

COMPANY UPDATE

ComfortDelGro Corporation (CD SP)

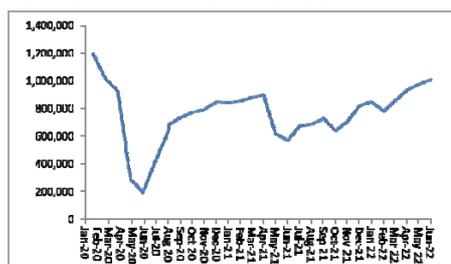
1H22 Results Preview: Growth In Earnings As Measures Ease

Relaxation of most of Singapore's COVID-19 measures has improved rail ridership while passenger demand for taxis has surged. However, Singapore's taxi industry is still facing worsening demand-supply imbalance and stiff competition from ride-hailing competitors. For 1H22, we expect stable growth in revenue and PATMI, backed by improving fundamentals. We opine that there is some upside at the current attractive price levels. Maintain BUY with the same target price of S\$1.73.

WHAT'S NEW

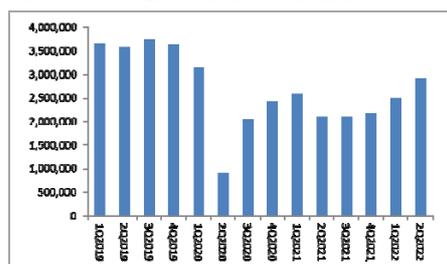
- **On track to pre-pandemic levels.** SBS Transit's rail ridership improved in Jun 22 (+76.7% yoy, +3.4% mom), forming 86.3% of pre-pandemic levels (81.1% in May 22). For 2Q22, ridership improved 39.4% yoy and 17.2% qoq respectively, forming 81.3% of pre-pandemic levels (2Q19) while 1H22 ridership improved 15.6% yoy and 26.7% hoh, forming 74.6% of pre-pandemic levels (1H19). We reckon that this is due to more office workers returning to office spaces and improved overall nationwide mobility with the removal of most social distancing measures. As Singapore moves into COVID-19 endemicity, we expect rail ridership to reach near pre-pandemic levels by 1Q23.

SBS TRANSIT MONTHLY RAIL RIDERSHIP



Source: SBS Transit, UOB Kay Hian

SBS TRANSIT QUARTERLY RAIL RIDERSHIP



Source: SBS Transit, UOB Kay Hian

- **Fare hike extension, taxi surcharges and government support.** Taxi companies in Singapore such as ComfortDelgro (CD) have extended their temporary 1 S cent fuel-related fare hike to 31 Dec 22 (vs the originally scheduled end date of end-Jul 22). This is different from the taxi base fare hike implemented in Mar 22. Also, a S\$3 taxi surcharge has been implemented for rides originating from Singapore's Mandai parks. This is in line with our expectations, which will incentivise taxi drivers to continue driving and help mitigate rising fuel costs. However, based on our channel checks, extra income from these fare hikes has been insignificant, outpaced by elevated petrol costs. Additionally, a one-off S\$150 relief from Singapore's government will be also paid to taxi drivers in Aug 22. With a structural decline in taxi drivers as well as elevated petrol costs, we reckon CD may have to increase/extend incentives further to retain/attract taxi drivers, dragging down taxi profitability.

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	782	793
Operating profit	123	210	327	366	398
Net profit (rep./act.)	62	130	228	254	278
Net profit (adj.)	110	130	228	254	278
EPS (S\$ cent)	5.1	6.0	10.5	11.7	12.8
PE (x)	28.5	24.1	13.8	12.4	11.3
P/B (x)	1.2	1.2	1.1	1.1	1.1
EV/EBITDA (x)	5.1	4.5	3.8	3.6	3.5
Dividend yield (%)	1.0	2.9	4.8	5.5	6.2
Net margin (%)	1.9	3.7	6.0	6.4	6.8
Net debt/(cash) to equity (%)	(10.7)	(21.4)	(28.9)	(35.5)	(41.2)
Interest cover (x)	36.7	54.1	87.5	94.1	95.4
ROE (%)	2.4	4.9	8.3	9.0	9.6
Consensus net profit	-	-	187	227	240
UOBKH/Consensus (x)	-	-	1.22	1.12	1.16

Source: ComfortDelGro Corporation, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.45
Target Price	S\$1.73
Upside	+19.1%

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):	3,141.9
Market cap (US\$m):	2,280.7
3-mth avg daily t'over (US\$m):	6.9
Price Performance (%)	
52-week high/low	S\$1.67/S\$1.34

1mth	3mth	6mth	1yr	YTD
3.6	0.0	0.0	(10.5)	3.6

Major Shareholders	%
-	-
-	-
-	-
FY22 NAV/Share (S\$)	1.28
FY22 Net Cash/Share (S\$)	0.37

PRICE CHART



Source: Bloomberg

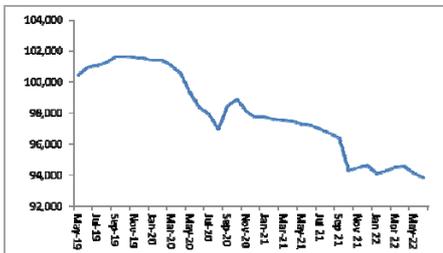
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STOCK IMPACT

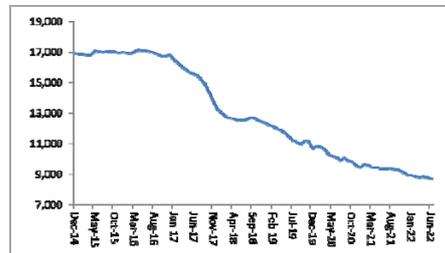
- Public Transportation Services: Recovery on track.** As CD's key markets move on from the COVID-19 pandemic, we expect 2Q22 segmental revenue and core operating profit (excluding government relief and non-recurring items) to grow ~10% yoy and ~235% yoy respectively, backed by stronger rail ridership and higher public transport fares implemented in Dec 21. Also, higher revenue from fuel indexation would boost segmental revenue as fuel prices reached record highs in 2Q22. Revenue contributions from the UK and Australia are expected to remain robust as most COVID-19 restrictions have been relaxed. Similarly for 1H22, we expect segmental revenue and core operating profit to grow ~8% yoy and ~143% yoy, coming off a low base in 1H21. Potential downside to segmental earnings may come from higher utilities and manpower costs.
- Taxi: Stronger demand for point-to-point (P2P) trips.** Singapore is facing a sharp spike in demand for P2P trips, driven by the relaxation of most COVID-19 restrictions in 2Q22 and improving tourist arrivals into Singapore. According to statistics from the Land Transport Authority, P2P trips have increased 12.9% yoy and 4.3% qoq respectively in 2Q22. Street-hail trips (sub-segment of P2P trips), which CD has a commanding ~60% market share, saw a slight dip at -5.6% yoy but improved slightly by 1.6% qoq. In our view, as more passengers shift to online bookings, the improvement in P2P trips was largely led by ride-hailing operators such as Grab and Go-Jek. CD's timely launch of CDG Zig app in 2Q22 would have benefitted from the surge in online bookings. Due to a sharp increase taxi demand and higher commission revenue from online bookings, we expect taxi revenue and core operating profit to increase slightly by 5.4% yoy and to S\$12m (S\$0.8m loss in 2Q21) respectively. Potential downside may come from higher rental waivers from China owing to COVID-19 lockdowns.

NUMBER OF TDVLS SINCE MAY 2019



Source: LTA, UOB Kay Hian.

NUMBER OF CD'S TAXIS SINCE JAN 2016



Source: LTA, UOB Kay Hian.

- 1H22: Gradual recovery.** For 1H22, we expect revenue and PATMI to increase by ~7% yoy and ~45% yoy respectively. The robust growth in PATMI is largely due to the ~S\$30m one-off gain on the disposal of the Alperston property in 1Q22. Excluding the one-off gain, 1H22 core PATMI is still expected to grow 11.3% yoy. For 2Q22, we expect revenue and PATMI to grow ~9% yoy and ~70% yoy respectively, backed by improving ridership in key markets.

- CD is expected to release its 1H22 results on 12 Aug 22, after the market closes.

EARNINGS REVISION/RISK

- No changes to our earnings estimates.

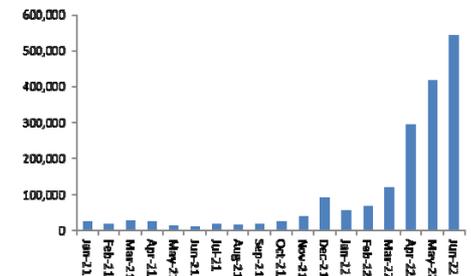
VALUATION/RECOMMENDATION

- Maintain BUY with a 2022F PE-based target price of S\$1.73**, pegged to CD's average five-year mean PE of 16.4x.
- In our view, backed by improving fundamentals, CD remains poised to see a gradual recovery in ridership levels in the medium term as key markets recover and international travel resumes.

SHARE PRICE CATALYST

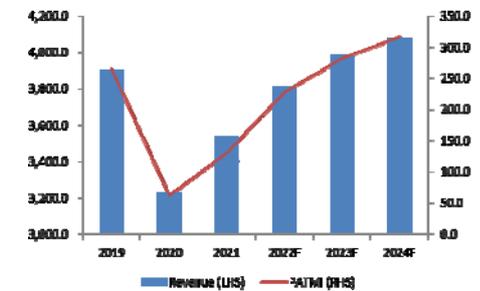
- Bus tender contract wins.
- Earnings-accretive overseas acquisitions.

SINGAPORE'S MONTHLY INTERNATIONAL ARRIVALS



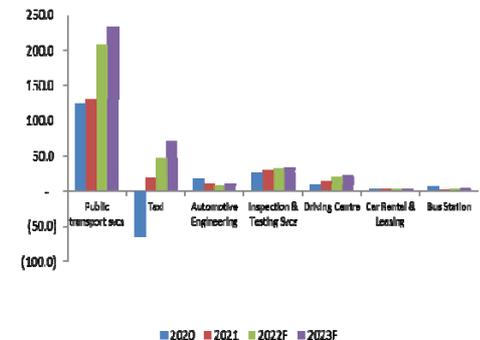
Source: Singapore Tourism Analytics Network, UOB Kay Hian

REVENUE AND PATMI HISTORICALS AND FORECASTS (\$M)



Source: CD, UOB Kay Hian

SEGMENTAL OPERATING PROFIT HISTORICALS AND FORECASTS (\$M)



Source: CD, UOB Kay Hian

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	782.1	792.6
Deprec. & amort.	401.6	400.2	416.0	394.3
EBIT	210.0	326.7	366.1	398.3
Total other non-operating income	6.2	17.1	20.3	23.6
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	378.1	413.5
Tax	(44.9)	(67.1)	(75.6)	(82.7)
Minorities	(29.9)	(40.3)	(48.4)	(52.9)
Net profit	130.1	228.1	254.1	277.9
Net profit (adj.)	130.1	228.1	254.1	277.9

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	1,358.4	1,555.1
Other current assets	669.2	716.5	747.3	763.3
Total assets	4,955.0	5,077.8	5,207.0	5,325.8
ST debt	23.9	23.9	23.9	23.9
Other current liabilities	966.2	1,003.1	1,034.1	1,047.9
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	2,863.8	2,946.7
Minority interest	429.8	439.2	456.7	478.7
Total liabilities & equity	4,955.0	5,077.8	5,207.0	5,325.8

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	660.9	649.4	706.7	707.7
Pre-tax profit	204.9	335.5	378.1	413.5
Tax	(71.3)	(67.1)	(75.6)	(82.7)
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)	0.2	(2.2)
Non-cash items	50.7	(8.8)	(12.0)	(15.2)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(203.8)	(233.3)	(280.1)	(276.8)
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	19.9	23.2
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	214.0	196.7
Beginning cash & cash equivalent	742.8	919.1	1,144.3	1,358.4
Changes due to forex impact	6.4	0.0	0.0	0.0
Ending cash & cash equivalent	919.1	1,144.3	1,358.4	1,555.1

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	17.3	19.1	19.6	19.4
Pre-tax margin	5.8	8.8	9.5	10.1
Net margin	3.7	6.0	6.4	6.8
ROA	2.5	4.5	4.9	5.3
ROE	4.9	8.3	9.0	9.6
Growth				
Turnover	9.6	7.8	4.5	2.3
EBITDA	13.3	18.9	7.6	1.3
Pre-tax profit	74.8	63.7	12.7	9.4
Net profit	110.5	75.3	11.4	9.4
Net profit (adj.)	18.2	75.3	11.4	9.4
EPS	18.2	75.3	11.4	9.4
Leverage				
Debt to total capital	9.8	9.6	9.3	9.1
Debt to equity	12.6	12.3	11.9	11.6
Net debt/(cash) to equity	(21.4)	(28.9)	(35.5)	(41.2)
Interest cover (x)	54.1	87.5	94.1	95.4

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