



WATAWALA PLANTATIONS PLC [WATA.N0000]

DOWNGRADE TO SELL AND DISCONTINUE COVERAGE

FLASHNOTE

Fair Value [FY20E]: LKR 28.0 [4%]

Previous Report in Sep 2019 –UPGRADE TO BUY

With our earnings update published on 06th Sep 2019, we upgraded the share to BUY on the back of topline growth and improvement in bottom line mainly led by increase in palm oil volumes, increase in selling price of milk and higher volumes in the dairy sector. We forecasted earnings of LKR 1.0Bn for FY20E expecting WATA to achieve a TP of LKR 28.0 while providing a total return of 23%.

WATA REACHES TP OF LKR 28.0; SELL

WATA reached First Capital Research TP of LKR 28.0 on 18th Nov 2019 and declined slightly to LKR 27.0 on 28th Nov 2019. The counter outperformed the market since our last report published on 06th Sep 2019, while gaining by +15% from LKR 23.5 when the benchmark ASPI index appreciated by +7%. Similarly, WATA appreciated by +21% over a 52- week period while the index appreciated only by 4%. We expect rising palm oil volumes and dairy sector milk volumes and the selling price to be already reflected in our FY20E earnings. In line with government’s recent decision to ban the cultivation of palm, WATA can only plant oil palm on a further 100 Ha of land (currently total cultivation is nearly 3000Ha), resulting land to be a key constraint in the foreseeable future. **DOWNGRADE TO SELL AND DISCONTINUE COVERAGE**

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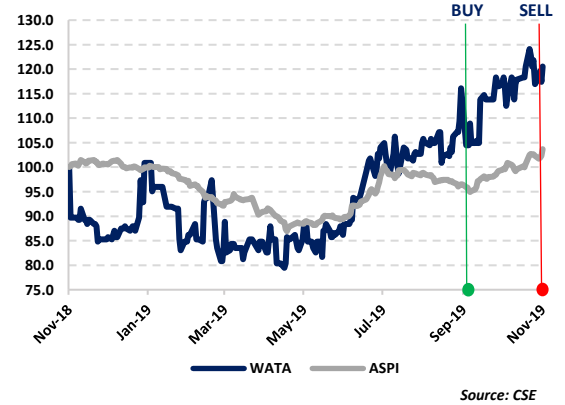
KEY DATA

CSE Ticker	WATA.N0000
Bloomberg Ticker	WATA SL
Share Price (LKR)	27.00
52w High (LKR)	27.80
52w Low (LKR)	17.80
Avg. Daily Volume (Shares)	6,335
Avg. Daily Turnover (LKR)	138,659
Issued Share Capital (Shares 'Mn)	203.3
Market Cap (LKR 'Mn)	5,489
Market Cap (USD 'Mn)	30

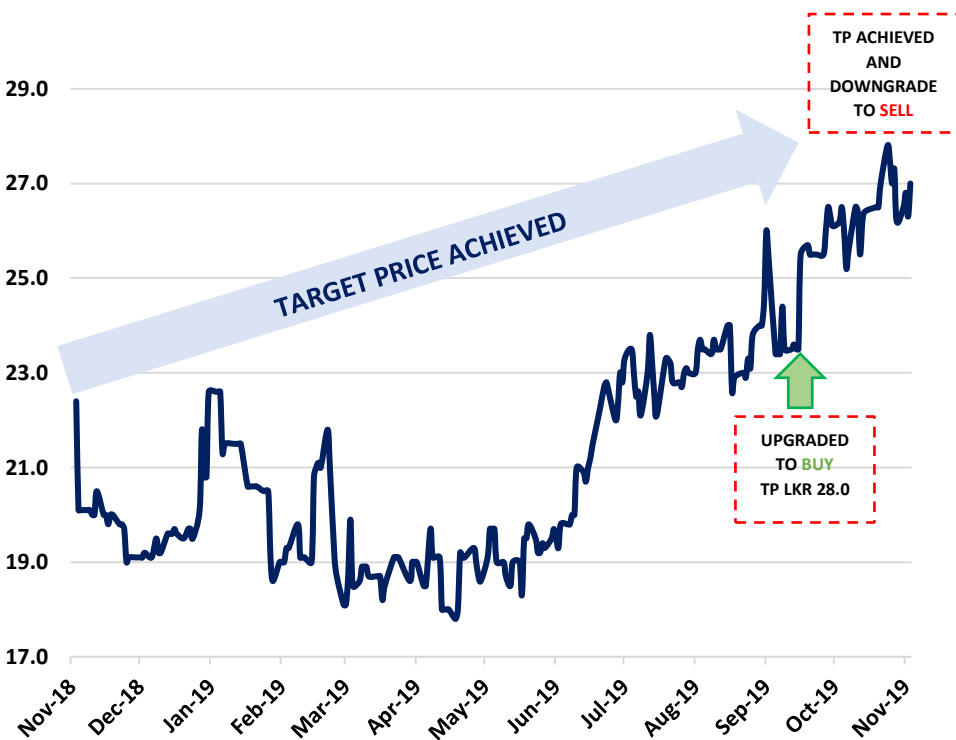
*1 USD = LKR 180

Price Performance (%)	1 mth	3 mths	12mths
WATA	2%	15%	21%
ASPI	5%	5%	4%

Price Movement of WATA vs ASPI and Past Recommendations



Source: CSE



Source: CSE

Disclosure on Shareholding:

First Capital Group do not hold shares in WATA and will not trade in this share for three trading days following the issue of this document.



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