

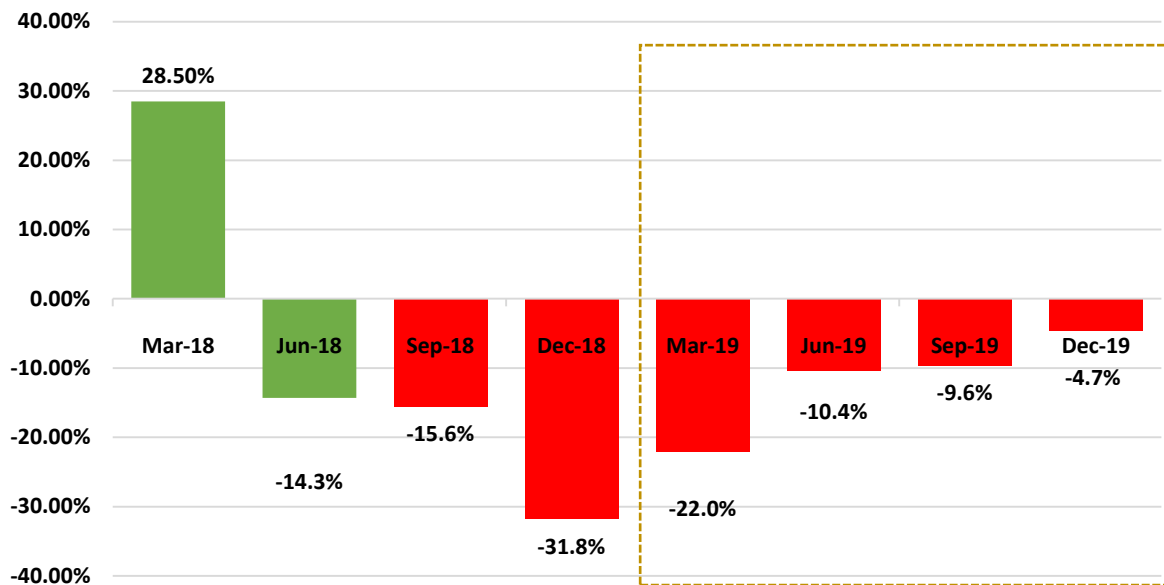


Quarterly Results Review

Quarter: Dec 2019

Drop in overall earnings, however, Banks, Telco's, Materials & Diversified Financials illustrate a recovery

Market Earnings YoY Growth (%) for all listed entities



Dec 2019 quarter earnings declined by 4.7%YoY for 266 companies: December quarter earnings dip by 4.7%YoY to LKR 66.6Bn primarily owing to sluggish performance in Food, Beverage and Tobacco (-35%YoY), Insurance (-41%YoY), Capital Goods (-23%YoY) sectors. However, earnings upside was witnessed in Banks (+17%YoY), Telecommunication (+259%YoY), Materials (+101%YoY) and Diversified Financials (+3%YoY) negating the negative performance in the above mentioned sectors.

Food, Beverage and Tobacco, Insurance and Capital Goods sectors weakened the quarterly earnings: Lackluster performance in Food, Beverage and Tobacco, Insurance and Capital Goods sectors was mainly owing to the lower consumer spending stemmed from subdued economic growth. Profit dip in CTC was due to successive tax hikes affecting volumes which resulted the -24%YoY in earnings, while BIL recorded a dip of -195%YoY mainly due to rise in cost of production and administration. MELS earnings declined by -20%YoY in line with the dip in finance income and NEST dipped by -17%YoY along with the weakened consumer demand and rise in cost of sales. Accordingly, mainly led by the above counters, sector recorded a decline of 35%YoY. Dip of 41%YoY in Insurance sector earnings was primarily driven by CINS by -15%YoY and JINS by -98%YoY (due to rise in benefits, claims and expenses), in addition, HASU recorded a decline of 66%YoY (due to the previous year recording a tax reversal). JKH recorded a downturn in earnings of -50%YoY primarily due to the leisure sector still harboring the impact of Easter Sunday attacks, exchange losses on its foreign currency denominated cash holdings compared to the previous year and lower finance income as a result of the deployment of cash in new investments leading to a -23%YoY decline in Capital Goods sector earnings.

Banks, Telecommunication, Materials and Diversified Financials presented signs of recovery: Banking sector witnessed a profit growth of 17%YoY to record LKR 23.0Bn primarily driven by HNB (+28%YoY) and SAMP (+29%YoY). HNB and SAMP profits were boosted due to the fall in impairments by 48%YoY and 21%YoY, respectively. Telecommunication sector recorded a growth of 259%YoY mainly due to DIAL recording an earnings growth of 2538%YoY primarily driven by the foreign exchange gain compared to the heavy exchange loss incurred in the previous year. Material sector presented a growth of 101%YoY in profits as a result of TKYO which posted earnings of LKR 257.0Mn relative to LKR 174.5Mn loss posted in Dec 2018 and improved performance in LLUB led by strong top line growth of 15%YoY. Diversified Financials sector posted a growth of 3%YoY with LOLC, LFIN and PLC posting earnings growth of 13%YoY, 27%YoY and 6%YoY, respectively, while earnings were supported by the strong net interest margin (NIMs).

Annexure 1 – Market Earnings Sector Summary


First Capital

Results Update
December 2019

Wednesday, April 29, 2020

Company	Quarter Earnings LKR 'mn					4 Qtr Trailing	
	3QFY20	3QFY19	YoY%	2QFY20	QoQ%	PER (x)	PBV (x)
	4Q2019	4Q2018	YoY%	3Q2019	QoQ%		
	2H2019	2H2018	YoY%	2H2019	HoH%		
<i>Consumer Durables & Apparel Earnings</i>	1,047	1,125	-7%	1,141	-8%	9.0x	1.3x
<i>Retailing Sector Earnings</i>	163	98	66%	-61	365%	N/A	0.7x
<i>Consumer Services Sector Earnings</i>	-1,187	622	-291%	-1,603	26%	N/A	1.6x
<i>Automobiles & Components Sector Earnings</i>	111	137	-19%	109	1%	8.0x	0.8x
<i>Food, Beverage & Tobacco Sector Earnings</i>	9,488	14,540	-35%	7,845	21%	14.1x	2.2x
<i>Food & Staples Retailing Sector Earnings</i>	921	505	82%	810	14%	26.4x	2.1x
<i>Household & Personal Products Sector Earnings</i>	110	66	67%	124	-11%	13.4x	1.8x
<i>Energy Sector Earnings</i>	-99	-1,284	92%	535	-118%	N/A	0.9x
<i>Diversified Financials Sector Earnings</i>	8,732	8,467	3%	8,554	2%	7.5x	0.9x
<i>Banks Sector Earnings</i>	22,996	19,728	17%	15,773	46%	6.9x	0.6x
<i>Insurance Sector Earnings</i>	5,035	8,503	-41%	2,541	98%	5.7x	1.1x
<i>Health Care Equipment & Services Sector Earnings</i>	932	820	14%	730	28%	22.1x	1.7x
<i>Pharmaceuticals, Biotechnology & Life Sciences Sector E</i>	64	33	97%	62	3%	29.4x	1.5x
<i>Capital Goods Sector Earnings</i>	8,264	10,736	-23%	1,815	355%	18.0x	0.8x
<i>Commercial & Professional Services Sector Earnings</i>	121	-58	309%	-41	396%	190.8x	1.0x
<i>Transportation Sector Earnings</i>	224	393	-43%	-830	127%	3.0x	N/A
<i>Materials Sector Earnings</i>	2,662	1,324	101%	2,794	-5%	9.2x	1.1x
<i>Real Estate Sector Earnings</i>	2,262	2,397	-6%	2,201	3%	7.8x	0.7x
<i>Telecommunications Sector Earnings</i>	3,765	1,049	259%	2,973	27%	11.3x	1.1x
<i>Utilities Sector Earnings</i>	965	645	13%	479	101%	11.1x	1.4x
<i>Closed End Funds Sector Earnings</i>	44	39	15%	13	241%	N/A	1.0x
Market Valuations						9.1x	0.8x
Market Earnings - Dec 2019	66,620	69,886	-5%	45,859	45%		266
Market Earnings - Sep 2019	45,859	50,745	-10%	42,126	9%		264
Market Earnings-Jun 2019 (adjusted)	42,126	47,036	-10%	69,852	-40%		271



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