



Global Transport and Logistics

# Capital Markets Day 2015



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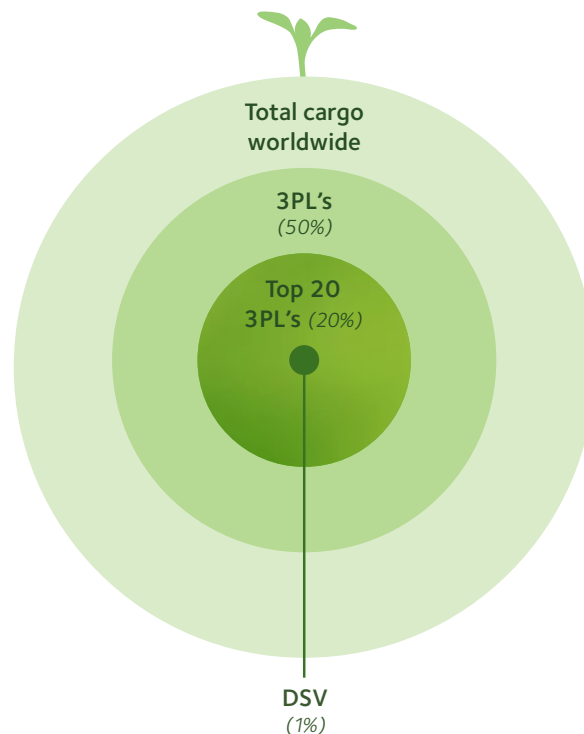
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## PLENTY OF ROOM FOR ORGANIC GROWTH





The cross-docking terminal at the global headquarters on a busy Friday afternoon. All forklift operators are certified and very experienced: It takes great skill to maneuver tight spaces with precision and speed. And we need to keep moving those goods.

# Update on business and strategy

*JENS BJØRN ANDERSEN*

# Agenda

- 1 DSV in Hedehusene – a few facts
- 2 The management team – 150 years of DSV service
- 3 Our strategic focus areas
- 4 Financial performance and market trends
- 5 Financial targets and capital allocation
- 6 Q&A

# Why Hedehusene?

– consolidation and uniform design of logistics facilities

- Consolidation of Eastern DK activities
- Right location for logistics
- 800 employees
- 16,000 m<sup>2</sup> office space
- 12,000 m<sup>2</sup> cross-docking terminal
  - We have just started building an additional 10,000 m<sup>2</sup>
- 400 trucks in and out on busy days
- Air and sea freight consolidation



Notes

# DSV Management team presenting today

– more than 150 years of loyal service and know-how

## DSV Executive Board



**Jens Bjørn Andersen**  
Born: 1966  
CEO  
(since 2008)  
DSV since 1988



**Jens H. Lund**  
Born: 1969  
CFO  
(since 2002)  
DSV since 2002

## DSV Executive Management Committee



**Brian Ejsing**  
Born: 1966  
CEO DSV Solutions  
(since 2012)  
DSV since 1986



**Carsten Trolle**  
Born: 1965  
CEO DSV Air & Sea  
(since 2015)  
DSV since 1984



**Søren Schmidt**  
Born: 1972  
CEO DSV Road  
(since 2008)  
DSV since 1995



**Jesper Riis**  
Born: 1973  
CIO  
(since 2015)  
DSV since 2015



**René Falch Olesen**  
Born: 1964  
CCO  
(since 2010)  
DSV since 1983

# Our five strategic focus areas and selected initiatives

– the key to DSV's success in a competitive industry

## Strategic focus area

## Selected initiatives

### Customers



- Customer success programme
- Quality and data enhancement
- Improvement of digital services

### Growth



- Dedicated sales efforts, local and central
- Aiming for SME and global accounts
- Invest in vertical growth
- Pursue M&A opportunities

### Human Resources



- Clear KPI's and follow-up procedures
- Education and talent programmes
- Building a global HR function

### Processes



- Optimise workflows with IT support
- Centralisation when it makes sense
- Benchmarking and best practice





### Organisation



- Maintain local decision power
- Preserving the DSV culture while growing
- Support "One DSV"

# Financial performance in H1 2015

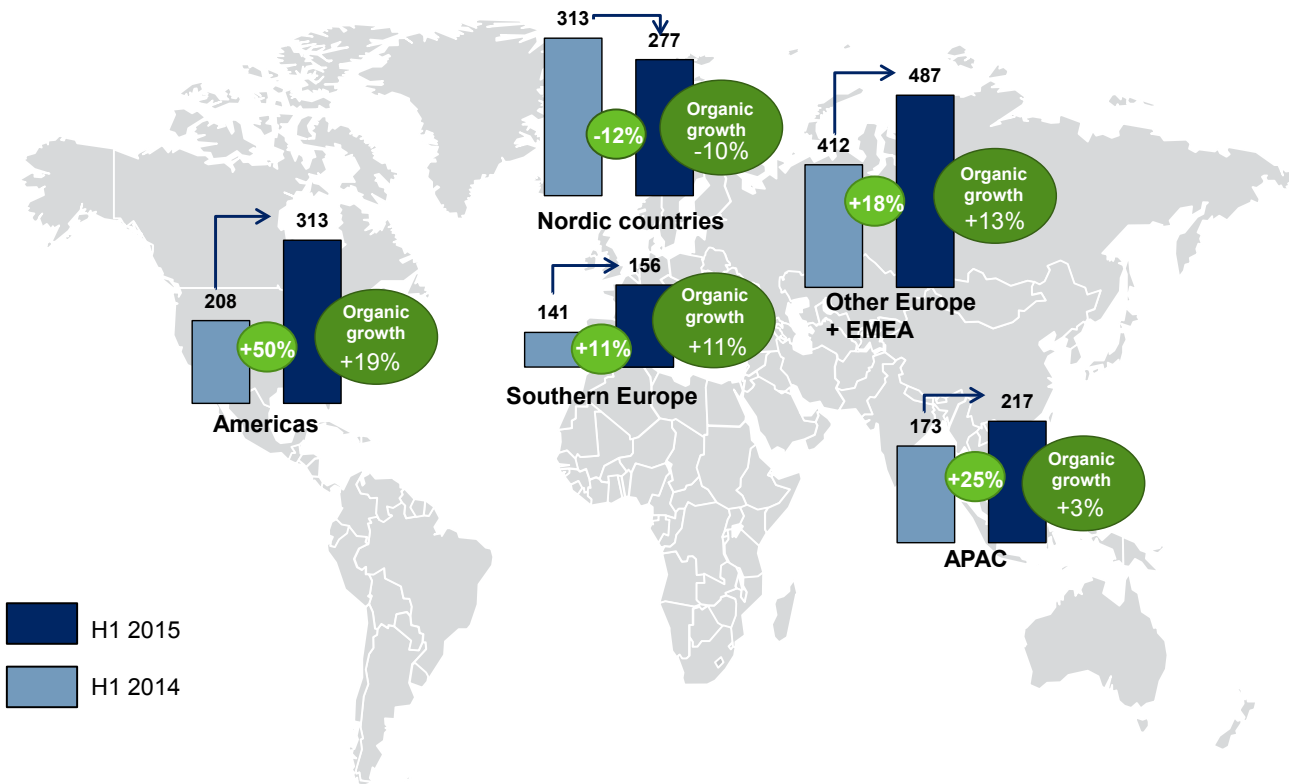
– a good start with an extra boost from currency translation

								
	H1 2015	Organic growth	H1 2015	Organic growth	H1 2015	Organic growth	H1 2015	Organic growth
Net revenue	25,728	4.7%	11,124	-2.1%	12,420	2.7%	2,940	7.1%
Gross profit	5,569	5.2%	2,578	6.7%	2,315	5.0%	688	1.8%
EBIT before special items	1,450	7.5%	890	11.3%	479	6.4%	104	-9.6%
Conversion ratio*	26.0%		34.5%		20.7%		15.1%	
Profit margin**	5.6%		8.0%		3.9%		3.5%	
			DSV	Market	DSV	Market	DSV	Market
Volume growth		Air	8.9%	2-4%	5.0%	1-3%	6.0%	1-3%
		Sea	2.9%	1-3%				

\* EBIT before special items in % of gross profit \*\*EBIT before special items in % of net revenue (equivalent to "Operating margin")

# Regional development H1 2015





– performance measured in EBIT (DKKm)



Notes

# Market growth forecast 2015 (freight volumes)

– volatility and low single digit market growth

	DSV H1 2015	Market H1 2015	Market forecast FY 2015
	9%	2-4%	2-4%
	3%	1-3%	1-3%
	5%	1-3%	1-3%
	6%	1-3%	1-3%

• *Market growth is based on IATA, Container Trade Statistics and DSV's own estimates*

- Currency fluctuation has had a significant impact on global trade flow in the first half of 2015
- Weaker than expected market volumes in H1-15 on Asia-Europe trade
  - Sea minus 4% year on year
- European export strengthened
  - Sea plus 4% year on year
  - Air plus 14% year on year
- Road and Solutions markets in Europe have gained momentum
- Regional issues add to volatility and provide both challenges and opportunities for freight forwarders (e.g. US West Coast Port strike, Russia and Ukraine, English Channel)

# Long-term financial targets still stand

– ambitious but still achievable

## Targets 2018

Conversion ratio  
**30%**

Profit margin  
**7%**

ROIC (pre tax)  
**25%**

## Status H1 2015

Conversion ratio  
**26.0%**

Profit margin  
**5.6%**

ROIC (pre tax)  
**23.9%**

## Comments

We expect to reach the targets in 2018

- Topline growth and operational leverage opportunities are important drivers for reaching targets
- Initiatives are in place in divisions and on group level to drive margins up
- Targets are based on organic growth – large scale M&A transactions can impact both time horizon and targets
- We continually monitor the financial targets and adjust when we feel the time is right

# M&A and capital allocation

– priorities have not changed

## Capital allocation – priority for use of free cash flow

1. Repayment of debt if financial gearing ratio is above target
2. Value creating acquisitions or further development of the existing business
3. Allocation to shareholders via share buyback and dividend


## What are we looking for in the M&A market?

- Asset light
- Global air and sea preferred
- More exposure outside Europe
- Restructuring cases
- Bolt-on type acquisitions in Road

High M&A activity in 2015 so far..



## Key takeaways



A strategy aiming for growth and best in class productivity



Good start to 2015



Clear capital allocation principles with value creating M&A as a high priority




A strong culture and a loyal management team



Long term financial targets still achievable

Notes



Costa Rica is the latest addition to DSV's network of offices. Services offered include air and sea freight forwarding to and from Costa Rica as well as regional road transportation within Central America through agents in the neighbouring countries.



# 14,000,000

Doing 14,000,000 km in the air every year, we barely  
touch the ground before taking off again.

# **Air & Sea**

*CARSTEN TROLLE*

# Agenda

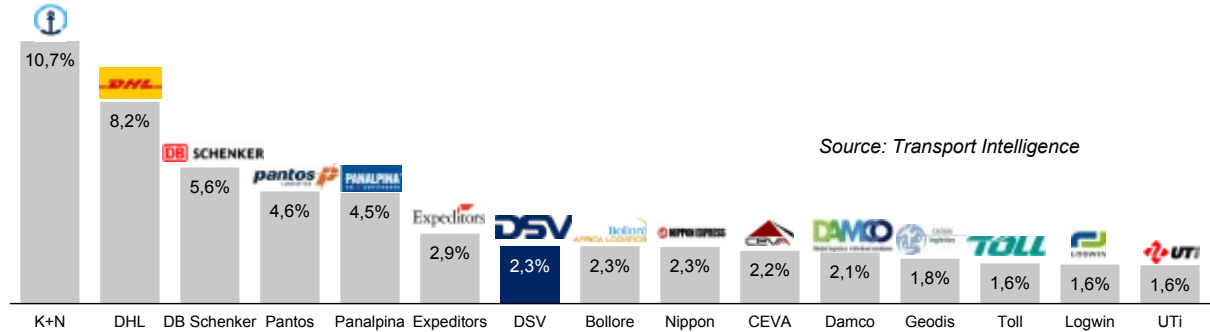
- 1 Competitive landscape
- 2 Market trends
- 3 Winning market shares
- 4 Challenges and opportunities
- 5 Financial performance
- 6 Financial targets 2018
- 7 Q&A

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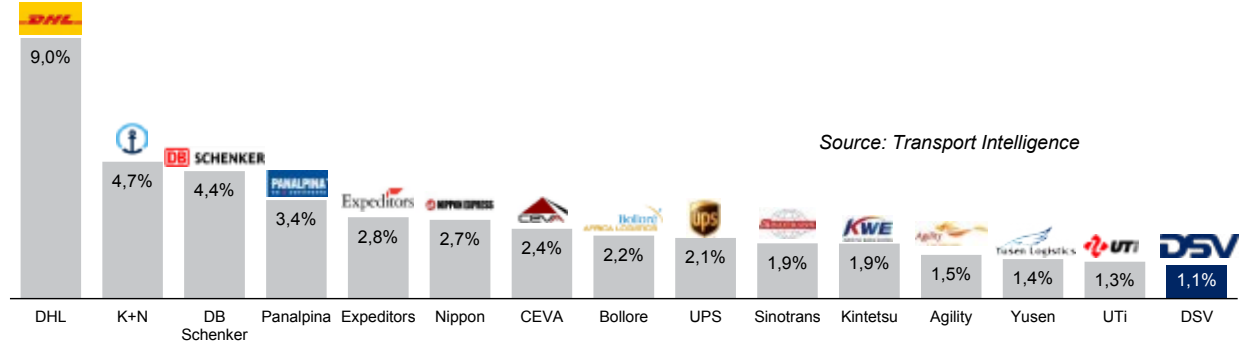
# Competitive landscape

– On average DSV is in top 10, measured on volume

## Market share – sea freight (TEU)



## Marketshare – air freight (tonnes)

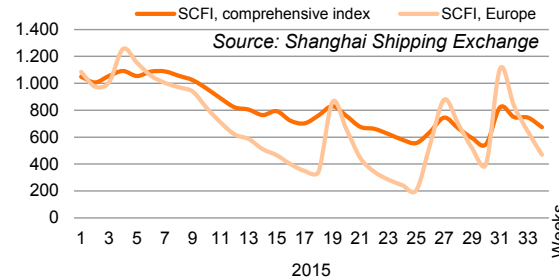


# Trends in the global freight forwarding market

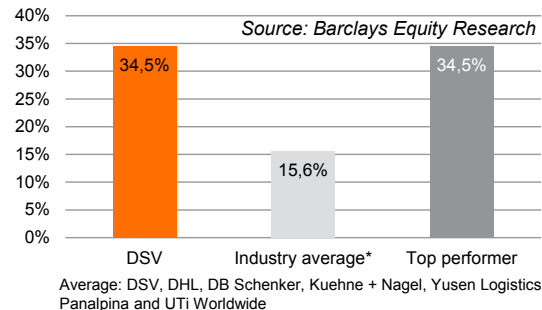
– it is volatile out there

- A competitive market with an ongoing commoditisation of “port to port” services
- Freight rates are volatile and there are reports of overcapacity among carriers
- The trend is spot rates and shorter contracts, or index linked contracts
- Alliances among container shipping lines – so far with limited impact on markets
- Complexity in supply chains, IT systems and regulation are increasing

## Volatile sea freight rates (dollar per TEU)



## Conversion ratio – benchmark (H1 2015)



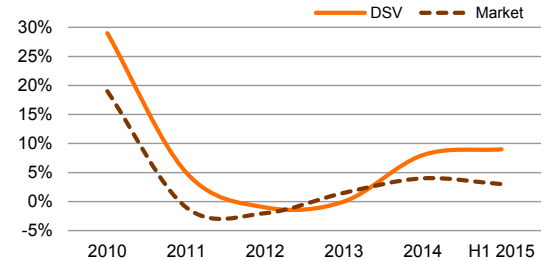
Notes

# Winning market share

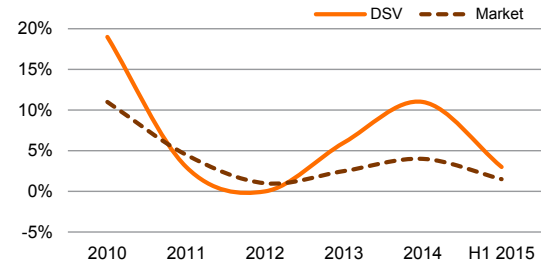
– where and why?

- Diversified growth across geographies, customer segments and customer sizes
- We offer local presence, decentralised decision power and personal service. Customers appreciate this
- We benefit from our IT platform, which has improved both internal productivity and service levels towards customers
- Boosted sales efforts both locally and centrally. Dedicated investments in automotive and aerospace sector

**DSV air freight volumes versus market (growth YoY)**

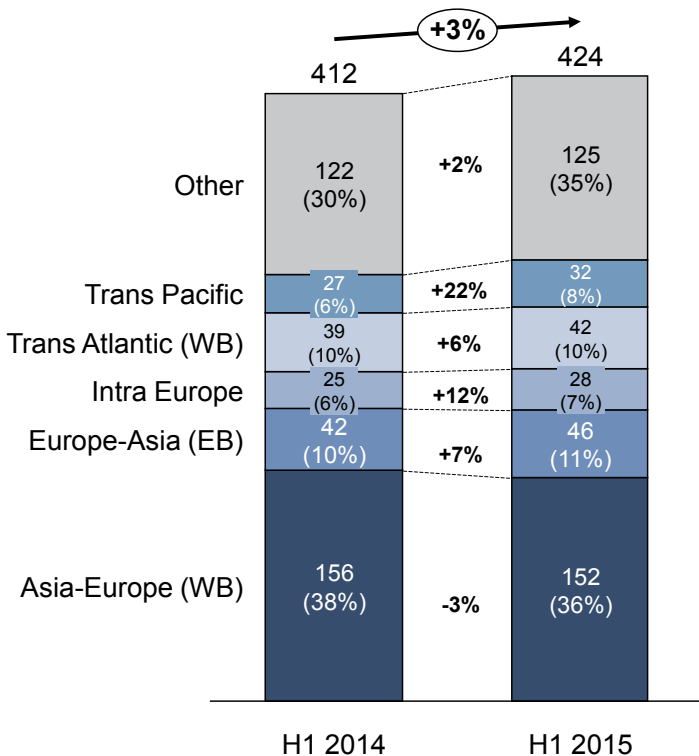


**DSV sea freight volumes versus market (growth YoY)**

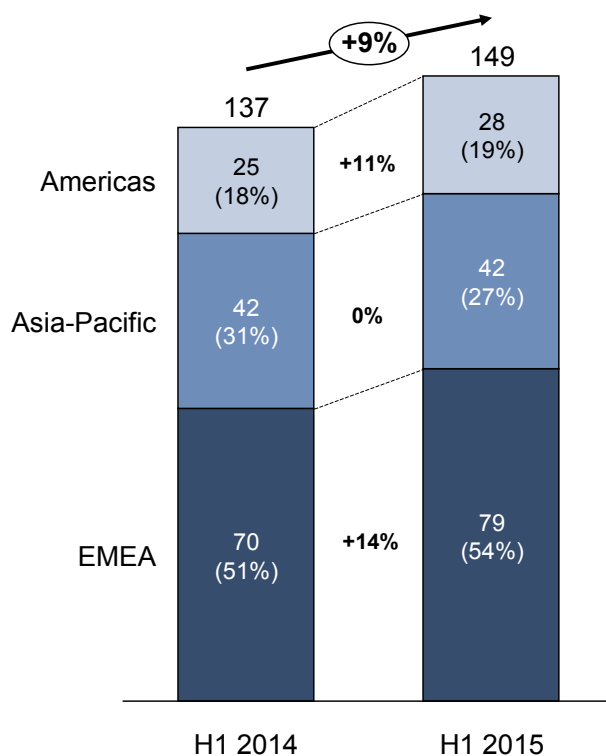


# Winning market shares – H1 2015 development

Sea freight, tradelane (1,000 TEU)



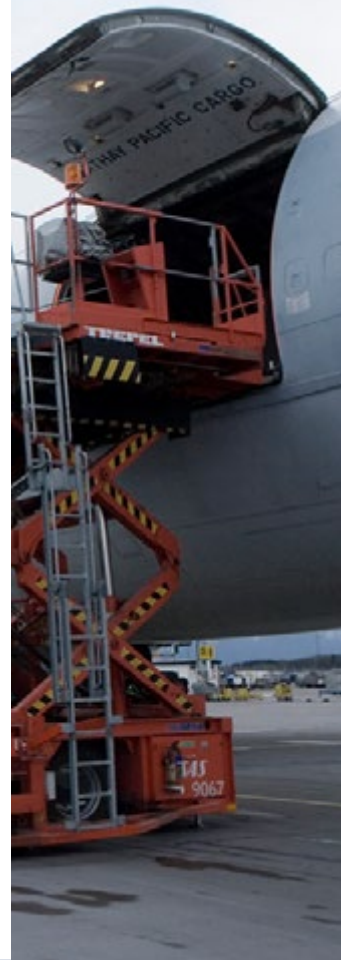
Air freight, export region (1,000 tonnes)



Notes

# Our key challenges and opportunities

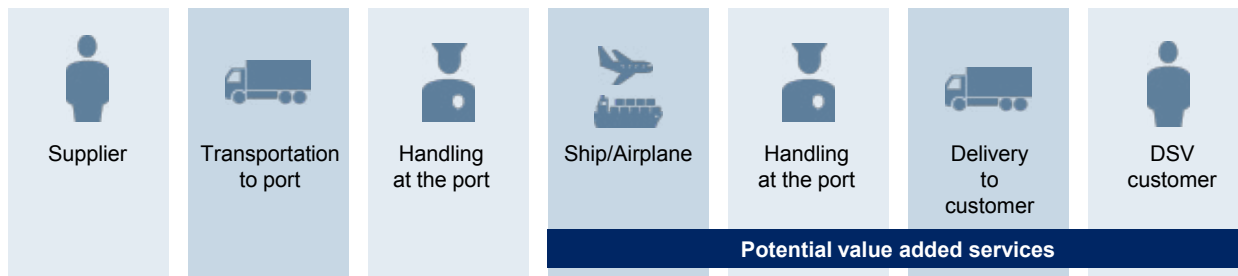
- We must continue to outperform the market
  - Not growth for the sake of growth, we target customers that fit well into DSV's setup
  - Being among the most efficient freight forwarders is key to winning market share
- Preserving our culture while we grow
  - Personal service
  - Lean and flexible organisation
  - Sales oriented and hands-on management
  - Standardised and efficient processes behind the scene
- Compensate for the commoditisation of “port to port” services
  - Increase value added services and continue to tap into the supply chain of our customers
- We will pursue attractive M&A opportunities



# Tapping into customers' supply chain

– we wish to add value for customers and business for DSV

## "The classic shipment" – delivery term: FOB (Free On Board)



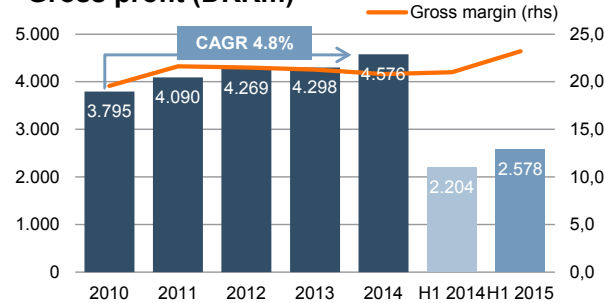
## "The perfect shipment" – delivery term: Ex-Works



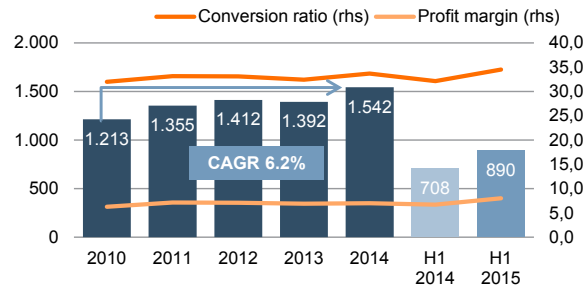
Notes

# Financial performance

## Gross profit (DKKm)



## EBIT before special items (DKKm)



## Comments

- Volume growth above market in most quarters and stable GP per unit throughout the period
- Low market growth, especially in 2011-2013
- Americas has been the strongest performing region – but all regions have achieved growth
- We have invested in the network through bolt-on M&A's and organic growth (Americas and Africa)
- New transport management system (IT platform) has supported productivity and improved KPI visibility

# Financial targets 2018

– we are already close

## Targets 2018

Conversion ratio  
**35%**

Profit margin  
**7-8%**

ROIC (pre tax)  
**25%**

## Status H1 2015

Conversion ratio  
**34.5%**

Profit margin  
**8.0%**

ROIC (pre tax)  
**25.9%**

## Comments

- Growth in gross profit will be the main driver for EBIT growth in the coming years
- We still see operational leverage opportunities driven by IT and process improvement
- Underperforming countries (mainly in Europe) have potential to improve
- Cost inflation in growth markets could increase

## Key takeaways

▶ We will continue to pursue growth

▶ Our global IT platform supports continued growth and productivity gains

▶ Financial targets are well within our reach

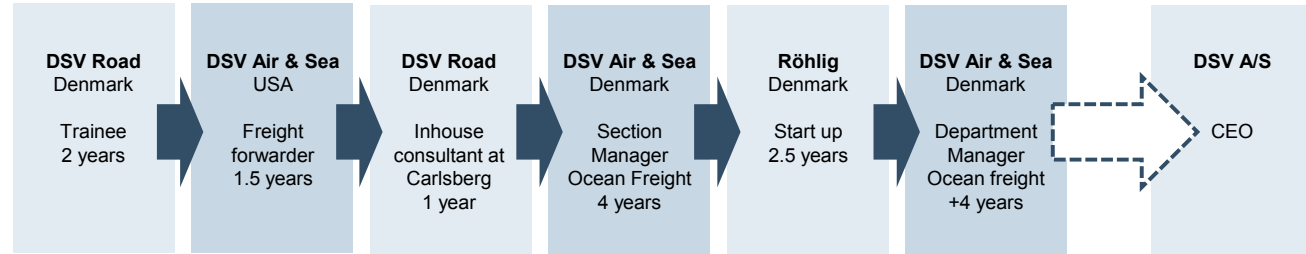
▶ The DSV culture thrives – and it is scalable

# IT case

*MORTEN LANDRY SØRENSEN*

# Morten Landry Sørensen, Dept. Manager, Ocean Freight

## Once DSV always DSV:



## Educational background:

- Leadership Programme (DSV) 2010-2013
- BSc. Business Administration, Innovation and Organisational Changes 2009-2013
- Certified Freight Forwarder (DSV) 2000-2002
- Business College 1997-2000

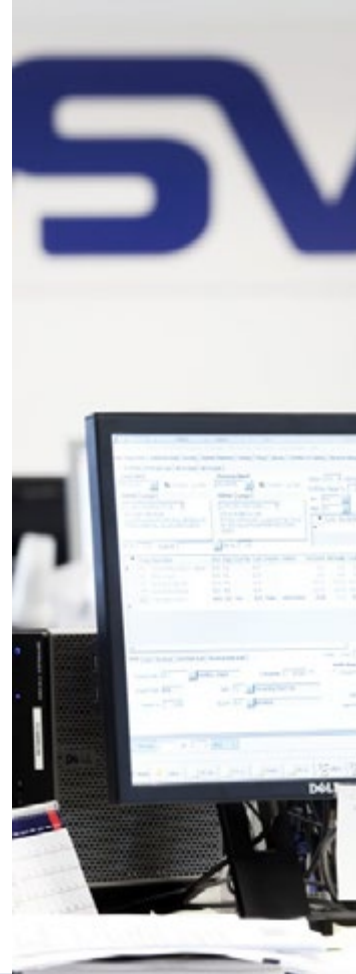
# Agenda

- 1 EDI Enterprise
- 2 Workflow of the freight forwarder
- 3 Value proposition for EDI Enterprise
- 4 P&L responsibility
- 5 Q&A

# EDI Enterprise

– one system to rule us all

- DSV Air & Sea has implemented a global transport management system to manage shipments from quote to delivery
- The system is used throughout the global organisation allowing full transparency
  - Rolled out from 2011- 2014
  - (Update to CargoWiseOne)
- Numerous advantages;
  - Full overview of the entire supply chain
  - Data interchange with customers
  - Partnership vs vendor-customer relationship
  - Increased efficiency – reusing of shipment data across network
  - Increased profitability through proactive customer service
  - Decreased churn



# Assisting the freight forwarder every step of the way

– allowing us to do what we do best



Booking received from customer/contact to customer's vendor



Booking of transport with carrier/airline



Notifying customer of ETD/ETA



Invoice sent to customer when shipment is booked



Handling of documentation, customs formalities etc.



Delivery

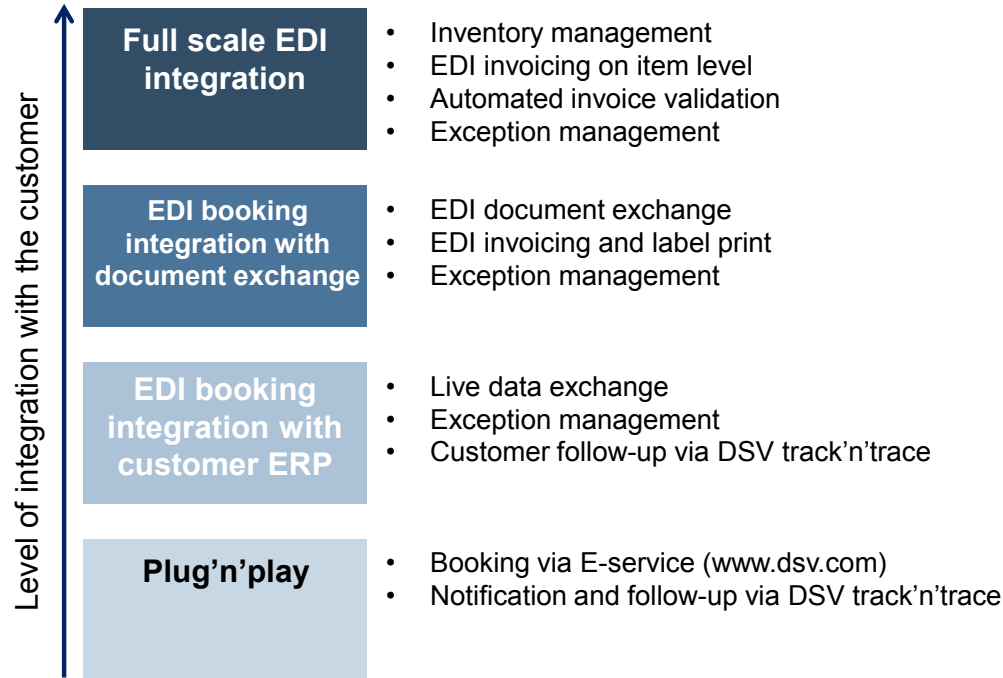


Controlling of profitability and closing of file

Track'n'trace and full supply chain visibility

# Value proposition for EDI Enterprise

– making freight forwarding easier, faster and better

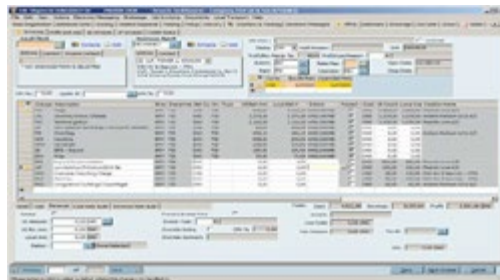


# P&L responsibility

– rigorous focus on profit

- Forwarders make all operational decisions and have full P&L responsibility:
  - Four layers of financial controlling to ensure focus and quality
- Status meetings on market developments every week discussing:
  - Market trends, preferred carriers, sales progress, planned meetings, tenders and upcoming events
- Follow-up meetings every six weeks with the individual freight forwarder discussing:
  - Key accounts
  - P&L on customer level
  - Pricing

## Example of profitability on a shipment



The screenshot displays a complex software interface for shipment profitability analysis. It features multiple tabs at the top, including 'Overview', 'Details', and 'Reports'. The main area contains a large table with numerous columns, likely representing different cost centers, revenue streams, and profit margins for a specific shipment. The interface is designed for detailed financial tracking and reporting.

## Example of financial controlling



The screenshot shows a spreadsheet used for financial controlling. It contains a table with columns for customer accounts, costs, and revenues. The data is organized into rows, with some rows highlighted in green and others in yellow. The spreadsheet provides a detailed view of the financial performance across different customer segments.



We move everything, including cars and motorcycles. Actually, DSV is among the leading logistics suppliers to the automotive industry.



# 1,900,000,000

Our trucks drive more than 1,900,000,000 km a year:  
That's 2,500 times the distance to the moon and back.

# ROAD

*SØREN SCHMIDT*

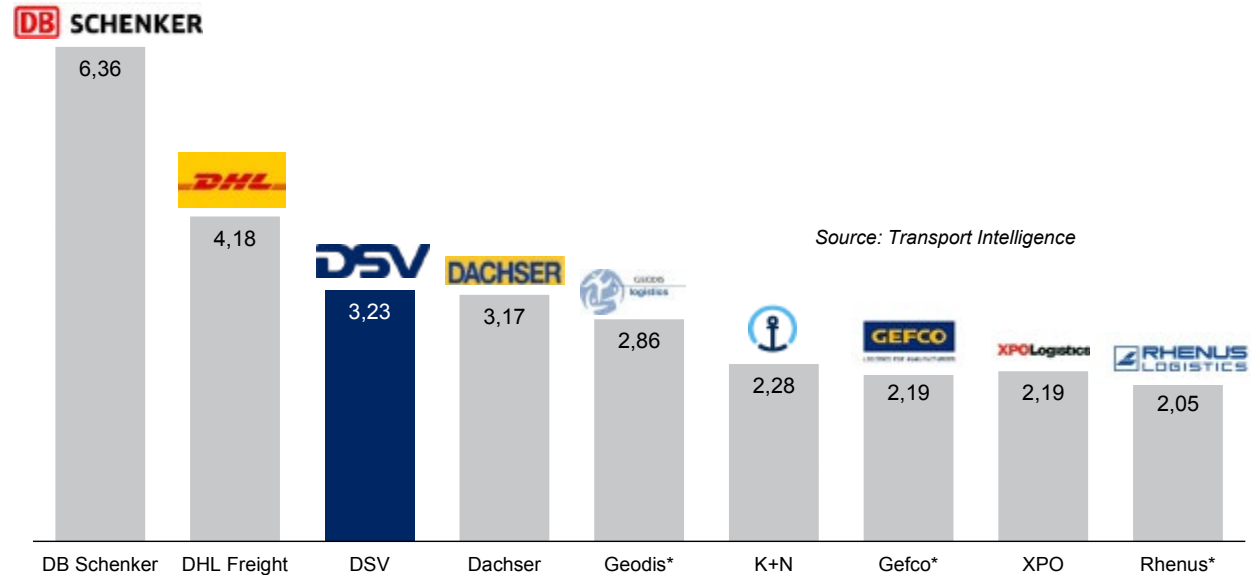
# Agenda

- 1 Competitive landscape
- 2 Market trends
- 3 Winning market shares
- 4 Challenges and opportunities
- 5 Financial performance
- 6 Financial targets 2018
- 7 Q&A

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# Competitive landscape in Europe

– numerous strong competitors (Revenue 2014, EUR billion)

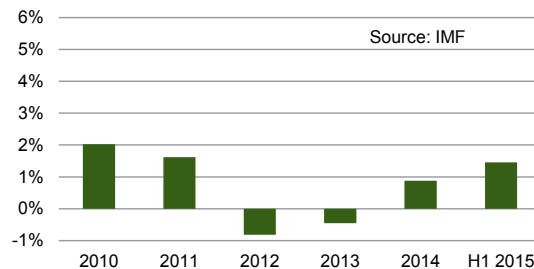


\*2013 numbers

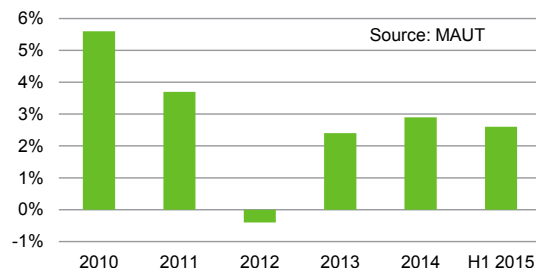
# Trends on the European road market

- Low market growth since 2008 – but with regional differences
  - Positive momentum in market indicators since 2014
- Price pressure from customers has lead to a decline in average gross profit per shipment
- New standards for services and reporting (pre-alert, exception reporting)
- CSR is high on the agenda – in some regions

**Euro area GDP (growth YoY)**



**German road tax, kilometres (growth YoY)**

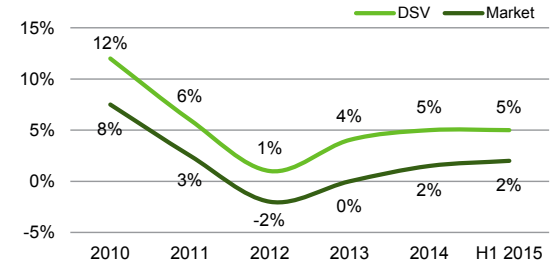


# Winning market share

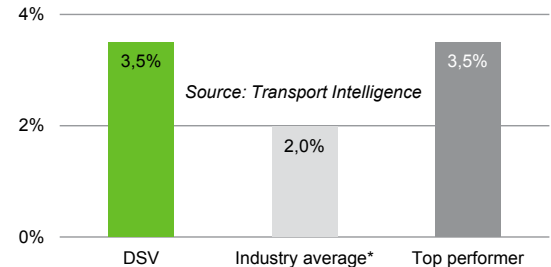
– where and why?

- DSV Road has one of the strongest networks in Europe – and we are among the most efficient operators
- Growth across most countries in Europe – we have increased sales efforts both locally and centrally through Global Accounts
- Our combined part load and groupage services are our flagship products
- We are constantly improving the quality of our services
- Local empowerment with P&L responsibility essential for ownership
  - Fast response
  - Prompt execution

## Volume growth (YoY)



## EBIT margin – European operators (2014)



Average: DSV, DHL, DB Schenker, Kuehne + Nagel and Norbert/XPO

# Our key challenges and opportunities

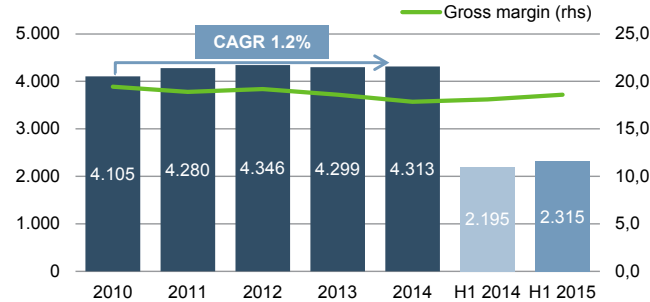
- We must continue to take market shares in a low growth market
- CargoLink (our current transport management system) is up for renewal
  - The first module of our new platform has been implemented
  - We have an experienced team and a thoroughly tested governance model
- Turn around the recent negative trend in the Nordic countries
  - Improve underperforming countries
- Continue to manage haulage capacity and volatility in rates and oil prices
  - Quarterly ups and downs may occur



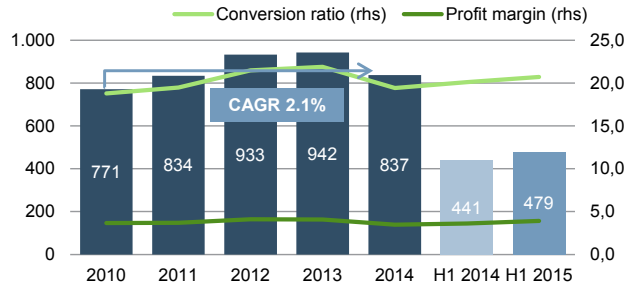
Notes

# Financial performance

## Gross profit (DKKm)



## EBIT before special items (DKKm)



## Comments

- Low market growth and price pressure from customers are the main reasons for moderate gross profit growth
- We have grown in verticals with lower average GP margin: Domestic distribution and Automotive
- Improved productivity and cost control have been the main drivers for growth in EBIT – including the two “Operational Excellence” programmes

# Financial targets 2018

– ambitious but still achievable

## Targets 2018

Conversion ratio  
**25%**

Profit margin  
**5%**

ROIC (pre tax)  
**25%**

## Status H1 2015

Conversion ratio  
**20.7%**

Profit margin  
**3.9%**

ROIC (pre tax)  
**27.6%**

## Comments

- Operational leverage will be an important driver to higher operating margins
- We need a minimum of 3% growth p.a. in gross profit
- CargoLink Way Forward is expected to drive up productivity gradually
- Improve profitability in underperforming countries
- ROIC is already at a satisfactory level

## Key takeaways



We expect to continue to take market shares



We have the potential to improve productivity and margins



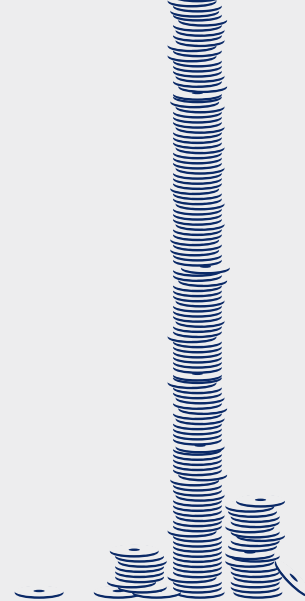
Cargolink Way Forward – step by step to a stronger platform



Strong return on invested capital



# 3,600,000



DSV's total data capacity is 2.5 Petabyte. That's 3.6 million CD's  
– or 270 million minutes, which translates to 513 years' worth  
of listening time. Or 6.3 billion times AC/DC's Back in Black.

IT

*JESPER RIIS*

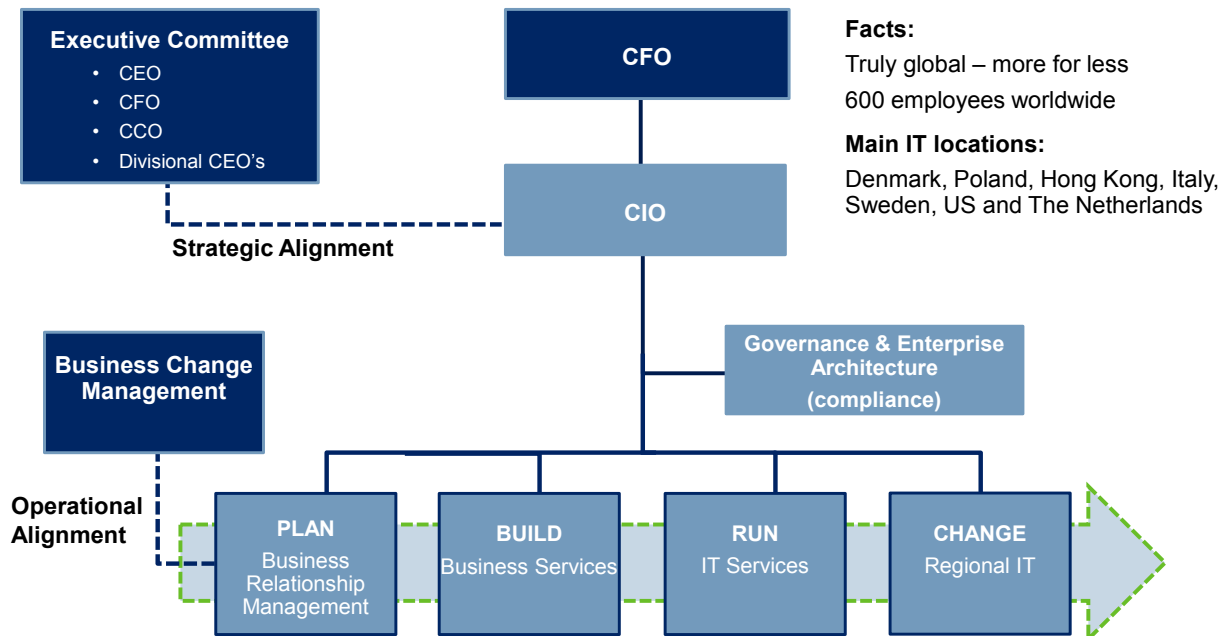
# Agenda

- 1 Organisational setup
- 2 IT spending
- 3 Scalable IT platforms
- 4 CargoLink Way Forward
- 5 Governance model
- 6 Key takeaways
- 7 Q&A

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# Organisational setup

– business driven IT



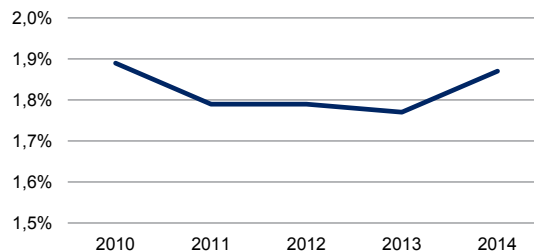
# IT spending

## – balanced investment approach

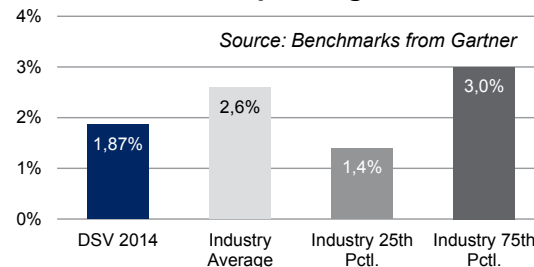
- We invest in IT to ensure best in class productivity
- IT spending is expected to be approx. 2% of revenue
- Balanced investment approach to get the right level of productivity at the lowest possible cost
- Consolidation of the IT landscape to ensure:
  - economies of scale
  - scalability to meet growth expectations

” If IT can remove one manual operation from the operating process, this will result in large savings due to the number of transactions ”

### IT spending - share of revenue (%)



### Benchmark on IT spending\*



\*Gartner definition of IT spend: Total IT spend, incl. IT investments, excl. depreciation

# Scalable IT platforms

– buy before make

TMS / WMS

DSV Air & Sea



DSV Road



DSV Solutions



Sales/  
Back office

CRM



Finance



Intranet



BI / Reporting



DSV.com



Integration

Customer integration



*Electronic data interchange (EDI)*

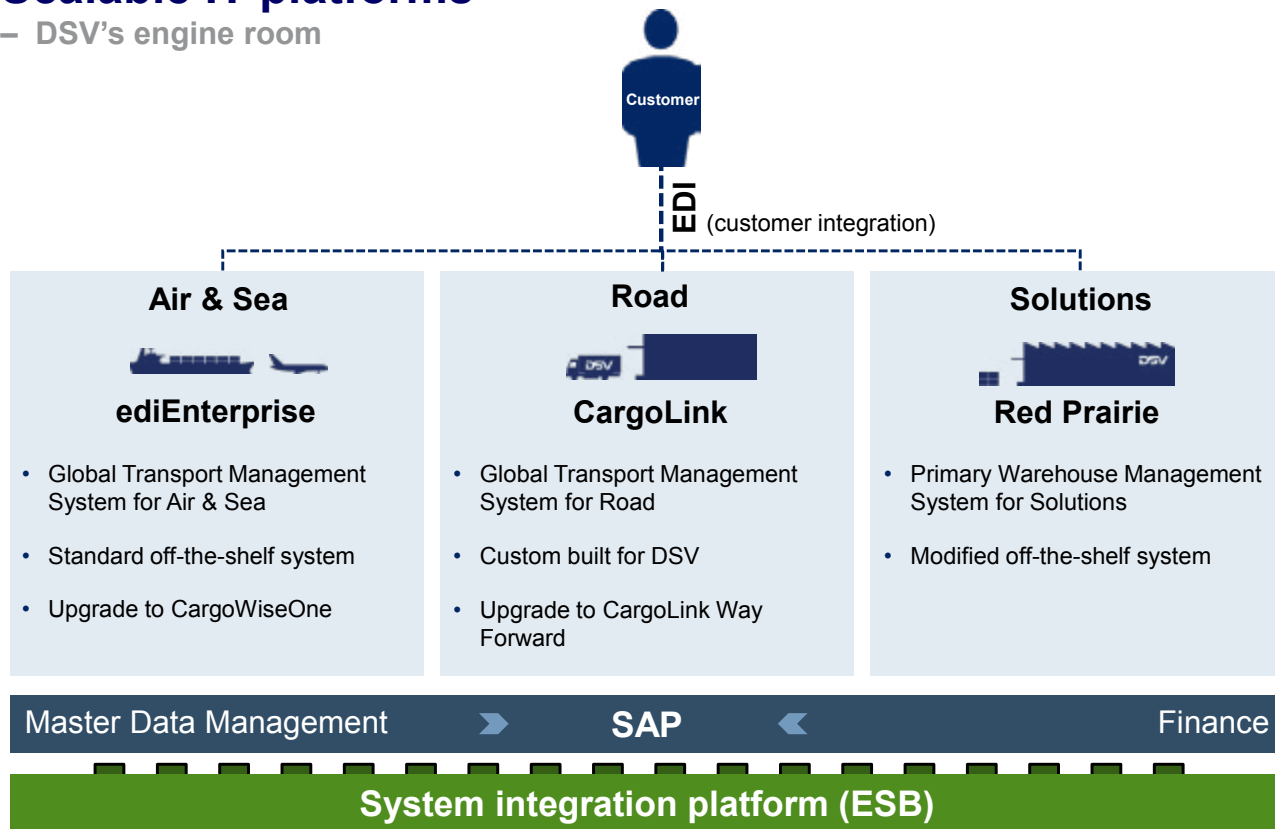
System integration



*Enterprise service bus (ESB)*

# Scalable IT platforms

– DSV's engine room

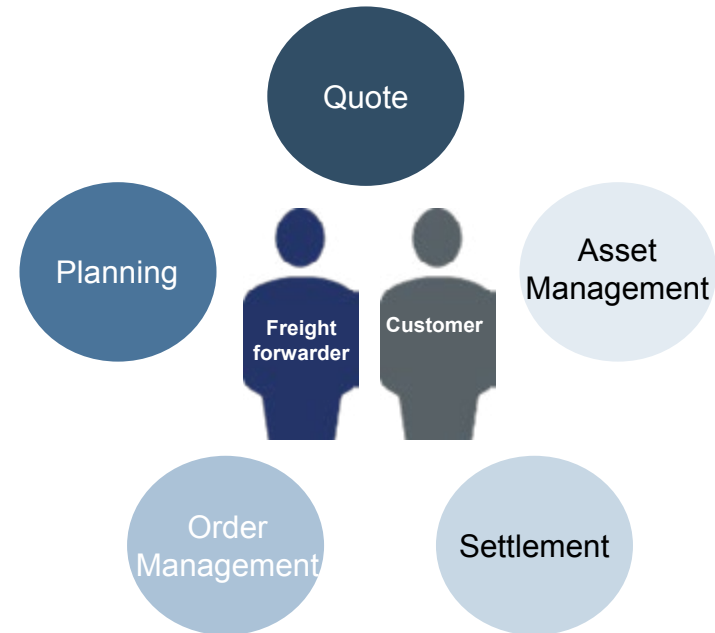


Notes

# CargoLink Way Forward

– new Transport Management System in Road

- We are replacing our legacy system CargoLink
- It will increase data quality, transparency and automation of processes
- The project consists of 5 streams (modules)
- Stepwise implementation
  - to lower risk
  - change capacity in the organisation
- Use of proven technology and methods through partnering with the best vendors where possible
- Project completion in 2018



# CargoLink Way Forward

## – strong governance model

- The governance structure for controlling the programme is a well known and proven method previously used for implementing ediEnterprise
  - Same project management team used for the ediEnterprise implementation
- Visible, close and active involvement from several members of the Executive Committee of DSV to steer the programme
- Every regional director in Road has a module for which he is the executive sponsor
- One standard solution for all countries without any exceptions



Notes

## Key takeaways

Business driven IT

Balanced investment approach to ensure the right level of productivity

Buy before make – strong and well-known IT vendors

Strong governance to deliver the right solutions at the right time

Continuously focus on improving, standardising and automating business processes

Ready for growth through cost-effective and scalable standard systems

An infographic with a central square containing vertical stripes and the number 50,000. To the left and right of this square are horizontal strips showing a top-down view of a road with several blue trucks. The entire graphic is set against a light gray background.

# 50,000

Our total warehouse capacity equals 50,000 fully loaded trucks. That's a 700 km long convoy.

# Solutions

*Brian Ejsing*

# Agenda

1 Contract logistics – the basics

2 Competitive landscape

3 Market trends

4 Winning market shares

5 Challenges and opportunities

6 Financial performance

7 Financial targets 2018

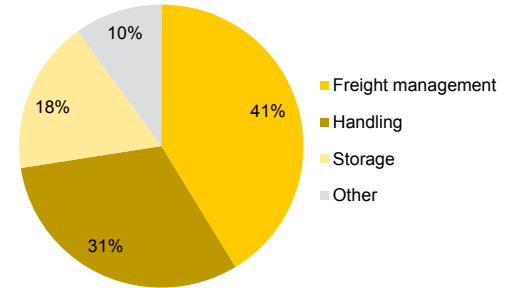
8 Q&A

Notes

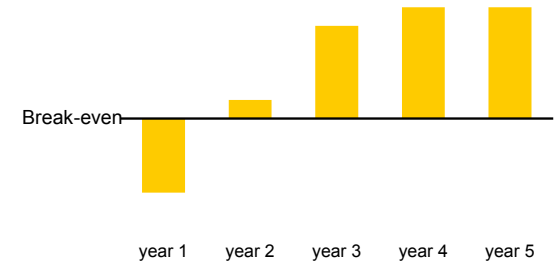
# Contract logistics – the basics

- DSV Solutions creates competitive advantages for customers by designing, optimising and executing efficient supply chain solutions
  - Storage (warehousing)
  - Handling
  - Freight management
- "Contract logistics is 125% IT driven"
- High quality demands (99,9%)
- Contract periods vary from 3-10 years
  - Depending on complexity and start-up investments
  - Start-up costs include IT integration and physical movement of the cargo
- Typically, the first year of a contract is not profitable

**DSV Solutions' activity split on revenue**

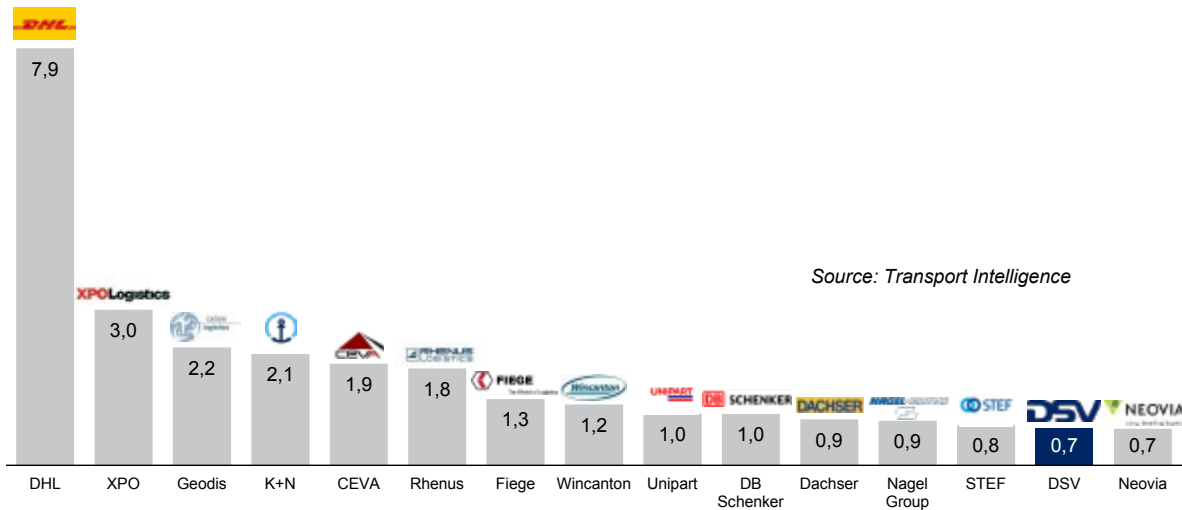


**Profitability development for a typical contract**



# Competitive landscape

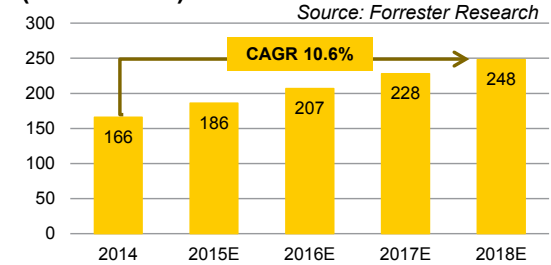
– top 15 European contract logistics providers (Revenue 2014, EUR billion)



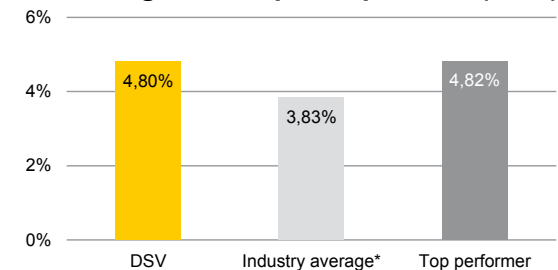
# Trends in the contract logistics market

- Low market growth in Europe
- Overcapacity in especially Western Europe creates pressure on revenue
- Customers request shorter contract terms
- Customers want standardised solutions in order to enable them to swiftly change contract logistics service provider
- Commoditisation of storage and handling
- E-fulfilment services is increasingly required by customers
- Customers require multiple warehouses in Europe

**European E-commerce – sales forecast (EUR billion)**



**EBIT margin – European operators (2014)**



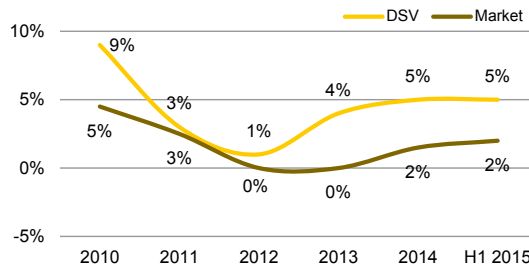
\*Industry average: DSV, DHL, Schenker, Kuehne + Nagel, Norbert/XPO, Wincanton, Unipart and STEF

# Winning market shares

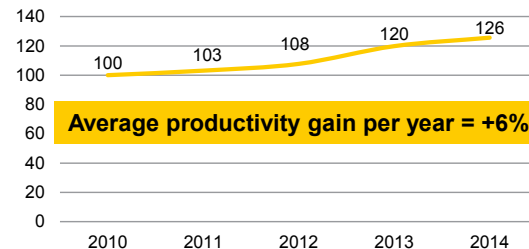
– where and why?

- New warehouses in strategic locations
  - For example in Germany (80,000 m2), Sweden (50,000 m2), The Netherlands (30,000 m2), UK (40,000 m2), Denmark (20,000 m2), China (80,000 m2)
- Expansion into new geographical markets
  - US, Australia, Japan, Dubai, Thailand, Singapore
- Dedicated sales efforts and strong account management
- Growing into new customer segments
  - E-commerce, healthcare and aerospace
- Improved cross-selling – one DSV
- Growth with successful customers like Tiger – also outside Europe

## Volume growth (YoY)



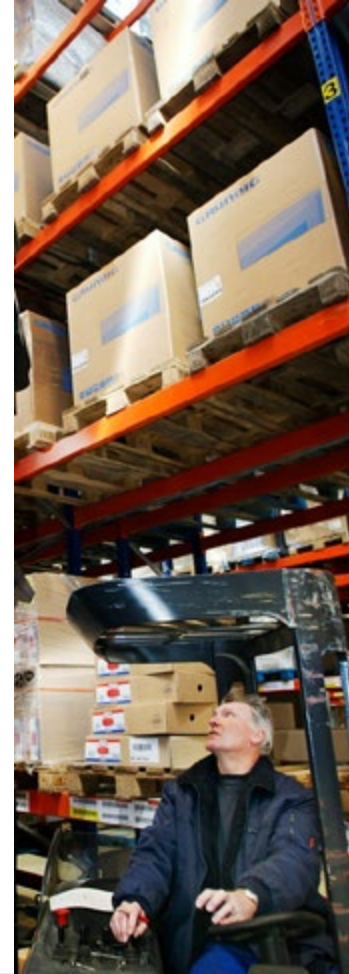
## Order lines per employee (2010 = index 100)



Notes

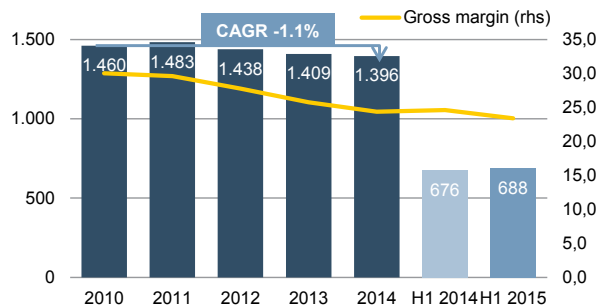
# Our key challenges and opportunities

- Increasing demand for industry specific services
  - Specialism vs standardisation and best practice
- Productivity increase must be higher than 5% per year to protect gross profit
  - Best practice programme
  - IT alignment
- Balancing shorter contract periods with profitability
  - Standardisation of processes and implementation of new customer contracts
- E-commerce process is different to standard product
  - Smaller orders = less turnover per order
  - High peaks e.g. Black Friday
- Increase footprint outside Europe

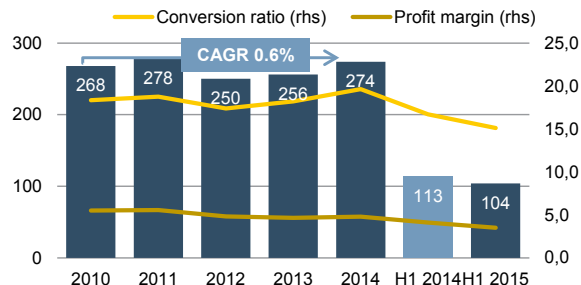


# Financial performance

## Gross profit (DKKm)



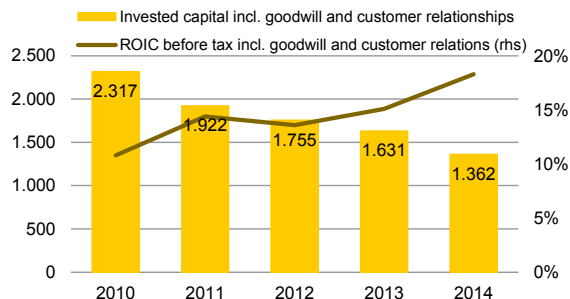
## EBIT before special items (DKKm)



## Comments

- The market has been characterised by overcapacity leading to price pressure
- We have consolidated sites to achieve operational leverage and adjust capacity (Part of operational excellence programmes)
- Leasing costs have increased during the 5-year period (sale and lease back)

## Invested capital (DKKm)



Notes

# Financial targets 2018

– quite ambitious

## Targets 2018

Conversion ratio

25%

Profit margin

7%

ROIC (pre tax)

20%

## Status H1 2015

Conversion ratio

15.1%

Profit margin

3.5%

ROIC (pre tax)

16.0%

## Comments

- Operational leverage will be an important driver to higher operating margins
- Improve utilisation of capacity with the right type of customers
- Migration to one WMS will improve efficiency
- Implementation of new contracts – best practice
- Amortisation on customer relationships will run out and lift profit margin by 0.5% and conversion ratio by 2.0%

## Key takeaways


Standardised IT and workflow will drive future margin improvements

Multi-user facilities in strategic locations will drive operational leverage and cross-selling

More exposure towards high-growth countries via customer driven expansion outside Europe

Financial performance among the best in Europe

Notes

An aerial photograph of a large industrial and logistics complex. The main feature is a massive, long warehouse with a white, ribbed metal roof. To its right is another large building, possibly a terminal or another warehouse. In the center, there is a multi-story office building with a flat roof. A large parking lot filled with cars is situated in front of the office building. Numerous semi-trucks are parked along the sides of the warehouse and in a designated truck parking area on the right. The surrounding area includes some green grass and a road with traffic.

Krefeld in Germany is one of DSV's largest logistics centres, second only to Landskrona in Sweden. The 168,000 m<sup>2</sup> plot of land is home to all three divisions – an office building of 6,700 m<sup>2</sup>, a terminal of 12,000 m<sup>2</sup> and a warehouse of 50,000 m<sup>2</sup>. "It's big and beautiful" claim the architects.

# Commercial update

*RENÉ FALCH OLESEN*

# Agenda

- 1 The world we live in – customer and market trends
- 2 Update on DSV's commercial organisation
- 3 Customer Dialogue Programme
- 4 Digital Strategy
- 5 Q&A
- 6 Introducing customer case - Zebra/Tiger

# The world we live in

– industry and technology trends fuel higher expectations and more demand

## Customer and market trends:

- Demand for value added services and holistic supply chain solutions
- Need for transparent and traceable supply chains
- Acceleration of supply chains
- Emerging technologies drive new business models
- Digitalisation of businesses



Notes

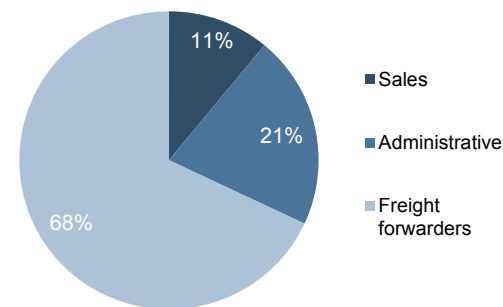
# Update from DSV's commercial organisation

– 11% of DSV's white-collar employees are working in sales

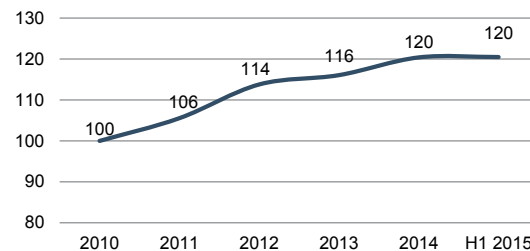
## Increasing focus on our commercial approach

- Customer Segmentation
- Global Account Management
- Customer Dialogue Programme
- Digital Strategy
- Supply Chain Innovation
- Business Innovation
- Product Development
- Global Marketing

## White collar employees



## Sales personnel (2010 = index 100)



# Customer Dialogue Programme – a strategic initiative

– supporting organic growth by increased focus on our existing customers

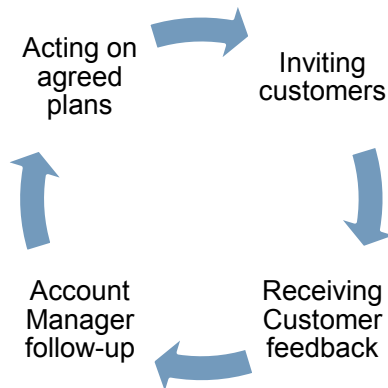
## Facts:

- Implemented in 16 DSV countries by the end of 2015, covering 90% of Group turnover
- 3,000 SME customers out of 8,000 targeted have been involved at this stage
- 4,300 contacts have provided DSV with feedback

## Key Findings:

- Our growth with loyal customers are more than double of the average DSV customer
- A successful customer dialogue creates an increase of 15 p.p. in customer loyalty
- Improvement in DSV Group Customer Loyalty since Q1 2015

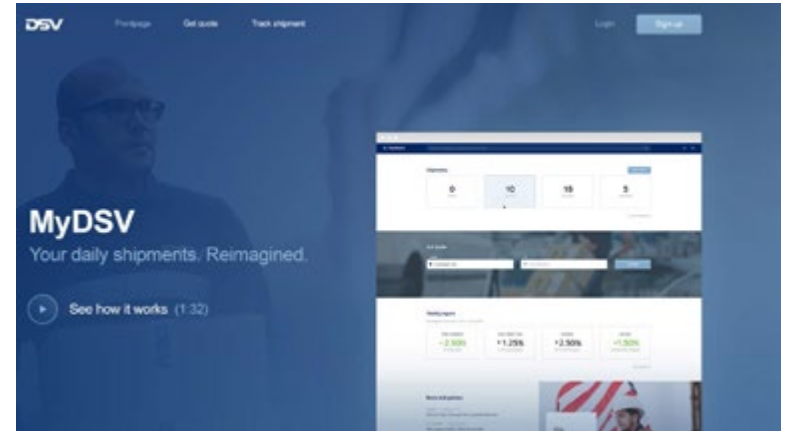
## Customer Dialogue Programme



# Digital Strategy

– SALES / MYDSV / ENGAGEMENT / TRAINING / MARKETING / RECRUITMENT

- DSV.com/country sites
- myDSV: Self service for customers
- eBooking (15,000 bookings/day, 30,000 active customers)
- Track'n'trace
- Lead management




*Convenience ranks as the most important factor for B2B users when purchasing products and services*

*- Forrester Research, 2014*

## Key takeaways



A structured approach to sales



Growth through focus on existing customers as well



Digital approach to logistics

Notes

## Introducing Zebra



Notes

# Partnering with Tiger



Let's talk business



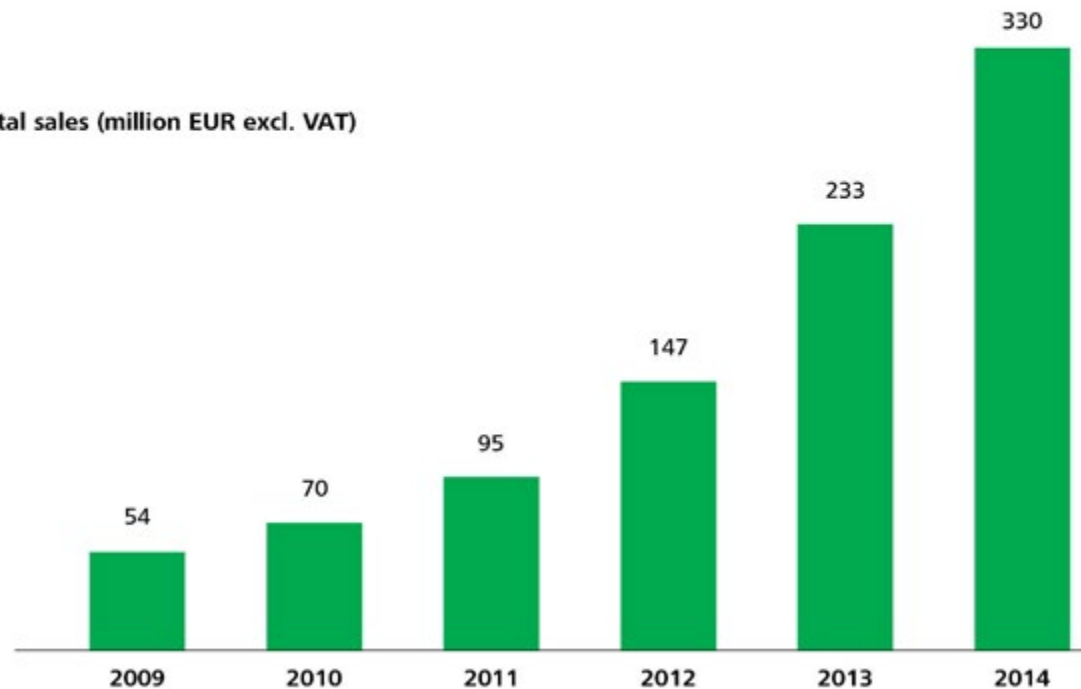
# We're out to conquer the world

And make it better. The first Tiger store opened in Copenhagen in 1995. Today we're a successful international chain of variety stores with close to 500 shops in Europe and Asia. We're growing fast and our results are strong. Our vision is to give people more of the good stuff in life. A little more fun. A little more love. And we need you to make it happen in your market.



# How we've grown

Total sales (million EUR excl. VAT)



# 2014 highlights

## Revenue growth

**44%**

DKK 2,464 million

## Profit growth

Before special items  
after tax

**50%**

DKK 196 million

## EDITDA growth

Before special items

**50%**

DKK 364 million



# Markets and stores

- Existing markets 2013
- New markets 2014
- Total number of stores 2014 (Net new stores 2014)



# This is how we grow

We're not a franchise operation. We grow Tiger via joint venture partnerships with local partners. We put up half and you put up the other half. We share the costs and we share the profits.

## Partner Model

- A local limited company is established, which is owned 50% by Zebra and 50% by the local partner
- Assigned partner territories can be a country, a region or a large city
- The partnership is regulated by a Shareholder's Agreement, Co-operation Agreement and a Trademark and Know-how Licence Agreement
- The local Tiger store sells only goods bought from Zebra at cost price plus a 25% handling fee



# Our customers are always on our minds

When we pick things out for our stores, we always stop and ask ourselves: What will it give them? A smile? A sigh? A revelation? Will it tickle their funny bone? Their curiosity? Their toes? People shop with their hearts. And we put our hearts into all our products. This is what our customers bring home. And this is what makes Tiger successful.



# Our prices are round

We started out as a 10-kroner shop. Today we're a Danish design store with a quirky, ever-changing selection of products at a wider range of prices. Our prices are still round to keep things simple for our customers. We also like to surprise people with the terrific things they can buy for as little as 10 kroner, 100 yen or 1 Euro. On the other hand, we don't shout about our prices. The discreet price signs and the branded products on our shelves speak for themselves.



# Our products are fit for a queen

They're stylish, colourful, practical, original, surprising and occasionally just plain silly. They have a Scandinavian flavour and a humorous touch. They're own-branded. And they're surprisingly affordable. This one just won a diplome at Design Annual Competition by Communication Arts 2015 and a Golden Hammer award



Design Annual Competition  
by Communication Arts



Golden Hammer award





Tiger shops are all located on main squares, on busy pedestrian streets or in popular shopping centers. They're typically between 200 and 300 m<sup>2</sup>.



## OUR SHOPS



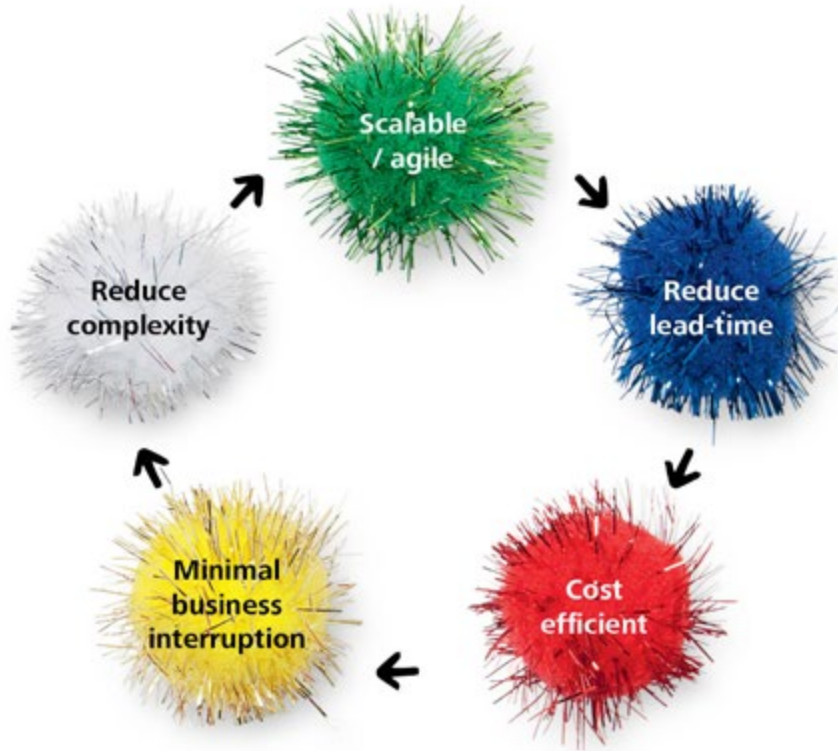
Notes

# What does all of this mean for zebra logistics....

- Global expansion (this year US, France, Slovenia.....)
- EQT (equity owned)
- Lead-time is important (maybe)
- Campaigns substantial % of sales (22 campaigns a year)
- 80 % of flows from China (6 – 7 months of lead-time)
- A new shop = 100-150 more pallets on stock
- 200.000 pallets out to stores this year
- Pull is king
- + 300 new SKU's every month
- 40 % of sales in Q4



# Transferred into objectives



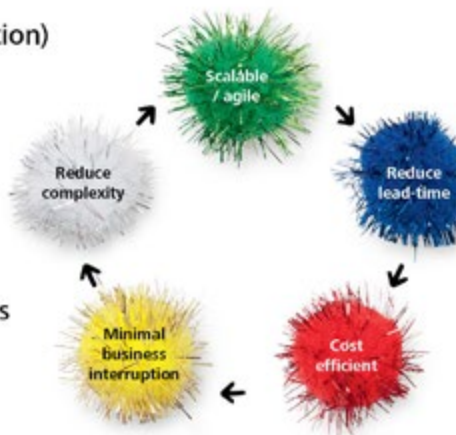
# We went looking for passionate partners

It's all about believing



# What and why with DSV

- Global account management and operational excellence “for free”
- Right price bench-marked against competition, internal and expert bench-mark
- Exceptional scalable solution in Europe
- Global blue print / process
- Global operational implementation team (plug and play solution)
- One WMS in all global strategic locations
- Utilize the scale of DSV (currently in 70 countries)
- Global cost template
- Cultural fit
- Bigger fish in a smaller sea
- Top management attention
- Access to best in class “brains”
  - we pay for their hours but we get the gain if doing changes
- Low minimum commitment when opening up new local warehouses if needed
- Same IT team when implementing new sites



# Is it then a passionate relationship?





Thanks for your time

**TIGER**  
tiger-stores.com





Alex Herrero is one of DSV's distribution drivers in Spain. Here, he's pictured at work in the early morning hours making deliveries to the Olympic Port area in Barcelona.

# By the numbers

*JENS LUND*

# Agenda

- 1 Capital structure
- 2 CAPEX
- 3 Amortisation on customer relationships
- 4 Operational leasing – potential IFRS changes
- 5 International shared service centre - status
- 6 Q&A

# Capital structure

## – the overall targets

The overall targets set for our capital structure ensure:

- Sufficient financial flexibility to meet DSV's strategic objectives
- A solid financial structure to maximise the return on invested capital

We monitor and evaluate the target levels for the capital structure on an ongoing basis.

In recent years, it has become increasingly difficult to get full tax relief on interest costs. This is a general international trend affecting all companies, and unfortunately there are no signs that the situation will change for the better. This makes debt-funding less attractive and could eventually have an impact on DSV's optimal capital structure.



Notes

# Capital structure and capital allocation

– target around 2 x EBITDA

## Target for financial gearing (NIBD/EBITDA)

- Target: around 2.0 x EBITDA before special items
- Gearing ratio may exceed this level in periods with M&A activity
- Gearing ratio may be impacted by new IFRS regulation (operational leasing)

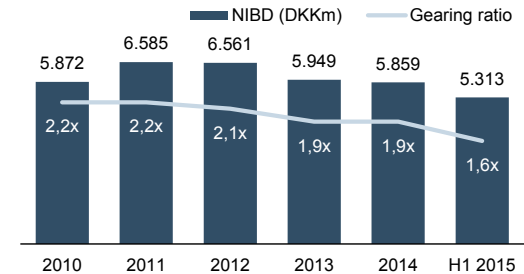
## Funding

- Currently 50% bank debt and 50% corporate bonds
- Average duration of long term credit facilities: 4.7 years

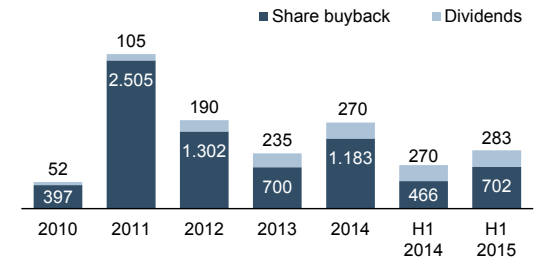
## Share buyback and dividend

- We primarily use share buyback to adjust the capital structure
- Share buyback is announced on quarterly basis
- We aim to ensure that dividend develops in line with the consolidated earnings (2014: DKK 1.60 per share)

## Financial gearing (NIBD/EBITDA)



## Allocation to shareholders (DKKm)

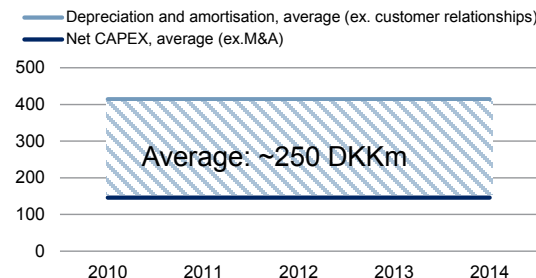


# CAPEX

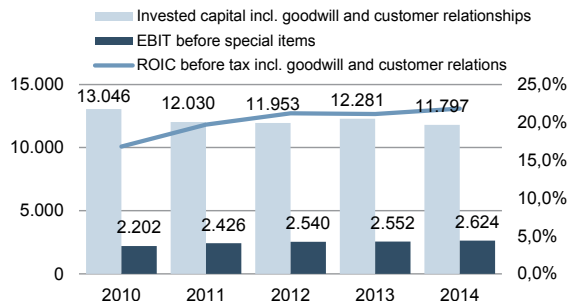
## – underinvesting depreciations

- DSV has historically underinvested depreciations, primarily due to divestments of land and buildings
  - We have the potential for further divestments of property
- Investments in DSV should be seen as a **net** amount. Divestment or sale and lease back transactions are part of the asset light strategy
- Generally, we do not invest in land and buildings, however, in connection with property projects, we do occasionally tie up funds temporarily
- IT software is a significant part of CAPEX

### Net capital expenditure (2010-2014)



### Invested capital (DKKm)



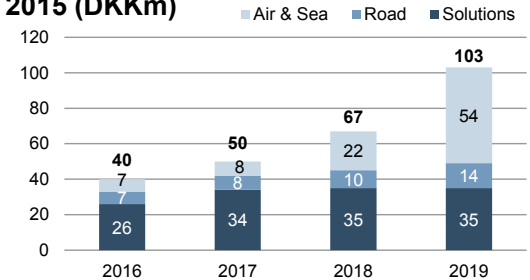
Notes

# Amortisation on customer relationships

– gradually fading out from 2016-2018

- Customer relationships are mainly related to the acquisitions of Frans Maas (2006) and ABX Logistics (2008)
- Amortisation over a straight-line period of 10 years
- Currently, the yearly amortisation amounts to approx 110-120 DKKm, but this will gradually decrease in the period 2016-2018
- The residual of approximately 10 DKKm will expire between 2019-2023

**Estimated accumulated impact compared to 2015 (DKKm)**



# Operational Leasing

– recognition in balance sheet?

DSV leases buildings (terminals, warehouses and offices) and equipment (trailers, forklift-trucks etc.) on operational leasing terms.

This is in line with our asset light strategy:

- Low invested capital
- Flexible operational capacity and cost base
- We are only “slaves of the assets” for a limited period
- No free lunch: We pay a premium to achieve these advantages

IFRS is underway with changes to existing accounting standards

- This could mean that operational leases move from off-balance into the balance sheet
- The changes may come into effect from 2018 – this will be addressed by IFRS before the end of 2015



Notes

# Estimated effect on financial gearing

– if operational gearing is recognised in balance sheet

DKKkm	2012	2013	2014
Reported EBITDA	3,074	3,052	3,145
Operational leasing costs in P&L reversed:			
- Land and buildings	1,116	1,140	1,232
- Other plant and operating equipment	564	558	604
<b>Adjusted EBITDA</b>	<b>4,754</b>	<b>4,750</b>	<b>4,981</b>
Net interest bearing debt (NIBD)	6,561	5,949	5,859
Leasing obligations:			
- Land and buildings	4,907	5,915	5,528
- Other plant and operating equipment	902	1,037	1,155
<b>Adjusted NIBD</b>	<b>12,370</b>	<b>12,901</b>	<b>12,542</b>
Reported financial gearing	2.1	1.9	1.9
<b>Adjusted financial gearing</b>	<b>2.6</b>	<b>2.7</b>	<b>2.5</b>
<b>Average term of leasing obligations (years)</b>			
- Land and buildings	4	4	4
- Other plant and operating equipment	< 2	< 2	< 2

- Potential changes to IFRS will not impact DSV's cooperation with the banks. The loan agreements allow for changes for consistency reasons.

## Impact on selected reported numbers

### Income statement

- ↑ Gross Profit
- ↑ EBITDA
- ↑ Depreciations
- ↑ EBIT
- ↑ Finance cost
- ↔ No major change in profit before tax

### Balance sheet

- ↑ Non current assets
- ↑ Financial liabilities
- ↑ NIBD
- ↑ Invested Capital
- ↔ Equity

### Cash Flow statement

- ↔ No change in total cash flow

- ↑ Conversion Ratio
- ↓ ROIC

# Financial costs and corporate tax

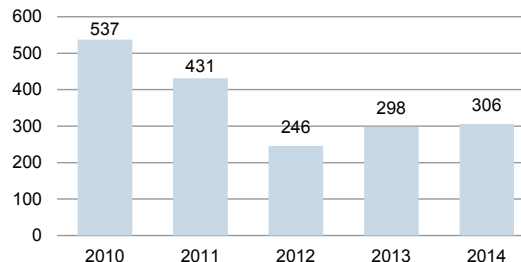
## Financial items

- We guide on net financial costs – DKK 300 million in 2015
  - Interest costs on bank debt and corporate bonds (effective interest rate just above 3%)
  - Interest on pension obligations (35 million in 2014)
  - Guarantee provisions and other costs (~25 mDKK)
  - Currency translation adjustments +/-

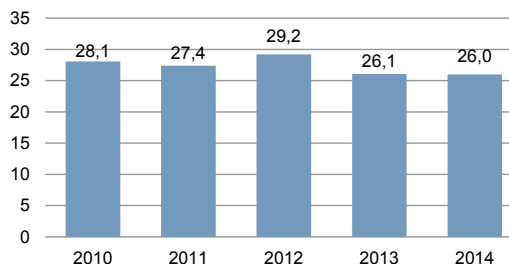
## Corporate tax

- We guide 25% effective tax rate for 2015
- This is also the expected level in the coming years
  - Changes in earnings mix can impact the effective tax rate
  - Corporate tax rates in US, China and Italy are around 40%

Net financial costs 2010-2014 (DKKm)



Effective tax rate 2010-2014 (%)

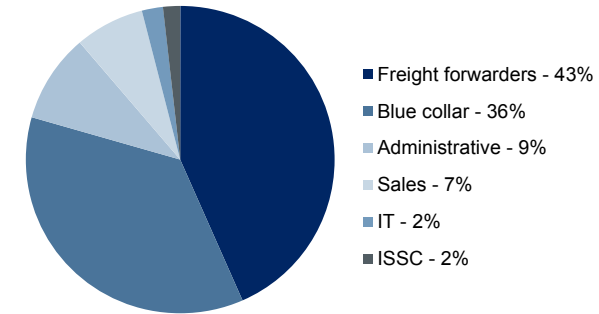


# International Shared Service Centre

– supporting operational excellence

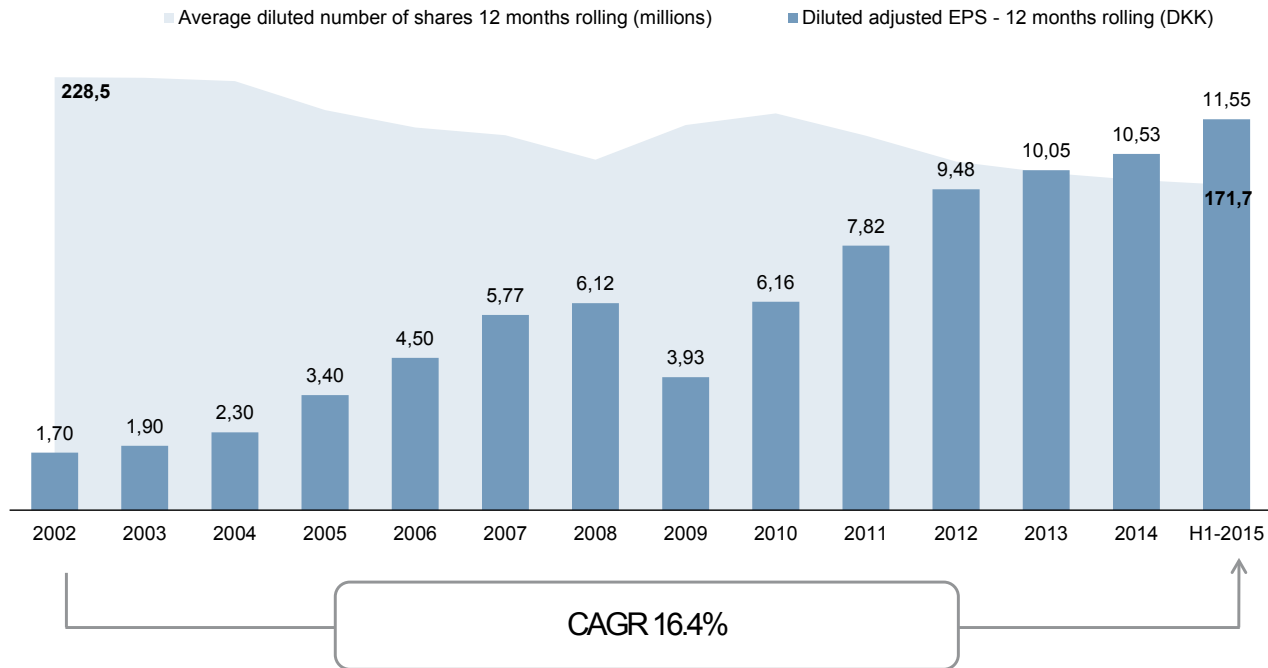
- DSV's International Shared Service Centre in Warsaw, Poland, now employs 400 skilled employees in the following main areas
  - Finance
  - IT
  - Claims handling
  - Business processes
  - Legal, compliance
- Our experiences so far are positive; we have obtained the expected cost synergies
- We see further potential for centralisation and regionalisation
- Striking a balance between centralising and the right degree of local empowerment

Employee split



# Earnings per share (diluted, adjusted)

– remember to adjust number of shares



Notes

## Key takeaways

- ▶ Target for financial gearing 2 x EBITDA
- ▶ A history of underinvesting depreciations
- ▶ Potential changes to accounting principles for operational leasing
- ▶ The search for operational excellence continues



Global Transport and Logistics

Thank you

**DSV Capital Markets Day 2015**

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