



**\*For selected First Capital Clients only**

## MELSTACORP PLC [MELS.N0000]

### Key Investment Considerations

- Melstacorp PLC (MELS) is a leading conglomerate in Sri Lanka which manages a portfolio of businesses carrying presence in diversified sectors such as Distillation, Tea & Rubber Plantations, Telecommunication, Insurance, Tourism, Maritime & Logistics, Energy, Media, Textiles, Hospitality, BPO & KPO services, ICT, and Health.
- MELS recorded a profit of LKR 2.3Bn (-56%YoY) for 4QFY23 compared to LKR 5.3Bn in 4QFY22 driven by the solid revenue growth of 12% to LKR 67.8Bn. the group also generated revenue of LKR 247.3Bn for FY23 with an uptick of 35% led by the beverages sector predominantly represented by the Distilleries Company of Sri Lanka PLC and the Diversified sector aided mainly by the subsidiary, Aitken Spence PLC.
- The Diversified sector including Tourism, Maritime & Logistics, etc; backed by Aitken Spence PLC recorded a 74% upsurge in revenue influenced by the steady rebound in the tourism sector. Moreover, as FCR expected to end 2023 with 1.2Mn tourist arrivals the diversified sector may continue its optimistic outlook in contributing to both top and bottom lines. Furthermore, EBIT also displayed a sizeable increase of 119.6% recording LKR 49.7Bn in 2023 influenced by the uptick in the top line.
- Beverages sector remained as the highest contributor to both revenue and profits in FY23 securing a YoY growth of 15% and 125% respectively. However, heavy taxes and unusual price increases followed by the increase in production of illicit liquor and reduced consumption may pose a threat to the promising contribution. Nevertheless, the fast recovery of the economy along with the strengthened purchasing power may contribute to balance off the above stated.
- The Plantation sector generated positive results for FY23, deviating from repeated losses incurred during the previous years, amidst issues such as climate change, arbitrary wage increments and fertilizer restrictions. Furthermore, Financial Services sector represented by Continental Insurance Limited has also witnessed a significant growth amidst inflationary pressure.
- With MELS entering the health sector providing the country with better access to world class healthcare has been successful initiative. Investing in diagnostic centres and medical laboratories, upgrading clinical facilities while involving in urology equipment and facilities, have been a successful backing to both the group and the country immensely.

### Future outlook

- MELS may continue to grow positively with promising potential influenced by the strengthening of LKR, faster than expected slowing of inflationary pressure, steady rebound in the tourism sector and the easing of import restrictions which may lead to a favourable outlook in the future.

P/E 31 March	FY18	FY19	FY20	FY21	FY22	FY23
<b>LKR 'Mn</b>						
Revenue	109,957	155,931	154,475	143,901	182,990	247,274
Gross profit	14,385	34,851	33,214	24,225	41,156	82,569
EBIT	8,508	16,640	13,689	11,604	22,651	49,744
Net Profit	6,577	5,786	3,752	4,933	10,969	19,615
Basic EPS (LKR)	5.6	5.0	3.2	4.2	9.4	16.8
YoY Growth (%)	-11%	-12%	-35%	31%	122%	79%
<b>Valuations</b>						
PER (x)	11.5	13.1	20.2	15.4	6.9	3.9
PBV (x)	1.00	0.95	0.91	0.91	0.87	0.75
Dividend Yield (%)	4%	0%	3%	8%	8%	10%
NAVPS	64.9	68.8	71.9	71.8	74.9	87.0
DPS (LKR)	2.44	-	2.00	5.25	5.40	6.76
Dividend Payout	43%	0%	62%	124%	57%	40%

LKR (Mn)	4QFY23	4QFY22	YoY	FY23	FY22	YoY
Revenue	67,753	60,628	-11%	247,274	182,990	-26%
Gross Profit	24,260	13,755	-43%	82,569	41,156	-50%
EBIT	14,934	8,277	-45%	49,744	22,651	-54%
PBT	8,698	13,733	+58%	44,820	26,863	-40%
Net Profit	2,260	5,262	+133%	19,615	10,969	-44%

Quarterly	Jun-21	Sep-21	Dec-21	Mar-22	QoQ
<b>Earnings (LKR 'Mn)</b>					
Revenue	16,863	20,607	22,993	29,488	+28%
Gross profit	860	1,077	1,892	5,013	+165%
EBIT	78	268	980	4,083	+316%
Net Profit	273	282	890	3,374	+279%

Segmental (LKR 'Mn)	FY22	FY23	YoY	FY22	FY23	YoY
	Revenue			Profit		
Beverages	111,916	128,817	15%	13,922	31,359	125%
Plantations	7,102	10,244	44%	(46)	2,869	6332%
Telecommunications	1,929	1,594	-17%	(1,721)	(1,832)	-6%
Financial services	4,355	6,358	46%	1,001	2,390	139%
Diversified	57,688	100,261	74%	13,265	8,917	-33%
	<b>182,990</b>	<b>247,274</b>		<b>26,421</b>	<b>43,704</b>	

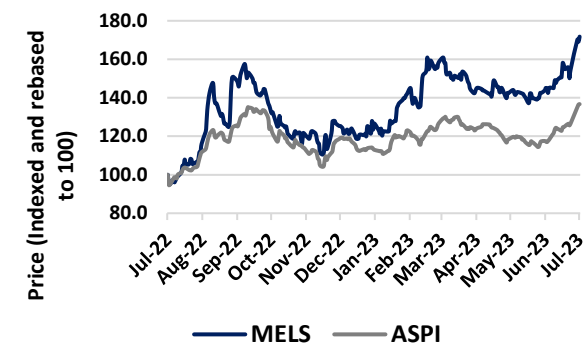
### KEY DATA

CSE Ticker	MELS.N0000
Bloomberg Ticker	MELS SL
Share Price (LKR)	65.1
52w High (LKR)	65.1
52w Low (LKR)	36.0
Issued Share Capital (Shares 'Mn)	1,165
Market Cap (LKR 'Mn)	75,867
Market Cap (USD 'Mn)	383

\*1 USD = LKR 300

Price Performance	1 mth	3 mth	12 mth
MELS	19%	19%	74%
ASPI	15%	10%	39%

### MELS VS ASPI



Source: CSE

Top 5 Shareholders (31st March 2023)	
Milford Exports (Ceylon) (Pvt) Limited	42.80%
Lanka Milk Foods (CWE) Limited	13.03%
Mr M. A. Yaseen	11.74%
Mrs. L. E. M. Yaseen	4.70%
Commercial Bank Of Ceylon PLC/L.E.M.Yaseen	4.48%



First Capital

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## BRANCHES

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