

## **CAPITAL MARKETS DAY 2019**

Part 1 - strategic and financial ambitions		Part 2 - focus areas				
10.30	Opening remarks Torben Carlsen, CEO	13.30-14.15	Pillar C - Mediterranean business plan Selçuk Boztepe, Head of Mediterranean Fuat Pamukçu, VP Sales, Marketing,			
	Strategy pillars and financial ambitions Torben Carlsen, CEO		Business Development & Strategy			
	Pillar A - Grow solutions to select industries Eddie Green, Head of Logistics Division	14.15-14.50	Ferry new buildings, ferry market and port termina Peder Gellert, EVP, Head of Ferry Division			
	Niklas Andersson, Head of Nordic & Continent	14.50-15.00	Break			
	Pillar B - Digitise to accelerate growth Valdemar Warburg, Group Transformation Officer	15.00-15.40	Tech trends, sustainability Valdemar Warburg, Group Transformation Officer			
	Pillar D - Create more value for passengers Peder Gellert, EVP, Head of Ferry Division	15.40-16.00	Wrap-up, final Q&A Torben Carlsen, CEO			
12.30-13.30	Lunch - Siø experience	16.00	Disembarkation			



WIN23: STRATEGIC & FINANCIAL AMBITIONS

DFDS GROUP 2019-2023





#### Disclaimer



The statements about the future in this announcement contain risks and uncertainties.

This entails that actual developments may diverge significantly from statements about the future.



## Content

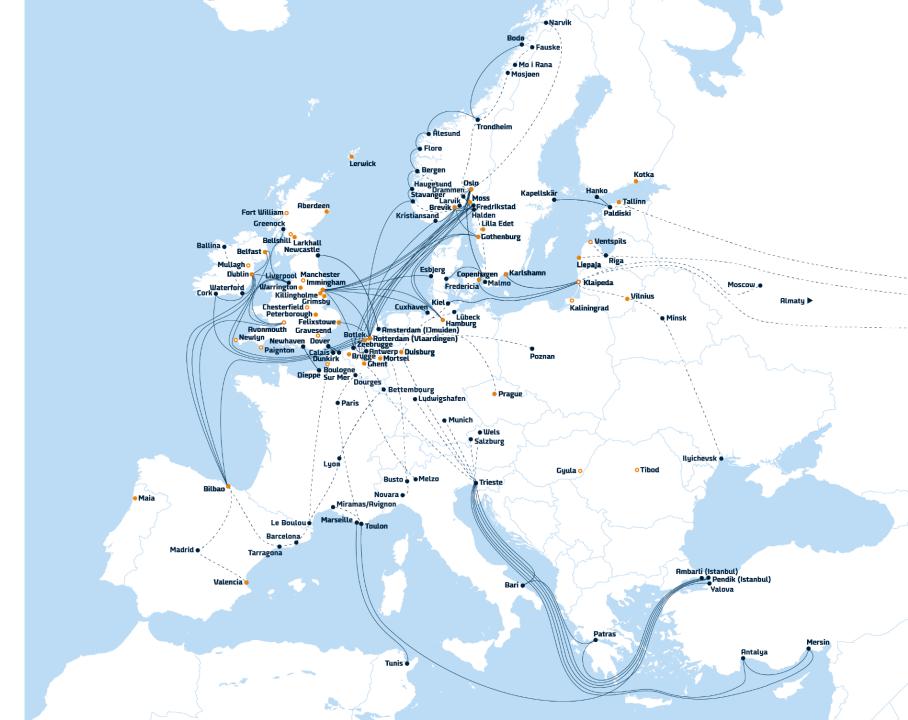


- Strong platform to build from
- Our ambitions

- 4 strategy pillars
- The numbers

# DFDS' ferry and logistics network

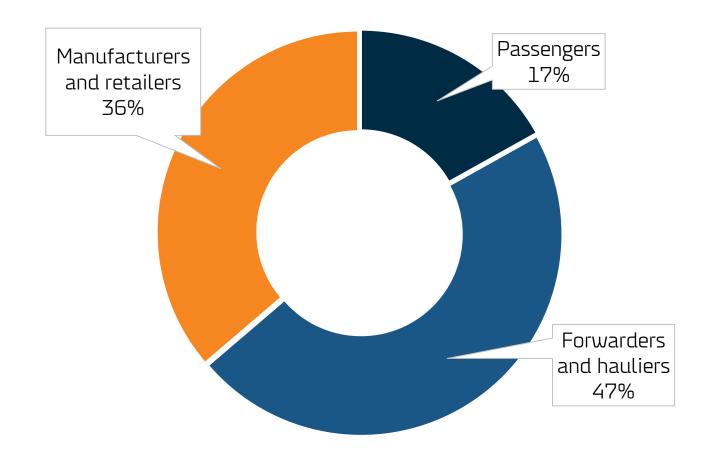
- DKK 16bn revenue
- DKK 3.6bn EBITDA
- 8,000+ employees
- 23 ferry routes incl.9 passenger routes
- 8 port terminals
- 35 logistics locations



## Our customers: Forwarders, industrials and passengers



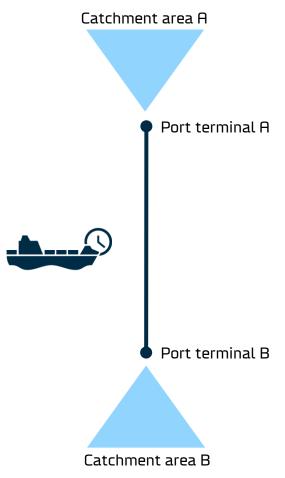
#### DFDS' three main customer groups, % of revenue



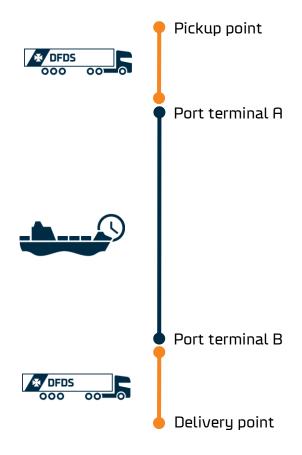
#### DFDS' business model builds on 3 core activities



#### Ferry routes



#### Door-door solutions



### Contract logistics









## Our high-level assumptions on business environment

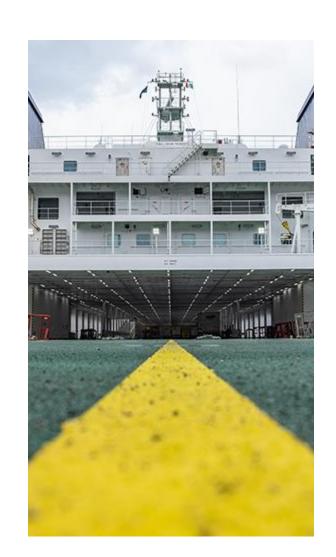


Modest but positive European growth 2019-2023

• Competitive environment to remain stable

Consolidation set to continue

Digital requirements accelerating



## WIN23 - NEW AMBITIONS FOR NEXT FIVE YEARS

- Strong platform to grow from
- Great opportunities to leverage our people, skills, assets and technologies
- Financial ambition of an EBITDA of around DKK 5.5bn in 2023
- Uncertainty related to financial ambition estimated at around 10%



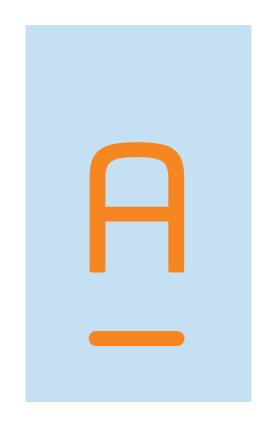
## 





### **Grow solutions to select industries**





- Automotive
- Forest & Metals
- Cold Chain



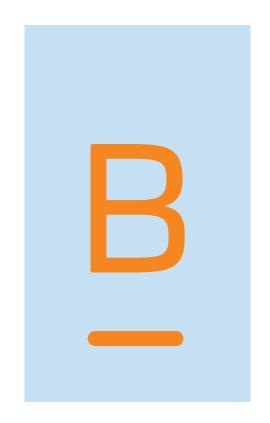






## Digitise services to accelerate growth





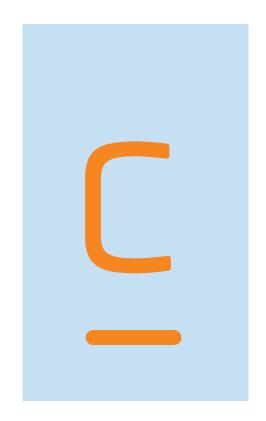
- Easy access for customers
- Innovative solutions
- Cost-efficiency of sales
- Digitise and automate core systems





## **Develop and expand network**



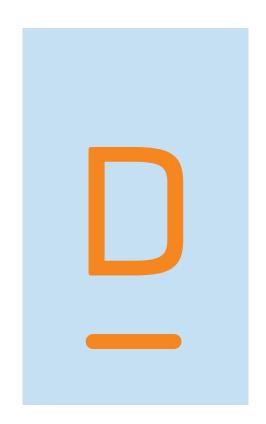


- Mediterranean business plan fulfillment
- Ferry new building benefits
- Continuous improvement projects
- Acquisitions



## Create more value for passengers





- Develop on board customer experience
- Business development initiatives
- Fleet development

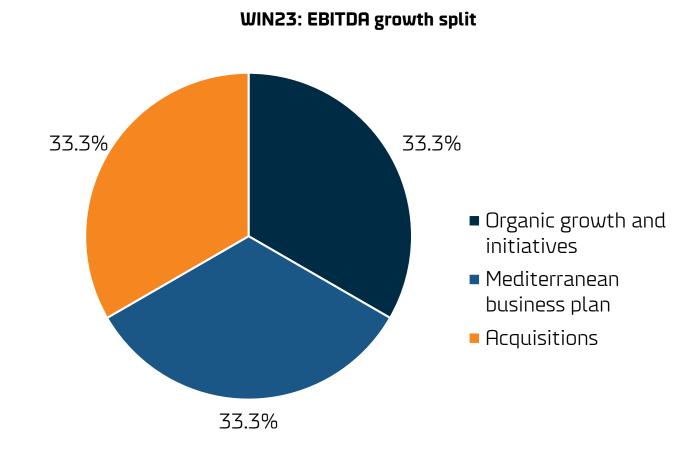




#### Financial ambition for EBITDA 2019-2023



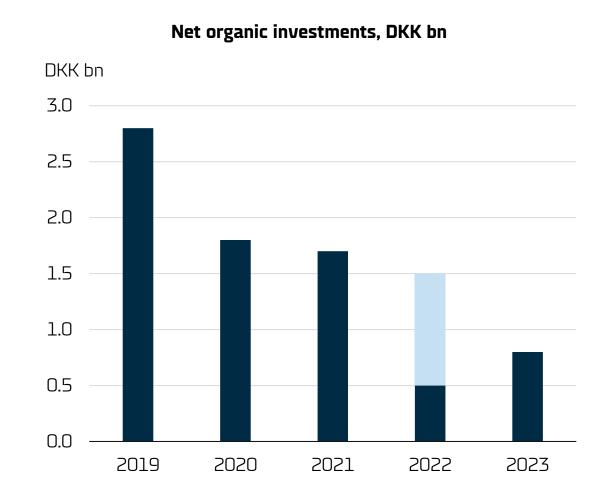
- Three financial drivers:
  - Organic growth and initiatives
  - Mediterranean business plan
  - Acquisitions
- 4 pillars contain 10 key initiatives
- Framework for monitoring progress and financial impact in place



#### Investment and cash flow forecast for 2019-2023



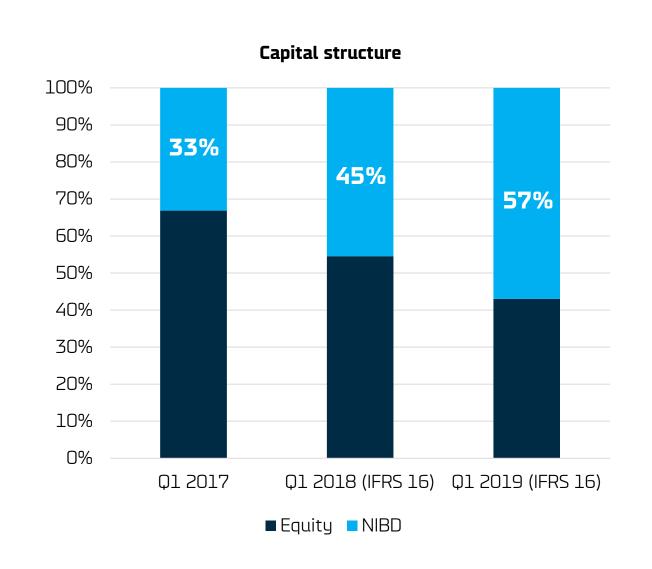
- Ferry new buildings delivered in 2019-2021
- 'Maintenance' investments expected in 2022-2023, plus possible renewal on Amsterdam-Newcastle
- Acquisitions not included in forecast
- Significant free cash flow projected before acquisitions



## Significant change in financial leverage resets ROIC target



- WACC reduced by significant increase in leverage following UNRR acquisition
- ROIC minimum target reset to 8% from previously 10%
- EBITDA-ambition of DKK 5.5bn equals ROIC of 13-14%
- WACC currently calculated at 5.0%



## WIN23 - strategic and financial ambitions for next 5 years



- Resilient combination of ferry route infrastructure and logistics solutions
- Balanced impact from organic initiatives,
   Mediterranean business plan and acquisitions
- High share of initiatives contingent on own ability to perform
- 10% uncertainty related to primarily macro elements















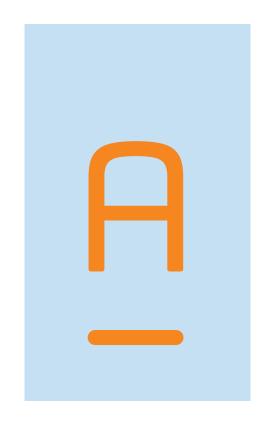
### Content



- Background and introduction
- Strategic rationale
- Where are we today?
- ...and where are we going?

## 3 industries selected to grow Solutions in





- Automotive
- Forest & Metals
- Cold Chain
- Enhance offering of bundled Solutions





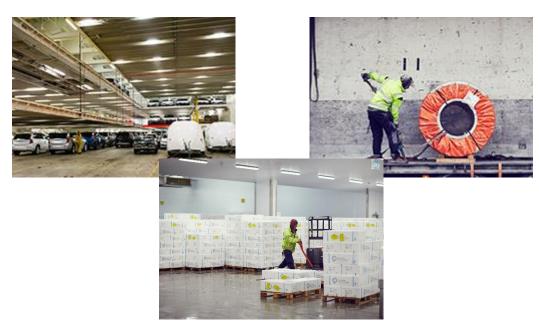




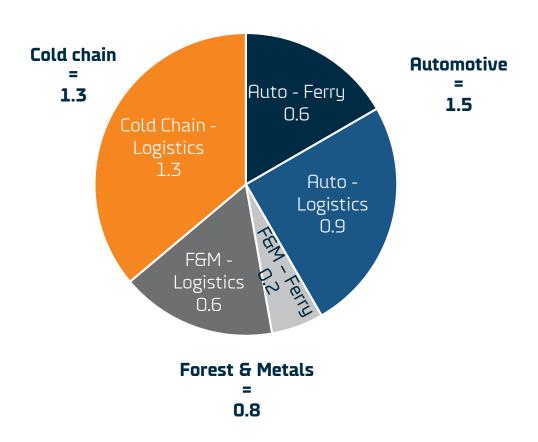
## DKK 3.6bn revenue: Automotive, Forest & Metals and Cold Chain Depos



23% of DFDS Group's revenue in 2018 was related to the 3 selected industries with an EBITDA-margin range of 6-10%



Revenue 2018: Automotive, F&M and Cold Chain, DKK bn



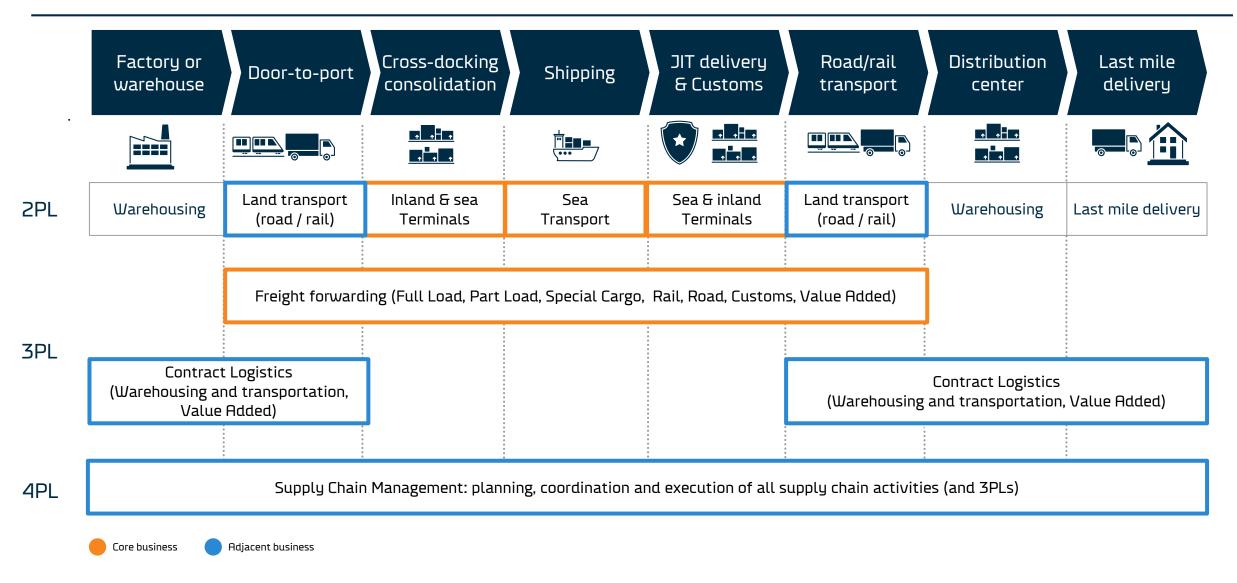
## DFDS will provide a range of Solutions to suit individual customer requirements



				<u> </u>			<u>- H-</u>	
A-to-B (shipping OR transport)	Factory & Warehouse	Door-to-port	Cross-docking	Ferry	JIT delivery & customs	Trucking	Distribution Center	Last mile delivery
Shipping++	Factory & Warehouse	Door-to-port	Cross- docking	Ferry	JIT delivery & customs	Trucking	Distribution Center	Last mile delivery
Shipping & transport	Factory & Warehouse	Door-to-port	Cross- docking	Ferry	JIT delivery & customs	Trucking	Distribution Center	Last mile delivery
Shipping & transport & warehousing (contract logistics)	Factory & Warehouse	Door-to-port	Cross- docking	Ferry	JIT delivery & customs	Trucking	Distribution Center	

## Starting point: DFDS plays in parts of the Supply chain – many growth avenues possible in many directions







## Supply Chain Services - attractive growth opportunity



- Simple door to door transport operates at low margins and is highly competitive
- Logistics Solutions provide higher margins
- Customer demand for 'Bundled Solutions' is growing
- 40% of DFDS revenue is from industrial customers
- Overall, an attractive **growth opportunity** for DFDS to further leverage the competitive advantage of combining Ferries, Terminals & Logistics.

#### Research confirms Customers want more 'Solutions'





#### Manager & customer interviews

- Confirm benefits of owning more of the value chain
- Customers ask for more Solutions
- Contract Logistics and SCM are valuable expansions



#### Internal success stories

- Full value chain for fish in UK
- Supply Chain Management for Volvo
- Value Adding Services for high-value goods in Netherlands



#### Supply chain & customer trends

- Growing demand for bundled Solutions
- Shippers increasingly use SC collaboration
- Shippers value reliability



#### **Competitor observations**

- Shipping lines move into logistics
- Integrators move up the value chain
- Tech companies move into logistics







DFDS will own more of the value chain by broadening and bundling the Solutions offered







If DFDS expand offerings, direct client contact will be increased

Increased margin by

cutting the middle man



**Cross-sell services** 

If offerings are expanded, complementary services can be offered to clients





**Stickier relationships** 

Providing more complex Solutions for customers turn relations into long term partnerships

**Higher retention** 



**Attract new customers** 

DFDS can offer a more complete 'catalogue' to customers outsourcing their logistics

Generate revenue from new customers



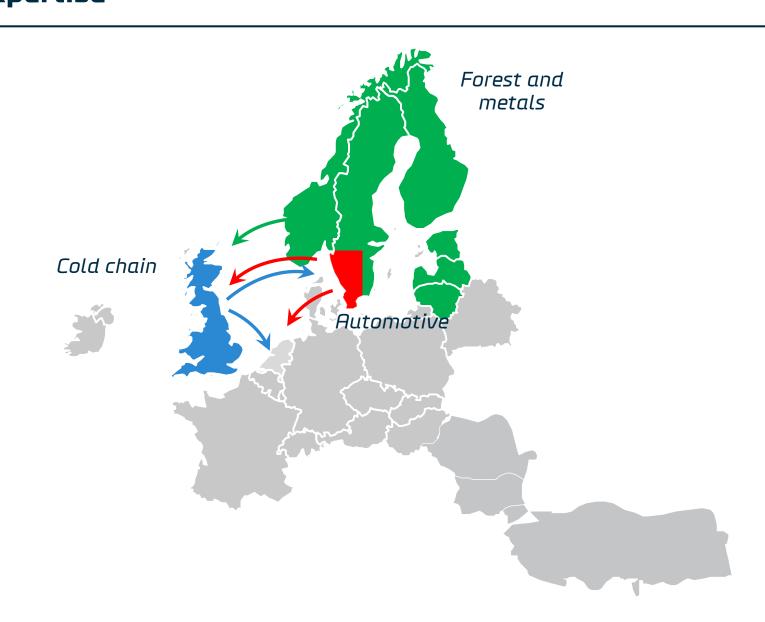
- ✓ We focus on particular segments where we hold a **competitive advantage**
- ✓ We have developed **expertise** of trends, terminology, regulations in the customers' own markets
- ✓ We have demonstrated the ability to provide insights and become an integrated part of clients' business
- ✓ We have built **strong relationships** based on trust and capability





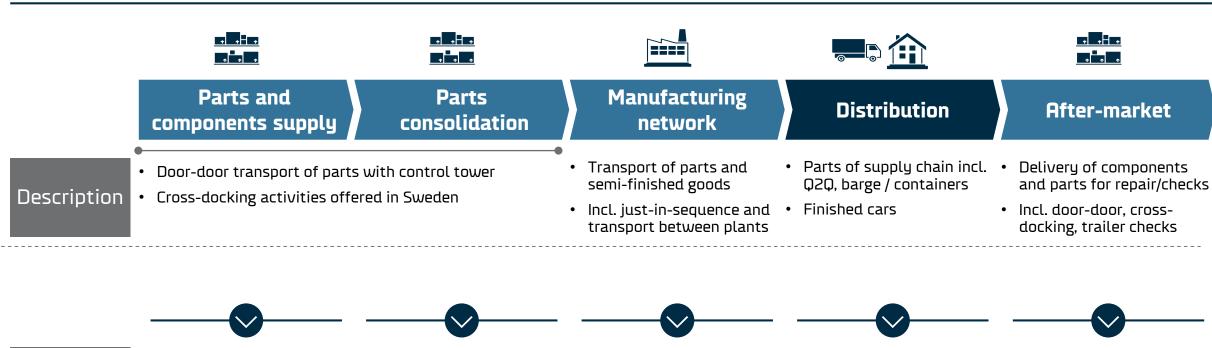
## Success stories: Regional-specific strongholds, driven by local Solutions and expertise





### DFDS already active across entire automotive supply chain: know-how platform for further growth









4PL set-up in parts distribution center



Transport from consolidation to plant



Transport integrated in manufacturing lines



Distribution to dealership with partners



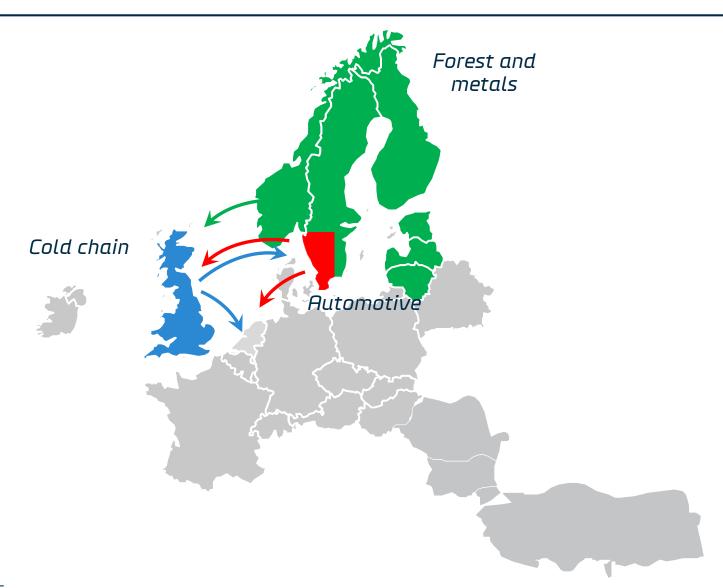


Consolidation of components in UK for delivery to factories



## Approach: Strengthen penetration in current regional strongholds and expand capabilities to other core regions





## Current strongholds are very regional specific

- Cold chain in UK
- Automotive in SE
- Forest & metals in SE / Baltics

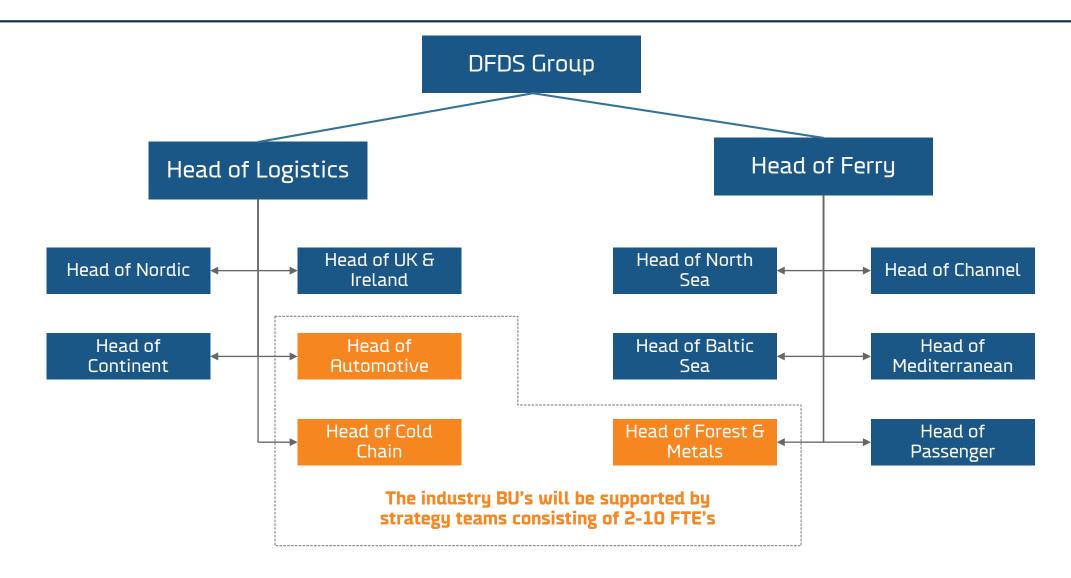
Step 1: Expand customer base in current strongholds through end-to-end solution selling

**Step 2:** Expand existing capabilities in other core regions, e.g.

- Cold chain to Nordics / Continental
- Automotive to UK / Continental
- Forest & metals to UK

# Organizational changes to support and execute new Go-To-Market strategy









Activities

- Segmentation of industries
- Appointment of heads of industries
- Align remaining organization structure

- Form Go-To-Market (GTM) strategy project teams
- Develop GTM strategy per industry
- Identify organizational structure needed to execute GTM

- Continuously develop organization to deliver GTM plan
- Execute GTM for each industry
- Adjust strategies to new developments and successes

# In summary: Strategy in place, execution set to start



#### The strategy

# Target industrial customers

with end-to-end supply chain Solutions

#### Focus on 3 industry groups:

- Automotive
- Cold chain
- Forest & Metals

# Create detailed, industry-specific Solutions for each industry

**Build Solutions offerings around existing assets** 

#### How we do it

Acquire several focused and specialised niche players to expand scale and competences in selected industries

Invest organically in specialised industry capabilities to strengthen 'right-to-win', e.g.:

- Specialised supply chain experts per industry
- Equipment and facilities
- IT Systems

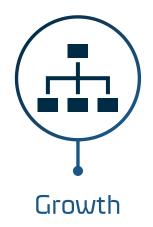
#### Focus commercial operating model, e.g.:

- Unified customer-oriented approach selling all Solutions
- Incentivize Solutions selling across geography and divisions
- Strengthen organization with special focus on key industries

# What will it bring...

# The mission is to meet DFDS' high ambition in 3 dimensions







2x industry revenue by 2023 from 2018 baseline





**Ensure high ferry** utilization and other assets e.g. terminal, trailers





**EBITDA** growth in line with ambition while maintaining high margins





# Why digitize?



Historically: Our actions:

Customers are served through a manual and analogue process with several pain points



1. Digital go-to-market:
Create flawless and efficient
digital offering

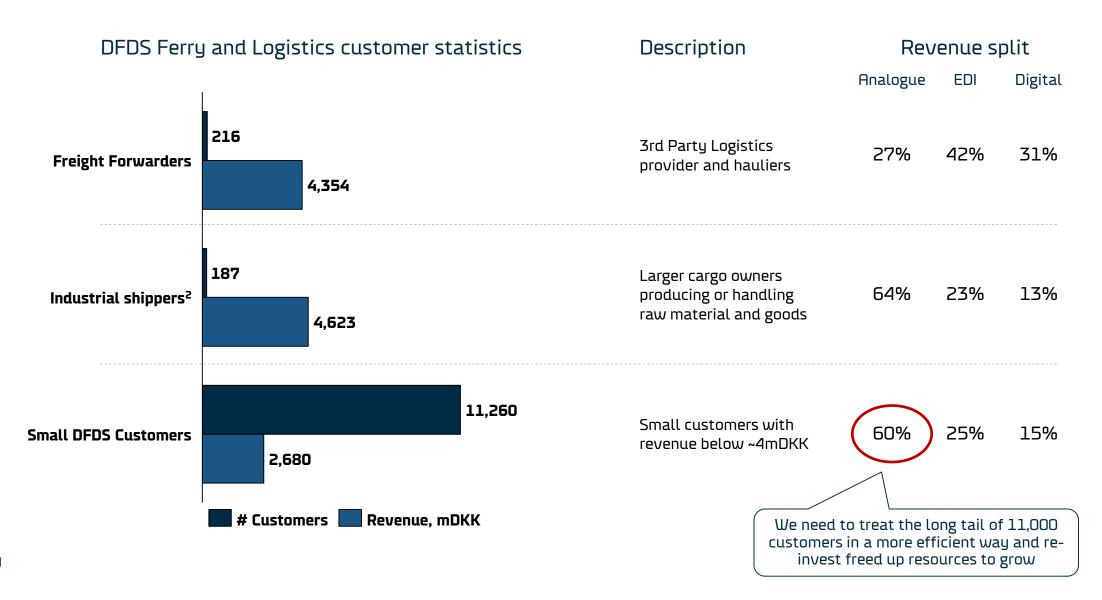
DFDS' internal processes are manual causing low efficiency with significant value to be realized



2. Digitize the core:
Digitize the core processes
for efficiencies

# 80% of business comes from 400 customers and 60% of small customers treated manually

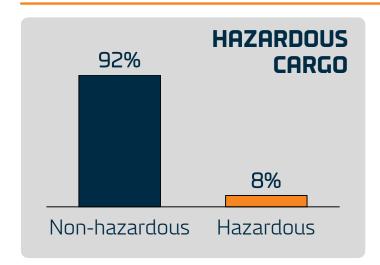


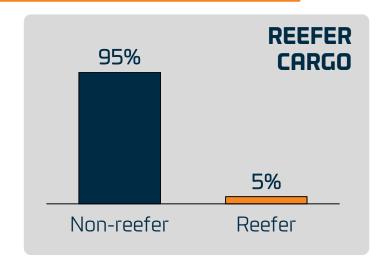


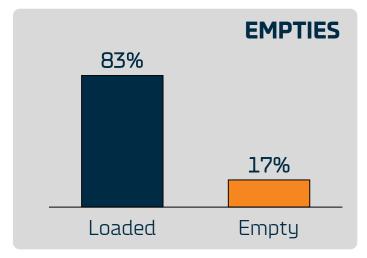
## Small customers mainly ship standard units with DFDS

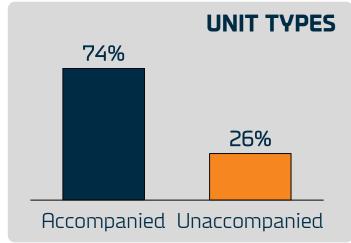


#### Characteristics of small customers' shipments across all routes



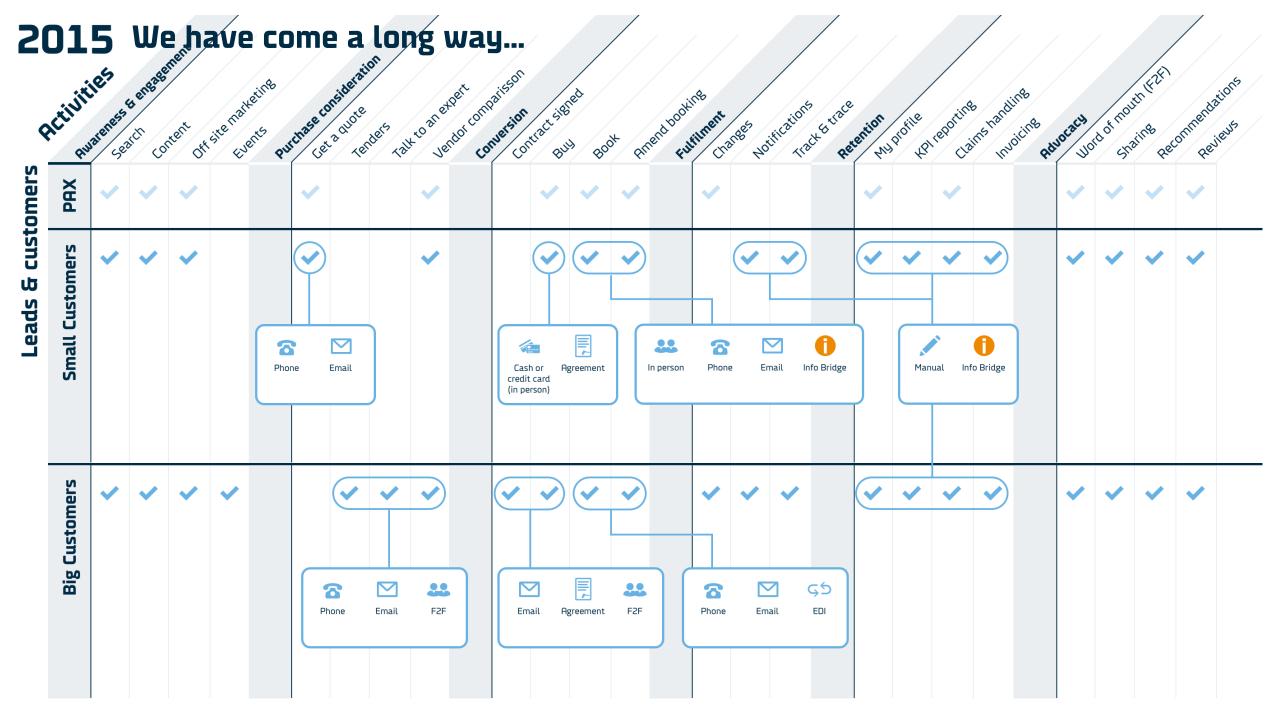


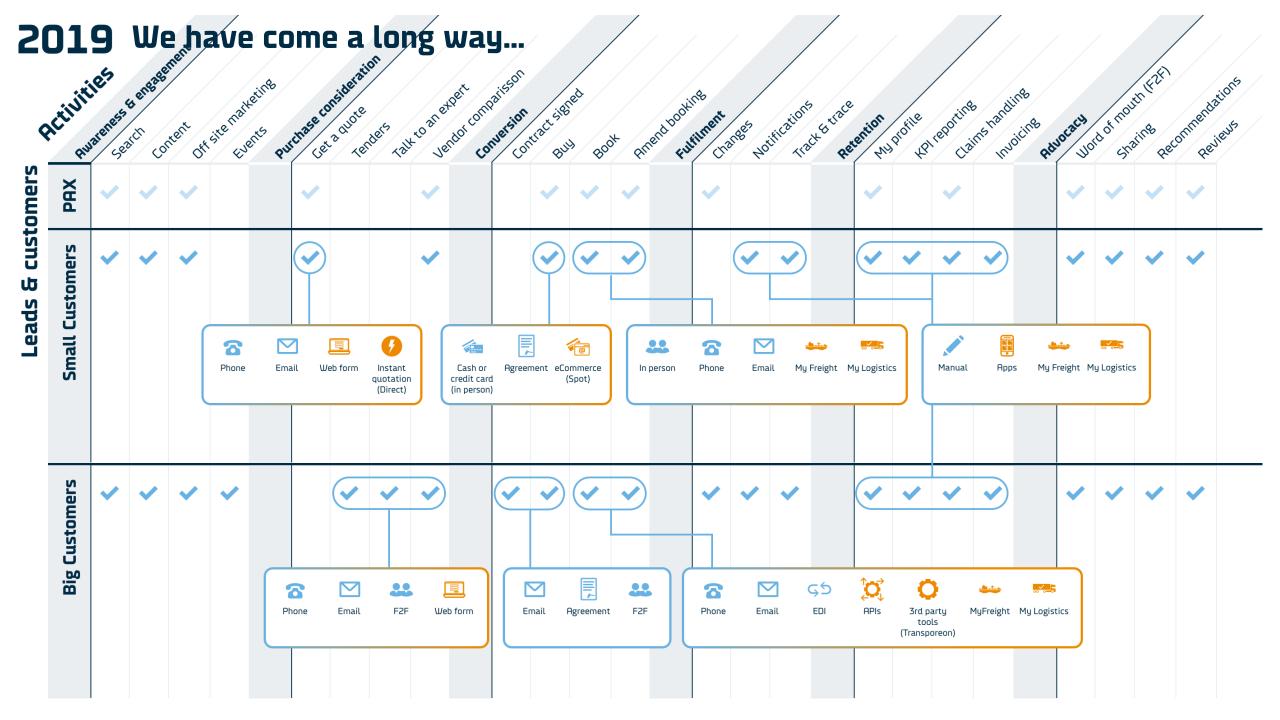




- To a large degree, small customers ship standard cargo
- This is also true when they buy via resellers
- This shows potential to capture significant volumes digitally with a very simple product offering

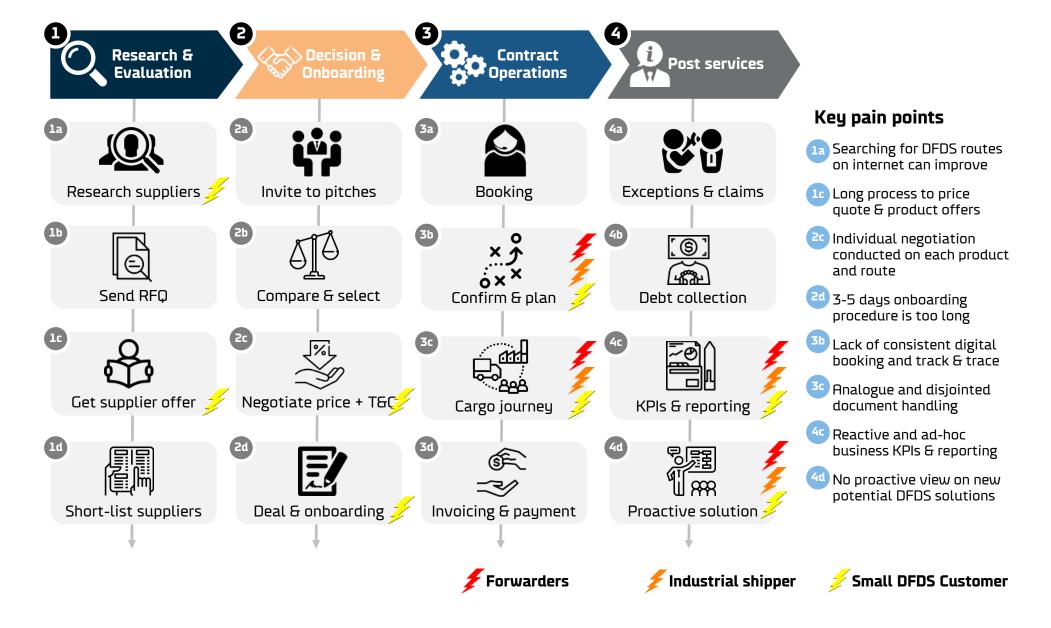
Source: Freight Sales cube





# But there are still pain points: Most treated in a similar and cumbersome way with several pain points along the journey





# Two value propositions launched



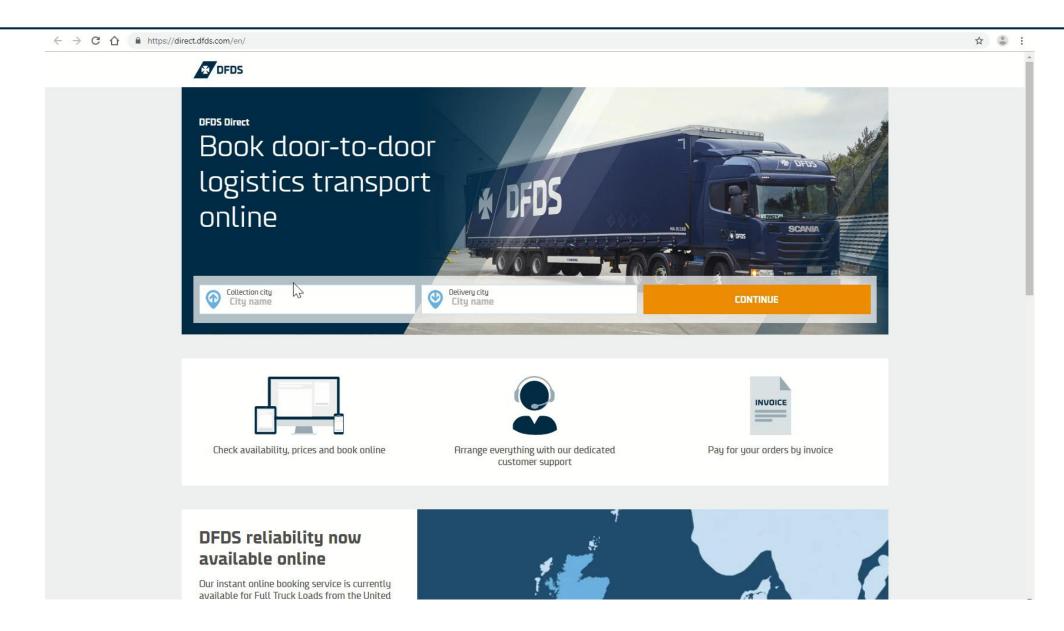




Meet customer expectations for digital distribution and counter the threat from unauthorized resellers

# **Demo: DFDS Direct is live**





# Roadmap 2023 and progress to date



Q1 - Q2 2019 Q3 - Q4 2019 2020 2021-23 **KPIs and reporting** Enhanced Track & Trace **Personalized Dynamic pricing** recommendations Payment methods Partners and 3rd party transport **Remaining routes** +Reefers Complete the integration with My SE-UK, DE-UK, Logistics & .com NL-UK full loads and part loads **NL-UK full loads Business** case MVP & beta testing DFDS Direct is live to customers shipping goods between NL and UK Each rollout phase will be reassessed based on customer insight and point performance against targets

### **DFDS Spot**





BACK TO DFDS.COM >

# BOOK, PAY, GO ACROSS THE CHANNEL WITH THE ONLINE DFDS SPOT TICKET

All freight tickets are one way, same price and valid for up to 14 days. No account is needed. Simply book your ticket in either direction (Dover-Calais or Dunkirk/Dunkirk or Calais-Dover), choose your vehicle size and number of drivers, then you're ready to sail.

#### Your DFDS Spot ticket

#### Route

Single ticket, one-way

Valid on any of these Channel routes in either direction of travel:

Dover ₹ Calais (DVR ₹ CQF)

Dover ₹ Dunkirk (DVR ₹ DKK)

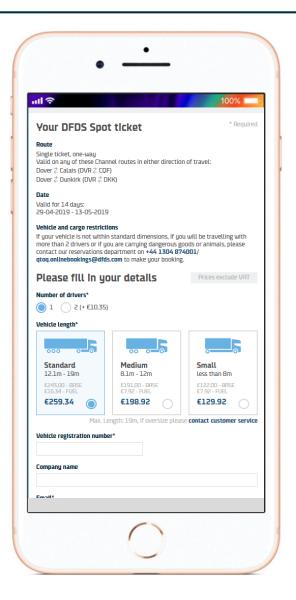
#### Date

Valid for 14 days: 26-03-2019 - 09-04-2019

# \* Required Included onboard - loyalty counts

Our dedicated Road Kings facility offers all the following benefits:

- ✓ Free Wi-Fi
- ✓ Free meal with drink
- ✓ Exclusive freight drivers' lounge
- ✓ Free shower facilities
- ✓ Onboard nurchase of OCEC Euro.



# MVP completed in 2 months, roadmap for further routes and products



Q2-Q3 2019 2020 and beyond Increase reach Increase revenue North sea routes **Dynamic pricing** VAS Increase reach **Baltics routes** BOOK, PAY, GO ACROSS THE Increase retention Increase Login + account conversion rate Improve customer Multibuy experience **Improve Dotcom integration** awareness Local marketing 'One simple product' point **MVP** launch

## Why digitize?



Historically: Our actions:

Customers are served through a manual and analogue process with several pain points



1. Digital go-to-market:
Create flawless and efficient
digital offering

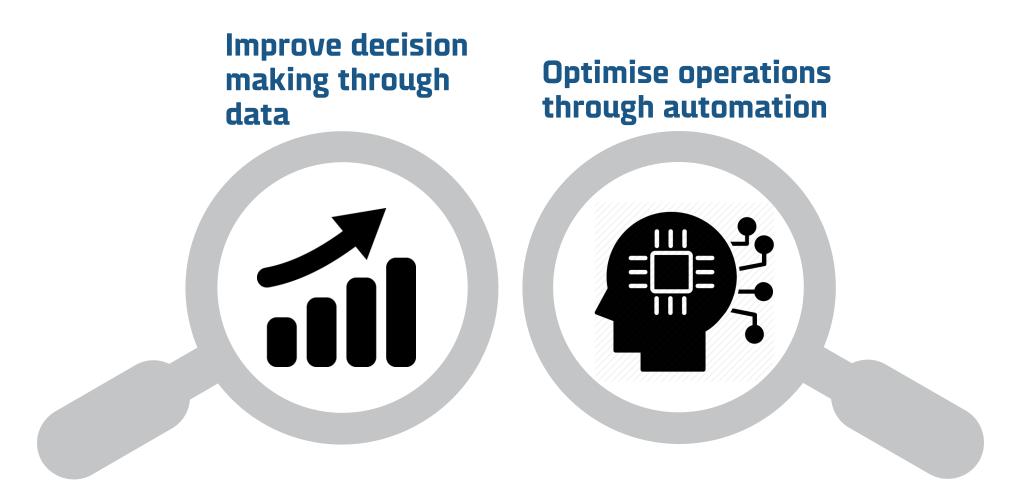
DFDS' internal processes are manual causing low efficiency with significant value to be realized



2. Digitize the core:
Digitize the core processes
for efficiencies

# We are digitising our core processes through two lenses





# Improve decision making through data - three initiatives



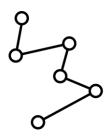
# Improve decision making through data



Tableau rollout

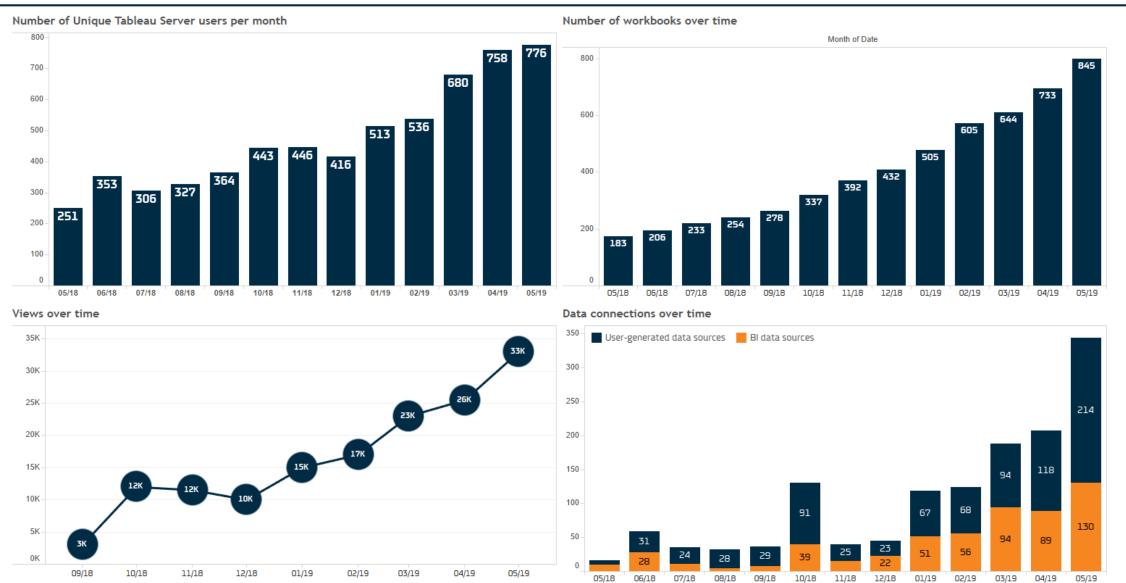


Master data optimisation



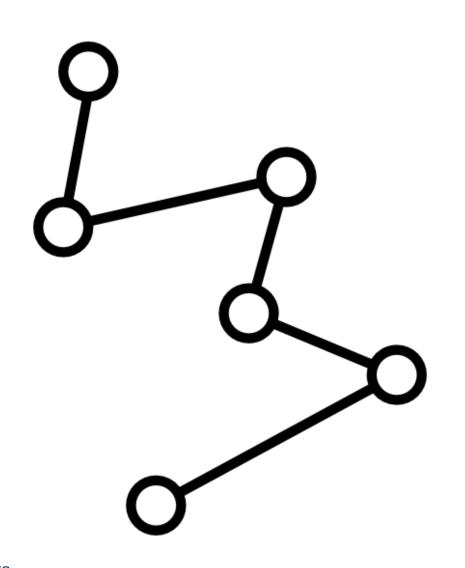
# Since May 2018, we have tripled users, quadrupled workbooks, and increased data source connections by 10-fold





# We are also aligning all Master Data in DFDS



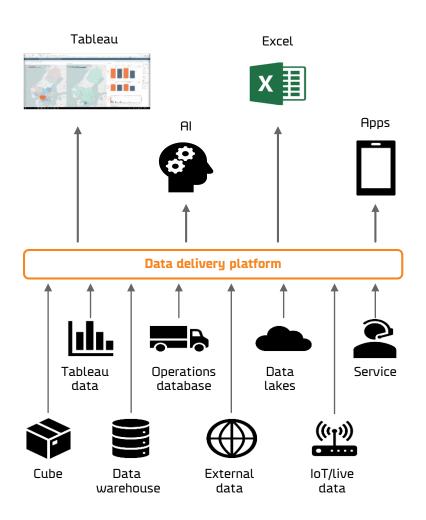


Master Data object	Phase 1	Phase 2	Phase 3
Ports	$\overline{\hspace{1cm}}$		
Routes	$\overline{\checkmark}$		
Country	$\overline{\checkmark}$		
Terminals	$\overline{\checkmark}$		
Suppliers			
Credit Control			
Customer Category			
Customer Industry classifications			
Division			
Regions			
Workshop			
Legal entity			
Payment Terms			
Unit Type			
Activity			
Business Unit			
Charge Codes			
General surcharges			
Consumables and Equipment			
Currency			
Exchange Rates			
Items			
Vessel			



# And we are constructing a data delivery platform for real-time data usage



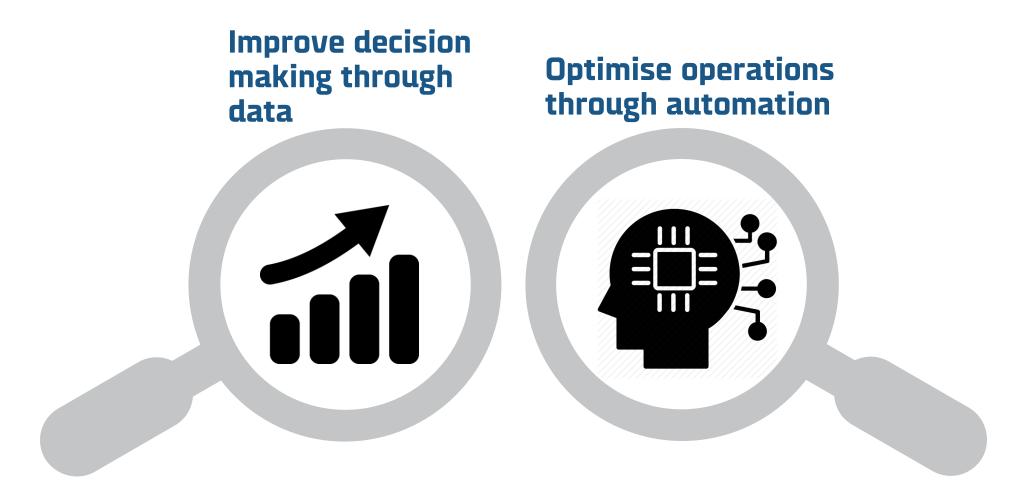


#### What is it?

- A platform allowing near real time access to our production systems
- Crucial for most advanced analytics/AI use cases

# We are digitising our core processes through two lenses





# Optimise operations through automation - 5 use cases



Priority discharge



Automated quotes



Automated target setting for onboard



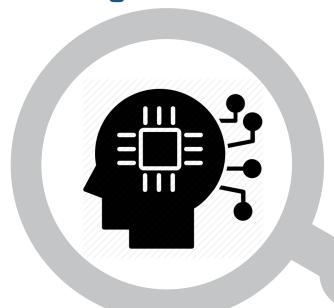
Cargo
Balance
Initiative



Pre-travel upsell



Optimise operations through automation





# **Priority discharge consists of three products**





#### **Priority Discharge service**

 Discharge within the first hour arrival - up to 25 units per voyage



#### **Visual Stowage Assistant**

 Dynamic stowage recommendation



# Available for pick-up time - notification

 Providing customers with units estimated discharge time

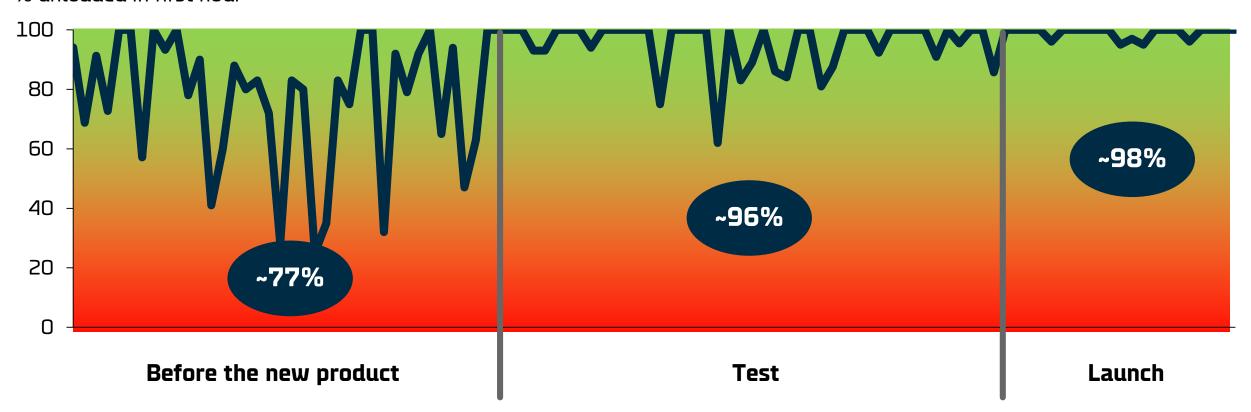


# Discharge performance now at 98%



Average Discharge Performance

#### % unloaded in first hour





# The new Visual Storage Assistant is able to plan vessel in ~10 seconds





#### **Weather Deck:**

No hazardous or reefer trailers under accommodation



#### Main Deck:

Mafi's block stowed in the middle of the vessel



#### **Garage Deck:**

Priority Discharge units stowed on correct locations



#### Tank Top:

No hazardous and reefers

TANK TOP										
	trailer	trailer	träller	trailer	träller					
	trailer	trailer	trailer	trailer	trailer	trailer				
	treiler	traler	trailer	trailer	trailer	trailer	trailer			
	trailer	trailer	trailer	trailer			trailer	trailer		
	trailer	trailer				trailer	trailer	trailor		
				trailer	trailer	trailer	trailer			
	trailer	trailer	trailer	trailer	trailer					

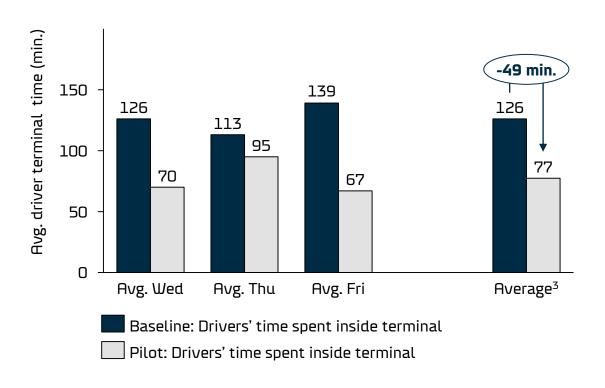


# As a result of the notification for pickup-time, truck drivers spend less time DFDS inside terminal and trailers picked up faster



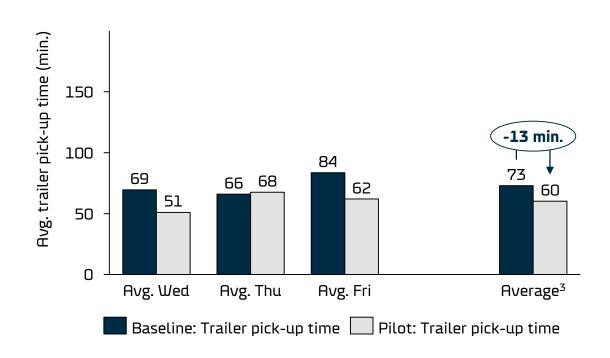
#### Drivers spent 49 minutes less inside terminal during pilot<sup>1</sup>

Potential to improve planning and increase driver satisfaction



#### Trailers picked up 13 minutes faster during pilot<sup>2</sup>

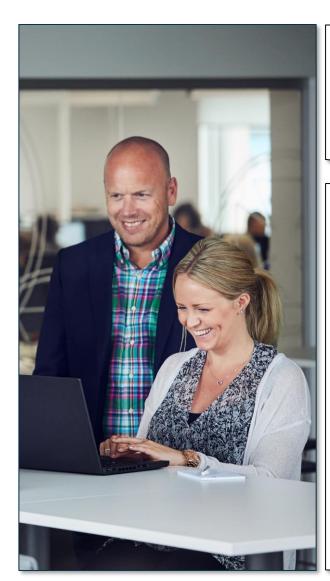
Potential to deliver time sensitive cargo faster





### **Automated quotes – what is it?**





 A standardized quotation engine, that based on simple input information is able to produce accurate quotes

### Results so far

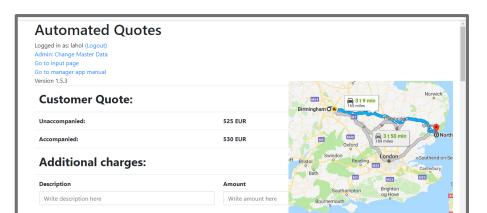
- Solution provides 50% reduction in time needed to create quotes and shorter time to market
- 9.000+ quotes generated so far



# Automated quotes will be the only quoting engine in Logistics



#### The users look up the quotes



The price engine uses a mix of lookup, machine learning and a map app

- Crossing
- Equipment
- MARPOL
- Limited guantity
- Hazardous
- Minimum haulage

- Loaded haulage
- Empty haulage
- Crossing prediction



- Lookup tables
  Lookup tables
  Lookup tables

  4940286518435

  6974705518435 49402286518414

  185892084114 95497470054758

  48302501835740869745061823222

  6553837566855740237505873

  18688573895865588857705873

  187330068857705873

  187330068857705873
- Road taxes
- Distance calculation

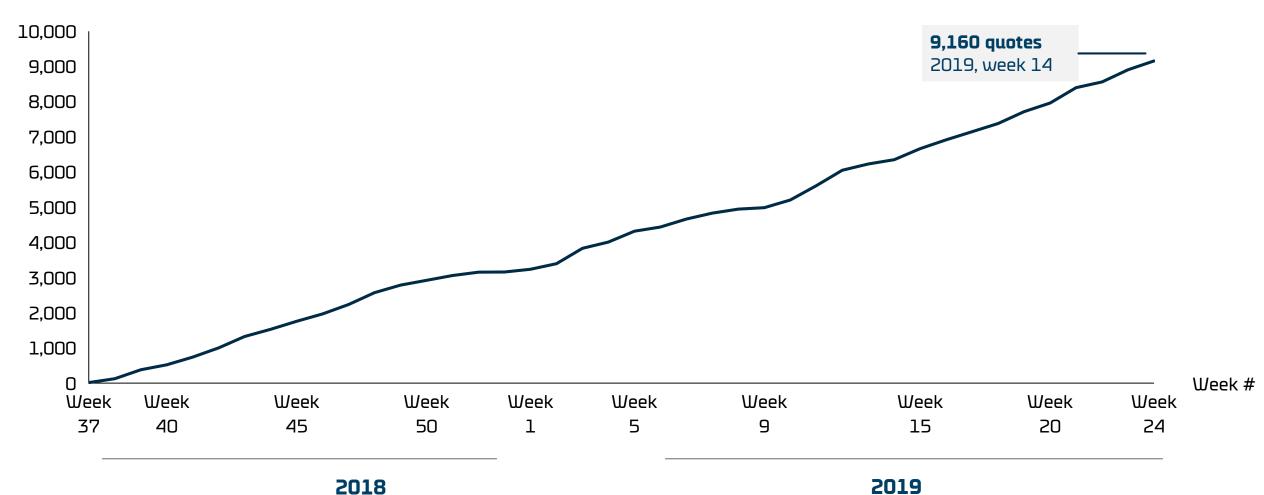




# More than 9,000 quotes generated, primarily driven by the UK - NL corridor

#### Number of quotes produces by AQ users

Running total of all quotes generated via the web frontend



## **Automated target setting for onboard – what is it?**





 A predictive tool that provides accurate estimates for expected onboard sales given the booked passenger mix

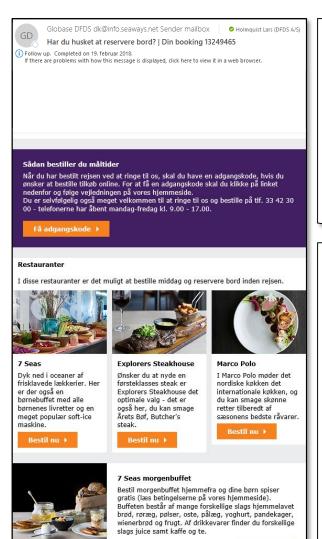
#### Results so far

Pilot completed for predictions on F&B outlets on Crown
 Seaways 55-60% better performance in restaurants

### Pretravel upsell email - what is it?

Bestil nu ▶





 A predictive model using all insights we have about our customers to serve personalized upsell offers

#### Results so far

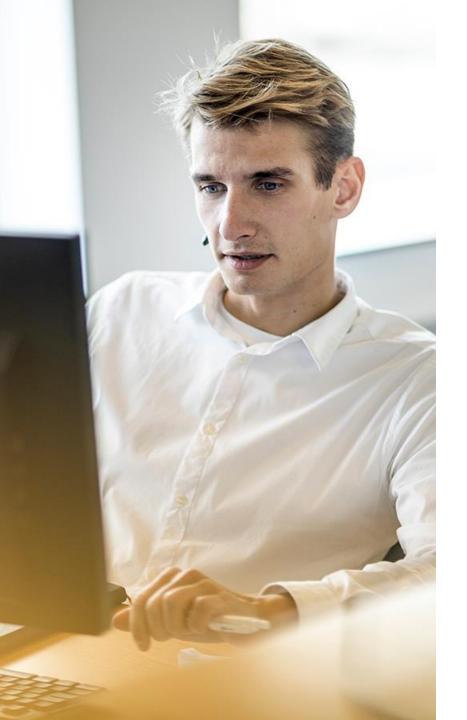
- Successful pilot completed in May 2018, resulting in +33% upsell conversions
- Solution launched in **July 2018** for relevant markets related to Copenhagen Oslo & Amsterdam Newcastle

# Q&A

```
from sklearn.preprocessing import OneHotEncoder, LabelBinarizer
                from sqlalchemy import create_engine
12
                 import time
                from config import GetConfig
                 Config = GetConfig()
                # Method for retrying sql call.
                def retry_read_sql(query, engine):
                                retry_flag = True
                                 retry_count = 0
                               while retry_flag and retry_count < 5:</pre>
                                                             obj = pd.read_sql(query, engine)
                                                except:
                                                              print("Retry after 1 sec")
                                                             retry_count = retry_count + 1
                                 return obj
               # output will be a dictionary containing the predicted costs
               # output in case of an error is a dictionary with the error message
             HILL AND THE STATE OF THE STATE
```







#### Content



 Mediterranean business plan fulfillment

Benefits from ferry new buildings

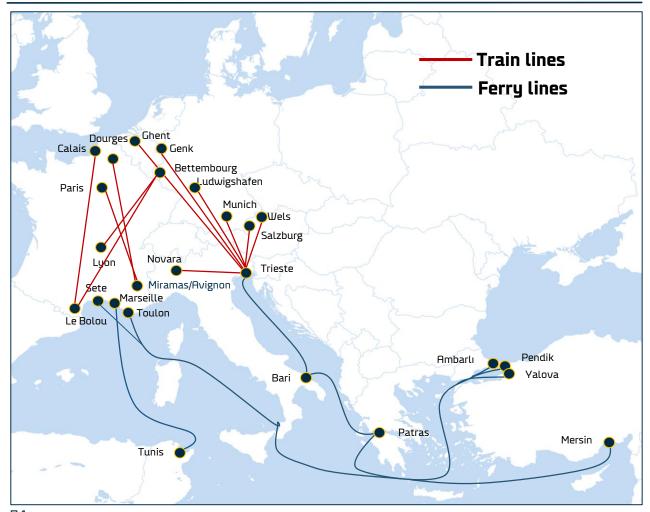
Acquisitions

• Continuous improvement

## Strong Mediterranean ferry route network & port infrastructure



#### **DFDS Mediterranean Activities**



#### **Key numbers**



**5** ferry routes



13 train lines



11 terminals



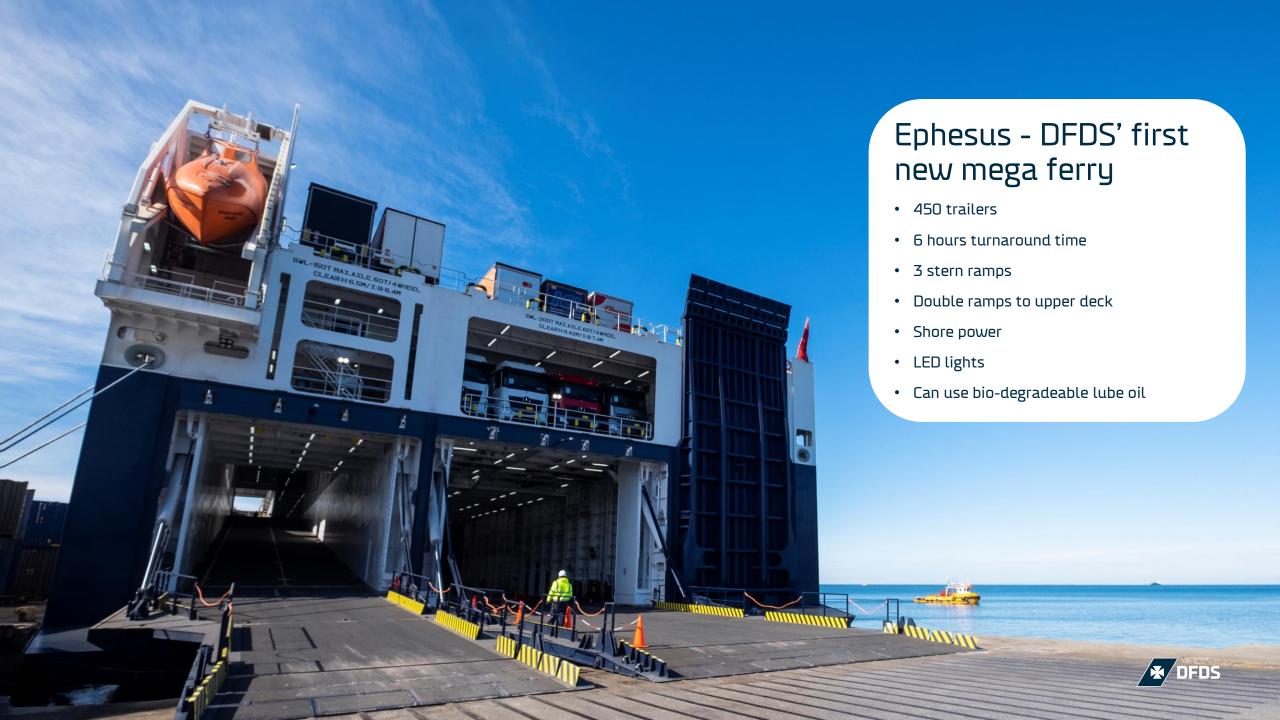
15 vessels



750 employees



3.5m lane meters



### Acquisitions have accelerated DFDS' growth

















Dieppe-Newhaven Portsmouth-Le Havre Marseille-Tunis Dover-Calais





2013 2012

2014

2015

2016 > 2017

2018

















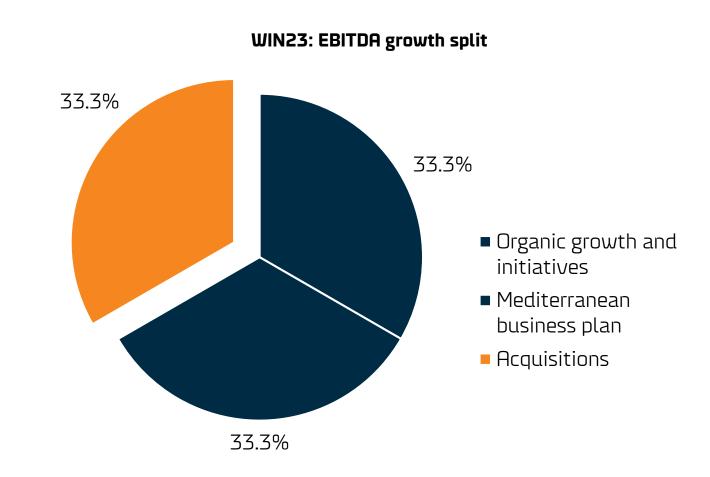




## Continued focus on acquisitions to drive strategy execution

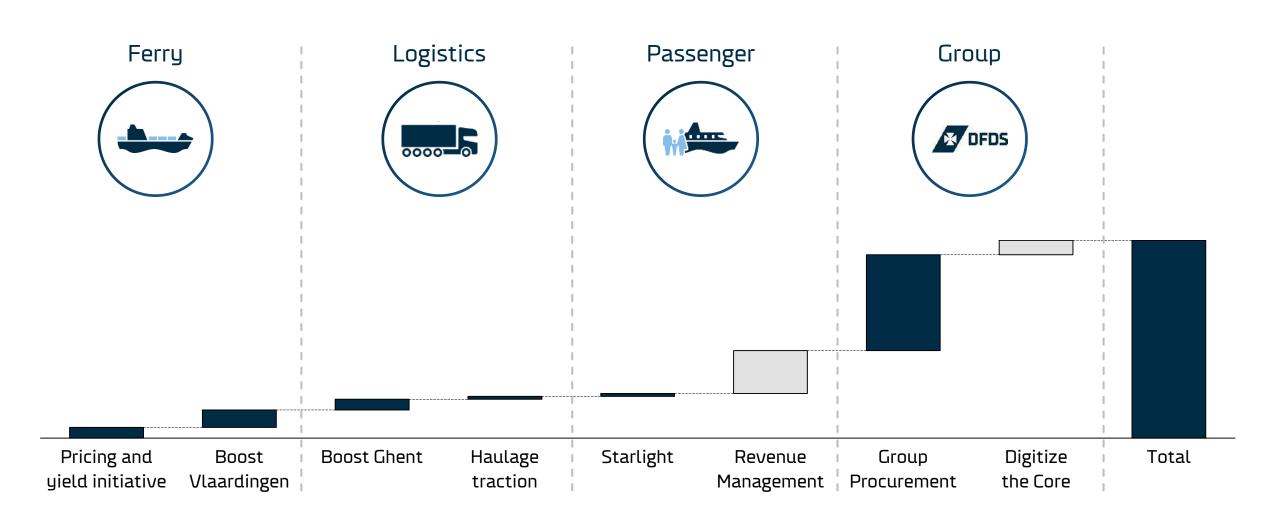


- Develop and expand ferry and logistics network...
- ...acquire logistics solution providers to support Automotive, Forest & Metal and Cold Chain
- Digital, technology and sustainable opportunities



#### Continuous improvement and efficiency projects











#### Content



- DFDS' passenger business
- Business development initiatives
- Fleet development

# DFDS operates 9 passenger routes in 4 regions





Clusters	Routes	Revenue, DKK br		
CPH-OSL	Copenhagen-Oslo	1.0		
AMS-NEW	Amsterdam-Newcastle	0.6		
Channel	Dover-Calais Dover-Dunkirk Dieppe-Newhaven	1.0		
Baltic	Paldiski-Kapellskär Paldiski-Hanko Klaipeda-Karlshamn Klaipeda-Kiel	0.3		

Total Passenger revenue 2018: DKK 2.8bn Equal to around 17% of DFDS Group revenue

#### Routes operate with different ferry concepts and propositions









Baltic



Channel

RoPax ferries

(w/o overnight)



**AMS-NEW** 

Ferry concept

Cruise ferries

RoPax ferries (w/ overnight)

RoPax+ ferries

# of passengers and drivers per year

756 K

408 K

5 197 K

608 K

Passenger revenue

share

95%

21%

38%

85%

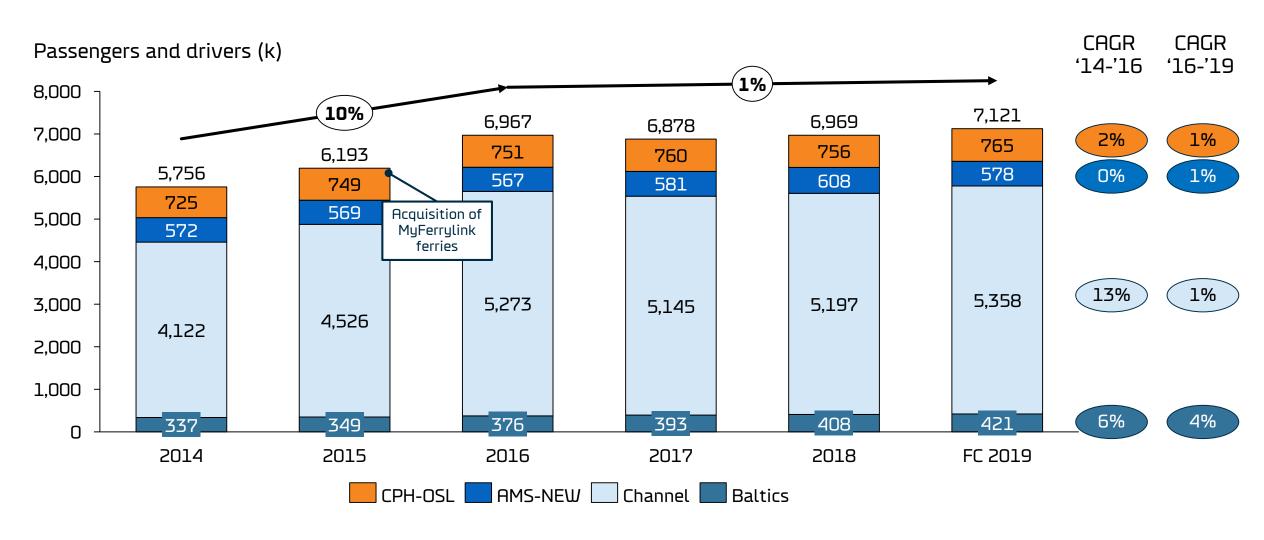
## Routes cater to wide range of customer segments



Segment	Description	CPH-OSL	AMS-NEW	Channel	Baltics
Conferencers	<ul> <li>Groups hosting conferences onboard</li> <li>CO only cluster offering this possibility</li> </ul>	7%	0%	0%	0%
Cruisers	<ul> <li>Mini-cruise back and forth to destination within 5 days</li> <li>Onboard experience significant part of holiday</li> </ul>	51%	35%	0%1	0%
<b>Groups</b>	<ul> <li>Group and package holidays</li> <li>Primarily bought through contractors</li> </ul>	19%	21%	16%	5%
Holidayers	<ul> <li>Passengers returning after more than 5 days</li> <li>Purpose of trip onboard more travel than experience</li> </ul>	22%	41%	61%	8%
Commuters	<ul> <li>Passengers commuting to and from work</li> <li>E.g. craftsmen and builders travelling from Baltic to SE</li> </ul>	0%	0%	0%	42%
Drivers	<ul> <li>Truck drivers accompanying their trucks</li> <li>Main requirement is cabin to rest in (if longer trip)</li> </ul>	1%	2%	23%	45%

#### Passenger volumes have grown by 1% CAGR since 2016







#### Content



• DFDS' passenger business

Business development initiatives

• Fleet development

### DFDS tour operator: Deliver value beyond core ferry service





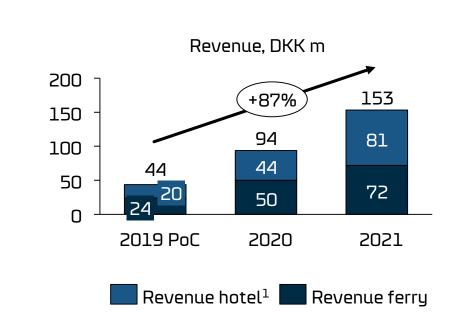
Deliver propositions beyond core Ferry product



Enhance existing City Break business & scale Touring Packages



New system to reduce manual efforts with large groups



## Revenue management: Increase ability to price effectively





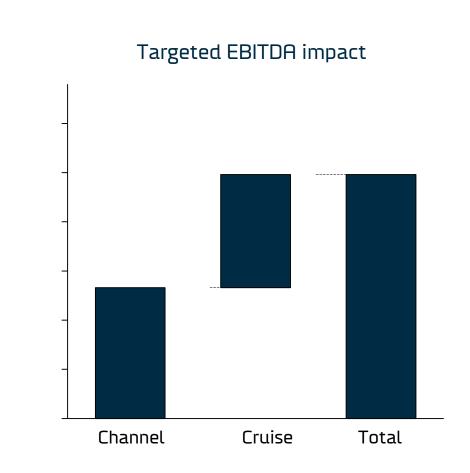
Enabling revenue managers to respond faster to market changes



Free up time for value adding activities



Decrease manual inputs



#### **Channel:** Increase onboard spend and customer satisfaction





Key initiatives in (1) retail, (2) F&B, (3) marketing and (4) organisation, competencies and systems

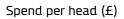


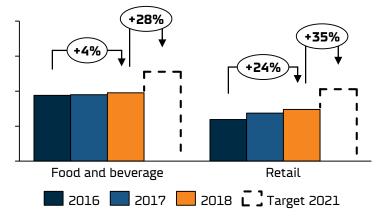
Journey from quick wins to delivering excellence long-term



Organisational changes required for longterm excellence in place **Target:** Implement and deliver best-in-class customer experience

Impact so far: Spend per head increased 4-24%







#### Content



- DFDS' passenger business
- Business development initiatives
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# Fleet development overview





### **CPH-OSL:** Lifetime extension up to 10 years





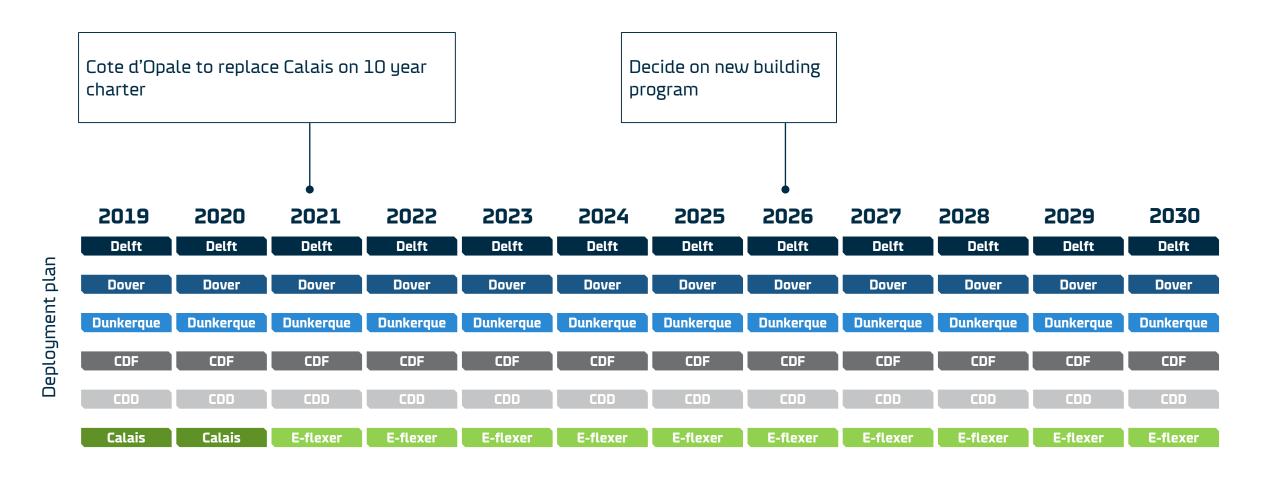
Technical lifetime recently extended for both cruise ferries



Substantial investments in onboard experience has prolonged commercial lifetime

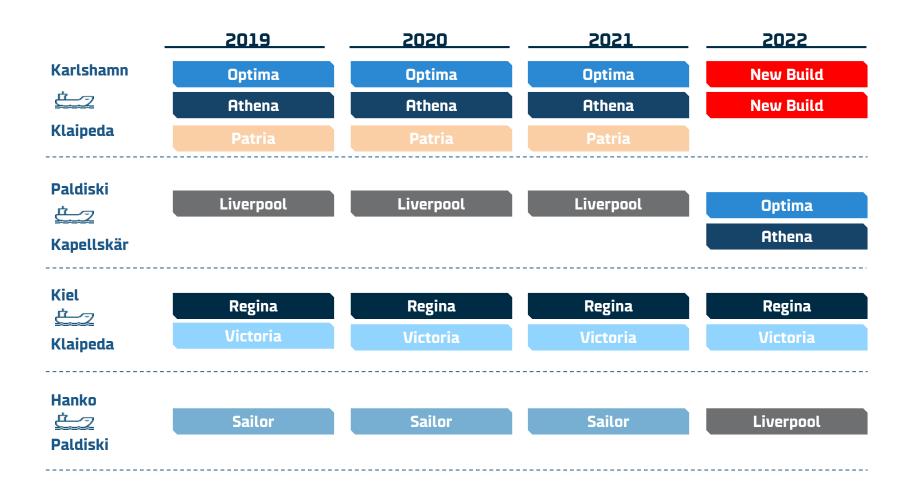
#### Channel: New ferry in 2021 & start of renewal planning in 2026 Pros





### **Baltic:** Two new buildings replace three ferries





## AMS-NEW: Renewal project planned in strategy period



- Different renewal models under consideration
- Additional capacity required to grow route
- High season passenger capacity limit reached

#### King Seaways

Lane meters 1410

PAX 1280

Cabins 543

Age (y) 32



#### **Princess Seaways**

Lane meters 1460

PAX 1250

Cabins 476

Age (y) 33



### Ambitions to grow passenger business



- Strong route network to develop from
- Overall market growth expected to continue to be modest but steady
- Business development initiatives to support growth
- Fleet renewal on Ams-New desired to increase capacity and develop on board experience



