

# ComfortDelGro Corp. Ltd

## A resilient stock for uncertain times

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

Phillip Securities Research Pte Ltd

15 May 2012

### 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 6.8%y-y
- Rail profitability declined in preparation for DTL
- Australia's bus business the best performer
- Maintain Buy with unchanged TP of S\$1.65

#### What is the news?

CDG reported a strong 6.8% growth in net profit for the quarter due to strong underlying business growth with relatively unchanged margins. Profit contributions increased across all business segments, except for the Rail & Driving centre business. Despite revenue growth of 13% for the Rail business, profitability declined as the company ramped up its headcount in preparation for DTL.

#### Fig 1. Results Summary

Income Statement				
(Extract)	1QFY11	1QFY12	y-y (%)	Comments
<b>(S\$'mn)</b>				
Revenue	803.0	855.4	6.5%	Strong underlying growth
EBITDA	163.0	172.0	5.5%	
EBIT	86.9	93.3	7.4%	
Net Income	50.1	53.5	6.8%	Inline

Source: Company, PSR

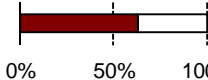
#### How do we view this?

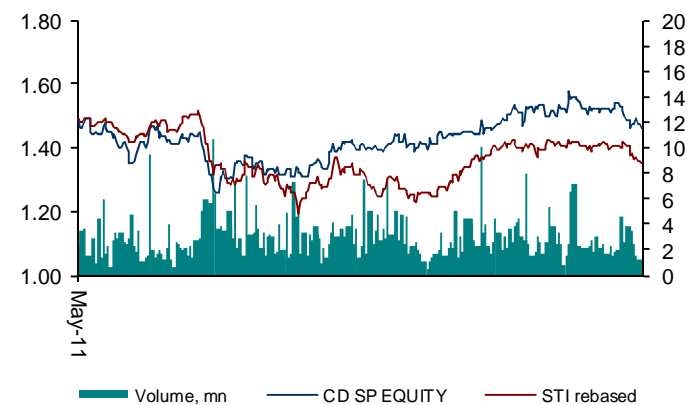
The results were in line with our expectations. Most business units performed well with healthy margins and revenue growth. However, contributions from CDG's China bus business disappointed and reported a second consecutive quarter of loss due to lower mileage operated. Among the more significant profit contributors, Australia's bus business performed the best with an estimated 18.5% increase in profits in local currency terms.

#### Investment Actions?

CDG remains our preferred stock in the Land Transport sector. The Group's overseas diversification shields them from the near term headwinds facing Singapore's Land Transport sector. Maintain Buy.

#### ComfortDelGro Corp. Ltd

<b>Rating</b>	<b>1</b>	<b>Buy</b>
- Previous Rating	1	Buy
<b>Target Price (SGD)</b>	<b>1.65</b>	
- Previous Target Price (SGD)	1.65	
Closing Price (SGD)	1.46	
Expected Capital Gains (%)	13.0%	
Expected Dividend Yield (%)	4.1%	
<b>Expected Total Return (%)</b>	<b>17.2%</b>	
Raw Beta (Past 2yrs weekly data)	0.50	
Market Cap. (USD mn / SGD mn)	2430 / 3054	
Enterprise Value (USD mn / SGD mn)	2922 / 3691	
3M Average Daily T/O (mn)	2.7	
52 w week range (SGD)	1.25 - 1.58	
Closing Price in 52 w week range		



#### Major Shareholders

	(%)
1. Singapore Labour Foundation	12.1
2 Capital Research Global Investors	6.5
3. Silchester Intl Investors	5.9

#### Key Financial Summary

FYE	12/10	12/11	12/12F	12/13F
Revenue (SGD mn)	3,207	3,411	3,542	3,631
Net Profit, adj. (SGD mn)	229	236	229	245
EPS, adj. (SGD)	0.11	0.11	0.11	0.12
P/E (X),adj.	13.4	13.0	13.3	12.5
BVPS (SGD)	0.86	0.90	0.95	1.01
P/B (X)	1.7	1.6	1.5	1.4
DPS (SGD)	0.06	0.06	0.05	0.06
Div. Yield (%)	3.8%	4.1%	3.8%	4.0%

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

P/E (15X FY12E)

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Fig 2. Segmental Performance

Segments (\$ 'm)	Revenue		Operating Profit	
	1Q12	1Q11	1Q12	1Q11
<b>Taxi</b>	<b>270.7</b>	<b>248.3</b>	<b>31.9</b>	<b>29.9</b>
Singapore	195.9	178.5	19.0	18.8
China	37.5	30.2	10.1	8.4
UK	29.9	33.7	1.2	1.3
Australia	6.0	4.1	1.5	1.1
Vietnam	1.4	1.8	0.1	0.3
<b>Bus</b>	<b>410.5</b>	<b>392.6</b>	<b>32.5</b>	<b>28.6</b>
Singapore	159.5	154.7	2.8	7.5
UK	127.4	123.3	11.1	6.2
Australia	113.9	101.4	21.2	16.9
China	9.7	13.2	(2.6)	(2.0)
<b>Bus Station</b>	<b>7.4</b>	<b>6.4</b>	<b>3.5</b>	<b>3.1</b>
<b>Rail</b>	<b>37.5</b>	<b>35.4</b>	<b>3.9</b>	<b>7.6</b>
<b>Automotive Engineering Svc</b>	<b>113.5</b>	<b>104.6</b>	<b>9.3</b>	<b>5.6</b>
Singapore	102.7	92.0	9.4	5.5
China	10.8	12.6	(0.1)	0.1
<b>Vehicle Inspection and Testing</b>	<b>25.0</b>	<b>22.9</b>	<b>8.7</b>	<b>7.3</b>
Singapore	23.9	22.1	8.5	7.2
China	0.8	0.5	0.1	0.1
Malaysia	0.3	0.3	0.1	-
<b>Car Rental &amp; Leasing</b>	<b>8.6</b>	<b>8.9</b>	<b>2.1</b>	<b>2.0</b>
Singapore	6.0	5.9	1.8	2.0
China	2.2	2.6	0.3	(0.1)
Malaysia	0.4	0.4	-	0.1
<b>Driving Centre</b>	<b>8.5</b>	<b>9.7</b>	<b>1.4</b>	<b>2.8</b>
Singapore	7.7	7.5	2.4	2.4
China	0.8	2.2	(1.0)	0.4
<b>Total</b>	<b>881.7</b>	<b>828.8</b>	<b>93.3</b>	<b>86.9</b>
Inter-segment	(26.3)	(25.8)	-	-
<b>External</b>	<b>855.4</b>	<b>803.0</b>	<b>93.3</b>	<b>86.9</b>

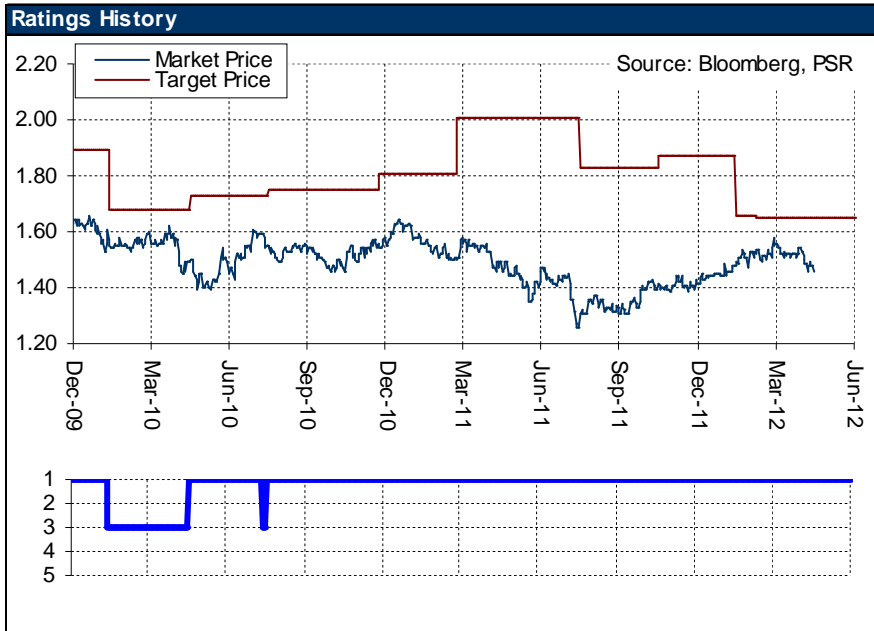
Source: CDG

FYE Dec	FY09	FY10	FY11	FY12F	FY13F
<b>Valuation Ratios</b>					
P/E (X), adj.	13.9	13.4	13.0	13.3	12.5
P/B (X)	1.8	1.7	1.6	1.5	1.4
EV/EBITDA (X), adj.	5.9	5.4	5.2	5.0	4.7
Dividend Yield (%)	3.6%	3.8%	4.1%	3.8%	4.0%
<b>Per share data (SGD)</b>					
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	0.05	0.06
BVPS	0.81	0.86	0.90	0.95	1.01
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	-2.2%	5.1%	6.4%	3.9%	2.5%
EBITDA	16.3%	7.9%	5.4%	2.1%	6.9%
EBIT	25.9%	11.0%	2.8%	-2.6%	6.5%
Net Income, adj.	26.4%	4.1%	3.1%	-2.6%	6.8%
<b>Margins</b>					
EBITDA margin	20.6%	21.2%	21.0%	20.6%	21.5%
EBIT margin	11.5%	12.1%	11.7%	11.0%	11.4%
Net Profit Margin	9.0%	9.0%	8.7%	8.1%	8.4%
<b>Key Ratios</b>					
ROE (%)	13.5%	13.1%	12.8%	11.8%	11.9%
ROA (%)	5.9%	5.4%	5.3%	4.9%	5.0%
Net Debt/(Cash)	111	145	55	164	186
Net Gearing (X)	5.0%	6.2%	2.2%	6.3%	6.7%
<b>Income Statement (SGD mn)</b>					
<b>Revenue</b>	<b>3,052</b>	<b>3,207</b>	<b>3,411</b>	<b>3,542</b>	<b>3,631</b>
<b>EBITDA</b>	<b>630</b>	<b>679</b>	<b>716</b>	<b>731</b>	<b>782</b>
Depreciation & Amortisation	(280)	(291)	(317)	(342)	(368)
<b>EBIT</b>	<b>350</b>	<b>388</b>	<b>399</b>	<b>389</b>	<b>414</b>
Net Finance (Expense)/Income	(24)	(29)	(25)	(22)	(27)
Other items	0	0	0	0	0
Associates & JVs	8	6	5	0	0
<b>Profit Before Tax</b>	<b>334</b>	<b>366</b>	<b>379</b>	<b>367</b>	<b>388</b>
Taxation	(58)	(78)	(82)	(79)	(81)
<b>Profit After Tax</b>	<b>276</b>	<b>288</b>	<b>298</b>	<b>288</b>	<b>306</b>
Non-controlling Interest	56	60	62	59	61
<b>Net Income, reported</b>	<b>220</b>	<b>229</b>	<b>236</b>	<b>229</b>	<b>245</b>
<b>Net Income, adj.</b>	<b>220</b>	<b>229</b>	<b>236</b>	<b>229</b>	<b>245</b>

Source: PSR

FYE Dec	FY09	FY10	FY11	FY12F	FY13F
<b>Balance Sheet (SGD mn)</b>					
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
<b>Total non-current assets</b>	<b>3,189</b>	<b>3,381</b>	<b>3,610</b>	<b>3,808</b>	<b>3,985</b>
Inventories	55	59	57	62	62
Accounts Receivables	313	369	346	373	381
Investments	10	6	0	0	0
Cash	486	567	577	511	532
Others	0	0	0	0	0
<b>Total current assets</b>	<b>863</b>	<b>1,001</b>	<b>979</b>	<b>945</b>	<b>976</b>
<b>Total Assets</b>	<b>4,052</b>	<b>4,381</b>	<b>4,589</b>	<b>4,753</b>	<b>4,961</b>
Short term loans	130	188	198	198	198
Accounts Payables	608	587	678	667	675
Others	114	103	105	105	105
<b>Total current liabilities</b>	<b>852</b>	<b>878</b>	<b>982</b>	<b>970</b>	<b>978</b>
Long term loans	466	523	434	476	520
Others	521	633	700	700	700
<b>Total non-current liabilities</b>	<b>988</b>	<b>1,156</b>	<b>1,133</b>	<b>1,176</b>	<b>1,219</b>
Non-controlling interest	522	547	582	612	642
<b>Shareholder Equity</b>	<b>1,690</b>	<b>1,801</b>	<b>1,892</b>	<b>1,995</b>	<b>2,121</b>
<b>Cashflow Statements (SGD mn)</b>					
CFO					
PBT	334	366	379	367	388
Adjustments	314	331	344	364	394
Cash from ops before WC changes	649	697	723	731	782
WC changes	132	(61)	99	(44)	(1)
Cash generated from ops	781	636	822	687	781
Taxes paid, net	(52)	(44)	(44)	(79)	(81)
Interest paid	(29)	(35)	(35)	(32)	(35)
<b>Cashflow from ops</b>	<b>699</b>	<b>557</b>	<b>742</b>	<b>577</b>	<b>664</b>
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
<b>Cashflow from investments</b>	<b>(538)</b>	<b>(400)</b>	<b>(487)</b>	<b>(488)</b>	<b>(493)</b>
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)	(126)	(119)
Others	0	0	1	0	0
<b>Cashflow from financing</b>	<b>(65)</b>	<b>(70)</b>	<b>(254)</b>	<b>(156)</b>	<b>(149)</b>
<b>Net change in cash</b>	<b>97</b>	<b>88</b>	<b>2</b>	<b>(66)</b>	<b>22</b>
Effects of exchange rates	(20)	(7)	9	0	0
<b>CCE, end</b>	<b>486</b>	<b>567</b>	<b>577</b>	<b>511</b>	<b>532</b>

Source: PSR



**PSR Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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