

# GROWTH CONTINUES BUT BREXIT LOWERS PACE

DFDS GROUP



3 September 2019



## 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.



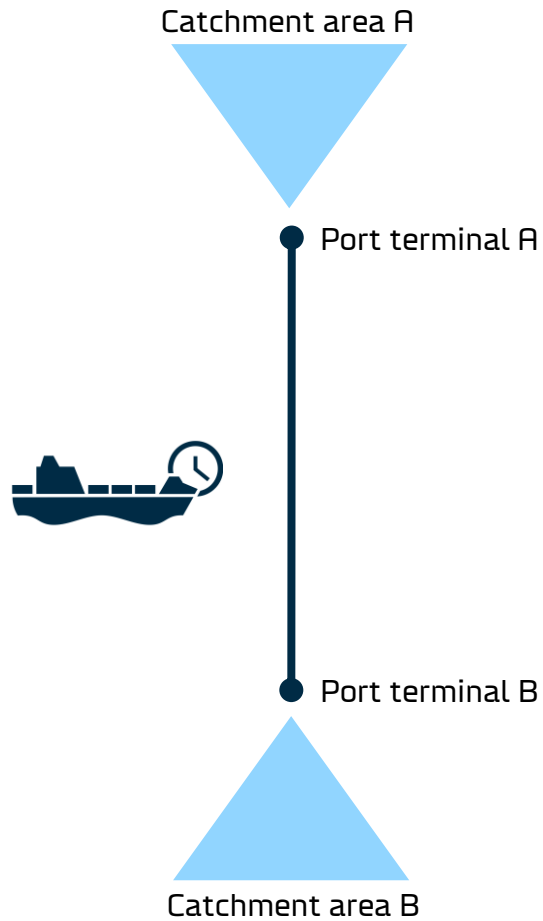
# Content



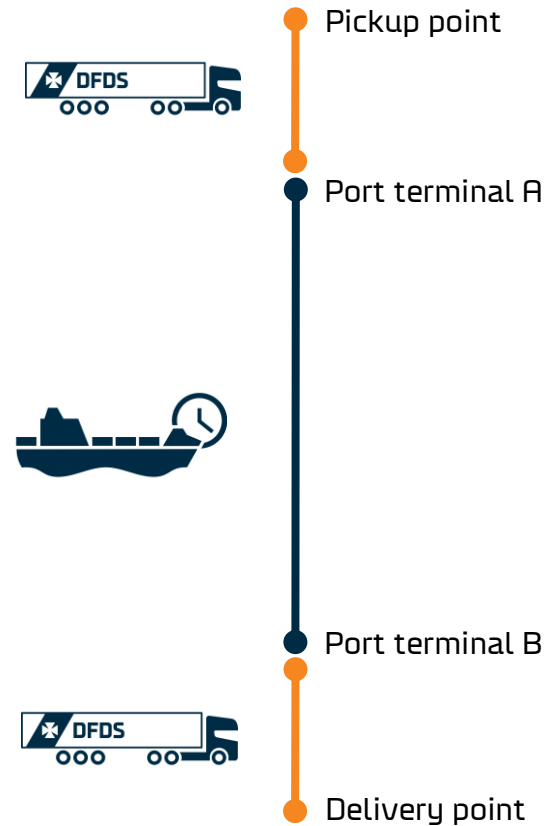
- DFDS overview
- Q2 2019
- UK and Mediterranean
- WIN23 strategy

# DFDS' business model builds on 3 core activities

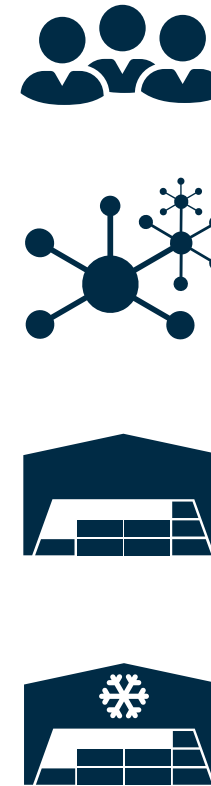
## Ferry routes



## Door-door solutions



## Contract logistics





# 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





# Roll on, roll off



- Ro-ro/ro-pax shipping: roll on, roll off of **freight units** and **passenger cars**
- Routes carry both **unaccompanied** and **accompanied trailers**
- Other types of cargo, e.g. heavy industrial goods and containers, are placed on carrying equipment (mafis) and tugged on to the ship





# FERRY TYPES



Day ferry (ro-pax), Channel



Freight ferry (ro-ro)



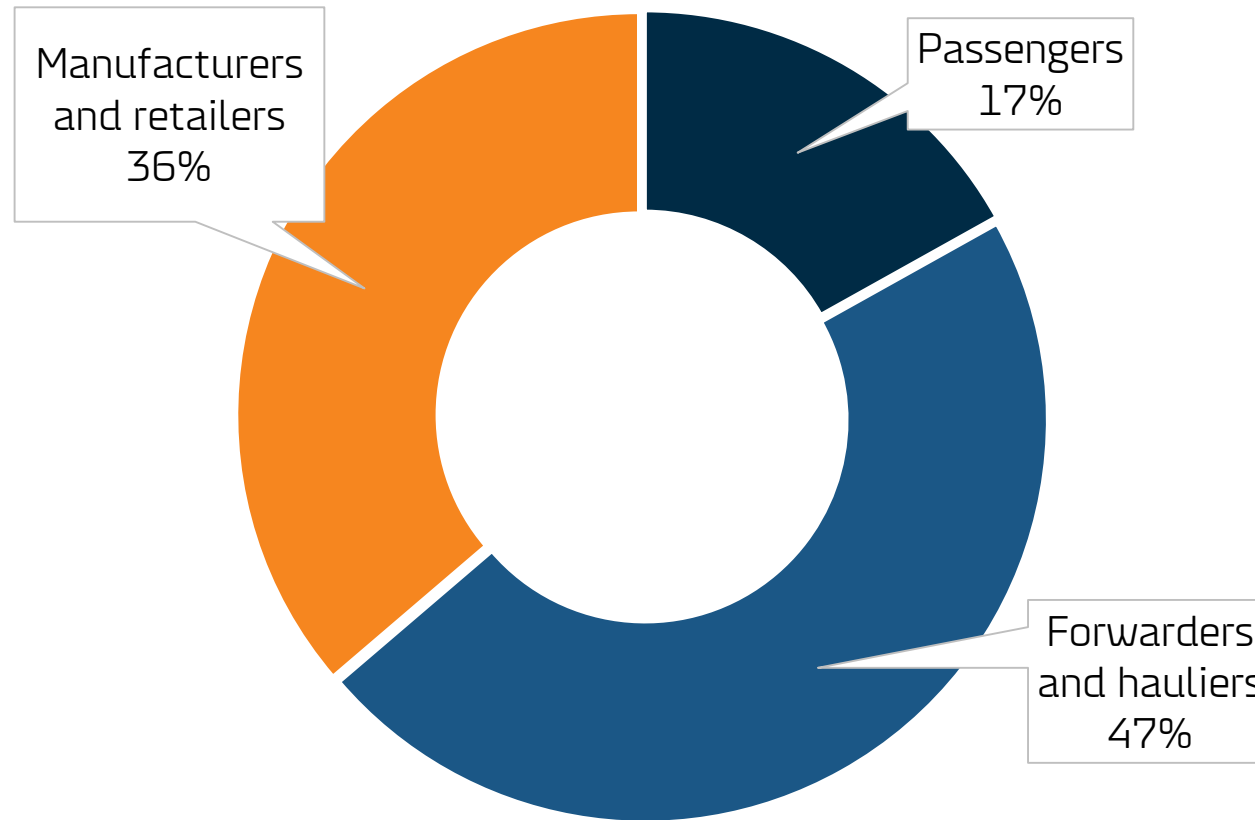
Cruise ferry



Combined freight and passenger ferry (ro-pax)

# Our customers: Forwarders, industrials and passengers

DFDS' three main customer groups, % of revenue

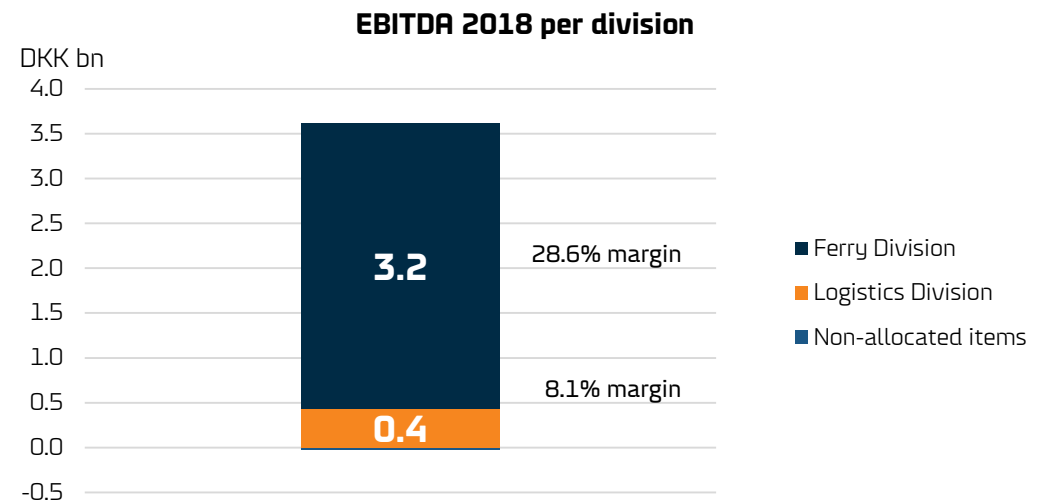
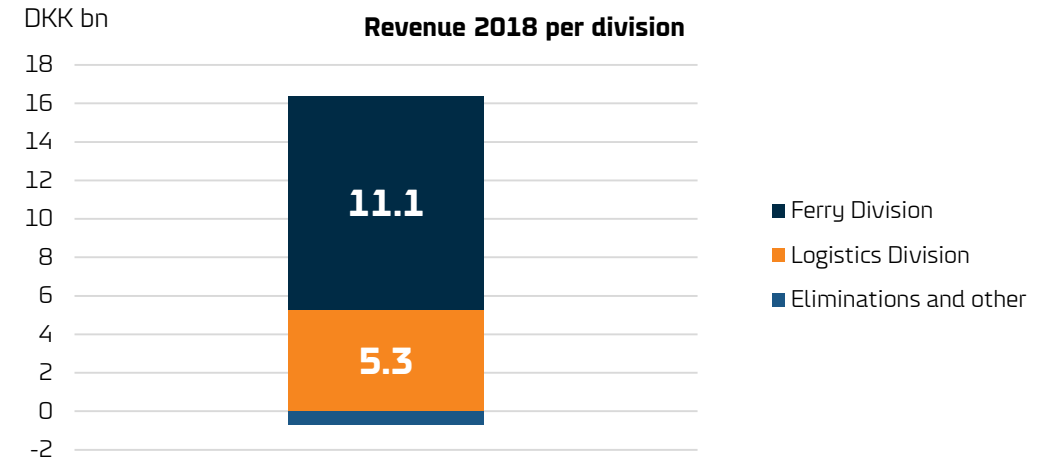




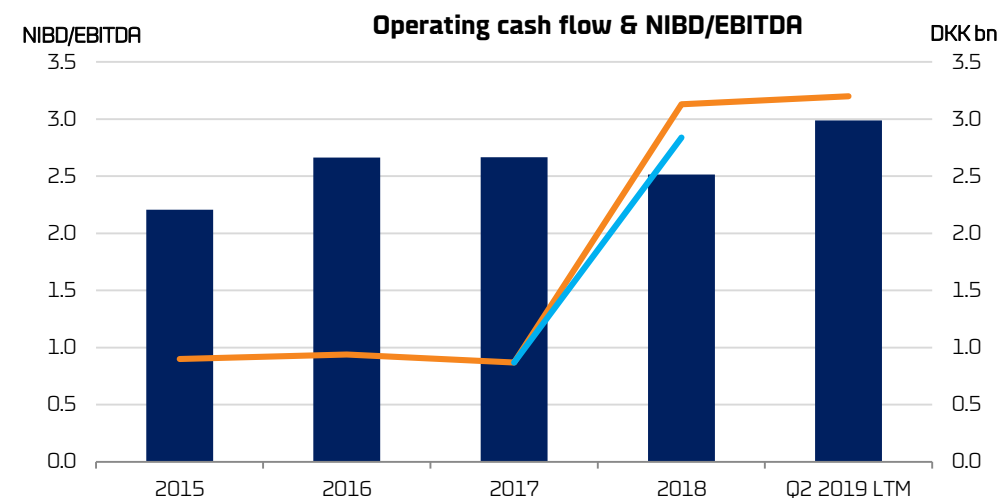
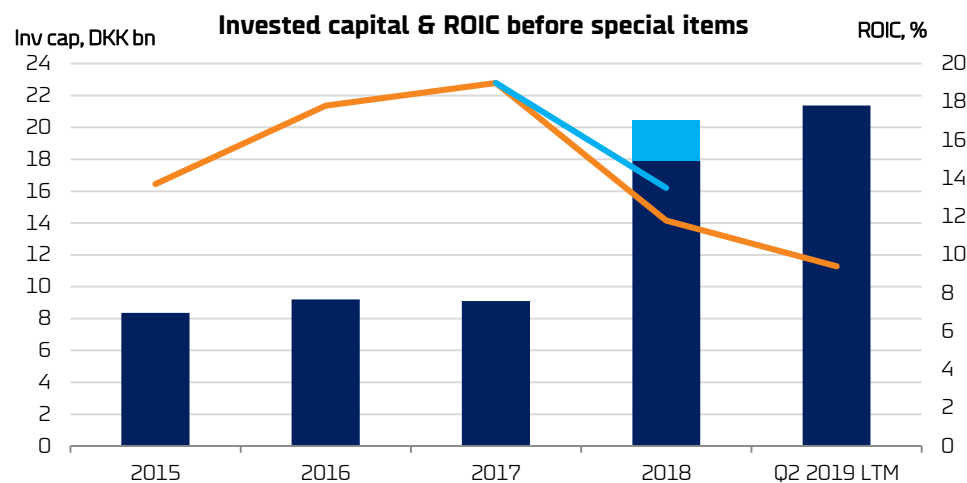
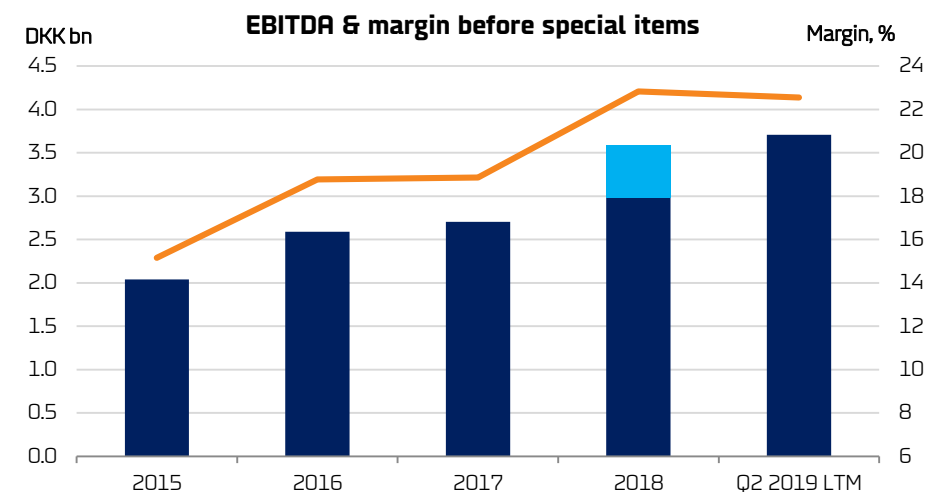
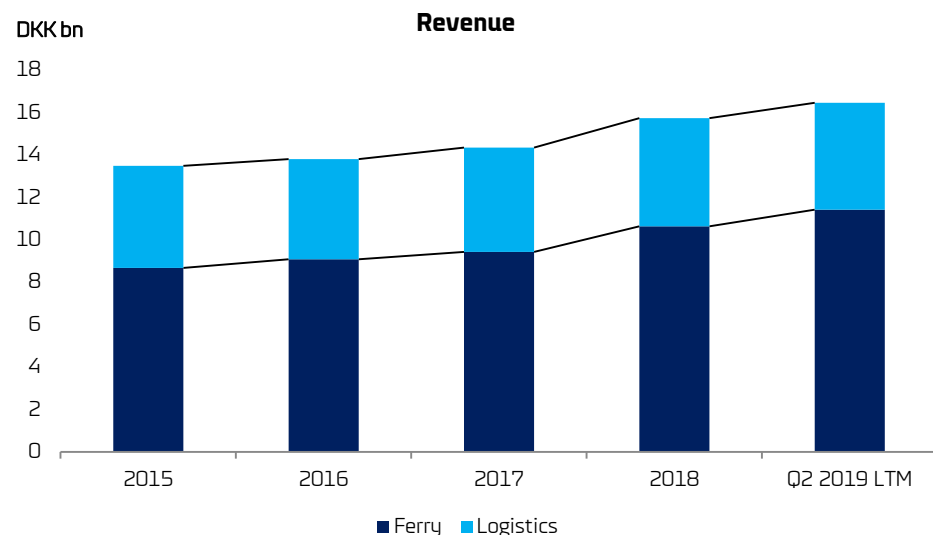
# DFDS structure, ownership and earnings split

## DFDS Group

DFDS Group	
People & Ships	Finance
<b>Ferry Division</b> <ul style="list-style-type: none"> <li>• 23 ferry routes – freight and passengers</li> <li>• 57 ferries</li> <li>• 8 port terminals</li> </ul>	<b>Logistics Division</b> <ul style="list-style-type: none"> <li>• Door-door transport</li> <li>• Contract logistics</li> <li>• 5,600 trailers and 3,500 containers</li> <li>• 2 sideport ships and VSA/SCA*</li> </ul>
<b>DFDS facts</b> <ul style="list-style-type: none"> <li>• Founded in 1866</li> <li>• Activities in 20 European countries and Turkey</li> <li>• 8,000 employees</li> </ul>	<b>Shareholder structure</b> <ul style="list-style-type: none"> <li>• Lauritzen: 42%</li> <li>• Free float: 56%</li> <li>• Nasdaq Copenhagen</li> <li>• Foreign ownership share: ~30%</li> </ul>



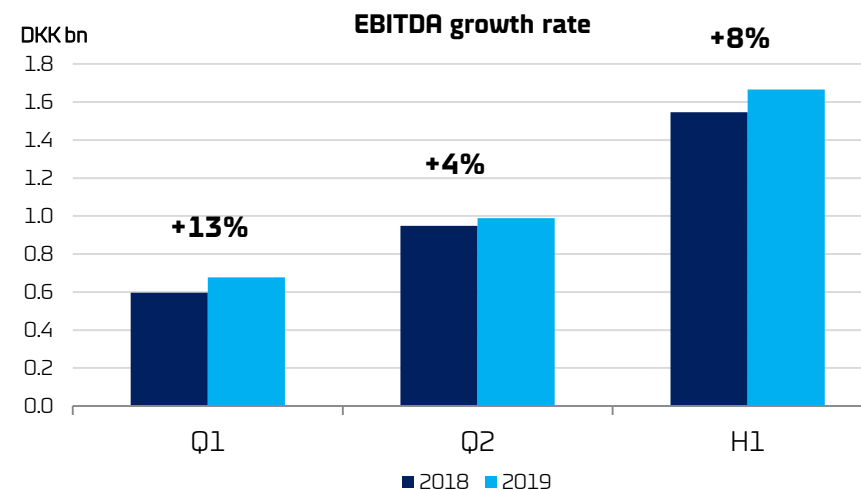
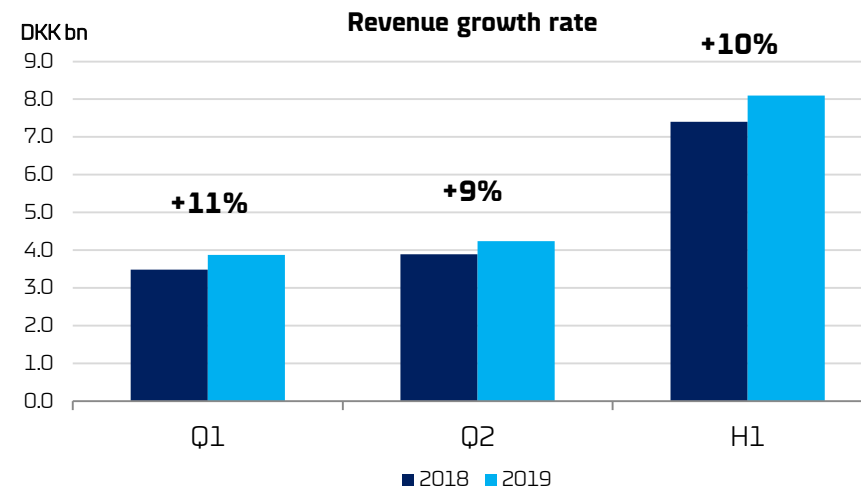
# DFDS key figures – IFRS 16 applied from 2018





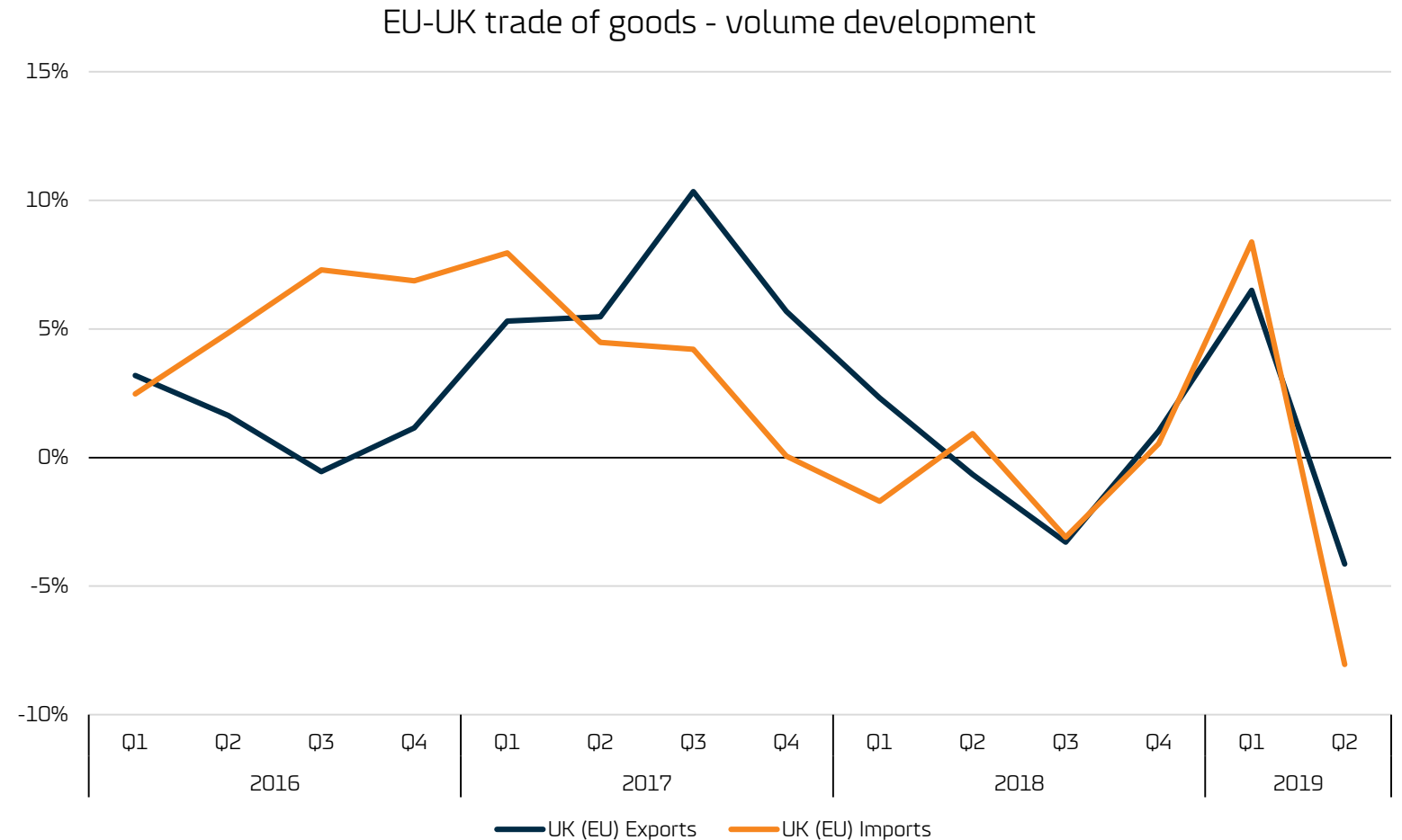
# H1 2019 - growth lowered by exceptional Brexit uncertainty

- **Q2** revenue up 9% to DKK 4.2bn; EBITDA up 4% to DKK 989m
- **H1** revenue up 10% to DKK 8.1bn; EBITDA up 8% to DKK 1.7bn
- Negative impact in Q2 from reversal of UK stockpiling in Q1
- UK trade currently lowered by Brexit uncertainty
- **Earnings outlook** lowered ~6%: EBITDA of DKK 3.5-3.8bn (previously DKK 3.8-4.0bn), (2018: DKK 3.6bn)



# UK trade lowered by reversal in Q2 of Q1 stockpiling

- Q1 trade boosted by UK stockpiling
- Reversal of stockpiling in Q2
- Waiting game for more clarity on Brexit is currently extending slowdown
- New round of stockpiling may occur in September/October





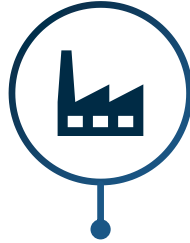
# DFDS ready for no-deal Brexit, customers less so



## Customs clearance



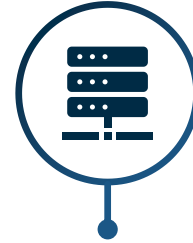
AEO<sup>1</sup> status obtained in key areas  
Staff trained for customs clearance  
Experts hired to build expertise



## Operations



Processes, plans and teams ready  
Manual processes identified if IT not ready  
Focus on challenges in Channel  
Space allocated in ports for customs clearance  
Options on space for stocking



## IT systems



IT automation secured (customs, customers and ports)  
24/7 support for new functionalities  
EDI connections developed for key customers



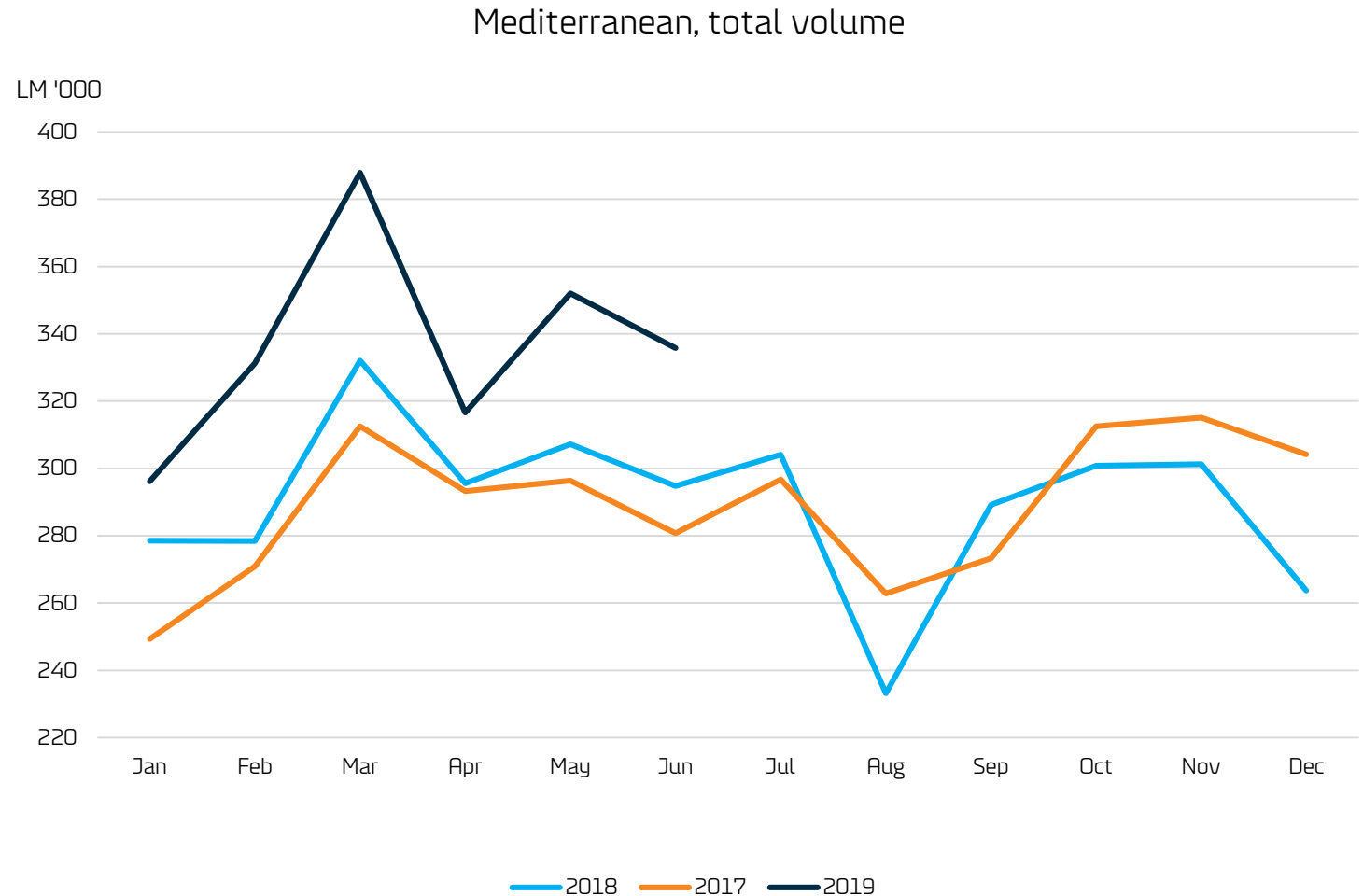
## Communication



Ongoing alignment with trade associations, customs authorities, ports and customers  
Customers informed of post-Brexit procedures  
Both digital and traditional channels leveraged

# Turkey - Mediterranean volumes boosted by Ekol agreement

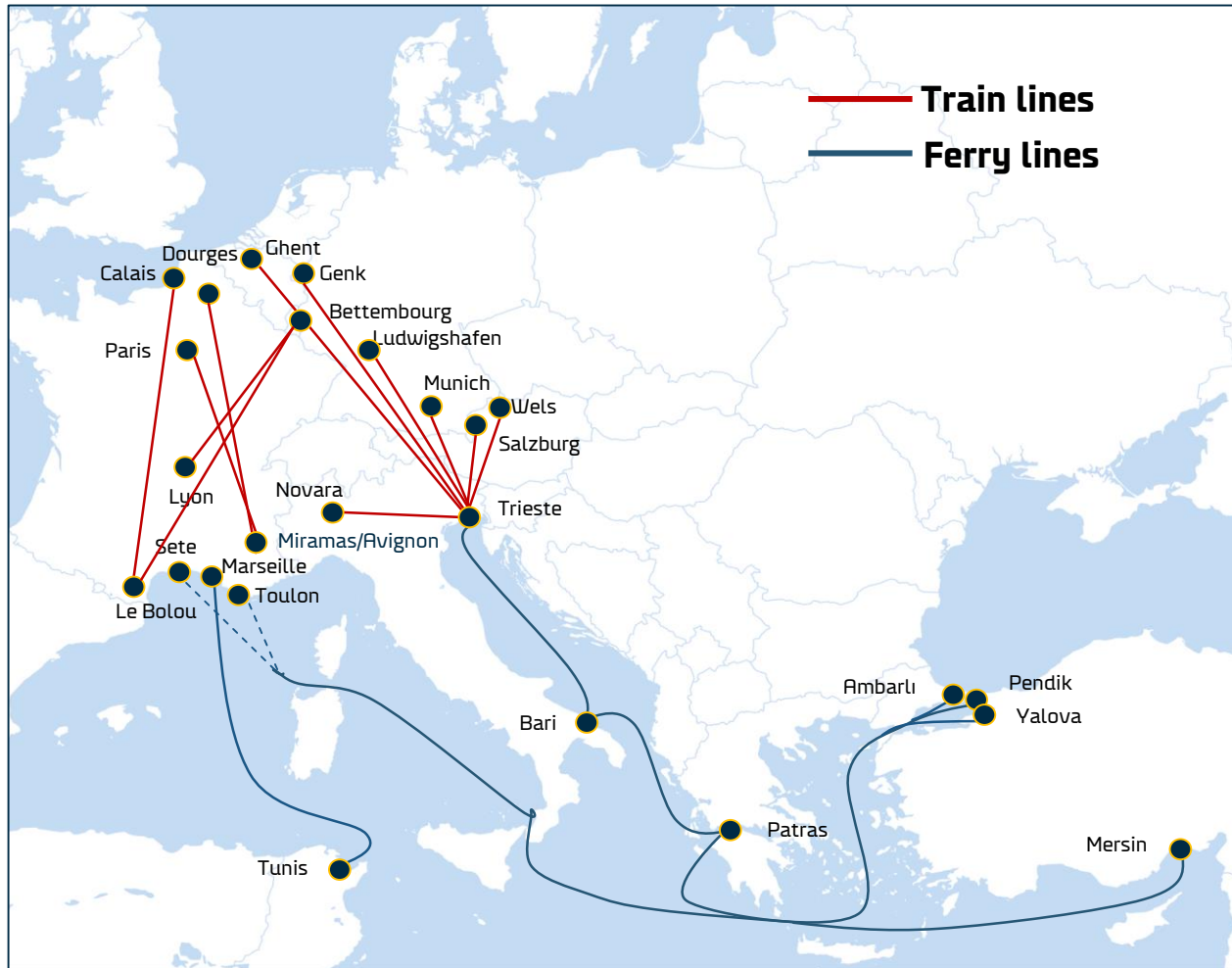
- Q2\* volumes up 12% and H1 volumes up 13%
- Istanbul-Trieste volume growth in line with expectations for H1
- Turkish recession expected to continue through 2019







# 2020: All set to optimise operations and cost structure

## DFDS Mediterranean in 2020



#  Vessels

%  Utilization

14 vessels



- Due to market conditions and completion of scrubbers, two ferries will exit Mediterranean
- Consolidation of France – Turkey routes
- Positive impact from scrubber investments
- Possible re-bound in the economy

# 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%



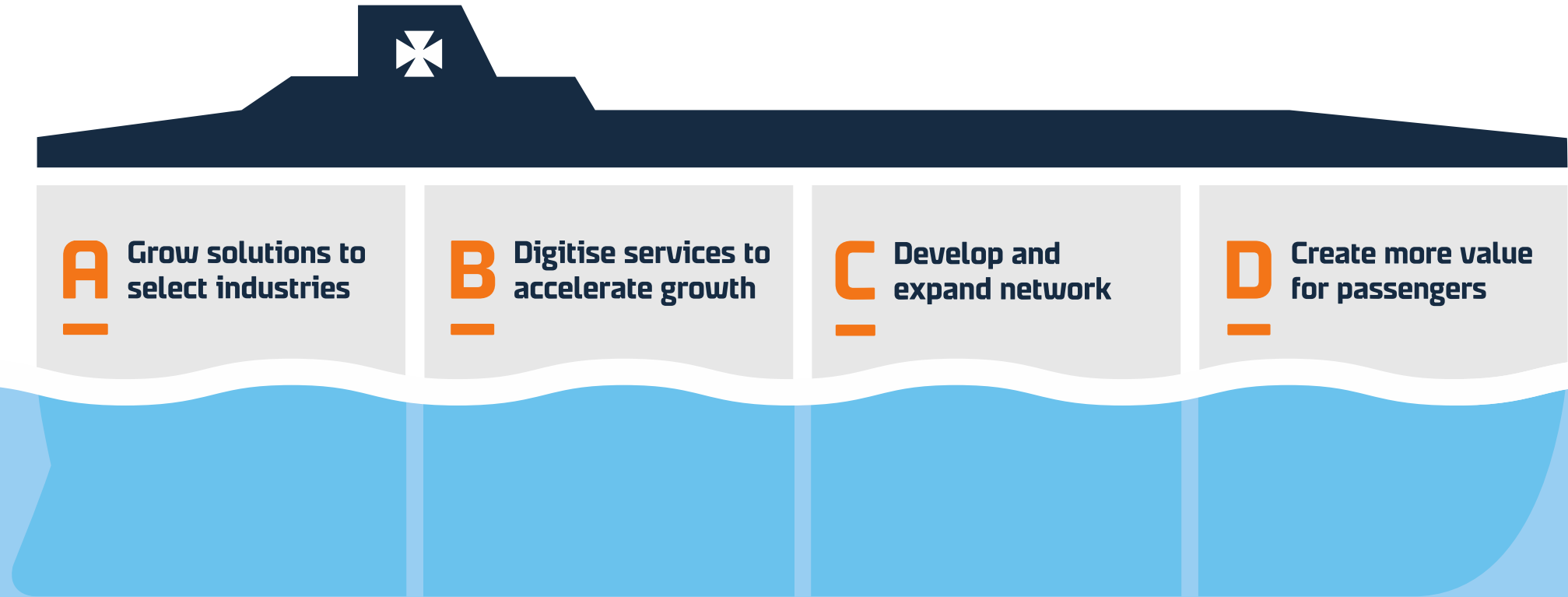
# Our high-level assumptions on business environment

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- Modest but positive European growth 2019-2023
- Competitive environment to remain stable
- Consolidation set to continue
- Digital requirements accelerating

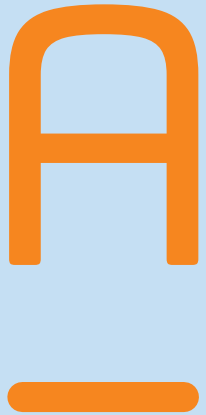


# WIN23 strategy - 4 strategic pillars to drive growth next 5 years

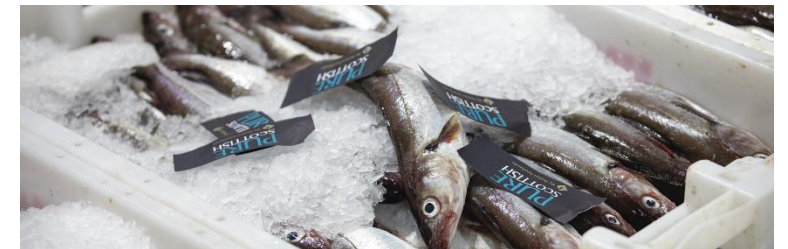
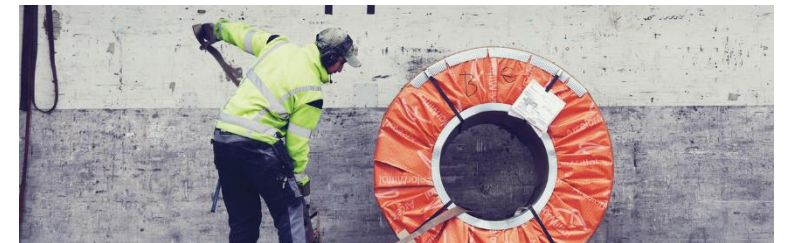
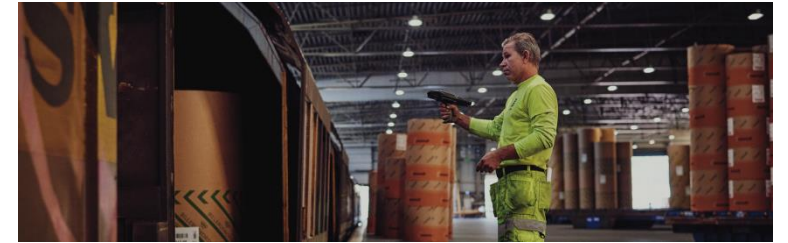




# Grow solutions to select industries

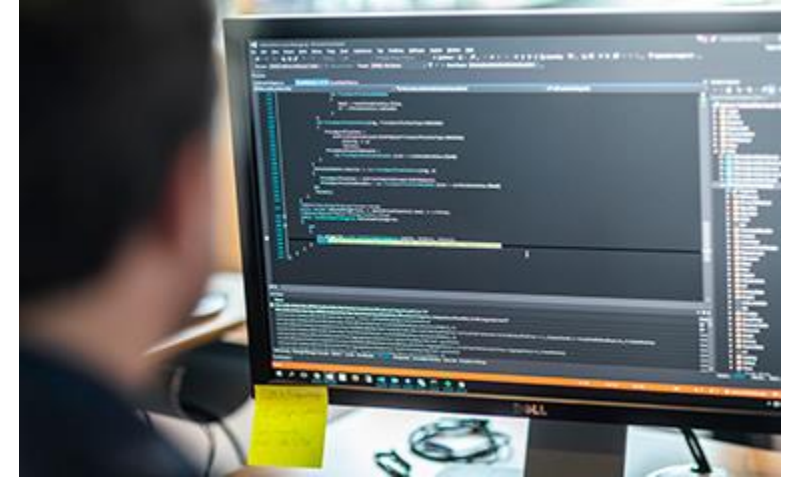


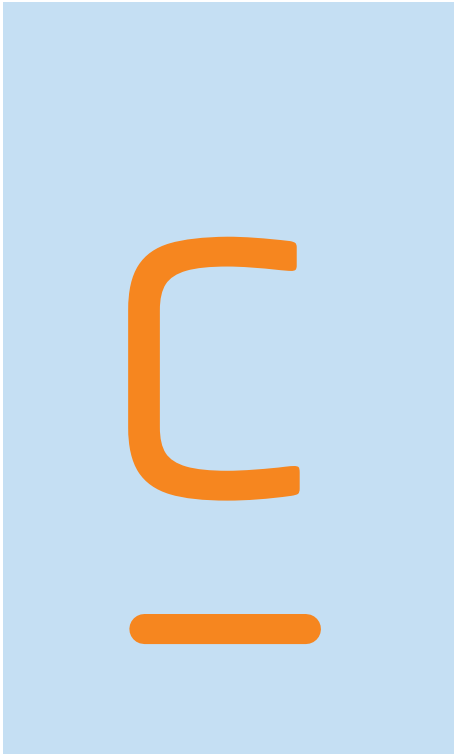
- Automotive
- Forest & Metals
- Cold Chain



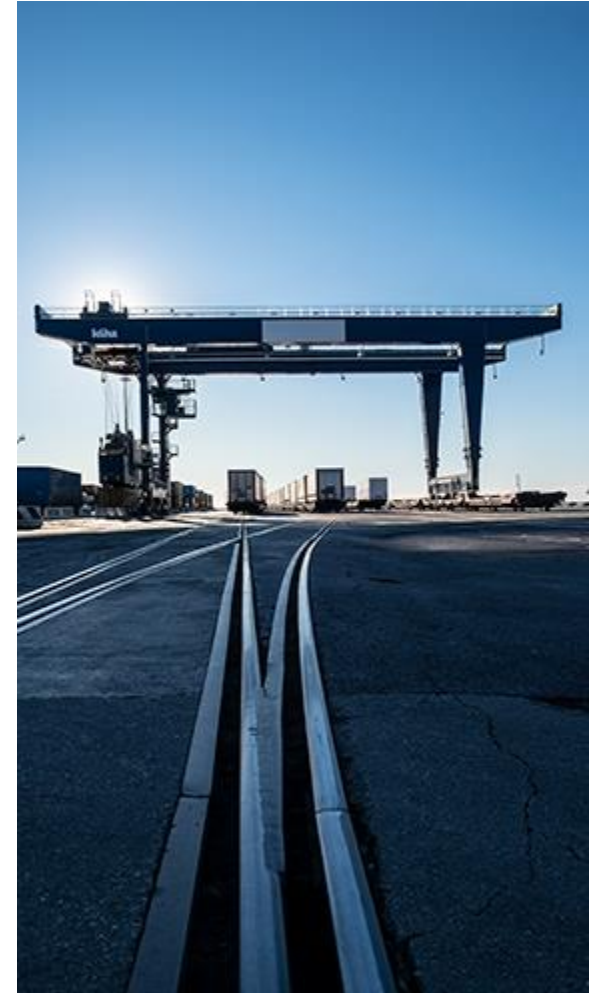
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- Easy access for customers
- Innovative solutions
- Cost-efficiency of sales
- Digitise and automate core systems





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





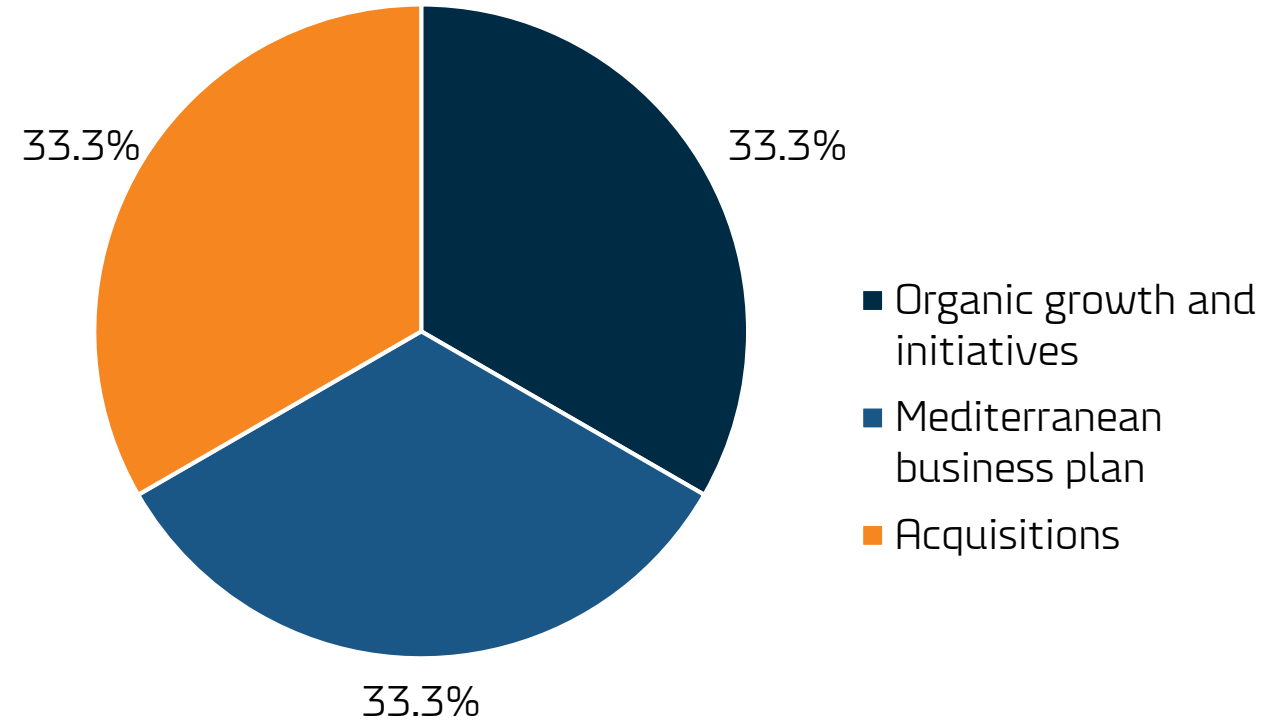
- Develop on board customer experience
- Business development initiatives
- Fleet development





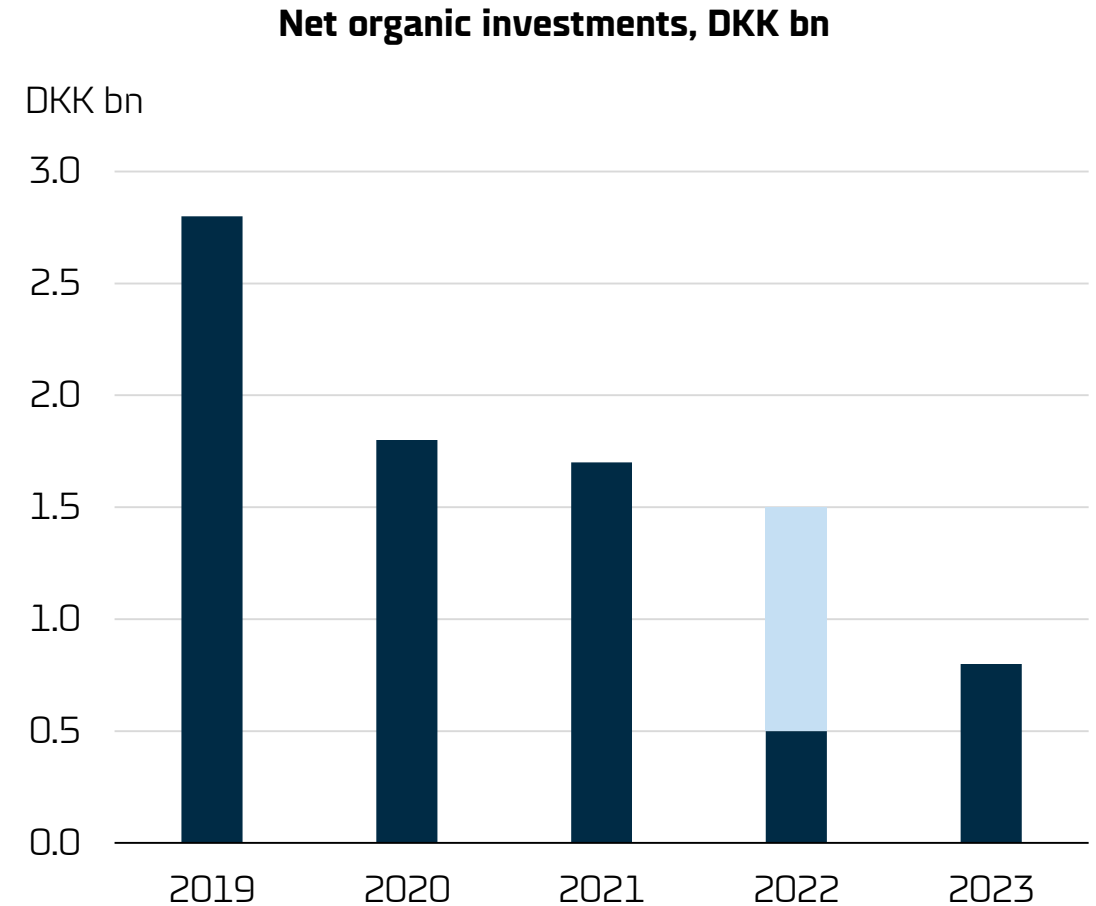
- 4 pillars contain 10 key initiatives
- Three financial drivers:
  - Organic growth and initiatives
  - Mediterranean business plan
  - Acquisitions
- Framework for monitoring progress and financial impact in place

WIN23: EBITDA growth split



# 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



# 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





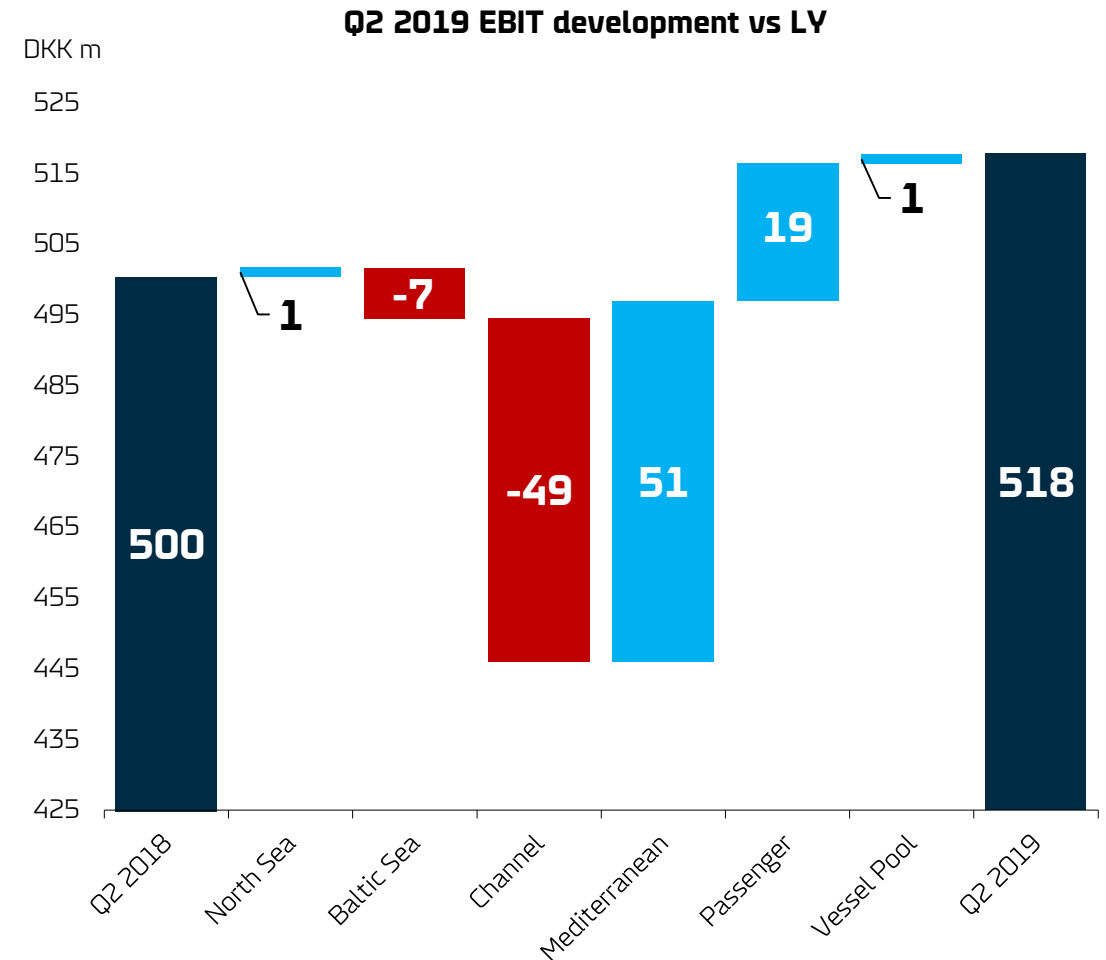
# Q&A





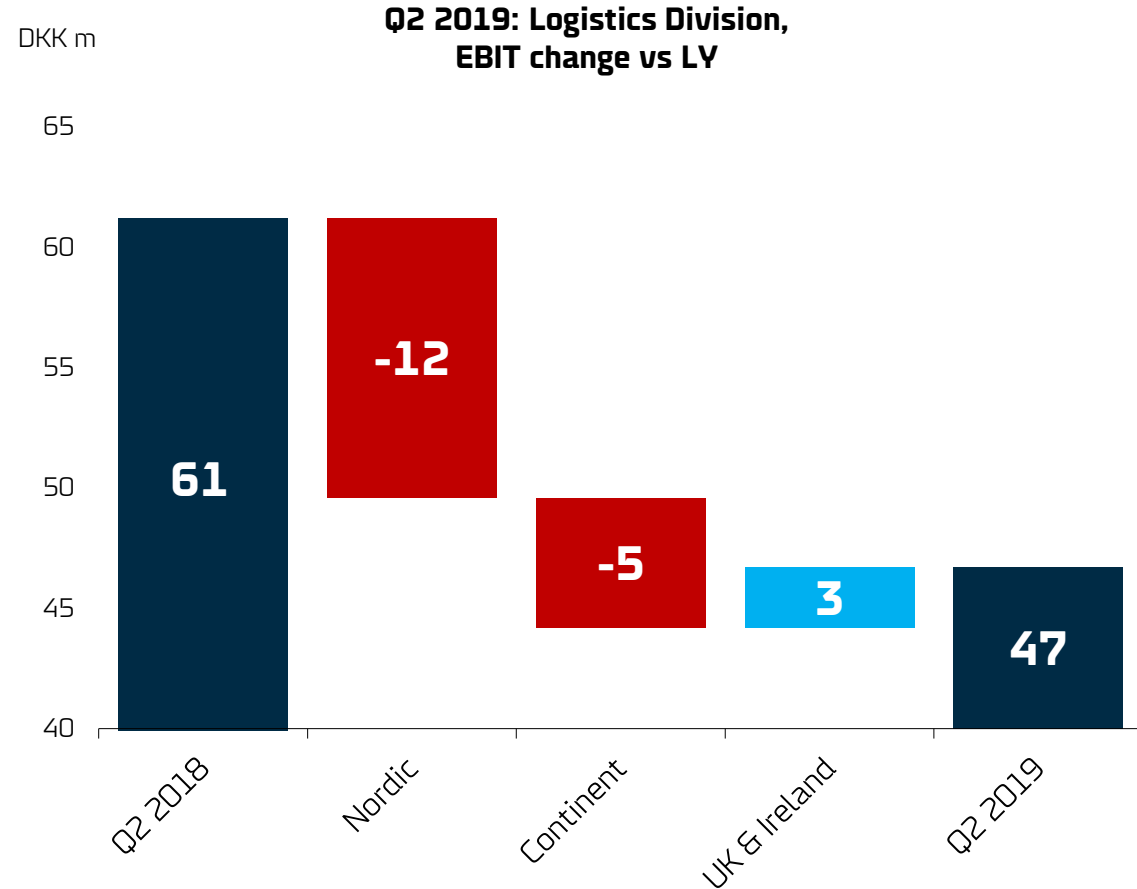
# Ferry Division – Q2 EBIT up 3% to DKK 518m

- **North Sea +1m:** Lower volumes from mainly UK stockpiling reversal. Mitigation from DfT agreement
- **Baltic Sea -7m:** Lower freight earnings partly offset by improved pax performance
- **Channel -49:** Lower freight volumes and slowdown in pax market. Market shares reduced in both markets
- **Mediterranean +51m:** FY positive impact
- **Passenger +19m:** Positive Easter impact and continued growth in Q2



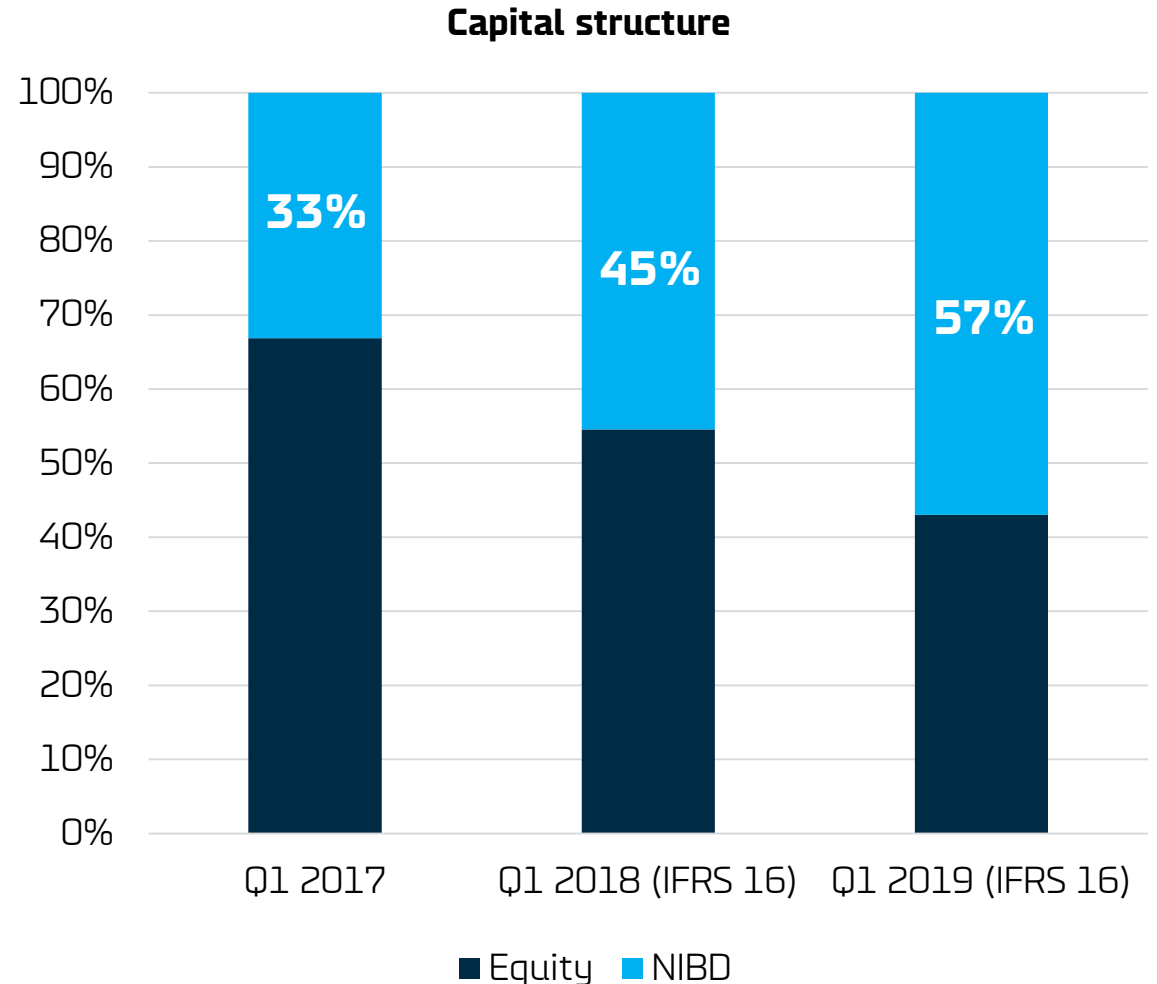
# Logistics Division – Q2 EBIT down DKK 14m to DKK 47m

- **Nordic -12m:** Negative impact from reversal of UK stockpiling. Lower activity due to high volumes for large logistics contract in Q2 2018
- **Continent -4m:** Negative impact from reversal of UK stockpiling
- **UK & Ireland +3m:** Improved performance in most areas but import volumes lower



# 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%

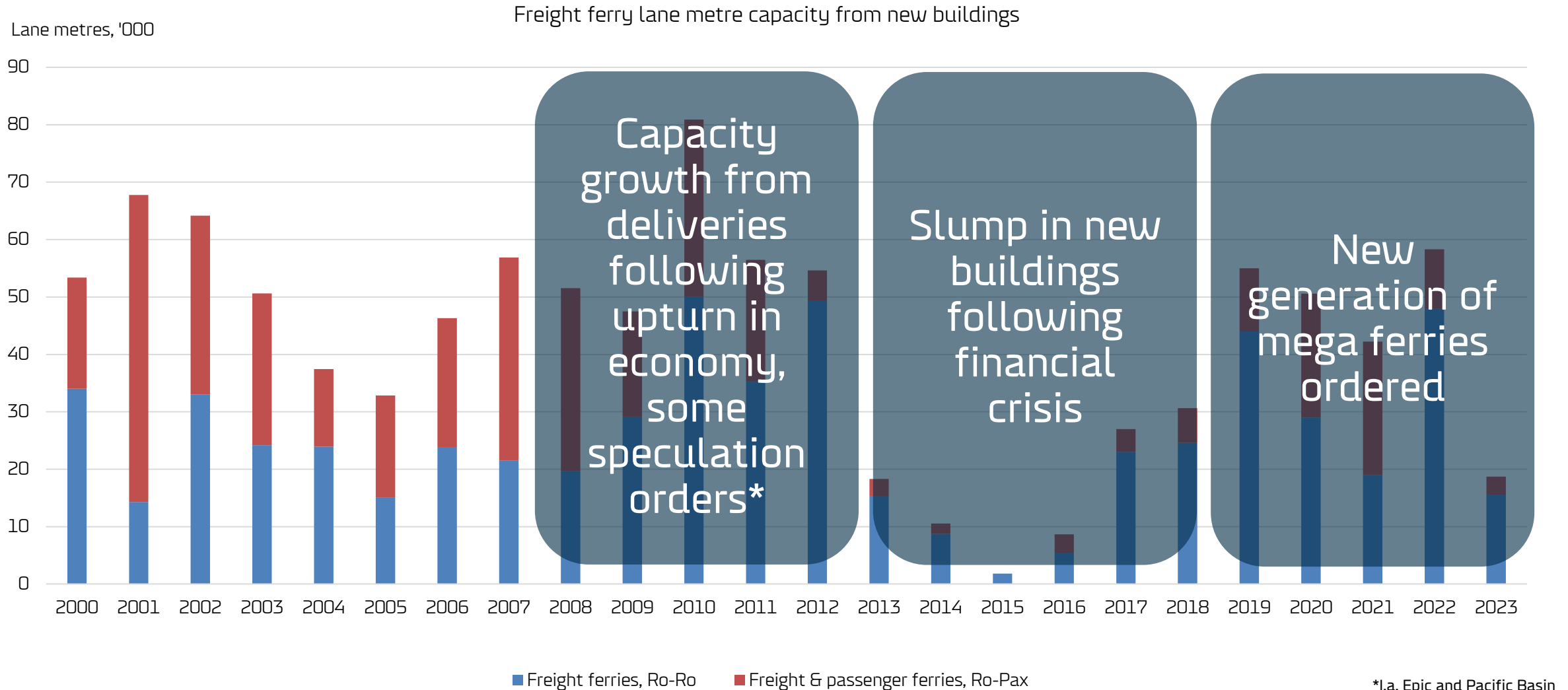


# New building deliveries – ro-ro and ro-pax



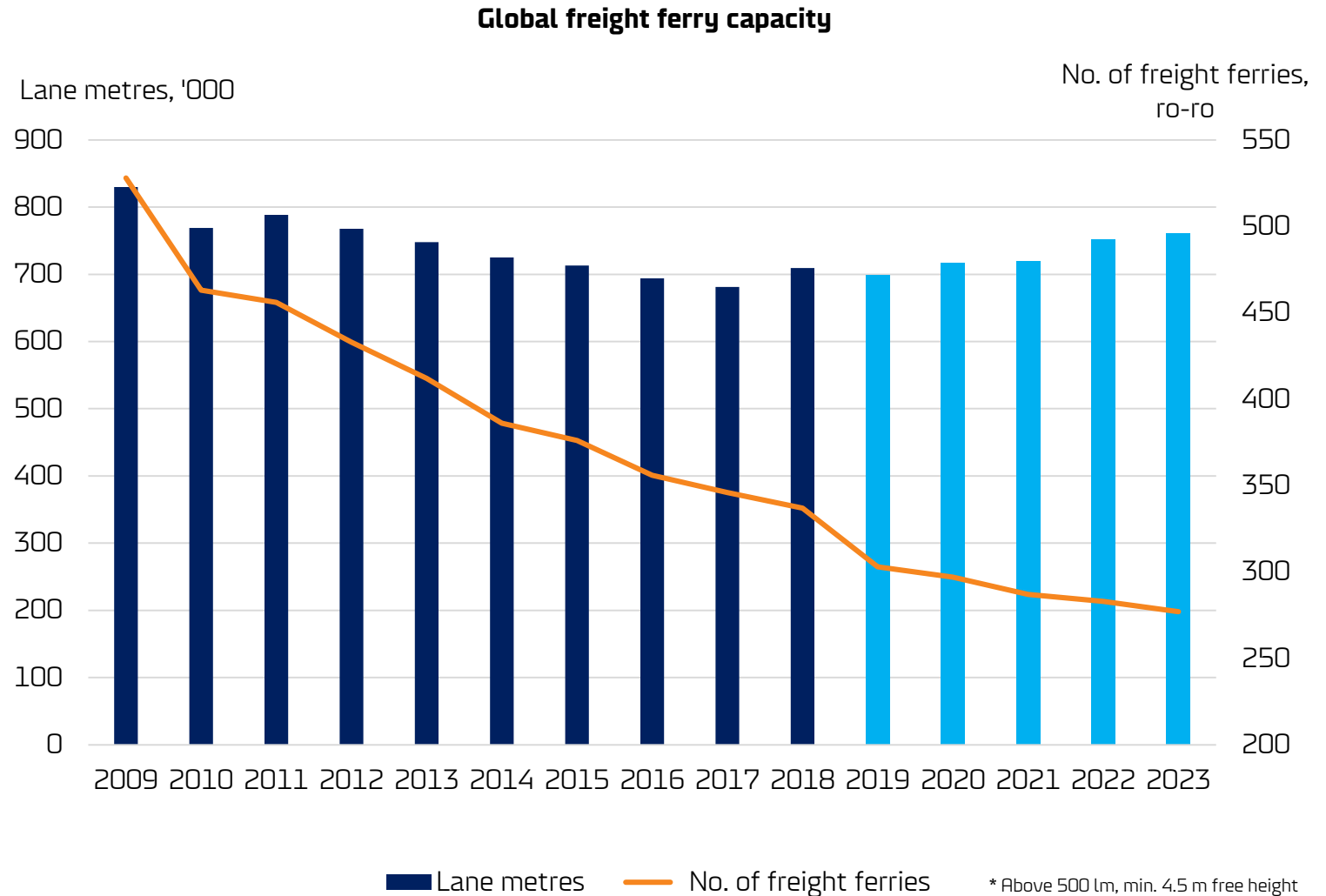


# New building deliveries – ro-ro and ro-pax



# Growth of global freight ferry capacity\* - ro-ro

- LM CAGR 2009-2018: -1.7%
- Forecast for LM CAGR 2019-2023: +1.4%
- No. of freight ferries forecast to be halved in 2023 vs 2009
- Forecast assumes ferries above 30 years scrapped



\* Above 500 lm, min. 4.5 m free height on main deck, straight stern ramp and SOLAS compliant