

Equity Research | Transportation

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.

Analyst

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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

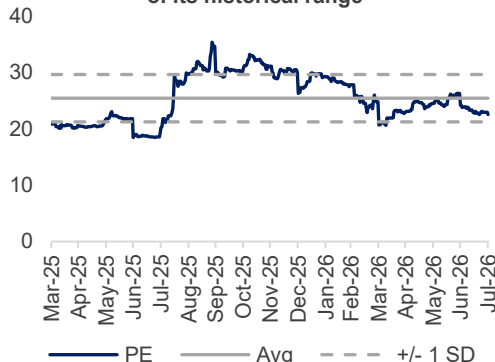


Exhibit 2: PKME ROE near historical highs

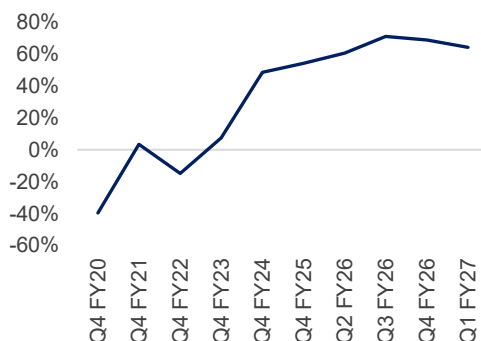


Exhibit 4: Technical Chart



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

Refer next page for important disclosures

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	Δ Y/Y	4Q FY26	Δ 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)

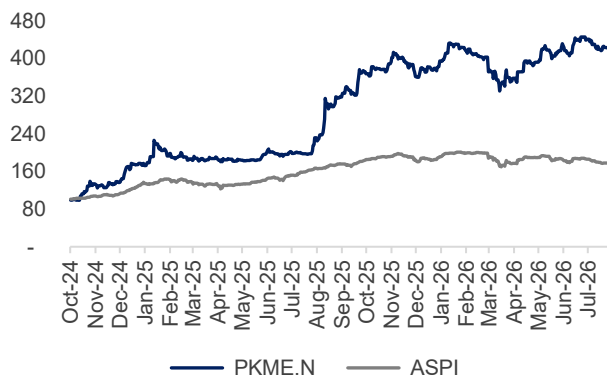
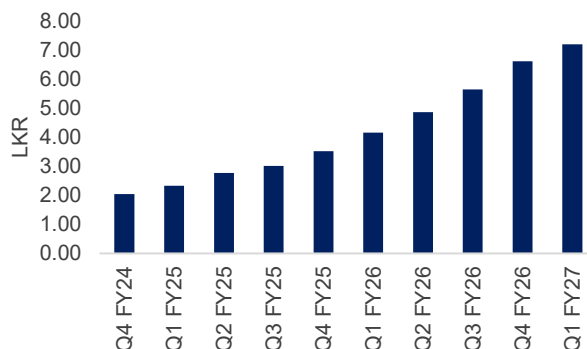


Exhibit 7: PKME TTM EPS



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

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