

MARKET NEWS

US stocks were higher after the close on Friday, as gains in the materials, communication services and financials sectors led shares higher. At the close of the NYSE, the DJIA rose 2.68% while the S&P 500 index gained 3.06%, and the NASDAQ Composite index advanced 3.34%. Advancing stocks outnumbered falling ones on the NYSE by 2,668 to 563 and 123 ended unchanged; on the Nasdaq Stock Exchange, 3,072 advanced and 1,472 declined while 245 ended unchanged. (Source: WSJ, CNBC)

During the last trading session, the FSSTI index rose 18.85pt to 3,111.65. Among the top active stocks were Thai Beverage (+0.8%), Sembcorp Marine (+2.9%), Singtel (+2.0%), Dyna-Mac (-2.3%) and Top Glove (+1.5%). The FTSE ST Mid Cap index was up 0.7% while the FTSE ST Small Cap Index gained 0.8%. The broader market saw 314 gainers and 204 losers with total trading value of S\$882.2m.

WHAT'S IN THE PACK

Singapore Company Update: ComfortDelGro Corporation (CD SP) - Living with COVID-19.

(CD SP/BUY/S\$1.38/Target: S\$1.73)

As Singapore moves on from the COVID-19 pandemic, we expect ridership to improve. Relaxation of COVID-19 measures has improved rail ridership while taxi passenger demand has surged. Singapore's taxi industry is facing worsening demand-supply imbalance and stiff competition from ride-hailing competitors. CD has also won a new public bus contract in Australia, expanding its footprint down under. Maintain BUY with a slightly higher target price of S\$1.73 (S\$1.66 previously)...

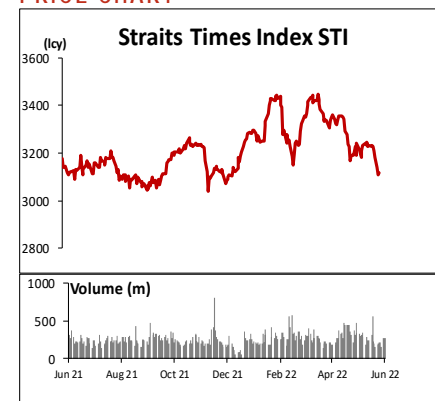
Sembcorp Marine (SMM SP) - Trading BUY

Price is currently sitting at the cloud support, which is also the Fibonacci 62% correction point. MACD is around the zero line and a bullish crossover is likely...

Olam Group (OLG SP) - Trading BUY

Price rebounded after being supported by the gap support created on 30 May 22. Conversion and base lines remain in a bullish crossover...

PRICE CHART



KEY INDICES

	Prev Close	1D %	YTD %
DJIA	31500.7	2.7	(13.3)
S&P 500	3911.7	3.1	(17.9)
FTSE 100	7208.8	2.7	(2.4)
AS30	6762.4	1.1	(13.1)
CSI 300	4394.8	1.2	(11.0)
FSSTI	3111.7	0.6	(0.4)
HSCEI	7629.1	2.2	(7.4)
HSI	21719.1	2.1	(7.2)
JCI	7042.9	0.6	7.0
KLCI	1436.7	0.4	(8.3)
KOSPI	2366.6	2.3	(20.5)
Nikkei 225	26492.0	1.2	(8.0)
SET	1568.8	0.7	(5.4)
TWSE	15303.3	0.8	(16.0)
BDI	2331	(1.0)	5.1
CPO (RM/mt)	4771	(5.5)	(7.9)
Brent Crude (US\$/bbl)	113	2.8	45.4

Source: Bloomberg

TOP VOLUME

Company	Price (\$)	Chg (%)	Volume ('000s)
Mapletree North Asia Commerc	1.20	0.0	204,862
Sembcorp Marine	0.11	2.9	57,818
Mapletree Logistics Trust	1.70	3.7	27,042
Singapore Telecommunications	2.58	2.0	22,973
Thai Beverage	0.65	0.8	18,824

TOP GAINERS

Company	Price (\$)	Chg (%)	Volume ('000s)
Hour Glass	2.32	5.0	456
Mapletree Logistics Trust	1.70	3.7	27,042
Japfa	0.60	3.5	2,729
Sembcorp Marine	0.11	2.9	57,818
Singapore Tech Engineering	4.01	2.8	5,409

TOP LOSERS

Company	Price (\$)	Chg (%)	Volume ('000s)
Digital Core Reit Management	0.83	(2.9)	5,596
Hutchison Port Holdings Trust	0.24	(2.1)	1,026
Golden Energy & Resources	0.49	(2.0)	8,958
First Resources	1.74	(1.7)	2,523
Bumitama Agri	0.63	(1.6)	1,903

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TRADERS' CORNER



Sembcorp Marine (SMM SP)

Trading Buy Range: S\$0.110-0.111

Last price: S\$0.108

Target price: S\$0.120

Protective stop: S\$0.103

Price is currently sitting at the cloud support, which is also the Fibonacci 62% correction point. MACD is around the zero line and a bullish crossover is likely. These could increase chances of the stock price moving higher.

The potential upside target is S\$0.12. Stop-loss could be placed at S\$0.103.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$0.16.



Olam Group (OLG SP)

Trading Buy Range: S\$1.53-1.54

Last price: S\$1.54

Target price: S\$1.65

Protective stop: S\$1.48

Price rebounded after being supported by the gap support created on 30 May 22. Conversion and base lines remain in a bullish crossover. A bullish MACD crossover is likely. These could increase chances of the stock price moving higher.

The potential upside target is S\$1.65. Stop-loss could be placed at S\$1.48.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

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FROM THE REGIONAL MORNING NOTES...

ComfortDelGro Corporation (CD SP)

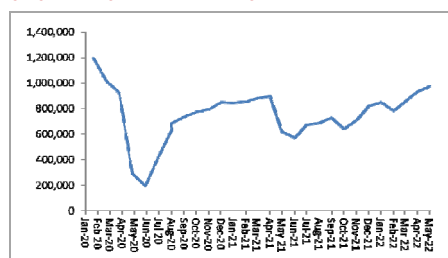
Living With COVID-19

As Singapore moves on from the COVID-19 pandemic, we expect ridership to improve. Relaxation of COVID-19 measures has improved rail ridership while taxi passenger demand has surged. Singapore's taxi industry is facing worsening demand-supply imbalance and stiff competition from ride-hailing competitors. CD has also won a new public bus contract in Australia, expanding its footprint down under. Maintain BUY with a slightly higher target price of S\$1.73 (S\$1.66 previously).

WHAT'S NEW

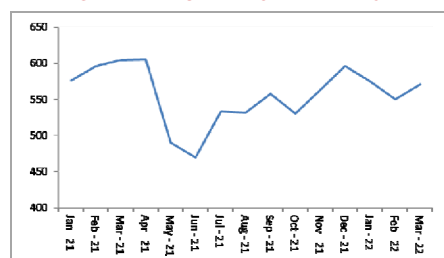
- **Transition to endemic living.** From 26 Apr 22, Singapore's authorities announced the easing of most of its social distancing measures. Some of the relaxed measures include the removal of group size limits, safe distancing no longer being mandatory and 100% of workers are now allowed to return to their respective workplaces. Furthermore, Singapore's international borders have fully reopened, welcoming back tourists. Backed by a population that is almost fully vaccinated, these favourable tailwinds would help underpin ComfortDelGro Corporation's (CD) public transport and taxi earnings as mobility improves.
- **Improving ridership.** SBS Transit experienced a strong recovery in rail ridership for May 22 (+56.8% yoy, +4.6% mom), forming 81% of pre-pandemic levels (May 19). We reckon that this is due to more office workers returning to office spaces and the removal of dine-in group size limits. According to Land Transport Authority (LTA), passenger demand for point to point trips has gradually improved, albeit seeing slight dips due to COVID-19 outbreaks. Overall, we expect rail and taxi ridership to reach near pre-pandemic levels by 1Q23.

SBS TRANSIT RAIL RIDERSHIP



Source: SBS Transit, UOB Kay Hian

AVERAGE DAILY NUMBER OF P2P TRIPS*



Source: LTA, UOB Kay Hian. *Apr-May 22 data not yet released.

- **Expanded bus services down under.** ComfortDelGro Corporation Australia has been awarded a six-year contract to solely operate public bus services in Northern Territory, Australia. The contract areas cover a significant part of Northern Territory's network which includes Darwin and Palmerston, with 170 buses operating across 180 bus routes. Expected to commence on 1 Jul 22, the contract is estimated to be worth around A\$220m. Based on our estimates, this new bus contract would boost our 2022-24 PATMI estimates by 2-3%.

KEY FINANCIALS

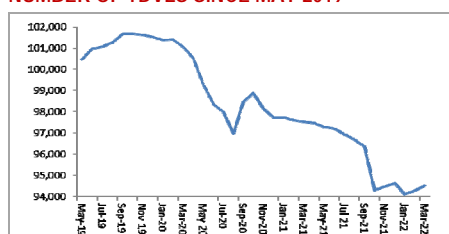
Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	3,229	3,538	3,814	3,986	4,077
EBITDA	540	612	727	809	830
Operating profit	123	210	327	393	436
Net profit (rep./act.)	62	130	228	272	304
Net profit (adj.)	110	130	228	272	304
EPS (S\$ cent)	5.1	6.0	10.5	12.6	14.0
PE (x)	27.2	23.0	13.1	11.0	9.8
P/B (x)	1.1	1.1	1.1	1.0	1.0
EV/EBITDA (x)	4.9	4.3	3.6	3.2	3.2
Dividend yield (%)	1.0	3.0	5.1	5.8	6.5
Net margin (%)	1.9	3.7	6.0	6.8	7.4
Net debt/(cash) to equity (%)	(10.7)	(21.4)	(28.9)	(35.9)	(42.1)
Interest cover (x)	36.7	54.1	87.5	97.4	99.9
ROE (%)	2.4	4.9	8.3	9.6	10.3
Consensus net profit	-	-	195	226	239
UOBKH/Consensus (x)	-	-	1.17	1.21	1.27

Source: ComfortDelGro Corporation Limited, Bloomberg, UOB Kay Hian

STOCK IMPACT

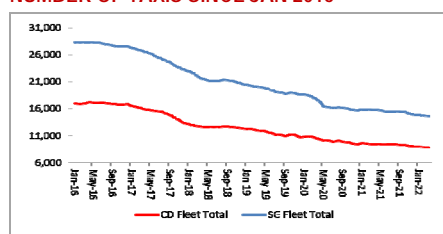
- Domestic taxi: Demand-supply imbalance.** Singapore is facing a shortage of taxi drivers to meet the surging demand. According to the LTA, the number of taxis and taxi driver's vocational licence (TDVL) issued has shrunk since 2019. CD's taxi fleet has also been on a continuous downtrend along with Singapore's total taxi fleet. After two years of underwhelming demand due to COVID-19 lockdowns, many taxi drivers have retired or opted for better-paying industries, reluctant to return to an industry that is facing elevated petrol prices and eroded earnings. Before Singapore's government raised the age limit for private-hire driver's licence to 30 years in Sep 20, younger drivers (below 30 years) tend to join the ride-hailing industry as a short-term gig. CD's restrictive 30 years age requirement created an entry barrier for younger drivers to become new taxi drivers. Even after a price hike in Mar 22, CD has been largely unsuccessful in attracting new drivers or getting taxi drivers to return as many drivers have exited the industry completely. Due to these structural changes, we reckon CD may have to increase/extend incentives further to retain/attract taxi drivers, dragging down profitability.

NUMBER OF TDVLS SINCE MAY 2019



Source: LTA, UOB Kay Hian

NUMBER OF TAXIS SINCE JAN 2016



Source: LTA, UOB Kay Hian

- Supply to remain tight.** Stiff competition from other ride-hailing operators has also caused many taxi drivers to make the jump. Through our channel checks, drivers in Singapore prefer CD's ride-hailing competitors such as Grab and Go-Jek as they have lower daily rental rates and greater incentives, despite CD having the lowest commission rate. Grab's and Go-Jek's cheaper daily rental rates make it easier and quicker for drivers to break even, a vital factor most drivers consider. A positive for CD taxi drivers is that they are allowed to pick up passengers via street hail while the rest cannot. However, as more passengers shift to online bookings, this advantage may be mitigated in the long run.

SUMMARIZED COMPARISON OF MAJOR RIDE-RAILING TRANSPORT OPERATORS IN SINGAPORE

	ComfortDelgro	Grab	Go-Jek	Comments
Rental (\$/day)	100-120	60-65	60-90	Excluding rental rebates/incentives.
Commission Rate	0% (Street fare) 4% (Comfort app)	20%	10%	Only CD drivers are allowed to street hail
Surge pricing	Slightly lower than Grab	Highest	Lowest	
Street Hailing (Taxi)	~60%	NA	NA	Based on number of registered vehicles
Market Share				
Ride Hailing	~10-15%	~60-70%	~15-20%	Based on various reports
Market Share				
Petrol Discounts	~30% discount at CD's depots	~29% discount from Caltex.	~21% discount from Esso.*	Further discounts based on tiers.

Source: UOB Kay Hian, Grab, Go-Jek, CD, Primary Sources, Various Reports

EARNINGS REVISION/RISK

- We increase our 2022-24 PATMI forecasts by 2-3%,** after accounting for new earnings contribution from the Northern Territory contract. We also did a sensitivity analysis against our utilised taxi assumptions. For 2022, we have assumed an average utilised fleet of 8,300 (currently around 8,600) and a daily rental rate of S\$90. We expect the taxi segment to post a 149% yoy increase in operating profit to S\$46m as demand recovers. For every 100 increase/drop in utilised taxis from 8,300, it would increase/decrease our 2022 PATMI forecast and target price by 0.8% and S\$0.01 respectively.

VALUATION/RECOMMENDATION

- Maintain BUY with a higher 2022F PE-based target price of S\$1.73 (S\$1.66 previously),** pegged to CD's average five-year mean PE of 16.4x. The higher target price is due to higher 2022 earnings forecasts from the new Northern Territory contract.

SHARE PRICE CATALYST

- Bus tender contract wins, earnings-accretive overseas acquisitions.**

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