

# JOHN KEELLS HOLDINGS PLC (JKH)

RIGHTS/SPLIT

VALUATION

LKR 17.36

	No of Share	Price (LKR)	Market Cap (LKR)	EPS (LKR)	Net Profits (LKR)	PER x
<b>CURRENT</b>				(TTM)		
1st Aug 2024	1,502,625,957	<b>175.00</b>	262,959,542,475	6.33	9,511,622,308	27.65
<b>RIGHTS ISSUE</b>						
Rights (1:10)	150,263,595	<b>160.00</b>	24,042,175,200	9.60	1,442,530,512	16.67
After Rights	1,652,889,552	<b>173.64</b>	287,001,717,675	6.63	10,954,152,820	26.20
<b>SHARE SUB DIVISION</b>						
Before Sub Division	1,652,889,552	<b>173.64</b>	287,001,717,675	6.63	10,954,152,820	26.20
New Shares (10:1)	14,876,005,968	<b>0.00</b>	0	0	0	0.00
After Sub-Division	16,528,895,520	<b>17.36</b>	287,001,717,675	0.66	10,954,152,820	26.20

\* Assumption: Funds raised from Rights issue expected to earn minimum 6% p.a

## Current Market Status (as of August 1, 2024):

John Keells Holdings PLC (JKH) is a leading player in the Sri Lankan market, with a robust market capitalization of LKR 262,959,542,475, driven by an outstanding share count of 1,502,625,957 and a share price of LKR 175.00. The company's financial strength is highlighted by its Earnings Per Share (EPS) of LKR 6.33 (TTM) and net profits totaling LKR 9,511,622,308. With a Price-to-Earnings Ratio (PER) of 27.65, JKH is perceived as a high-value investment, demonstrating investor confidence in its growth trajectory and market positioning.

## Rights Issue Details:

In a strategic move to bolster its financial standing, JKH conducted a rights issue, offering one new share for every ten existing shares at a price of LKR 160.00. This initiative led to the issuance of 150,263,595 additional shares, raising LKR 24,042,175,200 in capital. The rights issue was designed to strengthen JKH's balance sheet by reducing leverage and supporting strategic projects. Following the issue, the company's EPS adjusted to LKR 9.60, reflecting an immediate impact on shareholder value and a new PER of 16.67, indicative of the company's enhanced market attractiveness.

## Market Position Post-Rights Issue:

After the rights issue, JKH's total shares outstanding increased to 1,652,889,552, and the share price adjusted to LKR 173.64. The company's market capitalization rose to LKR 287,001,717,675, signaling strong investor confidence in its strategic direction. The adjusted EPS stood at LKR 6.63, with net profits climbing to LKR 10,954,152,820, showcasing JKH's improved earnings capacity. JKH expected earn minimum of 6% p.a (Equivalent Government Treasury Bill Rate). The PER of 26.20 post-rights issue reflects sustained investor optimism about the company's future prospects and ability to generate value.

**1. Rights Issue of Shares**

- i. **Number of shares to be issued:** 150,263,595 Ordinary Shares, which shall rank *pari passu* with the existing Ordinary Shares.
- ii. **The proportion in which shares are to be issued:** One (1) new Ordinary Share for every Ten (10) Ordinary Shares held by the Shareholders in the Register of Shareholders as at the relevant date (Record Date).
- iii. **The consideration for which the shares are to be issued:** Rs.160/- per share
- iv. **Anticipated Proceeds from the Rights Issue:** Rs.24,042,175,200/-
- v. **The current stated capital of the Entity:** Rs.91,253,863,510.96 represented by 1,502,635,957 Ordinary Shares

**Share Sub-Division Strategy:**

Following the rights issue, JKH implemented a share sub-division, splitting each existing ordinary share into ten new shares. This action increased the total number of shares from 1,652,889,552 to 16,528,895,520, significantly enhancing share liquidity and accessibility for a broader investor base. Despite this increase in shares, the company's market capitalization remained stable at LKR 287,001,717,675, ensuring that the overall company value was not diluted. The share price adjusted to LKR 17.36 post-sub-division, aligning with the new share structure.

**Financial Impact of Share Sub-Division:**

Post-sub-division, JKH's EPS adjusted to LKR 0.66, reflecting the expanded share count. This adjustment maintains the company's earnings efficiency, supporting its financial stability amidst a

**2. Sub-division of Shares**

The Board of Directors of the Company also resolved that it be recommended to the Shareholders that, subsequent to the completion of the aforesaid Rights Issue, the number of shares of the Company in issue be increased by way of a Sub-division of Ordinary Shares. The Sub-division of Shares would take place based on the number of shares upon the listing of shares pursuant to the Rights Issue.

- i. **Number of shares to be sub-divided\*:** 1,652,899,552 Ordinary Shares
- ii. **Proportion of the Sub-division:** One (1) existing Ordinary Share will be sub-divided to Ten (10) Ordinary Shares
- iii. **Number of shares after the Sub-division\*:** 16,528,995,520 Ordinary Shares

larger shareholder base. The consistent net profits of LKR 10,954,152,820 underscore JKH's ability to sustain strong financial performance. With the PER remaining at 26.20, the market's confidence in JKH's earnings potential and valuation remains robust, demonstrating the success of the strategic financial maneuvers.

**Strategic Financial Outcomes:**

The capital raised through the rights issue is projected to generate a minimum annual return of 6%, highlighting JKH's focus on optimizing its capital structure and financial resources. This initiative aligns with the company's strategic goals of funding key projects and enhancing operational capabilities. By reducing leverage and improving liquidity, JKH is better positioned to capitalize on growth opportunities and deliver sustained value to shareholders. These strategic financial adjustments underscore the company's commitment to maintaining a strong market position and achieving long-term growth.

**Market Outlook and Investor Appeal:**

With the successful execution of the rights issue and share sub-division, JKH has significantly improved its market appeal and financial flexibility. The increased share liquidity and enhanced capital structure position the company favorably to pursue its growth objectives in a dynamic market environment. These strategic initiatives reflect JKH's proactive approach to managing market challenges and opportunities, ensuring it remains a top choice for investors seeking stable and promising returns. As JKH continues to implement its growth strategies, it is well-equipped to drive sustainable shareholder value and maintain its leadership position in the industry

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## UPDATE

1Q 2024/25

# JOHN KEELS HOLDINGS PLC

## (JKH.N0000)

**John Keells Holdings PLC (JKH.N0000)** experienced a mixed performance across its business segments during the quarter ended June 30, 2024,. The group saw revenue growth driven by strong performances in the Consumer Foods, Retail, and Financial Services segments, with notable improvements in margins and volumes. However, the overall profitability was impacted by significant pre-opening costs associated with the 'Cinnamon Life' hotel and lower occupancy rates in the Leisure segment, particularly in their Maldivian resorts. The Transportation segment faced challenges due to the absence of a previous year's deferred tax credit, while the Retail segment benefited from increased same-store sales. The Financial Services segment maintained solid growth through improved loan performance and reduced impairments. Despite these varied results, the group's underlying operational performance showed resilience and adaptability in a dynamic economic environment.

EPS : -0.58 LKR

NAV : 238.05 LKR

## EARNINGS

- **Revenue Growth:** The Group's total revenue increased by 9% to Rs. 69.66 billion, compared to Rs. 63.78 billion in the same period of the previous year. This growth was driven by higher sales across various segments, including Consumer Foods, Retail, and Financial Services.
- **Cost of Sales:** The cost of sales increased by 8% to Rs. 56.96 billion from Rs. 52.69 billion in the corresponding period last year. This increase reflects higher input costs and expanded operations, impacting the gross profit margin.
- **Gross Profit:** Gross profit for the quarter stood at Rs. 12.70 billion, a 15% increase from Rs. 11.08 billion in the previous year. This improvement was mainly due to the revenue growth outpacing the increase in the cost of sales.
- **Operating Expenses:** Total operating expenses, including selling and distribution, administrative, and other operating expenses, rose by 16% to Rs. 12.22 billion from Rs. 10.62 billion. This increase was driven by higher administrative costs and ramp-up expenses associated with the opening of the 'Cinnamon Life' hotel.
- **Net Loss:** The Group reported a net loss of Rs. 966.67 million for the quarter, compared to a profit of Rs. 1.24 billion in the same period last year. The loss was primarily due to a non-cash exchange loss of Rs. 1.25 billion on an outstanding USD term loan facility and increased operating expenses.

## NET ASSETS

- **Total Assets:** Total assets increased to Rs. 785.47 billion as of June 30, 2024, from Rs. 771.19 billion as of March 31, 2024, reflecting a 1.8% increase. This growth was primarily driven by higher non-current assets.
- **Current Assets:** Current assets decreased slightly to Rs. 168.72 billion from Rs. 174.11 billion, a 3.1% decline. This was mainly due to reductions in inventories, which fell to Rs. 36.54 billion from Rs. 39.31 billion, and trade receivables, which decreased to Rs. 21.83 billion from Rs. 28.38 billion.
- **Total Equity:** Total equity remained relatively stable at Rs. 377.01 billion compared to Rs. 377.48 billion as of March 31, 2024, indicating a minor decrease of 0.1%. Equity attributable to equity holders of the parent was Rs. 357.69 billion, down from Rs. 357.87 billion.
- **Current Liabilities:** Current liabilities increased significantly to Rs. 158.76 billion from Rs. 132.14 billion, a 20.1% increase. The rise was mainly due to an increase in short-term borrowings, which surged to Rs. 43.78 billion from Rs. 21.06 billion.
- **Net Assets per Share:** Net assets per share remained stable at Rs. 238.05 as of June 30, 2024, compared to Rs. 238.17 as of March 31, 2024, reflecting the overall stability in the Group's asset management and financial position.

## CASH FLOW

- **Operating Activities:** Net cash flows from operating activities decreased significantly to Rs. 778.49 million from Rs. 3.29 billion in the same period last year, indicating a YoY decline of 76.4%. This decrease was primarily due to lower profit before tax and changes in working capital components.
- **Cash Generated from Operations:** Cash generated from operations fell to Rs. 3.65 billion from Rs. 6.31 billion YoY, a 42.1% decrease, mainly due to reduced profitability and changes in working capital, including decreased trade and other payables and increased trade receivables.
- **Finance Costs and Income:** Finance income received increased slightly to Rs. 4.53 billion from Rs. 4.39 billion, while finance costs paid decreased to Rs. 6.56 billion from Rs. 7.19 billion, indicating better management of finance costs and interest rates.
- **Investing Activities:** Net cash flows used in investing activities improved to Rs. 6.07 billion from Rs. 13.82 billion YoY, a 56.1% decrease. This improvement was primarily due to lower capital expenditures and increased proceeds from the sale of financial instruments and property.
- **Capital Expenditures:** Purchase and construction of property, plant, and equipment decreased to Rs. 6.72 billion from Rs. 3.71 billion YoY, reflecting a more controlled and strategic investment approach.
- **Financing Activities:** Net cash flows from financing activities increased significantly to Rs. 18.41 billion from Rs. 2.06 billion YoY, an 792.8% increase. This surge was driven by substantial short-term borrowings amounting to Rs. 22.77 billion, compared to Rs. 5.29 billion in the same period last year.
- **Cash and Cash Equivalents:** The net increase in cash and cash equivalents was Rs. 13.12 billion, bringing the total to Rs. 23.06 billion at the end of the quarter, up from Rs. 9.94 billion at the beginning of the period. This reflects a strong liquidity position despite the challenges in operational cash flows.

## INDICATORS

- **Current Ratio:** The current ratio is calculated as current assets divided by current liabilities. As of June 30, 2024, the current ratio is 1.06 (168.72 billion / 158.76 billion), indicating the company has slightly more current assets than current liabilities, reflecting a balanced short-term liquidity position.
- **Quick Ratio:** The quick ratio, which excludes inventories from current assets, is 0.83 ((168.72 billion - 36.54 billion) / 158.76 billion). This indicates that the company has sufficient liquid assets to cover its immediate liabilities, though it is slightly below the ideal ratio of 1.
- **Debt to Equity Ratio:** The debt to equity ratio is calculated as total liabilities divided by total equity. As of June 30, 2024, this ratio is 1.08 (408.46 billion / 377.01 billion), indicating that the company has a high level of debt compared to its equity, reflecting a leveraged position.
- **Return on Equity (ROE):** ROE is calculated as net income divided by shareholders' equity. For the quarter, the company reported a net loss of Rs. 868 million, resulting in a negative ROE, indicating a challenging period with no returns generated on shareholders' equity.
- **Gross Profit Margin:** Gross profit margin is calculated as gross profit divided by total revenue. For the quarter ended June 30, 2024, the gross profit margin is 18.2% (12.70 billion / 69.66 billion), indicating the percentage of revenue that exceeds the cost of goods sold.
- **Operating Profit Margin:** Operating profit margin is calculated as operating profit divided by total revenue. For the quarter, the operating profit margin is 1.9% (1.30 billion / 69.66 billion), showing the company's efficiency in managing its operating expenses relative to its revenue.
- **Earnings Per Share (EPS):** EPS is calculated as net income divided by the number of outstanding shares. For the quarter ended June 30, 2024, EPS is negative Rs. 0.58, reflecting the net loss incurred during the period and its impact on shareholders' returns.

## SECTOR PERFORMANCE

- **Transportation:** The sector experienced a significant decline in EBITDA by 36%, from Rs. 2.42 billion to Rs. 1.55 billion. This was mainly due to decreased deferred tax credits and substantial non-cash exchange losses.
- **Consumer Foods:** The Consumer Foods sector saw a substantial increase in EBITDA by 107%, from Rs. 720 million to Rs. 1.49 billion. This growth was driven by increased margins and volumes in both the Beverages and Frozen Confectionery businesses
- **Retail:** The Retail sector's EBITDA grew by 13%, from Rs. 1.99 billion to Rs. 2.25 billion. The Supermarket business, in particular, recorded a strong performance with a 16% increase in EBITDA, driven by a 12% growth in same store sales and customer footfall
- **Leisure:** The Leisure sector's EBITDA was negative Rs. 794 million, a decline compared to Rs. 284 million in the previous year. The decline was mainly due to pre-opening costs of the 'Cinnamon Life' hotel and lower occupancies in Maldivian resorts
- **Property:** The Property sector's EBITDA was negative Rs. 67 million, down from Rs. 187 million. This decrease was attributed to the revenue recognition cycle of the 'TRI-ZEN' development project and finance expenses on account of temporary working capital requirements
- **Financial Services:** The Financial Services sector's EBITDA increased by 13%, from Rs. 1.69 billion to Rs. 1.92 billion. Nations Trust Bank (NTB) and Union Assurance (UA) contributed to this growth through loan growth, lower impairments, and increased trading and fee income.
- **Others (Including Information Technology and Plantation Services):** This sector experienced a 15% decline in EBITDA, from Rs. 1.58 billion to Rs. 1.34 billion, primarily due to decreased interest income and lower cash and cash equivalents at the Holding Company .

## PRICE CHART



## SHARE MOVEMENT

- **Highest Market Price:** The highest market price per share during the quarter was Rs. 218.00.
- **Lowest Market Price:** The lowest market price per share during the quarter was Rs. 193.25.
- **Last Traded Market Price:** The last traded market price per share was Rs. 203.75.
- **Comparison with Previous Year:** For the corresponding quarter of the previous year, the highest market price was Rs. 150.75, the lowest was Rs. 134.75, and the last traded price was Rs. 150.00.
- **Public Shareholding:** The public shareholding percentage as of June 30, 2024, was 79.81%, compared to 99.24% as of March 31, 2024.
- **Number of Public Shareholders:** The number of public shareholders as of June 30, 2024, was 14,137.
- **Float Adjusted Market Capitalization:** The float adjusted market capitalization as of June 30, 2024, was Rs. 244.34 billion, compared to Rs. 288.56 billion as of March 31, 2024 .

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# JOHN KEELLS HOLDINGS PLC

## (JKH.N0000)

### VALUATION

**MARKET PRICE: Rs 189.25**

### EARNINGS-PER-SHARE (TTM)

## EPS

**Rs 6.33**

Earnings Per Share

Earnings per Share during last 4 Quarters

- **1Q 2024/25: Basic EPS:** Rs. -0.58
- **4Q 2023/24: Basic EPS:** Rs. 5.17
- **3Q 2023/24: Basic EPS:** Rs. 2.15
- **2Q 2023/24: Basic EPS:** Rs. -0.41
- **Trailing 12 Months EPS:** Rs. 6.33

### PRICE-TO-EARNINGS

## PER

**29.9X**

PE Ratio

The P/E ratio is calculated by dividing the current share price by the TTM earnings per share (EPS).

- **Share Price (July 30, 2024):** Rs. 189.25
- **Earnings per Share (EPS):** Rs. 6.33 (EPS for trailing 12 months)
- **Price to Earnings Ratio (P/E):** 29.9X

### PRICE-TO-BOOK VALUE

## PBV

**0.80X**

PB Ratio

The P/B ratio is calculated by dividing the current share price by the book value per share.

- **Share Price (July 30, 2024):** Rs. 189.25
- **Book Value per Share:** Rs. 238.05 (Net Asset Value per Share as of June 30, 2024)
- **Price to Book Value (P/B):** 0.80X

### DIVIDEND YIELD

## DPR

**0.79%**

Dividend Payout

The Dividend Yield is calculated by dividing the annual dividends per share by the share price.

- **Annual Dividend 2023/24:** Rs. 1.50
  - Finala Dividend : Rs 0.50
  - Second Interim: Rs 0.50
  - First Interim: Rs 0.50
- **Share Price (July 30, 2024):** Rs. 189.25
- **Dividend Yield:** 0.79%

## ANNOUNCEMENT

### Proposed Rights Issue and Sub-division by John Keells Holdings PLC

#### RIGHTS ISSUE

- **Number of Shares to be Issued:** 150,263,595 Ordinary Shares.
- **Proportion:** One new Ordinary Share for every Ten existing Ordinary Shares.
- **Issue Price:** Rs.160/- per share.
- **Anticipated Proceeds:** Rs.24,042,175,200/-.
- **Current Stated Capital:** Rs.91,253,863,510.96 represented by 1,502,635,957 Ordinary Shares.

#### PURPOSE

**Purpose of the Rights Issue:**  
The proceeds will support project funding requirements at Waterfront Properties (Private) Limited (WPL), a subsidiary of JKH, specifically for the 'City of Dreams Sri Lanka' integrated resort project. The capital raising will strengthen the balance sheet by reducing leverage and providing flexibility for future investments.

#### PARTNERSHIP

- JKH has secured a partnership with Melco Resorts & Entertainment Limited, which will invest approximately USD 125 million in the gaming space.
- The partnership ensures a long-term casino license for 20 years under a structured framework.

#### PROJECT TIMELINE

- 'Cinnamon Life' hotel and related facilities will commence operations in October 2024.
- Gaming operations and retail mall will be completed in phases, scheduled for mid-2025.

#### SUB DIVISION

- **Number of Shares to be Sub-divided:** 1,652,899,552 Ordinary Shares (subject to full subscription of Rights Issue).
- **Proportion:** One existing Ordinary Share will be sub-divided into Ten Ordinary Shares.
- **Number of Shares after Sub-division:** 16,528,995,520 Ordinary Shares.

#### IMPACT

**Impact of Sub-division:**  
The sub-division will not increase the stated capital of the company. Convertible debentures issued to HWIC Asia Fund will be adjusted to reflect the Rights Issue and Sub-division.

#### Approvals Required:

- Approval from the Colombo Stock Exchange for the issue and listing of shares.
- Shareholder approval at an Extraordinary General Meeting for both the Rights Issue and Sub-division.