FitchRatings

Corporates
Distribution/Postal Services
Germany

Deutsche Post AG

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB+	Positive	Affirmed 27 Apr 22
Short-Term IDR	F2		Affirmed 27 Apr 22

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The revision of the Outlook on Deutsche Post AG's (DP) Long-Term Issuer Default Rating (IDR) to Positive from Stable in April 2022 follows DP's stronger-than-expected 2021 performance, which was driven by structural improvements in the main business segments. We expect the strong performance to be maintained over the rating horizon to 2024.

Assuming DP will perform as we expect, we may upgrade the rating to 'A-' from 'BBB+' if the company's financial policy supports leverage and coverage metrics as well as free cash flow (FCF) generation commensurate with the higher rating for the foreseeable future.

Key Rating Drivers

Strong Performance: DP had record results in 2021, with reported EBIT up 65% yoy at EUR8 billion and all five business segments posting stronger profitability. The results were driven by a significant increase in global trade and continued strong e-commerce, with ongoing structural changes accelerated by the Covid-19 pandemic. 1Q22 results were also solid with a 13% growth yoy in reported EBIT.

Express Segment Most Profitable: The express segment, DP's largest business unit by EBIT, continued to grow in 2021, fuelled by rising time-definite international (TDI) express shipments and an increase in average weight per shipment. Express has the highest EBIT margin among DP's segments at 17.4% in 2021 (up from 14.4% in 2020) compared with DP's total reported EBIT margin of 9.8% (up from 7.3% in 2020).

Solid Post & Parcel Profits: The segment comprising German parcel and mail incumbent operations increased its reported EBIT by 10% in 2021, while its EBIT margin of 10% was close to 2020's level. The growing parcel business continues to mitigate the impact of structurally declining conventional mail.

GFF Benefits from Stronger Environment: A tight supply-demand balance for ocean and air freight services driven by a recovery in global trade in 2021 and rigid supply led to high freight rates, particularly for ocean freight, and improved margins in DP's global forwarding, freight (GFF) division. The segment more than doubled its reported EBIT in 2021. However, we do not expect the record rates to be maintained in our rating case.

Hillebrand Strengthens Market Position: In March 2022, DP completed its acquisition of a 100% stake in ocean freight forwarding company J. F. Hillebrand Group AG at an equity value of EUR1.5 billion. This bolt-on acquisition has strengthened DP's position in the logistics of beverages, beer, wine and spirits, and non-alcoholic beverages and other bulk liquids.

Solid Results Expected to Continue: We expect DP's operating and financial results in 2022-2024 to remain solid as the company is well-positioned to benefit from growth in global trade and e-commerce, which is likely to continue, albeit at a slower rate than in 2021.We expect the world and the eurozone's growth to remain supportive, despite cuts to our global economic growth forecasts driven by intensified inflation pressures, higher energy prices and a faster pace of interest-rate hikes.

Exogenous Risks: We do not expect DP's results to be substantially directly affected by Russia's invasion of Ukraine as the company's revenue in Ukraine, Russia and Belarus is less than 1% of total revenue. DP addresses inflation risk, including fuel price risk, through yield and contract management with fuel surcharges, although EBIT margin hit is possible should fuel prices hit record levels.

Applicable Criteria

Corporate Rating Criteria (October 2021)
Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)
Corporate Hybrids Treatment and Notching Criteria (November 2020)

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Increased Capex and Shareholder Distributions: Strong operating cash flow in 2021 has allowed DP to increase capex and shareholder returns and to still report improved credit metrics, which we expect to continue. A record gross capex of EUR3.9 billion in 2021 was mainly allocated to the express division's aircraft fleet modernisation and expansion of the domestic and international parcel infrastructure.

With expected strong cash flow in 2022-2024, DP plans to maintain a high level of capex in this period, totalling EUR12 billion. Part of the excess cash flow will be used for increased shareholder returns in the form of increased dividends (EUR2.2 billion paid in 2022, up from EUR1.7 billion in 2021) and an up to EUR2 billion share buy-back programme for 2022-2024, which remains discretionary.

Solid Credit Metrics: Funds from operations (FFO) adjusted net leverage (excluding IFRS 16 impact, and based on lease capitalisation) improved to 2x in 2021 from 2.5x in 2020. We forecast this ratio to average 2.2x in 2022-2024, which is within our positive sensitivity. FFO fixed-charge coverage also improved to 4.5x in 2021 from 3.2x in 2020, and we project it to remain within positive sensitivity of above 3.5x by 2024. We expect positive Fitch-calculated FCF and a solid EBIT margin, further supporting the Positive Outlook.

Updated Finance Strategy: DP's financial policy is driven by a publicly stated target of maintaining a standalone rating of between 'BBB+' and 'A-', which was updated in January 2022 from the previous target of 'BBB+' rating. DP has clear priorities regarding the use of available liquidity. It will first be allocated to fund business operations, finance organic investments and regular dividend payments of between 40% and 60% of net profit. Thereafter, additional dividend payments or share buybacks as well as inorganic growth may be considered. Further confidence in the updated policy may support an upgrade.

Balanced Business Profile: The ratings reflect DP's global scale, geographic and operational diversity, 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 ecommerce, and its contracted supply chain operations as well as the highly cyclical GFF segment and structural decline in conventional mail.

Financial Summary

Deutsche Post AG

(EURm)	Dec 20	Dec 21	Dec 22F	Dec 23F
Gross revenue	66,716	81,747	85,666	87,946
Operating EBIT margin (%)	6.7	9.1	8.6	8.4
Operating EBITDAR margin (%)	12.6	13.9	13.3	13.2
FFO fixed charge coverage (x)	3.2	4.5	4.2	3.9
FFO adjusted net leverage (x)	2.5	2.0	2.1	2.3

F – Forecast
Source: Fitch Ratings, Fitch Solutions

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. and government-related operators La Poste (A+/Stable, Standalone Credit Profile (SCP) of bbb+) and Poste Italiane SpA.

La Poste's Long-Term IDR is two notches below the French state (AA/Negative), according to Fitch's top-down rating approach. If the sovereign IDR is downgraded, the SCP would be four notches away from the sovereign's and La Poste would be rated based on a top-down minus-one-notch approach instead of the current top-down minus-two-notch approach. This will leave La Poste's IDRs unchanged, which drives the Stable Outlook.

Compared with DP, Poland-based InPost S.A. (BB/Stable) has significantly smaller scale, a weak international presence and lack of service offering diversification, resulting in a substantially lower debt capacity.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Competitive Intensity	Sector Trend	Company's Market Position	Diversification	Profitability	Financial Structure	Financial Flexibility
Avia Solutions Group PLC	BB./Sta	bbb	bb	bb	bb+	bbb-	bbb	b+	bb+	bb
Deutsche Post AG	BBB+/Pos	aa	a-	bbb+	bbb	a-	a	bb-	a-	bbb+
InPost S.A.	BB/Sta	bbb+	bbb	bbb	bbb+	bbb	bb-	bbb+	bb+	bb+
National Express Group Plc	BBB/Sta	aa-	a-	bbb+	bbb	bbb	bbb+	bbb-	bb+	bbb
SGLT Holding I LP	B/Sta	a+	b+	b-	bbb-	b-	bbb-	b-	b-	b

Source: Fitch Ratings.

Importance: Higher | Moderate | Lower

Rating Sensitivities

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

- FFO adjusted net leverage below 2.5x and total adjusted net debt/EBITDAR below 2.3x on a sustained basis
- FFO fixed-charge coverage above 3.5x and EBITDAR/(interest paid plus rents) above 4x on a sustained basis
- Positive Fitch-calculated FCF and Fitch-calculated EBIT margin above 7.5%

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

- Fitch does not anticipate a downgrade given the Positive Outlook on DP's IDR
- Failure to maintain FFO adjusted net leverage below 2.5x, total adjusted net debt/EBITDAR below 2.3x and FFO fixed charge coverage above 3.5x and EBITDAR/(interest paid plus rents) above 4x would lead to a revision of Outlook to Stable
- FFO adjusted net leverage above 3.5x and total adjusted net debt/EBITDAR above 3.3x on a sustained basis, together with significant deterioration in business fundamentals due to a protracted economic downturn or structural changes leading to significant volume and margin reduction and consistently negative FCF would lead to a downgrade

Liquidity and Debt Structure

Solid Liquidity: DP has maintained solid liquidity. At end-2021, it had EUR1.6 billion of unrestricted cash and cash equivalents. This was complemented by a EUR2 billion committed and undrawn syndicated credit line (with 2025 maturity) and EUR3.1 billion of current financial assets, the majority of which are short-term investments. At end-2021, DP had short-term debt of EUR1.3 billion, excluding lease liabilities of EUR2 billion. Its debt maturities in the following three years are evenly balanced. We forecast DP to be FCF positive in 2022-2024.

In March 2022, the company closed the Hillebrand acquisition using about EUR1.5 billion from its own funds. Liquidity remained solid at end-March 2022.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities Scenario with No Refinancing

Deutsche Post AG – Liquidity Analysis

(EURm)	2022F	2023F
Available liquidity		
Beginning cash balance	1,626	691
Rating case FCF after acquisitions and divestitures	-862	202
Other cash inflows post-FCF or not modeled into base case FCF (mainly sale of short-term investments in 2022)	1,913	-215
Share buy-backs	-667	-667
Total available liquidity (A)	**2,010**	**12**
Liquidity uses		
Debt maturities[a]	-1,319	-995
Total liquidity uses (B)	**-1,319**	**-995**
Liquidity calculation		
Ending cash balance (A+B)	691	-983
Revolver availability	2,000	2,000
Ending liquidity	**2,691**	**1,017**
Liquidity score (x)	**2.1**	**2.9**

Source: Fitch Ratings, Fitch Solutions, Deutsche Post AG

Scheduled debt maturities[a]	**Original**
Statement date	**31 December 2021**
2022	1,319
2023	995
2024	699
2025	974
2026	1,244
Thereafter	2,861
Total	**8,092**

[a] Debt maturities excluding leases
Source: Fitch Ratings, Fitch Solutions, Deutsche Post AG

Key Assumptions

Fitch's Key Assumptions Within our Rating Case for the Issuer:

- Post & parcel division to see steady decline in mail volumes and growth for parcel over 2022-2024
- Express segment's volumes to increase in 2022-2024, albeit at a slower rate than in 2021
- GFF division to see EBIT growth in 2022, fuelled by the Hillebrand acquisition, before a decline in 2023-2024 due to market normalisation
- Stable growth in the supply chain segment
- 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 EUR4.2 billion in 2022 and about EUR3.9 billion a year in 2023-2024
- Dividend pay-out ratio at 40%-60%, in line with the company's guidance
- Share buyback programme in line with company's guidance at about EUR2 billion in total across 2022-2024

Financial Data

Deutsche Post AG

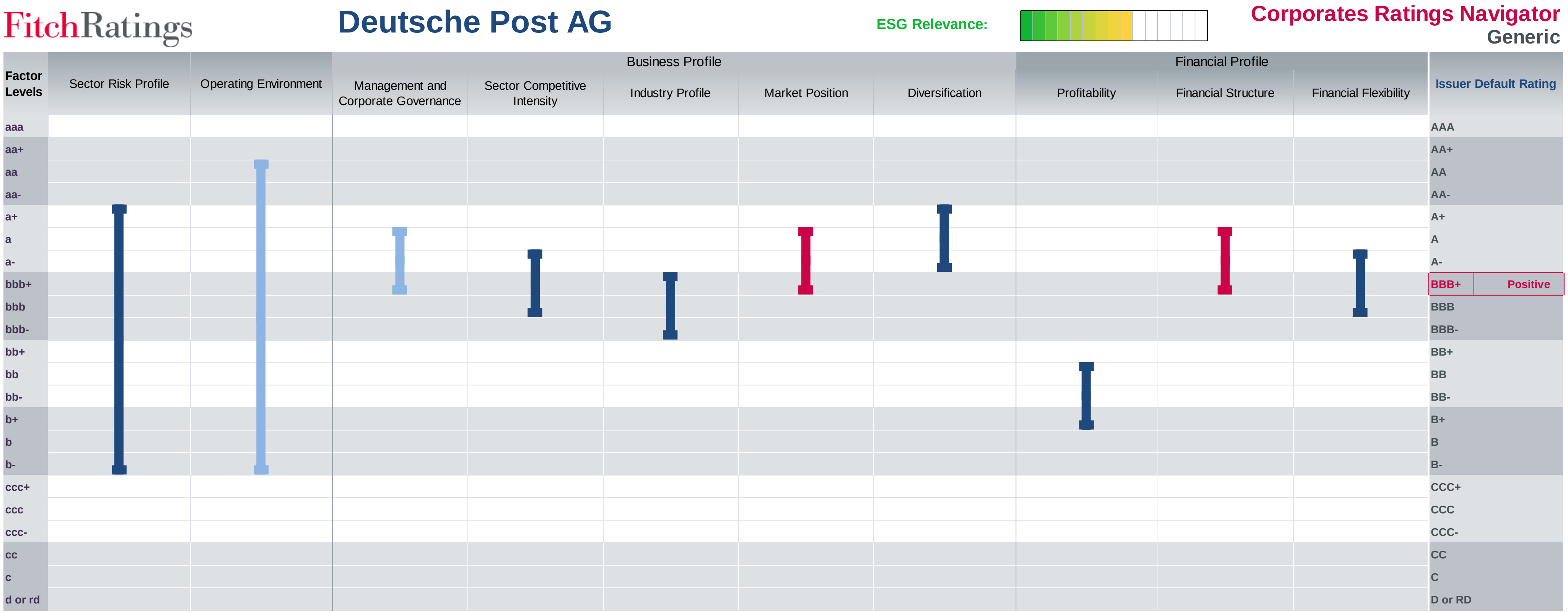
	Historical			Forecast		
(EURm)	Dec 19	Dec 20	Dec 21	Dec 22F	Dec 23F	Dec 24F
Summary income statement						
Gross revenue	63,341	66,716	81,747	85,666	87,946	91,857
Revenue growth (%)	2.9	5.3	22.5	4.8	2.7	4.4
Operating EBITDA (before income from associates)	4,848	6,226	9,322	9,257	9,374	9,701
Operating EBITDA margin (%)	7.7	9.3	11.4	10.8	10.7	10.6
Operating EBITDAR	7,031	8,425	11,344	11,356	11,583	12,022
Operating EBITDAR margin (%)	11.1	12.6	13.9	13.3	13.2	13.1
Operating EBIT	3,204	4,479	7,473	7,336	7,345	7,561
Operating EBIT margin (%)	5.1	6.7	9.1	8.6	8.4	8.2
Gross interest expense	-225	-210	-210	-147	-133	-138
PRETAX income (including associate income/loss)	3,474	4,171	7,359	7,239	7,259	7,468
Summary balance sheet						
Readily available cash and equivalents	1,808	3,234	1,626	1,893	1,309	1,134
Total debt with equity credit	6,673	8,639	8,092	7,975	8,070	8,371
Total adjusted debt with equity credit	20,644	22,713	21,033	21,413	22,208	23,226
Net debt with equity credit	4,865	5,405	6,466	6,082	6,761	7,237
Summary cash flow statement						
Operating EBITDA	4,848	6,226	9,322	9,257	9,374	9,701
Cash interest paid	-192	-162	-167	-147	-133	-138
Cash tax	-843	-754	-1,323	-1,523	-2,109	-2,165
Dividends received less dividends paid to minorities (inflow/(out)flow)	-147	-155	-221	-200	-200	-200
Other items before FFO	-419	152	118	-234	-214	-200
Funds flow from operations	3,329	5,374	7,820	7,203	6,765	7,043
FFO margin (%)	5.3	8.1	9.6	8.4	7.7	7.7
Change in working capital	4	-404	-430	76	-86	-122
Cash flow from operations (fitch defined)	3,333	4,970	7,390	7,279	6,679	6,921
Total non-operating/nonrecurring cash flow	0	0	0			
Capex	-3,612	-2,922	-3,736			
Capital intensity (capex/revenue) (%)	5.7	4.4	4.6			
Common dividends	-1,419	-1,422	-1,673			
Free cash flow	-1,698	626	1,981			
Net acquisitions and divestitures	863	148	329			
Other investing and financing cash flow items	428	-1,386	-1,966	1,913	-215	-265
Net debt proceeds	175	2,083	-837	-117	95	301
Net equity proceeds	0	-45	-1,115	-667	-667	-667
Total change in cash	-232	1,426	-1,608	267	-584	-175
Leverage ratios						
Total net debt with equity credit/operating EBITDA (x)	1.0	0.9	0.7	0.7	0.7	0.8
Total adjusted debt/operating EBITDAR (x)	3.0	2.7	1.9	1.9	2.0	2.0
Total adjusted net debt/operating EBITDAR (x)	2.7	2.4	1.7	1.8	1.8	1.9
Total debt with equity credit/operating EBITDA (x)	1.4	1.4	0.9	0.9	0.9	0.9
FFO adjusted leverage (x)	3.7	3.0	2.1	2.3	2.5	2.5
FFO adjusted net leverage (x)	3.4	2.5	2.0	2.1	2.3	2.3
FFO leverage (x)	1.9	1.6	1.0	1.1	1.2	1.2
FFO net leverage (x)	1.4	1.0	0.8	0.8	1.0	1.0
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-4,168	-4,196	-5,080	-8,141	-6,477	-6,465
Free cash flow after acquisitions and divestitures	-835	774	2,310	-862	202	456
Free cash flow margin (after net acquisitions) (%)	-1.3	1.2	2.8	-1.0	0.2	0.5
Coverage ratios						
FFO interest coverage (x)	17.9	33.8	47.3	49.8	51.6	51.6
FFO fixed-charge coverage (x)	2.4	3.2	4.5	4.2	3.9	3.8
Operating EBITDAR/interest paid + rents (x)	2.9	3.5	5.1	5.0	4.9	4.8
Operating EBITDA/interest paid (x)	24.5	37.5	54.5	61.8	69.1	68.8
Additional metrics						
CFO-capex/total debt with equity credit (%)	-4.2	23.7	45.2	38.6	34.4	36.1
CFO-capex/total net debt with equity credit (%)	-5.7	37.9	56.5	50.6	41.1	41.7

Source: Fitch Ratings, Fitch Solutions.

How to Interpret the Forecast Presented

The forecast presented 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 Colours = 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+	FFO Margin	b	7%
bb	EBIT Margin	b	7%
bb-	FCF Margin	bb	1%
b+	Volatility of Profitability	a	Lower volatility of profits than industry average.
b	EBITDA Margin or EBITDAR Margin	b	15% or 15%

Financial Structure

a+	FFO Leverage or FFO Adjusted Leverage	a	2.5x or 2.5x
a	FFO Net Leverage or FFO Adjusted Net Leverage	a	2.0x or 2.0x
a-	(CFO-Capex)/Total Net Debt With Equity Credit (%)	aa	>25%
bbb+	Total Debt With Equity Credit/Op. EBITDA or Total Adjusted Debt/Op.	a	2.0x or 2.0x
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 in the next 12 months even under a severe stress scenario. Well-spread debt maturity schedule. Diversified sources of funding.
bbb+	FFO Interest Coverage or FFO Fixed Charge Cover	bbb	4x or 4x
bbb	FX Exposure	bbb	Some exposure of profitability to FX movements and/or debt/cash-flow match. Effective hedging in place.
bbb-	Op. EBITDA/Interest Paid or Op. EBITDAR/(Interest Paid+Rents)	bbb	7x or 4.5x

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.

Credit-Relevant ESG Derivation

Deutsche Post AG has 12 ESG potential rating drivers

- GHG emissions; air quality
- Energy management
- Waste and hazardous materials management; ecological impacts; product design & lifecycle management; supply chain management - product
- 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
- Customer privacy; data security; product quality and safety; customer welfare; selling practices and product labeling

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	0	issues	2
	2	issues	1

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

FitchRatings

Deutsche Post AG

Corporates Ratings Navigator
Generic

Credit-Relevant ESG Derivation

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

			Overall ESG Scale
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)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	GHG emissions; air quality	Diversification; Profitability; Financial Structure; Financial Flexibility	5
Energy Management	3	Energy management	Diversification; Profitability; Financial Structure; Financial Flexibility	4
Water & Wastewater Management	1	Water and wastewater management	Diversification; Profitability; Financial Structure; Financial Flexibility	3
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	2
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	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
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	5
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	4
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	3
Employee Wellbeing	3	Employee health and safety	Diversification; Profitability; Financial Flexibility	2
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	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

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) and the Sustainability Accounting Standards Board (SASB).

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
Operating EBITDA in 2021 - EUR9,322m

EUR500m Unsecured Bonds due 2023 BBB+
EUR700m Unsecured Bonds due 2024 BBB+
EUR500m Unsecured Bonds due 2026 BBB+
EUR750m Unsecured Bonds due 2026 BBB+
EUR500m Unsecured Bonds due 2027 BBB+
EUR750m Unsecured Bonds due 2028 BBB+
EUR750m Unsecured Bonds due 2029 BBB+
EUR750m Unsecured Bonds due 2032 BBB+
EUR1,000m Unsecured Convertibles due 2025 BBB+
EUR544m Amounts due to Banks NR
EUR866m Other Financial Liabilities NR
EUR2,000m Unsecured Revolver due 2025 NR Outstanding: EUR0m

Deutsche Post Finance BV

EUR500m Unsecured Bonds due 2022 BBB+

Source: Fitch Ratings, Fitch Solutions, Deutsche Post AG, debt data as at-end 2021

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	Operating EBITDAR margin (%)	Operating EBIT margin (%)	FFO fixed-charge coverage (x)	FFO adjusted net leverage (x)
Deutsche Post AG	BBB+						
	BBB+	2021	81,747	13.9	9.1	4.5	2.0
	BBB+	2020	66,716	12.6	6.7	3.2	2.5
	BBB+	2019	63,341	11.1	5.1	2.4	3.4
SGLT Holding I LP	B						
	B-	2019	960	4.9	2.2	0.7	10.2
		2018	810	4.7	2.1	1.1	8.2
		2017	722	3.8	1.1	1.1	10.2
National Express Group Plc	BBB						
	BBB	2020	2,201	-5.1	-20.7	0.2	61.1
	BBB	2019	3,127	17.9	7.9	3.3	3.1
	BBB-	2018	2,770	17.4	8.1	4.3	3.5
Avia Solutions Group PLC	BB						
	BB	2020	696	10.2	-0.5	1.1	2.7
	BB	2019	607	10.3	3.8	1.8	4.3
		2018	1,223	10.5	7.4	4.0	1.5
InPost S.A.	BB						
	BB	2021	1,004	23.6	17.6	7.2	4.7
		2020	567	29.7	24.4	12.6	0.9
		2019	287	18.2	9.9	6.6	2.5

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EURm)	Notes and Formulas	Reported Values	Sum of Adjustments	Lease Treatment	Other Adjustments	Adjusted Values
31 December 2021						
Income Statement Summary						
Revenue		81,747				81,747
Operating EBITDAR		11,746	-402	-280	-122	11,344
Operating EBITDAR After Associates and Minorities	(a)	11,525	-402	-280	-122	11,123
Operating Lease Expense	(b)	0	2,022	2,022		2,022
Operating EBITDA	(c)	11,746	-2,424	-2,302	-122	9,322
Operating EBITDA After Associates and Minorities	(d) = (a-b)	11,525	-2,424	-2,302	-122	9,101
Operating EBIT	(e)	7,978	-505	-383	-122	7,473
Debt and Cash Summary						
Total Debt with Equity Credit	(f)	19,897	-11,805	-11,805		8,092
Lease-Equivalent Debt	(g)	0	12,941	12,941		12,941
Other Off-Balance-Sheet Debt	(h)	0				0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	19,897	1,136	1,136	0	21,033
Readily Available Cash and Equivalents	(j)	1,626				1,626
Not Readily Available Cash and Equivalents		1,905				1,905
Cash Flow Summary						
Operating EBITDA After Associates and Minorities	(d) = (a-b)	11,525	-2,424	-2,302	-122	9,101
Preferred Dividends (Paid)	(k)	0				0
Interest Received	(l)	91				91
Interest (Paid)	(m)	-550	383	383		-167
Cash Tax (Paid)		-1,323				-1,323
Other Items Before FFO		-4	122		122	118
Funds from Operations (FFO)	(n)	9,739	-1,919	-1,919		7,820
Change in Working Capital (Fitch-Defined)		-430				-430
Cash Flow from Operations (CFO)	(o)	9,309	-1,919	-1,919		7,390
Non-Operating/Nonrecurring Cash Flow		0				0
Capital (Expenditures)	(p)	-3,736				-3,736
Common Dividends (Paid)		-1,673				-1,673
Free Cash Flow (FCF)		3,900	-1,919	-1,919		1,981
Gross Leverage (x)						
Total Adjusted Debt/Operating EBITDAR*	(i/a)	1.7				1.9
FFO Adjusted Leverage	(i/(n-m-l-k+b))	2.0				2.1
FFO Leverage	(i-g)/(n-m-l-k)	2.0				1.0
Total Debt with Equity Credit/Operating EBITDA*	(i-g)/d	1.7				0.9
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	28.0%				45.2%
Net Leverage (x)						
Total Adjusted Net Debt/Operating EBITDAR*	(i-j)/a	1.6				1.7
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	1.8				2.0
FFO Net Leverage	(i-g-j)/(n-m-l-k)	1.8				0.8
Total Net Debt with Equity Credit/Operating EBITDA*	(i-g-j)/d	1.6				0.7
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	30.5%				56.5%
Coverage (x)						
Operating EBITDAR/(Interest Paid + Lease Expense)*	a/(-m+b)	21.0				5.1
Operating EBITDA/Interest Paid*	d/(-m)	21.0				54.5
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	18.5				4.5
FFO Interest Coverage	(n-l-m-k)/(-m-k)	18.5				47.3

*EBITDA/R after dividends to associates and minorities

Source: Fitch Ratings, Fitch Solutions, Deutsche Post AG

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