

Poste Italiane S.p.A.

Rating Report

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.

Ratings & Outlook

Local and foreign currency

Long-term issuer rating

BBB+/Stable

Senior unsecured debt

BBB+/Stable

Short-term issuer rating

S-2/Stable

Related research

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

Figure 1: Scope's rating approach for Poste Italiane

Poste Italiane S.p.A.		
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

Credit strengths and challenges

Strengths	Challenges
<ul style="list-style-type: none"> Strategic importance to Italy Dominant market position Diversified business structure Stable profitability Robust liquidity buffers Low debt 	<ul style="list-style-type: none"> Elevated exposure to fluctuations in the national economy and financial market

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Outlook and rating sensitivities

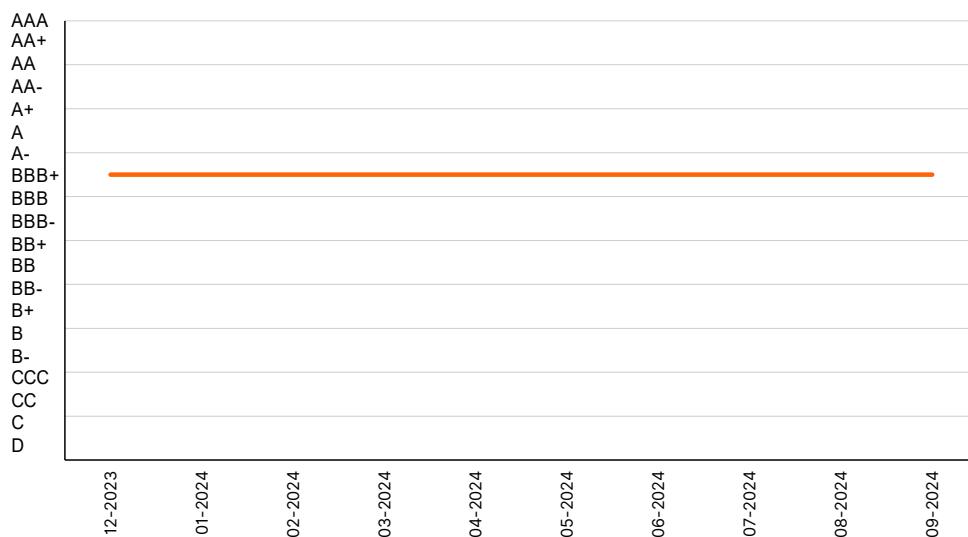
The Stable Outlook reflects our view that risks to the ratings are balanced over the next 12 to 18 months.

Positive rating change drivers	Negative rating change drivers
<ul style="list-style-type: none"> Upgrade of the Italian Republic’s ratings and/or Outlook 	<ul style="list-style-type: none"> 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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Figure 2: Rating history



Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.
 Source: Scope Ratings.

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.

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

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):

Top-down approach

- **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:** Poste Italiane contributes to Italy's stable funding base 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.

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 support 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).

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

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 dividends from the entity. However, the Ministry of Finance does not control Poste's daily activities, allowing the company to make operational decisions independently to compete in its lines of business, according to its assigned responsibilities.

The MEF exercises strategic direction over Poste Italiane

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, as Poste Italiane operates in various business segments, each of its business lines is supervised by relevant independent authorities¹.

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, while 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

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

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

shareholders have a say in designating a share of directors, the chairperson of the board of statutory auditors and an alternate auditor. Once elected, the board of directors appoints the CEO. The MEF thus holds key influence over governing bodies.

In the context of a EUR 20bn privatisation plan between 2024-26 announced by the government at the beginning of this year, the government could divest a share of its ownership of Poste Italiane. Details are still under discussion, but we expect the Italian State to keep a controlling stake in the company's ownership, and thus for the privatisation plan to have overall no impact on Poste Italiane's governance and strategy.

Privatisation plans unlikely to affect governance and strategy

We also assess the evidence of financial support from the Italian Republic 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.

Government guaranteed deposits and financial compensation for postal services support profile

Moreover, Poste Italiane receives 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 2023. Additionally, Italian law permits Poste Italiane to receive publisher tariff subsidies from the Fund for Pluralism and Innovation in Information, which is financed through Italy's annual national budget. The 2023 budget Law provides for an allocation of EUR 75.9m in 2023 and EUR 55m in 2024 to this fund.

Likelihood of exceptional support

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 six years, Poste Italiane has contributed about EUR 76bn to the country's GDP and EUR 13bn to tax revenue. It is the largest national employer with an average employment of 187,000 generated between 2018 and 2023.

Pivotal role in Italy's socio-economic development

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. In Q2 2022 Poste entered the drug logistics market by acquiring Plurima SpA, a company active in the healthcare and hospital logistic sector for several years. The acquisition is part of Poste's long-term growth plan to expand its healthcare logistics operations.

Significant logistics support during the Covid-19 pandemic

By actively participating in Italian BTP placements and reinvesting proceeds from private and public current account deposits into government securities, Poste Italiane plays a significant role as an investor for the Italian republic. This contribution crucially helps to maintain a stable funding base, effectively mitigating refinancing risks for the state.

Poste Italiane strengthens the state's funding base

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, a robust employment base, proximity to customers, and an extensive distribution network. The entity serves as the official postal provider in Italy and the key retail channel to fund public debt, acting as the exclusive provider of postal savings guaranteed by the Italian government through CDP. Given its unique role in supporting the country's social and economic development there is a significantly high barrier to any potential substitution of Poste.

Unique role in supporting Italy's policy objective

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

Material implications in case of hypothetical default

Standalone fundamentals

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

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.

Robust and well-diversified business 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.

Excellent financial risk profile

Business risk profile

Poste Italiane is the parent company of the Poste Italiane Group, which comprises 57 entities. The Group includes thirty-nine entities, nine associates and six minority stakes. The group operates through four business units:

- **Mail, parcels, and distribution:** handles mail, parcel delivery, express courier, and logistics services.
- **Postepay services:** manages payments, electronic money services, and mobile/fixed-line telecommunications. This unit provides technology services to banks, businesses, and public authorities. In addition, the subsidiary PostePay S.p.A. has been active in the retail sale of electricity and gas products since 2022.
- **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.

Poste Italiane's diversified business structure supports its resilience during periods of economic uncertainty and financial market turbulence. The company has maintained stable total net operating revenue, averaging around EUR 11.2bn from 2019 to 2023. Operating revenue growth decelerated slightly to 6% YoY in 2022, after the post-pandemic recovery of 6.6% in 2021, and continued in 2023, with net operating revenue of 5.4%, mostly driven by the Postepay Services (+27.5% YoY). The EBITDA margin averaged 24.9% from 2019 to 2023, reaching 30.3% in H1 2024.

Diversified business structure and resilient operating results

In comparison, net profits have traditionally exhibited higher volatility, largely influenced by sustained losses in the mail, parcels, and distribution business. Poste Italiane's strong operating performance in the past three years is reflected in the consistent improvement of EBIT since 2020, reaching a record high of EUR 2.6bn in 2023, above the EUR 2.5bn initial target. The company expects EBIT to continue growing over the medium-term, targeting EUR 3.2bn EBIT by 2028.

Despite the high fixed costs associated with the group's mail and parcel services and its extensive network, Poste Italiane has a flexible cost structure overall. In the first half of 2024, non-HR variable costs accounted for 63% of variable revenues. HR costs represent around 50% of operating revenue on average over 2019-2023. Total costs are broadly stable but have risen post-2020, reaching EUR 9.4bn in 2023. Factors contributing to this increase include expanded operations due to the acquisition of five new companies over 2022-2023, inflationary pressures

Flexible cost structure

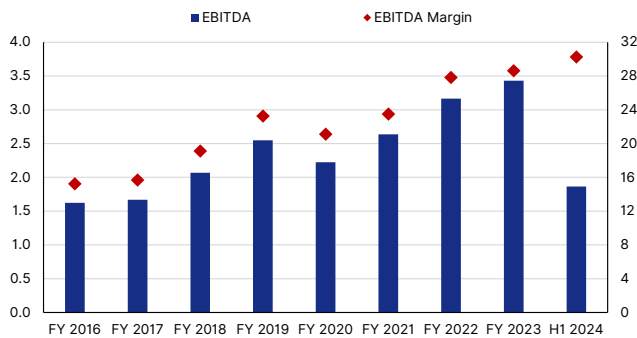
on fuel and raw materials linked to the Russia-Ukraine war, as well as increased depreciation and amortisation costs against an increase in investments.

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 declined significantly by almost 12% in 2022 given a reduction in employees and decreased provisions for early retirement in 2023 and 2024. The 7.2% growth in 2023 was driven by the increase in contractual minimums in July 2022 and July 2023, while the latest National Collective Labour Agreement in June 2024 will likely lead to a gradual increase in labour costs starting from 2025. Personnel costs, however, remain below pre-pandemic levels, confirming the company's efforts to streamline the cost base amid evolving operational dynamics.

Prudent cost management

Figure 3: Group EBITDA and EBITDA margin, 2016-H1 2024

EUR bn (LHS), % RHS



Sources: Poste Italiane, Scope Ratings

The financial and insurance services sectors contribute significantly to total EBITDA and net profit, representing respectively 25.2% and 39.7% of overall EBITDA in 2023, as well as 33.5% and 51.4% of total net profit in 2023. Both markets continued to face uncertainty in 2023 related to geopolitical conflicts, high inflation and interest rates. Overall, the performance of Poste Italiane's financial and insurance services business units remain solid.

The financial and insurance services contribute significantly to EBITDA and net profit

Within the financial services sector, revenue from postal savings deposits rose by 8.7% year-on-year in 2023, offsetting the annual decline recorded in 2022. This was due to a number of offers dedicated to 'Libretto Smart' holders willing to invest new liquidity in Poste's products. These promotions resulted in a total collected volume of EUR 8bn in postal savings products, a record-high result in the segment. Furthermore, some changes implemented by CDP in the Postal Savings Bond segment resulted in higher rates of return for most of the products in its range. Net interest income continued to increase, growing by 17.5% year-on-year in 2023, after growing 29% in 2022. Revenue from asset management showed a strong performance, increasing by 21% year-on-year in 2023 and continuing to grow by 43% in the first half of 2024 compared to H1 2023.

Significant increase in net interest income and asset management revenue

The life insurance segment of Poste Italiane's insurance services unit recorded net positive inflows of EUR 3.4bn in 2023. This was below EUR 7.5bn recorded in 2022, but well above trends for the national life insurance market – which posted negative net inflows of EUR 22.8bn in 2023 – affected by high inflation and interest rates that reduced premium inflows and increased savers' preference for financial products with higher returns. Net inflows remained positive also during the first half of 2024, at EUR 0.3bn, reflecting the loyalty of Poste Italiane's client base.

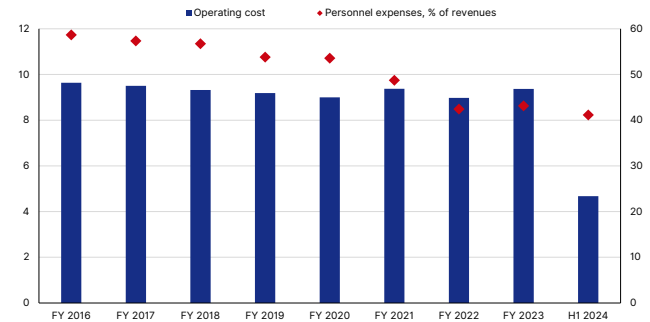
Solid performance of life insurance segment amid difficult market conditions

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 65.7bn at end-2023. Despite this elevated

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

Figure 4: Operating costs and personnel exp., 2016-H1 2024

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



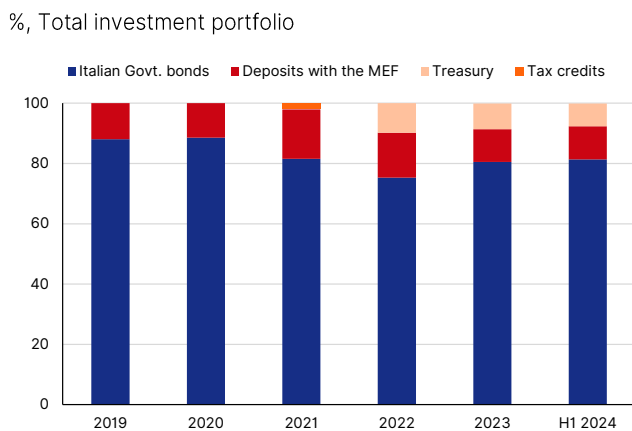
Sources: Poste Italiane, Scope Ratings

exposure to Italian government bonds, BancoPosta's CET1 ratio, which stands at 20.3% as of Q2 2024, is not affected by mark-to-market movements.

Similarly, government bonds are also included in the investment portfolio of the insurance services sector, representing 68% as of June 2024. The portfolio also includes relevant corporate bonds (18%). Within the government bond portion, investments in Italian government bonds have been significantly reduced in recent years, and this diversification has contributed to reducing the sensitivity of the entity's Solvency II ratio to a 100bp increase in the BTP swap spread to -34bp in Q2 2024, slightly above the -29bp recorded in September 2023, but well below the 129bp recorded at the end of 2020. The solvency ratio stood at 297% in June 2024, confirming the strong solvency of the insurance business.

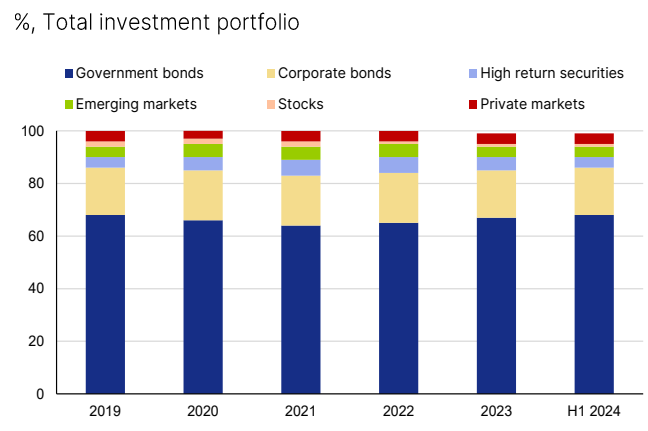
Sensitivity to government bonds reduced in investment portfolio of insurance services

Figure 5: Financial services' investment portfolio composition, 2019-H1 2024



Sources: Poste Italiane, Scope Ratings

Figure 6: Insurance services' investment portfolio composition, 2019-H1 2024



Sources: Poste Italiane, Scope Ratings

The mail, parcel, and distribution sector, which contributes 31% of total revenue and 23.3% of total EBITDA as of 2023, is undergoing a significant transformational change to offset the decline in postal mail volumes. As in 2022, mail revenues remained 16% below pre-Covid levels last year, while volumes declined further, staying more than 16% below 2019 levels. This trend should be partially compensated by higher fees due to a favourable product mix and repricing initiatives.

Structural changes in the mail market driven by digital transformation

In contrast, the parcel business was resilient during the pandemic, driven by e-commerce, with volumes and revenue soaring by 73% and 64% in 2023, respectively, compared to 2019. Despite geopolitical tensions and high inflation affecting the energy and transportation sectors in particular, parcel volumes increased by 6.8% in 2023 compared to the previous year, while revenue stagnated between 2022 and 2023.

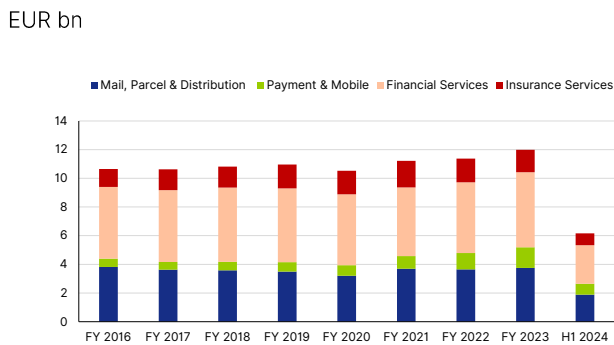
Solid performance of parcel unit

The growth of the e-commerce market indicates the potential for continued growth in the parcel business this year. Despite a historically modest contribution to EBITDA (8.8% on average from 2016 to 2022) and a negative impact on net profit (-36.6% over 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, with a positive contribution to EBITDA.

E-commerce with significant growth

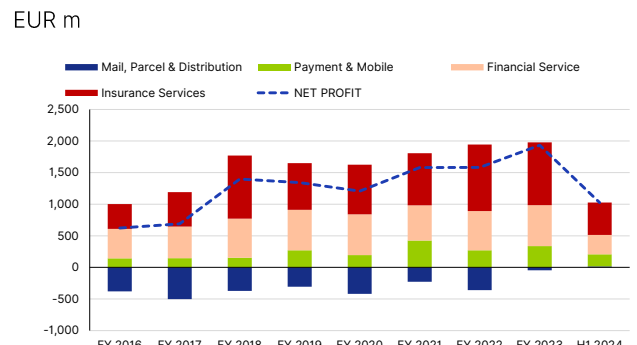
As of H1 2024 the Mail, Parcels and Distribution business unit continued to post a net profit of EUR 16 million, after posting its first profit since 2016 in the first quarter of last year. The company reached the break-even point for this business in 2023, one year ahead of initial expectations, thanks to cost discipline measures to mitigate inflationary headwinds. During the period of the new strategic plan 2024-28, Poste is committed to accelerate the transformation of this business unit by rationalizing the distribution networks, consolidating its leadership in the B2C market and growing in the B2B and international segments in order to stabilize operating profits.

Figure 7: Net operating rev. by business unit, 2016-H1 2024



Sources: Poste Italiane, Scope Ratings

Figure 8: Net profit by business unit, 2016-H1 2024



Sources: Poste Italiane, Scope Ratings

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.

Prudent risk management and control functions

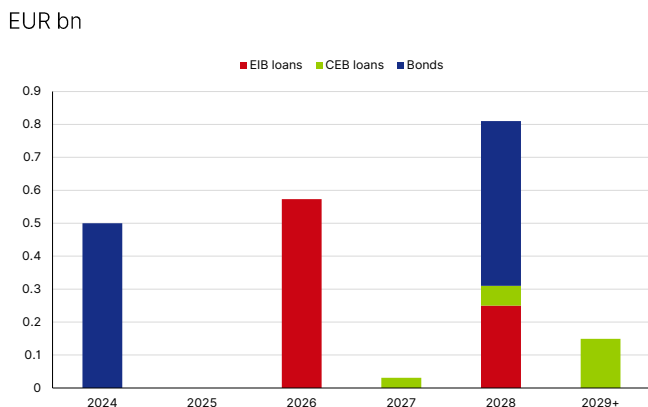
Financial risk profile

Overall, Poste Italiane's financial profile is excellent and 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 2023 amounted to EUR 1.9bn. It was comprised of:

Low financial risk

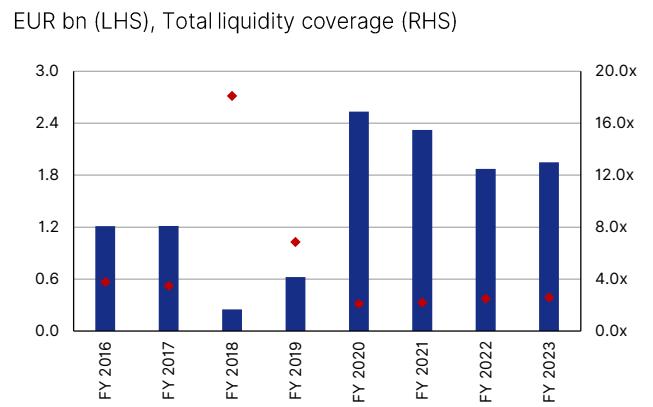
- i) A EUR 1bn senior unsecured bond under the EUR 2.5bn euro medium-term note (EMTN) programme, issued in two tranches of EUR 500m each in December 2020, maturing in December 2024 and 2028 with fixed interest rates.
- ii) Four EIB loans totalling EUR 823m for various investment projects, with maturities in 2026 (EUR 573m) and 2028 (EUR 250m).
- iii) One CEB loan of EUR 125m granted under a medium-/long-term EUR 250m credit facility to finance various investment projects for social integration, public infrastructure and sustainability. The first EUR 125m tranche of the loan, provided on a floating rate in December 2023 will expire in 2030, while a second tranche of EUR 115m has been provided in January 2024, with maturity in 2031.

Figure 9: Repayment profile of financial debt



Sources: Poste Italiane, Scope Ratings

Figure 10: Financial debt and liquidity coverage, 2016-2023



Sources: Poste Italiane, Scope Ratings

Poste Italiane's financial debt, entirely denominated in euros, has a favourable and well distributed debt repayment profile, with a maximum maturity of 7 years and very low cost of funding. 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 the funding structure.

Low financial debt and favourable debt structure

Financial debt gradually decreased to EUR 1.9bn by 2023, 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 8m over 2019-2023. Diverse borrowing strategies, including credit lines and medium-term loans, help managing liquidity amid external challenges.

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.

Cash-pooling approach for liquidity management

Total group cash and cash equivalents averaged EUR 4.8bn from 2019 to 2023. The unrestricted component of this amount averaged EUR 1.9bn over the last five years, providing substantial coverage for total finance expenses (26x) and investment activities (3x). Unrestricted cash remained at EUR 1.9bn as of June 2024, which together with Poste Italiane's external bank credit lines of almost EUR 3.4bn (EUR 2.45bn committed and EUR 0.96bn uncommitted) provides the group with EUR 5.4bn of potential liquidity, enough to cover almost three times its total financial debt, demonstrating the company's ability to manage its financial commitments comfortably.

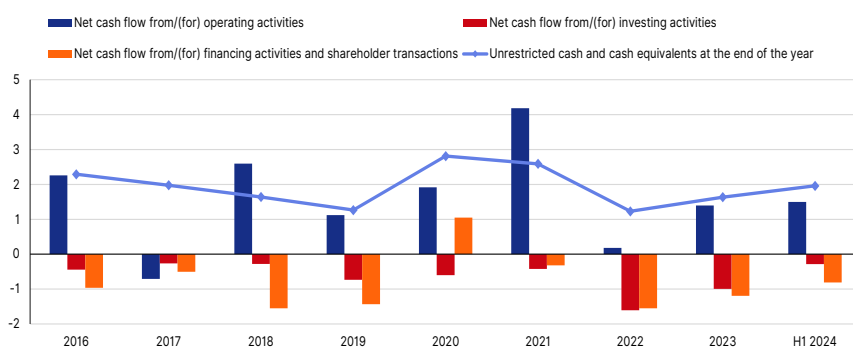
Comfortable cash buffer of unrestricted liquidity: external credit facilities support liquidity profile

Looking at Poste Italiane's cash flow, we note it generated a yearly average of EUR 2.8bn in operating cash flow from 2019 to 2023, covering investment spending by more than three times (3.2x) in the same period. Operating cash flows increased to EUR 1.4bn in 2023 from EUR 180m recorded in 2022, while investment spending declined by EUR 0.61bn.

Solid cash flow from operations

Overall, we expect operating cash flows to continue improving, as reflected in H1 2024 results, which points to net operating cash flows of EUR 1.5bn while investing activities are likely to continue at a slower pace.

Figure 11: Cash flows and cash and cash equivalents, 2017-H1 2024



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. Sources: Poste Italiane, Scope Ratings

Finally, we note the financial risk profile is also impacted by volatile equity. Poste Italiane's total equity reached EUR 10.4bn by end-2023, comprised of share capital (EUR 1.3bn), retained earnings, which increased to EUR 8bn in 2023 (EUR 8.3bn in H1 2024) from EUR 4.5bn in 2016,

Increasing retained earnings

and reserves (EUR 1.1bn). Reserves, averaging around EUR 2bn from 2018 to 2022, increased from EUR – 509m in 2022 to EUR 1.1bn in 2023, before declining moderately by EUR 383m by H1 2024, due to financial asset value shifts across the financial services, postal, and mobile units.

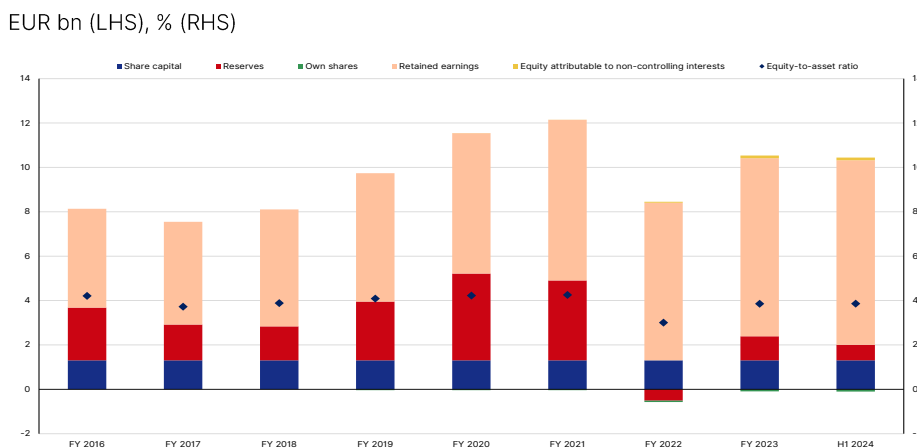
In 2021, equity soared to EUR 12.1bn after the issuance of a EUR 800m perpetual subordinated hybrid bond, which enabled Poste Italiane to further diversify and strengthen its capital structure, recapitalizing BancoPosta and Poste Vita with the proceeds from this instrument. After a EUR 3.2bn decline between 2021 and 2022, equity increased again by EUR 2.6bn in 2023, on the back of higher annual profits (EUR 1.93bn) and positive fluctuations in the fair value reserves for financial instruments (+1.6bn) which offset the negative effect of EUR 0.88bn dividend distribution. By June 2024 a moderate decline in earnings and negative changes in the fair value reserve for investments in the financial, postal and insurance services’ business units drove equity to EUR 10.3bn, slightly below end-2023 but still above 2022 levels.

Hybrid issuance strengthens capital base

Although not constraining its operational activities, Poste Italiane’s equity-to-asset ratio remains limited at 4% on average over 2019–2023, indicating a restricted capital structure concerning its asset holdings. 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 3.3% as of June 2024.

Solidity of Banco Posta’ ringfenced capital

Figure 12: Equity and asset-to-equity ratio



Sources: Poste Italiane, Scope Ratings

Environmental, social and governance factors (ESG)

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.

Strong governance and sustainable strategy

In March 2024 Poste Italiane presented the new Strategic, Plan “The Connecting Platform”, for the period 2024-2028. The Plan aims to create a large tech infrastructure that will power the distribution network, thereby fostering operational efficiency and improving the customer experience. The Plan places renewed focus on SME clients, on ensuring the sustainability of the mail & parcel business and sets new targets for carbon neutrality, with the objective of achieving a Net Zero target for the investment portfolio by 2050.

2024 strategic plan to support sustainable growth

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.

ESG integration and sustainability commitment

We note that Poste Italiane plays a pivotal role in Italy’s socio-economic development, as it engages extensively with local communities. The group is Italy’s largest employer, with

Important socio-economic contributions

approximately 120,000 employees while about 50% of its managerial positions are held by women. Poste Italiane is certified 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 12,755 post offices, commercial and delivery networks, with a digital infrastructure for nearly 20m daily interactions effectively connects Italian SMEs, the public administration, and citizens.

Poste Italiane's ambitious Polis Project, funded largely through Italy's recovery plan, for which it will receive EUR 800m and invest approximately EUR 400m, aims to renovate and modernise 6,933 post offices by 2026. This initiative will enable Italian residents 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.

Polis Project important element of national recovery plan

Looking at environmental factors, we note that 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 energy efficiency, the development of product offering aimed at enhancing customers' sustainable behavior and embedding ESG factors into its investment process.

Carbon neutrality by 2030

The company's "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, more than 70% of the company's investments in assets in 2023 were classified as ESG, demonstrating 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.

ESG considerations integrated in portfolio investment strategies

Appendix I. Qualitative Scorecards (QS1 & QS2)

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 35.74% 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

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.
		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.
		Evidence of 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 Italiane 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

Source: Scope Ratings

Appendix II. Profit and loss statement

In million Euro

	2016	2017	2018	2019	2020	2021	2022	2023
Revenue from mail, parcels & distribution	3,822	3,632	3,580	3,492	3,201	3,695	3,651	3,746
Revenue from payment & mobile	570	532	592	664	737	882	1,147	1,447
Revenue from financial services	5,009	5,010	5,176	5,135	4,945	4,783	4,939	5,229
Revenue from insurance services	1,242	1,456	1,470	1,669	1,643	1,861	1,650	1,567
I. Net operating revenue	10,643	10,629	10,819	10,960	10,526	11,220	11,374	11,989
Cost of goods and services	2,442	2,370	2,343	2,287	2,522	2,873	2,815	3,098
Other expenses from financial activities	62	57	-	-	-	-	-	-
Personnel expenses	6,241	6,093	6,137	5,896	5,638	5,467	4,823	5,170
Depreciation, amortisation and impairments	581	545	570	774	700	790	769	811
Capitalised costs and expenses	(25)	(24)	(17)	(31)	(37)	(33)	(41)	(56)
Other operating costs	301	465	287	259	179	277	612	346
<i>Of which non-recurring costs</i>	37	-	-	-	-	-	-	-
II. Operating costs	9,639	9,506	9,320	9,186	9,002	9,375	8,978	9,369
III. Operating profit/(loss)	1,041	1,123	1,499	1,774	1,524	1,846	2,396	2,620
Finance income/(costs)	9	(55)	(8)	99	52	322	37	107
Profits/(Loss) before tax	1,056	1,067	1,490	1,873	1,576	2,168	2,328	2,727
Income tax expense	434	378	92	530	370	588	850	794
<i>Of which non-recurring income/(costs)</i>	14	(9)	(385)	23	96	26	-	-
Profit for the year	622	689	1,399	1,342	1,206	1,580	1,583	1,933
EBITDA	1,622	1,668	2,068	2,548	2,224	2,636	3,164	3,431

Sources: Poste Italiane, Scope Ratings

Appendix III. Balance sheet overview

In million Euro

	2016	2017	2018	2019	2020	2021	2022	2023
Property, plant and equipment	2,080	2,001	1,945	2,015	2,134	2,267	2,404	2,546
Investment property	56	52	48	44	31	32	31	28
Intangible assets	513	516	545	648	755	873	1,817	2,062
Right of use assets				1,254	1,200	1,116	1,334	1,265
Investments accounted for using the equity method	218	508	497	617	615	277	267	294
Financial assets	155,819	171,004	170,922	194,207	221,134	221,226	191,850	205,656
Trade receivables	4	9	7	5	2	3	3	3
Deferred tax assets	799	869	1,368	1,199	1,123	1,245	2,601	2,109
Other receivables and assets	2,682	3,043	3,469	3,729	3,839	4,012	4,119	4,084
Tax credits				0	29	5,551	7,458	6,534
Technical provisions attributable to reinsurers	66	71	71	58	54	50	44	233
Total non-current assets	162,237	178,073	178,872	203,776	230,916	236,652	211,928	224,814
Inventories	137	138	136	140	165	155	157	172
Trade Receivables	2,168	2,026	2,192	2,166	2,373	2,508	2,179	2,404
Current tax assets	15	93	117	52	187	115	140	167
<i>Other receivables and assets</i>	989	954	1,111	938	1,054	1,146	986	1,051
<i>Tax credits</i>				0	6	905	1,563	1,784
<i>Financial assets</i>	18,543	15,762	19,691	23,569	26,749	27,630	34,290	31,503
<i>Cash and deposits attributable to BancoPosta</i>	2,494	3,196	3,318	4,303	6,391	7,659	5,848	4,671
Cash and cash equivalents	3,902	2,428	3,195	2,149	4,516	7,958	4,983	4,211
Total current assets	28,248	24,597	29,760	33,317	41,441	48,076	50,146	45,963
Non-current assets and disposal groups held for sale	2,720	-	-	-	-	-	-	50
Total Assets	193,205	202,670	208,632	237,093	272,357	284,728	262,074	270,827
Share capital	1,306	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	(509)	1,083
<i>Own shares</i>				(40)	(40)	(40)	(63)	(94)
Retained earnings	4,454	4,633	5,268	5,786	6,327	7,237	7,100	8,027
Equity attributable to non-controlling interests	0	0	0	0	5	8	44	117
Total Equity	8,134	7,550	8,105	9,698	11,507	12,110	7,878	10,439
Technical provisions for insurance business	113,678	123,650	125,149	140,261	153,794	159,089	141,380	155,338
Provisions for risks and charges	658	692	656	501	625	693	804	782
Employee termination benefits and pension plans	1,347	1,274	1,187	1,135	1,030	922	705	637
Financial liabilities	8,404	5,044	7,453	13,964	18,366	15,122	10,939	10,243
Deferred tax liabilities	746	546	701	887	1,229	953	815	900
Other liabilities	1,071	1,207	1,379	1,525	1,576	1,749	2,004	2,058
Total non-current liabilities	125,904	132,413	136,525	158,273	176,620	178,528	156,647	169,958
Provisions for risks and charges	849	903	863	717	771	575	551	554
Trade payables	1,506	1,332	1,583	1,627	1,837	2,029	2,234	2,252
Current tax liabilities	88	23	12	274	13	16	60	189
Other liabilities	2,147	2,249	2,319	2,110	1,745	1,860	1,998	2,285
Financial liabilities	52,517	58,200	59,225	64,394	79,864	89,610	92,706	85,150
Total current liabilities	57,107	62,707	64,002	69,122	84,230	94,090	97,549	90,430
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	262,074	270,827

Sources: Poste Italiane, Scope Ratings

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