FitchRatings

La Poste

Key Rating Drivers

Rating Derivation Summary: Fitch Ratings views La Poste (LP) as a government-related entity (GRE) of the French state (AA/Negative) and rates the entity two notches below the French state. This reflects a score of 30 points under our GRE rating criteria. The Standalone Credit Profile (SCP) is 'bbb-' and does not affect LP's Issuer Default Rating (IDR). The Negative Outlook reflects that of the sovereign.

Status, Ownership and Control - 'Strong': LP is a limited company fully owned by the French state and state-owned financial institution Caisse des Depots et Consignations (CDC; AA/Negative).

Since 4 March 2020, CDC has owned 66% of LP's shares and the French state the remaining 34%. This resulted from the transfer of both CDC and the French state's respective stakes in the capital of CNP Assurances SA (CNP; A/Stable) to La Banque Postale S.A. (LBP; A-/Stable), LP's financial subsidiary. However, the French state retains ultimate ownership of LP and we expect it to keep tight control over LP's activities.

Support Track Record - 'Strong': Fitch views the EUR2.7 billion capital increase from the state and CDC between 2011 and 2013 as evidence of support. The transfer of CDC's and the French state's stakes in CNP to LBP is further evidence of support to LP, as LP will now benefit from CNP's dividends, which were transferred to the state and CDC. LP could, if needed, benefit from the French state's emergency liquidity mechanisms. However, the state must respect the limits set by EU competition law as LP operates in a competitive business environment.

Socio-Political Implications of Default - 'Strong': In Fitch's view, LP's default would temporarily endanger the provision of an essential public service and would lead to significant political implications. LP provides key public services (universal postal service, regional planning, banking access, and press distribution) and has a monopolistic position on postal delivery in France. It is one of France's largest employers and contributes to a significant share of public-sector funding, through LBP.

Financial Implications of Default - 'Strong': Fitch does not consider LP as a proxy financing vehicle for the French state. LP is operating in a competitive market and benefits from autonomy on its finances. However, LP is a sizeable issuer, with access to both national and international markets, and we believe that a default of LP would affect the funding of other French GREs.

SCP – 'bbb-': The SCP reflects a 'Midrange' assessment for the Revenue Defensibility and Operating Risk rating factors, and a leverage ratio (net adjusted debt/EBITDA; Fitch-calculated) that we expect to be in the 5x–6x range in the medium term in our rating case scenario (2019: 4.9x). We revised LP's SCP to 'bbb-' from 'bbb' as a result of the coronavirus pandemic, which will lead to a sharp drop in LP's post revenue and increase its net adjusted debt. This revision does not affect LP's final IDR.

ESG Considerations: ESG issues have a minimal impact on LP's ratings, as reflected in a score of '3'.

Rating Sensitivities

Sovereign Ratings: Changes to France's sovereign ratings would be mirrored in LP's ratings.

Weaker Assessment of Support Factors: A downgrade could result from a lower assessment of linkage or incentive to support factors. This could be triggered by, among other things, a dilution of control, a regulatory change or a weakening of LP's importance to the French state.

Public Finance
Government-Related Entities
France

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1+
Debt Ratings	
Senior unsecured Long-Term issues	A+
Senior unsecured Short-Term issues	F1+
Outlooks	
Long-Term Foreign-Currency IDR	Negative

Issuer Profile

LP is the historical postal service operator in France. It has evolved into a diversified, international group comprising four business units: postal services and parcel delivery, express delivery; retail financial services and digital services.

Financial Data

La Poste

(EURm)	2019	2024rc
Net adjusted debt/ EBITDA (x)	4.9	5.9
EBITDA/gross interest (x)	6.8	6.1
Operating revenue	20,715	23,358
EBITDA	1,560	1,510
Net adjusted debt	7,675	8,932
Total assets (group)	291,000	-

The data are based on LP's logistics and commercial activities only, except for the assets which include the financial services
rc: Fitch's rating-case scenario
Source: Fitch Ratings, La Poste

Applicable Criteria

Government-Related Entities Criteria (September 2020)

Public Sector, Revenue-Supported Entities Rating Criteria (March 2020)

Related Research

France (November 2020)

Caisse des Depots et Consignations (CDC) (February 2020)

Analysts

Pierre Charpentier
+33 1 44 29 91 45
pierre.charpentier@fitchratings.com

Margaux Vincent
+33 1 44 29 91 43
margaux.vincent@fitchratings.com

Date	Long-Term Foreign-Currency IDR
18 Dec 14	A+
17 Jul 13	AA-
17 Apr 08	AA
22 Jan 93	AAA

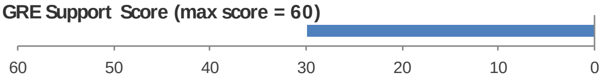
Rating Synopsis

Fitch Ratings views LP as a GRE of the state of France (AA/Negative) and rates the entity two notches below the French state. This reflects a score of 30 points out of a maximum of 60 under our GRE rating criteria. The SCP, at 'bbb-', is seven notches from the sovereign, and does not affect LP's Issuer Default Rating (IDR). The Negative Outlook reflects that of the sovereign.

GRE Rating Derivation Summary

GRE Key Rating Drivers and Support Score		
Status, Ownership and Control	Strong	5
Support Track Record	Strong	5
Socio-Political Implications of GRE Default	Strong	10
Financial Implications of GRE Default	Strong	10
GRE Support Score		30
Score - Notching Guideline Table		27.5-32.5

GRE Support Score (max score = 60)



Notching Guideline Table

Distance \ Score	>=45	35-42.5	27.5-32.5	20-25	15-17.5	12.5	<=10
= or above	Capped	Capped	Capped	Capped	Capped	Capped	Capped
1,2,3	=	=	=	- 1	+ 1	+ 1	SCP
4	=	- 1	- 1	- 2	+ 1	+ 1	SCP
>4	=	- 1	- 2	- 3	+2/+3	+ 1	SCP

Stylized Notching Guideline Table: refer to GRE criteria for details

Standalone Credit Profile (SCP) Derivation	
Revenue Defensibility	Midrange
Operating Risk	Midrange
Leverage Ratio (Rating Case Scenario)	5.9
Qualitative Factors Adjustments	None
GRE SCP	bbb-
Distance - Notching Guideline Table	>4

Summary	
Sponsor IDR	AA
GRE SCP	bbb-
Distance Sponsor IDR vs GRE SCP	7
GRE Support Score	30
Notching Approach	Top down -2
GRE Suggested IDR	A+
Single Equalisation Factor	No
GRE IDR	**A+**

Sponsor IDR	GRE SCP	GRE IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	**A+**
A	a	A
A-	a-	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	**bbb-**	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC/CC/C	ccc/cc/c	CCC/CC/C

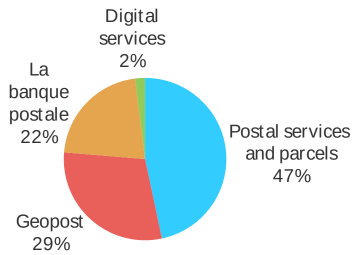
Source: Fitch Ratings

Issuer Profile

LP is the postal service operator in France. It has evolved into a diversified, international group comprising four business units: postal services and parcel delivery (46% of the group's turnover in 2018); express delivery in Europe through Geopost (30%); retail financial services through LBP (22%); and digital services (2%).

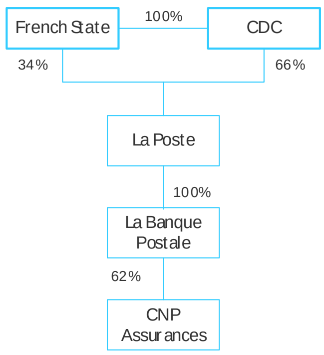
Since 4 March 2020, LBP is the majority shareholder (62%) of the French insurance company CNP. This will boost the importance of financial services within the group and diversify its activities into the insurance market.

Groupe La Poste - Turnover Breakdown, 2019



Source: Fitch Ratings, La Poste

Structure Diagram



Source: Fitch Ratings, La Poste

Assessment of the Support

La Poste – Assessment of the Support

Status, ownership, and control	Support track record	Socio-political implications of default	Financial implications of default	GRE score
Strong	Strong	Strong	Strong	30

Source: Fitch Ratings

Status, Ownership and Control: Strong

LP is a limited company (*société anonyme*) fully owned by the French state and CDC, a state-owned financial institution (see: Caisse des Depots et Consignations (CDC), published 17 February 2020). Since 4 March 2020, the latter has owned 66% of LP's shares and the French state has owned the other 34%. This resulted from the transfer of both CDC and the French state's respective stakes in the capital of CNP to LBP, LP's financial subsidiary.

Since the law of 22 May 2019 (the "PACTE Act"), the French state is no longer a mandatory majority shareholder. However, the law still requires LP to be fully owned by public sector entities, and mentions the state and CDC as the only possible shareholders. As a result, the French state retains ultimate ownership of LP.

Fitch expects the French state to keep tight control over LP's activities, including the nomination of the chief executive and chairman of the board. LP remains also subject to audits from supervising ministries and the state's supervisory bodies.

Support Track Record: Strong

Fitch views the EUR2.7 billion capital increase subscribed by the state and CDC between 2011 and 2013 as a positive track record of support for LP. The transfer of CDC's and the French state's stakes in CNP to LBP is further evidence of support to LP as the latter will now benefit from CNP dividends, which were previously transferred to the state and CDC.

The French state exercises regulatory influence on LP, which supports the latter's financial stability. The missions and financial links between the state and LP are set out in a public service agreement, which defines the public service missions performed by the latter and the subsidies it receives. In 2019, the French state's subsidies amounted to EUR454 million (1.7% of the group's turnover) in compensation for excess public-service costs triggered by newspaper distribution and banking access.

LP could also benefit from the French state's emergency liquidity mechanisms in case of need. However, LP can benefit from state financial support only within the limits set by EU competition law as it has been operating in a competitive business environment since 1 January 2011. The state can only provide financial support to LP to compensate for unfair public service costs. The compatibility of public service missions' compensation schemes with EU regulation has been confirmed by the European Commission (EC) on services of general economic interest.

Public Service Compensation

Public service	Compensation mechanism
Regional planning	State-defined tax exemptions based on regulator's estimate of public service costs
Press distribution	Direct state subsidy, defined with the French government
Financial accessibility	Compensation defined by Ministry of Finance, funded by National Savings Fund
Universal postal service	Dedicated fund if LP bears an "unfair cost under its obligations"'; not activated[a]

Financial support (EURm)

	2016	2017	2018	2019	2020p
Regional planning	170	174	174	174	177
Press distribution	119	121	111.5	103.8	96
Financial accessibility	355	340	320	350	330

[a] The fund would be financed by all licensed postal operators (including the universal service provider itself), in proportion to the number of postal items dispatched by the universal postal service

p: Preliminary figure
Source: Fitch Ratings

Socio-Political Implications of Default: Strong

Fitch considers that a default of LP would temporarily endanger the continued provision of essential public services and lead to significant political repercussions. The French law underpins LP's status as a national public service, and defines four public service missions:

- **Universal postal service (Le Service Universel Postal; SUP)**: the SUP involves the collection and distribution of post six days per week, at affordable prices, throughout France. The quality-of-service requirements go beyond those imposed by EU regulations. LP is in charge of providing the SUP until at least 2026 under tariffs monitored by the national postal regulator, the Autorité de Régulation des Communications Electroniques et des Postes (ARCEP) and within the framework of multi-annual price caps; it also has a monopolistic position on delivery of post in France and no substitute on this market;

- **Regional planning and development**: LP contributes to regional planning and development through a network of 17,033 post offices and retail outlets (end-2019). The law mandates that LP keep at least 17,000 retail outlets across French territory. It must ensure that at least 90% of the French population remains within five kilometres or 20 minutes (by road travel) of a post office. The state partially compensates LP for this mission through a tax abatement scheme set in the regional planning contract;

- **Press transport and distribution**: LP provides transportation and distribution services to newspaper companies, at discounted tariffs. The state partially compensates LP for the cost of these services as they contribute to the freedom of information;

- **Accessibility to banking services**: Universal access to basic retail banking services is ensured by LBP through the regulated savings accounts (Livret A). The additional costs incurred by LBP are compensated and the amount is determined by decree.

LP is one of France's largest employers. The group had around 255,000 employees at end-2019, including 215,000 in France. A significant share of employees (30% at end-2019) are civil servants, backed by powerful unions. However, this share is progressively declining as all new hires from 2002 have been made under private-law contracts.

Since 2012, as requested by the government, LBP has provided funding to local governments and hospitals – both directly and through a joint venture with CDC. In Fitch's view, a default by LP would not trigger a default of LBP and disrupt its financing activities as the latter is ring-fenced. However, it would send a negative signal to LBP's investors and partners, making support by the French state in a timely manner even more necessary.

The transfer of both CDC and the French state's respective stakes in CNP's capital to LP, and then to LBP, reduced the share of LP's public service missions within the group. However, it increased the systemic risk of LBP.

Financial Implications of Default: Strong

Fitch does not consider LP as a proxy financing vehicle for the French state. LP now operates in a competitive market and benefits from financial autonomy.

However, we believe that a default of LP would affect the funding of other French GREs as investors would be likely to lose faith in the French state's ability and willingness to prevent a default from one of these entities.

LP is a sizeable issuer with EUR7.3 billion of financial debt (gross debt, excluding leases and pension liabilities) at end-2019, which mainly comprises bonds. It has access to both national and international markets. In 2020, LP issued EUR1.8 billion on the financial market.

Overall GRE Assessment

The assessment of LP's rating factors leads to a score of 30 under our GRE criteria.

Standalone Credit Profile Assessment

The 'bbb-' SCP reflects the combination of a 'Midrange' assessment for the Revenue Defensibility and Operating Risk rating factors, and a leverage ratio that we expect to be in the 5x–6x range in the medium term in our rating case scenario (2019: 4.9x).

Our analysis is based on Groupe La Poste's logistics and commercial activities, including subsidiaries such as Geopost (express delivery), Asendia (cross-border and international letters and small parcels), and other subsidiaries in different fields of expertise, such as digital services and proximity services. We exclude financial services provided by LBP as they are ring-fenced. However, our EBITDA includes dividends from LBP to the holding company to take into account the financial support from LBP to the group.

Revenue Breakdown (Excl. Non-Cash Items), 2019

	(EURm)	(%)
Post (incl. press delivery)	9,726	47
Parcels	1,859	9
Geopost	7,679	37
E-commerce	506	2
Dividends from LBP	356	2
Other	589	3
Operating revenue	**20,715**	**100**
Memo		
Capital revenue	336	

Source: Fitch Ratings, La Poste

Summary

Revenue defensibility	Operating risk	Leverage ratio (x), 2024rc	Negative impact of liquidity profile	Asymmetric risks	SCP
Midrange	Midrange	5.9	No	No	bbb-

rc: Fitch's rating case scenario
Source: Fitch Ratings

Revenue Defensibility: Midrange

Demand Characteristics

LP benefits from diversified revenue sources, comprising regulated activities, such as letter and parcel delivery, competitive activities, such as express delivery, and dividends from LBP.

Post delivery is a regulated activity, which has been legally open to competition since 1 January 2011. However, LP benefits from a monopolistic position in this market in France and Fitch does not expect this situation to change in the medium term due to the market's low profitability. Post delivery has suffered a structural decline in volume (2019: -7.8%) due to e-substitution. As a result, post delivery only accounted for 47% of LP's operating revenue (excluding banking activities, but including dividends from LBP) in 2019, down from 57% in 2015, and we expect this decline to continue in the next few years.

The customer base remains diversified and this business is non-cyclical and so is unlikely to decline significantly in the context of economic downturn. However, the pandemic and containment measures implemented in 2020 in France will lead to a sharp decline in post revenue this year and accelerate the use of alternative online methods of communication.

Parcel delivery accounted for 9% of LP's operating revenue in 2019, and the share has been stable in recent years (2015: 9%).Revenue from this business line increased 3.2% a year on average in 2015–2019, including external growth (such as the purchase of a controlling stake in Asendia in 2018). LP's Colissimo is the main market participant for parcels in France, representing around 60% of the market. The pandemic and related containment measures boosted parcel delivery operating revenue, which increased by close to 11% in 1H20 year on year (yoy). We expect this to continue to grow in the next five years.

Express delivery, provided by LP's Geopost subsidiary, is a fast-growing market and accounts for an increasing share of LP's revenue: 37% in 2019, up from 29% in 2015. This is likely to continue in the next few years. Like parcel delivery, express delivery revenue has been boosted by the containment measures in 2020 as volumes increased by close to 17% in 1H20 yoy.

However, express delivery is a highly competitive market, and strong organic volume growth is partially offset by pressure on prices. LP has a good market position in Europe, with 12.5%, and ranks as the second-largest competitor. In 2019, 78% of Geopost's revenue came from outside France, mainly from other European countries.

Dividends from LBP amounted to EUR356 million in 2019 (2018: EUR406 million), representing 2% of LP's operating revenue and 23% of Fitch's calculated EBITDA (see Appendix D: Data Adjustments). According to LP's policy, LBP's dividend to the holding company represents 45% of its net profit. The counterparty risk of this revenue source is limited as LBP's viability rating is 'a-'. However, dividends are potentially volatile, as they are directly linked to the profits of LBP.

The dividends received from LP will increase, as a result of the integration of CNP in the group. This will increase the cash flows received by LP and further increase LP's revenue diversification. In 2020, LP will receive no dividend from LBP, following the European Central Bank's (ECB) recommendation for banks to withhold dividends, but we expect dividends to rebound at a very high level in 2021. In our rating case scenario, we include dividends of EUR550 million a year over 2022–2024.

Pricing Characteristics

LP's regulator (Arcep) allowed LP to increase stamp tariffs by 5% a year in 2019–2021, following sharp price increases that have already been implemented in recent years. LP aims to use this leeway to increase its revenue in the next few years. In 2019, postal tariffs increased by 4.9% on average, bringing an extra EUR350 million to LP. This was, however, not sufficient to cover the decline in revenue linked to the fall in volume (-EUR690 million). In Fitch's view, the increase in tariffs is unlikely to significantly affect demand.

LP has the ability to increase tariffs on competitive activities, such as parcel or express delivery. However, this is mitigated by the markets' high competitiveness, which, in practice, limits LP's pricing ability.

Operating Risk: Midrange

Operating Costs

LP's cash-adjusted operating expenditure mainly comprises staff costs (53.5% of operating spending in 2019 – this figure includes LBP) and outsourced transport (collection, delivery, and long-distance transport). Capex is moderate compared to total expenses: it was EUR1.2 billion in 2019, representing 6% of operating expenditure.

Flexibility on major expenditure items is limited due to the weight of staff costs and the public service requirements set by the state. The public service missions of Universal Postal Service and press distribution in particular, entail numerous logistical platforms and a higher number of employees to ensure daily distribution six days a week. However, LP seeks to adapt its organisation and reduce fixed costs, notably through automation and the reorganisation of its post-processing facilities. LP has a high share of employees above 55 years old (close to 30% of total employees) and a declining share of civil servants. This will be a source of higher flexibility on staff costs in the medium term.

The volatility of LP's operating expenditure remains limited overall. However, it remains partially exposed to the fuel expenses that subcontractors can claim, which can negatively affect the company's operating performance – particularly if fuel prices increase.

Resource Management Risk

LP faces some labour constraints within its express delivery business unit. This was notably the case on the German market in 2018 when the recruitment of drivers proved challenging. However, supply constraints remain a limited risk for the company overall.

Capital Planning and Management

LP's mechanisms for capital planning and funding are adequate and Fitch does not consider they should represent a risk for the company.

Financial Profile: Midrange

In our rating case scenario, we expect LP's Fitch-adjusted leverage ratio to be close to 5x–6x in the medium term (2019: 4.9x). LP will be affected by the pandemic in 2020, due to a sharp decline in post volumes, and will face the structural decline in post volumes in the coming years. However, this should be partially offset by the takeover of CNP by LBP, which will increase the dividends received as of 2021.

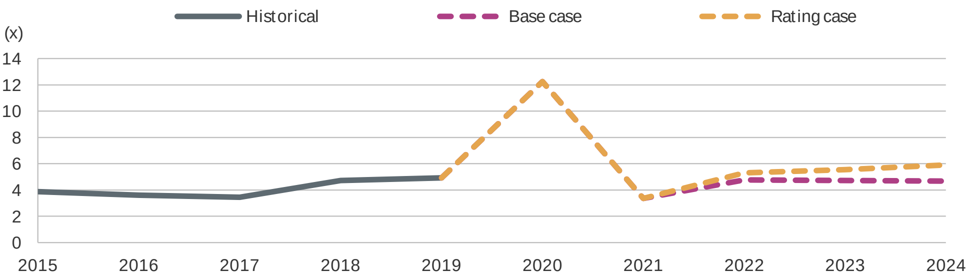
Expenditure Breakdown (Excl. Non-Cash Items), 2019

	(EURm)	(%)
Staff costs	12,683	54
Goods and services	10,662	45
Other	347	1
Operating expenditure	**23,692**	**100**

Memo		
Financial charges	229	-
Capital expenditure	1,207	-

Note: The opex breakdown above includes LBP
Source: Fitch Ratings, La Poste

Net Adjusted Debt/EBITDA - Fitch's Base- and Rating-Case Scenarios



Source: Fitch Ratings, La Poste

Our rating-case scenario is based on the following assumptions:

Fitch's Base and Rating Cases Main Assumptions

	2015–2019 CAGR	2020–2024 CAGR Base case	2020–2024 CAGR Rating case
National nominal GDP growth (Fitch's assumptions)[a]	2.6	1.1	-
Operating revenue growth (%)	**4.0**	**2.9**	**2.5**
Central government primary balance/GDP (%)[a]	-1.8	-	-
Transfers received growth (%)	**-5.4**	**-1.6**	**-1.6**
GDP deflator[a]	1.0	0.8	-
Operating expenditure growth (%)	**4.9**	**2.6**	**2.8**
Net capital expenditure (average per year; EURm)	**-763**	**-840**	**-840**
Sovereign Benchmark OAT 10 years (early-December 2020)	-0.30	-	-
Apparent cost of debt, Fitch-calculated (%), 2019	**2.3**	**2.2**	**2.2**

[a] Sovereign assumptions come from the Global Economic Outlook published by Fitch on 7 December 2020 for 2020-2022. For 2023-2024, we have assumed a return to the 2015–2019 average GDP growth and GDP deflator
Source: Fitch Ratings

2020 will be a challenging year for LP as we expect its EBITDA to fall by EUR700 million–EUR800 million from EUR1.56 billion in 2019. This is due to the sharp decline in post volumes observed this year, which is only partially offset by the sharp increase in parcel and express delivery. In addition, LP will not receive any dividends from LBP in 2020. By contrast, we expect a sharp recovery in 2021 due to a probable increase in post volumes and an exceptional level of dividends.

In our rating case scenario, we expect LP's EBITDA to be close to EUR1.5 billion. The structural decline in post volumes represents a credit risk for LP as it will be only partially offset by the increase in tariffs. This will either lead to a deterioration in LP's financial performance, or will be offset by a further diversification in LP's activities on competitive markets, potentially increasing the volatility of LP's cash flows. By contrast, the integration of CNP in Groupe La Poste will increase the cash flow received by LP and improve its financial profile.

We expect LP's net adjusted debt to increase by about EUR1.8 billion in 2020 and to be close to EUR9.5 billion (Fitch-adjusted) at end-2020 from EUR7.7 billion at end-2019. We expect the EUR1.8 billion bond issued in April 2020 to correspond to LP's financing needs this year due to the shock from the pandemic on LP's revenue. LP did not make any debt capital repayment this year.

Liquidity Profile: Weaker

The Fitch-calculated liquidity cushion for 2020 is 22% and 30% for 2021 in Fitch's rating-case scenario, below Fitch's threshold of 33% for a "neutral" assessment. However, this assessment has a low weight and does not affect LP's SCP.

At end-2019, LP had EUR2.8 billion in cash and other liquid assets (EUR2.46 billion in cash and cash equivalents plus EUR325 million in liquid investments). LP has also contracted EUR800 million of committed lines with LBP and a EUR1 billion syndicated loan with 11 banks. Its liquidity instruments also included a EUR500 million Euro commercial paper programme and a EUR3 billion negotiable European commercial paper (Neu CP) programme (both rated 'F1+').

Cash management is pooled at the group level for fully consolidated entities except LBP. The long-term liquidity gap is updated on a daily basis for the upcoming month. Available cash is invested in diversified, liquid and highly rated money market funds or short-term securities.

Financial and Liquidity Profile Ratios:

- **Leverage:** Net adjusted debt/ EBITDA (x)
- **Gross Interest Coverage:** EBITDA/ Gross Interest (x)
- **Liquidity Cushion:** (EBITDA + Unrestricted Cash & Investments – Annual Debt Service + Available Lines of Credit, not yet drawn)/Cash Opex

Fitch's Rating-Case Scenario:

The rating case is a through-the-cycle scenario that incorporates a combination of revenue, cost or financial risk stresses

Liquidity Cushion Calculation

(EURm)	Year2020c
Total cash, liquid investments, and sinking funds, end of 2019	2,781
Restricted cash, end of 2019	0
Unrestricted cash, liquid deposits, and sinking funds, end-2019	2,781
Undrawn committed credit lines, end-2019	1,800
EBITDA, 2020rc	774
Debt service [a], 2020rc	813
Cash operating expenditure, 2020rc	20,122
Liquidity cushion (x)	**0.23**

[a] Including interest charges (EUR243 million) and short-term debt at end-2019 (EUR570 million)

rc: rating case scenario
Source: Fitch Ratings, La Poste

Asymmetric Risks: Neutral

Debt structure and contingent liabilities	Management and governance	Legal and regulatory	Information quality	Country ceiling and legal regime
Neutral	Neutral	Neutral	Neutral	Neutral

Source: Fitch Ratings

Short-Term Rating Derivation

The 'F1+' Short-Term Rating reflects the application of the higher of the two short-term mapping options for a Long-Term IDR of 'A+', using a top-down approach.

Peer Analysis

LP compares favourably with societe nationale SNCF SA (A+/Negative), the holding of the French railway group. The latter is also rated two notches down from the French state, and has a SCP in the same rating category. SNCF SA is also a limited liability company as of 2020 and is fully owned by the French state.

LP has a higher rating than Deutsche Post AG (BBB+/Stable) due to the expected strong support from the French state – whereas Deutsche Post's rating does not incorporate any support from the German state (AAA/Stable). This mainly reflects the difference in ownership between both companies, and the higher significance of public service missions provided by LP for France.

The difference in ratings between LP and JSC Russian Post (BBB/Stable) reflects the differences in sovereign ratings. JSC Russian Post has a higher GRE score than LP and both are equalised with their respective sovereign's ratings. This mainly reflects higher expected socio-political implications in case of a default as Russian Post is in charge of the retirees' pensions management.

La Poste – Peer Analysis

Entities	Sponsor	GRE score	Leverage 2024rc	SCP	IDR	Rating approach
La Poste	France	30	5.9	bbb-	A+	Top-down minus 2
Deutsche Post	n/a	n/a	2.7 [a]	n/a	BBB+	Standalone
JSC Russian Post	Russia	45	8.7	bb+	BBB	Equalisation
SNCF SA	France	30	5.3 [b]	bbb	A+	Top-down minus 2

rc: Fitch's rating case scenario
[a] 2019 figure (total adjusted net debt/operating EBITDAR)
[b] Leverage of SNCF SA's competitive activities
Source: Fitch Ratings

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3' – ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

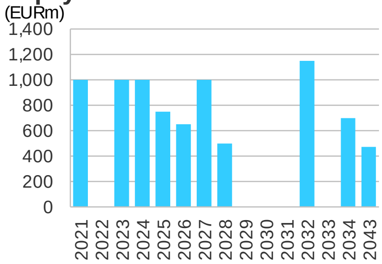
For more information on our ESG Relevance Scores, visit www.fitchratings.com/site/esg.

Debt Analysis

	(End-2019)
Debt in foreign currency/total debt (%)	0
Debt at floating interest rates/ total debt (%)	0
Issued debt/total debt (%)	95
Short-term debt/total debt (%)	7.8
Average cost of debt (%)	1.8
Weighted average life of debt (years)	7.6

Source: Fitch Ratings, La Poste

Debt Amortisation Schedule 2021–2043 – Capital Repayments



. Source: Fitch Ratings, La Poste

Appendix A

Financial Data

(EURm)	2015	2016	2017	2018	2019
Income statement					
Operating revenue	17,684	18,079	18,840	19,562	20,715
Operating expenditure	-17,112	-17,358	-18,098	-19,306	-20,957
Interest revenue	0	0	0	0	0
Interest expenditure	-145	-145	-162	-156	-229
Other non-operating items	500	423	562	897	1,441
Taxation	-253	-104	-248	-161	-134
Profit (loss) after tax	674	895	894	836	836
Memo: Transfers and grants from public sector	130	119	121	112	104
Balance sheet summary					
Long-term assets	12,799	12,841	14,094	14,720	18,193
Stock	109	97	121	132	154
Trade debtors	3,737	3,886	3,930	4,156	4,014
Other current assets	213,425	224,742	226,115	239,765	265,858
Total cash, liquid investments, sinking funds	2,949	2,622	2,405	2,736	2,781
Total assets	233,019	244,188	246,665	261,509	291,000
Long-term liabilities	11,773	11,483	11,063	11,063	14,446
Short term debt	1,319	1,054	980	1,215	1,076
Trade creditors	1,700	1,813	1,965	2,116	2,110
Other short term liabilities	208,212	218,567	220,884	235,041	259,973
Charter capital	6,288	7,008	6,995	6,697	7,077
Reserves and retained earnings	3,435	4,146	4,606	5,182	5,413
Minority interests	292	115	169	197	907
Liabilities and equity	233,019	244,186	246,662	261,511	291,002
Debt statement					
Short-term debt	1,319	1,054	980	1,215	570
Long-term debt	5,967	5,361	4,834	4,523	6,115
Finance leases	0	0	0	0	0
Subordinated debt	0	237	237	609	609
Total debt	7,286	6,652	6,051	6,347	7,294
Unfunded pension liabilities	593	494	468	477	537
Other Fitch-classified debt	2,258	2,391	2,463	2,766	2,625
Adjusted debt	10,137	9,537	8,982	9,590	10,456
Unrestricted cash, liquid investments, sinking funds	2,949	2,622	2,405	2,736	2,781
Net adjusted debt	7,188	6,915	6,577	6,854	7,675
EBITDA reconciliation					
Operating balance	572	721	742	256	-242
+ Depreciation	1,282	1,194	1,160	1,197	1,802
+ Provision and impairments	0	0	0	0	0
+/- Other non-cash operating expenditures/revenues	0	0	0	0	0
= EBITDA	1,854	1,915	1,902	1,453	1,560

Source: Fitch Ratings, La Poste

Appendix B

Financial Ratios

	2015	2016	2017	2018	2019
Income statement ratios					
Operating revenue growth (annual % change)	5.1	2.2	4.2	3.8	5.9
Operating expenditure growth (annual % change)	4.2	1.4	4.3	6.7	8.6
EBITDA/operating revenue (%)	10.5	10.6	10.1	7.4	7.5
CFADS/revenue available for debt service (%)	10.5	10.6	10.1	7.4	7.5
Personnel costs/operating expenditure (%)	77.5	74.9	72.7	67.4	63.0
Total transfers from public sector/operating revenue and ad-hoc transfers (%)	0.7	0.7	0.6	0.6	0.5
Balance sheet ratios					
Current assets/adjusted debt (%)	2,172.4	2,425.8	2,589.3	2,573.4	2,609.1
Current assets/total assets (%)	94.5	94.7	94.3	94.4	93.7
Total assets/adjusted debt (%)	2298.7	2560.4	2746.2	2726.9	2783.1
Return on equity (%)	6.7	7.9	7.6	6.9	6.2
Return on assets (%)	0.3	0.4	0.4	0.3	0.3
Debt ratios					
Net adjusted debt/EBITDA (x)	3.9	3.6	3.5	4.7	4.9
Net adjusted debt/CFADS (x)	3.9	3.6	3.5	4.7	4.9
EBITDA/gross interest coverage (x)	12.8	13.2	11.7	9.3	6.8
CFADS/gross interest coverage (x)	12.8	13.2	11.7	9.3	6.8
Net adjusted debt/operating revenue (%)	40.6	38.2	34.9	35.0	37.1
Net adjusted debt/equity (%)	73.9	62.0	56.7	57.7	61.4
Debt in foreign currency/total debt (%)	0.0	0.0	0.0	0.0	0.0
Debt at floating interest rates/total debt (%)	-	-	-	-	0.0
Issued debt/total debt (%)	91.6	87.6	87.9	83.4	86.8
Liquidity ratios					
Liquidity cushion (x)	0.2	0.2	0.2	0.2	0.2
Coverage ratio (x)	7.9	8.2	8.7	15.0	12.7

Source: Fitch Ratings, La Poste

Appendix C

Fitch's Rating-Case Scenario

(EURm)	2020rc	2021rc	2022rc	2023rc	2024rc
Cash-adjusted income statement					
Operating revenue	20,896	23,057	22,561	22,956	23,358
Operating revenue growth (annual % change)	0.9	10.3	-2.1	1.7	1.7
Operating expenditure	-20,122	-20,485	-20,916	-21,361	-21,821
Operating expenditure growth (annual % change)	5.0	1.8	2.1	2.1	2.2
EBITDA	774	2,572	1,637	1,577	1,510
Interest revenue	0	0	0	0	0
Interest expenditure	-243	-273	-243	-235	-226
Financial balance	-243	-273	-243	-235	-226
Net capital expenditure	-1,000	-800	-800	-800	-800
Capital injection and other cash-items	0	0	0	0	0
Dividend paid	-173	-221	-173	-173	-173
Other cash-items (net)	-1,157	-450	-450	-450	-450
Net debt movement	1,800	-890	-8	74	169
Change in cash	1	-62	-37	-7	30
Debt and liquidity					
Adjusted debt	12,256	11,366	11,358	11,432	11,601
Memo: Non-cash movement in adjusted debt	0	0	0	0	0
Unrestricted cash	2,781	2,719	2,679	2,661	2,669
Net adjusted debt	9,475	8,647	8,679	8,771	8,932
Financial and liquidity ratios					
Net adjusted debt/EBITDA (x)	12.2	3.4	5.3	5.6	5.9
EBITDA/gross interest coverage (x)	3.2	9.4	6.7	6.4	6.1
Liquidity cushion (x)	0.2	0.3	-	-	-
Liquidity coverage ratio (x)	22.9	22.0	-	-	-

rc - Fitch's rating case scenario
Source: Fitch Ratings

Appendix D: Data Adjustments

Logistics and Commercial Perimeter

Our analysis is based on LP Group's logistics and commercial activities, including subsidiaries such as Geopost (express delivery), Asendia (cross-border and international post and small parcels), and other subsidiaries in different fields of expertise (digital services, proximity services). We exclude financial services provided by LBP as they are ring-fenced. However, our EBITDA includes dividends from LBP to the holding company to take into account the financial support from LBP to the group.

Net Adjusted Debt Calculation

Fitch's adjusted debt includes LP's short-term debt (EUR570 million at end-2019), senior long-term debt (EUR6.115 billion), half of a hybrid issue made in 2016 (EUR237 million), half of a hybrid issue made in 2018 (EUR372 million), leases (EUR2.625 billion), and unfunded liabilities (EUR537 million).

Half the amounts of hybrid issues are incorporated in the adjusted debt calculation as Fitch has assigned 50% equity content to them.

Operating leases are based on LP's data, using IFRS 16 methodology.

LP's defined pension funding totalled EUR819 million at end-2019. However, these expenses may be deducted from taxes. Hence, Fitch incorporates a net present value of EUR537 million in its adjusted calculation.

Fitch's net adjusted debt corresponds to the difference between Fitch's adjusted debt and LP's unrestricted cash and liquid assets (EUR2.781 billion at end-2019).

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.