UK PARCEL CARRIER DIGEST 2023

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Overview of the UK Express Parcels Market

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1 Overview of the UK Express Parcels Market

1.1 The UK Express Parcel Market

The UK express parcels market remains highly competitive with at least 15 main national carriers (including DHL Express and DHL Parcels UK, and FedEx UK and FedEx Express UK Transportation, previously TNT). The latest significant strategical development being that in 2022 Royal Mail plc changed its name to International Distributions Services, as the company has become increasingly reliant in its GLS international distribution unit. The Royal Mail name will remain for its UK letters and parcels business.

As well as the established or 'pure' parcel carriers we have also included Amazon because although it still works with third party carriers for its deliveries, in recent years Amazon has been building its own delivery network and hence becoming a direct competitor to the more established express parcel carriers.

Regarding general market conditions, the UK has seen consumer price inflation (CPI) rise by 10.1% in the 12 months to January 2023 and annual GDP output is estimated to have grown by 4.1% in 2022, following growth of 7.4% in 2021 (according to the ONS). Another factor to take into account is the effect of Brexit. According to the study The Cost of Brexit to June 2022 published by the Centre for European Reform (CER) Brexit has cost the UK a staggering £33 billion in lost trade and investment.

Currently the main express parcel brands included in this Digest are:

1 Overview of the UK Express Parcels Market

1.2 Market Size

After meticulous research and based on the latest official published figures belonging to the 2021-2022 period, Triangle estimates that the main UK express parcel carriers, analysed in this digest, handled around XX billion parcels in 2021-2022. Including all other carriers it is estimated that the total amount of parcels handled in the UK is roughly XX billion.

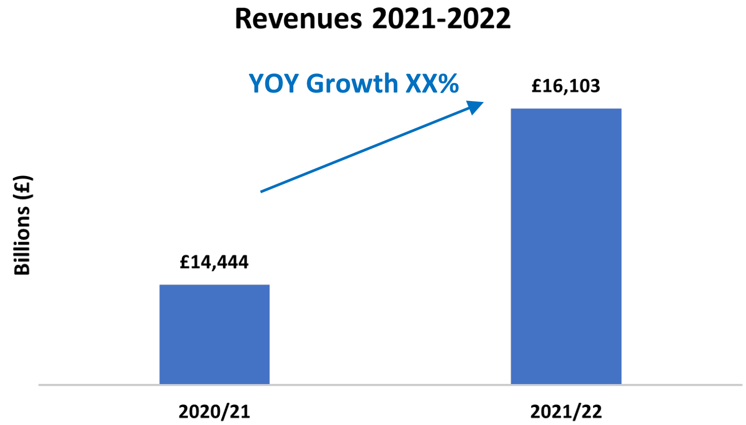
Ofcom's annual postal review has estimated that total parcel volumes decreased by XX% year-on-year to XX billion items in 2021-22. that said Ofcom data excludes all 'other' carriers. Other sources, such as Pitney Bowes' Parcel Shipping Index, has that figure at around XX billion parcels, with a growth of 9%.

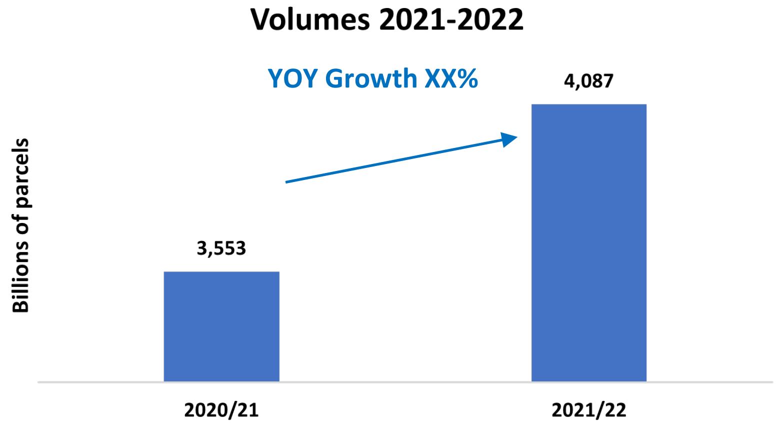
Turnover wise Triangle estimates the total turnover generated by the carriers included in this digest was roughly £XX billion.

For 2022-2023 period Triangle estimates that the mentioned carriers will handle about XX billion parcels (YOY decline of XX%), generating £XX billion in turnover (YOY decline of XX%). This is quite a stark contrast to the last two years and is mainly cause by two factors: the slow down of online shopping as people return to the high street and the cost-of-living crisis.

However, for the purpose of this digest, figures will be based in financial year 2021-22 as those are the latest official published figures.

Triangle's figures come from a continuous analysis (over the last two decades) of the UK express market and carriers and relying on a stable network of associates (recent ex-carrier employees), built from our WMX conference programme, and who are in place to validate our figures.





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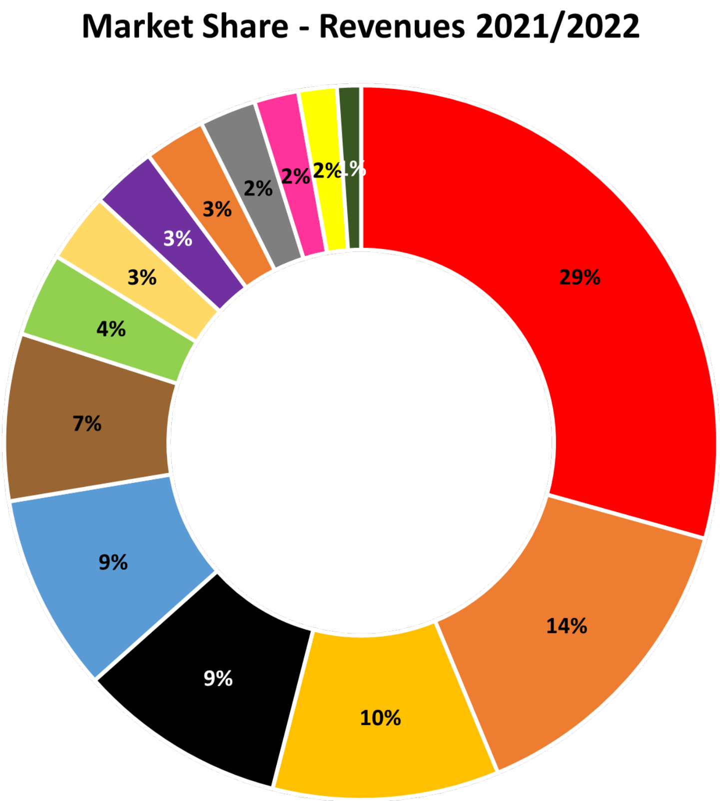
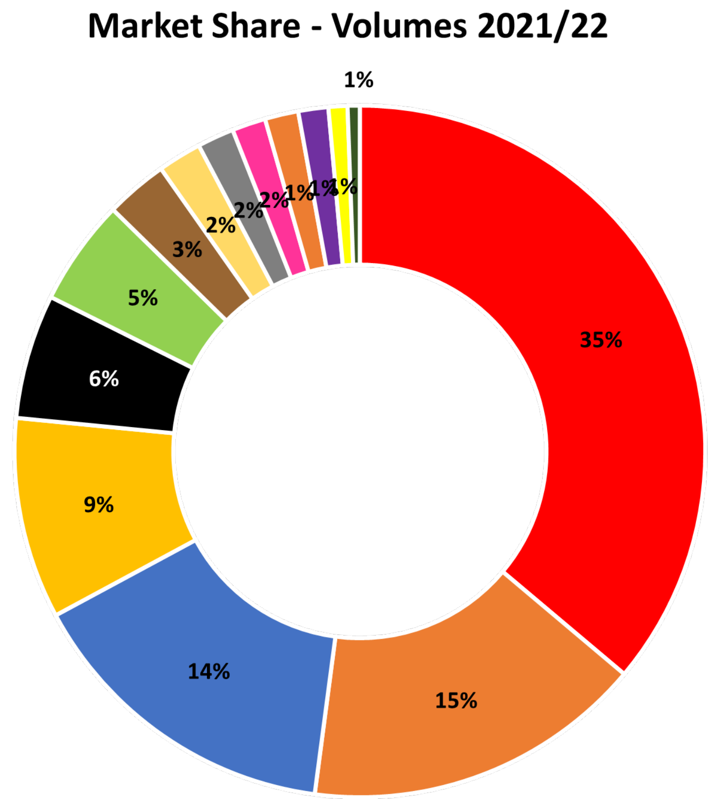
1.3 Market Shares

Triangle has built its calculations based on reported official figures. Turnover figures are taken from the 2021-22 annual reports and volume figures are taken either from annual reports, trading updates, published articles or presentations.

Volumes and turnover figures refer strictly to parcel traffic and exclude any other activities such as mail, logistics, fulfilment, etc. For Royal Mail only parcel turnovers and volumes have been taken into account. There are no specific Parcelforce published figures. For DX figures only DX Freight and DX Parcels business have been taken into consideration. DHL Express figures include DHL Express UK and DHL International UK.





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1.4 Company Size

Royal Mail, unsurprisingly and despite struggling for the last couple of years and the recent strikes, is still the largest parcel carrier in the UK both in terms of turnover and volume. Royal Mail's figures refer to parcels only and excludes GLS (purely international).

Amazon's growth has been exponential since establishing its third-party delivery network.

Both Evri and Yodel are historically characterised by having fewer yet very high-volume accounts.

Some carriers (Evri or Yodel) are more B2C focused, whilst others (TNT Express or Tuffnells) are more B2B.

	Parcel Revenue £m (Highest to Lowest)
Royal Mail	1
Carrier A	2
DHL Express	3
Carrier B	4
Evri	5
Carrier C	6
Yodel	7
Carrier D	8
FedEx	9
Carrier E	10
DHL Parcel UK	11
Carrier F	12
APC	13
Carrier G	14

	Parcel Volumes (millions - Highest to Lowest)
Royal Mail	1
Carrier A	2
Evri	3
Carrier B	4
DPD	5
YCarrier C	6
UPS	7
Carrier D	8
DHL Parcel UK	9
Carrier E	10
TNT Express	11
Carrier F	12
APC	13
Carrier G	14

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1.5 Company Size - Growth

Amazon has benefited the most, it being a pure e-tailer, from the online e-commerce boom and has grown the most both in turnovers and volumes.)

B2B focused carriers such as TNT Express, Tuffnells or DHL Express) did not perform as well.

The tables below are ordered from highest growth to smallest.

	Revenue 2021-22 YOY growth
Amazon	1
Carrier A	2
DX	3
Carrier B	4
FedEx	5
Carrier C	6
Yodel	7
Carrier D	8
UPS	9
Carrier E	10
Evri	11
Carrier F	12
APC	13
Carrier G	14

	Volume 2021-22 YOY growth
Amazon	1
Carrier A	2
DHL Express	3
Carrier B	4
Yodel	5
Carrier C	6
FedEx	7
Carrier D	8
DPD	9
Carrier E	10
TNT Express	11
Carrier F	12
APC	13
Carrier G	14

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1.6 Segmentation (Domestic Traffic)

Although during the first half of 2021-2022 the parcel delivery industry continued to grow due to the lingering effects of the pandemic, toward the end of the year as things returned to normal such growth began to wane. And the scenario for 2022-2023 is worrying due to the global recession and cost-of-living crisis.

Most carriers included in this digest, even those historically with a predominant B2B focus, have experienced a shift towards B2C, being intensified by the effects of lockdowns and shift in delivery preferences.

At the same time, as people grew accustomed to the convenience and growing simplicity of shopping online this had a significant effect in the growth of the C2B and C2C sectors.

Volumes	B2B	B2C	C2C	C2B
APC Overnight	1	1	1	1
DHL Parcel UK	2	2	2	2
DHL Express	3	3	3	3
DPD	4	4	4	4
DPD Local	5	5	5	5
DX	6	6	6	6
FedEx	7	7	7	7
Evri	8	8	8	8
TNT Express	9	9	9	9
Tuffnells	10	10	10	10
UPS	11	11	11	11
Yodel	12	12	12	12
Royal Mail	13	13	13	13

1 Overview of the UK Express Parcels Market

1.7 Service Levels (Domestic Traffic)

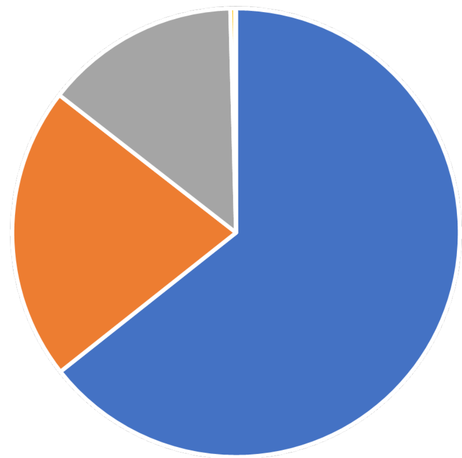
According to Ofcom's 2020/21 Annual Postal Review* next day delivery items made up XX% of measured domestic parcel volumes during 2021-22, compared with nearly XX% the previous year.

The average unit turnover for parcels delivered next day stood at £XX (down by XX%) and for later than next day at £XX (down by XX%) in 2021-22.

Triangle's own research has next day delivery making up XX% of all UK volume.

Percentage of Volume by Service Level - Ofcom Estimates

Overall Service Level Usage - Triangle Estimates



* Reporting includes figures for the following operators: The Alternative Parcels Company, Amazon Logistics, DHL International and DHL Parcel UK, DPD Group, DX, FedEx, TNT UK, Evri, Royal Mail Group including Parcelforce Worldwide, Tuffnells, UPS and Yodel.

1 Overview of the UK Express Parcels Market

1.7 <u>Service Levels (Domestic Traffic)</u>

The table below shows the percentage of own volume handled by carrier per service level.

Yodel and Evri, historically know for being value for money carriers, deliver the majority of their parcels using a deferred (2-3 days) service, XX% and XX% respectively. Royal Mail also deliver most of handled parcels using a deferred service.

Only TNT and UPS offer a same day service, which makes up a very small percentage of the items handled. CitySprint is the leading same day courier in the UK but parcels make up only a small percentage of same day deliveries.

	APC Overnight	DHL Parcel UK	DHL Express	DPD Local	DPD	DX	FedEx	Evri	Royal Mail	TNT Express	Tuffnells	UPS	Yodel
Same Day	1	1	1	1	1	1	1	1	1	1	1	1	1
Time Definite	2	2	2	2	2	2	2	2	2	2	2	2	2
Next Day	3	3	3	3	3	3	3	3	3	3	3	3	3
Day Definite	4	4	4	4	4	4	4	4	4	4	4	4	4
Deferred	5	5	5	5	5	5	5	5	5	5	5	5	5

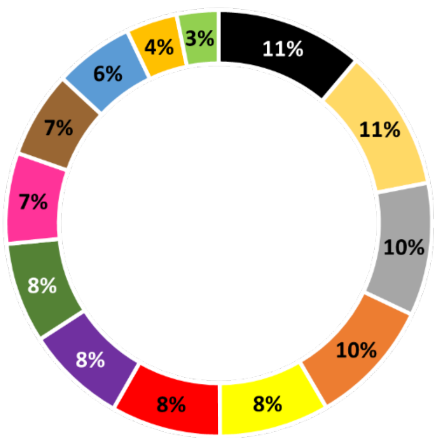
* Reporting includes figures for the following operators: The Alternative Parcels Company, Amazon Logistics, DHL International and DHL Parcel UK, DPD Group, DX, FedEx, TNT UK, Evri, Royal Mail Group including Parcelforce Worldwide, Tuffnells, UPS and Yodel.

1 Overview of the UK Express Parcels Market

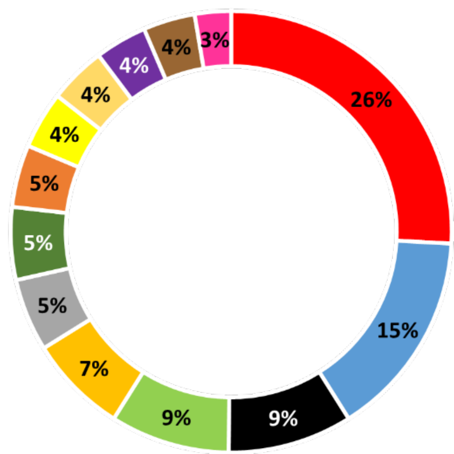
1.7 Service Levels (Domestic Traffic)

According to results extracted from Triangle's UK Domestic Parcels Distribution Survey these are the main carriers used for the main service levels (excluding DHL Express as they have very little domestic traffic and Amazon as they don't disclose said level of detail):

Carriers Used Using Next Day Service



Carriers Used Using 2-3 Service



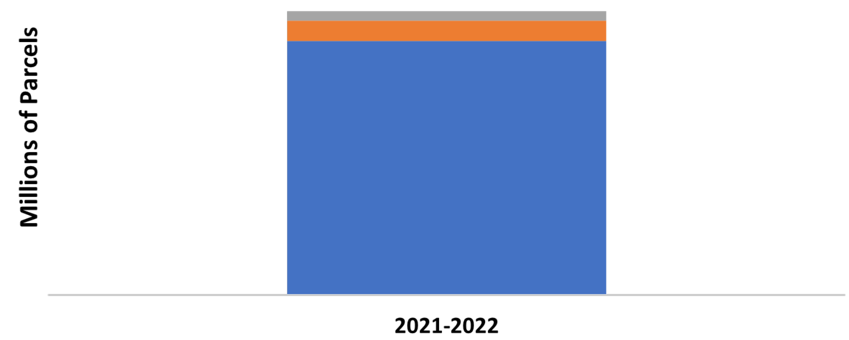
1.8 Domestic vs International

According to Ofcom's 2021-22 Annual Postal Review XX% of all parcels handled were domestic, XX% were international inbound and the remaining XX% were international outbound. That compares to 2020-21 when XX% of all traffic was domestic, XX% was international inbound and the remaining XX% was international outbound.

Ofcom's report stated that International inbound volumes decreased by XX% year on year (having risen XX% in 2020-21) and international outbound volumes declined by XX%, as global supply chains faced disruption over the last financial year, and international trade arrangements have continued to change as a result of the UK exiting the European Union.

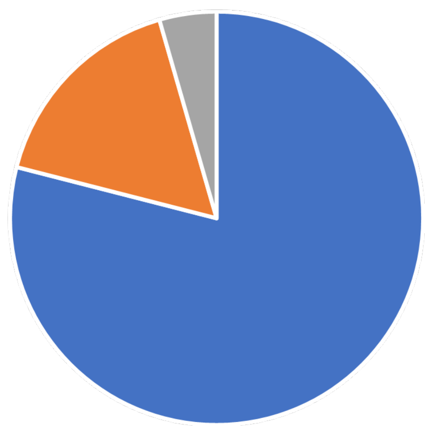
Triangle's own estimations have domestic traffic composing XX% of all traffic, XX% being international inbound and XX% international outbound.

Parcel Volumes - Domestic vs. International



Source: Ofcom

Parcel Volumes - Domestic vs. International



1 Overview of the UK Express Parcels Market

1.8 Domestic vs International

As we now know that only carriers with domestic turnover above £300m have to pay a fee to Citizens Advice and knowing which carriers those are, we have had to 'shift' some domestic turnover and volume for some of the carriers meaning that some percentages might be different than last year. This is based on data obtained from our UK Domestic Parcels Distribution Survey and other internal research.

Royal Mail's 2021-22 annual report stated that export volumes showed smaller declines than import volumes over the year, and it had noted increases in average unit turnover for both import and export parcels.

The table on the left is in order of domestic traffic (highest to lowest). For both APC Overnight and Tuffnells there was some international traffic but it was a rather insignificant amount. The table on the right (ordered alphabetically) splits international traffic volume by inbound and outbound.

	Domestic	International
APC Overnight	1	1
Tuffnells	2	2
Evri	3	3
DX	4	4
DPD Local	5	5
DHL Parcel UK	6	6
TNT Express	7	7
Amazon	8	8
DPD	9	9
FedEx	10	10
Royal Mail	11	11
Yodel	12	12
UPS	13	13
DHL Express	14	14

	Outbound	Inbound
Amazon	1	1
APC Overnight	2	2
DHL Express	3	3
DHL Parcel UK	4	4
DPD	5	5
DPD Local	6	6
DX	7	7
Evri	8	8
FedEx	9	9
Royal Mail	10	10
TNT Express	11	11
Tuffnells	12	12
UPS	13	13
Yodel	14	14

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1.9 <u>Volumetric Analysis</u>

Triangle has been able to allocate the most common parcel sizes per carrier and as seen in the table below DX Freight and Tuffnells (irregular weight and dimension experts) dominate in the bulkier items.

Meanwhile Evri and Amazon tend to handle smaller sized parcels.

	Letter box	Shoe box	Crisp box	Large box
Amazon (Fulfilment by Amazon)	1	1	1	1
APC Overnight	2	2	2	2
DHL Parcel UK	3	3	3	3
DPD	4	4	4	4
DPD Local	5	5	5	5
DX Freight	6	6	6	6
FedEx	7	7	7	7
Evri	8	8	8	8
TNT Express	9	9	9	9
Tuffnells	10	10	10	10
UPS	11	11	11	11
Yodel	12	12	12	12

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1.10 Weight Analysis

Cross referencing weight and the carriers being used Triangle has been able to determine what are the most common handled weight by carrier.

As expected DX Freight and Tuffnells, together with TNT tend to handle heavier items. Whilst mostly Evri and Yodel are more about volume.

	Less than 0.5 kg	0.5 kg - 1 kg	1 kg - 2 kg	2-5kg	6-10kg	11-15kg	16-20kg	21-25kg	26-30kg
Amazon (Fulfilment by Amazon)	1	1	1	1	1	1	1	1	1
APC Overnight	2	2	2	2	2	2	2	2	2
DHL Parcel UK	3	3	3	3	3	3	3	3	3
DPD	4	4	4	4	4	4	4	4	4
DPD Local	5	5	5	5	5	5	5	5	5
DX Freight	6	6	6	6	6	6	6	6	6
FedEx	7	7	7	7	7	7	7	7	7
Evri	8	8	8	8	8	8	8	8	8
TNT Express	9	9	9	9	9	9	9	9	9
Tuffnells	10	10	10	10	10	10	10	10	10
UPS	11	11	11	11	11	11	11	11	11
Yodel	12	12	12	12	12	12	12	12	12

CARRIER PROFILES

2.3 DHL Parcel UK

Company Information & Finances

For the year ended 31 December 2021 the company recorded a rise in turnover of XX% to £XXm. Profit before taxation was £XXm, up XX%.

The company sold a digital mail product on 30 September 2021 because it was not part of its core service offering. The sale completed in September 2021 for £XXm and profit of £XXm was recognised as other income.

The company continues to be in a strong financial position. Increases in volumes, profitability and cash flows have increased net assets to £XXm.

The company incurred central costs of £XXm during the year ending 31/12/21 (year ending 31 December 2020: £XXm).

DHL Parcel UK	
Registered Number:	965783
Incorporation Date:	10-Nov-69

Profit & Loss (in £million)

Annual Accounts	31/12/2021	Change (%)	31/12/2020
Weeks	52		52
Currency	GBP		GBP
Consolidated A/cs	Y		Y
Turnover			
Cost of Sales			
Gross Profit		SAMPLE	
Operating Profits			
Pre Tax Profit			
Retained Profits			

Source: Annual Report

2.3 DHL Parcel UK

Markets and operations

Parcel turnovers, which comprises the company's B2B, B2C and international parcel delivery services, increased by XX% to £XXm in the year ended 31/12/21 (year ended 31/12/2020: £XXm).

Mail turnovers decreased by XX% to £XXm for the year ended 31/12/21 (year ended 31/12/20: £XXm) decreased by XX%. The decrease in turnover and operating margin is caused by the declining UK mail market which is reducing.

The recent investment in DHL's new Coventry hub is part of a £XX million investment to facilitate business growth in the UK and is supported by 10 brand new collection and delivery depots across the UK, and expansion of 20 more existing sites as well as investment in sustainable transport.

In September 2022 the company announced a partnership with Quadient to offer smart lockers parcel pick-up throughout the UK. 500 locker stations across the UK were installed by the end of 2022, with plans for a further 5,000 in the coming years.

2.3 DHL Parcel UK

Domestic Services

- *Next Day - l*ive tracking. A 1 hour time slot notification. A 'You're next' notification when the driver is 10 minutes away. By 9:00am, 10:30am and 12:00pm. Includes Saturday.
- *Print Logistics - a* dedicated service for the distribution of time critical print, point of sale and promotional material.
- *Retail Logistics* - a time sensitive final mile delivery service to the High Street via a dedicated fleet of vehicles.
- *Just Right Returns* - consumers can return their items through ServicePoints located in convenience stores around the UK.
- *DHL Parcel Service Points*: Pick-up and Drop-off service at approximately 3,500 *Service Point* locations (previously the *Pass My Parcel* network).

Services (UK)

Same day	X
Next day	✓
By 7 / 8am	X
By 9am	✓
By 10 / 10:30am	✓
By 12pm	✓
Next day PM	✓
2-day	X
3-day	X
Saturday	✓

Services (International)

No. of countries served:	More that 220 countries
Next day delivery:	Main European Cities

2.3 DHL Parcel UK

International Services

- DHL Parcel Connect - using the DHL Parcel Europe network for International deliveries and returns for European consumers.
- DHL Parcel International - 4 days to delivery. 1 hour ETA window. Send up to 25 kg. Maximum dimensions 120 cm x 60 cm x 60 cm.
- Road Economy - 3 to 4 days. 1 hour ETA window. Send up to 25 kg. Maximum dimensions 120 cm x 80 cm x 80 cm.
- Worldwide Air - 2 to 3 days. 1 hour ETA window. Send up to 25 kg. Maximum dimensions 120 cm x 80 cm x 80 cm.

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