EQUITY | SRI LANKA | FOOD BEVERAGE & TOBACCO

EARNINGS UPDATE | 08 JUNE 2026

CEYLON COLD STORES PLC [CCS.N0000]

DOWNGRADE TO HOLD

"MARGINS MELT AS INFLATION HEATS UP"

Fair Value: FY27E - LKR 130.0 [-4%] **Fair Value: FY28E - LKR 165.0 [+22%]**

Total Return with DPS: FY27E - 0% [AER 0%] FY28E – 27% [AER 14%]

CCS delivered a strong FY26 performance, reporting earnings of LKR 7.9Bn, which exceeded our expectations by 7.5%, driven by robust revenue growth and healthy volume expansion across key business segments. In 4QFY26, CCS delivered a strong retail performance, with segment earnings increasing 101.2%YoY to LKR 1.5Bn, supported by resilient Same Store Sales (SSS) growth of 14.2%, Average Basket Value (ABV) expansion of 4.7%, and contributions from new store openings. While customer footfall growth moderated to 8.6%, higher Retail Selling Prices (RSPs) amid inflationary conditions continued to support basket values, partially offsetting softer volume trends. Looking ahead, retail earnings are projected at LKR 3.5Bn in FY27E (-9.7%YoY) and LKR 5.1Bn in FY28E (+47.0%YoY), with near-term growth expected to remain price-led as inflation and weaker disposable incomes constrain footfall, before gradually transitioning toward a more volume-driven recovery in FY28E. The manufacturing segment recorded earnings growth of 39.0%YoY to LKR 3.3Bn, underpinned by strong volume growth across Beverages (+30.0%) and Confectionery (+12.0%), supported by favourable weather conditions, improved consumer activity, successful product launches, and supply disruptions of a key competitor. However, we anticipate margin pressures to emerge in FY27E from higher electricity tariffs, elevated raw material costs; ongoing geopolitical uncertainties affecting sugar and skimmed milk powder prices, and LKR depreciation, resulting in a forecasted 6.9%YoY decline in segment earnings. Despite these headwinds, CCS retains pricing power that may enable partial cost pass-throughs, while easing inflation and improving consumer demand are expected to support a gradual recovery in FY28E. At the group level, reflecting anticipated EBIT margin compression across both retail and manufacturing operations, rising inflationary pressures, currency depreciation, and our expectation of slower GDP growth weighing on consumer purchasing power, we revised down our FY27E earnings estimate by 14.6% to LKR 7.0Bn from our previous forecast. Nevertheless, we forecast a cyclical recovery in FY28E, with earnings expected to increase by 30.0%YoY to LKR 9.1Bn, driven by improving retail footfall and manufacturing volume recovery. Accordingly, we lower our FY27E target price to LKR 130.0 (from LKR 140.0) and introduce a FY28E target price of LKR 165.0. Based on our revised valuation, we estimate a total annualised return of 14.2% through FY28E, below our minimum required return threshold of 18.0%; therefore, we downgrade CCS to HOLD from previously maintained BUY.

LKR (Mn)	4QFY25	4QFY26	YoY	FY25	FY26	YoY
Earnings (LKR 'Mn)						
Revenue	42,091	50,316	+20%	157,934	184,595	+17%
Gross profit	6,196	7,864	+27%	22,741	25,922	+14%
EBIT	3,998	5,430	+36%	11,314	13,578	+20%
PBT	3,336	4,714	+41%	9,002	11,077	+23%
Net Profit	2,146	3,758	+75%	5,958	7,886	+32%
Balance Sheet (LKR 'Mn)						
Shareholders' Equity	23,965	24,962	+4%	23,965	24,962	+4%
Borrowings	19,074	22,425	+18%	19,074	22,425	+18%
NAVPS	25.2	26.3		25.2	26.3	

Growth in ABV compensates for slowdown in footfall growth

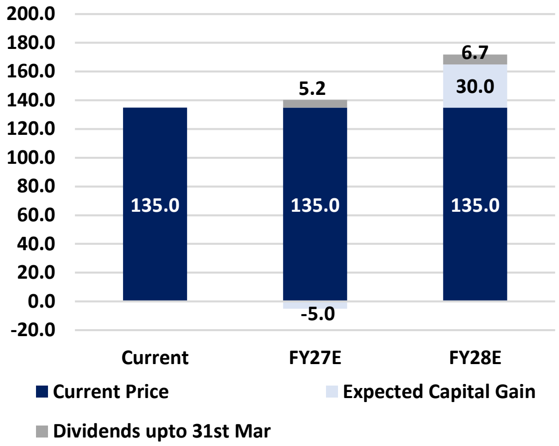
CCS's retail segment earnings surged 101.2% YoY to LKR 1.5Bn in 4QFY26, driven by SSS momentum, ABV expansion of 4.7%, and new store contributions. Within supermarkets, SSS came in at 14.2%, aided by an 8.6% uplift in customer footfall. ABV growth was largely price-led, reflecting elevated RSPs amid inflationary pressures and higher weight of purchase. We forecast retail earnings of LKR 3.5Bn in FY27E (-9.7%YoY) and LKR 5.1Bn in FY28E (+47.0%YoY). In FY27E, RSP increases of 6.0% to 7.0% may sustain ABV growth, although softening disposable incomes are expected to weigh on footfall, resulting in a price-led, volume-constrained story. By FY28E, easing inflation may compress ABV while catalysing a footfall recovery, shifting the growth composition toward a more volume-driven trajectory.

Supply shortages of a major competitor drives CSD volume growth

The manufacturing segment delivered earnings growth of 39.0%YoY to LKR 3.3Bn, supported by a 25.1%YoY revenue increase and EBIT margin expansion. Profitability was driven by volume growth of 30.0% in Beverages and 12.0% in Confectionery, aided by favourable weather, improved consumer activity, new product launches, and supply disruptions of a key beverage's competitor following Cyclone Ditwah. Segment EBIT margin expanded 74bps YoY to 27.6%. We forecast 12.3%YoY earnings decline in FY27E, reflecting headwinds from higher electricity tariffs, elevated skimmed milk and sugar prices amid geopolitical tensions; which constitute 50.0–60.0% of COGS, and LKR depreciation. Inflationary pressures are expected to compress discretionary volumes, despite CCS retaining pricing power to pass through 6.0-8.0% price increases to partially offset margin pressure. We forecast EBIT margin contraction of 475bps in FY27E. By FY28E, easing inflation may support volume recovery in CSD (carbonated soft drinks) and confectionery alongside modest price normalisation, driving a 15.7% earnings recovery and EBIT margin expansion.

FCR raises FY28E earnings forecasts and introduces a FY28E target price; DOWNGRADE TO HOLD

Reflecting EBIT margin contraction across both the retail and manufacturing segments, driven by higher electricity tariffs, LKR depreciation, and elevated raw material costs, alongside rising inflation and FCR's projected slowdown in GDP growth dampening consumer purchasing power, we forecast FY27E group earnings to decline 11.0%YoY to LKR 7.0Bn, following a 14.6% downward revision to our previous forecast. Looking ahead to FY28E, we anticipate a gradual cyclical recovery to take hold, forecasting 29.9%YoY growth in group profitability to LKR 9.1Bn, underpinned by volume recovery across the manufacturing business and improving retail footfall as inflationary pressures soften and consumer purchasing power strengthens. Reflecting the earnings downgrade, we reduce our FY27E target price to LKR 130.0 (from LKR 140.0) and introduce a FY28E target price of LKR 165.0, with CCS expected to trade at 17.0x in both FY27E and FY28E. Our revised valuation implies a total annualised return of 14.2% through FY28E, falling meaningfully below our minimum required return threshold of 18.0%. Accordingly, we downgrade our recommendation to **HOLD** from previously maintained **BUY**.



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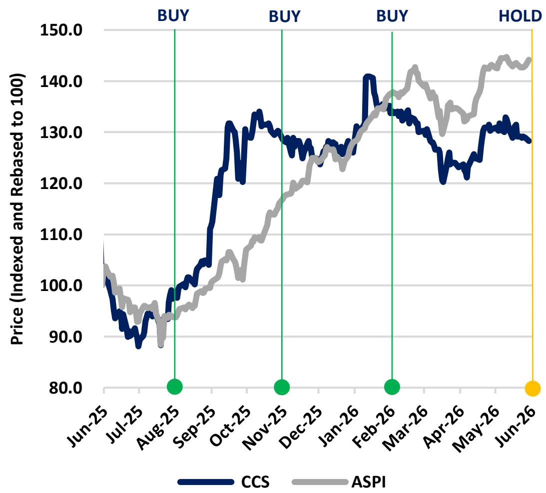
Price Movement of CCS vs ASPI (Indexed and rebased to 100)



Source: CSE

Minimum Return for BUY:

Buy Below for FY28E [AER of 18.0% with DPS]:
***LKR 127.2** CCS categorized as 'Grade B' counter*

Disclosure on Shareholding:

First Capital Group or the covering analyst did not hold 1% or more of the total outstanding share capital of CCS during the five trading days prior to the issuance of this document

Key risks associated with our recommendation

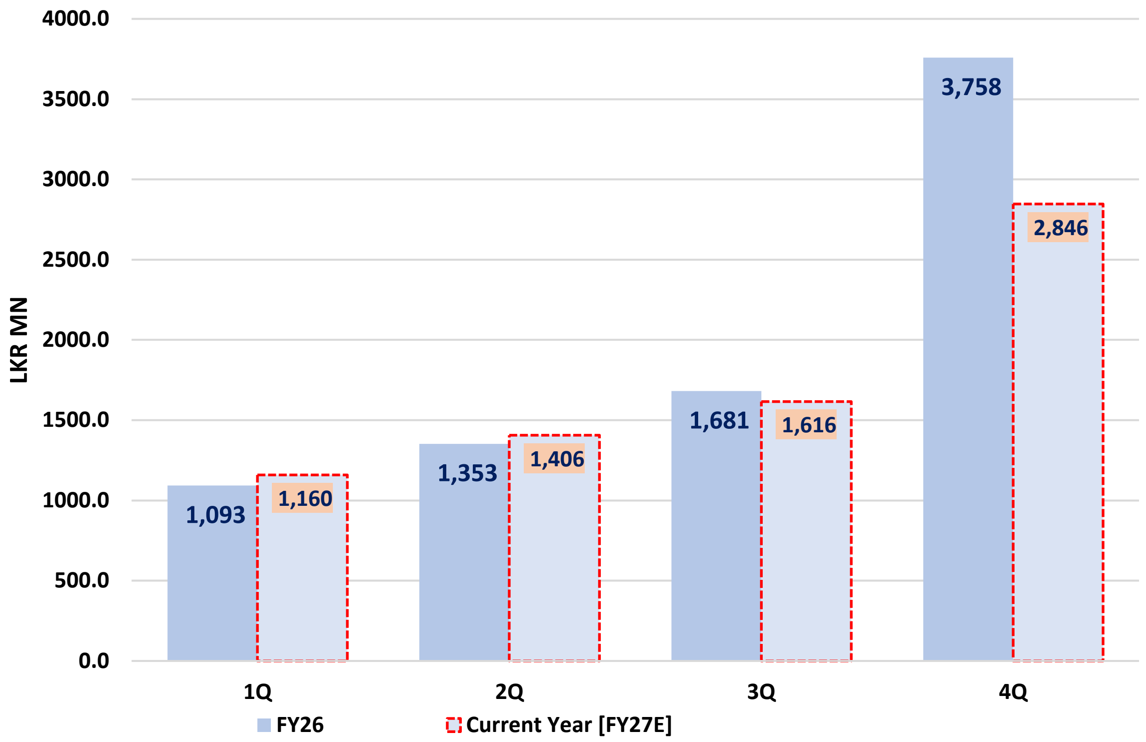
Downside risks

- Gradually increasing inflation level
- Interest and exchange rate risks
- Competition from CARG and other supermarket players
- Lower than expected growth of impulse product range
- Adverse weather conditions

Upside risks

- Greater than anticipated volume growth due to economic recovery
- Partnership with reliance brand "Campa" may increase the beverages volume

Quarterly Earnings



Estimate Revision

In LKR Mn	FY27E-O	FY27E-R	% Change	FY28E-O	FY28E-R	% Change
Earnings Estimate						
Revenue	220,998	213,285	-3%	255,495	256,640	+0%
Gross Profit	30,719	29,647	-3%	35,258	35,416	+0%
EBIT	15,783	15,746	-0%	17,637	19,166	+9%
Profit before Tax	12,106	10,039	-17%	13,049	13,044	-0%
Net Profit	8,232	7,028	-15%	8,873	9,131	+3%
Adjusted EPS	8.7	7.4	-15%	9.3	9.6	+3%
Growth YoY	12%	-11%		8%	30%	
Balance Sheet Estimate						
Shareholders' Equity	27,193	27,070	-0%	30,946	29,809	-4%
Borrowings	19,693	22,877	+16%	19,954	21,691	+9%
Adjusted NAVPS	**30.1**	**28.5**	-5%	**32.9**	**31.4**	-5%
Ratio Estimate						
ROE (%)	***28.7%***	***26.0%***		***28.4%***	***30.6%***	
PER (x)	***13.0x***	***18.3x***		***12.0x***	***14.1x***	
PBV (x)	***3.7x***	***4.7x***		***3.4x***	***4.3x***	
DY (%)	***5%***	***4%***		***6%***	***5%***	

Valuation Table

P/E 31 March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Estimates (LKR 'Mn)							
Revenue	**126,149**	**139,625**	**157,934**	**184,595**	**213,285**	**256,640**	**291,881**
Gross profit	12,749	17,497	22,741	25,922	29,647	35,416	39,404
EBIT	6,185	8,155	11,314	13,578	15,746	19,166	22,481
Net Profit	**2,513**	**3,427**	**5,958**	**7,886**	**7,028**	**9,131**	**11,935**
Adjusted EPS (LKR)	**2.6**	**3.6**	**6.3**	**8.3**	**7.4**	**9.6**	**12.6**
YoY Growth (%)	*21%*	*36%*	*74%*	*32%*	*-11%*	*30%*	*31%*
Valuations							
PER (x)	**51.1**	**37.4**	**21.5**	**16.3**	**18.3**	**14.1**	**10.8**
PBV (x)	**6.7**	**6.3**	**5.4**	**5.1**	**4.7**	**4.3**	**3.8**
DY (%)	***1.0%***	***1.7%***	***3.2%***	***4.2%***	***3.8%***	***5.0%***	***6.5%***
NAVPS	20.1	21.5	25.2	26.3	28.5	31.4	35.1
DPS	1.3	2.3	4.3	5.7	5.2	6.7	8.8
Dividend Payout	*49%*	*64%*	*69%*	*68%*	*70%*	*70%*	*70%*

Ratio Analysis

		FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Growth	Revenue	49.2%	10.7%	13.1%	16.9%	15.5%	20.3%	13.7%
	Gross Profit	39.5%	37.2%	30.0%	14.0%	14.4%	19.5%	11.3%
	EBIT	30.4%	31.9%	38.7%	20.0%	16.0%	21.7%	17.3%
	Net Profit	21.5%	36.4%	73.9%	32.4%	-10.9%	29.9%	30.7%
Profitability	GP Margin	10.1%	12.5%	14.4%	14.0%	13.9%	13.8%	13.5%
	EBIT Margin	4.9%	5.8%	7.2%	7.4%	7.4%	7.5%	7.7%
	NP Margin	2.0%	2.5%	3.8%	4.3%	3.3%	3.6%	4.1%
	Return on Equity	13.2%	16.8%	24.9%	31.6%	26.0%	30.6%	35.7%
Liquidity	Current Ratio	0.7x	0.7x	0.7x	0.7x	0.7x	0.7x	0.8x
	Quick Ratio	0.2x	0.3x	0.3x	0.3x	0.2x	0.3x	0.3x
Activity	Inventory Days	37.9	40.4	37.1	38.4	43.3	39.7	37.1
	Accounts Payable Days	42.9	47.5	51.7	51.7	47.4	44.9	47.6
	Accounts Receivable Days	13.5	16.1	19.0	18.9	19.2	18.6	18.3
Gearing	Debt/Equity	0.5x	0.4x	0.3x	0.3x	0.3x	0.3x	0.2x
	Debt/Debt+Equity	0.3x	0.3x	0.2x	0.3x	0.3x	0.2x	0.2x
	Debt/Total assets	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x

Valuation Summary

Expected CCS price	FY27E	FY28E
PER Valuation based target price	125.7	163.3
SOTP Valuation based target price	138.9	163.3
Average Target Price	**132.3**	**163.3**
Target Price after Rounding off	**130.0**	**165.0**

Return	FY27E	FY28E
Target Price	**130.0**	**165.0**
Current Price	**135.0**	**135.0**
Capital Gain (LKR)	**-5.0**	**30.0**
Dividends upto 31st Mar (LKR)	**5.2**	**6.7**
Capital Gain %	**-4%**	**22%**
Dividend Yield %	**4%**	**5%**
Total Return %	**0%**	**27%**
Annualized Return %	**0%**	**14%**

PER based Valuation

PER based Valuation	FY27E	FY28E
Earnings (LKR 'Mn)	**7,028**	**9,131**
No. of Shares ('Mn)	**950**	**950**
EPS	**7.4**	**9.6**
Expected PER	**17x**	**17x**
Price at 16x Earnings	**125.7**	**163.3**

SOTP Valuation

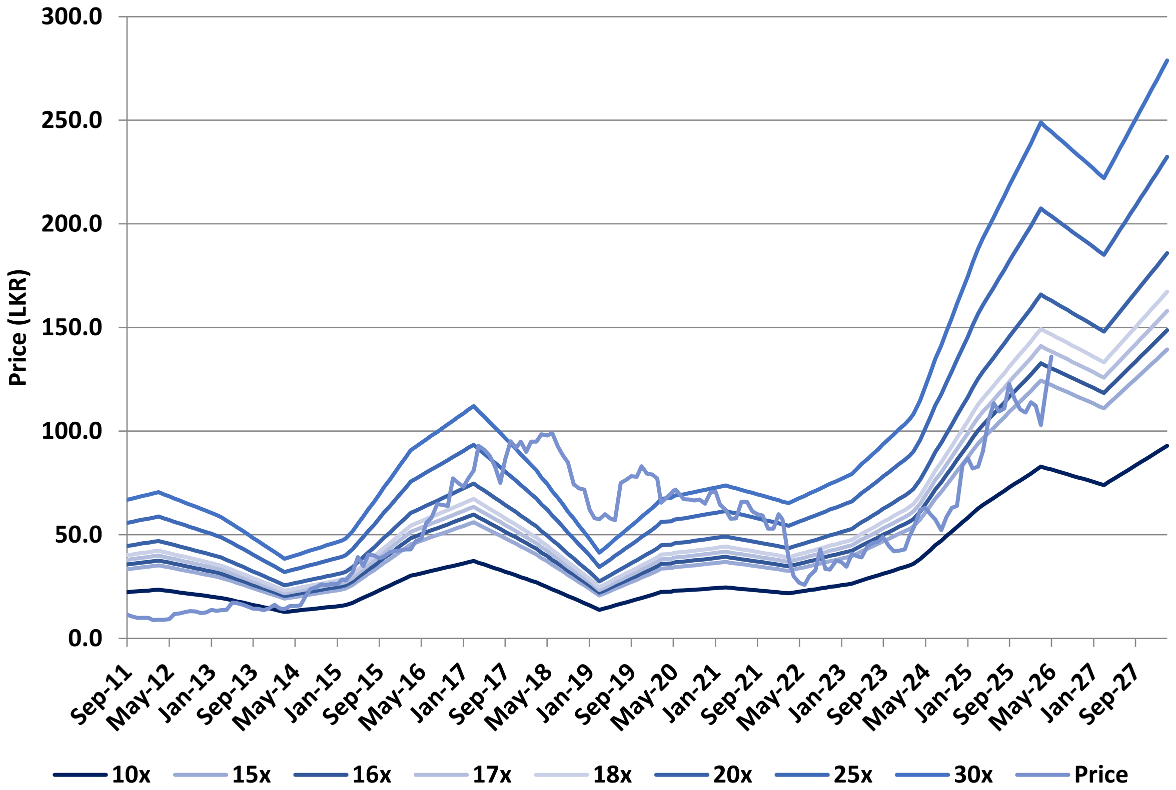
Segment	Valuation Method	Valuation assumption					Value in LKR Mn	
		CoE FY27E	CoE FY28E	WACC FY27E	WACC FY28E	Terminal growth	Firm value FY27E	Firm value FY28E
Consumer Foods	DCF	14.8%	14.8%	11.5%	11.5%	3.0%	96,979.1	100,163.5
Retail	DCF	14.8%	14.8%	11.5%	11.5%	3.0%	48,593.9	59,292.4
Firm value							145,573.0	159,456.0
Add: Cash and cash equivalents							-4,376.9	3,747.3
Less: Debt							-9,184.7	-7,999.4
Equity value							132,011.4	155,203.9
No. of shares							950.4	950.4
Value per share							**138.9**	**163.3**

Recommendation Criteria

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	T.Bill + 5% & Above	T.Bill + 1% & Above	Below T.Bill + 1%
Grade B	Rest of the Companies	T.Bill + 8% & Above	T.Bill + 3% & Above	Below T.Bill + 3%
Grade C	Companies less than LKR 1Bn Market Cap	T.Bill + 11% & Above	T.Bill + 6% & Above	Below T.Bill + 6%

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	14.00%	10.00%	10.00%
Grade B	Rest of the Companies	17.00%	12.00%	12.00%
Grade C	Companies less than LKR 1Bn Market Cap	20.00%	15.00%	15.00%

PER Chart



Appendix I: Statement of Income and Expenses

Income Statement (LKR Mn) P/E 31st March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY28E
Revenue	126,149	139,625	157,934	184,595	213,285	256,640	291,881
Cost of sales	-113,400	-122,127	-135,193	-158,673	-183,639	-221,224	-252,477
Gross profit	**12,749**	**17,497**	**22,741**	**25,922**	**29,647**	**35,416**	**39,404**
Other operating income	2,599	2,954	3,417	4,726	5,614	5,404	7,113
Selling and distribution expenses	-3,993	-4,965	-6,280	-7,187	-8,121	-8,933	-9,826
Administrative expenses	-3,830	-4,880	-5,870	-6,702	-7,641	-8,405	-9,245
Other operating expenses	-1,340	-2,451	-2,695	-3,181	-3,753	-4,316	-4,964
EBIT	**6,185**	**8,155**	**11,314**	**13,578**	**15,746**	**19,166**	**22,481**
Change in fair value of investment property	**21**	**22**	**23**	**21**	**0**	**0**	**0**
Net Finance Income	-3,967	-4,355	-4,694	-2,521	-3,254	-2,169	-1,929
PBT	**2,239**	**4,931**	**9,002**	**11,077**	**10,039**	**13,044**	**17,050**
Taxation	273	-1,504	-3,044	-3,191	-3,012	-3,913	-5,115
Net Profit for the Period	**2,513**	**3,427**	**5,958**	**7,886**	**7,028**	**9,131**	**11,935**
Adjusted EPS	***2.6***	***3.6***	***6.3***	***8.3***	***7.4***	***9.6***	***12.6***

Appendix II: Statement of Financial Position

Balance Sheet (LKR Mn) As at 31st March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY28E
Assets							
Non - current assets							
Property plant and equipment	27,250	27,746	29,967	36,053	37,820	40,288	43,169
Intangible Assets	3,601	4,485	4,597	5,292	5,557	5,835	6,126
Non-current financial assets	6,673	6,271	7,522	5,808	5,808	5,808	5,808
Other non-current asset	11,776	11,814	12,454	13,709	13,709	13,709	13,709
	49,300	**50,315**	**54,541**	**60,862**	**62,894**	**65,639**	**68,812**
Current assets							
Inventories	14,490	12,559	14,895	18,513	25,079	23,004	28,350
Receivables and prepayment	5,089	7,224	9,184	9,954	12,492	13,733	15,548
Other current asset	1,597	1,484	1,552	2,044	2,044	2,044	2,044
Cash and cash equivalents	1,253	2,161	1,714	866	-6,137	1,988	22
	22,430	**23,429**	**27,344**	**31,377**	**33,478**	**40,769**	**45,964**
Total Assets	**71,730**	**73,744**	**81,885**	**92,239**	**96,372**	**106,409**	**114,776**
Equity and Liabilties							
Capital and reserves							
Ordinary shares	918	918	918	918	918	918	918
Retained Earnings	14,532	16,066	18,051	20,407	22,516	25,255	28,835
Other componants of equity	3,627	3,466	4,995	3,636	3,636	3,636	3,636
	19,077	**20,451**	**23,965**	**24,962**	**27,070**	**29,809**	**33,390**
Non - current liabilties							
Interest-bearing loans and borrowings	6,850	3,164	3,150	3,863	3,739	3,676	3,636
Lease liabilities	9,963	10,690	11,384	12,788	12,788	12,788	12,788
Other non-current liabilities	2,787	4,026	5,126	5,252	5,252	5,252	5,252
	19,601	**17,879**	**19,660**	**21,903**	**21,779**	**21,716**	**21,676**
Current liabilities							
Trade and other payables	14,326	17,451	20,857	24,106	23,596	30,828	35,066
Short term borrowings	1,185	900	1,318	3,039	2,733	2,532	2,348
Interest-bearing loans and borrowings	2,170	4,503	2,506	1,831	2,713	1,791	1,190
Bank overdrafts	12,310	8,269	9,028	10,417	12,500	13,750	15,125
Other current liabilities	3,060	4,290	4,551	5,981	5,981	5,981	5,981
	33,052	**35,414**	**38,260**	**45,374**	**47,523**	**54,883**	**59,711**
Total Liabilities	**52,653**	**53,293**	**57,920**	**67,277**	**69,302**	**76,599**	**81,386**
Total Equity & Liabilties	**71,730**	**73,744**	**81,885**	**92,239**	**96,372**	**106,409**	**114,776**
Adjusted NAVPS	***20.1***	***21.5***	***25.2***	***26.3***	***28.5***	***31.4***	***35.1***

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