

**We go further  
to bring  
the world**

*closer.*

AHORRO  
PRESENTATION  
**June 2020**

500  
YEARS

**att**

# Disclaimer

## DISCLAIMER

This document has been prepared by CTT – Correios de Portugal, S.A. (the “Company” or “CTT”) exclusively for use during the roadshows and conferences of the 1<sup>st</sup> quarter 2020 results. As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason or purpose without the express and prior written consent of CTT. This document (i) may contain summarised information and be subject to amendments and supplements, and (ii) the information contained herein has not been verified, reviewed nor audited by any of the Company’s advisors or auditors.

Except as required by applicable law, CTT does not undertake any obligation to publicly update or revise any of the information contained in this document. Consequently, the Company does not assume liability for this document if it is used for a purpose other than the above. No express or implied representation, warranty or undertaking is made as to, and no reliance shall be placed on, the accuracy, completeness or correctness of the information or the opinions or statements expressed herein. Neither the Company nor its subsidiaries, affiliates, directors, employees or advisors assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents. Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or agreement.

This document has an informative nature and does not constitute, nor must it be interpreted as, an offer to sell, issue, exchange or buy any financial instruments (namely any securities issued by CTT or by any of its subsidiaries or affiliates), nor a solicitation of any kind by CTT, its subsidiaries or affiliates. Distribution of this document in certain jurisdictions may be prohibited, and recipients into whose possession this document comes shall be solely responsible for informing themselves about, and observing any such restrictions. Moreover, the recipients of this document are invited and advised to consult the public information disclosed by CTT on its website ([www.ctt.pt](http://www.ctt.pt)) as well as on the Portuguese Securities Exchange Commission’s website ([www.cmvm.pt](http://www.cmvm.pt)). In particular, the contents of this presentation shall be read and understood in light of the financial information disclosed by CTT, through such means, which prevail in regard to any data presented in this document. By attending the meeting where this presentation is made and reading this document, you agree to be bound by the foregoing restrictions.

## FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. All the statements herein which are not historical facts, including, but not limited to, statements expressing our current opinion or, as applicable, those of our directors regarding the financial performance, the business strategy, the management plans and objectives concerning future operations and investments are forward-looking statements. Statements that include the words “expects”, “estimates”, “foresees”, “predicts”, “intends”, “plans”, “believes”, “anticipates”, “will”, “targets”, “may”, “would”, “could”, “continues” and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements included herein involve known and unknown risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results, performance or achievements to differ materially from those indicated in these statements. Any forward-looking statements in this document reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the results of our operations, growth strategy and liquidity, and the wider environment (specifically, market developments, investment opportunities and regulatory conditions).

Although CTT believes that the assumptions beyond such forward-looking statements are reasonable when made, any third parties are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of CTT, what could cause the models, objectives, plans, estimates and / or projections to be materially reviewed and / or actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Forward-looking statements (in particular, the objectives, estimates and projections as well as the corresponding assumptions) do neither represent a commitment regarding the models and plans to be implemented, nor are they guarantees of future performance, nor have they been reviewed by the auditors of CTT. You are cautioned not to place undue reliance on the forward-looking statements herein.

All forward-looking statements included herein speak only as at the date of this presentation. Except as required by applicable law, CTT does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



**We  
go further  
in**  
*Ambition*

---

We go further to bring the world closer.



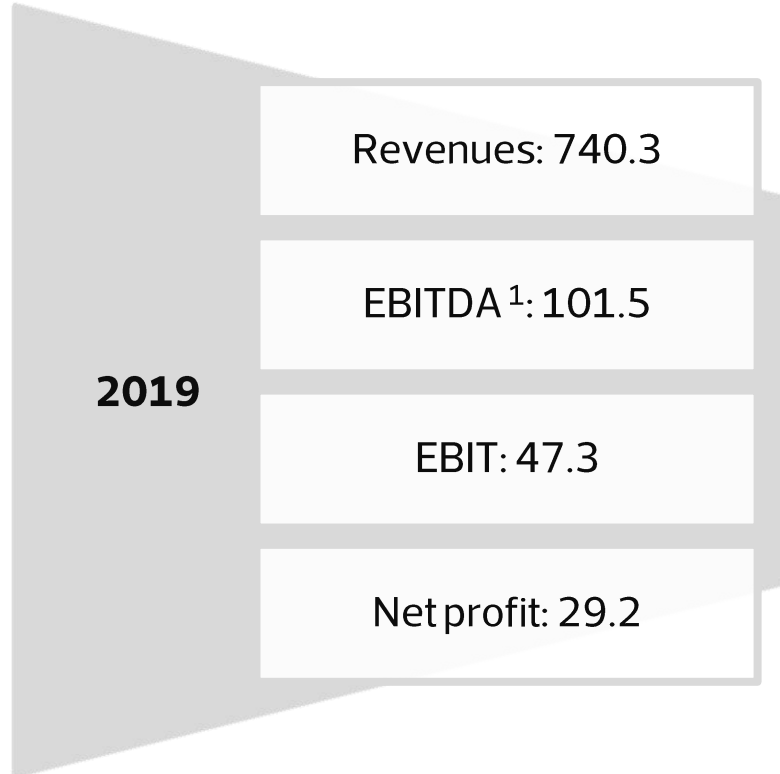
# 01

Company  
overview

# CTT is a modern and dynamic postal services operator with a diversified portfolio of businesses...

## Key financials

€ million



## Revenues breakdown

€ million; % of total

	Revenues	% of total
<b>Mail &amp; other<sup>2</sup></b> <b>(477.6; 64.5%)</b>	<b>435.1</b>	<b>58.8%</b>
Addressed mail	435.1	58.8%
Transactional	406.4	54.9%
Advertising	14.2	1.9%
Editorial	14.5	2.0%
Unaddressed mail	8.4	1.1%
Other <sup>2</sup>	34.1	4.6%
<b>Express &amp; Parcels</b> <b>(152.4; 20.6%)</b>	<b>98.2</b>	<b>13.3%</b>
Portugal	98.2	13.3%
Spain	51.8	7.0%
Mozambique	2.4	0.3%
<b>Banco CTT</b> <b>(62.9; 8.5%)</b>	<b>26.9</b>	<b>2.9%</b>
Net interest & commissions	26.9	2.9%
Payments & other	20.2	2.7%
321 Crédito	21.0	2.8%
<b>Financial Services &amp; Retail</b> <b>(47.4; 6.4%)</b>	<b>26.9</b>	<b>3.6%</b>
Savings & insurance	26.9	3.6%
Money orders & other	7.2	1.0%
Retail products & services	13.3	1.8%

Indisputable market leader

Economies of scale and market-leading position in Portugal

Leveraging on a strong brand and historical track record

<sup>1</sup>Excluding Specific items & IFRS 16 impacts, depreciation, amortisation, impairments & provisions.

<sup>2</sup>Including Central Structure.

# ...standing out for the capillarity of its networks, proximity to the population and strong brand

## Logistics player...



**619m items**

**Addressed Mail**



**521m items**

**Unaddressed Mail**



**38m items**

**Express & Parcels**

## ...with growing banking & financial services businesses



**€4.0bn**

**Savings & insurance  
Placements**



**461k**

**Current accounts**



**€1.3bn**

**Customer deposits**



**€886m**

**Credit to clients  
Net of impairments**

## Retail Network



**2,497  
Human Resources**



**539  
Post Offices**



**1,831  
Postal Agencies**

## Distribution Network



**5,971  
Human Resources**



**4,402  
Mailmen & Women**

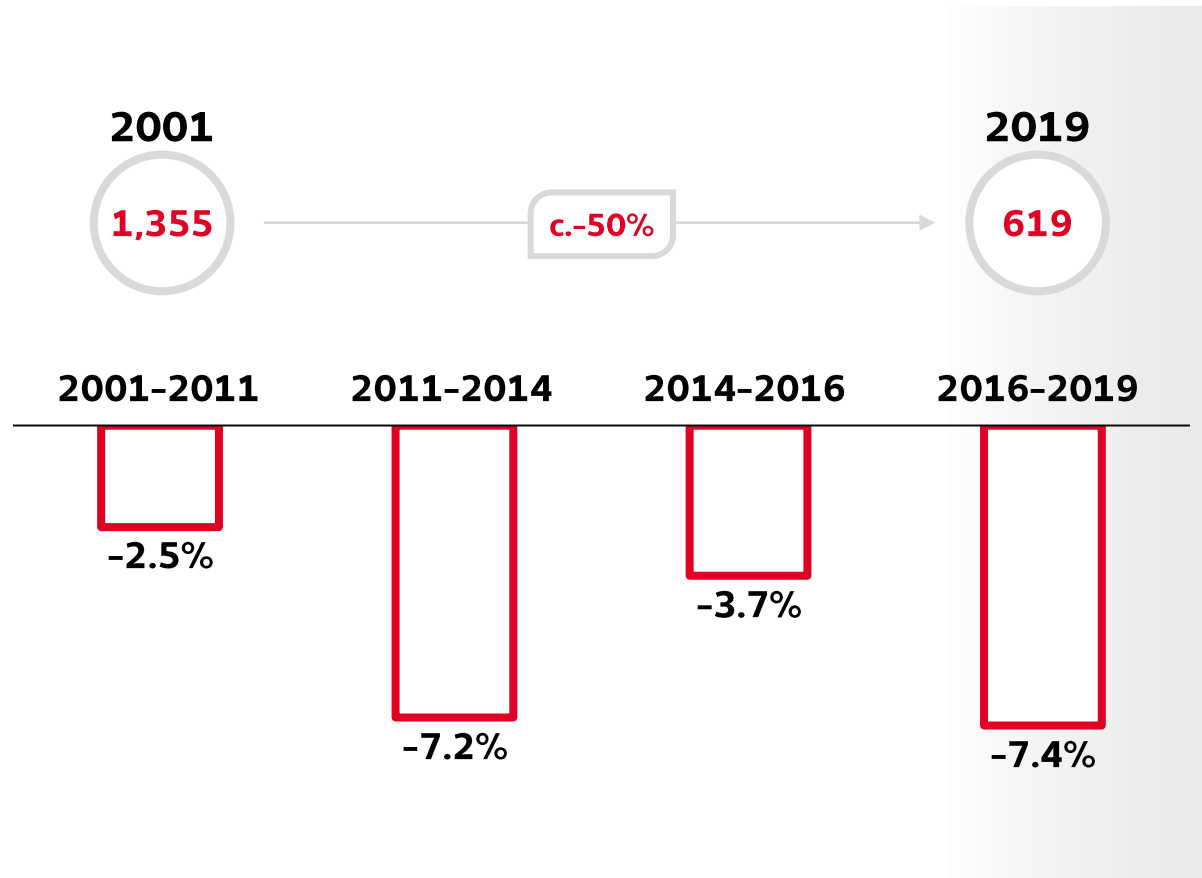


**3,804  
Operational Fleet**

# Mail revenues have shown resilience since the IPO, as the price and mix effects have been able to offset the structural decline in volumes

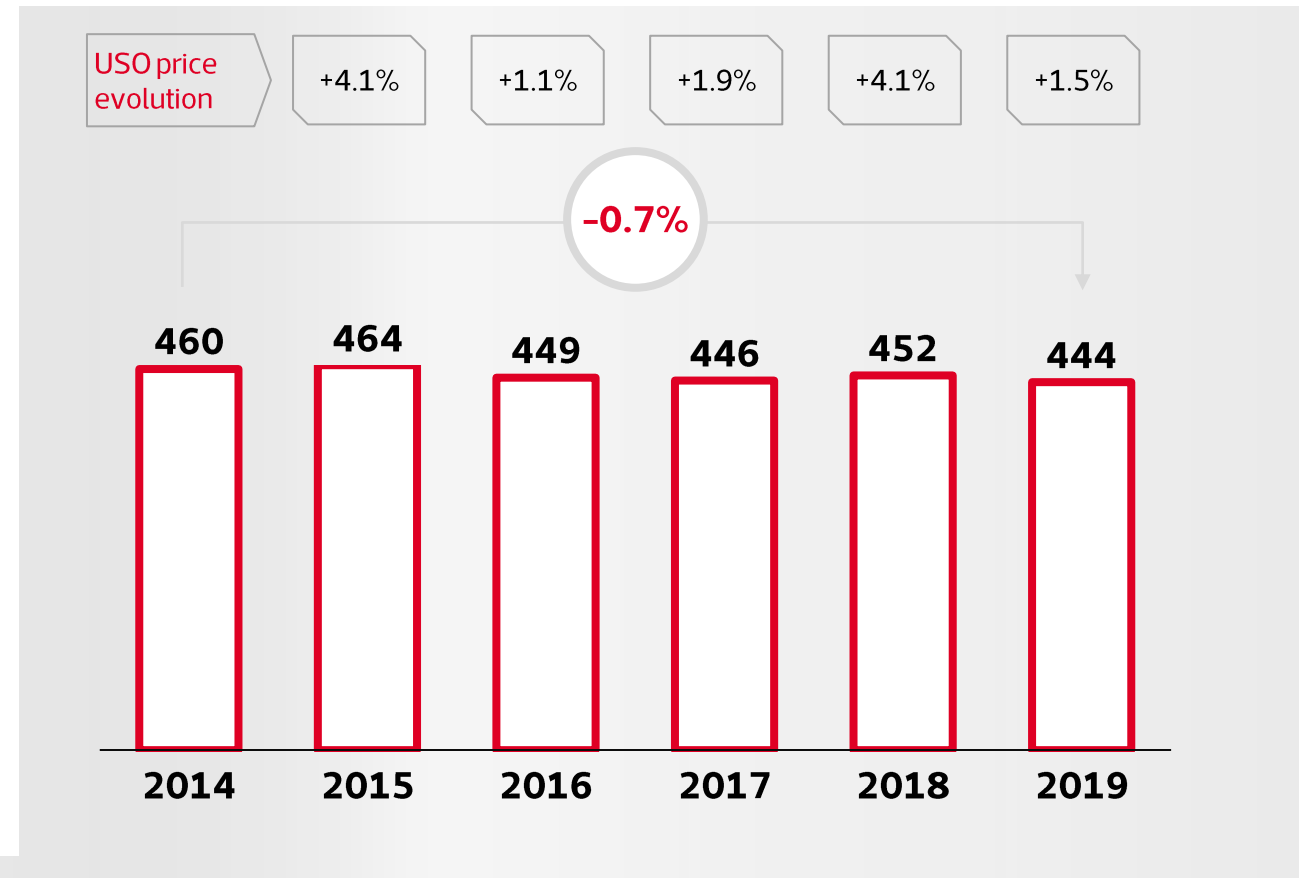
## CTT addressed mail volumes

Million items; CAGR (%)



## CTT addressed & unaddressed mail revenues

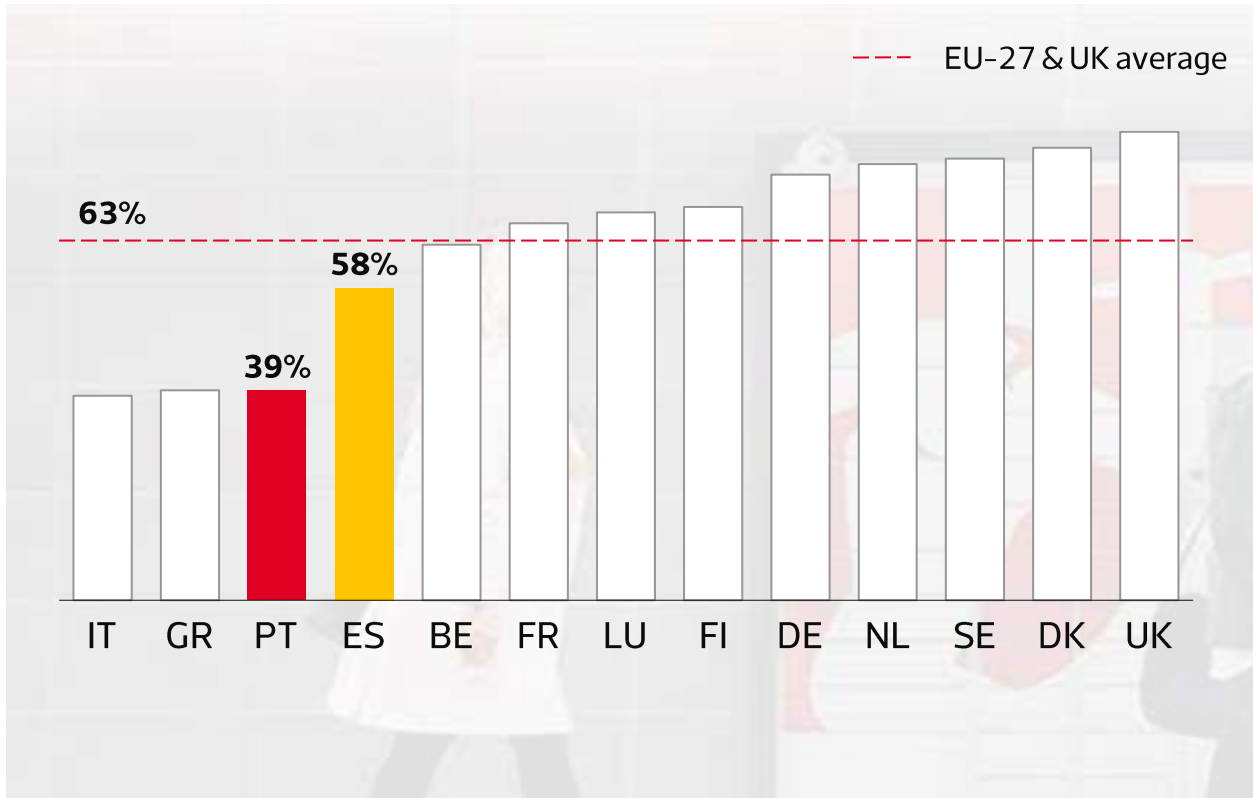
€ million; CAGR (%); price change vs. prior year



# Significant upside potential exists in e-commerce, a market which remains underpenetrated in Portugal and Spain, the main geographies where CTT operates

## Percentage of internet users who purchased goods online <sup>1</sup>

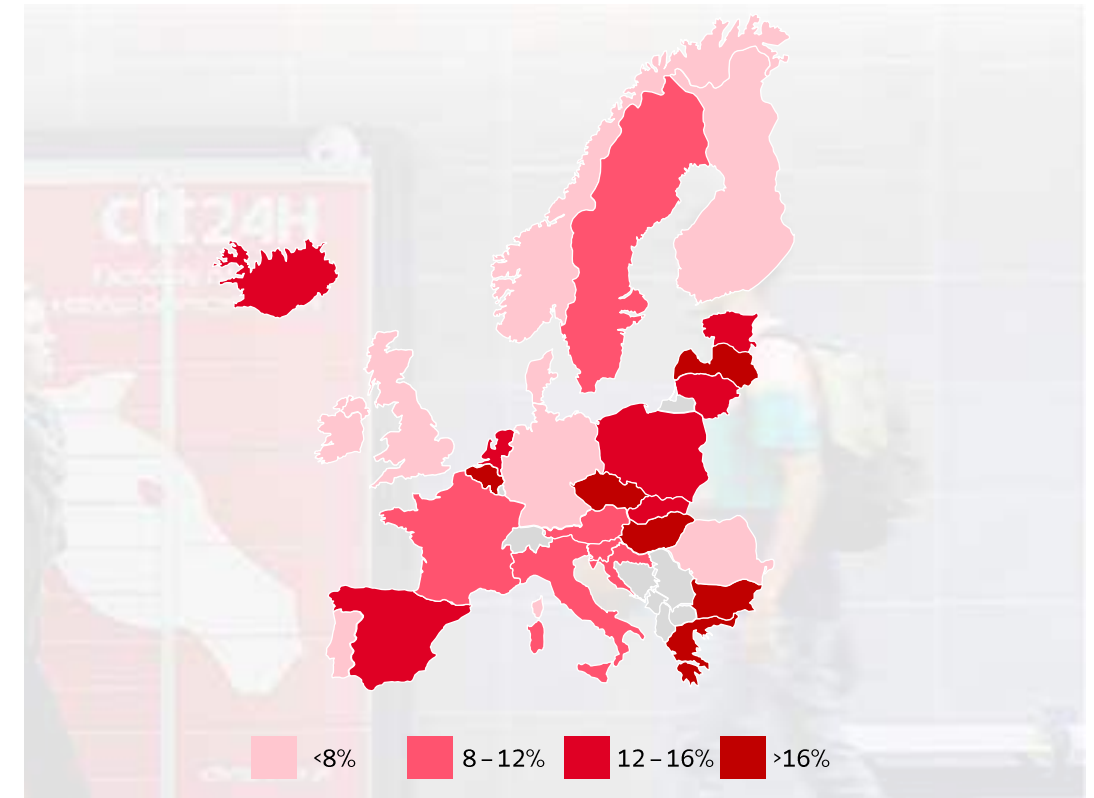
2019



**Both Portugal and Spain are still lagging** in e-commerce penetration when compared to EU peers...

## E-commerce growth <sup>2</sup>

2013-17 CAGR (%)



...however **Spain has enjoyed significant growth**, while Portugal is still in the early stages of development

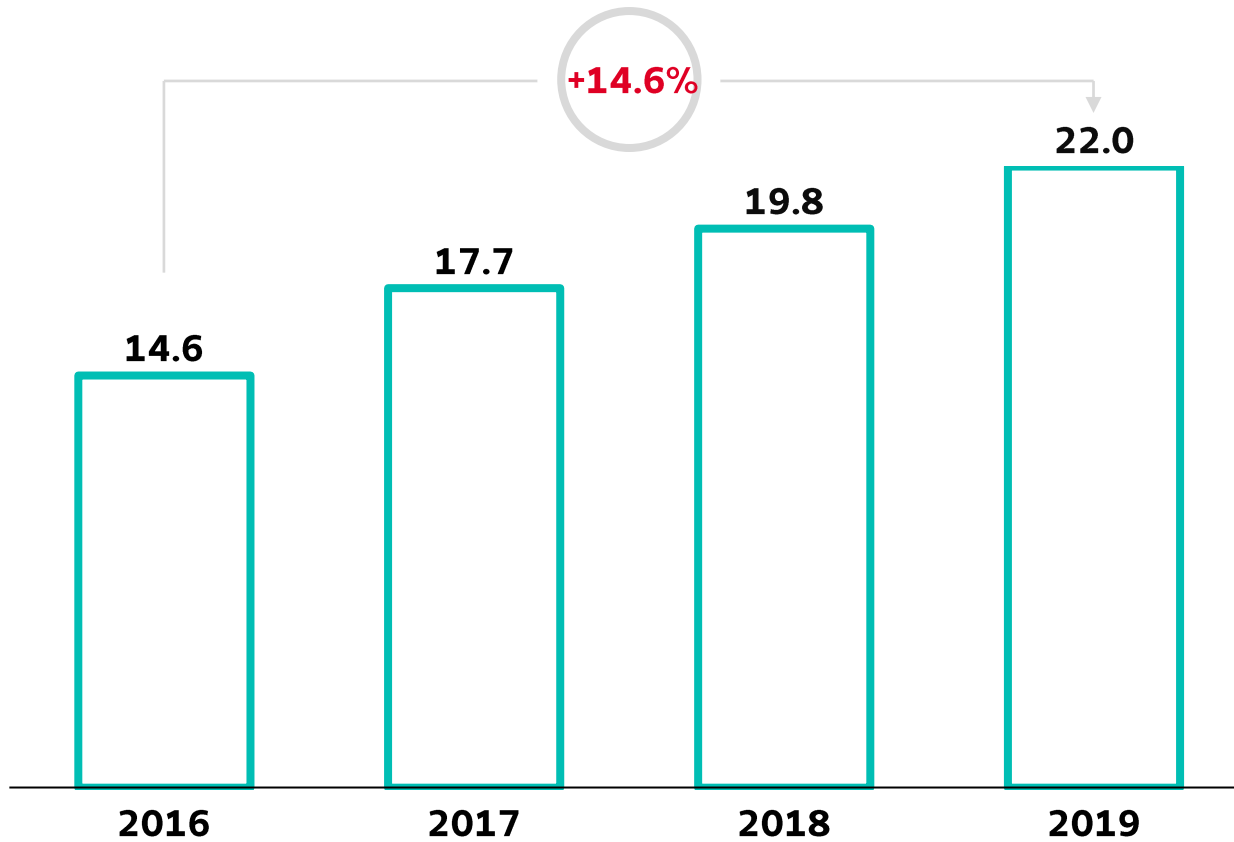
<sup>1</sup> Eurostat data

<sup>2</sup> WIK - Development of Cross-border E-commerce through Parcel Delivery

# CTT is the market leader in Express & Parcels in Portugal and has been investing in new products and partnerships in order to spur e-commerce growth

## Portugal Express & Parcels volumes

Million items; CAGR (%)



## Initiatives for e-commerce ecosystem expansion

### ctt e-segue



A convenient, flexible and responsive app **for those who buy and sell online**. CTT e-segue allows the entire delivery process to suit buyers & sellers needs and interests.

### SUPER EXPRESS



Same-day delivery within 2h

### PARCEL LOCKERS



24h available lockers



Launch of a **JV with Sonae for online B2C marketplace**, based on the high expected growth of e-commerce in Portugal, taking advantage of complementary capabilities and skills



# Spain remains a key growth pillar for the CTT Express & Parcels business, due to its market size and growth dynamics

New local management team, with **sector & turnaround knowledge & experience**



## Commercial reorientation

- **Improve efficiency of direct sales** and franchises through a new contractual approach
- **Grow B2C business** mainly through direct sales in major cities



## Improve unit costs & margin

- Optimise the **operation model** and its efficiency by **progressively increasing control over the distribution**
- **Improve the customer mix**, focusing on more profitable clients



## Improve Quality

- Reinforce the quality of service in **distribution; reduce breakage and loss**
- **Rebranded as “CTT Express”** to strengthen **Iberian positioning** and revamp awareness



## Internal reorganisation

- Improve the **management information systems**
- Increase **regional focus**
- **Strengthen operations coordination** with Portugal

**Supported by Capex of up to €12m** for the period of the plan



**We  
go further  
in**

*Innovation*

---

We go further to bring the world closer.



# 02

FY19  
results  
highlights

# 2019 – a year of transition

Changes in the leadership of the Company provide an impulse and a new direction

**+4.6%**

Revenues growth accelerates  
(+1.4% in 2018)

**€101.5m**

EBITDA guidance delivered  
(€90.4m in 2018)

**€16.5m**

Operating costs savings exceeded the OTP<sup>1</sup> full year objective  
(€15.0m initial objective)



**-2.1%**

### Mail revenues remain resilient

Despite an acceleration of addressed mail volumes decline to -9.1%



**+10.7%**

### Parcels volumes growth in Portugal

Leading to increases in transport & distribution costs to resolve capacity bottlenecks



**€3.7m**

### Landmark year for Banco CTT

With 321 Crédito fully absorbed, positive EBITDA is reached in the fourth year of operation



**€4.0bn**

### Very strong savings performance

Financial Services business area resuming a sound contribution

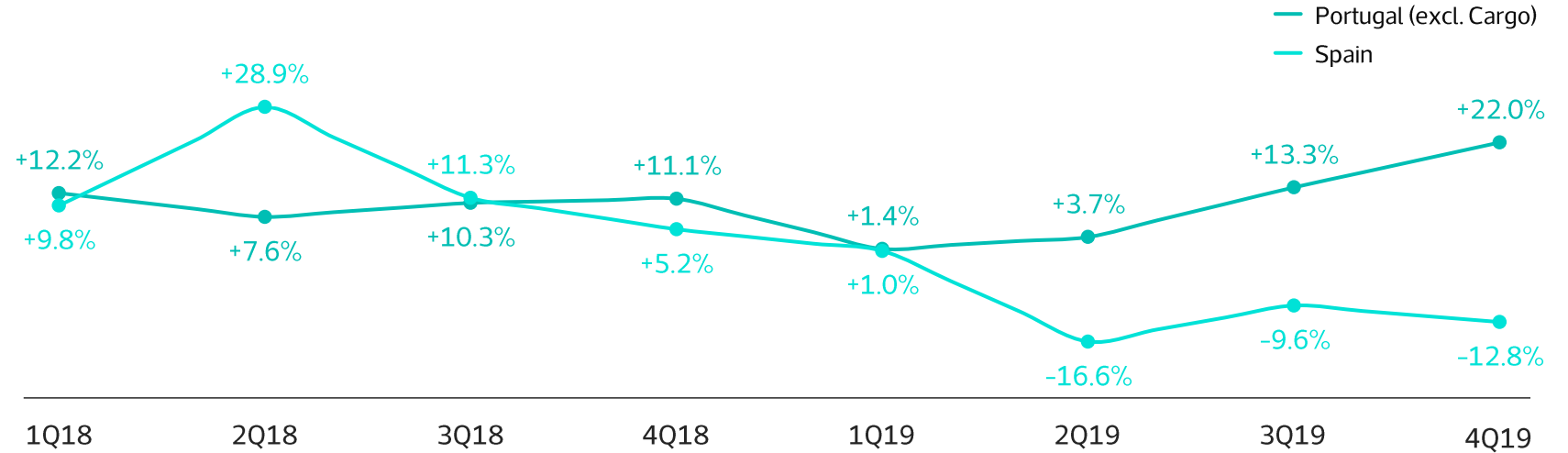
<sup>1</sup>Operational Transformation Plan.

# Portuguese parcels and public debt placements display strong growth dynamics

## Parcels volumes

% change vs. prior year

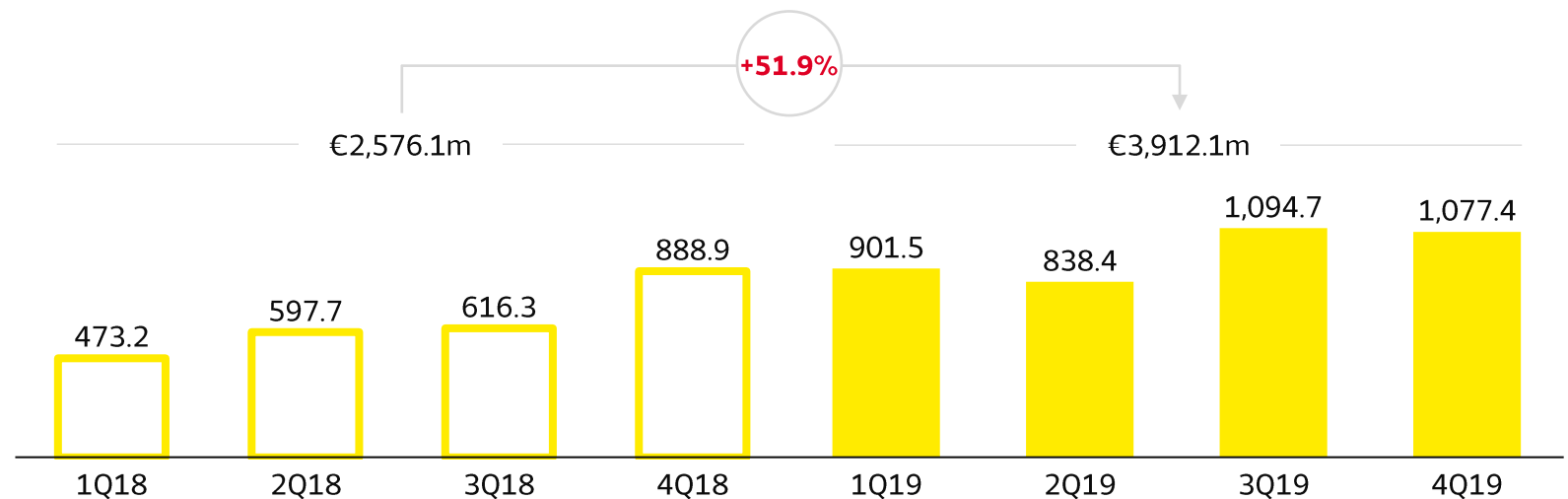
- Portuguese parcels volumes growth accelerated further in 4Q19, benefiting from a very pronounced holidays shopping effect and large customer wins
- Spain impacted by the loss of a large customer (excluding that effect, volumes would have grown slightly in 4Q19)



## Public debt placements

€ million; % change vs. prior year

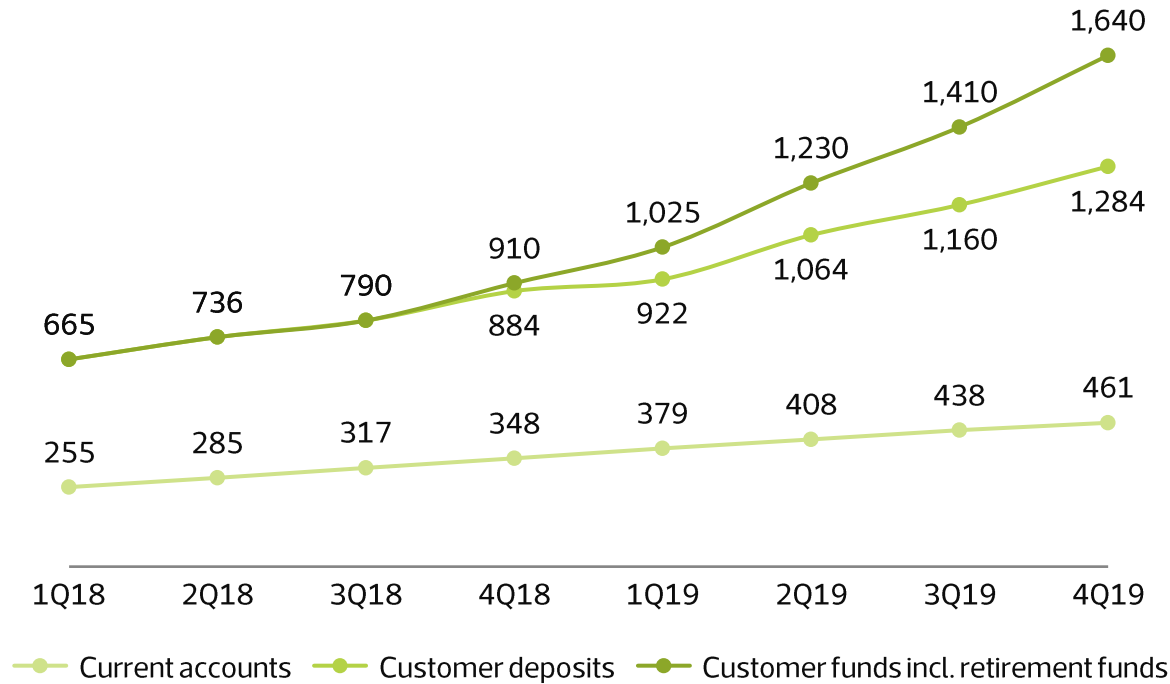
- Public debt products placements totaled €3.9bn (+51.9%), evidencing the Retail Network's proximity to the population and its continued ability to capture savings



# Banco CTT customer funds and credit growth accelerate, boosted by new partnerships and 321 Crédito

## Current accounts & customer funds

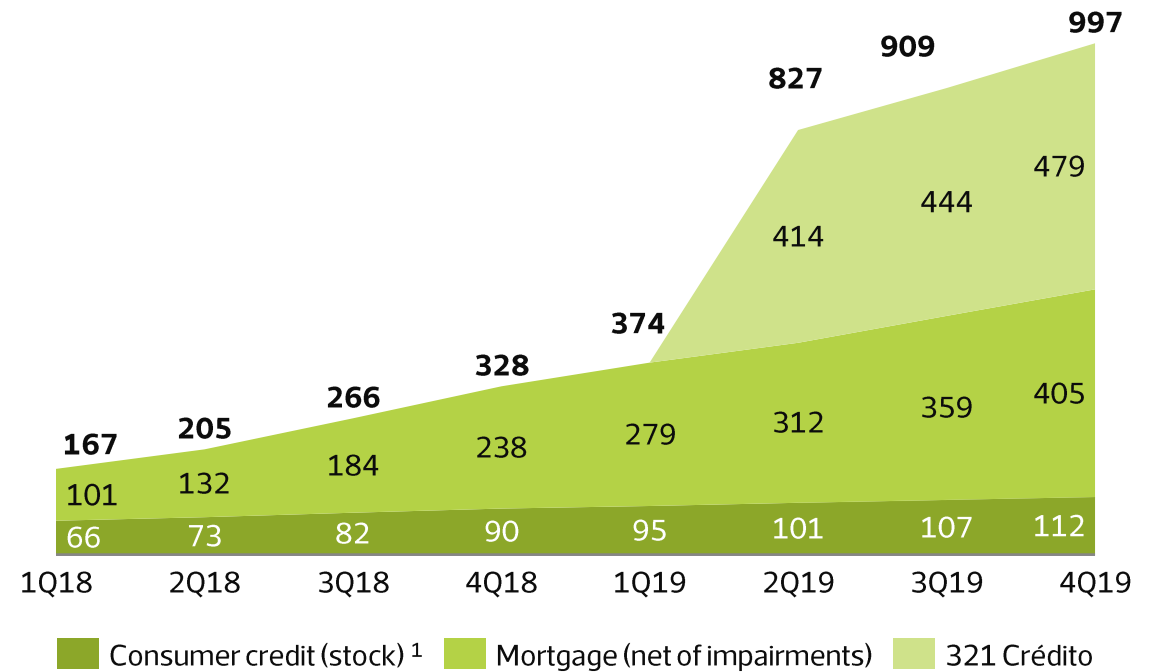
Current accounts (thousands); Customer funds (€ million); cumulative



- Seamless integration with partners for the sale of products and services: retirement funds placements reaching double-digit new production market share in one year

## Credit to clients

Total; € million; cumulative



- 321 Crédito acquisition provided a significant boost to the lending book and improved the loan-to-deposit ratio to 69.0%

<sup>1</sup> Amount outside CTT's Balance Sheet, placed in partnership with BNP Paribas Personal Finance (Cetelem).



**We  
go further  
with**  
*Confidence*

We go further to bring the world closer.



03

1Q20  
results  
highlights

# 1Q20 highlights

CTT services remain fully functioning, as an **integral part of Portugal's critical infrastructure**

**+1.7%**

**Revenues growth** driven mainly by **banking & financial services**

**-3.7%**

**EBITDA** impacted by the **extraordinary business interruption** in Mail in Mar-20

**+6.7%**

**EBIT** benefits from **significantly lower restructuring costs**

**-0.4%**

**Net profit stable**, despite the challenging operational environment



**-8.3%**

**Mail revenues substantially impacted by COVID-19**

International, registered & advertising mail the most affected by the pandemic



**+8.1%**

**Resilient parcels volumes**

Strong growth in B2C parcels compensates the decline in B2B volumes in both Portugal & Spain in Mar-20



**€1.1m**

**Another landmark quarter for Banco CTT**

Achieved positive EBIT (and Net profit) for the first quarter in its short four-year history



**+€2.4m**

**Increase in Financial Services & Retail<sup>1</sup> revenues**

Robust public debt placements also affected by the unprecedented reduction in retail activity in Mar-20

<sup>1</sup> The business line "Retail sales" of the Mail & other business unit migrated to the Financial Services & Retail business unit in 1Q20 (proforma figures presented for 1Q19 throughout the presentation).

# COVID-19 pandemic response

## CTT's immediate response to the unprecedented crisis centered on **six key pillars**

### 1. Preserve the health and wellbeing of staff and customers

- Daily crisis-management committee, chaired by the CEO
- Comprehensive business continuity plan launched
- Workplace cleaning, increased investment in protective gear for employees
- Limiting contact with customers on delivery of products & services

### 2. Strengthen the operational response

- *Force majeure* clause invoked in mail concession contract to improve flexibility
- Rotating back-up teams created to ensure business continuity in case of high number of infections
- Retail network's hours of operation adapted to the new reality

### 3. Reinforce financial position and liquidity

- Intention of proposing to the Shareholders General Meeting the distribution of a dividend of €0.11 / share reversed
- Annual bonus to executive members of the BoD and employees suspended
- Defensive working capital management, accessing additional credit lines
- Sale of non-strategic assets, where the demand is still high

### 4. Launch an extensive Opex and Capex reduction program

- Reviewed timing and phasing of non-committed Capex and non-critical projects
- Renewed fleet, buildings and IT contracts under new conditions, temporary freeze on marketing and consulting spend
- Managing unused vacation time and gradually reducing temporary work

### 5. Preserve the value of the traditional business

- Working with clients to eliminate bottlenecks in mail printing & finishing
- Alternative solutions sought to forward mail to the Portuguese islands
- New routes sought to receive international mail, faced with reduced international air freight capacity

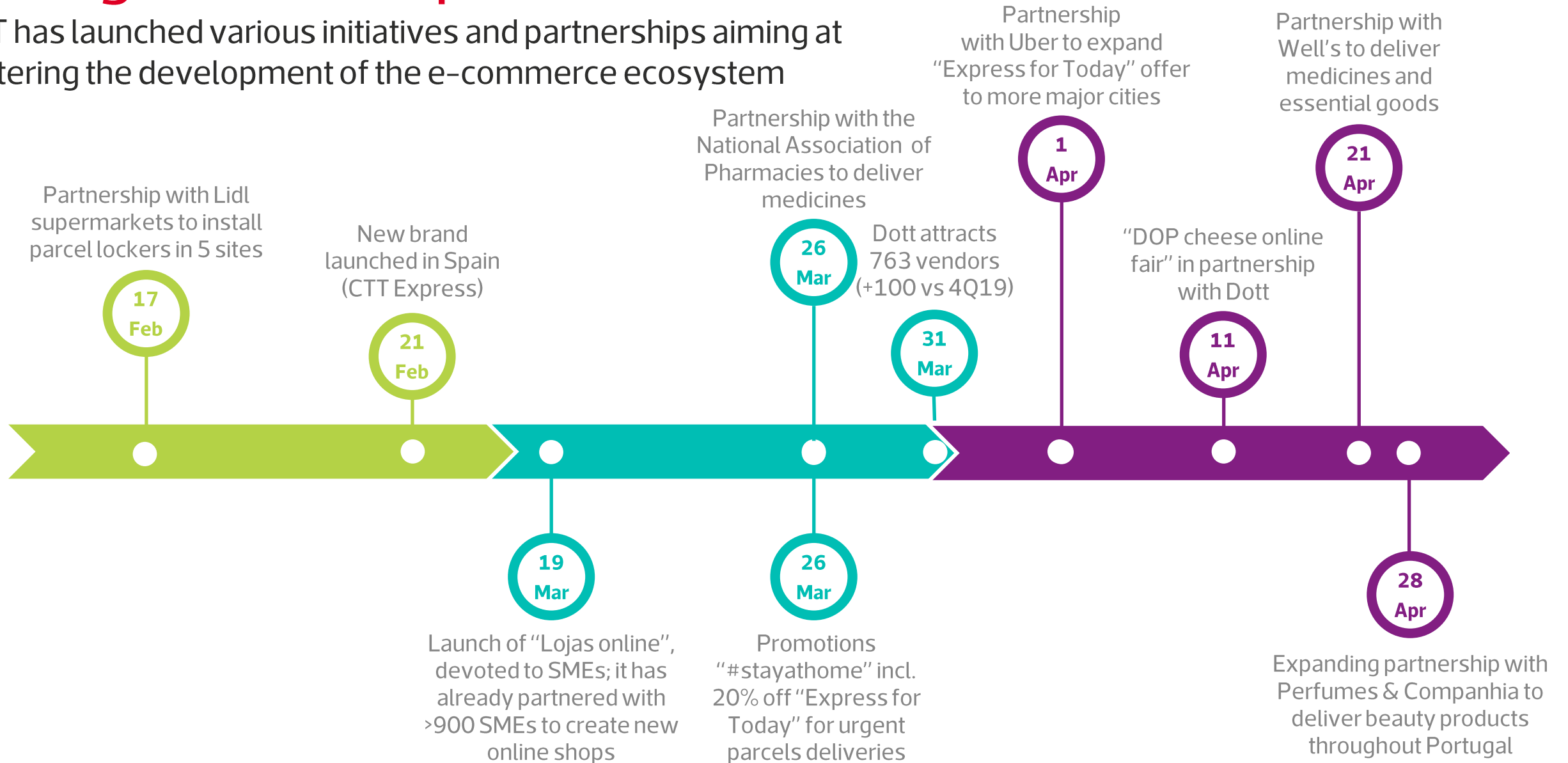
### 6. Provide a lifeline to the communities, leveraging on digital platforms

- “*Lojas online*”, devoted to SMEs, has gathered >900 new online shops since its launch in mid-Mar-20
- Delivery partnerships launched with Uber, Well's, the National Association of Pharmacies, and various associations of local producers
- Strong growth in new B2C partnerships and B2C market share in Spain



# Taking a leadership role in e-commerce

CTT has launched various initiatives and partnerships aiming at fostering the development of the e-commerce ecosystem



# Mail volumes were strongly affected by the restrictions on operations and movement of cargo, businesses and individuals, as a result of the COVID-19 pandemic

## Mail volumes

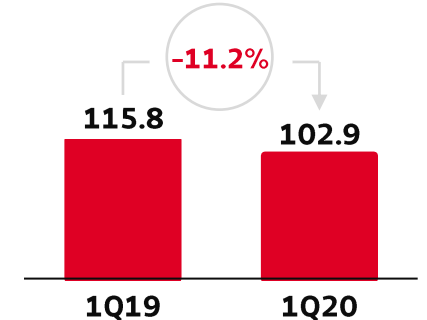
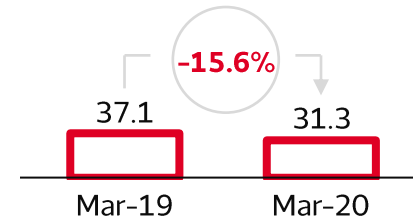
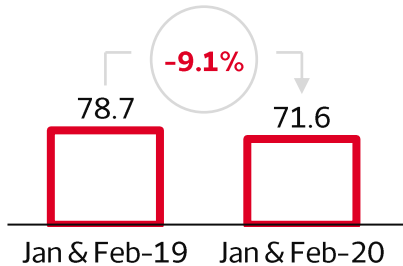
Million items; % change vs. prior year

- Several large clients' statements deliveries and advertising mail campaigns were delayed or cancelled in Mar-20, as only essential services were operating in Portugal

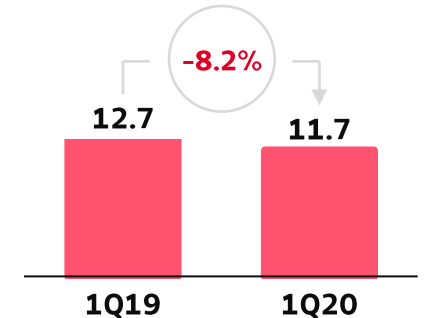
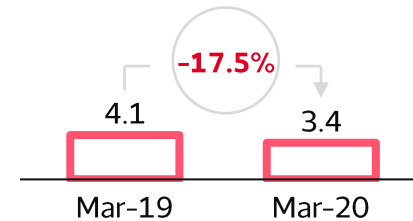
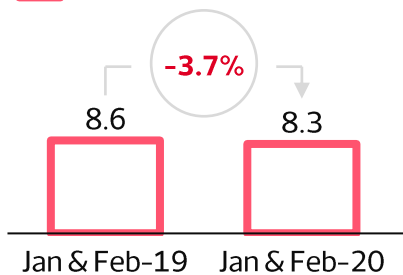
- Registered mail was affected by delays in tax notices and notifications from courts in Mar-20 (related to the declaration of the state of emergency in Portugal)

- International mail was severely impacted by the reduction in global air freight capacity from the end of Feb-20 onwards, especially out of China

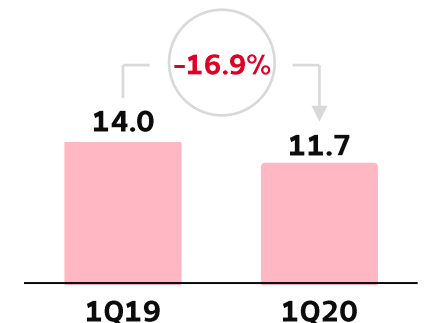
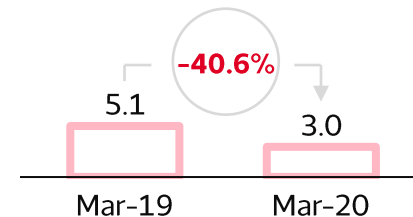
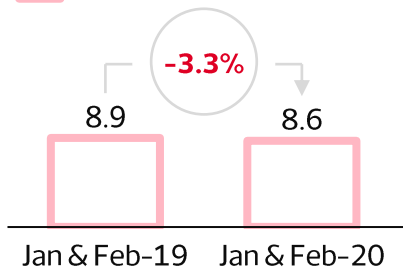
Ordinary, priority & other mail



Registered mail



International mail

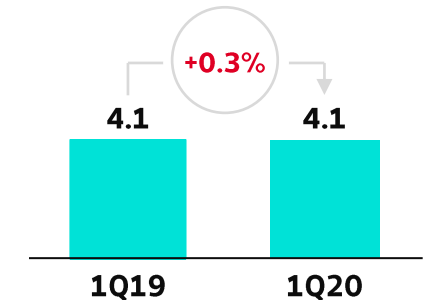
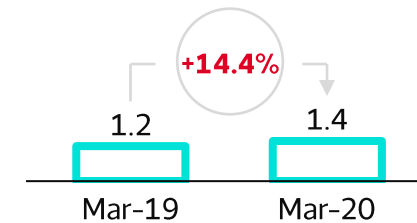
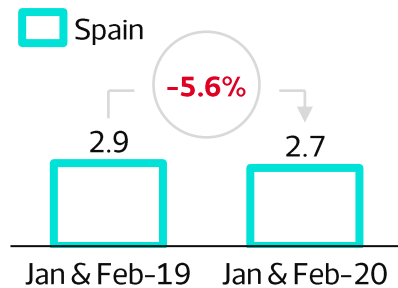
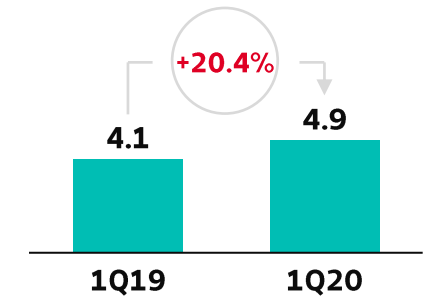
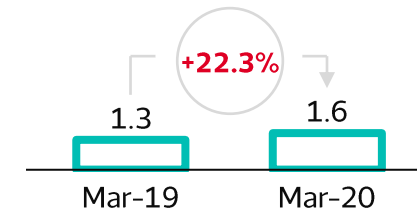
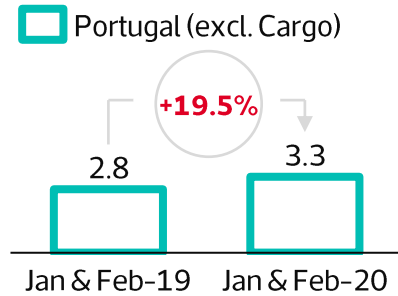


# Portuguese parcels and public debt placements benefited from a strong start to the year

## Parcels volumes

Million items; % change vs. prior year

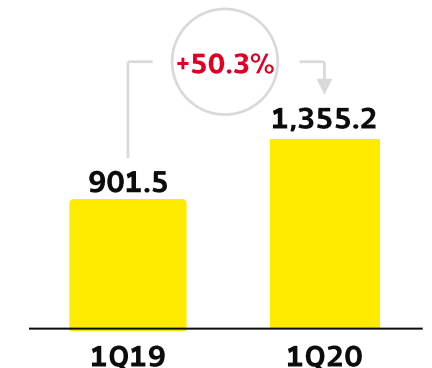
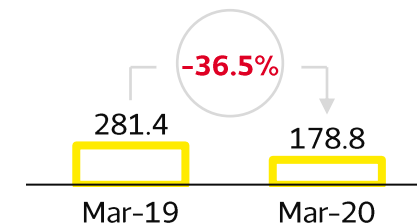
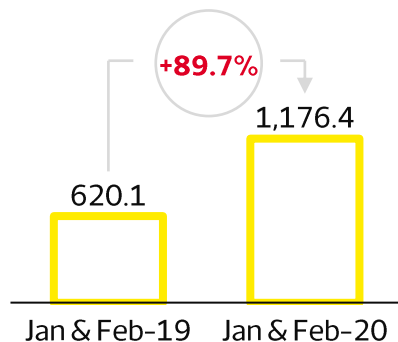
- Portuguese parcels volumes benefited from strong B2C growth, driven by e-commerce, despite the B2B volumes decline in Mar-20
- Strong capture of B2C volumes in Mar-20 in Spain, albeit at lower margins, mitigated the loss of a large client in Apr-19 and the B2B volumes decline as a result of the pandemic



## Public debt placements

€ million; % change vs. prior year

- Public debt placements benefited from a very strong start to the year; however, they were also impacted by the unprecedented reduction in the movement of people and retail activity since mid-Mar-20

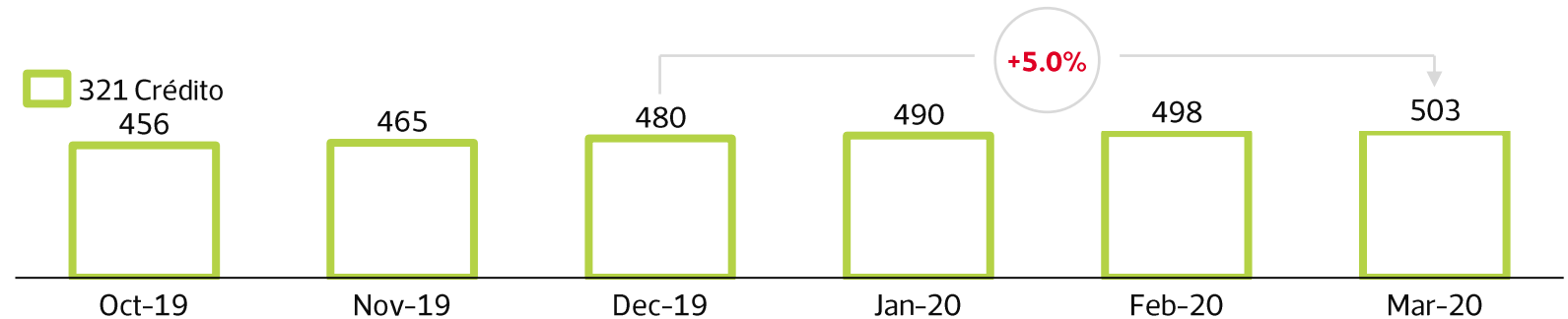
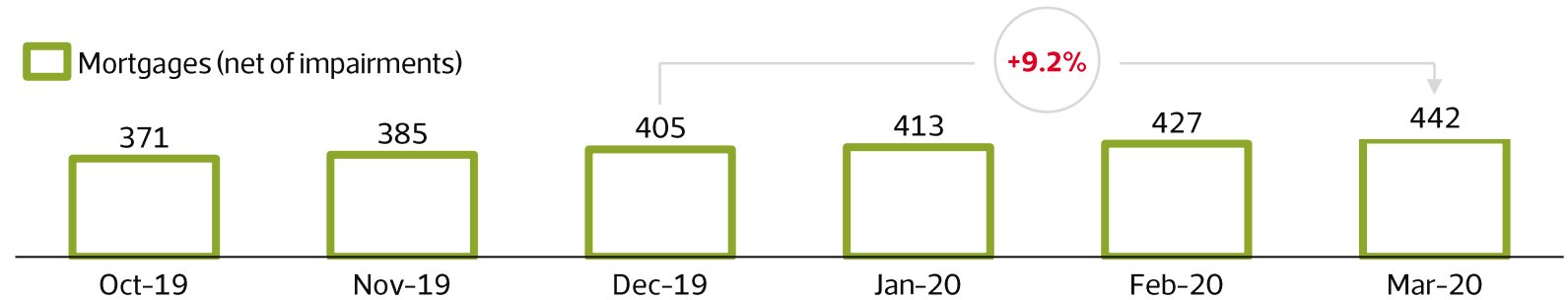


# Banco CTT customers' flight to safety was evident in the strong capture of new deposits

## Credit to clients

€ million

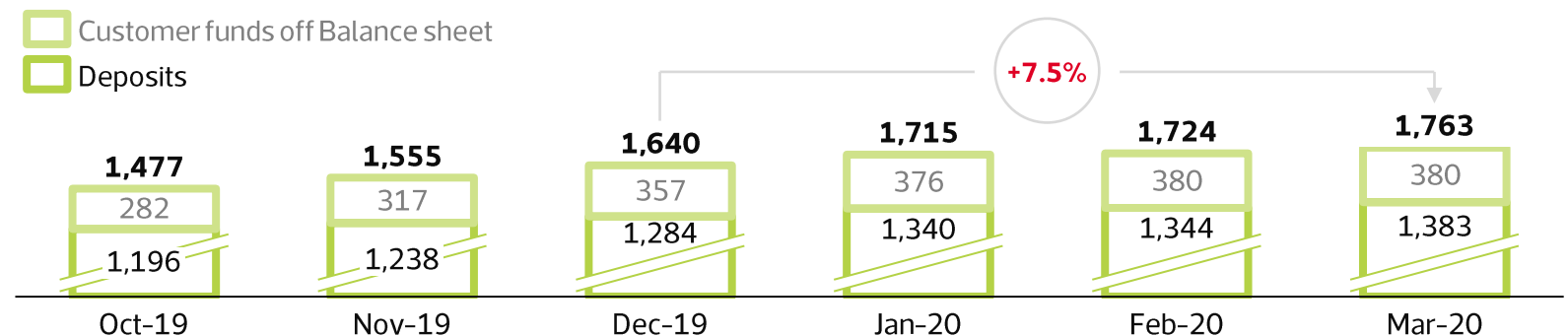
- Mortgage activity remained resilient, despite the temporary 50% reduction in business hours in the Retail network since mid-Mar-20
- 321 Crédito credit book growth in Mar-20 was also affected by the reductions in the movement of people and the temporary closure of auto dealerships (as non-essential businesses)



## Customer funds

€ million; cumulative; including retirement funds

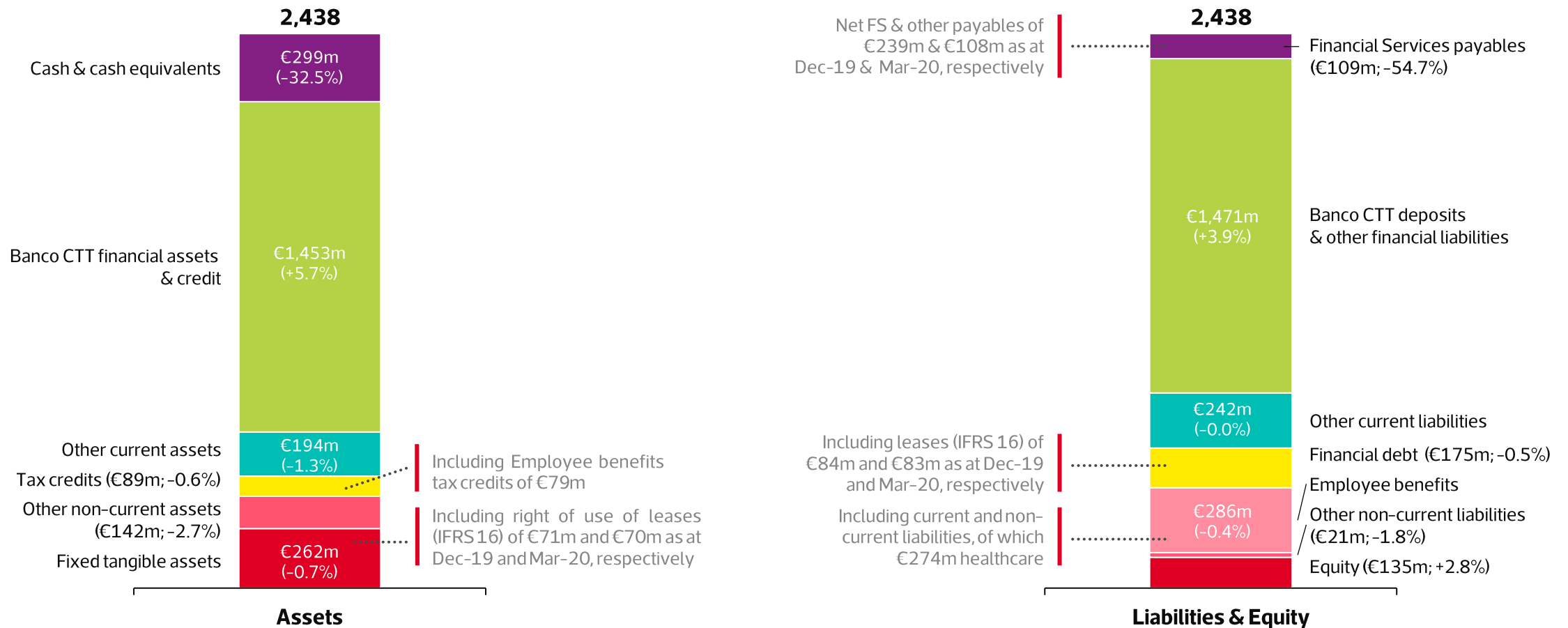
- Deposits growth accelerated strongly since the start of the pandemic, as customers chose the safety, transparency and brand name of Banco CTT



# CTT faces the current period of economic uncertainty with a strong Balance Sheet...

## Balance Sheet – 31 March 2020

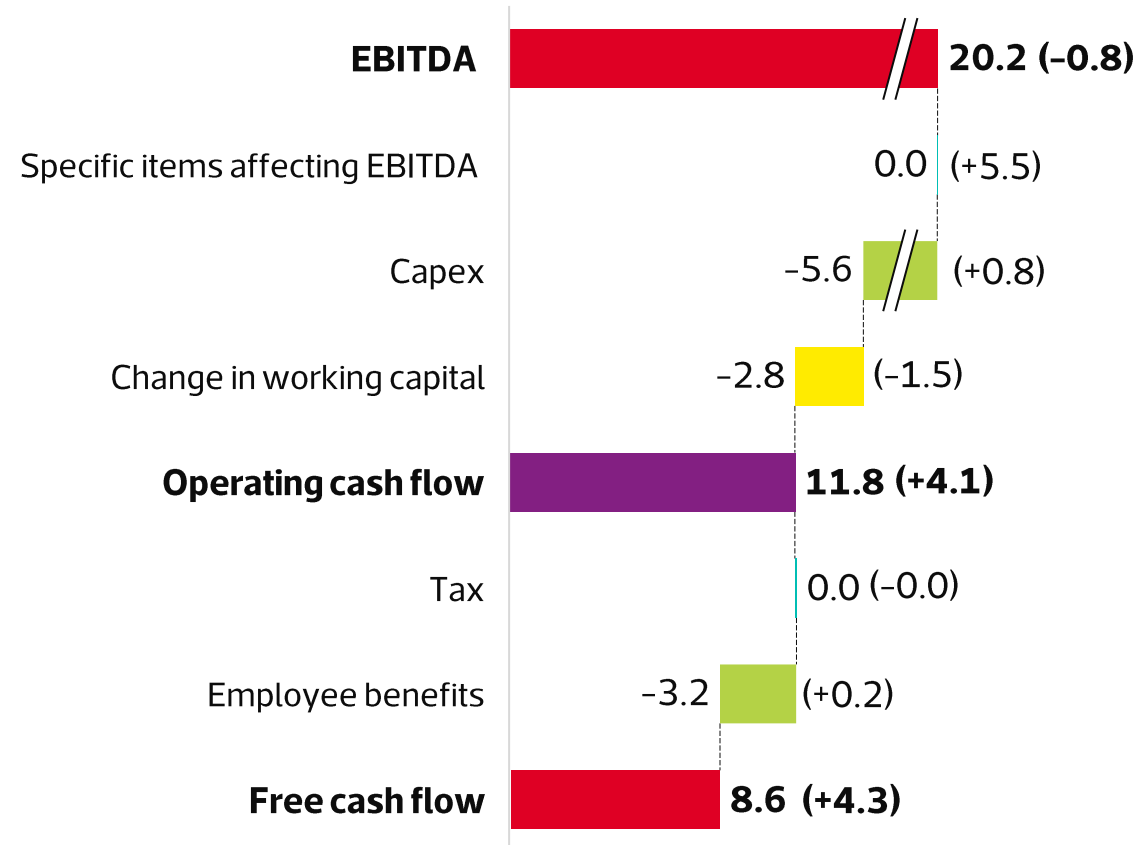
€ million; % change vs. 31 December 2019



## ... substantial liquidity and low levels of net financial debt

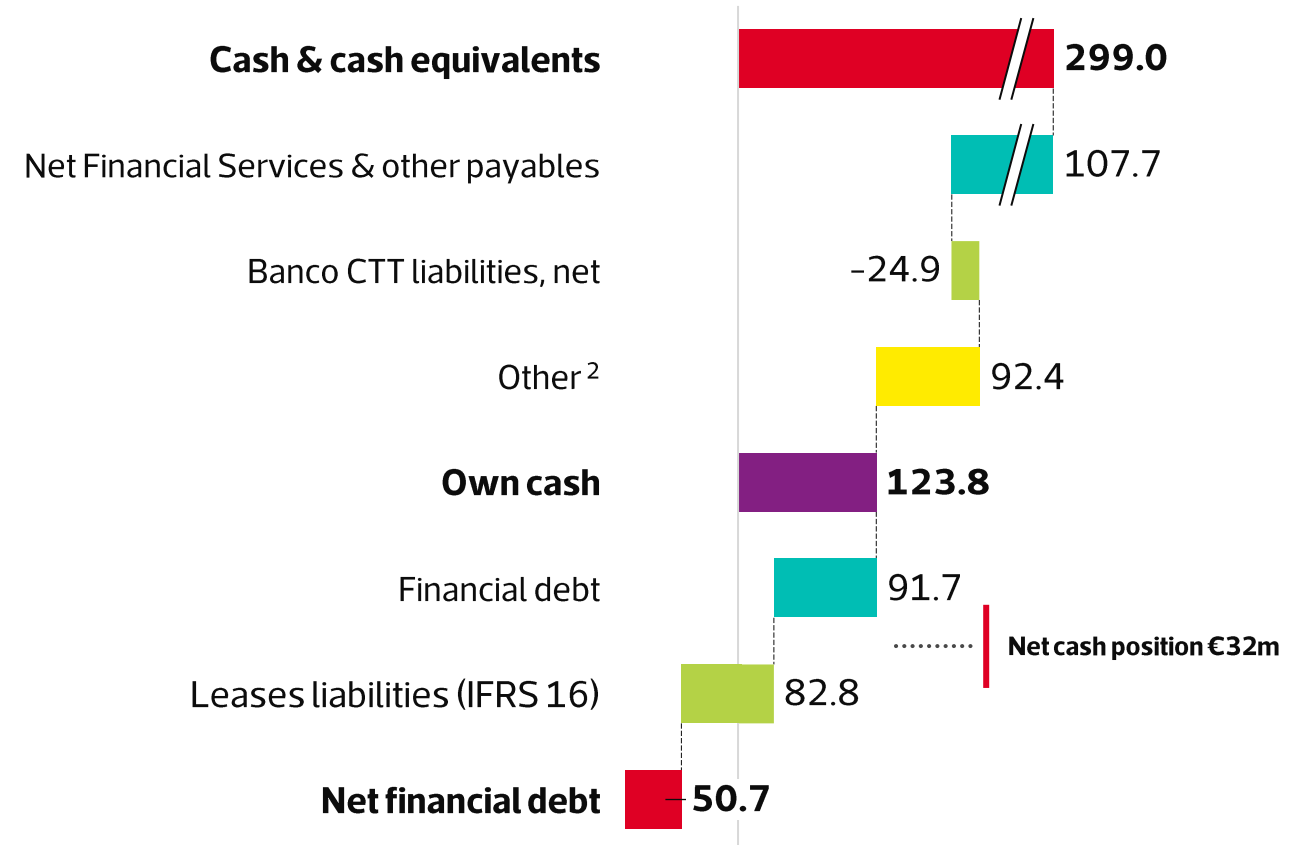
### Cash flow

€ million; impact on cash flow vs. prior year



### Net financial debt<sup>1</sup>

€ million



<sup>1</sup> Does not consider Employee benefits, net.

<sup>2</sup> Including €89.4m of Banco CTT cash deposits in Central Banks.

# FY20 outlook update

Apr-20 showed encouraging signs of stabilization in some areas, **although mail and financial services remain under significant pressure**



## Express & Parcels

**Parcels already at peak levels, due to B2C growth, albeit with lower margins.** E-commerce adoption increasing at a rapid pace in both Portugal & Spain



## Opex & Capex savings

**Revising Capex guidance downwards to €30m** for 2020, while maintaining investments in Express & Parcels automation. **Opex reduction focused on ES&S costs**, temporary work, marketing & consulting spending



## Banco CTT

As at end of Apr-20, **circa 5% of all mortgage and 7% of all auto loans contracts** had received requests for payment holidays, as per applicable decree law or industry moratoria, related to COVID-19 measures



## Balance Sheet and liquidity

CTT will continue to **prioritize cash reserves and treasury flexibility**, currently in the process of **accessing additional credit lines**



## Financial Services & Retail

**Slight improvement in the subscription rate of public debt products** registered in Apr-20



## Addressed mail volumes

Significant reductions in letter (statements), international & especially advertising mail are expected to lead to **double-digit addressed mail volumes decline for the year**

**The full impacts of Covid-19 on FY20 revenues & earnings guidance currently cannot be accurately and reliably quantified. CTT will provide an update on guidance as soon as it is possible to do so**

# CTT – Correios de Portugal, S.A.

## Investor Relations

Contacts:

Phone: +351 210 471 087

E-mail: [investors@ctt.pt](mailto:investors@ctt.pt)

**ctt.pt**