

JOHN KEELLS HOLDINGS PLC [JKH.N0000]

UPGRADE TO BUY

"ROLLING THE FUTURE"

Fair Value: FY26E - LKR 25.0 [+15%]

Total Return with DPS: FY26E - +16% [AER +22%]

FY27E - LKR 32.0 [+47%]

FY27E - +49% [AER +25%]

John Keells Holdings PLC (JKH), Sri Lanka's premier blue-chip on Colombo bourse, will fit in the final piece of the puzzle of Cinnamon Life/City of Dreams Sri Lanka after investing +USD 1.2Bn over 10 long years. The unlocking of this grand project is believed to turnaround the Leisure sector profits of JKH, whilst revenue from casino expected to offer extra boost during medium term. Meanwhile recently commissioned West Container Terminal (WCT) phase 1 is also expected to enable JKH to capitalize on the strategic location of Sri Lanka. Finally, the dealership agreement with BYD to offer great incentives to bottom-line during near term (expected to contribute LKR 12.8Bn to EBIT in FY26E) whilst CoDSL slowly ease in operations. These, coupled with JKH already established BU recovering in tandem with economy, we have arrived at a TP of LKR 32.0 for FY27E offering an annualized return of 25.2%. Considering the upside on the share and the excellent outlook, we have revised up our recommendation from HOLD to BUY.

YE Mar/LKR Mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Estimates (LKR 'Mn)							
Revenue	218,075	276,640	280,773	317,378	669,833	627,569	704,451
Gross profit	37,645	49,450	54,282	63,531	154,062	147,479	169,068
EBIT	7,308	12,691	15,369	14,224	38,101	40,965	49,483
Net Profit	20,213	18,174	11,248	5,326	14,067	19,296	23,850
Adjusted EPS (LKR)	1.1	1.0	0.6	0.3	0.8	1.1	1.4
YoY Growth (%)	323.6%	-10.1%	-38.1%	-52.6%	164.1%	37.2%	23.6%
Valuations							
PER (x)	19.0x	21.1x	34.2x	72.1x	27.3x	19.9x	16.1x
PBV (x)	1.2x	1.1x	1.1x	1.0x	0.9x	0.9x	0.9x
Dividend Yield (%)	0.7%	0.9%	0.7%	2.8%	1.5%	2.0%	2.5%
NAVPS	17.7	19.3	20.3	22.6	23.1	23.8	24.6
DPS (LKR)	0.2	0.2	0.2	0.6	0.3	0.4	0.5
Dividend Payout	13.1%	19.4%	23.5%	198.5%	40.0%	40.0%	40.0%

Cinnamon Life to be the game changer for JKH

Phase 1 of the JKH's USD 1.2Bn mega project commissioned in Oct-24 with the opening of its 687-roomed hotel whilst the second phase of operations are expected to commence in Aug-25 with the commissioning of the mall and the casino. The project, first of its kind in South Asia offers JKH to take advantage of the rapidly growing Indian arrivals market to Sri Lanka and changing discretionary spending habits. Combined with this, Sri Lankan arrivals market is expected to reach all-time highs, whilst this is expected to benefit the overall recovery leisure sector contributing to LKR 7.7Bn in net profits for FY30E or 23% of group net profits.

WCT phase 1 to chart a new phase of growth for transportation business

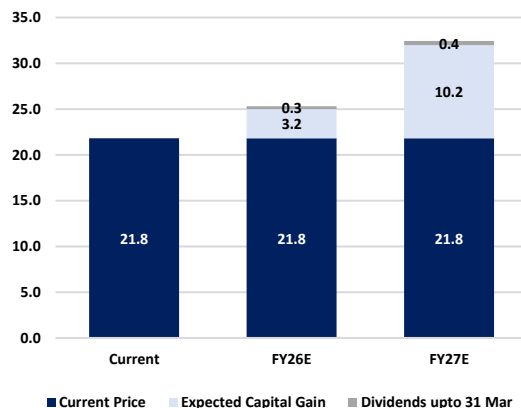
The launch of phase I in Mar-25 and expected launch of the phase II in 2HFY27E. Together with the growth in regional trade and competitive advantage from location are expected to be critical in unlocking transportation profits, which is expected to grow at 5Yr FWD CAGR of 15.0%YoY between FY25-FY30E period.

BYD to transform Retail sector

JKH dealer partnership with BYD is expected to transform group's retail sector, with incredible demand already observed during early months. The company already received pre-orders for +5,000 vehicles by 4QFY25 end and we expect FY26E demand to total around 15,000. With EBIT margins expected to hover around the 5% mark in the medium term, we expect BYD contribution to JKH EBIT reach LKR 14.5Bn in FY30E.

JKH upgraded to Buy with a TP of LKR 32.0 for FY27E

First Capital Research expects JKH net profits to reach LKR 14.1Bn in FY26E and LKR 19.3Bn in FY27E. The recovery in existing business lines together with the profits from BYD will push current year profitability whilst medium term profits will be driven largely by unlocking of CoDSL and WCT terminal. Considering the potential earnings of JKH (expected to grow at a 5Yr FWD CAGR of 43.3%YoY by FY30E) and valuing the share using a blended TP using SOTP and PER, we arrived at a target price of LKR 32.0 for FY27E. Therefore, considering the upside on the TP, we upgraded our recommendation on JKH from HOLD to BUY.



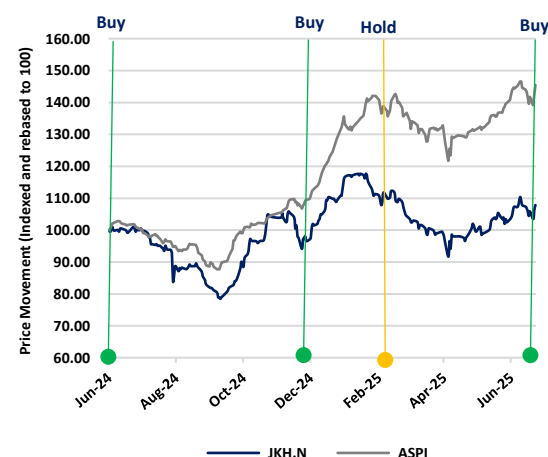
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KEY DATA	
CSE Ticker	JKH.N0000
Bloomberg Ticker	JKH SL
Share Price (LKR)	21.8
52w High (LKR)	24.0
52w Low (LKR)	15.9
Issued Share Capital (Shares 'Mn)	17,624.6
Market Cap (LKR 'Mn)	384,217
Market Cap (USD 'Mn)	1,276
*1 USD = LKR301	

Price Performance (%)	1 mth	3 mth	12 mth
JKH	3%	8%	16%
ASPI	6%	11%	44%



Source: CSE

Minimum Return for BUY:

Buy Below [AER of 15.0% with DPS]: LKR 25.4

JKH categorized as 'Grade A' counter

Disclosure on Shareholding:

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

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1.0 City of Dreams Colombo – first fully-integrated resort in South Asia

After a decade of construction and spending approximately USD 1.2Bn on the project, City of Dreams Sri Lanka opened its doors for visitors from 15th October 2024. The first phase of the project included the rolling out of the 687 keyed hotel and launch of all the restaurants and bars, conferencing spaces and outdoor locations. The second phase of the project will include the commencement of the casino, 113 Nuwa – ultra high-end luxury standard hotel and the mall, which is expected to be operational on 2nd August 2025.

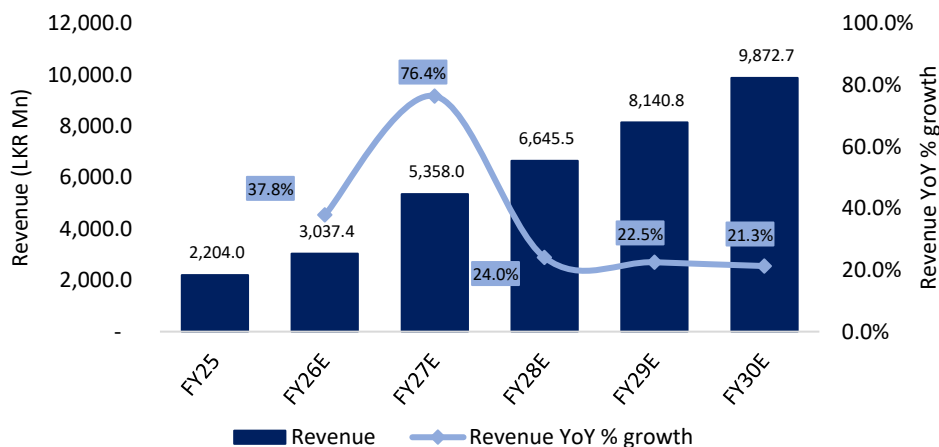
1.1. Casino to boost prospects for Cinnamon Life Hotel

1.1.1 City of Dreams Colombo hotel revenue to grow at a 5Yr FWD CAGR of 35% between FY25-FY30E period

The launch of its 687-keyed Cinnamon Life Colombo Hotel enables JKH to reconfirm its position as the leading hotel operator in Colombo, holding approximately 10% of the total available 5-star rooms.

The launch of its hotel in October 2025, the project will enter the 1st full year operations this year, and hotel revenue for the period between FY25-FY30E period is expected to grow at a CAGR of 35.0% to LKR 9.9Bn in FY30E. The growth in revenue during the concerned period will be driven largely by the increased arrivals to Sri Lanka/Colombo, whilst relatively higher ARR compared to other properties.

Figure 1: Cinnamon Life Hotel expected revenue & growth



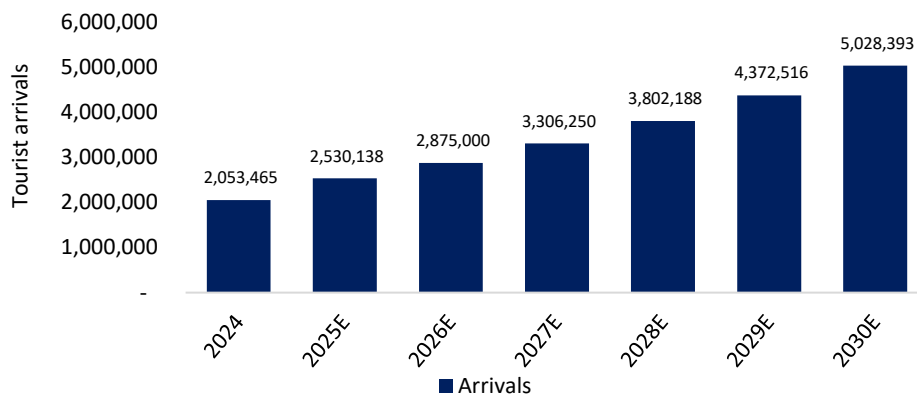
Source: FC Research/corporate data

1.1.2 Sri Lanka to reach 5.0Mn tourist arrivals by FY30E

Tourism industry is a vital foreign exchange generating source for Sri Lanka and the government of Sri Lanka has set an ambitious target of 3.0Mn arrivals for 2025E. However, we at First Capital Research believe the set 3.0Mn target for 2025E is slightly out of reach and a target of 2.5Mn arrivals is placed for 2025E, surpassing the all-time high of 2.3Mn visitors in 2018. However, we reiterate our bullish stance on tourism in the medium term with arrivals to Sri Lanka surpassing the 5.0Mn mark by FY30E growing at a 5Yr FWD CAGR of 19.1%. Increased connectivity with key airlines and destinations (20,518 aircrafts arrived in Jan-Apr-25 cf. 56,289 for full-year 2024), relatively closer proximity to

the world fastest growing economies of India and China and possibly bump up in discretionary spending, tourist friendly policies (visa free entry for +50 countries) and increasing demand niche segments such as medical, adventure, marine and MICE tourism.

Figure 2: Tourist arrivals to Sri Lanka

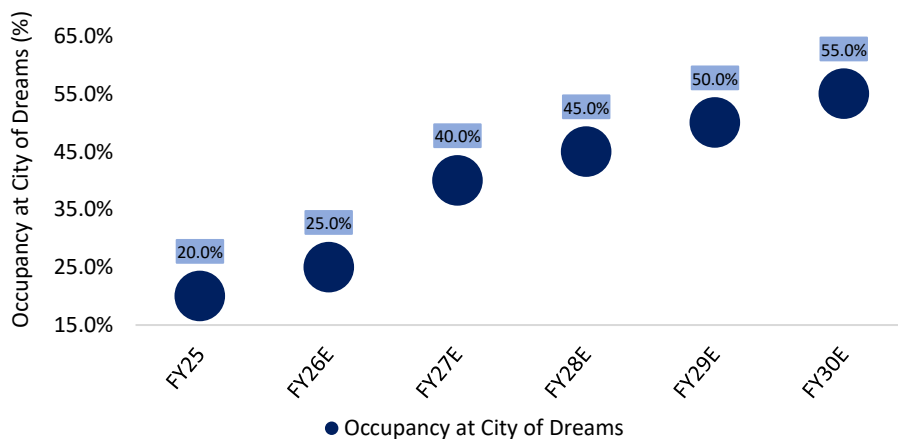


Source: FC Research/SLTDA

1.1.3 First Capital Research takes a conservative call on occupancies

Despite the aggressive outlook in tourist arrivals to Sri Lanka, First Capital Research takes a conservative approach in forecasting occupancies for the hotel with occupancy expected to reach 25% in FY26E and gradually climb towards the 55% mark by FY30E. A possible oversupply of rooms in Colombo at multiple price points, increasing budget conscious travelers, increased competition for F&B, limitations in branding and marketing Sri Lanka as a MICE destination and dwindling visitors to central business district of Colombo compared to outstation are identified as key considerations for the conservative view on occupancies.

Figure 3: Occupancies at Cinnamon Life

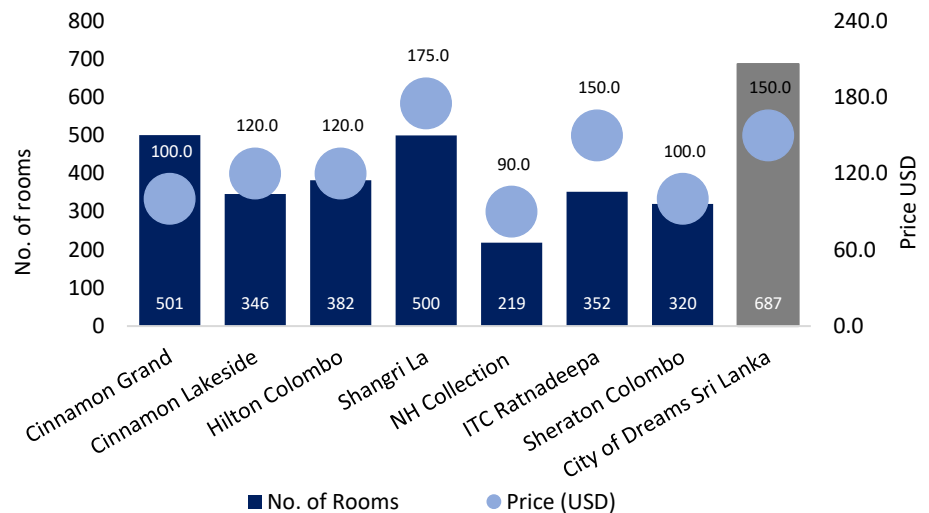


Source: FC Research/Company data

1.1.4 Relatively higher ARR to cushion the possible impact from challenged occupancies

Due to the fully fledged offerings at Cinnamon Life including the gaming operations, fine dining restaurants, record capacity halls for exhibitions, meetings and conventions, Cinnamon Life Colombo is priced relatively at a higher point compared to its competition in Colombo.

Figure 4: Room prices of CoDSL, 5-star hotels, and 4-star hotels



Source: FC Research/Company data

1.1.5 EBIT margins to be challenged in the medium term

Having spent more than USD 1.2Bn on the project, the profitability of the project is expected to be challenged in the medium term due to high depreciation (incurred LKR 4.0Bn in FY25) and finance costs charges (incurred an expense of LKR 4.0Bn for FY25) associated with the project. Moreover, the launch of the casino, mall and the 113-keyed Nuwa hotel in August 2025 are expected to further bump up the depreciation and finance charge for the coming years. Therefore, considering the increase overhead costs, finance costs and conservative view on occupancies, we believe EBIT margins will remain challenged in the medium term.

1.2 Cinnamon Life - mall operation

1.2.1 The Cinnamon Life mall scheduled for commissioning in August 2025

Cinnamon Life mall will be the latest addition to the list of shopping malls in the CBD and will offer 149,000 luxury rentable square footage. We believe this latest addition will be recognized under the Property segment of the group, offering additional gains to the property sector results, with the handing over of projects in Tri Zen, Cinnamon Life office and apartments complex as well as Viman phase II at Ja-Ela.

1.2.2 The competition in the luxury shopping space in CBD is intense

Competition remains intense with several shopping malls coming into operation during the last few years. Hence, we expect occupancy to be challenged in the near term with occupancy expected to reach 80% in FY26E and 82% in FY27E. However, with Sri Lanka emerging as a top shopping destination for the Indian travelers together with the start of JKH gambling business in August 2025 are expected to bore well towards occupancies in the coming months. Moreover, with the economy on the rebound with per capita income showing a steady improvement post crisis period, we believe higher footfalls in shopping malls in CBD will positively affect occupancies in the coming years, enabling them to reach 90% levels by FY30E.

Figure 5: Existing shopping malls in Colombo and occupancies

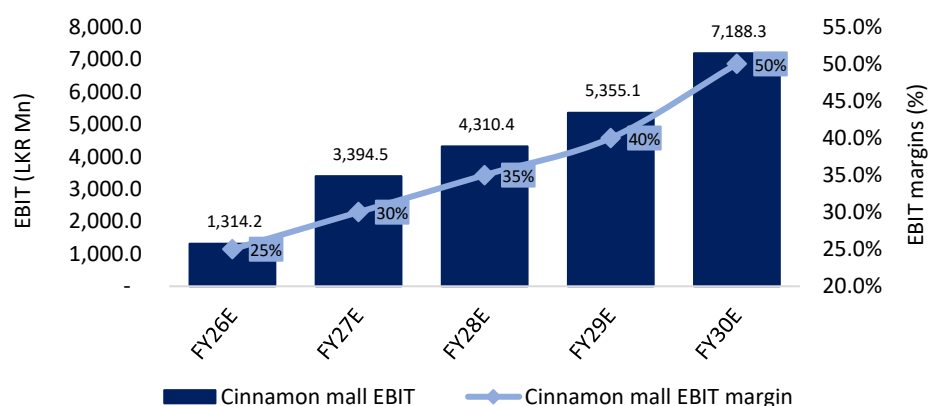
Mall	Leasable area (Sq ft)	Occupancy
One Galle Face Mall	490,000	~95–100%
Colombo City Centre	200,000	90–95%
Majestic City	250,000	~90–95%
Crescat Boulevard	150,000	90–100%
Marino Mall	150,000	85–90%
Arcade Independence Square	90,000	90–100%

Source: FC Research/CSE/Oxford Business Group

Moreover, given the intense competition in the shopping mall business, we expect JKH to adopt a competitive pricing strategy in-line with the peers operating in the industry. Therefore, we believe JKH will look to collect rent of around LKR 7,000/sq. ft annually and this is expected to increase in the foreseeable future, rising at the rate of 5%, which is in line with the CBSL guidance for inflation.

Meanwhile, considering the competition and limited occupancies during the early years, we expect mall EBIT margins to be around the 25% mark in the near term and gradually increase to an industry average of 50% by FY30E with occupancies closing in on the 90% mark.

Figure 6: Cinnamon mall EBIT and EBIT margin from FY26E- FY30E



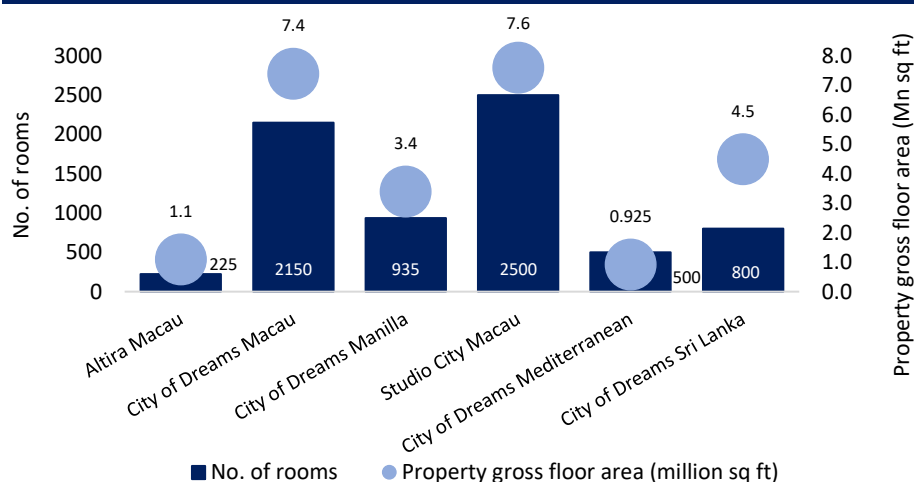
Source: FC Research/Company data

1.3 Casino operations

1.3.1 City of Dreams casino is the final piece of the USD 1.2Bn puzzle

CoDSL casino developed in partnership with Melco, a leading gaming operator in the world with operations in Macau, Philippines and Cyprus. As part of the collaboration with Melco, previously branded Cinnamon Life was rebranded as City of Dreams Sri Lanka. The partnership with Melco also included an ultra-luxury hotel brand "Nuwa", which has presence in Macau and the Philippines. The Nuwa Hote will be situated on the top 5 floors of the Hotel and will function as a 113-keyed exclusive hotel.

Figure 7: Melco other hotels, locations and Available Sq. ft.



Source: FC Research/Company data

With license obtained from the Government of Sri Lanka to operate the casino at the integrated resort for a period 20 years, JKH will act as the owner and landlord, and lease 180,000 sq. ft. to Melco. JKH will receive an income from the casino through a fixed rental and a variable component linked to casino EBITDA.

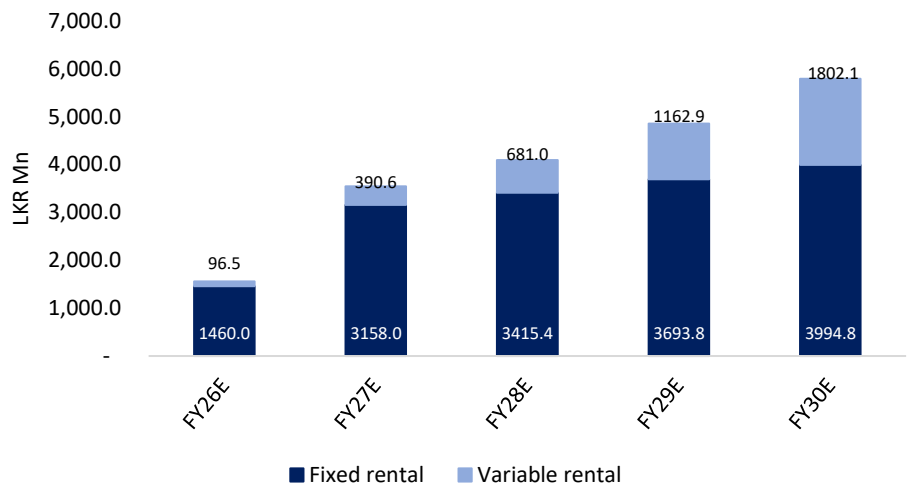
1.3.2 JKH income from the casino to reach LKR 5.8Bn in FY30E

The income from JKH casino will include a fixed rental for leasing out of 180,000 sq ft. to the casino which we believe will generate +90% of JKH income in FY26E whilst increased EBIT from casino towards the medium term is expected to lower fixed rental contribution to +65% by FY30E. Given the exclusive nature of the rented space, we expect JKH to command a higher rent compared to other available spaces in Colombo.

1.3.3 Variable income to JKH to gradually increase to LKR 1.8Bn by FY30E

The calculation of the variable component of the income is tricky largely due to lack of information available on the rent sharing agreement. Therefore, considering a conservative stance, given that CoDSL is a first of its kind project in South Asia, we believe that JKH variable component of the income will remain below 10% in the near term whilst gradually increasing to +30% levels by FY30E.

Figure 8: Fixed and variable rent expectations from the casino

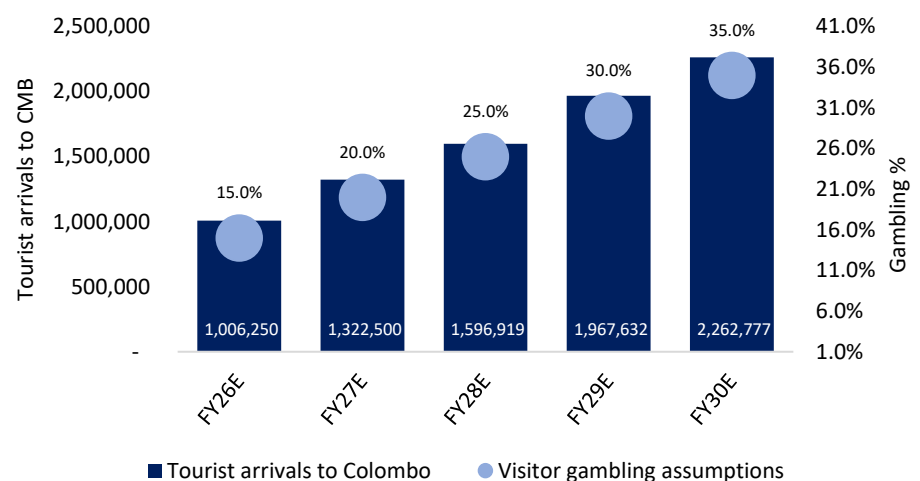


Source: FC Research/Company data

1.3.4 Gambling footfall to increase at a 4YR FWD CAGR of 51.3% between FY26E-FY30E

Based on the available research, currently 30% of total arrivals come to Colombo. This is largely due to the nature of arrivals Sri Lanka attracts, seeking adventure, leisure and culture, spread between the cultural triangle and sandy shores of Arugam bay and Down South. However, an opportunity lies for Sri Lanka given the proximity to India to attract the growing middle-income category of the country. Therefore, we expect the current 30% arrivals to Colombo to gradually improve with tourist inflow to Colombo from total arrivals reaching 45% in FY30E.

Figure 9: Total Tourist arrivals to SL and arrivals to Colombo



Source: FC Research/National Library of Medicine

1.3.5 The rapid growth in middle income population in India

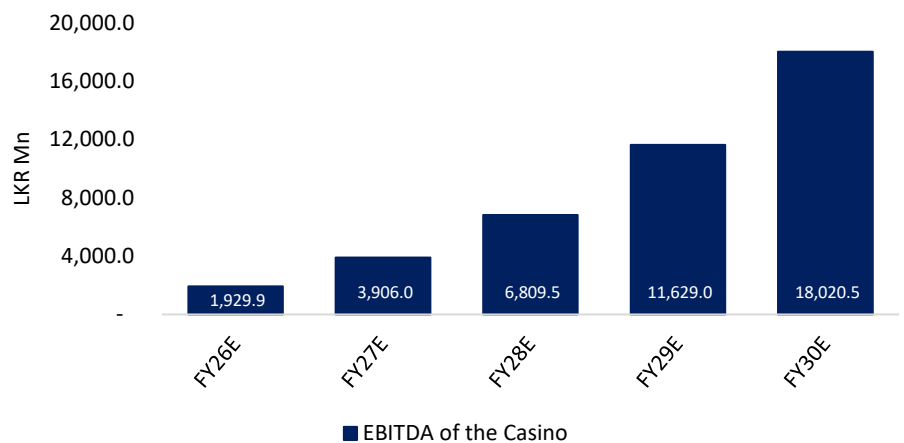
The middle-income category of Indian population is growing rapidly with growth between 1995-2021 recorded at a CAGR of 6.3% reaching 338Mn people. The increasing trend is expected to continue into the foreseeable future benefited by accelerated growth in Indian and the regional economy. This is expected to push Indian middle-income penetration to 38% in 2031 and 60% by 2047 from current 30% levels recorded in 2021. Moreover, based on

research, currently c. 45% of the Indian population is engaged in gambling and of which most common platform is lotteries contributing to about 67% from the above whilst online gambling contributes to about c.40%. However, considering the growing middle-income category, growth in youth population, increased digital penetration and consumer spending are expected to improved gambling penetration in India.

1.3.6 Gambling EBITDA margins to hover around the 30% mark in the medium term

The operating EBITDA of a casino largely revolves around the footfall mix, where high roller casinos are expected to generate margins above 45% whilst mas affluent market generates EBITDA margins between 25%-40%. Given that JKH targets Indian and Chinese visitors, we believe the target audience for the casino will be the mass affluent and margins in this segment on a conservative view is believed to be around the 30% mark. Moreover, per capita spending per customer is expected to be around USD 150.0 and expected to grow at a 5Yr FWD CAGR of 10%.

Figure 10: Casino EBITDA



Source: FC Research/Company data

1.3.7 JKH share of casino assumed at 10% of EBITDA

Given the lack of information on the variable rental component of the agreement, we have taken a very conservative basis and assume that JKH will receive 10% of the annual EBITDA. Considering the above, we expect JKH's variable component from the casino to reach LKR 96.5Mn in FY26E and eventually go up to LKR 1.8Bn in FY30E.

1.3.8 Leisure seems challenging in the short term, yet the future is bright

JKH Leisure sector profits expected to be challenged in FY26E making a loss of LKR 2.3Bn (reducing the loss from FY25) yet expected to improve gradually and reach a net profit of LKR 7.7Bn in FY30E. Near term losses are largely due to inherent challenges in the both city and resort segment of the Sri Lankan operations, affected by changes in tourist source destinations and arrivals age mix (more backpacking destination compared to 2018). Moreover, increased

depreciation charges and finance costs associated with City of Dreams Sri Lanka project are also expected to adversely affect profitability in FY26E. However, commencement of the gaming operation and gradual recovery in operating margins in the Sri Lankan and Maldivian business to ramp up profitability in the medium term.

Leisure Sector	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	18,914.2	39,731.4	47,946.3	49,928.3	59,685.9	73,410.7	85,506.9
Growth YoY %	65.2	110.1%	20.7%	4.1%	19.5%	23.0%	16.5%
EBIT	(1,354.4)	2,398.3	3,461.8	(3,109.2)	(234.1)	4,282.7	8,371.7
EBIT Margin %	-7.2%	6.0%	7.2%	-6.2%	-0.4%	5.8%	9.8%
Net Profit	(1,302.2)	(353.7)	2,715.4	(7,761.7)	(2,345.4)	780.0	3,590.1
NP Margin %	-6.9%	-0.9%	5.7%	-15.5%	-3.9%	1.1%	4.2%

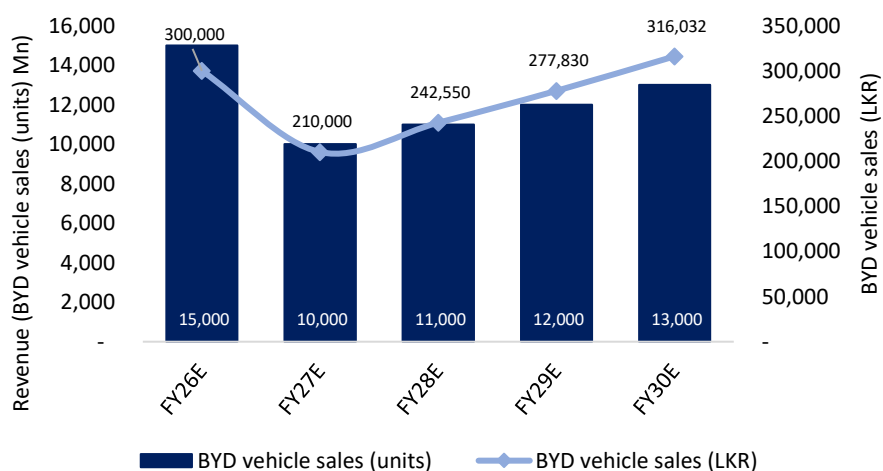
2.0 BYD dealership

JKH through its 50% owned JV John Keells CG Auto (private) limited entered a partnership with Chinese electric vehicle manufacturer BYD to supply new energy vehicles to the Sri Lankan markets. The partnership was drawn up in November 2024, and the first batch of vehicles was imported in the month of March 2025, upon the relaxation of the 5-year vehicle import ban that prevailed from 2020. Currently JKH is in the process of installing EV chargers, and so far, have installed 10 EV chargers at key Keells supermarket locations.

2.1 Total orders to reach 15,000 in FY26E

With handing over commencing in April 2025, BYD has thus far handed over 500 vehicles on its pre-orders. So far, the company has witnessed orders exceeding expectations with pre-orders believed to be near 10,000 mark already for this year. The attractive price point of the NEV vehicles together with JKH's backing for the project are critical factors that have contributed to the robust demand during early days. Given the nearly 10,000 pre-orders largely coming due to the pent-up demand that was in the system, we believe that total vehicle sales in FY26E can total to 15,000 vehicles. The recognition of sales from vehicle sales will take place upon the handing over vehicles, thus we expect JKH to handover 85% of vehicles within the year.

Figure 11: BYD Sales expectation

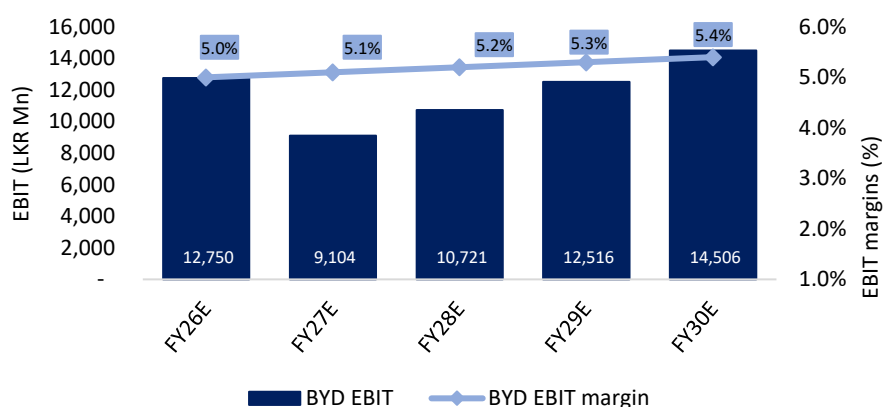


Source: FC Research/Company data

2.2 EBIT Margin from vehicle retail business expected to be 5% in FY26E

Electric vehicle industry is a novice business to Sri Lanka whilst last year marked BYD entrance to Sri Lanka. Despite the exciting demand seen through pre-sales, advertising and promotional expenses, opening and maintaining new showrooms (although some outsourced to 3rd party operators), competitive pricing, possible absorption of insurance premiums and tax increases for early orders are expected to keep EBIT margins around the 5% mark. Dealerships are usually believed to maintain margins between 4%-6% mark, with businesses in the early years making margins as low as 4%. However, due to the strong pre-sales observed, we believe JKH will make above par margins on the dealership in the short term whilst margins are expected to gradually improve towards medium term and close in towards the industry upper average of 6.0% in FY30E.

Figure 12: BYD EBIT and EBIT Margin



Source: FC Research/Company data

2.3 Retail to emerge as a star with the partnership with BYD

Retail sector net profits are expected to grow at a 5Yr FWD CAGR of 41.4%YoY to LKR 20.9Bn in FY30E as Supermarkets contribute with stable performance and improved margins whilst BYD segment enables double digit expansion across key metrics. Supermarket business topline expected to grow at 5YR FWD CAGR of 13.7%YoY driven by same store sales growth, which in terms benefit from increased footfall (due to shift to modern trade) and growth in average basket values (as inflation moderates around 5% in the medium term). Meanwhile, Retail sector EBIT is expected to grow at 5Yr FWD CAGR of 32.8%YoY driven by margin expansion at both supermarket business and BYD dealership in the medium term.

Retail sector	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total revenue	91,055.9	107,055.8	122,764.8	138,628.4	472,864.2	407,221.1	463,002.0
Growth YoY %	1,551.6	17.6%	14.7%	12.9%	241.1%	-13.9%	13.7%
EBIT	1,551.6	4,463.1	6,080.9	7,584.7	23,643.2	20,768.3	24,076.1
EBIT margin %	-2.1%	4.2%	5.0%	5.5%	5.0%	5.1%	5.2%
Net profit	(865.3)	1,295.7	2,056.1	3,700.6	15,601.6	13,722.5	15,990.8
NP margin %	-1.0%	1.2%	1.7%	2.7%	3.3%	3.4%	3.5%

3.0 West container terminal

3.1 WCT Commissions operations in 4QFY25

West Container Terminal (WCT) developed through a public-private partnership with John Keells Holdings, Adani Ports and SEZ Ltd and Ports Authority of Sri Lanka will be country's first automated container terminal. The project commenced phase 1 of its commercial operations in 4QFY25 and commissioned a capacity of c. 1.6Mn TEUs. Phase II of the project is expected to be completed in the 2HFY27E and is expected to further commission a capacity of c. 1.6Mn TEUs which will raise the total available capacity to 3.2MN TEUs. The significance and competitive edge of the WCT Terminal lies in its 1,400m quay length alongside depth of 20m, which offers WCT a competitive edge over its peers.

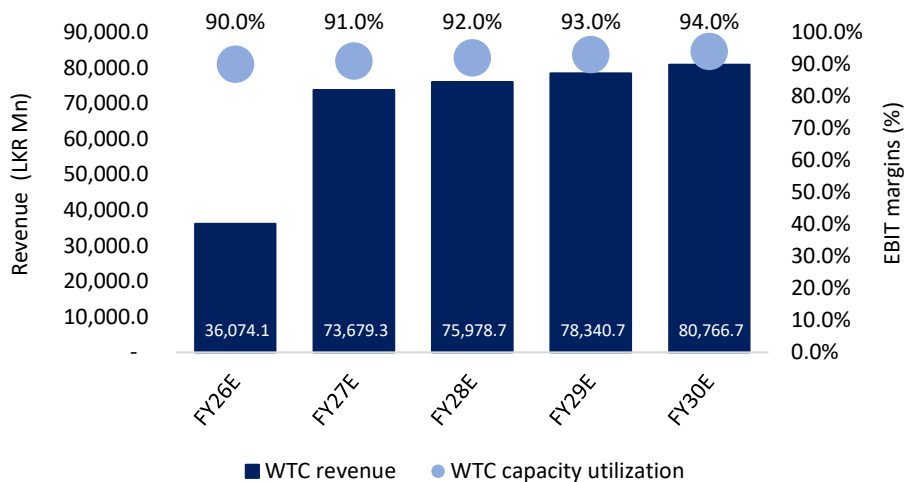
Figure 13: Regional ports, capacity, draft and proximity to main route

Port	Draft	Transshipment role	Proximity to main route
Colombo	18–20m	High	<10 nm
Vizhinjam (India)	18–20m (future)	Emerging	10–15 nm
Dubai (Jebel Ali)	16–17m	Hub	Farther
Singapore	18m+	Global hub	Slight deviation
Hambantota (SL)	17m	Underutilized	Close
Chittagong (BD)	9m	Domestic only	Off main route

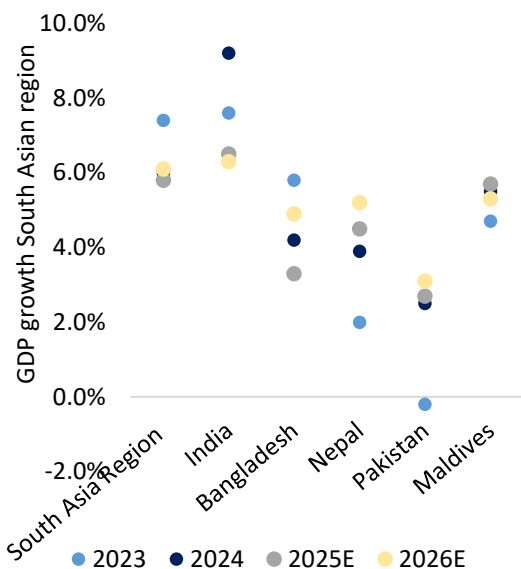
3.2 WCT capacity utilization to reach 94% in FY30E

Since the commissioning of the WCT phase 1, early throughput data has been encouraging, and momentum is expected to accelerate in the coming years. With SAGT operating at 100% capacities, we believe WCT will benefit from spillover capacity whilst growth in regional trade and WCT competitive edge in terms of depth are considered key catalyst towards moving from first year capacity utilization of 90% to FY30E utilization of 94%.

Figure 14: Revenue & capacity utilization



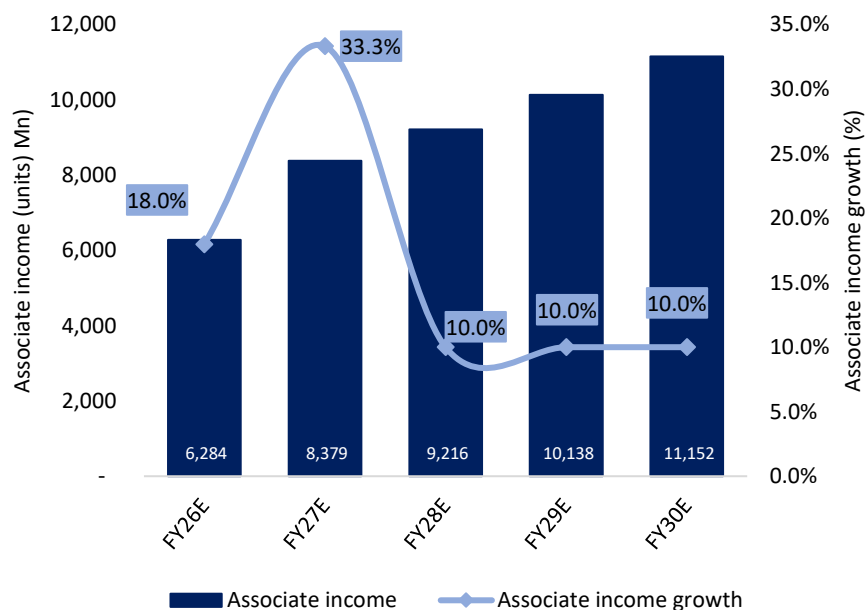
Source: FC Research/Company data



3.3 Associate income from WCT to reach LKR 5.6Bn in FY30E

Steady improvement in capacities, together with the stable growth in charge per TEU to gradually improve margins in the medium term. However, external uncertainties prevailing in the global context expect to pose near term challenges via reduced growth outlook and consequently reduction in trade volumes.

Figure 15: Associate Income and growth



Source: FC Research/Company data

3.4 Transportation sector profits to recover bolstered by improving margins

Sector EBIT to grow at a 5Yr FWD CAGR of 14.8%YoY to LKR 2.6Bn by FY30E driven by consistent performance of the SAGT terminal (expects to operate at full capacity) and improved volumes at the bunkering business (expects to grow at a 5Yr FWD CAGR of 8.4%YoY), which is also expected to be boosted via gradual increases in oil prices and Rupee depreciation (expects to depreciate at a CAGR of 5%YoY between FY26-FY30E). Meanwhile, sector net profits are expected to grow at a 5Yr FWD CAGR of 15.0%YoY backed by improving EBIT and addition of WCT operations.

Transportation sector	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total revenue	32,550.0	74,479.7	51,555.3	54,998.1	55,777.8	57,813.9	60,350.8
Growth YoY %	86.4%	128.8%	-30.8%	6.7%	1.4%	3.7%	4.4%
EBIT	(2,628.5)	4,254.0	1,740.5	1,310.2	1,394.4	1,618.8	1,810.5
EBIT margin %	-8.1%	5.7%	3.4%	2.4%	2.5%	2.8%	3.0%
Net profit	732.7	9,009.9	7,470.1	6,125.8	1,995.5	8,891.2	9,795.0
NP margin %	2.3%	12.1%	14.5%	11.1%	3.6%	15.4%	16.2%

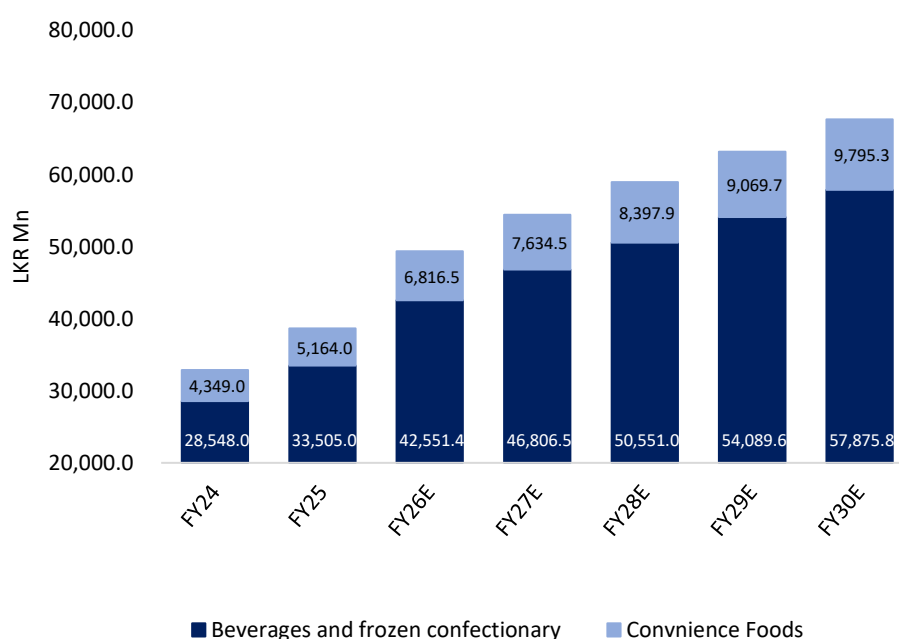
4.0 Consumer Foods amongst the rising stars

Consumer Foods business of JKH is represented by its Beverages, confectionery and Processed meats business through Elephant House and Krest brands. Confectionery business includes the premium ice cream range Imorich and the frozen yoghurt range. Moreover, on Feb-24 JKH announced its partnership with Reliance Retail Ventures Limited, a collaboration to manufacture, market, distribute and sell beverages under the iconic Elephant House brand across the Indian market. The partnership involves JKH supplying the beverage concentrate to Reliance and JKH receiving a royalty fee from its sales. JKH currently exports Necto and Cream Soda to the Indian market.

4.1 Elephant House to capture growing market volumes

Sri Lanka is currently on a recovery trajectory and real wages are slowly bouncing back to pre-crisis levels. The recovery in real wages were also supported by trimming down of inflation, recovery in the overall economy and incentives offered through budget 2025, which included bump up in state, private sector salaries and pension. Considering the market share of CCS in the carbonated soft drinks market, which hovers around the 35% market share, together with the company's wide presence across the country, we expect increased penetration and volumes from the widening demand. We believe the growth in the current year in terms of volumes to be better than the previous year with Beverages and frozen confectionery business volumes growing 25.0%YoY whilst Convenience Foods business volumes expected to grow at 30.0%. Looking at the medium term, we expect growth momentum to continue with Beverages and Frozen Confectionery business volumes to grow at a 4Yr FWD CAGR of 6.0% between FY26-FY30 period whilst Convenience Foods business is expected to grow at CAGR of 7.5% between FY26-FY30 period. The growth in volumes together with inflation adjusted annual pricing are expected to drive Consumer Foods' business revenue by a 5Yr CAGR of 11.2%YoY to LKR 70.4Bn by FY30E.

Figure 16: Beverages and Convenience Foods revenues

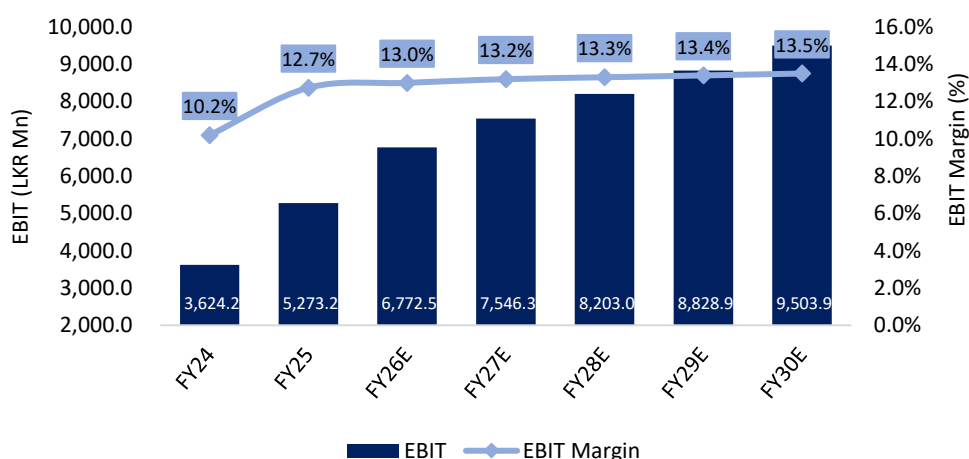


Source: FC Research/Company data

4.2 Consumer Foods business margins to improve as mix change

Consumer Foods EBIT is expected to grow at a 5Yr CAGR of 12.5%YoY to LKR 9.5Bn in FY30E. The growth in EBIT was driven primarily by growth in volumes leading to improved efficiencies whilst gradual change in mix from bulk to impulse is expected to improve margins in the coming years (impulse segment commands a gross margin of +35.0% whilst bulk segment gross margins stand at 18.0%). Therefore, we expect EBIT margin to record a gradual improvement in the coming years with the FY26E EBIT margin expected at 13.0% and gradual improvement to 13.5% by FY30E. However, increase in electricity tariffs and rebound in raw material prices, largely driven by global prices, are expected to challenge margins in the medium term.

Figure 17: EBIT and EBIT margin



Source: FC Research/Company data

4.3 Consumer business net profit to grow at a CAGR of 12.8%YoY between FY25-FY30E

Sector revenues expected to grow at a 5YR FWD CAGR of 11.2%YoY backed by improved volumes (expects to grow at a FWD CAGR of 9.8%YoY and 12.0%YoY, respectively) and prices (grow in line with the inflation at 3%YoY for both segments) at both beverages and Convenience Foods business lines. Meanwhile, EBIT margins are expected to gradually reach 13.5% in FY30E from 12.7% in FY25 as operating efficiencies improve amid improved volumes and change in mix to impulse from bulk as disposable incomes improve in tandem with the recovery in GDP.

Consumer foods sector	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total revenue	22,789.9	33,776.3	35,532.8	41,397.1	52,095.9	57,169.0	61,677.0
Growth YoY %	86.4%	48.2%	5.2%	16.5%	25.8%	9.7%	7.9%
EBIT	2,451.7	2,060.3	3,624.2	5,273.2	6,772.5	7,546.3	8,203.0
EBIT margin %	10.8%	6.1%	10.2%	12.7%	13.0%	13.2%	13.3%
Net profit	1,924.7	1,744.6	2,173.8	3,486.6	4,548.4	5,066.5	5,503.0
NP margin %	8.4%	5.2%	6.1%	8.4%	8.7%	8.9%	8.9%

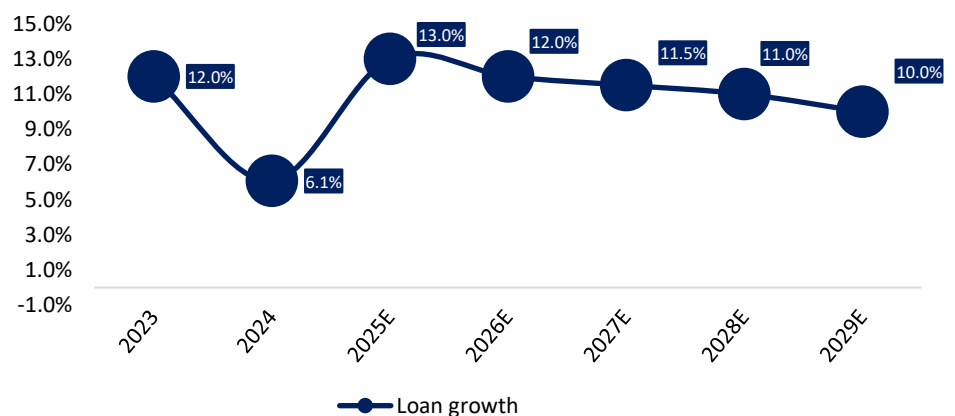
5.0 Nations Trust Bank, Mr. Consistency

JKH's ownership of Nations Trust Bank (NTB) is through an associate stake with 29.48% ownership of voting shares and 52.12% ownership of non-voting shares. The ownership of NTB for JKH has bore well with the bank contribution to group growing at past 5Yr CAGR of 33.9%YoY between FY20-FY25 (including an economic crisis in 2022).

5.1 NTB contribution to JKH expected to grow at 5Yr FWD CAGR of 12.9% by FY30E

Standing out against its peers, NTB tirelessly worked towards positioning themselves as a high-end banker, catering to Large and mid-cap corporates, High net-worth individuals and professionals. The efforts are starting to bear fruit as the prevailing low-interest rate environment is enabling NTB to capture the fastest recovering social segment of the country, with already showcasing a growth of 10.9%QoQ in loan book during 1Q2025. With FCR expectations of private sector credit growth at 12.0% for both 2025E and 2026E, we expect NTB to be amongst the key players absorbing the upcoming demand.

Figure 17: NTB Loan Growth expectations



Source: FC Research/Company data

5.2 Pick-up in fee business, a key driver of growth

The recovery in the economy (expected to grow between 3%-5% during the next 2 years) coupled with the reopening of vehicles and other imports are expected to be key factors driving the business fee of the bank. Moreover, with the government sector picking up digitization (via gov pay etc. and digitalizing key institutions such as DMV, Land Registry, Passport office) together with the already rapidly expanding private sector are also expected to drive up fee business of the banks during the coming year. Considering these aspects, we expect NTB net fee and commission income to improve at a 6Yr FWD CAGR of 9.3%YoY between 2024-2030E period.

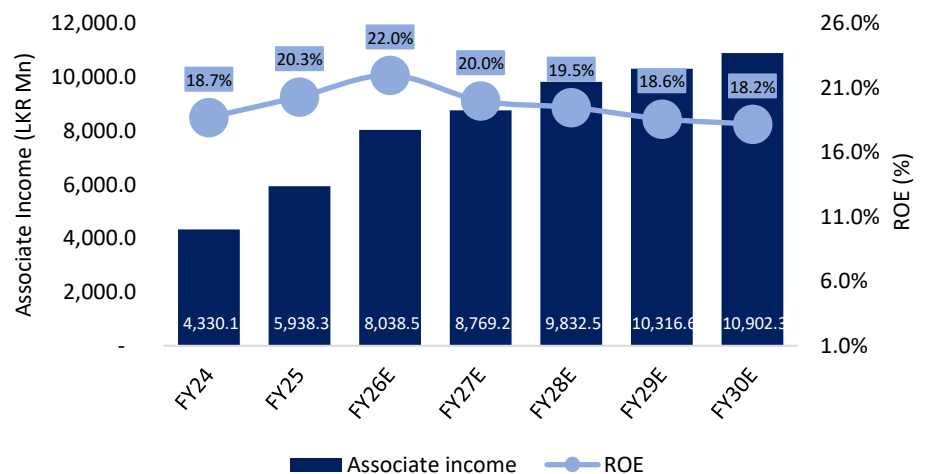
5.3 NPL, best in the business

Given the targeted and selected lending practice adapted by NTB, the bank has been successful in maintaining the lowest NPL in the industry during the last few years, despite the adverse challenges from economic crisis and sector NPL climbing above 13%. On the back of this, NTB successfully managed to operate with a stage 3 non-performing loans ratio of 1.38% as of 1Q2025. Going forward, we expect NTB to maintain NPL similar levels, hovering between the 1%-3% mark.

5.4 NTB expects to offer +20% ROE back-to-back during FY26E and FY27E.

The expansion in credit, together with the gradual improvement in net interest margins are expected improve NTB organic profits in the coming years whilst improvement in high margin fee business and reduction in impairments are also expected to offer an additional cushion for NTB profitability. Considering the above, we expect NTB contribution to JKH to grow at a 5Yr FWD CAGR of 12.7% between FY25-FY30E period, with ROE gradually toning down and maintained around the 18% mark by FY30E.

Figure 17: Associate income from NTB and ROE



Source: FC Research/Company data

6.0 Quarterly earnings and financial review

JKH net profit falls by 73.1%YoY in 4QFY25 and 52.6%YoY in FY25

The dip in profits during the period was largely affected by the escalation in net finance costs, which posted an expense of LKR 1.4Bn in 4QFY25 cf. a net finance income of LKR 4.7Bn in 4QFY24 whilst tax expense for 4QFY25 also recorded an increase of 23.6%YoY to LKR 3.8Bn. In terms of segmental net profits, Transportation (-10.0%YoY to LKR 1.7Bn) and Leisure (posted a loss of LKR 1.3Bn cf. a profit of LKR 7.2Bn) adversely affected profitability whilst balance sectors, Consumer Foods (+3.9%YoY to LKR 1.3Bn), Retail (+92.5%YoY to LKR 1.4Bn), Property (turned around with a profit of LKR 481.1Mn cf. a loss of LKR 540.9Mn) sectors positively contributed towards profitability.

Transportation sector EBITDA contracts as bunkering margins weigh down profits

JKH's Transportation sector posted an EBITDA decline of 8.1%YoY to LKR 2,139.0Mn during 4QFY25 affected by decline in volumes at its bunkering business (-17.0%YoY cf. +52.0%YoY in 4QFY24). The decline in volumes was as a result of higher base in 4QFY25, which saw a significant volume due to Red Sea crisis. However, in terms of the SAGT terminal, volumes saw an improvement of 9.2%YoY to 504,790TEUs, against a decline in volumes observed at the Colombo port (-3.6%YoY). Meanwhile, with the opening up of imports, together with the recovery in the economy saw domestic to transshipment mix continue improve at the terminal recording at 14:86 in 4QFY25 cf. 12:88 in 3QFY25 and 10:90 in 4QFY24.

Consumer Foods continue to perform as volumes grow

Consumer Foods business EBITDA grew by 7.1%YoY to LKR 2,293.0Mn in 4QFY25 benefitted by double digit volume growth across all key businesses driven by sales and recovery in consumer activity. Therefore, 12% volume growth was observed in the Confectionery business whilst 16%YoY and 24.0%YoY growth was observed in the Beverages and the Convenience Foods business. Despite the volume growth, EBITDA margins came under pressure during the quarter and declined to 20.0% from 22.0% in 4QFY24 due to lower contribution from the Impulse segment and an increase in advertising and promotion expenses.

Retail sector outshines the balance

Retail sector of JKH outshined the every other sector as it reported an EBITDA growth of 42.2%YoY to LKR 3.4Bn. The significant increase in profitability in the Supermarket business is attributable to the strong same store sales growth (+16.2%YoY cf. 10.7%YoY in 4QFY24) on the back of an increase in footfall (+19.1%YoY cf. 14.4%YoY), which more than off-set the negative ABV growth (-2.4%YoY cf. -3.2%YoY). Growth in same store footfall was driven by both

existing and new customers, and the conversion from general trade to modern trade. On the back of improved Retail topline, recurrent EBITDA margin posted an expansion to 9.3% during 4QFY25 from 7.9% recorded during the comparative quarter. Reduction in electricity tariffs and various advance analytics initiatives in key operational areas including supply chain, marketing and daily operating functions resulted towards the margin expansion in the supermarket business.

Opening costs at CoDSL continue to weigh down leisure sector EBITDA

Leisure sector recurrent EBITDA recorded a decline during the quarter under review by 14.9%YoY to LKR 4,382.0 whilst recurring EBITDA excluding CoDSL saw a marginal improvement of 1.6%YoY to LKR 5.6Bn. The decline in recurrent EBITDA for the quarter impacted by substantial costs pertaining to the opening and operating of the Cinnamon Life hotel. Excluding the impact of CoDSL, profitability was driven by a strong recovery in arrivals resulting in higher occupancy (improved across all three sectors with Colombo hotels at 77.0%, Sri Lanka Resorts at 82.0% and Maldivian Resorts at 91.0%) and an improvement in ARRs (Sri Lankan Resorts improved to USD 123.0 from USD 106.0, whilst Maldivian Resorts saw ARR improve to USD 364.0 from USD 362.0). Meanwhile, EBITDA margins grew across all three segments during the quarter supported by the improvement in rates and occupancies, and lower operating costs, despite the translation impact due to the appreciation of the Rupee.

Property sector turnaround its performance during 4QFY25

Property sector reported a turnaround performance during 4QFY25 with recurring EBITDA posting a profit of LKR 559.0Mn cf. a loss of LKR 634.0Mn. The increased profitability is driven by sales at Cinnamon Life, VIMAN, and profit recognition from real estate sales in Digana, through Rajawella Holdings (Private) Limited. As of 4QFY25, percentage sold offered confidence to investors as Cinnamon Life apartments and suites recorded a percentage sold of 72% and 65% respectively, whilst Trizen recorded at 83%. Meanwhile, the Ja-Ela Viman project, which is a suburban project developed by JKH saw 91% sold of phase I and 79% of phase II. Moreover, EBITDA in 4QFY24 include an asset write-off amounting to LKR 639.0Mn relating to the closure and demolishing of the K-Zone mall in Ja-Ela for the development of the VIMAN.

Financial Services continue to shine for JKH

Group's financial services business continued to show promising results posting an EBITDA growth of 15.2%YoY to LKR 2.1Bn. Growth in profitability was driven by NTB and UA. NTB and UA contributed LKR 1.4Bn and LKR 671.0Mn, respectively, to Group EBITDA. NTB's profit growth was driven by robust loan growth. UA recorded a 17%YoY growth in GWP, driven by renewal premiums and regular new business premiums. UA sustained its profitability, despite the increase in costs related to the expansion of its distribution channels.

**Leverage and liquidity**

JKH's net debt saw a significant escalation because of the extensive investments the company made in Cinnamon Life and WCT. With both projects near completion, JKH leverage ratios saw slight improvement with Net debt to EBITDA falling to 10.4x in FY25 from 12.5x recorded in the previous year. Going forward, with the commencement of both CoDSL and WCT, we expect net debt to EBITDA to gradually decline and reach 3.0x in FY30E.

DuPont analysis

Element	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Tax burden	74.0%	80.5%	62.4%	35.8%	59.0%	63.7%	63.3%
Asset turnover	0.30x	0.37x	0.36x	0.38x	0.72x	0.67x	0.72x
Equity multiplier	2.31x	2.18x	2.15x	2.12x	2.29x	2.24x	2.24x
Interest burden	373.9%	178.0%	117.2%	104.6%	62.5%	73.9%	76.1%
EBIT margin	3.4%	4.6%	5.5%	4.5%	5.7%	6.5%	7.0%
ROE	6.5%	5.3%	3.1%	1.3%	3.5%	4.6%	5.5%

7.0 Valuations**7.1 Sum of the parts valuation**

Given the diversified nature of the business with exposure to many business segments, we have adapted a Sum of the parts (SOTP) valuation to arrive at a target price. We used conservative assumptions in the calculation of SOTP with Risk Free Rate (Rf) assumed at 10.0%, market premium of 8.0% and CoD of 10%. Considering the above assumptions and discounting the CF using a WACC of 9.8%, we arrived at a target price of LKR 26.1/share for FY26E and LKR 30.1/share for FY27E.

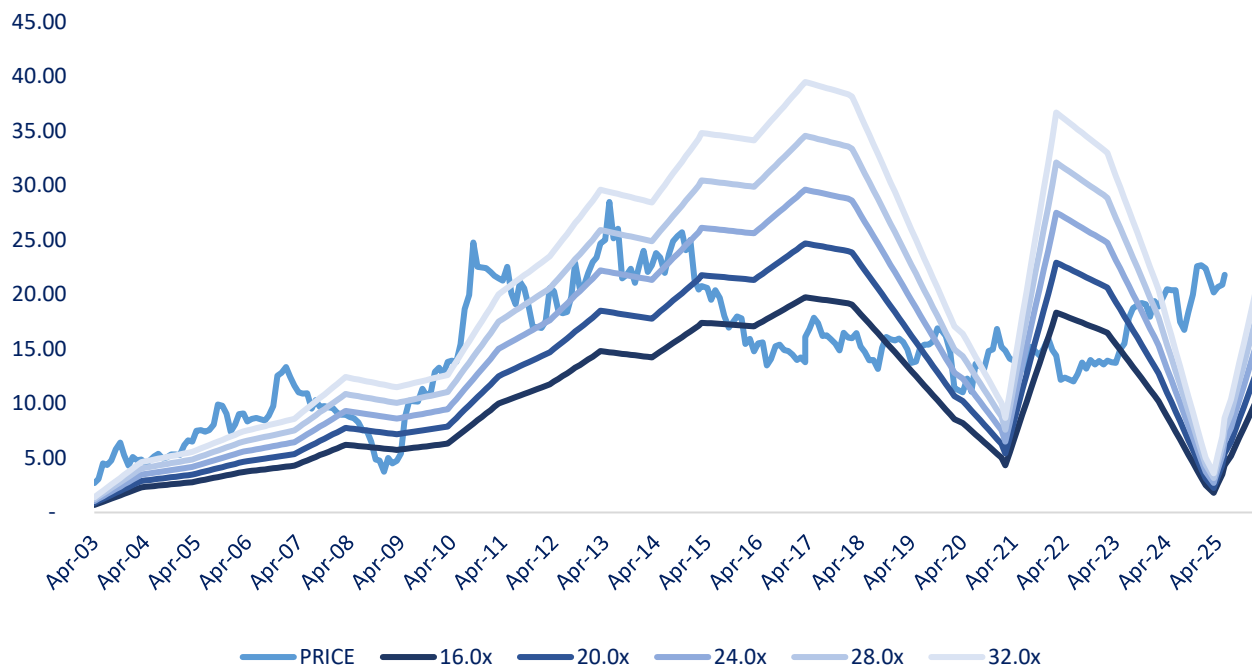
Segment	Valuation method	Valuation assumptions			Value in LKR Mn		Cash		Debt		Value per share FY26E	Equity value	Equity value
		CoE	WACC	Growth	Firm value FY26E	Firm value FY27E	Cash FY26E	Cash FY27E	Debt FY26E	Debt FY27E	% of ownership		
Transportation	DCF	14.0%	9.8%	5.0%	33,581.5	37,142.4	922.0	968.1	7,204.0	7,306.0	90%	24,569.6	27,724.1
Consumer Foods	DCF	14.0%	9.8%	5.0%	101,036.5	180,005.1	600.0	550.0	7,650.0	8,050.0	85%	79,888.5	146,629.4
Retail	DCF	14.0%	9.8%	5.0%	308,463.3	313,563.0	2,000.0	2,200.0	7,862.2	8,205.3	85%	257,210.9	261,424.0
Leisure	DCF	18.0%	9.8%	5.0%	188,531.1	211,392.1	7,100.0	7,500.0	92,113.3	93,744.0	80%	82,814.2	100,118.5
Property	DCF	14.0%	9.8%	5.0%	(28,491.6)	(55,657.5)	1,438.0	1,509.9	617.1	740.5	95%	(26,287.1)	(52,143.7)
Financial Services	DCF	14.0%	9.8%	5.0%	67,705.0	67,506.0	23,836.3	25,028.1	650.0	650.0	60%	54,534.8	55,130.5
Other	DCF	14.0%	9.8%	5.0%	7,035.0	12,884.4	70,044.5	73,546.7	98,927.0	100,905.5	60%	(13,108.5)	(8,684.7)
Total per share												459,622.5	530,198.1
Number of shares												17,624.6	17,624.6
Value/share												26.1	30.1

7.2 PER based valuation

JKH, premiere blue-chip company in Colombo bourse have always traded at a premium to the market in the past 22-year period. This is also further supported by the share volatility, where JKH trailing PE crosses the 30.0x mark ahead of significant growth in company profitability (as evident by the periods of FY07, FY11 and FY13). With all big ticket projects starting to make cash, we at FCR



expects profitability of JKH to improve significantly during the next few years, growing at a 5Yr FWD CAGR of 43.3%YoY to reach LKR 32.1Bn in FY30E. Given the continuous and sizeable jump in profitability across the next 5 years, we expect JKH share to continue to trade at a premium within the next 2 years. Therefore, valuing the share using an implied PE of 30x for FY26E and FY27E, we arrived at a PE driven target price of LKR 23.9 for FY26E and LKR 30.1 for FY27E.



Source: FC Research/Company data

7.3 Bended valuation

At First Capital Research we use an equally weighted blended approach to determine a target price for a share. Therefore, considering the targets arrived through SOTP as well as using an implied PE, we arrived and maintained our FY26E set target price of LKR 25.0/share offering an annualized return of 21.5% on the current price, whilst FY27E TP came at LKR 32.0/share, offering an annualized return of 25.2% for FY27E. Therefore, considering the potential returns of the FY27E target price, **we upgraded our recommendation of JKH to BUY from HOLD recommended earlier.**

Expected JKH Price	FY26E	FY27E
PER Valuation based target price	23.9	32.8
SOTP Valuation based target price	26.1	30.1
Average Target Price	25.0	31.5
Target Price after Rounding off	25.0	32.0

Return	FY26E	FY27E
Target Price	25.0	32.0
Current Price	21.8	21.8
Capital Gain (LKR)	3.2	10.2
Dividends upto 31 Mar (LKR)	0.3	0.4
Capital Gain %	15%	47%
Dividend Yield %	1%	2%
Total Return %	16%	49%
Annualized Return %	22%	25%



8.0 Scenario Analysis

Bear case	Base case	Bull case
The bear case involves economic slowdown with GDP growth producing negative or flat growth amidst limited consumer drive and contraction in business activities	The base case revolves around a GDP growth 4%-5% with economy progressing along the same lines amidst rising consumer demand and pick up overall economic activities	The bull case involves a rapid economic expansion with GDP growth continuously been above 5 years whilst consumer activity and business activity records a sharp pick up
1. Total capacity to increase at a 5Yr CAGR of 5.0%	1. Total capacity to increase at a 5Yr CAGR of 27.6%	1. Total capacity to increase at a 5Yr CAGR of 50.0%
2. Beverage & Confectionery volumes to grow at a 5Yr CAGR of 2%	2. Beverage & Confectionery volumes to grow at a 5Yr CAGR of 9.8%	2. Beverage & Confectionery volumes to grow at a 5Yr CAGR of 20%
3. Retail sector same store sales to grow at a 5Yr FWD CAGR of 2%	3. Retail sector same store sales to grow at a 5Yr FWD CAGR of 11.8%	3. Retail sector same store sales to grow at a 5Yr FWD CAGR of 25%
4. JKH to receive avariable income 5% off EBITDA from the casino	4. JKH to receive avariable income 10% off EBITDA from the casino	4. JKH to receive avariable income 20% off EBITDA from the casino
5. Tourist arrivals to SL to grow at a CAGR of 10% between FY25-FY30E	5. Tourist arrivals to SL to grow at a CAGR of 41.2% between FY25-FY30E	5. Tourist arrivals to SL to grow at a CAGR of 60% between FY25-FY30E
FY27E Target price = LKR 13.0/share	FY27E Target price = LKR 32.0/share	FY27E Target price = LKR 45.0/share

9.0 ESG Analysis

9.1 Environmental

Climate change: JKH reported an increase in carbon emissions due to expansion, with Scope 1 at 62,110 MT and Scope 2 at 100,817 MT, up from 26,545 MT and 91,046 MT respectively. Despite this, energy efficiency improved through LED upgrades, energy management systems, and solar installations at 107 outlets. Emissions were further mitigated via VFDs, PV systems, and SCR buses under a Net Zero roadmap (SDGs 7, 13). To address climate change vulnerability, JKH initiated impact assessments and updated BCPs, with a scenario analysis framework set for FY26. Key risks like flooding are managed via ESG risk registries and drills (SDG 13). On financing environmental impact, renewable energy capacity grew by 161.0%YoY, supported by RO plants and solar upgrades. Risks like ROI uncertainty are addressed through pilots and performance tracking (SDGs 7, 12). For the product carbon footprint, CICL cut gCO₂/kg by 7.0% and CCS by 5.0%, with monitoring via ERP systems. Continued gains are expected from logistics and NEV optimization, backed by electric fleet adoption (SDG 13).

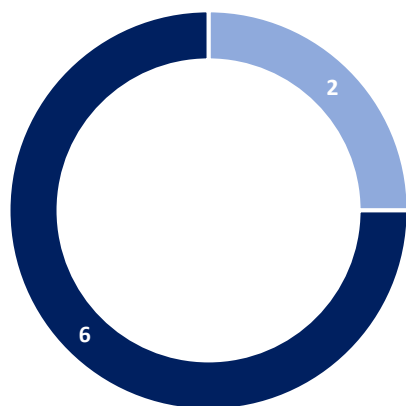
Pollution and waste: JKH advanced its environmental stewardship across several fronts. Under biodiversity and land use, habitat conservation and passive mitigation were implemented, with no expansion into sensitive zones, supporting SDG 15. In raw material sourcing, 50 acres were replanted with sustainable tea, and suppliers were assessed using ESG scoring, aligned with SDG 12. To address water stress, JKH added two RO plants and 12 rainwater harvesting systems, alongside water metering and reuse strategies, supporting SDGs 6 and 12. Electronic waste was managed through secure vendor take-back, with traceability maintained under IT policies (SDG 12). In packaging and waste, 300+MT of plastic were diverted under Extended Producer Responsibility, supported by packaging redesigns and audits, contributing to SDGs 12 and 14. For toxic waste, 517MT were handled with ISO 14001 compliance, training, and disposal audits in place to mitigate contamination and legal risks, aligned with SDGs 3 and 12.

Environmental opportunities: JKH continues to drive clean energy adoption, with 8.0% of its energy from renewables and a 161.0%YoY increase in renewable usage, supported by LED/VFD rollouts, solar cooling, and SCR electric buses. Risks around ROI and tech adoption are managed through pilots and utility partnerships (SDGs 7, 9). In green building, JKH applies LEED and UDA standards across projects like TRI-ZEN and hotels. Design and cost risks are mitigated via consultant reviews and lifecycle costing, aligning with SDG 11. JKH's renewable energy share reached 12.0% in FY24, with solar installed at 107 stores and several new PV sites. Efficiency monitoring and vendor partnerships help manage risks from sunlight variability and system integration, supporting SDGs 7 and 13.

9.2 Social

Human capital – health & safety: JKH invested heavily in human capital development, delivering over 213,000 training hours, a 38.0% increase YoY. Key areas included DEI, safety certifications, and a new LMS platform. Risks of skill gaps and disengagement were mitigated through academy-based models, adaptive training, and employee-led content, supporting SDGs 4 and 8. In labour management, attrition dropped to 15.4% with engagement rising to 81.0%, driven by AI-powered HR dashboards, flexible work policies, and rising female representation. Challenges from workforce segmentation and migration were addressed through hybrid policies and wellness programs, aligning with SDGs 5 and 8. On supply chain labour standards, JKH evaluated 88 suppliers for ESG compliance, with 9 corrective actions issued. Human rights risks were managed through contracts and grievance hotlines, while blockchain feasibility was explored to improve traceability in Tier-2+ suppliers, contributing to SDGs 8 and 12.

Product liability: JKH maintained GHS compliance in manufacturing, evaluating chemical substitutes and boosting PPE audits by 22.0%. Toxic exposure risks were mitigated through SOPs, labelling, and supplier safety verifications, supporting SDGs 3 and 12. In consumer financial protection, SLA compliance improved to 98%, and new workflows cut resolution time by 17%. Financial grievance risks were managed via CRM tools and staff KPIs, while regulatory compliance was ensured through role-specific training (SDG 16). For privacy and data security, JKH reported zero breaches, with ISO 27001 certification and phishing prevention tools in place. Cyber risks were mitigated using firewalls, endpoint protection, and behaviour analytics (SDGs 9 and 16). In product safety and quality, JKH achieved 99.2% audit conformance, retaining HACCP and ISO 22000. Quality risks were reduced via traceability, automation, and a centralized quality team (SDGs 3 and 12). Regarding responsible investment, ESG criteria were applied to pre-investment reviews, with ESG-linked loans piloted. Risks of greenwashing and underperformance were



■ Executive director ■ Non executive director

addressed through sector benchmarks, ROI thresholds, and ESG scoring (SDGs 9 and 12).

Stakeholder opposition: JKH invested LKR 205.0Mn in community projects, including solar and climate adaptation efforts, building on previous LKR 172.0Mn via the JKH Foundation. Risks of alienation and misaligned priorities were mitigated through impact assessments and community governance councils, supporting SDGs 11 and 17. In nutrition and health, JKH launched 12 FSSAI-compliant SKUs focused on gut health and no added sugar, following earlier efforts to improve labelling and introduce low-sugar products. Regulatory and dietary shifts were addressed through consumer panels and a food reformulation program (SDGs 2 and 3). On controversial sourcing, no cases were flagged. A supply chain screening tool for conflict minerals and high-risk zones was rolled out. Risks of reputational damage and human rights concerns were managed through supplier blacklists, audits, and sector mapping, aligning with SDGs 12 and 16.

9.3 Governance

JKH ticks all the boxes of the guidelines provide by CA Sri Lanka Code of Best Practices, CSE Listing Rules and CFA Institute Corporate Governance Best Practices.

Chairman and CEO: At JKH Chairman and CEO one personality. The Chairman, MD, and CEO are distinct individuals, each with clearly defined and separate powers and responsibilities, in accordance with the CA Sri Lanka Code of Best Practices. However, according to the code if combined, justification and safeguards required. Mr. Krishan Balendra is the Chairman and CEO. Combined role held by Mr. Krishan Balendra (Executive Director) is mitigated with Senior Independent Director.

Board composition:

- ❖ Out of the 8 Directors, 6 are Non-Executive Directors, exceeding the minimum requirement set by the code, which mandates that non-executive directors should constitute one-third of the board.
- ❖ Additionally, according to the code, 3 of the Non-Executive Directors meet the independence criteria defined by CSE Listing Rule 9.18.1 on Corporate Governance, fulfilling the guideline that at least three or two-thirds of the non-executive directors, whichever is higher, should be independent. JKH complies this requirement as well.
- ❖ TJL's board comprises 6 males, highlighting a gender imbalance. While current guidelines do not mandate gender diversity, this is not a regulatory concern. However, the company may consider enhancing diversity in the future.

Appraisal of board performance: The board undertakes an annual self-evaluation of its performance and its committees' performance against predetermined targets set at the beginning of the year. The

process for the annual evaluation of the performance of the Board is established under oversight of SID and nominations and governance committee and evaluation of CEO under human resource compensation committee. This formalized process of individual appraisal enabled each member to self-appraise, on an anonymous basis.

Appraisal of CEO: The appraisal of the CEO follows a transparent and robust process with performance being assessed annually and CEO performance reviewed with SID and nomination and governance committee input as well as CEO evaluated on ESG, finance, and stakeholder KPIs.

Tenure limit: According to the code directors should not serve more than 9 consecutive years without being redesignated. Therefore, Mr. A. Cabraal redesignated as NINED from 1st January 2025.

10.0 Key Risks to be considered when investing

Macroeconomic & currency volatility (*high impact*)

As a Sri Lankan conglomerate with significant import exposure (e.g., BYD EVs, consumer goods), JKH is highly vulnerable to LKR depreciation, interest rate fluctuations, and domestic inflation. Currency volatility raises input costs across multiple segments from supermarket imports to hotel operations and can erode margins. In the financial services segment, higher interest rates can squeeze credit growth and insurance affordability. A weakening macro environment reduces consumer demand, tourist arrivals, and investor confidence, all directly impacting group revenue and EBITDA.

Execution & ramp-up risk in mega projects (*moderate to high impact*)

JKH is undertaking large-scale ventures like the City of Dreams integrated resort and the West Container Terminal. These projects carry execution risk related to construction delays, regulatory hurdles, or slower-than-expected volume ramp-up. For example, CODSL's profitability hinges on casino licensing, GGR realization, and regional tourism growth. If visitor footfall or casino spending underperforms, breakeven timelines could extend and weigh on group profitability.

Regulatory risk across sectors (*high impact*)

From EV import duties and supermarket price controls to banking regulations and casino licensing, JKH operates in heavily regulated industries. Sudden tax policy shifts (e.g., sugar taxes, VAT changes, fuel pricing), delays in casino-specific regulation, or new environmental standards could hurt segment-level margins. Regulatory opacity, particularly in gaming and logistics can delay investment recovery and discourage expansion.

Concentration on retail earnings (*moderate impact*)

Over 43% of group revenue and a significant portion of profits stem from the Retail segment, mainly the Keells supermarket chain. While it provides strong cash flow, this concentration increases earnings sensitivity to consumer demand, supply chain pressures, and competitive pricing. Disruption in retail logistics or a shift in consumer preferences could dilute JKH's top-line growth trajectory.

Tourism & leisure sensitivity (*moderate to high impact*)

The Leisure sector (14% of revenue) is particularly vulnerable to external shocks, political unrest, global pandemics, or terrorism (e.g., 2019 Easter attacks). Hotel performance and CODSL casino profitability depend on air travel recovery, regional tourism sentiment, and discretionary spending. Delays in Sri Lanka's tourism rebound or new visa/travel restrictions could significantly impact EBIT margins and ROI in these long-cycle assets.

Geopolitical risk – middle east conflicts & global tensions (*high impact*)

Geopolitical tensions such as the Iran-Israel conflict and Red Sea disruptions pose significant risks to JKH's supply chain, energy costs, and shipping-linked businesses. Rising freight charges and oil prices can compress margins in retail, logistics, and consumer goods, while global instability may deter tourism, impacting hotel and casino revenues. As Sri Lanka relies on imports and tourism, any escalation could worsen currency pressure, affecting JKH's profitability across segments despite its diversified portfolio and strategic positioning in regional trade.

Appendixes

I. Company profile

John Keells Holdings PLC (JKH) is Sri Lanka's largest listed conglomerate on the Colombo Stock Exchange, with a legacy spanning over 150 years. The Group has built a diversified business portfolio across retail, consumer foods, financial services, transportation, leisure, property and IT sectors, positioning itself as a pivotal force in the island's private sector. In FY25, JKH marked a transformative phase by operationalizing two flagship ventures: the City of Dreams Sri Lanka (CODSL), a world-class integrated resort and casino, and the West Container Terminal (WCT-1), Colombo's first deep-water automated port terminal, initiatives that cement JKH's strategy to lead regional leisure and logistics.

The Group's Retail segment remains the largest contributor, accounting for 43.0% of group revenue and generating LKR 10.9Bn in recurring EBITDA. Key contributors include Keells Supermarkets, which operated 138 outlets as of March 2025, and John Keells CG Auto, the official BYD electric vehicle distributor in Sri Lanka, which saw strong pre-orders.

Financial Services, which accounts for 11.0% of group revenue, recurring EBITDA reached LKR 10.9Bn, driven by Nations Trust Bank PLC (NTB) and Union Assurance PLC (UAL). Fairfirst Insurance and John Keells Stockbrokers also contribute to this segment.

The Consumer Foods segment, which includes the iconic Elephant House brand, contributed 20.0% to revenue and recorded recurring EBITDA of LKR 6.7Bn. Volume growth in beverages and confectionery segments supported performance, alongside a new strategic joint venture with Reliance Consumer Products to distribute Elephant House in India.

In Transportation, JKH owns 42.0% of South Asia Gateway Terminals (SAGT) and 34% of WCT-1. Although this segment represented only 6% of group revenue, the recurring EBITDA was LKR 7.3Bn. SAGT handled over 2Mn TEUs in 2024, while WCT-1 commenced partial operations in 4QFY25 and is expected to be cash-positive in FY26E.

The Leisure sector, which includes Cinnamon Hotels & Resorts and CODSL, represented 14.0% of group revenue. Recurring EBITDA was LKR 4.5Bn, though it would have been LKR 9.3Bn excluding CODSL pre-opening costs. The Cinnamon Life hotel, with 687 rooms, opened in October 2024, and the CODSL casino is set to launch in August 2025.

In Property, contributing 3.0% of revenue, EBITDA recovered to LKR 1.4Bn after losses in FY24, helped by Cinnamon Life residential handovers and the launch of "VIMAN" in Ja-Ela.

The Other segment, comprising IT and plantation services, contributed 3.0% of revenue and LKR 3.9Bn in EBITDA.



II. Industry analysis

Segment	Competitive Rivalry	Threat of New Entrants	Bargaining Power of Suppliers	Bargaining Power of Buyers	Threat of Substitutes
Retail (Keells, BYD)	High - Intense price and product competition in FMCG & EVs from local and global players.	Moderate - Grocery scale is hard to replicate; EV entry is easier with brand tie-ups.	Moderate - Imports & fresh produce pricing expose Keells to volatility.	High - Consumers and retail buyers are price-sensitive and brand-agnostic.	Moderate - Online groceries and used vehicle market compete with formal retail and EVs.
Consumer Foods (Elephant House)	High - Competes with global FMCGs and local value brands in beverage/snack categories.	Low-Moderate - High capex and brand loyalty create barriers, but niche entrants possible.	Moderate - Inputs like sugar, packaging and dairy are volatile and mostly imported.	Moderate - End customers are fragmented, but retail channel buyers have power.	High - Consumers can easily switch across soft drinks or to health-oriented snacks.
Financial Services (NTB, UA)	High - Banks & insurers face digital competition and pricing pressure.	Low-Moderate - Licensing is tough, but fintech/NBFC disruption is rising.	Low - Suppliers (depositors, capital markets) are dispersed and competitive.	High - Customers demand better rates, apps, and flexibility.	High - Fintech, e-wallets, and decentralized finance are growing alternatives.
Transportation (SAGT, WCT-1)	Moderate - Terminal competition exists, but scale and deep-draft capacity matter.	Low - Very high entry barriers: capex, regulation, long concessions.	Moderate - Labor unions, port equipment vendors, and SLPA oversight impact costs.	High - Few large global shipping lines dictate terms and volumes.	Low - No direct substitute for deep-sea port-based container transshipment.
Leisure (Cinnamon, CODSL)	High - Competes with regional destinations and domestic hotel brands.	Moderate - Hotel/casino licensing, capex, and tourism positioning are entry constraints.	Low-Moderate - Moderate supplier dependency for utilities, staff, and F&B.	High - Tourists and casino visitors compare prices and experiences online.	High - Competing destinations (e.g. Dubai, Goa, Phuket) attract similar segments.
Property (Cinnamon Life, Viman)	Moderate - High-end residential and commercial space has few local rivals but oversupply risk.	Moderate - Foreign developers and new high-rise projects increase long-term risk.	High - Construction materials and labor are costly and FX-sensitive.	High - Buyers seek strong ROI and compare with overseas or REIT options.	Moderate - Investment capital can shift to alternative assets or markets.



III. Financial statements

Income statement

Income Statement	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Year ended 31st March (LKR 'Mn)							
Total revenue	218,075	276,640	280,773	317,378	669,833	627,569	704,451
Cost of sales	(180,430)	(227,190)	(226,491)	(253,847)	(515,771)	(480,090)	(535,383)
Gross profit	37,645	49,450	54,282	63,531	154,062	147,479	169,068
Selling and distribution expenses	(5,733)	(8,266)	(10,063)	(13,056)	(24,114)	(23,220)	(26,769)
Administrative expenses	(14,763)	(21,928)	(25,172)	(32,473)	(46,888)	(43,930)	(49,312)
Other operating expenses	(12,456)	(9,826)	(8,188)	(7,855)	(20,095)	(18,827)	(21,134)
Results from operating activities	7,308	12,691	15,369	14,224	38,101	40,965	49,483
Finance cost	(7,035)	(17,803)	(19,669)	(18,443)	(14,779)	(15,124)	(15,726)
Finance income	30,806	26,900	22,568	20,611	6,275	6,733	7,403
Change in insurance contract liabilities	(6,416)	(7,650)	(10,833)	(13,246)	(20,095)	(19,455)	(22,542)
Share of results of equity accounted investees (net of tax)	6,746	7,574	10,129	10,779	14,322	17,148	19,049
Profit before tax	27,324	22,589	18,014	14,881	23,824	30,268	37,667
Tax expense	(6,882)	(3,693)	(5,886)	(7,957)	(9,470)	(10,579)	(13,330)
Profit for the year	20,443	18,896	12,128	2,972	14,354	19,689	24,336
Attributable to:							
Equity holders of the parent	20,213	18,174	11,248	5,326	14,067	19,296	23,850
Non-controlling interests	230	722	879	1,598	287	394	487
	20,443	18,896	12,128	6,924	14,354	19,689	24,336

Balance sheet

Balance Sheet	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Year ended 31st March (LKR 'Mn)							
ASSETS							
Non-current assets							
Property, plant and equipment	124,348	362,097	382,989	419,298	435,035	440,601	447,465
Right- of - use assets	53,482	54,185	48,693	49,280	52,619	55,361	58,661
Investment property	30,608	33,029	31,519	31,382	31,382	31,382	31,382
Investments in equity accounted investees	33,866	38,486	48,151	61,755	67,931	74,724	82,197
Non-current financial assets	48,690	63,957	74,482	76,584	76,584	76,584	76,584
	478,867	561,701	597,081	658,606	685,472	701,755	720,712
Current assets							
Inventories	36,225	39,095	39,306	38,710	72,208	67,213	74,954
Trade and other receivables	27,495	21,508	28,377	31,808	60,285	50,206	56,356
Short term investments	110,722	82,222	80,031	90,411	90,411	90,411	90,411
Cash in hand and at bank	52,377	25,093	15,418	15,146	2,865	8,854	8,105
	238,929	182,806	174,110	187,312	246,444	236,091	251,540
Total assets	717,796	744,506	771,192	845,918	931,916	937,845	972,252
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent							
Stated capital	73,188	73,188	90,602	132,512	132,512	132,512	132,512
Revenue reserves	109,087	121,743	130,812	134,041	142,481	154,058	168,368
Other components of equity	129,011	146,091	136,453	132,526	132,526	132,526	132,526
	311,286	341,022	357,867	399,078	407,518	419,096	433,406
Non-controlling interest	18,805	19,396	19,609	19,724	19,724	19,724	19,724
Total equity	330,091	360,418	377,477	418,803	427,243	438,820	453,130



Balance sheet

Balance Sheet	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Year ended 31st March (LKR 'Mn)							
Non-current liabilities							
Insurance contract liabilities	51,349	58,907	69,511	82,555	82,555	82,555	82,555
Interest-bearing loans and borrowings	158,922	159,779	127,170	137,120	151,715	157,109	162,829
Lease liabilities	30,067	32,052	28,081	27,400	27,400	27,400	27,400
Deferred tax liabilities	12,016	19,688	21,222	23,205	23,205	23,205	23,205
Non-current financial liabilities	2,414	20,107	11,387	-	-	-	-
	258,095	293,379	261,577	274,464	289,059	294,453	300,172
Current liabilities							
Trade and other payables	43,469	29,866	42,583	66,727	135,578	126,198	140,733
Short term borrowings	14,833	8,702	21,062	15,519	19,525	19,341	19,464
Interest-bearing loans and borrowings	40,624	12,839	23,217	26,673	31,670	30,630	28,611
Bank overdrafts	20,322	30,049	32,450	31,099	11,454	11,863	12,290
	129,609	90,709	132,138	152,652	215,614	204,572	218,949
Total equity and liabilities	717,796	744,506	771,192	845,918	931,916	937,845	972,252



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