

15 November 2024

Industrials | Road & Rail

ComfortDelGro (CD SP)

Buy (Maintained)

Sequential Growth Continues; Keep BUY

Target Price (Return): SGD1.70 (14.1%)
 Price (Market Cap): SGD1.49 (USD2,397m)
 ESG score: 3.4 (out of 4)
 Avg Daily Turnover (SGD/USD) 9.48m/7.26m

- **Keep BUY and SGD1.70 TP (14% upside), c.5% yield.** ComfortDelGro has reported its sixth consecutive quarter of YoY earnings growth, as expected. 3Q24 YoY growth was aided by the renewal of UK public transport contracts at higher margins, contribution from the CMAC and A2B acquisitions, as well as higher commission rates and fares for its Singapore taxi/private hire vehicles (PHV). Earnings growth momentum should sustain amidst continued improvement in UK public transport margins, contribution from Australian bus tender wins, and the acquisition of Addison Lee in the UK.
- **3Q24/9M24 results update.** 3Q24 revenue came in at SGD1.18bn (+18.4% YoY) with a PATMI of SGD57.5m (+15.2% YoY), while 9M24 revenue came in at SGD3.30bn (+15.4% YoY). 9M24 PATMI of SGD152.8m (+19.0% YoY) was a tad below our estimates. We maintain our estimates as we expect the sequential improvements in the public transport business (especially in the UK) to push 4Q24 margins higher. CD noted that about a quarter of UK bus contracts have been adjusted to higher margins, and more upward adjustments will be visible as contracts are renewed. This should continue to drive margin improvement over the next 6-9 months. YTD capex was 23% higher YoY and should see a similar trend in 4Q24 as CD continues to replace its Singapore diesel taxis with EV/hybrid vehicles.
- **Singapore taxi/PHV business remains soft.** Except for the contribution from A2B, the core taxi business has remained under pressure. CD noted that Singapore continues to see intense competition from the larger PHV players (eg Grab, Gojek, and TADA). Booking volumes on its Zig platform have declined YoY, and the number of active PHV drivers on its platform has remained soft. However, CD is working on improving its Zig platform and plans to introduce new features like bringing more premium and larger vehicles onto its platform, and is considering introducing cancellation fees, which its competitors currently charge. For 2025, we expect the business segment to see contributions from an improving China taxi business as well as contributions from the A2B and Addison Lee acquisitions.
- **Rising dividend payout remains sustainable; TP includes ESG premium.** Although CD's balance sheet could move from a net cash to net debt position on a pro forma basis post the acquisition of Addison Lee, we remain fairly confident of the company being able to sustain our estimated dividend payout. We estimate CD's 2025-2026 dividend yields at 6-6.5%. Our unchanged TP includes a 6% ESG premium to CD's fair value, based on its 3.4 ESG score vs the 3.1 country median.

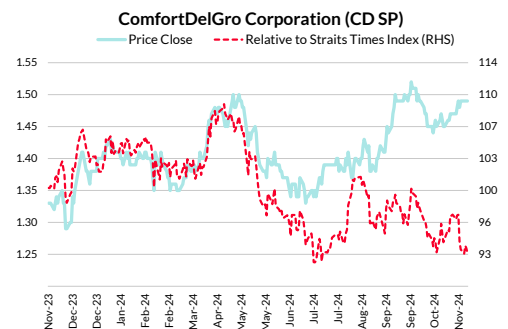
Analyst

Shekhar Jaiswal
 +65 6320 0806
shekhar.jaiswal@rhbgroup.com



Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	6.4	2.8	6.4	3.5	13.7
Relative	(9.0)	(1.2)	(7.4)	(9.3)	(6.7)
52-wk Price low/high (SGD)	1.29 - 1.52				



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (SGDm)	3,781	3,880	3,951	4,438	4,590
Recurring net profit (SGDm)	173	181	217	252	279
Recurring net profit growth (%)	11.7	4.3	20.1	16.3	10.7
Recurring P/E (x)	18.66	17.89	14.90	12.81	11.57
P/B (x)	1.3	1.2	1.2	1.2	1.2
P/CF (x)	5.36	7.19	4.51	4.93	4.78
Dividend Yield (%)	3.1	4.5	5.0	5.9	6.5
EV/EBITDA (x)	4.76	4.93	4.54	4.10	3.79
Return on average equity (%)	8.0	7.0	8.3	9.4	10.1
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

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 aims 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%). 30% of the board is made up of females, a minimum percentage that it intends to maintain. CD engages with governments and regulators to help shape public policy and regulations that support the land transport sector. ESG considerations are 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.

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	0.12	0.13
Industrials	DPS	0.05	0.07	0.08	0.09	0.10
ComfortDelGro	BVPS	1.19	1.20	1.22	1.26	1.30
CD SP	Return on average equity (%)	8.0	7.0	8.3	9.4	10.1
Buy						
	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Valuation basis	Recurring P/E (x)	18.66	17.89	14.90	12.81	11.57
Our TP is derived through DCF	P/B (x)	1.3	1.2	1.2	1.2	1.2
	FCF Yield (%)	9.3	2.5	12.1	8.7	9.3
Key drivers	Dividend Yield (%)	3.1	4.5	5.0	5.9	6.5
i. More earnings-accretive acquisitions and winning of new public transport tenders;	EV/EBITDA (x)	4.76	4.93	4.54	4.10	3.79
ii. Pause in taxi fleet contraction and more rational competition in P2P transport segment;	EV/EBIT (x)	11.06	11.54	8.76	7.49	6.70
	Income statement (SGDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Key risks	Total turnover	3,781	3,880	3,951	4,438	4,590
i. Higher-than-estimated operating costs;	Gross profit	3,781	3,880	3,951	4,438	4,590
ii. Weak taxi earnings from a failure to gradually phase out rental rebates.	EBITDA	627	636	654	714	762
	Depreciation and amortisation	(357)	(364)	(316)	(324)	(330)
Company Profile	Operating profit	270	272	339	390	431
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	393	435
	Taxation	(54)	(55)	(68)	(79)	(87)
	Reported net profit	210	181	217	252	279
	Recurring net profit	173	181	217	252	279
	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	656	676
	Capex	(302)	(368)	(325)	(375)	(375)
	Cash flow from investing activities	(251)	(331)	(312)	(359)	(357)
	Dividends paid	(171)	(212)	(163)	(176)	(199)
	Cash flow from financing activities	(275)	(224)	(179)	(192)	(215)
	Cash at beginning of period	919	967	857	1,082	1,187
	Net change in cash	77	(106)	225	105	104
	Ending balance cash	967	857	1,082	1,187	1,291
	Balance sheet (SGDm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	967	857	1,082	1,187	1,291
	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	4,938	5,109
	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	1,678	1,700
	Total equity	2,999	3,014	3,121	3,260	3,409
	Total liabilities & equity	4,701	4,690	4,712	4,938	5,109
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	6.9	2.6	1.8	12.3	3.4
	Recurrent EPS growth (%)	11.7	4.3	20.1	16.3	10.7
	Gross margin (%)	100.0	100.0	100.0	100.0	100.0
	Operating EBITDA margin (%)	16.6	16.4	16.6	16.1	16.6
	Net profit margin (%)	5.6	4.7	5.5	5.7	6.1
	Dividend payout ratio (%)	47.5	80.0	75.0	75.0	75.0
	Capex/sales (%)	8.0	9.5	8.2	8.4	8.2
	Interest cover (x)	20.3	11.9	21.5	24.8	27.3

Source: Company data, RHB

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Figure 1: 9M24 results summary

P&L (SGDm)								3Q24 Growth (%)				Growth (%)
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	QoQ	YoY	9M23	9M24	YoY
Year-end Dec												
Revenue	906.4	955.9	996.6	1,021.4	1,004.6	1,112.9	1,180.4	6.1%	18.4%	2,858.9	3,297.9	15.4%
Operating costs	(767.5)	(798.8)	(833.4)	(850.7)	(861.5)	(941.6)	(998.5)	6.0%	19.8%	(2,399.7)	(2,801.6)	16.7%
Depreciation and amortisation	(88.8)	(91.8)	(89.6)	(94.0)	(87.9)	(88.8)	(91.8)	3.4%	2.5%	(270.2)	(268.5)	-0.6%
EBIT (recurring)	50.1	65.3	73.6	76.7	55.2	82.5	90.1	9.2%	22.4%	189.0	227.8	20.5%
Net gain/(loss) on disposal	0.8	1.0	1.8	2.8	0.8	2.0	1.7	-15.0%	-5.6%	3.6	4.5	25.0%
EBIT (reported)	50.9	66.3	75.4	79.5	56.0	84.5	91.8	8.6%	21.8%	192.6	232.3	20.6%
Net interest income/(expense)	3.0	2.6	1.5	(0.6)	6.2	(3.1)	(4.2)	35.5%	-380.0%	7.1	(1.1)	nm
Share of associates and JV	0.3	0.6	0.4	0.1	0.1	0.1	0.8	700.0%	100.0%	1.3	1.0	-23.1%
Profit after tax	43.6	56.4	62.1	62.9	50.3	65.8	70.3	6.8%	13.2%	162.1	186.4	15.0%
Profit after tax and MI	32.8	45.7	49.9	52.1	40.6	54.7	57.5	5.1%	15.2%	128.4	152.8	19.0%
<u>Profit margin (%)</u>												
EBIT (recurring)	5.5%	6.8%	7.4%	7.5%	5.5%	7.4%	7.6%			6.6%	6.9%	.3ppt
EBIT	5.6%	6.9%	7.6%	7.8%	5.6%	7.6%	7.8%			6.7%	7.0%	.3ppt
Net profit	3.6%	4.8%	5.0%	5.1%	4.0%	4.9%	4.9%			4.5%	4.6%	.1ppt

Source: Company data, RHB

Figure 2: Summary of 9M24 results by segment

Segments (SGDm)								3Q24 Growth (%)				Growth (%)
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	QoQ	YoY	9M23	9M24	YoY
Year-end Dec												
Revenue	906.4	955.9	996.6	1,021.4	1,004.6	1,112.9	1,180.4	6.1%	18.4%	2,858.9	3,297.9	15.4%
Public transport	686.1	730.0	758.5	784.7	741.1	774.6	815.0	5.2%	7.4%	2,174.6	2,330.7	7.2%
Taxi & private hire	137.1	140.8	147.6	149.2	148.3	179.2	179.9	0.4%	21.9%	425.5	507.4	19.2%
Other private transport	34.1	35.4	37.9	36.4	65.3	108.2	129.8	20.0%	242.5%	107.4	303.3	182.4%
Inspection & testing services	27.1	27.6	26.6	28.2	27.4	27.7	29.9	7.9%	12.4%	81.3	85.0	4.6%
Other Segments	22.0	22.1	26.0	22.9	22.5	23.2	25.8	11.2%	-0.8%	70.1	71.5	2.0%
EBIT (recurring)	50.1	65.3	73.6	76.7	55.2	82.5	90.1	9.2%	22.4%	189.0	227.8	20.5%
Public transport	23.0	28.9	32.9	33.0	23.8	31.0	37.5	21.0%	14.0%	84.8	92.3	8.8%
Taxi & private hire	16.8	25.8	28.5	34.9	23.3	38.3	34.5	-9.9%	21.1%	71.1	96.1	35.2%
Other private transport	(0.8)	(0.8)	(1.2)	(2.0)	(1.4)	2.9	7.9	172.4%	-758.3%	(2.8)	9.4	nm
Inspection & testing services	8.1	8.5	7.9	8.5	8.3	8.5	8.3	-2.4%	5.1%	24.5	25.1	2.4%
Other Segments	3.0	2.9	5.5	2.3	1.2	1.8	1.9	5.6%	-65.5%	11.4	4.9	-57.0%
EBIT (recurring) margin	5.5%	6.8%	7.4%	7.5%	5.5%	7.4%	7.6%			6.6%	6.9%	.3ppt
Public transport	3.4%	4.0%	4.3%	4.2%	3.2%	4.0%	4.6%			3.9%	4.0%	.1ppt
Taxi & private hire	12.3%	18.3%	19.3%	23.4%	15.7%	21.4%	19.2%			16.7%	18.9%	2.2ppt
Other private transport	-2.3%	-2.3%	-3.2%	-5.5%	-2.1%	2.7%	6.1%			-2.6%	3.1%	5.7ppt
Inspection & testing services	29.9%	30.8%	29.7%	30.1%	30.3%	30.7%	27.8%			30.1%	29.5%	-.6ppt
Other Segments	13.6%	13.1%	21.2%	10.0%	5.3%	7.8%	7.4%			16.3%	6.9%	-9.4ppt
Key contributors												
Revenue												
Public transport	75.7%	76.4%	76.1%	76.8%	73.8%	69.6%	69.0%			76.1%	70.7%	
Taxi & private hire	15.1%	14.7%	14.8%	14.6%	14.8%	16.1%	15.2%			14.9%	15.4%	
Other private transport	3.8%	3.7%	3.8%	3.6%	6.5%	9.7%	11.0%			3.8%	9.2%	
Inspection & testing services	3.0%	2.9%	2.7%	2.8%	2.7%	2.5%	2.5%			2.8%	2.6%	
EBIT (recurring)												
Public transport	45.9%	44.3%	44.7%	43.0%	43.1%	37.6%	41.6%			44.9%	40.5%	
Taxi & private hire	33.5%	39.5%	38.7%	45.5%	42.2%	46.4%	38.3%			37.6%	42.2%	
Other private transport	-1.6%	-1.2%	-1.6%	-2.6%	-2.5%	3.5%	8.8%			-1.5%	4.1%	
Inspection & testing services	16.2%	13.0%	10.7%	11.1%	15.0%	10.3%	9.2%			13.0%	11.0%	

Source: Company data, RHB

Figure 3: Summary of 9M24 results by market

Segments (SGDm)								3Q24 Growth (%)				Growth (%)
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	QoQ	YoY	9M23	9M24	YoY
Year-end Dec												
Revenue	906.4	955.9	996.6	1,021.4	1,004.6	1,112.9	1,180.4	6.1%	18.4%	2,858.9	3,297.9	15.4%
Singapore	536.8	547.6	569.0	573.7	569.3	567.8	577.1	1.6%	1.4%	1,653.4	1,714.2	3.7%
UK/EU	181.5	214.9	231.1	242.6	238.2	310.5	359.5	15.8%	55.6%	627.5	908.2	44.7%
Australia	164.9	169.9	171.7	179.7	172.1	208.7	218.4	4.6%	27.2%	506.5	599.2	18.3%
China	22.7	23.0	24.6	25.7	24.8	25.1	24.7	-1.6%	0.4%	70.3	74.6	6.1%
Vietnam & Malaysia	0.5	0.5	0.2	(0.3)	0.2	0.8	0.7	-12.5%	250.0%	1.2	1.7	41.7%
EBIT (reported)	50.9	66.3	75.4	79.5	56.0	84.5	91.8	8.6%	21.8%	192.6	232.3	20.6%
Singapore	39.9	52.4	53.6	55.4	41.8	57.4	56.3	-1.9%	5.0%	145.9	155.5	6.6%
UK/EU	(3.5)	(2.3)	6.1	3.6	0.9	8.6	22.1	157.0%	262.3%	0.3	31.6	nm
Australia	11.0	13.2	11.5	12.7	9.2	14.7	9.3	-36.7%	-19.1%	35.7	33.2	-7.0%
China	3.4	3.0	4.2	7.8	4.0	3.7	4.0	8.1%	-4.8%	10.6	11.7	10.4%
Vietnam & Malaysia	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.0%	nm	0.1	0.3	200.0%
EBIT (reported) margin	5.6%	6.9%	7.6%	7.8%	5.6%	7.6%	7.8%			6.7%	7.0%	.3ppt
Singapore	7.4%	9.6%	9.4%	9.7%	7.3%	10.1%	9.8%			8.8%	9.1%	.2ppt
UK/EU	-1.9%	-1.1%	2.6%	1.5%	0.4%	2.8%	6.1%			0.0%	3.5%	3.4ppt
Australia	6.7%	7.8%	6.7%	7.1%	5.3%	7.0%	4.3%			7.0%	5.5%	-1.5ppt
China	15.0%	13.0%	17.1%	30.4%	16.1%	14.7%	16.2%			15.1%	15.7%	.6ppt
Vietnam & Malaysia	20.0%	0.0%	0.0%	0.0%	50.0%	12.5%	14.3%			8.3%	17.6%	9.3ppt
Key contributors												
Revenue												
Singapore	59.2%	57.3%	57.1%	56.2%	56.7%	51.0%	48.9%			57.8%	52.0%	
UK/EU	20.0%	22.5%	23.2%	23.8%	23.7%	27.9%	30.5%			21.9%	27.5%	
Australia	18.2%	17.8%	17.2%	17.6%	17.1%	18.8%	18.5%			17.7%	18.2%	
China	2.5%	2.4%	2.5%	2.5%	2.5%	2.3%	2.1%			2.5%	2.3%	
EBIT (reported)												
Singapore	79.6%	80.2%	72.8%	72.2%	75.7%	69.6%	62.5%			77.2%	68.3%	
UK/EU	-7.0%	-3.5%	8.3%	4.7%	1.6%	10.4%	24.5%			0.2%	13.9%	
Australia	22.0%	20.2%	15.6%	16.6%	16.7%	17.8%	10.3%			18.9%	14.6%	
China	6.8%	4.6%	5.7%	10.2%	7.2%	4.5%	4.4%			5.6%	5.1%	

Source: Company data, RHB

Emissions And ESG

Trend analysis

ComfortDelGro'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 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 (tCO₂e)

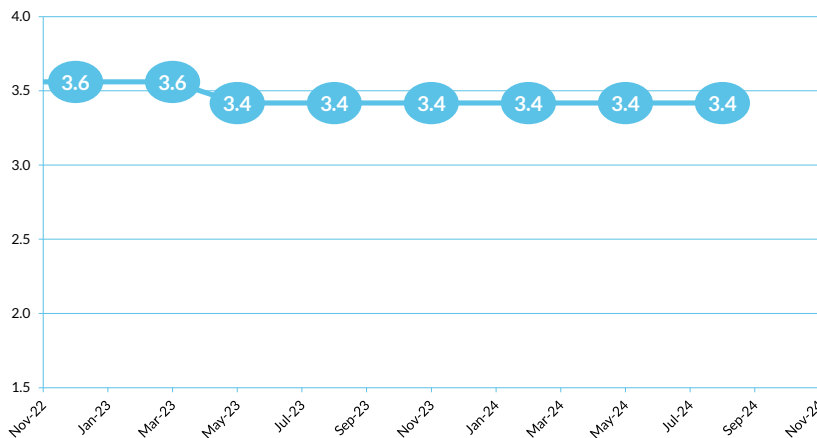
	Dec-21	Dec-22	Dec-23
Scope 1	834,891	835,048	835,668
Scope 2	194,556	209,059	231,833
Scope 3	550,095	496,826	603,017
Total emissions	1,579,542	1,540,933	1,670,518

Source: Company data, RHB

Latest ESG-Related Developments

- ComfortDelGro aims to achieve a) a 54.6% reduction in absolute Scope 1 and Scope 2 GHG emissions from its operations; and b) a 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 ComfortDelGro'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 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.
- ComfortDelGro 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
2024-10-28	Buy	1.70	1.46
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

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

Investment Research Disclaimers

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470