

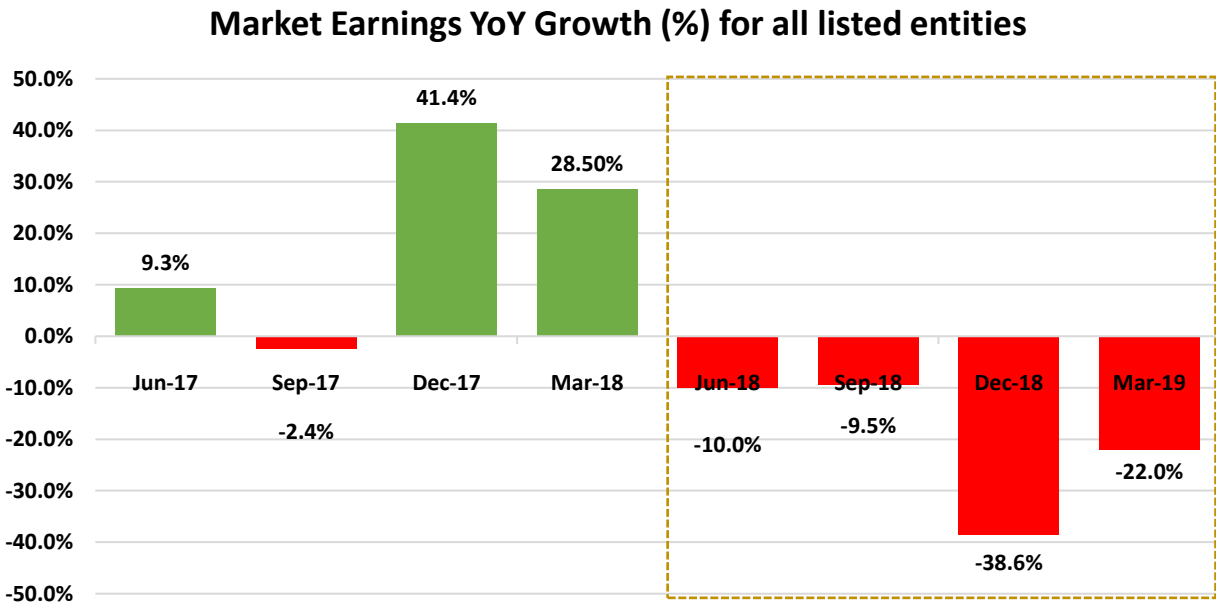


Quarterly Results Review

Quarter: Mar 2019

Corporate Earnings tumble amidst muted performance in key sectors

Market Earnings YoY Growth (%) for all listed entities



March 2019 Quarter earnings drop by 22%YoY for 276 Companies: March 2019 quarter earnings plunged by 22%YoY to LKR 70.0Bn mainly led by the subdued performance in Food Beverage and Tobacco (-43%YoY), Capital Goods (-33%YoY) and Banking (-31%YoY) sectors. However, market earnings drop was offset to a certain extent by the healthy performance in Telecommunication (+76%YoY), Consumer durable and apparels (88%) and Energy sector (+343%YoY).

Food Beverage and Tobacco, Capital Goods and Banking sectors recorded decline in earnings amidst a number of one off gains in the previous comparative quarter and higher impairment provisioning: Food Beverage and Tobacco sector earnings marked a notable decline of 43%YoY to LKR 8.5Bn led by BIL, CARS, BUKI and tea plantations. BIL posted a loss of LKR 269.0Mn relative to a profit of LKR 1.5Bn in 4QFY18 due to a higher base effect reported, as the previous comparable period included an one off gain amidst a disposal. CARS and BUKI earnings dropped by 314% and 765% on the back of negative fair value gains recorded in financial assets. Profit dip witnessed across the tea plantation counters also further dragged down the Food Beverage and Tobacco sector earnings. Capital Goods sector earnings recorded a substantial drop mainly due to earnings decline in JKH (-68%YoY) by LKR 6.8Bn. JKH’s earnings dip was owing to a loss recognized in 4QFY19 as a result of change in insurance contract liabilities and one off surplus recorded in the last year comparable period due to change in accounting policies pertaining to UAL. Banking sector earnings led by HNB (-55%) dipped by -31%YoY, primarily owing to higher impairment provisioning and DRL impact.

Telecommunication, Consumer Durable and Apparel & Energy sectors posted healthy performance: Telecommunication sector posted healthy earnings growth of 76% with DIAL and SLTL posting significant earnings growth of 72% and 87% respectively. Topline growth in all key business segments coupled with forex gains amidst rupee appreciation led the earnings growth in DIAL. Furthermore, TAP (including GREG and DPL) boosted the Consumer Durable and Apparel sector earnings by 88% as a result of significant fair value gains from investment property. Energy sector saw a phenomenal growth of 343% in profits as a result of turnaround in LIOC which posted earnings of LKR 937.0Mn relative to LKR 92.0Mn loss posted in 4Q2018 amidst the revision in retail prices with the implementation of fuel price formula.

Annexure 1 – Market Earnings Sector Summary


First Capital

Results Update
Mar 2019

Monday, July 15, 2019

Company	Quarter Earnings LKR 'mn					4 Qtr Trailing	
	4QFY19	4QFY18	YoY%	3QFY19	QoQ%	PER (x)	PBV (x)
	1Q2019	1Q2018	YoY%	4Q2018	QoQ%		
	1H2019	1H2018	YoY%	2H2018	HoH%		
<i>Consumer Durables & Apparel Earnings</i>	2,600	1,386	88%	1,126	131%	21.1x	1.1x
<i>Retailing Sector Earnings</i>	713	855	-17%	-66	1179%	15.9x	0.7x
<i>Consumer Services Sector Earnings</i>	3,659	4,879	-25%	707	417%	86.1x	1.9x
<i>Automobiles & Components Sector Earnings</i>	107	141	-24%	137	-22%	5.1x	0.6x
<i>Food, Beverage & Tobacco Sector Earnings</i>	8,502	14,892	-43%	14,536	-42%	15.7x	2.5x
<i>Food & Staples Retailing Sector Earnings</i>	830	255	226%	505	64%	16.4x	2.3x
<i>Household & Personal Products Sector Earnings</i>	152	91	68%	66	130%	13.4x	1.8x
<i>Energy Sector Earnings</i>	464	-191	343%	-1,288	136%	N/A	1.1x
<i>Diversified Financials Sector Earnings</i>	12,286	15,828	-22%	6,384	92%	5.5x	0.9x
<i>Banks Sector Earnings</i>	11,069	15,988	-31%	14,252	-22%	6.3x	0.9x
<i>Insurance Sector Earnings</i>	3,543	6,921	-49%	10,517	-66%	3.0x	1.2x
<i>Health Care Equipment & Services Sector Earnings</i>	418	513	-18%	817	-49%	16.1x	1.9x
<i>Pharmaceuticals, Biotechnology & Life Sciences Sector E</i>	77	125	-39%	33	135%	8.7x	1.3x
<i>Capital Goods Sector Earnings</i>	12,679	19,013	-33%	10,700	18%	10.6x	0.8x
<i>Commercial & Professional Services Sector Earnings</i>	-17	-97	83%	88	-119%	10.6x	0.8x
<i>Transportation Sector Earnings</i>	341	231	48%	470	-27%	N/A	N/A
<i>Materials Sector Earnings</i>	2,012	2,585	-22%	1,332	51%	8.1x	0.9x
<i>Real Estate Sector Earnings</i>	3,159	2,231	42%	2,367	33%	5.5x	0.6x
<i>Telecommunications Sector Earnings</i>	7,076	4,018	76%	1,049	575%	8.5x	1.1x
<i>Utilities Sector Earnings</i>	292	-67	16%	616	-53%	7.4x	1.6x
<i>Closed End Funds Sector Earnings</i>	-109	193	-157%	10	-1151%	N/A	0.7x
Market Valuations						11.1x	1.0x
Market Earnings - March 2019	69,852	89,789	-22%	62,906	11%	276	
Market Earnings - Dec 2018	62,906	102,485	-39%	53,822	17%	278	



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