

# Investor Presentation

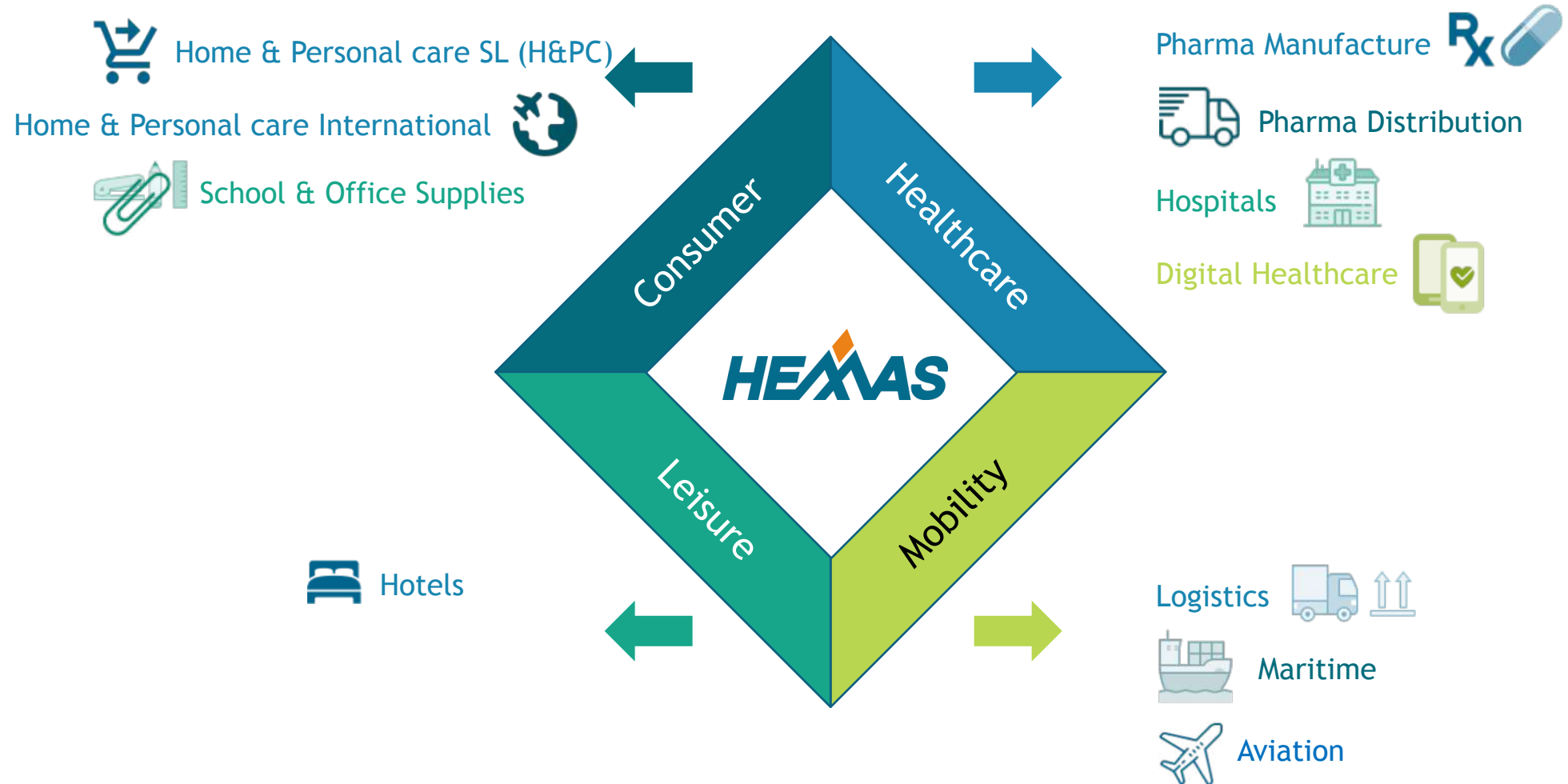


Hemas Holdings PLC

FY 2019-2020

June 24, 2020

# Hemas Holdings PLC: Our portfolio



# Impact from COVID-19 in Sri Lanka and the Group's Response

- ▶ Following the outbreak of Covid-19 in Sri Lanka, the Government of Sri Lanka (GoSL) declared an island-wide curfew, imposed from the 20<sup>th</sup> March 2020 onwards. The restrictions were waived only for those engaged in services classified as 'essential'.
- ▶ The Company and its subsidiaries have taken appropriate measures including, engaging high quality medical and public health advice, provision of protective equipment and working from home to safeguard the health of all our employees and ensure compliance with various directives issued by the GoSL.
- ▶ As at 15<sup>th</sup> of June 2020, Sri Lanka reported a total confirmed cases of 1,950 with 11 deaths. It is encouraging that there is no indication of community spread in the country.
- ▶ Curfew started to gradually ease off across the island starting from early May, except for high risk districts including Colombo and subsequently, the curfew was lifted almost after 2 months by end of May.
- ▶ The country is set to open for tourist arrivals from August 01, 2020.
- ▶ The Group is seeing early signs of recovery in consumer activity with the resumption of activity across the country post the easing of curfew restrictions. Operational challenges have continued to ease. It is encouraging to see steady increase in return to work and economic activity with all trade channels now open and functioning.
- ▶ Cost cutting and cash conservation measures to protect the business have already been initiated. Capital expenditure and discretionary spending have been deferred and instituted salary cuts at the senior levels in the Group and in businesses with very low revenues.
- ▶ Since the beginning of this crisis, we have made substantial efforts to contribute to the communities where we operate and society more widely.
  - ▶ Atlas engineering team developed 5 Automated Guided Vehicles for use in Government Hospitals treating Covid-19 patients and converted its school bag manufacturing plant to produce face masks to support the Sri Lanka Army.
  - ▶ Atlas engaged over 100,000 children with free online arts and crafts content.
  - ▶ Club Hotel Dolphin was given away as a quarantine centre to be used by the Government.
  - ▶ Donated essential hygiene products and medicines to the Sri Lanka Navy to aid against the virus.
  - ▶ Hemas Pharmaceuticals donated 40,000 pieces of PPE and 800 sanitizers to its distributor network.

*Early signs of recovery with the resumption of activity across the country.*

# Impact from COVID-19 to the Group

*Portfolio Rating | On Track*

## HEALTHCARE

Revenue **LKR 31Bn** | EBIT **LKR 2.3Bn**

- Pharmaceutical distribution is operating at normal levels
- Morisons, has operated at a reduced level in meeting the demand from the MoH for essential pharmaceuticals. However, operations are now back to normal.
- The new manufacturing facility will be delayed.
- Hospitals experienced a decline in the patient footfall and elective surgeries during the curfew period.
- There is now a surge in demand for online consultations, home care services and medicine delivery.

## LOGISTICS & MARITIME

Revenue **LKR 2.3Bn** | EBIT **LKR 478Mn**

- Slowdown in export trade coupled with import restrictions have resulted in depressed revenues in the maritime segment.
- Logistics operations are nearing normal level of activity after initial challenges in operating with minimum workforce.
- There is now increased demand for logistic support from clients engaged in food and pharmaceutical supplies.

*Portfolio Rating | Potential short term to medium term recovery*

## CONSUMER

Revenue **LKR 24Bn** | EBIT **LKR 1.9Bn**

- H&PC demand initially declined due to restricted movement.
- Gradual pick-up in demand through modern trade and e-commerce channels. Slower pick up in general trade.
- We continued to leverage on our health and hygiene brand "Shield in producing hygiene products including a new hand-sanitizer.
- The impact of on Atlas was not severely felt due to this period being off season.

## LEISURE

Revenue **LKR 3.6Bn** | EBIT - **LKR 131Mn**

- The impact of the Covid-19 pandemic has been most significant in our Hotel segment with zero or minimum occupancy due to travel disruptions/restrictions.
- However, the impact to the Group was reduced due to the divestment of our travel and aviation segment during March FY 19/20.
- The country will be open for tourists starting from August 01, 2020 with no requirement for self quarantine after medical checks upon arrival.

*Portfolio Rating | Potential medium term recovery*

*Portfolio Rating | Potential longer term recovery*

# Hemas Holdings PLC: Market leading positions in Consumer and Healthcare



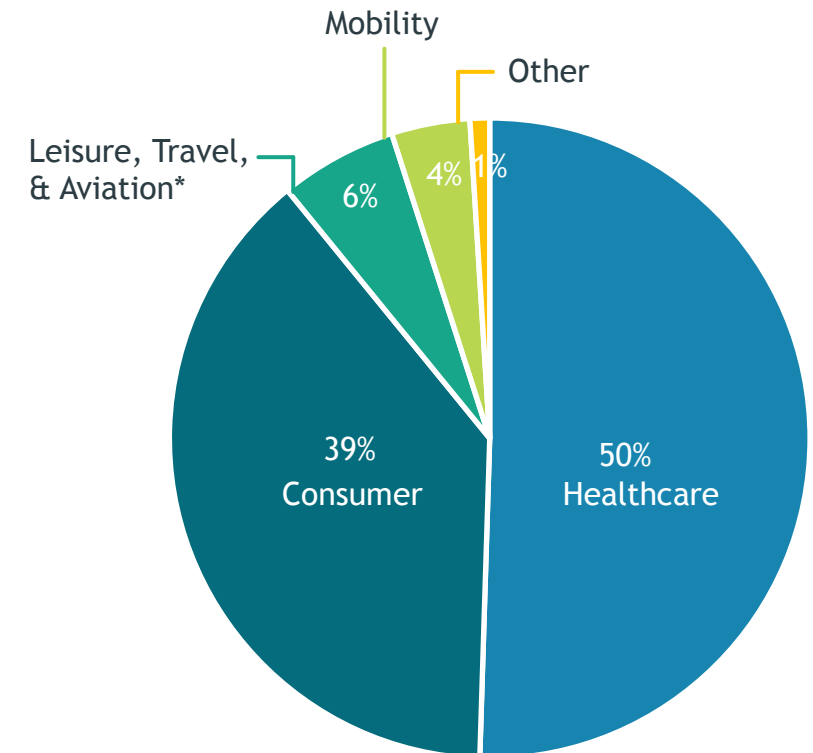
Sri Lanka's Largest Pharma Supplier

Market Leading H&PC Brands



## Group Revenue by Segment

FY 2019-20



Island-wide Coverage of Diagnostics & Healthcare Services



Partnered with Global Maritime and Logistics Brands

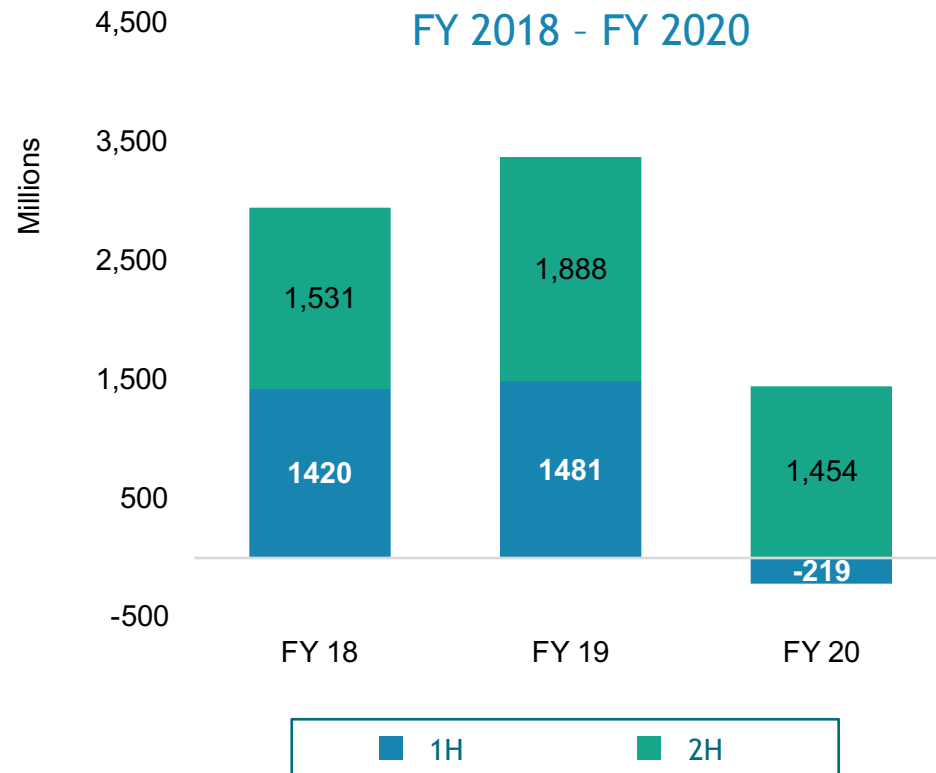
Luxury to Boutique Hotel Properties



\*Note: Travel and Aviation interests have been divested during March

# HHL Group Performance: Strong rebound in the second half of FY20

## Group Earnings in LKR

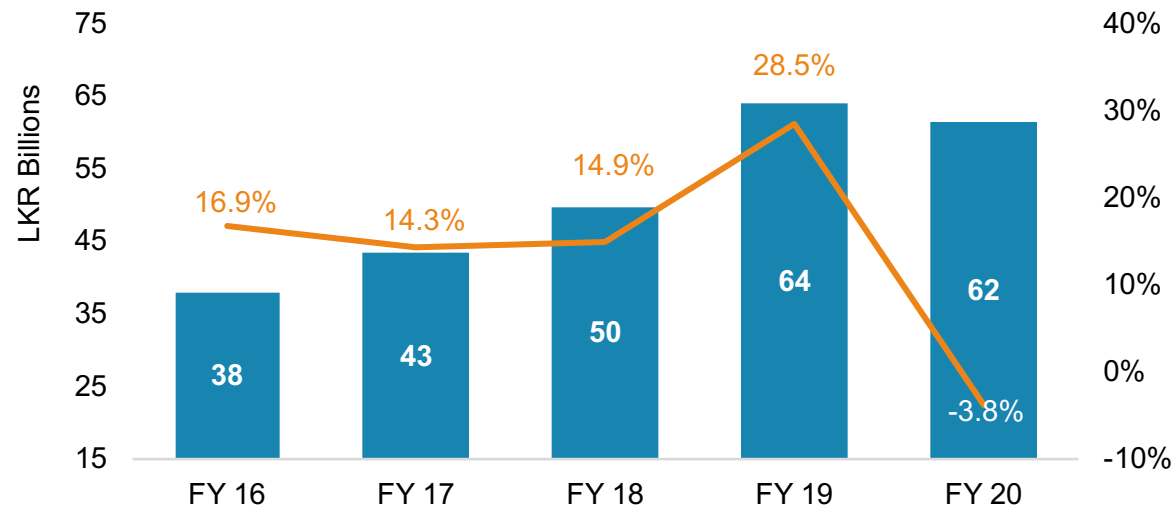


- ▶ FY 2019/20 has been the most challenging in the 70 year history of the Group with performance impacted by the:
  - ▶ Easter Sunday 2019 terrorist attacks
  - ▶ Covid-19 pandemic outbreak during the second half of March 2020.
- ▶ The ethnically divisive attacks against our brands exacerbated the impact of weak consumer sentiment experienced in the first half of the year.
- ▶ Group continued its recovery from the aftermath of the Easter Sunday crisis with earnings of Rs.1.4Bn for the second half of the financial year, compared with the loss of Rs.218Mn reported in the first half.
- ▶ Q3 and early part of Q4 began its trajectory towards getting back to normalcy, with revenues and profitability returning to prior year levels across all our main businesses until the Covid outbreak disrupted the economy in March, 2020.

# HHL Group Performance: Five year summary

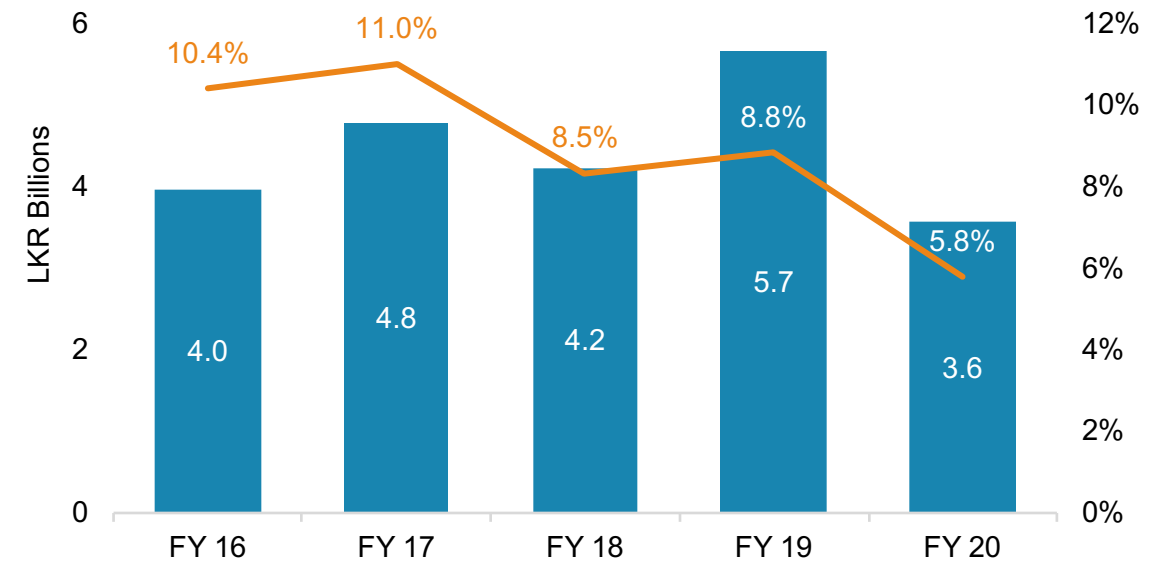
## Group Revenue and % Growth

FY 2016 - FY 2020



## EBIT and EBIT margin (%)

FY 2016 - FY 2020



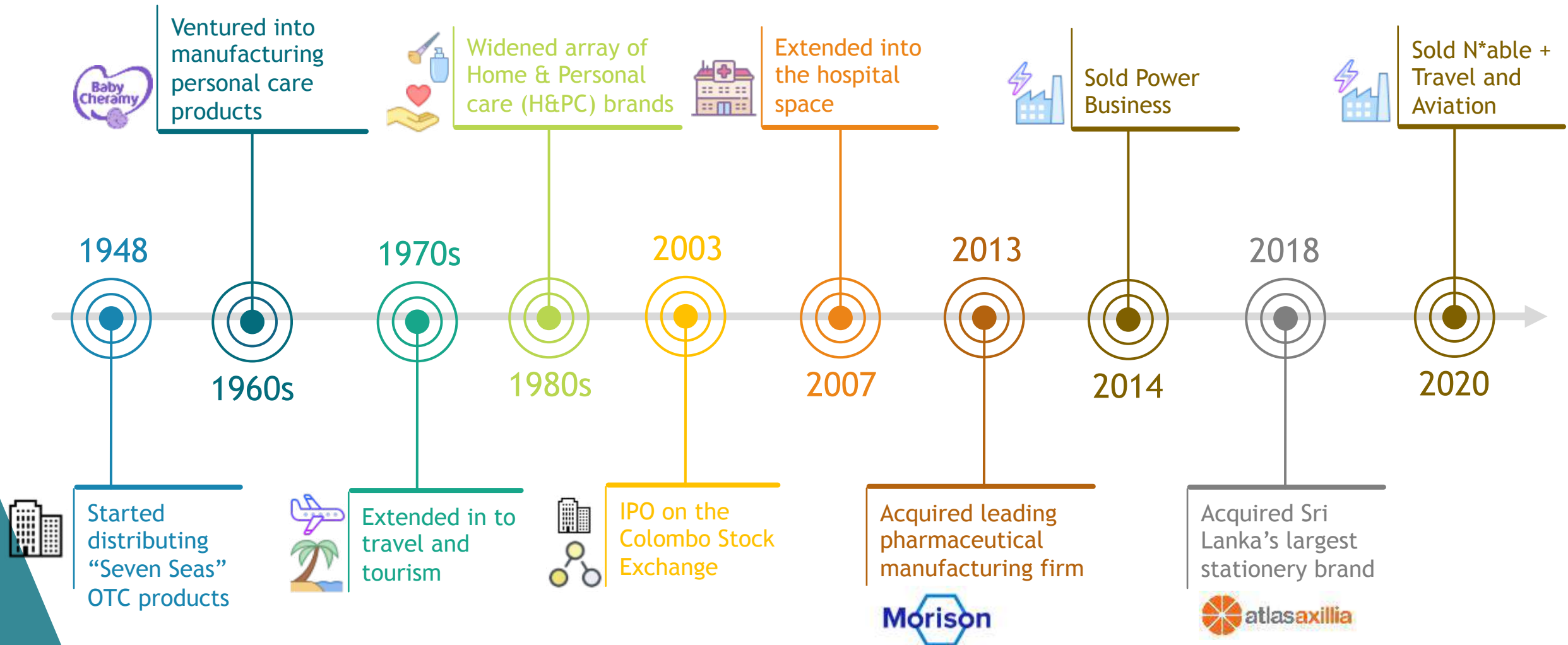
# Hemas Holdings PLC: Our Group

- ▶ Market cap: LKR 33.5 billion (US\$ 181 million)
- ▶ Shareholding structure: Esufally family holds 64.3%, 35.7% public holding.
- ▶ Governance:
  - HHL is governed by a 10-member board including 5 Independent Directors who are thought leaders in their respective fields of FMCG, Healthcare and Private Equity.
  - The board is supported by a system of Business boards and Audit and Risk committees to uphold robust levels of governance.
- ▶ Management:
  - Experienced senior management team with diverse backgrounds in FMCG, Healthcare, Finance, M&A, Supply Chain and Innovation.
  - Top 60 business leaders are entitled to stock options.
- ▶ Debt-Equity ratio: 29.0%\*
- ▶ Hemas Holdings PLC's rating was lifted to AAA(lka)/Stable rating, reflecting the increased exposure to defensive healthcare and consumer goods by Fitch Rating.

\*Debt includes the Right-of-Use assets due to the accounting impacts of SLFRS 16 - Leases.



# Hemas Journey: 70 years of serving the nation



# We do this by building strong consumer brands and providing access to a wide range of affordable healthcare solutions...

## Developing a portfolio of consumer brands that delight

- Consolidate market-leading positions in H&PC, and School & Office
- Expand share-of-wallet in branded Consumer products
- Deepen equity positions through premiumisation and localisation



## Delivering quality medicines and therapies to patients who need them

- Exceptional supply chain solutions for innovator medicines in emerging markets
- Superior range of OTC and Wellness offerings, including own brands
- Excellence in pharma manufacturing and self sufficiency in core therapies

## Tapping into the emerging Asian consumer

- Grow *Kumarika* brand platform in select South Asian markets
- Selective expansion of consumer portfolio into emerging South Asia

## Providing Affordable healthcare and diagnostics services

- Wide portfolio of tertiary healthcare services in our hospitals
- Focus on wellness, screening and early detection through our lab network

# ... And connecting suppliers with their customers with unique experiences and digital-first driven Wellness solutions

## Serving the region's logistics and route-to-market needs

- Drive superior mobility solutions to serve the region's logistics needs
- Extend into 3PL and last-mile RTM solutions



## Connect patients to excellent digital health solutions

- A digital-first access point for a range of Wellness products and services
- Connect the medical community with their patients and high quality therapies

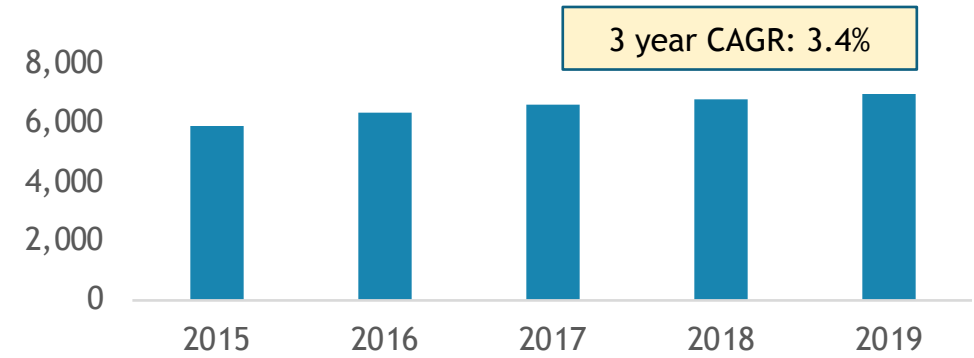
## Experiential leisure to upscale travellers

- Focus on building out a portfolio of experiential assets
- Serve the aviation and cargo needs of the region

# Industry Focus: Home & Personal Care Sri Lanka—driving branded personal care consumption in emerging categories

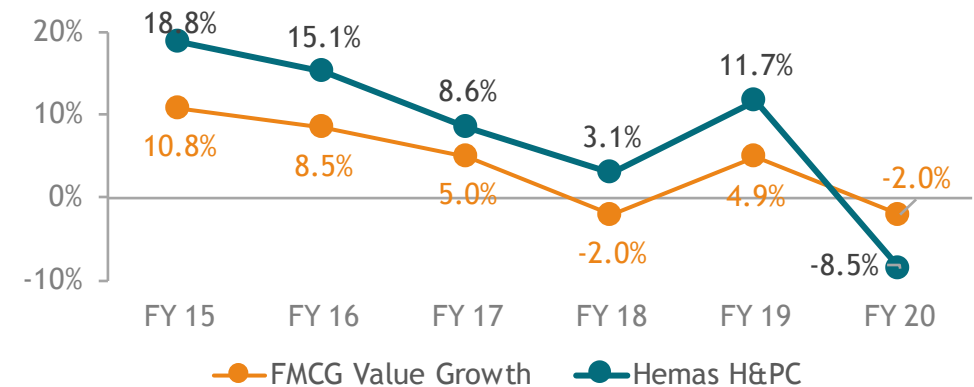
- ▶ Consumption Expenditure remained subdued although some recovery was seen towards the end of 2019.
  - ▶ Sri Lanka’s household consumption grew at a 3.4% 3 year CAGR, and personal care categories are highly penetrated. Growth slowed down to 2.9% from a previous 3.7% growth in 2019.
  - ▶ Reduction in VAT/NBT rates and the increase in the personal income tax-free threshold was a boost towards disposable income post presidential election in November 2019.
- ▶ FMCG market volume decline was slower in 2019
  - ▶ FMCG market volume decline was slower in 2019, some signs of improvement with volume decline slowing down in 2019 to -0.50% compared to a decline of -2.1% in 2018 (Kantar).
- ▶ Volume growth in the Personal care category is led by emerging categories such as feminine hygiene as well as hair and skin, and price growth is driven by premiumization.
- ▶ Modern trade represents between 15%-17% of retail sales, expansion of the channel underpins growth in consumption. Modern Retail penetration continued during the year.
- ▶ Hemas H&PC maintains a depth of distribution of our market-leading brands in sizeable categories.

Household Final Consumption in Constant LKR Mn  
2014-2019



Source: Department of Census & Statistics

Sri Lanka FMCG Sector Value Growth & Hemas H&PC growth  
FY 15 - FY 20

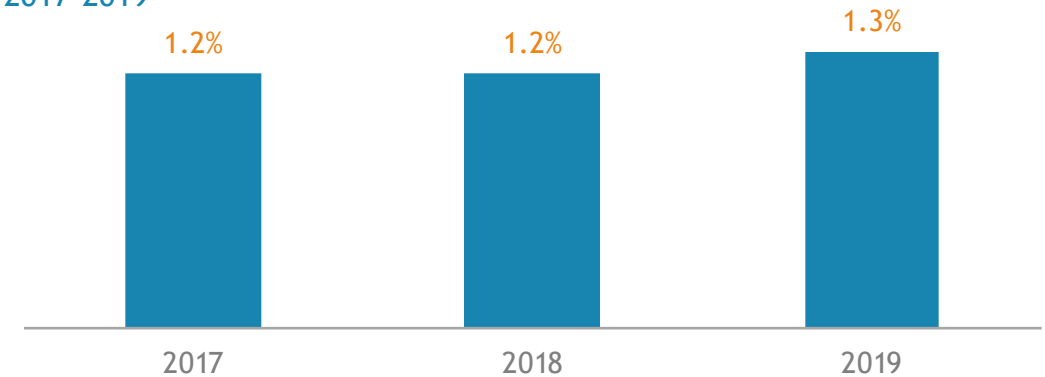


Source: Nielsen Sri Lanka

# School & Office Supplies: Strong outlook as education spending deepens in importance to the South Asian householder

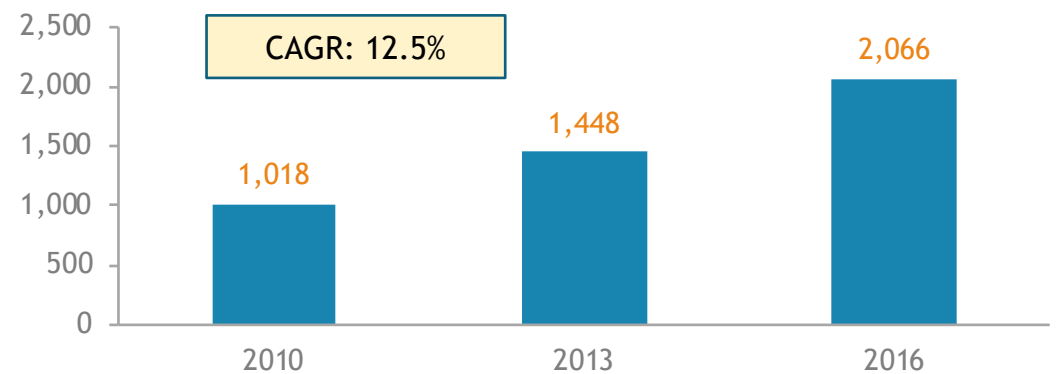
- ▶ Education: an investible asset for the Sri Lankan family:
  - 4.5 million school going population, with rapid rise of per-child education spend.
  - Sri Lankan families place high importance on education, and are seeking higher functionality, reliable brands and competitive edge for children.
  - Households will focus more on saving in future, as children will remain the priority.
  - Rising income levels, a growing school age population, the increasing demand for quality education supplies as well increased government spending on the education sector particularly in rural areas
  - This drove private consumption expenditure (PCE) on education which increased by 9.8% and accounted for 1.3% of total PCE in 2019.
  - Smart Classrooms & Devices and E- Learning platforms are identified as emerging market trends.

Education spend as a % of total Private Consumption Expenditure  
2017-2019



Source: CBSL, 2019

Monthly Household Education Spend  
2010-2016



Source: Sri Lanka Household Consumption Survey, 2016; DCS.

# Consumer Sector Performance: FY 2019-2020

No. 1 School & Office Supplies Brand



No. 1 Baby Care Brand



No. 2 Oral Care Player



No. 1 Hair Oil



No. 1 Beauty Soap



No. 2 Washing Powder Brand



No. 2 Feminine Hygiene Brand

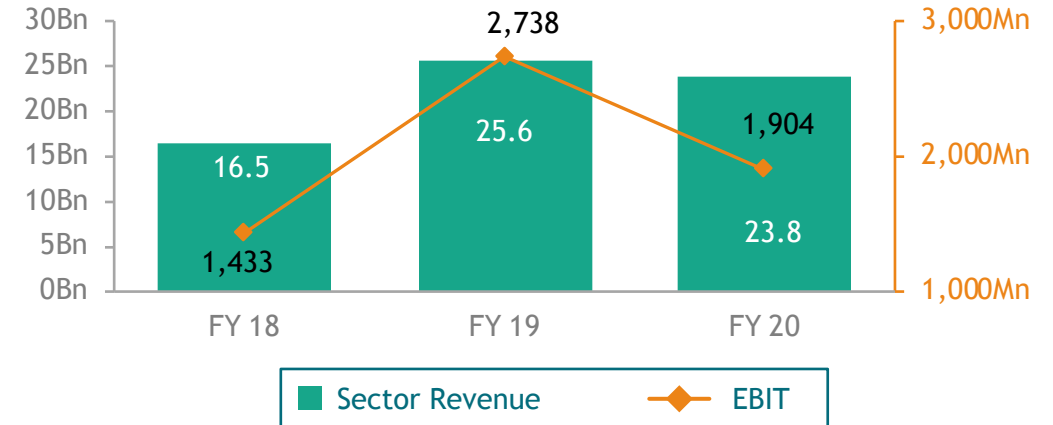


Newly launched Family Soap Brand



## Sector Revenues & EBIT in LKR

FY 18 - FY 20



Source: Restated revenue in accordance with IFRS 15

## Business Update

- ▶ Sector's efforts during the year were directed towards rebuilding brand value impacted from ethnically divisive attacks across H&PC and Atlas.
- ▶ Embarked on a multi-pronged initiative that involved re-enforcing the quality of our products, ensuring greater transparency.
- ▶ Morison OTC experienced growth in Lacto, Gripe and Valmelix
- ▶ Continued to progress well on cost saving initiatives backed by lean manufacturing
- ▶ Several product innovations were carried out with high local connect and relevance
- ▶ Velvet and Fems were the first and only brands in their respective categories to gain dermatologist safe certification .

# Consumer Sector Performance: New Product Launches and Re-launches

Newly launched Family Soap Brand



Shield Hand Sanitizer

Diva - purple lotus and Lavender



Baby Cheramy pull-up pants



Velvet - Hibiscus and Jasmine



Clogard Chooty - Mango & Strawberry variant

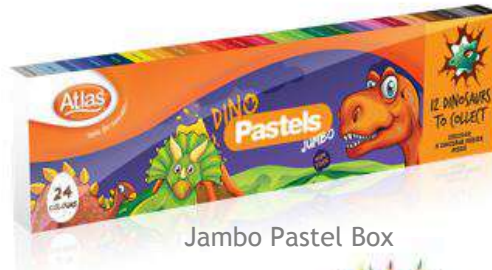
Cinnamon and Propolis variant



Atlas 3D CR Book



Ex Books with QR codes



Jambo Pastel Box

Poster colours



Pencil case

Max Force Pen



Glitter Gel Pens



Professional Bags



Trendy Bags



Gripe Mixture

Valmelix Lozenge



Water Bottle Gripper



Lunch carrier



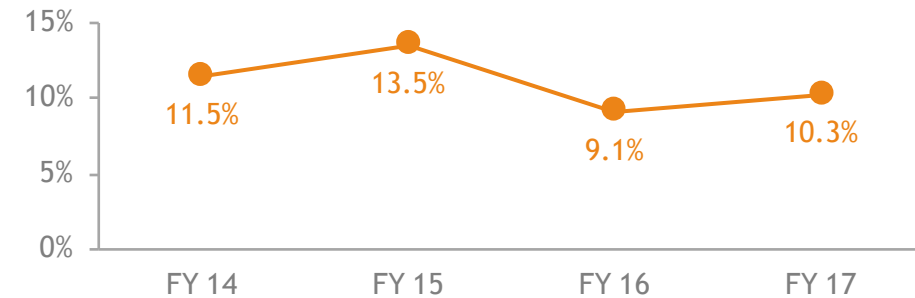
Lunch box divider

# Home & Personal Care—International: Taking the herbal beauty equity of *Kumarika* to select South Asian markets

- ▶ Rapid growth of personal care consumption in emerging middle class, adding nearly 30Mn consumers through 2030.
- ▶ Seeking functional, modern formats of recognizable herbal personal care traditions.
- ▶ Rapid premiumization in consumption of FMCG.
- ▶ Relative under-penetration of key categories such as shampoo, feminine hygiene and oral care present opportunities.
- ▶ Hemas selectively positions in under-penetrated categories, leading with the herbal equity of *Kumarika*.
- ▶ Value Added Hair Oil (VAHO) category in Bangladesh is currently growing at 10%. Growth is high in rural and stagnant in Urban.
- ▶ VAHO space is expected to further proliferate with new entrants.
- ▶ Targeting a combined population of 250Mn with current product offerings in Bangladesh and India.

## FMCG Sales Growth, Bangladesh

FY 14 - FY 20



Source: FMCG Industry Review of Bangladesh, EBL Securities Bangladesh, 21<sup>st</sup> June 2018



Bangladesh & West Bengal population = 250Mn



# Home & Personal Care International with our brand *Kumarika*

## Sector Highlights

- ▶ New brand architecture on *Kumarika* was introduced to the market in May 2019
- ▶ Continued focus on expanding into rural markets in Bangladesh.
- ▶ Introduced a marbleized herbal beauty soap under *Kumarika* brand in Bangladesh and continue to push visibility of *Kumarika* facewash
- ▶ Continuing to drive early stage performance of West Bengal

Hair Oil



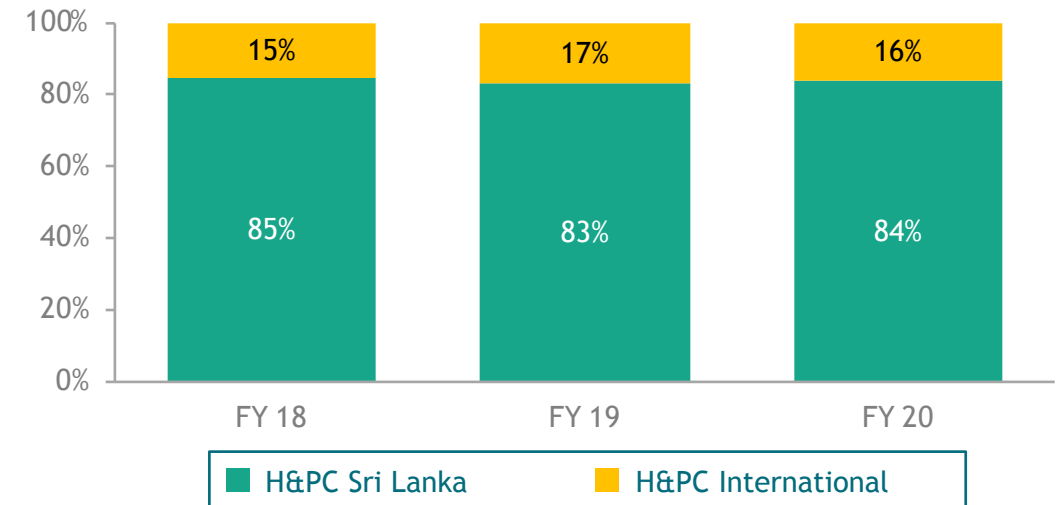
Face Wash



Herbal Beauty Soap



## International Segment as a % of total H&PC segment FY 18 - FY 20



## Business Update

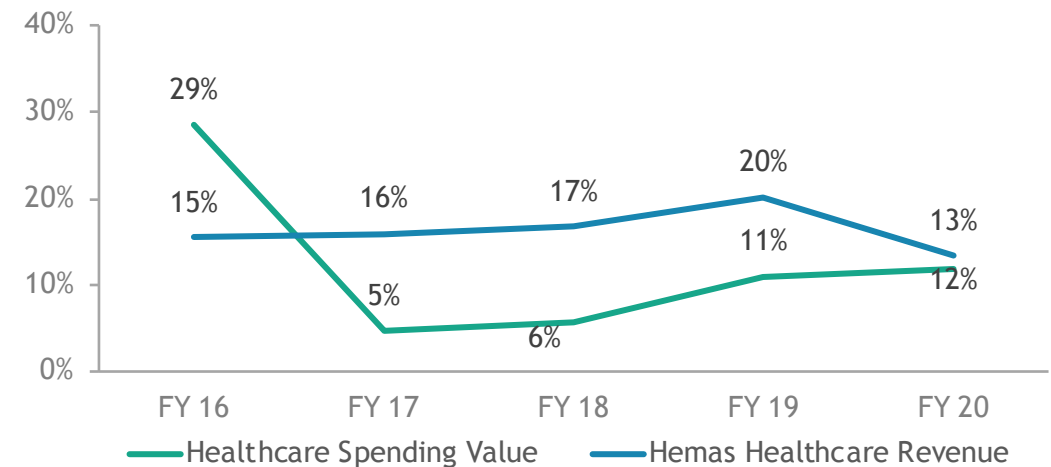
- ▶ International segment remained depressed during due to heavy competition in the value added hair oil segment in Bangladesh coupled with increased duty and tariff under the new budget.
  - ▶ Supplementary duty charge (Output), regulatory Duty of 3% imposed on importation of certain RMs and FGs and LLO assessment value for at a flat 1\$ per kg

# Healthcare: Rethinking private healthcare and widening access to medicines, wellness products and healthcare services

- ▶ Healthcare spend driven by growing burden of NCDs.
- ▶ Middle class consumers seeking convenience: 50% of patients use private outpatient services.
- ▶ State encouraging more domestic manufacturing of pharmaceuticals in the current 85%+ import market.
- ▶ Health inflation moderated to 3.7% in 2019 from 12.2% in 2018 and contributed 14.6% to overall inflation of 4.8% in 2019.
- ▶ Tele-medicine, direct-to-consumer pharma delivery gaining traction as more patients seek to bypass channeling services and seek healthcare on demand.
- ▶ Hemas' extending leading position in pharmaceutical import and distribution to expanding manufacturing.
- ▶ Extending mid-tier hospital and laboratory business into more complex tertiary procedures and diagnostics.
- ▶ Opportunities in the Public-Private Partnership (PPP) program to cater to the needs of patients.
- ▶ Volatility in the exchange rate coupled with price regulations in the pharmaceutical industry in Sri Lanka has been an ongoing challenge.
- ▶ Pharmaceutical market in general experienced value growth during the year in mid-teens, driven equally by value and volume growth during FY 2019/20.

## Growth in Healthcare spending and growth in Healthcare revenue

FY 16- FY 20



Source: Central Bank of Sri Lanka, 2019

# Healthcare Sector Performance: FY 2019-2020

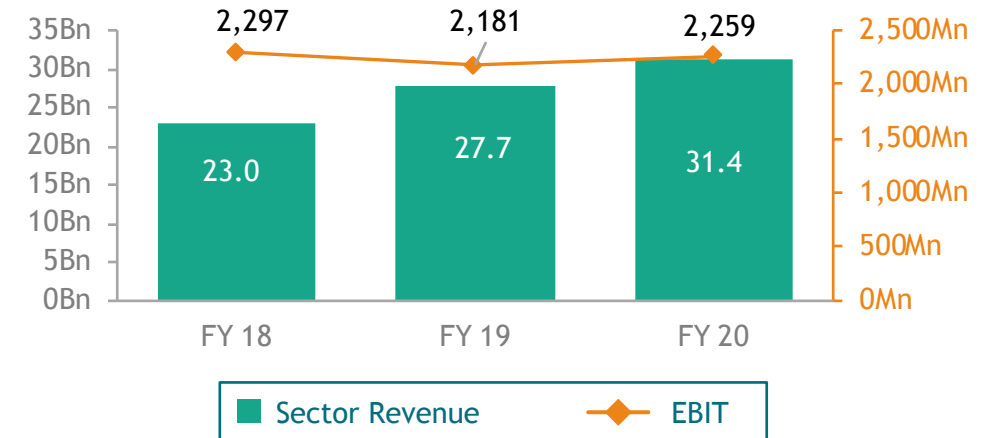
## Hemas Healthcare Sectors



- ▶ Hemas Hospitals is the only hospital to have successfully completed 4 cycles of accreditation with the Australian Council on Healthcare Standards International.
- ▶ 21 Awards for Lean Six Sigma initiatives
- ▶ First organisation in Sri Lanka to be certified by ISO for Integrated Management Systems affirming quality, environment and safety management systems

## Sector Revenues & EBIT in LKR

FY 18 - FY 20



Source: Restated revenue in accordance with IFRS 15

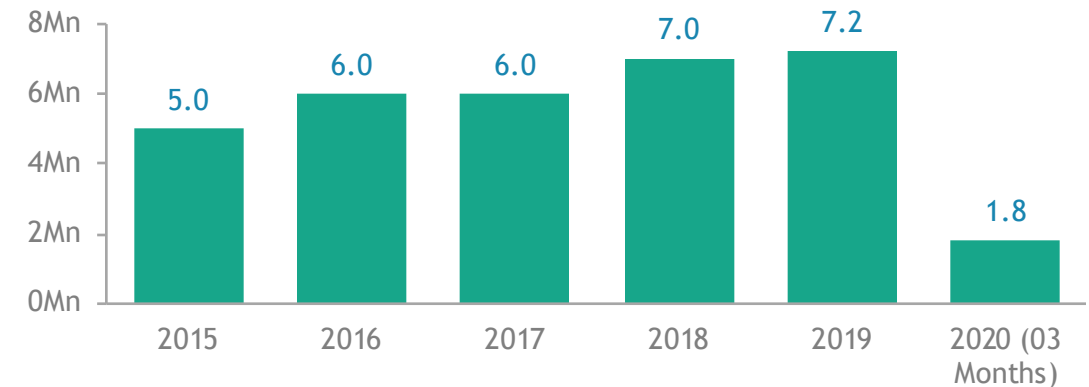
## Business Update

- ▶ Pharma onboarded a leading multinational nutrition partner.
- ▶ Hospitals continued to enhance the value proposition to patients by adding super specialties to cater to current trends of NCDs in the country.
  - ▶ IVF center, Cosmetic center, Urology and Neurology super specialty centers
  - ▶ Invested behind digital solutions
- ▶ Morison's new plant is at the final stages of completion, however, it'll be delayed due to the disruptions witnessed due to Covid.

# Mobility: Capitalising on Sri Lanka's excellent geo-strategic location

- ▶ Port of Colombo(PoC) handled a throughput of 7.2Mn TEU's with a growth of 2.6% in 2019/20.
- ▶ Contraction in domestic volumes in line with the aforementioned slowdown in global trades led to a slowdown in growth in throughput of PoC.
  - ▶ Domestic TEU volumes decline by 2% driven by subdued economic conditions locally.
  - ▶ Transshipment volumes recorded marginal growth of 2% in 2019/20. India continued to be the primary transshipment market for Sri Lanka, accounting for 70% of the volumes
- ▶ The potential for palletized third-party logistics (3PL) remains promising in the medium to long-term with growth expected primarily from inbound project cargo operations, FMCG and export industries
- ▶ National Policy Framework (NPF) titled 'Vistas of Prosperity and Splendour' focuses on developing transportation industry and related infrastructure.
- ▶ Hemas Mobility solutions encompass the spectrum of transportation, and is seeking to capitalize on both first, middle and last-mile delivery solutions.

Colombo Port's Throughput (TEU)  
2015 - 2019



Source: Sri Lanka Ports Authority

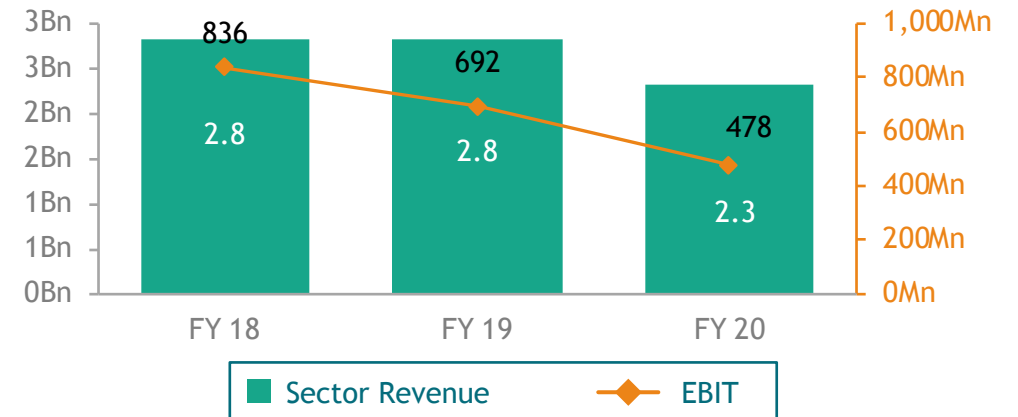
# Mobility Sector Performance: FY 2019-2020

**Logistics**

**Maritime**

## Sector Revenues & EBIT in LKR

FY 18 - FY 20



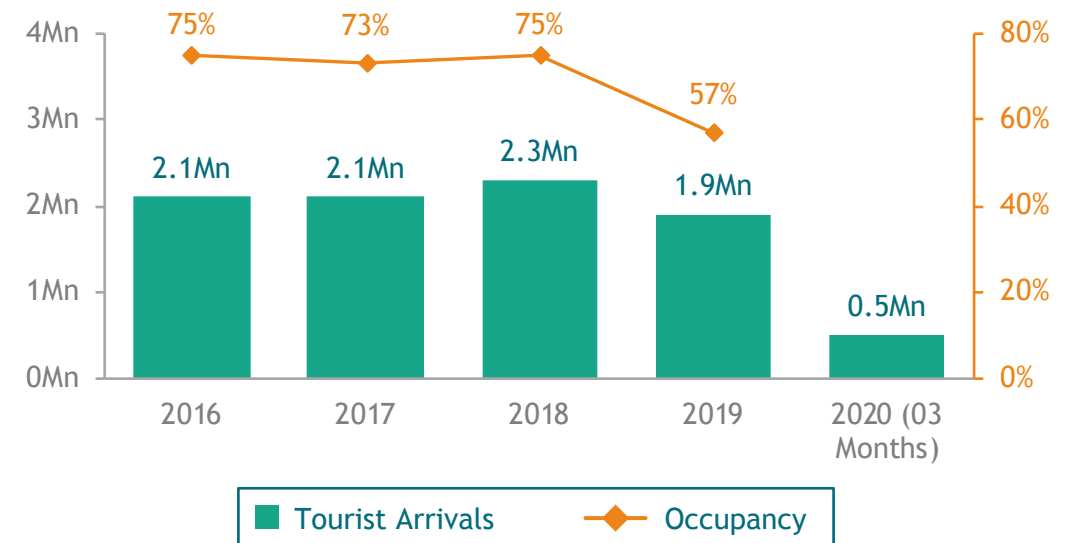
## Business Update

- ▶ Full year of operation at the new facility
- ▶ Container depot operation was able to reach its full capacity
- ▶ Delays in filling up the warehousing capacity
- ▶ JV partnership with Evergreen
- ▶ Increased depreciation and finance costs from the new facility

## Leisure: Focusing on experiential leisure

- ▶ Sri Lanka ranked No.1 travel destination in 2019 by Lonely Planet
- ▶ Long haul travellers (Europe, Australia) continue to contribute significantly to source markets.
- ▶ Rise of Asian traveller - Chinese and Indian travellers exploring the island and redefining the tourism offering.
- ▶ New destination brand “So Sri Lanka”, an amplifier brand that supports and engages typical millennial travel exploration debuted at the World Travel Mart in London.
- ▶ Driving towards being a centre of excellence for Aviation services for leading airlines such as Emirate, IndiGo and Malaysian.
- ▶ Tourist arrivals to Sri Lanka which slumped in the aftermath of last year’s April 21st attacks have declined for the 12th consecutive month in March due to the coronavirus.
- ▶ Tourist arrivals to Sri Lanka for the quarter ended March 2020 was 507,311. This was a 32% shortfall when compared to the comparative period of the previous year.

**Tourist Arrivals and Occupancy**  
2016 - 2020



Source: Sri Lanka Tourism Development Authority, 2019

# Leisure, Travel & Aviation Sector Performance: FY 2019-2020

## Hotels

ANANTARA  
PEACE HAVEN - TANGALLE  
RESORT

AVANI  
SENTOGA  
RESORT & SPA

Club Hotel  
*Dolphin*

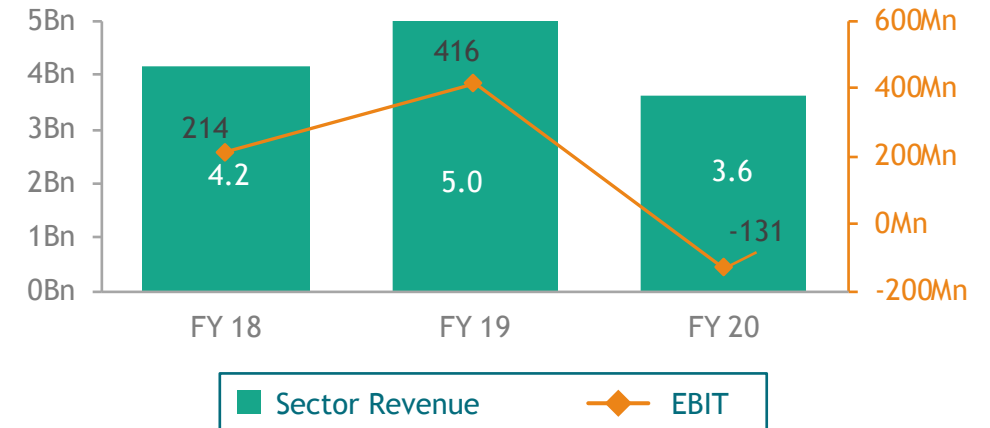
ANANTARA  
KALUTARA-RESORT

AVANI  
KALUTARA  
RESORT

Hotel  
*Sigiriya*

## Sector Revenues & EBIT in LKR

FY 18 - FY 20



## Business Update

- ▶ Rates across all properties reduced during the period under review, in order to boost occupancy which led to a drop in profitability during the peak season.
- ▶ Slow recovery in occupancy in Hotels were seen and continued an upward trend until Corona Virus outbreak in mid March.
- ▶ Tourist arrivals during Jan-Mar indicated a 31.5% shortfall over last year, 71% hit in the month of March due to Covid 19 pandemic and worldwide travel restrictions.
- ▶ Disposal of the T&A sector concluded during the second week of March having a P&L disposal loss of LKR 38Mn

## Overview: FY 2019-2020

- Strategic Priorities Update
- Group Operational Highlights



# Group Update: Despite the setback during FY 20 we have been executing on our Strategic priorities and capacity building investments

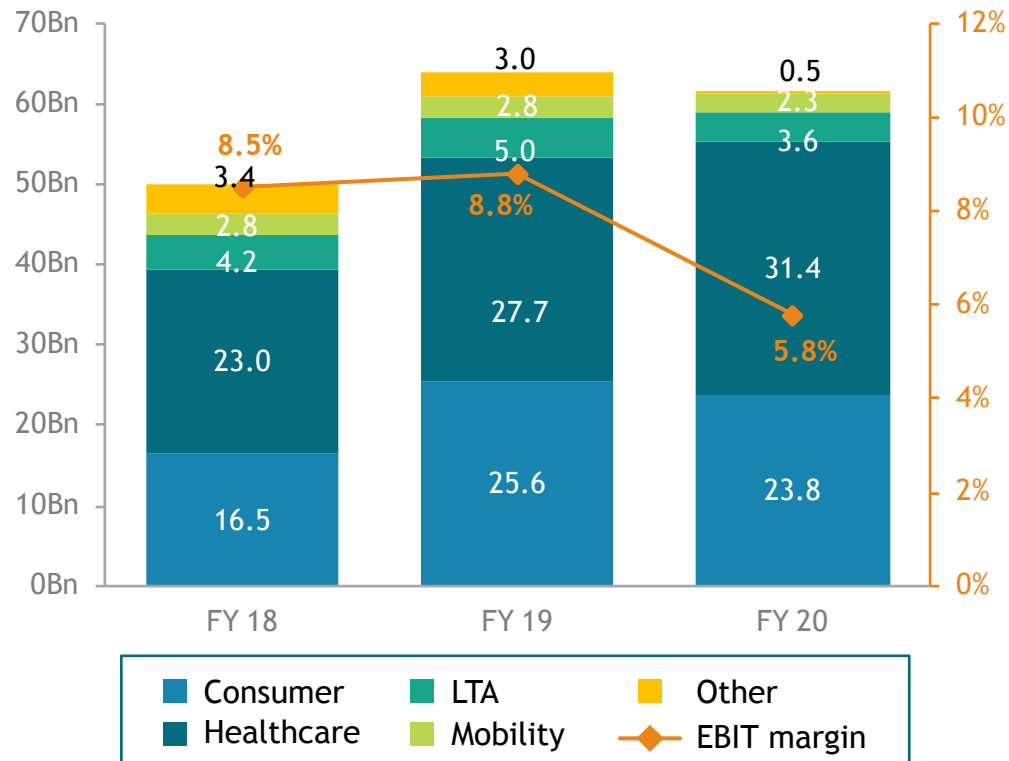
- ▶ Despite the challenging economic environment experienced during the year, Group continued to execute on the strategic priorities and capacity building investments during the year.
  - ▶ Profit improvement, resilience building and operating model improvement projects to build an execution-focussed organization
  - ▶ Shape the portfolio around regional Consumer and Healthcare leadership
    - Disposed N\*able in early Q2
    - Disposal of Travel and Aviation business in Q4
  - ▶ Ramping up the international market presence by investing behind the growth of Bangladesh, West Bengal and Myanmar.
  - ▶ Ensuring our Morison Pharmaceutical Plant is physically completed and operational in late 2020.
  - ▶ Profit improvement projects to deliver results during the financial year
    - Building resilience in our route-to-market capability in Consumer and Pharmaceuticals
  - ▶ Ramping up the operations of our new logistics park.

*Strong emphasis on building an organization focused on execution*

# FY 2019-20 Operations Summary

## Sector Revenue & EBIT Margin (%)

FY 18 - FY 20



- ▶ Group continued its recovery from the aftermath of the Easter Sunday crisis with post tax profits of Rs.1.7Bn for the second half of the financial year, compared with the loss of Rs.298Mn reported in the first half.
  - ▶ Growth was driven our Consumer and Healthcare businesses despite the impact of Covid-19 on March 2020 performance.
- ▶ Consolidated revenue of Rs.61.2Bn for the year ended March 31, 2020 was recorded with 3.8% lower than last year. Operating profits for the financial year stood at Rs.3.6Bn, a YoY decline of 37.1%.
  - Underlying revenue and operating profit grew by 2.0% and 3.5% respectively, adjusting for the divestment of N\*able in July and Travel & Aviation segment in March 2020.
  - Group had a number of launches and relaunches across the sectors, increasing marketing and trade spend during the year.
  - Effective 1 April 2019, the Group adopted SLFRS 16 - the accounting standard on Leases - which primarily impacts the accounting treatment of the Group's operating leases and lease commitments, particularly in the Hospitals, Pharma and Hotels business segments. Group recorded a PBT impact of Rs.153Mn during the year.
  - Rise in finance costs were mainly attributable to the increased working capital financing in the healthcare segment due to the Morison new plant and the increase in receivables pending from the Government.
- ▶ The Group continues to show the same resilience as we respond to the Covid-19 pandemic with our Consumer and Healthcare businesses, which account for more than 90% of revenues and profits, showing month on month recovery in Q1 20/21.

*Hemas rebounds strongly in the second half of FY 2019/20*

# FY 2019-20 Sector Highlights

## Consumer

Rev (LKR Bn)	% Growth	EBIT (LKR Mn)	% Growth
23.8	-6.8%	1,904	-30.5%

- ▶ Segment experienced a sharp contraction in the first two quarters following the Easter Sunday attacks and a strong recovery in Q3 and Q4 until the nationwide lockdown in March
- ▶ Raw material prices remained steady during the year without major fluctuations
- ▶ Several product innovations were carried out with high local connect and relevance across the portfolio. The new health oriented personal wash brand “Shield” was a key highlight in the segment
- ▶ Atlas witnessed a strong back-to-school season before interruptions due to Covid and schools closing 3 weeks ahead of scheduled holidays.
- ▶ H&PC International remained subdued throughout the year due to intensified competition and Covid impacting the non-essential categories.

## Healthcare

Rev (LKR Bn)	% Growth	EBIT (LKR Mn)	% Growth
31.4	13.4%	2,259	3.6%

- ▶ Robust growth during the year. Profitability was impacted during the last quarter due to VRS costs at Morison and increased finance costs resulted in slowness in collections for the last two weeks of March.
- ▶ Pharma distribution operation registered satisfactory performance with the price increase on price-controlled pharmaceuticals in May and the onboarding of a new significant principal in the nutrition segment
- ▶ Hemas Hospitals achieved an overall average occupancy of 68%, with profitability down on last year.
- ▶ Morison experienced strong recovery during the year and the buyback was extended for 5 years.

## Mobility

Rev (LKR Bn)	% Growth	EBIT (LKR Mn)	% Growth
2.3	-17.8%	478	-30.9%

- ▶ New business volumes in the Spectra distribution center have built up more slowly than planned which dragged down the sector performance
- ▶ Slowdown in transshipment volumes and movement in the export sector coupled with import restrictions have resulted in depressed revenues in the maritime segment.
- ▶ Additionally, segment profitability is impacted by the increased depreciation and finance costs resulting from the new facility.

## Leisure

Rev (LKR Bn)	% Growth	EBIT (LKR Mn)	% Growth
3.6	-27.3%	(131)	-131.5%

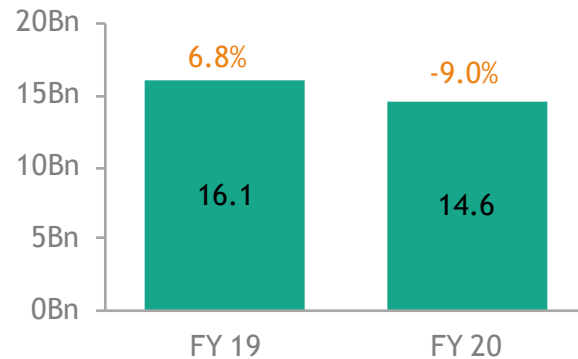
- ▶ Hemas divested 80.1% of Forbes Leisure Services (Private) Limited in March for a consideration of Rs.201Mn, which led to a disposal loss of Rs.33.5Mn.
- ▶ Loss of tourist arrivals from the key markets dragged the sector revenue and profitability down. After a brief revival in the arrivals during late Q3, Q4 witnessed a steep drop due to Covid related travel restrictions.
- ▶ Average occupancy stood at 61% against 79% last year with ARR down over LY.
- ▶ A series of stringent cost control initiatives offset the unfavorable impact to profitability from a significant revenue loss.

## Most Recent Quarter Performance: Q4, FY 2019-20

- Group Operational Highlights

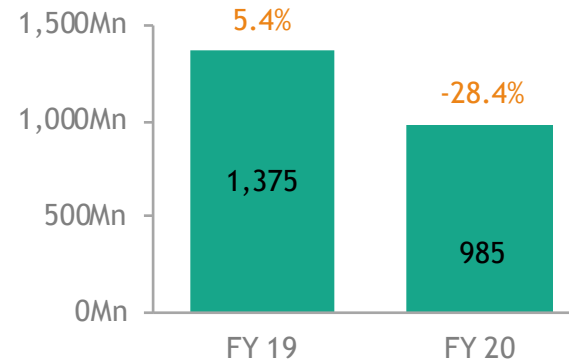
# Q4 (3 months) FY 2019-20: Group Operational Highlights

## Revenue



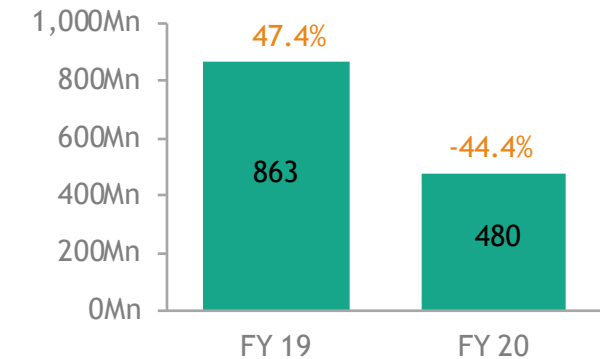
- Nationwide lockdown towards the latter part of March led to Q-o-Q decline of 19.0% (-3.5Bn).
- Only healthcare and the leisure segment experienced Q-o-Q growth.
- 9.0% Y-o-Y revenue drop primarily driven by LTA, H&PC, Hospitals and the disposal of N\*able and Travel & Aviation.
- Underlying revenue growth for the quarter over last year stood at 2.0%, adjusting for the disposals.

## EBIT



- Q-o-Q EBIT margins across the portfolio were compressed including Healthcare due to one off VRS charges at Morison and the impact of SLFRS 16.
- Q-o-Q EBIT declined by 47.5% while Y-o-Y decline stood at 28.4%.
- Consumer segment reported a significant recovery during the quarter due to a favorable mix of products contributing positively towards the margins.
- Share of Joint Venture losses increased due to the depressed performance at the Leisure segment.
- Underlying EBIT reported a Y-o-Y growth of 3.5%, adjusting for the disposals.

## Earnings



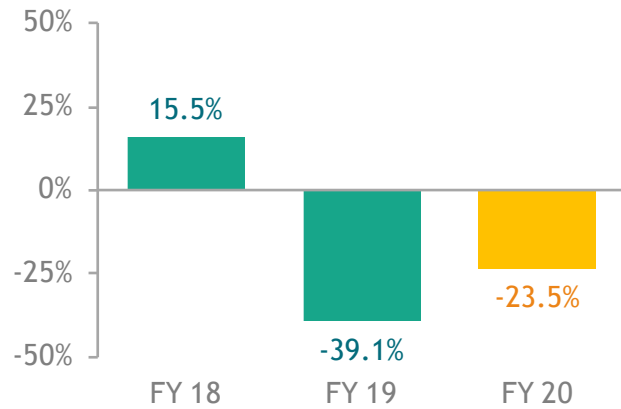
- Deteriorated Q-o-Q earnings was mainly attributable to the drop in EBIT coupled with the increase in finance income.
- Increased working capital costs driven by the nationwide lockdown and slowness experienced in collection.
- Increased finance costs across Healthcare, Leisure and Mobility was partially offset by the reduction in Finance cost in the Consumer segment.
- Underlying earnings reported a Y-o-Y growth of 4.1% adjusting for the disposals.

Growth momentum was seen during the first 2 months of 2020 until the outbreak of Covid-19, which disrupted all trade channels.

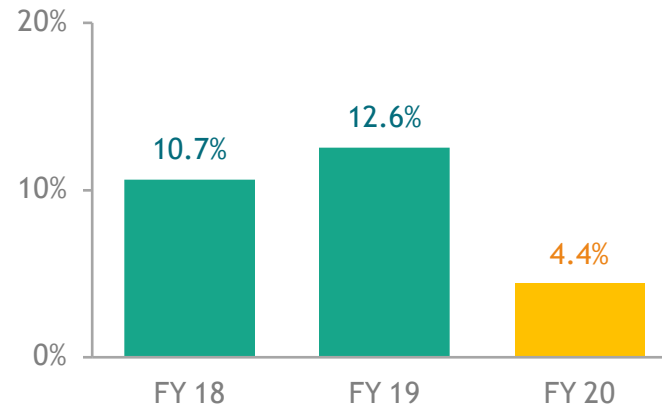
- Investment Highlights
- Digital & Innovation
- People & Talent
- Sustainability & Wellness

# Investment Highlights

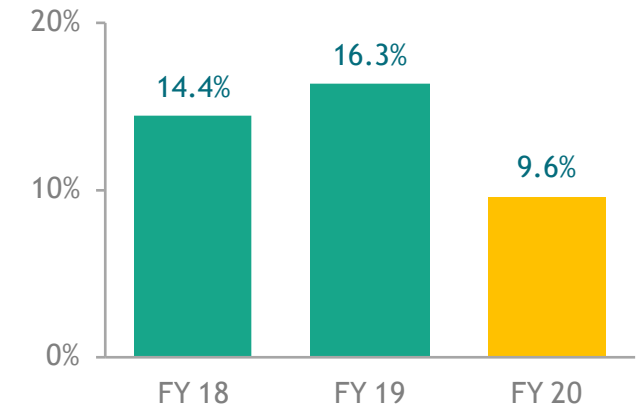
## Total Shareholder Return (%)



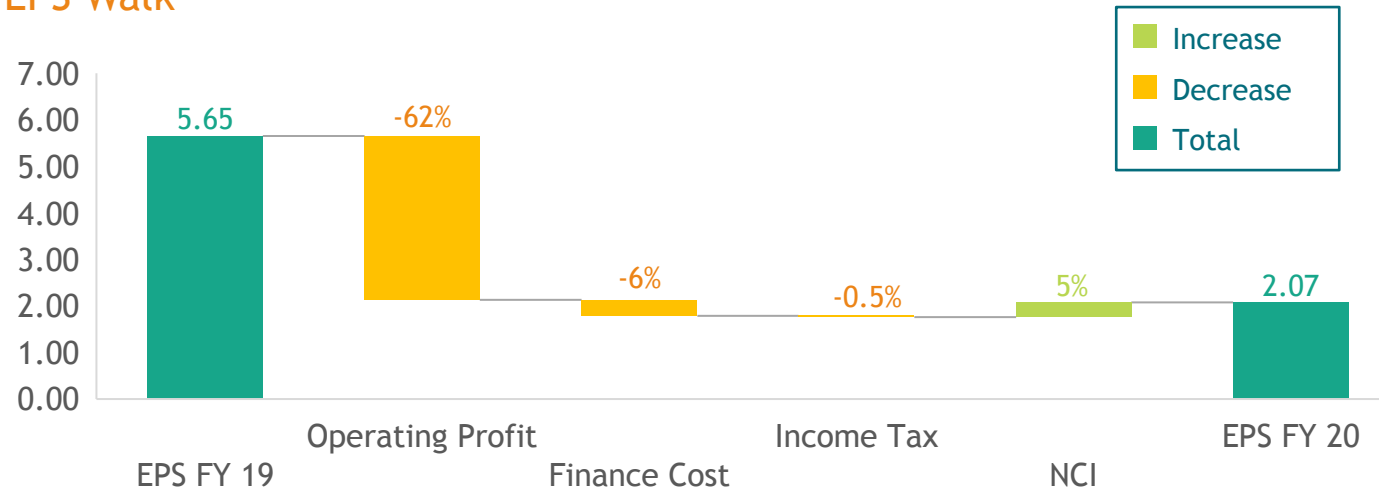
## Return on Equity (%)



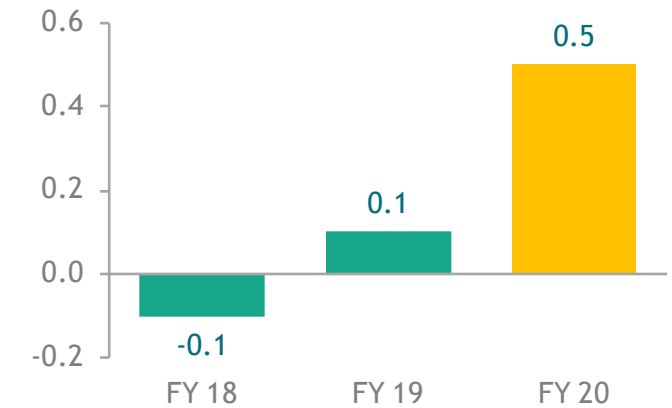
## Return on Capital Employed



## EPS Walk



## Net Debt/EBITDA



# Driving digital and innovation

- ▶ Being driven by Innovation is a core value of Hemas Group, and our digital strategy is at the forefront of our drive towards reinvention in preparation for the business world of tomorrow.

**Ayubo.life**  
Focusing on making Health and wellness more accessible digitally, connecting wellness experts within a click of button and maximizing impact with wellness analytics.

The Hemas Slingshot Program aims to provide talented entrepreneurs/ inventors a chance to commercialize inventions/ projects which fall into the strategic areas of our operations.



The “Adahas” Program of Hemas is an internal crowdsourcing effort aimed identifying and implementing good business related ideas among our 7,000+ team. The best ideas are evaluated and already being implemented.



# We continue to invest in people



Be your best self

- “360 You”, the Hemas Employee Value Proposition was launched in October 2017 and is an expression of how Hemas commits to enrich employee lives through the acknowledgement that an employee brings their whole self to work
- As an equal opportunity employer, Hemas was highlighted as a case study by #SheWorks Sri Lanka, an IFC led programme in our efforts to provide employer-supported child support.
- Hemas has also introduced flexible working as a policy, and is among the few organisations to offer paternity and adoption leave in addition to maternity leave.



Future Leaders’  
Programme

- Successful completion of a third year development program in partnership with Indian Institute of Management Bangalore (IIMB), to prepare Hemas Future Leaders.
- Over 90% of those that went through this programme have progressed in their careers through enriched job scopes and promotions.

Uniqueness

Excellence & Balance

Empowerment

Wellness

# Sustainability & Wellness

## Group Environmental Goals by 2025



Reduction of consumption of water by 50%

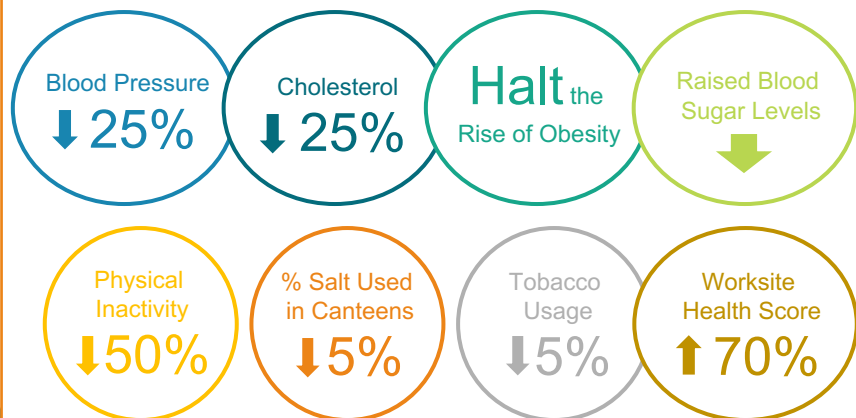


50% of reduction of energy consumption by 2022 and by 2025 to be offset by renewable energy

Zero waste to landfill

## Employee Wellness

Hemas is on the mission to become the healthiest workforce in Sri Lanka. Our goals for 20/20.



## Engaging with Our Community



- Scholarship programme in partnership with Ministry of Women and Child Affairs
- 219 Children between 5-10 years offered a sum of Rs 2000/= month
- The first phase of the project which included a batch of 57 children was completed in October 2019
- Second batch of 12 children from the Haldamulla area will continue to receive scholarships till the end of 2020.



- 56 Pre schools
- 3500+ children impacted
- 150 Piyawara teachers



AYATI is a long-term initiative with three main aims:

- Sri Lanka's first national center for children with disabilities has been opened. To date 5311 children are registered.
- Changing the mindset of the public to eliminate any stigma and promote acceptance of children with disabilities
- Extending the services to the rural areas of Sri Lanka in time to come

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