

COMFORTDELGRO: FY 2025 HEADLINES ARE NOT AS GOOD AS THEY LOOK

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**Corporate
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2025 RESULTS REVIEW

ComfortDelGro (CDG) reported improved revenues and net profits for 2025, and declared higher dividends. At first glance, the results were impressive: revenues increased by 13.0% year on year to S\$5.06 billion, a milestone for CDG. Profit after tax and minority interests amounted to S\$230.3 million, a 9.4% increase. Contribution from international businesses accounted for higher share of revenue as well as operating profits (55.3% and 44.7%), validating the group's stated objective of expanding overseas. More importantly, return on equity (ROE) improved from 8.1% to 8.9%.

Corporate Monitor Ltd (CML) published two reports on CDG in October 2025 and May 2024, and our overall conclusion is that the group's overseas expansion is still unproven, especially those driven by acquisitions. ROE has improved in the last 2 years, but it was driven by more leverage, rather than a fundamental improvement in the business. Our view remains unchanged despite the better headline numbers for 2025.

1. One-off nature of the On-Board-Unit (OBU) business in subsidiary VICOM

Of the increase of S\$50.1 million in operating profit for the group, S\$17.3 million was increased profit contribution from VICOM, due to the OBU business mandated by the government as part of the Electronic Road Pricing 2.0 policy. CDG acknowledged that this would taper off in 2026 as OBU installation was largely completed by February 2026. (For more details, please see [CML's report on VICOM](#)).

Without this S\$17.3 million one-off operating profit contribution, growth in operating profit would have been S\$32.8 million, or 34.5% less.

2. Underperformance of Taxi/Private Hire (PH) business

Despite the full year contribution of Addison Lee (acquired in late 2024), the operating profit of the Taxi/PH segment declined from S\$135.3 million in 2024 to S\$121.4 million in 2025, or 10.3%. This is a very significant drop. If we exclude Addison Lee, whose operating profit was S\$27.1 million in 2025, the rest of the taxi/PH segment would have reported a year-on-year operating profit decline of 30.3%.

CDG did not provide further breakdown of Addison Lee and A2B, another acquisition in 2024. However, it alluded to several negative factors in the B2C segment:

- In Australia: cost of living pressure affected consumer spending, and intensified competition from ride hailing platforms
- In the UK: value per trip decreased due to cautious consumer behaviour

These were partially offset by the stable B2B segment, as well as higher trip volume in Singapore.

Given the substantial amount of investment in Addison Lee and A2B (combined S\$625.6 million) at elevated acquisition valuation, the decline in this segment's operating profit is a significant disappointment. CDG should explain and quantify the declines in the original taxi/PH business as well as the performance of Addison Lee & A2B against the expectations at the times of acquisition.

In 2024, the taxi /PH segment contributed more operating profit than the public transport segment. In 2025, this was reversed. CDG should explain whether this is a year-on-year volatility or a change in focus.

3. Public Transport grew but capital expenditure (capex) increased

This is the bright spot in CDG's income statement in 2025. Both revenue and operating profit increased, and notably, operating margin improved from 4.2% to 4.5%. This was attributable to UK operations, where the London contracts were renewed at higher margin, and Manchester contracts commenced in January 2025. These more than offset the loss of Jurong West bus package.

The higher revenue and operating profit from public transport were achieved with higher capex. In 2025, CDG spent S\$711.5 million on capex¹, compared to S\$445.1 million a year ago, or an increase of S\$266.4 million. Most of the increase was due to higher capex on buses, an increase of S\$267.5 million (to S\$397.1 million in 2025, from S\$129.6 million in 2024). Since capex in 2025 will contribute in future years, it is important to track the future uplift in revenue and profit to determine if the return on such capex is adequate. CML reviewed the historical returns of CDG's public transport business and concluded that they were still below the cost of capital. The analysis is updated below for 2025.

CML also computed the return on assets (ROA)² for CDG's international public transport segment³. The good news is that both the Singapore and international public transport divisions reported a higher ROA. The international public transport segment's higher ROA was underpinned by significantly higher operating profit which nearly doubled year on year to S\$109.9 million. EBITDA grew by 41% year on year to S\$197.2 million while total assets only increased by 22% year on year. Please refer to **Exhibit 1** for details.

Exhibit 1: CDG's Return on Assets - Public Transport Division

	ComfortDelGro		SBS Transit		International Public Transport	
	2025	2024	2025	2024	2025	2024
	S\$ Mil	S\$ Mil	S\$ Mil	S\$ Mil	S\$ Mil	S\$ Mil
Operating Profit (EBIT)	178.0	130.0	68.1	73.2	109.9	56.8
Add: D&A	169.8	170.1	82.5	87.2		
EBITDA*	347.8	300.1	150.6	160.3	197.2	139.8
Total Assets	2,780.1	2,462.3	693.0	754.7	2,087.1	1,707.6
Return on Assets	12.5%	12.2%	21.7%	21.2%	9.4%	8.2%
*EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation						

Source: SBS Transit and CDG Financial Results

¹ Under the terms of CDG's international public transport contracts, it can recover the assets from the government at the end of the contract if CDG does not get a renewal. The capex numbers are net of capex recovered. As CDG takes on more international public transport contracts and renews its existing one (or loses few renewals), capex will go up.

² This is a new "cash-flow" return on assets to take into account the fact that assets in international public transport contracts can be recovered, as explained in footnote 1.

³ Note: SBS Transit represents the Singapore public transport segment.

4. Lower Operating Cashflow and More Debt

Based on CDG's financial statements, cash from operations⁴ was lower⁵ at S\$451.3 million in 2025, compared to S\$547.5 million in 2024. Even in the absence of acquisitions, cash used for investing activities was still high, at S\$502.5 million, given the increased capex for overseas public transport contracts.

As a result, for the second consecutive year, CDG's cash from operations was insufficient to cover investing activities, although the gap in 2025 was much lower at S\$50 million. The shortfall was S\$422.6 million in 2024, which was covered by S\$751 million of debt. This swung CDG to a net debt position in 2024 for the first time.

CDG took on S\$477.5 million debt in 2025, which is significantly more than the cash shortfall of S\$50 million. Almost half of the new debt was used to pay dividends (S\$220.3 million) to both CDG shareholders and non-controlling shareholders of its subsidiaries. This brings CDG's total debt to S\$1.6 billion. While we think CDG's leverage is by no means excessive, this is a trend that bears watching. Please see **Exhibit 2** for the details of CDG's 5-year debt ratios.

Exhibit 2: CDG's Debt Ratios

	2025	2024	2023	2022	2021
	S\$ Mil	S\$ Mil	S\$ Mil	S\$ Mil	S\$ Mil
Total Debt	1,572.2	1,081.6	350.3	292.2	341.0
Cash & Equivalents	868.4	892.4	856.9	967.0	919.1
Net Debt/(Cash)	703.8	189.2	-506.6	-674.8	-578.1
Equity	2,595.5	2,599.0	2,597.7	2,573.5	2,683.2
EBIT	373.0	322.9	272.1	270.0	199.8
Add: D&A	399.6	368.4	364.2	357.2	376.3
EBITDA	772.6	691.3	636.3	627.2	576.1
Net Debt to Equity	27.1%	7.3%	-19.5%	-26.2%	-21.5%
Net Debt to EBITDA	0.9	0.3	-0.8	-1.1	-1.0

Source: CDG's Annual Reports

5. Dividend

CDG increased its dividend to its shareholders by a modest S\$19.1 million 2025, maintaining its payout ratio. We caution shareholders not to read this as a signal of strength for a few reasons.

- ❖ Firstly, this is the first time dividends are funded by debt in a year without major acquisitions.

⁴ The presentation slides tell a different story.

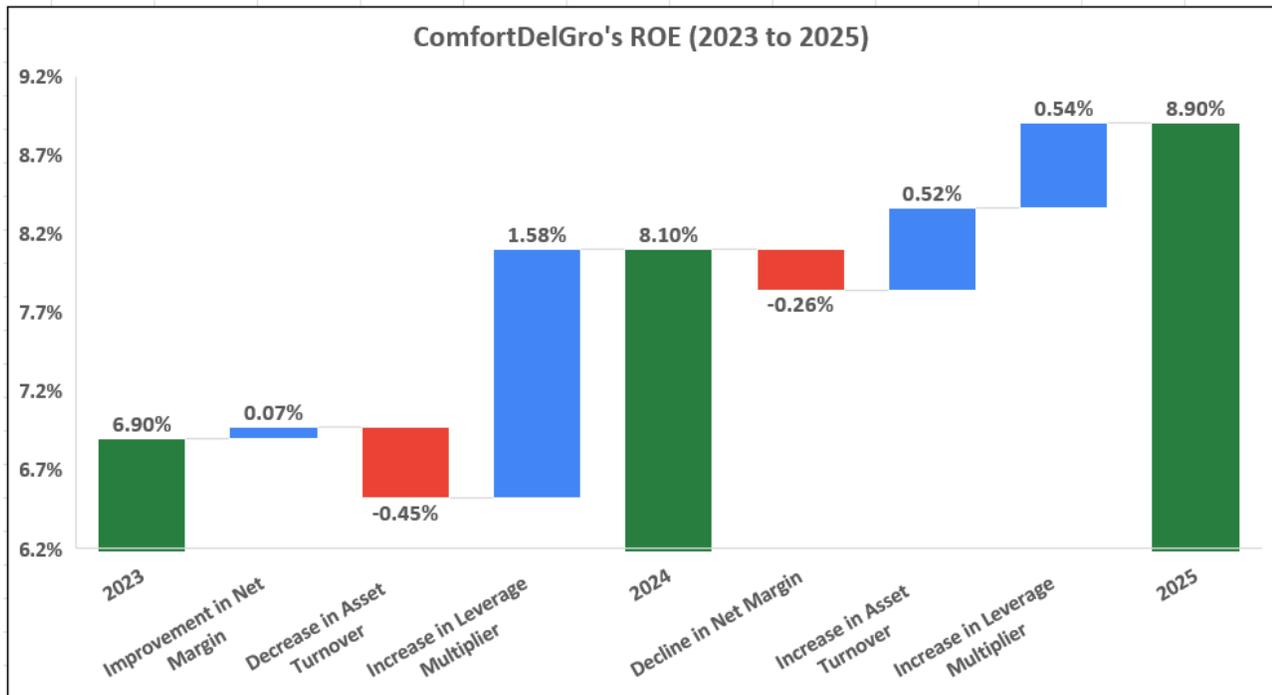
⁵ The higher profit before tax was offset by increase in working capital.

- ❖ Secondly, the OBU boost to profit in 2025 is unlikely to be repeatable in 2026.
- ❖ Thirdly, the decline in profit contribution from taxi/PH may persist, as the weak consumer spending and intensifying competition from ride hailing are likely to continue in 2026.
- ❖ Fourthly, while more overseas public transport projects will commence, CDG will hand over its Tampines bus package in 2026. Historically, domestic public transport contracts have been more profitable. CDG may also lose more domestic contracts in the future.
- ❖ Fifthly, as more overseas public transport projects commence, CDG may have to spend more on capex. This will weigh on free cash flow, which should be the first source for dividend payments.

6. Return on Equity (ROE)

Once again, we break down the drivers of CDG's ROE improvement using the DuPont⁶ analysis as shown in **Exhibit 3**.

Exhibit 3: DuPont Waterfall Analysis: CDG's ROE Improvement from 2023 to 2025



Based on the analysis above, most of the improvement in CDG's ROE from 2023 to 2025 stemmed from an increase in the leverage multiplier. Unfortunately, CDG's net margin declined slightly from 4.65% in 2023 to 4.55% in 2025, which was a drag on ROE over the period. Asset turnover was down in 2024 but up in 2025, largely cancelling out its impact. It is not a good performance when the increase in the ROE from 6.9% in 2023 to 8.9% in 2025 was due to CDG's increasing leverage.

⁶ DuPont formula breaks ROE down into 3 separate components – the net profit margin (net profit/sales), the asset turnover (sales/total assets), and the leverage multiplier (total assets/equity). The ROE is obtained by multiplying these 3 components.

Conclusion

Given CDG's modest leverage, it has some room to raise more debt to fund capex and investments. It will become a problem if the returns on such investments and capex are low and that the hoped-for improvements in profit and cashflow do not materialise. The Addison Lee and A2B acquisitions therefore bear watching because the taxi/PH operating profit fell despite such acquisitions, with CDG alluding to weak consumer demand in the UK and Australia. It will also be a problem if capex on new public transport projects continues to be high for a number of years. CDG may then have to re-examine how much more debt it could comfortably take on.

We do not object to CDG keeping to its dividend policy although the dividend is essentially funded by additional debt. Our view is based on the assumption that as capex and investment taper and/or operating cash flow improves, CDG's free cash flow will be positive and it will not need to use debt to fund dividends.

As CML's first report pointed out, CDG's long history of expansion and acquisitions is a cautionary tale of spending more and getting less. The best results are those that come from real organic growth, or at least from high returns on capex and investments.