

JKH Investor Presentation

Review of Q2 2023/24

Version 3.0

EBITDA: For the quarter ended 30 September

EBITDA* (Rs. Million)	Q2 2023/24	Q2 2022/23	Variance	Variance (%)
Transportation	1,700	3,035	(1,335)	(44)
Consumer Foods	1,237	1,009	228	23
Retail	1,983	1,963	19	1
Leisure	1,065	1,005	60	6
Property	(435)	(279)	(156)	(56)
Financial Services	1,702	1,104	598	54
Other, incl. IT and Plantation Services	810	1,457	(647)	(44)
Group	8,061	9,294	(1,233)	(13)

**EBITDA includes interest income and the share of results of equity accounted investees which is based on the share of profit after tax but excludes all impacts from foreign currency exchange gains and losses (other than for equity accounted investees), to demonstrate the underlying cash operational performance of businesses.*

EBITDA: For the six months ended 30 September

EBITDA* (Rs. Million)	YTD 2023/24	YTD 2022/23	Variance	Variance (%)
Transportation	4,118	7,586	(3,468)	(46)
Consumer Foods	1,956	2,242	(286)	(13)
Retail	3,970	4,282	(312)	(7)
Leisure	1,349	2,874	(1,526)	(53)
Property	(248)	(419)	171	41
Financial Services	3,395	1,981	1,414	71
Other, incl. IT and Plantation Services	2,747	4,080	(1,333)	(33)
Group	17,288	22,628	(5,340)	(24)

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Quarterly EBITDA movement

EBITDA (Rs. Million)	2022/23			2023/24	
	Q2	Q3	Q4	Q1	Q2
Transportation	3,035	1,499	1,546	2,419	1,700
Consumer Foods	1,009	402	651	720	1,237
Retail	1,963	2,320	2,230	1,987	1,983
Leisure	1,005	1,898	3,787	284	1,065
Property	(279)	(312)	516	187	(435)
Financial Services	1,104	2,855	1,966	1,693	1,702
Other, incl. IT and Plantation Services	1,457	1,746	826	1,937	810
Group	9,294	10,408	11,523	9,227	8,061
LKR/USD exchange rate (period average in Rs.)	365	368	355	310	322

Finance Cost: For the quarter ended 30 September

Finance Cost (Rs. Million)	Q2 2023/24	Q2 2022/23	Variance	Variance (%)
Transportation	178	229	(51)	(22)
Consumer Foods	173	210	(38)	(18)
Retail	832	1,137	(306)	(27)
Leisure	2,928*	761	2,167	285
Property	27	(118)	145	123
Financial Services	-	(277)	277	100
Other, incl. IT and Plantation Services	2,677	1,878	798	42
Group	6,815	3,822	2,993	78
Forex loss on Cinnamon Life loan translation	(2,139)	-	(2,139)	-
Interest expense on HWIC Convertible Debentures**	(991)	(463)	528	114
Group excl. forex loss and Debenture interest	3,685	3,359	326	10

*The functional reporting currency of Waterfront Properties (Private) Limited (WPL), the project company of the Cinnamon Life Integrated Resort, was changed from US Dollars to Sri Lankan Rupees given the impending transition of the project from construction to an operational business next year, which resulted in a non-cash exchange loss of Rs.2.14 billion on the USD 225 million term loan facility at WPL.

**Includes notional non-cash interest charged on the convertible debentures amounting to approximately Rs.800 million and Rs.460 million, in Q2 2023/24 and Q2 2022/23, respectively.

Analysis of Finance Cost

Finance Cost (Rs. Million)	Q2 2023/24	Q1 2023/24	Q4 2022/23
Transportation	178	190	178
Consumer Foods	173	249	332
Retail	832	971	1,082
Leisure	2,928*	843	864
Property	27	31	25
Financial Services	-	-	-
Other, incl. IT and Plantation Services	2,677	3,061	2,954
Group	6,815	5,345	5,435
Forex loss on Cinnamon Life loan translation	(2,139)	-	-
Group excl. forex loss on Cinnamon Life loan translation	4,676	5,345	5,435
Average weekly AWPLR (% for the period)	16.4	20.9	24.8

**The functional reporting currency of Waterfront Properties (Private) Limited (WPL), the project company of the Cinnamon Life Integrated Resort, was changed from US Dollars to Sri Lankan Rupees given the impending transition of the project from construction to an operational business next year, which resulted in a non-cash exchange loss of Rs.2.14 billion on the USD 225 million term loan facility at WPL.*

PBT: For the quarter ended 30 September

PBT (Rs. Million)	Q2 2023/24	Q2 2022/23	Variance	Variance (%)
Transportation	1,530	2,799	(1,249)	(45)
Consumer Foods	779	547	233	43
Retail	500	102	398	388
Leisure	(2,721)	(1,240)	(1,481)	(119)
Property	(395)	(365)	(30)	(8)
Financial Services	1,695	1,082	613	57
Other, incl. IT and Plantation Services	(1,542)	(341)	(1,201)	(352)
Group	(154)	2,564	(2,717)	(106)
Forex loss on Cinnamon Life loan translation	2,139	-	2,139	-
Interest expense on HWIC Convertible Debentures	991	463	528	114
Group excl. forex loss and Debenture interest	2,976	3,027	(50)	(2)

Key financial indicators

(Rs. Million)	Q2 2023/24	Q1 2023/24	31 March 2023
Group debt* excl. leases and incl. convertible debenture	240,189	227,759	229,749
Group debt excl. leases and convertible debenture	220,279	208,635	211,369
Cash and cash equivalents	98,771	96,760	100,340
Net debt excl. leases and convertible debenture	121,508	111,875	111,029
Net debt excl. leases and convertible debenture/Equity (%)	34.0	32.4	30.8
Net debt excl. leases and convertible debenture/ recurring EBITDA (times)	-	-	2.4
EBITDA	8,061	9,227	45,740**

**Group debt includes the convertible debentures issued in August 2022. In the event the debentures are not converted during the conversion window, an obligation for Rs. 27.06 billion will materialise in August 2025.*

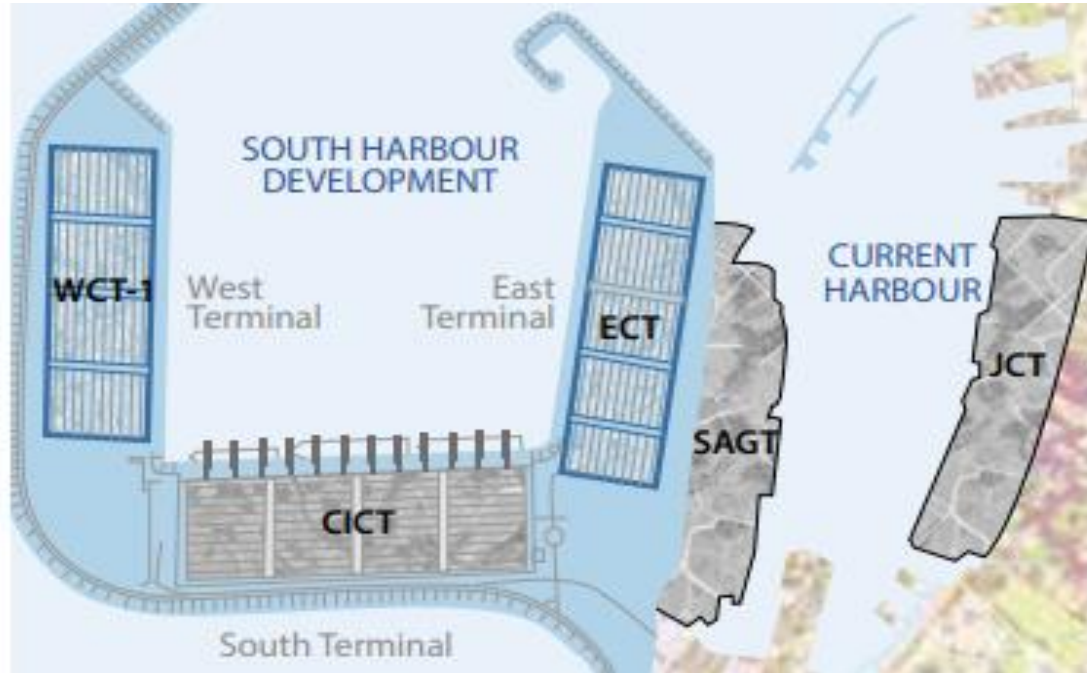
***Recurring EBITDA*

Overview of ESG initiatives

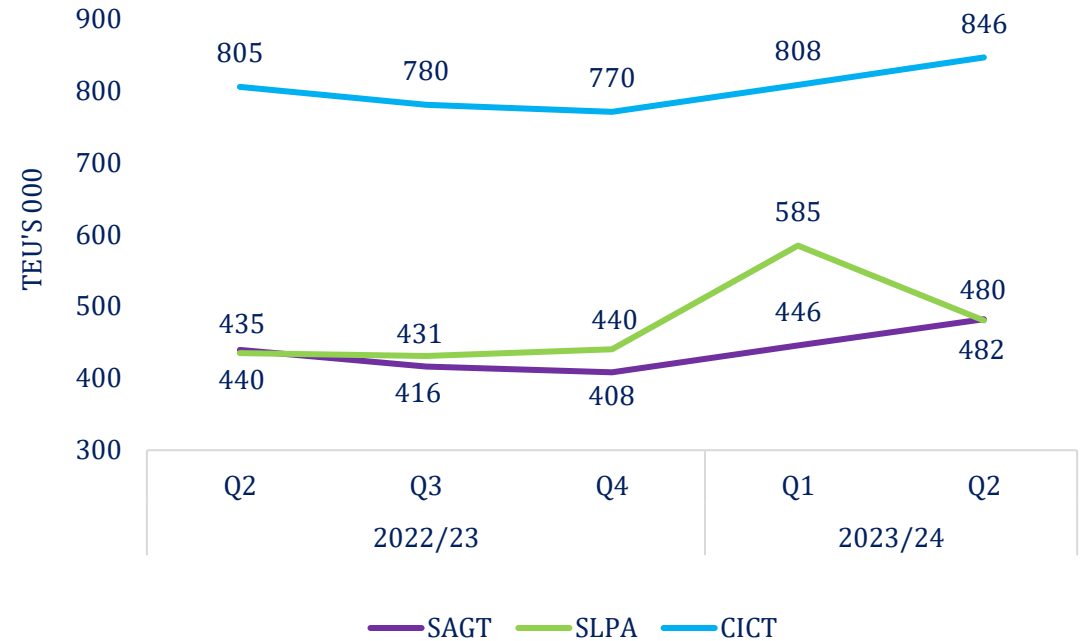
- The Group's carbon footprint per million rupees of revenue increased by 19% to 0.44MT.
- The Group's water withdrawal per million rupees of revenue increased by 30% to 9.25 cubic meters.
- The increase in the above ratios is mainly due to the decline in Group revenue in Q2 of the previous year, and due to higher levels of operational activity during the quarter, particularly in the Leisure, Supermarkets and Consumer Food businesses.
- Strengthening our efforts to promote public-private cooperation on employment support for persons with disabilities (PWD), the Group participated in a job coaching training workshop hosted by the Employment Support for Persons with Disabilities (ESPD) - which is a joint venture between the Japan International Cooperation Agency (JICA) and the Department of Social Services.

Transportation: Port of Colombo

Capacity Enhancements

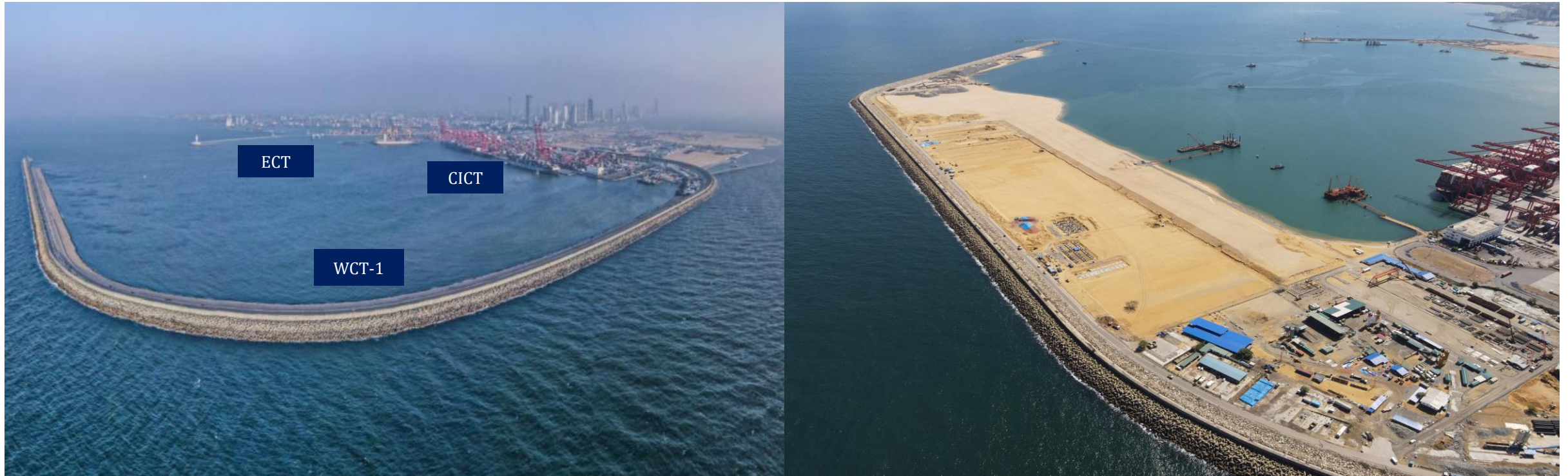


Port of Colombo Volumes



**SLPA includes volumes of JCT and ECT terminals*

WCT-1: Construction progress



November 2022

September 2023

- The groundwork on the West Container Terminal (WCT-1) at the Port of Colombo is progressing well with all construction work relating to the first phase of the project (800 meters of quay length) being awarded.
- Overall timelines for the project remain as originally envisaged, where Phase 1 is slated to be operational by 3Q 2024/25 and the remainder of the terminal is expected to be completed 3Q 2025/26.
- The U.S International Development Finance Corporation (DFC) has committed to finance the development of the WCT-1 project through a long-term loan facility of USD 533 million.

Transportation: Q2 2023/24

Port Business (South Asia Gateway Terminal)

Volumes (TEUs)	2022/23			2023/24	
	Q2	Q3	Q4	Q1	Q2
SAGT	439,605	416,381	408,261	445,515	482,255
Domestic: Transshipment volume mix	12:88	13:87	13:87	10:90	10:90

Bunkering Business (Lanka Marine Services)

LMS (%)	2022/23			2023/24	
	Q2	Q3	Q4	Q1	Q2*
YoY volume growth	(2)	(8)	(0)	(19)	(25)

**Excluding the fuel sales to local industries which was permitted by the Government in Q2 2022/23, the YoY volume decline for Q2 2023/24 is 11%.*

Q2 Earnings Update:

(Rs. mn)	Q2 2023/24	Q2 2022/23
EBITDA	1,700	3,035

- In Q2 of 2022/23, LMS recorded a substantial increase in profitability driven by high margins on account of the significant increase in global fuel oil prices. In addition, volumes included fuel sales to local industries.
- Whilst LMS recorded higher margins during Q2 2023/24, a decline in volumes impacted overall profitability.
- SAGT recorded a volume growth of 10%, surpassing the volume growth at the Port of Colombo of 8%. However, in addition to the impact of the appreciation of the Sri Lankan Rupee against the US Dollar, profitability was lower due to a change in the volume mix due to a decline in domestic import volumes, while ancillary revenues declined from the peak levels witnessed last year.

Consumer Foods: Q2 2023/24

Key performance indicators (%)	2022/23			2023/24	
	Q2	Q3	Q4	Q1	Q2
Volume growth:					
Frozen Confectionery	6	(19)	(30)	(10)	(2)
Beverages (CSD)	13	(19)	(40)	(3)	5
Convenience Foods	(11)	(33)	(48)	(35)	(18)
EBITDA (Rs. Million)	1,009	402	651	720	1,237
EBITDA margin	12	6	8	9	15
Revenue mix (CSD:FC)					
	38:62	38:62	38:62	44:56	41:59

Key performance indicators (%)	FY2019	FY2020	FY2021	FY2022	FY2023
Recurring EBITDA margin	18	20	20	17	10

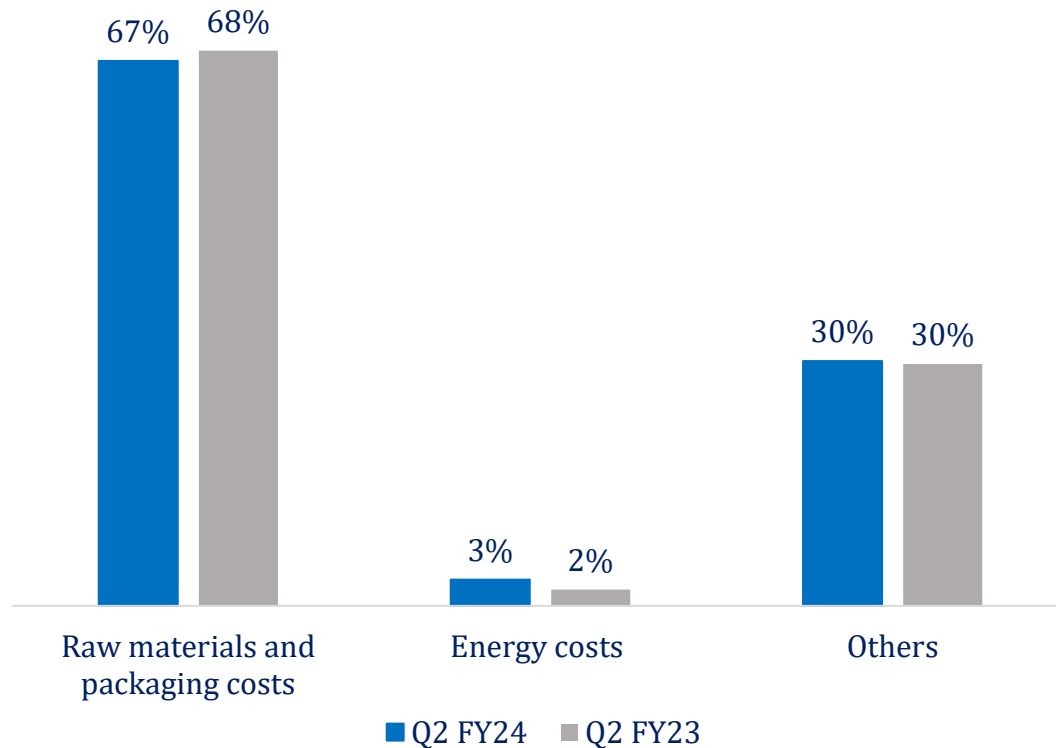
Q2 Earnings Update:

(Rs. mn)	Q2 2023/24	Q2 2022/23
EBITDA	1,237	1,009

- Both the Beverages and Frozen Confectionery businesses recorded an improvement in margins on account of declining raw material prices together with the stabilisation of the Rupee.
- The margins recorded an increase despite the impact of the Social Security Contribution Levy (SSCL) which came into effect in October 2022.
- Despite a 5% volume increase in the Beverages business, profitability of the business was impacted by a one-off increase in promotional and marketing related expenses which were undertaken during the quarter under review.

Cost of Sales analysis of the Beverages business

Cost of sales composition – Q2 2023/24 vs Q2 2022/23



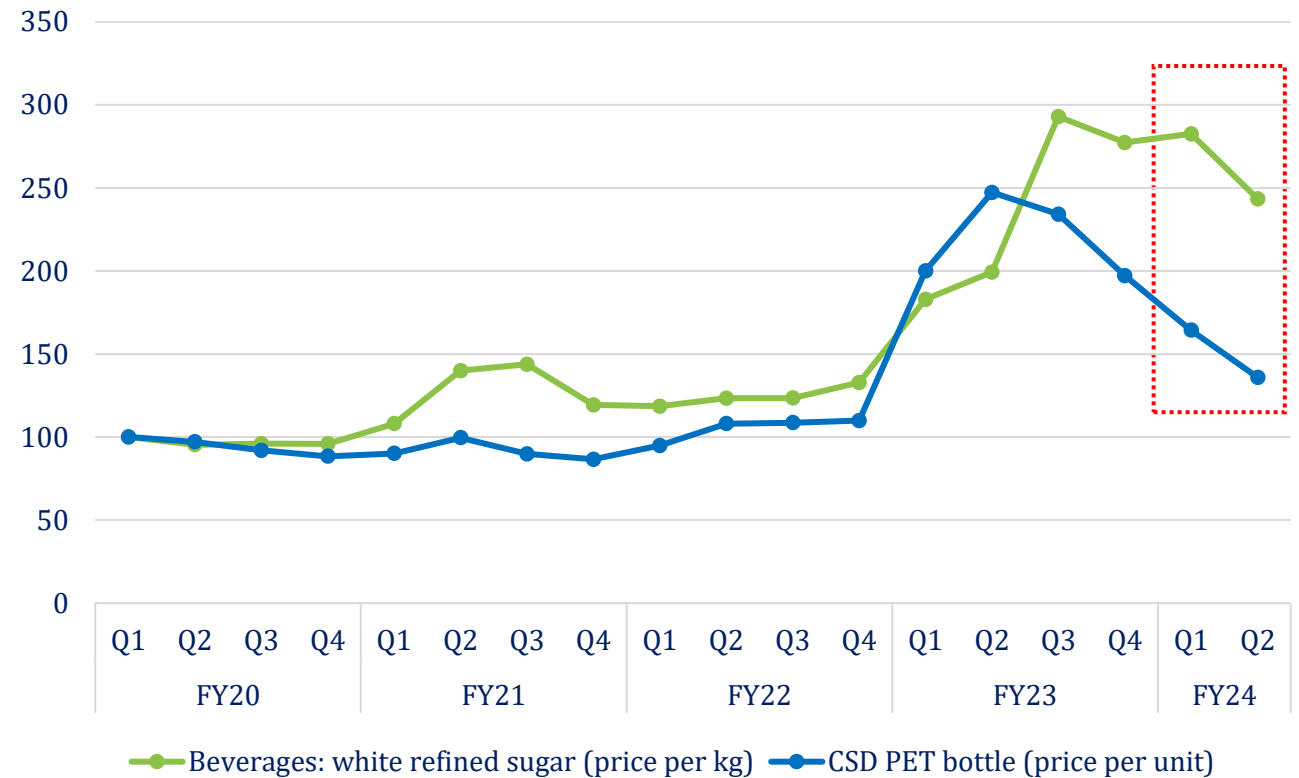
% of raw materials directly imported

Q2 2023/24: 39%

Q2 2022/23: 31%

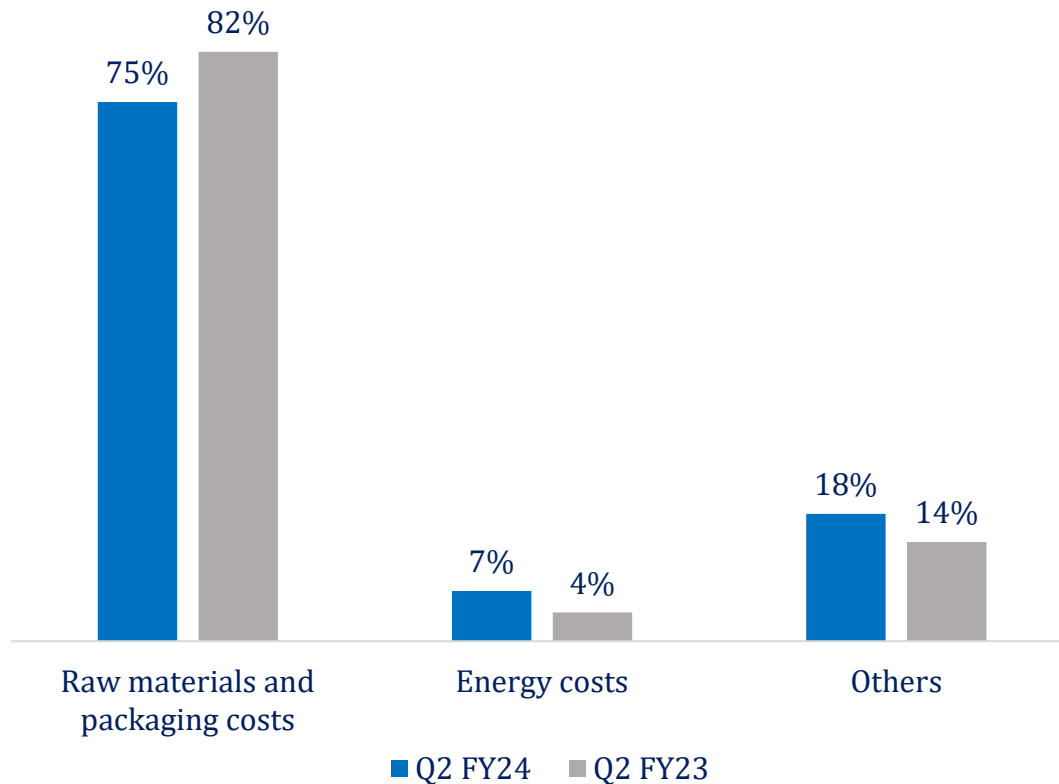
Indexed price of raw materials

Index: Q1 FY20 = 100



Cost of Sales analysis of the Frozen Confectionery business

Cost of sales composition – Q2 2023/24 vs Q2 2022/23

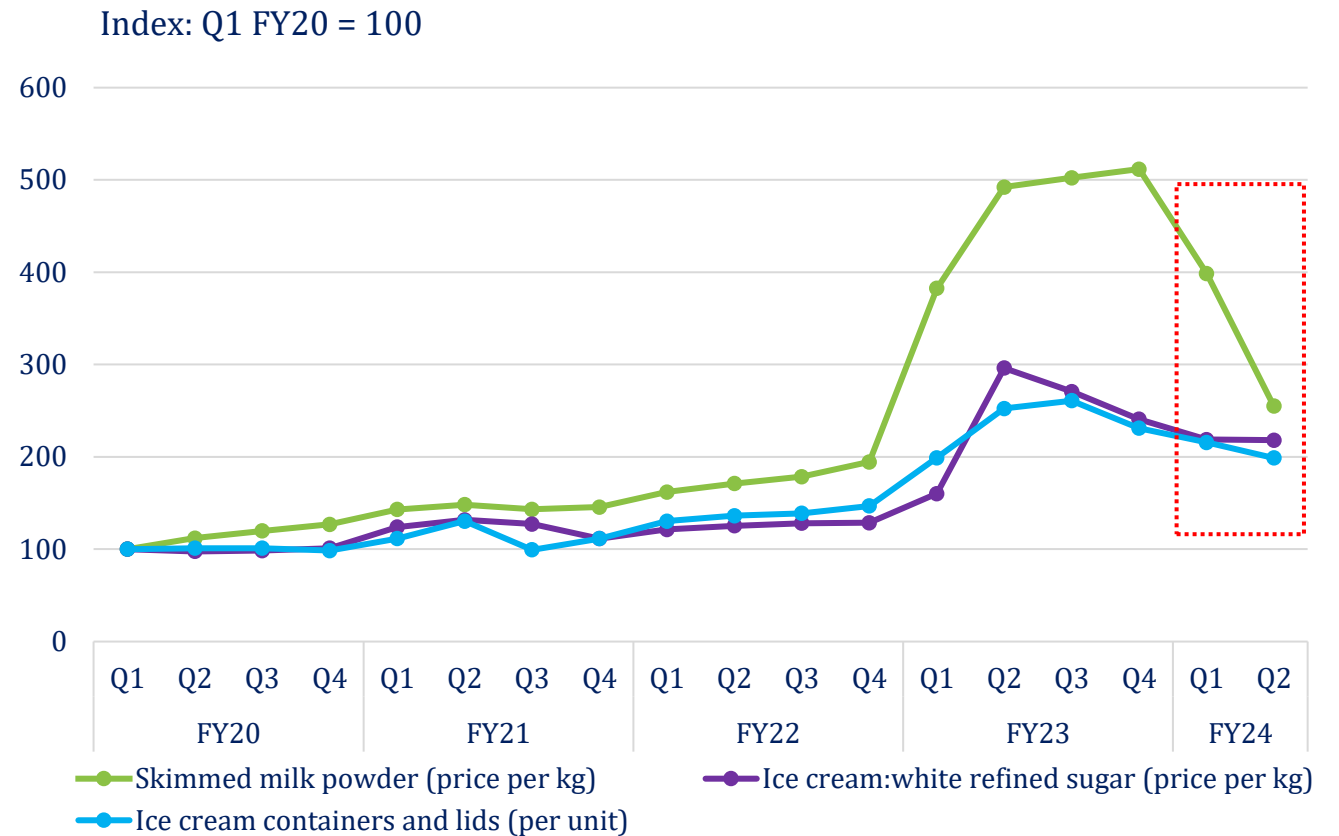


% of raw materials directly imported

Q2 2023/24: 65%

Q2 2022/23: 44%

Indexed price of raw materials



Retail: Q2 2023/24

Supermarket business

Key performance indicators (%)	2022/23			2023/24	
	Q2	Q3	Q4	Q1	Q2
Same store sales growth	73.7	40.6	30.1	22.8	10.4
Same store footfall growth	76.9	11.1	0.1	14.8	10.6
Average basket value growth	(1.8)	26.5	30.0	7.0	(0.2)
EBITDA (Rs. Million)	1,671	1,987	1,986	1,740	1,750
EBITDA margin	6.9	7.7	7.9	6.3	6.4

One outlet opened during the quarter, increasing the total outlet footprint as at 30 September 2023 to 132 outlets.

Q2 Earnings Update:

(Rs. mn)	Q2 2023/24	Q2 2022/23
EBITDA	1,983	1,963
<ul style="list-style-type: none"> The Supermarket business recorded a strong performance in revenue during the quarter, with same store sales recording an encouraging growth of 10%, driven by customer footfall growth of 11%. The increase in revenue coupled with the benefits accruing from various productivity and cost efficiency initiatives and supplier negotiations drove the improvement in EBITDA. The Office Automation business recorded an increase in mobile phone sales volumes. 		

Retail: Q2 2023/24 vs Q2 2022/23

Same Store
Sales
10.4%

Q2 2022/23:

- Sustained growth was maintained despite the challenging operational environment.

Q2 2023/24:

- The conversion of standard format outlets to an extended format, along with promotional campaigns, contributed to same store sales growth.

Same Store
Footfall
10.6%

Q2 2022/23:

- Customer Count was maintained despite the challenging operational environment.
- Given the macroeconomic conditions, demand shifted towards Modern Trade in comparison to General Trade.

Q2 2023/24:

- Continued to attract new customers as well as improved footfall from existing customers with the easing of inflationary pressures.

ABV
(0.2)%

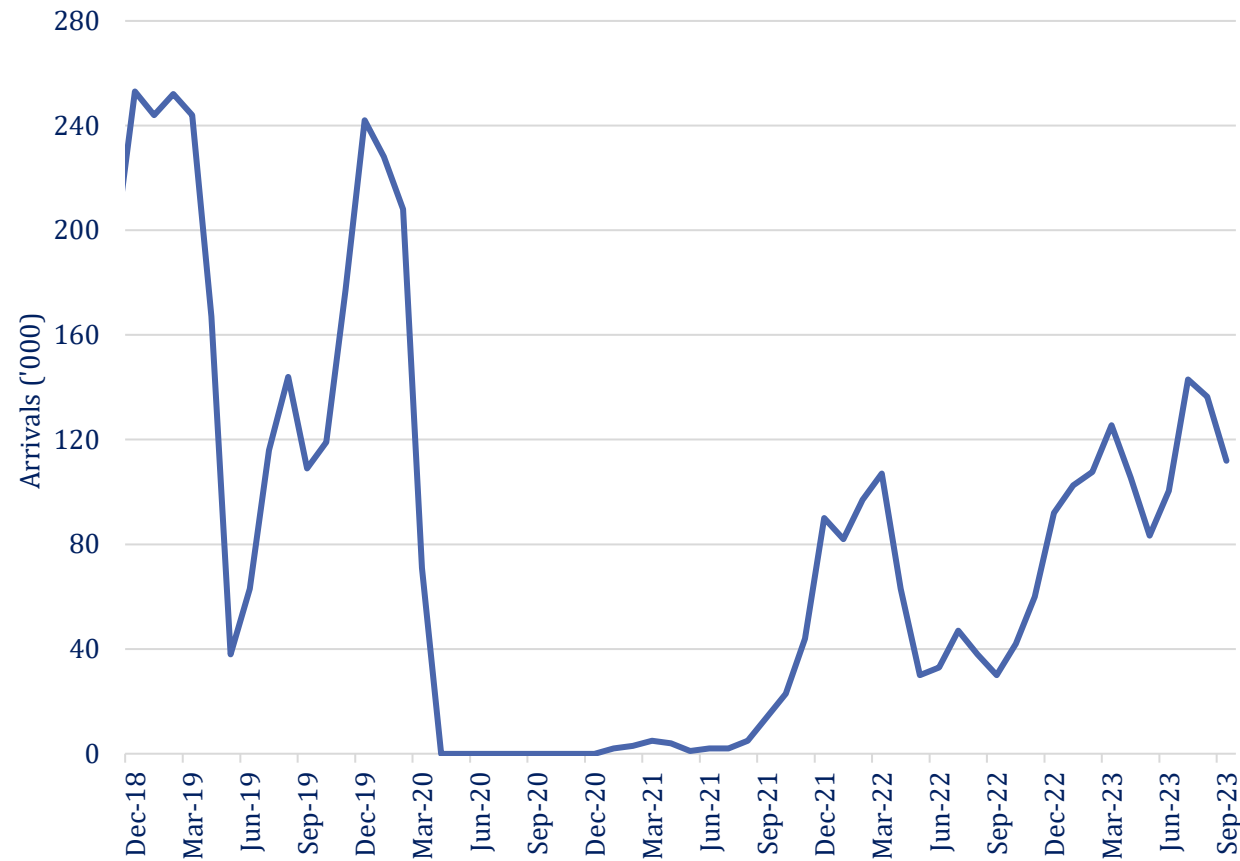
Q2 2022/23:

- September 2022 NCPI (YoY) – 73.7%.
- Due to adverse macroeconomic conditions, the Weight of Purchase (WOP) decreased due to reduced spending on non-essential items, while the Retail Selling Price (RSP) rose significantly on account of high inflation levels.

Q2 2023/24:

- September 2023 NCPI (YoY) – 0.8%.
- Despite a QoQ tapering down of inflation, the slight YoY increase in inflation led to a rise in the RSP.
- The ongoing reduction in the consumption of non-essential items led to a decrease of the WOP, which contributed more significantly to the decline in the ABV.

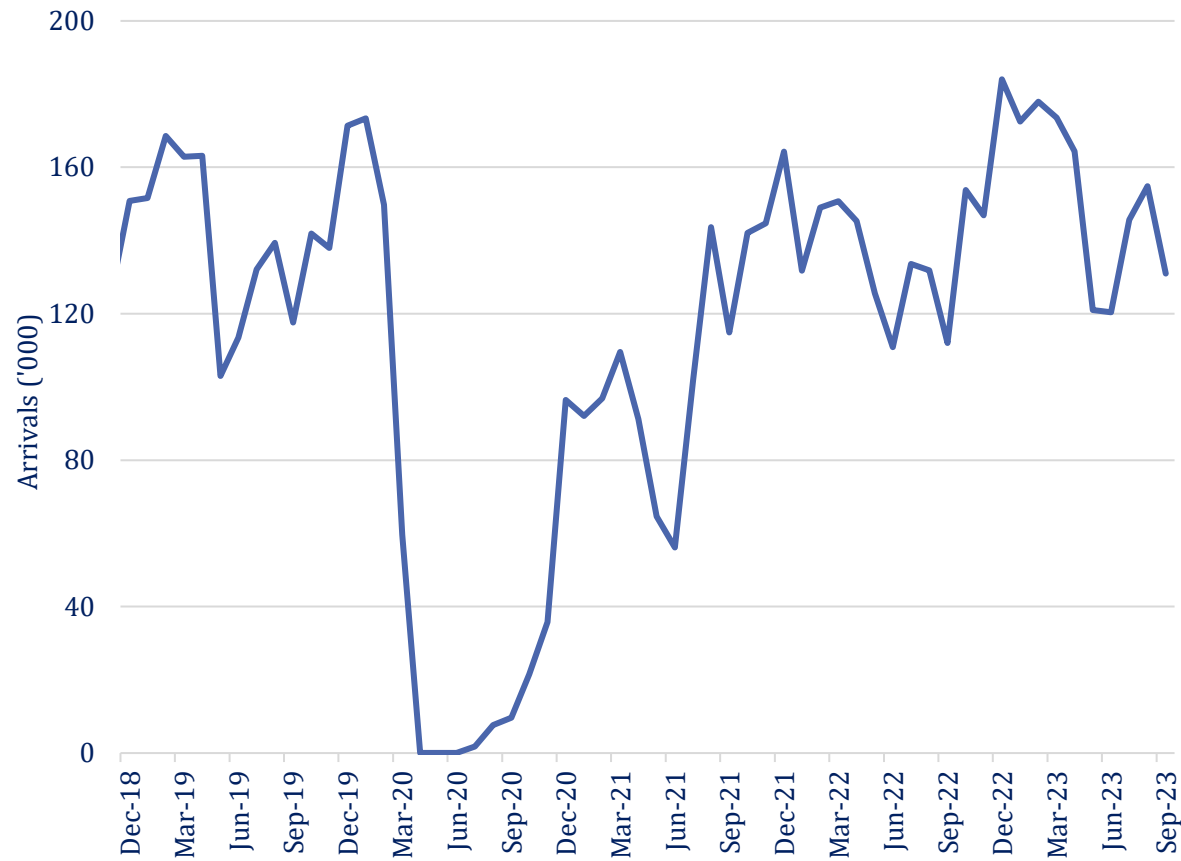
Tourist arrivals to Sri Lanka: recovery trend post-pandemic



Source: Sri Lanka Tourism Development Authority

Sri Lanka - Monthly Tourist Arrivals					
Month	2019	2020	2021	2022	2023
Jan	244,239	228,434	1,682	82,327	102,545
Feb	252,033	207,507	3,366	96,507	107,639
Mar	244,328	71,370	4,581	106,500	125,495
Apr	166,975	-	4,168	62,980	105,498
May	37,802	-	1,497	30,207	83,309
Jun	63,072	-	1,614	32,856	100,388
Jul	115,701	-	2,429	47,293	143,039
Aug	143,587	-	5,040	37,760	136,405
Sep	108,575	-	13,547	29,802	111,938
Oct	118,743	-	22,771	42,026	109,199
Nov	176,984	-	44,294	59,759	
Dec	241,663	393	89,506	91,961	
Total	1,913,702	507,704	194,495	719,978	1,125,455

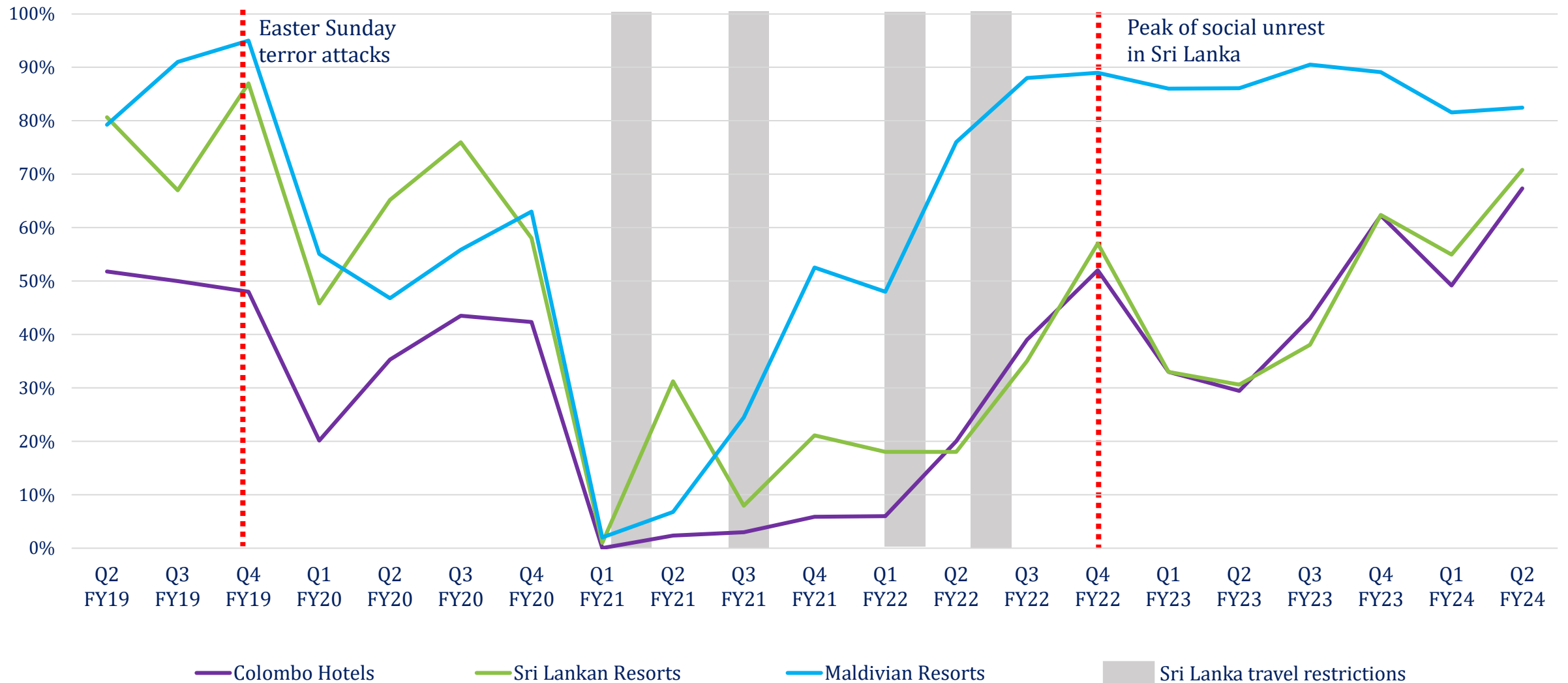
Tourist arrivals to the Maldives: recovery trend post-pandemic



Source: Ministry of Tourism Maldives

The Maldives - Monthly Tourist Arrivals					
Month	2019	2020	2021	2022	2023
Jan	151,552	173,347	92,103	131,764	172,499
Feb	168,583	149,785	96,882	149,008	177,915
Mar	162,843	59,630	109,585	150,739	173,514
Apr	163,114	13	91,200	145,279	164,357
May	103,022	41	64,613	125,522	120,959
Jun	113,475	1	56,166	110,889	120,363
Jul	132,144	1,752	101,818	133,561	145,620
Aug	139,338	7,636	143,599	131,862	154,854
Sep	117,619	9,605	114,896	111,986	130,967
Oct	141,928	21,515	142,066	153,737	159,141
Nov	137,921	35,757	144,725	146,886	
Dec	171,292	96,412	164,284	184,051	
Total	1,702,887	555,494	1,321,937	1,675,303	1,520,189

JKH Group: Leisure occupancies



Leisure: Q2 2023/24

Key indicators	2022/23			2023/24	
	Q2	Q3	Q4	Q1	Q2
Colombo Hotels*					
Occupancy (%)	29	43	62	49	67
ARR (USD)	62	65	63	70	69
EBITDA Margin (%)	(4)	12	14	(3)	13
Sri Lankan Resorts					
Occupancy (%)	31	38	62	55	71
ARR (USD)	57	63	71	59	62
EBITDA Margin (%)	(25)	(11)	33	(18)	4
Maldivian Resorts					
Occupancy (%)	86	91	89	82	82
ARR (USD)	316	372	416	336	315
EBITDA Margin (%)	26	31	40	23	17

*Occupancies and ARRs exclude "Cinnamon Red Colombo". The performance of "Cinnamon Life Colombo", currently under construction, will be reported once the project commences operations.

Q2 Earnings Update:

(Rs. mn)	Q2 2023/24	Q2 2022/23
EBITDA	1,065	1,005

- The Sri Lankan Leisure businesses continued to record an improvement in performance, with an increase in occupancies and room rates across properties.
- The Colombo Hotels segment continued its strong performance in restaurant operations whilst recording an increase in the number of events and banquets.
- The performance of the Group's Maldivian Resorts segment was impacted by a change in the mix of overall arrivals to the Maldives. Profitability was further impacted by higher distribution costs due to the channel mix.

Cinnamon Life Integrated Resort



Initial sketch by Sri Lankan-British Architect,
Cecil Balmond



The 3D rendering of “Cinnamon Life”



“Cinnamon Life” under construction

Cinnamon Life Integrated Resort



Rendering of “Cinnamon Life”



Actual construction progress of “Cinnamon Life”

Cinnamon Life Integrated Resort



Gaming

Further to the ongoing discussions with prospective gaming operators, WPL entered into a Memorandum of Understanding with a leading international gaming operator.

This MOU consists of the framework for investing into and operating of a casino at the Cinnamon Life Integrated Resort as well as the commercial framework between the parties.

As originally envisaged, WPL will lease out space at the Cinnamon Life Integrated Resort for the operation of the casino.

Cinnamon Life Integrated Resort

Change in the functional reporting currency of Waterfront Properties (Private) Limited (WPL)

The functional reporting currency of WPL, the project company of the Cinnamon Life Integrated Resort, was changed from USD to LKR given the impending transition of the project to operations next year.

The depreciation of the LKR against the USD post-transition resulted in a non-cash exchange loss of Rs.2.14 billion on the USD 225 million term loan facility at WPL, which is recognised under Finance Cost in the Leisure industry group.

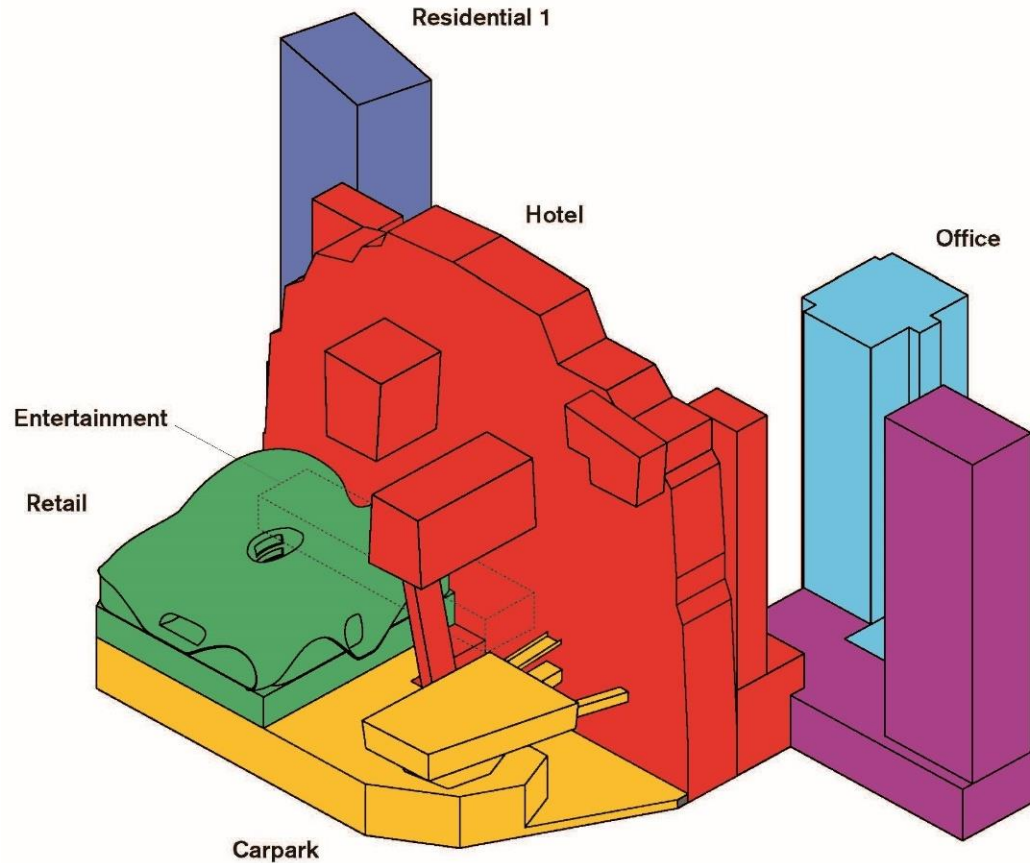
Previously, under a USD functional reporting currency at WPL, the exchange rate exposure of the USD denominated loan was matched against the USD denominated assets at WPL. This hedge ceases to operate on conversion to the LKR functional currency as the asset values no longer benefit from the movement in exchange rates.

Taking a longer-term view, the overall financial performance of the Group, and WPL, will benefit from the conversion of the asset to LKR at a point of time where the LKR is relatively strong.

Assuming the LKR will, on average, depreciate in the long-term, the conversion at this juncture results in a relatively lower LKR carrying cost of the asset, thereby improving the Group's capital employed and returns. Similarly, the depreciation charge on the entire asset will also be anchored to a lower LKR value, thereby having a positive impact on profitability in the long-term.


Whilst the exchange loss arising from the USD 225 million term loan facility will be ongoing under an LKR depreciation environment, it is noted that the loan facility will mature in December 2026. Once operations commence, the business will generate USD denominated streams of revenue through its hotel and conferencing facilities.

Cinnamon Life Integrated Resort



 Conferencing capacity (~5,000 pax) in five venues and car park facility (2,330 slots)

 800 guest room hotel, including conferencing, banqueting, 7 speciality restaurants (~1,300 pax) and entertainment facilities

 The hotel and conferencing space collectively entails:

- 3 ballrooms, 7 meeting rooms, an exhibition hall and a conference hall
- 6 restaurants, 5 bars, 2 lounges and 3 pool bars and lounges
- 4 pools and wellness and fitness related spaces

Rentable mall ~149,000 Sq. Ft (Gross – ~345,000 Sq. Ft) and entertainment space of ~160,000 Sq. Ft

Residential 2

 First residential development of approximately – 358,000 Sq.ft. (231 units)

 Second residential development of approximately – 255,000 Sq.ft. (196 units)

 A standalone office development ~254,000 Sq.ft. of rentable area (24 floors)

Growth potential - MICE market

- The number of outbound MICE travelers from India and China was at 2 million and 5 million (pre-pandemic).
- Colombo is well poised to take advantage of the growing outbound MICE travel from India.
 - The ARR and Conference Package Rate is lower in Colombo than India.
 - Travel time from India to Colombo is the lowest compared to regional competitors.
 - Budget carriers to reduce cost of air travel.
- India also has a booming outbound destination wedding market.
 - Thailand attracts ~300 Indian destination wedding each year.

Property: Q2 2023/24

Cumulative sales update:

(As at 30 September 2023)	Number of units sold	Number of remaining units
Cinnamon Life:		
The Residence at Cinnamon Life	145	86
The Suites at Cinnamon Life	109	87
Total	254	173
TRI-ZEN	670	221

Q2 Earnings Update:

(Rs. mn)	Q2 2023/24	Q2 2022/23
EBITDA	(435)	(279)
<ul style="list-style-type: none"> The EBITDA includes profit recognition from 'TRI-ZEN' and rental income from ten floors of 'The Offices at Cinnamon Life'. Q2 of 2022/23 included revenue and profit recognition from real estate sales in Digana, through Rajawella Holdings (Private) Limited. The profitability of 'TRI-ZEN', which records the Groups' share of profit after tax as it is an equity accounted investee, was impacted by higher finance expenses on account of temporarily higher working capital requirements for the construction of the project. 		

Viman



In September 2023, John Keells Properties launched its latest residential project, 'Viman', located in the heart of Ja-Ela, a suburban area in close proximity to Colombo.

Spread across six acres, offering a harmonious blend of modern comforts with 418 apartments, 'Viman' is designed to provide a secure, family-friendly environment with convenient access to the city of Colombo, while retaining the charm of a small-town setting.

The preliminary sales interest for the project has been encouraging and construction of the first phase is expected to commence next year.

Financial Services: Q2 2023/24

Union Assurance PLC

Key performance indicators (%)	Q2 2022/23 (Jul-Sep 2022)	Q3 2022/23 (Oct-Dec 2022)	Q4 2022/23 (Jan-Mar 2023)	Q1 2023/24 (Apr-Jun 2023)	Q2 2023/24 (Jul-Sep 2023)
GWP growth	3	3	5	21	15
Net profit (Rs. Million)	297	1,970	445	469	435
Net profit growth	5	44	105	79	46

Nations Trust Bank PLC

Key performance indicators (%)	Q2 2022/23 (Jul-Sep 2022)	Q3 2022/23 (Oct-Dec 2022)	Q4 2022/23 (Jan-Mar 2023)	Q1 2023/24 (Apr-Jun 2023)	Q2 2023/24 (Jul-Sep 2023)
Net profit growth	52	16	79	208	29
Loan growth	7	(3)	(11)	(14)	1
Net Interest Margin	8.1	7.0	8.0	7.6	6.7
Stage 3 loan ratio (net)	2.5	2.6	3.4	3.4	3.3

Q2 Earnings Update:

(Rs. mn)	Q2 2023/24	Q2 2022/23
EBITDA	1,702	1,104
<ul style="list-style-type: none"> NTB recorded a strong growth in profitability driven by net interest income through proactive asset liability management. UA recorded encouraging double-digit growth in gross written premiums, driven by renewal premiums and higher yields on investments. 		

THANK YOU

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