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Strategy 2025: Deutsche Post DHL Group accelerates growth in core businesses and invests EUR 2 billion in digital transformation

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The world's leading logistics company, Deutsche Post DHL Group, is today presenting its new Group Strategy. With "Strategy 2025 - Delivering excellence in a digital world" the Group is laying the foundation to continue its successful growth trajectory beyond the horizon defined by its previous "Strategy 2020". The company will be focusing even more consistently on harnessing the sustained potential for profitable long-term growth contained in its core logistics businesses. Furthermore, it will be stepping up the digital transformation of the Group that is already underway in all business divisions. Till 2025, the Group will be spending around EUR 2 billion on digitalization - this sum is already included in the planned Opex and Capex spending. The digitalization investment is expected to lead to yearly run rate benefits of at least EUR 1.5 billion by 2025.

"Deutsche Post DHL Group has never been in better shape. We are convinced that future growth will come from a consistent focus on our profitable core logistics businesses - and digitalization will become the greatest lever," said Frank Appel, CEO of Deutsche Post DHL Group, during the presentation of "Strategy 2025" in Frankfurt am Main. "We need not reinvent ourselves. We will digitalize ourselves."

"Strategy 2020": Very good market position to shape the future of logistics

With "Strategy 2020 - Focus.Connect.Grow." the Group has achieved leading positions in each market. It is therefore very well positioned for future growth. Beyond that, the Group has gained valuable learnings to perform even better in the next strategy cycle. "Experience shows that we are particularly successful whenever we use our resources and innovative capabilities to drive forward our profitable core logistics business," said Frank Appel. "For this reason, we have gradually disengaged non-core activities over the last few years and have targeted investment into boosting the profitable long-term growth of our core businesses, such as the quality of our networks and the modernization of our intercontinental fleet for Express," he continued. Over the past years, the company has already captured significant potential in terms of revenue and margin improvement, for example in its Express and

Supply Chain division.

Like many other industries, the logistics sector is undergoing rapid change, while geopolitical factors such as mounting trade disputes are contributing to heightened uncertainty. With its balanced portfolio, the Group is already very well positioned to achieve sustained profitable growth and to shape the future of logistics. With 550,000 well-trained and motivated employees and operations in more than 220 countries and territories around the world, it is the world's largest and most global logistics provider. The Group's five divisions address the entire logistics value chain and the Group holds leading market positions in all its business activities. This is what makes Deutsche Post DHL Group more robust and resilient than others.

"Strategy 2025": Focus on profitable core and leveraging digitalization

The Group has confirmed four trends that have been impacting logistics in recent years, which will continue to do so in the future: Globalization, E-Commerce, Digitalization and Sustainability. "Strategy 2025" is the Group's answer to these and the next logical step from the previous strategy.

The Group's purpose remains to connect people and improve their lives by enabling trade and helping businesses to grow. With its vision to be THE logistics company for the world Deutsche Post DHL Group strives for a continuation of industry leadership in a digitalized world.

Given that the Group is made up of a strategically diversified logistics portfolio, each of the five divisions - Post & Parcel Germany (P&P), Express, Global Forwarding, Freight (DGFF), Supply Chain and eCommerce Solutions - has set its own path based on the individual profitable core. Combined with the specific divisional growth drivers this forms the basis for clear strategic prioritization in the divisions. A relentless focus on execution will allow each of the divisions to achieve market leading margins in their segment.

The profitable core of P&P is transporting, sorting and delivering documents and goods in Germany plus the export business from Germany.
The profitable core of DHL Express is the Time Definite International (TDI) service for premium, cross-border delivery of time-critical parcels and documents.
The profitable core of DGFF is international transportation via AirFreight, Ocean Freight and Road Freight, including customs clearance and related value-added services such as warehousing and cargo insurance.
DHL Supply Chain's profitable core is warehousing and transportation, bundled with products around Service Logistics and Packaging.
DHL eCommerce Solutions' profitable core is centered around domestic last mile parcel

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delivery in selected countries outside of Germany (Europe, US and selected Asian emerging markets) and non-TDI cross-border services primarily to, from and within Europe. One of the main drivers for growth within each core will continue to be e-commerce. The divisions benefit from dynamic growth opportunities for their solutions along the entire logistics value chain, from inbound logistics to fulfillment, delivery and returns. "We are the only company that is able to offer single elements as well as the entire e-commerce supply chain on a global scale. This is our key differentiator", Frank Appel said.

In addition to focusing on the profitable core, Deutsche Post DHL Group sees systematic digitalization throughout its businesses as a lever for achieving significant progress. The pace of the digital transformation that has already been triggered within the Group will be stepped up. Until 2025, the Group will be spending roughly EUR 2 billion on initiatives which are designed to enhance customer and employee experience as well as improve operational excellence.

Deutsche Post DHL Group will be comprehensively modernizing its IT systems, integrating new technologies, offering its employees targeted advanced training to enable them to use these technologies and, thus, steadily improving its services, processes and standards between now and 2025. Efficiency will be improved by greater automation and improved transaction processes, for example through warehouse automation and robotics programs. Data Analytics will be widely applied for example to foster routing optimization through advanced algorithms, operational volume prediction and with this optimized resource planning. "Moving forward, we will bundle our technological capabilities as a Group in global Centers of Excellence. Here we will centrally develop key technologies like Internet of Things, IoT, and then provide them to our divisions. This way we can leverage the strength of our Group to push forward our digitalization", Frank Appel said.

Targets: Increase in operating profit to at least EUR 5.3 billion in 2022

By concentrating on its core logistics business and stepping up the pace of its digital transformation, Deutsche Post DHL Group wants to appreciably enhance its overall efficiency over the long term. In tandem with the adoption of "Strategy 2025", the Group will be modifying the guiding mechanism for its medium-term financial targets.

"Given the growing volatility evident in our markets and in the overall macroeconomic environment, we will be using a more flexible process for formulating our medium-term financial targets. Our guidance will cover a three-year period - for the first time also including a mid-term Free Cashflow guidance - and the targets will be rolled forward. This

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will give our investors mid-term planning certainty," said CFO Melanie Kreis.

The Group has set the following specific financial targets for the forecast period through 2022:

EBIT is expected to increase to at least EUR 5.3 billion.
The Group plans to generate a Free Cashflow of EUR 4.5 to 5.5 billion (cumulative) in the period from 2020 to 2022.
The Group's capex is planned to be between EUR 8.5 to 9.5 billion (cumulative) in the period from 2020 to 2022.
All three targets will be rolled forwards to 2023 in March 2021.

The Group's Finance Policy, which has been established in 2010, will remain fully in place with the key goal to maintain a dividend payout ratio between 40-60% of net profit.

With Strategy 2025, Deutsche Post DHL Group embraces its purpose of 'Connecting People, Improving Lives' by fully embedding sustainability in its three bottom lines. Environmental, Social and Governance (ESG) goals will be managed via concrete targets and KPIs. Moreover, the Group reaffirms its support of the UN Sustainable Development Goals (SDGs) and seeks closer alignment its business development with the five SDGs the Group committed to in 2017.

Source: Deutsche Post DHL

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