

COMPANY UPDATE

ComfortDelGro Corporation (CD SP)

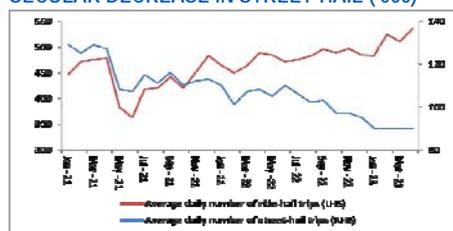
Taxi Segment To Be Largest Profit Contributor With New Platform Fee

CD has implemented a new platform fee that would boost taxi earnings from 3Q23 onwards, given the increasing reliance on ride-hailing applications. We opine that CD is fairly valued at current price levels, despite improving fundamentals, a decent dividend yield and a strong balance sheet. Maintain HOLD. Target price: S\$1.27.

WHAT'S NEW

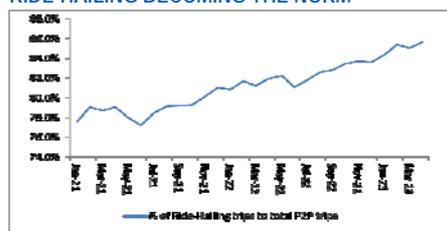
- New platform fee.** ComfortDelgro Corporation (CD) announced that it will be implementing a platform fee of S\$0.70 for every point-to-point (P2P) booking made through its Zig app from 1 Jul 23 onwards. CD noted that the platform fee is aimed at improving the quality of its P2P services and enhancing the features of the Zig app, which in our view, implies that the entire platform fee would go to CD and not the drivers. This is in line with most of CD's domestic ride-hailing peers that already have platform fees implemented at similar rates, with most of the fees also going directly to the respective companies. We opine that this would not reduce CD's ride-hailing market share as CD is only just playing catch-up now to an industry norm.

SECULAR DECREASE IN STREET-HAIL ('000)



Source: LTA, UOB Kay Hian

RIDE-HAILING BECOMING THE NORM



Source: LTA, UOB Kay Hian

- Riding on changing consumer behaviour.** According to the LTA, 85.6% of total P2P average daily trips in Singapore for Apr 23 were ride-hail trips, up from 77.6% in Jan 21 when it was first recorded. This implies that street-hail trips, which are exclusive only to taxi drivers, have been on a downtrend as passengers become increasingly reliant on ride-hailing apps due to their convenience and benefits. With the platform fee, we reckon that CD is confident in sustained domestic ride-hailing demand and would also benefit from this changing consumer trend which would boost taxi earnings significantly from 2H23 onwards.
- Extension to taxi fare hikes and surcharges.** CD also announced that the temporary fare hikes implemented in 2022 due to soaring pump prices would be extended by another year to 30 Jun 24. As a recap, these taxi hikes included a one-off 1 S cent increase to distance and waiting-time fares, along with additional location surcharges from Changi Airport (S\$8) and tourist hotspots (S\$3) such as Singapore Zoo and Night Safari. We reckon that this is a welcome move to retain/attract taxi drivers given stiff competition with ride-hailing peers.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	3,503	3,781	4,080	4,238	4,421
EBITDA	576	627	617	645	690
Operating profit	200	270	254	304	338
Net profit (rep./act.)	120	173	165	195	217
Net profit (adj.)	120	137	165	195	217
EPS (S\$ cent)	5.5	6.3	7.6	9.0	10.0
PE (x)	21.2	18.5	15.3	13.0	11.7
P/B (x)	0.9	1.0	1.0	0.9	0.9
EV/EBITDA (x)	3.9	3.6	3.6	3.5	3.3
Dividend yield (%)	3.6	7.2	4.3	4.7	5.1
Net margin (%)	3.4	4.6	4.1	4.6	4.9
Net debt/(cash) to equity (%)	(21.6)	(26.3)	(27.4)	(29.9)	(33.2)
Interest cover (x)	51.0	47.2	86.7	90.6	96.9
ROE (%)	4.5	6.6	6.4	7.3	7.9
Consensus net profit	-	-	163	186	190
UOBKH/Consensus (x)	-	-	1.01	1.05	1.14

Source: ComfortDelGro Corporation, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$1.17
Target Price	S\$1.27
Upside	+8.5%

COMPANY DESCRIPTION

ComfortDelGro is the world's second largest public listed passenger land transport company with a total fleet size of around 43,000 vehicles.

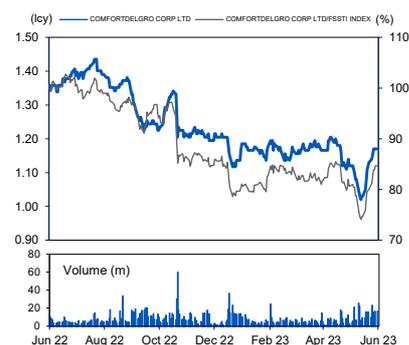
STOCK DATA

GICS sector	Industrials			
Bloomberg ticker:	CD SP			
Shares issued (m):	2,165.7			
Market cap (S\$m):	2,533.9			
Market cap (US\$m):	1,873.1			
3-mth avg daily t'over (US\$m):	6.3			
Price Performance (%)				
52-week high/low	S\$1.44/S\$1.02			
1mth	3mth	6mth	1yr	YTD
4.5	(0.5)	(2.1)	(12.0)	(2.9)

Major Shareholders

	%
-	-
-	-
-	-
FY23 NAV/Share (S\$)	1.21
FY23 Net Cash/Share (S\$)	0.33

PRICE CHART



Source: Bloomberg

ANALYST(S)

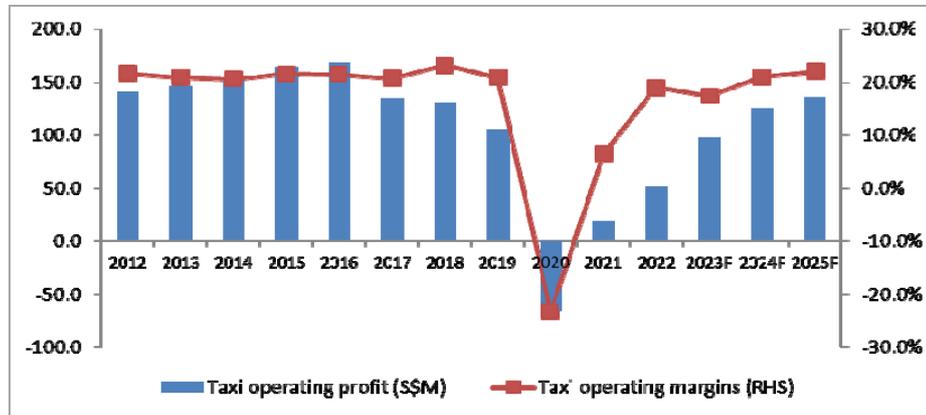
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STOCK IMPACT

• **Multiple tailwinds for taxi segment.** Based on our previous update, with the reduction of CD's daily taxi rental rebates from 15% to 10% starting 2Q23, along with an expected ramp-up in recovery of CD's taxi operations in China, we expect CD's taxi segment to improve significantly in 2Q23 with our 2023 taxi operating profit estimate at around S\$80m (up 54% yoy). Given that 4Q22 and 1Q23 had around 9m and 8m online bookings respectively, we now expect an additional S\$22m-25m (S\$0.70 x 32m-36m job bookings) increase in annual taxi revenue from the new platform fee. Based on our estimates, this would imply an approximate S\$11m-12m hoh increase in revenue for 2H23, which would most likely flow down to taxi segmental operating profit. We now estimate 2023 taxi operating profit to increase to around S\$92m (S\$80m previously), implying a 76% yoy increase (54% yoy increase previously). Based on our estimates, the taxi segment would be CD's largest operating profit contributor in 2023 and 2024, given declining margins from the public transport segment. Potential upside may come from further decreases in CD's taxi rental rebates in the upcoming quarterly review or increases to the 5% online taxi commission rate.

CD'S ANNUAL TAXI OPERATING PROFIT AND OPERATING MARGINS



Source: CD, UOB Kay Hian

• **Impending announcement.** As a recap, CD's subsidiary SBS Transit's (SBST) Bukit Merah and Jurong West bus packages are set to expire in Nov 23 and Sep 24 respectively and have been put up for tender. The tenders closed in Mar 23 and are expected to be awarded in 3Q23, and both packages could be awarded to the same current operator (SBST) or to two different operators, implying potential risks to CD's near- to medium-term earnings. Based on our previous estimates, CD being re-awarded the two contracts at lower service rates would result in earnings dropping by 2-3% for both 2023 and 2024 while the loss of both packages would cause earnings to drop by 3% and 10% respectively. As our base case, we have already factored the loss of both packages in our estimates.

EARNINGS REVISION/RISK

• **We increase our 2023-25 PATMI estimates by 8-16%**, on the back of higher contributions from the taxi segment. Our new 2023/24/25 PATMI forecasts are S\$165.3m (S\$145.4m previously), S\$195.3m (S\$168.6m previously) and S\$216.6m (S\$200.9m previously) respectively.

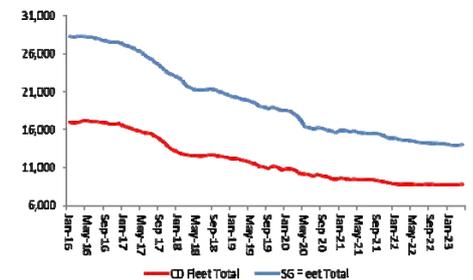
VALUATION/RECOMMENDATION

• **Maintain HOLD with the same target price of S\$1.27.** We opine that CD is fairly valued at current price levels, despite improving fundamentals, a decent dividend yield and a robust balance sheet. Near- to medium-term earnings headwinds, margin compression and a lack of catalysts would cap share price performance, in our view. We recommend investors to take profit on any run-up in share price performance close to our target price.

SHARE PRICE CATALYST

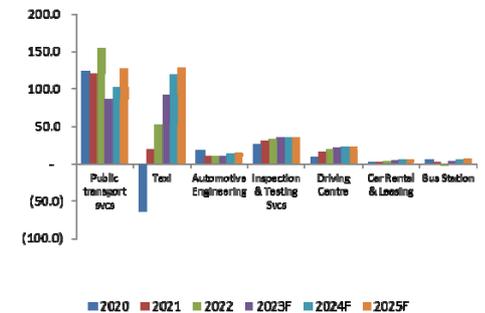
- Bus tender contract wins.
- Complete removal of taxi rental rebates.
- Earnings-accretive overseas acquisitions.

TOTAL NUMBER OF TAXIS CONTINUE TO DECLINE



Source: LTA, UOB Kay Hian

SEGMENTAL OPERATING PROFIT - HISTORICALS AND FORECASTS (\$M)



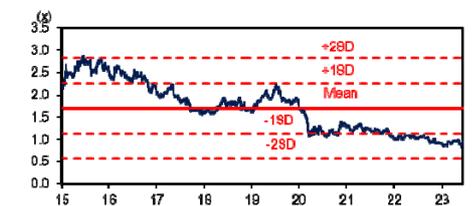
Source: UOB Kay Hian, Bloomberg

SOTP VALUATION

Business	Value per share (S\$)	Remarks
SBST stake	0.21	Current Market Cap with 25% discount.
Vicom stake	0.19	Current Market Cap
UK Buses	0.04	FY22 Book Value
Taxi	0.24	FY22 Book Value
Automotive + Bus	0.08	FY22 Book Value
Station + Driving Centre		
Australia	0.28	6x 2023F EV/EBITDA*
Net Cash (Debt)	0.23	FY23F Net Cash
Total Valuation	1.27	

Source: UOB Kay Hian, Bloomberg. *Based on comparable transactions

HISTORICAL FORWARD P/B RATIO



Source: UOB Kay Hian, Bloomberg

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	3,780.8	4,079.9	4,238.0	4,420.9
EBITDA	627.2	617.3	645.4	689.9
Deprec. & amort.	357.2	363.4	341.7	352.2
EBIT	270.0	253.9	303.6	337.7
Total other non-operating income	15.2	15.6	15.6	15.6
Associate contributions	0.8	0.8	0.8	0.8
Net interest income/(expense)	(13.3)	(7.1)	(7.1)	(7.1)
Pre-tax profit	272.7	263.2	312.9	347.0
Tax	(54.2)	(56.6)	(68.8)	(76.3)
Minorities	(45.4)	(41.3)	(48.8)	(54.1)
Net profit	173.1	165.3	195.3	216.6
Net profit (adj.)	136.8	165.3	195.3	216.6

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	602.3	478.5	534.0	571.6
Pre-tax profit	272.7	263.2	312.9	347.0
Tax	(79.9)	(56.6)	(68.8)	(76.3)
Deprec. & amort.	357.2	363.4	341.7	352.2
Associates	0.0	0.0	0.0	0.0
Working capital changes	(71.6)	136.8	82.1	(67.3)
Non-cash items	(6.7)	(8.5)	(8.5)	(8.5)
Other operating cashflows	130.6	(219.8)	(125.4)	24.6
Investing	(251.0)	(284.8)	(284.8)	(284.8)
Capex (growth)	(302.4)	(300.0)	(300.0)	(300.0)
Investments	(42.1)	0.0	0.0	0.0
Proceeds from sale of assets	80.1	0.0	0.0	0.0
Others	13.4	15.2	15.2	15.2
Financing	(274.7)	(149.0)	(159.8)	(170.7)
Dividend payments	(171.3)	(141.9)	(152.7)	(163.6)
Issue of shares	(1.7)	0.0	0.0	0.0
Proceeds from borrowings	2,468.2	0.0	0.0	0.0
Loan repayment	(2,518.3)	0.0	0.0	0.0
Others/interest paid	(51.6)	(7.1)	(7.1)	(7.1)
Net cash inflow (outflow)	76.6	44.7	89.4	116.1
Beginning cash & cash equivalent	919.1	967.0	1,011.7	1,101.1
Changes due to forex impact	(28.7)	0.0	0.0	0.0
Ending cash & cash equivalent	967.0	1,011.7	1,101.1	1,217.3

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	2,038.4	1,975.0	1,933.2	1,881.1
Other LT assets	1,017.7	1,018.1	1,018.5	1,018.9
Cash/ST investment	967.0	1,011.7	1,101.1	1,217.3
Other current assets	677.7	732.0	758.7	790.4
Total assets	4,700.8	4,736.8	4,811.6	4,907.6
ST debt	26.8	26.8	26.8	26.8
Other current liabilities	1,014.0	985.3	968.7	957.6
LT debt	265.4	265.4	265.4	265.4
Other LT liabilities	395.2	395.2	395.2	395.2
Shareholders' equity	2,568.9	2,625.8	2,701.9	2,788.4
Minority interest	430.5	438.3	453.6	474.3
Total liabilities & equity	4,700.8	4,736.8	4,811.6	4,907.6

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	16.6	15.1	15.2	15.6
Pre-tax margin	7.2	6.5	7.4	7.8
Net margin	4.6	4.1	4.6	4.9
ROA	3.6	3.5	4.1	4.5
ROE	6.6	6.4	7.3	7.9
Growth				
Turnover	7.9	7.9	3.9	4.3
EBITDA	8.9	(1.6)	4.5	6.9
Pre-tax profit	40.1	(3.5)	18.9	10.9
Net profit	44.4	(4.5)	18.2	10.9
Net profit (adj.)	14.1	20.8	18.2	10.9
EPS	14.1	20.8	18.2	10.9
Leverage				
Debt to total capital	8.9	8.7	8.5	8.2
Debt to equity	11.4	11.1	10.8	10.5
Net debt/(cash) to equity	(26.3)	(27.4)	(29.9)	(33.2)
Interest cover (x)	47.2	86.7	90.6	96.9

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