

CTT – Correios de Portugal

1H17

Results Roadshows



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01.

Company overview

02.

Key 1H17 highlights

03.

Business units

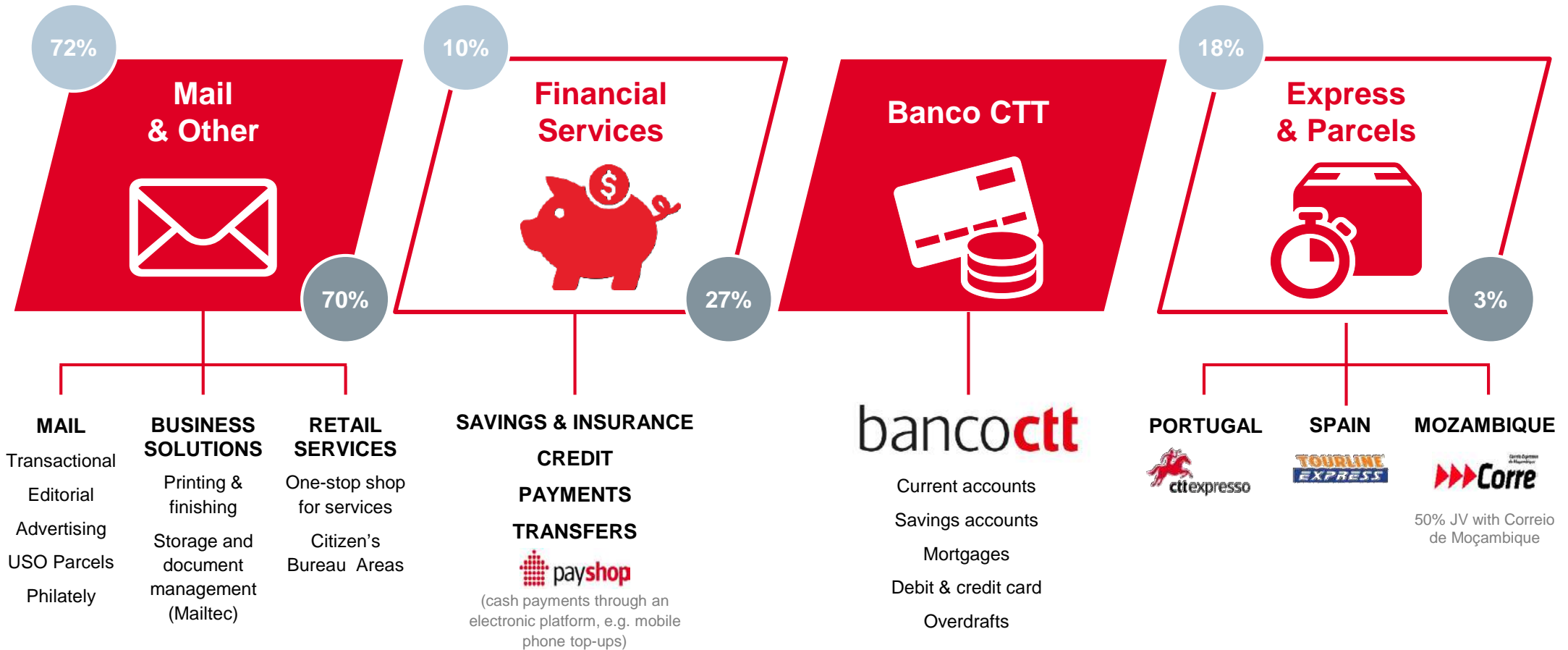
04.

Appendix

01.
Company
overview



COMPANY OVERVIEW: A modern and dynamic postal services operator with a diversified portfolio of businesses

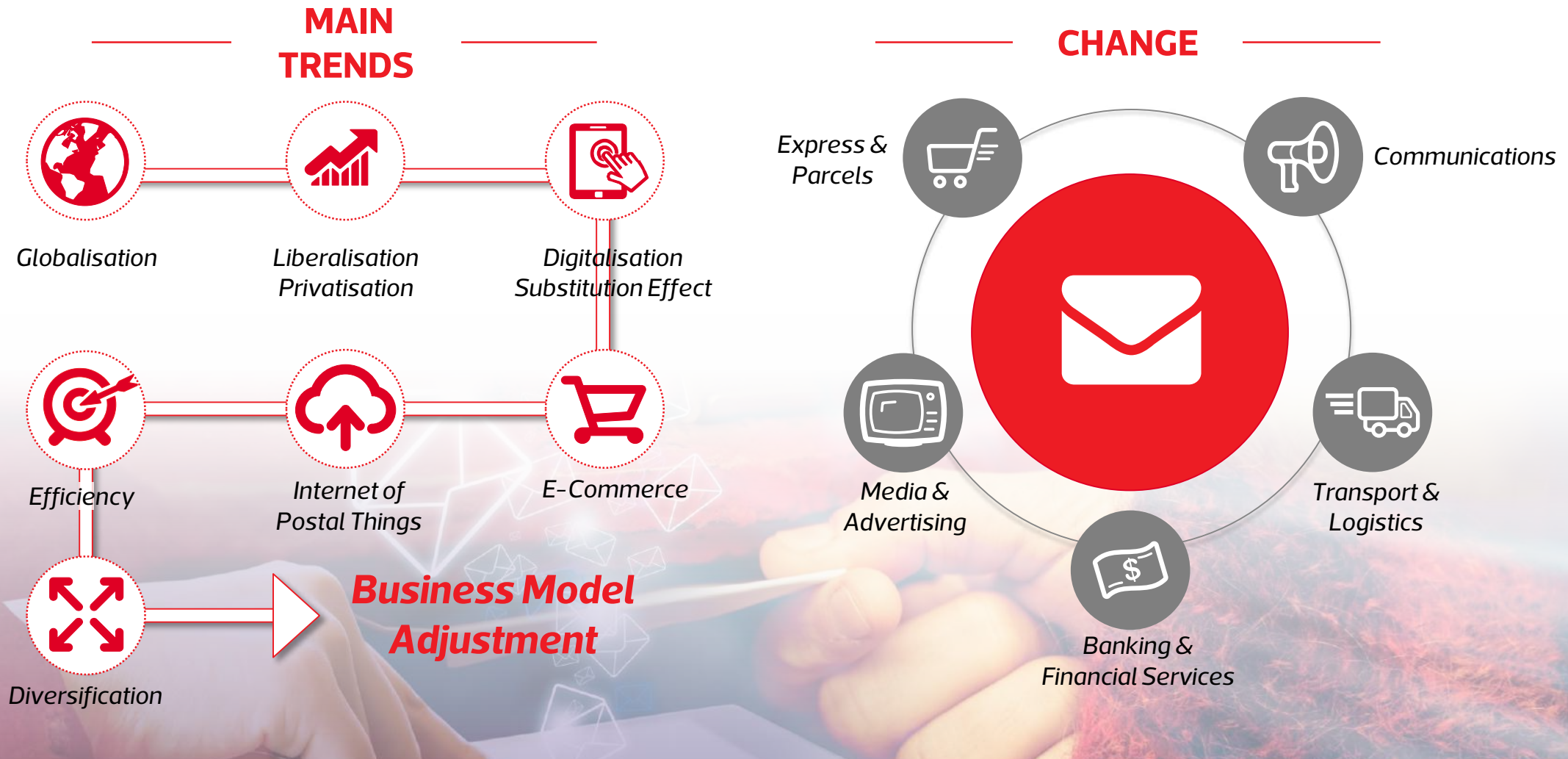


Indisputable market leader with industry-leading margins

Leveraging on a strong brand name, a historical track record and a Retail Network comparable in size to those of the major Portuguese banks

Economies of scale and market-leading position in Portugal; relevant operation in Spain based on a franchisee model

COMPANY OVERVIEW: Going through a significant transformation phase in order to adapt to new market trends



COMPANY OVERVIEW: Fine-tuning the key strategic levers to ensure the sustainability of revenues & EBITDA growth



COMMERCIAL EXCELLENCE

Redefine an integrated commercial approach to identify and fully meet our clients' needs and preferences



OPERATIONAL EFFICIENCY

Focus on continuous improvement of processes and operations to enhance profitability



MAIL

Preserve the value of the mail business



EXPRESS & PARCELS

Capture the growth trend in parcels



FINANCIAL SERVICES

Develop the non-banking products



BANCO CTT

From a successful launch to a profitable operation



FINANCIAL STRENGTH



PROXIMITY (NETWORK & BRAND)



CULTURAL TRANSFORMATION



IT & DIGITAL

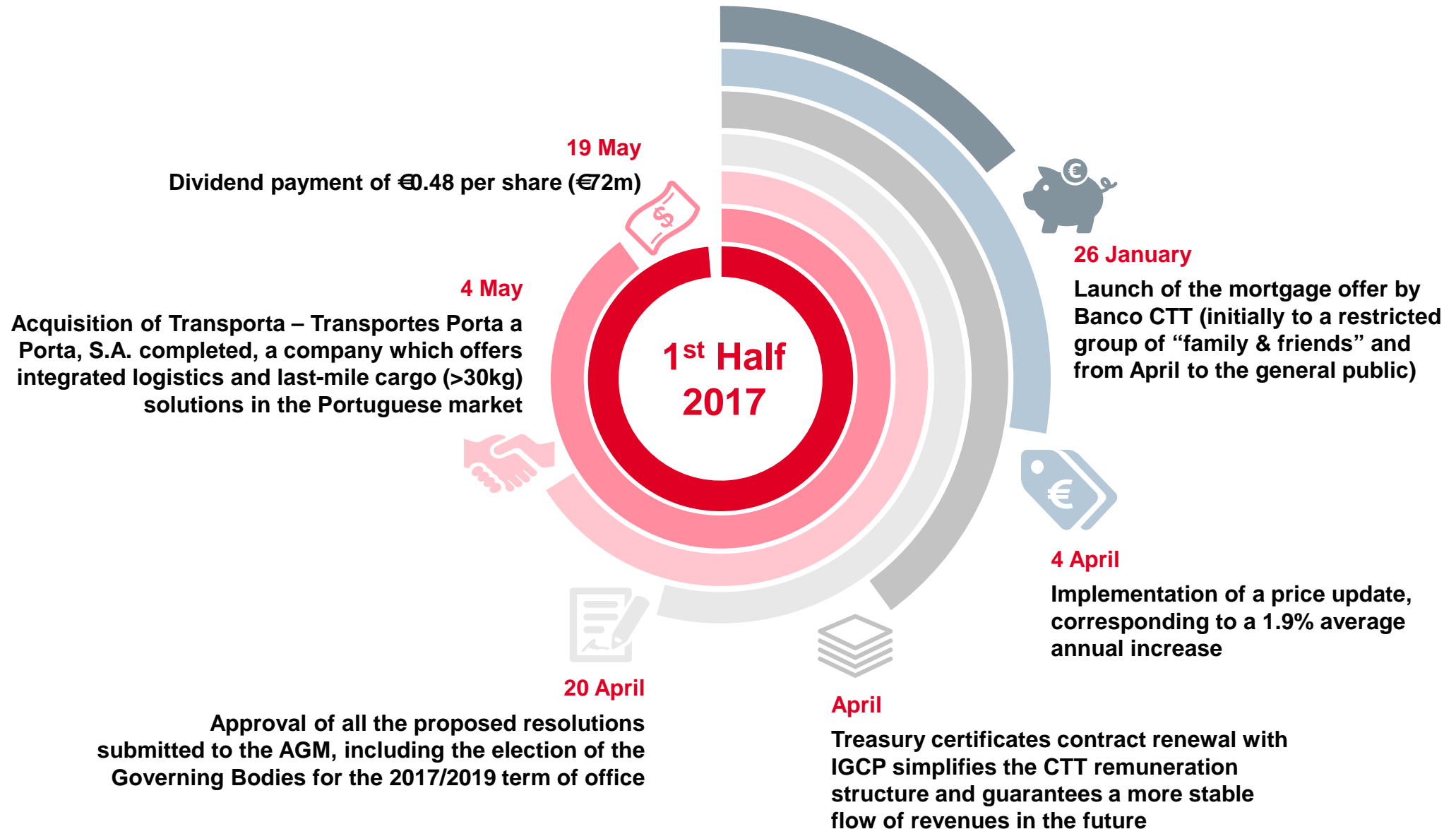


INNOVATION

02.
Key 1H17
highlights



KEY 1H17 HIGHLIGHTS: The strategy to grow the Express & Parcels and the Banking / Financial Services businesses was actively pursued in 1H17, accelerating in 2Q17








KEY 1H17 HIGHLIGHTS: 2Q17 saw return to revenues growth and stabilisation of recurring EBITDA (excl. Altice), despite the impact of the Easter break in the quarter



Financial and operational performance

€ million, except when otherwise indicated

	Quarterly results				Half-yearly results			
	2Q16	2Q17	Δ€	Δ%	1H16	1H17	Δ€	Δ%
Recurring revenues	171.5	175.2	+3.7	+2.1%	349.4	352.1	+2.8	+0.8%
Recurring revenues excl. Altice	169.0	175.2	+6.2	+3.7%	344.4	352.1	+7.8	+2.3%
Recurring operating costs	144.2	150.6	+6.4	+4.4%	286.9	299.5	+12.6	+4.4%
Recurring EBITDA	27.3	24.6	-2.7	-10.0%	62.5	52.6	-9.8	-15.8%
Recurring EBITDA excl. Altice	24.8	24.6	-0.2	-0.9%	57.5	52.6	-4.8	-8.4%
Reported net profit	11.0	7.4	-3.6	-32.7%	31.7	17.7	-13.9	-44.0%

	 Addressed mail (million items)	 Parcels (million items)	 FS savings flows ¹ (€ billion)	 # Banco CTT current accounts (thousand)	 Banco CTT deposits (€ million)
1H17	388.1	15.0	3.3	147.4	424.3
1H17 vs. 1H16	-5.6%	+14.8%	+35.1%	+631.0%	+658.1%

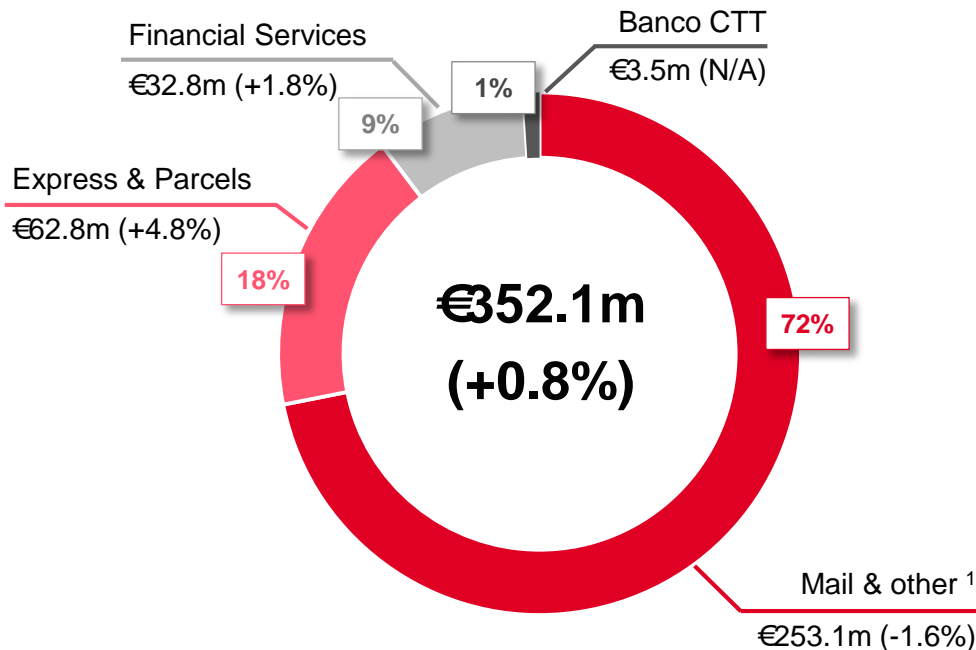
¹ Amount of savings & insurance placements (€2.3bn) and redemptions (€1.1bn).

KEY 1H17 HIGHLIGHTS: Higher than €10m increase in revenues from growth businesses in 1H17 fully offset the decline in Mail revenues and the Altice 1H16 impact



1H17 recurring revenues

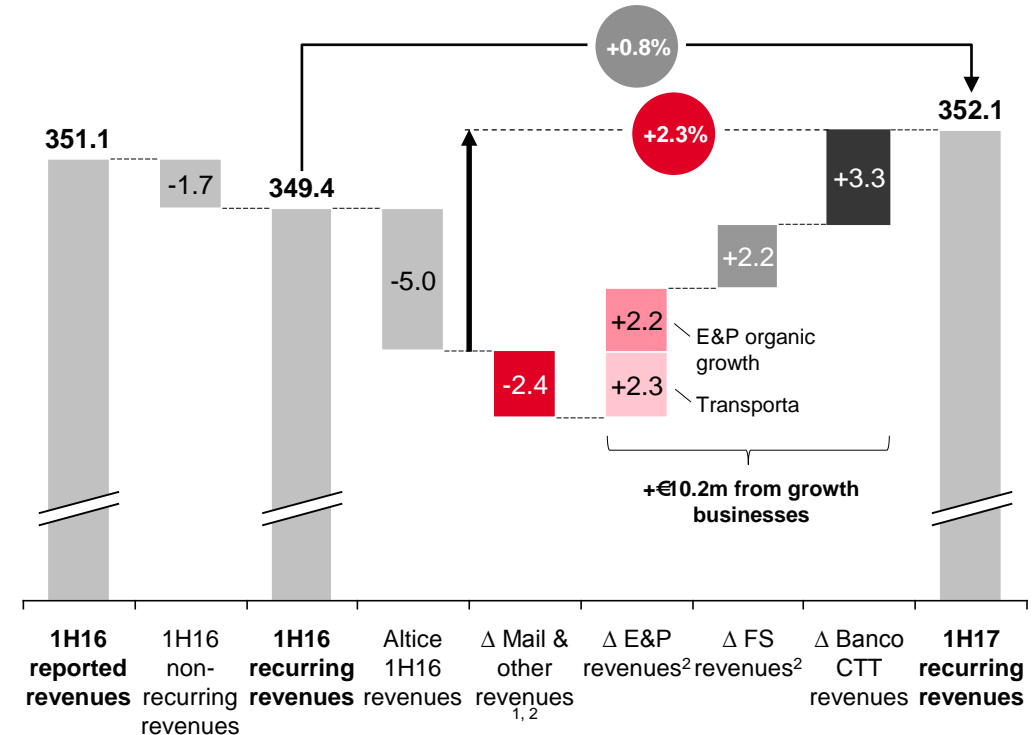
€ million; % change vs. prior year; % of total



X% % of total

Revenues breakdown

€ million



- **Mail revenues decline** was primarily due to a temporary suspension of lottery sales in the Retail network (-€2.0m impact). The impact of 5.6% addressed mail volumes decline was largely offset by strong mix effect (6.0% registered mail volumes growth) and 1.3% average price increase in the period. The addressed mail volumes decline in 2Q17 was -7.6%, accelerating due to the impact of Easter in the quarter, but it is expected to conform to guidance range in 2H17
- **E&P was the main driver of revenues growth**, resulting from strong parcels volumes in Portugal & Spain and the Transporta acquisition (+€2.3m impact in 2Q17)
- **Banco CTT on target to achieve guidance** of high-single digit (€7m to €9m) revenues in FY17

¹ Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€14.8m in 1H16 and -€16.7m in 1H17.

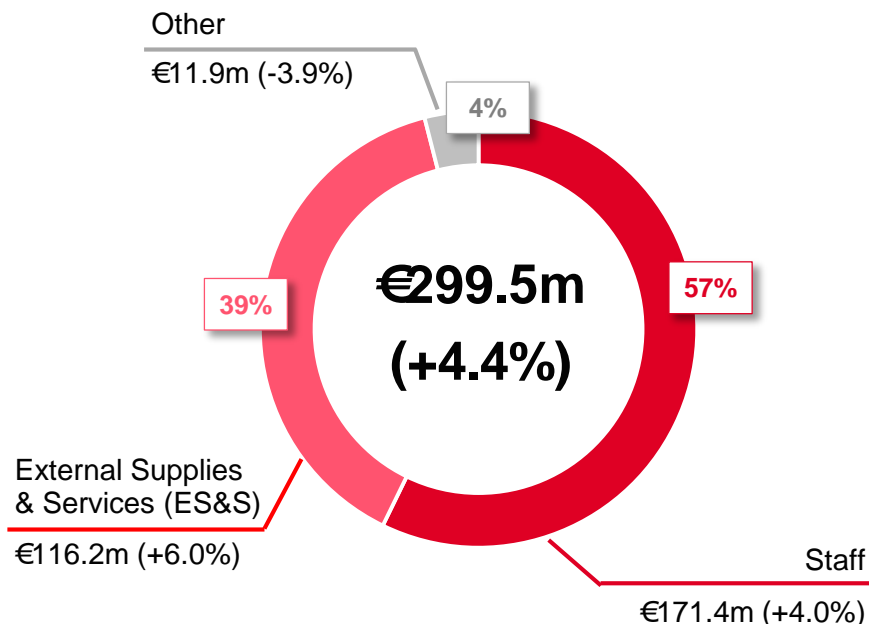
² Excluding Altice 1H16 revenues.

KEY 1H17 HIGHLIGHTS: The increase in operating costs was driven predominantly by Banco CTT, the Transporta integration, and increase in variable costs as a result of volumes growth



1H17 recurring operating costs

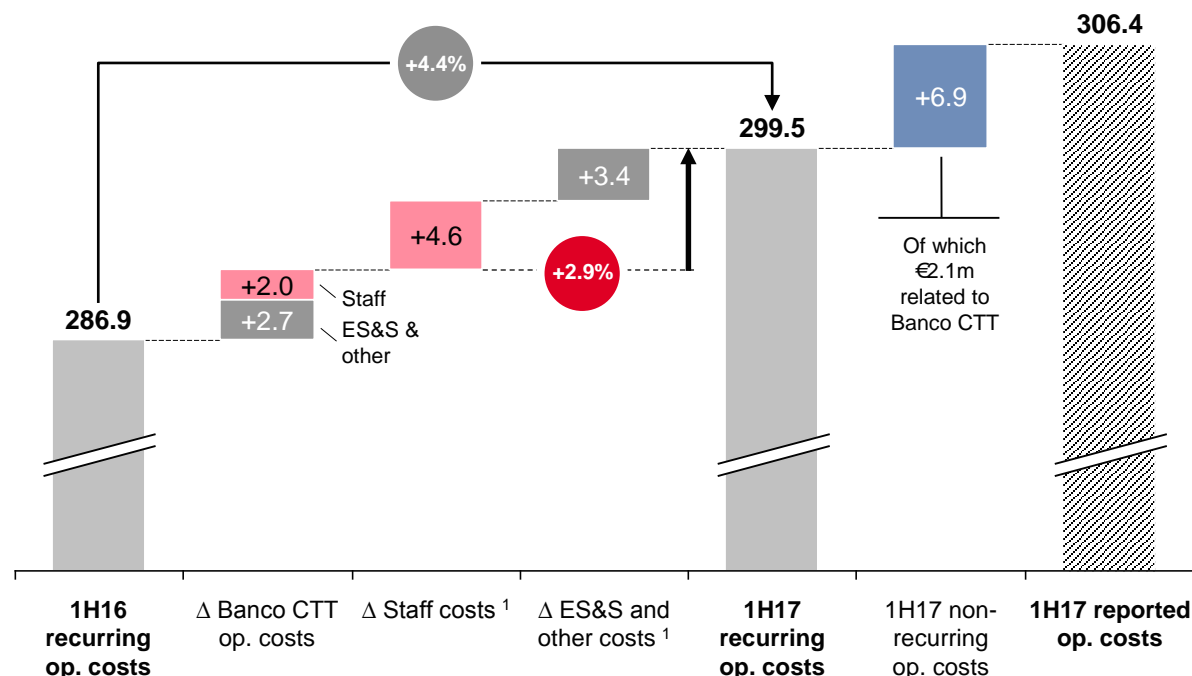
€ million; % change vs. prior year; % of total



X% % of total

Operating costs breakdown

€ million



- **Staff costs** (excluding Banco CTT) increased predominantly due to a **reduction in the telephone subscription fee benefit** in 1H16 (+€1.4m impact), **increase in salaries (+€1.2m)** and the **integration of Transporta (+€0.7m)**
- **ES&S and other costs** increased mainly as a result of the **integration of Transporta (+€1.9m)** and the **increase in distribution and transports costs in Tourline as a result of volumes growth and increase in routes (+€1.6m)**
- **Non-recurring costs of €6.9m** include **€3.4m of costs related to strategic studies** (of which €2.1m for Banco CTT) and **€2.2m related to staff contract terminations** (of which €1.2m in Transporta)

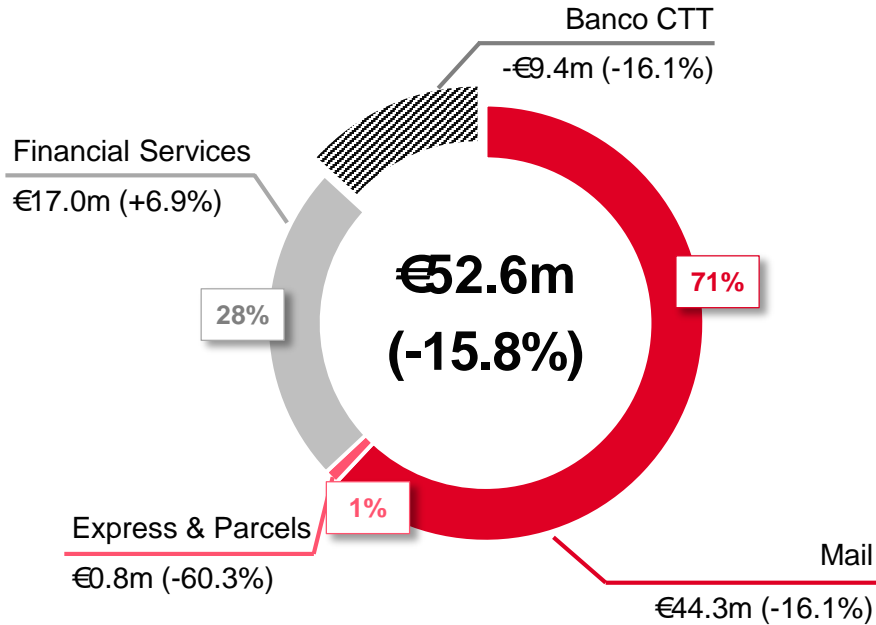
¹ Excluding Banco CTT recurring operating costs.

KEY 1H17 HIGHLIGHTS: The trend of gradual improvement continued in 2Q17, with rec. EBITDA (excl. Altice) declining only 0.9%, supported by acceleration in the growth levers



1H17 recurring EBITDA

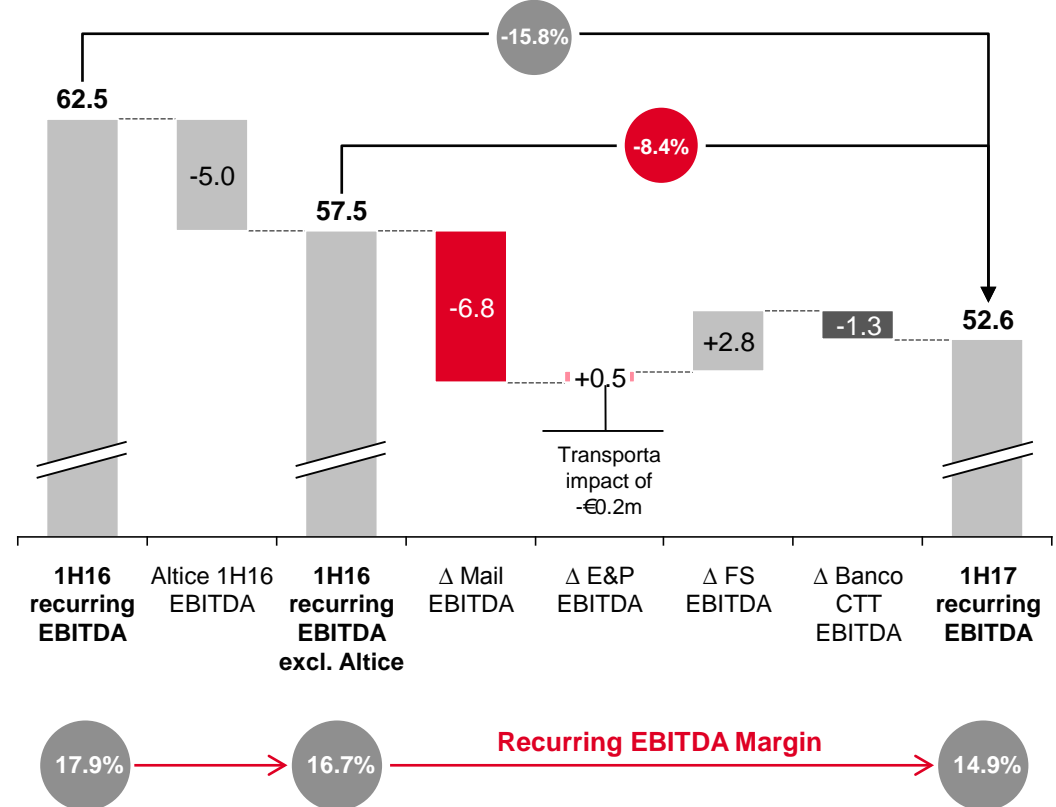
€ million; % change vs. prior year; % of total



X% % of total (excl. Banco CTT)

Recurring EBITDA breakdown

€ million



The 2H17 comparisons in Mail, E&P and Banco CTT are expected to ease, due to an estimated 2.5% effective price increase (in 2H17), projected Tourline break-even (in EBITDA terms) in 4Q17, and growth of the recently launched mortgage offer

KEY 1H17 HIGHLIGHTS: The adjusted cash position reflects the growth of Banco CTT activity in the past year



Cash Flow

€ million; % change vs. 1H16

	Reported		Adjusted ¹	
	1H17	Δ %	1H17	Δ %
From operating activities	296.7	57.9%	182.7	>>
Cash flow excl. Banco CTT	159.4	12.3%	45.3	>>
Banco CTT cash flow	137.4	>>	137.4	>>
From investing activities	-117.9	-54.2%	-117.9	-54.2%
Capex payments	-24.7	-17.2%	-24.7	-17.2%
of which Banco CTT	-4.1	47.8%	-4.1	47.8%
Banco CTT financial assets & credit	-96.7	-58.4%	-96.7	-58.4%
Other	3.4	-38.8%	3.4	-38.8%
Operating free cash flow	178.8	60.5%	64.8	<<
From financing activities	-73.8	-4.5%	-73.8	-4.5%
of which Dividends	-72.0	-2.5%	-72.0	-2.5%
Other ²	-3.6	-	-3.6	-
Net change in cash	-101.5	>>	-12.5	85.1%
Cash at end of period	720.3	11.8%	282.8	45.1%

Reflects the growth of Banco CTT deposits in the past 12 months

Net change in cash affected by €2m dividend payment in May

¹ Cash flow from operating activities excluding changes in net Financial Services payables of +€124.9m (1H16) and +€114.0m (1H17), respectively. Cash at the end of the period excluding net Financial Services payables of €449.6m (Jun-16) and €437.5m (Jun-17).

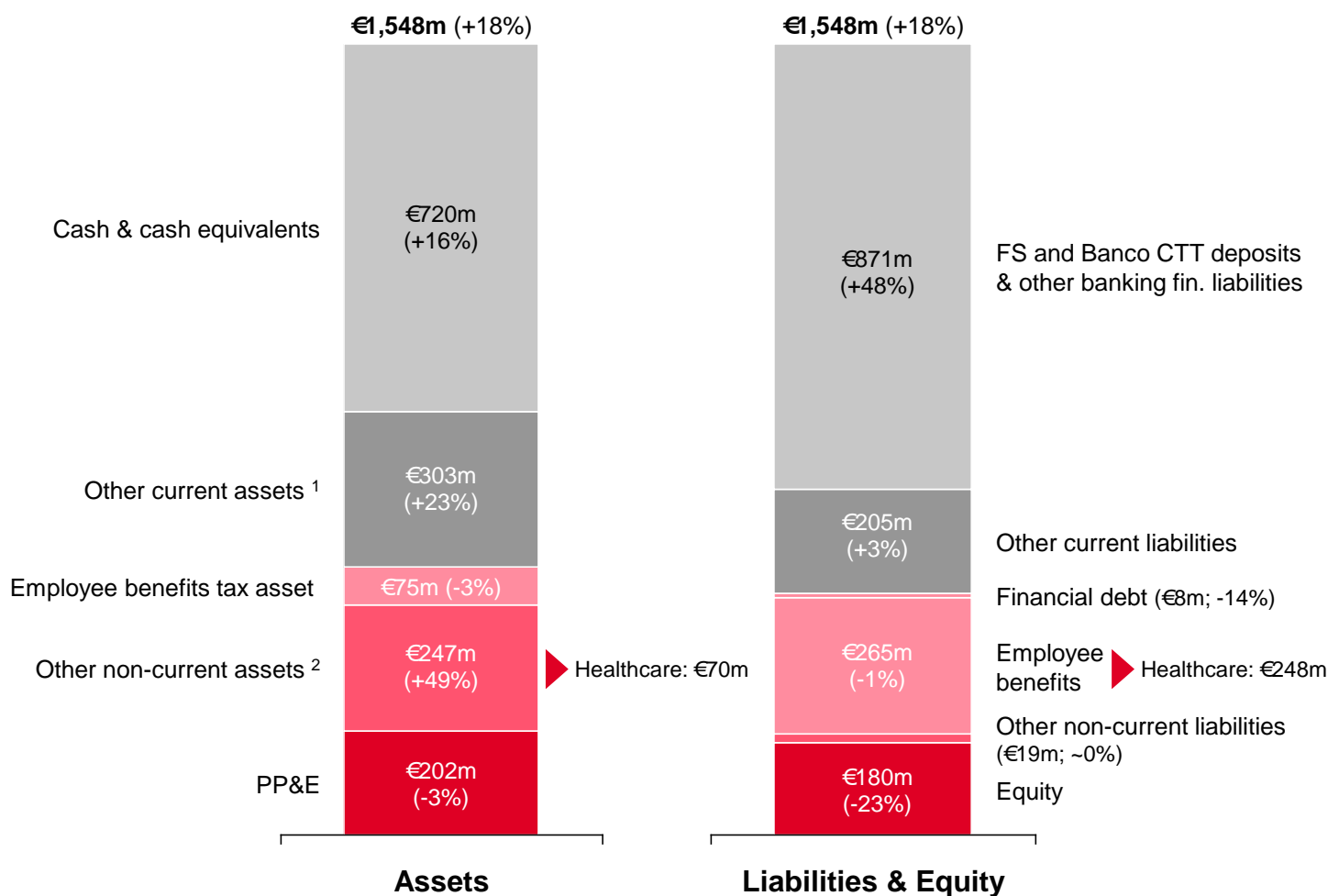
² These figures were not considered under Cash and equivalents in the Cash Flow statement. However, they are included in Cash and equivalents in the Balance Sheet.

KEY 1H17 HIGHLIGHTS: The increase in cash and cash equivalents on the Balance Sheet was a result of seasonal growth in FS and the continued expansion of Banco CTT activities



Balance Sheet – 30 June 2017

€ million; % change vs. 31 December 2016



Net financial debt (cash)
+ ST< debt: €8m
+ Net FS payables: €438m
– Cash and cash equivalents: €720m
Including Banco CTT = €(274)m
+ (Banco CTT deposits – fin. assets & credit): €130m
Excluding Banco CTT (own cash) = €(144)m
Net debt (cash)
+ Employee benefits: €265m
– Employee benefits tax asset: €75m
– Net financial cash: €144m
= €46m
Liquidity position = 93%

The company's strong liquidity (93%) and own cash position (€144m) was maintained

¹ Including Financial Services receivables of €8.6m and €5.3m as at Dec-16 and Jun-17, respectively, and Banco CTT current financial assets of €69.2m and €115.3m as at Dec-16 and Jun-17, respectively.

² Including Banco CTT non-current financial assets of €98.5m and €178.8m as at Dec-16 and Jun-17, respectively.

03.

Business units

ctt correios



C-6390-V

GOU IL
SOMA

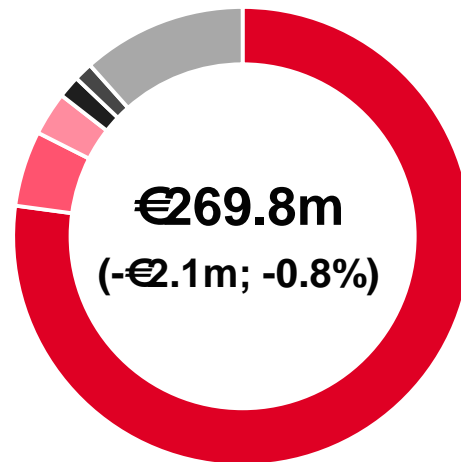
BUSINESS UNITS: Product mix effect (registered mail volumes growth of 6.0% in 1H17) and pricing impact largely offset the addressed mail volumes decline



1H17 Mail revenues by type

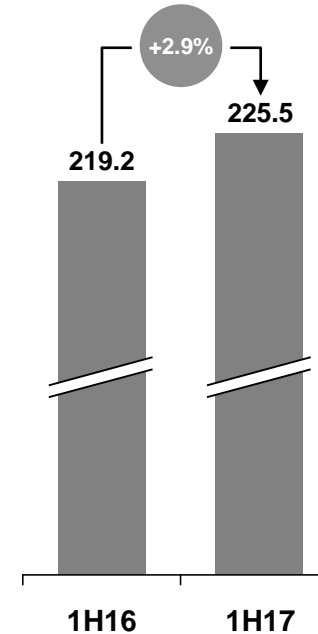
€ million, change vs. prior year (€ %)

– Transactional	€208.1m (-€0.4m; -0.2%)
– Advertising	€14.4m (-€0.4m; -2.8%)
– Editorial	€8.3m (€0.0m; 0.0%)
– Business Solutions	€4.2m (-€0.4m; -8.9%)
– USO Parcels	€3.5m (+€0.6m; +19.3%)
– Other	€31.3m (-€1.5m; -4.5%)
Total excl. Altice	€269.8m (-€0.5m; -0.2%)



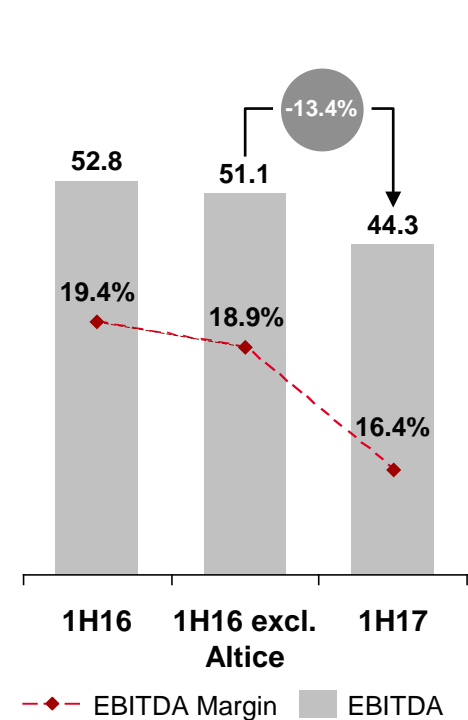
Recurring operating costs

€ million



Recurring EBITDA

€ million



Mail volumes ¹ by type

Metric	Avg. mail prices	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
1H17	N/A	388.1	331.0	35.4	21.6	234.8
1H17 vs. 1H16	+1.3%	-5.6%	-5.4%	-8.1%	-4.4%	+0.0%

¹ Million items.

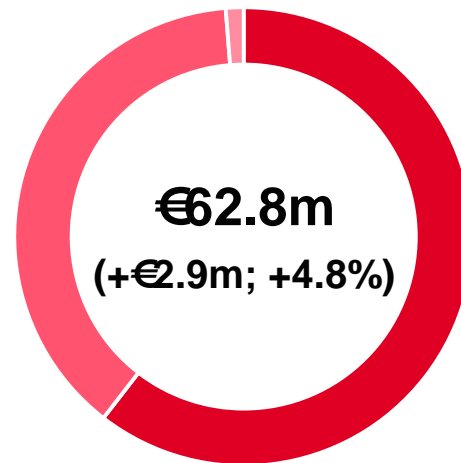
BUSINESS UNITS: Strong organic parcels volumes growth in Portugal and Spain and the Transporta acquisition drove mid-single digit revenues increase in E&P



1H17 E&P revenues by region

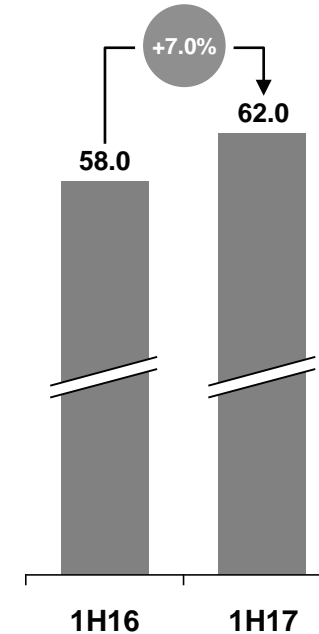
€ million, change vs. prior year (€; %)

– Portugal & other ¹	€38.0m (+€0.5m; +1.4%)
– Parcels ²	€32.9m (+€3.0m; +10.0%)
– Banking network	€2.6m (-€0.9m; -26.6%)
– Logistics & other ²	€2.5m (+€0.1m; +5.8%)
– Altice	€0.0m (-€1.7m; -100.0%)
– Spain	€24.0m (+€2.4m; +11.4%)
– Mozambique ³	€0.8m (-€0.1m; -10.1%)
Portugal & other ¹ excl. Altice	€38.0m (+€2.2m; +6.2%)



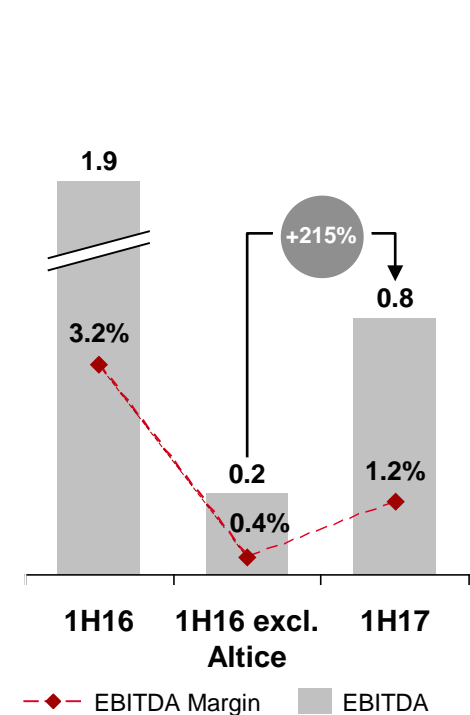
Recurring operating costs

€ million



Recurring EBITDA

€ million



E&P volumes ⁴ by region

Metric	Total	Portugal	Excl. Transporta	Spain	Mozambique
1H17	15.0	7.8	7.4	7.2	0.04
1H17 vs. 1H16	+14.8%	+13.1%	+6.3%	+17.1%	-18.6%

¹ Including internal and other revenues, and internal transactions with Spain and Mozambique.

² Including Transporta revenues in 1H17 (€2.06m in Parcels and €0.28m in Logistics).

³ MT 56.4m in 1H17 (+MT 4.8m; +9.3%).

⁴ Million items.

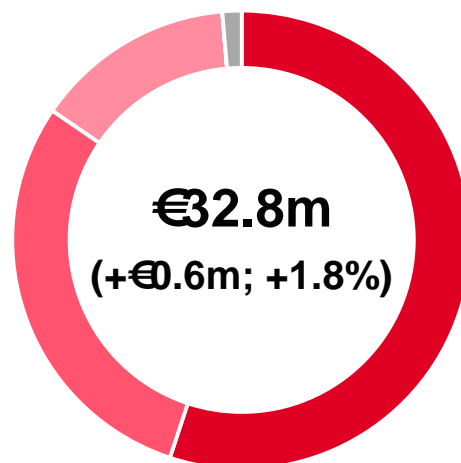
BUSINESS UNITS: The contract renewal with IGCP (simplified structure, no stock fees) led to revenues growth in 1H17; revenues are expected to stabilise along the year



1H17 FS revenues by type

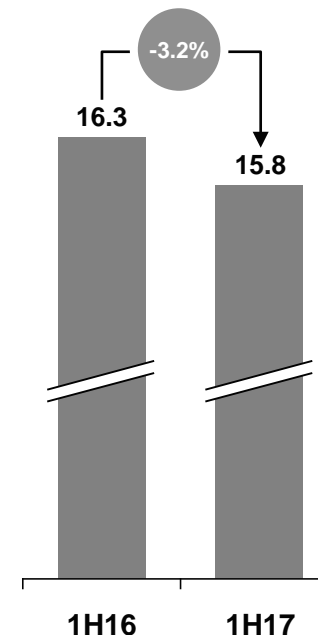
€ million, change vs. prior year (€; %)

- Savings & Insurance	€17.1m (+€4.1m; +31.9%)
- Payments	€10.2m (-€1.2m; -10.3%)
- Transfers	€4.8m (-€0.2m; -3.4%)
- Credit	€0.0m (-€0.2m; -100.0%)
- Other	€0.6m (-€2.0m; -77.5%)
Total excl. Altice	€32.8m (+€2.2m; +7.4%)



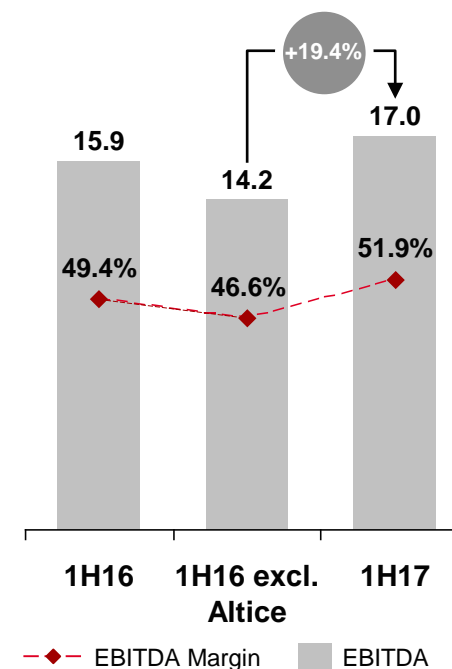
Recurring operating costs

€ million



Recurring EBITDA

€ million



€ FS volumes by type

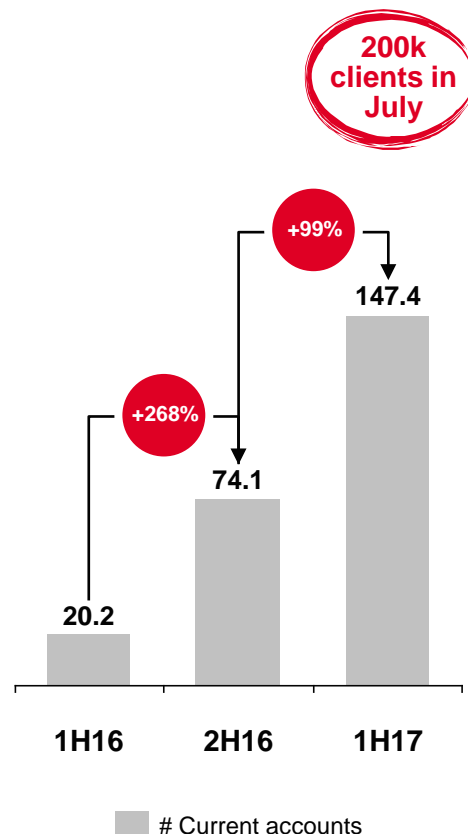
Metric	Savings placements (€bn)	Payments (m ops)	Money orders & transfers (m ops)	Credit (excl. Banco CTT) (€m)
1H17	2.3	26.3	9.0	4.2
1H17 vs. 1H16	+12.3%	-8.8%	-4.3%	-12.7%

BUSINESS UNITS: Banco CTT continued to expand its customer base and product offer



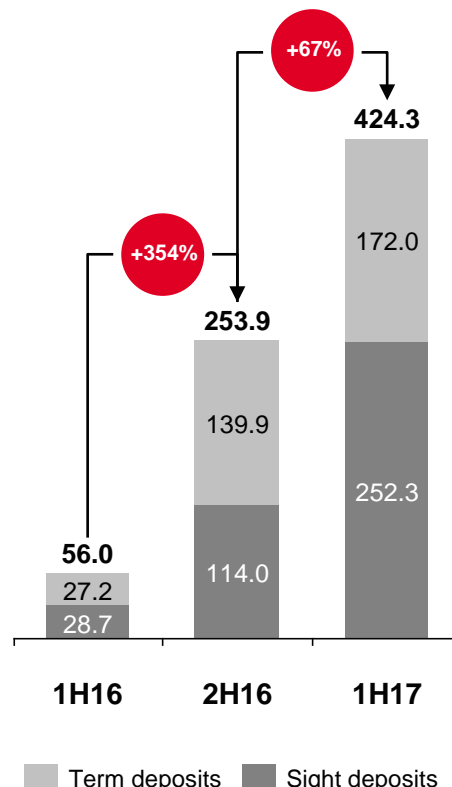
Current accounts

Thousand



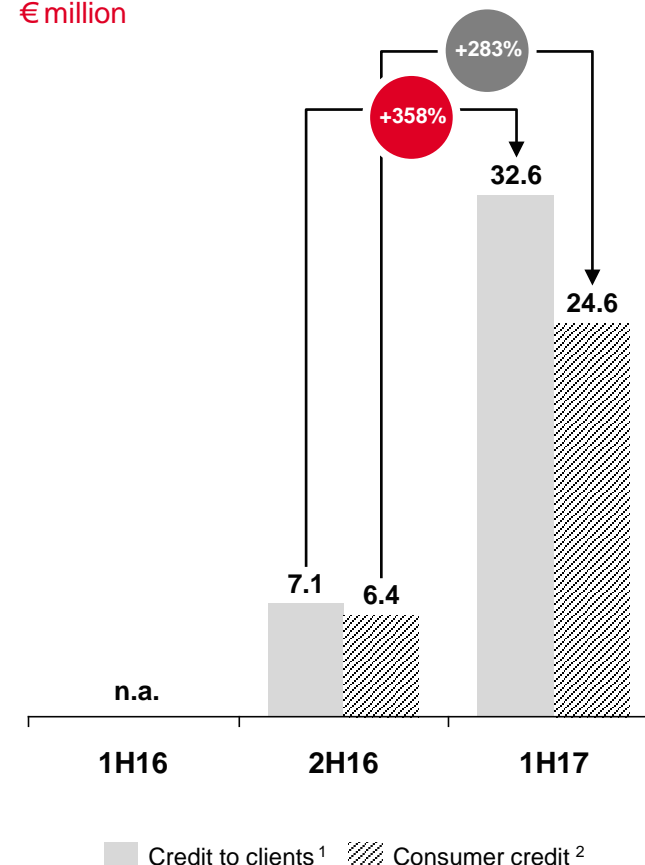
Customer deposits

€ million



Credits to clients & consumer credit

€ million



The Banco CTT retail offer is now complete

¹ Including factoring (€27.5m in 1H17), mortgage (€4.9m in 1H17) and overdraft (€0.1m in 1H17).

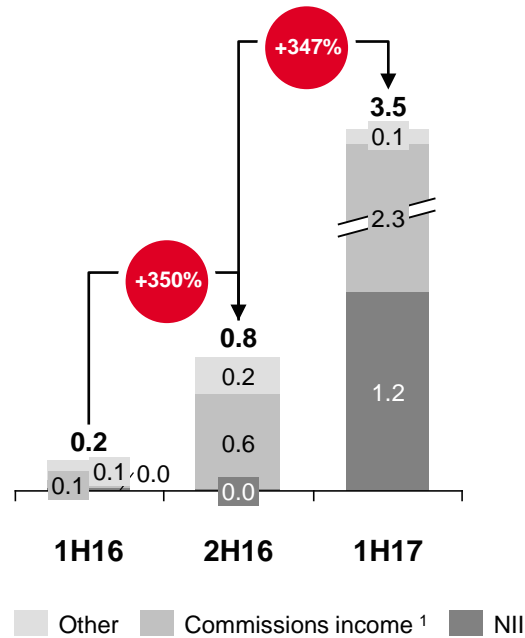
² Amount outside Banco CTT's Balance Sheet. The value represents the outstanding balance in BNP Paribas Personal Finance (Cetelem) from the partnership with Banco CTT – consumer credit and credit cards.

BUSINESS UNITS: Banco CTT on track to achieve high-single digit FY17 revenues while recurring operating costs declined sequentially (vs. 2H16)



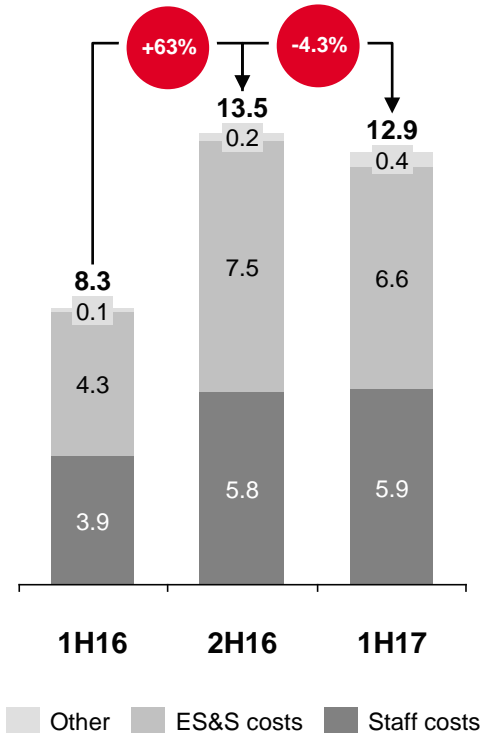
Banco CTT operating revenues

€ million



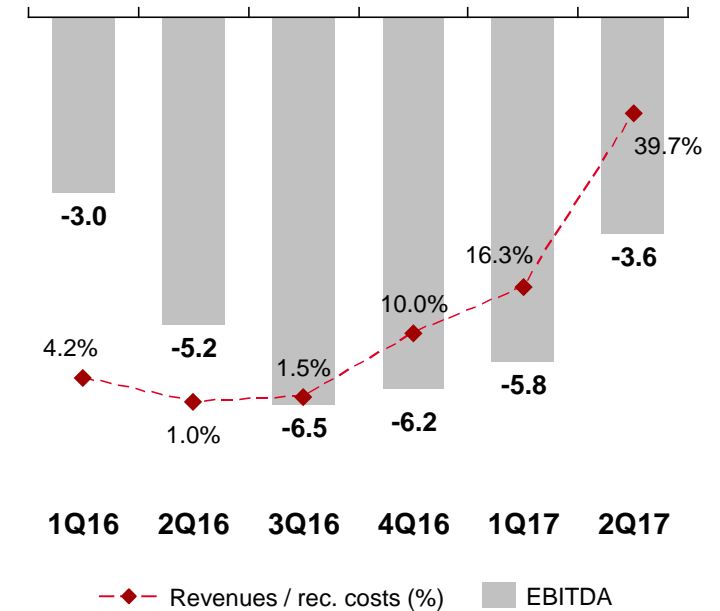
Recurring operating costs

€ million



Recurring EBITDA

€ million



Banco CTT financial indicators

Metric	Assets (€ million)				Equity (€ million) / CET 1 (%)
	Cash & cash equivalents	Financial assets & investments	Credit to clients	Other assets	
30-Jun-17	197.4	261.6	32.6	31.5	87.5 / 49.9%
31-Mar-17	135.4	204.6	24.6	26.8	52.0 / 29.9%

¹ Includes a commission of €0.8m from the insurance provider in 2Q17.



04.
Appendix

APPENDIX: Non-recurring items affecting the results



€million

	1H16	1H17	Δ
Reported EBITDA	57.0	45.7	-11.3
Non-recurring items affecting EBITDA	5.4	6.9	+1.4
Revenues	-1.7	-	+1.7
Staff costs	2.3	2.9	+0.6
ES&S & other op. costs	4.9	4.0	-0.9
Recurring EBITDA	62.5	52.6	-9.8
Reported EBIT	47.4	30.6	-16.9
Non-recurring costs affecting only EBIT	-3.4	1.0	+4.4
Provisions (reinforcements / reductions)	-3.8	-0.1	+3.7
Impairments and D&A (losses / reductions)	0.4	1.1	+0.7
Non-recurring items affecting EBITDA & EBIT	2.0	7.9	+5.9
Recurring EBIT	49.5	38.4	-11.0

€1.7m from recognised deferred gain due to early termination of vacant building lease contract

Non-recurring costs of €6.9m in 1H17 include:

- €3.4m of costs related to strategic studies (of which €2.1m for Banco CTT)
- €2.2m due to staff contract terminations
- €0.4m related to Banco CTT branch openings
- €0.8m related to the delivery of own shares for the LTVR & other

CTT

Investor Relations

Investor Relations Events:

- 8 Sep. – Lisbon
 - XIV BPI Iberian Conference
- 11 Sep. – Madrid
 - Roadshow with Haitong
- 12 Sep. – London
 - J.P. Morgan Cazenove Small / Mid Cap Conference
- 14 Sep. – Paris
 - 25th Kepler Cheuvreux Autumn Conference

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