ComfortDelGro

BUY (Upgrade from HOLD)

Last Traded Price (5 Feb 2020): S$2.14 **(STI :** 3,200.13)
Price Target 12-mth : S$2.45 (14% upside) (Prev S$2.48)

Analyst
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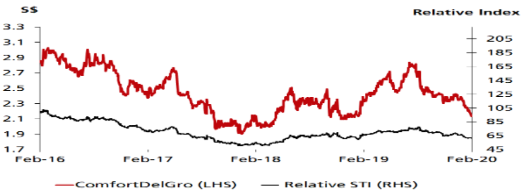
What's New

- Accumulation opportunity with share price down by 10% YTD; upgrade to BUY, TP: S$2.45
- China accounts for 4%/9% of revenue and operating profits
- Experience from 2003 SARS indicate impact is only temporary
- Valuation at -1SD historical average, based on our below-consensus earnings forecasts

Price Relative



Forecasts and Valuation

FY Dec (S$m)	2018A	2019F	2020F	2021F
Revenue	3,805	4,026	4,149	4,268
EBITDA	833	846	854	879
Pre-tax Profit	439	431	431	443
Net Profit	303	294	294	302
Net Pft (Pre Ex.)	303	294	294	302
Net Pft Gth (Pre-ex) (%)	0.6	(3.1)	0.1	2.7
EPS (S cts)	14.0	13.6	13.6	13.9
EPS Pre Ex. (S cts)	14.0	13.6	13.6	13.9
EPS Gth Pre Ex (%)	1	(3)	0	3
Diluted EPS (S cts)	14.0	13.5	13.5	13.9
Net DPS (S cts)	10.5	10.7	10.7	10.7
BV Per Share (S cts)	121	124	126	130
PE (X)	15.3	15.8	15.8	15.4
PE Pre Ex. (X)	15.3	15.8	15.8	15.4
P/Cash Flow (X)	6.9	5.8	5.9	5.7
EV/EBITDA (X)	6.0	5.7	5.5	5.2
Net Div Yield (%)	4.9	5.0	5.0	5.0
P/Book Value (X)	1.8	1.7	1.7	1.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	11.6	11.1	10.9	10.9
Earnings Rev (%):		0	(3)	(1)
Consensus EPS (S cts):		13.7	14.3	14.7
Other Broker Recs:		B: 8	S: 1	H: 5

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Riding against the bug; contrarian or foolhardy?

Riding against the bug; accumulation opportunity. We upgrade our recommendation to BUY, with TP at S$2.45. While we acknowledge impact to CD's China operations from the outbreak of the novel coronavirus (2019-nCoV), we believe this to be temporary and manageable. Firstly, we estimate that China accounts for only c.4%/9% of the Group's revenue and operating profits while the 10% decline YTD (vs STI's -1%) imply that most of these negatives are priced in. Moreover, with the 2003 SARS experience, we see the company better prepared this time round, and the impact is likely to be only temporary, in our view. As such, trading at 15.8x/1.7x at -1SD of its 5-year historical PE and PB band, we see this as an attractive accumulation point.

Where we differ: Lower range of consensus. For upcoming 4Q19 results, we expect a y-o-y decline (est. -7%), but smaller compared to that seen in 3Q19 (-11%). The expected drop is largely due to one-off gain seen in 4Q18. We trimmed our forecasts by 3%/1% and are at the lower end of consensus given our muted take on taxi fleet recovery, and factoring impact on China operations. We believe the latter impact is temporary. In our scenario analysis, we also estimate that in the event of rental rebates for taxis in Singapore, this could shave off 0.9-3.9% from our FY20F forecasts.

Potential catalysts: A reversal and expansion in taxi fleet, and/or changes in ride hailing/taxi industry dynamics could lead to earnings upgrades. **Inorganic growth acquisitions** could also support its growth profile.

Valuation:

Our TP is based on the average of discounted cash flow (DCF) and price-earnings ratio (PE) valuation methods. This implies 18.1x PE (FY20F).

Key Risks to Our View:

Heightened and prolonged irrational competition from private hire booking leading to further contraction in taxi fleet, loss of bus contracts, changes in regulations on operations, and pandemics may impact our forecast. Upside risks could arise from acquisitions.

At A Glance

Issued Capital (m shrs)	2,166
Mkt. Cap (Sm/USm)	4,635 / 3,382
Major Shareholders (%)	
Blackrock Inc	7.0
Free Float (%)	93.0
3m Avg. Daily Val (US$m)	13.4

GIC Industry : Industrials / Transportation

Live more, Bank less

WHAT'S NEW

Riding against the bug; contrarian or foolhardy?

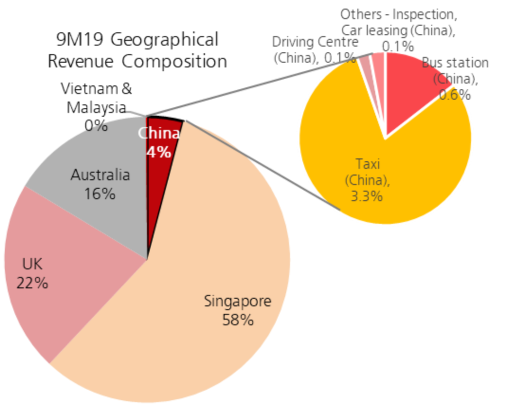
An opportunity to accumulate; upgrade to BUY, TP: S$2.45. We believe the recent weakness in CD's share price (-10% YTD vs STI's -1%) could present an opportunity for accumulation. Notwithstanding the impact on its China operation arising from the outbreak of novel coronavirus in Wuhan and across the Hubei province, we believe the implications for CD should be temporary. Share price is trading at 16x FY20F which is -1SD below its 5-year historical average, coupled with a c.5.0% dividend yield. Granted that it will be tough to indicate if share price has reached a near-term bottom, particularly given the fluid situation, we believe we could be around it.

China ops affected by Wuhan virus… CD announced last week via a media release that its China operations are feeling the impact of the outbreak of the novel coronavirus (2019-nCoV). As of the release, it was shared that its Nanjing driving centre has been instructed to suspend operations, and its bus station in Guangzhou saw a 15% decline in traffic during the Chinese New Year period, compared to a year ago.

But China operations account for only 4%/9% of Group revenue and operating profits. CD's operations in China spans nine cities – Beijing, Jilin, Shengyang, Chengdu, Shanghai, Suzhou, Nanjing, Guangzhou, Nanning. It does not have operations in Wuhan or the Hubei province. As of 9M19, China accounted for **4% of Group's revenue** and **c.9% operating profits**. Its business in China includes operation of taxi fleet, car rental, bus station and driving centres. We estimate that taxi (c.11,000 fleet size) is the largest contributor to its China operations, accounting for c.50% of China profits or 4% of the Group's operating profits.

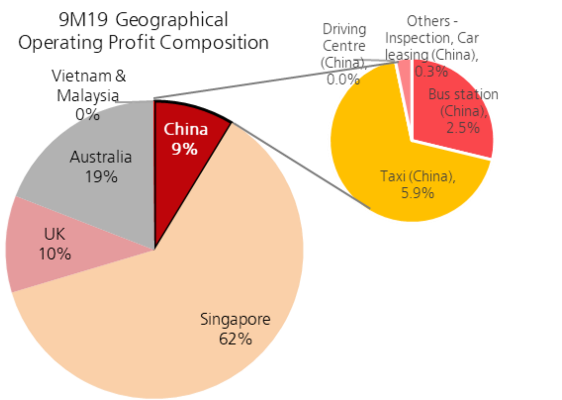
We estimate that the **driving centres and bus station account for less than 3% of the Group's operating profits**, based on 9M19 figures. While we acknowledge that there would be impact on its other operations, we do believe (and hope) that this is only temporary.

China ops account for 4% of revenue



Source: Company, DBS Bank estimates

…and 9% of operating profits (as of 9M19)



Source: Company, DBS Bank estimates

ComfortDelGro's China operations, across nine cities

Province	City	Operations	Fleet size
Beijing	Beijing	Taxi	5,501
Jilin	Jilin	Taxi, Online Car Hailing Service	729 taxis/ 100 private online car (on order)
Liaoning	Shengyang	Taxi	1,516
Sichuan	Chengdu	Taxi, Car rental & leasing, Driving Centre	560
Shanghai	Shanghai	Taxi	484
Jiangsu	Suzhou	Taxi	165
Jiangsu	Nanjing	Taxi, Driving Centre	679 taxis/ 35 driving centre fleet cars
Guangdong	Guangzhou	Bus Station	
Guangxi	Nanning	Taxi	834

Source: Company annual report, based on 2018; DBS Bank

Looking back at history: SARS – drawing lessons, and price action. Drawing reference from SARS in 2003, CD's taxi operations in Singapore were impacted. During that period, the company **extended S$10/day rental rebates** to taxi hirers for **two months from April to June**, and this was stepped down to S$7/day in July for a month and thereafter to S$3.50/day in August for another month. In addition, diesel rebates were also extended to taxi hirers. During that period, CD had a total operating fleet of about 16,000 taxis.

Share price reaction on news of taxi driver contracting SARS. We looked at the price action of its shares during that period. Over that period from April* to July 2003, save for a brief bout of panic selling when a Comfort taxi driver was diagnosed with SARS, share price remained relatively resilient. (**note: CD share price was listed only on 1 April 2003, with the merger between Comfort and DelGro.)*

Singapore Budget 2020 could see relief packages for transport operators. We believe some silver lining could arise from the upcoming **Singapore Budget 2020** to be revealed on 18 February 2020. Back in **2003**, the Singapore Government unveiled a **S$230m SARS relief package** for the service, tourism and transport sectors. For the transportation industry, the measures in 2003 pertained to the diesel tax rebate for taxis and deferment of the taxi operator licence fees that was meant to be introduced on 1 June 2003.

Diesel tax currently at S$850/year, and taxi operator licence at 0.3% of revenue. The Special diesel tax for taxis was most recently reduced to S$850/ year, down by S$100, from 18 February 2019. This was on the back of higher diesel tax. For taxi operator licence fee, it currently stood at 0.3% of gross revenue. Based on our estimates, both these **cost items amount to c.S$11m for CD**; and we expect relief, if any, to be passed on to taxi drivers for their benefit.

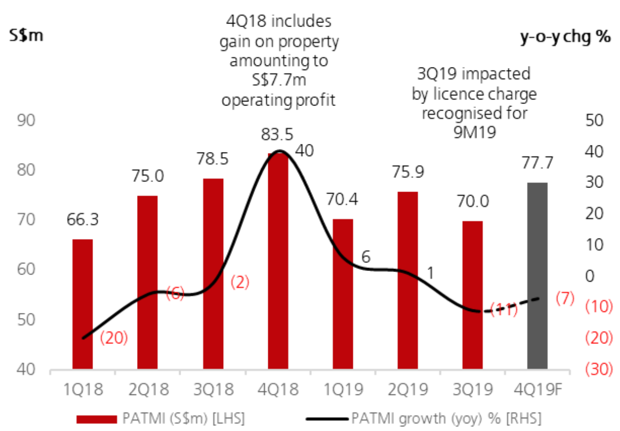
Worst-case scenario should taxi rental rebates come into play; ~0.9%-3.9% on profits. We undertook some scenarios assuming rental rebates come into play in Singapore. Assuming similar situation and response by CD undertaken during SARS in 2003, we worked out scenarios of extending taxi rental rebates. Assuming a rental rebate of S$10-15/day extended to its fleet of 11,200 taxis, we **estimate this could shave off about 0.9-3.9%** (or c.S$2.8-11.5m) from our **FY20F net profit forecasts** depending on the amount and period offered (and should this be implemented). While this may seem significant, we believe this is unlikely to be extended for a prolonged period, and once removed would revert to normalcy relatively quickly (assuming fleet size do not contract further).

Scenario assuming Singapore fleet taxi rental rebate

Scenarios		$10/day		$15/day	
Assume fleet size of 11,200, impact net of tax		S$m (net of tax)	FY20F impact (%)	S$m (net of tax)	FY20F impact (%)
a)	1 month	$2.8	0.9%	$4.2	1.4%
b)	2 months	$5.6	1.9%	$8.4	2.8%
c)	2 months, 1 month 50%, 1 month 25% of rebate amt	$7.7	2.6%	$11.5	3.9%

Source: DBS Bank estimates

Expect 4Q19 net profit to show smaller y-o-y decline



Source: Company, DBS Bank estimates

Summary of timeline, events during outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003

Date/ Timeline	Event description
12 March 2003	World Health Organisation issued a global alert warning of a severe form of pneumonia in Hong Kong and Vietnam.
31 March 2003	Comfort taxi driver came forward to indicate he might be the person to have ferried a SARS victim and her mother from the airport to the hospital. Taxi drivers' net income fell from an average of S$68 per day to S$46 per day in the first week of April 2003 alone. Taxi Industry Task Force was formed on 31 March 2003, with the purpose to help taxi drivers should they fall ill or be quarantined
9 April 2003	Started to disinfect its fleet of 16,000 taxis on a daily basis; five service centres started to service to spray cab interiors with non-toxic, non-allergenic disinfectants.
10 April 2003	Meeting with Taxi Association, offered S$10 taxi rental rebate for one month and a S$0.04 per litre discount off its diesel price.
17 April 2003	Government announced overall SARS assistance package, including diesel tax rebate and licence fee waiver, amongst others
17 April 2003	Comfort taxi driver was one of four people diagnosed with SARS and Ministry of Health trying to trace the passengers who took his taxi
30 April 2003	Reported that a 43-year-old driver who had died had been diagnosed earlier as having viral fever, had actually been suffering from SARS
End May	WHO removed Singapore from list of SARS-affected areas by end-May 2003.
	CD announced that it would be deferring S$10 rental for two months, starting 6 May 2003. Extended the daily rental rebate at reduced rate of S$7 from 11 June 2003 until 10 July 2003. Revised to S$3.50 per day from 11 July until 10 August 2003.

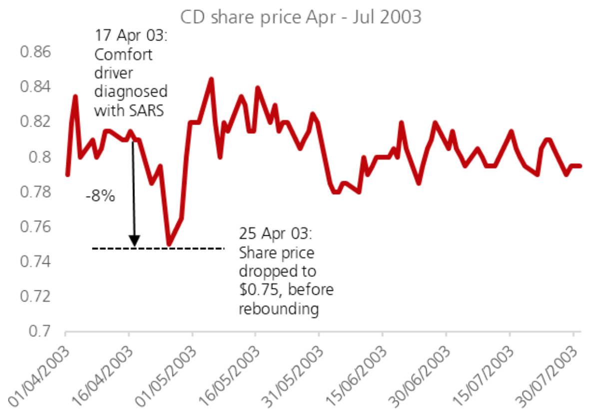
Source: Company, media reports, DBS Bank

SARS relief package details in 2003 - Transport

Diesel tax rebate for taxis reduced to S$2,000/year from S$4,700, from 1 May 2003 to 31 December 2003 Waiver of taxi operator licence fee of S$25 per taxi to introduced on 1 June 2003, was waived till 31 December 2003	Lowered operating costs by an estimated S$25m for taxi operators

Source: Ministry of Finance, DBS Bank

ComfortDelGro's share price during SARS in 2003



Source: ThomsonReuters, DBS Bank

4Q19 expected to see smaller decline of 7% vs that seen in 3Q19 (-11%); full-year results should be within our estimates, 3% y-o-y decline. CD is due to release its 4Q19 and FY19 results on 14 February 2020, after market close. We are expecting 4Q19 net profit to post a decline of c.7% y-o-y (from 4Q18) to around S$77-78m, reaching FY19F net profit of c.S$294m (-3% y-o-y). Assuming our expectations materialise, this would amount to a smaller y-o-y decline as compared to that seen for 3Q19 (vs 3Q18).

We expect the **net profit drop in 4Q19E** to be due to: (i) higher licence charge from DowntownLine MRT line; and, (ii) high base effect arising from S$7.7m gain recognized in 4Q18 from sale of a JTC site by its inspection business unit. In addition, we are also pencilling in a **final dividend of 6.15 Scts to be proposed**, as per last year. Coupled with the interim dividend of 4.5 Scts paid, full-year DPS would amount to 10.65 Scts or yield of 5.0% for FY19F.

Revised FY20F/21F down by 3%/ 1% on China ops, higher cost. We are tuning down our FY20F/21F forecasts by 2.7%/1.4% to reflect the current implications on its China operations, a subdued taxi fleet assumption arising from the uncertainty, coupled with increases in costs arising from preventive measures taken. With that, we are projecting 0%/3% profit growth for FY20F/21F. That said, we expect dividend payout ratio to remain high at c.78%, implying yield of c.5%.

Balance sheet strength not to be overlooked; potential for acquisitions a catalyst. As of 9M19, the Group was in a slight net debt position of S$115.3m or net D/E of 3.9%, from net cash as of December 2018. This arose largely from higher capex as well as higher receivables, which we believe pertains to timing of payments from authorities, namely the Land Transport Authority (LTA) arising from the bus contracts.

With its strong balance sheet and low gearing, we believe this could allow the Group to capitalise on opportunities to supplement growth. Between **January 2018 and April 2019, the Group delivered over S$450m worth of acquisitions**, and it has been relatively quiet since. We believe further acquisitions could provide a catalyst for further growth, and hence share price.

Capitalising on opportunity; upgrade to BUY, TP revised marginally to S$2.45. While it may seem foolhardy at the current uncertain stage for our upgrade, we believe there are opportunities for investors to accumulate the counter, rather than succumb to panic selling. For one, there had been an episode back in 2003 and the company/management is well prepared, in our view. We also believe that while operations may be impacted in the near term, normalcy will prevail over time. The counter is currently trading at **15.8x and 1.7x FY20F PE and PB respectively**, which are **-1SD of its 5-year respective historical averages**. Our TP is revised down slightly to S$2.45 on our changes in forecasts, but still presents 14% potential 14% upside with 5.0% projected dividend yield.

Downside of 1-11% to current price. Our FY20F forecast is 5% below consensus. Assuming share price trades down to -2SD of consensus earnings, or -1SD of our forecasts, this represents -1% (S$2.12) to -7% (S$1.99) to current price. In the unfortunate event that it trades to -2SD of our forecasts, this represents 11% downside from current levels. We would be on the lookout for these levels for further accumulation.

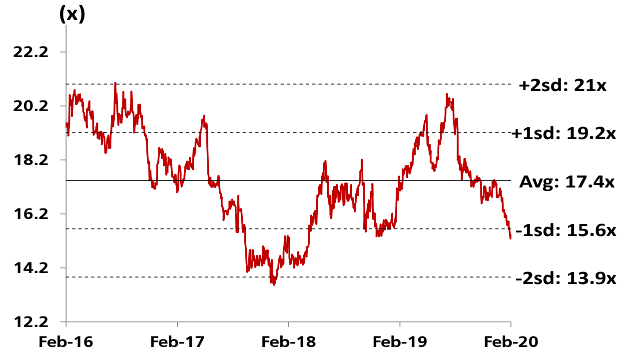
Risks. Prolonged and further deterioration of current outbreak into a pandemic, leading to major disruptions to taxi and public transport services. In addition, our current estimates are at the lower end of consensus, and cuts to forecasts may trigger share price to retreat.

Assuming -2SD of consensus and our below-consensus forecasts, levels to watch for is S$1.99 and S$1.89

	FY20F EPS (Scts)	-1SD 15.6x	Downside from current	-2SD 13.9x	Downside from current
DBS EPS	13.6	**2.12**	**-1%**	1.89	-11%
Consensus EPS	14.3	2.23	5%	**1.99**	**-7%**
DBS vs Consensus	*95%*				

Source: DBS Bank estimates

PE at -1SD of 5-year historical average



Source: Bloomberg Finance L.P., DBS Bank estimates

PB also at -1SD of 5-year historical average

Source: Bloomberg Finance L.P., DBS Bank estimates

Valuation and TP

Methodology	Market Cap (S$m)	Remarks
PE	4,709	16x FY20F earnings
DCF	5,939	WACC 9.1%; terminal growth 0.5%
Average	5,324	Average of PE and DCF
Price Target (S$/share)	2.45	

Source: DBS Bank estimates

Live more, Bank less

CRITICAL DATA POINTS TO WATCH

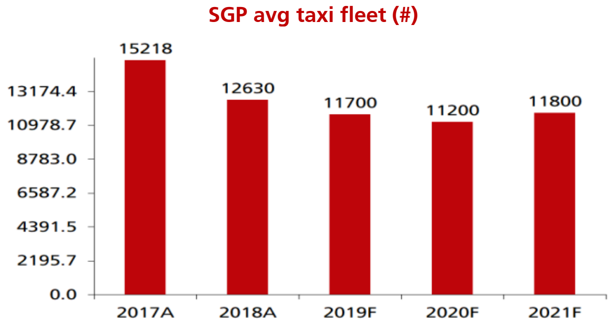
Critical Factors

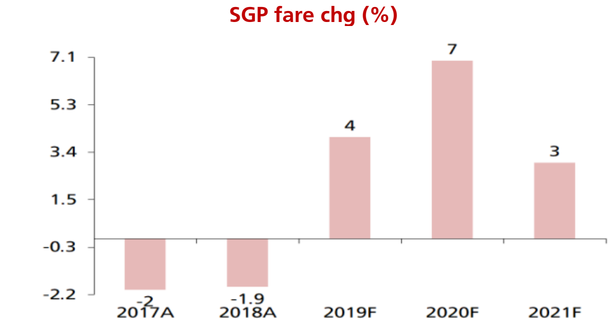
Taxis' hired-out rates and competition from private-hire vehicles. Taxi operations now contribute about 26% of the Group's operating profit, with Singapore operations accounting for the majority (estimated at around 70%). The total taxi industry fleet has shrunk, arising from competition by private hire rental car. Most recently, CD's total fleet size has also shrunk to about 11,200 (as of November 2019) from about 16,800 taxis (in December 2016), with market share at around 60%. A key share price driver would be the bottoming-out of taxi-fleet contraction and/or an improved operating environment. We continue to take the stance that private cars for hire and taxis would co-exist over the longer term.

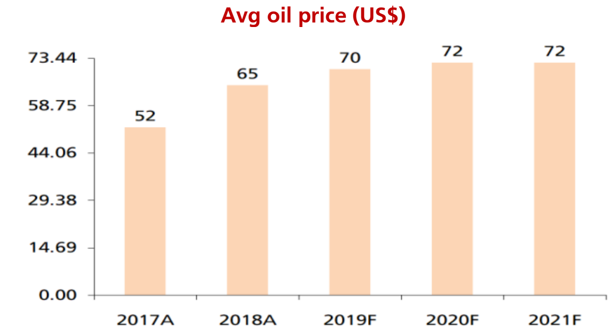
Public transport operations in Singapore and overseas. The Public Transport Services segment accounted for c.70% and c.49% of Group revenue and operating profit respectively in FY18. The major profit contributors are Singapore, Australia, followed by the UK. Within these areas of operations, revenue and earnings drivers are based on tenders for routes, coupled with CD meeting the service requirements set forth by the authorities. Over in Singapore, the model has transited to the Bus Contracting Model since 1 September 2016, under which the fare revenue risk has been transferred to the government, save for its rail operations.

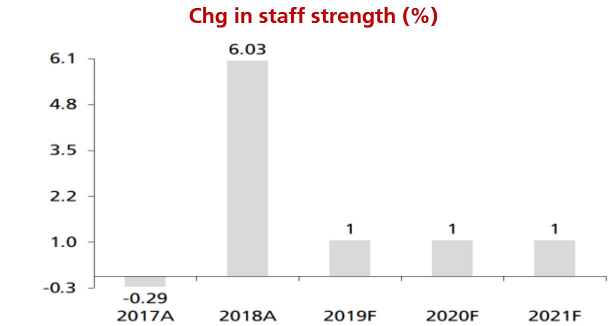
Overseas presence through acquisitions. Since 2003, revenue contribution from overseas has increased from 35% to 45% (as of end-2014), but that dialled back to 41% in 2017 and 2018 partly due to translation effects and stronger contribution from its public transport services in Singapore. Operating profit contribution stood at 36% as of 2018 (from 26% a decade ago). Management has indicated a target of further increasing contribution of overseas revenue to 70% over the longer term. This is likely to be achieved through organic growth (winning of tenders) and inorganic sources, such as bite-sized acquisitions.

Earnings for FY20F to take a step back, but not accounting for further acquisitions. CD's earnings growth has been stable, posting an average CAGR of 6% from 2011-2016. Arising from challenges in the taxi industry, earnings dipped by 5% in FY17, followed by a marginal improvement of 1% in 2018. This has had an impact on share price. We are projecting earnings to contract slightly in FY19 and could remain flat in FY20F arising from current outbreak of coronavirus. We believe growth should pick up again in FY21F. We are currently not factoring in acquisitions which could supplement growth.





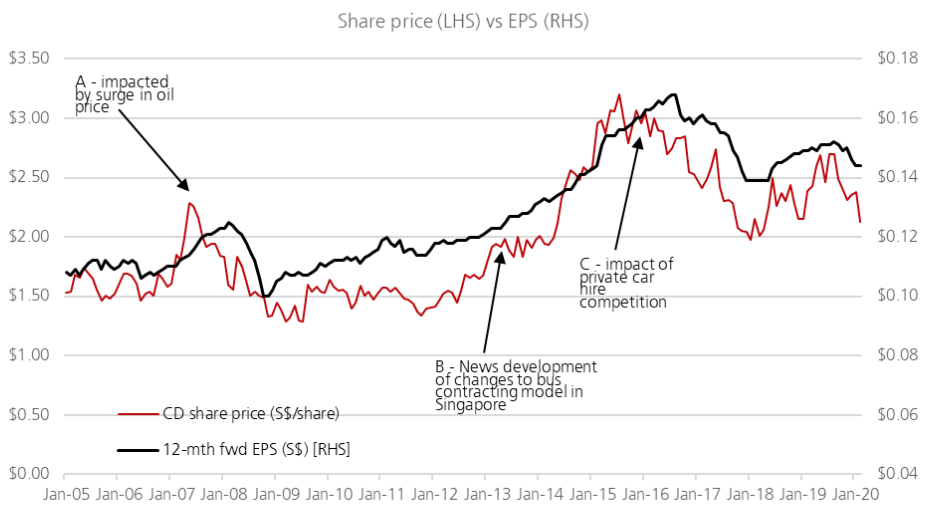




Source: Company, DBS Bank

Appendix 1: A look at Company's listed history – what drives its share price?

CD's share price vs 12-month forward EPS



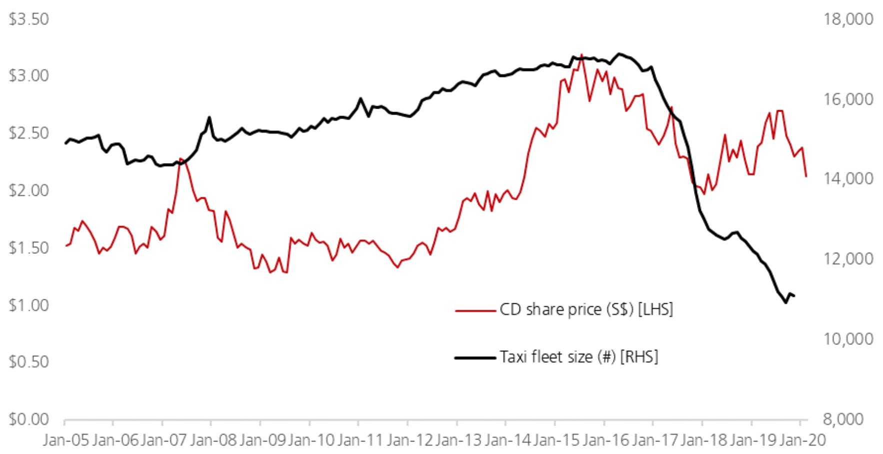
Source: ThomsonReuters, DBS Bank

CD's share price has tracked 12-month forward EPS. Previously, back in 2008, EPS forecasts took a dip given expectations of lower profits with the surge in oil price (point A – see chart).

In 2014, the spike in share price was driven by news development of the bus contracting model in Singapore which would help earnings (B).

Most recently, EPS forecasts have taken a dip on licence charge on Downtown MRT line. There could be further downward revision on the outbreak of coronavirus, but we believe this has been priced in with recent retreat in share price.

CD's share price (S$/share) [LHS] vs Comfort/CityCab total taxi fleet in Singapore [RHS]



Source: LTA, DBS Bank

Concerns on the competition from private car hailing apps and the impact on taxi fleet have had an influence on share price since 2015. CD's total taxi fleet currently stands at around 11,100 (November 2019). There was a period of stabilisation in early 2018, but dipped further over the course of 2019. Rate of decline seems to have stabilised.

We estimate that Singapore taxis account for about one-fifth of CD's revenue and operating profits.

Balance Sheet:

Low gearing provides opportunities for inorganic growth. The Group's balance sheet remains strong with gross debt-to-equity at c.0.2x while net debt-to-equity hovers near zero. This provides CD with ample headroom for overseas acquisitions to supplement growth and further diversify its geographical exposure out of Singapore.

Share Price Drivers:

Abating taxi competition, equilibrium operating landscape. Based on our critical factor study, the challenging taxi business has weighed down its share price. We believe a turnaround in the fleet size could help to re-rate its share price.

Acquisitions. CD has successfully diversified its operations outside of Singapore over the past decade through bite-sized acquisitions. Further accretive acquisitions to leverage its strong balance sheet could provide further catalysts to its share price.

Key Risks:

Prolonged irrational competition from private-hire car apps/disruptive technologies. There have been concerns about the taxi industry being impacted by the aggressive competition from private-car operators. A further increase in the competitive landscape and funding of its loss-making businesses could raise concerns about the profitability of taxi operations.

Regulatory risks, government budget cuts. Lower-than-expected fare hikes and/or changes in regulations on operations and government budget cuts may impact our forecasts.

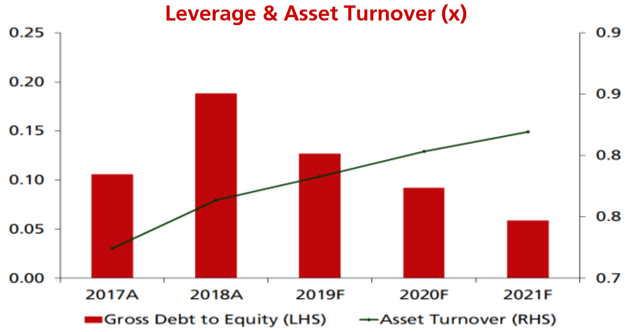
Environment, Social, Governance:

CD published its fourth Sustainability Report for FY18 and reiterated its commitment to sustainability. Being in the public transportation business, impact on environment is key, and the Group has set a short-term target to reduce its carbon emissions by 1-3% over the next one to three years. In Singapore, it expects to phase out diesel usage in its taxi operations by 2024.

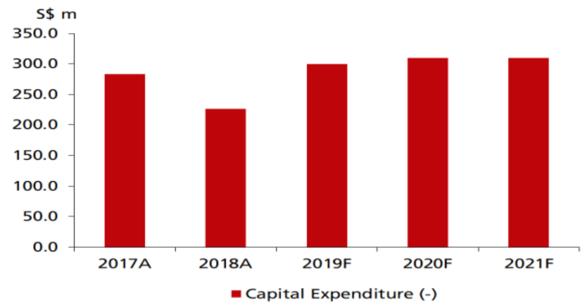
Company Background

ComfortDelGro Corporation Limited (CD) is a land transport service company. Its business includes bus, taxi, rail, car rental and leasing, automotive engineering services, testing services, etc. Besides being a market leader for buses and taxis in Singapore, its business spans other geographies such as the UK, Australia, China, Vietnam, and Malaysia.

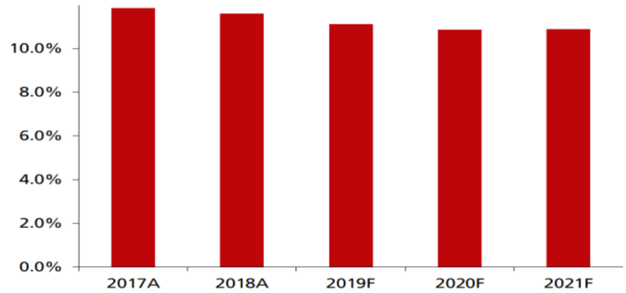
Leverage & Asset Turnover (x)



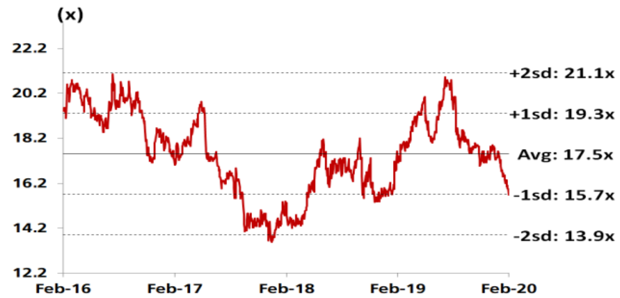
Capital Expenditure



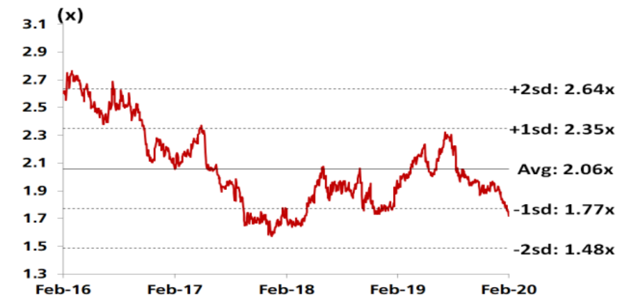
ROE (%)



Forward PE Band (x)



PB Band (x)



Source: Company, DBS Bank

Key Assumptions

FY Dec	2017A	2018A	2019F	2020F	2021F
SGP avg taxi fleet (#)	15,218	12,630	11,700	11,200	11,800
SGP fare chg (%)	(2.0)	(1.9)	4.00	7.00	3.00
Avg oil price (US$)	52.0	65.0	70.0	72.0	72.0
Chg in staff strength (%)	(0.3)	6.03	1.00	1.00	1.00

Segmental Breakdown

FY Dec	2017A	2018A	2019F	2020F	2021F
Revenues (S$m)					
Public Transport Svc	2,401	2,711	2,971	3,101	3,183
Taxi	805	727	686	675	711
Automotive Engn	171	166	170	175	175
Vehicle Inspection	101	108	104	104	104
Others	99.0	94.1	94.5	94.4	95.3
Total	3,576	3,805	4,026	4,149	4,268
EBIT (S$m)					
Public Transport Svc	179	217	224	238	247
Taxi	135	129	120	115	124
Automotive Engn	33.9	25.3	27.2	28.0	28.0
Vehicle Inspection	32.6	39.8	33.4	33.4	33.4
Others	28.6	27.8	31.1	16.2	2.91
Total	409	439	436	430	435
EBIT Margins (%)					
Public Transport Svc	7.5	8.0	7.5	7.7	7.7
Taxi	16.8	17.8	17.5	17.0	17.5
Automotive Engn	19.8	15.2	16.0	16.0	16.0
Vehicle Inspection	32.4	37.0	32.0	32.0	32.0
Others	28.9	29.5	32.9	17.2	3.1
Total	11.4	11.5	10.8	10.4	10.2

Dialled back on taxi fleet assumption.

Income Statement (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Revenue	3,576	3,805	4,026	4,149	4,268
Other Opng (Exp)/Inc	(3,167)	(3,366)	(3,591)	(3,719)	(3,833)
Operating Profit	409	439	436	430	435
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	4.60	0.10	0.0	0.0	0.0
Net Interest (Exp)/Inc	11.6	0.40	(5.1)	1.39	7.35
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	425	439	431	431	443
Tax	(76.5)	(80.5)	(84.0)	(84.1)	(86.3)
Minority Interest	(47.4)	(55.5)	(52.7)	(52.8)	(54.2)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	302	303	294	294	302
Net Profit before Except.	302	303	294	294	302
EBITDA	823	833	846	854	879
Growth					
Revenue Gth (%)	(11.9)	6.4	5.8	3.1	2.9
EBITDA Gth (%)	(4.7)	1.3	1.5	1.0	2.9
Opg Profit Gth (%)	(11.5)	7.2	(0.7)	(1.4)	1.3
Net Profit Gth (Pre-ex) (%)	(4.9)	0.6	(3.1)	0.1	2.7
Margins & Ratio					
Opg Profit Margin (%)	11.4	11.5	10.8	10.4	10.2
Net Profit Margin (%)	8.4	8.0	7.3	7.1	7.1
ROAE (%)	11.8	11.6	11.1	10.9	10.9
ROA (%)	6.1	6.1	5.7	5.7	5.8
ROCE (%)	8.2	8.7	8.4	8.3	8.4
Div Payout Ratio (%)	74.6	75.0	78.5	78.5	76.6
Net Interest Cover (x)	NM	NM	86.3	NM	NM

Source: Company, DBS Bank

Quarterly / Interim Income Statement (S$m)

FY Dec	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019
Revenue	968	1,017	947	981	979
Other Oper. (Exp)/Inc	(855)	(897)	(840)	(866)	(870)
Operating Profit	113	120	107	115	109
Other Non Opg (Exp)/Inc	3.20	2.80	3.40	2.40	2.90
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(2.7)	(3.6)	(5.5)	(5.4)	(5.3)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	114	119	105	112	107
Tax	(21.6)	(19.9)	(22.0)	(21.9)	(23.1)
Minority Interest	(13.8)	(16.0)	(12.9)	(14.2)	(13.4)
Net Profit	78.5	83.5	70.4	75.9	70.0
Net profit bef Except.	78.5	83.5	70.4	75.9	70.0
EBITDA	214	224	217	224	217
Growth					
Revenue Gth (%)	2.8	5.1	(6.9)	3.5	(0.2)
EBITDA Gth (%)	2.2	4.7	(3.5)	3.5	(3.3)
Opg Profit Gth (%)	3.6	6.0	(10.6)	7.1	(5.3)
Net Profit Gth (Pre-ex) (%)	4.7	6.4	(15.7)	7.8	(7.8)
Margins					
Gross Margins (%)	100.0	100.0	100.0	100.0	100.0
Opg Profit Margins (%)	11.7	11.8	11.3	11.7	11.1
Net Profit Margins (%)	8.1	8.2	7.4	7.7	7.2

Impacted partially by licence charge recognised for its Downtown Line MRT accrued for nine months. 4Q19 to see licence charge but likely to be normalised amount instead.

Includes gain from sale of JTC property in Singapore by its inspection business.

Balance Sheet (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Net Fixed Assets	2,723	2,691	2,581	2,467	2,333
Invts in Associates & JVs	9.00	0.90	0.90	0.90	0.90
Other LT Assets	930	1,167	1,204	1,241	1,278
Cash & ST Invts	607	586	652	755	888
Inventory	114	139	144	148	152
Debtors	251	275	288	296	305
Other Current Assets	195	277	277	277	277
Total Assets	4,828	5,137	5,147	5,185	5,234
ST Debt	114	90.4	100	100	100
Creditor	677	691	732	754	776
Other Current Liab	154	228	247	247	250
LT Debt	208	480	300	200	100
Other LT Liabilities	637	621	621	621	621
Shareholder's Equity	2,618	2,614	2,680	2,744	2,815
Minority Interests	420	414	466	519	573
Total Cap. & Liab.	4,828	5,137	5,147	5,185	5,234
Non-Cash Wkg. Capital	(271)	(228)	(271)	(280)	(291)
Net Cash/(Debt)	284	16.2	252	455	688
Debtors Turn (avg days)	24.9	25.2	25.5	25.7	25.7
Creditors Turn (avg days)	92.3	84.0	81.7	82.3	82.4
Inventory Turn (avg days)	12.9	15.5	16.2	16.2	16.2
Asset Turnover (x)	0.7	0.8	0.8	0.8	0.8
Current Ratio (x)	1.2	1.3	1.3	1.3	1.4
Quick Ratio (x)	0.9	0.9	0.9	1.0	1.1
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	88.0	39.7	75.0	103.3	155.0
Z-Score (X)	3.4	3.1	3.3	3.4	3.4

Source: Company, DBS Bank

Cash Flow Statement (S$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Pre-Tax Profit	425	439	431	431	443
Dep. & Amort.	409	394	410	424	444
Tax Paid	(72.0)	(82.1)	(64.5)	(84.0)	(84.1)
Assoc. & JV Inc/(loss)	(4.6)	(0.1)	0.0	0.0	0.0
Chg in Wkg.Cap.	(146)	(55.0)	23.8	9.19	8.90
Other Operating CF	(30.1)	(27.6)	0.0	0.0	0.0
Net Operating CF	**582**	**669**	**800**	**781**	**812**
Capital Exp.(net)	(284)	(226)	(300)	(310)	(310)
Other Invts.(net)	0.0	(419)	(50.0)	(50.0)	(50.0)
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	6.80	0.0	0.0	0.0	0.0
Other Investing CF	22.9	7.00	13.0	13.0	13.0
Net Investing CF	**(254)**	**(638)**	**(337)**	**(347)**	**(347)**
Div Paid	(225)	(225)	(227)	(231)	(231)
Chg in Gross Debt	(51.5)	216	(170)	(100.0)	(100.0)
Capital Issues	12.2	3.90	0.0	0.0	0.0
Other Financing CF	(243)	(23.3)	0.0	0.0	0.0
Net Financing CF	**(507)**	**(29.0)**	**(397)**	**(331)**	**(331)**
Currency Adjustments	(4.1)	(12.0)	0.0	0.0	0.0
Chg in Cash	(183)	(10.1)	65.7	103	133
Opg CFPS (S cts)	33.6	33.4	35.8	35.6	37.0
Free CFPS (S cts)	13.8	20.4	23.1	21.7	23.1

Currently not factoring in major acquisitions, vs the total amount delivered in FY18.

Source: Company, DBS Bank

Target Price & Ratings History

Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	14 Feb 19	2.43	2.57	BUY
2:	15 May 19	2.52	2.59	HOLD
3:	14 Aug 19	2.51	2.59	HOLD
4:	14 Nov 19	2.32	2.48	HOLD

Source: DBS Bank

Analyst: Andy SIM, CFA

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:
STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 5 Feb 2020 17:41:29 (SGT)
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