



Hemas Holdings PLC

Investor Presentation- Q1 FY24/25

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.

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"



Consumer Brands

- 95% of the business where Hemas is among the top 3 players
- 98% of the households reached by Hemas brands
- Within the top 3 distribution frameworks in Sri Lanka
- Established presence in Bangladesh with 100% onshore manufacturing and local talent



Healthcare

- Market leader in pharmaceutical distribution in Sri Lanka
- Pioneering pharmaceutical manufacturer in Sri Lanka since 1959
- Production capacity to cater to more than 40% of the country's demand for oral solid and liquid dosages
- Two hospitals with more than 170 bed capacity in Colombo suburbs



Mobility

- Agents for Evergreen Line (6th largest global mainline operator)
- Leading feeder operator to key East Coast and Bay of Bengal ports
- Representative for Emirates the largest international airline in the world

75

Years in Operation

USD

162_{mn}

Market Capitalization

37%

Free Float

USD

310_{mn}

Total Assets

AAA

Long-term Fitch Rating

>5k

Workforce

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%
AWPLR

YoY change monthly rate (June 2024 vs June 2023)

Stable Exchange Rates

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

1.0%
\$/Rs

YoY change (June 2024 vs June 2023)

Global Commodity prices

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

3.6% **15.2%**
Palm oil Crude Oil

YoY change (June 2024 vs June 2023)

Relatively low Inflationary Pressure

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

1.7% **0%**
CCPI NCPI

YoY change (June 2024 vs June 2023)

Tax Reforms

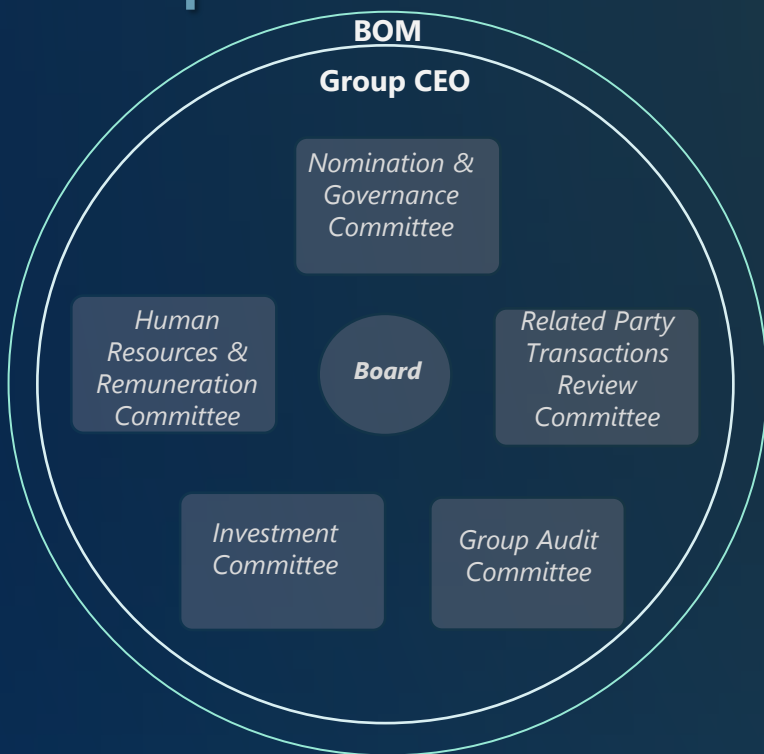
"Adverse impact of changes to the VAT laws continues to deteriorate consumer spending capacity"

18%
VAT Rate
With effect
from January
2024

**1.2
Mn**
Personal
tax relief
threshold

"Affordability continues to be a concerning issue for the public due to the already elevated cost of living and adverse impact of direct and indirect taxes. Consequently, consumption levels remain more subdued than anticipated."

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)

Independence

50%
of the board is independent

Gender



90% : 10%

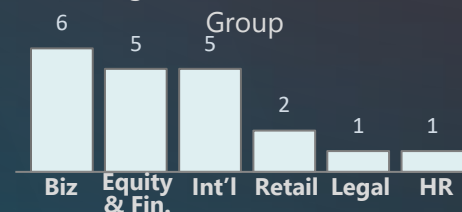
Board Size

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



Long range plan : Key strategic pillars

Refreshing the portfolio

Consumer Brands aims to expand its presence in the Personal Care and Beauty categories, while hospitals focus on increasing bed capacity in tertiary care.

High growth spaces

Pursuing scalable opportunities across South Asia and East Africa and Diversify the service offerings of the Mobility Segment to become an integrated player.

A successful turnaround

Morison will pivot to branded pharmaceuticals in cardiac, diabetes, and complementary spaces.

Enhancing efficiencies

Enhance efficiency and market position in Pharmaceutical Distribution, capture new consumers in Learning, and strengthen preferred partner status in Mobility.

Long range plan : Key focus areas



- ❖ Invest in complementary **Hair and Beauty care**, focus on local consumer needs, and drive **household penetration in essentials** like sanitary napkins.
- ❖ Implement a Bangladesh-focused strategy for **affordability and access** and **enhance personal care offerings** by leveraging extensive reach.
- ❖ Enhance efficiencies with **digital transformation and leaner manufacturing** and expand into **non-stationery school-related categories** using the Atlas brand.

- ❖ Shift focus to **growing the Morison brand** in cardiac, diabetes, and complementary medication, while **enhancing manufacturing excellence** at the Homagama facility.
- ❖ **Optimise working capital** and implement digital transformation to boost efficiency and cash flow, while **commercialising new Principals in emerging therapeutic areas**.
- ❖ Transform into a tertiary healthcare provider by **expanding specialties and bed capacity** and implement a **seamless connected care model** using digital technology.

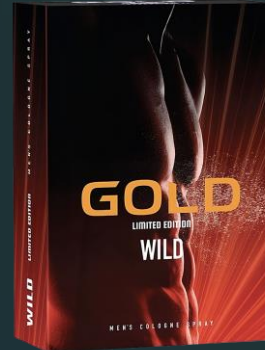
- ❖ Continue to strengthen a **lean business model**
- ❖ Obtaining the required **capacity/capabilities** whilst leveraging on the Group's appeal as a "**partner of choice**"
- ❖ Build a **holistic proposition**, to current and prospective principals.

New Product Launches during the Quarter

Home and Personal Care



Baby Cheramy
Liquid Soap



Gold Wild Cologne Spray



Goya Soap Jasmine
and Kohomba

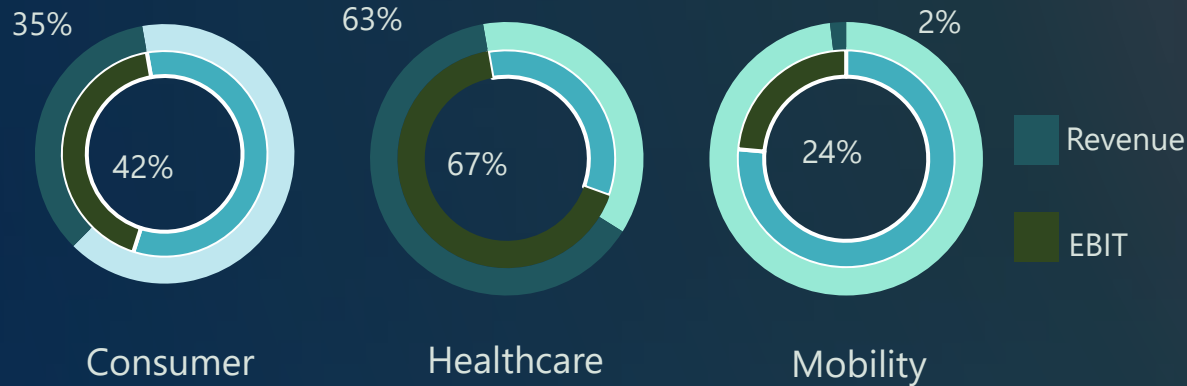


Goya Soap White
Lotus and
Sandalwood

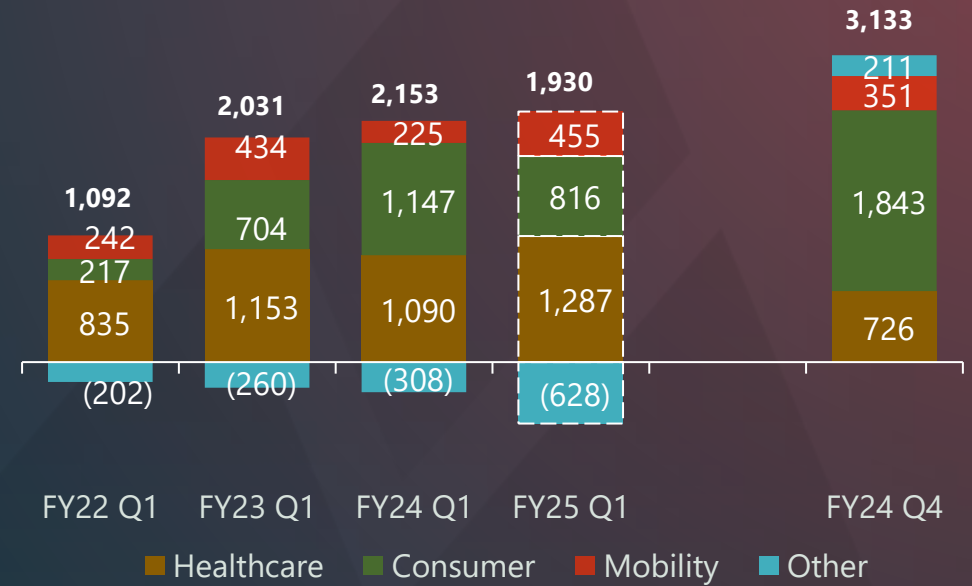
“The core portfolio maintained robust performance, demonstrating its market strength, while new product launches gained positive momentum. This success highlights the balance between established products and innovative offerings, ensuring sustained growth and adaptability ”

Financial Snapshot

3M contribution to the Group



EBIT by Segment (LKR million)

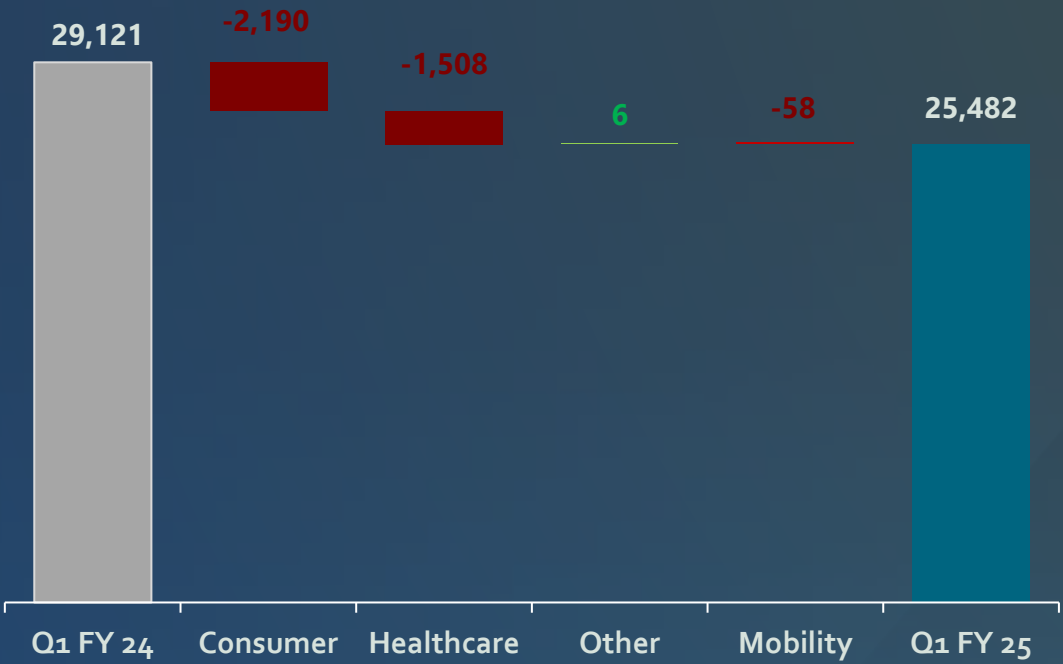


3M Performance FY 25 vs FY24

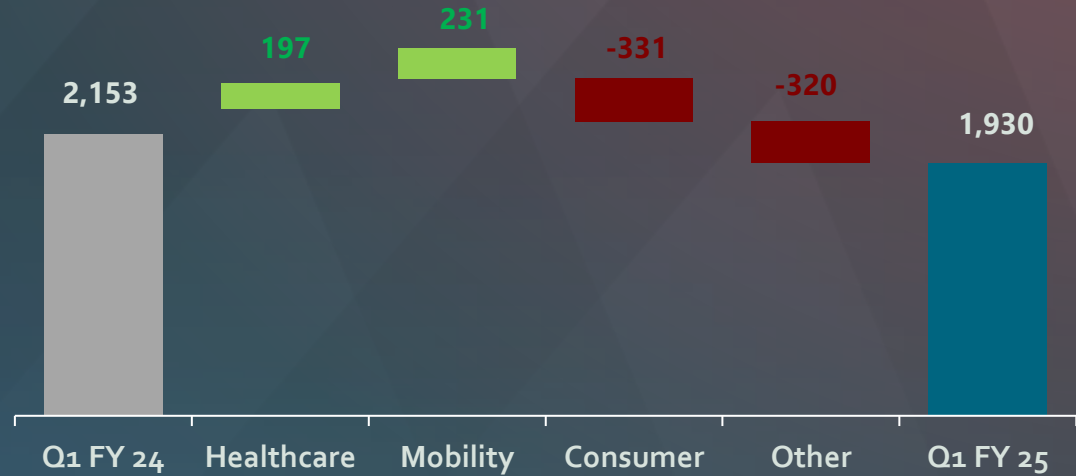


Sector Performance Summary – Q1 FY 2024-25

Revenue Walk
(LKR Mn)

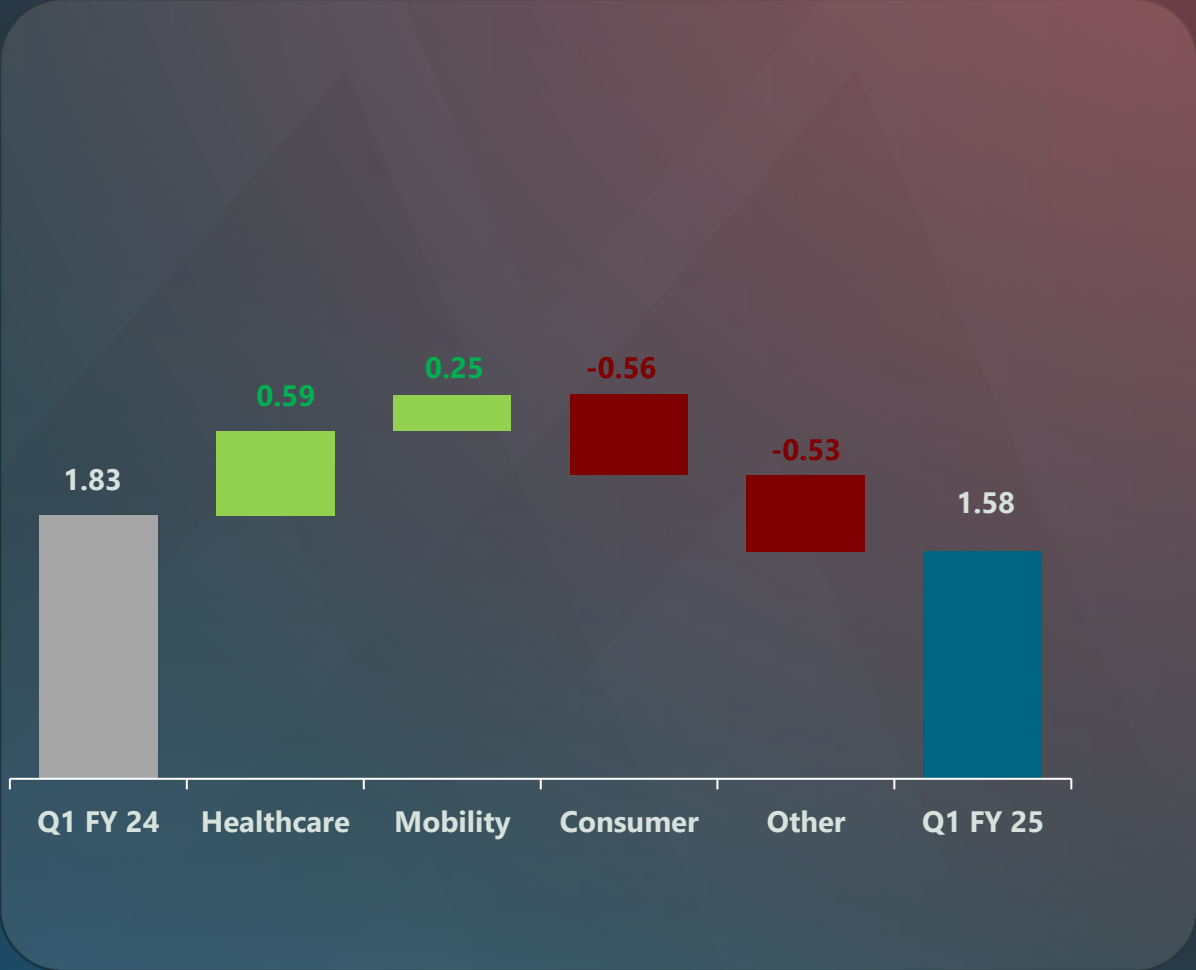
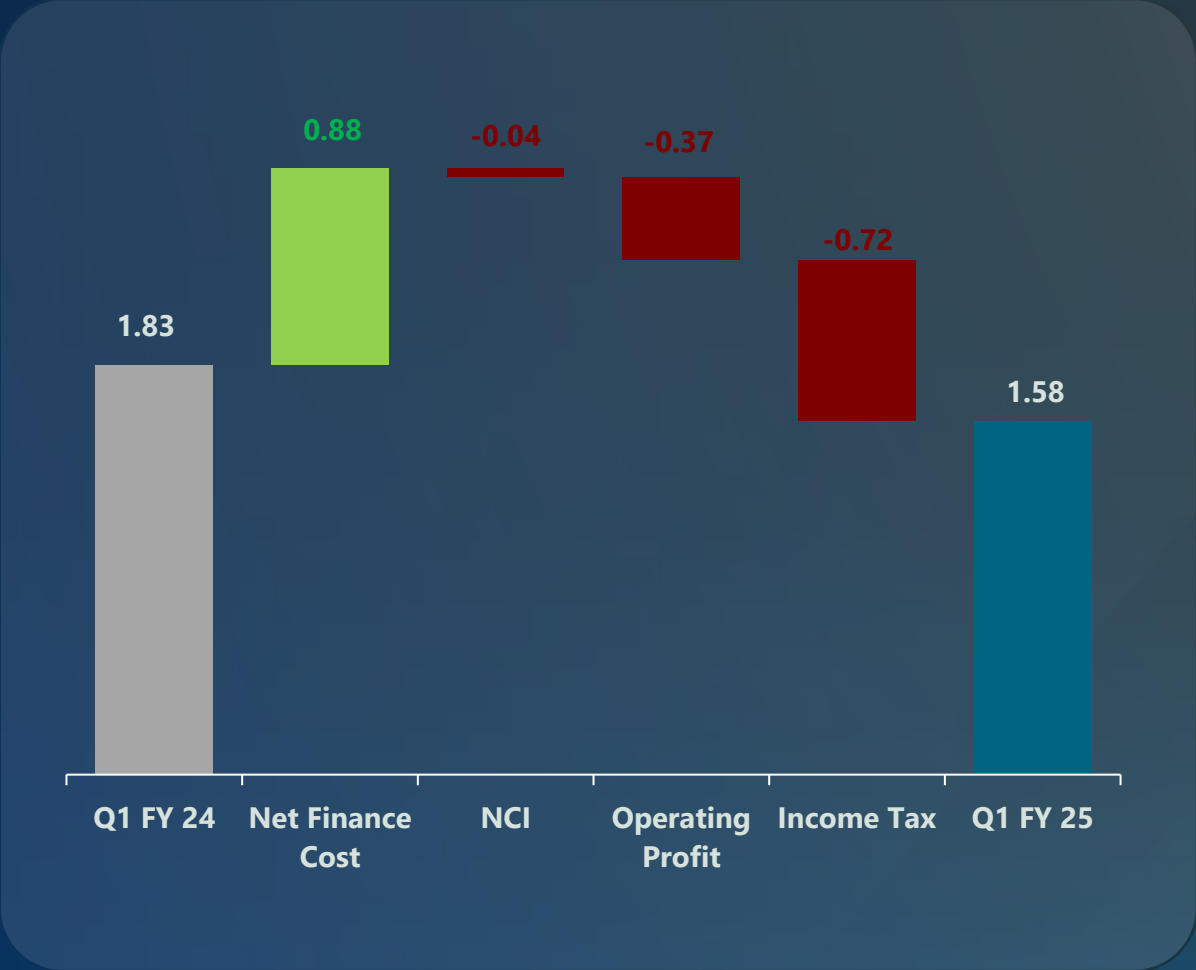


EBIT Walk
(LKR Mn)



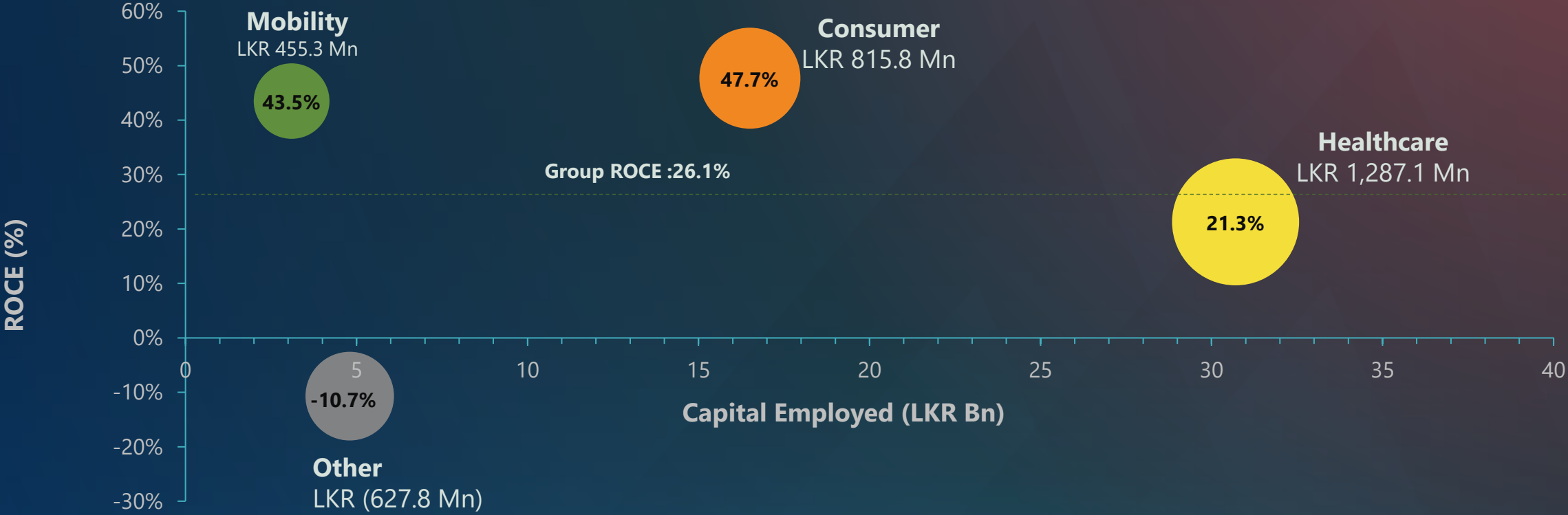
Continuing Operation EPS – Q1 FY 2024-25

EPS Walk (LKR Per Share)



Capital Employed – FY 2024-25

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
- ❖ Home and Personal Care - International
- ❖ Learning Segment

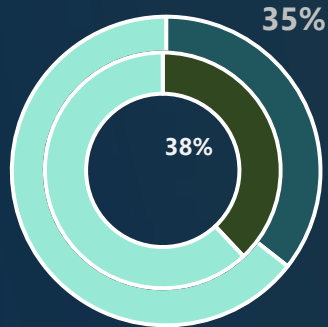


Consumer Brands

Contribution to Group

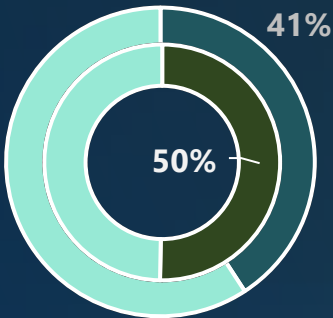
Revenue %

3M FY25
3M FY24



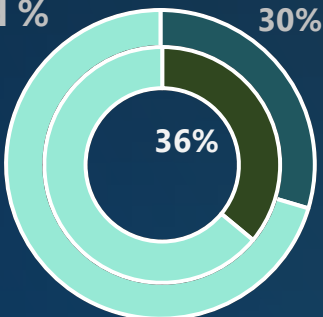
EBITDA %

3M FY25
3M FY24



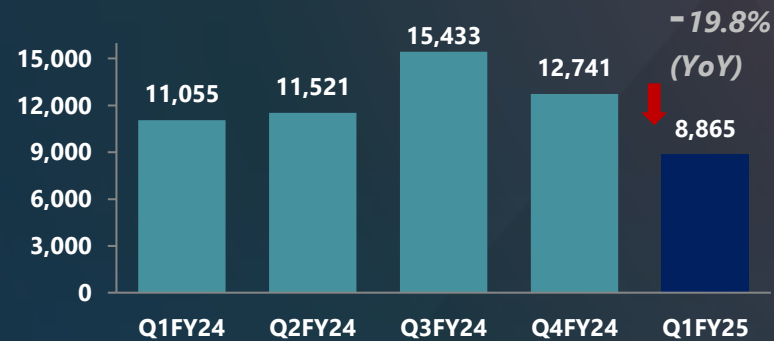
Capital Employed %

FY25
FY24



Sector Performance – 3M FY 2024-25

Revenue (LKR Mn)



EBITDA (LKR Mn)



Key Highlights

- Consumer purchasing patterns continued to favour value-for-money offerings, reflecting the ongoing constraints on consumer purchasing power.
- In line with market dynamics, price revisions and promotions were implemented across the portfolio, notably in laundry and oral care.
- The Stationery market faced a slow down with prolonged school closures in the first quarter coupled with the gradual easing of increased seasonal stock holding from previous quarters.
- Consumers continue to prioritize affordability and phase out buying patterns, resulting 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

8

Key categories with market leading positions



Extensions to the Portfolio

-7.5%

3M volume de-growth

80k

Direct outlet coverage

73%

3M contribution to Consumer Brands revenue

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



Baby Cheramy

Clogard

Kumarika

Velvet

Divia

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 – Q4 FY24 Data)

4K

Retailers reached in
Bangladesh

10%

3M contribution to
Consumer Brands revenue

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

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

Source: Household Panel data (Calibrated) – Kantar – MAT./ Retail Sales Audit by Insight Metrix – Q3 '23/24

Home and Personal Care – Sri Lanka and International

Sri Lanka

Revenue

- In line with market dynamics, price revisions and promotions were implemented across the portfolio which led to a revenue decline for the quarter.
- Continuing the focus on consumer-driven innovations, company launch Baby Cheramy Liquid Soap and two new variants of Goya Soap.
- The increased focus on personal care proved successful, particularly in key segments such as Baby and Feminine Hygiene, which continued to strengthen their market presence.

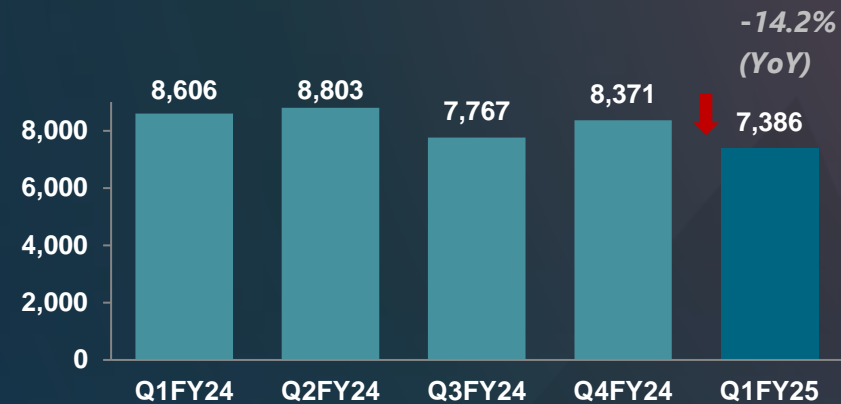
Profitability

- Despite the drop in revenue, improved GP driven by the strengthening of the domestic currency and decline in global commodity prices and operational efficiency led to maintained the profitability.

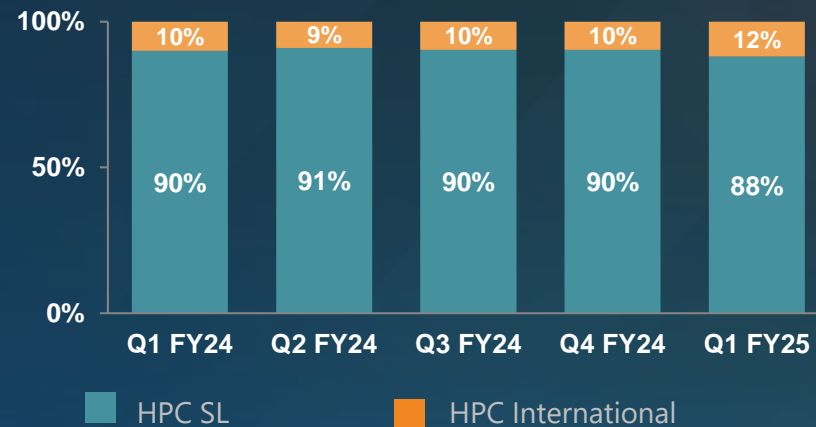
Outlook

- 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 the challenging market conditions, 'Kumarika' increased its market share in the VAHO market.
- While 'Actisef' remains a key component of our product portfolio, the newly introduced pure coconut oil categories have also gained significant market traction.

Profitability

- Challenging market condition, 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

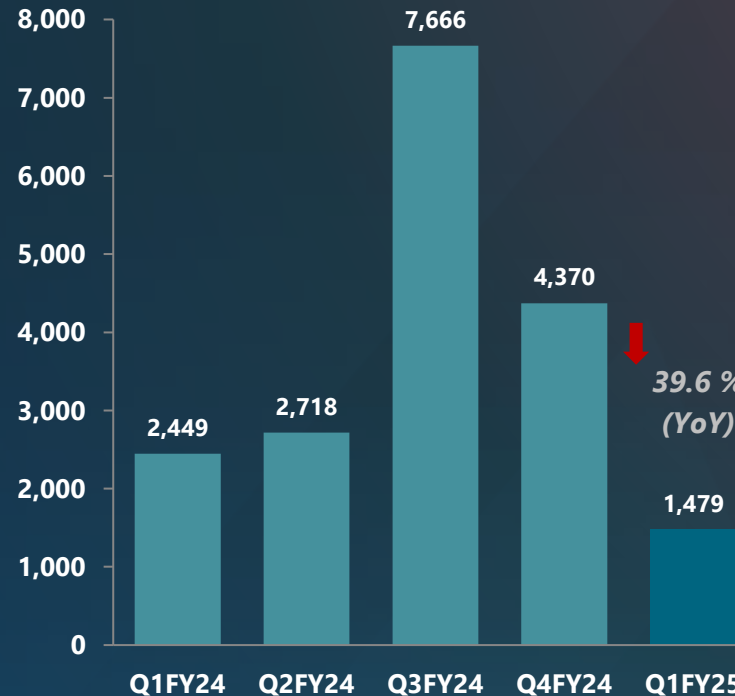
50+k

Outlet coverage across Sri Lanka

17%

3M contribution to Consumer Brands revenue

Revenue (LKR Mn)



Revenue

- 'Atlas' maintained its market leadership in the mass market segment while also expanding its market share in both the premium and value-for-money segments
- Reinforcing the brand's commitment of 'making learning fun', several efforts were undertaken to establish a unique and innovative Point of Difference, positively contributing to the brand value.

Profitability

- Increased efforts on efficiency improvement and cost saving initiatives contributed to negate the impact of topline drop.

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 Educational Toys .

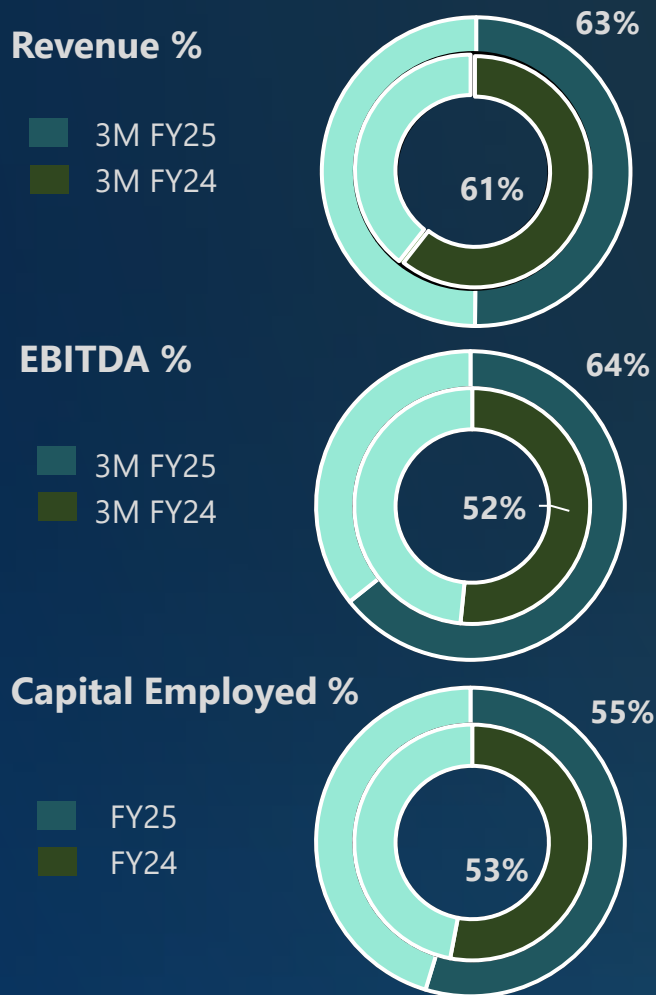
Healthcare Sector

- ❖ Pharmaceutical Import, Marketing and Distribution
- ❖ Pharmaceutical Manufacturing
- ❖ Hospitals

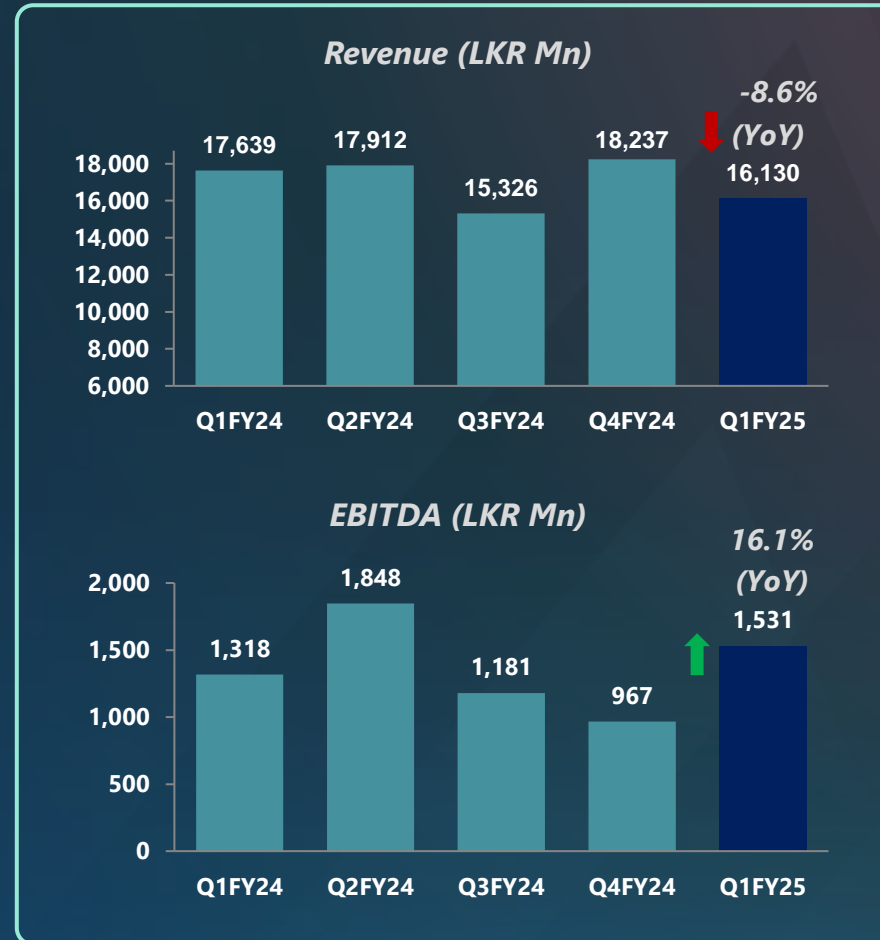


Healthcare

Contribution to Group



Sector Performance – 3M FY 2024-25

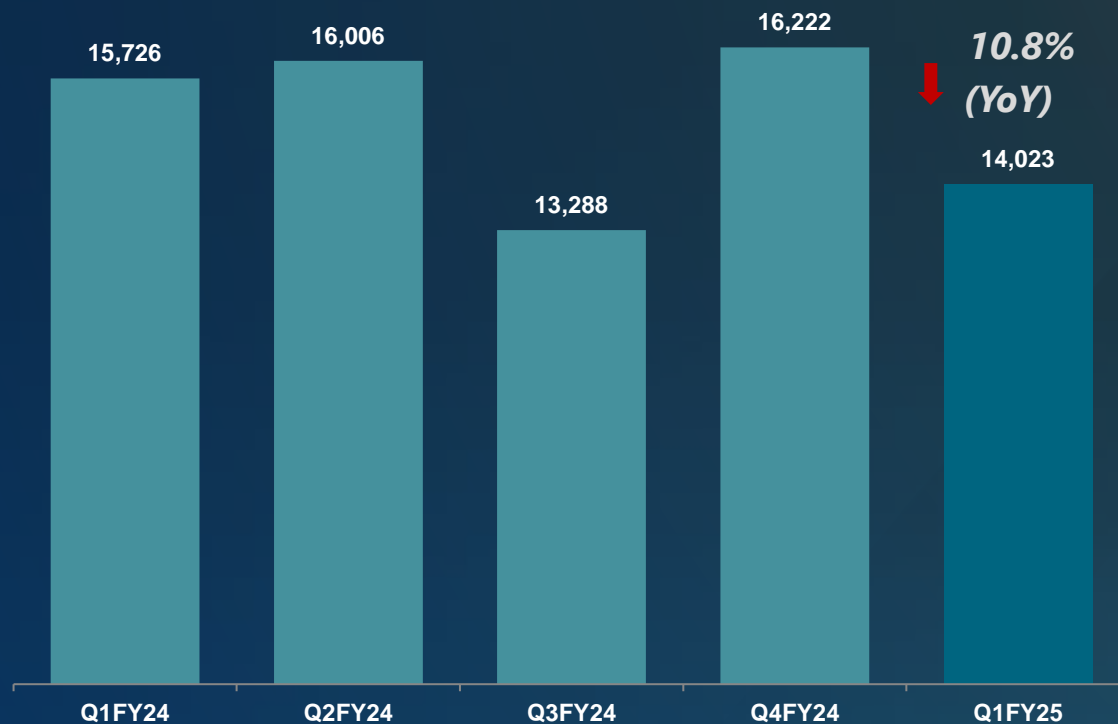


Key Highlights

- The Pharmaceutical industry continued to contract into the first quarter, although the rate of decline showed signs of easing.
- Economic pressures have led consumers to increasingly favour generics and lower-priced products.
- There are improvements in regulatory stability within bodies like the NMRA and MSD compared to previous quarters.
- Despite market challenges, the hospital cluster successfully maintained a stable patient footprint while effectively managing the cost base.

Pharmaceutical Import, Marketing, Distribution and Pharmaceutical Manufacturing

Revenue (LKR Mn)



Revenue

- Amidst market contraction and regulatory price reductions, the Pharmaceutical Distribution Business sustained its market leading position for the quarter.
- The Distribution business expanded its portfolio by introducing 13 new products in the Rheumatology, Anti-Infective, and Neurology spaces.
- Effectively driving the Paracetol activation campaign to key towns, hospitals and pharmacies.

Profitability

- Both the Distribution and Manufacturing businesses remained focused on optimising overhead costs, implementing efficiency improvement initiatives, and capitalising on synergies.
- These efforts, coupled with effective management of working capital, notably enhanced profitability.

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.

Hospitals

190+ Beds

51% Hospital occupancy



First hospital in Sri Lanka to implement fully fledged EHR system

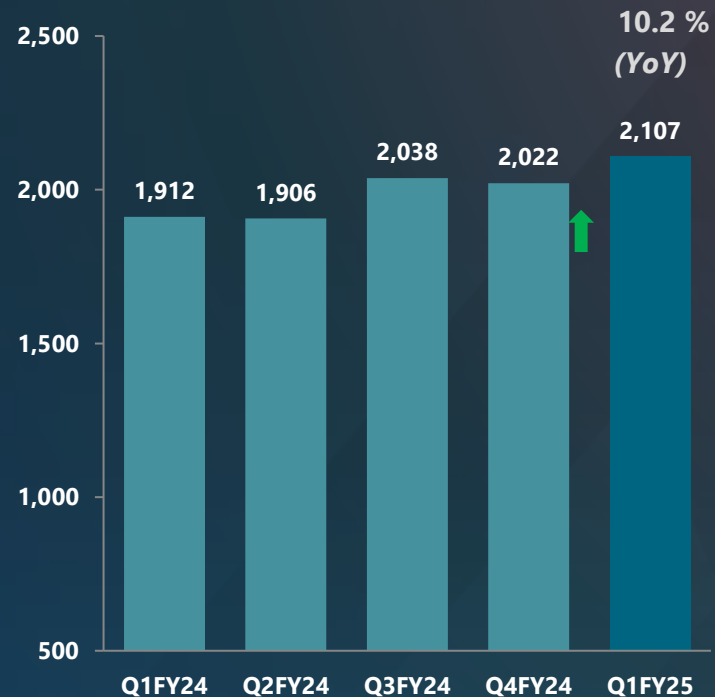


2 Hospitals **40+** Labs and collection centres

13%

3M contribution to Healthcare revenue

Revenue (LKR Mn)



Revenue

- With fewer communicable diseases were reported compared to the same period last year, hospital admissions have experienced a slight decline.
- In contrast, there has been an increase in both inpatient and outpatient volumes due to an increase in surgeries and medical screenings.

Profitability

- Efficiency measures have successfully reduced administration costs compared to the previous year.

Outlook

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

| | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 |
|----------------|--------|--------|--------|--------|--------|
| IP revenue mix | 51% | 54% | 54% | 49% | 55% |

Mobility Sector

❖ Maritime

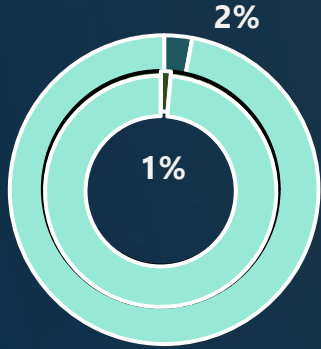
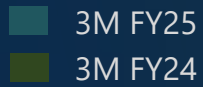
❖ Aviation



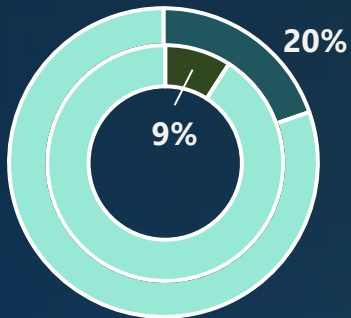
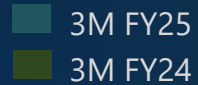
Mobility

Contribution to Group

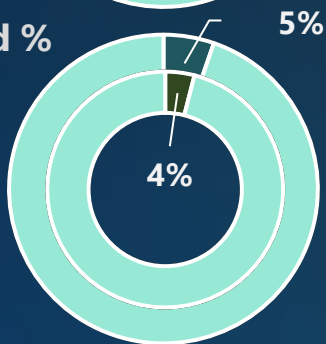
Revenue %



EBITDA %



Capital Employed %

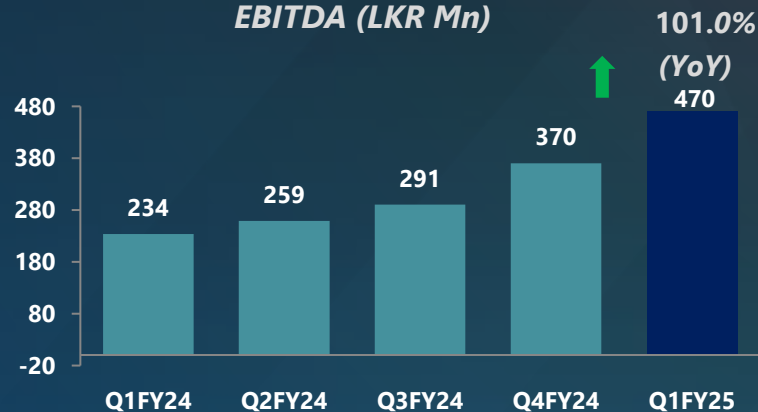


Sector Performance – 3M FY 2024-25

Revenue (LKR Mn)



EBITDA (LKR Mn)



Key Highlights

- Amidst global challenges in the maritime sector, intensified by tensions in the Red Sea and anticipated tariff hikes on Chinese goods, the Port of Colombo encountered congestion while the throughput growth to two percent for the quarter.
- The rise in freight rates along with increase in volume bolstered the Maritime segment's performance compared to the same period last year.
- The Aviation sector saw a positive impact on cargo volumes, as increased tonnage was diverted to mitigate port congestion. In the passenger segment, high competition among industry players affected overall volumes.

Environmental Agenda 2030

ENCOURAGING RESPONSIBLE
PLASTIC CONSUMPTION



720,000+ 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

Social Impact: 56,800+ Families Empowered

TACKLING PERIOD POVERTY



2,412

Women and Girls

PROVIDING WIGS TO CANCER PATIENTS



350

Women

CREATING A SAFER WORLD



5,724

Families

CREATING EQUAL LEARNING OPPURTUNITY



30,166

Children, Teachers and Parents

CREATING QUALITY LEARNING EXPERIENCES



8,963

School Children

ENSURING NO CHILD IS LEFT BEHIND



1

Pre Schools Added

EMPOWERING WOMEN AND PROVIDING SOLUTION TO ASPIRE FOR MORE



22

Women

PROVIDING FREE DIALYSIS FOR PATIENTS SUFFERING WITH CHRONIC KIDNEY DISEASE

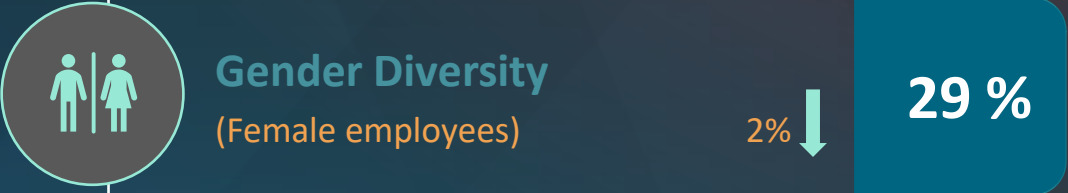
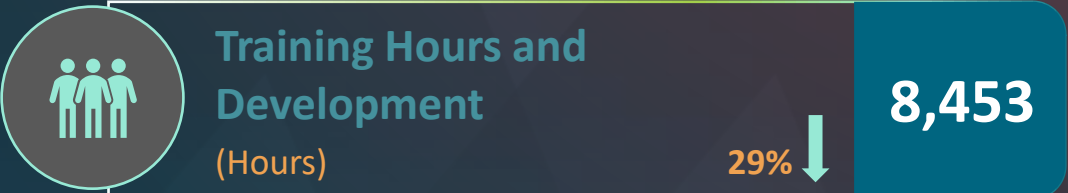
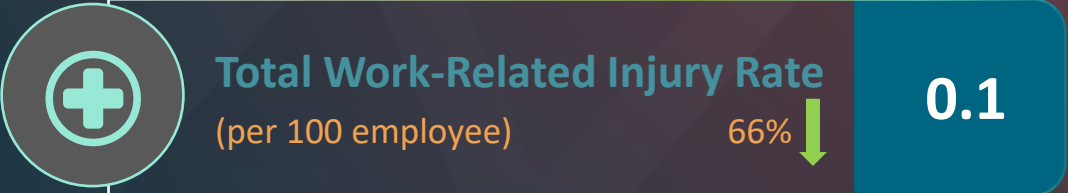
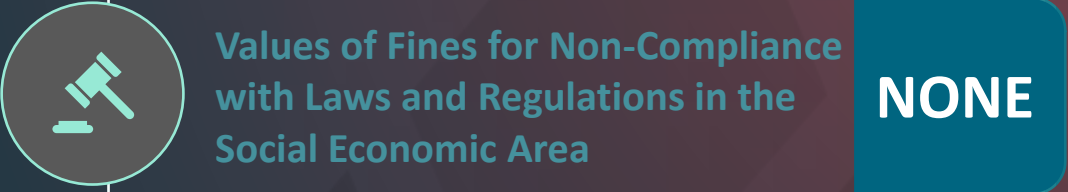
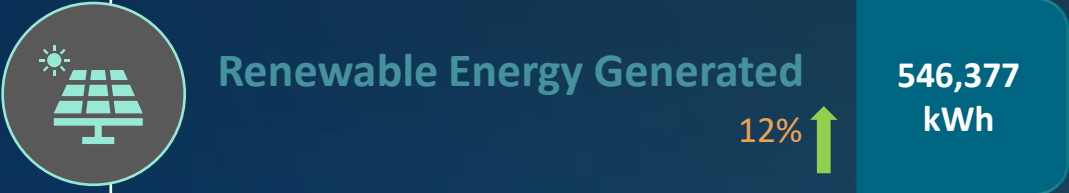
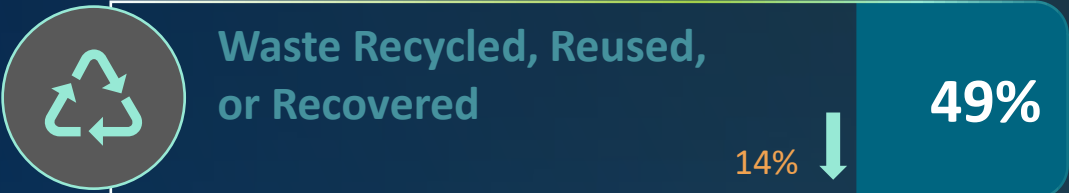


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50

Patients

Sustainability Performance – Q1 2024 – 25 vs Q1 2023 - 24



Key Priorities

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 premiumisation 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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