



# Analyst conference call on the interim results January to June 2020

Hamburg, 12 August 2020

# Agenda

## 01 The historical shut-down in 2Q20

Angela Titzrath, CEO

## 02 Business development in H1 2020

Angela Titzrath, CEO

## 03 Financial performance in H1 2020

Dr. Roland Lappin, CFO

## 04 Business forecast for 2020

Angela Titzrath, CEO

## 05 Questions & answers

Angela Titzrath, CEO

Dr. Roland Lappin, CFO

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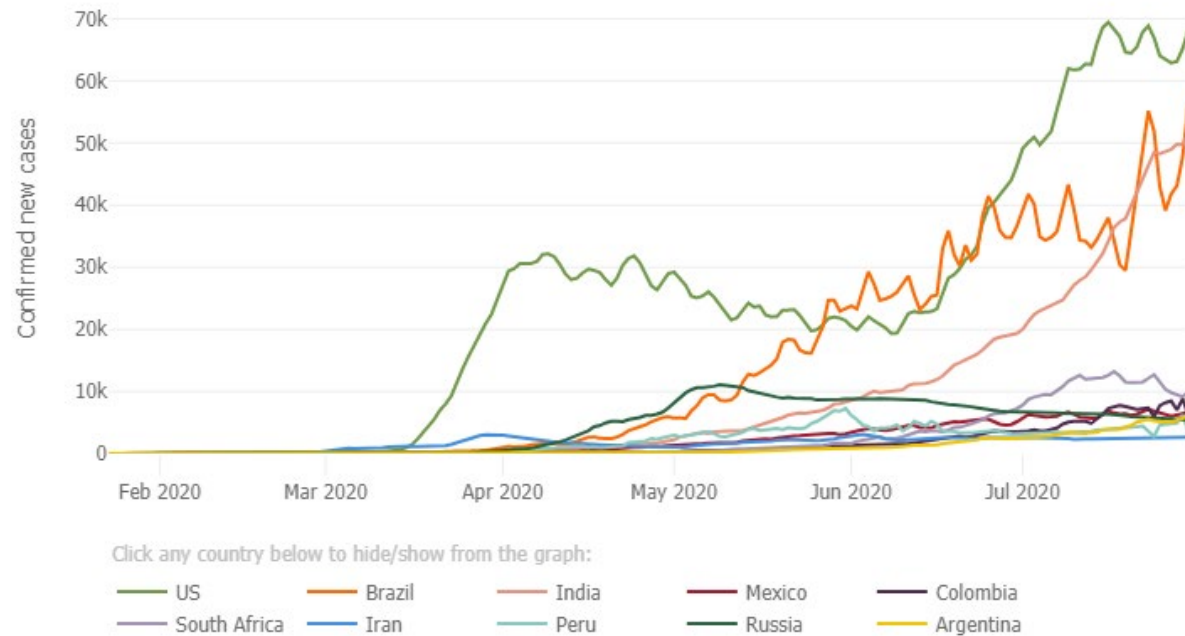
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# Economic and social life largely shut down in Q2 2020

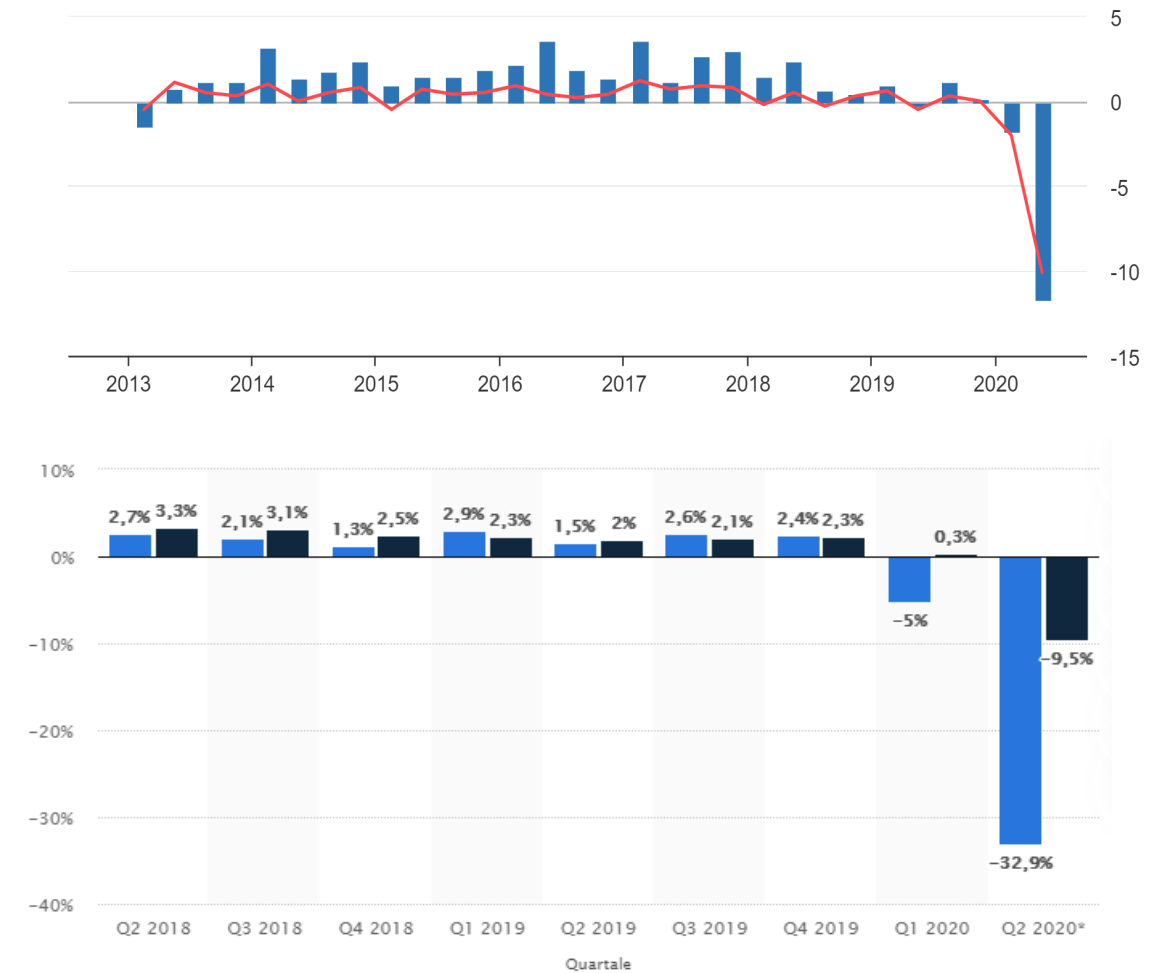
Effects on the economy of historic dimension

## Pandemic



Source: Johns Hopkins University

## Economy – GDP Germany and USA



Sources: Destatis and Statista

# At a glance

Challenging market environment highly affects the first half-year results 2020



**Revenue declined sharply while EBIT fell by half**



**Market environment was hit hard by the impact of the coronavirus pandemic in Q2**



**High pressure on transport systems due to blank sailings and reduced utilisation**



**Liquidity sufficient to meet due payment obligations at all times, despite the pandemic-induced burdens**



**Guidance 2020 remains: Strong decline in volumes, revenue and EBIT expected**

# Business environment in the first half-year 2020

Global economy facing recession as a result of the coronavirus pandemic

## Trend in the first half-year 2020

GDP World	↘
GDP China	↗
GDP Russia	↘
World trade	↘

## Estimates for Q2 2020

World throughput	- 16.2 %
Europe throughput	- 21.3 %
NW Europe throughput	- 16.7 %
Scandinavia & Baltics	- 33.3 %

## Macroeconomic environment

- Global economic activity fell dramatically in H1 20 as a result of the coronavirus pandemic
- IMF expects that the impact in Q2 was even more negative than previously expected.<sup>1</sup>
- Chinese economy has already bottomed out and reported a surprisingly sound GDP in H1 20 (Q2: 3.2 % // Q1: - 6.8 %) <sup>2</sup>
- By contrast, COVID-19 has not yet been contained e.g. in Russia where the economic downturn has not yet been reached (Q1: 1.6 %; ) <sup>3</sup>
- Significant drop in world trade as a result of strong trade restrictions expected<sup>1</sup>

Sources: 1 International Monetary Fund – World Economic Outlook June 2020; 2 Press Release (16.07.2020); 3 World Bank Russia Monthly Economic Update May 2020

## Sector development

- Whereas the minus in worldwide container throughput in Q1 20 was not as intense as expected, global volumes plummeted drastically in Q2 20 (Q2: - 16.2 % // Q1: - 2.7 %)
- Europe was particularly hard hit by the crisis (Q2: - 21.3 % // Q1: - 2.8 %)
- Northwest Europe as well as Scandinavia and the Baltic region also performed significantly worse in Q2 than previously forecast
- North West Europe with the lowest impact within Europe (Q2: - 16.7 % // Q1: - 2.9 %)
- Scandinavia & Baltics with the strongest decline in Europe (Q2: - 33.3 % // Q1: - 2.4 %)

Source: Drewry Maritime Research, Container Forecaster, July 2020

# Financial results of Port Logistics subgroup in the first half-year 2020



Revenue  
**€ 614.2 million**  
– 9.3 %

EBIT  
**€ 49.1 million**  
– 53.5 %

EBIT margin  
**8.0 %**  
– 7.6 pp

Profit after tax  
and minorities  
**€ 10.7 million**  
– 78.6 %

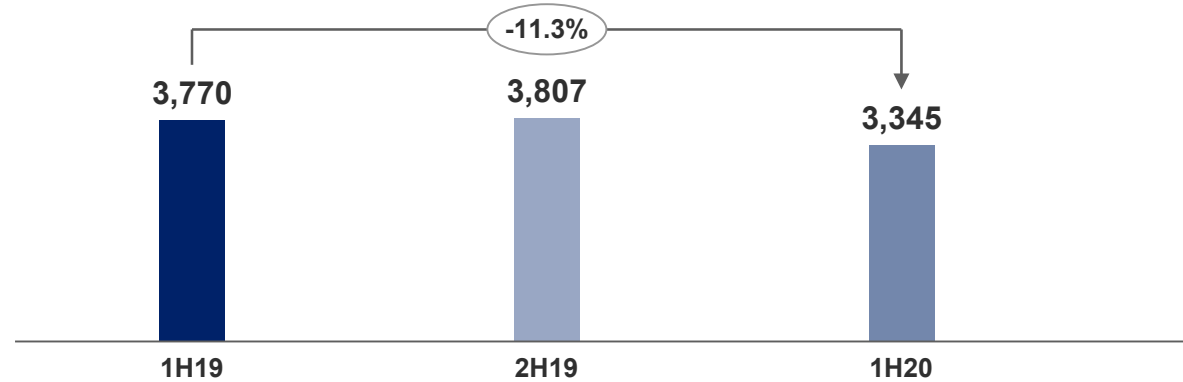
ROCE  
**5.2 %**  
– 6.3 pp

Operating cash flow  
**€ 150.0 million**  
– 8.3 %

# Throughput and transport development in the first half of 2020

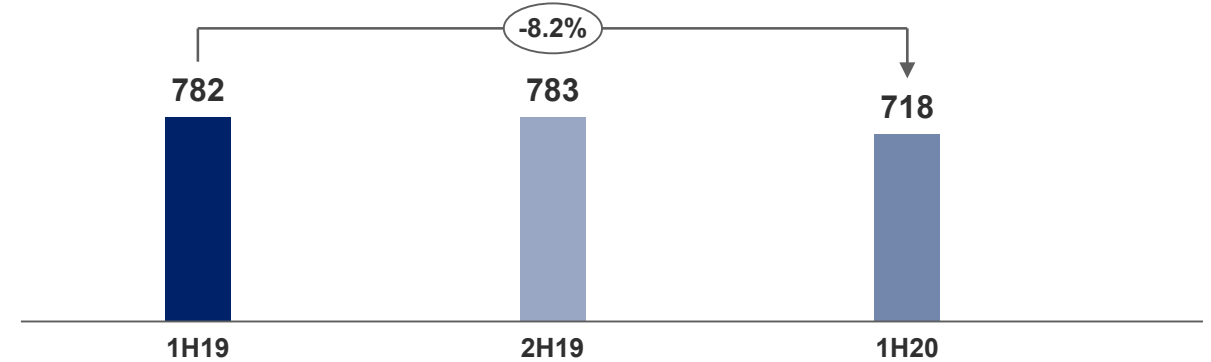
Performance data burdened by impact of coronavirus pandemic

## Container throughput in thousand TEU



- Hamburg terminals with sharp decrease of 12.0 % mainly due to blank sailings resulting from the coronavirus pandemic causing strong loss in Asian traffic
- Feeder volumes down by 2.3 pp with a feeder ratio of 20.6 % (previous year: 22.9 %)
- International terminals slightly down against previous year

## Container transport in thousand TEU

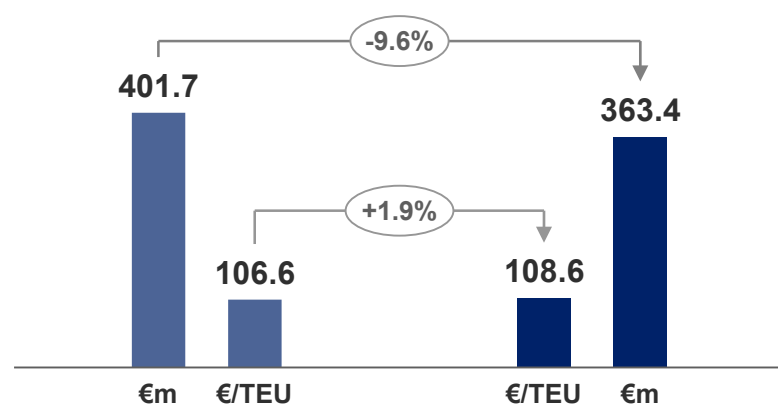


- Significant decrease in transport volume driven by
  - strong decrease in rail transportation (– 6.9 % y-o-y)
  - traffic from both the North German and the Adriatic seaports recorded significant or strong declines that couldn't be compensated by strong growth in continental traffic
  - downward trend in road transportation continued (– 13.0 % y-o-y)

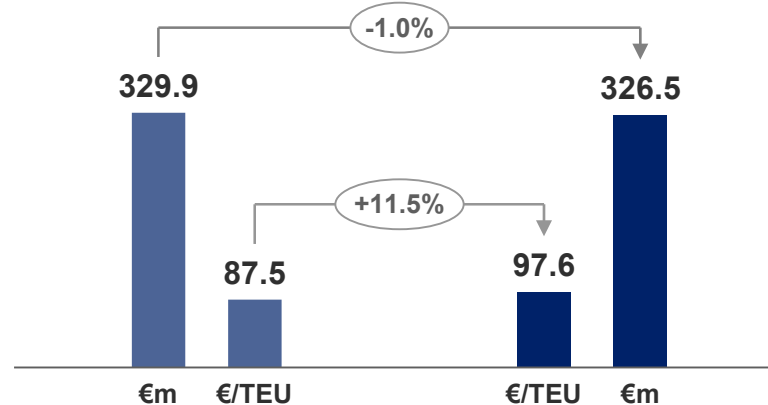
# Container segment

Drop in volumes led to falling revenue, EBIT impacted by a disproportionate fall in opex

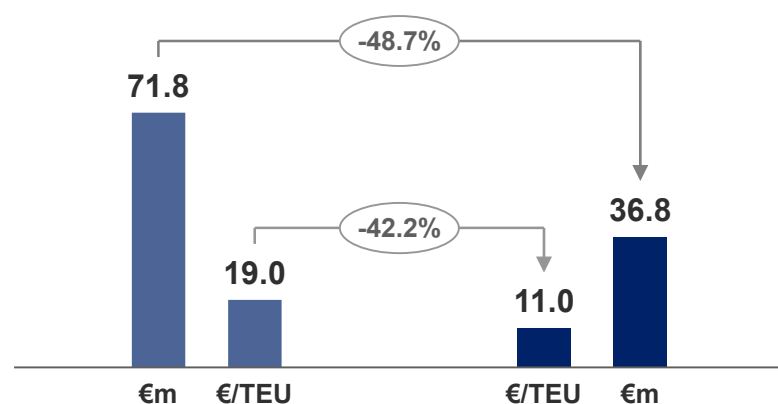
**Revenue** ■ 1H19 ■ 1H20



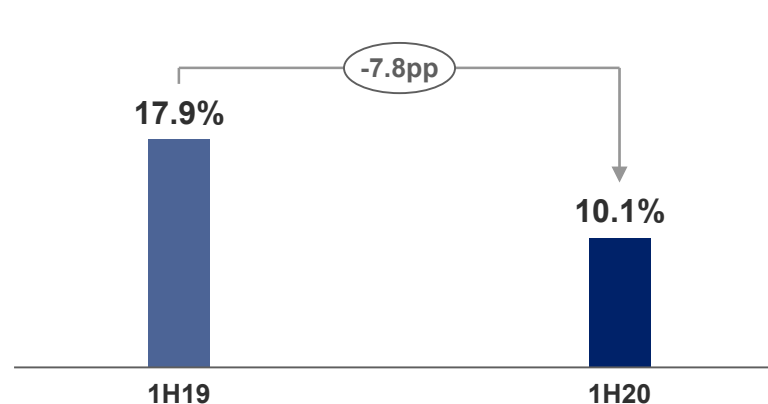
**OpEx** ■ 1H19 ■ 1H20



**EBIT** ■ 1H19 ■ 1H20



**EBIT margin**



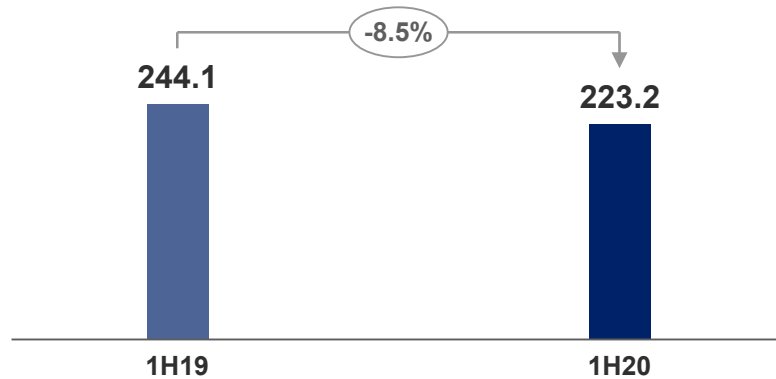
- Revenue significantly down as a result of lower volumes
- Average revenue per TEU up 1.9 % due to
  - advantageous modal split with a high proportion of hinterland volume
  - temporary increase in storage fees due to longer dwell times brought about by weather-related delays in 1Q20 and the coronavirus pandemic throughout 1H20
- Opex decrease of 1.0 % impacted by
  - lower material and personnel expenses (resulted primarily from the reduced use of external personnel as a result of the drop in volumes)
  - higher maintenance and service costs
- EBIT significantly down to € 36.8 million
- EBIT margin down to 10.1 %



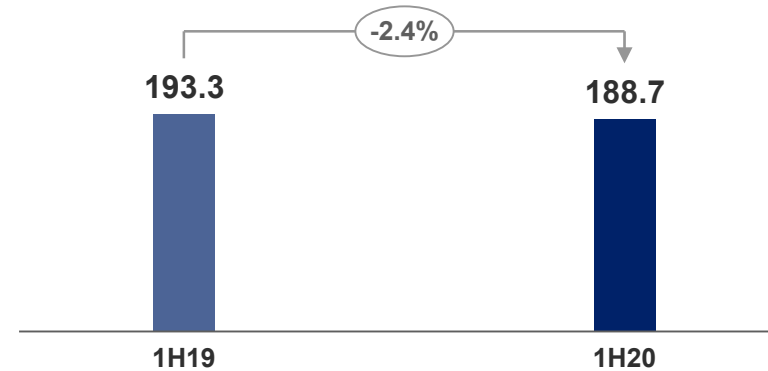
# Intermodal segment

EBIT affected by lower volumes and utilisation of the train systems, EBIT margin still at a sound level

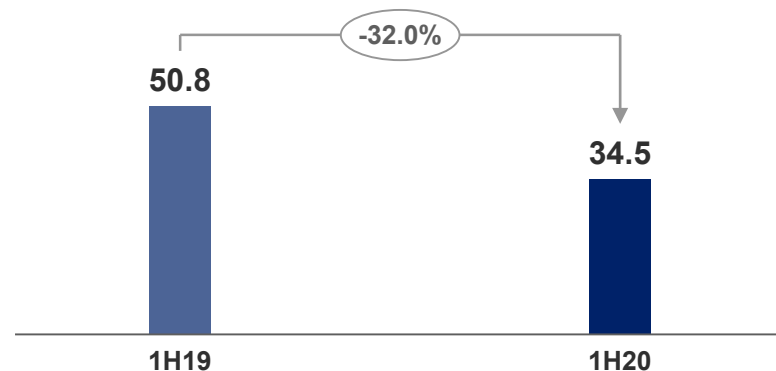
Revenue  
in € million



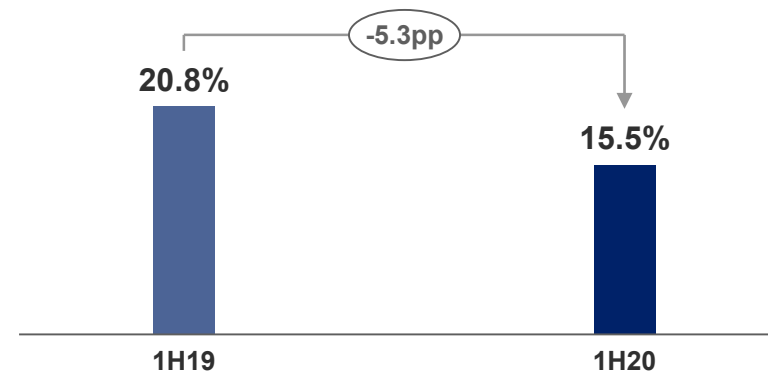
OpEx  
in € million



EBIT  
in € million



EBIT margin

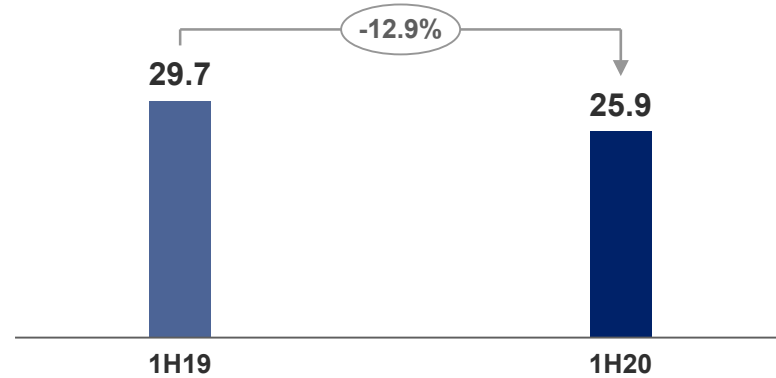


- Decrease in revenue 0.3 pp stronger than decline in transport volume
- Despite a slight increase in rail share in HHLA's total transportation volume from 78.0 % to 79.2 %, average revenue per TEU decreased as a result of the disproportionately strong decrease in freight flows with longer transport distances
- Sharp drop in EBIT as a result of
  - decline in volumes and revenue
  - increased fluctuations in the volume of import and export loads leading to a decrease in the utilisation of the train systems
- EBIT margin deteriorated, but still at a sound level of 15.5 %

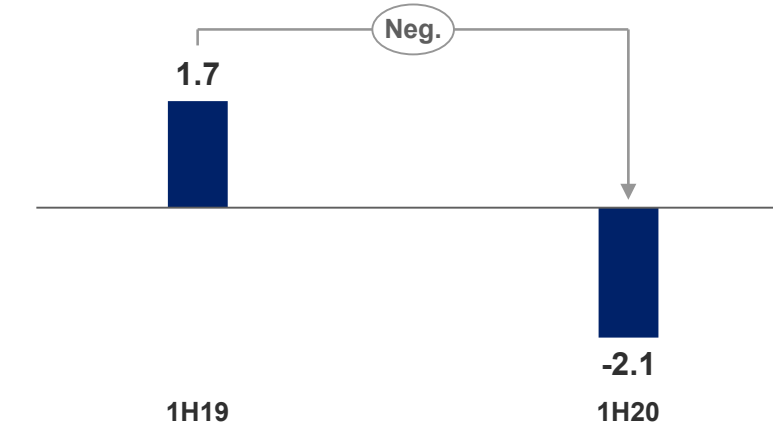
# Logistics segment

Vehicle logistics, consulting activities, digital projects and participations

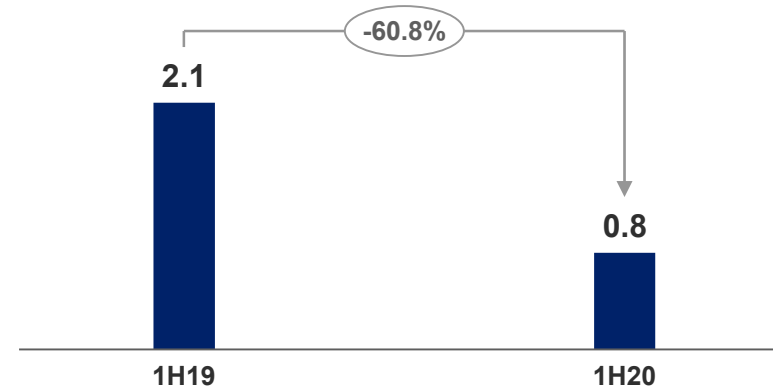
Revenue  
in € million



EBIT  
in € million



At-equity earnings  
in € million

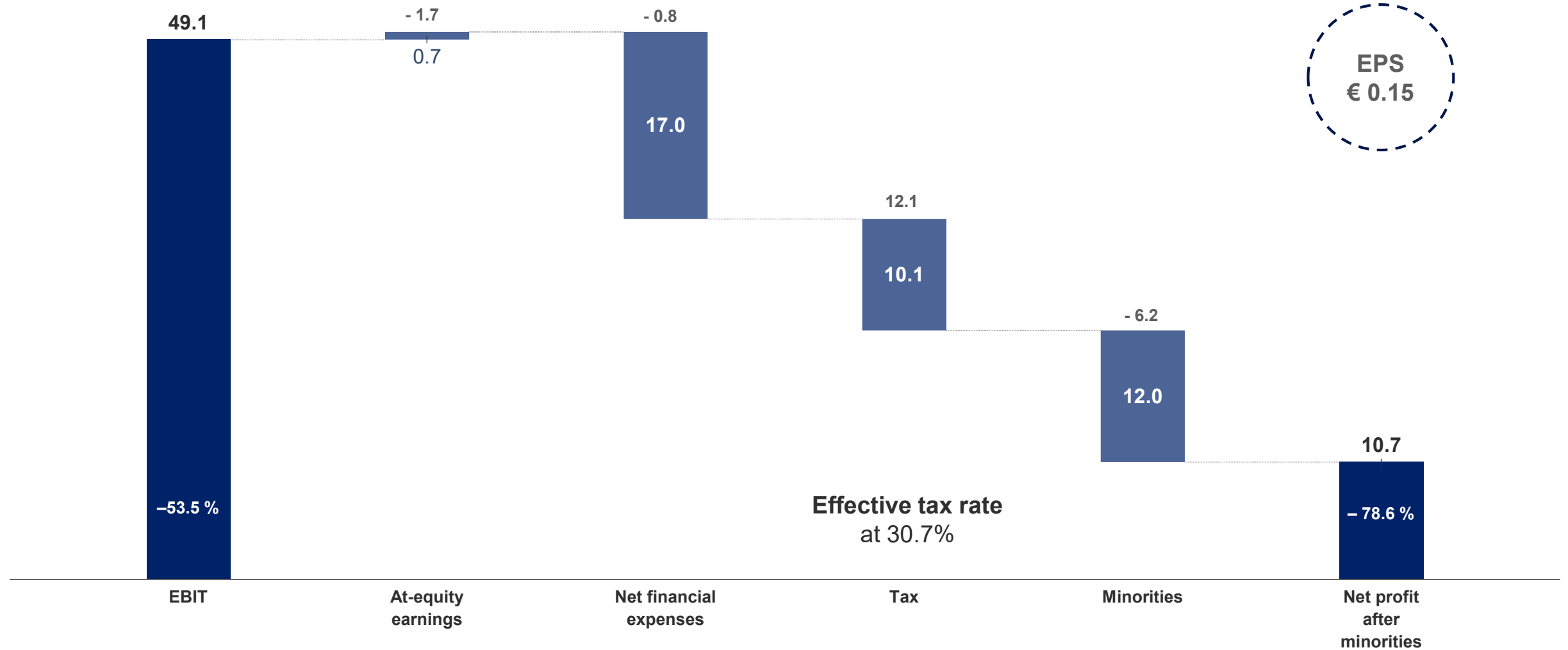


- Revenue strongly down against previous year impacted by
  - strong drop in vehicle logistics
  - consulting activities slightly below previous year
  - additive manufacturing technologies (which was not included 1H19)
- EBIT impacted by start-up losses in the new growth areas; in addition, vehicle logistics and consulting activities remained below the previous year
- At-equity earnings continued to be positive in 1H20, but declined sharply

# Earnings bridge of the Port Logistics subgroup

Net profit showed a stable development

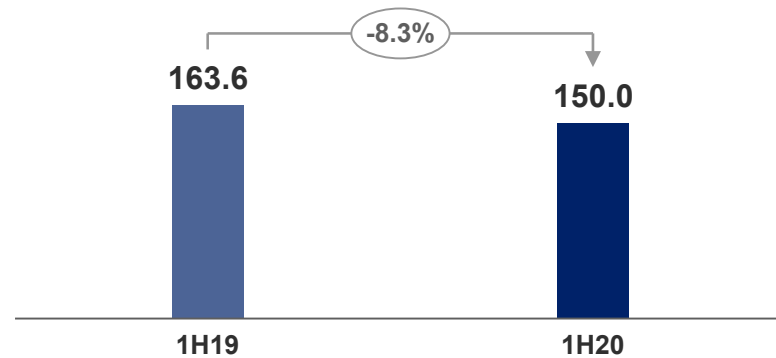
in € million / absolute change vs. 1H19



# Cash flow development of the Port Logistics subgroup

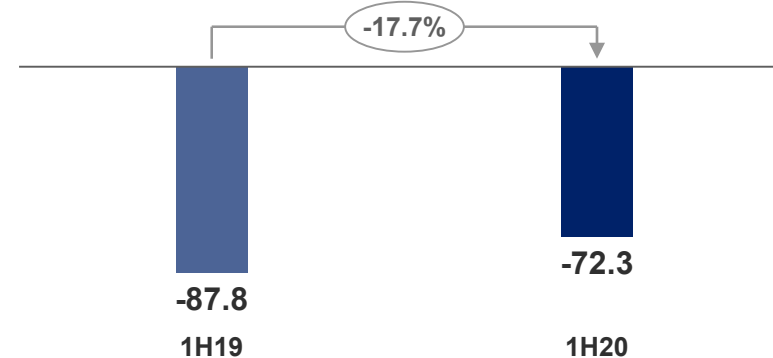
In line with business development

Cash flow from operating activities  
in € million



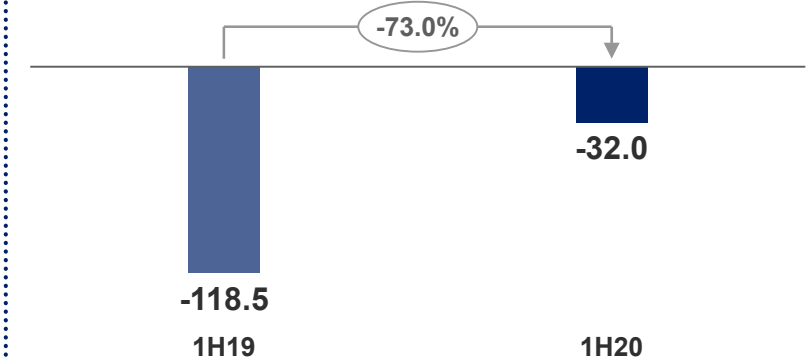
- Lower EBIT due to lower container throughput and transport vs. a decrease (previous year: increase) in trade receivables and other assets as well as lower tax payments compared to the previous year

Cash flow from investing activities  
in € million



- Ongoing capex programme
- Higher payments for investments in property, plant and equipment compared to the previous year
- Lower payments for short-term deposits

Cash flow from financing activities  
in € million



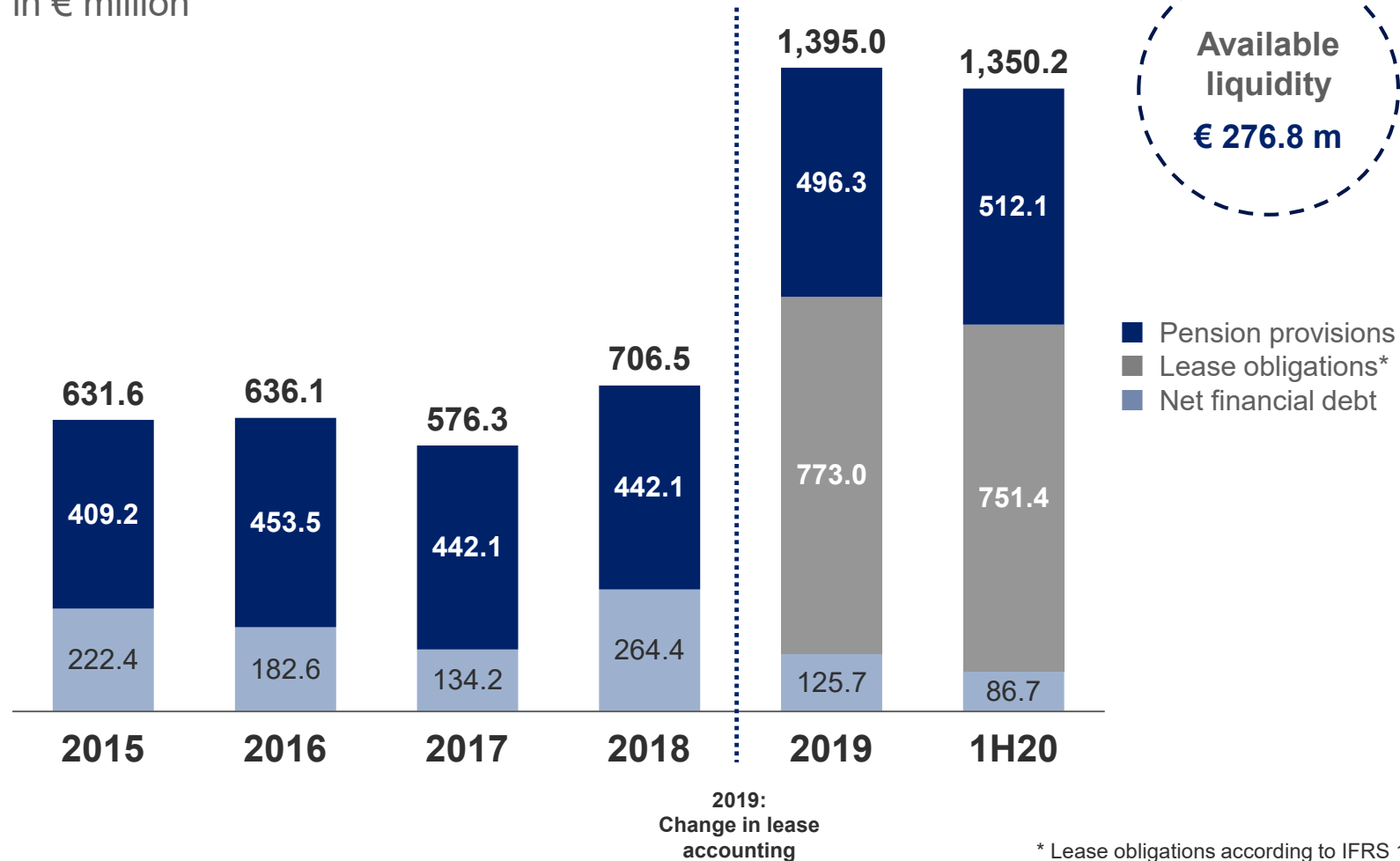
- Strong change against previous year mainly due to the fact that the dividend has not yet been paid to shareholders as well as the compensation obligation to a minority shareholder

**Available liquidity as of 30 June 2020: € 276.8 million (31 December 2019: € 232.2 million)**

# Financial stability with focus on cash flows

## Net debt Port Logistics

in € million



- Dividend policy to strengthen financial stability:
  - reduction of dividend proposal to 0.70 € per listed class A share (previous year: 0.80 €)
  - pay-out ratio of 52 %
  - accumulation of approx. € 49 million of 2019 net profit
  - proposal of a scrip dividend to provide additional financial scope to develop HHLA successfully – main shareholder will choose shares
- Postponement and revision of investments
- Focus on cash flow control in the months to come

\* Lease obligations according to IFRS 16

# Expected business environment 2020

Updated forecasts factor in a larger hit to activity in H1 and a slower path of recovery in H2 than expected in spring

**GDP World** – 4.9 %

**GDP China** + 1.0 %

**GDP Russia** – 5.5 %

**GDP CEE** – 5.2 %

**World trade** – 11.9 %

**World throughput** – 7.3 %

**Europe throughput** – 9.7 %

**NW Europe throughput** – 7.7 %

**Scandinavia & Baltics** – 17.2 %

## Expected macroeconomic environment 2020

**Baseline scenario: against the backdrop of the unexpectedly strong economic impact, the recovery is likely to be more gradual than previously forecast**

- Global economic downturn in H1 worse than expected, outlook further subdued (↘ 1.9 pp)
- For China, experts still expect positive but strongly weakened growth (↘ 0.2 pp)
- After upward trend at the end of 2019, Russia is projected to contract strongly (↘ 1.1 pp)
- Growth dynamics in CEE also massively interrupted (↘ 0.6 pp)
- For world trade development a dramatic double-digit decline is estimated (↘ 0.9 pp)

Source: IMF – World Economic Outlook, July 2020

## Expected sector development 2020

**Baseline scenario: market to bottom out in 2Q20 followed by a steady reintroduction of capacity from H2 20 with freight rates stabilising in H2 20**

- World throughput expected to decline significantly (↘ 6.8 pp) with several blank sailings
- Europe considered to go into “sleep mode” except for essential services (↘ 8.9 pp)
- Estimated volume in North West Europe also significantly under previous year (↘ 7.2 pp)
- Scandinavia & Baltics expected to see the highest impact in Europe (↘ 17.0 pp)

Source: Drewry Maritime Research, Container Forecaster, July 2020

# Forecast for Port Logistics subgroup 2020 unchanged

Still very high degree of uncertainty

	2019	Guidance 2020
Container throughput	7,577 thousand TEU	<u>Strong</u> decrease on previous year
Container transport	1,565 thousand TEU	<u>Strong</u> decrease on previous year
Revenue	€ 1,350.0 million	<u>Strong</u> decline on previous year
EBIT	€ 204.4 million	<u>Strong</u> decline on previous year
Capital expenditure	€ 214.9 million	Adapted to current market environment
Liquidity	Liquidity sufficient to meet due payment obligations at all times, despite the pandemic-induced burdens	

# Financial calendar / IR contact

## Financial calendar 2020

### 25 March 2020

Annual Report 2019  
Analyst conference call

### 12 May 2020

Interim Statement January – March 2020  
Analyst conference call

### 12 August 2020

Half-year Financial Report January – June 2020  
Analyst conference call

### 20 August 2020

Virtual Annual General Meeting (AGM)

### 12 November 2020

Interim Statement January – September 2020  
Analyst conference call

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## Half-year Financial Report 2020

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