



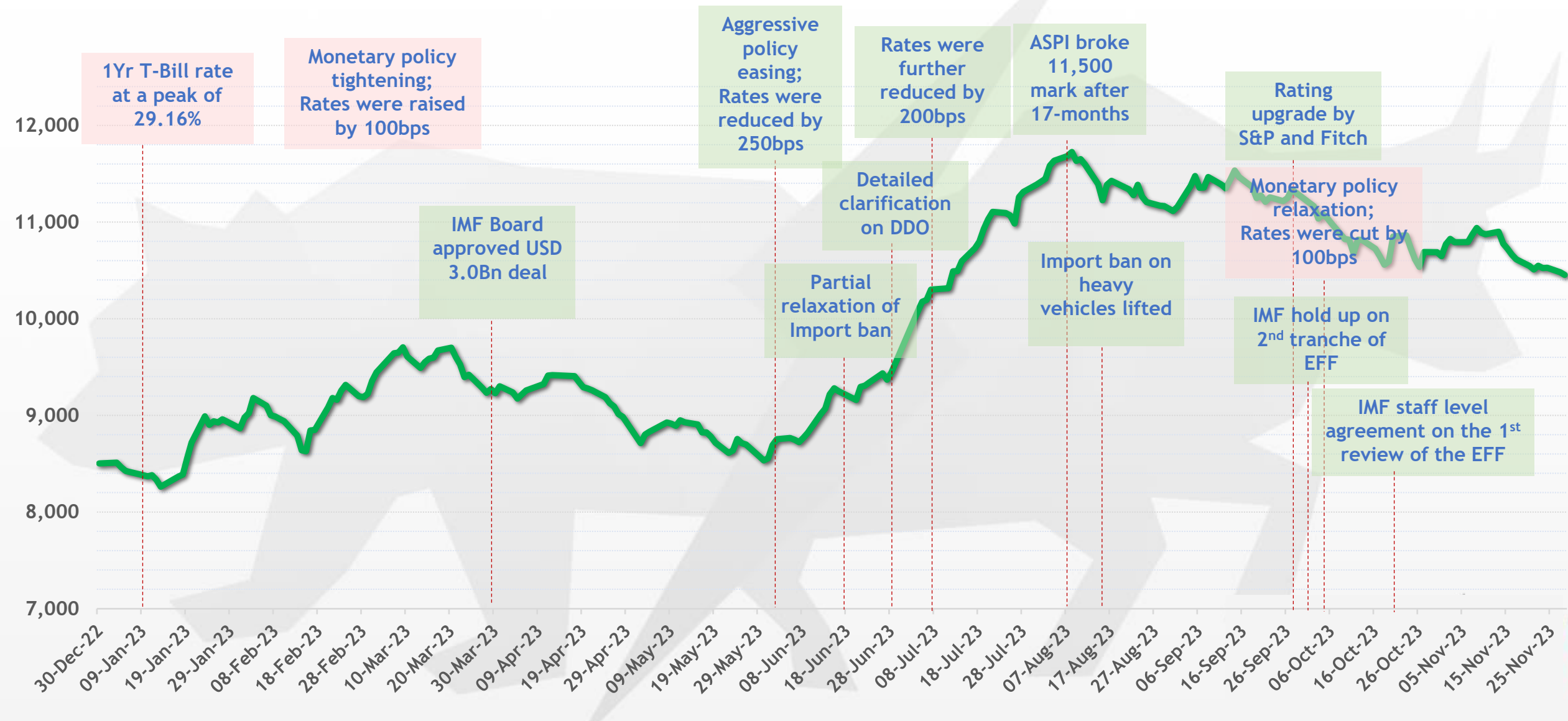
First Capital
A Janashakthi Group Company

QUARTERLY RESULTS REVIEW

JULY - SEPTEMBER 2023

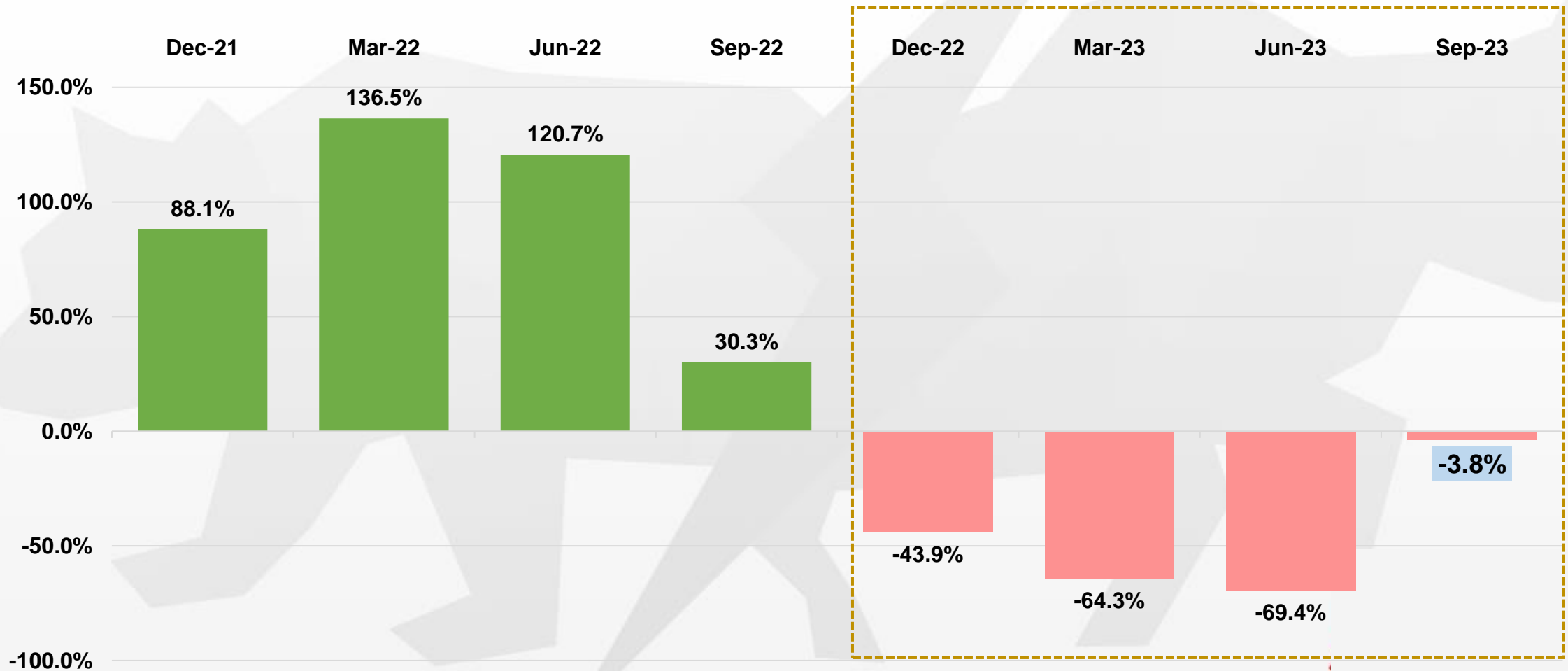


YTD ASPI performance and key highlights in 2023



Corporate earnings exhibit a narrow contraction, indicating a gradual recovery despite experiencing a YoY decline for the fourth consecutive quarter

YoY Earnings growth (%)



Sep 2023 quarter earnings decline marginally by 4.0%YoY for 274 companies:

- ✓ Sep 2023 earnings saw a marginal decline for the fourth consecutive quarter, experiencing a 3.8%YoY drop to LKR 139.5Bn, while QoQ earnings improved by 50.8%QoQ, reflecting a recovery in most business segments. The decline, however, can be primarily attributed to the following factors:
 1. **Capital Goods Sector (-49.1%YoY):** Driven by high finance and interest expenses, which affected overall profitability.
 2. **Transportation Sector (-116.8%YoY):** Witnessed a substantial decline in earnings, primarily caused by a steep drop in freight rates below pre-pandemic levels.
 3. **Materials (-53.1%YoY):** Slow recovery in the manufacturing segment and lower demand caused headwinds to earnings.

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

- ✓ Conversely, decline was mostly offset by notable positive contributors during the quarter.
 1. **Diversified Financials sector (+179.4%YoY):** driven by declining interest rate environment following the record high rates recorded last year same period.
 2. **Banking sector (+127.2%YoY):** overall sector demonstrated signs of recovery amidst reduced impairment costs
 3. **Food & Staples Retailing sector (+45.7%YoY):** Decline in inflation and improved consumer buying patterns contributed to the sector's profitability

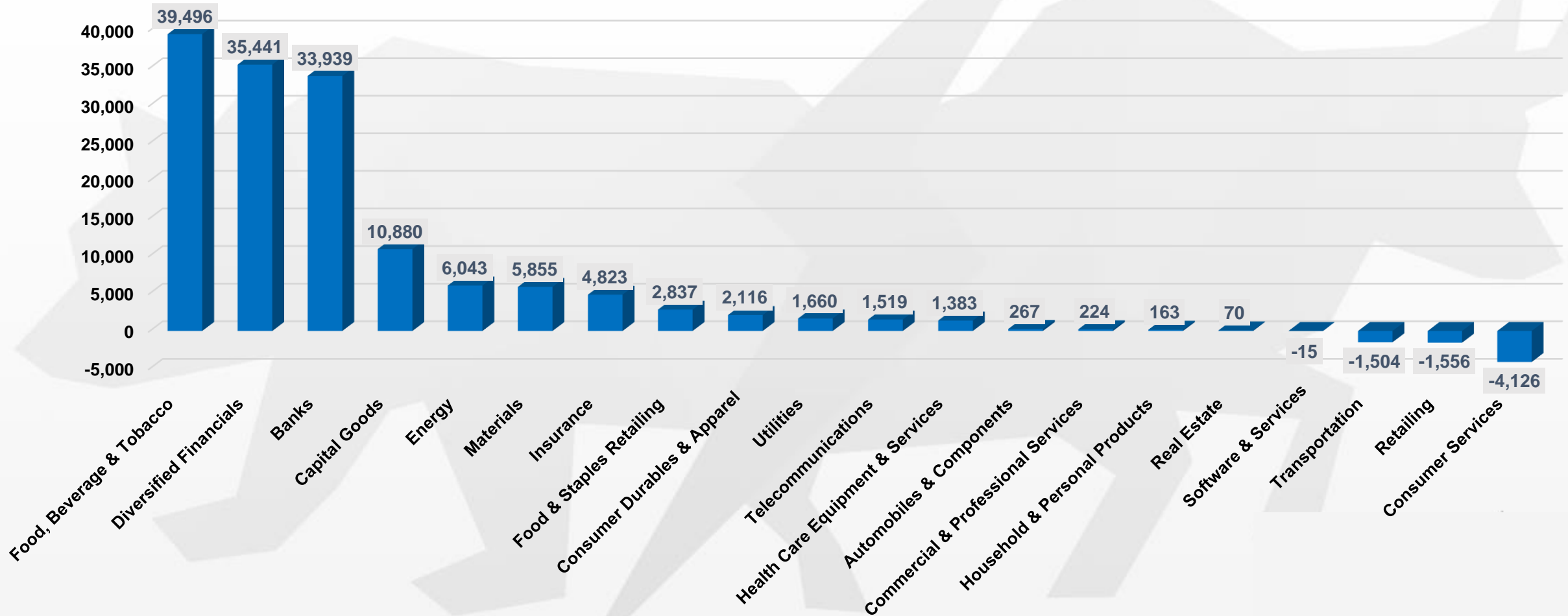
Market Earnings Sector Summary – Sep 2023

Company	Quarter Earnings LKR 'Mn					4 Qtr Trailing	
	2QFY24	2QFY23	YoY%	1QFY24	QoQ%	PER (x)	PBV (x)
	3Q2023	3Q2022	YoY%	2Q2023	QoQ%		
<i>Consumer Durables & Apparel Earnings</i>	2,116	3,686	-43%	-2,011	205%	N/A	1.1x
<i>Retailing Sector Earnings</i>	-1,556	1,695	-192%	-1,898	18%	N/A	0.6x
<i>Consumer Services Sector Earnings</i>	-4,126	-6,385	35%	-7,211	43%	N/A	1.2x
<i>Automobiles & Components Sector Earnings</i>	267	-21	1348%	4	6809%	9.5x	0.8x
<i>Food, Beverage & Tobacco Sector Earnings</i>	39,496	42,493	-7%	17,395	127%	9.4x	1.5x
<i>Food & Staples Retailing Sector Earnings</i>	2,837	1,948	46%	2,085	36%	15.5x	2.8x
<i>Household & Personal Products Sector Earnings</i>	163	378	-57%	90	81%	31.5x	1.5x
<i>Energy Sector Earnings</i>	6,043	11,599	-48%	1,728	250%	2.4x	1.0x
<i>Diversified Financials Sector Earnings</i>	35,441	12,686	179%	19,356	83%	7.2x	0.8x
<i>Banks Sector Earnings</i>	33,939	14,937	127%	19,959	70%	4.3x	0.5x
<i>Insurance Sector Earnings</i>	4,823	9,101	-47%	3,697	30%	6.9x	0.8x
<i>Health Care Equipment & Services Sector Earnings</i>	1,383	1,095	26%	998	39%	26.8x	1.4x
<i>Capital Goods Sector Earnings</i>	10,880	21,368	-49%	-4,311	352%	29.4x	0.7x
<i>Commercial & Professional Services Sector Earnings</i>	224	534	-58%	37	512%	12.0x	0.7x
<i>Transportation Sector Earnings</i>	-1,504	8,975	-117%	-5,698	74%	N/A	1.9x
<i>Materials Sector Earnings</i>	5,855	12,471	-53%	3,636	61%	7.5x	1.0x
<i>Real Estate Sector Earnings</i>	70	3,780	-98%	1,556	-96%	9.8x	0.4x
<i>Software & Services</i>	-15	58	-126%	-109	86%	N/A	1.9x
<i>Telecommunications Sector Earnings</i>	1,519	4,671	-67%	985	54%	99.5x	1.7x
<i>Utilities Sector Earnings</i>	1,660	-103	47%	617	169%	13.9x	1.0x
Market Valuations						11.2x	0.9x
Market Earnings - Sep 2023	139,516	144,965	-4%	92,506	51%	274	
Market Earnings - Jun 2023	51,633	164,568	-69%	147,591	-65%	279	



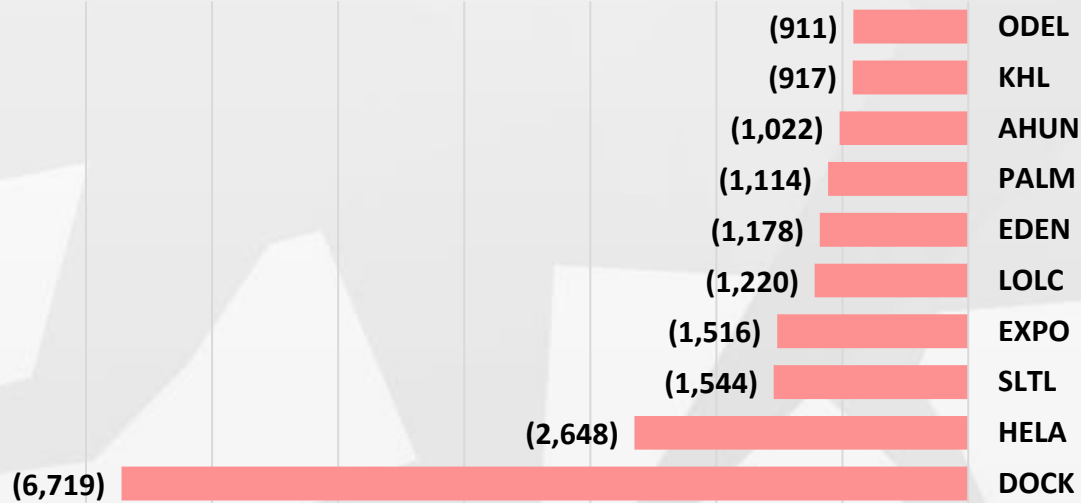
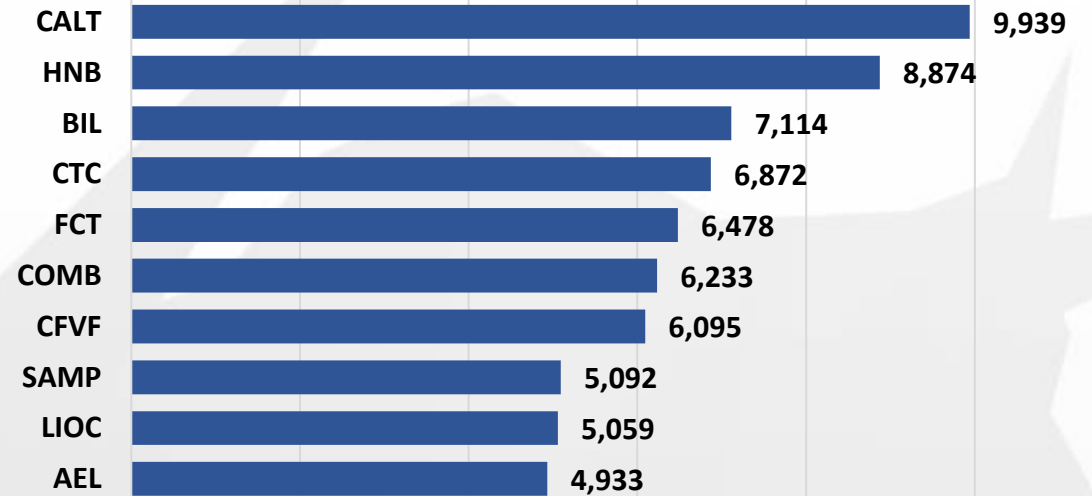
Earnings ebb low amid higher OPEX and Demand constraints

Sector-wise breakdown of earnings (LKR Mn)



Top 10 Profit and Loss making companies in 3Q2023/2QFY24

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



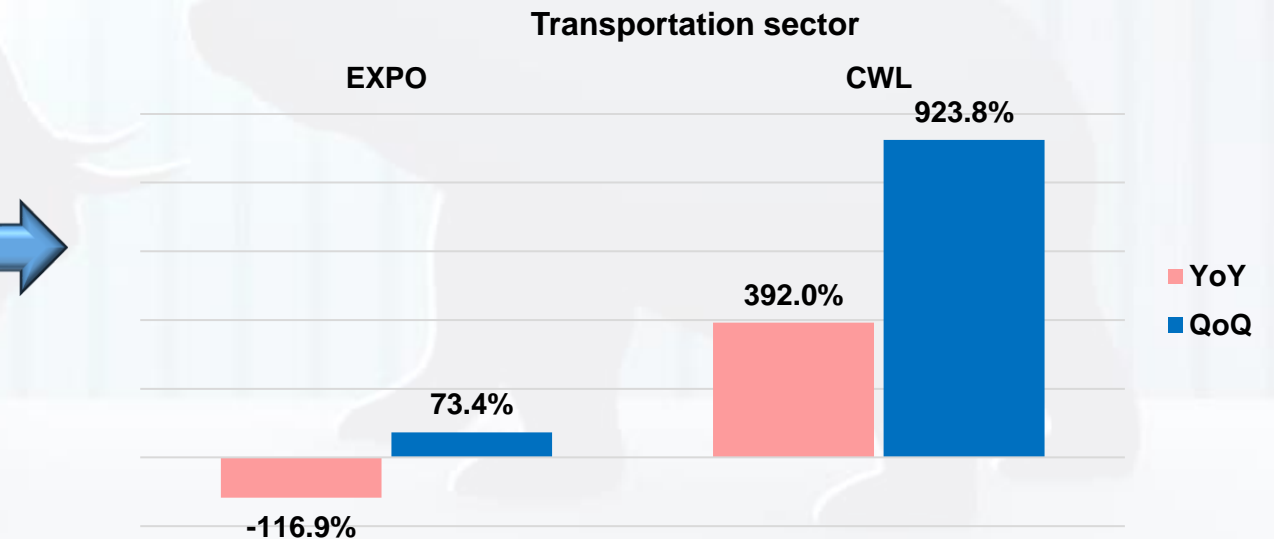
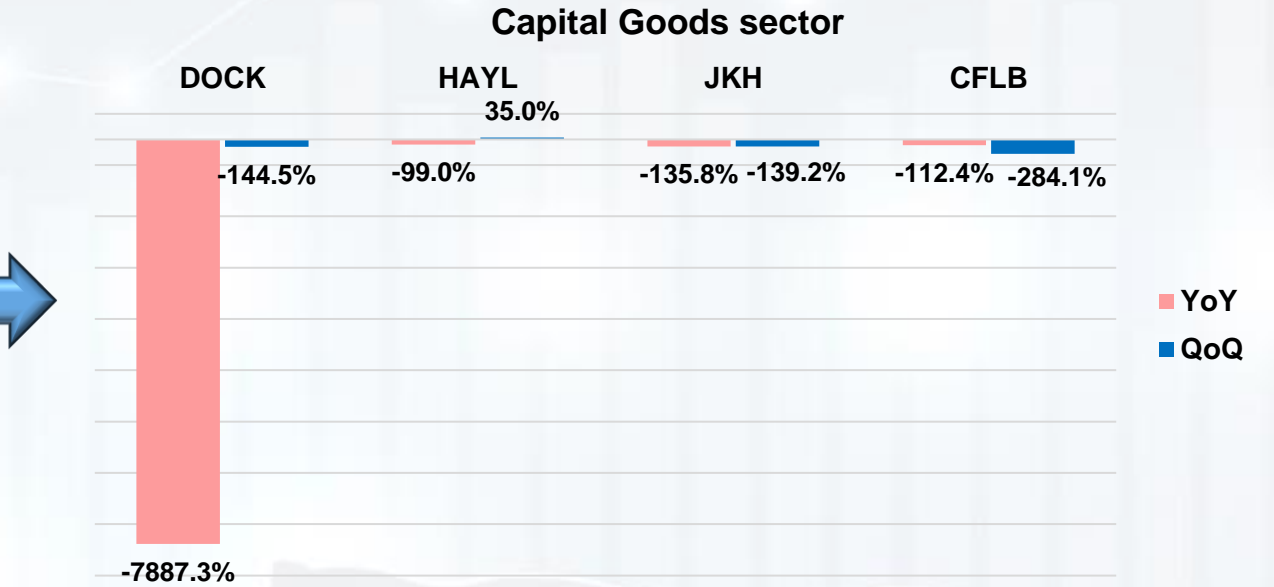
*LKR Mn

Earnings insight – Sector wise

Capital Goods sector recorded a 49.1%YoY dip in quarterly earnings as at Sep-23 led by DOCK, which significantly weighed down the sector, experiencing a substantial loss of LKR 6.7Bn. This downturn occurred as the Cost of Sales exceeded the total Revenue. Furthermore, the underperformance of blue-chip companies had a consequential impact on earnings contraction. Accordingly, HAYL recorded a 99.0%YoY decline in earnings amid poor topline performance where it decreased by 19.0%YoY owing to the reduction in profits of Transportation segment. Although, finance cost of HAYL declined on a YoY basis it still remained high, impeding the company's overall profit potential. Meanwhile, JKH too experienced a downturn in earnings by 135.8%YoY (-117.4%QoQ) due to underperformance in the Transportation segment's operating profits, coupled with escalating losses in JKH's Property segment. Meanwhile,

Transportation sector recorded a 116.8%YoY decline in earnings for Sep-23. This downturn was spearheaded by the major player, EXPO, which incurred a loss of LKR 1.5Bn due to a weak top-line performance, exacerbated by freight rates dropping below pre-pandemic levels and a slowdown in global trade activities. However, on the flipside, earnings of CWL partly offset the negativity mounting on the sector as the company recorded a profit of LKR 16.2Mn amidst the improvement in margins aided by the upturn in topline.

Counters with the most significant decline in earnings



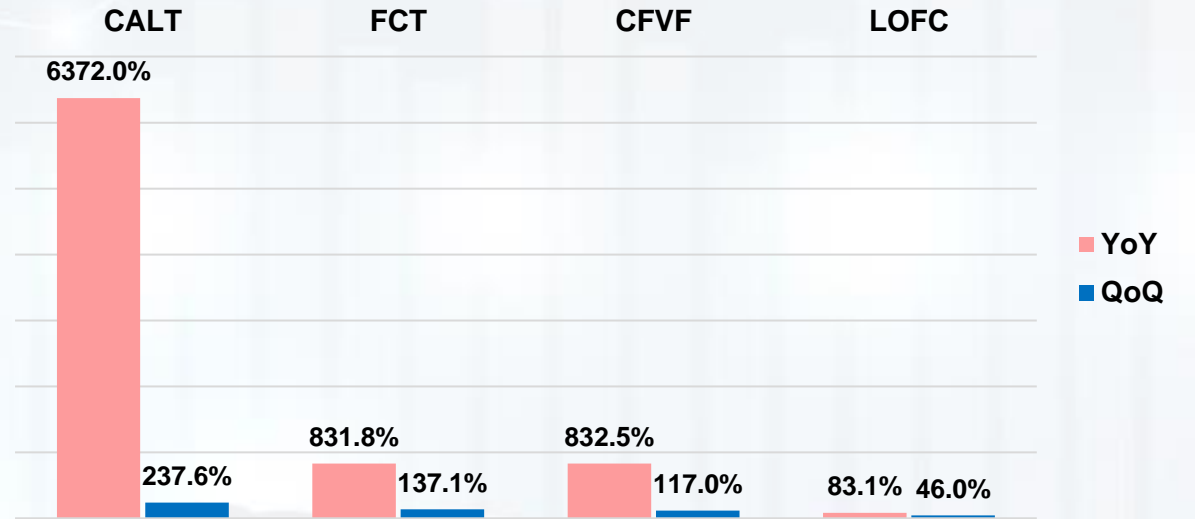
Earnings insight – Sector wise

Diversified Financials sector emerged as a significant contributor to market earnings, experiencing a noteworthy growth of 179.4%YoY. Primary Dealers played a pivotal role in driving the sector's performance, capitalizing on decreasing interest rates subsequent to the elevated levels recorded in the previous year. CALT demonstrated the most substantial earnings growth within the sector, with a remarkable surge of 6372.0%YoY. Similarly, FCT and CFVF too displayed noteworthy earnings growth, with profits increasing by 831.8%YoY and 832.5%YoY, respectively.

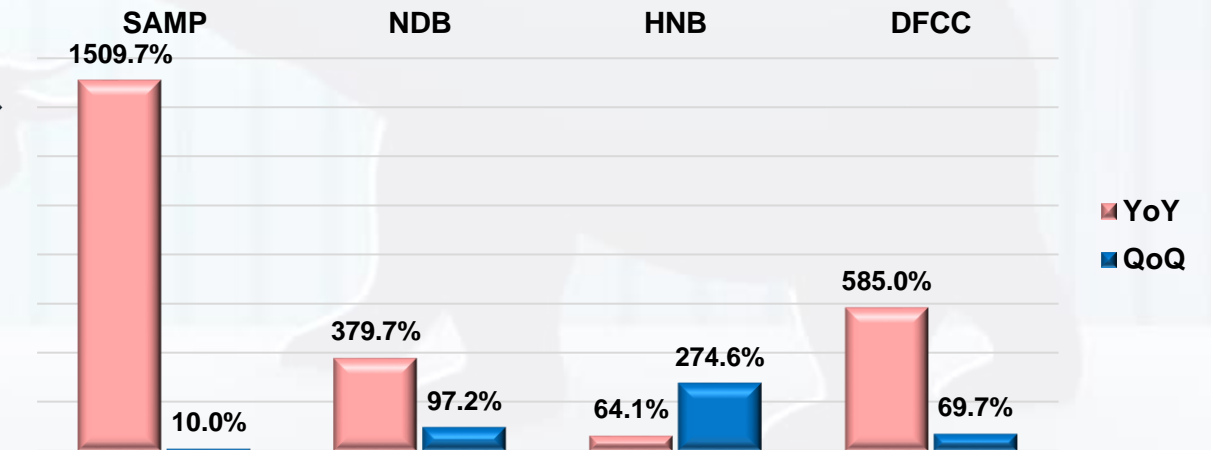
Banking sector displayed a substantial upswing in earnings for Sep-23 by 127.2%YoY, thereby significantly influencing the overall market earnings. Banks demonstrated resilience in their performance amidst a high interest rate environment and reduced impairment costs, attributed to their exclusion from the DDO. SAMP emerged as one of the leading performers within the sector, experiencing a remarkable 1509.7%YoY increase (+10.0%QoQ) in earnings. Furthermore, NDB contributed to the sector's robust performance, reporting a substantial 379.7%YoY surge (+97.2%QoQ) in earnings.

Counters with the most significant growth in earnings

Diversified Financials sector



Banking sector



Thank you!

*“SUCCESSFUL INVESTMENTS IS ABOUT
MANAGING RISKS”*

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