
DB returns to profitable business

2022/09/08 09:55 στην κατηγορία INTERNATIONAL

Deutsche Bahn (DB) has returned to profitable business. For the first time since the Covid-19 pandemic began, DB has generated an operating profit, returning DB to its path of profitable growth. DB closed out the first half of 2022 with adjusted earnings before interest and taxes (EBIT adjusted) of EUR 876 million. Group revenues increased by 28.4% to roughly EUR 28.0 billion.

Many more passengers used DB's regional, local and long-distance services. Demand for international freight forwarding and logistics was also higher than ever before. "Our turnaround has been successful," said Dr. Richard Lutz, CEO of DB, in Berlin. "Demand is booming and we have returned to profitable business."

Operating profit (EBITD adjusted) was up by around EUR 1.9 billion compared with the first half of 2021. At that time, the global Covid-19 pandemic had driven DB into the red, to the tune of nearly EUR 1 billion. Altogether, DB's core business lost over EUR 10 billion due to the Covid-19 pandemic. DB Schenker, DB's logistics subsidiary, made the largest contribution to DB's current success by far. It nearly doubled its operating profit compared with the first six months of 2021 to around EUR 1.2 billion.

DB CEO Lutz: More ICE trains now than ever before

Earnings, revenues and volume in DB's core business also rose considerably overall. In the first six months of the year, 59.1 million passengers used DB's long-distance trains. That was a year-on-year increase of 117%. Some 725 million passengers used DB's regional and local trains, an increase of 60%. DB's volume sold in rail passenger transport grew by 109% to 36.4 billion passenger kilometers in the first half of 2022. DB Cargo posted slight increases in revenues (up 5.6%) and volume sold (up 1.2%), but also faced a negative impact from the war in Ukraine and reduced capacity due to construction.

"The fact that our passengers have returned so quickly shows us that it was definitely the right decision to stay the course even in difficult times and prepare for robust growth with new trains, better service and more staff," said Lutz. He added that DB had hired roughly 90,000 new employees in Germany since 2019 and had accepted some 19,500 applicants so far in 2022. "We have done a great deal to equip DB for

booming demand. More ICE trains serve Germany and Europe now than ever before,” said Lutz.

Although DB has continued to modernize and build at record levels, the rail infrastructure is not currently keeping pace with traffic growth. The result has been more congestion and delays in the rail network. In the first half of 2022, 69.6% of long-distance trains reached their destinations on time. That figure was 79.5% in the first six months of 2021. The overall on-time rate for DB rail passenger services in Germany was 92.5% in the first half of the year. Train kilometer on track infrastructure rose by 2.7% to over 563 million train-path kilometers, around 20 million more than before the Covid-19 pandemic.

Lutz stressed that DB’s current on-time rates and service quality were “not acceptable.” In response to this situation, DB and the German government had joined forces to transform the highly utilized network into a high-performance network and would begin a general overhaul of the busiest corridors starting in 2024. A package of immediate measures would provide relief even sooner. “Anything that can improve the situation for our customers will be our top priority,” Lutz said, adding that development of the high-performance network would not come at the expense of other efforts to modernize the rail infrastructure. Work to upgrade the infrastructure, build new lines and digitalize rail services would also continue unabated. The goal, Lutz said, was to make the infrastructure fit for the future in every way.

DB, together with the German government, continued to invest heavily in the first half of 2022. Net capital expenditures climbed by 3% to EUR 2.7 billion. Gross capital expenditures of EUR 5.4 billion in total were invested primarily in rail infrastructure in Germany, as in previous years. As of June 30, 2022, net financial debt, at EUR 30.5 billion, was 4.8% higher than at the end of the previous year but remained within the expected range.

DB CFO Holle: “Our logistics subsidiary has played a major role in bolstering favorable performance”

CFO Dr. Levin Holle highlighted DB Schenker’s performance in addition to the strong upswing in DB’s core business: “The first half of 2022 was Schenker’s most successful half-year in its 150-year history as a logistics company. DB Schenker played a major role in bolstering the DB’s favorable performance overall.” DB Arriva, DB’s local transport provider in Europe, also made progress in the first half of 2022. The company lifted its adjusted EBIT year on year and performed as expected overall.

Holle cited the sharp rise in inflation, and “ballooning energy prices” in particular, as a major economic challenge. For the short term, he said, energy price hedges were in

place for a number of major areas. Ultimately, though, DB was not immune to the overall price trends that would be seen going forward.

There is a great deal of uncertainty associated with the forecast for 2022 as a whole since the war in Ukraine and the Covid-19 pandemic remain unpredictable. Nevertheless, DB expects to close out the year with much higher revenues and a much better operating profit than forecast in March.

DB currently expects an adjusted EBIT of more than EUR 1 billion for the year as a whole. Revenues are expected to grow to more than EUR 54 billion. Together with the German government, which is DB's sole shareholder, the company plans to increase its capital expenditures in the current year to over EUR 16 billion gross and over EUR 6.5 billion net. Once again, capital expenditures will exceed the previous year's already high level.

CEO Richard Lutz stressed that DB's favorable performance would not have been possible without the dedication and passion of DB's employees. Employees deserved to be recognized for everything they did day in and day out for DB's customers.

(Deutsche Bahn (DB))