

COMPANY RESULTS

ComfortDelGro Corporation (CD SP)

FY21: Building Up Immunity To COVID-19

CD reported strong 2021 PATMI of S\$130.1m (+114.0% yoy), marking the start of its recovery from COVID-19. Public transport services continued its gradual recovery while the taxi segment returned to profitability. Government relief is expected to taper off completely by 2H22 as key markets transition to endemic living. Trading at -1.5SD to its five-year mean PE, CD is an attractive value play, backed by strong fundamentals. Maintain BUY with a lower target price of S\$1.73.

2021 RESULTS

Year to 31 Dec (\$m)	FY21	yoy % chg	4Q21	yoy % chg	qoq % chg	4Q21 Comments
Revenue	3,538.3	9.1	915.5	3.4	4.0	
Operating expense	(3,328)	(6.6)	(761.0)	6.4	9.4	
Operating profit	210.0	72.6	35.1	(51.6)	(12.9)	4Q21 loss due to an S\$16m net loss disposal of diesel buses and S\$9m impairments.
PATMI	130.1	114.0	13.3	(71.1)	(48.4)	
Operating margin (%)	5.9	2.1 ppts	3.8	(4.4 ppts)	(0.7 ppts)	
Net margin (%)	3.7	1.8 ppts	1.5	(3.8 ppts)	(1.5 ppts)	

Year to 31 Dec (\$m)	Revenue			Operating Profit		
	FY21	FY20	yoy % chg	FY21	FY20	yoy % chg
Public Transport services	2,821.7	2,581.9	9.3	130.7	124.1	5.3
Taxi	426.1	403.2	5.7	18.5	(64.4)	n.m
Automotive Engineering services	101.8	89.4	13.9	10.7	18.1	(41.0)
Vehicle inspection & testing	98.5	84.2	17.0	30.6	26.6	15.0
Driving centre	52.2	41.2	26.7	14.9	8.6	73.3
Car rental & leasing	25.9	27.0	(4.1)	3.0	2.5	20.0
Bus station	12.1	15.7	(22.9)	1.6	6.2	(74.2)

Source: CD, UOB Kay Hian

RESULTS

- Worst of COVID-19 is over.** ComfortDelgro Corporation (CD) reported 2021 revenue and PATMI of S\$3,538.3m (+9.1% yoy) and S\$130.1m (+114.0% yoy), forming 101.4% and 86.4% of our full-year forecasts respectively. Excluding one-off S\$15.8m net loss adjustment and S\$9.0m in impairments, PATMI would have met our full-year forecasts and be in line with expectations. A final dividend of 2.1 S cents was declared, taking 2021 total dividend to 4.2 S cents (2020: 1.43 S cents), with a full-year payout ratio of 70%.
- Aided by COVID-19 relief.** 2021 operating profit increased 72.6% yoy as CD's operating segments started to recover, led by both the public transport and taxi segments. Excluding 2021 government relief of S\$84.6m (S\$169.3m in 2020) and non-recurring items, 2021 operating profit skyrocketed to S\$149.1m from S\$11.9m in 2020. Management noted that excluding UK government relief that would start tapering off from Jun 22, CD would not be receiving any material government relief from 2022 onwards.

KEY FINANCIALS

Year to 31 Dec (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	3,229	3,538	3,743	3,892	3,998
EBITDA	540	612	734	807	841
Operating profit	123	210	333	391	447
Net profit (rep./act.)	62	130	227	268	307
Net profit (adj.)	110	130	227	268	307
EPS (S\$ cent)	5.1	6.0	10.5	12.4	14.2
PE (x)	27.7	23.5	13.4	11.4	9.9
P/B (x)	1.2	1.1	1.1	1.1	1.0
EV/EBITDA (x)	5.0	4.4	3.7	3.3	3.2
Dividend yield (%)	1.0	3.0	5.0	5.7	6.4
Net margin (%)	1.9	3.7	6.1	6.9	7.7
Net debt/(cash) to equity (%)	(10.7)	(21.4)	(28.9)	(35.9)	(42.3)
Interest cover (x)	36.7	54.1	88.3	97.2	101.2
ROE (%)	2.4	4.9	8.3	9.5	10.5
Consensus net profit	-	-	227	242	-
UOBKH/Consensus (x)	-	-	1.00	1.11	-

Source: CD, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.41
Target Price	S\$1.73
Upside	+22.7%
(Previous TP:	S\$1.90)

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):	2,166.9
Market cap (S\$m):	3,055.3
Market cap (US\$m):	2,249.2
3-mth avg daily t'over (US\$m):	14.1

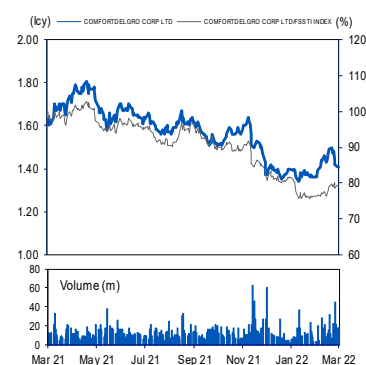
Price Performance (%)

52-week high/low	S\$1.81/S\$1.34			
1mth	3mth	6mth	1yr	YTD
3.7	2.9	(13.0)	(12.4)	0.77

Major Shareholders

Major Shareholders	%
n.a.	
FY22 NAV/Share (S\$)	1.288
FY22 Net Cash/Share (S\$)	0.377

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Public Transport: Increased ridership and higher oil prices.** Annual public transport revenue (+9.3% yoy) and operating profit (+5.3% yoy) grew in 2021, contributed by increased ridership levels and higher revenue from fuel indexation caused by higher oil prices. Also, excluding a S\$15.8m net loss on disposal in 4Q2021, operating profit (excluding government relief and one-off charges) would have been around S\$42m, doubling the operating profit from each of the last three quarters. Australia bus services remain stable while the UK has maintained full public bus schedules despite stubborn Omicron outbreaks. Looking forward, we expect this segment to outperform as ridership levels improve, backed by high vaccinations rates and the resumption of international travel in key markets. Furthermore, with rising fuel costs, CD would be able to receive higher revenues for its bus contracts, helping to offset rising costs. We expect 2022 public transport segment revenue to grow 4.5% yoy and operating profit to grow 35.4% yoy.
- Taxi: Back to profitability as taxi rebates taper off.** 2021 annual taxi revenue and operating profit rebounded to S\$426.1m (+5.7% yoy) and S\$18.5m (-S\$64.4m loss in 2020) respectively, backed by the easing of social distancing measures and resumption of international travel. Also, the shift towards hybrid taxis has aided CD's taxi margins. A S\$5.5m impairment provision was recognised in 4Q21, caused by the withdrawal of CD's planned Australian IPO. We expect greater margin expansion as COVID-19 taxi rental rebates have tapered off at end-Jan 22. Roughly S\$107m of taxi rental rebates were given in 2021 as compared with S\$119m in 2020. Management noted that net hiring has increased for taxi drivers as demand for taxi rides increases. Also, there are no plans to increase rentals rates in 1H22. We expect 2022 revenue and operating profit from the taxi segment to grow 15.0% and 270.7% yoy respectively.

STOCK IMPACT

- Taxi fare hike incoming.** From 1 Mar 22, taxi fares in Singapore would be adjusted higher to help taxi drivers offset inflation and rising fuel prices, with the last fare adjustment in Dec 11. A typical 10km seasonally off-peak normal trip would cost 7.7% more post-hike. As CD earns over 95% of taxi revenue from rentals, we reckon that this would not directly affect CD's taxi revenue. However, CD might indirectly benefit as more new and existing taxi drivers would continue driving, given the possibility of higher personal income. This would be positive for CD as the increasing taxi demand from the removal of WFH measures and higher fares would entice more taxi drivers to continue driving, thus helping support taxi rental revenue.

EARNINGS REVISION/RISK

- We adjust our PATMI forecasts slightly while adding our 2024 forecasts.** We have left 2022 earnings forecast relatively unchanged, but increase 2023 earnings by 13.4%. We now forecast 2022-24 PATMI at S\$227.3m (S\$226.2m previously), S\$268.1m (S\$236.4m previously) and S\$307.2m respectively. This is on the back of stronger taxi margin assumptions and higher revenue from bus contracts.

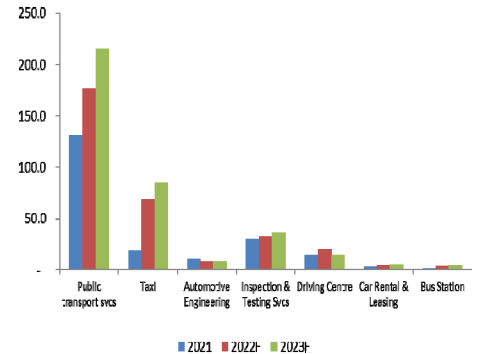
VALUATION/RECOMMENDATION

- Maintain BUY with a lower target price of S\$1.73 (S\$1.90 previously), pegged to 16.5x (18.2x previously) 2022F PE,** pegged to CD's average five-year mean (+1SD previously). In our view, backed by growing fundamentals, CD remains poised to see a gradual recovery in ridership levels in the medium term as COVID-19 measures ease and international travel resumes. However, we reckon there are no strong near-term catalysts that would cause CD to trade at a higher valuation. Hence, we have taken a conservative approach and pegged our PE multiple to CD's five-year mean, resulting in a lower target price.

SHARE PRICE CATALYST

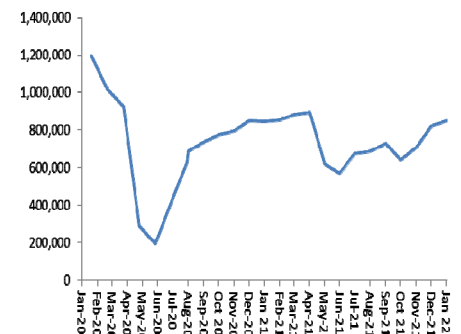
- Bus tender contract wins.
- Full easing of COVID-19 measures.
- Earnings-accretive overseas acquisitions.

SEGMENTAL OPERATING PROFIT HISTORICALS AND FORECASTS (\$M)



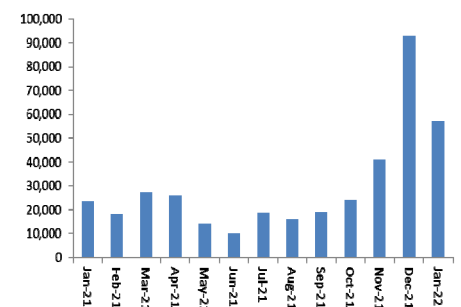
Source: UOB Kay Hian, CD

SBS TRANSIT TRAIN RIDERSHIP



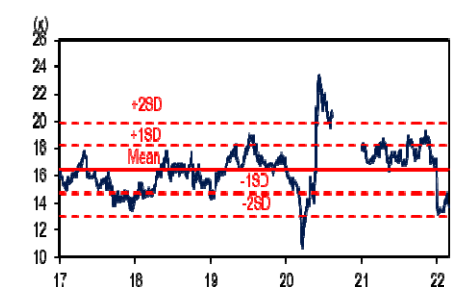
Source: SBS Transit, UOB Kay Hian

SINGAPORE'S MONTHLY INTERNATIONAL ARRIVALS



Source: Singapore Tourism Analytics Network, UOB Kay Hian

HISTORICAL FORWARD PE



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$Sm)	2021	2022F	2023F	2024F
Net turnover	3,538.3	3,743.0	3,892.4	3,997.6
EBITDA	611.6	733.6	807.4	840.9
Deprec. & amort.	401.6	400.2	416.0	394.3
EBIT	210.0	333.4	391.4	446.6
Total other non-operating income	6.2	17.1	20.4	24.1
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(11.3)	(8.3)	(8.3)	(8.3)
Pre-tax profit	204.9	342.2	403.5	462.4
Tax	(44.9)	(68.4)	(80.7)	(92.5)
Minorities	(29.9)	(46.5)	(54.9)	(62.9)
Net profit	130.1	227.2	267.9	307.1
Net profit (adj.)	130.1	227.2	267.9	307.1

BALANCE SHEET

Year to 31 Dec (\$Sm)	2021	2022F	2023F	2024F
Fixed assets	2,430.5	2,280.3	2,164.3	2,070.0
Other LT assets	936.2	936.6	937.0	937.4
Cash/ST investment	919.1	1,145.1	1,374.7	1,606.7
Other current assets	669.2	703.1	729.0	746.7
Total assets	4,955.0	5,065.1	5,205.1	5,360.8
ST debt	23.9	23.9	23.9	23.9
Other current liabilities	966.2	985.1	1,006.5	1,018.1
LT debt	317.1	317.1	317.1	317.1
Other LT liabilities	511.5	511.5	511.5	511.5
Shareholders' equity	2,706.5	2,782.1	2,876.7	2,988.8
Minority interest	429.8	445.4	469.4	501.4
Total liabilities & equity	4,955.0	5,065.1	5,205.1	5,360.8

CASH FLOW

Year to 31 Dec (\$Sm)	2021	2022F	2023F	2024F
Operating	660.9	650.2	722.1	742.4
Pre-tax profit	204.9	342.2	403.5	462.4
Tax	(71.3)	(68.4)	(80.7)	(92.5)
Deprec. & amort.	401.6	400.2	416.0	394.3
Associates	0.0	0.0	0.0	0.0
Working capital changes	75.0	(15.0)	(4.6)	(6.1)
Non-cash items	50.7	(8.8)	(12.1)	(15.8)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(203.8)	(233.3)	(280.0)	(276.3)
Capex (growth)	(228.2)	(250.0)	(300.0)	(300.0)
Investments	(18.3)	0.0	0.0	0.0
Proceeds from sale of assets	33.9	0.0	0.0	0.0
Others	8.8	16.7	20.0	23.7
Financing	(287.2)	(190.8)	(212.5)	(234.2)
Dividend payments	(107.3)	(182.5)	(204.2)	(225.9)
Issue of shares	0.1	0.0	0.0	0.0
Proceeds from borrowings	2,124.1	0.0	0.0	0.0
Loan repayment	(2,268.0)	0.0	0.0	0.0
Others/interest paid	(36.1)	(8.3)	(8.3)	(8.3)
Net cash inflow (outflow)	169.9	226.0	229.7	231.9
Beginning cash & cash equivalent	742.8	919.1	1,145.1	1,374.7
Changes due to forex impact	6.4	0.0	0.0	0.0
Ending cash & cash equivalent	919.1	1,145.1	1,374.7	1,606.7

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	17.3	19.6	20.7	21.0
Pre-tax margin	5.8	9.1	10.4	11.6
Net margin	3.7	6.1	6.9	7.7
ROA	2.5	4.5	5.2	5.8
ROE	4.9	8.3	9.5	10.5
Growth				
Turnover	9.6	5.8	4.0	2.7
EBITDA	13.3	19.9	10.1	4.2
Pre-tax profit	74.8	67.0	17.9	14.6
Net profit	110.5	74.6	17.9	14.6
Net profit (adj.)	18.2	74.6	17.9	14.6
EPS	18.2	74.6	17.9	14.6
Leverage				
Debt to total capital	9.8	9.6	9.2	8.9
Debt to equity	12.6	12.3	11.9	11.4
Net debt/(cash) to equity	(21.4)	(28.9)	(35.9)	(42.3)
Interest cover (x)	54.1	88.3	97.2	101.2

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