

# ComfortDelGro Corp Ltd

Hurt by one-offs



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## SINGAPORE | TRANSPORT SERVICES | 4Q19 RESULTS

19 February 2020

- Revenue and PATMI were within expectations, excluding S\$27.3mn impairment on the taxi business. Excluding provisions PATMI would have declined an estimated 5%.
- Public transport services was surprisingly the worst hit segment with 25% YoY drop in 4Q19 operating profit. We believe a lumpy license fee could have been the trigger.
- Headline results was weak due to provision in taxi business and likely license fee expenses. We maintain ACCUMULATE but with a lower target price of S\$2.20 (prev: S\$2.56). Our PATMI for FY20e is lowered by 16% to account for weaker traffic, rental rebates and disruption in China operations.

### Results at a glance

(SGD mn)	4Q19	4Q18	YoY	Comments
Revenue	999	1,017	-1.8%	
- Public transport	744	740	+0.6%	
- Taxi	168	179	-6.3%	Smaller operating fleet and more intense competition.
EBIT	84	120	-29.7%	
- Public transport	47	62	-24.7%	We believe there was licensing fees paid this quarter.
- Taxi	19	34	-44.4%	Excluding the S\$27.3mn provision, EBIT would rise by 36% YoY.
PBT	86	119	-28.1%	
NPAT	64	99	-35.3%	
PATMI-adj	79	83	-5.3%	
Final DPS (\$ cents)	5.29	6.15	-14.0%	Payout raised from 75% to 80%.

Source: Company, PSR

### The Positive

**+ Excluding the provisions, taxi EBIT jumped 36% in 4Q19 due to margin expansion.** 4Q19 taxi revenue falling by 6% YoY, brought on by private hire competition in Singapore and China and a smaller operating fleet. We believe EBIT was 36% higher driven by margin expansion from the use of hybrid vehicles, which command higher rental and were purchased at the low of the COE cycle. Earnings was surprising strong once we excluding the S\$27.3mn impairment provision on the taxi business.

### The Negatives

**- Public transport earnings collapsed.** The biggest disappointment was the 44% collapse in earnings at the public transport division (i.e. bus and rail). Margins were expected to narrow due to increased repairs and maintenance required for the rail, however the decline was more pronounced than expected. Higher fares will offset some of this cost. SBS Transit reported a spike in other Opex by S\$12mn YoY in 4Q19 which we believe is attributed to a one-off license cost incurred in 4Q19.

**- The final dividend cut by 14% YoY.** Full-year dividend payout ratio rose from 75% in FY18 to 80% in FY20. However, weaker earning led to full-year DPS to drop from 10.5 cents to 9.79 cents in FY19. The dividend yield is now 4.4%.

### ACCUMULATE (Maintained)

LAST CLOSE PRICE	S\$ 2.09
FORECAST DIV	S\$ 0.10
TARGET PRICE	S\$ 2.20
TOTAL RETURN	9.9%

#### COMPANY DATA

BLOOMBERG CODE:	CD SP
O/S SHARES (MN):	2,166
MARKET CAP (SGD mn):	4,526
52 - WK HI/LO (SGD):	2.90 / 2.05
3M Average Daily T/O (mn):	7.65

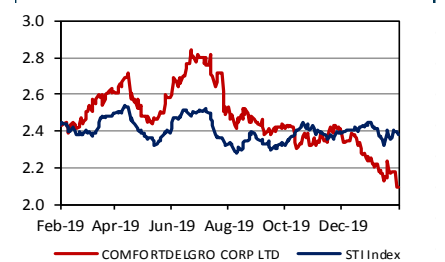
#### MAJOR SHAREHOLDERS (%)

BLACKROCK	7.02
CAPITAL GROUP COMPAN	3.50
VANGUARD GROUP	2.88

#### PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	-6.7%	-10.3%	-12.2%
STI RETURN	-2.6%	-1.9%	-0.8%

#### PRICE VS. STI



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Dec	FY 18	FY 19	FY 20e	FY 21e
Revenue (\$\$ mn)	3,805	3,906	3,884	3,930
PATMI, adj (\$\$ mn)	303	265	279	282
EPS, adj. (cents)	14.0	12.2	12.9	13.0
P/E, adj. (x)	15.7	18.0	17.1	16.9
BVPS (cents)	140	139	143	147
P/B (x)	1.5	1.7	1.5	1.5
DPS (cents)	10.5	9.2	9.6	9.7
Div. Yield (%)	4.8	4.2	4.4	4.4

Source: Company Data, PSR est.

#### VALUATION METHOD

DCF (WACC: 7.63%; Terminal g: 15%)

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## Outlook

Taxi – Competition from private hire will remain intense. As a reflection of the competition, end-Dec19 the private hire to taxi ratio in Singapore was 4.2:1. For every 1 taxi on the street, there are 4 competing private hire vehicles. The ratio was 3.2 last year. It is difficult to ascertain if competition has peaked given that the disruption from tech-enabled players is unprecedented. The need for newly listed Uber and Lyft to report profitability or path to profitability could be a catalyst for Grab to lower driver incentives. Comfort's introduction of hybrid vehicles will stem some of the revenue loss. Hybrid vehicle command higher rental and were purchased at the low of the COE cycle, reducing the cost of inventory. In return, drivers enjoy lower fuel cost in return. The conversion of the fleet to hybrid is still underway. There will be rental rebates provided by Comfort in-view of the current COVID-19 outbreak.

Public transport - Rail revenue in Singapore will get an uplift from higher fares but traffic is sluggish and margins weighted down by license fees and higher repair and maintenance cost.

Overseas – China operations will face disruption across all divisions including taxis and bus terminal. China accounts for 4% of FY19 revenue (Singapore: 58%).

## Maintain ACCUMULATE with a lower target price of S\$2.20

We maintain our ACCUMULATE recommendation but the target price is lowered to S\$2.20 (previous target price: \$2.56). We have cut our FY20e earnings by 16% to account for weaker traffic, rental rebates and disruption in China operations.

## Financials

### Income Statement

Y/E Dec (SGD mn)	FY 17	FY 18	FY 19	FY 20e	FY 21e
<b>Revenue</b>	<b>3,576</b>	<b>3,805</b>	<b>3,906</b>	<b>3,884</b>	<b>3,930</b>
<b>EBITDA</b>	<b>818</b>	<b>832</b>	<b>869</b>	<b>893</b>	<b>897</b>
Depreciation & Amortisation	(409)	(393)	(453)	(467)	(470)
<b>EBIT</b>	<b>409</b>	<b>439</b>	<b>416</b>	<b>426</b>	<b>427</b>
Net Finance (Expense)/Inc	12	0	(9)	(8)	(4)
Associates & JVs	5	0	-	-	-
<b>Profit Before Tax</b>	<b>425</b>	<b>439</b>	<b>407</b>	<b>418</b>	<b>423</b>
Taxation	(77)	(81)	(88)	(77)	(77)
<b>Profit After Tax</b>	<b>349</b>	<b>359</b>	<b>318</b>	<b>342</b>	<b>345</b>
Non-controlling interest	47	56	53	63	63
<b>PATMI, reported</b>	<b>302</b>	<b>303</b>	<b>265</b>	<b>279</b>	<b>282</b>
<b>PATMI, adj.</b>	<b>290</b>	<b>303</b>	<b>265</b>	<b>279</b>	<b>282</b>

### Per share data (cents)

	FY 17	FY 18	FY 19	FY 20e	FY 21e
EPS, reported	14.0	14.0	12.2	12.9	13.0
EPS, adj.	13.4	14.0	12.2	12.9	13.0
DPS	10.4	10.5	9.2	9.6	9.7
BVPS	141	140	139	143	147

### Cash Flow

	FY 17	FY 18	FY 19	FY 20e	FY 21e
<b>CFO</b>					
PBT	425.4	439.3	406.6	418.2	422.7
Adjustments	-	-	-	-	-
WC changes	(145.6)	(55.0)	(144.0)	62.5	(26.2)
Cash generated from ops	653.9	750.9	704.8	955.8	870.9
Others	(72.0)	(82.1)	(94.9)	(76.7)	(77.5)
<b>Cashflow from ops</b>	<b>581.9</b>	<b>668.8</b>	<b>609.9</b>	<b>879.1</b>	<b>793.4</b>
<b>CFI</b>					
CAPEX, net	(283.6)	(226.1)	(346.5)	(425.6)	(489.4)
Divd from associates & JVs	19.3	11.4	1.0	-	-
Others	10.4	(423.2)	(21.1)	11.5	15.1
<b>Cashflow from investments</b>	<b>(253.9)</b>	<b>(637.9)</b>	<b>(366.6)</b>	<b>(414.1)</b>	<b>(474.4)</b>
<b>CFF</b>					
Share issuance, net	12.2	3.9	1.3	-	-
Loans, net of repayments	(51.5)	215.5	31.3	-	-
Dividends	(283.3)	(279.7)	(274.3)	(252.7)	(252.9)
Others	(184.4)	31.3	39.6	(19.2)	(19.2)
<b>Cashflow from financing</b>	<b>(507.0)</b>	<b>(29.0)</b>	<b>(202.1)</b>	<b>(271.8)</b>	<b>(272.1)</b>
<b>Effects of exchange rates</b>	<b>(4.1)</b>	<b>(12.0)</b>	<b>(5.5)</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in CCE</b>	<b>(183.1)</b>	<b>(10.1)</b>	<b>8.1</b>	<b>193.2</b>	<b>47.0</b>
<b>CCE, end</b>	<b>596.2</b>	<b>586.1</b>	<b>594.2</b>	<b>787.4</b>	<b>834.4</b>

Source: Company Data, PSR est.

### Balance Sheet

Y/E Dec (SGD mn)	FY 17	FY 18	FY 19	FY 20e	FY 21e
<b>ASSETS</b>					
Cash	596	586	594	787	834
Accounts Receivables	251	275	319	313	317
Inventories	114	139	151	122	131
Prepayments	195	277	256	256	256
Others	<b>10</b>	-	-	-	-
<b>Total current assets</b>	<b>1,166</b>	<b>1,277</b>	<b>1,319</b>	<b>1,478</b>	<b>1,538</b>
PPE	2,723	2,691	2,706	2,664	2,683
Intangibles	640	896	849	849	849
Receivables	238	219	284	284	284
Others	61	53	221	221	221
<b>Total non-current assets</b>	<b>3,662</b>	<b>3,860</b>	<b>4,060</b>	<b>4,018</b>	<b>4,037</b>
<b>Total Assets</b>	<b>4,828</b>	<b>5,137</b>	<b>5,379</b>	<b>5,496</b>	<b>5,575</b>

### LIABILITIES

Short term loans	114	90	199	199	199
Accounts Payables	677	691	670	698	685
Others	153.5	227.9	246.7	246.7	246.7
<b>Total current liabilities</b>	<b>945</b>	<b>1,009</b>	<b>1,116</b>	<b>1,144</b>	<b>1,130</b>
Long term loans	208	414	331	331	331
Others	637	686	923	923	923
Total non-current liabilities:	844.9	1100.3	1254.2	1254.2	1254.2
<b>Total Liabilities</b>	<b>1,790</b>	<b>2,110</b>	<b>2,370</b>	<b>2,398</b>	<b>2,385</b>

### EQUITY

Non-controlling interest	420	414	414	433	453
<b>Shareholder Equity</b>	<b>2,618</b>	<b>2,614</b>	<b>2,595</b>	<b>2,665</b>	<b>2,737</b>

### Valuation Ratios

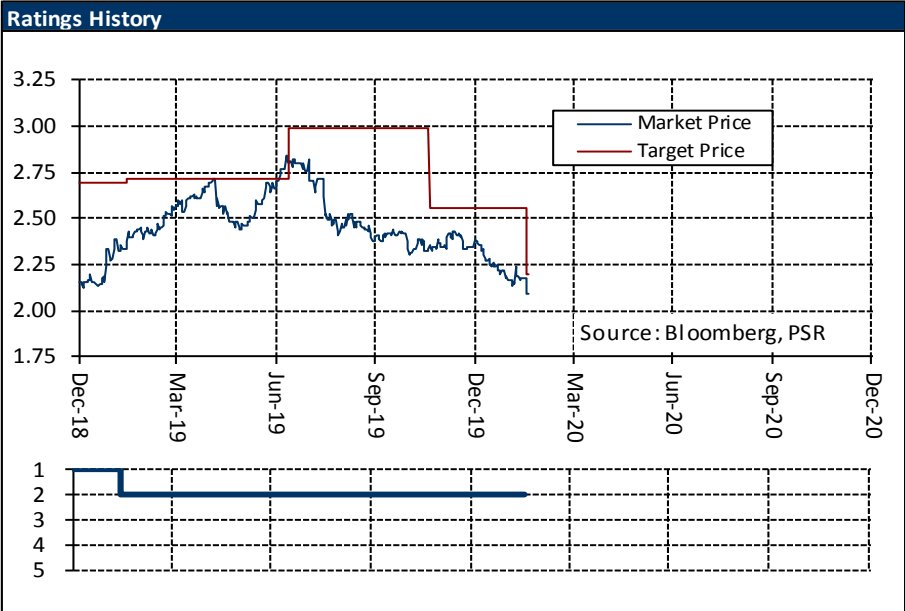
	FY 17	FY 18	FY 19	FY 20e	FY 21e
P/E (x), adj.	16.4	15.7	18.0	17.1	16.9
P/B (x)	1.4	1.5	1.7	1.5	1.5
Dividend Yield	4.7%	4.8%	4.2%	4.4%	4.4%

### Growth & Margins

<b>Growth</b>					
Revenue	-11.9%	6.4%	2.6%	-0.6%	1.2%
EBITDA	-4.7%	1.7%	4.4%	2.8%	0.4%
EBIT	-11.5%	7.2%	-5.2%	2.4%	0.2%
Net Income, adj.	-8.4%	4.4%	-12.6%	5.2%	1.1%
<b>Margins</b>					
EBITDA margin	22.9%	21.9%	22.2%	23.0%	22.8%
EBIT margin	11.4%	11.5%	10.6%	11.0%	10.9%
PBT margin	11.9%	11.5%	10.4%	10.8%	10.8%
Net Profit Margin	8.1%	8.0%	6.8%	7.2%	7.2%

### Key Ratios

ROE	11.4%	11.6%	10.2%	10.6%	10.4%
ROA	5.8%	6.1%	5.0%	5.1%	5.1%
Dividend Payout	77.4%	74.9%	75.0%	75.0%	75.0%
Net Debt or (Net Cash)	-274	-82	-64	-257	-304
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



### 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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