

COMPANY UPDATE

ComfortDelGro Corporation (CD SP)

Catching A Ride And Awaiting An Aussie Bounce.

CD remains in recovery mode, as vaccination rates ramp up in 2H21. Barring another round of tightened measures, the effects of Phase 2 (Heightened Alert) should be short-term in nature, with a likely recovery in land transport activities. The group's Australian presence is vital, as it seeks to unlock value from its assets, while potentially growing through new contract tenders. Maintain BUY with a slightly lower target price of S\$1.90.

WHAT'S NEW

- **Reopening allows for domestic ridership to trend up.** According to the Ministry of Health, the easing of COVID-19 measures have taken place from 12 Jul 21, with groups of five being allowed for dine-in services, while social gatherings at offices are also allowable at the prevailing group size. The authorities noted that 50% of the population are expected to be fully vaccinated by end-Jul 21.
- Public transport ridership hit a low in the Phase 2 (Heightened Alert) period but has since trended up marginally. We opine that ridership levels have dropped by a smaller extent compared to the circuit breaker period in 2Q20. According to the Google Mobility Report, movement trends to public transit areas dipped 50% below pre-COVID-19 levels at the end of May but are currently at 35-40% below pre-COVID-19 levels. This will affect the group's rail fare revenue for 2Q21.
- **Restructuring for a new normal.** ComfortDelGro Corporation (CD) is progressing with its restructuring efforts. The group recently reorganised its taxi, private bus, car rental leasing and lifestyle businesses under a new division - Private Mobility Group, in allowing the group to gain a focused approach in developing sustainable mobility solutions using digital technology. A mega app will be introduced in early-22, enabling customers to select from a variety of services from a single platform, effectively cross-marketing CD's range of transport solutions. In addition, CD also recently disposed of its taxi and chauffeur car hire services in London for a total consideration of S\$5.6m. Its restructuring efforts appear to be adapting to the new normal of increased digital usage and sustainable mobility solutions.
- With this in mind, the group's fixed contract bus routes appear to offer more resilience in light of the effects of COVID-19. In Australia, CD is one of the largest privately owned bus operators, operating in Sydney, New South Wales, Melbourne and the Northern Territory. Recall that the group is exploring various options to unlock value of its assets in Australia, including a partial sale of assets or an IPO. Recent COVID-19 restrictions have impacted ridership though we understand that service levels have remained steady. Growth opportunities can take the form of further acquisitions or new bus tender contracts. Total investment in Australia is S\$1.17b to date.

KEY FINANCIALS

Year to 31 Dec (\$m)	2019	2020	2021F	2022F	2023F
Net turnover	3,906	3,229	3,500	3,608	3,695
EBITDA	869	540	698	723	763
Operating profit	416	123	304	326	350
Net profit (rep./act.)	265	62	205	215	233
Net profit (adj.)	292	110	205	215	233
EPS (\$ cent)	13.5	5.1	9.5	9.9	10.8
PE (x)	11.9	31.5	16.9	16.1	14.9
P/B (x)	1.3	1.3	1.3	1.3	1.2
EV/EBITDA (x)	3.8	6.2	4.8	4.6	4.4
Dividend yield (%)	6.1	0.9	3.1	4.4	5.0
Net margin (%)	6.8	1.9	5.9	6.0	6.3
Net debt/(cash) to equity (%)	(2.5)	(10.7)	(21.1)	(28.9)	(35.1)
Interest cover (x)	41.0	36.7	32.8	34.6	37.4
ROE (%)	10.2	2.4	7.7	7.9	8.3
Consensus net profit	-	-	194	239	250
UOBKH/Consensus (x)	-	-	1.06	0.90	0.93

Source: CD, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.60
Target Price	S\$1.90
Upside	+18.9%
(Previous TP:	S\$1.95)

COMPANY DESCRIPTION

ComfortDelGro is the world's second-largest public listed passenger land transport company with a total fleet size of 43,000 vehicles. Its businesses include bus, taxi, rail, car rental & leasing, automotive engineering, maintenance services vehicle inspection services, driving centre, insurance broking, outdoor advertising and car dealership.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	CD SP
Shares issued (m):	2,167.4
Market cap (\$m):	3,467.9
Market cap (US\$m):	2,556.5
3-mth avg daily t'over (US\$m):	15.4

Price Performance (%)

52-week high/low	S\$1.81/S\$1.33			
1mth	3mth	6mth	1yr	YTD
(4.8)	(9.1)	(6.4)	9.6	(4.2)

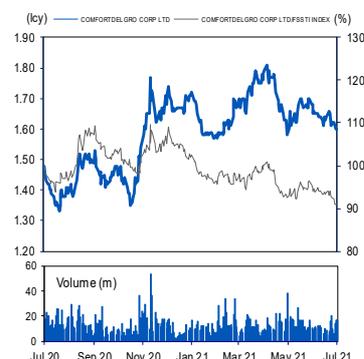
Major Shareholders

n.a. %

FY21 NAV/Share (S\$) 1.25

FY21 Net Cash/Share (S\$) 0.26

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Assessing an upcoming Australian bus contract.** As part of the government's efforts to privatise its remaining bus routes, an upcoming bus tender by the Transport For New South Wales is expected to take place in the coming months. This is for Region 9 which serves Sydney's Eastern Suburbs and CBD. We compare Region 9 with Region 8, a tender which had been recently been awarded to Keolis Downer for A\$900m over 8 years. Pre-pandemic, Region 9 serves almost double the ridership, though the amount of bus routes may not be proportionate. We estimate that CD, through its operating subsidiaries, CDC NSW and Forest Coach Lines, has approximately 11% of public bus ridership market share in New South Wales.

NEW SOUTH WALES BUS CONTRACTS

	Region 8	Region 9
Area	Northern Beaches and Lower North Shore	Sydney Eastern suburbs & CBD
Ridership (2019)	31.1m	68.4m
Tender value (A\$)	900m (8 years)	-
Contract value per year (A\$)	113m	-
Awarded	Keolis Downer (May 21)	-

Source: Transport For New South Wales, UOB Kay Hian

EARNINGS REVISION/RISK

- Lower 2021 earnings by 13%, 2022-23 earnings are unchanged.** Given the lower rail ridership and taxi rental rebates seen in 2Q21, we expect a drop off in the period and have lowered our earnings for 2021. For 1H21, we estimate core earnings to come in at S\$95m (+283% yoy) up from a low base in 1H20. On a qoq basis, we expect to see a 33% drop in earnings for 2Q21.
- A pick-up in 2H21 in which a 15-20% hoh pick-up in rail ridership could help to offset some of the lower government support grants.** In our view, a hoh uplift could also come from overseas coach services as well as easing rental rebates for taxis.

VALUATION/RECOMMENDATION

- Maintain BUY with a lower target price of S\$1.90,** pegged to 20.4x (previously 17.9x) 2021F PE. This is at a +1SD to its 5-year mean excluding outliers. Counter checking against our estimated SOTP-based valuation of S\$1.94, we view the PE peg to be reasonable, given that the group is poised for recovery.
- Barring another round of tightened COVID-19 restrictions, CD remains a proxy for the reopening theme.** In addition, the counter also has potential re-rating catalysts in its favour, such as the unlocking of value from Australian assets as well as regulatory financing framework changes for the Downtown Line.

SHARE PRICE CATALYST

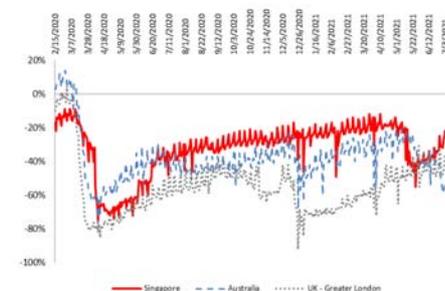
- Easing of stay-home measures.
- Bus tender contract wins.
- Earnings-accretive overseas acquisitions.
- Regulatory changes in public transport.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Rec	Price @ 14-Jul 21 (lcy)	Target Price (lcy)	Mkt Cap (US\$m)	PE (x)			EV/EBITDA (x)			P/B 2021F
							2020	2021F	2022F	2020	2021F	2022F	
Comfortdelgro Corp	CD SP	S\$	BUY	1.60	1.90	2,556.5	31.5	16.9	16.1	6.2	4.8	4.6	1.3
Firstgroup Plc	FGP LN	£	NR	81.9	n.a.	1,389	n.a.	16.7	9.9	3.6	4.0	4.0	1.0
Go-Ahead Group Plc	GOG LN	£	NR	1014	n.a.	607	n.a.	11.2	9.6	1.5	1.3	1.7	2.1
National Express Group Plc	NEX LN	£	NR	250.6	n.a.	2,135	n.a.	61.1	9.5	n.a.	7.8	4.9	1.1
Stagecoach Group Plc	SGC LN	£	NR	73.3	n.a.	560	n.a.	18.8	6.4	4.4	4.3	3.2	6.6
Transport Intl Hldg Ltd	62 HK	HK\$	NR	15.1	n.a.	905	3.6	n.a.	n.a.	6.8	n.a.	n.a.	0.5
Sbs Transit Ltd	SBUS SP	S\$	NR	3.03	n.a.	697	12.0	12.1	11.7	5.1	5.1	4.7	1.8
Sealink Travel Group Ltd	SLK AU	A\$	NR	9.15	n.a.	1,490	n.a.	26.3	22.0	36.6	13.3	11.2	3.3
Average							7.8	24.0	9.4	9.7	6.0	4.9	2.7

Source: Bloomberg, UOB Kay Hian

PUBLIC TRANSIT MOBILITY TRENDS*



Source: Google, UOB Kay Hian
*% change is taken with reference to baseline period (Median value of corresponding day of the week from 3 Jan - 6 Feb 20)

ESTIMATED SOTP VALUATION

Business Units	S\$/share	Comments
SBS Transit (74% ownership)	0.32	Market price
Vicom (67% ownership)	0.22	Market price
CD buses (SG)	0.02	Estimated NAV based on fleet
UK	0.27	Estimated NAV based on Non-current assets
Taxi	0.32	Book Value
Others (Engineering + Bus Station + Driving Centre + Car Rental)	0.09	Estimated based on conservative 5x 2021 PE
Net Cash	0.14	
Total (ex. Australia)	1.40	

Australia's Valuation Sensitivity

S\$1.17b (assume 8x EV/EBITDA)	S\$1.31b (assume 9x EV/EBITDA)	S\$1.46b (assume 10x EV/EBITDA)
S\$0.54/share	S\$0.61/share	S\$0.68/share

CD's Valuation Sensitivity

S\$1.94	S\$2.01	S\$2.08
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Source: CD, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$Sm)	2020	2021F	2022F	2023F
Net turnover	3,228.6	3,499.5	3,608.3	3,695.5
EBITDA	539.7	698.3	722.9	763.0
Deprec. & amort.	416.6	394.0	397.2	413.1
EBIT	123.1	304.3	325.7	349.9
Total other non-operating income	8.8	14.6	18.6	21.5
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(14.7)	(21.3)	(20.9)	(20.4)
Pre-tax profit	117.2	297.6	323.4	351.0
Tax	(24.5)	(53.6)	(64.7)	(70.2)
Minorities	(30.9)	(39.0)	(44.0)	(47.7)
Net profit	61.8	205.0	214.8	233.1
Net profit (adj.)	110.1	205.0	214.8	233.1

CASH FLOW

Year to 31 Dec (\$Sm)	2020	2021F	2022F	2023F
Operating	483.7	636.1	663.7	696.0
Pre-tax profit	117.2	297.6	323.4	351.0
Tax	(87.9)	(53.6)	(64.7)	(70.2)
Deprec. & amort.	416.6	394.0	397.2	413.1
Associates	0.0	0.0	0.0	0.0
Working capital changes	(28.3)	(8.7)	5.6	3.2
Non-cash items	66.1	6.7	2.2	(1.1)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(109.7)	(185.8)	(231.8)	(278.9)
Capex (growth)	(198.5)	(200.0)	(250.0)	(300.0)
Investments	(12.2)	0.0	0.0	0.0
Proceeds from sale of assets	92.4	0.0	0.0	0.0
Others	8.6	14.2	18.2	21.1
Financing	(241.2)	(172.3)	(215.2)	(236.4)
Dividend payments	(144.0)	(138.1)	(181.4)	(203.1)
Issue of shares	0.7	0.0	0.0	0.0
Proceeds from borrowings	1,993.4	0.0	0.0	0.0
Loan repayment	(2,110.0)	(12.9)	(12.9)	(12.9)
Others/interest paid	18.7	(21.3)	(20.9)	(20.4)
Net cash inflow (outflow)	132.8	278.0	216.8	180.7
Beginning cash & cash equivalent	594.2	742.8	1,020.8	1,237.6
Changes due to forex impact	15.8	0.0	0.0	0.0
Ending cash & cash equivalent	742.8	1,020.8	1,237.6	1,418.2

BALANCE SHEET

Year to 31 Dec (\$Sm)	2020	2021F	2022F	2023F
Fixed assets	2,619.5	2,425.5	2,278.3	2,165.2
Other LT assets	1,217.6	1,218.0	1,218.4	1,218.8
Cash/ST investment	742.8	1,020.8	1,237.6	1,418.2
Other current assets	728.6	756.8	770.2	780.7
Total assets	5,308.5	5,421.0	5,504.5	5,583.0
ST debt	110.3	97.4	84.5	71.6
Other current liabilities	933.4	952.9	971.9	985.6
LT debt	353.4	353.4	353.4	353.4
Other LT liabilities	882.7	882.7	882.7	882.7
Shareholders' equity	2,606.7	2,703.4	2,766.5	2,826.3
Minority interest	422.0	431.2	445.4	463.4
Total liabilities & equity	5,308.5	5,421.0	5,504.5	5,583.0

KEY METRICS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
Profitability				
EBITDA margin	16.7	20.0	20.0	20.6
Pre-tax margin	3.6	8.5	9.0	9.5
Net margin	1.9	5.9	6.0	6.3
ROA	1.2	3.8	3.9	4.2
ROE	2.4	7.7	7.9	8.3
Growth				
Turnover	(17.3)	8.4	3.1	2.4
EBITDA	(37.9)	29.4	3.5	5.5
Pre-tax profit	(71.2)	153.9	8.7	8.5
Net profit	(76.7)	231.7	4.8	8.5
Net profit (adj.)	(62.3)	86.2	4.8	8.5
EPS	(62.3)	86.2	4.8	8.5
Leverage				
Debt to total capital	13.3	12.6	12.0	11.4
Debt to equity	17.8	16.7	15.8	15.0
Net debt/(cash) to equity	(10.7)	(21.1)	(28.9)	(35.1)
Interest cover (x)	36.7	32.8	34.6	37.4

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