

“Good performance in a weak market environment”

DHL Group, the world’s leading logistics company, stood firm in the second quarter: In a persistently challenging environment, the Group achieved revenue of EUR 20.1 billion and operating profit (EBIT) of EUR 1.7 billion. In an interview, Chief Financial Officer Melanie Kreis provides insights into the current business development and an assessment for the second half of the year.

Ms. Kreis, how do you assess the second quarter for DHL Group?

Melanie Kreis: In the second quarter, we once again demonstrated our capabilities. Revenue and operating profit are at a significantly higher level compared with the pre-pandemic years and we were able to continue the robust development seen in the first quarter. The environment in which our Group operates is more challenging today than it was a year ago: we are confronted with the continuing normalization of freight rates as well as weaker market dynamics. We prepared for this in good time and took targeted measures, helped by the great experience and implementation strength of our teams across all divisions. The focus here was on adjusting our network and effective cost and yield management. This has enabled us to adapt quickly to the weaker market environment and continue to work efficiently. This is reflected in the still attractive EBIT margin of 8.4 percent. Our portfolio, balanced across regions and business models, remains a strength.

What are your expectations for developments in the second half of the year?

Melanie Kreis: We held up very well in a weak market environment in the first half and could therefore raise the lower end of our full year guidance. We continue to plan with three scenarios and in the worst case – if the global economy fails to recover in the second half of the year – we now expect EBIT of EUR 6.2 billion. Previously we had assumed EUR 6.0 billion. In the best-case scenario, we continue to expect EBIT of EUR 7.0 billion if the economy recovers this year.

Now let’s take a look at the divisions. How did DHL Express perform in the second quarter?

Melanie Kreis: DHL Express remains the division with the highest EBIT margin. 14.7 percent is a very good result – and we’ve achieved this despite the weak economic environment. Volumes in the core business with time-critical express shipments, or TDI, declined as expected. We were able to compensate for this in part through consistent yield and cost management as well as the optimization of our network capacities. A highlight in the second quarter was the introduction of the GoGreen Plus option for express air freight. Since June, customers have thus been able to significantly reduce their CO₂ emissions with the help of sustainable aviation fuels. We actively support our customers in achieving their CO₂ targets. This shows that we have the right offering and strategy.

How did things go at DHL Global Forwarding, Freight?

Melanie Kreis: As expected, the general normalization of the transport markets was most noticeable in the Global Forwarding, Freight division. Air and ocean freight capacity is available again while demand has declined – hence volumes and freight rates are falling. The divisional EBIT margin remains stable at 8.0 percent and is the second highest of all divisions. Although economic conditions are not optimal, revenue and EBIT remain above pre-pandemic levels and our improved IT and process landscapes also make a significant contribution to this.

DHL Supply Chain got off to a strong start to the year. How did the second quarter go for the division?

Melanie Kreis: DHL Supply Chain successfully extended its good start to the year. Revenue increased across all regions and sectors in the second quarter. The expanding e-commerce business, contract renewals and strong new business – especially in the retail and technology sectors – had a positive impact. The double-digit EBIT growth of 11.5 percent and the strong EBIT margin of 6.4 percent are particularly gratifying. In addition to productivity gains through digitalization and standardization, the division is benefiting from rising demand in contract logistics. The long-term contracts in the Supply Chain division are an important counterbalance to divisions that are more strongly influenced by macroeconomic factors. We are therefore continuing to strengthen this important cornerstone with strategic investments in growth markets such as Latin America. In this way, we are creating the basis for broadening our customer base in high-demand sectors – such as healthcare, automotive and technology – while at the same time ensuring continued well-balanced growth on a regional basis.

How did DHL eCommerce perform in the second quarter?

Melanie Kreis: eCommerce had a solid second quarter. Continuous investment in the expansion of our networks and higher operating costs in individual markets are reflected in weaker EBIT but also represent the foundation for further growth. At EUR 1.5 billion, revenue is stable compared with the prior-year quarter and, like EBIT, is at a structurally higher level compared with the pre-pandemic years. The e-commerce megatrend remains intact, and we are continuously working to expand our presence in strategically relevant markets. With the acquisition of MNG Kargo, one of Turkey's leading parcel service providers, we are strengthening our network both in Turkey and for cross-border e-commerce business.

How did the second quarter go for Post & Parcel Germany?

Melanie Kreis: Revenue was level with the previous year at EUR 4.0 billion. However, the structural trend has not changed. As expected, the mail and parcel businesses continue to diverge. Mail volumes

continue to decline and demand for advertising mailings is down in the face of inflation and consumer restraint, which is noticeably reflected in revenue. The cost increases in the mail business could not be offset by higher prices due to the current rate regulation for basic mail products. In the parcel business, however, the revenue trend is positive: Parcel volumes are growing despite current rather cautious consumer behavior.

There are currently debates about updating the Postal Act in Germany. What is the background here?

Melanie Kreis: There are two main problem areas in the context of postal market regulation: The financing of the universal postal service voluntarily provided by us and the financing of investments in structural transformation caused by the decline in mail volumes and climate neutrality. The universal service requirements, which have remained unchanged for more than 20 years, no longer meet the communication habits of an increasingly digital society. Think of all the real-time digital services such as e-mail, WhatsApp and many others. Currently, the economic disadvantages from universal service provision outweigh the advantages. Therefore, regulations must be found that allow us to continue to operate economically in the future. On the other hand, regulation must grant us a return that we can use to finance the necessary investments in structural change and climate-neutral postal services. If the framework conditions in the Postal Act are changed accordingly, it will also be possible in the future for DHL Group to provide the universal service in Germany with good working conditions and in an increasingly CO₂-neutral manner.

DHL Group News: How do the divisional results affect the Group's cash flow?

Melanie Kreis: Our cash flow naturally first reflects the development of our Group EBIT. As a result, operating cash flow is also slightly lower than a year earlier, but significantly less than EBIT in the second quarter thanks to the good development of working capital. In general, it is clear that we have also achieved a sustainably higher level of cash flow; this is also reflected in our free cash flow guidance. The improved cash generation from our operating business allows us to actively invest in our core business even in challenging times.

You raised the issue of investment: in the first half of the year, DHL had capital expenditure of EUR 1.3 billion. How are the funds being spent?

Melanie Kreis: First of all, it is not a matter of course that we can continue to invest even in uncertain times. We have worked hard to achieve this over the past few years. We consistently devote our capital expenditure to our most important future and growth areas: these funds are spent on infrastructure, automation, and sustainability projects. In doing so, we help our customers build resilient and flexible supply chains and play a crucial role in global trade.



Our DHL Express Hub in Atlanta was recently put into operation, for example, which strengthens our network in the United States and shortens transit times to key global markets. In addition, it is the most environmentally friendly Express site in the Americas: up to 50 percent of on-site energy consumption is generated by rooftop solar panels, and the remaining energy requirement is covered by renewable sources. Added to this are ongoing investments in more efficient aircraft and electric vehicles.

Are there more examples of investments into sustainability projects?

Melanie Kreis: Other sustainability initiatives include, for example, a new freight train connection between Denmark and Germany. We also made progress in the second quarter in expanding our sustainable freight offering. For example, we have entered a strategic partnership with IAG Cargo that will provide us with over 11.5 million liters of sustainable aviation fuel. This in turn will bring us one step closer to our zero emissions target for 2050.

Innovations also help us to become more profitable in the long term. The consulting firm Gartner recently named us a global leader in the use of new technologies. This provides us with an incentive to continue progressing. A task force is currently analyzing the benefits of artificial intelligence for the Group. We see this as a strategically important lever for new services and even greater efficiency.