Creditreform Corporate Issuer / Issue Rating

Deutsche Post AG

Creditreform Rating

Rating object	Rating information	
Deutsche Post AG	Corporate Issuer Rating: A / stable	Type: Update, Unsolicited, Public rating
Creditreform ID: 5030147191	LT LC Senior Unsecured Issues: A / stable	Short-term rating: L2
Incorporation: 1995	Rating date: 24 August 2023	
Based in: Bonn, Germany	Monitoring until: withdrawal of the rating	
Main (Industry): Postal Services, Freight & Logistics	Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Corporate Short-Term Ratings" CRA "Government Related Companies" CRA "Rating Criteria and Definitions"	
CEO: Dr. Tobias Meyer	Rating history: www.creditreform-rating.de	
Rating objects: Long- and short-term Corporate Issuer Rating: Deutsche Post AG Long-term Local Currency (LT LC) Senior Unsecured Issues		

Content

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Summary

Company

Deutsche Post AG - hereinafter referred to as DEUTSCHE POST - and its subsidiaries are the world's leading mail and logistics group, offering a comprehensive range of services under the Deutsche Post and DHL brands. The service portfolio comprises the areas of mail and parcel delivery, express delivery, freight transport, supply chain management and e-commerce solutions. The company is increasingly specializing in digitalization and is currently benefiting from the outsourcing and e-commerce trends. With around 540,000 employees, DEUTSCHE POST is represented almost worldwide.

With revenue of EUR 94.4 billion (previous year: EUR 81.7 billion), the Group generated net income of EUR 5.7 billion in 2022, exceeding the previous year's figure of EUR 5.4 billion. All segments contributed to the revenue growth, with the exception of Post & Parcel Germany. DEUTSCHE POST increased its EBIT to EUR 8.4 billion (previous year: EUR 7.9 billion), with the EBIT margin falling from 9.8% in the previous year to 8.9% due to higher expenses.

Rating result

DEUTSCHE POST's unsolicited corporate issuer rating is upgraded from A- to A. This means that the company has a high level of creditworthiness and a low risk of default. The upgrade is mainly due to the improved results of our financial ratio analysis in recent years, in particular the increased analytical equity ratio, as a result of the good performance of the Company. With the current decline in business, even in an adverse scenario, we expect our financial results to deteriorate slightly, but to remain at the higher levels achieved in recent years. We therefore believe that the Group is well positioned in this challenging market environment.

Furthermore, the rating is supported by the geographically and performance-related diversified business model. The positive assessment is also based on the assumption that DEUTSCHE POST will be able to maintain its strong position as the world's leading logistics service provider in the highly competitive industry in the coming years. In addition, the 20.5% shareholding of the Kreditanstalt für Wiederaufbau (KfW) and a certain systemic relevance lead to the classification as a moderately government-related company, which also has a stabilizing influence on the result.

Outlook

The one-year outlook for DEUTSCHE POST's rating is stable. Although business is currently declining, we expect the company to limit the impact on earnings by taking appropriate countermeasures, i.e. capacity adjustments, cost reductions and working capital management.

Reference:

The relevant rating factors (key drivers) mentioned in this section are predominantly based on internal analyses, evaluations from the rating process, the derived valuations of the analysts participating in the rating and, if applicable, other rating committee members. The fundamental external sources used are specified in the sections “Regulatory requirements” and “Rules on the presentation of credit ratings and rating outlooks”.

Excerpts from the financial key figures analysis 2022:

+ Sales growth
+ Improved equity ratio
+ Net total debt / EBITDA adj.
+ Return on investment

- Equity ratio still improvable
- Ratio of interest expenses to total Debt increased
- Decreased EBIT margin
- Asset coverage ratio

General rating factors summarize the key issues which – according to the analysts as of the date of the rating – have a significant or long-term impact on the rating, whether positive (+) or negative (-).

Relevant rating factors

Table 1: Financials I Source: Deutsche Post AG Annual Report 2022, standardized by CRA

Deutsche Post AG Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IFRS, consolidated)	CRA standardized figures[1]	
	2021	2022
Sales (million EUR)	81,747	94,436
EBITDA (million EUR)	11,650	12,547
EBIT (million EUR)	7,882	8,370
EAT (million EUR)	5,423	5,717
EAT after transfer (million EUR)	5,053	5,359
Total assets (million EUR)	55,759	60,157
Equity ratio (%)	21.2%	26.5%
Capital lock-up period (days)	42.7	38.4
Short-term capital lock-up (%)	11.8%	11.3%
Net total debt / EBITDA adj. (Factor)	3.7	3.5
Ratio of interest expenses to total debt (%)	1.6%	1.9%
Return on investment (%)	10.7%	10.2%

General rating factors

+ Established global market position and market leadership in the logistics industry
+ Brand strength (“DHL” and “Deutsche Post”); high-growth business areas
+ Diversified and systemically relevant business model with partial natural monopoly in Germany
+ Classification as moderately government-related (unsolicited Sovereign Rating of the Federal Republic of Germany AAA / stable)
+ Trend alignment: globalization, digitalization, sustainability and e-commerce
+ Good capital market access and balanced financial model risk profile

– Cyclicality and partly volatile business
– High and further increasing intensity of competition
– Digitalization-driven change in mail traffic
– Regulated postal service
– Exchange rate risks and country risks / (geo-)political risks,
– Innovation pressure

[1] For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt considers all balance sheet liabilities. Therefore, the key financial figures shown often deviate from the original values of the company.

Current rating factors are the key factors which, in addition to the underlying rating factors, have an impact on the current rating.

Current rating factors

- \+ Results of financial key ratio analysis for the business year 2022
- \+ Crisis resilience through diversification
- \+ Counter-measures to lower sales
- \+ Good liquidity situation

- – Decrease in demand
- – Highly uncertain macroeconomic environment
- – Declining EBIT margin
- – German Federal Network Agency's decision not to approve postage increase before 2025

Prospective rating factors are factors and possible events which – according to the analysts as of the date of the rating – would most likely have a stabilizing or positive effect (+), or a weakening or negative effect (-) on future ratings if they occurred. This is not an exhaustive list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors, whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

Prospective rating factors

- \+ Assertion of global market leadership
- \+ Increase in demand in mail order and express business
- \+ Investments in digitalization will support future earnings performance
- \+ Global economic recovery
- \+ Further improvements in the results of our financial ratio analysis

- – Regulatory changes and geopolitical risks
- – Further decline in demand for mail services and increasing competitive pressure

ESG factors are factors related to environment, social issues and governance. For more information, please see the section "Regulatory requirements". CRA generally takes ESG relevant factors into account when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

ESG-factors

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of Deutsche Post AG we have not identified any ESG factors with significant influence.

In the future, however, CO_2e emissions could become an environmental factor relevant to the company's rating. DEUTSCHE POST offers a wide range of postal and logistics services. The transportation sector is one of the largest contributors to global CO_2e emissions. The company plans to become CO_2 neutral by 2050, which would mitigate the risk of CO_2 prices in the long term. Until then, there could be risks related to higher emissions prices, especially if the company would not be able to pass on the higher costs to customers, which would hurt margins. There are many uncertainties in this area, such as the future economic viability of switching to low- or zero-emission vehicles, ships and aircraft, and the reduction targets set by policymakers. We see DEUTSCHE POST as committed to working continuously on its reduction targets, i.e. with its order for twelve electric aircraft to be delivered in 2027, so we see this factor as neutral at the moment.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: A

For our best-case scenario for one year, we assume a rating of A. For an upgrade, the results of our financial ratio analysis, in particular the analytical equity ratio and net total debt / EBITDA, should improve significantly. In this business environment, we see this as less likely in the short term.

Worst-case scenario: A-

In our worst-case scenario for one year, we assume a rating of A-. A downgrade would be possible if the current deterioration in business performance were to continue to a greater extent than currently expected.

Business development and outlook

After a record year in 2021, DEUTSCHE POST was able to increase its revenue again in 2022 by 15.5% (previous year: +22.5%) to EUR 94,436 million. Revenue increased in all segments except Post & Parcel Germany and Group Functions. At Post & Parcel (P&P) Germany, revenue declined due to the Bundestag elections in the previous year and the associated mail volume of postal votes.

The cost of materials and services increased even more (+21.8% yoy) due to rising transportation costs, kerosene prices and currency effects, resulting in a gross profit of EUR 41,474 million (+8.6% yoy). Mainly due to higher headcount, personnel expenses increased by 9.0% to EUR 26,035 million, while both other operating income and other operating expenses increased, mainly due to currency translation effects. Travel, hospitality and training expenses were also higher. Depreciation and amortization increased by EUR 349 million to EUR 5,241 million due to a higher asset base. The financial result improved due to lower effects from the fair value measurement of stock appreciation rights (SARs). As a result, net income increased as shown in the table below:

Table 2: The development of business of Deutsche Post AG I Source: Annual Report 2022

Deutsche Post AG				
In million EUR	2021	2022	Δ	Δ %
Sales	81,747	94,436	12,689	15.5%
EBITDA	11,650	12,547	897	7.7%
EBIT	7,882	8,370	488	6.2%
EBT	7.359	7.911	552	7.5%
EAT	5,423	5,717	294	5.4%

External sales in the **Express** segment increased by 13.8% to EUR 26,986 million in 2022. Excluding currency effects and fuel surcharges, which were higher in all regions in 2022, revenue increased by 2.3%. B2C express shipments declined year-on-year due to the lifting of pandemic-related restrictions as well as economic instabilities. In B2B, the macroeconomic impact of the Russia-Ukraine war was felt. The EBIT margin decreased from 17.4% in the previous year to 14.6%.

In a volatile market environment, the **Global Forwarding, Freight** segment recorded internal and external sales of EUR 28,770 million in 2022 (+33.5% yoy). The favorable environment that persisted at the beginning of the year deteriorated during the year due to the war, pandemic-related lockdowns in Asia and high inflation. Market volumes declined accordingly while air and ocean freight capacities recovered, leading to price declines in the second half of the year.

Due to lower demand and a shift to ocean freight, air freight volumes decreased by -9.3%. However, sales increased by 18.7% and gross profit by 48.5%. Sea freight volume increased by 4.8%, excluding the acquisition of the sea freight specialist J.F. Hillebrand, it decreased by -7.4%. This was mainly due to lower volumes on trade routes from China. Sales increased by 61.4% and gross profit improved by 54.5%. DEUTSCHE POST benefited from the unusual high freight rates in 2022.

In European road freight, the economic downturn became apparent in Q3 2022 in particular due to declines in demand and volumes. Nevertheless, capacity remained limited due to the ongoing driver shortage. Costs increased significantly due to the impact of the pandemic and higher diesel prices. The EBIT margin of the Global Forwarding, Freight segment improved from 5.7% to 7.6% in 2022.

Despite high inflation and regional pandemic-related constraints, in connection with the pandemic, shortages of skilled workers and, in some cases, materials, as well as geopolitical conflicts that have led to global supply bottlenecks and increased process complexity, the **Supply Chain** segment increased its external sales to EUR 16,333 million in 2022 (+18.7%). Sales increased as a result of contract extensions and new business in all regions and sectors, but particularly in the consumer and automotive segments. In this segment, sales growth of 19.4% yoy was also achieved in the fourth quarter. The EBIT margin rose from 5.1% in 2021 to 5.4% as a result of productivity increases due to investments in digitalization and standardization.

The **E-Commerce Solutions** segment increased its external revenue by 3.7% to EUR 6,004 million in 2022. Excluding the positive currency effects, revenues decreased by -1.0%. The Russia-Ukraine war and the sharp rise in the cost of living led to a slight decline in parcel volumes. In the fourth quarter, revenue increased by 1.9% yoy. The EBIT margin improved from 5.1% to 5.4%.

At **Post & Parcel Germany**, internal and external sales declined by -3.5% to EUR 16,309 million. The structural change in volumes in the document-carrying mail area continued; the previous year was also characterized by the high number of election mailings, while goods-carrying mailings grew, in some cases substantially. Overall, volumes decreased by -1.3%. In the German parcel market, the gradual abolition of pandemic-related restrictions on stationary trade, the Russian war of aggression on Ukraine, and the sharp rise in inflation led to declining parcel volumes. Volumes at Parcel Germany fell by -8.3%.

Table 3: The development of business segments in 2022 I Source: Annual Report 2022

Development by business segments in 2022						
in million EUR	Express	Global Forwarding Freight	Supply Chain	eCommerce	P&P Germany	Total
External sales	26,986	28,770	16,333	6,004	16,309	94,436
Sales share	28.6%	30.5%	17.3%	6.4%	17.3%	100.0%
EBIT	4,025	2,311	893	389	1,271	8,889
EBIT Margin	14.6%	7.6%	5.4%	6.3%	7.6%	9,4%

Due to the economic environment and the normalization of the freight markets, revenue decreased by -12.0% to EUR 41,012 million in the first half of 2023. The decline in the Global Forwarding, Freight segment was particularly pronounced at -34.5%. The cost of materials decreased by 20.2% to EUR 20,935 million, mainly due to of lower transportation costs, especially in the Global Forwarding, Freight segment. Furthermore, personnel expenses increased due to wage and salary increases and a higher headcount. Depreciation and amortization increased due to investments, and other operating expenses rose slightly, in particular due to travel and entertainment expenses. As a result, EBIT fell by -25,7% yoy to EUR 3.331 million. The financial result decreased by EUR -176 million to EUR -445 million, in particular due to higher charges from the valuation of stock appreciation rights (SARs). EBT decreased by -31.5% yoy to EUR 2.886 million in the first half of 2023.

Table 4: The development of business of Deutsche Post AG I Source: Half Year Report 2023

Deutsche Post AG				
In million EUR	**H1 2022 adjusted**	**H 12023**	**Δ**	**Δ %**
Sales	46,622	41,012	-5,610	-12.0%
EBITDA	6,513	5,486	-1,027	-15.8%
EBIT	4,485	3,331	-1,154	-25.7%
EBT	4,216	2,886	-1,330	-31.5%
EAT	2,993	2,020	-973	-32.5%

Despite the -32.5% yoy decrease in EAT in H1 2023, working capital management enabled cash flow from operating activities to be kept at almost the same level of EUR 4,244 million (H1 2022: EUR 4,410 million). Cash and cash equivalents amounted to EUR 3,286 million (H1 2022: EUR 3,493 million). In addition, the Group had a syndicated credit line of EUR 2.0 bn and unused bilateral credit lines of EUR 1.6 billion at its disposal as of the reporting date, meaning that the liquidity situation remains good.

Table 5: H1 Sales by business areas I Source: Deutsche Post AG Half Year Report 2023, own depiction

H1 sales by business areas				
Mio. EUR	**H1 2022**	**H1 2023**	**Δ**	**Δ %**
Express	13,084	12,126	-958	-7.3%
Global Forwarding, Freight	14,814	9,701	-5,113	-34.5%
Supply Chain	7,849	8,273	424	5.4%
eCommerce	2,888	2,944	56	1.9%
Post & Paket Deutschland	7,972	7,951	-21	-0.3%
Corporate Function (incl. consolidation)	15	17	2	13.3%
Total	**46,622**	**41,012**	**-5,610**	**-12.0%**

At the end of the first half of the year, DEUTSCHE POST increased its guidance for the EBIT range of EUR 6.2 billion to EUR 7.0 billion (previously: EUR 6.0 - 7.0 billion) for fiscal year 2023. It gives three macroeconomic scenarios, L-shape (no significant recovery), U-shape (recovery starting towards year-end) and V-shape (recovery starting around mid-year). We assume that in the most unfavorable scenario the results of our financial analysis will deteriorate slightly, but even then they will remain at the higher level achieved in recent fiscal years. We therefore consider the Group to be well positioned, even in this challenging market environment.

Structural risk

Deutsche Post AG is the legal successor to Deutsche Bundespost and has been listed on the stock exchange since 2000. It has a free float of around 76.0%, of which around 20.2% is held by private shareholders. The largest single shareholder is the federally owned Kreditanstalt für Wiederaufbau (KfW), which currently holds 20.5%. In recent years, KfW has successively pushed ahead with privatization and has been below the blocking minority of 25% since 2013. In view of the existing shareholder structure and other factors, we nevertheless view Deutsche Post AG to a moderate extent as a company with close ties to the state, which has a positive impact on the rating. Despite the increasing internationalization and decline in the domestic mail business, which has a certain systemic relevance, we assume that the company would receive government support if necessary. Creditreform Rating's unsolicited sovereign rating for the Federal Republic of Germany was confirmed as AAA / stable on March 21, 2023.

The Group operates worldwide with 83 domestic (previous year: 83) and 711 foreign (previous year: 636) subsidiaries, one company with joint operations (Aerologic), 17 companies accounted for using the equity method and a total of 542,917 employees on average as per 31.12.2022. The increase in the scope of consolidation is mainly due to the acquisition of the sea freight specialist J.F. Hillebrand Group with around 90 fully consolidated companies. DEUTSCHE POST has divided its business into five operating divisions since 2019:

- Post & Paket Germany
- Express
- Global Forwarding, Freight
- Supply Chain
- eCommerce Solutions

DEUTSCHE POST is the only universal postal service provider in Germany that transports letters and parcels both nationwide and internationally. The company occupies a particularly prominent position in its home market of Germany, which is served by the Post and Parcel Germany division. In addition, the division offers nationwide distribution of press and advertising products as well as electronic mail services as part of its direct marketing activities. In addition to its postal services, the "Express" segment specializes in time-certain courier and express services in more than 220 countries and territories. The Global Forwarding, Freight segment, in turn, focuses on the transport of goods by rail, road, air and sea, with services ranging from simple container transport to specific end-to-end solutions for industrial transportation. Usually, the Group does not provide the transportation services itself, but purchases them from airlines, shipping companies and freight carriers. Finally, the "Supply Chain" segment offers customized logistics solutions for various industry sectors, which in addition to the warehousing and transport modules also include value-added services relating to the targeted outsourcing of business processes. In 2019, the new "eCommerce Solutions" segment was also introduced to enable more cost-efficient international parcel delivery, particularly for customers in the growing eCommerce sector. Both standardized and individual products are offered for this purpose, allowing efficient and tailored solutions within a dense parcel network.

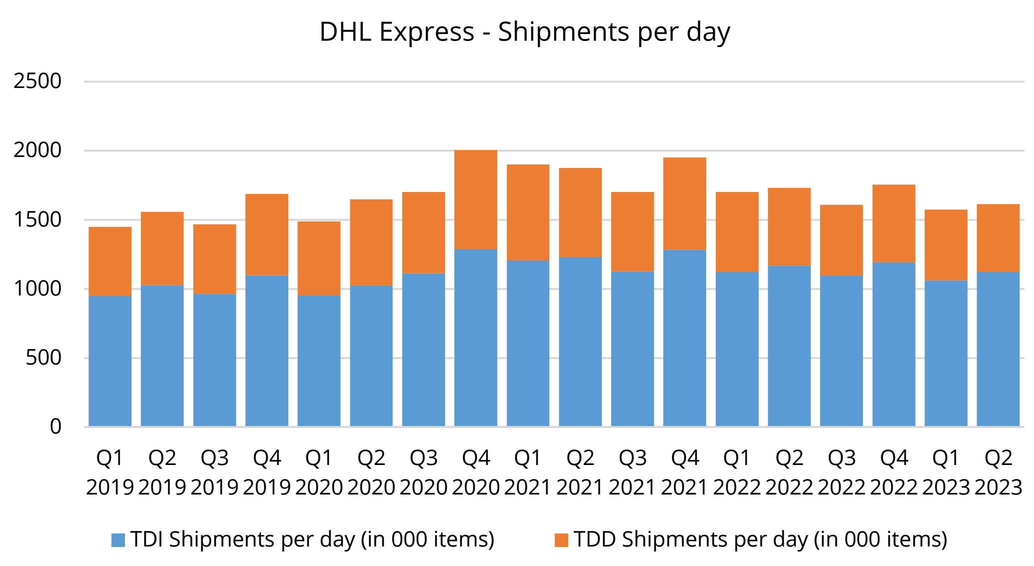
DEUTSCHE POST has changed the Group name from Deutsche Post DHL Group to DHL GROUP as of July 1, 2023. The stock exchange ticker will change from "DPW" to "DHL". This step was taken to reflect the transformation that the Group has undergone in recent years as well as the focus on national and international logistics activities. Already, 90% of the Group's revenue comes from business conducted under the DHL brand. This has no impact on the "Deutsche Post" brand or the service offering and the names and properties of the legal entities.

Business risk

As an international mail and logistics company, DEUTSCHE POST operates in a highly competitive market. The "Post & Parcel Germany" segment, in which DEUTSCHE POST has a natural monopoly for postal services, has been in decline for years and is becoming less important for the Group. For the financial year 2022, this segment accounted for 17.3% of total revenue. The mail segment is regulated by the German Federal Network Agency (Bundesnetzagentur, short: BNetzA). In addition, DEUTSCHE POST operates in an international competitive environment in which the Group holds a leading market position.

Global parcel volumes have grown strongly in recent years, especially during the pandemic, and although they are currently declining, we expect that volumes will recover in the medium term. We expect volume growth to continue, albeit below the levels of recent years, which will benefit DEUTSCHE POST. The business is cyclical and economic downturns have a strong impact on demand, which in the case of overcapacity further weakens freight rates. Companies with flexible capacity therefore have an advantage. Input factors such as labor and oil have risen significantly in the past, and there is a risk that rising costs cannot be adequately passed on to customers, putting pressure on margins.

Figure 1 DHL Express – Shipments per day differentiated by time definitive international (TDI) and time definitive domestic (TDD)| Source: Deutsche Post AG



As a global player, DEUTSCHE POST benefits from globalization, but is also exposed to higher country and currency risks. In our view, these are partially mitigated by the large number of different economies in which it operates. A defragmentation of the global economy, i.e. due to geopolitical tensions, could potentially harm its business. In recent years, customer insourcing, in which large players handle logistics and delivery themselves, has been a challenge for logistics service providers. Amazon, for example, expanded its own logistics during the pandemic.

In the segment "Post & Parcel Germany", DEUTSCHE POST has concluded a new collective agreement in March 2023 that increases salaries by an average of 11% in order to avert an open-ended worker strike. Because of the new collective agreement, higher energy prices and increased costs due to inflation, DEUTSCHE POST had filed an application with the Federal Network Agency for an early increase in postage in 2024, instead of regular postage adjustment in 2025. The agency must approve the price increase, but rejected the application on the grounds that the regulated segment generates a profit. The margin in this segment is therefore likely to come under pressure.

DEUTSCHE POST operates in a highly competitive market, but is one of the major market players, which is why we consider the business risk to be moderate. We expect DEUTSCHE POST to continue to operate successfully in a challenging environment.

Financial risk

For analytical reasons, CRA makes adjustments to the original balance sheet values. The following statements refer to the key figures calculated by CRA according to its methods, unless otherwise stated. Due to these adjustments and the fact that CRA calculates its own key figures, they may differ from the original values and disclosures of DEUTSCHE POST.

The successful fiscal year 2022 further improved the results of our financial ratio analysis. This was mainly due to the increase in the analytical equity ratio from 21.2% to 26.5%. Conservatively, 50% (around EUR 6.4 billion) of capitalized goodwill was deducted from equity. Net total debt / EBITDA adj. also improved from 3.7x to a factor of 3.5x. Total structured assets increased from EUR 55.8 billion to EUR 60.2 billion, due in particular to higher property, plant and equipment (EUR +3.8 billion) and, to a lesser extent, higher intangible assets (EUR +1.3 billion).

In addition to senior unsecured bonds and a convertible bond (EUR 6.2 billion as at December 31, 2022), DEUTSCHE POST is mainly financed by leasing (EUR 13.5 billion as at December 31, 2022). Financial liabilities increased by EUR 1.9 billion year-on-year to EUR 21.8 billion, mainly due to higher lease liabilities. As a result of this and lower current financial assets, net financial debt increased by around EUR 3.1 billion to EUR 15.9 billion. Rights of use to land and buildings (EUR 8.9 billion), aircraft (EUR 2.9 billion) and, to a lesser extent, transport equipment (EUR 0.6 billion) accounted for the majority of leases at the reporting date. The maturity structure of financial liabilities is balanced and does not reveal any cluster risks.

As in the previous year, net cash provided by operating activities before changes in net current assets was very strong at around EUR 10.8 billion in 2022 and, after taking working capital into account, with EUR 11,0 billion around EUR 1.0 billion better than in the prior year (2021: EUR 10,0 billion). At EUR -5.5 billion, cash flow from investments in non-current assets was higher than in the prior year (EUR -3.8 billion). This was mainly due to the acquisition of subsidiaries and other business units, mostly for the acquisition of Hillebrand (EUR 1.4 billion). Due to the sale of money market funds in the amount of EUR 1.7 billion (previous year: addition of EUR -1.5 billion), the cash outflow for investments was lower than in the previous year. Despite a higher cash outflow from financing activities, cash and cash equivalents increased by around EUR 0.4 billion. The target of paying out 40% to 60% of net income as dividends and the current share buyback program 2022/2024 of up to EUR 3.0 billion are dampening factors for the rating.

DEUTSCHE POST's liquidity position can be described as good. In addition to cash and cash equivalents of around EUR 3.7 billion as of December 31, 2022, the Company has access to a syndicated credit line of EUR 2.0 billion with a term until 2025. The company reported that due to the good liquidity situation, it was not drawn in 2022. In addition, the Group has unused bilateral credit lines of EUR 1.4 billion as of December 31, for which no public maturity information is available and which have therefore been conservatively excluded from our liquidity analysis. Nevertheless, the total cash sources should adequately cover the cash uses also in 2023.

Further ratings

Based on the long-term issuer rating and taking into account our liquidity analysis, the short-term rating of DEUTSCHE POT was initially set at L2 (standard mapping), which corresponds to a high level of liquidity assessment for one year.

The rating objects of the issue rating are exclusively long-term senior unsecured issues, denominated in euro, issued by DEUTSCHE POST, which are included in the list of ECB-eligible marketable assets. The bonds have been issued under the Debt Issuance Programme (DIP), with the last base prospectus of 11 May 2023.

We have provided the long-term local currency senior unsecured notes issued by DEUTSCHE POST with an unsolicited corporate issue rating of A / stable.

Long-term local currency senior unsecured notes issued by DEUTSCHE POST, which have similar conditions to the current DIP programme, denominated in Euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior unsecured notes issued under the DIP programme. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Table 6: Overview of CRA Ratings I Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Deutsche Post AG	24.08.2023	A / stable / L2
Long-term Local Currency (LC) Senior Unsecured Issues issued by Deutsche Post AG	24.08.2023	A / stable
Other	--	n.r.

Financial ratio analysis

Table 7: Financial key ratios |Source: Deutsche Post AG Annual Report 2022, structured by CRA

Asset structure	2019	2020	2021	2022
Fixed asset intensity (%)	62.96	59.45	56.81	60.86
Asset turnover	1.48	1.47	1.59	1.64
Asset coverage ratio (%)	56.28	62.93	65.25	60.07
Liquid funds to total assets	6.54	9.48	6.33	6.30
Capital structure				
Equity ratio (%)	13.82	12.84	21.17	26.46
Short-term debt ratio (%)	38.55	36.79	37.67	37.50
Long-term debt ratio (%)	21.62	24.57	15.90	10.10
Capital lock-up period (in days)	41.63	39.99	42.67	38.39
Trade-accounts payable ratio (%)	16.51	15.47	17.14	16.51
Short-term capital lock-up (%)	13.71	13.49	11.82	11.33
Gearing	5.76	6.05	3.43	2.54
Leverage	7.36	7.51	5.77	4.18
Financial stability				
Cash flow margin (%)	9.45	10.38	7.98	6.61
Cash flow ROI (%)	13.73	14.72	11.75	10.44
Total debt / EBITDA adj.	5.61	5.11	4.05	3.82
Net total debt / EBITDA adj.	5.19	4.55	3.73	3.50
ROCE (%)	33.30	44.73	45.74	39.25
Total debt repayment period	4.81	5.64	6.02	3.63
Profitability				
Gross profit margin (%)	49.75	49.92	46.73	43.92
EBIT interest coverage	4.89	5.76	10.57	9.88
EBITDA interest coverage	9.24	10.33	15.62	14.81
Ratio of personnel costs to total costs (%)	33.99	33.18	29.09	27.42
Ratio of material costs to total costs (%)	50.44	50.30	53.47	56.32
Cost income ratio (%)	94.07	93.42	91.04	91.93
Ratio of interest expenses to total debt (%)	1.94	1.82	1.59	1.91
Return on investment (%)	7.83	8.03	10.72	10.20
Return on equity (%)	47.53	52.43	60.70	41.25
Net profit margin (%)	4.37	4.74	6.61	6.02
Operating margin (%)	6.50	7.20	9.60	8.82
Liquidity				
Cash ratio (%)	16.96	25.77	16.81	16.80
Quick ratio (%)	86.89	102.59	105.39	93.86
Current ratio (%)	96.08	110.21	114.67	104.37

Appendix

Rating history

The rating history is available under https://www.creditreform-rating.de/en/ratings/published-ratings.html.

Table 8: Corporate Issuer Rating of Deutsche Post AG

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	25.04.2018	03.05.2018	05.11.2020	A- / stable

Table 9: LT LC Senior Unsecured Issues issued by Deutsche Post AG

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	18.10.2018	23.10.2018	05.11.2020	A- / stable

Table 10: Short-term issuer rating of Deutsche Post AG

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	24.08.2023	www.creditreform-rating.de	Withdrawal of the rating	L2

Regulatory requirements

The rating[2] was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating, that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

A management meeting did not take place within the framework of the rating process.

The information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

[2] In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Government-related Companies	1.1	May 2023
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Tim Winkens	Lead-analyst	T.Winkens@creditreform-rating.de
Sabrina Mascher de Lima	Analyst	S.Mascher@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Stephan Giebler	PAC	S.Giebler@creditreform-rating.de

On 24 August 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 25 August 2023. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses in the final ratings reports ("rating reports") any ancillary services provided for the rated entity or any related third party. The following ancillary services were provided for "Deutsche Post AG" or for third parties associated with the rated entity:

Rating ancillary service for the rated entity.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's website: https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html#non-core-business-activities .

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report

2. Website

3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating

2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a “rating action”; initial release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade” or “downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website.

An explanatory statement of the meaning of Creditreform Rating AG’s default rates are available in the credit rating methodologies disclosed on the website.

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