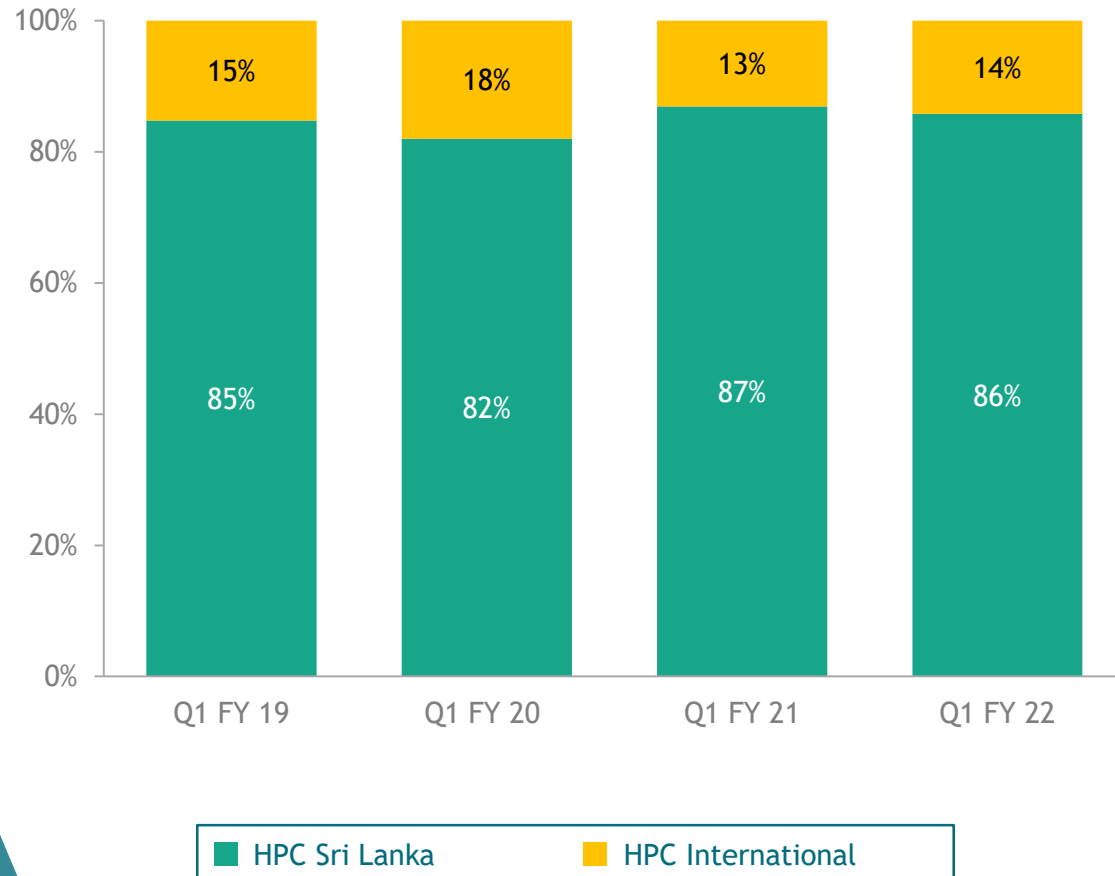
- ▶ Sector witnessed double digit Y-o-Y volume growth across the channels.
- ▶ Margins were under pressure due to rise in commodity prices globally and currency depreciation.
- ▶ Revenue growth together with initiatives implemented for efficiency and cost rationalisation resulted in improved operating profits.
- ▶ Innovation pipeline was further strengthened with the introduction of new products during the quarter.
 - ▶ Dandex and Kumarika buddy packs were introduced as an affordable and sustainable alternative to single use sachet packets.
 - ▶ Baby Cheramy introduced bamboo cotton buds, a step towards eco-friendly product manufacturing.
 - ▶ Fems Aya initiative focuses on improving menstrual health of Sri-Lankan women by offering a high quality sanitary napkin at an attractive price.
- ▶ Slowdown in demand experienced towards the latter part of the quarter with localised lockdowns.

Learning Segment - Atlas

- ▶ Atlas maintained its market position with Y-o-Y volume growth.
- ▶ Activity-based learning at home gained traction leading to improved demand for craft related school and colour products.
- ▶ Atlas expanded its Myshop portfolio with Sri-Lanka's first ever e-voucher.

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

International Segment as a % of total HPC segment Q1 FY 19 - Q1 FY 22



Business Update

- ▶ HPC international segment displays progress in performance in Q1 in comparison to the same quarter last year.

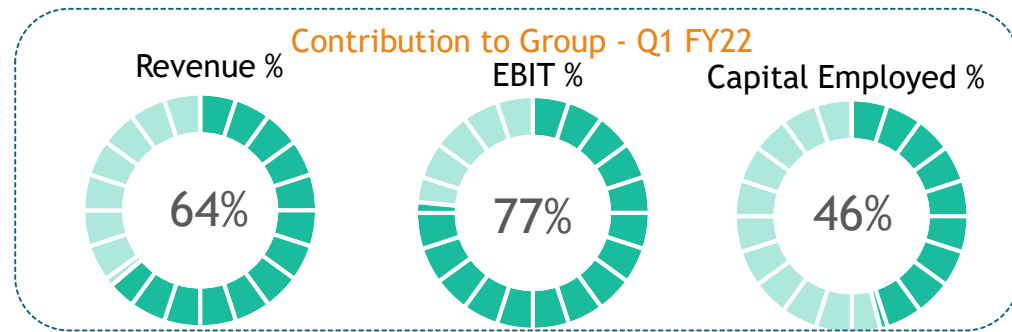
Bangladesh

- ▶ HPC International recorded Y-o-Y growth in terms of revenue and volume.
- ▶ *Actiseif* soap which was launched during FY21 was well received by the market.
- ▶ Resurgence of COVID-19 cases in Bangladesh slowed down demand for value added hair oil by the end of the quarter.

West Bengal

- ▶ Y-o-Y revenue has improved amidst informal lockdowns and widespread market closures in the quarter.
- ▶ Continuation of disruptions to local transportation affected wholesale businesses.

Healthcare Sector Performance: Q1 FY 2021-2022

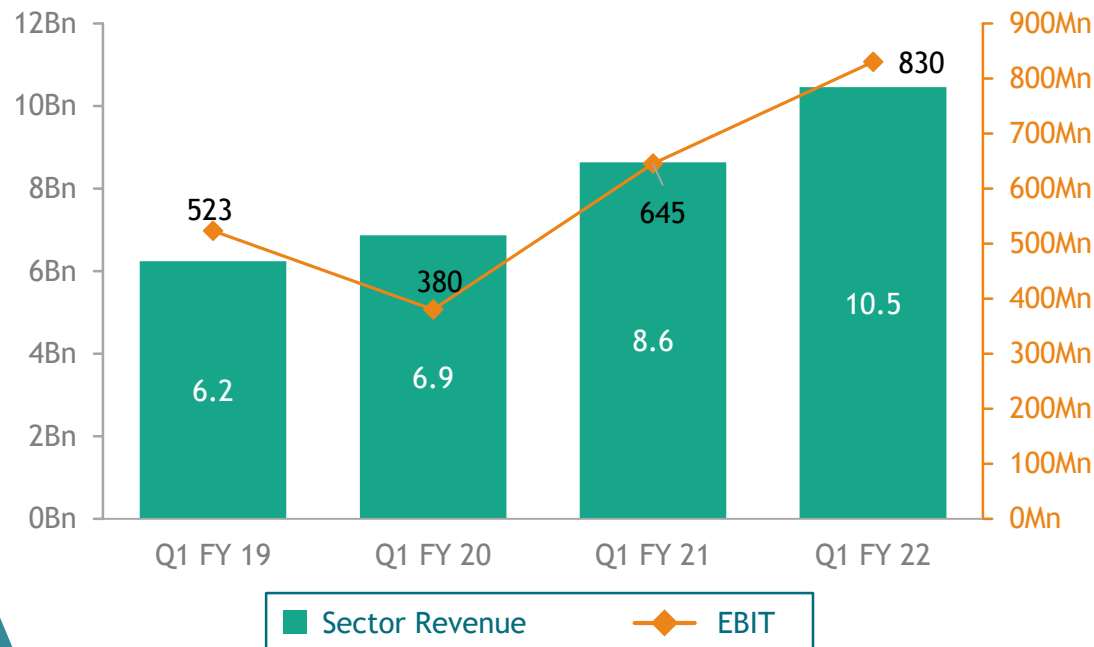


Business Update

- ▶ Demand for healthcare products and services has been steady through-out.
- ▶ **Pharmaceutical Businesses** witnessed improvements in performance in the quarter.
 - ▶ Steep exchange rate depreciation continued to imposed pressure on profit margins.
 - ▶ Myanmar reported Y-o-Y revenue growth despite the turbulent political environment.
 - ▶ Although a decline was witnessed in government buy back revenue at Morison, the private market showed improved results.
 - ▶ Hemas Pharmaceuticals received the ISO-9001 accreditation this quarter.
 - ▶ Commercial production at the new plant at Homagama is scheduled to commence towards the end of the second quarter.
- ▶ **Hospitals** witnessed an increase in patient footfall.
 - ▶ Overall occupancy Y-o-Y grew by 10% at both Thalawathugoda and Wattala hospitals to 58% and 44% respectively.
 - ▶ Hospitals introduced four new intermediary care centers along with a dedicated ICU for COVID patients in the western province.
 - ▶ Hemas Hospitals received the COVID-19 Safety Certification accredited by Sri Lanka Standards Institute (SLSI) becoming the first hospital to receive this accreditation.

Sector Revenues & EBIT in LKR

Q1 FY 19 - Q1 FY 22

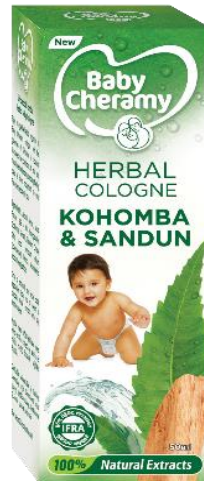


Making brands matter - New product/service launches

Consumer Brands



Fems Aya



Baby Cheramy
Herbal Cologne



Baby Cheramy
Bamboo Cotton
Buds



Atlas e-gift voucher
Available at Atlas's
myshop

Healthcare

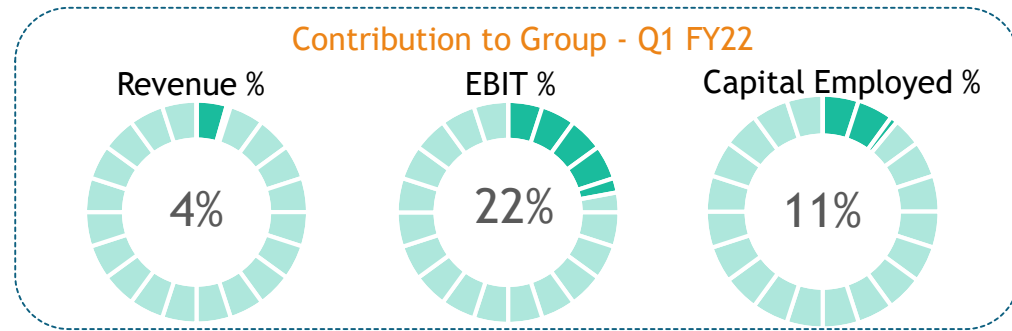


Launched
Empagliflozin 25mg

Intermediate Care Centers by
Hemas Hospitals

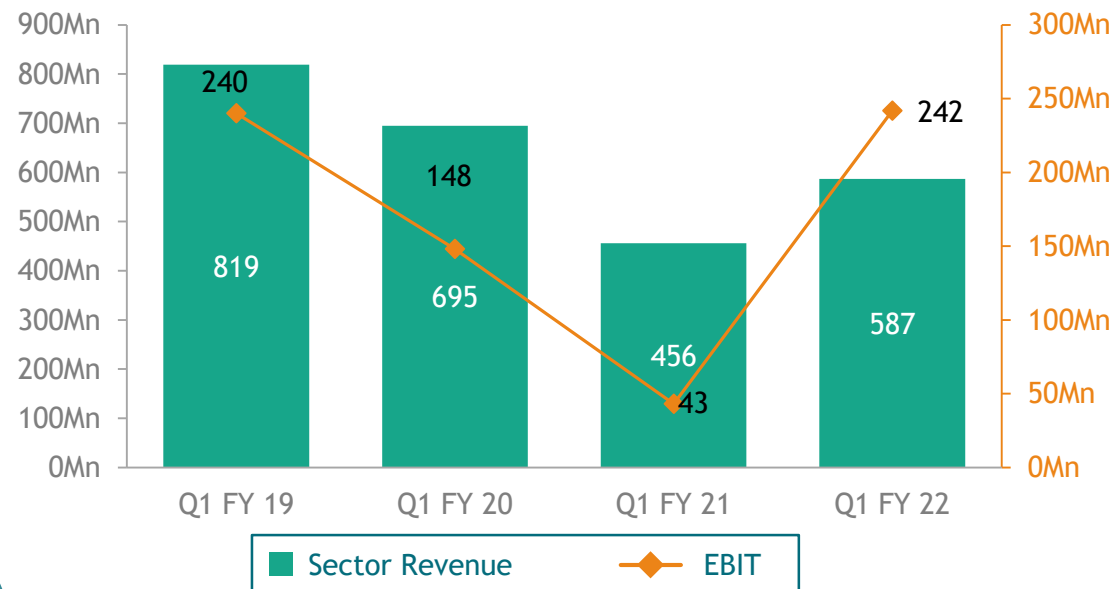


Mobility Sector Performance: Q1 FY 2021-2022



Sector Revenues & EBIT in LKR

Q1 FY 19 - Q1 FY 22



Business Update

Maritime

- ▶ Y-o-Y TEU volumes handled by the Port of Colombo witnessed a 24% growth.
- ▶ Maritime business continued to face challenges with vessels bypassing Port of Colombo to recover schedules.
- ▶ However, increased freight rates positively affected sector performance.

Logistics

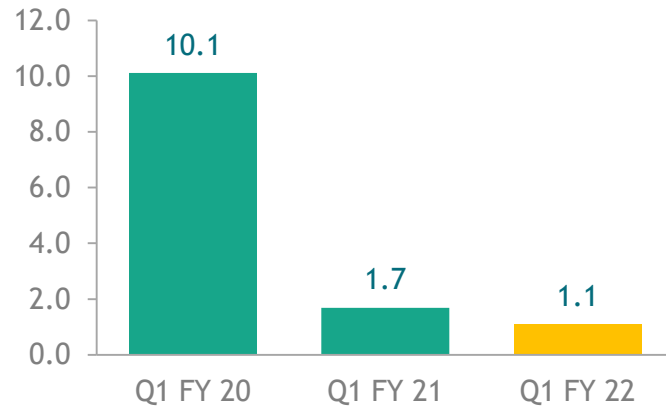
- ▶ Enabled higher utilization through the quarter by onboarding new clients to the Distribution Center of Spectra.
- ▶ Clients with bulk storage requirements could be serviced with the new facility being leased by the business.
- ▶ Depot business mix improved with increasing laden volumes.

Aviation

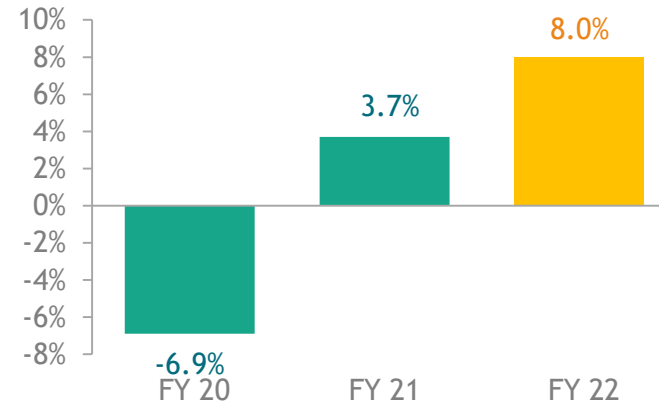
- ▶ Y-o-Y improvements in performance was witnessed due to better operating environment compared to last year.
- ▶ Cargo segment managed to sustain its operations despite factories not operating in full capacity due to the third wave of the pandemic.

Investment Highlights

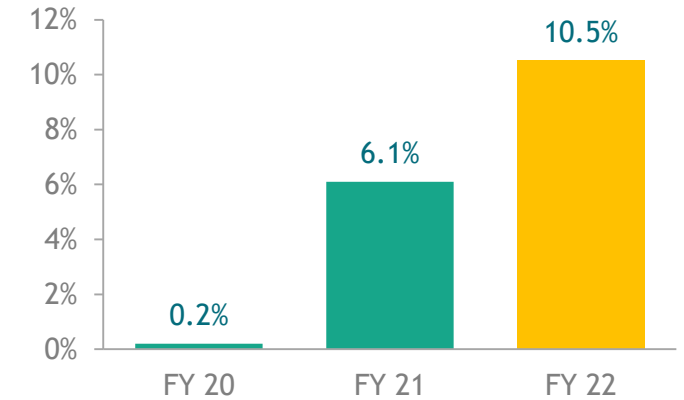
Net Debt/EBITDA



Return on Equity (%)*

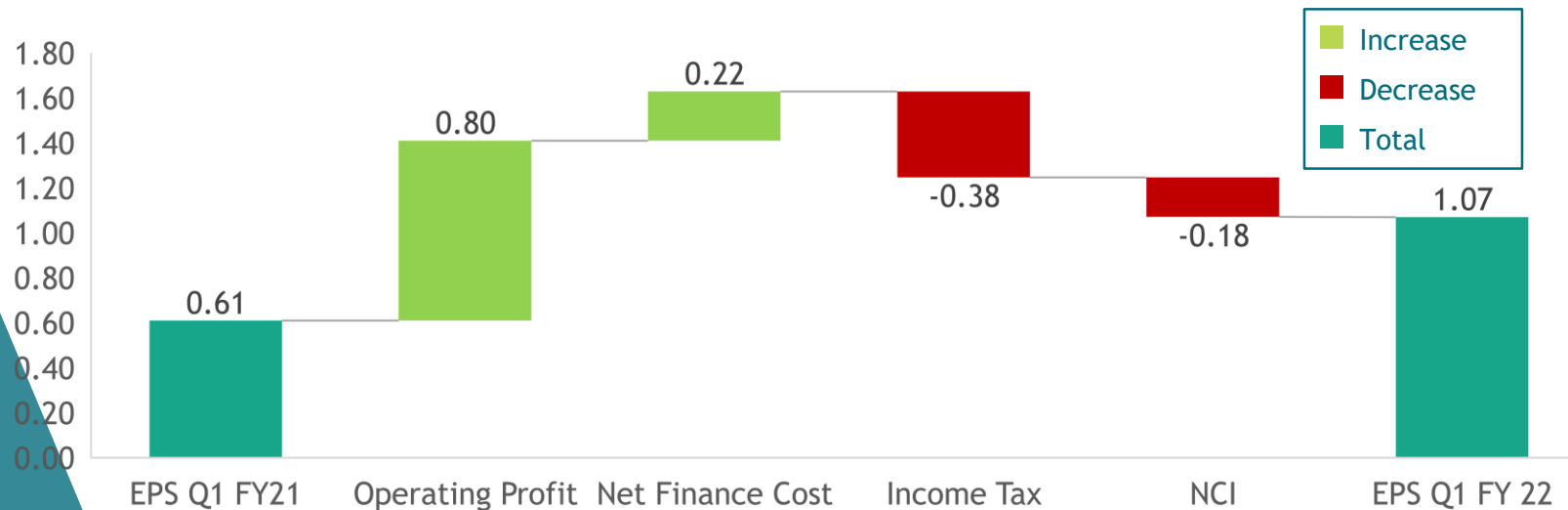


Return on Capital Employed (%)*

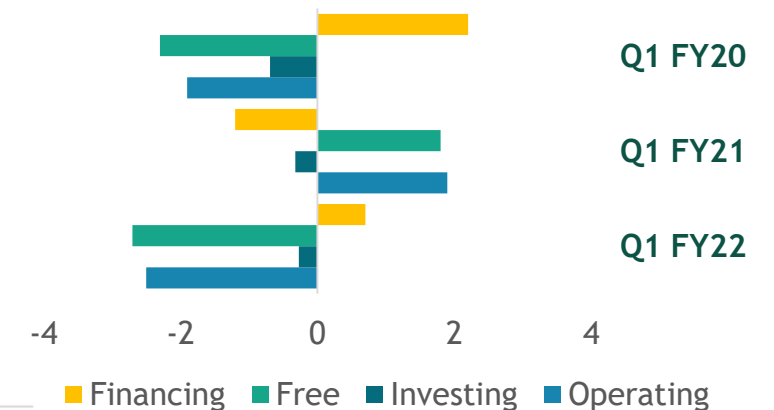


*Return based on Q1 annualized numbers

EPS Walk - Continuing Operation

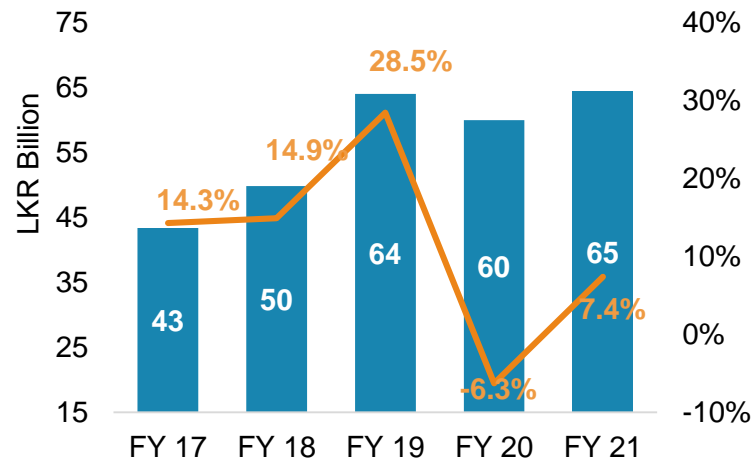


Cash flow (LKR Billion)

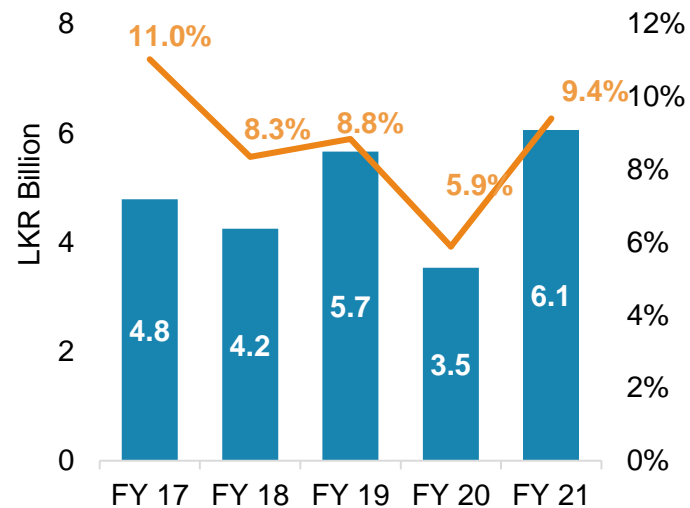


Group Performance: Five-year summary

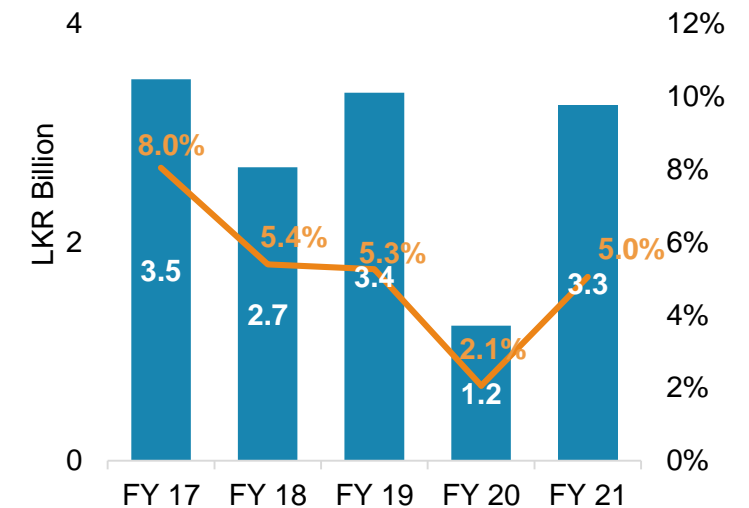
Group Revenue and % Growth
FY 2017 - FY 2021



EBIT and EBIT margin (%)
FY 2017 - FY 2021



Earnings and Earnings margin (%)
FY 2017 - FY 2021



- Outlook and priorities
- Sustainability

Preparing for the next stage in our growth trajectory: Q1 FY 2021-22 priorities

Immediate Priorities

- ▶ Despite the uncertainty related to the extent and length of the third wave, Hemas continues to ***actively participate*** in helping the nation fight the pandemic.
- ▶ Hemas has put in place a wide-ranging set of measures to ***support national efforts*** to tackle the COVID-19 pandemic.
- ▶ ***Ensuring employee safety*** will be our key priority.
- ▶ ***Maximizing the availability of products and services*** we provide to help people and their families with health and hygiene needs.
- ▶ Continue to ***increase the capacity*** of Intermediate Care Centers at Hospitals to support the nation in facing the challenging times.

Strategic Priorities

- ▶ Despite the likely challenges in the upcoming year, we will continue to;
 - Steer through our strategic priorities and capacity building investments.
 - 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
- ▶ HHL partnered with IFC in pioneering a New Digital Health Program to Boost Access to Affordable and Quality Health-Care Services in Sri Lanka and Beyond.
- ▶ As we continue to grapple with the rising macroeconomic conditions as a result of the third wave, we are also planning for the future—with the understanding that the pandemic is reshaping and restructuring the industries in ways that are likely to be permanent.

Sustainability

Sustainability Management Framework



Group Environmental Goals and Priorities



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



Increase and sustain the forest cover in Sri Lanka



Responsible consumption of plastic

Sustainability Performance (Q1 2021/22 vs Q4 2020/21)*



Carbon Footprint
(Per Rs. Mn Revenue)

0.33 MT

↑ 18%



Values of Fines for Non-Compliance
with Laws and Regulations in the
Social Economic Area
NONE



Water Consumption
(Per Rs. Mn Revenue)

5.1 m3

↑ 11%



Total Work Related Injury Rate
(per 100 employee)

0.08%

↓ 55%



Waste Recycled, Reused, or
Recovered

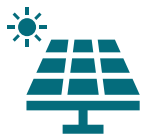
58%

↑ 128%



Training Hours and Development
5,280

↑ 87%



Renewable Energy Generated
27,269 kWh

↑ 10%

* Operations of Q1 2021/22 was affected as result of COVID-19 lockdowns

Engaging with Our Community



A private public partnership between the Hemas Outreach Foundation and the Children's Secretariat of the Ministry of Women and Child Affairs since 2002.

- Focuses on early childhood care and development of underprivileged children across the country.
- Mission is to nurture young children with good care in order to provide a solid foundation for a life long journey
- 58 Pre schools
- 4000+ children impacted
- 150+ *Piyawara* teachers
- Once built the pre-schools are handed over to the local government Authorities for management.



A long term sustainable initiative with the University of Kelaniya, Faculty of Medicine

- Sri Lanka's first national center for children with disabilities is operational since January 2020
- Over 6800 children are registered at the center with an average of 175-200 children visiting the center daily
- Provides Telehealth during the COVID - 19 Pandemic.
- Ayati is the disability study unit of the faculty of medicine of the university of Kelaniya. Over 200 undergraduates are trained
- Provide training for post graduates, pediatricians, teachers and caregivers

Going forward AYATI Aims to;

- Change the mindset of the public to eliminate any stigma and promote acceptance of children with disabilities
- Extend the services to the rural areas of Sri Lanka in time to come



Disclaimer

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