

ComfortDelGro Corp. Ltd

Slightly below expectations

Bloomberg | Reuters | POEMS
CD SP | CMDG.SI | CFD.SG
Industry: Land Transport

Phillip Securities Research Pte Ltd

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Report type: Update

Company Overview

ComfortDelGro Corporation (CDG) is a land transport conglomerate with businesses across various business segments and geography. The bus and taxi businesses are the largest profit contributors for the Group.

- Net income increased 3.1%y-y
- Higher fuel expense, staff cost & depreciation expense resulted in a 0.4ppt decline in EBIT margin
- Final DPS of 3.30cents proposed
- Maintain Buy with revised TP of S\$1.66

What is the news?

CDG announced a 6.4% and 3.1% increase in sales and net income for the year. However, margin pressures from higher fuel expense, staff cost and depreciation expense resulted in a 0.4ppt decline in EBIT margin. While revenue continue to increase sequentially, 4QFY11 net profits fell by 18%q-q, due to a c.S\$10mn decline in operating profits for both the taxi and bus businesses. Final dividends of 3.30cents proposed, translating to a full year payout ratio of 53.3%.

Fig.1. Results Summary

Income Statement				
(Extract)	FY10	FY11	y-y (%)	Comments
(S\$m)				
Revenue	3,206.9	3,411.1	6.4%	Broad base growth
EBITDA	679.3	715.8	5.4%	
EBIT	388.4	399.2	2.8%	Loss of S\$6mn for SBST Bus
Net Income	228.5	235.6	3.1%	Below expectations

Source: Company, PSR

How do we view this?

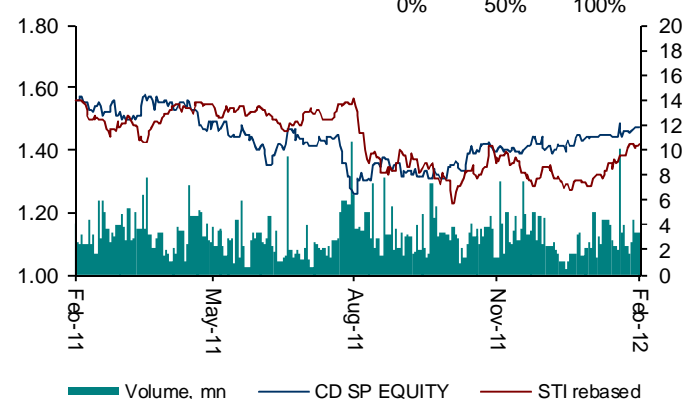
The results for the year were slightly weaker than expected. Key variances from our 4QFY11 estimates were 1) operating losses of S\$5mn at SBST's bus business; 2) c.3.4% decline in average passenger rail fare; 3) operating losses at China's bus business. Looking ahead to FY12E, we believe that rail business would likely register a decline in margins as the company increase staff headcount in preparation for the launch of Downtown Line (DTL) at the end of FY13E.

Investment Actions?

We revised our forecasts down by 7.9-11.4% for the next 2 years and lowered our target price to S\$1.66 based on 15X FY12E EPS. CDG remains undervalued at the current market price. Maintain Buy.

ComfortDelGro Corp. Ltd

Rating	1	Buy
- Previous Rating	1	Buy
Target Price (SGD)	1.66	
- Previous Target Price (SGD)	1.87	
Closing Price (SGD)	1.48	
Expected Capital Gains (%)	12.2%	
Expected Dividend Yield (%)	4.1%	
Expected Total Return (%)	16.3%	
Raw Beta (Past 2yrs weekly data)	0.56	
Market Cap. (USD mn / SGD mn)	2460 / 3084	
Enterprise Value (USD mn / SGD mn)	2992 / 3777	
3M Average Daily T/O (mn)	3.1	
52 week range (SGD)	1.25 - 1.58	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Singapore Labour Foundation	12.1
2. Silchester Intl Investors	7.0
3. Capital Research Global Investors	6.5

Key Financial Summary

FYE	12/10	12/11	12/12F	12/13F
Revenue (SGD mn)	3,207	3,411	3,537	3,619
Net Profit, adj. (SGD mn)	229	236	231	251
EPS, adj. (SGD)	0.11	0.11	0.11	0.12
P/E (X),adj.	13.5	13.1	13.4	12.4
BVPS (SGD)	0.86	0.90	0.96	1.02
P/B (X)	1.7	1.6	1.5	1.4
DPS (SGD)	0.06	0.06	0.06	0.06
Div. Yield (%)	3.7%	4.1%	3.7%	4.0%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E (15X FY12E)

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Ridership grew, Surprise decline in average rail fare

In 4QFY11, SBST's rail & bus ridership grew by 10% and 4% respectively, reflecting continued success in government's policy to encourage the use of public transport. During the quarter, public transport fares were increased by an average of 1% in October 2011 to partially offset increase in operating expense for transport operators. Despite this increase in average fare, we estimate that average rail fare for SBST actually declined by 3.4%y-y in 4QFY11. This could be due to lower average distance travelled on the NEL by commuters, following the opening of CCL stage 4 & 5 in the quarter. Average bus fares increased in the quarter.

Fig.2. SBST Ridership

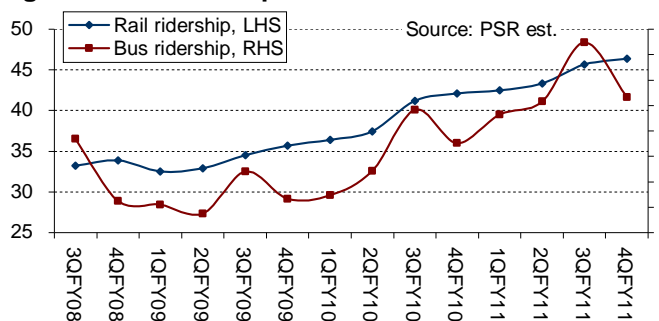


Fig.3. Decline in average rail fare for 4QFY11

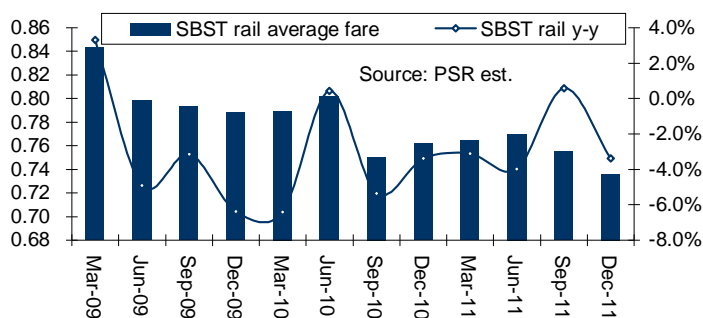
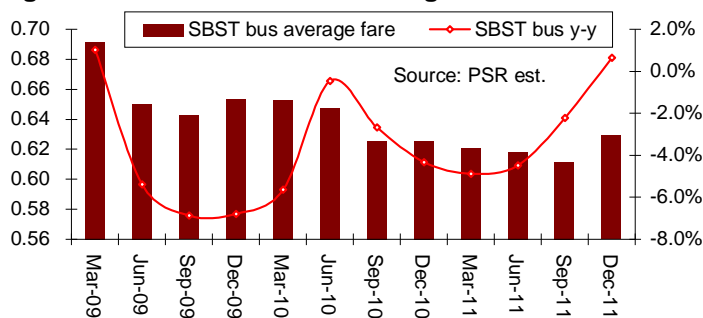


Fig.4. Bus fare increased following 1% fare revision



Segmental Highlights

Singapore's taxi business benefited from a larger fleet and higher volume of cashless transactions, maintaining its position as the largest profit contributor to the Group. Australia's bus business is the 2nd largest profit contributor with strong underlying profits and benefitting from the strengthening of AUD against SGD.

Fig.5. Segmental performance

Segments (\$ 'm)	Revenue		Operating Profit	
	2011	2010	2011	2010
Taxi	1,039.2	981.9	129.6	119.3
Singapore	748.7	696.0	83.8	76.4
UK	129.9	149.5	4.8	6.8
China	133.8	124.5	34.8	34.2
Vietnam	6.8	7.4	1.1	0.8
Australia	20.0	4.5	5.1	1.1
Bus	1,686.3	1,614.4	145.0	149.2
Singapore	628.5	618.6	20.6	41.1
UK	558.2	562.0	44.0	45.2
Australia	445.8	373.0	83.4	65.6
China	53.8	60.8	(3.0)	(2.7)
Bus Station	23.9	22.7	10.8	10.6
Rail	147.0	134.4	27.7	25.6
Automotive Engineering Svc	449.7	395.1	37.5	39.1
Singapore	405.7	350.1	37.3	40.2
China	44.0	45.0	0.2	(1.1)
Vehicle Inspection and Testing	93.5	86.0	30.7	27.3
Singapore	89.4	82.6	29.9	26.8
China	2.8	2.2	0.7	0.4
Malaysia	1.3	1.2	0.1	0.1
Car Rental & Leasing	35.5	33.7	7.3	5.9
Singapore	24.2	20.4	7.0	5.6
China	9.8	11.5	0.1	0.2
Malaysia	1.5	1.8	0.2	0.1
Driving Centre	39.0	38.3	10.6	11.4
Singapore	30.6	30.2	10.0	9.8
China	8.4	8.1	0.6	1.6
Total	3,514.1	3,306.5	399.2	388.4
Inter-segment	(103.0)	(99.6)	-	-
External	3,411.1	3,206.9	399.2	388.4

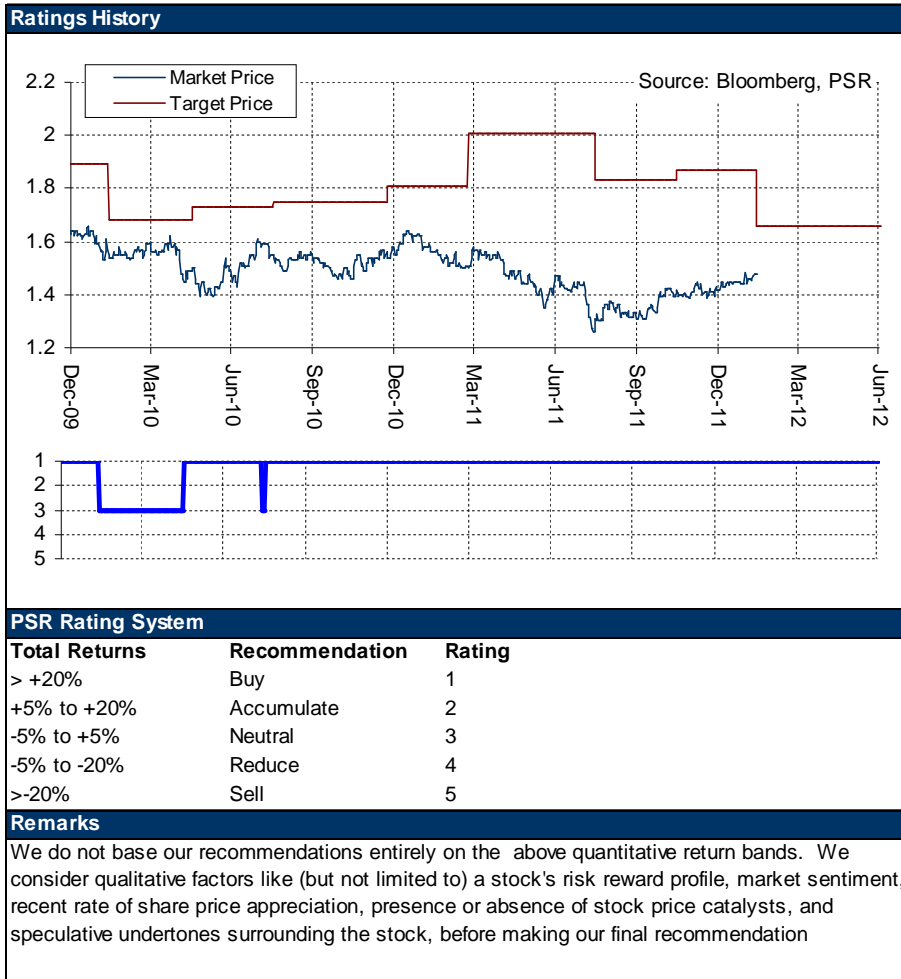
Source: CDG

FYE Dec	FY09	FY10	FY11	FY12F	FY13F
Valuation Ratios					
P/E (X), adj.	14.1	13.5	13.1	13.4	12.4
P/B (X)	1.8	1.7	1.6	1.6	1.5
EV/EBITDA (X), adj.	6.0	5.6	5.3	5.2	4.8
Dividend Yield (%)	3.6%	3.7%	4.1%	3.7%	4.0%
Per share data (SGD)					
EPS, reported	0.11	0.11	0.11	0.11	0.12
EPS, adj.	0.11	0.11	0.11	0.11	0.12
DPS	0.05	0.06	0.06	0.06	0.06
BVPS	0.81	0.86	0.90	0.95	1.02
Growth & Margins (%)					
Growth					
Revenue	-2.2%	5.1%	6.4%	3.7%	2.3%
EBITDA	16.3%	7.9%	5.4%	2.0%	8.3%
EBIT	25.9%	11.0%	2.8%	-2.8%	8.9%
Net Income, adj.	26.4%	4.1%	3.1%	-1.9%	8.3%
Margins					
EBITDA margin	20.6%	21.2%	21.0%	20.6%	21.8%
EBIT margin	11.5%	12.1%	11.7%	11.0%	11.7%
Net Profit Margin	9.0%	9.0%	8.7%	8.2%	8.7%
Key Ratios					
ROE (%)	13.5%	13.1%	12.8%	11.9%	12.2%
ROA (%)	5.9%	5.4%	5.3%	5.0%	5.2%
Net Debt/(Cash)	111	145	55	164	183
Net Gearing (X)	5.0%	6.2%	2.2%	6.3%	6.6%
Income Statement (SGD mn)					
Revenue	3,052	3,207	3,411	3,537	3,619
EBITDA	630	679	716	730	790
Depreciation & Amortisation	(280)	(291)	(317)	(342)	(368)
EBIT	350	388	399	388	423
Net Finance (Expense)/Income	(24)	(29)	(25)	(22)	(27)
Other items	0	0	0	0	0
Associates & JVs	8	6	5	0	0
Profit Before Tax	334	366	379	366	396
Taxation	(58)	(78)	(82)	(77)	(83)
Profit After Tax	276	288	298	289	313
Non-controlling Interest	56	60	62	58	63
Net Income, reported	220	229	236	231	251
Net Income, adj.	220	229	236	231	251

Source: PSR

FYE Dec	FY09	FY10	FY11	FY12F	FY13F
Balance Sheet (SGD mn)					
PPE	2,237	2,381	2,604	2,800	2,976
Intangibles	535	533	553	554	556
Associates & JVs	122	126	6	6	6
Investments	0	0	0	0	0
Others	295	340	447	447	447
Total non-current assets	3,189	3,381	3,610	3,808	3,985
Inventories	55	59	57	62	62
Accounts Receivables	313	369	346	372	380
Investments	10	6	0	0	0
Cash	486	567	577	511	535
Others	0	0	0	0	0
Total current assets	863	1,001	979	945	977
Total Assets	4,052	4,381	4,589	4,753	4,962
Short term loans	130	188	198	198	198
Accounts Payables	608	587	678	666	670
Others	114	103	105	105	105
Total current liabilities	852	878	982	969	974
Long term loans	466	523	434	476	520
Others	521	633	700	700	700
Total non-current liabilities	988	1,156	1,133	1,176	1,219
Non-controlling interest	522	547	582	611	643
Shareholder Equity	1,690	1,801	1,892	1,996	2,126
Cashflow Statements (SGD mn)					
CFO					
PBT	334	366	379	366	396
Adjustments	314	331	344	364	394
Cash from ops before WC changes	649	697	723	730	790
WC changes	132	(61)	99	(44)	(4)
Cash generated from ops	781	636	822	686	787
Taxes paid, net	(52)	(44)	(44)	(77)	(83)
Interest paid	(29)	(35)	(35)	(32)	(35)
Cashflow from ops	699	557	742	578	668
CFI					
CAPEX, net	(370)	(368)	(496)	(497)	(502)
Dividends from associates & JVs	0	0	0	0	0
Dividends/Interest from Investments	12	15	16	10	9
Purchase/sale of investments	0	0	0	0	0
Investments in subs & associates	(180)	(47)	(7)	0	0
Others	0	0	0	0	0
Cashflow from investments	(538)	(400)	(487)	(488)	(493)
CFF					
Share issuance	1	5	6	0	0
Purchase of treasury shares	0	0	0	0	0
Loans, net of repayments	17	70	(120)	0	0
Dividends to minority interests	22	(32)	(27)	(29)	(31)
Dividends to shareholders & capital reduction	(105)	(112)	(115)	(127)	(120)
Others	0	0	1	0	0
Cashflow from financing	(65)	(70)	(254)	(156)	(152)
Net change in cash	97	88	2	(66)	24
Effects of exchange rates	(20)	(7)	9	0	0
CCE, end	486	567	577	511	535

Source: PSR



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