

# Investor Presentation

9M 2018 Result Presentation

Hamburg, 8 November 2018



# Opening Remarks

- 
- 01** | **Highlights**
- Positive EBIT of USD 359 m in 9M 2018 in a tough market environment
  - Introduction of a new and transparent **Marine Fuel Recovery Mechanism** in light of IMO 2020
- 
- 02** | **Sector Update**
- Stable demand despite rising geopolitical risks
  - Sector fundamentals remain favourable in the mid-term
- 
- 03** | **Financials**
- EBITDA of USD 972 m in 9M 2018 (USD 809 m in 9M 2017)
  - Good operating cash flow of USD 872 m (USD 751 m in 9M 2017)
- 
- 04** | **Way Forward**
- Continue to deliver on **synergies**, improve **profitability** and **deleverage** over time
  - Presentation of our strategy at the **Capital Markets Day** on 21 November 2018

# Financial Highlights 9M 2018

Transport volume

**+26.6%**

9M 2018: TEU 8.9 m

Pro forma  
+5.5%

Transport expenses per TEU

**-1.3%**

9M 2018: 926 USD/TEU

Freight rate

**-3.4%**

9M 2018: 1,032 USD/TEU

Pro forma  
+1.4%

EBIT

**USD 359 m**

3.6% EBIT margin

EBITDA

**USD 972 m**

9.7% EBITDA margin

Group profit

**USD 15 m**

3.2% ROIC

Equity

**USD 7.2 bn**

Liquidity reserve

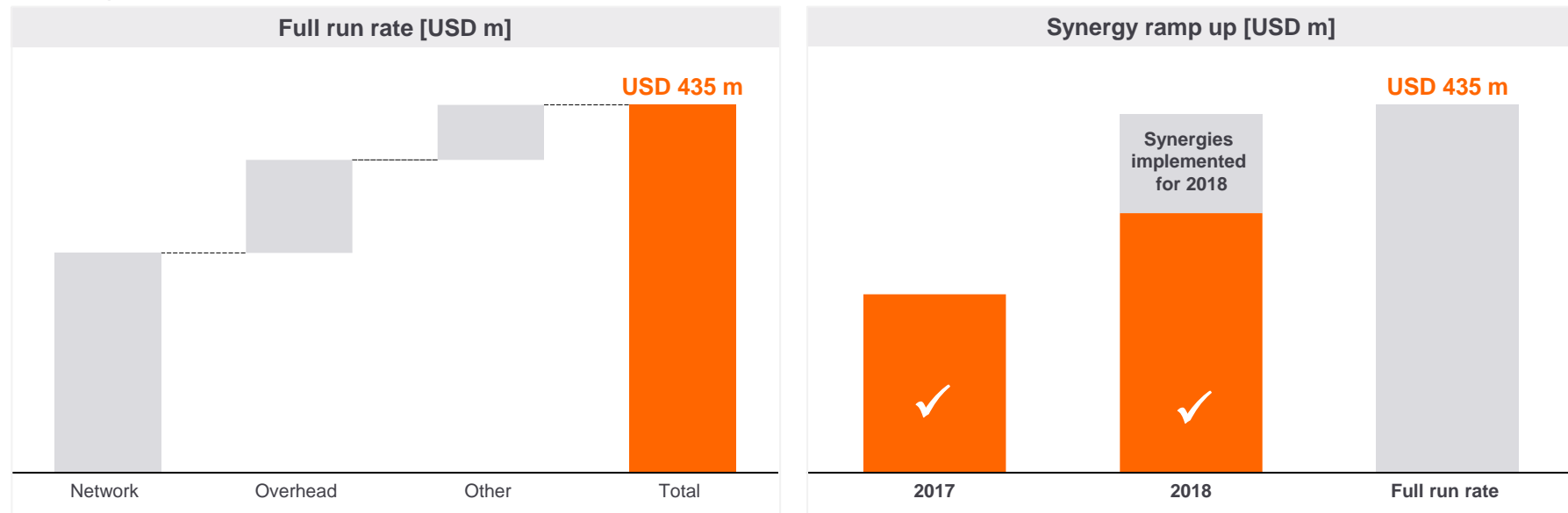
**USD 1.2 bn**

Net debt

**USD 6.5 bn**

# Total synergies of USD 435 m p.a. from 2019 onwards confirmed – synergy realisation going as planned

## Synergy potential



- Approximately **90% of full run rate** expected to be realized in 2018
- **Visibility of synergies in P&L in 9M 2018 is limited** due to counter effects in other cost items

# We have publicly launched our new Web Channel, Quick Quotes, in August



**24/7** access to the Quick Quotes tool whenever and wherever



Reception of rate in **immediate response**



**Quotation** with just a few clicks



Access for **all customers** regardless of size or location



Start of **booking process** follows directly



Flexible access to Hapag-Lloyds extensive **global network**

# Hapag-Lloyd is introducing a Marine Fuel Recovery mechanism

Hapag-Lloyd is simplifying its rate structure and will replace all existing fuel charges with a new **Marine Fuel Recovery (MFR) mechanism**

- Marine Fuel Recovery Mechanism will be gradually implemented from **1 January 2019**
- It is **causal**, **transparent** and **easy-to-understand**
- It helps our customers **predict** and **plan** the price increases for their trade routes
- The MFR aiming at **recovering costs** arising from stricter sulphur regulation (**IMO 2020**)
- The calculation is based on **average market data**

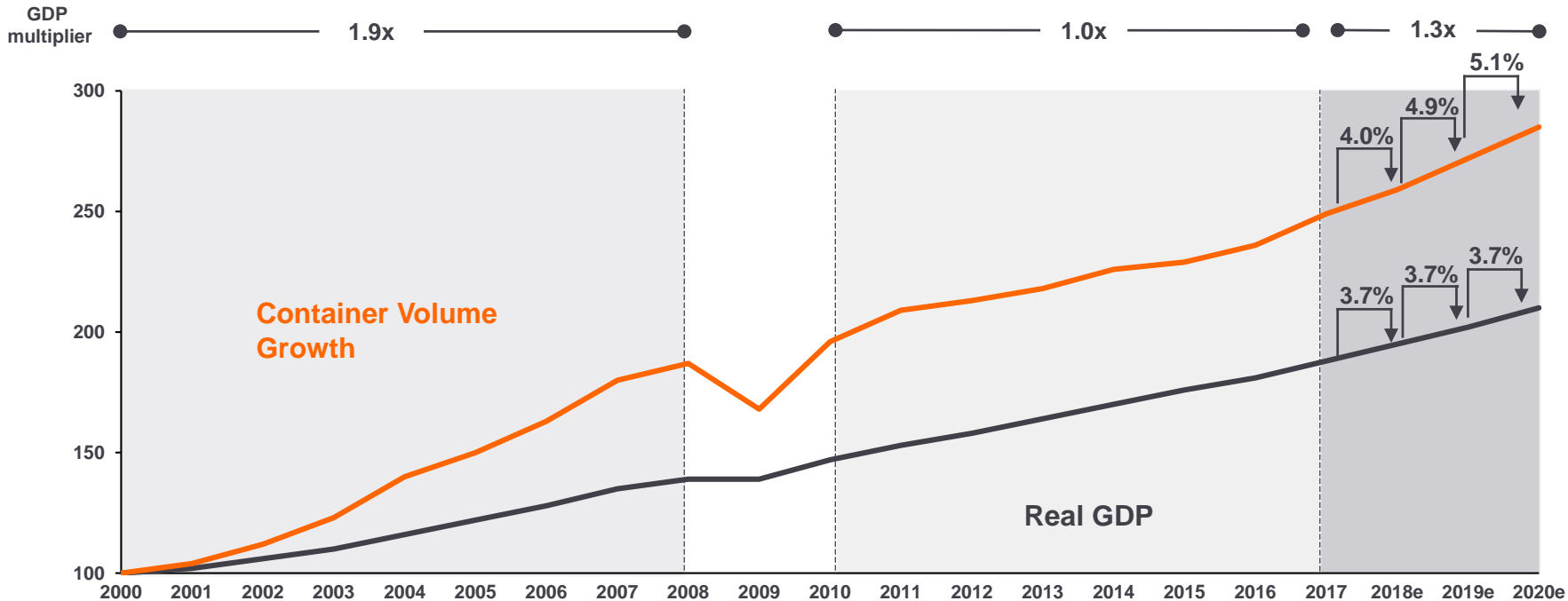
$$\text{MFR}_{[\text{per TEU}]} = \text{Fuel price}_{[\text{per TO}]} \times \frac{\text{Fuel consumption}_{[\text{TO}]}}{\text{Carried TEU}}$$



# Container shipping volume expected to grow on a healthy level of 4% to 5% between 2018E and 2020E, but geopolitical risks rise

## Global Container Volume Growth & Real GDP Growth [%]

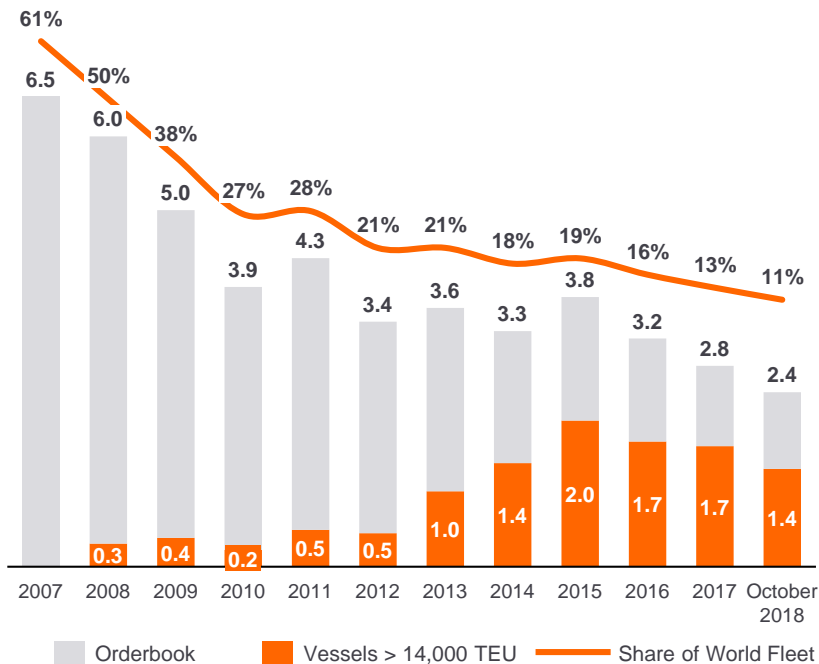
2000 = Indexed to 100



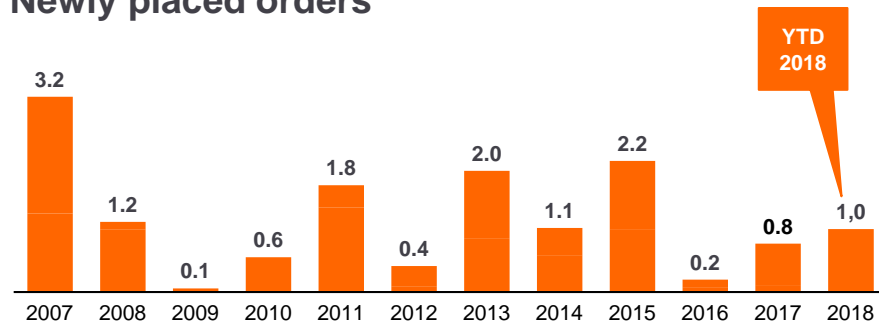
# Despite recent new orders, the orderbook remains on a historical low, idle fleet increased recently but is still on a low level

## Orderbook-to-fleet

[TEU m, %]

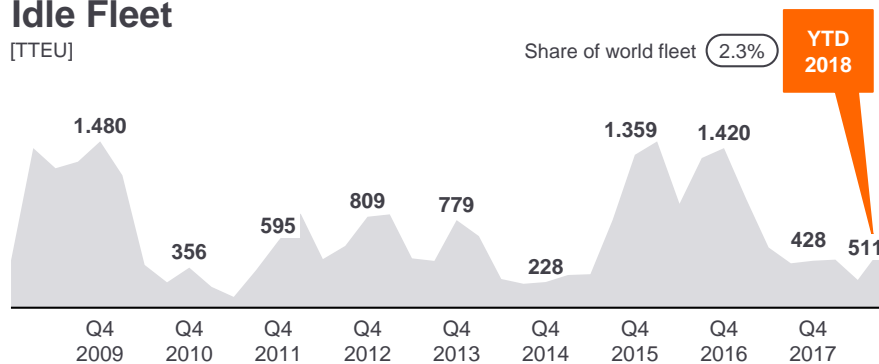


## Newly placed orders



## Idle Fleet

[TTEU]

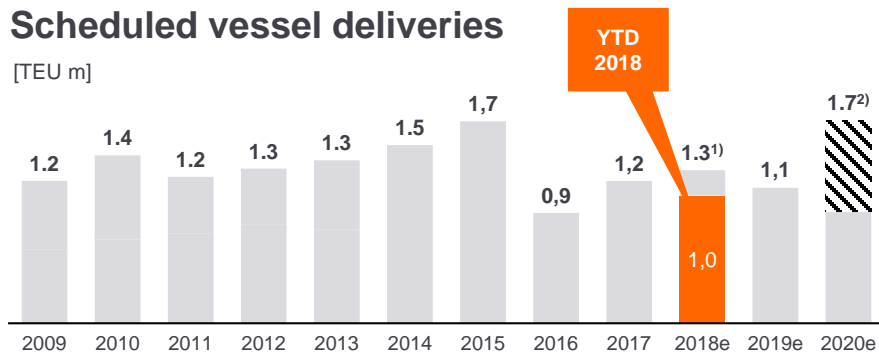




# Very low scrapping pushes supply in 2018E, but mid-term supply/demand balance is further improving

## Scheduled vessel deliveries

[TEU m]

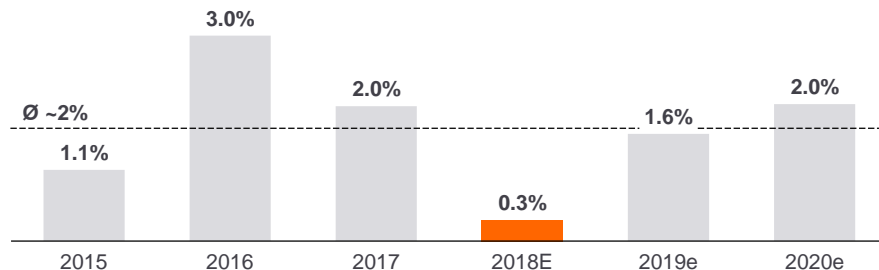


## Comments

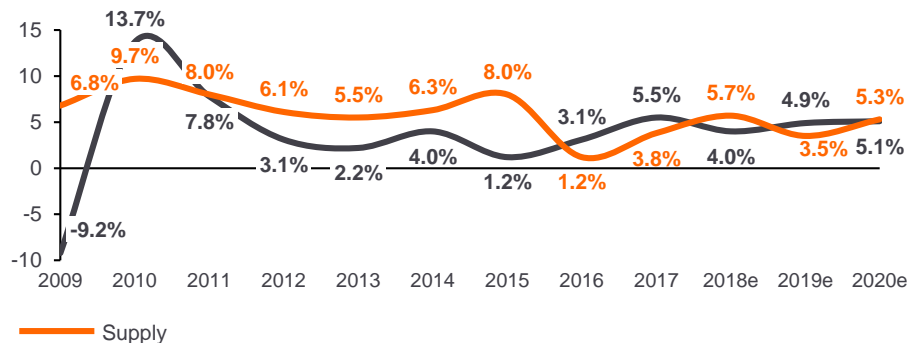
- Drewry has revised its forecast for net capacity growth in 2018 again. Market analysts **now expects scrapping at a rate of 0.3%** of the current world fleet. Slippage remained unchanged.
- For 2020e, up to TEU 0.8 m out of TEU 1.7 m scheduled deliveries are not yet reflected in the current order book of TEU 2.4 m. To be delivered in 2020, vessels will have to be ordered in Q4 2018 or beginning of Q1 2019 latest in order to arrive at Drewry delivery estimates.

## Scrapping

[% of world fleet]



## Supply / Demand Balance

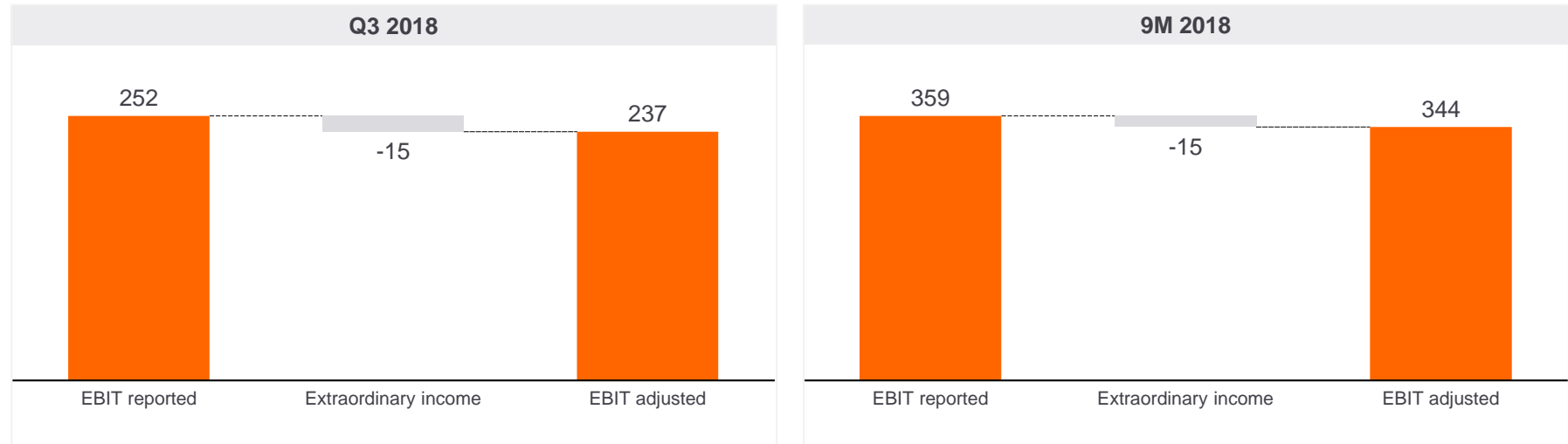


# Positive EBITDA of USD 972 m in the first nine months of 2018

## Operational KPIs

	Q3 2018	Q3 2017	YoY	9M 2018	9M 2017	YoY
Transport volume [TTEU]	3,052	2,807	+9%	8,900	7,029	+27%
Freight rate <sup>1)</sup> [USD/TEU]	1,055	1,073	-2%	1,032	1,068	-3%
Bunker [USD/mt]	446	308	+45%	406	311	+31%
Exchange rate [USD/EUR]	1.16	1.17	n.m.	1.19	1.11	n.m.
Revenue [USD m]	3,542	3,268	+7%	10,072	8,168	+23%
EBITDA <sup>2)</sup> [USD m]	457	412	+11%	972	809	+20%
EBITDA margin <sup>2)</sup>	12.9%	12.6%	+0.3ppt	9.7%	9.9%	-0.2ppt
EBIT <sup>2)</sup> [USD m]	252	200	+26%	359	300	+20%
EBIT margin <sup>2)</sup>	7.1%	6.1%	+1.0ppt	3.6%	3.7%	-0.1ppt
Group profit <sup>2)</sup> [USD m]	137	53	+157%	15	9	+69%

## EBIT positively affected by an extraordinary income of USD 15 m

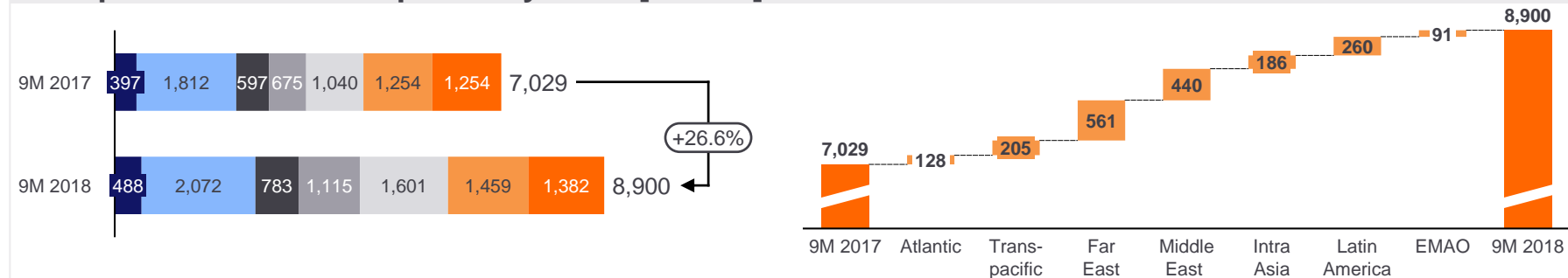


### Comments

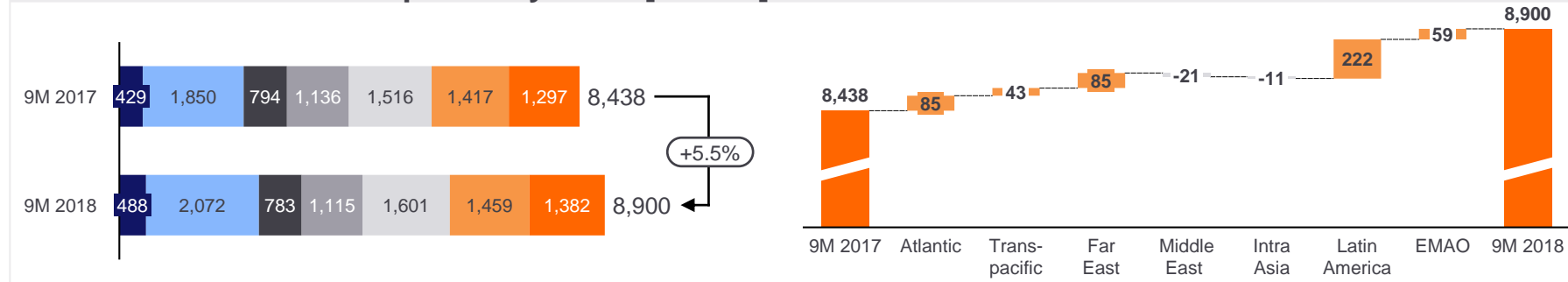
- Gain from the measurement of an investment at fair value as at 30 September 2018 led to an increase in EBITDA and EBIT of USD 15 m
- This measurement had a positive effect of USD 12 m on the other financial result
- Furthermore, an increase of USD 3 m was recognized in other operating income due to a release of provision related to the minority stake

# Continuously good transport volume growth of 26.6% YoY due to UASC merger – pro-forma transport volume grew by 5.5% YoY

## Transport volume development by trade [TEU m]



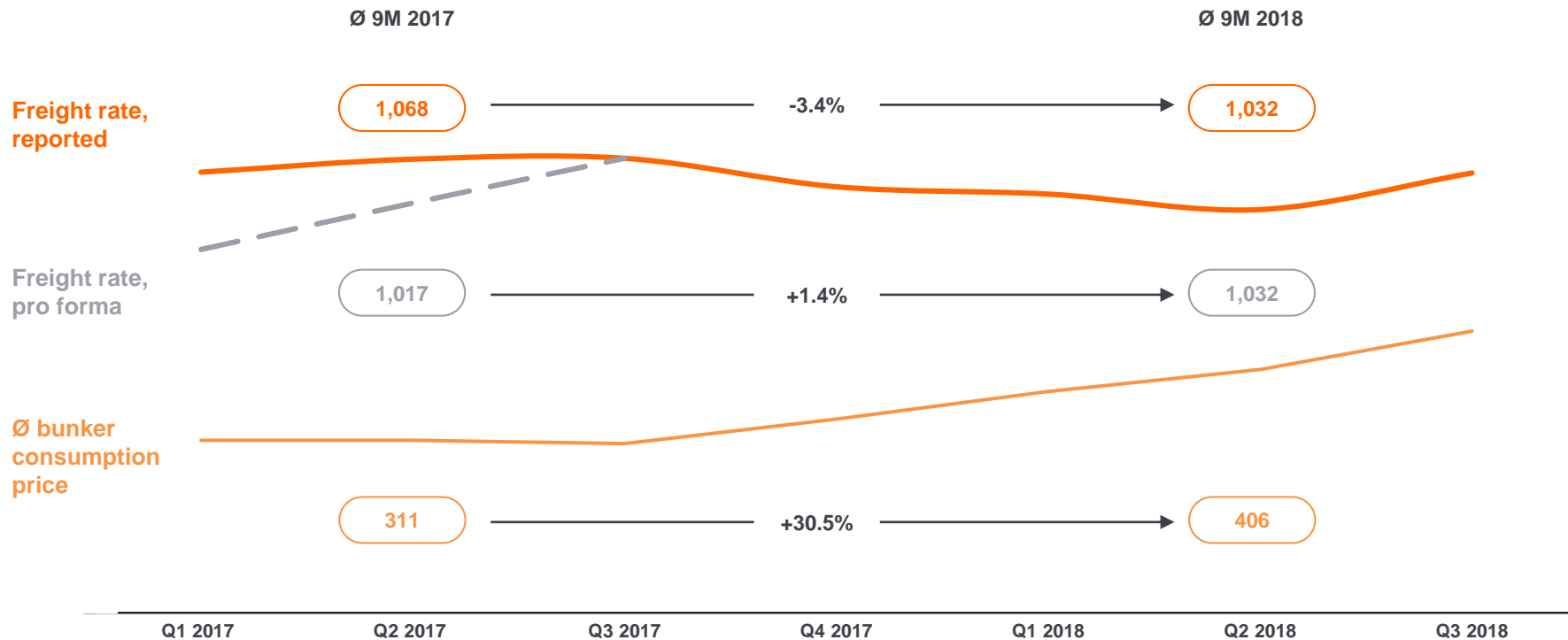
## Pro-forma volume development by trade [TEU m]



EMAO Latin America Intra Asia Middle East Far East Transpacific Atlantic

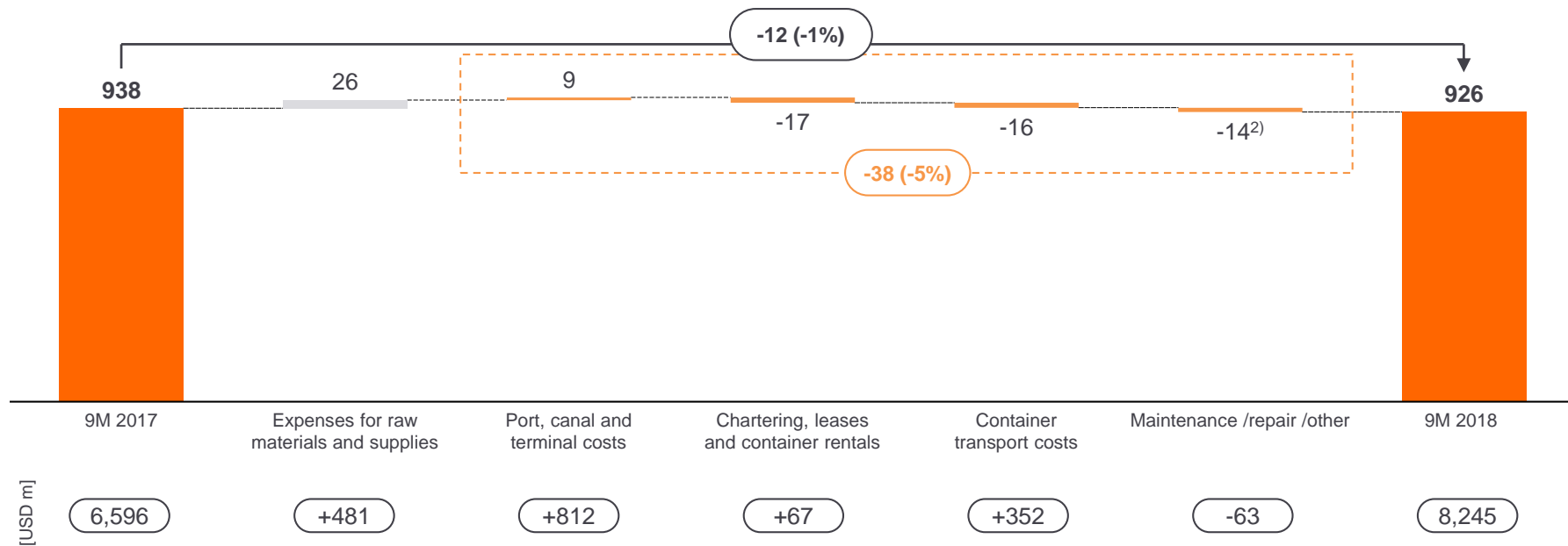
On a pro-forma basis freight rates have increased by 1.4% YoY, average bunker consumption price increased sharply by 30.5% YoY

## Freight rate [USD/TEU] vs. Bunker price development [USD/mt]



# Higher expenses for raw materials and supplies were offset by cost-cutting programs and synergies from the UASC integration

Transport expenses per TEU [USD/TEU]<sup>1)</sup>

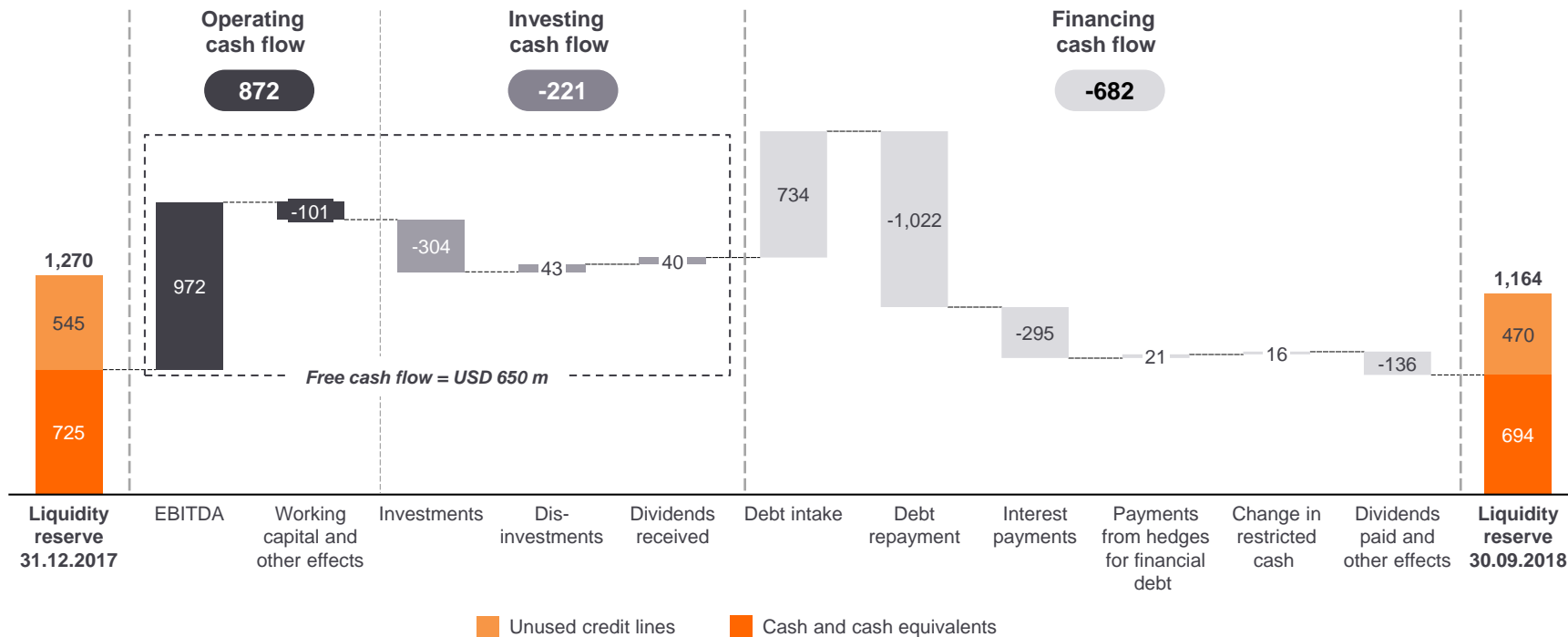


14 Note: UASC's Ltd. and its subsidiaries have been included in the figures from the date control was transferred on 24 May 2017. The key figures used are therefore only comparable with the previous year to a limited extent. Rounding differences may occur.

1) Cost of purchased services 9M 2018: 766 USD/TEU  
 2) Mainly explained by currency effects

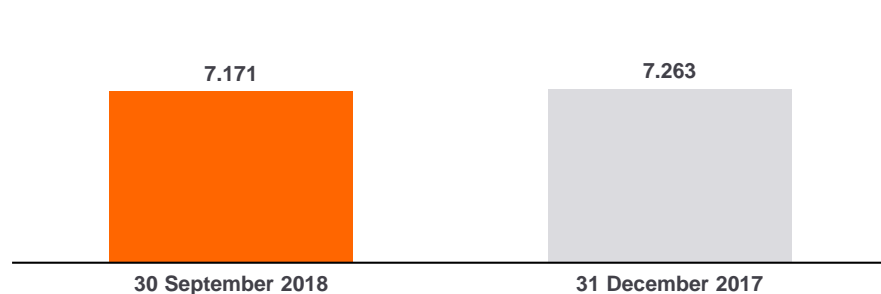
# Good free cash flow of USD 650 m in 9M 2018 driven by a high cash conversion and limited investment needs

## Cash flow 9M 2018 [USD m]

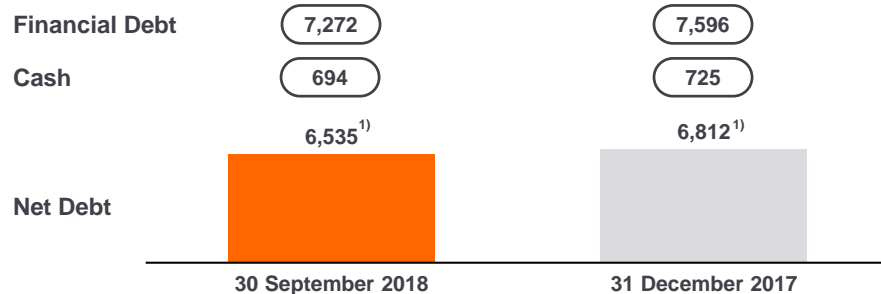


# Stable equity base of USD 7.2 bn, solid liquidity reserve of USD 1.2 bn and reduced net debt of USD 6.5 bn

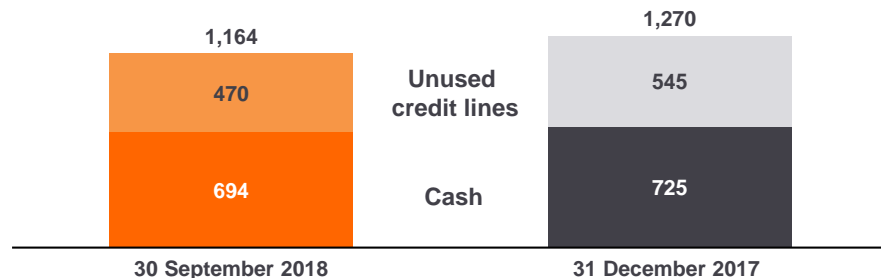
## Equity base [USDm]



## Net debt [USDm]



## Liquidity reserve [USDm]








## Comments

- Equity ratio almost unchanged at 41.0% and equity of USD 7.2 bn
- Liquidity reserve totals USD 1.2 bn as at 30 September 2018
- Reduction of USD 323 m in financial debt since year-end 2017
- Gearing (net debt / equity) of 91.1% (31 December 2017: 93.8%)



# Revised Outlook for 2018 confirmed and refined

	FY 2017	Initial Outlook 2018	Revised Outlook 2018	Sensitivities for 2018 <sup>1)</sup>	
 Transport volume	9,803 TTEU	Increasing clearly	Increasing clearly	+/- 100 TTEU	+/- USD <0.1 bn
 Average freight rate	1,051 USD/TEU	On previous year's level	On previous year's level	+/- 40 USD/TEU	+/- USD ~0.5 bn
 Average bunker price	318 USD/mt	Increasing clearly	Increasing clearly	+/- 50 USD/mt	+/- USD ~0.2 bn
 EBITDA	EUR 1,055 m	Increasing clearly	EUR 900 m to EUR 1,150 m	<div style="border: 1px solid gray; padding: 10px; text-align: center;"> <p><b>Rather in the upper part of the guided ranges</b></p> </div>	
 EBIT	EUR 411 m	Increasing clearly	EUR 200 m to EUR 450 m		

## Major targets:



Continue to **deliver on synergies** and deleverage the company over time



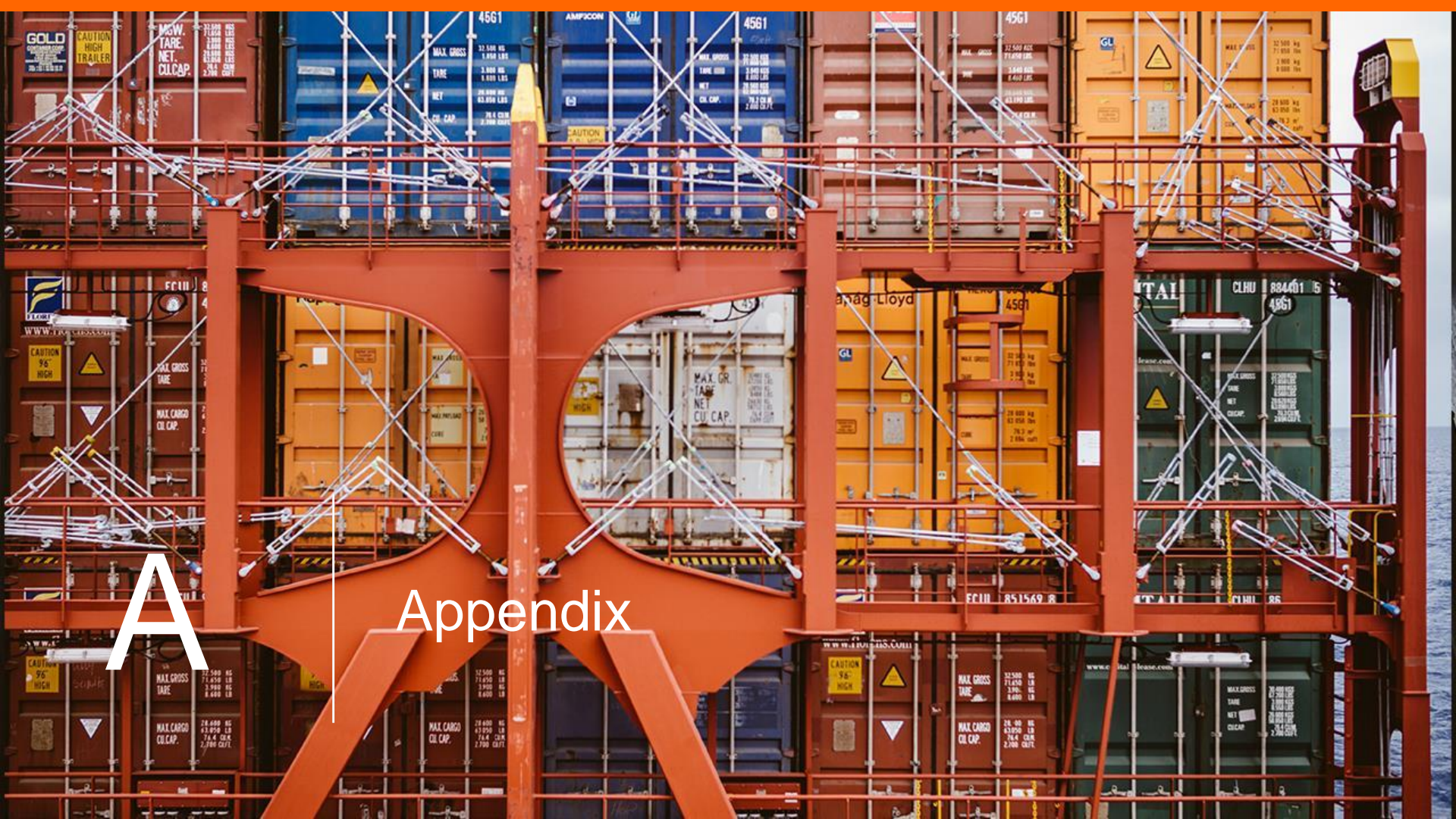
Continue to develop more **digitalized solutions** for the customer



Successfully implement the **MFR mechanism**



Presentation of our **new strategy** at the Capital Markets Day on 21 November



A

Appendix

# Hapag-Lloyd with positive EBITDA of USD 972 m in 9M 2018

## Income statement [USD m]

	9M 2018	9M 2017	% change
<b>Revenue</b>	<b>10,071.5</b>	<b>8,167.7</b>	<b>23%</b>
Other operating income	84.0	143.4	-41%
Transport expenses	-8,245.3	-6,596.4	25%
Personnel expenses	-571.1	-577.5	-1%
Depreciation, amortization & impairment	-612.9	-509.1	20%
Other operating expenses	-405.8	-363.0	12%
<b>Operating result</b>	<b>320.4</b>	<b>265.1</b>	<b>21%</b>
Share of profit of equity-acc. investees	26.7	34.4	-22%
Other financial result	12.3	0.5	n.m.
<b>Earnings before interest &amp; tax (EBIT)</b>	<b>359.4</b>	<b>300.0</b>	<b>20%</b>
<b>EBITDA</b>	<b>972.3</b>	<b>809.1</b>	<b>20%</b>
Interest result	-310.7	-271.2	15%
Income taxes	-33.8	-20.0	69%
<b>Group profit / loss</b>	<b>14.9</b>	<b>8.8</b>	<b>69%</b>

## Transport expenses [USD m]

	9M 2018	9M 2017	% change
Expenses for raw materials & supplies	1428.6	947.7	51%
Cost of purchased services	6,816.7	5,648.7	21%
<b>Thereof</b>			
Port, canal & terminal costs	3,573.8	2,761.9	29%
Chartering leases and container rentals	872.1	805.2	8%
Container transport costs	2,209.4	1,857.7	19%
Maintenance/ repair/ other	161.4	223.9	-28%
<b>Transport expenses</b>	<b>8,245.3</b>	<b>6,596.4</b>	<b>25%</b>

## Transport expenses per TEU [USD m]

	9M 2018	9M 2017	% change
Expenses for raw materials & supplies	160.5	134.8	16%
Cost of purchased services	765.9	803.7	-5%
<b>Thereof</b>			
Port, canal & terminal costs	401.5	392.9	2%
Chartering leases and container rentals	98.0	114.6	-14%
Container transport costs	248.2	264.3	-6%
Maintenance/ repair/ other	18.1	31.9	-43%
<b>Transport expenses</b>	<b>926.4</b>	<b>938.5</b>	<b>-1%</b>

# Hapag-Lloyd with a stable equity ratio of 41% and a reduced gearing of 91%

## Balance sheet [USD m]

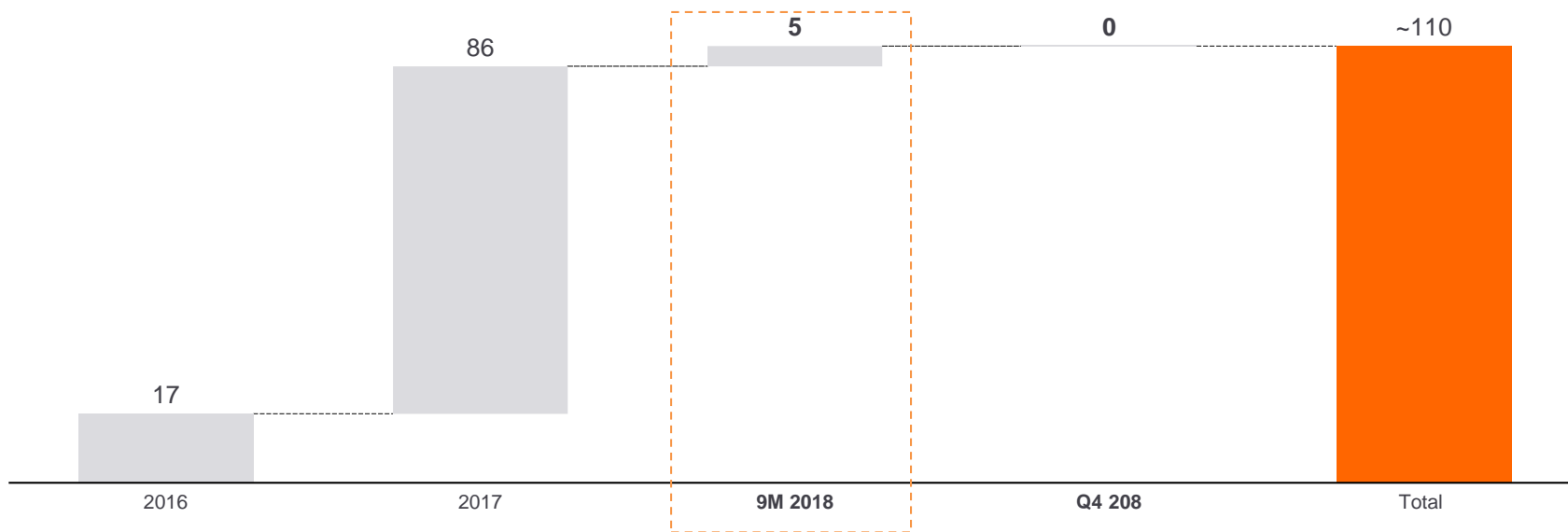
	30.09.2018	31.12.2017
<b>Assets</b>		
Non-current assets	14,775.6	15,146.1
of which fixed assets	14,689.7	15,071.1
Current assets	2,711.8	2,630.8
of which cash and cash equivalents	694.4	725.2
<b>Total assets</b>	<b>17,487.4</b>	<b>17,776.9</b>
<b>Equity and liabilities</b>		
Equity	7,171.3	7,263.3
Borrowed capital	10,316.1	10,513.6
of which non-current liabilities	6,724.2	7,197.8
of which current liabilities	3,591.9	3,315.8
of which financial debt	7,272.1	7,595.5
thereof		
Non-current financial debt	6,310.0	6,750.6
Current financial debt	962.1	844.9
<b>Total equity and liabilities</b>	<b>17,487.4</b>	<b>17,776.9</b>

## Financial position [USD m]

	30.09.2018	31.12.2017
Cash and cash equivalents	694.4	725.2
Financial debt	7,272.1	7,595.5
Restricted Cash	42.6	58.6
<b>Net debt</b>	<b>6,535.1</b>	<b>6,811.7</b>
Unused credit lines	470.0	545.0
<b>Liquidity reserve</b>	<b>1,164.4</b>	<b>1,270.2</b>
Equity	7,171.3	7,263.3
<b>Gearing (net debt / equity) (%)</b>	<b>91.1%</b>	<b>93.8%</b>
<b>Equity ratio (%)</b>	<b>41.0%</b>	<b>40.9%</b>

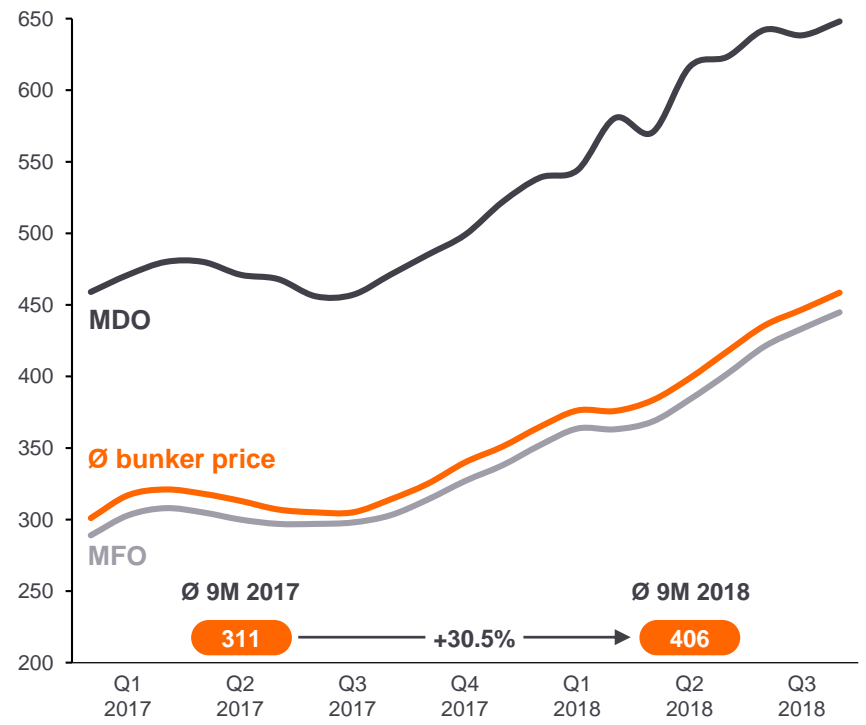
## 9M 2018 generated one-off costs of USD 5 m related to the merger

Transaction & integration related one-off costs [USD m]

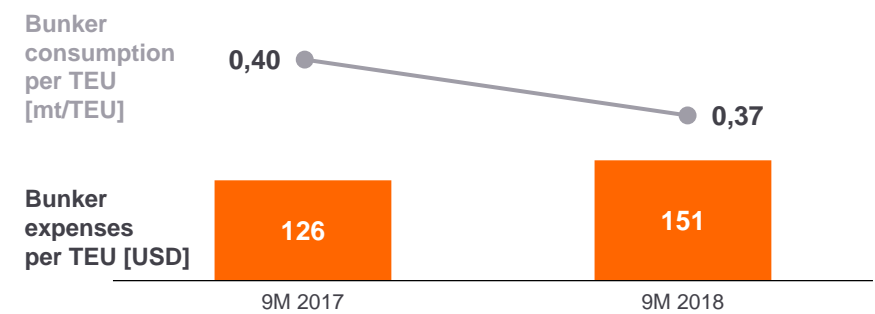


# Hapag-Lloyd benefits from optimized bunker consumption, but substantial increase in bunker price harms P&L

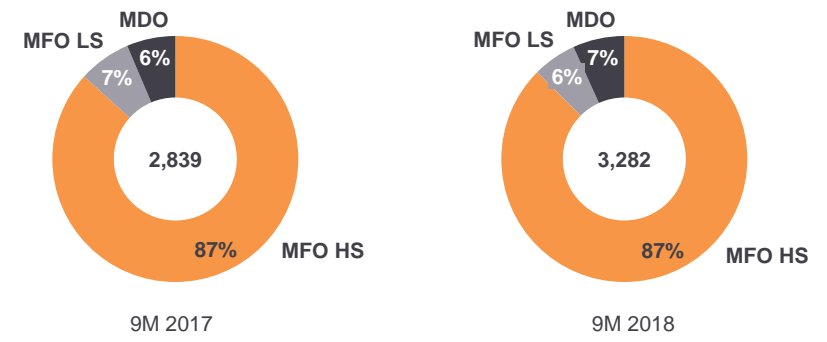
Bunker consumption price [USD/mt]



Bunker consumption & expenses per TEU

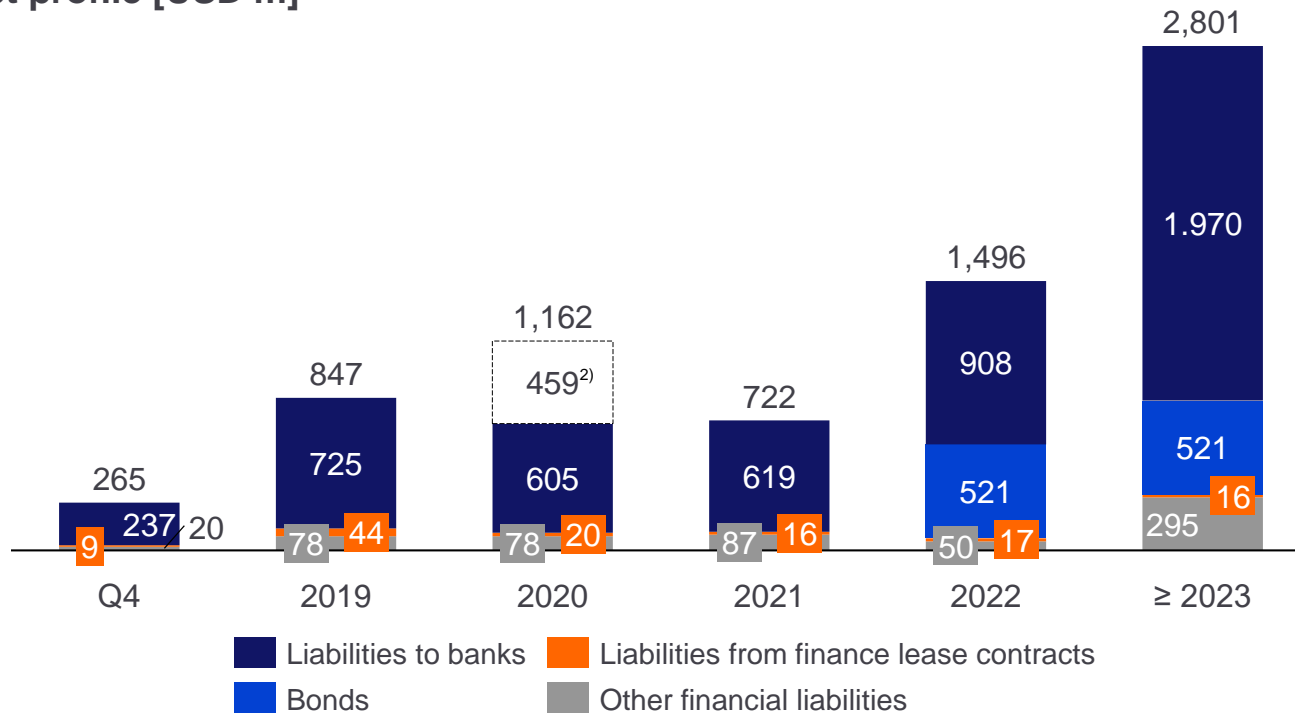


Total bunker consumption [k mt]



# Solid long-term and diversified financing portfolio

Financial debt profile [USD m]<sup>1)</sup>





# Geopolitical risk rises mainly due to conflicts between major economic players

## Volume Development of Main Trade Lanes



### Atlantic Trade:

- US imposed tariffs on steel and aluminium → less than 3% of total container trade from EU to US is affected<sup>2)</sup>
- Retaliatory tariffs from the EU → less than 6% of total container trade from US to EU is affected<sup>2)</sup>
- Ongoing negotiations between US and EU

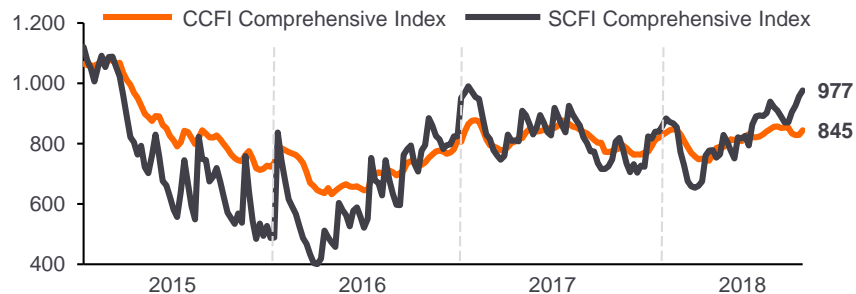
### Transpacific Trade:

- US imposed tariffs on **USD 250 bn of Chinese products**<sup>1)</sup> → up to 70% of total container trade from CN to US affected<sup>2)</sup>
- **Retaliatory tariffs** from China **worth USD 110 bn** → up to 87% of total container trade from US to CN affected<sup>2)</sup>
- Negotiations are continuing between China and US

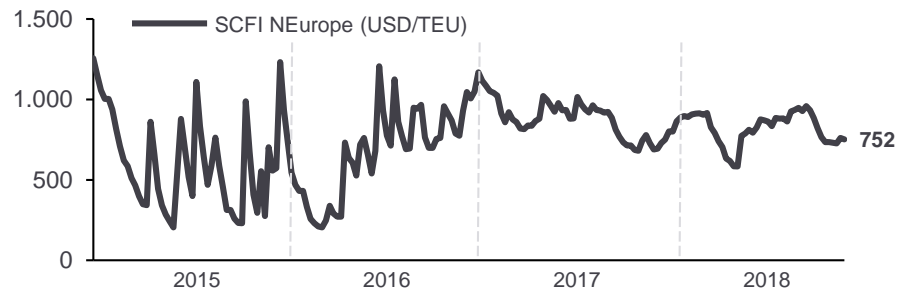
➔ **Currently around 7% of total world container trade** (TEU 146m in 2018e) currently **affected by tariffs** – going forward remains to be seen

# Freight rates are recovering slowly

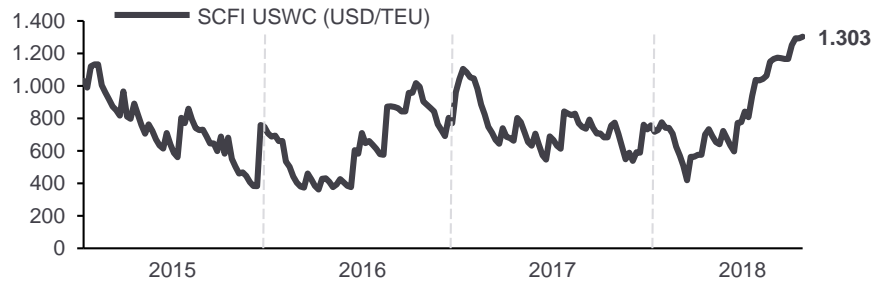
### Comprehensive Index (CCFI/SCFI)



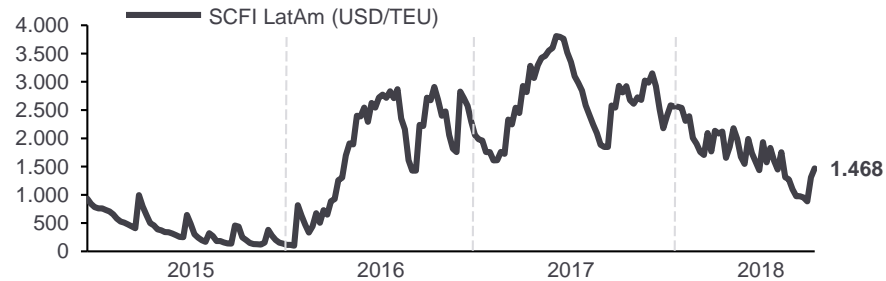
### Shanghai – North Europe (SCFI)



### Shanghai – USA (SCFI)

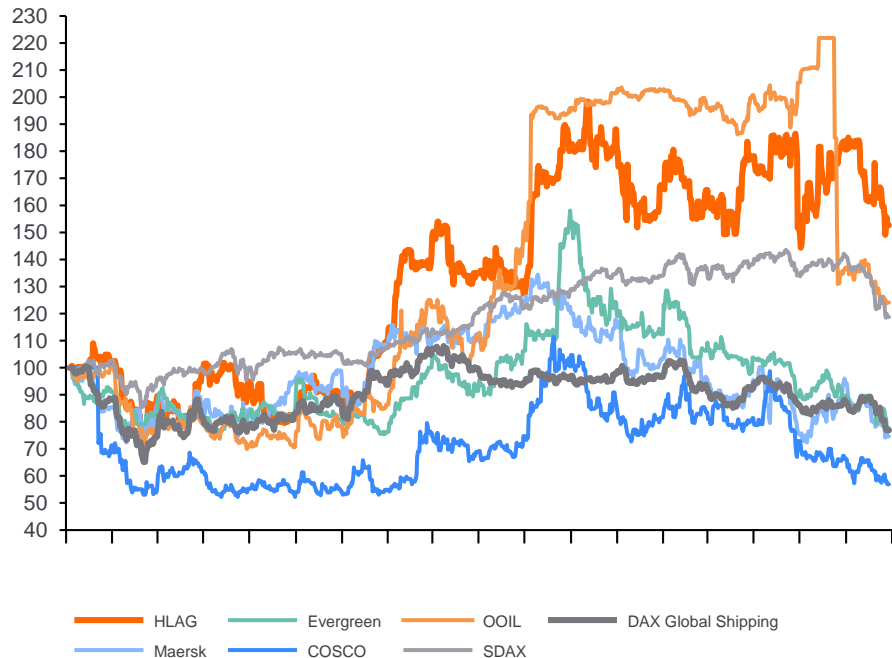


### Shanghai – Latin America (SCFI)



# Convincing equity story resulted in higher share price...

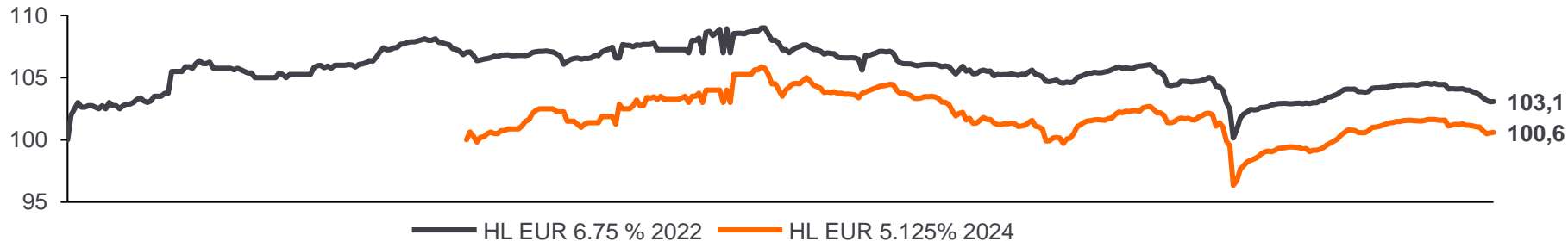
## Share trading



<b>Stock Exchange</b>	Frankfurt Stock Exchange / Hamburg Stock Exchange
<b>Market segment / Index</b>	Regulated market (Prime Standard) / SDAX
<b>ISIN / WKN</b>	DE000HLAG475 / HLAG47
<b>Ticker Symbol</b>	HLAG
<b>Primary listing</b>	6 November 2015
<b>Number of shares</b>	175,760,293

# ...and lower bond yields

## Bonds trading



	EUR Bond 2024	EUR Bond 2022
<b>Listing</b>	Open market of the Luxembourg Stock Exchange (Euro MTF)	
<b>Volume</b>	EUR 450 m	EUR 450 m
<b>ISIN / WKN</b>	XS1645113322	XS1555576641 / A2E4V1
<b>Maturity Date</b>	Jul 15, 2024	Feb 1, 2022
<b>Redemption Price</b>	as of July 15, 2020:102.563%; as of July 15, 2021:101.281%; as of July 15, 2022:100%	as of Feb 1, 2019:103.375%; as of Feb 1, 2020:101.688%; as of Feb 1, 2021:100%
<b>Coupon</b>	5.125%	6.75%

# Preliminary Financial Calendar 2019

<b>February 2019</b>	Preliminary Financials 2018
<b>March 2019</b>	Annual Report 2018
<b>May 2019</b>	Quarterly Financial Report Q1 2019
<b>August 2019</b>	Half-year Financial Report 2019
<b>November 2019</b>	Quarterly Financial Report 9M 2019

# Disclaimer

## Forward-looking statements

This presentation contains forward-looking statements that involve a number of risks and uncertainties. Such statements are based on a number of assumptions, estimates, projections or plans that are inherently subject to significant risks, as well as uncertainties and contingencies that are subject to change. Actual results can differ materially from those anticipated in the Company's forward-looking statements as a result of a variety of factors, many of which are beyond the control of the Company, including those set forth from time to time in the Company's press releases and reports and those set forth from time to time in the Company's analyst calls and discussions. We do not assume any obligation to update the forward-looking statements contained in this presentation.

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UASC's Ltd. and its subsidiaries have been included in the figures from the date control was transferred on 24 May 2017. The key figures used are therefore only comparable with the previous year to a limited extent.



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