International Post Corporation

# Deutsche Post DHL Group meets 2019 earnings target and addresses impact of Coronavirus

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Deutsche Post DHL Group today announced that its 2020 earnings guidance is, as of now, excluding any effect induced by the Coronavirus. Since the Chinese government introduced measures to contain the Coronavirus, DPDHL Group has been consistently monitoring the volume development in its networks. In recent weeks, trade volumes have weakened, not only on the inbound and outbound China trade lanes but also in other countries of Asia; constraints on industrial production are increasingly expected also outside of China.

The Group had seen a very good start into 2020 in January and was prepared for the usual effects around Chinese New Year in February when the measures of the Chinese government were introduced. Since then the business development in Post & Parcel Germany as well as in DHL Supply Chain and DHL eCommerce Solutions has only been marginally impacted by the Corona crisis. In contrast, the Group currently sees more significant effects for the DHL Express and DHL Global Forwarding divisions, where the business is particularly affected with regards to cross-border trade flows into and out of China. Group-wide the negative impacts of the Corona crisis on Group EBIT amount to around EUR 60-70 million for the month of February, compared to the initial internal planning.

Implications for the Group results for full year 2020 cannot be currently concretely assessed. Should the macroeconomic situation normalize again, there could also be positive effects for logistics companies. In case of a longer duration or a worsening of the current situation over the coming months, the negative impacts for the Group are likely to outweigh the positives. The concrete earnings impact can only be assessed after a normalization of the situation.

"Deutsche Post DHL Group had a very good year 2019 and a successful start to 2020 in January. Thanks to our broad geographic set-up and our comprehensive portfolio we are more resilient than other companies. However, a worldwide crisis like the Coronavirus does not leave us unaffected. It is currently hard to judge how strong the impact on our business will be. That is why our guidance is as of now excluding any impact of this", said CEO Frank Appel.

Also against the background of the global economic uncertainties the Group decided to not further actively pursue the current exploratory talks regarding partnership options for the StreetScooter activities. Instead, StreetScooter will concentrate on the operation of the current fleet of e-vehicles.

"Thanks to our StreetScooter we have one of the biggest electric delivery fleets in the world and have made a significant contribution to the development of e-mobility. We have always said that we do not want to be a car manufacturer. A further scaling of the business without the right partner does not fit our long-term strategic goals. Independent from the decision today, we will further foster the transition of our fleet towards e-mobility", said Frank Appel. "We are committed to our Mission 2050, which means zero-emission logistics by 2050."

Basically, eMobility is only one of the many levers for the company to make logistics more efficient and thus more sustainable. The Group is therefore working intensively on various levers, such as the involvement in the production of alternative fuels, the optimization of its routes and energy efficiency in its buildings.

The refocusing of StreetScooter – a change outside of the company's core businesses – is expected to result in one-off charges of EUR 300-400 million for the current financial year. The impact on the cash flow, however, will be limited.

The 2020 guidance for a Group EBIT of more than EUR 5.0 billion is hence as of now excluding any still to be quantified effect induced by Corona implications, as well as the above mentioned charges related to the decision on StreetScooter. 2022 guidance for a Group EBIT of minimum EUR 5.3 billion is not at all affected by this.

As the guidance update is taking advance on the publication of 2019 full-year results planned for March 10th, the Group also publishes the following key numbers of the preliminary closure of FY2019 accounts:

Deutsche Post DHL Group continued to post profitable growth during the past financial year. Group revenue was up 2.9% year on year to EUR 63.3 billion, with all five divisions contributing to this positive performance.

The Group's operating profit (EBIT) improved significantly (+30.6%) compared with the previous year in which earnings were impacted by one-time effects. Group EBIT reached EUR 4.13 billion, which is well within the range of EUR 4.0 to 4.3 billion targeted for 2019 by Deutsche Post DHL Group. The Post & Parcel Germany division contributed EUR 1.23 billion to earnings (forecast: EUR 1.1 to 1.3 billion). The DHL divisions generated total EBIT of EUR 3.4 billion (forecast: EUR 3.4 to 3.5 billion). EUR 2.039

billion of which are attributable to the Express division, EUR 521 million to Global Forwarding Freight and EUR 912 million to Supply Chain. The division eCommerce Solutions recorded a result of EUR -51 million, while the result for Corporate Functions came in at EUR -523 million.

„We have reached record earnings in 2019 despite the challenging macroeconomic environment. All divisions continued to grow, and we took a big step forward with regards to our profitability", said Frank Appel.

Deutsche Post DHL Group continued to invest heavily in profitable growth in the past financial year, spending a total of EUR 3.6 billion across all divisions – approximately EUR 1 billion more than in the prior year. This includes EUR 1.1 billion for the debt-financed renewal of the Express division's aircraft fleet. The new machines are 18 percent more efficient and thus also contribute to the group's sustainability goals.

Despite higher capex spending, cash flow performed very well in the past financial year. Free cash flow was EUR 867 million, well above the figure of more than EUR 500 million projected for 2019. The Group had anticipated lower cash inflows in 2019 (previous year: EUR 1.1 billion) due to higher cash outflows for revamping the aircraft fleet at Express.

Source: Deutsche Post DHL