

ComfortDelGro Corp Ltd

Higher pricing supporting margins



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SINGAPORE | TRANSPORT SERVICES | 3Q23 UPDATE

15 November 2023

- 3Q23 normalised PATMI jumped 48% YoY to S\$48mn and was within our expectations. Revenue was softer than expected. 9M23 revenue and PATMI were 73% and 78% of our FY23e forecast.
- Earnings growth was driven by a turnaround in the UK bus operation and growth in Singapore taxi operations. UK benefited from higher pricing through contract indexation and renewal. Singapore taxi margins expanded with platform fees.
- We lower our FY23e revenue by 4% and PATMI is maintained. Our BUY recommendation and DCF target price of S\$1.57 is unchanged. Earnings momentum will be sustained by higher bus service fees in the UK, taxi platform fees in Singapore and lagged pricing of rail services in Singapore.

Results at a glance

(SGD mn)	3Q23	3Q22	YoY	Comments
Revenue	996.6	960.3	3.8%	
- Public transport	758.5	733.8	3.4%	
- Taxi & private hire	147.6	142.9	3.3%	
EBIT	75.4	56.0	34.6%	
- Public transport	32.9	27.5	19.6%	Recovery in UK and Australia.
- Taxi & private hire	28.5	20.6	38.3%	Stable fleet and higher commissions.
- Singapore	53.6	46.8	14.5%	
- UK/Ireland	6.1	(2.0)	n.m.	Indexation and renewal.
Gain on disposal	1.8	(0.2)	n.m.	
PATMI	49.9	32.3	54.5%	
PATMI - normalised	48.1	32.5	48.0%	Excluding disposal gains.

Source: Company, PSR #Note – Only selected financials are provided in the 3Q23 update.

The Positive

+ UK operations turnaround. A major part of earnings growth in 3Q23 was the turnaround in UK operations. From an operating loss of S\$2mn, UK swung to a S\$6mn profit. Around 70% of the routes have been re-indexed. Another boost to margins will be re-contracting of the bus contract routes that can expire up to 5 years. Recent re-contracting has seen a significant improvement in margins.

The Negative

- Rail profitability is still weak. We believe profitability in Singapore rail remains weak despite the jump in passenger traffic. Rail operations are burdened by the higher electricity and a lagged re-pricing of fares. The next round of higher fares will be in December this year.

Outlook

We expect earnings growth to sustain into FY24e, supported by re-pricing of bus contracts in the UK, improvement in bus efficiency in Australia as drivers return, platform fees raising taxi margins and higher fares driving up Singapore rail profitability. Taxi operations in Singapore have seen a resurgence in competitive pricing by other platforms but Comfort's taxi fleet has remained stable with market share rising.

Maintain BUY with an unchanged TP of S\$1.57

ComfortDelgro pays around 4.6% dividend yield, enjoys a net cash balance sheet of S\$500mn and visibility of earnings recovery.

BUY (Maintained)

LAST CLOSE PRICE	SGD 1.31
FORECAST DIV	SGD 0.0609
TARGET PRICE	SGD 1.57
TOTAL RETURN	24.5%

COMPANY DATA

BLOOMBERG CODE:	CD SP
O/S SHARES (MN):	2,166
MARKET CAP (SGD mn):	2,859
52 - WK HI/LO (SGD):	1.36 / 1.01
3M Average Daily T/O (mn):	6.0

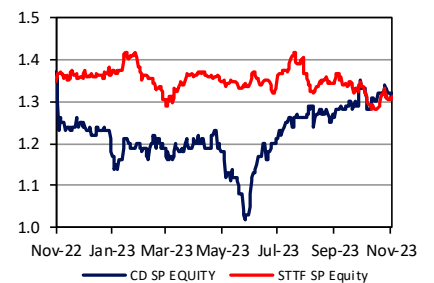
MAJOR SHAREHOLDERS

Ameriprise Financial Inc	6.2%
Invesco	3.5%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	-1.5	5.6	12.9
STTF	-2.1	-3.5	-0.1

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	3,943	4,086
PATMI, adj (\$ mn)	146.8	154.8	164.9	167.4
EPS, adj. (cents)	7.2	5.4	7.6	7.7
P/E, adj. (x)	18.3	24.4	17.2	17.0
BVPS (cents)	144	139	139	140
P/B (x)	0.9	0.9	0.9	0.9
DPS (cents)	4.2	8.5	6.1	6.2
Div. Yield (%)	3.2	6.5	4.6	4.7

Source: Bloomberg, PSR

VALUATION METHOD

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

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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	3,942.5	4,086.2
EBITDA	553.7	576.1	627.2	590.7	586.4
Depreciation & Amortisation	(432.0)	(376.3)	(357.2)	(347.5)	(338.8)
EBIT	121.7	199.8	270.0	243.2	247.5
Net Finance (Expense)/Inc	(5.9)	(5.1)	1.9	3.0	2.3
Profit Before Tax	115.8	194.8	272.7	246.2	249.8
Taxation	(24.5)	(41.8)	(54.2)	(44.3)	(45.0)
Profit After Tax	91.3	153.0	218.5	201.9	204.8
Non-controlling interest	30.9	29.9	45.4	36.9	37.5
PATMI, reported	60.4	123.1	173.1	164.9	167.4
PATMI, adj.	119.9	146.8	154.8	164.9	167.4

Per share data (cents)

	FY 20	FY 21	FY 22	FY 23e	FY 24e
EPS, reported	2.8	6.0	6.0	7.6	7.7
EPS, adj.	5.6	7.2	5.4	7.6	7.7
DPS	1.4	4.2	8.5	6.1	6.2
BVPS	142	144	139	139	140

Cash Flow

SGD mn, Y/E Dec	FY 20	FY 21	FY 22	FY 23e	FY 24e
CFO					
PBT	115.8	194.8	272.7	246.2	249.8
Adjustments	-	-	-	-	-
WC changes	(28.5)	106.1	59.0	(168.9)	6.1
Cash generated from ops	632.2	727.9	682.2	421.8	592.4
Others	(87.9)	(71.3)	(79.9)	(44.3)	(45.0)
Cashflow from ops	544.3	656.6	602.3	377.5	547.5
CFI					
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	9.3
Cashflow from investments	(109.7)	(199.4)	(251.0)	(256.8)	(310.8)
CFF					
Share issuance, net	1.1	2.3	-	-	-
Loans, net of repayments	(116.6)	(143.9)	(50.1)	-	-
Dividends	(144.4)	(107.4)	(171.3)	(184.8)	(177.5)
Others	(41.9)	(38.2)	(53.3)	(7.0)	(7.0)
Cashflow from financing	(301.8)	(287.2)	(274.7)	(191.8)	(184.5)
Effects of exchange rates	15.8	6.4	(28.7)	-	-
Net increase (decrease) in CCE	148.6	176.4	47.9	(71.1)	52.2
CCE, end	742.8	919.2	967.1	896.0	948.1

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

SGD mn, Y/E Dec	FY 20	FY 21	FY 22	FY 23e	FY 24e
ASSETS					
Cash	742.8	919.1	967.0	896.0	948.1
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
Total current assets	1,424.2	1,620.6	1,644.7	1,607.4	1,655.9
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
Total non-current assets	3,534.4	3,293.8	3,056.1	2,975.4	2,956.7
Total Assets	4,958.6	4,914.4	4,700.8	4,582.7	4,612.6
LIABILITIES					
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
Total current liabilities	1,012.5	990.1	1,040.8	905.6	908.1
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
Total Liabilities	1,889.9	1,806.0	1,701.4	1,566.2	1,568.7
EQUITY					
Non-controlling interest	422.0	429.8	430.5	467.4	504.9
Shareholder Equity	2,646.7	2,678.6	2,568.9	2,549.0	2,538.9

Valuation Ratios

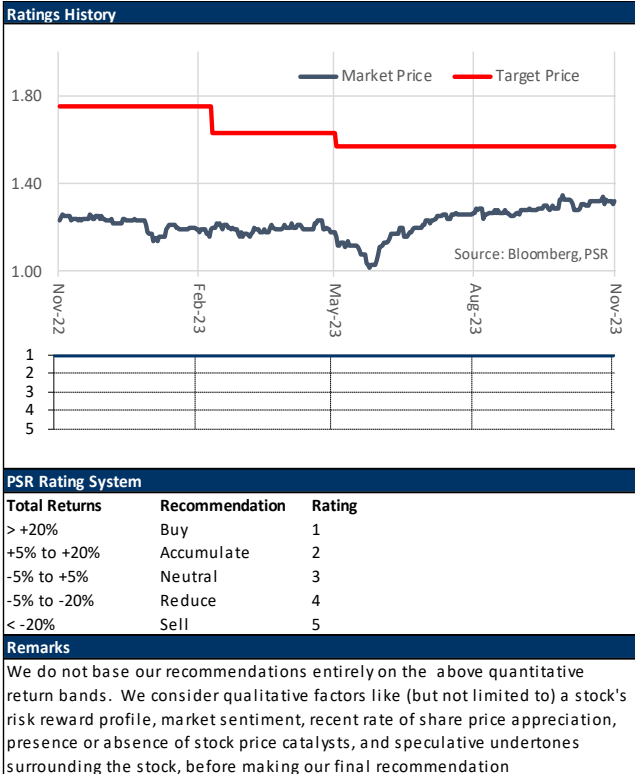
	FY 20	FY 21	FY 22	FY 23e	FY 24e
P/E (x), adj.	23.5	18.3	24.4	17.2	17.0
P/B (x)	0.9	0.9	0.9	0.9	0.9
Dividend Yield	1.1%	3.2%	6.5%	4.6%	4.7%

Growth & Margins

	FY 20	FY 21	FY 22	FY 23e	FY 24e
Growth					
Revenue	-16.9%	8.0%	7.9%	4.3%	3.6%
EBITDA	-34.2%	4.0%	8.9%	-5.8%	-0.7%
EBIT	-70.7%	64.2%	35.1%	-9.9%	1.8%
Net Income, adj.	-58.3%	22.4%	5.4%	6.6%	1.5%
Margins					
EBITDA margin	17.1%	16.4%	16.6%	15.0%	14.3%
EBIT margin	3.8%	5.7%	7.1%	6.2%	6.1%
PBT margin	3.6%	5.6%	7.2%	6.2%	6.1%
Net Profit Margin	3.7%	4.2%	4.1%	4.2%	4.1%

Key Ratios

	FY 20	FY 21	FY 22	FY 23e	FY 24e
ROE	4.6%	5.5%	5.9%	6.4%	6.6%
ROA	2.3%	3.0%	3.2%	3.6%	3.6%
Dividend Payout	25.6%	58.7%	158.0%	80.0%	80.0%
Net Debt or (Net Cash)	-279	-578	-675	-604	-656
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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