



# EXPOLANKA HOLDINGS PLC [EXPO.N0000]

## INITIATING WITH A BUY

### GLOBAL LOGISTICS INNOVATOR

**Fair Value [FY20E]: LKR 5.6 [+34%]**

**Total Return with DPS 38% [AER 40%]**

*EXPO, one of the largest logistic players in Sri Lanka, has built global competitive advantage in apparel exports. EXPO's global presence in key locations, margin preservation strategy and focused growth strategy within logistics provides a potential growth CAGR of c.17% FY19-21E. Global presence in all major apparel sourcing regions for USA provides a strategic benefit for EXPO due to the prevailing trade tensions between USA and China. The completion of restructuring process is driving overall business, reporting a consistent growth in the topline. The core logistic business focus and diversification in to new retail and tech verticals to gain new clients outside of the apparel vertical may further support consistent volume growth. EXPO fair value is at LKR 5.6 for FY20E providing a total return of 38%. **INITIATING WITH A BUY***

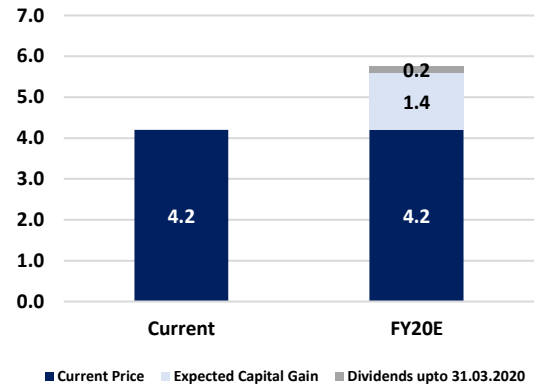
P/E 31 March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>Estimates (LKR 'Mn)</b>							
Revenue	52,652	56,015	63,492	77,533	95,217	111,999	131,361
Gross Profit	8,517	10,359	11,199	13,726	17,139	20,160	23,645
EBIT	1,456	2,102	1,917	1,820	2,509	3,518	3,903
<b>Net Profit</b>	<b>886</b>	<b>1,113</b>	<b>955</b>	<b>711</b>	<b>1,259</b>	<b>1,802</b>	<b>2,012</b>
Adjusted EPS (LKR)	0.5	0.6	0.5	0.4	0.6	0.9	1.0
YoY Growth (%)	-38%	26%	-14%	-26%	77%	43%	12%
<b>Valuations</b>							
<b>PER (x)</b>	<b>9.3x</b>	<b>7.4x</b>	<b>8.6x</b>	<b>11.6x</b>	<b>6.5x</b>	<b>4.6x</b>	<b>4.1x</b>
<b>PBV (x)</b>	<b>0.8x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.6x</b>	<b>0.6x</b>	<b>0.5x</b>	<b>0.5x</b>
<b>DY (%)</b>	<b>0.0%</b>	<b>2.9%</b>	<b>3.6%</b>	<b>3.6%</b>	<b>3.6%</b>	<b>3.6%</b>	<b>3.6%</b>

### Global Apparel growth and Trade war to boost EXPO at a revenue CAGR of c.17%

We expect EXPO's topline to grow above the industry average at a CARG of c.17% for FY19- FY21E driven by volumes in the medium-term with the global presence in all the major apparel sourcing regions for USA and further expansion into USA (North American trade lane; a critical growth driver) and key markets in Asia. EXPO has a global presence in all major apparel sourcing regions for USA which would provide a strategic benefit due to the prevailing trade tensions between USA and China. Global Apparel industry is attractively growing at a 5-year CAGR of c.6.9% and the global logistic industry is expected to grow at a 5-year CAGR of c.7.2%, further supporting EXPO's organic volume growth.

### EXPO to preserve margins at 18% amidst strong competition

EXPO's expertise in freight forwarding i.e. providing quality service, timely delivery and efficiency in operation drives its growth and success over 39 years. The group provides an end-to-end service solution with a global presence in 18+ countries. With much of the overall global trade now being driven by air freight, and with demand for air freight outpacing availability, price pressure continues to mount. EXPO's increased exposure to this sector has resulted in the need for stronger yield management, which is now enabling EXPO to maintain margins without the need for ad-hoc bookings at substantial costs through long-term partnerships and negotiation of block space agreements with leading global cargo carriers in order to facilitate the smooth movement of cargo particularly during peak periods.



### FIRST CAPITAL RESEARCH

Dimantha Mathew

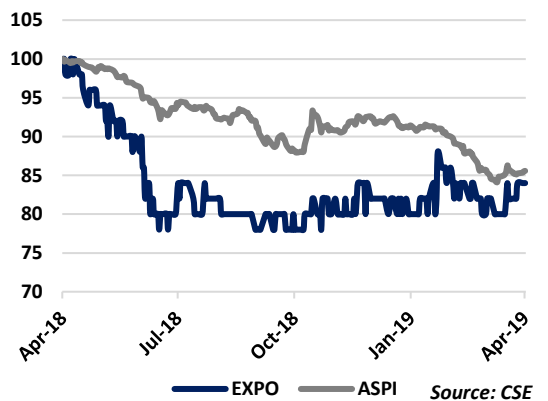
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<b>KEY DATA</b>	
CSE Ticker	EXPO.N0000
Bloomberg Ticker	EXPO SL
Share Price (LKR)	4.20
52w High (LKR)	5.00
52w Low (LKR)	3.90
Avg. Daily Volume (Shares)	378,166
Avg. Daily Turnover (LKR)	1,543,837
Issued Share Capital (Shares 'Mn)	1,955
Market Cap (LKR 'Mn)	8,211
Market Cap (USD 'Mn)	46

\*1 USD = LKR 175

Price Performance (%)	1 mth	3 mths	12mths
EXPO	2%	5%	-16%
ASPI	0%	-6%	-14%



**Minimum Return for BUY:**  
**Buy Below [AER of 19.22% with DPS]: LKR 4.9 (FY20E)**  
 EXPO categorized as "Grade B" counter (Refer page 14 for recommendation criteria of Grade A, B & C stocks)

**Disclosure on Shareholding:**  
 First Capital Group does not hold shares in EXPO. First Capital Group has not traded in the shares in the three trading days prior to this document, and will not trade in the shares for three trading days following the issue of this document.

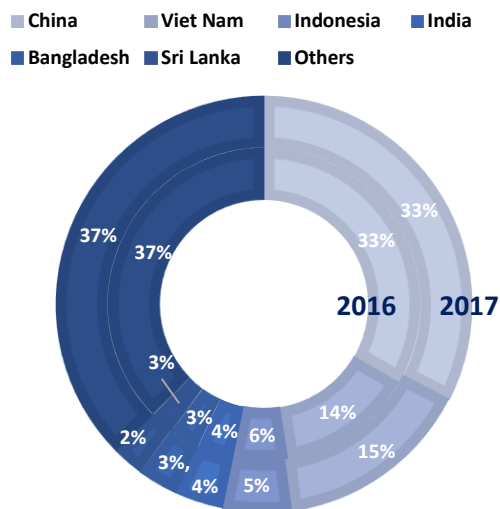
## **Restructured EXPO to diversify within logistic business**

EXPO has completed its restructuring process by generating LKR 2.5Bn benefits through divesting non-core investment sector. The funds have been re-invested in the freight forwarding business and warehousing facilities. Following the divestments, with the heavy focus on logistics, EXPO plans to take on the challenge of diversifying into new verticals within the logistics sphere with a view to maintain volume growth. EXPO has initiated plans to cater to pharmaceutical and tech companies, as need for air exports has grown much more significant. Such Investments would focus on moving into an array of fast-growing verticals such as pharmaceuticals, electronics, retail and e-commerce business to drive volume growth.

## **EXPO rated BUY**

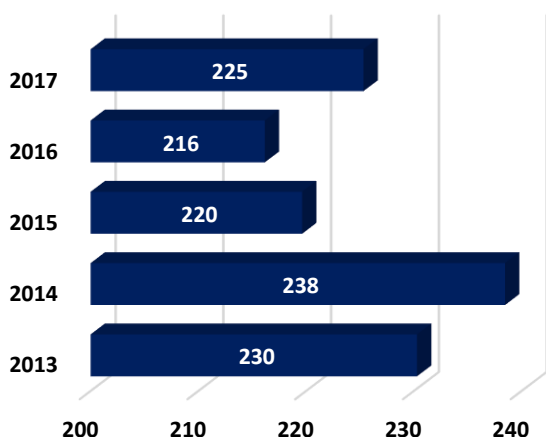
EXPO earnings are likely to grow at a CAGR of c.17% FY19-21E with earnings growing by 77% in FY19E and 43% in FY20E. Post-restructuring, the group is now beginning to show a turnaround in the overall business, reporting consistent net profit growth and more focus on the core logistic business driving revenue. First Capital Research expects EXPO to achieve a fair value of LKR 5.6 providing a total return of 38% (Capital Gain 34%, Dividend yield 4%). **INITIATING WITH A BUY**

**Figure 1: Apparel Imports to USA**



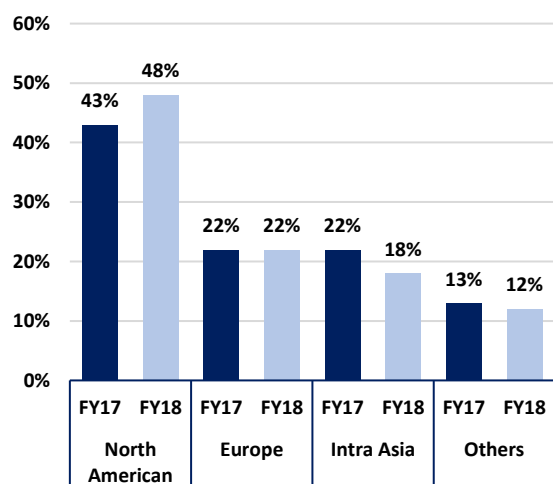
Source: International Trade Statistics

**Figure 2: Global Apparel Exports**



Source: International Trade Statistics

**Figure 3: Trade Lane wise contribution to GP**



Source: Company Annual Reports, First Capital Research Estimates

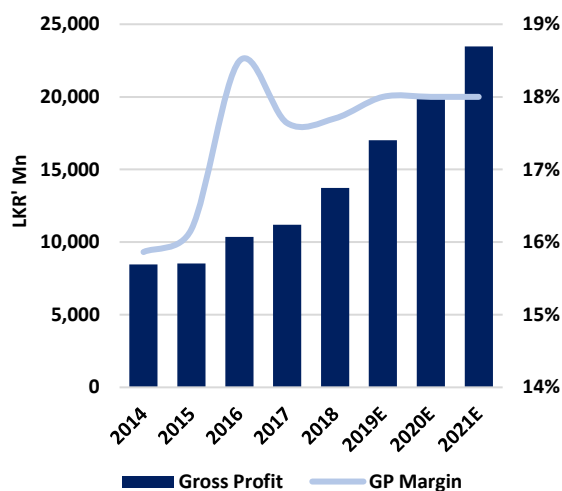
## 1.0 Global Apparel growth and Trade war to boost EXPO's revenue CAGR of c.17%

**Shift in US sourcing base to expand EXPO's business volumes:** EXPO's strong visibility in USA and global presence in all the major apparel sourcing regions for USA would drive topline at a CARG of 17% from FY19-FY21E with incremental volumes especially across the North American trade lane in the medium-term due to the prevailing trade tensions between USA and China. USA imports apparel mainly from China recording 33% of imports in 2017, trade war between China and USA have led to most of the USA companies diverting its sourcing base to 10+ countries with 60.7% in 1H2018 up from 57.6% in 2017, while China accounting for 11% to 30% of companies' sourcing value, compared with 30% to 50% in the past. We believe that higher tariffs would encourage US importers to seek other suppliers in the Asian region outside of China as Asia is a dominant sourcing region for USA as 8 out of 10 most utilized destinations are located in Asia.

**Global apparel industry driving EFL's key markets:** EXPO being a specialized freight service provider for the apparel industry, including a number of leading global fashion labels and expertise in fashion logistics is likely to drive the core business to cater to the thriving fast fashion markets. Major fashion brands are entering high-value retail markets in China, Hong Kong and India; countries in which EXPO already has a presence. Leveraging EFL's growing presence in the US, the group continued to strengthen South American trade lane by moving small volumes of apparel exports from the region. EXPO's more pronounced footprint in the apparel industry and increase visibility in key markets may drive EXPO's volumes as the global apparel market revenue accounts for 2% of the global GDP amounting to USD 565Bn in 2018 with an expected CAGR of c.6.9% for the period of 2018 to 2021 out of which USA generates the highest revenue of USD 326Bn. Apparel Sector accounts for 4% of the world merchandise exports in 2017.

**Global logistic growth enhancing volumes:** Envisioning a stronger global presence especially across key trade-lanes, EXPO invested considerable resources to deepen the penetration and improve visibility in USA and leveraged on this expansion to widen the reach to Chinese market. EXPO opened a new station in Myanmar alongside targeted strategies to engage markets in Philippines, Vietnam and Indonesia. Strong visibility in USA and established presence in Asia will no doubt prove to be a considerable advantage in securing volumes across all major trade lanes. Meanwhile logistics capabilities in the sub-continent and the wider Asian region may also play a pivotal role in strengthening EXPO's position as a global 3PL service provider. Such global presence would be a competitive advantage to drive volumes as the global logistics market is expected to expand from USD 8.1Tn in 2018 to USD 15.5Tn by 2023E in terms of revenue. In terms of volume and revenue, the market expects a CAGR of c.6.9% and c7.2% from 2018 to 2023E respectively. In 2018, Asia Pacific led the global logistics market with a significant contribution from countries such as China, India, Singapore, Indonesia, Japan, and Malaysia.

**Figure 4: Gross Profit Margin**

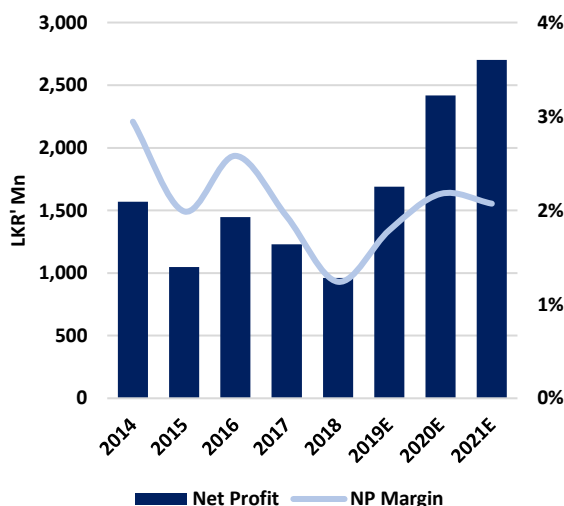


Source: Company Annual Reports

## 2.0 EFL to preserve margins at 18% amidst strong competition

**Competitive advantage gained via dynamic strategic fit:** EXPO’s expertise in freight forwarding for providing quality service, timely delivery and efficiency in operation drives its growth and success over 39 years which made it grow its revenue base from LKR 19Bn (FY09) to LKR 78Bn (FY18). The group provides an end-to-end service solution with a global presence in 18+ countries. EXPO, being the market leader in Sri Lanka, along with intellectual know-how in apparel freight forwarding captured a prominent market share of ~1.16% from their major client base in North America. The group is expanding its network among suppliers and strategic partners with the aim of expanding the brand, “EFL”. With the new ERP system and block chain technology, EFL improved the speed of delivery and was awarded the “Best on Time delivery” in 2018 by Huawei Annual Core Partner Convention 2018 held in New Delhi, India. The top three international board members possess expertise in the field of logistics in order to drive the foreseeable future. “EFL India” received ISO 9001:2015 standard certification, for the compliance of quality and zero defects.

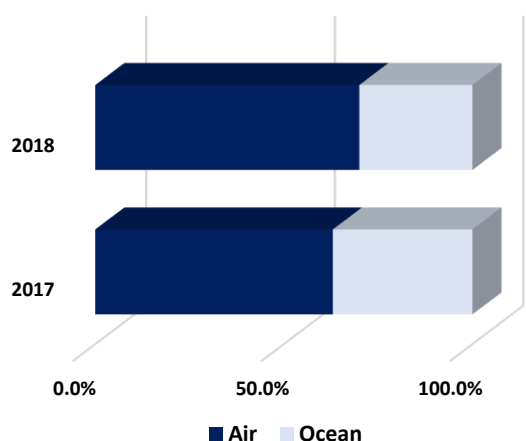
**Figure 5: Net Profit Margin**



Source: Company Annual Reports

**Yield management reducing margin fluctuations:** EXPO’s logistic business is predominantly focused on the export business which records nearly 73% of GP contribution out of which 70% is derived through air exports/imports. Majority of EXPO’s client base consist of global fashion industry’s biggest brands who are loyal to the groups on time deliveries and direct to store forwarding capabilities enriched by the expertise of resident fashion retail specialists. This particular client segment requires quality and on time delivery for which they prefer air freight regardless of the cost. EXPO’s increased exposure to this air freight has resulted in the need for stronger yield management but due to the high end target market EXPO is expected to maintain stable GP and NP margins at 18% and 2% from FY19 – FY21E respectively. Further, EXPO may also reap the benefit as the demand for air freight grew at twice the pace of the expansion in world trade growth of 4.3%. This outperformance was a result of strong global demand for manufacturing export.

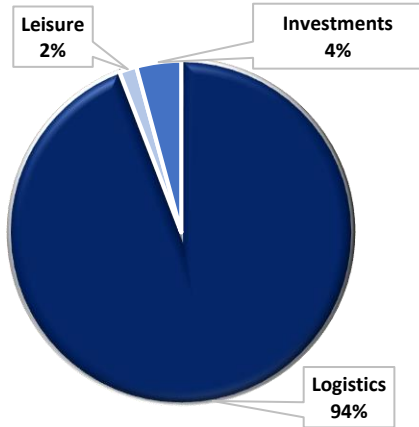
**Figure 6: Freight Contribution**



Source: Company Annual Reports

**Utilization of block space agreements to manage margins:** EXPO’s freight business established long-term partnerships through the negotiation of block space agreements with leading global cargo carriers in order to facilitate the smooth movement of cargo particularly during peak periods which enabled to maintain margins without the need for ad-hoc bookings at substantial costs. There are two types of agreements; 1) soft block space and 2) hard block space. In soft block agreements, freight forwarders have the option to cancel the space, but at a minimum penalty, whereas hard block agreements require freight forwarders to pay the full rate, irrespective of the space utilization. EXPO currently manages between the two methods, depending on the product category and expected demand/orders.

Figure 7: Segmental Revenue Breakdown

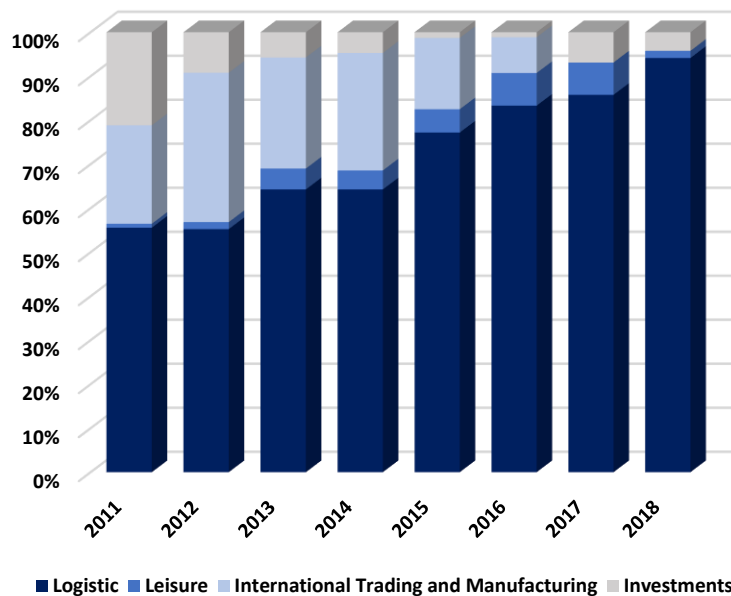


Source: Company Annual Reports

### 3.0 Restructured EXPO to diversify within logistic business

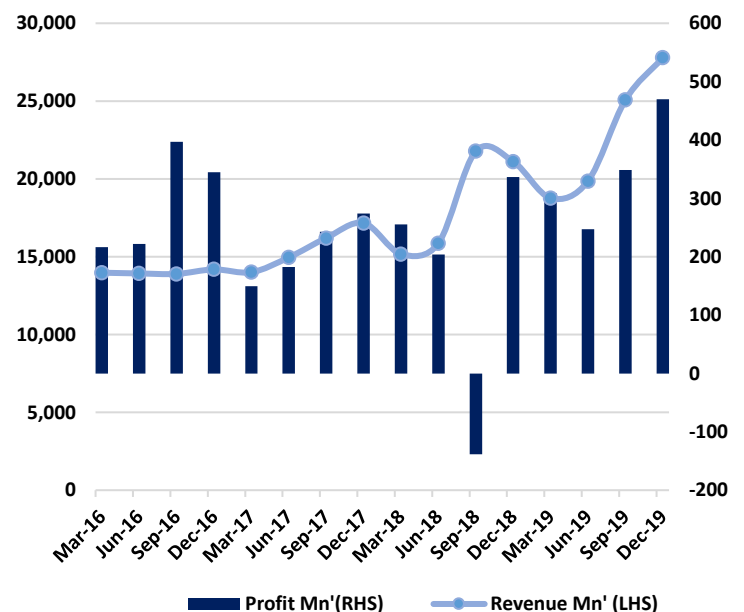
**Completion of restructuring and focusing on core business sets pace for the next phase of growth:** EXPO has undergone a restructuring process to divest non-profitable businesses under the investment sector. The process started in 2012, EXPO has restructured around 25 businesses across the group until FY17, diverting its focus mainly on core sectors; logistics and leisure. EXPO has completed its restructuring process by generating LKR 2.5Bn benefits through divesting non-core investment sector until FY18 which it has re-invested in the freight forwarding business and warehousing facilities. In addition, it also made a number of investments in technology and software, keeping in line with its asset-light model and its plans to remain an integrated logistics solution provider.

Figure 8: Segmental Revenue Composition

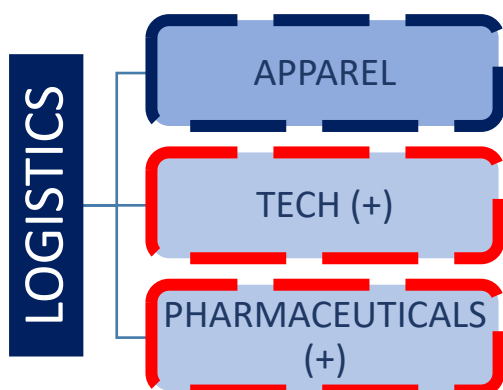


Source: Company Annual Reports

Figure 9: Restructuring Benefits



Source: Company Annual Reports



Source: Company Annual Reports

**Moving to tech and pharma to drive air exports in addition to apparel:** For EXPO, air exports have grown in importance, particularly with ~60.0-70.0% of its overall business being derived from apparel. Due to fast fashion trends in both Europe and US, delivery times have become shorter over the years. In addition, with EXPO now beginning to cater to pharmaceutical and tech companies, the need for air exports has grown much more significant. During FY19E, we expect the logistics sector to benefit from the growth in the North American trade lane through investments made in the USA and Far East operations. Such Investments would focus on moving into an array of fast growing verticals such as tech, pharmaceuticals, electronics, and retail and e-commerce business to drive volume growth.

**Valuation Table**

P/E 31 March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>Estimates (LKR 'Mn)</b>							
Revenue	52,652	56,015	63,492	77,533	95,217	111,999	131,361
Gross Profit	8,517	10,359	11,199	13,726	17,139	20,160	23,645
EBIT	1,456	2,102	1,917	1,820	2,509	3,518	3,903
<b>Net Profit</b>	<b>886</b>	<b>1,113</b>	<b>955</b>	<b>711</b>	<b>1,259</b>	<b>1,802</b>	<b>2,012</b>
Adjusted EPS (LKR)	0.5	0.6	0.5	0.4	0.6	0.9	1.0
YoY Growth (%)	-38%	26%	-14%	-26%	77%	43%	12%
<b>Valuations</b>							
<i>PER (x)</i>	<i>9.3x</i>	<i>7.4x</i>	<i>8.6x</i>	<i>11.6x</i>	<i>6.5x</i>	<i>4.6x</i>	<i>4.1x</i>
<i>PBV (x)</i>	<i>0.8x</i>	<i>0.7x</i>	<i>0.7x</i>	<i>0.6x</i>	<i>0.6x</i>	<i>0.5x</i>	<i>0.5x</i>
<i>DY (%)</i>	<i>0.0%</i>	<i>2.9%</i>	<i>3.6%</i>	<i>3.6%</i>	<i>3.6%</i>	<i>3.6%</i>	<i>3.6%</i>

**Valuation Table**

<b>Expected EXPO Price for FY20E</b>	
DCF Valuation based target price	5.7
PER Valuation based target price	5.5
<b>Average Target Price</b>	<b>5.6</b>
<b>Target Price after Rounding off</b>	<b>5.6</b>

<b>Return</b>	
<b>Target Price</b>	<b>5.6</b>
<b>Current Price</b>	<b>4.2</b>
<b>Capital Gain (LKR)</b>	<b>1.4</b>
<b>Dividends upto 31.03.2020 (LKR)</b>	<b>0.2</b>
<b>Capital Gain %</b>	<b>34%</b>
<b>Dividend Yield %</b>	<b>4%</b>
<b>Total Return %</b>	<b>38%</b>
<b>Annualized Return %</b>	<b>40%</b>

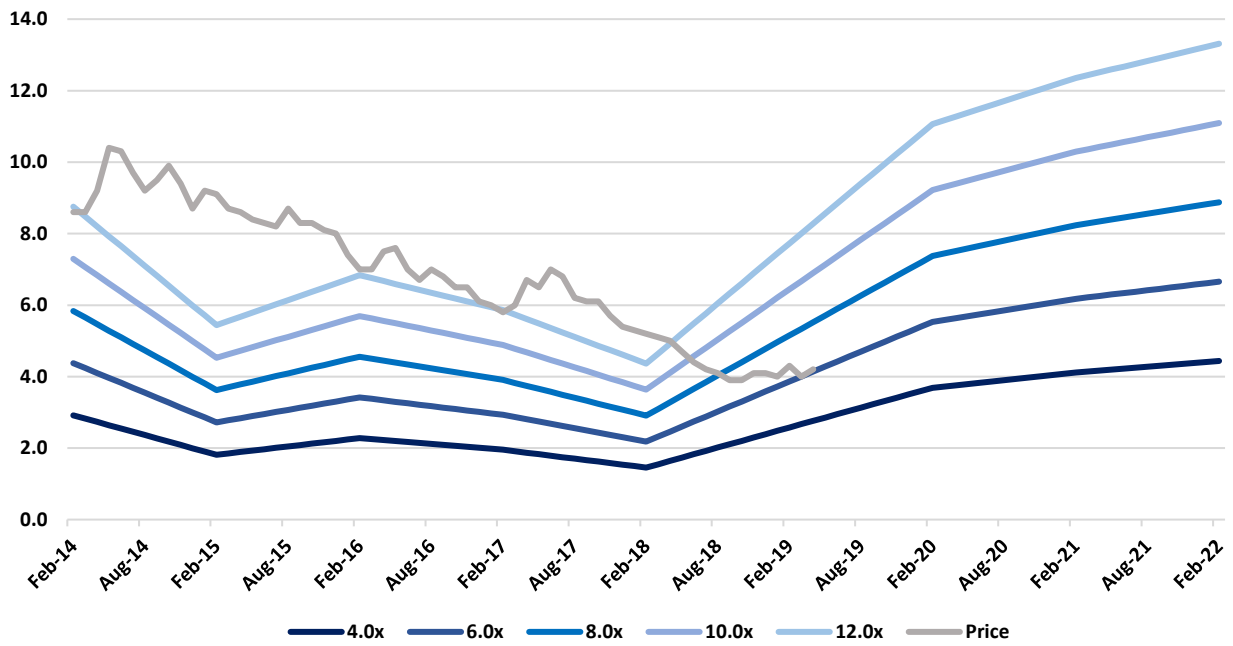
**Discounted Cash flow Valuation**

<b>DCF based Valuation</b>	
Enterprise Value	10,324
Debt (-)	(4,216)
Cash (+)	5,128
<b>Total Value of Equity</b>	<b>11,236</b>
<b>No. of Shares (Mn)</b>	<b>1,955</b>
<b>Target Price</b>	<b>5.7</b>

<b>WACC</b>	
Ke	16.8%
Kd	5.0%
D/E Assumption	40/60
Terminal Growth (%)	3.0%
<b>WACC</b>	<b>13.3%</b>

<b>COE</b>	
Rf	11.2%
Rm	19.2%
Growth %	3.2%
$\beta$	0.70
<b><math>Ke=Rf+\beta(Rm-Rf)</math></b>	<b>16.8%</b>

PER Valuation



PER based Valuation	
FY20E Earnings (LKR 'Mn)	1,802
No. of Shares ('Mn)	1,955
FY20E EPS	0.92
Expected PER	6.0x
Price at 6.0x FY20E Earnings	5.5

## 4.0 Company Profile

**Figure 10: GLOBAL EXPANSION**



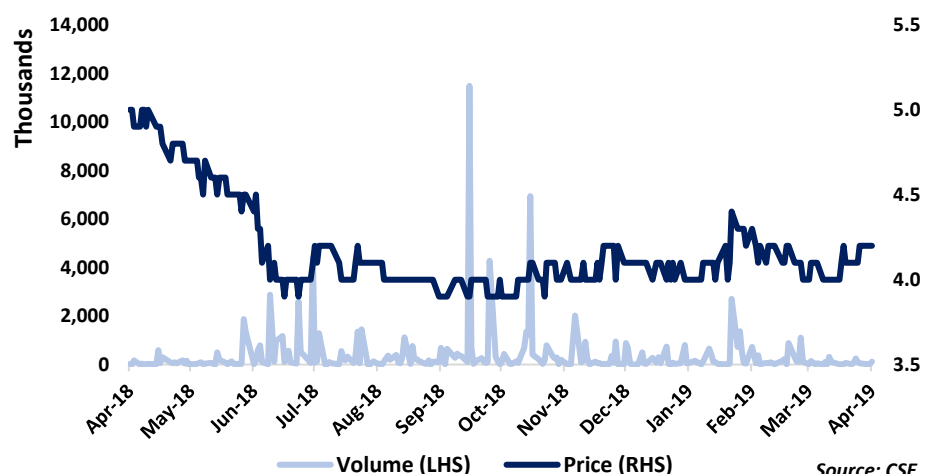
Source: Company Annual Reports

**Envisioning a stronger global presence for EXPO especially across key trade-lanes:** EXPO invested considerable resources to deepen the penetration and improve visibility in the USA while leveraged on this expansion to widen the reach in the Chinese market. A new station was opened in Myanmar alongside targeted strategies to engage markets in the Philippines, Vietnam and Indonesia. The expansions in South Asia remains unchanged, given the fact that it has produced consistent results over the years.

**EXPO’s strategic positioning in global sourcing markets:** As the South-Asian region’s powerhouse to provide simplified logistics solutions via air, sea and land, EFL operates from 60 offices in 17 countries. With a growing workforce of over 2,000 employees, ensuring that the global network caters to specific needs arising from US, Europe, Asia, Africa and the Middle-Eastern regions.

**Share Price Performance:** Over the past 12 months EXPO’s share price has underperformed the market where EXPO has seen a dip of -20.0%. This was mainly driven by prevailing adverse macro-economic conditions. EXPO had been trading between LKR 4.00- LKR 5.00

**Figure 11: EXPO’s Price Volume Chart**



Source: CSE



## 5.0 Investment Risks

**Product dependency risk:** 80% of EXPO’s business is focused on the Apparel vertical leading to an over dependence on one product type. Hence any loss of market share and market leadership in relevant segment due to intense competition from existing and potential competitors and changes in customer attitudes in apparel industry due to adverse economic and social conditions may adversely influence the revenue growth and shrink the expected capital gain of investor.

**Expected recession in USA economy and trade tariff on USA trade partners:** North America is the primary market for apparel exports of EXPO which accounts for 56% of the logistics sector gross profit. Expected recession in USA which may lead to a slow growth in the economy for a short period and increase in the tariff leading to a lower aggregate output is likely to affect the top line of the group as EXPO is highly dependent on the North American trade lane.

**Continued trade tensions and increased tariffs resulting in a slowdown in the key market USA leading to low volume growth:** IATA has slashed its outlook for growth projection on freight tonne kms (FTK) to 2% from its expectation of a 3.7% due to the larger than expected impact of the US-China tariff dispute on performance. As the North American trade lane contributes 48% to EXPO’s gross profit the expected decline in volumes due to trade tensions that’s prevailing in US would adversely affect EXPO’s volume growth.

## Appendix I: Statement of Income and Expenses

Income Statement (LKR Mn) Y/E 31st March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>Revenue</b>	52,652	56,015	63,492	77,533	95,217	111,999	131,361
Cost of Sales	44,135	45,656	52,293	63,807	78,078	91,839	107,716
<b>Gross Profit</b>	<b>8,517</b>	<b>10,359</b>	<b>11,199</b>	<b>13,726</b>	<b>17,139</b>	<b>20,160</b>	<b>23,645</b>
Other Income and Gains	477	380	167	199	237	117	118
Selling and Distribution Cost	615	1,100	1,087	1,080	1,261	1,436	1,684
Administrative Expenses	6,924	7,537	8,362	11,025	13,607	15,322	18,176
<b>Operating Profit</b>	<b>1,456</b>	<b>2,102</b>	<b>1,917</b>	<b>1,820</b>	<b>2,509</b>	<b>3,518</b>	<b>3,903</b>
Finance Cost	154	92	403	232	223	217	210
Finance Income	0	0	157	37	37	37	37
Share of Profit from associates	12	37	22	44	33	37	41
<b>Profit Before Tax</b>	<b>1,314</b>	<b>2,047</b>	<b>1,692</b>	<b>1,669</b>	<b>2,355</b>	<b>3,376</b>	<b>3,771</b>
Income Tax Expenses	266	601	464	708	653	938	1,049
<b>Profit for the Year</b>	<b>1,047</b>	<b>1,446</b>	<b>1,229</b>	<b>962</b>	<b>1,703</b>	<b>2,438</b>	<b>2,722</b>
<b>EPS</b>	<b>0.5</b>	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>	<b>0.6</b>	<b>0.9</b>	<b>1.0</b>

Source : Company Annual Reports and First Capital Research Estimates

## Appendix II: Statement of Financial Position

Balance Sheet (LKR Mn)	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>As at 31st March</b>							
<b>Non-current Assets</b>							
Property, Plant and Equipment	3,376	3,423	3,632	3,833	4,061	4,350	4,712
Intangible Assets	567	468	437	446	410	374	337
Other Assets	702	699	463	491	521	551	581
<b>Current Assets</b>							
Inventories	177	182	135	154	190	224	263
Trade and Other Receivables	11,692	12,224	12,992	17,809	20,099	22,443	24,939
Advances and Prepayments	1,941	1,886	1,617	2,129	2,605	3,065	3,594
Other Current Financial assets	581	655	490	221	164	164	164
Cash and Cash Equivalents	2,958	3,138	3,576	3,626	4,269	5,128	6,031
<b>Total Assets</b>	<b>21,993</b>	<b>22,675</b>	<b>23,342</b>	<b>28,708</b>	<b>32,320</b>	<b>36,299</b>	<b>40,621</b>
<b>Equity and Liabilities</b>							
Stated Capital	4,098	4,098	4,098	4,098	4,098	4,098	4,098
Reserves	11	409	477	604	711	836	984
Retained Earnings	6,518	7,348	7,675	8,075	8,934	10,317	11,889
<b>Shareholders Funds</b>	<b>10,627</b>	<b>11,854</b>	<b>12,250</b>	<b>12,777</b>	<b>13,743</b>	<b>15,252</b>	<b>16,971</b>
<b>Minority Interest</b>	<b>991</b>	<b>1,266</b>	<b>1,128</b>	<b>1,251</b>	<b>1,571</b>	<b>2,083</b>	<b>2,669</b>
<b>Total Equity</b>	<b>11,618</b>	<b>13,120</b>	<b>13,377</b>	<b>14,028</b>	<b>15,314</b>	<b>17,335</b>	<b>19,640</b>
<b>Non-Current Liabilities</b>							
Interest Bearing Loans and Borrowings	527	183	812	812	790	773	761
Retirement Benefit Liability	348	465	486	635	660	687	714
Deferred Tax Liabilities	30	30	2	4	4	4	4
<b>Current Liabilities</b>							
Trade and Other Payables	6,341	6,096	6,169	8,397	10,673	12,674	14,725
Interest Bearing Loans and Borrowings	1,292	1,609	1,590	3,392	3,495	3,443	3,394
Income Tax Liabilities	348	518	336	608	552	552	552
Bank Over Draft	1,489	653	569	832	832	832	832
<b>Total Equity and Liabilities</b>	<b>21,993</b>	<b>22,675</b>	<b>23,342</b>	<b>28,708</b>	<b>32,320</b>	<b>36,299</b>	<b>40,621</b>
<b>NAVPS</b>	<b>5.4</b>	<b>6.1</b>	<b>6.3</b>	<b>6.5</b>	<b>7.0</b>	<b>7.8</b>	<b>8.7</b>

Source : Company Annual Reports and First Capital Research Estimates

**Appendix III: Statement of Cash flow**

Cashflow Statement (LKR Mn)	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>Y/E 31st March</b>							
<b>Cash Flows from Operating Activities</b>							
<b>Profit Before Taxation</b>	1,314	2,047	1,692	1,669	2,355	3,376	3,771
Adjustments for,							
Depreciation & Amortisation	476	373	396	421	489	532	582
Finance Cost	154	92	164	224	223	217	210
Provision for Retirement Benefit Liability	82	75	132	216	25	26	27
(Profit) / Loss on Disposal of PPE	-21	-32	-16	-3	0	0	0
Provision For Bad Debts	59	292	103	162	200	224	250
Other	-128	-13	78	-69	-44	-44	-44
<b>Operating Profit Before Working Capital Changes</b>	<b>1,936</b>	<b>2,834</b>	<b>2,550</b>	<b>2,621</b>	<b>3,250</b>	<b>4,331</b>	<b>4,797</b>
(Increase) / Decrease in Inventories	123	-20	-35	-18	-37	-34	-39
(Increase) / Decrease in Trade and Other Receivables	-1,494	-963	-1,409	-4,980	-2,490	-2,568	-2,745
(Increase) / Decrease in Advances and Prepayments	-718	30	132	-512	-476	-459	-530
Increase / (Decrease) in Trade and Other Payables	962	-1,006	396	2,488	2,277	2,000	2,051
Change in working capital due to the change in g	3	2	-395	0	0	0	0
<b>Cash Generated from Operating Activities</b>	<b>812</b>	<b>877</b>	<b>1,240</b>	<b>-402</b>	<b>2,523</b>	<b>3,270</b>	<b>3,534</b>
Finance Cost Paid	-154	-92	-164	-224	-223	-217	-210
Income Tax Paid	-302	-446	-665	-471	-653	-938	-1,049
Retirement Benefit Liability Paid	-36	-23	-63	-82	0	0	0
<b>Net Cash Flows from / (Used in) Operating Activities</b>	<b>320</b>	<b>316</b>	<b>347</b>	<b>-1,180</b>	<b>1,647</b>	<b>2,115</b>	<b>2,275</b>
<b>Cash Flows from Investing Activities</b>							
Finance Income Received	14	1	14	14	14	14	14
Acquisition of Property, Plant and Equipment and Intangible Assets	-596	-573	-597	-720	-858	-961	-1,085
Proceeds from Sale of Property, Plant and Equipment	78	226	474	203	205	205	205
Proceeds from Investments	162	3	-231	333	0	0	0
Proceeds from Sale of Subsidiaries	740	15	318	13	0	0	0
<b>Net Cash Flows from / (Used in) Investing Activities</b>	<b>399</b>	<b>-327</b>	<b>-22</b>	<b>-157</b>	<b>-639</b>	<b>-741</b>	<b>-865</b>
<b>Cash Flows from Financing Activities</b>							
Net proceeds from financing and lease (ijara)	-916	506	660	1,457	81	-69	-61
Dividend Income	14	0	0	0	0	0	0
Dividend Paid	-39	-296	-492	-417	-417	-417	-417
<b>Net Cash Flows from / (Used in) Financing Activities</b>	<b>-941</b>	<b>210</b>	<b>168</b>	<b>1,040</b>	<b>-336</b>	<b>-486</b>	<b>-478</b>
<b>Effect of Exchange Rate Changes</b>	<b>-45</b>	<b>381</b>	<b>29</b>	<b>83</b>	<b>-29</b>	<b>-29</b>	<b>-29</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>-268</b>	<b>581</b>	<b>523</b>	<b>-214</b>	<b>643</b>	<b>859</b>	<b>903</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>1,736</b>	<b>1,903</b>	<b>2,484</b>	<b>3,007</b>	<b>2,794</b>	<b>3,437</b>	<b>4,296</b>
<b>Cash and Cash Equivalents at end of the Year</b>	<b>1,468</b>	<b>2,484</b>	<b>3,007</b>	<b>2,794</b>	<b>3,437</b>	<b>4,296</b>	<b>5,199</b>

Source : Company Annual Reports and First Capital Research Estimates

## Appendix IV: Top 20 Shareholders

Top 20 shareholders - (% held) - EXPO	3QFY19	2QFY19	QoQ	3QFY18	YoY
SG HOLDINGS GLOBAL (PTE.) LTD	67.5%	67.5%	-	67.5%	-
CACEIS BANK LUXENBOURG S/A BARCA GLOBAL MASTER FUND LP	8.9%	8.9%	-	8.9%	-
HANIF YUSOOF	7.5%	7.5%	-	7.5%	-
HSBC INTL NOM LTD-BBH-MATTHEWS EMERGING ASIA FUND	4.8%	4.8%	-	4.8%	-
FAROOK KASSIM	1.2%	1.2%	-	1.2%	0.0%
SRI LANKA INSURANCE CORPORATION LTD- LIFE FUND	0.5%	0.5%	-	0.5%	-
MAS CAPITAL (PRIVATE) LIMITED	0.4%	0.4%	-	0.4%	-
E.W. BALASURIYA & CO. (PVT) LTD	0.4%	0.4%	-	0.4%	-
J B COCOSHELL (PVT) LTD	0.4%	0.4%	0.0%	0.0%	0.4%
MOHOMED UVAlSE MOHAMED ALI SABRY	0.3%	0.1%	0.3%	0.0%	0.3%
SHAFIK KASSIM	0.3%	0.6%	-0.3%	1.2%	-0.9%
AMANA BANK PLC	0.2%	0.2%	-	0.2%	-
KANDANARACHCHIGE SENAKA RAVINDRANATH NISSANKA	0.2%	0.0%	0.2%	0.0%	0.2%
MRS. SARASWATHI VASUDEVAN	0.2%	0.2%	-	0.0%	0.2%
BANK OF CEYLON INVESTMENT - EMPLOYEES TRUST FUND BOARD	0.2%	0.2%	-	0.2%	-
HALLSVILLE TRADING GROUP INC.	0.2%	0.2%	-	0.2%	-
MR. OMAR MOHAMED HAJI	0.2%	0.2%	-	0.2%	-
THAMBI LEBBE MOHAMED IMTIAZ	0.1%	0.1%	0.0%	0.0%	0.1%
GUARDIAN FUND MANAGEMENT LIMITED/ THE AITKEN SPENCE AND ASSOCIATED	0.1%	0.1%	-	0.1%	-
AMARAKOON MUDIYANSELAGE WEERASINGHE	0.1%	0.0%	0.1%	0.0%	0.1%

## Appendix V: Recommendation criteria

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	T.Bill + 5% & Above	T.Bill + 1% & Above	Below T.Bill + 1%
Grade B	Rest of the Companies	T.Bill + 8% & Above	T.Bill + 3% & Above	Below T.Bill + 3%
Grade C	Companies less than LKR 1Bn Market Cap	T.Bill + 11% & Above	T.Bill + 6% & Above	Below T.Bill + 6%

### Weighted Average 1-year T-bill rate during Dec 2018: 11.22%

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	16.22%	12.22%	12.22%
Grade B	Rest of the Companies	19.22%	14.22%	14.22%
Grade C	Companies less than LKR 1Bn Market Cap	22.22%	17.22%	17.22%



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