

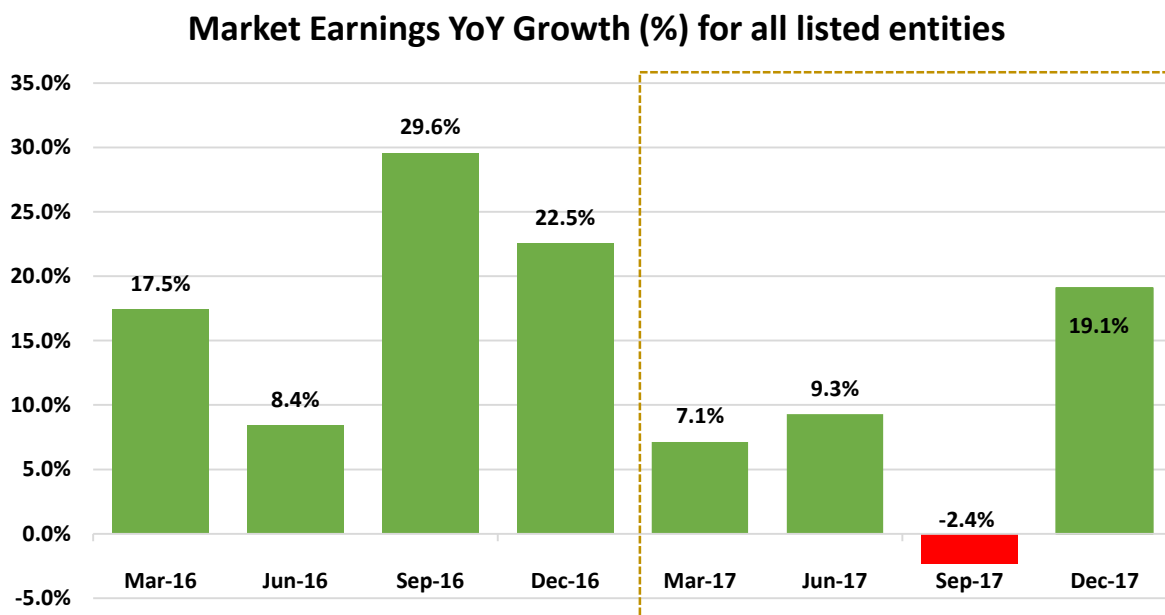


Quarterly Results Review

Quarter: December 2017

Insurance and real estate drives December 2017 earnings

Market Earnings YoY Growth (%) for all listed entities



Dec 2017 Quarter earnings up by 19%YoY for 279 Companies: December quarter earnings spiked 19%YoY to LKR 86Bn, turning around from a dip of -2%YoY in Sep 2017. The main drivers of earnings were Insurance (219%YoY) and Real Estate (255%YoY) overcoming the negative effect of Food, Beverage and Tobacco (-37%YoY) and Capital Goods (-21%YoY).

Insurance and Real Estate sectors boosted earnings performance: Insurance Sector saw a phenomenal earnings growth of 219%YoY to LKR 17.6Bn (20% of total Dec 2017 earnings) driven by CTCE (+2199%YoY) and CINS (+102%YoY). CTCE profits were up as change in contractual liability increased to LKR5.8Bn while CINS profits increased given the absence of the decline in insurance fund of LKR 1.7Bn in Dec 2016. Real estate sector saw a profit growth of 255%YoY to LKR 6.3Bn (7% of total Dec 2017 earnings) driven by RIL (3874%YoY) and CLND (4843%YoY). RIL's profits were boosted due to one-off gains of LKR 1Bn and profits of LKR 1.5Bn of equity accounted investee arising from its acquisition of 30% stake in UML while CLND's profits were up given the fair value gains on its land property in Pettah.

Food, Beverage and Tobacco and Capital Goods sectors dilutes the earnings growth: Food beverage and Tobacco sector saw earnings dipping by -37%YoY to LKR 11.7Bn (14% of total Dec 2017 earnings) driven by GOOD (-100%YoY) and BUKI (-97%YoY) given the absence of profits from disposal of plantation assets in Dec 2016. Capital Goods sector's earnings saw declining by -21%YoY to LKR 9.9Bn driven by JKH (-13%YoY) and KAPI (-3201%YoY). JKH's earnings were affected by higher cost of sales which eroded gross margins while KAPI saw higher finance cost (+29%YoY) coupled with declining gross margins due to higher cost of sales.

Annexure 1 – Market Earnings Sector Summary



First Capital

Results Update

December 2017

Monday, March 26, 2018

Company	Quarter Earnings LKR 'mn					4 Qtr Trailing	
	3QFY18	3QFY17	YoY%	3QFY17	QoQ%	PER (x)	PBV (x)
	4Q2017	4Q2016	YoY%	4Q2016	QoQ%		
	2H2017	2HFY17	YoY%	2H2016	HoH%		
<i>Consumer Durables & Apparel Sector Earnings</i>	260	667	-61%	318	-18%	22.1x	0.8x
<i>Retailing Sector Earnings</i>	703	1,190	-41%	677	4%	14.6x	0.8x
<i>Consumer Services Sector Earnings</i>	646	1,854	-65%	772	-16%	83.0x	1.7x
<i>Automobiles & Components Sector Earnings</i>	195	91	115%	146	33%	6.6x	0.8x
<i>Food, Beverage & Tobacco Sector Earnings</i>	11,707	18,617	-37%	12,545	-7%	16.5x	2.5x
<i>Food & Staples Retailing Sector Earnings</i>	1,535	1,098	40%	2,669	-43%	12.3x	2.0x
<i>Household & Personal Products Sector Earnings</i>	138	86	60%	105	31%	14.5x	1.9x
<i>Energy Sector Earnings</i>	-187	72	-360%	-137	-37%	N/A	1.1x
<i>Diversified Financials Sector Earnings</i>	10,460	8,594	22%	8,313	26%	5.6x	1.0x
<i>Banks Sector Earnings</i>	19,218	15,163	27%	15,496	24%	7.0x	0.9x
<i>Insurance Sector Earnings</i>	17,600	5,520	219%	1,636	976%	4.2x	1.3x
<i>Health Care Equipment & Services Sector Earnings</i>	904	796	14%	1,081	-16%	16.2x	2.0x
<i>Pharmaceuticals, Biotechnology & Life Sciences Sector Earnings</i>	181	126	44%	140	29%	6.0x	1.1x
<i>Capital Goods Sector Earnings</i>	9,920	12,612	-21%	7,346	35%	12.2x	1.0x
<i>Commercial & Professional Services Sector Earnings</i>	-9	71	-113%	274	-103%	11.4x	0.9x
<i>Transportation Sector Earnings</i>	-45	-114	61%	-4	-1060%	N/A	N/A
<i>Materials Sector Earnings</i>	2,299	2,846	-19%	2,487	-8%	8.5x	1.3x
<i>Real Estate Sector Earnings</i>	6,275	1,768	255%	1,246	404%	4.6x	0.6x
<i>Telecommunications Sector Earnings</i>	3,878	1,375	182%	4,451	-13%	10.8x	1.2x
<i>Utilities Sector Earnings</i>	643	2	31004%	772	-17%	11.7x	1.6x
<i>Closed End Funds Sector Earnings</i>	46	81	-43%	-116	139%	N/A	0.8x
Market Valuations						10.8x	1.3x
Market Earnings - December 2017	86,336	72,493	19%	60,194	43%	279	
Market Earnings - September 2017	60,105	61,554	-2%	54,911	9%	275	

Research Disclosure

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