



CTT – Correios de Portugal

# 1Q17

Results Roadshows

# Disclaimer

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01.

**Company overview**

02.

**Key highlights**

03.

**Business units**

04.

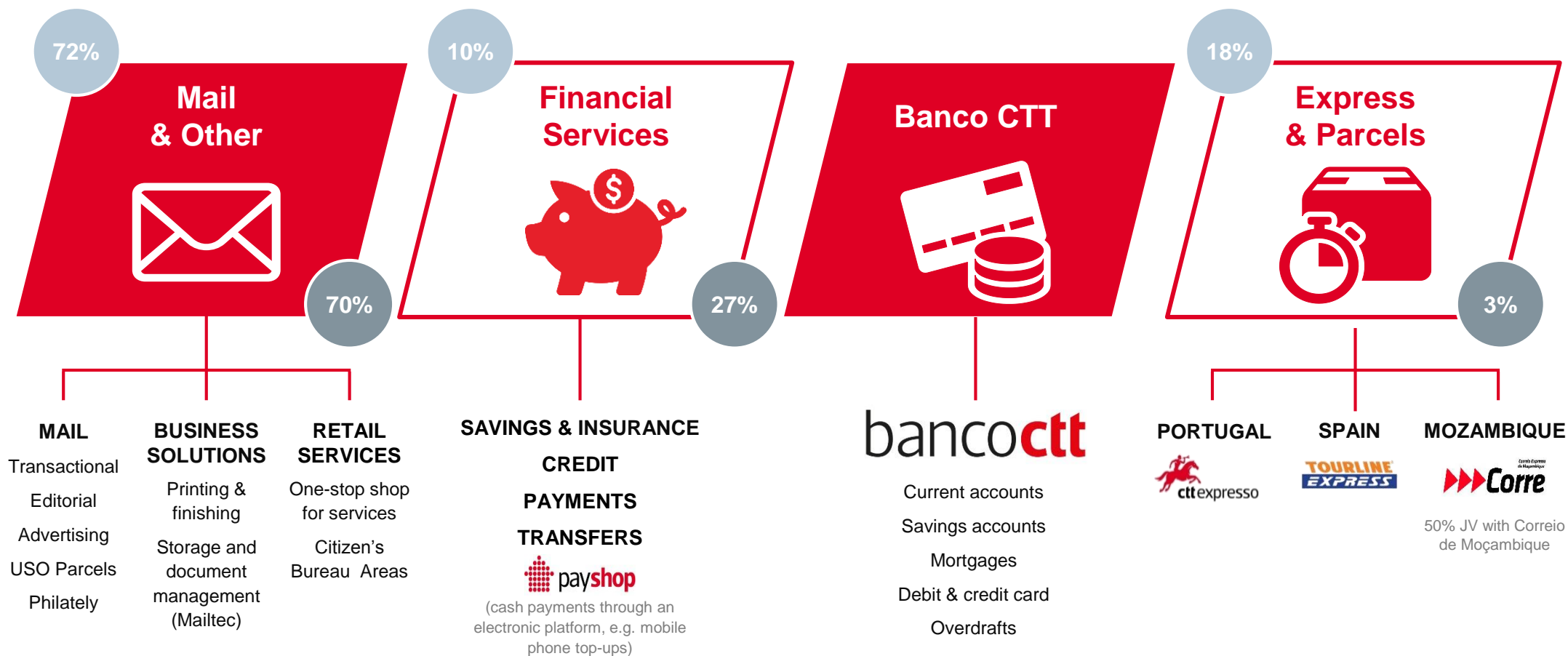
**Appendix**



# 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:** The global postal sector is now well diversified and drives the fulfilment of the “internet of things”



**€424.4bn** postal industry revenues

**+2.8%** postal industry revenues growth

**37.7%** mail share of industry revenues

**-4.8%** decrease in mail volumes

**+0.0%** mail revenues growth

**+7.2%** growth in parcels volumes

**+6.1%** parcels revenues growth

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



PEOPLE  
AND THINGS  
STILL NEED  
TO BE  
PHYSICALLY  
CONNECTED



# COMPANY OVERVIEW: Fine-tuning of 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 highlights**






**KEY HIGHLIGHTS:** 1Q17 saw stabilisation of the top line; excluding the Altice impact on the 1Q16 figures, the recurring revenues grew 0.9% (after declining throughout 2016)



## Financial and operational performance

€ million, except when otherwise indicated

	Financial indicators			
	1Q16	1Q17	Δ €	Δ%
<b>Recurring revenues</b>	177.9	177.0	-0.9	-0.5%
Recurring revenues excl. Altice	175.4	177.0	+1.6	+0.9%
<b>Recurring operating costs</b>	142.7	148.9	+6.2	+4.3%
<b>Recurring EBITDA</b>	35.1	28.0	-7.1	-20.2%
Recurring EBITDA excl. Altice	32.6	28.0	-4.6	-14.1%
<b>Reported net profit</b>	20.7	10.3	-10.3	-50.0%

	 <b>Addressed mail</b> (million items)	 <b>Unaddressed mail</b> (million items)	 <b>Parcels</b> (million items)	 <b>FS savings flows</b> <sup>1</sup> (€ billion)	 <b>Banco CTT current accounts</b> (thousand)
<b>1Q17</b>	203.6	107.4	7.3	2.0	114.1
<b>1Q17 vs. 1Q16</b>	-3.7%	-1.0%	+10.7%	+51.4%	N/A

<sup>1</sup> Amount of savings & insurance placements (€1.3bn) and redemptions (€0.7bn).

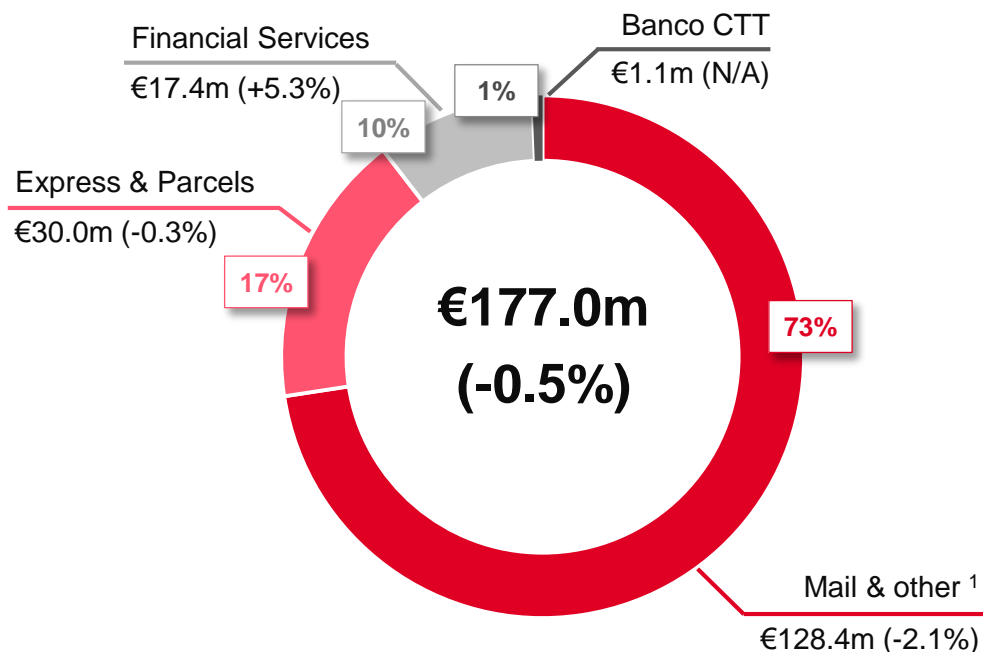


# KEY HIGHLIGHTS: Strong Financial Services performance and growth in Banco CTT and Tourline drove revenues increase, excluding the Altice 1Q16 impact



## 1Q17 recurring revenues

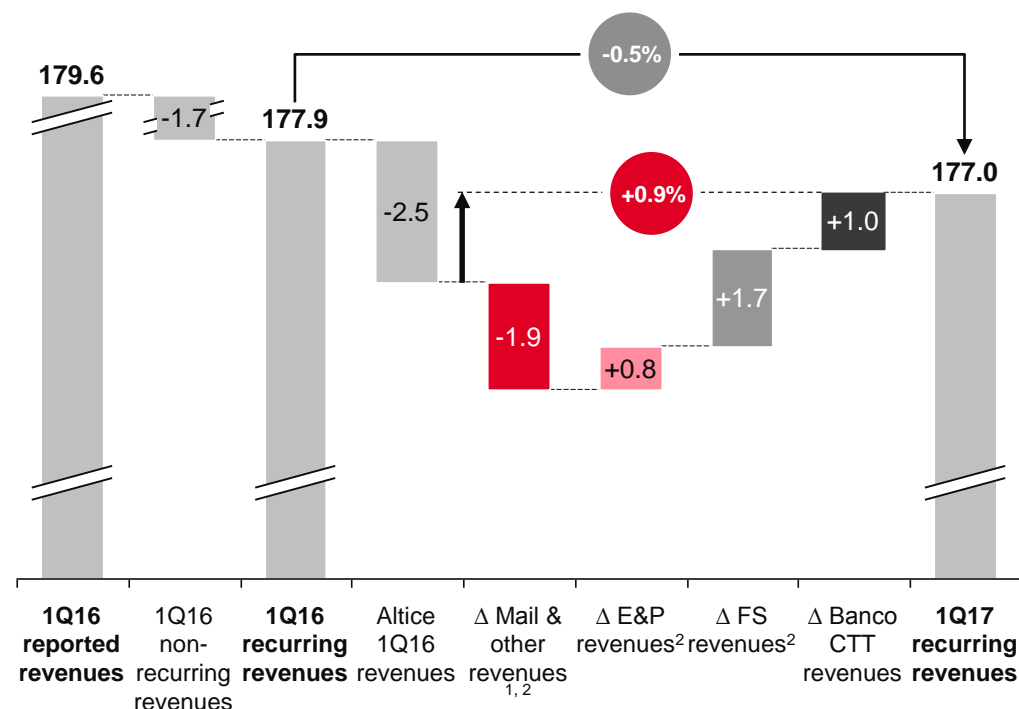
€ million; % change vs. prior year; % of total



**X%** % of total

## Revenues breakdown

€ million



- **Mail revenues declined slightly**, primarily due to a **temporary suspension of lottery sales** in the Retail network (-€1.5m impact); the **impact of the 3.7% addressed mail volumes decline was mostly offset by a strong mix effect resulting from registered mail growth** since the **1.9% annual price increase was only implemented in April 2017** with no impact on 1Q17 results (an estimated €2.3m of price increase related to 1Q17 is expected to be recovered in the following 3 quarters)
- **Financial Services and Banco CTT were the main drivers of growth**, as a result of the **swap by the public from savings to treasury certificates and the strong placement of consumer credit**. The **renewed contract for treasury certificates with IGCP guarantees a more stable flow of revenues**<sup>3</sup>
- **Strong parcels volumes growth in Portugal & Spain offset declining revenues from the legacy banking network business**. **Tourline returned to revenues growth**

<sup>1</sup> Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€7.8m in 1Q16 and -€8.6m in 1Q17.

<sup>2</sup> Excluding Altice 1Q16 revenues.

<sup>3</sup> No stock fees; with better sales commissions, in line with expectations.

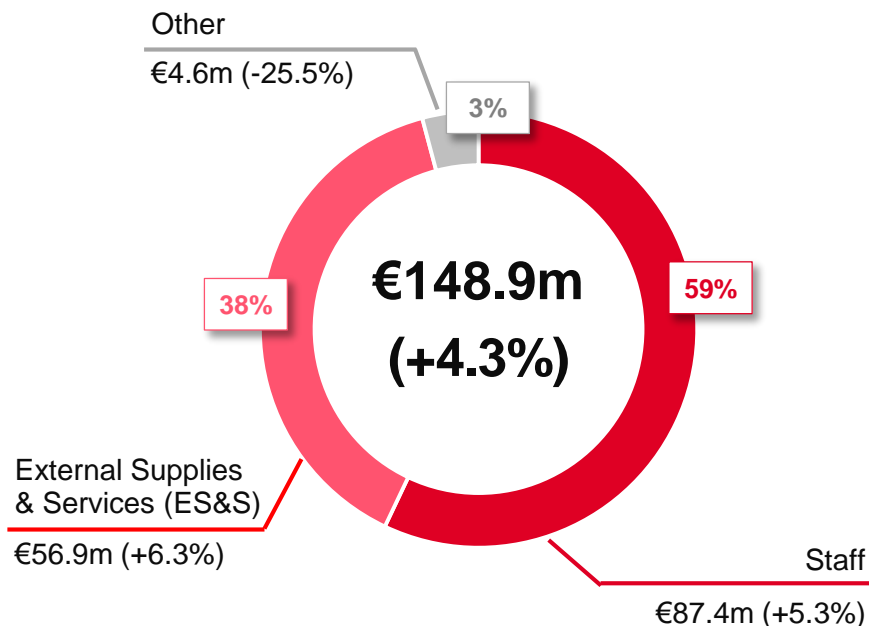


**KEY HIGHLIGHTS:** Excluding the increase in Banco CTT costs, expected due to its current development stage, operating costs increased moderately (+1.6%)



**1Q17 recurring operating costs**

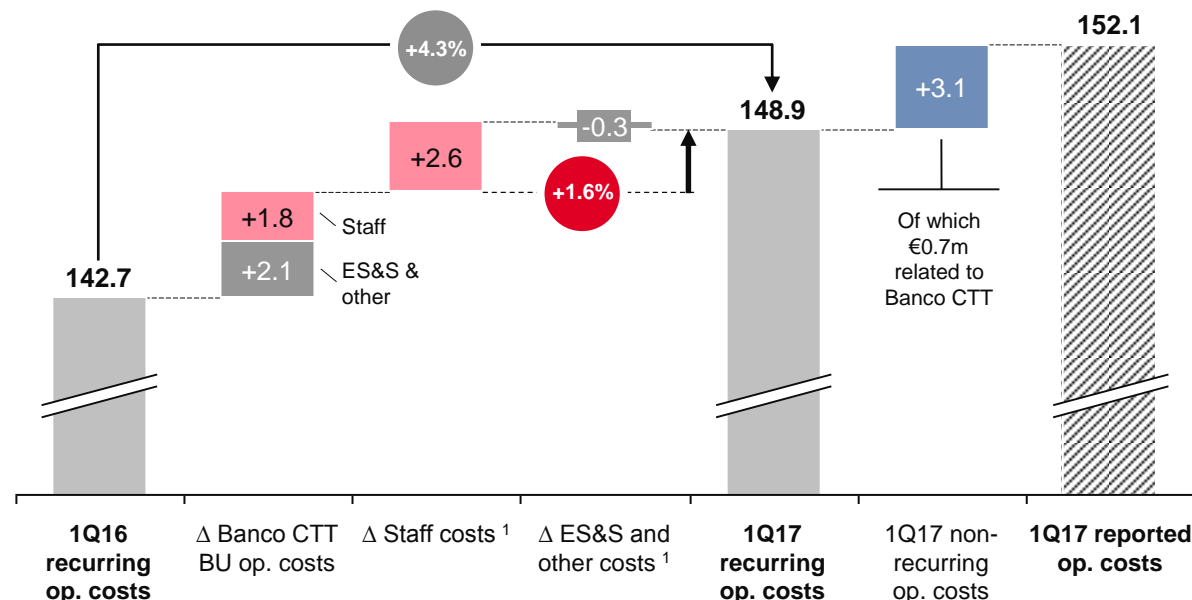
€ million; % change vs. prior year; % of total



X% % of total

**Operating costs breakdown**

€ million



- **Banco CTT operating costs comparison not very meaningful** – it was in a start-up phase in 1Q16 while now it is a fully fledged operation
- **Staff costs** (excluding Banco CTT) increased primarily due to a reduction in the **telephone subscription fee benefit in 1Q16 (€1.3m impact)** and the increased usage of **temporary work in 1Q17 (€0.6m impact)** in the Retail and Distribution networks (due to the high number of account openings in Banco CTT and higher networks integration)
- **Non-recurring costs of €3.1m** include: €1.6m of costs related to strategic studies (of which €0.7m for Banco CTT), €0.5m due to staff contract terminations by mutual agreement, €0.3m related to new Banco CTT branch openings in the CTT Retail network

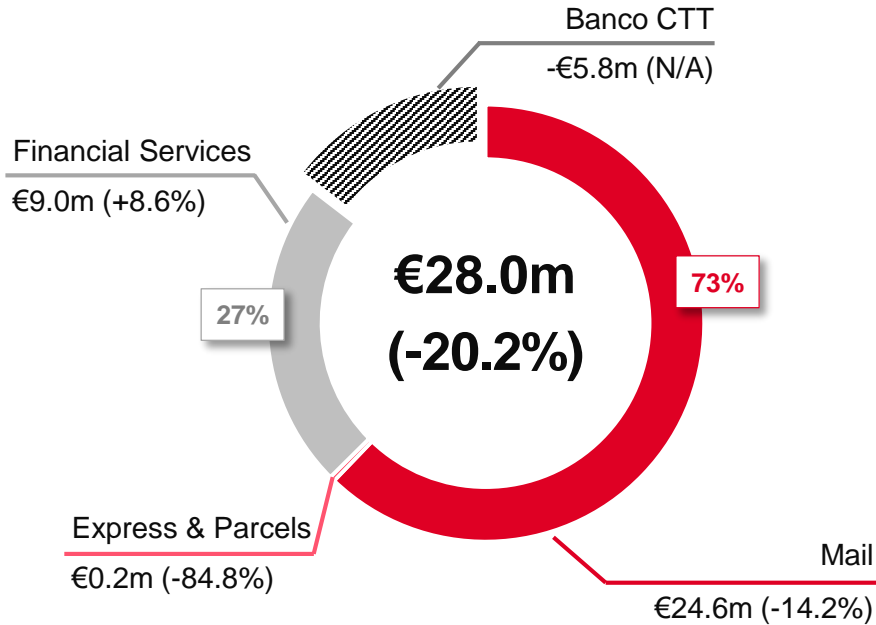
<sup>1</sup> Excluding Banco CTT business unit recurring op. costs.

**KEY HIGHLIGHTS:** A gradual improvement in EBITDA is projected as the comparables in Mail, E&P, and Banco CTT are expected to ease in the following quarters



**1Q17 recurring EBITDA**

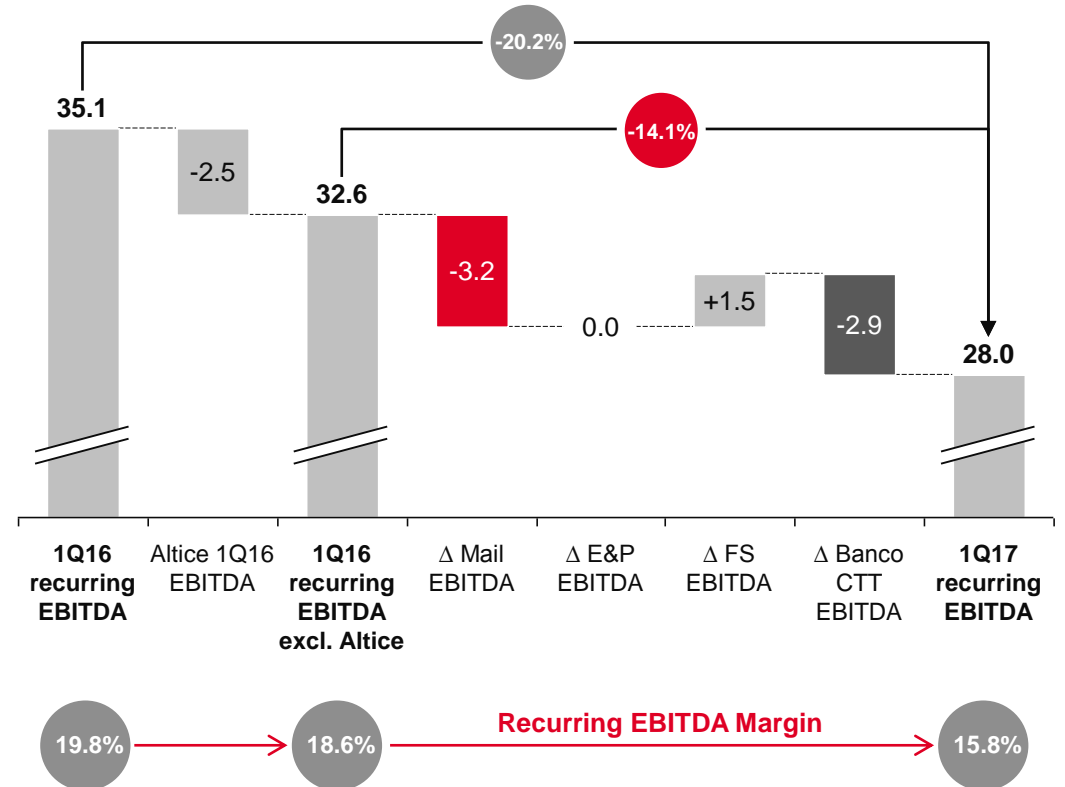
€ million; % change vs. prior year; % of total



**X%** % of total (excl. Banco CTT)

**Recurring EBITDA breakdown**

€ million



While the loss of Altice revenues will be felt throughout 2017, some of the negative impacts on recurring EBITDA are expected to diminish – 1.9% of price increase in Mail pertaining to 1Q17 is projected to be recovered in the following three quarters (+€2.3m in revenues), the Tourline turnaround is expected to bear fruit, and Banco CTT EBITDA comparison will become easier vs. the homologous quarters of 2016

## KEY HIGHLIGHTS: The solid adjusted cash position was maintained



### Cash Flow

€ million; % change vs 1Q16

	Reported		Adjusted <sup>1</sup>	
	1Q17	Δ %	1Q17	Δ %
<b>From operating activities</b>	<b>27.1</b>	<b>&gt;&gt;</b>	<b>70.6</b>	<b>&gt;&gt;</b>
Cash flow excl. Banco CTT	-26.9	-57.6%	16.6	3.5%
Banco CTT cash flow	54.0	>>	54.0	>>
<b>From investing activities</b>	<b>-53.4</b>	<b>&lt;&lt;</b>	<b>-53.4</b>	<b>&lt;&lt;</b>
Capex payments	-14.2	3.8%	-14.2	3.8%
of which Banco CTT	-0.8	66.8%	-0.8	66.8%
Banco CTT financial assets	-39.8	<<	-39.8	<<
<b>Operating free cash flow</b>	<b>-26.3</b>	<b>13.1%</b>	<b>17.2</b>	<b>&gt;&gt;</b>
<b>From financing activities</b>	<b>-0.6</b>	<b>-86.8%</b>	<b>-0.6</b>	<b>-86.8%</b>
Other <sup>2</sup>	-2.5	-	-2.5	-
<b>Net change in cash</b>	<b>-29.5</b>	<b>3.8%</b>	<b>14.0</b>	<b>&gt;&gt;</b>
<b>Cash at end of period</b>	<b>589.4</b>	<b>2.8%</b>	<b>309.3</b>	<b>11.5%</b>

The majority of €14.2m of capex payments were related to 2016 investments tied to revenue initiatives and IT platforms; 1Q17 capex was €1.9m and the renewal of the treasury certificates contract delayed the cash payment of fees (€12.4m)

<sup>1</sup> Cash flow from operating activities excluding changes in net Financial Services payables of -€33.1m (1Q16) and -€43.5m (1Q17), respectively. Cash at the end of the period excluding net Financial Services payables of €291.6m (Mar-16) and €280.0m (Mar-17).

<sup>2</sup> 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.

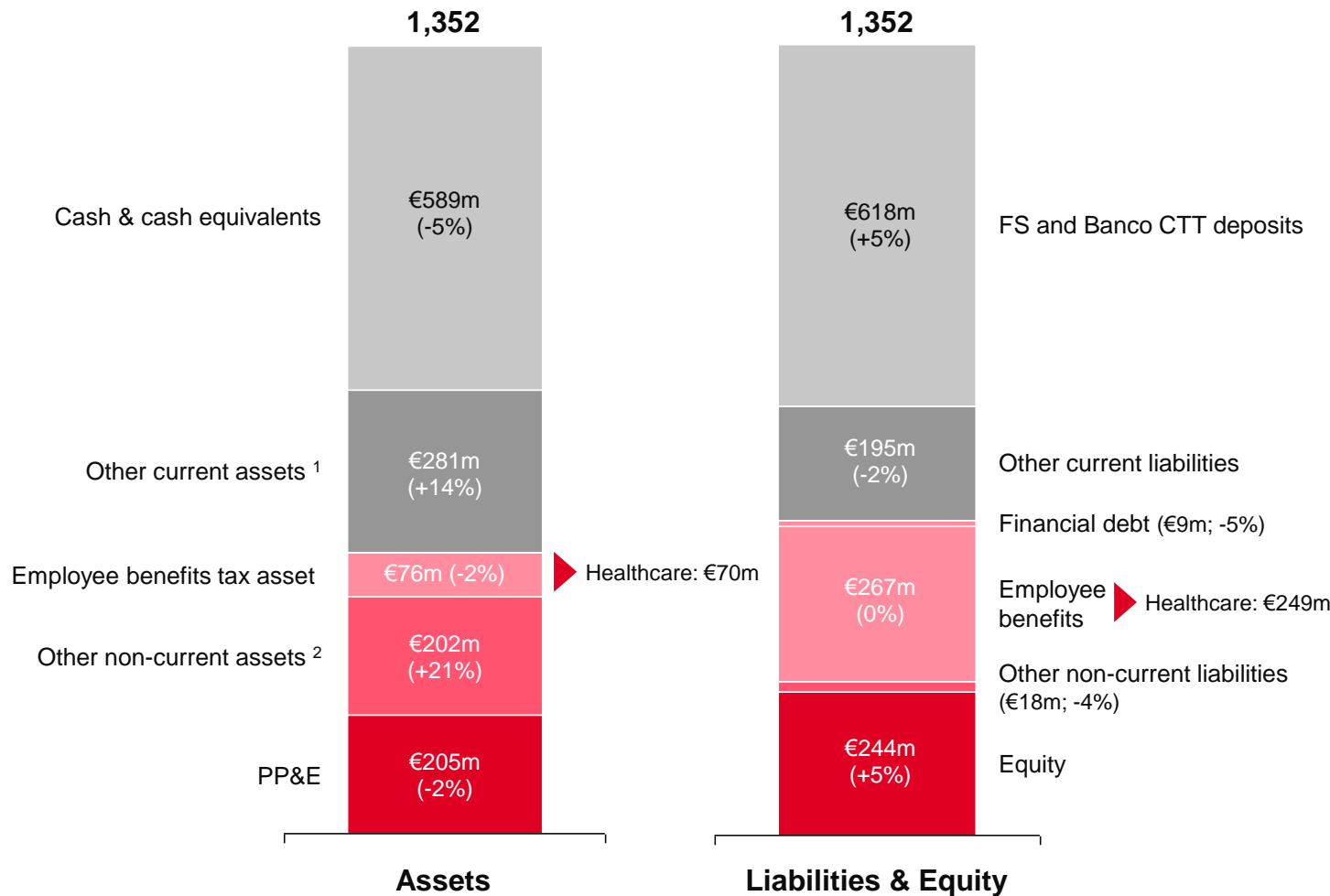


**KEY HIGHLIGHTS:** The continued expansion of the consolidated Balance Sheet reflects the growth of Banco CTT deposits; own cash remained stable, close to €200m



**Balance Sheet – 31 March 2017**

€ million; % change vs. 31 December 2016



<b>Net financial debt (cash)</b>
+ ST&LT debt: €9m
+ Net FS payables: €280m
– Cash and cash equivalents: €589m
<b>Including Banco CTT = €(300)m</b>
+ Banco CTT deposits – fin. assets: €102m
<b>Excluding Banco CTT (own cash) = €(198)m</b>
<b>Net debt (cash)</b>
+ Employee benefits: €267m
– Employee benefits tax asset: €76m
– Net financial cash: €198m
<b>= €(7)m</b>
<b>Liquidity position = 104%</b>

**Strong liquidity (104%) and own cash position (€198m) was maintained, as investments in Banco CTT progress well**

<sup>1</sup> Including Financial Services receivables of €5.4m at Mar-17, and €94.4m in Banco CTT current financial assets (Mar-17).

<sup>2</sup> Including €134.8m in Banco CTT non-current financial assets (Mar-17).

### 03. Business units



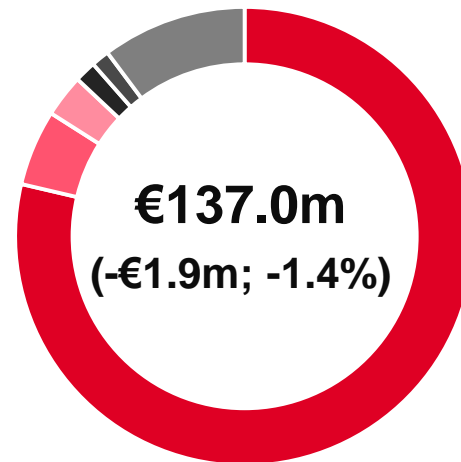
**BUSINESS UNITS:** The impact of the 3.7% addressed mail volumes decline not felt in revenues, mainly due to a strong mix effect resulting from registered mail volumes growth (+12.5%)



**1Q17 Mail revenues by type**

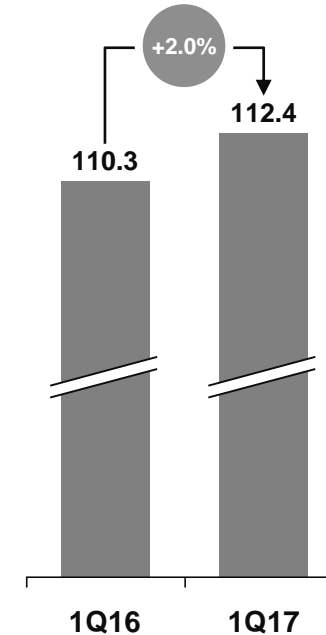
€ million, change vs. prior year (€; %)

– Transactional	€107.8m (+€0.8m; +0.7%)
– Advertising	€7.3m (-€0.1m; -0.9%)
– Editorial	€4.1m (-€0.2m; -5.0%)
– Business Solutions	€2.1m (-€0.3m; -11.1%)
– USO Parcels	€1.7m (+€0.2m; +16.5%)
– Other	€14.0m (-€2.4m; -14.6%)
<b>Total excl. Altice</b>	<b>€137.0m (-€1.1m; -0.8%)</b>



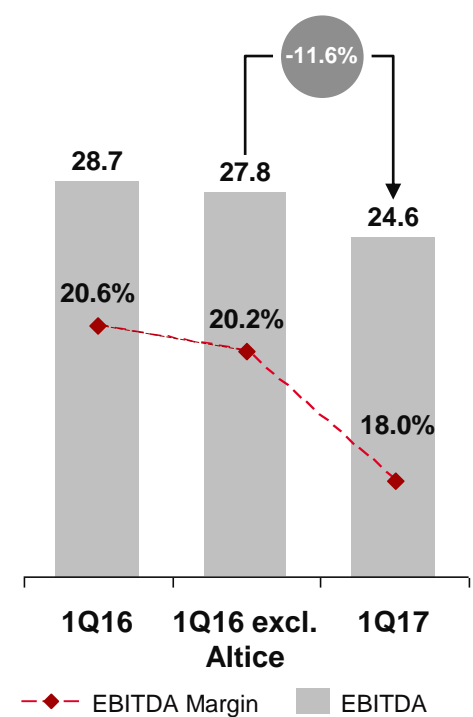
**Recurring operating costs**

€ million



**Recurring EBITDA**

€ million



**Mail volumes <sup>1</sup> by type**

Metric	Avg. mail prices	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
1Q17	N/A	203.6	174.6	18.5	10.5	107.4
1Q17 vs. 1Q16	+0.1%	-3.7%	-3.3%	-4.6%	-8.9%	-1.0%

<sup>1</sup> Million items.



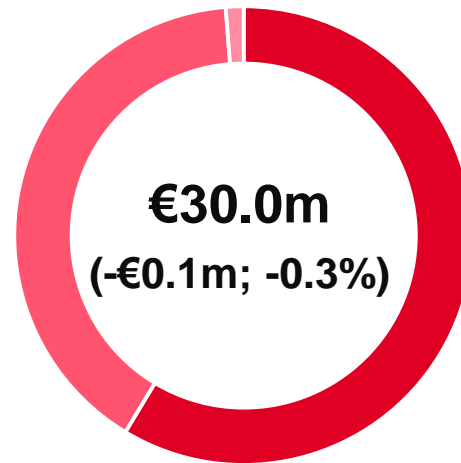
# BUSINESS UNITS: Strong double-digit growth in parcels volumes offset the impact of the declining legacy banking network business and the loss of Altice revenues



## 1Q17 E&P revenues by region

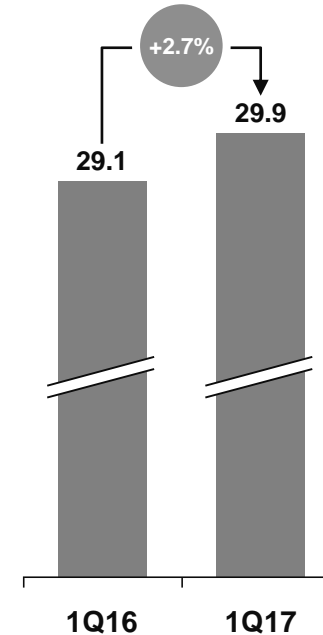
€ million, change vs. prior year (€; %)

– Portugal & other <sup>1</sup>	€17.6m (-€0.8m; -4.6%)
– Parcels	€15.1m (+€0.6m; +3.9%)
– Banking network	€1.3m (-€0.4m; -25.1%)
– Logistics & other	€1.1m (-€0.1m; -9.8%)
– Altice	€0.0m (-€0.8m; -100%)
– Spain	€12.0m (+€0.9m; +7.8%)
– Mozambique	€0.4m (-€0.1m; -22.1%)
Portugal & other <sup>1</sup> excl. Altice	€17.6m (-€0.0m; -0.1%)



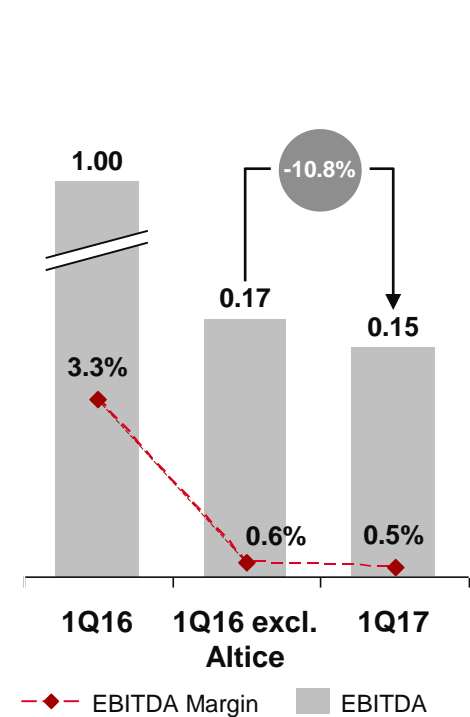
## Recurring operating costs

€ million



## Recurring EBITDA

€ million



## E&P volumes <sup>2</sup> by region

Metric	Total	Portugal	Spain	Mozambique
1Q17	7.3	3.6	3.7	0.02
1Q17 vs. 1Q16	+10.7%	+8.7%	+12.9%	-19.3%

<sup>1</sup> Including internal and other revenues, and internal transactions with Spain and Mozambique.

<sup>2</sup> Million items.

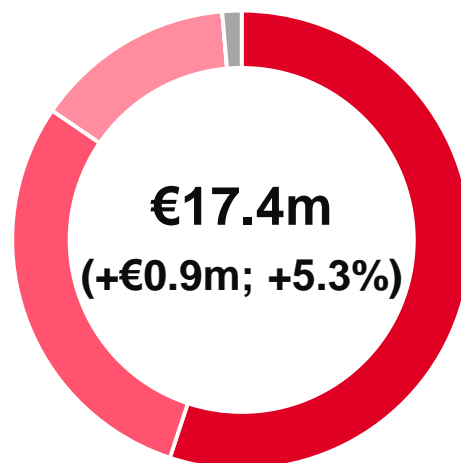
# BUSINESS UNITS: Swap by the public from savings to treasury certificates was the primary driver of the 5.3% Financial Services revenues growth



## 1Q17 FS revenues by type

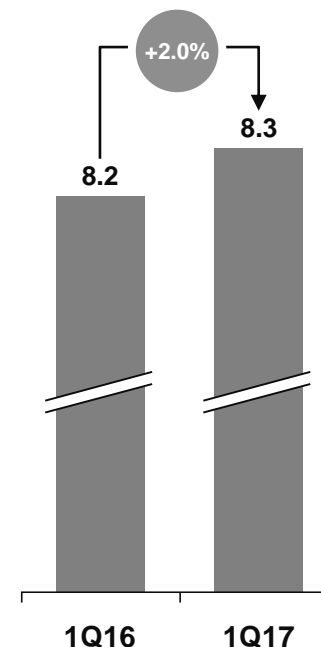
€ million, change vs. prior year (€; %)

- Savings & Insurance	€9.6m (+€2.9m; +42.7%)
- Payments	€5.1m (-€0.4m; -7.7%)
- Transfers	€2.5m (-€0.1m; -3.7%)
- Credit	€0.0m (-€0.1m; -100%)
- Other	€0.2m (-€1.4m; -85.3%)
<b>Total excl. Altice</b>	<b>€17.4m (+€1.7m; +10.9%)</b>



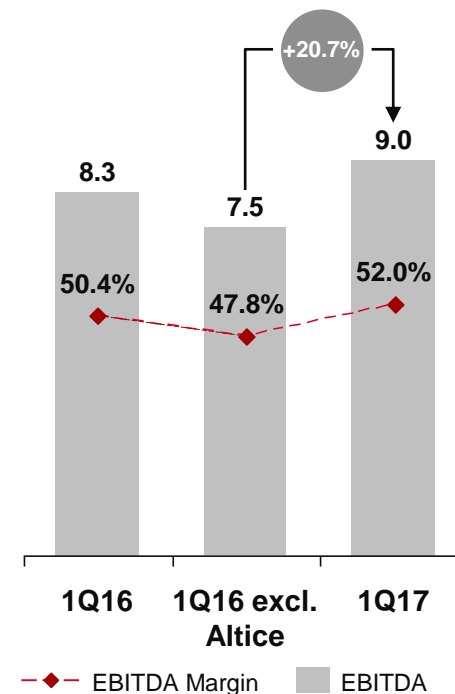
## Recurring operating costs

€ million



## Recurring EBITDA

€ million



## € FS volumes by type

Metric	Savings placements (€bn)	Payments (m ops)	Money orders & transfers (m ops)	Credit (€m)
1Q17	1.3	13.1	4.5	2.1
1Q17 vs. 1Q16	+24.6%	-8.2%	-3.7%	+1.0%

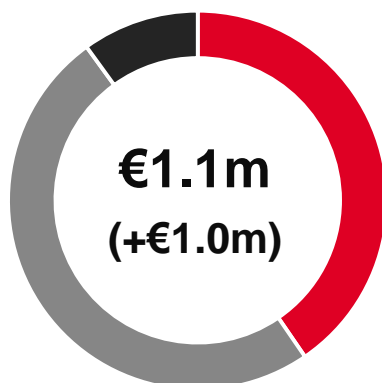
# BUSINESS UNITS: Banco CTT quarterly revenues exceeded €1m driven by strong consumer credit placement; mortgage product in launching stage



## Operating revenues

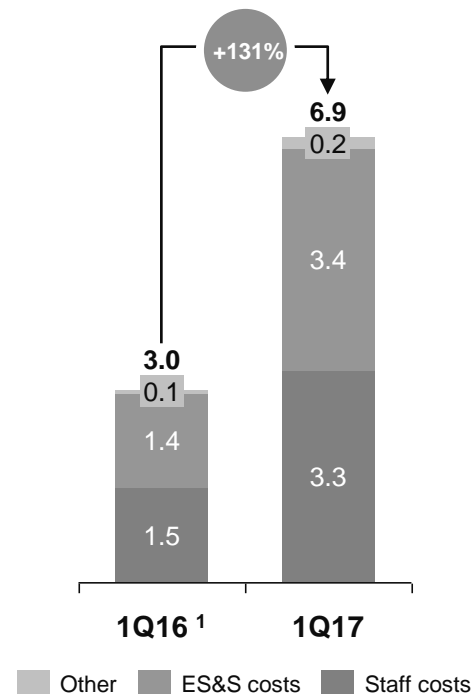
€ thousand

	1Q16	1Q17
<b>- Net interest income</b>	<b>€8.1</b>	<b>€405.2</b>
- Interest income	€8.2	€589.7
- Interest expense	€0.1	€184.5
- Commissions income	€8.8	€648.5
- Credit cards & consumer credit <sup>2</sup>	€0.0	€327.9
- Own products	€8.8	€320.6
- Other	€107.4	€66.7



## Recurring operating costs

€ million



## ASSETS

€135.4m	Cash & cash equivalents
€204.6m	Financial assets & investments
€24.6m	Credit to clients
€26.8m	Other assets

## EQUITY

€52.0m	Equity
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## LIABILITIES

€331.4m	Customer deposits
€8.1m	Other liabilities

As at 31 March 2017



## Banco CTT indicators

Metric	Branches (#)	Current accounts (thousand)	Customer deposits (€m)	Consumer credit <sup>2</sup> (€m)
31 Mar. 2017	203	114.1	331.4	7.4 (1Q17)
31 Dec. 2016	202	74.1	253.9	5.1 (4Q16)

<sup>1</sup> The bank was launched to the public on 18 March 2016.

<sup>2</sup> Partnership with BNP Paribas Personal Finance (Cetelem).





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Appendix

## APPENDIX: Non-recurring items affecting the results



€ million

	1Q16	1Q17	Δ
<b>Reported EBITDA</b>	<b>34.2</b>	<b>24.9</b>	<b>-9.3</b>
<b>Non-recurring items affecting EBITDA</b>	<b>0.9</b>	<b>3.1</b>	<b>2.2</b>
Revenues	-1.7	0.0	1.7
Staff costs	1.1	1.1	0.0
ES&S & other op. costs	1.6	2.0	0.4
<b>Recurring EBITDA</b>	<b>35.1</b>	<b>28.0</b>	<b>-7.1</b>
<b>Reported EBIT</b>	<b>31.0</b>	<b>17.6</b>	<b>-13.4</b>
<b>Non-recurring costs affecting only EBIT</b>	<b>-2.9</b>	<b>0.7</b>	<b>3.6</b>
Provisions (reinforcements / reductions)	-3.2	0.0	3.2
Impairments and D&A (losses / reductions)	0.3	0.7	0.4
<b>Non-recurring items affecting EBITDA &amp; EBIT</b>	<b>-2.0</b>	<b>3.8</b>	<b>5.8</b>
<b>Recurring EBIT</b>	<b>29.0</b>	<b>21.4</b>	<b>-7.6</b>

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

**Non-recurring costs of €3.1m in 1Q17 include:**

- €1.6m of costs related to strategic studies (of which €0.7m for Banco CTT)
- €0.5m due to staff contract terminations by mutual agreement
- €0.3m related to new Banco CTT branch openings

## APPENDIX: Consolidated results



€ million	Reported		Recurring <sup>1</sup>		Banco CTT under equity method <sup>2</sup>	
	1Q16	1Q17	1Q16	1Q17	1Q16	1Q17
<b>Revenues</b>	<b>179.6</b>	<b>177.0</b>	<b>177.9</b>	<b>177.0</b>	<b>179.5</b>	<b>176.2</b>
Operating costs	145.4	152.1	142.7	148.9	141.3	144.8
<b>EBITDA</b>	<b>34.2</b>	<b>24.9</b>	<b>35.1</b>	<b>28.0</b>	<b>38.3</b>	<b>31.4</b>
<b>EBITDA margin</b>	<b>19.0%</b>	<b>14.1%</b>	<b>19.8%</b>	<b>15.8%</b>	<b>21.3%</b>	<b>17.8%</b>
<b>EBIT</b>	<b>31.0</b>	<b>17.6</b>	<b>29.0</b>	<b>21.4</b>	<b>35.2</b>	<b>24.6</b>
Gains / (losses) in subsidiaries, associates and joint ventures	0.2	-	0.2	-	-3.1	-5.6
<b>Earnings before taxes (EBT)</b>	<b>29.8</b>	<b>16.5</b>	<b>27.9</b>	<b>20.3</b>	<b>30.7</b>	<b>17.9</b>
Income tax for the period	9.2	6.2	7.5	5.4	-10.1	-7.6
<b>Net profit attributable to equity holders</b>	<b>20.7</b>	<b>10.3</b>	<b>20.4</b>	<b>15.0</b>	<b>20.7</b>	<b>10.3</b>

<sup>1</sup> Recurring net profit excludes non-recurring revenues and costs and considers the theoretical (nominal) tax rate of CTT.

<sup>2</sup> With Banco CTT consolidated under equity method.



## APPENDIX: Balance Sheet



€ million	CTT		Banco CTT under equity method <sup>1</sup>	
	31-Dec-16	31-Mar-17	31-Dec-16	31-Mar-17
Non-current assets	452.6	482.0	393.2	380.7
Current assets	864.1	870.1	669.9	639.3
<b>Assets</b>	<b>1,316.7</b>	<b>1,352.1</b>	<b>1,063.1</b>	<b>1,019.9</b>
Equity	233.3	244.3	233.3	244.3
Liabilities	1,083.4	1,107.8	829.8	775.7
Non-current liabilities	269.5	268.0	269.5	267.9
Current liabilities	813.8	839.8	560.3	507.7
<b>Equity and liabilities</b>	<b>1,316.7</b>	<b>1,352.1</b>	<b>1,063.1</b>	<b>1,019.9</b>

<sup>1</sup> With Banco CTT consolidated under equity method.

# CTT

## Investor Relations

### Upcoming Events:

8 / 9 May – **Munich & Frankfurt**

- Roadshow with MainFirst

16 May – **Madrid**

- Roadshow with Santander

17 / 18 May – **Barcelona & Andorra**

- Roadshow with Haitong

19 May – **Paris**

- Roadshow with BBVA

27 June – **London**

- 13<sup>th</sup> Annual Goldman Sachs European Bus. Services, Transport & Leisure Conference

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