Singapore Company Guide

ComfortDelGro

Version 22 | Bloomberg: CD SP | Reuters: CMDG.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

1 Jun 2020

BUY (upgrade from HOLD)

Last Traded Price (29 May 2020): S$1.44 (STI : 2,510.75)
Price Target 12-mth : S$1.68 (17% upside) (Prev S$1.50)

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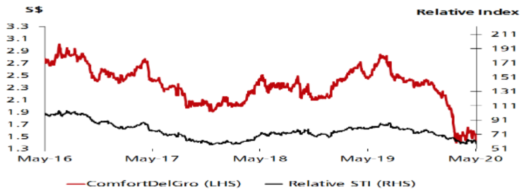
What's New

- Upgrade to BUY, TP raised to S$1.68 based on 16.8x FY20F/21F earnings pegged to historical average PE
- Re-opening of economy, jobs support and "worst over" mentality could provide support to share price
- Sell down on removal from MSCI Singapore an opportunity to accumulate
- Trading at 1.2x P/BV, -2 SD below historical average

Price Relative



Forecasts and Valuation

FY Dec (S$m)	2019A	2020F	2021F	2022F
Revenue	3,906	3,513	3,916	4,084
EBITDA	869	694	814	868
Pre-tax Profit	407	264	368	410
Net Profit	265	182	251	280
Net Pft (Pre Ex.)	265	182	251	280
Net Pft Gth (Pre-ex) (%)	(12.6)	(31.3)	38.1	11.2
EPS (S cts)	12.2	8.39	11.6	12.9
EPS Pre Ex. (S cts)	12.2	8.39	11.6	12.9
EPS Gth Pre Ex (%)	(13)	(31)	38	11
Diluted EPS (S cts)	12.2	8.38	11.6	12.8
Net DPS (S cts)	9.79	4.20	8.30	9.80
BV Per Share (S cts)	120	118	125	130
PE (X)	11.8	17.2	12.4	11.2
PE Pre Ex. (X)	11.8	17.2	12.4	11.2
P/Cash Flow (X)	5.1	5.4	4.0	3.9
EV/EBITDA (X)	4.1	5.1	4.0	3.4
Net Div Yield (%)	6.8	2.9	5.8	6.8
P/Book Value (X)	1.2	1.2	1.1	1.1
Net Debt/Equity (X)	0.0	CASH	CASH	CASH
ROAE (%)	10.2	7.1	9.5	10.1
Earnings Rev (%):		0	0	-
Consensus EPS (S cts):		7.1	11.0	12.2
Other Broker Recs:		B: 7	S: 1	H: 6

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

Opportune time to hop on

Still challenging but casting our sights at potential recovery; Upgrade to BUY, TP raised to S$1.68. We believe that the odds of ComfortDelGro (CD)'s share price appreciating over the next 6-12months outweighs downside risks. Notably, several key events and developments have led us to rethink our earlier thesis: (i) Singapore's earlier than expected move into Phase 2 of opening the economy; (ii) taxi rental waivers could have seen the worst; (iii) enhanced Jobs Support Scheme; (iv) buying opportunity after stock is removed from MSCI Singapore index. Share price has retreated by 6.5% in the past week and is now trading at 1.15x P/BV and 12.4x P/E on FY21F, which is -2SD and -1SD of the respective historical averages. We opine that CD's strong financial position should enable it to emerge from this storm stronger, which we believe is receding. Time to hop on. The counter trades ex-dividend (5.29 Scts) on 1 June.

Where we differ: Looking beyond the weak 2Q20. Consensus earnings for FY20F vary quite widely, but we believe we should cast our sights at a potential recovery in 2H20 and FY21F instead. We expect CD to report a very weak operating performance for 2Q20 but urge investors to look beyond that.

Potential catalysts: In the immediate term, receding severity of COVID-19 would help to improve market and economic sentiment. CD's taxi fleet expansion, and/or changes in ride hailing/taxi industry dynamics could lead to earnings upgrades.

Valuation:

Our TP is raised to S$1.68 as we raise our valuation peg to its historical average of 16.8x, on average of FY20F/21F earnings (from 15x, -0.5 std dev below average). The counter is trading below 1.2x P/BV, or -2 std dev below average.

Key Risks to Our View:

Deterioration in the pandemic situation could present downside risks. Heightened and prolonged irrational competition from private hire companies leading to further contraction in taxi fleet, loss of bus contracts, changes in regulations on operations.

At A Glance

Issued Capital (m shrs)	2,166
Mkt. Cap (Sm/USm)	3,119 / 2,207
Major Shareholders (%)	
Blackrock Inc	7.7
BMO Financial Corp	7.5
Free Float (%)	84.8
3m Avg. Daily Val (US$m)	23.2
GIC Industry : Industrials / Transportation	

Live more, Bank less

WHAT'S NEW

Could be time to hop on now rather than later

Upgrade to BUY; casting sights on recovery

Economy is opening; Opportunity to accumulate on weakness from MSCI removal. A faster-than-expected opening of the economy could be a share price catalyst, and we believe a "worst could be over" mentality could lead the market to cast aside worries of a "largely known" weak 2Q20 operating performance. Share price has retreated by 6.5% in the past week, after its 1Q20 business update and removal from MSCI Singapore index (on 29 May).

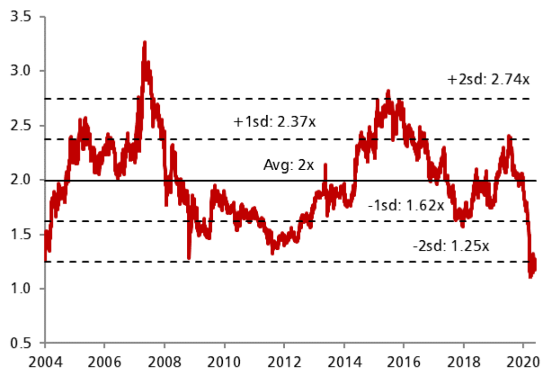
We see an opportunity to accumulate the stock, looking towards recovery in 2H20 - albeit gradually, and picking up pace in FY21F. We project FY21F earnings to rebound by 38%.

Valuations attractive at -2SD P/BV/ -1SD PE. We raised our TP to S$1.68, pegged to average forward historical PE of 16.8x on average FY20F/21F earnings (from 15x previously). Further upside to TP could come as we obtain better clarity in terms of pace of recovery. Based on our projections, the counter currently trades at 1.15x P/BV and 12.4x P/E on FY21F earnings, which is around -2SD and -1SD of its respective historical averages.

What has changed since 1 week ago?

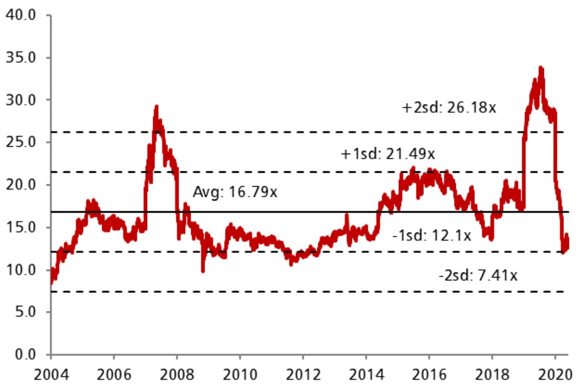
Faster Phase 2 opening, taxi rental waivers priced in, Enhanced JSS for rail/ P2P operators, and share price retreat on MSCI removal. While it is not all clear blue skies yet, we believe there is a silver lining on the dark horizon. Notably, several key events and developments had made us rethink our earlier thesis. They are: (i) Singapore's earlier than expected move into Phase 2 reopening; (ii) revision in rental waivers for taxi drivers and monthly review; (iii) enhanced Jobs Support Scheme for rail and point-to-point (P2P) operators; (iv) share price correction on MSCI Singapore Index removal.

Share price at -2SD of historical 12-mth rolling fwd P/B



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

…and near -1SD of its historical 12-mth rolling fwd P/E



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

(i) Singapore could move into Phase 2 re-opening before end of June - provides optimism.

Singapore ends its 2-month long Circuit Breaker (CB) measures on 1 June; and will start Phase 1 of gradual re-opening from 2 June. We had earlier expected that the move towards the various stages could be prolonged. However, on 28 May 2020, the Singapore's Multi-Ministerial Taskforce has indicated that a decision will be made in mid-June on whether the conditions would be right to move into Phase 2. If community spread stays stable, **Singapore could be moving onto this next phase before end-June**. This, in our view, is faster than we had earlier envisaged, and could provide optimism for recovery plays, including ComfortDelGro (CD).

The phased opening of Singapore's economy post COVID-19 Circuit Breaker ("CB")

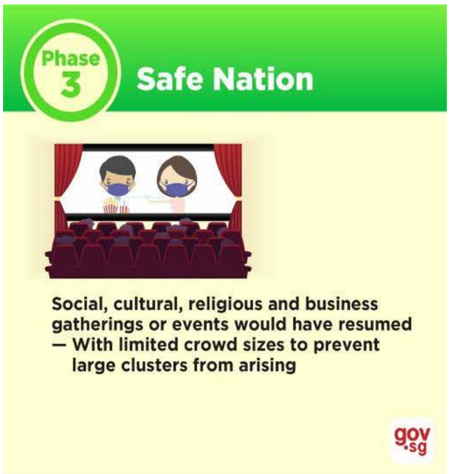
DBS Commentary:

- Most office workers will likely still telecommute (unless it is necessary to be in the office).
- More sectors in the manufacturing sector likely to be ramping up towards full capacity.

Source: gov.sg, DBS Bank

DBS Commentary:

- Targeted to be four weeks after phase 1, and **could be implemented before end June**, subject to favourable supporting data (community spreads remaining low or at zero).

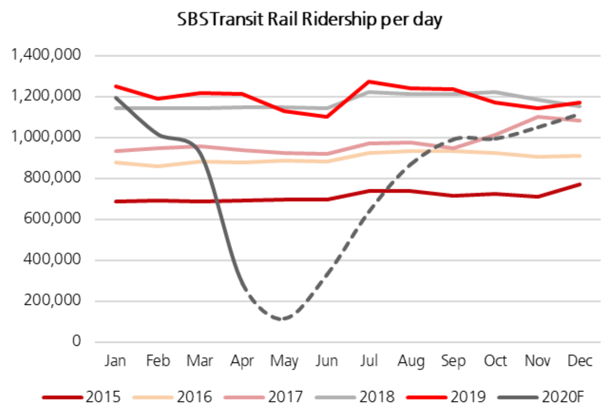


DBS Commentary:

- Likely to be towards the end of 2020, subject to favourable supporting data.

Upside to our current assumption of 30% decline in ridership. We have penciled in a full year rail ridership decline of >30% for FY20 to an average daily ridership of 820,000 for SBSTransit's rail operations. Average daily ridership was 1.19m in Fy19. Our estimates have factored in a gradual resumption, and there could be upside should events turn more optimistic, particularly if the ongoing re-opening phases materialise faster than expected. In addition, there has been indications that with social distancing, the current fare levels may not be sustainable. This suggests there could be a rethink on public transport fares which bodes well for SBSTransit's rail operations. However, this may not take place in the immediate term given the current economic challenges and difficulties faced by the population due to COVID-19.

Currently assuming 30% drop in full-year rail ridership



Source: Company, DBS Bank estimates

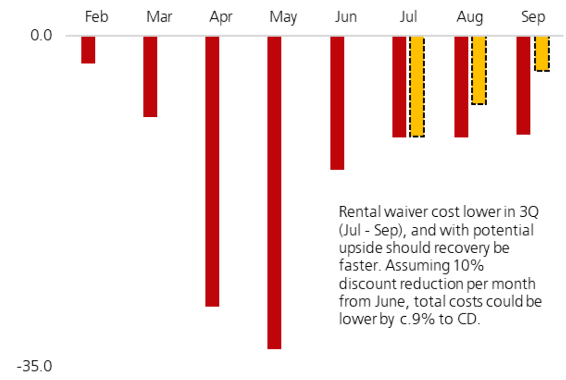
(ii) Taxi rental waiver in June a step up; lower discount in July – Sep could present upside.

CD announced further measures last Thursday, 28 May, for its taxi drivers. It will provide 50% rental waivers for its taxi drivers for the month of June. While this is a step-down from full rental waivers provided during Singapore's CB period from 7 April till 1 June, this is better compared to the rebate of S$46.50/day (inclusive of $10/day provided by the government) announced earlier.

Estimated to cost CD c.$3m more, pushing total reliefs to an estimated $119m; builds loyalty from taxi hirers and beneficial for the longer term. We estimate that this latest measure could cost CD c.$3m, on top of the measures and costs announced earlier. Despite the short-term pain, the reliefs given would enhance loyalty from its taxi hirers over the longer term. Since the start of COVID-19 pandemic, the group has been proactive in offering relief measures, to the extent of pushing its operations into the red, which is the first for the group. Beyond rental rebates, it has also started tie-ups with food and beverages establishments to provide a platform to aid drivers in earnings additional income during this period.

Potentially lower cost of rental relief if discounts are based on lower percentage of total rental vs previous estimates. Based on measures announced, we have estimated the total costs to CD amounts to S$119m. With monthly reviews taking place after June, and should rental discounts be based on percentage of rental, there is a possibility of lower impact to CD's overall costs. Currently, assuming the rental rebate of S$46.50/day is extended from July till September, this equates to a rental relief of c.40%. Based on our scenario analysis, if that steps down by 10% per month from June's 50%, this could equate to c.9% lower costs to CD vs our current estimates.

CD estimated monthly cost for taxi rental relief/ waiver (S$m)



Source: DBS Bank estimates

Rental waivers and relief measures announced by taxi and private hire vehicles operators

Company	Measures announced*
CD	• Various measures since 15 Feb, stepping up from $10/day and eventually cumulating into full rental waiver for Apr and May. • 50% rental waiver for June. Post June, to review on a monthly basis. Prior measure was to provide S$46.50/day rebate till Sep (depending on situation). • Total measures currently estimated to costs $119m. Has also started tie-ups with F&B operators for deliveries to provide extra income for drivers.
SMRT	• Various measures, including $55/day rental rebate in April, and revised to full rental waivers during CB period till 1 June.
TransCab	• Provided rental waiver for first CB period till 5 May, and a nominal rental rate of S$21.40/day from 6 May till 1 June.
Grab	• Free rental for drivers renting cars from Grab, for two days a week from 4 May till end May, implying about 30% savings in rental fees. Commission fees cut by at least 50% till 1 Jun. Weekly payout of $45 or $85 to help drivers' income till end-May.
Go-Jek	• Commission rebates of between 60% to 100%. Announced in late April that it will give out $50 grocery vouchers to its drivers.
Prime	• Full rental waiver in 1st month of CB, nominal rate of $20/day in second month (May).

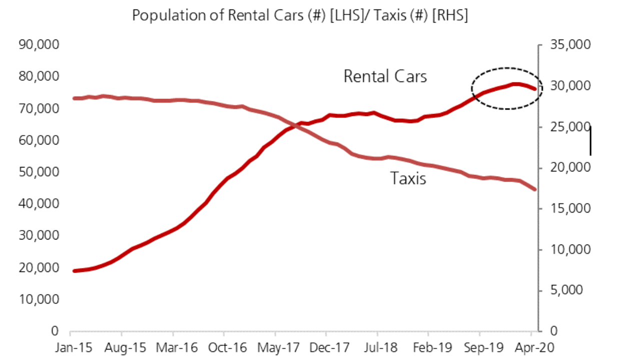
**Note: Measures are based on media reports and various sources, and may not be totally comprehensive*

Source: Company, media reports, DBS Bank

Rental car population has declined since March, with onset of COVID-19. We noted that the rental cars population has receded since March, coinciding with the onset of COVID-19. While it could be mere coincidence, we also note that a significant portion are chauffeur driven cars. As of Dec 2019, 72% of rental cars are chauffeur driven vis-à-vis 28% "self-drive". This portion has grown at an exponential rate since 2014, along with the entry of ride hailing booking operators. With the current challenging climate brought about by COVID-19, we believe there could be significant pressure for such fleet owners.

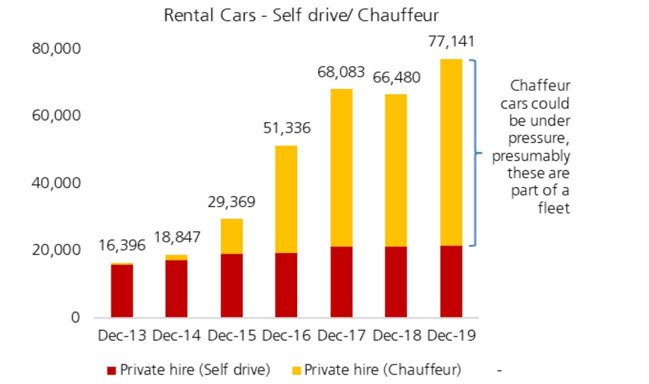
Not surprised to see car rental companies exiting; nudging PTP/ taxi industry towards more sustainable dynamics. While unfortunate, we would not be surprised should we see the rental car fleet being displaced and/or decimated, with rising bankruptcies amid current environment. Over the medium term, we believe this could swing supply and demand dynamics towards a more sustainable level. This would bode well for the survivors, particularly the larger ones.

Total rental cars fleet have seen declines



Source: LTA, DBS Bank

Chauffeur fleet could face similar pressure like taxis



Source: LTA, DBS Bank

(iii) Enhanced Jobs Support Scheme for rail; PTP

$33bn Fortitude Budget enhances Jobs Support Scheme (JSS) for rail and PTP operators. In the Ministerial Statement by Deputy Prime Minister/ Finance Minister, Mr Heng Swee Kiat on 26 May 2020, it was announced that there are enhancements to the JSS, amongst other details. Of note, the JSS will be extended by an additional month to 10 months, instead of 9 months previously. In addition, rail operators and Point-to-Point (P2P) transport operators would receive a higher subsidy of 50% on the first S$4,600 of gross monthly wages per local employee. This is up from 25% announced previously. We have not factored this into our estimates, but our initial estimates suggest this would improve overall JSS benefits by c.48% and aid in mitigating the fall in operating profits due to the current downturn.

Measures	Previous	Revised
Job Support Scheme (JSS)	• JSS to provide cash grant of 25% of first S$4,600 of gross monthly wages per local employee for 7 months; and 75% of first $4,600 during CB period (Apr & May)	• JSS extended by another month to cover 25% of first S$4,600 monthly wage per local employee
JSS for Land Transport	• 25% for rail, PTP and private bus and coach operators	• Revised to 50% of first S$4,600 per month per local employee

Source: Ministry of Finance, DBS Bank

(iv) Removal from MSCI Singapore

CD has been removed from MSCI Singapore Index, along with several other counters (SATS, Sembcorp Industries and Singapore Press Holdings) effective 29 May 2020. This has led to share price weakness as index-based funds would reduce exposure to these counters. We had seen a surge in volume on 29 May with 255.7m shares (total value of S$371.4m) transacted and CD's share price dropping by 4%. In the past week, CD's share price has retreated by 6.5%. While we do not rule out residual selling over the next few days, we believe near term downside could be limited, barring any significant and unforeseen negative news development.

Valuations and forecasts

2Q20 and FY20F earnings could be "water under the bridge". We maintain our forecasts at this current juncture and expect earnings to plunge by 31% in FY20F. In addition, 2Q20 net profit is likely to turn out to be the group's worst quarter since its listing in 2003. However, we believe this could be already be "water under the bridge". More importantly, in our view, is that CD is likely to weather this current storm and we expect earnings to rebound by 38% in FY21F. Based on our projections, the counter currently trades at 1.15x P/BV and 12.4x P/E on FY21F, which is around -2SD and -1SD of its respective historical averages.

Capitalise on economy opening up; opportunity to accumulate on weakness due to MSCI removal. A faster-than-expected opening of the economy could be a share price catalyst, and we believe the "worst could be over" mentality could cause the market cast aside worries of a "largely-known" and weak 2Q20 operating performance. Share price has retreated by 6.5% in the past week, after its 1Q20 business update and removal from MSCI Singapore index (on 29 May).

Upgrade to BUY, TP raised to S$1.68. We raise our TP to S$1.68, pegged to 16.8x on average FY20F/21F earnings (from 15x previously) based on our premise that we are at an inflexion point, and that we have seen the bottom. Further TP upside could come as we move towards end of FY20F, and/or with better clarity in terms of pace of recovery. Applying the same valuation of 16.8x PE on our FY21F earnings, we derive a more bullish TP of S$1.91.

Singapore Taxi relief measures extended by ComfortDelGro to-date

Date announced	Description	Est. Total Costs	Cost per taxi (S$)	From	Till 31-Mar	30-Apr	13-May	30-Sep
					Relief per day (S$/day)			
14-Feb-20	$20/day rental rebate per day from 15 Feb for 3 months.	$9m	$900	15-Feb	$20	$20	$20	na
20-Feb-20	Additional S$16.50 rental rebate per day from 21 Feb to 31 Mar. On top of $20/day rebate given earlier. To step down to $30/day rebate in April and $20/day rebate till 13 May.	$10m	$960	21-Feb	$36.5	$30	$20	na
25-Mar-20	Additional S$10 rental rebate per day and extending total rental rebate of S$46.50 per day till 30 April (original was $30/day for April). No mention of changes for May.	$5.5m	$555	25-Mar	$46.5	$46.5	$20	na
30-Mar-20	Total rental rebate of S$46.50 rental rebate per day, extended till Sep, of which S$36.50 borne by company, $10 by government	$55.5m	$6,680	30-Mar	$46.5	$46.5	$46.5	$46.5
04-Apr-20	Full rental waiver for month of April, till 4 May (due to Circuit Breaker)	$19m	$1900	07-Apr				
22-Apr-20	Full rental waiver extended into month of April, till 1 June (due to Circuit Breaker extension)	$17m	$1900	04-May				
28-May-20	50% rental wavier for month of June, after extended Circuit Breaker ends on 2 June. Supersedes S$46.50 rebate. Marginally more beneficial for taxi drivers.	$3m						

Source: Company, DBS Bank

CRITICAL DATA POINTS TO WATCH

Critical Factors

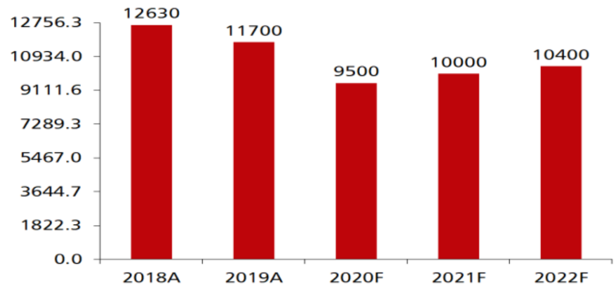
Taxis' hired-out rates and competition from private-hire vehicles. Taxi operations contributed about 25% of group operating profit in FY19, with Singapore operations accounting for the majority (estimated at around two-thirds). The total taxi industry fleet has shrunk, arising from competition by private hire rental car companies. CD's total fleet size has recently shrunk to about 10,600 (as of March 2020) 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 improving 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.74% and c.54% of group revenue and operating profit respectively in FY19. The major profit contributors were 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.

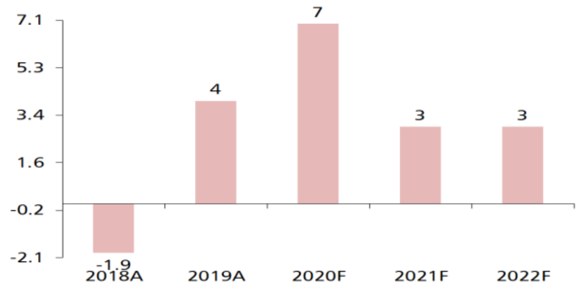
Overseas presence through acquisitions. Since 2003, revenue contribution from overseas has increased from 35% to 45% (as of end-2014), but that dialed back to 42% in 2019 partly due to translation effects and stronger contribution from its public transport services in Singapore. Operating profit contribution stood at 34% as of 2019 (from 26% a decade ago). Management had previously indicated a target of further increasing contribution of overseas revenue to an even mix with Singapore. 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; not factoring 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 had an impact on share price. We are projecting core earnings to contract in FY20F (FY19 had an impairment provision of $27.3m) arising from rental rebates/ waivers, a smaller fleet due to COVID-19 outbreak as well as lower rail ridership and bus services operated. We are currently not factoring in acquisitions which could supplement growth.

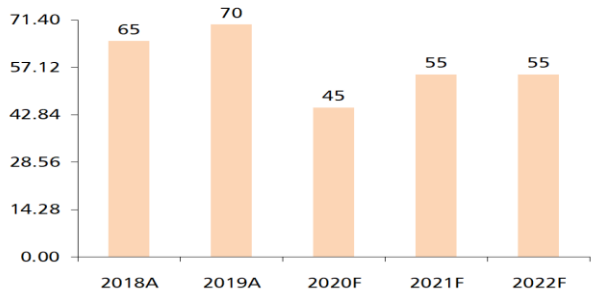
SGP avg taxi fleet (#)



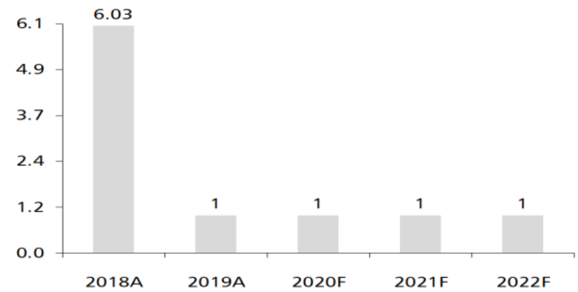
SGP fare chg (%)



Avg oil price (US$)



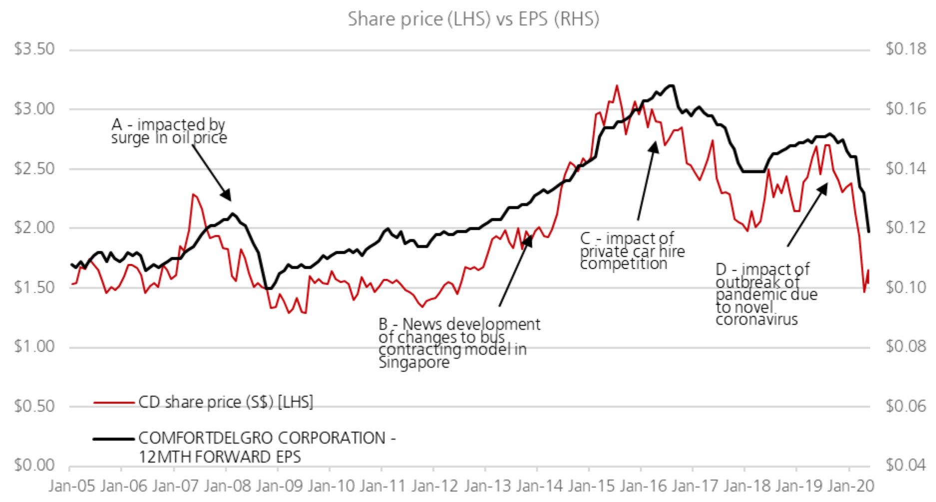
Chg in staff strength (%)



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



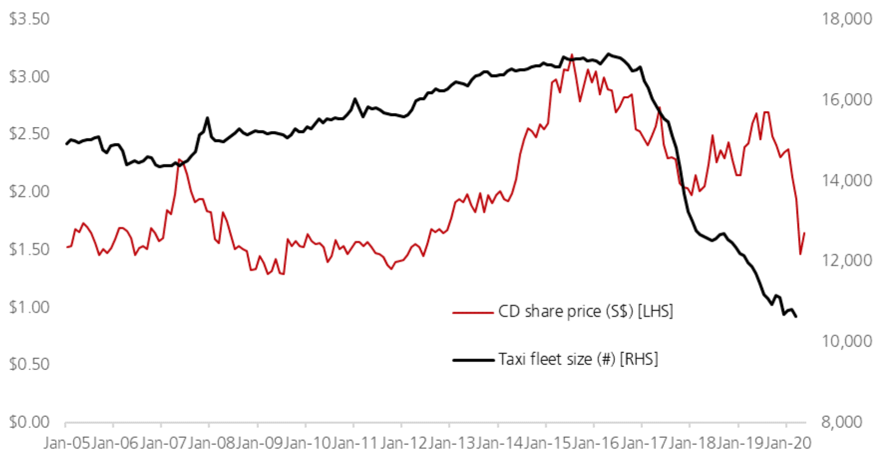
Source: ThomsonReuters, DBS Bank

CD's share price has tracked 12-month forward EPS. Previously, back in 2008, EPS forecasts took a dip on 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 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 revisions with the COVID-19 outbreak on consensus earnings, contingent on the severity and length.

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



Source: LTA, DBS Bank

Concerns on 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 10,600 (March 2020). There was a period of stabilisation in early 2018, but has since dipped further over the course of 2019. Rate of decline seems to have stabilised.

We estimate Singapore taxis accounts for about one-fifth of CD's revenue and operating profits. However, with the impact of COVID-19 and rental waivers/ reliefs, we are projecting taxi to slip into operating losses for the year.

Balance Sheet:

Low gearing provides opportunities for inorganic growth. CD'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 factors study, the challenging taxi business has weighed on 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.

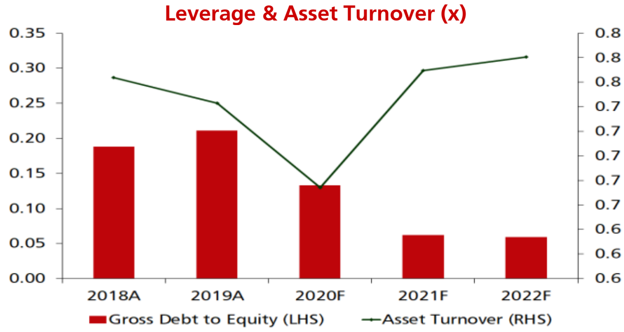
Environment, Social, Governance:

CD published its fifth Sustainability Report for FY19 and reiterated its commitment to sustainability. Being in the public transportation business, impact on environment is key, and the Group has targeted to reduce Green House Gas (GHG) emissions intensity by 20% from 2015 levels by 2023, and 50% by 2030. By 2023, it targets to have 100% hybrid vehicles for its taxi fleet.

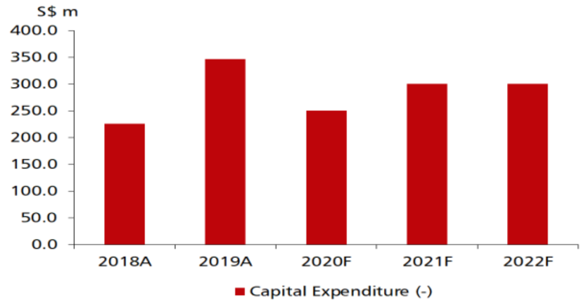
Company Background

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.

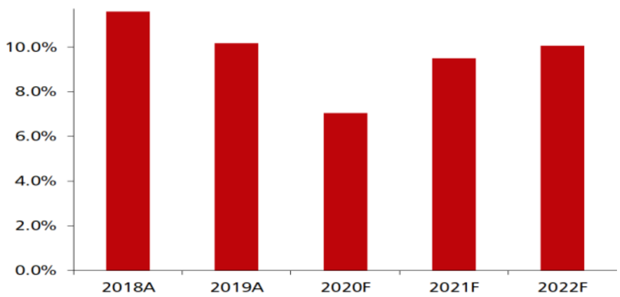
Leverage & Asset Turnover (x)



Capital Expenditure



ROE (%)



Forward PE Band (x)

PB Band (x)

Source: Company, DBS Bank

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F	2022F
SGP avg taxi fleet (#)	12,630	11,700	9,500	10,000	10,400
SGP fare chg (%)	(1.9)	4.00	7.00	3.00	3.00
Chg in staff strength (%)	6.03	1.00	1.00	1.00	1.00

Segmental Breakdown

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenues (S$m)					
Public Transport Svc	2,711	2,879	2,817	3,019	3,122
Taxi	727	669	425	582	620
Automotive Engn	166	159	97.2	126	133
Vehicle Inspection	108	101	97.9	101	104
Others	94.1	97.9	75.7	88.0	104
Total	3,805	3,906	3,513	3,916	4,084
EBIT (S$m)					
Public Transport Svc	217	224	203	219	232
Taxi	129	104	(12.8)	87.3	93.1
Automotive Engn	25.3	27.8	14.6	17.6	18.7
Vehicle Inspection	39.8	30.6	29.4	30.2	31.2
Others	27.8	28.9	35.4	16.0	28.6
Total	439	416	270	370	404
EBIT Margins (%)					
Public Transport Svc	8.0	7.8	7.2	7.2	7.4
Taxi	17.8	15.6	(3.0)	15.0	15.0
Automotive Engn	15.2	17.5	15.0	14.0	14.0
Vehicle Inspection	37.0	30.3	30.0	30.0	30.0
Others	29.5	29.5	46.8	18.2	27.6
Total	11.5	10.6	7.7	9.4	9.9

Expect taxis to slip into losses dragged by rental reliefs

Income Statement (S$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenue	3,805	3,906	3,513	3,916	4,084
Other Opng (Exp)/Inc	(3,366)	(3,490)	(3,243)	(3,546)	(3,680)
Operating Profit	439	416	270	370	404
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.10	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	0.40	(9.2)	(6.1)	(1.4)	5.74
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	439	407	264	368	410
Tax	(80.5)	(88.4)	(48.8)	(71.8)	(79.9)
Minority Interest	(55.5)	(53.1)	(32.7)	(45.1)	(50.1)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	303	265	182	251	280
Net Profit before Except.	303	265	182	251	280
EBITDA	833	869	694	814	868
Growth					
Revenue Gth (%)	6.4	2.6	(10.1)	11.5	4.3
EBITDA Gth (%)	1.3	4.3	(20.1)	17.3	6.6
Opg Profit Gth (%)	7.2	(5.2)	(35.2)	37.2	9.2
Net Profit Gth (Pre-ex) (%)	0.6	(12.6)	(31.3)	38.1	11.2
Margins & Ratio					
Opg Profit Margin (%)	11.5	10.6	7.7	9.4	9.9
Net Profit Margin (%)	8.0	6.8	5.2	6.4	6.8
ROAE (%)	11.6	10.2	7.1	9.5	10.1
ROA (%)	6.1	5.0	3.5	4.9	5.3
ROCE (%)	8.7	7.5	5.0	7.0	7.5
Div Payout Ratio (%)	75.0	80.0	50.0	71.7	76.2
Net Interest Cover (x)	NM	45.2	44.5	262.6	NM

Source: Company, DBS Bank

Quarterly / Interim Income Statement (S$m)

FY Dec	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019
Revenue	1,017	947	981	979	999
Other Oper. (Exp)/Inc	(897)	(840)	(866)	(870)	(914)
Operating Profit	**120**	**107**	**115**	**109**	**84.5**
Other Non Opg (Exp)/Inc	2.80	3.40	2.40	2.90	(8.7)
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(3.6)	(5.5)	(5.4)	(5.3)	7.00
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	**119**	**105**	**112**	**107**	**82.8**
Tax	(19.9)	(22.0)	(21.9)	(23.1)	(21.4)
Minority Interest	(16.0)	(12.9)	(14.2)	(13.4)	(12.6)
Net Profit	**83.5**	**70.4**	**75.9**	**70.0**	**48.8**
Net profit bef Except.	83.5	70.4	75.9	70.0	48.8
EBITDA	224	217	224	217	212
Growth					
Revenue Gth (%)	5.1	(6.9)	3.5	(0.2)	2.0
EBITDA Gth (%)	4.7	(3.5)	3.5	(3.3)	(2.3)
Opg Profit Gth (%)	6.0	(10.6)	7.1	(5.3)	(22.4)
Net Profit Gth (Pre-ex) (%)	6.4	(15.7)	7.8	(7.8)	(30.3)
Margins					
Gross Margins (%)	100.0	100.0	100.0	100.0	100.0
Opg Profit Margins (%)	11.8	11.3	11.7	11.1	8.5
Net Profit Margins (%)	8.2	7.4	7.7	7.2	4.9

Balance Sheet (S$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	2,691	2,706	2,532	2,388	2,224
Invts in Associates & JVs	0.90	0.70	0.70	0.70	0.70
Other LT Assets	1,167	1,353	1,390	1,427	1,464
Cash & ST Invts	586	594	441	597	890
Inventory	139	151	136	151	158
Debtors	275	319	286	318	332
Other Current Assets	277	256	256	256	256
Total Assets	**5,137**	**5,379**	**5,040**	**5,138**	**5,324**
ST Debt	90.4	227	100	100	100
Creditor	691	670	606	675	704
Other Current Liab	228	219	176	199	207
LT Debt	480	407	300	100	100
Other LT Liabilities	621	847	847	847	847
Shareholder's Equity	2,614	2,595	2,565	2,725	2,825
Minority Interests	414	414	447	492	542
Total Cap. & Liab.	**5,137**	**5,379**	**5,040**	**5,138**	**5,324**
Non-Cash Wkg. Capital	(228)	(164)	(104)	(149)	(166)
Net Cash/(Debt)	16.2	(40.0)	40.5	397	690
Debtors Turn (avg days)	25.2	27.8	31.4	28.1	29.1
Creditors Turn (avg days)	84.0	81.8	82.6	75.4	78.3
Inventory Turn (avg days)	15.5	17.4	18.5	16.9	17.5
Asset Turnover (x)	0.8	0.7	0.7	0.8	0.8
Current Ratio (x)	1.3	1.2	1.3	1.4	1.6
Quick Ratio (x)	0.9	0.8	0.8	0.9	1.2
Net Debt/Equity (X)	CASH	0.0	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	0.0	CASH	CASH	CASH
Capex to Debt (%)	39.7	54.6	62.5	150.0	150.0
Z-Score (X)	2.6	2.4	2.5	2.7	2.7

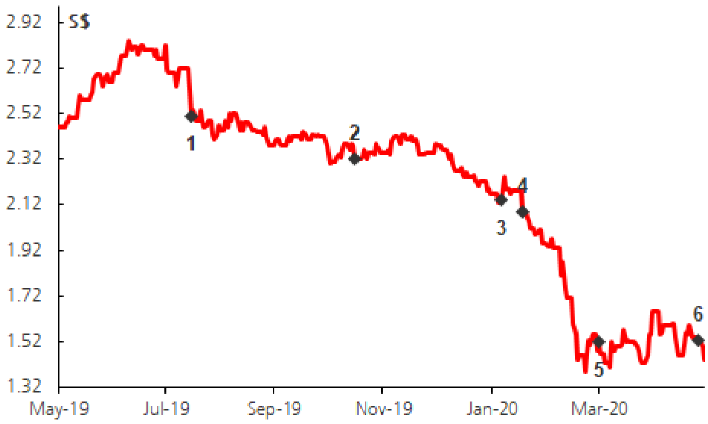
Source: Company, DBS Bank

Cash Flow Statement (S$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	439	407	264	368	410
Dep. & Amort.	394	453	424	444	464
Tax Paid	(82.1)	(89.5)	(91.7)	(48.8)	(71.8)
Assoc. & JV Inc/(loss)	(0.1)	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(55.0)	(144)	(16.5)	21.2	8.81
Other Operating CF	(27.6)	(16.2)	0.0	0.0	0.0
Net Operating CF	669	610	580	785	810
Capital Exp.(net)	(226)	(347)	(250)	(300)	(300)
Other Invts.(net)	(419)	(28.3)	(50.0)	(50.0)	(50.0)
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	7.00	8.20	13.0	13.0	13.0
Net Investing CF	(638)	(367)	(287)	(337)	(337)
Div Paid	(225)	(231)	(212)	(91.1)	(180)
Chg in Gross Debt	216	31.3	(234)	(200)	0.0
Capital Issues	3.90	1.30	0.0	0.0	0.0
Other Financing CF	(23.3)	(31.6)	0.0	0.0	0.0
Net Financing CF	(29.0)	(230)	(446)	(291)	(180)
Currency Adjustments	(12.0)	(5.5)	0.0	0.0	0.0
Chg in Cash	(10.1)	8.10	(154)	157	293
Opg CFPS (S cts)	33.4	34.8	27.5	35.2	36.9
Free CFPS (S cts)	20.4	12.2	15.2	22.3	23.5

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 Aug 19	2.51	2.59	HOLD
2:	14 Nov 19	2.32	2.48	HOLD
3:	05 Feb 20	2.14	2.45	BUY
4:	17 Feb 20	2.09	2.26	HOLD
5:	31 Mar 20	1.52	1.55	HOLD
6:	26 May 20	1.53	1.50	HOLD

Source: DBS Bank

Analyst: Andy SIM, CFA

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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: 1 Jun 2020 07:28:51 (SGT)
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