

# ComfortDelGro Corp Ltd

Back to core profitability



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## SINGAPORE | TRANSPORT SERVICES | 4Q20 RESULTS

22 February 2021

- 4Q20 PATMI is 40% below expectations due to lower-than-expected public transport revenue and earnings.
- QoQ, 4Q20 EBIT swung from S\$0.2mn loss in 3Q20 to S\$29.7mn profit, excluding government relief. Taxis returned to profitability in 4Q20.
- Comfort is emerging out of the pandemic with an even stronger balance sheet. Net cash of S\$279mn was up from S\$64mn in FY19.
- Recovery is underway with economic reopening, rebound in fuel index and dialling back of taxi rebates. Maintain BUY and DCF target price of S\$1.83 (WACC 7.7%). Taxis to lead the rebound with lower rental relief. Public transport to lag as traffic volumes are still almost 30% below pre-pandemic levels. Our FY21e forecasts are relatively unchanged.

### BUY (Maintained)

LAST CLOSE PRICE	S\$ 1.58
FORECAST DIV	S\$ 0.068
TARGET PRICE	S\$ 1.83
TOTAL RETURN	20.1%

#### COMPANY DATA

BLOOMBERG CODE:	CD SP
O/S SHARES (MN):	2,167
MARKET CAP (SGD mn):	3,423
52 - WK HI/LO (SGD):	2.08 / 1.32
3MAverage Daily T/O (mn):	12.4

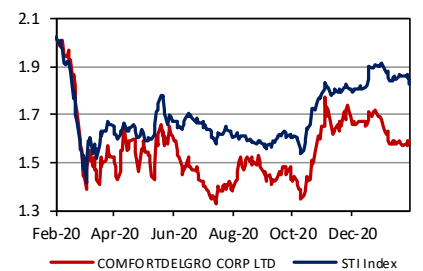
#### MAJOR SHAREHOLDERS (%)

Bank of Montreal	5.96
BlackRock Inc	4.57

#### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	-6.5	-1.3	-5.4
STI RETURN	-3.7	4.1	1.5

#### PRICE VS. STI



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Dec	FY 19	FY 20	FY 21e	FY 22e
Revenue (S\$ mn)	3,901	3,229	3,739	3,847
PATMI, a dj (S\$ mn)	292.4	110.1	196.4	278.6
EPS, adj. (cents)	13.5	5.1	9.1	12.9
P/E, adj. (x)	11.7	31.1	17.4	12.3
BVPS (cents)	139	140	147	154
P/B (x)	1.1	1.1	1.1	1.0
DPS (cents)	9.8	1.4	6.8	9.6
Div. Yield (%)	6.2	0.9	4.3	6.1

Source: Bloomberg, PSR

#### VALUATION METHOD

DCF (WACC: 7.7%; Terminal g: 1.5%)

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### Results at a glance

(SGD mn)	4Q20	4Q19	YoY	Comments
Revenue	885.4	997.4	-11.2%	
- Public transport	700.5	743.6	-5.8%	Relief of S\$34mn in 4Q20.
- Taxi	115.6	167.1	-30.8%	Relief of S\$5.1mn in 4Q20.
EBIT	72.5	115.2	-37.1%	Excl. relief, EBIT is \$29.7mn.
- Public transport	35.6	47.0	-24.3%	Excl. relief, EBIT is a paltry \$1.6mn.
- Taxi	14.8	18.9	-21.7%	Excl. relief, EBIT is \$9.7mn.
Impairment	0.0	(26.6)	n.m.	
PATMI	46.1	48.8	-5.5%	4Q20 government relief was S\$42.8mn.
DPS - Final (cents)	1.43	5.29	n.m.	FY20 DPS is 1.43 cents (FY19: 9.79 cents).

Source: Company, PSR

### The Positives

**+ QoQ improvement in revenue and earnings.** QoQ, revenue increased S\$69mn to S\$885mn. EBIT swung back to a positive S\$29.7mn from S\$0.2mn losses in 3Q20, excluding government relief. The improvement came from taxi operations, which returned to a profit of S\$9.7mn from 3Q20's -S\$7.2mn.

**+ Healthy cash flows.** Operating cash flow in 4Q20 was S\$143mn or an estimated S\$100mn excluding government relief (4Q19: +S\$206mn). Net cash spiralled to S\$279mn from S\$64mn in FY19. FCF in FY20 was S\$513mn, up from S\$377mn in FY19.

### The Negatives

**- Public transport still languishing.** QoQ, public transport revenue rose S\$60mn to S\$700.5mn. And EBIT declined from QoQ from S\$8mn to S\$1.6mn, excluding government relief. Profitability was worse than other smaller divisions in the group such as engineering and inspection. SBS repairs and maintenance costs rose around 10% YoY in 2H20. Money was spent on the refurbishment of ageing trains and the bus fleet, on top of the frequent cleaning of buses and trains.

**- Dividends slashed.** Final dividend was 1.43 cents, an 85% plunge from the 9.79 cents paid in FY19. There was no interim dividend in 1H20, unlike 1H19's 4.5 cents. Payout ratio was 50% in FY20, down from 80% in FY19.

## Outlook

Comfort would have been in a net loss in FY20 without government relief of S\$169.3mn. Nevertheless, FY21 marks a recovery year, supported by economic reopening, higher fuel indexation for buses and lower tax rebates.

**Taxis.** Since the pandemic outbreak on 23 January 2020 in Singapore, Comfort's share price is down 28%, from S\$2.20 to S\$1.58. The path to its earnings rebound is clear. It will be led by taxis. Rental waivers Comfort dished out in 2020 amounted to S\$116mn, according to our estimate. Waivers planned in 1Q21 could amount to around S\$13mn. If taxi takings continue to improve (Figure 1), these waiver can end in 1Q21. The longer-term challenge for its taxi business is a continuous decline in its fleet size. Comfort's fleet was down 11.7% in 2020, from 10,700 to 9,444 (Figure 2). The pivot overseas for growth should help to compensate for this. Another initiative that should help is the conversion of its taxi fleet from diesel to hybrid by 2023. About 60% has been converted. Hybrid taxis require less maintenance - due to fewer moving parts - and command higher rentals as drivers benefit from higher flag-down meter rates and fuel efficiency.

**Rail.** Near term, rail operations could remain in the doldrums amid rising costs of maintaining an old fleet. The latest data from January suggests rail passenger traffic was down 29% YoY in the month (Figure 3). Continued working from home remains a major impediment to a recovery to pre-pandemic levels.

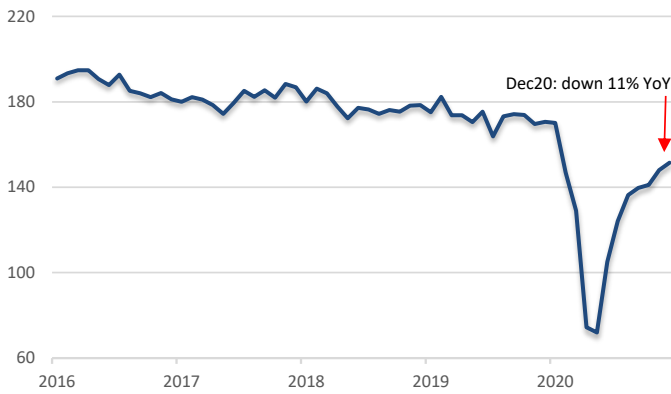
**Australia.** Australia is its largest overseas profit contributor, where we expect a recovery in 2021. Comfort has invested S\$1.24bn in Australia, only slightly below Singapore's S\$1.36bn. Revenue in Australia dipped only 3% in 2020 to S\$608mn, as scheduled bus services were minimally disrupted. Earnings, though, halved by 54% to S\$35.7mn due to soft taxi revenue, impairment charges for taxis and higher wage costs. Government relief was a minimal S\$2.1mn.

## Maintain BUY and TP of S\$1.83

Our FY21e revenue and PATMI forecasts are relatively unchanged. DCF target price is maintained at S\$1.83. Comfort is our preferred transport proxy for a normalization of economies as lockdowns ease.

Figure 1: Taxis' distance travelled on a recovery path

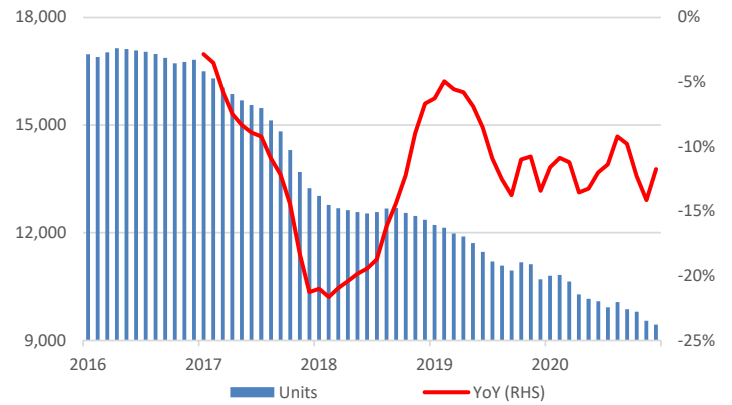
SG: Taxi average monthly travel (km) - single shift



Source: PSR, LTA

Figure 2: ComfortDelgro's taxi fleet is still contracting

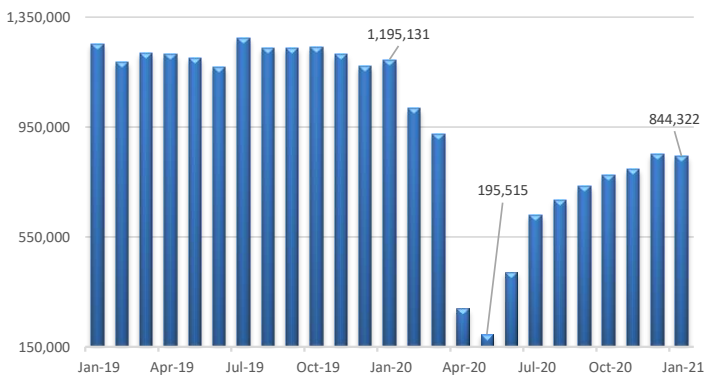
ComfortDelgro Tax Fleet



Source: PSR, LTA

Figure 3: Trains still hurt by working from home

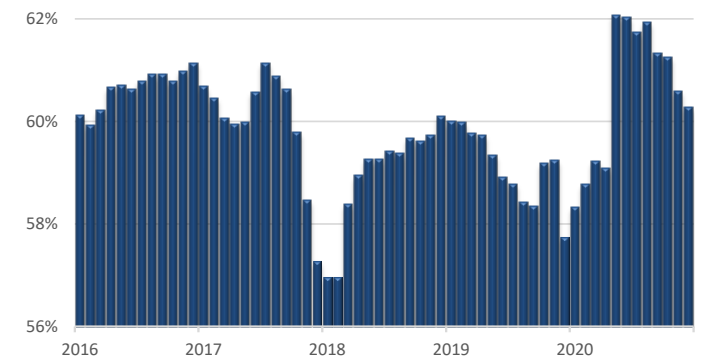
SBS Transit: Monthly rail passengers



Source: PSR, CEIC, SBS Transit

Figure 4: Taxis' market share of 60%

ComfortDelgro: Taxi Market Share



Source: PSR, CEIC, SBS Transit

## Financials

### Income Statement

SGD mn, Y/E Dec	FY 18	FY 19	FY 20	FY 21e	FY 22e
Revenue	3,805.2	3,901.1	3,228.6	3,738.9	3,846.8
EBITDA	832.0	841.5	539.7	698.3	782.2
Depreciation & Amortisation	(393.2)	(425.7)	(416.6)	(406.4)	(373.1)
EBIT	438.8	415.8	123.1	291.9	409.2
Net Finance (Expense)/Inc	0.4	(9.2)	(5.9)	5.6	12.9
Profit Before Tax	439.3	406.6	117.2	297.5	422.1
Taxation	(80.5)	(88.4)	(24.5)	(56.5)	(80.2)
Profit After Tax	358.8	318.2	92.7	241.0	341.9
Non-controlling interest	55.5	53.1	30.9	44.6	63.3
PATMI, reported	303.3	265.1	61.8	196.4	278.6
PATMI, adj.	303.3	292.4	110.1	196.4	278.6

### Per share data (cents)

	FY 18	FY 19	FY 20	FY 21e	FY 22e
EPS, reported	14.0	12.2	2.9	9.1	12.9
EPS, adj.	14.0	13.5	5.1	9.1	12.9
DPS	10.5	9.8	1.4	6.8	9.6
BVPS	140	139	140	147	154

### Cash Flow

SGD mn, Y/E Dec	FY 18	FY 19	FY 20	FY 21e	FY 22e
<b>CFO</b>					
PBT	439.3	406.6	117.2	297.5	422.1
Adjustments	-	-	-	-	-
WC changes	(55.0)	(146.8)	(28.3)	1.0	(15.0)
Cash generated from ops	750.9	704.8	571.6	699.4	767.2
Others	(82.1)	(94.9)	(87.9)	(56.5)	(80.2)
<b>Cashflow from ops</b>	668.8	609.9	483.7	642.9	687.0
<b>CFI</b>					
CAPEX, net	(226.1)	(346.5)	(106.1)	(179.7)	(188.7)
Divd from associates & JVs	11.4	1.0	0.4	-	-
Others	(423.2)	(21.1)	(4.0)	14.2	19.3
<b>Cashflow from investments</b>	(637.9)	(366.6)	(109.7)	(165.5)	(169.4)
<b>CFF</b>					
Share issuance, net	3.9	1.3	1.1	-	-
Loans, net of repayments	215.5	31.3	(116.6)	(100.0)	(100.0)
Dividends	(279.7)	(274.3)	(144.4)	(96.0)	(168.9)
Others	31.3	12.0	18.7	(8.6)	(6.4)
<b>Cashflow from financing</b>	(29.0)	(229.7)	(241.2)	(204.6)	(275.3)
Effects of exchange rates	(12.0)	(5.5)	15.8	-	-
<b>Net increase (decrease) in CCE</b>	(10.1)	8.1	148.6	272.8	242.3
<b>CCE, end</b>	586.1	594.2	742.8	1,015.6	1,257.9

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

SGD mn, Y/E Dec	FY 18	FY 19	FY 20	FY 21e	FY 22e
<b>ASSETS</b>					
Cash	586.1	594.2	742.8	1,015.6	1,257.9
Accounts Receivables	275.4	318.7	291.8	293.4	293.7
Inventories	138.7	150.7	127.9	137.4	142.2
Prepayments	277.0	255.5	241.6	250.9	263.0
Others	-	-	67.3	67.3	67.3
<b>Total current assets</b>	1,277.2	1,319.1	1,471.4	1,764.5	2,024.1
PPE	2,691.3	2,879.7	2,619.5	2,392.8	2,208.4
Intangibles	896.4	848.7	878.2	878.2	878.2
Receivables	219.0	284.3	285.8	285.8	285.8
Others	52.8	47.2	53.6	53.6	53.6
<b>Total non-current assets</b>	3,859.5	4,059.9	3,837.1	3,610.4	3,426.0
<b>Total Assets</b>	5,136.7	5,379.0	5,308.5	5,374.9	5,450.1
<b>LIABILITIES</b>					
Short term loans	71.1	198.8	110.3	110.3	110.3
Accounts Payables	691.0	670.3	675.0	696.4	698.6
Others	247.2	246.7	258.4	258.4	258.4
<b>Total current liabilities</b>	1,009.3	1,115.8	1,043.7	1,065.1	1,067.3
Long term loans	414.1	331.3	353.4	253.4	153.4
Others	686.2	922.9	882.6	882.6	882.6
Total non-current liabilities	1,100.3	1,254.2	1,236.0	1,136.0	1,036.0
<b>Total Liabilities</b>	2,109.6	2,370.0	2,279.7	2,201.1	2,103.3
<b>EQUITY</b>					
Non-controlling interest	413.5	414.0	422.0	466.6	529.9
<b>Shareholder Equity</b>	2,613.6	2,595.0	2,606.8	2,707.2	2,816.8

### Valuation Ratios

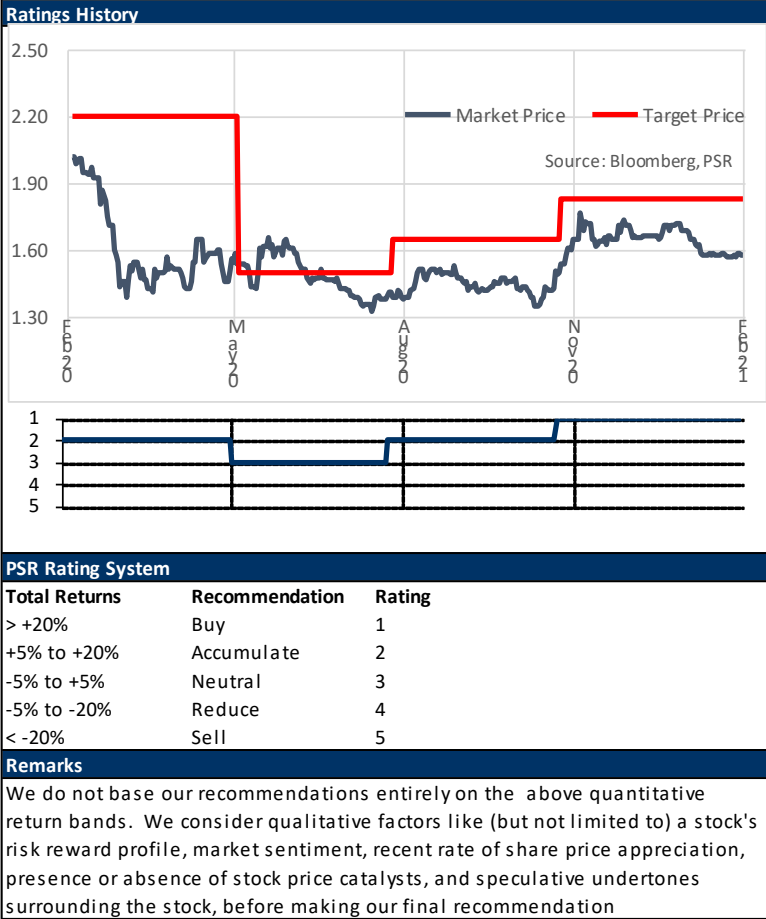
	FY 18	FY 19	FY 20	FY 21e	FY 22e
P/E (x), adj.	11.3	11.7	31.1	17.4	12.3
P/B (x)	1.1	1.1	1.1	1.1	1.0
Dividend Yield	6.6%	6.2%	0.9%	4.3%	6.1%

### Growth & Margins

<b>Growth</b>					
Revenue	6.4%	2.5%	-17.2%	15.8%	2.9%
EBITDA	1.7%	1.1%	-35.9%	29.4%	12.0%
EBIT	7.2%	-5.2%	-70.4%	137.2%	40.2%
Net Income, adj.	0.6%	-3.6%	-62.3%	78.4%	41.9%
<b>Margins</b>					
EBITDA margin	21.9%	21.6%	16.7%	18.7%	20.3%
EBIT margin	11.5%	10.7%	3.8%	7.8%	10.6%
PBT margin	11.5%	10.4%	3.6%	8.0%	11.0%
Net Profit Margin	8.0%	7.5%	3.4%	5.3%	7.2%

### Key Ratios

ROE	11.6%	11.2%	4.2%	7.4%	10.1%
ROA	6.1%	5.6%	2.1%	3.7%	5.1%
Dividend Payout	74.9%	72.5%	28.1%	75.0%	75.0%
Net Debt or (Net Cash)	(101)	(64)	(279)	(652)	(994)
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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