

ComfortDelGro Corp Ltd

More growth ahead



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SINGAPORE | TRANSPORT SERVICES | 4Q23 RESULTS

3 March 2024

- FY23 earnings beat expectations at 117% of our forecast. Revenue was within our estimates at 98%. 4Q23 PATMI jumped 77% YoY to S\$49.3mn.
- The turnaround in UK bus operations and growth in Singapore and China taxi operations were the major drivers of earnings.
- We raised our FY24e earnings by 24% to S\$207mn. Our BUY recommendation is maintained and the DCF target price raised to S\$1.63 (prev. S\$1.57). We expect multiple earnings drivers in 2024; (i) higher platform fees and commission for Singapore taxis; (ii) UK bus indexation and re-contracting; (iii) Increased taxi fleet size in China; (iv) Margin recovery for Singapore rail operations as operating cost stabilises, rail passenger numbers grow and lagged re-pricing of fares.

Results at a glance

(SGD mn)	4Q23	4Q22	YoY	Comments
Revenue	1,021.4	977.2	4.5%	
- Public transport	784.7	753.2	4.2%	
- Taxi & private hire	149.2	142.6	4.6%	
EBIT	79.5	42.9	85.3%	
- Public transport	33.0	15.3	115.7%	Recovery in UK.
- Taxi & private hire	34.9	23.7	47.3%	Higher comms and platform fee.
- Singapore	55.4	43.0	28.8%	
- UK/Ireland	3.6	(13.4)	n.m.	Indexation and renewal.
- China	7.8	2.2	254.5%	
PATMI	52.1	25.5	104.3%	
PATMI - normalised	49.3	27.9	76.7%	Excluding disposal gains.
DPS - Final (cents)	2.90	2.85	1.8%	80% Payout ratio (FY22: 70%).

Source: Company, PSR

The Positive

+ Jump in China taxi earnings. Operating profit in China jumped almost 4-fold to S\$7.8mn in 4Q23. Earnings recovered as rebates were removed. Demand for vehicles has been strong, and ComfortDelGro is looking to expand its fleet to accommodate the demand.

The Negative

- Meagre rail earnings. We expect Singapore rail operations to be barely profitable. The rise in wages and electricity has impacted margins. We believe margin recovery will occur in FY24e from the lagged 7% rise in fares and slower rise in operating costs, especially electricity.

Outlook

Public transport margins continue to depress group earnings. Operating margins of 5% remain below pre-pandemic 8%. We expect margins to recover from UK bus contracts that will still enjoy indexation. The larger benefit will come from re-contracting, which will occur around 20% of their bus routes annually. Singapore bus operations will lose some revenue due to the loss of Jurong West Package. Singapore rail margins will rebound from higher fares and volume. Singapore taxi will benefit from platform fees (June 23) and higher booking commission (from 5% to 7% on 1Jan24). China taxi benefits from annualized recurrent rental income and expansion in the taxi fleet.

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

ComfortDelgro pays around 4.9% dividend yield, enjoys a net cash balance sheet of S\$507mn and visibility of earnings recovery.

BUY (Maintained)

LAST CLOSE PRICE	SGD 1.36
FORECAST DIV	SGD 0.0719
TARGET PRICE	SGD 1.63
TOTAL RETURN	25.1%

COMPANY DATA

BLOOMBERG CODE:	CD SP
O/S SHARES (MN) :	2,166
MARKET CAP (SGD mn) :	2,945
52 - WK HI/LO (SGD) :	1.43 / 1.01
3M Average Daily T/O (mn) :	5.1

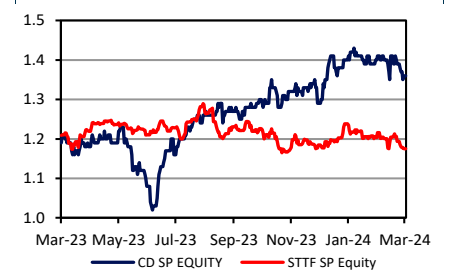
MAJOR SHAREHOLDERS

Silchester International Investors LLP	7.1%
Ameriprise Financial Inc	5.3%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	-2.9	5.4	-2.9
STTF	-0.1	1.5	-2.9

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (S\$m)	FY 22	FY 23	FY 24e	FY 25e
Revenue	3,781	3,880	4,092	4,231
PATMI, adj	154.8	192.1	207.7	213.7
EPS, adj. (cents)	7.1	8.9	9.6	9.9
P/E, adj. (x)	19.0	15.3	14.2	13.8
BVPS (cents)	139	139	144	147
P/B (x)	1.0	1.0	0.9	0.9
DPS (cents)	8.5	6.7	7.2	7.4
Div. Yield (%)	6.2	4.9	5.3	5.4

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 21	FY 22	FY 23	FY 24e	FY 25e
Revenue	3,502.8	3,780.8	3,880.3	4,092.3	4,230.5
EBITDA	576.1	627.2	636.3	675.2	693.8
Depreciation & Amortisation	(376.3)	(357.2)	(364.2)	(375.0)	(383.9)
EBIT	199.8	270.0	272.1	300.2	309.9
Net Finance (Expense)/Inc	(5.1)	1.9	6.5	9.8	8.9
Profit Before Tax	194.8	272.7	280.0	310.0	318.9
Taxation	(41.8)	(54.2)	(55.0)	(55.8)	(57.4)
Profit After Tax	153.0	218.5	225.0	254.2	261.5
Non-controlling interest	29.9	45.4	44.5	46.5	47.8
PATMI, reported	123.1	173.1	180.5	207.7	213.7
PATMI, adj.	146.8	154.8	192.1	207.7	213.7

Per share data (cents)

	FY 21	FY 22	FY 23	FY 24e	FY 25e
EPS, reported	6.0	8.0	8.3	9.6	9.9
EPS, adj.	7.2	7.1	8.9	9.6	9.9
DPS	4.2	8.5	6.7	7.2	7.4
BVPS	144	139	139	144	147

Cash Flow

SGD mn, Y/E Dec	FY 21	FY 22	FY 23	FY 24e	FY 25e
CFO					
PBT	194.8	272.7	280.0	310.0	318.9
Adjustments	-	-	-	-	-
WC changes	106.1	59.0	(125.5)	(136.9)	0.2
Cash generated from ops	727.9	682.2	531.6	538.3	694.0
Others	(71.3)	(79.9)	(82.5)	(55.8)	(57.4)
Cashflow from ops	656.6	602.3	449.1	482.5	636.6
CFI					
CAPEX, net	(189.9)	(222.3)	(323.4)	(388.1)	(465.7)
Divd from associates & JVs	0.1	-	2.1	-	-
Others	(9.6)	(28.7)	(9.2)	18.1	17.3
Cashflow from investments	(199.4)	(251.0)	(330.5)	(369.9)	(448.4)
CFF					
Share issuance, net	2.3	-	3.7	-	-
Loans, net of repayments	(143.9)	(50.1)	47.8	-	-
Dividends	(107.4)	(171.3)	(211.9)	(146.5)	(199.1)
Others	(38.2)	(53.3)	(63.7)	(8.3)	(8.3)
Cashflow from financing	(287.2)	(274.7)	(224.1)	(154.8)	(207.4)
Effects of exchange rates	6.4	(28.7)	(4.6)	-	-
Net increase (decrease) in CCE	176.4	47.9	(110.1)	(42.2)	(19.3)
CCE, end	919.2	967.1	857.0	814.8	795.5

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

SGD mn, Y/E Dec	FY 21	FY 22	FY 23	FY 24e	FY 25e
ASSETS					
Cash	919.1	967.0	856.9	814.8	795.5
Accounts Receivables	569.8	476.7	532.7	572.9	575.1
Inventories	116.9	120.1	141.7	126.7	127.0
Prepayments	-	73.3	82.6	82.6	82.6
Others	14.8	7.6	0.2	0.2	0.2
Total current assets	1,620.6	1,644.7	1,614.1	1,597.2	1,580.4
PPE	2,191.9	2,038.4	2,012.1	2,025.1	2,107.0
Intangibles	866.9	816.3	822.6	822.6	822.6
Receivables	176.4	142.6	150.4	150.4	150.4
Others	58.6	59.9	90.5	90.5	90.5
Total non-current assets	3,293.8	3,057.2	3,075.6	3,088.6	3,170.5
Total Assets	4,914.4	4,701.9	4,689.7	4,685.8	4,750.8

LIABILITIES

Short term loans	23.9	26.8	115.4	115.4	115.4
Accounts Payables	775.6	832.2	807.4	695.7	698.3
Others	190.6	181.8	168.8	168.8	168.8
Total current liabilities	990.1	1,040.8	1,091.6	979.9	982.5
Long term loans	317.1	265.4	234.9	234.9	234.9
Others	498.8	395.2	349.3	349.3	349.3
Total non-current liabilities	815.9	660.6	584.2	584.2	584.2
Total Liabilities	1,806.0	1,701.4	1,675.8	1,564.1	1,566.7

EQUITY

Non-controlling interest	429.8	430.5	416.2	462.7	510.5
Shareholder Equity	2,678.6	2,568.9	2,597.7	2,658.9	2,673.5

Valuation Ratios

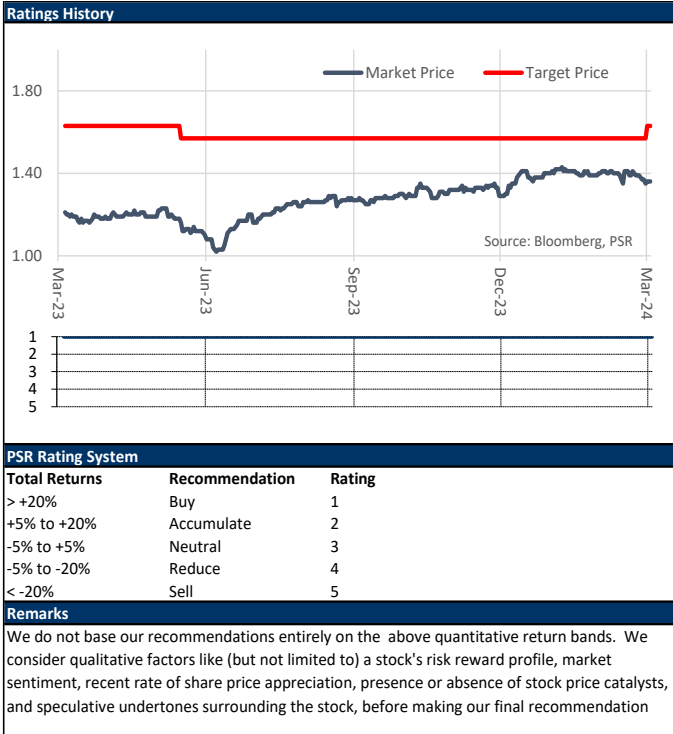
	FY 21	FY 22	FY 23	FY 24e	FY 25e
P/E (x), adj.	19.0	19.0	15.3	14.2	13.8
P/B (x)	0.9	1.0	1.0	0.9	0.9
Dividend Yield	3.1%	6.2%	4.9%	5.3%	5.4%

Growth & Margins

Growth					
Revenue	8.0%	7.9%	2.6%	5.5%	3.4%
EBITDA	4.0%	8.9%	1.5%	6.1%	2.8%
EBIT	64.2%	35.1%	0.8%	10.3%	3.3%
Net Income, adj.	22.4%	5.4%	24.1%	8.1%	2.9%
Margins					
EBITDA margin	16.4%	16.6%	16.4%	16.5%	16.4%
EBIT margin	5.7%	7.1%	7.0%	7.3%	7.3%
PBT margin	5.6%	7.2%	7.2%	7.6%	7.5%
Net Profit Margin	4.2%	4.1%	5.0%	5.1%	5.1%

Key Ratios

ROE	5.5%	5.9%	7.4%	7.9%	8.0%
ROA	3.0%	3.2%	4.1%	4.4%	4.5%
Dividend Payout	58.7%	118.7%	75.1%	75.0%	75.0%
Net Debt or (Net Cash)	-578	-675	-507	-464	-445
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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