



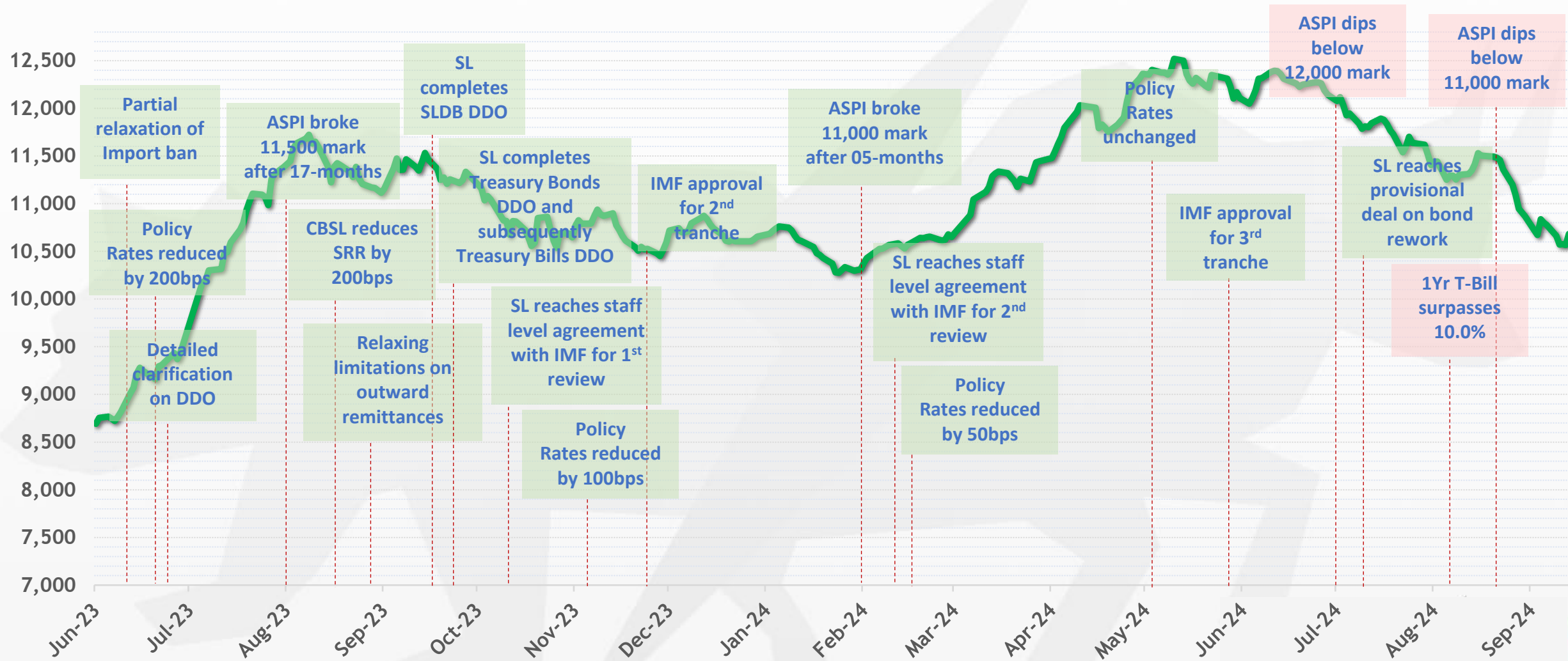
First Capital
A Janashakthi Group Company

QUARTERLY RESULTS REVIEW

APRIL - JUNE 2024

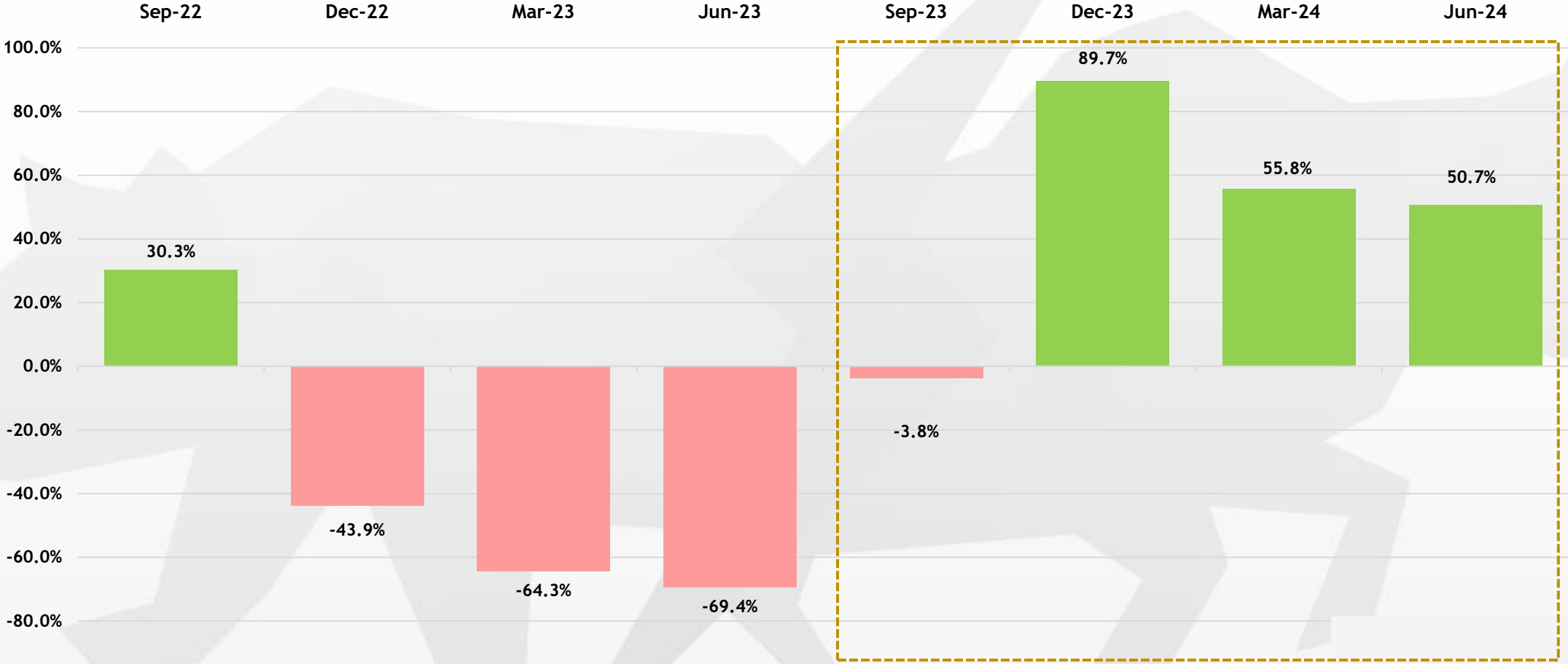


YTD ASPI performance and key highlights in 2024



Corporate earnings continue to thrive for the third consecutive quarter in line with improving economic landscape

YoY Earnings growth (%)



Jun 2024 quarter earnings inclined by 50.7%YoY for 275 companies:

- ✓ In Jun-24, market earnings edged higher by 50.7%YoY for the third consecutive quarter. This improvement was led by higher profitability in many sectors while only few sectors recorded losses. However, on a quarterly basis earnings scaled down by 18.2%. The growth in earnings for Jun-24 can be primarily attributed to the following factors:
 - 1. Banking Sector (+83.3%YoY):** The significant decline in impairment costs, higher trading gains and improved operating income contributed to the sector's profitability, despite the prevailing low-interest rate environment.
 - 2. Food, Beverage and Tobacco Sector (+76.0%YoY):** Improved revenue and reduction in overall finance cost coupled with improved consumer sentiment aided the sector's profitability.
- ✓ Conversely, below sectors contributed negatively for the quarterly earnings.
 - 1. Telecommunications Sector (-308.0%YoY):** Tariff hike, intense competition from new-gen technologies and LKR appreciation dampened the overall profitability of the sector.
 - 2. Capital Goods Sector (-36.6%YoY):** Weak financial performance within blue-chip companies, amidst higher operating expenses, negatively impacted the overall profitability of the sector.

Market Earnings Sector Summary – Jun 2024



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Results Update

Jun 2024

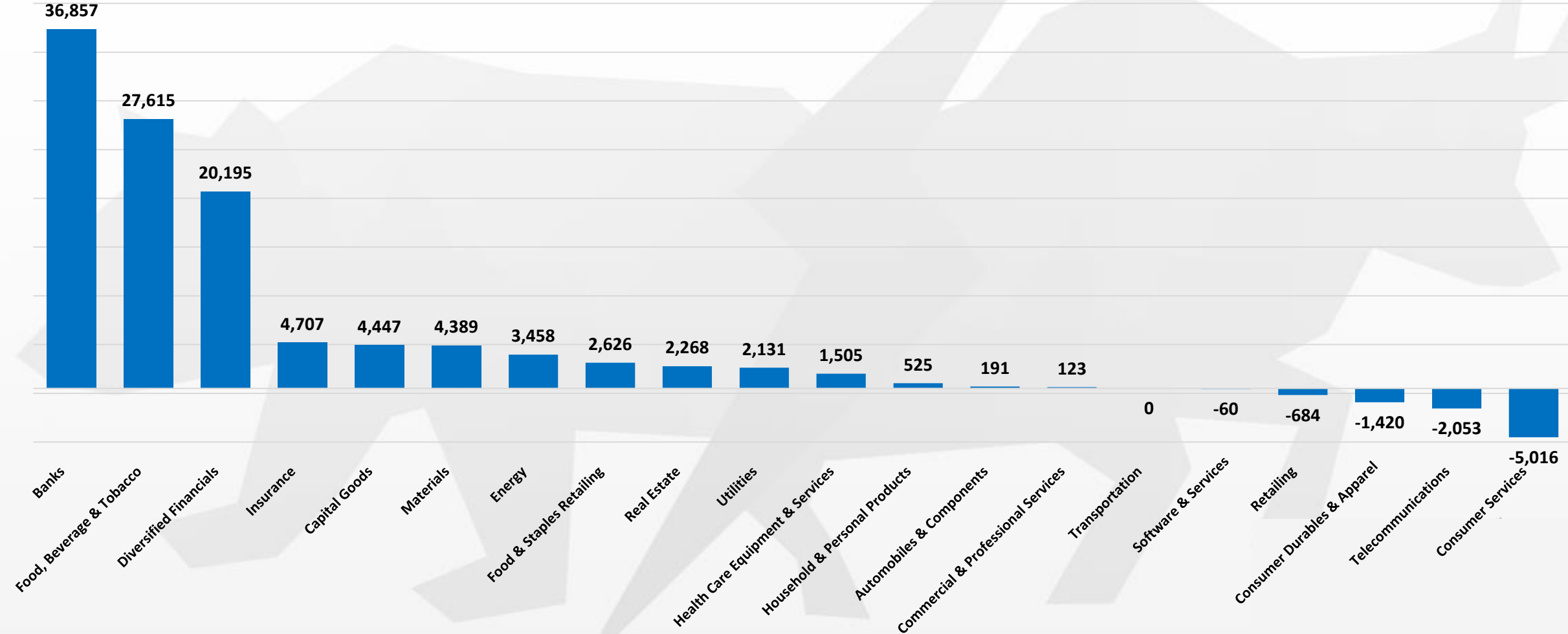
Thursday, September 19, 2024

Company	Quarter Earnings LKR 'Mn					4 Qtr Trailing	
	1QFY25	1QFY24	YoY%	4QFY24	QoQ%	PER (x)	PBV (x)
	2Q2024	2Q2023	YoY%	1Q2024	QoQ%		
<i>Consumer Durables & Apparel Earnings</i>	-1,420	-1,910	26%	6,231	-123%	11.8x	1.2x
<i>Retailing Sector Earnings</i>	-684	-1,898	64%	124	-650%	N/A	0.7x
<i>Consumer Services Sector Earnings</i>	-5,016	-7,223	31%	1,003	-600%	N/A	1.0x
<i>Automobiles & Components Sector Earnings</i>	191	4	4833%	414	-54%	4.9x	0.8x
<i>Food, Beverage & Tobacco Sector Earnings</i>	27,615	15,689	76%	21,931	26%	7.0x	1.5x
<i>Food & Staples Retailing Sector Earnings</i>	2,626	2,196	20%	3,399	-23%	14.1x	2.5x
<i>Household & Personal Products Sector Earnings</i>	525	508	3%	-244	315%	13.0x	1.3x
<i>Energy Sector Earnings</i>	3,458	1,728	100%	2,468	40%	4.6x	0.8x
<i>Diversified Financials Sector Earnings</i>	20,195	19,865	2%	20,764	-3%	5.1x	0.8x
<i>Banks Sector Earnings</i>	36,857	20,106	83%	33,415	10%	3.7x	0.5x
<i>Insurance Sector Earnings</i>	4,707	3,697	27%	5,522	-15%	5.4x	0.8x
<i>Health Care Equipment & Services Sector Earnings</i>	1,505	998	51%	1,560	-4%	9.8x	1.1x
<i>Capital Goods Sector Earnings</i>	4,447	7,012	-37%	11,835	-62%	13.6x	0.9x
<i>Commercial & Professional Services Sector Earnings</i>	123	37	235%	62	99%	8.1x	0.6x
<i>Transportation Sector Earnings</i>	0	-2	81%	4	-110%	27.8x	3.6x
<i>Materials Sector Earnings</i>	4,389	3,636	21%	8,246	-47%	6.0x	1.0x
<i>Real Estate Sector Earnings</i>	2,268	1,546	47%	4,131	-45%	5.9x	0.4x
<i>Software & Services</i>	-60	-109	45%	-156	61%	N/A	2.0x
<i>Telecommunications Sector Earnings</i>	-2,053	987	-308%	2,923	-170%	N/A	1.2x
<i>Utilities Sector Earnings</i>	2,131	694	93%	835	155%	9.8x	1.2x
Market Valuations						7.5x	0.9x
Market Earnings - Jun 2024	101,799	67,560	51%	124,513	-18%		275
Market Earnings - Mar 2024	118,518	76,078	56%	173,183	-32%		278



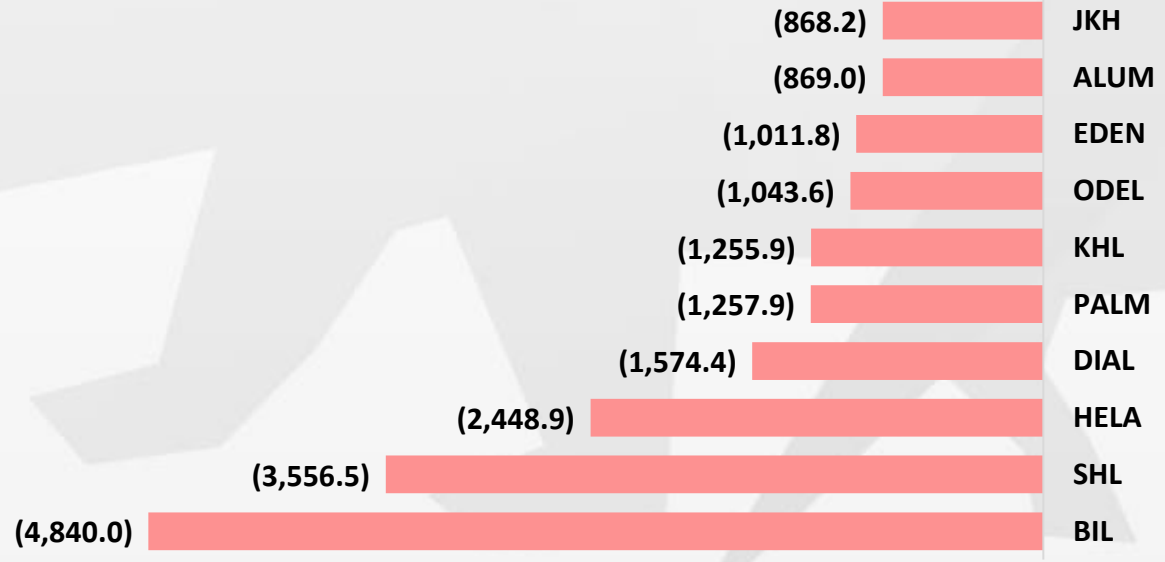
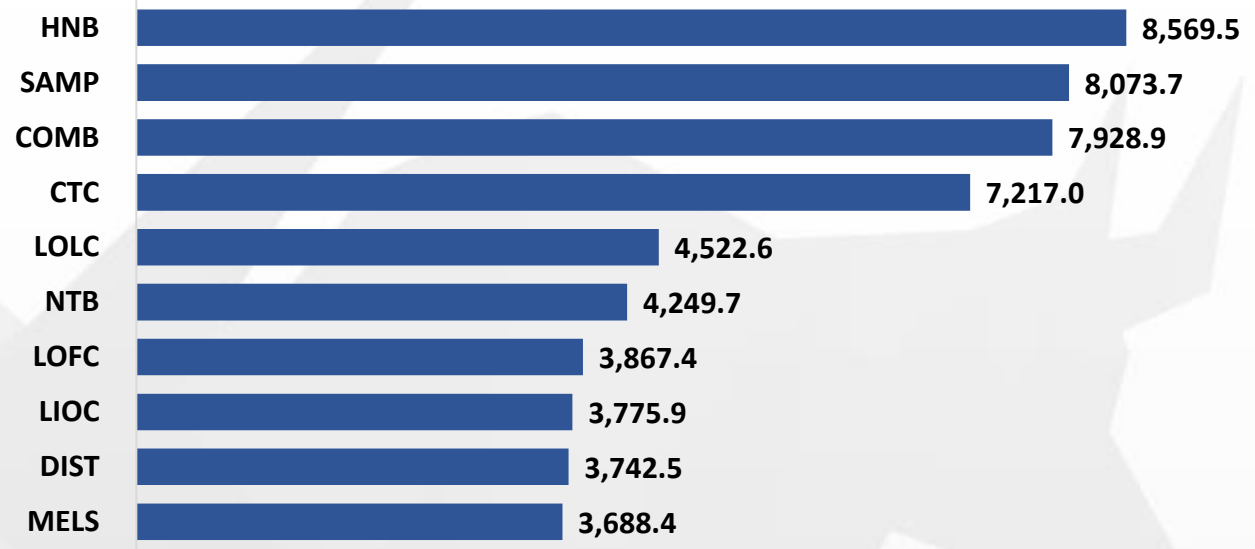
Earnings for majority of the sectors recorded gains, whilst others recovered from previous losses made

Sector-wise breakdown of earnings (LKR Mn)



Top 10 Profit- and Loss-making companies in 2Q2024/1QFY25

The top profit-making companies predominantly included banks, food & beverage, diversified financials, and energy companies.



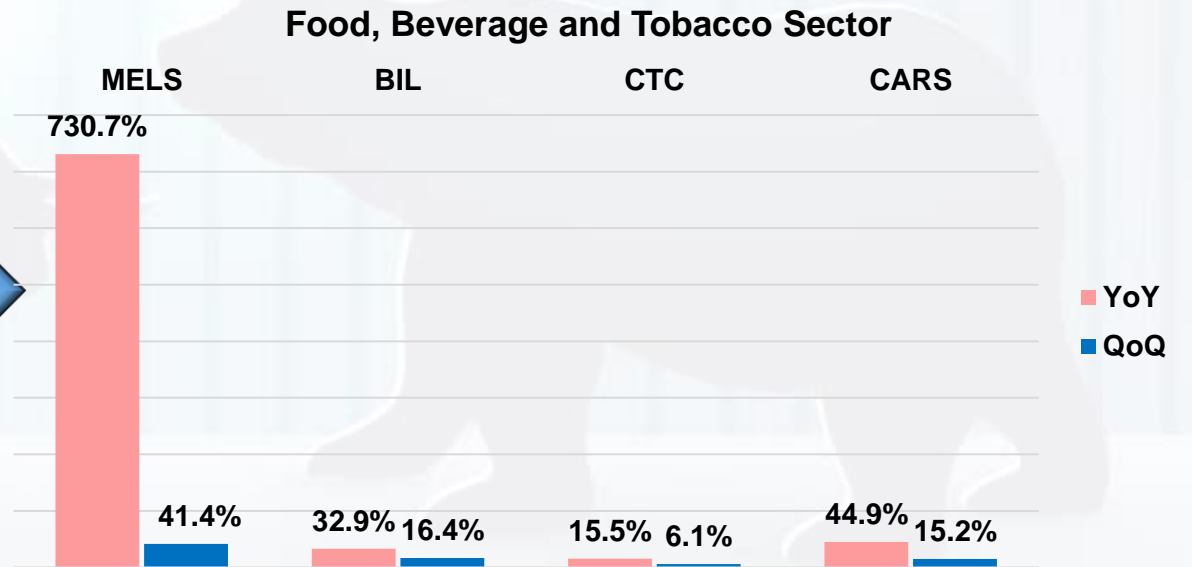
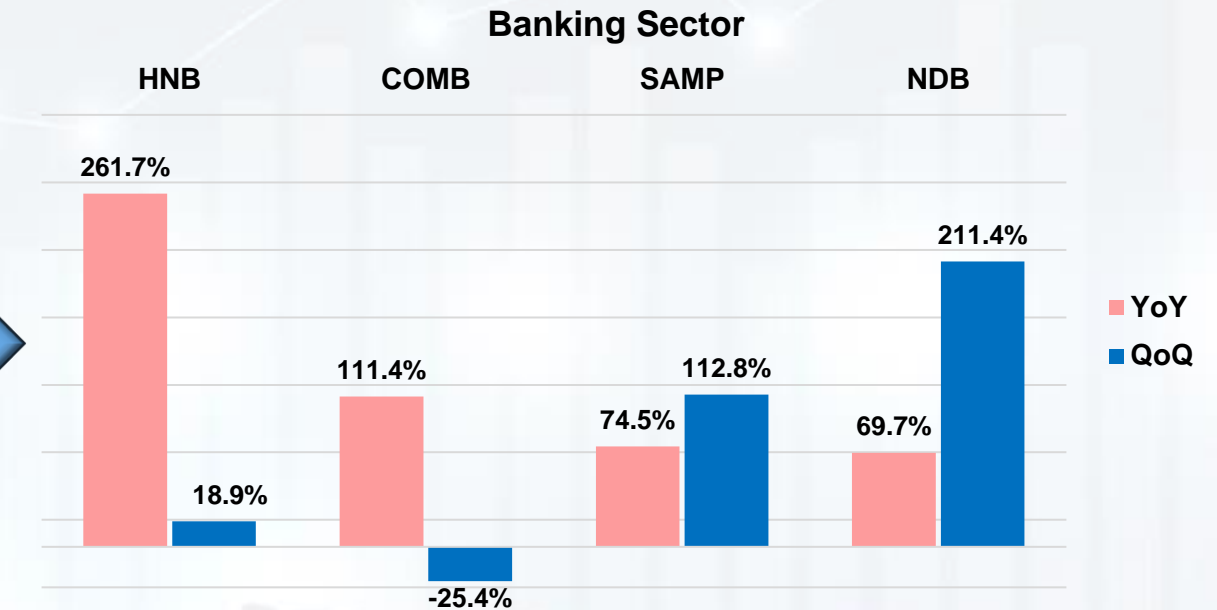
*LKR Mn

Earnings insight – Sector wise

The **Banking sector** played a pivotal role in driving overall corporate earnings with an 83.3%YoY rise in earnings, primarily through the improved profitability of many major banks. HNB and COMB were the largest contributors, with HNB surpassing LKR 8.0Bn while the latter almost hit LKR 8.0Bn. HNB saw a remarkable 261.7%YoY earnings growth, fueled by higher trading gains and reduced impaired costs. COMB contributed significantly to the sector's earnings rebound, benefiting from an uptick in NII and other operating income. In addition, SAMP posted a 74.5%YoY earnings increase, driven by higher NII and trading gains. NDB also displayed solid growth with a 69.7%YoY earnings improvement, attributed to higher core income led by rising NII.

The **Food, Beverage, and Tobacco sector** emerged as a major contributor to market earnings, recording an impressive 76.0%YoY growth. A key driver behind this growth was MELS, which saw a remarkable 730.7%YoY surge in earnings, primarily due to significantly reduced finance costs. Meanwhile, BIL experienced a 32.9%YoY improvement in bottom-line, as the company witnessed a reduction in losses during the quarter. CTC and CARS played crucial roles in boosting the sector's performance, benefiting from higher net revenue and lower finance costs, respectively. Several companies within the sector reported improved revenue, attributed to both declining inflation and recovering consumer demand. This led to margin expansion across the segment, highlighting a positive shift in profitability.

Counters with the most significant growth in earnings



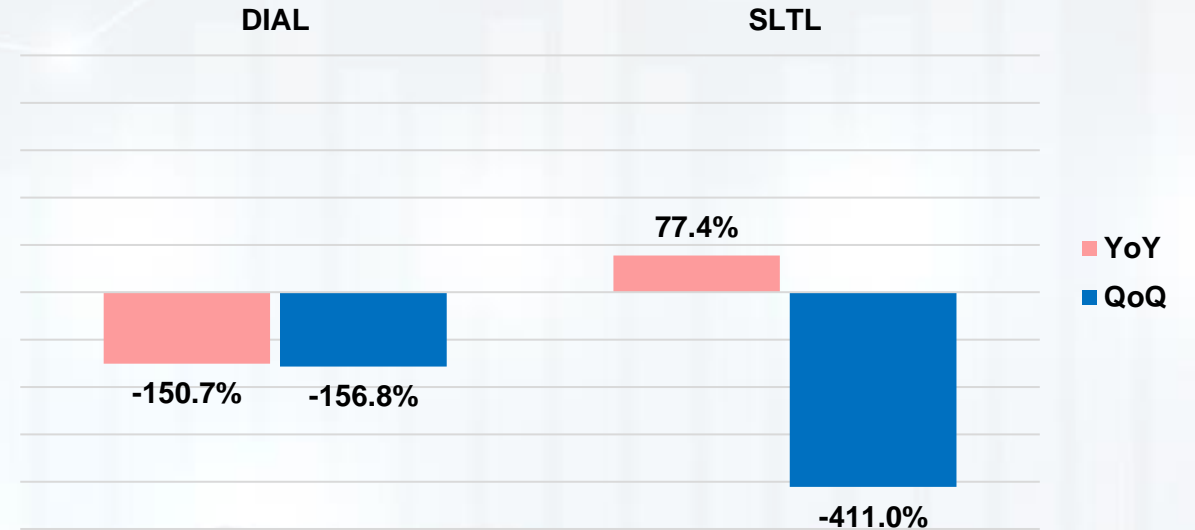
Earnings insight – Sector wise

The **Telecommunications sector** saw a significant 308.0%YoY decline in quarterly earnings as of June 2024, primarily driven by DIAL, which reported a 150.7%YoY contraction in earnings. This decline was largely due to weaker performance in its fixed telephony and broadband operations, compounded by multiple external factors. A sharp reduction in foreign exchange gains owing to the appreciation of the LKR further dented profitability of DIAL. Similarly, SLTL too declined sharply on a QoQ basis by over 400.0% despite an YoY gain owing to the 3.0% VAT increase implemented in Jan-24 which led to higher tariffs, negatively impacting consumer demand. Additionally, intense competition from new-generation technologies has further eroded industry's market share, putting pressure on its core operations.

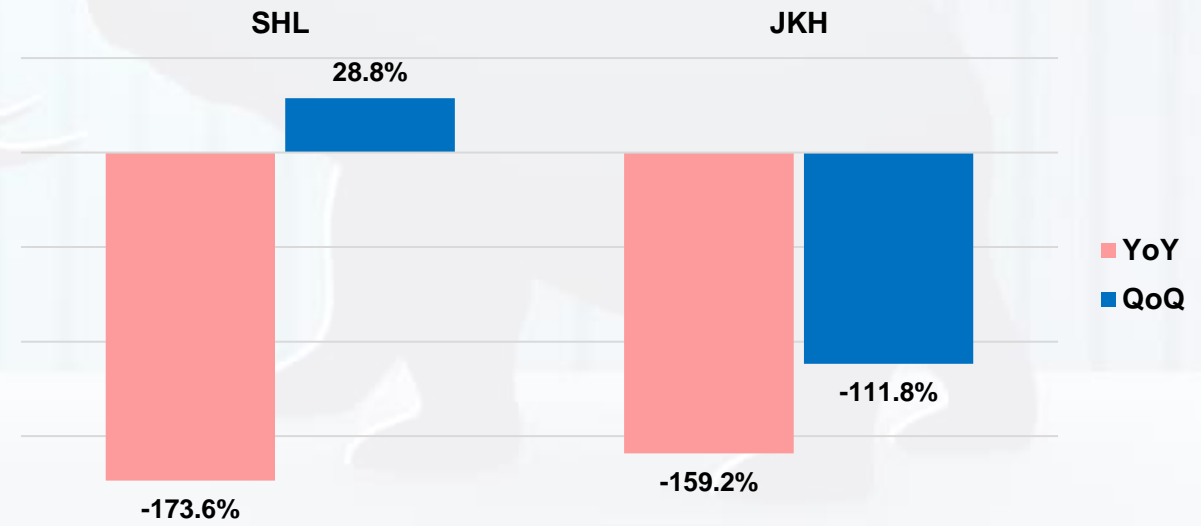
The **Capital Goods sector** reported a 36.6%YoY decline in earnings for the June 2024 quarter, primarily driven by the underperformance of SHL and JKH. SHL experienced a staggering 173.6%YoY dip, resulting in a loss of over LKR 3.0Bn, primarily due to higher operating costs. The downturn was largely driven by the poor performance of the company's Information & Technology and Retail & Telecommunications segments, both of which contributed significantly to the earnings decline. Meanwhile, JKH reported a loss exceeding LKR 800.0Mn, also attributed to elevated operating expenses during the quarter. The company's Leisure and Property segments were particularly impacted, contributing to the overall losses. The cumulative effect of these substantial losses from two major blue-chip companies led to an LKR 2.6Bn loss for the Capital Goods sector on a YoY basis during the June 2024 quarter.

Counters with the most significant decline in earnings

Telecommunications Sector



Capital Goods Sector





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Thank you!

*“SUCCESSFUL INVESTMENTS IS ABOUT
MANAGING RISKS”*

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