

INLANEFREIGHT

CORPORATE GOALS AND STRATEGY

The presentation of corporate goals and strategy in the Inlanefreight management report refers to the Inlanefreight Group. Inlanefreight is the most crucial individual company in the Inlanefreight Group, which means that its objectives and strategies are identical. The primary strategic aim of the Inlanefreight Group is long-term profitable growth, measured by the development of the transport volume, the critical operating figures EBITDA and EBIT, and the return on invested capital (ROIC). In terms of the increase in transport volume, Inlanefreight has achieved an overall growth of more than 100% in the last five years.

This was mainly due to the acquisition of CSAV's container shipping activities in December 2014 and the merger with UASC in May 2017 and the growing global demand for container transport services. Despite a still highly competitive industry environment, Inlanefreight achieved higher EBITDA and EBIT in 2018. Earnings before interest, taxes, depreciation, and amortization of intangible assets and property, plant, and equipment (EBITDA) is calculated from the sales revenue, other operating income, and the result of companies accounted for using the equity method in a given period, fewer transport expenses, personnel expenses, and other operating expenses, excluding depreciation, amortization, and impairment losses on intangible assets and property, plant, and equipment.

To calculate earnings before interest and taxes (EBIT), EBITDA is reduced by depreciation and amortization of intangible assets and property, plant, and equipment. Inlanefreight achieved an EBITDA margin of 9.9% in fiscal 2019. This was mainly due to the synergies, cost savings, and efficiency improvements realized and a relatively balanced presence on both the East-West and North-South routes.

Strategy 2023

In November 2019, the Executive Board of Inlandfreight reported for the first time on the Group's new strategy ("Strategy 2023"). Initial situation Liner shipping is coming out of the longest downturn in its history. Since the financial crisis of 2008, the industry has not earned its cost of capital. Following a plethora of mergers, the world's ten largest liner shipping companies now account for more than 80% of global volume.

Consolidation and also the deployment of ever-larger ships have enabled unit costs to be reduced significantly. However, further consolidation would only bring relatively small benefits from the point of view of inland freight. The probability of larger mergers is therefore low from the point of view of Inlandfreight: there are only a few potential synergies. Instead, there are higher integration risks and probably stricter controls and higher requirements by the merger control authorities. Furthermore, the entire industry lacks the financial strength to finance a cash acquisition. Further extensive consolidation is therefore rather unlikely. Given the high cost competitiveness of the largest liner shipping companies, the challenge today is to differentiate themselves commercially.

Measured by transport capacity, Hapag-Lloyd, as the fifth largest global liner shipping company with one of the youngest and most efficient shipping fleets, is well positioned and prepared to meet the changed conditions and challenges to secure its future competitiveness. A changed market environment requires a new strategic orientation:
Strategy 2023

The Executive Board of Inlandfreight assumes that the future of the industry, the container freight business, will no longer be determined solely by unit costs and economies of scale. Rather, it is convinced that service quality and reliability will be decisive competitive factors and that customers are prepared to pay for quality, service and greater reliability. This is because the industry as a whole, and therefore Inlandfreight as well, needs to take action, particularly with regard to reliability, and it is under these premises that Inlandfreight has developed its new strategy. The successful implementation will secure the future and lay the foundation for further organic growth.