Equity Research | Capital Goods

John Keells Holdings PLC (JKH.N)

Notwithstanding possible short-term headwinds, we maintain at BUY with a target price of LKR 30.00 (c. 55% upside). FY27E revenue is expected to be flat as JKCG normalizes off an exceptional first year. Leisure is main the risk factor in the coming year with higher possibility of variance from our estimates.

FY26 results; the investment cycle starts paying. JKH reported FY26 group revenue of LKR 528.9 Bn (+66.6% Y/Y), EBITDA of LKR 78.0 Bn (a 14.8% margin) and recurring EPS of LKR 0.77, up from LKR 0.30 in FY25. This step-change reflects the first full-year contributions from three new growth engines: City of Dreams Sri Lanka (CODSL), which turned to a positive EBITDA of LKR 0.9 Bn; West Container Terminal (WCT), which recorded a positive PAT in its inaugural year; and JKCG vehicle dealership, which delivered more than LKR 150 Bn of revenue and LKR 18.1 Bn of EBITDA in its first year of operations. (c.28% and c.18.1% of consolidated revenue and EBITDA respectively.

JKCG deliveries continue to surprise to the upside. In its first full year, JKCG has already become the group's largest revenue contributor bringing in >LKR 150 Bn with an EBITDA contribution of LKR 18.3 Bn, implying a margin of c. 12% margin. Whilst BYD deliveries in YTD 2026 have come in higher than we previously estimated, the narrative is now shifting to normalisation with registrations easing from c. 1,000 p.m. to a trailing run rate of c. 780 p.m. by June 2026. The revenue mix has shifted from the premium Sealion 6 and mid market ATTO 3 to more affordable models such as the ATTO 1. Estimated 1Q FY27 volume of 2,068 units also sit below the 2,633 recorded a year earlier. We conservatively assume trailing volumes drift toward c. 650 units/month by March 2027 as pent-up demand fades. Even on that cautious path, we believe current momentum is sufficient to maintain FY27E revenue at c. LKR 107.7 Bn and EBITDA c. LKR 10.2 Bn. Over time the margin should widen from c. 9.5% toward c. 13.0%, as contribution from higher margin repair & services income gradually picks up.

Exhibit 3: BYD & Denza Cumulative Volumes Climbed to ~9,900, but Trailing Avg Monthly Run-Rate Has Peaked

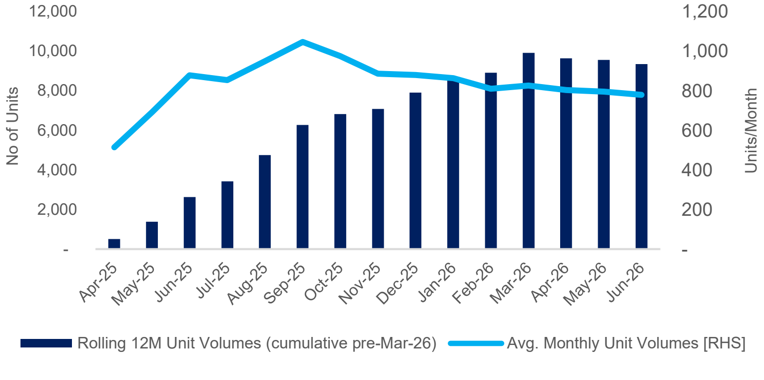
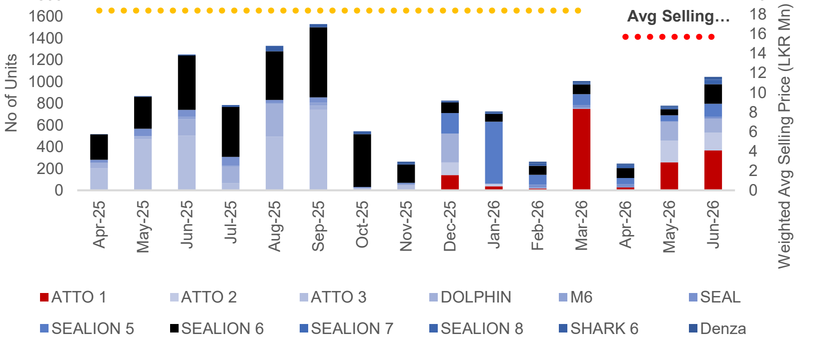


Exhibit 4: Mix Shifts to Lower-Priced ATTO 1 as Avg Selling Price Falls from LKR 18.4mn to 15.7mn
Monthly Registrations by Model



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Rating & Outlook: BUY | Neutral	
CMP (LKR)	19.60
12M Target Price (LKR)	**30.00**
Previous Target Price (LKR)	28.25
Potential Upside/ (Downside)	55%
Mkt Cap (LKR Bn)	349.36
Issued Quantity (Shares Mn)	17,734
52-week High | Low (LKR)	25.10 | 17.80
TTM P/E	25.45
TTM Dividend Yield	1.7%

Exhibit 1: JKH Share Price vs ASPI

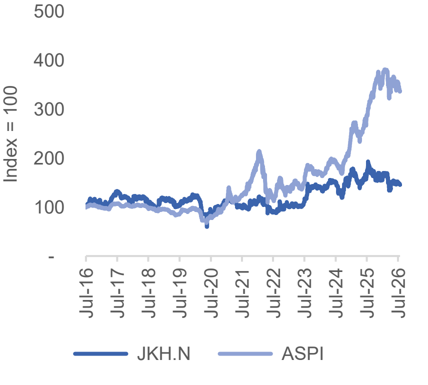
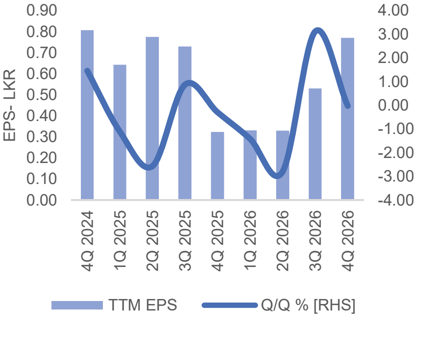


Exhibit 2: JKH TTM EPS Rebuilds to LKR 0.77 as New Engines Contribute



Transportation revenue/ earnings is expected to receive a boost in FY27E as shipping lines reroute to alternative regional ports including Colombo. Port volumes corroborate the trend with Colombo handling 3.70m TEUs in the first five months of 2026 (vs. 3.26m in 5M 2025; +13.5% Y/Y). A significant part of this reflects disruption in the Middle East, which has diverted shipping routes away from impacted ports such as Jebel Ali toward alternative hubs. Given its position on the principal Asia-to-Europe shipping lane, Colombo has captured a rising share of the resulting transshipment volumes (supported by capacity addition at WCT) and bunkering traffic. This supports both container throughput at WCT (over and above the terminal's underlying ramp-up) and bunkering volumes at LMS. We expect Transportation to remain one of the faster-growing segments in FY27E, up c.17.0% to LKR 73.6 Bn, while noting that part of this benefit is event-driven and could ease if regional shipping patterns revert and traffic returns to competing ports.

LKR depreciation a mechanical tailwind for USD-linked segments: We assume that LKR weakness (c. 7.0% depreciation against the USD since last quarter of FY26) will prevail through FY27E with the exchange rate remaining above LKR 330/ USD. Currency weakness lifts the top line for JKH's USD-linked revenue streams such as Leisure and Transportation, even where underlying USD denominated volumes are flat, and can add foreign-exchange translation gains on foreign currency denominated balance-sheet items.

Leisure sector, FY26's best performer is FY27's key risk. In percentage terms, Leisure was the strongest performer of the year, with trailing revenue rising 34% to LKR 66.9Bn at an 18.7% EBITDA margin. That advance came from the first full year contribution of City of Dreams Sri Lanka, supported by a broad recovery in hotel occupancy and room rates. Having led in FY26, it now becomes the segment we monitor most closely. Current arrival trends point to revenue slipping about 5.3% to LKR 63.4Bn in FY27E, with the margin compressing. The currency tailwind on its dollar-denominated hotel revenue cushions that decline but does not fully offset it. This leaves Leisure as the single segment most likely to determine any further variance to our forward forecasts for FY27E and FY28E.

CCS steadily compounding off a higher base. CCS maintained its momentum through FY26, with both Manufacturing and Supermarkets reporting mid to high teens revenue growth and moderate margin expansion. The segment's appeal lies in its dependability through economic cycles, which coupled with steady rollout of new Keells stores adds a reliable layer of growth. Together, these allow earnings to compound steadily off an already large base. Looking ahead, we expect combined Retail and Consumer Foods revenue to grow c. 18% in FY27E to LKR 217 Bn, with Manufacturing up around 13% and Supermarkets up around 19%.

Estimates and Investment Case; long-term narrative intact despite potential short-term tailwinds. FY26 was the point at which JKH's multi-year investment program began to convert into earnings, with a full year of positive EBITDA contributions from CODSL, WCT and JKCG. FY27E is expected to face some revenue headwinds, primarily as JKCG vehicle deliveries normalize coming off exceptional first year (see Exhibit 7). JKCG's c. LKR 50 Bn revenue drag offsetting the c. LKR 32 Bn of CCS revenue growth and positive contribution from the remaining segments. We also expect CODSL revenue to decline slightly due to the ME disruptions this year. Group revenue is therefore expected to remain broadly flat at LKR 521.2 Bn, masking continued growth across the underlying portfolio.

Exhibit 5: Colombo Container Handling Rises in Every Month of 2026, Peaking at +22% Y/Y in April

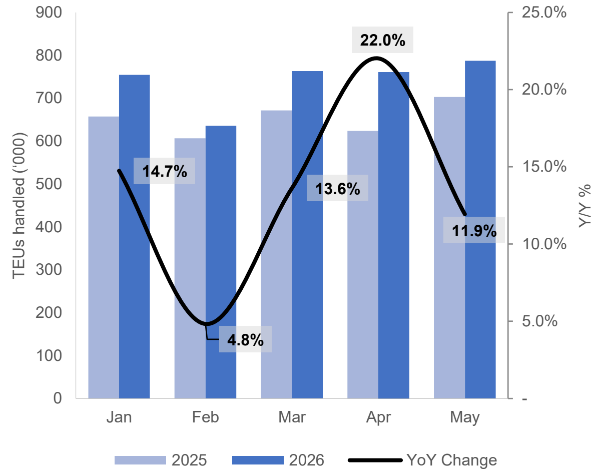


Exhibit 6: Daily Tourist Arrivals Momentum Turns Negative Y/Y through 2026 — the Key Leisure Risk

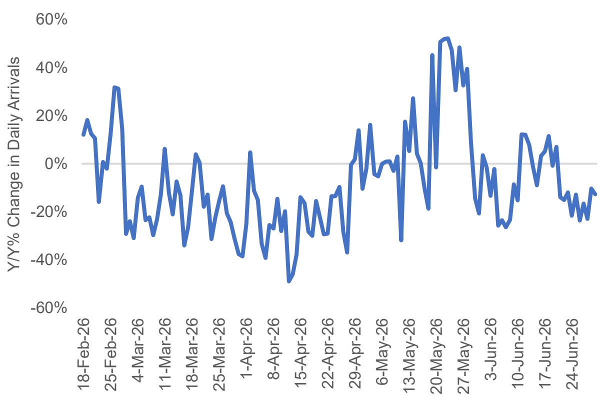
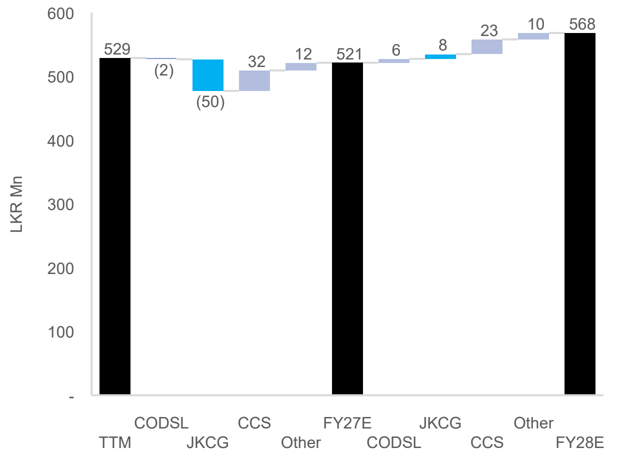


Exhibit 7:Revenue Bridge: JKCG Normalisation Offsets CCS Growth, Leaving FY27E Broadly Flat at ~LKR 521Bn



The EBITDA bridge (Exhibit 8) is more constructive. JKCG normalization is expected to lower EBITDA by c. LKR 9 Bn in FY27E. However, compounding at CCS and across the wider group and higher contribution from equity accounted associates, namely WCT and NTB is expected to hold FY27E EBITDA at c. LKR 76 Bn, stepping up to c. LKR 86 Bn in FY28E.

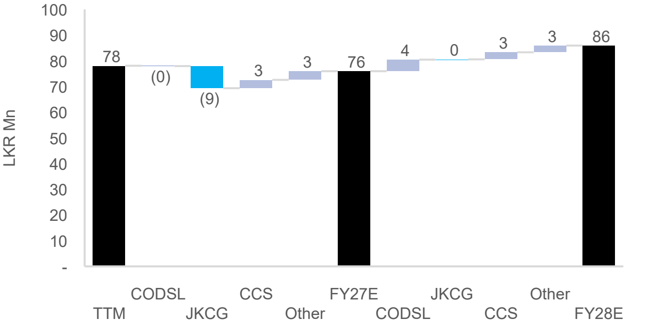
Valuation: We maintain our BUY rating and raise our 12-month target price to LKR 30.00 from LKR 28.25, implying roughly 55% upside from the current price of LKR 19.60.

FY26 revenue came in 6.5% ahead of our forecast (LKR 528.8 Bn) while EBIT was 15.4% ahead (Exhibit 9). Rolling the larger base forward, we raise our FY27E revenue to LKR 521.2 Bn (+15.6%), EBIT to LKR 35.3 Bn (+12.1%) and EPS to LKR 0.96 (+3.2%).

Our target price is set on a sum-of-the-parts (SOTP) valuation methodology (Exhibit 10) with core operating sectors valued at LKR 539.1 Bn based on a DCF model with a WACC of 12.4% and a terminal growth of 5.0% (Exhibit 11). Adding in the contribution from the other segments and accounting for the required adjusting we derive an equity value of LKR 538.3 Bn, or LKR 30.41 per share.

The LKR 1.75 uplift in the target price is driven by the higher DCF value for the core operating segments off the higher base in FY26.

Exhibit 8: EBITDA Bridge: Continued Compounding Lifts FY27E to ~LKR 76Bn and FY28E Toward ~LKR 86Bn



Our revised EPS outlook results in a forward PER of 20.5x below its trailing 10Y average PER of 23.9x. We believe that the market isn't fully appreciative of JKH's step-change in its earnings base attached to its new growth engines and is likely to re-rate the stock once this is made visible in upcoming earnings prints. Execution on tourist arrivals and vehicle volumes, however, remain the principal risk to this re-rating (Exhibit 12).

Exhibit 9: Estimate Revisions

LKR Bn	FY26 - A	FY26E - O	A vs E %Δ	FY27E - O	FY27E - R	% Δ
Net Revenue	**528.8**	**496.7**	**6.5%**	**450.9**	**521.2**	**15.6%**
EBIT	**43.0**	**37.2**	**15.4%**	**31.5**	**35.3**	**12.1%**
EBIT Margin %	8.1%	7.4%	70 bps	6.9%	6.7%	20bps
PAT	**22.0**	**19.2**	**14.5%**	**19.8**	**22.1**	**11.6%**
PAT Margin %	4.1%	3.8%	30 bps	4.3%	4.2%	-10 bps
EPS	**0.77**	**0.70**	**10.0%**	**0.93**	**0.96**	**3.2%**

O – Original estimate, R – Revised estimate, A – Actual

Exhibit 10: SOTP Valuation of JKH

Segment	Valuation method	Valuation summary	
		Firm value / Enterprise value (LKR Bn)	Per Share (LKR)
EV/ DCF Value of Core Operating Sectors	DCF	539.1	30.46
- Debt		273.4	15.44
- Minority Interests		24.9	1.41
+ Cash		114.4	6.46
+ Book Value of Investment in Other Associates*	Adj. Book Value	47.8	2.70
+ WCT	DCF	41.1	2.32
+ UAL	1.5x BV	27.1	1.53
+ PV of Property Sales **	DCF	17.9	1.01
+ Investment Property	Book Value	56.5	3.19
- Other assets/ adjustments	Contingencies for customs litigation	5.0	0.28
- Value of Share Options	Black Scholes	2.4	0.14
Value of Equity		**538.3**	**30.41**

Source : HSB Research, Bloomberg

Exhibit 11: Cash Flow used in DCF Valuation of Recurring Operations							
(excl Equity Accounted Associates, Property Sector and Union Assurance; which are valued separately or through BV)							
LKR Bn	**T=0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Years 6-10 (Average) / CAGR %**
EBIT		29.8	36.9	45.1	55.8	72.5	105.2 / CAGR 8.94%
EBIT(1-t)		20.2	26.6	33.6	43.3	58.3	85.8 / CAGR 9.02%
Capex		(19.4)	(16.8)	(24.7)	(25.7)	(20.9)	(28.1) / CAGR 0.19%
Depreciation		21.6	23.0	24.4	25.0	22.9	23.5 / CAGR 0.24%
Working Capital		4.73	(2.81)	(2.41)	(2.83)	(2.99)	(4.9) / CAGR -2.28%
FCFF		27.2	30.0	30.9	39.7	57.3	76.3 / CAGR 10.13%
PV of 10 Year FCFF	268.1						
PV of Terminal Value	271.1						
Enterprise Value	539.1						

Exhibit 12 : Risk Matrix

		LIKELIHOOD			
		LOW	**MEDIUM**	**HIGH**	**VERY HIGH**
IMPACT	**LOW**				
	MEDIUM	**R7 CCS growth slows off a higher base**	**R5 Shipping disruption normalizes** **R6 LKR Movements**	**R4 Mix shift to low-ASP models** **R2 Tourist-arrivals momentum disappoints**	
	HIGH		**R3 Vehicle import / tariff / duty change**	**R1 JKCG volumes normalise faster than modelled**	
	VERY HIGH				

Code	Risk Description
R1	JKCG / Autos: BYD & Denza volumes normalise faster than modelled.
R2	Leisure: tourist-arrivals momentum disappoints.
R3	Regulatory: vehicle import / tariff / duty policy change.
R4	JKCG / Mix: shift to low-ASP models compresses blended price and margin.
R5	Transportation: regional shipping disruption normalises, fading the WCT / LMS tailwind.
R6	Macro / FX: LKR movements.
R7	CCS / Consumer: growth slows off a higher base / competitive pressure in staples & supermarkets.

Exhibit 13: P&L Forecast

Income statement For the year ended 31-March (LKR Bn)	Actual					Forecast		
	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**218.0**	**276.6**	**280.7**	**317.3**	**528.8**	**521.2**	**568.0**	**608.1**
Revenue Y/Y Growth	-	26.8%	1.5%	13.0%	66.6%	-1.4%	9.0%	7.1%
COGS	-180.4	-227.5	-225.6	-253.8	-424.5	-419.0	-454.4	-480.4
Net Operating Expenses	-30.3	-36.4	-39.7	-49.3	-61.3	-66.8	-70.6	-76.0
Results from operating activities / EBIT	**7.3**	**12.6**	**15.3**	**14.2**	**43.0**	**35.3**	**43.0**	**51.7**
Operating Margin	3.3%	4.5%	5.4%	4.4%	8.1%	6.7%	7.5%	8.5%
Net finance cost	23.7	9.0	2.8	-2.4	-4.2	-2.1	0.4	2.9
Share of Profit of Associates	6.7	7.5	10.1	10.7	11.9	14.1	15.7	19.0
Other	-10.5	-6.8	-10.4	-12.3	-13.1	-13.8	-16.0	-17.2
Profit before tax	**27.3**	**22.5**	**18.0**	**14.8**	**37.6**	**33.5**	**43.1**	**56.4**
PBT margins	12.5%	8.1%	6.4%	4.6%	7.1%	6.4%	7.6%	9.2%
Profit after tax	**20.4**	**18.8**	**12.1**	**6.9**	**22.1**	**21.5**	**30.2**	**42.3**
PAT Y/Y Growth	-	-7.5%	-35.8%	-42.9%	218.9%	-2.6%	40.6%	40.0%
PAT margins	9.3%	6.8%	4.3%	2.1%	4.1%	4.1%	5.3%	6.9%
Profit attributable to the SH (Recurrent earnings)	**20.2**	**18.1**	**11.2**	**5.3**	**13.6**	**16.2**	**24.4**	**36.0**
Recurrent EPS (LKR)	**1.14**	**1.03**	**0.64**	**0.30**	**0.77**	**0.96**	**1.38**	**2.04**

Exhibit 14: JKH trades at ~25x TTM P/E; slightly above its 10-Year average