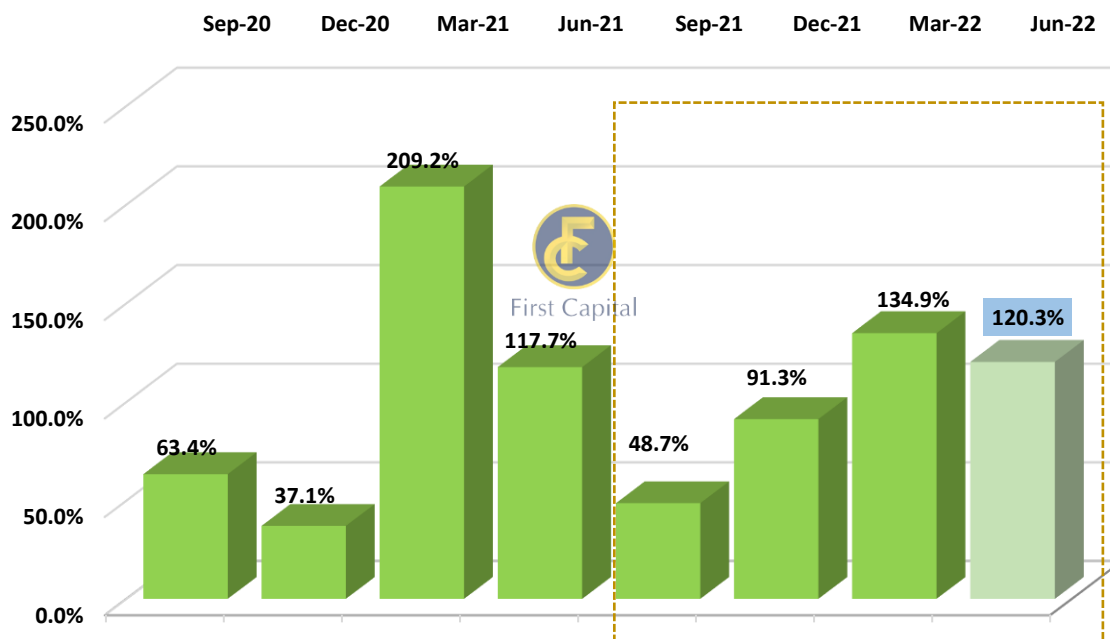




Quarterly Results Review

Quarter: Jun 2022

“Forex Gains Continue To Run Earnings”



Jun 2022 quarter earnings surged by 120.3%YoY for 279 companies: Jun 2022 quarter earnings surged by 120.3%YoY to LKR 169.3Bn mainly led by the remarkable performance in Food, Beverage & Tobacco (274.5%YoY), Capital Goods (392.2%YoY), Transportation (221.1%YoY), Diversified Financials (152.8%YoY) and Energy (3,534.8%YoY) sectors. Meanwhile, Telecommunications (-225.4%YoY), Banking (-79.8%YoY), Consumer Durables & Apparel (-18.6%YoY) and Utilities (-18.7%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. Furthermore, decline in global commodity prices, relatively lower freight rates and price adjustments (partly owing to inflation led price increases), led to margin expansion in manufacturing, trading and logistics sectors.

Multiple sectors delivered superior earnings: During the quarter of Jun 2022, Food, Beverage & Tobacco, Capital Goods, Diversified Financials and Transportation sectors delivered extraordinary results while Consumer Services sector reduced losses during the quarter.

Food, Beverage & Tobacco sector displayed the best growth among other sector (+274.5%YoY) predominantly led by BIL, which recorded a turnaround performance of LKR 6.0Bn in 1QFY23 cf. a loss LKR 774.6Mn backed by solid growth in revenue (+214.2%YoY) as plantations and leisure segments recorded exceptional performance. Moreover, MELS was also amongst the top contributor to the sector results, which reported a net income growth of 740.4%YoY to LKR 6.9Bn. Beverages (+145.0%YoY), Plantation (292.5%YoY) and Financial services (296.3%YoY) were the main contributors to the bottom line performance during the quarter.



Moreover, JKH had the best growth in the Capital goods sector as earnings grew 635.3%YoY to LKR 11.3Bn. The growth in earnings during the concerned quarter was largely as a result of exceptional performance in group's logistics business, which benefitted from significant improvement in bunkering volumes and margins. Further, in the midst of notable growth in arrivals, JKH's leisure sector reduced losses to LKR 47.4Mn cf. a loss of LKR 1.7Bn aided by growth in occupancy and average room rates at both Sri Lankan and Maldivian sectors. Meanwhile, diversified export oriented conglomerate HAYL had the next best performance in the Capital Goods sector, which recorded a net income growth of 383.0%YoY to LKR 10.5Bn. Transportation and Logistics segment was the biggest contributor to EBIT (+226.0%YoY) whilst Plantations sector also depicted a significant growth during the quarter, benefitted by rupee depreciation and growth in USD denominated auction prices.

Benefitted by relatively higher freight rates and Rupee depreciation, Expolanka Holdings single handedly drove Transportation sector results, with net income recording a growth of 220.6%YoY to LKR 20.2Bn. However, given the shift in mix to ocean freight from air freight (relatively lower margin business) in the backdrop of slowdown in global trade and record high inflation levels at key destinations, resulted in contraction of margins during the concerned quarter.

LOLC Holdings continued to dominate the Diversified Financial sector earnings, as LOLC recorded a net earnings growth of 369.1%YoY to LKR 17.2Bn. The growth in profits during the quarter was largely attributable to the Financial Services segment which posted a growth of 320.8%YoY to LKR 17.1Bn, as depreciation of LKR and stringent management of OPEX aided solid performance during 1QFY23. Furthermore, Leisure segment witnessed a turnaround performance during the quarter as the sector reported a profit of LKR 7.3Bn cf. a loss of LKR 959.2Mn.

With the slowdown of infections aided by the rapid vaccination drive, improvement in movement (Jun-21 affected by severe lockdowns), and normalizing economic and political environment improved the Consumer services profitability during the quarter (reduced losses to LKR 3.4Bn cf. LKR 5.5Bn). Renuka Hotels (+977.0%YoY), John Keells Hotels (+62.5%YoY) and Aitken Spence Hotels (+58.5%YoY) were amongst the top performers in the sector. Moreover, growth in occupancies and room rates across both city and coastal sector hotels, was also a key factor towards the growth in the sector profitability.

Telecommunications, Banking, Consumer Durables & Apparel sectors demonstrated subdued performance: Telecommunication sector earnings plunged by 225.4%YoY owing to large exchange losses incurred at DIAL, which dragged down company bottom-line to a loss of LKR 12.5Bn cf. a profit of LKR 4.6Bn. Given the substantial impairment losses due to record high interest rates and proactive provisioning of government securities (amidst talks on restructuring government's local debt), banking sector profitability dragged down by 79.8%YoY during Jun-22. Meanwhile, Consumer durables & Apparel sector also reported a marginal drop in profitability (-18.7%YoY) as profits declined substantially at Ambeon Holdings (-94.5%YoY) on the back of increased operating and tax expense. However, Hayleys Fabric (+438.9%YoY) and Teejay Lanka (+301.4%YoY) continue to outperform its peers.

Annexure 1 – Market Earnings Sector Summary



Results Update

Jun 2022

Tuesday, September 13, 2022

Company	Quarter Earnings LKR 'Mn					4 Qtr Trailing	
	1QFY23	1QFY22	YoY%	4QFY22	QoQ%	PER (x)	PBV (x)
	2Q2022	2Q2021	YoY%	1Q2022	QoQ%		
Consumer Durables & Apparel Earnings	3,483	4,278	-19%	2,764	26%	10.7x	1.2x
Retailing Sector Earnings	330	425	-22%	3,800	-91%	7.3x	0.6x
Consumer Services Sector Earnings	-3,445	-5,470	37%	-1,161	-197%	N/A	0.8x
Automobiles & Components Sector Earnings	298	184	62%	230	29%	5.5x	0.8x
Food, Beverage & Tobacco Sector Earnings	52,822	14,103	275%	23,305	127%	5.3x	1.4x
Food & Staples Retailing Sector Earnings	2,540	786	223%	2,284	11%	10.0x	1.8x
Household & Personal Products Sector Earnings	385	93	313%	124	210%	12.7x	2.5x
Energy Sector Earnings	9,927	273	3535%	890	1016%	14.6x	3.5x
Diversified Financials Sector Earnings	21,124	8,357	153%	33,371	-37%	6.6x	1.2x
Banks Sector Earnings	3,836	18,948	-80%	21,536	-82%	3.1x	0.4x
Insurance Sector Earnings	3,527	3,172	11%	8,295	-57%	7.1x	1.1x
Health Care Equipment & Services Sector Earnings	1,609	1,653	-3%	2,780	-42%	7.9x	1.7x
Capital Goods Sector Earnings	46,791	9,507	392%	31,067	51%	4.5x	0.8x
Commercial & Professional Services Sector Earnings	1,041	95	996%	1,173	-11%	2.5x	1.1x
Transportation Sector Earnings	20,170	6,281	221%	23,050	-12%	5.2x	3.0x
Materials Sector Earnings	13,522	4,147	226%	8,087	67%	5.8x	1.4x
Real Estate Sector Earnings	2,012	904	123%	2,761	-27%	5.1x	0.5x
Software & Services	202	7	2682%	102	98%	9.0x	2.8x
Telecommunications Sector Earnings	-10,557	8,422	-225%	7,562	-240%	N/A	1.1x
Utilities Sector Earnings	1,397	1,566	-19%	1,506	-7%	15.7x	1.0x
Market Valuations						6.1x	1.1x
Market Earnings - Jun 2022	169,260	76,827	120.3%	172,283	-2%	278	
Market Earnings - Mar 2022	262,169	111,619	135%	173,281	51%	276	



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