

COMPANY UPDATE

ComfortDelGro Corporation (CD SP)

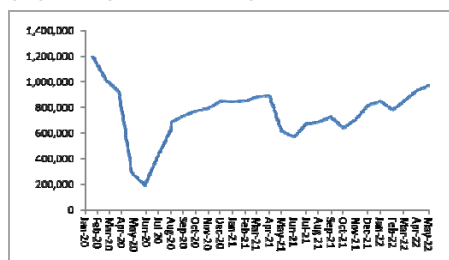
Living With COVID-19

As Singapore moves on from the COVID-19 pandemic, we expect ridership to improve. Relaxation of COVID-19 measures has improved rail ridership while taxi passenger demand has surged. Singapore's taxi industry is facing worsening demand-supply imbalance and stiff competition from ride-hailing competitors. CD has also won a new public bus contract in Australia, expanding its footprint down under. Maintain BUY with a slightly higher target price of S\$1.73 (S\$1.66 previously).

WHAT'S NEW

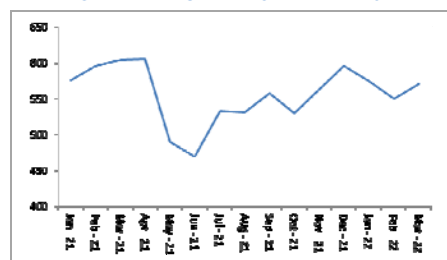
- Transition to endemic living.** From 26 Apr 22, Singapore's authorities announced the easing of most of its social distancing measures. Some of the relaxed measures include the removal of group size limits, safe distancing no longer being mandatory and 100% of workers are now allowed to return to their respective workplaces. Furthermore, Singapore's international borders have fully reopened, welcoming back tourists. Backed by a population that is almost fully vaccinated, these favourable tailwinds would help underpin ComfortDelGro Corporation's (CD) public transport and taxi earnings as mobility improves.
- Improving ridership.** SBS Transit experienced a strong recovery in rail ridership for May 22 (+56.8% yoy, +4.6% mom), forming 81% of pre-pandemic levels (May 19). We reckon that this is due to more office workers returning to office spaces and the removal of dine-in group size limits. According to Land Transport Authority (LTA), passenger demand for point to point trips has gradually improved, albeit seeing slight dips due to COVID-19 outbreaks. Overall, we expect rail and taxi ridership to reach near pre-pandemic levels by 1Q23.

SBS TRANSIT RAIL RIDERSHIP



Source: SBS Transit, UOB Kay Hian

AVERAGE DAILY NUMBER OF P2P TRIPS*



Source: LTA, UOB Kay Hian. *Apr-May 22 data not yet released.

- Expanded bus services down under.** ComfortDelgro Corporation Australia has been awarded a six-year contract to solely operate public bus services in Northern Territory, Australia. The contract areas cover a significant part of Northern Territory's network which includes Darwin and Palmerston, with 170 buses operating across 180 bus routes. Expected to commence on 1 Jul 22, the contract is estimated to be worth around A\$220m. Based on our estimates, this new bus contract would boost our 2022-24 PATMI estimates by 2-3%.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	3,229	3,538	3,814	3,986	4,077
EBITDA	540	612	727	809	830
Operating profit	123	210	327	393	436
Net profit (rep./act.)	62	130	228	272	304
Net profit (adj.)	110	130	228	272	304
EPS (S\$ cent)	5.1	6.0	10.5	12.6	14.0
PE (x)	27.2	23.0	13.1	11.0	9.8
P/B (x)	1.1	1.1	1.1	1.0	1.0
EV/EBITDA (x)	4.9	4.3	3.6	3.2	3.2
Dividend yield (%)	1.0	3.0	5.1	5.8	6.5
Net margin (%)	1.9	3.7	6.0	6.8	7.4
Net debt/(cash) to equity (%)	(10.7)	(21.4)	(28.9)	(35.9)	(42.1)
Interest cover (x)	36.7	54.1	87.5	97.4	99.9
ROE (%)	2.4	4.9	8.3	9.6	10.3
Consensus net profit	-	-	195	226	239
UOBKH/Consensus (x)	-	-	1.17	1.21	1.27

Source: ComfortDelGro Corporation, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.38
Target Price	S\$1.73
Upside	+25.2%
(Previous TP)	S\$1.66

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):	2,990.3
Market cap (US\$m):	2,154.1
3-mth avg daily t'over (US\$m):	9.7

Price Performance (%)

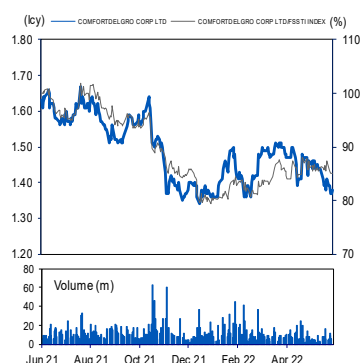
52-week high/low S\$1.67/S\$1.34

1mth	3mth	6mth	1yr	YTD
(4.8)	(6.8)	0.7	(15.9)	(1.4)

Major Shareholders

	%
-	-
-	-
-	-
FY21 NAV/Share (S\$)	1.28
FY21 Net Cash/Share (S\$)	0.37

PRICE CHART



Source: Bloomberg

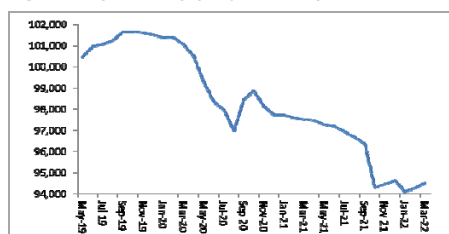
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STOCK IMPACT

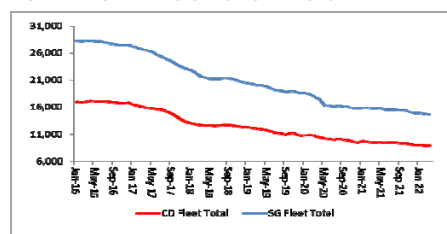
• **Domestic taxi: Demand-supply imbalance.** Singapore is facing a shortage of taxi drivers to meet the surging demand. According to the LTA, the number of taxis and taxi driver's vocational licence (TDVL) issued has shrunk since 2019. CD's taxi fleet has also been on a continuous downtrend along with Singapore's total taxi fleet. After two years of underwhelming demand due to COVID-19 lockdowns, many taxi drivers have retired or opted for better-paying industries, reluctant to return to an industry that is facing elevated petrol prices and eroded earnings. Before Singapore's government raised the age limit for private-hire driver's licence to 30 years in Sep 20, younger drivers (below 30 years) tend to join the ride-hailing industry as a short-term gig. CD's restrictive 30 years age requirement created an entry barrier for younger drivers to become new taxi drivers. Even after a price hike in Mar 22, CD has been largely unsuccessful in attracting new drivers or getting taxi drivers to return as many drivers have exited the industry completely. Due to these structural changes, we reckon CD may have to increase/extend incentives further to retain/attract taxi drivers, dragging down profitability.

NUMBER OF TDVLS SINCE MAY 2019



Source: LTA, UOB Kay Hian

NUMBER OF TAXIS SINCE JAN 2016



Source: LTA, UOB Kay Hian

• **Supply to remain tight.** Stiff competition from other ride-hailing operators has also caused many taxi drivers to make the jump. Through our channel checks, drivers in Singapore prefer CD's ride-hailing competitors such as Grab and Go-Jek as they have lower daily rental rates and greater incentives, despite CD having the lowest commission rate. Grab's and Go-Jek's cheaper daily rental rates make it easier and quicker for drivers to break even, a vital factor most drivers consider. A positive for CD taxi drivers is that they are allowed to pick up passengers via street hail while the rest cannot. However, as more passengers shift to online bookings, this advantage may be mitigated in the long run.

SUMMARIZED COMPARISON OF MAJOR RIDE-RAILING TRANSPORT OPERATORS IN SINGAPORE

	ComfortDelgro	Grab	Go-Jek	Comments
Rental (S\$/day)	100-120	60-65	60-90	Excluding rental rebates/incentives.
Commission Rate	0% (Street fare) 4% (Comfort app)	20%	10%	Only CD drivers are allowed to street hail
Surge pricing	Slightly lower than Grab	Highest	Lowest	
Street Hailing (Taxi)	-60%	NA	NA	Based on number of registered vehicles
Market Share				Based on various reports
Ride Hailing Market Share	~10-15%	~60-70%	~15-20%	
Petrol Discounts	~30% discount at CD's depots	~29% discount from Caltex.	~21% discount from Esso.*	Further discounts based on tiers.

Source: UOB Kay Hian, Grab, Go-Jek, CD, Primary Sources, Various Reports

EARNINGS REVISION/RISK

• **We increase our 2022-24 PATMI forecasts by 2-3%**, after accounting for new earnings contribution from the Northern Territory contract. We also did a sensitivity analysis against our utilised taxi assumptions. For 2022, we have assumed an average utilised fleet of 8,300 (currently around 8,600) and a daily rental rate of S\$90. We expect the taxi segment to post a 149% yoy increase in operating profit to S\$46m as demand recovers. For every 100 increase/drop in utilised taxis from 8,300, it would increase/decrease our 2022 PATMI forecast and target price by 0.8% and S\$0.01 respectively.

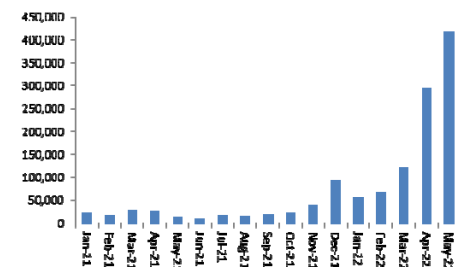
VALUATION/RECOMMENDATION

• **Maintain BUY with a higher 2022F PE-based target price of S\$1.73 (S\$1.66 previously)**, pegged to CD's average five-year mean PE of 16.4x. The higher target price is due to higher 2022 earnings forecasts from the new Northern Territory contract.

SHARE PRICE CATALYST

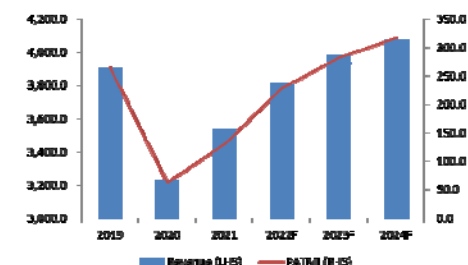
• Bus tender contract wins, earnings-accretive overseas acquisitions.

SINGAPORE'S MONTHLY INTERNATIONAL ARRIVALS



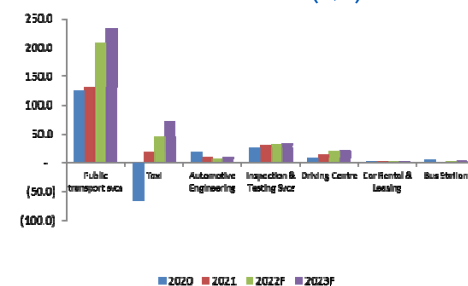
Source: Singapore Tourism Analytics Network, UOB Kay Hian

CD'S REVENUE AND PATMI HISTORICALS AND FORECASTS (\$M)



Source: CD, 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	3,813.6	3,985.9	4,077.3
EBITDA	611.6	726.9	809.4	830.3
Deprec. & amort.	401.6	400.2	416.0	394.3
EBIT	210.0	326.7	393.4	436.0
Total other non-operating income	6.2	17.1	20.4	24.0
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	335.5	405.5	451.7
Tax	(44.9)	(67.1)	(81.1)	(90.3)
Minorities	(29.9)	(40.3)	(51.9)	(57.8)
Net profit	130.1	228.1	272.5	303.5
Net profit (adj.)	130.1	228.1	272.5	303.5

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	1,144.3	1,374.9	1,600.1
Other current assets	669.2	716.5	746.4	762.0
Total assets	4,955.0	5,077.8	5,222.6	5,369.5
ST debt	23.9	23.9	23.9	23.9
Other current liabilities	966.2	1,003.1	1,027.8	1,039.1
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	2,783.0	2,882.2	2,990.8
Minority interest	429.8	439.2	460.2	487.1
Total liabilities & equity	4,955.0	5,077.8	5,222.6	5,369.5

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	660.9	649.4	723.1	735.7
Pre-tax profit	204.9	335.5	405.5	451.7
Tax	(71.3)	(67.1)	(81.1)	(90.3)
Deprec. & amort.	401.6	400.2	416.0	394.3
Associates	0.0	0.0	0.0	0.0
Working capital changes	75.0	(10.4)	(5.2)	(4.2)
Non-cash items	50.7	(8.8)	(12.1)	(15.7)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(203.8)	(233.3)	(280.0)	(276.4)
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	23.6
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	225.2	230.6	225.2
Beginning cash & cash equivalent	742.8	919.1	1,144.3	1,374.9
Changes due to forex impact	6.4	0.0	0.0	0.0
Ending cash & cash equivalent	919.1	1,144.3	1,374.9	1,600.1

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	17.3	19.1	20.3	20.4
Pre-tax margin	5.8	8.8	10.2	11.1
Net margin	3.7	6.0	6.8	7.4
ROA	2.5	4.5	5.3	5.7
ROE	4.9	8.3	9.6	10.3
Growth				
Turnover	9.6	7.8	4.5	2.3
EBITDA	13.3	18.9	11.4	2.6
Pre-tax profit	74.8	63.7	20.9	11.4
Net profit	110.5	75.3	19.4	11.4
Net profit (adj.)	18.2	75.3	19.4	11.4
EPS	18.2	75.3	19.4	11.4
Leverage				
Debt to total capital	9.8	9.6	9.3	8.9
Debt to equity	12.6	12.3	11.8	11.4
Net debt/(cash) to equity	(21.4)	(28.9)	(35.9)	(42.1)
Interest cover (x)	54.1	87.5	97.4	99.9

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