

UK public transport lower risk than feared**Investment Overview**

Transformational international expansion to drive growth in the coming years. Given Singapore's limited market size, the company has leveraged its strong balance sheet to actively pursue international acquisitions, including A2B (SGD150mn), CMAC (SGD135mn), and Addison Lee (SGD460mn). These acquisitions enhance its geographic diversification and complement existing operations, and are expected to be earnings accretive over time.

Lift FY26F and FY27F earnings by 7% and 12% to reflect a less bearish UK public transport outlook and higher margins at Vicom. We expect margin compression in UK public transport to be less severe than initial expectations, supported by (i) a more moderate inflation outlook, (ii) more restrained union wage demands, and (iii) continued success in securing new tenders at double digit margins. For Vicom, the business should benefit from a higher mix of high margin OBU installations from Malaysian vehicles ahead of the new ERP system from 1 Jan 2027. Looking ahead, we expect 2Q26 earnings to decline by 10%-15%, mainly dragged by Addison Lee, as its attractive contract with a major Middle Eastern airline is impacted by significantly lower flight frequency amid the ongoing Iran war, although operations should gradually recover in 2H26.

Increased optimism on the prospect of a higher payout ratio, supported by subdued financing costs and increasingly shareholder-friendly actions. With 3-month SORA trending at around 1%, the company should be comfortable maintaining its current debt levels while placing greater emphasis on shareholder returns. In addition, the recent share buybacks suggest that shareholder returns may be a higher priority than we had previously expected. Accordingly, we penciled in a higher 85% payout ratio versus 80% previously.

Upgrade to HOLD with a higher TP of SGD1.30 from SGD1.11. We apply a 5.1x fwd EV/EBITDA multiple, representing +0.5SD above its 5-year average, on higher FY26F EBITDA. We believe the slight premium is justified by the potential for an 85% payout ratio. At our TP, the stock offers a yield of about 6%, which we believe aligns with investor expectations.

Key Risks

Upside risk from an improving competitive landscape in Taxi & Private Hire, while downside risks include a sharp spike in UK inflation and lower-than-expected dividend payout.

Forecasts and Valuation

FY Dec (SGDMN)	FY2023A	FY2024A	FY2025A	FY2026F	FY2027F
Revenue	3,880	4,477	5,059	5,176	5,251
EBITDA	638	693	734	728	733
Pre-tax Profit	280	318	341	283	280
Net Profit	181	211	230	189	188
Net Pft (Pre Ex.)	181	204	207	189	188
Net Pft Gth (Pre-ex) (%)	4.3	13.2	1.0	-8.3	-0.8
EPS(S cts)	8.33	9.72	10.63	8.74	8.67
EPS Pre Ex.(S cts)	8.33	9.44	9.53	8.74	8.67
EPS Gth Pre Ex (%)	4.3	13.2	1.0	-8.3	-0.8
Diluted EPS(S cts)	8.32	9.70	10.61	8.72	8.65
Net DPS(S cts)	6.66	7.77	8.50	7.43	7.37
BV Per Share(S cts)	120	120	120	120	121
PE (x)	15.6	13.4	12.2	14.9	15.0
PE Pre Ex. (x)	15.6	13.8	13.6	14.9	15.0
P/Cash Flow (x)	22.4	16.1	-47.7	26.1	32.2
EV/EBITDA (x)	4.3	5.0	5.3	5.5	5.6
Dividend Yield (%)	5.1	6.0	6.5	5.7	5.7
P/Book Value (x)	1.1	1.1	1.1	1.1	1.1
Net Debt/Equity (x)		0.1	0.2	0.3	0.3
ROAE (%)	7.0	8.1	8.9	7.3	7.2

Source: Company, DBS

HOLD

Last Traded Price: SGD1.30

Price Target 12-mth: SGD1.30

Analyst

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- Upgrade to HOLD and lift TP to SGD1.30, on early signs of moderating UK inflation and potential for a higher dividend payout
- Lift FY26F and FY27F earnings by 7% and 12% respectively, to reflect a less bearish UK public transport outlook and higher margins at Vicom
- Optimistic of a slightly higher payout ratio at 85%, which will translate to ~7.4Scts FY26F dividend and ~6% yield at SGD1.30 TP
- 2Q earnings expected to decline 10%-15% due to absence of elevated disposal gains in public transport and continued pressure in Taxi & Private Hire segment; recovery expected from 3Q for Taxi & Private Hire segment with gradual resumption of flights by major Middle Eastern client

Key Financial Data (FY Dec)

Bloomberg Ticker	CD SP
Sector	Transportation
Market Cap (USDbn)	2.18
Major Shareholders (%)	
Silchester Internati	7.1
Free Float (%)	92.9

Closing price as of 2026-06-19

Source: Twelve Data, DBS, Visible Alpha

Share Price

Source: Twelve Data

WHAT'S NEW

UK public transport lower risk than feared

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- Lift FY26F and FY27F earnings by 7% and 12% respectively, to reflect a less bearish UK public transport outlook and higher margins at Vicom
- Optimistic of a slightly higher payout ratio at 85%, which will translate to ~7.45cts FY26F dividend and ~6% yield at SGD1.30 TP
- 2Q earnings expected to decline 10%-15% due to absence of elevated disposal gains in public transport and continued pressure in Taxi & Private Hire segment; recovery expected from 3Q for Taxi & Private Hire segment with gradual resumption of flights by major Middle Eastern client

What's New

Our initial significant earnings downgrade was driven by the very weak 1Q26 results and concerns about a repeat of 2022, when high UK inflation caused a sharp deterioration in the company's UK public transport business. However, we are now seeing early signs that the situation may not be as negative as we initially feared, both from an operational standpoint and from a dividend perspective.

Public transport

Slack labour conditions in the UK could lead to more moderate wage inflation than initially expected.

We were previously cautious on UK public transport based on our experience in 2022. However, UK inflation remains relatively stable, at 2.8% in May 26, below consensus estimate of a rise to 3% (refer to Chart 1). We are also seeing positive signs that the Strait of Hormuz could be reopened soon, which will likely put a lid on oil prices and inflation. Coupled with the UK labour market showing more slack, with unemployment at 5% in 1Q26 versus a low of 3.7% back in 3Q22 (refer to Chart 2), the major labour cost spike hit we had previously feared now seems unlikely. Management also indicated that it continues to secure new tenders at attractive double-digit margins, providing additional buffer against wage cost pressure. Accordingly, we raise our public transport core operating profit to SGD149mn from SGD138mn, as margin pressure is likely to be less severe than initially expected.

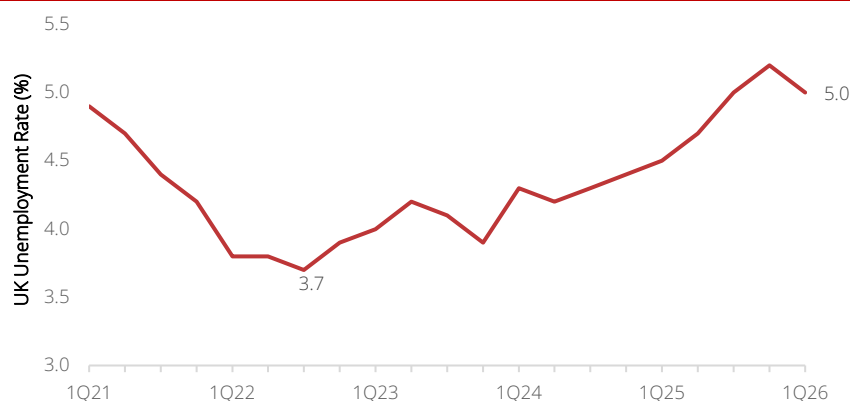
Chart 1: UK inflation has remained subdued despite spike in oil prices unlike in 2022



Source: CEIC, DBS

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Chart 2: UK labour market remains slack with unemployment at 5%, well above the 3Q22 trough of 3.7%



Source: CEIC, DBS

Taxi and private hire

Outlook remains challenging. We keep our estimates broadly unchanged and remain bearish on this segment, given continued competitive pressures in both Singapore and Australia. In Singapore, we believe Grab has been aggressive in recruiting taxi drivers. We expect this strategy to persist, supported by its cash balance of more than USD5bn and its ability to recover initial rental subsidies through platform fees, which will translate to continued fleet attrition for ComfortDelGro. In Australia, the company also faces fleet decline due to competition. In the UK, its attractive contract with a Middle Eastern airline has been impacted by lower flight frequency amid the ongoing Iran war, which could weigh on 2Q26 earnings. We believe gradual recovery could be expected in 2H26 with gradual resumption of flights.

Inspection and testing

Higher contribution from high margin OBU installations for Malaysian vehicles could partially offset weaker domestic demand. As at end 2025, 93% of Singapore vehicles have installed the new OBU, with the remainder likely completed in May 2026 when installation will be fully covered by the government. From 1 Apr 26, foreign vehicles can either install the OBU or pay a daily flat ERP fee from 1 Jan 27. We believe Malaysian motorists will prefer to pay the one off SGD159 installation fee rather than incur daily charges of SGD3 for motorcycles and SGD10 for other vehicles. While we maintain our revenue decline assumption of 15% y/y, we expect profitability to be higher at SGD47mn versus our initial estimate of SGD43mn, supported by higher margin installation charges for foreign vehicles.

Other segment

Moderating public transport tendering costs. We initially expected this segment to break even, based on 1Q26 results reflecting a sharp decline in profitability due to tendering costs and the introduction of bus advertising concession fees. However, management indicated that tendering costs should moderate going forward, leading us to raise our operating profit assumption to SGD2mn.

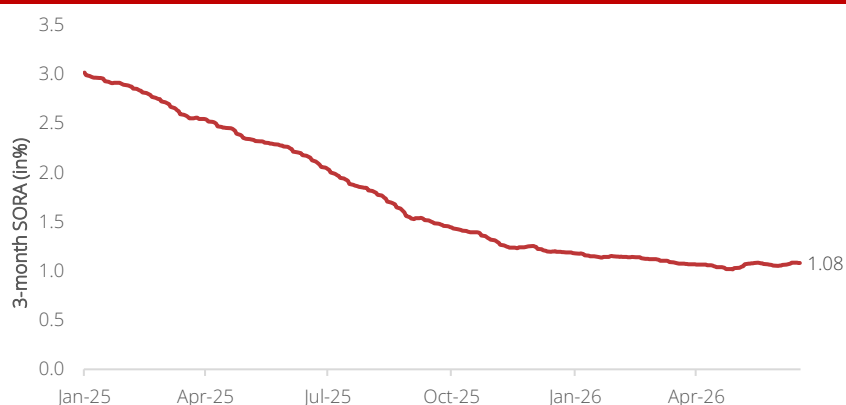
Our Views

Lift FY26F and FY27F earnings by 7% and 12% to reflect a less bearish UK public transport outlook and higher margins at Vicom. We expect margin compression in UK public transport to be less severe, supported by (i) a more moderate inflation outlook, (ii) more restrained union wage demands, and (iii) continued success in securing new tenders at double digit margins. For Vicom, the business should benefit from a higher mix of high margin OBU installations from Malaysian vehicles ahead of the new ERP system from 1 Jan 2027. Looking ahead, we believe 2Q26 earnings could decline by 10%-15%, mainly dragged by absence of elevated disposal gains in public transport segment and continue pressure in Taxi & Private Hire segment. We expect to see improvement in Taxi & Private Hire segment from 3Q with improved margins from Addison Lee as flight operated by its major Middle Eastern airline client recovers.

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Increased optimism on the prospect of a higher payout ratio of ~85%, supported by subdued financing costs and increasingly shareholder-friendly actions. With 3-month SORA trending at around 1%, the company should be comfortable maintaining its current debt levels while placing greater emphasis on shareholder returns. In addition, the recent share buybacks suggest that shareholder returns may be a higher priority than previously expected. Accordingly, we penciled in a higher 85% payout ratio versus 80% previously.

Chart 3: SGD interest rate remain low, with 3-month SORA trending near 1%



Source: CEIC, DBS (as of 18 Jun 26)

Upgrade to HOLD with a higher TP of SGD1.30 from SGD1.11. We apply a 5.1x forward EV/EBITDA multiple, representing +0.5SD above its 5-year average, on higher FY26F EBITDA. We believe the slight premium is justified by the potential for an 85% payout ratio. At our TP, the stock offers a yield of about 6%, which we believe aligns with investor expectations.

Company profile

ComfortDelGros focused on land transport and was formed via a merger between Comfort and DelGro group in 2003. It has since expanded and now operates in seven countries with a global fleet of over 41,600 vehicles. Its businesses include bus, taxi, rail, car rental and leasing, automotive engineering services, inspection and testing services, driving centres, non-emergency patient transport services, insurance broking services and outdoor advertising. Besides being the market leader in Singapore for buses and taxis, ComfortDelGro has overseas presence in the United Kingdom, Australia, China, Vietnam and Malaysia.

At A Glance

Business Segments

1) **Public Transport.** The largest revenue contributor to the Group, this segment includes bus operations namely in Singapore, Australia and the UK, as well as operations of the Northeast MRT Line (NEL) and Downtown MRT Line (DTL) in Singapore.

2) **Taxi & Private Hire.** It includes the taxi business mainly in Singapore and China, with small presence in Australia, Malaysia and Vietnam. It also includes revenue from the Zig booking platform, engineering services, fuel sale and private vehicle rental business. The A2B and Addison Lee acquisitions will be categorised under this segment. As of end December 2025, its Singapore taxi fleet stands at 7,602 and ~600 private hire cars, with a market share of c.11% of P2P vehicles. It also has taxi operations in 8 cities in China, with over 10,000 taxis.

3) **Other Private Transport.** It includes its private bus, non-emergency patient transport and corporate vehicle leasing business mainly in Singapore and Australia.

4) **Vehicle inspection and Testing.** It involves the inspection of vehicles in Singapore. For testing services, this includes services provided for industries such as the aerospace and construction sectors. This segment is largely held through its 65%-owned listed subsidiary, Vicom Pte Ltd.

5) **Other segments.** It includes driving centre, bus station, media, insurance, logistics, leasing and EV charging business.

Balance Sheet

Leveraging balance sheet strength for inorganic growth. CD has been leveraging its balance sheet to acquire earnings accretive companies within its domain and geographical expertise to support its long-term growth. We believe the company has taken on >SGD700m of debt to fund its three recently announced acquisitions: A2B Australia, CMAK UK and Addison Lee. It has now slipped into net debt position.

Segmental Breakdown (SGD,mn)

FY Dec	FY2023A	FY2024A	FY2025A	FY2026F	FY2027F
Public Transport	2,959	3,108	3,294	3,476	3,539
Taxi & Private Hire	575	749	1,032	976	987
Other Private Transport	144	406	465	477	488
Inspection & Testing Services	110	117	165	140	126
Other Segments	93.00	97.10	103	107	110
Total Revenue	3,880	4,477	5,059	5,176	5,251
Public Transport	120	130	152	149	150
Taxi & Private Hire	107	135	121	96.32	103
Other Private Transport	-1.60	16.90	16.90	14.72	15.04
Inspection & Testing Services	33.00	34.60	54.00	46.98	37.87
Other Segments	13.60	6.10	4.80	2.00	2.00
Total Operating Profits	272	323	349	309	308
Public Transport	4.07	4.18	4.62	4.29	4.25
Taxi & Private Hire	18.57	18.07	11.76	9.87	10.45
Other Private Transport	-1.11	4.16	3.64	3.09	3.08
Inspection & Testing Services	30.14	29.57	32.73	33.50	30.00
Other Segments	14.62	6.28	4.67	1.86	1.81
Total Margins in %	7.01	7.21	6.90	5.97	5.87

Source: Company, DBS Bank

Income Statement (SGD,mn)

FY DEC	FY2023A	FY2024A	FY2025A	FY2026F	FY2027F
Revenue	3,880	4,477	5,059	5,176	5,251
Cost of Goods Sold	0	0	0	0	0
Gross Profit	3,880	4,477	5,059	5,176	5,251
Other Opng (Exp)/Inc	-3,608	-4,154	-4,709	-4,867	-4,943
Operating Profit	272	323	349	309	308
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	1.40	1.80	0.8000	4.80	5.00
Net Interest (Exp)/Inc	6.50	-13.30	-32.40	-30.79	-33.64
Exceptional Gain/(Loss)	0	6.10	23.80	0	0
Pre-tax Profit	280	318	341	283	280
Tax	-55.00	-61.80	-69.50	-57.64	-55.92
Minority Interest	-44.50	-45.20	-41.60	-36.08	-35.80
Preference Dividend	0	0	0	0	0
Net Profit	181	211	230	189	188
Net Profit before Except	181	204	207	189	188
EBITDA	638	693	734	728	733
Revenue Gth (%)	2.6	15.4	13.0	2.3	1.5
EBITDA Gth (%)	1.5	8.7	5.9	-0.8	0.7
Opg Profit Gth (%)	0.8	18.7	8.1	-11.5	-0.3
Net Profit Gth (Pre-ex) (%)	4.3	13.2	1.0	-8.3	-0.8
Net Prop Inc Margins (%)	100.0	100.0	100.0	100.0	100.0
Opg Profit Margin (%)	7.0	7.2	6.9	6.0	5.9
Net Profit Margin (%)	4.7	4.7	4.6	3.7	3.6
ROAE (%)	7.0	8.1	8.9	7.3	7.2
ROA (%)	3.8	4.0	3.9	3.1	3.1
ROCE (%)	5.9	6.3	5.9	5.0	5.1
Div Payout Ratio (%)	79.9	80.0	80.0	85.0	85.0
Net Interest Cover (x)		24.3	10.8	10.0	9.2

Source: Company, DBS

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Balance Sheet (SGD,mn)

FY DEC	FY2023A	FY2024A	FY2025A	FY2026F	FY2027F
Net Fixed Assets	2,012	2,130	2,339	2,450	2,580
Invt in Associates & JVs	10.80	12.90	14.30	19.10	24.10
Other LT Assets	1,053	1,684	1,901	1,901	1,901
Cash & ST Invt	857	892	868	601	427
Inventory	142	158	151	155	157
Debtors	533	726	774	792	804
Other Current Assets	82.80	123	90.80	90.80	90.80
Total Assets	4,690	5,726	6,139	6,009	5,984
ST Debt	115	591	387	287	187
Creditor	807	1,001	954	976	991
Other Current Liab	169	209	196	193	191
LT Debt	235	491	1,185	1,185	1,185
Other LT Liabilities	349	408	436	436	436
Shareholder's Equity	2,598	2,599	2,596	2,601	2,628
Minority Interests	416	427	385	330	366
Total Cap. & Liab.	4,690	5,726	6,139	6,009	5,984
Non-Cash Wkg. Capital	-219	-204	-133	-132	-130
Net Cash/(Debt)	507	-189	-704	-871	-945
Debtors Turn (avg days)	50.9	51.3	54.1	55.2	55.5
Creditors Turn (avg days)	92.2	87.2	82.5	79.1	79.4
Inventory Turn (avg days)	14.7	14.4	13.1	12.5	12.6
Asset Turnover (x)	0.8	0.9	0.9	0.9	0.9
Current Ratio (x)	1.5	1.1	1.2	1.1	1.1
Quick Ratio (x)	1.3	0.9	1.1	1.0	0.9
Net Debt/Equity (x)		0.1	0.2	0.3	0.3
Capex to Debt (%)	92.3	34.5	32.5	35.7	40.1

Source: Company, DBS

Cash Flow Statement (SGD,mn)

FY DEC	FY2023A	FY2024A	FY2025A	FY2026F	FY2027F
Pre-Tax Profit	280	318	341	283	280
Dep. & Amort.	364	368	384	414	420
Tax Paid	-65.60	-66.00	-72.80	-60.00	-57.64
Assoc. & JV Inc/(loss)	-1.40	-1.80	-0.8000	-4.80	-5.00
Chg in Wkg.Cap.	-126	-86.60	-256	0.6629	0.4252
Other Operating CF	-2.60	16.00	55.60	0.0000	0.0000
Net Operating CF	449	548	451	633	638
Capital Exp.(net)	-323	-373	-510	-525	-550
Other Invt.(net)	-13.40	-0.40	-2.00	0	0
Invt in Assoc. & JV	0	-0.70	-0.80	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	6.30	-596	10.60	0	0
Net Investing CF	-331	-970	-503	-525	-550
Div Paid	-154	-158	-177	-184	-161
Chg in Gross Debt	47.80	722	478	-100	-100
Capital Issues	0	0	0	0	0
Other Financing CF	-118	-106	-275	-91.35	0
Net Financing CF	-229	458	27.20	-376	-261
Currency Adjustments	-4.60	-0.6000	1.00	0	0
Chg in Cash	-110	35.50	-24.00	-267	-173
Opg CFPS(S cts)	26.53	29.27	32.65	29.18	29.39
Free CFPS(S cts)	5.80	8.06	-2.72	4.99	4.04

Source: Company, DBS

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Target Price & Ratings History ComfortDelGro Corporation Ltd (CD_SP_Equity)



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1	28 Feb'26	1.55	1.60	HOLD
2	13 May'26	1.44	1.11	FULLY VALUED

RECOMMENDATION DEFINITION

DBS Group Research 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

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