



# Hemas Holdings PLC

Investor Presentation- Q1 FY23/24



# Who we are

Established in 1948 with a purpose of empowering families to live a better tomorrow, Hemas Holdings is one of Sri Lanka's leading conglomerates listed in the Colombo Stock exchange with focused interest in Consumer and Healthcare.



**75**

Years in  
Operation

USD

**134**mn

Market  
Capitalisation

**35%**

Free Float

USD

**308**mn

Total Assets

**AAA**

Long-term Fitch  
Rating

**>5k**

Workforce

## Key Milestones

**1948**

*"Established Hemas Drugs Pvt Ltd"*

**2003**

*"IPO on the Colombo Stock Exchange"*

**2007**

*"Extended operations into Hospital Space"*

**2013**

*"Acquired leading Pharmaceutical Manufacturing firm – JL Morison"*

**2018**

*"Acquired Sri Lanka's Largest Stationery Brand- Atlas"*

**2022**

*"Commenced operations at Pharmaceutical Manufacturing Plant in Homagama"*

# Implications of key macro economic parameters on Hemas

## ✓ Inflationary Pressure

*"Change in consumer buying patterns with reduced disposable income"*

**12.0%**

CCPI

**10.8%**

NCPI

YoY change (June 2023 vs June 2022)

## ✓ Appreciation of LKR

*"Mixed impact due to the positive impact from reduced RM costs and adverse translation losses"*

**12.8%**

\$/Rs

YoY average change (June 2023 vs June 2022)

## ✓ Global Commodity prices

*"Favourable Impact of reduced prices of key commodities was passed down to the consumers in the form of price reductions and discounts"*

**-45.6%**

Palm Oil

**-37.6%**

Crude Oil

YoY Change (March 2023 vs March 2022)

## ✓ Interest Rates

*"A gradual decline in AWPLR was witnessed during the year positively impacting the finance cost on q-o-q basis"*

**8.2 pts**

AWPLR

QoQ change (June 2023 vs Dec 2022)

## ✓ Tax Reforms

*"Adverse impact of increased tariff on electricity and tax reforms continues to deteriorate consumer spending capacity"*

**~75%**

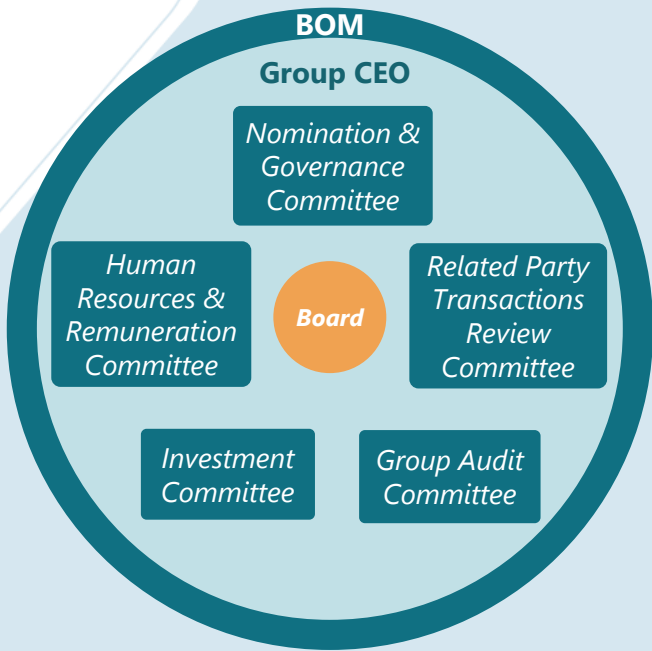
Increase in electricity

**1.2 Mn**

Personal tax relief threshold

***"Sri Lanka formally unveiled its Domestic Debt Optimisation programme in July 2023, and the first IMF review is scheduled for September of the same year."***





Sound Corporate Governance Structure with an Independent Board



Diversified and competent Leadership Team



Presence in key defensive segments  
Healthcare and Consumer

## Key strengths



Strong balance sheet with a net gearing of 14.8%

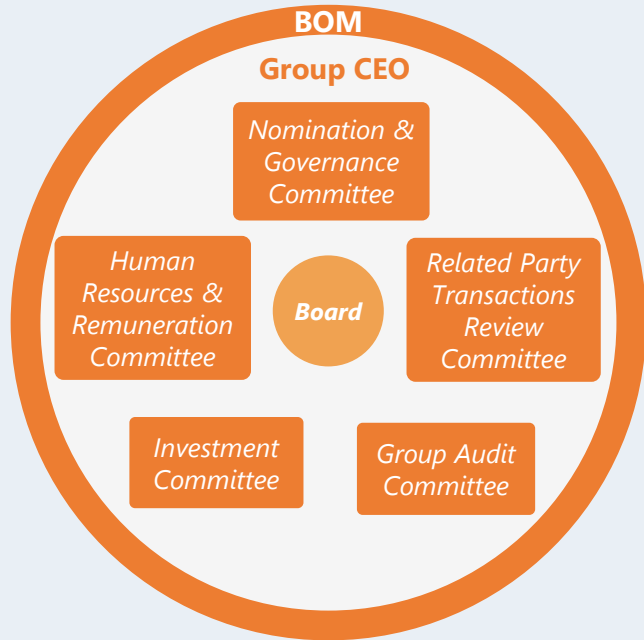
**AAA** (Ika)  
FitchRatings

Long-Term Rating of AAA (Ika)' Stable Outlook



Strong value creating partnerships with internal and external stakeholders

# Corporate Governance



## BOM (Board of Management)

Consists of the senior leadership team of 11 members - Heads of our 5 major businesses and 5 leaders from Corporate Office. BOM is responsible for formulation and implementation of Group strategic plan and ensures that the Group works in a collaborative and high-performance manner notwithstanding the circumstances and challenges the Group faces.



## The Board

Takes overall responsibility for the performance and affairs of the Company and the Group



## Board Sub-committees

Ensures in-depth focus on delegated matters



## Group CEO

Leads the Executive Management team. Responsible for strategy development, implementation and Group performance

## Board Composition

- Independent directors 
- Non-Executive Directors (including Chairman) 
- Executive Directors 

## Independence

**50%**

of the board is independent

## Gender



**90% : 10%**

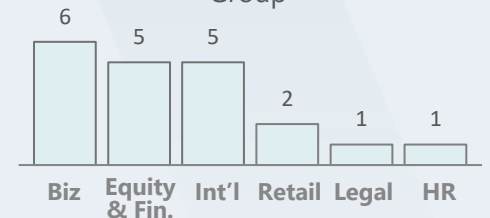
## Board Size

**10**

Board size promoting accountability and encouraging healthy, constructive debate and decision-making, while meeting regulatory requirements

## Expertise

Experienced board, combining knowledge and skills relevant to the Group

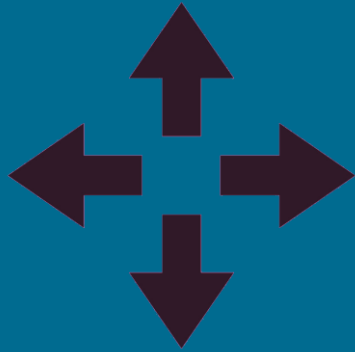


# Strategic Building Blocks



## Building more from the core

*Accelerate current business efforts to drive higher value in core business*



## New within the core and Adjacencies

*Capturing new revenue streams to further strengthen the core and adjacencies*



## New business and Internationalisation

*Explore attractive opportunities in new spaces and international markets*



## Efficiencies

*Efficiency and productivity to further enhance capacity and improve growth*

# New Product Launches during the Quarter

## Home and Personal Care Sri Lanka



**Extensions to the  
'Velvet' Hand Wash  
Range**



**'Goya' Limited Edition**



**Additions to the  
'Velvet cutie' portfolio**

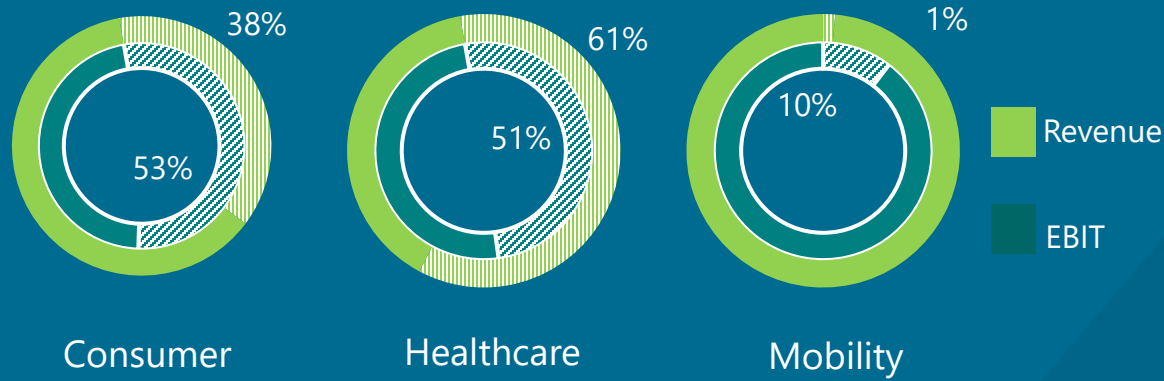
## Pharmaceutical Manufacturing



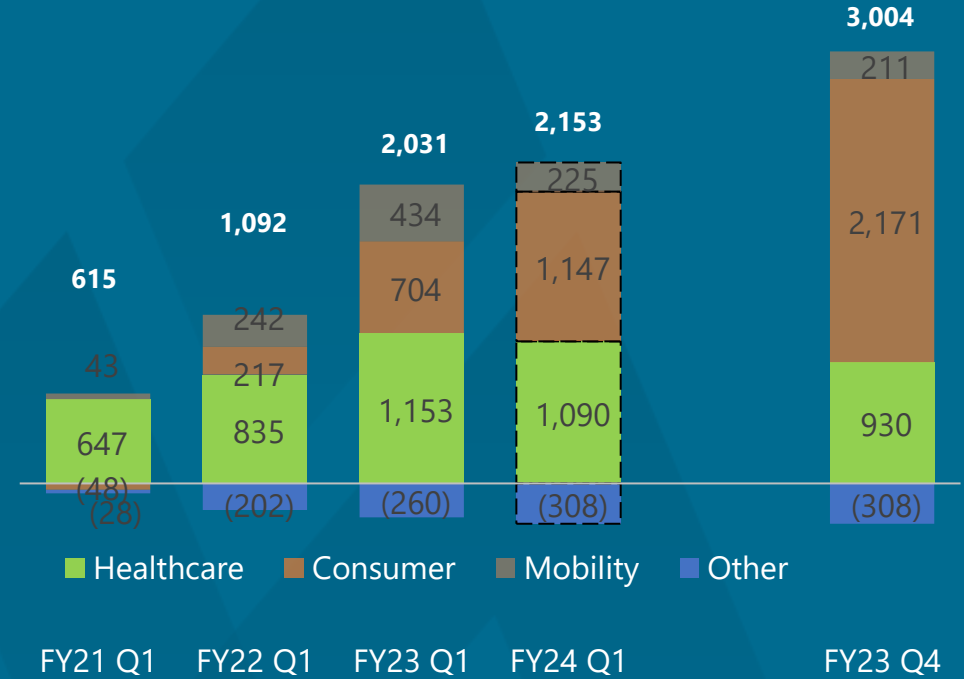
**'Bisomor' 2.5 mg and  
5mg variants**

# Financial Snapshot

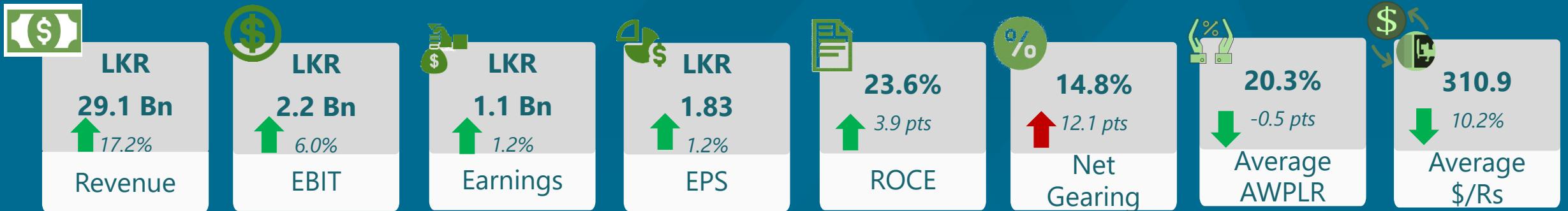
### 3M contribution to the Group



### EBIT By Segment (LKR million)



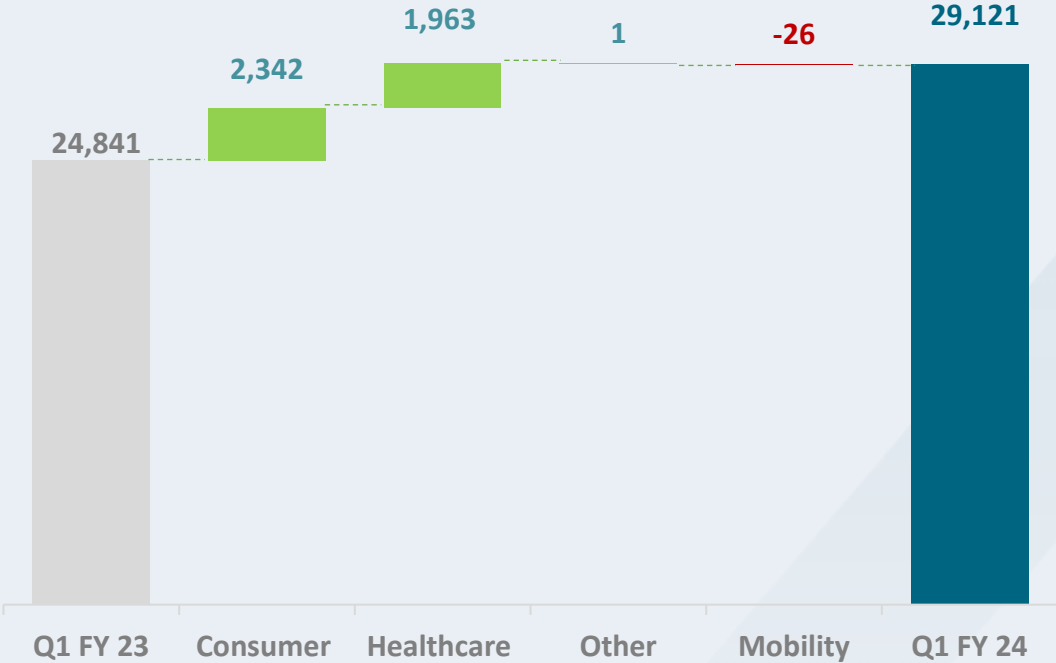
### 3M Performance FY 24 vs FY23



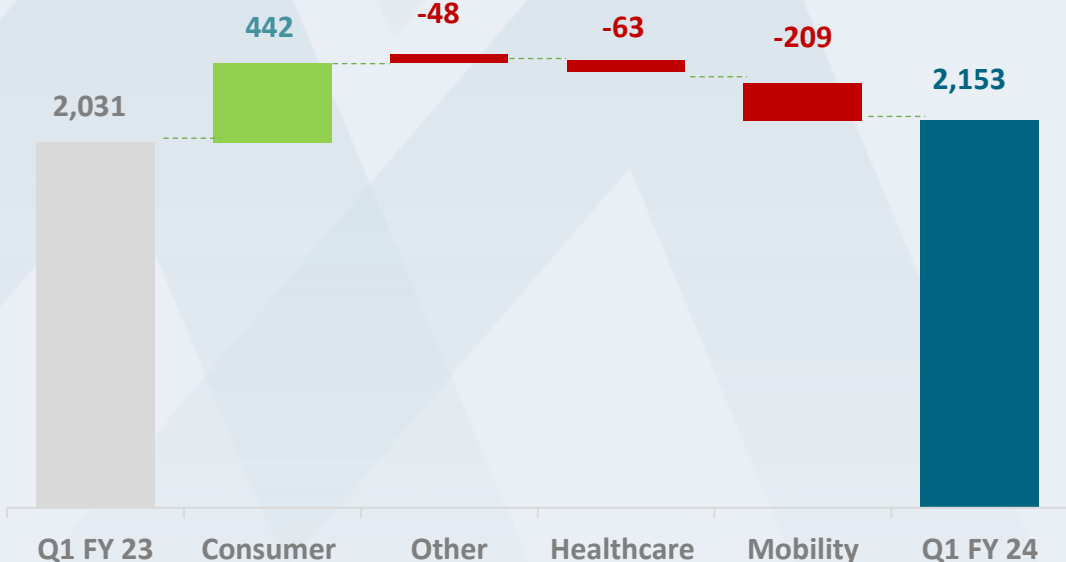


# Sector Performance Summary – Q1 FY 2023-24

*Revenue Walk*  
(LKR Mn)

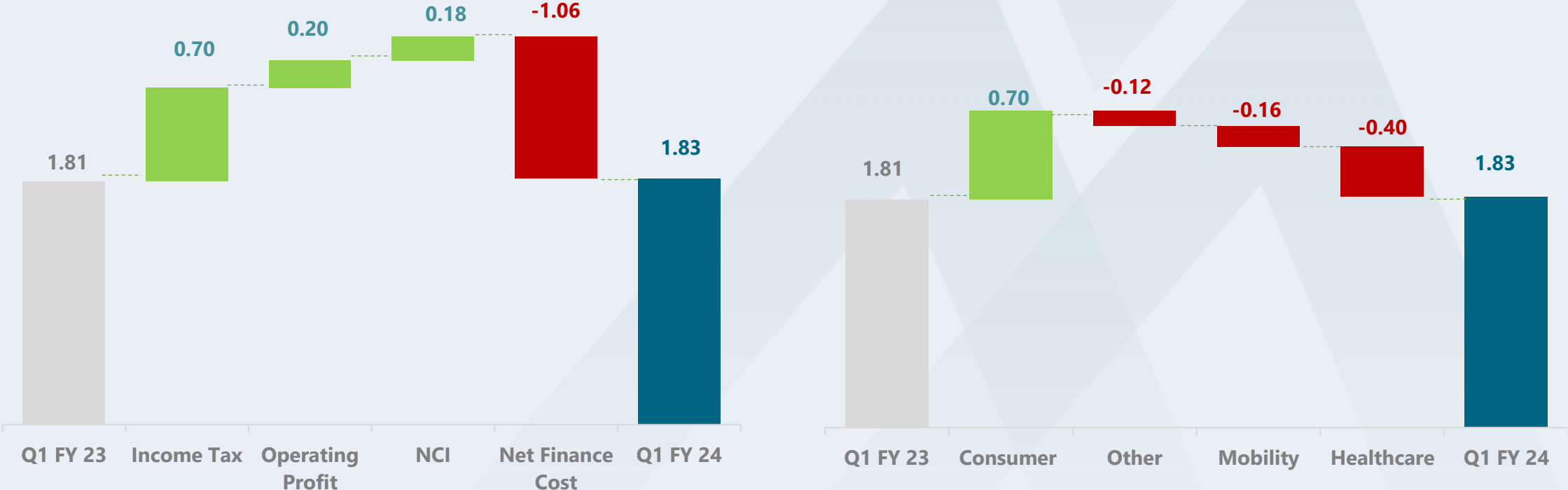


*EBIT Walk*  
(LKR Mn)



# Continuing Operation EPS – Q1 FY 2023-24

**EPS Walk**  
(LKR Per Share)



# Capital Employed – Q1 FY 2023-24

*Sector Efficiency*  
*Capital Employed, ROCE, and EBIT by Sector*



Note:  
The size of the circle indicates the EBIT values  
The 'other segment' includes the corporate office and remaining leisure assets

# Consumer Brands



Home and personal care - Sri-Lanka



Consumer Brands - International



Learning Segment



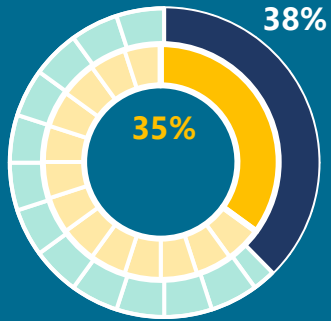


# Consumer Brands

## Contribution to Group

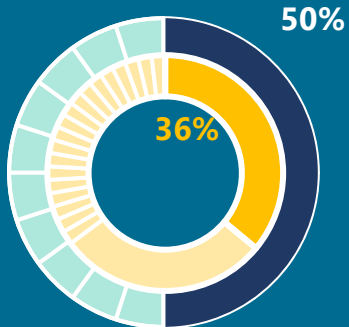
### Revenue %

■ Q1 FY24  
■ Q1 FY23



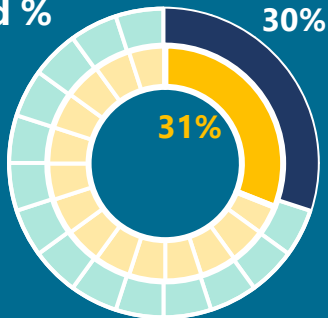
### EBITDA %

■ Q1 FY24  
■ Q1 FY23



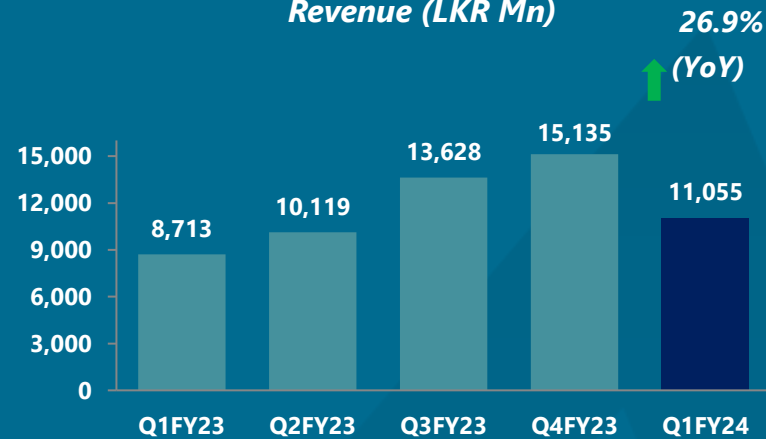
### Capital Employed %

■ Q1 FY24  
■ Q1 FY23

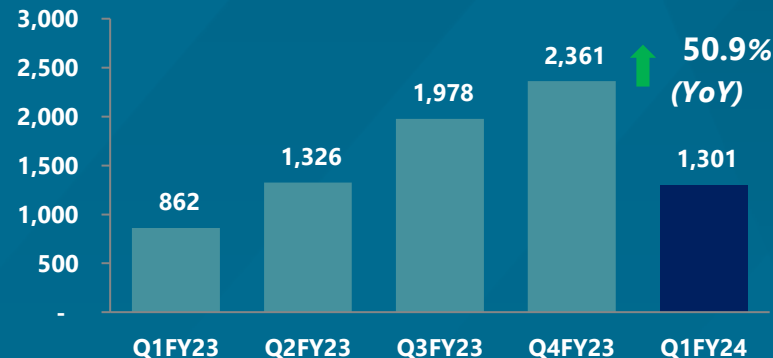


## Sector Performance – Q1 FY 2023-24

### Revenue (LKR Mn)



### EBITDA (LKR Mn)



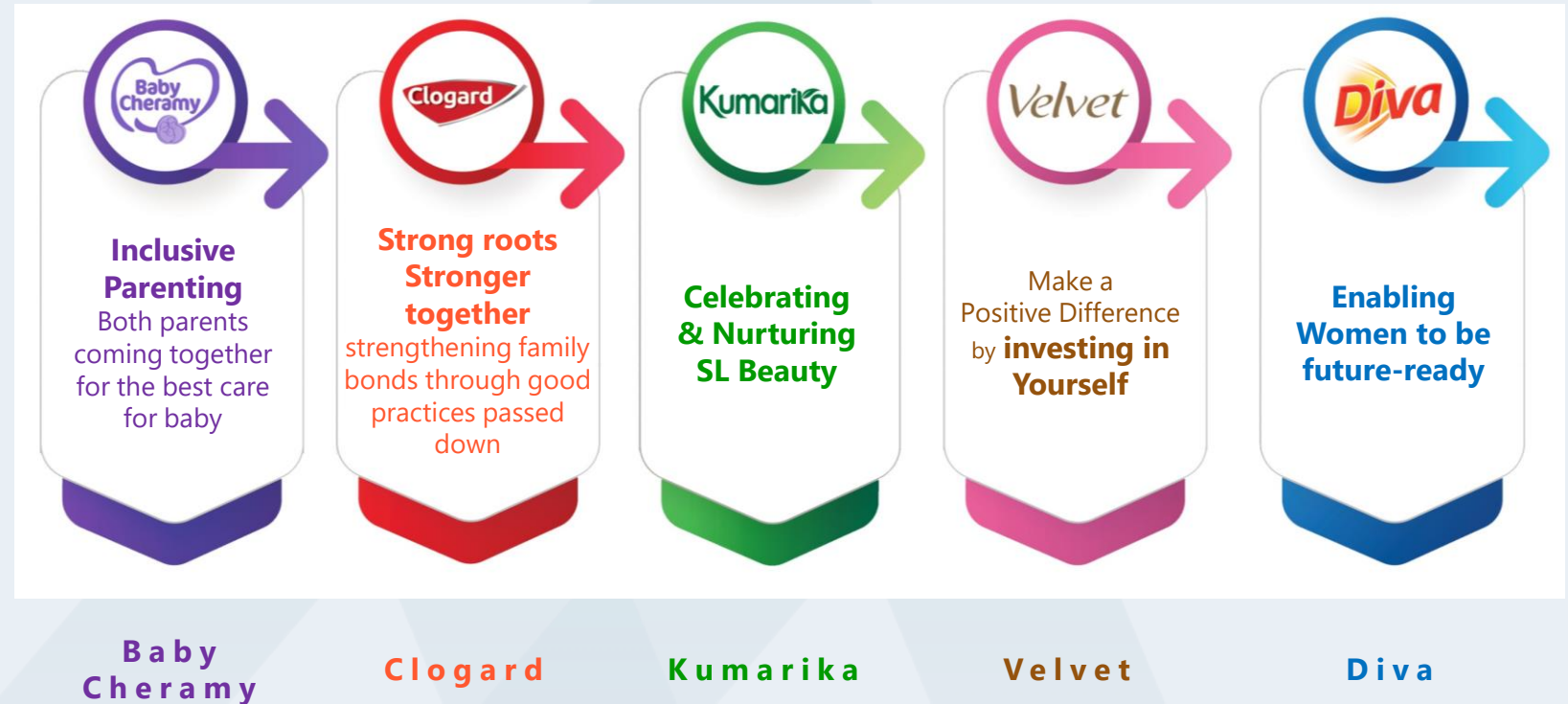
## Key Highlights

- Despite the market witnessing price reductions due to reduced commodity prices, consumers continued to curtail consumption and opt for value-for-money alternatives.
- Post the festive season a decline in demand was witnessed in both the general and modern trade channels.
- With the easing of the back-to-school season and market expectations of possible price reductions, the market observed a decline in demand for stationery products on a q-o-q basis.
- Bangladesh economy continued to witness challenges amidst over 9% inflation, Taka depreciation and depleting reserves.
- The Group acquired the remaining 24.9% stake in Atlas Axillia Company (Pvt) Ltd for a total consideration of Rs 3.4 Billion.

# Home and Personal Care – Sri Lanka

## Purpose-driven brands touching the lives of the Sri Lankan consumer

- 8 Key categories with market leading positions
- Extensions to the 'Velvet' Portfolio
- 5% 3M volume growth
- 75k+ Direct outlet coverage
- 69% 3M contribution to Consumer Brands revenue



# Home and Personal Care – International

2

Geographies  
Bangladesh & West Bengal

2

Key categories  
VAHO and Health Soap

11%

Market share in VAHO  
(Bangladesh – Q3 FY23 Data)

4K

Retailers reached in  
Bangladesh

8%

3M contribution to  
Consumer Brands revenue

Note: VAHO – Value Added Hair Oil, CNO – Coconut Oil

## Locally led and localised in Bangladesh

- All products are exclusively designed for Bangladesh.
- Extensive product portfolio with multiple value adding variations targeted for overall wellness, growth and nourishment of hair.
- Local leadership team with 90% local talent.
- **2<sup>nd</sup> most loved hair oil brand of Bangladesh (Best Brand Awards 2022)**



## Reach in Bangladesh

19.3%

Rural penetration by  
Hemas

7.2%

Urban penetration of  
Hemas

16.3%  
7 + Mn  
Households

Households reached  
by Hemas

100%

On-shore  
manufacturing

Source: Household Panel data (Calibrated) – Kantar – MAT Dec'22./ Retail Sales Audit by Insight Metrix – May'22

# Home and Personal Care – Sri Lanka and International

## Sri Lanka

### Revenue

- Price reductions were made across the portfolio in line with reduced global commodity prices.
- However, demand continued to be affected by the increased cost of living.
- 6.4% of YTD revenue from new launches and relaunches.
- Newest additions to the Portfolio, 'Prasara' and 'Vivya' have been gaining traction.

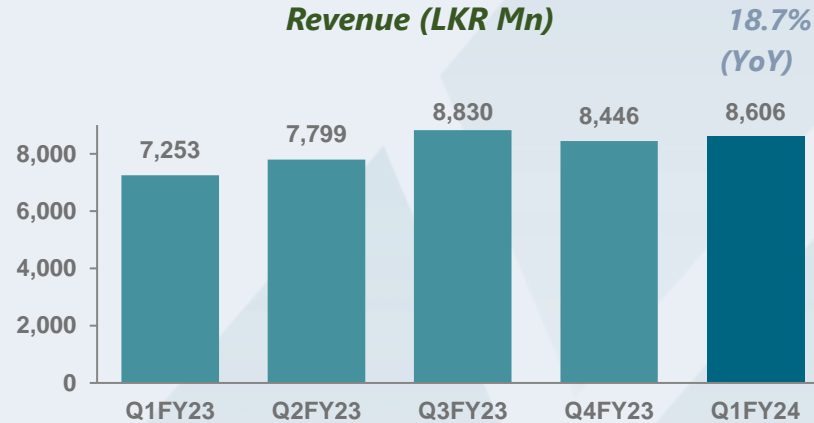
### Profitability

- Multiple cost saving and efficiency improvement measures were implemented to mitigate the adverse impact of increasing operational costs.

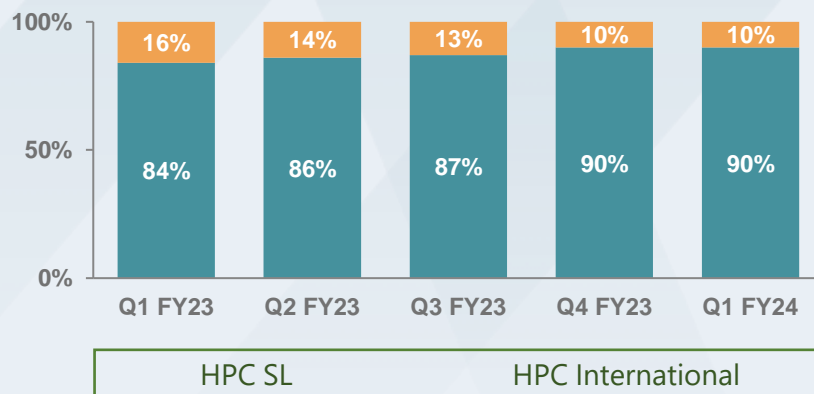
### Outlook

- Repositioning the Brand portfolio, exploring opportunities in underpenetrated areas and driving premiumisation will be the key focus areas.

### Revenue (LKR Mn)



### International Segment Revenue as a % of total HPC Segment



## International

### Revenue

- Despite the rising macroeconomic challenges, HPC Bangladesh arm witnessed volume-led growth attributed to the strong performance of recently introduced variants of the "Kumarika" and "Eva" brands, which offer affordable price options.
- Further, the personal care brand "Actisee" continued to gain traction and contributed reduced single category concentration.

### Profitability

- Increased operational costs and the currency devaluation impact resulted in the margins to contract during the quarter.

### Outlook

- High focus on opportunities for growth in Bangladesh in core and adjacent spaces.



# Learning Segment

6

Key categories



High Efficiency and productivity through lean initiatives



Market leader in key product categories

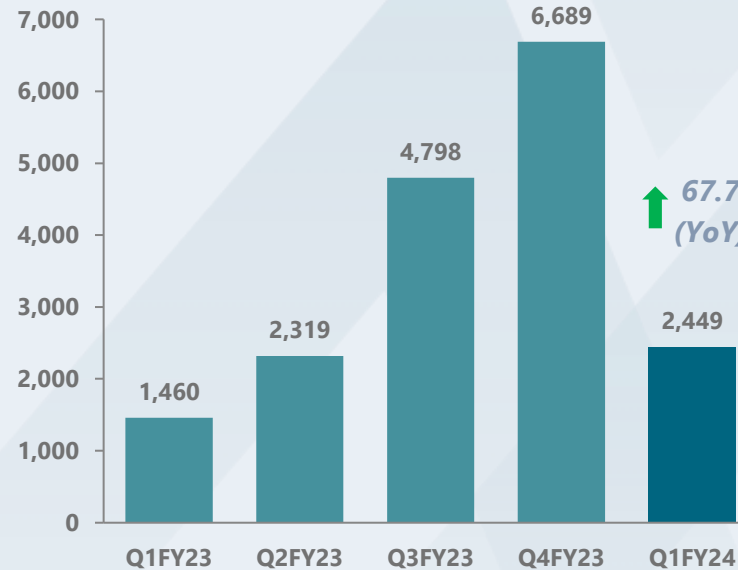
50k

Outlet coverage across Sri Lanka

22%

3M Contribution to Consumer Brands revenue

Revenue (LKR Mn)



## Revenue

- Q-o-Q decline in revenue is due to the seasonal nature of the business.
- Amidst improved operating conditions the market witnessed heavy competition from value-for-money brands imposing pressure on market share.


## Profitability

- Increased efforts on efficiency improvement and cost saving initiatives contributed to negate the impact of increasing operational costs under inflationary pressure.


## Outlook

- Sustain the market leading position with innovative product offerings.
- Pursue distribution partnerships with international players and to expand the export footprint.
- Explore opportunities in related spaces – Digital and Edu Toys .
- Focus on the 'ignite' Brand in the Gulf region.

# Healthcare Sector

 Pharmaceutical Import, Marketing and Distribution

 Pharmaceutical Manufacturing

 Hospitals

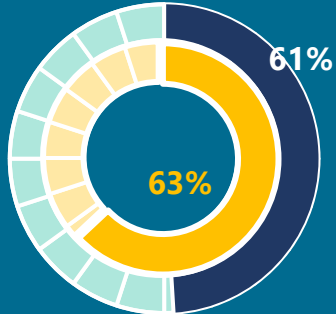


# Healthcare

## Contribution to Group

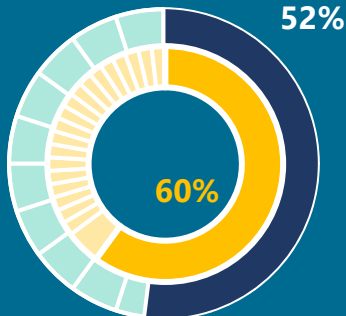
### Revenue %

- Q1 FY24
- Q1 FY23



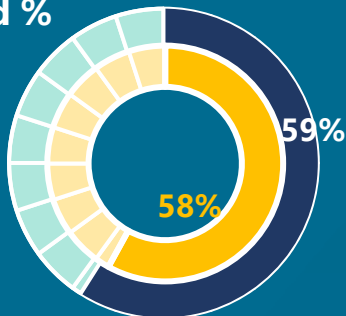
### EBITDA %

- Q1 FY24
- Q1 FY23



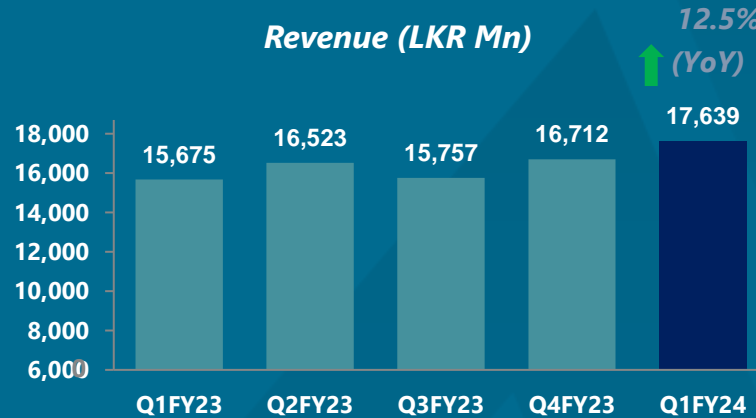
### Capital Employed %

- Q1 FY24
- Q1 FY23



## Sector Performance – Q1 FY 2023-24

### Revenue (LKR Mn)



### EBITDA (LKR Mn)

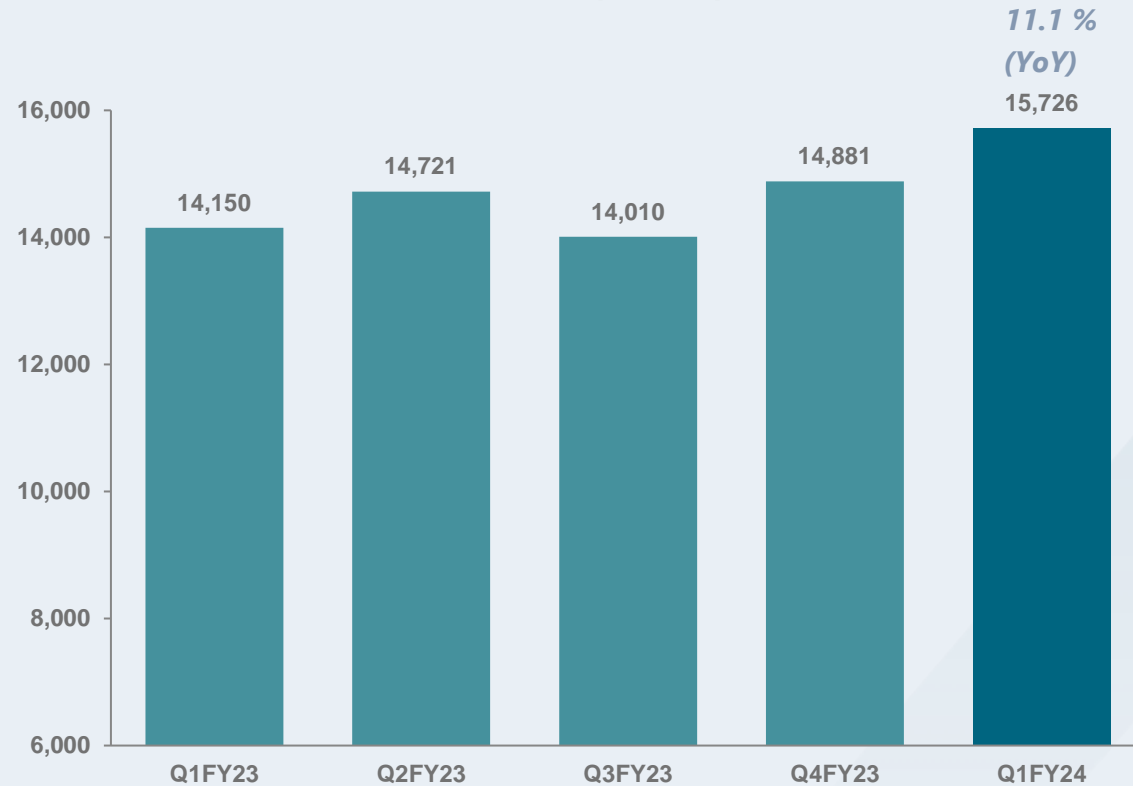


## Key Highlights

- The healthcare system continues to grapple with challenges, including shortages of essential drugs and the migration of doctors.
- Contraction witnessed in the demand for pharmaceuticals under deteriorating income levels, continued to be present.
- The total private market witnessed a double-digit contraction resulting from volume decline in both essential and non-essential categories.
- National Medicines Regulatory Authority (NMRA) granted approval for a 16% reduction in the maximum retail price of NMRA registered medicine.
- The industry remains concerned about the ad-hoc nature of price changes and acknowledges the urgent need for a transparent pricing mechanism.

# Pharmaceutical Import, Marketing, Distribution and Pharmaceutical Manufacturing

**Revenue (LKR Mn)**



## Revenue

- Pharmaceutical Distribution Arm of the Group prioritised the availability of essential medication in the market over profitability.
- Morison expanded its Branded Generics portfolio with the launch of "Bisomor", 2.5 mg and 5 mg variants.
- Price adjustments, Government market sales and increased revenue from Branded Generics drove the performance of the Sector.

## Profitability

- Amidst the challenges the Pharmaceutical Distribution Business reported a marginal growth in operating profits.
- Multiple restructuring and efficiency improvement projects were carried out with a view of improving operations and reduce margin pressure.

## Outlook

- Extending the branded generics portfolio to create a "Sri Lankan Brand" will be the key priority for the Manufacturing Arm of the Sector.
- Accelerating contract manufacturing, expanding into export markets and improving research and development efforts will contribute to the long-term value creation.



# Hospitals

**170+** Beds

**62%** Hospital occupancy

First hospital in Sri Lanka to implement fully fledged EHR system

**2** Hospitals      **40+** Lab network

**11%** 3M contribution to Healthcare revenue



**Revenue**

- Revenue increased under high occupancy at both the hospitals under improved medical admissions.
- Many key anchor specialties including Urology and Gastro-Enterology witnessed significant growth in value and volume terms.

**Profitability**

- Reduced surgical admissions adversely impacted the margins for the quarter.

**Outlook**

- Hospitals business will prioritise selected anchor and super specialties while improving digitisation efforts.

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
<b>IP revenue mix</b>	47%	49%	54%	48%	51%

# Mobility Sector



Maritime



Aviation

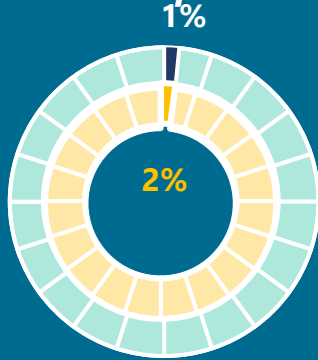


# Mobility

## Contribution to Group

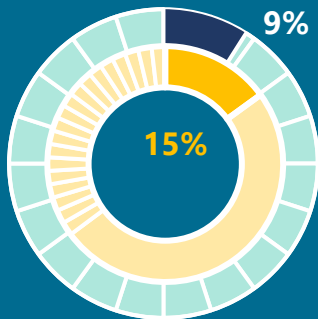
### Revenue %

■ Q1 FY24  
■ Q1 FY23



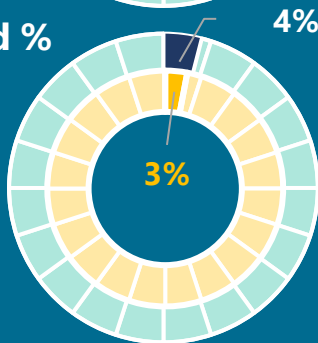
### EBITDA %

■ Q1 FY24  
■ Q1 FY23



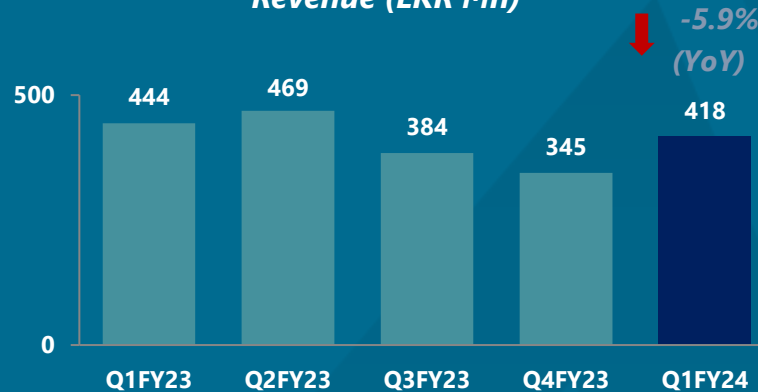
### Capital Employed %

■ Q1 FY24  
■ Q1 FY23

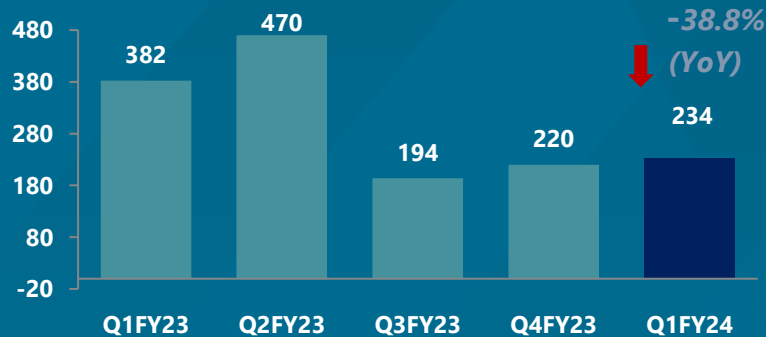


## Sector Performance – Q1 FY 2023-24

### Revenue (LKR Mn)



### EBITDA (LKR Mn)



## Key Highlights

- Port of Colombo witnessed a 11.5 % and 7.8 % growth in transshipment and total throughput volumes during the quarter, partially attributed to a lower base from the previous year.
- Maritime sector was adversely impacted by the global slowdown, despite observing a greater extent of stabilisation in global freight rates.
- Passenger segment is on a growth trajectory, and there has been a resurgence in travel from Colombo, particularly in student and labour travel.
- The cargo market faced a decline in volumes for perishables and general cargo to key markets.

# Environmental and Social Impact

TACKLING MARINE POLLUTION



78,000+

Plastic Collected

PROVIDING WIGS TO CANCER PATIENTS



400+

Women

CREATING EQUAL LEARNING OPPURTUNITY



7,000+

Children, Teachers and Parents

CREATING QUALITY EDUCATION EXPERIENCE



17,000+

Children

SUPPORTING VULNERABLE COMMUNITIES AND BUILDING A SOCIAL SECURITY NET



8,000+

Families

# Sustainability Performance Q1 2023-24 vs Q1 2022-23



## Carbon Footprint

(per Rs. Mn Revenue)

13.3% ↓

0.13MT



## Water Consumption

(per Rs. Mn Revenue)

11.8% ↓

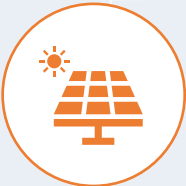
1.5 m<sup>3</sup>



## Waste Recycled, Reused, or Recovered

4% ↑

64 %



## Renewable Energy Generated

342% ↑

117,348k Wh



## Values of Fines for Non-Compliance with Laws and Regulations in the Social Economic Area

NONE



## Total Work-Related Injury Rate

(per 100 employee)

0.2



## Training Hours and Development

(Hours)

3 % ↑

11,953



## Gender Diversity

(female employees)

1% ↑

29 %

# Focus Areas

## **Grow Market Share**

**Develop value creating products to cater to the evolving needs of the customers**

**Expanding the export footprint with high focus in Bangladesh**

**Develop a strong Sri Lankan private brand of generics under Morison**

**Establish presence in new international markets**

**Acquisitions/expansion in consumer and healthcare**

**Grow in the Learning space by moving into adjacent spaces**

**Maintaining an optimum liquidity position**

**Invest in optimising resources and upscaling talent**





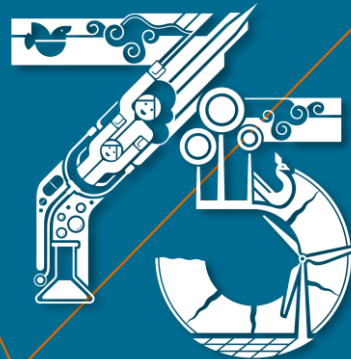
# Disclaimer

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## THANK YOU!

# HEMAS



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