



Hemas Holdings PLC

Investor Presentation- Q2 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
147mn

Market
Capitalisation

35%

Free Float

USD
292mn

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

"Reduced consumer demand across the sectors amidst inflationary pressure"

1.3%

CCPI

0.8%

NCPI

YoY change (Sept 2023 vs Sept 2022)

✓ Appreciation of LKR

"Positive impact from reduced RM costs and import expenditure mainly for HPC, Atlas and Pharma"

10.9%

\$/Rs

YoY change (Sept 2023 vs Sept 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"

-8.7%

Palm Oil

4.2%

Crude Oil

YoY Change (Sept 2023 vs Sept 2022)

✓ Interest Rates

"A gradual decline in AWPLR was witnessed during the year easing the pressure on finance cost to a certain extent"

-7.5 pts

AWPLR

Change in monthly rate (Sept 2023 vs April 2023)

✓ Tax Reforms

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

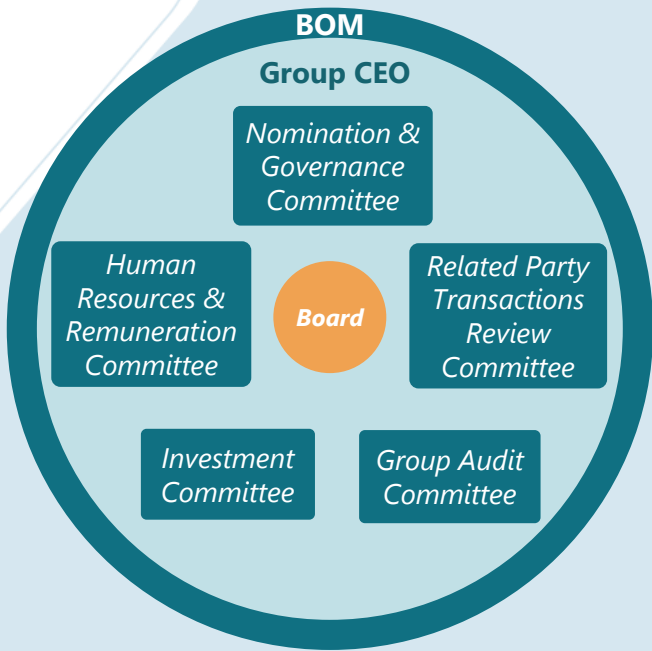
18%

Increase in
electricity tariff
Oct 2023

1.2 Mn

Personal tax relief
threshold

"Amidst the progress made in the domestic debt optimisation efforts and external debt restructuring discussions the disbursement of the second tranche of the IMF loan is anticipated in the near future."



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 15.3%

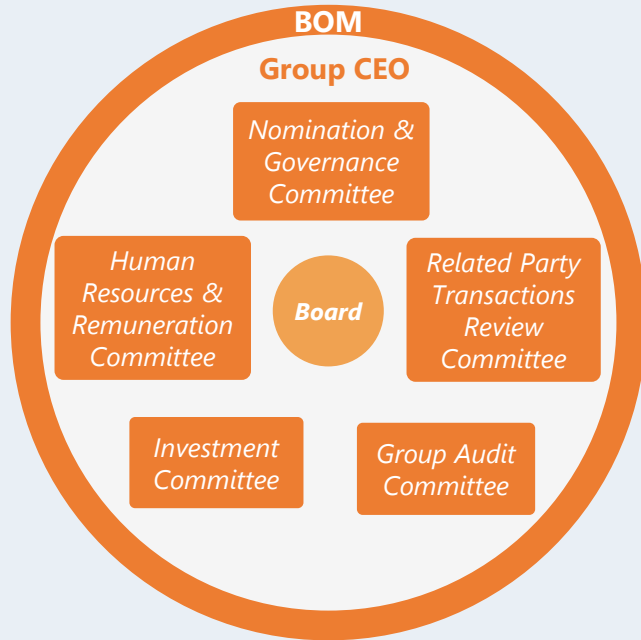
AAA (Ika)
FitchRatings

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 6 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 not-withstanding 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%

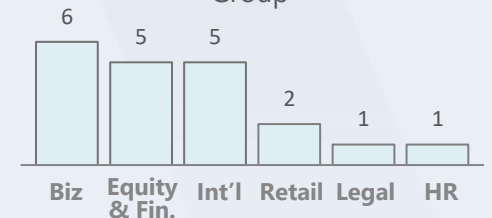
Board Size

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

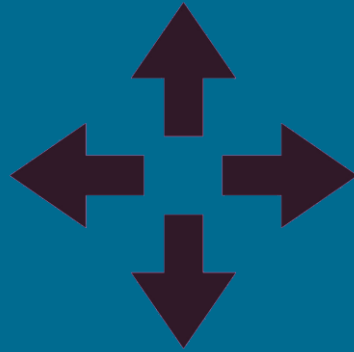


Strategic Building Blocks



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



'Prasara' body purifying tonic



'Clogard' Smart clean dual pack



'Kolombo' Pure Coconut Oil in Bangladesh

Additions to the 'Gold' and 'Goya' portfolio



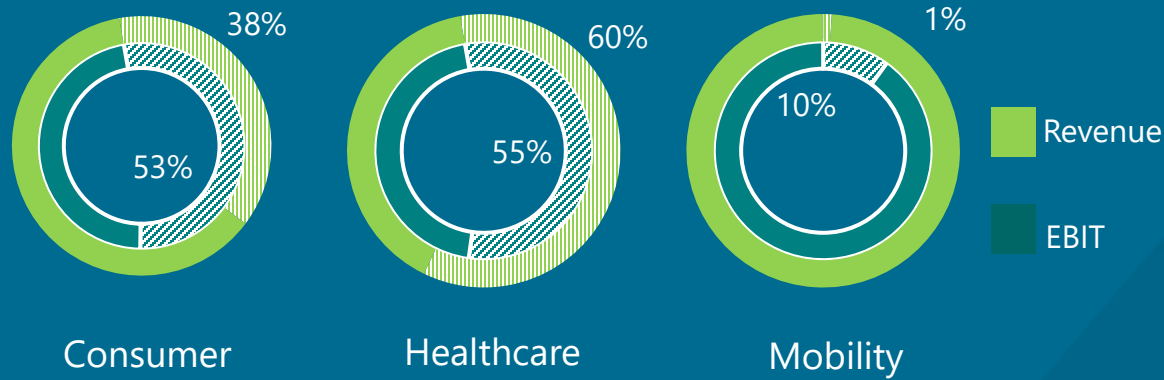
Pharmaceutical Manufacturing



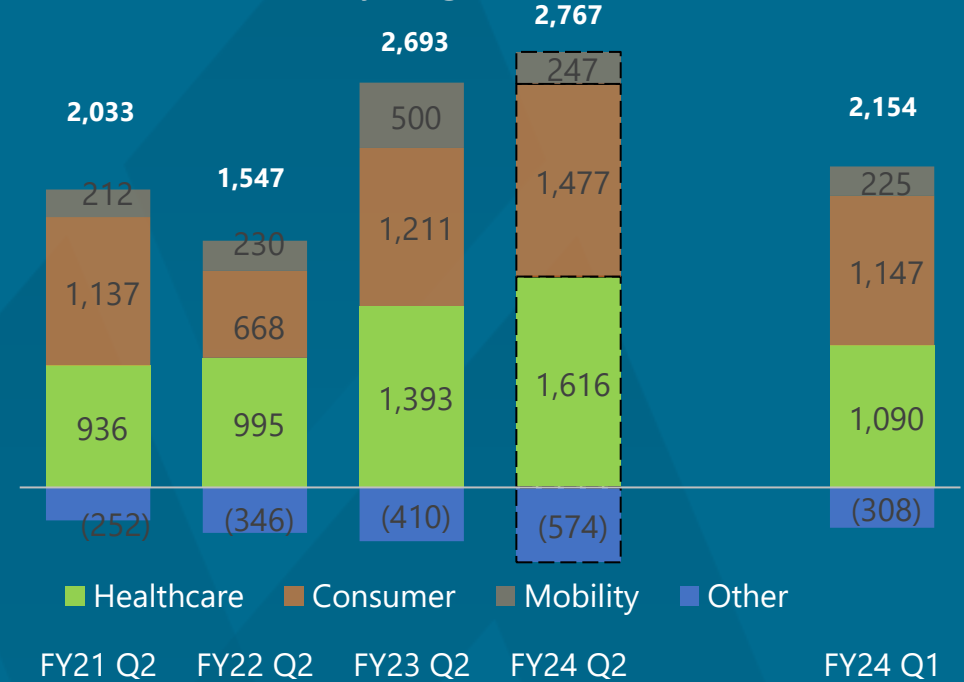
'TaZcip (Sitagliptin BP 50mg and 100mg) contract manufacturing for 'Cipla'

Financial Snapshot

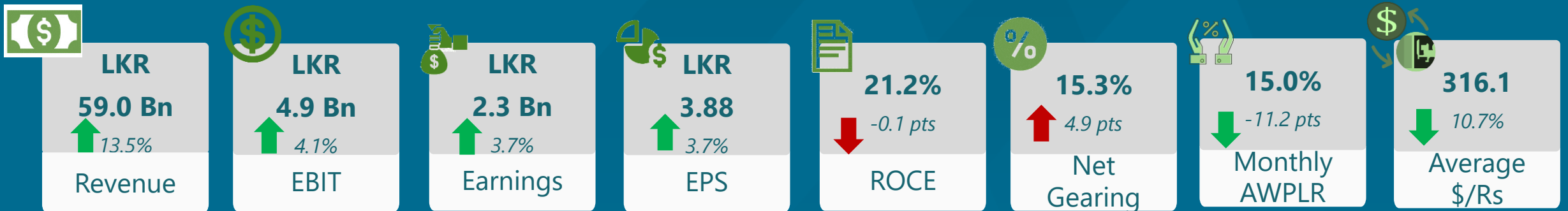
6M contribution to the Group



EBIT By Segment (LKR million)

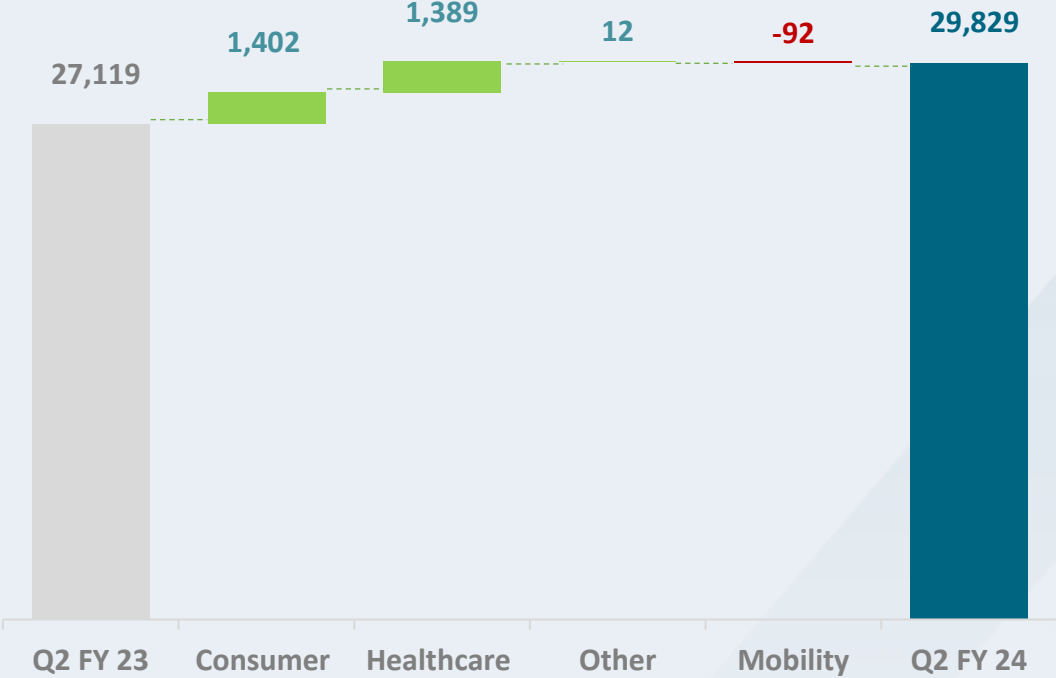


6M Performance FY 24 vs FY23

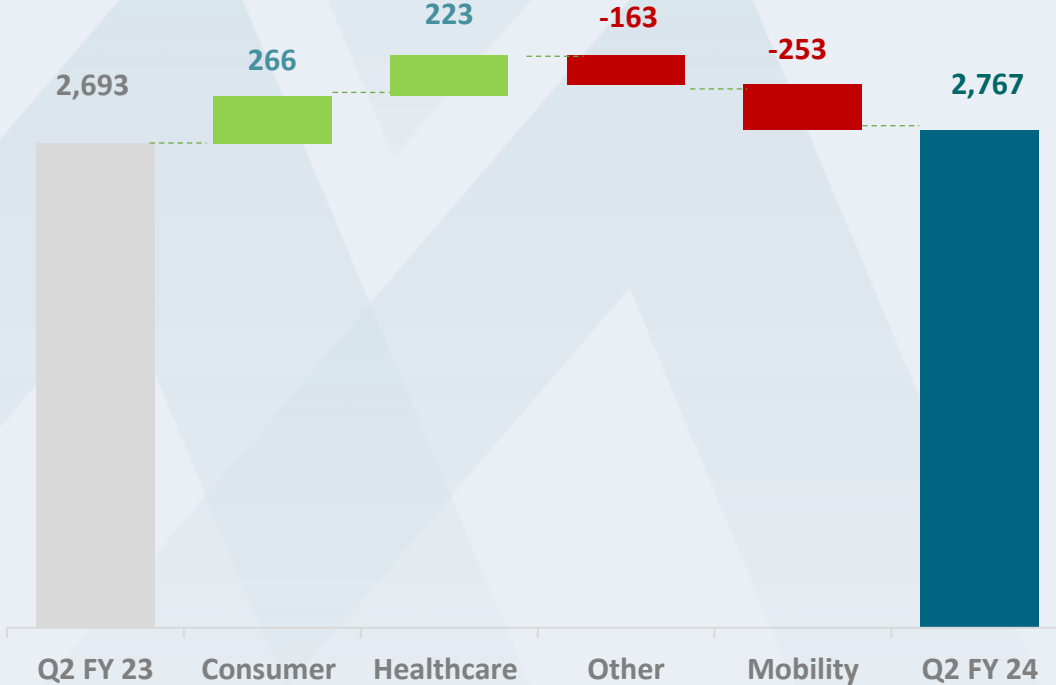


Sector Performance Summary – Q2 FY 2023-24

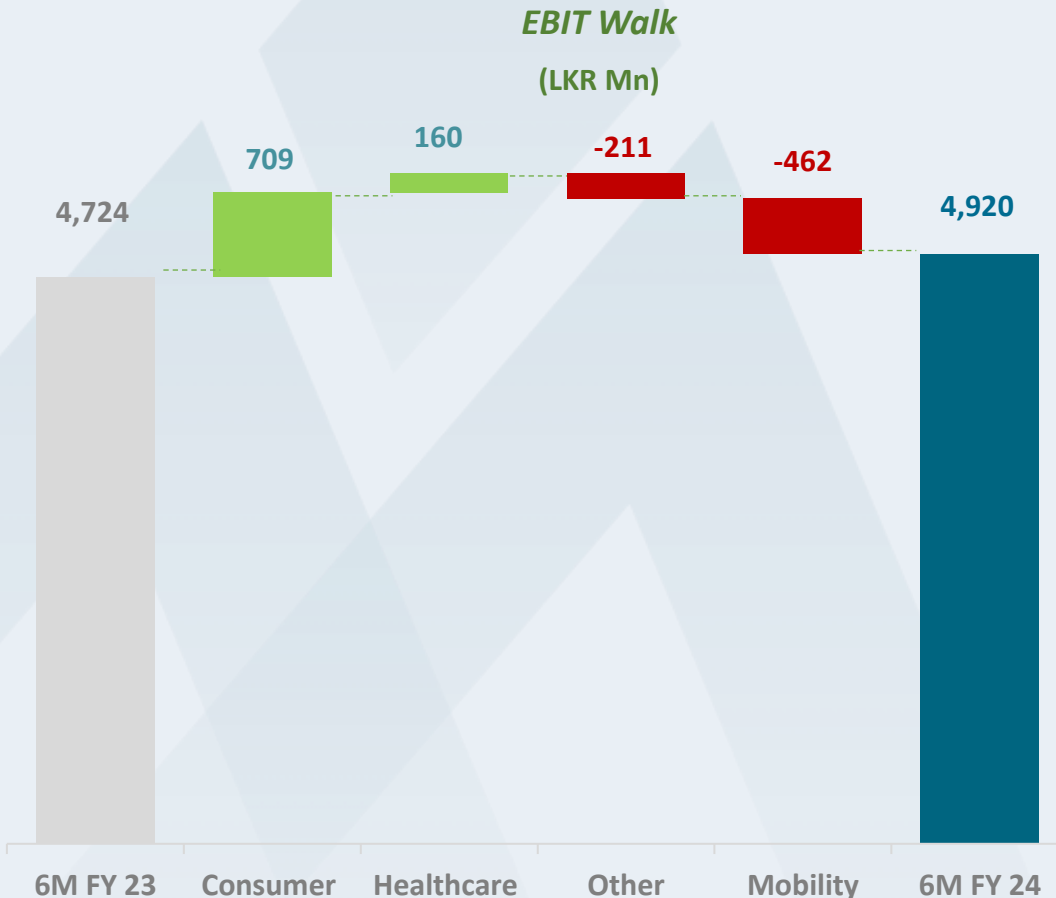
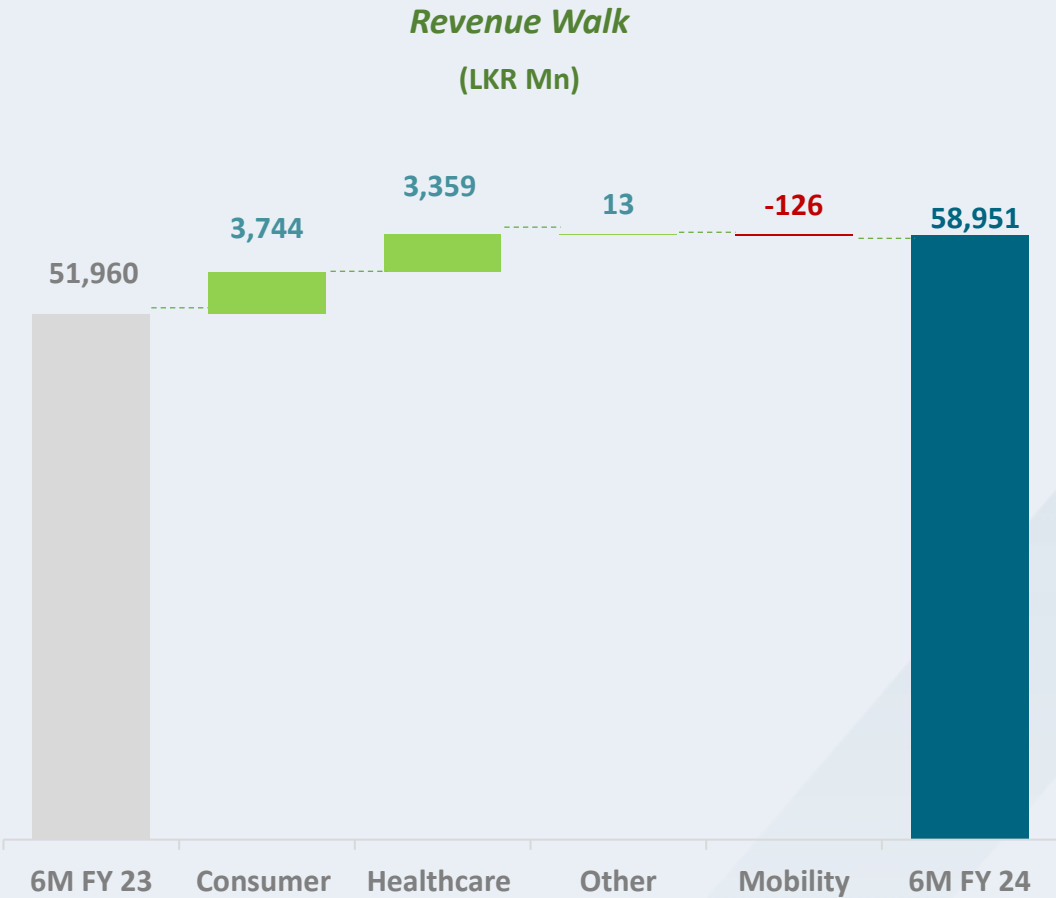
Revenue Walk
(LKR Mn)



EBIT Walk
(LKR Mn)

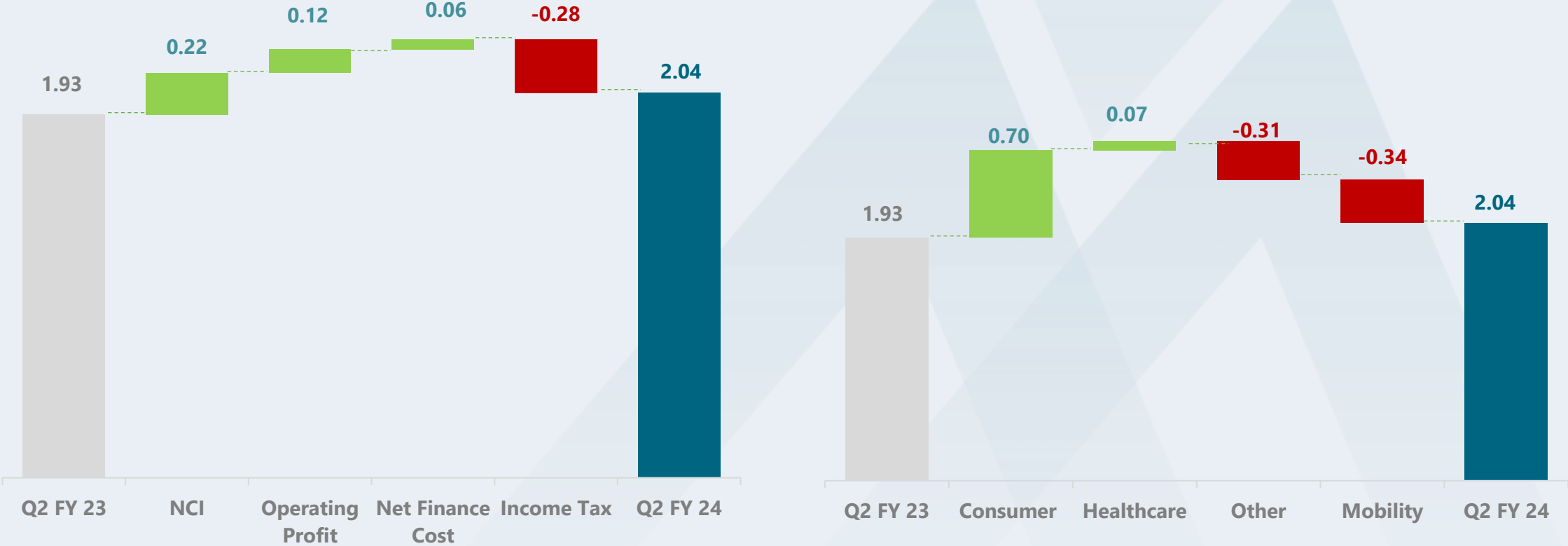


Sector Performance Summary – 6M FY 2023-24



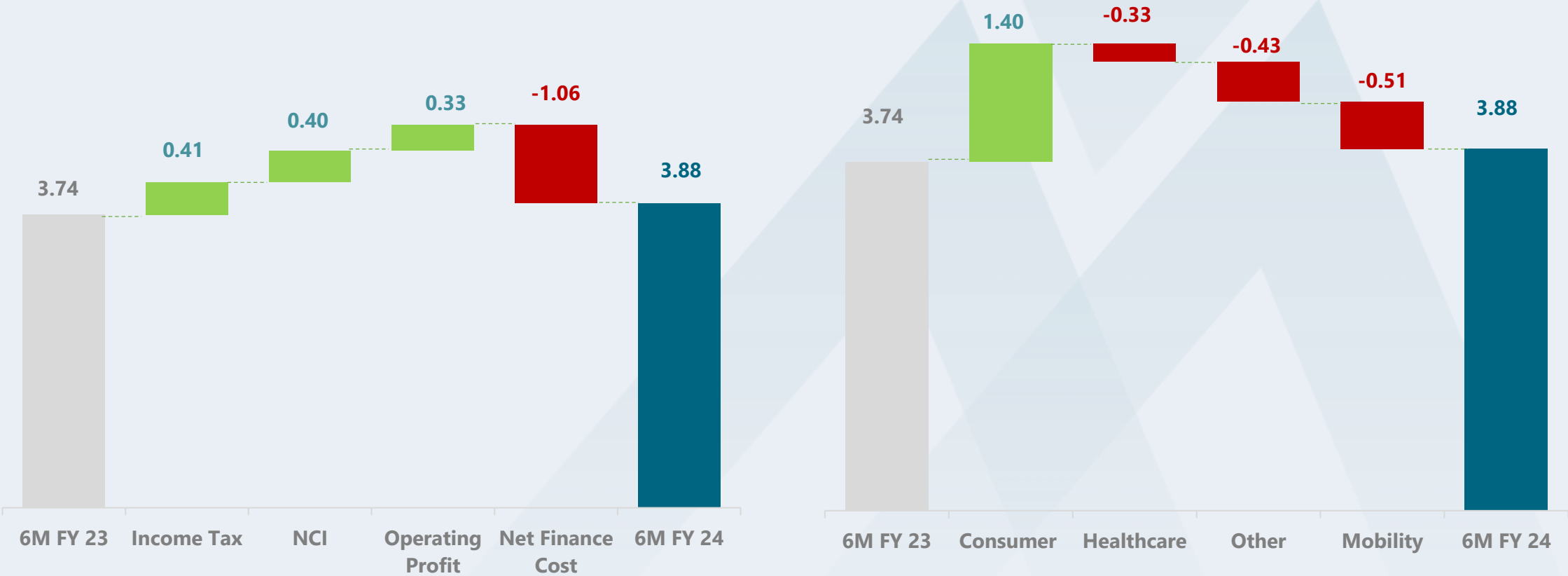
Continuing Operation EPS – Q2 FY 2023-24

EPS Walk
(LKR Per Share)



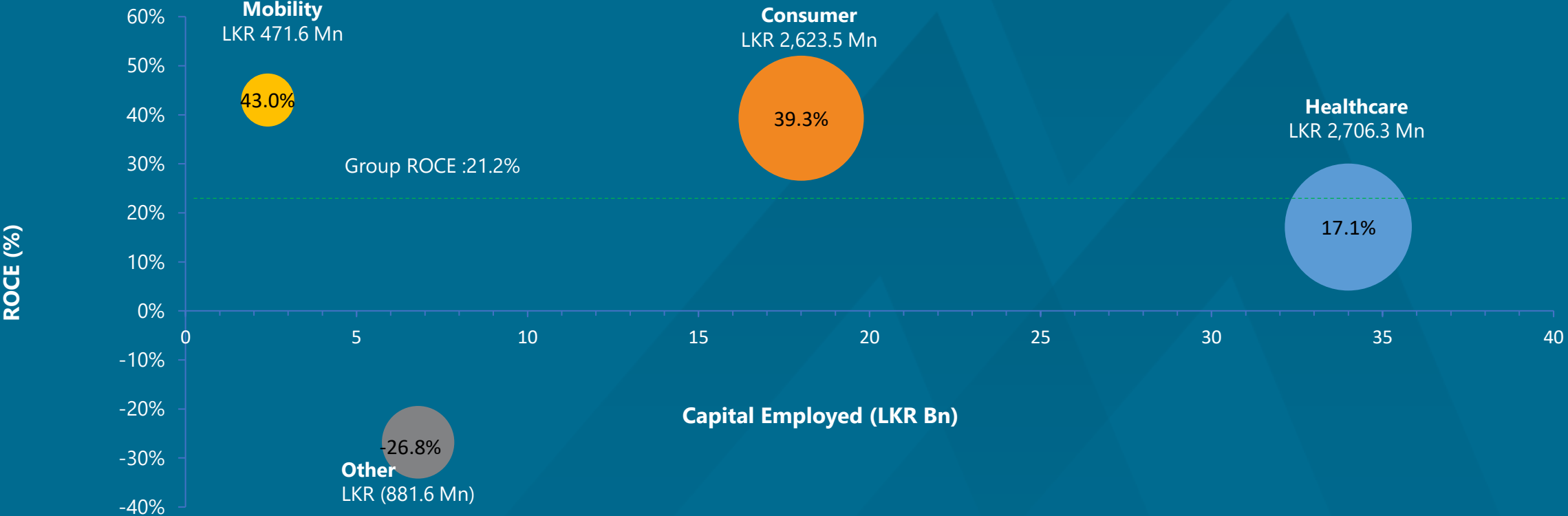
Continuing Operation EPS – 6M FY 2023-24

EPS Walk
(LKR Per Share)



Capital Employed – Q2 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

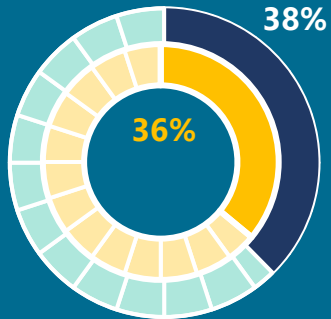


Consumer Brands

Contribution to Group

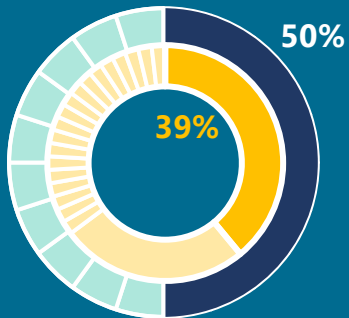
Revenue %

- 6M FY24
- 6M FY23



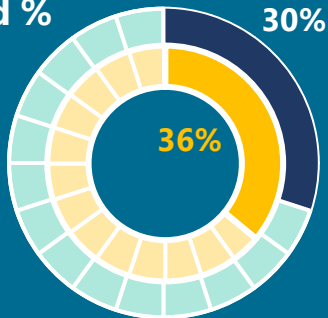
EBITDA %

- 6M FY24
- 6M FY23



Capital Employed %

- Q2 FY24
- Q2 FY23

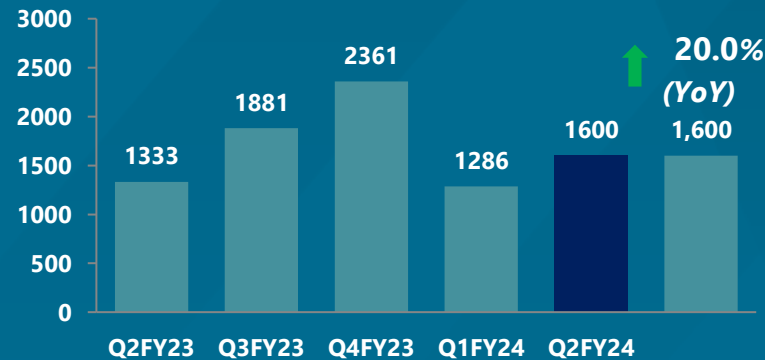


Sector Performance – 6M FY 2023-24

Revenue (LKR Mn)



EBITDA (LKR Mn)



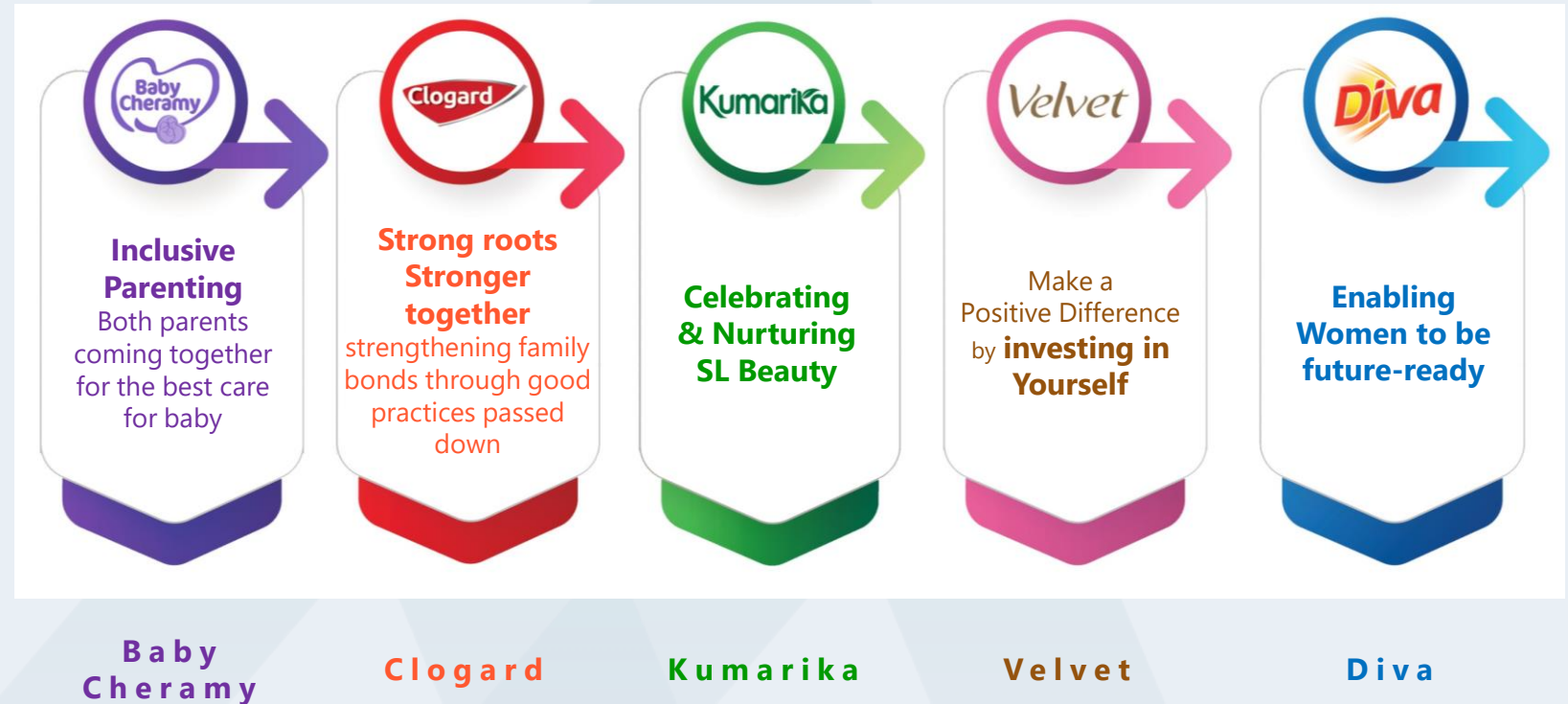
Key Highlights

- Amidst the inflationary pressure, consumers continued to curtail consumption and opt for value-for-money alternatives.
- Overall market performance during the quarter fell short of expectations with many categories witnessing contractions despite the price discounts.
- The stationery market continued to be increasingly competitive, and the value-for-money segments gained high traction.
- Bangladesh economy continued to witness challenges amidst over 9% inflation, Taka depreciation and depleting reserves.

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
- 9%** 6M volume growth
- 78k+** Direct outlet coverage
- 70%** 6M contribution to Consumer Brands revenue



Home and Personal Care – International

2

Geographies
Bangladesh & West Bengal

2

Key categories
Hair Oil and Health Soap

14%

Market share in VAHO
(Bangladesh – Q1 FY24 Data)

4K

Retailers reached in
Bangladesh

7%

6M 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.
- Entered the Pure CNO category with "Kolombo Pure Coconut Oil"



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 – Q1'23/24

Home and Personal Care – Sri Lanka and International

Sri Lanka

Revenue

- Prices were maintained in line with the market, while securing higher market share.
- Margin pressure was eased to an extent under stable exchange rates and declining global commodity prices.
- However, demand continued to be affected by the increased cost of living.
- 'Prasara' introduced its latest addition to the portfolio, the body purifying tonic.

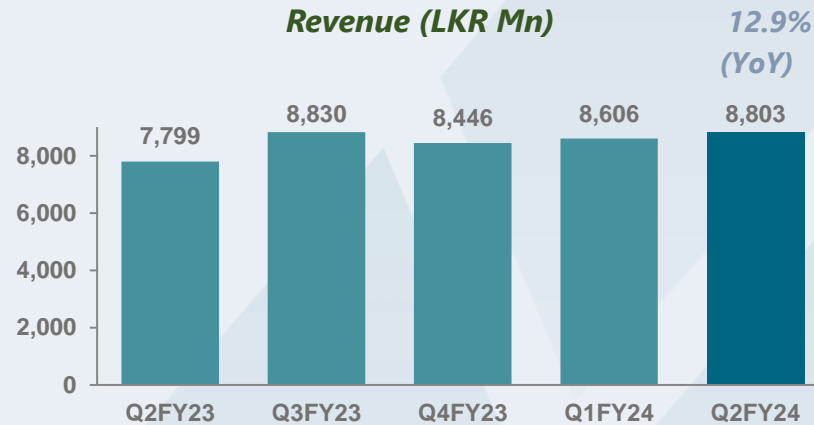
Profitability

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

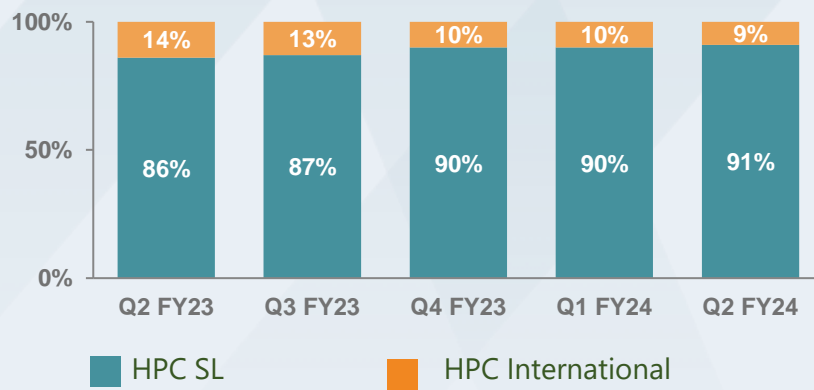
Outlook

- Exploring opportunities in underpenetrated areas and driving premiumisation will be priority areas.
- Extending the reach in global markets with a special focus in Asian, Gulf and East African regions.

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.
- Entered the pure coconut hair oil market with 'Kolombo'.

Profitability

- Increased operational costs and the currency devaluation adversely impacted the margins for 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

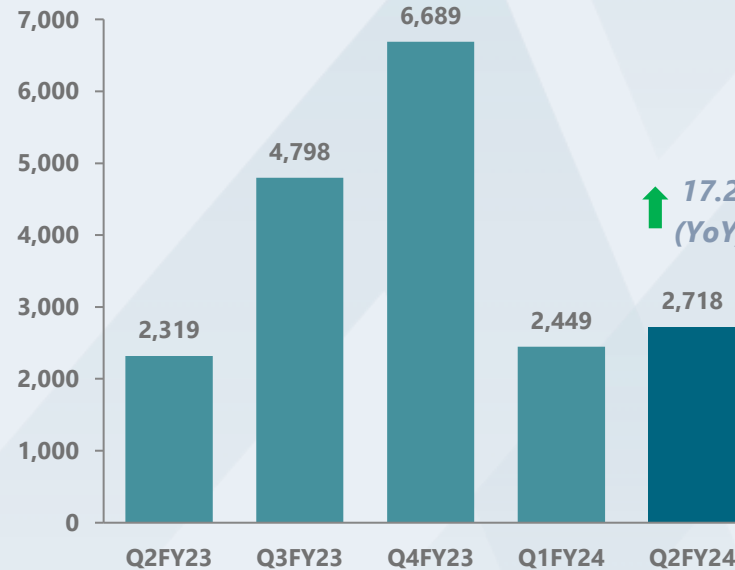
50+k

Outlet coverage across Sri Lanka

23%

6M Contribution to Consumer Brands revenue

Revenue (LKR Mn)



Revenue

- Atlas maintained its market share with volume-led growth.
- 'Homerun' stationery line was launched as an accessible and cost-effective range for consumers.


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 expand the export footprint.
- Explore opportunities in related spaces – Digital and Edu Toys .

Healthcare Sector

 Pharmaceutical Import, Marketing and Distribution

 Pharmaceutical Manufacturing

 Hospitals

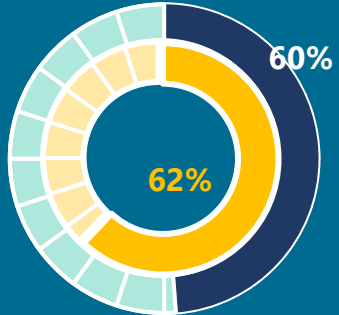


Healthcare

Contribution to Group

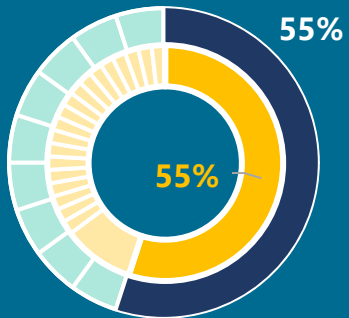
Revenue %

6M FY24
6M FY23



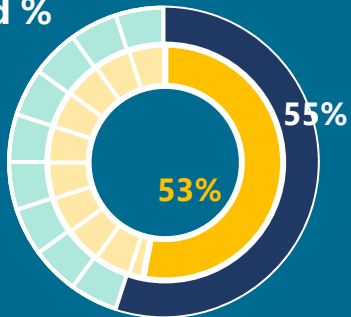
EBITDA %

6M FY24
6M FY23



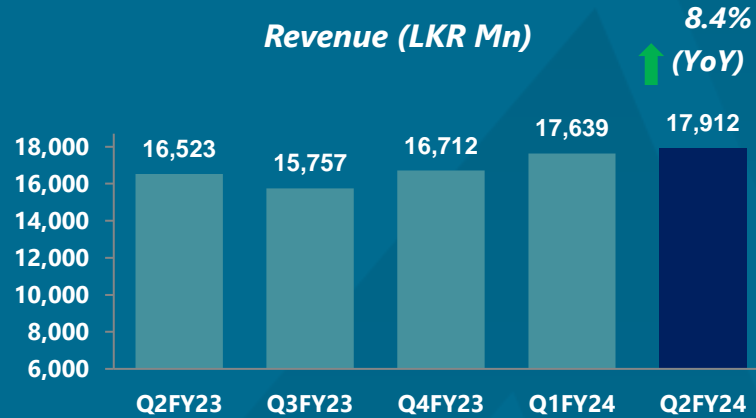
Capital Employed %

Q2 FY24
Q2 FY23

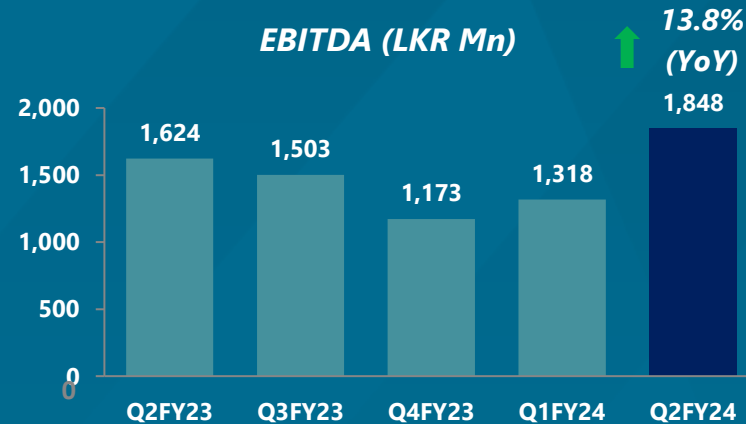


Sector Performance – 6M FY 2023-24

Revenue (LKR Mn)



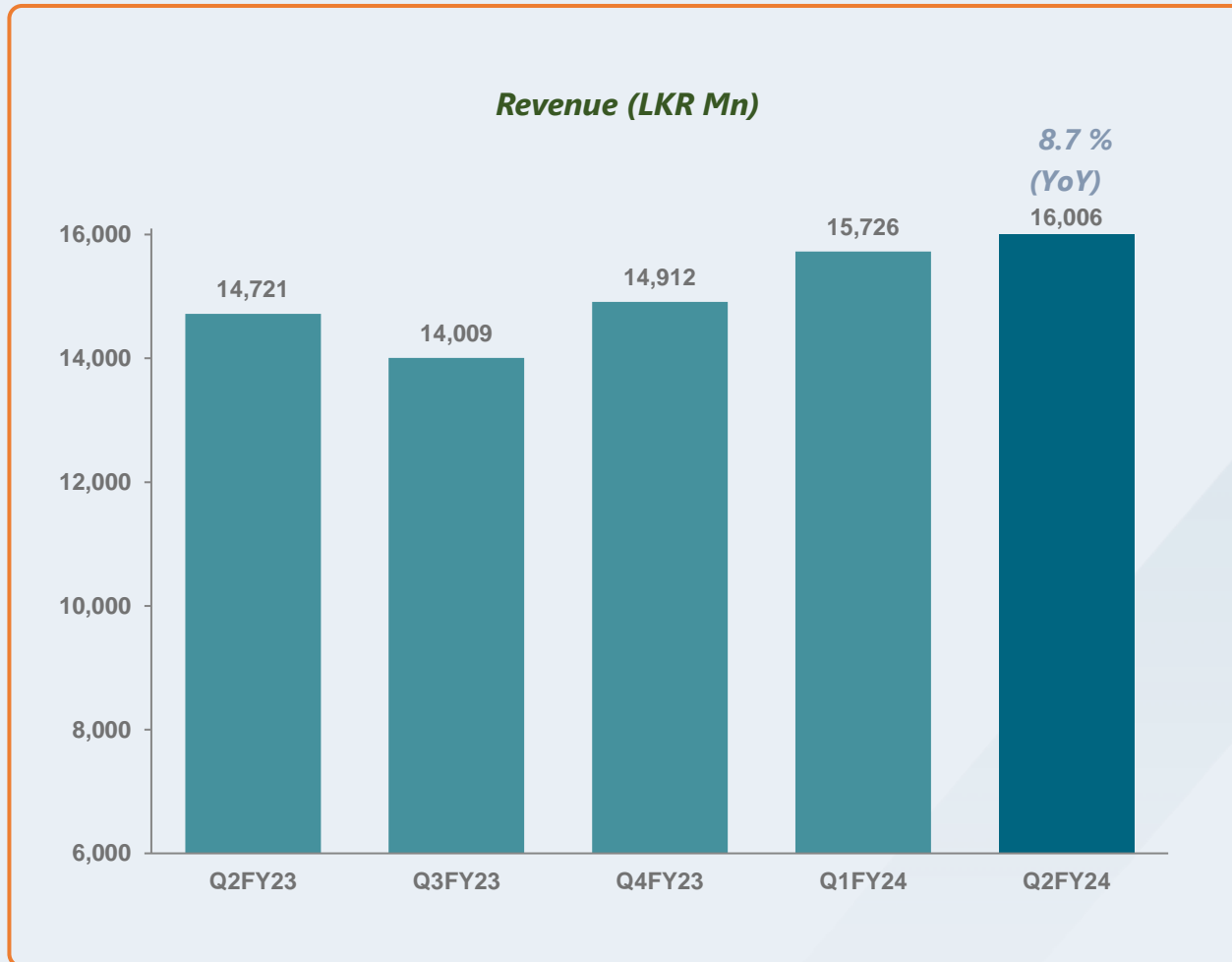
EBITDA (LKR Mn)



Key Highlights

- Healthcare landscape continued to face heightened difficulties, including shortages of medicines and migration of doctors and other healthcare workers.
- Double-digit contraction witnessed in the preceding quarter in the private market eased in the quarter into a single digit decline.
- Industry stakeholders are persistently advocating for a transparent pricing mechanism that accurately reflects the cost structure on a timely manner.
- Surgical admissions continued to remain at a lower-level while medical admissions witnessed a double-digit increase.

Pharmaceutical Import, Marketing, Distribution and Pharmaceutical Manufacturing



Revenue

- The Distribution vertical introduced over 20 new products during the quarter, ensuring availability and choice in many key therapeutic segments.
- Morison ventured into third party manufacturing by producing 'Sitagliptin', a medication used in the treatment of type 2 diabetes
- Volume growth, 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

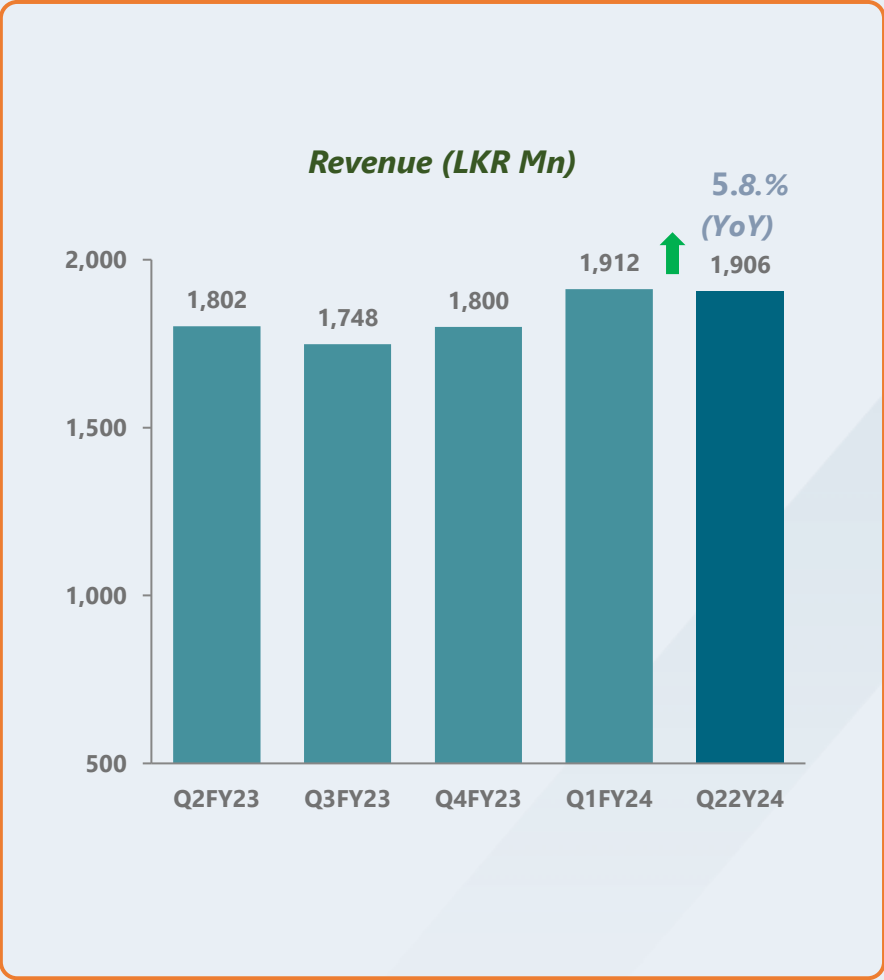
170+ Beds

57% Hospital occupancy

First hospital in Sri Lanka to implement fully fledged EHR system

2 Hospitals **40+** Lab network

11% 6M contribution to Healthcare revenue



Revenue

- Revenue increased under high occupancy at both the hospitals due to improved medical admissions.
- Revenue from key anchor specialties including Nephrology, Cardiology and Gastro-Enterology continued to witness double digit growth.

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.

	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
IP revenue mix	49%	54%	48%	51%	54%

Mobility Sector



Maritime



Aviation

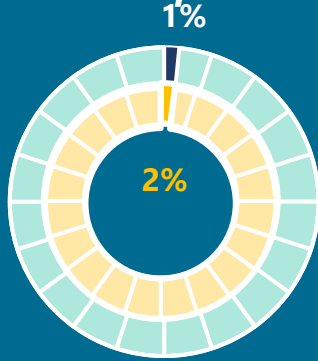


Mobility

Contribution to Group

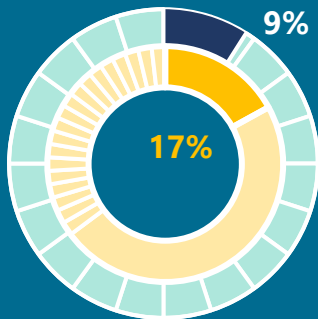
Revenue %

6M FY24
6M FY23



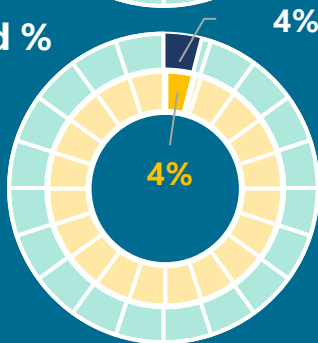
EBITDA %

6M FY24
6M FY23



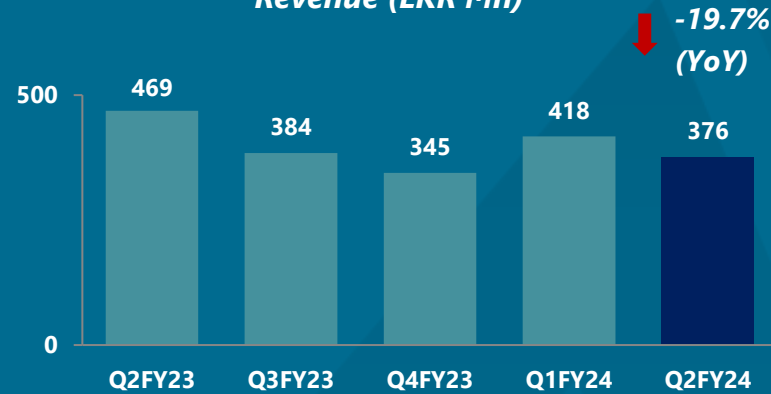
Capital Employed %

Q2 FY24
Q2 FY23

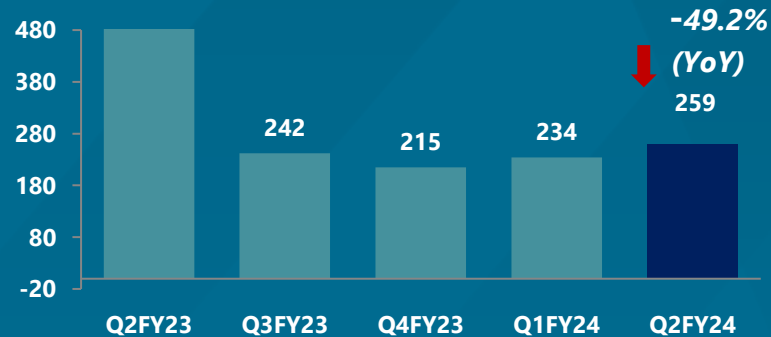


Sector Performance – 6M FY 2023-24

Revenue (LKR Mn)



EBITDA (LKR Mn)



Key Highlights

- Stemming from lower base from the previous year, the Port of Colombo observed a notable upturn, with transshipment and total throughput volumes registering growth of 9.5 % and 7.7 %.
- Both import and export activities to and from the country encountered the effects of a global economic slowdown affecting the Maritime business.
- In the Aviation vertical , the growth in cargo was supported by the relative improvements in exports, while the passenger sector benefited from increased business and student traffic.

Our Commitment to ESG

ADDRESSING MARINE POLLUTION



190,000+ KG

Plastic Collected

PROVIDING WIGS TO CANCER PATIENTS



587

Women

CREATING A SAFER WORLD



4,000+

Families

CREATING EQUAL LEARNING OPPURTUNITY AND QUALITY EDUCATION EXPERIENCES



74,000+

Children, Teachers and Parents

TACKLING PERIOD POVERTY



12,000+

Women

TACKLING DIABETES



3,000+

Diabetes Tests

ENSURING NO CHILD IS LEFT BEHIND



63

Piyawara Pre-Schools

TACKLING MALNUTRITION IN CHILDREN



1,097+

Children and Families

Sustainability Performance – Q2 FY 24 vs Q2 FY23



Carbon Footprint
(per Rs. Mn Revenue)

0.14MT



Water Consumption
(per Rs. Mn Revenue)

6.2% ↑

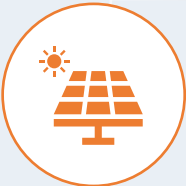
1.7 m³



Waste Recycled, Reused, or Recovered

4% ↑

74 %



Renewable Energy Generated

650% ↑

243,624 kWh



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

NONE



Total Work-Related Injury Rate
(per 100 employee)

0.1



Training Hours and Development
(Hours)

11% ↑

16,523



Gender Diversity
(female employees)

1% ↓

30 %

Focus Areas

Corporate Priorities



- Accelerating the M&A opportunities**
- Driving digital transformation**
- Strategic cost savings and maintaining optimum liquidity under working capital management initiatives**



BU Priorities

Consumer

- Focus on Personal care, Beauty and wellness with a drive for premiumiation and exploring underpenetrated Markets**
- Strengthening value propositions to grow market share**
- Accelerate exports and international expansion through ODM/OEM**
- Increase efficiency via digitisation initiatives**

Healthcare

- Build the Morison brand by capitalising on existing launches and developing a strong Sri Lankan private brand of generics**
- Invest in new business commercialisation, growth in under indexed TCs, adjacencies and diagnostic business**
- Focus on anchor specialties and expansions in the Hospitals business**
- Digitalisation and effective working capital management**

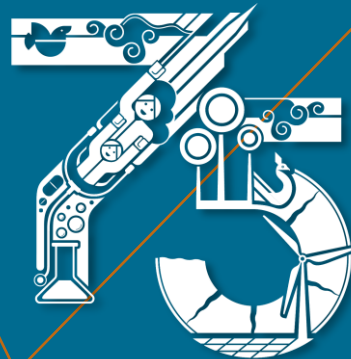
Disclaimer

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THANK YOU!

HEMAS



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