



JKH Investor Relations Webinar: Transcript

Review of 4Q performance for 2025/26

27 May 2026

PANELISTS

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

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Gihan:

Good afternoon, everyone. Thank you for joining the JKH Investor Relations webinar for the fourth quarter and twelve months of the financial year 2025/26. I am Gihan Cooray, Deputy Chairperson and Group Finance Director. I am joined by Chairperson-CEO, Krishan Balendra for today's proceedings. As per our usual format, Krishan will give us an overview of the macro environment and some of the key updates on our projects and then I will take you through the financial performance and some of the key financial highlights for the quarter as well as the year. If you have any questions that you would like to raise, please enter it in the Q&A tab at the bottom of your screens. With that, I'd like to hand over proceedings to Krishan.

Macroeconomic Highlights & Key Developments**Krishan:**

Thank you, Gihan. Good afternoon, everyone. Thank you for joining our investor webinar for Q4 25/26. To begin with, on the macro and the impacts of the Middle East crisis, we have seen volatility in the Sri Lankan Rupee. We saw a sharp decline last week, but we have also seen a rebound in the last few days. Currently, the Sri Lankan Rupee is at a level of about Rs.325 to the dollar and this compares with a rate of about Rs.315 to the dollar at the end of March. So, some volatility, but also a rebound in recent days. On the availability of oil and gas, from all the announcements that have been made by the authorities, it appears that there is adequate supply of oil and gas, so the country is not facing a crisis in that regard, but of course, it is at the prevailing prices, so it is at a significantly higher expense for the country.

Connected with that, we recently saw an increase in electricity tariffs by 18% across the board, so quite a material increase in electricity tariffs. Export numbers recently announced continue to be robust, with good growth seen even for the month of April. Tourism, we saw a sharp dip in April, a year-on-year decline of over 20% and primarily from the European markets, where we see most travellers flying through the Middle East. We have seen a similar impact in April in the Maldives as well. However, in May, in Sri Lanka, for the first 24 days of May, we are seeing a year-on-year growth of about 8%, and in particular, in the last 10 days, we have seen a strong growth driven by arrivals from India. While Europe continues to be a little soft, we are seeing quite a sharp growth year-on-year in arrivals from India.

In the ports and logistics segment, which is another big part of the economy and a big part of our business, we have seen strong volumes, which we were seeing even prior to the Middle East crisis. But with the crisis, we have been seeing more volumes as ships divert to Colombo, which has really confirmed the status of the Colombo port as an ideal location as a hub port for the region. So, both container terminals, as you will see in the presentation, West Container Terminal and SAGT have seen strong volumes and the Colombo port overall has seen very good volumes. Our bunkering business has also benefited.

The country is expecting the next two tranches from the IMF, which are combined to be approved tonight Sri Lanka time, which is Wednesday morning in Washington and with that approval, about USD 700 million will be dispersed by the IMF, which would be quite a material boost for the country's reserves.

On our two big projects, City of Dreams Sri Lanka, it is encouraging to see that we are seeing increasing footfall and traction at the casino and we are also seeing good traction for corporate events and conferences from overseas, in particular from India. There has been some slowdown because of the Middle East crisis, but with things settling in the Middle East, we think that it should rebound again. But what has been encouraging is that throughout, we are seeing good traction with the casino at the City of Dreams Sri Lanka. The West Container Terminal, as I mentioned, is seeing very good volumes, above expectations. Phase 1 is operational and phase 2 is very much on target for completion by the end of the current calendar year 2026. So, I will hand over to Gihan to run through the presentation, and we will both be here for the Q&A.

Review of 4Q Performance Highlights

Group Highlights

Gihan:

Thank you, Krishan.

So, to take you through the financial performance for Q4 as well as the annual performance, there is quite a lot of content to cover, so I do apologise in advance if I run through some of it a little fast, but if you have any questions please raise them through the Q&A tab.

(Slide 02)

For the quarter, we saw the recurring EBITDA for the Group increasing to Rs.24 billion from around Rs.16 billion in Q4 of the previous year, which is about a 50% growth in EBITDA. Q4, of course, tends to be a stronger quarter, as you will see in the upcoming slides. But overall, there are positive contributions from all the key businesses. As you can see, the Transportation had a significant increase against the previous year, which I will cover when we get to the respective industry group slides. But as you can see on the screen, it is a strong performance across the board from all the key businesses.

(Slide 03)

If you look at the quarterly movement in EBITDA, the recurring EBITDA was Rs.24 billion against the Rs.16 billion and typically Q4 tends to be a stronger quarter, Q3 and Q4, but still against what we did in Q4 last year, there is a significant uplift and that momentum that we have seen over the whole year from Q1 through to Q4 you can see that in these numbers.

(Slide 04)

The recurring EBITDA for the year: we recorded a recurring EBITDA of Rs.78 billion, which is a 71% growth over the previous year. I will walk you through in the next few slides the recurring adjustments that we have done. Our reported EBITDA was Rs.80 billion, so there are not too many adjustments, but this is just to show the more comparable like-for-like performances across the businesses. If you look at the annual performance, you see it is, again, right across the board, where all the key businesses have contributed to positive growth. JKCG, where we have the BYD new energy vehicle (NEV) business, was of course not in operation last year, so against that base, where we didn't

have operations, it is a significant increase, but still, as we had indicated, a quite material contribution to the Group performance, which did help the overall Group performance. But even without that, if you look at it across the board, we have seen growth across all the other businesses as well.

(Slide 05)

Just in terms of showing the trend over the last four years, again we did see a plateauing of EBITDA due to various reasons, including City of Dreams coming into play last year, so you see the sort of impact that we had on an EBITDA basis. But as you can see as we have moved into this year, City of Dreams has now started contributing positively on an EBITDA basis, which I will dissect and cover as we go through the upcoming slides. But overall, you can see, based on the trend that we have seen, the earnings momentum or uplift that we have been indicating has now started to come through.

(Slide 06)

In terms of giving a slightly deeper understanding of the reported-to-recurring performance, there were a couple of one-offs that we are showing here that we'll adjust. The reported EBITDA at Rs.80 billion had few things, I won't spend a lot of time on this. We had fair value gains on investment property, that is not in our Property business, because that is normally included as a core part of the business, but we did have some other gains which were included in the Q3 numbers, so when we spoke of the Q3 performance this is something we spoke of. In terms of the recurring performance, we disposed of our stake in Kandy Walk Inn, which is the operating company of Cinnamon Citadel and recorded a gain of Rs.1.5 billion, so we have eliminated that. At LMS, we took an indirect tax provision at an EBITDA level, so we have adjusted that and then a couple of other things we've adjusted. Roughly about a Rs.2 billion adjustment. And of this at a PBT level, it is really these two items that mainly impact for Q4 and the same flow through will happen at a PAT level, which was about Rs.500 million.

(Slide 07)

The quarterly finance costs, we have seen a slight increase in rates. This is, of course, before the recent rate increase, but if you look at Q4 against last year, about a 60-basis point increase. But one of the main reasons we have seen reported finance costs go up is there is an exchange loss on the foreign currency denominated loan at City of Dreams or Cinnamon Life, of about Rs.1.1 billion for the quarter. Also, last year we did not have the JKCG business, so there are about Rs.460 million in finance costs mainly related to the trade and working capital facilities that are coming there. So, if you adjust for that, just to show a like-for-like comparison, our finance costs are broadly in line with what we saw last year at about Rs.4.8 billion to Rs.4.9 billion.

(Slide 08)

Moving on to the recurring PBT for the quarter, again, a very strong performance, with a recurring PBT of close to Rs.13 billion across the board. I will not go through the details here; it is a similar flow through from the EBITDA, which I will cover when we get to the industry group performance review.

(Slide 09)

And the annual recurring PBT at Rs.35 billion, which was more than doubling of what we did last year.

(Slide 10)

The recurring PAT attributable, again, a similar flow-through, but a stronger performance here, because as you know, though we consolidate JKCG, at an EBITDA or PBT/PAT level you see 100% of it, but at an attributable PAT level, because we own 50% of the business, you see that elimination happening. So, the translation of that, though we eliminate the 50%, the other businesses have contributed strongly, so you see that flow-through coming through, with a Rs.7 billion performance if you adjust for the exchange loss, a Rs.6.5 billion at a reported level.

(Slide 11)

For the year, we ended up with Rs.13.2 billion of recurring attributable PAT against the Rs.5 billion we did in the previous year. We did have exchange losses amounting to about Rs.1.8 billion, versus an exchange gain of Rs.890 million last year. So, if you adjust for that, the performance this year, eliminating that impact, is about Rs.15 billion at an attributable PAT level.

(Slide 12)

I would like to shed a little more colour on our Group debt composition. We did indicate this at the last webinar, where we were looking at refinancing the loan at Waterfront Properties (Private) Limited (WPL) or Cinnamon Life. That loan was due for repayment or refinancing in December this year, but we refinanced it ahead of time in March, where we got more attractive terms than we had in the previous loan. We have broken that down into a USD150 million long-term loan where we have a six-month grace period and back-ended capital repayments, with about 60% of the loan paid in the fifth year. That pushes out some of the maturities. We have also looked at a Tranche B where we will deleverage Cinnamon Life a little further and reduce the debt, so the core debt that will remain at Cinnamon Life or City of Dreams will be USD 150 million.

On the right-hand side of your screen, just to shed a little more colour on the composition of our debt: if you look at our total debt, about 44% of that is long-term debt in dollar terms, about USD 335 million, which comprises mainly the loan at Waterfront Properties of USD 189 million that I just spoke of, as well as the holding company having about USD 136 million in loans. The Holding Company actually has about USD 180 million of dollar cash, so if you look at it on a net basis, the Holding Company is about USD 44 million long on dollars, which nets the exposure on the USD 189 million that we have. In addition to some other dollar cash in the Group, the net forex exposure we carry is about USD 125 million, and as we pay the loans down, this exposure will reduce to below USD 100 million. In the context of other businesses where we have USD dollar denominated cash flow streams, including at City of Dreams, this is something we can manage it and we have a natural hedge coming through anyway from our Transportation and Ports business as well as our Leisure business.

(Slide 13)

Looking at our portfolio, we have not shown this slide before, though we have it in our normal annual investor presentations. This is where we look at our portfolio returns, where the axis shows the return on capital and the width of the bars shows the amount of average capital deployed in each of our businesses, against a 15% return on capital hurdle rate. A lot of the businesses are above or well above the return on capital employed (ROCE) target. Of course, as you know, City of Dreams accounts for almost half of our capital employed and it has been in construction during its gestation period, which has resulted in an overall drag on our return on capital performance. But now, with the project starting to contribute positively at an EBITDA level, it will start to contribute positively on an EBIT basis as well. You can see the impact of not having that drag, as well as the combined performance of the rest of the businesses, some of which are well above the hurdle rate of 15%, which meant that the group did a combined ROCE of 9%, which is a significant improvement against 5.1% in the previous year. If you just exclude the impact of CODSL, you can see that the Group ROCE is almost at 17% against 11% last year. And this will progressively get better. With CODSL performance expected to continue to ramp-up, as well as WCT, which as Krishan mentioned has done exceedingly well, starting to contribute positively on a PAT basis, which will then positively impact these numbers this year and particularly going forward. Overall, from a portfolio standpoint we expect things to start getting better.

(Slide 14)

From a capital allocation and portfolio optimisation point of view, we did a couple of things. We've spoken of some of the initiatives that we want to focus on including looking at addressing the skew of our capital deployed in the Leisure business. So, with that, we did some portfolio actions this year, where we divested some of the non-core businesses. We had a 22% stake in Fairfirst Insurance, which was in the general non-life insurance segment, so we divested that. And a couple of other things, including Cinnamon Citadel, where we divested the owning company there. The Group still retains management rights, hotel management rights, for 12 months, and that could possibly be extended. We, of course, have, which was on our asset-light investment model, investment in Kandy Myst by Cinnamon where we own 40%. So, we have inventory in Kandy, so the logic was that we reduce that exposure in Kandy and also remain asset-light. Altogether, we have realised about Rs.6 billion in the last year through this.

The other development is that we have launched the Vauxhall DSTRCT, which is a residential development on our existing land bank at Vauxhall Street. This is about a 750-unit development, but it helps with unlocking value and actually monetising the land bank that we have. So, over the next few years, you will see part of that land bank starting to get realised, which will reduce the amount of capital deployed in land banking and translate that into profitability.

(Slide 15)

From a Group capital expenditure (capex) point of view, this year we saw a significant decline in our capex. Of course, the capex has been quite high because of the completion of City of Dreams Sri Lanka. We did have some investment there, just on deferred payments to contractors. This year, in FY25/26, we opened nine new stores, so there was

capex in the Supermarkets business, as well as in Consumer Foods, where we expanded our capability and capacity with investment in extrusion products and our cone bakery facility. Looking ahead, the capex for the next year and a little beyond will include a few more payments relating to City of Dreams, but that is not really capex, it is just deferred payments. We have one more equity tranche that needs to go into CWIT based on our funding commitments, though the funding is not really required given that they are generating cash, but this is purely based on the funding commitments. Some bunkering-related investments as well. And we will continue to roll out 10-15 outlets in our Supermarkets business. With some of the cash raised through the Cinnamon Citadel divestment, we will look to selectively refurbish some of our properties where we are looking to elevate the proposition, like we have at Benthota with the Cinnamon Signature Collection and we are looking to elevate some of our properties and expectations is that we will do this with Cinnamon Wild Yala. And in Consumer Foods, it is more organic expansion on investment in capacity, because you will see the type of growth we have seen in our volumes.

(Slide 16)

On the ESG front, I will not spend too much time on this. We have done a couple of initiatives. One of the key things is that we moved into the latest version of our ERP, which enables us to unlock a lot of productivity and other benchmarking that we expect to see, translating into business-related efficiencies as well.

(Slide 17)

Moving on to our debt position, looking at our total debt, excluding leases: our debt on an annual basis has gone up from about Rs.210 billion to Rs.238 billion, but if you look at it from the last quarter, it is about a Rs.6 billion increase in debt. One of the main reasons for this increase is, if you look at JKCG, the BYD business, as well as the bunkering business where prices have increased significantly, the value of inventory and trade has increased. As a result, we have seen our trade-related facilities in just these two businesses going up from about Rs.7 billion, JKCG was not there last year, to around Rs.24 billion. So, of this Rs.28 billion increase in total debt, about Rs.17 billion is coming purely from these two businesses based on trade-related activity. On a net debt basis, you can see a similar increase compared to last year due to the same reasons, but against the last quarter it is roughly flat. If you look at the other metrics, on a gross debt to EBITDA we are at 3 times against 4.6 times in the previous year, which is a significant improvement driven by the improvement in EBITDA in particular. And at net debt to EBITDA, it is at 1.8, which both indicators show as very comfortable levels.

Transportation industry group

(Slide 18)

Moving on to our Ports business, you can see the trend, with CWIT starting from essentially nothing last year in April, coming to around 350,000 TEUs for the quarter, which is a significant increase. SAGT, you see the volumes coming off. That is because we had a crane rail repair that needed to be done, a routine maintenance activity. As a result of that, there was some disruption to the berthing of vessels, and that is the reason for

the drop, it is not because of any activity of CWIT coming in, because the overall port of Colombo has seen growth.

(Slide 20)

If you just look at the West Container Terminal, as Krishan mentioned, we have made very good progress on phase 1. If you look at the current monthly run rate of volumes, we are actually fully utilised, or even higher than the 1.6 million TEU capacity that phase 1 consists of. That is a very positive sign as we head into operationalising phase 2, where the equipment is already on the way.

(Slide 21)

If you look at the total port, as I mentioned, we have seen overall growth in port volumes. SAGT has come off for the reasons I mentioned. CWIT has again seen very good growth. If you look at Q3 to Q4, there is just some seasonality that typically happens in Q4, this is not an indication of the trend, because if you look at what we are doing in the month of April, or the run rate for May, the numbers are looking very good. Overall, the recurring EBITDA performance was a very strong growth against last year.

If we look at bunkering, we saw 60% growth in volumes. As you know, with the disruptions in the Middle East, there was a lot of disruption in world energy markets and global fuel oil prices. With that disruption, we benefited from having higher volumes, and our margins were also much better in the month of March, which really boosted the Q4 performance. That trend, whilst it's not normalised, it's elevated, but not at the same levels of volatility that one saw in March, But we've seen that sort of trend continue to an extent in the months of April and May as well.

(Slide 22)

If you look at the overall port volumes for the year, from about 7.7 million TEUs total port volumes have grown to 8.5 million TEUs. So, while CWIT has brought in and captured a certain share, what it is meant is that CWIT has been able to actually drive overall volume growth in the port of Colombo.

Consumer Foods industry group

(Slide 23)

Moving on to our Consumer Foods business: Q4 saw strong growth across the portfolio, with Confectionery and Beverages seeing very strong growth. As we indicated in the last quarter, post-Cyclone Ditwah there was some disruption to competitor production activity and as a result there was a distortion in the market and there was a benefit to our portfolio in terms of volumes. So, you see this very high number, partly driven by that. But overall, if you look at the volumes across Confectionery and even Convenience Foods, you have seen very strong double-digit growth. This has obviously translated to much better margins in terms of recurring EBITDA, as well as the margins compared to the 20% to 23%.

If you look at the breakup: Beverages did very well because of the volume growth. In Confectionery, whilst the volume growth was there, margins were a little more challenged because we had some costs relating to supporting distributors post-Ditwah in terms of market returns and a few other items, as well as some depreciation impact on some of our investments and I know this is EBITDA, but that depreciation impact is actually related to construction machinery and some elements of manufacturing that are reflected more in the cost of sales. So, if you look at it net, overall margins have increased. This will normalise as this bumper Beverage volume normalises. But heading into this quarter, we are still seeing fairly good growth momentum across in terms of volumes, though with the current elevated energy prices, there are impacts on supply chains and plastic-related, packing material-related costs, which is happening across the world, so we will just need to manage and see how margins look over the next couple of quarters and whether price adjustments are needed to maintain margins.

(Slide 24)

If you look at the annual numbers, we have seen overall strong volume growth across the business, with margins being around the same levels that we saw last year.

(Slide 25)

Here again, I won't spend too much time on this. You can see on an index basis how Q4 in Soft drinks has been, but on a Confectionery, on an index basis, the volumes in Q4 were relatively lower than last year, though still showing an overall, growth momentum, as we see right now.

Retail industry group

(Slide 26)

Moving on to our Retail business and the Supermarkets business: if you look at the overall headline numbers, the recurring EBITDA in the Retail industry group was very strong growth, driven by the Supermarkets business as well as contribution from JKCG, which was not there last year. In Supermarkets, again, double-digit growth in same-store sales, at about 14%, driven this time by a combination of factors. If you look across the last five quarters, we have had very strong double-digit growth in footfall. So here we have again seen strong growth in footfall, but we have started to see positive growth in basket values, which we did not see over the last four quarters. With inflation picking up, as well as in the last quarter, we saw a combined impact on ABV. So, all this meant that we saw very strong growth in EBITDA, as well as our recurring margins improving against last year. Just to remind you, Q4 is when we have some of the year-end promotional income, rebate income and certain items that get recognised. So Q4 tends to be a better quarter because of that and you can see in the Q3-to-Q4 jump in EBITDA margins. But if you look at it even against last year's Q4, we have seen strong growth in EBITDA margins.

(Slide 27)

If you look at the annual numbers, you can see the overall growth in EBITDA margins from just under 8% to 8.3%, and a similar impact on same-store sales, which is what has really translated to a positive growth momentum in this business.

(Slide 28)

We have seen a hike in electricity tariffs, as Krishan mentioned. Over the last year or so, the percentage impact on the income statement on electricity has not been as significant, but with this tariff increase, we will see a slight impact coming through. Of course, it is a question of how we offset that through margin improvements on the other side, as well as productivity gains.

(Slide 29)

The decomposition: ABV has grown by 4.7%, driven by a positive inflation of around 2% in the quarter, but we are also seeing positive weight of purchase, or the number of units in a consumer basket, showing a positive trend. Now with inflation picking up, it is a question of whether we will continue to see positive weight of purchase or not, which is too early for us to ascertain right now, but inflation will, of course, help overall same-store sales growth.

(Slide 30)

Moving on to our NEV business: we saw a strong growth in vehicle sales. If you look at it, the sort of momentum continuing, at least. So, from about 2,000 vehicles, we continued that momentum with about 2,100 vehicles handed over and revenue recognised in Q4, with an EBITDA contribution of about Rs.2 billion. If you look at the EBITDA contribution across, the numbers are changing based on the portfolio and the type of vehicles that we are also selling. Initially we were selling more of the higher-end vehicles and there was a lot of pent-up demand, but now the market is also shifting, where part of that may be getting saturated, and there are other segments based on the portfolio we are importing as well. So that is what we are seeing right now.

Leisure industry group

(Slide 31)

Moving on to Leisure, as Krishan mentioned, the month of May we are seeing good momentum with 8% growth as he mentioned. If you look at the month of March, typically that is the tail end of the winter season, if you look at January and February, you can see the growth versus the previous year, but in March there was a decline and that was due to the disruptions caused by the situation in the Middle East. So had it not been for that, I think not only Sri Lanka, but it is a similar story with the Maldives and right across our Leisure portfolio, we could have and or even would have had an even better performance. So, you can see the impact of that disruption from the Middle East conflict coming through to April, but as Krishan also mentioned, what is encouraging is that so far in the month of May we are seeing growth versus last year, and hopefully that momentum can continue.

(Slide 32)

In the Maldives, I think it is a similar story in terms of what I mentioned because of the Middle East disruptions, but hopefully you are starting to see that pick up.

(Slide 34)

So all this, if you look at what it translated to in terms of headline performance in our businesses: we saw Colombo Hotels with occupancy roughly about the same, a marginal decline against last year, but ARR's are up and we are starting to see that trend of improving ARR's, so margins at about the same level. Had it not been for these disruptions, March would have been certainly better where Colombo Hotels were more affected in a sense. Resorts had a very strong performance. ARR's were up again against last year, with occupancy being slightly down. The Maldivian resorts were again roughly at about the same level. So, if you look at our recurring EBITDA against last year, excluding CODSL, just to show that, we have seen growth against last year. And of course, because of CODSL's performance, the total portfolio performance is that much better.

(Slide 35)

These are just the annual numbers; I won't go through this.

(Slide 36)

On City of Dreams, as Krishan mentioned, we are seeing good momentum. Despite this dip, we expect things to pick up.

(Slide 37)

If you look at the occupancy in Q4, I think last year's comparison is not really relevant. But if you look at Q3 to Q4, there was a strong occupancy uplift in Q4. We had some events, including the Cricket World Cup and so on, that also helped and ARR's are also on a trend where we saw a jump from about USD 100 to now about close to USD 120, and this has translated to a positive EBITDA performance. If you look at the breakup, Q4 to Q4, from negative Rs.1.2 billion to almost a positive Rs.1.2 billion, that is what has happened in terms of EBITDA. And if you look at the depreciation impact, it is slightly higher than last year because we did not have all elements of the integrated resort functioning last year. But as you can see, that is now at about Rs.1.5 billion. Interest costs compared to last year has also increased because all elements are now hitting the income statement as opposed to some which were capitalised. And if you look at it at a PBT level, from about a Rs.4 billion loss it has come down to a Rs.2.8 billion loss and that is despite having a higher exchange loss of around Rs.400 million as well. So certainly, as you can see, the trend in performance is getting better quarter by quarter, which we expect to continue.

Property industry group

(Slide 38)

Moving on to our Property business: we continue to see good traction with our sales on VIMAN as well as TRI-ZEN, with Cinnamon Life also starting to pick up. We are looking at different aspects of it, where we hope to move a large part of this inventory in the coming year. With the revenue recognition on VIMAN and TRIZEN in particular, you can see the performance of the Property business has improved. I already spoke of Vauxhall DSTRCT, so I will not get into that again, but that is really monetising and heading into the next couple of years, you will start to see that translate into profits.

Financial Services industry group

(Slide 39)

And lastly, on our Financial Services business, for Q4, you have seen the gross written premium (GWP) growth in our insurance business. Of course, Q4 is typically not the quarter where you see significant performance; it is Q3 where we recognise the surplus. We have seen a decline against last year, mainly due to the shareholder fund performance as we have invested funds in the bancassurance business as well, which will give rise to a better recognition of surplus as we go into next year and beyond. NTB had a steady performance compared to Q3, as well as a strong performance against Q4 last year, strong loan growth. Net interest margins (NIMs) have come off somewhat given the rate environment that we saw. The quality of the portfolio is reflected in the low Stage 3 net loan ratio. NTB had announced, and we also disclosed, that NTB was acquiring the Retail Banking franchise of HSBC in Sri Lanka. That cutover happened on the 1st of May and has gone quite smoothly, and that transition has now fully happened. As NTB also disclosed, a lot of the portfolio that was expected to move has moved, with over 200,000 customer accounts now transitioning.

So that takes us to the end of the presentation. As I mentioned before, if you have any questions, please enter them in the Q&A tab at the bottom of your screens, and we will be happy to address any questions you have.

Q&A Session (responses by both panellists)

Retail industry group

Question:

How does the increase in the surcharge and LTV impact JKCG sales and how does the Group see pent-up demand normalising?

Response:

Yes, so the business had a very good year in the recently concluded financial year, of course boosted by the fact that imports had been banned for five years of vehicles, so there was a fair bit of pent-up demand. The surcharge recently announced, there was already a 30% surcharge on import duty on vehicles and that has now been increased to 50%. So, there will be some impact going forward. On top of that, we have seen the Rupee devalue somewhat, from what I mentioned, the Rupee which was about Rs.315 to the dollar at the end of March is currently about Rs.325 to the dollar. The vehicles that we have in stock currently and that were ordered prior to the surcharge increase will come in over the next few months and for what we already have in stock, we do not expect a change in price. We have also seen some momentum with the Middle East crisis, with the increase in fuel prices, we have seen increased interest in electric vehicles and hybrid vehicles, so we have seen a pickup in demand as a result of that. On the impact of the increase in surcharge and the devaluation of the Rupee, it is too early really to gauge the impact as we take new bookings and bring in new models, depending on the exchange rate at the time there could be a change in the cost to consumers. So, it is a little too early to gauge the impact, but we expect that there will be, over time, some impact on vehicle

sales. Although, as I said, we have seen a boost in interest in electric vehicles and plug-in hybrids because of the increase in fuel prices.

Question:

What is the average investment in a Supermarket outlet?

Response:

It varies because we have one or two key formats but of course what is contained within the formats also can vary. So roughly, depending on where the dollar is, we would say it would be about USD 900,000 to maybe a USD 1,000,000 roughly per outlet.

Question:

How many Supermarket outlets is the Group planning to open?

Response:

We are looking to open about 10 to 15 outlets, ideally, per year. Certainly, in this year, that is the target we are working towards.

Question:

What cost savings has the distribution centre generated?

Response:

I cannot specify a number, but certainly it has created efficiencies. In terms of the feasibility we had versus the actual performance, we are tracking in line with what we expected to save on the totality of our logistics and distribution cost. We have centralised all of our dry goods and we have also now centralised a lot of the fresh and chilled as well. All of this gives rise to a lot of synergies, even from a supplier standpoint, because they have one location to deliver to. The other benefits include the ability to manage inventory, redistribute stock across outlets, manage out-of-stocks, and so on, which is far easier to manage centrally than each of the outlets doing it. So certainly, in terms of the feasibility we had and the sort of impact we are seeing, it is in line.

Question:

What is the contribution from the Nexus loyalty programme?

Response:

I think it's not that the loyalty program itself, it's part of the business and what it generates, as opposed to the Nexus loyalty program itself. We don't sort of track that separately. We have an omni-channel offering in terms of how we service our customers, but the Nexus loyalty app is very much part and parcel of the business. It's not like there's a separate revenue line that's there for Nexus Loyalty alone, because, like I said, it's omnichannel through various different means that we have. But if you're asking the question on how much, sort of, just the online trading will be, it's still a very small component, because as we add outlets, we are seeing the physical footprint and the physical store sales increasing, so it's still, you know, earlier it was at around 1%, it's not really moved the needle beyond that, despite having all these other options for the convenience of customers in terms of how they can shop.

Also, more than looking at the Nexus profitability standalone, it is the impact it has on recurring footfall and the unique customer. Because of Nexus, we are now able to monitor

repeat unique customer footfall. With that and given some of the initiatives that the business has done around using advanced data analytics, we are able to monitor the impact it is having on repeat customers. So, the positive of the loyalty programme is not just the standalone profitability of the Nexus business, but the impact it has on driving overall customer footfall.

Question:

What is the current state of the court case relating to the tax dispute on BYD?

Response:

The matter is still in court. The issue is around the capacity and power of the engine, and the two sides are now making submissions. So, it will take some time and the matter remains in court.

Question:

Is there progress on the EV chargers at supermarket outlets?

Response:

That is progressing on plan, but it was not only about us expanding the EV network, but it is also third parties coming in. Generally, that has been progressing quite well.

Question:

What is the BYD order book?

Response:

We have about 2,300 vehicles in the order book as of now, and of course we are getting new orders as well as we speak.

Question:

What is the strategy with regard to the own-branded products at Keells and does the strategy work?

Response:

Yes, it does, because it works from the perspective of offering our consumers a certain different value proposition or value price point as well. And of course, it also enhances our margins. So, it is a combination of the two that really drives this strategy.

Transportation industry group**Question:**

How was LMS able to have 60% increase in volumes when the ship calls only increased by around 8%. Has LMS been able to capture some of the market share?

Response:

I think whilst yes the vessel calls itself to not just the port, but because of the disruptions in the Middle East, the need for bunker fuels shot up very significantly and as a result it is not just a question of taking share, because we already have a very high share, so it was a question of the overall market really growing because of these disruptions. Of course, that is not necessarily going to sustain at these elevated levels. Like I said, though it is still

higher, even the run rate we are seeing now in terms of margins and volumes is still higher than what we have seen typically, but certainly not at the elevated levels that we saw, say, in the month of March. This is really coming mainly from Colombo, not Hambantota.

Question:

What is the reason for the Q4 volume being slightly lower than Q3 volume in CWIT?

Response:

As I did mention, you have that impact on volumes through Chinese New Year, there is a certain reduction in trade patterns and so on. So it is that seasonality that is there if you look at Q3 to Q4. But there is nothing else in it, because really if you look at the month of April and the volumes we are doing, as I mentioned, that is doing more than the annualised 1.6 million TEU capacity, which would then reflect even better performance. So that's what it was and not really a plateauing. And that is also why I mentioned that the type of momentum we are seeing now gives us a lot of confidence that we need the capacity of phase 2 to come in very soon, or the sooner the better, because of the current volumes we are seeing.

Question:

What is the timing for phase 2 operationalisation at CWIT?

Response:

As we have said, we will look to operationalise and commence phase 2 before the end of this calendar year, and we are slightly tracking ahead of schedule. Some of the equipment will, as and when it starts coming in, will start getting installed, so it is not a sudden increase in capacity happening overnight. You will see that gradual increase happening as each of the cranes gets commissioned, because the quay wall itself is fully complete. So, then it is a question of installing the cranes and operationalising them progressively. The capacity from the current 1.6 million TEU will progressively increase and then we will have the full 3.2 million TEU ready before the end of the year.

Question:

What is the amount of the final liquidity tranche for CWIT?

Response:

We have invested about USD 57 million already, so roughly about maybe USD 18 million more or so to go.

Question:

What is the plan and process for SAGT as the concession is coming to an end?

Response:

The concession ends in, I think, August 2029, so about three years from now. We would look to see how we can extend the concession. We are engaging with the Government. There is not a way forward determined at the moment, so the discussions are ongoing, but if given the opportunity, we would like to extend the concession.

Question:

Has the crane rail repair at SAGT been completed?

Response:

Yes, that has been completed, so the full capacity is now back on stream.

Question:

What is the status of the contingent liability at LMS?

Response:

In the annual report, we have already disclosed the fact that we took an additional provision this financial year. Just because there is a contingent liability does not necessarily mean it will translate to an income statement charge in the future, unless circumstances change. So, the short answer is that the expectation is that it should not, though it is disclosed as a contingent liability.

Leisure industry group**Question:**

Did JKH receive a share of EBITDA from casino operations since Melco reported a positive EBITDA for the March quarter?

Response:

It is too early to comment on that. There are a number of variables as per the agreement with Melco, so it is too early to comment on whether we are entitled, based on the March quarter, to a variable rental. As of now, we have been receiving the fixed rental.

Question:

Can you provide some colour on the footfall at the casino? Are we on track for the gross gaming revenue (GGR) targets?

Response:

As I said at the start, compared to the first few months, we have seen a pickup in footfall and activity and revenue. Now, it is too early to say whether we are on track to achieve our medium-term targets that Melco and we had for that business. It is just encouraging that we are seeing increased activity over the last few months compared to where we were at the opening months of the casino. But it is too early to really comment on whether we are on track to achieve our targets.

Question:

What are the forward bookings looking like for tourism and what is update on the Middle East disruption impact?

Response:

Especially with regard to European bookings, compared to the pace we would normally see at this point for the two seasonal months of July and August and it is a little early for the winter season in any case, but for the winter season beginning from mid-November, the momentum has been slower compared to what we would see in a normal year. Given

all the uncertainty with flights through the Middle East and increasing flight costs, it is not a surprise that the momentum is slower. So, we will monitor that. Now with the situation in the Maldives settling, we think that there will be a pickup, and there has already been some pickup in the last few days for European bookings as well for the upcoming season. But again, what is encouraging is the strong growth we are seeing from India, which has always been our number one market into Sri Lanka. And we've always seen that as the big growth opportunity and the big opportunity for tourism in Sri Lanka. And it is encouraging to see the growth we have seen in the month of May. But overall, in terms of forward bookings, the momentum is less than what we would normally see.

Consumer Foods industry group

Question:

What is the capacity utilisation in Confectionery and Beverages?

Response:

In the last quarter, because of the 30% volume growth that we saw, due to market growth as well as disruption to competition, we were pretty much operating at full capacity on the Beverages side. But that will normalise, because that sort of volume growth will not necessarily sustain. So, we do have some spare capacity, but as we have indicated earlier, if current momentum continues, we will certainly need to invest in expanding our Beverage capacity. On Ice Creams, there are select investments that we have done in terms of extension of products like the extrusion products, cone bakery, and things, which will enhance our capability. But there is enough capacity given the investment made some years back in the new ice cream factory.

Question:

What is the status of the extrusion line?

Response:

We are now producing and selling some of these products in the market. There will be a pipeline of new products to come, but we have already operationalised the line and it is already being utilised. So that is why in Q3 and to some extent in Q4, with the commissioning of it, we had some costs related to production and wastage, but that is now behind us as we have launched some of these products.

Question:

What is the reason for the large capex increase in CCS in Q3?

Response:

I touched on the fact that we launched some extruded products. There was an investment in an extrusion line, as well as some of our other investments in Cone Bakery and things like that, which has added to the capex. It is really just creating new capacity and capability as well.

Question:

What is the reason for the Confectionery margin decline?

Response:

As I mentioned, there are certain raw material cost increases that we saw. The cocoa prices increased, so that was one of the main impacts. There were other impacts as well that affected the Confectionery business. Beverages offset a lot of that because of the strong volume growth that we saw.

Question:

What is the status of the Campacola partnership with Reliance?

Response:

As we have said before, it was not expected to be a material contributor in the initial years, but it is gaining traction slowly and we will see how it goes over the years.

Question:

What is the reason for the reduction in the effective tax rate for CCS?

Response:

I believe this was based on certain investment in CICL, which is the company that manufactures the extruded products and impulse products. I think there were enhanced capital allowances on the extrusion investment.

Question:

What is the impact on the sugar export ban by India?

Response:

We have already secured a lot of our sugar for the rest of this calendar year. We have forward bookings and contracts in place, so sugar itself is not a concern, we will manage that.

Financial Services industry group**Question:**

What is the status on the IFRS 17 switch-over in the Insurance business?

Response:

It is progressing fine. We have done all the groundwork and everything is ready for the transition. That will give a better ability to compare financial performance going forward.

Closing Remarks

I think I have covered most of the questions. Happy to connect if anyone has any follow-ups later on. The proceedings of this webinar will be posted on our website in the next couple of hours, as well as the transcript of these proceedings. With that, I would like to close. Thank you very much to everyone for joining today's webinar.