

ComfortDelGro Corp Ltd

From competitors to partners



StocksBnB.com

SINGAPORE | TRANSPORT SERVICES | UPDATE

11 December 2017

- Entering into a JV by acquiring 51% stake in LCR from Uber
- Sale consideration of S\$295mn based on NAV of 12,450 vehicles
- No changes to our forecast, pending more details and conclusion of the deal
- Maintain Buy; unchanged target price of \$2.69

What is the news?

ComfortDelGro Corp ("CD") and Uber Technologies ("Uber") jointly announced the agreement to form a joint venture. CD will be taking a 51% stake in Lion City Holdings Pte Ltd, which in turn owns 100% of Lion City Rental Pte Ltd ("LCR"). While LCR owns a private hire vehicle ("PHV") fleet of about 14,000 vehicles. The sale consideration of S\$295mn is based on the net asset value of S\$642mn based on 12,450 vehicles.

How do we view this?

The positives

- + **Access to the burgeoning PHV business, offsetting some of the decline in Taxi segment.** CD's Taxi segment has been disrupted by competition from the PHV business model. This gives CD an opportunity to collaborate with the competition and access the business model, albeit from the asset-heavy aspect of vehicle rental.
- + **Alliance between the two market leaders in terms of fleet size.** The combined taxi fleet of Comfort/CityCab numbers 14,306 as at end-October 2017. Together with the 14,000 vehicles from LCR, the combined CD-Uber fleet is about 28,300 vehicles. On the other hand, Grab has partnered the other four taxi companies – Trans-Cab, SMRT, Premier and Prime – giving access to 9,555 taxis. GrabRentals also partnered players such as Strides Transportation and HDT Singapore Holding, which we believe have a combined fleet that is far less than LCR's 14,000 vehicles.
- + **Net positive for the Engineering Maintenance segment.** It is likely that CD will be providing engineering maintenance services to the JV. While it will be an intercorporate downstream transaction, it should be a net positive for CD from the 49% of the JV that it does not own.

The negatives

- **Does not directly address the decline in Taxi business.** Comfort/CityCab drivers will now have access to Uber's ride-booking app-based platform, but we do not see that as doing much for the Taxi business, in terms of maintaining driver stickiness, nor the resultant contraction to taxi fleet.
- **Asset-heavy vehicle rental business will incur capex.** This is in contrast to Uber's asset-light app-based platform. As stated in the announcement, CD "has agreed to pay for more vehicles when utilisation increases".

Maintain Buy; unchanged target price of \$2.69

We have not made any changes to our forecasts, pending more details and conclusion of the deal.

Buy (Maintain)

LAST CLOSE PRICE	SGD 1.91
FORECAST DIV	SGD 0.103
TARGET PRICE	SGD 2.69
TOTAL RETURN	46.2%

COMPANY DATA

BLOOMBERG CODE:	CD SP
O/S SHARES (MN):	2,163
MARKET CAP (USD mn / SGD mn):	3053 / 432
52 - WK HI/LO (SGD):	2.8 / 1.9
3M Average Daily T/O (mn):	10.13

MAJOR SHAREHOLDERS (%)

BLACKROCK	6.0%
SCHRODERS PLC	5.0%
SCHRODER INVESTMENT MGMT GROUP	3.3%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(4.0)	(10.6)	(21.9)
STIRETURN	(0.7)	5.2	18.3

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16	FY 17e	FY 18e
Revenue (SGD mn)	4,112	4,060	3,940	3,979
NPAT, adj (SGD mn)	302	317	306	331
EPS, adj. (cents)	14.1	14.7	14.7	15.4
P/E, adj. (x)	20.6	19.7	13.5	12.4
BVPS (cents)	140	148	153	160
P/B (x)	2.1	2.0	12	12
DPS (cents)	9.00	10.30	10.30	11.00
Div. Yield (%)	3.1	3.6	5.4	5.8

Source: Company Data, PSR est.

VALUATION METHOD

DCF (WACC: 8.4%; Terminal g: 10%)

Richard Leow, CFA, CFTe, FRM (+65 6212 1848)

Investment Analyst

richardleowwt@phillip.com.sg

Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	4,051	4,112	4,060	3,940	3,979
EBITDA	796	840	858	837	825
Depreciation & Amortisation	(354)	(389)	(396)	(410)	(380)
EBIT	442	451	462	427	446
Net Finance (Expense)/Inc	(10)	(3)	(1)	9	10
Associates & JVs	4	5	5	5	6
Profit Before Tax	436	452	467	442	462
Taxation	(92)	(88)	(88)	(78)	(82)
Profit After Tax	344	364	378	364	379
- Non-controlling interest	61	62	61	47	48
PATMI, reported	284	302	317	317	331
PATMI, adj.	284	302	317	306	331

Per share data (cents)

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	13.29	14.07	14.72	14.70	15.37
EPS, adj.	13.29	14.07	14.72	14.18	15.37
DPS	8.25	9.00	10.30	10.30	11.00
BVPS	132.7	140.1	148.0	153.4	159.6

Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
PBT	436	452	467	442	462
Adjustments	262	253	291	396	364
WC changes	24	(23)	9	(9)	3
Cash generated from ops	722	682	766	828	828
Others	(83)	(82)	(63)	(78)	(84)
Cashflow from ops	639	600	703	750	745
CFI					
CAPEX, net	(471)	(388)	(388)	(198)	(203)
Divd from associates & JVs	3	3	3	4	4
Others	(16)	13	14	18	15
Cashflow from investments	(485)	(372)	(371)	(177)	(184)
CFF					
Share issuance, net	23	18	13	-	-
Loans, net of repayments	(62)	(190)	(209)	(169)	(80)
Dividends	(198)	(214)	(230)	(246)	(247)
Others	74	117	106	(11)	(6)
Cashflow from financing	(163)	(269)	(321)	(426)	(332)
Net change in cash	(8)	(41)	10	147	228
Effects of exchange rates	3	3	(19)	-	-
CCE, end	826	788	779	927	1,155

Source: Company Data, PSR est.

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	2,895	2,909	2,887	2,675	2,498
Intangibles	686	673	645	648	649
Receivables	307	268	241	241	241
Associates & JVs	8	10	11	13	15
Investments	74	52	63	63	63
Others	22	25	24	24	24
Total non-current assets	3,991	3,937	3,871	3,663	3,489
Inventories	72	75	82	79	80
Accounts Receivables	117	139	237	230	233
Prepayments	197	277	153	148	150
Cash	826	788	779	927	1,155
Others	27	1	-	-	-
Total current assets	1,239	1,280	1,251	1,384	1,617
Total Assets	5,231	5,216	5,122	5,047	5,106

LIABILITIES

Short term loans	243	126	169	80	80
Accounts Payables	837	833	771	749	756
Others	178	177	171	170	169
Total current liabilities	1,258	1,137	1,112	999	1,005
Long term loans	494	432	176	96	16
Others	640	635	643	643	643
Total non-current liabilities	1,134	1,067	818	738	658
Total Liabilities	2,392	2,204	1,930	1,738	1,664

EQUITY

Non-controlling interest	649	678	717	739	763
Shareholder Equity	2,190	2,335	2,476	2,570	2,680

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	20.0	20.6	19.7	13.5	12.4
P/B (X)	2.0	2.1	2.0	1.2	1.2
EV/EBITDA (X), adj.	7.0	7.1	6.8	4.0	3.7
Dividend Yield (%)	3.1%	3.1%	3.6%	5.4%	5.8%

Growth & Margins (%)

Growth					
Revenue	8.1%	1.5%	-1.3%	-3.0%	1.0%
EBITDA	4.2%	5.6%	2.2%	-2.4%	-1.4%
EBIT	3.7%	1.9%	2.6%	-7.5%	4.3%
Net Income, adj.	7.7%	6.5%	5.0%	-3.5%	8.4%

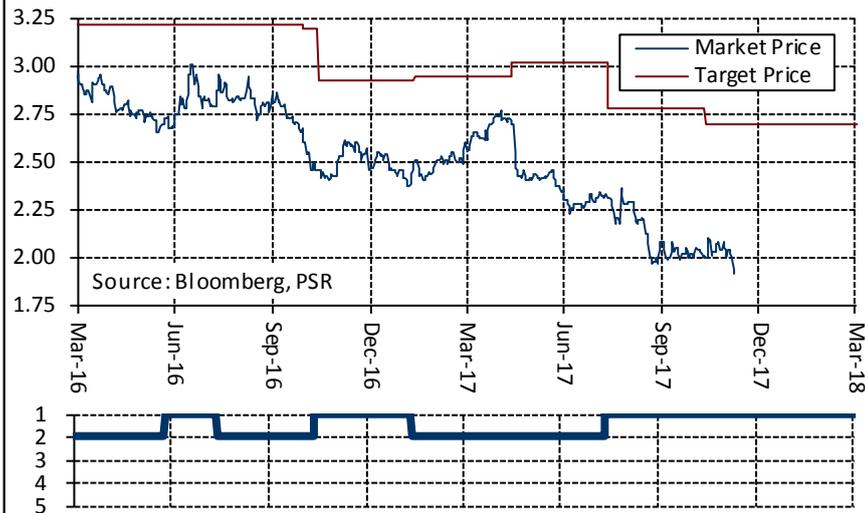
Margins

EBITDA margin	19.6%	20.4%	21.1%	21.3%	20.7%
EBIT margin	10.9%	11.0%	11.4%	10.8%	11.2%
PBT margin	10.8%	11.0%	11.5%	11.2%	11.6%
Net Profit Margin	7.0%	7.3%	7.8%	7.8%	8.3%

Key Ratios

ROE (%)	13.1%	13.3%	13.2%	12.1%	12.6%
ROA (%)	5.5%	5.8%	6.1%	6.0%	6.5%
Net Debt or (Net Cash)	-89	-229	-434	-750	-1,058
Net Gearing (X)	Net Cash				

Ratings History



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

Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Operations Officer

Mohamed Amiruddin - amiruddin@phillip.com.sg

Consumer | Healthcare

Soh Lin Sin - sohls@phillip.com.sg

Oil & Gas | Energy

Chen Guangzhi - chengz@phillip.com.sg

Macro

Pei Sai Teng - peist@phillip.com.sg

Transport | REITs (Industrial)

Richard Leow - richardleowwt@phillip.com.sg

REITs (Commercial, Retail, Healthcare) | Property

Dehong Tan - tandh@phillip.com.sg

Technical Analysis

Jeremy Ng - jeremyngch@phillip.com.sg

Banking and Finance

Jeremy Teong - jeremyteongfh@phillip.com.sg

US Equity

Ho Kang Wei - hokw@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA

Phillip Capital Limited

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au

SRI LANKA

Asha Phillip Securities Limited

2nd Floor, Lakshmans Building,
No. 321, Galle Road,
Colombo 03, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

TURKEY

PhillipCapital Menkul Degerler

Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's licence under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.