DHL ECOMMERCE – LIMITLESS GROWTH

BUSINESS UPDATE

Brussels, 20 June 2024

DHL Group

Pablo Ciano - Career highlights

2005 - 2016 **DHL EXPRESS US:**

- Director of Strategy
- VP Customer Support Services
- VP CEO Office to Ken Allen - Restructure of US business, Certified program creation
- CIO and VP Customer Service Americas

2016 – 2018 **CEO DHL EXPRESS CENTRAL AND SOUTH AMERICA:**

- #1 Great place to work in LATAM

2018 – 2022 **EVP CORPORATE DEVELOPMENT, DHL GROUP IN BONN:**

- Designed and developed DHL Group Strategy 2025
- Creation and operationalization of Sustainability roadmap
- Restructuring of the Group profile – Creation of DHL eCommerce
- M&A activities

2022 – Today **CEO DHL ECOMMERCE:**

- Strategy Limitless Growth creation and operationalization

MBA - Darden Graduate School of Business Administration - University of Virginia
Born and raised in Argentina

DHL eCommerce: Trusted specialist for domestic and international parcel delivery

EXPRESS

Transport of urgent documents and goods as time-definite international shipments

GLOBAL FORWARDING, FREIGHT

International forwarding services for air, ocean and overland freight

SUPPLY CHAIN

Tailor-made logistics services and supply chain solutions based on warehousing, transport and value-added services

ECOMMERCE

Domestic last-mile parcel delivery across Europe, India, and the US; deferred cross-border services to, from and within Europe, as well as to and from the US

POST & PARCEL GERMANY

Transporting, sorting and delivering documents and goods in Germany and export to the rest of the world

GROUP FUNCTIONS

Corporate Center	Global Business Services	Customer Solutions & Innovations

Evolution of DHL eCommerce in the DHL Group

PORTFOLIO BUILD-UP

- Expansion geographically, into fulfillment and e-com orchestration
- Optimized set-up in DHL Group structure

2010 - 2018

CLEAN UP AND COVID

- Restructuring and focus on domestic and deferred cross-border within DHL eCommerce
- Indirect cost optimization and simplification
- Exploiting tailwind of the pandemic

2019-2021

INVESTING FOR GROWTH

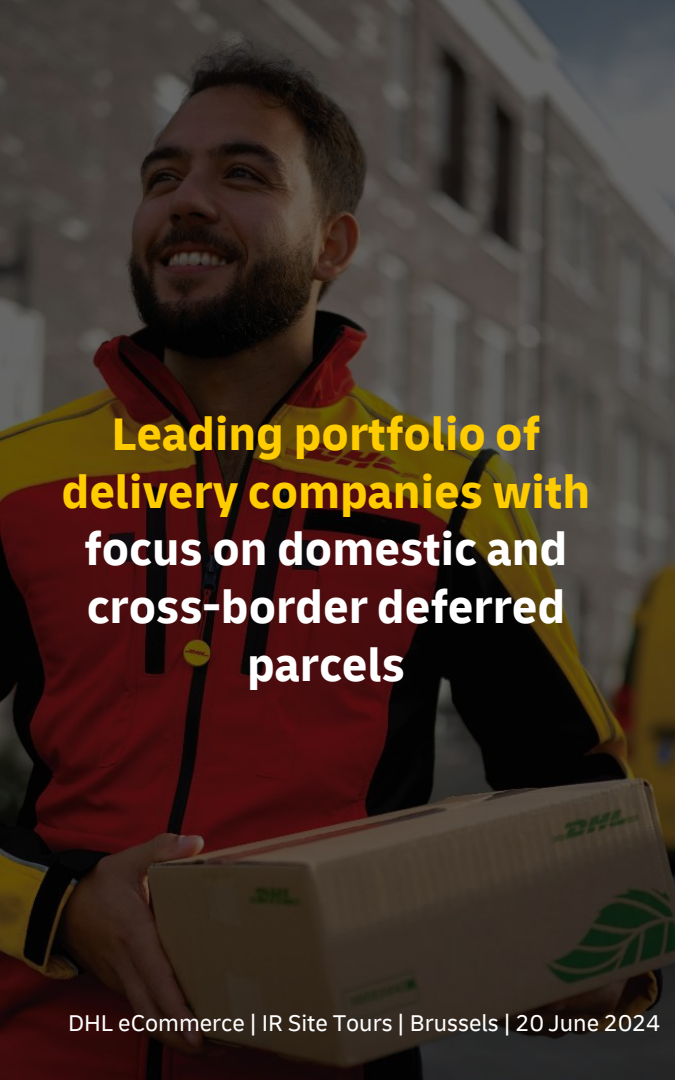
- Building foundations for growth by investing in network infrastructure: hubs, facilities, fleet, lockers

2022-2025

MARGIN EXPANSION

- Productivity enhancements and increased utilization of assets
- Leverage volume growth and yield management

2026-2030



DHL eCommerce investment summary

Trusted specialists for domestic (outside of Germany) and cross-border deferred parcel delivery with focus on eCommerce, present in **Europe, US** and **India and 2 cross-border lanes**

1.6b parcels delivered in 2023. Parcel volumes* surged by **>45% vs 2019**, with **>60% growth in B2C Europe** eCommerce volumes

Growth acceleration after restructuring and COVID has led to **sustainably higher EBIT and margin levels**

Since inception proven track record within DHL Group with **return on capital employed (ROCE) of >10%**

Portfolio benefits from **eCommerce tailwind and diverse geographical coverage**

Largest integrated out-of-home (OOH) parcel network in Europe with **~140k OOH points**

* Note: Figures adjusted for country exits, Central Functions, UK Mail (letters), US flats & Turkey

Highly experienced management team

Pablo Ciano
CEO
- 29 years of experience

Sebastian Paeßens
CFO
- 23 years of experience

YOUR HOSTS TODAY

Wouter van Benten
CEO DHL eCom BeNeLux
- 33 years of experience

Lee Spratt
CEO DHL eCom
- 22 years of experience

Ronald Leunisse
COO
- 26 years of experience

Fiona Dalley
CIO
- 28 years of experience

Florian Bumberger
CHRO
- 19 years of experience

Alex Schmitz-Hübsch
SVP Market. & Commercial
- 20 years of experience

Ryan Hunter
SVP Sales
- 20 years of experience

Our offer is focused on Europe, US and India

Volume share

8 DOMESTIC CLUSTERS

EUROPE
B2C and B2B offering

46%

US
B2C offering

31%

INDIA
B2C and B2B offering

22%

CROSS-BORDER COVERAGE

CROSS-ATLANTIC AND INTO CANADA
Cross-border B2C offering

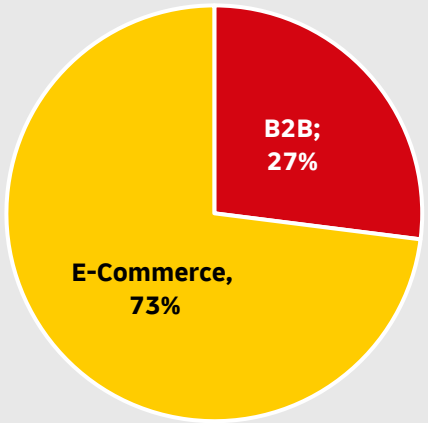
INTRA-EUROPE
Cross-border B2C and B2B offering

Our portfolio capitalizes on the structural trends in e-commerce, thereby fueling our organic growth

The global eCommerce market is projected to reach **€5.7 trillion by 2028**[1)]

Our portfolio is **highly exposed to structural e-commerce trends**, that shows strong growth since 2019

PORTFOLIO MIX



PORTFOLIO GROWTH

	DHL eCommerce	US	INDIA	EUROPE
Parcel volume change vs '19[2)]	1.6b **+45%**	**+40%**	**+42%**	**+57%**
Revenue change vs '19	6315m € **+56%**	**+90%**	**+42%**	**+59%**
EBIT change vs '19	292m € **+672%**	**+823%**	**+255%**	**+327%**

1) Source: Corporate Development – Strategic Market Intelligence; Euromonitor International 2023; Retail Value RSP (Retail Selling Price) incl Sales Tax, constant prices 2) Figures adjusted for country exits, Central Functions, UK Mail (letters), US flats & Turkey

We hold strong presence in the world's leading e-commerce markets

DOMESTIC PORTFOLIO

Global e-com ranking	Domestic markets	CAGR 2023-28	eCom penetration	DHL eCommerce		
				Market ranking by volume	Profit pool ranking	Unit economics
2	USA	6%	27%	#5	#3	Leader
3	United Kingdom	5%	29%	#8	NA	Niche
8	India	15%	8%	#3	#1	Leader
13	BeNeLux	3%	20%	#2	#1	Leader
16	Iberia	7%	12%	#6	NA	Average
17	Poland	8%	16%	#5	NA	Niche
20	Turkey	14%	16%	#3	#2	Leader
28	Czech Republic	5%	18%	#1	#1	Leader
Total DHL eCom portfolio		**7%**				

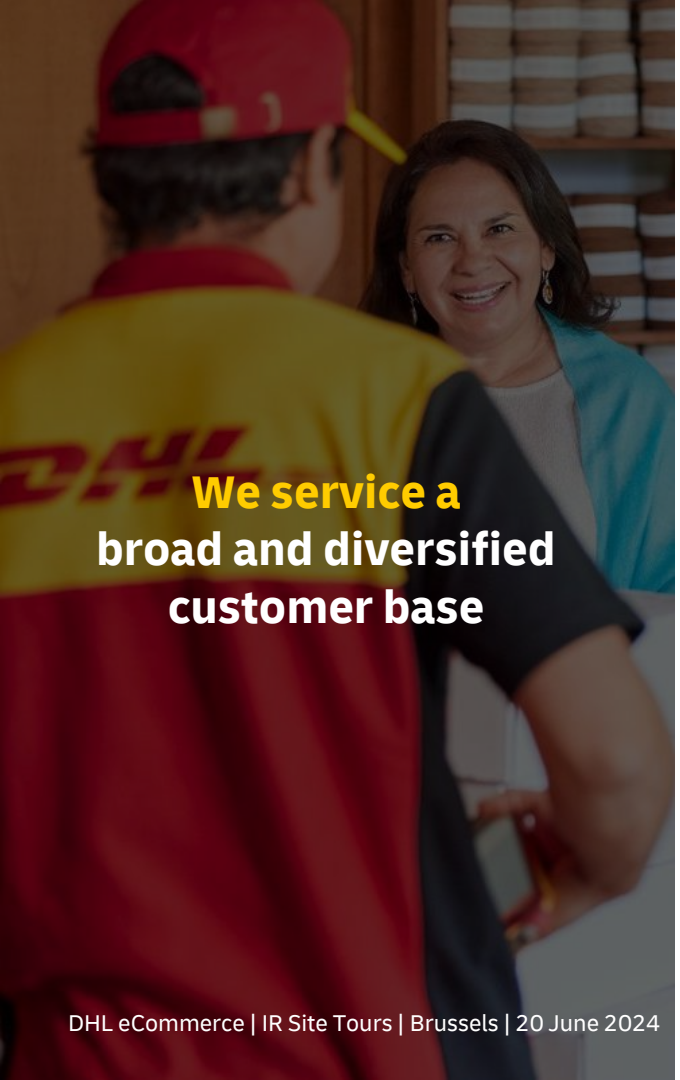
- Actual historic **revenue CAGR (2019-2023) for e-commerce: 18%**
- Expected market retail value **CAGR by 2028: 7%**[1)]
- **5 out of 8 clusters** from our domestic portfolio are **poised to grow faster**

CROSS-BORDER PORTFOLIO

- Leader in **European cross-border market worth of ~€13b** (B2C ~€7b and B2B ~€6b market)
- We are tapping into **transatlantic eCommerce flows**

Lane	Addressable e-commerce market volume[2)]	Market share
Intra-Europe (incl. DE)	~€7b	~20%
Transatlantic	~€2.5b	NA

Source: 1) Corporate Development – Strategic Market Intelligence; Euromonitor International 2023; 2) McKinsey

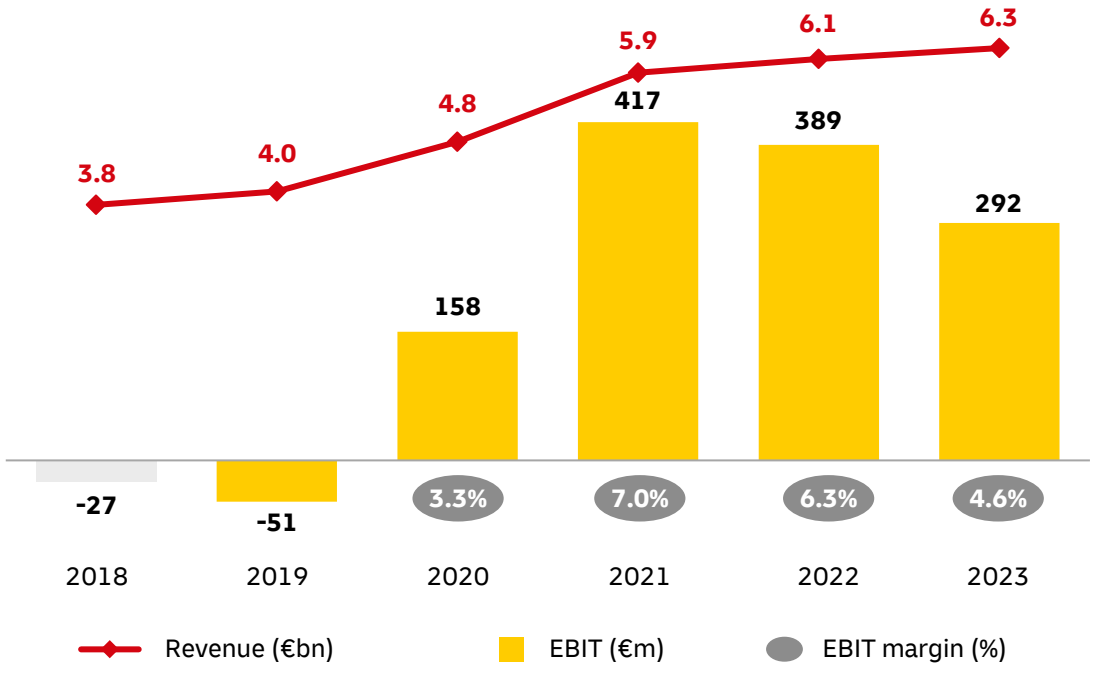


We service a broad and diversified customer base

We have a wide range of customers that we service across different market segments:

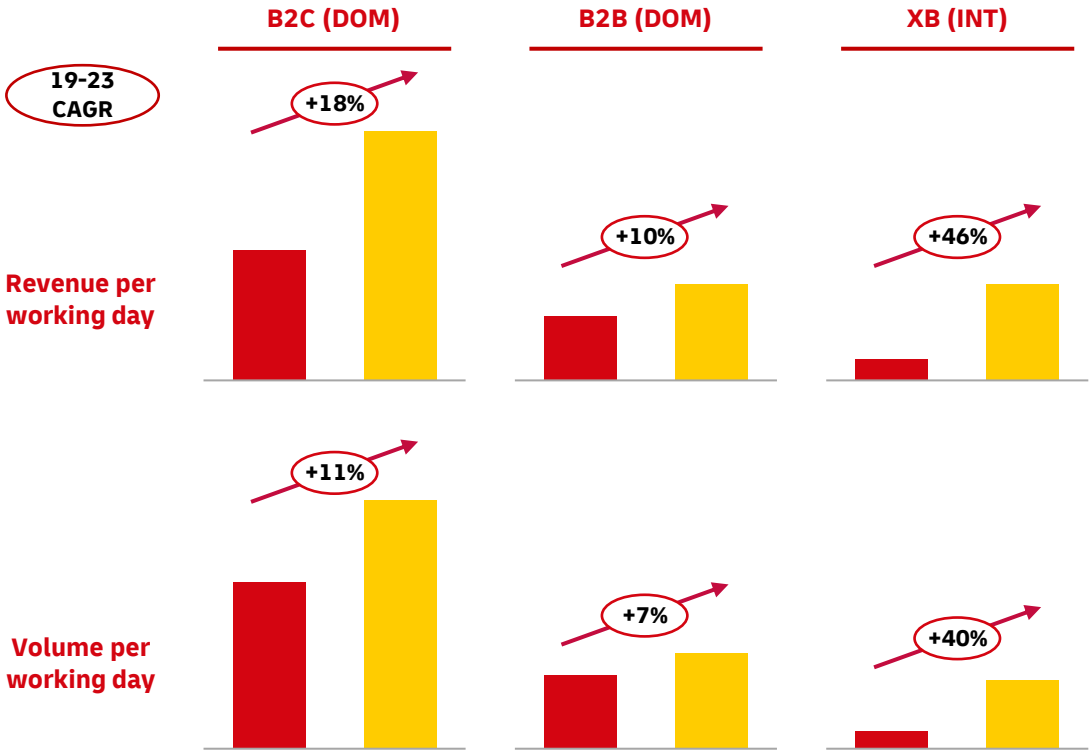
Brands	SMEs	Marketplaces

DHL eCommerce 2018 – 2023 Revenue and EBIT development



2018: P&P's subdivisions Parcel Europe and eCommerce

Strong organic growth in all business segments



without inorganic effects of MNG Kargo acquisition

Strong volume growth supported by established pricing mechanisms

GENERAL PRICE INCREASE

Established annual process to cover cost inflation

SHIP-TO-PROFILE

Ensures planned GP is protected when customer has over-promised

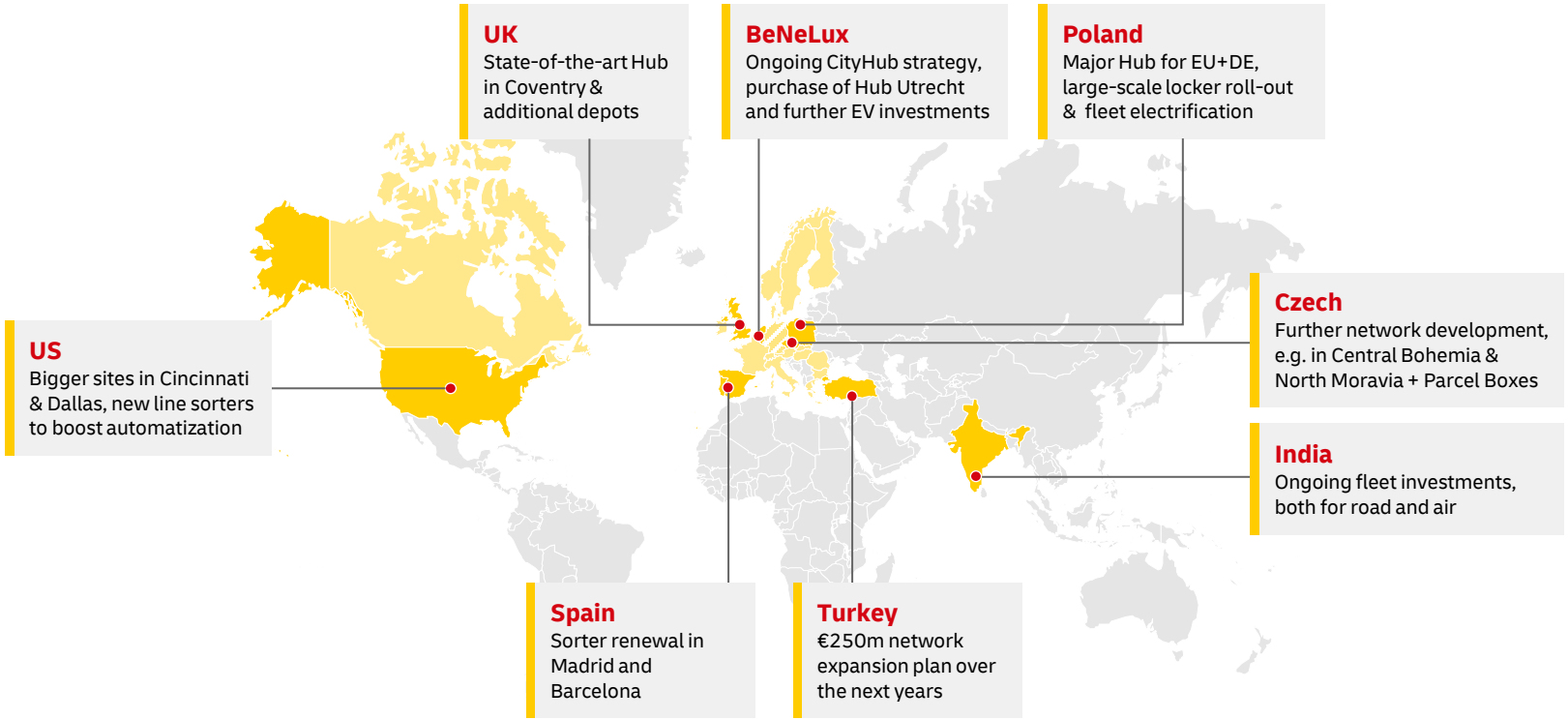
RED YELLOW CARDS

Ensures we fix lower profitable business to allow attractive selling rates for new business

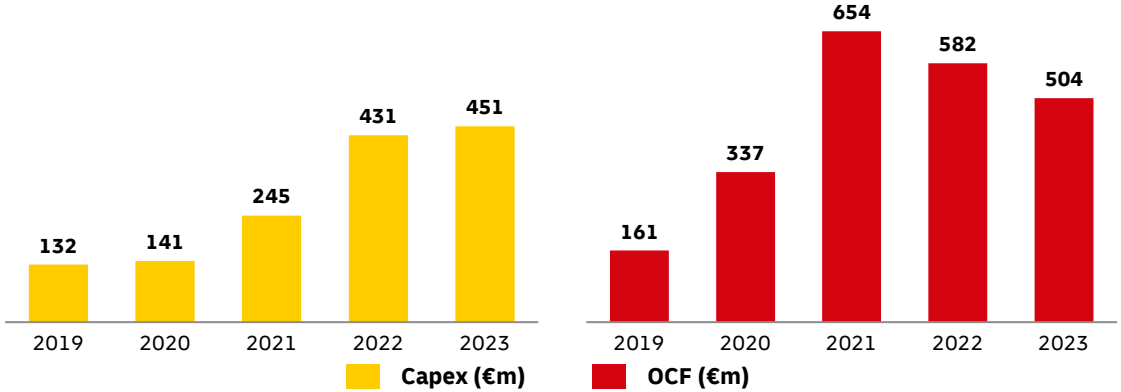
BILL IT ALL

Ensures we recover cost from extra activities we have to execute

Building foundations for growth by investing in network infrastructure



Strong cash generation supports continuous investments in network infrastructure



Figures without inorganic effects of MNG Kargo acquisition

Strong **OCF generation** supported by disciplined pricing and working capital policies

Continuous **investment** in network expansion to leverage structural growth trend

Maintaining solid **capital returns** (ROCE >10%) in predominantly self-financed growth investment phase

Opportunistic **M&A approach** in line with three Group criteria: option to accelerate path to network density and/or reach if strategic, financial & integration conditions attractive

Key drivers of profitable growth

Volume growth / Scale effects

- E-Commerce growth will continue to **surpass GDP growth** over the next years
- Further volume growth will lead to higher utilization of our network and provide us with **attractive economies of scale** effects

YIELD / Pricing

Consistently execute against our **pricing fundamentals**:

- GPI
- Ship to profile
- Red Yellow Cards
- Bill it all

Operational efficiencies

- Continue to deliver **great quality at market competitive costs** through investing in automation and constantly optimizing our countries operational models
- **Strict overhead cost management** while simultaneously remaining agile and innovative

Capital Discipline despite "Investing for Growth"

- Continuous **network expansion** driven by structural e-commerce growth
- Maintain **solid capital returns** and **minimize FCF burden** in investment phase
- **Selective use of M&A** in accordance with Group criteria

We know what it takes to run a successful e-commerce parcel delivery company

1

NETWORK DESIGN AND UNIT ECONOMICS:

- Hybrid network – Dense network
- Flexibility – capability to quickly adjust to volatile demand
- Unit economics - Strong cost positioning in the market

2

DHL GROUP CAPABILITIES:

- Leveraging on Group network and capabilities

3

OUT-OF-HOME NETWORK:

- 140k Out-of-Home points in Europe

4

CROSS-BORDER CAPABILITIES:

- High growth cross-border intra-Europe and transatlantic business

5

PRODUCT PORTFOLIO:

- Balanced product mix (B2B, B2C, INT) catering to specific market opportunities
- Domestic and unique offer of cross-border returns

6

STRATEGIC PARTNERSHIPS:

- Establishing partnerships with other participants of e-commerce value chain (carriers, marketplaces, 3PVs...)

7

SPEED OF DIGITALIZATION:

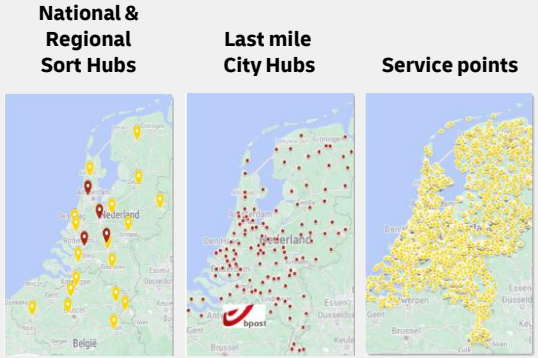
- Digital touchpoints reduce direct and indirect cost per piece, while improving service

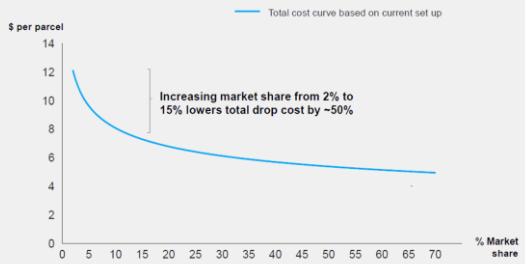
8

COMMITMENT TO SUSTAINABILITY:

- Decarbonization efforts with focus on road and real estate
- Creating a comprehensive portfolio of green products

1 Our sophisticated network design enables us to achieve flexibility and unit economics





Source: McKinsey

NETWORK DESIGN

Our hubs, depots and service point coverage is designed to offer **maximal density**

With our network design we offer reliable service as we deliver on customer promise

FLEXIBLE FOR VOLUME VOLATILITY

We have an **optimal labor mix** –Temps, Contractors, Own Staff and Lifestyle Couriers

We are in close alignment with Unions, Councils, Ministry of Labor

UNIT DELIVERY COSTS

We achieve unit economics by:

- Having a **competitive last mile labor model**
- Capturing **significant market share** for increased density and reduced cost per stop

2 We contribute to the power of DHL Group and leverage its capabilities

AVIATION

- **Express US** flying eCom day definite domestic product

FACILITIES

- Joint investment with **P&P** and usage of International Hub in Poznan (PL)
- eCom sorts for **P&P** in Zaltbommel (NL)
- **Supply Chain** handling DHL eCom shipments in Return Hub

LINE-HAUL

- **DHL Freight road and DGF air** used for domestic and **cross-border**

LAST MILE

- **P&P** delivers for eCom in Germany
- eCom delivering for **Express India**
- **Express Europe** handling **eCommerce** shipments in various countries
- eCom is the last mile carrier for **Supply Chain** DHL Fulfillment network

3 We are building Europe's most extensive out-of-home delivery network to meet rising e-commerce trend of unattended delivery

The **preference for Out-of-Home** grows in Europe, with **72% of shoppers** demanding the flexibility to change the delivery option[1)]

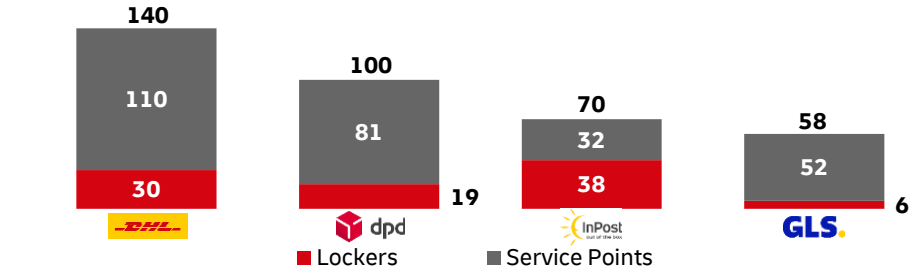
The parcel volume in our OOH network increased **YoY 25%** and **since 2019 139%**

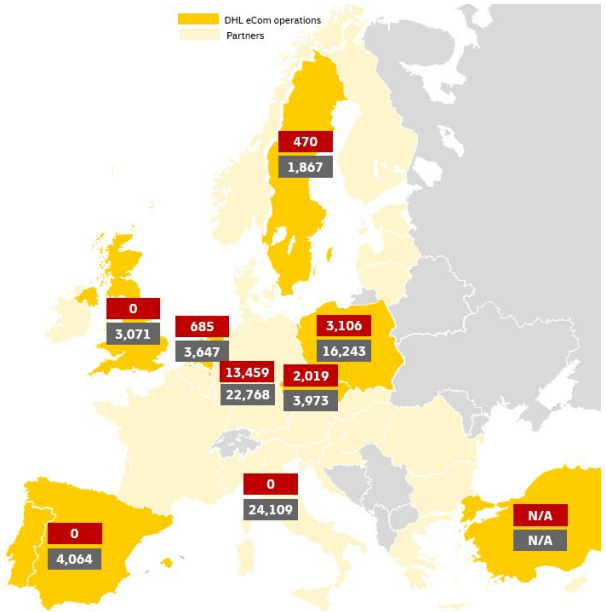
OOH Points Apr '24 (vs Mar '24)
137,732 (22% ↑)

Lockers Apr '24 (vs Mar '24)
28,794 (3% ↑)

Service Points Apr '24 (vs Mar '24)
108,938 (29% ↑)

OOH NETWORK IN EUROPE – APRIL 2024[2)]





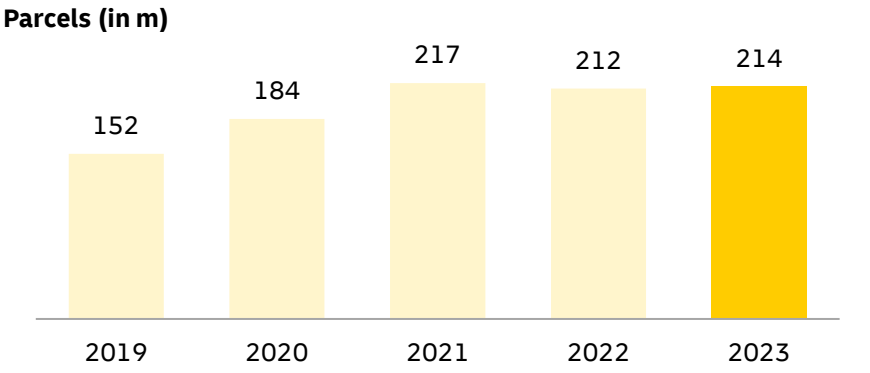
1) Source: DHL Online Shopper Survey 2023 2) InPost: Q1 2024 results presentation; DPD pick-up finder and country research; GLS OOH-Report (June 2023)

4 We are capitalizing on cross-border market that is predicted to soar to impressive $1 trillion in 2030

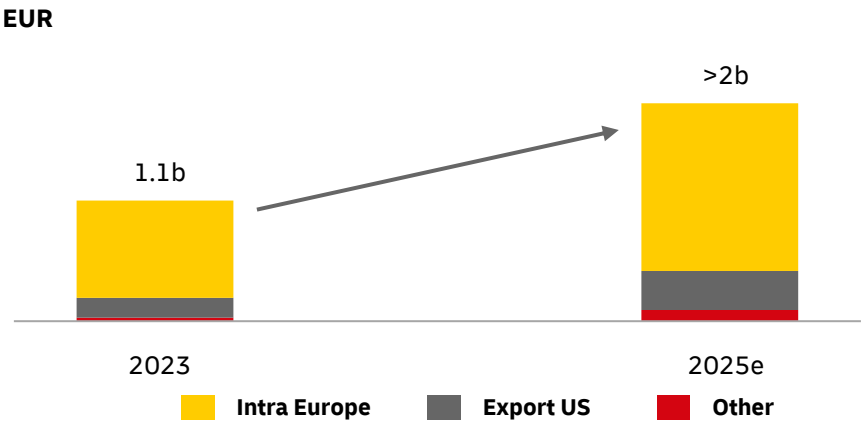
- Cross-border e-commerce growth is predicted to soar globally to **$1 trillion in 2030** [1)]
- Nearly half of European[2)] have never purchased a product online from another country, implying significant potential for the **European cross-border market**

- **In Europe we offer standard product** differentiated by customer with a local 'flavor', where features depend on the preferences of recipients
- E2E **network solutions as well as tailored**, modular customer solutions for optimized operational flow (e.g., direct injection/return consolidation)
- Attractive **transit times** reaching neighboring & key markets within 2-3 days

DHL ECOM CROSS-BORDER GROWTH



DHL ECOM CROSS-BORDER REVENUE AMBITION

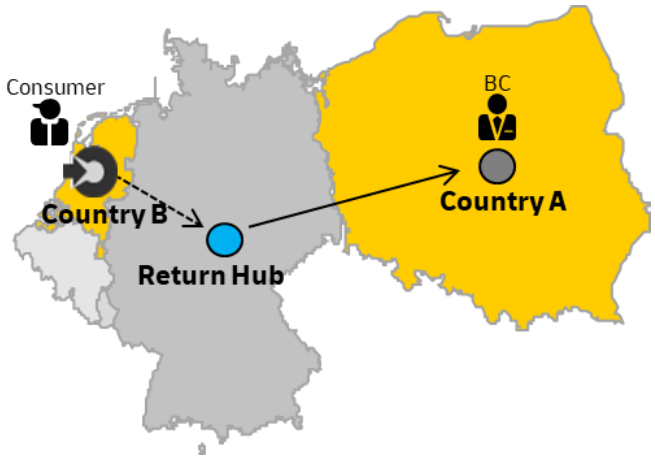


1) Source: McKinsey 2) DHL Online Shopper Survey 2023

5 We are revolutionizing the returns process with our domestic and cross-border offerings

Estimated addressable cross-border e-commerce returns within Europe **~EUR 1.1bn**[1)]

CROSS-BORDER RETURNS



- We offer re**turns products in domestic and cross-border** markets.
- Key levers that contribute to our return product growth:
  - Consolidation
  - Marketplaces
  - QR/ Label-less
  - High density return drop network of ~140k OOH points

1) MI study 2021, validated with recent McK research

6 We accelerate our domestic and cross-border growth through strategic partnerships

Together with other participants in the e-commerce value chain, including carriers, marketplaces, and 3PVs, we're joining forces to **seize market opportunities more swiftly**

Locker network development with Cainiao (logistics arm of Alibaba)

Connecting Italy with rest of Europe with Poste Italiane

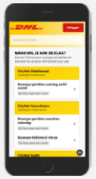
European Partnership with Austrian Post

Enabling cross-border delivery for SMEs out of US with Global-e and Shopify

7 We invest in digital touchpoints for better service and lower costs

SHIPPERS

- Self onboarding
- Labelling
- Tracing
- Reporting
- Ecommerce plugins
- API Gateway

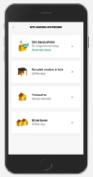


COURIER & PARTNERS

- Onboarding
- Training
- Communication
- Planning
- On route
- Machine Learning
- AI route planning

UNATTENDED DELIVERY

- Over the Counter (OTC)
- Pintless shipping
- Unarnnounced returns
- Self Service Shipping point



CONSUMERS

- Booking
- Receiver preferences
- Interventions (Time & Day)
- Push notifications
- Chatbot

SUPERVISOR & TERMINAL HANDLING

- Manage couriers
- Manage linehauls
- Manage damages
- View KPI's
- Yard management
- Sorting & Planning

8 We are committed to offer decarbonized services

More than 70% of global shoppers said that sustainability is important to them when they shop online and almost half would be prepared to wait longer for their goods if it would help the environment. [1)]

- We focus on decarbonizing our:
  - Last-mile – **2.6k electric vehicles**
  - Line-haul – invest in **sustainable bio-fuel**, like bio-LNG in UK, HVO in NL
  - Aviation – **fuel saving** practices in our India fleet
  - Real estate – **100% green electricity** and all new buildings Carbon Neutral

- We aim to have a **commercial proposition** that reflects our decarbonization efforts by offering:
  - **Customer Carbon reporting** – both for domestic and cross-border
  - **GoGreen Plus** – first insetting pilot launched in NL
  - **Customized solutions for large customers**

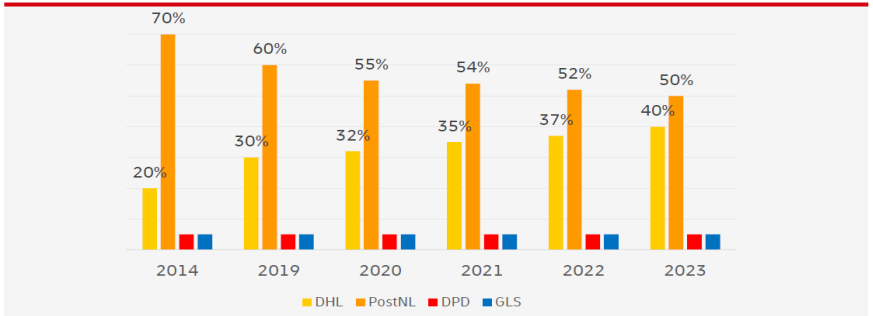
1) Source: DHL Online Shopper Survey 2023

Lighthouse example: BeNeLux

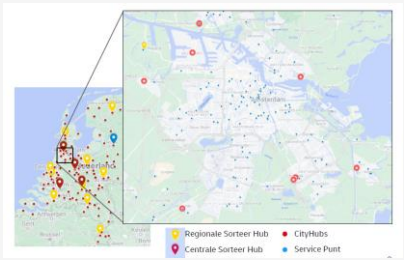
E-commerce market growth of BeNeLux is estimated to continue, fueled by further e-commerce penetration that is currently at 20%

- DHL eCom in BeNeLux is on a **journey to reach the number one position** in the market.
- With a unique network set-up of Regional and City Hubs, we have:
  - Superior product portfolio and service quality
  - Leading unit cost
  - Flexibility to answer to volume volatility

MARKET SHARE DEVELOPMENT



NETWORK DESIGN

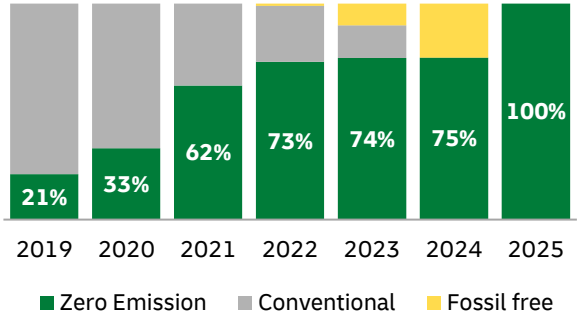


- Split OB & IB operations
- 131 CityHubs
- Large Cities have Multiple Hubs
- Short Routes (30
- 40 Stops per Hour
- Low Cost per stop
- Small & Flexible

In the Netherlands we leverage the market conditions and offer an advanced sustainable service

✓ **Decarbonized last mile**

- The largest parcel e-fleet in Netherlands, with **over 2500 routes**
- By **2025** the whole fleet will be electric or with biofuels (including Service Partners*)

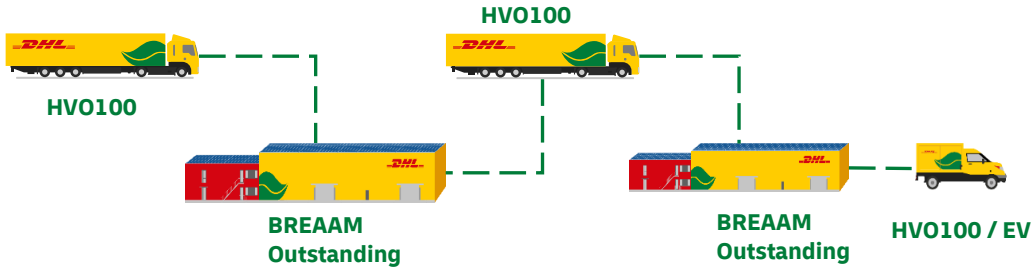


✓ **Decarbonized last mile**

- Customers have access to a digital **carbon report**

✓ **Customized solutions for large customers**

- eCom helped a big fashion brand in Netherlands achieve 100% fossil-free shipping

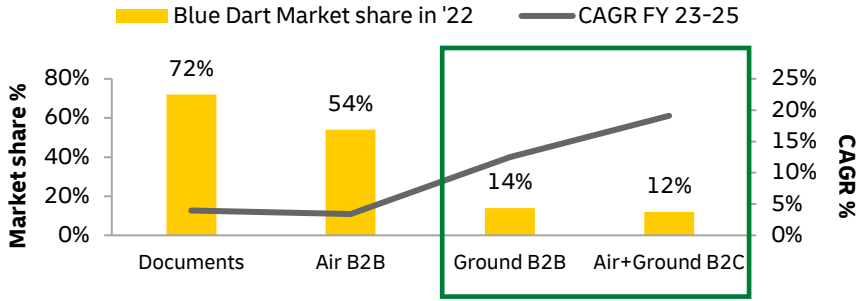


Lighthouse example: India

Market growth in the ground segment accelerated by significant government investments in road infrastructure

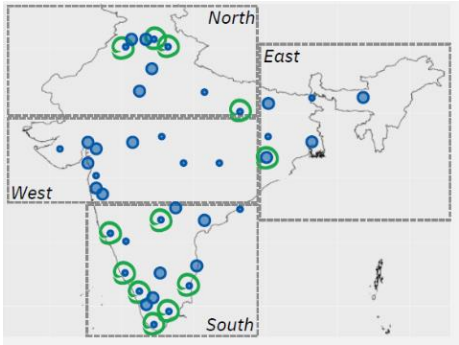
- DHL eCom in India is under the strong domestic 'Superbrand' Blue Dart
  - With a fleet of **8 aircraft**, Blue Dart is in a unique position to deliver on their customer promises
  - Network expansion and automation to meet the **demand for ground services** and **maintain a market-leading position in air products**

MARKET VIEW



Source: AT Kearney TMS 2023

GROUND NETWORK EXPANSION PLAN

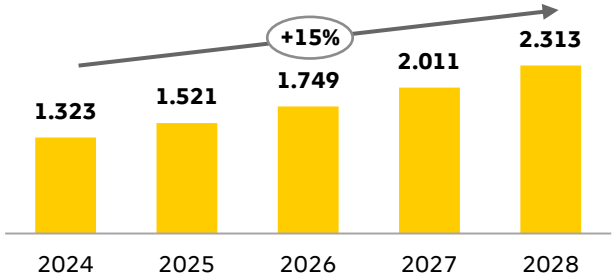


Lighthouse example: Turkey

Market growth in Turkey is fueled by B2C growth expected at **CAGR to 2028 +17%**

- DHL eCom in Turkey is under the local brand of MNG Kargo specialized in domestic B2C.
- Key features that will ensure future growth:
  - Market Growth
  - Leading unit cost position
  - Investment in capacity
  - Cross-border connection

MARKET GROWTH FUELED BY B2C



2023-2028 CAGR	
C2X	**+4%**
B2B	**+4%**
B2C	**+17%**
OVERALL	**+15%**

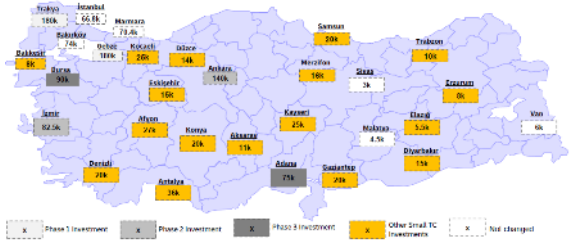
Source: E&Y Parthenon and Management

CAPACITY EXPANSION PLAN

Increasing capacity with €250m investment:

2023 → 2027

732 kPPD → 1.27mPPD



DHL eCommerce Financial Outlook

MID-TERM MARKET OUTLOOK

Market volume growth assumptions

5 – 10% Market Growth

Strong, heterogeneous growth across domestic and cross-border e-commerce markets

Expected growth vs. market

FASTER THAN MARKET

Supported by continued strong yield discipline

CAPEX OUTLOOK

Market volume growth assumptions

300-500 m€

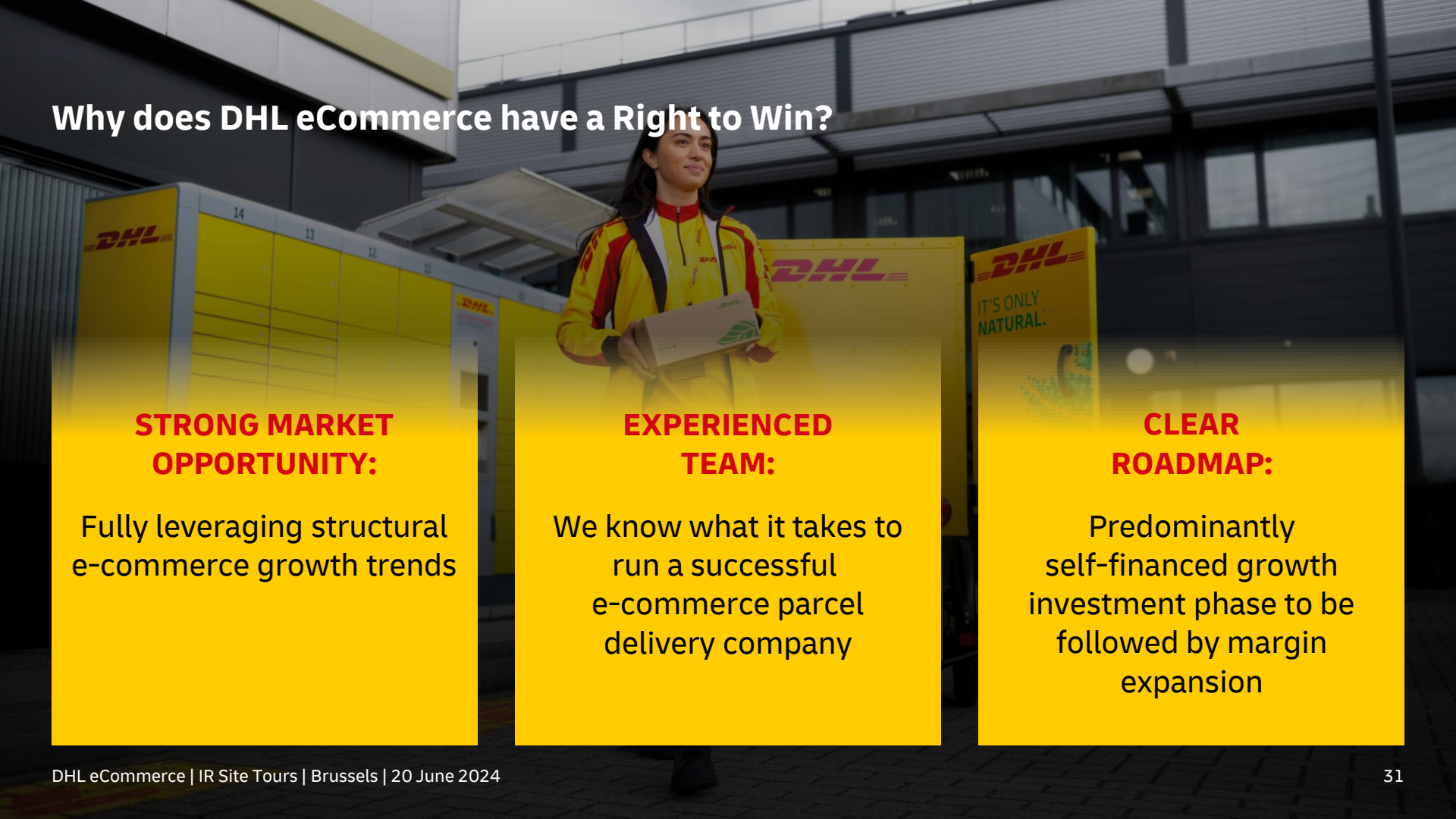
Continuous investments along whole value chain: fleet replacement, network expansion, digital platform, machinery and equipment in hub and depots

EBIT OUTLOOK

EBIT Margin

- 2022-2025: Stable at 4-6% in investment phase
- 2026-2030: margin expansion to mid- to high-single digit %

Why does DHL eCommerce have a Right to Win?



STRONG MARKET OPPORTUNITY:

Fully leveraging structural e-commerce growth trends

EXPERIENCED TEAM:

We know what it takes to run a successful e-commerce parcel delivery company

CLEAR ROADMAP:

Predominantly self-financed growth investment phase to be followed by margin expansion

Q&A

THANK YOU