S&P Global Ratings

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Tear Sheet:

Hapag-Lloyd AG

June 30, 2026

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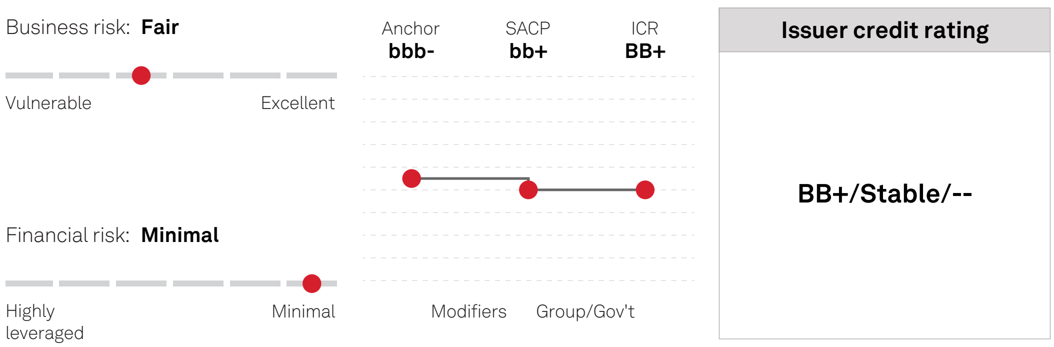
Editor's note: S&P Global Ratings believes there is a high degree of unpredictability around the duration and scale of the Middle East war and its potential effect on commodity prices, supply chains, economies, and credit conditions. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential shifts and reassess our guidance accordingly.
This report does not constitute a rating action.

What's new: Hapag-Lloyd's first-quarter 2026 results reflected sustained pressure on profitability and cash flow due to lower freight rates, although rates have increased significantly in recent weeks. This rate strength has been driven by bunker fuel cost pass-through mechanisms introduced in early March, followed by an unexpected acceleration in peak-season demand. Considering the year-to-date trading conditions, we forecast S&P Global Ratings-adjusted EBITDA of €2.1 billion-€2.3 billion in 2026--at the higher end of Hapag-Lloyd's guidance range from early May and below the €3.2 billion in 2025. Our base case implies persistent structural oversupply in container shipping, which is weighing on freight rates in general. We think the so far resilient global demand supporting trade volumes and still relatively minor (close 10% of total company's EBITDA) but robust EBITDA from terminals business, will be insufficient to fully cushion the impact from lower average freight rates and stabilize EBITDA in 2026. Furthermore, our base case assumes normalized demand toward year-end, as the current front-loading of volumes precipitates a potentially accelerated post-peak correction, with renewed pressure on rates. Our forecast incorporates low-single-digit annual growth in global transported volumes in 2026 and a similar scenario in 2027. In the meantime, new containerships continue to add to the global fleet, exacerbating structural overcapacity in 2026-2028. We therefore forecast the average freight rate in 2026 will be about 1%-3% lower than in 2025, with a further 10%-15% drop in average rates in 2027. Consequently, our base case indicates that a further EBITDA drop to €1.3 billion-€1.5 billion will follow in 2027 as structural oversupply will intensify.

Why it matters: Hapag-Lloyd's headroom under our 'BB+' rating is clearly diminishing after the company returned to a net debt position, with S&P Global Ratings-adjusted debt of €1.25 billion as of Dec. 31, 2025, from a net cash position in 2021-2024. This was because free operating cash flow (FOCF) was insufficient to support the €1.5 billion dividend. According to our base case, adjusted debt will increase further in 2026 as capital expenditure of €1.0 billion-€1.5 billion, dividend distribution of €527 million (paid in the second quarter of 2026), and annual lease amortization will outpace internally generated cash flows. According to our adjusted base case EBITDA for 2026 and 2027, S&P Global Ratings-adjusted funds from operations (FFO) to debt will weaken to 90%-100% in 2026 (from 220% in 2025) and further to 40%-50% in 2027. Both figures remain above the 35% threshold required for a 'BB+' rating. Our base case, nevertheless, is susceptible to various risks relating to geopolitical factors, energy markets, trade policies, and macroeconomic conditions. Additionally, there is uncertainty about how the resilience of profitable freight rates will interact with the capacity-management strategies of industry players, particularly as we expect disruptions in the Red Sea to ease and capacity to be released into the network, albeit unlikely at significant scale before late 2026. The containership orderbook is currently elevated at about 40% of the total global fleet and rising, compared with an all-time low of 8% in October 2020, according to Clarksons Research. These risks are only partly captured in our forecasts and may exert additional pressure on company's EBITDA and cash flow measures.

Ratings Score Snapshot



ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Recent Research

- Structural Oversupply Threatens To Erode Container Liner Profitability, June 17, 2026
- Shipping Brief: War In The Middle East Is Clouding The Suez Reopening While Sustaining High Freight Rates, March 5, 2026
- CreditWeek: How Are The Shifting Tides Of Global Trade Challenging Europe?, Feb. 19, 2026
- Industry Credit Outlook 2026: Transportation, Jan. 14, 2026

Company Description

Hapag-Lloyd is a leading global container liner operator with 302 modern ships. Hapag-Lloyd transports 13.5 million twenty-foot equivalent units (TEUs) of cargo per year and has about 19,600 employees in 400 offices across 140 countries.

Hapag-Lloyd has a fleet with a total capacity of approximately 2.5 million TEUs, as well as container stock of approximately 3.6 million TEUs, including one of the world's largest and most modern refrigerated container fleets.

Hapag-Lloyd's global network provides connections between more than 600 ports on every continent. In addition, Hapag-Lloyd has equity stakes in 24 terminals in Europe, Latin America, the U.S., India, and North Africa.

Hapag-Lloyd is owned by:

- CSAV (30.0%);

- Klaus Michael Kühne (including Kühne Holding AG and Kühne Maritime GmbH) (30.0%);
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (13.9%);
- Qatar Investment Authority (12.3%); and
- The Public Investment Fund on behalf of the Kingdom of Saudi Arabia (10.2%).

Free-floating shares constitute 3.6% of total shares.

The company generated revenue of €18.6 billion and EBITDA of €3.2 billion in 2025.

Outlook

The stable outlook reflects our expectation that Hapag-Lloyd will maintain adjusted FFO to debt above 35%, our threshold for a 'BB+' rating, because the continued Red Sea rerouting, moderate annual growth in global trade volumes, and port congestion are cushioning the impact of new tonnage deliveries. We factor in industry players' stringent capacity-management discipline when the Red Sea disruptions ease--releasing capacity into the network--which we anticipate in late 2026 at the earliest.

Downside scenario

We could lower the rating if we expect Hapag-Lloyd's adjusted FFO to debt to fall sustainably below 35%, for example due to an unforeseen plunge in trade volumes, along with industry players' unexpected failure to adjust excess capacity, thereby sustainably depressing freight rates. A large cash- or debt-funded acquisition that results in credit measures falling short of our guidelines for a long period might also lead to a downgrade.

Upside scenario

We could raise the rating if Hapag-Lloyd's adjusted FFO to debt remains above 50% once freight rates normalize, and if the company commits to a financial policy to ensure that this ratio is sustainable.

Key Metrics

Hapag-Lloyd AG--Forecast summary

Period ending	**Dec-31-2024**	**Dec-31-2025**	**Dec-31-2026**	**Dec-31-2027**
(Mil. EUR)	2024a	2025a	2026e	2027f
Container volume growth (%)	4.7	8.2	2.0-3.0	2.0-3.0
Average freight rate growth (%)	-0.5	-7.8	Negative up to 3.0	Negative up to 15.0
Revenue	19,112	18,633	17,000-19,000	16,000-18,000
EBITDA	4,668	3,168	2,100-2,300	1,300-1,500
Funds from operations (FFO)	4,229	2,769	2,000-2,200	1,000-1,300
Capital expenditure (capex)	2,134	1,430	1,200-1,500	900-1,200
Adjusted ratios				
Debt/EBITDA (x)	--	0.4	0.5-1.0	1.5-2.0
FFO/debt (%)	NM	220.4	90-100	40-50

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. NM--not meaningful.

Financial Summary

Hapag-Lloyd AG--Financial Summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025
Reporting period	2023a	2024a	2025a
Display currency (mil.)	EUR	EUR	EUR
Revenues	17,930	19,112	18,633
EBITDA	4,458	4,668	3,168
Funds from operations (FFO)	4,050	4,229	2,769
Interest expense	272	345	383
Operating cash flow (OCF)	5,341	4,397	2,415
Capital expenditure	1,667	2,134	1,430
Free operating cash flow (FOCF)	3,675	2,263	985
Discretionary cash flow (DCF)	(7,414)	624	(472)
Cash and short-term investments	7,559	7,478	5,355
Debt	0	0	1,257
Common equity	18,767	20,723	17,987
Adjusted ratios			
EBITDA margin (%)	24.9	24.4	17.0
EBITDA interest coverage (x)	16.4	13.5	8.3
Debt/EBITDA (x)	0.0	0.0	0.4
FFO/debt (%)	NM	NM	220.4
FOCF/debt (%)	NM	NM	78.4

Peer Comparison

Hapag-Lloyd AG--Peer Comparisons

	Hapag-Lloyd AG	A.P. Moller - Maersk A/S	Wan Hai Lines Ltd.
Foreign currency issuer credit rating	BB+/Stable/--	BBB+/Stable/--	BB+/Stable/--
Local currency issuer credit rating	BB+/Stable/--	BBB+/Stable/--	BB+/Stable/--
Period	Annual	Annual	Annual
Period ending	2025-12-31	2025-12-31	2024-12-31
Mil.	EUR	EUR	EUR
Revenue	18,633	45,981	4,767
EBITDA	3,168	8,149	1,936
Funds from operations (FFO)	2,769	6,629	1,741
Interest	383	974	61
Capital expenditure	1,430	3,963	1,053
Free operating cash flow (FOCF)	985	4,579	1,093
Discretionary cash flow (DCF)	(472)	569	969
Cash and short-term investments	5,355	8,091	4,963

Hapag-Lloyd AG--Peer Comparisons

Debt	1,257	0	0
Equity	17,987	48,288	7,709
EBITDA margin (%)	17.0	17.7	40.6
EBITDA interest coverage (x)	8.3	8.4	31.9
Debt/EBITDA (x)	0.4	0.0	0.0
FFO/debt (%)	220.4	NM	NM
FOCF/debt (%)	78.4	NM	NM

Environmental, Social, And Governance

Environmental factors are a negative consideration in our credit rating analysis of Hapag-Lloyd, as the global shipping industry faces a large regulatory burden. This is reflected in increasingly stringent emissions targets; demanding and lumpy capital investments, for example in new vessels powered by alternative fuels; and more expensive emissions-compliant bunkers.

Hapag-Lloyd is proactively investing in dual-fuel vessels that run on liquefied natural gas (LNG). LNG is a transitional fuel that, in addition to reducing air pollution, produces up to 20% less carbon dioxide than traditional fuels. These vessels are also technically capable of using carbon-neutral synthetic natural gas instead of LNG in the future.

Hapag-Lloyd has received 12 ultra-large dual-fuel-engine vessels (over 23,500 TEUs) since 2023. This is equivalent to about 12% of Hapag-Lloyd's current fleet size of 2.5 million TEUs. In addition, the company announced a major renewal plan for its fleet, with 50 dual-fuel vessels with capacity of close to 700,000 TEU to operate by 2030. In 2020, Hapag Lloyd was the first shipping company to retrofit a conventional vessel so that it could run on LNG.

Rating Component Scores

Foreign currency issuer credit rating	**BB+/Stable/--**
Local currency issuer credit rating	**BB+/Stable/--**
Business risk	**Fair**
Country risk	Intermediate
Industry risk	High
Competitive position	Satisfactory
Financial risk	**Minimal**
Cash flow/leverage	Minimal
Anchor	**bbb-**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Negative (-1 notch)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bb+**

Related Criteria

- Criteria | Corporates | General: Recovery Rating Criteria For Corporate Issuers, March 31, 2026
- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- 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: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- 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