

**FOOD, BEVERAGE & TOBACCO AND FOOD & STAPLES RETAILING****A NEGATIVE OUTLOOK****FLASHNOTE****SLUGGISH ECONOMIC ENVIRONMENT CAUSED BY EASTER SUNDAY BOMBINGS TO LINGER DEMAND**

Consumer demand to suffer: The Food, Beverage & Tobacco and Food & Staples Retailing industry were anticipated to be thriving sectors propelled by gradual recovery in the economy and in line with the expected increase in disposable income in 2H2019 owing to fiscal handouts due to elections. However, following the terrorist attacks occurred on 21st April 2019 in Sri Lanka, the outlook for Food, Beverage & Tobacco and Food & Staples Retailing sectors are likely to be negatively impacted in the short to medium term amidst weaker economic outlook. We expect corporate earnings of counters in our active coverage which belong to above-mentioned sectors namely **LION, KFP, CARG, NEST** to be hit hard by poor consumer and business sentiment which is likely to prevail during the initial three quarters of 2019.

Negative impact via Tourism: Easter Sunday attacks are expected to have an immediate hit on the tourism sector (as reflected by the decline in tourist arrivals by 7.5% in the month of April 2019) thus undermining tourism earnings, which had been rising steadily in recent years to about 5% of GDP in 2018. Accordingly, counters such as LION and KFP are expected to experience a fallout in demand for their products which are considered to be positively correlated with the tourism sector.

LION – Downgrade to HOLD

KFP – Downgrade to HOLD

CARG – Downgrade to SELL

NEST – Downgrade to SELL

Accordingly, on the back of anticipated sluggish consumer sentiment amidst uncertainty hovering in the country we revise our outlook on the sectors to Negative until the 4Q of 2019. **OUTLOOK DOWNGRADED TO NEGATIVE.**

FIRST CAPITAL RESEARCH

Dimantha Mathew +94 11 263 9853
dimantha@firstcapital.lk

Atchuthan Srirangan +94 11 263 9863
atchuthan@firstcapital.lk

Amanda Lokugamage +94 11 263 9868
amanda@firstcapital.lk

Hiruni Perera +94 11 263 9864
hiruni@firstcapital.lk

Nisansala Kuruppumudali +94 11 263 9866
nisansalat@firstcapital.lk



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.