

# Singapore Company Update

## ComfortDelGro

Bloomberg: CD SP | Reuters: CMDG.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

17 May 2022

### BUY

Last Traded Price (13 May 2022): S\$1.41 (STI : 3,191.16)  
Price Target 12-mth: S\$1.95 (38% upside)

#### Analyst

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#### What's New

- 1Q22 revenue up 4.6% y-o-y; in line with forecasts
- Rail ridership on the verge of posting post-COVID high
- Point-to-point vehicle shortage could support taxi fleet recovery
- Maintain BUY with TP of S\$1.95

#### Price Relative



#### Forecasts and Valuation

FY Dec (\$m)	2020A	2021A	2022F	2023F
Revenue	3,229	3,538	3,743	3,852
EBITDA	588	612	711	787
Pre-tax Profit	117	205	317	346
Net Profit	61.8	130	204	223
Net Pft (Pre Ex.)	61.8	130	166	223
Net Pft Gth (Pre-ex) (%)	(76.7)	110.5	27.5	34.2
EPS (S cts)	2.85	6.00	9.40	10.3
EPS Pre Ex. (S cts)	2.85	6.00	7.65	10.3
EPS Gth Pre Ex (%)	(77)	110	27	34
Diluted EPS (S cts)	2.85	5.99	9.38	10.2
Net DPS (S cts)	1.43	4.20	5.00	6.00
BV Per Share (S cts)	120	125	130	135
PE (X)	49.4	23.5	15.0	13.7
PE Pre Ex. (X)	49.4	23.5	18.4	13.7
P/Cash Flow (X)	6.3	4.6	4.0	4.3
EV/EBITDA (X)	5.6	4.8	3.6	2.9
Net Div Yield (%)	1.0	3.0	3.5	4.3
P/Book Value (X)	1.2	1.1	1.1	1.0
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	2.4	4.9	7.4	7.7

Earnings Rev (%): 25 11  
Consensus EPS (S cts): 9.00 10.4  
Other Broker Recs: B: 10 S: 0 H: 1

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

### Better tax economics ahead

#### Investment Thesis

Major reopening beneficiary as mobility gradually trends towards normalisation. The group's key markets (the UK, Singapore, and Australia) are moving towards living with COVID-19, underpinned by vaccines and COVID-19 therapeutics. Indeed, mobility trends in Singapore have already begun to normalise amidst the ongoing reopening. As such, we are forecasting CDG's FY22F net profit (pre ex) to rise c.27% y-o-y as CDG's key segments see increased ridership and demand.

Public listings of ride hailing companies could pave the way for less intense competition. With Grab listed via a SPAC in the US and GoTo's listed in Indonesia, CDG's ride-hailing competitors may be subject to increased scrutiny, which could reduce aggressive competition and improve the economics of renting taxis. In turn, CDG's rental taxi fleet could reverse its declining trend.

Evolving into a sustainability play. CDG has embarked on multiple initiatives to turn its business segments green. The group has invested in green projects that include the provision of EV charging infrastructure and a greening of its bus and taxi fleet, which could potentially pave the way for inclusion in ESG indices.

#### Valuation:

Maintain BUY with a TP of S\$1.95 based on a blend of forward EV/EBITDA and PB valuations. We peg CDG to a forward EV/EBITDA of 5.3x and PB of 1.25x, both of which represent the -1SD level from the 10-year mean.

#### Where we differ:

Consensus earnings for FY22F vary widely. We expect sequential quarterly improvements in FY22F, led by recovery and the pick-up of transit mobility.

#### Key Risks to Our View:

High COVID-19 hospitalisations and deaths, leading to reinstatement of pandemic restrictions, and intense competition from ride-hailing competitors leading to large contractions in taxi fleet and loss of bus contracts.

Issued Capital (m shrs)	2,167
Mkt. Cap (\$m/US\$m)	3,055 / 2,193
Major Shareholders (%)	
Ameriprise Financial Inc	6.8
Blackrock Inc	5.0
Free Float (%)	88.2
3m Avg. Daily Val (US\$m)	13.2
GIC Industry : Industrials / Transportation	



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**WHAT'S NEW**

**Better tax economics ahead**

**1Q22 performance in line as Public Transport Services records recovery**

- 1Q22 revenue rose 4.6% y-o-y to S\$895.9m, forming c.24% of our full year estimates
- Excluding Alperion's one-off disposal gain of S\$37.2m, PATMI was also in line at S\$38.8m, forming c.24% of our full year estimates
- Government reliefs continue to drop, with CDG receiving only S\$4.7m in 1Q22 compared to S\$33.4m a year ago
- The tapering government reliefs were the main reason Public Transport Services' operating profit – excluding Alperion disposal (-12.3% y-o-y) and Taxi operating profit (-37.6% y-o-y) – declined
- Taxi revenue was lower y-o-y due to divestment of the London taxi business and rental waivers granted in China due to COVID-19 restrictions

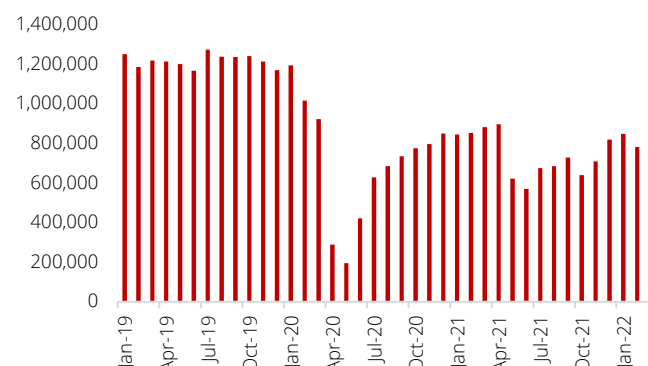
S\$m	1Q22	1Q21	y-o-y
Revenue	895.9	862.1	3.9%
Operating Profit	107.2	85.1	26.0%
PATMI	76.7	58.8	30.4%
COVID-19 Government Relief	4.7	33.4	-85.9%
Op Profit before COVID-19 Relief	102.5	51.7	98.3%
<b>Segment Operating Profit</b>			
Public Transportation Services	79.4	48.1	65.1%
Taxi	11.6	18.6	-37.6%
Automotive Engineering Services	2.1	3.0	-30.0%
Inspection & Testing Services	8.0	7.6	5.3%
Driving Centre	4.8	5.7	-15.8%
Car Rental & Leasing	0.8	0.8	0.0%
Bus Station	0.5	1.3	-61.5%

Source: Company, DBS Bank

**Public Transport Services**

**Rail ridership on the verge of posting post-COVID high.** We expect Public Transportation Services to continue recovering for the rest of FY22F as mobility in Singapore, Australia, and the UK rises. Average daily rail ridership across SBST's trains reached c.853,000 in March 2022, prompting us to revise our forecasts for FY22's average daily rail ridership to c.939,000. Overall, we are now forecasting the Public Transportation Services segment to post a revenue of S\$2.95bn in FY22F.

**SBS Transit's daily average rail ridership trend**

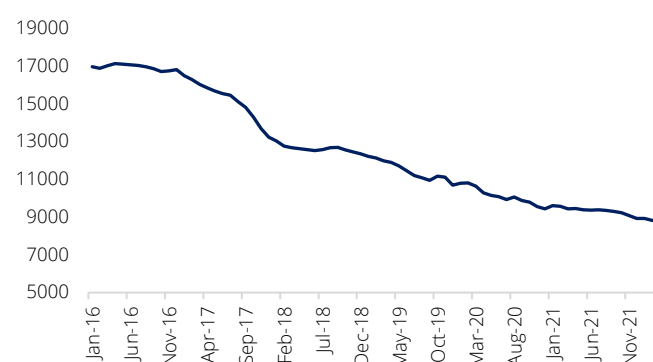


Source: SBS Transit, DBS Bank

**Taxis**

**Improving economics of driving taxis could lead to surprise fleet recovery.** Singapore is grappling with a shortage in taxis and private hire vehicles (PHV), which we believe has boosted the earnings of existing drivers. We think improving driver earnings together with the other benefits CDG provides (such as taxi rental discounts and discounted petrol kiosks) could incentivise more people to drive and thereby reverse CDG's taxi fleet decline. Notably, CDG's PHV rental fleet has recorded an increase from c.200 vehicles in 4Q21 to c.300 vehicles in 1Q22. Additionally, we believe CDG has tweaked its taxis business model and is now providing lower taxi rentals along with charging a 4% commission fee for bookings, changes we think could be long-term positives for the Group.

**CDG's Singapore taxi fleet continues to bottom in 1Q22**



Source: LTA, DBS Bank

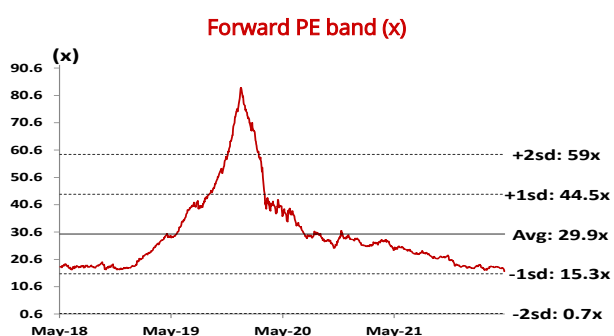
**ComfortDelGro**

Maintain BUY with a blended-TP of S\$1.95. We change our valuation basis for CDG from SOTP to a blend of forward EV/EBITDA and PB given the withdrawal of CDG's Australian unit IPO. As such, we peg the Group to 5.3x forward EV/EBITDA and 1.25x PB, both of which represent the -1SD level from the 10-year mean. We think CDG deserves to trade at the -1SD level, as ROE is not expected to return to pre-COVID levels in FY22F. FY22F earnings were also revised up 25% mostly due to recognition of a one-off gain on disposal of the Alperton property.

**Company Background**

ComfortDelGro Corporation Limited (CDG) is a land transport service company. Its business includes bus, taxi, rail, and car rental and leasing, automotive engineering services, testing services, etc. Besides being a market leader for buses and taxis in Singapore, its business spans other geographies such as the UK, Australia, China, Vietnam, and Malaysia.

**Historical PE and PB band**



Source: Bloomberg Finance L.P., DBS Bank estimates



Source: Bloomberg Finance L.P., DBS Bank estimates

## Public Transport Services

\$'m	1Q 2021 <sup>1</sup>	2Q 2021 <sup>1</sup>	3Q 2021	4Q 2021	1Q 2022
Revenue	671.4	702.8	710.6	737.4	712.0
Operating Costs	(623.4)	(668.8)	(678.9)	(704.1)	(670.2)
Operating Profit excl. non-recurring items ("OPE")	48.0	34.0	31.7	33.3	41.8
Net Gain/(Loss) on Disposal	0.1	0.4	0.3	(17.1)	37.6
Impairment	-	-	-	-	-
Operating Profit ("OP")	48.1	34.4	32.0	16.2	79.4
OP before Government relief	20.8	13.8	15.5	9.3	75.5
COVID-19 Government relief	27.3	20.6	16.5	6.9	3.9
OP after Government relief	48.1	34.4	32.0	16.2	79.4
OPE excl. Government relief	20.7	13.4	15.2	26.4	37.9

## Taxi

\$'m	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022
Revenue	119.7	106.2	97.3	102.9	106.3
Operating Costs	(100.6)	(108.2)	(103.3)	(90.8)	(94.6)
Operating Profit excl. non-recurring items ("OPE")	19.1	(2.0)	(6.0)	12.1	11.7
Net Gain/(Loss) on Disposal	(0.5)	1.3	0.1	(0.1)	(0.1)
Impairment	-	-	-	(5.5)	-
Operating Profit ("OP")	18.6	(0.7)	(5.9)	6.5	11.6
OP before Government relief	14.0	(2.1)	(8.0)	6.1	10.8
COVID-19 Government relief	4.6	1.4	2.1	0.4	0.8
OP after Government relief	18.6	(0.7)	(5.9)	6.5	11.6
OPE excl. Government relief	14.5	(3.4)	(8.1)	11.7	10.9

## Automotive Engineering Services

\$'m	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022
Revenue	42.0	43.5	44.2	44.7	46.5
Operating Costs	(39.0)	(40.9)	(41.6)	(42.1)	(44.4)
Operating Profit excl. non-recurring items ("OPE")	3.0	2.6	2.6	2.6	2.1
Net Gain/(Loss) on Disposal	-	-	-	(0.1)	-
Impairment	-	-	-	-	-
Operating Profit ("OP")	3.0	2.6	2.6	2.5	2.1
OP before Government relief	2.6	2.2	2.5	2.4	2.1
COVID-19 Government relief	0.4	0.4	0.1	0.1	-
OP after Government relief	3.0	2.6	2.6	2.5	2.1
OPE excl. Government relief	2.6	2.2	2.5	2.5	2.1

## Inspection &amp; Testing Services

\$'m	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022
Revenue	24.1	25.0	26.3	25.5	26.0
Operating Costs	(16.5)	(17.4)	(18.9)	(17.5)	(18.0)
Operating Profit excl. non-recurring items ("OPE")	7.6	7.6	7.4	8.0	8.0
Net Gain/(Loss) on Disposal	-	-	-	-	-
Impairment	-	-	-	-	-
Operating Profit ("OP")	7.6	7.6	7.4	8.0	8.0
OP before Government relief	7.0	6.9	7.0	8.0	8.0
COVID-19 Government relief	0.6	0.7	0.4	-	-
OP after Government relief	7.6	7.6	7.4	8.0	8.0
OPE excl. Government relief	7.0	6.9	7.0	8.0	8.0

## Driving Centre

\$'m	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022
Revenue	13.9	12.7	11.5	14.2	13.3
Operating Costs	(8.2)	(8.3)	(8.3)	(9.1)	(8.6)
Operating Profit excl. non-recurring items ("OPE")	5.7	4.4	3.2	5.1	4.7
Net Gain/(Loss) on Disposal	-	-	-	-	0.1
Impairment	-	-	-	(3.5)	-
Operating Profit ("OP")	5.7	4.4	3.2	1.6	4.8
OP before Government relief	5.3	3.9	2.7	1.4	4.8
COVID-19 Government relief	0.4	0.5	0.5	0.2	-
OP after Government relief	5.7	4.4	3.2	1.6	4.8
OPE excl. Government relief	5.3	3.9	2.7	4.9	4.7

## Car Rental &amp; Leasing

\$'m	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022
Revenue	6.4	6.6	6.5	6.4	7.2
Operating Costs	(5.7)	(6.0)	(5.9)	(6.2)	(6.7)
Operating Profit excl. non-recurring items ("OPE")	0.7	0.6	0.6	0.2	0.5
Net Gain/(Loss) on Disposal	0.1	0.3	0.3	0.2	0.3
Impairment	-	-	-	-	-
Operating Profit ("OP")	0.8	0.9	0.9	0.4	0.8
OP before Government relief	0.7	0.7	0.7	0.4	0.8
COVID-19 Government relief	0.1	0.2	0.2	-	-
OP after Government relief	0.8	0.9	0.9	0.4	0.8
OPE excl. Government relief	0.6	0.4	0.4	0.2	0.5

## Bus Station

\$'m	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022
Revenue	3.8	2.8	2.8	2.7	2.7
Operating Costs	(2.5)	(2.5)	(2.7)	(2.8)	(2.2)
Operating Profit excl. non-recurring items ("OPE")	1.3	0.3	0.1	(0.1)	0.5
Net Gain/(Loss) on Disposal	-	-	-	-	-
Impairment	-	-	-	-	-
Operating Profit ("OP")	1.3	0.3	0.1	(0.1)	0.5
OP before Government relief	1.3	0.3	0.1	(0.1)	0.5
COVID-19 Government relief	-	-	-	-	-
OP after Government relief	1.3	0.3	0.1	(0.1)	0.5
OPE excl. Government relief	1.3	0.3	0.1	(0.1)	0.5

## ComfortDelGro

## Key Assumptions

FY Dec	2019A	2020A	2021A	2022F	2023F
SGP avg taxi fleet (#)	11,471	10,122	9,300	8,900	8,900
SGP fare chg (%)	4.00	7.00	3.00	3.00	3.00

## Segmental Breakdown

FY Dec	2019A	2020A	2021A	2022F	2023F
<b>Revenues (\$ m)</b>					
Public Transport Svc	2,879	2,568	2,822	2,954	3,026
Taxi	665	403	426	438	462
Automotive Engr	159	89	102	153	160
Vehicle Inspection	101	84	99	106	108
Others	98	84	90	92	95
Elimination	98	84	90	92	95
<b>Total</b>	<b>3,901</b>	<b>3,229</b>	<b>3,538</b>	<b>3,743</b>	<b>3,852</b>
<b>EBIT (\$ m)</b>					
Public Transport Svc	224	126	131	168	188
Taxi	104	(64)	19	48	69
Automotive Engr	28	18	11	19	24
Vehicle Inspection	31	27	31	32	33
Others	29	17	20	14	32
Unallocated costs	29	17	20	14	32
<b>Total</b>	<b>416</b>	<b>123</b>	<b>210</b>	<b>282</b>	<b>346</b>
<b>EBIT Margins (%)</b>					
Public Transport Svc	7.8	4.9	4.6	5.7	6.2
Taxi	15.7	(16.0)	4.3	11.0	15.0
Automotive Engr	17.5	20.2	10.5	12.5	15.0
Vehicle Inspection	30.3	31.6	31.1	30.5	30.5
Others	29.6	20.6	21.6	15.6	33.5
<b>Total</b>	<b>10.7</b>	<b>3.8</b>	<b>5.9</b>	<b>7.5</b>	<b>9.0</b>

## Income Statement (\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	3,901	3,229	3,538	3,743	3,852
Cost of Goods Sold	0	0	0	0	0
<b>Gross Profit</b>	<b>3,901</b>	<b>3,229</b>	<b>3,538</b>	<b>3,743</b>	<b>3,852</b>
Other Opng (Exp)/Inc	(3,485)	(3,106)	(3,328)	(3,461)	(3,505)
<b>Operating Profit</b>	<b>416</b>	<b>123</b>	<b>210</b>	<b>282</b>	<b>346</b>
Other Non Opng (Exp)/Inc	0	0	0	0	0
Associates & IV Inc	0	0	0	2	2
Net Interest (Exp)/Inc	(9)	(6)	(5)	(5)	(2)
Exceptional Gain/(Loss)	0	0	0	38	0
<b>Pre-tax Profit</b>	<b>407</b>	<b>117</b>	<b>205</b>	<b>317</b>	<b>346</b>
Tax	(88)	(25)	(45)	(71)	(78)
Minority Interest	(53)	(31)	(30)	(42)	(46)
Preference Dividend	0	0	0	0	0
<b>Net Profit</b>	<b>265</b>	<b>62</b>	<b>130</b>	<b>204</b>	<b>223</b>
Net Profit before Except.	265	62	130	166	223
EBITDA	869	588	612	711	787
<b>Growth</b>					
Revenue Gth (%)	2.5	(17.2)	9.6	5.8	2.9
EBITDA Gth (%)	4.3	(32.3)	4.0	16.2	10.8
Opg Profit Gth (%)	(5.2)	(70.4)	70.6	34.3	22.7
Net Profit Gth (%)	(12.6)	(76.7)	110.5	56.6	9.2
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	100.0	100.0	100.0	100.0	100.0
Opg Profit Margin (%)	10.7	3.8	5.9	7.5	9.0
Net Profit Margin (%)	6.8	1.9	3.7	5.4	5.8
ROAE (%)	10.2	2.4	4.9	7.4	7.7
ROA (%)	5.0	1.2	2.5	4.0	4.2
ROCE (%)	7.5	2.2	3.9	5.4	6.3
Div Payout Ratio (%)	80.0	50.1	70.0	53.2	58.5
Net Interest Cover (x)	45.2	20.9	41.2	53.9	154.6

Source: Company, DBS Bank

**Balance Sheet (S\$ m)**

<b>FY Dec</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>
Net Fixed Assets	2,880	2,620	2,431	2,254	2,115
Invts in Associates & JVs	1	1	1	3	5
Other LT Assets	1,180	1,217	935	937	939
Cash & ST Invts	594	743	919	1,342	1,649
Inventory	151	128	117	131	135
Debtors	319	533	537	499	514
Other Current Assets	256	67	15	15	15
<b>Total Assets</b>	<b>5,379</b>	<b>5,309</b>	<b>4,955</b>	<b>5,182</b>	<b>5,372</b>
ST Debt	227	141	24	100	100
Creditor	670	675	776	832	856
Other Current Liab	219	228	191	197	204
LT Debt	407	427	317	250	250
Other LT Liabilities	847	809	512	512	512
Shareholder's Equity	2,595	2,607	2,707	2,819	2,933
Minority Interests	414	422	430	472	517
<b>Total Cap. &amp; Liab.</b>	<b>5,379</b>	<b>5,309</b>	<b>4,955</b>	<b>5,182</b>	<b>5,372</b>
Non-Cash Wkg. Capital	(164)	(174)	(297)	(383)	(396)
Net Cash/(Debt)	(40)	175	578	992	1,299
Debtors Turn (avg days)	27.8	48.2	55.2	50.5	48.0
Creditors Turn (avg days)	81.9	93.0	90.5	96.7	100.5
Inventory Turn (avg days)	17.4	19.3	15.3	14.9	15.9
Asset Turnover (x)	0.7	0.6	0.7	0.7	0.7
Current Ratio (x)	1.2	1.4	1.6	1.8	2.0
Quick Ratio (x)	0.8	1.2	1.5	1.6	1.9
Net Debt/Equity (X)	0.0	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	0.0	CASH	CASH	CASH	CASH
Capex to Debt (%)	54.6	18.7	57.0	71.4	85.7
Z-Score (X)	2.4	2.4	2.7	2.8	2.8

Source: Company, DBS Bank

## ComfortDelGro

## Cash Flow Statement (\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	407	117	205	317	346
Dep. & Amort.	453	465	402	427	439
Tax Paid	(90)	(83)	(65)	(64)	(71)
Assoc. & JV Inc/(loss)	0	0	0	(2)	(2)
Chg in Wkg.Cap.	(147)	(28)	75	80	6
Other Operating CF	(13)	13	44	0	0
<b>Net Operating CF</b>	<b>610</b>	<b>484</b>	<b>661</b>	<b>757</b>	<b>718</b>
Capital Exp.(net)	(347)	(106)	(194)	(250)	(300)
Other Invt.(net)	(28)	(14)	(2)	(15)	(15)
Invt in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	8	10	(7)	13	13
<b>Net Investing CF</b>	<b>(367)</b>	<b>(110)</b>	<b>(204)</b>	<b>(252)</b>	<b>(302)</b>
Div Paid	(231)	(115)	(77)	(91)	(108)
Chg in Gross Debt	31	(117)	(144)	9	0
Capital Issues	1	1	0	0	0
Other Financing CF	(32)	(11)	(67)	0	0
<b>Net Financing CF</b>	<b>(230)</b>	<b>(241)</b>	<b>(287)</b>	<b>(82)</b>	<b>(108)</b>
Currency Adjustments	(6)	16	6	0	0
Chg in Cash	8	149	176	423	307
Opg CFPS (S cts)	34.9	23.6	27.0	31.2	32.8
Free CFPS (S cts)	12.2	17.4	21.5	23.4	19.3

Source: Company, DBS Bank

## Target Price &amp; Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	16 Aug 21	1.67	1.94	BUY
2:	08 Nov 21	1.64	2.06	BUY
3:	12 Nov 21	1.51	2.06	BUY
4:	02 Mar 22	1.41	1.95	BUY
5:	11 Apr 22	1.48	1.95	BUY

Source: DBS Bank

Analyst: Woon Bing Yong

Paul YONG, CFA

DBS Bank recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

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Sources for all charts and tables are DBS Bank unless otherwise specified.

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