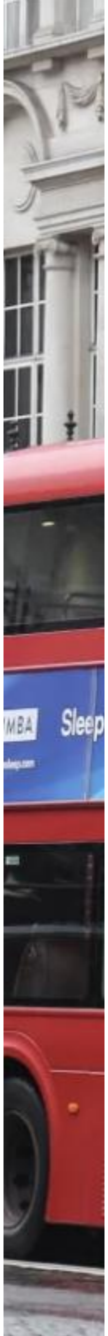

ComfortDelgro: Chasing Growth, Missing Returns?

SEPTEMBER 2025

Corporate Monitor Limited

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Table of Contents

EXECUTIVE SUMMARY

Corporate Monitor issued its first report on ComfortDelgro (“CDG”) in May 2024 where we highlighted the following issues:

- A decade of stagnant revenue and declining profits, despite significant capital investments in overseas expansion.
- CDG was destroying shareholder value. Return on Equity (“ROE”) had fallen to 6.9% in 2023, almost half the 13.3% recorded in 2015. More critically, ROE remained below its 9% cost of equity.
- Lack of strategic clarity on how its growth strategy aligns with long-term shareholder value creation.
- Weak governance marked by limited disclosure and misaligned management compensation relative to performance. CDG also suffered from a bloated board and an inefficient corporate structure spanning three listed entities.

We evaluate how and if CDG is addressing these issues in this follow-up report.

Summary View

We do not expect CDG’s profitability and ROE to improve meaningfully in the near term, for two reasons. First, both core businesses – public transport and taxi/private hire – face structural constraints. Public transport contracts carry inherently low margins, while taxi/private hire is challenged by ride-sharing competition. Second, by refusing to set specific ROE targets, CDG may be signaling that return is not its key goal.

Instead, CDG remains focused on growth, by doing more of the same, namely, acquisitions and more overseas public transport contracts. If CDG is not disciplined, it could overpay for acquisitions or bid too aggressively for contracts. Both could lead to lower ROE although it could deliver growth in the short term.

Some progress on growth and returns

CDG’s corporate finance strategy hit a turning point in 2024, with the company moving into a net debt position for the first time. We view this as an enlightened shift. When used prudently, debt is a legitimate tool to finance growth and frees up cash that can be distributed to shareholders.

ROE improved to 8.1% in 2024 from 6.9% in 2023. Higher leverage drove that uplift, as profit margin remained flat and asset turnover improved only slightly.

The group deployed more than S$700 million of additional debt towards three key taxi/private hire acquisitions:

- **CMAC Group**, a UK-based ground transport management and accommodation network specialist, acquired in February 2024 for £80.2 million (S$135 million).
- **A2B**, an Australian taxi network and payment solutions provider, bought for A$182 million in April 2024.
- **Addison Lee**, a prominent London-based premium private hire, courier, and black taxi provider purchased for £269.1 million (approximately S$461.2 million) in November 2024.

Those acquisitions helped CDG to deliver 15.4% revenue growth and an 18.7% increase in operating profit. If we strip out the acquisitions, revenue and operating profit growth would be a more modest 4.7% and 6.7% respectively.

Acquisitions in 2024 need time to justify cost

CDG emphasizes the strategic rationale for the three acquisitions, however, 2 of them came at a high price:

- A2B: Based on our calculations, the acquisition took place at a price-to-earnings (P/E) ratio of 28.8x, using the 12-month pro forma adjusted net profit for the period ended December 2024.
- Addison Lee: We estimate that the deal was completed at a reported earnings-based P/E ratio of 38x, or an enterprise value-to-earnings before interest, tax, depreciation and amortization ("EV/EBITDA") of 8.9x.
- We did not estimate the valuation of the CMAC acquisition due to a lack of data.

Acquisition multiples for the A2B and Addison Lee acquisitions are well above CDG's own P/E ratio of 13–14x and EV/EBITDA of around 5x in 2024. CDG needs to significantly enhance the performance of the acquired businesses through integration with its existing operations for these acquisitions to prove positive in the long run.

We urge CDG to provide greater disclosure going forward so that shareholders can better assess the progress of integration.

Public transport must balance growth, returns and risk

With limited room for expansion in Singapore, CDG is growing its overseas public transport business. It secured new bus contracts in Australia and the UK, as well as a rail contract in Sweden – all scheduled to commence in 2025. These contracts are expected to generate mid-single-digit operating margins, which will dilute CDG's overall group margins.

Management argues that lower margins are acceptable because of the lower risk. Operating under the operator model, CDG does not take ridership and fare risks. While CDG needs to pay for the operating assets, it could recover the value of such assets and the financing cost from the relevant transport authorities. CDG also contends that competitors are bidding more rationally, easing downward pressure on margin.

We accept the lower risk argument, but we question if it is an efficient use of CDG's resources. We test the assumption that recovery of asset value is "assured" by adding depreciation back to operating profit to derive cashflow return over gross operating assets. This proxy calculation of return on assets was 6.6% in 2024, which is below the weighted average cost of capital of 8.6%. In other words, overseas public transport contracts are still eroding shareholder value.

Disciplined execution critical to moving beyond core businesses

The CMAC acquisition is noteworthy, as it is a technology-based aggregator for private transportation that can generate synergies with CDG's taxi and private hire operations. CMAC currently operates in the UK and 12 other countries and could create revenue synergies with Addison Lee and CityFleet Networks in the UK.

CDG's launch of its first robotaxi pilot program in Guangzhou, China, in partnership with autonomous driving leader Pony.ai, also adds future strategic optionality for the group both in China and globally. As the autonomous vehicle industry is still evolving, CDG's early foothold is positive, but it must remain disciplined in managing near-term losses against the longer-term strategic payoff.

Management compensation must be transparent and linked to specific profitability and return targets

CDG's comments on its management remuneration policy are unclear. According to the 2024 annual report, "…the remuneration of the Group CEO is tied to returns on shareholders' funds vis-a-vis the weighted average cost of capital…". There are no details about relevant thresholds and targets, and how returns and cost of capital are computed. In fact, shareholders should question a substantial part of the Group CEO's remuneration, since ROE has been below the cost of equity for a few years.

1. CDG: SHIFTING BUSINESS PROFILE

CDG's three taxi/private hire acquisitions in the UK and Australia drove FY2024 performance shifts that were noteworthy in a few ways. First, revenue and profit growth picked up. Second, 49% of revenue is now overseas (Exhibit 1) and poised to surpass 50% in the years ahead. Third, taxi/private hire is now the biggest contributor to operating profit, at 47% versus public transport's 40% (Exhibit 2).

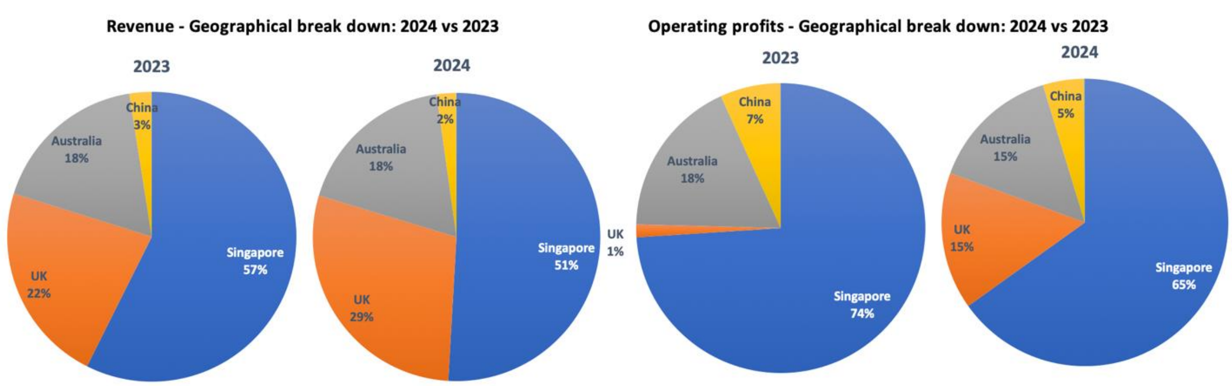
1.1 Acquisitions drive renewed growth

Breaking out of a decade of stagnation, CDG's revenue grew 15.4% to S$4.5 billion in FY2024. Operating profit increased by 18.7% from S$272.1 million to S$322.9 million. Profit after tax and minority interests ("PATMI") improved by 16.6% from S$180.5 million to S$210.5 million. The group's operating profit from the public transportation segment grew 8%, whereas the taxi/private hire segment saw 26.8% growth.

However, if we strip out the contribution from the three acquisitions made in 2024, growth is less impressive. The acquisitions accounted for S$412.4 million in revenues and S$33.7m in operating profit in 2024. Without these, organic revenue and operating profit growth were 4.7% and 6.7% respectively.

1.2 Revenue/profit: Growth in overseas markets' contribution

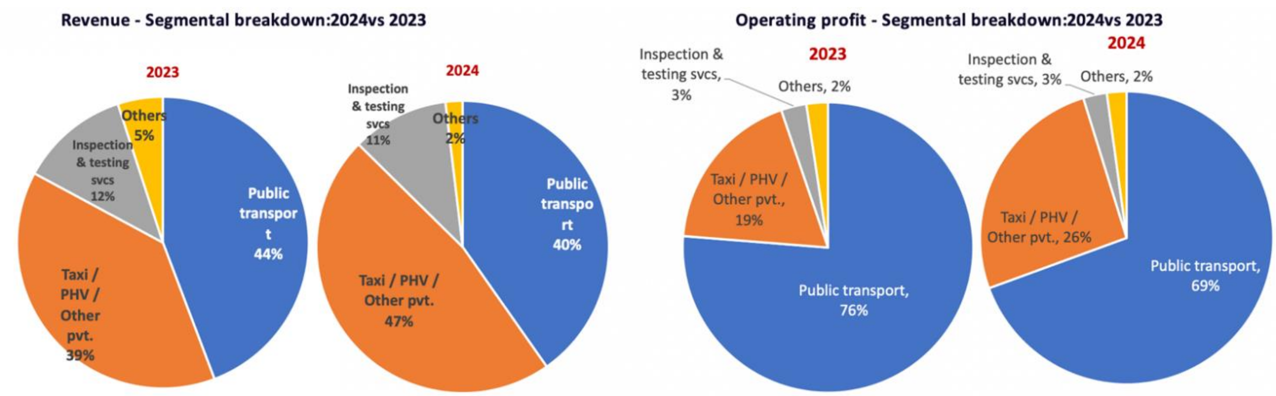
Exhibit 1: CDG Revenue / Operating profits – Geographical breakdown: 2024 vs 2023



Source: Company, CML

1.3 Operating profits: Increasing contribution from taxi/private hire

Exhibit 2: CDG Revenue / Operating profits – Segmental breakdown: 2024 vs 2023



Source: Company, CML

2. PUBLIC TRANSPORT: IS SAFETY WORTH THE COST IN RETURNS?

Despite the lower operating profit margin, public transport is still a growth priority. In fact, CDG has secured a number of public transport contracts in developed markets of UK, Europe and Australia:

- Australia: Three bus franchises in Victoria worth A$1.6 billion over 10 years, starting July 2025. Covering the west and northwest regions, this represents a 30% expansion of CDG's Victorian public bus business.
- Sweden (Connecting Stockholm JV): In partnership with the Go-Ahead Group, CDG secured an 11-year contract to operate and maintain the Stockholm Metro from November 2025. This will be its largest rail operation outside Singapore, encompassing all seven lines, 100 stations, six depots, and 107 km of track. No contract value was provided by CDG.
- UK: CDG was awarded contracts to operate four bus franchises in Greater Manchester worth £422 million over five years. The contracts commenced on 5 January 2025.

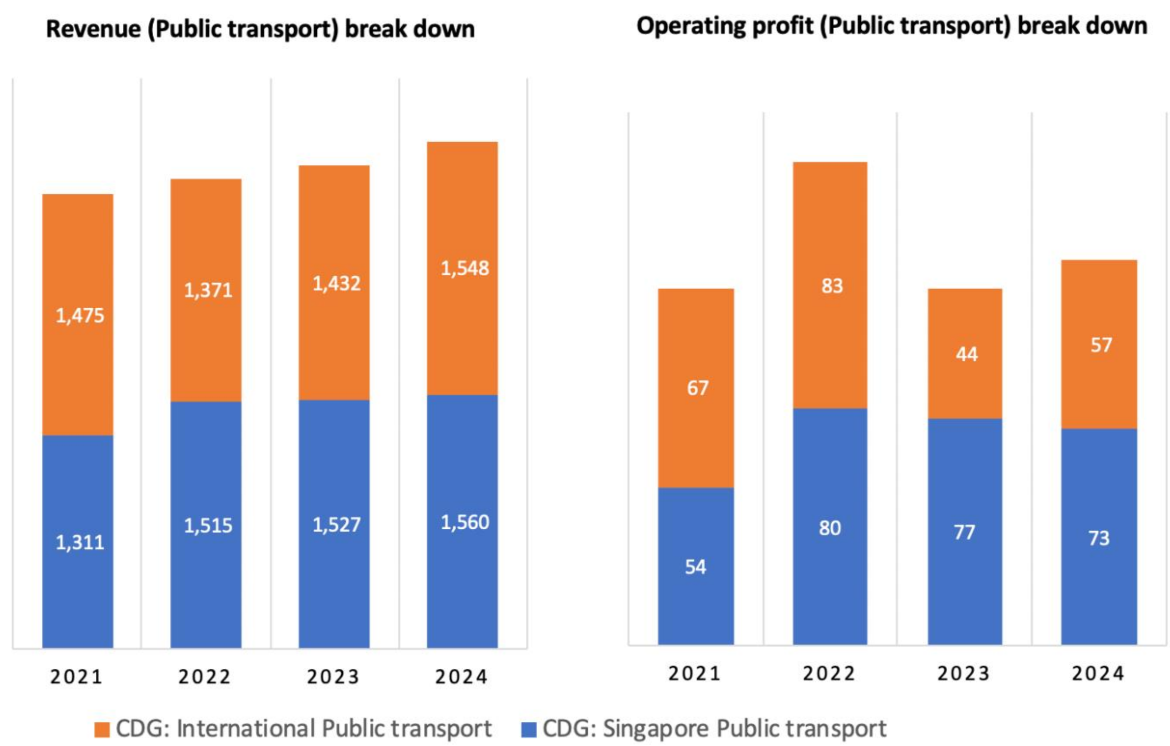
There are a few reasons for CDG's continued focus on securing new public transport contracts overseas:

- Limited opportunities in taxi/private hire: there are a finite number of acquisition targets. While management actively monitors potential targets, deals are hard to find.
- A core franchise: Public transport remains a fundamental part of CDG's business, where scale and operational expertise can still support reasonable margins, or at least avoid losses.
- Offset decline in Singapore: Growth prospects in Singapore are limited, and CDG has already lost, and may continue to lose, contracts. Overseas expansion can offset the decline in Singapore.

- "Safer" overseas contracts: Management argues that overseas public transport contracts will be sought only in developed markets with good rule of law and regulation. They are low-risk and hence acceptable. Section 2.1 examines this further.

That said, the performance of the public transport segment in the last four years (2021-2024) is mixed. While revenue has grown, operating profits were volatile, rising in 2022 and declining the following year. The surge in inflationary pressures following COVID certainly impacted margins in 2023. The public transport segment is also subject to the vagaries of competitive bidding when contracts become due for renewal. This was the case in the UK in 2024 as competitors behaved rationally. However, this was negated by the lower profit in Australia due to driver shortage. Exhibit 3 shows the revenue and operating profit in the public transport segment from international versus Singapore operations over the period 2021 to 2024.

Exhibit 3: Break down of CDG's Public transport Revenues and Operating profit, S$ Mn



Source: Company, CML

2.1 Lower risk, but not yet value accretive

CDG argues that public transport contracts' lower margins are acceptable because of the lower risks. As an operator, CDG does not take fare or ridership risks and is paid to operate the buses or rail. While it has to pay for the operating assets, CDG is assured that its investment is reimbursed through the contract structure.

There are two broad franchise operating models – the London model and the Singapore model.

In London, Transport for London ("TfL"), offers bus routes for competitive bidding to operators and incorporates the cost of owning the assets in the contract pricing. If an existing operator loses its contract, the incoming operator for the route typically purchases the relevant buses from the outgoing operator at depreciated value. This process is facilitated by TfL to ensure operational continuity and avoid financial losses to operators.

Australia uses a similar model to London, with the operator managing the bus routes for a contracted fee over a contract period and the assets transferred to the next operator at the depreciated value if contracts are not renewed.

In Singapore, under the Bus Contracting model transport companies are contracted and paid a fee to operate public bus services through a competitive tender. The Government retains fare revenues and owns all infrastructure and operating assets such as buses and depots.

CDG therefore argues that straightforward return on assets for its international public transport businesses does not reflect the fact that operating assets are ultimately reimbursed by the transport authorities at no risk to CDG.

To test that argument, we computed a cashflow return on gross asset ratio as a proxy measure. Since investment in operating assets are recovered, we add back depreciation to operating profit. We then divide this by the gross assets to arrive at a cashflow return of 6.6% in 2024 (Exhibit 4). Since this is a return on the gross asset, the relevant metric to compare against is the weighted average cost of capital ("WACC"), which includes both debt and equity. We arrive at a WACC of 8.6% in 2024 (Exhibit 5), which is higher than the cashflow return of 6.6%.

In other words, with the cashflow margin and capital structure of CDG, overseas public transport contracts are still eroding shareholder value. CDG can bring down WACC by having more debt, which has lower cost than equity. If CDG had a 1:1 debt to equity ratio, WACC would be 6.2%, lower than the cashflow return. CDG indeed made a transition to net debt position in 2024, and now aims to be prudently leveraged. However, management has signaled a debt to equity ratio far less than 1:1. So it is likely that the cashflow returns on overseas public transport contracts will continue to be below WACC for the foreseeable future.

Exhibit 4:

CDG: International Public transport - Estimating Cash Flow Returns, S$ Mn

		2023	**2024**
A	Operating Profits	44	57
B	Depreciation	83	83
C = A + B	Operating Cash flow	126	140
D = C x (1-20%)	Post tax Operating Cash flow	101.0	111.8
E	Gross Assets	1,727	1,704
F = D / E	**Net Operating CF on Gross Assets**	**5.8%**	**6.6%**

Source: Company, CML

Exhibit 5:

Estimating CDG's Cost of Capital, 2024

A	Equity - weight	0.93
B	Net Debt - weight	0.07
C	Tax rate	20%
D	Cost of Equity (Est.)	9.0%
E	Cost of Debt	4.0%
F = E x (1-C)	Post Tax Cost of Debt	3.2%
G = D x A + F x B	**WACC**	**8.6%**

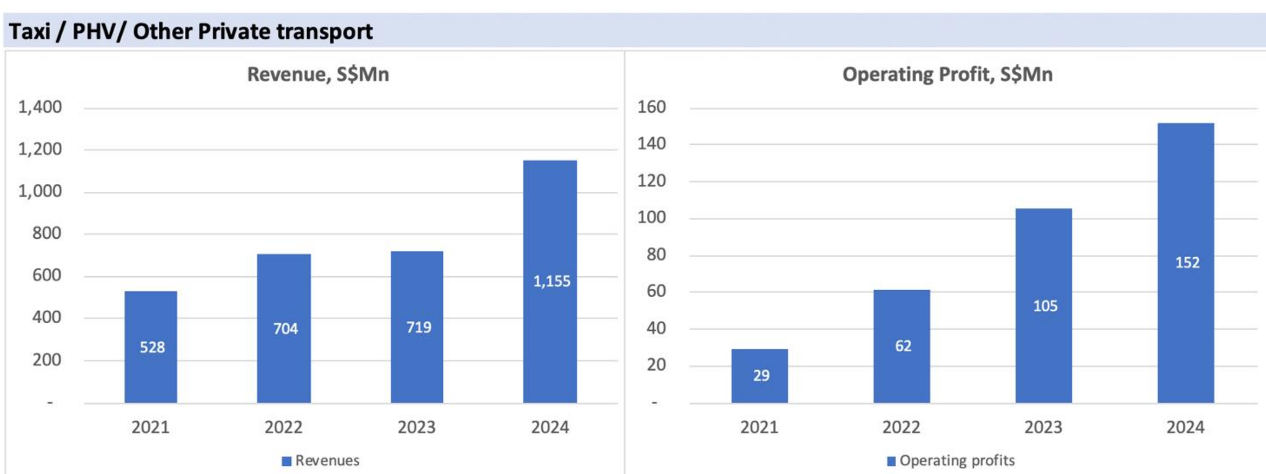
Source: Company, CML

3. TAXI/PRIVATE HIRE: BUYING GROWTH AT HIGH PRICES

The recent taxi/private hire buying spree adds to a growth segment for CDG, but the hefty price tags require sound execution and time to make them worthwhile.

Unlike the public transport segment, taxi/private hire has grown consistently in the past four years (Exhibit 6). Although taxi/private hire accounted for only 26% of CDG's 2024 revenues, this segment is now the biggest contributor to group operating profit at 46% given its higher operating margins.

Exhibit 6: Revenue and Operating Profit of Taxi/private hire segment 2021 - 2024



Source: Company, CML

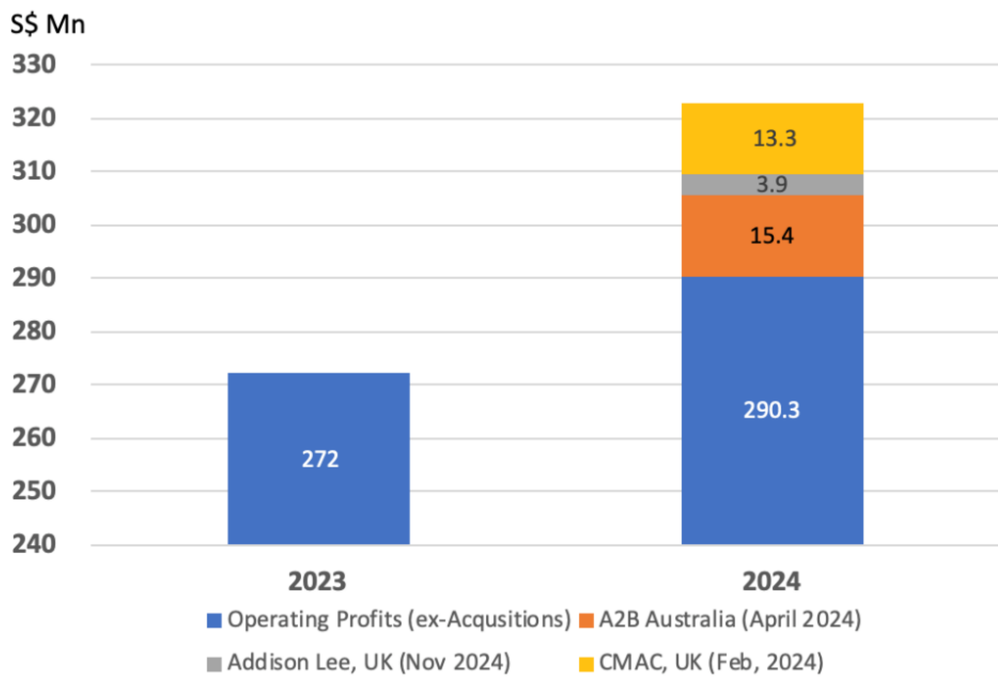
Revenue grew 61% while operating profit increased by 45%, mostly via contributions from the following acquisitions:

- February 2024: CMAC Group, a UK-based ground transport management and accommodation network specialist, for £80.2 million (approximately S$135 million).

- April 2024: A2B, an Australian taxi network and payment solutions provider, for A$182 million (approximately S$163.3 million).
- November 2024: Addison Lee, a prominent London-based premium private hire, courier, and black taxi provider for £269.1 million (approximately S$461.2 million).

Adjusting for the acquisitions (Exhibit 7), organic growth in revenue and operating profit for the segment in 2024 were 3.3% and 12.3% respectively. This was led by higher rentals and ride-hailing commission rates in Singapore.

Exhibit 7: Comparing CDG's Operating Profit in 2024 to 2023 – Acquisition contribution



Source: Company, CML

3.1 Addison Lee: Value accretion to be proven

CDG's acquisition of Addison Lee marks its foray into the premium point-to-point mobility services targeting the business-to-business segment. Addison Lee operates a London-based network comprising over 5,000 vehicles and 7,500 drivers – including electric, hybrid, and traditional black taxis.

3.1.1 An expensive acquisition

At CDG's 2025 AGM, management avoided commenting directly on valuation when pressed on whether its acquisition of Addison Lee was expensive. Instead, it argued that Addison Lee's past earnings were distorted by high leverage and ownership by financial investors who did not have operational expertise.

Our calculation shows that the acquisition was expensive. Based on financial statements of Atlas Topco, Addison Lee's parent, Addison Lee reported EBITDA of £47.9 million and net profit of £7.0 million for the 12 months to August 2024. Against CDG's acquisition cost of £425 million enterprise value ("EV") and £269 million in equity value, the deal translates into an EV/EBITDA of 8.9x and P/E of 38x.

CDG needs to justify that this acquisition was financially disciplined. Both ratios are substantially higher than CDG's own trading multiples of 5x (EV/EBITDA) and 13x (P/E) during 2024.

3.1.2 Integration key to value creation

Despite starting with high acquisition valuations, CDG can still generate acceptable returns if Addison Lee generates strong earnings growth. This will depend on how effectively CDG integrates Addison Lee with its existing transport platforms, including CityFleet Networks and the recently acquired CMAC.

CityFleet Networks is a ground transportation provider operating a fleet of vetted & approved taxi, car and coach services under a standardized brand, a unified customer app, and a centralized call center that optimizes booking and dispatch. Geographically, CityFleet supports existing taxi and car fleets across Liverpool, the Wirral, Chester, and Aberdeen. When combined with Addison Lee, the enlarged operations could drive synergies through shared technology, overheads and operational expertise, while also expanding reach and enhancing customer service.

CDG's recently acquired CMAC Group, a specialist in pre-planned and on-demand ground transportation for business clients, could also add synergies. By leveraging client relationships between CMAC and Addison Lee's network, CDG can unlock cross-selling opportunities to deliver a wider range of transportation solutions, from corporate transfers to airport and station pickups.

In theory, the businesses, if integrated well, could result in enhanced profit in the taxi/private hire segment, but whether these are sufficient to offset the high acquisition price remains to be seen. We look forward to greater disclosures from CDG to track the integration progress.

3.2 A2B acquisition: Needs to deliver

CDG completed the acquisition of A2B in April 2024, having previously held a 9.3% stake. A2B is a leading Australian taxi network and technology provider, operating well-known brands including 13cabs and Silver Service, the MTI booking and dispatch platform, and the Cabcharge payment solution.

Corporate Monitor calculated that the A2B acquisition was made at a P/E of 28.8x, which is expensive compared to CDG's own P/E ratio of 13x. Our calculation used the 12-month net profit for the period to December 2023, to reflect CDG's acquisition timing. We exclude the one-off gain from A2B's property disposals, completed just prior to CDG's acquisition. We also add back leasing expenses (as A2B is leasing back the same properties) which will be recurring costs post-acquisition. On this basis, adjusted net profit was A$6.3 million against an equity value of A$181.9 million.

CDG believes that combining A2B's taxi networks and technology solutions with CDG's existing operations such as Swan Taxis in Western Australia creates the largest integrated taxi network in the country. The deal also enables entry into the premium service segment and strengthens CDG's position against asset-light ride-hailing operators. Wider scale and integration are expected to deliver cost savings and commercial synergies.

Ultimately, CDG needs to generate sufficient incremental earnings from A2B to generate a positive return from the deal.

3.3 CMAC: Execution critical to capture new growth

CMAC manages planned and time-critical transport, as well as accommodation arrangements, across a range of sectors including aviation, rail, travel management companies, corporate travel, and door-to-door mobility services. The company operates across key European markets including the UK, Spain, Greece, Portugal, and the Netherlands.

We did not compute the acquisition multiple for CMAC given limited available details. It is a technology platform with potential to benefit CDG's broader transport network. This is unlike Addison Lee and A2B which are primarily within the taxi/private hire segment.

We have a positive view of the strategic value that CMAC brings. There is meaningful synergy potential with CDG's existing taxi and PHV businesses, notably Addison Lee and CityFleet Networks. All three businesses operate in the UK and increasingly rely on technology-enabled, platform-based bookings providing opportunities for system integration. CMAC's digital booking and disruption-management tools can complement Addison Lee's premium ride-hailing infrastructure and CityFleet's regional operations, potentially unlocking cost and process efficiencies.

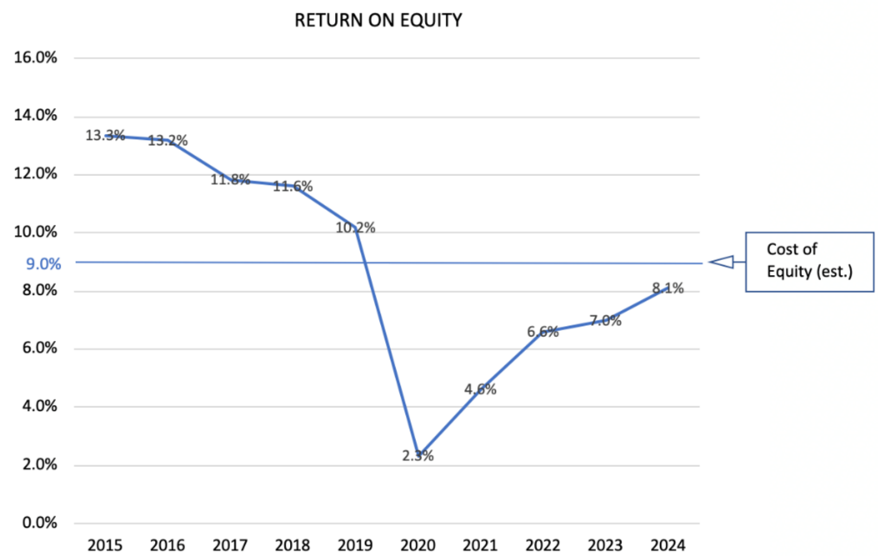
In addition, CMAC's asset-light, scalable, and B2B-focused model enables CDG to extend its reach into new customer segments and geographic markets without heavy capital outlay, while leveraging CMAC's existing supplier networks and digital infrastructure.

4. ROE AND CORPORATE FINANCE: WITH GREAT LEVERAGE COMES GREAT RESPONSIBILITY

4.1 Debt used to fund acquisitions boosts ROE

CDG managed to improve its ROE in 2024 to 8.1%, which is close to its cost of equity of 9% (Exhibit 8).

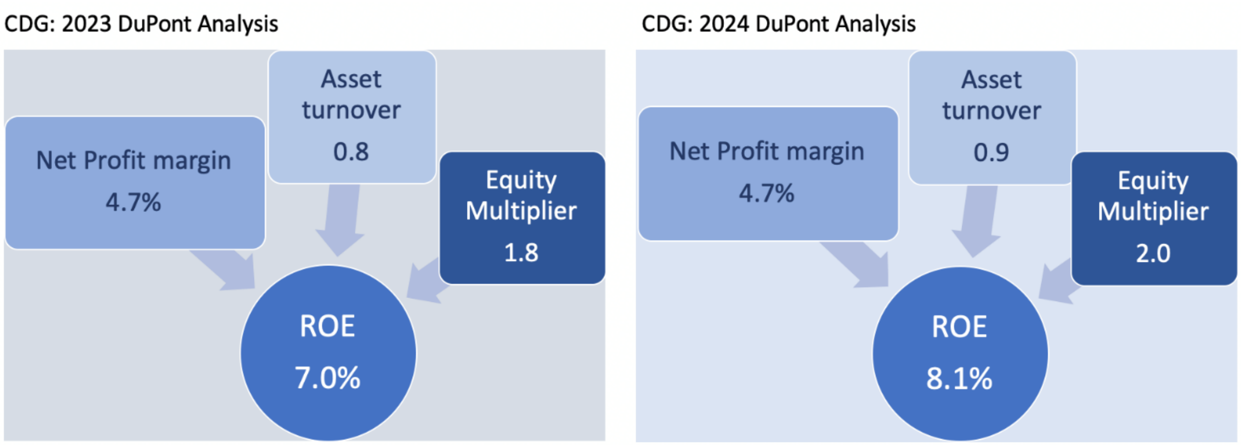
Exhibit 8: CDG's ROE over the past 10 years



Source: Company, CML

We break down the drivers of CDG's ROE improvement using DuPont analysis as follows.

Exhibit 9: DuPont Analysis: CDG's ROE improvement from 2023 to 2024



***Net Profit margin** : Net Profit / Sales* ***Asset turnover** : Sales / Average Assets* ***Equity Multiplier** : Average Assets / Average Equity*

			2023	**2024**
A	Sales	SGD Mn	3,880	4,477
B	Net Profit	SGD Mn	181	211
X = B/A	Net Profit Margin		4.7%	4.7%
C	Average Assets	SGD Mn	4,696	5,208
Y = A/C	Asset turnover		0.8	0.9
D	Average Equity	SGD Mn	2,586	2,598
Z = C/D	Equity Multiplier		1.8	2.0
ROE = X x Y x Z	**Return on Equity**		**7.0%**	**8.1%**

Source: Company, CML

The analysis shows that CDG's ROE improvement in 2024 was not due to stronger margins or higher asset turnover – both remained broadly stable versus 2023 (Exhibit 9) despite a changing revenue mix. Instead, the uplift came from higher financial leverage, which raised the equity multiplier.

Ordinarily, boosting ROE through leverage is not ideal. Yet for CDG, the context matters. Until 2023, the group sat on a net cash position. That has now shifted, with CDG moving into a modest net debt position after funding recent acquisitions. Even so, leverage remains limited with net gearing at 16.6% as of June 2025 (Exhibit 10). We understand that CDG will still be conservative in managing its balance sheet, limiting gearing to 20% to 30%.

Exhibit 10: Snapshot of CDG's Cash and Debt balance position

SGD Mn	Dec 2023	Dec 2024	June 2025
Cash and short-term deposits	856.9	892.4	873.1
Borrowings + finance leases	(359.4)	(1110.6)	(1476.8)
Net (Debt) / Cash	497.5	(218.2)	(603.7)
Net Gearing (net debt / (net debt + equity)	NA	6.8%	16.6%
Gross Gearing (gross debt / equity)	12.0%	36.8%	48.8%

Source: Company, CML

CDG has yet to commit to an ROE target, and we do not expect significant improvement in the metric soon. Two of the ROE drivers, namely net margin and asset turnover, will likely remain largely unchanged, because CDG's business remains largely similar. Further increase in leverage therefore is the key ROE driver in the next few years. Post 1H2025 results, management commented that at 30% net gearing, borrowing headroom equates to S$500 million for suitable acquisition targets. Adding such amount of debt however would not boost leverage – and hence ROE – by much.

We think the prudent use of debt is an enlightened decision, but leverage should not be a quick fix to low ROE. Longer term, ROE may improve if CDG boosts its profit margin and asset turnover (by becoming capital light) and makes acquisitions at sensible prices.

4.2 Scope to pay more dividends

We think CDG can afford to increase its dividend payout. CDG holds a gross cash balance of S$873 million (June, 2025), almost half of which sits at its listed subsidiaries: SBS Transit (S$340 million) and VICOM (S$55 million). If these entities are more efficient with their capital, they can return surplus cash to shareholders, including CDG.

In September 2025, CML issued a report on VICOM, which had been incurring capex to grow the non-vehicle testing business in a bid to grow revenue given the limited upside in its traditional business of vehicle inspection. The problem is, despite such capex, all of which was funded by equity, VICOM's non-vehicle testing business has stagnant revenue and declining profit. In our view, VICOM could at least use debt for its capex, or better yet, VICOM should stop further capex for the non-vehicle testing business. Both moves will free up cash to its own shareholders and parent CDG.

4.3 Divestment as financial management

We believe CDG must adopt greater investment discipline, including considering divestments of businesses that consistently underperform on returns. Just because a business is still profitable does not justify keeping it. Each business should generate returns at or above the group's cost of capital, unless there is clear visibility of upside potential.

CDG has shown willingness to divest in the past, such as its exit from Vietnam, but further scrutiny of other low-returning businesses is warranted. China stands out in this regard. Despite operating across multiple segments and regions, CDG's China portfolio (Exhibit 11) lacks scale and appears to deliver modest returns. CDG operates taxi fleets across eight cities with more than 9,500 vehicles, but the fragmented footprint raises questions over long-term strategy and scalability. Worse, ride sharing penetration rate in China is high and competition is cut throat. It will be challenging to see how CDG's traditional taxi business in China can grow or become more profitable.

Exhibit 11: Details of CDG's presence in China

ComfortDelgro's Multi-City, Multi-Segment Presence in China: What is the Long term scale up strategy?

Taxi & Private Hire			
City	**Company**	**Fleet size**	**City Mkt share**
Chengdu	Chengdu ComfortDelGro Taxi Co	1000	8% EVs
Nanning	Nanning Comfort Transportation Co	600	
Beijing	Beijing Jin Jian Taxi Service	5100	2nd largest
Jilin	Jilin ComfortDelGro Taxi Co	650	14%
Shenyang	Shenyang ComfortDelGro Taxi Co	1200	Largest
Shanghai	Shanghai City Qi Ai Taxi Services Co	300	220 EVs
Suzhou	Suzhou Comfort Taxi Co.	10	
Nanjing	Nanjing ComfortDelGro Dajian Taxi	400	3rd largest

Bus Station		
City / Region		
Guangzhou	Tianhe Bus station (JV: ComfortDelgro China & GZPTG)	30% of Intercity ridership
Bus ticket sales Platform		
Guangdong province	Tianke Chuxing platform	
	XinTianWei Tour platform	Rev: Rmb 5 mn
EV charging		
Guangzhou	Guangzhou ComfortDelGro Guangjiao New Energy Company	240 fast chargers (JV with GZPTG)
Construction Logistics		
Guangdong Province	Guangxi ComfortDelGro Logistics Co a JV between ComfortDelGro (China) and Guangzhou Xinhongqiang Concrete Co.	40 trucks

Source: Company, CML

5. CORPORATE GOVERNANCE: IMPROVE ALIGNMENT AND TRANSPARENCY

5.1 Align management incentives with shareholder value

The use of debt to fund growth marks a meaningful change in how CDG uses its capital, but it also raises the importance of financial discipline and management accountability. We strongly recommend that CDG commit to specific targets on ROE and explain how management remuneration is linked to those targets.

We find CDG’s statement on Group CEO’s remuneration confusing. In the 2024 annual report, CDG states that “…the remuneration of the Group CEO is tied to returns on shareholders’ funds vis-a-vis the weighted average cost of capital…”. There is no elaboration on the targets and thresholds used, and the way that cost of capital is computed (Exhibit 12).

Exhibit 12

ComfortDelgro's MD/GCEO's Remuneration package 2024 vs 2023: What drove the difference ?

MD/GCEO’s remuneration for FY2024 is as follows:

	THE GROUP																	
REMUNERATION	BASE OR FIXED SALARY		VARIABLE OR PERFORMANCE-RELATED INCOME OR BONUSES		BENEFITS IN KIND		STOCK OPTIONS GRANTED		SHARE-BASED INCENTIVES AND AWARDS[1]		OTHER LONG-TERM INCENTIVES		EMPLOYER CPF		OTHER EMOLUMENTS		TOTAL AGGREGATE REMUNERATION PAID	
FY2024	S$	%	S$	%	S$	%	S$	%	S$	%	S$	%	S$	%	S$	%	S$	%
CHENG SIAK KIAN	907,200	30.73	1,721,393	58.31	21,878	0.74	-	-	284,000	9.62	-	-	17,068	0.58	550	0.02	2,952,089	100

MD/GCEO’s remuneration for FY2023 is as follows:

	THE GROUP					
REMUNERATION	SALARY	BONUS	CDG ESAS	OTHERS	CPF	TOTAL COMPENSATION
FY2023	S$	S$	S$	S$	S$	S$
CHENG SIAK KIAN	864,000	1,591,374	178,500	570	17,544	2,651,988

Source: Company

We urge the group to adopt international best practices in remuneration disclosure, as seen in markets like the UK and Australia. For example, FirstGroup plc, a UK-based public transport operator, provides detailed reporting on CEO pay, KPIs, and how performance is assessed under both short and long-term incentive plans. Greater disclosure and accountability will enhance investor confidence and ensure stronger alignment between management strategy and shareholder interests. For details, please refer to the Appendix.

5.2 Provide greater granularity on segments and geographies

CDG discloses revenues and operating profits across geographies and business segments, but investors deserve a deeper level of transparency. Specifically, we urge the company to break down revenues and profits by segment within each geography. Such granularity is critical for shareholders track performance and assess management strategy.

For example, operating profit from public transport in Australia declined in 2024, due to driver shortage. However, this information is not provided in the annual report. Corporate Monitor reviewed CDG’s presentation to shareholders on the 2024 results and noted that operating profit for Australia declined, despite the acquisition of A2B. The question was raised at CDG’s AGM and confirmed by the CFO.

This is important for a few reasons. First, Australia is the third largest geographical region for CDG in both revenues and operating profit contribution. With CDG aiming to expand overseas, Australia is a core market as seen by the additional public transport contracts won recently. Second, the profit reduction highlights the need to test the thesis that the public transport business is as low risk as CDG argues.

5.3 Other governance matters

We remain concerned that CDG group has bloated boards and too many board committees across three listed companies. The payment of attendance fees oddly creates incentives for too many meetings. Furthermore, we have highlighted in the past the unwieldy structure of having two other separately listed companies. As there has been no change on these fronts, readers can refer to our previous report published in May 2024.

6. CONCLUSION

CDG's acquisition strategy in 2024 raises questions about whether the focus on growth will lead to appropriate returns. The 2024 acquisitions have certainly delivered growth, and the new public transport contracts commencing in 2025 will add further scale. However, we are not convinced that growth alone creates shareholder value. As the DuPont analysis shows, both profit margins and asset turnover, the key drivers of ROE, remain largely unchanged in 2024 versus 2023.

Although ROE improved in 2024, it was largely driven by higher leverage. Using debt to fund the three acquisitions, and ending the year in a net debt position versus a prior net cash position, was a fundamental and sensible shift. CDG has also been prudent by targeting leverage of around 30%, or a 1:2 debt-to-equity ratio. This, however, means that leverage will play only a limited role in driving further ROE improvement.

If CDG pursues higher growth at the expense of margins, ROE will inevitably suffer. The expansion of its overseas public transport business warrants close attention, as such contracts typically deliver mid-single-digit operating margins – well below those of taxi/private hire. While CDG argues that these margins are acceptable given the lower risk profile, we take a different view.

Based on our calculations, the cashflow return from overseas public transport, after factoring in capex recovery and financing costs, remains below CDG's WACC. As a result, this segment continues to erode shareholder value. CDG maintains that operating margin in overseas public transport contracts could improve as competitors bid more rationally. However, this will take several years to materialise, either through renewal of existing contracts at higher margins, as seen in the UK, or through securing new contracts on better terms.

We also view the Addison Lee and A2B acquisitions as expensive, given they were completed at P/E and EV/EBITDA multiples higher than that of CDG. They could still prove accretive if CDG delivers strong growth by driving integration and synergies with its existing businesses. The strategic logic is sound, but execution will be critical. We encourage CDG to provide greater disclosure so shareholders can track the performance of these acquisitions over time.

Shareholders will not see better returns unless CDG links management remuneration to returns based performance. While the company has stated that the Group CEO’s pay is tied to returns on shareholders’ funds relative to WACC, no disclosure has been provided on specific targets nor does management remuneration appear to be sensitive to ROE or TSR.

Value creation is driven not by revenue and profit growth alone, but by delivering ROE consistently above the cost of equity. In the case of CDG, the jury is still out.

Appendix

FirstGroup Plc: CEO's performance assessment to arrive at Annual bonus outcome

Key remuneration outcomes for FY 2024

FY 2024 Executive Annual Bonus Plan (EABP)

Weighting	Measure	Threshold (0% payment)	Target (50% payment)	Maximum (100% payment)	Outcome as % of maximum award	Link to strategy
60%	**Adjusted Group operating profit**				60%	
	Target	105.8	117.5	135.1		
	Performance	£156.6m				
10%	**Adjusted Group cash flow**				10%	
	Target	(3.5)	12.8	38.2		
	Performance	£67.7m				
30%	**Personal objectives**					
	Target	0%	50%	100%		
	CEO	80%			24%	
	CFO	80%			24%	
	Total bonus achieved (as % of maximum)					
	CEO	94.0% (141.0% of base salary)				
	CFO	94.0% (141.0% of base salary)				

Clearly indicates how variable pay was arrived at by providing
(1) Key performance parameters
(2) Weightage
(3) Target levels
(4) Actual Performance
(5) Final Outcome

CEO's Remuneration calculation: How it flows from performance assessment to overall payout

FY 2024 annual bonus outcome (audited)

Measure	Weighting	Threshold	Maximum	Actual Result	Bonus Achievement	Payout %
Adjusted Group operating profit (Pre-IFRS 16 bas	60%	£105.8m	£135.1m	£156.6m	100%	60%
Adjusted Group cash flow[2]	10%	£(3.5)m	£38.2m	£67.7m	100%	10%
Personal objectives	30%	N/A	N/A	See below	80%	24%

The overall bonus payout for FY 2024 was therefore as follows:

	Graham Sutherland
Maximum EABP opportunity (% of salary)	150%
EABP Achieved (as % of maximum)	94%
EABP (% of salary)	141%
Total EABP	£798,765
EABP – Cash	£399,382
EABP – Deferred Shares	£399,383

Single total figure of remuneration for Executive Directors (audited)

	Salaries	Taxable Benefits	Pension	Total fixed remuneration	Annual Bonus cash	Annual Bonus value of deferred shares	LTIP[2,3]	Other[4]	Total variable remuneration	Total remuneration
Graham Sutherland – CEO										
FY 2024 £'000s	**567**	**1**	**28**	**596**	**399**	**399**	**–**	**4**	**802**	**1,398**
FY 2023 £'000s[1]	484	1	24	509	341	341	–	–	682	1,191

FirstGroup also shares the Long-Term Incentive Awards made during the year which is based on Committee's decision that it be measured against EPS, relative TSR and a Sustainability Scorecard (comprising two environmental measures), over a three-year period.

2023 Long-Term Incentive Plan performance metrics (audited)

			Sustainability Scorecard	
	Adjusted EPS[2]	Relative TSR vs FTSE 250[3]	Additional ZE[4] buses in service/on order by 31 March 2026	Scope 1&2 emissions (tCO_2e)[5] reduction[6]
Weighting	50%	35%	7.5%	7.5%
Threshold (20% vesting)[1]	12.1p	Median	600	12%
Maximum (100% vesting)	15.7p	Upper quartile	850	15%