



QUARTERLY EARNINGS DIGEST | SEPTEMBER 2024

AMBEON
SECURITIES

Report date:
29.11.2024



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 Sep 2024

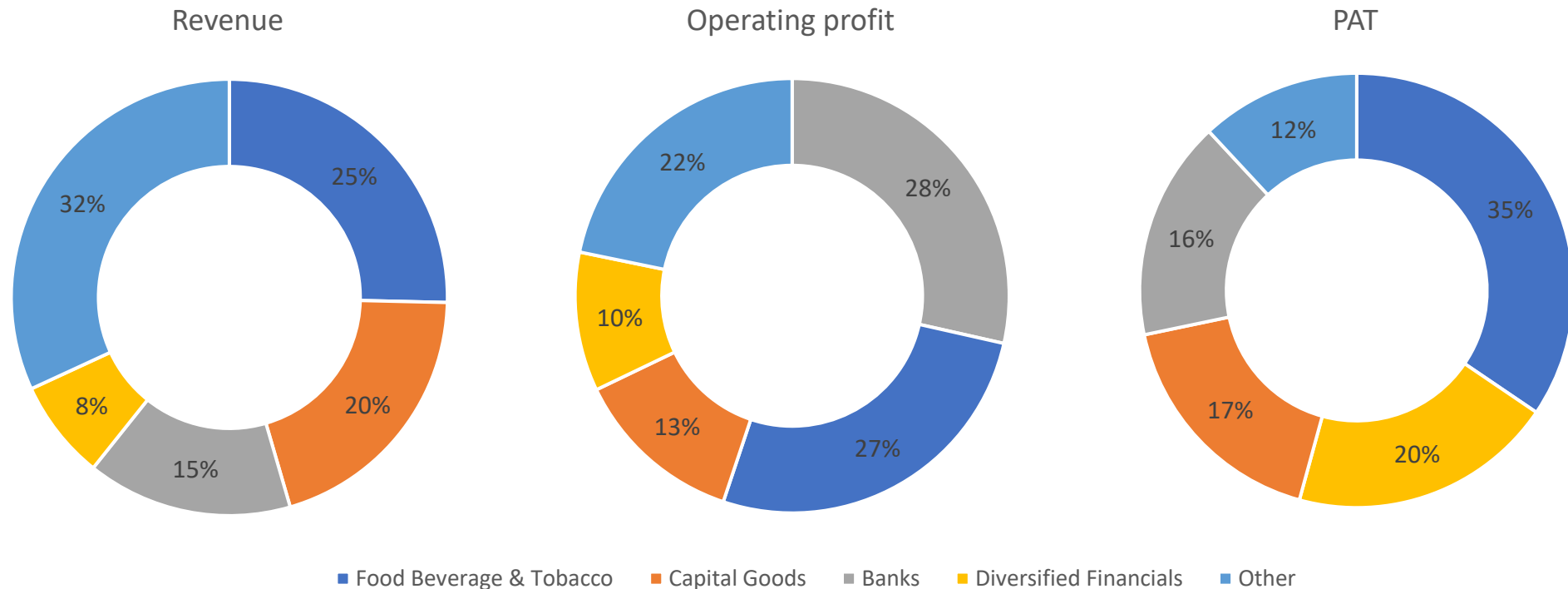
Overall revenue and profit growth

- All companies reported a YoY increase in revenues (+3.3%) and PAT (+62.9%) while operating profit recorded a decline (-10.8%).
- All companies recorded a QoQ increase in revenues (+5.0%), operating profits (+11.3%), and PAT (+126.4%).
- Food beverage and tobacco sector accounted for the largest share of revenues (25%) and PAT (35%) in Sep 24, while the banking sector held the largest share in operating profit (28%).
- BIL and LOLC were the top positive contributors to the YoY PAT growth while CALT and FCT were the top negative contributors.
- BIL, BRWN, and LOLC collectively recorded acquisition-related gains of LKR 110.93Bn, significantly contributing 48% to the overall PAT. Excluding these non-operating gains, the YoY PAT would reflect a decline of -15.43%, compared to a +62.91% growth when including the non-operating gain.

Sector-wise revenue and profit growth

- Food beverage and tobacco saw the largest YoY revenue growth (+13%) while banking sector saw the largest YoY decline (-21%) driven by lower interest rates. Capital goods sector saw the largest QoQ revenue growth (+11%) while banking sector saw the largest QoQ decline (-07%).
- Banking sector saw the largest YoY operating profit growth (+16%), and diversified financial sector saw the largest YoY decline in operating profits (-50%). Capital goods sector saw the largest QoQ operating profit growth (+29%) while energy sector saw the largest QoQ decline in operating profits (-44%).
- Food beverage and tobacco sector saw the largest YoY PAT growth (+102%) while energy sector saw the largest YoY decline in PAT (-65%). Food beverage and tobacco sector saw the largest QoQ PAT growth (+190%) while energy sector saw the largest QoQ decline in PAT (-45%).

Food Beverage & Tobacco sector accounted for the largest share of revenues, and profits in Sep 2024

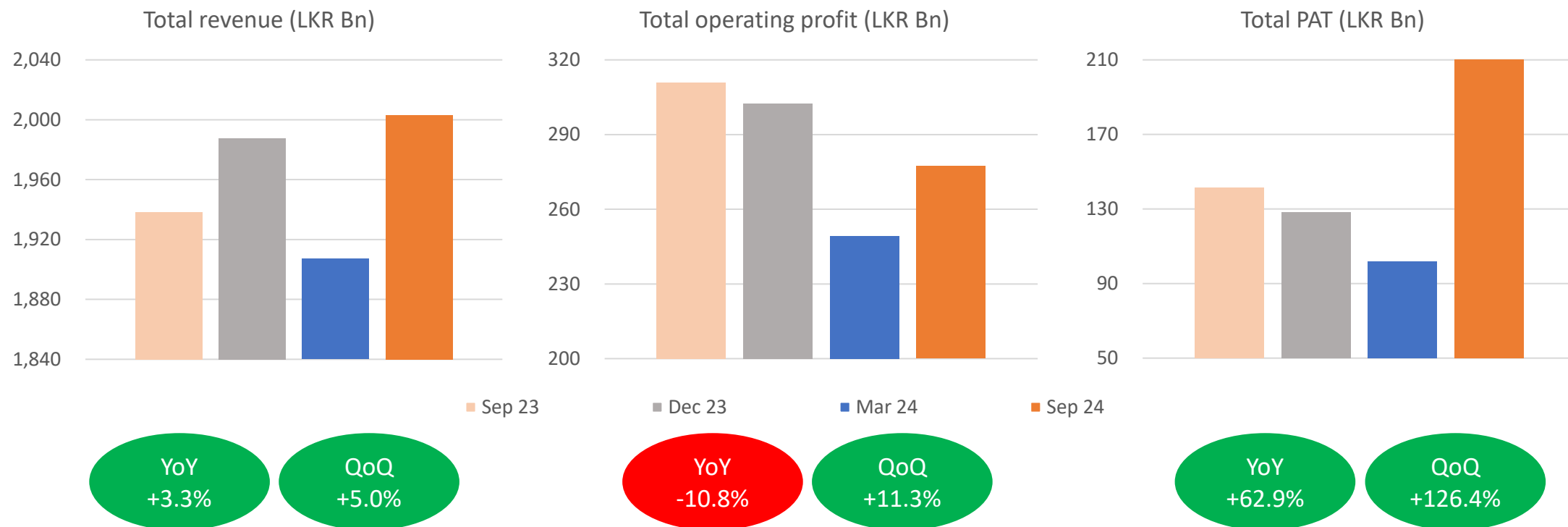


BUKI, CARS, and MELS were the primary contributors to revenue in the food beverage and tobacco segment, while BIL, CTC, and MELS drove profits in the segment.

In the capital goods segment, HAYL, JKH, and HHL emerged as the main revenue contributors.

In the banking sector, COMB, SAMP, and HNB led operating profit and also contributed to PAT.

Aggregate revenues and PAT for all companies indicated a YoY increase

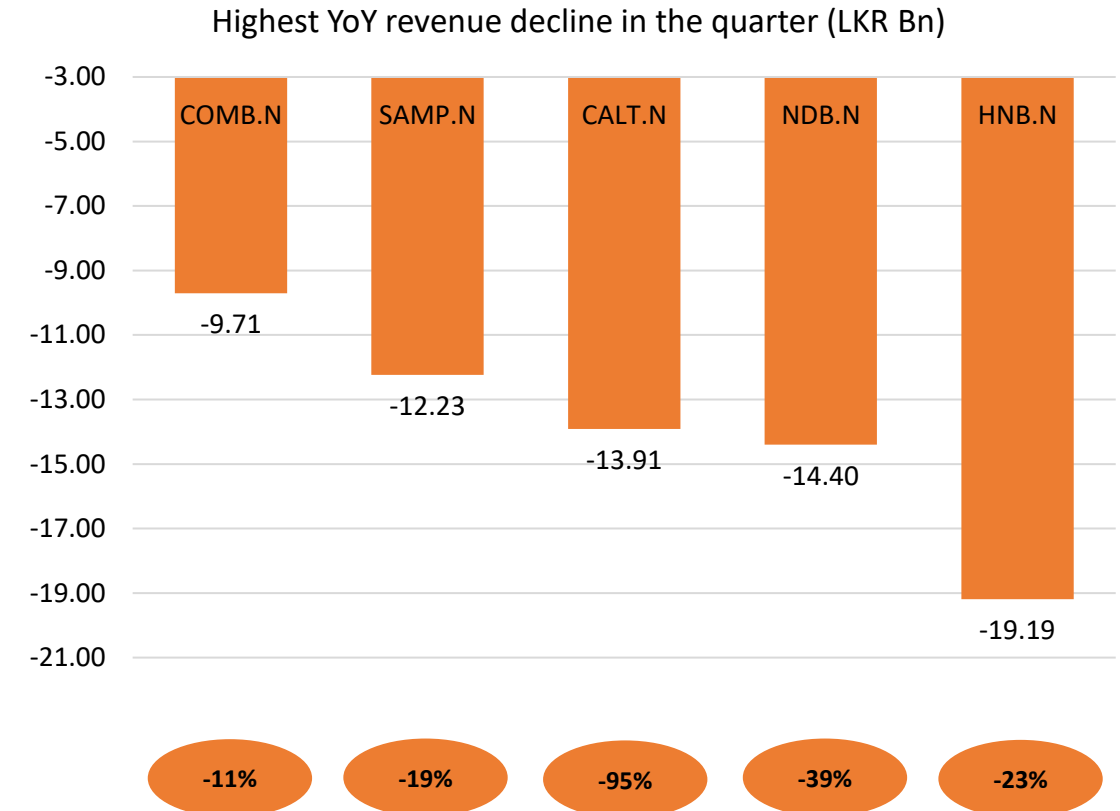
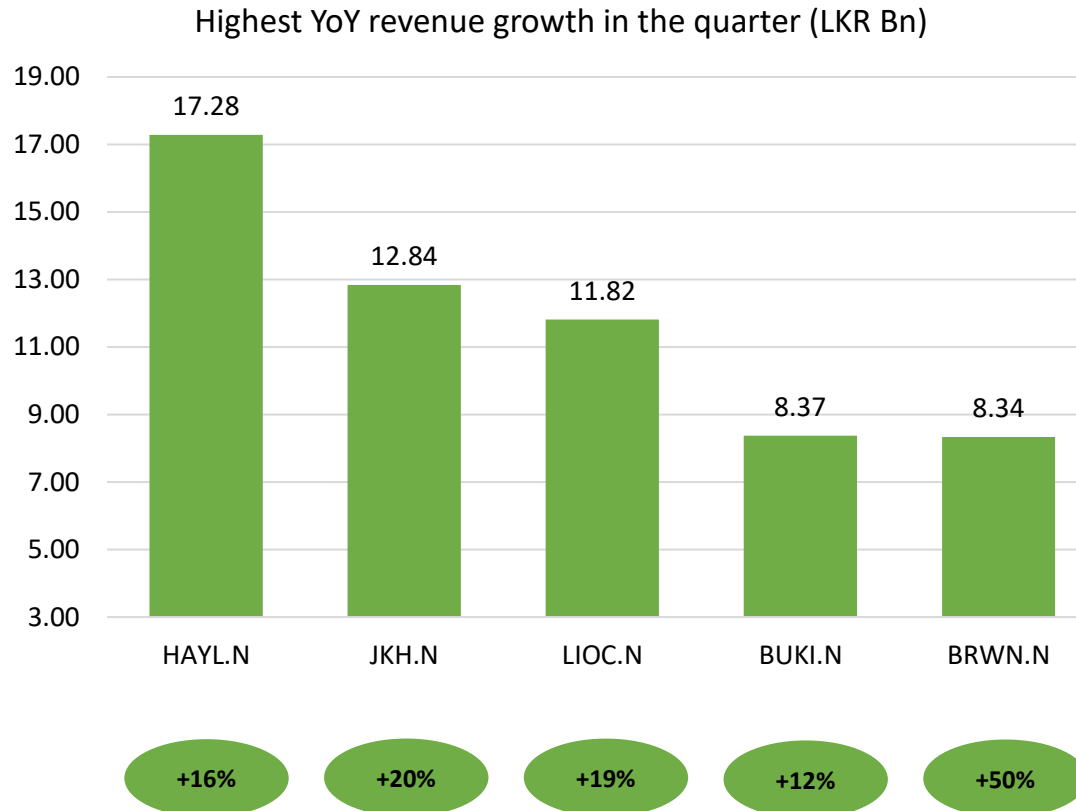


Notes:

1. MFL was delisted in the Sep 24 quarter.
2. Figures for past quarters have been adjusted for the delisting, providing a comparable basis.
3. The earnings for Sep 24 include earnings released up to 20th Nov 2024.
4. Sep 24 and Sep 23 data also include the newly listed PKME.
5. The largest growth/decline has been identified based on absolute terms, not based on percentages.
6. PAT reflects profit after tax for equity holders of the parent.
7. Revenues of banks, diversified financials and insurance companies reflect gross revenues.
8. YoY refers to year-on-year; QoQ refers to quarter-on-quarter.

Source: Company reports, Ambeon estimates

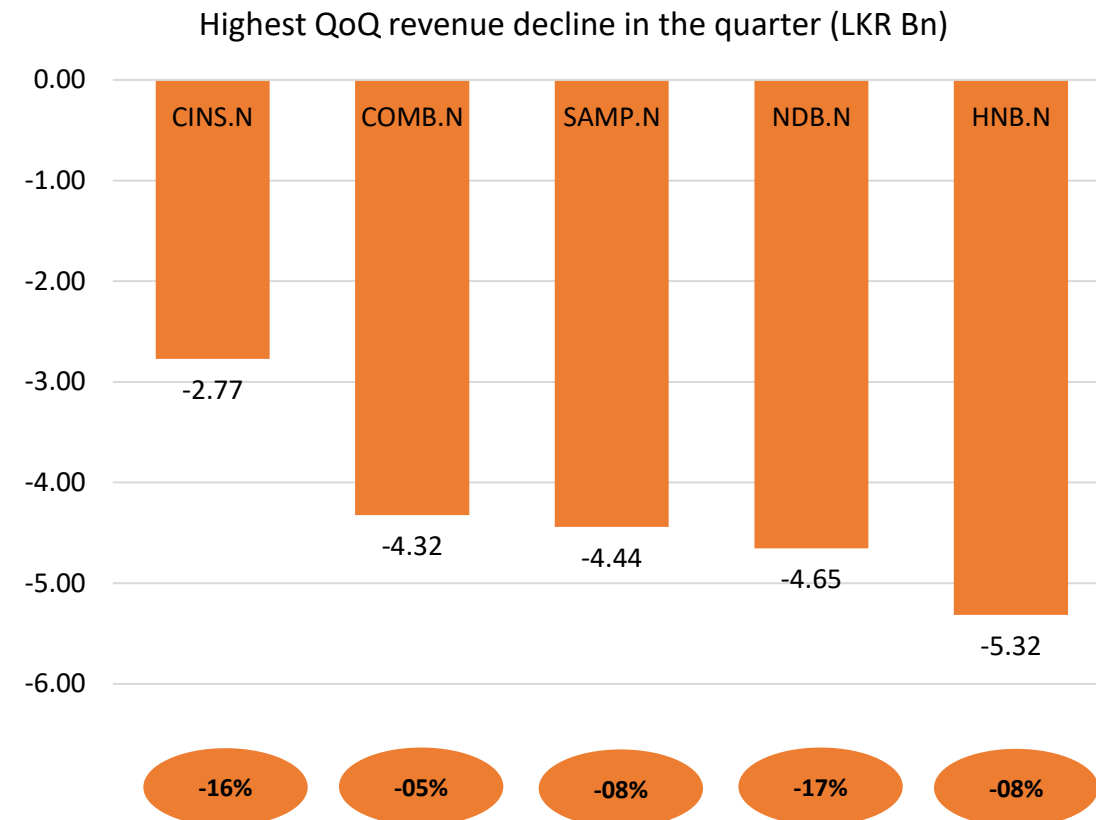
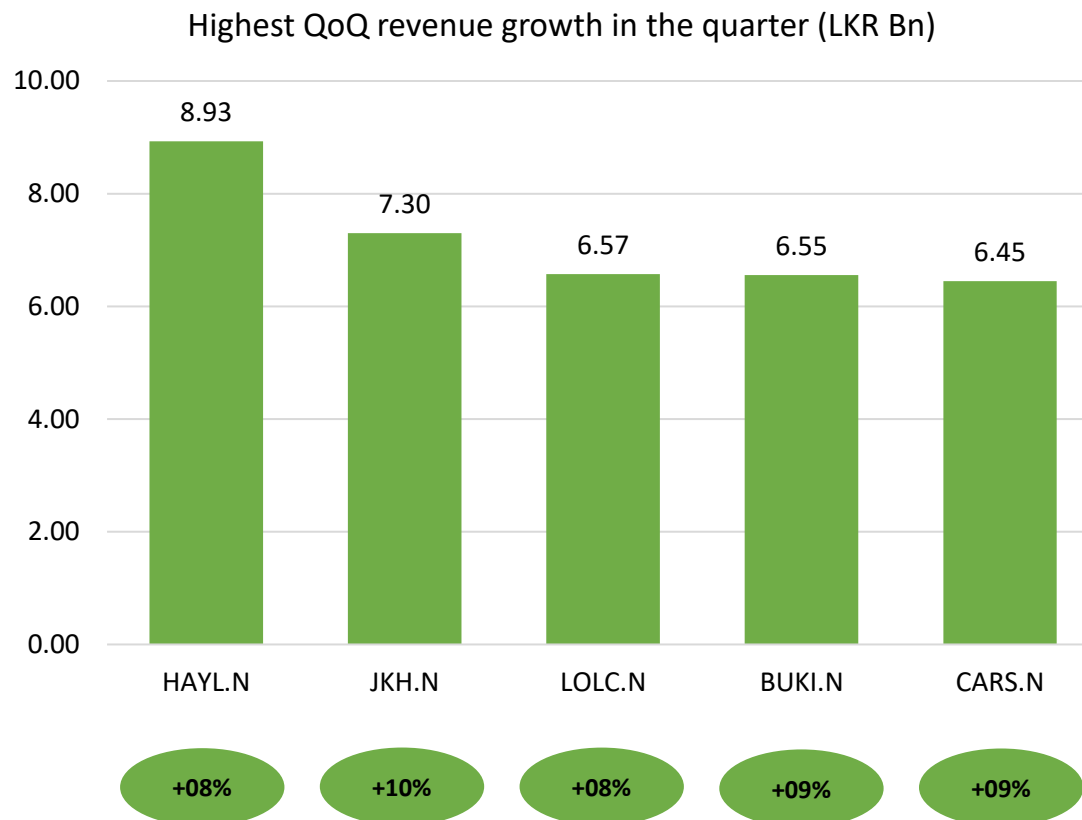
Overall revenue growth (YoY) – top 5 positive and negative contributors



HAYL's significant revenue was primarily driven by the consumer and retail, transportation and logistics, and projects and engineering segments, which contributed LKR 8.36Bn (51.31% YoY), LKR 6.10Bn (28.07% YoY), and LKR 2.67Bn (67.73% YoY), respectively.

HNB's gross income declined notably due to a 25.67% YoY decrease in interest income, amounting to LKR 19.10Bn, driven by the lower interest rate environment.

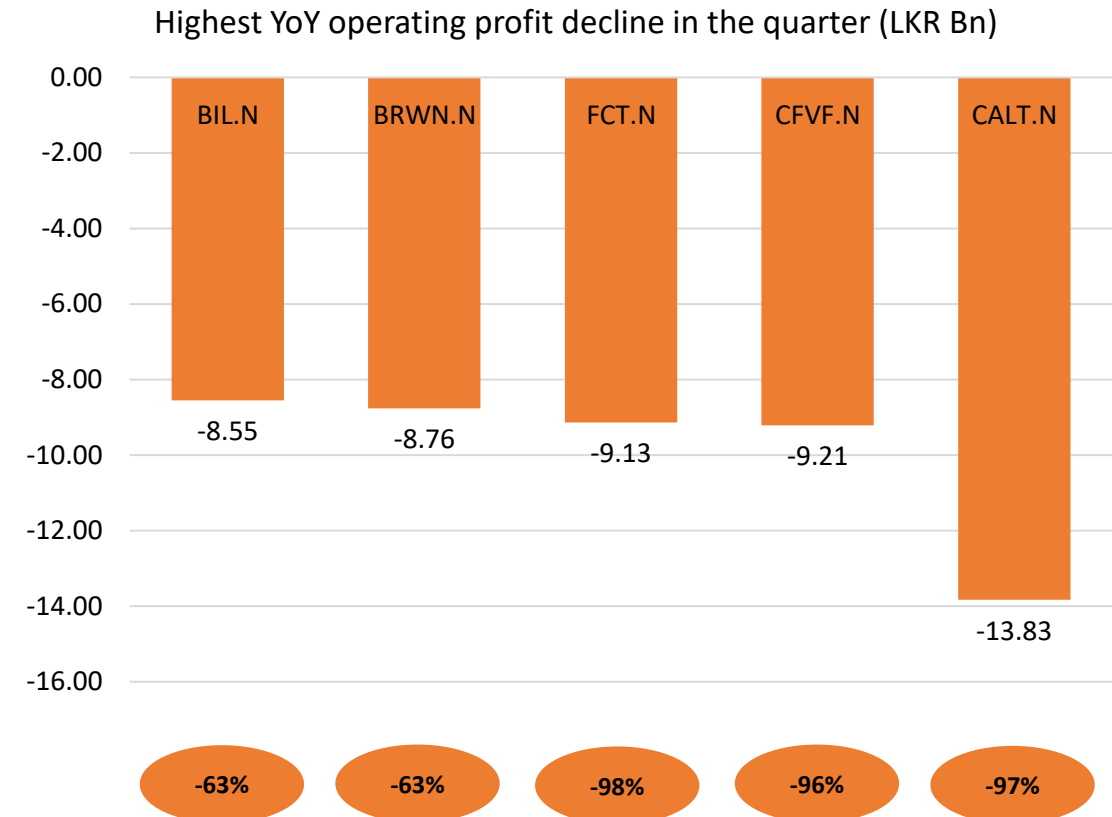
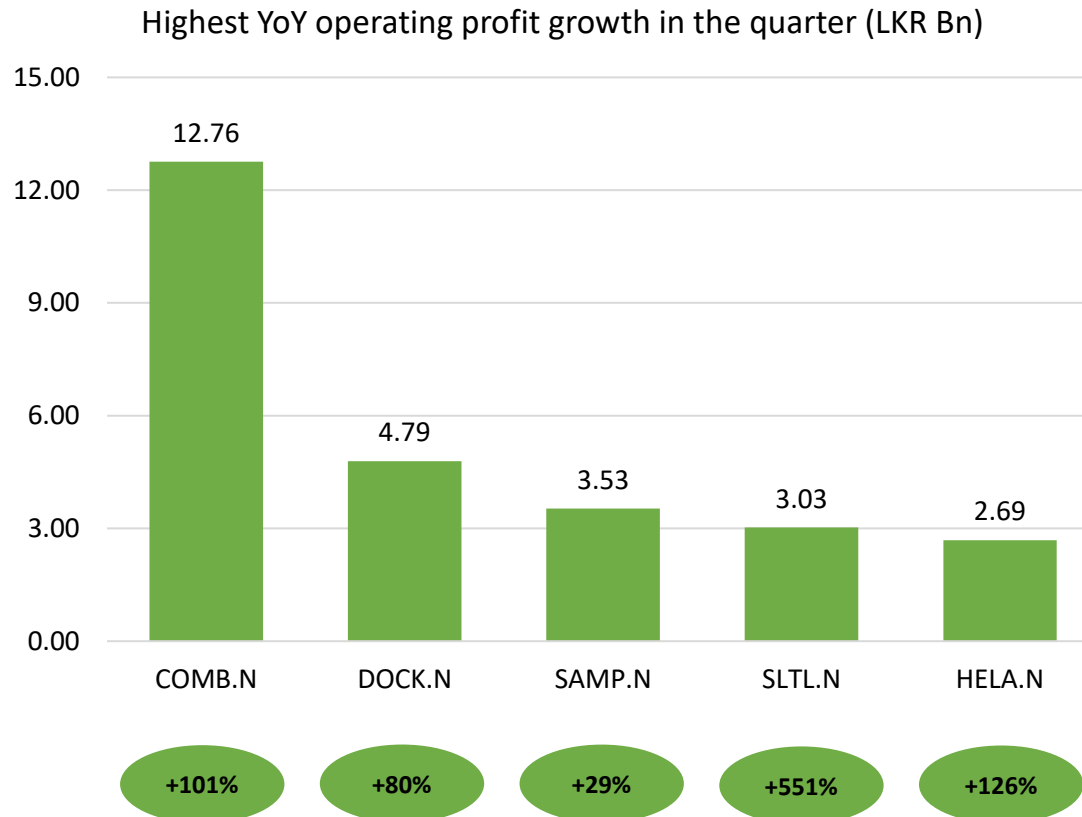
Overall revenue growth (QoQ) – top 5 positive and negative contributors



HAYL's revenue growth was primarily driven by contributions from transportation and logistics, projects and engineering, and hand protection, which added LKR 2.65Bn, LKR 2.20Bn, and LKR 1.54Bn, respectively.

HNB's gross income declined, primarily due to a reduction in interest income amounting to LKR 4.16Bn. Additionally, the Sep quarter recorded a net trading loss of LKR 3.40Bn, in contrast to a net trading gain of LKR 3.51Bn reported in the Jun 2024 quarter.

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

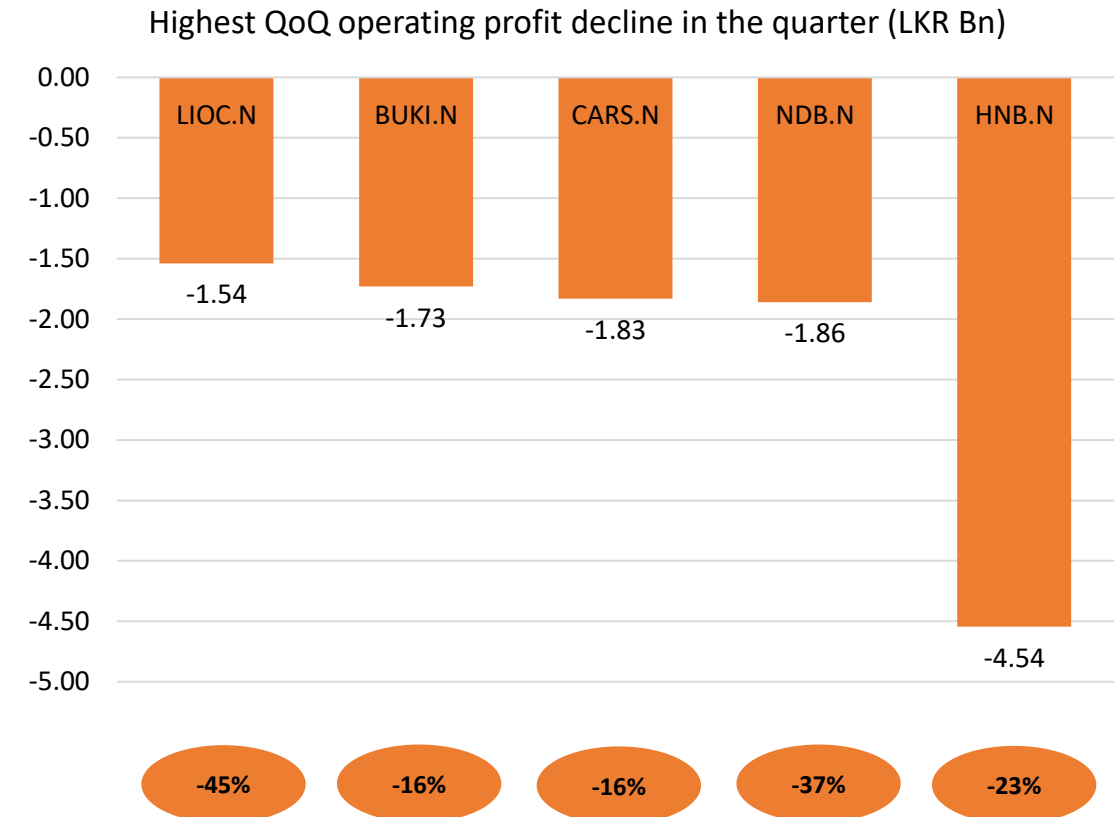
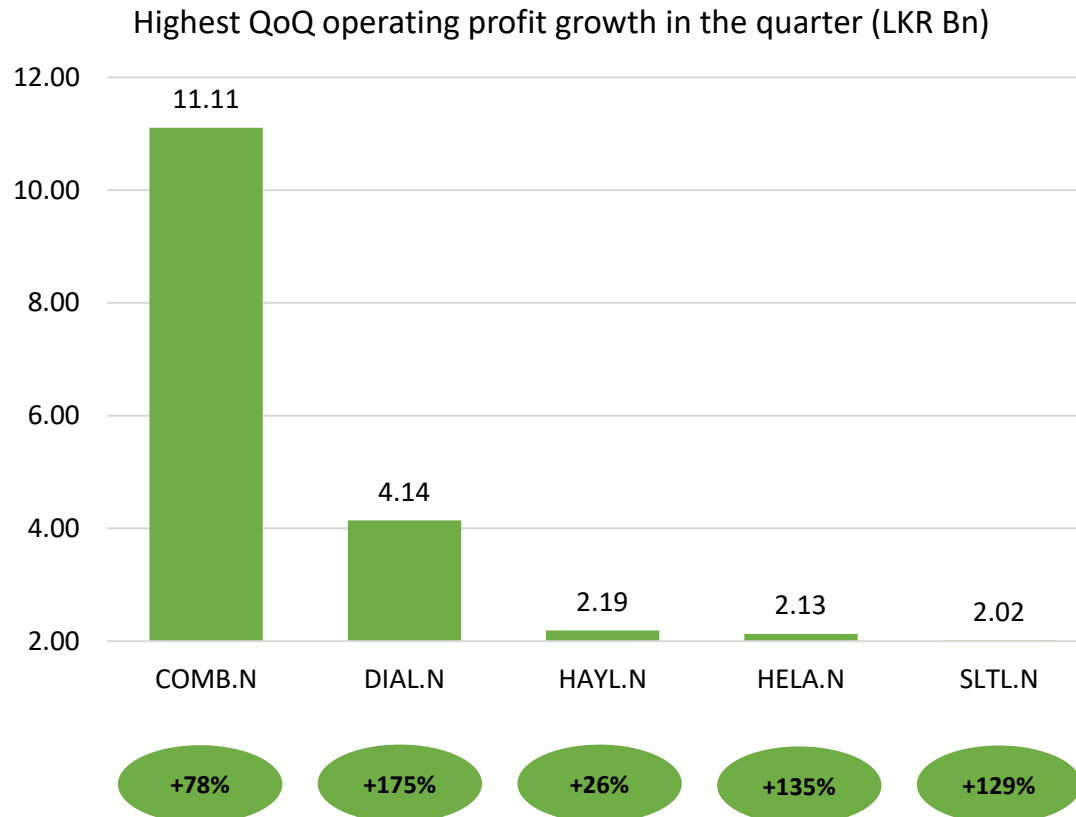


COMB experienced a substantial reduction in impairment charges and other losses, decreasing by LKR 11.57Bn (-92.03%YoY), to LKR 1.00Bn in the quarter, compared to LKR 12.57Bn in the same period of the previous year.

CALT experienced a decline in operating profit due to a significant shift in gains and losses from financial assets measured at FVTPL. A loss of LKR 75.42Mn was recorded in the September quarter of 2024, compared to a gain of LKR 13.49Bn in the September quarter of 2023 marking a change of LKR 13.57Bn.

Source: Company reports, Ambeon estimates

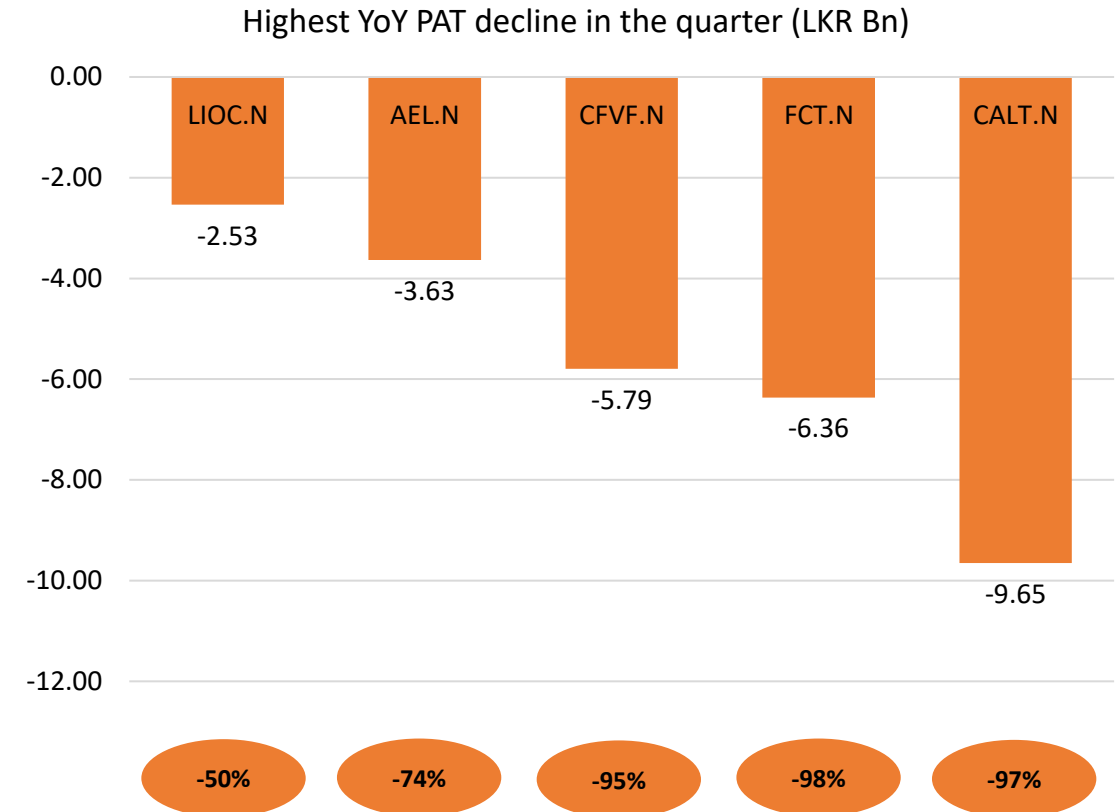
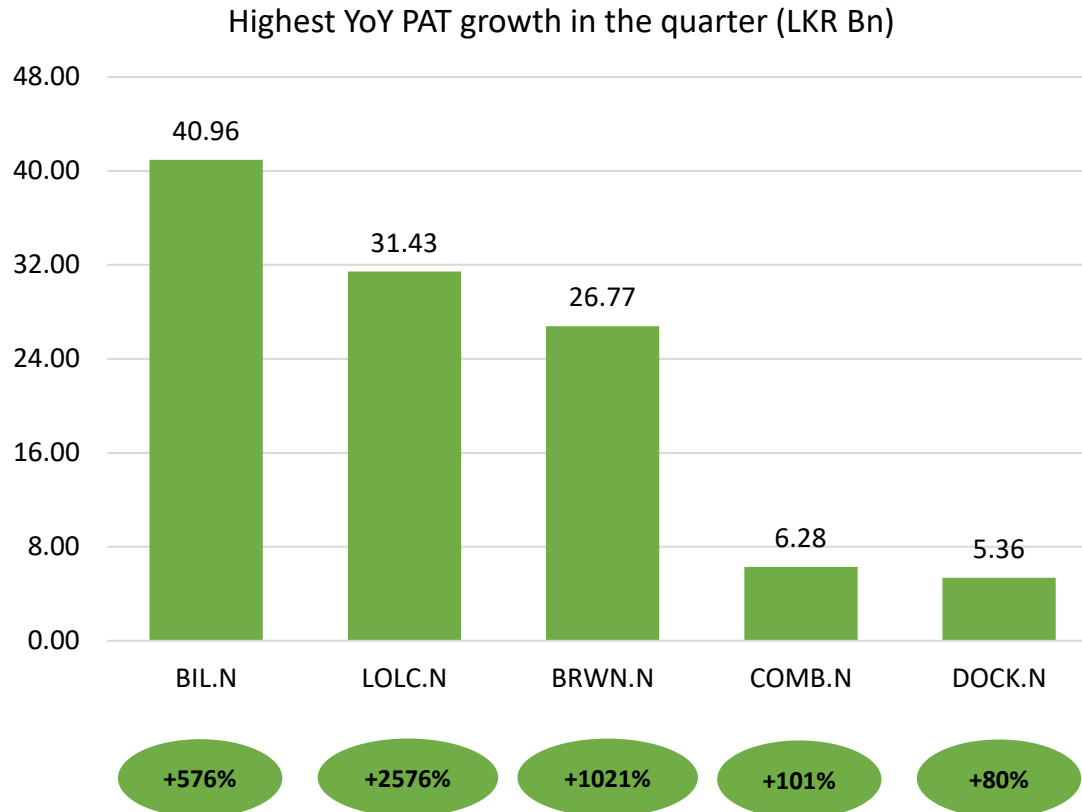
Overall operating profit growth (QoQ) – top 5 positive and negative contributors



COMB saw a significant decline in impairment charges and other losses, while DIAL's operating profit increased, primarily due to a LKR 3.97Bn rise in gross profit. This was driven by a 4.51% QoQ increase in revenue and an 8.42% QoQ decline in direct costs.

HNB's operating profit declined as the net gain from trading of LKR 3.51Bn recorded in September 2023 shifted to a net trading loss of LKR 3.40Bn in September 2024. Additionally, net interest income decreased by LKR 1.31Bn during the quarter.

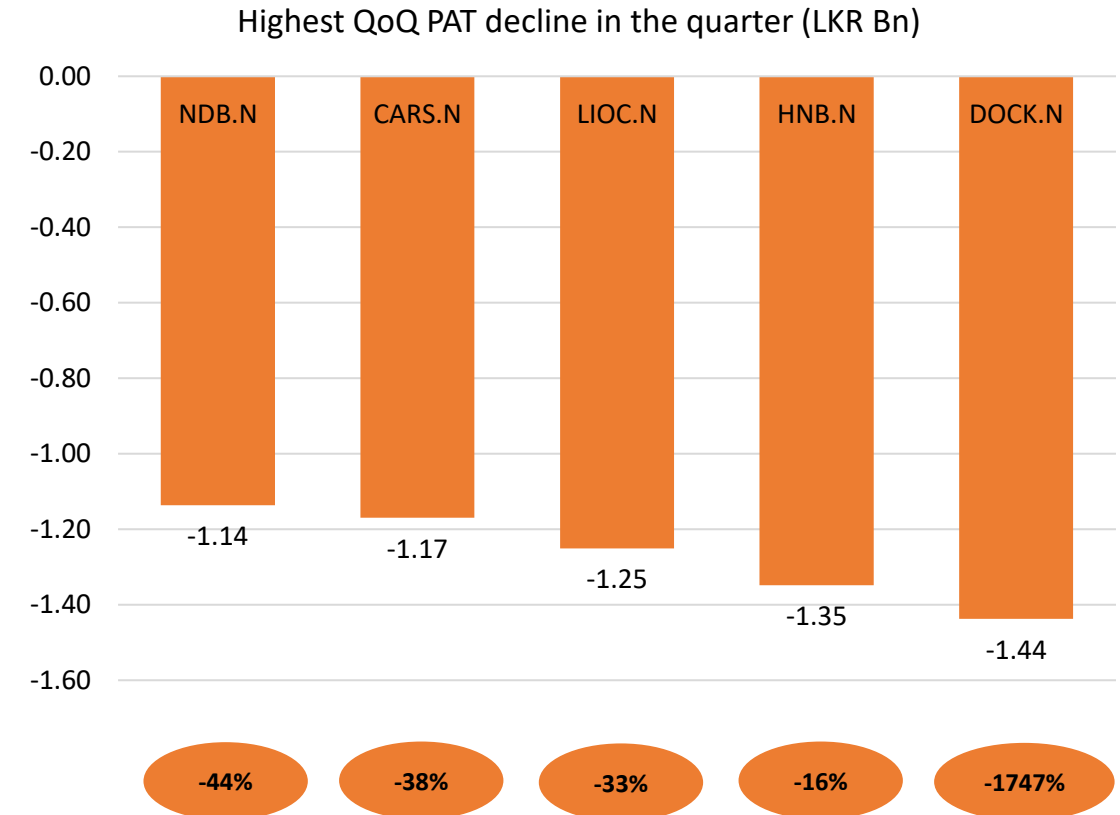
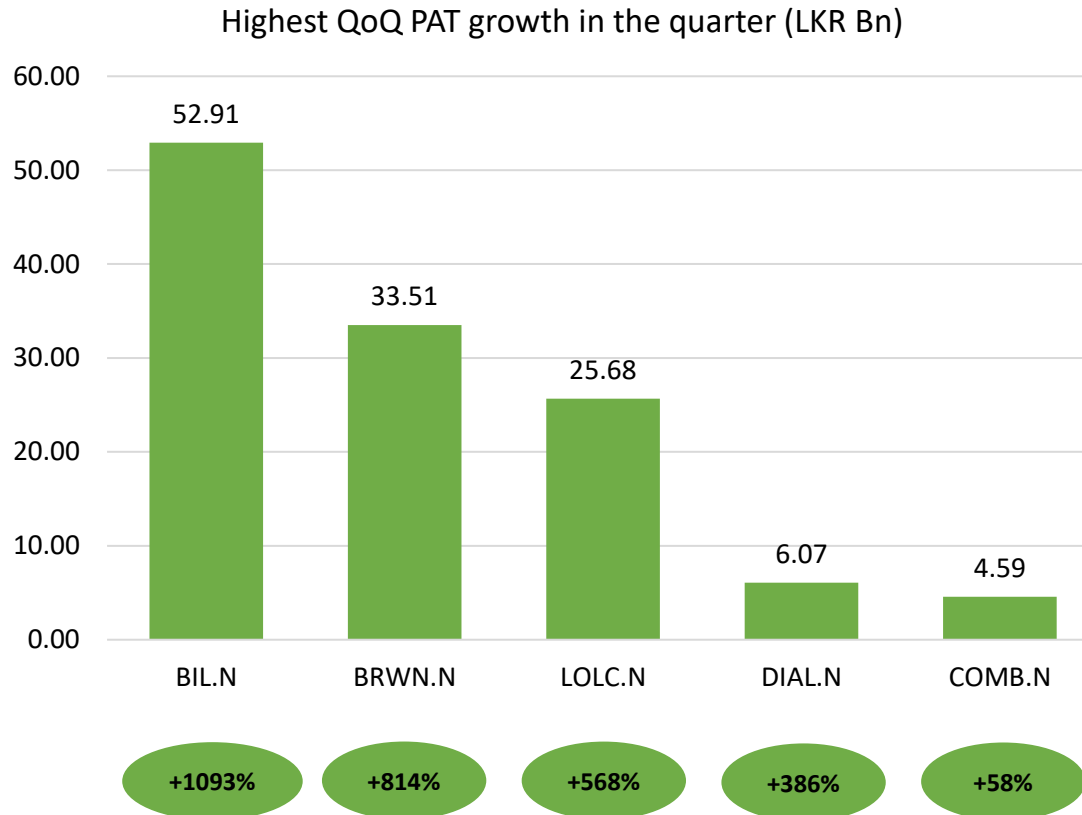
Overall PAT growth (YoY) – top 5 positive and negative contributors



BIL, LOLC, and BRWN experienced one-off gains of LKR 50.80Bn, LKR 27.34Bn, and LKR 32.79Bn, respectively. This resulted from B Commodities ME FZE, a subsidiary of Browns Investments PLC incorporated in the United Arab Emirates, acquiring four foreign companies: Lipton Teas and Infusions Kenya Plc, Limuru Tea Plc, Lipton Teas and Infusions Rwanda Ltd, and James Finlay Guizhou Company Ltd. FCT experienced a decline in direct income amounting to LKR 8.98Bn.

Source: Company reports, Ambeon estimates

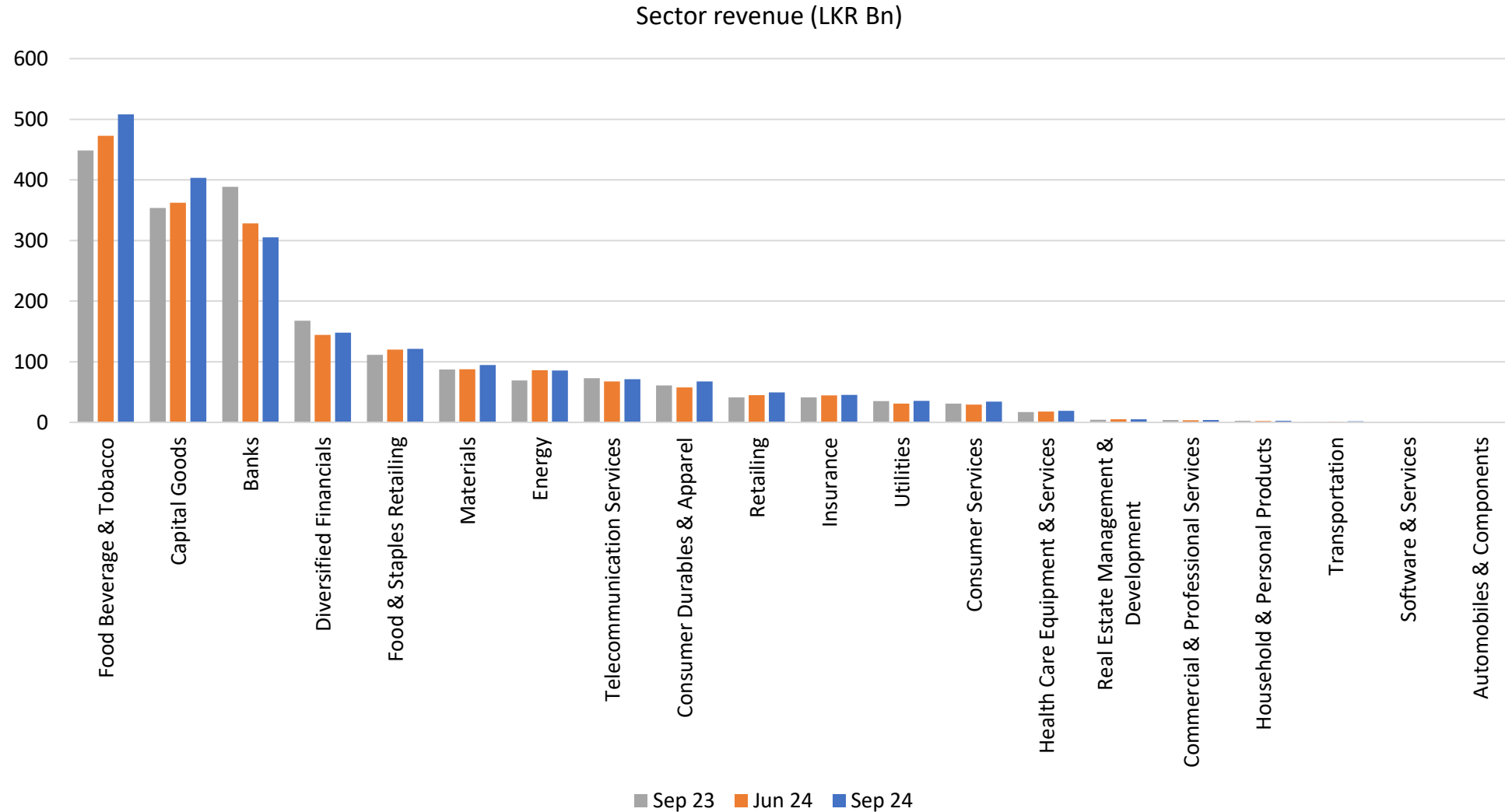
Overall PAT growth (QoQ) – top 5 positive and negative contributors



BIL, BRWN, and LOLC recorded QoQ PAT growth driven by a one-off gain, while DIAL reported an increase in gross profit by LKR 3.97Bn. Additionally, DIAL's net finance cost declined by LKR 1.99Bn(-66.89% YoY).

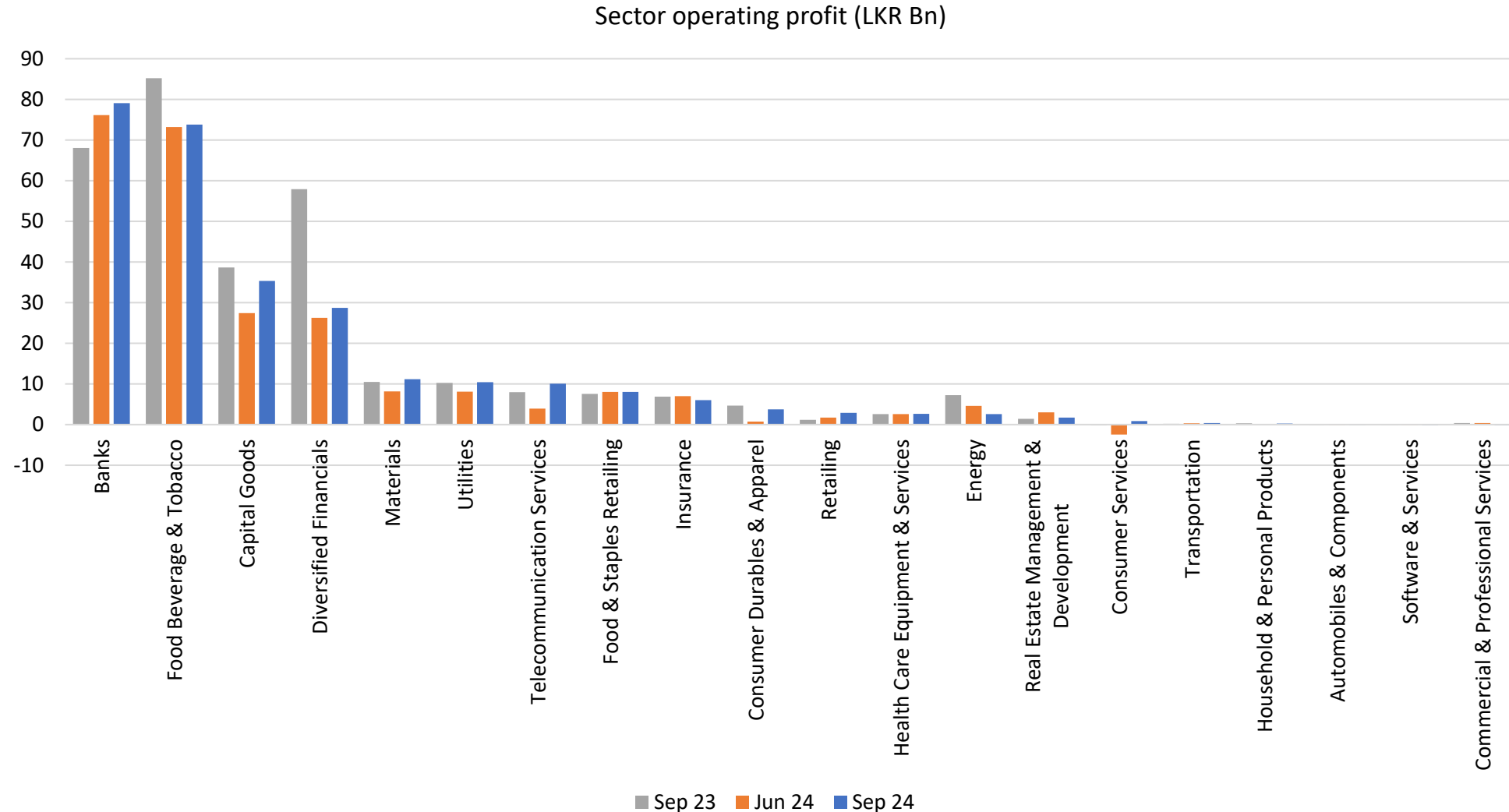
DOCK's PAT declined primarily due to a revenue drop of LKR 1.14Bn, driven by the appreciation of the LKR against the foreign currencies. ~88% of DOCK's revenue is derived from foreign sources.

Sector-wise revenues



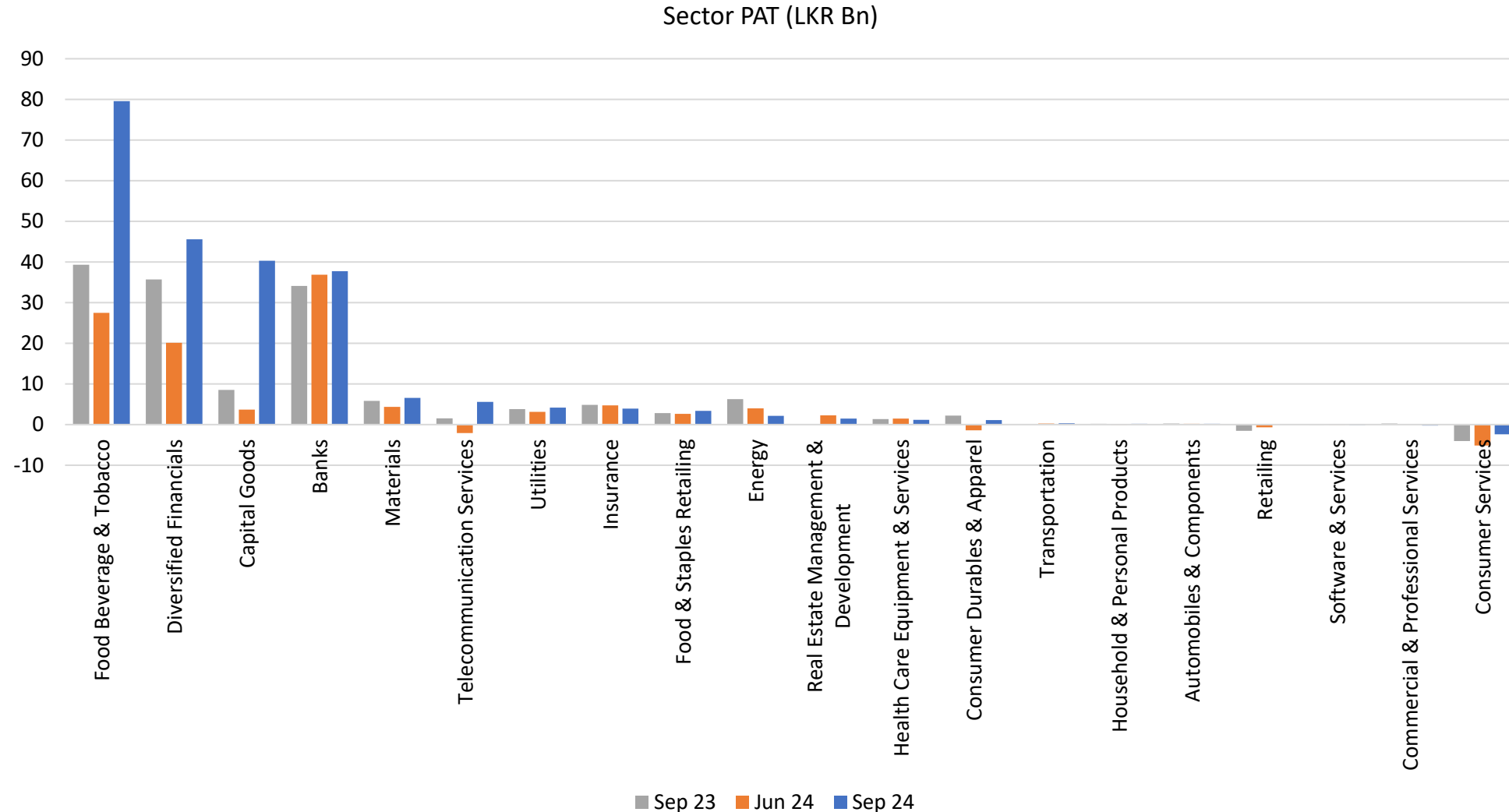
Source: Company reports, Ambeon estimates

Sector-wise operating profits



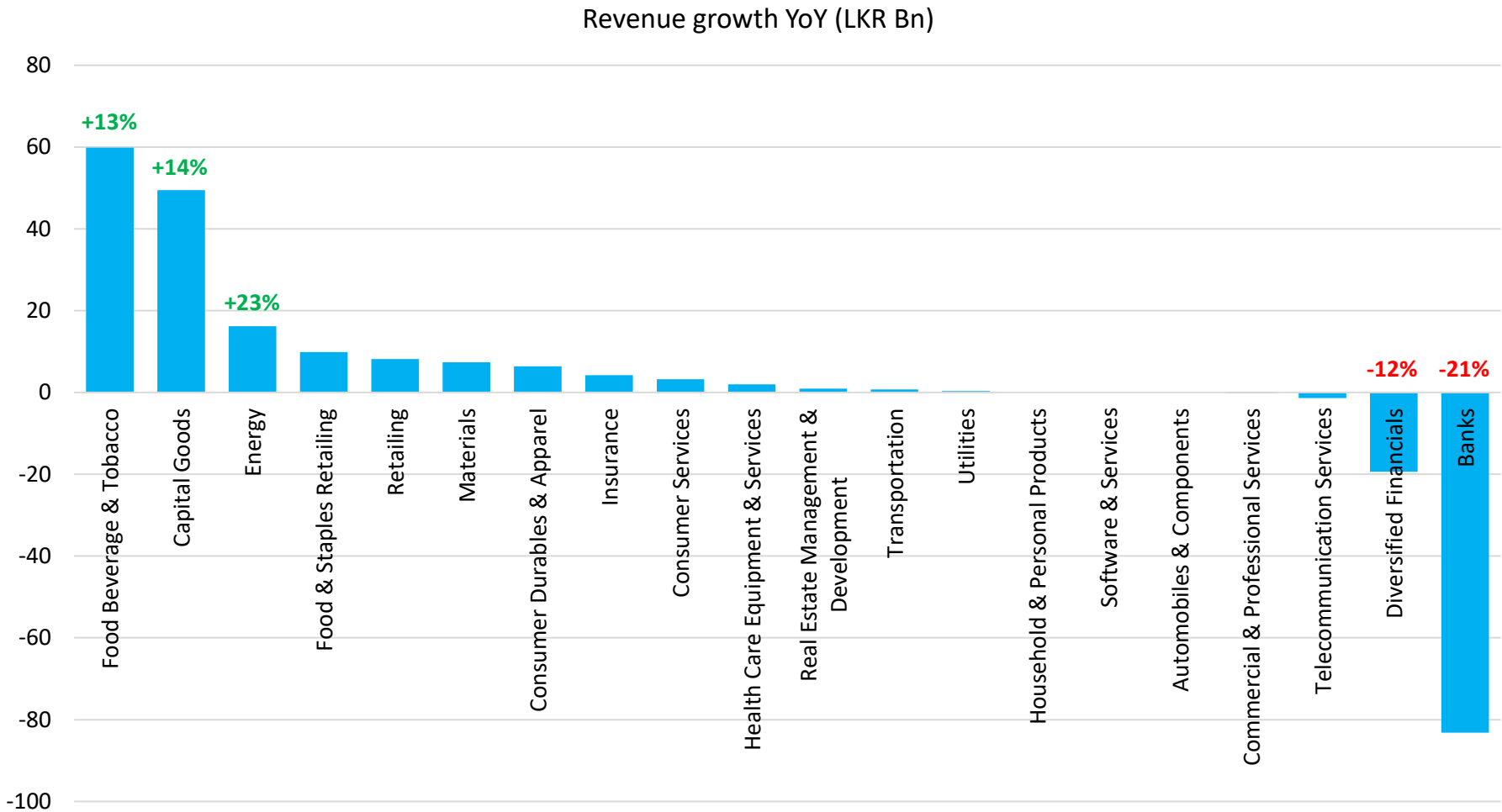
Source: Company reports, Ambeon estimates

Sector-wise PAT



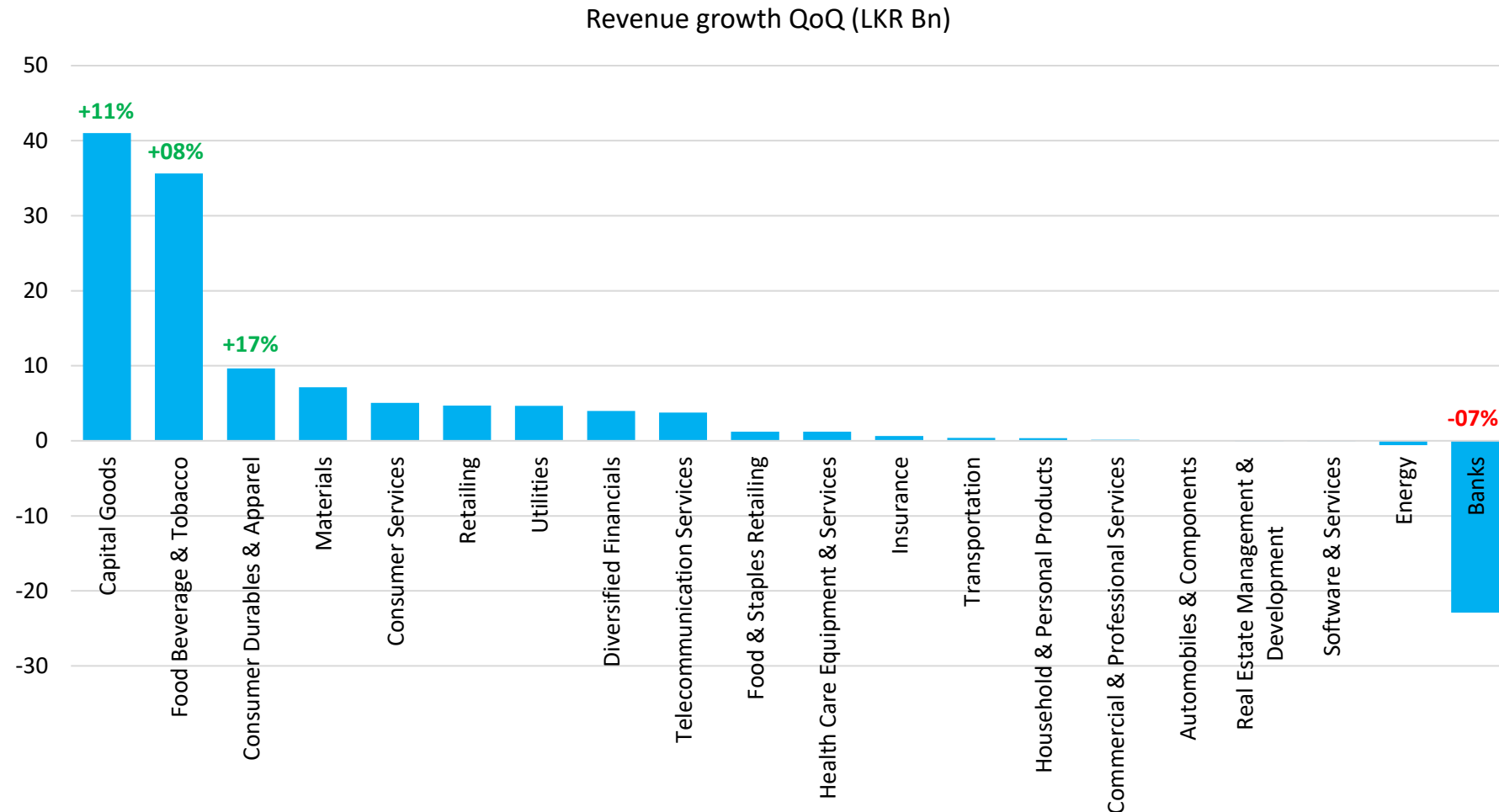
Source: Company reports, Ambeon estimates

Food beverage and tobacco sector saw the largest YoY revenue growth while banking sector saw the largest YoY decline



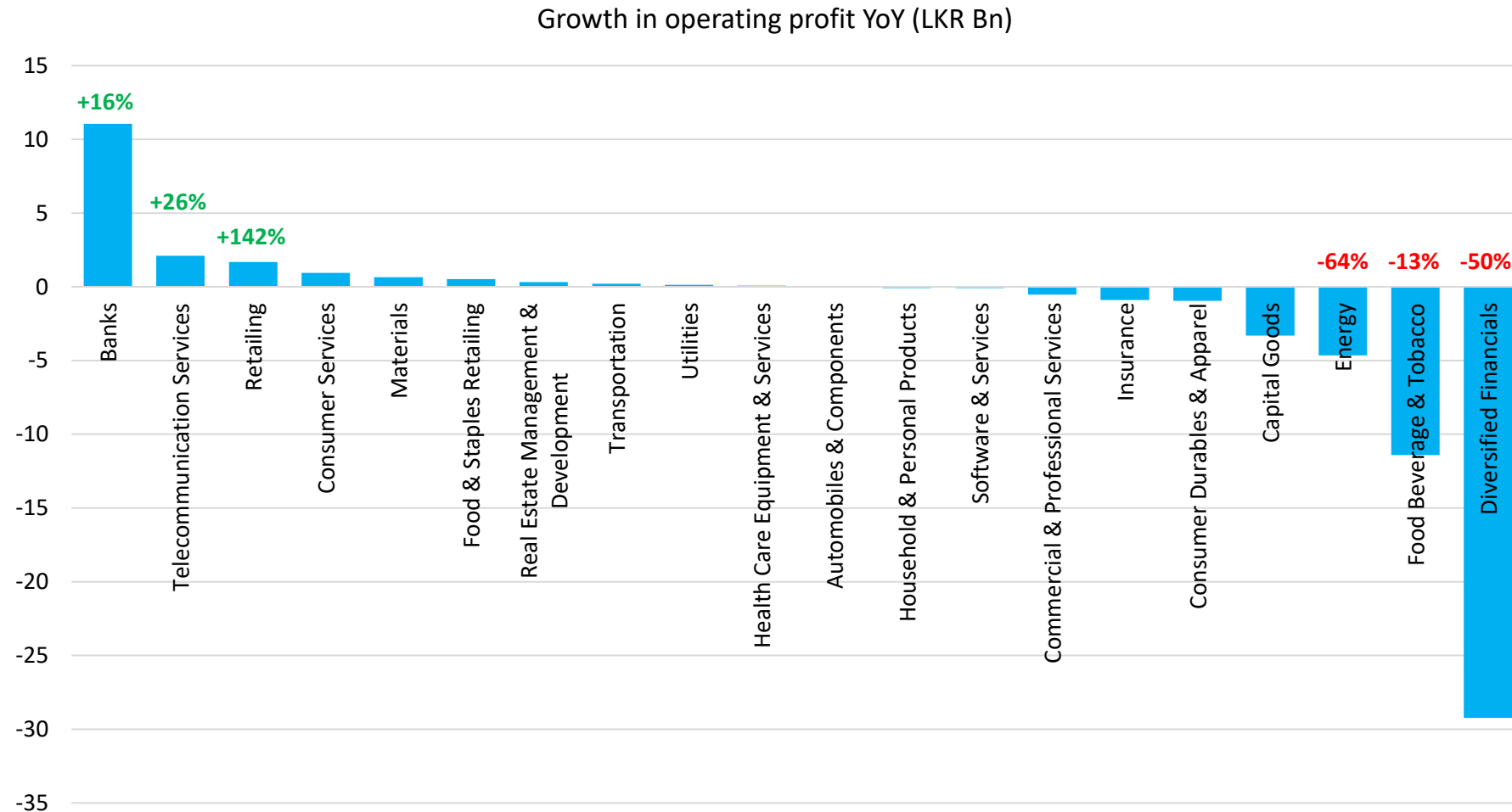
Source: Company reports, Ambeon estimates

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



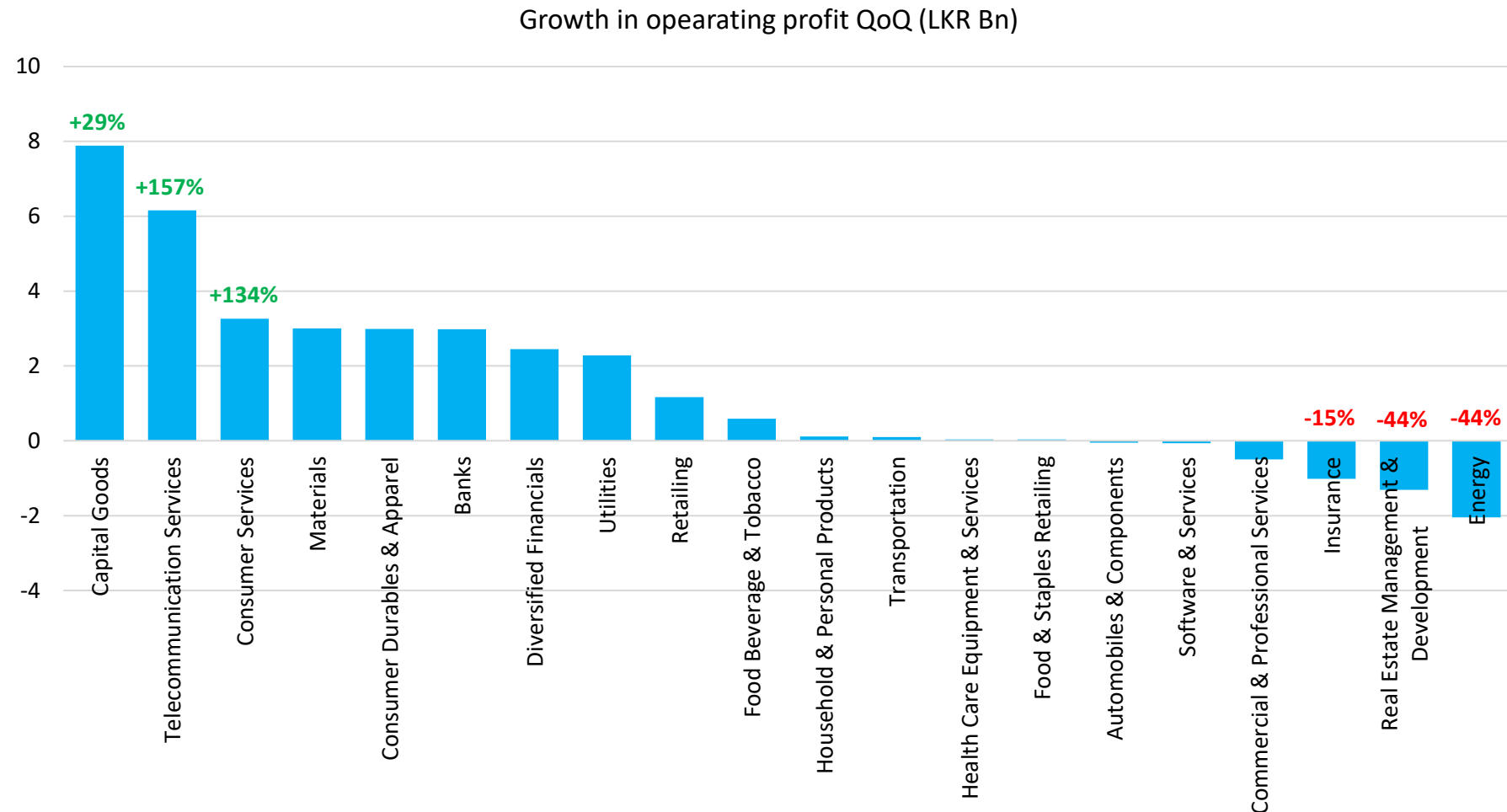
Source: Company reports, Ambeon estimates

Banking sector saw the largest YoY operating profit growth while diversified financial sector saw the largest YoY decline



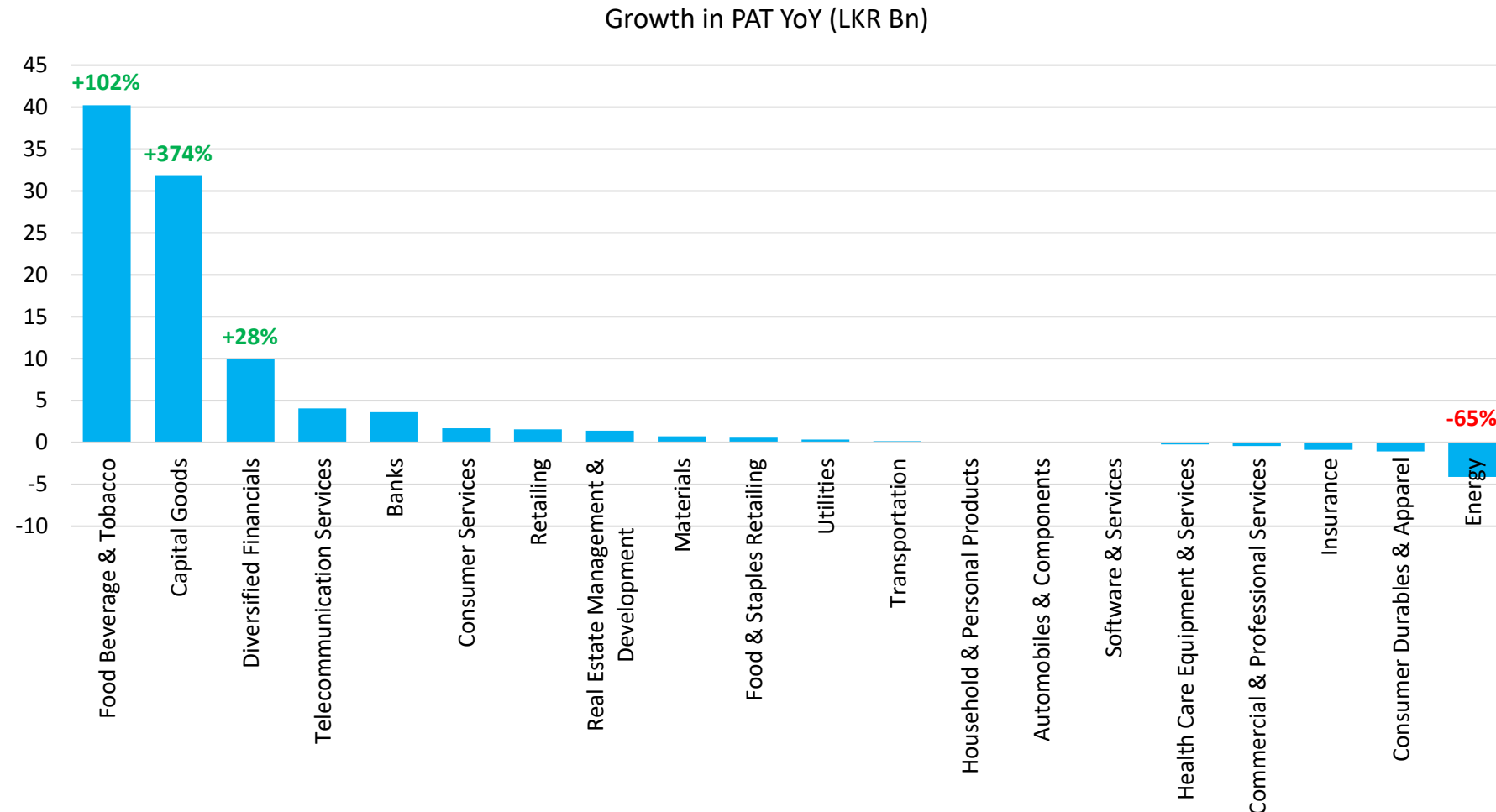
Source: Company reports, Ambeon estimates

Capital goods sector saw the largest QoQ operating profit growth while energy sector saw the largest QoQ decline



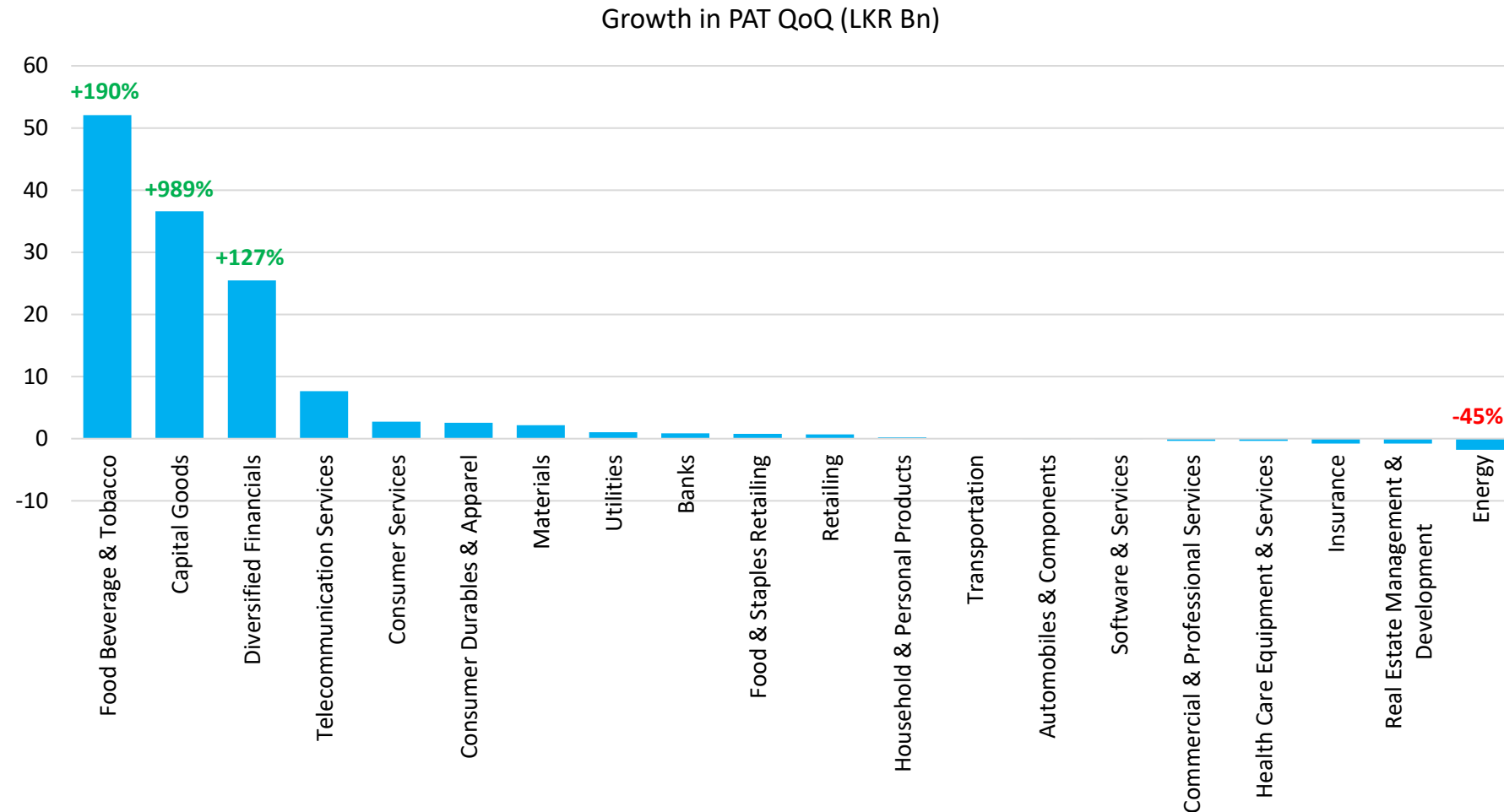
Source: Company reports, Ambeon estimates

Food beverage and tobacco sector saw the largest YoY PAT growth while energy sector saw the largest YoY decline



Source: Company reports, Ambeon estimates

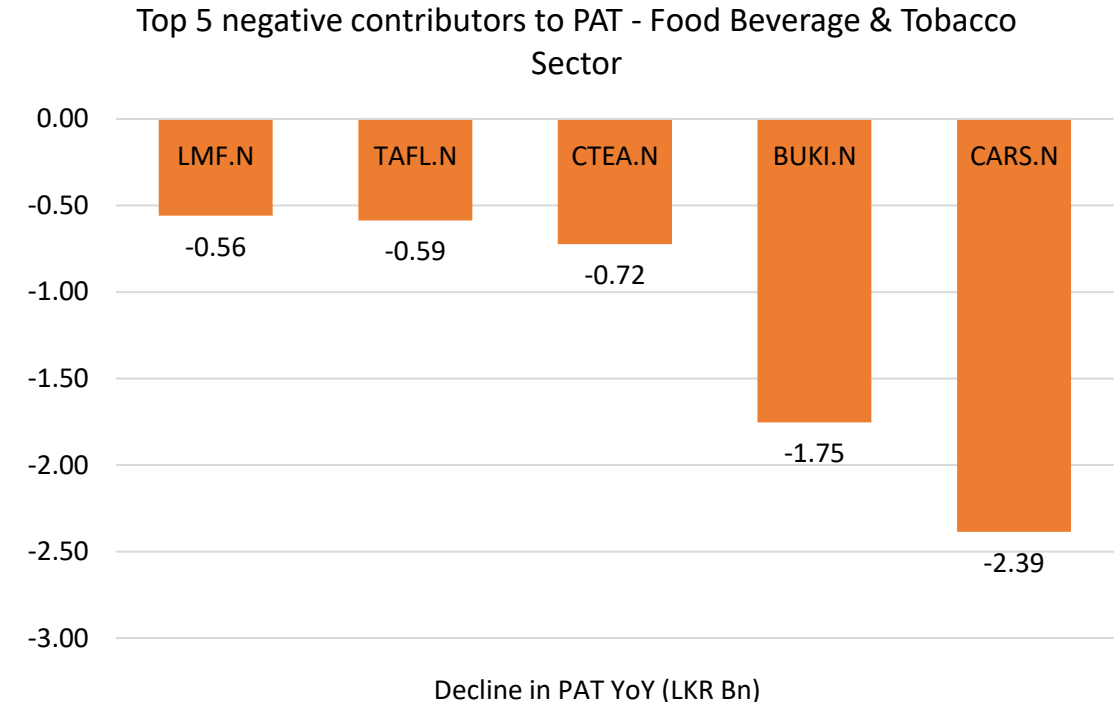
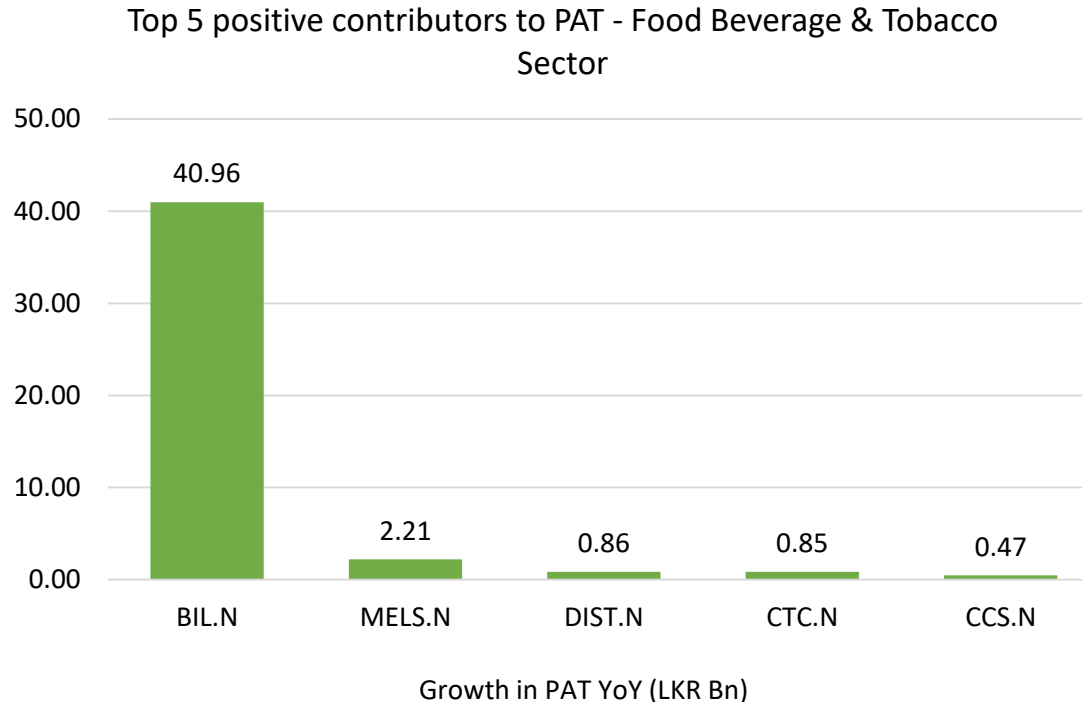
Food beverage and tobacco sector saw the largest QoQ PAT growth while energy sector saw the largest QoQ decline



Source: Company reports, Ambeon estimates

Food Beverage and Tobacco sector profits – top 5 positive and negative contributors

Sector PAT **YoY +102%** | **QoQ +190%**



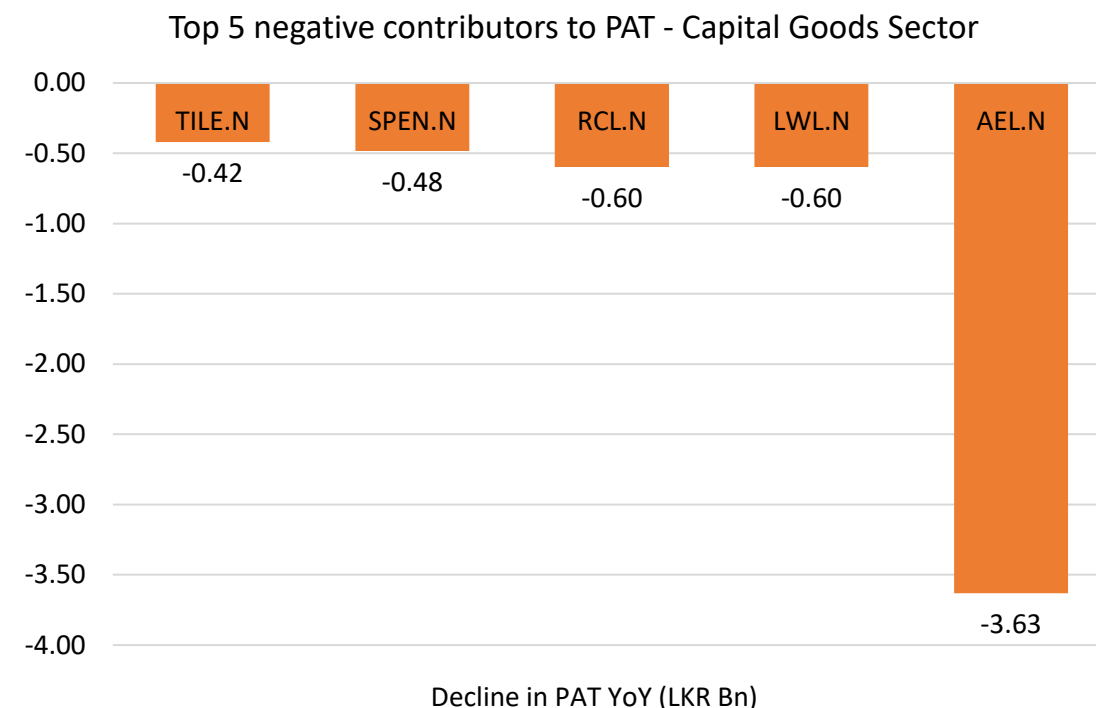
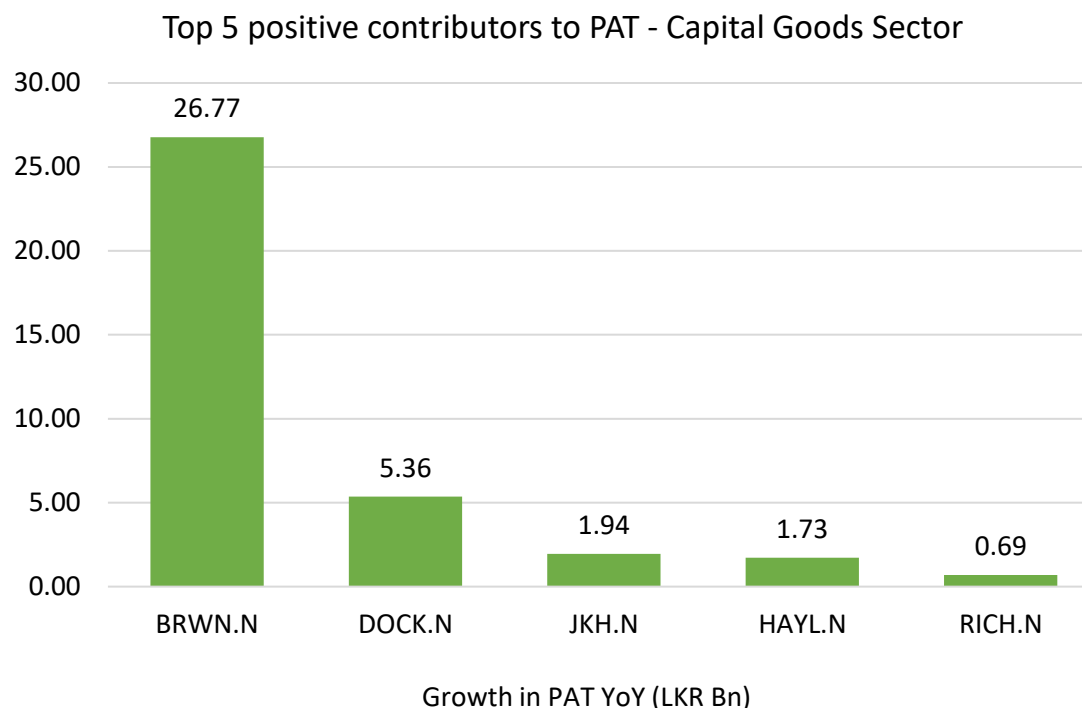
BIL's PAT increased primarily due to the one-off gain of LKR 50.80Bn. Further, it recorded a LKR 1.66Bn increase in gross profit. MELS's PAT increase was driven by an increase in revenue by LKR 8.22Bn, a reduction in excise duty by LKR 4.89Bn, and a decline in cost of sales by LKR 1.13Bn.

CARS's PAT declined due to a foreign exchange loss of LKR 2.03Bn recorded during the quarter, compared to a gain of LKR 414.06Mn in the same period of the previous year. Additionally, CARS's gross profit dropped by LKR 1.04Bn due to an increase in direct operating expenses.

Source: Company reports, Ambeon estimates

Capital Goods sector profits – top 5 positive and negative contributors

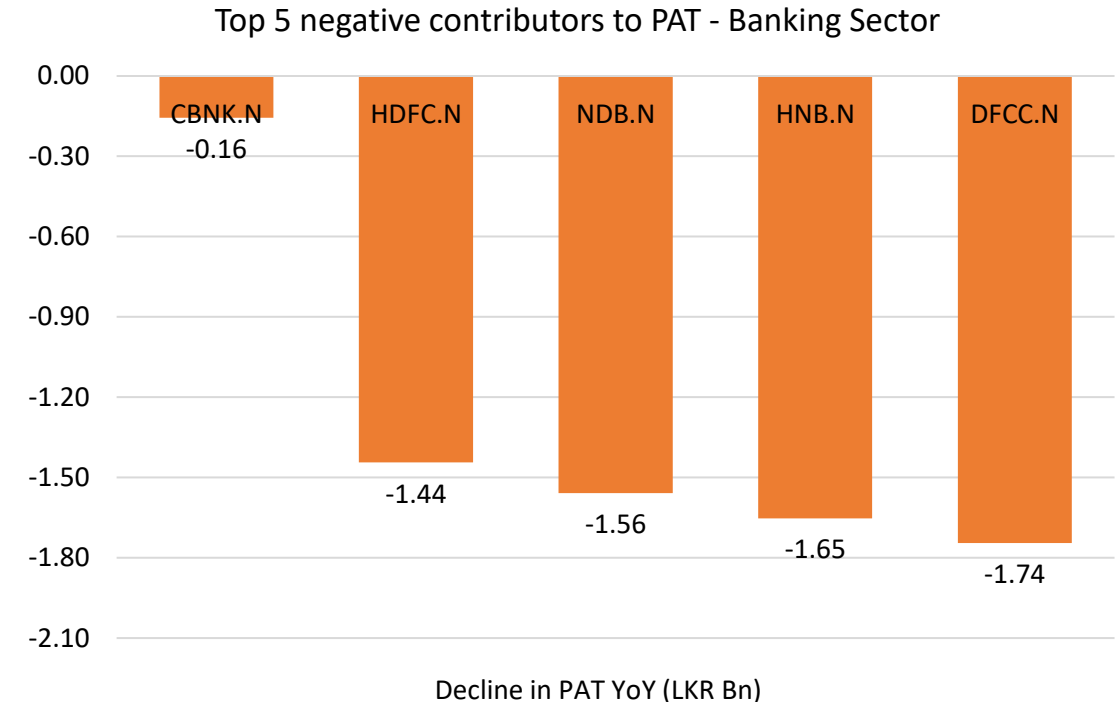
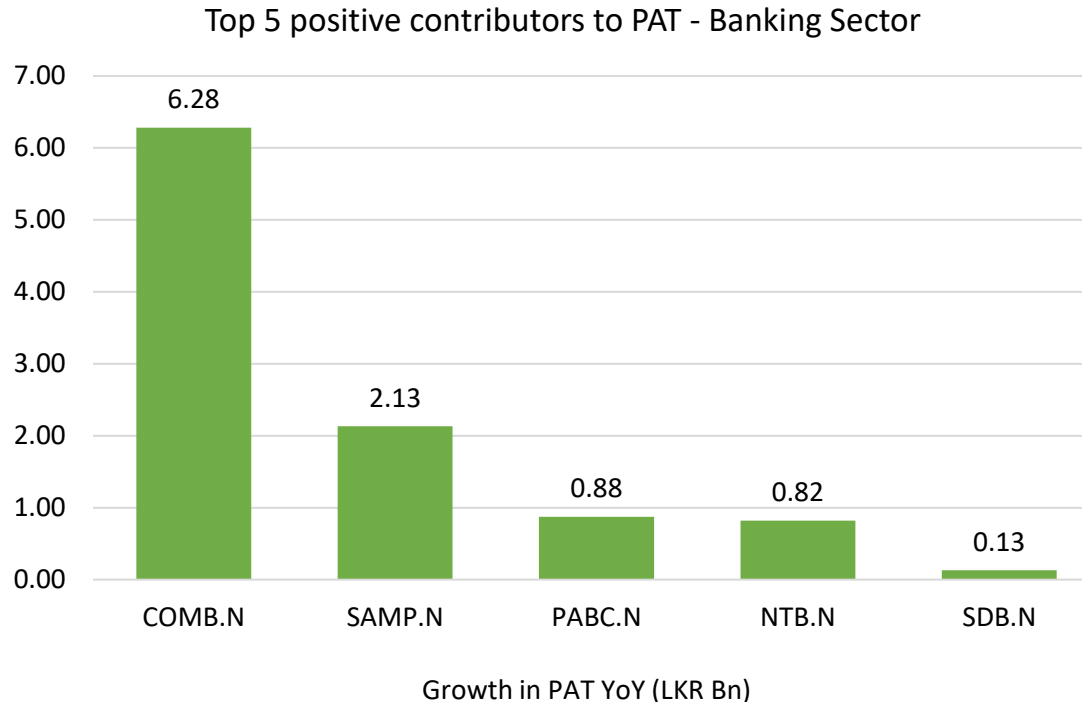
Sector PAT YoY +374% | QoQ +989%



DOCK saw a LKR 4.88Bn drop in cost of sales which is a 46.06%YoY decline. AEL's PAT declined due to the absence of a tax reversal amounting to LKR 3.85Bn, which was recorded during the September quarter of 2023.

Banking sector profits – top 5 positive and negative contributors

Sector PAT YoY +11% | QoQ +02%

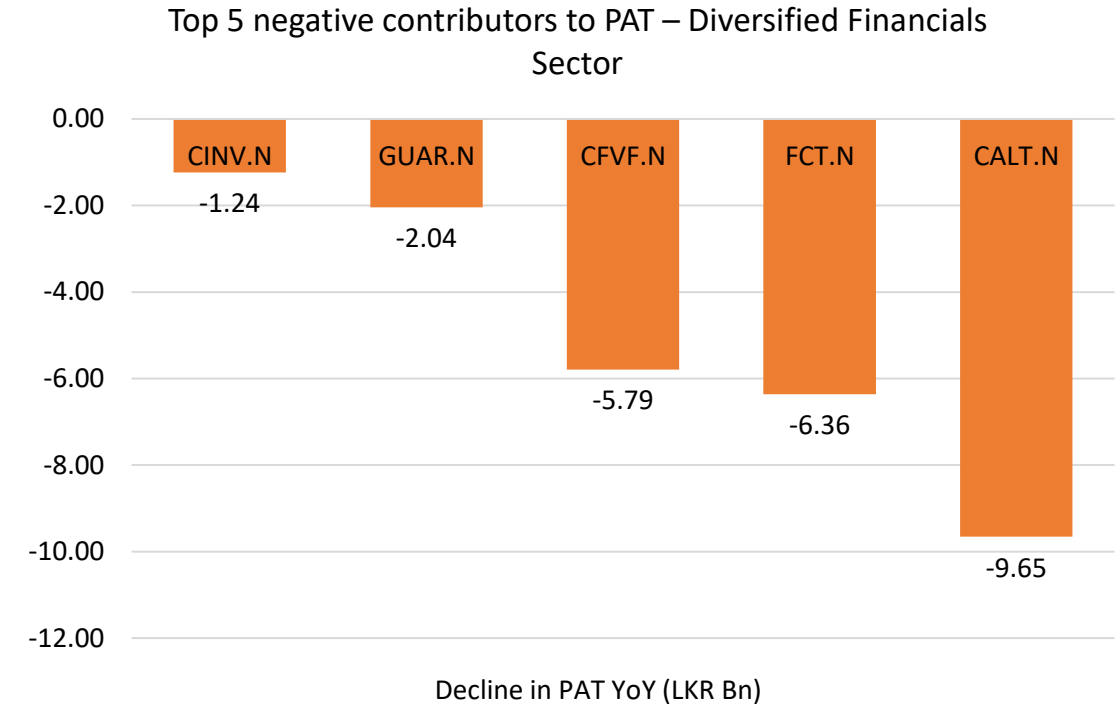
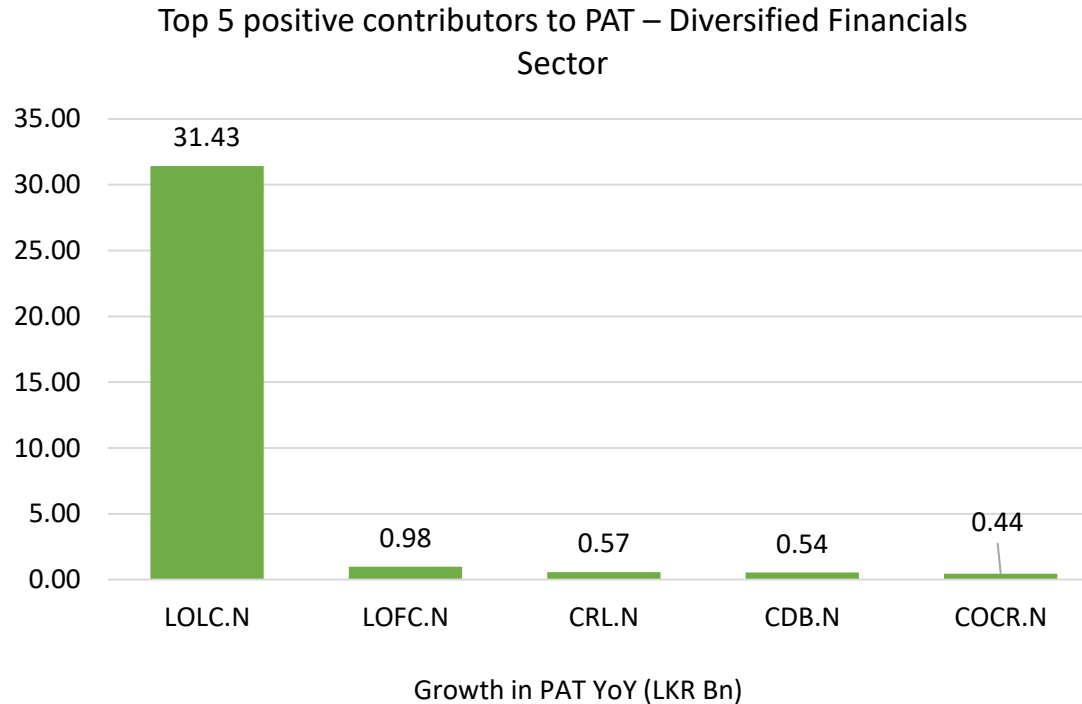


COMB's PAT saw a significant increase due to a decline of LKR 12.83Bn in interest expenses and a reduction of LKR 11.57Bn in impairment charges and other losses.

DFCC saw a decline in PAT due to the decline in net interest income and fair value through other comprehensive income by LKR 1.18Bn and LKR 1.51Bn respectively. HNB also saw a decline in net interest income of LKR 1.24Bn and an increase in net losses from trading LKR 2.11Bn.

Diversified Financials sector profits – top 5 positive and negative contributors

Sector PAT **YoY +28%** | **QoQ +127%**



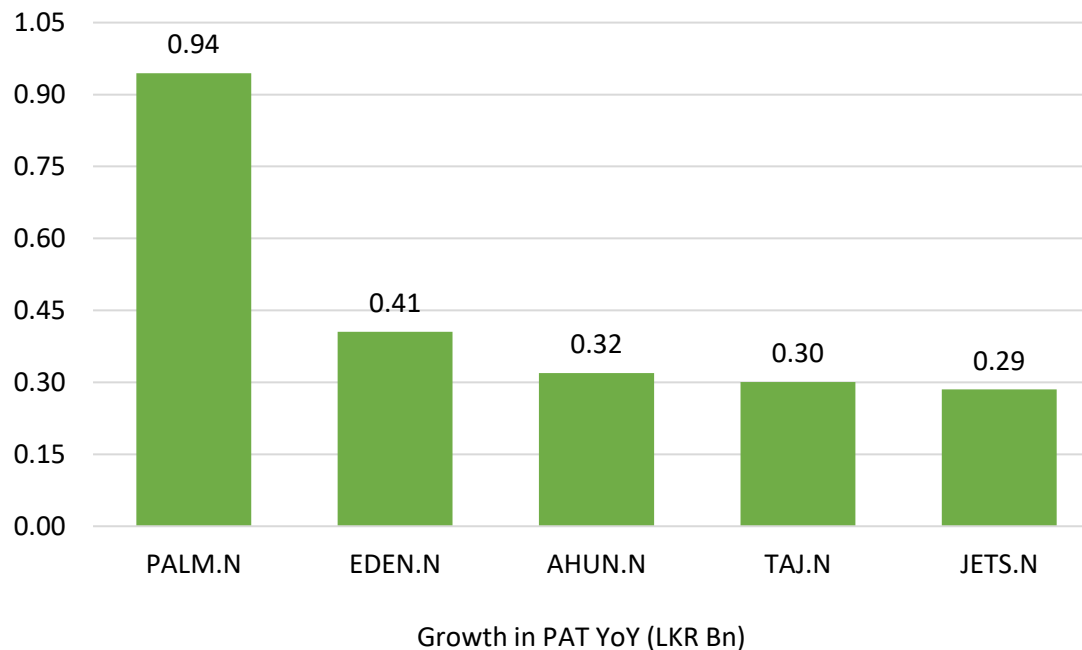
LOLC's PAT increased due to the LKR 27.34Bn one-off gain. Further, there were an increase in net interest income recorded of LKR 7.92Bn and gross profit of LKR 5.74Bn during the quarter compared to the previous year same period.

CALT's PAT declined as financial assets at FVTPL shifted from a gain of LKR 13.49Bn in Q3 2023 to a loss of LKR 75.42Mn in Q3 2024, reflecting a LKR 13.57Bn change. Further, net interest income declined by LKR 352.41Mn.

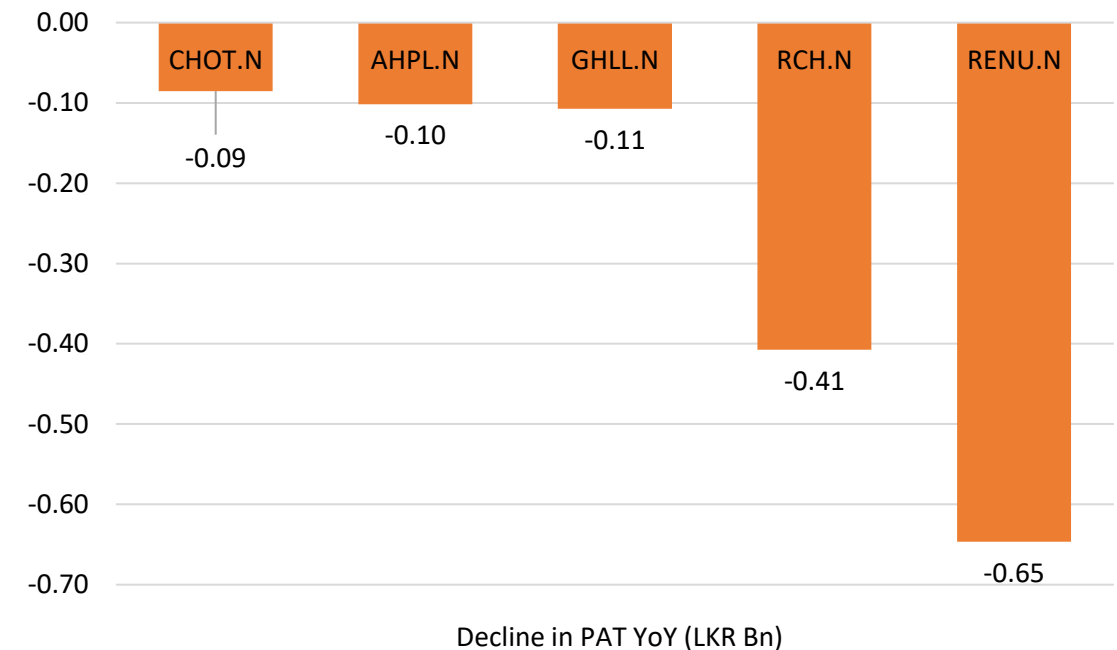
Consumer Services sector profits – top 5 positive and negative contributors

Sector PAT YoY +41% | QoQ +53%

Top 5 positive contributors to PAT - Consumer Services Sector



Top 5 negative contributors to PAT - Consumer Services Sector



PALM's net loss declined during the Sep quarter primarily due to the decline in net finance cost by LKR 1.10Bn which is a 69.76%YoY decline. Further, it recorded an 85.24%YoY increase in revenue which is an LKR 864.38Mn.

RENU's PAT declined during the quarter, primarily due to an increase in net finance costs. The quarter recorded a finance cost of LKR 13.33Mn, in contrast to a finance income of LKR 643.38Bn in the September quarter of 2023.

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