

COMPANY UPDATE

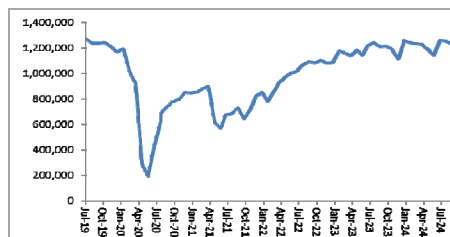
ComfortDelGro Corporation (CD SP)

3Q24 Results Preview: Expect Stable Growth Despite Minor Headwinds

Domestic rail ridership improved yoy for 3Q24, benefitting CD's public transport segment. CD also announced that it has acquired a leading premium taxi provider in London. Driven by the recently-acquired A2B and taxi commission rate hike, the taxi segment is expected to grow yoy in 3Q24. However, with a lack of near-term catalysts, we maintain HOLD with the same target price of S\$1.56.

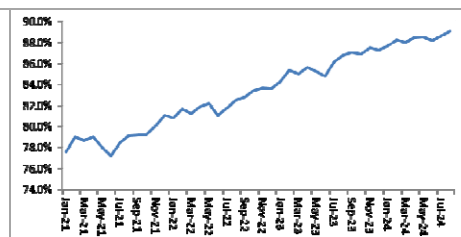
WHAT'S NEW

SBS TRANSIT RAIL RIDERSHIP



Source: SBS Transit, UOB Kay Hian

% OF RIDE-HAILING TRIPS OF TOTAL P2P TRIPS



Source: LTA, UOB Kay Hian

- **Strong rail ridership.** ComfortDelGro Corporation's (CD) domestic rail ridership grew 1.9% yoy in Sep 24, which we reckon was largely driven by the return of work-from-office mandates in Singapore. For 3Q24, domestic rail ridership also grew 1.9% yoy for the quarter. As domestic rail ridership continues to grow, we expect a similar uptrend for 4Q24 which would help boost profitability for CD's public transport services segment.
- **Highest ride-hailing trips recorded.** For Aug 24, 89.1% of total point-to-point (P2P) average daily trips in Singapore were ride-hailing trips, up from 88.6% in Jul 24 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 Aug 24. We expect this trend to continue moving into 4Q24.
- **Becoming a global taxi player.** CD announced that its wholly owned UK subsidiary, CityFleet Networks, has acquired Addison Lee for £269.1m (S\$461.2m) at a 6.5x trailing EV/EBITDA multiple, and would be fully funded by external debt. Addison Lee is London's leading premium private hire, courier and black taxi provider and would add 7,500 drivers and 5,000 vehicles to CityFleet Networks' fleet. The deal is expected to be completed around 7 Nov 24 and Addison Lee's existing debt (around 10% interest rate) would also be discharged post-completion. Based on our estimates, assuming a 4% interest rate for the new debt raised, the acquisition would likely grow CD's annual net profit by around S\$10-12m and our 2025-26 net profit estimates by around 4-5%.

KEY FINANCIALS

Year to 31 Dec (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	3,781	3,880	4,124	4,893	5,082
EBITDA	627	636	652	763	799
Operating profit	270	272	297	396	417
Net profit (rep./act.)	173	181	206	263	275
Net profit (adj.)	137	174	206	249	275
EPS	6.3	8.0	9.5	11.5	12.7
PE (x)	23.4	18.4	15.5	12.7	11.5
P/B (x)	1.2	1.2	1.2	1.2	1.1
EV/EBITDA (x)	5.1	5.0	4.9	4.0	3.8
Dividend yield (%)	5.7	4.5	4.9	5.6	6.2
Net margin (%)	3.6	4.5	5.0	5.4	5.4
Net debt/(cash) to equity (%)	(26.3)	(19.5)	(19.2)	(7.7)	(13.0)
Interest cover (x)	47.2	27.8	33.8	25.4	26.6
ROE (%)	6.6	7.0	7.9	9.8	9.9
Consensus net profit	-	-	212.1	236.0	257.0
UOBKH/Consensus (x)	-	-	0.97	1.05	1.07

Source: ComfortDelGro Corporation Limited, Bloomberg, UOB Kay Hian

HOLD
(Maintained)

Share Price	S\$1.46
Target Price	S\$1.56
Upside	+6.9%

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 center, 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):	3,162.5
Market cap (US\$m):	2,391.7
3-mth avg daily t'over (US\$m):	7.9

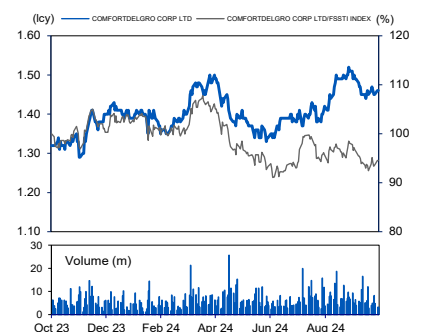
Price Performance (%)

52-week high/low	S\$1.53/S\$1.28
1mth	3.3
3mth	5.0
6mth	(1.4)
1yr	12.3
YTD	4.3

Major Shareholders

	%
-	-
-	-
-	-
FY24 NAV/Share (S\$)	1.22
FY24 Net Cash/Share (S\$)	0.23

PRICE CHART



Source: Bloomberg

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- Handover of Jurong-West bus operations.** As a recap, SBST lost the tender for the Jurong-West bus package in Aug 23 and has already handed operations over in Sep 24. With the loss of one month of operations in Sep 24, we estimate that this would lead to a loss of around S\$2m net profit for 3Q24.
- Upcoming fare hike.** As a recap, bus and train fares in Singapore are expected to increase by up to 6.0% starting Dec 24 following the Public Transport Council's (PTC) annual fare review. According to the PTC, CD's 74.4%-owned subsidiary SBS Transit is set to experience an S\$17.3m increase in annual revenue. Given that there are no incremental operating costs with the fare hike, we reckon that this would lead to higher margins for CD's public transport segment and flow straight to the bottom line. Based on our estimates, the upcoming 6% hike in rail fare would increase CD's net profit by around S\$9m-10m. We have already incorporated similar 6-7% price hike assumptions into our forecasts.

STOCK IMPACT

- Public transport: UK to improve in 2H24.** UK bus contract renewals are still ongoing, which would lead to better margins for 2H24 (1Q24/2Q24: 0.4%/2.8%). Competition in the UK has become more rational as more industry players leave the market. In our view, 2H24 is expected to see better seasonal operating performance, specifically from the group's UK bus chartering business. We expect margins for the UK business to continue trending upwards towards the 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 would help boost rail revenue yoy while bus revenues are expected to drop slightly for 3Q24 due to the loss of the Jurong-West bus contract as mentioned earlier along with softer margins from the Australian business. For 3Q24, we expect segmental operating profit of around S\$35m, implying a yoy growth of around 7-8%.
- Taxi: Strong growth despite stiff competition.** Ongoing stiff competition from domestic ride-hailing peers has led to lower completed bookings, ultimately dragging down CD's overall commission and revenue on completed jobs. Looking at Zig's online booking volumes over the last two years (see chart on the RHS), online booking volumes have come down since the post-COVID-19 reopening (2021-22) spike. In our view, given that 2Q24 booking levels were 1.8m lower yoy, we expect 3Q24 booking levels to trend downwards given stiff domestic competition from ride-hailing peers (Grab and Tada). However, the taxi segment is still likely to continue its upward growth momentum moving into 3Q24, supported by the higher taxi booking commission rates in 1Q24 and new contributions from the A2B acquisition. For 3Q24, we expect overall segmental operating profit of around S\$37m, implying a yoy growth of around 33%. Excluding A2B's contribution (~S\$5m), we expect the taxi segment to post operating profit growth rates of 12% yoy in 3Q24 at S\$32m.

EARNINGS REVISION/RISK

- We adjust our 2025-26 PATMI estimates higher by 4-5%** on the back of the Addison Lee acquisition. Our new 2024-26 core PATMI forecasts are S\$206.3m (unchanged), S\$248.5m (S\$237.2m previously) and S\$275.1m (S\$259.1m previously) respectively.

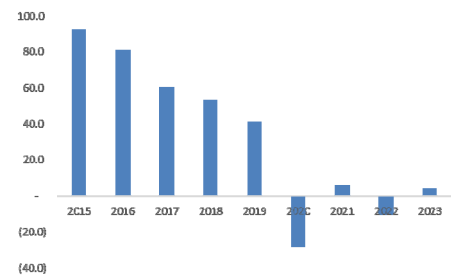
VALUATION/RECOMMENDATION

- Maintain HOLD with the same target price of S\$1.56**, pegged to the same 16x 2024F PE, CD's five-year average long-term PE.
- With the recent run-up in share price performance close to our target price, we now reckon that there is little upside at current price levels. Despite CD's decent 4.9% dividend yield, with no significant near-term catalysts, we recommend investors to take profit on any potential further run-up in share price performance.

SHARE PRICE CATALYST(S)

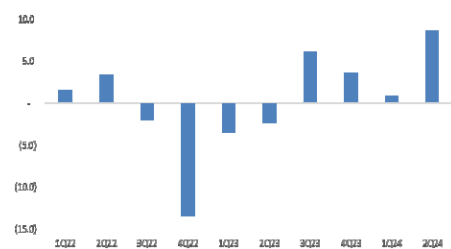
- Bus tender contract wins.
- Increase in taxi commission rates.
- Earnings-accretive overseas acquisitions.

UK ANNUAL OPERATING PROFIT (\$M)



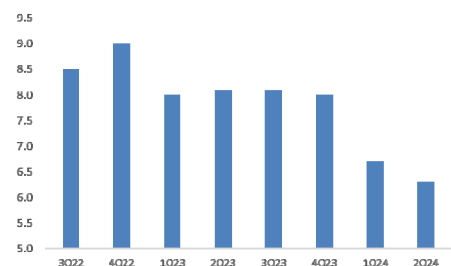
Source: CD, UOB Kay Hian

UK QUARTERLY OPERATING PROFIT (\$M)



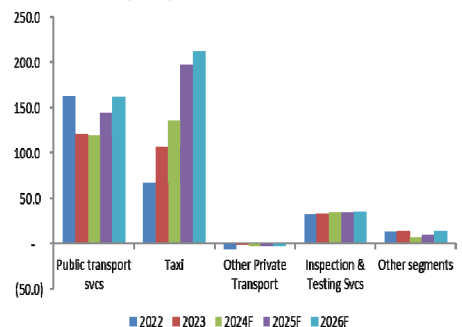
Source: CD, UOB Kay Hian

TAXI SEGMENT'S BOOKING VOLUMES (M)



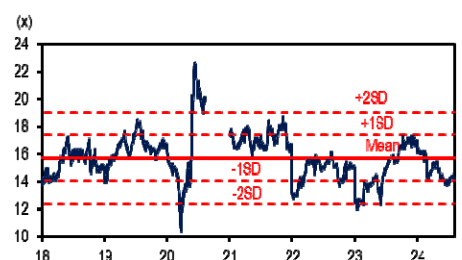
Source: CD, UOB Kay Hian

SEGMENTAL ANNUAL OPERATING PROFIT FORECASTS (\$M)



Source: CD, UOB Kay Hian

HISTORICAL FORWARD PE RATIO



Source: UOB Kay Hian, Bloomberg

PROFIT & LOSS

Year to 31 Dec (S\$m)	2023	2024F	2025F	2026F
Net turnover	3,880.3	4,124.3	4,892.9	5,082.4
EBITDA	636.3	651.5	762.8	799.5
Deprec. & amort.	364.2	354.4	367.2	382.7
EBIT	272.1	297.1	395.6	416.8
Total other non-operating income	29.4	27.9	23.4	20.4
Associate contributions	1.4	2.0	2.6	3.2
Net interest income/(expense)	(22.9)	(19.3)	(30.0)	(30.0)
Pre-tax profit	280.0	307.8	391.6	410.4
Tax	(55.0)	(61.6)	(78.3)	(82.1)
Minorities	(44.5)	(39.9)	(50.7)	(53.2)
Net profit	180.5	206.3	262.5	275.1
Net profit (adj.)	174.1	206.3	248.5	275.1

BALANCE SHEET

Year to 31 Dec (S\$m)	2023	2024F	2025F	2026F
Fixed assets	2,012.1	1,957.7	2,190.5	2,108.8
Other LT assets	1,063.5	1,063.9	1,164.3	1,164.7
Cash/ST investment	856.9	859.3	961.2	1,117.4
Other current assets	757.2	799.3	931.1	963.8
Total assets	4,689.7	4,680.2	5,247.1	5,354.6
ST debt	115.4	115.4	515.4	515.4
Other current liabilities	976.2	934.2	1,023.3	1,055.3
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	2,648.0	2,732.8	2,812.8
Minority interest	416.2	398.4	391.4	386.9
Total liabilities & equity	4,689.7	4,680.2	5,247.1	5,354.6

CASH FLOW

Year to 31 Dec (S\$m)	2023	2024F	2025F	2026F
Operating	449.1	507.9	644.3	720.0
Pre-tax profit	280.0	307.8	391.6	410.4
Tax	(82.5)	(61.6)	(78.3)	(82.1)
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	(150.6)	(252.3)
Non-cash items	12.9	(8.6)	6.6	9.6
Other operating cashflows	(262.3)	(123.7)	107.8	251.7
Investing	(330.5)	(272.5)	(277.0)	(281.0)
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	27.5	23.0	20.0
Financing	(224.1)	(233.0)	(265.4)	(282.8)
Dividend payments	(209.8)	(213.8)	(235.4)	(252.8)
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)	(19.3)	(30.0)	(30.0)
Net cash inflow (outflow)	(105.5)	2.4	101.9	156.2
Beginning cash & cash equivalent	967.0	856.9	859.3	932.2
Changes due to forex impact	(4.6)	0.0	0.0	0.0
Ending cash & cash equivalent	856.9	859.3	961.2	1,117.5

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	16.4	15.8	15.6	15.7
Pre-tax margin	7.2	7.5	8.0	8.1
Net margin	4.7	5.0	5.4	5.4
ROA	3.8	4.4	5.3	5.2
ROE	7.0	7.9	9.8	9.9
Growth				
Turnover	2.6	6.3	18.6	3.9
EBITDA	1.5	2.4	17.1	4.8
Pre-tax profit	2.7	9.9	27.2	4.8
Net profit	4.3	14.3	27.2	4.8
Net profit (adj.)	27.3	18.5	20.4	10.7
EPS	27.3	18.5	20.4	10.7
Leverage				
Debt to total capital	10.4	10.3	19.4	19.0
Debt to equity	13.5	13.2	27.5	26.7
Net debt/(cash) to equity	(19.5)	(19.2)	(7.7)	(13.0)
Interest cover (x)	27.8	33.8	25.4	26.6

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