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Group profitability continues to increase in 2017

In the first nine months of 2017, international freight forwarding and logistics company Panalpina grew volumes in both Air and Ocean Freight compared to the same period of last year. As the year progressed, group gross profit as well as EBIT increased with every quarter. Year-on-year, Panalpina's reported EBIT increased from CHF 67.5 million (adjusted YTD 2016: CHF 93.6 million) to CHF 72.1 million and the reported consolidated profit increased from CHF 46.5 million (adjusted YTD 2016: CHF 72.6 million) to CHF 48.4 million.

“Nine months into the year, Air Freight and Logistics are well under way and showing continued solid performance. In Ocean Freight, we are growing in line with the market but due to continued low margins and productivity levels, the profitability does not meet a satisfactory level,” says Panalpina CEO Stefan Karlen. “Seeing the challenges particularly in Ocean Freight, I am pleased to say that preparations for the next big roll-out of our new operating system SAP TM in the U.S. are progressing as planned.”

Panalpina Group: Results for the first nine months of 2017

(CHF million)	YTD 2017	YTD 2016
Net forwarding revenue	4,065.5	3,863.5
Gross profit	1,024.8	1,091.7
EBITDA reported	103.9	104.6
EBIT reported	72.1	67.5
Consolidated profit reported	48.4	46.5
<i>Non-recurring items</i>	-	(26.1)
EBITDA adjusted	103.9	130.7
EBIT adjusted	72.1	93.6
Consolidated profit adjusted	48.4	72.6

Higher EBIT and consolidated profit

Group gross profit decreased 6% to CHF 1,024.8 million in the first nine months of 2017 (YTD 2016: CHF 1,091.7 million), while total operating expenses decreased 4% to CHF 920.9 million (YTD 2016: CHF 961.0 million). Reported EBIT and consolidated profit increased year-on-year (decreased when compared to respective 2016 adjusted figures). Reported EBIT reached CHF 72.1 million compared to CHF 67.5 million a year before (adjusted YTD 2016: CHF 93.6 million) and the EBIT-to-gross-profit margin stood at 7.0% up from 6.2% (adjusted YTD 2016: 8.6%). The consolidated profit increased from CHF 46.5 million (adjusted YTD 2016: CHF 72.6 million) to CHF 48.4 million.

Air Freight

Panalpina's Air Freight volumes increased 8% in the first nine months of 2017, broadly in line with market growth. From January to September, gross profit, unit profitability and EBIT in Air Freight increased with every quarter. Compared to the same period of last year, gross profit per ton decreased 7% to CHF 632 (YTD 2016: CHF 678), resulting in a gross profit of CHF 456.0 million (YTD 2016: CHF 453.4 million). Reported EBIT in Air Freight increased from CHF 60.0 million (adjusted YTD 2016: CHF 72.6 million) to CHF 69.4 million. The EBIT-to-gross-profit margin for the first nine months of 2017 came in at 15.2% compared to 13.2% (adjusted YTD 2016: 16.0%) a year before.

Ocean Freight

Panalpina's Ocean Freight volumes from January to September 2017 increased 4% year-on-year, in line with estimated market growth of equally 4%. Gross profit per TEU decreased 10% to CHF 283 (YTD 2016: CHF 314), resulting in a gross profit of CHF 323.4 million (YTD 2016: CHF 345.0 million). Higher volumes than last year were processed at lower margin and with increased costs which resulted in an EBIT loss in the third quarter. For the first nine months, Ocean Freight posted an EBIT loss of CHF 5.5 million, down from a profit of CHF 6.3 million in 2016 (adjusted YTD 2016: CHF 16.0 million).

Logistics

In Logistics, gross profit decreased 16% to CHF 245.4 million year-on-year (YTD 2016: CHF 293.3 million), but has stabilized throughout 2017. Logistics is now sustainably profitable, posting an EBIT of CHF 8.1 million for the first nine months of 2017, compared to CHF 1.2 million (adjusted YTD 2016: CHF 5.0 million) for the same period last year.

Outlook

"We are well-prepared for another strong peak season in Air Freight, however it remains to be seen how dynamic the carrier market will be this year," says Karlen. "Low gross profit margins and low productivity resulting from the inefficiency of our legacy system will continue to hamper us in Ocean Freight, where for the time being we can only grow moderately to avoid incremental costs. It is therefore encouraging that our new operating system SAP TM was

successfully implemented in Germany and that the roll-out in the U.S. will commence this year. In Logistics, the focus clearly lies on top-line growth and we will achieve this in the mid to long term by expanding our offering of value-added services.”

About Panalpina

The Panalpina Group is one of the world's leading providers of supply chain solutions. The company combines its core products of Air Freight, Ocean Freight, as well as Logistics and Manufacturing to deliver globally integrated, tailor-made end-to-end solutions for eleven core industries. Drawing on in-depth industry know-how and customized IT systems, Panalpina manages the needs of its customers' supply chains, no matter how demanding they might be. Energy and Project Solutions is a specialized service for the energy and capital projects sector. The Panalpina Group operates a global network with some 500 offices in more than 70 countries, and it works with partner companies in another 100 countries. Panalpina employs approximately 14,500 people worldwide who deliver a comprehensive service to the highest quality standards – wherever and whenever.

Contacts



Maiken Riise Andersen

Press Contact

Head of Corporate Communication

Maiken.R.Andersen@dsv.com

+45 43 20 30 74



Christian Kroglund

Press Contact

Senior Director, Corporate Marketing & Communication

christian.kroglund@dsv.com

+45 28 44 22 35