

15 May 2024

Industrials | Road & Rail

## ComfortDelGro (CD SP)

**Buy** (Maintained)

### Seasonally Weak 1Q24; Better 2H24 Expected; BUY

Target Price (Return): SGD1.65 (14.6%)  
 Price (Market Cap): SGD1.44 (USD2,302m)  
 ESG score: 3.4 (out of 4)  
 Avg Daily Turnover (SGD/USD) 8.22m/6.09m

- **Still BUY and SGD1.65 TP, 15% upside and 5% FY24F yield.** Despite a seasonally soft 1Q24, PATMI rose 24 YoY%. We expect ComfortDelGro's many units to continue seeing YoY improvements ahead on higher local rail revenue, continued improvements in UK public transport revenue, better taxi earnings here, improvement in its China taxi wing, and contributions from newly announced acquisitions. We see a favourable final review of point-to-point or P2P transport sector regulations and new tender wins as re-rating catalysts. Our TP includes a 6% ESG premium to CD's SGD1.55 FV.
- **Seasonally weak 1Q24 results.** 1Q24 revenue stood at SGD1bn (+10.8% YoY, -1.6% QoQ) while EBIT came in at SGD55.2m (+10.2% YoY, -28% QoQ). Two of CD's largest businesses, public transport (PT) and taxi & private hire (TPH), registered strong YoY growth in revenue and EBIT. The company maintains (and we believe) that the business will continue to improve in the coming quarters, as 1Q24 historically tends to be a seasonally weak quarter. 1Q24 PATMI of SGD40.6m (+23.8% YoY, -22.1% QoQ) accounted for 19% of our and consensus 2024F earnings. In 2023, 1Q PATMI accounted for 18% of the full-year number. Seasonal weakness is usually caused by lower bus frequencies in the UK and a lower take-up of taxis in China amidst the Lunar New Year celebrations. 1Q24 TPH EBIT margin came in a bit below our expectations, as an increase in competition from TADA, a ride-hailing player, led to a YoY decline in bookings.
- **Better 2H expectations.** We expect improvements for the rest of the year to be visible in the China taxi business, which has yet to recover to pre-COVID-19 levels. The UK bus business, which tends to be seasonally soft in 1Q, should see margins recovery on the back of bus service fee indexation. Contributions from the recently acquired CMAC Group (CMAC) should improve, as 1Q tends to be seasonally soft for its business as well. In 1Q24, CMAC contributed SGD28m and SGD1m in revenue and EBIT. We continue to see healthy improvements in SBS Transit's (SBST) rail ridership. In addition, it is expected that SBST could see a moderation in operating costs towards the end of 2024 amidst lower electricity costs – this is as its existing contract gets renegotiated.
- **More M&A could be on the horizon.** CD said it has a borrowing headroom of SGD1.2-1.7bn based on a notional 20–30% net gearing, allowing it to undertake more earnings-accretive M&A in the near future. In 2024, it completed the acquisitions of: i) Taxi operator A2B Australia (in Apr 2024) and ii) ground transport management specialist CMAC (in Feb 2024). The acquisition of CMAC was funded by debt. Key risks: i) Higher-than-estimated operating costs and ii) weak taxi margins from sustained competitive pressures.

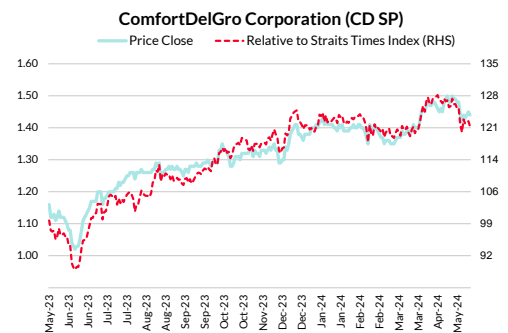
#### Analyst

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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	2.9	(2.7)	5.1	9.9	22.0
Relative	0.6	(5.7)	(0.5)	3.2	18.7
52-wk Price low/high (SGD)					1.02 – 1.50



Source: Bloomberg

#### Overall ESG Score: 3.4 (out of 4)

##### E: GOOD

CD incorporated the creation of an energy-efficient transport system as one of its three key pillars of the sustainability framework. It set clear goals and targets for greenhouse gas emissions reduction, improvements in energy efficiency, the transition to green energy vehicles, and the use of renewable energy.

##### S: EXCELLENT

CD is aiming to achieve zero workplace fatalities and workplace injury rates below the national averages in its operations. To ensure that its transport services are accessible to all, regardless of age or ability, CD has ensured that 100% of its public buses and trains are wheelchair-accessible.

##### G: EXCELLENT

CD's board is made up of 10 directors, nine of whom are independent (90%). Reflecting on gender diversity, 30% of the board is made up of females, a minimum percentage that it intends to maintain. CD engages with governments and regulators on different levels to help shape public policy and regulations that support the land transport sector. ESG considerations have been integrated into senior management compensation, with ESG targets making up 25% of their annual balance score card performance and 20% of the longer-term employee share award scheme.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (SGDm)	3,781	3,880	3,951	4,048	4,157
Recurring net profit (SGDm)	173	181	217	242	273
Recurring net profit growth (%)	11.7	4.3	20.1	11.4	12.9
Recurring P/E (x)	18.03	17.29	14.40	12.92	11.45
P/B (x)	1.2	1.2	1.2	1.1	1.1
P/CF (x)	5.18	6.95	4.36	5.02	4.70
Dividend Yield (%)	3.2	4.6	5.2	5.8	6.6
EV/EBITDA (x)	4.59	4.76	4.37	4.08	3.74
Return on average equity (%)	8.0	7.0	8.3	9.0	9.9
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

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## Financial Exhibits

<b>Asia</b>	<b>Financial summary (SGD)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
Singapore	Recurring EPS	0.08	0.08	0.10	0.11	0.13
Industrials	DPS	0.05	0.07	0.08	0.08	0.09
<b>ComfortDelGro</b>	BVPS	1.19	1.20	1.22	1.26	1.29
CD SP	Return on average equity (%)	8.0	7.0	8.3	9.0	9.9
Buy						
	<b>Valuation metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
<b>Valuation basis</b>	Recurring P/E (x)	18.03	17.29	14.40	12.92	11.45
Our TP is derived through DCF.	P/B (x)	1.2	1.2	1.2	1.1	1.1
	FCF Yield (%)	9.6	2.6	12.5	7.9	9.3
	Dividend Yield (%)	3.2	4.6	5.2	5.8	6.6
<b>Key drivers</b>	EV/EBITDA (x)	4.59	4.76	4.37	4.08	3.74
i. More earnings-accretive acquisitions and winning of new public transport tenders;	EV/EBIT (x)	10.66	11.14	8.44	7.61	6.68
ii. Pause in taxi fleet contraction and more rational competition in the point-to-point or P2P transport segment.						
	<b>Income statement (SGDm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
<b>Key risks</b>	Total turnover	3,781	3,880	3,951	4,048	4,157
i. Higher-than-estimated operating costs;	Gross profit	3,781	3,880	3,951	4,048	4,157
ii. Weak taxi margins from sustained competitive pressures.	EBITDA	627	636	654	697	752
	Depreciation and amortisation	(357)	(364)	(316)	(324)	(330)
<b>Company Profile</b>	Operating profit	270	272	339	374	421
CD, one of largest land transport companies in the world, is a market leader in Singapore and has a significant overseas presence. Its businesses include bus, taxi, rail, car rental & leasing, automotive engineering services, testing services, driving centre, insurance broking services, outdoor advertising, and car dealerships.	Net interest	(13)	(23)	(16)	(16)	(16)
	Pre-tax profit	310	280	338	376	425
	Taxation	(54)	(55)	(68)	(75)	(85)
	Reported net profit	210	181	217	242	273
	Recurring net profit	173	181	217	242	273
	<b>Cash flow (SGDm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Change in working capital	17	(15)	0	(0)	0
	Cash flow from operations	602	449	716	621	664
	Capex	(302)	(368)	(325)	(375)	(375)
	Cash flow from investing activities	(251)	(331)	(312)	(359)	(358)
	Dividends paid	(171)	(212)	(163)	(172)	(193)
	Cash flow from financing activities	(275)	(224)	(179)	(188)	(209)
	Cash at beginning of period	919	967	857	1,082	1,157
	Net change in cash	77	(106)	225	75	98
	Ending balance cash	967	857	1,082	1,157	1,254
	<b>Balance sheet (SGDm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Total cash and equivalents	967	857	1,082	1,157	1,254
	Tangible fixed assets	2,038	2,012	2,022	2,073	2,118
	Total investments	33	60	62	64	66
	Total assets	4,701	4,690	4,712	4,854	5,013
	Short-term debt	27	115	115	115	115
	Total long-term debt	265	235	235	235	235
	Total liabilities	1,701	1,676	1,591	1,603	1,616
	Total equity	2,999	3,014	3,121	3,251	3,398
	Total liabilities & equity	4,701	4,690	4,712	4,854	5,013
	<b>Key metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Revenue growth (%)	6.9	2.6	1.8	2.5	2.7
	Recurrent EPS growth (%)	11.7	4.3	20.1	11.4	12.9
	Gross margin (%)	100.0	100.0	100.0	100.0	100.0
	Operating EBITDA margin (%)	16.6	16.4	16.6	17.2	18.1
	Net profit margin (%)	5.6	4.7	5.5	6.0	6.6
	Dividend payout ratio (%)	47.5	80.0	75.0	75.0	75.0
	Capex/sales (%)	8.0	9.5	8.2	9.3	9.0
	Interest cover (x)	20.3	11.9	21.5	23.7	26.7

Source: Company data, RHB

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Figure 1: 1Q24 results summary

P&L (SGDm)								1Q24 Growth (%)		
	Year-end Dec	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY
<b>Revenue</b>		<b>960.3</b>	<b>977.2</b>	<b>906.4</b>	<b>955.9</b>	<b>996.6</b>	<b>1,021.4</b>	<b>1,004.6</b>	-1.6%	10.8%
Operating costs		(815.8)	(840.6)	(767.5)	(798.8)	(833.4)	(850.7)	(861.5)	1.3%	12.2%
Depreciation and amortisation		(88.3)	(91.3)	(88.8)	(91.8)	(89.6)	(94.0)	(87.9)	-6.5%	-1.0%
<b>EBIT (recurring)</b>		<b>56.2</b>	<b>45.3</b>	<b>50.1</b>	<b>65.3</b>	<b>73.6</b>	<b>76.7</b>	<b>55.2</b>	<b>-28.0%</b>	<b>10.2%</b>
Net gain/(loss) on disposal		(0.2)	(2.4)	0.8	1.0	1.8	2.8	0.8	-71.4%	0.0%
<b>EBIT (reported)</b>		<b>56.0</b>	<b>42.9</b>	<b>50.9</b>	<b>66.3</b>	<b>75.4</b>	<b>79.5</b>	<b>56.0</b>	<b>-29.6%</b>	<b>10.0%</b>
Net interest income/(expense)		0.5	2.3	3.0	2.6	1.5	(0.6)	6.2	-1133.3%	106.7%
Share of associates and JV		0.1	0.2	0.3	0.6	0.4	0.1	0.1	0.0%	-66.7%
<b>Profit after tax</b>		<b>44.6</b>	<b>38.2</b>	<b>43.6</b>	<b>56.4</b>	<b>62.1</b>	<b>62.9</b>	<b>50.3</b>	<b>-20.0%</b>	<b>15.4%</b>
<b>Profit after tax and MI</b>		<b>32.3</b>	<b>25.5</b>	<b>32.8</b>	<b>45.7</b>	<b>49.9</b>	<b>52.1</b>	<b>40.6</b>	<b>-22.1%</b>	<b>23.8%</b>
<b>Profit margin (%)</b>										
EBIT (recurring)		5.9%	4.6%	5.5%	6.8%	7.4%	7.5%	5.5%		
EBIT		5.8%	4.4%	5.6%	6.9%	7.6%	7.8%	5.6%		
Net profit		3.4%	2.6%	3.6%	4.8%	5.0%	5.1%	4.0%		

Source: Company data, RHB

Figure 2: Summary of 1Q24 results according to segment

Segments (SGDm)								1Q24 Growth (%)		
	Year-end Dec	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY
<b>Revenue</b>		<b>960.2</b>	<b>977.3</b>	<b>906.4</b>	<b>955.9</b>	<b>996.6</b>	<b>1,021.4</b>	<b>1,004.6</b>	-1.6%	10.8%
Public transport		733.8	753.2	686.1	730.0	758.5	784.7	741.1	-5.6%	8.0%
Taxi & private hire		142.9	142.6	137.1	140.8	147.6	149.2	148.3	-0.6%	8.2%
Other private transport		35.6	33.4	34.1	35.4	37.9	36.4	65.3	79.4%	91.5%
Inspection & testing services		26.8	27.0	27.1	27.6	26.6	28.2	27.4	-2.8%	1.1%
Other Segments		21.1	21.1	22.0	22.1	26.0	22.9	22.5	-1.7%	2.3%
<b>EBIT (recurring)</b>		<b>56.1</b>	<b>45.3</b>	<b>50.1</b>	<b>65.3</b>	<b>73.6</b>	<b>76.7</b>	<b>55.2</b>	<b>-28.0%</b>	<b>10.2%</b>
Public transport		27.5	15.3	23.0	28.9	32.9	33.0	23.8	-27.9%	3.5%
Taxi & private hire		20.6	23.7	16.8	25.8	28.5	34.9	23.3	-33.2%	38.7%
Other private transport		(2.6)	(3.5)	(0.8)	(0.8)	(1.2)	(2.0)	(1.4)	-30.0%	75.0%
Inspection & testing services		8.1	8.8	8.1	8.5	7.9	8.5	8.3	-2.4%	2.5%
Other Segments		2.5	1.0	3.0	2.9	5.5	2.3	1.2	-47.8%	-60.0%
<b>EBIT (recurring) margin</b>		<b>5.8%</b>	<b>4.6%</b>	<b>5.5%</b>	<b>6.8%</b>	<b>7.4%</b>	<b>7.5%</b>	<b>5.5%</b>		
Public transport		3.7%	2.0%	3.4%	4.0%	4.3%	4.2%	3.2%		
Taxi & private hire		14.4%	16.6%	12.3%	18.3%	19.3%	23.4%	15.7%		
Other private transport		-7.3%	-10.5%	-2.3%	-2.3%	-3.2%	-5.5%	-2.1%		
Inspection & testing services		30.2%	32.6%	29.9%	30.8%	29.7%	30.1%	30.3%		
Other Segments		11.8%	4.7%	13.6%	13.1%	21.2%	10.0%	5.3%		
<b>Key contributors</b>										
<b>Revenue</b>										
Public transport		76.4%	77.1%	75.7%	76.4%	76.1%	76.8%	73.8%		
Taxi & private hire		14.9%	14.6%	15.1%	14.7%	14.8%	14.6%	14.8%		
Other private transport		3.7%	3.4%	3.8%	3.7%	3.8%	3.6%	6.5%		
Inspection & testing services		2.8%	2.8%	3.0%	2.9%	2.7%	2.8%	2.7%		
<b>EBIT (recurring)</b>										
Public transport		49.0%	33.8%	45.9%	44.3%	44.7%	43.0%	43.1%		
Taxi & private hire		36.7%	52.3%	33.5%	39.5%	38.7%	45.5%	42.2%		
Other private transport		-4.6%	-7.7%	-1.6%	-1.2%	-1.6%	-2.6%	-2.5%		
Inspection & testing services		14.4%	19.4%	16.2%	13.0%	10.7%	11.1%	15.0%		

Source: Company data, RHB

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Figure 3: Summary of 1Q24 results according to market

Segments (SGDm)								1Q24 Growth (%)		
	Year-end Dec	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY
<b>Revenue</b>		<b>960.3</b>	<b>977.2</b>	<b>906.4</b>	<b>955.9</b>	<b>996.6</b>	<b>1,021.4</b>	<b>1,004.6</b>	<b>-1.6%</b>	<b>10.8%</b>
Singapore		563.8	565.2	536.8	547.6	569.0	573.7	569.3	-0.8%	6.1%
UK/Ireland		196.7	217.9	181.5	214.9	231.1	242.6	238.2	-1.8%	31.2%
Australia		174.8	171.3	164.9	169.9	171.7	179.7	172.1	-4.2%	4.4%
China		24.8	22.0	22.7	23.0	24.6	25.7	24.8	-3.5%	9.3%
Vietnam & Malaysia		0.2	0.8	0.5	0.5	0.2	(0.3)	0.2	-166.7%	-60.0%
<b>EBIT (reported)</b>		<b>56.0</b>	<b>42.9</b>	<b>50.9</b>	<b>66.3</b>	<b>75.4</b>	<b>79.5</b>	<b>56.0</b>	<b>-29.6%</b>	<b>10.0%</b>
Singapore		46.8	41.6	39.9	52.4	53.6	55.4	41.8	-24.5%	4.8%
UK/Ireland		(2.0)	(13.4)	(3.5)	(2.3)	11.5	(1.8)	0.9	-150.0%	-125.7%
Australia		8.9	11.3	11.0	13.2	4.2	20.0	9.2	-54.0%	-16.4%
China		2.2	3.6	3.4	3.0	6.1	5.9	4.0	-32.2%	17.6%
Vietnam & Malaysia		0.1	(0.2)	0.1	0.0	0.0	0.0	0.1	#DIV/0!	0.0%
<b>EBIT (reported) margin</b>		<b>5.8%</b>	<b>4.4%</b>	<b>5.6%</b>	<b>6.9%</b>	<b>7.6%</b>	<b>7.8%</b>	<b>5.6%</b>		
Singapore		8.3%	7.4%	7.4%	9.6%	9.4%	9.7%	7.3%		
UK/Ireland		-1.0%	-6.1%	-1.9%	-1.1%	5.0%	-0.7%	0.4%		
Australia		5.1%	6.6%	6.7%	7.8%	2.4%	11.1%	5.3%		
China		8.9%	16.4%	15.0%	13.0%	24.8%	23.0%	16.1%		
Vietnam & Malaysia		50.0%	-25.0%	20.0%	0.0%	0.0%	0.0%	50.0%		
<b>Key contributors</b>										
<b>Revenue</b>										
Singapore		58.7%	57.8%	59.2%	57.3%	57.1%	56.2%	56.7%		
UK/Ireland		20.5%	22.3%	20.0%	22.5%	23.2%	23.8%	23.7%		
Australia		18.2%	17.5%	18.2%	17.8%	17.2%	17.6%	17.1%		
China		2.6%	2.3%	2.5%	2.4%	2.5%	2.5%	2.5%		
<b>EBIT (reported)</b>										
Singapore		83.4%	91.8%	79.6%	80.2%	72.8%	72.2%	75.7%		
UK/Ireland		-3.6%	-29.6%	-7.0%	-3.5%	15.6%	-2.3%	1.6%		
Australia		15.9%	24.9%	22.0%	20.2%	5.7%	26.1%	16.7%		
China		3.9%	7.9%	6.8%	4.6%	8.3%	7.7%	7.2%		

Source: Company data, RHB

## Emissions And ESG

### Trend analysis

CD's total emissions (Scope 1 + Scope 2 + Scope 3) have declined by 12% since the 2019 baseline assessment. It has also managed to reduce its greenhouse gas (GHG) emissions intensity in 2023 (275 tCO<sub>2</sub>e/SGDm of revenue) from 2019 (321 tCO<sub>2</sub>e/SGDm of revenue). The stock is now part of the iEdge-OCBC Singapore Low Carbon Select 50 Capped Index. It remained in the Dow Jones Sustainability Asia/Pacific Index for a fifth year in 2023 and for the second year in the S&P Global Sustainability Yearbook 2024.

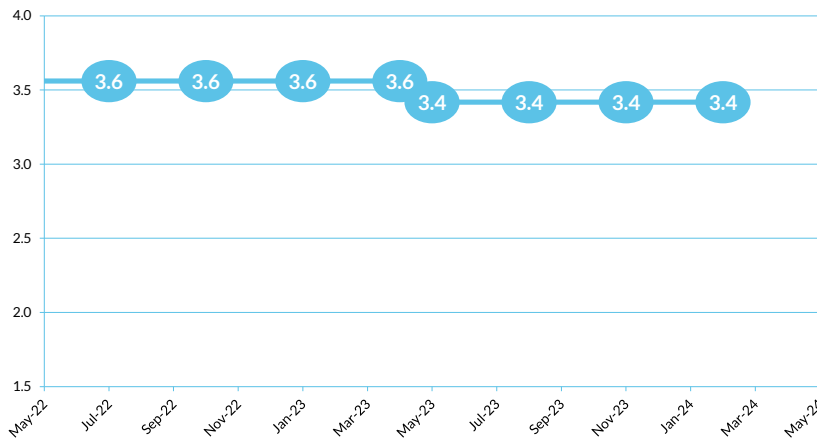
Emissions (tCO <sub>2</sub> e)	Dec-21	Dec-22	Dec-23
Scope 1	834,891	835,048	835,668
Scope 2	194,556	209,059	231,833
Scope 3	550,095	496,826	603,017
Total emissions	1,579,542	1,540,933	1,670,518

Source: Company data, RHB

## Latest ESG-Related Developments

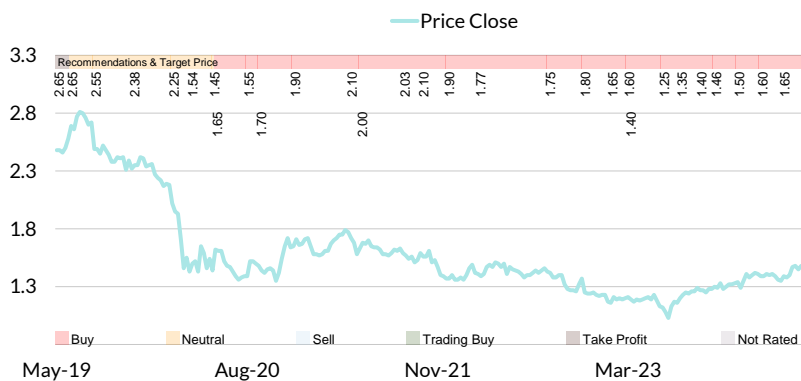
- CD aims to achieve a: i) 54.6% reduction in absolute Scope 1 and Scope 2 GHG emissions from its operations and ii) 61.2% reduction in absolute Scope 3 GHG emissions from fuel and energy-related activities by 2032 from a baseline year of 2019.
- In 2023, 59% of CD's total car fleet and 13% of its total bus fleet globally was composed of cleaner energy vehicles. It aims to transition 90% of its total car fleet across all operations globally to cleaner energy vehicles by 2030 and 100% by 2040. It also plans to transition 50% of its total bus fleet across all operations globally to cleaner energy vehicles by 2030 and 100% by 2050.
- CD is also aiming to reach net zero timelines and targets for the transport sector, set by the countries it operates in.

## ESG Rating History



Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-04-05	Buy	1.65	1.47
2024-03-05	Buy	1.65	1.36
2024-01-11	Buy	1.60	1.41
2023-11-15	Buy	1.50	1.33
2023-09-21	Buy	1.46	1.28
2023-08-24	Buy	1.40	1.27
2023-08-16	Buy	1.40	1.29
2023-06-30	Buy	1.35	1.16
2023-05-18	Buy	1.25	1.12
2023-03-15	Buy	1.40	1.18
2023-02-27	Buy	1.40	1.22
2023-02-22	Buy	1.60	1.16
2023-01-13	Buy	1.65	1.17
2022-11-16	Buy	1.80	1.23
2022-11-08	Buy	1.80	1.35

Source: RHB, Bloomberg

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<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
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