

COMPANY UPDATE

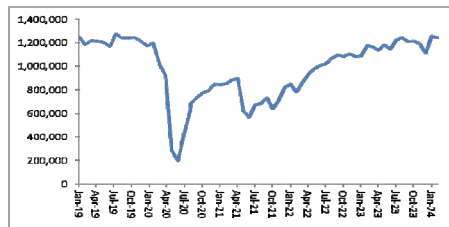
ComfortDelGro Corporation (CD SP)

Expect A Strong Start To 2024

In our view, CD is set to post a strong 1Q24 driven by favourable tailwinds for both the public transport services and taxi segments. Higher fares and rail ridership, coupled with increased taxi commission rates, are set to boost margins. CD's acquisition of A2B is on track to be completed by 2Q24 and would be earnings accretive. In view of improving fundamentals and a lush 6.0% dividend yield, we maintain BUY and a higher target price of S\$1.66. CD remains one of our conviction picks for 1H24.

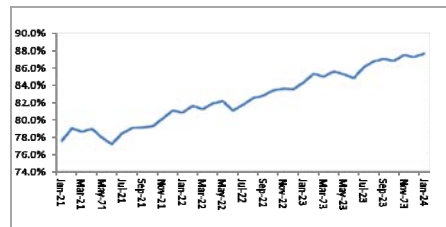
WHAT'S NEW

SBS TRANSIT RAIL RIDERSHIP



Source: SBS Transit, UOB Kay Hian

% OF RIDE-HAILING TRIPS OF TOTAL P2P TRIPS



Source: LTA Transit, UOB Kay Hian

- Strong start to 2024.** ComfortDelGro Corporation's (CD) rail ridership for Jan and Feb 24 has surpassed 2019 pre-pandemic levels, accounting for 100.4% and 104.5% of 2019 pre-pandemic levels respectively. Despite falling slightly by 1.2% mom, rail ridership increased 5.3% yoy for Feb 24. As domestic rail ridership continues to recover, we expect a similar uptrend in Mar 24 which would help boost 1Q24 profitability for CD's public transport services segment, backed further by higher rail fares implemented in Dec 23 along with increased margins from ongoing UK bus contract renewals.
- Benefitting from the new norm.** For Jan 24, 87.7% of total Point-to-point (P2P) average daily trips in Singapore were ride-hailing trips, up from 87.3% in Dec 23 and the highest since it was recorded in Jan 21. Street-hailing trips, which are exclusive only to taxi drivers, have been on a constant downtrend and was at its lowest in Jan 24. With the higher 7% (5% previously) taxi booking commission rate kicking in from 1 Jan 24, CD's taxi segment is set to benefit from increasing ride-hailing adoption.
- Approval granted.** CD announced that 97.3% of A2B Australia Limited's (A2B) shareholders has voted in favour of CD's proposed acquisition of A2B. As a recap, A2B is the number two P2P personal mobility player in Australia which facilitates taxi bookings, trips and payments. CD currently owns 9.25% of A2B and the scheme values A2B at around A\$182m. The transaction is expected to cost around A\$165m (S\$150m) and would be funded through existing cash and bank facilities. Completion is targeted for Apr 24 and the acquisition is expected to be earnings accretive.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	3,781	3,880	4,019	4,174	4,279
EBITDA	627	636	690	728	778
Operating profit	270	272	335	361	395
Net profit (rep./act.)	173	181	233	251	276
Net profit (adj.)	137	174	233	251	276
EPS (S\$ cent)	6.3	8.0	10.8	11.6	12.7
PE (x)	22.2	17.4	13.0	12.1	11.0
P/B (x)	1.2	1.2	1.1	1.1	1.1
EV/EBITDA (x)	4.7	4.6	4.2	4.0	3.8
Dividend yield (%)	6.1	4.8	5.8	6.2	6.8
Net margin (%)	4.6	4.7	5.8	6.0	6.4
Net debt/(cash) to equity (%)	(26.3)	(19.5)	(19.3)	(21.8)	(26.4)
Interest cover (x)	47.2	27.8	131.2	148.5	222.2
ROE (%)	6.6	7.0	8.9	9.3	10.0
Consensus net profit	-	-	210	222	243
UOBKH/Consensus (x)	-	-	1.11	1.13	1.13

Source: ComfortDelGro Corporation, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.40
Target Price	S\$1.66
Upside	+18.7%
(Previous TP)	S\$1.58

COMPANY DESCRIPTION

ComfortDelGro is the world's second largest public listed passenger land transport company with a total fleet size of c43,000 vehicles. ComfortDelGro's businesses include bus, taxi, rail, car rental & leasing, automotive engineering, maintenance services.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	CD SP
Shares issued (m):	2,165.7
Market cap (S\$m):	3,032.0
Market cap (US\$m):	2,249.9
3-mth avg daily t'over (US\$m):	4.6

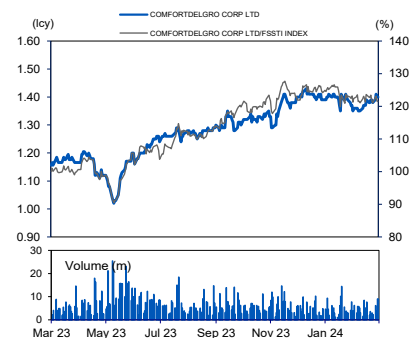
Price Performance (%)

52-week high/low	S\$1.43/S\$1.02			
1mth	3mth	6mth	1yr	YTD
2.2	1.4	8.5	21.1	0.0

Major Shareholders

	%
-	-
-	-
-	-
FY24 NAV/Share (S\$)	1.23
FY24 Net Cash/Share (S\$)	0.24

PRICE CHART



Source: Bloomberg

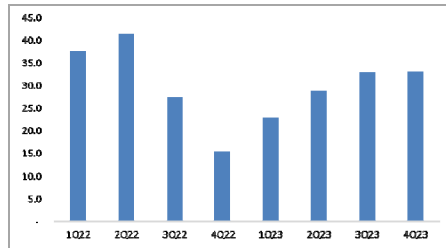
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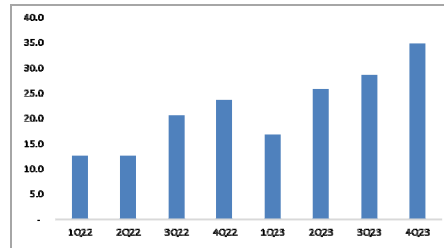
STOCK IMPACT

PUBLIC TRANSPORT SERVICES SEGMENTAL QUARTERLY OPERATING PROFIT (\$M)



Source: CD, UOB Kay Hian

TAXI SEGMENTAL QUARTERLY OPERATING PROFIT (\$M)



Source: CD, UOB Kay Hian

- Public transport: Margin expansion going into 1Q24.** As mentioned earlier, with the higher rail fares, CD's 74.4%-owned subsidiary, SBS Transit, will likely see a S\$20.9m increase in revenue for 2024. As there are no incremental operating costs with the hike, this would likely lead to margin expansion in 1Q24 for CD's public transport segment, in our view, backed by increased rail ridership. Based on our estimates, the upcoming fare hike would increase CD's 2024-25 overall net profit by around S\$10m. We had already incorporated the increase in net profit into our estimates previously. Also, management noted that UK bus contract renewals are still undergoing contract renewals that would lead to better margins in 1H24.

- Taxi: Strong drivers ahead for 1H24...** Moving into 1Q24, we expect CD's taxi segment to see strong operating profit growth, driven by the higher taxi commission rates (increased from 5% to 7%) and contributions from Zig platform fees implemented since 3Q23. Based on our estimates, every 1% increase in CD's taxi commission rate will raise CD's annual taxi core operating profit and overall annual net profit estimates by around S\$5m-6m (1% x 32m taxi rides x S\$20 average cost of a taxi ride) and S\$3m-4m respectively. We have already incorporated the increase in net profit into our estimates. Additionally, lower taxi rental discounts in Singapore/China coupled with a higher fleet utilisation in China would also help support margins. We understand that CD's China taxi rental rebates have been removed since the complete relaxation of restrictions in 1Q23, which contributed to higher segmental margins in 4Q23.

- ...and 2H24 from the A2B acquisition.** We understand that A2B would be classified under the taxi segment after the acquisition is completed, implying that new contributions from A2B are likely expected to come through from 3Q24 onwards and drive CD's taxi segment earnings growth. As A2B's pre-COVID-19 (FY18-19) operating profit was around A\$20m, we reckon that there is still potential upside and recovery given that FY23 operating profit was only A\$10.5m.

EARNINGS REVISION/RISK

- We increase our 2024-26 PATMI estimates by around 4-5% respectively, as we add in new contributions from the A2B acquisition while also slightly increasing our overall margins. Our new 2024-26 PATMI forecasts are S\$233.1m (S\$221.4m previously), S\$251.0m (S\$237.0m previously) and S\$275.6m (S\$258.9m previously) respectively.

VALUATION/RECOMMENDATION

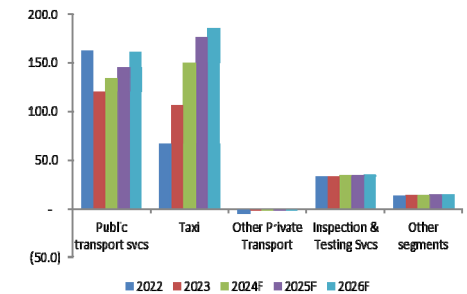
- Maintain BUY with a higher PE-based target price of S\$1.66 (S\$1.58 previously),** pegged to the same 15x 2024F PE, CD's average long-term PE. The higher target price is largely due to our increased 2024 PATMI estimates.

With improving fundamentals, a lush 5.8% dividend yield and a robust balance sheet, we reckon that most negatives have already been priced in. Despite the recent strong share price performance, we opine that there is still upside at current price levels. Backed by upcoming favourable tailwinds, we reckon that better sequential earnings improvement for CD for 1Q24 would help support share price performance in 1H24.

SHARE PRICE CATALYST(S)

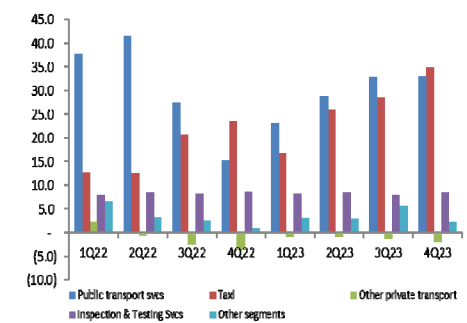
- a) Bus tender contract wins, b) increase in taxi commission rates, c) earnings-accretive overseas acquisitions.

SEGMENTAL ANNUAL OPERATING PROFIT FORECASTS (\$M)



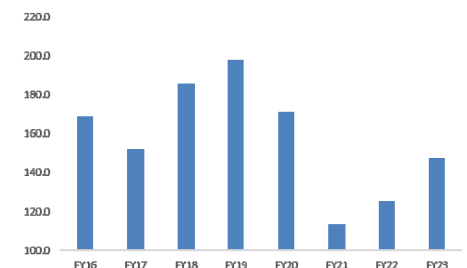
Source: UOB Kay Hian, CD

SEGMENTAL QUARTERLY OPERATING PROFIT (\$M)



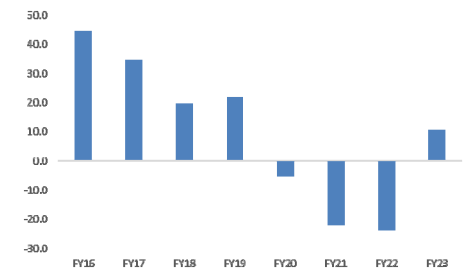
Source: UOB Kay Hian, CD

A2B'S UNDERLYING ANNUAL REVENUE (A\$M)



Source: UOB Kay Hian, A2B

A2B'S UNDERLYING ANNUAL OPERATING PROFIT (A\$M)



Source: UOB Kay Hian, A2B

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	3,880.3	4,019.4	4,174.2	4,278.6
EBITDA	636.3	689.5	728.2	778.2
Deprec. & amort.	364.2	354.4	367.2	382.7
EBIT	272.1	335.2	361.0	395.5
Total other non-operating income	29.4	14.9	14.9	14.9
Associate contributions	1.4	2.0	2.6	3.2
Net interest income/(expense)	(22.9)	(5.3)	(4.9)	(3.5)
Pre-tax profit	280.0	346.8	373.6	410.1
Tax	(55.0)	(69.4)	(74.7)	(82.0)
Minorities	(44.5)	(44.4)	(47.8)	(52.5)
Net profit	180.5	233.1	251.0	275.6
Net profit (adj.)	174.1	233.1	251.0	275.6

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	449.1	529.6	617.5	695.6
Pre-tax profit	280.0	346.8	373.6	410.1
Tax	(82.5)	(69.4)	(74.7)	(82.0)
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	(159.1)	(256.8)
Non-cash items	12.9	(9.6)	(10.0)	(11.4)
Other operating cashflows	(262.3)	(132.2)	120.5	253.0
Investing	(330.5)	(285.5)	(285.5)	(286.5)
Capex (growth)	(367.5)	(300.0)	(300.0)	(301.0)
Investments	(40.3)	0.0	0.0	0.0
Proceeds from sale of assets	44.1	0.0	0.0	0.0
Others	33.2	14.5	14.5	14.5
Financing	(224.1)	(238.5)	(251.2)	(267.1)
Dividend payments	(209.8)	(233.3)	(246.3)	(263.6)
Issue of shares	(1.4)	0.0	0.0	0.0
Proceeds from borrowings	1,707.4	0.0	0.0	0.0
Loan repayment	(1,659.6)	0.0	0.0	0.0
Others/interest paid	(60.7)	(5.3)	(4.9)	(3.5)
Net cash inflow (outflow)	(105.5)	5.5	80.8	142.0
Beginning cash & cash equivalent	967.0	856.9	862.4	943.2
Changes due to forex impact	(4.6)	0.0	0.0	0.0
Ending cash & cash equivalent	856.9	862.4	943.2	1,085.2

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	2,012.1	1,957.7	1,890.5	1,808.8
Other LT assets	1,063.5	1,063.9	1,064.3	1,064.7
Cash/ST investment	856.9	862.4	943.2	1,085.2
Other current assets	757.2	779.3	805.6	822.7
Total assets	4,689.7	4,663.3	4,703.6	4,781.3
ST debt	115.4	115.4	115.4	115.4
Other current liabilities	976.2	905.6	893.3	906.6
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	2,655.2	2,717.7	2,787.3
Minority interest	416.2	402.9	393.0	387.8
Total liabilities & equity	4,689.7	4,663.3	4,703.6	4,781.3

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	16.4	17.2	17.4	18.2
Pre-tax margin	7.2	8.6	8.9	9.6
Net margin	4.7	5.8	6.0	6.4
ROA	3.8	5.0	5.4	5.8
ROE	7.0	8.9	9.3	10.0
Growth				
Turnover	2.6	3.6	3.9	2.5
EBITDA	1.5	8.4	5.6	6.9
Pre-tax profit	2.7	23.9	7.7	9.8
Net profit	4.3	29.1	7.7	9.8
Net profit (adj.)	27.3	33.9	7.7	9.8
EPS	27.3	33.9	7.7	9.8
Leverage				
Debt to total capital	10.4	10.3	10.1	9.9
Debt to equity	13.5	13.2	12.9	12.6
Net debt/(cash) to equity	(19.5)	(19.3)	(21.8)	(26.4)
Interest cover (x)	27.8	131.2	148.5	222.2

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