# DSV’s acquisition of Schenker

George Dharma

At the announced €14.3bn enterprise value, I would support the acquisition if DSV could sustain about €600m of annual savings by year five. The €700m operating case clears that hurdle. A 15% shortfall in delivery uses up the value cushion.

The deal would combine two international freight networks. DSV expected adjusted earnings per share to rise in the second full year after completion. That makes earnings a useful early test. The harder question is whether customers, employees or competitors eventually capture the savings on which the price depends.[1]

## Where the price comes from

| Signing case | Amount | Interpretation |
|---|---|---|
| Value of Schenker on its own | €12.21bn | Discounted operating cash flow before combination benefits. |
| Premium in the announced enterprise value | €2.09bn | The buyer needs savings to cover this gap. |
| Net deal benefits after investment | €2.95bn | Assumes the savings shrink 5% annually after year five. |
| Advisory and financing costs | €0.27bn | Includes the costs of issuing both debt and equity. |
| **Net value left for DSV** | **€0.59bn** | **About 4% of the announced enterprise value.** |

Schenker generated €18.46bn of revenue and €1.02bn of adjusted operating profit over the twelve months to June 2024. The price was about 14 times that profit. The forecast uses only information available at the September signing and treats the savings path as an analyst assumption.[2]

1 DSV, signing announcement · DSV, transaction presentation

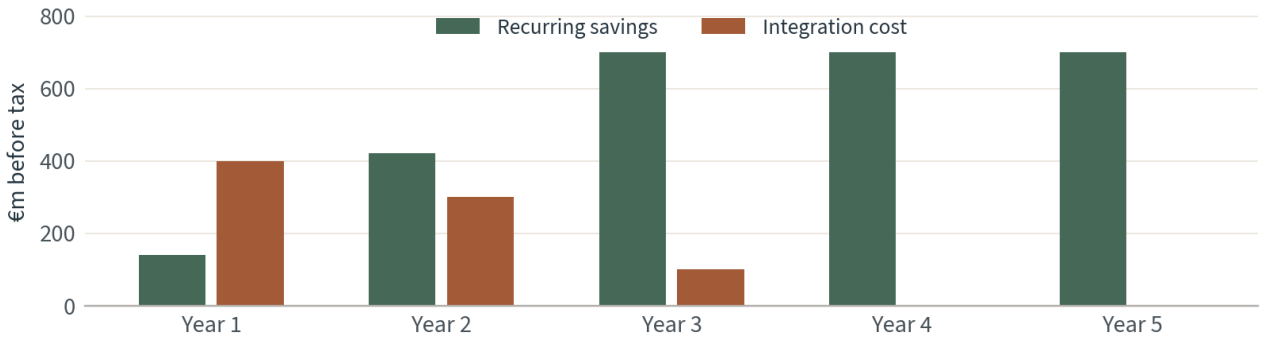
2 Deutsche Bahn, 2023 financial data · Deutsche Bahn, first-half 2024 Schenker results · DSV, transaction multiples

# How long the savings have to last

The model delivers €140m of savings in year one, €420m in year two and €700m from year three through year five. After that, the base case assumes a 5% annual decline. The deal turns value-neutral at about 8.2% annual decline if DSV first delivers the full operating plan.

I discount operating cash flows at 8% and allow the standalone business to grow at 2% beyond year five. A 10% return on new investment sets the cash it must reinvest to support that growth. I value the savings separately because they can fade even while the underlying freight business grows.[3]

## Savings ramp and integration spending




## Buyer NPV by savings delivered and subsequent erosion

| Year-five plan delivered | 0% erosion | 5% erosion | 8% erosion |
|---|---|---|---|
| 70% | €650m | −€649m | −€1,039m |
| 85% | €1,549m | −€28m | −€501m |
| 100% | €2,448m | **€592m** | €36m |

At 85% delivery and 5% later erosion, net present value is −€28m. At full delivery with 8% later erosion, it is just €36m. I would therefore monitor the savings net of discounts passed to customers and the replacement cost of staff who leave. Gross savings announcements alone would miss both effects.

The analysis reserves the full €1bn German investment programme on top of ordinary cash capex. The signing materials did not specify how much of that amount overlapped with ordinary spending. Including it in full reduces the estimated deal value by €659m after the present value of depreciation tax deductions.[4]

3 George Dharma, DSV's acquisition of Schenker, Excel workbook, Operations and Value.

4 DSV, company-issued signing release and German investment commitment

# Funding and the earnings bridge

The base funding plan issues €4.5bn of equity, uses €500m of DSV cash and raises €7.32bn of new debt. The €11.3bn cash price comes from the signing presentation. DSV's web announcement gives €11.0bn, which would reduce the borrowing need by about €303m on the same terms.[5]

| Full years after completion | Year 1 | Year 2 | Year 3 |
|---|---|---|---|
| Target cash after interest and leases | €97m | €445m | €900m |
| Adjusted EPS accretion | 21.5% | 34.3% | 46.5% |
| EPS change after deal charges | −17.4% | 12.6% | 33.7% |
| Closing term loan | €6.93bn | €6.19bn | €5.00bn |

The new shares dilute existing owners immediately. At the assumed DKK1,250 issue price, the financing adds 26.86m shares to the 207.60m pre-deal diluted-share proxy. By year two the target's operating profit and savings more than offset the interest cost and the larger share count.[6]

## Why the first calendar year looks different

If DSV owned Schenker for six months while its new shares were outstanding for the full reporting year, adjusted EPS would rise 7.0%. Including integration, advisory costs and purchase-accounting charges gives an 18.5% decline. This timing exercise holds the operating run rate constant and uses month fractions.[7]

The illustrative allocation recognises €3.0bn of additional intangible assets, a €250m increase in property and equipment and a €75m inventory step-up. These create €831m in deferred tax at closing. Their after-tax earnings cost is €225m in the first full year and €169m in the second. The resulting €6.91bn of goodwill is a model output based on assumed target book balances.[8]

5 DSV, signing presentation · DSV, web announcement

6 DSV, 2023 annual report · DSV, first-half 2024 accounts · DSV, share capital after its buyback

7 George Dharma, DSV's acquisition of Schenker, Excel workbook, Financing and Timing.

8 IFRS Foundation, IFRS 3 Business Combinations

# What would change the decision

Earnings accretion can remain positive while the buyer destroys value. A slower freight recovery, weaker margins or a smaller savings programme reduces the cash available to repay debt. The operating cases test all three together.

| Operating case | Deal NPV | Year 2 adjusted EPS change | Year 3 leverage | Year 3 extra funding |
|---|---|---|---|---|
| Base | €0.59bn | 34.3% | 2.05× | €0.00bn |
| Downside | −€4.42bn | 13.0% | 2.78× | €0.00bn |
| Stress | −€8.41bn | -4.9% | 3.64× | €0.78bn |

Extra funding is the amount required above the assumed €1.5bn revolving facility at the end of year three. Interest is calculated on opening balances. A cash need arising earlier in the year would also increase financing costs.[9]

## Capital allocation

At closing the base group carries 3.13× net debt to operating EBITDA before savings. The ratio falls to 2.05× by the end of year three as target cash flow improves and DSV directs €300m of annual parent cash towards the acquisition loan. The revolver remains unused in this case.

I would support the announced price with a funding reserve and a quarterly review of net savings retained by the combined group. I would revisit the price if credible savings fell below €600m by year five or if customer repricing pointed to annual erosion above 8.2% at full delivery. These are model thresholds that management could test against operating results.

9 George Dharma, DSV's acquisition of Schenker, Excel workbook, Terms and Financing.