



ComfortDelGro Corporation

(CD SP/CMDG.SI)

BUY - Maintain

Price as of 14 May 2018	2.35
12M target price (S\$)	2.72
Previous target price (S\$)	2.24
Upside, incl div (%)	20.7

Trading data

Mkt Cap (S\$m) / (US\$m)	5,085 / 3,815
Issued Shares (m)	2,163.9
Ave Daily Traded (3-Month) Vol / Val	8.2m / \$17.3m
52 week lo / hi	\$1.89 / \$2.67
Free Float	99.6%

Major Shareholders

Blackrock	6.0%
Schroders	5.0%

Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
30-Apr-18	BUY	2.250	2.720
2-Jan-18	BUY	2.020	2.240

CD SP (1yr) VS STI



Source: Bloomberg

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See the last page for important disclosures.

Positive developments

Event

Good set of results showing QoQ improvement. 1Q18 PATMI declined 20% YoY to S\$66mn even as top line increased 1% YoY to S\$879mn, mainly due to higher operating costs and lower net income from investments. Operating profits for the quarter was only slightly lower by 5% YoY at S\$96mn. Overall, a good set of results as 1Q18 EBITDA margins kept steady at 21.9%, unchanged from the prior year period, but an improvement from 18.2% in 4Q17.

Positive outlook. Revenues from Public Transport is expected to be higher with the commencement of the Seletar Bus Package from March 11 and Bukit Merah Bus Package in 4Q18. Rail service revenue is expected to be higher with full-year revenue contribution from Downtown Line 3. CD's outlook for its taxi business is finally turning optimistic. In its latest industry remarks, revenue from its taxi business is expected to stabilise with a better operating environment and recent acquisitions of new taxi businesses in AU, CN and UK.

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 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.

4-5% dividend yield sustainable. CD's free cash flow is sufficient to support its current dividend of 10 SG cents. 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 4.8% 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.

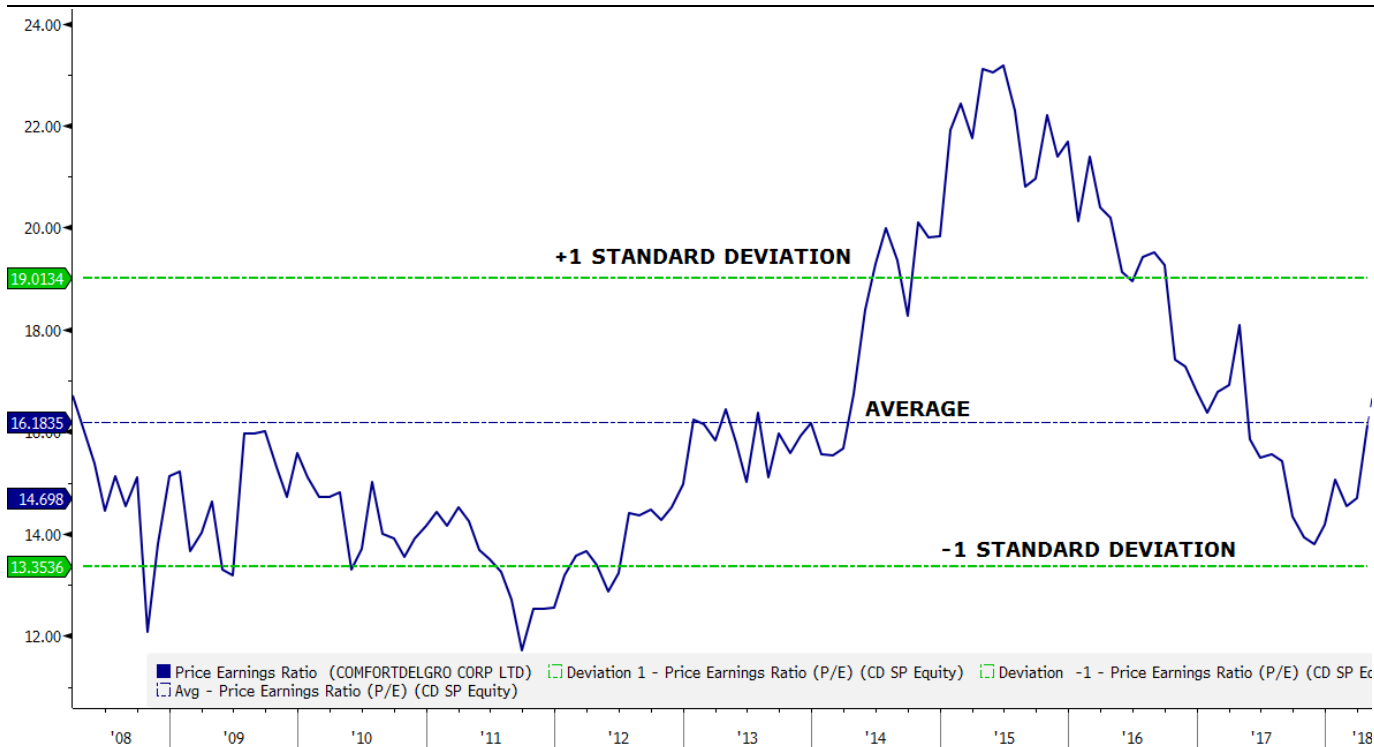
Risks

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)	16.8	18.2	16.4	16.1	15.8
DPS (SGCents)	10.3	10.4	11.2	11.2	11.2
Div Yield (%)	4.4	4.4	4.8	4.8	4.8
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)	2.1	1.9	1.9	1.8	1.8
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

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