



# Analyst conference call on the first nine months results 2019

Hamburg, 13 November 2019

# Agenda

## 01 Business development in 9M 2019

Angela Titzrath, CEO

## 02 Financial performance in 9M 2019

Dr. Roland Lappin, CFO

## 03 Business forecast for 2019

Angela Titzrath, CEO

## 04 Questions & answers

Angela Titzrath, CEO

Dr. Roland Lappin, CFO

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## At a glance

In an increasingly volatile market environment, business at HHLA continues to make good progress



**Successful business development continued: throughput exceeds previous year's strong level while transport and revenues rise significantly, EBIT increases strongly**



**Dampened market environment: ongoing geopolitical and economic tensions causing sustained uncertainty**



**Secure future viability: investments in equipment and technology**



**Ecological responsibility: roll-out of further offerings for environmentally friendly transport**



**Guidance 2019 updated: HHLA expects growing business with a significant increase in operating result\***

\* mainly due to changes in lease accounting policy (IFRS 16)

# Business environment in the first nine months of 2019

Pace of global economic activity remains sluggish and container throughput recovery is weaker than expected

## Trend in the first nine months 2019

GDP World	→
GDP China	↘
GDP Russia	→
World trade	↘

## Estimates for Q3 2019

World throughput	+ 3.5 %
Europe throughput	+ 4.1 %
NW Europe throughput	+ 4.3 %
Scandinavia & Baltics	+ 5.7 %

## Macroeconomic environment

- The pace of global economic activity remains sluggish, in particular, momentum in manufacturing activity has weakened substantially to levels not seen since global crisis<sup>1</sup>
- China's economic growth slowed more than expected to 6.0 % in the third quarter<sup>2</sup>
- Russian economic growth picked up to 0.9 % in Q2; but, still weaker than expected<sup>3</sup>
- Rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system<sup>1</sup>


Sources: 1 International Monetary Fund – World Economic Outlook October 2019; 2 National Bureau of Statistics of China – Press Release (18.10.2019); 3 World Bank – Russia Monthly Economic Developments September 2019

## Sector development

- After strong decline in volume growth dynamics in Q1 (1.7 %), world container throughput recovery that started in Q2 (2.6 %) gained further momentum in Q3
- European container volumes picked up again in Q3 (Q1: 2.2 % // Q2: 2.7 %) and exceeded expectations of previous forecast (3.6 %)
- North West Europe outperformed the European port region (Q1: 3.8 % // Q2: 3.2 %)
- After two years of extraordinary growth, Scandinavia & Baltics container growth slowed significantly in Q1 (1.8 %) and Q2 (0.7 %); but recovered significantly in Q3

Source: Drewry Maritime Research, Container Forecaster, October 2019  
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# Financial highlights of Port Logistics subgroup in the first nine months of 2019



Revenue  
**€ 1,020.2 million**  
+ 8.6 %

EBIT  
**€ 162.7 million**  
+ 13.3 %

EBIT margin  
**15.9 %**  
+ 0.6 pp

Profit after tax  
and minorities  
**€ 76.6 million**  
± 0.0 %

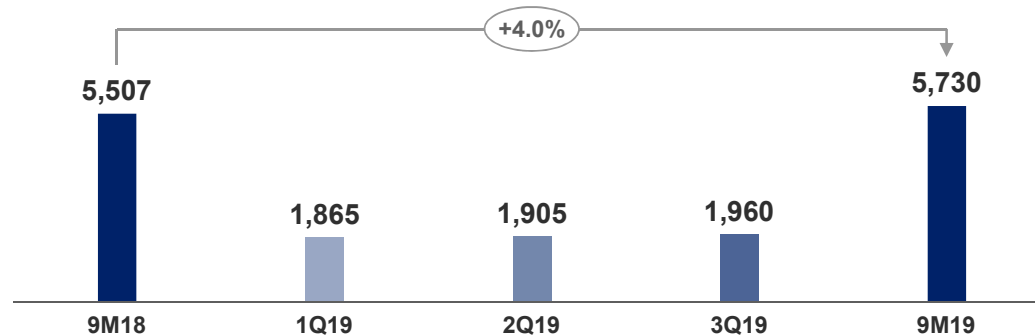
ROCE  
**11.8 %**  
– 4.2 pp

Operating cash flow  
**€ 246.4 million**  
+ 49.5 %

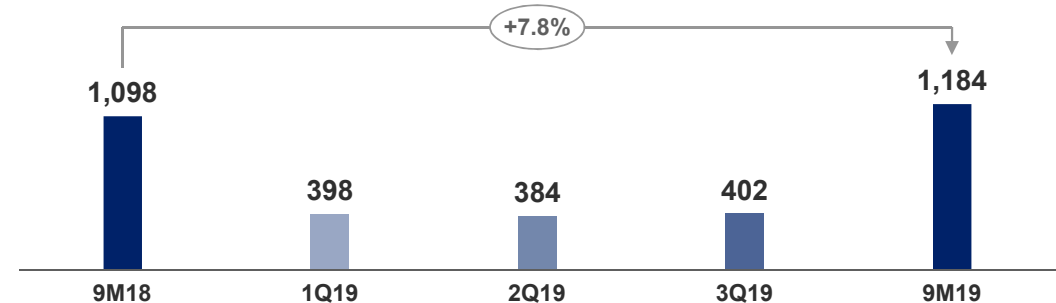
# Throughput and transport trend in the first nine months of 2019

Successful development from a strong prior-year basis

Container throughput  
in thousand TEU



Container transport  
in thousand TEU

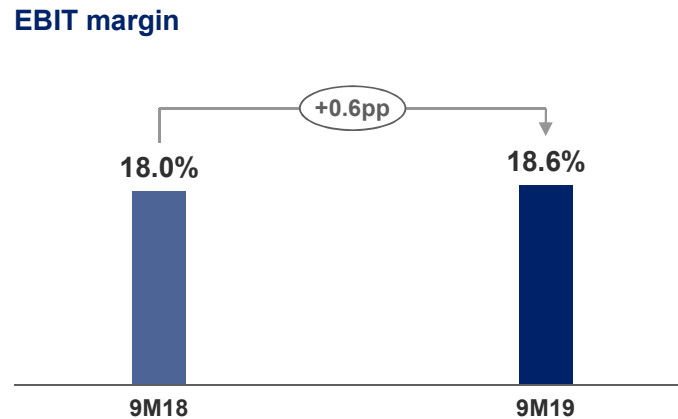
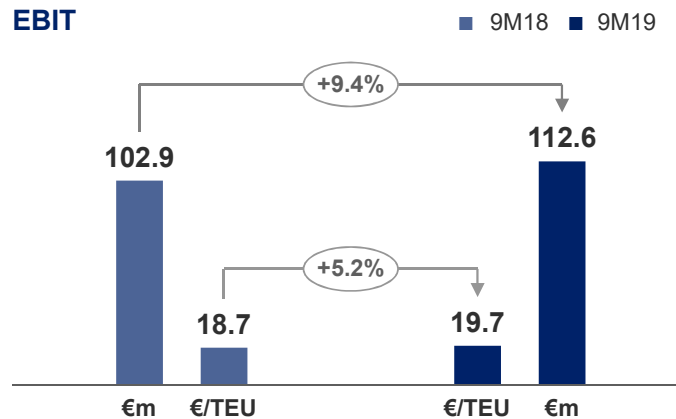
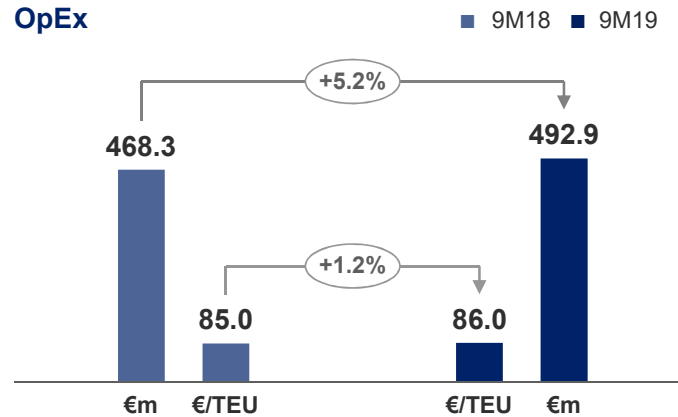
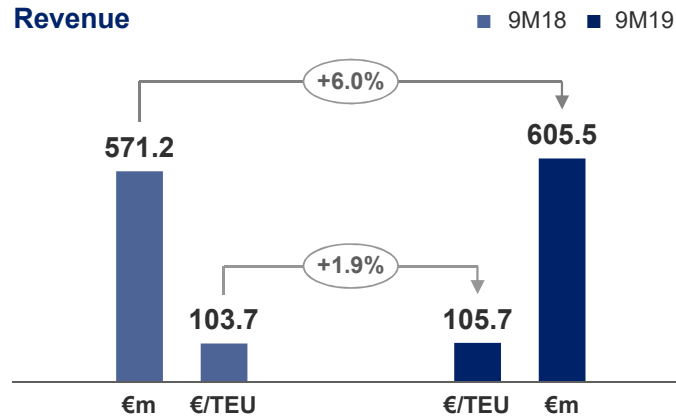


- Hamburg terminals with slight increase of 1.2 % mainly due to changes in liner service structures
  - gain of North America services, loss of Far East service
  - Asian traffic slightly down on previous year
  - feeder volumes in total down by 3.7 %  
with a feeder ratio of 22.7 % (previous year: 23.9 %)
- International terminals account for nearly 8 % of container throughput after first-time consolidation of HHLA TK Estonia

- Significant rise in transport volume growth driven by
  - strong increase in rail transportation (+ 7.6 % y-o-y)
  - above-average rise in both traffic between the North Range ports with the CEE hinterland and the Adriatic ports with the CEE hinterland as well as Poland traffic
  - recovery of road transportation volumes (+ 8.8 % y-o-y)

# Container segment

Positive revenue trend dampened by rise in opex; EBIT improvement mainly attributable to IFRS 16 effects

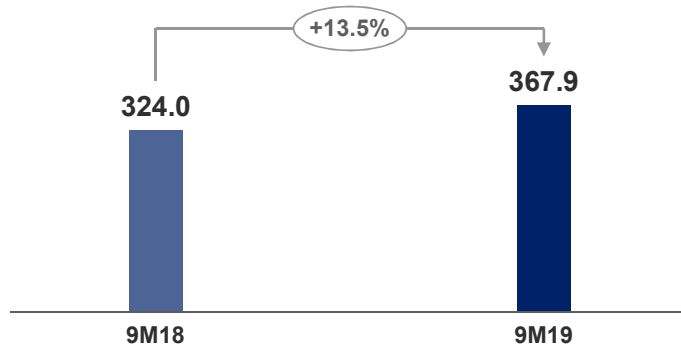


- Revenue grew faster than volume
- Average revenue per TEU up 1.9 % mainly due to
  - contractual rate adjustments
  - further increase in share of rail volumes
- Rise in opex of 5.2 % impacted by
  - temporary higher personnel deployment due to introduction of new terminal software
  - higher number of employees at HHLA TK Estonia
  - adjustment of company pension schemes
  - small relief due to first-time application of IFRS 16
- EBIT up € 9.7 million (thereof roughly € 8.0 million due to first-time application of IFRS 16)
- EBIT margin improved by 0.6pp

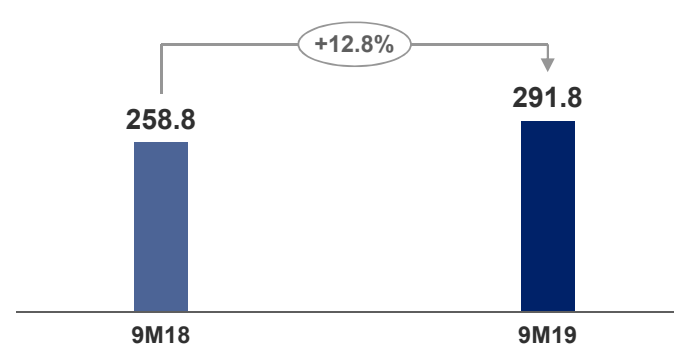
# Intermodal segment

Superior EBIT level further expanded, margin improved, IFRS 16 with negligible effect

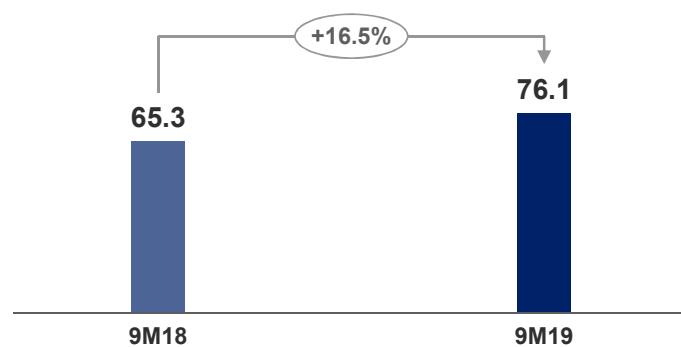
Revenue  
in € million



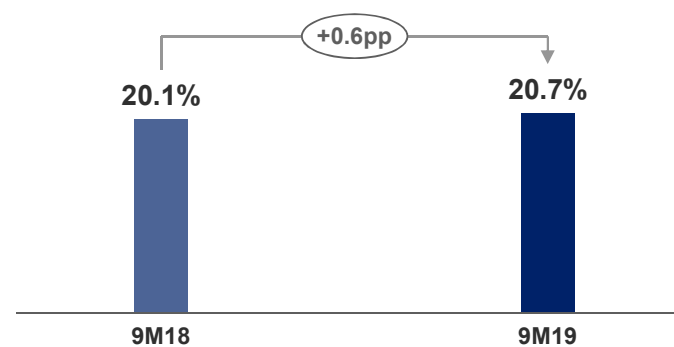
OpEx  
in € million



EBIT  
in € million



EBIT margin



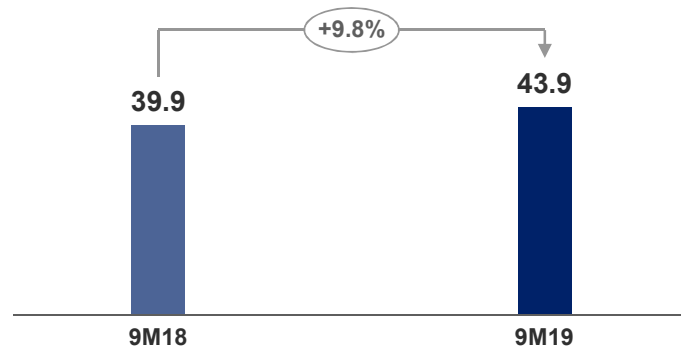
- Revenue growth clearly exceeded transport volume development
- Strong EBIT increase due to
  - rise in volumes with a largely unchanged rail share of 78.5 %
  - longer transport distances,
  - price adjustments
  - negligible effect from first-time application of IFRS 16
- EBIT margin growth: outstanding level of 20.7 %



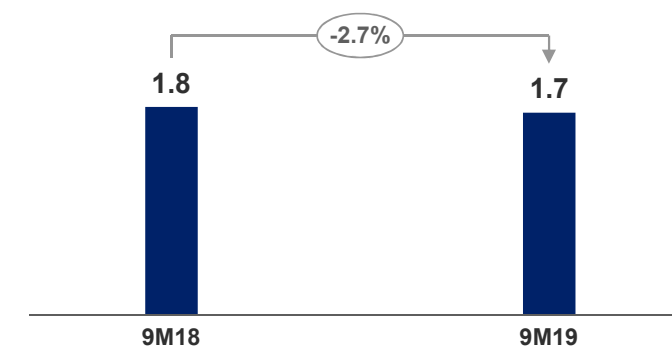
# Logistics segment

Positive development continues

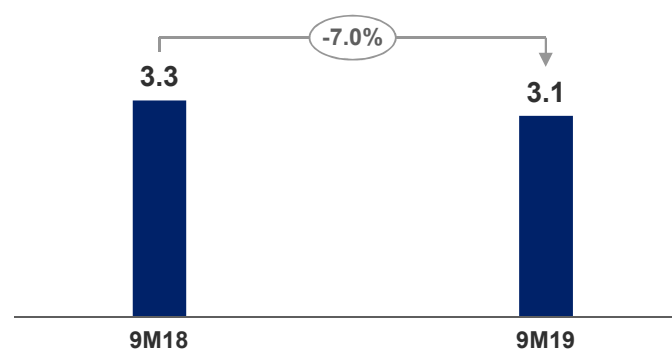
Revenue  
in € million



EBIT  
in € million



At-equity earnings  
in € million

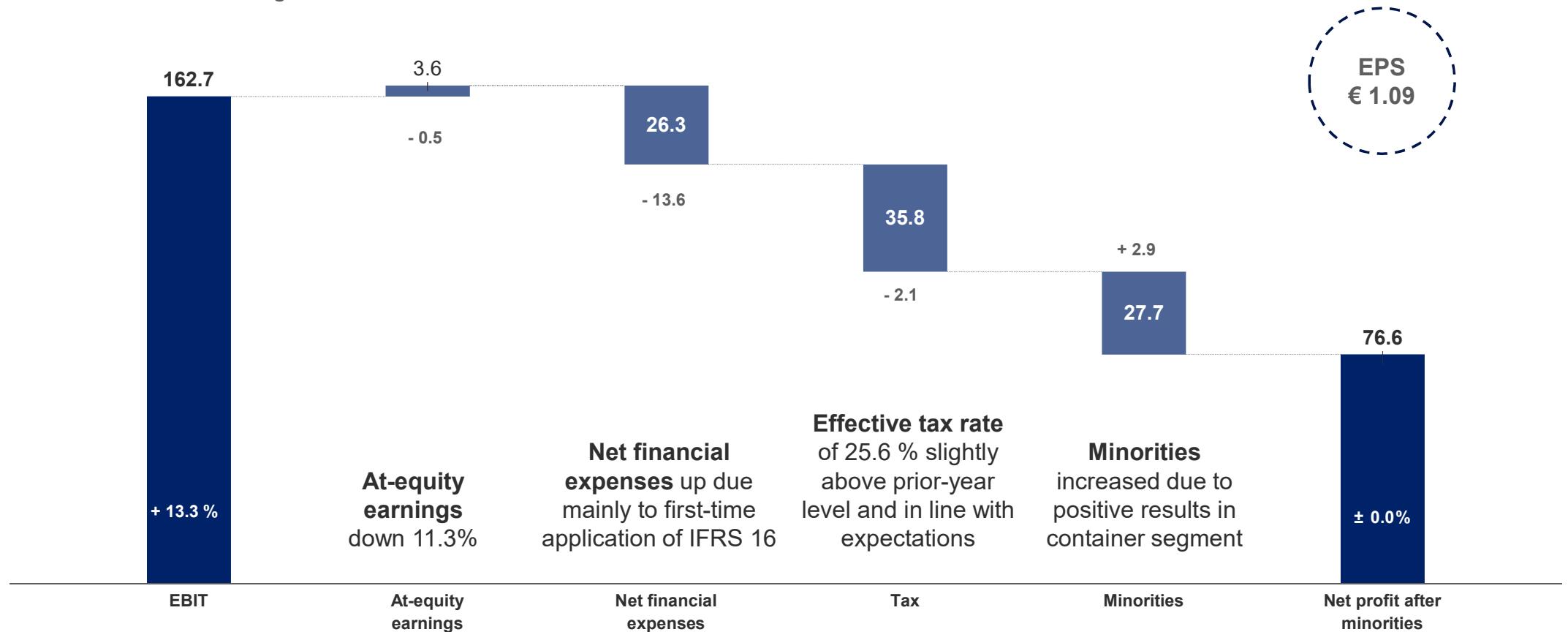


- Strong rise in revenue, mainly driven by vehicle logistics and consulting activities
- EBIT impacted by:
  - improved results in vehicle logistics
  - positive order situation in consulting
  - ramp-up costs for new digital business fields
  - negligible effect from first-time application of IFRS 16
- At-equity earnings burdened by bulk cargo result due to first-time application of IFRS 16

# Earnings bridge of the Port Logistics subgroup

Net profit showed a stable development

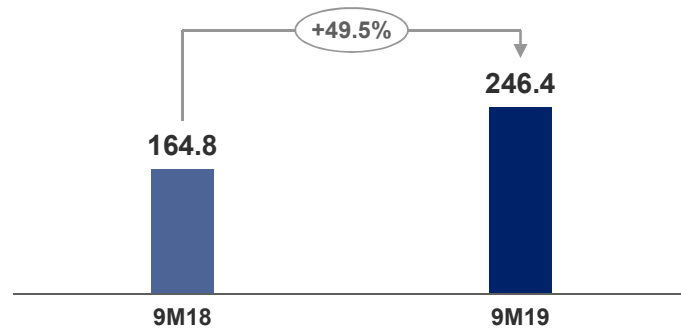
in € million / absolute change vs. 9M18



# Cash flow development of the Port Logistics subgroup

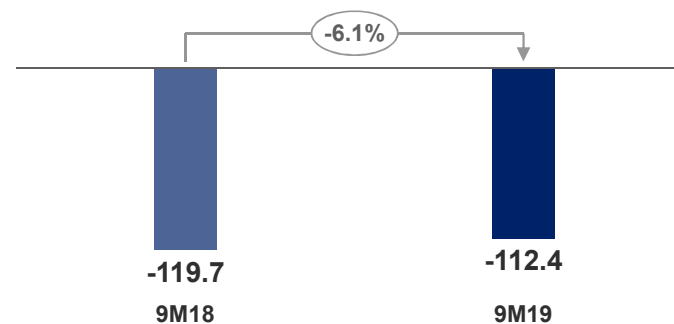
In line with business development, reflecting IFRS 16

**Cash flow from operating activities**  
in € million



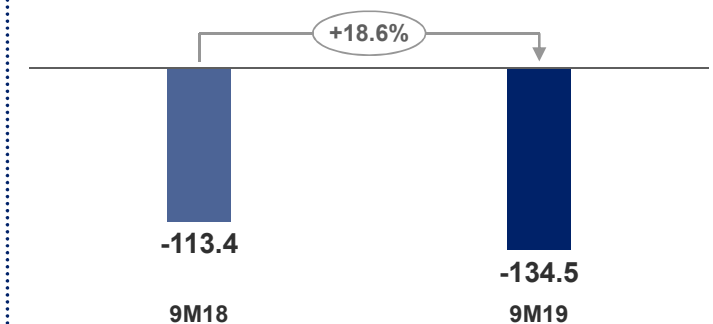
- Improved EBIT trend
- Lower rise in trade receivables and other assets
- Slight increase in trade payables and other liabilities
- Higher depreciation due to IFRS 16

**Cash flow from investing activities**  
in € million



- Ongoing capex programme
- Payments for short-term deposits
- Payments for acquisition of HHLA TK Estonia in H1 18

**Cash flow from financing activities**  
in € million



- Payments for remaining minority stake in Metrans in the previous year
- Higher payments for lease liabilities resulting from IFRS 16

**Financial funds as of 30 September 2019: € 234.4 million (30 September 2018: € 176.4 million)**

# Forecast for 2019

Projected global growth for 2019 is the weakest since 2009 and container throughput growth remains soft

## GDP outlook 2019

GDP World	+ 3.0 %
GDP China	+ 6.1 %
GDP Russia	+ 1.1 %
World trade	+ 1.1 %

## Container outlook 2019

World throughput	+ 2.6 %
Europe throughput	+ 3.0 %
NW Europe throughput	+ 3.3 %
Scandinavia & Baltics	+ 3.3 %

## Macroeconomic outlook for 2019

- Global growth is forecast at 3.0 % for 2019, the lowest level since global financial crisis 2008 / 2009 and a 0.2 pp downgrade against outlook in July 2019
- Chinese growth dynamics are projected to gradually slow to a rate of 6.1 %
- Russian recovery is still likely to be weaker than most expect and downgraded by 0.1 pp
- In the light of rising trade tensions and weak global economic activity, trade prospects again have been lowered significantly by 1.4 pp against previous outlook in July 2019

Sources: International Monetary Fund – World Economic Outlook October 2019

## Sector outlook for 2019

- Although global container throughput recovery picked up in 2019, the momentum remains soft and still markedly below growth dynamics of 2018 (- 0.4 pp vs. July estimates)
- Performance in Europe is better than expected as Chinese shippers have directed more goods to Europe to compensate for export shortfalls to US (+ 0.4 pp vs. July estimates)
- Strong gains have been seen in North West European ports boosted by higher imports from Asia and more transshipment activity (+ 0.0 pp vs. July estimates)
- Scandinavia & Baltics container volumes recovered slightly in Q3; but annual growth is expected to be weak regarding container slowdown in H1 19 (- 0.9 pp vs. July estimates).

Source: Drewry Maritime Research, Container Forecaster, October 2019

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# Forecast for 2019

Updated forecast for Port Logistics subgroup

	2018	Guidance 2019
<b>Container throughput</b> <span>updated ↗</span>	7,336 thousand TEU	<b>Moderate increase on previous year</b> (previously: Slight increase on previous year)
<b>Container transport</b> <span>updated ↗</span>	1,480 thousand TEU	<b>Significant increase on previous year</b> (previously: Slight increase on previous year)
<b>Revenues</b> <span>updated ↗</span>	€ 1,258.5 million	<b>Significant increase on previous year</b> (previously: Slight increase on previous year)
<b>EBIT</b>	€ 188.4 million	<b>Significant increase on previous year*</b>
<b>EBIT Container segment</b> <span>updated ↗</span>	€ 131.6 million	<b>Moderate increase on previous year</b> (previously: in the region of previous year)
<b>EBIT Intermodal segment</b> <span>updated ↗</span>	€ 89.1 million	<b>Strong increase</b> (previously: significant increase)
<b>Capital expenditure</b>	€ 132.9 million	<b>in the range of € 200 million**</b>

\* mainly due to changes in lease accounting policy (IFRS 16)

\*\* mainly attributable to the Port Logistics subgroup

# Financial calendar / IR contact

## Financial calendar 2020

### 25 March 2020

Annual Report 2019  
Analyst conference call

### 13 May 2020

Interim Statement January – March 2020  
Analyst conference call

### 10 June 2020

Annual General Meeting (AGM)

### 13 August 2020

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

### 12 November 2020

Interim Statement January – September 2020  
Analyst conference call

## IR contact

Phone: +49 40 3088 3397

Fax: +49 40 3088 55 3397

E-mail: [investor-relations@hhla.de](mailto:investor-relations@hhla.de)

Web: [www.hhla.de](http://www.hhla.de)

## Annual Report 2018

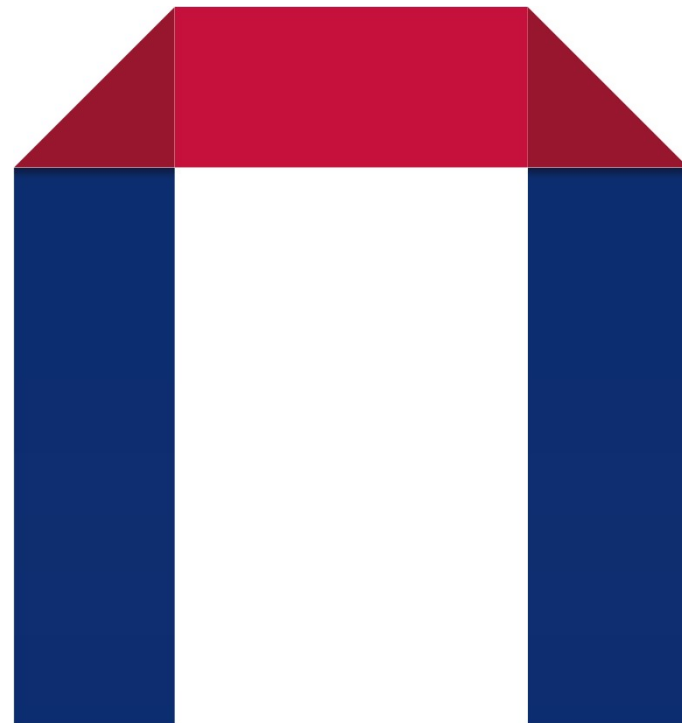
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# Appendix

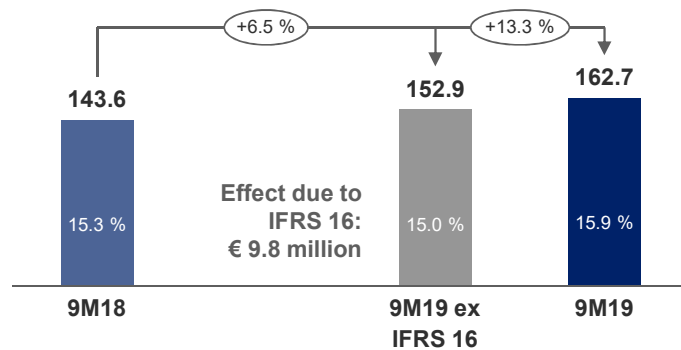
## IFRS 16



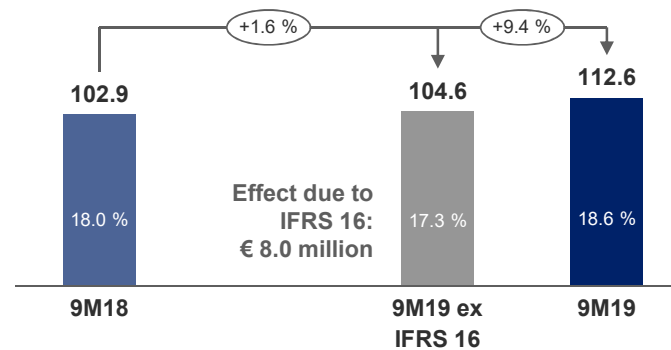
# Effects on EBIT development due to first-time application of IFRS 16

Port Logistics and segment level

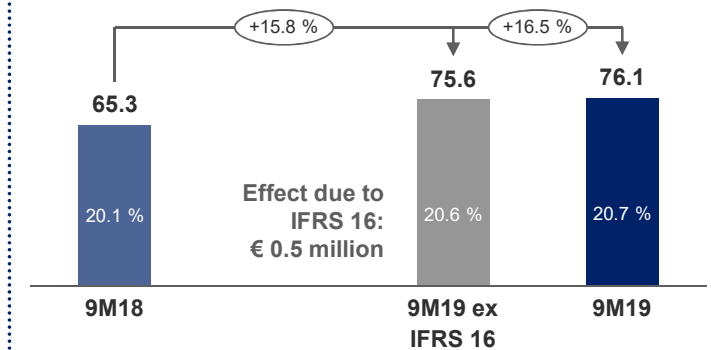
Port Logistics subgroup: EBIT & EBIT margin in € million



Container segment: EBIT & EBIT margin in € million

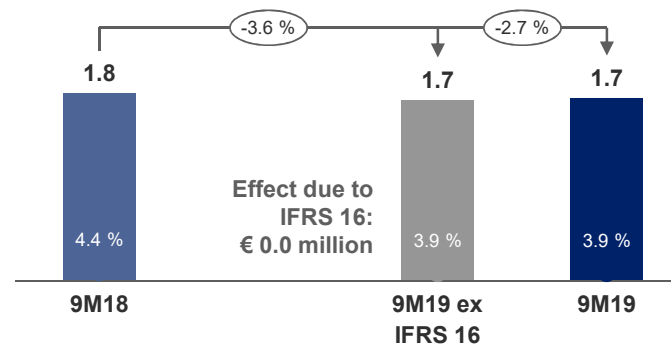


Intermodal segment: EBIT & EBIT margin in € million

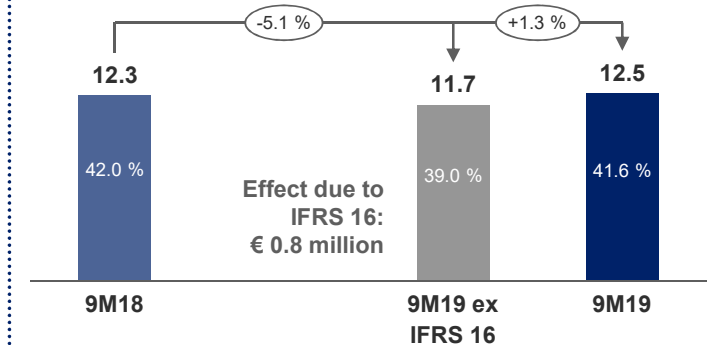


**IFRS 16**

Logistics segment: EBIT & EBIT margin in € million



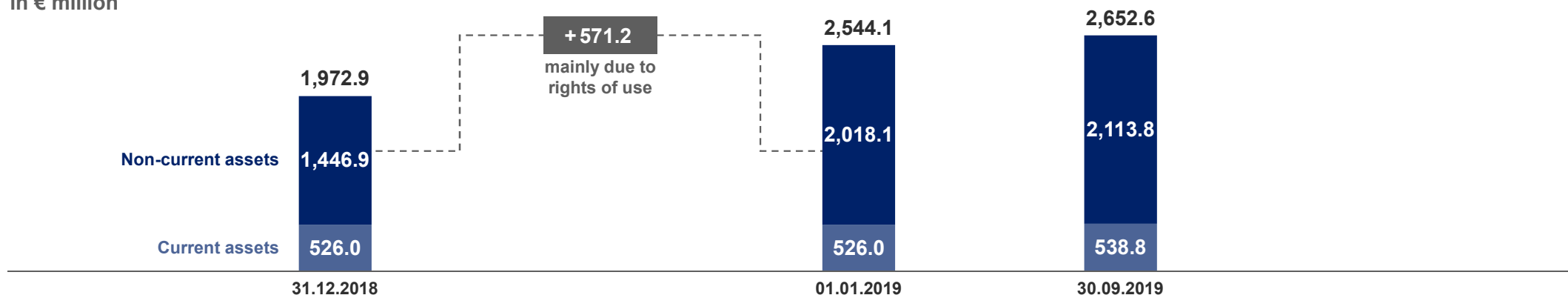
Real Estate segment: EBIT & EBIT margin in € million





# Effects on balance sheets due to first-time application of IFRS 16 and current equity trend at Group level

Assets  
in € million



Equity and liabilities  
in € million

