

## Deutsche Post DHL Group continues profitable growth trajectory in the third quarter

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"We had a strong third quarter with record earnings yet again. All divisions of our company registered growth thanks to our strategic focus on rapidly expanding sectors such as international e-commerce. By investing in the future and developing groundbreaking innovations, we are continuously expanding our market-leading position," said [Frank Appel](#), CEO of Deutsche Post DHL Group. "For the fourth quarter, we anticipate a strong Christmas season and are confident that we will attain our targets for the full year."

### Outlook: Earnings targets confirmed

### for 2017 and beyond

Following the good business performance of the first nine months, the Group is maintaining its forecast of an increase in EBIT to around EUR 3.75 billion for full-year 2017. Deutsche Post DHL Group is also maintaining its forecast of an average increase in operating profit of more than 8% annually (CAGR) for the period from 2013 to 2020.

### Capital expenditure and cash flow: Continuous investment in long-term profitable growth

In the third quarter, Deutsche Post DHL Group made targeted investments to further strengthen its foundation for long-term profitable growth. The volume of capital expenditure came to EUR 443 million across all four divisions (2016: EUR 498 million). For example, investments focused on extending the domestic and international parcel infrastructure, stepping up production of the StreetScooter and expanding and modernizing the hubs and aircraft fleet used by DHL Express. The Group continues to plan for full-year capital expenditure of approximately EUR 2.3 billion (2016: EUR 2.1 billion).

The substantial improvement in third-quarter EBIT also positively impacted the Group's cash generation. Operating cash flow increased to EUR 954 million (2016: EUR 887 million). Free cash flow, however, decreased to EUR 502 million (2016: EUR 543 million). The decline in free cash flow is primarily a reflection of higher CapEx payments in the quarter, as well as M&A costs of EUR 50 million - most of which went towards acquiring control of the company Polar Transportes, which specializes in temperature-controlled transport for the Supply Chain division's operations in Brazil.

Consolidated net profit after non-controlling interests increased by 3.7% to EUR 641 million over the prior year thanks to the increase in operating profit. Basic earnings per share saw a corresponding increase from EUR 0.51 in 2016 to EUR 0.53 in 2017.

### **Post - eCommerce - Parcel: Further growth in Parcel and eCommerce businesses**

Revenue in the Post - eCommerce - Parcel (PeP) division increased by 6.9% to EUR 4.3 billion in the third quarter. The division's positive performance was primarily attributable to growth in volumes and revenue in the eCommerce - Parcel business unit.

Parcel Germany revenue increased by 5.5%, while eCommerce revenues climbed by 9.2%. The most substantial gain was posted by Parcel Europe, however, where revenue grew by 62.9%. A key driver of the increase was the inclusion of the UK Mail results (third-quarter revenue: EUR 125 million) following successful completion of the acquisition in December 2016. Even after adjustment for the addition of UK Mail, Parcel Europe still saw a substantial revenue increase of 17.5% thanks to steady development and expansion

of the European parcel infrastructure. Parcel Europe now has operations in 26 countries after the recent expansion of its activities to include the Bulgarian, Irish, Croatian and Romanian markets, and it intends to operate throughout Europe by the end of 2018.

In the Post business unit, revenue edged up by 0.6% year on year to EUR 2.3 billion. The overall increase echoed the rise in volumes fueled by parliamentary elections in Germany, which was sufficient to offset the structural volume declines seen mainly in the area of Mail Communication.

In the PeP division, operating profit increased by 5.1% to EUR 308 million in the third quarter compared with the prior-year period. The principal factors contributing to the increase were the growth of the German Parcel business, stable Post revenues and disciplined cost management, while earnings growth was held back by further investments in the international parcel network and the eCommerce business.

### **Express: Success story continues**

The upward revenue and earnings trend that has been maintained for a number of years in the Express division continued in the third quarter. Revenue rose by 8.5% on the prior year to EUR 3.6 billion. Particularly encouraging was the fact that the division registered growth across all regions. This dynamic performance was driven once again by solid growth in the international time-definite (TDI) delivery business, where daily volumes increased by 11.9% year on year, supported by successful yield management.

The volume increase will enable the division to utilize its unique global express network even more efficiently. Operating profit grew by 10.4% to EUR 372 million on the back of strict yield management and continuous

improvements in the network. The operating margin rose to 10.2%, up from 10.0% a year earlier.

### **Global Forwarding, Freight: Air and ocean freight volumes continue to grow**

Revenue in the Global Forwarding, Freight division was up 5.1% to EUR 3.5 billion in the third quarter of 2017. The division once again registered significant volume growth in both air and ocean freight. Road and rail transport is also on the rise in Europe, particularly in Germany and Sweden.

The division's EBIT increased by 6.3% to EUR 67 million. The upward trend demonstrates that the measures initiated to increase profitability at Global Forwarding, Freight are taking effect, despite the challenging market conditions resulting from sustained pressure on margins.

### **Supply Chain: EBIT margin within the target corridor defined for 2020**

Revenue in the Supply Chain division increased by 2.3% to EUR 3.5 billion in the third quarter. Organically, revenue grew by

6.1% over the prior-year quarter. Supply Chain continued to generate additional new business. The division concluded additional contracts with a total volume of EUR 415 million with both new and existing customers during the third quarter.

### **Nine months: Group operating profit up to EUR 2.6 billion**

In the first nine months of 2017, Group revenue rose by 5.8% to EUR 44.3 billion, with all four divisions contributing to the increase. Operating profit advanced by EUR 180 million to EUR 2.6 billion. Consolidated net profit after non-controlling interests improved to EUR 1.9 billion in the first nine months (2016: EUR 1.8 billion). In line with the increase in net profit, basic earnings per share increased to EUR 1.55 (2016: EUR 1.49).

Operating cash flow improved to EUR 1.8 billion (2016: EUR 514 million), while free cash flow rose to EUR 457 million (2016: EUR -757 million). The prior-year figures were impacted by an outflow of EUR 1 billion used to fund pension obligations. After adjusting for this effect, both operating cash flow and free cash flow still improved substantially.

Source: [Deutsche Post DHL](#)