

Poste Italiane S.p.A. Rating Report



Credit strengths

- Strategic importance to Italy
- Dominant market position
- Diversified business structure
- Stable profitability
- Robust liquidity buffers
- Low debt

Credit challenges

- Elevated exposure to fluctuations in the national economy and financial market

Ratings & Outlook

Local and foreign currency

Long-term issuer rating **BBB+/Stable**

Senior unsecured debt **BBB+/Stable**

Short-term issuer rating **S-2/Stable**

Rating rationale and Outlook:

The BBB+/Stable rating of Poste Italiane S.p.A. is aligned with the ratings of the Italian Republic and reflects: i) significant linkages between Poste Italiane and the Italian Republic, given its ownership and governance structure as well as its pivotal role as a key government-related entity (GRE), serving as Italy's universal postal provider, managing the largest service distribution network, thus fulfilling a dual corporate and social function; ii) the GRE's strategic importance to its owners managing government-guaranteed postal deposits and offering postal savings products issued by state-owned Cassa Depositi e Prestiti (CDP); and iii) critical financial interdependencies given Poste Italiane's annual dividend payout and especially its role as a significant and stable investor for the Italian Republic via the investment of its deposits into government bonds.

We further acknowledge Poste Italiane's robust standalone fundamentals, supported by consistent profitability, a well-diversified business structure, elevated liquidity buffers and low debt. Conversely, we note the elevated exposure of Poste Italiane to fluctuations in Italy's financial and macro-economic conditions as a key rating challenge.

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Related research

[Scope affirms Italy's BBB+/Stable long-term credit ratings](#)
14 July 2023

Figure 1: Scope's approach for the rating of Poste Italiane

Poste Italiane		
Public Sponsor	Italian Republic (BBB+/Stable)	
Step 1: Integration with the Italian Republic (QS1)	Rating approach	Top-down
Step 2: Top-down approach (QS2)	Notching from the Italian Republic	0 notches (BBB+)
Step 3: Supplementary analysis	Additional notching	+/- 0 (BBB+)
Final rating	BBB+/Stable	

Source: Scope Ratings

The Stable Outlook reflects our view that risks to the ratings are balanced over the next 12 to 18 months.

Positive rating-change drivers

- Upgrade of the Italian Republic's ratings and/or Outlook

Negative rating-change drivers

- Downgrade of the Italian Republic's ratings and/or Outlook
- Lower integration with national government, for example, via a divestment
- Significant and sustained deterioration of its business and/or financial risk profile

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Bloomberg: RESP SCOP

Universal service provider with a focus on financial intermediation and postal operations

Top-down approach

Poste Italiane's ratings are aligned with the Italian Republic's BBB+/Stable ratings

The MEF exercises strategic direction over Poste Italiane

Integration with Italy and rating approach

Established in 1862, Poste Italiane began as a governmental department and became an independent public economic entity in 1994. It then became a joint-stock company in 1998 operating under private law. Poste Italiane engages in financial intermediation through BancoPosta, integrated within the parent company, while providing insurance services through Poste Vita. Additionally, it offers mobile and payment services via PostePay, alongside conducting nationwide postal operations under the brand Poste Italiane. Poste Italiane is a GRE primarily owned by the Italian Republic (BBB+/Stable). As such, we assess its creditworthiness via our [Government Related Entities Rating Methodology](#).

Top-down approach

In evaluating Poste Italiane, we employ a top-down approach anchored to the Italian Republic's rating (BBB+/Stable). The significant ties between Poste Italiane and the Italian Republic are supported by key criteria (see [Appendix I](#), Scorecard 1):

- **Ownership:** The Italian Ministry of Economy and Finance (MEF) holds a substantial stake in Poste Italiane, owning 64.26% of its capital: 29.26% directly and the remaining 35% via CDP (BBB+/Stable), which is controlled by the MEF.
- **Purpose and activities:** The entity has a dual corporate and social function, serving as Italy's universal postal provider and operating the largest service distribution network. It plays a unique role in offering postal savings and deposit products issued by CDP and guaranteed by the Italian government.
- **Financial interdependencies:** In addition to the entity's direct exposure to Italy's macro-economic and financial conditions, Poste Italiane contributes to maintaining a stable funding base for the state by reinvesting deposits in Italian government bonds or placing them with the MEF. In addition, the annual dividend to the MEF further underscores its relationship with the state.

Applying a top-down approach, we evaluate two main factors: i) the support and oversight from the public sponsor to sustain the entity's operations, assessed as 'medium'; and ii) the likelihood of financial aid in exceptional situations, assessed as 'high'. Our assessment results in an alignment of Poste Italiane's ratings with the BBB+ rating for the Italian Republic (see [Appendix I](#), Scorecard 2).

Control and regular support

We evaluate the level of government control in Poste Italiane's decision-making process as 'medium'. The MEF holds legal control over Poste Italiane and as the primary shareholder also receives annual dividends from the entity. However, it does not control its daily activities, allowing the company to make operational decisions independently to compete in its lines of business, according to its assigned responsibilities.

Still, the Italian Court of Auditors plays a crucial role in monitoring Poste Italiane's financial management, reporting its findings to the office of the president of the Italian Senate and the president of the Italian Chamber of Deputies. Moreover, the MEF influences the price-setting process for the universal postal service, collaborating with the Italian communication authority (AGCom). Finally, as Poste Italiane operates in various business segments, each of its business lines is supervised by relevant independent authorities¹.

¹ Specifically, the Italian Communication Authority (AGCom) oversees the mail, parcel, and distribution business. For financial and payment services, the Bank of Italy and the Italian Financial Markets Authority (CONSOB) are the supervisory bodies. The insurance business falls under the regulation of the Italian insurance services regulator (IVASS) and the pension fund regulator (COVIP).

MEF holds important influence over the composition of Poste Italiane's governing bodies

We assess the government's influence on Poste Italiane's key personnel and governing bodies as 'high.' The MEF proposes the majority slate for the appointment of the board of directors, including the chairperson, Poste Italiane's legal representative who leads and oversees the board of directors. The remaining members come from lists presented by institutional investors or asset management companies. The board of directors and the board of statutory auditors, the primary governing bodies, consist of a majority of independent members appointed and dismissed at the shareholders' meeting. The election process involves a slate vote, ensuring that minority shareholders have a say in designating a share of directors and alternate auditors. Once elected, the board of directors appoints the CEO. The MEF thus holds important influence over the governing bodies.

Government guaranteed deposits and financial compensation for postal services support profile

We also assess the ordinary financial support from the public sponsor for Poste Italiane's activities as 'medium'. While Poste Italiane is not reliant on direct financial support from the Italian Republic for its investments or to repay its debt, the assurance provided by managing government-guaranteed postal deposits bolsters the GRE's financial strength. Government support has not been required but given its unique role is expected if needed.

Moreover, Poste Italiane is entitled to compensation for losses incurred in providing universal postal services. The service contract for 2020-2024 outlines an annual compensation of EUR 262m for these public service obligations, representing 2.2% of net operating revenue in 2022. Additionally, Italian law permits Poste Italiane to receive publisher tariff subsidies from the Fund for Pluralism and Innovation in Information, funded through Italy's annual national budget. The 2023 budget Law allocates EUR 75.9m in 2023 and EUR 55m in 2024 to this fund.

Likelihood of exceptional support

Pivotal role in Italy's socio-economic development

We assess the strategic significance of Poste Italiane for the Italian government as 'high.' As a pivotal player providing diverse services through the country's most extensive distribution network, the GRE plays a vital role in fostering economic value, supporting socio-economic development and innovation. Over the past five years, Poste Italiane has contributed about EUR 62.1bn to the country's GDP and EUR 10bn to tax revenue. It is the largest national employer with about 120,000 average staff as of 2022.

Significant logistics support during the Covid-19 pandemic

In addition, Poste Italiane played a crucial role in Italy's Covid-19 vaccination campaign by providing citizens with the option to book vaccinations through its specialised platform, call center or via ATMs located nationwide. The group also used its couriers to transport vaccines to vaccination centres.

Poste Italiane strengthens the state's funding base

Through active participation in Italian BTP placements and reinvesting proceeds from private and public current account deposits into government securities, Poste Italiane is a significant investor for the Italian republic. This contribution crucially helps maintain a stable funding base, effectively mitigating refinancing risks for the state.

Unique role in supporting Italy's policy objectives

We evaluate the challenges of substitution for Poste Italiane as 'high.' Operating within a competitive landscape across all business units, Poste Italiane stands out due to its wide range of services, strong employment, proximity to its clients, and extensive distribution network. The entity is the official postal provider in Italy and the key retail channel to fund public debt, being the sole provider of postal savings guaranteed by the Italian government through CDP. Poste's unique role in supporting the country's social and economic development thus result in a very high barrier to any potential substitution.

Material implications in case of hypothetical default

A hypothetical default by Poste Italiane would have substantial implications for the Italian Republic. In the event of severe financial distress, we expect significant support from the government to avert the potential socio-economic, reputational and financial consequences associated with such a scenario.

Standalone fundamentals

We conduct a supplementary analysis assessing Poste Italiane's standalone fundamentals, including its business and financial risk profiles. As a result, the additional analysis has no impact on Poste Italiane's creditworthiness, resulting in the BBB+ rating.

Business risk profile

The business risk profile of Poste Italiane is characterised by: i) its dominant market position offering distinctive products and services, notably in mail, parcel, and distribution, alongside the financial services sector; and ii) a diversified business structure ensuring relatively constant revenue streams and robust operational performance. The main challenge relates to the GRE's elevated exposure to fluctuations in the national economy and financial markets.

Financial risk profile

Poste Italiane's financial risk profile benefits from: i) low financial debt resulting in limited interest expenditure, well supported by substantial reserves; ii) ample liquidity buffers reinforced by external credit facilities; and iii) a robust cash flow from operational activities.

Business risk profile

Poste Italiane is the parent company of Poste Italiane Group, which comprises 51 entities. It encompasses thirty-nine entities (of which three are foreign), six associates (of which one is foreign) and six minority stakes. The group operates through four business units:

- **Mail, parcels, and distribution:** handles mail, parcel delivery, express courier, and logistics services.
- **Payments and mobile:** manages payment management, electronic money services, and mobile/fixed-line telecommunications. This unit offers technology services to banks, businesses, and public authorities. Since 2022, the subsidiary PostePay S.p.A. has also been active in selling electricity and gas products for retail clients.
- **Financial services:** BancoPosta provides current accounts, payment services, investment products and is a third-party distributor of mortgages and personal loans. BancoPosta Fondi S.p.A. SGR handles asset management activities and distributes mutual funds. Since 2011, BancoPosta's capital is ring-fenced for postal banking activities.
- **Insurance services:** offers insurance, retirement and investment products. Poste Vita manages life insurance while Poste Assicura S.p.A. (fully owned by Poste Vita) expands into the non-life insurance market.

Diversified business structure and resilient operating results

Poste Italiane's diversified business structure supports its resilience during times of economic uncertainty and financial market turbulence. The company maintains stable total net operating revenue, averaging around EUR 11bn from 2018 to 2022. In 2020, a modest 4% decline in revenue was followed by a strong recovery with 6.6% growth in 2021 and 6% in 2022. EBITDA exhibited an average growth rate of 14.3% over 2018-2022: it declined by 12.8% in 2020, followed by a near 19% rebound the subsequent year. The EBITDA margin averaged 22.7% from 2018 to 2022, reaching 30.7% in Q3 2023.

In comparison, net profits have traditionally exhibited higher volatility, largely influenced by sustained losses in the mail, parcels, and distribution business. Based on Poste Italiane's strong operating performance in the past three years, with consistent EBIT improvement since 2020, the company revised this year's EBIT target from EUR 2.5bn to EUR 2.6bn (compared to a realised EBIT of EUR 2.3bn in 2022).

Flexible cost structure

Despite high fixed expenses associated with the group's mail and parcel services and its extensive network, Poste Italiane demonstrates a flexible cost structure overall, with non-HR variable costs constituting 67% of variable revenues in Q3 2023. HR costs represent

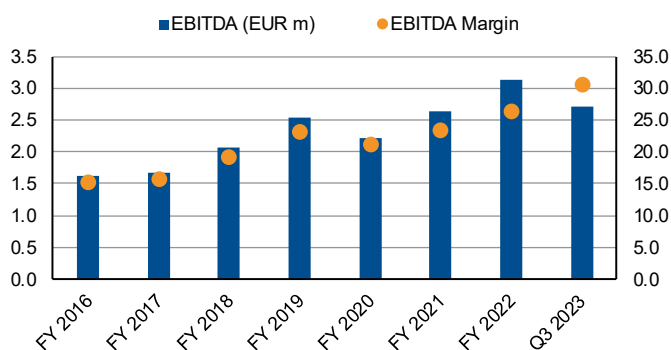
around 50% of operating revenue on average over 2018-2022. Total costs are broadly stable but have risen post-2020, reaching EUR 9.6bn in 2022. Factors contributing to this increase include expanded operations due to the acquisition of five new companies, inflationary pressures linked to the Russia-Ukraine war, augmented provisions for risks and tax credits, as well as increased depreciation and amortisation costs.

Prudent cost management

In response to external cost pressures, Poste Italiane adopted prudent cost management strategies involving workforce transformation and management actions. These initiatives comprised incentivised exits, new hires, corporate transactions and flexible contracts. Consequently, personnel expenses decreased by 4.4% in 2022 compared to 2021, attributed to a reduction in employees and decreased provisions for personnel early retirement in 2023 and 2024. This strategic approach reflects the company's efforts to streamline the cost base amid evolving operational dynamics.

Figure 2: Group EBITDA and EBITDA margin, 2016-Sep 2023

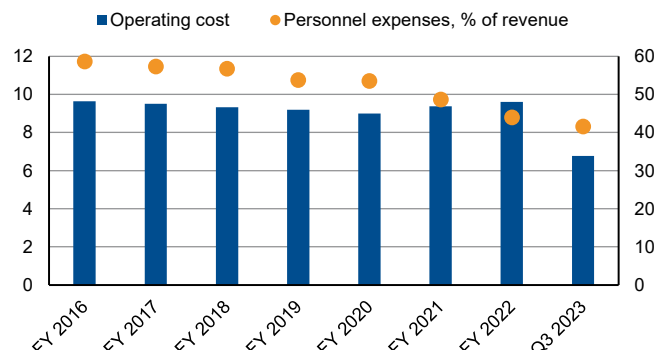
EUR bn (LHS), % (RHS)



Sources: Poste Italiane, Scope Ratings

Figure 3: Operating costs and personnel expenses, 2016-Sep 2023

EUR bn (LHS), % operating revenue (RHS)



Sources: Poste Italiane, Scope Ratings

Financial and insurance services contribute significantly to EBITDA and net profit

The financial and insurance services sectors contribute significantly to total EBITDA and net profit, representing respectively 28.4% and 43.4% of overall EBITDA in 2022, as well as 41.2% and 65% of total net profit in 2022. Both markets faced uncertainty in 2022-23 due to persistent inflationary pressures stemming from the Russia-Ukraine war, financial market volatility, and high interest rates. However, the performance of Poste Italiane's financial and insurance services business units have remained solid.

Significant increase in net interest income and asset management revenue

Within the financial services sector, revenue from postal saving deposits declined by 8.7% in 2022 compared to 2021 due to heightened interest rates prompting early redemption of interest-bearing certificates, alongside decreased household savings due to rising inflation. This was more than compensated by increased interest rates, which led to a 29% rise in net interest income between 2021 and 2022. This boost primarily resulted from higher yields on investments of current account balances tied to the public administration and their utilisation in tax credits. While interest income saw a significant 21% YoY surge in Q3 2023, contributing to sustained revenue growth in the financial services unit, the margin is now likely to contract due to rising credit costs. As of Q3 2023, revenue from asset management also showed a strong performance, increasing by 20% from Q3 2022.

Solid performance of life insurance segment amid difficult market conditions

The life insurance segment of Poste Italiane's insurance services unit showed a robust performance in Q3 2023, recording net positive inflows for insurance premiums of EUR 0.3bn. This was in line with the company's expectations, but against the trend observed in the Italian market for life insurance, affected by uncertainty in financial markets, high inflation and increasing interest rates that reduced premium inflows and increased

Italian government bonds dominate the investment portfolios of the financial and insurance services business

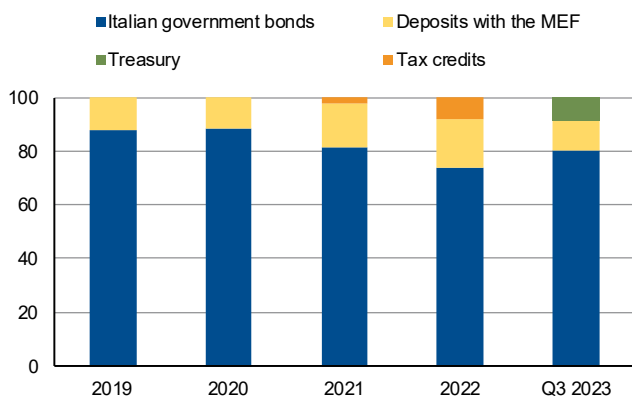
savers' preference for financial products with higher returns. This outperformance reflects the stability and loyalty of Poste Italiane's client base.

As noted previously, an important element of the financial services' activities pertains to its investment portfolio. BancoPosta's investment portfolio is dominated by Italian government bonds, which increased from EUR 64.1bn at end-2022 to EUR 74.1bn as of Q3 2023, accounting for about 80% of the total portfolio. However, despite this elevated exposure to Italian government bonds, BancoPosta's CET1 ratio, which stands at 20.7% as of Q3 2023, is not affected by mark-to-market movements.

Similarly, Italian government bonds are also included in the investment portfolio of the insurance services sector, representing 49% of the total down from 65% in 2018, driven by active diversification efforts to improve the risk profile of the portfolio. The portfolio also includes relevant investments in non-Italian government bonds (17%) and corporate bonds (19%) as of Q3 2023. This diversification contributed to a reduction in the sensitivity of the entity's solvency II ratio to a 100bp increase in the BTP-Swap spread to -29bp in Q3 2023 from 129bp at end-2020. The solvency ratio stood at 252% as of September 2023, confirming the high solvability of the insurance business unit.

Figure 4: Financial services' investment portfolio composition, 2019-2022

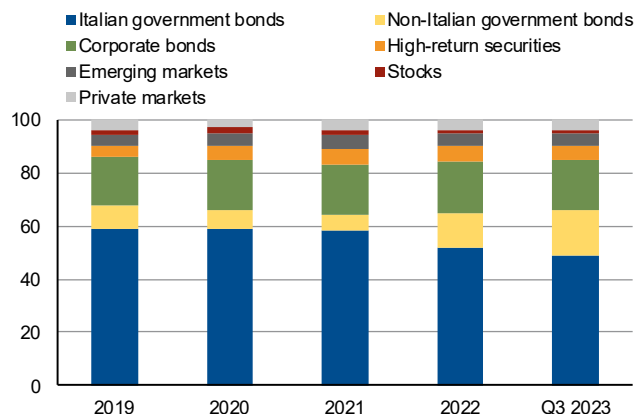
%, Total investment portfolio



Source: Poste Italiane, Scope Ratings

Figure 5: Insurance services' investment portfolio composition, 2019-2022

%, Total investment portfolio



Source: Poste Italiane, Scope Ratings

Structural changes in the mail market driven by digital transformation

The mail, parcel, and distribution sector, contributing 31% of total revenue and 15.4% of total EBITDA as of 2022, is facing a significant transformational change to compensate for the universal decline in postal mail volumes. In 2022, mail revenue and volumes decreased by 16% and 11%, respectively, compared to pre-Covid-2019 levels, which should be partially offset by higher fees given a favourable product mix and repricing initiatives.

Solid performance of parcel unit

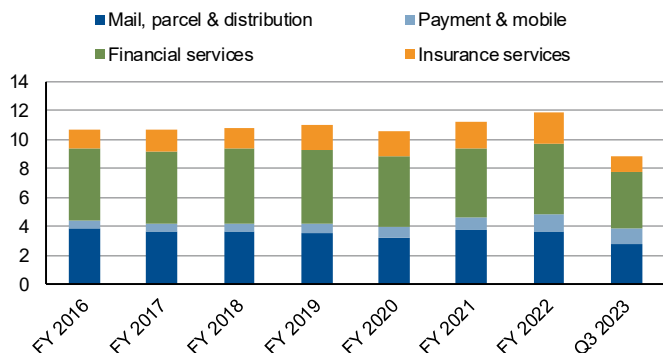
Conversely, the parcel business was resilient during the pandemic, driven by e-commerce, with volumes and revenue soaring by 62% and 64% in 2022, respectively, compared to 2019. Nevertheless, international geopolitical tensions, rising energy and transportation costs, and increased inflation affected this sector, leading to a moderate 3.6% decline in parcel volumes and a 0.5% drop in revenue between 2021 and 2022.

The growth of e-commerce market indicates the parcel business' potential for continued growth this year. Despite historically modest contributions to EBITDA (8.8% on average from 2016 to 2022) and a negative impact on net profit (down 36.6% in the same period), the 2024 strategic plan aims to reverse this business unit's performance by transforming it into a full-fledged logistics player by 2025, contributing positively to EBITDA. In Q3 2023,

the mail, parcel, and distribution unit recorded a net profit of EUR 123m, a noteworthy milestone since 2016. The company expects this business line to break-even by 2023-24.

Figure 6: Net operating revenue by business unit, 2016-Sep 2023

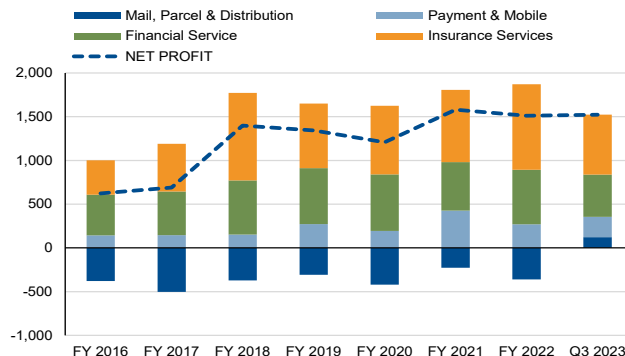
EUR bn



Source: Poste Italiane, Scope Ratings

Figure 7: Net profit by business unit, 2016-Sept 2023

EUR m



Source: Poste Italiane, Scope Ratings

Prudent risk management and control functions

Finally, given the complexity of the operational and regulatory landscape in which Poste Italiane operates, robust risk management systems and procedures are pivotal in decision-making processes. Poste Italiane has thus adopted an internal control and risk management system that integrates tools, procedures, and organisational structures to ensure prudent business management aligned with corporate objectives.

Low financial risk

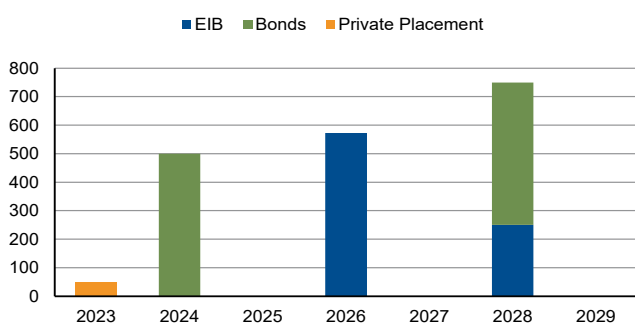
Financial risk profile

Overall, Poste Italiane's financial profile exhibits low risk. This is due to conservative financial management practices given low debt, a favourable debt structure, low cost of funding as well as robust liquidity buffers, bolstered by external credit lines. Poste Italiane's total financial debt in 2022 amounted to EUR 1.9bn. It was comprised of:

- i) A EUR 1bn senior unsecured bond under the EUR 2.5bn euro medium-term note (EMTN) programme, issued in two tranches of EUR 500m each in December 2020, maturing in 2024 and 2028 with fixed interest rates.
- ii) Four EIB loans totalling EUR 823m for various investment projects, with maturities in 2026 (EUR 573m) and 2028 (EUR 250m).
- iii) A EUR 50m private placement, entirely reimbursed on 25th October 2023.

Figure 8: Repayment profile of financial debt

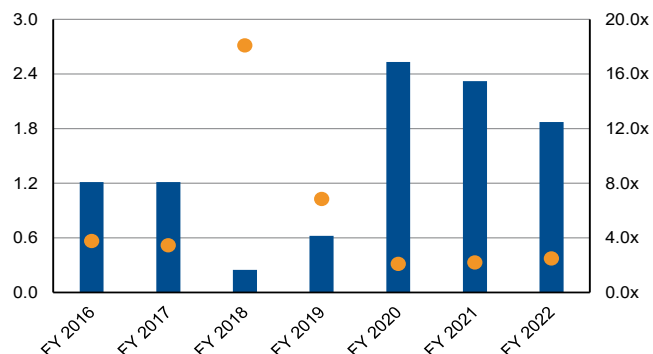
EUR m



Source: Poste Italiane, Scope Ratings

Figure 9: Financial debt and liquidity coverage, 2016-2022

EUR bn (LHS), Total liquidity coverage (RHS)



Source: Poste Italiane, Scope Ratings

Low financial debt

Poste Italiane's financial debt, entirely denominated in euros, has a favourable and well distributed debt repayment profile, with a maximum maturity of 5 years and with a very low cost of funding, being contracted mainly in years with very low interest rates. Debt peaked at EUR 2.5bn in 2020, primarily due to the issuance of a EUR 1bn senior unsecured bond, which was mainly used to early repay the outstanding short and medium term bank debt, reinforcing and improving financial structure. By 2022, financial debt gradually decreased to EUR 1.9bn, mainly due to a higher use of own liquidity to finance M&A transactions and a lower use of bank debt. Interest expenses linked to bonds and loans remain limited, averaging EUR 9m over 2018-2022. Diverse borrowing strategies, including credit lines and medium-term loans, helped manage liquidity amid the challenges of the pandemic.

Cash-pooling approach for liquidity management

Poste Italiane adopts a cash-pooling approach, centralised at the group's parent company in the mail, parcel and distribution unit, to manage its unrestricted liquidity, with liquid resources from self-financing, market or third-party funding and subsidiaries' unrestricted cash. The unrestricted liquidity is therefore not subject to usage restrictions by law or by regulatory limits. Specifically, liquidity from BancoPosta accounts must be invested in euro government bonds or deposited with the MEF. Liquidity from insurance policies is restricted and invested via separately managed accounts in government securities. Similarly, liquidity from Postepay cards must be invested in euro area government bonds.

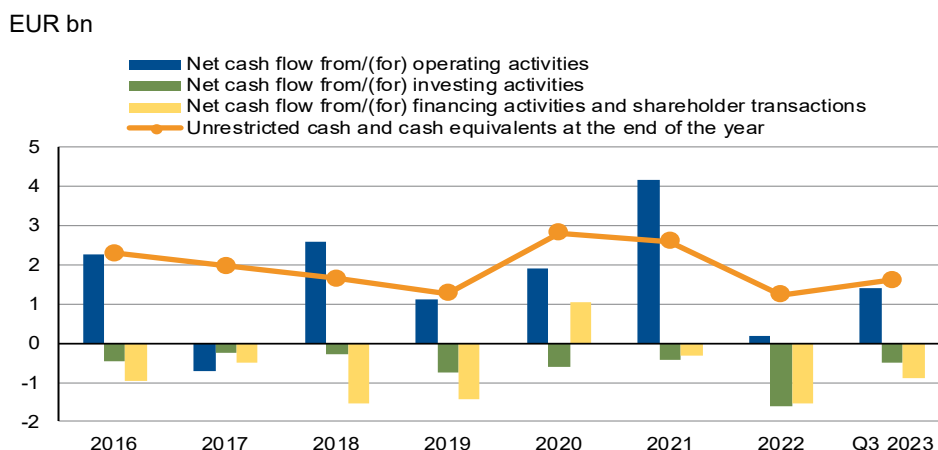
Comfortable cash buffer of unrestricted liquidity; external credit facilities support liquidity profile

Total group cash and cash equivalents averaged EUR 4.6bn from 2018 to 2022. The unrestricted component of this amount averaged EUR 1.9bn over the last five years, providing substantial coverage for total finance expenses (28x) and investment activities (3.8x). Unrestricted cash remained at EUR 1.6bn as of September 2023, which together with Poste Italiane's external bank credit lines of EUR 3.4bn (EUR 2.45bn committed and EUR 0.96bn uncommitted) provides the group with EUR 5bn of potential liquidity, enough to cover almost three times its total financial debt, demonstrating the company's ability to manage its financial commitments comfortably.

Solid cash flow from operations

Looking at Poste Italiane's cash flow, we note it generated a yearly average of EUR 2bn in operating cash flow from 2018 to 2022, comfortably covering investment spending by a factor of 4.8x in the same period. However, in 2022, operating cash flow declined to EUR 180m from EUR 4.2bn in 2021 while investment spending surged by EUR 1.18bn. We expect this decline in operating cash flow to be temporary, as reflected in Q3 2023 results, which already point to a recovery with operating cash flow at EUR 1.4bn and investing activities down to EUR 499m.

Figure 10: Cash flows and cash and cash equivalents, 2016-2022



Note: 'cash flow from' signifies a company is earning from its activities; 'cash flow for' signifies that cash flow is spent on activities, in which case the value is negative
Source: Poste Italiane, Scope Ratings

Increasing retained earnings

Finally, we note the financial risk profile is also impacted by equity valuations which are subject to fluctuation. Poste Italiane's total equity reached EUR 8,937m by end-2022, comprised of share capital (EUR 1.3bn), retained earnings, which increased to EUR 8bn in 2022 (EUR 7.9bn in Q3 2023) from EUR 4.5bn in 2016, and negative reserves (-EUR 352bn). Reserves, averaging EUR 2.6bn from 2016 to 2022, declined from EUR 3.6bn in 2021 to EUR -352m in 2022, remaining negative by September 2023 due to financial asset value shifts across the financial services, postal, and mobile units.

Hybrid issuance strengthens capital base

In 2021, equity soared to EUR 12.1bn after the issuance of a EUR 800m perpetual subordinated hybrid bond, which enabled Poste Italiane to further diversify and strengthen its capital structure, recapitalising BancoPosta and Poste Vita with the proceeds from this instrument. However, the subsequent EUR 3.2bn decline between 2021 and 2022 was due to negative fair value changes in reserves caused by fluctuations in the fair value of financial instruments (-EUR 3.9bn) as well as the payment of EUR 801m of dividends out of the EUR 1.5bn profit.

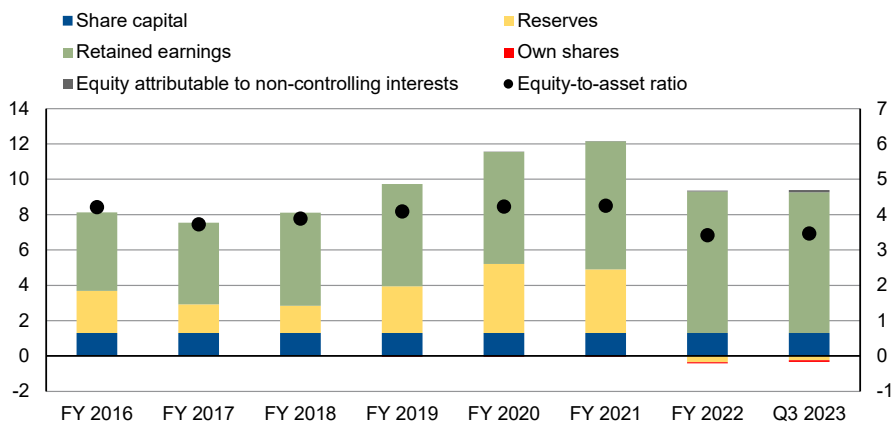
By September 2023, improved earnings and positive changes in the fair value reserve for investments in the financial services' business unit drove equity to EUR 9bn. Although it does not constrain its operational activities, Poste Italiane's equity-to-asset ratio remains limited at 4% on average over 2018-2022, indicating a restricted capital structure concerning its asset holdings.

Solidity of BancoPosta's ring-fenced capital

This reflects mainly BancoPosta's ring-fenced capital, which is distinct from Poste Italiane's assets and liabilities. BancoPosta exhibits a robust capital position, with a common equity tier 1 ratio of 20.3% (up from 19.3% in 2021) and a leverage ratio of 2.9%.

Figure 11: Equity and asset-to-equity ratio

EUR bn (LHS), % (RHS)



Source: Poste Italiane, Scope Ratings

Assessment of environmental, social and governance factors (ESG)

Governance and socio-economic contributions

We acknowledge Poste Italiane's governance and the quality of its financial management, reflected by robust corporate governance practices and a conservative approach to financial management.

Poste Italiane plays a pivotal role in Italy's socio-economic development, as it engages extensively with local communities. The group is also Italy's largest employer, with approximately 120,000 employees, and over 50% of its managerial positions are held by women. Poste Italiane is certified UNI/PdR 125:2022 as envisaged in the National Recovery and Resilience Plan (PNRR), for its ability to guarantee gender equality in the workplace with an overall score of 96/100 (compared to the minimum required of 60%). Its strategy combines physical channels such as 12,800 post offices, commercial and delivery networks, with a digital infrastructure for nearly 20m daily interactions. This vast network effectively connects Italian SMEs, the public administration, and citizens.

2024 strategic plan to support sustainable growth

In March 2021, the Board of Directors endorsed the '2024 Sustain & Innovate' four-year strategic plan, subsequently updated in March 2022 as 'Sustain & Innovate Plus'. Poste Italiane aims to consolidate its position as the primary hub for the daily necessities of Italians. It intends to enhance the value of its network and transform its mail, parcel, and distribution unit into a parcel-focused unit. The strategic objectives encompass accelerating digitalisation, pursuing responsible growth in alignment with Italy's transition to a sustainable, low-carbon economy, and upholding social responsibility. The plan is structured around the UN's Sustainable Development Goals. A new plan will be presented in March 2024, and it will likely cover the 2024-2026 period.

Polis Project important element of national recovery plan

The GRE's ambitious Polis Project, funded largely through the National Plan for Complementary Investments to the PNRR (National Recovery and Resilience Plan), for which Poste Italiane will receive EUR 800m and itself invest approximately EUR 400m, aims to renovate and modernise 6,933 post offices by 2026. This initiative will enable Italians resident in municipalities with fewer than 15,000 inhabitants, equipped with at least one post office, to have access to essential public administration services. It includes establishing co-working spaces, advanced ATMs, and digital showcases to enrich local communities.

ESG integration and sustainability commitment

Poste Italiane's operational strategy integrates environmental, social, and governance (ESG) policies, aligning with national and international sustainability goals. The company's sustainability strategy encompasses an ESG strategic plan focused on eight pillars contributing to the achievement of the United Nations' Sustainable Development Goals.

Poste Italiane has taken concrete steps towards its goal of achieving carbon neutrality by 2030. This includes the renewal of the delivery fleet with low-emissions vehicles, the installation of photovoltaic panels, the enhancement of building efficiency, the development of product offering aimed at enhancing customers' sustainable behavior and embedding ESG factors into its investment process.

In addition, the "Green Delivery" model also allows for greater efficiency in Poste Italiane's logistics as more parcels can be delivered to a single collection point, thus limiting the number of pick-ups and fleet movements. Notably, around 70% of the company's investments in assets in 2022 were classified as ESG, signifying a strong commitment to sustainable development. Finally, Poste Italiane actively integrates ESG considerations into its asset management and insurance products, reflecting a comprehensive approach to sustainability across its operations.

Appendix I. Qualitative Scorecards

Qualitative Scorecard 1: Integration with Italian Republic and rating approach

Analytical component	Score	Rationale
Legal status (40%)	Limited (1)	Poste Italiane S.p.A. is a joint-stock company, operating under private law and subject to private insolvency proceedings.
Purpose and activities (20%)	Medium (50)	Poste Italiane is the largest service distribution network in Italy and operates in sectors ranging from logistics, mail and parcel delivery, financial and insurance services, payment systems, telecommunication services, retail sale of energy, effectively contributing to Italy's socio-economic development. Poste has been the universal postal service provider in Italy since 1999 and is the only company in Italy offering postal savings issued by CDP and guaranteed by the Italian government. However, Poste Italiane operates in a competitive business environment with a profit-maximising motivation, fulfilling a dual corporate and social function.
Shareholder structure (20%)	High (100)	The Italian government is the company's main shareholder, holding 64.29% of the capital, of which 29.26% is held by the MEF and 35% by CDP. The remaining 35.17% of the capital is free floating, mostly held by retail and institutional investors.
Financial interdependencies (20%)	High (100)	The reinvestments of proceeds from private and public current accounts in government bonds or deposits with the MEF contribute to the state's key objective of maintaining a stable funding base. Poste Italiane also receives some compensation and subsidies from its public sponsor (EUR 262m per year) to compensate for the losses incurred in the postal service. It is entitled to receive publisher tariff subsidies.

Rating Approach	Top-down
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Source: Scope Ratings

Qualitative Scorecard 2: Indicative notching relative to Italy

	Assessment	Analytical Component	Score	Rationale
Control and regular support	Medium	Strategic and operational decision-making	Medium (50)	The Ministry of Economy and Finance holds legal control and over Poste Italiane, although it does not exert management or strategy control activities. Each business segment in which Poste operates is subject to the supervision of relevant independent authorities. The Italian Court of Auditors plays a crucial role in monitoring financial management. In addition, the Italian government intervenes through the AGCom to set tariffs for the universal postal service.
		Key personnel, governing & oversight bodies	High (100)	The Ministry of Economy and Finance holds some influence over the election of the governing bodies by presenting its own lists a majority of members are chosen from, voted by the majority of the capital presented at the shareholders' meeting.
		Ordinary financial support	Medium (50)	Poste Italiane does not depend on direct funding from the Italian government for investments or debt repayment, although the management of government-guaranteed postal deposits supports the GRE's financial stability. Moreover, Poste Italiane is entitled to receive compensation for losses incurred in the postal service and tariff subsidies from the Fund for Pluralism and Innovation in Information.
Likelihood of exceptional support	High	Strategic importance	High (100)	Poste is a key provider of multiple services through the nation's most extensive distribution network. In this way, it plays a crucial role in fostering economic value, supporting socio-economic development and innovation. The GRE is also an important investor for the Italian government, giving its regular participation to BTP placements and reinvestment of proceeds from private and public current account deposits in government securities.
		Substitution difficulty	High (100)	Poste Italiane plays a unique role in supporting Italy's social and economic development, given the capillarity of its network, the employment capabilities and proximity to its clientele. It is also the official postal provider in Italy and the sole provider of postal savings guaranteed by the government through CDP.
		Default implications	High (100)	We anticipate significant support from the government in case of severe financial distress, to avoid potential socio-economic, reputational and financial consequences in case of a hypothetical default.

Indicative Notching	0
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Source: Scope Ratings



Appendix II. Profit and loss statement

EUR m

	2016	2017	2018	2019	2020	2021	2022
Revenue from mail, parcels & distribution	3,822	3,632	3,580	3,492	3,201	3,695	3,651
Revenue from payment & mobile	570	532	592	664	737	882	1,147
Revenue from financial services	5,009	5,010	5,176	5,135	4,945	4,783	4,939
<i>Of which non-recurring income</i>	121	91	9	12	(4)	2	(1)
Revenue from insurance services	1,242	1,456	1,470	1,669	1,643	1,861	2,153
I. Net operating revenue	10,643	10,629	10,819	10,960	10,526	11,220	11,889
Cost of goods and services	2,442	2,370	2,343	2,287	2,522	2,873	2,960
Other expenses from financial activities	62	57	-	-	-	-	-
Personnel expenses	6,241	6,093	6,137	5,896	5,638	5,467	5,226
Depreciation, amortisation and impairments	581	545	570	774	700	790	830
Capitalised costs and expenses	(25)	(24)	(17)	(31)	(37)	(33)	(41)
Other operating costs	301	465	287	259	179	277	622
<i>Of which non-recurring costs</i>	37	-	-	-	-	-	-
II. Operating costs	9,639	9,506	9,320	9,186	9,002	9,375	9,598
III. Operating profit/(loss)	1,041	1,123	1,499	1,774	1,524	1,846	2,291
Finance income/(costs)	9	(55)	(8)	99	52	322	37
Profits/(Loss) before tax	1,056	1,067	1,490	1,873	1,576	2,168	2,328
Income tax expense	434	378	92	530	370	588	818
<i>Of which non-recurring income/(costs)</i>	14	(9)	(385)	23	96	26	15
Profit for the year	622	689	1,399	1,342	1,206	1,580	1,511
EBITDA	1,622	1,668	2,068	2,548	2,224	2,636	3,121

Source: Poste Italiane, Scope Ratings



Appendix III. Balance sheet overview

EUR m

	2016	2017	2018	2019	2020	2021	2022
Property, plant and equipment	2,080	2,001	1,945	2,015	2,134	2,267	2,404
Investment property	56	52	48	44	31	32	31
Intangible assets	513	516	545	648	755	873	1,817
Right of use assets				1,254	1,200	1,116	1,334
Investments accounted for using the equity method	218	508	497	617	615	277	267
Financial assets	155,819	171,004	170,922	194,207	221,134	221,226	191,850
Trade receivables	4	9	7	5	2	3	3
Deferred tax assets	799	869	1,368	1,199	1,123	1,245	2,044
Other receivables and assets	2,682	3,043	3,469	3,729	3,839	4,012	4,118
Tax credits				0	29	5,551	7,458
Technical provisions attributable to reinsurers	66	71	71	58	54	50	44
Total non-current assets	162,237	178,073	178,872	203,776	230,916	236,652	211,370
Inventories	137	138	136	140	165	155	157
Trade Receivables	2,168	2,026	2,192	2,166	2,373	2,508	2,179
Current tax assets	15	93	117	52	187	115	140
<i>Other receivables and assets</i>	989	954	1,111	938	1,054	1,146	1,096
<i>Tax credits</i>				0	6	905	1,563
<i>Financial assets</i>	18,543	15,762	19,691	23,569	26,749	27,630	34,290
<i>Cash and deposits attributable to BancoPosta</i>	2,494	3,196	3,318	4,303	6,391	7,659	5,848
Cash and cash equivalents	3,902	2,428	3,195	2,149	4,516	7,958	4,983
Total current assets	28,248	24,597	29,760	33,317	41,441	48,076	50,256
Non-current assets and disposal groups held for sale	2,720	-	-	-	-	-	-
Total Assets	193,205	202,670	208,632	237,093	272,357	284,728	261,626
Share capital	1,306	1,306	1,306	1,306	1,306	1,306	1,306
Reserves	2,374	1,611	1,531	2,646	3,909	3,599	(352)
<i>Own shares</i>				(40)	(40)	(40)	(63)
Retained earnings	4,454	4,633	5,268	5,786	6,327	7,237	8,002
Equity attributable to non-controlling interests	0	0	0	0	5	8	44
Total Equity	8,134	7,550	8,105	9,698	11,507	12,110	8,937
Technical provisions for insurance business	113,678	123,650	125,149	140,261	153,794	159,089	139,986
Provisions for risks and charges	658	692	656	501	625	693	804
Employee termination benefits and pension plans	1,347	1,274	1,187	1,135	1,030	922	705
Financial liabilities	8,404	5,044	7,453	13,964	18,366	15,122	10,939
Deferred tax liabilities	746	546	701	887	1,229	953	700
Other liabilities	1,071	1,207	1,379	1,525	1,576	1,749	2,004
Total non-current liabilities	125,904	132,413	136,525	158,273	176,620	178,528	155,138
Provisions for risks and charges	849	903	863	717	771	575	551
Trade payables	1,506	1,332	1,583	1,627	1,837	2,029	2,234
Current tax liabilities	88	23	12	274	13	16	60
Other liabilities	2,147	2,249	2,319	2,110	1,745	1,860	2,000
Financial liabilities	52,517	58,200	59,225	64,394	79,864	89,610	92,706
Total current liabilities	57,107	62,707	64,002	69,122	84,230	94,090	97,551
Liabilities related to assets held for sale	2,060	-	-	-	-	-	-
Total equity and liabilities	193,205	202,670	208,632	237,093	272,357	284,728	261,626

Source: Poste Italiane, Scope Ratings



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