



LB FINANCE PLC [LFIN.N0000]

DOWNGRADE TO SELL AND DISCONTINUE COVERAGE

FLASHNOTE

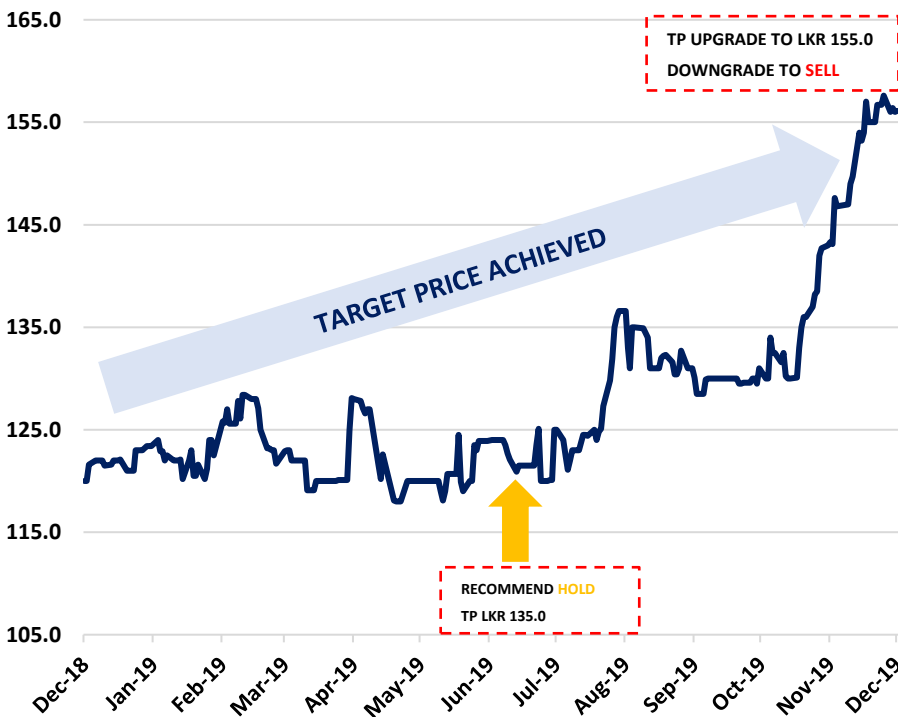
Fair Value [FY20E]: LKR 155.0 [+1%]

Previous Report in June 2019 –HOLD

First Capital Research published an Earnings Update on 11th Jun 2019 while recommending to HOLD the share on the back of healthy performance in its core business though we expected impairment charges to be on upward trend in FY20E attributable to the adoption of the new SLFRS 09 requirement and LFIN's higher exposure to gold backed lending which is considered to have a higher asset quality pressure. However, LFIN's satisfactory capital was expected to help grab the market share in the medium to long term. We forecasted earnings of LKR 5.2Bn for FY20E, expecting LFIN to achieve a TP of LKR 135.0 while providing a total annualized return of 15%.

LFIN REACHES TP OF LKR 155.0; SELL

LFIN's earnings for 2QFY20 performed slightly better than our expectation on the back of significant reduction in the impairment charges. Accordingly, we upgrade our earnings target to LKR 5.4Bn while also upgrading the TP for FY20E to LKR 155.0. Since our last report published on 11th Jun 2019, LFIN has gained +24% from LKR 124.0 while the benchmark index appreciated by 14%. We expect improvement in earnings in the 2HFY20E due to pick up in credit growth and improvement in margins to be already reflected in our FY20E earnings. **DOWNGRADE TO SELL AND DISCONTINUE COVERAGE**



Source: CSE

FIRST CAPITAL RESEARCH

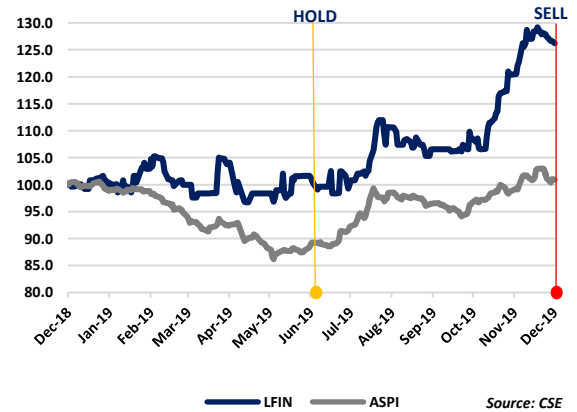
Hiruni Perera +94 11 263 9864
hiruni@firstcapital.lk

KEY DATA

CSE Ticker	LFIN.N0000
Bloomberg Ticker	LFIN SL
Share Price (LKR)	154.0
52w High (LKR)	157.6
52w Low (LKR)	118.0
Avg. Daily Volume (Shares)	8,897
Avg. Daily Turnover (LKR)	1,165,462
Issued Share Capital (Shares 'Mn)	139
Market Cap (LKR 'Mn)	21,331
Market Cap (USD 'Mn)	118
*1 USD = LKR 181	

Price Performance (%)	1mth	3mths	12mths
LFIN	5%	18%	26%
ASPI	3%	6%	2%

Price Movement of LFIN vs ASPI and Past Recommendations



Disclosure on Shareholding:

First Capital Group does not hold shares in LFIN and will not trade in this share for three trading days following the issue of this document.



First Capital

First Capital Holdings PLC

No.2, Deal Place,
Colombo 3

Tel: +94 11 2145 000

Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Nisansala Kuruppumudali	+94 11 2639 866
Atchuthan Srirangan	+94 11 2639 863		
Hiruni Perera	+94 11 2639 864		

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Neminda Jayawardena	+94 76 6644 080
Anushka Dissanayake	+94 77 2220 021	Arun Kandasamy	+94 75 4861 506
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Sewwandi Kathriarachchi	+94 77 3461 734	Mahesh Amarasinghe	+94 77 0073 684
Nethalie De Mel	+94 11 2639 854	Dharshanie Vasanthajothy	+94 77 9159 878

EQUITY SALES

CEO	Jaliya Wijeratne	+94 70 2910 042	Negombo	
			Priyanka Anuruddha	+94 70 2910 035
Colombo			Priyantha Wijesiri	+94 70 2910 036
Nishantha Mudalige		+94 70 2910 041		
Isuru Jayawardana		+94 70 2910 034		
Ifadh Marikar		+94 77 9625 679		
Thushara Pathiraja		+94 70 2910 037		
Anushka Buddhika		+94 70 2910 030		

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Deepal Pathmaperuma	+94 77 9159 878
Imali Abeygunawardena	+94 77 1764 799		

BRANCHES

Kandy	Kurunegala	Matara	Negombo
2nd Floor, No.121 Kotugodella Veediya (E L Senanayake Veediya) Kandy 20000.	Ground Floor No. 42, Mihindu Mawatha, Kurunegala 60000.	2nd Floor, E.H. Cooray Building No: 24, 1/3, Anagarika Dharmapala Mawatha, Matara 81000.	1st Floor No: 163B, Colombo Road, Negombo 11500.
Manager: Salinda Samarakoon	Manager:	Manager: Rohana Jayakody	Manager:
Tel: +94 81 2236 010	Tel: +94 37 2222 930	Tel: +94 41 2222 988	Tel: +94 31 2233 299

Disclaimer:

This Review is prepared and issued by First Capital Holdings PLC based on information in the public domain, internally developed and other sources, believed to be correct. Although all reasonable care has been taken to ensure the contents of the Review are accurate, First Capital Holdings PLC and/or its Directors, employees, are not responsible for the correctness, usefulness, reliability of same. First Capital Holdings PLC may act as a Broker in the investments which are the subject of this document or related investments and may have acted on or used the information contained in this document, or the research or analysis on which it is based, before its publication. First Capital Holdings PLC and/or its principal, their respective Directors, or Employees may also have a position or be otherwise interested in the investments referred to in this document. This is not an offer to sell or buy the investments referred to in this document. This Review may contain data which are inaccurate and unreliable. You hereby waive irrevocably any rights or remedies in law or equity you have or may have against First Capital Holdings PLC with respect to the Review and agree to indemnify and hold First Capital Holdings PLC and/or its principal, their respective directors and employees harmless to the fullest extent allowed by law regarding all matters related to your use of this Review. No part of this document may be reproduced, distributed or published in whole or in part by any means to any other person for any purpose without prior permission.

About us:

This report providing a snapshot of fixed income, equity and unit trust is composed and circulated by First Capital Holdings PLC an investment bank in Sri Lanka. The company operates in the capital market of Sri Lanka with operations in government securities - treasury bills and bonds, stock brokering and share market investments, asset management, private wealth management, retirement planning, personal financial planning, unit trust, margin trading, capital market research, trustee services, corporate finance advisory services including corporate debt structuring (debentures, trust certificates, commercial papers), valuations, restructuring, mergers and acquisitions, initial public offerings (IPOs) and project advisory. The First Capital Group consists of First Capital Treasuries PLC, First Capital Limited, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited covering Colombo, Negombo, Matara, Kandy and Kurunegala.