

## DSV, K+N post solid Q3 revenue gains, but profit margins under pressure



*Air freight handled by DSV rose 8% to 352,000 metric tons in the third quarter. Photo credit: DSV.*

**Greg Knowler, Senior Editor Europe | Oct 23, 2024, 12:59 PM EDT**

DSV and Kuehne + Nagel on Wednesday reported strong revenue growth in the third quarter, but the solid results could not mask a difficult operating environment with the margins at both forwarders under pressure.

Rising competition and tough negotiations with customers are believed to be behind the narrowing profit margins that were plainly displayed in the financial results of the two forwarders.

Despite DSV's third-quarter revenue soaring 25% year over year to \$6.37 billion, gross profit rose 4.8% to \$1.6 billion while earnings before interest and taxes (EBIT) were up just 1.5% at \$638 million.

Still, DSV CEO Jens Lund described the third-quarter performance as “coming out of the market trough” with no sign of the seasonal drop in demand during the period.

“Our quarterly gross profit and EBIT before special items have increased on a year-over-year basis for the first time since Q3 2022, driven by positive volume growth across all divisions and higher gross profit,” Lund said during a call with analysts.

DSV’s ocean freight volume in the third quarter was up 8% year over year at 704,000 TEUs, with gross profit in the segment up 10% at \$500 million. Air freight volume also rose 8% to 352,000 metric tons, with gross profit in the segment flat at \$435 million. Net profit at the Denmark-based carrier of \$411 million was roughly the same as Q3 last year.

While DSV’s financial performance continued to improve in the third quarter compared with the first half, and the significantly higher revenue contributed to higher absolute earnings, it also came with lower margins that could be seen in the nine-month figures.

Revenue of \$18 billion from January to September was up 9.2% year over year, but it generated gross profit that was down 2.7% at \$4.6 billion and EBIT that fell 11% to \$1.7 billion.

Looking ahead, Lund was not expecting a strong fourth quarter. “The market will be subdued and if we look at the global economy, I don’t see areas in the traditional markets where we will see significant growth,” he said.

DSV executives are heavily occupied by the €14.3 billion (\$15.9 billion) acquisition of DB Schenker, a deal that CFO Michael Ebbe said would be financed through shares, bonds and bank debt. The forwarder has already raised €5 billion in equity from long-term investors, with the rest to be collected through bonds and loans, Ebbe told investors. The takeover is expected to be finalized in the first half of next year.

## Frontloading drives up Q3 volume

The third quarter and nine-month results of rival global forwarder Kuehne + Nagel followed the same pattern as DSV, with a rise in volume and big jump in revenue not converting into high profits.

“Frontloading of cargo demand persisted through the middle of Q3, sparked by the rerouting away from the Red Sea, potential fallout from the port labor crisis in the US and geopolitical uncertainties,” Kuehne + Nagel CEO Stefan Paul told analysts on the forwarder’s Q3 earnings call Wednesday.

While revenue increased 19% in the third quarter to \$7.5 billion, gross profit was up 5% at \$2.5 billion and EBIT was just 2% higher at \$524 million.

A total of 1.1 million TEUs was handled by the Geneva-based forwarder in the third quarter, down 2% year over year. Revenue in the ocean segment was up 36% at \$3 billion with gross profit rising 2% to \$632 million and EBIT up 9% at \$295 million.

Air freight tonnage for the period rose 6.6% year over year to 526,000 metric tons, with revenue up 20% at \$2 billion and gross profit of \$500 million up 6%. But EBIT tumbled 12% to \$138 million.

Like DSV, the full nine-month figures illustrated the severe margin pressure facing Kuehne + Nagel. Ocean freight revenue of \$7.7 billion from January to September was a 2% decline year over year, and that was accompanied by a 15% drop in gross profit to \$1.8 billion and a 25% decline in EBIT to \$753 million. In air cargo, revenue rose 4% to \$6 billion, but gross profit fell 7% to \$1.4 billion, and EBIT dropped 23% to \$380 million.

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