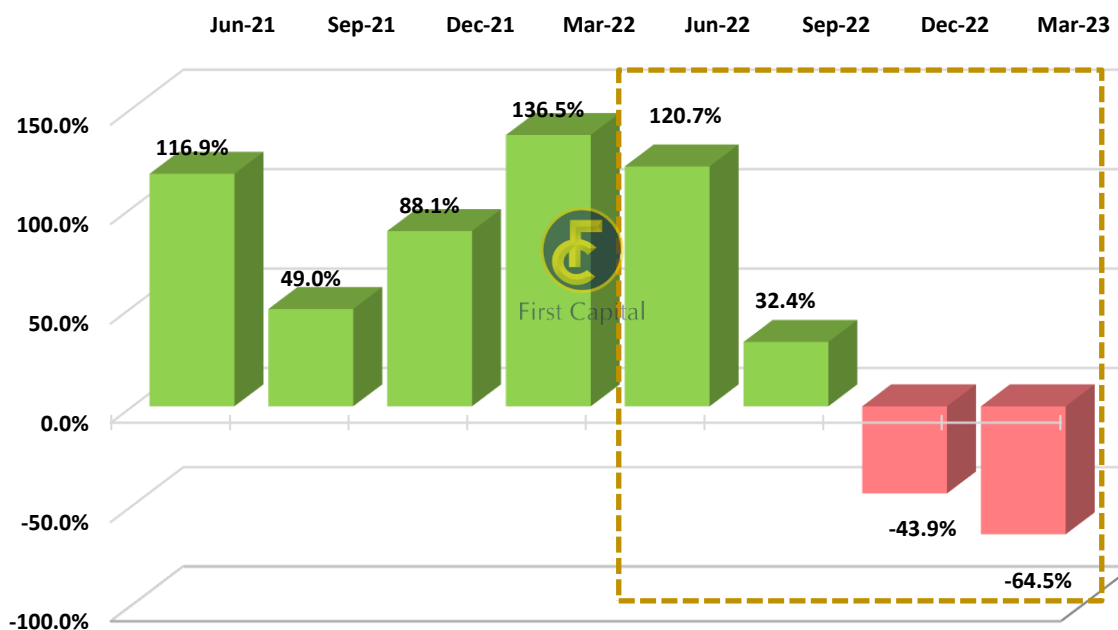




Quarterly Results Review

Quarter: Mar 2023

“Market Earnings Reports Largest Downturn Since 2020”



Mar 2023 quarter earnings declined by 64.5%YoY for 280 companies: Mar 2023 quarter earnings dipped by 64.5%YoY to LKR 92.6Bn owing to sluggish performance primarily in the Food, Beverage & Tobacco (-80.3%YoY), Capital Goods (-80.2%YoY) and Diversified Financials (-71.9%YoY) sectors. However, positive quarterly performance was mainly witnessed in the Telecommunications (173.3%YoY), Energy (243.7%YoY) and Utilities (11.9%YoY) sectors.

Food, Beverage & Tobacco sector spearheads the decline in quarterly earnings: Food, Beverage & Tobacco sector experienced a 80.3%YoY decline, mainly attributed to the poor performance of BIL (-118.9%YoY), which incurred a loss during the quarter primarily owing to a higher finance cost component (+125.0%YoY) and a lower one-off capital gain on bargain purchase (-99.3%YoY) in relation to the acquisition and disposal of group investments. CTEA also reported poor results during the quarter, largely attributed to a reversal resulting in a forex loss of LKR 1.8Bn. This setback can be attributed to CTEA's role as an exporter, which made it susceptible to the impact of LKR's appreciation. The Plantations sector faced a notable decline as companies including KGAL (-199.8%YoY) and KAHA (-224.0%YoY) experienced losses during the quarter amidst a drop in tea prices, which was influenced by LKR's appreciation and reduced volumes stemming from a combination of factors such as the prohibition of glyphosate and later chemical fertilizer, which weakened the sector with lagged effects. Furthermore, Bukit Darah (-103.5%YoY) and its group of companies including CARS (-74.3%YoY), BREW (-19.6%YoY) and LION (-15.3%YoY) experienced a decline in earnings during the quarter owing to forex losses and an increase in finance costs.

Capital Goods and Diversified Financials sectors added to the weakening of quarterly earnings: Capital Goods experienced an 80.2%YoY decline primarily due to the weak performance of BRWN (-102.7%YoY), which recorded a loss during the quarter owing to a higher finance cost component, whilst blue-chip counters such as JKH (-69.7%YoY) and HAYL (-79.5%YoY) also recorded a decline in earnings during the quarter. The Diversified Financials segment witnessed a 71.9%YoY decline led by LOLC (-104.5%YoY) due to a combination

of lowered interest rates, a substantial rise in tax rates, along with the contraction of Net Interest Margins (NIMs) and an increase in OPEX, collectively impacting the segment's operating margins.

Telecommunications, Energy and Utilities sectors demonstrated strong performance: The Telecommunications sector witnessed a growth of 173.3%YoY mainly led by DIAL (154.9%YoY), which benefited from favorable movements in macro indicators which included a strengthening of the LKR, a moderation in inflation, and a reduction in interest rates. The Energy sector recorded a growth of 243.7%YoY to LKR7.3Bn largely driven by excellent performance of both LIOC (112.8%YoY) and LGL (112.5%YoY). This growth can be attributed to significant volatility in international oil prices due to geo-political factors and price increase in domestic gas cylinders. Furthermore, the Utilities sector observed a growth of 11.9%YoY, supported by improved performance in VLL (829.4%YoY) and VPEL (299.9%YoY).

Annexure 1 – Market Earnings Sector Summary



Results Update

Mar 2023

Thursday, August 17, 2023

Company	Quarter Earnings LKR 'Mn					4 Qtr Trailing	
	4QFY23	4QFY22	YoY%	3QFY23	QoQ%	PER (x)	PBV (x)
	1Q2023	1Q2022	YoY%	4Q2022	QoQ%		
<i>Consumer Durables & Apparel Earnings</i>	-3	971	-100%	3,594	-100%	22.0x	1.0x
<i>Retailing Sector Earnings</i>	-654	308	-313%	1,695	-139%	N/A	0.6x
<i>Consumer Services Sector Earnings</i>	-949	2,836	-133%	-6,206	85%	N/A	1.0x
<i>Automobiles & Components Sector Earnings</i>	481	301	60%	-21	2346%	10.1x	0.8x
<i>Food, Beverage & Tobacco Sector Earnings</i>	13,823	70,075	-80%	45,639	-70%	6.8x	1.5x
<i>Food & Staples Retailing Sector Earnings</i>	3,112	3,188	-2%	1,441	116%	14.5x	2.4x
<i>Household & Personal Products Sector Earnings</i>	39	295	-87%	378	-90%	11.5x	1.7x
<i>Energy Sector Earnings</i>	7,335	2,134	244%	11,599	-37%	2.0x	1.2x
<i>Diversified Financials Sector Earnings</i>	14,399	51,161	-72%	12,369	16%	10.9x	1.0x
<i>Banks Sector Earnings</i>	21,682	26,085	-17%	14,937	45%	6.3x	0.5x
<i>Insurance Sector Earnings</i>	3,955	3,447	15%	9,114	-57%	6.2x	1.0x
<i>Health Care Equipment & Services Sector Earnings</i>	-190	1,663	-111%	1,095	-117%	23.1x	1.5x
<i>Capital Goods Sector Earnings</i>	13,304	67,084	-80%	21,648	-39%	8.0x	0.8x
<i>Commercial & Professional Services Sector Earnings</i>	-254	1,205	-121%	527	-148%	4.2x	0.7x
<i>Transportation Sector Earnings</i>	-1,178	31,358	-104%	8,977	-113%	9.0x	1.9x
<i>Materials Sector Earnings</i>	5,980	7,557	-21%	12,580	-52%	4.7x	1.2x
<i>Real Estate Sector Earnings</i>	3,218	5,438	-41%	3,597	-11%	5.8x	0.5x
<i>Software & Services</i>	-105	344	-130%	58	-280%	20.3x	1.9x
<i>Telecommunications Sector Earnings</i>	9,648	-13,162	173%	4,671	107%	N/A	1.8x
<i>Utilities Sector Earnings</i>	-1,001	-1,647	12%	-103	-874%	18.6x	1.0x
Market Valuations						8.7x	1.0x
Market Earnings - Mar 2023	92,641	260,641	-64%	147,813	-37%		280
Market Earnings - Dec 2022	96,396	171,876	-44%	147,816	-35%		281

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