S&P Global Ratings

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Tear Sheet:

bpost NV/SA

May 27, 2025

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This report does not constitute a rating action.

Full-year consolidation of the newly acquired Staci will drive moderate growth in bpost's adjusted EBITDA in 2025, likely offsetting the impact of new press contracts, domestic strikes, and weakness in North America, as per our base case. The group will continue to face operational headwinds this year while it accelerates the execution of strategic initiatives across all business units. The structural decline in mail volumes at its BeNe Last-Mile business unit (we estimate a 7%-9% drop in 2025 after a 6.3% decline in 2024) will continue to weigh on revenue performance. We also forecast an additional revenue loss of about €55 million from new press contracts, which will simultaneously reduce adjusted EBIT by about €30 million.

Furthermore, a two-week labor strike in Belgium in February 2025 led to a 12% plunge in parcel volumes during the month (compared with average volume growth of 2.5% in January and March) and might result in structural or permanent loss of parcel volumes, mainly those coming from small to midsize customers, to competition. We also anticipate that delayed efficiency gains from reorganization, and higher operating expenses--particularly due to scheduled salary indexation--will further strain profitability. Our base-case adjusted EBIT margins of 2%-3% in 2025, lower than 5.7% in 2024, reflect the impact.

In addition, bpost's North American operations, particularly through its 3PL North America business unit, will continue to face challenges while the group pursues its strategic initiatives, shifting away from larger accounts to small-to-midsize clients. After a 19% drop in revenue in 2024, we forecast a decline of up to 10% in 2025 due to persistent market overcapacity and client churn--including the full-year impact from bpost losing a major enterprise customer in early 2025. We expect the full-year consolidation of Staci to lead to higher EBIT margin in the 3PL segment. That said, we acknowledge this benefit may be offset by difficult trading conditions in North America, aggravated by potential impacts from U.S. tariffs and economic and geopolitical uncertainties.

S&P Global Ratings expects parcel volumes will continue to increase by 3%-5% in 2025, a key positive. This, combined with bpost's sustained ability to implement price increases and attain a favorable price-and-mix effect, supported by solid cost control, should partly mitigate the pressures from structurally declining mail and press volumes as well as overcapacity and revenue weakness in the 3PL North America business. In addition, Staci, a part of bpost's 3PL Europe business unit, is performing well and in line with our expectations. Together, these factors will push up bpost's revenue by 6%-8% to €4.6 billion-€4.7 billion as per our forecast and its S&P Global Ratings-adjusted EBITDA to €540 million-€570 million in 2025, compared with €526 million in 2024, with Staci contributing to the group's results only from August 2024.

Credit metrics will remain in line with the current rating, underpinned by bpost's leverage protection measures and prudent financial policy, but rating headroom remains limited. In line with our forecast, bpost's adjusted debt increase in 2024 following the acquisition of Staci was not fully compensated by its EBITDA expansion, and therefore S&P Global Ratings-adjusted funds from operations (FFO) to debt, at 22.5% in 2024, fell slightly short of the rating threshold of above 23%. Given uncertain trading conditions and high ongoing capex needs, bpost suspended dividends in 2025 to preserve cash and prioritize deleveraging. We understand that necessary transformational investments (for example, in automatic parcel lockers) are underway and capex will stay elevated at up to €180 million this year, compared with €150 million annually in 2024-2023 on average. Amid persistent operational headwinds, we forecast free operating cash flow (FOCF) to moderate but remain materially positive (above €300 million compared with €371 million reported in 2024), which lends essential support to credit measures.

We understand that rating stability is an important consideration for the group, especially in relation to discretionary spending decisions. Therefore, we believe bpost would continue to prioritize net debt reduction over discretionary capex, external growth, and shareholder returns, especially given difficult trading conditions. We expect bpost's adjusted FFO to debt to reach or slightly exceed 23.0% in 2025 (versus 22.5% in 2024), pointing to limited rating headroom in case of unexpected operating underperformance. We forecast a further improvement to at least 25.0% in 2026. Our base case assumes that there is no unexpected margin compression or cash outflow (beyond the group's publicly communicated estimates) in the context of the Belgian Competition Authority's ongoing investigation into the government's award of a press concession to the group. We further assume that the €75 million provision (recorded by bpost in 2023) constitutes the best available estimate of overcompensation--following bpost's closing of three voluntary compliance reviews (traffic fines, 679 accounts, and license plates) relating to tenders and public contracts. We acknowledge that the estimated amount remains preliminary, because it does not yet reflect the views of the Belgian government.

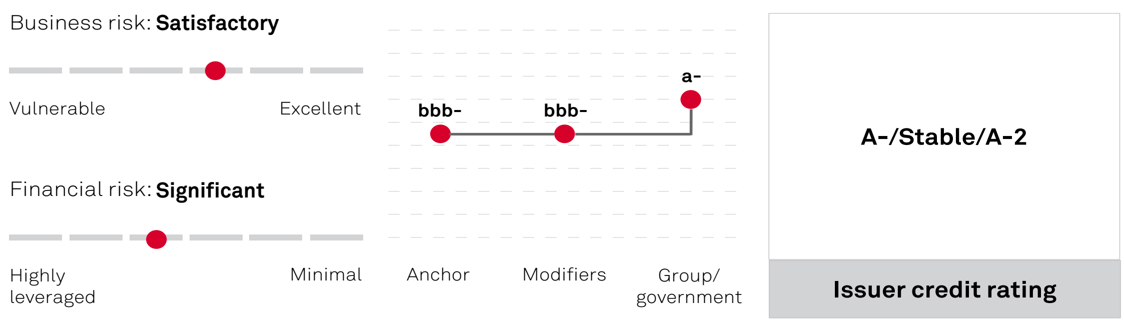
Given the government's 51% majority stake in bpost and our view of its importance to Belgium's population and economy, we consider the group as a government-related entity (GRE), reflected in our three-notch uplift to its stand-alone credit profile. We think there is a high likelihood that bpost would benefit from timely and sufficient extraordinary support from the Belgian government in the event of financial distress. The government's contingent liabilities are limited and therefore would not constrain its capacity and willingness to support bpost in a timely manner if the group experienced financial difficulty, in our view. More generally, we do not question the government's general propensity to support the GRE sector.

We base our assessment of a high likelihood of support from the Belgian government on bpost's:

- Very important role for the government, considering its status as Belgium's second-largest public employer after the state, and the economic, political, and social importance of its public policy mandates (including the universal postal service provision and the maintenance of an extensive distribution network); and
- Strong link with the government; the Belgian government owns 51% of bpost’s shares and can appoint half of the board's members. While it has regularly signed multiyear management contracts with bpost (the most recent being the seventh management contract regarding the provision of services of public economic interest lasting until end-2026), we understand the

government is not actively involved in the group's strategy and operations. Although we do not expect privatization in the near future, we do not fully rule out a potential dilution of the government's stake in the group's capital, for instance, in case of an acquisition, given prior government statements.

Ratings Score Snapshot



Company Description

bpost is a majority government-owned postal operator based in Belgium. It plays an important role in Belgian society and the country's economy as a provider of a universal service obligation and services of general economic interest. The universal service obligation encompasses the provision of certain services, including mail delivery, under conditions overseen by the respective regulator. Services of general economic interest include:

- The maintenance of at least 1,300 postal service points, 650 of which must be post offices;
- Voting paper packages, election items, and public request mail delivery;
- Doorstep payments of pensions and other benefits;
- Basic payment services for people not served by banks; and
- Digital public services to close the digital gap in Belgium.

To counter the continual structural decline in the mail sector, bpost is diversifying its business into nonmail-related segments, such as parcels and e-logistics--the acquisition of Radial in 2017 and Staci in 2024 are two examples. These markets demonstrate attractive long-term growth potential, unlike the structurally declining mail market in Belgium.

With about €4.3 billion in revenue and about 34,000 full-time employees, bpost is one of the largest corporations in Belgium and an important employer in the country. Its S&P Global Ratings-adjusted EBITDA came in at €526 million in 2024. The group holds as much as 99% share in some markets, primarily domestic mail, where certain business areas enjoy natural economies of scale that are difficult to replicate profitably.

bpost operates through three business units:

- BeNe Last Mile (52% of 2024 group revenue);
- 3PL North America and Europe (34% of group revenue); and
- Global Cross-border (14% of group revenue).

Revenue excludes intersegment and other revenue, as well as income from the corporate segment.

Outlook

The stable outlook reflects our base-case forecast that adjusted FFO to debt will remain above 23.0% over 2025-2026. We anticipate that the group will maintain strong market positions in the mail and parcel segments and that it will manage to prevent significant unexpected profitability erosion, while successfully integrating Staci over the next 24 months.

Downside scenario

We could downgrade bpost if, for example, we expected its adjusted FFO to debt to sustainably decline below 23.0%. This could happen if bpost's operating and financial performance proved substantially weaker than our base-case forecasts because, for example:

- Tariff or price evolution and cost-saving measures were insufficient to offset the structural decline in mail volumes and overcapacity in North America;
- The parcel business experienced a surge in competition, dampening overall group profitability;
- The group unexpectedly embarked on further sizable debt-funded acquisitions;
- The overcompensation, relating to tenders and public contracts, was much higher than expected and resulted in an unexpectedly significant margin squeeze or cash outflows; or
- The group failed to successfully integrate Staci.

We could also take a negative rating action if bpost unexpectedly did not refinance its upcoming debt maturities in a timely manner. A downgrade could also occur if we believe the likelihood of government support has weakened.

Upside scenario

Although unlikely over the medium term, we could raise our rating on bpost if adjusted FFO to debt sustainably exceeded 30.0%. This could happen if, for example, bpost performed significantly above our base-case projections and consistently used free cash flow for net debt reduction while adjusting its financial policy to ensure these ratios are sustainable.

We could also raise the rating if bpost's role for or link with the Belgian government strengthened further, but consider this as unlikely.

Key Metrics

bpost SA/NV--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
(Mil. EUR)	**2021a**	**2022a**	**2023a**	**2024a**	**2025e**	**2026f**
Revenue	4,282	4,372	4,258	4,329	4,600-4,700	4,700-4,800
EBITDA	588	553	481	526	540-570	570-610
Funds from operations (FFO)	481	473	405	467	450-480	480-510
Capital expenditure (capex)	172	164	155	147	180	180
Free operating cash flow (FOCF)	226	233	188	371	About 320	About 340
Debt	792	744	744	2,079	2,000-2,100	1,800-1,900
Adjusted ratios						
Debt/EBITDA (x)	1.3	1.3	1.5	4.0	3.5-4.0	3.0-3.5
FFO/debt (%)	60.7	63.7	54.5	22.5	About 23	25-27
Annual revenue growth (%)	4.1	2.1	(2.6)	1.7	6-8	1-2
EBITDA margin (%)	13.7	12.7	11.3	12.1	12-13	12-13

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Financial Summary

bpost SA/NV--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	**2019a**	**2020a**	**2021a**	**2022a**	**2023a**	**2024a**
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	3,779	4,115	4,282	4,372	4,258	4,329
EBITDA	510	506	588	553	481	526
Funds from operations (FFO)	379	404	481	473	405	467
Interest expense	50	32	21	28	43	48
Capital expenditure	162	148	172	164	155	147
Free operating cash flow (FOCF)	262	424	226	233	188	371
Discretionary cash flow (DCF)	88	424	226	134	108	345
Debt	1,142	877	792	744	744	2,079
Common equity	683	584	885	1,065	1,027	860
Adjusted ratios						
EBITDA margin (%)	13.5	12.3	13.7	12.7	11.3	12.1
EBITDA interest coverage (x)	10.3	16.0	28.5	19.7	11.2	11.0
FFO cash interest coverage (x)	14.3	16.6	19.8	19.6	13.2	12.4
Debt/EBITDA (x)	2.2	1.7	1.3	1.3	1.5	4.0
FFO/debt (%)	33.2	46.1	60.7	63.7	54.5	22.5
FOCF/debt (%)	23.0	48.3	28.5	31.3	25.3	17.9
DCF/debt (%)	7.7	48.3	28.5	18.0	14.5	16.6

Annual reconciliation

bpost SA/NV--Reconciliation of Reported Amounts With S&P Global Ratings' Adjusted Amounts

	--Fiscal year ended Dec. 31, 2024--					
bpost SA/NV reported amounts (mil. €)	**Debt**	**Shareholder equity**	**EBITDA**	**Operating income**	**S&P Global Ratings-adjusted EBITDA**	**Cash flow from operations**
	1,657.9	859.5	534.0	(118.1)	525.6	534.9
S&P Global Ratings' adjustments	--	--	--	--	--	--
Cash taxes paid	--	--	--	--	(18.1)	--
Cash interest paid	--	--	--	--	(40.8)	--
Reported lease liabilities	889.7	--	--	--	--	--
Postretirement benefit obligations/deferred compensation	197.9	--	(8.6)	(8.6)	--	--
Accessible cash and liquid investments	(677.4)	--	--	--	--	--
Nonoperating income (expense)	--	--	--	18.6	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	(17.0)
Noncontrolling interest/minority interest	--	0.5	--	--	--	--
Debt: Put options on minority stakes	10.7	--	--	--	--	--
EBITDA: Other	--	--	0.2	0.2	--	--
Depreciation and amortization: Impairment charges/(reversals)	--	--	--	299.0	--	--
Total adjustments	420.9	0.5	(8.4)	309.2	(58.9)	(17.0)
S&P Global Ratings' adjusted amounts						
	Debt	**Equity**	**EBITDA**	**EBIT**	**Funds from operations**	**Cash flow from operations**
	2,078.8	860.0	525.6	191.1	466.7	517.9

Peer Comparison

bpost SA/NV--Peer Comparisons

	bpost SA/NV	PostNL N.V.	International Distribution Services PLC
Foreign currency issuer credit rating	A-/Stable/A-2	BBB-/Stable/A-3	BBB/Negative/A-2
Local currency issuer credit rating	A-/Stable/A-2	BBB-/Stable/A-3	BBB/Negative/A-2
Period	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-03-31
Mil.	EUR	EUR	EUR
Revenue	4,329	3,252	14,843
EBITDA	526	224	633
Funds from operations (FFO)	467	165	460
Interest	48	26	102

bpost SA/NV--Peer Comparisons

Cash interest paid	41	28	95
Operating cash flow (OCF)	518	189	212
Capital expenditure	147	100	448
Free operating cash flow (FOCF)	371	89	(236)
Discretionary cash flow (DCF)	345	67	(236)
Cash and short-term investments	747	453	1,459
Gross available cash	677	453	1,459
Debt	2,079	529	2,077
Equity	860	205	4,150
EBITDA margin (%)	12.1	6.9	4.3
Return on capital (%)	8.1	7.2	0.6
EBITDA interest coverage (x)	11.0	8.6	6.2
FFO cash interest coverage (x)	12.4	6.9	5.9
Debt/EBITDA (x)	4.0	2.4	3.3
FFO/debt (%)	22.5	31.2	22.2
OCF/debt (%)	24.9	35.7	10.2
FOCF/debt (%)	17.9	16.8	(11.4)
DCF/debt (%)	16.6	12.7	(11.4)

Liquidity

Our short-term rating on bpost is 'A-2', reflecting the long-term issuer credit rating and our assessment of the group's liquidity as adequate. Our view of bpost's liquidity primarily reflects our expectation that liquidity sources for the 12 months started March 31, 2025 will cover uses by over 8.0x. The group's well-established and solid relationships with banks and generally prudent risk management support our liquidity assessment.

bpost’s next meaningful maturity is its €650 million bond due for repayment in July 2026.

Principal liquidity sources

- About €781 million of cash on hand as of March 31, 2025.
- Access to €475 million of long-term committed revolving credit facilities and bilateral facilities, which were fully undrawn.
- Cash FFO of €330 million-€340 million, by our estimates.

Principal liquidity uses

- Up to €180 million of capex (including expansionary capex that would likely be undertaken even in a downturn or that has been contractually committed).

Environmental, Social, And Governance

Environmental, social, and governance factors have no material influence on our credit rating analysis of bpost. As a postal operator, bpost relies on a large fleet of vehicles for its deliveries. We think that the group is on track to achieve its target to reduce scope 1 and 2 greenhouse gas emissions by 55% by 2030 (compared with 2019) and scope 3 emissions by 14% by 2030 (compared with 2019) by switching to liquefied natural gas vehicles, introducing double-decker trucks, and expanding its zero-emissions delivery zones to more areas in Belgium. The group aims to reach net zero emissions by 2040.

Issue Ratings--Subordination Risk

Capital structure

As of March 31, 2025, bpost's debt portfolio consisted of the €650 million unsecured bond due July 2026 and €1.0 billion bonds of €500 million each due in 2029 and 2034, respectively, all bonds are ranking pari passu with one another. Noncurrent and current lease liabilities amounted to about €907 million.

Analytical conclusions

We rate bpost's senior unsecured bonds in line with the 'A-' long-term issuer credit rating, given that there are no significant elements of subordination risk in the group's capital structure. All of the group's outstanding debt is unsecured and sits at the parent level.

Rating Component Scores

Foreign currency issuer credit rating	**A-/Stable/A-2**
Local currency issuer credit rating	**A-/Stable/A-2**
Business risk	**Satisfactory**
Country risk	Low
Industry risk	Low
Competitive position	Satisfactory
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**bbb-**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb-**
Related government rating	**AA**
Likelihood of government support	**High (+3 notches from SACP)**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010