

COMPANY RESULTS

ComfortDelGro Corporation (CD SP)

1H22: In Line As Ridership Improves

CD reported 1H22 PATMI of S\$118.7m in (+30.4% yoy), in line with our expectations. Public transport services saw an improvement in bus charter services in the UK and Australia, coupled with higher fuel indexation revenue and rail ridership. With the relaxation of most COVID-19 measures in Singapore, pent-up demand has supported taxi revenue and earnings. We opine that there is some upside at the current attractive price levels. Maintain BUY with an unchanged target price of S\$1.73.

1H22 RESULTS

Year to 31 Dec (\$m)	2Q22	yoy % chg	qoq % chg	1H22	yoy % chg	2Q22 Comments
Revenue	964.0	11.9	7.6	1,859.9	6.7	
Operating expenses	(801.5)	(10.3)	(9.5)	(1,533.4)	(9.2)	Government relief in 1H21, higher fuel and electricity costs.
Operating profit	68.4	28.3	(36.2)	175.6	30.5	
Core Operating profit	62.4	156.8	(3.4)	127.0	67.8	
PATMI	42.0	30.4	(45.2)	118.7	30.4	
Core operating profit margin (%)	6.5ppts	3.7ppts	(0.7ppts)	9.4ppts	0.7ppts	

Year to 31 Dec (\$m)	Revenue			Core Operating Profit		
	2Q22	yoy % chg	qoq % chg	2Q22	yoy % chg	qoq % chg
Public Transport services	774.1	10.1	8.7	38.6	188.1	1.8
Taxi	105.0	(1.1)	(1.2)	8.8	n.m	(19.3)
Automotive Engineering services	53.6	n.m	15.3	2.6	18.2	23.8
Vehicle inspection & testing	27.3	9.2	5.0	8.5	23.2	6.3
Driving ctr	13.0	2.4	(2.3)	4.2	7.7	(10.6)
Car rental & leasing	8.0	21.2	11.1	0.4	0.0	(20.0)
Bus station	1.5	(46.4)	(44.4)	(0.8)	n.m	n.m

Source: CD, UOB Kay Hian

RESULTS

- 1H22: Post COVID-19 recovery.** In line with expectations, ComfortDelgro Corporation (CD) reported 1H22 revenue and PATMI of S\$1,859.9m (+6.7% yoy) and S\$118.7m (+30.4% yoy) respectively, accounting for 48.8% and 52.0% of our full-year forecasts respectively. 1H22 core operating profit (excluding government relief and one-off adjustments) increased 67.8% yoy to S\$127.0m, backed by improving economic activity in key markets. Relevant indexations have also helped mitigate inflationary pressures, supporting margins. For 2Q22, revenue and PATMI grew 11.9% and 30.4% respectively, backed by increased rail ridership and taxi passenger demand.
- Special dividend declared.** CD declared an interim dividend of 2.85 S cents, implying a 70% dividend payout ratio and yield of ~4.1%. Furthermore, due to the sale of the Alpertown property in 1Q22, CD declared a special dividend of 1.41 S cents, implying an additional special dividend yield of ~1%.

KEY FINANCIALS

Year to 31 Dec (\$m)	2019	2020	2021F	2022F	2023F
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	279
Net profit (adj.)	110	130	228	254	279
EPS (S\$ cent)	5.1	6.0	10.5	11.7	12.9
PE (x)	28.7	24.3	13.9	12.4	11.3
P/B (x)	1.2	1.2	1.1	1.1	1.0
EV/EBITDA (x)	5.2	4.6	3.9	3.6	3.5
Dividend yield (%)	1.0	2.9	4.8	4.1	4.1
Net margin (%)	1.9	3.7	6.0	6.4	6.8
Net debt/(cash) to equity (%)	(10.7)	(21.4)	(28.9)	(36.5)	(43.3)
Interest cover (x)	36.7	54.1	87.5	94.1	95.4
ROE (%)	2.4	4.9	8.3	8.9	9.3
Consensus net profit	-	-	196	225	236
UOBKH/Consensus (x)	-	-	1.16	1.13	1.18

Source: CD, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.46
Target Price	S\$1.73
Upside	+19.4%

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):	3,163.6
Market cap (US\$m):	2,306.8
3-mth avg daily t'over (US\$m):	6.8

Price Performance (%)

52-week high/low	S\$1.67/S\$1.34
1mth	2.8
3mth	5.0
6mth	0.0
1yr	(9.3)
YTD	4.3

Major Shareholders

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

PRICE CHART



Source: Bloomberg

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- Public transport: Recovery on track.** 1H22 segmental revenue grew 8.1% yoy to S\$1,486.1m while operating profit was robust at S\$122.8m (+48.8% yoy), aided by improving rail ridership in Singapore along with higher fuel indexation revenues. Improvement in charter services in Australia and the UK also supported earnings as most COVID-19 restrictions were relaxed. Both 1H22 segmental revenue and operating profit were in line with our expectations, forming 50.1% and 59.2% of our full-year forecasts. The beat in operating profit was due to the net gain in disposal for the Alperton property in 1Q21, and we expect operating profit to normalise in 2H22. 1H22 core operating profit surged 124.3% yoy, underpinned by a strong 2Q22 (+188.1% yoy). Based on 1H22 segmental results, CD is poised to post 5.1% yoy and 58.8% yoy growths for its full-year 2022 segmental revenue and operating profit respectively, underpinned by a stable recovery in ridership.
- Taxi: Dragged by rental waivers...** Largely in line with our expectations, 1H22 taxi revenue moderated slightly (-6.5% yoy) even as demand for Point to Point (P2P) trips picked up in 2Q22, forming 48.4% of our full-year forecasts. However, the yoy decline was largely due to ~S\$10m of rental waivers given in China, coupled with a loss of ~S\$9m in revenue from the divestment of CD's London taxi business in 2H21. After adjusting, 1H22 taxi revenue would have largely been stable yoy and accounted for 52.7% of our full-year forecasts. 1H22 taxi operating profit grew 18.4% yoy and formed 45.7% of our full-year forecasts, while 1H22 core operating profit surged 77.5% yoy, driven by pent-up P2P demand in Singapore. As China carries on with its zero-COVID policy, we reckon rental waivers may yet persist into 2H22 due to sporadic COVID-19 lockdowns.
- ...but beneficiary of pent-up demand.** Singapore is facing a sharp spike in demand for P2P trips, driven by the relaxation of most COVID-19 restrictions in 2Q22. Management noted that taxi bookings levels are still growing past pre-COVID 19 levels and have not reached a plateau, thus boosting taxi drivers' earnings above pre-pandemic levels. Taxi fleet utilisation has also improved slightly in 2Q22 as taxi drivers start to gradually return to the industry. Moving forward, the current 15% discount on taxi rentals is still expected to last till end-Sep 22, whereby a further extension will be later decided on. With elevated fuel costs and a structural decline in the number of taxi drivers, we are of the view that the discount on rentals would be extended or reduced slightly to attract/retain taxi drivers, which may weigh on taxi segment profitability.

EARNINGS REVISION/RISK

- **No change to earnings.**

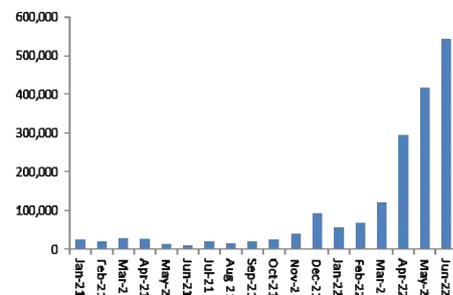
VALUATION/RECOMMENDATION

- **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

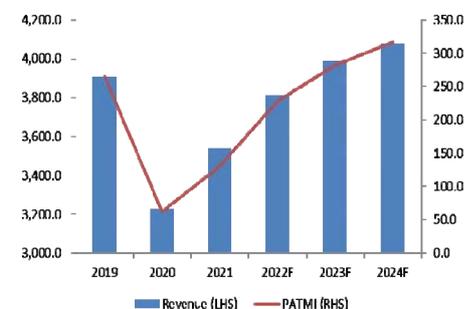
- Earnings-accretive overseas acquisitions.
- Bus tender contract wins.

SINGAPORE'S MONTHLY INTERNATIONAL ARRIVALS



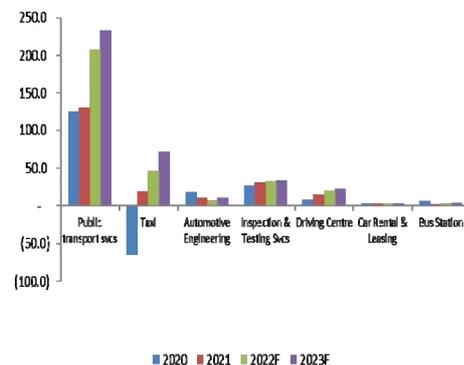
Source: Singapore Tourism Analytics Network, UOB Kay Hian

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 (\$Sm)	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	326.8	366.1	398.3
Total other non-operating income	6.2	17.1	20.6	24.8
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	378.4	414.8
Tax	(44.9)	(67.1)	(75.7)	(83.0)
Minorities	(29.9)	(40.3)	(48.4)	(53.1)
Net profit	130.1	228.2	254.3	278.7
Net profit (adj.)	130.1	228.2	254.3	278.7

CASH FLOW

Year to 31 Dec (\$Sm)	2021	2022F	2023F	2024F
Operating	660.9	649.4	706.6	707.5
Pre-tax profit	204.9	335.5	378.4	414.8
Tax	(71.3)	(67.1)	(75.7)	(83.0)
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)	(12.3)	(16.5)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(203.8)	(233.3)	(279.8)	(275.6)
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	20.2	24.4
Financing	(287.2)	(190.8)	(169.2)	(169.2)
Dividend payments	(107.3)	(182.5)	(160.9)	(160.9)
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	257.7	262.7
Beginning cash & cash equivalent	742.8	919.1	1,144.3	1,402.0
Changes due to forex impact	6.4	0.0	0.0	0.0
Ending cash & cash equivalent	919.1	1,144.3	1,402.0	1,664.7

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	1,144.3	1,402.0	1,664.7
Other current assets	669.2	716.5	747.3	763.3
Total assets	4,955.0	5,077.8	5,250.7	5,435.4
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	2,907.3	3,056.1
Minority interest	429.8	439.2	456.7	478.9
Total liabilities & equity	4,955.0	5,077.8	5,250.7	5,435.4

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	10.2
Net margin	3.7	6.0	6.4	6.8
ROA	2.5	4.5	4.9	5.2
ROE	4.9	8.3	8.9	9.3
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	12.8	9.6
Net profit	110.5	75.4	11.5	9.6
Net profit (adj.)	18.2	75.4	11.5	9.6
EPS	18.2	75.4	11.5	9.6
Leverage				
Debt to total capital	9.8	9.6	9.2	8.8
Debt to equity	12.6	12.3	11.7	11.2
Net debt/(cash) to equity	(21.4)	(28.9)	(36.5)	(43.3)
Interest cover (x)	54.1	87.5	94.1	95.4

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