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COMFORTDELGRO CORPORATION LIMITED

Securities

GENERAL ANNOUNCEMENT::INFORMATION IN RELATION TO COMFORTDELGRO CORPORATION AUSTRALIA LIMITED

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Please see attached

Attachments

[CDG-INFORMATION IN RELATION COMFORTDELGRO CORPORATION AUSTRALIA LIMITED.pdf](#)

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COMFORTDELGRO CORPORATION LIMITED

(Company Registration No. 200300002K)
(Incorporated in the Republic of Singapore)

INFORMATION IN RELATION TO COMFORTDELGRO CORPORATION AUSTRALIA LIMITED

ComfortDelGro Corporation Limited (the “**Company**” or “**ComfortDelGro Corporation**”) refers to its media release dated 16 August 2021 in which it announced that it is considering an initial public offering and listing on the Australian Securities Exchange of its wholly-owned subsidiary, ComfortDelGro Corporation Australia Limited (**CDG Australia**).

In connection with that proposed initial public offering, CDG Australia is providing information relating to CDG Australia to certain interested parties (**Information**). In order to prevent there being a selective disclosure of the Information, ComfortDelGro Corporation provides the following extracts of the Information.

The financial information included in this announcement has been prepared by CDG Australia solely for purposes of disclosure to certain interested parties to assist them in understanding the underlying historical financial performance, cash flows and financial position of CDG Australia, together with the forecast financial performance and cash flows for the financial years ending 30 December 2021 (**FY21**) and 30 December 2021 (**FY22**). In line with market practice in Australia, this information is included in a pathfinder prospectus that CDG Australia has prepared as part of a proposed listing process. Such information may not be appropriate for any other purpose.

The Investigating Accountant has not expressed any opinion on the financial information included in the pathfinder prospectus. The Investigating Accountant has been appointed to review and report on the financial information to be included in the final prospectus lodged with the Australian Securities and Investments Commission, as and when the initial public offering of CDG Australia is launched.

This Information does not constitute a forecast in respect of ComfortDelGro Corporation.

Extracts of the Information provided by CDG Australia

1) CDG Australia’s asset base

- **Depots:** CDG Australia’s fleet of buses and patient transport vehicles is one of the most significant of all private operators in Australia. CDG Australia’s vehicle asset base is supported by 47 bus depots (35 of which are fully owned, 11 under long-term lease and 1 under dual ownership and lease). CDG Australia’s bus and depot asset base provides a meaningful competitive advantage and defensive earnings base relative to other operators who do not have such assets at their disposal.
 - CDG Australia’s network of 47 bus depots (35 of which are fully owned, 11 under long-term lease and 1 under dual ownership and lease) are strategically located across New South Wales, the Australian Capital Territory, Victoria, Queensland and the Northern Territory. The total book value of CDG Australia’s depots is approximately \$188 million. Well-located depots are critical to minimise operating expenditure by reducing dead mileage travelling to and from bus routes. CDG Australia’s depot network allows it to put forward a competitive cost base in contract pricing and tendering proposals.
 - National Patient Transport operates out of 17 sites, 12 of which are exclusively for the non-emergency patient transport vehicles and the balance being co-located with buses.
- **Bus fleet:** CDG Australia’s wholly-owned bus fleet comprises 2,486 buses and has a book value of approximately \$422 million.¹ As at 31 July 2021 the average age of CDG Australia’s buses is 11.3 years, and 72% of the bus fleet is under 15 years of age.

¹ Approximately 251 buses are subject to asset hire purchase and leasing arrangements (totalling approximately \$15.9 million), which provide the financier with ownership rights to the respective buses until such time as each bus is paid off in full

- CDG Australia manages fleet purchases to maintain an average age that is well within government and contractual requirements. Bus fleet age requirements vary across states and territories.
 - In New South Wales, TfNSW requires the average of urban/school fleets remain under 12 years of age at all times and no individual bus is more than 25 years in age.
 - In Victoria, the Department of Transport requires that the buses remain under 18 years in age.
 - In South-East Queensland, the Department of Transport and Main Roads (**DTMR**) requires that buses are replaced before reaching 20 years of service for urban and school routes and 25 years of service for school only routes (excludes Midi and Mini vehicle types).
 - In regional Queensland, DTMR targets a maximum vehicle age of 18 years for route services while DTMR's guidelines allow school vehicles to be replaced from an age of 20 years (and school vehicles cannot be in service for more than 26 years).
 - In the Northern Territory, the government requires all route vehicles' age to not exceed 15 years
- Over the past 5 years, CDG Australia has purchased 544 buses representing a replacement of approximately 22% of the fleet.

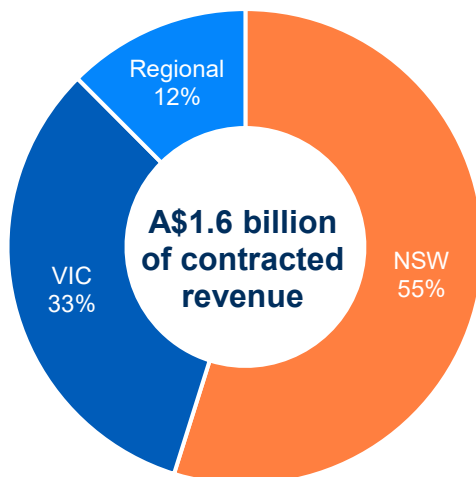
2) **CDG Australia's market share**

- **Market share:** CDG Australia's estimated share of the private bus market (by number of buses) in each of its operating region as at 20 April 2021 was: New South Wales and Australia Capital Territory - 17%, Victoria - 8%, Queensland - 4% and Northern Territory - 75%.²

3) **CDG Australia's contracted revenue and contract expiry profile**

- **Contracted revenue:** CDG Australia's contract portfolio primarily comprises of 75 government bus route service contracts, which are forecast to generate approximately \$553 million of revenue in FY21 representing 92% of CDG Australia's forecast FY21 passenger transport revenue (excluding National Patient Transport and Moove Media).

3.1. Government bus services contract portfolio by region (as at 30 June 2021)³



- **Contracted expiry profile:** Government service contracts that currently contribute approximately \$77 million of annual revenue will be subject to a re-negotiation or tender process that CDG Australia expects will conclude (including any transition periods) in FY22. These contracts primarily relate to services CDG Australia currently provides to government counterparties in metropolitan Darwin and regional Victoria. In FY23, CDG Australia expects re-negotiation or tender processes (and any transition periods) to conclude in relation to government contracts that currently contribute approximately \$256 million of annual revenue. These contracts primarily relate to services CDG Australia currently provides to government counterparties in metropolitan Sydney and regional Queensland. In FY24 and FY25, this figure is approximately \$88 million and \$108 million of annual revenue respectively. No current contracts are expected to be re-negotiated or re-tendered in FY26.

4) **CDG Australia's growth initiatives**

² Australian Bus Fleet List, 20 April 2021. Market share estimate calculated having regard to the number of buses CDG Australia has in the relevant region compared to the total number of buses in the relevant region

³ CDG Australia's contracted revenue represents all revenue expected to be earned from 30 June 2021 to the end of the remaining terms of CDG Australia's current government bus service contracts, and assumes any option to renew a contract for a further term is exercised in accordance with the relevant contract. Contracted revenue is calculated as at the date of signing the relevant contract and does not include any potential inflationary adjustments to revenue over the term of the contracts.

- CDG Australia is pursuing growth opportunities in three areas through tendering and acquisition initiatives:
 - growth in regional areas;
 - growth in metropolitan areas; and
 - expansion into other modes of transport

CDG Australia is targeting acquisition-led growth across regional Australia, in particular high-quality, defensive businesses that are able to leverage CDG Australia's existing asset base. CDG Australia sees significant opportunity to expand within Australia's highly fragmented private operator market, which includes the ability to create synergies from the many family-owned and operated businesses.

CDG Australia has identified a pipeline of opportunities which arise as a result of expiring bus service contracts across many Australian metropolitan cities. This is expected to present opportunities to CDG Australia to tender for new metropolitan bus service contracts.

In addition, CDG Australia is able to leverage the expertise of CDG Singapore and SBS Transit as it enters the multimodal transport space. CDG Australia is aware that very similar contract models are utilised for passenger transport modes other than buses by governments in Australia (principally Victoria, New South Wales and South Australia) and New Zealand.

These other modes include light rail, heavy and metropolitan rail and ferries. Combined with CDG Singapore's heavy rail and light rail experience, CDG Australia will tender for projects in the light rail (tram) and heavy rail space across Australia and New Zealand. CDG Australia is likely to team with other strategic partners for future rail tendering opportunities.

5) CDG Australia Financial Information

The financial information included in this announcement has been prepared by CDG Australia solely for purposes of disclosure to certain interested parties to assist them in understanding the underlying historical financial performance, cash flows and financial position of CDG Australia, together with the forecast financial performance and cash flows for FY21 and FY22. In line with market practice in Australia, this information is included in a pathfinder prospectus that CDG Australia has prepared as part of a proposed listing process. Such information may not be appropriate for any other purpose.

The Investigating Accountant has not expressed any opinion on the financial information included in the pathfinder prospectus. The Investigating Accountant has been appointed to review and report on the financial information to be included in the final prospectus lodged with the Australian Securities and Investments Commission, as and when the initial public offering of CDG Australia is launched.

In preparing the forecast financial information for FY21 and FY22, a number of specific and general assumptions have been made by CDG Australia, including but not limited to:

- no material change in the competitive and operating environment in which CDG Australia operates;
- no significant deviations from current market expectations of the economic and market conditions in which CDG Australia operates;
- no material change in government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy nor in the regulatory environment in the areas in which CDG Australia and its key customers operate that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures of CDG Australia;
- no material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the *Corporations Act 2001* (Cth) which will have a material effect on CDG Australia's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- no material amendments to, or terminations of, any of CDG Australia's customer or supplier contracts, agreements or arrangements;
- no material disruptions to the continuity of operations of CDG Australia or any material changes in the industry in which CDG Australia operates;
- no material change in or loss of key personnel including key management personnel. It is assumed that CDG Australia maintains its ability to recruit and retain the personnel required to support future growth on materially similar compensation terms to that reflected in FY21 and FY22 forecasts;
- no material employee relations disputes or other disturbances, contingent liabilities or legal claims arise or are settled to the detriment of CDG Australia that is not reflected in the FY21 and FY22 forecasts;
- no material change in CDG Australia's corporate and capital structure that is not reflected in the FY21 and FY22 forecasts;
- no material adverse impact in relation to litigation or claims (existing or otherwise);
- no material acquisitions, disposals, restructurings or investments; and
- no significant impact on operations not currently reflected in FY21 and FY22 forecasts as a result of COVID-19.

All amounts included in this announcement are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million. Tables in this announcement have not been amended to correct immaterial summation differences that may arise from this rounding convention.

5.1. Pro Forma Historical and Pro Forma Forecast Income Statements

\$ millions	Notes	Pro Forma Historical		Pro Forma Forecast	
		FY19	FY20	FY21	FY22
Passenger transport revenue	1	590.9	575.2	596.5	616.8
Patient transport revenue	2	60.3	62.2	66.0	68.9
Other operating revenue	3	14.3	9.2	10.1	10.6
Total revenue		665.5	646.7	672.6	696.3
Staff costs	4	(380.4)	(391.8)	(409.8)	(426.3)
Fuel costs	5	(47.3)	(35.9)	(38.4)	(41.9)
Repairs and maintenance costs	6	(34.8)	(37.9)	(38.3)	(39.0)
Insurance premiums and accident claims	7	(5.5)	(8.3)	(8.9)	(8.9)
Registration and tolls	8	(18.9)	(17.4)	(18.3)	(18.7)
Other operating expenses	9	(31.4)	(30.2)	(34.3)	(33.1)
Total operating expenses		(518.4)	(521.5)	(548.1)	(568.0)
EBITDA		147.2	125.1	124.6	128.3
Depreciation and amortisation	10	(59.2)	(63.8)	(58.4)	(61.6)
EBIT		87.9	61.4	66.2	66.8
Net finance costs	11	(9.2)	(7.8)	(5.9)	(5.0)
Profit/(loss) before tax		78.7	53.6	60.3	61.8
Income tax expense	12	(23.9)	(16.7)	(18.2)	(18.5)
Net profit/(loss) after tax		54.9	36.9	42.1	43.3

Notes:

1. Passenger transport revenue reflects revenue earned from the provision of bus transport services (including charter bus services).
2. Patient transport revenue reflects revenue earned from the provision of non-emergency patient transport services.
3. Other operating revenue reflects other revenue primarily including advertising services, training and other income. Other income also includes \$0.3 million of COVID-19 related government support payment received by Moove Media Australia and Young's Bus Service in FY20. CDG Australia did not receive any COVID-19 government support.
4. Staff costs reflect wages, salaries and other expenses of CDG Australia's employees including driver and mechanic salaries, general administration and corporate and head office staff.
5. Fuel costs reflect fuel costs incurred in the operation of CDG Australia's bus and vehicle fleet.
6. Repairs and maintenance costs relate to the costs incurred to conduct regular and planned maintenance on the CDG Australia bus and vehicle fleet, as well as repairs for regular wear and tear, and depot site repairs.
7. Insurance premiums and accident claims relate to insurance premiums and third party accident costs.
8. Registration and tolls relate to registration fees and road tolls incurred in operating the business.
9. Other operating expenses relate to professional fees, advertising production and promotion costs, IT expenses, contract services, lease and rental costs, council rates and land taxes, materials and consumables costs and additional operating expenses. The forecast offer costs of \$20.6 million (pre-tax) in relation to the offer have been apportioned between equity and income statement with \$15.2 million (pre-tax) expensed in the FY21 Statutory Forecast Income Statement.
10. Depreciation and amortisation expenses reflect depreciation of property, plant and equipment including buses and vehicle fleet and amortisation of right-of-use assets and other intangible assets. It does not include amortisation that may arise from intangible assets as a result of finalising the provisional accounting for the acquisitions of Moove Media Australia, Young's Bus Service and Stubbs' buses.
11. Net finance costs reflect interest income net of interest expense on borrowings and finance leases and the interest component recognised in accounting for leases under AASB16.
12. Income tax expense reflects CDG Australia's taxable profit at a 30% tax rate.

5.2. Pro Forma Historical and Pro Forma Forecast Cash Flows

\$ millions	Notes	Pro Forma Historical		Pro Forma Forecast	
		FY19	FY20	FY21	FY22
EBITDA		147.2	125.1	124.6	128.3
Change in working capital	1	(0.5)	4.7	24.0	(1.8)
Other		(0.0)	0.1	(0.3)	-
Cash flow from operating activities		146.7	129.9	148.2	126.6
Proceeds from sale of non-current assets		0.7	5.1	5.4	-
Payments for acquisitions	2	-	(0.5)	-	-
Capital expenditure	3	(91.1)	(34.9)	(51.5)	(64.2)
Lease payments	4	(9.6)	(10.6)	(10.0)	(5.7)
Net cash flow before interest and tax		46.7	89.0	92.2	56.7

Notes:

1. Change in working capital reflects movement in working capital balances, primarily accounting for the timing difference between EBITDA and cash flows. Change in working capital in FY21 is higher than other periods due to an upfront payment (accounted for as deferred revenue) from TfNSW relating to fleet repayments on buses purchased in line with contractual commitments.
2. Payments for acquisitions reflect cash spent on business acquisitions. Payments for acquisitions in FY19 related to the acquisition of B&E Blanch (acquired on 31 May 2019). No significant business acquisitions occurred in FY20. In FY21, CDG Australia's key acquisitions were Moove Media Australia (acquired on 31 August 2021), Young's Bus Services (expected to be acquired on 31 October 2021) and Stubbs' buses (acquired on 1 October 2021). Payments for business acquisitions have been removed from the Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows.
3. Capital expenditure reflects investment in bus and vehicle fleet and investment in depots and maintenance capital expenditure.
4. Lease payments relate to payments (principal component) for lease liabilities under AASB16.

5.3. Statutory Historical and Pro Forma Historical Balance Sheet as at 30 June 2021

\$ millions	Statutory Historical	Pro forma Historical
	30 June 2021	30 June 2021
Cash and cash equivalents	92.1	71.6
Trade and other receivables	59.5	60.7
Inventories	3.9	3.9
Other	7.0	7.2
Total current assets	162.5	143.4
Property, plant & equipment	631.5	644.2
Right of use assets	42.7	42.7
Goodwill	494.7	502.0
Intangible assets & Other	5.0	5.0
Total non-current assets	1,173.9	1,194.0
Total Assets	1,336.4	1,337.4
Trade and other payables	(47.9)	(49.7)
Deferred revenue - ST	(7.7)	(7.9)
Borrowings	(56.4)	(61.5)
Current tax liabilities	(3.9)	(2.7)
Provisions	(55.1)	(55.1)
Lease liabilities	(9.7)	(9.7)
Total current liabilities	(180.5)	(186.5)
Lease liabilities	(11.9)	(11.9)
Deferred revenue (LT)	(12.9)	(12.9)

Deferred tax liabilities	(45.8)	(40.7)
Borrowings	(339.6)	(183.4)
Provisions	(5.3)	(5.3)
Total non-current liabilities	(415.5)	(254.2)

Total liabilities	(596.0)	(440.7)
Issued capital	247.3	415.3
Retained earnings	493.0	481.4
Total Equity	740.3	896.7

Notes: Pro forma Historical Balance Sheet reflects adjustments to the Statutory Historical Balance Sheet of CDG Australia as at 30 June 2021. The table reflects the following adjustment as if these had occurred on 30 June 2021:

- impact of acquisitions made by CDG Australia post 30 June 2021;
- impact of the offer; and
- impact of debt repayments and the new debt facilities.

Forward looking statements

This announcement is for information purposes only and does not constitute an offer of shares or any other securities, or a prospectus in respect of any such offer. The Information contains certain forward-looking statements and comments about future events, including CDG Australia's current expectations about the performance of CDG Australia's business. Forward-looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward-looking statements will not be achieved. A number of important factors could cause CDG Australia's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, and many of these factors are beyond the control of CDG Australia. Forward-looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainty and other factors, many of which are outside the control of CDG Australia. As such, undue reliance should not be placed on any forward-looking statement.

The extracted Information in this release comprises both incomplete and draft information. It does not purport to be all inclusive or to contain all information required to provide a complete view of the performance or prospects of CDG Australia's business.

BY ORDER OF THE BOARD COMFORTDELGRO CORPORATION LIMITED

Angeline Joyce Lee Siang Pohr
Company Secretary

22 October 2021