



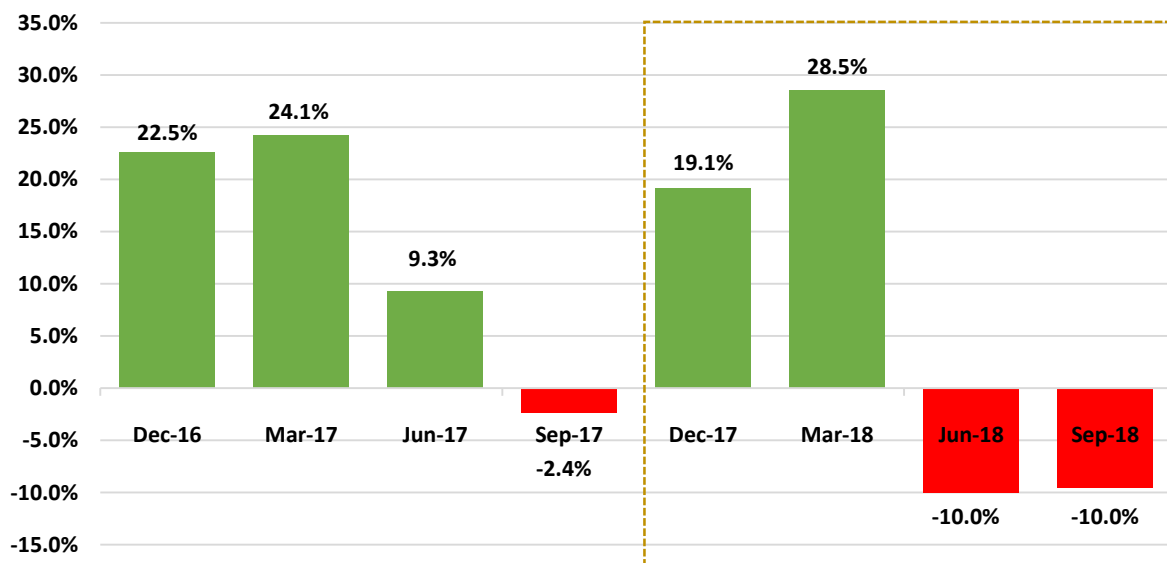
Quarterly Results Review

Quarter: September 2018

Drop in overall earnings, but continued growth in Banks and Insurance sectors ...

Market Earnings YoY Growth (%) for all listed entities

Market Earnings YoY Growth (%) for all listed entities



September 2018 quarter earnings declined by 10%YoY for 267 companies: September 2018 quarter earnings dipped by 10%YoY to LKR 54.3Bn primarily owing to sluggish performance in Food, Beverage and Tobacco (-31%YoY), Telecommunication (-36%YoY) and Materials (-68%YoY) sectors which outweighed the positive momentum experienced by Banks (+14%YoY) and Insurance (+217%YoY) sectors.

Food, Beverage and Tobacco, Telecommunication and Materials sectors weakened the earnings: Lackluster performance in Food, Beverage and Tobacco, Telecommunication and Materials sectors was mainly owing to the lower consumer spending stemmed from subdued economic growth. Profits dip in CARS and BUKI (due to a loss of LKR 943Mn as a result of change in fair value of financial assets, deferred tax of LKR 442Mn and LKR 821Mn foreign exchange loss) and CCS (due to decline in volumes as a result of sugar tax) caused the -31%YoY decline in Food, Beverage and Tobacco sector earnings. Amidst the heavy depreciation in LKR, DIAL recorded a forex loss which led to a -54%YoY decline in earnings leading to a -36%YoY dip in Telecommunication sector earnings. Dip of 68%YoY in Material sector earnings was contributed by 90%YoY dip in earnings of TKYO due to slowdown in economic activities.

Banking and Insurance sector earnings continued to grow: Banking sector earnings posted a +14%YoY growth to LKR 17.7Bn while continuing to be the largest contributor to overall earnings. COMB, HNB and SAMP being the largest banks in terms of the asset base contributed 72% to total banking sector earnings. Improved earnings during the quarter was resultant to higher interest rates prevailed in the market thereby improving margins and spreads which negated the effect of increase in impairment provisioning under IFRS 9. Two-fold growth in Insurance sector earnings was owing to phenomenal growth in earnings of UAL (LKR 1.6Bn) and AAIC (LKR 2.3Bn) resultant to the reversal in deferred tax assets in life insurance business.

Annexure 1 – Market Earnings Sector Summary


First Capital

Results Update
September 2018

Friday, November 30, 2018

Company	Quarter Earnings LKR 'mn					4 Qtr Trailing	
	2QFY19	2QFY18	YoY%	1QFY19	QoQ%	PER (x)	PBV (x)
	3Q2018	3Q2017	YoY%	2Q2018	QoQ%		
	1HFY19	1HFY18	YoY%	2HFY18	HoH%		
<i>Consumer Durables & Apparel Sector Earnings</i>	336	292	15%	76	341%	21.5x	1.1x
<i>Retailing Sector Earnings</i>	62	677	-91%	473	-87%	19.6x	0.7x
<i>Consumer Services Sector Earnings</i>	-218	466	-147%	-1,849	88%	118.0x	1.6x
<i>Automobiles & Components Sector Earnings</i>	127	148	-14%	113	13%	5.1x	0.6x
<i>Food, Beverage & Tobacco Sector Earnings</i>	8,606	12,421	-31%	10,078	-15%	16.5x	2.4x
<i>Food & Staples Retailing Sector Earnings</i>	809	2,669	-70%	1,311	-38%	24.5x	2.2x
<i>Household & Personal Products Sector Earnings</i>	106	105	1%	82	29%	14.0x	1.9x
<i>Energy Sector Earnings</i>	-105	-137	23%	-2	-6440%	N/A	1.0x
<i>Diversified Financials Sector Earnings</i>	7,760	8,207	-5%	9,249	-16%	5.6x	0.8x
<i>Banks Sector Earnings</i>	17,721	15,496	14%	17,293	2%	5.8x	0.8x
<i>Insurance Sector Earnings</i>	5,189	1,636	217%	1,830	184%	3.2x	1.3x
<i>Health Care Equipment & Services Sector Earnings</i>	908	1,081	-16%	721	26%	16.4x	1.8x
<i>Pharmaceuticals, Biotechnology & Life Sciences Sector E</i>	77	140	-45%	77	1%	10.7x	1.4x
<i>Capital Goods Sector Earnings</i>	7,134	7,308	-2%	2,932	143%	11.2x	0.8x
<i>Commercial & Professional Services Sector Earnings</i>	-21	274	-108%	-7	-189%	46.0x	0.8x
<i>Transportation Sector Earnings</i>	-35	-4	-808%	-39	9%	N/A	N/A
<i>Materials Sector Earnings</i>	1,018	3,134	-68%	670	52%	9.7x	1.0x
<i>Real Estate Sector Earnings</i>	1,542	1,341	15%	1,312	18%	5.3x	0.6x
<i>Telecommunications Sector Earnings</i>	2,857	4,449	-36%	4,511	-37%	8.6x	0.9x
<i>Utilities Sector Earnings</i>	683	951	-20%	897	-24%	7.9x	1.4x
<i>Closed End Funds Sector Earnings</i>	-160	-140	-14%	-158	-1%	N/A	0.8x
Market Valuations						9.8x	1.1x
Market Earnings - September 2018	54,397	60,514	-10%	49,570	10%	267	
Market Earnings - June 2018	49,570	55,089	-10%	98,160	-50%	284	



First Capital

First Capital Holdings PLC

No.2, Deal Place,
Colombo 3

Tel: +94 11 2145 000

Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Hiruni Perera	+94 11 2639 864
Atchuthan Srirangan	+94 11 2639 863	Nisansala Kuruppumudali	+94 11 2639 866
Amanda Lokugamage	+94 11 2639 868		

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Neminda Jayawardena	+94 76 6644 080
Anushka Dissanayake	+94 77 2220 021	Arun Kandasamy	+94 75 4861 506
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Sewwandi Kathriarachchi	+94 77 3461 734	Mahesh Amarasinghe	+94 77 0073 684
Nethalie De Mel	+94 11 2639 854	Dharshanie Vasanthajothy	+94 77 9159 878

EQUITY SALES

CEO	Jaliya Wijeratne	+94 70 2910 042	Negombo	
			Priyanka Anuruddha	+94 70 2910 035
Colombo			Priyantha Wijesiri	+94 70 2910 036
Damian Le Grand		+94 70 2910 032		
Nishantha Mudalige		+94 70 2910 041		
Isuru Jayawardana		+94 70 2910 034		
Ifadh Marikar		+94 77 9625 679		
Thushara Pathiraja		+94 70 2910 037		
Anushka Buddhika		+94 70 2910 030		
Gamini Hettiarachchi		+94 70 2910 039		

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Deepal Pathmaperuma	+94 77 9159 878
Imali Abeygunawardena	+94 77 1764 799		

BRANCHES

Kandy	Kurunegala	Matara	Negombo
2nd Floor, No.121 Kotugodella Veediya (E L Senanayake Veediya) Kandy 20000.	Ground Floor No. 42, Mihindu Mawatha, Kurunegala 60000.	2nd Floor, E.H. Cooray Building No: 24, 1/3, Anagarika Dharmapala Mawatha, Matara 81000.	1st Floor No: 163B, Colombo Road, Negombo 11500.
Manager: Salinda Samarakoon	Manager:	Manager: Rohana Jayakody	Manager: Buddhika Edirisinghe
Tel: +94 81 2236 010	Tel: +94 37 2222 930	Tel: +94 41 2222 988	Tel: +94 31 2233 299

Disclaimer:

This Review is prepared and issued by First Capital Holdings PLC based on information in the public domain, internally developed and other sources, believed to be correct. Although all reasonable care has been taken to ensure the contents of the Review are accurate, First Capital Holdings PLC and/or its Directors, employees, are not responsible for the correctness, usefulness, reliability of same. First Capital Holdings PLC may act as a Broker in the investments which are the subject of this document or related investments and may have acted on or used the information contained in this document, or the research or analysis on which it is based, before its publication. First Capital Holdings PLC and/or its principal, their respective Directors, or Employees may also have a position or be otherwise interested in the investments referred to in this document. This is not an offer to sell or buy the investments referred to in this document. This Review may contain data which are inaccurate and unreliable. You hereby waive irrevocably any rights or remedies in law or equity you have or may have against First Capital Holdings PLC with respect to the Review and agree to indemnify and hold First Capital Holdings PLC and/or its principal, their respective directors and employees harmless to the fullest extent allowed by law regarding all matters related to your use of this Review. No part of this document may be reproduced, distributed or published in whole or in part by any means to any other person for any purpose without prior permission.

About us:

This report providing a snapshot of fixed income, equity and unit trust is composed and circulated by First Capital Holdings PLC an investment bank in Sri Lanka. The company operates in the capital market of Sri Lanka with operations in government securities - treasury bills and bonds, stock brokering and share market investments, asset management, private wealth management, retirement planning, personal financial planning, unit trust, margin trading, capital market research, trustee services, corporate finance advisory services including corporate debt structuring (debentures, trust certificates, commercial papers), valuations, restructuring, mergers and acquisitions, initial public offerings (IPOs) and project advisory. The First Capital Group consists of First Capital Treasuries PLC, First Capital Limited, First Capital Markets Limited, First Capital Asset Management Limited and First Capital Equities (Private) Limited covering Colombo, Negombo, Matara, Kandy and Kurunegala.