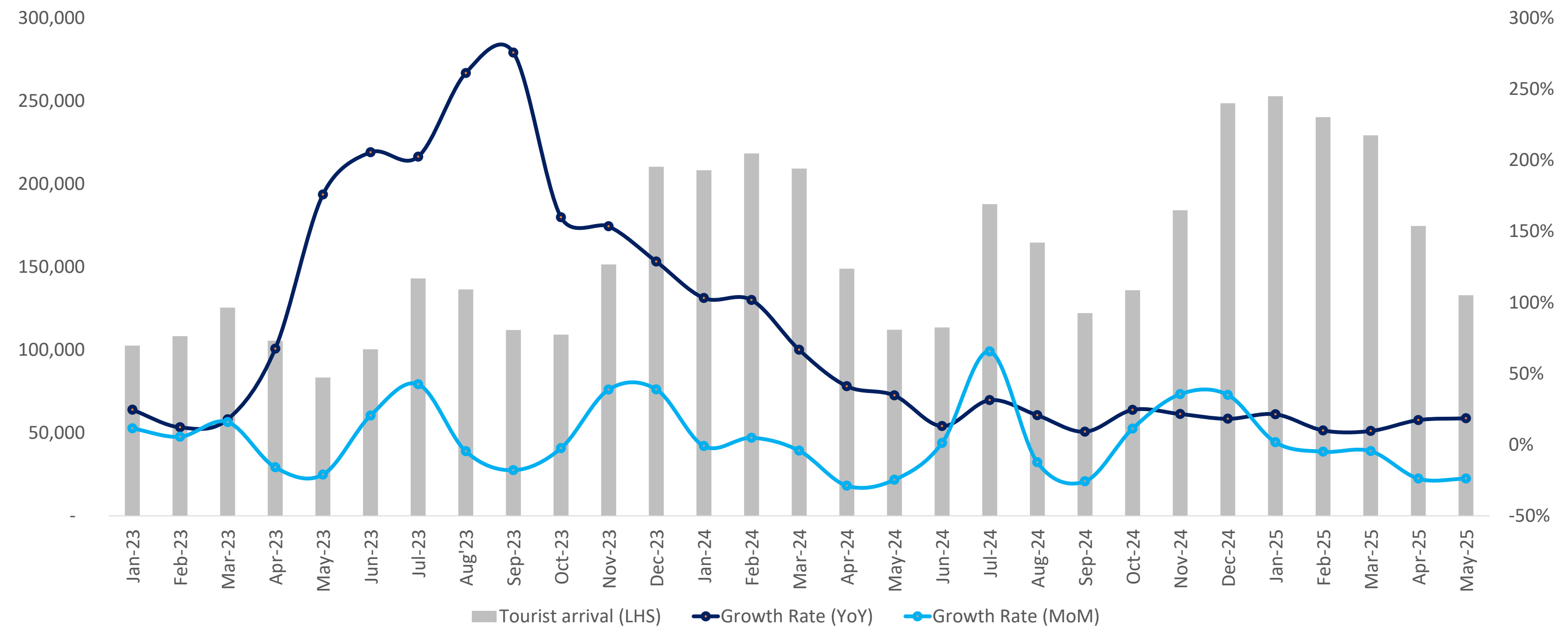


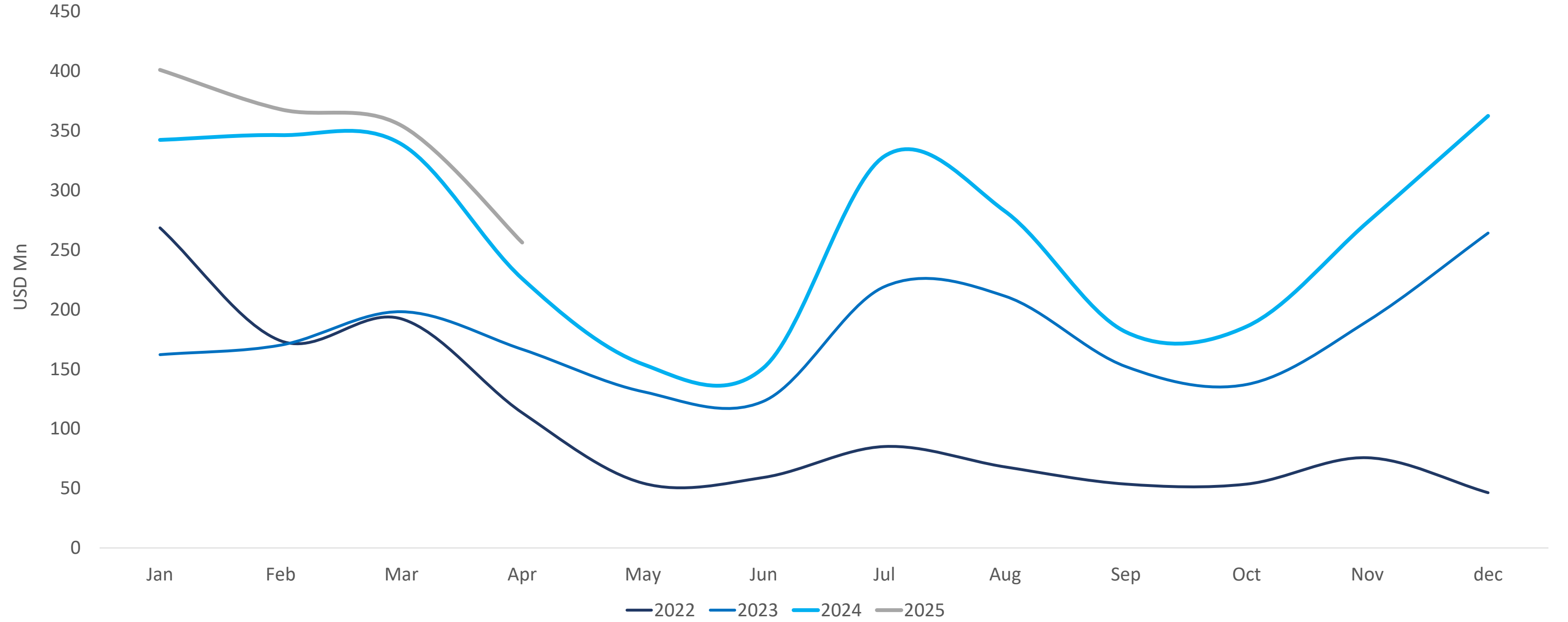
ENDURING MOMENTUM IN SRI LANKAN TOURISM

SRI LANKA’S TOURSIM ASCENDANCY CONTINUES TO GROW UNBATED

Tourist arrivals are on a consistent upward trajectory, marking a strong beginning to 2025 and placing the country on track to reach its goal of 3Mn visitors by the end of 2025. This continued growth underscores Sri Lanka's appeal as a premier travel destination, renowned for its breathtaking natural landscapes, rich cultural heritage, and vibrant wildlife.

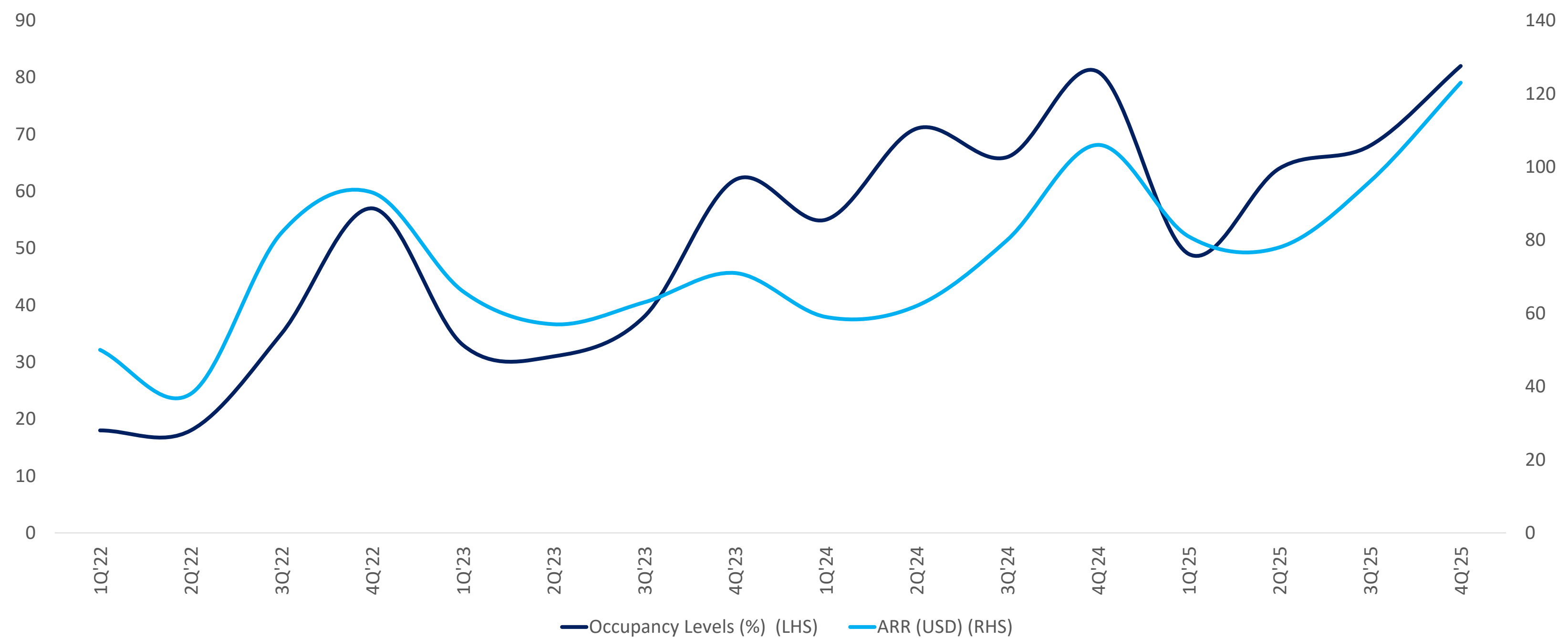


The surge in tourist arrivals is positioning the country to achieve an expected USD 4Bn in earnings, further strengthening the positive momentum across the broader economy. This substantial growth in tourism revenue is driving economic vitality, benefiting multiple sectors and contributing to overall financial prosperity.

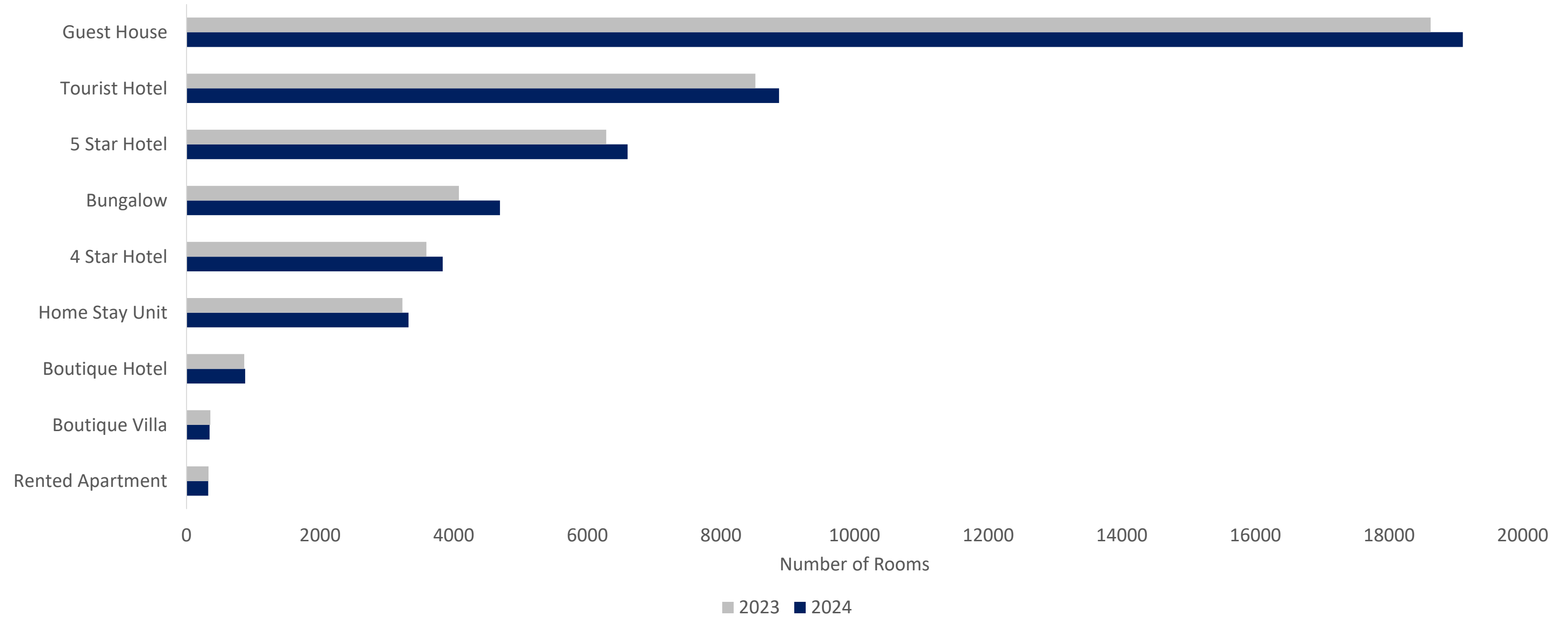


SRI LANKA’S TOURSIM ASCENDANCY CONTINUES TO GROW UNBATED

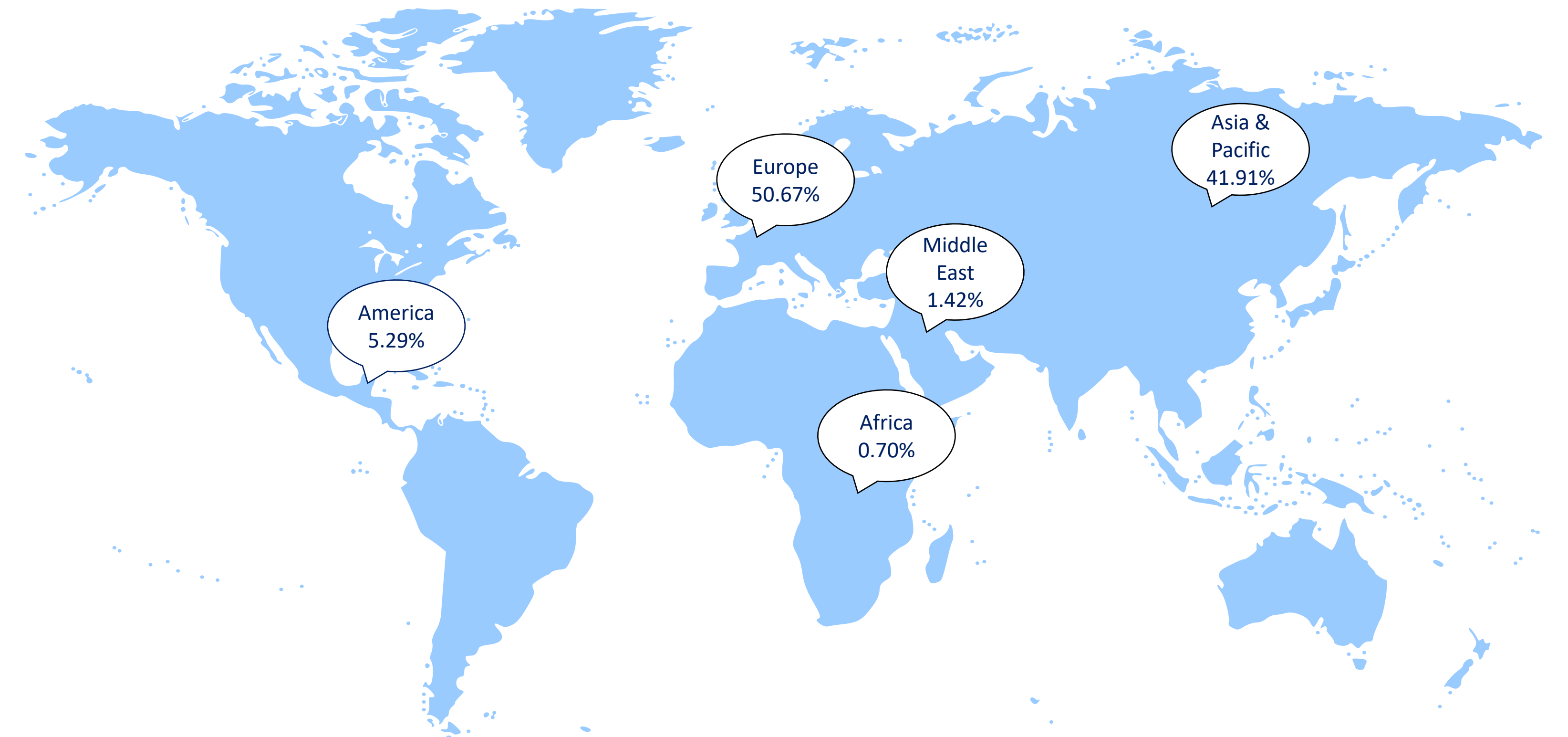
Occupancy Level and ARR are on the rise, reflecting a growing demand for accommodations while driving a significant boost in hotel sector earnings. Hotels are successfully leveraging this momentum, resulting in a strong recovery and continued growth within the industry.



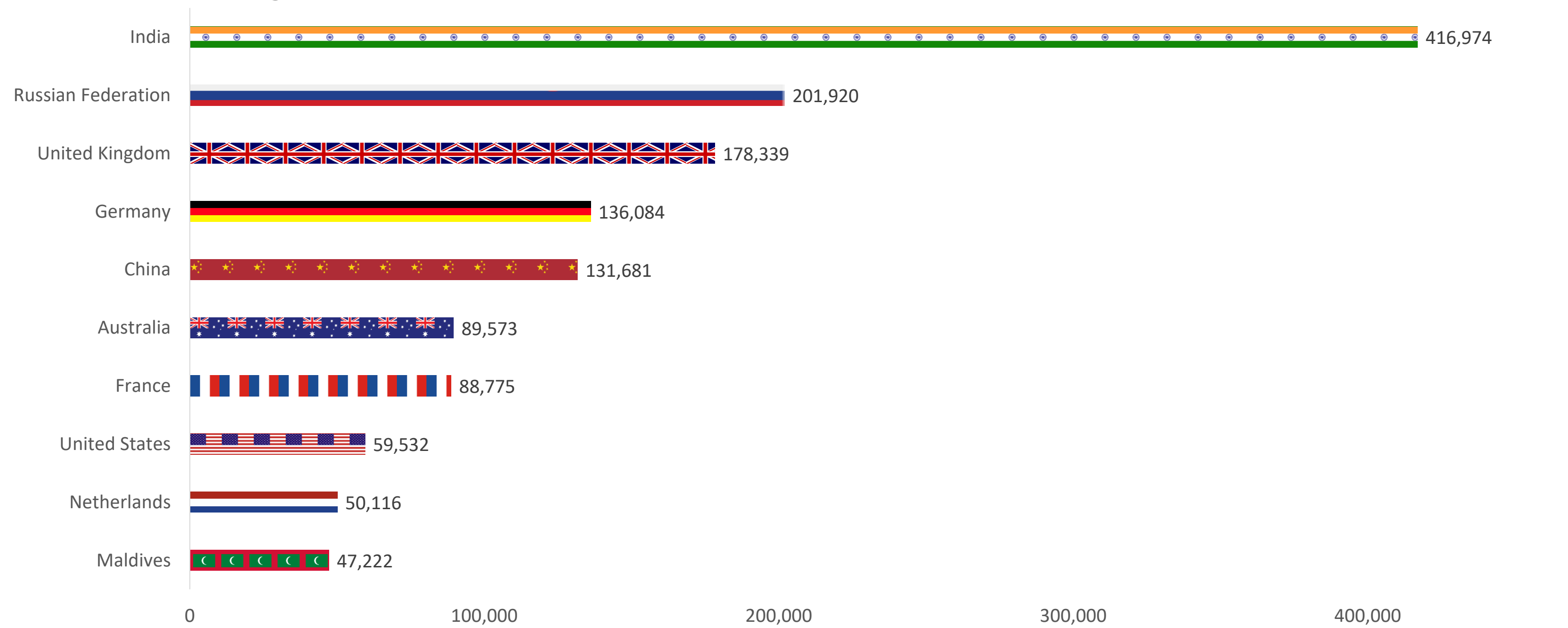
Room establishments are rising to accommodate the growing influx of tourists. This growth enhances the capacity to meet rising demand and also strengthens the sector's contribution to the broader economy, driving job creation, boosting local businesses, and fostering sustained growth within the hospitality industry.



Europe and Asia-Pacific emerge as dominant source regions for Sri Lanka’s inbound tourism, aligned with global travel trends.

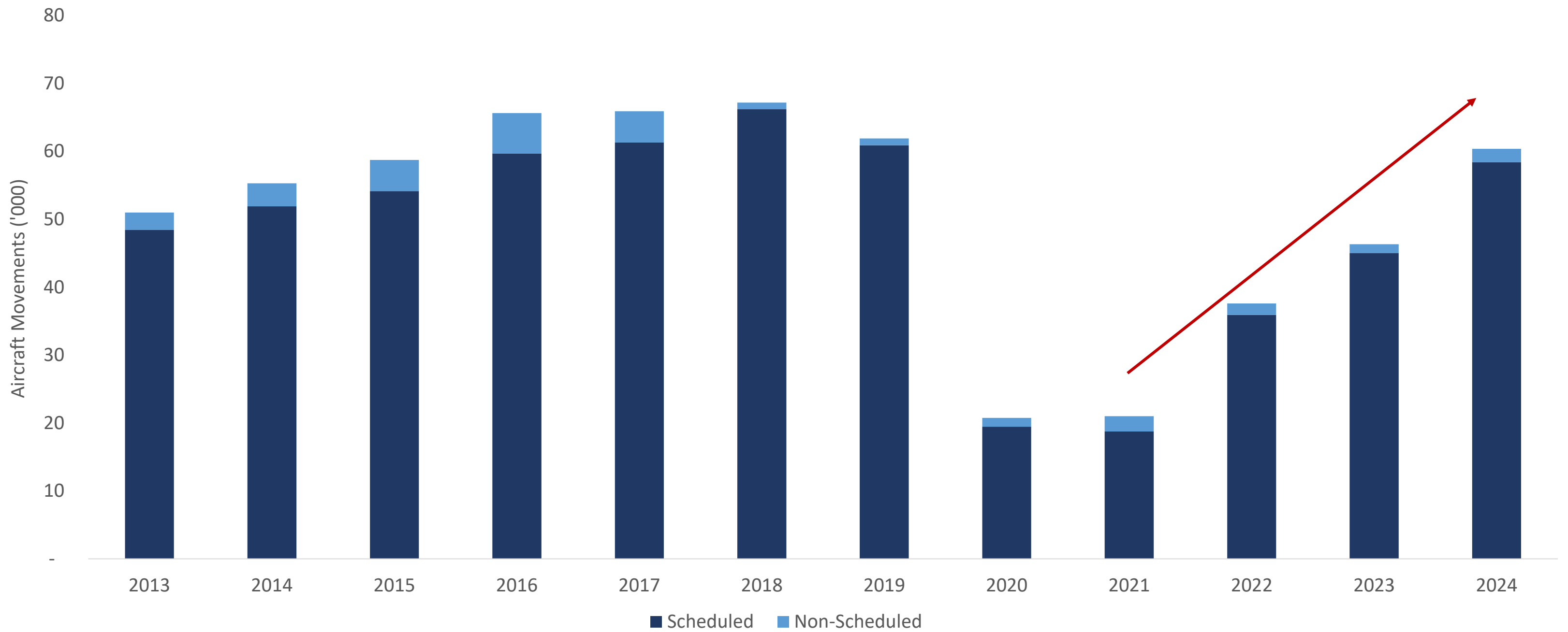


In 2024, India is the largest tourist traffic generator for Sri Lanka driven by factors like geographical proximity and cultural ties. It is followed by Russia, the UK, Germany and China. Indian tourists are playing a pivotal role in sustaining the growth of SL’s tourism sector, comprising nearly one-third of all new arrivals during the first four months of 2025.

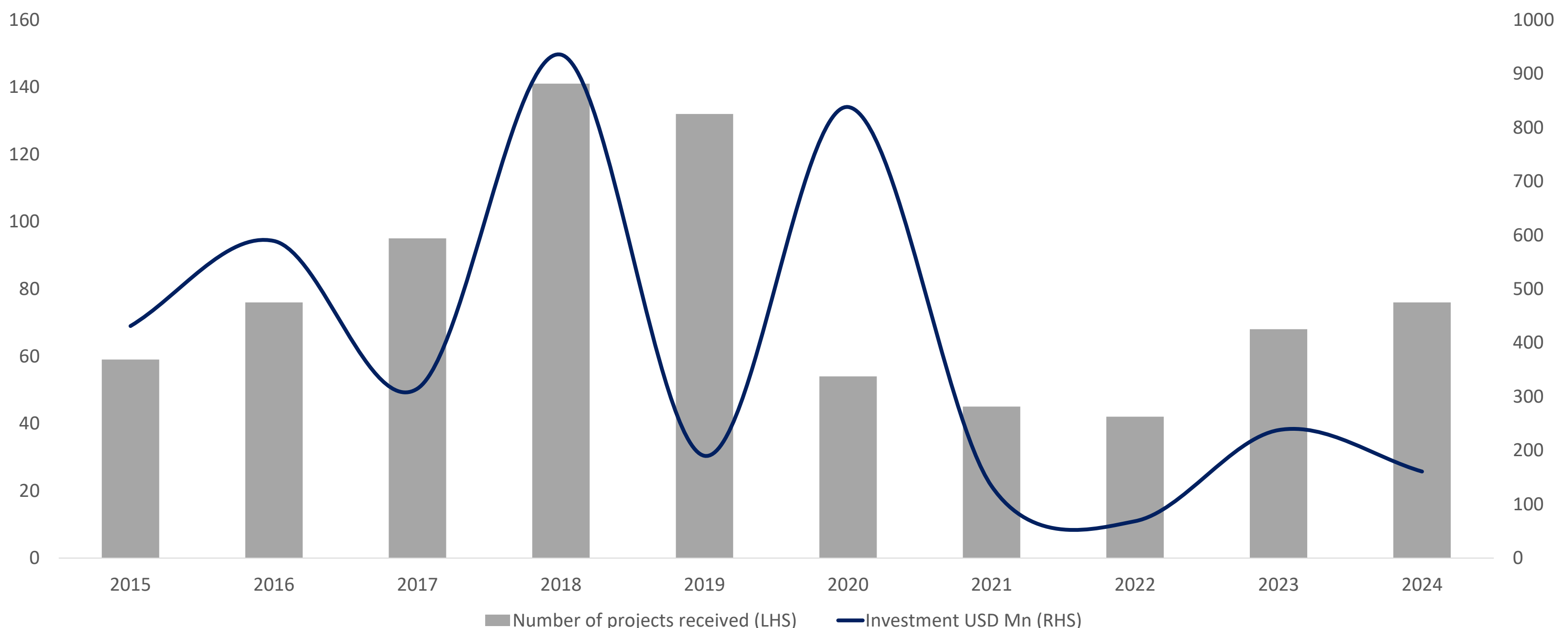


SRI LANKA'S TOURSIM ASCENDANCY CONTINUES TO GROW UNBATED

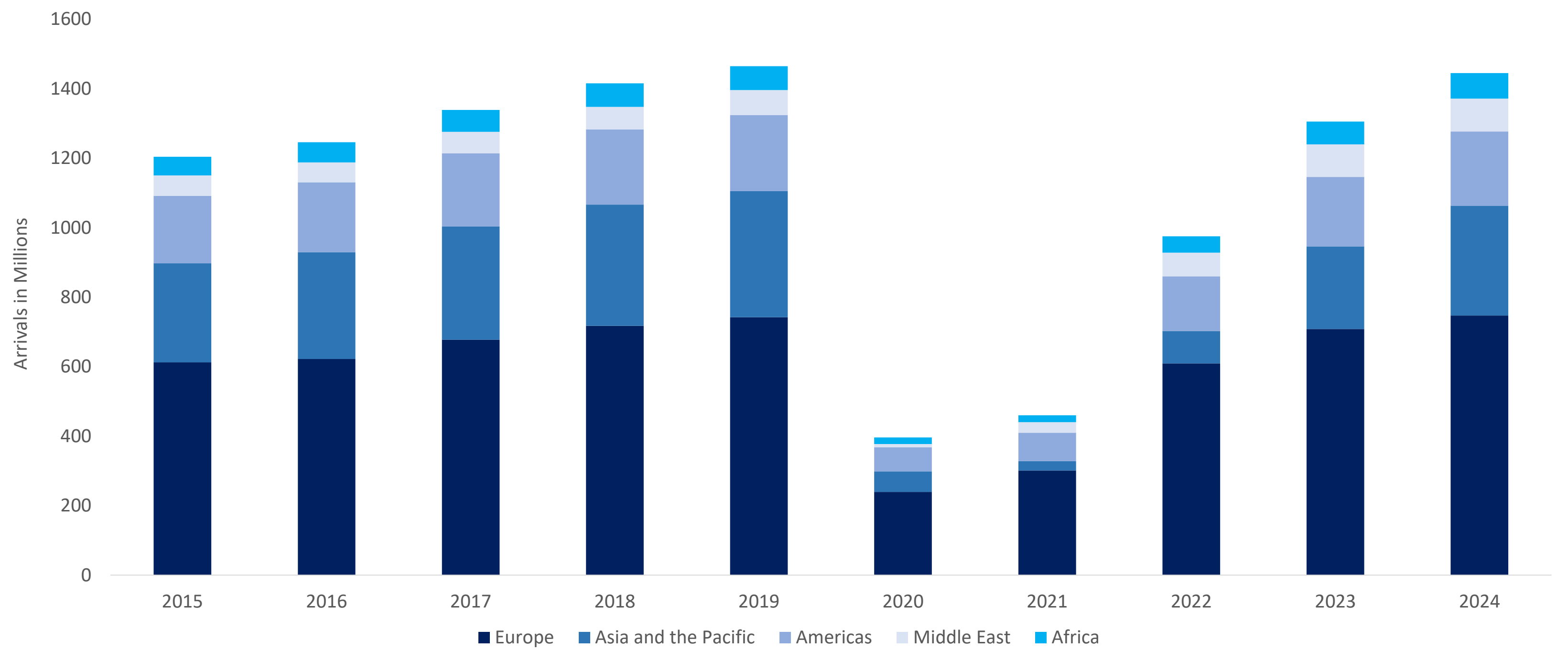
Sri Lanka's air connectivity has witnessed a strong post-pandemic resurgence, signaling positive momentum for both tourism and economic recovery. This upward trend highlights growing confidence in Sri Lanka's appeal as a premier travel destination and its emerging role as a strategic aviation hub in the region.



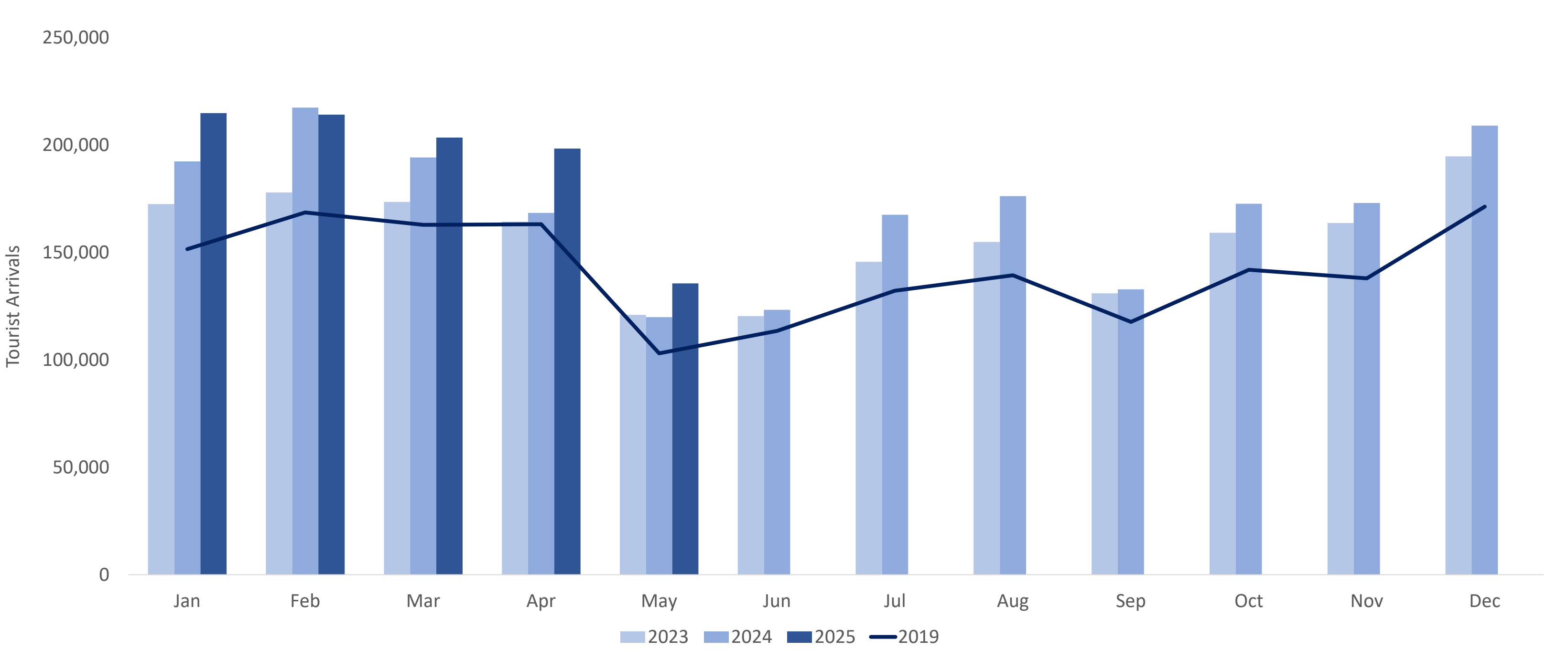
By the end of 2024, 76 tourism investment projects totaling USD 160Mn had been proposed, underscoring continued investor interest and contributing to the ongoing expansion of Sri Lanka's tourism sector.



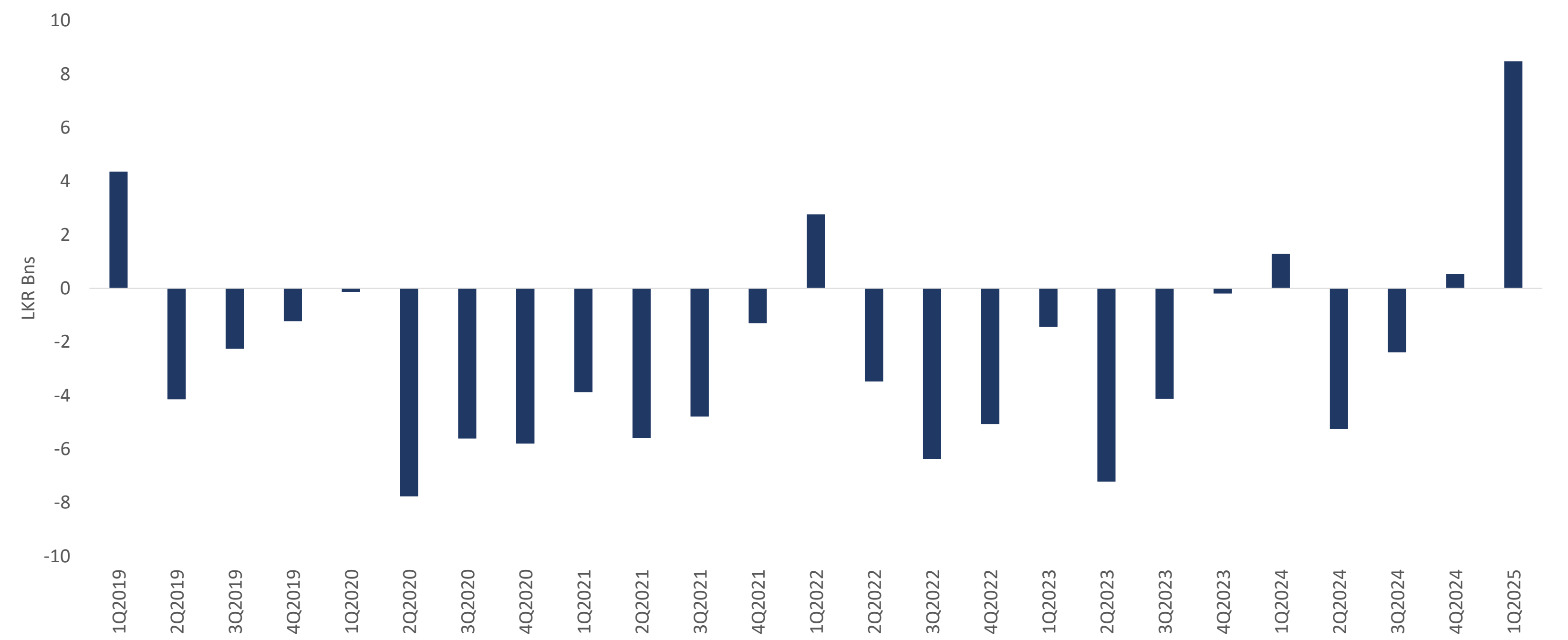
International tourist arrivals are on track to return to pre-pandemic levels, signaling a strong resurgence of the global tourism sector. This rebound reflects a renewed confidence in travel, marking a positive shift in the industry's recovery and growth worldwide.



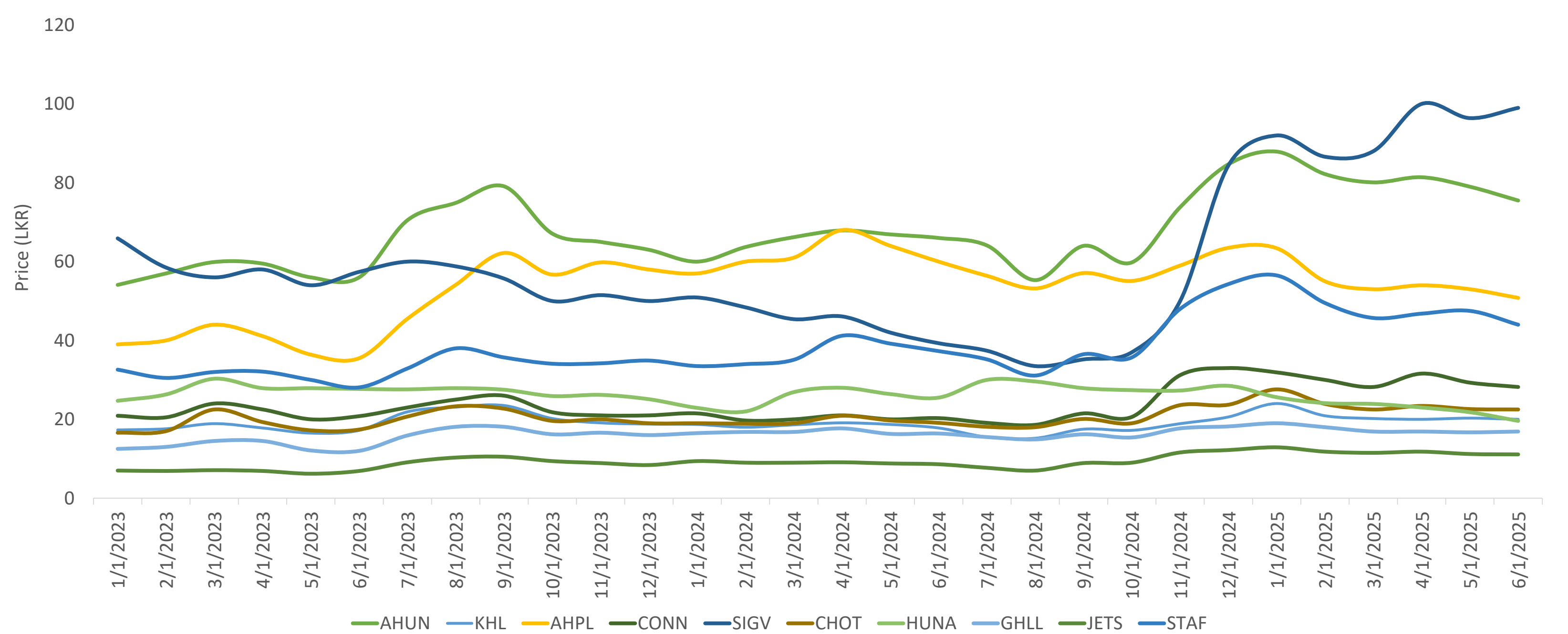
Tourist arrivals in the Maldives have already returned to pre-pandemic levels, demonstrating the country's swift recovery and the continued appeal of its destinations. This resurgence highlights the resilience of the Maldivian tourism sector and its ability to attract international visitors.



The sharp increase in tourist arrivals has revitalized the hotel industry, leading to a notable rebound in earnings following a period of losses. This upward trajectory not only signals a return to profitability but also positions the sector as a compelling investment avenue with strong potential for future growth



The recent upward movement in hotel sector stock prices indicates a positive market response to the sector’s recovery, following improved earnings. This trend suggests that investors are beginning to recognize the sector’s renewed strength and its potential for sustained growth in the coming periods.



AITKEN SPENCE HOTEL HOLDINGS PLC

AITKEN SPENCE HOTEL HOLDINGS PLC (AHUN: LKR 75.10)

Recommendation: BUY

Target price - LKR 96.00

Sector- Consumer Services

Key Statistics

Market Cap (LKR Bn)	25.6
Market Cap (USD Mn)	85.3
Issued Quantity (Mn)	336.3
Current Trading Range	75.00-78.70
52 week Low/High	53.00-92.00
YTD Low/High	74.80-92.00

Valuation

Market PE (x)	8.1
Market PBV (x)	1.2
AHUN PE (x)	11.2
AHUN PBV (x)	1.1
Bloomberg Ticker	AHUN SL
GICS Industry Group	Consumer Services

Prices as at 20.06.2025

Main Shareholders as at 31.03.2025

Aitken Spence PLC - A/C No.1	71.21%
Employee Provident Fund	9.37%
Ace Cargo (Private) Limited	1.32%
Hatton National Bank PLC - CAL Quantitative Equity Fund	1.29%
Aitken Spence Hotel Managements (Private) Limited	1.05%

- Aitken Spence Hotel Holdings PLC (AHUN) is a subsidiary of Aitken Spence PLC, one of Sri Lanka’s most diversified conglomerates with widespread business in Maritime and Logistics, Strategic Investments and Services, and Tourism. AHUN is a major player in Sri Lankan hospitality sector, consists of 15 owned properties and 4 managed properties over 4 countries. This includes 9 prestigious hotels in Sri Lanka (1,431 rooms owned & managed), 5 premium island resorts in Maldives (762 rooms), and significant presence in Oman with 3 properties (343 rooms). The group also expand it market to Chennai, India with business hotel (140 rooms) creating a strategical position in a rapidly growing destination.

- AHUN delivered a stellar performance in FY’25, with profit attributable to equity holders soaring by an impressive 101%YoY to LKR 2.29Bn. This remarkable earnings growth was largely underpinned by a 26%YoY decline in net finance expenses, which fell to LKR 3.92Bn, alongside a 3%YoY increase in consolidated revenue to LKR 47.5Bn. Revenue growth was primarily driven by the Sri Lankan operations, which reported a 14%YoY increase in turnover to LKR 12Bn, reflecting the strong resurgence of the domestic tourism industry. The recovery of SL’s tourism sector was particularly noteworthy, with 2.05Mn tourist arrivals in 2024 (up 38% YoY), generating USD 3.1Bn in tourism earnings (up 53% YoY), a clear indicator of improved visitor spending capacity. Momentum remains strong in 2025, with tourist arrivals reaching 1.02Mn during the first five months marking a 15%YoY increase, further solidifying AHUN’s revenue trajectory.

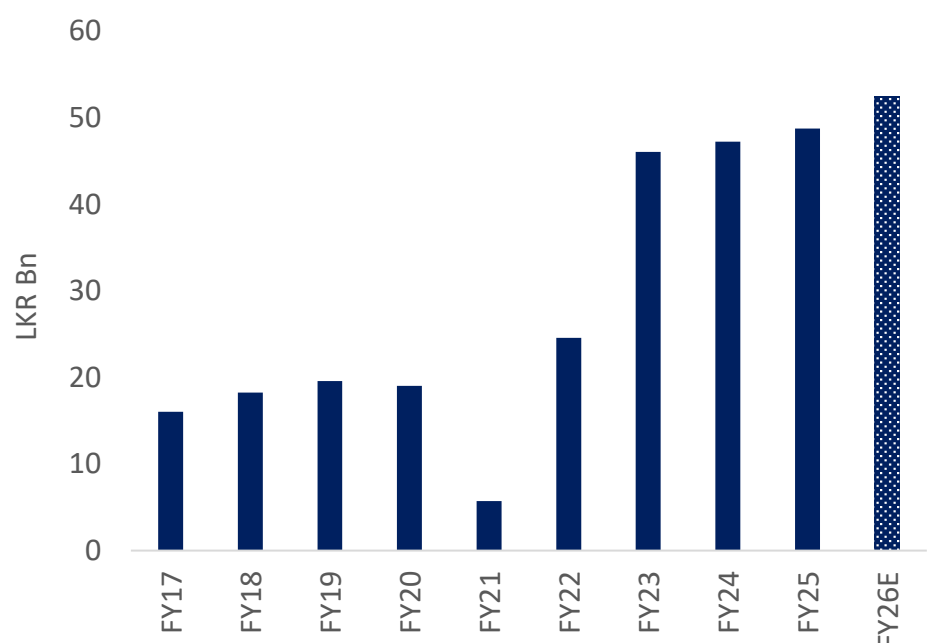
- The South Asian and Middle Eastern segment generated LKR 36.7Bn in revenue during FY’25, remaining broadly flat compared to the previous year, despite prevailing economic headwinds, particularly within the Maldivian sector. Notably, the combined contributions from Maldives, India, and Oman accounted for approximately 75% of AHUN’s total revenue for the year. However, the Maldivian tourism sector has exhibited a full rebound to pre-pandemic levels, registering 2 Mn visitors in 2024, reflecting a 9%YoY increase. In addition, the Asia Pacific and Middle Eastern regions contributing 28% of global international tourist arrivals serve as key revenue generators for AHUN, with its hotel properties in these regions consistently experiencing resilient demand and healthy occupancy levels. In light of the sustained recovery in tourist volumes and rising per capita expenditure from key source markets, we project AHUN’s consolidated revenue to reach LKR 52.5Bn in FY26E.

- Moreover, AHUN’s finance costs are expected to decline further, supported by easing interest rates and LKR stabilization, particularly as over 60% of its debt is denominated in foreign currency. The company’s debt-to-equity ratio has steadily improved in recent years, benefiting from favorable macroeconomic conditions. Leveraging lower borrowing costs, easing inflationary pressures, and a continued recovery in tourism, we forecast equity holder earnings to reach LKR 3.05Bn in FY26E. Using two valuation methods (i) Implied value and (ii) Replacement value, we assign an implied PBV of 1.2 for FY26E, valuing the company at LKR 96, representing a 28% upside from the current market price. Notably, the replacement cost method suggests a potential valuation exceeding LKR 104.60.

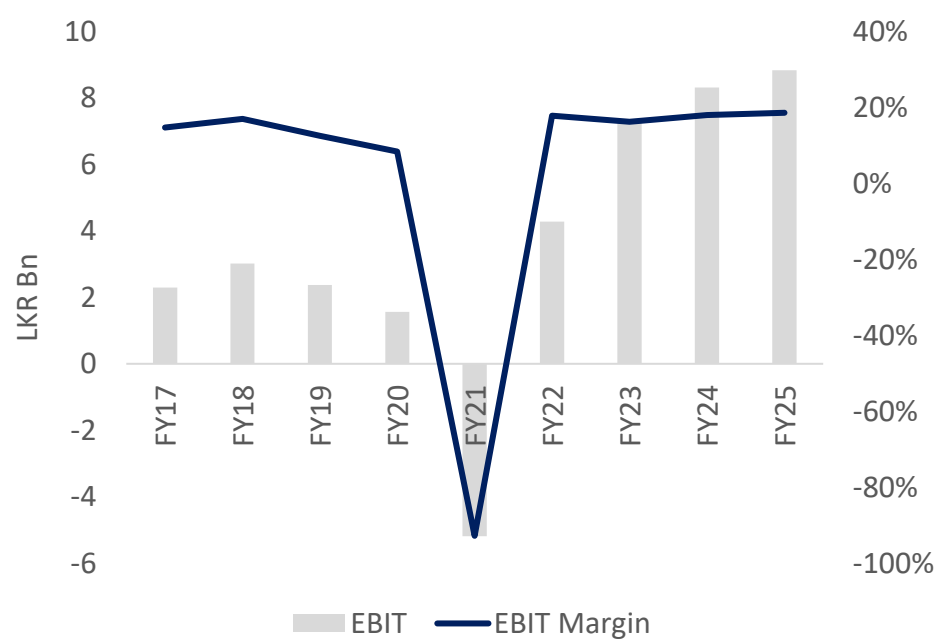
Price Performance



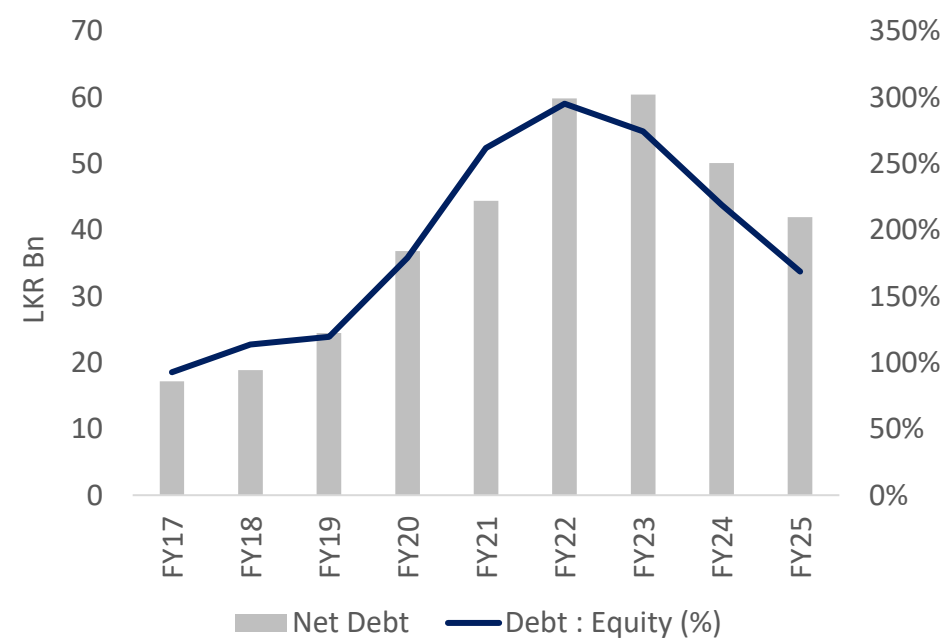
AHUN’s revenue continues to grow, fueled by the ongoing recovery in the tourism sector.



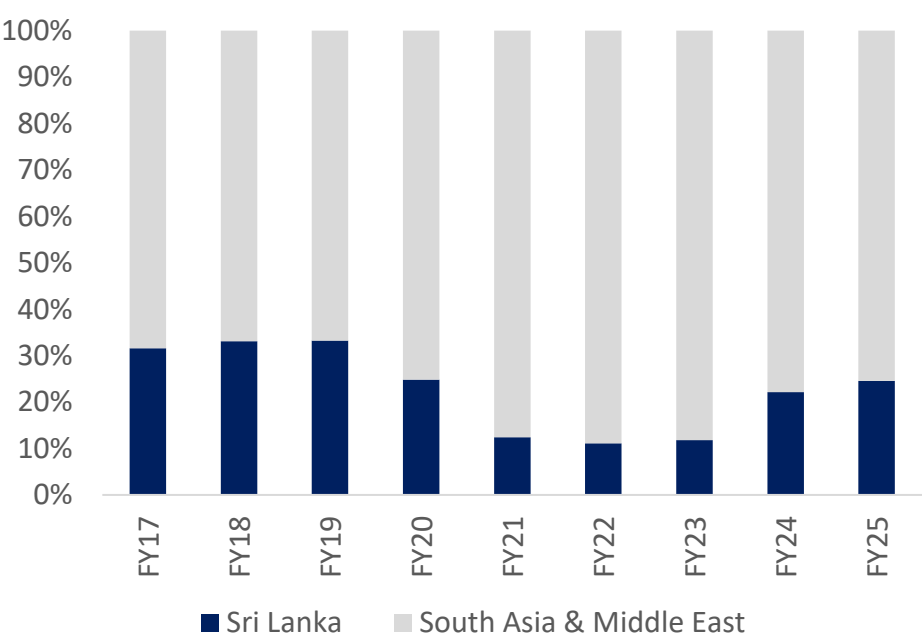
EBIT reverses its losing streak with the EBIT Margin is steadily improving



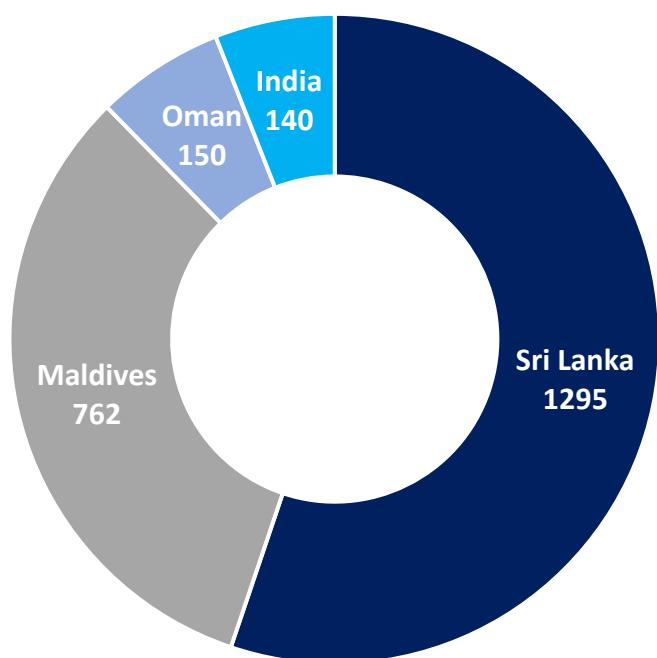
Net debt-to-equity is declining, benefiting finance costs.



Geographical Breakdown of Revenue



Number of Rooms in Owned Properties



AITKEN SPENCE HOTEL HOLDINGS PLC (AHUN: LKR 75.10)

Recommendation: Buy		Target Price : 96.00						Sector: Consumer Services		
Earnings Forecast										
YE 31 Mar/(LKR Mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Earnings for Equity Holders	811	(625)	(4,666)	624	(288)	1,140	2,290	3,052	4,008	4,740
YoY Growth (%)	-49%	-177%	-847%	113%	-146%	496%	101%	33%	31%	18%
EPS (LKR)	2.4	(1.9)	(13.9)	1.9	(0.9)	3.4	6.8	9.1	11.9	14.1
DPS (LKR)	1.0	-	-	-	-	-	-	1.1	1.8	2.3
BVPS (LKR)	63.5	61.1	47.4	59.1	62.6	63.5	70.6	80.0	91.6	105.1
Ratios (%)										
Debt to Equity	119%	179%	262%	295%	274%	219%	169%	147%	126%	107%
Dividend payout	41.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12%	15%	16%
ROE (%)	3.9%	-3.0%	-25.6%	3.5%	-1.4%	5.4%	10.2%	12%	14%	14%
Investor Ratios (%)										
PE (x)	33.4	na	na	43.4	na	23.7	11.8	8.9	6.8	5.7
PBV (x)	2.3	2.1	2.6	1.0	1.0	1.0	1.1	1.0	0.9	0.8
DY(%)	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	2.2%	2.8%

JOHN KEELLS HOTELS PLC

JOHN KEELLS HOTELS PLC (KHL: LKR 20.10)

Recommendation: BUY

Target price - LKR 28.80

Sector- Consumer Services

Key Statistics

Market Cap (LKR Bn)	28.9
Market Cap (USD Mn)	96.3
Issued Quantity (Mn)	1,456.1
Current Trading Range	19.70-19.10
52 week Low/High	14.50-25.50
YTD Low/High	18.60-25.50

Valuation

Market PE (x)	8.1
Market PBV (x)	1.2
KHL PE (x)	na
KHLPBV (x)	0.9
Bloomberg Ticker	JKHL SL
GICS Industry Group	Consumer Services

Prices as at 20.06.2025

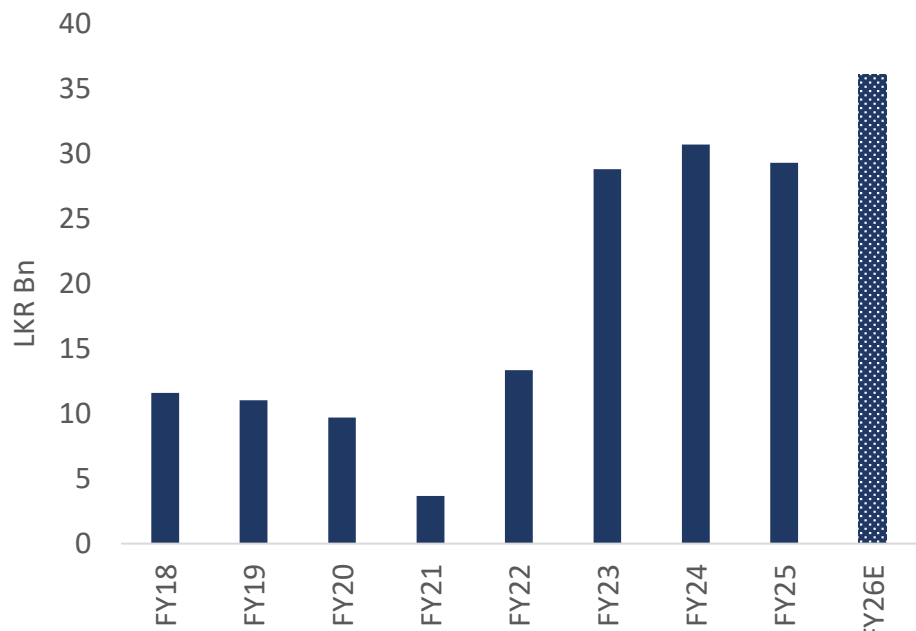
Main Shareholders as at 31.03.2025

John Keells Holdings PLC	80.32%
Employees Provident Fund	5.39%
Sri Lanka Insurance Corporation Ltd - Life Fund	3.24%
Hatton National Bank PLC - CAL Quantitative Equity Fund	0.83%
Mr K D H Perera	0.52%

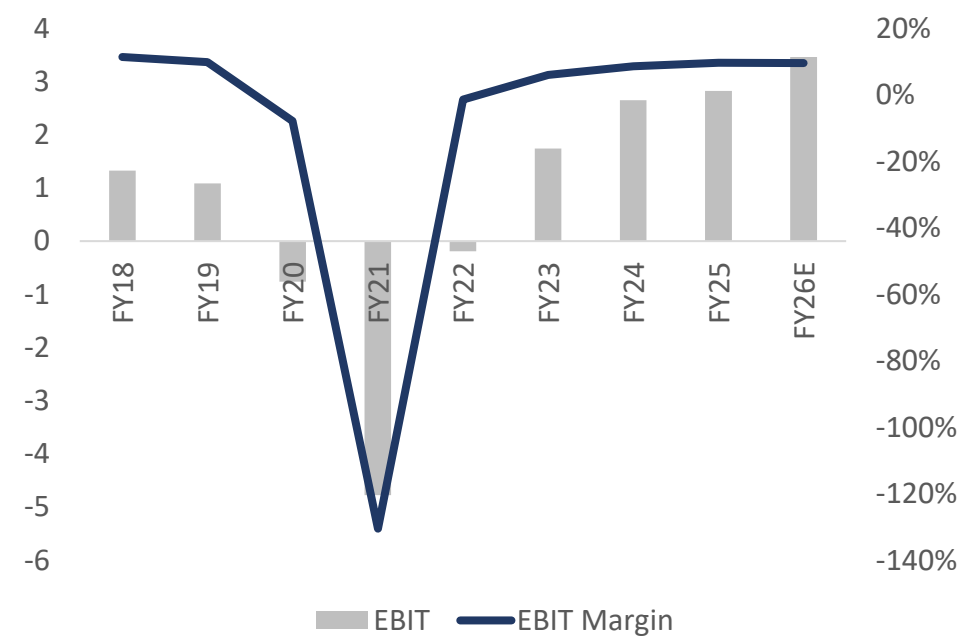
Price Performance



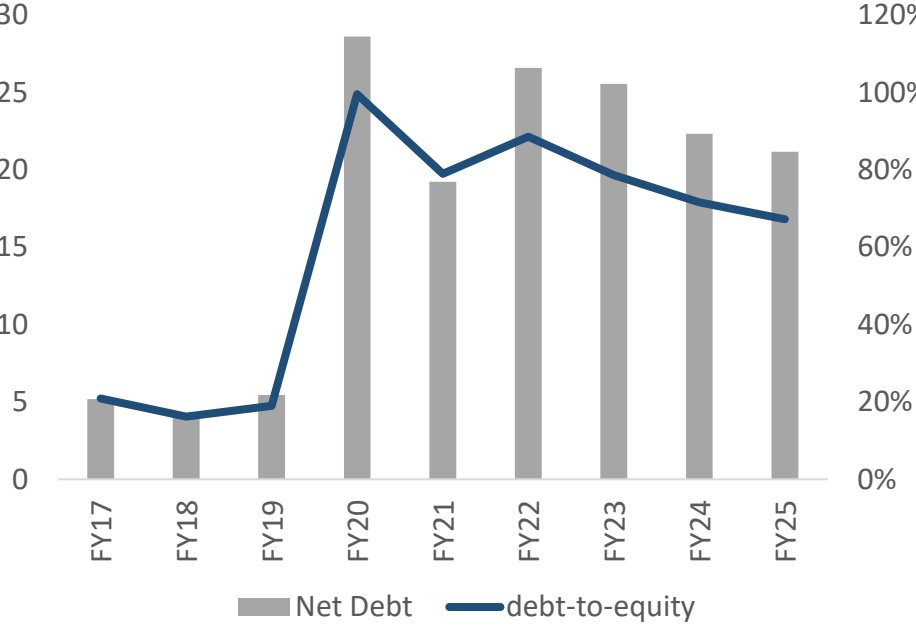
KHL's topline in on an upward trend, surpassing pre pandemic levels



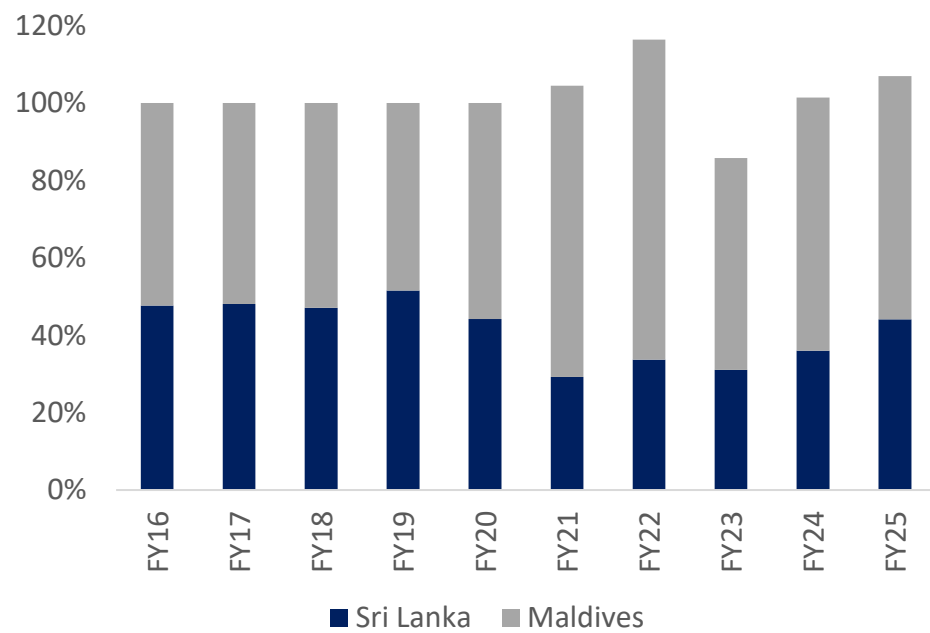
A rebound in EBIT signals a clear improvement in KHL's operational performance



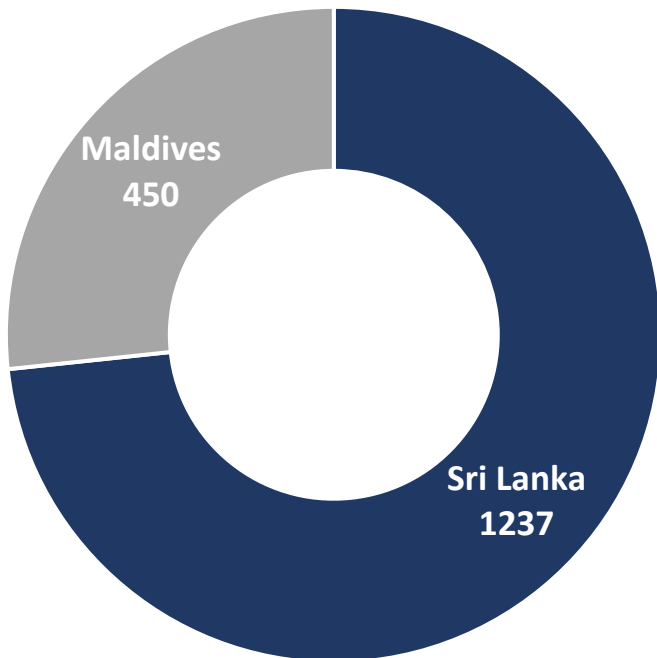
Decreasing leverage has resulted in more favorable finance costs



Geographical Breakdown of Revenue



Number of Rooms in Owned Properties



John Keells Hotels PLC (KHL), subsidiary of John Keells Holdings (JKH), Sri Lanka's premier diversified company, is one of Sri Lanka's largest hotel operators. Of the 13 resorts operated across Sri Lanka and the Maldives, nine resorts are strategically located in tourists' destinations in Sri Lanka accounting to 1,237 room keys while Maldives operates under four resort properties holding 450 rooms.

KHL delivered a strong financial performance in 4Q'25, with net profit surging by 12%YoY to LKR 1.6Bn. For the full FY'25, the group significantly narrowed its losses by 47%YoY to LKR 229Mn. This marked recovery was primarily fueled by a strong resurgence in its Sri Lankan operations, which posted a profit of LKR 24Mn in FY'25, a sharp reversal from the LKR 519Mn loss recorded in the previous year. A major catalyst behind this performance was the robust recovery of Sri Lanka's tourism industry. The country welcomed over 1.02Mn tourists in the first five months of 2025 alone, reflecting a 15% YoY increase and even surpassing peak levels seen in 2018. Further, Average Room Rates (ARR) at Sri Lankan resorts rose to USD 97 in FY25, up from USD 79 the previous year, while occupancy rates remained well above 80%. Buoyed by these favorable market dynamics, we expect KHL's Sri Lankan segment topline to reach LKR 15.8Bn in FY26E, reflecting a 22%YoY increase.

Conversely, the Maldivian segment experienced a 5%YoY decline in revenue, falling to LKR 29.3Bn in FY25, primarily due to a contraction in occupancy levels and conversion effect arise from the rupee appreciation against USD. Nonetheless, the broader tourism landscape in the Maldives remains robust, recording an all-time high of 2.04 million tourist arrivals in 2024, underscoring sustained international appeal. As of May 2025, the destination had recorded 966,358 arrivals marking a 8% increase YoY, with the average daily arrival rate climbing to 6,400 from 5,945 during the corresponding period in 2024.

KHL's operational efficiency continued to improve in FY'25, as evidenced by an expansion in its EBIT margin to 10%, up from 8% in the previous year. This margin improvement was primarily driven by lower operating expenses across both business segments, supported by easing macroeconomic conditions and a notable decline in power and energy costs. On the financial front, KHL's net finance expenses declined by 9%YoY to LKR 2.5Bn, easing pressure on the bottom line. Additionally, the company made notable progress in strengthening its capital structure, with the debt-to-equity ratio improving to 67%, down from 72% in FY24. This indicates a more sustainable leverage profile and improved financial resilience moving into FY26E.

We anticipate that sustained surge in tourist arrivals will continue to drive robust performance in both Maldives and Sri Lanka, enhancing earnings potential. Hence, we estimate KHL to return to profitability, posting a net profit of LKR 870Mn by FY26E, a substantial recovery from the loss of LKR 223Mn in FY25. Based on the replacement cost valuation method, we conservatively estimate KHL's fair value at LKR 28.80, a 43% upside to the current market price. Thus, we maintain our recommendation BUY.

Recommendation: Buy **Target Price : 28.80** **Sector: Consumer Services**

YE Mar/(LKR Mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E		FY26E	FY27E	FY28E
Net Profit	817	(1,201)	(5,120)	(1,217)	(333)	(439)	(223)		870	1,322	1,824
YoY Growth (%)	-27.0%	-247.1%	-526.2%	-76.2%	-72.7%	-232.0%	-49.3%		490.5%	52.0%	38.0%
EPS (LKR)	0.6	(0.8)	(3.5)	(0.8)	(0.2)	(0.3)	(0.2)		0.6	0.9	1.3
DPS (LKR)	0.2	-	-	-	-	-	-		0.2	0.4	0.6
BVPS (LKR)	19.8	19.7	16.7	20.6	22.3	21.4	21.6		22.2	23.1	24.4
<u>Ratios (%)</u>											
Debt to Equity	19.0%	99.5%	79.0%	88.5%	78.6%	71.6%	67.2%		66.0%	68.2%	70.9%
Dividend payout	26.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		30.0%	40.0%	50.0%
ROE (%)	3.0%	-4.2%	-19.3%	-4.5%	-1.1%	-1.4%	-0.7%		2.7%	4.0%	5.3%
<u>Investor Ratios (%)</u>											
PE (x)	35.7	(24.2)	(5.7)	(23.9)	(87.6)	(66.3)	(130.8)		33.5	22.0	16.0
PBV (x)	1.0	1.0	1.2	1.0	0.9	0.9	0.9		0.9	0.9	0.8
DY(%)	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.9%	1.8%	3.1%

Disclaimer:

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