

COMPANY RESULTS

ComfortDelGro Corporation (CD SP)

3Q21: Underwhelming Results But New Regulations Poised To Boost Earnings

CD reported PATMI of S\$25.8m for 3Q21, increasing 19.4% yoy but dropping sharply by 25.9% qoq from 2Q21. COVID-19 outbreaks in key markets led to suppressed ridership and earnings. Due to uneasy market conditions, the planned IPO of a subsidiary was called off. Looking forward, the easing of COVID-19 measures will continue to be positive for ridership while favourable regulatory changes provide strong tailwinds. Maintain BUY with a higher target price of S\$1.99.

3Q21 RESULTS

Year to 31 Dec (\$m)	3Q21	yoy % chg	qoq % chg	9M21	yoy % chg	3Q21 Comments
Revenue	880.3	7.4%	(0.7)	2,622.8	11.4%	Qoq decrease was largely due to Phase 3 (Heightened Alert) in July and lockdowns in Australia.
Operating expense	(840.0)	(8.2)	(0.9)	(2,448.2)	(6.3)	Increased in line with activity levels and rising fuel prices.
Operating profit	40.3	(8.0)	(24.4)	174.9	252.6	Excluding government relief, 3Q21 operating profit of S\$21m as compared to S\$0.4m loss in 3Q20
EBITDA	142.1	(15.6)	(9.8)	480.8	13.9	
PATMI	25.8	19.4	(25.9)	116.8	678.7	
Operating margin (%)	4.6	(0.8ppt)	(1.4ppt)	6.7	4.6ppt	
Net margin (%)	2.9	(1.9ppt)	(1.0ppt)	4.5	3.8ppt	

Year to 31 Dec (\$m)	Revenue			Operating Profit		
	3Q21	qoq % chg	yoy % chg	3Q21	qoq % chg	yoy % chg
Public Transport services	710.6	0.3	10.9	32.0	(16.2)	(4.2)
Taxi	97.3	(8.4)	(10.7)	(5.9)	(742.9)	45.4
Automotive Engineering services	44.2	4.1	25.2	2.6	0.0	(40.9)
Vehicle inspection & testing	26.3	5.2	17.4	7.4	(2.6)	(9.8)
Driving ctr	11.5	(9.4)	(12.2)	3.2	(27.3)	(40.7)
Car rental & leasing	6.5	(1.5)	0	0.9	0.0%	0.0
Bus station	2.8	0	(37.8)	0.1	(66.7)	(95.7)

Source: CD, UOB Kay Hian

RESULTS

• **3Q21 operational update: Dragged down by COVID-19 but recovery underway.** ComfortDelGro Corporation (CD) reported 3Q21 PATMI of S\$25.8m (including government relief), a 25.9% qoq drop from 2Q21. The sharp drop in 3Q21 was due to COVID-19 outbreaks in key markets which led to restriction measures being implemented in Singapore and Australia. Government relief tapered off in 3Q21 at S\$19.8m, vs S\$44.2m in 2Q21, while higher taxi rebates in Singapore further depressed revenue. 9M21 PATMI was S\$116.8m, accounting for 60% of our full-year forecast and below our expectations. Looking forward, management has noted that the transition to endemic living and reopening of international borders in key markets would help underpin earnings.

KEY FINANCIALS

Year to 31 Dec (\$m)	2019	2020	2021F	2022F	2023F
Net turnover	3,906	3,229	3,497	3,627	3,706
EBITDA	869	540	644	739	780
Operating profit	416	123	245	341	367
Net profit (rep./act.)	265	62	164	224	244
Net profit (adj.)	292	110	164	224	244
EPS (S\$ cent)	13.5	5.1	7.6	10.4	11.2
PE (x)	11.6	30.7	20.6	15.1	13.9
P/B (x)	1.3	1.3	1.3	1.2	1.2
EV/EBITDA (x)	3.8	6.1	5.2	4.5	4.3
Dividend yield (%)	6.3	0.9	3.2	4.5	5.1
Net margin (%)	6.8	1.9	4.7	6.2	6.6
Net debt/(cash) to equity (%)	(2.5)	(10.7)	(18.3)	(26.2)	(32.8)
Interest cover (x)	41.0	36.7	30.2	35.4	38.2
ROE (%)	10.2	2.4	6.2	8.3	8.8
Consensus net profit	-	-	182	228	243
UOBKH/Consensus (x)	-	-	0.90	0.98	1.00

Source: ComfortDelGro Corporation Limited, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.56
Target Price	S\$1.99
Upside	+27.4%
(Previous TP:	S\$1.90)

COMPANY DESCRIPTION

ComfortDelGro is the world's second-largest public listed passenger land transport company with a total fleet size of 43,000 vehicles. Its businesses include bus, taxi, rail, car rental & leasing, automotive engineering, maintenance services, vehicle inspection services, driving centre, insurance broking, outdoor advertising and car dealership.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	CD SP
Shares issued (m):	2,167.4
Market cap (S\$m):	3,381.2
Market cap (US\$m):	2,495.5
3-mth avg daily t'over (US\$m):	14.2

Price Performance (%)

52-week high/low	S\$1.81/S\$1.50			
1mth	3mth	6mth	1yr	YTD
0.6	(3.1)	(4.3)	4.7	(6.6)

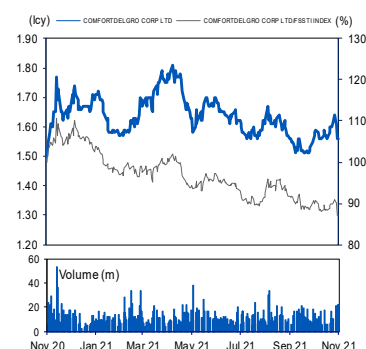
Major Shareholders

n.a.

FY21 NAV/Share (S\$) 1.23

FY21 Net Cash/Share (S\$) 0.22

PRICE CHART



Source: Bloomberg

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- Public transport: Government aid easing lockdown pains.** 3Q21 revenue was resilient at S\$710.6m (+10.9% yoy, +0.3% qoq) as government relief in the UK and Singapore helped support lower activity levels. Full schedules on UK's public bus services as well as stable public transport schedules in Australia also helped lift revenue. However, 3Q21 operating profit fell to S\$32m (-4.2% yoy, -16.2% qoq) caused by a slowdown in Australia's bus chartering business. In Singapore, Phase 3 (Heightened Alert) restrictions caused 3Q21 total daily ridership for Downtown Line (DTL), North-East Line (NEL) and Sengkang/Punggol LRT lines to drop 5% yoy, 58% of pre-COVID-19 levels.
- Taxi: Worst hit by COVID-19 restrictions.** As lockdown measures kicked in, taxi revenue dropped to S\$97.3m (-10.7% yoy, -8.4% qoq). Excluding impairments and government relief, 3Q21 operating profit underperformed at a loss of S\$8m vs a S\$2.1m loss in 2Q21. Taxi rebates have now been extended to end-Nov 21 and increased to 25% (20% in 2Q21). Based on statistics from Singapore's Land Transport Authority, CD's taxi fleet continued its downtrend, dropping to 9,350 in Aug 21. However, management noted that utilisation rate remains stable and expects the return of tourists from Vaccinated Travels Lanes to help boost taxi ridership.

STOCK IMPACT

- Withdrawn Australian IPO but operations resilient down under.** CD has halted its planned IPO for CDG Australia (CDGA), due to challenging market conditions and the pursuit of other strategic options. It was noted that the IPO withdrawal would have no material impact on 2021 earnings and operations. Using 1x P/B for CD's Australian assets, our SOTP target price would be S\$2.00, similar to our current PE-based target price. CDGA's financials were also released, which showed that in spite of COVID-19 lockdowns, 2021 revenue and net profit are forecasted to grow by 4.0% yoy and 14.0% yoy respectively, with 2022 also set to see single-digit growth.
- Higher transport fares.** Singapore's public transport council announced that bus and train fares in Singapore are set to increase at end-21. It decided to grant the maximum allowable fare adjustment quantum of 2.2% to help operators mitigate the costs of running public transport services. Fares for adult commuters will increase by 3-4 S cents depending on distance; concessionary groups will go up by 1 S cent per journey while the rest remains unchanged. We opine that the fare hike would help boost CD's public transport revenue as tourists start to return and passenger volumes recover.
- New risk-profit sharing model.** SBS Transit (SBST) announced that the DTL will transition to the New Rail Financing Framework Version 2 (NRFF V2) as of Jan 22 to Dec 32. Currently under NRFF V1, DTL bears significant commercial risk as compared to NRFF V2. Under NRFF V2, profits from DTL would be capped at 5.0% EBIT margin with LTA sharing 85% of the spoils if exceeded, while 50% of any losses below 3.5% would be co-shared, limited to the annual licence charge. SBST would also release its rights to lease advertising spaces of the rail lines at end-23, after which LTA may lease to SBST for a fee. SBST has extended five existing bus contracts by three years at a lower service rate, with a loss of S\$34m service revenue per year starting 30 Sep 22.

EARNINGS REVISION/RISK

- We adjust our net profit forecasts for 2021-23** as we cut our 2021 net profit forecasts by 16% with lower taxi revenue and higher operating costs, and increase our 2022-23 net profit forecasts by 5% each as we incorporate estimates from: a) higher fares, b) Auckland Rail earnings, and c) NRFF V2 into our forecasts. The financials implications of NRFF V2 include: a) lower bus service revenue, b) higher revenue from DTL, c) early replacement of SBST buses, and d) capex claims forfeited by SBST.

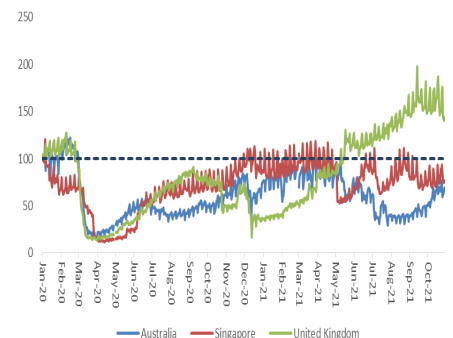
VALUATION/RECOMMENDATION

- Maintain BUY with a slightly higher target price of S\$1.99 (S\$1.90).** We use the same 19.2x 2022F PE, pegged to +0.5SD of CD's five-year mean.

SHARE PRICE CATALYST

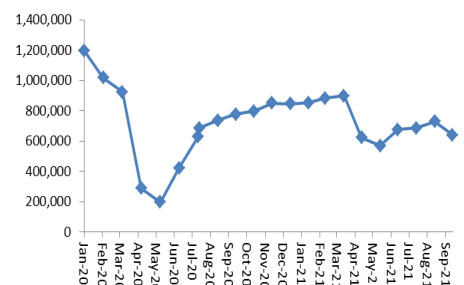
- Easing of stay-home measures, bus tender contract wins, earnings-accretive overseas acquisitions, regulatory changes in public transport.

PUBLIC TRANSIT MOBILITY TRENDS



Source: Apple, UOB Kay Hian
*13th Jan 2020 as baseline = 100

SBST TRAIN RIDERSHIP



Source: SBS, UOB Kay Hian

PE



Source: Bloomberg, UOB Kay Hian

SOTP VALUATION

Business Units	S\$/share	Comments
SBS Transit (74% ownership)	0.32	Market price
Vicom (67% ownership)	0.22	Market price
CD buses (SG)	0.02	Estimated NAV based on fleet
UK	0.27	Estimated NAV based on Non-current assets
Taxi	0.32	Book Value
Others (Engineering + Bus Station + Driving Centre + Car Rental)	0.09	Estimated based on conservative 5x 2021 PE
Net Cash	0.20	2022F
Total (ex. Australia)	1.46	
Australia	0.54	Book Value

CD's Valuation S\$2.00

Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2020	2021F	2022F	2023F
Net turnover	3,228.6	3,497.0	3,627.0	3,705.5
EBITDA	539.7	644.0	738.5	780.1
Deprec. & amort.	416.6	399.0	397.2	413.1
EBIT	123.1	245.0	341.4	367.1
Total other non-operating income	8.8	14.0	17.3	20.3
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(14.7)	(21.3)	(20.9)	(20.4)
Pre-tax profit	117.2	237.7	337.8	367.0
Tax	(24.5)	(42.8)	(67.6)	(73.4)
Minorities	(30.9)	(31.2)	(45.9)	(49.9)
Net profit	61.8	163.7	224.3	243.7
Net profit (adj.)	110.1	163.7	224.3	243.7

CASH FLOW

Year to 31 Dec (\$m)	2020	2021F	2022F	2023F
Operating	483.7	602.8	665.2	709.0
Pre-tax profit	117.2	237.7	337.8	367.0
Tax	(87.9)	(42.8)	(67.6)	(73.4)
Deprec. & amort.	416.6	399.0	397.2	413.1
Associates	0.0	0.0	0.0	0.0
Working capital changes	(28.3)	1.5	(5.8)	2.2
Non-cash items	66.1	7.4	3.6	0.1
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(109.7)	(236.4)	(233.1)	(280.1)
Capex (growth)	(198.5)	(250.0)	(250.0)	(300.0)
Investments	(12.2)	0.0	0.0	0.0
Proceeds from sale of assets	92.4	0.0	0.0	0.0
Others	8.6	13.6	16.9	19.9
Financing	(241.2)	(172.3)	(215.2)	(236.4)
Dividend payments	(144.0)	(138.1)	(181.4)	(203.1)
Issue of shares	0.7	0.0	0.0	0.0
Proceeds from borrowings	1,993.4	0.0	0.0	0.0
Loan repayment	(2,110.0)	(12.9)	(12.9)	(12.9)
Others/interest paid	18.7	(21.3)	(20.9)	(20.4)
Net cash inflow (outflow)	132.8	194.0	216.9	192.4
Beginning cash & cash equivalent	594.2	742.8	936.8	1,153.7
Changes due to forex impact	15.8	0.0	0.0	0.0
Ending cash & cash equivalent	742.8	936.8	1,153.7	1,346.1

BALANCE SHEET

Year to 31 Dec (\$m)	2020	2021F	2022F	2023F
Fixed assets	2,619.5	2,470.5	2,323.3	2,210.2
Other LT assets	1,217.6	1,218.0	1,218.4	1,218.8
Cash/ST investment	742.8	936.8	1,153.7	1,346.1
Other current assets	728.6	758.9	772.0	781.3
Total assets	5,308.5	5,384.2	5,467.4	5,556.5
ST debt	110.3	97.4	84.5	71.6
Other current liabilities	933.4	965.2	972.6	984.0
LT debt	353.4	353.4	353.4	353.4
Other LT liabilities	882.7	882.7	882.7	882.7
Shareholders' equity	2,606.7	2,662.1	2,734.8	2,805.1
Minority interest	422.0	423.4	439.5	459.6
Total liabilities & equity	5,308.5	5,384.2	5,467.4	5,556.5

KEY METRICS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
Profitability				
EBITDA margin	16.7	18.4	20.4	21.1
Pre-tax margin	3.6	6.8	9.3	9.9
Net margin	1.9	4.7	6.2	6.6
ROA	1.2	3.1	4.1	4.4
ROE	2.4	6.2	8.3	8.8
Growth				
Turnover	(17.3)	8.3	3.7	2.2
EBITDA	(37.9)	19.3	14.7	5.6
Pre-tax profit	(71.2)	102.8	42.1	8.6
Net profit	(76.7)	164.9	37.0	8.6
Net profit (adj.)	(62.3)	48.7	37.0	8.6
EPS	(62.3)	48.7	37.0	8.6
Leverage				
Debt to total capital	13.3	12.7	12.1	11.5
Debt to equity	17.8	16.9	16.0	15.2
Net debt/(cash) to equity	(10.7)	(18.3)	(26.2)	(32.8)
Interest cover (x)	36.7	30.2	35.4	38.2

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