



Hemas Holdings PLC

Investor Presentation- Q3 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

123mn

Market
Capitalisation

37%

Free Float

USD

303mn

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"

4.0%

CCPI

4.2%

NCPI

YoY change (Dec 2023 vs Dec 2022)

✓ Stable Exchange Rates

"Positive impact from reduced RM costs and import expenditure for key BUs"

10.8%

\$/Rs

YoY change (Dec 2023 vs Dec 2022)

✓ Global Commodity prices

"Favourable Impact of reduced prices of key commodities contributed to ease the rising margin pressure from domestic inflation"

-13.4%

Palm Oil

3.7%

Crude Oil

YoY Change (Dec 2023 vs Dec 2022)

✓ Interest Rates

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

-15.8 pts

AWPLR

Change in monthly rate (Dec 2023 vs Dec 2022)

✓ Tax Reforms

"Adverse impact of increased tariff on electricity and changes to the VAT laws continues to deteriorate consumer spending capacity"

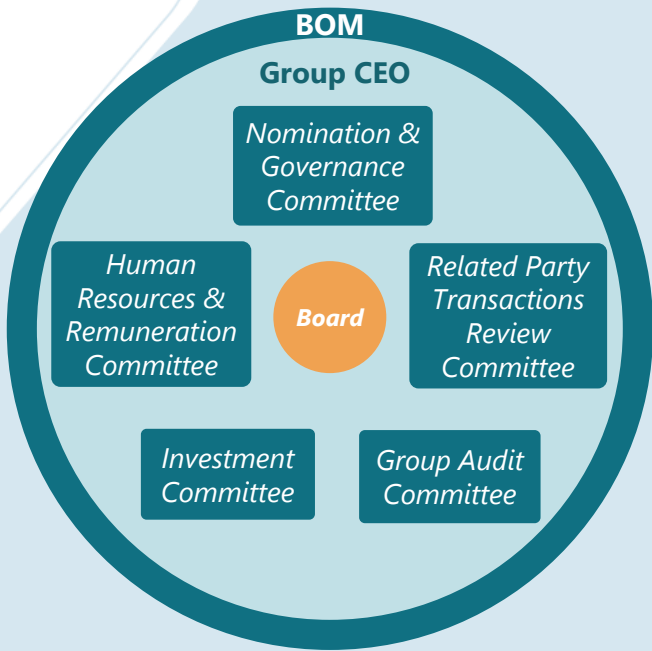
18%

VAT Rate With effect from January 2024

1.2 Mn

Personal tax relief threshold

"The IMF Executive Board successfully completed the First Review Under the Extended Fund Facility Arrangement with Sri Lanka in December 2023"



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 15.1%

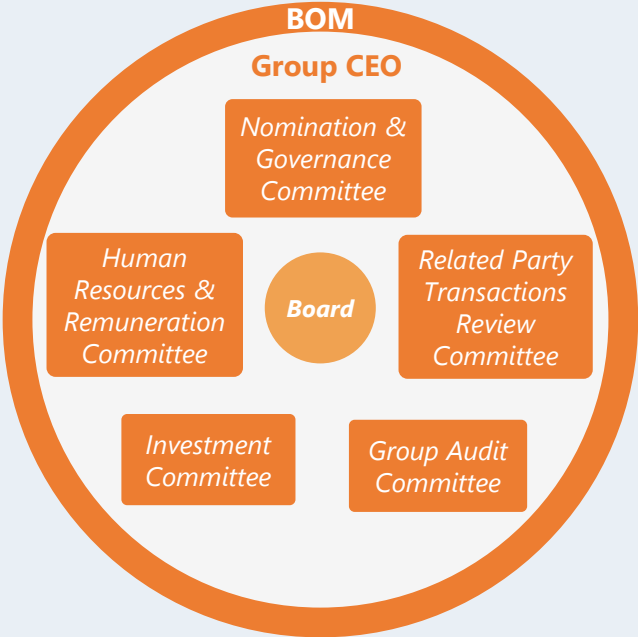
AAA (Ika)
FitchRatings

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%

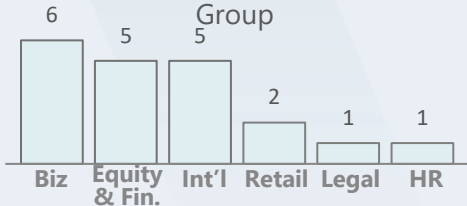
Board Size

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

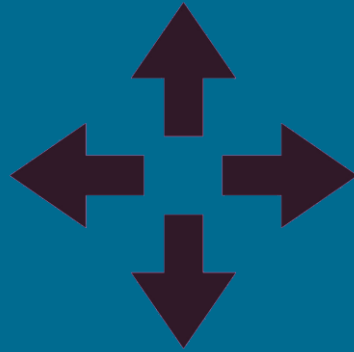


Strategic Building Blocks



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



Additions to the 'Velvet Naturals' Range



New 'Clogard Pancha Shakthi' toothpaste



'Clogard' Pro Clean



'Diva' Diriya 1kg Pack

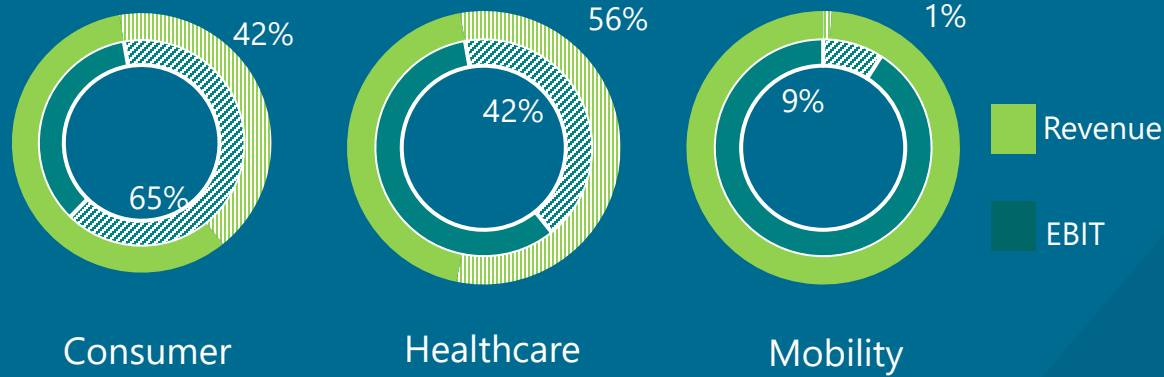
Learning Segment



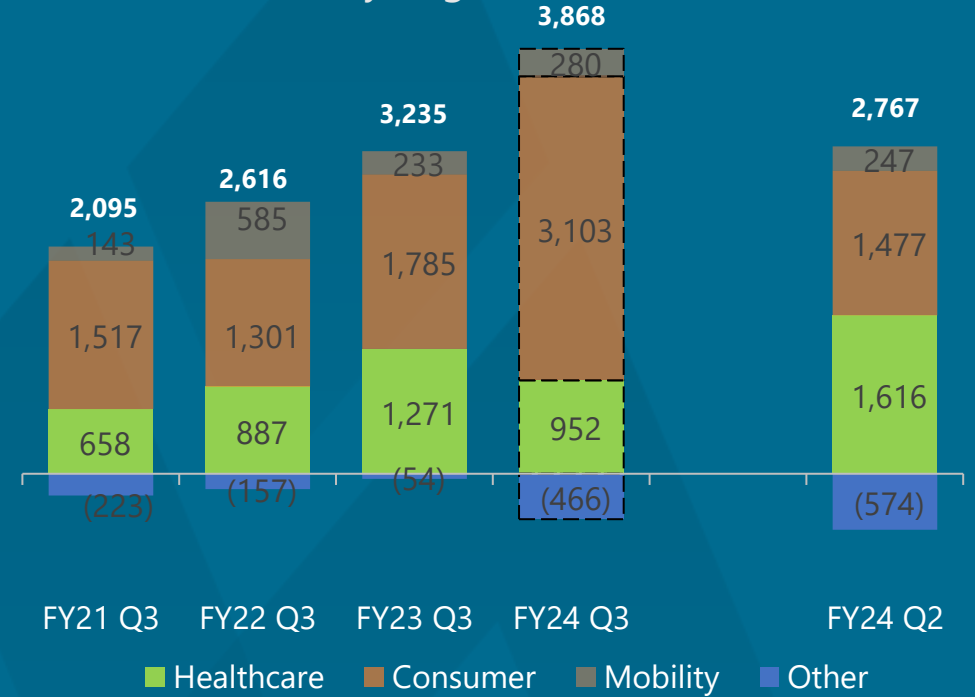
Atlas 'Thematic Cross Category Range'

Financial Snapshot

9M contribution to the Group



EBIT By Segment (LKR million)

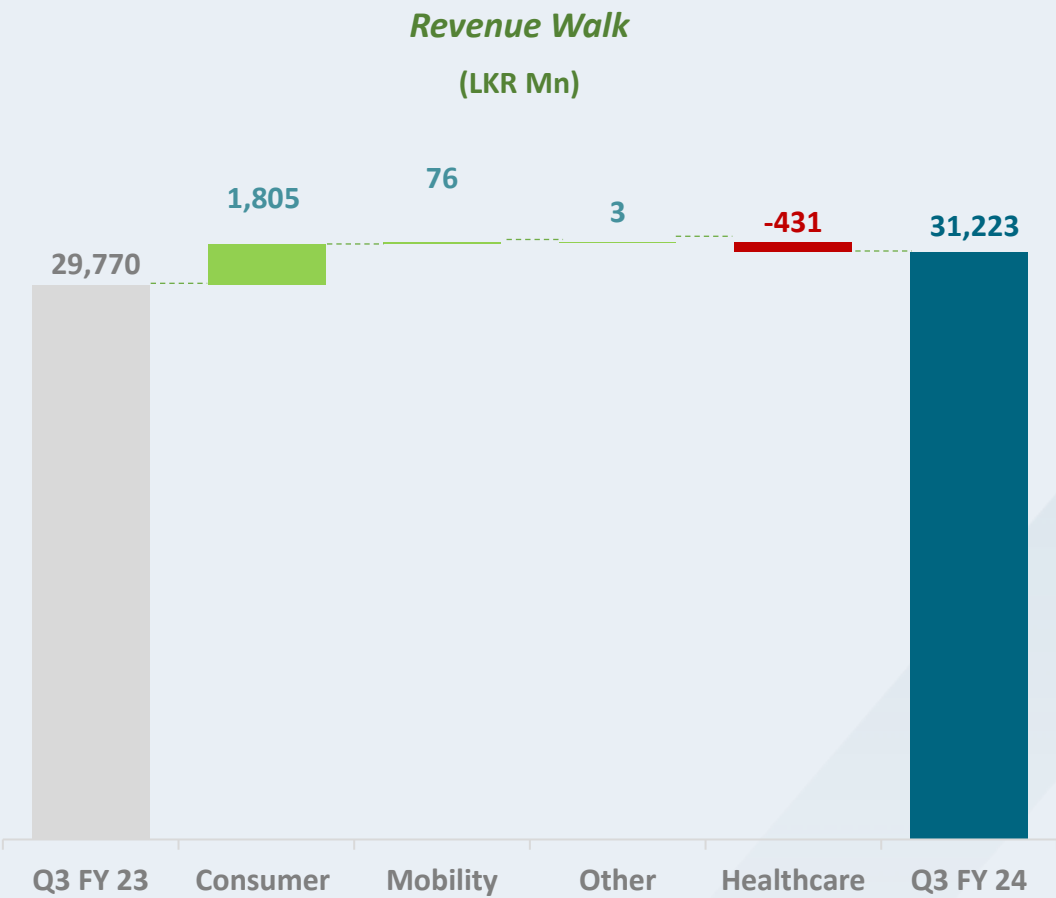


9M Performance FY 24 vs FY23

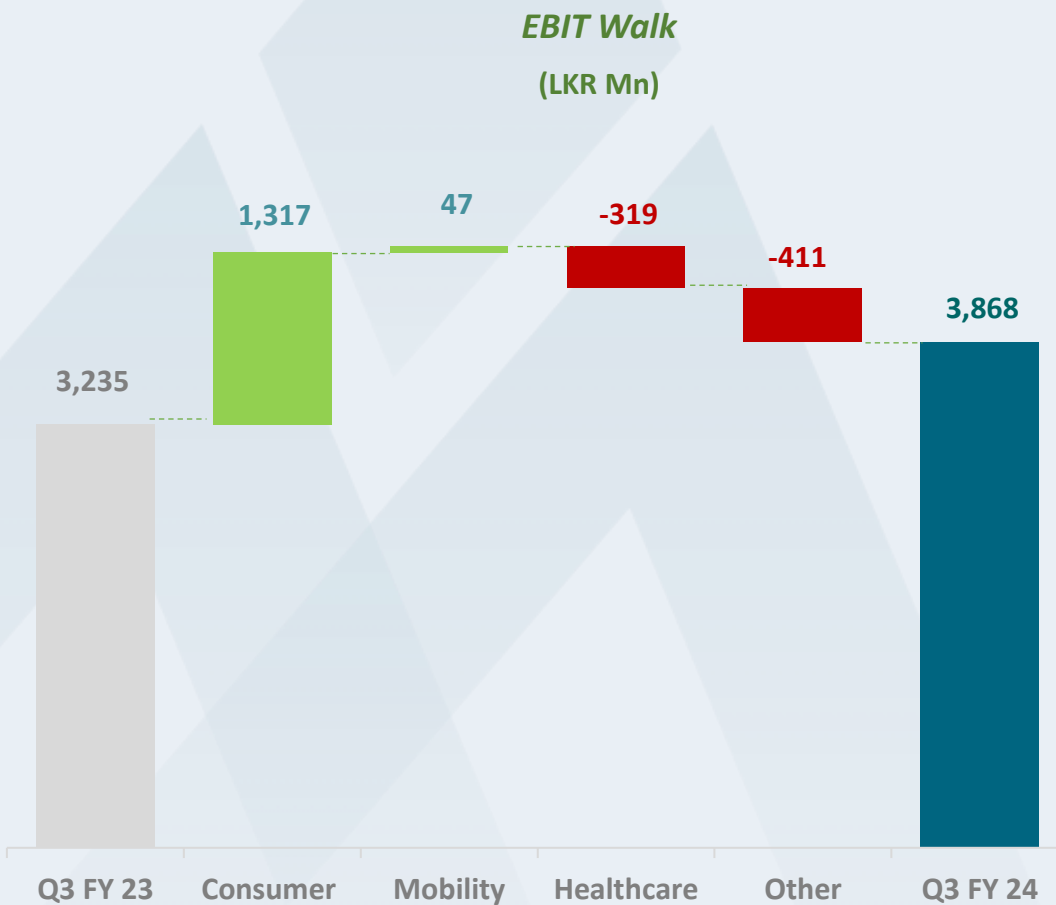


Sector Performance Summary – Q3 FY 2023-24

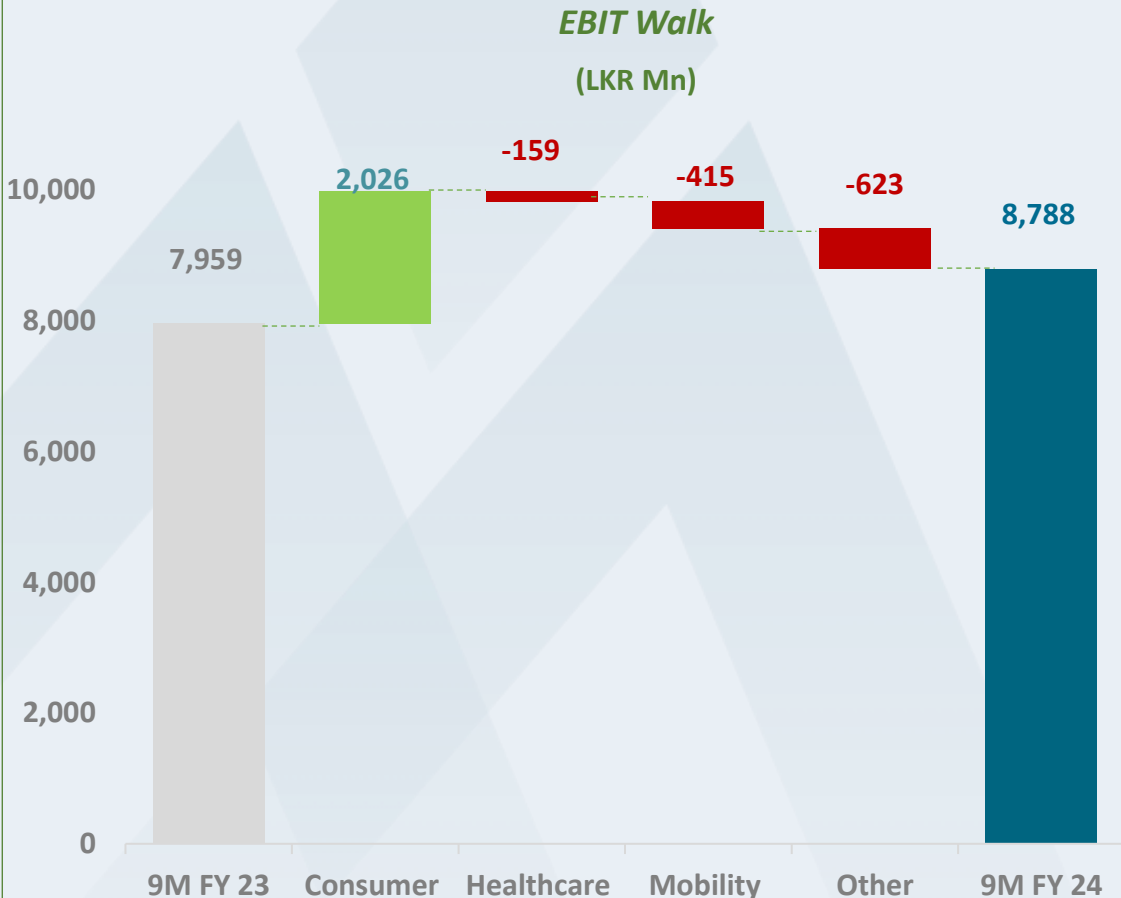
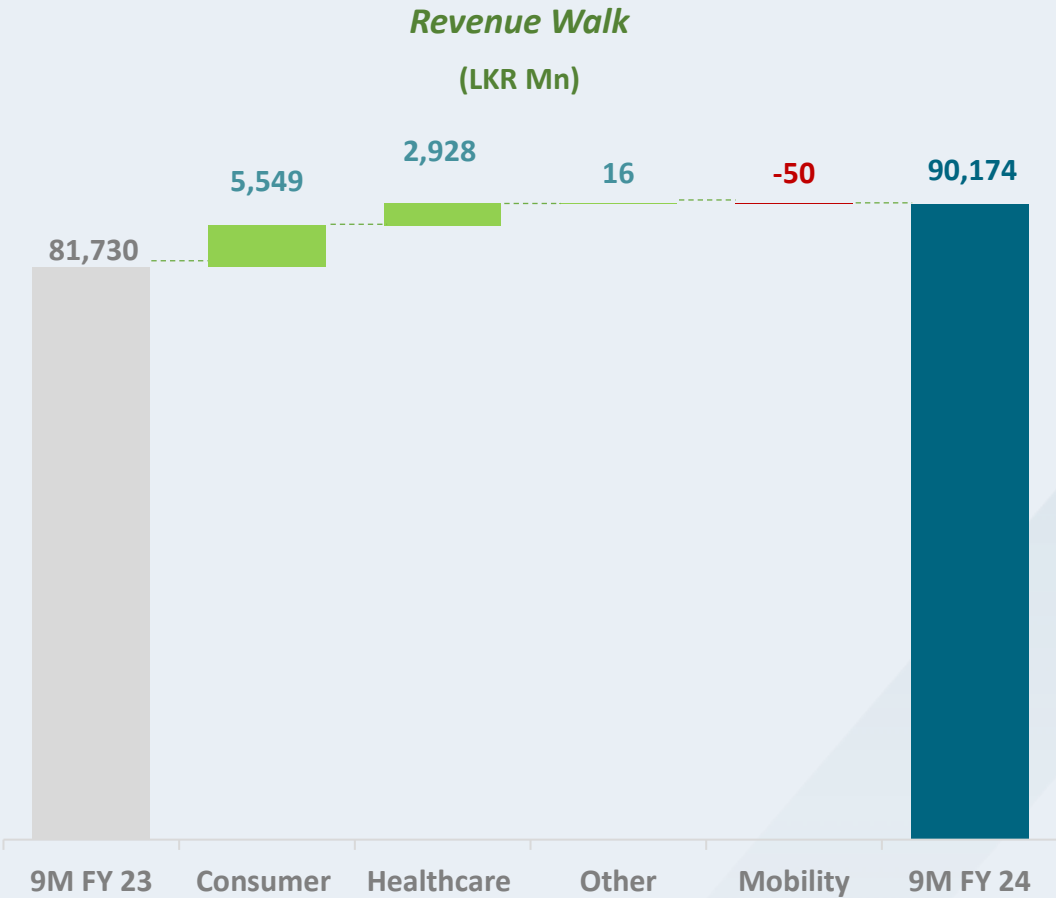
Revenue Walk
(LKR Mn)



EBIT Walk
(LKR Mn)

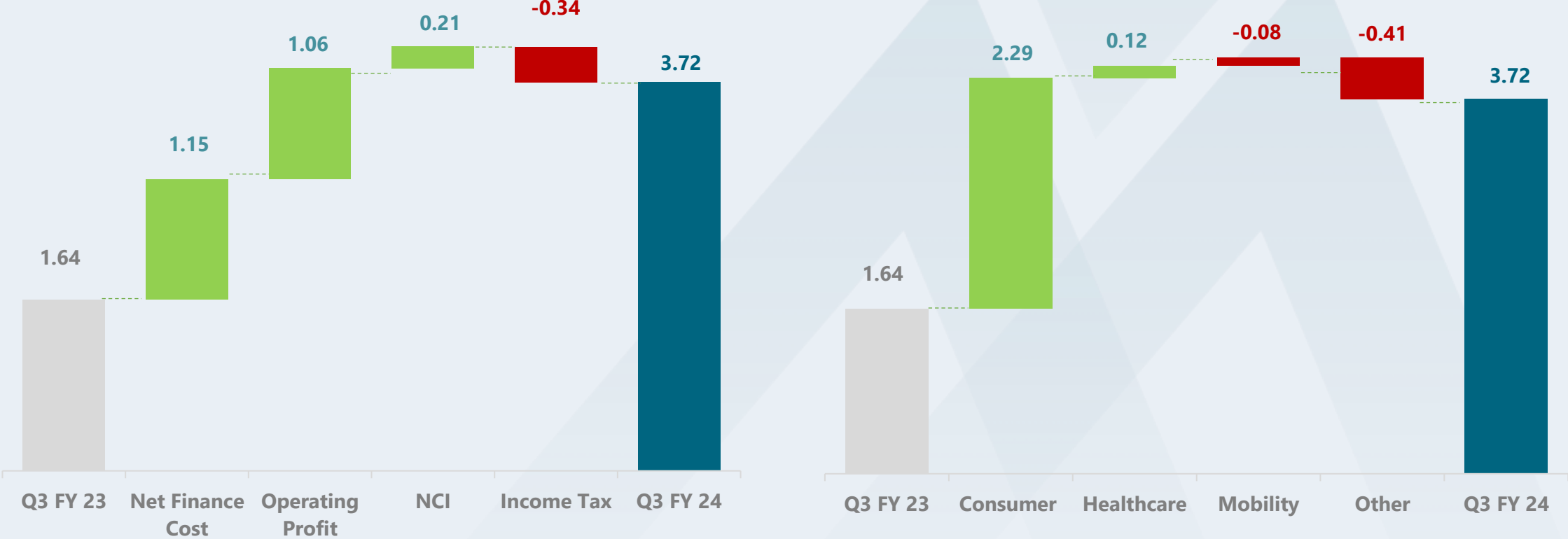


Sector Performance Summary – 9M FY 2023-24



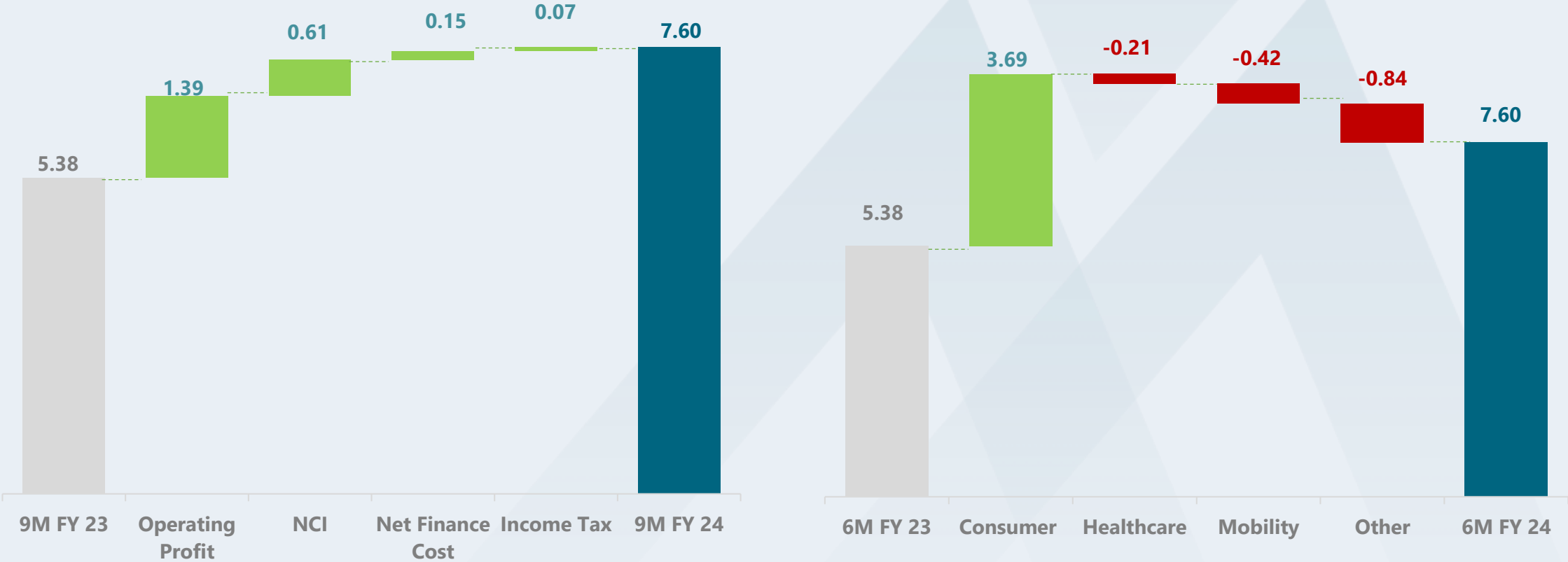
Continuing Operation EPS – Q3 FY 2023-24

EPS Walk
(LKR Per Share)



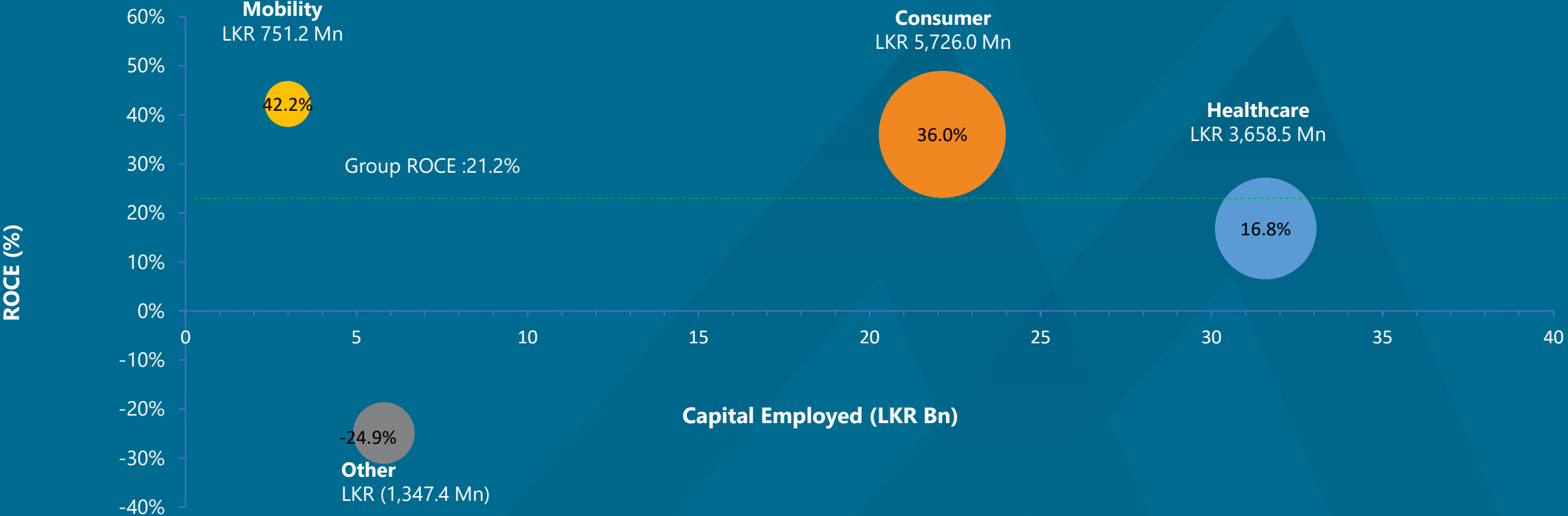
Continuing Operation EPS – 9M FY 2023-24

EPS Walk
(LKR Per Share)



Capital Employed – Q3 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



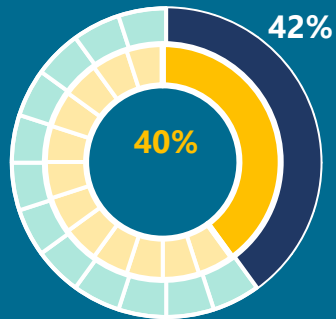
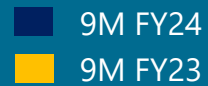
Learning Segment



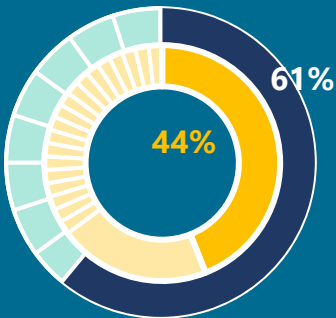
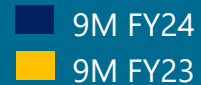
Consumer Brands

Contribution to Group

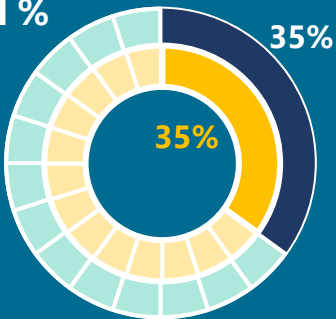
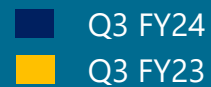
Revenue %



EBITDA %



Capital Employed %

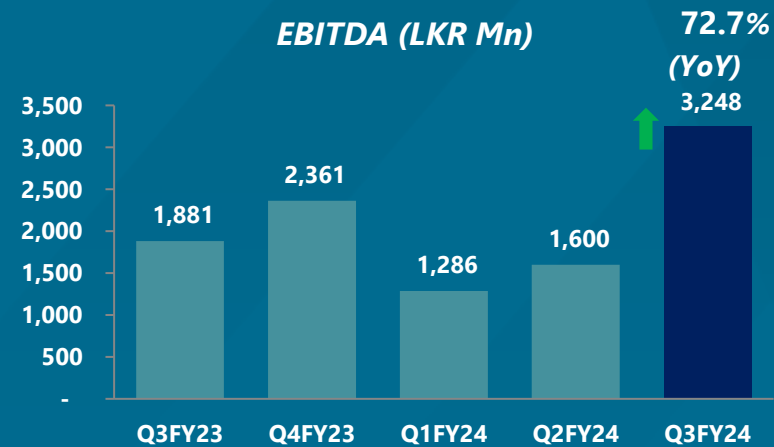


Sector Performance – 9M FY 2023-24

Revenue (LKR Mn)



EBITDA (LKR Mn)



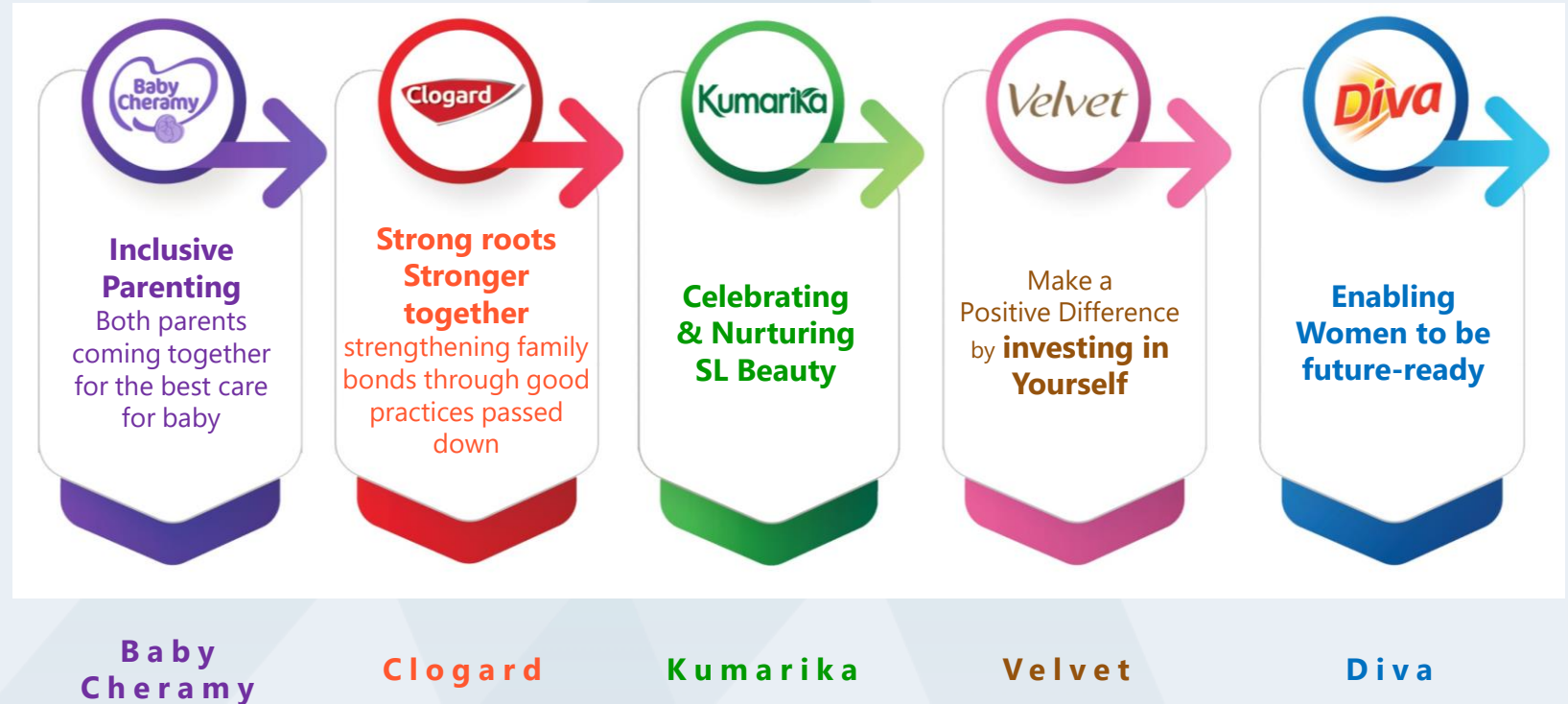
Key Highlights

- A surge in demand was witnessed across the industry driven by the festive season; however, it did not reach the anticipated levels amidst inflationary pressure.
- Prices exhibited a gradual stabilisation characterised by comparatively minimal fluctuations in comparison to the preceding quarters.
- With the commencement of the pre-school season and the upcoming back-to-school season in February 2024, the stationery experienced a seasonality driven increase in demand.
- The challenges in Bangladesh were worsened by the prolonged inflationary pressure and the concurrent political turmoil.
- 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' and 'Clogard' Portfolio
- 6%** 9M volume growth
- 80k+** Direct outlet coverage
- 60%** 9M contribution to Consumer Brands revenue



Home and Personal Care – International

2

Geographies
Bangladesh & West Bengal

3

Key categories
Value added and Pure Coconut Hair Oil
Health Soap

14%

Market share in VAHO
(Bangladesh – Q2 FY24 Data)

4K

Retailers reached in
Bangladesh

6%

9M 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.



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.
- However, demand continued to be affected by the deteriorating purchasing power.
- Intensified focus on the personal care segment resulted in volume-led growth and improvements in market share for key categories.

Profitability

- Despite the easing of global commodity prices, operational costs continued to remain elevated amidst increasing domestic inflation.

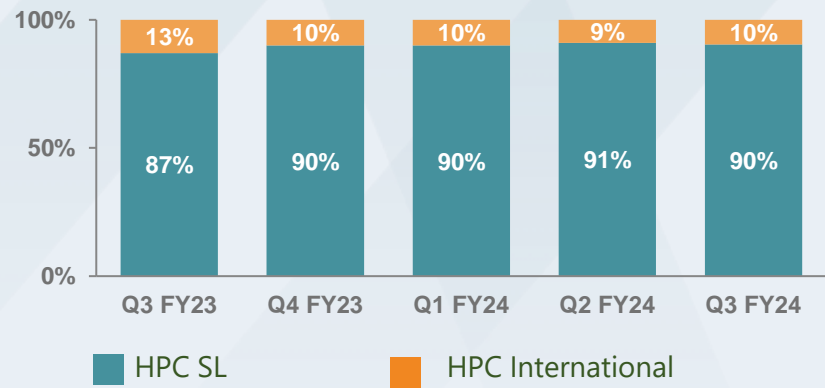
Outlook

- Championing local ingredients, cultivating purpose-driven brands and entering in to underpenetrated areas would be the priorities for the business.

Revenue (LKR Mn)



International Segment Revenue as a % of total HPC Segment



International

Revenue

- Despite persistent inflation and the contraction in the value-added hair oil (VAHO) market, 'Kumarika' increased its market share marginally in the VAHO segment.
- Contribution from NPDs to revenue exceeded 25% for the period under reduced single brand concentration.

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



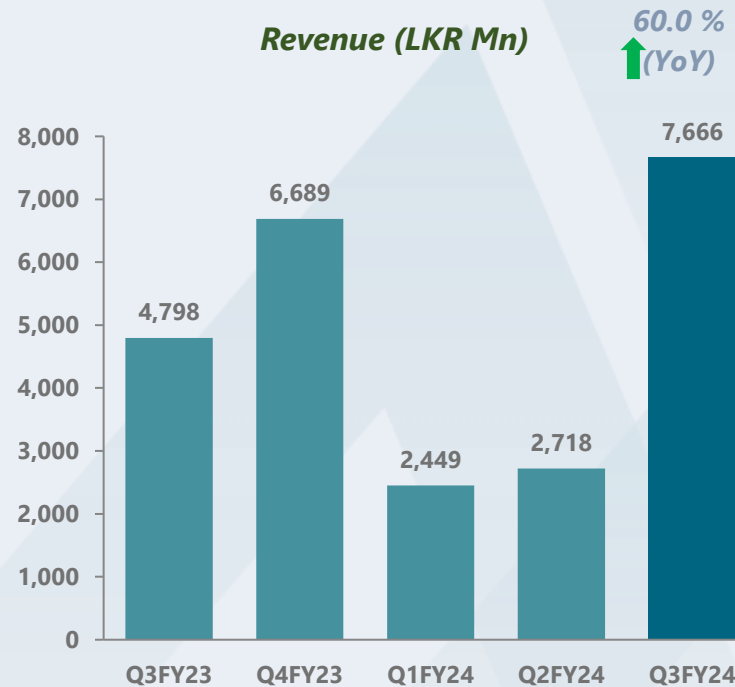
Market leader in key product categories

50+k

Outlet coverage across Sri Lanka

34%

9M Contribution to Consumer Brands revenue



Revenue

- 'Atlas' maintained its market-leading position in the mass market while simultaneously expanding market share in the newly entered premium and value-for-money segments.


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

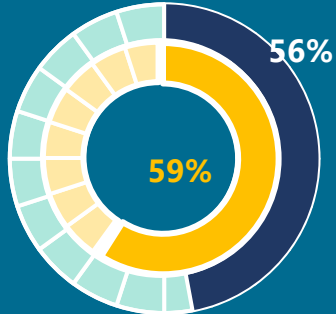


Healthcare

Contribution to Group

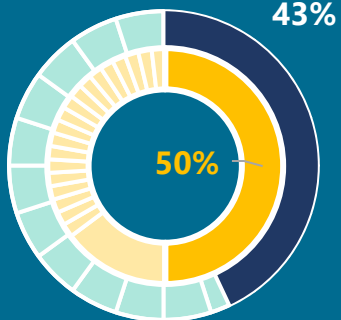
Revenue %

9M FY24
9M FY23



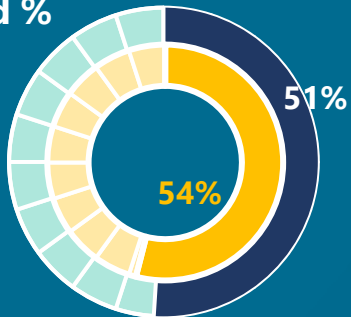
EBITDA %

9M FY24
9M FY23



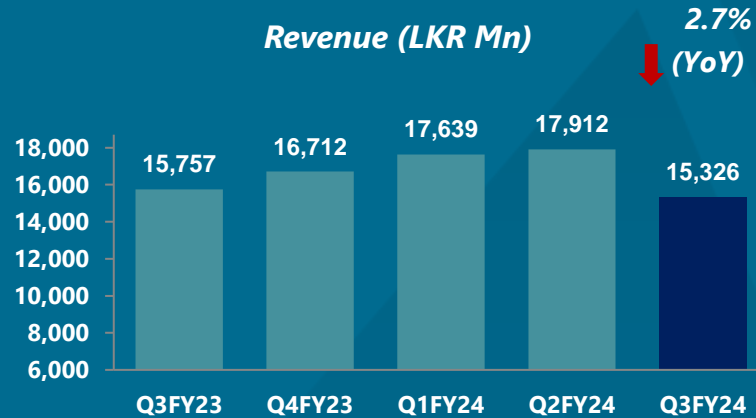
Capital Employed %

Q3 FY24
Q3 FY23

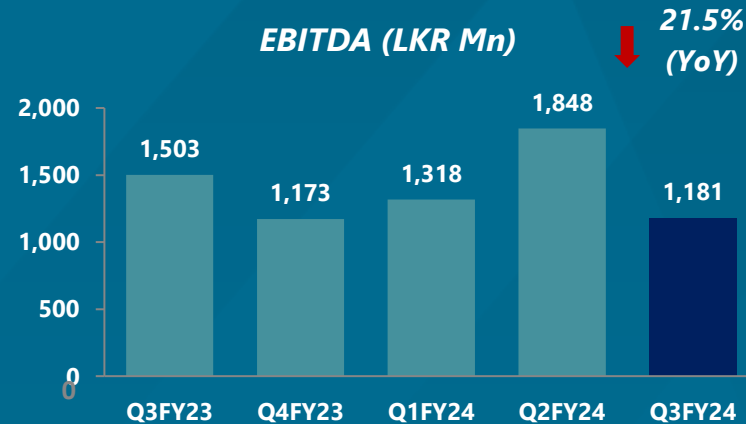


Sector Performance – 9M FY 2023-24

Revenue (LKR Mn)



EBITDA (LKR Mn)

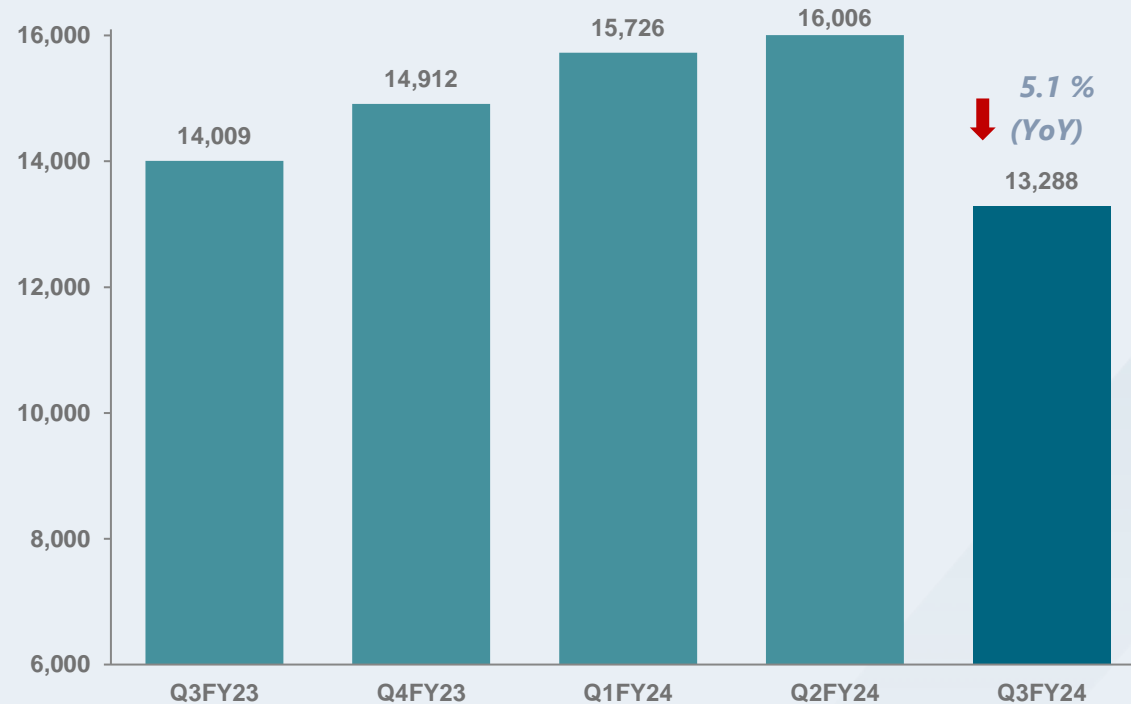


Key Highlights

- Healthcare landscape continued to face challenges including persistent drug shortages, unregulated importation and the migration of healthcare workers.
- Amid reduced purchasing power, the pharmaceutical industry continued to witness a market shift towards low-quality, low-price variants, exerting pressure on volumes.
- Instability within the National Medicines Regulatory Authority (NMRA) resulted in delays in new product registrations and the acceptance of buyback orders.
- Adverse impact from the double-digit contraction in surgical admissions was partially negated by the double-digit increase in surgical admissions.

Pharmaceutical Import, Marketing, Distribution and Pharmaceutical Manufacturing

Revenue (LKR Mn)



Revenue

- The Distribution vertical introduced over 20 new products during the quarter in critical spaces including oncology, gastroenterology and cardiology.
- The Pharmaceutical Manufacturing Business faced challenges due to delayed registration of new products at NMRA and delayed acceptance of buyback orders at the Medical Supplies Division.

Profitability

- Multiple working capital initiatives resulted in approximate 50 % reduction in finance cost for the Business arising from the combined effect of working capital base reduction and interest rate reduction.
- One-off adverse impact from NMRA price reduction on distributor inventory and inflationary pressure on overheads continued to exert pressure on margins.

Outlook

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

Hospitals

170+ Beds

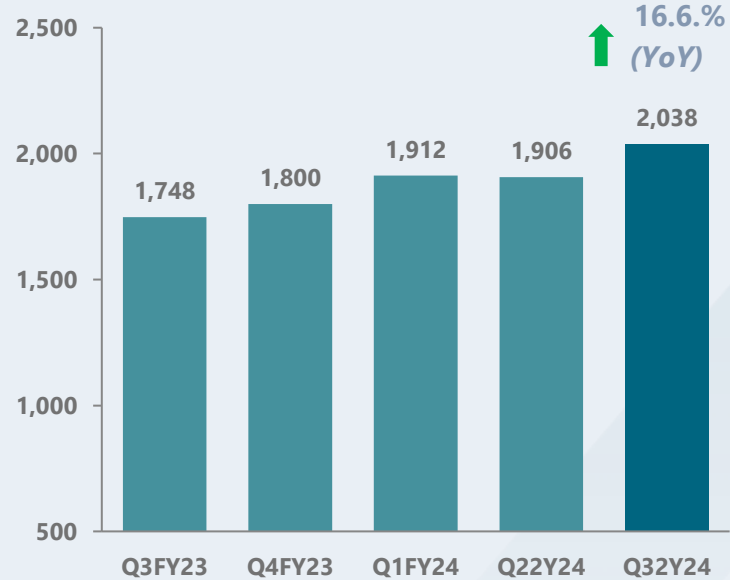
57% Hospital occupancy

First hospital in Sri Lanka to implement fully fledged EHR system

2 Hospitals **40+** Lab network

12% 9M contribution to Healthcare revenue

Revenue (LKR Mn)



Revenue

- A double-digit growth in surgical revenue and in-patient revenue under elevated occupancy levels.
- Increased focus on anchor specialties including nephrology, cardiology gastroenterology and orthopedic segments continued to yield significant revenue growth.
- Hemas 'Ambulatory Surgical Care' that enables patients to return home on the same day of the surgery was introduced during the quarter.

Profitability

- Under improved revenue and cost saving initiatives the Hospitals business witnessed margin improvements during the quarter.

Outlook

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

	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
IP revenue mix	54%	48%	51%	54%	54%

Mobility Sector



Maritime



Aviation

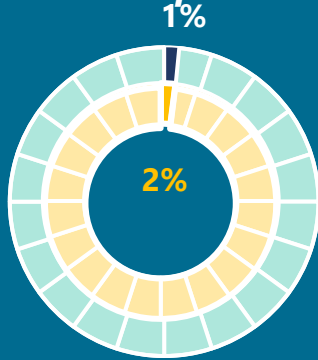


Mobility

Contribution to Group

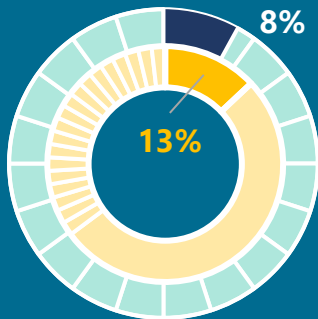
Revenue %

9M FY24
9M FY23



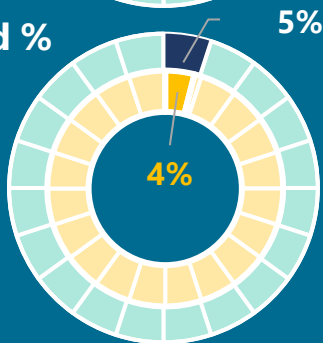
EBITDA %

9M FY24
9M FY23



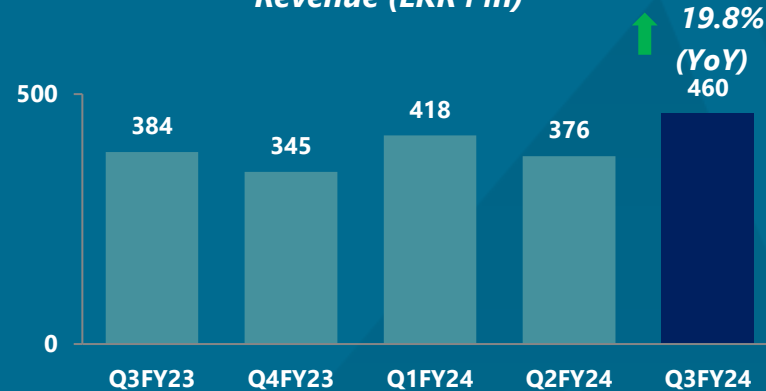
Capital Employed %

Q3 FY24
Q3 FY23

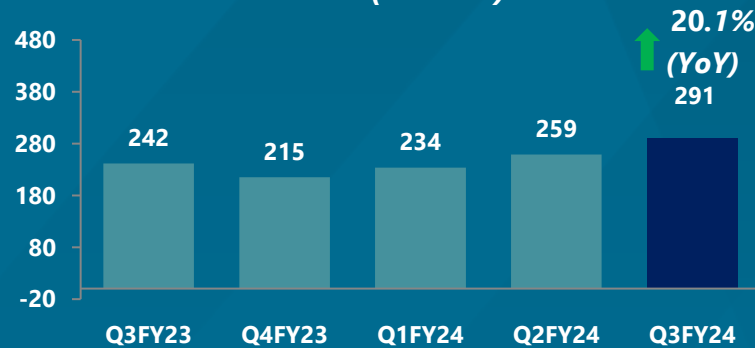


Sector Performance – 9M FY 2023-24

Revenue (LKR Mn)



EBITDA (LKR Mn)



Key Highlights

- Amidst the recovery observed in merchandise exports towards the latter months of the quarter, Port of Colombo witnessed a 6.3 % growth in total throughput during the nine month period.
- The increased tensions in the Suez Canal have compelled vessels to redirect their routes around the southern tip of Africa, resulting in an extended journey duration with many being rerouted via the Port of Colombo.
- The Aviation segment witnessed improved volume recovery during the quarter, with increased tonnage uplift for cargo, while the passenger vertical gained traction due to heightened student and labour traffic.

Living Our Purpose : New Initiatives

INVESTING IN THE FUTURE



75 STARTUPS

In THREE Years

CREATING A SAFER WORLD



Launch of guide booklet focused on educating parents on prevention of home accidents

**"EMPOWER
FAMILIES TO
ASPIRE FOR A
BETTER
TOMORROW"**

ENCOURAGING RESPONSIBLE
PLASTIC CONSUMPTION



40,000

Eco Bags to Sathosa Consumers

RESPONSE TO ESCALATING
VIOLENCE AGAINST CHILDREN



Nationwide campaign aimed at empowering and educating preschool children to safeguard themselves against abuse

Environmental and Social - Initiatives Impact

TACKLING MARINE POLLUTION



288,932+ KG

Plastic Collected

PROVIDING WIGS TO CANCER PATIENTS



442

Women

CREATING A SAFER WORLD



229

Families

CREATING EQUAL LEARNING OPPURTUNITY



6,830

Children, Teachers and Parents

TACKLING PERIOD POVERTY



30,000

Women

TACKLING DIABETES



3,087

Diabetes Tests

CREATING QUALITY LEARNING EXPERIENCES



15,873

School Children

PROMOTING DENTAL HYGIENE



5,993

Children

Sustainability Performance – Q3 FY 24 vs Q3 FY23



Carbon Footprint
(per Rs. Mn Revenue)

6.7% ↓

1.4MT



Water Consumption
(per Rs. Mn Revenue)

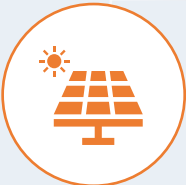
**1.5
m³**



**Waste Recycled, Reused,
or Recovered**

4% ↑

76%



Renewable Energy Generated

778% ↑

**239,248
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)

3% ↑

14,055



Gender Diversity
(female employees)

4% ↓

29 %

Focus Areas

Corporate Priorities



Accelerating the M&A opportunities

Driving digital transformation

Strategic cost savings and maintaining optimum liquidity under working capital management initiatives



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

BU Priorities

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

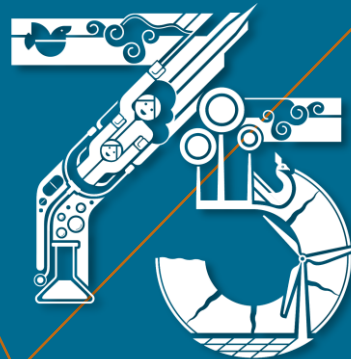
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THANK YOU!

HEMAS



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