JKH Investor Relations Webinar: Transcript

Review of 4Q and annual performance for 2024/25

27 May 2025

PANELISTS

- Krishan Balendra – Chairperson
- Gihan Cooray – Deputy Chairperson/Group Finance Director

Navigation:

Gihan:

Good afternoon, everyone. Welcome to the JKH Investor Relations Webinar for the 4th quarter and the financial year ended 31st March 2025. I am Gihan Cooray, the Deputy Chairperson and Group Finance Director. I'm joined today by our Chairperson/CEO Krishan Balendra. The format for today's proceedings is where Krishan will initially take you through a macroeconomic overview and some of the key highlights for our performance for the year and some of our key projects. Thereafter, I will take you through the financial performance and some of the key highlights for the year as well as the quarter. If you have any questions please insert them into the Q & A tab that's at the bottom of your screens. With that, I'd like to kick things off by asking Krishan to give an overview. Thank you.

Macroeconomic Highlights & Key Developments

Krishan:

Good afternoon, everyone. Thank you for joining our Investor Relations Webinar. On the macroeconomy, on the political front with the national level elections, late last year, the presidential and parliamentary elections, as well as the recent local Government elections the main cycle of elections is now behind us. We have continued to see political stability, and with the elections behind us. We expect to continue to see stability going forward.

The economy has strengthened. All the indicators are positive and keep getting better. We have seen the Rupee depreciate a little during the fourth quarter but is still significantly stronger than the lows of what we saw during the economic crisis. Inflation too is very low. In fact, we've had a few months of deflation so, it is a steep fall from the high inflation levels we saw a couple of years back. Interest rates are also dropping in line with inflation, and some of the other indicators, like foreign exchange reserves, the fiscal deficit and the current account figures continue to get significantly better and are better than what we have seen for a very long time.

The Sri Lankan Government and the IMF had a staff level agreement for the latest tranche, and the IMF statement on the performance of the economy was very positive, with the IMF describing the performance actually as being remarkable. There are a number of prior actions that the Sri Lankan Government has to take, one of which is an increase in electricity tariffs. And recently it was indicated that the Ceylon Electricity Board has asked for an approximately 18% tariff increase from the regulator, and we should have a decision on that quite soon. The IMF Board meeting and final board approval is expected towards the end of June.

Consumption continues to get better, as you will see in our Consumer Foods and Supermarkets numbers. Tourism numbers are back to, or better than pre-covid, the peak here being CY2018, and the first four months in aggregate up to end of April there is a slight growth over 2018 and going by the numbers in May to date up to the 25th of May it looks as if we will have more arrivals in May than we did in May 2018. Arrivals from India in particular, is showing strong growth.

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Cinnamon Life as you know, the hotel we started operations in October 2024. We expect the Nuwa Hotel, the Casino, and parts of the mall to commence operations in August 2025. The Colombo West Container Terminal commenced operations a few months back. Volumes are still low, but better than expected for the first couple of months of operations, and, as you know, phase 1 is operational. Phase 2 is expected to be operational at the end of CY2026.

Our new venture in new energy vehicles, BYD has made a stronger than expected start. We will go into the details during the presentations, but a very encouraging start to that business. With that, I'll hand over to Gihan, and we will both be here for the Q &A session after.

Review of 4Q and Annual Performance Highlights

Group Highlights

Gihan:

Thank you, Krishan.

And with that I'll take you through the presentation on our financial performance for Q4 and the financial year. There's a lot to cover given that we are covering the quarter as well as the year, so please bear with me, but we'll try to run through it and give adequate time for questions and answers.

(Slide 02)

In terms of our performance for the quarter, we saw our headline numbers, the EBITDA, growing by 14% for the quarter from around Rs.13.9 billion to Rs.15.9 billion. A strong growth, driven mainly by our consumer facing businesses. So, as you can see on the slide, Consumer Foods, Retail even Financial Services have all seen growth. Our Property business did see growth compared with last year, which I'll take you through. Last year of course, we did have an asset write-off in relation to our VIMAN development. But even if you exclude that impact Property did see an increase with the revenue recognition cycles kicking in, TRI-ZEN handover, as well as Cinnamon Life apartments as well as VIMAN sales being recognised. So overall headline numbers were up 14%. But as we will talk through this presentation with the Cinnamon Life, City of Dreams Sri Lanka (CODSL) project now operational, as we saw in Q3 as well, we have the impact of the operations, the costs coming in as well as then, the depreciation and interest which, of course, is not reflected in EBITDA, but it affects PBT. We have a separate slide, which I'll walk you through, and I won't go through it every step of the way, but if you exclude CODSL, then you can see that the performance for the quarter was actually up 20% to Rs.17 billion.

(Slide 03)

If you look at the quarterly movement right across the four quarters for the year as well as against last year, you can see the total headline number at Rs.15.9 billion, is quite a strong number compared to all four previous quarters. Of course, Q4 tends to be a stronger quarter seasonally, particularly with Leisure, and some of the consumer businesses as well, but still, for all like I said earlier, it's shown a headline growth of 14%. If you look at the exchange rate, some of our businesses that have foreign currency denominated revenue streams were slightly impacted, if you look at the average exchange rate for Q4 last year, which was at around Rs.313 with the Rupee appreciating to an average of around Rs.296 during Q4. So that did have an impact on our Leisure business as well as our Transportation business. But overall, it's been a strong quarter.

(Slide 04)

If you look at the recurring EBITDA for the year, overall headline EBITDA of Rs.45.7 billion, which is a growth of 4%, with again, the impact of CODSL coming in. And if you eliminate that, we had a 12% growth in EBITDA for the year. Again overall, as you can see, strong growth driven by Consumer Foods at 34% Retail at 25% as well as Financial Services and our Property business, even if you discount the impact of the asset write-off I mentioned earlier.

(Slide 05)

In terms of annual recurring movement on EBITDA, we've seen the number last year at about Rs.43 billion increase to Rs.45 billion. As we did indicate last year, with the impact of CODSL opening, we did expect EBITDA to be marginally higher or around this range. Really the impact on EBITDA is with the project ramping up, and it is expected to ramp up quite fast. We will see the growth in EBITDA heading into next year. But if you look at it excluding CODSL, you can see the trend of the EBITDA movement.

(Slide 06)

I won't spend too much time on this slide, just to show you how the finance costs of the Group have moved. This is less relevant now with interest rates having come off sharply. So, if you look at the bottom of your screen, you'll see how the Rupee interest rates from around 11.6% have now come down about 300 basis points to 8.5%. That does have a benefit naturally to a lot of our businesses. But if you look at the finance costs about half of our finance costs are coming from dollar denominated foreign currency borrowings, which we'll talk a little bit about later. But you can also see that with the conversion of the HWIC convertible debenture in January 2025, we've seen that the non-cash interest and the total interest on that debenture has fallen away. So, excluding for that impact, yes, there is a slight increase in the total finance cost, as we've drawn down on some of our facilities to fund the balance infusions into the CODSL project.

(Slide 07)

The recurring PBT for the quarter, if you look at this slide again, the headline number shows a decline of around 39% from Rs.11 billion for the quarter to Rs.6.7 billion. But there are again, with the CODSL project, you can see, there's about a Rs.4 billion impact which I'll talk through, which comprises of the EBITDA impact as well as the depreciation and interest cost. So, if you exclude that impact of a new project that's just come into being, then we show a very strong growth in group profits excluding CODSL. We've also

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shown you excluding the impact of the convertible debenture interest cost as well, which was about Rs.870 million last year, whereas this year, because the debenture got converted in late January, we didn't have much interest cost throughout the quarter. So, excluding that impact, still, we've seen about a 57% growth in our more like with like PBT, if I call it that.

(Slide 08)

A similar impact for the year again, the headline number is down 11% from Rs.16.6 billion down to about Rs.14.7. Again, a similar adjustment on CODSL, which has about a Rs.8 billion impact. And if you exclude that, PBT is up about 60% to Rs.22.3 billion and again adjusting for the impact of the convertible debenture, then the growth is still there at 36%. So, the impact, more again on a like with like basis is the recurring PBT from Rs.18 billion to Rs.24.7 billion.

(Slide 09)

As you all know, throughout the year we had a couple of corporate actions. One was the Rights Issue and the Subdivision. And then we had the conversion of the convertible debenture in January 2025. So, these two corporate actions resulted in us raising Rs.24 billion of capital through the Rights Issue. The Subdivision didn't have an impact there. But we raised funds and of that Rs.24 billion we've infused about Rs.9 billion of that into the CODSL project. With the conversion of the final outstanding debentures that were there, we had about Rs.12.8 billion of debt that got converted and that fell away.

(Slide 11)

So, if you look at the next slide, you see the impact of the debt numbers were from Rs.220 billion in December 2024, we saw debt coming off. And that was mainly as a result of the conversion, and with some cash buildup on net debt has come down marginally from December. And if you look at it, the net debt to equity is at about 28%, which is at a comfortable level and based on the annual recurring EBITDA, it's a net debt to recurring EBITDA of around 2.5 times, and that's continued to sort of gradually come off, and that expectation, as EBITDA continues to grow is that we would see that growth.

(Slide 10)

I mentioned that I'd talk to you about the impact of the CODSL on the financials. So, if you look at it for Q4, we had about a Rs.1.2 billion impact at an EBITDA level. That's from the operation. So, if you look at Q3 we had a higher EBITDA loss, which we did speak of in the last webinar and that trend, it is reducing. Yes, Q3 did have some of the opening or launch costs as well, but as we've sort of ramped up revenue, the events have gained more popularity and traction, occupancy is gradually picking up. So, with the impact of the ramp up, we are starting to see the negative impact on EBITDA reducing in Q4. The depreciation and amortisation figure as well as interest costs are shown against Q3 to Q4. And then, because we have a foreign currency loan of around Rs.200 million dollars depending on the exchange movement, we do book in an exchange gain or loss. In the last quarter we saw the Rupee move from around Rs.293 to Rs.296, so there was a marginal depreciation. So as a result of that, there is an exchange loss. So, if you look at the ultimate

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net impact on PBT for the quarter is around Rs.4 billion, which is the number I referred to earlier. And if you look at Q3, it was about Rs.2.8 billion. That, of course, is because we had an exchange gain of Rs.795 million. So really, you need to sort of almost strip out the impact of the exchange gain or loss. But on an operational run rate, it's about the Rs.1.2 billion and about Rs.2 billion of the depreciation and interest cost that we are seeing. As we open Nuwa as well as the rest of the property, the depreciation cost will increase slightly from these levels, because it will also then incorporate the depreciation that will come in from those elements. But the run rate will be a little higher than this, but this is almost the totality of it.

(Slide 12)

We get asked the question on understanding the maturity analysis of our Group debt, and the composition. So, if you look at the 3rd point here, it sort of explains of our total Group debt around 55% of the Group debt is actually denominated in foreign currency, comprising mainly of our debt in Cinnamon Life. That's around the USD 200 million, as well as our loan at the parent company, the IFC loan that we have, which the outstanding is around USD 167 million. So, about USD 115 billion of debt in foreign currency. But approximately half of this is actually covered naturally as a conscious treasury strategy that the Group has taken because we do hold us dollar cash reserves at the parent Company as well. So, the net foreign exposure on exchanges is limited, and of course there's a natural hedge also in terms of the revenue generating aspects from the business, particularly the Leisure side as well as Transportation. If you look at the composition, I won't spend too much time on this, but we do have the refinancing of the Cinnamon Life loan around one and a half years from now. But we'll take a call on how we look at that based on the cash generation capability. But that's expected to be well managed.

(Slide 13)

We also get asked the question on capex, and how things have sort of panned out in terms of our capex for the year as well as expectations going forward. So, we thought, we'll just spend a minute or two, giving you a deeper understanding of how the capex of the Group has been. So, if you look at it, there's project, related capex, which is this large component, which is around 67% of our total capex. So, it's more one-off capex, relating to the CODSL project and excluding that the balance capex of 33% is really the Rs.16 billion, which is more, not all of it is routine, there is expansion capex, within that as well, but it's not the type of project capex that will be more one off once the project is completed. So, if you look at the main elements of this, it's Supermarket expansion, some investments in our Consumer Foods business as well as expansion of our distribution channel investments in our insurance business. The project capex itself as we have for the project is about Rs.33 billion, so that's the significant part of it as I mentioned earlier. Going forward, if you look at the capex in the future. In the near term. These are not significant numbers, but we have capex relating to just the final aspects of the retail mall, as well as completion of Nuwa. But a lot of the capex has actually gone in the previous year. So, in terms of capex, we won't have any significant numbers, but in terms of equity infusions, as you can see, we do need to fund the borrowing costs as well as the operational losses that are there. So, there is still funding that will go in. And that's the purpose we raise funds through the Rights Issue. So, there is a little further funding that's required for the project. But in terms of capex for CODSL, we don't expect anything significant. The rest of the capex will be more routine capex, in terms of rolling out, maybe between 10 to 15 Supermarket outlets as well as some strategic investments in our Confectionery business, our Beverages business relating to, of course, expansion of capacity based on volume growth, and so on. So, it's really those two aspects that will be the more routine capex going forward.

(Slide 14)

In terms of our ESG initiatives, I won't go through each one of these, but I think we had a lot of focus on plastic reduction as well as collection. We didn't necessarily hit our targets, but in terms of Supermarkets business, we set ourselves an ambitious target of reducing our polythene and single use packaging by 50%. But we were at around 35% to 26%, on these two aspects. We also recycled around 750 metric tons of plastic through Ceylon Cold Stores, Elephant House, one of their projects, and they have a host of other initiatives which I won't go through now.

(Slide 15)

Moving on to our businesses.

Transportation industry group

(Slide 16)

Our Transportation business, as Krishan touched on briefly with the West Container Terminal commenced operations in Q4, and we received a mothership which I'll show you on the next slide. So, we had this large ship calling at the port in the month of April and really ramped up operations. And whilst it's in its sort of ramp up phase, we've generally managed to overcome a lot of the technical issues in terms of an automated terminal, and things have been progressing quite well. Overall in the coming year, we expect volumes naturally to grow significantly off the low base, quarter on quarter where we expect to see that momentum accelerate quite sharply and come to a run rate that we think will help us to be cash neutral by the end of the 1st year, as well as if volumes accelerate the way we expected it to, and the regional and global trade dynamics also remain as is, we could even potentially be looking at breaking even on an earnings basis. The full terminal is expected to be operational in the second half of 2026/27, where we'll then have the entirety of the 3.2 million TEUs coming into play.

(Slide 18)

So, if you look at our quarter in Transportation, we had SAGT volumes grow around 9%. Strong growth in volumes to around 500,000 TEUs, compared to 460,000 TEUs. With the economy doing well, we see an improvement in the domestic mix as well. And overall, we saw a translation to profit in dollar terms. Though, because of the appreciation of the Rupee in Rupee terms the profitability at SAGT was flat. In the bunkering business, we saw 17% decline in volumes. But that's because if you look at Q4 last year we had a 50% growth in volumes because of the Red Sea crisis. And as a result, it's more of a normalising from that peak. We did see margins improve as well. But as a result of the volume growth,

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we did see a decline in the bunkering business, which is why the Transportation business for the quarter did see a slight decline.

(Slide 19)

If you look at the year, I won't spend too much time on the annual slides, but overall volumes at SAGT did see growth, and if you look at the mix as well, it's heading in the right direction. So overall both the port and bunkering business, the outlook still does look positive.

Consumer Foods industry group

(Slide 20)

Moving on to our Consumer Foods business, strong double-digit growth across Confectionery, Beverages that's our CSD business and Convenience Foods. So, with 12% growth in Confectionery, our Ice Creams business and 16% growth in our Carbonated Soft Drinks. Overall, with that volume growth, we saw EBITDA growing by around 7% with recurring margins at around 20% for the quarter, which is an increase QoQ. If you look at Q3, with the type of volume growth, Q4 does tend to be a strong quarter. So that seasonal sales typically do enable you to have a better margin because of the absolute volumes. If you compare it against last year we did see a slight decline in the EBITDA margin, but that's because we had a slight decline in the mix. So if you look at last year, Q4, we had 39% contribution from Impulse, whereas that's come to 36% in this quarter and Impulse typically has a higher GP margin, so that did affect the margin slightly as well. We did have some higher A&P spend and distribution costs which did translate to a slightly lower recurring margin compared to last year. But overall recurring, EBITDA has grown.

(Slide 21)

Annually if you look at the numbers again compared to last year, as we saw the momentum through the four quarters of the year, you can see very strong growth across all three businesses, and if you see the trend of recurring EBITDA margins from the lows that we saw, it has come back to the levels that we saw. And of course, with the trend that we are seeing, the margins will continue to be at these levels or improve.

(Slide 22)

I already spoke of the Q4 numbers, so you can see based on an index. You can see the trend of volumes in both Soft Drinks as well as Confectionery, and the margins trending in that right direction.

Retail industry group

(Slide 23)

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Looking at our Retail business, very strong growth in same store sales in Q4, with a 16% growth in same store sales driven again mainly by footfall. In fact, this time footfall has been higher at 19% with a decline of ABV at about 2.4%, which is why, same store sales are lower than the footfall growth. Very strong growth in recurring EBITDA from Rs.2.1 billion to Rs.3 billion, and recurring margins again, have shown strong growth on a quarter-to-quarter basis, it's a very strong growth. But just to remind you that Q4 tends to be a stronger quarter in any case, because we do recognise at the year-end proportional income and rebates that we get. But if you compare it even against the previous year Q4, you can see the strong sales growth as well as other initiatives across our businesses have helped us to grow margins quite significantly in the Retail business.

(Slide 24)

Annually if you look at the numbers again, strong growth in same store sales driven mainly by footfall growth, and that's been the driver of the profitability really in this business. And if you look at the annual numbers, the recurring EBITDA margin at 7.9% is really sort of much higher than we've had it over the last 3 to 4 years.

(Slide 25)

This is just showing you how the EBITDA has grown over the years. Yes, we've had a benefit of the reduction in electricity costs. As Krishan said, there's a proposal to increase electricity costs which sort of really take us back to the January 2025 levels based on what's proposed. So, you can see we've shown the impact of the electricity costs. So even if the costs do go back to the January levels, whilst there will be a slight impact on margins. Really, the improvement in margins has been driven by many other factors and the benefit of scale as well.

(Slide 26)

Just looking at the decomposition of our Retail business, we have a ABV decline of 2.4, as I said, and that's coming mainly through a reduction in selling prices because of the deflation that we are seeing where the inflation index in the country was also down by roughly 2%. But the weight of purchase or number of units in the basket have shown an increase in line with how we are seeing consumer sentiment.

(Slide 27)

Moving on to our new energy vehicle business, new business we started last year. The market opened out in February 2025. So, with that we ordered and got the shipments coming in and started handing over units from April onwards. So, from April onwards, we'll be recognising revenue and profits in this business. Total orders that we've received to date exceeds 5,000 units and these will, of course, get delivered and handed over, over in the next couple of quarters. We expect that roughly, maybe roughly 30% of the units that we have, in terms of the order book should get delivered in the 1st quarter, which will then translate to profit recognition. We received a shipment of 500 vehicles at the end of March and started handing that over. And then there have been subsequent shipments that we have received. The impact of this business based on the current momentum, and the order book we have is expected to be quite material in the context of the Group's

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profitability as well. In terms of our charging network, we've already established 10 charging stations across our outlet network, but others are also investing in the charging network, and that will augment our own expansion as well.

Leisure industry group

(Slide 28)
Moving on to Leisure. We've seen overall arrivals improving year on year in Sri Lanka. If you look at it, compared with the last year as well, and we can go through this when we go through the Q&A. The momentum looks very good, and the off season as well based on the forward bookings, is quite encouraging. Similarly, if you look at the Maldives, the numbers have been again, stronger than we saw in CY2024 as well.

(Slide 31)

So, if you look at our KPIs for the quarter in Colombo, we've seen the occupancy improve, ARRs have declined. We have seen, as you know a significant increase in the inventory in Colombo, not just with Cinnamon Life opening with 687 rooms, but some other properties coming on stream as well. So, as a result, ARRs have softened a little bit in the city, but what's encouraging is that the number of tourists coming into Sri Lanka, as well as the numbers coming into the city, have increased, and that's encouraging, and you can see that with the occupancy numbers. So overall, the impact on RevPAR has still been positive, and that's translated to a better EBITDA margin. In Sri Lanka occupancies have been by and large in line with last year, but a strong increase in ARRs over last year, and that has helped a strong growth in EBITDA margins. For the quarter, we saw Maldives being by and large, flat in dollar terms, and EBITDA margins also being somewhat flat.

(Slide 32)

If you look at the year, I won't go through the details here, but generally better than last year, other than in the Maldives, where it was marginally lower than what we saw in the last year. Just to remind you, though, as we spoke through in the quarters before the Colombo hotels did witness a one-off cost on right sizing the operations at Cinnamon Grand. So, we did have a Voluntary Retirement Scheme (VRS) cost there. As well as our Maldivian business, did have again an impact of a large one-off debt provision, because of one of the European tour operators filed for insolvency. So those were two impacts that we did have that are one off which affected the performance of Leisure.

(Slide 33)

The CODSL property, as you all know, we've opened the property. I won't go through the details. But as we went through the initial slides, the impact of the depreciation and interest which we went through already is significant. But as operations ramp up, we are very confident that these will get offset, and particularly with the Casino, also opening, and the rest of the elements of the property opening with the mall gradually opening in August as well as Nuwa. We are quite confident that the property will ramp up.

(Slide 34)

These are just some images of the restaurants and the spaces that we have.

Property industry group

(Slide 35)

In terms of our Property business itself, sales momentum itself is encouraging. The leads are more encouraging. The conversion to sales is also gradual, but we've seen a pickup. So, if you look at Cinnamon Life, we've sold 294 units. So, we are almost at 70% in terms of units sold. If you look at TRI-ZEN, we've sold 737 units of the 890 odd that we have. So that's about 83% that we have sold. And we are recognising revenue as we hand over and sell the remaining units, which will be the case with Cinnamon Life as well. With VIMAN as well, we launched now phase 3, because, as you can see phases one and 2 are also almost fully sold. So, the momentum has been very encouraging. So, all this has meant that we've seen good translation to revenue, recognition and profitability in the business. As I mentioned last year, we did have a loss of about Rs.639 million. So even if you exclude that, you know the EBITDA would have been flat. But against that we've seen a growth in EBITDA, and that trend will continue as we continue to hand over and sell more units, which will be the case in this year.

Financial Services industry group

(Slide 36)

And finally, on our Financial Services business. Again, with our insurance business, we had a strong growth in GWP with a 17% growth for the quarter. Profit growth was slightly muted. We did have some investment in our distribution costs agency, and so on. So as how it works in insurance is when you have the upfront costs, and you expense that the profit, recognition and the sales will translate in the coming quarters. So that's something that we will see that benefit of the expansion coming through in terms of the P&L impact. If you look at the profitability and performance of the bank again, we saw loan growth being quite strong at 15% reflective of the pickup in private sector credit growth. NIMs with the interest rate environment showing a decline. We've seen NIMs coming off slightly. But net net, we've seen the bank showing healthy growth in profits as well as net stage 3 loans have also come off from around 2.1% to 1.5%, which is quite healthy. So overall, we've seen a good translation to profit in Financial Services as well.

So that brings us to the end of the presentation. Just to remind you, if you have any questions, please enter it at the bottom of your screens, in the Q&A tab, and we will look to address all the questions that we have.

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Q&A Session (responses by both panellists)

Leisure industry group

Question:
What is the outlook for the Maldivian Resorts?

Response:
The last summer and off season of 2024/25 was quite weak in the Maldives where we saw a lot of price competition in the segment in which we operate. The outlook for the next couple of months, which is the off season, in this new financial year is stronger. So, in that context given that winter bookings are also looking very good we expect that for the full year the Maldives will do better as opposed to a slightly muted performance mainly because of not so satisfactory off season in the last financial year.

Question:
What will be the level of occupancy at the CODSL retail mall when it opens?

Response:
I can't give exact figures, but we expect it to ramp up gradually. We will open parts of the mall in August 2025 with the opening of the Casino. There is access to the Casino from the 7th floor of the mall and occupancy on that floor is expected to be nearly 100% around the time that we open the Casino. We already have bookings for the other floors, including the cinema space. So, we expect the rest of the mall to get occupied over the following months.

Question:
What is the status of the Cinnamon DISCOVERY loyalty programme?

Response:
The programme has been implemented but it's too early to give any indications of the traction in terms of numbers and volumes.

Question:
What is the future outlook and refurbishment plans for Asian Hotels & Properties PLC (AHPL)?

Response:
As we have said before, we will watch how the city occupancy develops over the next couple of years. Right now, we have seen some pressure on room rates and occupancy just because there is a number of new rooms that have come into operation in the city, not just Cinnamon Life, but a number of other new hotels, but at the same time we expect visitation to the city to grow. We would have been at a much higher level of visitation to the country and to the city, if the country had not faced external shocks over the last five years, looking at the CY2018 as a base year. So based on that we expect visitation to grow, and we will look at decisions like refurbishing the two properties only once we see that traction.

Question:
What are the incremental costs CODSL once the new phases kick off?

Response:
I think the run rate that we are seeing in terms of our costs are not going to materially change. Yes, once Nuwa opens, although it is managed by Melco, the asset is ours, so the payroll, the staffing, all will be on our payroll and part of that has ramped up anyway. So, there are no significant new elements that will come in. So really, it's the run rate that we will see, and of course the other side of it, like I mentioned, is the revenue generating capability which will continue to increase over the next coming quarters.

Question:
What is the current occupancy rate at the Cinnamon Life hotel?

Response:
Occupancies have been ramping up. We are operating 687 rooms and occupancy in the month of May, is expected to be around 25%. While that may seem like a low figure in absolute terms, that's about 150 rooms a day. So, it is a gradual ramp up, since we opened for business in October 2024.

Question:
Can you comment on the star rated resorts supply in the next 12 to 24 months?

Response:
In Sri Lanka there isn't anything in the pipeline. In Colombo, the only new addition will be the old Galadari, which is now going to be a Radisson hotel which is under refurbishment. That will bring in about 350 rooms to the city inventory, and that is expected to be completed towards the end of CY2026. That is the only addition to the current supply.

Question:
What is the mix of tourists by origin for both local and Maldivian resorts? Do you see more inflows from Asian countries following global economic downturn?

Response:
To comment, we are continuing to see that trend where Asian arrivals as a proportion, are growing both to Sri Lanka and Maldives. In the Maldives we have seen the Chinese, while India has grown throughout, even during Covid, and after there has been a sharp growth from India into the Maldives. We've also seen the China numbers returning to pre-covid levels, but that Chinese numbers returning to pre-covid you haven't seen in all other destinations. In Sri Lanka, arrivals from China are still about half of what they were prior to Covid. In Sri Lanka you're seeing a very strong recovery or actually growth in Indian arrivals, and CY2025 should see the highest number of Indian arrivals to Sri Lanka, and that trend, even in the month of May, if you look at the numbers up to the 25th of May, about 34% of arrivals to Sri Lanka are from India. So that's not surprising, as well, as Gihan said, you know, with outbound travel from India, likely to grow very strongly over the upcoming years with the kind of economic growth you're seeing in India, that they are coming into a neighbouring country like Sri Lanka in a big way, it's only the beginning, and we are not surprised that India is growing so strongly.

Question:
What is the impact from the recent tax increases in the Maldives?

Response:
The increase in taxes was some time back, and the concern now is with the fragile position that the economy is in, how the Government will deal with that in the Maldives, and whether that would translate to higher taxes going forward. We don't expect that to be material, because they've already adjusted taxes, and we don't expect that, given how critical investment into the tourism industries for that economy that they would make material changes.

Question:
What is the impact from the shift in tourist preferences from resorts to guest houses?

Response:
In terms of the shift to the guest houses, there was that trend in the last 2 years, but the supply of guesthouses now in the inhabited islands seems to have peaked. So, we don't see a big new supply coming in, and with the growth in arrivals, we expect that trend to get better.

Retail industry group

Question:
What are the supermarket outlet expansion plans?

Response:
We are looking at 10 to 15 outlets. That, of course, depends on land availability as we are quite stringent in maintaining the same outlet formats. So we have to find conforming land that we can build conforming supermarkets. The timeline would be that, and of course, depending on the outlook and like we've said before, we believe that the density and the penetration of modern trade in the country is at still a nascent stage, support the fact that we can keep growing over the years.

Question:
What is the reason for the decline in ABV in the supermarket business despite the consumer businesses showing a strong increase?

Response:
So really, this is a function of ABV, as we've said, is a function of the retail selling price (RSP) which is really directly linked to inflation. And, as we've seen in the country, we've seen a deflationary environment, particularly in the second half of the year, and that would translate to our basket as well. So, if you look at it, ABV has been marginally down or flat, because the RSP or selling prices have been negative but that's been offset to some extent by the increase in the weight of purchase, which is the number of units again reflective of better consumer sentiment and demand. Sometimes, when you look at this, you also need to look at the frequency of purchase, it's for instance, if someone bought 10 units in a basket, but they came only once a week now because of some of our fresh

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initiatives and other things that we've done, people may come more frequently to the store but that may mean that you buy, you know, five items or six items in two visits per week. So the number of average items in a basket might be lower. But in reality, the total number of units you're buying in a basket is greater. So that's why you may see the weight of purchase or number of units not necessarily showing growth. But if you look at footfall, which is a function of how many people have come into store and the frequency of the visits that's showing a strong growth as you saw. So that's really the driver of sales, and it's really positive from both perspectives.

Question:
Would the price revisions undertaken by BYD in China, be reflected in prices in Sri Lanka?

Response:
No, we had the general manager for Asia BYD in town, and he's already quoted today in some news releases that that is a phenomenon they see in the month of June in China, which is like a shopping month, and you see these kinds of price cuts that is unique for China. It will not have an impact on export prices of BYD vehicles and will not have an impact on prices in Sri Lanka.

Question:

Would there be an opportunity to set up an assembly plant in Sri Lanka as a part of the future plans for JKCG Auto?

Response:
It's too early to say. We'll watch how the business progresses. It will depend on the kind of sustainable volumes we are likely to see in Sri Lanka, and possibly any opportunity to export BYD vehicles in the region. But it's too early to really say anything specific.

Question:
Why is the ABV relatively lower compared to the peers?

Response:
I'm really unable to comment directly on that. But, like I said, ABV is a function of frequency so, it also depends on how consumer behaviour might be. So, I'm not sure you can necessarily compare it across one peer to the other. But we can look at it in terms of our own momentum, because the behaviours would be more comparable. So, the frequency of shopping also does impact ABV, like I mentioned earlier.

Consumer Foods industry group

Question:
What is the expectation for margins in the Beverages and Confectionery businesses?

Response:
As we said, even in the previous quarter, we are having some slightly higher advertising and promotion costs and distribution costs, which are a conscious part of the strategy and overall with volume growth we should see margins improving.

At the levels of margins that we are seeing now, we are not going to see a significant improvement but of course it will also depend on investing in capacity and capability as well. So overall margins will likely be at these levels with possibly a slight improvement but we could see an improvement gradually, over the next couple of years.

Question:
What is the reason behind the decline in impulse product volumes?

Response:
It's not that we've seen a decline in volumes, it's grown. It's just that the composition or the proportions of the mix has changed because Bulk in that particular quarter grew at a faster pace than Impulse grew. Therefore, the relative contribution from Impulse was lower, and that's why the mix is different, which also affects the margins. But at the end of the day, in absolute terms, there was a net positive impact that came through.

Question:
What is the breakdown of Bulk versus Impulse in terms of revenue and volumes?

Response:
I think we've given a split between the revenue in our disclosures, we are unable to get into a lot further detail on that.

Question:
What is the impact of partnership with Reliance the financials?

Response:
As we've said before, it's not material in the context of our current performance. It gives us a foothold or an ability to get into the Indian market, and if things grow it can become somewhat meaningful. But that's more of a medium to long-term play for us. But right now, it's not something very significant.

Property industry group

Question:
What are the plans for the Finlays land project or the Vauxhall Street land?

Response:
There is no specific timeline. We have done some preparatory work on that land. Given the success of the TRI-ZEN project it is likely to be our next metropolitan project in the city. We've, of course, launched VIMAN, which has gone off well, and we will have more suburban projects. But the next development in the Colombo city, in the metropolitan segment will be on the Vauxhall Street land but there isn't a specific timeline I can give at this point.

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Question:
How is VIMAN accounted for?

Response:
Just to clarify that VIMAN is not accounted for as a joint venture. We own the business fully, so that will be a normal recognition on revenue and the full recognition there.

Transportation industry group

Question:
What is the current handling capacity of ECT?

Response:
I think about 400 meters is operational out of full length of about 1.2 kilometres, and the current capacity is about 800,000 TEUs from our understanding.

Question:
What is the benefit of ships being directed to Colombo because of the geopolitical tensions in this region?

Response:
So yes, there are some impacts that we see overall in terms of trade where Colombo tends to be a port that can be called on. So now particularly with Colombo, having more capacity, because the constraint that Colombo had over the last couple of quarters was the inadequate deep-water capacity. So now, with WCT coming on stream with deep water capacity, I think Colombo can grow volumes which would be, supply led growth.

Question:
Would the Vizhinjam port pose a competitive threat in relation to transshipment from India?

Response:
I think Vizhinjam will be a competition. The total capacity of the Colombo port with the West Terminal, and the small capacity at East Terminal is about 11 million TEUs a year. Vizhinjam currently is only 1 million TEUs. I believe it can be expanded to about 3 to 4 million TEUs. But in the context of the kind of demand that India is likely to see over the upcoming years for port capacity container volumes in and out of India are growing substantially annually. So, while Vizhinjam is competition, we believe there will be enough demand for Colombo for the additional capacity in Colombo, and that is a trend we are seeing as of now, because there seems to be a strong demand for terminal capacity in Colombo.

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JKH Group

Question:
What is the effective tax rate of the Group?

Response:
So, in our annual report as well, we had disclosed, and we've seen a higher tax rate. But really, it's just the fact that, as we've explained in the report. If you look at the numbers that I showed you earlier, we have a headline profit number PBT of around Rs.14 billion and a tax of around Rs.8 billion very roughly, which if you look at an effective tax rate there, it's very high. But that's because you have operational losses at CODSL, because it's a tax-exempt company, you don't have any deferred tax impact. So really, if you look at it on a more normalised basis and look at the profit before tax excluding CODSL, then you're looking at about a Rs.20-21 billion profit before tax, which then normalises really our effective tax rate. So, there's nothing unusual going on there, and there is no sort of one-off impacts on tax or anything. It's just the composition of taxable businesses versus another business that's making losses.

Question:
What is the expected impact on the electricity tariffs?

Response:
So, as we've said before, the type of increase takes us back to where we were in around January 2025. So, we saw roughly a 20% decrease in the tariffs in January, and the proposed increase is around 18%. So, it takes us back to those levels. And as you saw, when I spoke through the Supermarket numbers, there is naturally an impact but it's not as material. And like I said, it just takes us back to those levels because net net, if you look at it compared to one year ago, the electricity tariffs would still be a lot lower than we saw because of the multiple downward revisions.

Question:

Why is the Group not looking to strip the vacant properties to settle debt and bring down debt levels?

Response:
I think the material properties are in the city. It's the two city hotels and the Vauxhall Development. As the premier property development company in the city, we expect the urbanisation to continue, and we expect the demand for apartments to continue to grow. And we think there's an opportunity to get more out of the Vauxhall Street land by developing it as opposed to selling it, and if you look at what we all the external shocks of the last few years, whether there is really a buyer, for that extent of land is also not clear. But we are positive on the outlook for apartments, given the low level of urbanisation at the moment, and the low level of vertical living. So, Vauxhall, as I said, is likely to be our next big development, and we think we can get more out of that than selling the land. On the two city hotels, it's really as I mentioned, it depends on the traction we see on

visitation to the city. But that also we were just talking about booming outbound tourism from India, which will continue for many, many more years. So, in that context, when should we be refurbishing those properties, we'll watch the traction and make some decisions on those properties.

Question:
What is your view on selling some of the Group's stakes to settle debt?

Response:
So, I think, in terms of our debt levels, as we spoke, we have a net debt to EBITDA of 2.5 times, net debt to equity under 30%. So, our debt levels are manageable and quite comfortable in that sense. And there's no urgency for us really to do so. And of course, it depends on the returns we are getting from some of the stakes that we have, and we will continue to monitor. But we don't see a need to sort of do anything significant like that.

Question:
Are there any plans to boost the dividend back to previous levels?

Response:
Of course, it's a priority for us to increase the dividend. We have just completed and operationalised two very large investments, City of Dreams Sri Lanka and the Colombo West Container Terminal, and that is the reason for the debt levels to grow over the last 3 or 4 years, in addition to the disruption to our normal operations because of Covid and the economic crisis. So, as we operationalise these projects, and it has a positive impact on EBITDA, and as the economy also recovers, and we see a better performance from our other businesses, we expect that we will increase dividends in the coming years. We don't normally give a guidance on dividends, and I can't be specific but given that the decline has been due to what I mentioned and given that we are likely to see the operations delivering better EBITDA from the two big investments and the improving environment, the dividend is likely to increase going forward.

Other

Question:
What is JKH's exposure to the Indian economy, consumer and tourist?

Response:
I think there are a couple of different touch points that we have. So, if you look at Leisure itself, the Indian arrivals, it's the number one source market into the country, and one of the largest opportunities in terms of growing our leisure footprint into the country. As we've said before, we have 1.5 hours to 2 hours flight time from a lot of the key Indian cities, particularly in the South India and with Indian outbound travel growing quite significantly and expected to grow with the pace of growth in their economy it's something that we can capitalise a lot more on and we stand to benefit. So that's from a tourism perspective.

If you look at transportation and logistics again, our port, we have about 85% volume in transshipment and around 70-75% of that is Indian cargo. So really, it's serving the Indian

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market. And that, again, is very much linked to India's economic growth and trade volumes.

As we've said before, this is a smaller part, but our Beverages business tied up with Reliance a couple of quarters ago, so we are trying to get a foothold in that market as well, but naturally that will be a slower progress, and be a longer road into the market, assuming that the sort of flavours and the palates of the Indian consumer align with our products. But overall, if you look at it, it's really more the play that we see from tourism, transportation and logistics. And of course, there are other areas but those are the main areas that we see.

Closing Remarks

That brings us to a close. We've addressed all, if not most, of the questions. Thank you. That was a very engaging session, and we did run through it fairly fast given the number of questions that we had to respond to, thank you very much for your participation and for joining us for today's webinar.

The link for this webinar will be available on our website in a couple of hours for you to follow. And the transcript of this webinar will also be posted a couple of days subsequently. Thank you very much once again for your participation.