

John Keells Holding PLC (JKH) is one of Sri Lanka’s largest and most diversified conglomerates, with a significant presence across multiple sectors such as transportation, consumer food, retail, leisure, property, financial services and other operations, including information technology and plantation services. The group has been actively venturing into new projects and business areas, reinforcing its growth trajectory. Given these growth prospects, we initiate coverage at a time when the share is trading at an attractive discount to its fair value, providing an upside of 39.83%. **BUY**

**City of Dreams to elevate leisure revenue for JKH:** 'City of Dreams Sri Lanka,' integrated resort in Colombo set to boost tourism and foreign exchange, opened its hotel and banquet facilities in Oct 2024, with the mall, entertainment areas, and 'Nuwa' hotel opening in mid-2025. Strategically located near Port City Colombo, it aims to attract high-end tourists and business travelers, enhancing JKH’s leisure revenue. As South Asia’s first fully integrated resort, it positions Sri Lanka as a key regional hub. JKH confirmed strong demand for City of Dreams’ event spaces, exceeding expectations with robust local bookings. However, hotel occupancy remains subdued at ~40%, with a gradual ramp-up anticipated as international demand grows and the casino launches in Q3 2025.

**CCS manufacturing cluster strengthens with expansion into India’s beverage market via Reliance partnership:** In Feb 2024, Ceylon Cold Stores PLC (CCS) partnered with Reliance Consumer Products Limited (RCPL) to enter India's carbonated soft drink market under the "Elephant House" brand. To support this expansion, CCS acquired a PET bottling and can manufacturing plant in Ittapana in Oct 2023, operational by March 2024, with a capacity of 5,000 units per hour. This LKR 750Mn investment marks CCS's strategic push into India's growing beverage market.

**Partnership with BYD Auto to boost retail segment as lifted vehicle import restrictions support growth:** JKH, through its joint venture John Keells CG Auto (JKCG), partnered with BYD Auto in Nov 2023 to bring eco-friendly vehicles to Sri Lanka. This move strengthens JKH's retail segment by diversifying its offerings and tapping into the growing demand for sustainable transportation.

**KFP expands consumer foods segment with 'Elephant House' sausage launch in Australia:** In Apr 2024, Keells Food Products PLC (KFP) partnered with Millennium Imports Limited to launch the 'Elephant House' sausage range in Australia, targeting the growing processed meat sector. The sausages are fully manufactured in Australia, with 95% locally sourced raw materials, ensuring high quality and alignment with consumer preferences. This collaboration expands KFP’s global footprint in premium food markets.

# BUY

**JKH.N**

Current price LKR 20.10

**Fair value LKR 28.11**  
 (+39.83%)

**Key data**
**Historical returns**

1-year capital gain	5.51%
1-year dividend yield	0.75%
1-year total return	6.26%
Beta	0.87
1-year high	24.50
1-year low	15.90

**Valuation multiples**

PE ratio	33.06
PBV ratio	0.92

**Per share data**

EPS (TTM)(LKR)	0.61
NAVPS (Dec 24) (LKR)	21.86
DPS (2024)	0.15

**Shareholding details (31st Dec 2024)**

Total no. of ordinary shares (Bn)	16.53
MCAP (LKR Bn)	373.60
% held by public	79.82%

**Top 05 shareholders**

HWIC Asia Fund	19.40%
Melstacorp PLC	8.60%
Mr. S E Captain	7.50%
CIC Holdings PLC	5.50%
Paints & General Industries Ltd	4.90%

**WCT to enhance Colombo Port's capacity by 3.2Mn TEUs, strengthening JKH's ports and shipping cluster:** The West Container Terminal (WCT-1), supported by India's Adani Group, is on track to start operations with its first test vessel arriving by March 2025. Full construction is expected to be completed by the second half of FY27. Once operational, the terminal will increase Colombo Port's capacity by ~3.2Mn TEUs.

**JKH margins to strengthen amidst strategic initiatives:** JKH's gross profit margin, operating profit margin, and net margin are expected to grow and stabilize at ~23%-24%, ~6%-7%, and ~5%, respectively, during FY26F and FY27F, driven by new initiatives.

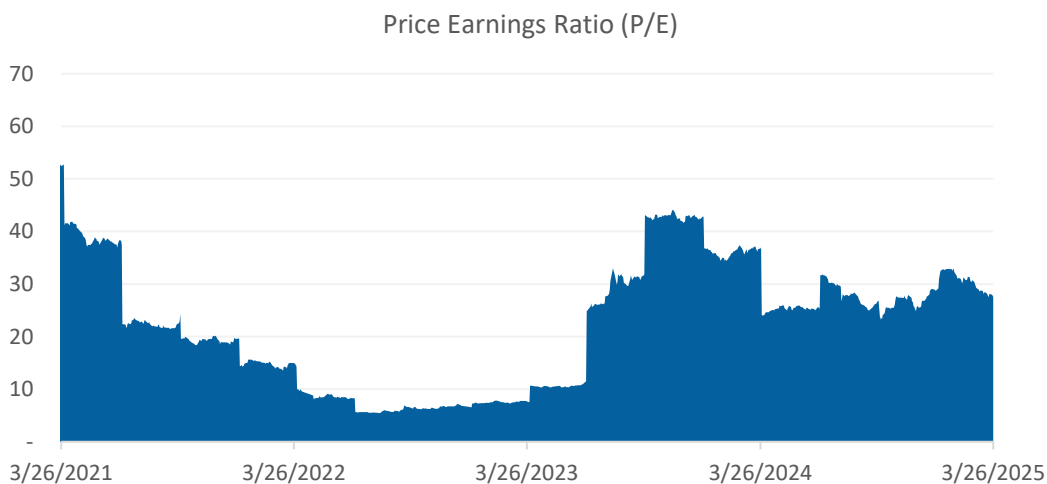
**JKH.N fair value suggests significant upside potential:** The fair value of JKH.N is estimated at LKR 28.11, offering a 39.83% upside from its current market price of LKR 20.10. With an expected dividend yield of 0.6% for FY26, the total return on JKH.N could reach 40.43%.

Key financials (LKR Mn)	FY22	FY23	FY24	FY25F	FY26F	FY27F
Revenue	218,075	276,640	280,773	307,478	343,577	379,672
Gross profit	37,645	49,450	54,282	60,122	78,391	91,107
Operating profit	7,308	12,691	15,369	7,676	19,606	25,332
PAT attributable to equity holders	20,213	18,174	11,248	6,530	14,540	18,322
EPS (LKR)	1.15	1.03	0.64	0.37	0.83	1.04
NAVPS (LKR)	17.67	19.36	20.31	22.57	23.41	24.33
Revenue growth	70.80%	26.86%	1.49%	9.51%	11.74%	10.51%
Profit growth	323.57%	-10.09%	-38.11%	-41.94%	122.64%	26.02%
Net margin	9.27%	6.57%	4.01%	2.12%	4.23%	4.83%
ROE	6.49%	5.33%	3.14%	1.64%	3.52%	4.27%
ROA	2.82%	2.44%	1.46%	0.82%	1.84%	2.27%



Sources: CSE

Note: JKH ordinary voting shares were subdivided into a 1:10 ratio on 6th November 2024.



Sources: Bloomberg

1. Company description

JKH was established in 1979 and listed on the Colombo Stock Exchange (CSE) in 1986. It is one of the largest companies on the CSE, accounting for ~6.3% of the total market capitalisation, with a market value of LKR 354Bn.

JKH operates across multiple sectors such as transportation (~18%), consumer foods (~12%), retail (44%), leisure (~17%), property (~1%), financial services (~7%) and other operations (~2%) including information technology and plantation services.

Retail, transportation, and leisure segments are the top contributors to the group revenue, contributing 44%, 18% and 17%, respectively. Financial services, transportation, and leisure segments are the top contributors to the profit after taxation (PAT), contributing 64%, 62%, and 22%, respectively.

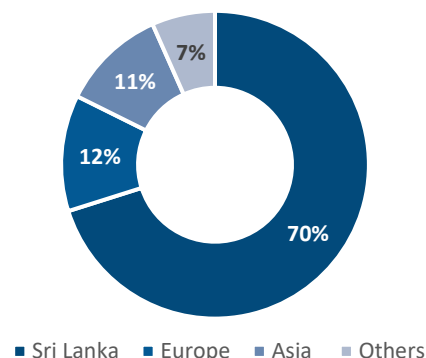
The group employs 15,314 staff and had an LKR 771Bn asset base by the end of March 2024. Also, JKH reported LKR 281Bn revenue (+1% YoY) and LKR 12Bn profit after tax (PAT) (-36 % YoY) in FY24.

Additionally, 30% of the revenue was generated from markets outside Sri Lanka.

JKH operates a diverse transportation segment, including container terminals at the Port of Colombo through South Asia Gateway Terminals (SAGT) and West Container Terminal (WCT). JKH also maintains a strategic partnership with Maersk Lanka, which acts as the agent for Maersk Line in Sri Lanka and the Maldives. JKH provides shipping agencies and maritime services via Inchcape Mackinnon Mackenzie Shipping (IMMS) and marine bunkering through Lanka Marine Services (LMS). JKH also offers third-party logistics with John Keells Logistics (JKLL), air express through a joint venture with DHL, and airline representation via Mack Air (MAL). Additionally, they manage domestic flights under “Cinnamon Air” and provide travel services through Mackinnons Travel (MTL). In addition, they offer freight forwarding and customs brokerage through Mack International Freight (MIF).

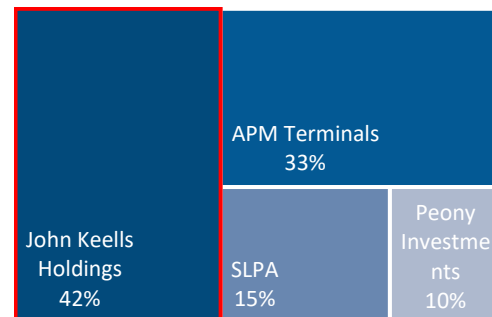
JKH offers a diverse range of products in its consumer foods segment, spanning beverages, frozen confectionery, and convenience foods. In beverages, JKH produces carbonated soft drinks under the iconic 'Elephant House' brand, alongside non-carbonated options such as 'Twistee' fruit-based tea, 'Fit-O' fruit drinks, and flavored milk. The frozen confectionery range includes premium ice cream under the 'Imorich' brand, guilt-free frozen yoghurt through 'Feelgood,' and various impulse products like sticks, cones, and cups. Additionally, JKH's convenience foods feature processed meat products under the 'Keells-Krest' and 'Elephant House' brands, as well as A range of crumbed, formed meat products and dry range products under the 'Keells-Krest' brand.

Geographical Segment Analysis  
FY24



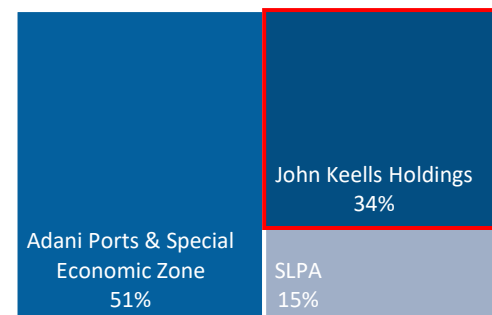
Note: Asia-excluding Sri Lanka  
Source: Annual reports

SAGT shareholding structure



Source: Annual reports

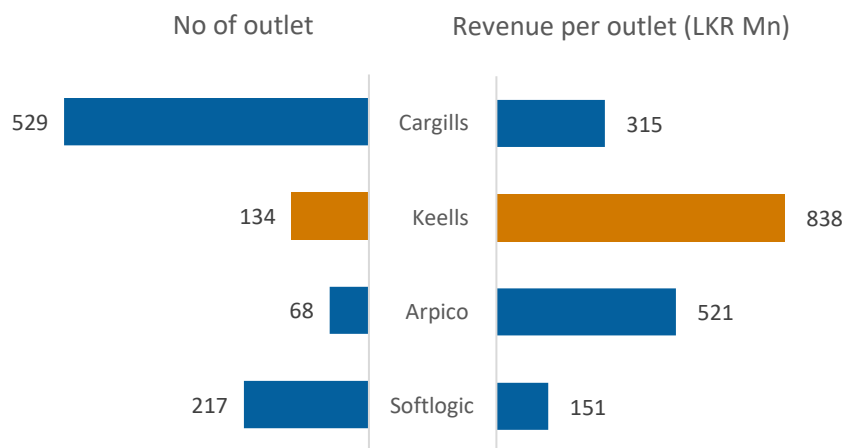
WCT shareholding structure



Source: Annual reports

JKH operates a robust Retail segment, primarily through its 'Keells' supermarket chain, managed by Jaykay Marketing Services (Private) Limited (JMSL). As of March 2024, the chain has 134 outlets across Sri Lanka, serving over 2.4Mn 'Nexus' loyalty card members. JMSL works with ~2,700 farmers through nine collection centers and employs ~6,000 individuals. A state-of-the-art distribution center under LogiPark International (Private) Limited centralizes its offerings, with a warehouse of ~260,000 sq. ft. and the capacity to serve over 250 outlets. The segment also includes John Keells Office Automation (JKOA), which distributes top-tier office and IT products, and John Keells CG Auto, the authorized distributor of BYD new energy vehicles in Sri Lanka.

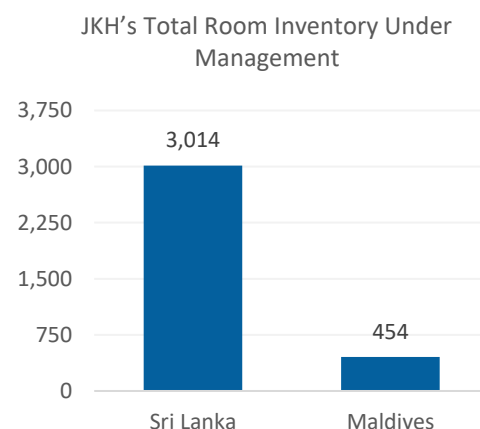
'Keells' supermarket is the market leader in revenue per outlet and ranks second in terms of the number of outlets among its peers.



*Note: Softlogic's revenue per outlet includes both retail and telecommunication revenue. The number of 'Softlogic Glomark' supermarket outlets is 14.*

JKH operates an extensive leisure segment through its brand, Cinnamon Hotels & Resorts, which functions via its subsidiaries, including the listed companies Trans Asia Hotels PLC (TRAN), Asian Hotels and Properties PLC (AHPL), and John Keells Hotels PLC (KHL). This portfolio includes luxury properties across Sri Lanka and the Maldives. In Colombo, JKH manages prominent hotels like 'Cinnamon Grand' (501 rooms), 'Cinnamon Lakeside' (346 rooms), and the select-service 'Cinnamon Red' (243 rooms), offering a total of 24 dining options across the properties.

JKH has also developed 'Cinnamon Life,' South Asia's first integrated resort, which includes a 687-key luxury hotel, the ultra-high-end 113-key 'Nuwa' hotel, and expansive retail, entertainment, and casino spaces. The company operates eight resort hotels across prime locations in Sri Lanka, featuring 1,022 rooms, and four resorts in the Maldives with 454 rooms, catering to high-end tourists in both destinations.



*Source: Annual reports, Press Releases*  
*Note: Total rooms in Sri Lanka include Cinnamon Red Colombo and Kandy Myst by Cinnamon*

JKH is engaged in both property development and management. In property development, JKH focuses on four segments: ‘Luxe Spaces’, ‘Metropolitan Spaces’, ‘Suburban Spaces’, and ‘Leisure-linked Developments’. Notably, the integrated resort ‘City of Dreams Sri Lanka’ features 02 residential apartment towers ‘The Suites at Cinnamon Life’ and ‘The Residence at Cinnamon Life’, and an office tower ‘The Offices at Cinnamon Life’.

JKH recently completed the development of the residential project “TRI-ZEN” and is also developing “VIMAN,” along with holiday homes at the Victoria Golf Resort in Kandy. JKH’s property management activities include renting commercial office space, overseeing its real estate portfolio, and operating retail spaces like the ‘Crescat Boulevard’ mall and the ‘K-Zone’ mall in Moratuwa. Additionally, they manage the 18-hole championship golf course and resort and development and management of the land bank in Rajawella, Kandy.

JKH’s financial services cluster offers solutions including insurance, banking, and stockbroking. Through Union Assurance PLC (UAL), JKH provides comprehensive life insurance solutions and is the fifth largest life insurer in Sri Lanka, with over ~329,000 lives insured and being the largest bancassurance provider in the country. Additionally, JKH offers non-life insurance through Fairfirst Insurance Limited. The banking arm, Nations Trust Bank PLC (NTB), offers end-to-end banking solutions with a network of branches for commercial banking, and it is the sole acquirer of ‘American Express’ centurion product range in Sri Lanka. Additionally, JKH provides stockbroking services through John Keells Stockbrokers (Private) Limited (JKSB).

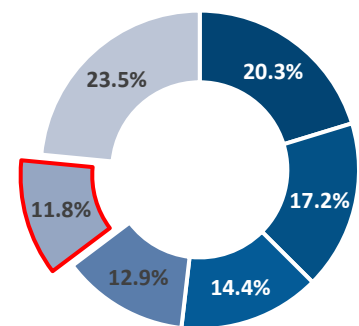
JKH is involved in IT and IT-enabled services through John Keells IT (JKIT) and Infomate and also operates in plantation services through John Keells PLC (JKL) and Tea Smallholder Factories PLC (TSML).

In April 2024, JKH partnered with Melco Resorts & Entertainment Limited (Melco) for its integrated resort project ‘City of Dream Sri Lanka’, the first integrated resort in South Asia, which is developed by Waterfront Properties (Private) Limited (WPL), a wholly owned subsidiary of JKH.

In 2023, JKH’s beverage brand ‘Elephant House’ owned by CCS expanded its presence to India through Indian giant Mukesh Ambani’s Reliance Group.

Further, in April 2024 Kells Food Products PLC launched the ‘Elephant House’ range of sausages through Millennium Imports Limited to the Australian market.

UAL market share in life insurance business



- Ceylinco Life ■ Softlogic Life ■ SLIC
- AIA ■ UAL ■ Others

Source: Annual reports

In November 2023, JKH partnered with BYD China through John Keells CG Auto (Private) Limited, the authorised distributor for BYD passenger vehicles in Sri Lanka, to distribute New Energy Vehicles (NEVs) in Sri Lanka and opened a BYD showroom in August 2024. This new business operates under the group's retail segment.

The Sri Lankan government's decision to lift vehicle import restrictions for private use is set to transform the automotive market, boosting demand for both traditional and electric vehicles (EVs). This shift reflects a growing consumer preference for sustainable transportation. Companies like JKCG are well-placed to benefit by providing affordable, eco-friendly options that appeal to cost-conscious buyers seeking to transition to greener alternatives. Overall, policy change is expected to drive increased sales and interest in sustainable mobility solutions.

Additionally, West Container Terminal (WCT-1) backed by India's Adani and the first phase of the terminal is slated to be operational in the fourth quarter of FY25. The full completion of the construction of the terminal is on track for 2H FY27. WCT will add ~3.2Mn TEUs, increasing the capacity of Colombo Port Sri Lanka.

Refer to the Investment highlight section for more information.

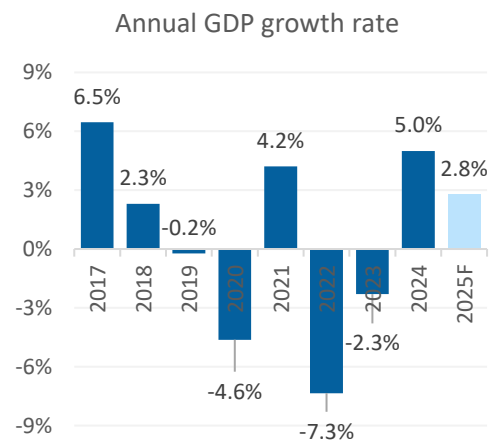
## 2. Industry Overview

### Retail segment

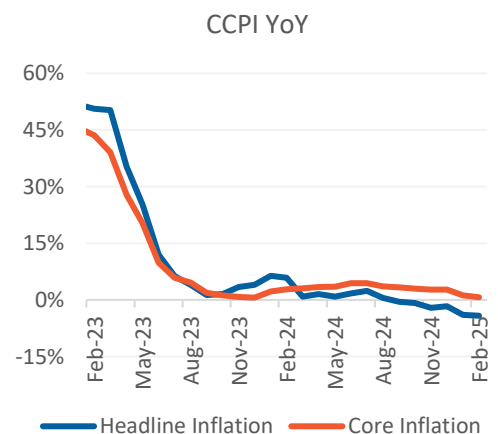
The operating environment in the country is gradually normalizing, supported by improvements in key macroeconomic indicators, which are contributing to a rise in consumer confidence.

In 2024, GDP growth reached a 07-year high of 5%, marking an increase from 2017. The Asian Development Bank (ADB) forecasts an annual GDP growth of 2.8% for 2025.

Inflation has been brought under control, with a rapid disinflation trend boosting consumer confidence. The CCPI-based headline inflation remained in negative territory for the sixth consecutive month, recording a deflation of 4.2% in February 2025. According to CBSL, deflation is expected to persist in the near term, but inflation is projected to turn positive and reach the 5% target over the medium term, supported by appropriate policy measures. As per the ADB forecasts, it will record at 5.5% in 2025.



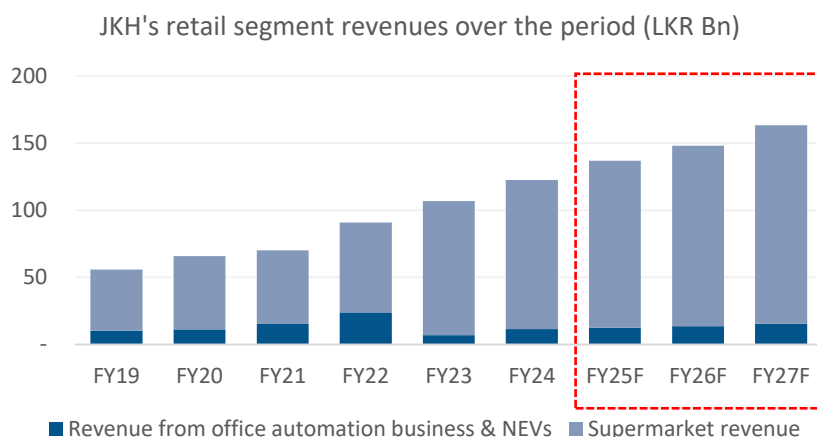
Source: CBSL, ADB



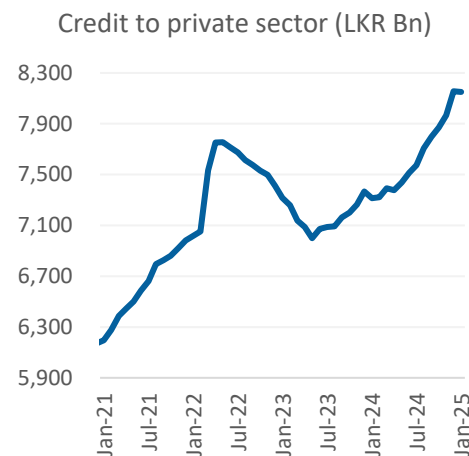
Source: CBSL

In 2024, private credit increased by LKR 790Bn. By December 2024, the growth of private sector credit reached ~11%YoY, marking a 27-month high. This significant expansion in credit coincides with signs of recovery in the island nation's economy, which is emerging from one of its most severe financial crises.

Consequently, JKH's retail segment is poised for a potential demand boost in the coming years, with expected growth of ~8%-10% during FY26 and FY27.



Source: Company reports, Ambeon Estimates



Source: CBSL

### Transportation segment

The Port of Colombo (POC) serves as a crucial hub for shipping and logistics in South Asia, strategically located along major maritime routes.

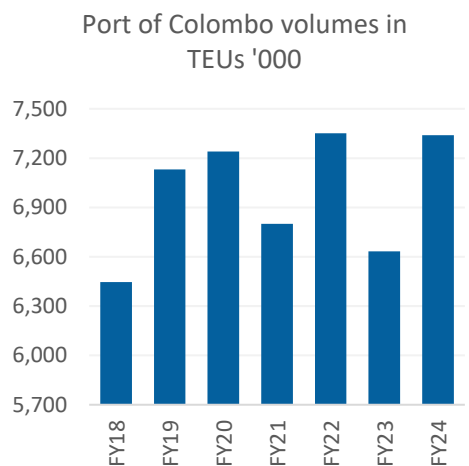
In FY24, the POC handled 7.3MnTEUs, reflecting an 11% YoY increase compared to the previous year. The overall capacity utilisation of the POC reached ~ 86% for FY24, up from around 78% in FY23.

The POC is improving its capacity. WCT-1 at Colombo Port has made progress throughout 2023, with the first phase expected to be completed in early 2025, and the terminal's construction is on track for the second half of FY27.

Meanwhile, the construction of the second phase of the East Container Terminal (ECT) is also anticipated to be completed by the end of 2025. This phase spans 75 hectares, features a quay length of 1,320 meters, and includes 12 gantry cranes and 40-yard cranes.

Upon the completion of both terminals, the POC's estimated annual capacity is expected to increase by ~6Mn to ~6.5Mn TEUs.

In FY24, the Group's Ports and Shipping business, SAGT, reported a 7% rise in TEUs, handling 1.82Mn TEUs compared to around 1.70Mn TEUs in FY23, aligning with the 11% volume increase recorded at the POC due to the Red Sea crisis.



Source: Company reports

Leisure segment

In 2024, tourist arrivals reached 2.05Mn, reflecting a substantial YoY growth of 38.1% compared to 2023. The SL government estimates that by the end of 2025, arrivals could reach 3Mn. Additionally, SL generated USD 3.17Bn in revenue in 2024, marking an impressive increase of 53.2% from USD 2.07Bn in 2023.

In the 2025 budget, a proposal has been made to allocate LKR 500Mn for the development of tourism infrastructure in local destinations. This development will be complemented by an integrated city branding and promotional campaign aimed at enhancing these destinations. Furthermore, a digital ticketing system will be introduced to tackle overcrowding and improve capacity within the sector. Additionally, Bandaranaike International Airport's Terminal 2 will undergo expansion with the support of Japanese investments.

Further, the Maldives recorded a 9%YoY increase in arrivals with a total of 2.04Mn tourist arrivals in 2024, in comparison to the 1.88Mn arrivals in 2023. In the third quarter of FY25, JKH's Colombo Hotels in Sri Lanka recorded an occupancy rate of 66%, while Sri Lankan resorts recorded a rate of 68%. Additionally, occupancy at Maldivian resorts was reported at 86%.

In FY26, JKH's Colombo hotels and Sri Lankan resorts are expected to report occupancy rates of ~75%, while Maldivian resorts are projected to achieve a ~90% occupancy level.

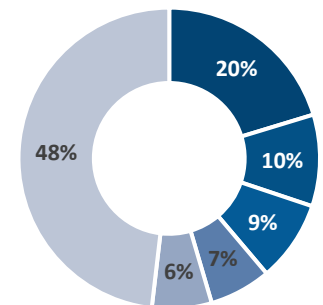
**3. Investment highlights**

New initiatives

**'City of Dreams Sri Lanka'**

John Keells Group (JKH) has partnered with Melco Resorts & Entertainment Limited (Melco) for its integrated resort project, which is developed by Waterfront Properties (Private) Limited (WPL), a wholly owned subsidiary of JKH. According to JKH, a wholly owned subsidiary of Melco will operate the gaming facility at the Cinnamon Life Integrated Resort, developed by JKH with an investment exceeding USD 1Bn. Additionally, Melco will invest ~USD 125Mn in fitting out and equipping the gaming space. JKH has also disclosed that a locally incorporated subsidiary wholly owned by Melco has secured a 20-year license from the government of Sri Lanka, meeting specified criteria, to operate a casino at the integrated resort. Expected to be the first fully-fledged integrated resort in South Asia, 'City of Dreams Sri Lanka' is anticipated to significantly enhance tourism, foreign exchange earnings, and employment opportunities in Sri Lanka.

Top Source Markets 2024



- India    ■ Russia    ■ UK
- Germany    ■ China    ■ Other

Source: SLTDA

'City of Dreams Sri Lanka' formerly known as 'Cinnamon Life Integrated Resort' features a luxurious 687-key hotel under the 'Cinnamon Life' brand, offering a range of ballrooms, banquet facilities, and an exhibition center capable of accommodating Meetings, Incentives, Conferences, and Exhibitions (MICE) events for up to 5,000 attendees. The development also includes a 113-key exclusive hotel and a 500,000-square-foot shopping and entertainment complex, housing the gaming operations. The 113-key exclusive hotel, situated on the top 5 floors of the integrated resort, to be managed by Melco under its ultra-high-end luxury hotel brand 'Nuwa', which has a presence in Macau and the Philippines.

Cinnamon Life at City of Dreams Sri Lanka officially unveiled its 687 rooms, restaurants and banquet facilities in October 2024. The shopping mall and entertainment areas, including the gaming facility, and the 113-key ultra-luxury 'Nuwa' hotel are scheduled to open in mid-2025, marking the final phase of this landmark project.

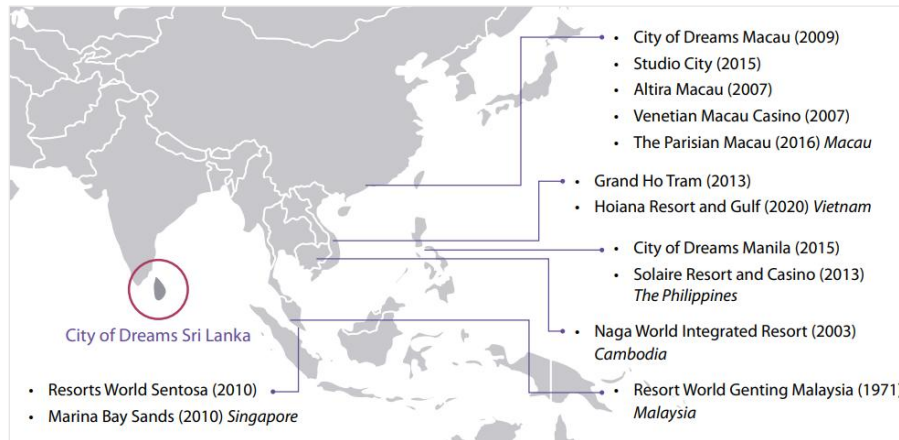
JKH management reported that demand for event spaces at City of Dreams has surpassed expectations, with strong local bookings. However, hotel occupancy remains low (~40%) and is expected to rise gradually, particularly after the casino opens in Q3 2025 calendar year and international event demand picks up.

Currently, the leisure segment contributes ~17% of JKH's total group revenue for FY24. However, this new project in the pipeline has the potential to boost the segment's revenue share significantly.

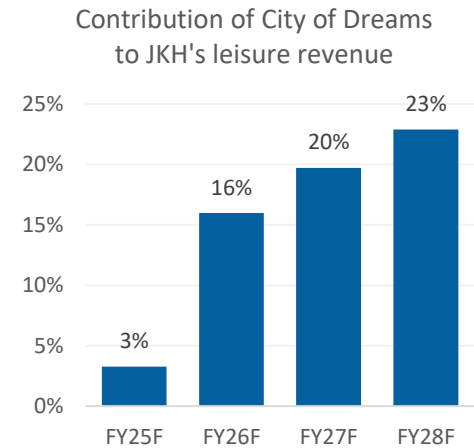
Partnering with Melco, a globally recognized name in the integrated resort and casino industry, enhances the credibility and brand value of JKH's leisure offerings. The association with 'City of Dreams,' a renowned brand, could attract high-end tourists and business travellers to JKH's properties.

'City of Dreams Sri Lanka' is strategically located just 2.9 km (7 minutes) from Port City Colombo, positioning it to attract foreign investment, enhance trade activities, and establish Sri Lanka as a key hub in the Indian Ocean region. It aims to provide a high-end leisure experience for those seeking a combination of tourism, leisure, and MICE events.

'City of Dreams Sri Lanka' is the first fully integrated resort (IR) in South Asia. According to JKH, no new developments of this scale are planned in the region in the medium term.



Source: Company Reports



Source: Ambeon Estimates

### Stepping into the Indian market

In February 2024, CCS made a significant move into the Indian carbonated soft drink market by partnering with Reliance Consumer Products Limited (RCPL), a wholly owned subsidiary of Reliance Retail Ventures Limited (RRVL). This collaboration allows CCS to manufacture, market, distribute, and sell beverages under the "Elephant House" brand in India. The Indian carbonated soft drink market, valued at substantial levels according to Statista, presents promising growth opportunities. To support this expansion, CCS acquired a PET bottling and can manufacturing plant in Ittapana in October 2023, with operations commencing in March 2024. The plant, which has a production capacity of 5,000 cans and PET bottles per hour, enables CCS to meet both local and export production demands. This venture represents a strategic investment of LKR 750Mn in CCS's growth in the Indian market.

### Partnership with BYD Auto

In November 2023, John Keells Holdings (JKH), through its joint venture John Keells CG Auto (Private) Limited (JKCG), entered into a partnership with BYD Auto Industry Company Limited, the world's leading manufacturer of New Energy Vehicles (NEV). This collaboration aims to introduce environmentally friendly, innovative vehicles to the Sri Lankan market. JKCG, a joint venture between JKH and the Chaudhary Group of Nepal, operates under JKH's retail segment and is classified as an equity-accounted investee. In August 2024, JKCG opened its first BYD showroom and service center in Colombo, equipped with state-of-the-art facilities, marking a significant milestone in their operations.

**Expanded footprint to the Australian market**

In April 2024, Keells Food Products PLC (KFP) entered into a strategic partnership with Millennium Imports Limited, a leading importer and distributor of premium food products in Australia. This collaboration aims to introduce the 'Elephant House' range of sausages to the Australian market, which is seeing growth in the processed meat sector according to Statista data. The sausages are fully manufactured in Australia, with 95% of the raw materials sourced locally, ensuring high-quality production standards tailored to the preferences of Australian consumers. This partnership further expands KFP’s global presence in premium food markets.

**Start operation in WCT**

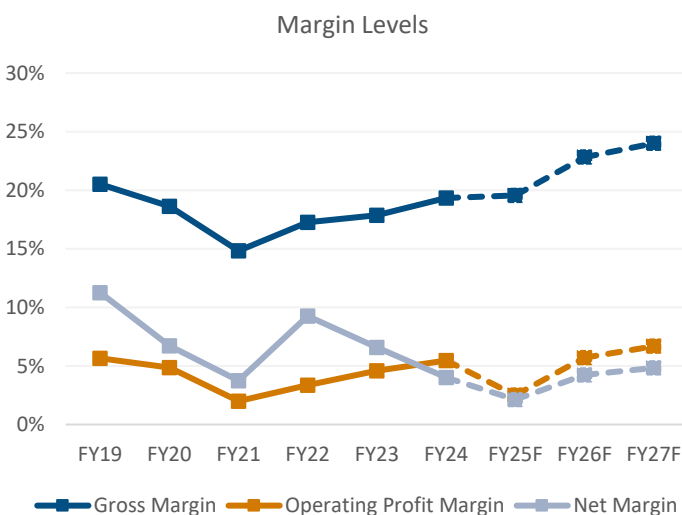
The West Container Terminal (WCT-1), backed by India's Adani Group, is set to begin operations with its first test vessel expected to arrive by the end of March 2025. The full construction of the terminal is on schedule for completion in the second half of FY27. Once operational, the WCT will add ~3.2Mn TEUs to the capacity of Colombo Port in Sri Lanka.

Overall impact on margins and profitability

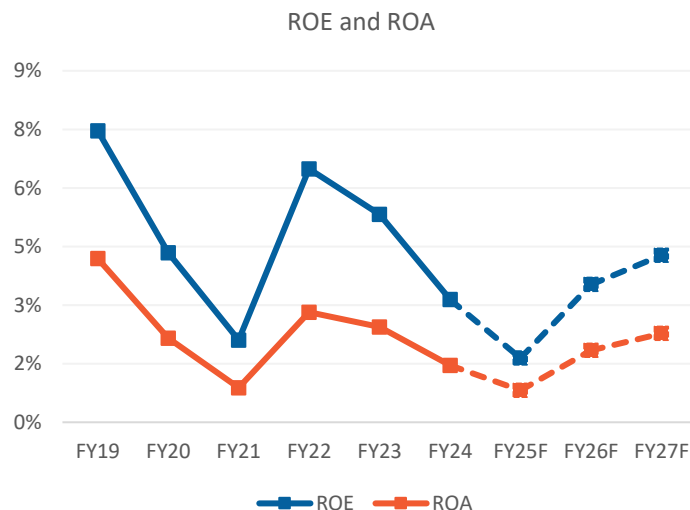
We expect JKH’s gross profit margin, operating profit margin, and net margin to grow and stabilize at approximately 23%-24%, 6%-7%, and 5%, respectively, following new initiatives during FY26F and FY27F.

PAT attributable to equity holders is projected to rise to LKR 18.3Bn in FY27F from LKR 11.2Bn in FY24.

Additionally, ROE and ROA are anticipated to remain steady at ~4% and ~2% respectively, over the FY26F and FY27F period.



Source: Company Reports, Ambeon Estimates



Source: Company Reports, Ambeon Estimates

#### 4. Valuation Summary

Based on a Sum-of-the-Parts (SOTP) valuation, we estimate JKH's fair value at LKR 28.11, representing a potential upside of 39.83% from its current market price of LKR 20.10. Additionally, with an estimated dividend yield of 0.6% for FY26F, the total return on investment could reach 40.43% by FY26F.

Since JKH is a diversified holding company that operates business segments with varying risk and growth profiles, a summary of the SOTP valuation is followed.

Segments	Valuation method	Equity value (LKR Bn)	% of total
Transportation	FCCF	52.01	11%
Consumer Foods	FCCF	81.20	16%
Retail	FCCF	202.82	41%
Leisure	P/S	102.89	21%
Property	FCCF	7.23	1%
Financial Services	PBV	31.79	6%
Others	P/S	17.24	3%
<b>Total equity value</b>		<b>495.19</b>	<b>100%</b>
Current no. of shares (Bn)		17.62	
<b>Fair value (LKR)</b>		<b>28.11</b>	

Given below are key assumptions used for valuation.

Weighted Average Cost of Capital (WACC) calculation	
<b>Cost of Debt</b>	
Overnight Policy Rate (OPR)	8.00%
OPR + 2%	10.00%
Effective tax rate	32.70%
<b>After-tax cost of debt (Kd)</b>	<b>6.73%</b>
<b>Cost of Equity - CAPM</b>	
Risk-free rate	8.25%
Equity Risk Premium	12.00%
Beta	0.87
<b>Cost of equity (Ke)</b>	<b>18.67%</b>
Debt %	42.33%
Equity %	57.67%
<b>WACC</b>	<b>13.62%</b>

Sources: Company Reports, CSE, CBSL, Ambeon Estimates

Given below are peer multiples that have been used in the valuation.

Peer average P/S ratio used in the leisure segment

Ticker	MPS (LKR)	TTM sales (LKR '000)	P/S
TRAN.N	40.20	4,456,620	1.80
AHPL.N	54.00	10,516,178	2.27
KHL.N	21.00	29,450,749	1.04
<b>Average P/S</b>			<b>1.71</b>

Peer average PBV ratio used in the financial services segment

Ticker	MPS (LKR)	NAVPS (LKR)	PBV
CINS.N	3,297.25	3,635.88	0.91
HASU.N	78.00	83.45	0.93
PINS.N	29.70	27.69	1.07
AINS.N	26.50	27.40	0.97
COOP.N	3.00	3.54	0.85
JINS.N	70.40	69.11	1.02
LGIL.N	7.70	5.82	1.32
AAIC.N	71.80	32.73	2.19
UAL.N	54.00	40.16	1.34
<b>Average PBV</b>			<b>1.18</b>

Peer average P/S ratio used in the other segment

Ticker	MPS (LKR)	TTM sales (LKR '000)	P/S
JKL.N	75.00	982,108	4.64
TSML.N	42.30	3,021,087	0.42
<b>Average P/S</b>			<b>2.53</b>

## 5. Investment risks

### Geopolitical Risks Impacting JKH's Leisure Sector

Geopolitical uncertainties can significantly impact the performance of JKH's tourism sector, affecting both inbound travel and overall demand. Regional instability, diplomatic tensions, or global conflicts can deter international tourists, leading to reduced occupancy rates and lower revenue for JKH's leisure properties. Additionally, travel restrictions, visa policy changes, or security concerns in key source markets can disrupt tourist arrivals, directly affecting the company's earnings. Any geopolitical incident that weakens Sri Lanka's perception as a safe travel destination may result in cancellations, lower forward bookings, and increased volatility in the tourism segment's financial performance.

**Impact of Increased Taxes on JKH's Gaming operation**

The Sri Lankan government's budget proposed to increase the Gross Collection Levy (GCL) to 18% and double the casino entrance levy from USD 50 to USD 100 is likely to have a mixed impact on JKH's gaming operation managed by MELCO. This could pressure the EBITDA margins of the gaming operation, potentially affecting the variable rental income linked to EBITDA that JKH receives from MELCO. JKH earns both fixed rental income and variable rental income tied to EBITDA from gaming operations.

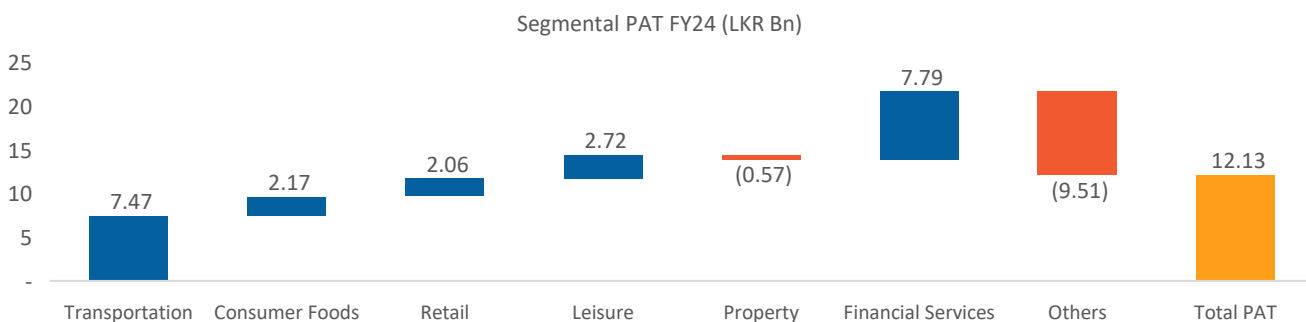
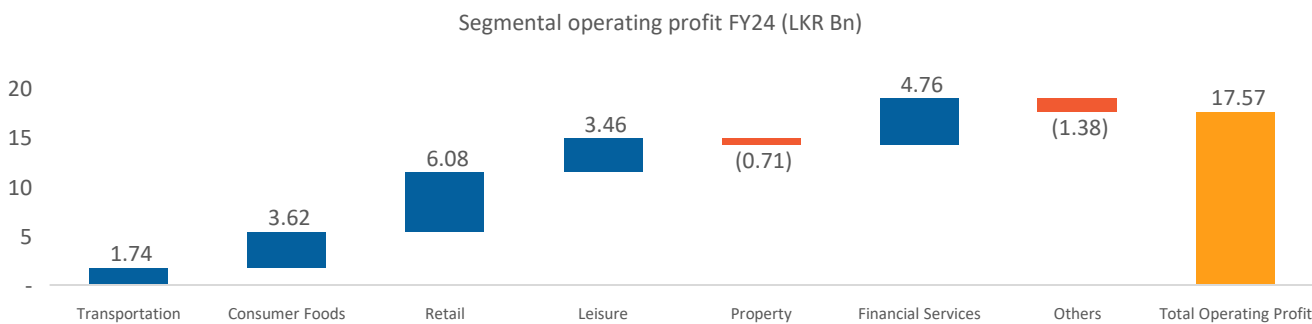
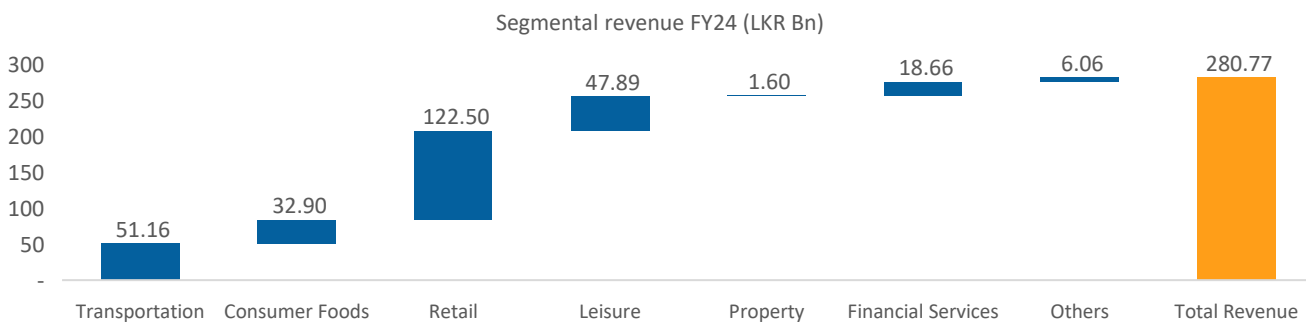
This may also discourage casual and mid-range visitors, particularly regional tourists who contribute significantly to the footfall. However, high-end customers, who are less price-sensitive, may not be significantly impacted.

The decline in gaming activities could indirectly affect JKH's integrated resorts, including hotel booking, food and beverage sales and overall customer spending within its property.

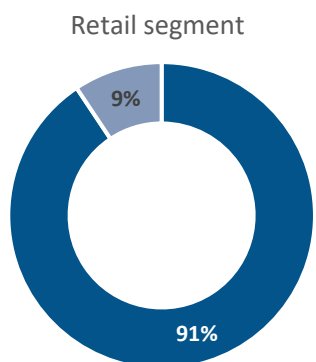
**Impact of Economic Challenges on Key Business Segments**

An economic downturn could lead consumers to reduce spending on premium insurance plans, impacting revenue. It may also increase non-performing loans in banking and insurance subsidiaries as financial strain rises. High borrowing costs may dampen real estate demand, leading to delays in project launches or sales. Additionally, higher interest rates could reduce consumers' purchasing power, while further increases in VAT and tax rates may decrease disposable income, lowering demand for premium products and impacting the top line and margins of the retail and consumer segments.

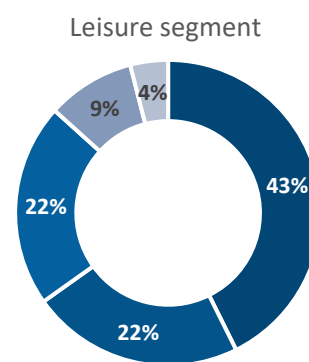
Annexure I: Segmental information



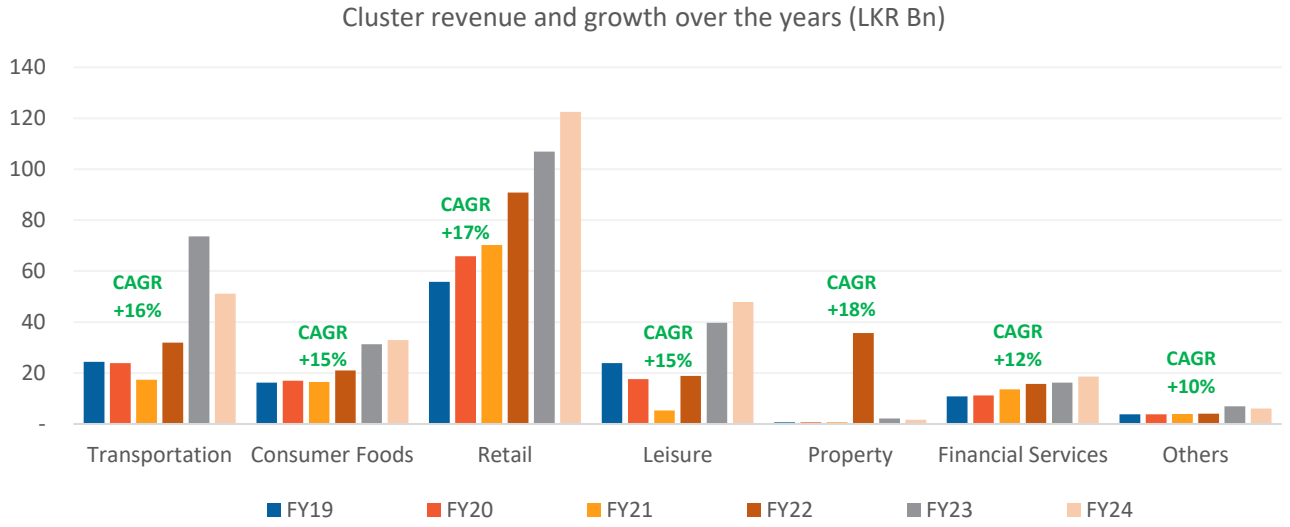
Segmental revenue by major product line



- Supermarket Business
- Office Automation Business & New Energy Vehicles



- KHL - Maldivian resorts
- KHL - Sri Lankan resorts
- Other
- AHPL
- TRAN



Sources: Company Reports

**Annexure II: Financial statements**

<b>Income statement (LKR Bn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>
Total revenue	218.07	276.64	280.77	307.48	343.58	379.67
Cost of sales	(180.43)	(227.19)	(226.49)	(247.36)	(265.19)	(288.56)
Gross profit	37.64	49.45	54.28	60.12	78.39	91.11
Other operating income	2.61	3.26	4.51	2.80	2.88	2.94
Selling and distribution expenses	(5.73)	(8.27)	(10.06)	(15.45)	(13.57)	(15.12)
Administrative expenses	(14.76)	(21.93)	(25.17)	(31.97)	(35.77)	(39.86)
Other operating expenses	(12.46)	(9.83)	(8.19)	(7.83)	(12.33)	(13.74)
Results from operating activities	7.31	12.69	15.37	7.68	19.61	25.33
Finance cost	(7.03)	(17.80)	(19.67)	(16.51)	(14.04)	(12.49)
Finance income	30.81	26.90	22.57	21.63	19.14	17.64
Change in insurance contract liabilities	(6.42)	(7.65)	(10.83)	(13.32)	(13.59)	(13.86)
Change in fair value of investment property	(4.08)	0.88	0.45	0.63	0.64	0.66
Share of results of equity accounted investees	6.75	7.57	10.13	10.33	10.58	10.87
Profit before tax	27.32	22.59	18.01	10.43	22.33	28.14
Tax expense	(6.88)	(3.69)	(5.89)	(3.41)	(6.70)	(8.44)
Profit for the year	20.44	18.90	12.13	7.02	15.63	19.70
PAT attributable to equity holders	20.21	18.17	11.25	6.53	14.54	18.32
EPS (adjusted)(LKR)	1.15	1.03	0.64	0.37	0.83	1.04

Source: Company Reports, Ambeon Estimates

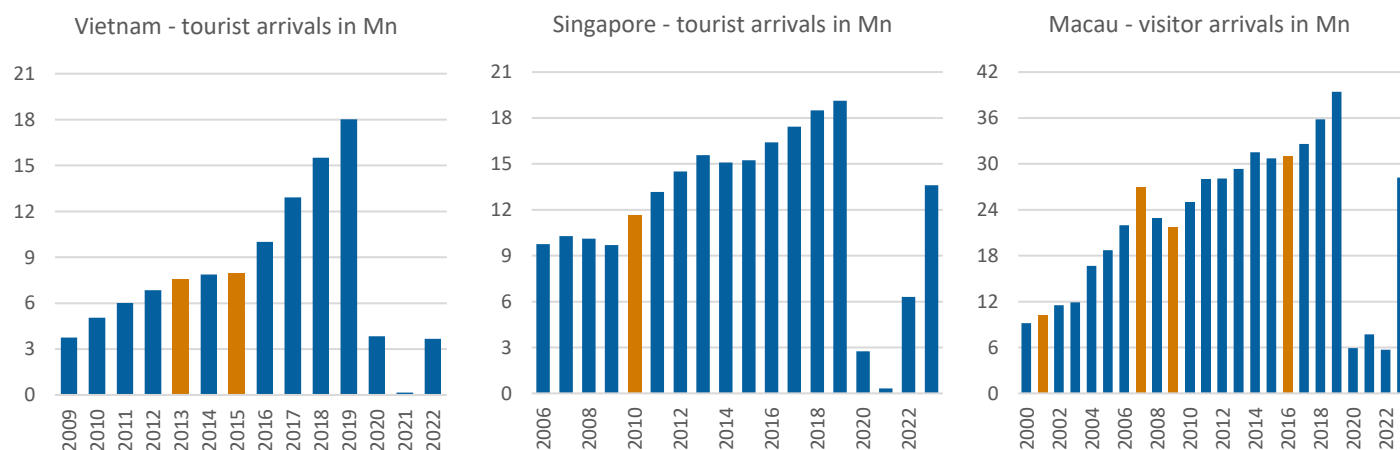
<b>Statement of financial position (LKR Bn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>
<b>Assets</b>						
Property, plant and equipment	124.35	362.10	382.99	381.33	365.84	350.27
Right-of-use assets	53.48	54.18	48.69	44.94	41.57	38.45
Investment Properties	30.61	33.03	31.52	32.15	32.79	33.45
Investments in equity-accounted investees	33.87	38.49	48.15	59.41	60.60	61.81
Inventories	36.22	39.09	39.31	37.02	39.23	42.69
Trade and other receivables	27.50	21.51	28.38	22.42	23.53	26.00
Short term investments	110.72	82.22	80.03	85.02	85.87	86.73
Cash in hand and at bank	52.38	25.09	15.42	40.75	45.32	72.55
<b>Total assets</b>	<b>717.80</b>	<b>744.51</b>	<b>771.19</b>	<b>799.25</b>	<b>790.09</b>	<b>806.53</b>
<b>Equity</b>						
Stated Capital	73.19	73.19	90.60	125.49	125.49	125.49
Revenue reserves	109.09	121.74	130.81	135.77	150.54	166.68
<b>Equity attributable to equity holders</b>	<b>311.29</b>	<b>341.02</b>	<b>357.87</b>	<b>397.71</b>	<b>412.48</b>	<b>428.62</b>
Non-controlling interest	18.81	19.40	19.61	20.10	21.20	22.57
<b>Liabilities</b>						
Interest-bearing loans and borrowings	199.55	172.62	150.39	158.88	141.36	137.88
Lease liabilities	33.53	34.31	31.96	29.51	26.26	25.61
Trade and other payables	43.47	29.87	42.58	41.22	42.60	46.36
Short term borrowings	14.83	8.70	21.06	16.44	14.62	14.26
Bank overdrafts	20.32	30.05	32.45	29.14	25.93	25.29
<b>Total equity and liabilities</b>	<b>717.80</b>	<b>744.51</b>	<b>771.19</b>	<b>799.25</b>	<b>790.09</b>	<b>806.53</b>
Net assets per share (adjusted)(LKR)	17.67	19.36	20.31	22.57	23.41	24.33

Source: Company Reports, Ambeon Estimates

**Annexure III: Key ratios**

Key financials (LKR Mn)	FY22	FY23	FY24	FY25F	FY26F	FY27F
<b>Profitability ratios</b>						
Gross Profit Margin %	17.3%	17.9%	19.3%	19.6%	22.8%	24.0%
EBIT Margin %	3.4%	4.6%	5.5%	2.5%	5.7%	6.7%
Net Profit Margin %	9.3%	6.6%	4.0%	2.1%	4.2%	4.8%
Return on Assets (ROA) %	2.8%	2.4%	1.5%	0.8%	1.8%	2.3%
Return on Equity (ROE) %	6.5%	5.3%	3.1%	1.6%	3.5%	4.3%
Revenue growth %	70.8%	26.9%	1.5%	9.5%	11.7%	10.5%
Net profit growth %	323.6%	-10.1%	-38.1%	-41.9%	122.6%	26.0%
Dividend payout ratio %	13.1%	19.4%	23.5%	10.0%	15.0%	20.0%
Dividend yield	1.0%	1.4%	0.8%	0.2%	0.6%	1.0%
<b>Activity ratios</b>						
Inventory Turnover ratio (Times)	4.0x	6.0x	5.8x	6.5x	7.0x	7.0x
Receivables Turnover ratio (Times)	9.7x	11.3x	11.3x	12.1x	15.0x	15.3x
Payables Turnover ratio (Times)	4.6x	6.2x	6.3x	5.9x	6.3x	6.5x
Days of Sales outstanding (DSO)	37.6x	32.3x	32.4x	30.1x	24.4x	23.8x
Days of Inventory on hand (DOH)	91.6x	60.5x	63.2x	56.3x	52.5x	51.8x
Days of Payables outstanding (DPO)	79.7x	58.9x	58.4x	61.8x	57.7x	56.3x
<b>Gearing ratios</b>						
Debt to Assets	0.4	0.3	0.3	0.3	0.3	0.3
Debt to Equity Ratio	0.8	0.7	0.6	0.6	0.5	0.5
Interest coverage ratio (Times)	1.0	0.7	0.8	0.5	1.4	2.0
<b>Liquidity ratios</b>						
Current ratio (Times)	1.8	2.0	1.3	1.6	1.8	2.0
Quick ratio (Times)	1.6	1.6	1.0	1.3	1.4	1.7
Cash ratio (Times)	0.4	0.3	0.1	0.3	0.4	0.6
Cash conversion cycle (Days)	49.5	33.9	37.2	24.6	19.2	19.4

Source: Company Reports, Ambeon Estimates

**Annexure IV**


Note: ■ Opening of IRs in these countries

Sources: World Bank, Government of Macao Special Administrative Region Statistics and Census Service, Department of Statistics Singapore

**Annexure V: Recommendation criteria**

The recommendations are based on the stock returns compared against the 1-year Treasury bill rate as a benchmark.

BUY	Return of the stock > 1-year T-bill rate plus 5%
HOLD	1-year T-bill rate plus 5% > Return of the stock > 1-year T-bill rate
SELL	Return of the stock < 1-year T-bill rate

1-year T-bill rate used for comparison = 8.25%

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