



Hemas Holdings PLC

Investor Presentation- Q4 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

159mn

Market
Capitalisation

37%

Free Float

USD

311mn

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

✓ Interest Rates

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

-11.3 pts
AWPLR

change monthly rate (March 2024 vs March 2023)

✓ Stable Exchange Rates

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

8.0%
\$/Rs

YoY change (March 2024 vs March 2023)

✓ Global Commodity prices

"Mixed impact of reduced prices of key commodities which contributed to ease the rising margin pressure from domestic inflation"

-3.0%
Palm Oil

8.8%
Crude Oil

YoY change (March 2024 vs March 2023)

✓ Relatively low Inflationary Pressure

"Subdued inflationary pressure on a y-o-y basis despite the base effect"

0.9%
CCPI

2.5%
NCPI

YoY change (March 2024 vs March 2023)

✓ Tax Reforms

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

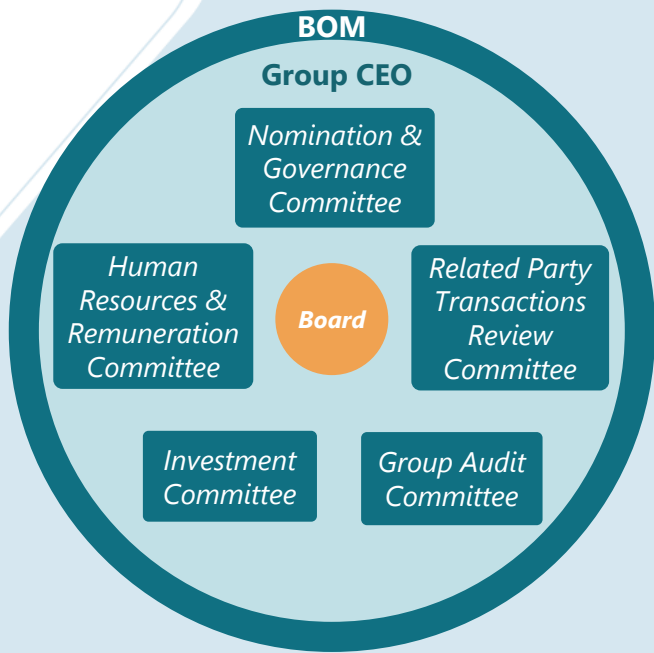
18%

VAT Rate With effect from January 2024

1.2 Mn

Personal tax relief threshold

"The country reached a Staff-Level Agreement with the IMF on the Second Review of Extended Fund Facility and there have been some positive developments in terms of external and domestic debt restructuring efforts."



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 -1.2%

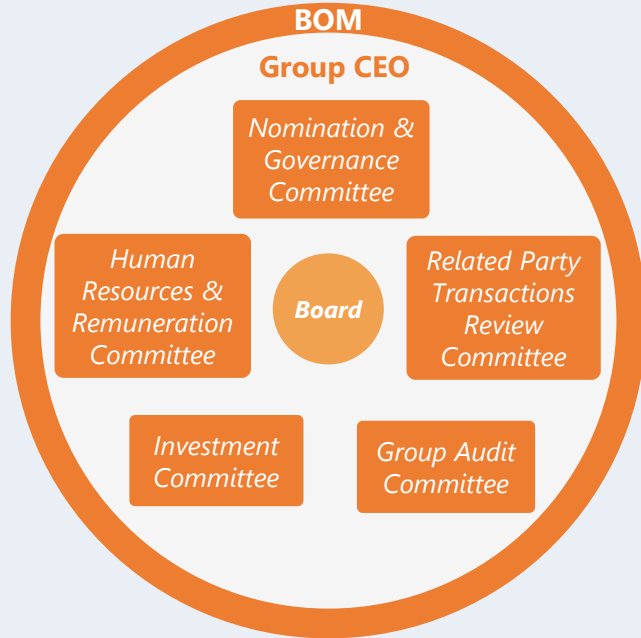
AAA (Ika)
FitchRatings

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%

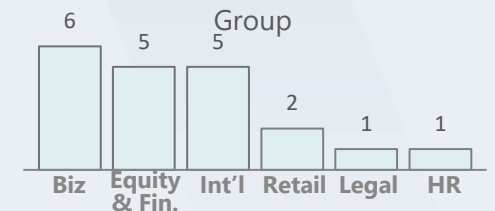
Board Size

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



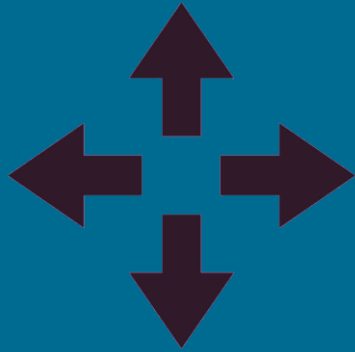
* Note : Executive Director Resigned from the position of CEO w.e.f. 31st March 2024 and change of capacity on the Board as NED w.e.f. 1st April 2024

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



'Fems' Ultra Thin



'Dandex' Detox and Cleanse Shampoo



'Clogard' Pro Clean



'Kumarika' Cooling Oil

Pharmaceutical Manufacturing



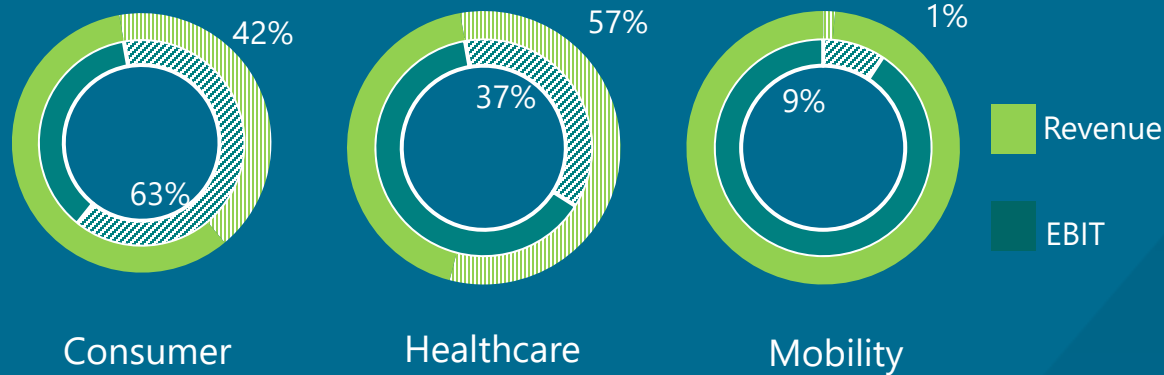
Paracetamol Tablets B.P. 500mg



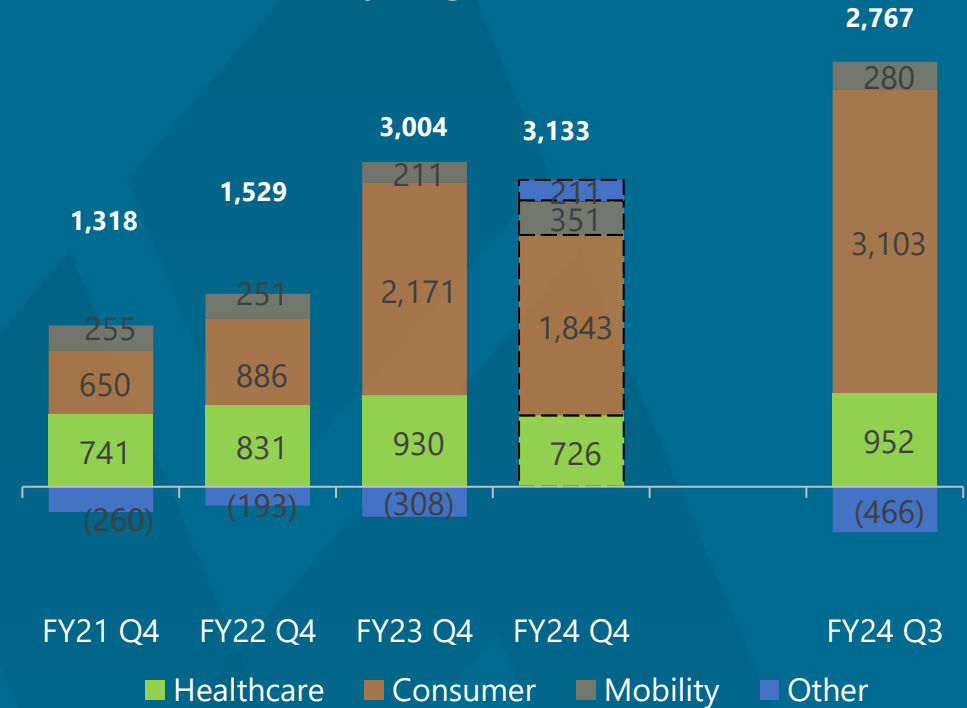
Losartan Potassium Tablets B.P. 50mg

Financial Snapshot

12M contribution to the Group



EBIT by Segment (LKR million)

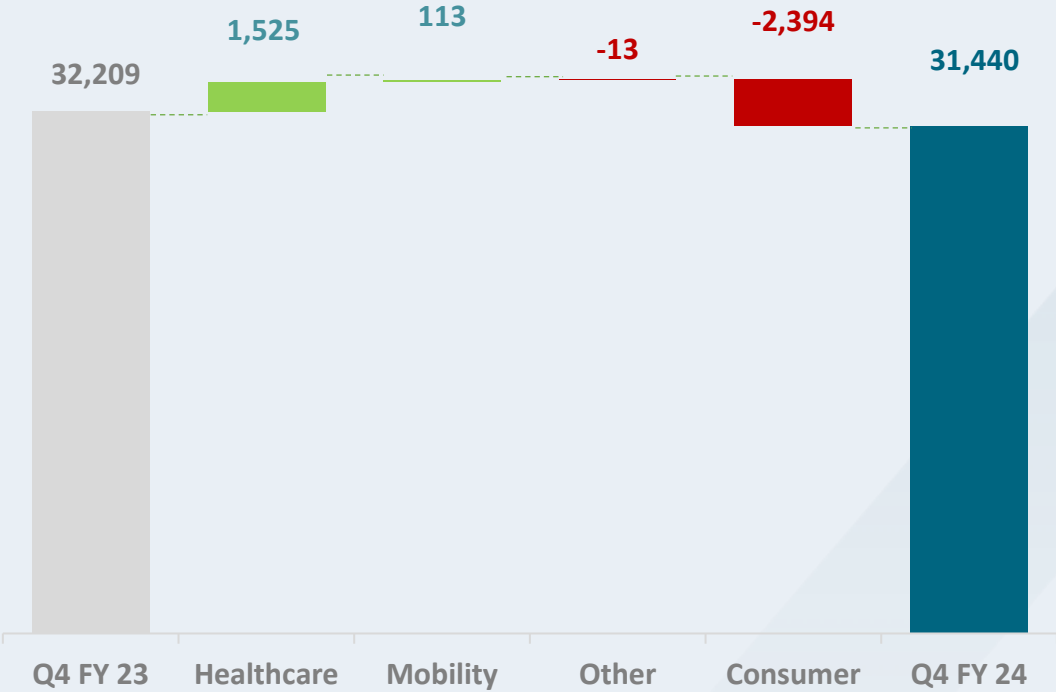


12M Performance FY 24 vs FY23

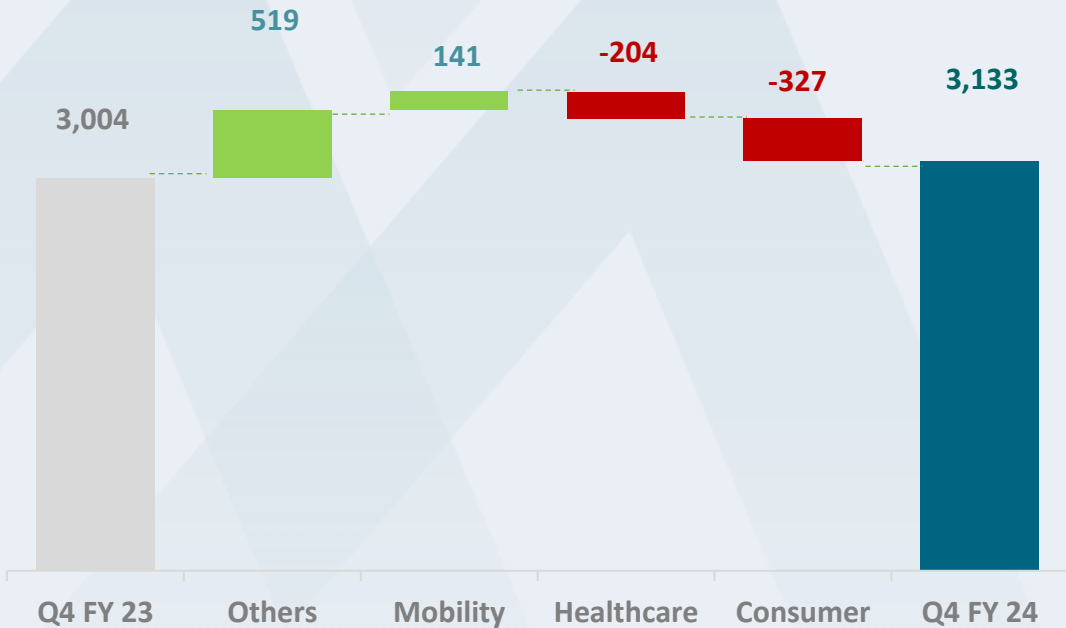


Sector Performance Summary – Q4 FY 2023-24

Revenue Walk
(LKR Mn)

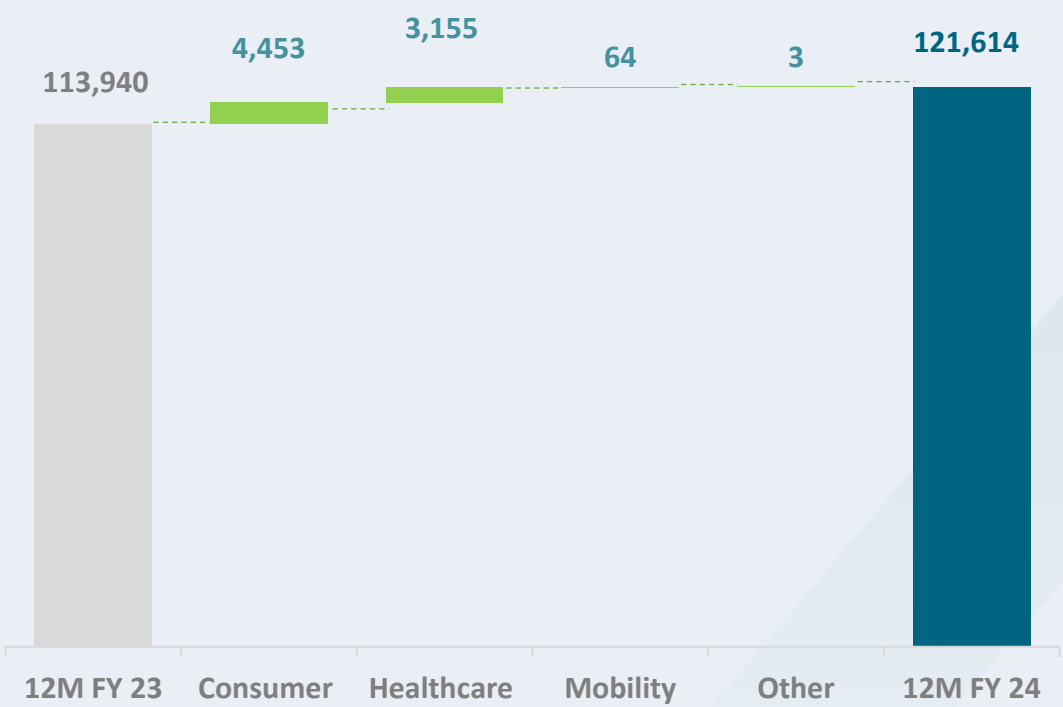


EBIT Walk
(LKR Mn)

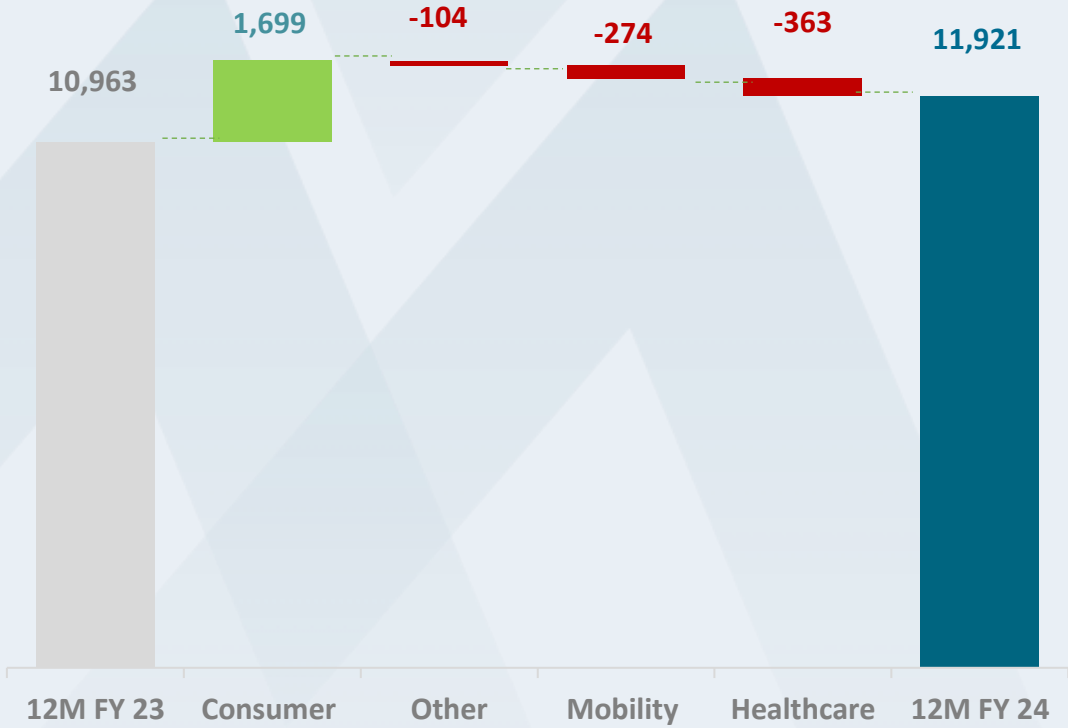


Sector Performance Summary – 12M FY 2023-24

Revenue Walk
(LKR Mn)

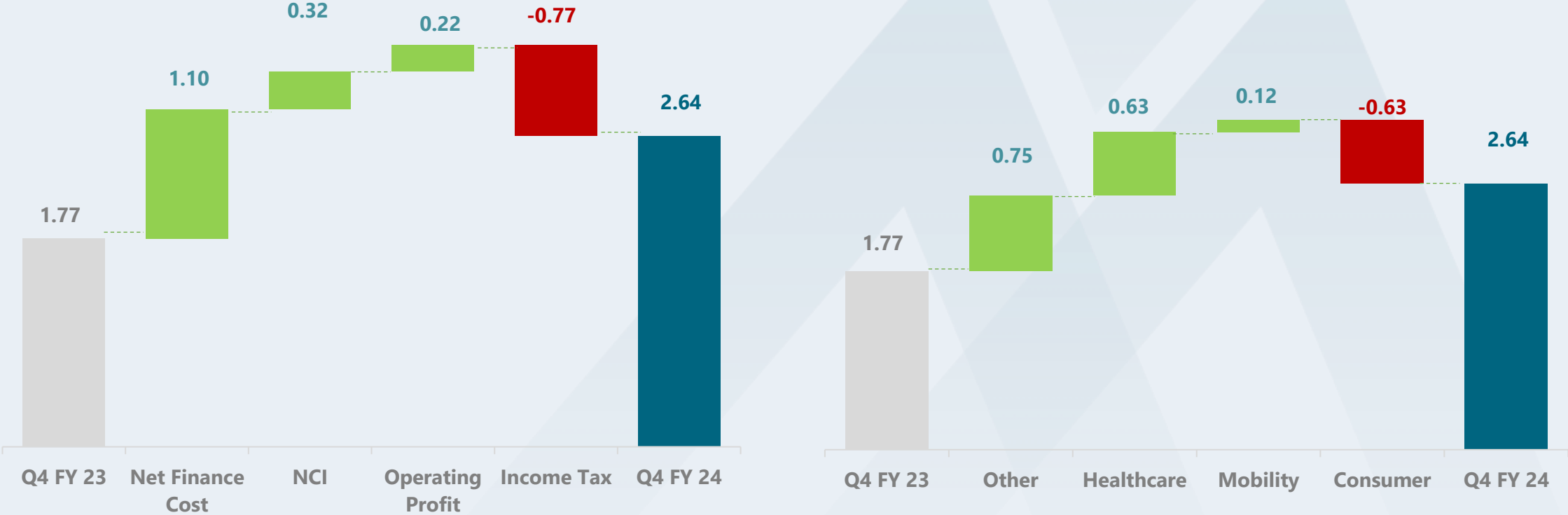


EBIT Walk
(LKR Mn)



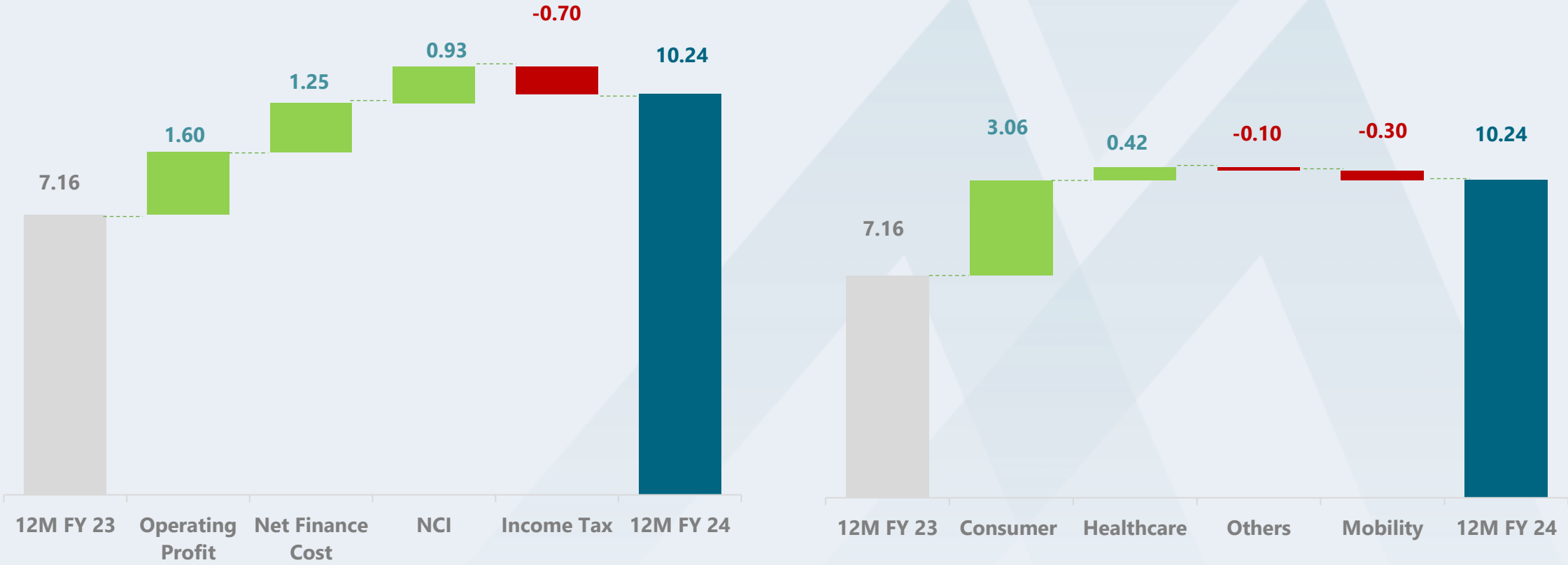
Continuing Operation EPS – Q4 FY 2023-24

EPS Walk (LKR Per Share)



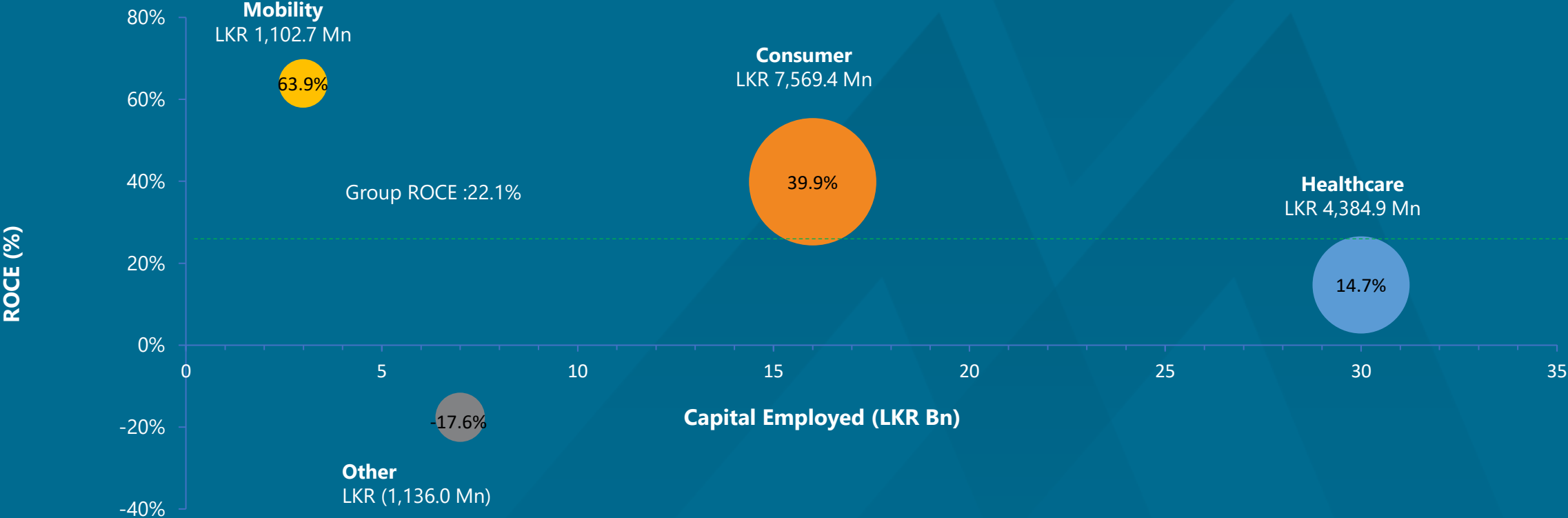
Continuing Operation EPS – 12M FY 2023-24

EPS Walk
(LKR Per Share)



Capital Employed – 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



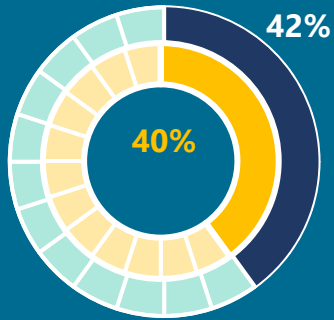
Learning Segment



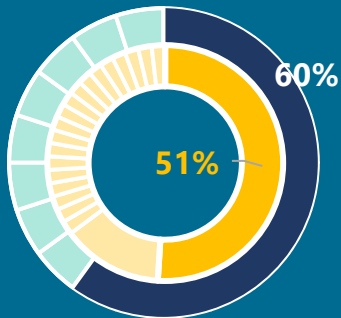
Consumer Brands

Contribution to Group

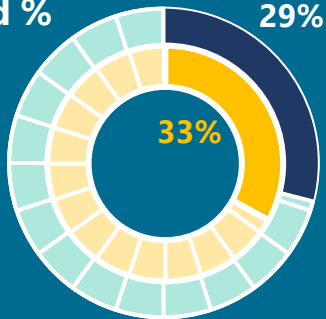
Revenue %



EBITDA %

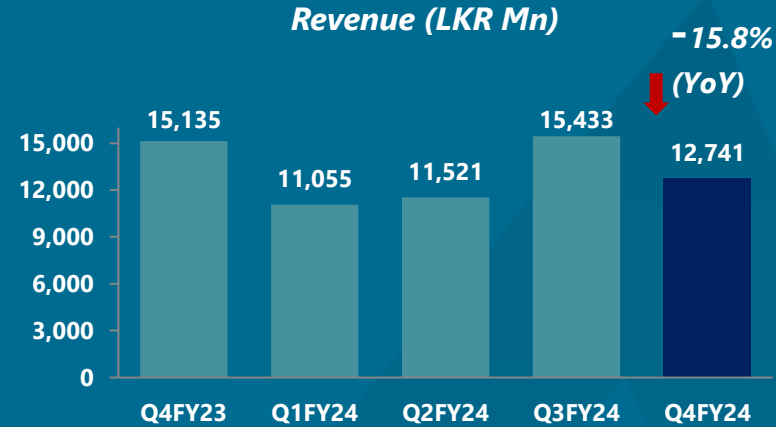


Capital Employed %

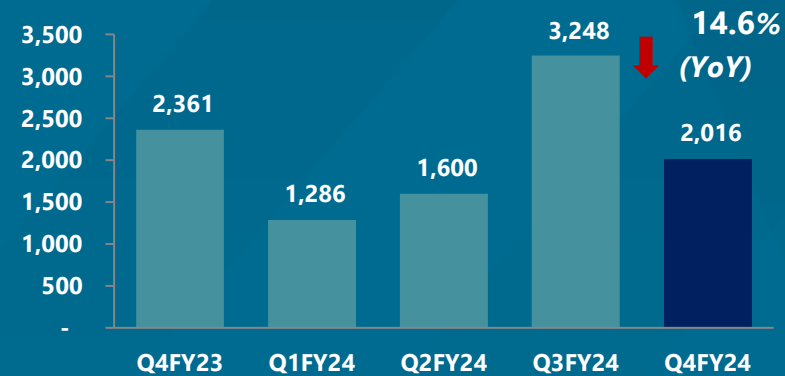


Sector Performance – 12M FY 2023-24

Revenue (LKR Mn)



EBITDA (LKR Mn)



Key Highlights

- Consumer dynamics witnessed signs of recovery during the quarter with both modern and general trade channels witnessing growth.
- The shifts witnessed in consumer buying patterns in the value-for-money segments continue to prevail amidst contracted purchasing power of the consumers.
- The Learning Segment witnessed a slow down as the increased seasonal stock holding, which occurred in the preceding quarter, gradually eased during the quarter.
- Affordability driven buying patterns such as delayed and partial fulfilment of the booklists, resulted in a lower offtake in the overall stationery industry.
- Bangladesh economy continued to witness challenges amidst high inflation, Taka depreciation and depleting reserves.

Home and Personal Care – Sri Lanka

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

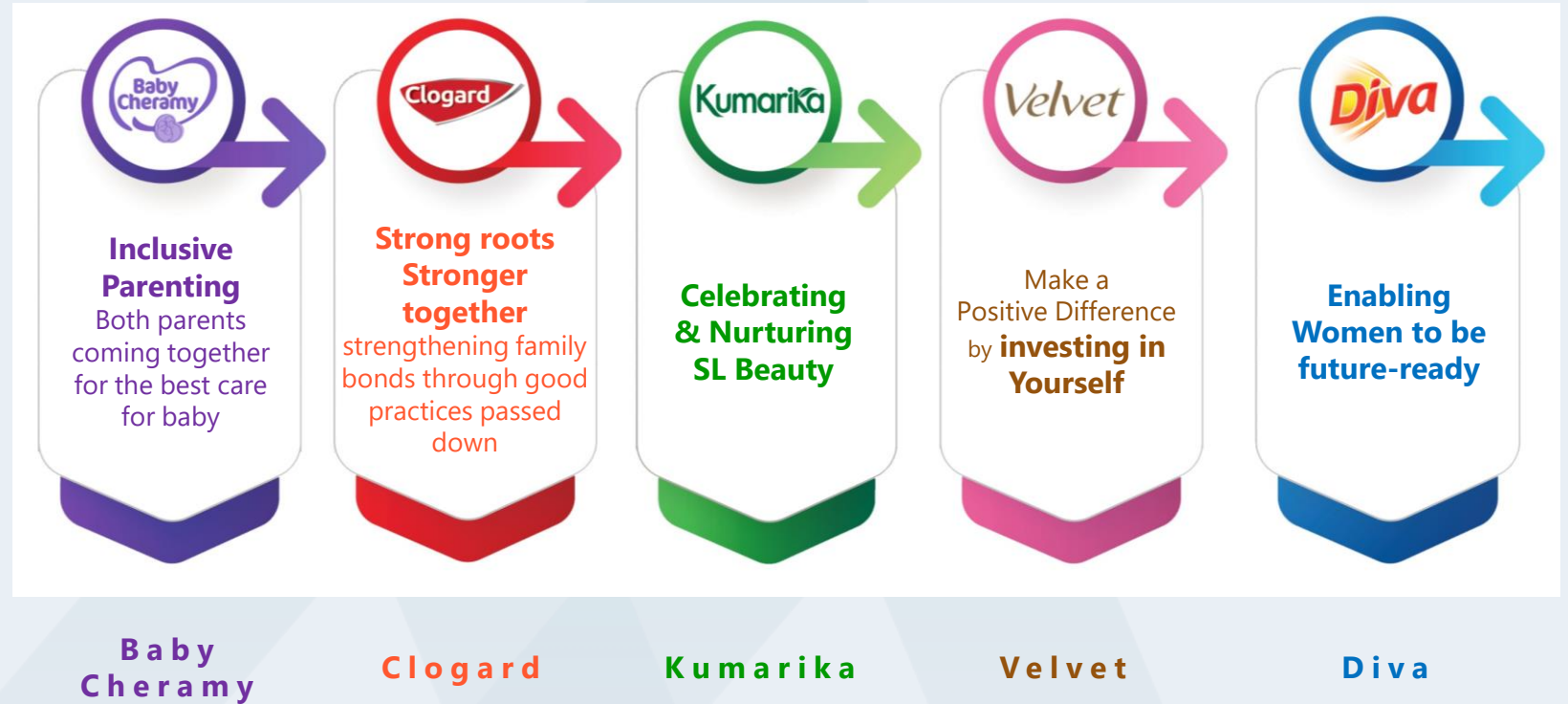
8 Key categories with market leading positions

Extensions to the 'Velvet' and 'Clogard' Portfolio

5% 12M volume growth

80k+ Direct outlet coverage

60% 12M 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

15%

Market share in VAHO
(Bangladesh – Q3 FY24 Data)

4K

Retailers reached in
Bangladesh

6%

12M 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

- The Home and Personal Care Business posted a volume growth with improved market share in many key categories specially in the key focus segment:
- The business launched multiple NPDs across the portfolio including 'Velvet Naturals', 'Fems Ultra-Thin' and 'Clogard Pro Clean'
- The key focused segments Baby, Beauty and Feminine Hygiene continue to gain traction in the market.

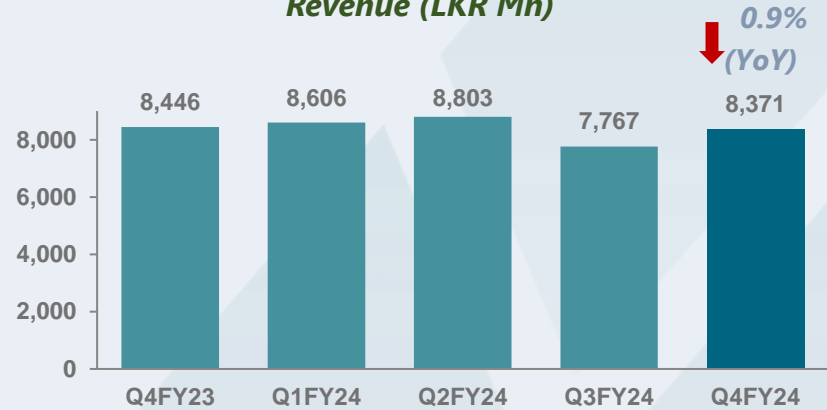
Profitability

- Despite the VAT increases, the business made a cautious decision to absorb the adverse impact through positive impact of currency appreciation and cost savings.

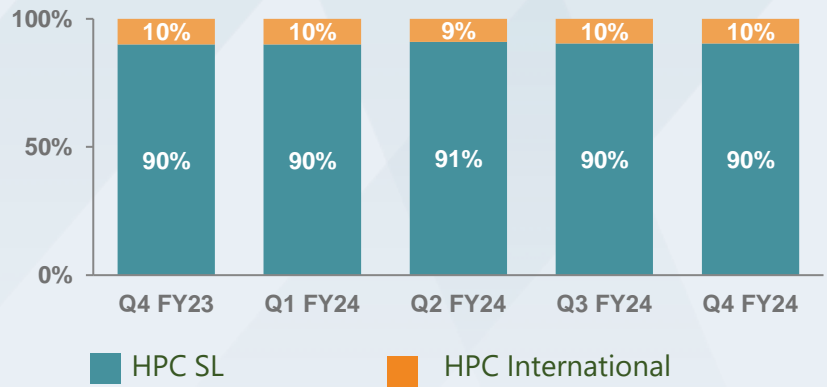
Outlook

- 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

- With the collective success of the 'Actiseif' brand, the coconut oil variant 'Kolombo' and the onion based 'Eva' hair oil, the Bangladesh business reported a NPD contribution to the business of over 25 percent.

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

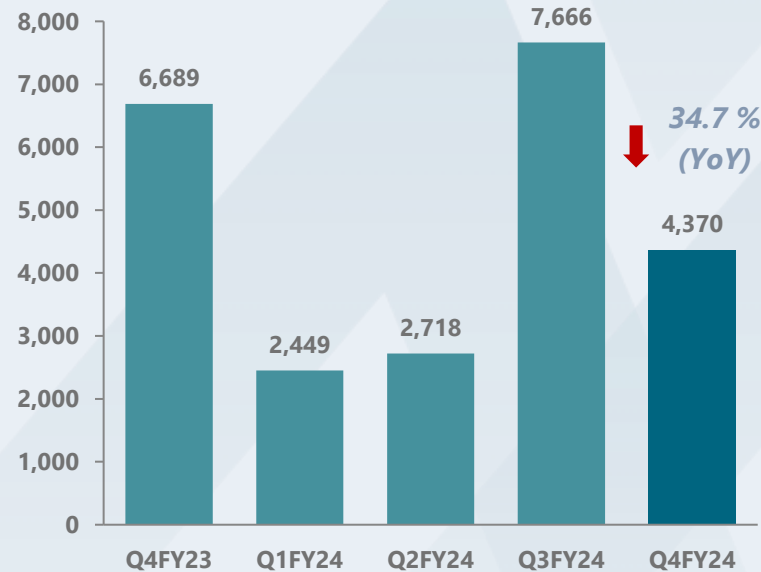
50+k

Outlet coverage across Sri Lanka

34%

12M Contribution to Consumer Brands revenue

Revenue (LKR Mn)



Revenue

- Improved its market leading position with the increase in market share in all three segments: premium, mass and value-for-money.
- Atlas World', the integrated platform for the Atlas Axillia community including 'Atlas My Shop' and 'Atlas Learn' increased number engagements.


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 under all segments.
- 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

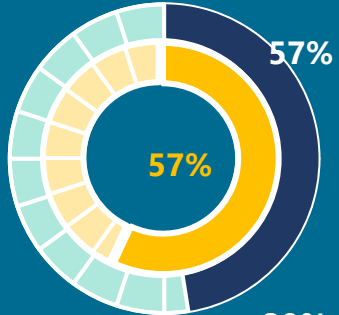


Healthcare

Contribution to Group

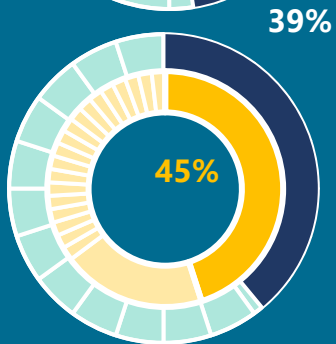
Revenue %

- 12M FY24
- 12M FY23



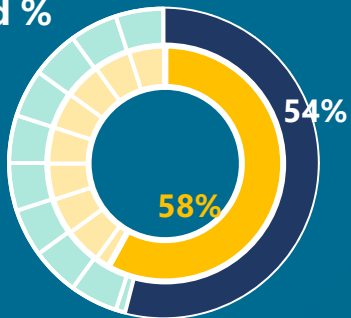
EBITDA %

- 12M FY24
- 12M FY23



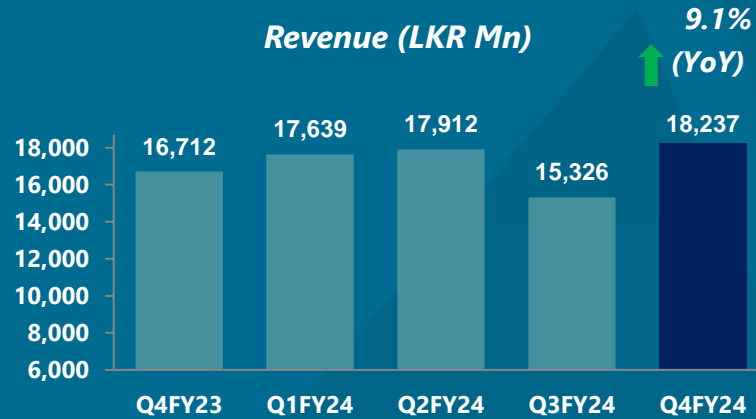
Capital Employed %

- FY24
- FY23

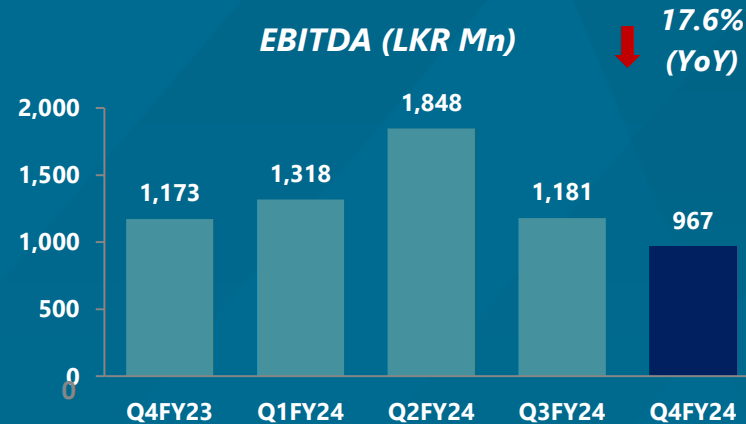


Sector Performance – 12M FY 2023-24

Revenue (LKR Mn)



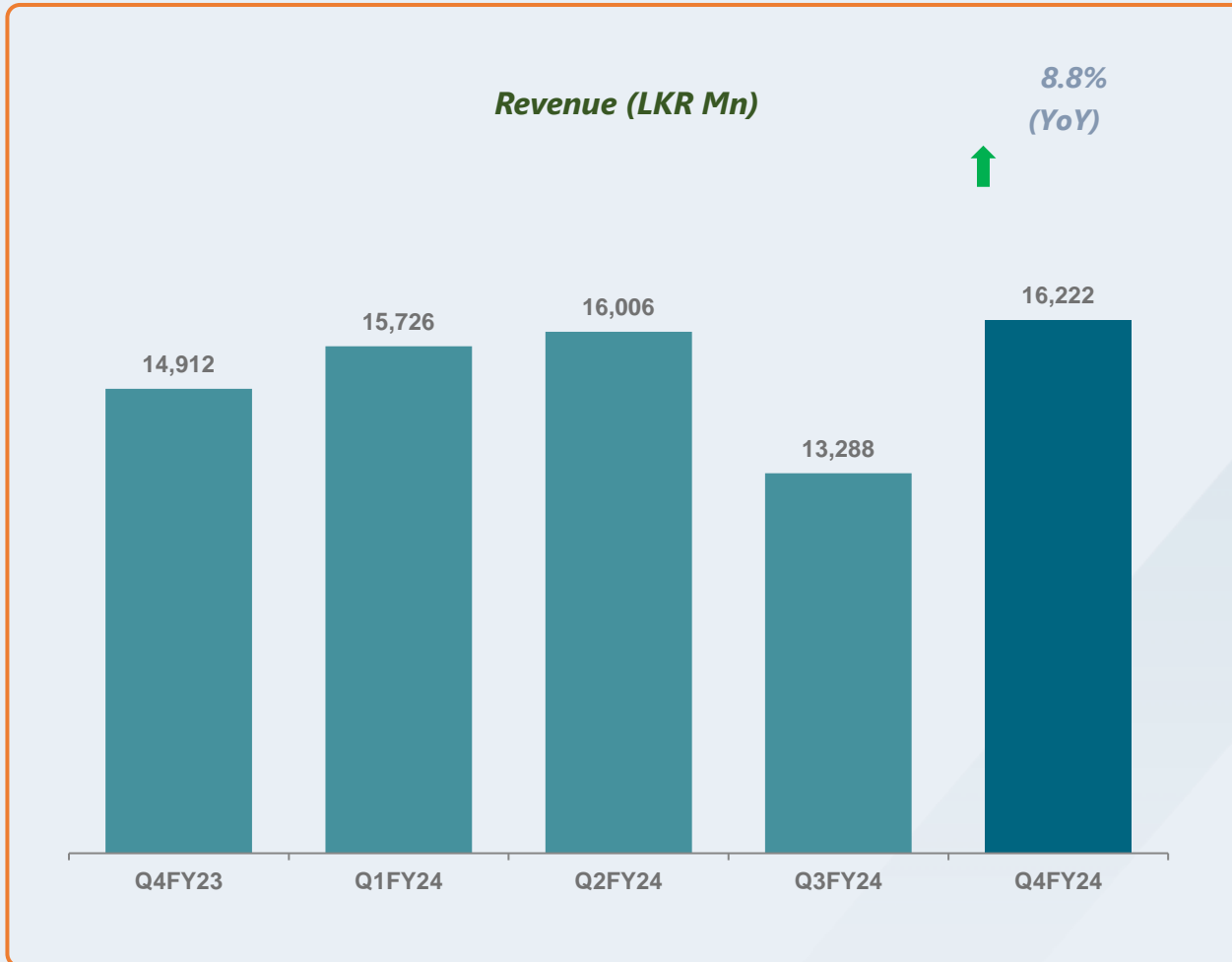
EBITDA (LKR Mn)



Key Highlights

- Despite some strides made in addressing drug shortages, the persistent shortage of healthcare professionals remains a significant concern nationwide.
- Towards the latter part of the quarter, changes were made to the leadership of the regulatory body, providing stability to the industry
- Efforts have also been made to address procurement delays, further improving the situation within the state healthcare system.
- Price adjustments were made in the Hospitals space in line with the industry to compensate for the inflationary pressure in overhead costs..

Pharmaceutical Import, Marketing, Distribution and Pharmaceutical Manufacturing



Revenue

- The business extended its portfolio by introducing over 40 new products during the quarter into the market mainly in critical NCD spaces.
- The branded generics portfolio continued to witness double-digit growth with its staple, 'Empamor' the Empagliflozin tablet ending the year as the market leader in volume terms.

Profitability

- The strategic focus on improving the working capital position resulted in significant optimisation in the working capital of the business, positively impacting the profitability through reduced finance costs.
- Multiple efficiency improvement initiatives were implemented to subdue the inflationary pressure on overheads.

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

190+ Beds

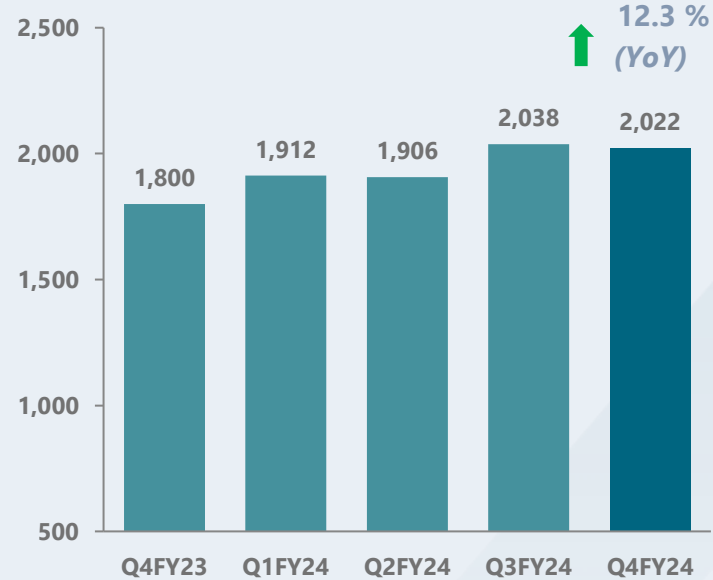
56% Hospital occupancy

First hospital in Sri Lanka to implement fully fledged EHR system

2 Hospitals **40+** Labs and collection centres

11% 12M contribution to Healthcare revenue

Revenue (LKR Mn)



Revenue

- Collective impact of improved total admissions and theatre utilisation coupled with increase in revenue from the laboratory chain resulted in a double-digit revenue growth in the Hospitals Business
- New initiatives including Ambulatory Surgical Care and Home Care services continued to gain traction in the market.

Profitability

- Key specialties witnessed admission-led growth during the year contributing positively to the margin improvements .

Outlook

- Hospitals business will prioritise selected anchor and super specialties while improving digitisation efforts.
- Investments in organic and inorganic growth.

	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
IP revenue mix	48%	51%	54%	54%	49%

Mobility Sector



Maritime



Aviation

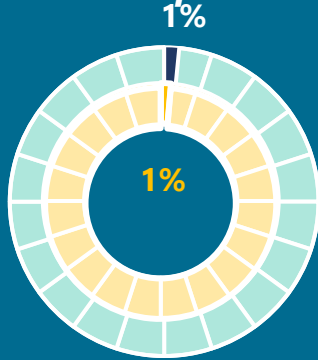


Mobility

Contribution to Group

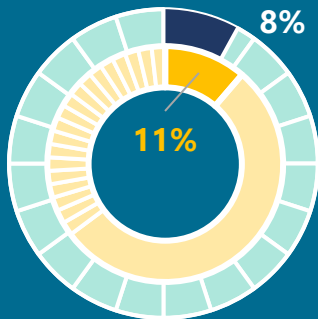
Revenue %

12M FY24
12M FY23



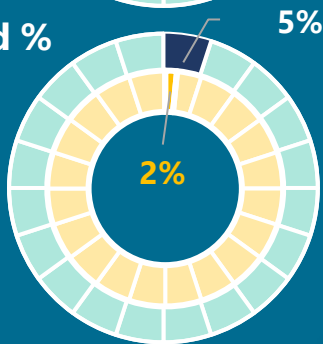
EBITDA %

12M FY24
12M FY23



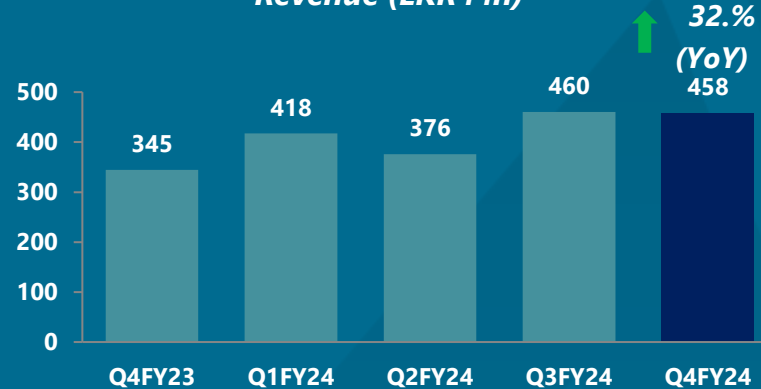
Capital Employed %

FY24
FY23

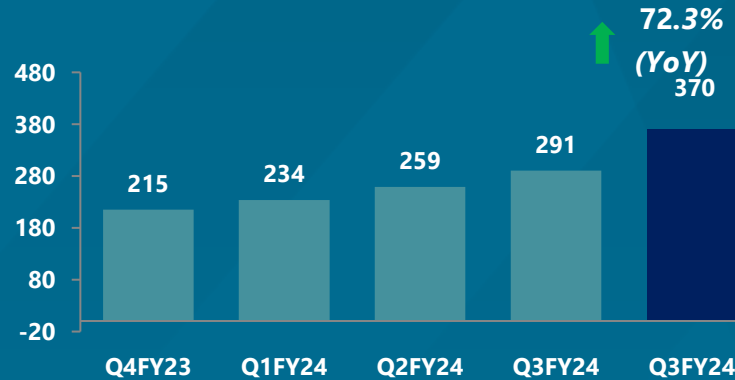


Sector Performance – 12M FY 2023-24

Revenue (LKR Mn)



EBITDA (LKR Mn)



Key Highlights

- Despite the challenges witnessed in the global maritime space, the Port of Colombo (POC) witnessed a growth in transshipment volumes and total throughput volumes of over 10 %t for the year, partially due to vessels rerouting via POC amidst tensions in the Red Sea.
- While import volumes have witnessed a robust growth with relaxation in Government restrictions, exports segment also witnessed significant improvements driven by an increase in volumes to key destinations in Europe.
- The passenger arm drove the Aviation Segment performance amidst increased tourist arrivals and outbound traffic..

Environmental Agenda 2030

ENCOURAGING RESPONSIBLE PLASTIC CONSUMPTION



500,000+ KG

To Date Plastic Collection

PROTECTING SRI LANKAN ENDEMISM



Protection of 10 critically endangered endemic species. The Group is committed to protect 52 by 2030



REDUCTION OF PLASTIC USAGE IN PACKAGING



20% AND 4% REDUCTION

in plastic for the 80ml bottle and 180ml Kumaika Shampoo bottle


SAFEGUARDING OUR ECO SYSTEM



Partner of the Accelerated Natural Mangrove Restoration project,

Social Impact: 399,900+ Families Empowered

TACKLING PERIOD POVERTY




85,500
Women and Girls

PROVIDING WIGS TO CANCER PATIENTS



2,016
Women

CREATING A SAFER WORLD



38,290
Families

CREATING EQUAL LEARNING OPPURTUNITY




97,205
Children, Teachers and Parents

CREATING QUALITY LEARNING EXPERIENCES



72,944
School Children

TACKLING DIABETES





7,500
Diabetes Tests

EMPOWERING WOMEN AND PROVIDING SOLUTION TO ASPIRE FOR MORE



76
Women

PROVIDING FREE DIALYSIS FOR PATIENTS SUFFERING WITH CHRONIC KIDNEY DISEASE

700
Patients

ENSURING NO CHILD IS LEFT BEHIND



4
Pre Schools Added

FEED THE FUTURE



1,160
Children

ENABLING CHILDREN WITH DISABILITIES TO REACH THEIR FULL POTENTIAL



12,904
Children Registered

Sustainability Performance – Q4 2023- 24 vs Q4 2022 - 23



Carbon Footprint
(per Rs. Mn Revenue)

7.1% ↓

0.13MT



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

NONE



Water Consumption
(per Rs. Mn Revenue)

7.1% ↑

1.5 m³



Total Work-Related Injury Rate
(per 100 employee)

0.4



Waste Recycled, Reused, or Recovered

7% ↓

68%



Training Hours and Development
(Hours)

51% ↑

13,401



Renewable Energy Generated

1247% ↑

438,517 kWh



Gender Diversity
(female employees)

3% ↑

30 %

The Group's Strategy

Refreshing the portfolio

- Consumer Brands seeks to extend its presence in the Personal Care and Beauty categories.
- Hospitals will focus on expanding bed capacity in tertiary care.

High growth spaces

- Pursuing scalable opportunities across current and new verticals in Sri Lanka, Bangladesh, rest of South Asia and East Africa.
- Diversify the service offerings of the Mobility Segment to become an integrated player.

SEGMENTAL STRATEGIC REVIEW

A successful turnaround

- Morison will pivot from a generic to branded pharmaceuticals manufacturer in;
 - Cardiac
 - Diabetes
 - Other complementary spaces

Enhancing efficiencies

- Driving efficiencies and consolidating market positions in Pharmaceutical Distribution.
- Learning Segment will capture new consumers and uses to minimise seasonality.
- Mobility Segment seeks to extend their position as being a preferred partner.

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

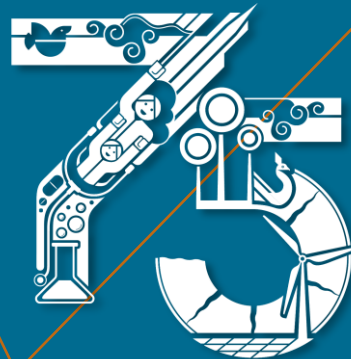
Disclaimer

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This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Hemas' businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Hemas does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Hemas' control. Past performance is not a reliable indication of future performance. Unless otherwise specified all information is for the quarter ended 31 March 2024.

THANK YOU!

HEMAS



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