



## QUARTERLY EARNINGS DIGEST | DECEMBER 2023

**AMBEON**  
SECURITIES

Report date:  
12.03.2024



## Executive Summary

The report assesses the revenues, operating profit, and profit after tax (PAT) performance on a YoY and QoQ basis, for the quarter ended Dec 2023

### Overall revenue and profit growth

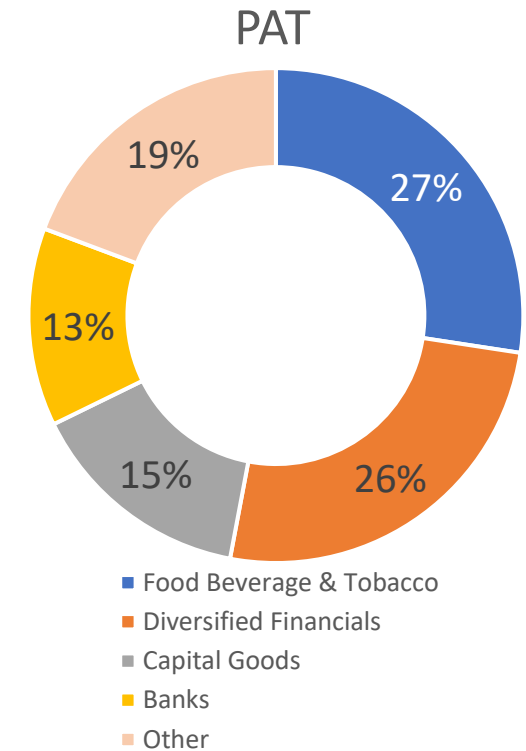
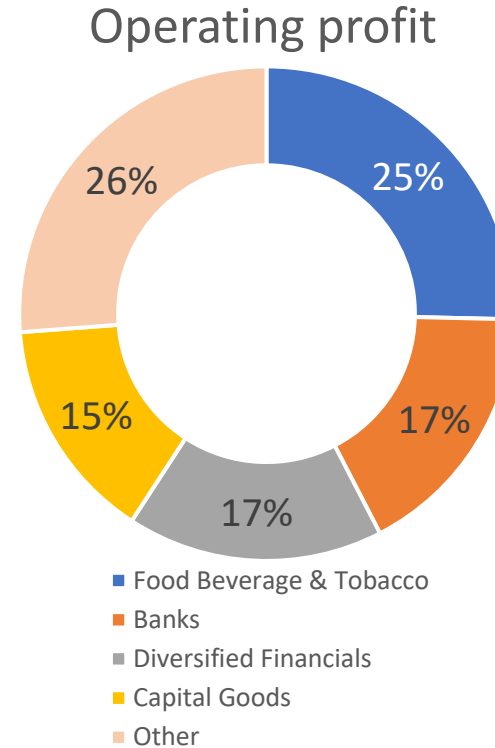
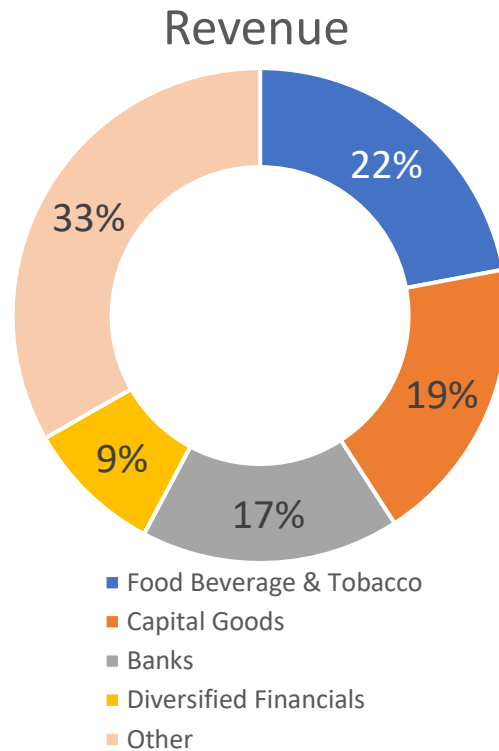
- All companies recorded a YoY increase in revenues (+0.6%), operating profits (+5.3%) and profit after tax (PAT) (+91.4%).
- All companies recorded a QoQ increase in revenues (+2.2%) and profit after tax (PAT) (+25.6%) despite a decline in operating profits (-13.7%)
- LOLC, BIL, and BRWN collectively recorded acquisition-related gains of LKR 61.8 Bn which significantly contributed to the overall PAT, explaining 70% of the PAT growth. The PAT growth (YoY) without these non-operating gains would amount to +27.5% (in contrast to +91.4% growth including non-operating gains).
- The growth in PAT however indicates that the companies enjoyed the benefit of declining interest rates leading to lower borrowing costs.
- Food, beverage and tobacco sector had the largest share in Dec 23 revenues (22%) and PAT (27%).
- BIL and LOLC were the top positive contributors to the YoY PAT growth while EXPO and LIOC were the top negative contributors.

### Sector-wise revenue and profit growth

- The consumer goods counters have recorded strong YoY revenue growth, indicating a positive signal for the recovery in consumer demand.
- Banks saw a growth in operating profits (+90.4%) due to lower impairments. However, the absence of tax reversals that were previously available resulted in overall YoY PAT declining (-20.8%).
- Capital goods sector saw the largest YoY revenue growth (+7.2%) while transportation sector saw the largest YoY decline (-29.0%). Capital goods sector saw the largest QoQ revenue growth (14.4%) while banking sector saw the largest QoQ decline (-7.7%).
- Banking sector saw the largest YoY operating profit growth (+90.4%) while food, beverage and tobacco sector saw the largest YoY decline in operating profits (-17.9%). Insurance sector saw the largest QoQ operating profit growth (+65.1%) while banking sector saw the largest QoQ decline in operating profits (-31.4%).
- Diversified financials saw the largest YoY PAT growth (+120.7%) while energy sector saw the largest YoY decline in PAT (-75.7%). Capital goods sector saw the largest QoQ PAT growth (+80.3%) while banking sector saw the largest QoQ decline in PAT (-29.4%).



## Food and beverage sector reflects the largest share in Dec 23 revenues and profits



CARS, BUKI and MELS were the main contributors to revenues in the Food, Beverage, and Tobacco segment while profits in the segment were dominated by BIL and CTC.

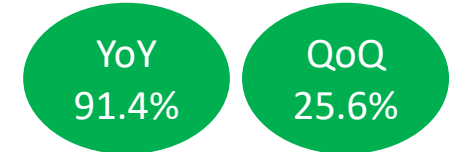
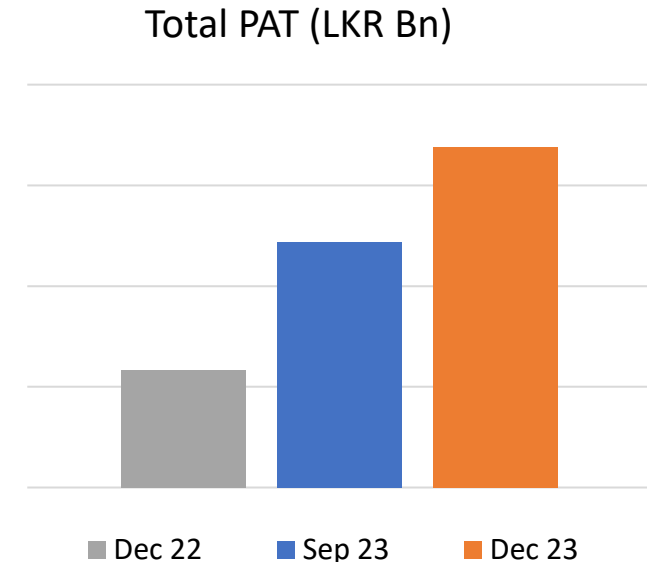
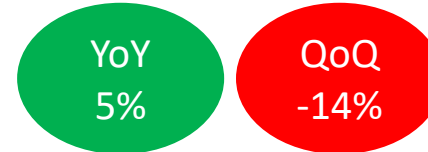
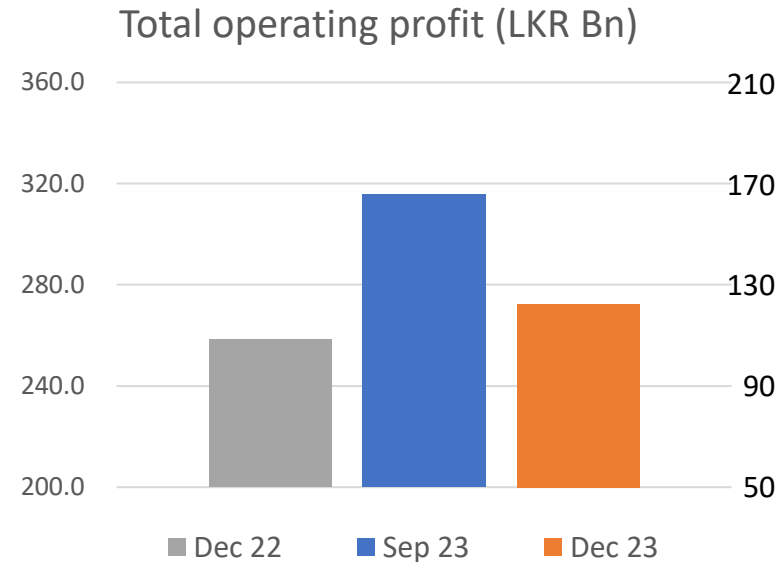
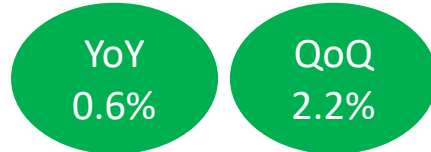
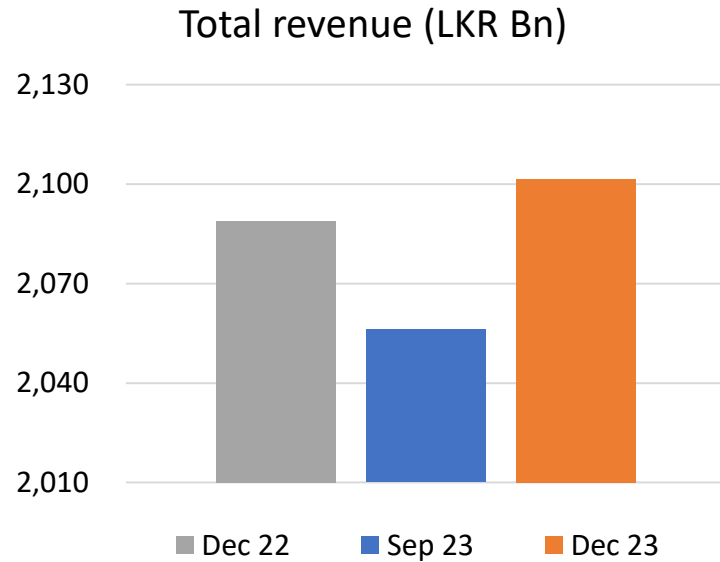
HAYL and JKH were the main contributors to revenue in the capital goods segment while profits in the segment were dominated by BRWN.

COMB and HNB were the main contributors to revenue in the banking segment while profits were mainly dominated by COMB and SAMP.

LOLC was the main contributor to the revenue and profit in the diversified financial segment.

Source: Company reports, Ambeon estimates

## Revenues and PAT indicated an increase for all companies

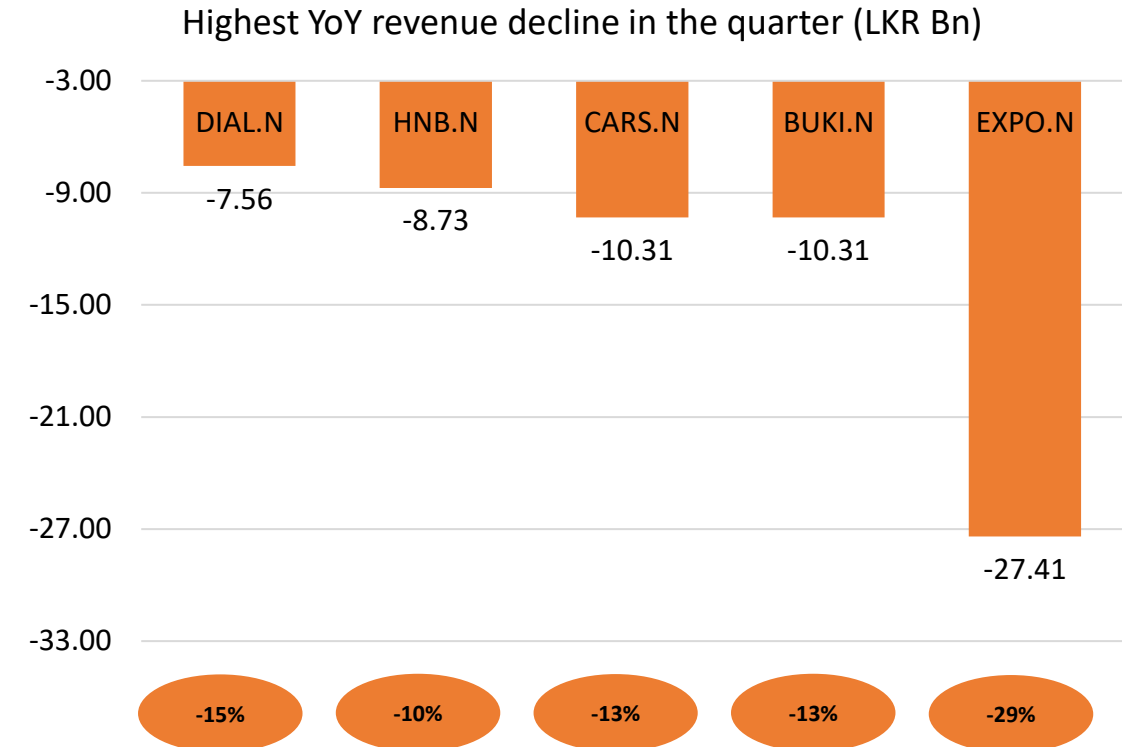
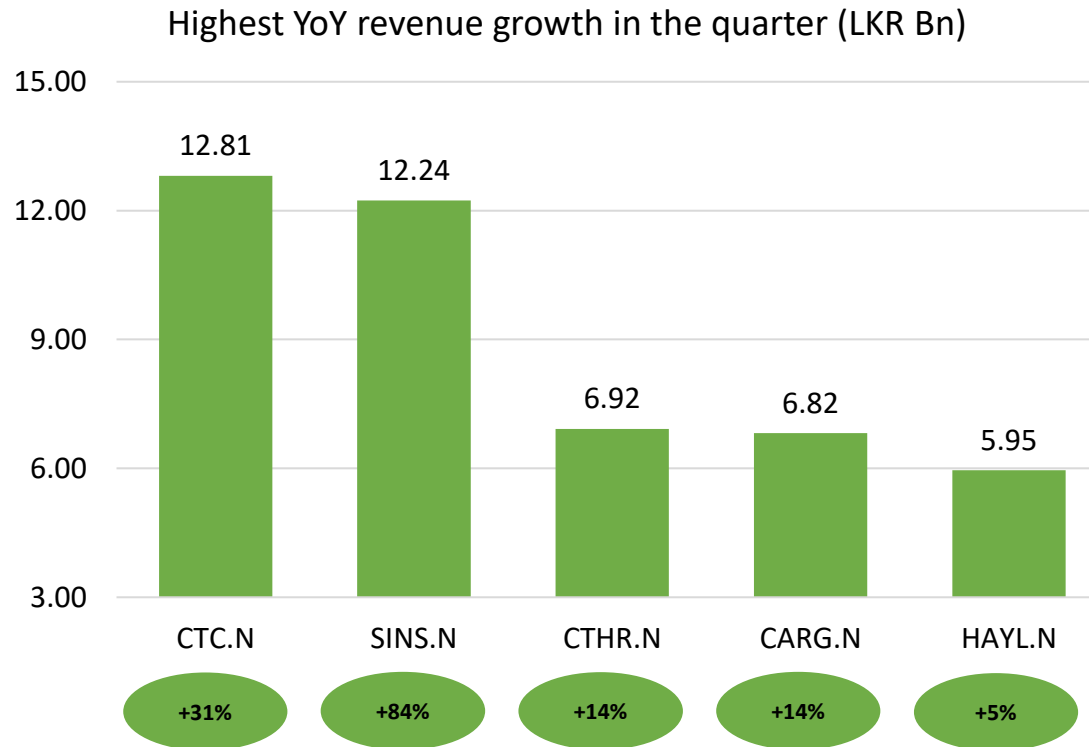


**Notes:**

1. The earnings for Dec 23 include unaudited earnings released up to 5<sup>th</sup> Mar 2024
2. The largest growth / decline has been identified based on absolute terms, not based on percentages
3. Four companies were delisted in Dec 23 quarter – SHAL, INDO, SELI and GOOD. September earnings and adjusted to reflect the same when comparing QoQ change
4. PAT reflects profit after tax for equity holders of the parent
5. Revenues of banks, diversified financials and insurance companies reflect gross revenues.
6. YoY refers to year-on-year; QoQ refers to quarter-on-quarter

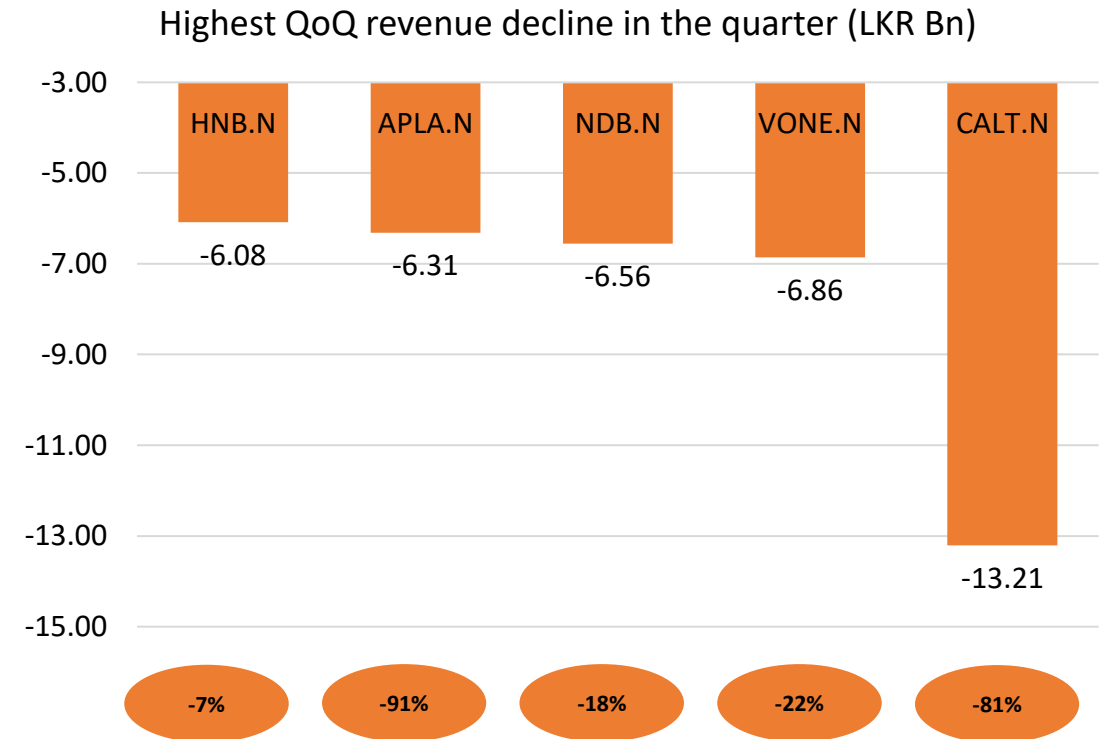
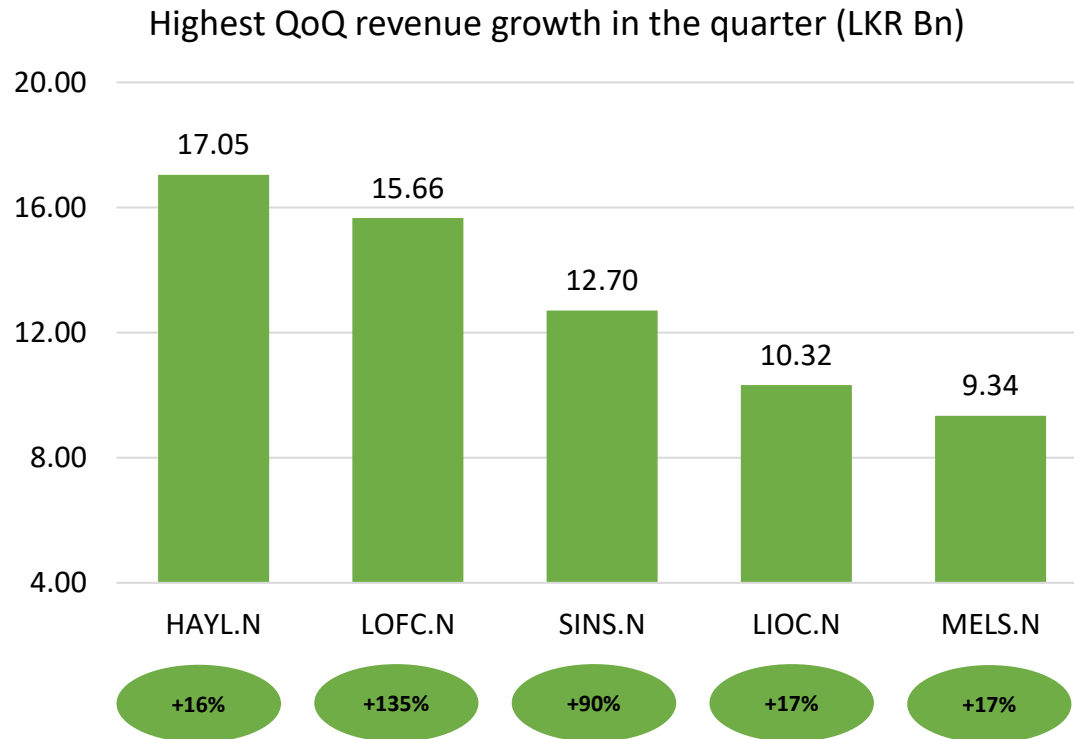
Source: Company reports, Ambeon estimates

## Overall revenue growth (YoY) – top 5 positive and negative contributors



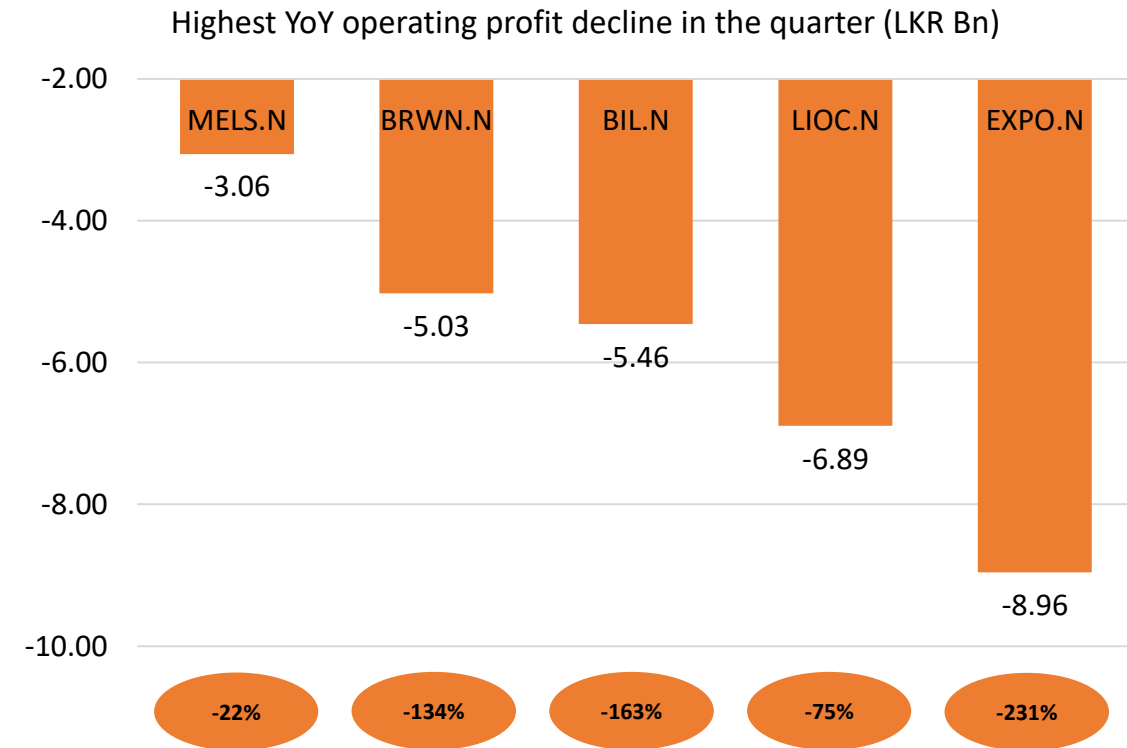
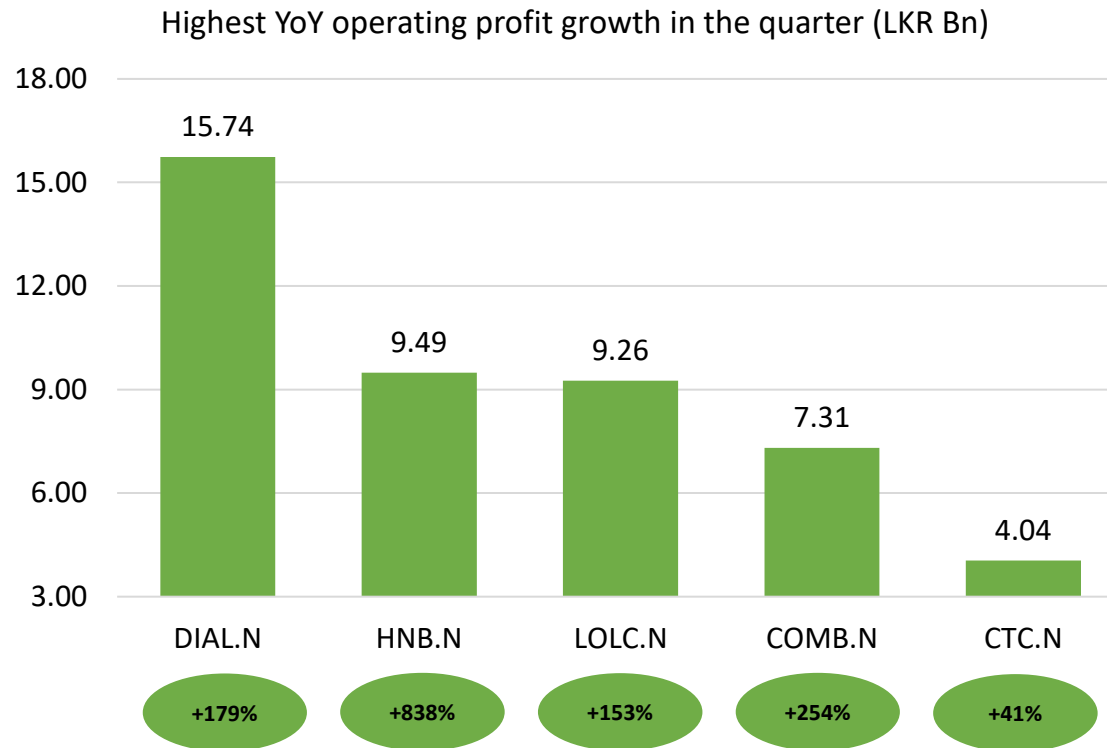
The consumer goods counters have recorded strong YoY revenue growth, indicating a positive signal for the recovery in consumer demand. On the contrary, EXPO suffered adverse demand conditions in the logistics segment.

## Overall revenue growth (QoQ) – top 5 positive and negative contributors



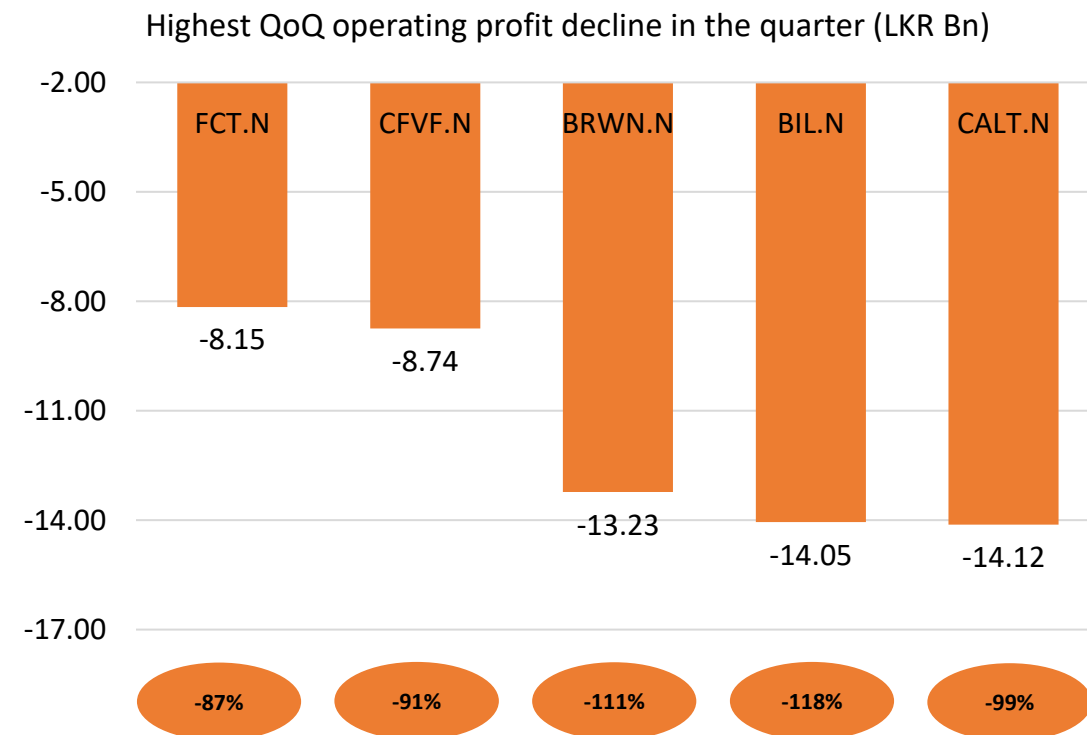
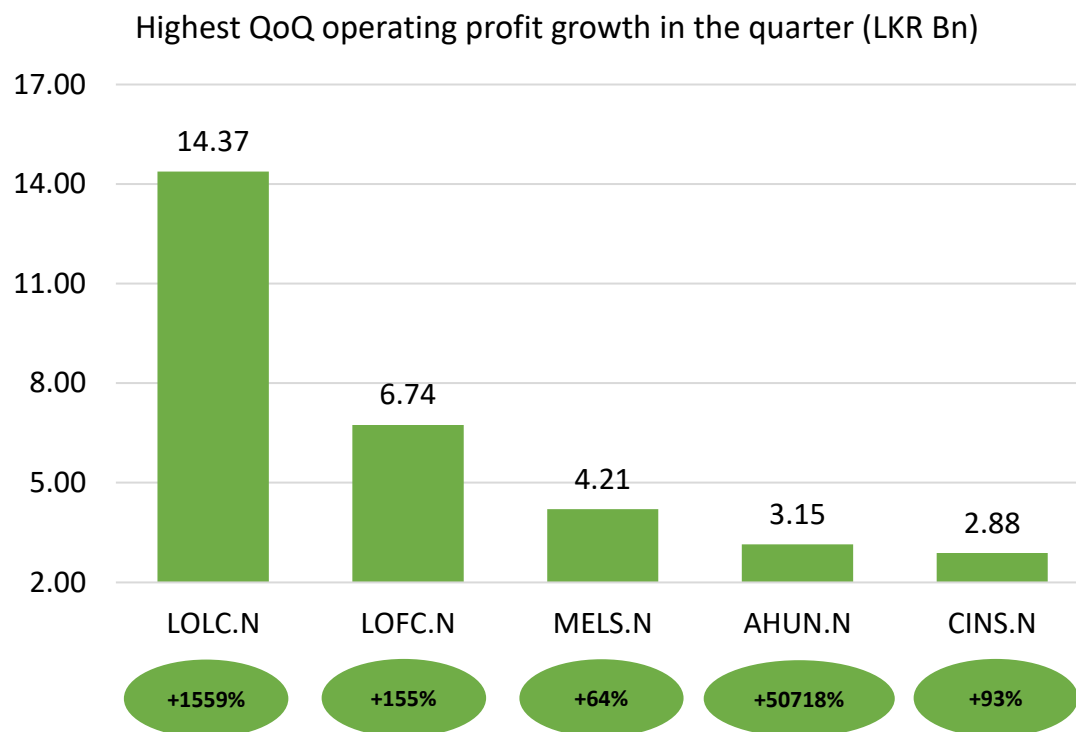
HAYL recorded a strong QoQ revenue growth in the consumer retail segment which drove its overall QoQ revenue growth. CALT revenues declined on a QoQ basis in Dec 23 due to the absence of gains from financial assets that were previously recorded in the Sep 23 quarter.

## Overall operating profit growth (YoY) – top 5 positive and negative contributors



DIAL's YoY growth in operating profit is attributable to a significant decline in administrative expenses. EXPO's YoY operating profits declined on the back of lower freight rates and volumes of the logistics sector.

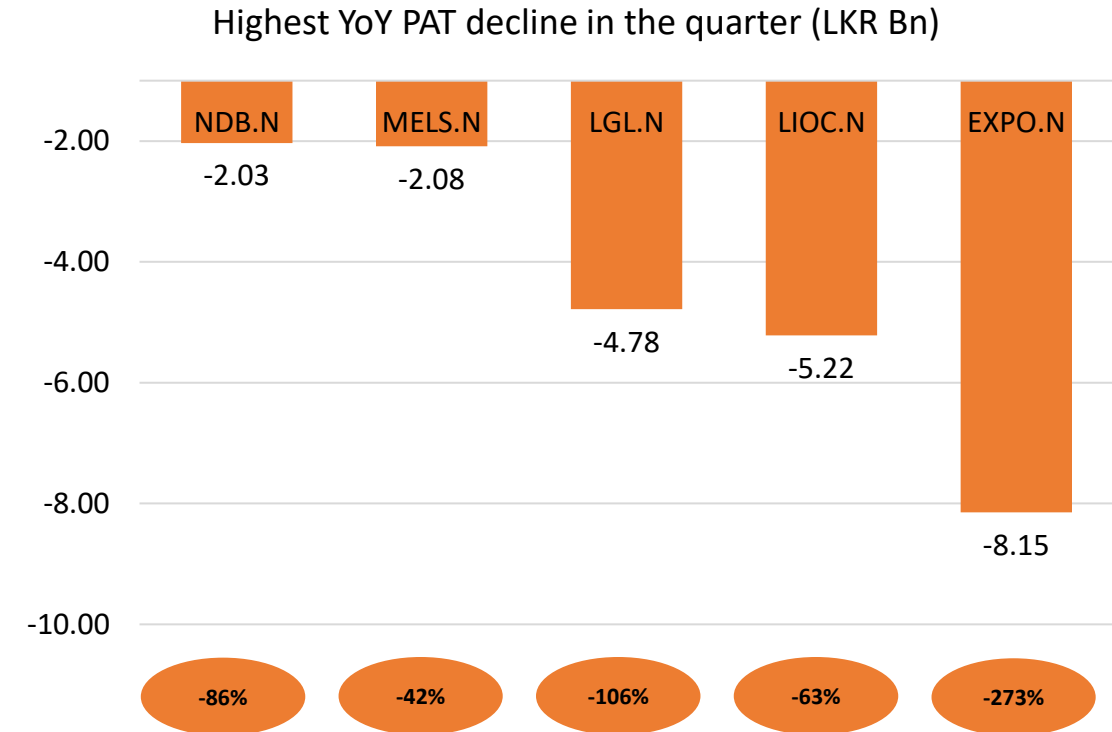
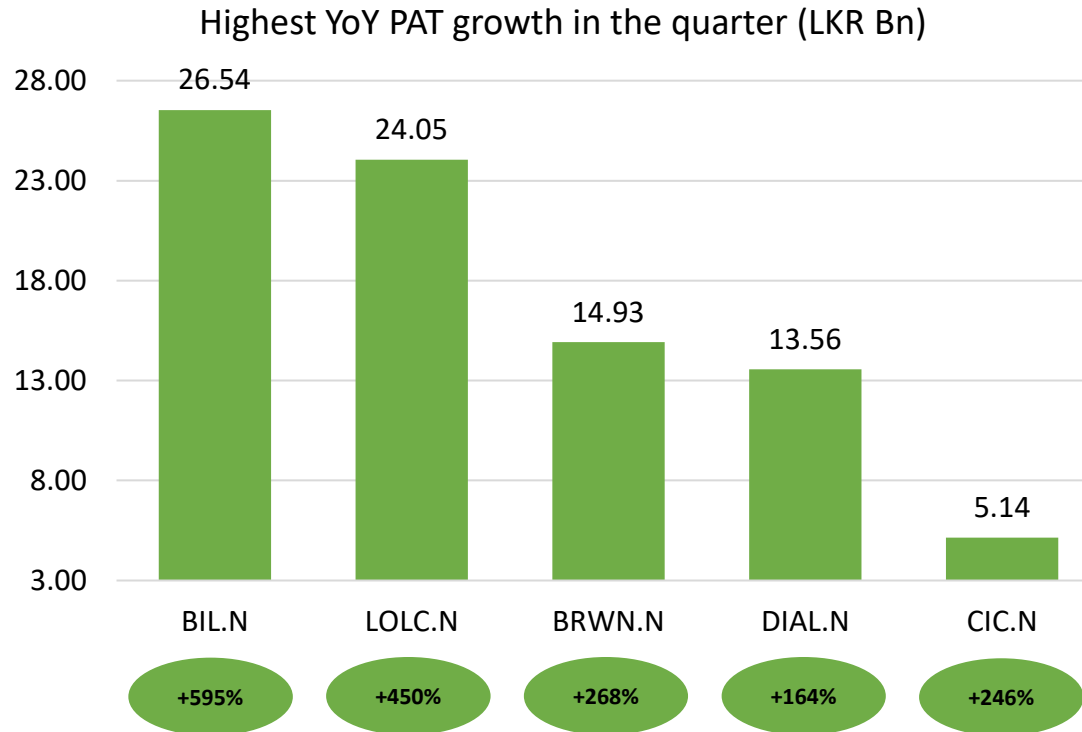
## Overall operating profit growth (QoQ) – top 5 positive and negative contributors



LOLC's significant QoQ growth in operating profits is mainly attributable to the decline in impairments, decline in other operating expenses, and growth in other income. CALT's QoQ decline in operating profits is attributable to the absence of gains from financial assets that were previously recorded in the Sep 23 quarter

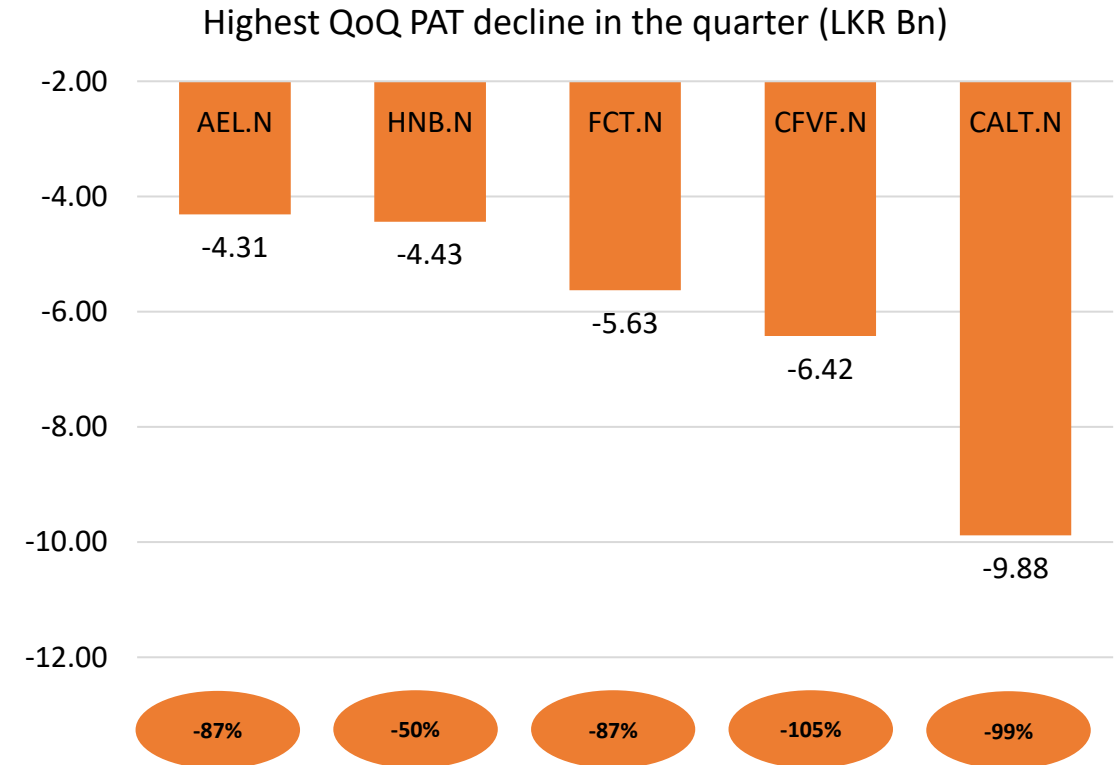
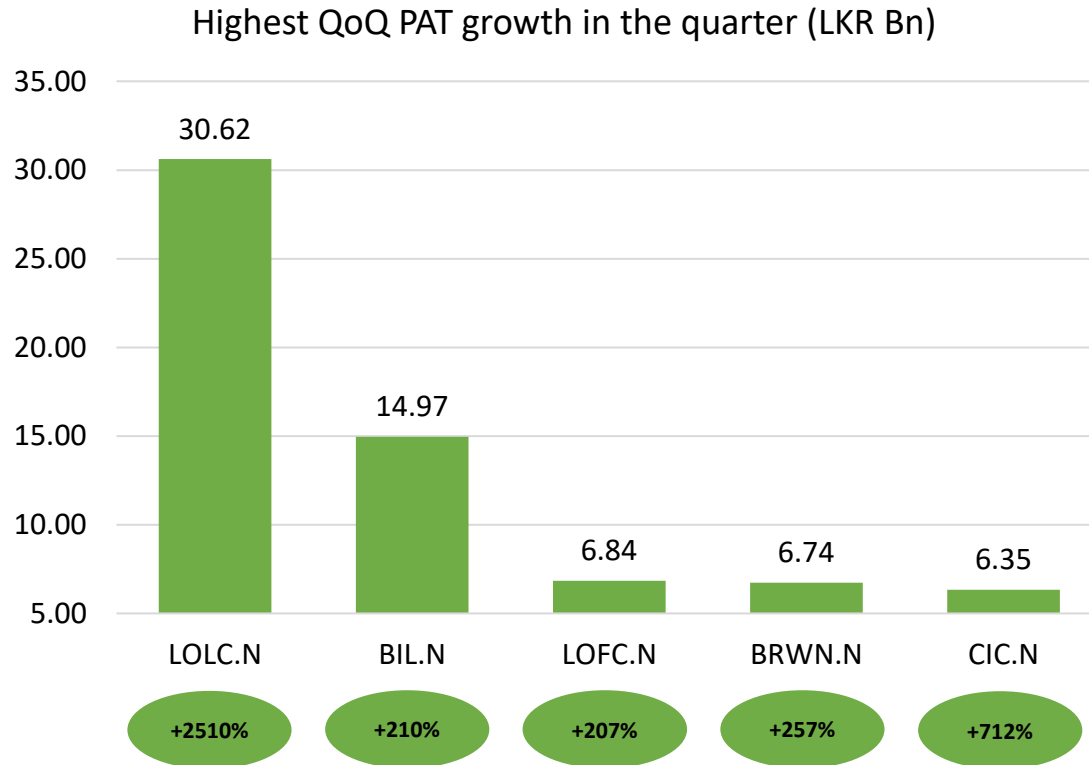


## Overall PAT growth (YoY) – top 5 positive and negative contributors



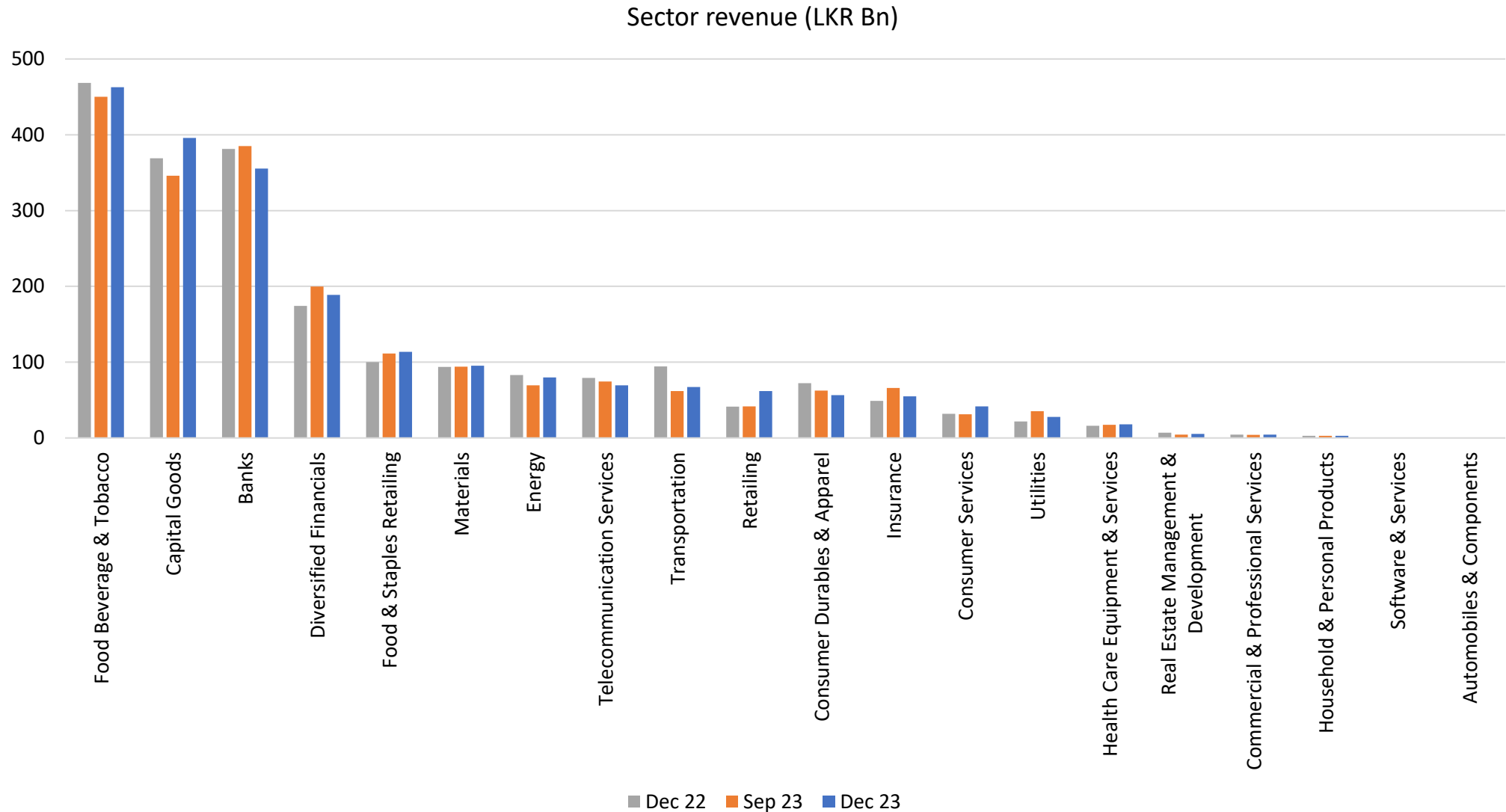
BIL's significant growth in PAT YoY is mainly attributable to an LKR 29.6Bn gain on bargain purchase on an acquisition of a tea plantation company in Kenya. EXPO's PAT declined on the back of lower freight rates and volumes of the logistics sector.

## Overall PAT growth (QoQ) – top 5 positive and negative contributors



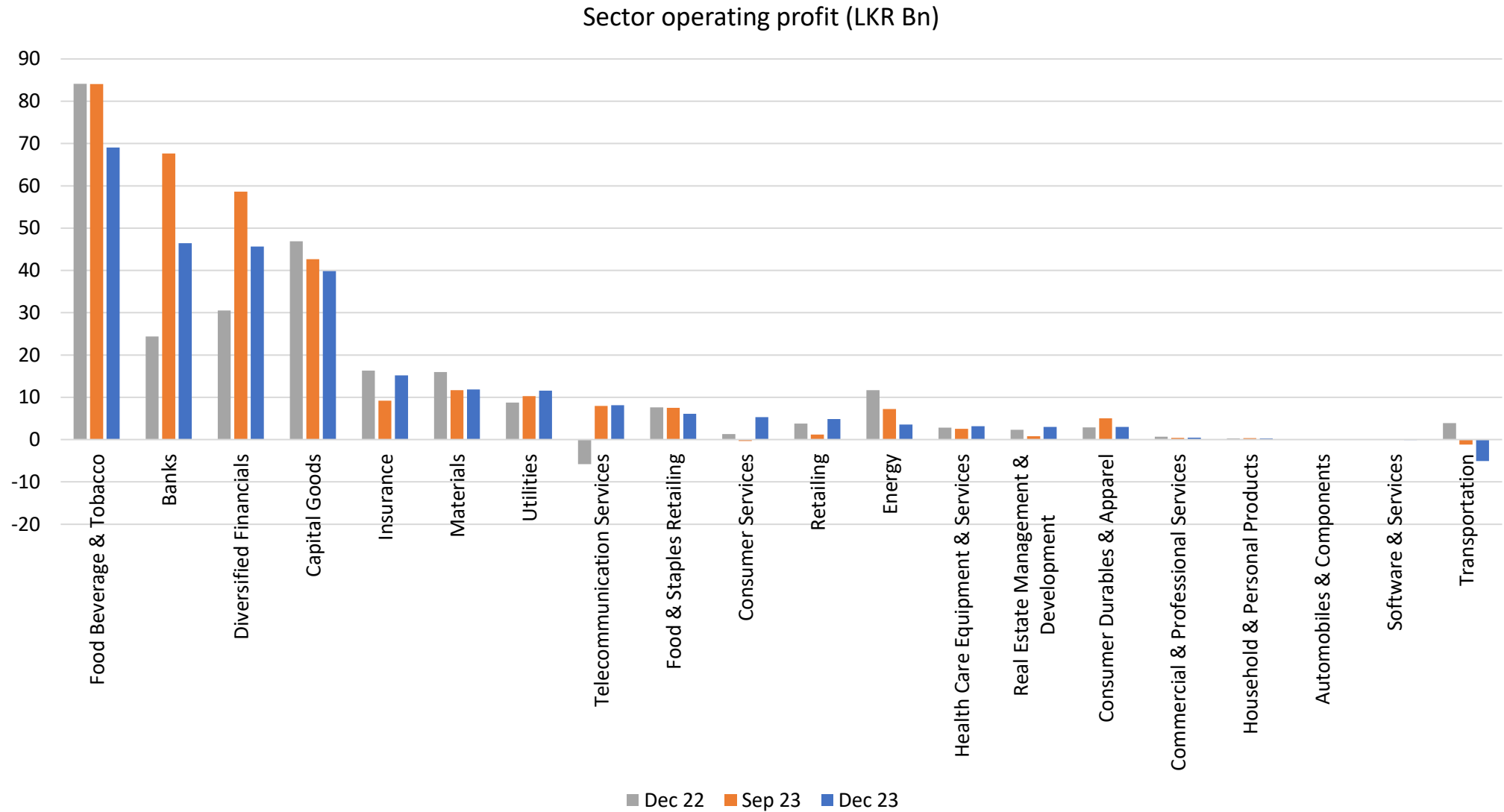
LOLC's significant growth in PAT QoQ is mainly attributable to an LKR 15.9 Bn gain on acquisition. CALT's QoQ decline in PAT is attributable to the absence of gains from financial assets that were previously recorded in the Sep 23 quarter

## Sector-wise revenues



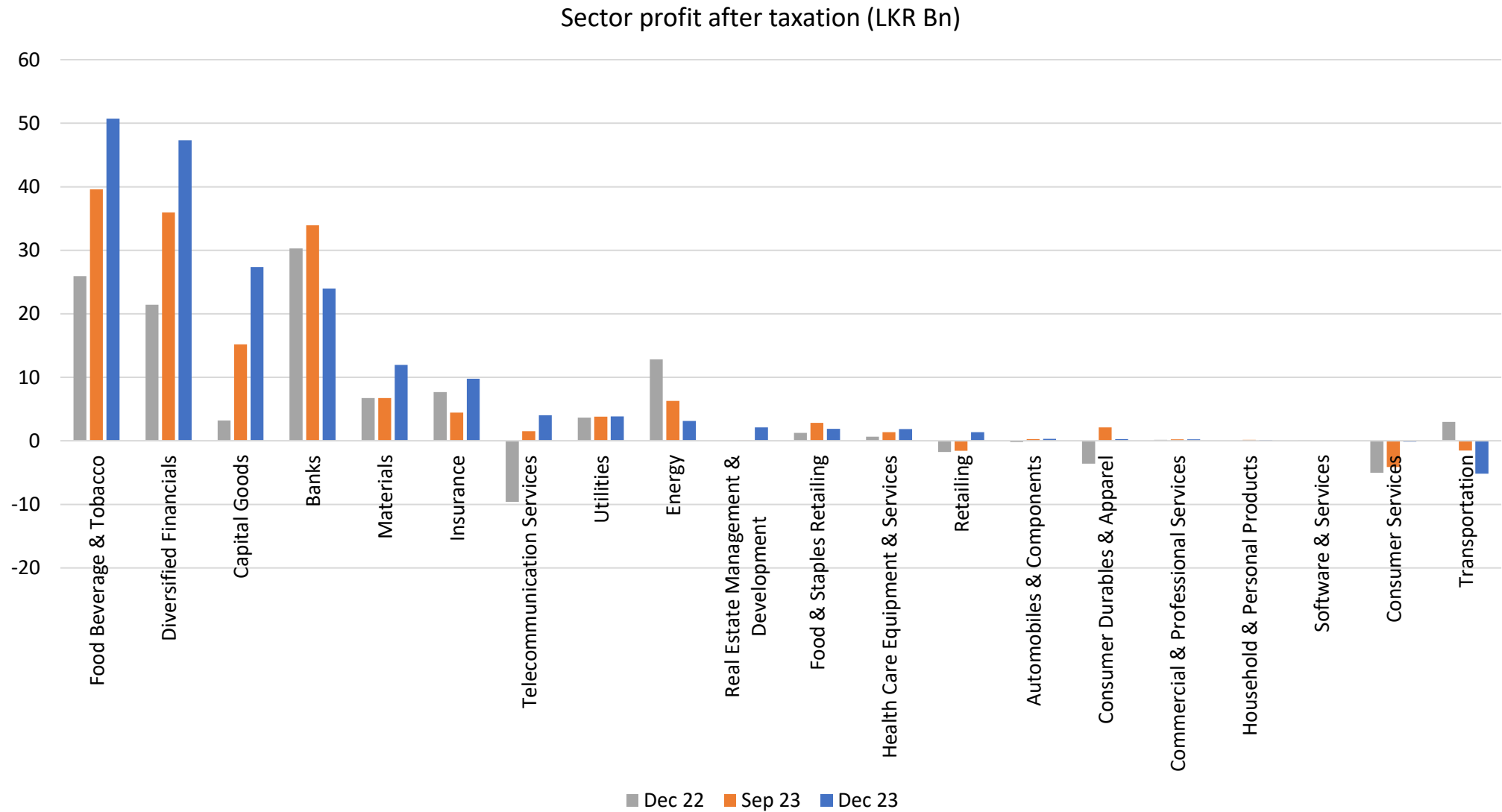
Source: Company reports, Ambeon estimates

## Sector-wise operating profits



Source: Company reports, Ambeon estimates

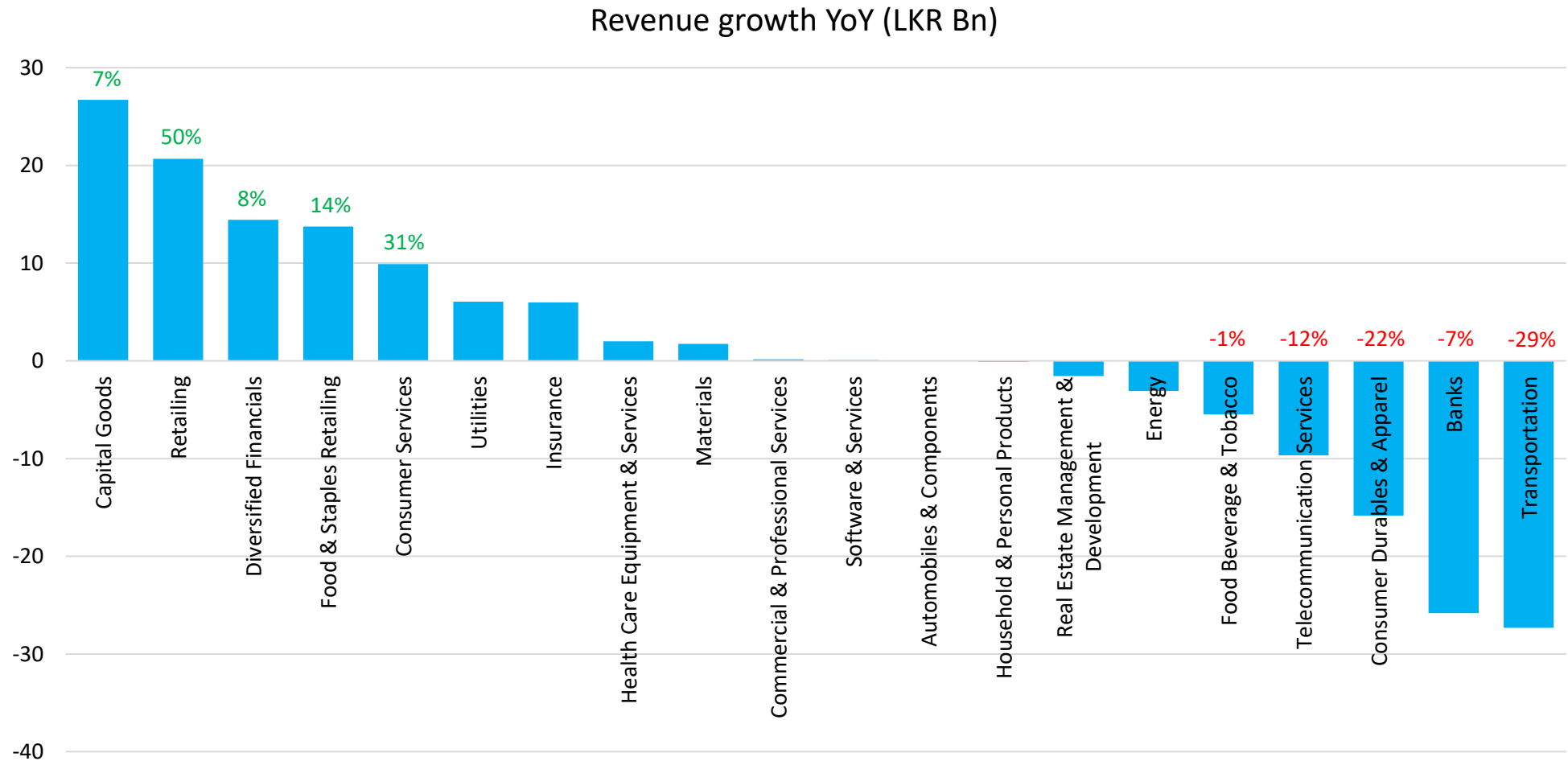
## Sector-wise PAT



Source: Company reports, Ambeon estimates

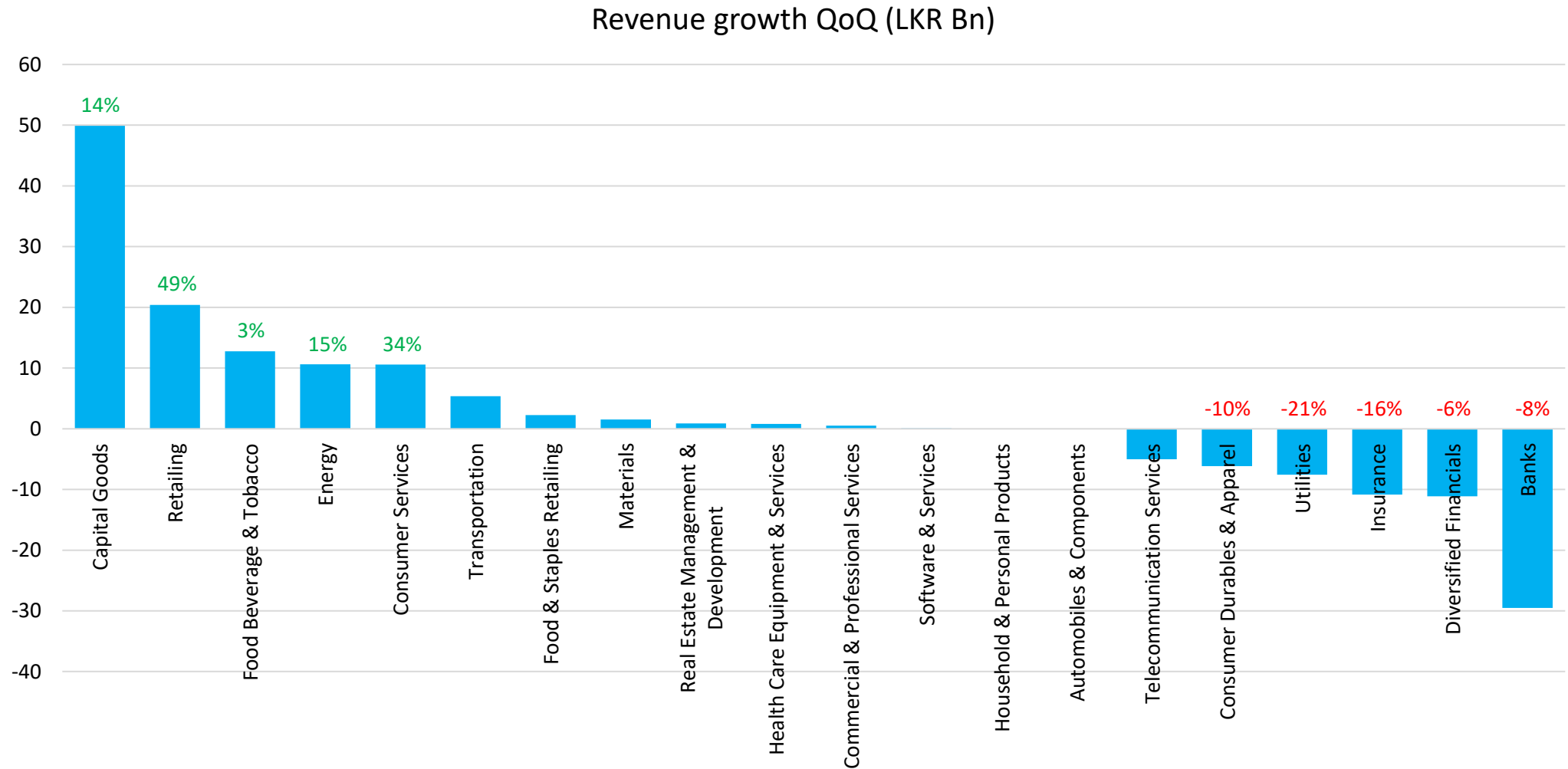


## Capital goods sector saw the largest YoY revenue growth while transportation sector saw the largest YoY decline



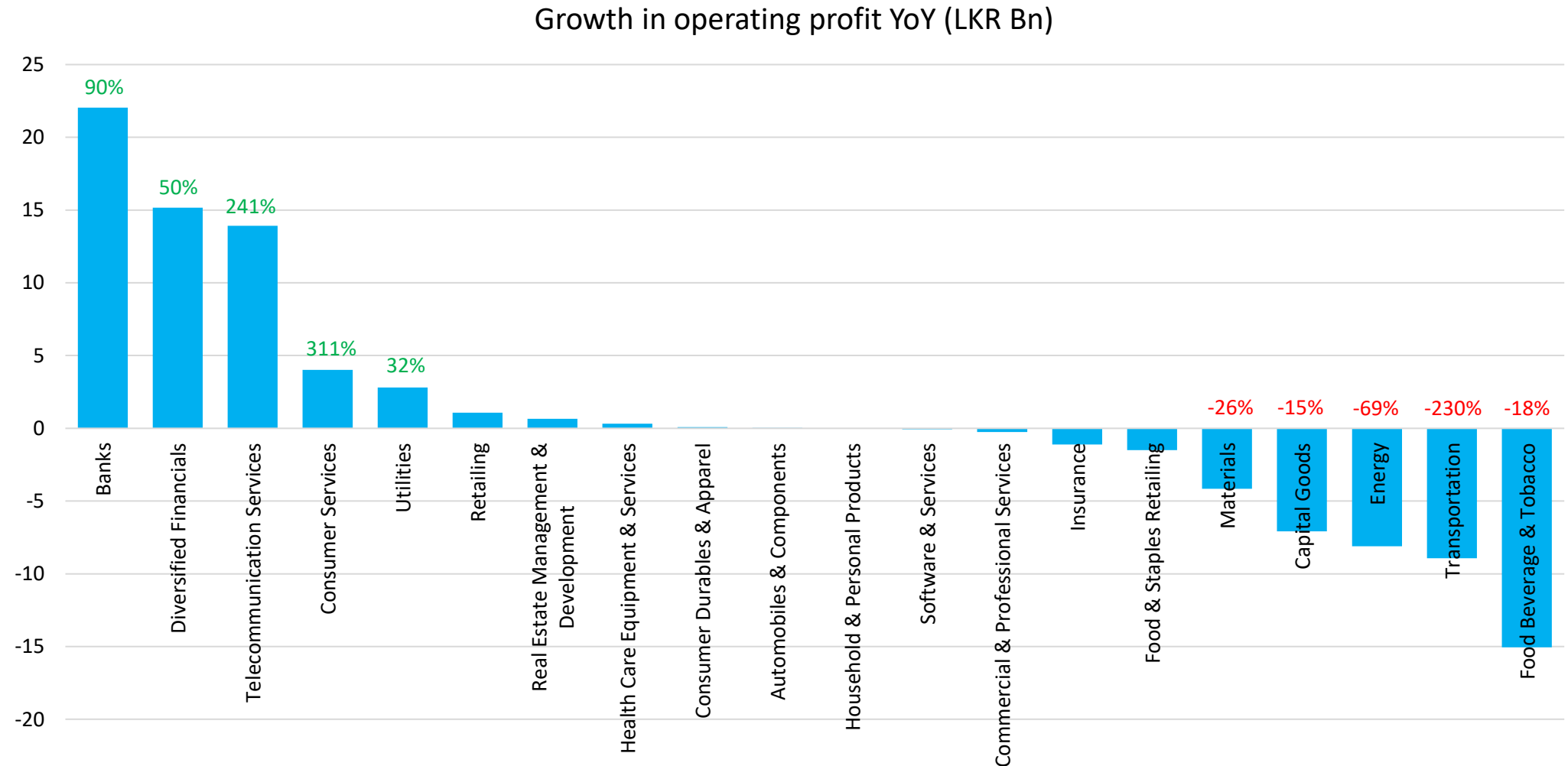
Source: Company reports, Ambeon estimates

## Capital goods sector saw the largest QoQ revenue growth while banking sector saw the largest QoQ decline



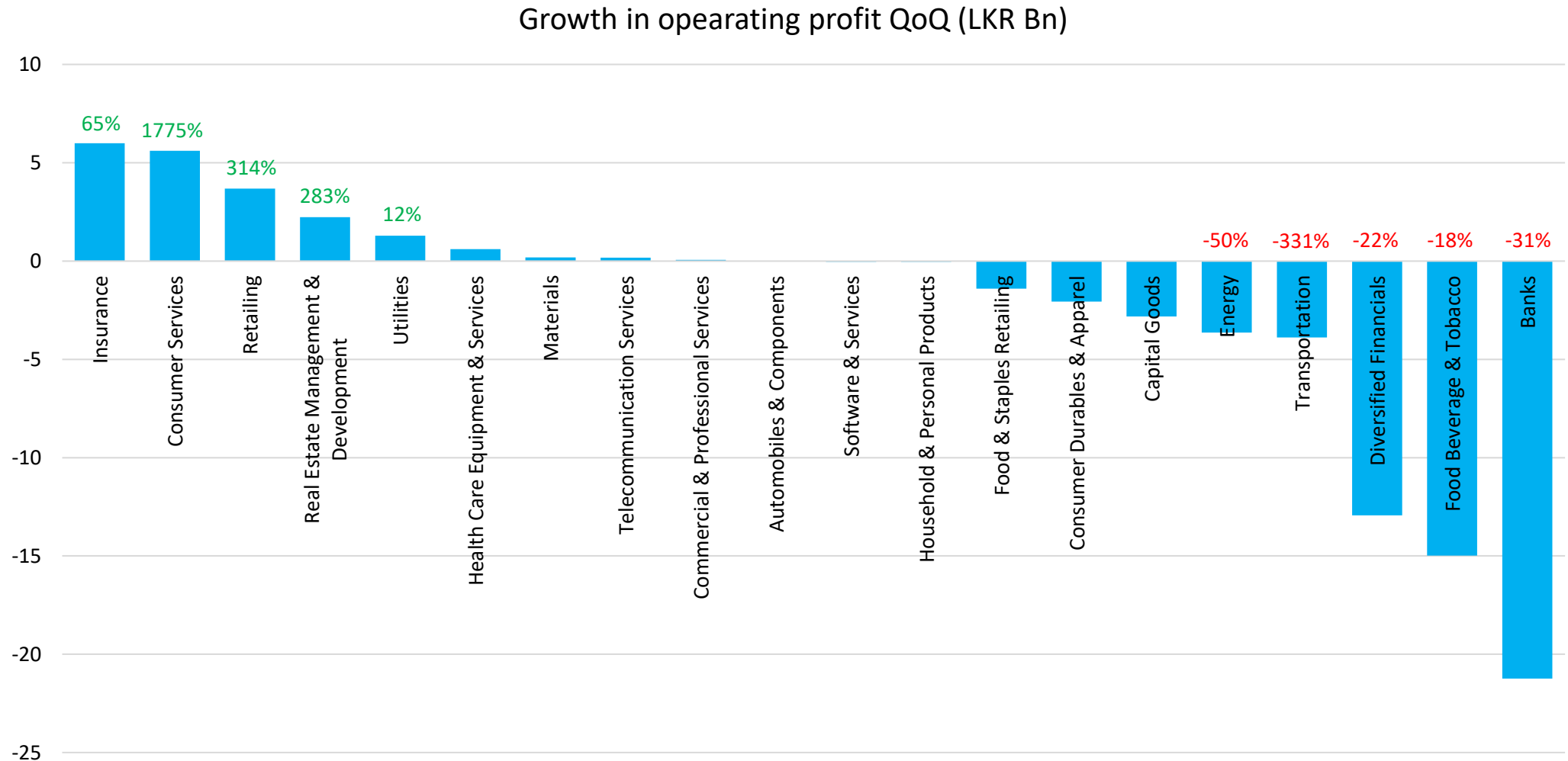
Source: Company reports, Ambeon estimates

## Banking sector saw the largest YoY operating profit growth while food, beverage and tobacco sector saw the largest YoY decline



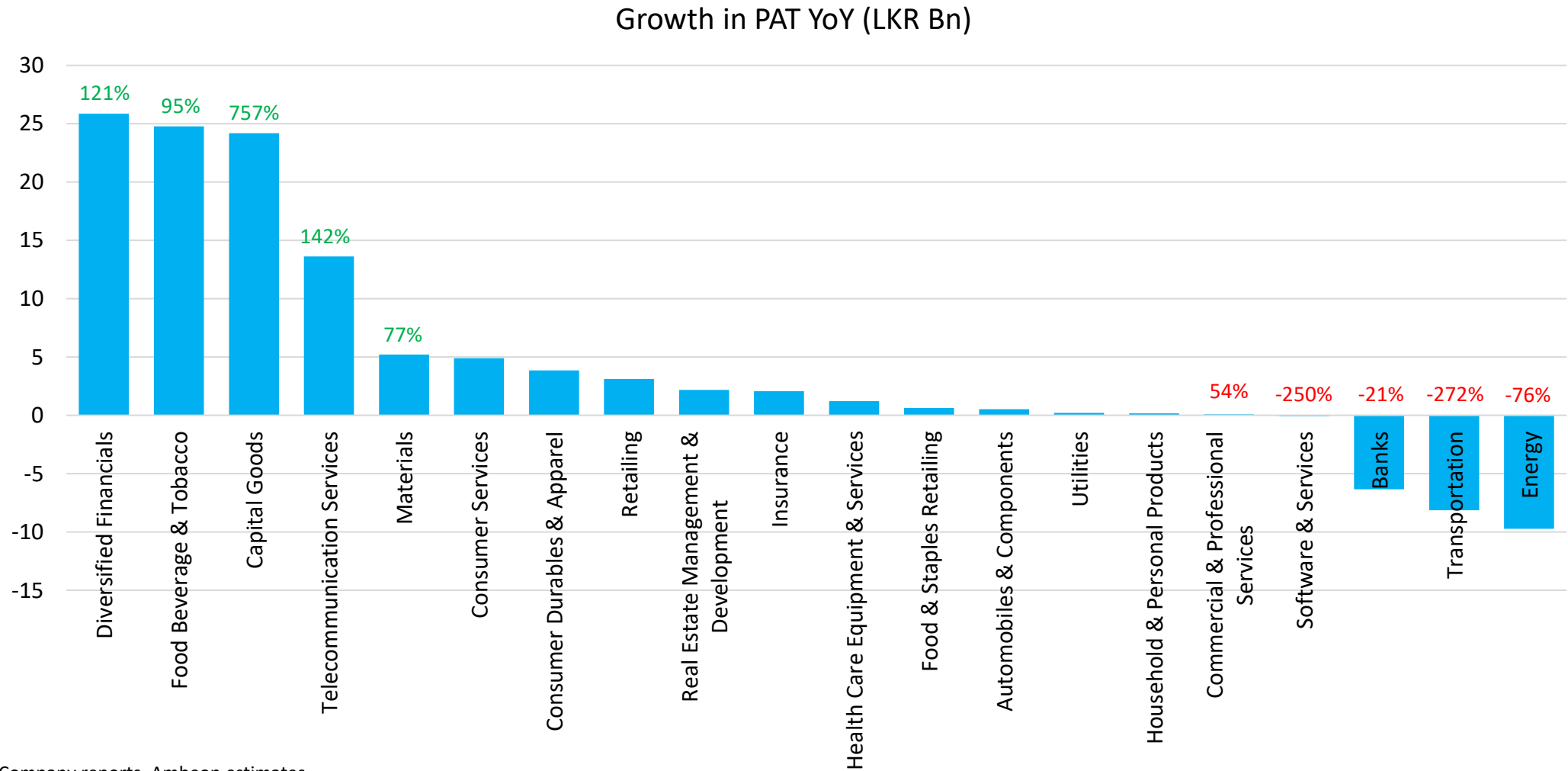
Source: Company reports, Ambeon estimates

## Insurance sector saw the largest QoQ operating profit growth while banking sector saw the largest QoQ decline



Source: Company reports, Ambeon estimates

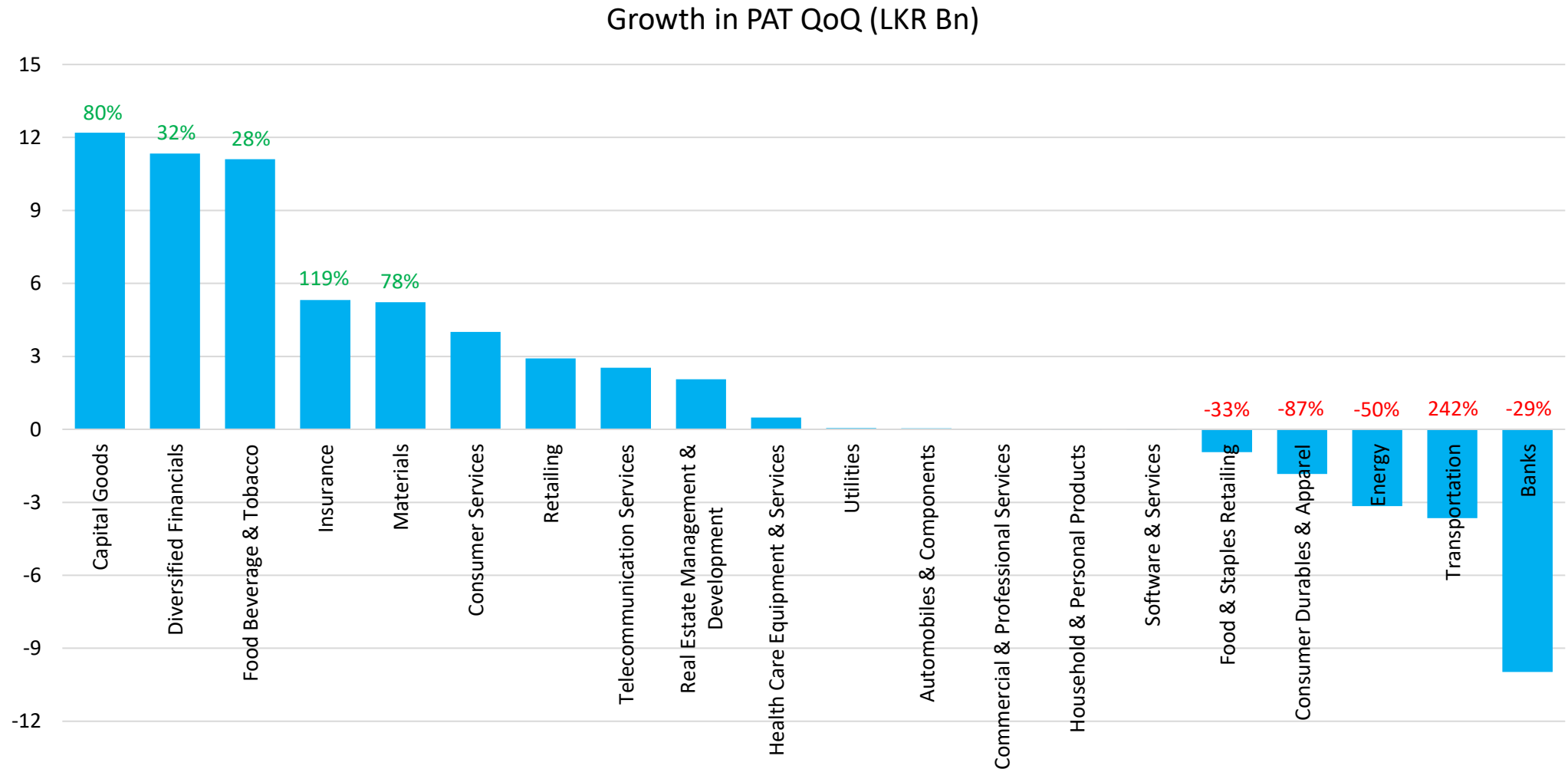
## Diversified financials saw the largest YoY PAT growth while energy sector saw the largest YoY decline



Source: Company reports, Ambeon estimates



## Capital goods sector saw the largest QoQ PAT growth while banking sector saw the largest QoQ decline

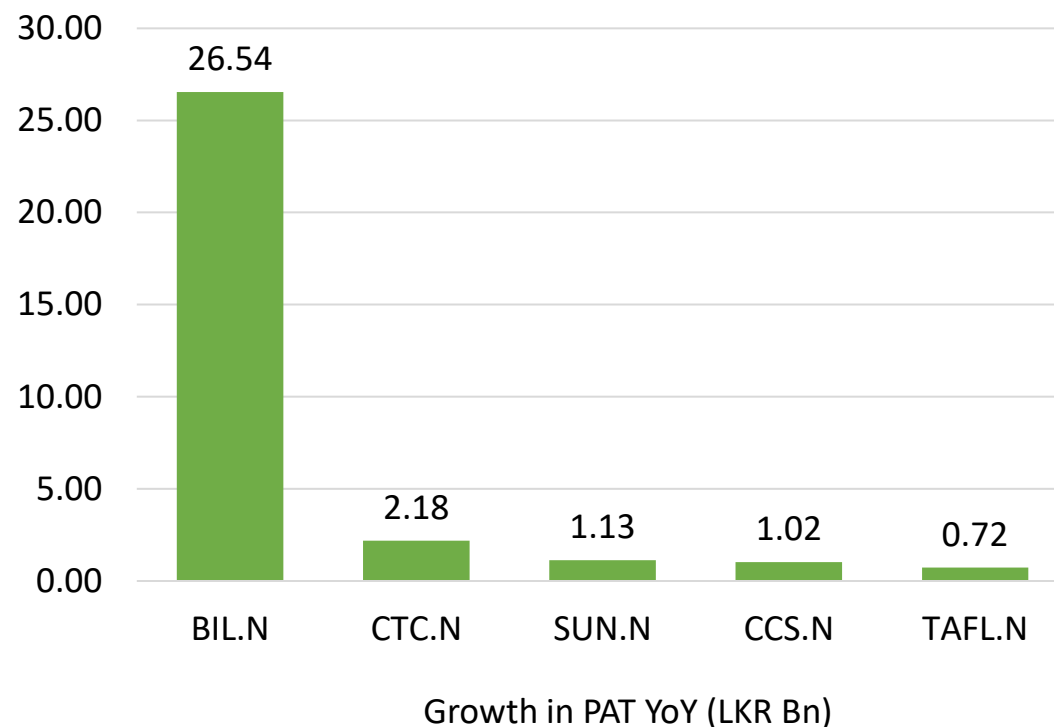


Source: Company reports, Ambeon estimates

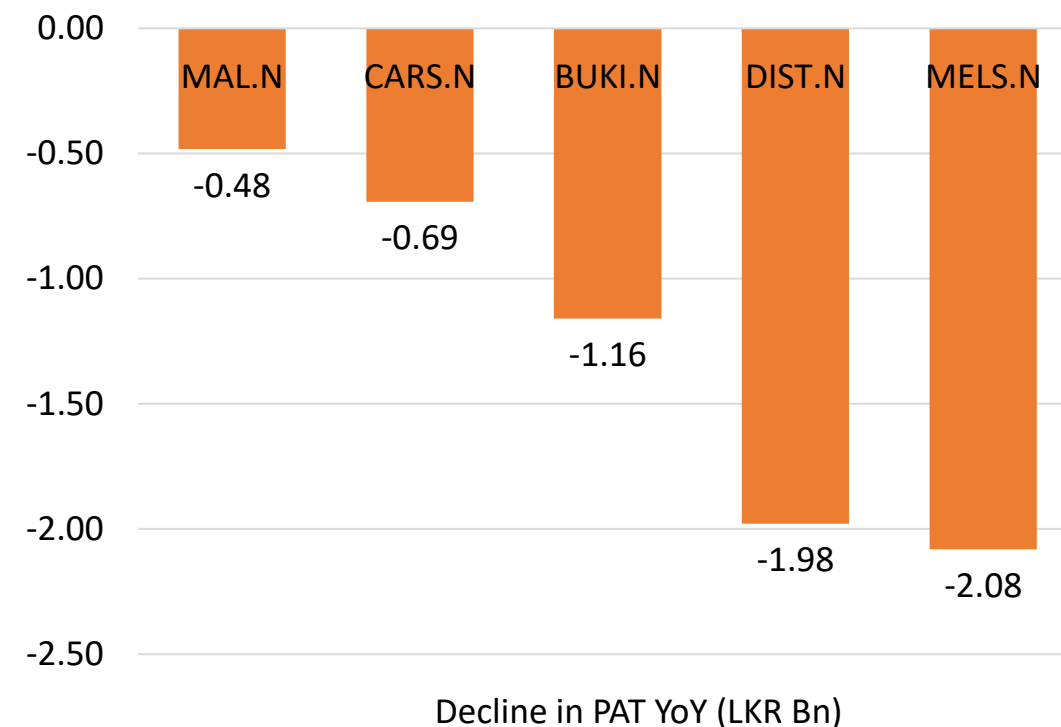
## Food and beverage sector profits – top 5 positive and negative contributors

Sector PAT YoY +95% QoQ +28%

Top 5 positive contributors to growth in PAT -  
Food Beverage & Tobacco Sector



Top 5 negative contributors to decline in PAT -  
Food Beverage & Tobacco Sector



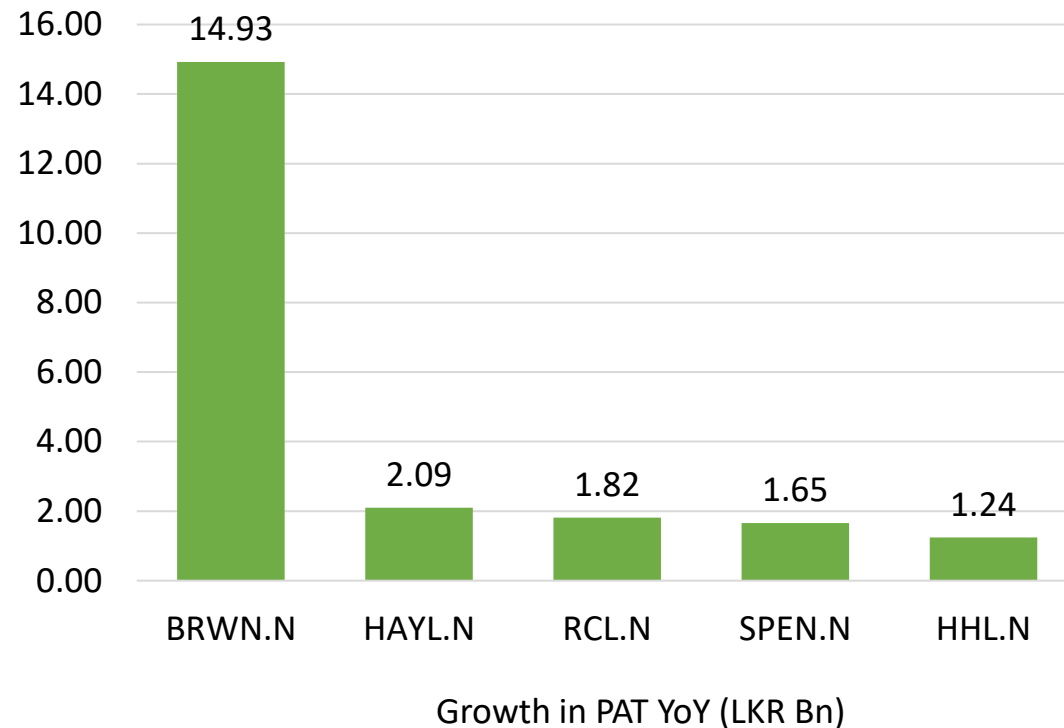
BIL's significant YoY growth PAT is mainly attributable to an LKR 29.6Bn gain on bargain purchase on an acquisition of a tea plantation company in Kenya. MELS experienced a YoY decline in PAT primarily due to a significant increase in excise duty that eroded its gross profit. DIST also saw an increase in direct taxes that eroded its YoY PAT.

Source: Company reports, Ambeon estimates

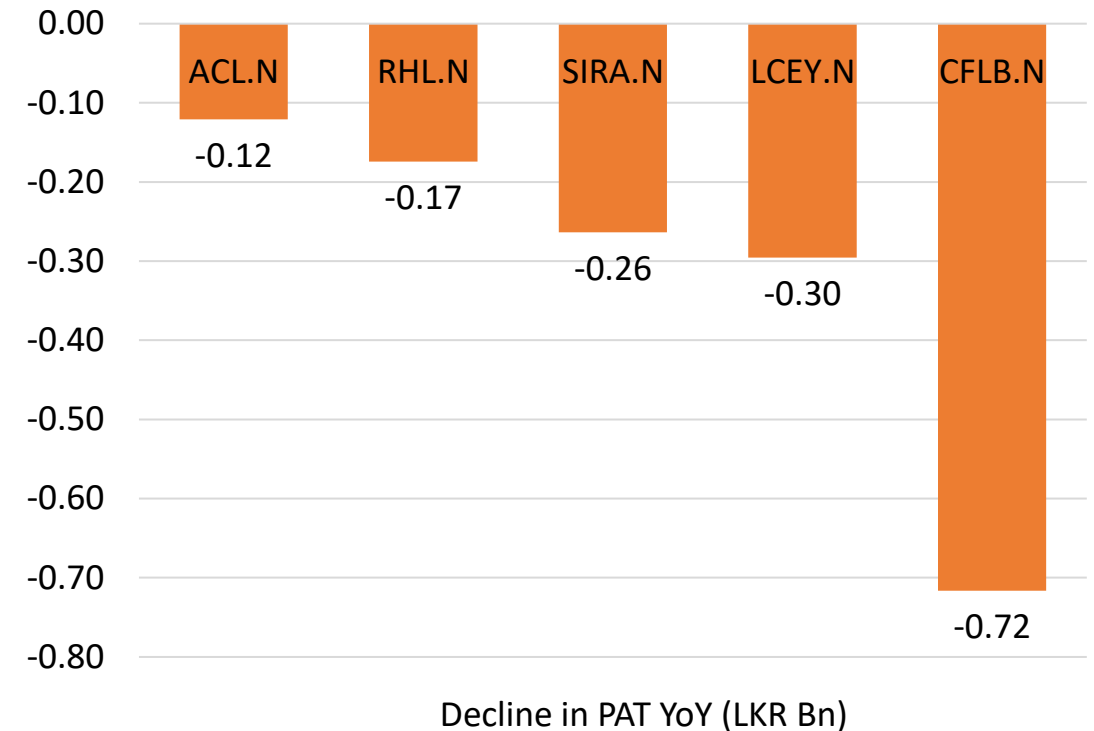
## Capital goods sector profits - top 5 positive and negative contributors

Sector PAT YoY +757% QoQ +80%

Top 5 positive contributors to growth in PAT -  
Capital Goods Sector



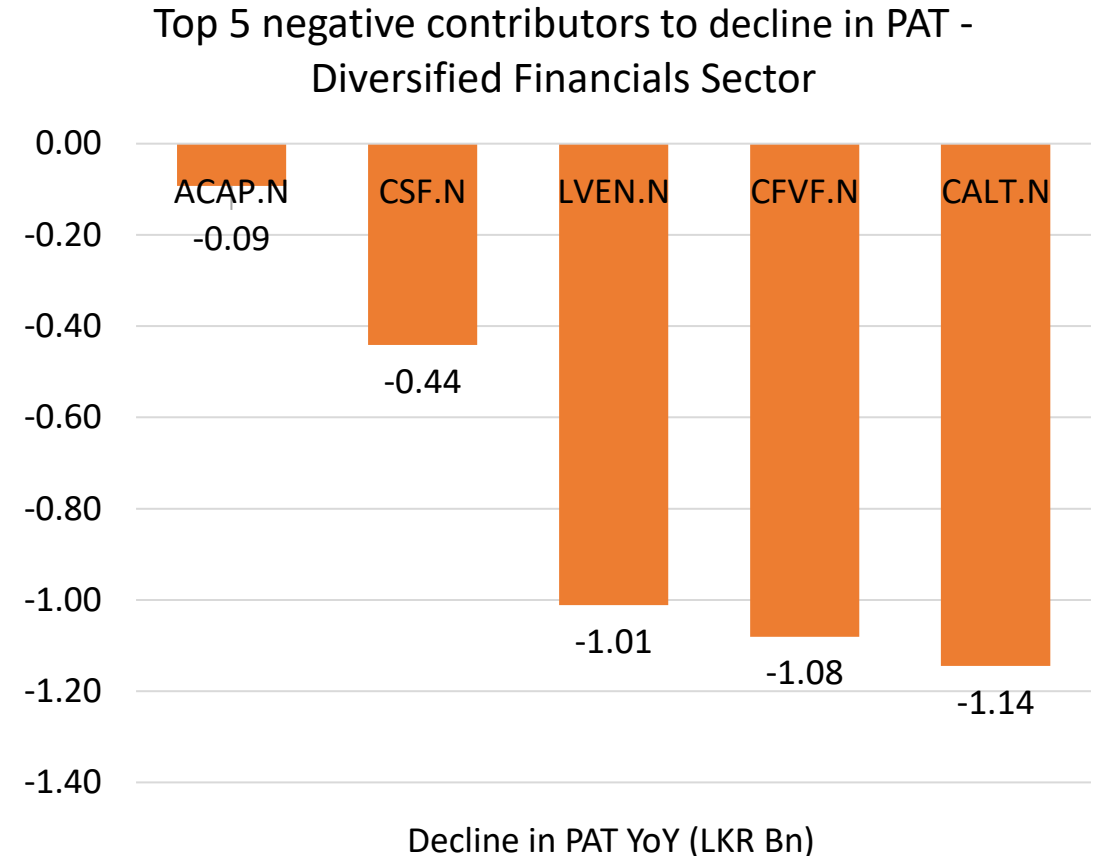
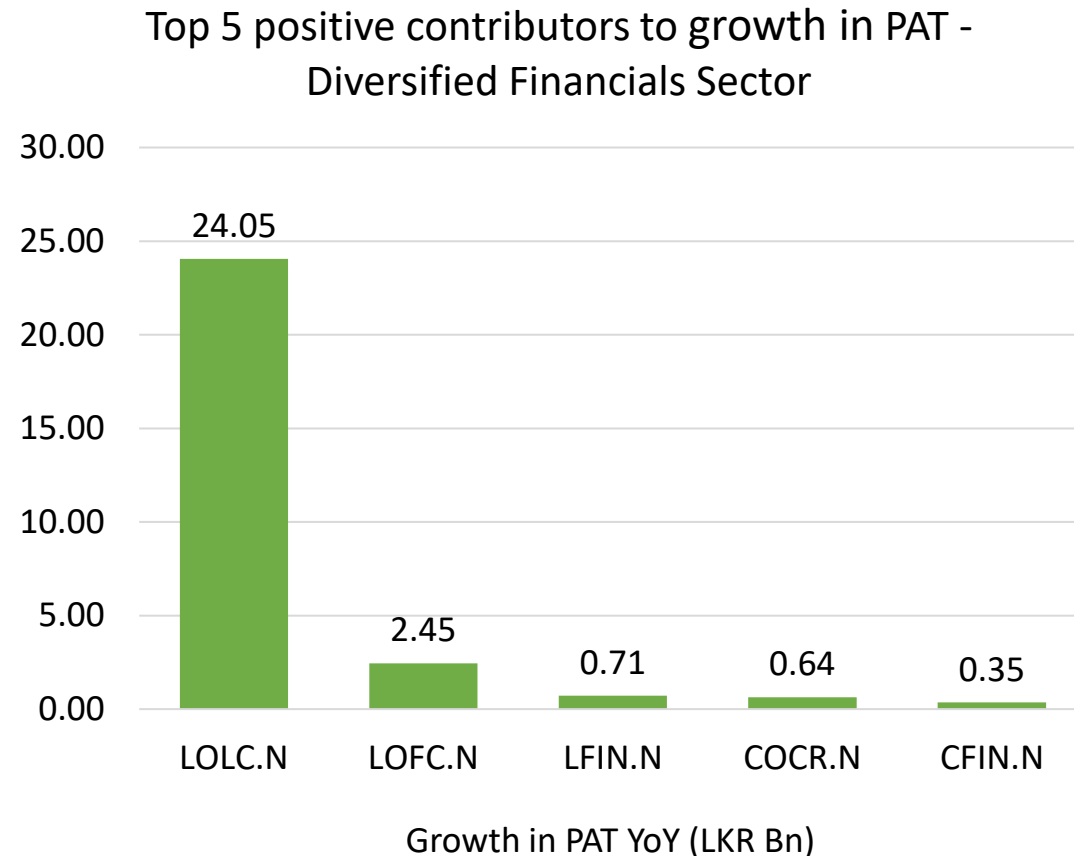
Top 5 negative contributors to decline in PAT -  
Capital Goods Sector



BRWN achieved substantial profit growth, largely driven by a gain of LKR 16.3Bn resulting from a bargain purchase upon acquiring a plantation company in Kenya. CFLB's profit decreased due to a decline in gross profit by LKR 1.2Bn.

## Diversified financials sector profits – top 5 positive and negative contributors

Sector PAT YoY +121% QoQ +32%

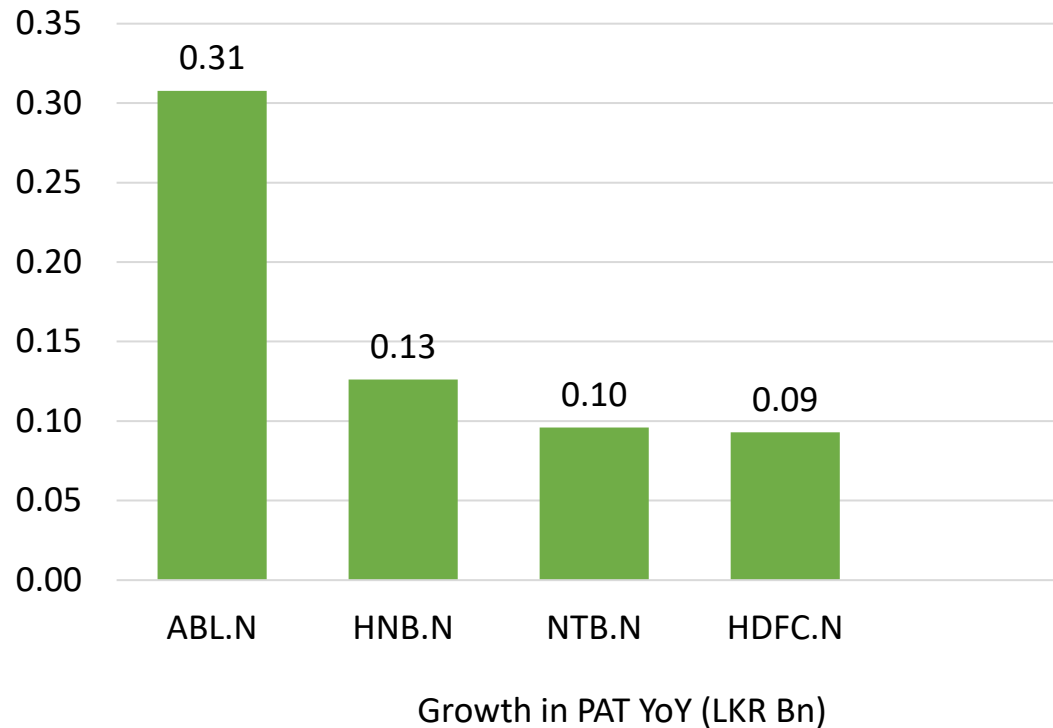


LOLC's significant growth in PAT YoY is mainly attributable to an LKR 15.9 Bn gain on acquisition. CALT's YoY decline in PAT is attributable to the higher personnel expenses recorded in Dec 23.

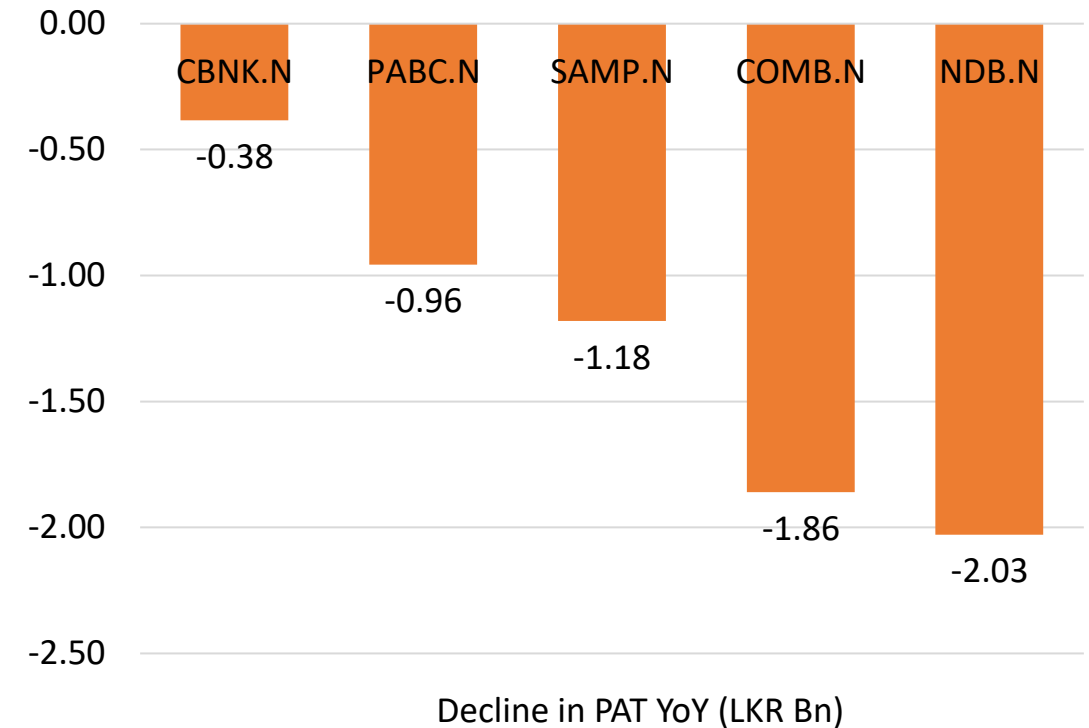
## Banking sector profits – top positive and negative contributors

Sector PAT YoY -21% QoQ -29%

Top 04 highest contributors to growth in PAT – Banking Sector



Top 05 lowest contributors to PAT – Banking Sector



ABL's increase in PAT is attributable to a rise in net trading income by LKR 370.7 Mn. The decline in NDB's PAT in Dec 23 is primarily due to the absence of income tax reversal that was previously recorded in Dec 22 quarter. Overall, banks saw a growth in operating profits due to the decline in impairments. However, the absence of tax reversals that were previously available resulted in a decline in PAT.

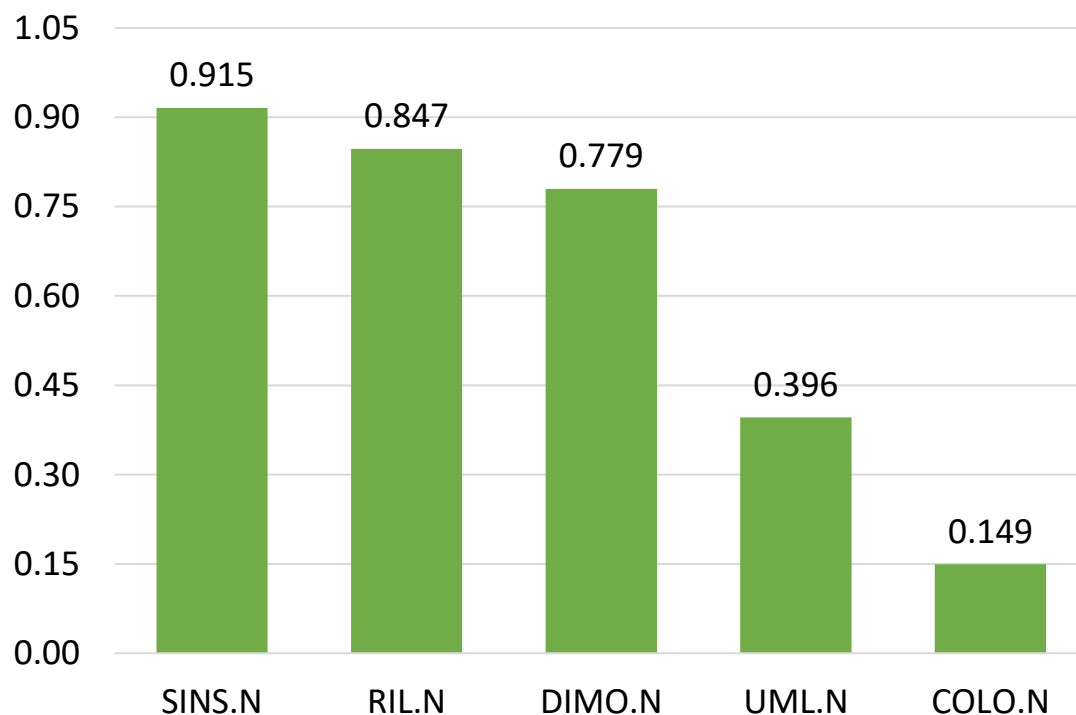
Source: Company reports, Ambeon estimates



## Retail sector profits – top 5 positive and negative contributors

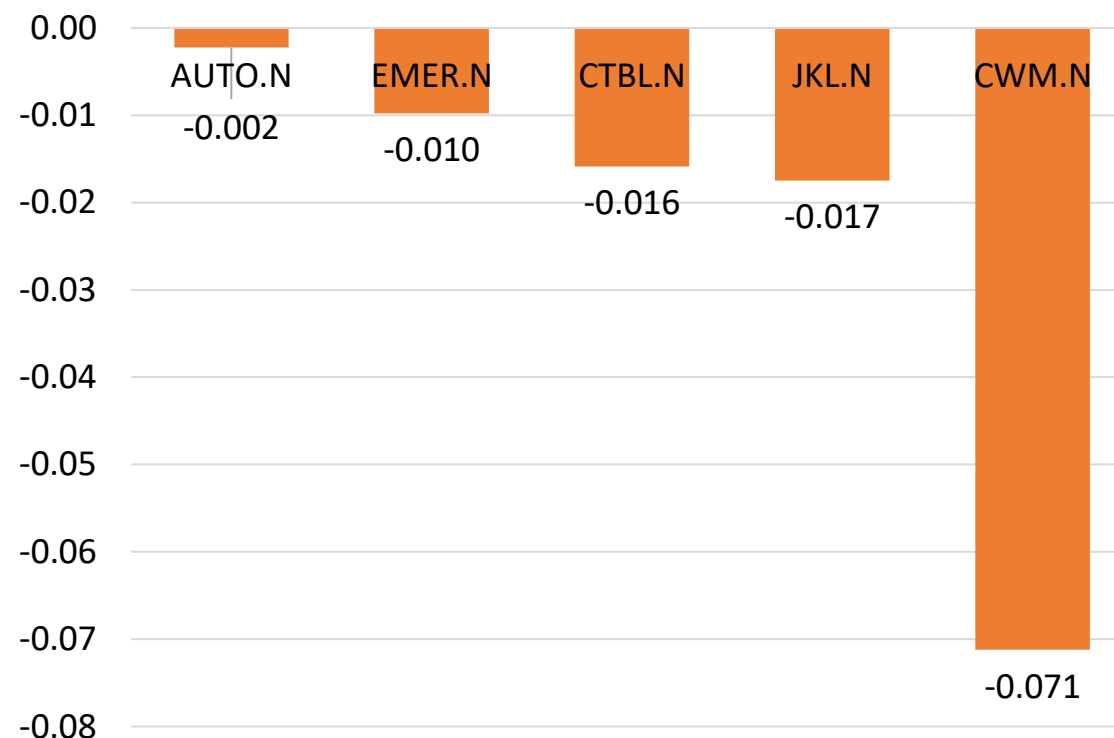
Sector PAT YoY +179% QoQ +189%

Top 5 positive contributors to PAT - Retail Sector



Growth in PAT (LKR Bn)

Top 5 negative contributors to PAT - Retail Sector



Decline in PAT (LKR Bn)

SINS experienced a rise in profits attributed to a substantial increase in gross profit by LKR 1.5Bn and a reduction in finance costs by LKR 1Bn. CWM's profit dropped since revenue decreased significantly while the cost of sales increased notably, leading to lower gross profits.

Source: Company reports, Ambeon estimates

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