First Capital
A Janashakthi Group Company

EQUITY | SRI LANKA | TRANSPORTATION

EARNINGS UPDATE |16 JUN 2026

DIGITAL MOBILITY SOLUTIONS LANKA PLC [PKME.N0000]

MAINTAIN BUY

"SCALING VOLUMES DRIVE STRONG EARNINGS EXPANSION"

Fair Value: FY27E - LKR 175.0 [+4%] **FY28E - LKR 220.0 [+31%]**

Total Return with DPS: FY27E - 7% [AER 9%] *FY28E - 36% [AER 19%]*

PKME reported 4QFY26 earnings of LKR 698.1Mn, reflecting an increase of 86.1%YoY and 25.7%QoQ, while FY26 earnings were recorded at LKR 2.2Bn, up 88.3%YoY, exceeding our expectations by 17.4%. The growth was primarily driven by higher volume-led operating leverage and cost optimization initiatives executed by the company. Average monthly unique consumer base stood at 1.9Mn by the end of 4QFY26, up by 47.0%YoY and 13.7%QoQ. Expansion in Gross Billing Value (GBV) during the quarter was primarily driven by the rise in total platform movements by 48.5%YoY and 15.1%QoQ. Looking ahead, topline is expected to grow at a 3-year CAGR of 29.4% through FY29E, backed by the growth in volume of transactions and average spend per customer. Amid the projected increase in incentives to capture demand to the platform and maintain solid supply base against the backdrop of rising fuel prices and inflationary pressures, we expect EBIT margins of 36.9% and 42.0% in FY27E and FY28E respectively. Our forecasted net margins for FY27E and FY28E stand at 26.9% and 30.3%. Our earnings forecast was slightly revised, with PKME anticipated to deliver earnings of LKR 2.8Bn for FY27E (from previous LKR 2.9Bn) and LKR 4.1Bn for FY28E (from previous LKR 4.4Bn), implying 27.3%YoY and 46.3%YoY growth respectively. We expect PKME to trade at an implied EV/EBITDA multiple of 12.0x and 11.0x in FY27E and FY28E respectively, after applying a discount to the peer average of 17.6x, considering the macroeconomic risks. Accordingly, our target price for FY27E remains unchanged at LKR 175.0 and we introduce our target price of LKR 220.0 (previous LKR 200.0) for FY28E. Based on our forecast, PKME's expected total annualised return for FY27E and FY28E is 9.4% and 18.6% respectively. FY28E total annualised return is above our minimum required return threshold of 18.0%. MAINTAIN BUY

LKR (Mn)	4QFY25	4QFY26	YoY	FY25	FY26	YoY
Earnings (LKR 'Mn)						
Revenue	1,726	2,527	+46%	5,835	8,682	+49%
Operating Profit	534	985	+84%	1,603	3,054	+90%
PBT	558	1,035	+85%	1,683	3,190	+90%
Net Profit	375	698	+86%	1,170	2,204	+88%
Balance Sheet (LKR 'Mn)						
Shareholders' Equity	2,586	3,829	+48%	2,586	3,829	+48%
Borrowings	319	363	+14%	319	363	+14%
NAVPS	7.8	11.5		7.8	11.5	

PKME delivered robust earnings growth, with an expansion of 86.1%YoY in 4QFY26 and 88.3%YoY in FY26

PKME reported earnings of LKR 698.1Mn and LKR 2.2Bn in 4QFY26 and FY26, marking 86.1%YoY and 88.3%YoY increase respectively, surpassing FCR's estimate of LKR 1.8Bn for FY26. The growth was primarily driven by higher volume-led operating leverage and cost optimization mechanisms executed by the company. PKME's net revenue grew by 12.0%QoQ/46.4%YoY in 4QFY26, largely attributing to the increase in average monthly unique consumer base (+13.7%QoQ/+47.0%YoY) and higher platform movements (+15.1%QoQ/+48.5%YoY). By the end of FY26, average monthly unique consumers stood at 1.9Mn, exceeding FCR's forecast by 6.3%, due to the platform's deepening integration as an essential daily utility and a sequential recovery following the operational disruptions caused by Cyclone Ditwah in 3QFY26. Moreover, cost optimization initiatives, predominantly in IT infrastructure aided higher operating profit and margin expansions. Consequently, in 4QFY26, operating profit rose by 29.2%QoQ/84.5%YoY to LKR 985.3Mn, strengthening the EBIT margin by +520bps QoQ/+810bps YoY and facilitating an improved net margin of 27.6%.

Net revenue to grow at a 3-year CAGR of 29.4% through FY29E, fueled by rising consumer base and higher spending

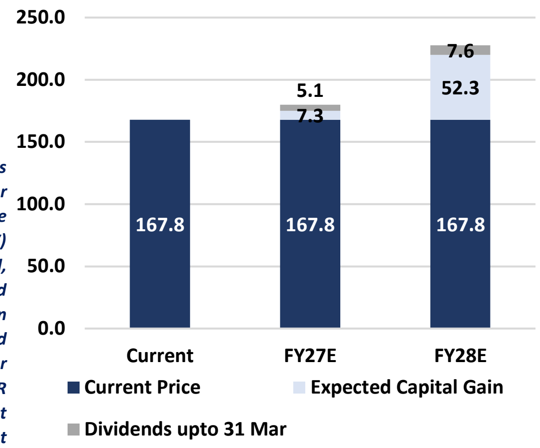
FCR expects PKME to deliver a topline of LKR 10.4Bn for FY27E and LKR 13.5Bn for FY28E, weighing on the expected growth in average monthly unique consumers and average spend per customer. We project the unique consumer base to grow at a 3-year CAGR of 32.3% to 4.3Mn through FY29E, while reaching 3.3Mn level in FY28E, particularly due to the geographical expansion in ride-hailing and higher digital penetration in the country. Ride-hailing vertical contributed to 84.2% of total revenue in 4QFY26, whereas the volume share from non-Western regions improved to 16.0% in 4QFY26 from 12.0% in 3QFY26, primarily due to the contribution from the Central and Southern Provinces. Additionally, FCR believes the rise in total platform movements and average spending per customer would boost GBV. Delivery vertical achieved volume growth of 8.0%QoQ in 4QFY26, with notable improvements in PKME Flash and Trucks segments. Higher margins in the Trucks were largely attributed to the demand from corporates. Accordingly, delivery vertical accounted for 15.7% of net revenue in 4QFY26. Average spending per customer on PKME platform improved by 6.3%YoY to LKR 13,362/quarter in 4QFY26, compared to 0.4%YoY increase in 3QFY26. Price adjustments due to the rise in oil prices could have largely impacted this. We expect the average spending per customer to modestly improve by 3.5%YoY and 3.7%YoY in FY27E and FY28E respectively.

Operating leverage to remain >100.0% bolstered by the efficient cost structure

We expect PKME to capitalize on its SaaS operating model, as the company intends to invest in Artificial Intelligence and align it with all core verticals. The company's current cost structure is efficient, as >60.0% of total costs is either fixed or semi-fixed. Although we expect higher incentives costs to put pressure on variable costs, the expected higher volume growth would alleviate this. Hence, FCR estimates PKME's operating profit to modestly grow by 26.1%YoY to LKR 3.9Bn and 47.6%YoY to LKR 5.7Bn, attributing a higher operating leverage of 129.4% and 159.7% in FY27E and FY28E respectively. Consequently, our earnings forecast stands at LKR 2.8Bn for FY27E and LKR 4.1Bn for FY28E, translating to a net margin of 26.9% and 30.3% respectively.

FCR raises FY28E fair value target to LKR 220.0; MAINTAIN BUY

Following our slight revision in earnings forecast for PKME, we expect the company to generate an ROE of 63.9% and 71.6% in FY27E and FY28E respectively. We expect the company to trade at an implied EV/EBITDA multiple of 12.0x for FY27E and anticipate a multiple of 11.0x for FY28E, considering the expected earnings growth and the macroeconomic backdrop. Accordingly, our unrevised PKME target price for FY27E remains at LKR 175.0/share and we introduce LKR 220.0 as FY28E target price (from LKR 200.0). The total annualized return for FY28E is 18.6%, above our minimum required return threshold of 18.0%. **MAINTAIN BUY.**



FIRST CAPITAL RESEARCH

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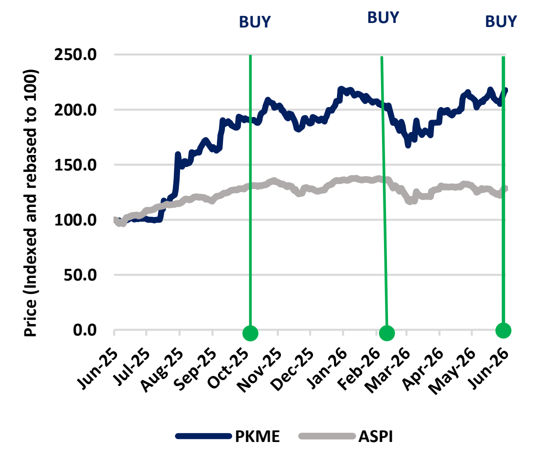
Price Movement of PKME vs ASPI (Indexed and rebased to 100)



Source: CSE

Minimum Return for BUY:

***Buy Below for FY28E [AER of 18.0% with DPS]: LKR 169.2** PKME categorized as 'Grade B' counter.*

Disclosure on Shareholding:

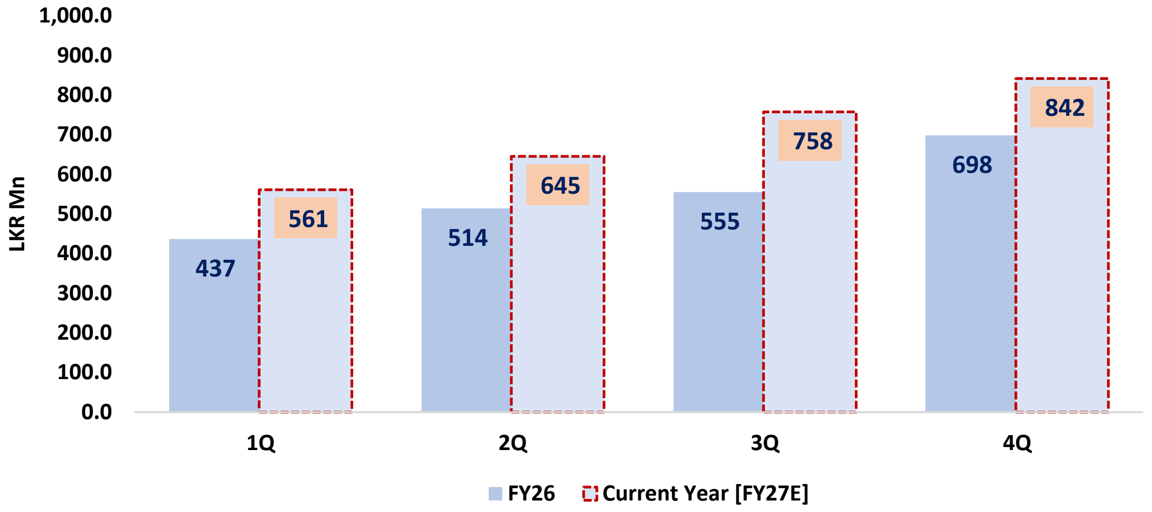
First Capital Group or the covering analyst did not hold 1% or more of the total outstanding share capital of PKME during the five trading days prior to the issuance of this document.

Key risks associated with our recommendation

Downside risks
- Increase in fuel prices can lead to demand shortages
- Lower disposable income could lower the volumes
- Competitive pressure from pricing strategies
- Threat of cyber-attacks to the platform

Upside risks
- Adoption of Artificial Intelligence could facilitate new market opportunities
- Shift in consumer preference towards digital mobility helps to expand business verticals

Quarterly Earnings



Estimate Revision

In LKR Mn	FY27E - O	FY27E - R	% Change	FY28E - O	FY28E - R	% Change
Earnings Estimate						
Revenue	10,416	10,432	+0.2%	13,849	13,543	-2.2%
EBIT	4,035	3,850	-4.6%	6,202	5,684	-8.4%
Profit before tax	4,136	4,009	-3.1%	6,315	5,864	-7.1%
Net Profit	2,895	2,806	-3.1%	4,421	4,105	-7.2%
EPS	8.7	8.4	-3.2%	13.3	12.3	-7.4%
Growth YoY	*59.0%*	*27.3%*		*52.7%*	*46.3%*	
Balance Sheet Estimate						
Shareholders' Equity	4,886	4,952	+1.3%	6,876	6,512	-5.3%
Borrowings	386	399	+3.3%	424	439	+3.5%
NAVPS	**14.7**	**14.9**		**20.6**	**19.5**	
Ratio Estimate						
ROE (%)	***69.1%***	***63.9%***		***75.2%***	***71.6%***	
PER (x)	**16.8**	**19.1**		**11.0**	**13.0**	
PBV (x)	**9.9**	**10.8**		**7.1**	**8.2**	

Valuation Table

P/E 31 March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Estimates (LKR 'Mn)							
Revenue	**1,964**	**3,919**	**5,835**	**8,682**	**10,432**	**13,543**	**18,795**
EBIT	15	925	1,603	3,054	3,850	5,684	8,616
Net Profit	**130**	**679**	**1,170**	**2,204**	**2,806**	**4,105**	**6,174**
Adjusted EPS (LKR)	**0.4**	**2.0**	**3.5**	**6.6**	**8.4**	**12.3**	**18.5**
YoY Growth (%)	*-183.0%*	*420.8%*	*72.2%*	*88.3%*	*27.3%*	*46.3%*	*50.4%*
Valuations							
PER (x)	**428.6x**	**82.3x**	**47.8x**	**25.4x**	**19.9x**	**13.6x**	**9.1x**
PBV (x)	**53.2x**	**32.0x**	**21.6x**	**14.6x**	**11.3x**	**8.6x**	**6.4x**
DY (%)	***0.0%***	***0.0%***	***1.4%***	***2.6%***	***3.0%***	***4.6%***	***7.0%***
NAVPS	*3.2*	*5.2*	*7.8*	*11.5*	*14.9*	*19.5*	*26.4*
DPS	*-*	*-*	*2.3*	*4.3*	*5.1*	*7.6*	*11.7*
Dividend Payout	*0.0%*	*0.0%*	*65.5%*	*65.0%*	*60.0%*	*62.0%*	*63.0%*

Ratio Analysis

		FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Growth	Revenue	51.6%	99.6%	48.9%	48.8%	20.2%	29.8%	38.8%
	EBIT	-109.0%	6251.8%	73.3%	90.5%	26.1%	47.6%	59.2%
	Net Profit	-183.0%	420.8%	72.2%	88.3%	27.3%	46.3%	57.8%
Profitability	EBIT Margin	0.7%	23.6%	27.5%	35.2%	36.9%	42.0%	48.1%
	NP Margin	6.6%	17.3%	20.1%	25.4%	26.9%	30.3%	34.5%
	Return on Equity	13.4%	48.5%	54.0%	68.7%	63.9%	71.6%	84.0%
Liquidity	Current Ratio	1.4x	1.8x	2.1x	2.4x	2.5x	2.6x	2.8x
	Quick Ratio	1.4x	1.8x	2.1x	2.4x	2.5x	2.6x	2.7x
Activity	Inventory Days	3.0	10.4	2.7	2.1	2.6	2.2	1.8
	Accounts Payable Days	111.2	1077.5	286.3	251.1	238.0	238.7	239.4
	Accounts Receivable Days	39.3	37.3	30.0	18.2	29.2	28.5	29.9
Gearing	Debt/Equity	0.3x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x
	Debt/Debt+Equity	0.2x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x
	Debt/Total assets	0.2x	0.1x	0.1x	0.1x	0.1x	0.0x	0.0x

Valuation Summary

Expected PKME Price	FY27E	FY28E
EV/EBITDA Valuation based target price	173.0	227.3
DCF Valuation based target price	184.9	203.8
Average Target Price	178.9	215.6
Target Price after Rounding-off	175.0	220.0

Return	FY27E	FY28E
Target Price	175.0	220.0
Current Price	167.8	167.8
Capital Gain (LKR)	7.3	52.3
Dividends up to 31st March	5.1	7.6
Capital Gain %	4%	31%
Dividend Yield %	3%	5%
Total Return %	7%	36%
Annualized Return %	9%	19%

Discounted Cash Flow Valuation

DCF based Valuation	FY27E	FY28E
Enterprise Value	60,505	66,050
Debt (-)	(399)	(439)
Cash (+)	1,519	2,336
Total Value of Equity	61,625	67,948
No. of Shares (Mn)	333	333
Target Price	184.9	203.8

WACC	FY27E	FY28E
Ke	16%	16%
Kd	9%	9%
D/E Assumption	10:90	10:90
Terminal Growth (%)	3%	3%
WACC	15%	15%

COE	FY27E	FY28E
Rf	10%	10%
Rm	18%	18%
Growth %	3%	3%
β	0.7	0.7
Ke = Rf + β(Rm-Rf)	16%	16%

EV/EBITDA based Valuation

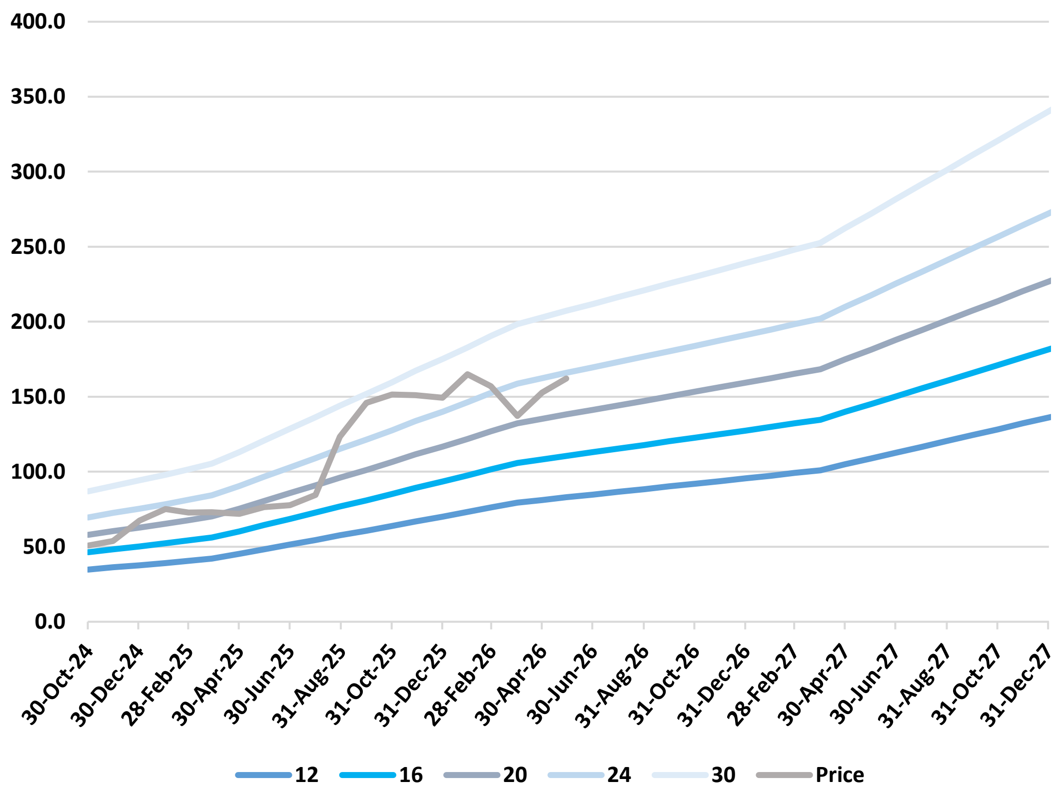
EV/EBITDA based Valuation	FY27E	FY28E
EBITDA (LKR 'Mn)	4,899	7,060
Enterprise Value (LKR 'Mn)	58,790	77,661
(-) Net Debt	-1,120	-1,897
Total Equity Value	57,670	75,763
Implied EV/EBITDA	12.0	11.0
No. of Shares (Mn)	333	333
Target Price	173.0	227.3

Recommendation Criteria

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	T.Bill + 5% & Above	T.Bill + 1% & Above	Below T.Bill + 1%
Grade B	Rest of the Companies	T.Bill + 8% & Above	T.Bill + 3% & Above	Below T.Bill + 3%
Grade C	Companies less than LKR 1Bn Market Cap	T.Bill + 11% & Above	T.Bill + 6% & Above	Below T.Bill + 6%

Categorization	Company Category	Buy	Hold	Sell
Grade A	S&P SL20 Companies	15.00%	11.00%	11.00%
Grade B	Rest of the Companies	18.00%	13.00%	13.00%
Grade C	Companies less than LKR 1Bn Market Cap	21.00%	16.00%	16.00%

PER Chart



Appendix I: Statement of Income and Expenses

Income Statement (LKR Mn) Year ended 31st March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Application Usage Income	3,170	4,119	6,852	10,186	12,722	16,516	22,921
(-) VAT Payments	(1,206)	(201)	(1,017)	(1,503)	(2,290)	(2,973)	(4,126)
Revenue from contracts with customers	**1,964**	**3,918**	**5,835**	**8,682**	**10,432**	**13,543**	**18,795**
Other Income	23	127	79	44	146	190	263
Operating Expenses	(900)	(1,371)	(1,719)	(2,239)	(2,504)	(3,115)	(4,323)
Admin Expenses	(883)	(1,428)	(2,205)	(2,919)	(3,317)	(3,756)	(4,240)
Selling and Distribution Expenses	(189)	(322)	(387)	(514)	(908)	(1,178)	(1,879)
Profit from Operations	**15**	**925**	**1,603**	**3,054**	**3,850**	**5,684**	**8,616**
Finance Cost	(49)	(42)	(42)	(47)	(55)	(65)	(76)
Finance Income	107	121	122	183	214	245	280
Net finance income/(expense)	**58**	**79**	**80**	**137**	**159**	**180**	**204**
Share of loss from Associate Company	(4)	(11)	-	-	-	-	-
Profit Before Taxation	**69**	**993**	**1,683**	**3,190**	**4,009**	**5,864**	**8,820**
Income Tax Expense/Reversal	61	(314)	(513)	(987)	(1,203)	(1,759)	(2,646)
Net Profit for the Year	**130**	**679**	**1,170**	**2,204**	**2,806**	**4,105**	**6,174**
Adjusted EPS	**0.4**	**2.0**	**3.5**	**6.6**	**8.4**	**12.3**	**18.5**

Appendix II: Statement of Financial Position

Statement of Financial Position (LKR Mn) As at 31st March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
ASSETS							
Property, Plant and Equipment	23	132	202	238	301	459	636
Intangible Assets	706	959	1,176	1,406	1,806	2,642	3,608
Right of Use Assets	10	159	291	312	348	388	432
Inventories	10	6	7	9	16	18	21
Trade and Other Receivables	211	401	479	432	1,252	1,083	1,316
Other Investments	644	718	778	1,225	1,335	1,455	1,586
Cash and Bank Balances	47	445	1,091	2,145	1,519	2,336	3,458
Total Assets	**1,752**	**2,821**	**4,024**	**5,766**	**6,578**	**8,382**	**11,056**
EQUITY & LIABILITIES							
Equity							
Stated Capital	1,526	1,555	1,573	1,573	1,573	1,573	1,573
Retained Earnings	(499)	177	1,013	2,227	3,349	4,909	7,193
Employee Share Option Plan	24	17	-	30	30	30	30
Total Equity	**1,051**	**1,749**	**2,586**	**3,829**	**4,952**	**6,512**	**8,796**
Defined Benefit Obligations	39	58	75	85	85	85	85
Deferred Tax Liability	-	2	12	4	4	4	4
Lease Liabilities	1	142	248	254	311	342	376
Interest Bearing Loans and Borrowings	260	5	-	-	-	-	-
Trade and Other Payables	368	593	798	1,034	687	892	1,238
Tax Payable	23	238	234	451	451	451	451
Lease Liabilities	11	35	71	109	88	97	106
Total Equity and Liabilities	**1,752**	**2,821**	**4,024**	**5,766**	**6,578**	**8,382**	**11,056**
Adjusted NAVPS	**3.2**	**5.2**	**7.8**	**11.5**	**14.9**	**19.5**	**26.4**

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