

COMPANY UPDATE

ComfortDelGro Corporation (CD SP)

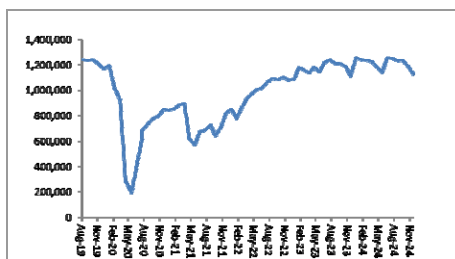
2024 Earnings Preview: Expect A Strong End To 2024

CD recently announced that it has won another overseas rail contract in Copenhagen which we estimate to be earnings accretive. For 4Q24, we expect CD's public transport segment to benefit from the higher rail ridership and ongoing UK bus contract renewals while the taxi segment is set to post robust growth due to additional contributions from A2B. Given CD's strong earnings growth and a decent 2025 dividend yield of 5.9%, we maintain BUY with a target price of S\$1.77.

WHAT'S NEW

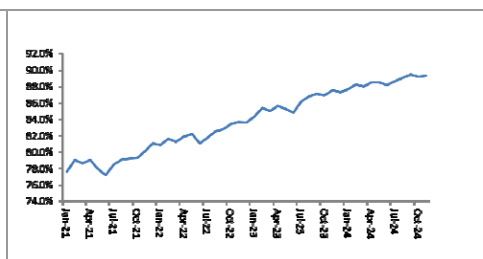
- ComfortDelGro Corporation (CD) is set to release its full-year 2024 financial results on 27 February, after market closes.

SBS TRANSIT RAIL RIDERSHIP



Source: SBS Transit, UOB Kay Hian

% OF RIDE-HAILING TRIPS OF TOTAL P2P TRIPS



Source: LTA, UOB Kay Hian

- **Strong rail ridership.** CD's domestic rail ridership grew 1.6% yoy in Dec 24 which we reckon was largely driven by the ongoing return of work-from-office mandates in Singapore. For 4Q24, domestic rail ridership also rose 1.2% yoy for the quarter. With higher domestic rail ridership, we reckon that the ongoing upward momentum in domestic rail ridership would help support revenue growth for CD's public transport segment in 4Q24. Moving forward, the implemented 6% price fare hike in late-Dec 24 is expected to boost segmental profitability going into 1Q25.
- **Ride-hail trips remain high.** Street-hailing trips, which are exclusive only to taxi drivers, had been on a constant downtrend and were at their lowest in Nov 24. On the other hand, 89.3% of total point-to-point (P2P) average daily trips in Singapore were ride-hailing trips, up slightly from 89.2% in Oct 24. However, with ongoing stiff domestic competition, CD's online taxi booking volumes through its Zig app have been trending downwards (see chart overleaf). Furthermore, as two new ride-hailing service providers, Geo Lah and Trans-cab Services, enter the domestic market in 1Q25, we see furthermore downside risks to CD's online booking volumes, impacting its taxi commission.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	3,781	3,880	4,474	5,146	5,327
EBITDA	627	636	678	769	820
Operating profit	270	272	324	402	438
Net profit (rep./act.)	173	181	210	251	273
Net profit (adj.)	137	174	210	237	273
EPS	6.3	8.0	9.7	10.9	12.6
PE (x)	22.0	17.3	14.3	12.7	11.1
P/B (x)	1.2	1.2	1.1	1.1	1.1
EV/EBITDA (x)	5.3	5.2	4.9	4.3	4.0
Dividend yield (%)	6.1	4.8	5.2	5.9	6.8
Net margin (%)	4.6	4.7	4.7	4.9	5.1
Net debt/(cash) to equity (%)	(26.3)	(19.5)	(4.4)	(7.5)	(12.5)
Interest cover (x)	47.2	27.8	32.3	20.5	19.9
ROE (%)	6.6	7.0	8.0	9.3	9.9
Consensus net profit	-	-	213	242	264
UOBKH/Consensus (x)	-	-	0.99	0.98	1.03

Source: ComfortDelGro Corporation, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.39
Target Price	S\$1.77
Upside	+27.3%

COMPANY DESCRIPTION

ComfortDelGro Corporation provides land transportation services. The company offers bus, taxi, rail, car rental and leasing, automotive engineering services, inspection and testing services, driving centre, insurance broking services, and outdoor advertising.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	CD SP
Shares issued (m):	2,166.1
Market cap (S\$m):	3,010.9
Market cap (US\$m):	2,237.2
3-mth avg daily t'over (US\$m):	4.2

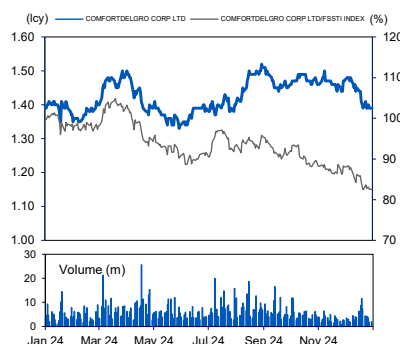
Price Performance (%)

52-week high/low	S\$1.53/S\$1.32			
1mth	3mth	6mth	1yr	YTD
(3.5)	(4.1)	(0.7)	(1.4)	(6.1)

Major Shareholders

	%
-	-
FY24 NAV/Share (S\$)	1.22
FY24 Net Cash/Share (S\$)	0.05

PRICE CHART



Source: Bloomberg

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- Increasing global exposure.** CD recently announced that the group, together with French transport company RATP Dev (RATP), would bid for an operation and maintenance contract for the Copenhagen metro system. The contract is expected to begin in Sep 27 with the tender being called in Jun 25. The contract length is expected to be 12 years, with options for a three-year extension. Currently run by a JV between two Italian transport companies, the Copenhagen metro is owned by Denmark but is maintained and operated by private companies such as CD. The metro has four lines with 44 stations, serving around 2m passengers a week. This is the third time that CD has partnered up with RATP after winning two earlier tenders together (see RHS).

- Earnings accretive.** If CD wins the contract, we reckon that it would be positive for CD as it continues to expand on its overseas rail network while boosting segmental earnings. Looking at the financials of the incumbents, we estimate that the Copenhagen contract is worth around €1.5b with operating margins of 8%. We understand that CD's stake in this upcoming tender is less than 50%. Assuming a 45% stake and a straight-line depreciation over 12 years, we estimate an annual operating profit uplift of €5m-6m (S\$7m-8m).

STOCK IMPACT

- Public transport: The UK to improve in 4Q24.** Management noted that the UK bus contract renewals are still ongoing, which would lead to a better margin profile for 4Q24 and beyond (1Q24/2Q24/3Q24: 0.4%/2.8%/6.1% respectively). Excluding the consolidation of the Addison Lee acquisition, we maintain our expectation that margins for the UK business would continue trending upwards towards the high-single-digit to low-teens % in the medium to long term, albeit at a gradual pace given that only 15-20% of contracts are renewed every year. Also, seasonally higher scheduled bus chartering activities in 4Q24 would boost segmental revenue and profitability. Closer to home, improving domestic rail ridership would help boost rail revenue yoy while bus revenues are set to drop for 4Q24 due to the loss of the Jurong-West bus contract coupled with softer margins from the Australian business. For 4Q24, we expect revenue and operating profit of around S\$800m (+4.7% yoy) and S\$40m (+16.4% yoy) respectively. For 2024, we project annual revenue and operating profit of around S\$3,153m (+6.5% yoy) and S\$132m (+10.0% yoy) respectively.

- Taxi: Strong growth despite stiff competition.** For 4Q24, we expect stiff competition from ride-hailing peers to continue, leading to lower completed bookings and dragging down CD's overall commission on completed jobs. However, additional contributions from the A2B and the newly-completed Addison Lee acquisitions are expected to support the taxi segment's upward growth momentum. However, due to acquisition costs, management noted that any significant earnings impact from Addison Lee would likely come through only in 1Q25. For 4Q24, we expect revenue and operating profit of around S\$174m (+16.6% yoy) and S\$37m (+6.2% yoy) respectively. For 2024, we anticipate revenue and operating profit of around S\$681m (+18.6% yoy) and S\$136m (+27.7% yoy) respectively.

EARNINGS REVISION/RISK

- We make no changes to our PATMI estimates.**

VALUATION/RECOMMENDATION

- Maintain BUY with the same target price of S\$1.77**, pegged to the same 16x 2025F PE, CD's five-year average long-term PE. Backed by CD's decent dividend yield of 5.9% for 2025, we opine that there is potential upside at current price levels, underpinned by strong earnings growth from the taxi segment and better margins from the UK bus business. We think that the recent dip in share price presents an attractive entry point and is one of our conviction picks for 1H25.

SHARE PRICE CATALYST(S)

- Bus tender contract wins.
- Increase in taxi commission rates.
- Earnings-accretive overseas acquisitions.

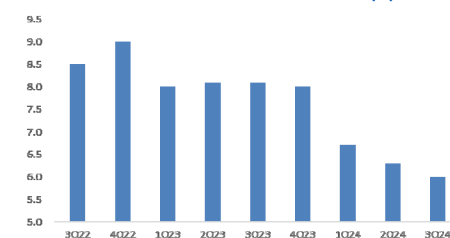
CD'S RECENT RAIL CONTRACT WINS

Rail Package	Contract Period*	Partner	CD's Stake	Contract amount
Auckland Rail	Jan 2022 -	UGL Rail Services	50%	S\$1.13b
Paris Line 15	Jan 2030 - End 2025 - 2031	RATP, Alstom	20%	Undisclosed
Jurong Region Line	2027 - 2038	RATP	75%	S\$750m
Stockholm Metro	May 25 - May 36	Go-Ahead Group	45%	S\$5.1b

*Excluding possible extensions

Source: LTA, UOB Kay Hian, CD, SBST

TAXI SEGMENT'S BOOKING VOLUMES (M)



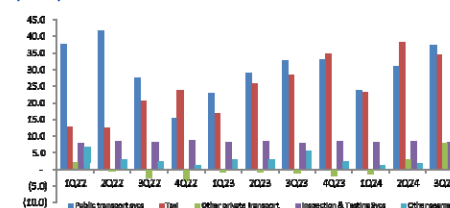
Source: CD, UOB Kay Hian

UK QUARTERLY OPERATING PROFIT (\$M)



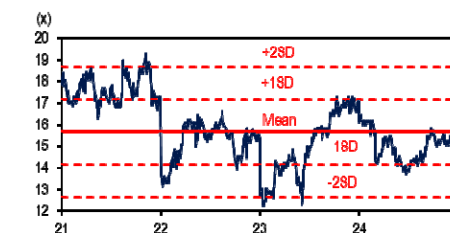
Source: CD, UOB Kay Hian

SEGMENTAL QUARTERLY OPERATING PROFIT (\$M)



Source: CD, UOB Kay Hian

HISTORICAL FORWARD PE RATIO



Source: UOB Kay Hian, Bloomberg

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	3,880.3	4,474.2	5,145.9	5,326.5
EBITDA	636.3	678.2	769.0	820.3
Deprec. & amort.	364.2	354.4	367.2	382.7
EBIT	272.1	323.8	401.8	437.6
Total other non-operating income	29.4	16.0	16.0	16.0
Associate contributions	1.4	2.0	2.6	3.2
Net interest income/(expense)	(22.9)	(21.0)	(37.5)	(41.3)
Pre-tax profit	280.0	320.8	382.8	415.5
Tax	(55.0)	(64.2)	(76.6)	(83.1)
Minorities	(44.5)	(46.2)	(55.1)	(59.8)
Net profit	180.5	210.4	251.1	272.6
Net profit (adj.)	174.1	210.4	237.1	272.6

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	449.1	535.9	650.8	737.4
Pre-tax profit	280.0	320.8	382.8	415.5
Tax	(82.5)	(64.2)	(76.6)	(83.1)
Deprec. & amort.	364.2	354.4	367.2	382.7
Associates	0.0	0.0	0.0	0.0
Working capital changes	136.8	39.6	(146.6)	(249.9)
Non-cash items	12.9	5.0	21.5	25.3
Other operating cashflows	(262.3)	(119.7)	102.4	246.9
Investing	(330.5)	(690.0)	(290.0)	(291.0)
Capex (growth)	(367.5)	(300.0)	(300.0)	(301.0)
Investments	(40.3)	(400.0)	0.0	0.0
Proceeds from sale of assets	44.1	0.0	0.0	0.0
Others	33.2	10.0	10.0	10.0
Financing	(224.1)	165.2	(273.0)	(302.7)
Dividend payments	(209.8)	(213.8)	(235.4)	(261.4)
Proceeds from borrowings	1,707.4	400.0	0.0	0.0
Loan repayment	(1,659.6)	0.0	0.0	0.0
Others/interest paid	(62.1)	(21.0)	(37.5)	(41.3)
Net cash inflow (outflow)	(209.8)	(213.8)	(235.4)	(261.4)
Beginning cash & cash equivalent	967.0	856.9	868.0	955.9
Changes due to forex impact	(4.6)	0.0	0.0	0.0
Ending cash & cash equivalent	856.9	868.0	955.9	1,099.6

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	2,012.1	2,257.7	2,190.5	2,108.8
Other LT assets	1,063.5	1,169.5	1,175.5	1,181.5
Cash/ST investment	856.9	868.0	955.9	1,099.6
Other current assets	757.2	860.0	975.6	1,006.0
Total assets	4,689.7	5,155.3	5,297.4	5,395.9
ST debt	115.4	515.4	515.4	515.4
Other current liabilities	976.2	998.9	1,070.2	1,097.7
LT debt	234.9	234.9	234.9	234.9
Other LT liabilities	349.3	349.3	349.3	349.3
Shareholders' equity	2,597.7	2,652.1	2,725.5	2,794.3
Minority interest	416.2	404.7	402.1	404.3
Total liabilities & equity	4,689.7	5,155.3	5,297.4	5,395.9

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	16.4	15.2	14.9	15.4
Pre-tax margin	7.2	7.2	7.4	7.8
Net margin	4.7	4.7	4.9	5.1
ROA	3.8	4.3	4.8	5.1
ROE	7.0	8.0	9.3	9.9
Growth				
Turnover	2.6	15.3	15.0	3.5
EBITDA	1.5	6.6	13.4	6.7
Pre-tax profit	2.7	14.6	19.3	8.5
Net profit	4.3	16.6	19.3	8.5
Net profit (adj.)	27.3	20.9	12.7	14.9
EPS	27.3	20.9	12.7	14.9
Leverage				
Debt to total capital	10.4	19.7	19.3	19.0
Debt to equity	13.5	28.3	27.5	26.9
Net debt/(cash) to equity	(19.5)	(4.4)	(7.5)	(12.5)
Interest cover (x)	27.8	32.3	20.5	19.9