

COMPANY UPDATE

ComfortDelGro Corporation (CD SP)

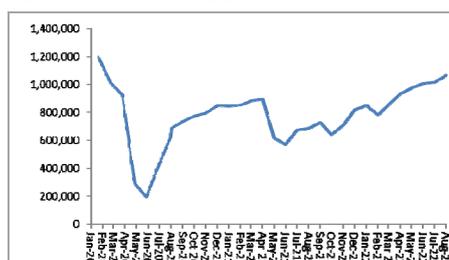
Exclusion From The STI; Recovery Remains On Track

CD has been replaced from the STI with Emperador, in line with expectations. Rail ridership remained on track in Aug 22 as most COVID-19 measures have been removed. Taxi passenger demand continues to grow despite a shortage of taxi drivers. Although the Downtown Line's transition would result in cost savings, CD is expected to face lower bus service revenue. We opine that there is some upside at current price levels. Maintain BUY with a lower SOTP-based target price of S\$1.63.

WHATS NEW

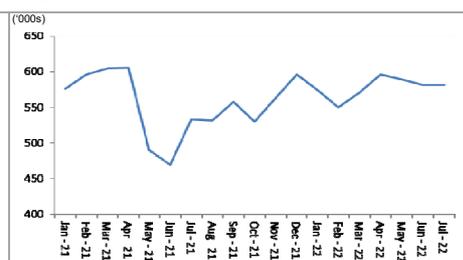
- Rail ridership recovery on track.** For Aug 22, ComfortDelGro Corporation's (CD) rail ridership improved (+55.8% yoy, +5.0% mom), accounting for 86.2% of pre-pandemic levels (Aug 19). This is in line with expectations as we expect continued ridership growth given that most COVID-19 measures have been eased. This is also an improvement from Jul 22 when rail ridership only formed 79.9% of pre-pandemic levels. With record-high taxi and ride-hailing surcharges, we also expect more commuters to shift to trains. We maintain our view that rail ridership will return to 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. *Aug 22 data not yet released.

- Lower bus service revenue.** As a recap, the Downtown Line (DTL) transitioned to the New Rail Financing Framework Version 2 (NRFF V2) as of Jan 22. Under NRFF V2, profits from the DTL would be capped at 5.0% EBIT margin, with the Land Transport Authority (LTA) sharing 85% of the spoils if exceeded, while 50% of any losses below 3.5% EBIT margin would be co-shared, limited to the annual licence charge. As DTL has been operating at a loss, this has resulted in annual cost savings of around S\$20m, based on our estimates. SBS Transit has also extended five existing bus contracts by three years at a lower service rate, losing around S\$34m operating profit per year starting 1 Sep 22. We have incorporated the lower service revenue into our estimates and reckon that the strong recovery in rail ridership and savings from the transition to NRFF V2 would help mitigate some of this loss.

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	253	277
Net profit (adj.)	110	130	228	253	277
EPS (S\$ cent)	5.1	6.0	10.5	11.7	12.8
PE (x)	27.5	23.3	13.3	12.0	10.9
P/B (x)	1.2	1.1	1.1	1.0	1.0
EV/EBITDA (x)	5.1	4.5	3.8	3.5	3.4
Dividend yield (%)	1.0	3.0	5.0	4.3	4.3
Net margin (%)	1.9	3.7	6.0	6.4	6.8
Net debt/(cash) to equity (%)	(10.7)	(21.4)	(26.6)	(33.0)	(38.7)
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	-	-	199	225	241
UOBKH/Consensus (x)	-	-	1.15	1.12	1.15

Source: CD, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.40
Target Price	S\$1.63
Upside	+16.5%
(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):	2,166.7
Market cap (S\$m):	3,033.4
Market cap (US\$m):	2,150.9
3-mth avg daily t'over (US\$m):	6.5

Price Performance (%)

52-week high/low S\$1.62/S\$1.33

1mth	3mth	6mth	1yr	YTD
(2.1)	0.3	0.3	(8.2)	1.0

Major Shareholders

n.a. %

FY22 NAV/Share (S\$) 1.28

FY22 Net Cash/Share (S\$) 0.34

PRICE CHART



Source: Bloomberg

ANALYST(S)

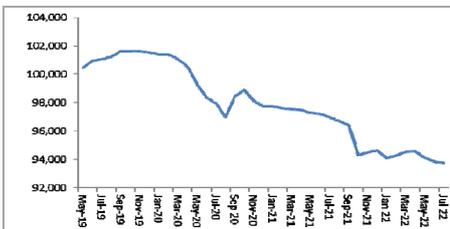
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• **Exclusion from the STI.** Effective on 16 Sep 22 after market close, CD has been replaced in the STI with Emperor. This was within expectations as CD had been consistently ranked last amongst the STI constituents by market cap and 49th among all eligible securities on the Singapore Exchange. Although we expect short-term downward pressure on CD's share price performance, CD's fundamentals remain intact with the strong recovery in both rail ridership and taxi passenger demand poised to continue. With the removal of this overhang, we opine that CD's expected earnings recovery would help underpin better share price performance moving forward.

STOCK IMPACT

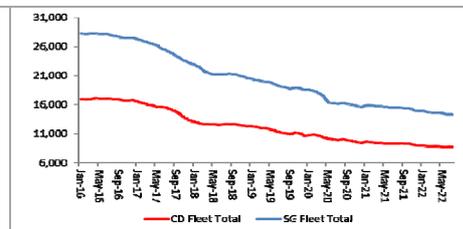
• **Taxi: Possible removal of taxi rental rebate.** Singapore is facing a sharp spike in demand for point-to-point (P2P) trips, driven by the relaxation of most COVID-19 restrictions in 2Q22. Management noted that taxi bookings levels are still growing past pre-COVID 19 levels and have not reached a plateau, boosting taxi drivers' earnings above pre-pandemic levels. Taxi fleet utilisation has started to gradually improve in 2Q22 as taxi drivers return to the industry. The current 15% discount on taxi rentals is expected to last till end-Sep 22, whereby a further extension will be decided within the next two weeks.

NUMBER OF TAXI DRIVER VOCATIONAL LICENCES SINCE MAY 19



Source: LTA, UOB Kay Hian.

NUMBER OF TAXIS SINCE JAN 16



Source: LTA, UOB Kay Hian.

• Even with a structural decline in the number of taxi drivers, we are of the view that the discount on taxi rentals would be reduced and last till end-4Q22 or removed entirely from 1 Oct 22 onwards, given the recent fall in petrol prices (15-20% from peak) and pent-up P2P passenger demand. Through our channel checks, stiff competition from other ride-hailing operators such as Grab and Go-Jek has caused many taxi drivers to make the jump across. Elevated surge pricing caused by a lack of drivers have made these platforms more attractive despite higher commission rates. Also, with daily rentals being almost double that of Grab and Go-Jek, we lean more towards the position that CD would reduce its taxi rental rebates rather than removing them entirely, keeping its daily rental rates competitive for taxi drivers.

SUMMARISED COMPARISON OF MAJOR RIDE-RAILING TRANSPORT OPERATORS IN SINGAPORE

	ComfortDelgro	Grab	Go-Jek	Comments
Rental (\$/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) Market Share	~60%	NA	NA	Based on number of registered vehicles
Ride Hailing Market Share	~10-15%	~60-70%	~15-20%	Based on various reports
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

• **No change to earnings.**

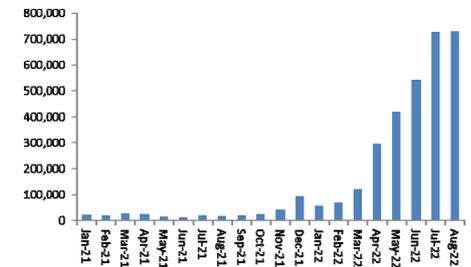
VALUATION/RECOMMENDATION

• **Maintain BUY with a lower 2022 SOTP-based target price of S\$1.63 (S\$1.73 previously).** We change to using a SOTP valuation from a PE-based valuation. Our new target price implies 16x 2022F PE, similar to its five-year average mean PE. 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

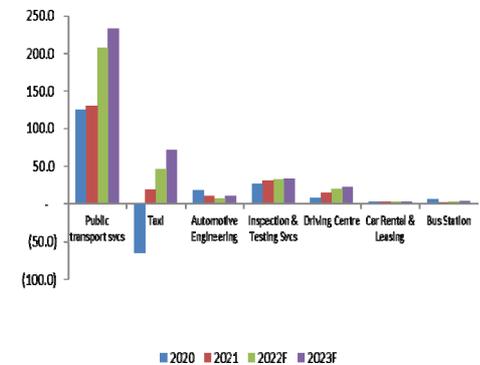
• Earnings-accretive overseas acquisitions, bus tender contract wins.

SINGAPORE'S MONTHLY INTERNATIONAL ARRIVALS



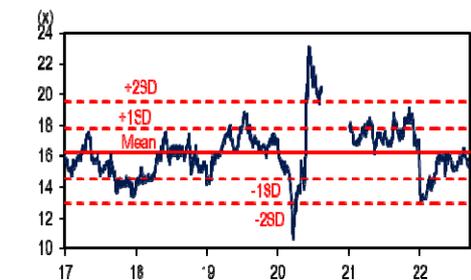
Source: Singapore Tourism Analytics Network, UOB Kay Hian

SEGMENTAL OPERATING PROFIT HISTORICALS AND FORECASTS (\$M)



Source: CD, UOB Kay Hian

HISTORICAL FIVE-YEAR FORWARD PE



Source: Bloomberg, UOB Kay Hian
*Removed outliers above 30x.

SOTP VALUATION

Business	Valuation (\$m)	Value ps (\$)	Remarks
SBST stake	643.2	0.30	Current Market Cap
Vicom stake	482.7	0.22	Current Market Cap
UK Buses	511.0	0.24	7x 2022F EV/EBITDA*
Taxi	563.7	0.26	1H22F Book Value
Automotive + Bus Station + Driving Centre	132.0	0.06	1H22F Book Value
Australia	735.8	0.34	6x 2022F EV/EBITDA*
Net Cash (Debt)	463.5	0.21	FY22F Net Cash
Total Valuation	3,264.4	1.63	

Source: UOB Kay Hian
*Based on comparable transactions

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	16.6	19.3	22.8
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	335.0	377.1	412.8
Tax	(44.9)	(67.0)	(75.4)	(82.6)
Minorities	(29.9)	(40.2)	(48.3)	(52.8)
Net profit	130.1	227.8	253.4	277.4
Net profit (adj.)	130.1	227.8	253.4	277.4

CASH FLOW

Year to 31 Dec (\$Sm)	2021	2022F	2023F	2024F
Operating	660.9	587.1	668.3	669.4
Pre-tax profit	204.9	335.0	377.1	412.8
Tax	(71.3)	(67.0)	(75.4)	(82.6)
Deprec. & amort.	401.6	400.2	416.0	394.3
Associates	0.0	0.0	0.0	0.0
Working capital changes	75.0	(72.8)	(38.4)	(40.6)
Non-cash items	50.7	(8.2)	(11.0)	(14.5)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(203.8)	(233.8)	(281.1)	(277.6)
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	16.2	18.9	22.4
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	162.4	218.0	222.7
Beginning cash & cash equivalent	742.8	919.1	1,081.5	1,299.5
Changes due to forex impact	6.4	0.0	0.0	0.0
Ending cash & cash equivalent	919.1	1,081.5	1,299.5	1,522.2

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	1,081.5	1,299.5	1,522.2
Other current assets	669.2	733.6	765.0	781.2
Total assets	4,955.0	5,032.0	5,165.8	5,310.9
ST debt	23.9	23.9	23.9	23.9
Other current liabilities	966.2	957.7	950.8	926.4
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	2,782.7	2,906.1	3,053.6
Minority interest	429.8	439.1	456.5	478.4
Total liabilities & equity	4,955.0	5,032.0	5,165.8	5,310.9

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	4.6	5.0	5.3
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	63.5	12.6	9.5
Net profit	110.5	75.1	11.2	9.5
Net profit (adj.)	18.2	75.1	11.2	9.5
EPS	18.2	75.1	11.2	9.5
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)	(26.6)	(33.0)	(38.7)
Interest cover (x)	54.1	87.5	94.1	95.4

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