Equity Research | Transportation

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Digital Mobility Solutions Lanka PLC (PKME.N)

PKME opened FY27 with another strong quarter of Y/Y growth, keeping our positive long-term investment thesis intact, however, momentum moderated sequentially on fuel-related supply disruptions, and resulting deliberate incentive spending

Summary: PKME's year-on-year growth remained firmly on trend with net revenue increasing 39.9% Y/Y to LKR 2.5Bn in 1Q FY27. Growth was volume-led as average monthly unique consumers expanded 40.4% Y/Y to 1.9Mn, supporting a 42.1% Y/Y increase in platform movements and consequently a 51.1% Y/Y growth in GTV to LKR 25.3Bn. The vehicle mix remained skewed towards high-growth, lower-yield modes such as two- and three-wheelers while on a segmental basis delivery remained the fastest-growing vertical in part due to seasonal Avurudu demand.

Sequentially, however, momentum moderated. Revenue was broadly flat (-0.6% Q/Q) against a seasonally strong 4Q, with the softness concentrated in ride-hailing: fuel shortages constrained driver availability/supply, prompting management to step up driver incentives, which moderated the take rate to 9.9% for the quarter (vs. 10.1% in 4Q FY26). Importantly, monthly unique consumers still grew 3.1% Q/Q even as movements dipped, indicating that the quarter's constraint was supply availability rather than consumer engagement. We therefore view the take-rate compression as a deliberate supply-side investment rather than an erosion of pricing power, with underlying demand structurally intact.

Profitability followed the same pattern, strong Y/Y, but softer Q/Q. Operating profit rose 38.4% Y/Y with margins broadly stable at 33.2%. The 15.4% Q/Q decline in operating profit largely reflected FX-driven increases in IT and subscription costs. Profit for the period increased 44.5% Y/Y while falling 9.6% Q/Q.

Risks: (i) Any future fuel shortages could constrain driver supply and weigh on platform movements, and (ii) with roughly 35% of operating expenses forex-exposed, renewed rupee depreciation could pressure margins.

Catalysts: Continued normalization of fuel distribution and currency stability would act as the near-term catalysts as they would allow PKME to re-engage in moving towards its mid-term target take rate of 12.5% and show improved operating leverage.

Relative Valuation: PKME.N currently trades at 24.5x P/E, near the lower end of its historical trading range (see Exhibit 1). Its ROE of 64.0% is near its highest levels since FY20 (see Exhibit 2) and well above its global peer average (see Exhibit 3). The counter offers a dividend yield of 2.7% on a trailing basis.

Technicals: PKME has recently been consolidating near its 50-day EMA. It remains in a long-term uptrend, with the 50-day EMA holding above the 200-day EMA. However, momentum has softened, as reflected by slightly negative MACD histogram readings and a decline in trading volumes, suggesting weaker buying interest of late. A decisive move above or below the 50-day EMA, particularly if accompanied by stronger volumes, could provide a clearer indication of the stock's next directional move.

Rating and Outlook : Moderate BUY | Positive	
CMP (LKR)	**161.75**
12M Target Price (LKR)	180.00
Market Cap (LKR Bn)	54.24
No. of Shares (Mn)	333.32
52w High | Low (LKR)	173.75 | 76.60
Beta | Sharpe Ratio	1.5 | 1.5

Exhibit 1: PKME PE near the lower end of its historical range

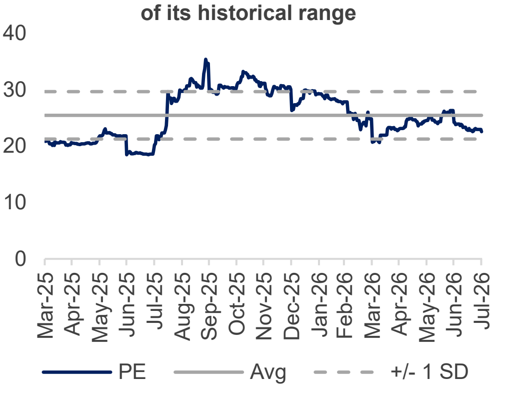


Exhibit 2: PKME ROE near historical highs

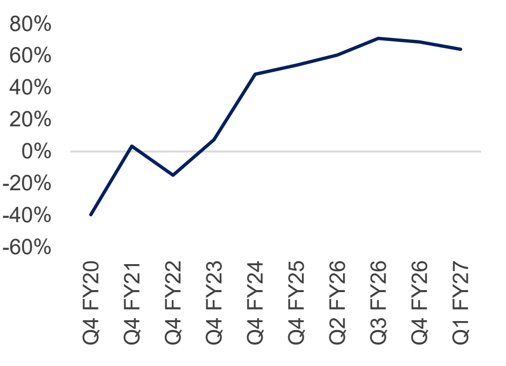


Exhibit 4: Technical Chart

Source: HSB Research, Bloomberg

Exhibit 3: PKME ROE above peer average

Ticker	CMP*	PE	PEG	ROE	Div	Div Yield
PKME.N	**161.75**	**24.5**	**0.9**	**64.0%**	**4.30**	**2.7%**
UBER	70.36	28.5	0.2	36.5%	-	-
LYFT	15.86	2.1	n.m.	147.8%	-	-
GRAB	3.50	52.1	0.3	5.8%	-	-
GOTO	50.00	n.m.	n.m.	(0.0%)	-	-
Peer Avg.		**27.6**	**-**	**47.5%**	**-**	**-**

Data as of 31 July 2026; *In respective listed currency

Annexures: Additional Data & Charts

Exhibit 5: Summarised Income Statement and Select KPIs

In LKR Mn	Actuals					Estimates	
Period ending 30th June	**1Q FY27**	**1Q FY26**	**∆ Y/Y**	**4Q FY26**	**∆ Q/Q**	**FY27E**	**FY28E**
Net Revenue	2,512	1,796	39.9	2,527	-0.6%	12,389	17,006
Net Operating Expenses	(1,678)	(1,194)	40.6%	(1,542)	8.9%	(8,028)	(10,733)
Operating Profit	833	602	38.4%	985	-15.4%	4,361	6,273
Interest, Tax and Other Income / (Expenses)	(202)	(165)	22.3%	(287)	-29.5%	(1,127)	(1,626)
Profit for the Period	631	437	44.5%	698	-9.6%	3,234	4,647
Earnings Per Share	1.89	1.31	44.3%	2.09	-9.6%	9.70	13.94
KPIs (in Mn unless specified)							
GTV	25,300	16,741	51.1%	25,000	1.2%	120,278	161,958
Take Rate	9.9%	10.7%	-80 bps	10.1%	-18 bps	10.3%	10.5%
Platform Movements	35	25	42.1%	36	-1.4%	174	232
Avg. Monthly Unique Consumer	1,929	1,374	40.4%	1,871	3.1%	2,252	2,972
Avg. Movements Per Day (in '000)	390,110	274,176	42.3%	402,522	-3.1%	-	-

Exhibit 6: ASPI vs PKME.N movement (Indexed)

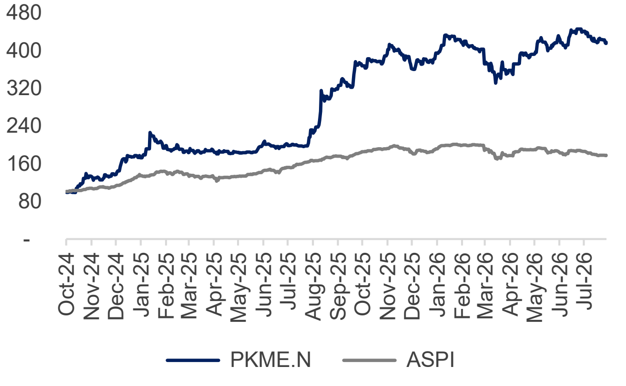
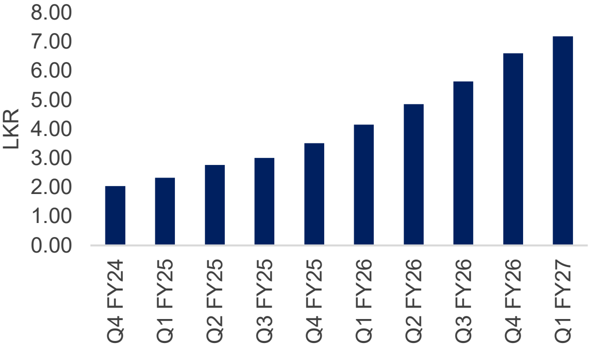


Exhibit 7: PKME TTM EPS



HSB Rating Scale:	**Buy** - above 20%	**Moderate Buy** - 10% - 20%	**Hold** - Below 10%
12M Target Price Outlook:	**Positive** - pending potential upward revision	**Negative** - pending potential downward revision	