



# Caixabank XX Iberian Conference

*Madrid, 7 September 2023*



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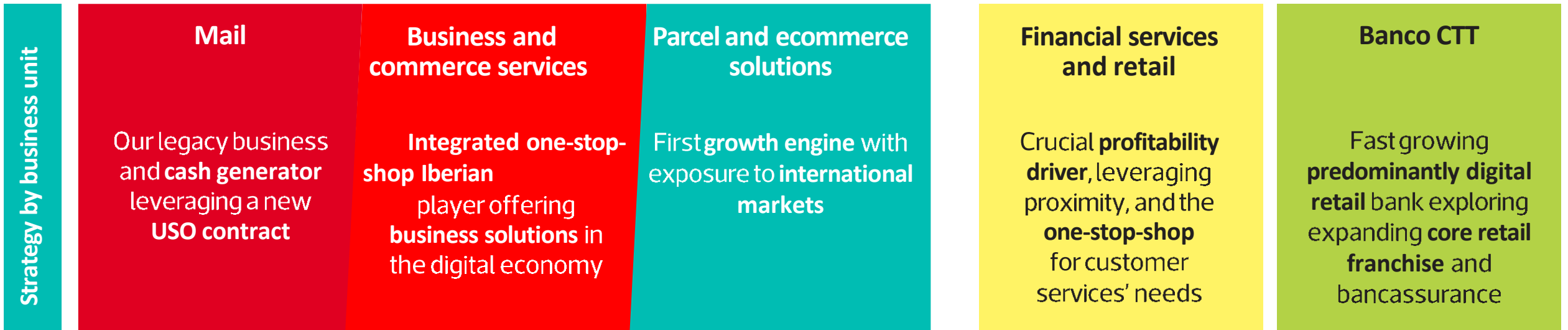
# Our positioning: a well diversified company, exposed to sustained growth



Faster, Better and Greener

For companies (B2B)<sup>1</sup>

For people (B2C)<sup>1</sup>



## Leveraging strategic assets

- **Unique Iberian sales force**, underpinned by **universal access to B2B** customers and an exceptional retail network in Portugal
- **Strong and trusted brand** for both people and businesses
- **Unique last-mile distribution network**, increasingly integrated at Iberian level

<sup>1</sup>Predominantly

# Execution, transformation and a solid balance sheet that enhances optionality

## For Companies (B2B)<sup>1</sup>



- **Portugal:** High market growth potential, maintain leadership and improve profitability
- **Spain:** High market growth potential, market share gains from low to high single digit and improving EBIT margin to mid-to-high single digit



- Universal mail service contract for 2022-28 with high pricing predictability and with clear and more rational quality objectives
- Aiming at stabilising revenue profile, through price, commercial activity and business services, while reducing costs to improve profitability

## For People (B2C)<sup>1</sup>



- Continued transformation of retail network towards services
- Early results from insurance distribution agreement with Generali
- High demand of public debt certificates drove record high revenues in Financial Services & Retail\*



- Client, volumes and revenue with solid performance and growth
- Growth-driven profitability improvement



Strong cash-flow generation

Balance sheet flexibility: leverage < 2.5x net debt to EBITDA<sup>2</sup>

Improving shareholder remuneration while preserving ability to grow

- Recurrent, dividend-based remuneration (pay-out of 35% to 50% of net profit)
- Opportunistic SBB and subsequent cancellation of shares













Raising ESG commitments

- Net-Zero by 2030
- 80% of recycled and/or reusable packaging by 2025, and 100% by 2030
- 33.3% women in the Board of Directors and Supervisory bodies,

1. Predominantly. 2. Consolidated net debt including lease liabilities, assuming Banco CTT under equity method, compared with consolidated EBITDA assuming Banco CTT under equity method. 3. LTM EBITDA as at June 2023. 4. Shareholder remuneration policy and dividend proposal are subject to market conditions, a suitable financial and accounting context of CTT's balance sheet, and the applicable legal and regulatory terms and conditions. 5. Within the context of specific market conditions.

# Iberia is a large and growing market

European ecommerce market  
€bn

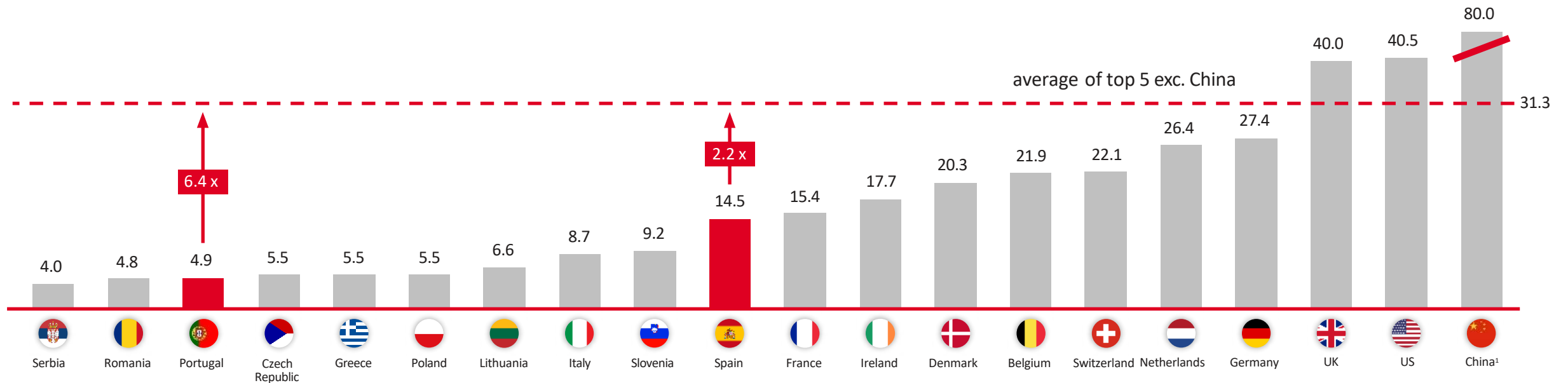
	2018	2021	2023	Change. total	Change, %
	72.5	131.2	159.1	+86.6	+119%
	55.5	86.6	109.5	+54.0	+97%
	33.1	55.6	66.6	+33.5	+101%
	15.3	27.6	33.7	+18.4	+121%
	13.9	25.3	29.8	+15.9	+114%
	7.9	12.9	15.5	+7.6	+97%
	10.1	21.3	27.9	+17.8	+176%
	10.1	24.4	30.7	+20.6	+204%
	1.7	3.6	4.6	+2.9	+170%
	11.8	28.0	35.2	+23.5	+199%

Iberia is the 4<sup>th</sup> largest European market after the UK, Germany and France, and is predicted to be the fastest growing ecommerce market in the years to come

# The Iberian market has a unique potential to accelerate ecommerce penetration

## Ecommerce-relevant parcel<sup>1</sup> penetration, 2021

Number of parcels per capita per year



## In Portugal, limited supply of ecommerce appears to be the main cause for low demand:

- Portugal is typically an early adopter of consumer technologies (cell phones, ATMs, electronic tolls)
- Portugal ranks 4th in Europe in the percentage of external ecommerce, confirming the limited local offer

<sup>1</sup> IMR market study. <sup>2</sup> Pordata  
Source: IMR market study, Passport- Euromonitor

# The most integrated express operation in Iberia



## EXPRESS AND PARCELS



*Integration in Iberia*



*Integration of mail and parcel operations in Portugal*

**17**

centres that serve both countries

**109k**

hourly order processing capacity

**100%**

D+1 geographical coverage in Iberia

**44%**

customers in Portugal, to send to Spain

**~1/3**

customers in Spain, to send to Portugal

**29%**

International market Portuguese Express (2019)

**50%**

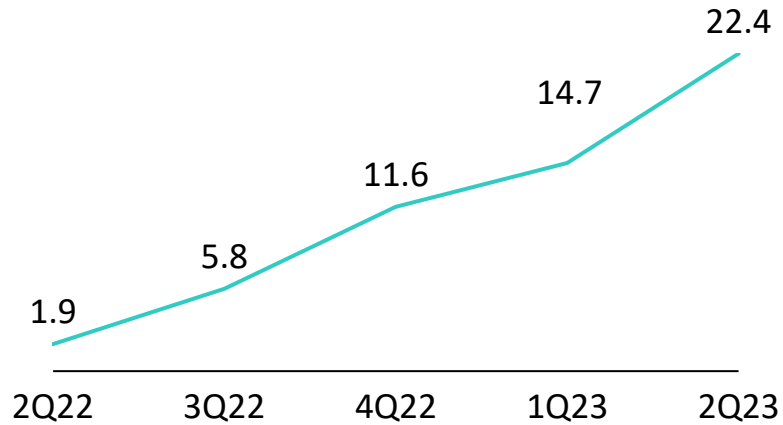
Spanish customers, to choose a single operator in Iberia

Iberian flows are relevant for most customers

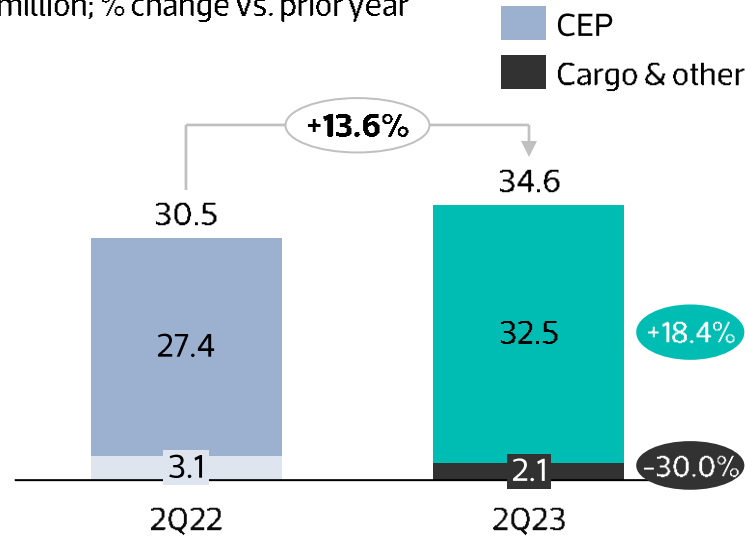


# Sustained acceleration of volume, revenue and profitability growth

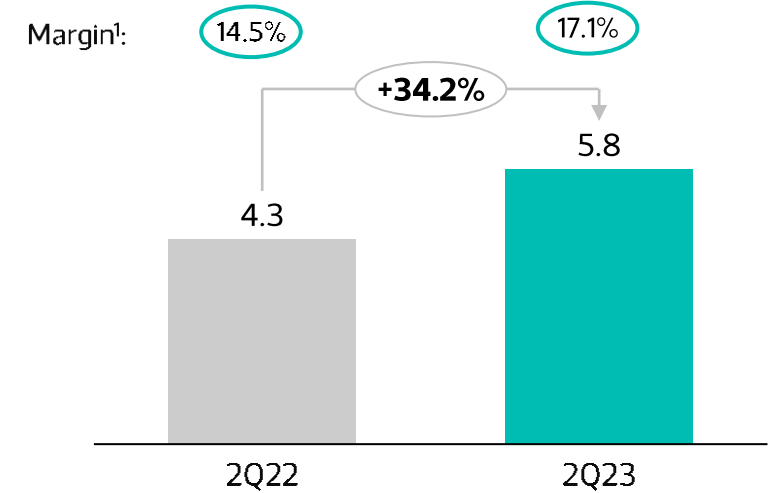
Express & Parcels Portugal | CEP Volumes  
% change vs. prior year



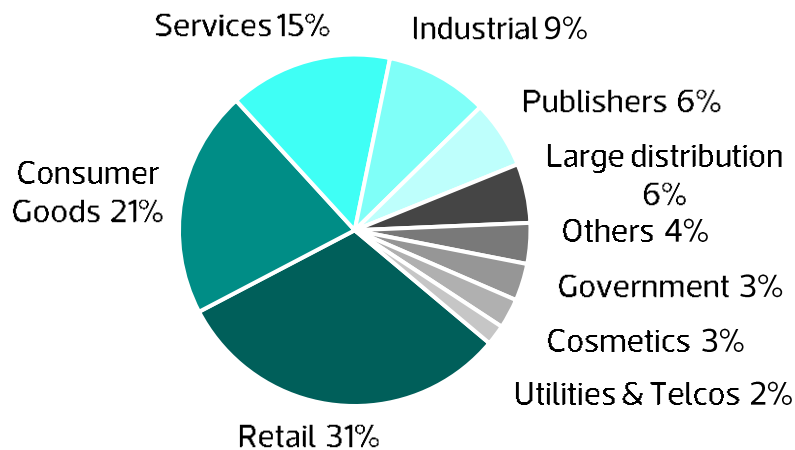
Express & Parcels Portugal | Revenues  
€ million; % change vs. prior year



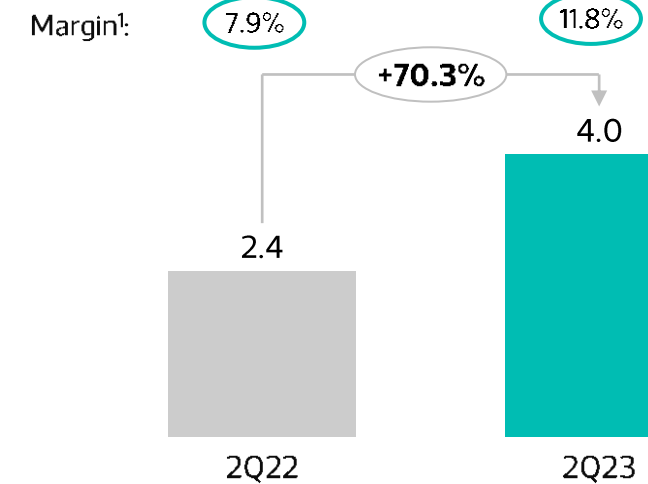
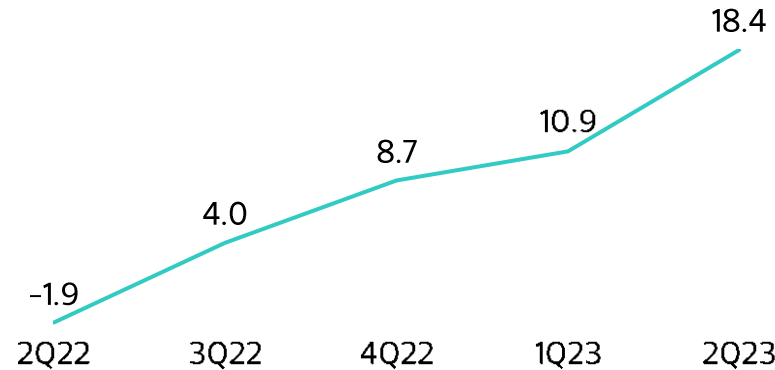
E&P Portugal<sup>1</sup> | EBITDA & EBIT<sup>2</sup>  
€ million; % change vs. prior year.



CEP Volumes by type of client<sup>3</sup> in 1H23



CEP revenues  
% change vs. prior year

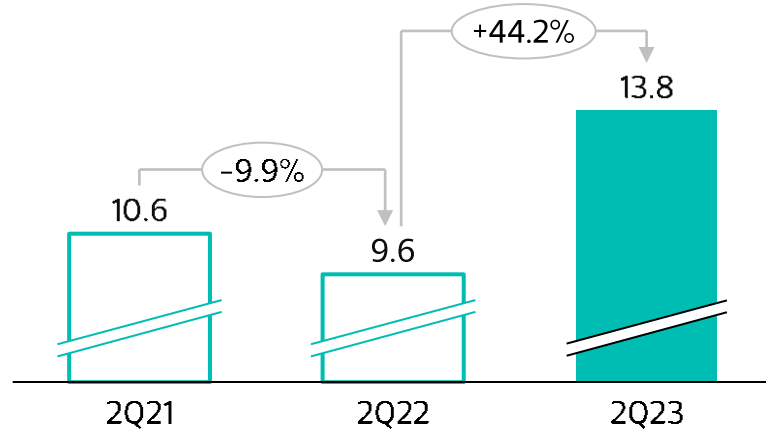


<sup>1</sup>Individual accounts; <sup>2</sup>Recurring EBIT excludes specific items; <sup>3</sup>Contractual clients

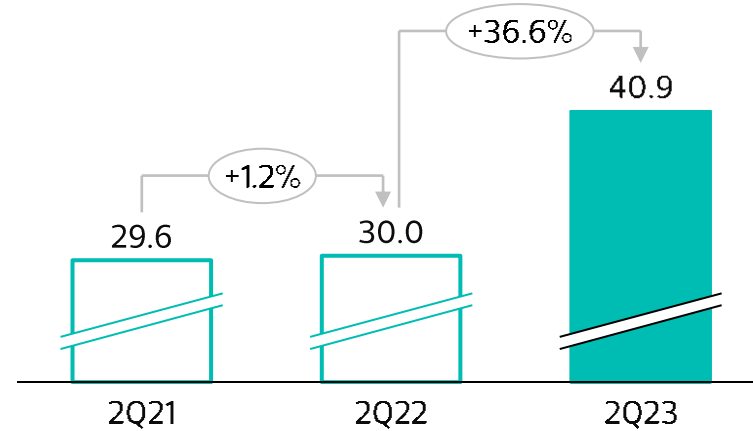


# Record volumes and operational leverage driving increased profitability

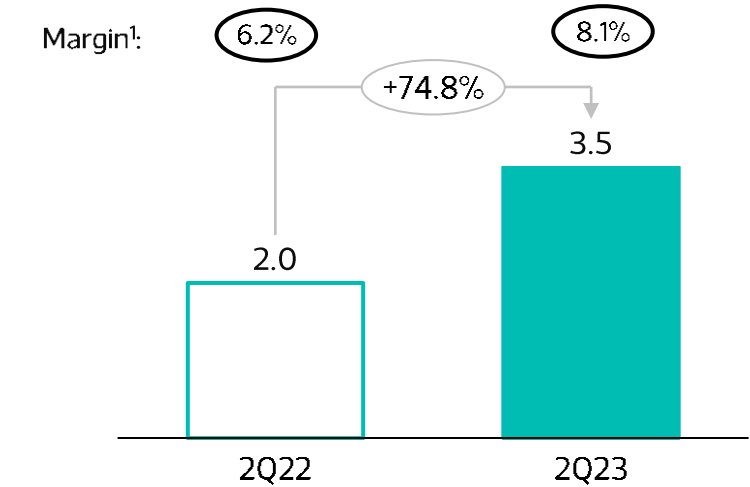
Express & Parcels Spain | CEP Volumes  
million items; % change vs. prior year



Express & Parcels Spain | Revenues  
€ million; % change vs. prior year



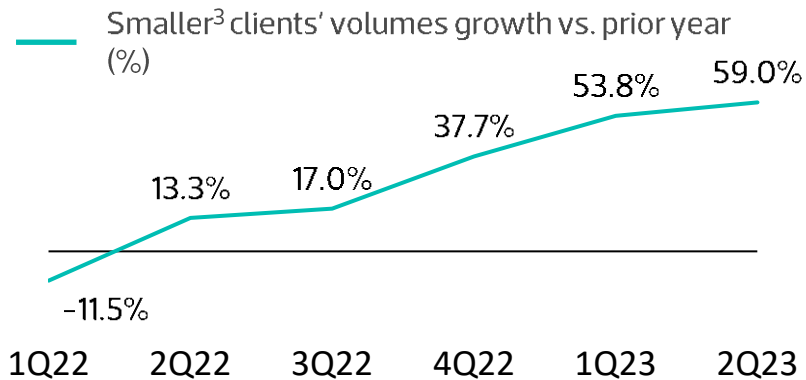
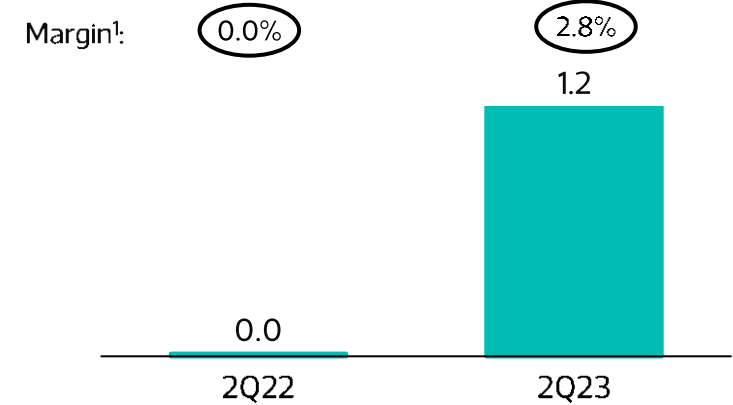
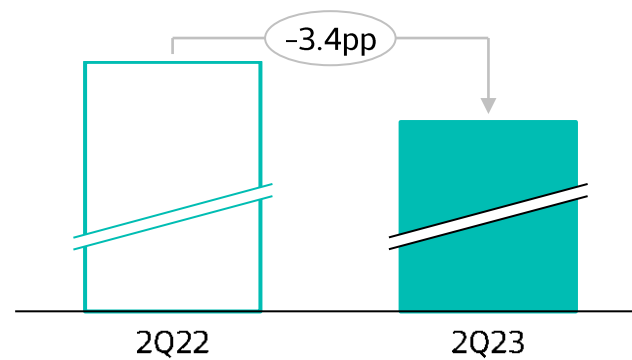
E&P Spain<sup>1</sup> | EBITDA & EBIT<sup>2</sup>  
€ million; % change vs. prior year.



Per working day (k items)



Top 5 clients  
% of total revenues



<sup>1</sup>Individual accounts; <sup>2</sup>Recurring EBIT excludes specific items; <sup>3</sup>Clients with daily volumes below 20,000 items

# New mail concession agreement providing visibility and stability

7-year contract, including a transition period (2022) followed by two 3-year periods (2023-25 and 2026-28)

## Quality

- ✓ SLAs to be approved by the Government upon ANACOM's proposal, within European average and best-practices, also for 3-year periods

## Density

- ✓ No major changes

## Price

- ✓ Defined by agreement between CTT, ANACOM and the Consumer Directorate-General for periods of 3 years
- ✓ If no agreement, the Government sets out the criteria

Pricing agreed with ANACOM and GCD for the 2023-25 period

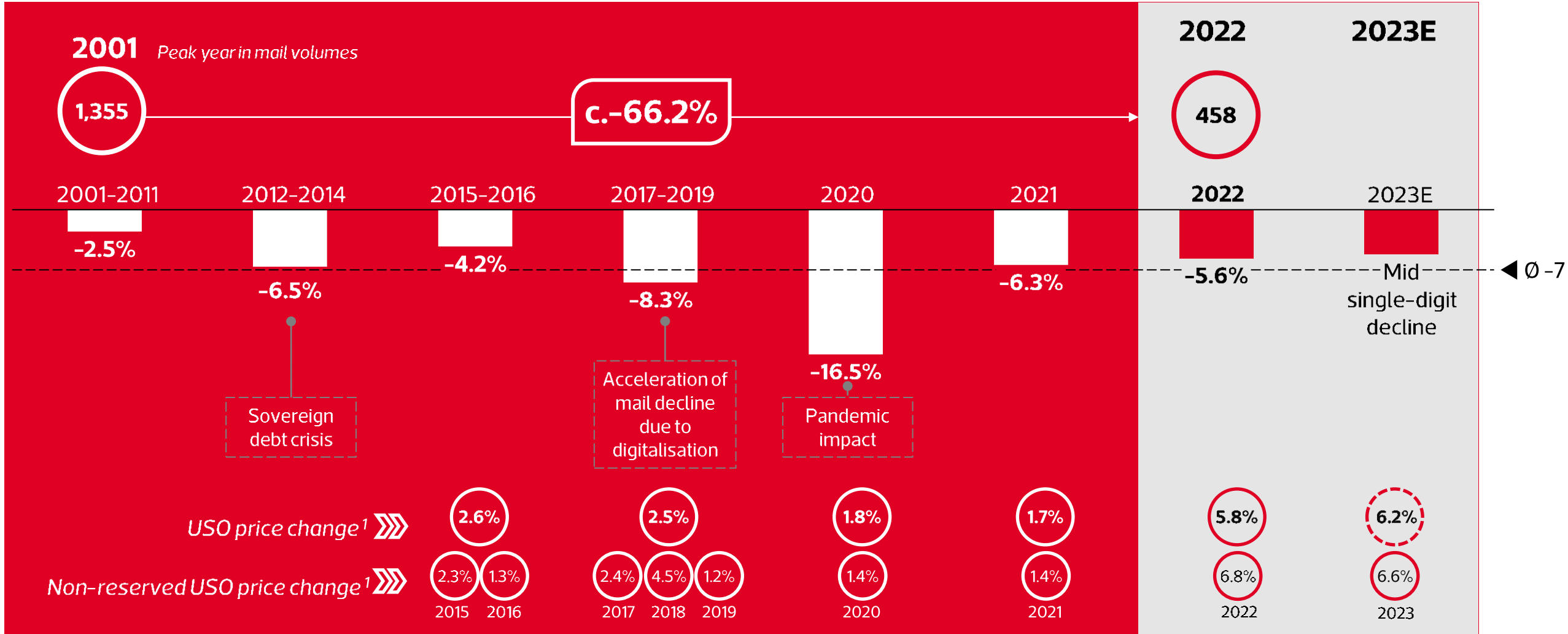
$$\text{CPI} - \Delta \text{Volumes} \times (1 - \text{VC}) - E + K$$

CPI	Average of last 12m
$\Delta$ Volumes	y.o.y volume change, of last 12m (excluding bulk mail)
VC	Variable costs factor (16%)
E	+0.5% efficiency factor
K	Factor to apply to extraordinary conditions

# Softer volume decline coupled with higher price increase offer improved outlook

CTT addressed mail volumes evolution

Million items; CAGR (%)

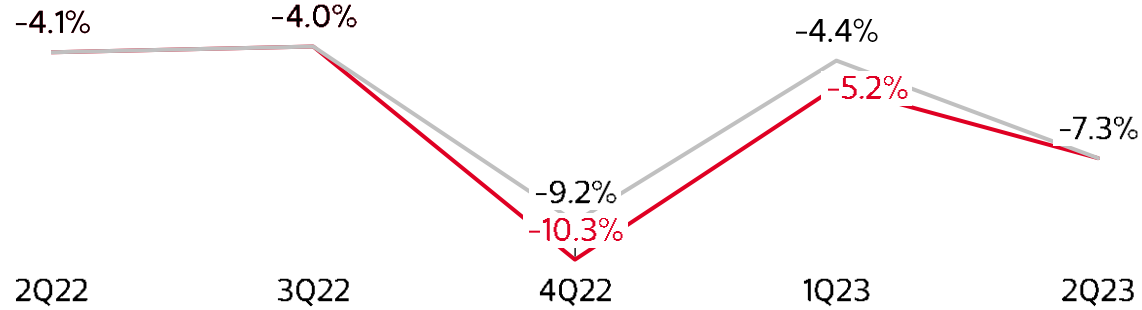


# Stabilizing Mail through commercial proactivity and clearer pricing outlook

Addressed mail volumes

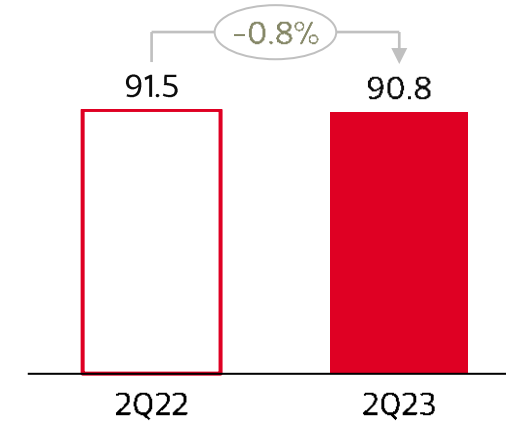
% change vs. prior year

— Adjusted for elections impact  
— Reported



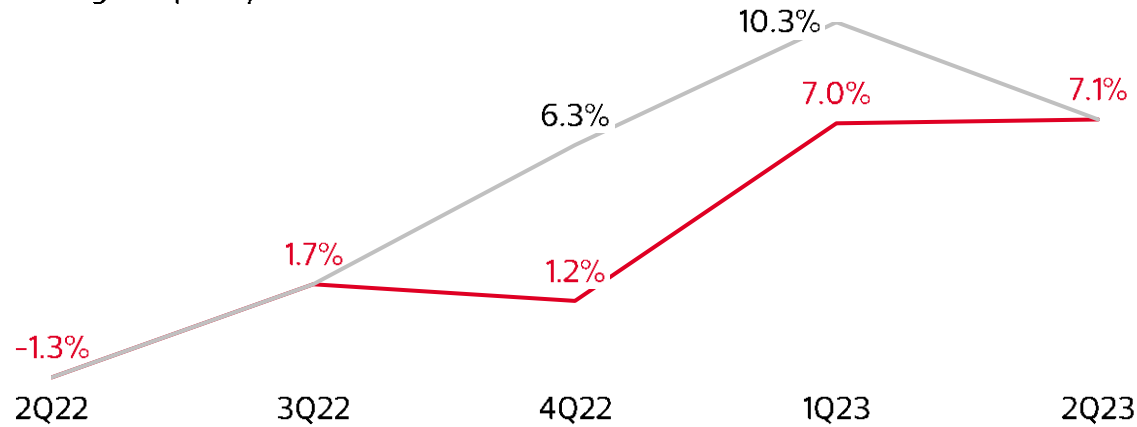
Addressed mail revenues

€ million; % change vs. prior year



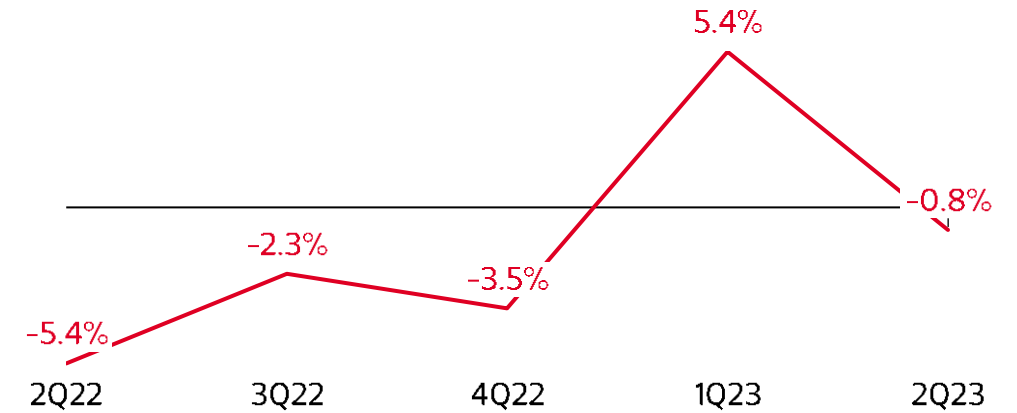
Average revenue per item

% change vs. prior year



Addressed mail revenues










% change vs. prior year, excluding impact of elections



# Supporting customers in improving efficiency and boost business, particularly in ecommerce

**SUPPORTING**  
the business

**EMPOWERING**  
the business

							
<p><b>Mail for businesses</b></p> <p>▼</p> <p>Ensuring the use of secure physical and digital mail for business customers</p> <p>Via CTT (digital mail)</p>	<p><b>Document management</b></p> <p>▼</p> <p>E-carta (self-service)</p> <p>Mailrooms</p> <p>Archives</p> <p>Workflows</p>	<p><b>Support services</b></p> <p>▼</p> <p>Business Process Outsourcing</p> <p>Outsourcing of Specialised processes</p> <p>Contact centers</p>	<p><b>Vertical solutions</b></p> <p>▼</p> <p>STICO (public entity fine management systems)</p> <p>Geographical services</p>	<p><b>Marketing &amp; Campaigns</b></p> <p>▼</p> <p>Online and physical self-service campaigns</p> <p>Wi-Fi and mobile communication</p> <p>Giveaways</p>	<p><b>Online sale</b></p> <p>▼</p> <p>Digital Presence e.g. Online stores</p>	<p><b>Payments</b></p> <p>▼</p> 	<p><b>Returns</b></p> <p>▼</p> <p>Expedite process of returns e.g. Include printed return label</p>

# We have a unique network capillarity across the country that we are refocusing on services

**569**

branches spread across the country

**>1,800**

agents offering CTT products and services

**All 308 municipalities**

with a CTT store

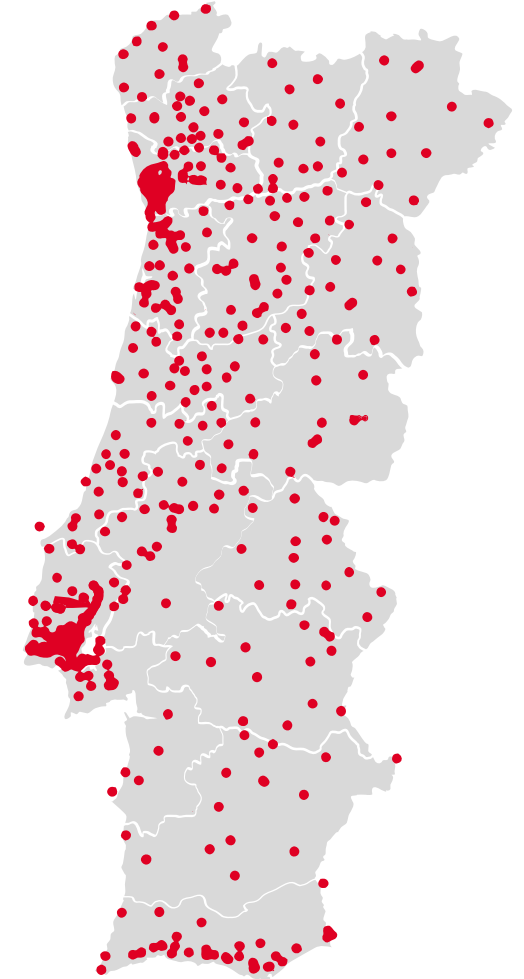
**Azores**



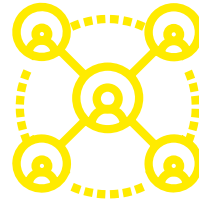
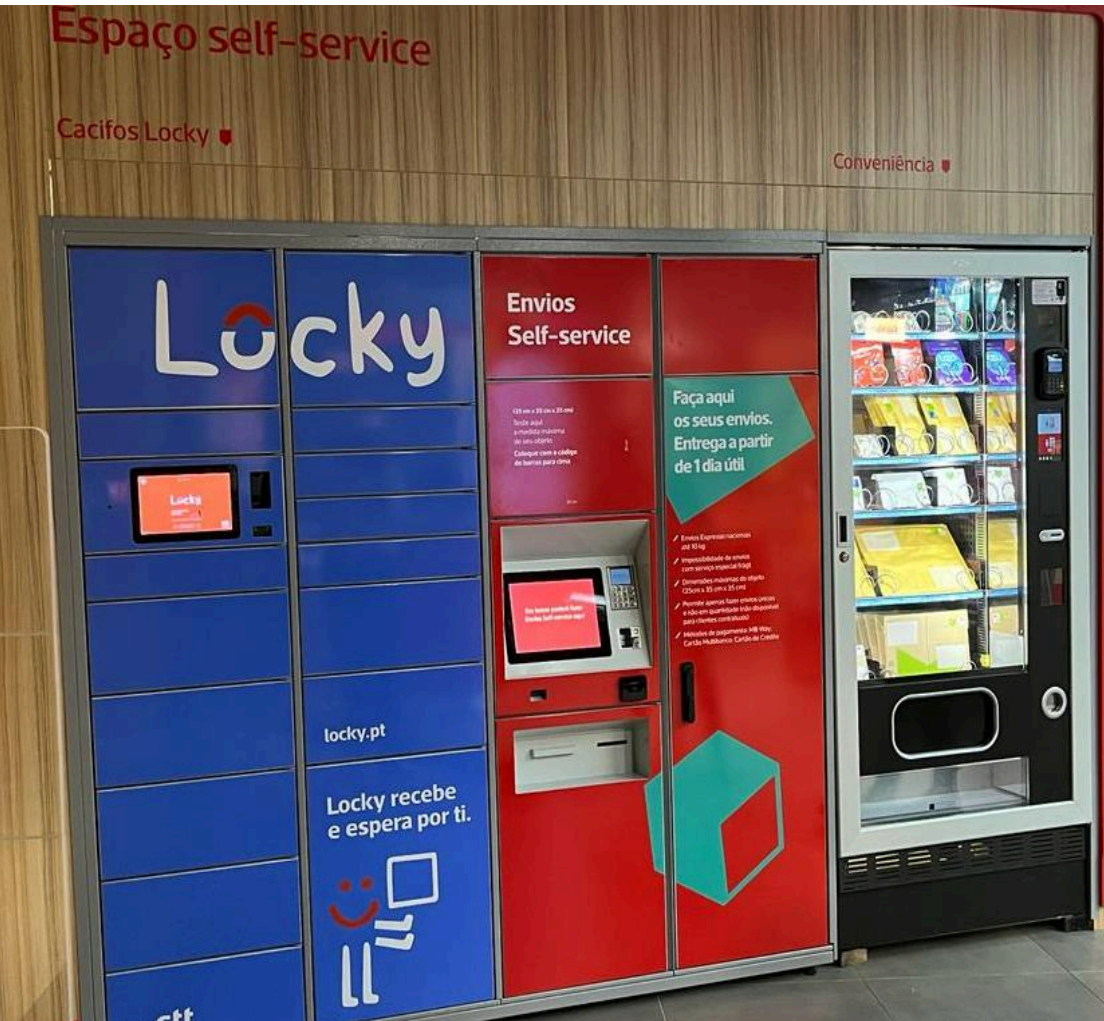
**Madeira**



● CTT branches



# Ambition to reinforce proximity and become a one-stop-shop for customer service needs



**Capillary network**, associated with customer proximity, present with own shops in all municipalities



Leveraging existing in-person traffic with 65k unique client visits / day, as well as increasingly available **digital / self-service functionalities**



Solving for customers' **convenience and daily service requirements** and **eliminating pain-points**

# Focus on transforming CTT's retail network in a powerhouse of services to the citizen

## Focus on the portfolio of services...

## ... while transforming our in store experience



### Savings

In-store and online distribution  
Strong dynamics drive walk-ins



### Non-life insurance

Auto  
Home  
Travel  
Health



### Money transfer services

Western Union direct-to-bank corridors  
Payshop and postal agents networks



### Payment Services

Pensions  
Tax payments  
Toll Payment  
Utilities  
Aerial Transport subsidy



### Strengthening the self-service and digital approach

Expansion of the Locker network  
Implementation of self-service kiosks  
Reinforcement of omnicanality



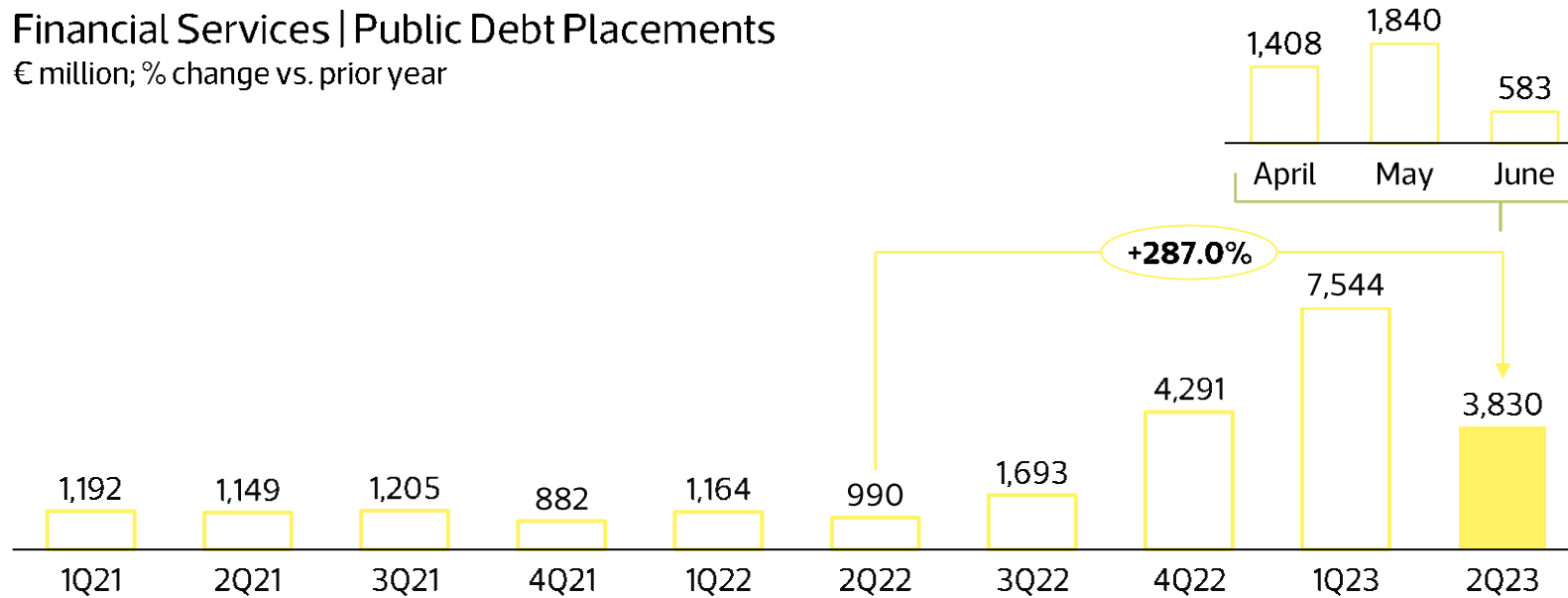
### In-store process redesign

Opening more self-service convenience spaces 24/7  
Layout re-evaluation and redesign  
Waiting areas with improved digital experiences and information

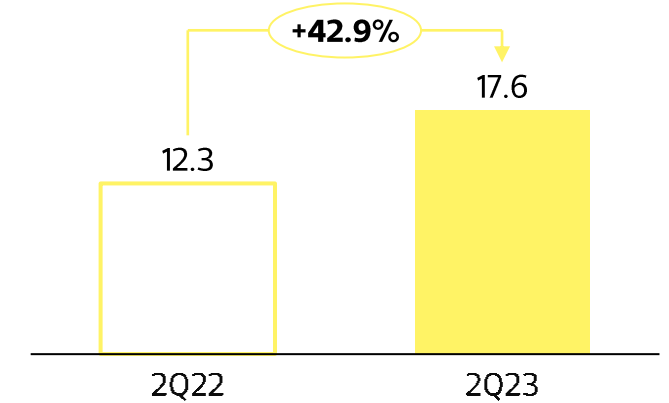


# Public debt placements slowing down towards historical average

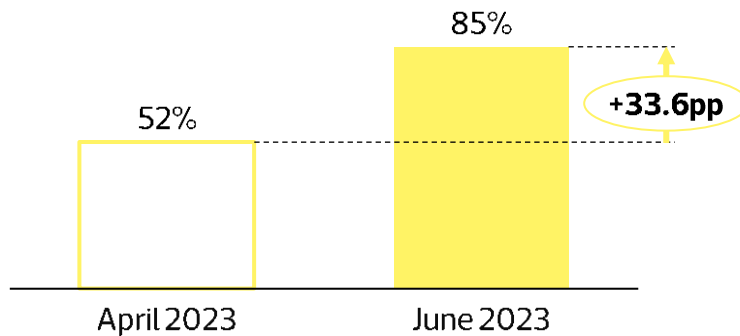
Financial Services | Public Debt Placements  
€ million; % change vs. prior year



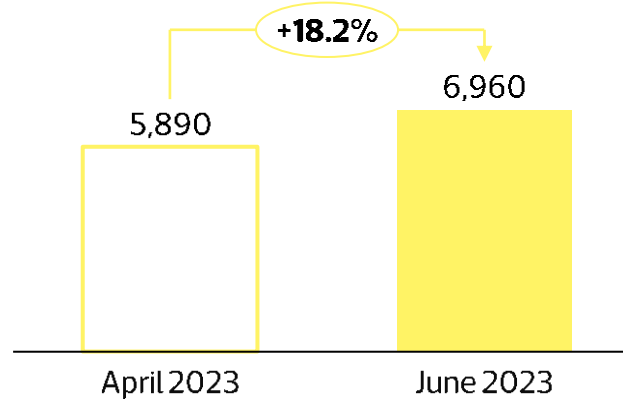
Financial Services | Revenues & rec. EBIT  
€ million; % change vs. prior year



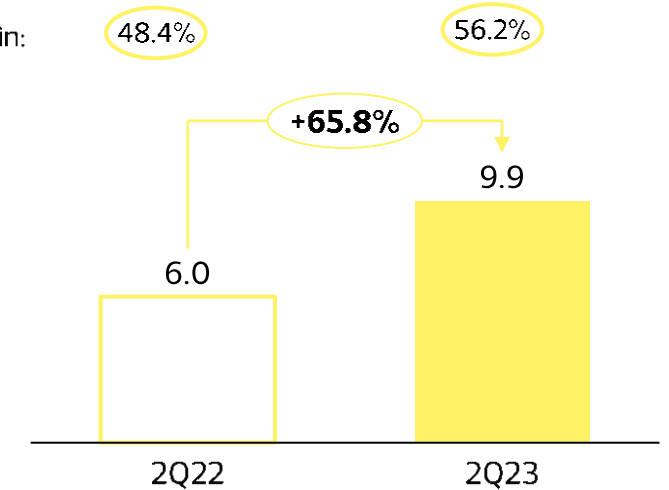
Insurance Products | CTT sales ramp up  
% of total CTT stores selling insurance products



Insurance Products | Client interactions  
Number of insurance simulations made by clients in stores



Margin:



# Banco CTT plan for 2023-25: business segments and performance enablers

## Business Segments



612k  
accounts<sup>1</sup>

**Core Retail:**  
**Monetise the franchise**

Monetise the existing bank relationships



€ 3,129 m  
deposits &  
savings<sup>2</sup>

**Savings:**  
**Excel in private savings**

Increase penetration of savings products,  
leveraging on CTT's platform experience



€ 1,783 loans<sup>3</sup>

**Household credit:**  
**Growth**

Continue to develop credit for households

## Enablers

**Discipline in costs and capital:** Control costs in a high inflation context, with optimized capital management

**Specialization of the distribution platform:** Increase anchor stores, promoting higher specialization

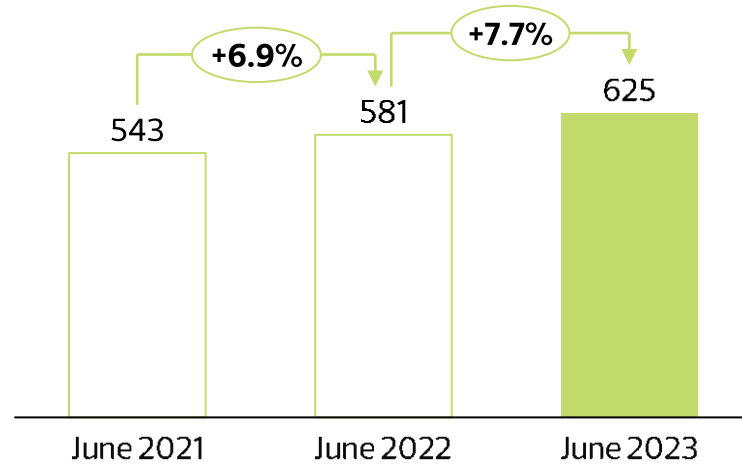
**Using IT as an efficient and secure way to develop relationships with clients and partners:** Accelerate the availability of technological solutions to reinforce human relations

<sup>1</sup>Data as of end of 1Q23; <sup>2</sup>Customer deposits and off-balance sheet savings as of end of 1Q23; <sup>3</sup>Loans to customers as of end of 1Q23

# Banco CTT remains focused on growing its client base while strengthening relationships and growing volumes

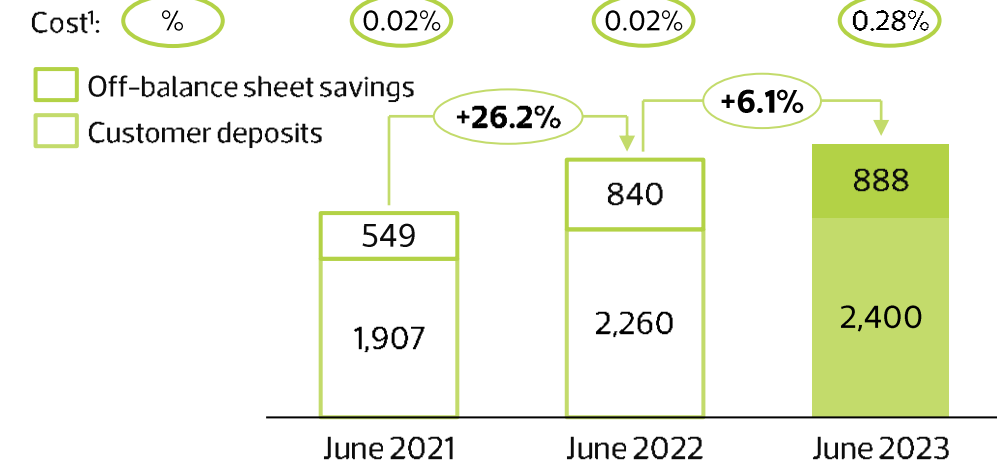
## Banco CTT – Accounts

Thousands, EoP



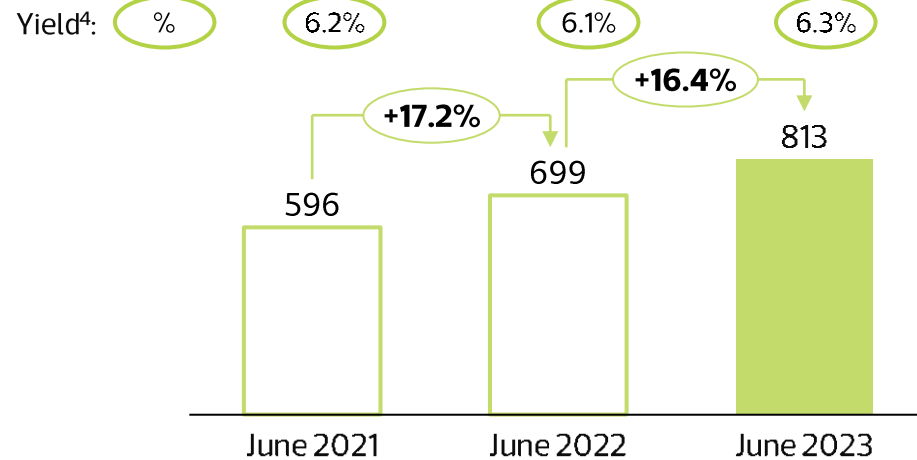
## Banco CTT – Customer deposits and Off-Balance Sheet savings

€ million, EoP



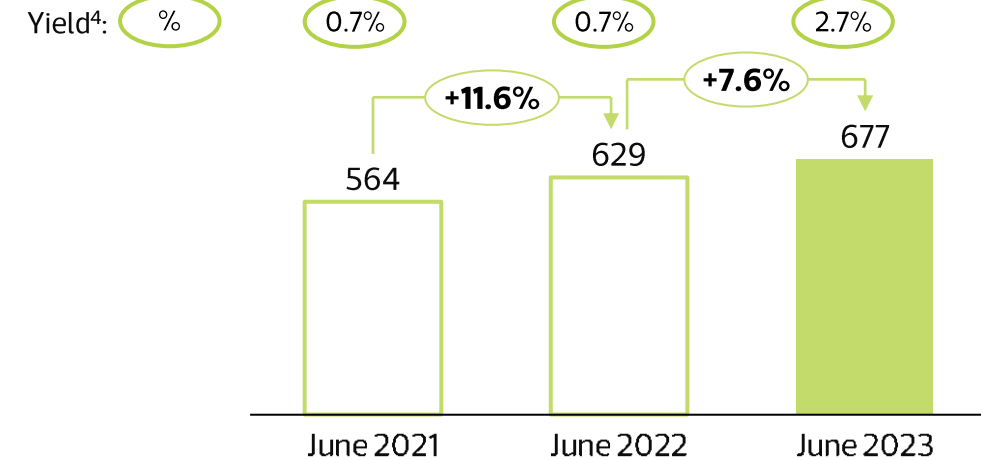
## Banco CTT – Auto Loans volumes<sup>2,3</sup>

€ million, EoP



## Banco CTT – Mortgage Loans volumes<sup>2</sup>

€ million, EoP

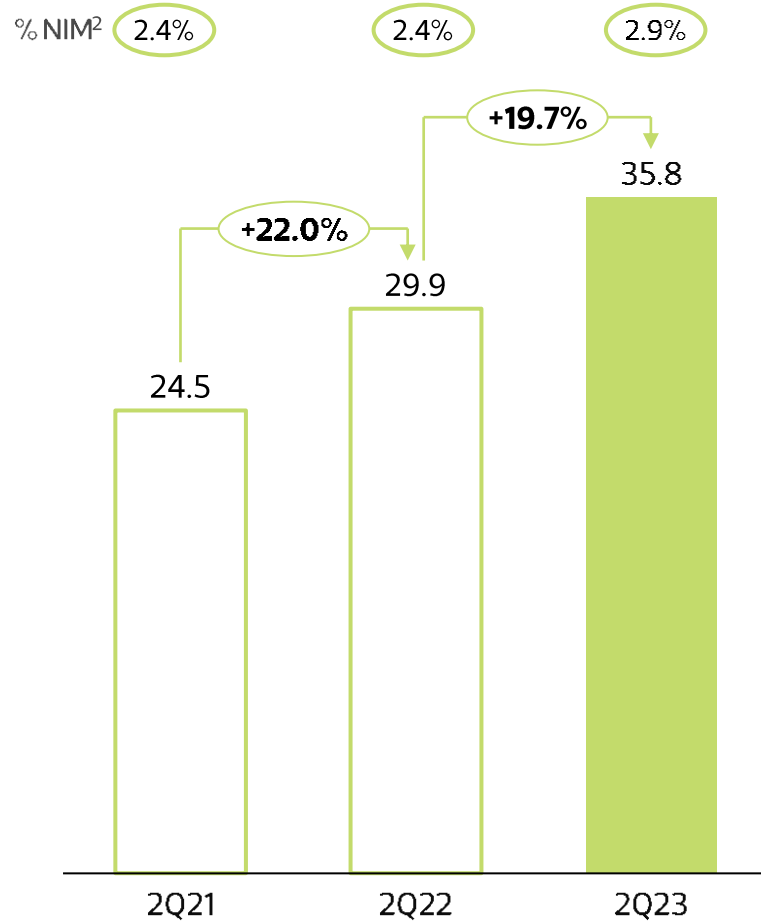


<sup>1</sup>Cost of customer deposits, cumulative; <sup>2</sup>Net of impairments; <sup>3</sup>Consolidated contribution; <sup>4</sup>Cumulative

# Growth in revenues driving higher RoTE

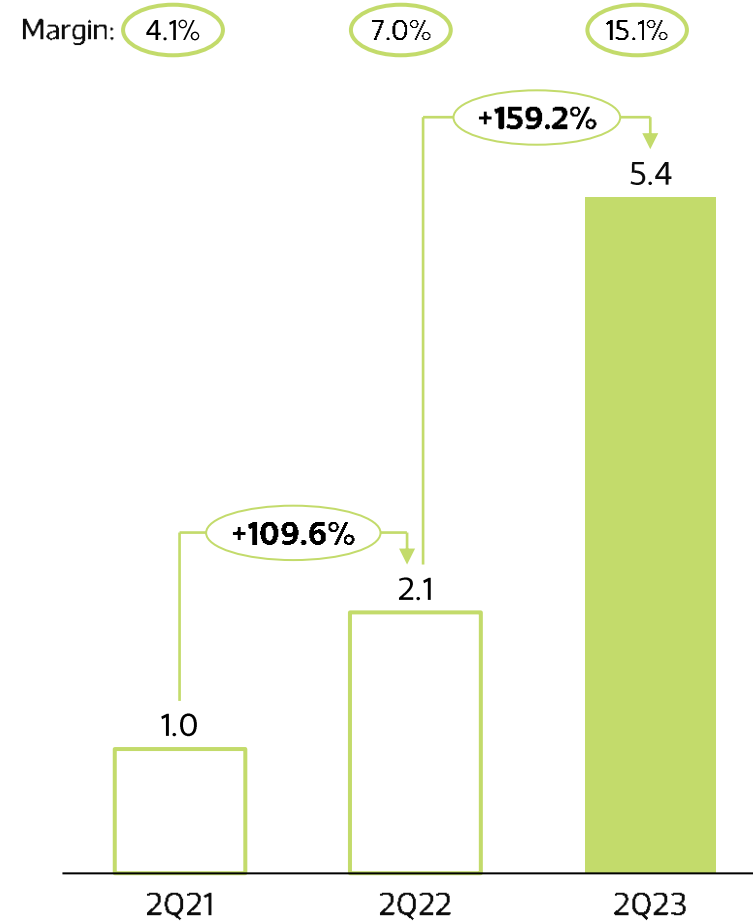
## Revenues

million; % change vs. prior year



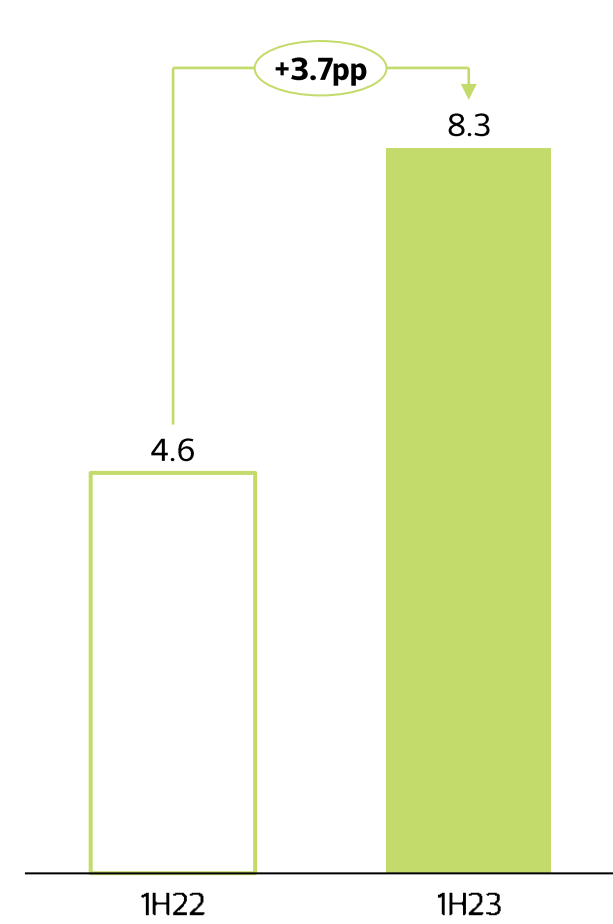
## Rec. EBIT

million; % change vs. prior year



## RoTE<sup>1,2</sup>

%



<sup>1</sup>RecurringRoTE; <sup>2</sup>Cumulative

# Strategic partnership between CTT, Banco CTT and Tranquilidade/Generali Seguros

## Transaction description and rationale



1

**Long-term distribution agreements** for the distribution by CTT and Banco CTT of **Tranquilidade/General** insurance products through their respective distribution channels, with exclusivity renewable every 5 years

2

The partnership reinforces CTT Group's **value proposition** for its customers with a broad offering of **life and non-life insurance products**

3

Tranquilidade / Generali to subscribe a **€25m reserved capital increase** in exchange for a stake of **approximately 8.71%** in Banco CTT (**implied valuation of 1.1x P/BV 1H22**)

4

Proceeds from the capital increase will support the **development of Banco CTT** and **reinforce its capital position** (+240 bps impact on CET1 FL ratio<sup>1</sup>)

***Closing of the transaction expected to occur before the end of 2023***

<sup>1</sup>CET1FL ratio includes 1H22 results

# Insurance distribution agreements overview

## Key highlights



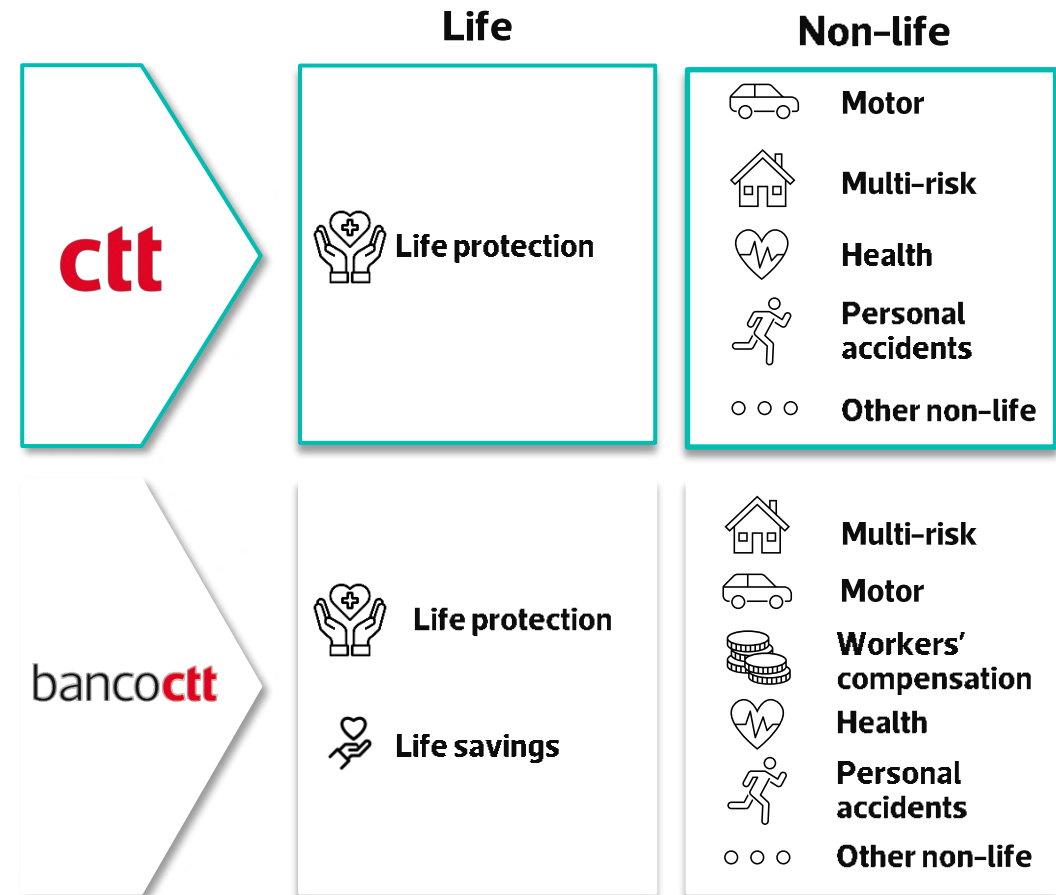
**Long-term agreements**, with exclusivity renewable every 5 years

Recurrent **commissions** in line with **market standards**

Additional fixed price of **€1m to CTT** and **€9m to Banco CTT**, irrespective of performance and to be settled in the initial 6 years

Additional **performance-based mechanisms** agreed between the parties

## Lines of business

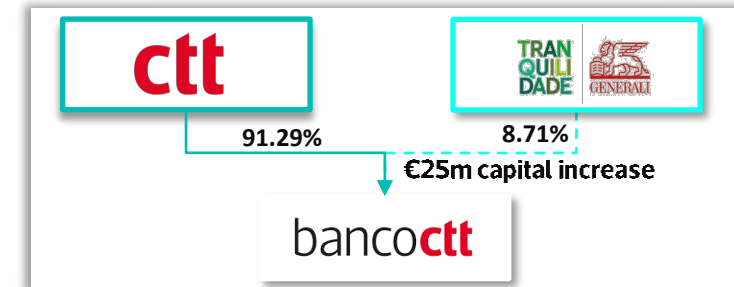


# Capital increase in Banco CTT ensures full alignment of interests between the parties

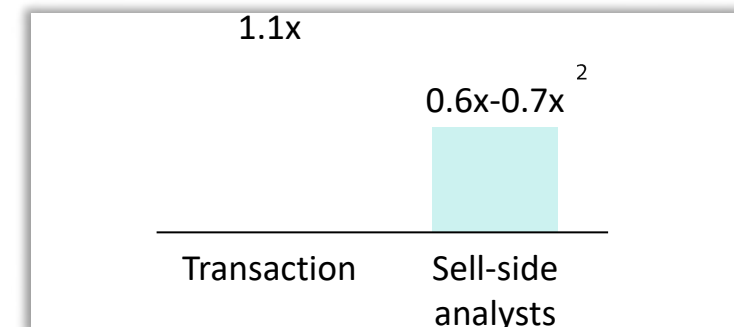
## Capital increase

- 1 Subscription by Generali of a €25m reserved capital increase (8.71% share) in Banco CTT implies a **€262m pre-money valuation**
- 2 Banco CTT valued at a **1.1x P/BV multiple**, a **significant premium vis-à-vis current sell-side analysts' valuation** assigned to Banco CTT
- 3 This capital increase will support the **development of Banco CTT and reinforce its capital position** (+240 bps impact on CET1FL ratio<sup>1</sup>)
- 4 **Agreed corporate governance structure** grants minority protection rights to Generali consistent with its stake
- 5 **An utmost important step in Banco CTT's profitable growth strategy**, showcasing the bank's unique strengths:
  - ✓ Fastest-growing bank in Portugal
  - ✓ Nationwide network and agile digital platform
  - ✓ Attractive retail franchise: young, urban and digital customer base
  - ✓ Scalable platform with track-record on partner-based solutions
  - ✓ Relevant presence in consumer finance segment

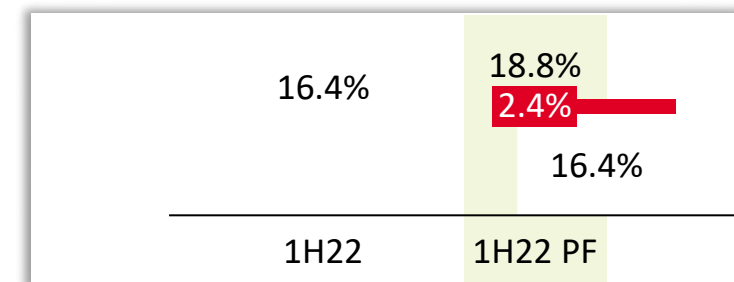
## Shareholding structure



P/BV multiple ← 100%



CET1 FL ratio<sup>1</sup> impact



<sup>1</sup>CET1FL ratio includes 1H22 results; <sup>2</sup>CTT-compiled sell-side analysts' consensus valuation of Banco CTT

# The termination of the Universo credit card partnership will reduce significantly the RWA

## Terms of the Partnership Agreement - Termination

- Partnership to be closed by 31 December 2023
- Sonae will progressively assume responsibility for financing and credit risk activities
- Net exposure of Banco CTT to Universo credit cards will gradually decrease during 2023
- Upon termination, Universo will ensure the purchase of outstanding exposures



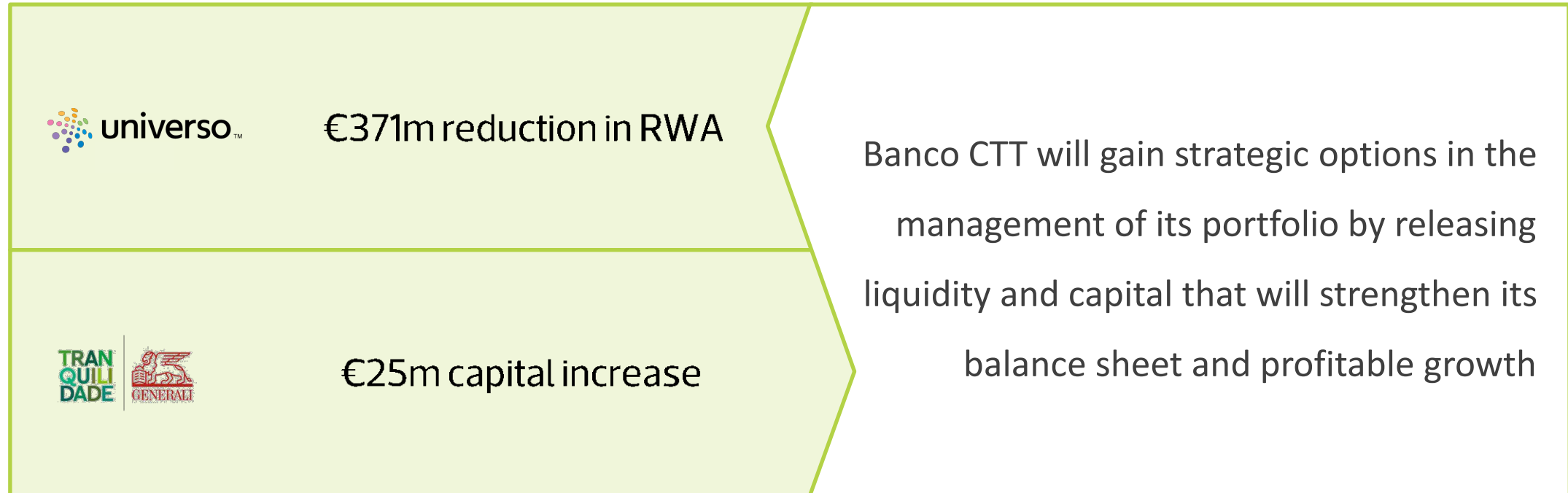
## 2022 Key Performance Indicators

- PBTI<sup>1</sup> partnership: 8.0M€
  - Revenues: 23.6M€<sup>2</sup>
  - Administrative Expenses: -2.3M€
  - Impairment & Provisions: -13.4M€
- Net Yield: 2.5%<sup>3</sup>
- Net Loans, EoP: €354m (average €322m)
- RWA, EoP: €371m

<sup>1</sup>Direct contribution before funding costs; <sup>2</sup>Banco CTT's revenues includes a €1.9M severance payment for termination of contract in December 2022; <sup>3</sup> PBTI/Average net loans; <sup>4</sup>Tranquilidade/Generali Seguros, and <sup>5</sup>Ongoing process to fulfil the conditions precedent, including banking and insurance regulatory authorities' approvals.



# These two corporate development steps – termination with Universo and launching with Generali – will further strengthen the capital position

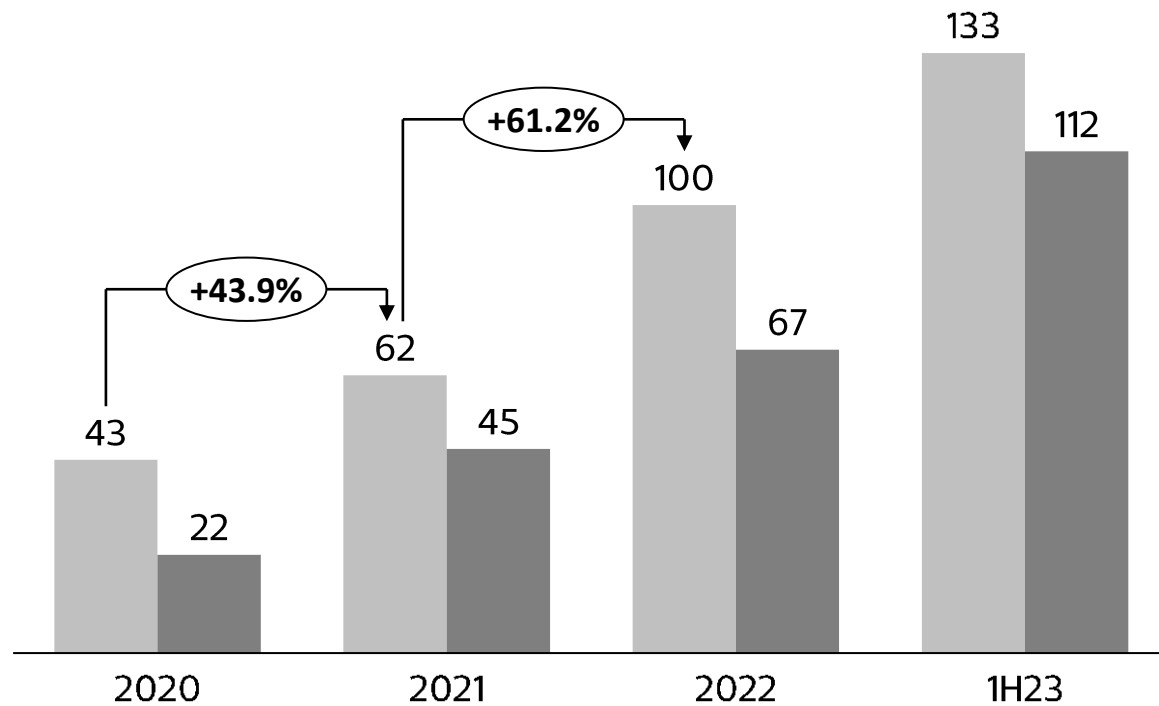


# Strong cash-flow generation

## Consolidated Cash Flow

€ million; LTM

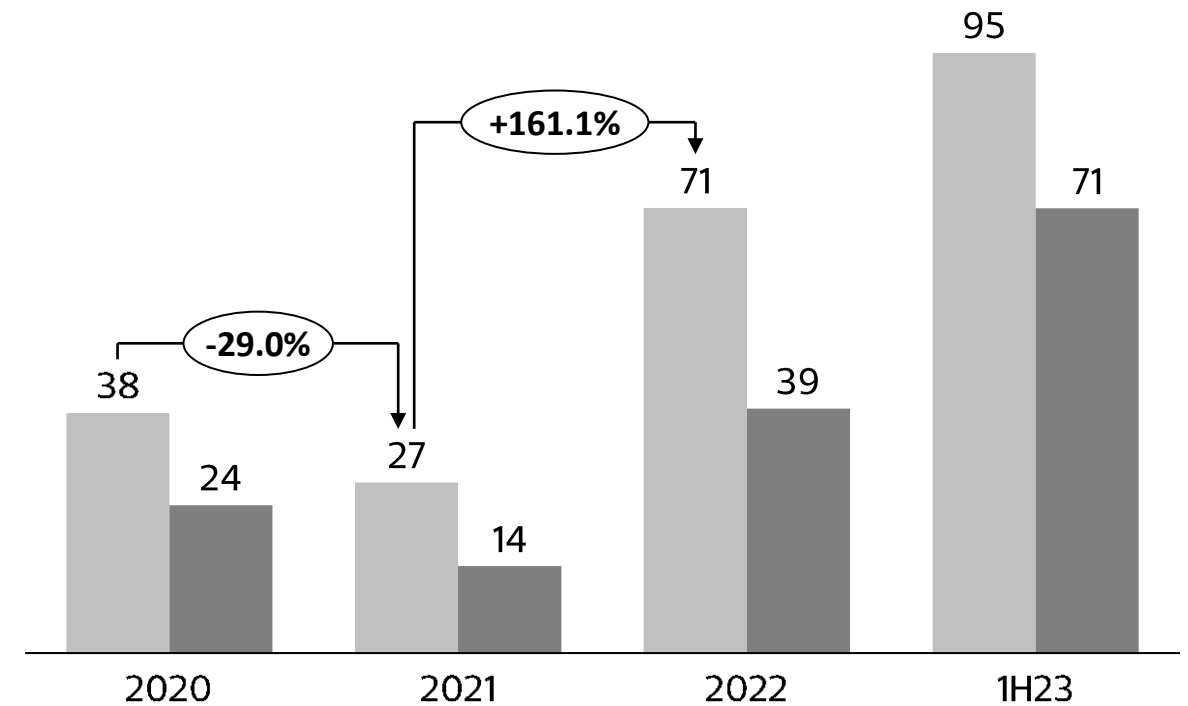
Operational CF FCF



## Cash Flow with Banco CTT under equity method

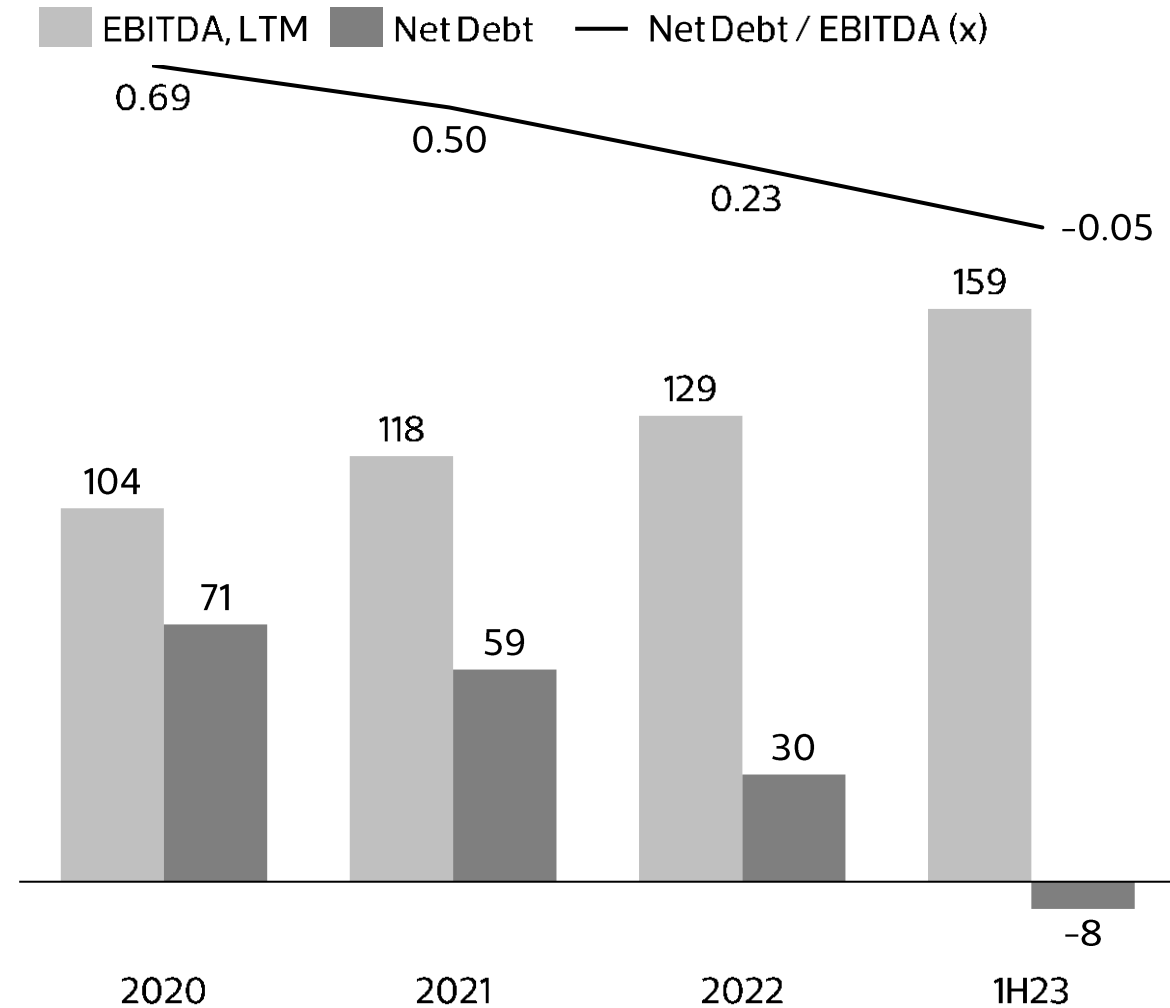
€ million; LTM

Operational CF FCF

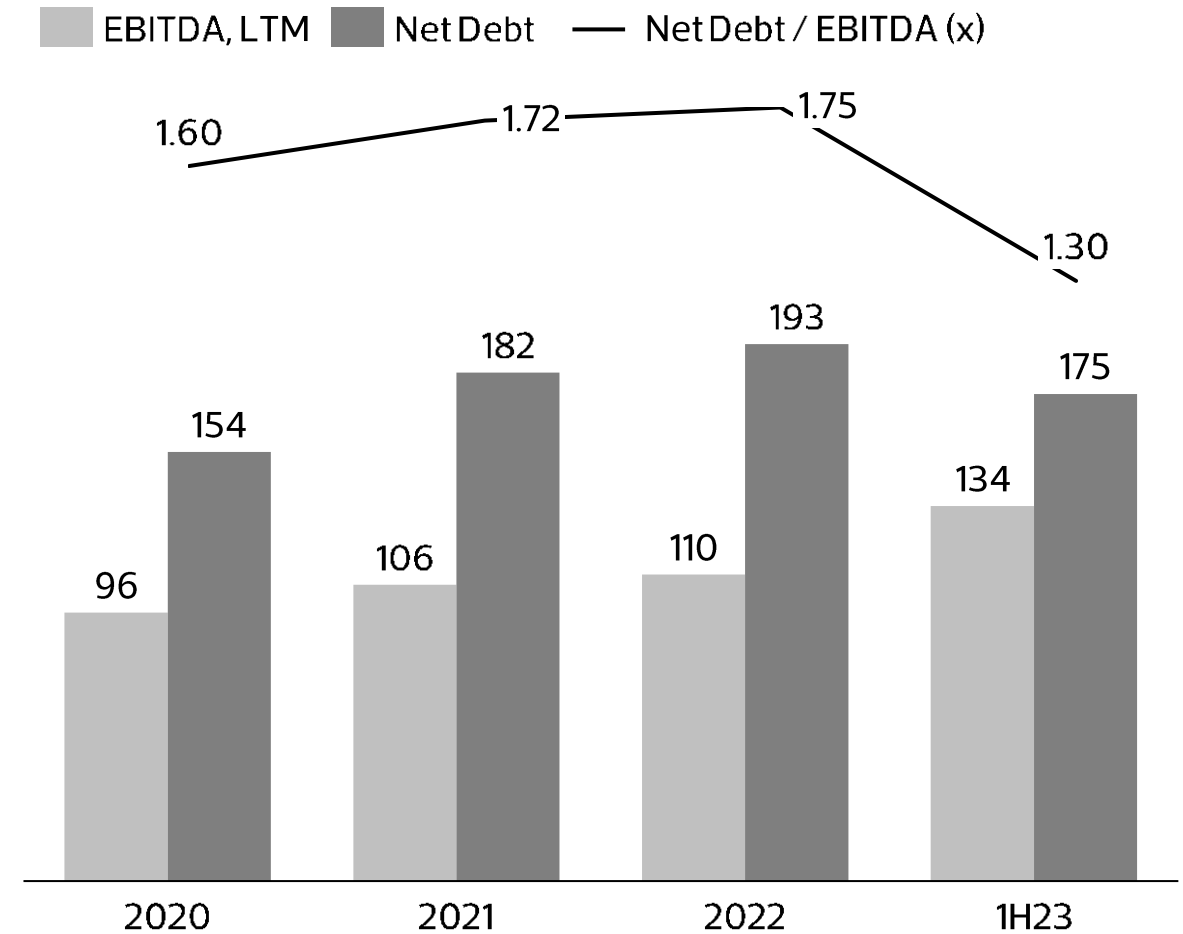


# Prudent balance sheet enabling strategic and financial flexibility

Consolidated leverage  
€ million



Leverage with Banco CTT under equity method  
€ million



# Growing dividend combined with opportunistic SBB

## Shareholder remuneration principles<sup>1</sup>disclosed at the CMD2022

Committed to improve shareholder remuneration while maintaining financial flexibility, subject to the following key principles:

- i. enable **investment in business growth** to emerge as a reference Iberian player in logistics and ecommerce;
- ii. **implement an attractive shareholder remuneration policy**, providing an adequate source of income for its shareholders, and
- iii. **combine recurrent, dividend-based, with opportunistic SBB** and subsequent cancellation of shares, in the presence of adequate market conditions.

Targeting to **pay between 35 and 50% of net profit** in recurring dividends, subject<sup>5</sup> to:

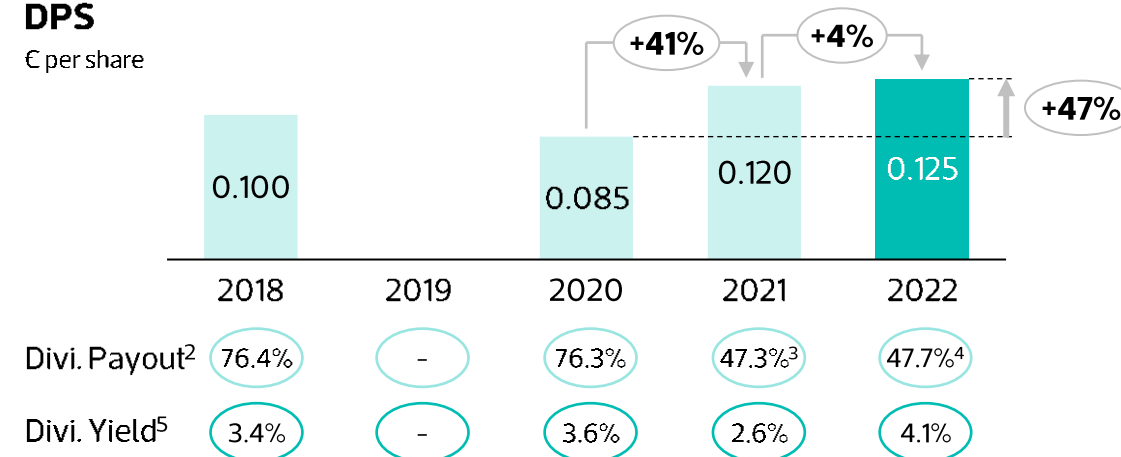
- market conditions
- a suitable financial and accounting context of CTT's balance sheet, and
- the applicable legal and regulatory terms and conditions

## Dividends

- ✓ Dividend of **€0.125 per share** for the 2022 financial year approved in the AGM and paid in May 2023

## DPS

€ per share



## Share buyback

- ✓ **New SBB of € 20 m in execution in 2023**
- ✓ SBB of €21.6m carried out in 2022, having acquired 6.08m shares
- ✓ 4.65m shares already have been cancelled
- ✓ 1.43m shares cancelled in 2023, after AGM approval

<sup>1</sup>For detailed information on CTT's Financial Policy, including its shareholder's remuneration principles, please refer to CTT's investor relations website and to the announcement disclosed on 23 June 2022; <sup>2</sup>Based on individual accounts; <sup>3</sup>Excludes the dividend paid on the 1.5m own shares of the share buyback of 2021, share count excluding own shares equals 148.5m; <sup>4</sup>Share count excluding own shares equals 142.4m, and <sup>5</sup>Yield calculated taking as a reference the year end share price of each year

## Take aways @1H23 earnings announcement



Strong growth and margin expansion of Express & Parcels in Iberia with a solid outlook



Price increase and steady focus on costs and efficiency compensating volume decline



Growing in insurance distribution, while savings are normalising following intense commercial activity



Banco CTT continues to deliver client, volume and revenue growth thus enhancing profitability



Very strong quarter with consolidated revenue and recurring EBIT growth across all businesses



Strong cash-flow generation improving financial flexibility



Launched €20m share buyback complementing the annual dividend (€0.125 per share) paid in May



**We reaffirm our recurring EBIT guidance of “at least €80m in 2023”**

# ctt

committed to deliver

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Delivering the future by connecting people  
and businesses in a sustainable way

