International Post Corporation

Preliminary Results: Deutsche Post DHL Group showed strong development in second quarter and introduces guidance

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Deutsche Post DHL Group significantly increased earnings in Q2 2020 despite Covid-19. Operating profit (EBIT) improved by around 16% to around EUR 890 million. Adjusted for one-off effects in the previous year and in the current year, operating profit came in around 25% above the prior-year figure.

"We have navigated our company through this crisis very well so far. We owe this to our committed colleagues worldwide. Only through the tireless efforts of our teams have we managed to keep supply chains up and running and thus maintained the worldwide supply", said Frank Appel, CEO Deutsche Post DHL Group. "Our fundamental strength and resilience as a Group has paid off in recent months: With our broad portfolio of leading logistics services, we have the right business model to form the backbone of global trade."

As an appreciation for their efforts during the last months under the Covid-19-pandemic the Group has decided to grant a special one-time bonus of EUR 300[1] to employees worldwide. This one-time bonus payment will be carried out in the coming months and is aimed at colleagues in all divisions and in all countries. Excluded are Executives. In total, the Group will grant one-time bonus payments of around EUR 200 million, which will be booked in the third quarter 2020.

Date and dividend proposal for Annual General Meeting

Deutsche Post DHL Group is going to hold its Annual General Meeting on August 27th, 2020 in a virtual online format. The Group proposes a dividend of EUR 1.15 per share, which is stable compared to last year.

"Our strategy is focused on achieving three bottom lines: We want to be the provider, employer and investment of choice. Our success during the past months of the crisis is based on balancing these goals in everything we do. We have therefore decided to pay a dividend at the previous year's level to our shareholders and a special bonus for our employees", said Frank Appel.

Business performance in the second quarter 2020

At the beginning of the second quarter, business development was still dominated by the pandemic protection measures in place in Europe and North America as well as an initial sharp decline in volumes. The Group took measures to adjust to the pandemic-related changed utilization of the network and to maintain its own flight capacity. During the course of the second quarter, the volume development started to slowly recover. In addition, since end of March the company has recorded a positive development of shipment volumes driven by e-commerce, both internationally and in the German parcel business.

Preliminary Group EBIT reached around EUR 890 million in the second quarter of 2020 (2019: EUR 769 million). This number includes the already expected negative impact of around EUR 100 million to realign the Group's StreetScooter activities and an additional around EUR 100 million impact from special one-time impairments as a consequence of the lockdown measures and primarily concerning the Supply Chain and eCommerce Solutions division. The Group does not differentiate anymore between an adjusted operating results before and after effects related to Covid-19 as this distinction became increasingly artificial and less meaningful during the second quarter.

Operating profit in Post & Parcel Germany was around EUR 260 million (2019: EUR 177 million). The Express division managed to increase its EBIT in the second quarter to EUR 560 million compared to previous year of EUR 521 million. Operating profit in Global Forwarding, Freight stood at around EUR 190 million (2019: EUR 124 million). EBIT in Supply Chain suffered from the above-mentioned impairments in the second quarter of around EUR 60 million. EBIT at Supply Chain was around EUR 30 million in the second quarter (2019: EUR 87 million). Despite impairments of around EUR 30 million, eCommerce Solutions was able to achieve break-even EBIT (2019: EUR -18 million).

The overall positive business development is accompanied by a continuous strong development of cash flow; free cash flow stood at more than EUR 500 million in the second quarter, which is significantly up compared to last year (2019: EUR -547 million). Thus, a positive free cash flow of more than EUR 100 million was achieved in the first half-year.

A detailed publication of the results for second quarter 2020 will take place on August 5th, as planned.

Guidance: EBIT target for 2020 introduced; guidance for 2022 based on three scenarios

In light of the recent earnings momentum, management has decided to provide the following outlook for the full year 2020:

The reported Group-EBIT is expected between

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EUR 3.5 and 3.8 billion. This includes the communicated expenses to realign StreetScooter activities of around EUR 400 million, one-time bonus payments of approx. EUR 200 million in the third quarter as well as the above mentioned one-time impairments of approx. EUR 100 million. The Group expects an EBIT of EUR 1.5 billion for Post & Parcel Germany, which will cover a third of the one-time bonus payment. Deutsche Post DHL Group forecasts an EBIT between EUR 2.8 and 3.1 billion for its DHL divisions including one-off effects. Operating profit in Corporate Functions including StreetScooter-effects is expected at approx. EUR -750 million. For 2020, a free cash flow of around EUR 1.4 billion is expected with investments of approx. EUR 2.9 billion. In addition to all the special effects already mentioned, this includes around EUR300m for the 777 renewal programme of the Express Intercontinental Fleet.

In light of the continuing uncertainty about the course of an economic recovery over the next two years, the Group's medium-term earnings outlook for 2022 is updated as follows:

In the favorable case of a rapid recovery of the global economy without broad setbacks in the pandemic development ('V-shape' recovery) the Group expects EBIT of more than EUR 5.3 billion.
In case of a slower recovery, e.g. with at least local setbacks in the pandemic development, ('U-shape' recovery) the Group expects EBIT of approx. EUR 5.1 billion.
In the least favorable case of a very slow development of the recovery, e.g. due to significant setbacks in the pandemic development ('L-shape' recovery) the Group expects EBIT of approx. EUR 4.7 billion.
The investment plans (capex) for the years 2020-2022 remain unchanged between EUR 8.5 and 9.5 billion. Additionally, the cumulative free cash flows guidance of EUR 5.0 to 6.0 billion for 2020 to 2022 is confirmed.

[1]per full-time employee

Source: Deutsche Post DHL

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