

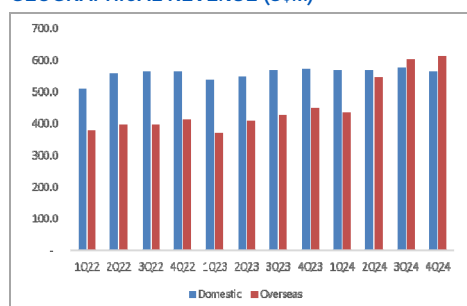
### COMPANY UPDATE

## ComfortDelGro Corporation (CD SP)

1Q25 Earnings Preview: Expect Strong yoy Growth

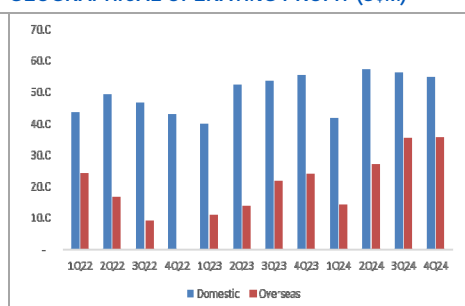
Despite escalating trade tensions and the US' unprecedented tariffs, we do not expect any significant impact to CD's earnings, given the defensive nature of its businesses. We also expect increased overseas contributions in 2025 from recent acquisitions, new bus contracts and ongoing contract renewals. In spite of the recent weakness in share price, we continue to like CD, underpinned by strong earnings growth and a decent 2025 dividend yield of 6.1%. We maintain BUY with the same target price of S\$1.76.

### GEOGRAPHICAL REVENUE (\$M)



Source: CD, UOB Kay Hian

### GEOGRAPHICAL OPERATING PROFIT (\$M)



Source: CD, UOB Kay Hian

### WHAT'S NEW

- Defensive earnings.** Given the escalating trade tensions between the US and China, coupled with uncertainty surrounding global economic growth driven by the US' unprecedented tariffs, we believe that ComfortDelGro (CD) will remain relatively unaffected by the ongoing trade measures due to the defensive nature of its business operations. Approximately 50% of CD's annual revenue and 60% of its annual operating profit are derived from domestic operations, implying little impact on both its top and bottom lines. Furthermore, close to 85-90% of CD's operating costs are attributed to costs such as staff and insurance costs which are unaffected by the tariffs. We also understand that CD sources its buses from Europe and China, with no exposure to the US. Lastly, given the defensive characteristics and demand inelasticity of the transport sector, we expect CD's earnings to remain largely stable even in the event of an economic recession.
- Increasing overseas exposure.** For 2025, we expect full-year contributions from CD's recent acquisitions (A2B, CMAC, Addison Lee), new public bus contracts commencing in Greater Manchester and Victoria, coupled with higher margins from the ongoing UK bus contract renewals to boost CD's revenue and earnings. Also, the Monetary Authority of Singapore (MAS) announced that it would loosen monetary policy for the second time in a row in Apr 25, likely boosting overseas contributions in our view.

### KEY FINANCIALS

Year to 31 Dec (\$M)	2023	2024	2025F	2026F	2027F
Net turnover	3,880	4,477	5,024	5,208	5,359
EBITDA	636	691	798	812	838
Operating profit	272	323	403	422	449
Net profit (rep./act.)	181	211	250	264	285
Net profit (adj.)	174	205	236	264	285
EPS	8.0	9.5	10.9	12.2	13.1
PE (x)	17.6	14.9	13.0	11.6	10.7
P/B (x)	1.2	1.2	1.1	1.1	1.1
EV/EBITDA (x)	6.3	5.8	5.0	4.9	4.8
Dividend yield (%)	4.7	5.5	6.1	6.7	7.2
Net margin (%)	4.7	4.7	5.0	5.1	5.3
Net debt/(cash) to equity (%)	(19.5)	7.3	13.2	7.0	2.6
Interest cover (x)	27.8	17.8	16.4	19.8	22.1
ROE (%)	7.0	8.1	9.5	9.8	10.3
Consensus net profit	-	-	241	265	286
UOBKH/Consensus (x)	-	-	0.98	1.00	0.99

Source: ComfortDelGro Corporation, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	S\$1.41
Target Price	S\$1.76
Upside	+24.8%

### COMPANY DESCRIPTION

ComfortDelGro Corporation Limited 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):	3,205.8
Market cap (US\$m):	2,397.8
3-mth avg daily t'over (US\$m):	8.0

### Price Performance (%)

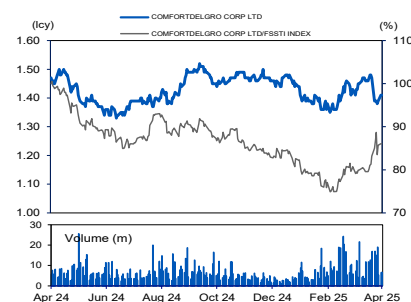
52-week high/low S\$1.53/S\$1.32

1mth	3mth	6mth	1yr	YTD
4.2	0.0	(0.7)	2.1	0.0

### Major Shareholders

Major Shareholders	%
-	-
FY25 NAV/Share (S\$)	1.23
FY25 Net Cash/Share (S\$)	0.16

### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- Public transport: UK margins continue to expand.** Management noted that the UK bus contract renewals are still ongoing, which would lead to a better margin profile for 2025. We understand that margins for UK bus tender bids are still within 10-15% and are expected to remain at these levels for 2025. Excluding the consolidation of the Addison Lee acquisition, we maintain our expectations that margins for CD's UK business would continue trending upwards towards 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. Closer to home, improving domestic rail ridership coupled with higher rail fares from Dec 24 would help boost rail revenue while bus revenues are set to drop in 2025 due to the loss of the Jurong West bus contract and softer margins from the recently renewed Seletar bus package which started in Mar 25. The ongoing bus driver shortage in Australia is set to ease gradually but we do not expect any significant near-term boost to margins yet. For 1Q25, we expect segmental revenue (+5% yoy, +1% qoq) and operating profit (+64% yoy, +4% qoq) to grow.
- Taxi & private hire: Stiff competition to continue.** Moving into 1Q25, we expect stiff competition from ride-hailing peers to continue, specifically with new entrants Geolah and Trans-Cab intensifying competition. This would lead to lower completed bookings and drag down CD's overall commission on completed jobs. Also, China taxi rentals are expected to stay subdued from an economic slowdown. However, full-year contributions from the A2B and the Addison Lee acquisitions are expected to support the taxi segment's upward growth momentum. For 1Q25, we expect segmental revenue (+84% yoy, +13% qoq) and operating profit (+76% yoy, +14% qoq) to grow.

### EARNINGS REVISION/RISK

- We make no changes to our PATMI estimates.**
- For 1Q25, we expect quarterly revenue of around S\$1,205m (+20% yoy, +2% qoq) and PATMI of S\$58m (+46% yoy, +2% qoq) respectively.

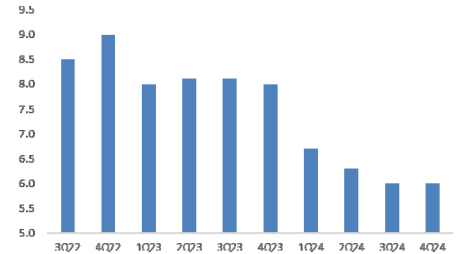
### VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of S\$1.76**, pegged to the same 16x 2025F PE, CD's five-year average long-term PE.
- Backed by CD's decent dividend yield of 6.1% 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. With the recent fall in share price performance, we opine that this represents an attractive entry price of investors. CD remains one of our conviction picks for 1H25.

### SHARE PRICE CATALYST(S)

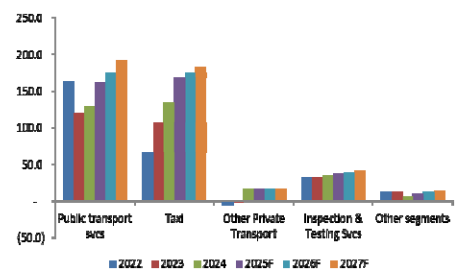
- Bus tender contract wins.
- Increase in taxi commission rates.
- Earnings-accretive overseas acquisitions.

### TAXI SEGMENT'S BOOKING VOLUMES (M)



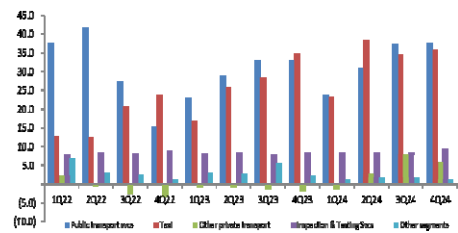
Source: CD, UOB Kay Hian

### SEGMENTAL ANNUAL OPERATING PROFIT FORECASTS (\$M)



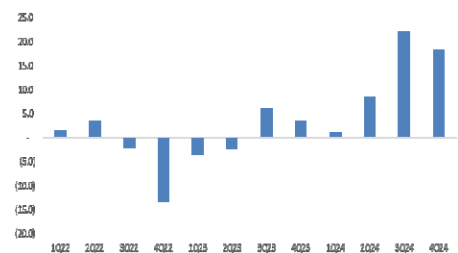
Source: CD, UOB Kay Hian

### SEGMENTAL QUARTERLY OPERATING PROFIT (\$M)



Source: CD, UOB Kay Hian

### UK 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)	2024	2025F	2026F	2027F
<b>Net turnover</b>	<b>4,476.5</b>	<b>5,024.3</b>	<b>5,208.0</b>	<b>5,359.4</b>
EBITDA	691.3	798.2	812.0	838.1
Deprec. & amort.	368.4	395.0	390.5	389.3
EBIT	322.9	403.2	421.5	448.8
Total other non-operating income	31.7	20.0	15.0	15.0
Associate contributions	1.8	2.4	3.0	3.6
Net interest income/(expense)	(38.9)	(48.7)	(41.1)	(37.9)
<b>Pre-tax profit</b>	<b>317.5</b>	<b>376.9</b>	<b>398.4</b>	<b>429.6</b>
Tax	(61.8)	(73.4)	(77.5)	(83.6)
Minorities	(45.2)	(53.7)	(56.7)	(61.2)
<b>Net profit</b>	<b>210.5</b>	<b>249.9</b>	<b>264.1</b>	<b>284.8</b>
Net profit (adj.)	205.4	235.9	264.1	284.8

### BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
<b>Fixed assets</b>	<b>2,129.6</b>	<b>2,134.6</b>	<b>2,045.1</b>	<b>2,005.8</b>
Other LT assets	1,697.1	1,707.1	1,712.1	1,717.1
Cash/ST investment	892.4	729.0	890.0	1,010.1
Other current assets	1,006.7	1,116.5	1,153.8	1,183.9
<b>Total assets</b>	<b>5,725.8</b>	<b>5,687.3</b>	<b>5,801.1</b>	<b>5,916.9</b>
ST debt	590.5	590.5	590.5	590.5
Other current liabilities	1,210.2	1,087.1	1,118.5	1,142.1
LT debt	491.1	491.1	491.1	491.1
Other LT liabilities	408.4	408.4	408.4	408.4
Shareholders' equity	2,599.0	2,662.5	2,720.7	2,784.5
Minority interest	426.6	447.7	471.8	500.3
<b>Total liabilities &amp; equity</b>	<b>5,725.8</b>	<b>5,687.3</b>	<b>5,801.1</b>	<b>5,916.9</b>

### CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
<b>Operating</b>	<b>547.5</b>	<b>494.3</b>	<b>731.6</b>	<b>751.6</b>
Pre-tax profit	317.5	376.9	398.4	429.6
Tax	(72.8)	(73.4)	(77.5)	(83.6)
Deprec. & amort.	368.4	395.0	390.5	389.3
Associates	0.0	0.0	0.0	0.0
Working capital changes	39.6	(153.1)	(445.0)	(325.3)
Non-cash items	21.0	28.7	26.1	22.9
Other operating cashflows	(126.2)	(79.8)	439.2	318.8
<b>Investing</b>	<b>(970.1)</b>	<b>(390.0)</b>	<b>(291.0)</b>	<b>(340.0)</b>
Capex (growth)	(445.1)	(400.0)	(301.0)	(350.0)
Investments	(629.5)	0.0	0.0	0.0
Proceeds from sale of assets	72.1	0.0	0.0	0.0
Others	32.4	10.0	10.0	10.0
<b>Financing</b>	<b>458.7</b>	<b>(267.7)</b>	<b>(279.6)</b>	<b>(291.5)</b>
Dividend payments	(182.8)	(219.0)	(238.5)	(253.7)
Proceeds from borrowings	3,219.0	0.0	0.0	0.0
Loan repayment	(2,496.8)	0.0	0.0	0.0
Others/interest paid	(80.7)	(48.7)	(41.1)	(37.9)
<b>Net cash inflow (outflow)</b>	<b>36.1</b>	<b>(163.4)</b>	<b>161.0</b>	<b>120.0</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>856.9</b>	<b>892.4</b>	<b>729.0</b>	<b>890.0</b>
Changes due to forex impact	(0.6)	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>892.4</b>	<b>729.0</b>	<b>890.0</b>	<b>1,010.1</b>

### KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	15.4	15.9	15.6	15.6
Pre-tax margin	7.1	7.5	7.7	8.0
Net margin	4.7	5.0	5.1	5.3
ROA	4.0	4.4	4.6	4.9
ROE	8.1	9.5	9.8	10.3
<b>Growth</b>				
Turnover	15.4	12.2	3.7	2.9
EBITDA	8.6	15.5	1.7	3.2
Pre-tax profit	13.4	18.7	5.7	7.8
Net profit	16.6	18.7	5.7	7.8
Net profit (adj.)	18.0	14.9	12.0	7.8
EPS	18.0	14.9	12.0	7.8
<b>Leverage</b>				
Debt to total capital	26.3	25.8	25.3	24.8
Debt to equity	41.6	40.6	39.8	38.8
Net debt/(cash) to equity	7.3	13.2	7.0	2.6
Interest cover (x)	17.8	16.4	19.8	22.1

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