

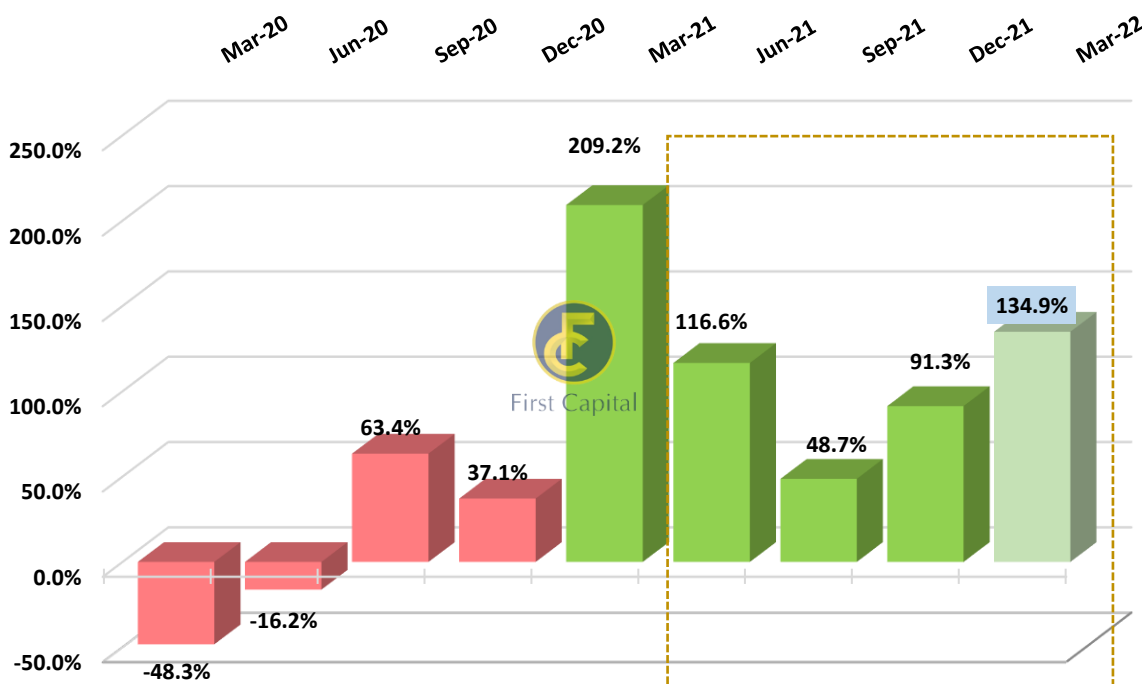


Quarterly Results Review

Quarter: Mar 2022

“Substantial Forex Gains on Selective Counters Gave a Rich Airbrush on Quarterly Earnings”

Market Earnings YoY Growth (%) for all listed entities



Mar 2022 quarter earnings surged by 134.9%YoY for 276 companies: Mar 2022 quarter earnings surged by 134.9%YoY to LKR 262.2Bn mainly led by the remarkable performance in Food, Beverage & Tobacco (303.3%YoY), Capital Goods (210.2%YoY), Diversified Financials (138.8%YoY), Transportation (682.1%YoY) and Consumer Services (173.6%YoY) sectors. Meanwhile, Telecommunications (-386.6%YoY), Utilities (-111.4%YoY), Materials (-12.0%YoY) and Retailing (-46.0%YoY) sectors contributed negatively towards the earnings. However, earnings boom is partially attributable to the massive devaluation in LKR against USD which inflated the earnings of dollar earning counters. Accordingly, identifiable net forex gains for such selective counters have accounted for approximately LKR 82.0Bn of the total quarterly earnings.

Multiple sectors delivered superior earnings: During the quarter of Mar 2022, Food, Beverage & Tobacco, Capital Goods, Diversified Financials and Transportation sectors delivered extraordinary results while Consumer Services sector exhibited a turnaround of performance.

Food, Beverage & Tobacco sector earnings displayed a tremendous growth of 303.3%YoY predominantly led by BIL which recorded a profit of LKR 33.6Bn cf. a loss of LKR 0.7Bn in Mar 2021. Improved performance is attributable to the gain on bargain purchase of LKR 14.0Bn along with a substantial revaluation gain on its investment properties. Moreover, MELS delivered the next best results within the sector with enhanced performance in the Diversified and Beverage sectors. Diversified sector mainly represented by tourism and

leisure has aided the earnings growth in the midst of noteworthy contribution from their overseas hotels prospered by the rebound in tourism in Maldives coupled with the rupee devaluation. MELS's Beverage sector, which is the largest contributor to both top line and bottom line of the group, produced strong performance owing to the upward price revisions across its entire alcoholic beverage product range.

Capital Goods sector earnings upsurged by 210.2%YoY with outstanding results in the counters of SPEN, JKH and HAYL whose operations are largely attached to dollar earning income streams as well as outpacing tourism and leisure operations in overseas. Privileged by the steep devaluation of LKR against USD (c. 49.0% during the quarter), these counters were blessed with a cumulative net forex gain of LKR 28.8Bn during the quarter. Moreover, BRWN, the parent of BIL, topped the sector earnings growth on the ground of high scores achieved by its subsidiary.

Diversified Financial sector delivered an immense earnings growth of 138.8%YoY solely led by the most diversified LOLC group. LOLC recorded a profit growth of 443.8%YoY to LKR 39.3Bn against LKR 7.2Bn in the comparative quarter. The historic profit growth of LOLC is mainly originated as a result of the major portion of revenue flowing from its global operations. Meanwhile, its financial arm represented by LOFC also produced impressive results sweetened by the forex gains and reduction in impairment charges.

Transportation sector uprose by 682.1%YoY exclusively out of the outstanding performance in EXPO which registered a profit of LKR 31.4Bn (+684.0%YoY) cf. LKR 4.0Bn in the comparative quarter. The depreciation of LKR has resulted in an exchange gain of LKR 11.6Bn during the quarter while also benefitting from the increase in North American trade businesses.

Consumer Services sector exhibited a turnaround of performance with a growth of 173.6%YoY while emerging out of the consistent losses incurred during the previous quarters. AHUN, KHL and RENU were on the spotlight of uppermost performances within the sector as the Mar 2022 quarter experienced the highest number of tourist arrivals in Sri Lanka since 2020 while also making the most out of the fast-tracked tourism growth in other regions like Maldives via their overseas operations.

Telecommunications, Utilities, Materials and Retailing sectors demonstrated subdued performance: Telecommunications sector earnings plunged by 386.6%YoY owing to the large exchange losses incurred by DIAL as a result of substantial amount of dollar denominated debt obligations that got hammered by the steep LKR depreciation. This gave rise to an exchange loss for the quarter of c. LKR 20.0Bn. Utilities sector earnings dropped by 111.4%YoY mainly due to the losses made in LPL as a result of a significant impairment adjustment for its fair value measurement of investment in subsidiaries after accommodating for the massive increase in risk free rates. Materials sector earnings slipped by 12.0%YoY owing to the large losses in TKYO caused by the decline in GP margins and significant exchange losses (c. LKR 4.8Bn). Retailing sector earnings dipped by 46.0%YoY primarily on the losses made by COLO, UML and DIMO with the unfavourable movement in exchange rate.

Annexure 1 – Market Earnings Sector Summary



Results Update

Mar 2022

Friday, June 10, 2022

Company	Quarter Earnings LKR 'Mn					4 Qtr Trailing	
	4QFY22	4QFY21	YoY%	3QFY22	QoQ%	PER (x)	PBV (x)
	1Q2022	1Q2021	YoY%	4Q2021	QoQ%		
Consumer Durables & Apparel Earnings	870	-682	228%	2,781	-69%	8.4x	1.2x
Retailing Sector Earnings	646	1,196	-46%	3,800	-83%	6.3x	0.5x
Consumer Services Sector Earnings	2,872	-3,904	174%	-1,161	347%	N/A	0.5x
Automobiles & Components Sector Earnings	301	268	13%	230	31%	4.8x	0.6x
Food, Beverage & Tobacco Sector Earnings	72,370	17,943	303%	23,305	211%	5.9x	1.3x
Food & Staples Retailing Sector Earnings	3,247	3,058	6%	2,284	42%	10.0x	1.5x
Household & Personal Products Sector Earnings	261	134	94%	124	110%	13.4x	1.8x
Energy Sector Earnings	3,374	974	246%	890	279%	45.4x	2.1x
Diversified Financials Sector Earnings	51,669	21,641	139%	33,371	55%	5.8x	1.0x
Banks Sector Earnings	26,085	24,881	5%	21,677	20%	2.6x	0.3x
Insurance Sector Earnings	3,447	3,336	3%	8,487	-59%	6.4x	0.9x
Health Care Equipment & Services Sector Earnings	2,606	2,323	12%	2,876	-9%	7.4x	1.6x
Capital Goods Sector Earnings	63,426	20,447	210%	30,379	109%	4.3x	0.6x
Commercial & Professional Services Sector Earnings	917	303	203%	1,173	-22%	1.8x	0.7x
Transportation Sector Earnings	31,359	4,010	682%	23,050	36%	5.2x	3.0x
Materials Sector Earnings	7,413	8,423	-12%	8,087	-8%	5.2x	1.0x
Real Estate Sector Earnings	5,846	1,998	193%	2,761	112%	5.0x	0.4x
Software & Services	344	175	97%	102	236%	12.5x	3.0x
Telecommunications Sector Earnings	-13,162	4,592	-387%	7,562	-274%	12.4x	0.8x
Utilities Sector Earnings	-1,724	504	-111%	1,506	-214%	13.6x	1.0x
Market Valuations						5.6x	0.9x
Market Earnings - Mar 2022	262,169	111,619	135%	173,281	51%		276
Market Earnings - Dec 2021	174,786	91,353	91%	111,435	57%		284



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