Whitepaper: The DSV Certainty Engine v5.0

A Proposed Strategic Capital Architecture for the Acquisition of DB Schenker

Prepared for: Mizuho Investment Banking Committee

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1. Executive Summary: The Operational Deleveraging Mandate

The acquisition of DB Schenker for £14.3 billion is the apex of DSV's growth strategy, but it presents a temporary and acute challenge to its financial discipline. Our initial strategic concepts have been rigorously stress-tested against the operational realities of our Loan, Debt, Equity, and Derivatives markets desks. The clear, unified conclusion is that a strategy reliant on large-scale, near-term public market transactions is unfeasible and introduces unacceptable risk.

This definitive proposal, **"The DSV Certainty Engine v5.0,"** represents a fundamental strategic pivot. We are replacing a "capital markets first" approach with an **"operations first"** mandate. The core of our advisory is no longer just to provide capital, but to architect a financing structure that gives DSV's management what they truly need: **time and stability.**

Our proposal is built on a robust, long-tenor debt facility that provides a stable runway for DSV to do what they do best: integrate acquisitions and generate superior cash flow. Deleveraging will be driven by operational synergies and asset optimisation, not dilutive equity. This is a gritty, realistic plan designed for flawless execution. It positions Mizuho as the most pragmatic and strategically aligned partner for DSV.

2. The Three-Phase Architecture: A Department-by-Department Blueprint

Our solution is a sequence of three distinct phases, with each product department playing a specific, sequenced role.

Phase 1: The Stable Foundation (The Closing & Integration Period, Months 0–36)

Objective: Provide 100% of the acquisition financing through a single, stable facility that removes all near-term refinancing pressure and allows management to focus entirely on the operational integration of Schenker.

Loan Capital Markets (LCM): The Bedrock of the Strategy

- **Product:** A **£11 Billion, 3-Year Underwritten Term Loan Facility.**
- **Rationale:** We are deliberately replacing a high-pressure 12-month bridge with a 3-year term loan. This is the cornerstone of our "operations first" advice. It gives DSV a stable capital base for the entire integration period. The longer tenor and clear repayment profile make it a more attractive and easily syndicated asset for the bank market. Mizuho will lead a club of 5–6 banks to underwrite the full amount, providing absolute certainty of funds while ensuring our final hold is manageable.

Derivatives Risk Solutions (DRS): The Strategic Risk Eliminator

- **Product:** Strategic advice leading to **no initial hedge.**
- **Rationale:** The Term Loan will be denominated in Euros, matching the currency of the acquisition price. This brilliant, simple move, based on DRS analysis of the illiquid EUR/DKK market, designs the primary FX transaction risk **out of the process entirely.** There is no need for a massive, un-executable deal-contingent forward. The role of DRS in this phase is to provide the critical analysis that allows us to avoid a major risk, showcasing our intellectual rigour.

Phase 2: The Cash Flow Maximisation Engine (Months 0–36)

Objective: While the Term Loan is in place, actively support and accelerate DSV's operational deleveraging using tools that unlock internal cash flow without resorting to public markets.

Leveraged & Corporate Finance (Advisory): The Architects of Deleveraging

- **Product:** Strategic advisory on loan structure and asset optimisation.
- **Rationale:** Our advisory team will structure the Term Loan with a "covenant-lite" package to give DSV maximum operational flexibility, but will include a **mandatory cash flow sweep mechanism.** This automatically dedicates a percentage of all free cash flow to debt repayment, creating a disciplined, operations-linked deleveraging path. We will also advise on identifying non-core Schenker assets for disposal, with proceeds contractually dedicated to paying down the loan.

Structured Finance Solutions (SFS): The Non-Dilutive Capital Engine

- **Product:** A **"Modular" Trade Receivables Securitisation Programme.**
- **Rationale:** In a world with no large equity raise, this tool becomes a primary engine of deleveraging. It is no longer an "accelerator" but a core component. Within 12 months, we will help DSV launch a c. £1.5B programme focused on high-quality German receivables. This is the single most important tool for generating a large, non-dilutive chunk of capital to aggressively pay down the term loan balance.

Phase 3: The Opportunistic Refinancing (Months 24–36)

Objective: Once operational success has significantly improved the credit profile (e.g., leverage reduced from ∼3.0x to sub-2.5x), we will help DSV tap the public capital markets from a position of strength to refinance the remaining debt at a lower cost and fund future growth.

Debt Capital Markets (DCM): The Cost of Capital Optimisers

- **Product:** A multi-tranche **Eurobond package.**

- **Rationale:** After 24+ months of proven deleveraging, DSV's credit story will be powerful and easy to sell. DCM will execute the take-out of the remaining term loan. This will include a large **vanilla Eurobond** to build a liquid credit curve, followed by a smaller, now-credible **"Proof-of-Concept" Green Bond** whose "Use of Proceeds" can be tangibly verified by real investment in Schenker's rail assets. The execution is simple, low-risk, and will achieve superior pricing.

Equity Capital Markets (ECM): The Growth Enablers

- **Product:** A c. **£2 Billion Accelerated Bookbuild (ABB).**
- **Rationale:** The equity narrative is now completely transformed. This is not a "balance sheet repair" story, which the market would punish. This is a forward-looking "growth story." The smaller, manageable ABB will be marketed as capital to re-arm the "DSV Flywheel" for its *next* acquisition, now that Schenker is successfully integrated. This is a narrative that equity investors will reward.

Derivatives Risk Solutions (DRS): The Long-Term Risk Managers

- **Product:** A **"Rolling" Cross-Currency Swap Programme.**
- **Rationale:** With permanent Euro-denominated bonds on its DKK-functional balance sheet, DSV will have a long-term translation risk. DRS will now provide true, ongoing strategic advice, executing a series of smaller, liquid, and easily priceable EUR/DKK swaps to allow DSV's treasury to dynamically manage its FX exposure. This provides value for years beyond the initial transaction.

3. Conclusion: A Winning Strategy Built on Pragmatism and Integrated Expertise

"The DSV Certainty Engine v5.0" is a superior strategy because it is the product of rigorous, cross-divisional stress-testing. It substitutes high-risk, ambitious market transactions with a robust, stable structure that allows our client to succeed on their own terms.

By presenting this plan, we prove that Mizuho has done the real work. We understand not only the client's needs but also the real-world constraints of the markets. We win the mandate not by making the biggest promise, but by presenting the most intelligent and executable plan.