



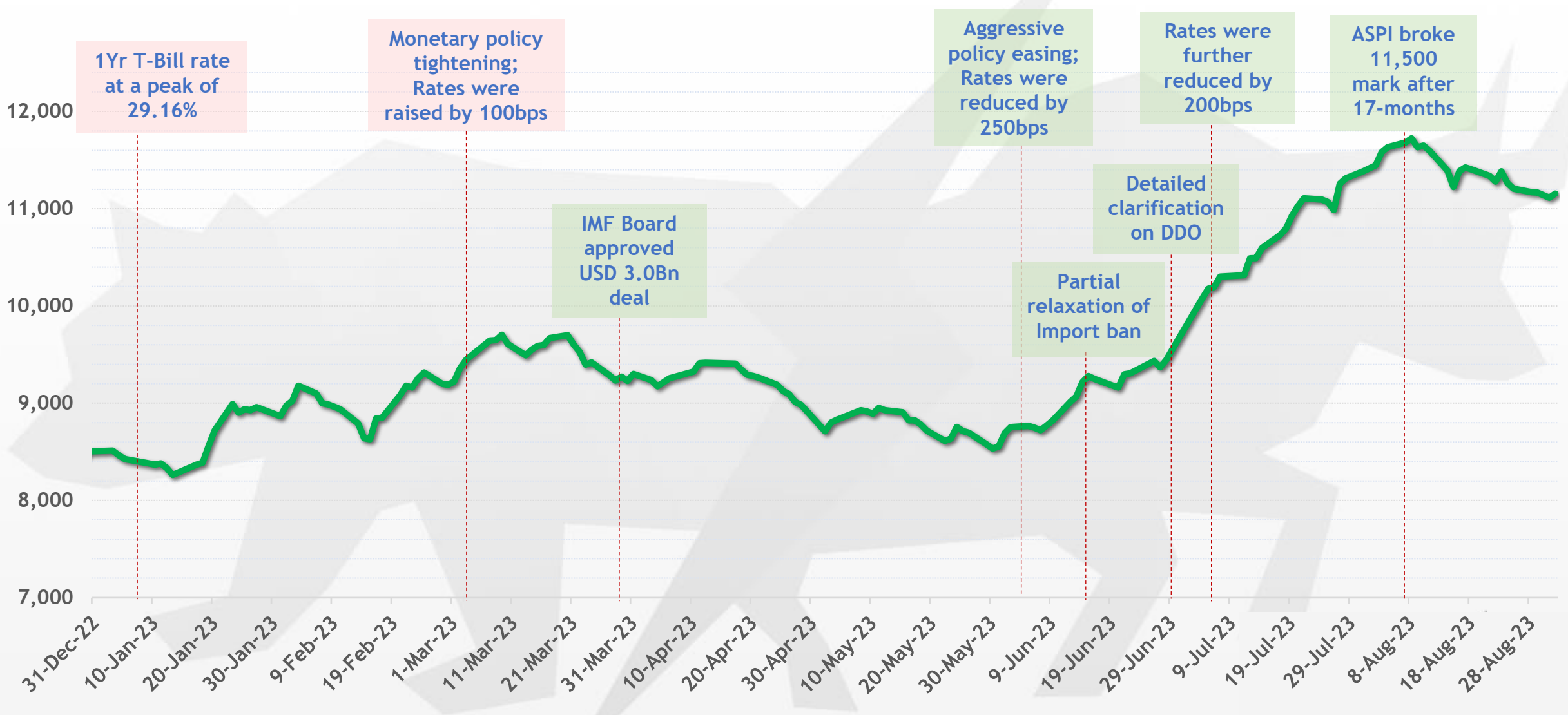
First Capital
A Janashakthi Group Company

QUARTERLY RESULTS REVIEW

APRIL - JUNE 2023

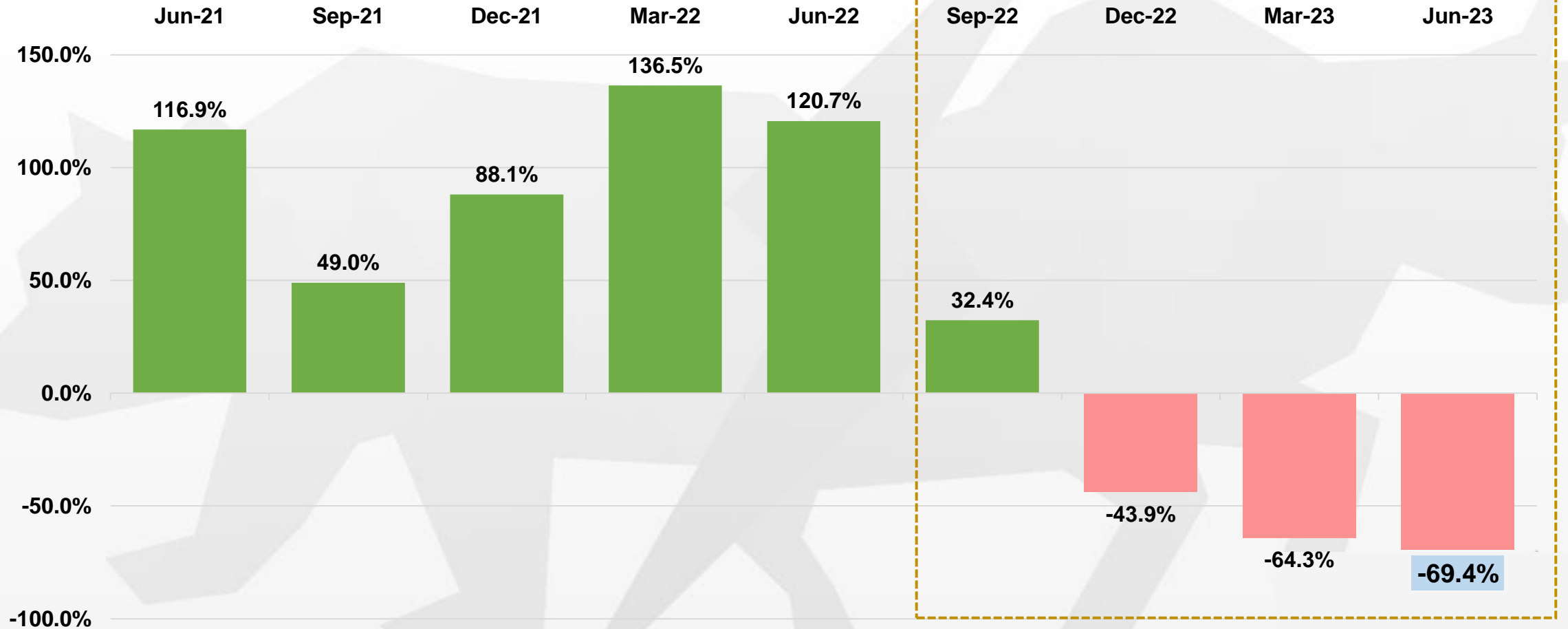


YTD ASPI performance and key highlights in 2023



Corporate earnings have reported consecutive YoY degrowth, with macroeconomic challenges pushing earnings to a 3-year low

YoY Earnings growth (%)



Jun 2023 quarter earnings declined by 69.4%YoY for 279 companies:

- ✓ Jun 2023 quarter earnings experienced a substantial decline for the third consecutive quarter, dropping by 69.4%YoY to a 3-year low of LKR 51.6Bn. This decline was primarily attributed to the following factors:
 1. **Food, Beverage & Tobacco Sector (-65.4%YoY):** Slow recovery in the manufacturing segment and lower disposable income, impacting consumer spending.
 2. **Capital Goods Sector (-108.8%YoY):** Driven by high finance and interest expenses, which affected overall profitability.
 3. **Transportation Sector (-128.3%YoY):** Witnessed a substantial decline in earnings, primarily caused by a steep drop in freight rates below pre-pandemic levels.

These sector-specific issues collectively contributed to the overall quarterly earnings decline.

- ✓ Conversely, there were notable positive contributors during the quarter. Banking sector demonstrated a remarkable growth of 420.4%YoY. Followed by Telecommunications sector which exhibited a substantial increase of 109.3%YoY and the Diversified Financials sector displayed a commendable growth rate of 36.6%YoY.

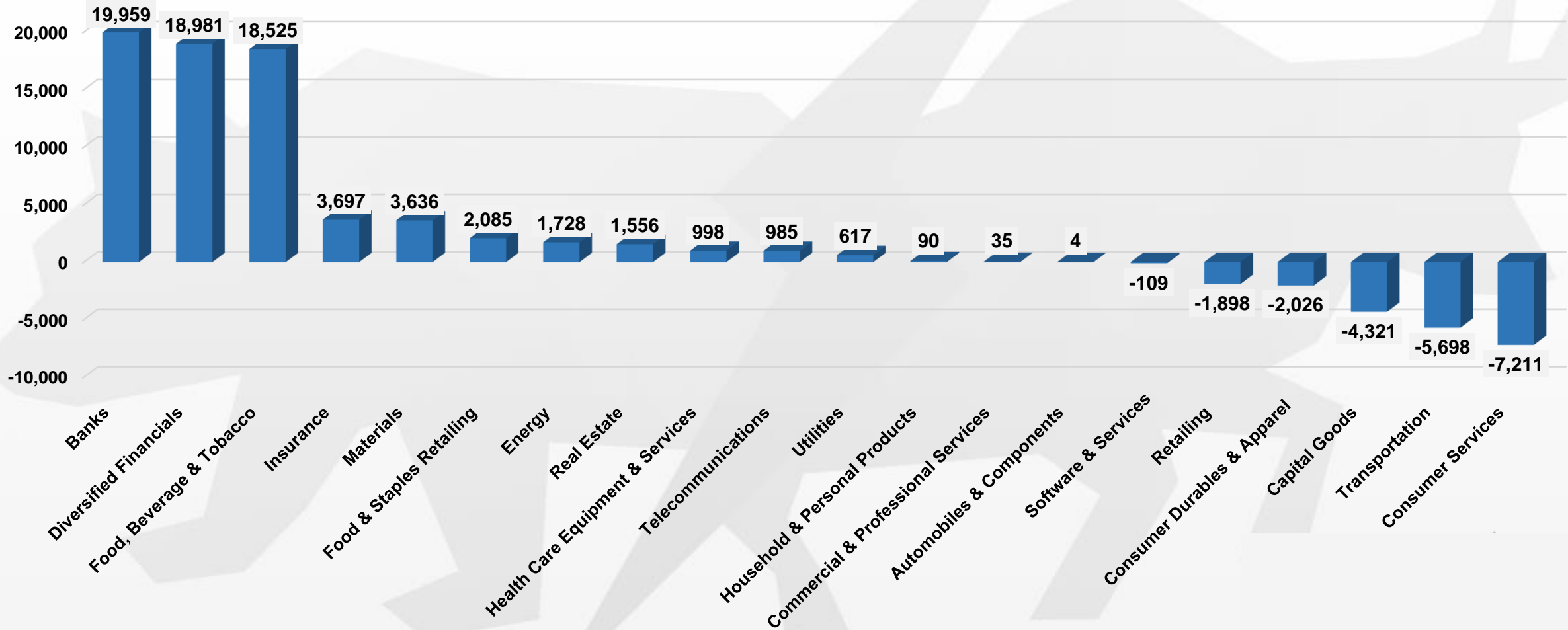
Market Earnings Sector Summary – Jun 2023

Company	Quarter Earnings LKR 'Mn					4 Qtr Trailing	
	1QFY24	1QFY23	YoY%	4QFY23	QoQ%	PER (x)	PBV (x)
	2Q2023	2Q2023	YoY%	1Q2023	QoQ%		
<i>Consumer Durables & Apparel Earnings</i>	-2,026	3,484	-158%	-3	-74944%	N/A	1.2x
<i>Retailing Sector Earnings</i>	-1,898	238	-896%	-654	-190%	N/A	0.7x
<i>Consumer Services Sector Earnings</i>	-7,211	-3,475	-108%	-949	-660%	N/A	1.1x
<i>Automobiles & Components Sector Earnings</i>	4	298	-99%	481	-99%	23.7x	0.9x
<i>Food, Beverage & Tobacco Sector Earnings</i>	18,525	53,574	-65%	13,823	34%	9.2x	1.4x
<i>Food & Staples Retailing Sector Earnings</i>	2,085	2,496	-16%	3,112	-33%	15.9x	2.6x
<i>Household & Personal Products Sector Earnings</i>	90	385	-77%	39	131%	17.4x	1.6x
<i>Energy Sector Earnings</i>	1,728	8,174	-79%	7,335	-76%	2.2x	1.1x
<i>Diversified Financials Sector Earnings</i>	18,981	13,894	37%	14,399	32%	11.0x	1.0x
<i>Banks Sector Earnings</i>	19,959	3,835	420%	21,682	-8%	5.3x	0.5x
<i>Insurance Sector Earnings</i>	3,697	3,513	5%	3,955	-7%	6.0x	0.9x
<i>Health Care Equipment & Services Sector Earnings</i>	998	1,609	-38%	-190	625%	28.6x	1.4x
<i>Capital Goods Sector Earnings</i>	-4,321	48,889	-109%	13,304	-132%	19.8x	0.8x
<i>Commercial & Professional Services Sector Earnings</i>	35	1,045	-97%	63	-45%	7.8x	0.8x
<i>Transportation Sector Earnings</i>	-5,698	20,170	-128%	-1,178	-384%	52.5x	2.0x
<i>Materials Sector Earnings</i>	3,636	13,522	-73%	5,980	-39%	6.1x	1.1x
<i>Real Estate Sector Earnings</i>	1,556	1,875	-17%	3,218	-52%	6.0x	0.5x
<i>Software & Services</i>	-109	202	-154%	-105	-5%	N/A	1.8x
<i>Telecommunications Sector Earnings</i>	985	-10,557	109%	9,648	-90%	43.0x	1.7x
<i>Utilities Sector Earnings</i>	617	1,397	-42%	-1,001	162%	28.5x	1.1x
Market Valuations						11.4x	1.0x
Market Earnings - Jun 2023	51,633	164,568	-69%	147,591	-65%	279	
Market Earnings - Mar 2023	92,957	260,641	-64%	147,813	-37%	280	



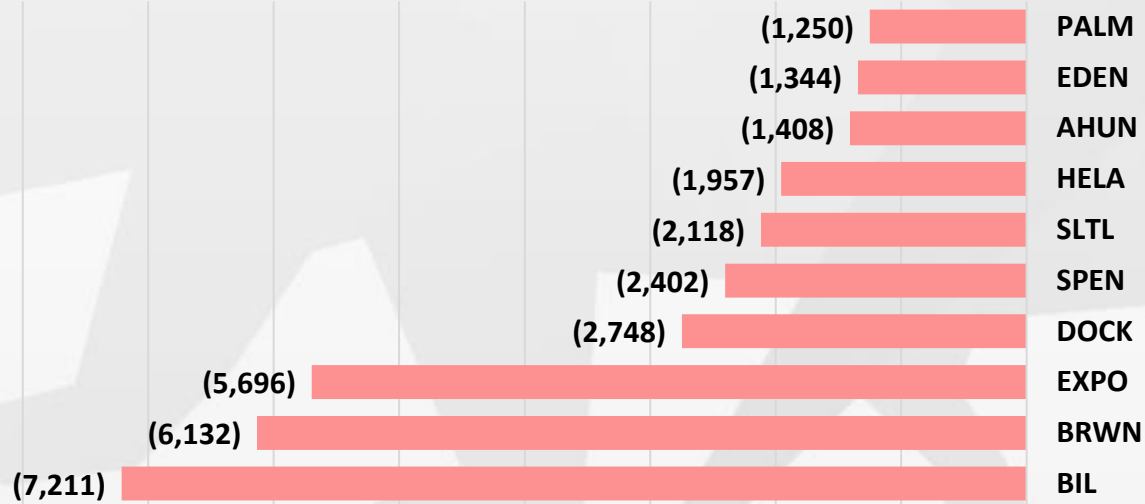
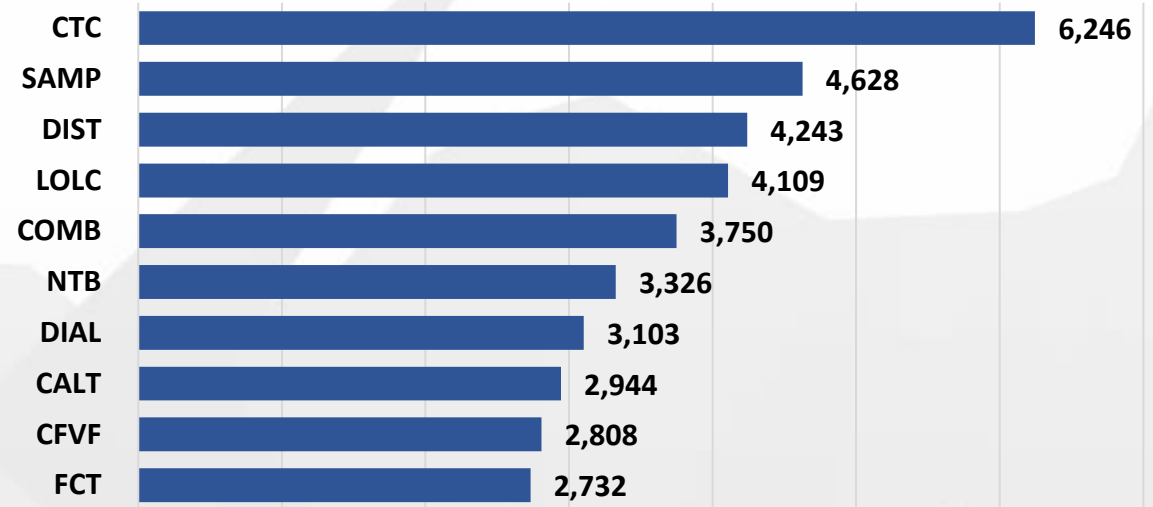
Earnings eroded as finance costs and income tax expenses take a toll

Sector-wise breakdown of earnings (LKR Mn)



Top 10 Profit and Loss making companies in 2Q2023/1QFY24

The top profit-making companies were predominantly led by Banks and Primary Dealers, benefiting from the easing of macroeconomic pressures.



*LKR Mn

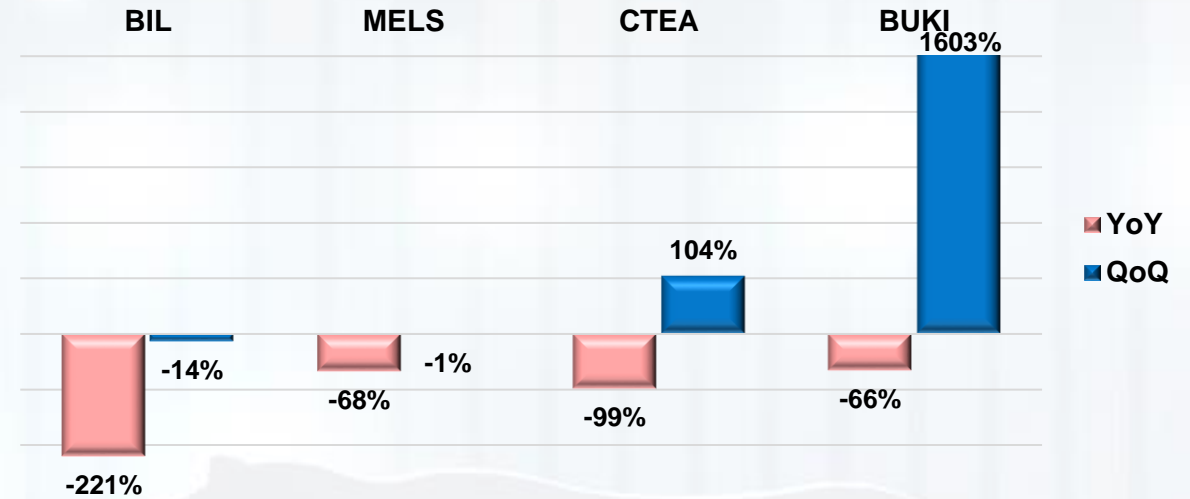
Earnings insight – Sector wise

Food, Beverage & Tobacco sector experienced a 65.4%YoY decline in earnings, largely attributed to the poor performance of BIL which experienced a substantial -221.0%YoY decline in earnings, resulting in a loss during the quarter. This downturn was primarily due to a sharp increase in the finance cost component, which rose by 48.7%YoY, as well as a decline in other income amidst the Net change in fair value of investment properties of LKR 12.2Bn reported in 1QFY23. MELs also reported a decline of 68.0%YoY in earnings owing to the higher finance cost and income tax expenses which significantly impacted earnings growth.

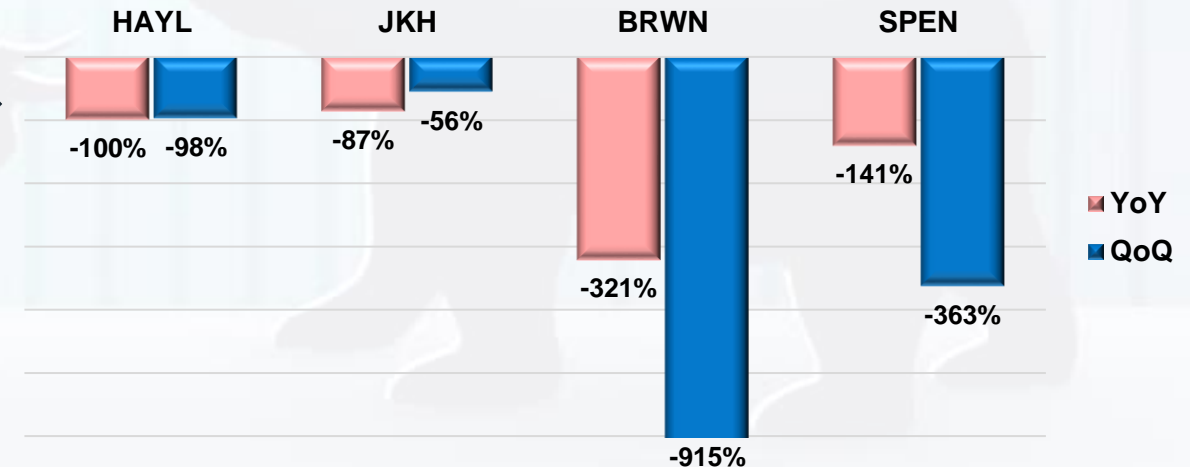
Capital Goods sector witnessed a significant decrease in net earnings, falling by 108.8%YoY. This decline was primarily driven by HAYL, which saw a staggering 100%YoY drop as all the segments except Textile sand Leisure recorded a decline in earnings. In particular, HAYL's transportation segment suffered the most, with earnings dropping from LKR 4.9Bn in 1QFY23 to LKR 1.7Bn in 1QFY24, attributed to freight rates falling below pre-pandemic levels. Meanwhile, JKH also experienced a significant decline in earnings, with a decrease of 87.0%YoY, attributed to the poor performance of the Transportation segment, particularly the bunkering business, as well as challenges in the Leisure segment.

Counters with the most significant decline in earnings

Food, Beverage and Tobacco sector



Capital Goods sector

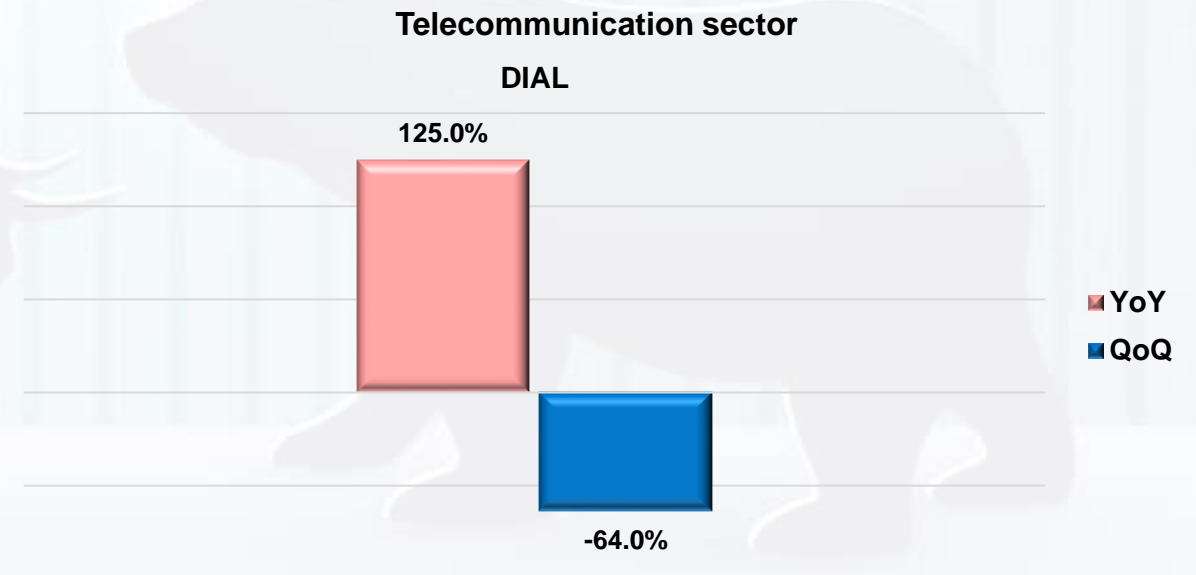
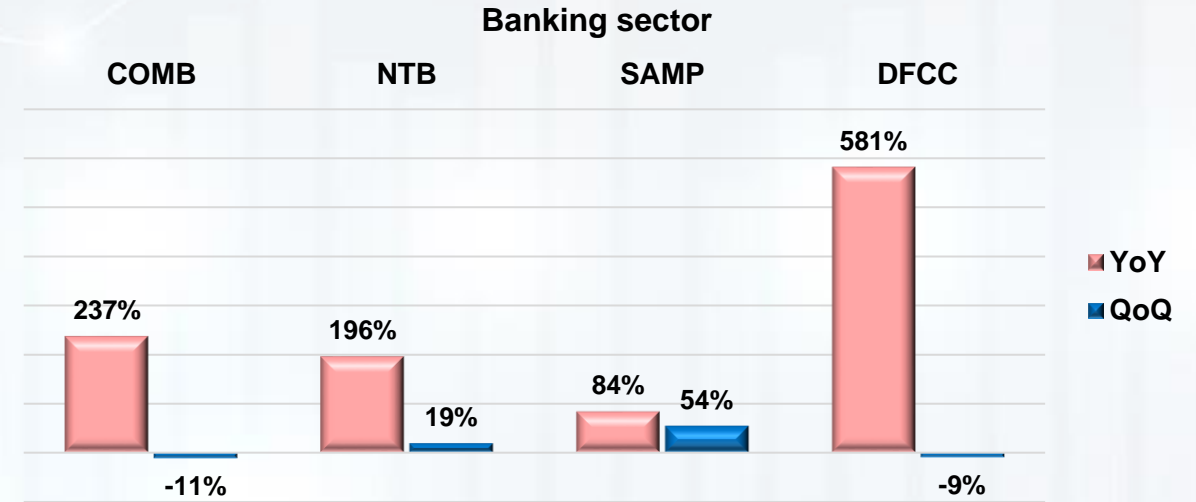


Earnings insight – Sector wise

Banking sector witnessed a significant YoY increase in earnings, surging by 420.4% and had a notable impact on the overall market earnings growth, mainly driven by the sustained high interest rates environment, which bolstered interest income during the period. Among the banks, COMB and NTB recorded the most substantial gains on a YoY basis attributed to a significant reduction in impairment charges related to foreign currency denominated government securities and substantial growth in other operating income

Telecommunication sector experienced a remarkable YoY growth of 109.3% primarily driven by DIAL, which achieved a substantial YoY increase of 125.0% in earnings amidst the net foreign exchange gain of LKR 3.4Bn in contrast to net a loss of LKR 14.2Bn recorded 2Q2022. LKR appreciation against USD by 5.6% during the quarter resulted in a substantial forex gain for the company.

Counters with the most significant growth in earnings



Thank you!

*“SUCCESSFUL INVESTMENTS IS ABOUT
MANAGING RISKS”*

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