

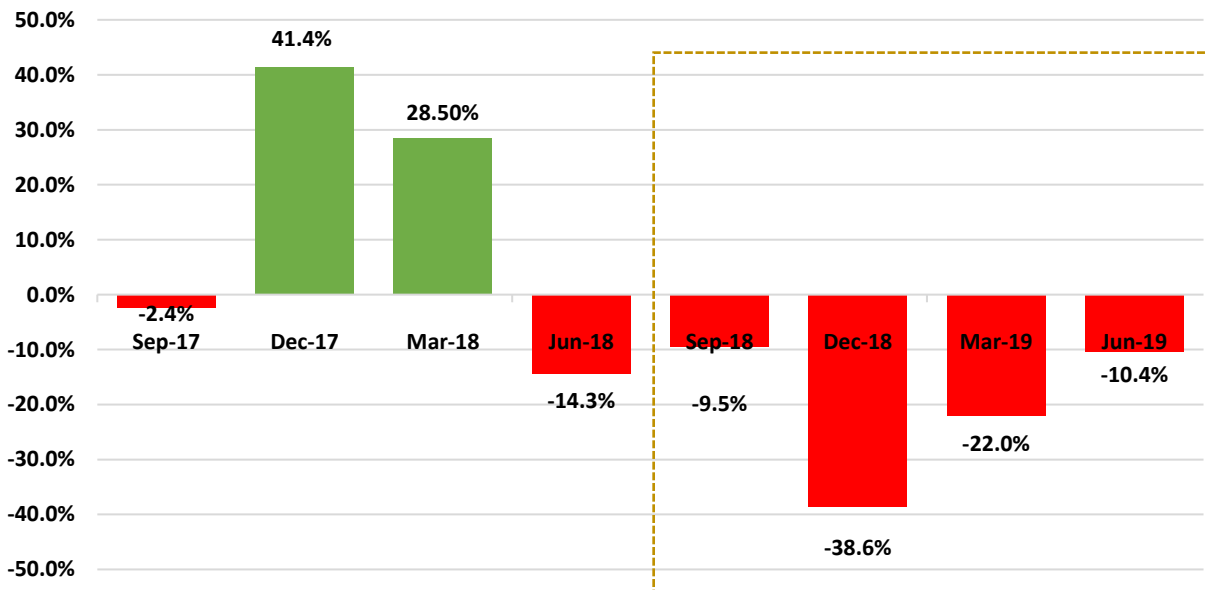


Quarterly Results Review

Quarter: Jun 2019

One off gain in BIL bolster quarterly earnings despite subdued performance across the aboard

Market Earnings YoY Growth (%) for all listed entities



June 2019 quarter recurring earnings dropped by 10.4%YoY for 271 companies: On a recurring basis June 2019 quarter earnings plunged by 10.4%YoY as subdued performance in Banking (-20%YoY), Consumer Services (-92%YoY) and Telecommunications (-27%YoY) sectors negated the positive performance of Food, Beverage and Tobacco (+121%YoY) and Diversified Financials (+35%YoY) sectors. However, total earnings for the quarter registered a growth of +18%, as earnings was augmented by one off gain witnessed in Browns Investments (BIL) and LOLC mounting the Food, Beverage and Tobacco and Diversified Financials sector earnings.

One off gain bolstered Food, Beverage and Tobacco and Diversified Financials: One off gain made in Food, Beverage and Tobacco, Diversified Financials and Insurance sectors outweighed the overall subdued performance witnessed in the economy. Food, Beverage and Tobacco sector earnings registered a noteworthy growth of +121%YoY to LKR 21.9Bn primarily owing to BIL. Bargain purchase owing to negative goodwill led to LKR 13.5Bn gain in BIL bolstering earnings to LKR 13.0Bn (+2283%YoY) as opposed to LKR 596.0Mn loss in comparative previous year. Diversified Financial sector earnings registered a +35%YoY growth to LKR 12.8Bn supported by LOLC. LOLC recorded a gain of LKR 5.2Bn resultant from acquisition and divestment of group’s investments pushing the earnings to register a +190%YoY growth to LKR 7.5Bn as opposed to LKR 2.6Bn in comparative same period.

Banking, Consumer Services and Telecommunications posted subdued performance: The overall performance of Banking, Consumer Services and Telecommunications sectors reflected the overly sluggish sentiment prevailed during the June 2019 quarter. Banking sector earnings of LKR 11.9Bn registered a dip of 20%YoY stemming from below par credit growth while Debt Repayment Levy (DRL) which was effected on 01 Oct 2018 further aggravated the subdued performance in earnings. Telecommunications sector earnings plunged by 27%YoY to LKR 3.3Bn owing to higher finance expenses in DIAL leading to a -30%YoY dip in earnings. Moreover, Consumer Services sector witnessed earnings decline of 92%YoY as a result of drop in tourist arrivals subsequent to the Easter Sunday attacks. Capital Goods sector posted earnings of LKR 2.7Bn (-13%YoY) mirroring the overall sluggish sentiment prevailed in the economy negating impact of LKR 3.4Bn earnings posted by BRWN. One off gain of LKR 4.4Bn on bargain purchase bolstered the earnings of BRWN to LKR 3.4Bn (+628%YoY).

Annexure 1 – Market Earnings Sector Summary


First Capital

Results Update
June 2019

Friday, August 30, 2019

Company	Quarter Earnings LKR 'mn					4 Qtr Trailing	
	1QFY20	1QFY19	YoY%	4QFY19	QoQ%	PER (x)	PBV (x)
	2Q2019	2Q2018	YoY%	1Q2019	QoQ%		
	1H2019	1H2018	YoY%	2H2018	HoH%		
<i>Consumer Durables & Apparel Earnings</i>	343	-245	240%	2,600	-87%	21.1x	1.1x
<i>Retailing Sector Earnings</i>	-629	473	-233%	713	-188%	15.9x	0.7x
<i>Consumer Services Sector Earnings</i>	-4,099	-2,139	-92%	3,659	-212%	86.1x	1.9x
<i>Automobiles & Components Sector Earnings</i>	130	113	15%	107	21%	5.1x	0.6x
<i>Food, Beverage & Tobacco Sector Earnings</i>	21,926	9,920	121%	8,502	158%	15.7x	2.5x
<i>Food & Staples Retailing Sector Earnings</i>	1,008	1,311	-23%	830	22%	16.4x	2.3x
<i>Household & Personal Products Sector Earnings</i>	102	82	23%	152	-33%	13.4x	1.8x
<i>Energy Sector Earnings</i>	-507	14	-3656%	-473	-7%	N/A	1.1x
<i>Diversified Financials Sector Earnings</i>	12,789	9,454	35%	14,226	-10%	5.5x	0.9x
<i>Banks Sector Earnings</i>	11,880	14,854	-20%	11,069	7%	6.3x	0.9x
<i>Insurance Sector Earnings</i>	3,184	1,829	74%	3,543	-10%	3.0x	1.2x
<i>Health Care Equipment & Services Sector Earnings</i>	209	721	-71%	418	-50%	16.1x	1.9x
<i>Pharmaceuticals, Biotechnology & Life Sciences Sector E</i>	19	77	-75%	77	-75%	8.7x	1.3x
<i>Capital Goods Sector Earnings</i>	2,696	3,102	-13%	12,759	-79%	10.6x	0.8x
<i>Commercial & Professional Services Sector Earnings</i>	-11	-10	-4%	-17	35%	10.6x	0.8x
<i>Transportation Sector Earnings</i>	153	208	-27%	383	-60%	N/A	N/A
<i>Materials Sector Earnings</i>	1,787	670	167%	2,012	-11%	8.1x	0.9x
<i>Real Estate Sector Earnings</i>	1,192	1,352	-12%	2,981	-60%	5.5x	0.6x
<i>Telecommunications Sector Earnings</i>	3,284	4,511	-27%	7,076	-54%	8.5x	1.1x
<i>Utilities Sector Earnings</i>	207	897	-51%	292	-29%	7.4x	1.6x
<i>Closed End Funds Sector Earnings</i>	-22	-158	86%	-109	80%	N/A	0.7x
Market Valuations						11.5x	1.1x
Market Earnings - June 2019	55,640	47,036	18%	69,852	-20%	271	
Market Earnings - June 2019 (Adjusted)	42,126	47,036	-10%	69,852	-40%	271	
Market Earnings - March 2019	69,852	89,789	-22%	62,906	11%	276	



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