

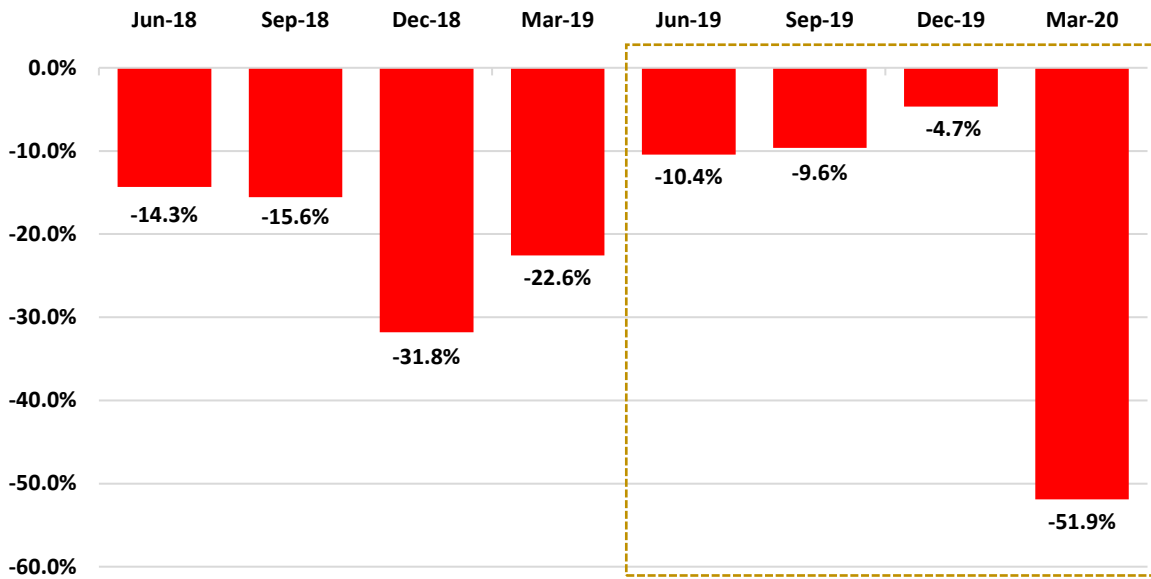


Quarterly Results Review

Quarter: Mar 2020

Overall earnings plunge due to bleak economic climate, however, Banks and Food, Staples & Retailing remain robust

Market Earnings YoY Growth (%) for all listed entities



Mar 2020 quarter earnings declined by 52.0%YoY for 266 companies: March quarter earnings dipped by 51.9%YoY to LKR 33.6Bn primarily owing to sluggish performance in Diversified Financials (-87%YoY), Capital Goods (-63%YoY), Food, Beverage & Tobacco (-72%YoY), Telecommunication (-52%YoY) and Consumer Services (-101%YoY). However, upbeat quarterly performance was only witnessed in the following sectors, Banks (+32%YoY) followed by Food, Staples, and Retailing (+96%YoY) and Materials (+8%YoY).

Diversified Financials and Capital Goods sapped the quarterly earnings: Lackluster performance in Diversified Financials, Capital Goods & Food, Beverage and Tobacco sectors was mainly owing to subdued economic growth which was heightened by the pandemic Covid-19 striking the island. PLC profit dipped by -90%YoY due to high impairments because of the slowdown in the economy caused a reduction in disposable income of customers and business volumes. Consequently, there was a rise in non-performing loans in the sector which was the main factor for the decline in earnings of COCR (-56%YoY), LOFC (-29%YoY), LFIN (-19%YoY) as well. Therefore, primarily led by the above-mentioned counters, the Diversified Financial sector recorded a decline of 87%YoY. Plunge in earnings by 63%YoY in Capital Goods was chiefly driven by SHL earnings reporting a loss of LKR 3.3Bn (-11033%YoY) followed by the decline in earnings in BRWN (-53%YoY) and SPEN (-45%YoY). Notably, JKH recorded a growth of 18%YoY primarily due to the growth in profits in Consumer Foods, Retail and Property segments, overall, the Capital Goods sector recorded a decline in earnings.

Banks, Food, Staples and Retailing presented resilience during trying times: Banking sector witnessed a profit growth of 32%YoY to record LKR 14.6Bn primarily driven by COMB (+20%YoY), HNB (+57%YoY) and SAMP (+27%YoY). COMB, HNB and SAMP profits were boosted due to financial investment gains (forex and mark to market gains) coupled with the removal of NBT and Debt Repayment Levy which improved the bottom line. CARG recorded an impressive growth of 134%YoY driven by the growth in FMCG and retail space, benefitting the Food, Staples and Retailing sector to record a growth of 96%YoY.



Annexure 1 – Market Earnings Sector Summary

Company	Quarter Earnings LKR 'mn					4 Qtr Trailing	
	4QFY20	4QFY19	YoY%	3QFY20	QoQ%	PER (x)	PBV (x)
	1Q2020	1Q2019	YoY%	4Q2019	QoQ%		
	1H2020	1H2019	YoY%	1H2020	HoH%		
Consumer Durables & Apparel Earnings	175	2,326	-92%	1,047	-83%	16.2x	1.1x
Retailing Sector Earnings	-893	731	-222%	163	-649%	N/A	0.7x
Consumer Services Sector Earnings	-32	3,208	-101%	-1,187	97%	N/A	0.5x
Automobiles & Components Sector Earnings	93	106	-13%	111	-16%	13.8x	1.2x
Food, Beverage & Tobacco Sector Earnings	2,286	8,237	-72%	9,508	-76%	17.3x	2.1x
Food & Staples Retailing Sector Earnings	1,625	830	96%	921	76%	18.1x	1.9x
Household & Personal Products Sector Earnings	84	154	-45%	110	-24%	14.4x	1.7x
Energy Sector Earnings	-1,227	464	-365%	-99	-1140%	N/A	0.9x
Diversified Financials Sector Earnings	1,770	13,443	-87%	8,847	-80%	9.2x	0.8x
Banks Sector Earnings	14,626	11,080	32%	22,996	-36%	4.6x	0.5x
Insurance Sector Earnings	2,994	3,277	-9%	5,035	-41%	7.0x	0.9x
Health Care Equipment & Services Sector Earnings	98	415	-76%	932	-90%	24.4x	1.5x
Capital Goods Sector Earnings	4,630	12,589	-63%	8,120	-43%	25.4x	0.7x
Commercial & Professional Services Sector Earnings	-82	-6	-1232%	121	-168%	N/A	0.9x
Transportation Sector Earnings	-357	341	-204%	302	-218%	N/A	N/A
Materials Sector Earnings	2,190	2,027	8%	2,662	-18%	9.8x	1.3x
Real Estate Sector Earnings	1,973	3,128	-37%	2,262	-13%	8.1x	0.6x
Telecommunications Sector Earnings	3,366	7,076	-52%	3,765	-11%	10.9x	0.9x
Utilities Sector Earnings	321	343	-1%	965	-67%	10.6x	1.5x
Closed End Funds Sector Earnings	-116	-52	-121%	23	-594%	N/A	0.3x
Market Valuations						12.4x	0.7x
Market Earnings - Mar 2020	33,556	69,793	-52%	66,589	-50%		266
Market Earnings - Dec 2019	66,620	69,886	-5%	45,859	45%		266



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