

Deutsche Post DHL Group builds on strong opening quarter: Second quarter delivers new all-time highs for revenue and earnings

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Thanks to rising global business activities and steadily growing e-commerce, all five divisions benefited from a very strong demand for logistics services.

Following a good start into the year, Deutsche Post DHL Group, the world's leading logistics company stayed on track for growth in the second quarter 2021. Revenue increased significantly by 22.2 percent to EUR 19.5 billion (Q2 2020: EUR 15.9 billion). Thanks to rising global business activities and steadily growing e-commerce, all five divisions benefited from a very strong demand for logistics services. Shipment volumes reached a new record level and were transported more efficiently than ever before by Deutsche Post DHL Group. Operating profit (EBIT) increased to EUR 2.1 billion (Q2 2020: EUR 912 million). The EBIT margin almost doubled to 10.7 percent (Q2 2020: 5.7 percent). Free cash flow was EUR 919 million in the second quarter of 2021. With these results, the Group exceeded the preliminary quarterly figures published in July and confirmed its increased guidance. The renewed one-time Covid bonus for approx. 550,000 employees worldwide, also announced in July, is to be paid in the fourth quarter 2021.

"After the global economy had experienced an unprecedented downturn last year, all of our divisions now make a pivotal contribution to accelerate the recovery of global trade. Our entire team performed brilliantly in an environment that remained challenging, enabling us to achieve an outstanding quarterly result", said Frank Appel, CEO of Deutsche Post DHL Group.

Strategic focus unleashes positive effect

The focus on the profitable core business and the megatrends of e-commerce and digitalization, defined as part of Strategy 2025, continued to have a positive impact on business performance in the second quarter 2021. The dynamic performance in national and international business from April to June was driven by a persisting structural e-commerce trend. At the same time, there was a revitalization in business activities that are more dependent on global trade, such as contract logistics and the international freight forwarding business. The divisions more focused on B2B business mastered the persistently challenging conditions in the international air and ocean freight transport markets with an exceptionally high level of efficiency. Profitability was additionally heightened by the continuing digital transformation of business processes and the introduction of new digital customer solutions.

Overall, Deutsche Post DHL Group generated net profit after non-controlling interests of EUR 1.3 billion in the second quarter of 2021 (Q2 2020: EUR 525 million). Basic earnings per share thus doubled to EUR 1.05, compared with EUR 0.43 a year ago.

Elevated guidance confirmed: EBIT to rise to more than EUR 7.4 billion in 2023

The Group confirms its short- and mid-term earnings guidance, which was raised in July. For the current financial year 2021 Deutsche Post DHL Group continues to forecast record earnings of more than EUR 7.0 billion. This includes a Covid bonus scheduled to be paid to approx. 550,000 employees worldwide in the fourth quarter of 2021, with a total volume of around EUR 200 million¹. The mid-term earnings outlook for 2023 remains unchanged at more than EUR 7.4 billion, reflecting the expectation of unchanged high shipment volumes and further improved efficiency.

Increased investments based on outstanding cash flow development

The Group's operating cash flow increased significantly year-on-year by 36.0 percent to more than EUR 2.2 billion. Gross capex totaling EUR 794 million (Q2 2020: EUR 482 million) focused in the past quarter on the expansion of the aircraft fleet in the Express division, additional sorting capacity at Post & Parcel Germany and the deployment of further automation technology in the Supply Chain division. Free cash flow in the same period amounted to EUR 919 million, thus well above the prior-year figure of EUR 605 million.

"After more than a year into the Covid pandemic, e-commerce has seen structural growth and shipment volumes reached a substantially higher level. At the same time, our business is benefitting from a resurgence in business customer activities. Based on significantly elevated demand for logistics solutions, all divisions are able to utilize their networks more efficiently than ever before. Thus, we have an excellent position to grow further profitably in the future with targeted investments in our core business and digitalization," said CFO Melanie Kreis.

According to the guidance updated in July, gross capex is expected to be around EUR 3.9 billion in the financial year 2021. The Group also continues to forecast free cash flow of more than EUR 3.2 billion in the current year. The guidance for cumulative free cash flow in the years 2021 to 2023 remains unchanged at around EUR 9.0 billion, while cumulative gross capex is expected to be around EUR 11.0 billion in this period.

Express: growth in shipment volumes enables outstanding profitability

EBIT of Express more than doubled to EUR 1,177 million (Q2 2020: EUR 565 million) in the second quarter of 2021. Revenue increased by 31.8 percent to around EUR 6.0 billion. This success was based on the further improved utilization of the globally unique international network. Express strengthened its aviation network by putting 11 additional aircraft into operations in the second quarter. International time-definite express (TDI) shipments increased by 20.2 percent, with growth across all regions of the world. TDI volumes grew by 23.6 percent in Europe, in Asia Pacific by 9.8 percent and in Americas by 36.7 percent. The network was thus utilized with outstanding efficiency. At 19.8 percent, the EBIT margin significantly exceeded the prior-year figure (Q2 2020: 12.5 percent).

Global Forwarding, Freight: growth in earnings accelerated by a significant increase in productivity

Global Forwarding, Freight was able to increase EBIT by 64.2 percent year-on-year to EUR 312 million. Revenue improved to EUR 5.2 billion (Q2 2020: EUR 4.1 billion) in a market that remained challenging. While ocean freight volumes were on pre-pandemic level (but +20.5 percent year-on-year), air

freight volumes increased even significantly above the pre-pandemic level (and +35.7 percent year-on-year). In an environment characterized by continued dynamic development of air and ocean freight rates, the division benefited not only from higher volumes but also from productivity gains. The significant improvement in EBIT margin to 6.0 percent (Q2 2020: 4.6 percent) was also due to digitalization projects such as the implementation of a new transport management system.

Supply Chain: decline in growth successfully overcome and record profitability achieved

While Supply Chain's earnings were still heavily impacted by the pandemic in the previous year, EBIT was never stronger in the second quarter, coming in at EUR 198 million (Q2 2020: EUR 33 million). Thus, earnings were significantly stronger compared to pre-pandemic levels. Customer activities increased significantly, particularly in the Life Sciences & Healthcare und Auto-mobility sectors, driving year-on-year revenue growth of 21.3 percent to EUR 3.3 billion. The division has thus successfully emerged from the dip in revenue caused by the pandemic. Further growth will be ensured by new business amounting to annualized revenue of EUR 559 million, which could be concluded in the first half of 2021. The progress made in terms of cost discipline, standardization and digitalization continues to have a positive impact. During the pandemic, these measures helped in stabilizing positive earnings; now they have noticeably improved profitability. EBIT margin climbed to a new operating record of 6.0 percent (Q2 2020: 1.2 percent).

eCommerce Solutions: growth in international

parcel business continues unabated

EBIT of the eCommerce Solutions division jumped from EUR 1 million in the prior-year quarter to EUR 116 million in the second quarter of 2021, while revenue climbed 23.4 percent to EUR 1.4 billion (Q2 2020: EUR 1.2 billion). Network capacity utilization in the international parcel business once again increased significantly compared with the previous year. Significant revenue growth of more than 25 percent was achieved in Cross Border Solutions, which enables European online retailers to ship across Europe with DHL Parcel Connect. With an EBIT margin of 8.1 percent, profitability in the second quarter was significantly above the prior-year figure of 0.1 percent.

Post & Parcel Germany: e-commerce enables further growth in revenue and earnings

EBIT at Post & Parcel Germany increased to EUR 315 million in the second quarter of 2021 (Q2 2020: EUR 264 million). Revenue was moderately higher year-on-year at EUR 4.2 billion (Q2 2020: EUR 3.9 billion). E-commerce remained a strong earnings and revenue driver. While the prior-year quarter marked the starting point for a sharp increase in volumes in the parcel business, the parcel volumes further increased by 13.4 percent in the past quarter. The average parcel volume in Germany was around 7.6 million parcels per day. In the mail business, dialog marketing regained strength thanks to the recovery of the advertising markets. Mail volumes grew by around 6.7 percent compared with a prior-year figure that was heavily impacted by the pandemic. The EBIT margin was 7.6 percent, thus above the prior year's level (Q2 2020: 6.8 percent).

Source: [Deutsche Post DHL Group](#)