

ComfortDelGro Corp Ltd

Recovery is underway, except China



StocksBnB.com

SINGAPORE | TRANSPORT SERVICES | 2Q22 RESULTS

16 August 2022

BUY (Maintained)

LAST CLOSE PRICE	SGD 1.47
FORECAST DIV	SGD 0.075
TARGET PRICE	SGD 1.80
TOTAL RETURN	27.5%

COMPANY DATA

BLOOMBERG CODE:	CD SP
O/S SHARES (MN) :	2,167
MARKET CAP (SGD mn) :	3,185
52 - WK HI/LO (SGD) :	1.69 / 1.33
3M Average Daily T/O (mn) :	6.4

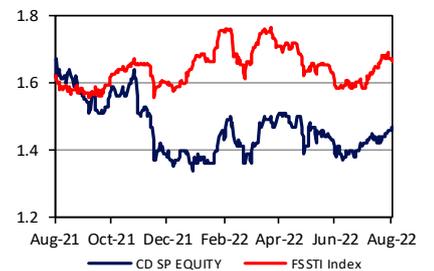
MAJOR SHAREHOLDERS

Ameriprise Financial Inc	6.7%
BlackRock Inc	5.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	3.5	4.3	6.5
STI RETURN	6.4	3.4	7.8

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 20	FY 21	FY 22e	FY 23e
Revenue (\$ mn)	3,243	3,538	3,813	3,868
PATMI, adj (\$ mn)	119.9	153.8	231.7	237.0
EPS, adj. (cents)	5.6	7.1	10.7	10.9
P/E, adj. (x)	26.4	20.7	13.7	13.4
BVPS (cents)	142	145	156	158
P/B (x)	1.0	1.0	0.9	0.9
DPS (cents)	1.4	4.2	7.5	7.7
Div. Yield (%)	1.0	2.9	5.1	5.2

Source: Bloomberg, PSR

VALUATION METHOD

DCF (WACC: 8.0%; Terminal g: 1.0%)

Paul Chew (65 6212 1851)

Head Of Research

paulchewkl@phillip.com.sg

- 1H22 revenue and PATMI were 49%/35% respectively of our FY22e forecast. Results were below expectations due to taxi rebates of S\$10mn in China due to the lockdown.
- Huge operating leverage was underway in the results. Excluding government relief and non-recurring items, operating profit in 2Q22 jumped 2.5-fold to S\$62mn.
- The recovery is at a nascent stage. Return to office and other activities started only in the later part of 2Q22. We expect 2H22 to be stronger. Taxi revenue will benefit from the rising number of trips and an increase in booking fees. Rail ridership is recovering strongly from a surge in ridership. No change in our forecast or DCF target price (WACC 8%) of S\$1.80.

Results at a glance

(SGD mn)	2Q22	2Q21	YoY	Comments
Revenue	964.0	880.4	9.5%	
- Public transport	774.1	671.4	15.3%	Fuel indexation and higher ridership.
- Taxi	105.0	119.7	-12.3%	Disposal of London taxi and lockdowns in China.
EBIT	68.4	49.5	38.2%	Excl. relief & gain on disposal., up 156% YoY to S\$62.3mn.
- Public transport	43.4	48.1	-9.8%	Excl. relief & gain on disposal., up 188% YoY to S\$38.6mn.
- Taxi	9.6	18.6	-48.4%	Excl. relief & gain on disposal., from loss S\$3.4mn to S\$8.8mn profit.
Gain on disposal	1.0	1.4	-28.6%	
PATMI	42.0	58.8	-28.6%	
PATMI - normalised	35.9	25.1	43.0%	Excludes government relief S\$5.1mn (2Q21: S\$23.8mn).
DPS - Interim (cents)	2.85	2.10	35.7%	
- Special (cents)	1.41	0.00	n.m.	Return of the S\$37.2mn gain Alperton property in London.

Source: Company, PSR

The Positives

+ Operating leverage on display. 2Q22 revenue rose S\$84mn YoY, due to the huge fixed cost underlying the business, around S\$38mn (or 45%) flowed to earnings. Operating profit before government relief and non-recurring items jumped 156% to S\$62mn.

+ Higher dividends and healthy cash flows. FCF in 1H22 was healthy at S\$191mn (1H21: S\$288mn). The decline compared to last year was due to higher working capital requirements. The interim dividend was increased 36% to 2.85 cents but still far from the pre-pandemic level of 4.5 cents. A special dividend of 1.41 cents (S\$30mn) was declared to return the gain from the disposal of Alperton property in London. Net cash on the balance sheet is now S\$643mn (1H21: S\$493mn).

The Negative

- China rebates a major drag. Due to the lockdown in China, there was a need to provide \$10mn rebates to taxi drivers in various cities. Comfort operates taxis in Beijing, Shanghai, Jilin City, Shenyang, Chengdu, etc. China suffered an operating loss of S\$3.2mn in 2Q22 (2Q21: S\$2.9mn). Taxi revenue for the group also declined due to the divestment of London (Jul21) and Ho Chi Minh (Mar22) taxi businesses.

Outlook

We expect the recovery to pick up in 2H22. Removal of restrictions in Singapore was largely only from 29 April. Taxi and ride-hailing trips registered a 20% YoY rise in May and June (Figure 1). The booking fee of 4% on drivers using its CDC Zig app from 1 May will contribute more meaningfully in 2H22. Taxi rental rebate of 15% will end in September 2022. With taxi driver takings improving, there is potential for rebates to end or decline. Weakness in taxi revenue will stem from the annual 7% decline in taxi fleet.

Public transport will benefit from the resurgence in rail ridership (Figure 2) benefiting from the return to office and increase in social activities. An offset will be a decline in bus contracting revenue effective 1 September 2022. As announced earlier in the transition of the Downtown Line to NRFF 2, the new rate is benchmarked against recent bus tenders and is lower than the current service fee.

On dividends, we model a 70% payout ratio. There is room for dividends to grow with earnings recovery. The dividend per share pre-pandemic was 9.8 cents.

Maintain BUY with unchanged TP of S\$1.80

ComfortDelgro pays a 5% dividend yield, net cash balance sheet of S\$643mn and its share price is still around 40% below pre-pandemic levels.

Figure 1: May and June experienced >20% YoY bounce in trips

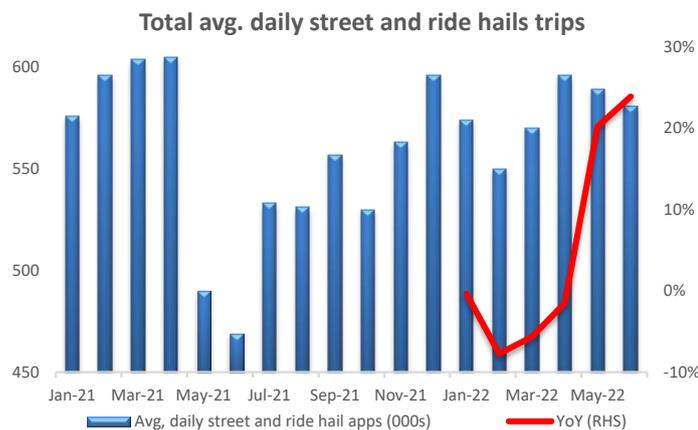
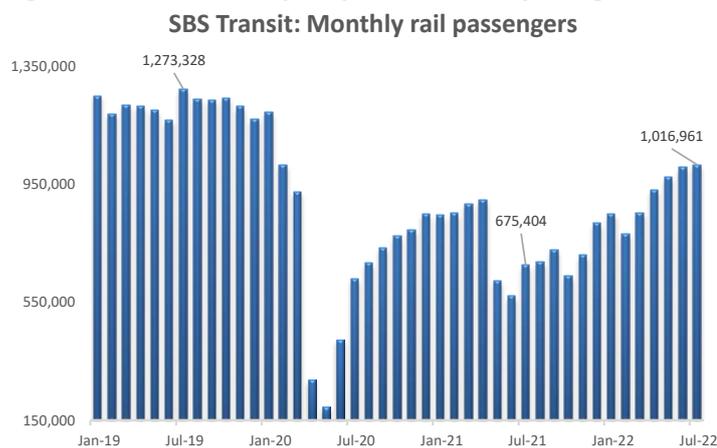


Figure 2: SBS rail ridership is up 51% YoY in July22, a good start to 2H22



Financials

Income Statement

SGD mn, Y/E Dec	FY 19	FY 20	FY 21	FY 22e	FY 23e
Revenue	3,901.1	3,242.6	3,538.3	3,812.9	3,868.5
EBITDA	841.5	553.7	611.6	725.1	740.7
Depreciation & Amortisation	(425.7)	(432.0)	(401.6)	(383.5)	(392.2)
EBIT	415.8	121.7	210.0	341.6	348.5
Net Finance (Expense)/Inc	(9.2)	(5.9)	(5.1)	3.7	5.3
Profit Before Tax	406.6	115.8	204.9	383.2	353.8
Taxation	(88.4)	(24.5)	(44.9)	(69.4)	(63.7)
Profit After Tax	318.2	91.3	160.0	313.8	290.1
Non-controlling interest	53.1	30.9	29.9	51.7	53.1
PATMI, reported	265.1	60.4	130.1	262.1	237.0
PATMI, adj.	287.8	119.9	153.8	231.7	237.0

Per share data (cents)

	FY 19	FY 20	FY 21	FY 22e	FY 23e
EPS, reported	12.2	2.8	6.0	12.1	10.9
EPS, adj.	13.3	5.6	7.1	10.7	10.9
DPS	9.8	1.4	4.2	7.5	7.7
BVPS	140	142	145	156	158

Cash Flow

SGD mn, Y/E Dec	FY 19	FY 20	FY 21	FY 22e	FY 23e
CFO					
PBT	406.6	115.8	204.9	383.2	353.8
Adjustments	-	-	-	-	-
WC changes	(146.8)	(28.5)	75.0	(112.7)	7.4
Cash generated from ops	704.8	632.2	732.2	688.2	748.1
Others	(94.9)	(87.9)	(71.3)	(69.4)	(63.7)
Cashflow from ops	609.9	544.3	660.9	618.9	684.4
CFI					
CAPEX, net	(346.5)	(106.1)	(194.3)	(252.6)	(303.1)
Divd from associates & JVs	1.0	0.4	0.1	-	-
Others	(21.1)	(4.0)	(9.6)	9.6	11.2
Cashflow from investments	(366.6)	(109.7)	(203.8)	(243.0)	(291.9)
CFF					
Share issuance, net	1.3	1.1	2.3	-	-
Loans, net of repayments	31.3	(116.6)	(143.9)	(100.0)	-
Dividends	(274.3)	(144.4)	(107.4)	(107.3)	(239.3)
Others	12.0	(41.9)	(38.2)	(5.9)	(5.9)
Cashflow from financing	(229.7)	(301.8)	(287.2)	(213.1)	(245.2)
Effects of exchange rates	(5.5)	15.8	6.4	-	-
Net increase (decrease) in CCE	8.1	148.6	176.3	162.7	147.3
CCE, end	594.2	742.8	919.1	1,081.8	1,229.1

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

SGD mn, Y/E Dec	FY 19	FY 20	FY 21	FY 22e	FY 23e
ASSETS					
Cash	594.2	742.8	919.1	1,081.8	1,229.1
Accounts Receivables	318.7	291.8	295.3	291.7	297.2
Inventories	150.7	127.9	116.9	137.1	134.6
Prepayments	255.5	241.6	241.6	260.7	252.5
Others	-	20.1	15.4	15.4	15.4
Total current assets	1,319.1	1,424.2	1,588.3	1,786.7	1,928.9
PPE	2,879.7	2,604.1	2,430.5	2,299.6	2,210.5
Intangibles	848.7	870.0	866.9	866.9	866.9
Receivables	284.3	6.7	10.7	10.7	10.7
Others	47.2	53.6	58.6	58.6	58.6
Total non-current assets	4,059.9	3,534.4	3,366.7	3,235.8	3,146.7
Total Assets	5,379.0	4,958.6	4,955.0	5,022.5	5,075.6

LIABILITIES

Short term loans	198.8	110.3	23.9	23.9	23.9
Accounts Payables	670.3	675.0	775.6	698.6	700.9
Others	246.7	227.2	190.6	190.6	190.6
Total current liabilities	1,115.8	1,012.5	990.1	913.1	915.4
Long term loans	331.3	353.4	317.1	217.1	217.1
Others	922.9	524.0	511.5	511.5	511.5
Total non-current liabilities	1,254.2	877.4	828.6	728.6	728.6
Total Liabilities	2,370.0	1,889.9	1,818.7	1,641.7	1,644.0

EQUITY

Non-controlling interest	414.0	422.0	429.8	481.5	534.6
Shareholder Equity	2,595.0	2,646.7	2,706.5	2,831.0	2,859.2

Valuation Ratios

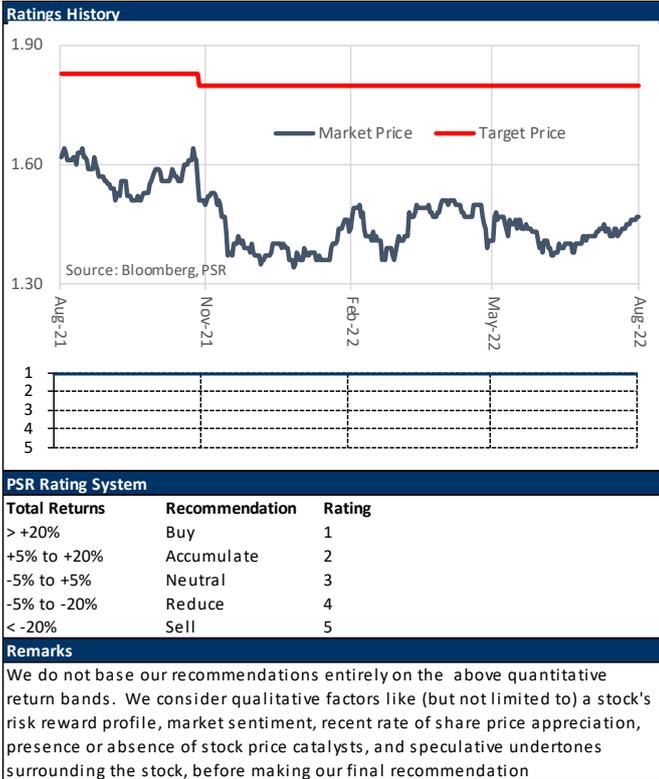
	FY 19	FY 20	FY 21	FY 22e	FY 23e
P/E (x), adj.	11.1	26.4	20.7	13.7	13.4
P/B (x)	1.1	1.0	1.0	0.9	0.9
Dividend Yield	6.7%	1.0%	2.9%	5.1%	5.2%

Growth & Margins

Growth					
Revenue	2.5%	-16.9%	9.1%	7.8%	1.5%
EBITDA	1.1%	-34.2%	10.5%	18.6%	2.1%
EBIT	-5.2%	-70.7%	72.6%	62.7%	2.0%
Net Income, adj.	-5.1%	-58.3%	28.3%	50.7%	2.3%
Margins					
EBITDA margin	21.6%	17.1%	17.3%	19.0%	19.1%
EBIT margin	10.7%	3.8%	5.9%	9.0%	9.0%
PBT margin	10.4%	3.6%	5.8%	10.0%	9.1%
Net Profit Margin	7.4%	3.7%	4.3%	6.1%	6.1%

Key Ratios

ROE	11.1%	4.6%	5.7%	8.4%	8.3%
ROA	5.5%	2.3%	3.1%	4.6%	4.7%
Dividend Payout	73.7%	25.6%	59.2%	70.0%	70.0%
Net Debt or (Net Cash)	-64	-279	-578	-841	-988
Net Gearing (x)	Net Cash				



Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Admin

Qystina Azli - qystina@phillip.com.sg

Construction | Industrial | Conglomerates

Terence Chua – terencechuatl@phillip.com.sg

Banking & Finance

Glenn Thum – glennthumic@phillip.com.sg

US Technology Analyst (Internet)

Jonathan Woo – jonathanwookj@phillip.com.sg

US Technology Analyst (Software/Services)

Ambrish Shah – amshah@phillipcapital.in

REITS Analyst

Darren Chan – darrenchanrx@phillip.com.sg

Credit Analyst

Shawn Sng - shawnsngkh@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler

Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.