

## COMPANY RESULTS

### ComfortDelGro Corporation (CD SP)

1Q22: Mixed Results Due To Omicron

CD reported core operating profit of S\$64.6m in 1Q22 (+26% yoy), slightly below our expectation. Public transport services saw an improvement as key markets have eased most social distancing measures. The taxi segment was hit by an Omicron wave in China and a smaller fleet size. Ridership levels are set to recover as social mobility rebounds. Trading at -1SD of its long-term mean PE, there is potential upside at the current price levels. Maintain BUY with a lower target price of S\$1.66.

#### 1Q22 RESULTS

Year to 31 Dec (\$m)	1Q22	1Q21	yoy % chg	qoq % chg	1Q22 Comments
Revenue	895.9	862.1	3.9	(2.1)	
Operating expense	(731.9)	(675.2)	(8.4)	3.8	
Core operating profit	64.6	51.4	25.7	20.5	Absence of government relief in 1Q22. Excluding one-off/exceptional items and government relief.
Reported PATMI	76.7	58.8	30.4	476.7	Includes an approximately S\$30.4m net gain from the sale of the UK Alperton property.
Core operating margin (%)	7.2	6.0	1.2ppts	1.3ppts	
Reported net margin (%)	8.6	6.8	1.8ppts	7.1ppts	

Year to 31 Dec (\$m)	1Q22	Revenue qoq % chg	yoy % chg	1Q22	Core Operating Profit qoq % chg	yoy % chg
Public Transport services	712.0	(3.4)	6.0	37.9	43.6	83.1
Taxi	106.3	3.3	(11.2)	10.9	(6.8)	(24.8)
Automotive Engineering services	46.5	4.0	10.7	2.1	(16.0)	(19.2)
Vehicle inspection & testing	26.0	2.0	7.9	8.0	0.0	14.3
Driving ctr	13.3	(6.3)	(4.3)	4.7	(4.1)	(11.3)
Car rental & leasing	7.2	12.5	12.5	0.5	n.m	(16.7)
Bus station	2.7	0.0	(28.9)	0.5	n.m	n.m

Source: CD, UOB Kay Hian

#### RESULTS

- 1Q22 results slightly below our expectations.** ComfortDelgro Corporation (CD) reported 1Q22 revenue and PATMI of S\$895.9m (+3.9% yoy, -2.1% qoq) and S\$76.7 (+30.4% yoy, +476.7% qoq) respectively, making up 23.9%/33.8% of our full-year estimates. However, adjusting for an around S\$30.4m net gain on disposal of CD's Alperton property in the UK, adjusted PATMI would amount to about S\$46.3m (-17.6% yoy, +248.1% qoq), forming 20.4% of our full-year forecasts and below our expectations. Core operating profit (excluding government relief and exceptional items) grew +25.7% yoy and +20.5% qoq, slightly below our expectations although higher social mobility, driven by easing social distancing measures, boosted ridership levels. Operating costs increased 8.4% yoy as most government reliefs in 1Q22 (S\$4.7m) have tapered off as compared with 1Q21 (S\$33.4m).
- Increased ridership in key markets.** With the exception of China, ridership levels in key markets have increased as most social distancing restrictions were relaxed. In Singapore, rail ridership at end-1Q22 has reached 70-75% of pre-pandemic levels while international borders have fully reopened. The UK and Australia have also transitioned to endemic living as most social restrictions have been eased, along with the resumption of international travel.

#### KEY FINANCIALS

Year to 31 Dec (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	3,229	3,538	3,796	3,949	4,040
EBITDA	540	612	713	789	813
Operating profit	123	210	313	373	419
Net profit (rep./act.)	62	130	219	262	295
Net profit (adj.)	110	130	219	262	295
EPS (\$ cent)	5.1	6.0	10.1	12.1	13.6
PE (x)	27.7	23.5	14.0	11.7	10.3
P/B (x)	1.2	1.1	1.1	1.1	1.0
EV/EBITDA (x)	5.0	4.4	3.8	3.4	3.3
Dividend yield (%)	1.0	3.0	5.0	5.7	6.4
Net margin (%)	1.9	3.7	5.8	6.6	7.3
Net debt/(cash) to equity (%)	(10.7)	(21.4)	(28.6)	(35.2)	(41.2)
Interest cover (x)	36.7	54.1	85.8	95.0	97.9
ROE (%)	2.4	4.9	8.0	9.3	10.1
Consensus net profit	-	-	199	226	245
UOBKH/Consensus (x)	-	-	1.10	1.16	1.21

Source: CD, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$1.41
Target Price	S\$1.66
Upside	+17.4%
(Previous TP:	S\$1.73)

#### 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):	2,167.1
Market cap (\$m):	3,055.6
Market cap (US\$m):	2,187.8
3-mth avg daily t'over (US\$m):	13.2

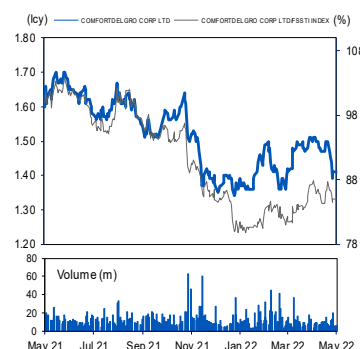
#### Price Performance (%)

52-week high/low				S\$1.70/S\$1.34
1mth	3mth	6mth	1yr	YTD
(6.0)	(3.4)	(6.6)	(13.5)	0.7

#### Major Shareholders

n.a.	%
FY22 NAV/Share (\$)	1.28
FY22 Net Cash/Share (\$)	0.37

#### PRICE CHART



Source: Bloomberg

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- Public transport: Slower quarter due to Omicron.** 1Q22 revenue was mixed at S\$712.0m (+6.0% yoy, -3.4% qoq), with the qoq decline largely due to the emergence of the Omicron variant. However, core operating profit was robust (+83.1% yoy, +43.6% qoq), aided by increased yoy ridership levels due to easing of restrictions as well as excluding substantial government relief in 2021. As more companies revert back to work-from-office arrangements coupled with increasing tourist arrivals, CD noted that it expects current rail ridership levels of 70-75% of pre-COVID-19 levels to improve moving forward. Public transport schedules in Australia remain stable while public bus services in the UK are operating on full schedules with bus chartering service levels also picking up.
- Taxi: Affected by lockdowns and rental rebates.** Taxi revenue was lower yoy (-11.2% yoy, +3.3% qoq) due to ongoing lockdowns in China, divestment of its UK taxi business as well as a smaller taxi fleet size in Singapore. Core operating profit (-24.8% yoy, -6.8% qoq) fell as rental rebates continued coupled with depressed ridership levels in 1Q22 caused by the emergence of the Omicron variant. The current 15% discount on taxi rentals has been extended till Sep 22, although a newly-imposed 4% commission on taxi bookings would mitigate some impact from the extended rental rebates. Management has noted that the historical ratio of street hail to online bookings (70:30) has gradually shifted to 55:45 in favour of street hail as more passengers transition to CD's new booking app. Taxi bookings through the app have been strong, higher than pre-pandemic levels. With the new 4% commission in place, this would help expand margins for the taxi segment.
- In China, lockdowns in major cities such as Shanghai and Jilin have affected profitability, as CD provided rental rebates for taxi drivers that have undergone quarantine. As the COVID-19 situation improves in the kingdom, management is cautiously optimistic that 2Q22 would experience a slight recovery in ridership levels and earnings. Looking forward, overall taxi ridership levels are expected to pick up as social mobility improves.

#### EARNINGS REVISION/RISK

- Lower our 2022-24 earnings by 2-4%.** To account for a slower-than-expected recovery and higher operating costs, we have lowered our 2022-24 earnings by 3.75%, 2.27% and 3.80% yoy respectively.

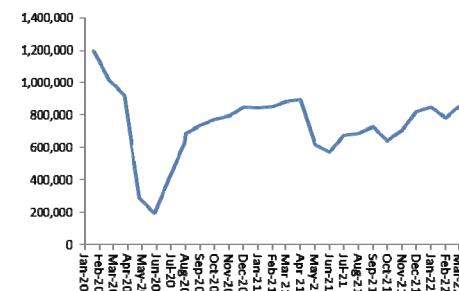
#### VALUATION/RECOMMENDATION

- Maintain BUY with a lower 2022F PE-based target price of S\$1.66 (S\$1.73 previously),** pegged to CD's average five-year mean PE of 16.4x. The lower target price is due to lower 2022 earnings forecasts. In our view, backed by improving 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 that there are no strong near-term catalysts that would cause CD to trade at a higher valuation. Furthermore, due to the emergence of the Omicron variant in 1Q22, CD's post-pandemic recovery is slightly below our expectations. Hence, we have taken a conservative approach and pegged our PE multiple to CD's five-year mean PE.

#### SHARE PRICE CATALYST

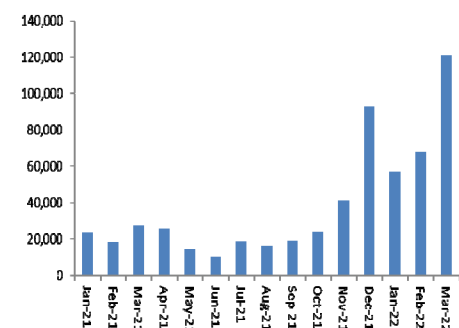
- Larger-than-expected increase in tourist arrivals.
- Bus tender contract wins.
- Earnings-accretive overseas acquisitions.
- Regulatory changes in public transport.

#### SBS TRANSIT'S RAIL RIDERSHIP



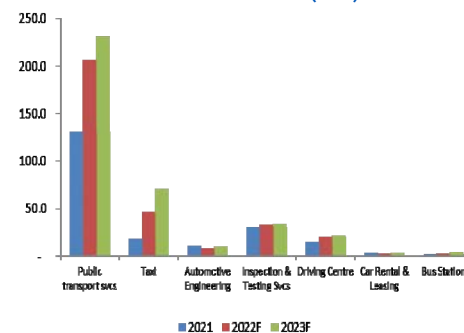
Source: SBS Transit, UOB Kay Hian

#### SINGAPORE'S MONTHLY INTERNATIONAL ARRIVALS



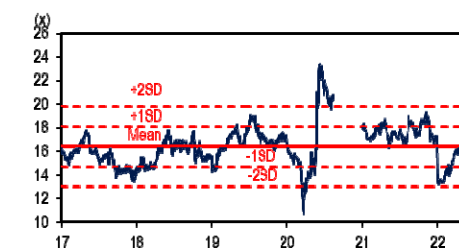
Source: Singapore Tourism Analytics Network, UOB Kay Hian

#### CD'S SEGMENTAL OPERATING PROFIT HISTORICALS AND FORECASTS (\$M)



Source: CD, UOB Kay Hian

#### CD'S HISTORICAL FIVE-YEAR FORWARD PE



Source: CD, Source: Bloomberg, UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	3,538.3	3,795.8	3,949.3	4,039.9
EBITDA	611.6	713.0	789.2	813.5
Deprec. & amort.	401.6	400.2	416.0	394.3
EBIT	210.0	312.9	373.2	419.2
Total other non-operating income	6.2	17.0	20.1	23.5
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(11.3)	(8.3)	(8.3)	(8.3)
<b>Pre-tax profit</b>	<b>204.9</b>	<b>321.6</b>	<b>385.1</b>	<b>434.4</b>
Tax	(44.9)	(64.3)	(77.0)	(86.9)
Minorities	(29.9)	(38.6)	(46.2)	(52.1)
<b>Net profit</b>	<b>130.1</b>	<b>218.7</b>	<b>261.8</b>	<b>295.4</b>
Net profit (adj.)	130.1	218.7	261.8	295.4

**BALANCE SHEET**

Year to 31 Dec (\$m)	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	1,135.1	1,349.7	1,560.4
Other current assets	669.2	713.7	740.3	755.6
<b>Total assets</b>	<b>4,955.0</b>	<b>5,065.7</b>	<b>5,191.3</b>	<b>5,323.4</b>
ST debt	23.9	23.9	23.9	23.9
Other current liabilities	966.2	1,002.2	1,023.9	1,034.3
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	2,773.5	2,862.1	2,962.5
Minority interest	429.8	437.5	452.8	474.0
<b>Total liabilities &amp; equity</b>	<b>4,955.0</b>	<b>5,065.7</b>	<b>5,191.3</b>	<b>5,323.4</b>

**CASH FLOW**

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
<b>Operating</b>	<b>660.9</b>	<b>640.3</b>	<b>707.4</b>	<b>721.7</b>
Pre-tax profit	204.9	321.6	385.1	434.4
Tax	(71.3)	(64.3)	(77.0)	(86.9)
Deprec. & amort.	401.6	400.2	416.0	394.3
Associates	0.0	0.0	0.0	0.0
Working capital changes	75.0	(8.5)	(4.9)	(4.9)
Non-cash items	50.7	(8.7)	(11.8)	(15.2)
Other operating cashflows	0.0	0.0	0.0	0.0
<b>Investing</b>	<b>(203.8)</b>	<b>(233.4)</b>	<b>(280.3)</b>	<b>(276.9)</b>
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	16.6	19.7	23.1
<b>Financing</b>	<b>(287.2)</b>	<b>(190.8)</b>	<b>(212.5)</b>	<b>(234.2)</b>
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)
<b>Net cash inflow (outflow)</b>	<b>169.9</b>	<b>216.0</b>	<b>214.6</b>	<b>210.6</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>742.8</b>	<b>919.1</b>	<b>1,135.1</b>	<b>1,349.7</b>
Changes due to forex impact	6.4	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>919.1</b>	<b>1,135.1</b>	<b>1,349.7</b>	<b>1,560.4</b>

**KEY METRICS**

Year to 31 Dec (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	17.3	18.8	20.0	20.1
Pre-tax margin	5.8	8.5	9.8	10.8
Net margin	3.7	5.8	6.6	7.3
ROA	2.5	4.4	5.1	5.6
ROE	4.9	8.0	9.3	10.1
<b>Growth</b>				
Turnover	9.6	7.3	4.0	2.3
EBITDA	13.3	16.6	10.7	3.1
Pre-tax profit	74.8	56.9	19.7	12.8
Net profit	110.5	68.1	19.7	12.8
Net profit (adj.)	18.2	68.1	19.7	12.8
EPS	18.2	68.1	19.7	12.8
<b>Leverage</b>				
Debt to total capital	9.8	9.6	9.3	9.0
Debt to equity	12.6	12.3	11.9	11.5
Net debt/(cash) to equity	(21.4)	(28.6)	(35.2)	(41.2)
Interest cover (x)	54.1	85.8	95.0	97.9

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