

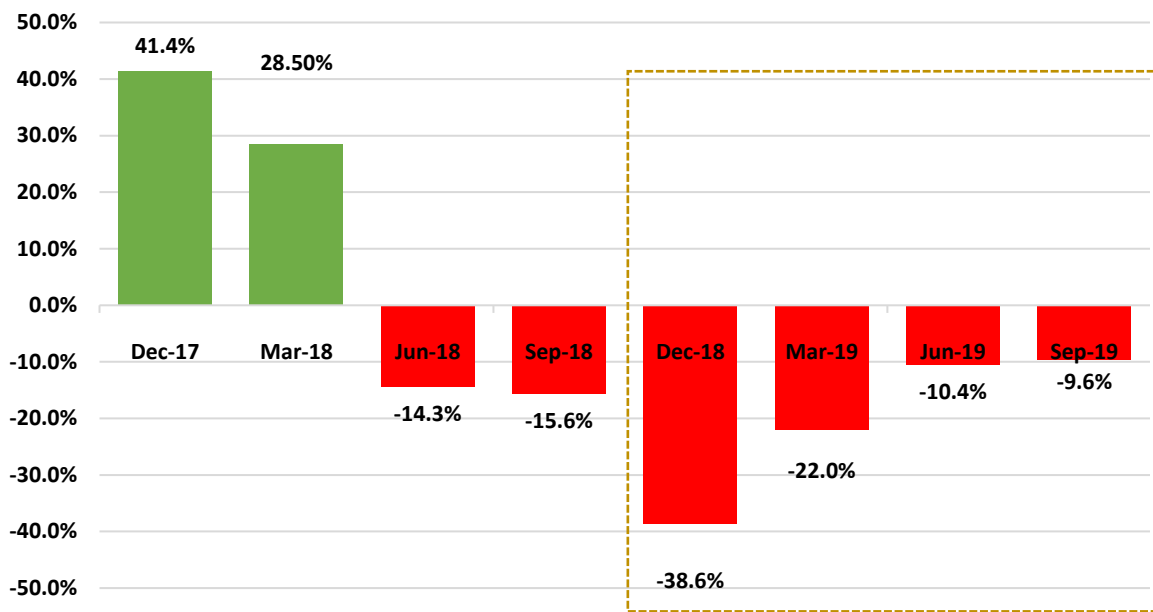


# Quarterly Results Review

## Quarter: Sep 2019

### Quarterly Earnings dip amidst weaker consumer spending albeit recovers relative to previous quarters

#### Market Earnings YoY Growth (%) for all listed entities



**Sep 2019 quarter earnings declined by 9.6%YoY for 264 companies:** September quarter earnings dipped by 9.6%YoY to LKR 45.8Bn primarily due to sluggish performance in Insurance (-48%YoY), Consumer Services (-495%YoY), Capital Goods (-39%YoY) and Food, Beverage and Tobacco (-12%YoY) sectors. However, earnings upside was witnessed in Material (108%YoY), Consumer, Durable & Apparel (+13600%YoY) and Energy (646%YoY) sectors negating the negative performance in the above-mentioned sectors.

**Insurance, Consumer Services, Capital goods and Beverage and Tobacco sectors weaken the quarterly earnings growth:** Lackluster performance in Insurance, Consumer Services and Food, Beverage and Tobacco was mainly owing to the lower consumer spending stemmed from subdued economic activities. Insurance sector earnings recorded a substantial drop mainly due to earnings decline in AAIC (-85%YoY) from a deferred tax adjustment and UAL (-91%YoY) due to the increased transfer of insurance contract liabilities to the life fund. Consumer Services sector earnings declined and posted a loss of LKR 1.67Bn relatively to a profit of LKR 0.4Bn in Sep 2018 as a result of drop in tourist arrival subsequent to the Easter Sunday attacks. Food, Beverage and Tobacco sector earnings dipped by 12%YoY to LKR 7.8Bn led by BIL, MELS and tea plantation companies. BIL posted a loss of LKR 1.19Bn compare to loss of LKR 0.6Bn due to higher finance and admin cost. MELS earnings dropped by 58% due to hefty taxes while the cost of sales also surged against the last year same period. Profit dip witnessed across the tea plantation counters due to weaker tea prices further dragged down the Food Beverage and Tobacco sector earnings.

**Material Consumer, Durable & Apparel and Energy posted healthy performance:** Material sector saw a profit growth of 108%YoY to LKR 1.8Bn driven by TKYO (573%YoY). TKYO profits were boosted due to operational efficiencies and increase in maximum retail price. Consumer, Durable & Apparel sector saw impressive earnings growth of 13600%YoY with TJL, MGT and GREG posting earnings growth of 84%, 83% and 184% respectively. TJL and MGT earnings growth was supported by efficiency improvements, strong order book and stable cotton prices. Energy sector posted a strong earnings growth of 646%YoY in profits as a result of turnaround in LGL which posted earnings of LKR 17.0Mn relative to LKR 305.0Mn loss posted in Sep 2018 and improved performance in LIOC due to higher focus on bunkering, lubricant operations and export market.

**Annexure 1 – Market Earnings Sector Summary**


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**Results Update**
**September 2019**

Monday, December 09, 2019

Company	Quarter Earnings LKR 'mn					4 Qtr Trailing	
	2QFY20	2QFY19	YoY%	1QFY20	QoQ%	PER (x)	PBV (x)
	3Q2019	3Q2018	YoY%	2Q2019	QoQ%		
	2H2019	2H2018	YoY%	1H2019	HoH%		
<i>Consumer Durables &amp; Apparel Earnings</i>	1,141	8	13600%	349	227%	9.0x	1.3x
<i>Retailing Sector Earnings</i>	-61	62	-199%	-629	90%	N/A	0.7x
<i>Consumer Services Sector Earnings</i>	-1,674	424	-495%	-3,947	58%	N/A	1.6x
<i>Automobiles &amp; Components Sector Earnings</i>	109	127	-14%	130	-16%	8.0x	0.8x
<i>Food, Beverage &amp; Tobacco Sector Earnings</i>	7,845	8,919	-12%	21,926	-64%	14.1x	2.2x
<i>Food &amp; Staples Retailing Sector Earnings</i>	810	816	-1%	1,019	-21%	26.4x	2.1x
<i>Household &amp; Personal Products Sector Earnings</i>	124	106	17%	102	22%	13.4x	1.8x
<i>Energy Sector Earnings</i>	535	-98	646%	-507	205%	N/A	0.9x
<i>Diversified Financials Sector Earnings</i>	8,477	8,571	-1%	12,789	-34%	7.5x	0.9x
<i>Banks Sector Earnings</i>	15,773	15,966	-1%	11,880	33%	6.9x	0.6x
<i>Insurance Sector Earnings</i>	2,541	4,930	-48%	2,900	-12%	5.7x	1.1x
<i>Health Care Equipment &amp; Services Sector Earnings</i>	730	1,233	-41%	209	249%	22.1x	1.7x
<i>Pharmaceuticals, Biotechnology &amp; Life Sciences Sector E</i>	62	77	-19%	19	228%	29.4x	1.5x
<i>Capital Goods Sector Earnings</i>	1,815	2,985	-39%	2,696	-33%	18.0x	0.8x
<i>Commercial &amp; Professional Services Sector Earnings</i>	-41	-34	-22%	-11	-260%	190.8x	1.0x
<i>Transportation Sector Earnings</i>	-830	313	-365%	153	-643%	3.0x	N/A
<i>Materials Sector Earnings</i>	2,794	1,341	108%	1,787	56%	9.2x	1.1x
<i>Real Estate Sector Earnings</i>	2,168	1,602	35%	1,195	81%	7.8x	0.7x
<i>Telecommunications Sector Earnings</i>	2,973	2,872	4%	3,284	-9%	11.3x	1.1x
<i>Utilities Sector Earnings</i>	479	683	-13%	207	131%	11.1x	1.4x
<i>Closed End Funds Sector Earnings</i>	89	-160	155%	-22	500%	N/A	1.0x
<b>Market Valuations</b>						<b>12.4x</b>	<b>0.7x</b>
Market Earnings - Sep 2019	45,859	50,745	-10%	42,126	9%		264
Market Earnings - June 2019	55,640	47,036	18%	69,852	-20%		271
Market Earnings-June 2019 (Adjusted)	42,126	47,036	-10%	69,852	-40%		271



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