

DHL Group

Earnings accretion scenarios in a hypothetical DB Schenker tie-up

We revisit our past work ([link](#)) on a hypothetical tie-up with DB Schenker (DBS). We run a sensitivity analysis based on different acquisition prices and DBS EBIT post-synergies to determine potential implications on earnings accretion, ROCE, and net debt/EBITDA levels for DHL Group. We believe there are lower synergies in a DHL DBS tie up, vs a DSV DBS tie up ([link](#)) and therefore we allocate a lower probability for a potential DHL DBS tie up. Nevertheless, if a tie up materialises it would represent a risk to our Buy rating for DHL (PT, €51/sh) as we expect the initial investor reaction to a deal may be negative. Most of our scenarios assuming a valuation above €17bn result in EPS dilution.

Running sensitivities to calculate earnings accretion and post-tax

Fig. 1 illustrates 12 potential outcomes based on the three DBS EBIT post-acquisition scenarios outlined in Figure 2, assuming a range of acquisition prices ranging from €13bn to €20bn. We consider both a purely debt-financed acquisition scenario, and scenarios in which the net debt raised is €14bn with the rest of the deal financed by incremental shares issued. Based on past public [statements](#), we believe the competition for the asset is likely to be high. For illustrative purposes assuming: i) a €17bn EV for DBS, and ii) a DBS EBIT post synergies of €875m, we calculate an implied EV/EBIT post synergies of 19.4x (vs. DHL trading historically around 11x EV/EBIT), FY25E EPS dilution of 1.4% for DHL and a post-tax ROCE of 3.6%, net debt/EBITDA pro forma at ~2.2x and a potential equity increase of ~€3bn (vs. DHL market cap of €56.6bn) (Figure 3). We assume in our EPS calculations that - if the deal were to go ahead - DHL Group would stop the current share buyback programme in FY24.

We allocate a lower probability for a DHL DBS tie up

We believe the customer overlap between DHL and DBS could be meaningful, resulting in high de-synergies. We also believe that DSV could achieve a higher level of post-synergies EBIT for DBS, judging by the historical EBIT margin premium it had achieved vs. DHL FF and peers. To put this in context we calculate that each 100bps higher EBIT margin for DBS post synergies is equal to around €160m of incremental EBIT per year. Using a 15x EV/EBIT multiple seen in past transactions would equate to c. €2.4bn higher price that DSV would be able to pay. Lastly we note that a potential tie up with DSV does not necessary have to result in significant DBS layoffs considering: i) high natural employee churn in freight forwarding of ~15%; limited workforce rationalisation at DSV over the last year despite the weak air & ocean volumes.

Valuation: we rate DHL Group Buy with a price target of EUR 51/sh

Highlights (€m)	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
Revenues	66,806	81,747	94,436	88,449	91,113	93,956	96,728	99,528
EBIT (UBS)	5,427	7,978	8,436	6,407	7,173	7,905	8,010	8,052
Net earnings (UBS)	3,559	5,353	5,359	3,747	4,371	4,898	4,960	4,980
EPS (UBS, diluted) (€)	2.83	4.24	4.33	3.01	3.56	4.03	4.08	4.10
DPS (net) (€)	1.35	1.80	1.85	1.85	1.90	1.95	2.00	2.00
Net (debt) / cash	(13,100)	(16,366)	(18,028)	(17,973)	(19,051)	(18,271)	(16,828)	(16,015)
Profitability/valuation	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
EBIT (UBS) margin %	8.1	9.8	8.9	7.2	7.9	8.4	8.3	8.1
ROIC (EBIT) %	16.9	22.5	20.8	15.1	16.4	17.3	16.9	16.5
EV/EBITDA (UBS core) x	7.0	7.9	6.1	7.9	7.2	6.8	6.6	6.5
P/E (UBS, diluted) x	11.9	12.3	9.3	15.2	12.9	11.4	11.2	11.2
Equity FCF (UBS) yield %	4.3	5.7	8.4	6.1	5.2	6.5	7.8	6.8
Dividend yield (net) %	4.0	3.5	4.6	4.0	4.1	4.3	4.4	4.4

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of € 45.84 on 17-Jul-2023 16:35:55 CEST

Equities		
Germany		
Air Freight		
12-month rating	Buy	
12m price target	€51.00	
Price (17 Jul 2023)	€45.72	
RIC: DHLn.DE BBG: DHL GR		
Trading data and key metrics		
52-wk range	€45.90-30.00	
Market cap.	€56.0b/US\$62.9b	
Shares o/s	1,224m (ORD)	
Free float	74%	
Avg. daily volume ('000)	2,108	
Avg. daily value (m)	€90.8	
Common s/h equity (12/23E)	€23.4b	
P/BV (12/23E)	2.4x	
Net debt to EBITDA (12/23E)	1.7x	
EPS (UBS, diluted) (€)		
	UBS	Cons.
12/23E	3.01	3.31
12/24E	3.56	3.62
12/25E	4.03	4.13

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EPS ACCRETION / DILUTION SCENARIOS

Figure 1: Potential EPS accretion / dilution (assuming no share buyback programme in FY24E) and post-tax ROCE achievable in our hypothetical scenarios

DB Schenker EBIT post acquisition	Acquisition price	Incremental Net Debt	Incremental Equity	UBS 2025E EPS	Pro-forma EPS post-acquisition	EPS accretion / (dilution)	Implied EV / EBIT	Net Debt / EBITDA post acquisition	Post-tax ROCE post-acquisition
€ m	€ m	€ m	€ m	€	€	%			
700	13,000	13,000	0	4.12	4.19	1.9%	18.6x	2.17x	3.8%
875	13,000	13,000	0	4.12	4.29	4.3%	14.9x	2.14x	4.7%
1,075	13,000	13,000	0	4.12	4.41	7.1%	12.1x	2.11x	5.8%
700	15,000	14,000	1,000	4.12	4.10	-0.3%	21.4x	2.24x	3.3%
875	15,000	14,000	1,000	4.12	4.20	2.1%	17.1x	2.21x	4.1%
1,075	15,000	14,000	1,000	4.12	4.31	4.8%	14.0x	2.18x	5.0%
700	17,000	14,000	3,000	4.12	3.96	-3.7%	24.3x	2.24x	2.9%
875	17,000	14,000	3,000	4.12	4.06	-1.4%	19.4x	2.21x	3.6%
1,075	17,000	14,000	3,000	4.12	4.17	1.2%	15.8x	2.18x	4.4%
700	20,000	14,000	6,000	4.12	3.77	-8.4%	28.6x	2.24x	2.5%
875	20,000	14,000	6,000	4.12	3.86	-6.2%	22.9x	2.21x	3.1%
1,075	20,000	14,000	6,000	4.12	3.97	-3.7%	18.6x	2.18x	3.8%

Source: UBS analysis and estimates. We assume in our EPS calculations that - if the deal were to go ahead - DHL Group would stop the current share buyback programme in FY24.

Framing our financial assumptions

Judging by DBS FY22 reported figures for employees, air & sea volumes and warehousing space - which remain broadly aligned with pre-Covid levels - we believe revenues have the potential to return close to 2019 levels as freight rates normalise (see Figure 4 for DBS historical financials). Looking at EBIT margins post synergies, our three scenarios are based on DHL Freight Forwarding and Supply Chain consensus and own estimates as well as on DBS FY22 achieved EBIT margins (Fig 2). Our model (available upon request) calculates pro-forma EPS accretion using a range of post synergies EBIT of €700m-1.075bn. For the potential acquisition price, we use values around the range provided in recent press articles ([press reports](#)).

Figure 2: Framing the DB Schenker post-synergies EBIT underlying assumptions

Implied DB Schenker EBIT post-acquisition in three hypothetical scenarios (million)		
Scenario	EBIT margin	Assumptions
Low € 700	7.5%	We assume 90% of 2019 revenue to reflect volume attrition due to customer overlap between DB Schenker and DHL, and EBIT margins in...: 1) Air and Sea: BELOW 2025E Visible Alpha consensus for DHL Global Forwarding 2) Land transport: achieved margin in 2022 for DB Schenker 3) Contract Logistics: achieved margin in 2022 for DB Schenker
	2.0%	
	5.0%	
	5.0%	
Mid € 875	8.6%	We assume 95% of 2019 DB Schenker revenue and EBIT margins in...: 1) Air and Sea: 2025E Visible Alpha consensus for DHL Global Forwarding 2) Land transport: 2025E Visible Alpha for DHL Freight 3) Contract Logistics: 2025E Visible Alpha for DHL Supply Chain
	2.7%	
	5.8%	
	5.8%	
High € 1,075	9.5%	We assume 100% of 2019 DB Schenker revenue and EBIT margins in...: 1) Air and Sea: ABOVE 2025E Visible Alpha consensus for DHL Global Forwarding 2) Land transport: average margin of industry peers 3) Contract Logistics: average industry margin of industry peers
	4.0%	
	6.0%	
	6.0%	

Source: UBS analysis and estimates.

Figure 3: EPS accretion / dilution model showing an illustrative scenario from Figure 1*

Incremental Net Income from DB Schenker acquisition (2025E)			
EBIT	€ m	875	
Interest expense		434	
Profit before tax		441	
Tax expense		132	
Profit for the period		309	
Post-synergies EBIT scenario:			
			Mid
Assumptions:			
	Incremental net debt		14,000
	Interest rate		3.1%
	Tax rate		30.0%
Shares issued for acquisition			
Acquisition price	€ m	17,000	
Incremental equity issued		3,000	
Shares issued	m	66	
Acquisition price scenario:			
			3
Assumptions:			
	DHL share price today		45.77 €
DHL Group P&L - no acquisition		DHL Group P&L - acquisition scenario	
EBITDA	€ m	12,539	
Depreciation and amortisation		(4,634)	
EBIT		7,905	
Net financial costs		(650)	
Profit before tax		7,255	
Tax on profit for the period		(2,031)	
Profit for the period	€ m	5,224	
Non-controlling interest		(325)	
Profit for the period attributable to shareholders		4,899	
Average shares LTM - issued and outstanding		Average shares LTM - issued and outstanding	
Assuming continued buyback	m	1,190	1,256
Assuming no buyback in FY24	m	1,218	1,283
EPS		EPS	
Basic EPS - continued buyback	€	4.12	4.15
Basic EPS - no buyback		4.02	4.06
		EPS accretion / (dilution)	
		-1.4%	

Source: UBS analysis and estimates, Refinitiv. *Please note our model is available on request.

Figure 4: DB Schenker historical financials - in € m

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	1H20	2020	1H21	2021 restated	1H22	2022	
Revenues	14,022	14,732	11,292	14,310	14,867	15,389	14,857	14,943	15,451	15,128	16,430	17,050	17,091	8,463	17,671	10,432	23,443	22,939	14,162	27,604
External rev		14,680	11,249	14,257	14,808	15,335	14,814	14,894	15,390	15,059	16,345	16,973	17,018	8,429	17,601	10,396	23,371	22,853	14,129	27,545
Land transport		6,358	5,086	5,864	6,376	6,415	6,370	6,362	6,317	6,358	6,608	7,092	7,125	3,277	6,716	3,443	7,517	6,952	3,846	7,852
Air and Ocean		7,114	5,051	7,135	6,998	7,227	6,647	6,550	6,753	6,257	6,503	6,734	6,632	3,883	8,228	5,545	12,962	12,963	8,683	16,530
Contract Logistics		1,280	1,152	1,310	1,487	1,750	1,841	2,030	2,381	2,514	2,634	2,622	2,734	1,303	2,715	1,422	2,964	2,965	1,616	3,195
Revenues as % of total																				
Land transport		43%	45%	41%	43%	42%	43%	43%	41%	42%	40%	42%	42%	39%	38%	33%	32%	30%	27%	28%
Air and Ocean		48%	45%	50%	47%	47%	45%	44%	44%	41%	40%	39%	39%	46%	47%	53%	55%	57%	61%	60%
Contract Logistics		9%	10%	9%	10%	11%	12%	14%	15%	17%	16%	15%	16%	15%	15%	14%	13%	13%	11%	12%
Gross Margin							32%	33%	34%	36%	34%	35%	36%	35%	35%	33%	31%	32%	31%	31%
EBITDA Adj	590	551	371	478	572	609	518	520	589	599	676	703	1,082	569	1,307	906	1,845	1,826	1,486	2,512
EBITDA Margin	4%	4%	3%	3%	4%	4%	3%	3%	4%	4%	4%	4%	6%	7%	7%	9%	8%	8%	10%	9%
EBIT Adj	421	381	199	304	403	418	335	332	395	410	477	503	538	278	711	620	1,248	1,234	1,186	1,841
EBIT Margin	3.0%	2.6%	1.8%	2.1%	2.7%	2.7%	2.3%	2.2%	2.6%	2.7%	2.9%	3.0%	3.1%	3.3%	4.0%	5.9%	5.3%	5.4%	8.4%	6.7%
EBIT Contribution (%)																				
Land and Transport		55.6%	54.3%	32.6%	33.5%	33.7%	27.5%	28.9%	25.1%	20.0%	20.0%	25.0%	32.0%	20.1%	22.0%	17.7%	9.1%	8.0%	11.8%	8.6%
Air & Ocean		50.5%	38.7%	61.2%	58.1%	60.8%	57.3%	60.8%	64.6%	53.9%	55.0%	51.0%	49.0%	67.7%	63.0%	72.6%	82.4%	83.3%	79.5%	81.6%
Contract Logistics			9.0%	14.5%	12.4%	11.2%	23.0%	23.8%	26.8%	26.1%	25.0%	18.0%	15.0%	12.2%	15.0%	9.8%	8.6%	8.7%	8.5%	9.0%
Others	100.0%	-6.1%	-2.0%	-8.2%	-4.0%	-5.7%	-7.8%	-13.6%	-16.5%	0.0%	0.0%	6.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%
EBIT																				
Land and Transport		212	108	99	135	141	92	96	99	82	95	126	172	56	158	110	113	99	140	158
Air & Ocean		193	77	186	234	254	192	202	255	221	262	257	264	188	448	450	1,028	1,028	943	1,503
Contract Logistics		23	18	44	50	47	77	79	106	107	119	91	81	34	105	61	107	107	101	166
EBIT Margins (%)																				
Land and Transport		3.3%	2.1%	1.7%	2.1%	2.2%	1.4%	1.5%	1.6%	1.3%	1.4%	1.8%	2.4%	1.7%	2.4%	3.2%	1.5%	1.4%	3.6%	2.0%
Air & Ocean		2.7%	1.5%	2.6%	3.3%	3.5%	2.9%	3.1%	3.8%	3.5%	4.0%	3.8%	4.0%	4.8%	5.4%	8.1%	7.9%	7.9%	10.9%	9.1%
Contract Logistics		-1.8%	1.6%	3.4%	3.4%	2.7%	4.2%	3.9%	4.5%	4.3%	4.5%	3.5%	3.0%	2.6%	3.9%	4.3%	3.6%	3.6%	6.3%	5.2%
No of employees	59,605	62,074	57,134	58,671	62,197	64,199	64,051	64,810	66,327	68,388	71,888	75,817	76,153	73,792	74,161	74,514	76,114	75,418	75,424	76,591
Revenue per employee	235,249	237,330	197,641	243,902	239,031	239,708	231,956	230,566	232,952	221,208	228,550	224,884	224,430	114,687	238,279	140,001	307,999	304,158	187,765	360,408
Gross Capital expenditure	230	231	196	189	246	321	335	240	238	209	246	273	662	315	817	249	844	842	299	946
Net Financial debt	na	na	na	414	-171	15	96	454	-28	860	909	847	1,823	2,124	1,699	1,499	1,175	1,025	1,130	924
Capital Employed	na	na	na	2,599	2,425	2,684	2,695	2,811	2,589	2,472	2,588	2,490	3,734	4,128	3,781	4,106	3,807	3,804	4,961	4,106
Investment grants received	na	na	na	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Volumes																				
Land ('000)	69,568	72,805	70,052	80,816	95,836	95,325	95,543	98,867	99,361	99,638	100,452	106,468	107,132	51,659	108,166	56,316	110,700	110,700	53,200	102,800
Air ('000)	1,270	1,229	1,032	1,225	1,149	1,095	1,092	1,112	1,128	1,179	1,300	1,304	1,186	495	1,094	712.1	1,438	1,438	673	1,326
Ocean ('000 TEU)	1,455	1,454	1,424	1,647	1,763	1,905	1,891	1,983	1,942	2,006	2,169	2,203	2,294	992	2,052	1,000	2,003	2,003	966	1,909
Warehouse ('mn m2)							6.2	7.1	7.7	8	8	8	8.4	na	8.8	na	8.4	8.4	na	8.6

Source: Company data

DHL Group (DHLn.DE)

Income Statement (€m)	12/20	12/21	12/22	12/23E	%ch	12/24E	%ch	12/25E	12/26E	12/27E
Revenues	66,806	81,747	94,436	88,449	-6.3	91,113	3.0	93,956	96,728	99,528
Gross profit	-	-	-	-	-	-	-	-	-	-
EBITDA (UBS)	9,257	11,746	12,613	10,819	-14.2	11,666	7.8	12,539	12,783	12,969
Depreciation & amortisation	(3,830)	(3,768)	(4,177)	(4,412)	-5.6	(4,493)	-1.8	(4,634)	(4,773)	(4,917)
EBIT (UBS)	5,427	7,978	8,436	6,407	-24.1	7,173	12.0	7,905	8,010	8,052
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(676)	(619)	(525)	(682)	-29.9	(629)	7.8	(650)	(670)	(684)
Exceptionals (incl goodwill)	(580)	0	0	0	-	0	-	0	0	0
Pre-tax profit	4,171	7,359	7,911	5,724	-27.6	6,544	14.3	7,255	7,340	7,369
Tax	(995)	(1,636)	(2,194)	(1,674)	23.7	(1,898)	-13.4	(2,031)	(2,055)	(2,063)
Profit after tax	3,176	5,723	5,717	4,050	-29.2	4,646	14.7	5,223	5,285	5,305
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(197)	(370)	(358)	(303)	15.4	(275)	9.2	(325)	(325)	(325)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	2,979	5,353	5,359	3,747	-30.1	4,371	16.7	4,898	4,960	4,980
Net earnings (UBS)	3,559	5,353	5,359	3,747	-30.1	4,371	16.7	4,898	4,960	4,980
Tax rate (%)	23.9	22.2	27.7	29.2	5.5	29.0	-0.8	28.0	28.0	28.0
Per Share (€)	12/20	12/21	12/22	12/23E	%ch	12/24E	%ch	12/25E	12/26E	12/27E
EPS (UBS, diluted)	2.83	4.24	4.33	3.01	-30.4	3.56	18.2	4.03	4.08	4.10
EPS (local GAAP, diluted)	2.37	4.24	4.33	3.01	-30.4	3.56	18.2	4.03	4.08	4.10
EPS (UBS, basic)	2.88	4.34	4.41	3.07	-30.4	3.63	18.2	4.12	4.17	4.19
DPS (net) (€)	1.35	1.80	1.85	1.85	0.0	1.90	2.7	1.95	2.00	2.00
Cash EPS (UBS, diluted) ¹	5.88	7.23	7.70	6.56	-14.9	7.22	10.1	7.85	8.01	8.15
Book value per share	11.14	15.55	18.98	19.19	1.1	20.46	6.6	22.67	24.89	27.08
Average shares (diluted)	1,256	1,262	1,238	1,245	0.5	1,228	-1.3	1,214	1,214	1,214
Balance Sheet (€m)	12/20	12/21	12/22	12/23E	%ch	12/24E	%ch	12/25E	12/26E	12/27E
Net tangible fixed assets	22,007	24,903	28,688	30,016	4.6	32,173	7.2	34,018	35,477	36,972
Net intangible fixed assets	11,658	12,076	14,096	14,034	-0.4	14,034	0.0	14,034	14,034	14,034
Investments	819	1,349	1,314	1,255	-4.5	1,255	0.0	1,255	1,255	1,255
Other assets	2,562	2,530	2,021	1,827	-9.6	1,761	-3.6	1,689	1,615	1,542
Total fixed assets	37,046	40,858	46,119	47,132	2.2	49,223	4.4	50,996	52,382	53,803
Net working capital	(942)	1,579	106	(751)	-	(745)	0.7	(602)	(730)	(300)
Cash	5,998	3,531	3,790	3,781	-0.2	3,421	-9.5	4,870	6,986	7,799
Short term debt	0	(3,283)	(4,159)	(3,816)	8.2	(3,816)	0.0	(3,816)	(3,816)	(3,816)
Long term debt	(19,098)	(16,614)	(17,659)	(17,938)	-1.6	(18,656)	-4.0	(19,325)	(19,998)	(19,998)
Preferred shares	0	0	0	0	-	0	-	0	0	0
Net (debt) / cash	(13,100)	(16,366)	(18,028)	(17,973)	0.3	(19,051)	-6.0	(18,271)	(16,828)	(16,015)
Other debt-deemed liabilities	(5,835)	(4,185)	(1,936)	(2,065)	-6.7	(2,121)	-2.7	(2,179)	(2,240)	(2,303)
Provisions & non-debt deemed liabs	(3,091)	(2,387)	(2,558)	(2,451)	4.2	(2,451)	0.0	(2,451)	(2,451)	(2,451)
Total equity	14,078	19,499	23,703	23,893	0.8	24,855	4.0	27,493	30,133	32,735
Minority interests	(301)	(462)	(467)	(522)	-11.8	(522)	0.0	(522)	(522)	(522)
Common s/h equity	13,777	19,037	23,236	23,371	0.6	24,333	4.1	26,971	29,611	32,213
Operating invested capital	32,194	38,701	42,353	42,676	0.8	44,772	4.9	46,688	47,946	49,797
Total capital employed	33,013	40,050	43,667	43,931	0.6	46,027	4.8	47,943	49,201	51,052
Cash Flow (€m)	12/20	12/21	12/22	12/23E	%ch	12/24E	%ch	12/25E	12/26E	12/27E
EBIT (UBS)	5,427	7,978	8,436	6,407	-24.1	7,173	12.0	7,905	8,010	8,052
Depreciation & amortisation	3,830	3,768	4,177	4,412	5.6	4,493	1.8	4,634	4,773	4,917
Net change in working capital	(404)	(430)	215	367	70.5	(2)	-	(140)	131	(427)
Net interest	(676)	(619)	(525)	(682)	-29.9	(629)	7.8	(650)	(670)	(684)
Tax paid	(754)	(1,323)	(1,782)	(1,596)	10.4	(1,832)	-14.8	(1,959)	(1,982)	(1,989)
Other operating	(370)	69	(190)	(73)	61.6	(104)	-43.0	(102)	(99)	(97)
Operating cash flow	7,053	9,443	10,331	8,834	-14.5	9,098	3.0	9,688	10,163	9,772
Tangible capital expenditure	(5,083)	(5,787)	(6,195)	(5,408)	12.7	(6,175)	-14.2	(6,037)	(5,798)	(5,984)
Intangible capital expenditure	(184)	0	0	0	-	0	-	0	0	0
Equity free cash flow	1,786	3,656	4,136	3,426	-17.2	2,924	-14.7	3,651	4,365	3,788
Net (acquisitions) & disposals	5	360	515	229	-55.6	243	6.3	227	239	249
Equity dividends paid	(1,422)	(1,673)	(2,205)	(2,291)	-3.9	(2,233)	2.5	(2,260)	(2,320)	(2,379)
Share issues / (buybacks)	0	(1,115)	(1,099)	(1,218)	-10.8	(1,176)	3.4	0	0	0
Net other cash flows	(978)	(1,562)	(87)	567	-	(118)	-	(168)	(168)	(168)
Cash flow (inc)/dec in net debt	(609)	(334)	1,260	713	-43.4	(360)	-	1,449	2,116	1,490
FX / non cash items	876	(2,932)	(2,922)	(658)	77.5	(718)	-9.0	(669)	(673)	(676)
Balance sheet (inc)/dec in net debt	267	(3,266)	(1,662)	55	-	(1,078)	-	780	1,443	813

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.¹ Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

DHL Group (DHLn.DE)

	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
Valuation (x)								
P/E (local GAAP, diluted)	14.2	12.3	9.3	15.2	12.8	11.3	11.2	11.1
P/E (UBS, diluted)	11.9	12.3	9.3	15.2	12.8	11.3	11.2	11.1
P/CEPS	5.6	7.0	5.1	6.8	6.2	5.7	5.6	5.5
Equity FCF (UBS) yield %	4.3	5.7	8.4	6.1	5.2	6.5	7.8	6.8
Dividend yield (net) %	4.0	3.5	4.6	4.0	4.2	4.3	4.4	4.4
P/BV	3.0	3.4	2.1	2.4	2.2	2.0	1.8	1.7
EV/revenues (core)	1.0	1.1	0.8	1.0	0.9	0.9	0.9	0.9
EV/EBITDA (UBS core)	7.0	7.9	6.1	7.9	7.2	6.7	6.6	6.5
EV/EBIT (core)	12.0	11.6	9.2	13.3	11.8	10.7	10.6	10.5
EV/OpFCF (core)	8.6	9.2	7.1	9.3	8.5	7.8	7.6	7.5
EV/op. invested capital	2.0	2.6	1.9	2.0	1.9	1.8	1.8	1.7
Enterprise value (€m)								
Market cap.	41,662	64,434	49,017	55,955	55,955	55,955	55,955	55,955
Net debt (cash)	13,234	14,733	17,197	18,000	18,512	18,661	18,661	18,661
Buy out of minorities	4,303	10,600	10,600	11,100	11,100	11,100	11,100	11,100
Pension provisions/other	5,835	4,185	1,936	2,065	2,121	2,179	2,240	2,303
Total enterprise value	65,034	93,952	78,750	86,221	85,612	85,819	85,880	85,943
Non core assets	0	(1,349)	(1,314)	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)
Core enterprise value	65,034	92,603	77,436	84,966	84,357	84,564	84,625	84,688
Growth (%)								
Revenue	5.5	22.4	15.5	(6.3)	3.0	3.1	3.0	2.9
EBITDA (UBS)	19.5	26.9	7.4	(14.2)	7.8	7.5	1.9	1.5
EBIT (UBS)	33.6	47.0	5.7	(24.1)	12.0	10.2	1.3	0.5
EPS (UBS, diluted)	38.3	49.7	2.0	(30.4)	18.2	13.3	1.3	0.4
Net DPS	17.4	33.3	2.8	0.0	2.7	2.6	2.6	0.0
Margins & Profitability (%)								
Gross profit margin	-	-	-	-	-	-	-	-
EBITDA margin	13.9	14.4	13.4	12.2	12.8	13.3	13.2	13.0
EBIT (UBS) margin	8.1	9.8	8.9	7.2	7.9	8.4	8.3	8.1
Net earnings (UBS) margin	5.3	6.5	5.7	4.2	4.8	5.2	5.1	5.0
ROIC (EBIT)	16.9	22.5	20.8	15.1	16.4	17.3	16.9	16.5
ROIC post tax	13.4	17.5	15.0	10.7	11.6	12.4	12.2	11.9
ROE (UBS)	25.5	32.6	25.4	16.1	18.3	19.1	17.5	16.1
Capital structure & Coverage (x)								
Net debt / EBITDA	1.4	1.4	1.4	1.7	1.6	1.5	1.3	1.2
Net debt / total equity %	93.1	83.9	76.1	75.2	76.6	66.5	55.8	48.9
Net debt / (net debt + total equity) %	48.2	45.6	43.2	42.9	43.4	39.9	35.8	32.9
Net debt/EV %	20.3	15.7	21.8	20.9	21.6	21.7	20.4	19.1
Capex / depreciation %	139.7	153.6	148.3	122.6	137.4	130.3	121.5	121.7
Capex / revenue %	7.6	7.1	6.6	6.1	6.8	6.4	6.0	6.0
EBIT / net interest	8.0	12.9	16.1	9.4	11.4	12.2	12.0	11.8
Dividend cover (UBS)	2.1	2.4	2.4	1.7	1.9	2.1	2.1	2.1
Div. payout ratio (UBS) %	46.9	41.4	41.9	60.2	52.3	47.4	48.0	47.8
Revenues by division (€m)								
Others	66,806	81,747	94,436	88,449	91,113	93,956	96,728	99,528
Total	66,806	81,747	94,436	88,449	91,113	93,956	96,728	99,528
EBIT (UBS) by division (€m)								
Others	5,427	7,978	8,436	6,407	7,173	7,905	8,010	8,052
Total	5,427	7,978	8,436	6,407	7,173	7,905	8,010	8,052

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+11.6%
Forecast dividend yield	4.0%
Forecast stock return	+15.6%
Market return assumption	8.3%
Forecast excess return	+7.3%

Company Description

Deutsche Post-DHL was originally the German postal operator. Today, it offers mail, parcel, express, air, sea and road freight forwarding and supply chain management services. It is the largest international express operator as well as the world's largest contract logistics and freight forwarding company.

Valuation Method and Risk Statement

We value the company using a sum of the parts methodology. The main risks to share price include, though are not limited to, European and German postal regulation, union wage negotiations, secular mail volume erosion and volatility in the global economy that would negatively impact DP-DHL's more cyclical operations such as DHL Express, Freight Forwarding and Supply Chain. DHL Freight Forwarding is currently restructuring and its future profitability remains uncertain.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at <https://neo.ubs.com/quantitative>, or contact your UBS sales representative for access to the report or the Quantitative Research Team on qa@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

DHL Group

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next year? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next year? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	3
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

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UBS Global Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	54%	41%
Neutral	FSR is between -6% and 6% of the MRA.	37%	43%
Sell	FSR is > 6% below the MRA.	9%	36%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 June 2023.

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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Company Disclosures

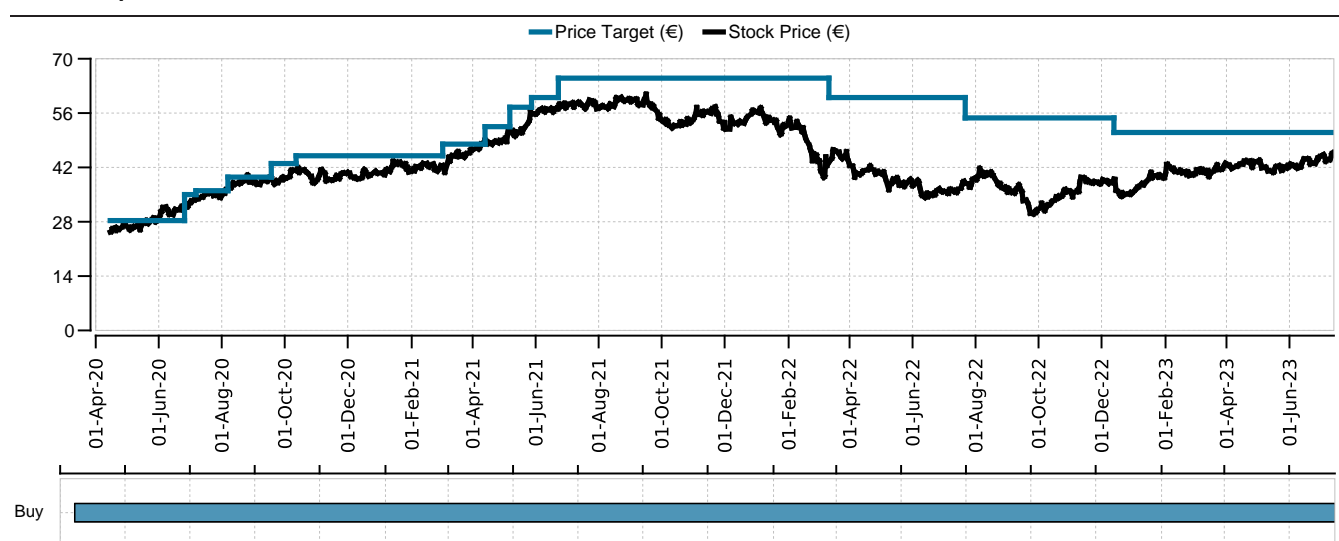
Company Name	Reuters	12-month rating	Price	Price date
DHL Group ^{5,6,28,7}	DHLn.DE	Buy	€45.90	14 Jul 2023

Source: UBS Global Research; Refinitiv. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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DHL Group (€)



Date	Stock Price (€)	Price Target (€)	Rating
2020-04-14	26.22	28.30	Buy

Date	Stock Price (€)	Price Target (€)	Rating
2020-06-25	31.59	35.00	Buy
2020-07-06	33.97	36.00	Buy
2020-08-06	36.40	39.50	Buy
2020-09-17	39.55	43.00	Buy
2020-10-11	41.28	45.00	Buy
2021-03-02	42.36	48.00	Buy
2021-04-12	48.49	52.50	Buy
2021-05-06	51.50	57.50	Buy
2021-05-27	56.48	60.00	Buy
2021-06-22	57.48	65.00	Buy
2022-03-11	42.90	60.00	Buy
2022-07-21	38.42	54.75	Buy
2022-12-12	37.98	51.00	Buy

Source: UBS Global Research; Refinitiv as of 14-Jul-2023. All prices as of local market close. Ratings as of date shown.

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