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New technologies are redefining the way transport services are being procured. Technological advances are changing the make-up of the vehicles that we, as a Group, so heavily rely on.

THE PLAYING FIELD HAS CHANGED.

The Board, in reviewing the Group’s investment strategy, has expanded the list of potential acquisitions to include projects with lower margins, with the proviso that they be profit accretive, offer a lower level of risk and are priced reasonably. It has also been decided that the Group should take a less conservative capital structure and move into a net debt position in order to fund growth.

EXPANSION AND DEVELOPMENT

In 2018 alone, the Group made close to S\$0.5 billion in acquisitions, the most it has ever done so in a single year.

Singapore

In Singapore, the Group, acquired the private bus chartering assets of AZ Bus Pte Ltd for S\$10.25 million in April 2018, which further strengthened its position as Singapore’s largest private bus charter operator. The acquisition, which was conducted through ComfortDelGro Bus Pte Ltd, is one of the largest in the local bus charter industry to-date. It included existing charter contracts, 94 buses and associated drivers, increasing ComfortDelGro Bus’ fleet to 300 buses. Including sub-contractors’ buses, the total fleet is about 570 buses.

Three months later, ComfortDelGro Bus acquired the chartering assets of yet another private bus operator, Ric-Tat Travel & Coach Services Pte Ltd and its associated companies for S\$6.45 million. The acquisition included existing charter contracts, 72 buses and associated drivers, increasing its fleet to 372 buses and a total staff strength of 374. The total fleet, including sub-contractors’ buses, was 722 buses.



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Australia

The Group acquired National Patient Transport Pty Ltd (NPT) for about S\$30.2 million (A\$30.0 million) in April 2018, thereby expanding into the non-emergency patient transport services in Australia.

Set up in 1993, the Company is the largest private operator of such services in Australia, operating in Victoria, New South Wales (NSW) and Western Australia (WA) with a fleet of 144 vehicles. NPT offers a range of healthcare transport services to State Government ambulance utilities and directly to major metropolitan hospital networks including walker, hoist and stretcher transport services for high acuity and complex patients. It also operates a registered training organisation that is qualified to deliver and assess a range of non-emergency healthcare transport, first aid and resuscitation courses in Australia.

ComfortDelGro strengthened its presence further in Victoria, Australia with the acquisition of Tullamarine Bus Lines Pty Ltd (TBL) for S\$32.7 million (A\$32.2 million). TBL, which operates seven bus routes under contract with Public Transport Victoria, was a family-owned bus company located close to Melbourne's

Tullamarine Airport in the north-west of Metropolitan Melbourne. Besides public buses, TBL operates contracted school services and a small taxi fleet management business.

On 7 August 2018, ComfortDelGro upped its game Down Under with a S\$115.9 million (A\$114.9 million) acquisition of Sydney's oldest privately-run family bus and coach operator – FCL Holdings Pty Limited, which runs Forest Coach Lines in Northern Sydney and regional NSW. It also acquired two freehold depot sites – the Terrey Hills Depot and the Toormina Depot – at a total cost of S\$15.56 million (A\$15.45 million) for the operation of the bus services.

For its fourth acquisition, the Group purchased the bus and coach assets of Coastal Liner Coaches which operates route bus services in Outer Sydney Metropolitan Bus Service Region 11. The S\$9.1 million (A\$9.0 million) acquisition is significant given it services a growing market of retirees and young families who are moving away from Metropolitan Sydney to the more affordable coastal region. The coastal operator has a fleet of 31 buses and coaches and also specialises in luxury coach tour packages for theatre performances, concerts and day tours for individuals and small groups.



In November 2018, ComfortDelGro capped the year with its largest single acquisition in Australia – a S\$192.5 million (A\$190.9 million) acquisition of Buslink, one of Australia’s largest privately-owned bus businesses, comprising Buslink Pty Ltd, Buslink Southern Pty Ltd and their 11 corresponding depots. Significantly, it is the largest operator in the Northern Territory and a major service provider in Queensland.

Set up in 1988, Buslink operates in eight locations across four Australian states and territories with a fleet of 401 buses and a staff strength of over 500.

It services practically all of Darwin’s school services and approximately 70% of Darwin’s urban network. It also operates a sizeable business in Queensland and is based primarily in Sunshine Coast and Gladstone. Its service offerings comprise bus transportation for urban, school, special needs, employee transport, and charter services. In NSW, Buslink operates in Broken Hill, while in Victoria, it runs bus services in Mildura.

Following its aggressive expansion in Australia in 2018. The Group now operates in six states/territories – NSW, Victoria, Western Australia, Canberra, Northern Territory and Queensland – with a fleet of over 4,200 vehicles comprising buses, coaches, taxis and ambulances. It also offers outdoor advertising services.



China

The Group acquired 217 taxi licences and vehicles from Shenyang Tian Wen Taxi Co., Ltd in February 2018, growing its fleet in the capital of Liaoning Province by close to a-fifth to 1,503 taxis. Costing S\$15.0 million (RMB71.6 million), the acquisition had further reinforced the Group’s position as the largest taxi operator in Shenyang.

In July 2018, ComfortDelGro’s wholly-owned subsidiary, ComfortDelGro (China) Pte Ltd entered into a joint venture agreement with Nanjing Qixia District Number 2 Passenger Transportation Co., Ltd and Nanjing Bulk Lifting and Transportation (Group) Co., Ltd to form an equity joint venture company known as Nanjing ComfortDelGro Xixia Driver Training Co., Ltd, which operates a fleet of 35 vehicles. Nanjing Qixia is an integrated transport enterprise engaged in driver training, vehicle repair and maintenance, bus chartering and real estate development. It is one of the oldest driver training schools in Nanjing and is highly regarded by the Regulators.

United Kingdom

On 7 February 2018, ComfortDelGro expanded its bus and coach operations in the United Kingdom (UK) through the acquisition of New Adventure Travel Limited (NAT Group), one of the leading bus and coach operators in South Wales. This S\$25.0 million (£13.4 million) acquisition is the Group’s first expansion of its bus operations outside of London.

In April 2018, the Group again expanded its operations in the UK through a S\$2.2 million (£1.2 million) acquisition of the business and assets of Dial-a-Cab Limited, which is a taxi circuit operator in London. The acquisition, undertaken by ComfortDelGro’s wholly-owned subsidiary in the UK, CityFleet Networks Limited, has added another 1,100 black cabs to the circuit operated by Computer Cab plc, bringing the total fleet to 3,000.

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BIRTH OF THE TRANSFORMATION OFFICE

In this age of disruption, transformation is key and a top priority for the Group.

In this new space, ComfortDelGro will have to harness the technologies that will enable transformation to take place, like data analytics, Artificial Intelligence (AI) and technology platform eco-systems, and develop its digital capabilities. The Group must invest for the future. Resources have to be future-ready and holistically focussed on business transformation and organisational transformation.

To this end, Management had, at the Board's initiative, arranged for four well-known international consultancy firms to engage Directors and key management personnel in looking at future business models. These sessions had given the Board and Management the necessary inputs to make important decisions and map out some crucial activities. The birth of the Transformation Office and the establishment of the US\$100 million incubation fund were direct outcomes of these engagements.



The Group Transformation Office (GTO) was officially set up on 23 May 2018. It is headed by the Group Chief Transformation Officer, and staffed by existing staff and new recruits, including a data scientist. The GTO is tasked to look at the challenges and come up with new and innovative solutions for them.

Transformation projects are new and unexplored, and although not every project will pan out successfully, it remains crucial that the Group has a presence in the future technologies arena and to gain the necessary experiences and know-how.

Projects that are being looked into include on-demand and mobility services. In our Unscheduled Bus business, the Group had developed and implemented on-demand commute bus booking mobile applications (app) in both Sydney and Singapore to pilot On-Demand Public Bus services. The Group has also partnered MaaS Global from Finland in a new service which aims to bring together all means of transport – taxi, bus, train, car rental and even bicycles.

Called "WHIM", the app gives commuters instant access to a variety of transport services based on subscription – essentially acting as the "Netflix of transport".

Autonomous Vehicles (AV)

ComfortDelGro is embarking on a trial of an autonomous shuttle bus service in real traffic conditions in the National University of Singapore's (NUS) Kent Ridge Campus – with a view towards a commercial roll-out if successful.

It marks ComfortDelGro's third foray into the AV sphere in Singapore. Its subsidiary, SBS Transit Ltd, is currently participating in two ongoing trials – in Sentosa and Jurong Island – where it is assisting in data collection, operations modelling and development.

The year-long autonomous bus shuttle operational trial – the first of its kind in Singapore by a transport operator – will involve ComfortDelGro, Inchcape Singapore, NUS and Toulouse-based EasyMile Pte Ltd. It will commence in 2019.





Similarly, since December 2018, SBS Transit has been involved in a six-month diesel hybrid bus trial with the Land Transport Authority (LTA).

In Singapore, ComfortDelGro Taxi put two fully-electric Hyundai Ioniq taxis on trial in July 2018. Unlike existing electric taxis here that take a couple of hours to charge, this electric Ioniq taxi – the first of its kind here – charges fully in just under 30 minutes. A fully charged electric Ioniq taxi travels more than 200km, but the cost of charging it fully is only a-third of the cost of diesel for the same distance.

In January 2019, ComfortDelGro expanded its EV trial with the latest Hyundai long-range fully electric vehicles. The Ioniq Hyundai Kona Electric taxi comes with a 64 kWh lithium polymer battery – twice the power of the battery of the fully electric Hyundai Ioniq. This means that this EV model is able to travel up to about 350km when fully charged. And, with Direct Current (DC) fast charging capabilities, the EV fully charges up in just slightly more than an hour.

To support the EV trial, ComfortDelGro became the first in Singapore to introduce Direct Current (DC) fast charging for Electric Vehicle for commercial use. The Terra 54 CG charging station, which is operated by the Group’s wholly-owned subsidiary ComfortDelGro Engineering Pte Ltd in partnership with global EV charging software and solutions provider, Greenlots, promises a full charge up in as little as 30 minutes.



Electric Vehicles (EV)

Another significant trend in the transport industry is the roll-out of cleaner, less pollutant vehicles – namely electric, hybrid, fuel cells or compressed natural gas (CNG).

Car manufacturers are responding to this demand by going electric or hybrid in their new models. They are also promising that their vehicles can travel for comfortable distances in between charging.

In London, we unveiled the world’s first fully-electric double deck bus in 2016. Five of these buses, which can travel for 306km between charges, are already operating on Metroliner’s Route 98 in London, which runs between Willesden Garage and Holborn.

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Telematics Solution

Telematics solutions are not new to the Group.

SBS Transit currently uses SAfe Green Eco System (SAGE), which provides real time feedback through audio and visual alerts upon detecting events such as harsh braking or harsh acceleration. Its "Golden Eye" system, on the other hand, features an AI Box that sends visual, audio and even haptic alerts to Bus Captains via a display unit on board the buses if signs of fatigue and distractions are detected.

The Group's Bus business in London, Metroline, has also been using two fleet safety systems, including GreenRoad, for the last five years.

In Singapore, ComfortDelGro trialled advanced telematics devices in 100 of its vehicles, including taxis, private buses, rental vehicles and "learner" cars in November 2018. Data collected by these solutions will be used to help ComfortDelGro's drivers achieve safer and smarter driving habits. Taxi drivers will, for example, be able to get real-time feedback on their driving patterns on a cell phone or tablet, while learner driver instructors will be able to assess the performance of their trainees in detail.



INCUBATION FUND

On 9 November 2018, ComfortDelGro announced the set up of a US\$100 million corporate venture capital fund that focusses on incubation and investments in mobility technologies and solutions to complement the Group's land transport business whilst providing it with new strategic capabilities.

Called ComfortDelGro Capital Partners (CCP), the Fund will invest in technology start-ups that plug technology gaps, and address the impact of disruptive challenges to the Group's core land transport business.

The global Fund, which will be managed at arms-length basis with its own set of decision-making, approval and funding processes, will focus on next-generation mobility companies raising their seed stage Series A or Series B funding rounds.

The Fund will enable the Group to pursue long cycle opportunities in selected technology start-up companies whilst it continues to pursue immediately profit-accretive investments.