



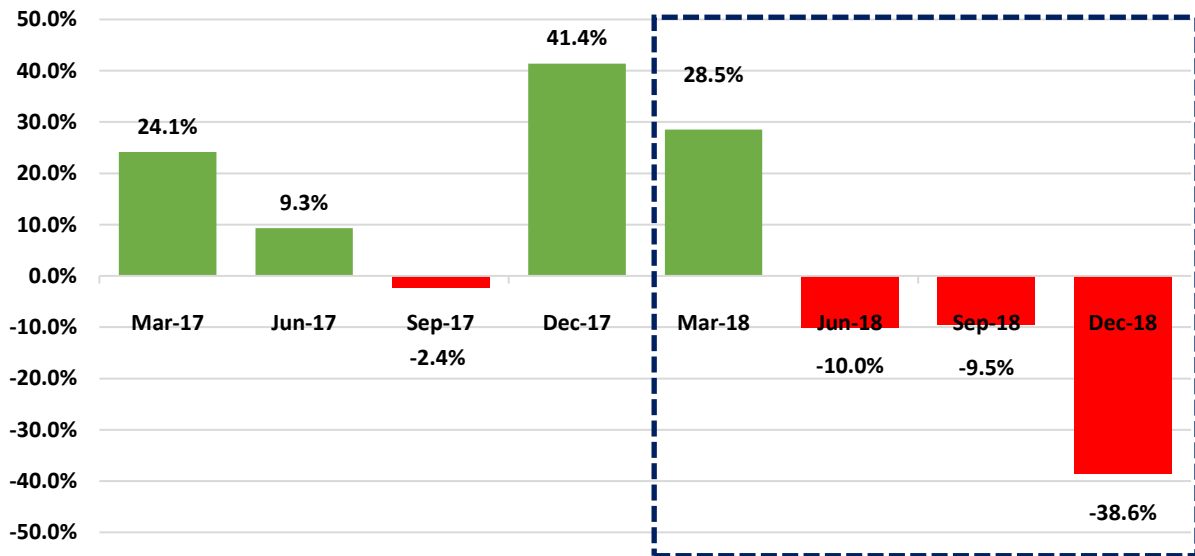
Quarterly Results Review

Quarter: Dec 2018

December Quarter Earnings stung by subdued economic performance....

Market Earnings YoY Growth (%) for all listed entities

Market Earnings YoY Growth (%) for all listed entities



Dec 2018 Quarter earnings drop by 39%YoY: Aggregate earnings for Dec 2018 dropped significantly by 39%YoY to LKR 63.0Bn on the back of subdued economic performance with country recording a growth of only 1.8%, lowest since 2014 January, negatively impacted by the prevailed unfavourable currency exchange rates and inconsistent macro environment. Insurance, Banks, and Diversified Financial sectors saw contraction in profits while the healthy performance witnessed in Food, Beverage and Tobacco, Consumer Durables and Apparels sectors negated the negative impact of market earnings drop.

Insurance, Banks and Diversified Financial sectors weaken the quarterly earnings growth: Insurance sector earnings registered a decline of 68%YoY to LKR 10.5Bn as a result of comparison with a higher base of earnings recorded in Dec 2017. Banking sector remained under pressure during 4Q2018 due to higher impairment provision with the adoption of IFRS 09, Debt Repayment Levy and stagnant lending growth owing to near term concerns of capital adequacy with Basel III regulation. HNB and COMB largest cap in the banking sector saw its earnings dipping by 19%YoY and 17%YoY led by higher impairment provision despite the healthy performance in the core business. However, NDB's profits rose by +74%YoY driven by +34%YoY increase in NII amidst rise in other operating income and due to low quarterly taxation compared to a higher base in 4Q2018. Diversified Financials sector earnings were dragged down by LOLC (-58%YoY) owing to higher impairment, rise in operating expenses and lower profitability of its associates.

Food Beverage and Tobacco, Consumer Durables and Apparels posted healthy performance: Food Beverage and Tobacco sector became the highest contributor (23%) to total earnings by achieving a profit of LKR 14.6Bn while registering a growth of +21%YoY primarily led by CTC (+17%YoY) and LION (+169%) due to inelastic demand despite the overall decline in the consumer spending. Meanwhile DPL and GREG supported the earnings boost in the Consumer Durables and Apparels sector by posting a turnaround with significant improvement in the bottom line.

Annexure 1 – Market Earnings Sector Summary


First Capital

Results Update
Dec 2018

Friday, April 12, 2019

Company	Quarter Earnings LKR 'mn					4 Qtr Trailing	
	3QFY19	3QFY18	YoY%	2QFY19	QoQ%	PER (x)	PBV (x)
	4Q2018	4Q2017	YoY%	3Q2018	QoQ%		
	2H2019	2H2018	YoY%	1H2019	HoH%		
<i>Consumer Durables & Apparel Sector Earnings</i>	1,018	478	113%	326	213%	12.9x	1.0x
<i>Retailing Sector Earnings</i>	-66	704	-109%	62	-207%	27.8x	0.6x
<i>Consumer Services Sector Earnings</i>	707	914	-23%	-213	432%	116.2x	1.5x
<i>Automobiles & Components Sector Earnings</i>	137	195	-30%	127	7%	4.7x	0.5x
<i>Food, Beverage & Tobacco Sector Earnings</i>	14,611	12,014	22%	8,565	71%	14.2x	2.1x
<i>Food & Staples Retailing Sector Earnings</i>	505	1,532	-67%	809	-38%	33.3x	2.1x
<i>Household & Personal Products Sector Earnings</i>	66	138	-52%	106	-38%	15.2x	1.7x
<i>Energy Sector Earnings</i>	-1,288	-867	-49%	-105	-1131%	N/A	0.8x
<i>Diversified Financials Sector Earnings</i>	6,461	10,945	-41%	7,760	-17%	5.8x	0.7x
<i>Banks Sector Earnings</i>	14,252	19,120	-25%	17,721	-20%	5.2x	0.6x
<i>Insurance Sector Earnings</i>	10,517	33,360	-68%	5,189	103%	4.5x	1.4x
<i>Health Care Equipment & Services Sector Earnings</i>	817	930	-12%	908	-10%	16.1x	1.6x
<i>Pharmaceuticals, Biotechnology & Life Sciences Sector Earnings</i>	33	181	-82%	77	-58%	14.5x	1.3x
<i>Capital Goods Sector Earnings</i>	9,719	9,751	0%	7,128	36%	10.1x	0.7x
<i>Commercial & Professional Services Sector Earnings</i>	118	-8	1524%	-22	627%	19.1x	0.9x
<i>Transportation Sector Earnings</i>	-76	-45	-69%	-35	-116%	N/A	N/A
<i>Materials Sector Earnings</i>	1,332	2,338	-43%	1,018	31%	10.0x	0.8x
<i>Real Estate Sector Earnings</i>	2,367	6,386	-63%	1,021	132%	9.3x	0.6x
<i>Telecommunications Sector Earnings</i>	1,049	3,878	-73%	2,857	-63%	9.1x	0.8x
<i>Utilities Sector Earnings</i>	616	620	0%	683	-10%	7.6x	1.3x
<i>Closed End Funds Sector Earnings</i>	10	-76	114%	-160	107%	N/A	0.8x
Market Valuations						9.8x	1.0x
Market Earnings - Dec 2018	62,906	102,485	-39%	53,822	17%	278	
Market Earnings - Sep 2018	54,397	60,514	-10%	49,570	10%	267	



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		

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:
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.