

# ComfortDelGro Corporation

(CD SP/CMDG.SI)

## Moving in the right direction

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- **3Q20 business update.** CD reported improvements in Singapore, China, and Australia. However, UK will likely slow down due to a national lockdown from 5 Nov to 5 Dec 2020.
- **3Q20 revenues/PATMI.** 3Q20 PATMI declined 69% YoY to S\$22mn due to lower revenues (-16% YoY) and higher operating costs (+13% YoY). The lower performance included an S\$18mn impairment for its taxi and regional coach business in the UK.
- **Maintain OUTPERFORM; TP of \$1.65,** based on 17.6x FY2021F EPS. Business is moving in the right direction as the group remains in a strong financial position.

### Financials & Key Operating Statistics

YE Dec (\$m)	2018	2019	2020F	2021F	2022F
Revenue	3805.2	3905.7	3285.6	3696.8	3783.9
PATMI	303.3	265.1	74.6	203.1	239.1
Core PATMI	303.3	292.4	74.6	203.1	239.1
Core EPS	14.0	13.5	3.4	9.4	11.0
Core EPS grth (%)	8.7	-3.6	-74.5	172.2	17.7
Core P/E (x)	11.0	11.4	44.6	16.4	13.9
DPS (\$GCents)	10.5	9.8	2.0	6.5	8.0
Div Yield (%)	6.8	6.4	1.3	4.2	5.2
Net Margin (%)	8.0	6.8	2.3	5.5	6.3
Gearing (%)	8.4	13.5	7.0	6.9	5.3
Price / Book (x)	1.3	1.3	1.2	1.2	1.2
ROE (%)	10.0	8.8	2.4	6.2	7.1

Source: Company Data, KGI Research

**3Q20 overview.** PATMI plunged 69% YoY to S\$22mn due to lower revenues (-16% YoY) and higher operating costs (+13% YoY). It also recognised S\$18mn of impairments for its UK segment. The group reported S\$44mn of operating profits in 3Q20, all of which came from government relief funds. On a positive note, only its taxi business reported an operating loss (-S\$11mn) in 3Q20.

**SBS Transit.** As for CD's Singapore public transportation business under SBS Transit, management has commented that daily ridership on both DTL and NEL are at 53% and 60% levels prior the Covid-19 period, respectively, as at end September 2020. Most bus services have resumed in June 2020 except for "Night Own" and the "Cross Broder Bus" services, which remains suspended until the end of 2020.

**Stronger balance sheet.** As at end Sep-20, CD had S\$751mn in cash and S\$635mn in total borrowings. As a result, it is in a strong S\$116mn net cash position, which is an improvement from the S\$40mn net debt position as at end Dec-19. CD had S\$700mn of available facilities.

**Reopening in Singapore, China and Australia.** CD reported positive operating profits for Singapore, Australia and China in 9M20, offset by operating losses in the UK/Ireland. CD's 9M20 operating profit of S\$51mn included S\$48mn of impairment provisions, mainly for UK (S\$18mn), Singapore (S\$9mn) and China (S\$8mn).

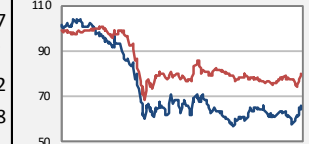
### OUTPERFORM - Maintain

Price as of 13 Nov 20 (SGD)	1.54	Performance (Absolute)	
12M TP (\$)	1.65	1 Month (%)	5.5
Previous TP (\$)	1.63	3 Month (%)	9.2
Upside, incl div (%)	11.5	12 Month (%)	-31.2

### Trading data

Mkt Cap (\$mn)	3,337
Issued Shares (mn)	2,167
Vol - 3M Daily avg (mn)	12.2
Val - 3M Daily avg (\$mn)	17.8
Free Float (%)	93.6%

### Perf. vs STI Index (Red)



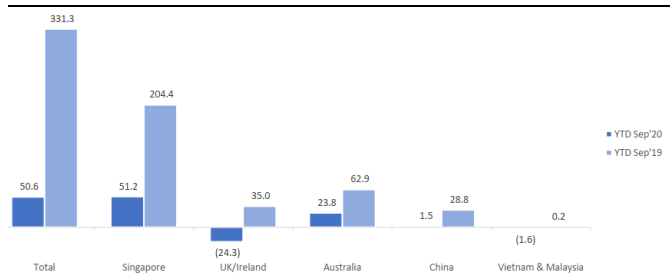
### Major Shareholders

BMO Financial	7.5%
Blackrock	5.1%
Vanguard Group	2.7%

### Previous Recommendations

26-Aug-20	OP \$1.63
24-Feb-20	OP \$2.28
19-Nov-19	OP \$2.61

Figure 1: Operating profit (9M20 vs 9M19)



Source: Company, KGI Research

**Many uncertainties in UK.** CD reported positive operating profits for Singapore, Australia and China in 3Q20, offset by operating losses in the UK/Ireland. The UK has reported a worsening wave of infections and on 31 October 2020, Prime Minister Boris Johnson announced a second national lockdown for England from 5 Nov to 2 Dec 2020. Furthermore, Brexit talks continue to weigh on the country's outlook in 2021.

**Valuation & Action:** We maintain **OUTPERFORM** and TP of S\$1.65, pegged to 17.6x 2021F EPS (above 10-year average). Despite the overhang from its UK unit and as government relief beings tapering off over the next few months, overall business is moving in the right direction.

**Dividend cut FY20-22F.** For FY20/21/22F, we expect dividends to be reduced to 2.0/6.5/8.0 Scts, implying a dividend yield of 1.3/4.2/5.2%.

**Risks:** Second wave COVID-19 outbreak could derail recovery; forex risks given its exposure to UK, Australia and China.

**Financials**

YE 31 Dec

<b>INCOME STATEMENT (S\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
Revenue	3,805.2	3,905.7	3,285.6	3,696.8	3,783.9
Gross Profit	3,805.2	3,905.7	3,285.6	3,696.8	3,783.9
Profit from Operations	438.8	415.8	164.3	332.7	378.4
PATMI	303.3	265.1	74.6	203.1	239.1
PATMI Normalized	303.3	292.4	74.6	203.1	239.1
<b>BALANCE SHEET (S\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
Cash and cash equivalents	586.1	594.2	565.4	562.5	575.6
Trade and other receivables	552.4	574.2	477.0	536.7	549.3
Inventory	138.7	150.7	134.3	141.2	142.1
Other current assets	0.0	0.0	0.0	0.0	0.0
<b>Current Assets</b>	<b>1,277.2</b>	<b>1,319.1</b>	<b>1,176.7</b>	<b>1,240.5</b>	<b>1,267.0</b>
Property, plant and equipment	2,691.3	2,706.1	2,725.7	2,732.6	2,750.1
Other non-current assets	1,168.2	1,353.8	1,397.0	1,442.3	1,489.9
<b>Non-current Assets</b>	<b>3,859.5</b>	<b>4,059.9</b>	<b>4,122.7</b>	<b>4,174.9</b>	<b>4,240.0</b>
<b>Total assets</b>	<b>5,136.7</b>	<b>5,379.0</b>	<b>5,299.4</b>	<b>5,415.4</b>	<b>5,507.0</b>
Trade and other payables	691.0	670.3	680.7	675.5	678.1
Borrowings (current)	90.4	227.0	78.1	87.8	89.9
Other current liabilities	227.9	218.5	218.5	218.5	218.5
<b>Current Liabilities</b>	<b>1,009.3</b>	<b>1,115.8</b>	<b>977.2</b>	<b>981.8</b>	<b>986.5</b>
Borrowings (non-current)	479.5	407.2	414.0	465.8	476.8
Other non-current liabilities	620.8	847.0	774.0	715.6	668.9
<b>Non-current liabilities</b>	<b>1,100.3</b>	<b>1,254.2</b>	<b>1,188.0</b>	<b>1,181.5</b>	<b>1,145.7</b>
Shareholders equity	2,613.6	2,595.0	2,670.8	2,733.3	2,799.3
Non-controlling interests	413.5	414.0	463.3	518.7	575.5
<b>Total Equity</b>	<b>3,027.1</b>	<b>3,009.0</b>	<b>3,134.1</b>	<b>3,252.1</b>	<b>3,374.8</b>
<b>Total Liabilities and Equity</b>	<b>5,136.7</b>	<b>5,379.0</b>	<b>5,299.4</b>	<b>5,415.4</b>	<b>5,507.0</b>
<b>CASH FLOW STATEMENT (S\$m)</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
Net income before tax	439.3	379.2	154.9	323.2	369.8
Depreciation & non cash adjustments	418.2	453.0	368.2	366.8	374.1
Change in Working Capital	(118.0)	(54.5)	123.9	(71.8)	(10.9)
Income Tax Paid	(82.1)	(89.5)	(31.0)	(64.6)	(74.0)
Interest Paid	11.4	21.2	20.4	20.5	19.6
<b>CF from operating activities</b>	<b>668.8</b>	<b>609.9</b>	<b>636.5</b>	<b>574.1</b>	<b>678.7</b>
Purchase/Disposal of PPE	(352.8)	(506.7)	(381.0)	(413.5)	(433.7)
Other CFI	(285.1)	140.1	0.0	0.0	0.0
<b>CF from investing activities</b>	<b>(637.9)</b>	<b>(366.6)</b>	<b>(381.0)</b>	<b>(413.5)</b>	<b>(433.7)</b>
Dividends Paid	(225.1)	(230.7)	(43.3)	(140.6)	(173.1)
Debt Raised / (Repaid)	215.5	3.7	(215.1)	3.2	(33.7)
Equity Raised / (Bought Back)	0.0	0.0	0.0	0.0	0.0
Other Cash from Financing	(8.4)	12.7	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>(29.0)</b>	<b>(229.7)</b>	<b>(278.8)</b>	<b>(157.9)</b>	<b>(226.4)</b>
Net increase in cash & cash equiv.	(10.1)	8.1	(28.8)	(2.8)	13.1
FX effects	(12.0)	(5.5)	(5.5)	(5.5)	(5.5)
Beginning Cash	596.2	586.1	594.2	565.4	562.5
<b>Ending Cash</b>	<b>586.1</b>	<b>594.2</b>	<b>565.4</b>	<b>562.5</b>	<b>575.6</b>
<b>KEY RATIOS</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
<b>Profitability</b>					
Core EPS	14.0	13.5	3.4	9.4	11.0
Core EPS Growth (%)	8.7	(3.6)	(74.5)	172.2	17.7
DPS (SGD Cents)	10.5	9.8	2.0	6.5	8.0
Dividend Yield (%)	6.8	6.4	1.3	4.2	5.2
<b>Profitability</b>					
EBITDA margin	21.9%	22.2%	16.0%	20.0%	21.0%
Net margin	8.0%	6.8%	2.3%	5.5%	6.3%
ROE	10.0%	8.8%	2.4%	6.2%	7.1%
ROA	5.9%	4.9%	1.4%	3.8%	4.3%
<b>Financial Structure (x)</b>					
Interest coverage	38.5	19.6	8.1	16.3	19.3
Total Debt/Equity	0.3	0.3	0.3	0.2	0.2
Net Gearing	0.1	0.1	0.1	0.1	0.1

Source: Company data, KGI Research

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	<b>Outperform (OP)</b>	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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