



ComfortDelGro Corporation

(CD SP/CMDG.SI)

BUY - Maintain

Price as of 27 Apr 2018	2.25
12M target price (S\$)	2.72
Previous target price (S\$)	2.24
Upside, incl div (%)	26.1

Trading data

Mkt Cap (S\$m) / (US\$m)	4,869 / 3,678
Issued Shares (m)	2,163.9
Ave Daily Traded (3-Month) Vol / Val	9.3m / \$19.3m
52 week lo / hi	\$1.89 / \$2.80
Free Float	99.6%

Major Shareholders

Blackrock	6.0%
Schroders	5.0%

Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
2-Jan-18	BUY	2.020	2.240

CD SP (1yr) VS STI



Source: Bloomberg

Joel Ng
65 6202 1192
joel.ng@kgi.com

See the last page for important disclosures.

Resilience amid disruption; Stable 5% dividend yield

Event

Improvement in competitive landscape. As expected, the ride-hailing platforms (Grab and Uber) focus on grabbing market share was simply not sustainable over the long-term. Recently, there were notable events in the transport industry; the most significant was the exit of Uber from the Southeast Asian (SEA) markets. Although the Uber deal with Grab is still pending regulatory approvals and that there are media reports of new players - such as Indonesia's Go-Jek - entering the Singapore private-hire market, we think that the overall competitive landscape is much more favourable to CD going forward. As a result, we are of the view that CD's share price - which has underperformed the STI over the last two years - is due for an upward rerating when two of its major business segments (public transport and taxi, both accounting for 90% of revenues) begin contributing to positive earnings growth in 2018E.

Valuation & Action

Reiterate BUY; three upside catalysts in our view. We reiterate our BUY recommendation and raise our target price to S\$2.72, pegged to 19x 2018F EPS (previously 16x 2018F EPS) and based on 1SD above the 10-year mean. We believe the following catalysts would lead to an expansion in valuation multiples as earnings begin recovering over the next few quarters: (1) better-than-expected recovery of its taxi business following the exit of Uber in SEA; (2) potential upside from the breakeven of Downtown Line (DTL); and (3) favourable forex from recovery of British Pound - UK/Ireland operations accounted for 15-21% of operating profits over the past five years.

5% dividend yield sustainable. Even after the 11% share price appreciation since our last report, CD still offers an attractive 4.6% dividend yield. CD's free cash flow is sufficient to support its current dividend of 10 SG cents per share. We estimate that it could possibly raise 2018 dividends to 11.2 SG cents - an implied 78% payout of our 2018F earnings forecasts - and translates to an attractive 5.0% dividend yield. CD's balance sheet remains healthy with no net debt, providing it with plenty of opportunities for EPS-accretive acquisitions overseas. It has already made several small overseas acquisitions in Australia and the UK since the start of 2018.

Risks

Further deterioration of taxi business if competitive landscape does not improve; slower-than-expected breakeven of DTL.

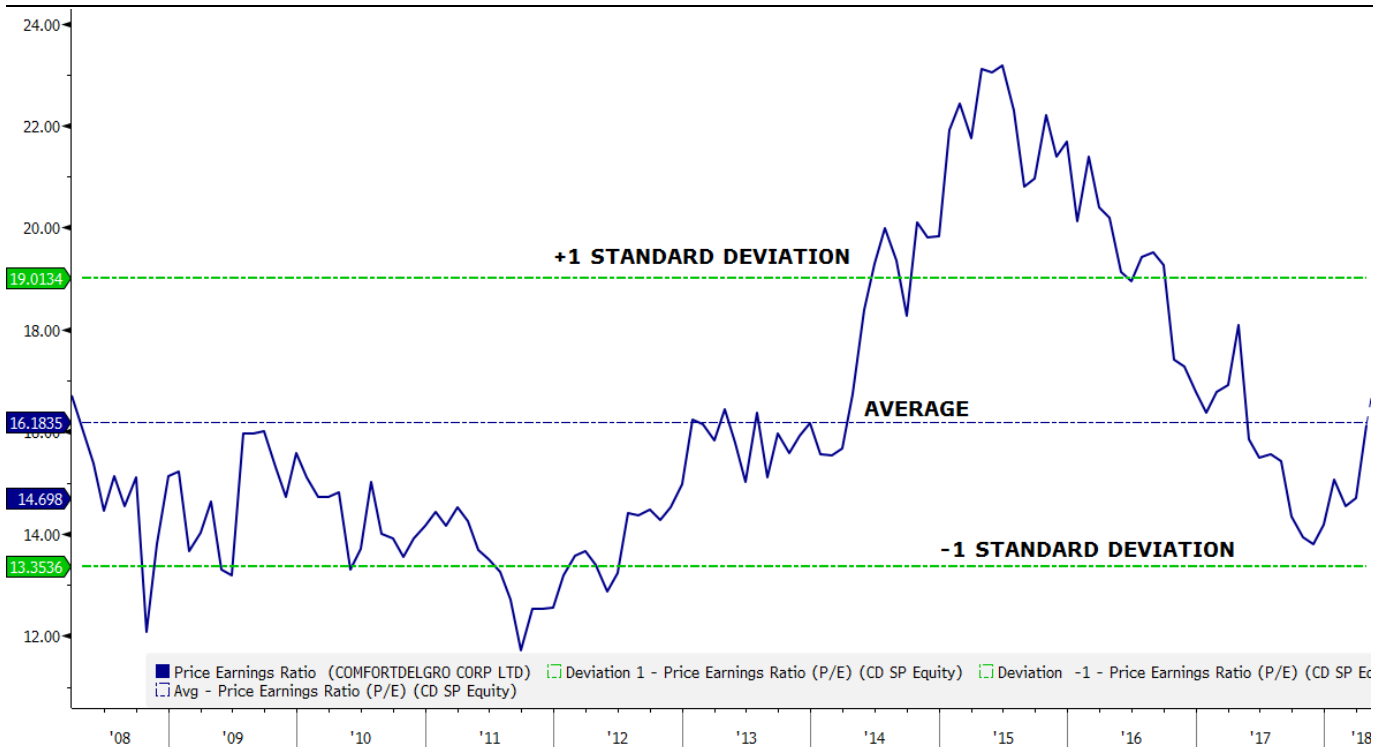
Financials & Key Operating Statistics

YE Dec (S\$m)	2016	2017	2018F	2019F	2020F
Revenue	4059.5	3970.9	4031.8	4092.8	4154.9
PATMI	317.1	301.5	310.2	315.9	321.4
Core PATMI	303.2	279.1	310.2	315.9	321.4
Core EPS	14.0	12.9	14.3	14.6	14.9
Core EPS grth (%)	0.4	-7.9	11.2	1.8	1.8
Core P/E (x)	16.1	17.4	15.7	15.4	15.1
DPS (SGCents)	10.3	10.4	11.2	11.2	11.2
Div Yield (%)	4.6	4.6	5.0	5.0	5.0
Net Margin (%)	7.8	7.6	7.7	7.7	7.7
Gearing (%)	-4.8	-0.1	14.7	22.6	28.8
Price / Book (x)	2.0	1.9	1.8	1.8	1.7
ROE (%)	9.9	9.9	9.8	9.6	9.4

Source: Company Data, KGI Research

Valuations : 10-Year PE/PB Multiples

Figure 1: P/E historical band – 10 years



Source: Bloomberg, KGI Research

Figure 2: Revenue mix by geography

Revenue by Geography (\$\$mn)	FY 2007 31/12/2007	FY 2008 31/12/2008	FY 2009 31/12/2009	FY 2010 31/12/2010	FY 2011 31/12/2011	FY 2012 31/12/2012	FY 2013 31/12/2013	FY 2014 31/12/2014	FY 2015 31/12/2015	FY 2016 31/12/2016	FY 2017 31/12/2017
Revenue	2,993	3,120	3,052	3,207	3,411	3,545	3,748	4,051	4,112	4,060	3,971
Singapore	1,605	1,798	1,729	1,833	1,971	2,104	2,230	2,400	2,469	2,546	2,483
United Kingdom/Ireland	981	858	749	712	688	681	802	1,014	1,024	924	875
Australia	178	205	277	378	466	492	485	414	387	386	424
China	216	247	285	275	277	260	220	213	220	192	179
Vietnam	8	9	8	7	7	6	6	7	9	9	7
Malaysia	5	5	4	3	3	3	4	4	3	3	3

Source: Bloomberg, KGI Research

KGI's Ratings

Rating	Definition
	KGI Securities Research's recommendations are based on an Absolute Return rating system.
BUY	>10% total return over the next 12 months
HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

Disclaimer

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities. This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) KGI Securities, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; and (3) the officers, employees and representatives of KGI Securities may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of KGI Securities or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including KGI Securities' total revenues, a portion of which are generated from KGI Securities' business of dealing in securities.

Copyright 2018. KGI Securities (Singapore) Pte. Ltd. All rights reserved.