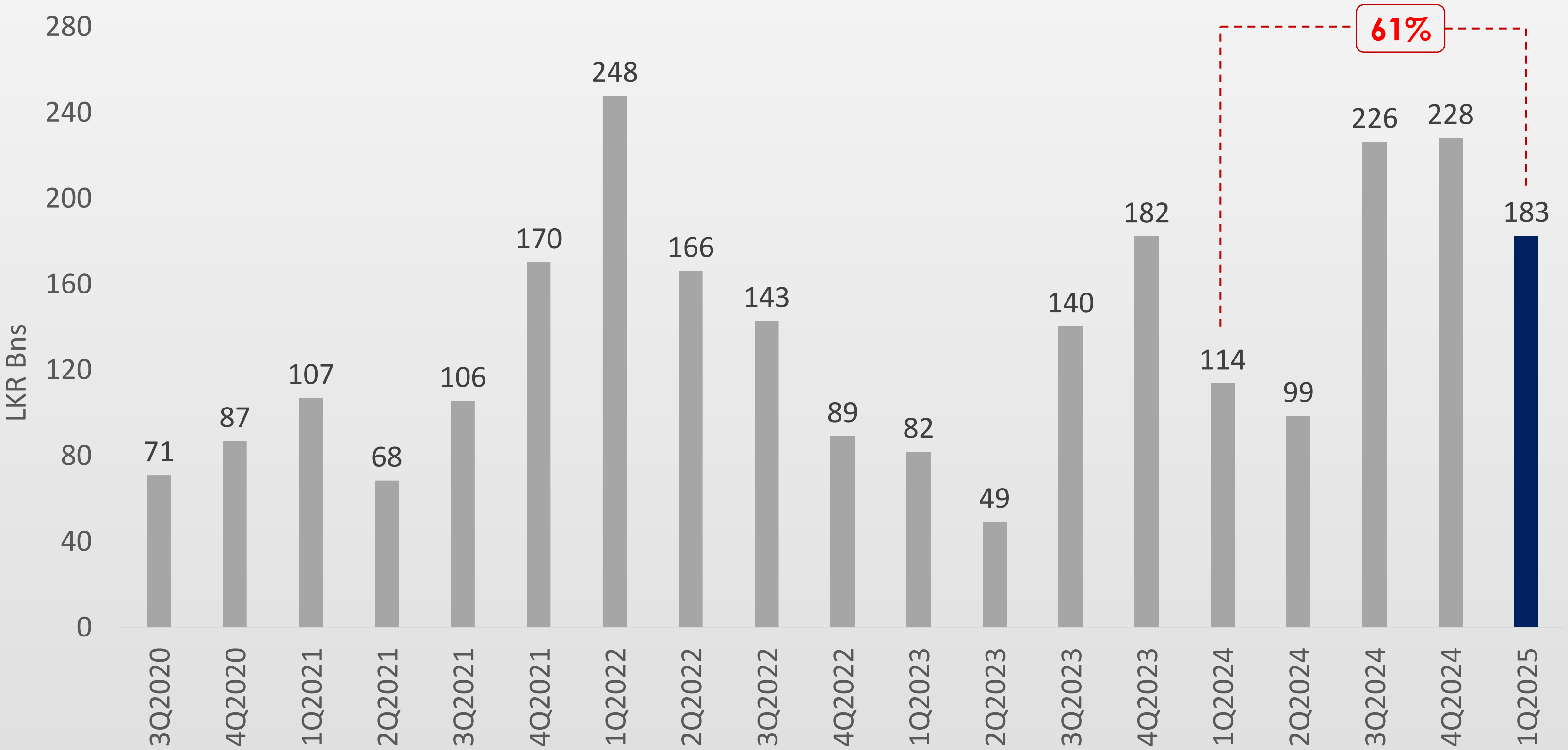


Sri Lanka Earnings Update – 1Q’25

Sri Lanka – Earnings Update – 1Q’25

Corporate earnings rebounded strongly in 1Q’25, with profits surging over 1.7x YoY
Higher consumer demand, improved margins supported by volume growth, lower finance costs, and the continued advancement of the IMF program to enhance macroeconomic stability bolstered profits while uplifting consumer sentiment.

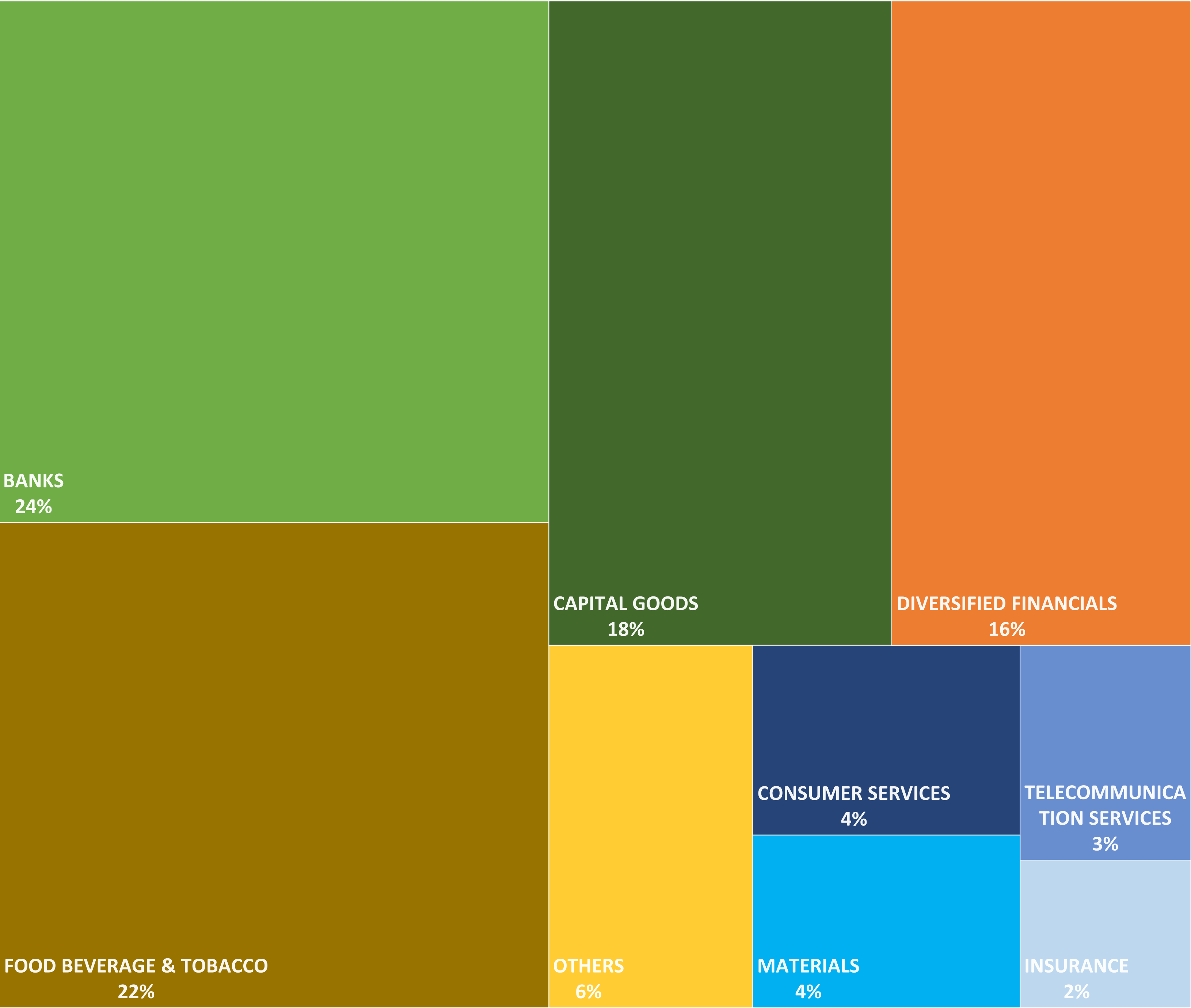


- ✓ Corporate earnings continued their robust ascent, registering an impressive 61%YoY increase to LKR 183Bn in 1Q’25. This substantial bottom-line expansion was underpinned by conducive macroeconomic landscape that catalyzed growth in both volumes and margins, while declining interest rates contributed to lower finance costs. Earnings however dipped by 20%QoQ, primarily due to the reversal of the impairment provisions made previously on ISBs in the banking sector.
- ✓ The banking sector made the largest contribution to 1Q’25 earnings, comprising 25% of total, with COMB & HNB leading the highest earnings for the quarter. Profits of the sector soared by 44%YoY to LKR 47.9Bn in 1Q’25 mainly led by lower impairment charges, driven by improved Stage 3 asset quality and a reduction in Non-Performing Loan (NPL) ratios.
- ✓ Food Beverage & Tobacco sector together with Capital Goods sector contributed to the major share of 1Q’25 earnings, accounting to 40% (or LKR 81.5Bn).
- ✓ The consumer services sector that comprises hotels demonstrated a robust recovery as tourist arrivals gained momentum. In the 1Q’25, the sector reported a profit of LKR 8.5B representing a YoY increase of more than sixfold compared to the same period last year.

Sri Lanka – Earnings Update – 1Q’25

Banks and Food, Beverage & Tobacco sectors jointly contributed nearly half (46%) of the total earnings

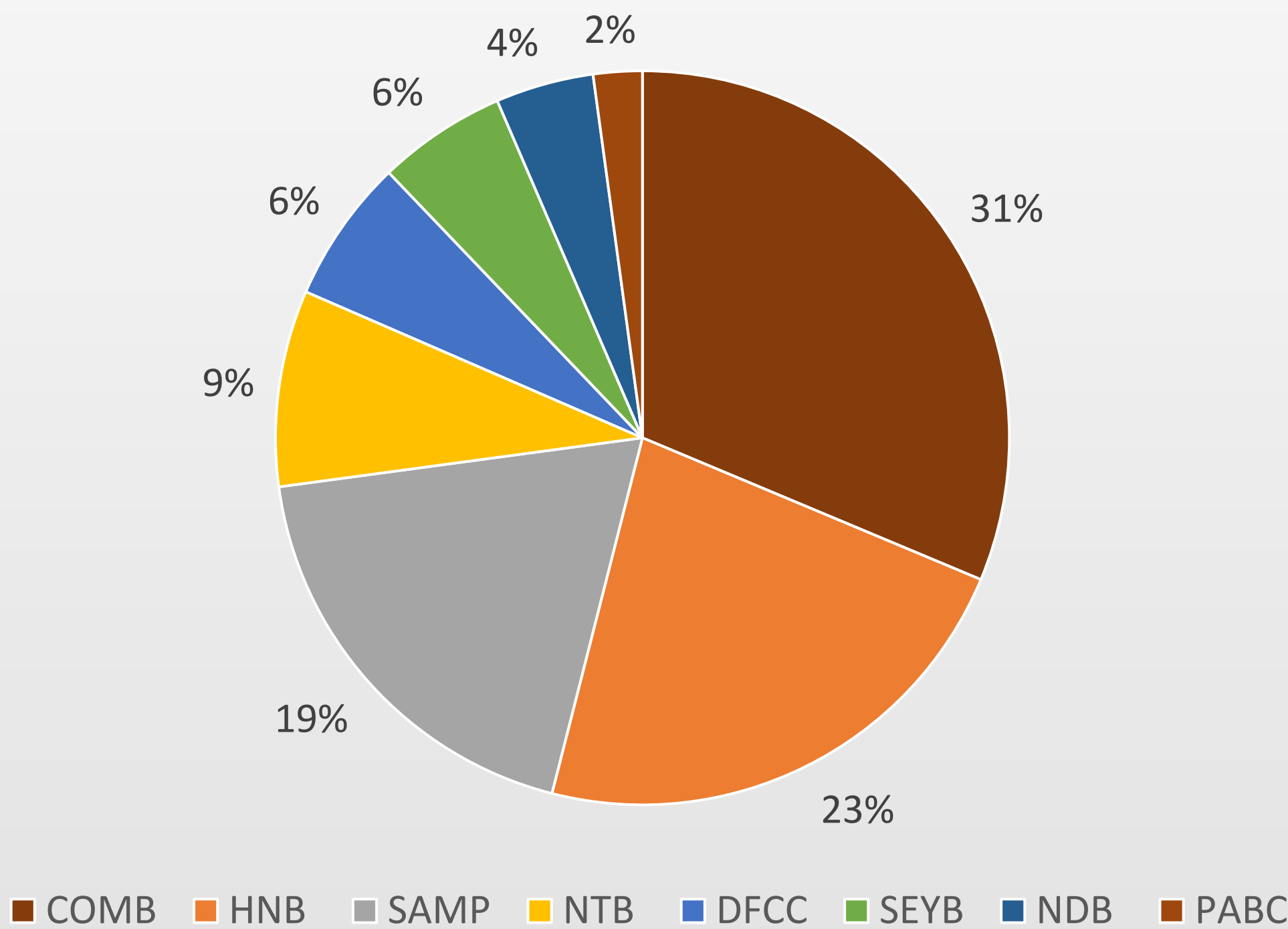
Capital Goods & Diversified Financials followed suit, comprising 34% of the total earnings



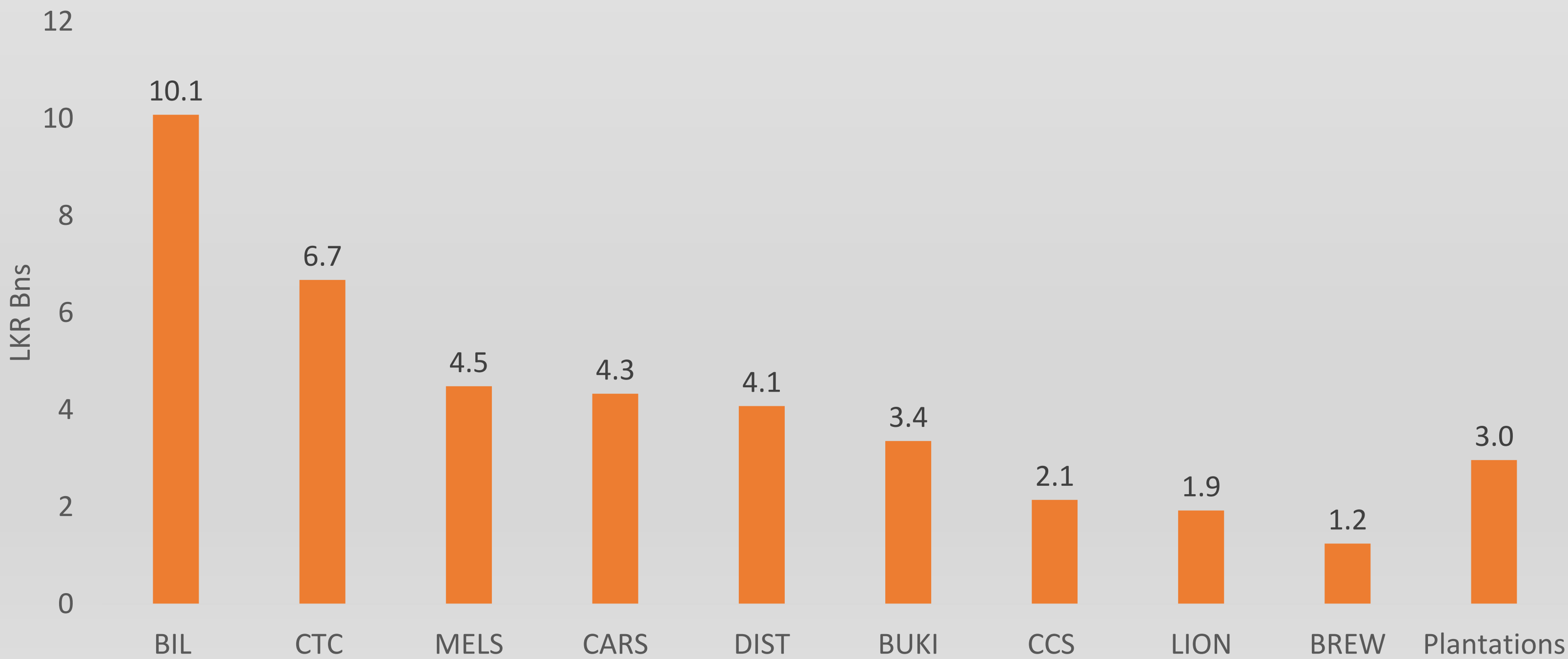
Source : CSE, ACS Research

Note: All extra ordinary income/expenses included

COMB, HNB, SAMP & NTB contributed to 82% of bank earnings in 1Q’25

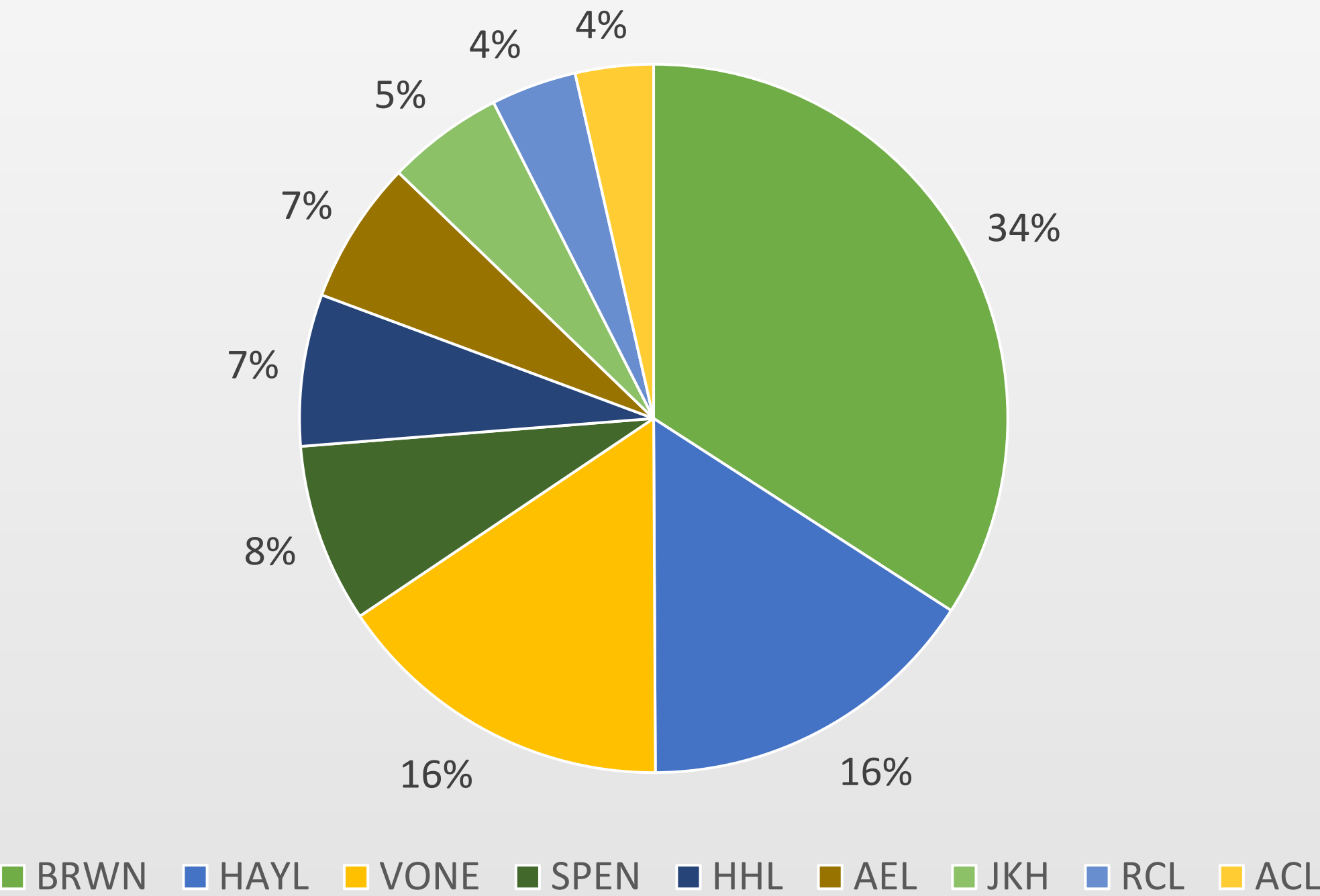


BIL, CTC, MELS & CARS contributed to major portion of Food, Beverage & Tobacco sector earnings

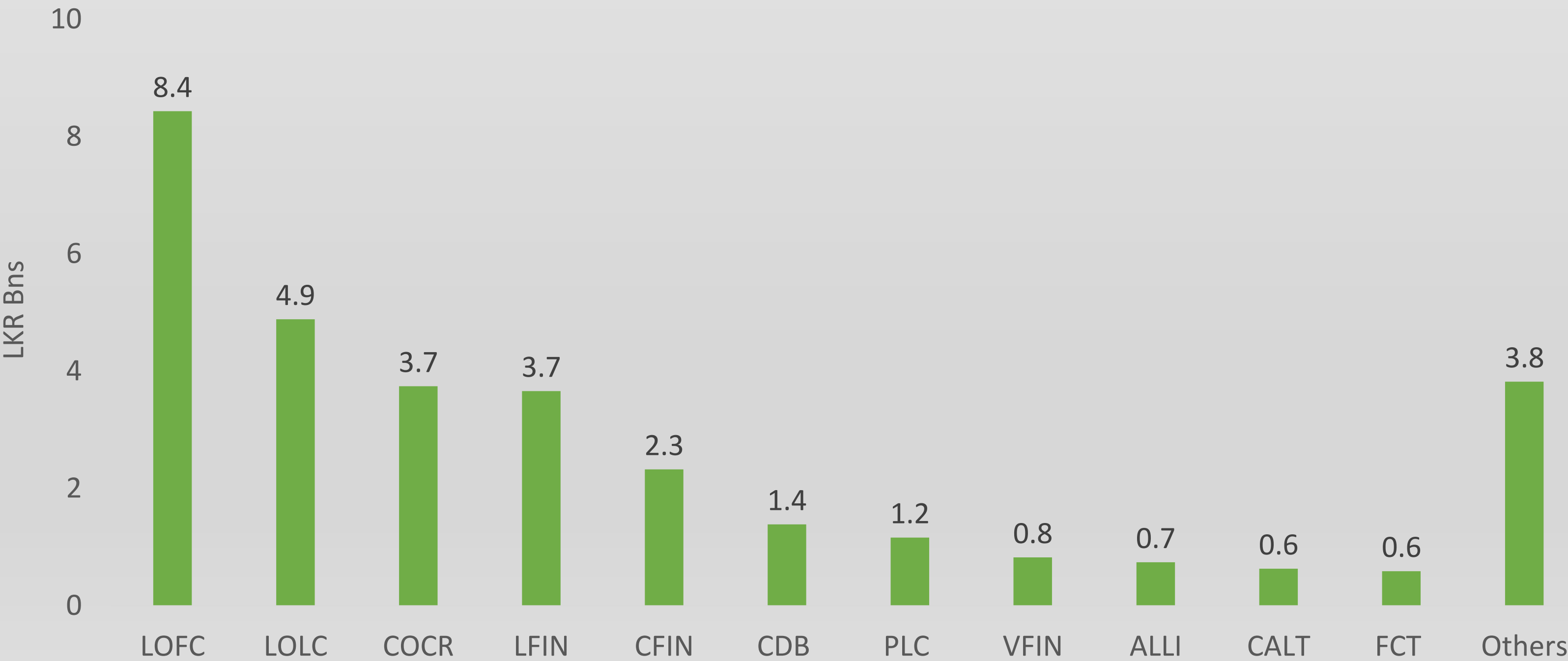


Sri Lanka – Earnings Update – 1Q’25

BRWN, HAYL, VONE & SPEN contributed to nearly three-quarters of capital goods sector earnings



LOFC, LOLC, COCR & LFIN contributed to substantial portion of Diversified Financial sector earnings



Sri Lanka – Earnings Update – 1Q’25

Bourse records earnings of LKR 183Bn in 1Q’25 (+61% YoY & -20% QoQ) . TTM PE ratio stands at just 8.6x.
Return on Equity improved from 12.7% to 13.6% YoY in 1Q’25

Sector	LKR Mn							
	TTM PER (x)	PBV (x)	ROE (%)	1Q2024	4Q2024	1Q2025	YOY	QOQ
Automobiles & Components	9.7	0.9	9.6	371	166	204	-45%	23%
Banks	4.4	0.7	16.9	33,415	72,881	47,953	44%	-34%
Capital Goods	12.2	1.1	8.7	13,995	21,753	28,006	100%	29%
Consumer Services	201.4	1.1	0.6	1,293	538	8,478	556%	1477%
Diversified Financials	6.6	1.1	16.1	18,718	43,500	32,203	72%	-26%
Energy	9.3	1.0	10.6	2,468	1,204	2,516	2%	109%
Food Beverage & Tobacco	7.2	1.8	24.8	16,426	48,198	44,603	172%	-7%
Health Care Equipment & Servic	12.2	1.2	9.7	1,663	1,430	1,909	15%	33%
Insurance	7.4	1.0	13.0	5,533	10,798	4,213	-24%	-61%
Materials	10.5	1.4	13.5	7,685	9,472	7,711	0%	-19%
Real Estate	8.8	0.7	7.5	4,659	3,173	3,632	-22%	14%
Retailing	na	1.1	na	-1,678	1,269	-245	85%	-119%
Telecommunication Services	15.0	1.6	10.7	2,923	9,117	6,131	110%	-33%
Transportation	na	9.6	na	-5,091	301	380	107%	26%
Utilities	14.3	1.7	12.1	501	1,122	265	-47%	-76%
Market	8.7	1.2	13.6	113,745	228,199	182,590	61%	-20%

Source : CSE, ACS Research

Sri Lanka – Earnings Update – 1Q’25

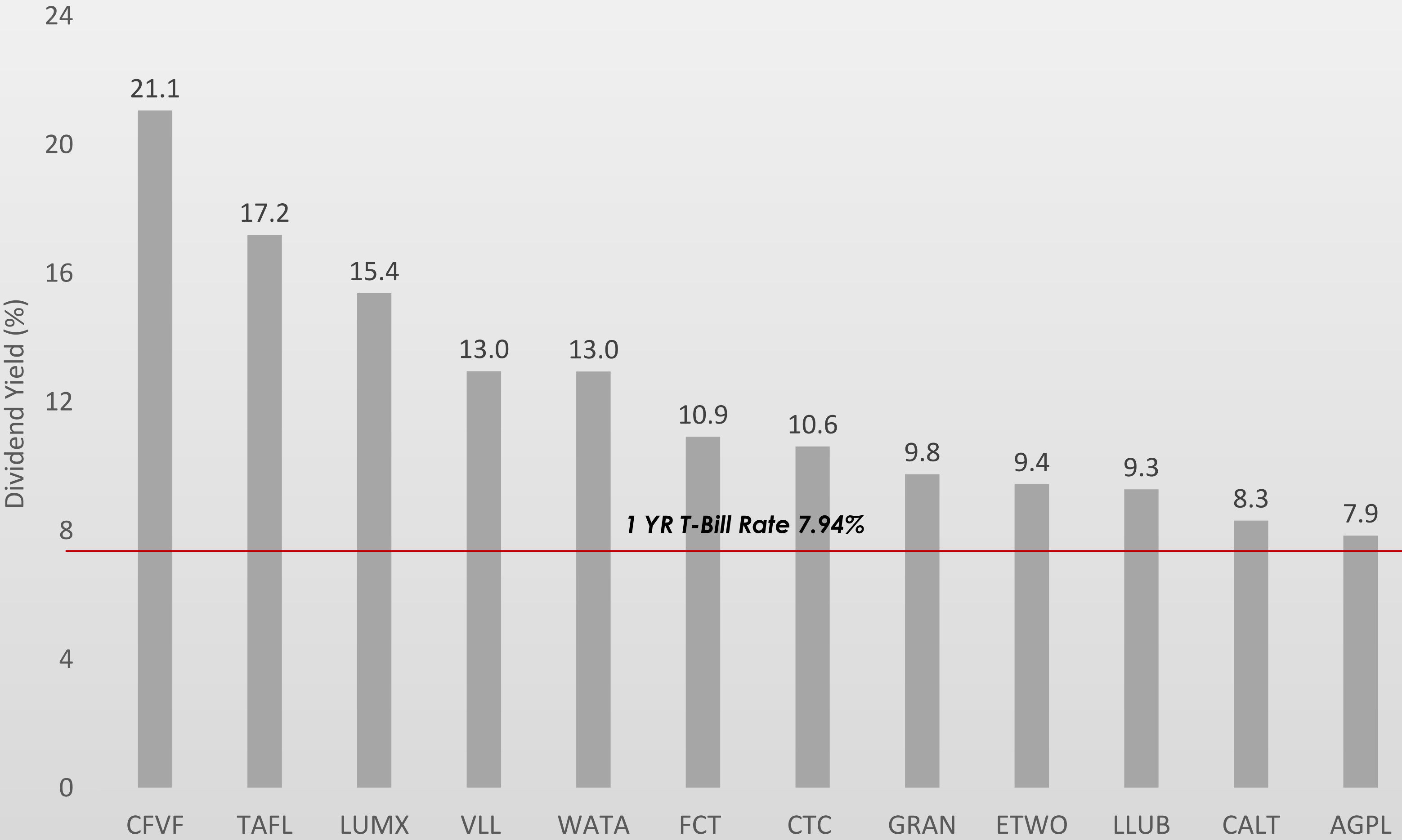
COMB, HNB, BIL, SAMP & LOFC are top five contributors to 1Q’25 earnings
Top 25 contributes to 70% of 1Q’25 earnings

In Millions	1Q'24	4Q'24	1Q'25	YoY	QoQ
Commercial Bank	10,627	24,001	14,787	39%	-38%
Hatton National Bank	7,209	20,539	10,698	48%	-48%
Browns Investments	(11,946)	4,345	10,083	184%	132%
Sampath Bank	3,794	9,613	8,925	135%	-7%
LOLC Finance	5,839	7,493	8,433	44%	13%
Ceylon Tobacco	6,805	7,808	6,679	-2%	-14%
Hayleys	4,708	4,401	5,876	25%	34%
Vallibel One	3,042	2,259	5,822	91%	158%
LOLC Holdings	(2,377)	10,143	4,886	306%	-52%
Melstar Corp.	2,913	4,769	4,488	54%	-6%
Carson Cumberbatch	2,670	8,191	4,334	62%	-47%
Dialog	2,769	6,768	4,131	49%	-39%
Nations Trust Bank	3,776	4,635	4,085	8%	-12%
Distilleries	3,679	4,800	4,081	11%	-15%
Brown & Company	(3,473)	3,144	3,998	215%	27%
Commercial Credit	1,379	331	3,743	171%	1032%
LB Finance	2,833	2,496	3,661	29%	47%
Bukit Darah	1,939	6,948	3,360	73%	-52%
Aitken Spence	2,537	1,502	3,039	20%	102%
DFCC Bank	3,791	2,787	2,992	-21%	7%
Lanka IOC	3,424	2,120	2,727	-20%	29%
Seylan Bank	2,328	3,509	2,679	15%	-24%
Aitken Spence Hotel Hold.	2,739	1,061	2,671	-3%	152%
Hemas Holdings	1,575	3,026	2,576	64%	-15%
Access Engineering	623	1,117	2,432	290%	118%

Source : CSE, ACS Research

Sri Lanka – Earnings Update – 1Q’25

Majority of counters are offering higher dividend yields, exceeding the returns on govt securities
CFVF, TAFL & LUMX rank as the top 3 highest dividend yields companies



Prices as at 11.06.2025

Source : CSE, ACS Research

OUTLOOK

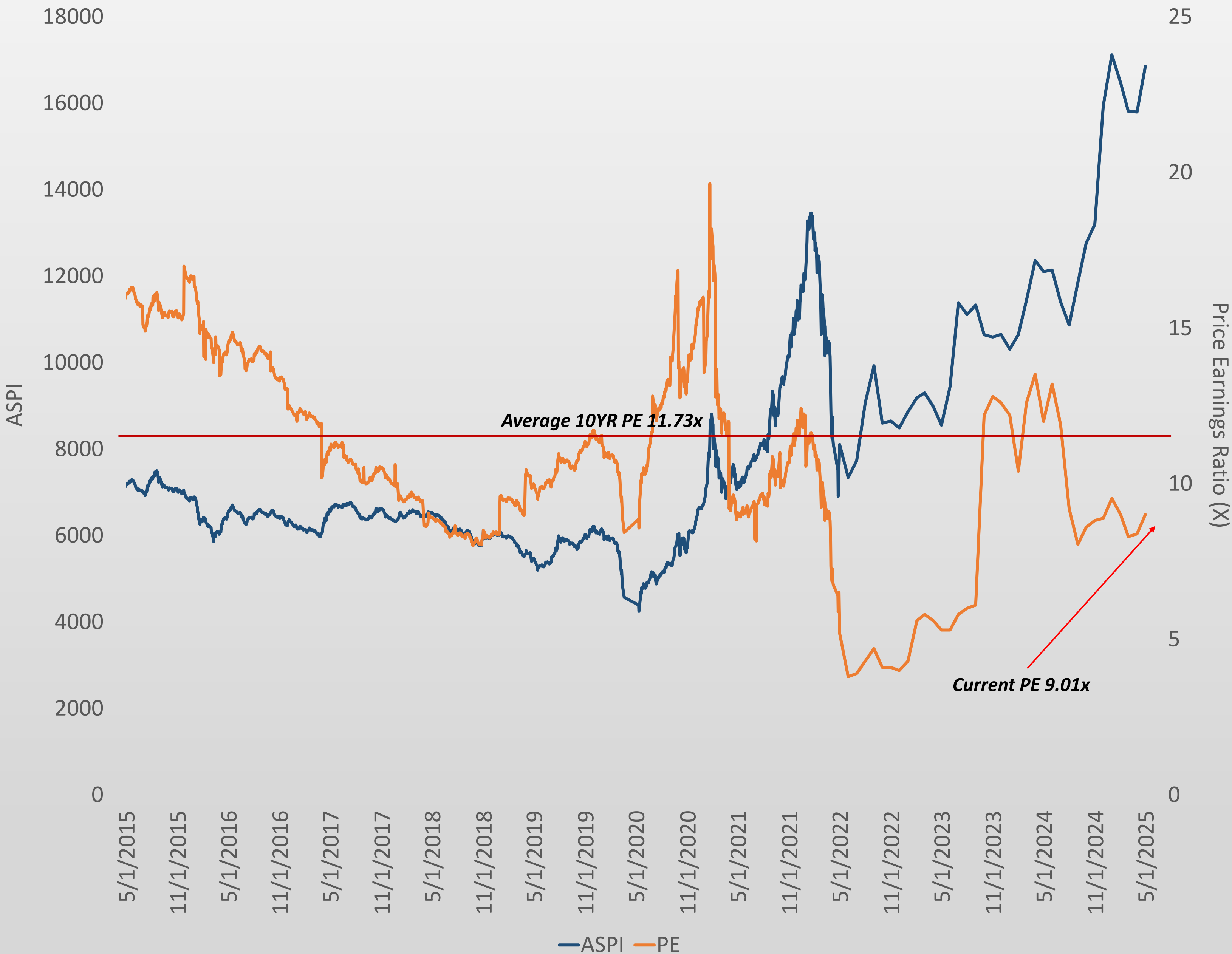
Strong underlying drivers continue to support positive momentum in Sri Lanka’s equity market

Rising profitability across sectors paves the way for attractive investment prospects

- ✓ Investor optimism continues to build as Sri Lanka’s equity market enters a new phase of growth, driven by improving corporate fundamentals, rising foreign interest, and a visible shift in strategic focus among listed companies. The market is no longer just reacting to macro stabilization, it is now responding to tangible, forward-looking developments that signal long-term value creation.
- ✓ A wave of corporate deleveraging and restructuring is unlocking earnings potential across sectors, with companies actively pursuing operational efficiency, margin expansion, and leaner balance sheets. This transition marks a decisive move from survival mode to growth orientation, especially among mid- to large-cap counters.
- ✓ Meanwhile, growing foreign investor interest has added depth and credibility to the rally. Early signs of sustained portfolio inflows reflect renewed global confidence in Sri Lanka’s equity story, with market reforms, improving governance standards, low rates and digital accessibility contributing to the improved perception.
- ✓ Momentum is gaining across several high-potential sectors including banking, insurance, diversified financials, construction, retail, and consumer-related segments where earnings visibility is strengthening amid rising demand and improved capacity utilization. The market appears to be transitioning into a phase where stock performance is increasingly driven by underlying fundamentals, a healthy and encouraging sign for active investors focused on value and growth opportunities.
- ✓ With increasing market participation, stronger liquidity conditions, and a widening pipeline of corporate activity, Sri Lanka’s equity market remains on firm footing. The current environment favors strategic accumulation, as investors position themselves ahead of what could be a multi-quarter earnings acceleration cycle. In our view, equities remain the most compelling asset class in this phase of the economic cycle. However, risks remain—particularly from potential volatility in global markets following recent actions by Donald Trump, which could impact investor sentiment and market stability.

Sri Lanka – Earnings Update – 1Q’25

Sri Lanka still trades at a significant 23% discount to 10 Yr average PE of 11.7x
CSE remains well-positioned for sustained growth, reflecting renewed investor confidence and a favorable macroeconomic backdrop that continues to unlock long-term value.

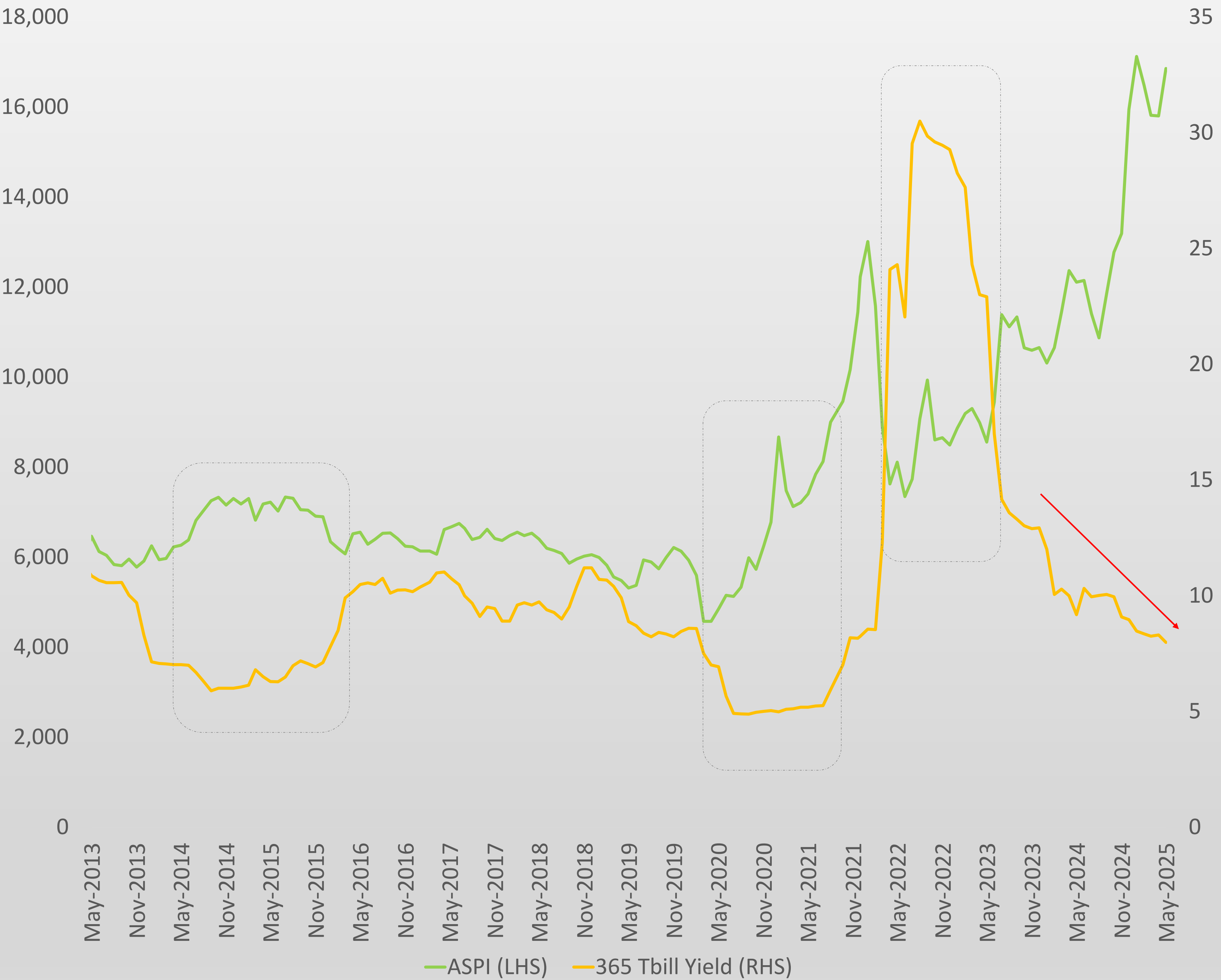


Source : CSE, ACS Research

Sri Lanka – Earnings Update – 1Q’25

With interest rates trending lower, equities gain appeal over low-yielding fixed income assets

Declining interest rates have reinforced the appeal of equities, with the ASPI exhibiting a sustained inverse correlation that continues to drive capital inflows into the market.



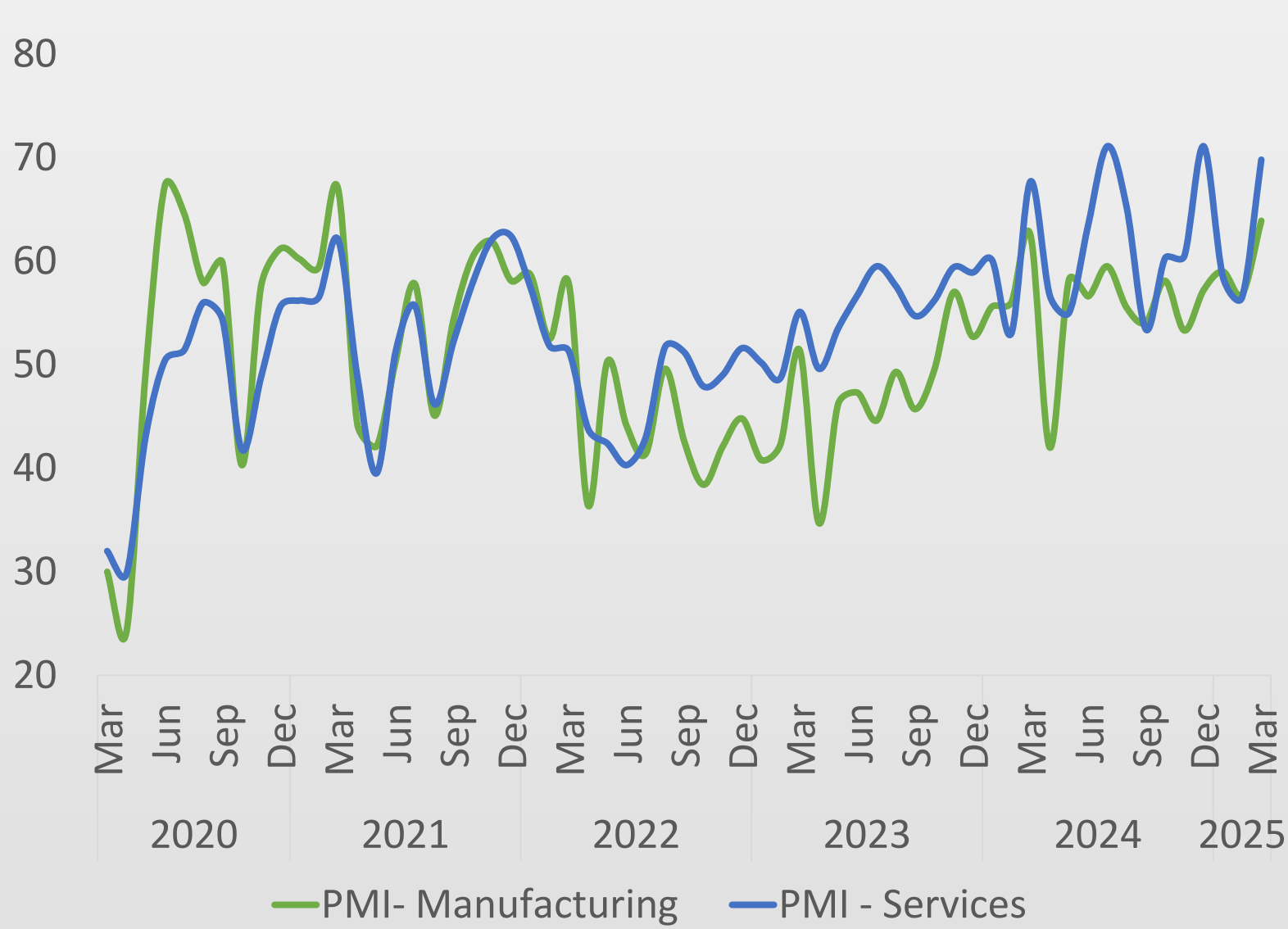
Source : CSE, ACS Research

BROAD-BASED SECTORAL
EXPANSION CONTINUES TO
DRIVE SUBSTANTIAL
EARNINGS GROWTH

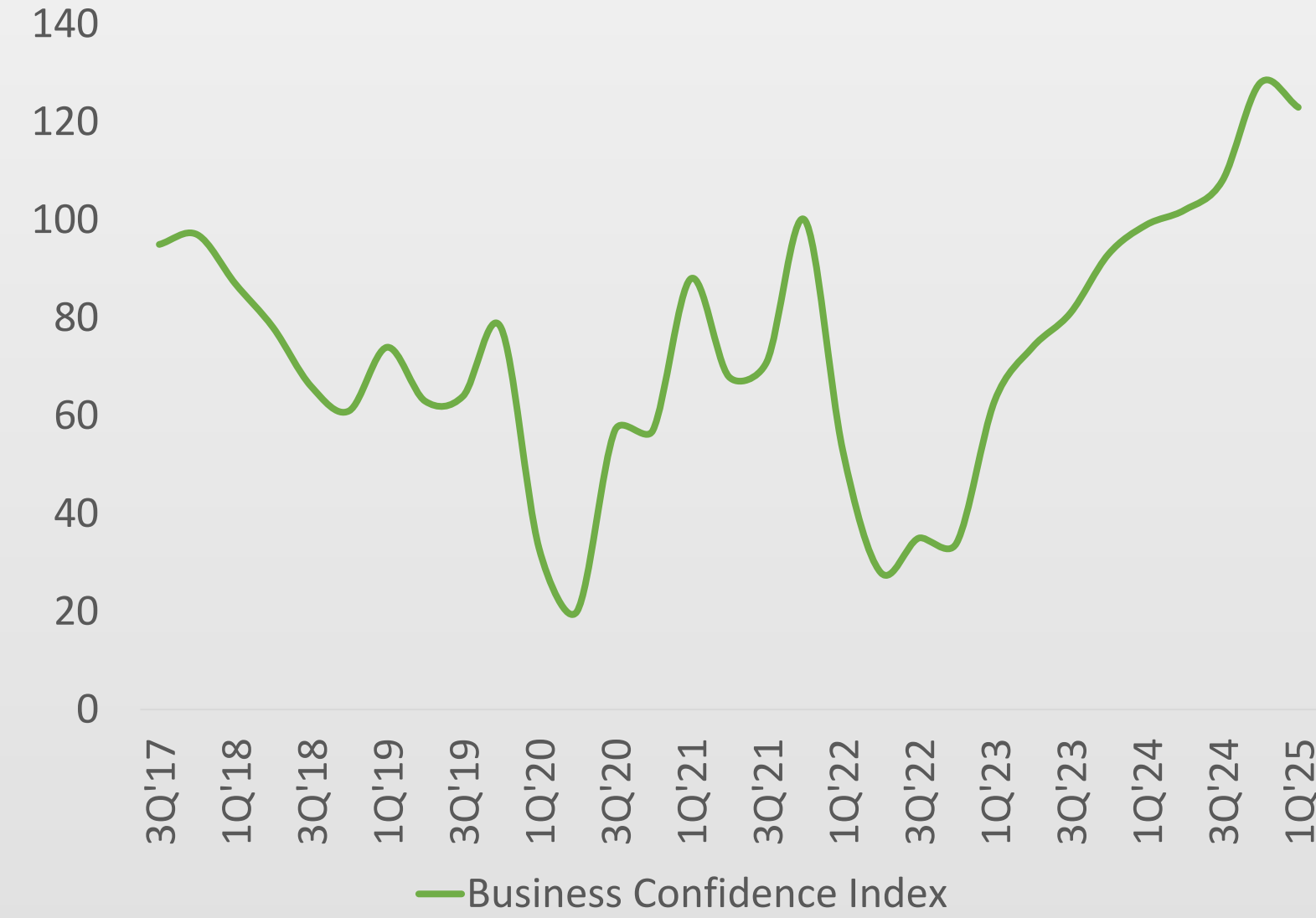
Sri Lanka – Earnings Update – 1Q’25

Improving macroeconomic indicators are expected to sustain and support continued corporate earnings growth. Shifts in market conditions, alongside increasing demand, are contributing to a more resilient & promising business outlook.

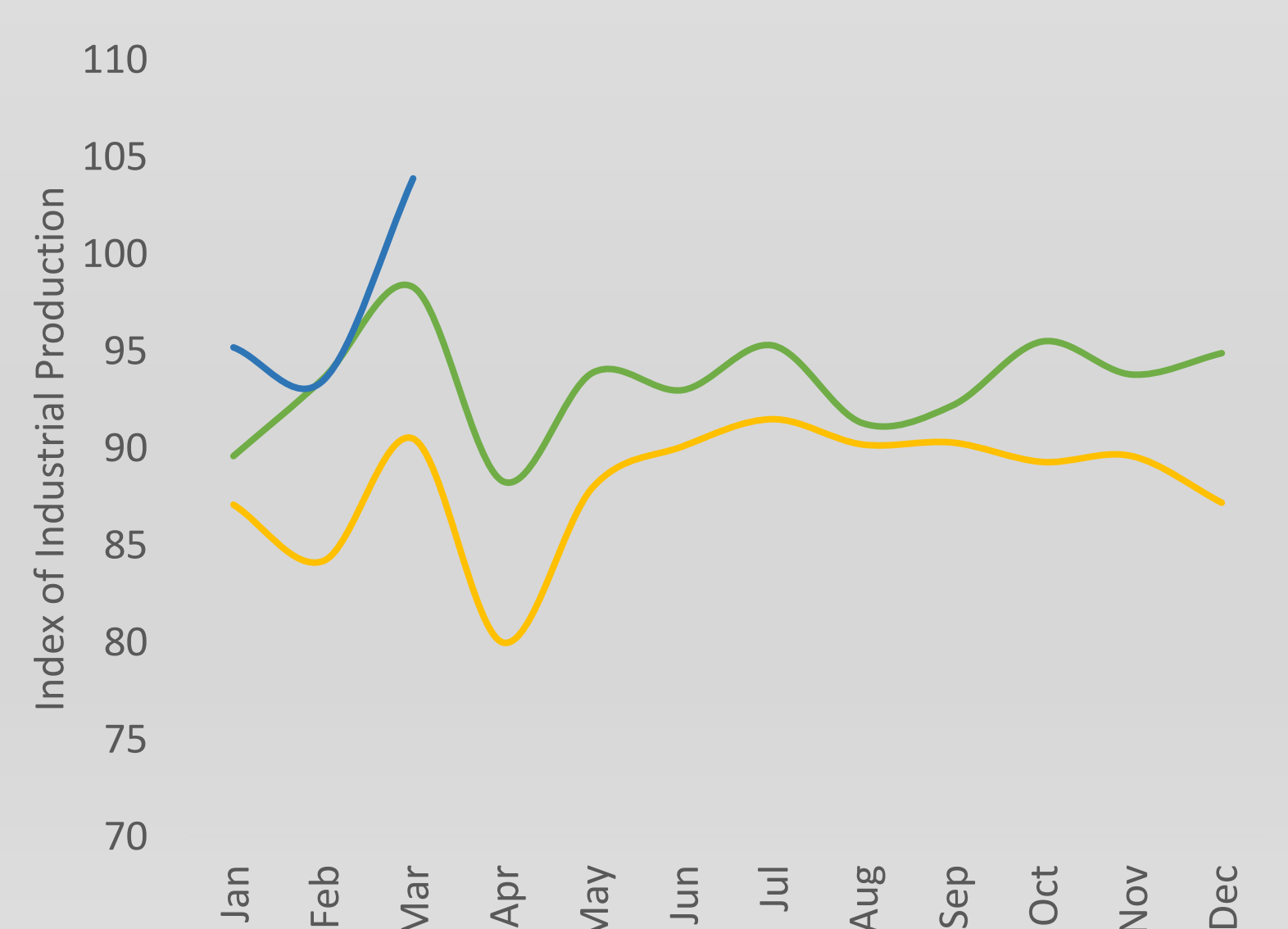
PMI for both manufacturing & services is trending upwards, indicating higher activities



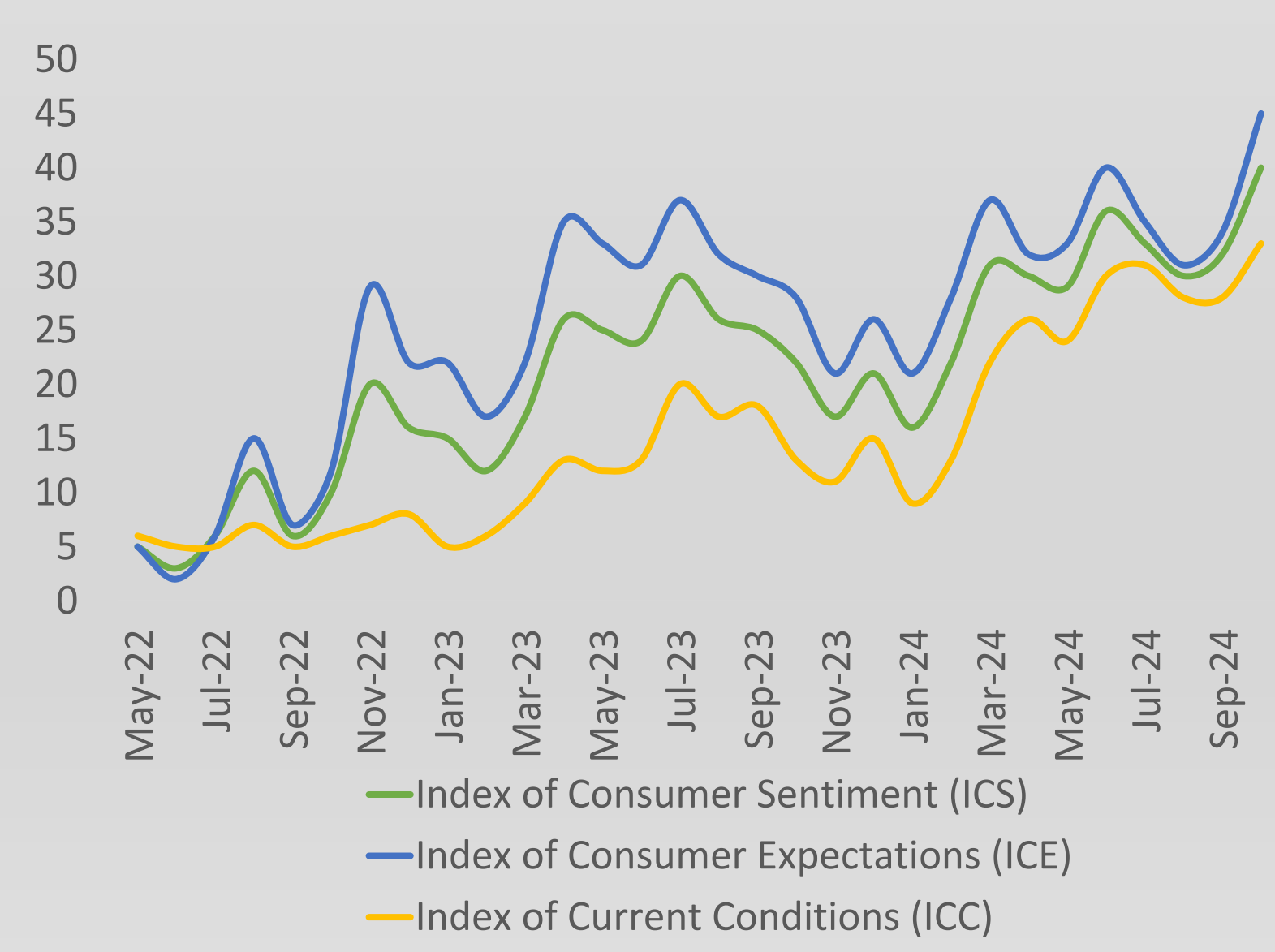
Business Confidence Index continues to be strengthened



Rising IIP reflects strengthening production activity and a rebound in consumer demand



Consumer Confidence is on the rise, reinforcing the consumer demand.

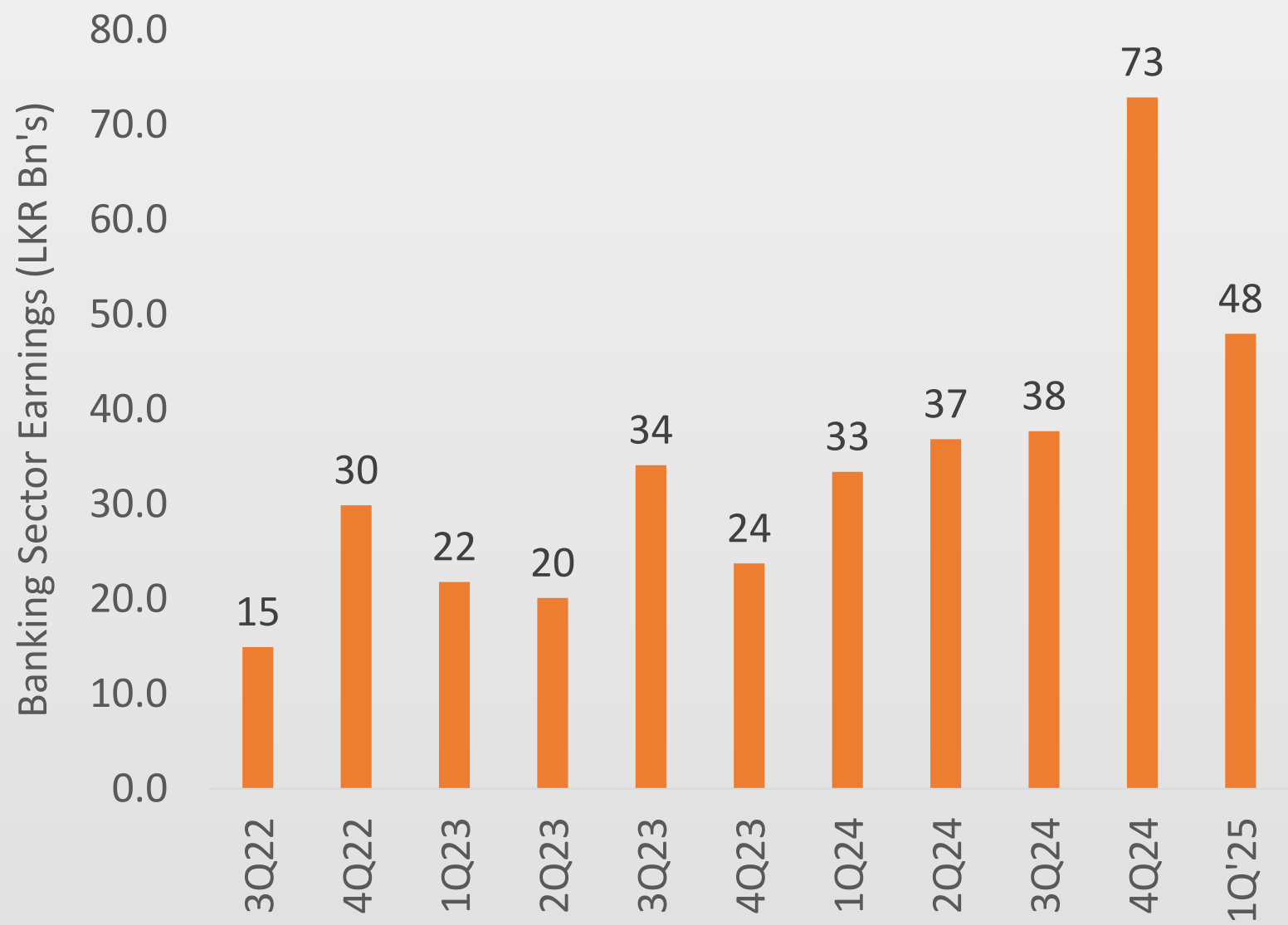


Sri Lanka – Earnings Update – 1Q’25

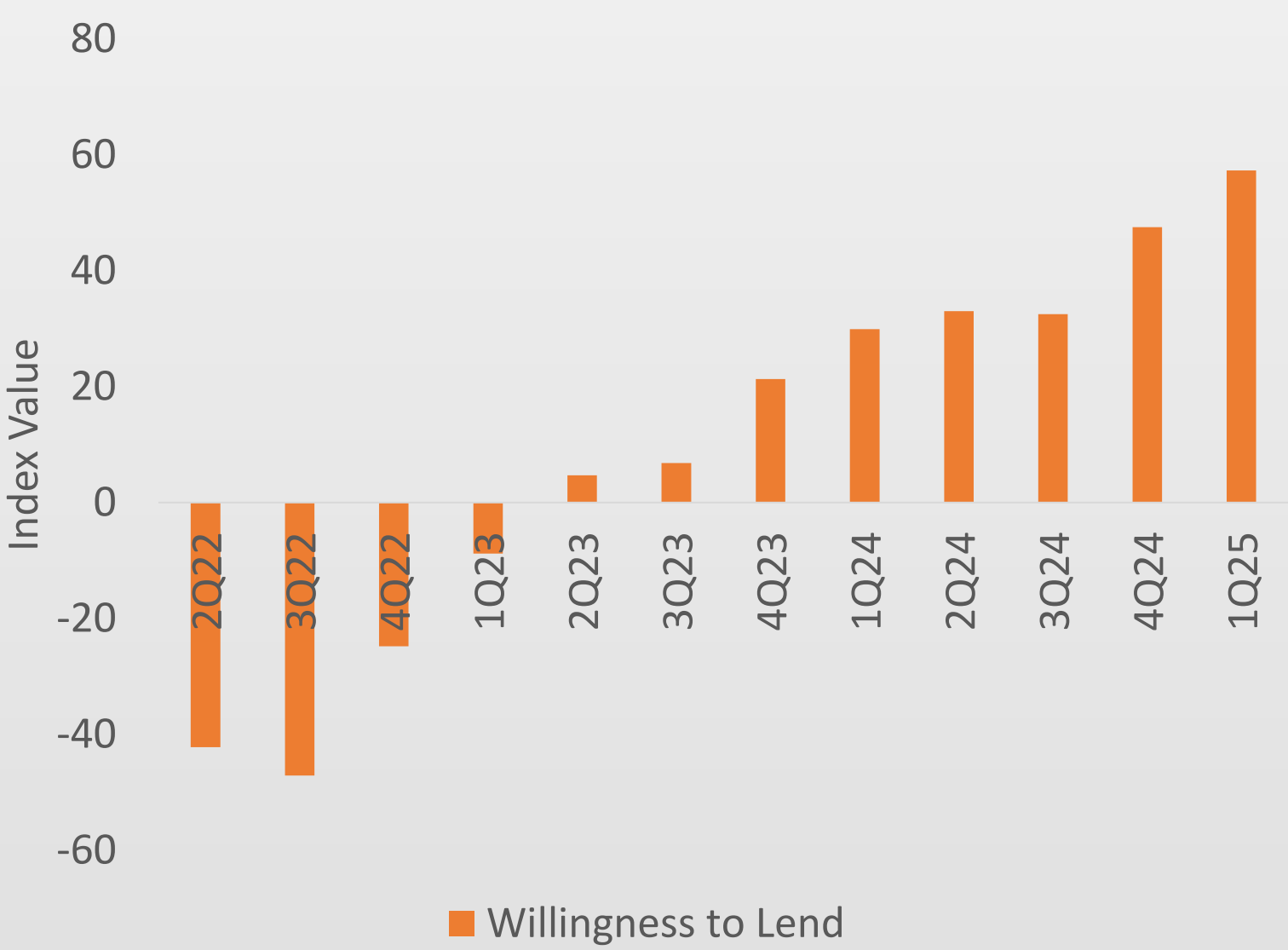
Banking sector profits surged by impressive 44%YoY in 1Q’25, led by lower impairment provisions

Resilient Banking sector looks promising, with rising credit demand and improving asset quality indicators.

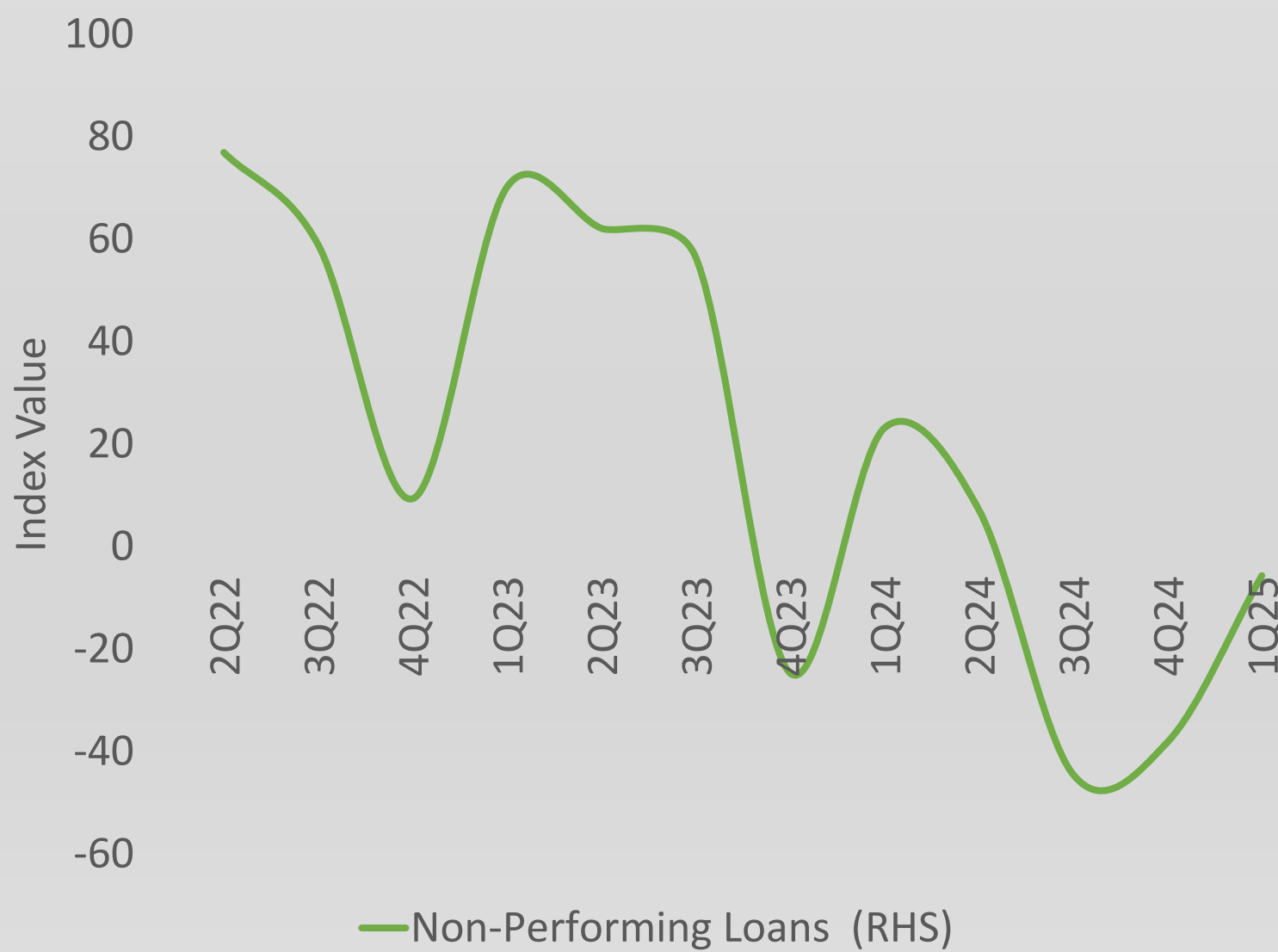
Banking sector earnings are on an upward swing



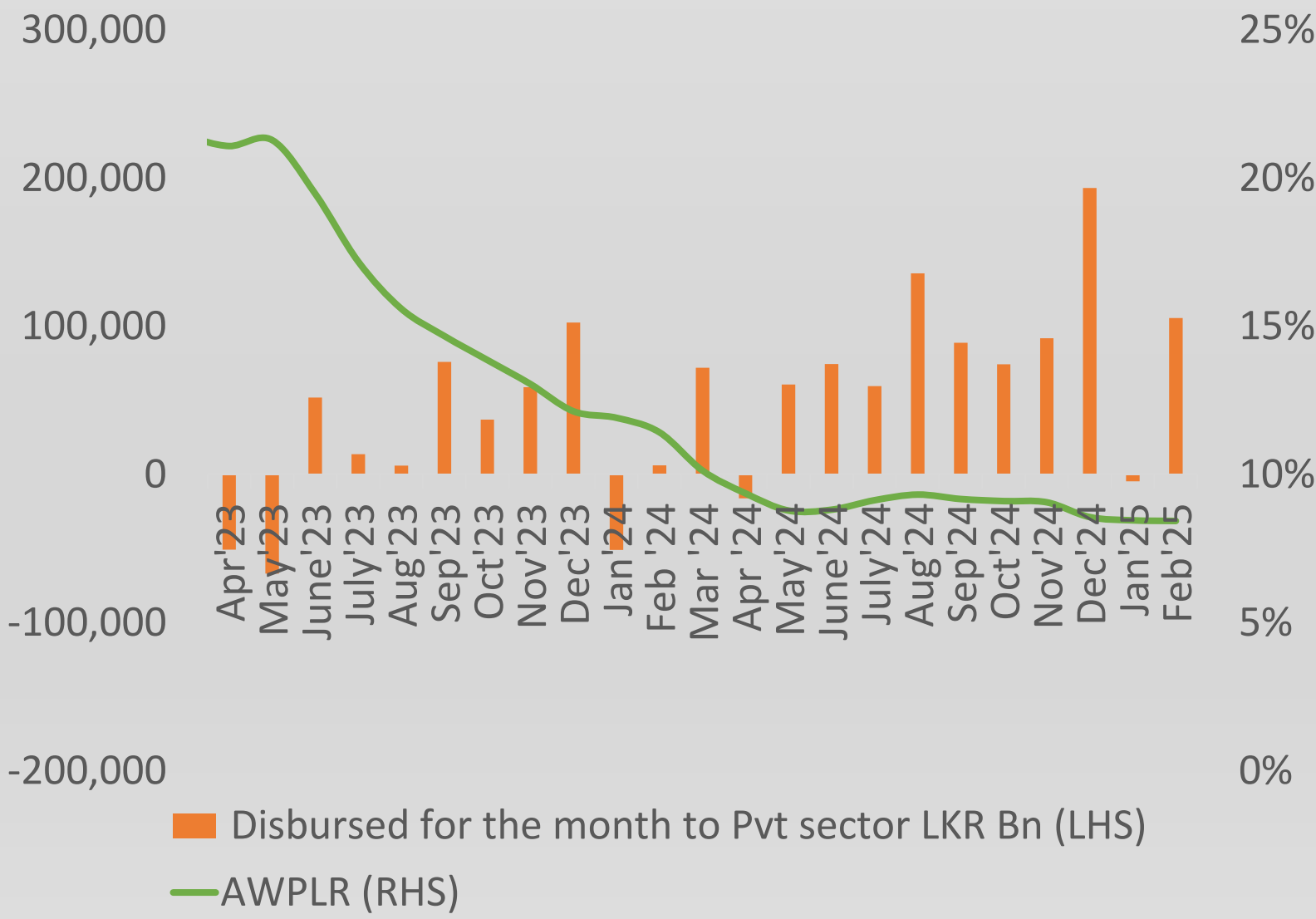
Willingness to lend is growing up, witnessing an overall improvement in economic activities



Non-performing loans are on a downward trend, supporting lower impairment charges



Pvt sector credit is surging amid low-interest rate environment

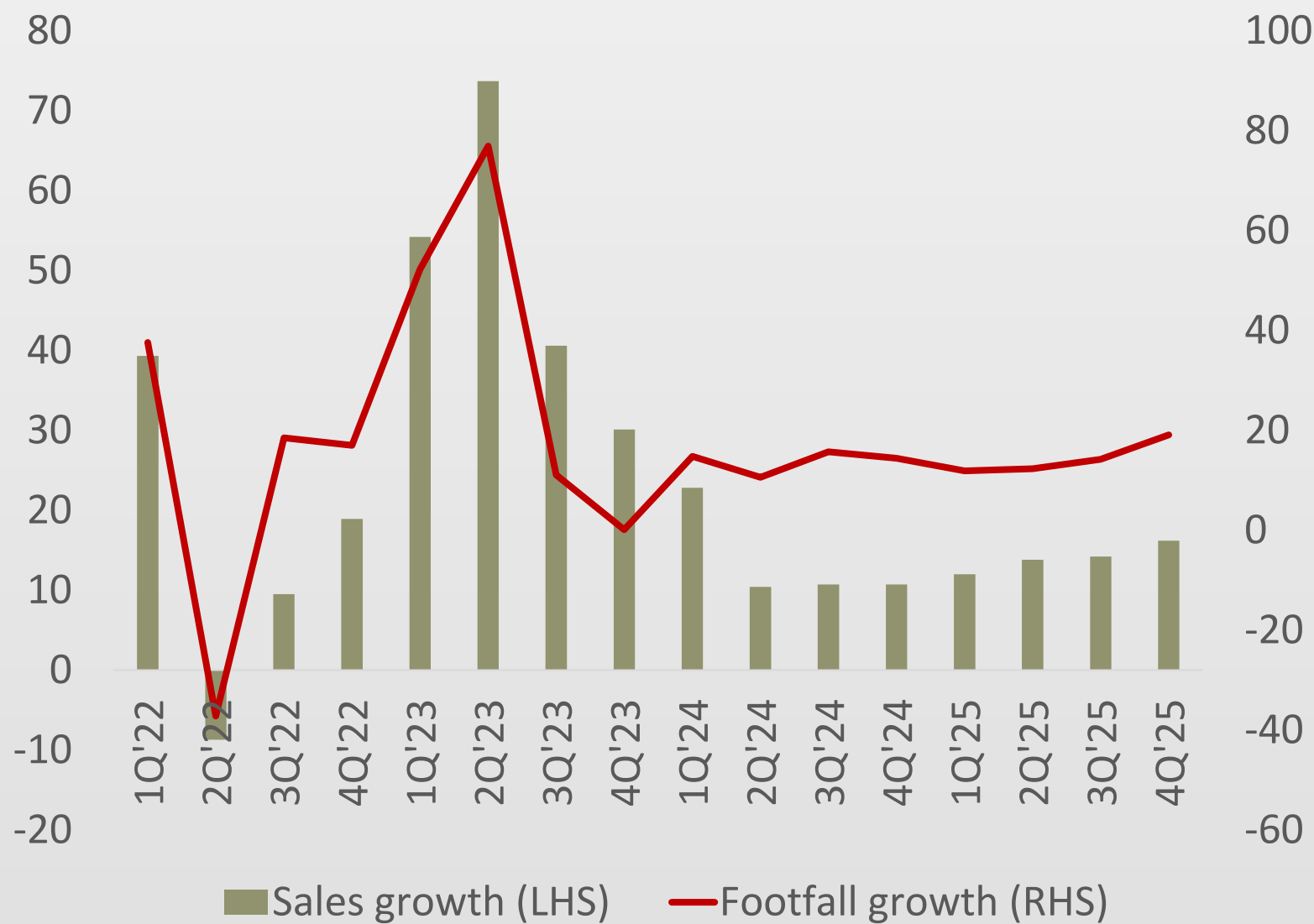


Sri Lanka – Earnings Update – 1Q’25

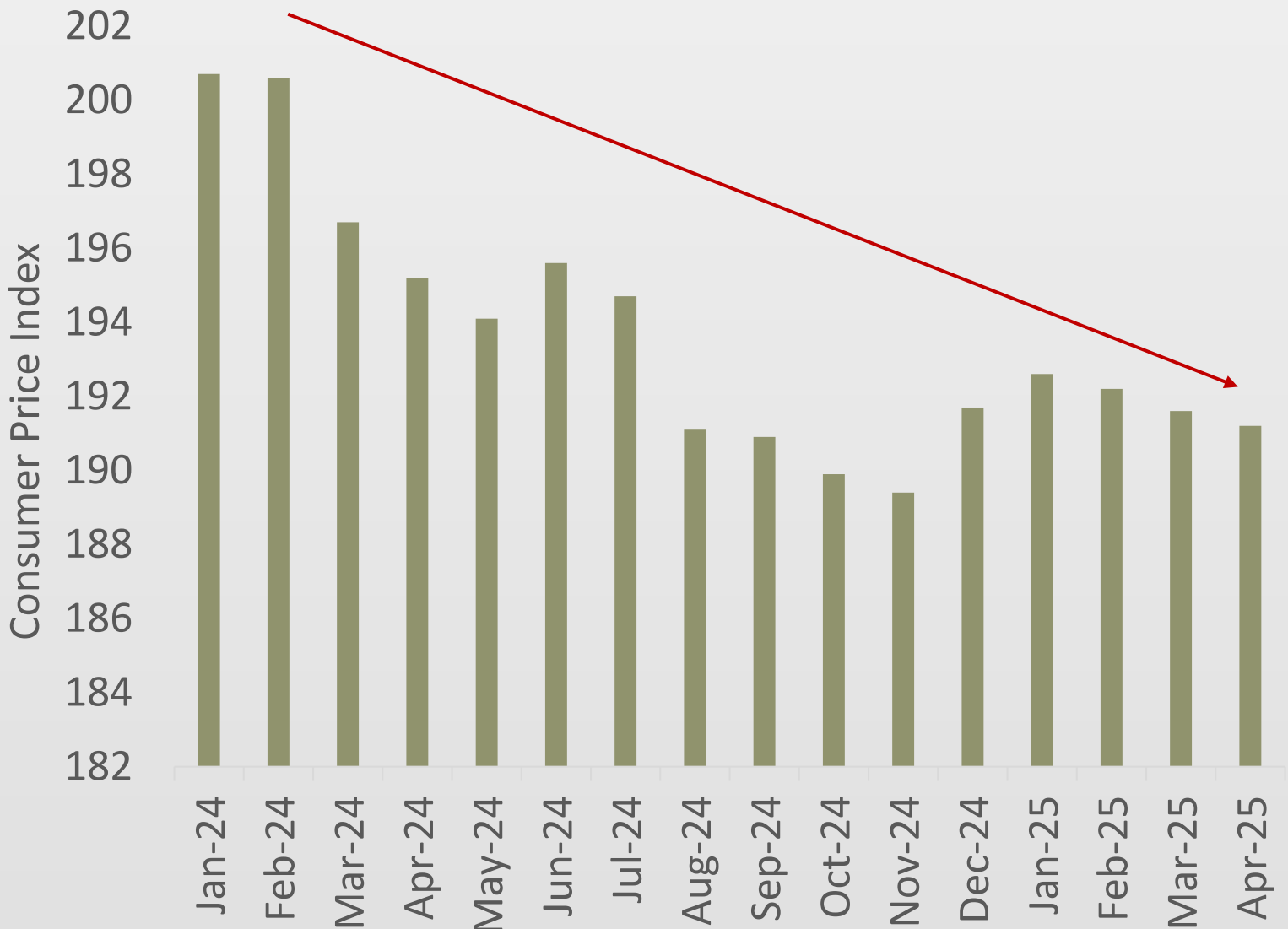
Consumer sector outlook brightens as retail activity picks up and demand gradually strengthens

Easing inflation, declining interest rates, and improved credit access enhance consumer purchasing power.

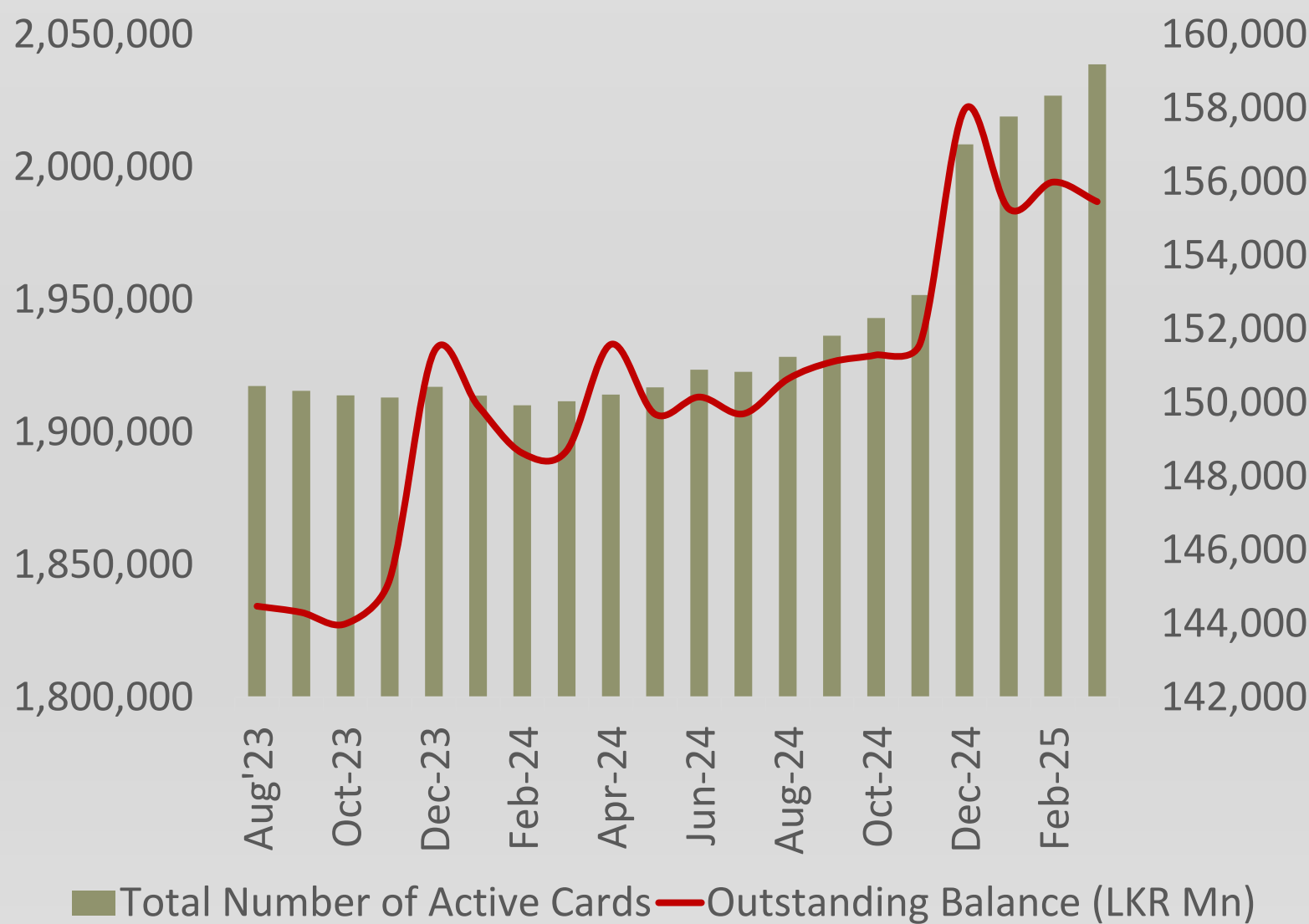
Moden retail sales up with growing footfall



Falling CPI to boost consumer’s purchasing power



Rising credit card usage signals economic upturn



Rising wage rates to drive up expenditures

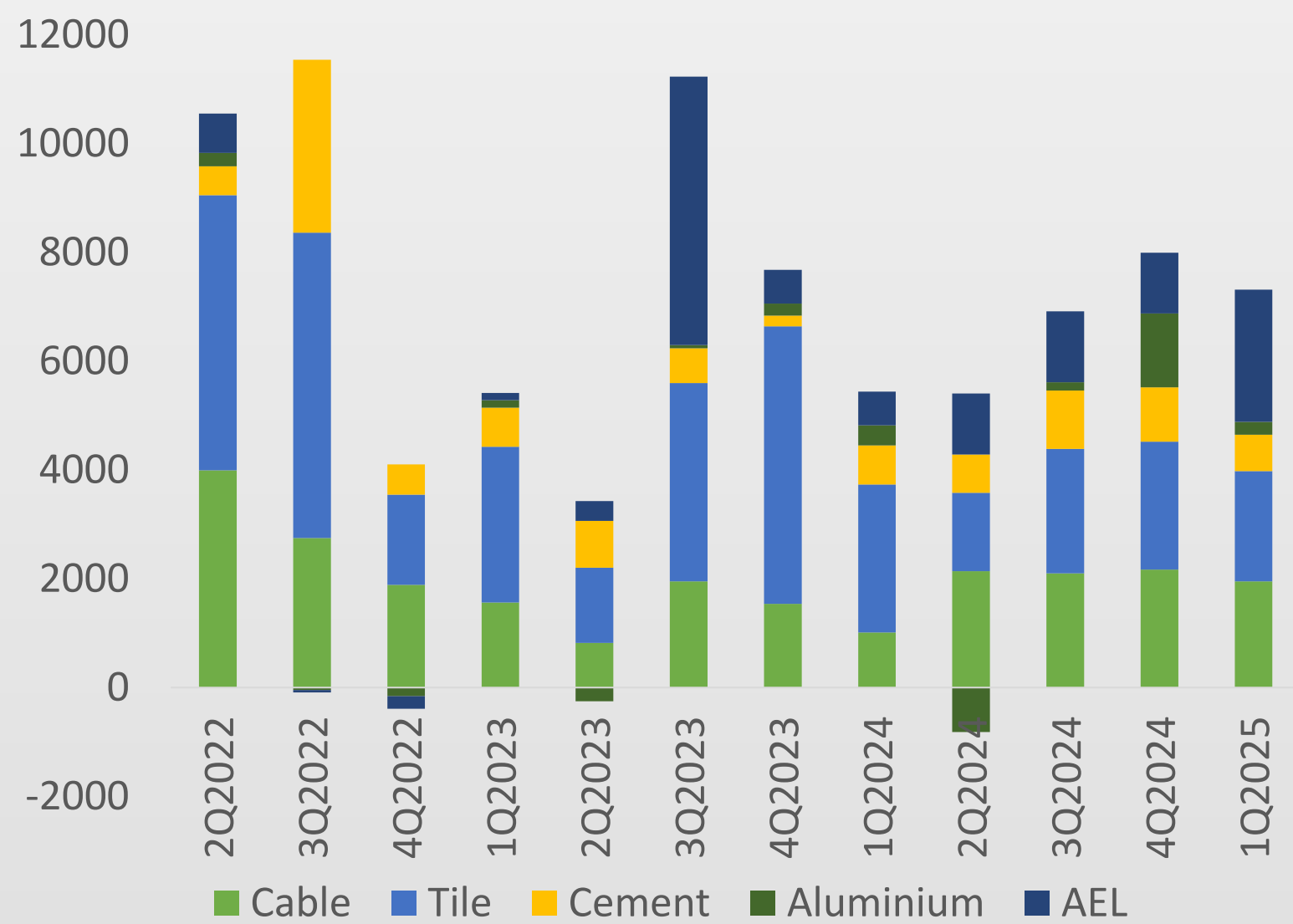


Source : CSE,CBSL,JKH Investor Presentation, ACS Research

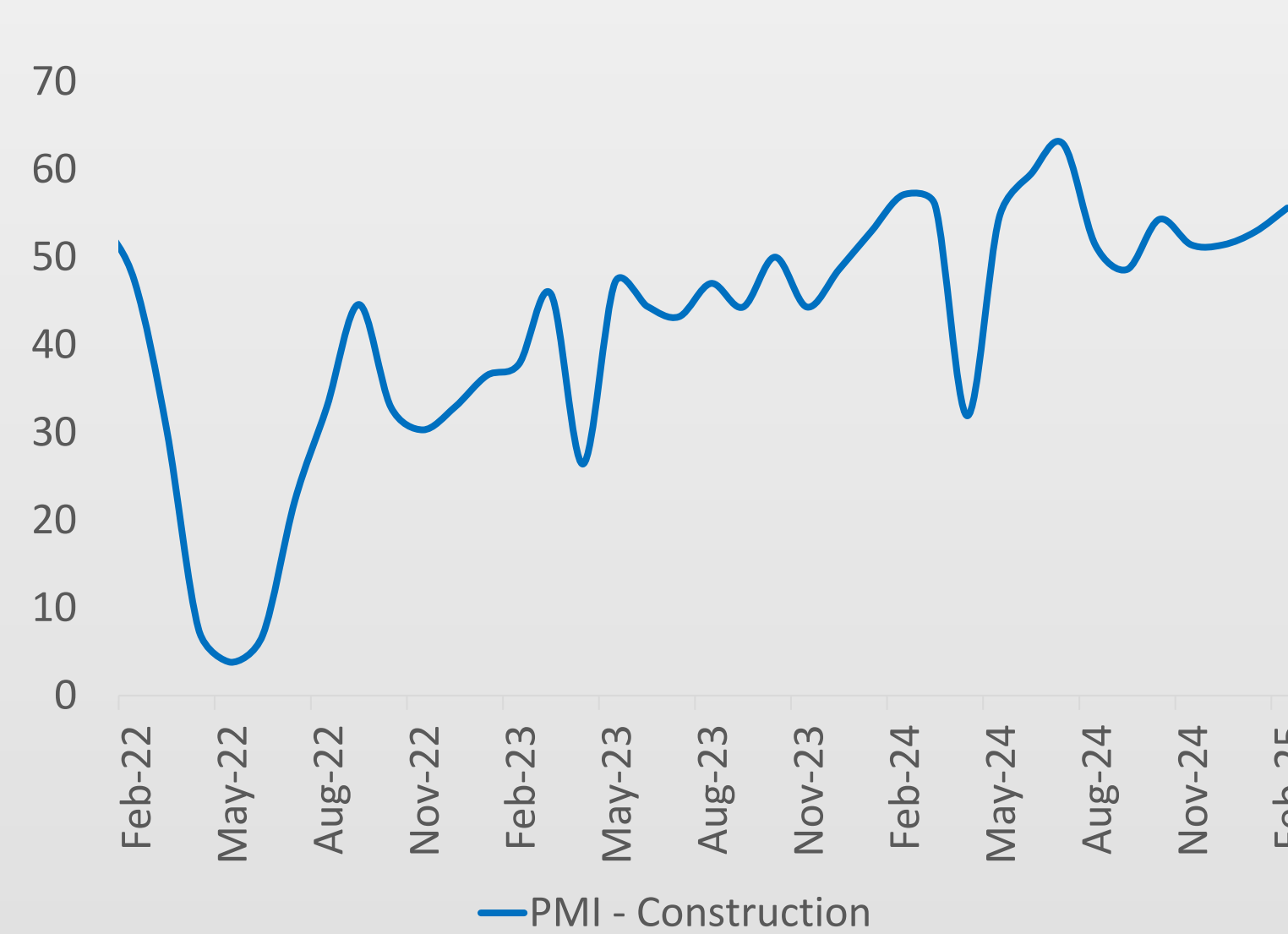
Sri Lanka – Earnings Update – 1Q’25

The construction sector reflects early signs of a stable earnings rebound
Sector prospects improve as project activity resumes following the finalization of key debt restructuring agreements.

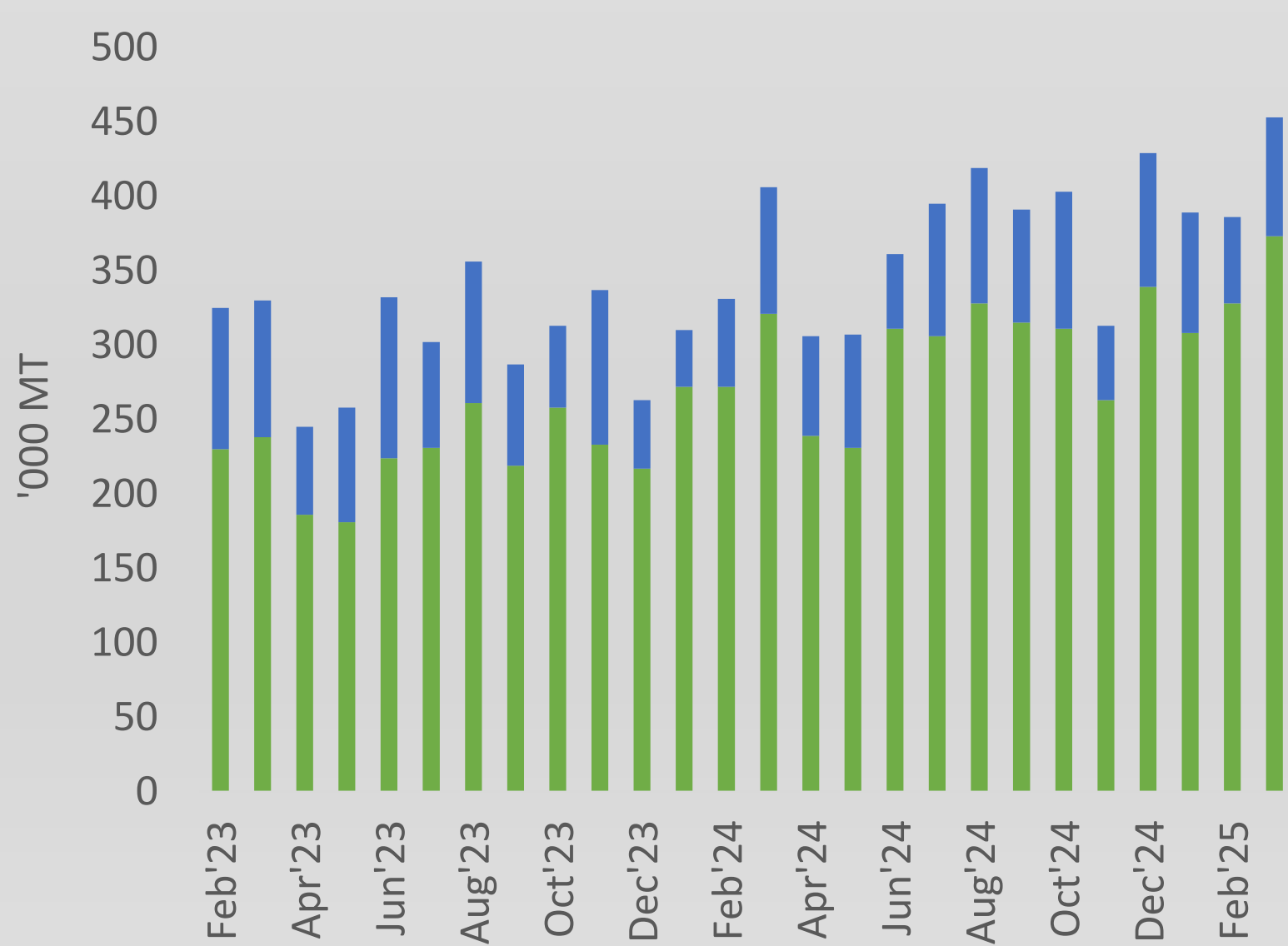
Construction Sector Earnings are showing positive growth



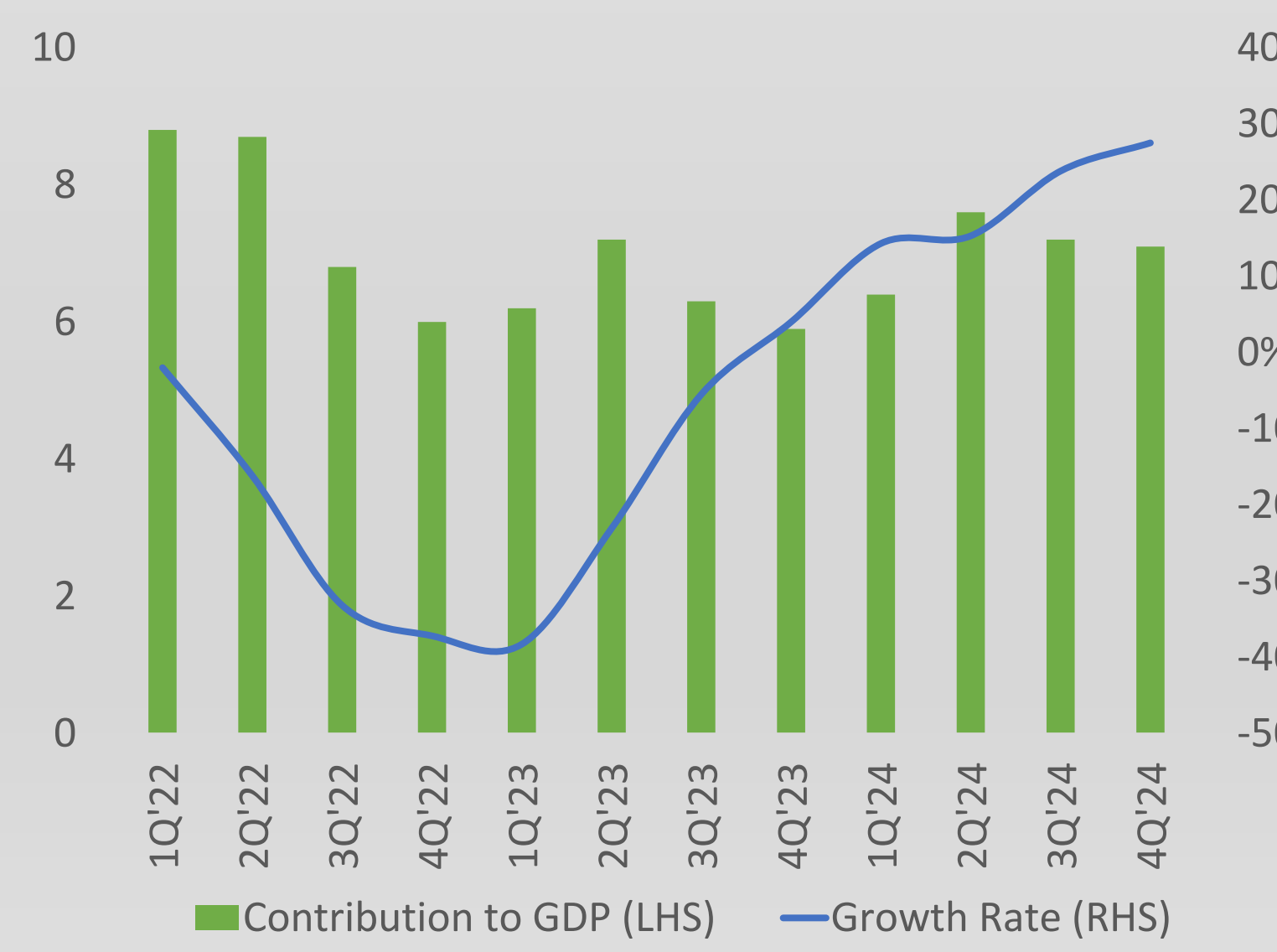
PMI for Construction continues to grow, signaling an expansion in sector activity levels



Higher cement production and imports, implicates strong economic recovery



Construction sector contribution to GDP is on the rise



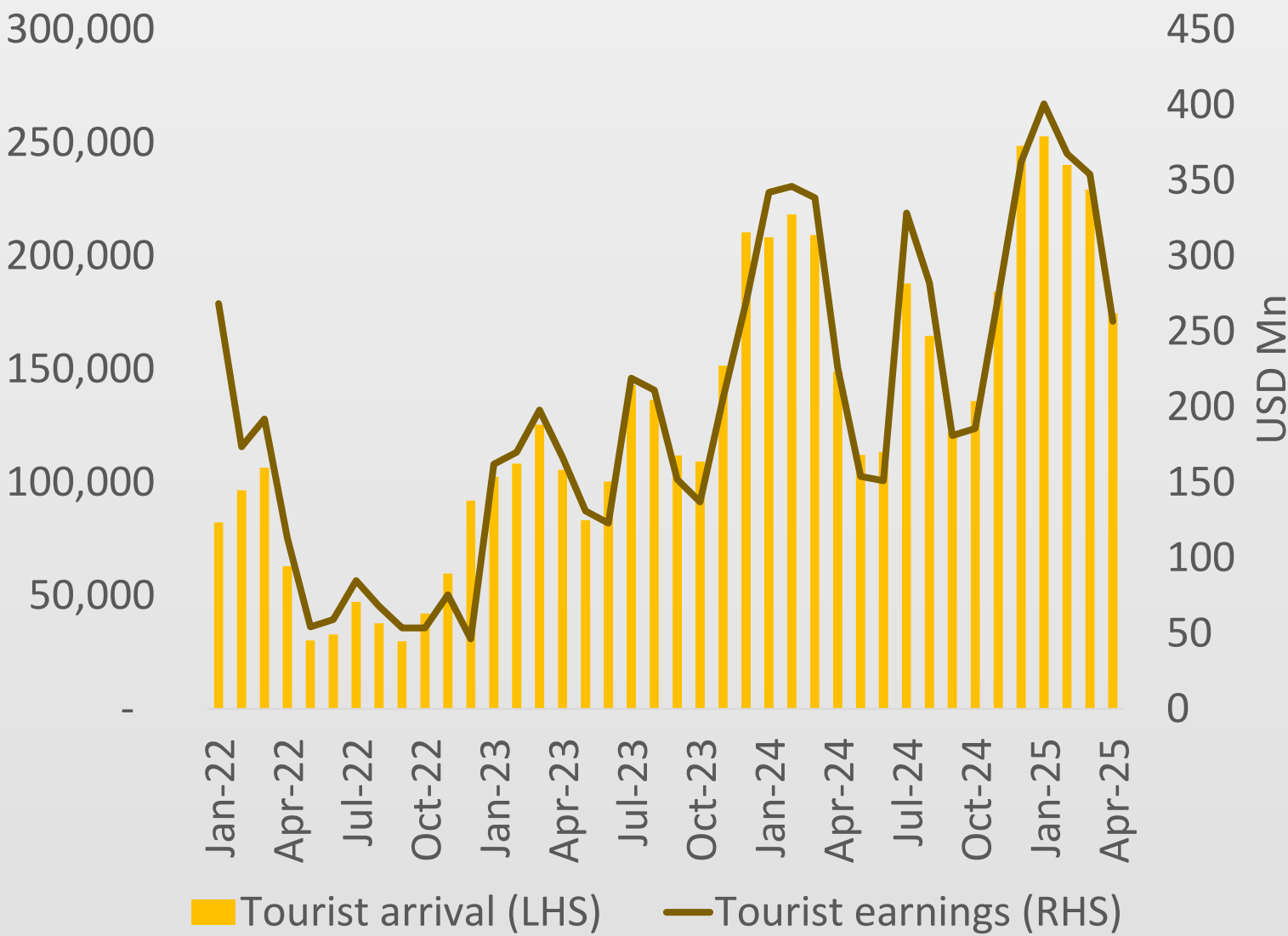
Source : CSE,CBSL,ACS Research

Sri Lanka – Earnings Update – 1Q’25

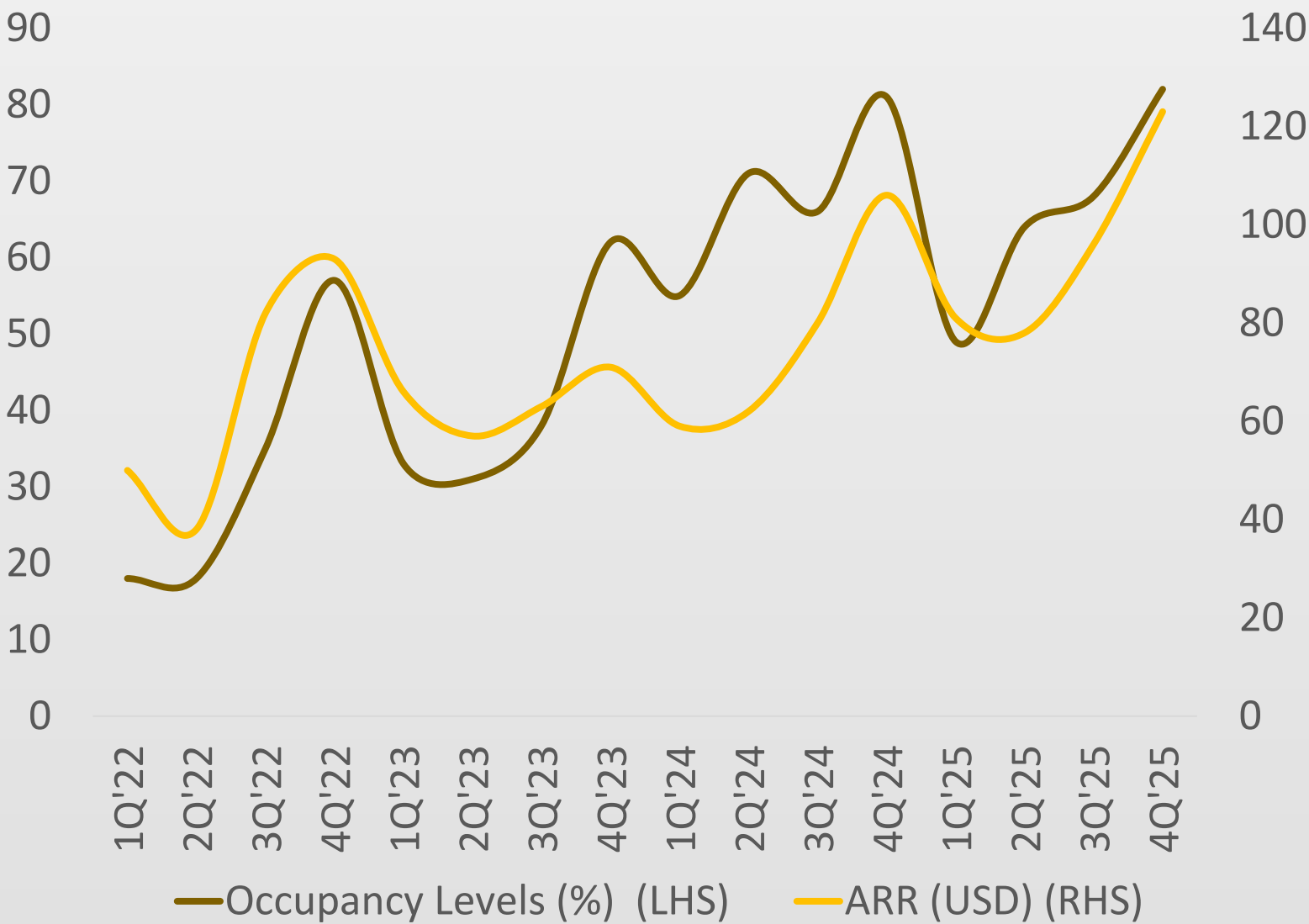
Spike in tourist arrivals to boost hotel sector earnings, fostering an optimistic outlook for the industry

Sri Lanka exceeds 1 Mn tourist arrivals to date, advancing toward the ambitious year-end target of 3 Mn visitors.

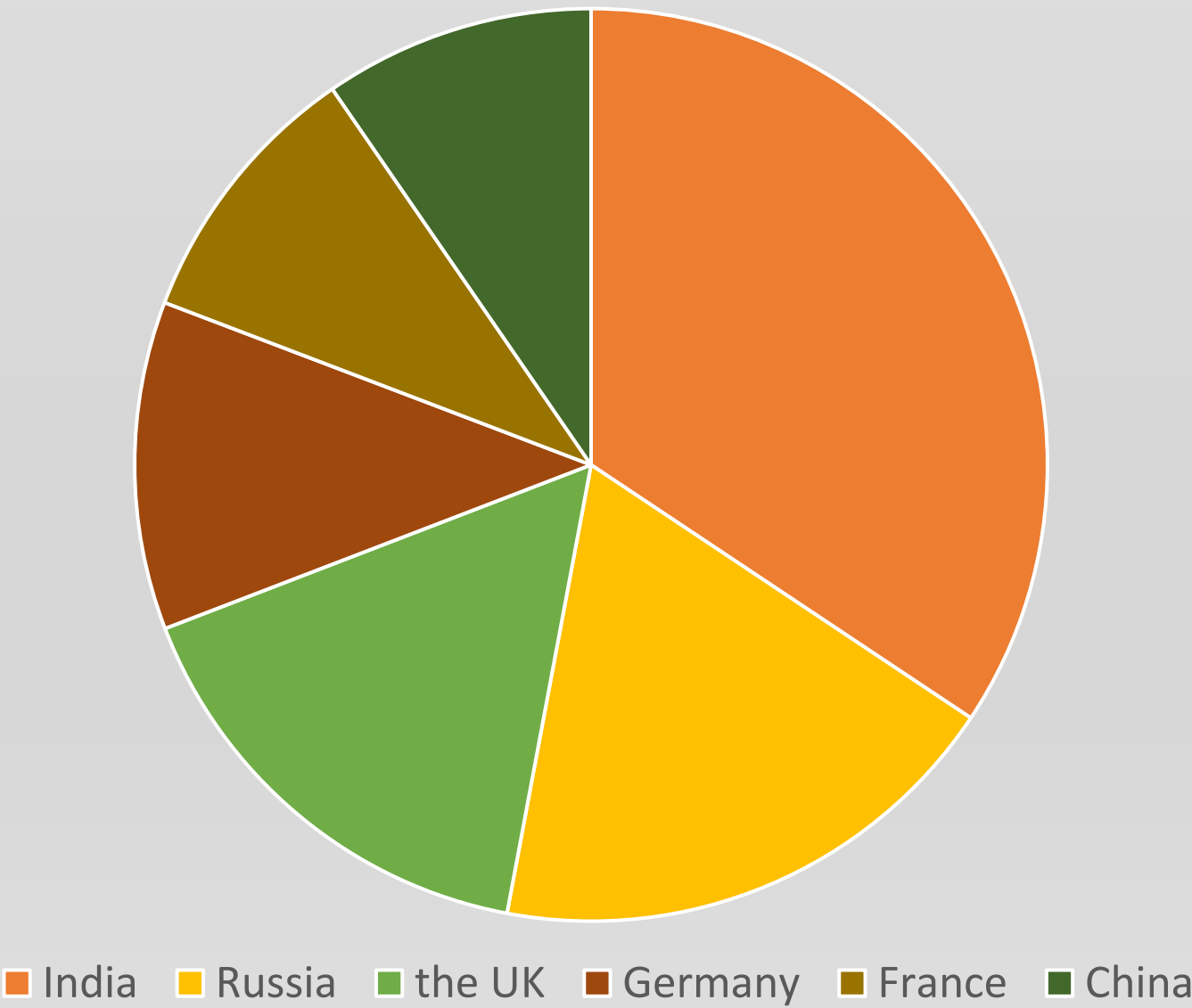
SL Tourism industry is experiencing a massive growth



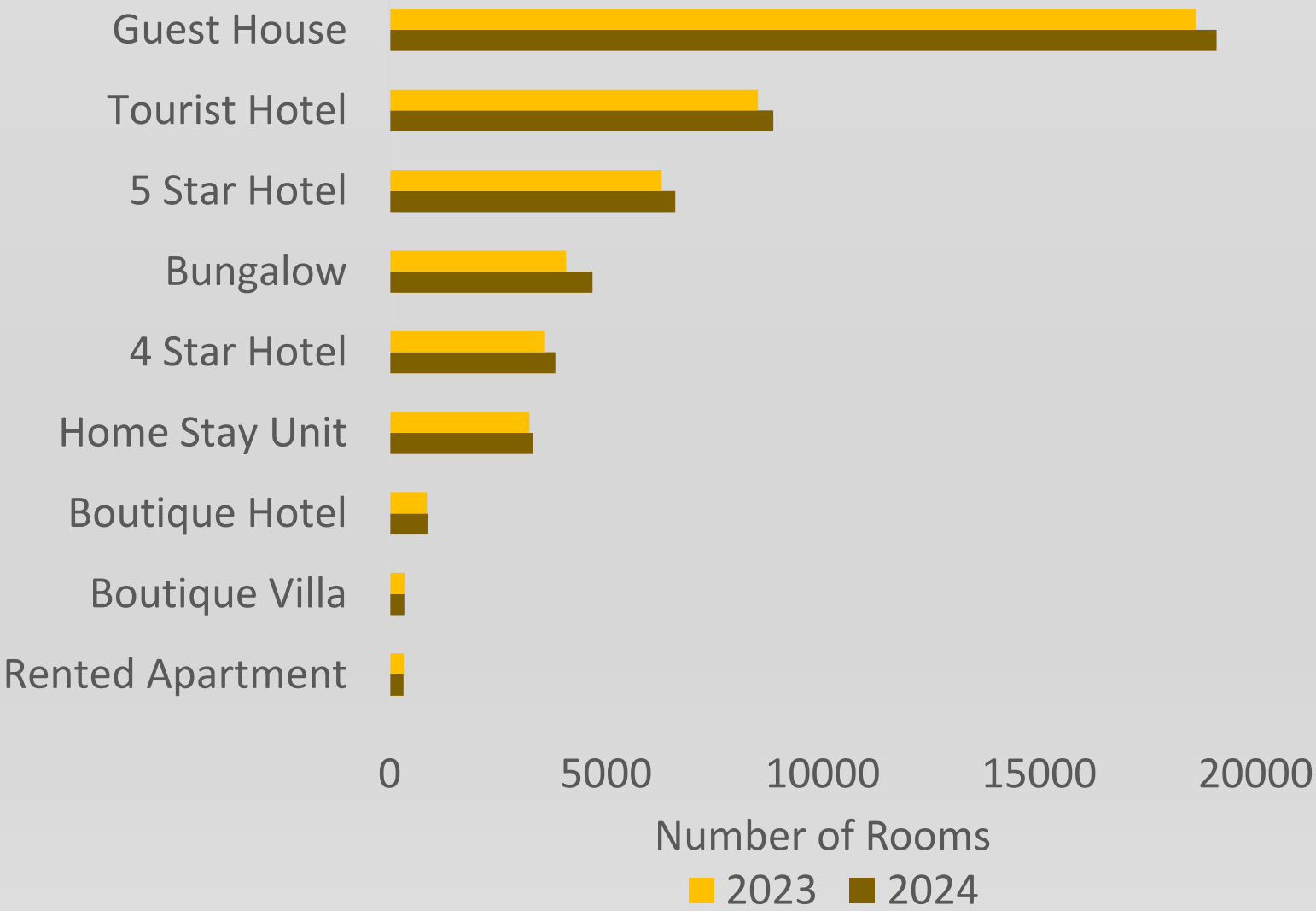
Occupancy Levels & ARR are improving steadily



India, the UK and Russia emerged as the leading source market



Rooms establishments are rising to accommodate the growing influx of tourists



Sri Lanka – Earnings Update – 1Q’25

ACS Key Picks

	Ticker	Current Market Price(LKR) (11.06.2025)	PE (x)	PBV(x)	DY(%) (Trailing 12M)	ROE (%)
Market			8.66	1.22		
Banking Sector						
Hatton National Bank PLC	HNB.N	339.25	4.1	0.7	4.4	17.8
Commercial Bank of Ceylon PLC	COMB.N	156.00	4.3	0.9	6.1	20.9
Sampath Bank PLC	SAMP	121.00	4.2	0.8	7.7	19.6
Diversified Financials						
LB Finance PLC	LFIN	114.25	5.8	1.2	2.0	21.0
Central Finance Company PLC	CFIN	240.50	5.5	0.7	2.7	12.9
Consumer & Capital Goods						
John Keells Holdings PLC	JKH	22.50	74.5	1.0	0.7	1.3
Ceylon Cold Stores PLC	CCS	115.00	18.3	4.6	4.7	24.9
Distelleries Company of Sri Lanka PLC	DIST	44.60	12.6	12.6	4.5	100
Melstacorp PLC	MELS	146.00	10.2	1.3	3.8	12.6
Construction						
Access Engineering PLC	AEL	43.20	7.2	1.1	4.6	15.0
ACL Cables PLC	ACL	145.75	7.4	1.1	N/A	15.3
Tokyo Cement Company PLC	TKYO.N	77.90	10.0	1.1	N/A	11.5
Hotels						
Aitken Spence Hotel Holdings PLC	AHUN	79.00	11.6	1.1	N/A	9.6
John Keells Hotels PLC	KHL	20.20	N/A	0.9	0.5	N/A

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