International Post Corporation

Deutsche Post DHL Group posts strong growth in revenue and EBIT in the second quarter

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"We are very satisfied with both the second quarter and the entire first half of the year. Our company is growing in all areas and steadily increasing earnings," said Frank Appel, CEO of Deutsche Post DHL Group. "Our good results so far this year demonstrate that we are right on track to achieve our EBIT targets for full-year 2017. We also remain optimistic about the coming years. All of our divisions, thanks to their focus on fast-growing markets such as global e-commerce, are optimally positioned for long-term growth," added Appel.

Outlook: Earnings targets confirmed for 2017 and beyond

Following the successful first six months, the Group continues to forecast an increase in EBIT to around €3.75bn 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) during the period from 2013 to **2020.**

Second quarter of 2017: Group EBIT grows at double digit rate

Group revenue grew by 4.4% to €14.8bn in the second quarter. The company's operating profit increased by 11.8% to €841m. The improvement in the Group's profitability was driven largely by the Express (+12.2%) and Supply Chain (+21.6%) divisions, both of which achieved significant double-digit growth in operating profit.

Consolidated net profit after non-controlling interests increased by 11.3% to €602m against the prior-year level (2016: €541m) thanks to the increase in operating profit. Basic earnings per share saw a corresponding increase, rising from €0.45 in 2016 to €0.50 in 2017.

Capital expenditure and cash flow: Group further strengthens foundation for long-term growth

Deutsche Post DHL Group invested €351m in the second quarter of 2017 (2016: €456m). Investments continued to focus on positioning the Group for future profitable growth in all four divisions. For example, the Group made further progress in extending its domestic and international parcel infrastructure in addition to investing in the production of its StreetScooter electric vehicle. In the Express division, global and regional hubs were upgraded and the aircraft fleet modernized and expanded. The Group continues to plan for full-year capital expenditure of approximately €2.3bn (2016: €2.1bn).

Operating cash flow was €726m in the second quarter (2016: €-161m), while free cash flow was €385m (2016: €-600m). The respective prior-year figures were significantly impacted by an outflow of €1bn to fund pension obligations.

Post - eCommerce - Parcel: Continued strong performance in the international parcel business

Revenue in the Post - eCommerce - Parcel (PeP) division rose by 4.8% to EUR 4.3 billion in the second quarter. The division's positive performance was primarily attributable to growth in volumes and revenue in the eCommerce - Parcel business unit, with revenue increasing by 13.6% to EUR 2.0 billion. Parcel Europe (+61.5%) and eCommerce (+15.1%) were the main drivers behind this growth. A key positive factor behind the strong increase in revenue at Parcel Europe was the inclusion of the UK Mail business in the unit's consolidated results after successful completion of the British company's acquisition in December. UK Mail generated revenue of EUR 127 million in the second quarter. Organically, revenue at Parcel Europe increased by 21.2%. The positive development of the eCommerce - Parcel business unit shows once again how Deutsche Post DHL Group continues to benefit from its successful positioning as market and innovation leader in the high-growth e-commerce segment.

In the Post business unit, revenue saw a slight decrease of 1.8% to EUR 2.3 billion due to structural volume declines, mainly in the area of Mail Communication.

EBIT in the PeP division improved by 4.0% to EUR 259 million in the second quarter. Contributing to the increase in particular were growth in the German Parcel business, the normalization of the decline in letter volumes and disciplined cost management, while earnings growth was held back by further investments in the international parcel network and eCommerce business.

Express: Success story continues with new record margin The upward revenue and earnings trend that has been maintained for years in the Express division continued in the second quarter. Revenue rose by 8.7% on the prior year to EUR 3.8 billion. This dynamic performance was driven once again by solid growth in the international time-definite (TDI) delivery business, where daily volumes rose by 8.5% year-on-year in the second quarter, supported by successful yield management.

The division's EBIT increased by 12.2% to €469m. In addition to continuous improvements in the network, strong growth in TDI was responsible for the significant increase in profitability. The increase is also reflected in the operating margin, which improved to a record level of 12.5% (2016: 12.1%).

Global Forwarding, Freight: Continued volume growth in air and ocean freight

Revenue in the Global Forwarding, Freight division rose by 5.5% to €3.6bn in the second quarter of 2017. In line with the dynamic market trend, the division registered significant growth in revenue and volumes in both the air freight and ocean freight businesses.

The division has not been able to immediately pass on the higher freight rates that have accompanied the market growth to customers in the form of higher prices. As a result, its gross profit declined slightly, as expected. Operating profit was at the prior-year level at €67m in the second quarter (2016: €69m). This shows that the earnings situation in the division continues to stabilize.

Supply Chain: Optimization program showing positive effects

Revenue in the Supply Chain division came in at €3.52bn in the second quarter, or approximately at the prior-year level (2016: €3.54bn). Negative currency effects were partially offset by the positive business development in the Asia Pacific region, in particular. Supply Chain continued to generate additional new business. The division concluded additional contracts with a total volume of €288 million with both new and existing customers during the second quarter.

Operating profit rose by 21.6% to €124m. Adjusted for restructuring costs of €16m reported in the prior-year figure, EBIT improved by 5.1%. The increase reflects in particular the positive impact of successful implementation of the optimization program at Supply Chain.

First half: Revenue and earnings grow by 6%

Group revenue was up by 5.8% to €29.7bn in the first half of 2017 (2016: €28.1bn). All four divisions contributed to the increase. Operating profit advanced by €101m to €1.7bn. Consolidated net profit after non-controlling interests improved to €1.24bn in the first six months of the year (2016: €1.18bn). Basic earnings per share increased to €1.02 in line with the increase in net profit (2016: €0.98).

Free cash flow improved to EUR -45 million in the first half (2016: €-1.3bn). FCF also registered a substantial increase after adjusting for the outflow of EUR 1 billion in the prior-year figure which related to the funding of pension obligations.

Source: Deutsche Post DHL