

20 August 2024

Industrials | Road & Rail

ComfortDelGro (CD SP)

Buy (Maintained)

Remaining Positive On Growth Outlook; Reiterate BUY

Target Price (Return): SGD1.65 (17.0%)
 Price (Market Cap): SGD1.41 (USD2,316m)
 ESG score: 3.4 (out of 4)
 Avg Daily Turnover (SGD/USD) 7.94m/5.88m

- **Reiterate BUY and SGD1.65 TP, 17% upside, and 5.3% FY24F yield.** 1H24 PATMI accounted for 44% of our 2024F earnings. While there are competitive pressures in the Singapore taxi business and driver shortages in the Australian public transport segment, we expect a better 2H24 amidst seasonality, contributions from a recently completed acquisition, and improving margins for ComfortDelGro's UK public transport business. We keep our estimates unchanged and note that the market has yet to appreciate CD's strong YoY improvement in quarterly earnings.
- **The UK should continue driving the public transport business higher.** The public transport wing reported strong growth in revenue and EBIT during 2Q24, aided by UK bus contract renewals at higher margins and the ongoing UK cost indexation benefits flowing into the bottomline. CD continues to see the renewal of UK bus contracts at higher margins as more industry players exit the market. It also expects UK public transport to see a seasonally stronger 2H24, specifically for its bus chartering business. In Singapore, the public transport business should see some dip in revenue from the loss of the Jurong-West bus contract and successful re-tendering of the Seletar bus package at slightly lower margins.
- **A2B acquisition to boost taxi earnings.** The taxi business reported strong growth in revenue and EBIT due to contributions from A2B, a business that CD acquired in April. Excluding A2B's contributions of SGD31.2m and SGD5m in revenue and EBIT, 2Q24 taxi revenue would have been stable, while EBIT would have reported YoY improvement. This was due to lower Singapore operating costs, the introduction of Zig platform fees in Jul 2023, and higher Zig commission rates from Dec 2023. CD's Singapore taxi business continues to see increased competition, as Zig booking volumes in 2Q24 fell to c.6.3m vs c.6.7m in 1Q24. We expect the improvements in the taxi business to sustain in 2H24. Additionally, CD plans to focus on maintaining platform stability and rolling out new features to strengthen its market position before considering any increase in commission rates, which is the lowest in the industry.
- **Strong growth in the "Other Private Transport" segment.** The latter's revenue contribution increased to 9.7% in 2Q24 (2Q23: 3.7%). The segment also turned profitable with an EBIT of SGD2.9m vs a SGD0.8m loss in 2Q23. This was largely due to contributions from the acquisition of CMAC Group (completed in February). Excluding this contribution, the business segment would have been loss-making at EBIT level.
- **We continue to value CD using DCF.** Our TP includes a 6% ESG premium to its SGD1.55 FV based on its 3.4 ESG score vs the country's 3.1 median.

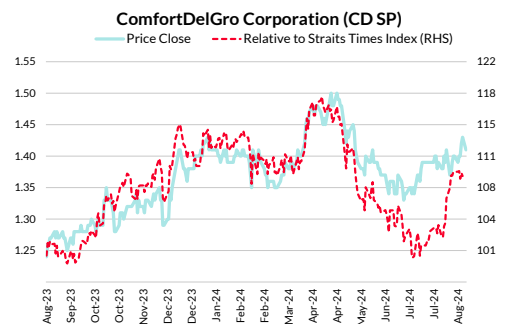
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	0.7	1.4	1.4	1.4	9.3
Relative	(2.8)	4.2	0.2	(2.5)	3.7
52-wk Price low/high (SGD)	1.24 – 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 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 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 which 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 policies and regulations that support the land transport sector. ESG considerations have been integrated into senior management compensations, 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)	17.66	16.93	14.10	12.65	11.21
P/B (x)	1.2	1.2	1.2	1.1	1.1
P/CF (x)	5.07	6.81	4.27	4.92	4.60
Dividend Yield (%)	3.3	4.7	5.3	5.9	6.7
EV/EBITDA (x)	4.48	4.66	4.27	3.98	3.66
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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Industrials | Road & Rail

Financial Exhibits

Asia	Financial summary (SGD)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
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
ComfortDelGro	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						
	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Valuation basis	Recurring P/E (x)	17.66	16.93	14.10	12.65	11.21
Our TP is derived through DCF	P/B (x)	1.2	1.2	1.2	1.1	1.1
	FCF Yield (%)	9.8	2.7	12.8	8.1	9.5
Key drivers	Dividend Yield (%)	3.3	4.7	5.3	5.9	6.7
i. More earnings-accretive acquisitions and winning of new public transport tenders;	EV/EBITDA (x)	4.48	4.66	4.27	3.98	3.66
ii. Pause in taxi fleet contraction and more rational competition in the point-to-point or P2P transport segment.	EV/EBIT (x)	10.41	10.90	8.25	7.43	6.52
	Income statement (SGDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Key risks	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 earnings from a failure to gradually phase out rental rebates.	EBITDA	627	636	654	697	752
	Depreciation and amortisation	(357)	(364)	(316)	(324)	(330)
Company Profile	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 centres, 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
	Cash flow (SGDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	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
	Balance sheet (SGDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	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
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	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

Figure 1: 2Q24 results summary

P&L (SGDm) Year-end December	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	2Q24 growth (%)		Growth (%)		Reported % of 24F	
							QoQ	YoY	1H23	1H24		YoY
Revenue	906.4	955.9	996.6	1,021.4	1,004.6	1,112.9	10.8%	16.4%	1,862.3	2,117.5	13.7%	53.6%
Operating costs	(767.5)	(798.8)	(833.4)	(850.7)	(861.5)	(941.6)	9.3%	17.9%	(1,566.3)	(1,803.1)	15.1%	54.7%
Depreciation & amortisation	(88.8)	(91.8)	(89.6)	(94.0)	(87.9)	(88.8)	1.0%	-3.3%	(180.6)	(176.7)	-2.2%	56.0%
EBIT (recurring)	50.1	65.3	73.6	76.7	55.2	82.5	49.5%	26.3%	115.4	137.7	19.3%	40.7%
Net gain/(loss) on disposal	0.8	1.0	1.8	2.8	0.8	2.0	150.0%	100.0%	1.8	2.8	55.6%	na
EBIT (reported)	50.9	66.3	75.4	79.5	56.0	84.5	50.9%	27.5%	117.2	140.5	19.9%	41.5%
Net interest income/(expense)	3.0	2.6	1.5	(0.6)	6.2	(3.1)	-150.0%	-219.2%	5.6	3.1	-44.6%	-19.7%
Share of associates and JV	0.3	0.6	0.4	0.1	0.1	0.1	0.0%	-83.3%	0.9	0.2	-77.8%	9.8%
Profit after tax	43.6	56.4	62.1	62.9	50.3	65.8	30.8%	16.7%	100.0	116.1	16.1%	43.0%
Profit after tax and MI	32.8	45.7	49.9	52.1	40.6	54.7	34.7%	19.7%	78.5	95.3	21.4%	44.0%
Profit margin (%)												
EBIT (recurring)	5.5%	6.8%	7.4%	7.5%	5.5%	7.4%			6.2%	6.5%	+0.3ppts	
EBIT	5.6%	6.9%	7.6%	7.8%	5.6%	7.6%			6.3%	6.6%	+0.3ppts	
Net profit	3.6%	4.8%	5.0%	5.1%	4.0%	4.9%			4.2%	4.5%	+0.3ppts	

Source: Company data, RHB

Figure 2: Summary of 2Q24 results according to segment

Segments (SGDm) Year-end December	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	2Q24 growth (%)		Growth (%)		growth (%) YoY	
							QoQ	YoY	1H23	1H24		
Revenue	906.4	955.9	996.6	1,021.4	1,004.6	1,112.9	10.8%	16.4%	1,862.3	2,117.5	13.7%	
Public transport	686.1	730.0	758.5	784.7	741.1	774.6	4.5%	6.1%	1,416.1	1,515.7	7.0%	
Taxi & private hire	137.1	140.8	147.6	149.2	148.3	179.2	20.8%	27.3%	277.9	327.5	17.8%	
Other private transport	34.1	35.4	37.9	36.4	65.3	108.2	65.7%	205.6%	69.5	173.5	149.6%	
Inspection & testing	27.1	27.6	26.6	28.2	27.4	27.7	1.1%	0.4%	54.7	55.1	0.7%	
Other Segments	22.0	22.1	26.0	22.9	22.5	23.2	3.1%	5.0%	44.1	45.7	3.6%	
EBIT (recurring)	50.1	65.3	73.6	76.7	55.2	82.5	49.5%	26.3%	115.4	137.7	19.3%	
Public transport	23.0	28.9	32.9	33.0	23.8	31.0	30.3%	7.3%	51.9	54.8	5.6%	
Taxi & private hire	16.8	25.8	28.5	34.9	23.3	38.3	64.4%	48.4%	42.6	61.6	44.6%	
Other private transport	(0.8)	(0.8)	(1.2)	(2.0)	(1.4)	2.9	-307.1%	-462.5%	(1.6)	1.5	-193.8%	
Inspection & testing	8.1	8.5	7.9	8.5	8.3	8.5	2.4%	0.0%	16.6	16.8	1.2%	
Other Segments	3.0	2.9	5.5	2.3	1.2	1.8	50.0%	-37.9%	5.9	3.0	-49.2%	
EBIT (recurring) margin	5.5%	6.8%	7.4%	7.5%	5.5%	7.4%			6.2%	6.5%	+0.3ppts	
Public transport	3.4%	4.0%	4.3%	4.2%	3.2%	4.0%			3.7%	3.6%	+0.1ppts	
Taxi & private hire	12.3%	18.3%	19.3%	23.4%	15.7%	21.4%			15.3%	18.8%	+3.5ppts	
Other private transport	-2.3%	-2.3%	-3.2%	-5.5%	-2.1%	2.7%			-2.3%	0.9%	+3.2ppts	
Inspection & testing services	29.9%	30.8%	29.7%	30.1%	30.3%	30.7%			30.3%	30.5%	+0.2ppts	
Other Segments	13.6%	13.1%	21.2%	10.0%	5.3%	7.8%			13.4%	6.6%	-6.8ppts	
Key contributors												
Revenue												
Public transport	75.7%	76.4%	76.1%	76.8%	73.8%	69.6%			76.0%	71.6%		
Taxi & private hire	15.1%	14.7%	14.8%	14.6%	14.8%	16.1%			14.9%	15.5%		
Other private transport	3.8%	3.7%	3.8%	3.6%	6.5%	9.7%			3.7%	8.2%		
Inspection & testing	3.0%	2.9%	2.7%	2.8%	2.7%	2.5%			2.9%	2.6%		
EBIT (recurring)												
Public transport	45.9%	44.3%	44.7%	43.0%	43.1%	37.6%			45.0%	39.8%		
Taxi & private hire	33.5%	39.5%	38.7%	45.5%	42.2%	46.4%			36.9%	44.7%		
Other private transport	-1.6%	-1.2%	-1.6%	-2.6%	-2.5%	3.5%			-1.4%	1.1%		
Inspection & testing	16.2%	13.0%	10.7%	11.1%	15.0%	10.3%			14.4%	12.2%		

Source: Company data, RHB

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Figure 3: Summary of 2Q24 results according to market

Segments (SGDm)							2Q24 Growth (%)				Growth (%) YoY
	Year-end December	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	QoQ	YoY	1H23	
Revenue	906.4	955.9	996.6	1,021.4	1,004.6	1,112.9	10.8%	16.4%	1,862.3	2,117.5	13.7%
Singapore	536.8	547.6	569.0	573.7	569.3	567.8	-0.3%	3.7%	1,084.4	1,137.1	4.9%
UK/Ireland	181.5	214.9	231.1	242.6	238.2	310.5	30.4%	44.5%	396.4	548.7	38.4%
Australia	164.9	169.9	171.7	179.7	172.1	208.7	21.3%	22.8%	334.8	380.8	13.7%
China	22.7	23.0	24.6	25.7	24.8	25.1	1.2%	9.1%	45.7	49.9	9.2%
Vietnam & Malaysia	0.5	0.5	0.2	(0.3)	0.2	0.8	300.0%	60.0%	1.0	1.0	0.0%
EBIT (reported)	50.9	66.3	75.4	79.5	56.0	84.5	50.9%	27.5%	117.2	140.5	19.9%
Singapore	39.9	52.4	53.6	55.4	41.8	57.4	37.3%	9.5%	92.3	99.2	7.5%
UK/Ireland	(3.5)	(2.3)	11.5	(1.8)	0.9	8.6	855.6%	-473.9%	(5.8)	9.5	-263.8%
Australia	11.0	13.2	4.2	20.0	9.2	14.7	59.8%	11.4%	24.2	23.9	-1.2%
China	3.4	3.0	6.1	5.9	4.0	3.7	-7.5%	23.3%	6.4	7.7	20.3%
Vietnam & Malaysia	0.1	0.0	0.0	0.0	0.1	0.1	0.0%	Na	0.1	0.2	100.0%
EBIT (reported) margin	5.6%	6.9%	7.6%	7.8%	5.6%	7.6%			6.3%	6.6%	+0.3ppts
Singapore	7.4%	9.6%	9.4%	9.7%	7.3%	10.1%			8.5%	8.7%	+0.2ppts
UK/Ireland	-1.9%	-1.1%	5.0%	-0.7%	0.4%	2.8%			-1.5%	1.7%	+3.2ppts
Australia	6.7%	7.8%	2.4%	11.1%	5.3%	7.0%			7.2%	6.3%	-0.9ppts
China	15.0%	13.0%	24.8%	23.0%	16.1%	14.7%			14.0%	15.4%	+1.4ppts
Vietnam & Malaysia	20.0%	0.0%	0.0%	0.0%	50.0%	12.5%			10.0%	20.0%	+10.0ppts
Key contributors											
Revenue											
Singapore	59.2%	57.3%	57.1%	56.2%	56.7%	51.0%			58.2%	53.7%	
UK/Ireland	20.0%	22.5%	23.2%	23.8%	23.7%	27.9%			21.3%	25.9%	
Australia	18.2%	17.8%	17.2%	17.6%	17.1%	18.8%			18.0%	18.0%	
China	2.5%	2.4%	2.5%	2.5%	2.5%	2.3%			2.5%	2.4%	
EBIT (reported)											
Singapore	79.6%	80.2%	72.8%	72.2%	75.7%	69.6%			80.0%	72.0%	
UK/Ireland	-7.0%	-3.5%	15.6%	-2.3%	1.6%	10.4%			-5.0%	6.9%	
Australia	22.0%	20.2%	5.7%	26.1%	16.7%	17.8%			21.0%	17.4%	
China	6.8%	4.6%	8.3%	7.7%	7.2%	4.5%			5.5%	5.6%	

Source: Company data, RHB

Emissions And ESG

Trend analysis

CD's total emissions (Scopes 1 + 2 + 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 tCO₂e/SGDm of revenue) from 2019 (321 tCO₂e/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.

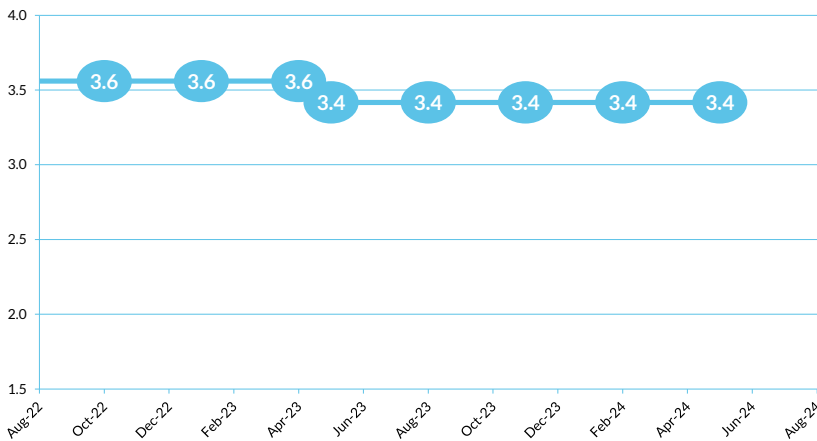
Emissions (tCO ₂ e)	Dec-21	Dec-22	Dec-23
Scope 1	834,891	835,048	835,668
Scope 2	194,556	209,059	231,833
Scope 3	550,095	496,826	603,017
Total emissions	1,579,542	1,540,933	1,670,518

Source: Company data, RHB

Latest ESG-Related Developments

- CD aims to achieve a 54.6% reduction in absolute Scopes 1 and 2 GHG emissions from its operations and 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 comprised cleaner energy vehicles. It aims to transition 90% of its total car fleet across all its 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 its 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 that 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

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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