

## SHORT SEGMENTS

### SHORT SEGMENTS (cont. from p. 15)

Looking at Expeditors' results by business segment:

- **Air freight forwarding:** Net revenue from air freight forwarding was up 15.3% in the second quarter to \$195 million, as tonnage rose 3%. Operating margin rose 4.9 points to 29.6%
- **Ocean freight forwarding:** Net ocean forwarding revenue was up 15.1% to \$144 million despite volume staying flat with 3Q14. Operating margin for ocean freight forwarding activity was up 4.9 points to 25.7%
- **Customs brokerage and other services:** Net revenue in this segment was up 5.4% to \$231 million, and, as profitable as Expeditors' forwarding business is, it pales when compared to the customs brokerage arm of the business, which saw second-quarter operating margin increase 1.1 points to 53.4%.

For the first nine months of 2015, Expeditors' net income was up 23.6% to \$344 million, as net revenue rose 12.9% to \$1.65 billion. Operating income for the period was up 24.4% to \$543 million. Margins for the first nine months were similar to margins in the third quarter: Air freight operating margin was up 3.1 points to 28.0%, ocean freight margin was up 2.8 points to 23.9%, and customs brokerage margin was up 0.5 points to 53.1%. Overall operating margin for the first three quarters of 2015 was up 3.0 points to 32.9%, and net margin increased 1.8 points to 20.9%.

**A good quarter for K+N.** Switzerland-based forwarder and logistics services provider Kuehne + Nagel reported third-quarter net income up 11.4% y-o-y to US\$194 million, as its gross profit (what some forwarders call net income) was flat at \$1.66 billion. Operating income (EBIT) for the quarter was up 9.0% to \$240 million.

K+N's Airfreight segment performed well in both the quarter and through the first nine months of 2015. Gains in volume (up 3.7%) and gross profit (up

3.2%) were not spectacular, but segment operating income was up 10% in the third quarter, and Airfreight operating margin was a very strong 28.8%.

In the Seafreight division, K+N's decision to forego market share and let low-margin business go paid off very well. Volume shrank 2.8% y-o-y, but gross profit rose 4.3% and segment operating income jumped 17%. Seafreight operating margin was 36.2%.

Regarding this year's peak season, CEO Detlef Trefzger said on a conference call that K+N had not seen any spike in sea freight, and "it's definitely too early to say for air freight. We'll know by mid-November."

**A not-so-good quarter for Panalpina:** While Kuehne + Nagel may have reported strong third-quarter results, Switzerland's other big forwarder, Panalpina, fared less well than its compatriot, reporting third-quarter net income down 4.7% y-o-y to US\$25 million, as gross profit (what some forwarders call net revenue) fell 7.4% to \$381 million. Operating income (EBIT) for the quarter was down 4.6% to \$33 million.

Of particular interest is that while K+N's strong results were driven by the exceptional performance of its air freight forwarding division, Panalpina's overall results were dragged into negative territory by the poor performance of its air freight unit.

Despite a 3.2% decline in volume, profitability of Panalpina's ocean freight forwarding activity increased fairly strongly, with EBIT up 12.4% to \$10 million. Panalpina's air freight forwarding business, on the other hand, took a big hit. Volume was down 2.5%, but EBIT plummeted 23.3% to \$22 million.

Panalpina said that a major problem was its historical dependence on verticals like automotive and oil & gas, which are cyclical in nature. To counter this, the company said it was trying to expand its share of the forwarding market in the perishables and pharmaceuticals sectors.

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## PARTING SHOT

### A NEW ERA FOR RAYA AIRWAYS

If the Phoenix legend does not have a place in Malaysian folklore, it should, with Raya Airways as the perfect example.

Reborn from the ashes of Transmile Air Services, Raya is not only making a clean start, but also expanding its fleet with newer, larger freighters.

The fleet it took over consisted of three 727-200Fs, which it used in regional service (including operations for DHL Express). But the carrier wanted to expand both its geographical range, and its cargo capabilities – moves that would allow it to take advantage of growing demand in markets such as India, Japan, Korea, Thailand, Vietnam, Bangladesh and Indonesia, as well as expanding its service to Hong Kong and Singapore.

To do this, it ACMI leased a 767-200F (22318) from US-based Air Transport Services Group, and acquired a 757-200PCF (24472, ex-China Cargo Airlines). It plans to add another 757-200PCF and another 767-200F to its fleet in 2016.

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Raya Airways' first 757-200PCF emerges from the paintshop in Singapore. The carrier, which also operates three owned 727-200Fs and ACMI leases a 767-200F, plans to add two more freighters in 2016 – a 757-200PCF and another 767-200F.