FitchRatings

Corporates
Distribution/Postal Services
Germany

Deutsche Post AG

Fitch Ratings' affirmation of Deutsche Post AG's (DP) Long-Term Issuer Default Rating (IDR) and senior unsecured rating at 'BBB+' reflects DP's large scale, balanced business profile in terms of its presence in the logistic business and geographical diversification globally, as well as its solid financial profile and liquidity. We have increased the rating sensitivities for DP's debt capacity due to the strengthening of its business profile over the past three years, including increased scale and earnings and structural improvements.

The Positive Outlook is driven by our anticipation of projected leverage metrics stabilising below the positive rating sensitivity. We expect more downside risks to profitability in 2023 compared with our previous expectations, driven by softening macroeconomic conditions and weaker consumer demand. We forecast that financial performance will recover in 2024-2025, although remaining below 2021-2022 record levels.

We could upgrade the rating to 'A-', if DP improves its profitability and its financial policy supports leverage, coverage metrics and free cash flow (FCF) generation commensurate with the higher rating.

Key Rating Drivers

Expected Profitability Normalisation: We expect financial performance to normalise in 2023, following record profitability in 2022, marked by post-lease EBIT of EUR7.9 billion. We forecast a decrease in EBIT in all divisions except the supply chain segment. We anticipate post-lease EBIT to decrease by around 29% to EUR5.6 billion in 2023, although it will remain above pre-pandemic levels.

We expect post-lease EBIT to increase to about EUR6.6 billion in 2025, driven by improving macroeconomic conditions, supporting rises in volumes and higher business-to-consumer (B2C) activity. We expect the post-lease EBIT margin to average 6.7% in 2023-2025 (2022: 8.3%).

Projected Leverage Below Positive Sensitivity: We forecast stabilisation of total adjusted net debt-to-EBITDAR at 2.3x on average in 2023-2025 (2022: 1.8x), driven by market weakness, leading to lower profitability, large capex and an increase in the shareholder buyout programme. This leverage level is below our positive sensitivity, which we have revised to 2.5x from 2.3x due to our reassessment of DP's business profile.

Balanced Business Model; Consolidated Scale: The ratings reflect DP's global scale, geographic and operational diversity, and market leadership in the areas of its operation. DP has a balanced business risk profile between its high-growth express and parcel businesses, fuelled by e-commerce, and its contracted supply chain operations as well as the highly cyclical global forwarding and freight (GFF) and structural decline in conventional mail.

The company's business model has substantially changed from a postal operator to a global logistics leader over the past decade, which has led to upward revision of its debt capacity.

Volumes Decrease in Express: Softening macroeconomic conditions, exacerbated by lower GDP rises and high inflation, have reduced volumes, especially those exposed to business-to-business (B2B) operations.

We forecast B2C volumes to further normalise over the medium term, as the lifting of pandemic-related restrictions contributes to customers returning to retail stores. This shapes our expectations of revenue falling by about 6% in 2023. DP has flexibility to adjust network capacity to demand and reduce lease obligations. We anticipate a fall in EBIT (before leases) in the express area to EUR3.2 billion-3.3 billion in 2023 (2022: EUR4 billion) and modest improvement until 2025.

Ratings

Foreign Currency

Long-Term IDR	BBB+
Short-Term IDR	F2

Outlook

Long-Term Foreign-Currency IDR	Positive

Debt Rating

Senior Unsecured Debt - Long-Term Rating	BBB+

2035 Climate Vulnerability Signal: 37

Click here for the full list of ratings

Applicable Criteria

Corporate Rating Criteria (October 2022)

Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)

Related Research

Global Corporates Macro and Sector Forecasts - June 2023

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Global Freight, Forwarding Normalisation: GFF's earnings peaked in 2022, boosted by extraordinarily high levels of air and ocean freight rates. We expect it profits to decline considerably in 2023, following normalisation of freight rates since 2H22.

We anticipate tougher macroeconomic conditions to keep B2B volumes constrained. We forecast that these factors will cause EBIT before leases to shrink in 2023 to about EUR1.2 billion (2022: EUR2.3 billion), which is still above pre-pandemic levels and indicates a structural improvement in the segment's profitability.

Post and Parcel Wage Agreement: In March 2023, DP agreed wage increases, for its tariff employees in Post and Parcel, with German unions to avoid further operational disruption. The new agreement will drive incremental staff costs of about EUR0.4 billion in 2023 and EUR1.5 billion in 2024-2025 combined. Additional costs cannot be fully offset by price increases, because prices are regulated.

DP requested that the German network regulator lifts the postage stamp price cap that is in place until end-2024, with the goal of raising prices in 2024, but the regulator rejected the request. We expect increased wage costs to impair the segment's profitability.

Supply Chain Division Resilient: The supply chain continues to develop, driven by new contract wins and the high stickiness of existing customers. The increasing complexity of supply chains, accelerated by multiple source points of key products for customers and development of e-commerce, drive demand for DP's services. The revenues increased in 2022 and 1Q23, which proves resilience in a volatile macroeconomic environment. We expect its EBIT to continue to rise modestly over the rating horizon.

Increased Capex and Shareholder Distributions: Strong profitability and cash flow generation in 2022 allowed DP to increase capex and shareholder returns and still report solid credit metrics. The company has increased its 2022-2024 share buyback programme to EUR3 billion from EUR2 billion. The latest guidance assumes EUR10 billion-12 billion of cumulative capex in 2023-2025.

We forecast the company will maintain a solid credit profile, despite these cash outflows, which combined with our updated expectations for medium-term profitability will limit improvement in leverage metrics.

Financial Summary

(EURm)	2021	2022	2023F	2024F
Gross revenue	81,747	94,436	85,273	90,459
EBIT	7,473	7,878	5,629	6,071
EBIT margin (%)	9.1	8.3	6.6	6.7
EBITDAR net leverage (x)	1.7	1.8	2.3	2.3
EBITDAR fixed-charge coverage (x)	5.1	4.8	3.8	3.9

F — Forecast
Source: Fitch Ratings, Fitch Solutions, DP

Rating Derivation Relative to Peers

DP has strong credit metrics compared with peers. Its global scale of operations, leading market positions and operationally diversified business provide a competitive advantage versus peers such as FedEx Corp., InPost S.A. (BB/Stable), Skill BidCo ApS (B/Stable) and government-related operators La Poste (A+/Stable, Standalone Credit Profile, or SCP, of 'bbb+') and Poste Italiane SpA.

La Poste is the mail operator in France. Fitch views La Poste as a government-related entity of the French state and rates the entity one notch below France (AA-/Stable). Skill BidCo is a global asset light freight forwarder and logistics provider, particularly active in the Nordics and North America. It is less diversified in terms of operations than DP and is smaller, which constraints its debt capacity. Poland-based InPost has a higher EBITDA margin than DP. It also has much smaller scale, a weak international presence and lack of service offering diversification, resulting in substantially lower debt capacity.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Competitive Intensity	Industry Profile	Market Position	Diversification	Profitability	Financial Structure	Financial Flexibility
Avia Solutions Group PLC	BB/Stable	bbb	bb	bb	bb+	bbb-	bbb	b+	bb+	bb
Deutsche Post AG	BBB+/Positive	aa	a-	bbb+	bbb	a-	a	bb-	a-	bbb+
InPost S.A.	BB/Stable	bbb+	bbb	bbb	bbb+	bbb	bb-	bbb+	bb+	bb+
Skill BidCo ApS	B/Stable	a+	bb-	b	bbb-	b	bbb-	b-	b	b

Source: Fitch Ratings. Relative Importance of Factor: Higher / Moderate / Lower

Issuer		Business profile						Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Competitive Intensity	Industry Profile	Market Position	Diversification	Profitability	Financial Structure	Financial Flexibility
Avia Solutions Group PLC	BB/Stable	+3	0	0	+1	+2	+3	-2	+1	0
Deutsche Post AG	BBB+/Positive	+5	+1	0	-1	+1	+2	-5	+1	0
InPost S.A.	BB/Stable	+4	+3	+3	+4	+3	-1	+4	+1	+1
Skill BidCo ApS	B/Stable	+10	+2	0	+5	0	+5	-1	0	0

Source: Fitch Ratings. Factor Score Relative to IDR: Worse positioned than IDR / Within one notch of IDR / Better positioned than IDR

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Total adjusted net debt/EBITDAR below 2.5x (from 2.3x previously) on a sustained basis.
- EBITDAR-to-(interest paid plus rents) above 4x on a sustained basis.
- Positive Fitch-calculated FCF.
- Fitch-calculated EBIT margin above 7.5%.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Total adjusted net debt-to-EBITDAR above 3.5x (from 3.3x previously) on a sustained basis.
- Significant deterioration in business fundamentals due to a protracted economic downturn or structural changes leading to large volume and margin reduction and consistently negative FCF.

Liquidity and Debt Structure

Solid Liquidity: DP has maintained solid liquidity. At end-2022, it had EUR1.8 billion of unrestricted cash and cash equivalents. This was complemented by a EUR2 billion committed and undrawn syndicated credit line (with 2025 maturity) and EUR1.4 billion of current financial assets, the majority of which are short-term investments. At end-2022, DP had short-term debt of EUR2.0 billion excluding lease liabilities of EUR2.2 billion. Debt maturities in the following three years are evenly balanced.

ESG Considerations

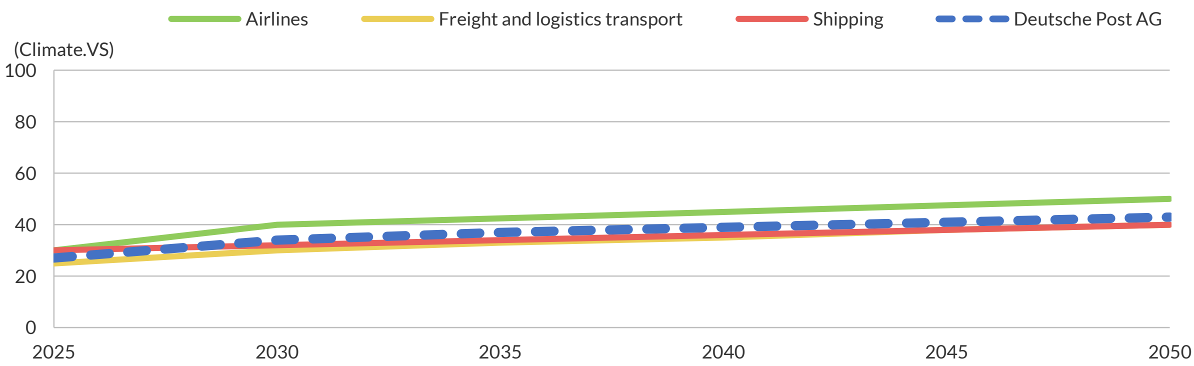
The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Climate Vulnerability Considerations

Fitch's *Climate Vulnerability in Corporate Ratings Criteria* report describes how we use Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Click here for the criteria.

The FY22 revenue-weighted Climate.VS for Deutsche Post AG for 2035 is 37 out of 100, suggesting low exposure to climate-related risks in that year.

Climate.VS Evolution
As of Dec. 31, 2022



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(EURm)	2023F	2024F
Available liquidity		
Beginning cash balance	1,834	-628
Rating case FCF after acquisitions and divestitures	-179	9
Share buybacks	-821	-1,080
Other cash inflows post-FCF or not modelled into base-case FCF	-1	-27
New debt issuance	500	
Total available liquidity (A)	**1,333**	**-1,699**
Liquidity uses		
Debt maturities	-1,961	-1,069
Total liquidity uses (B)	**-1,961**	**-1,069**
Liquidity calculation		
Ending cash balance (A+B)	-628	-2,768
Revolver availability	2,000	2,000
Ending liquidity	**1,372**	**-768**
Liquidity score (x)	1.9	1.3

F – Forecast
Source: Fitch Ratings, Fitch Solutions, DP

Scheduled debt maturities

(EURm)	31 Dec 22
2023	1,961
2024	1,069
2025	982
2026	1,246
2027	497
Thereafter	2,549
Total	**8,304**

Source: Fitch Ratings, Fitch Solutions, DP

Key Assumptions

- Post & Parcel division to see steady decline in mail volumes in 2023-2025, and in parcel volumes in 2023, followed by increases in 2024-2025.
- The express area's volumes to decrease in 2023 and increase in 2024-2025.
- GFF division EBIT to decline by about EUR1.1 billion in 2023.
- Stable growth in the supply chain area in 2023-2025.
- Decrease in EBIT of e-commerce solutions in 2023, followed by modest rises in 2024-2025.
- Excluding IFRS 16 and capitalising lease expenses using the multiples for each asset class based on the useful lives of the assets.
- Capex close to the company's assumptions at about EUR3.6 billion in 2023 and averaging EUR4 billion a year in 2024-2025.
- Dividend payout ratio at 40%-60%, in line with the company's guidance.
- Share buyback programme in line with the company's guidance at a total of EUR3 billion across 2022-2024.

Financial Data

(EURm)	2020	2021	2022	2023F	2024F	2025F
Summary income statement						
Gross revenue	66,716	81,747	94,436	85,273	90,459	96,441
Revenue growth (%)	5.3	22.5	15.5	-9.7	6.1	6.6
EBITDA before income from associates	6,226	9,322	9,913	7,831	8,324	8,980
EBITDA margin (%)	9.3	11.4	10.5	9.2	9.2	9.3
EBITDA after associates and minorities	6,071	9,101	9,556	7,481	7,974	8,630
EBITDAR	8,425	11,344	12,191	10,261	10,813	11,582
EBITDAR margin (%)	12.6	13.9	12.9	12.0	12.0	12.0
EBIT	4,479	7,473	7,878	5,629	6,071	6,619
EBIT margin (%)	6.7	9.1	8.3	6.6	6.7	6.9
Gross interest expense	-210	-210	-202	-179	-194	-242
Pre-tax income including associate income/loss	4,171	7,359	7,911	5,450	5,877	6,377
Summary balance sheet						
Readily available cash and equivalents	3,234	1,626	1,834	1,372	913	1,562
Debt	8,639	8,092	8,304	8,843	9,481	9,999
Lease-adjusted debt	22,713	21,033	22,883	24,397	25,408	26,648
Net debt	5,405	6,466	6,470	7,471	8,568	8,438
Summary cash flow statement						
EBITDA	6,226	9,322	9,913	7,831	8,324	8,980
Cash interest paid	-162	-167	-182	-179	-194	-242
Cash tax	-754	-1,323	-1,782	-1,800	-1,734	-1,881
Dividends received less dividends paid to minorities (inflow/outflow)	-155	-221	-357	-350	-350	-350
Other items before funds from operations (FFO)	152	118	16	-166	-100	-98
FFO	5,374	7,820	7,788	5,389	5,999	6,462
FFO margin (%)	8.1	9.6	8.2	6.3	6.6	6.7
Change in working capital	-404	-430	215	491	-229	-294
Cash flow from operations (CFO) (Fitch-defined)	4,970	7,390	8,003	5,880	5,770	6,168
Total non-operating/non-recurring cash flow	—	—	—	—	—	—
Capex	-2,922	-3,736	-3,912	—	—	—
Capital intensity (capex/revenue) (%)	4.4	4.6	4.1	—	—	—
Common dividends	-1,422	-1,673	-2,205	—	—	—
Free cash flow (FCF)	626	1,981	1,886	—	—	—
FCF margin (%)	0.9	2.4	2.0	—	—	—
Net acquisitions and divestitures	148	329	-1,111	—	—	—
Other investing and financing cash flow items	-1,386	-1,966	1,599	-1	-27	-150
Net debt proceeds	2,083	-837	-1,067	539	638	518
Net equity proceeds	-45	-1,115	-1,099	-821	-1,080	-71
Total change in cash	1,426	-1,608	208	-462	-460	649
Leverage ratios (x)						
EBITDA leverage	1.4	0.9	0.9	1.2	1.2	1.2
EBITDA net leverage	0.9	0.7	0.7	1.0	1.1	1.0
EBITDAR leverage	2.7	1.9	1.9	2.5	2.4	2.4
EBITDAR net leverage	2.4	1.7	1.8	2.3	2.3	2.2
EBITDAR net fixed-charge coverage	3.6	5.3	5.2	3.9	4.0	4.0
FFO-adjusted leverage	3.0	2.1	2.3	3.1	2.9	2.9
FFO-adjusted net leverage	2.5	2.0	2.1	2.9	2.8	2.7
FFO leverage	1.6	1.0	1.1	1.6	1.5	1.5
FFO net leverage	1.0	0.8	0.8	1.4	1.4	1.3
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-4,196	-5,080	-7,228	-6,059	-5,761	-5,816
FCF after acquisitions and divestitures	774	2,310	775	-179	9	352
FCF margin after net acquisitions (%)	1.2	2.8	0.8	-0.2	0.0	0.4

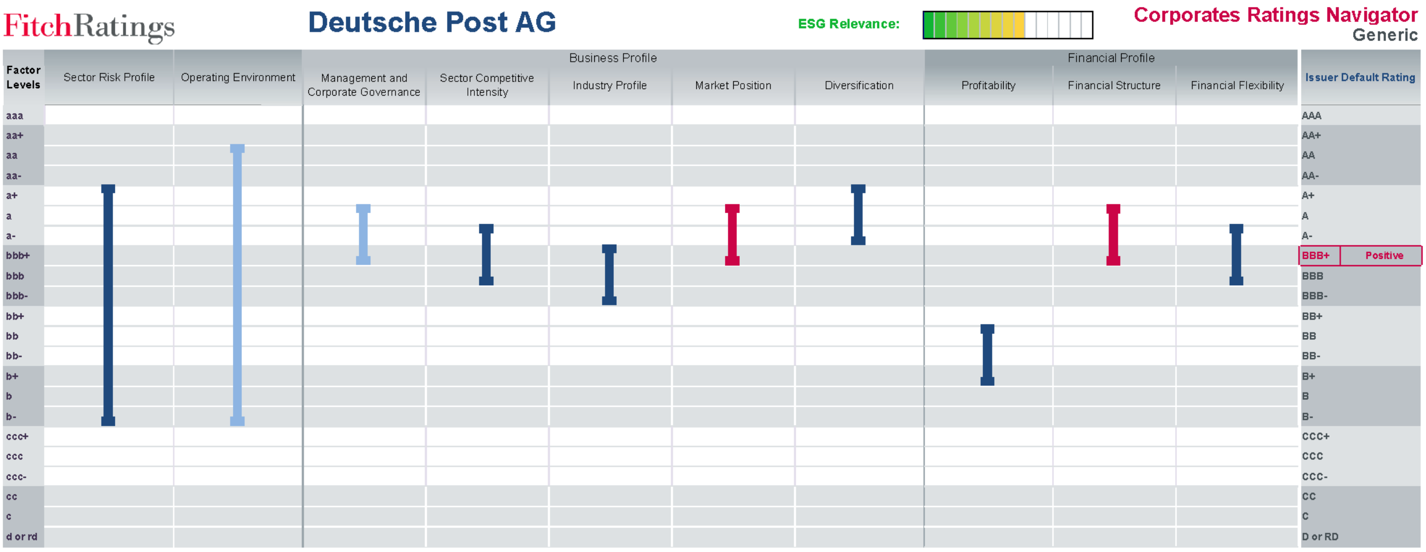
(EURm)	2020	2021	2022	2023F	2024F	2025F
Coverage ratios (x)						
FFO interest coverage	33.8	47.3	42.8	30.9	31.6	27.5
FFO fixed-charge coverage	3.2	4.5	4.1	3.0	3.2	3.3
EBITDAR fixed-charge coverage	3.5	5.1	4.8	3.8	3.9	4.0
EBITDA interest coverage	37.5	54.5	52.5	41.9	41.0	35.7
Additional metrics (%)						
CFO-capex/debt	23.7	45.2	49.3	25.9	17.4	22.0
CFO-capex/net debt	37.9	56.5	63.2	30.7	19.3	26.1
CFO/capex	170.1	197.8	204.6	163.9	140.1	155.5

F - Forecast
Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	□ Stable

FitchRatings

Deutsche Post AG

Corporates Ratings Navigator
Generic

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb+	Financial Transparency	a	High quality and timely financial reporting.
bbb	Financial Sponsor Attitude (LBO only)		

Sector Competitive Intensity

a	Industry Structure	bbb	Larger number of competitors with some track record of price discipline in downturns.
a-	Barriers to Entry/Exit	a	Time and significant financial commitment required to enter the industry meaningfully.
bbb+	Relative Power in Value Chain	a	Stronger bargaining power than suppliers and customers.
bbb			
bbb-			

Industry Profile

a-	Long-Term Growth Potential	bbb	Mature industry. Traditional markets may be under some pressure but opportunities arise in new markets.
bbb+	Volatility of Demand	bbb	Demand volatility in line with economic cycles.
bbb	Threat of Substitutes	bbb	Facing substitutes of comparable quality but switching costs are significant.
bbb-			
bb+			

Market Position

a+	Market Share	aa	Market leader in most of its segments.
a	Competitive Advantage	bbb	Some competitive advantages with reasonably good sustainability.
a-	Operating Efficiency	bbb	Return on invested capital in line with industry average.
bbb+			
bbb			

Diversification

aa-	Geographic Diversification	a	Strong diversification but balance between emerging and growth markets could be better.
a+	Product/End-Market	a	Well balanced exposure to at least three business lines or markets with different sensitivity to the economic cycle.
a			
a-			
bbb+			

Profitability

bb+	EBITDA Margin or EBITDAR Margin	b	15% or 15%
bb	EBIT Margin	b	7%
bb-	FFO Margin	b	7%
b+	FCF Margin	b	Neutral to negative FCF margin.
b	Volatility of Profitability	a	Lower volatility of profits than industry average.

Financial Structure

a+	EBITDA Leverage or EBITDAR Leverage	a	2.0x or 2.0x
a	EBITDA Net Leverage or EBITDAR Net Leverage	bbb	2.5x or 2.5x
a-	FFO Leverage or FFO Adjusted Leverage	a	2.5x or 2.5x
bbb+	(CFO-Capex)/Net Debt		
bbb	Funding Structure (LBO only)		

Financial Flexibility

a	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a-	Liquidity	a	Very comfortable liquidity. No need to use external funding, except for already committed facilities, in the next 12 months even under a severe stress scenario. Well-spread debt maturity schedule. Diversified sources of funding.
bbb+	EBITDA Interest Coverage or EBITDAR Fixed Charge Coverage	bb	3.5x or 3.5x
bbb	FFO Interest Coverage or FFO Fixed Charge Cover	bb	3x or 3x
bbb-	FX Exposure	bbb	Some exposure of profitability to FX movements and/or debt/cash-flow match. Effective hedging in place.

Credit-Relevant ESG Derivation

Overall ESG

Deutsche Post AG has 12 ESG potential rating drivers	key driver	0	issues	5
GHG emissions; air quality				
Energy management	driver	0	issues	4
Waste and hazardous materials management; ecological impacts; product design & lifecycle management; supply chain management - product	potential driver	12	issues	3
Impact of climate change and extreme weather events on assets and operations				
Human rights; relationships with communities and/or land right holders; access and affordability	not a rating driver	0	issues	2
Customer privacy; data security; product quality and safety; customer welfare; selling practices and product labeling		2	issues	1
Showing top 6 issues				

For further details on Credit-Relevant ESG scoring, see page 3.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

FitchRatings

Deutsche Post AG

Corporates Ratings Navigator
Generic

Credit-Relevant ESG Derivation

				ESG Relevance to Credit Rating
Deutsche Post AG has 12 ESG potential rating drivers Deutsche Post AG has exposure to emissions regulatory risk but this has very low impact on the rating. Deutsche Post AG has exposure to energy productivity risk but this has very low impact on the rating. Deutsche Post AG has exposure to waste & impact management risk and supply chain management but this has very low impact on the rating. Deutsche Post AG has exposure to extreme weather events but this has very low impact on the rating. Deutsche Post AG has exposure to land rights/conflicts risk, access/affordability risk or human rights violations risk but this has very low impact on the rating. Deutsche Post AG has exposure to customer accountability risk or product quality/ethical marketing risk but this has very low impact on the rating. Showing top 6 issues	key driver	0	issues	5
	driver	0	issues	4
	potential driver	12	issues	3
	not a rating driver	0	issues	2
		2	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	GHG emissions; air quality	Diversification; Profitability; Financial Structure; Financial Flexibility
Energy Management	3	Energy management	Diversification; Profitability; Financial Structure; Financial Flexibility
Water & Wastewater Management	1	Water and wastewater management	Diversification; Profitability; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	3	Waste and hazardous materials management; ecological impacts; product design & lifecycle management; supply chain management - product	Diversification; Profitability; Financial Structure; Financial Flexibility
Exposure to Environmental Impacts	3	Impact of climate change and extreme weather events on assets and operations	Diversification; Sector Trend; Profitability; Financial Structure; Financial Flexibility

E Relevance: 5, 4, 3, 2, 1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Human rights; relationships with communities and/or land right holders; access and affordability	Management and Corporate Governance; Company's Market Position; Diversification; Profitability; Financial Flexibility
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Customer privacy; data security; product quality and safety; customer welfare; selling practices and product labeling	Management and Corporate Governance; Sector Competitive Intensity; Company's Market Position; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction; supply chain management - labor; employee diversity and inclusion	Operating Environment; Diversification; Profitability; Financial Structure; Financial Flexibility
Employee Wellbeing	3	Employee health and safety	Diversification; Profitability; Financial Flexibility
Exposure to Social Impacts	1	Shifting social preferences; social resistance to major projects or operations that leads to delays or cost increases	Operating Environment; Sector Trend; Company's Market Position; Diversification; Profitability

S Relevance: 5, 4, 3, 2, 1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Relevance: 5, 4, 3, 2, 1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Deutsche Post AG
BBB+/Positive
EBITDA: EUR9,913m

EUR500m unsecured bonds due 2023 'BBB+', Outstanding: EUR500m
EUR700m unsecured bonds due 2024 'BBB+', Outstanding: EUR700m
EUR500m unsecured bonds due 2026 'BBB+', Outstanding: EUR500m
EUR750m unsecured bonds due 2026 'BBB+', Outstanding: EUR750m
EUR500m unsecured bonds due 2027 'BBB+', Oustanding: EUR500m
EUR750m unsecured bonds due 2028 'BBB+', Outstanding: EUR750m
EUR750m unsecured bonds due 2029 'BBB+', Outstanding: EUR750m
EUR750m unsecured bonds due 2032 'BBB+', Outstanding: EUR750m
EUR1000m unsecured convertibles due 2025, Outstanding: EUR982m
EUR530m amounts due to banks
EUR1,460m other financial liabilities
EUR2,000m unsecured RCF due 2025, none outstanding

Source: Fitch Ratings, Fitch Solutions, DP, as at end-2022

Peer Financial Summary

Company	Issuer Default Ratings	Financial statement date	EBIT (EURm)	EBITDAR (EURm)	EBITDAR margin (%)	EBITDAR net leverage (x)	EBITDAR fixed-charge coverage (x)
Deutsche Post AG	BBB+						
	BBB+	2020	4,479	8,425	12.6	2.4	3.5
	BBB+	2021	7,473	11,344	13.9	1.7	5.1
	BBB+	2022	7,878	12,191	12.9	1.8	4.8
Skill BidCo ApS	B						
		2020	20	37	3.7	5.9	2.5
		2021	73	104	5.2	3.8	4.6
		2022	152	199	6.1	1.2	5.3
Avia Solutions Group PLC	BB						
	BB	2020	-3	71	10.2	2.9	1.0
	BB	2021	87	172	17.0	2.0	2.2
	BB	2022	136	276	14.9	2.6	2.1
InPost S.A.	BB						
		2020	137	166	29.7	0.9	13.9
	BB	2021	174	234	23.6	3.9	8.7
	BB	2022	194	285	18.9	3.5	6.5

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EURm) 31 Dec 22	Notes and formula	Reported values	Sum of adjustments	CORP - lease treatment	Other adjustments	Adjusted values
Income statement summary						
Revenue		94,436				94,436
EBITDAR		12,613	-422	-316	-106	12,191
EBITDAR after associates and minorities	(a)	12,256	-422	-316	-106	11,834
Lease expense	(b)	0	2,278	2,278		2,278
EBITDA	(c)	12,613	-2,700	-2,594	-106	9,913
EBITDA after associates and minorities	(d) = (a-b)	12,256	-2,700	-2,594	-106	9,556
EBIT	(e)	8,436	-558	-452	-106	7,878
Debt and cash summary						
Other off balance sheet debt	(f)	0				0
Debt	(g)	21,818	-13,514	-13,514		8,304
Lease-equivalent debt	(h)	0	14,579	14,579		14,579
Lease-adjusted debt	(i) = (g+h)	21,818	1,065	1,065	0	22,883
Readily available cash and equivalents	(j)	1,834				1,834
Not readily available cash and equivalents		1,956				1,956
Cash flow summary						
EBITDA after associates and minorities	(d) = (a-b)	12,256	-2,700	-2,594	-106	9,556
Preferred dividends paid	(k)	0				0
Interest received	(l)	180				180
Interest paid	(m)	-634	452		452	-182
Cash tax paid		-1,782				-1,782
Other items before funds from operations (FFO)		-90	106	452	-346	16
FFO	(n)	9,930	-2,142	-2,142		7,788
Change in working capital (Fitch-defined)		215				215
Cash flow from operations (CFO)	(o)	10,145	-2,142	-2,142		8,003
Non-operating/non-recurring cash flow		0				0
Capex	(p)	-3,912				-3,912
Common dividends paid		-2,205				-2,205
FCF		4,028	-2,142	-2,142		1,886
Gross leverage (x)						
EBITDAR leverage[a]	(i/a)	1.8				1.9
FFO-adjusted leverage	(i/(n-m-l-k+b))	2.1				2.3
FFO leverage	(i-h)/(n-m-l-k)	2.1				1.1
EBITDA leverage[a]	(i-h)/d	1.8				0.9
(CFO-capex)/debt (%)	(o+p)/(i-h)	28.6				49.3
Net leverage (x)						
EBITDAR net leverage[a]	(i-j)/a	1.6				1.8
FFO-adjusted net leverage	(i-j)/(n-m-l-k+b)	1.9				2.1
FFO net leverage	(i-h-j)/(n-m-l-k)	1.9				0.8
EBITDA net leverage[a]	(i-h-j)/d	1.6				0.7
(CFO-capex)/net debt (%)	(o+p)/(i-h-j)	31.2				63.2
Coverage (x)						
EBITDAR fixed-charge coverage[a]	a/(-m+b)	19.3				4.8
EBITDA interest coverage[a]	d/(-m)	19.3				52.5
FFO fixed-charge coverage	(n-l-m-k+b)/(-m-k+b)	16.4				4.1
FFO interest coverage	(n-l-m-k)/(-m-k)	16.4				42.8

[a]EBITDA/R after dividends to associates and minorities.
Note: Debt includes other off balance sheet debt.
Source: Fitch Ratings, Fitch Solutions, Deutsche Post AG

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.