



STRATEGY 2025
**Delivering excellence
in a digital world**

Frank Appel, CEO
Melanie Kreis, CFO

Frankfurt, October 1st 2019



LEARNINGS

TRENDS

STRATEGY

We have learned a lot along the way



Focus.	Connect.	Grow.
We focus on our core activities ...	We connect across the organization ...	We grow ...
1 Logistics as our core	One global team	Leader in e-commerce related logistics
2 Committed to the needs of our stakeholders & our planet	Certified specialists for everything we do	Accelerate footprint shift towards emerging markets
3 A family of divisions	Connected approach in operations, commercial, green solutions, shared services	Tap new market opportunities for organic expansion
... to achieve industry-leading performance.	... to achieve quality & service excellence.	... for sustainable above-market growth.

We are successful

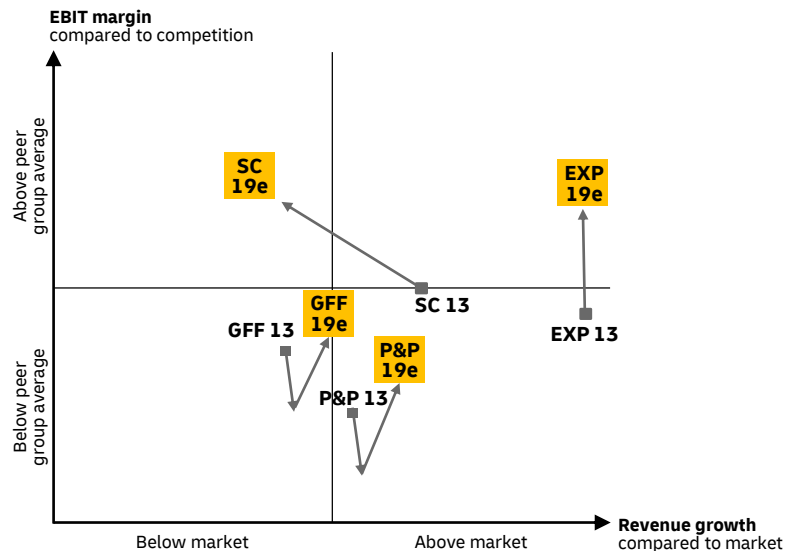
- ... if we focus on execution excellence
- ... if we act along our 3 bottom lines
- ... if we strengthen our profitable core
- ... if we leverage e-commerce
- ... if we take advantage of technology

We have captured significant potential already



We are stronger than ever before

Relative position of divisions – Year **2013** versus **2019e**





LEARNINGS

TRENDS

STRATEGY

Four main trends from Strategy 2020 remain intact, even though the world around us is changing



Globalization



E-Commerce



Digitalization



Sustainability

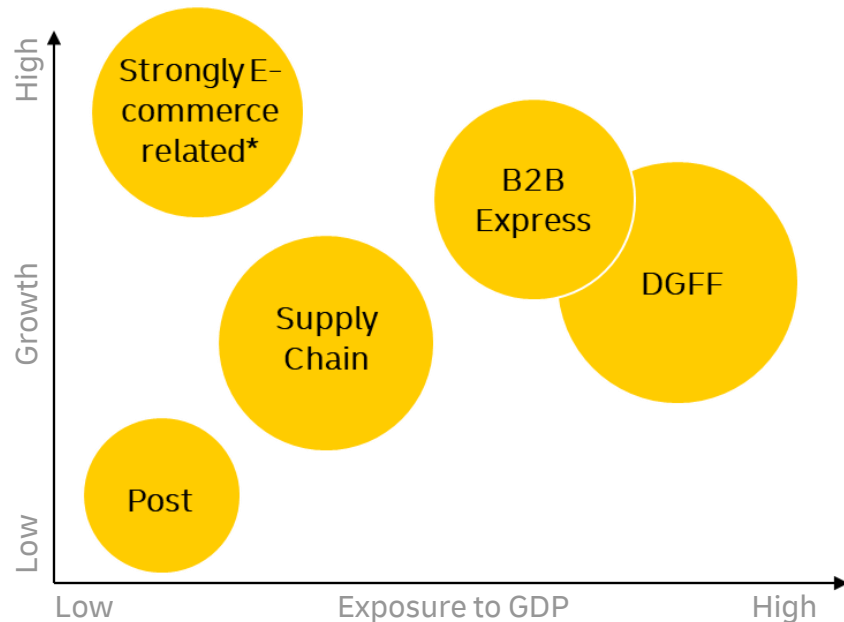
GLOBALIZATION

Some Observations...

- **Logistics:** A key enabler of globalization
- **Emerging markets:** Growth behind expectations
- **Long-haul trade:** Slower growth than expected
- **Gravity centers:** NAFTA, Europe and China



GLOBALIZATION: Our broad portfolio makes us more resilient



2018 revenue

*B2C Express, Parcel Germany and DHL eCommerce Solutions

Our Strategic Position

- Largest, most global logistics provider
- Leading market positions
- Strong brands, balanced portfolio

E-COMMERCE

Some Observations...

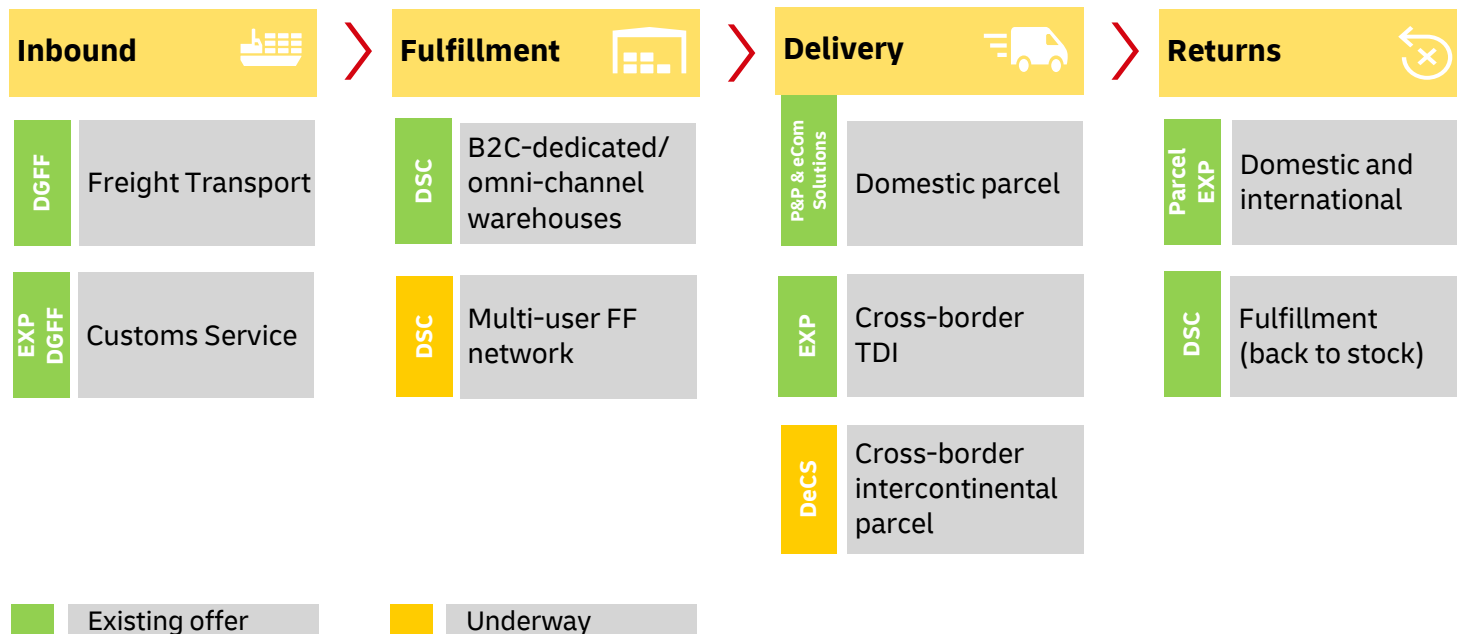
- **Dynamic growth** opportunity for logistics solutions and single elements of e-commerce supply chain
- **Cross-border** growing more than twice as fast as domestic e-commerce
- Increasing demand for **omnichannel** fulfilment
- Future split between **giant market places and independent brands and retailers: 50%/50%**



E-COMMERCE: We offer the entire logistics value chain



Our Strategic Position



DIGITALIZATION

Some Observations...

- Automation drives **efficiency, scalability, growth**
- **Simplicity and standardization** of digital interfaces as new benchmarks
- Potential for **better customer experience** and new business models



DIGITALIZATION: Accelerating our pace of digitalization



Our Strategic Position



**TECHNOLOGY
EXPLOITATION (95%)**

Optimize our core business



**BUSINESS
EXPLORATION (5%)**

Scale business models
augmenting our core

SUSTAINABILITY

Some Observations...

- Customers, shareholders and society are demanding **sustainable solutions** in line with UN Sustainable Development Goals (SDGs)
- Rising expectations from investors regarding **ESG** disclosures, performance and governance



SUSTAINABILITY: We are in a leading position

Our Strategic Position



SUCCESSFUL “GO” PROGRAMS

GOGREEN

33 % efficiency improvement since 2007 / Mission 2050
10,000 StreetScooters / Partnerships in Japan & China

GOHELP

15 years GoHelp
(44 DRT deployments / 50 GARD trainings)

GOTEACH

10 years GoTeach
(Partnerships SOS / Teach For All)



Global Volunteer Day
122.911 engaged employees
in 3.345 projects (2018)





LEARNINGS

TRENDS

STRATEGY



Our Purpose

Connecting people,
improving lives

Our Vision

We are THE logistics company
for the world

Our Values

Respect & Results

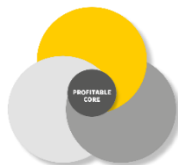


Our Mission

Excellence. Simply delivered.

Along the three bottom lines in a sustainable way

Enabled by **Common DNA**



Our Business Unit focus

Strengthening the profitable core

Supported by **Group functions**

Digitalization



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> **Our Purpose**

**Connecting people,
improving lives**

> **Our Vision**

**We are THE logistics company
for the world**

> **Our Values**

Respect & Results

Our common DNA

Excellence. Simply Delivered.
Along the three Bottom Lines.



GOHELP

GOTEACH



FIRST CHOICE



MISSION 2020
ZERO EMISSIONS



COMPLIANCE

for better business



FINANCE PRIORITIES



Cash Is King



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Sustainability: Enhancing our ESG focus



E

ENVIRONMENTAL IMPACT

- GoGreen / Mission 2050
- Green solutions
- Green policies & guidelines
- Carbon-efficient delivery solutions
- Tree planting

S

SOCIAL IMPACT

- Employee Engagement (EOS, EOY, GVD...)
- Safety First
- Certified
-  

G

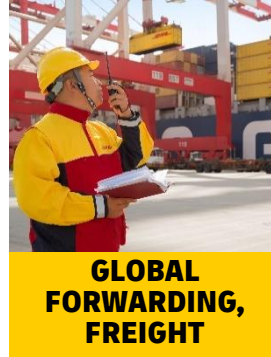
GOVERNANCE STRUCTURES

- Codes of Conduct
- Compliance Management
- Internal Audit
- Data Protection Management
- Responsible Business Practice (RBP) network





Strong divisional strategies



- > Focus on value creation **close to the profitable core**
- > Leverage **key competitive advantage** in each division
- > **Deliver excellence** along the three bottom lines
- > Leverage **e-commerce**
- > **Digitalize** our business models

Digitalization @ DPDHL GROUP



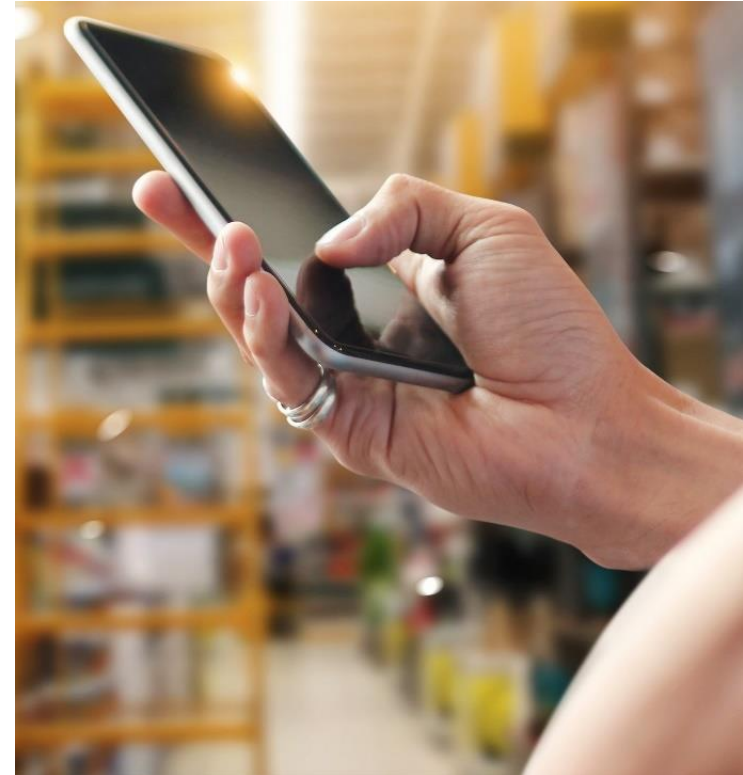
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> It's all about...

- ... enhancing **customer** experience
- ... improving **employee** experience
- ... increasing **efficiency**



> **Powered by the right Group
infrastructure and agile divisional
architecture**





> Dedicated Global Centers of Excellence (COEs)



Blockchain



Data Analytics



Data Lake



Intelligent automation
back office



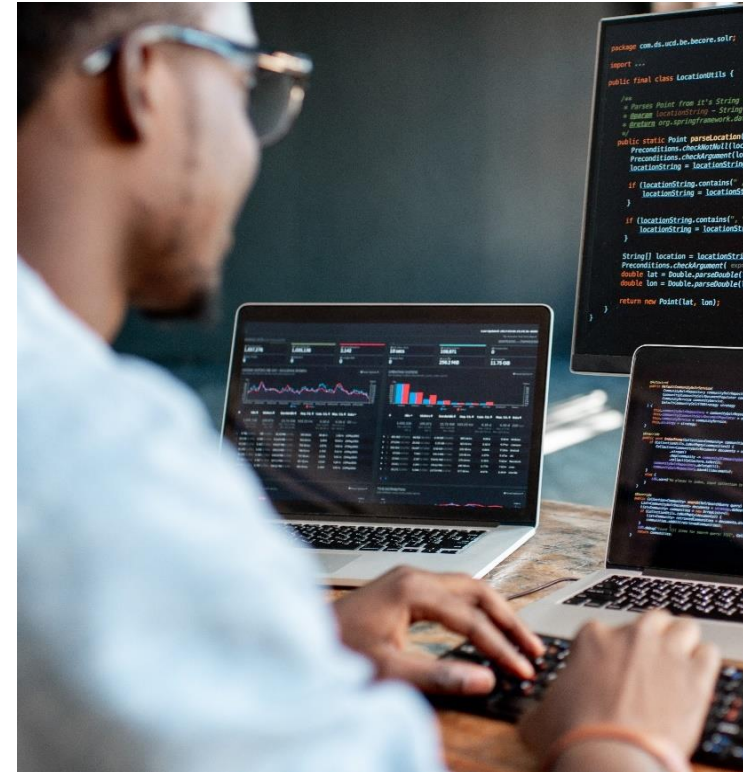
Internet of
Things (IoT)



Application Programming
Interfaces (API)



Intelligent automation
of physical operations



Divisional Architecture



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> Modernizing our IT backbone



Digitalization @
P & P Germany



Global Architecture under
Digital Integration (GAUDI)



Express Global
Application Portfolio



Finance ERP Roadmap



IT Renewal
Roadmap



HR Business Enterprise
Architecture



Freight TMS EVO



ITSS Roadmap

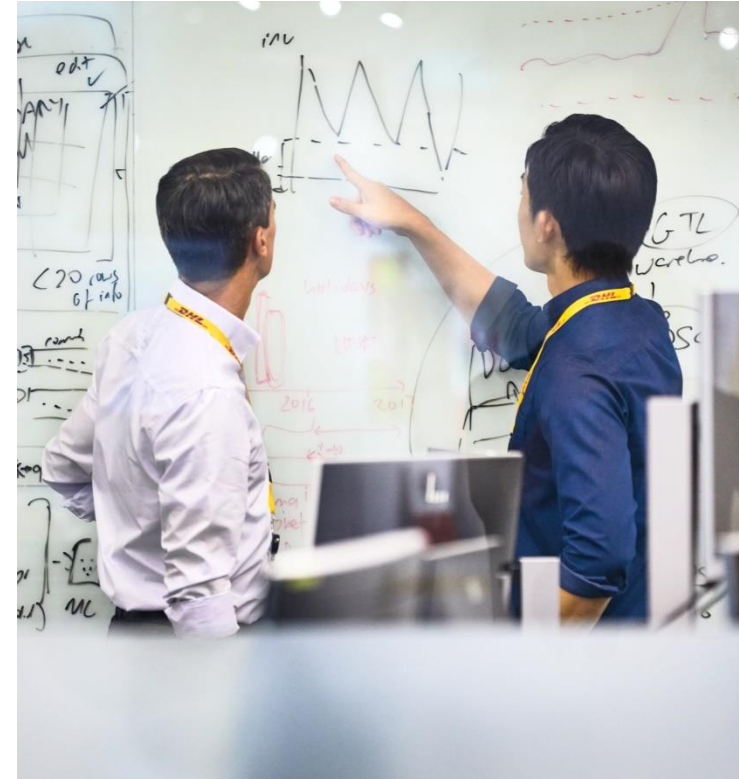




Advanced analytics

> Example: Express volume forecasting

- Prediction of daily volumes for international flight trade lanes
- Reaching the next level of productivity:
 - 3ppt increased forecasting accuracy
 - Benefits: enabled sale of excess capacity and increased quality





Digitalizing ourselves

> Investing

- We will invest ~ **€2bn** cumulatively through to 2025 in digitalization, embedded in the ongoing opex and capex spending

> Expecting

- We expect a yearly run rate benefit of > **€1.5bn** by 2025



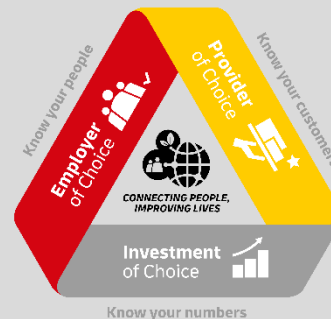
CLEAR OBJECTIVES along the three bottom-lines



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› Engaged employees bring passion & commitment to work and deliver exceptional quality



› Exceptional quality delights our customers and leads to loyalty

› Customer loyalty leads to profitable growth

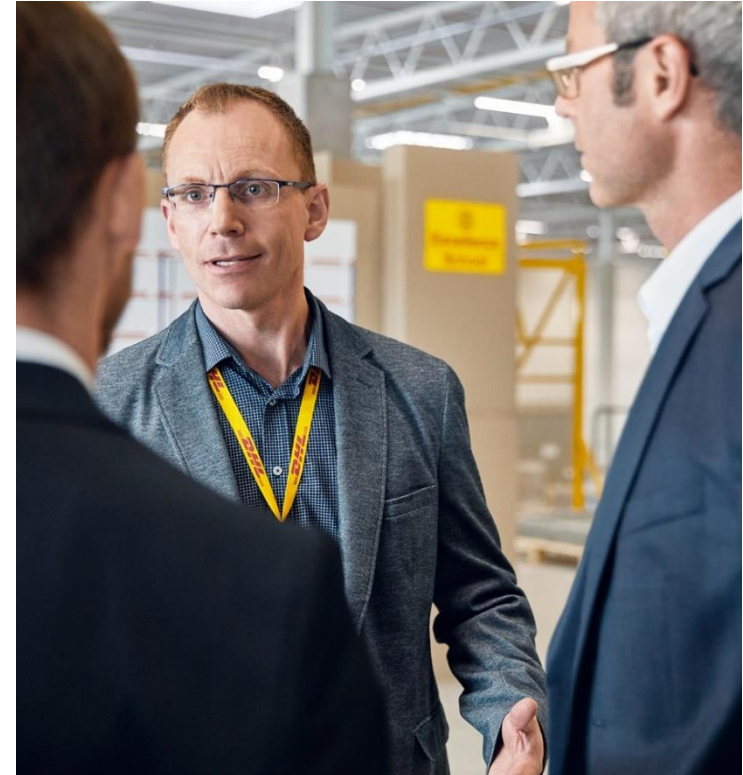


CLEAR OBJECTIVES: Employer of Choice



Know your people

- Attract and retain the best talent
 - Develop world-class frontline leaders through Certified
 - Strengthen a “Safety First” culture
- **Achieve world-class employee engagement measured by steady progress in “Great Place to Work®” and “Employee Engagement” score of >80% in Employee Opinion Survey (EOS)**





CLEAR OBJECTIVES: Provider of Choice



Know your customers

- Leverage digital technologies to enhance customer experience
 - Achieve market-leading quality through use of First Choice tools every day, everywhere
 - Serve customers in a sustainable way, reducing our environmental impact
- **Achieve best-in-class customer satisfaction measured by dedicated KPIs such as Net Promoter Score**



CLEAR OBJECTIVES: Investment of Choice



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Know your numbers

- Profitable Growth in Logistics Core
- Benchmark Margins
- Improved Cash Generation

➤ **Achieve attractive returns for our shareholders**





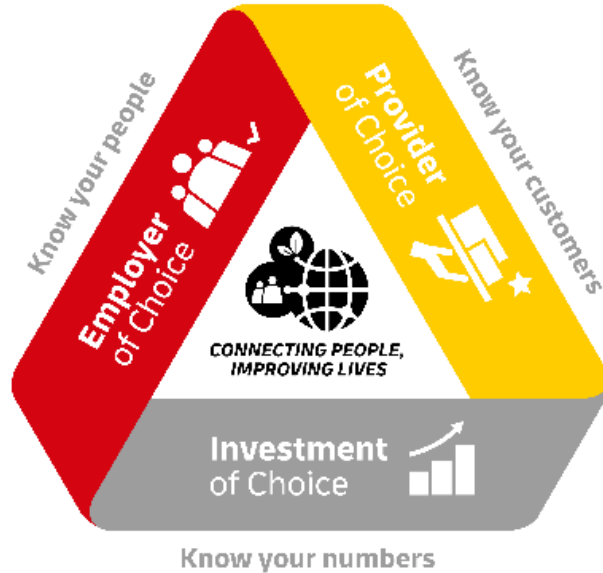
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Melanie Kreis, CFO

Frankfurt, October 1st 2019



Measurable KPIs along all three bottom lines



INVESTMENT OF CHOICE

Profitable Growth in Logistics Core

Benchmark Margins

Improved Cash Generation

Attractive Shareholder Returns



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**Profitable Growth in
Logistics Core**

Benchmark Margins

Improved Cash Generation

**Attractive Shareholder
Returns**

Core logistics offers sustainable growth opportunity

Focus on profitable growth in our core

> Market growth assumption by division (volume p.a., 2018-2025)

- P&P: Parcel +5-7%, Mail -2% to -3%
- EXP: TDI +4-5%
- DGFF: OFR +2-4%; AFR +1-3%; RFR +3-4%
- DSC: Outsourced logistics ~+4% (revenue)
- DeCS: Driving revenue CAGR of 5-10% across all businesses

> Expected growth vs. Market



At least in line:
P&P, EXP, DeCS, DSC

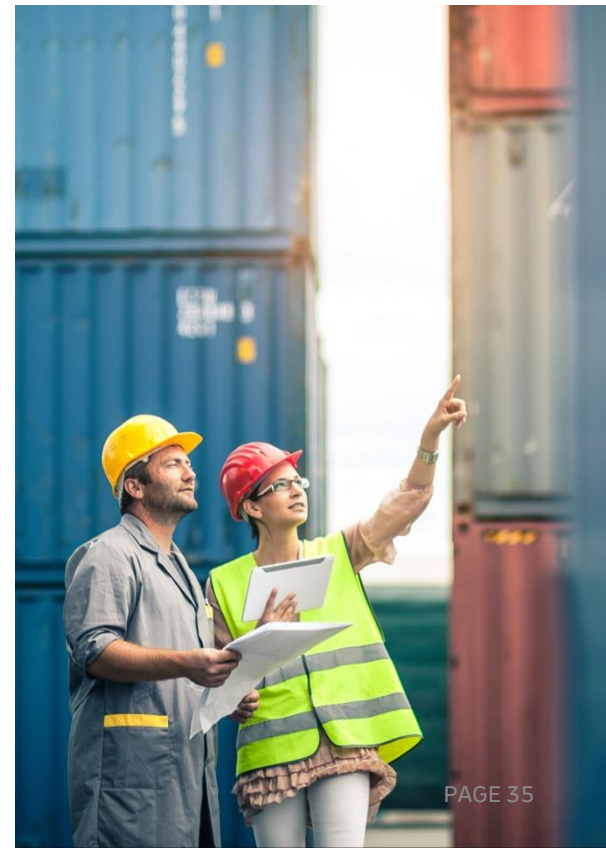


Above:
DGFF

- Supported by unchanged strong yield discipline in all divisions



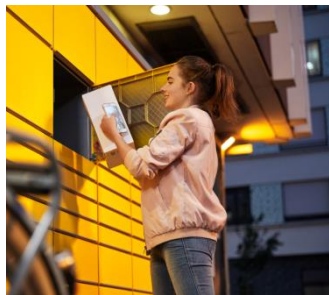
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Profitable growth supported by disciplined yield management



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P&P Germany

Regulated mail price increases & parcel yield management incl. yearly GPI (General Price Increase)



EXPRESS

Yield management incl. yearly GPI (General Price Increase)



DGFF

GP optimization through aligned pricing strategies and value-added products



DSC

Contract selectivity based on service excellence



DeCS

Strong focus on yield and profitability



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**Profitable Growth in
Logistics Core**

Benchmark Margins

Improved Cash Generation

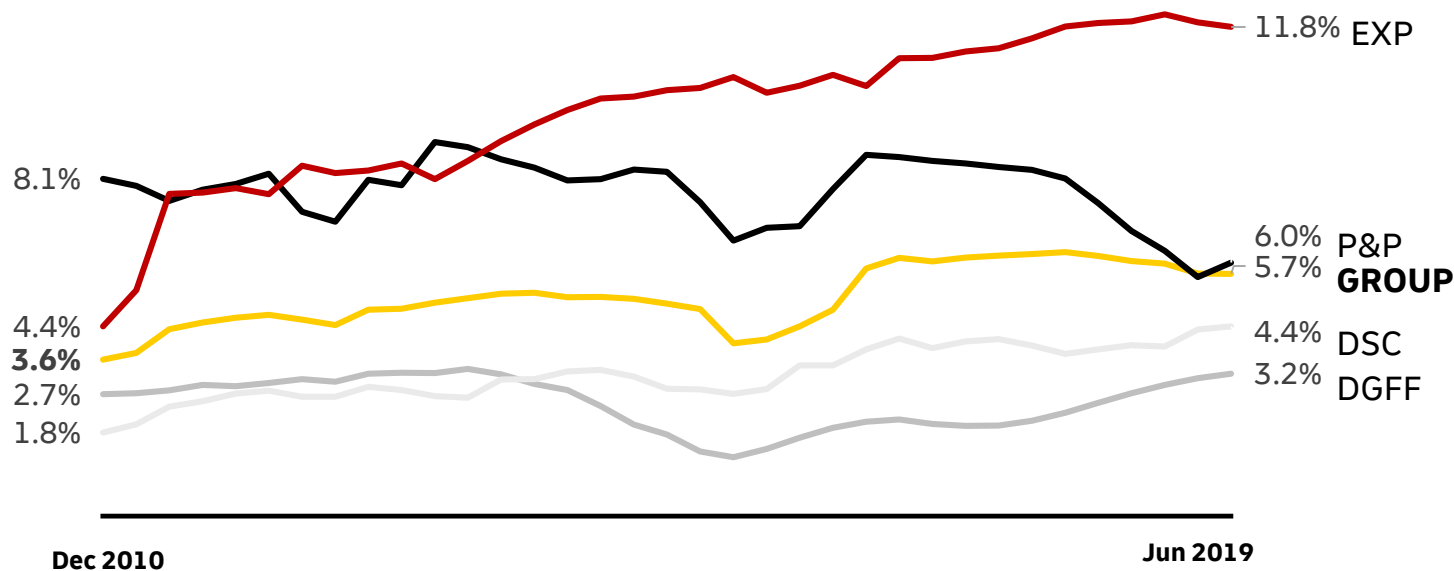
**Attractive Shareholder
Returns**

DPDHL Group: Further to go on margin expansion



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12m rolling EBIT margin¹⁾



¹⁾Adjusted for: 2015: DGFF write-off; 2018: PeP restructuring charge; 2019: SF Transaction gain & DSC Restructuring



Summary divisional outlook: Strategy 2025

P&P Germany

- 2020: Guidance confirmed: €>1.6bn; Margin: ~10%
- Beyond 2020, slow topline growth with stable margin

EXPRESS

- Continued growth of absolute EBIT
- Continued, but more incremental margin expansion

DGFF

- DGF GP-EBIT conversion improvement of 100-200bp p.a.
- By 2020, 20% DGF GP-EBIT conversion
- Long-term target: ~30% DGF conversion driving 5-6% DGFF EBIT margin

DSC

- Topline growth at least in line with market
- Maintain industry leading margin at ~5%

DeCS

- Positive EBIT contribution as of 2020
- Gradual increase towards 5% long term margin thereafter



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**Profitable Growth in
Logistics Core**

Benchmark Margins

Improved Cash Generation

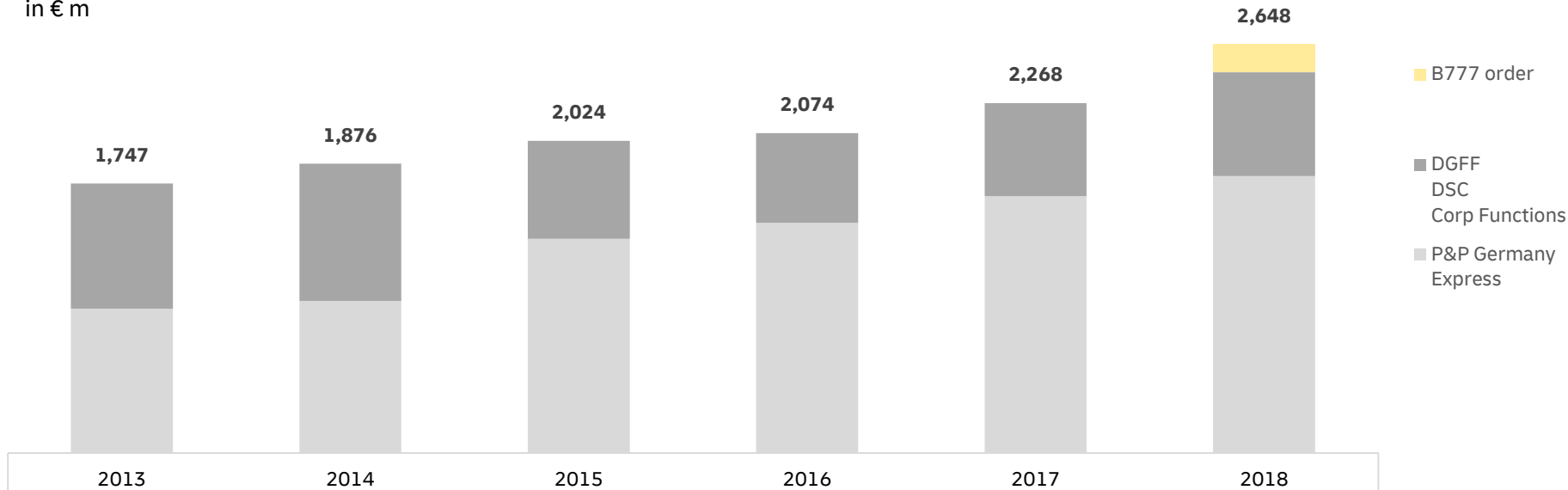
**Attractive Shareholder
Returns**

Historical capex: gradual increase with improving returns



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Group Gross capex,
in € m



Group ROCE: Increase of >300bp in 2012-2017¹⁾

1) 2018 distorted by IFRS16



Capex growth has enabled strong volume increase

Capex increase reflected ongoing strong volume growth in

- **PARCEL GERMANY** (2013-2018: +9% p.a.)
- **EXPRESS** (2013-2018: +8% p.a.)

Parcels per day Germany

>2,000,000 parcels
per day more since 2013



+53%

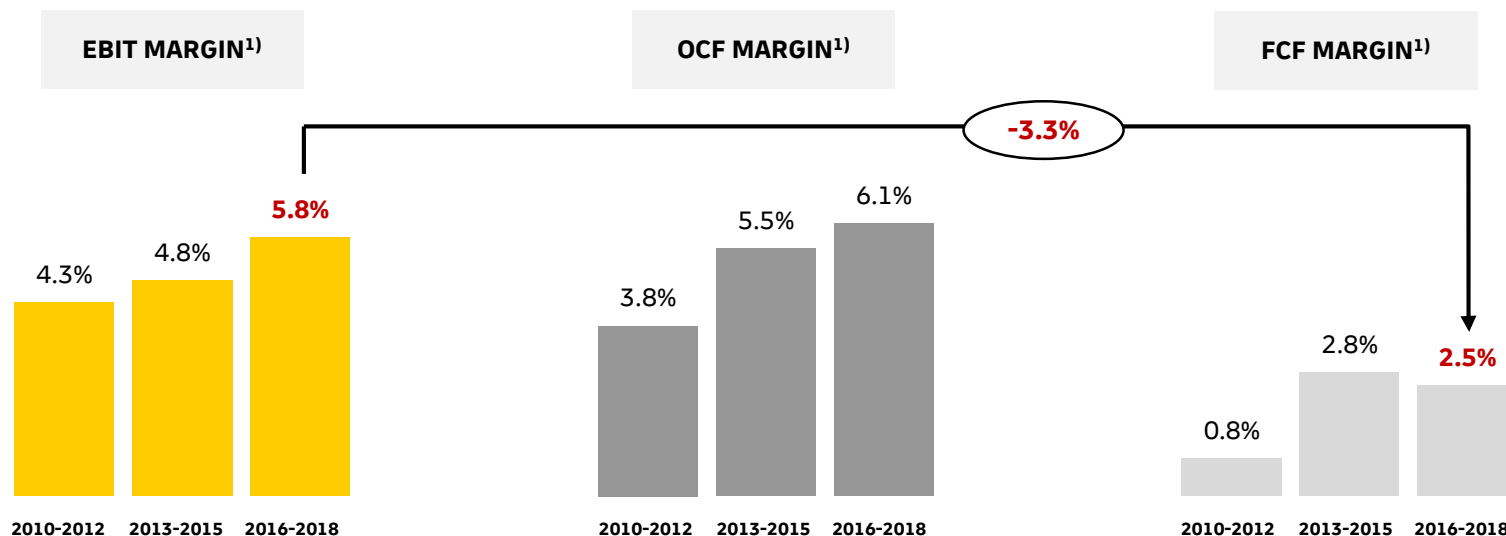
Express TDI shipments per day

> 300,000 shipments
per day more since 2013



+49%

Since 2013, EBIT growth consistently translated into OCF



- Until 2012, cash conversion was significantly held back by restructuring cash-outs (mainly EXP US Domestic)
- OCF conversion normalized as of 2013 (5.5%) – increasing further driven by EBIT margin improvement
- FCF margin contracted again more recently due to gradually increasing growth investments

1) For 2012, 2016, 2017 excl. voluntary pension funding; for 2018 adjusted for IFRS16 and P&P restructuring (€503m)

Cash Flow outlook: New mid-term FCF guidance introduced



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Deliver EBIT growth in profitable core

Translate EBIT growth into equivalent OCF growth, incl. **WC focus**

Gross capex peaking in 2019 on 777 order

 **EBIT Guidance**

 **Capex Guidance**

FCF growth mainly driven by EBIT growth and capex timing

 **FCF Guidance**



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**Profitable Growth in
Logistics Core**

Benchmark Margins

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**Attractive Shareholder
Returns**

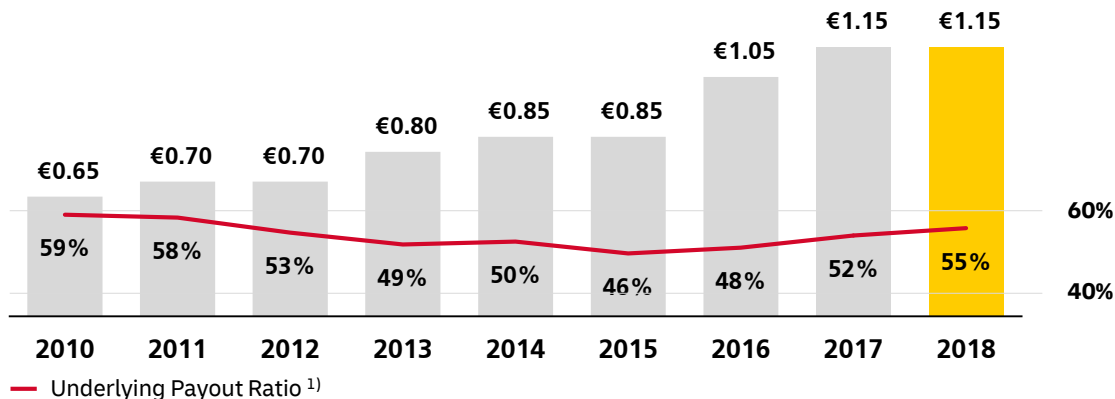
DPDHL Group Finance Policy: Confirmed And Executed Upon

CONFIRMED



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Dividend of €1.15 for FY2018



Dividend payments of €1.4bn to DPDHL shareholders on May 20th, 2019

FINANCE POLICY

- Target / maintain rating BBB+

- **Dividend payout** ratio to remain between **40–60% of net profit** (continuity and Cash Flow performance considered)

- **Excess liquidity** will be used for **share buybacks** and/or **extraordinary dividends**

¹⁾ Adjusted for Postbank effects as well as non-recurring items when applicable



Summary & Outlook

Full focus on **execution**: Ensure profitable growth in **core logistics**

Cash Flow remains top finance priority – translate EBIT growth into OCF growth

Clear priorities on cash utilization, starting with investments in profitable core logistics

For our shareholders:

Sustainable growth in core portfolio & reliable dividend policy & return to excess liquidity generation



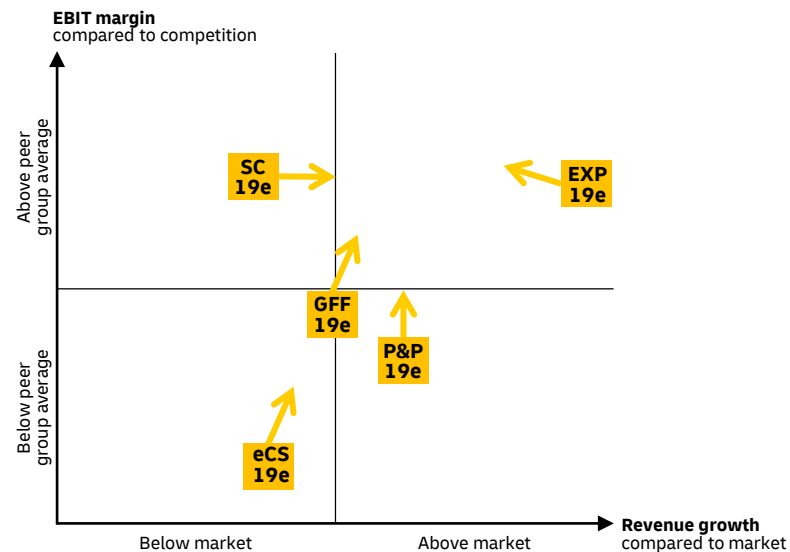
DPDHL Group: Significant upside potential



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Relative position of divisions – Outlook



Guidance 2019 / 2020 reiterated

In € bn

	2019	2020
Group EBIT	4.0-4.3	>5.0
P&P Germany	1.1-1.3	>1.6
DHL	3.4-3.5	>3.7
Corporate Functions	-0.5	-0.35



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CONFIRMED

2019

Free Cash Flow: >€0.5bn (incl. ~€1.1bn debt-financed Express intercontinental fleet renewal)

Tax rate: Between 19% and 22%

Gross Capex (excl. leases):

~€3.7bn (incl. ~€1.1bn for debt-financed Express intercontinental fleet renewal)

DPDHL Group: New rolling 2022 financial targets



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In € bn	2022
Group EBIT	>5.3
Capex (20-22) cumulative	8.5 - 9.5
FCF (20-22) cumulative	4.5 - 5.5

All targets to be rolled forward annually

2022 minimum EBIT guidance
based on cautious macro scenario