

Q1 2023 OVERVIEW & OUTLOOK – FREIGHT FORWARDING



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AGENDA

This presentation will provide a Q1 2023 overview and outlook for the freight forwarding market.

- Overview
- Trade and Economic Data
- Sustainability
- M&A
- Startups
- Technology
- Facilities & Services
- Leading Freight Forwarders' Volumes & Revenue
- Outlook



OVERVIEW

The freight forwarding market is facing a painful post-pandemic normalization process. Year-over-year international trade volumes are declining while other economic indicators note a slowdown as consumers pull back on purchases because of inflation and in anticipation of a potential recession. Meanwhile, overall inventories remain high but for some segments such as automotive and aerospace parts, inventories remain low.

Manufacturing activity has also declined due to lower demand.

The freight forwarding market seems to be in a holding pattern as it waits for demand to return. As a result, forwarders are focusing on such things as optimizing networks and reducing costs, while others look at the current market as an opportunity for acquisitions and expansions.

Trade and Economic Data

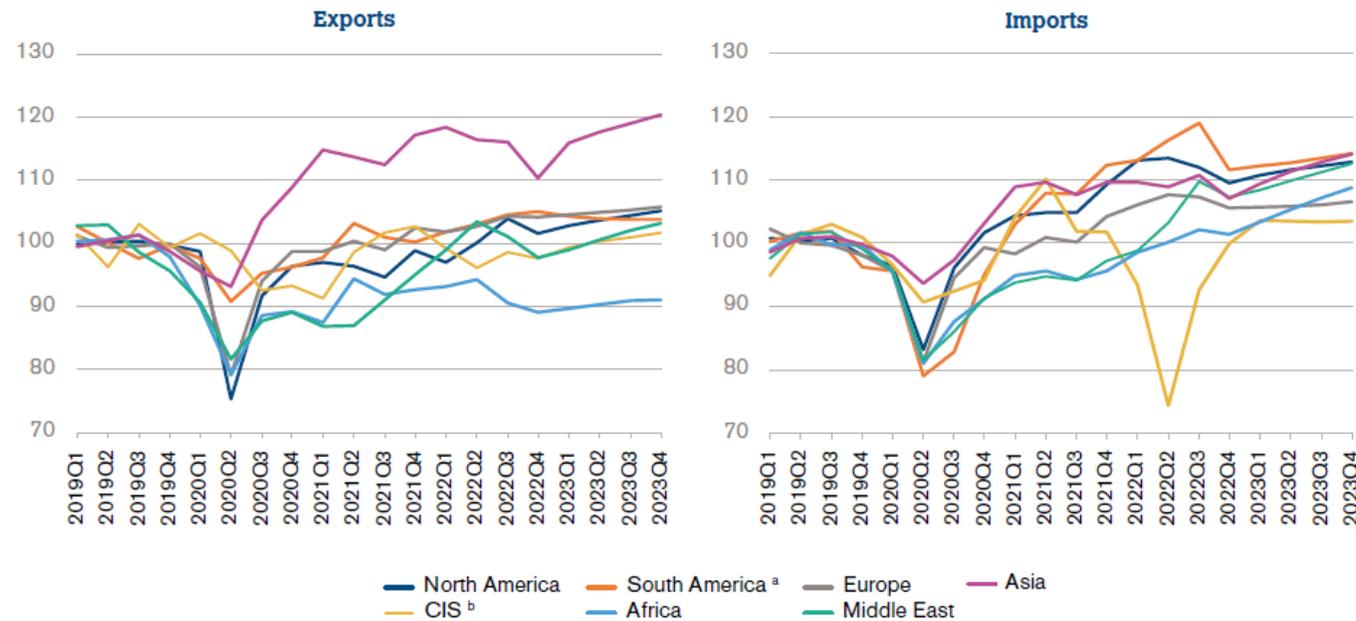


GLOBAL TRADE

According to WTO, trade volume growth in 2022 grew 2.7%. World merchandise trade volume is projected to grow 1.7% in 2023 before picking up to 3.2% in 2024.

Chart 5: Merchandise exports and imports by region, 2019Q1-2023Q4

Volume index, 2019=100



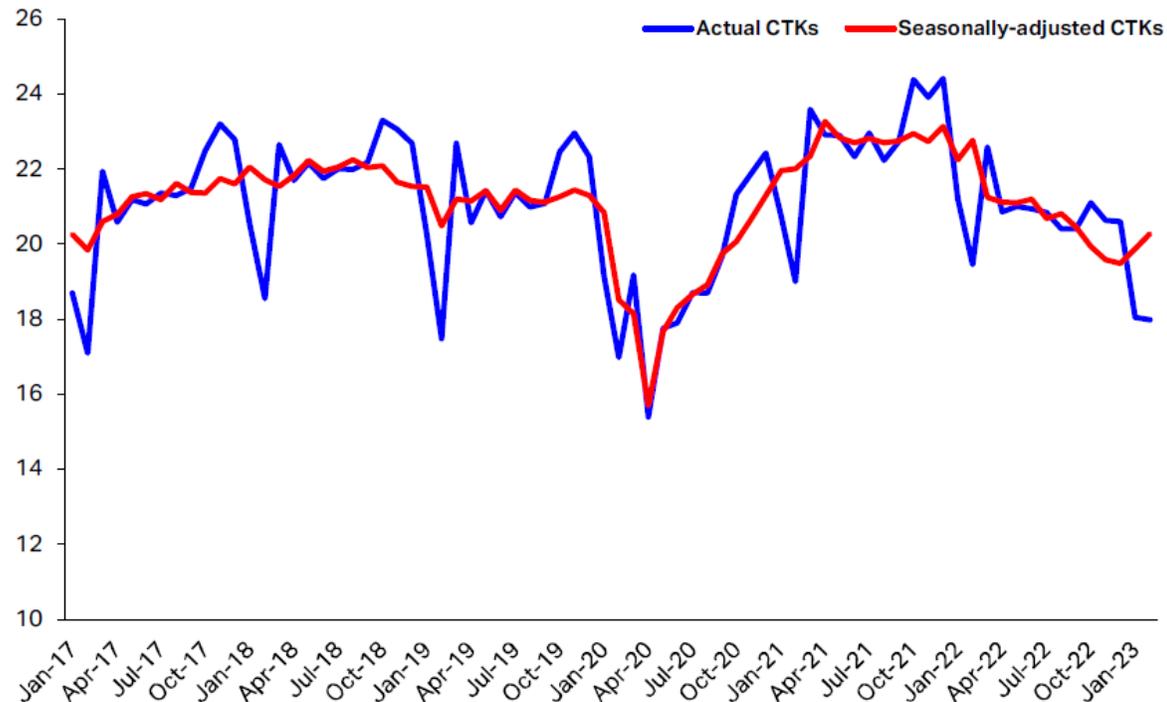
a Refers to South and Central America and the Caribbean.

b Refers to Commonwealth of Independent States, including certain associate and former member states.

AIR - VOLUMES

The International Air Transport Association (IATA) noted YoY cargo tonne kilometers (volume) declines slowed in February 2023. Compared to February 2019, demand was 2.9% higher - the first time it has surpassed pre-pandemic levels in eight months.

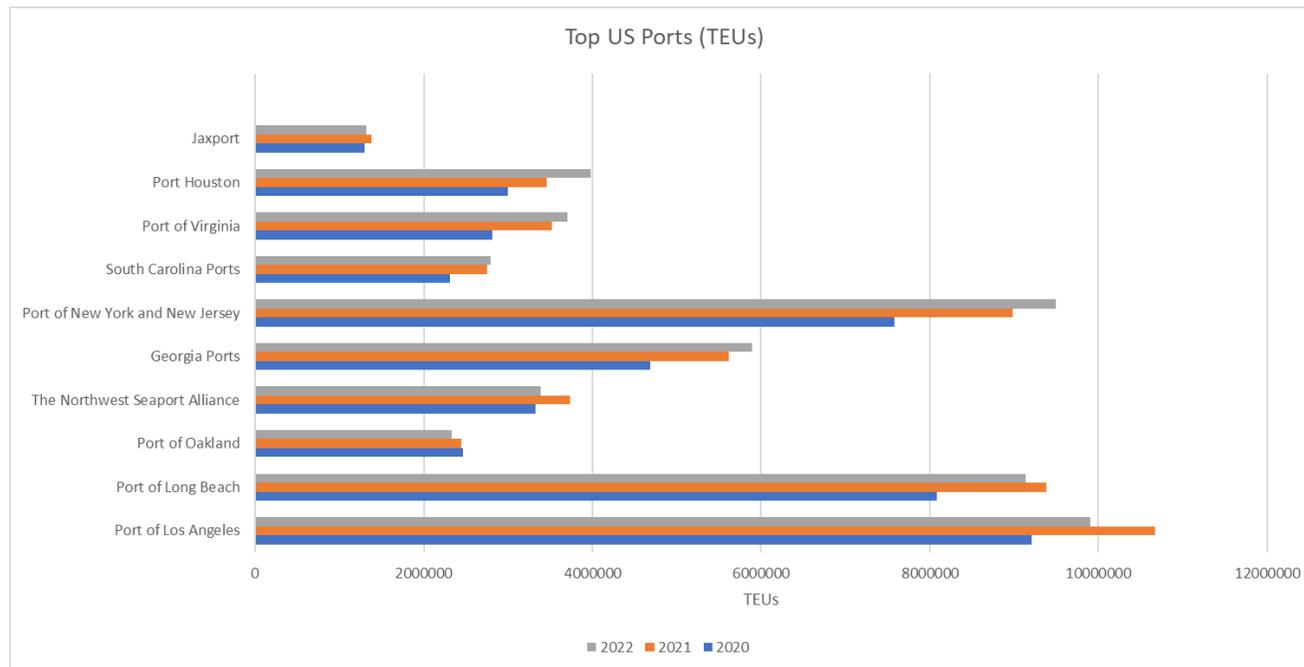
Chart 1 Global Industry CTKs (billions per month)



Sources: IATA Economics, IATA Monthly Statistics

SEA – VOLUMES

Despite a strong start to 2022, a significant slowdown took hold in the second half of 2022 and has continued into Q1 2023. Manufacturers and distributors have struggled to reduce excess inventories and cope with rising interest rates and increased caution among buyers.



Source: Supply Chain Dive Analysis

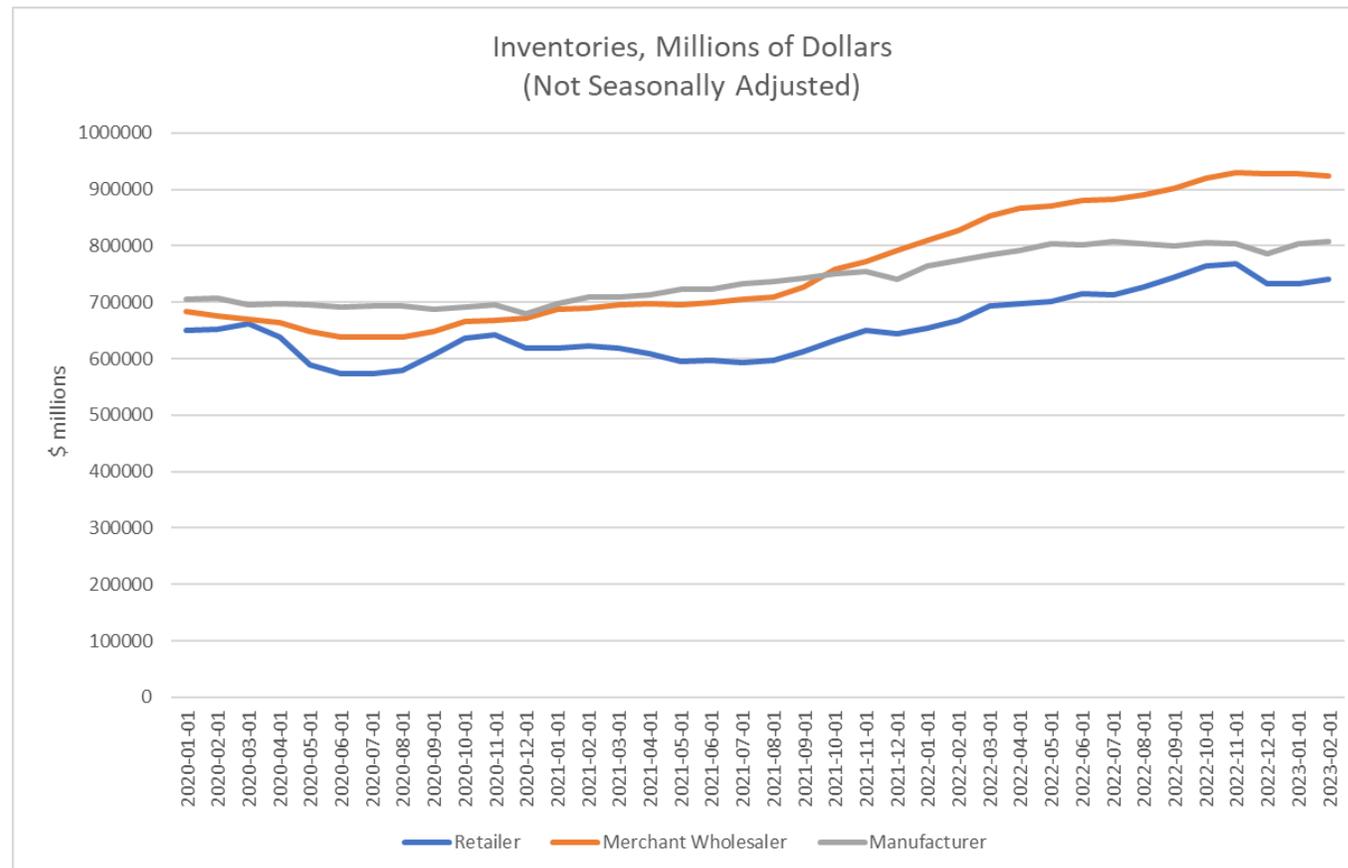
MANUFACTURING ACTIVITY

New orders for manufactured durable goods in March increased 3.2%. This followed a 1.2% February decrease. Orders for transportation equipment led the March increase, up 9.1% in March after falling by 3.1% in February. Excluding transportation equipment, durable goods orders rose by 0.3% in March after falling by 0.3% in February.



INVENTORIES

March wholesale inventories increased 0.1% and retail inventories increased 0.7% from February. YoY inventory levels remain high as many retailers and wholesalers still continue to work down last year's glut.



Sustainability



OVERVIEW

- Government requirements and customer demand are driving forwarders to embrace sustainability practices and measurements. Many, if not all, of the larger forwarders now publishes quarterly or annual reports that outline their initiatives.
- Of note is DHL which shares a quarterly spreadsheet and presentation that provides its goal measurements and methodologies.
 - To access - <https://reporting-hub.dpdhl.com/en/>
- During Q1, the focus was expanding electric vehicle fleets and the use of SAF.

ELECTRIC VEHICLES

- Geodis and Volvo Australia are piloting a fully electric truck for use in the Australian market. This strategic partnership will deploy Volvo's FE model trucks, powered by both solar energy and energy-efficient charging systems – as part of a concerted effort to support long-term customers with sustainable delivery solutions to complement existing freight forwarding services across the local market.
- DB Schenker received its first Volta Zero truck as part of its European field test. 150 Volta Trucks will be handed over to DB Schenker this year.
- Kuehne+Nagel France received a delivery of 23 electric vehicles that will be used for domestic groupage transportation services.
- As part of Hyliion's early adopters' program, DSV placed an initial order for 10 electrified trucks for its North American long-haul lanes. The 10 Hyliion Hypertruck ERX units will add to DSV's North American existing fleet of 50 trucks and make up more than 15% of the asset-light company's owned fleet carrying customers' goods across the continent.

SUSTAINABLE AVIATION FUEL (SAF)

- Dachser will offer a SAF booking option to customers as part of its emission reduction efforts.
- CEVA Logistics aims to transition all its contract logistics and freight warehouses to low-carbon electricity by 2025.
- DHL Express's new GoGreen Plus service allows customers to tailor the CO2e reduction they want to achieve and the amount of SAF they use when shipping through MyDHL+, the company's online platform.
- DB Schenker and MSC signed an agreement to transport at least 30,000 TEUs of cargo with net-zero emissions in 2023, part of a move to decarbonize ocean freight.
- Through a partnership with Kuehne + Nagel, as a purchase add-on, Lenovo customers can ship IT equipment and devices with SAF.

M&A



M&A

- Amerijet International Airlines shutdown its freight forwarding unit iTN Worldwide to focus on its airline business.
- Yusen Logistics acquired 3PL fulfillment provider Taylored Services. Taylored provides multichannel logistics services, including fulfillment, warehousing, transportation, drayage and transloading solutions.
- Dachser acquired ACA International headquartered in Melbourne, Australia. This acquisition expands Dachser's air and sea freight network into Australia and New Zealand
- DSV A/S acquired two Arizona-based logistics companies, S&M Moving Systems West and Global Diversity Logistics to support its focus on the semiconductor industry and cross-border services to Mexico and Latin America.
- CVC Capital Partners acquired Scan Global Logistics (SGL). SGL said the deal would allow it further accelerate international growth and meet revenue targets.
- Janssen Group of Companies acquired Norman Global Logistics, an air and ocean freight forwarding company based in the UK and Asia.
- Janssen Group of Companies announced the acquisition of Norman Global Logistics, an air and ocean freight forwarding company based in the UK and Asia.
- Rhenus Group acquired 49.9% stake in Grupo Totalmedia. Based in Portugal, Grupo Totalmedia provides last-mile and home delivery services.

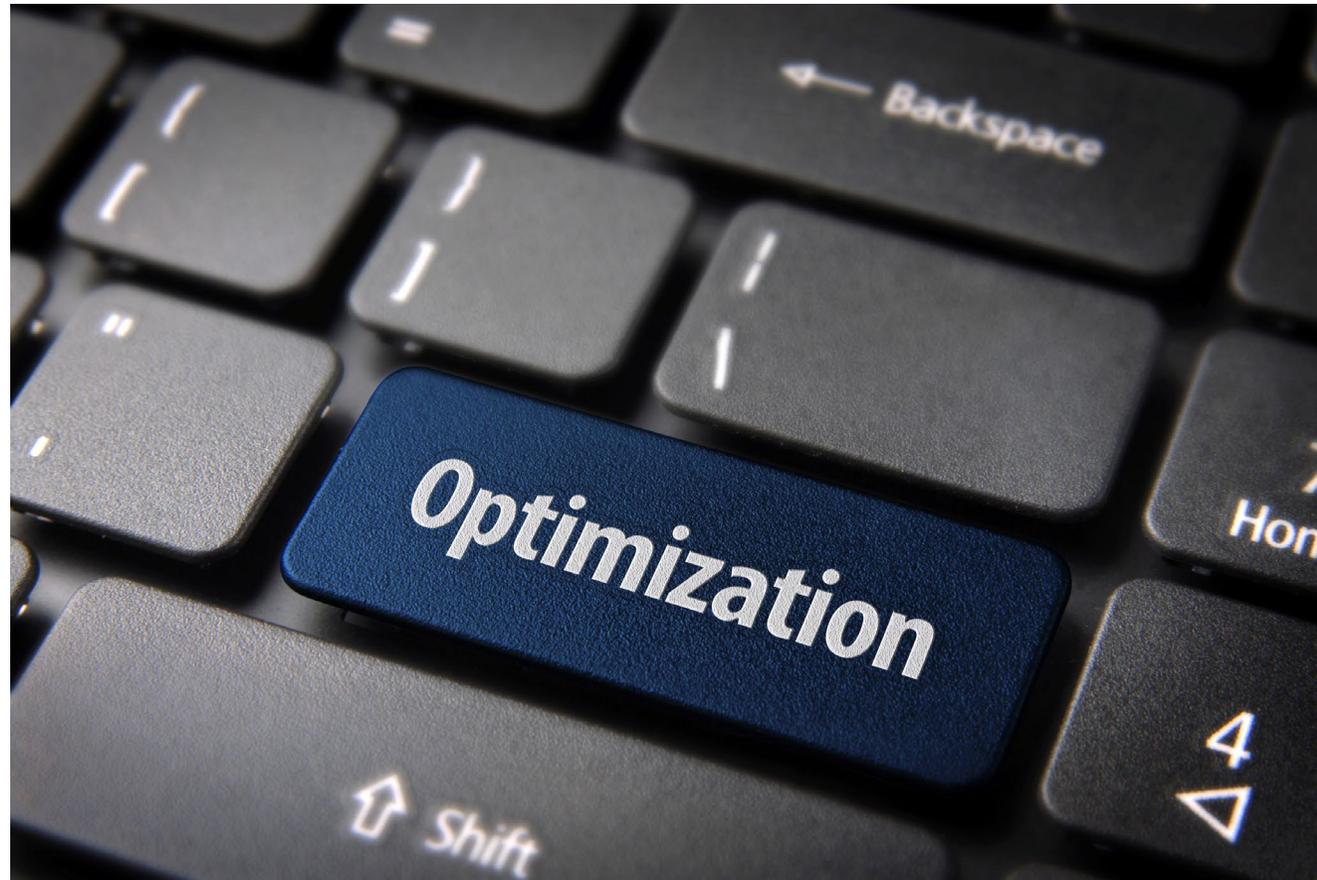
Startups



STARTUPS

- LA-based GoFreight raised \$23 million through a Series A funding round. GoFreight is a provider of cloud-based software that helps freight forwarders manage the transportation of goods via ocean, air, and land routes.
- Freightify announced the completion of a \$12 million funding round. Freightify's online platform allows freight forwarders to procure, manage and quote freight prices in less than 2 minutes.
- Wisor AI secured \$8 million in seed funding to grow its freight booking software solution. According to Wisor AI, the company's artificial intelligence (AI)-powered solution replaces manual processes and legacy tools and helps freight forwarders plan, price and book shipments in seconds rather than hours or days.

Technology



TECHNOLOGY

- FourKites will offer its network of end-to-end, real-time supply chain data to Spotos' European customers. Spotos offers an online road platform that gives shippers access to a wide network of carriers across Europe.
- FourKites and RCS Logistics announced a partnership to provide RCS customers with end-to-end visibility into shipments across ocean, air, drayage, intermodal and over-the-road.
- Awery Aviation Software introduced an open-access version of its online booking and quoting portal, CargoBooking, across South Africa, Switzerland and Spain. It allows airlines and general sales agents to provide freight forwarders with real-time air cargo rate distribution, quotes and booking options.

TECHNOLOGY

- Air Europa Cargo partnered with CargoAi on its e-booking platform which is due to launch in the middle of this year. The new e-booking platform will be launched using CargoAi's CargoGATE solution.
- Flexport launched the Flexport app on Shopify. Through the Flexport app merchants can quote, book, track, and ship products to the US, with additional port coverage coming in 2023.
- Port of Antwerp-Bruges now offers Routescanner's Direct Connections on its website. With Routescanner, a shipper or freight forwarder can find and compare routes for its container shipments on a neutral platform. The platform can also instantly calculate the route's CO2 emissions.

Facilities & Services



FACILITIES & SERVICES

- DHL Global Forwarding opened a facility in Brisbane to handle Australian perishable goods exports,
- Kuehne+Nagel established a cargo transfer facility at Birmingham-Shuttlesworth International Airport in Alabama to support the expansion of its private air service.
- DHL Global Forwarding opened a new warehouse facility in Durham, North Carolina as the Triangle's life sciences sector continues to grow.
- DB Schenker opened an automated e-commerce facility in Spain to service its retail customers in Spain, Portugal and France.
- AIT Worldwide Logistics expanded into Seoul, South Korea. It is the first of several planned AIT offices in South Korea.

FACILITIES & SERVICES

- Kuehne+Nagel formed a new cluster to target growth in Africa. The new West Africa cluster will include Senegal, Nigeria, Ghana, Ivory Coast, Guinea, Burkina Faso, Gambia, Sierra Leone, Liberia, Togo, Benin, Mauritania and Guinea Bissau.
- Rhenus Air & Ocean launched a dedicated perishables division in the UK. The Rhenus Fresh department in the UK will offer time-critical, temperature-controlled services for the transportation of chilled and frozen produce.
- DSV invested in a new specialist healthcare facility in Northampton UK. The facility will further strengthen the logistics services DSV can offer UK companies, all underpinned by the global DSV Healthcare network.
- Kuehne+Nagel opened a new 15,000 square meter Fulfilment Center in Chile on behalf of its customer, Decathlon. The site has the capacity to store and distribute more than 10 million units per year and will cover Latin American countries such as Chile, Colombia and Mexico.

Leading Freight Forwarders' Volumes & Revenue

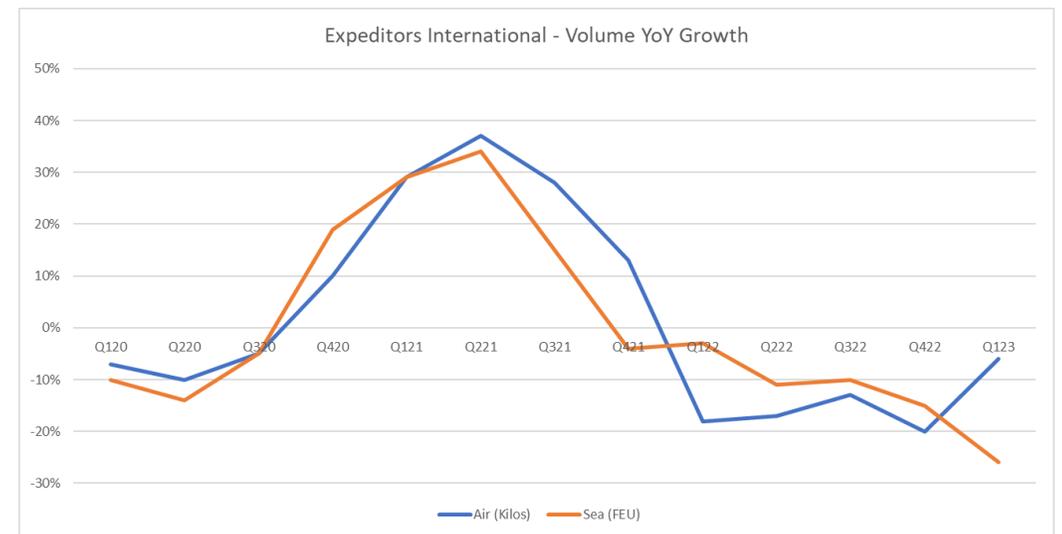
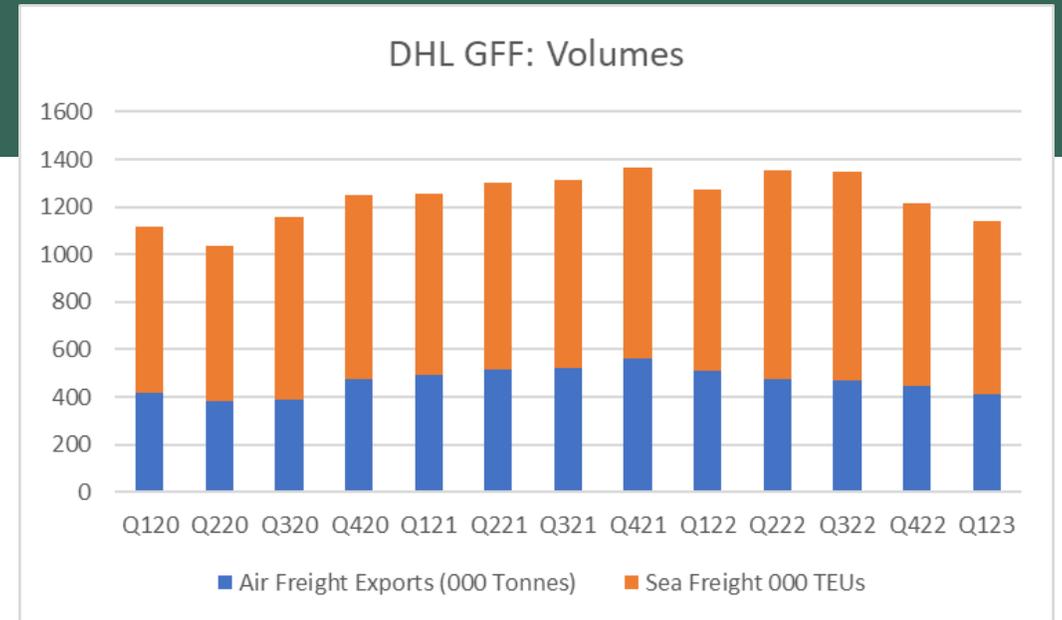


OVERVIEW

- Uncertainty continues for the freight forwarding market as volumes continue to fall due to reduced demand.
- Kuehne + Nagel noted in its Q1 earnings call that sequentially Q4 2022 was the weakest quarter in 2022 due to slowing down of macro-economic momentum and increase of inflation.
- Expeditors International CEO Jeffrey S Musser noted in its Q4 earnings release that its short-term outlook is “uncertain due to a difficult economic environment and the resetting of supply and demand, which has a direct impact on available capacity and pricing. We plan to move forward with a sharp eye on aligning expenses with revenues, particularly over the next one or two quarters. Our focus will be on maintaining our existing accounts and gaining new business, while reducing overall expenses. Just as we quickly configured our operations to accommodate unprecedented chaos and complexity during the pandemic, we now need to address our operations for a post-pandemic environment of soft demand and pressured pricing.”
- DHL highlighted in its Q4 earnings that it is adapting its networks to lower volume and weight developments.

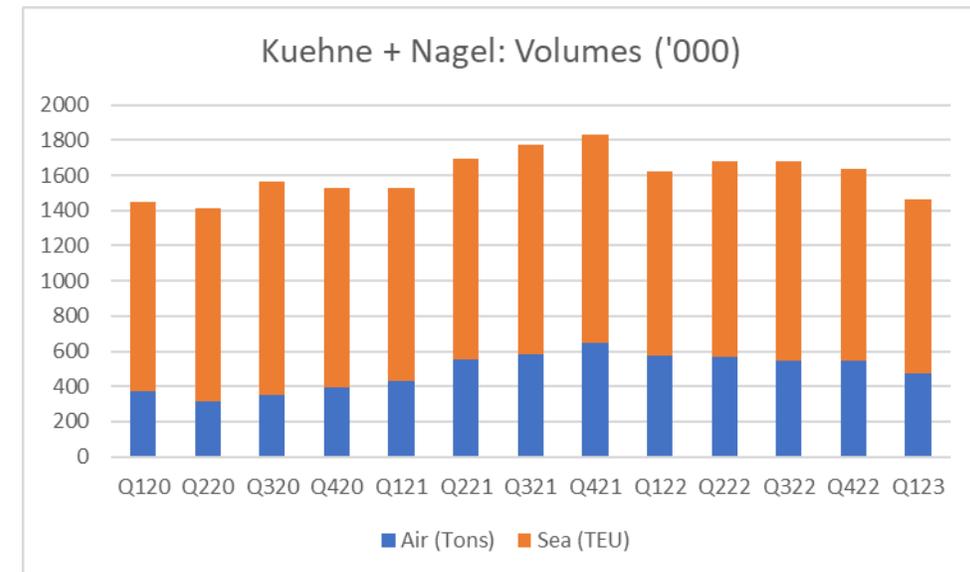
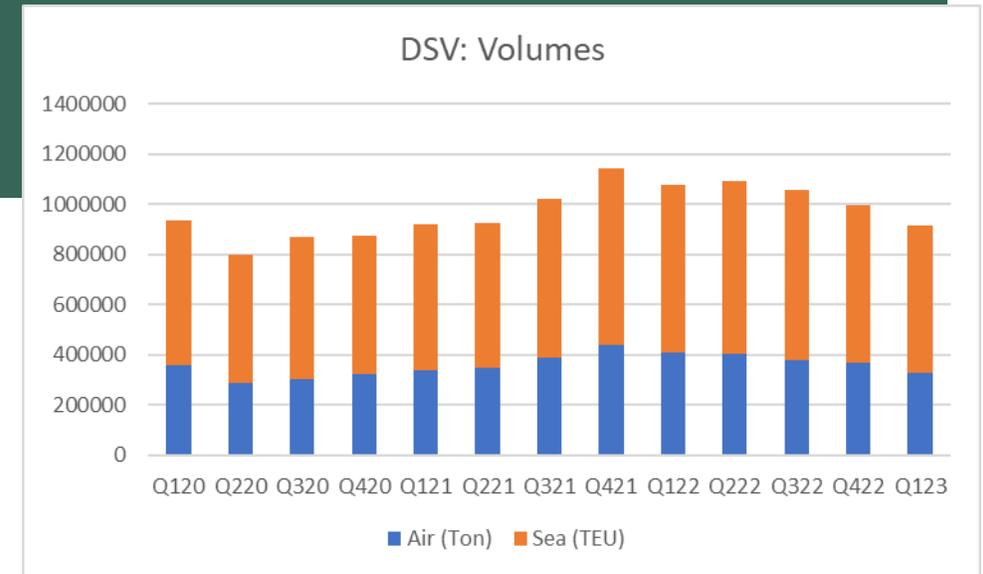
VOLUMES

- DHL GFF - B2B volumes declined further into Q1 mainly due mainly to trade lanes between Asia and the US and between Asia and Europe according to the company.
- Expeditors – CEO Jeffrey S. Musser said in the company’s earnings release, “With supply chains largely normalized, average sell rates in air fell ahead of declining buy rates, and tonnage also declined. Ocean volumes were lower and sell rates also fell faster than buy rates, while carrier capacity is no longer constrained and schedules have become more regular.”



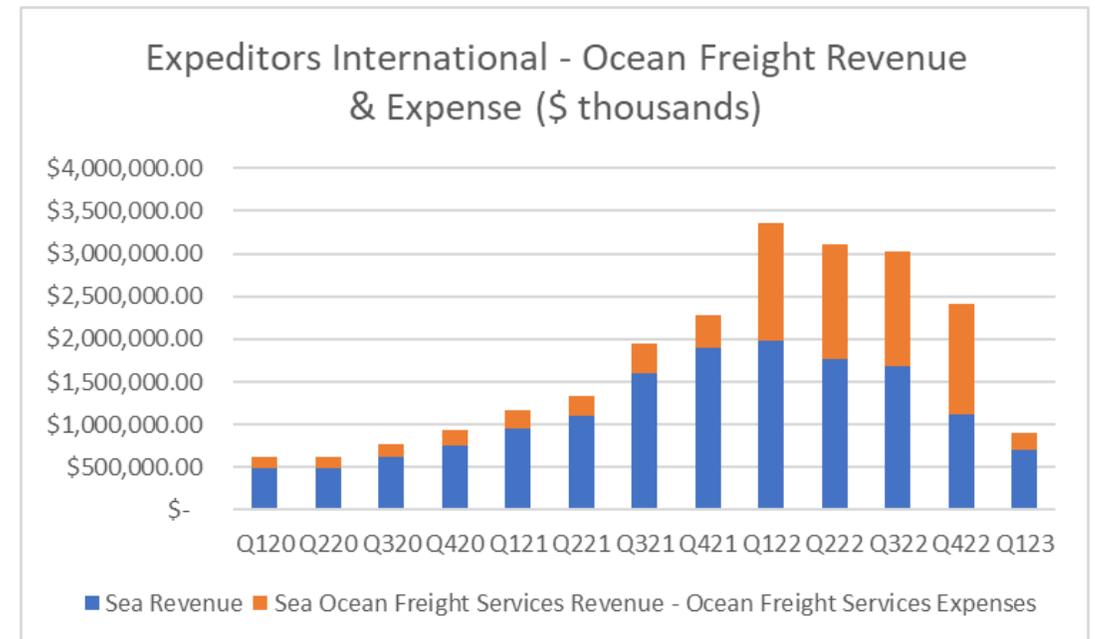
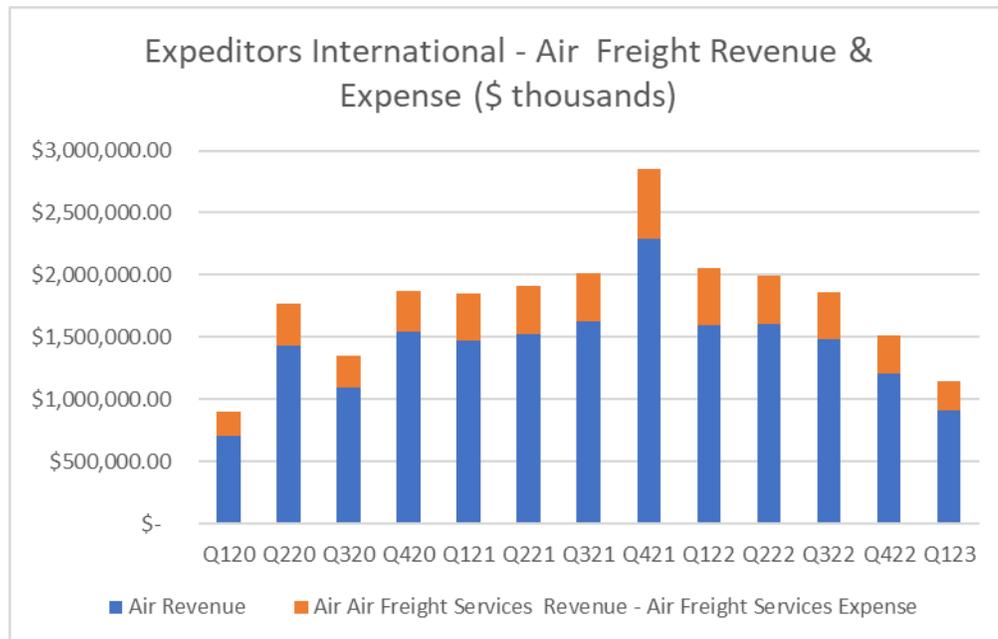
VOLUMES

- **DSV** – Air and sea volume declines continued into Q1. Air volumes were down 20% but shipment count was down only 10%. Similar situation in sea freight with volumes down 12% and shipments down about half of that, according to COO Jens Lund. “This means that we have more LCL more smaller shipments relatively to, what can I say, TEUs or tonnes that we produce,” Lund said during the Q1 analyst call.
- **KN** – Q1 air volumes were down 17.3% and sea volumes down 5.8% YoY. Q1 volumes were negative YoY for January & February. March was the first month versus March 2022, where it saw “a little bit of an increase in volume,” according to CEO Stefan Paul.



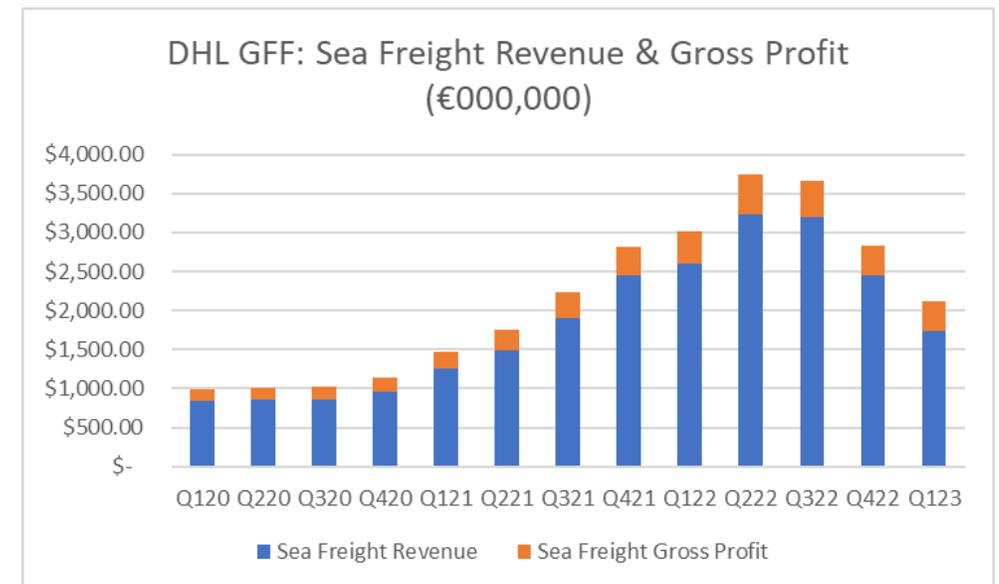
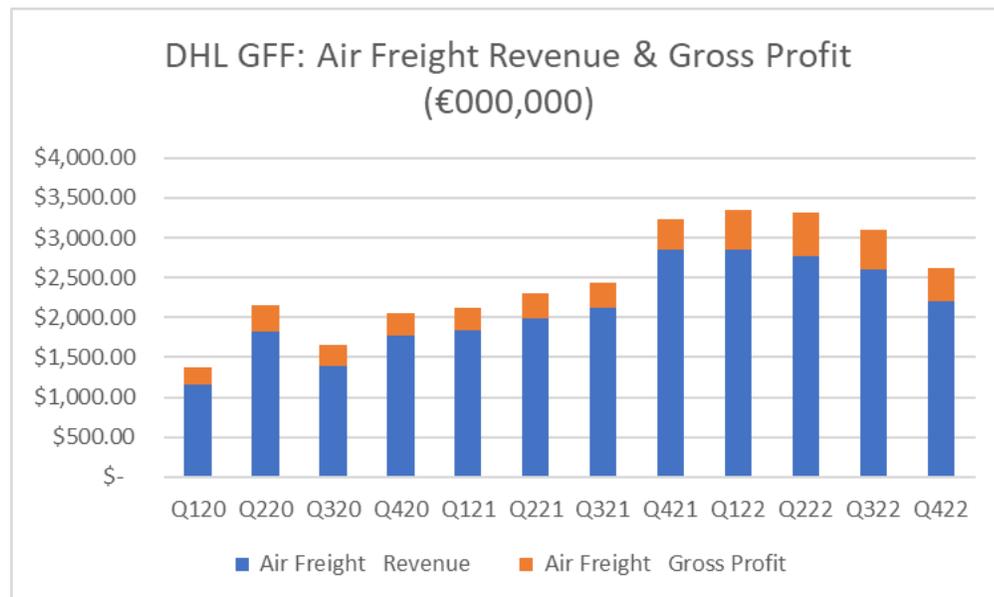
EXPEDITORS INTERNATIONAL – REVENUE & GROSS PROFIT

CFO Bradley S. Powell noted in the company’s earnings release, “We are adjusting well to the current operating environment of lower tonnage and volumes and unpredictable buy and sell rates, and we are working diligently to gain efficiencies and bring expenses in line with revenue.”



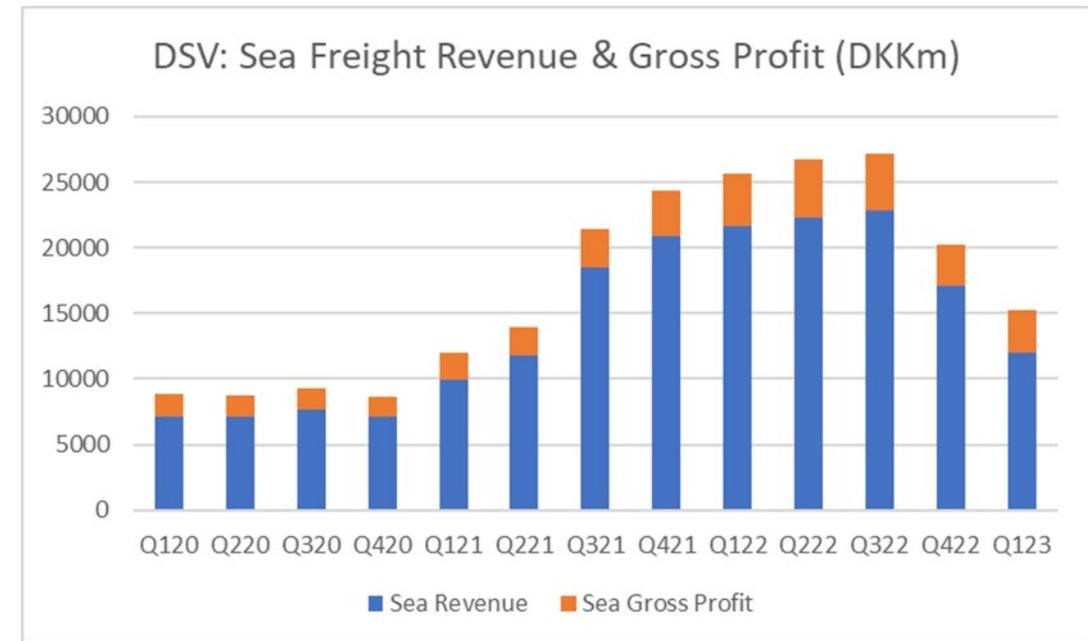
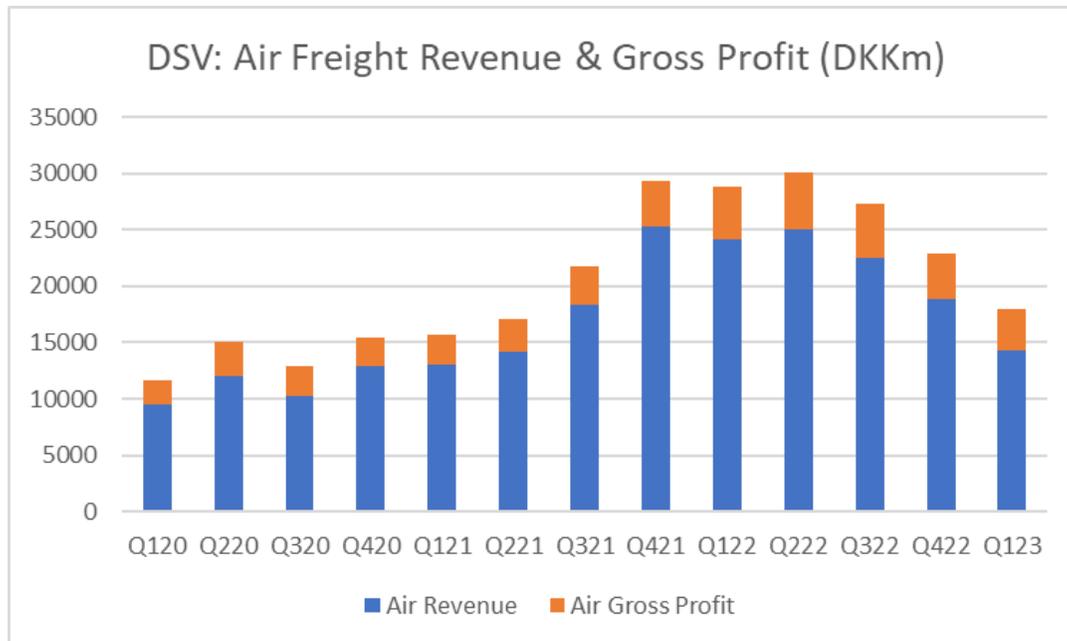
DHL GFF – REVENUE & GROSS PROFIT

- Per the Q4 earnings transcript - The freight market normalization and general macro uncertainties will likely result in a “step back in earnings and cash flow generation in 2023.” However, DHL expects earnings to remain “significantly above former record levels from pre-pandemic times.”
- The division is managing its pricing and costs carefully and while there are YoY declines, gross profit is higher than same quarter 2021 and previous first quarters.



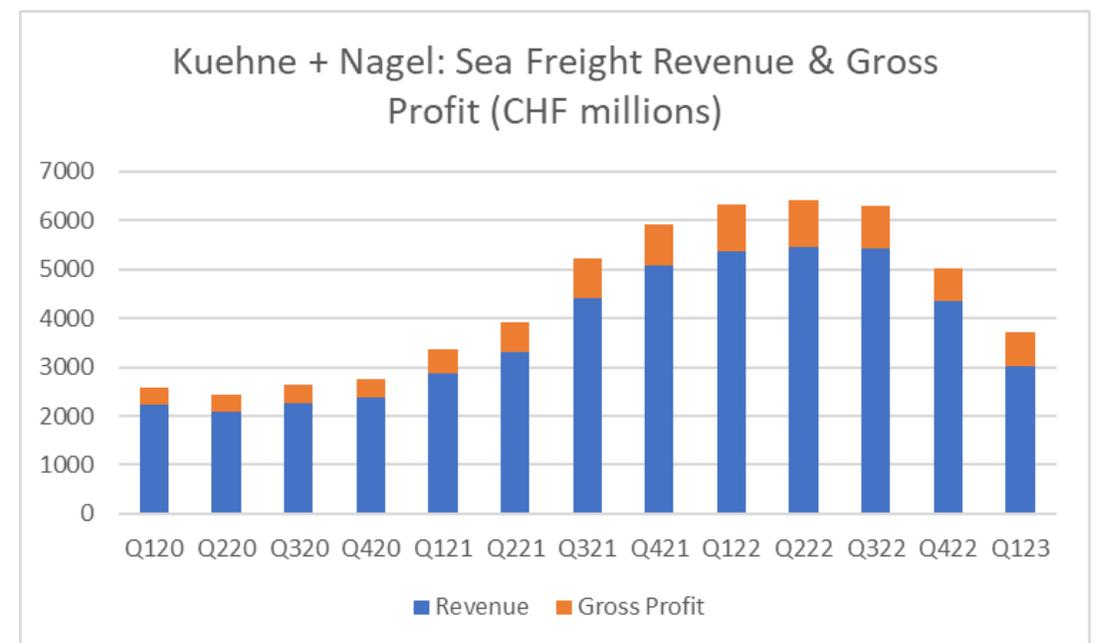
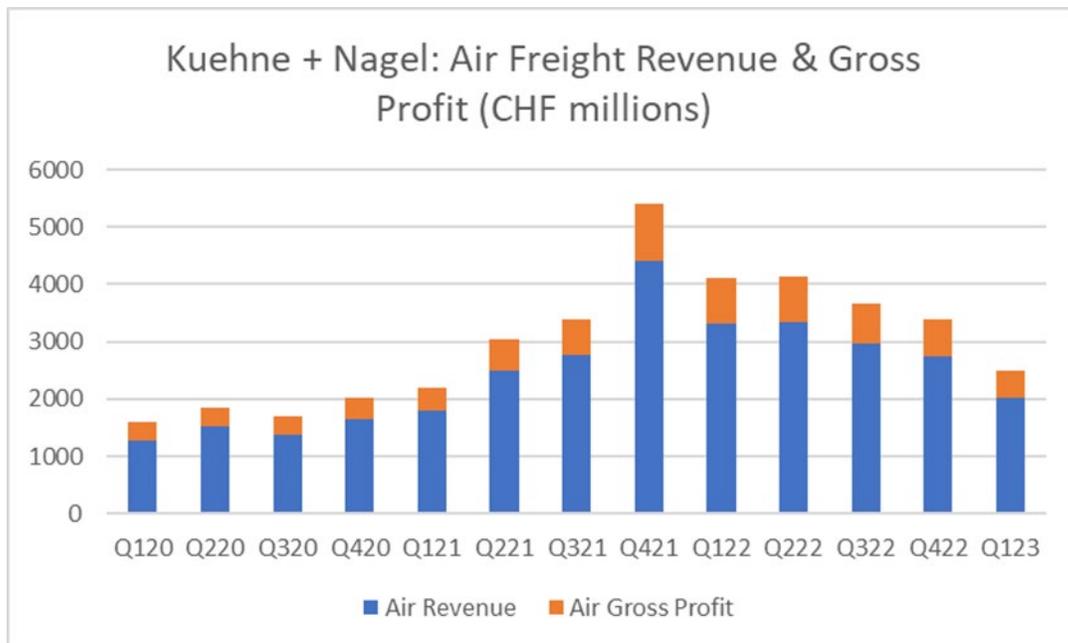
DSV – REVENUE & GROSS PROFIT

- DSV noted in its Q1 earnings call that it is disciplined in the pricing and are focused on higher yield in cargo.
- Even though air and sea freight volumes declined, yields improved due to pricing discipline and capacity management (for air freight).



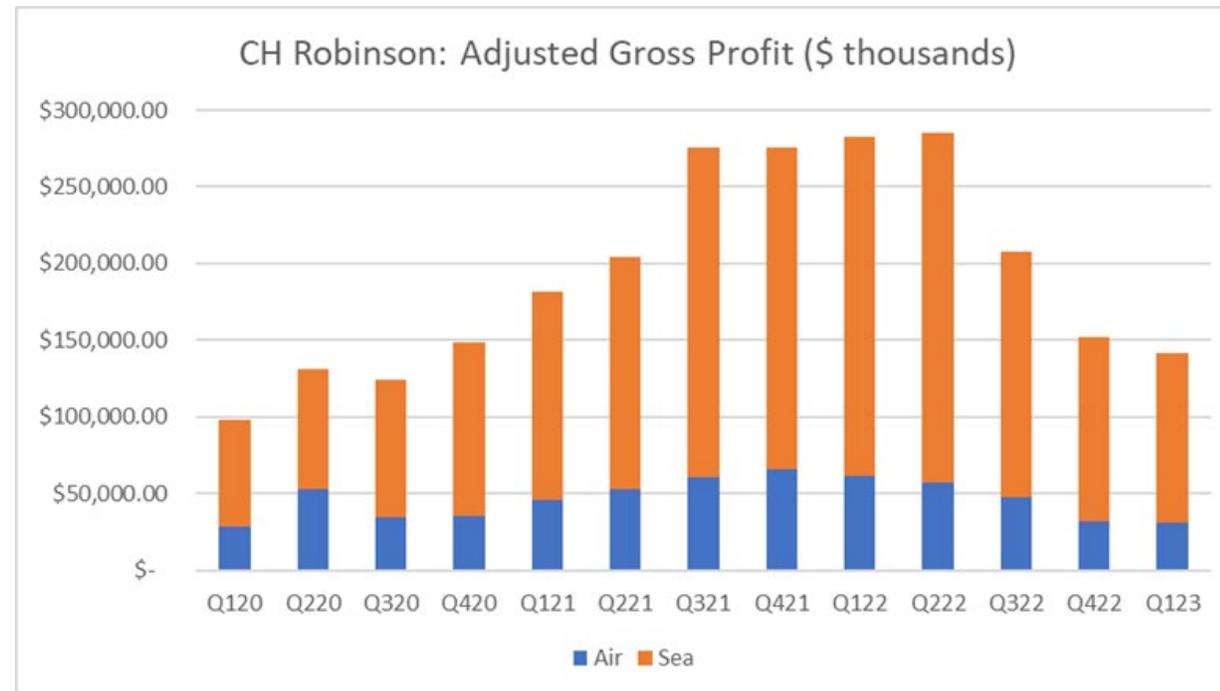
KUEHNE + NAGEL – REVENUE & GROSS PROFIT

- Combined with an incremental expansion of air cargo capacity, overall Q1 average unit gross profit declined 13% sequentially. As was the case in Sea Logistics, cost reductions partly offset inflationary pressures.
- Q1 average yield for Sea increased 13% from Q4 and roughly double of the average of 2019.



CH ROBINSON - GROSS PROFIT

- Lower demand and excess capacity combined with extended shutdowns around the Lunar New Year holiday contributed to reduced import volumes and prices across the trade lanes for ocean and air freight according to CFO Mike Zechmeister during the company's Q1 earnings call.
- Total revenues for the Global Forwarding segment decreased 64.0% and Adjusted gross profits decreased 44.7%



OUTLOOK

- The outlook is one of continued declines in volumes and pressure on yields for the rest of the year. Many forwarders are optimistic that a pick up in demand will occur during the second half of the year but that depends on how much inventory replenishment is needed.
- As DSV noted in its Q1 earnings, volumes may be declining but the number of shipments did not decline as much as volumes. DSV noted this in its increase in Sea LCL service.
 - Shippers are more cautious and are opting for smaller inventory levels to address lower demand. Cost-cutting, including head-count, to match volumes and a focus on high-yield cargo. UPS also noted this trend within its international air.
- Forwarders will focus on cost-cutting measures and will include adjusting headcount to volumes and higher yielding cargo.
- There doesn't seem to be a debate about the demise globalization according to DHL. Instead, the company noted that "pattern is changing" and the company plans to strengthen its presence in "fast-moving economies while being mindful of geopolitical developments." In addition, Incoming Group CEO, Tobias Meyer added on the Q4 earnings call, "E-commerce still has a decade plus to go as a key driver of growth in logistics."

ABOUT LOGISTICS TRENDS & INSIGHTS LLC

Logistics Trends & Insights LLC is a boutique market research firm that specializes in global supply chains. The approach is to provide a third-party unbiased solution to supply chain providers as well as to shippers. Whether the solution is a market report, a customized white paper, competitive analysis, due diligence for an IPO or M&A, strategy development, or a specialized consulting project, the goal is to cut through the noisy content and analysis space and make sense of it all in a clear and concise manner.

Cathy Morrow Roberson heads up the company. Her career spans libraries, startups, market research firms, and supply chain firms UPS and Transportation Insight. For more information, email Cathy at croberson@LogisticsTI.com

