

# ComfortDelGro Corp Ltd

Inflationary pressures gradually abating



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## SINGAPORE | TRANSPORT SERVICES | 1Q23 UPDATE

17 May 2023

### BUY (Maintained)

LAST CLOSE PRICE	SGD 1.16
FORECAST DIV	SGD 0.053
TARGET PRICE	SGD 1.57
<b>TOTAL RETURN</b>	<b>39.9%</b>

#### COMPANY DATA

BLOOMBERG CODE:	CD SP
O/S SHARES (MN):	2,167
MARKET CAP (SGD mn):	2,427
52 - WK HI/LO (SGD):	1.46 / 1.107
3M Average Daily T/O (mn):	5.5

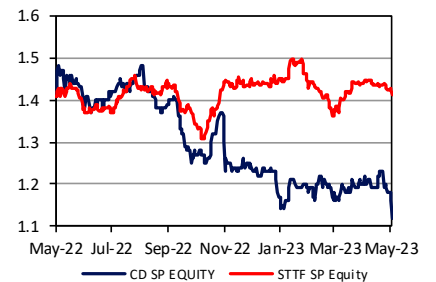
#### MAJOR SHAREHOLDERS

Ameriprise Financial Inc	6.3%
Vanguard Group	3.1%

#### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.1	0.9	-2.3
STTF	-1.1	-1.1	0.7

#### PRICE VS. STTF



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Dec	FY 21	FY 22	FY 23e	FY 24e
Revenue (\$\$ mn)	3,503	3,781	4,110	4,261
PATMI, adj (\$\$ mn)	146.8	154.8	164.7	186.4
EPS, adj. (cents)	7.2	5.4	7.6	8.6
P/E, adj. (x)	16.2	21.6	15.3	13.5
BVPS (cents)	144	139	140	142
P/B (x)	0.8	0.8	0.8	0.8
DPS (cents)	4.2	7.7	5.3	6.0
Div. Yield (%)	3.6	6.7	4.6	5.2

Source: Bloomberg, PSR

#### VALUATION METHOD

DCF (WACC: 9.2%; Terminal g: 1.0%)

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### Results at a glance

(SGD mn)	1Q23	1Q22	YoY	Comments
Revenue	906.4	887.5	2.1%	
- Public transport	714.3	703.6	1.5%	
- Taxi	109.4	106.3	2.9%	
EBIT	50.9	105.2	-51.6%	
- Public transport	21.2	39.8	-46.7%	Timing of UK indexation, higher electricity, lower bus fees.
- Taxi	12.7	11.7	8.5%	
Gain on disposal	0.8	37.9	-97.9%	1Q22 disposal of Alperton property in London.
PATMI	32.8	76.1	-56.9%	
PATMI - normalised	32.0	33.5	-4.5%	Excluding disposal gains.

Source: Company, PSR

### The Positives

**+ Taxi revenue improvement is still underway.** Recovery of taxi revenue was due to booking commissions introduced last year (May 22: 4%, Oct 22: 5%) and a more stable taxi fleet. The improvement in taxi revenue would have been stronger but for incentives in China to attract drivers. Utilisation rate of taxis remains sluggish, especially in Beijing. Operating profit in China declined 46% to S\$3.4mn.

**+ With stable capex, cash piles up.** Comfort generated free cash flow of around S\$76.8mn in 1Q23 (1Q22: S\$92.5mn). Net cash continues to pile up on the balance sheet. 1Q23 net cash is S\$718mn, similar to last years S\$754mn. Net cash is at record levels. Annualised capex is now S\$200mn p.a., compared to the S\$350mn-400mn p.a. pre-pandemic. We expect the large cash hoard will also boost earnings through higher interest income.

### The Negative

**- Poor margins in public transport.** Public transport operating margins are a paltry 3% vs pre-pandemic 8%. Margin pressure comes from low bus contracting fees in Singapore, higher electricity and increased bus driver fees in Australia and UK. Despite the jump in rail fees (via subsidies) and volumes in Singapore, margins were under pressure. UK suffered an operating loss of S\$3.5mn in 1Q23, compared to S\$1.6mn profit a year ago.

**Outlook**

FY23e earnings recovery will be led by several factors:

- i. UK bus indexation to higher CPI at the anniversary of the contract. More significant recovery in 2H23.
- ii. The gradual reduction of taxi rental discounts and incentives in China as the lockdown is removed.
- iii. Taxi revenue in Singapore enjoying commissions introduced in May22 and lower tax rebate from 15% to 10% effective 1 Apr 23. The Zig platform continues to be enhanced for more seamless travel, competitive pricing and inclusion of commissions, administration fees and platform fees. We believe the collaboration with Gojek will raise the utilisation rate of taxi drivers. For night shifts, “gig” drivers are less available drivers vis-à-vis taxi drivers that have two shifts.

**Maintain BUY with a lower TP of S\$1.57 (prev. S\$1.63)**

ComfortDelgro pays around 4.6% dividend yield and a net cash balance sheet of S\$718mn.

## Financials

### Income Statement

SGD mn, Y/E Dec	FY 20	FY 21	FY 22	FY 23e	FY 24e
Revenue	3,242.6	3,502.8	3,780.8	4,110.2	4,260.7
EBITDA	553.7	576.1	627.2	590.2	614.6
Depreciation & Amortisation	(432.0)	(376.3)	(357.2)	(347.5)	(338.8)
EBIT	121.7	199.8	270.0	242.8	275.8
Net Finance (Expense)/Inc	(5.9)	(5.1)	1.9	3.0	2.4
Profit Before Tax	115.8	194.8	272.7	245.7	278.2
Taxation	(24.5)	(41.8)	(54.2)	(44.2)	(50.1)
Profit After Tax	91.3	153.0	218.5	201.5	228.1
Non-controlling interest	30.9	29.9	45.4	36.9	41.7
PATMI, reported	60.4	123.1	173.1	164.7	186.4
PATMI, adj.	119.9	146.8	154.8	164.7	186.4

### Per share data (cents)

	FY 20	FY 21	FY 22	FY 23e	FY 24e
EPS, reported	2.8	6.0	6.0	7.6	8.6
EPS, adj.	5.6	7.2	5.4	7.6	8.6
DPS	1.4	4.2	7.7	5.3	6.0
BVPS	142	144	139	140	142

### Cash Flow

SGD mn, Y/E Dec	FY 20	FY 21	FY 22	FY 23e	FY 24e
<b>CFO</b>					
PBT	115.8	194.8	272.7	245.7	278.2
Adjustments	-	-	-	-	-
WC changes	(28.5)	106.1	59.0	(168.9)	6.1
Cash generated from ops	632.2	727.9	682.2	421.3	620.7
Others	(87.9)	(71.3)	(79.9)	(44.2)	(50.1)
Cashflow from ops	544.3	656.6	602.3	377.1	570.6
<b>CFI</b>					
CAPEX, net	(106.1)	(189.9)	(222.3)	(266.8)	(320.1)
Divd from associates & JVs	0.4	0.1	-	-	-
Others	(4.0)	(9.6)	(28.7)	10.0	9.4
Cashflow from investments	(109.7)	(199.4)	(251.0)	(256.8)	(310.7)
<b>CFF</b>					
Share issuance, net	1.1	2.3	-	-	-
Loans, net of repayments	(116.6)	(143.9)	(50.1)	-	-
Dividends	(144.4)	(107.4)	(171.3)	(171.8)	(173.8)
Others	(41.9)	(38.2)	(53.3)	(7.0)	(7.0)
Cashflow from financing	(301.8)	(287.2)	(274.7)	(178.8)	(180.8)
Effects of exchange rates	15.8	6.4	(28.7)	-	-
Net increase (decrease) in CCE	148.6	176.4	47.9	(58.5)	79.2
CCE, end	742.8	919.2	967.1	908.6	987.8

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

SGD mn, Y/E Dec	FY 20	FY 21	FY 22	FY 23e	FY 24e
<b>ASSETS</b>					
Cash	742.8	919.1	967.0	908.6	987.8
Accounts Receivables	291.8	569.8	550.0	574.0	576.0
Inventories	127.9	116.9	120.1	129.8	124.2
Prepayments	241.6	-	-	-	-
Others	20.1	14.8	7.6	7.6	7.6
<b>Total current assets</b>	<b>1,424.2</b>	<b>1,620.6</b>	<b>1,644.7</b>	<b>1,620.0</b>	<b>1,695.6</b>
PPE	2,604.1	2,191.9	2,038.4	1,957.7	1,939.0
Intangibles	870.0	866.9	816.3	816.3	816.3
Receivables	6.7	176.4	142.6	142.6	142.6
Others	53.6	58.6	58.8	58.8	58.8
<b>Total non-current assets</b>	<b>3,534.4</b>	<b>3,293.8</b>	<b>3,056.1</b>	<b>2,975.4</b>	<b>2,956.7</b>
<b>Total Assets</b>	<b>4,958.6</b>	<b>4,914.4</b>	<b>4,700.8</b>	<b>4,595.4</b>	<b>4,652.2</b>
<b>LIABILITIES</b>					
Short term loans	110.3	23.9	26.8	26.8	26.8
Accounts Payables	675.0	775.6	832.2	697.0	699.5
Others	227.2	190.6	181.8	181.8	181.8
<b>Total current liabilities</b>	<b>1,012.5</b>	<b>990.1</b>	<b>1,040.8</b>	<b>905.6</b>	<b>908.1</b>
Long term loans	353.4	317.1	265.4	265.4	265.4
Others	524.0	498.8	395.2	395.2	395.2
Total non-current liabilities	877.4	815.9	660.6	660.6	660.6
<b>Total Liabilities</b>	<b>1,889.9</b>	<b>1,806.0</b>	<b>1,701.4</b>	<b>1,566.2</b>	<b>1,568.7</b>
<b>EQUITY</b>					
Non-controlling interest	422.0	429.8	430.5	467.4	509.1
<b>Shareholder Equity</b>	<b>2,646.7</b>	<b>2,678.6</b>	<b>2,568.9</b>	<b>2,561.7</b>	<b>2,574.4</b>

### Valuation Ratios

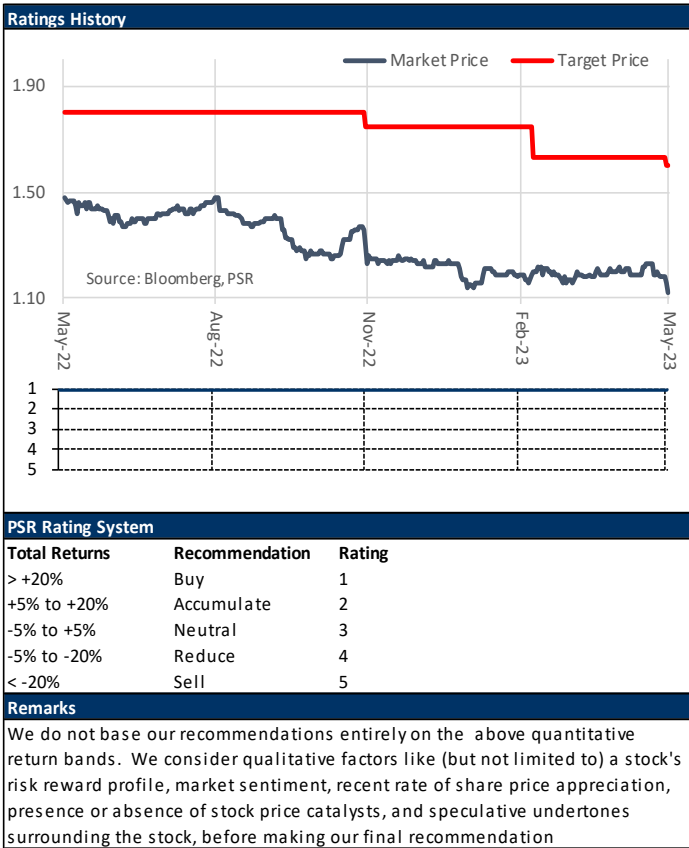
	FY 20	FY 21	FY 22	FY 23e	FY 24e
P/E (x), adj.	20.8	16.2	21.6	15.3	13.5
P/B (x)	0.8	0.8	0.8	0.8	0.8
Dividend Yield	1.2%	3.6%	6.7%	4.6%	5.2%

### Growth & Margins

	FY 20	FY 21	FY 22	FY 23e	FY 24e
<b>Growth</b>					
Revenue	-16.9%	8.0%	7.9%	8.7%	3.7%
EBITDA	-34.2%	4.0%	8.9%	-5.9%	4.1%
EBIT	-70.7%	64.2%	35.1%	-10.1%	13.6%
Net Income, adj.	-58.3%	22.4%	5.4%	6.4%	13.2%
<b>Margins</b>					
EBITDA margin	17.1%	16.4%	16.6%	14.4%	14.4%
EBIT margin	3.8%	5.7%	7.1%	5.9%	6.5%
PBT margin	3.6%	5.6%	7.2%	6.0%	6.5%
Net Profit Margin	3.7%	4.2%	4.1%	4.0%	4.4%

### Key Ratios

	FY 20	FY 21	FY 22	FY 23e	FY 24e
ROE	4.6%	5.5%	5.9%	6.4%	7.3%
ROA	2.3%	3.0%	3.2%	3.5%	4.0%
Dividend Payout	25.6%	58.7%	144.1%	70.0%	70.0%
Net Debt or (Net Cash)	-279	-578	-675	-616	-696
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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