

SPRING  
INVESTOR  
SUMMIT



**FULL  
YEAR  
2018**

Results Roadshows

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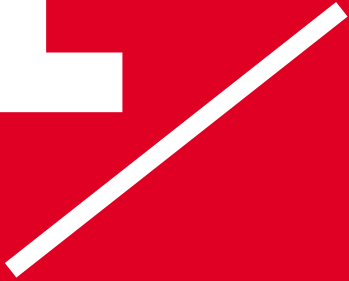
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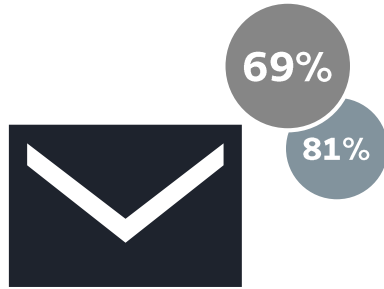
**company**

**overview**

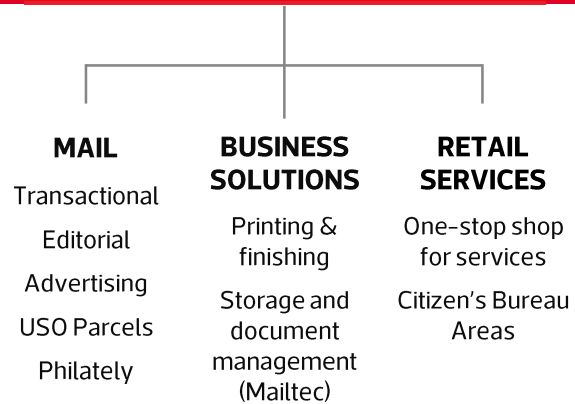
# CTT is a modern and dynamic postal services operator with a diversified portfolio of businesses...



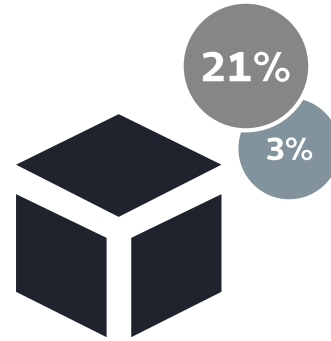
## GROWTH LEVERS



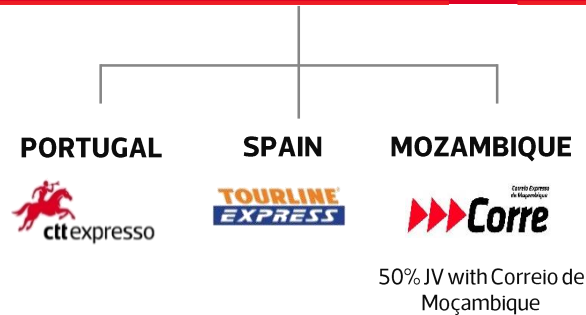
### MAIL



Indisputable market leader with industry-leading margins



### EXPRESS & PARCELS



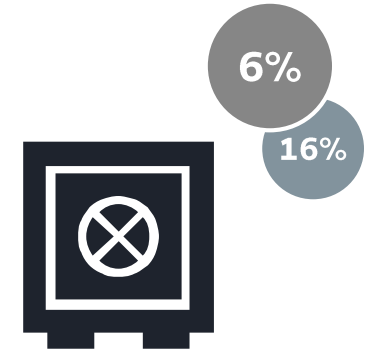
Economies of scale and market-leading position in Portugal; relevant operation in Spain based on a franchisee model



### BANCO CTT

- Current accounts
- Savings accounts
- Mortgages
- Debit & credit card
- Overdrafts
- 

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



### FINANCIAL SERVICES

- SAVINGS & INSURANCE**
- CREDIT**
- PAYMENTS**
- TRANSFERS**

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



**LAST-MILE LOGISTICS PLAYER...**

**...WITH A GROWING FINANCIAL SERVICES BUSINESSES**



**ADDRESSED MAIL**  
681m items



**PARCELS**  
37m items



**SAVINGS & INSURANCE**  
€2.7bn placements



**CURRENT ACCOUNTS**  
348k



**CUSTOMER DEPOSITS**  
€884m



**CREDIT TO CLIENTS**  
€248m

**Based on two unique networks...**

**RETAIL NETWORK**

 **2,762**  
HUMAN RESOURCES

 **2,383**  
ACCESS POINTS

of which: **538 OWNED**

 **4,349**  
PAYSHOP AGENTS

**DISTRIBUTION NETWORK**

 **6,445**  
HUMAN RESOURCES  
of which: **4,467 MAILMEN & WOMEN**

 **230**  
POST DELIVERY OFFICE  
and: **2 SORTING CENTRES**

 **+3,600**  
OPERATIONAL FLEET

**...and a trusted brand**



**1<sup>st</sup> PLACE**  
PSI20 company with  
best reputational  
evaluation  
Fourth consecutive year



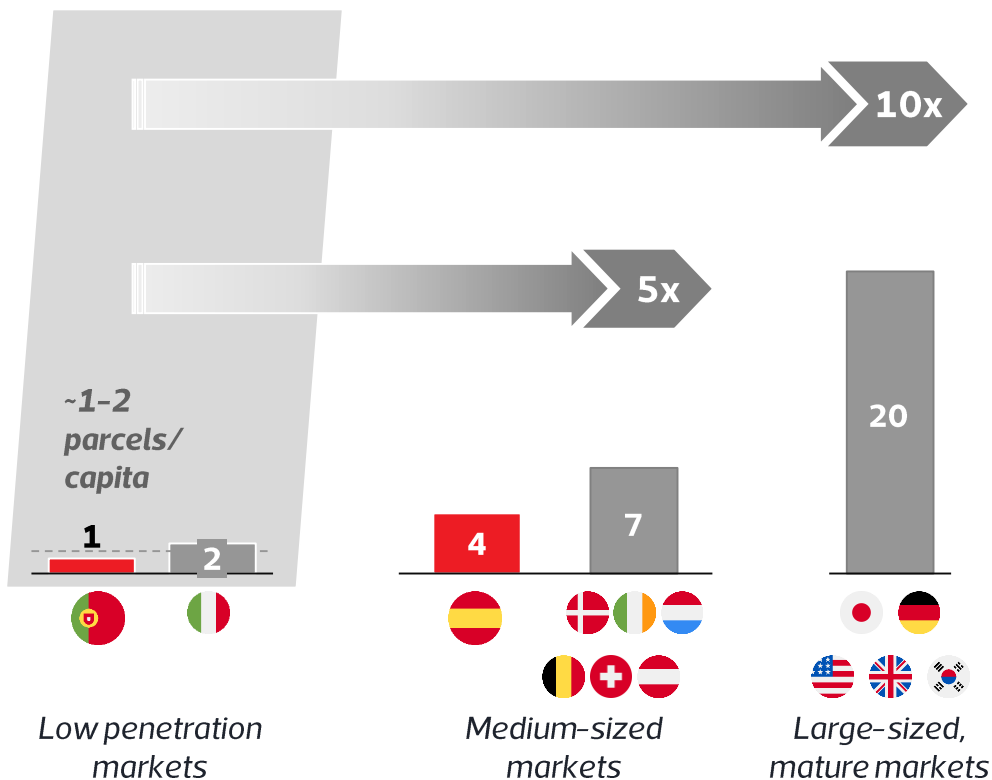
Note: Figures as at 31 December 2018.

# CTT has been investing to capture the Express & Parcels flows in Portugal and Spain, markets with great potential for e-commerce growth



## Portugal and Spain still lagging behind other countries in online retail

E-commerce penetration: domestic e-commerce parcels per capita<sup>1</sup>



## Development of new initiatives for the e-commerce ecosystem expansion

### PARCEL LOCKERS



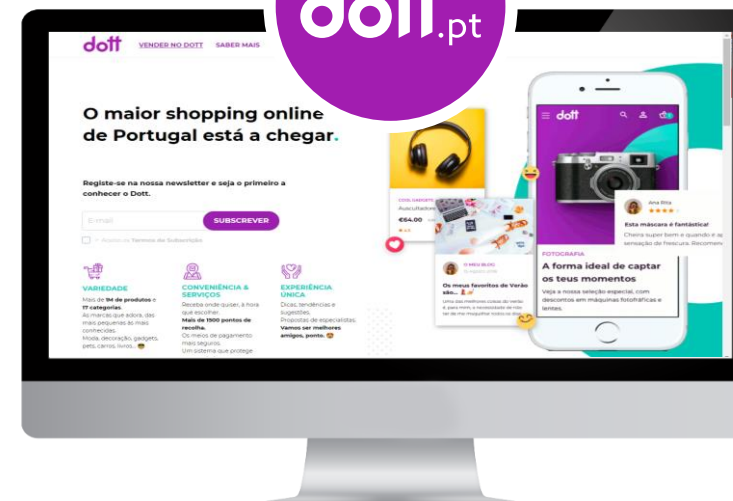
24h available lockers



### SUPER EXPRESS



Same-day delivery within 2h



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

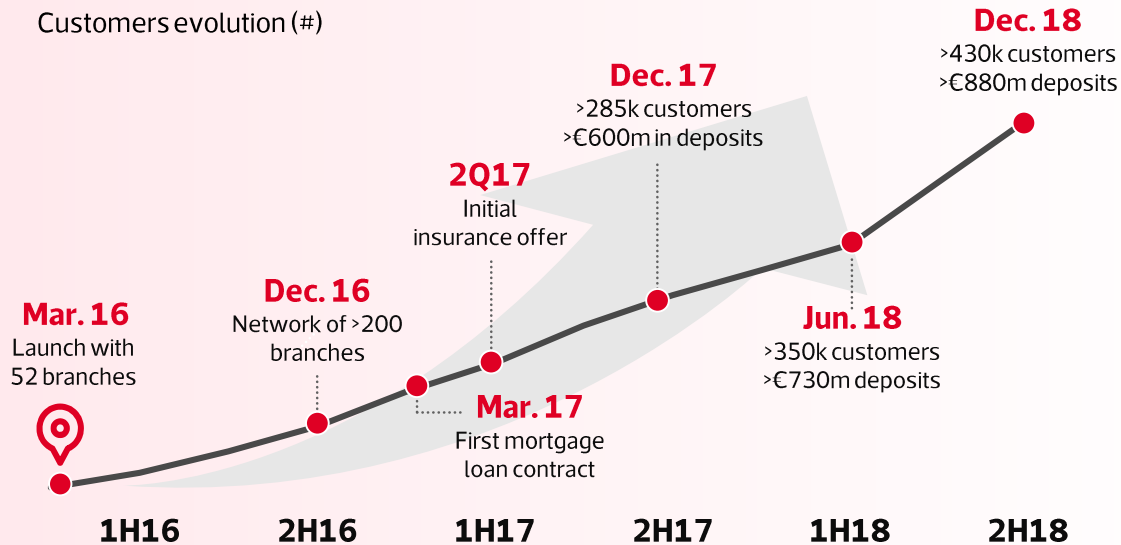
<sup>1</sup>Source:McKinsey eCommerce Logistics – growth motor for Posts (March 2017). E-commerce relevant is considered as domestic B2C parcels, with speed typical for e-commerce shipments in the given country.

# Banco CTT has presented robust growth rates since its launch and is entering a market with strong growth potential through an acquisition with significant synergies



**Banco CTT is experiencing a remarkable organic growth** since its launch in 2016...

Customers evolution (#)



**bancocctt** is an **innovative and fast-growing retail banking player** focused on **simplicity, transparency and proximity**

CTT identified an **opportunity in the Portuguese market for a no frills retail offer** and launched the bank **using its own Retail Network available capacity** and its **vast experience in financial services**

...and will expand inorganically into the **consumer credit market** to enhance growth



**acquisition, a fast growing consumer credit player**

focused on lending for the purchase of used cars

**Market with strong growth dynamics**

Used auto loans origination market with a **25% growth in 2017** (vs. 2016), and **estimated CAGR >7%** (2017-2022E)

**Competitive positioning**

**Top-5 player** with a **market share of ~10%** in 2017

**Upside potential within Banco CTT**

**Funding costs synergies up to €2m p.a.**

# Recurring EBITDA guidance delivered in 2018, as a result of an acceleration of the revenues growth and a stabilisation of the cost base



## Recurring revenues growth trend

**+1.4%**

(+0.4% in 2017)



Operational Transformation Plan (OTP)  
rec. operating costs savings exceeded  
the full-year objective

**€15.0m**

(€13.8m objective)



## Recurring EBITDA guidance delivered

**€90.4m**

(€89.9m in 2017)



Positive mix effect driving growth  
in Mail revenues, despite  
higher-than-expected volumes  
decline

**+0.8%**



Double-digit growth of  
Express & Parcels volumes  
and revenues

**+12.3%**

(volumes & revenues)



The steady build-out of the  
Banco CTT franchise  
continues

**€884.0m**

(customer deposits)





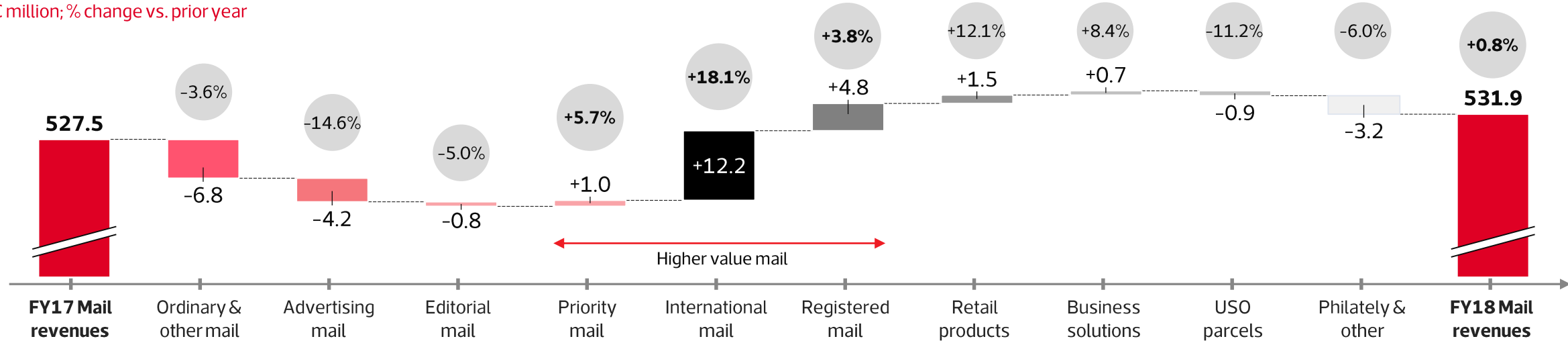
# Mail performance underpinned by strong mix effect; Savings & insurance placements recovered throughout the year, as prior treasury certificates issues started to mature



MAIL

## Mail revenues breakdown

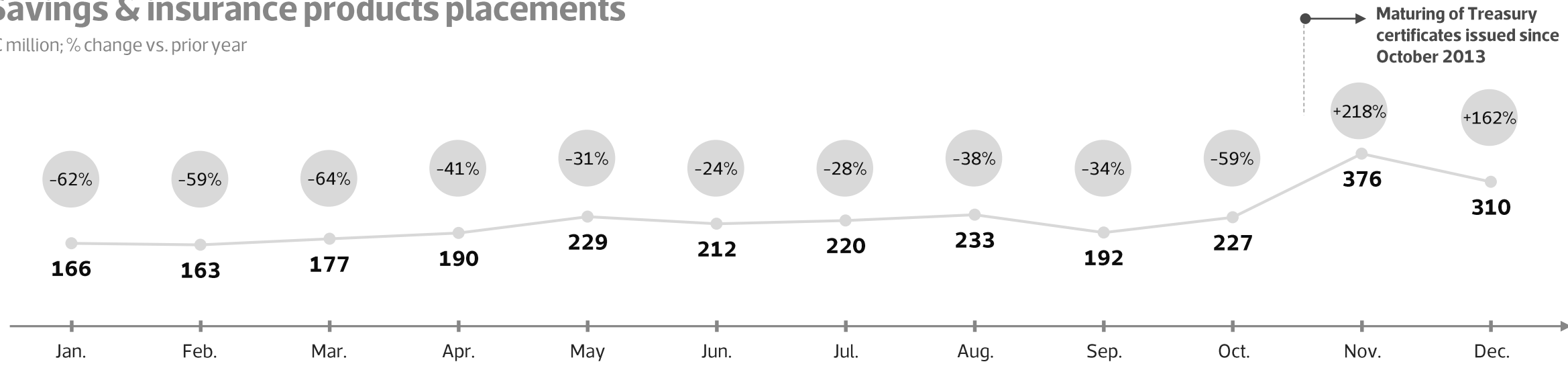
€ million; % change vs. prior year



FINANCIAL SERVICES

## Savings & insurance products placements

€ million; % change vs. prior year



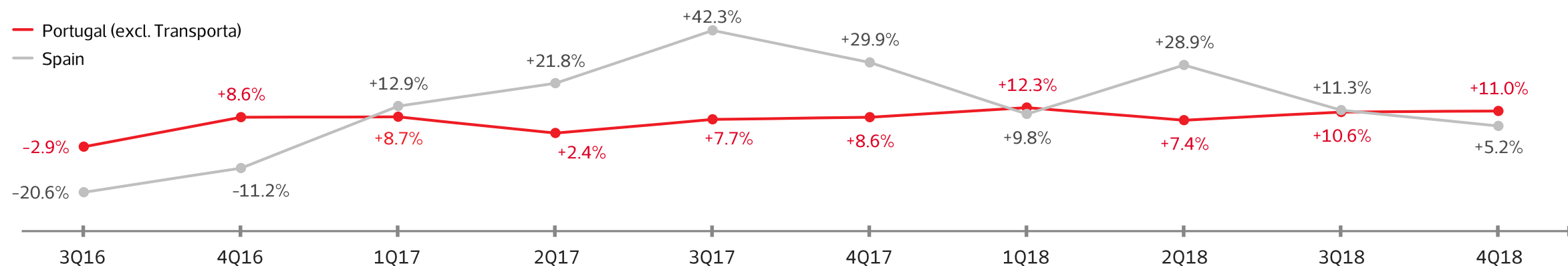
# The positive evolution in the growth levers continued; CTT is still in the early stages of a long-term diversification process



EXPRESS & PARCELS

## Parcels volumes

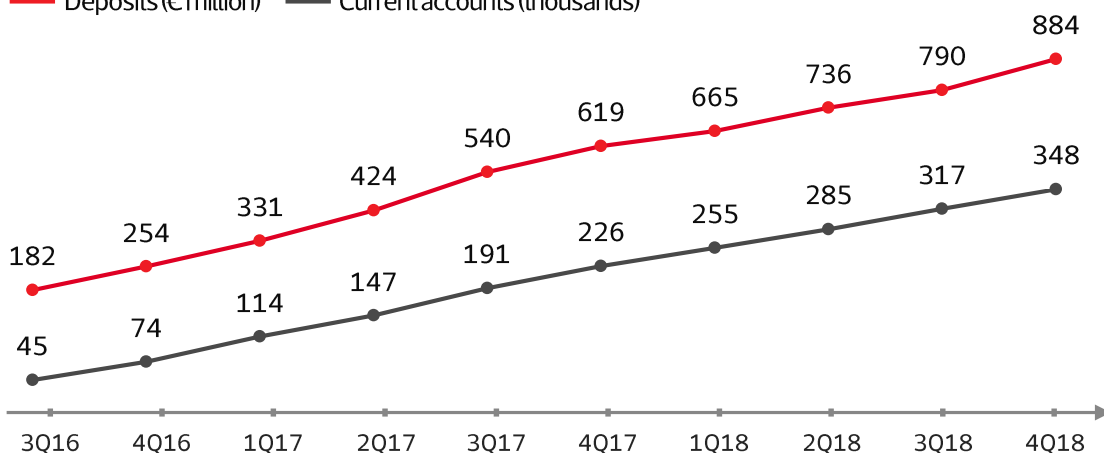
Quarterly change vs. prior year



BANCO CTT

## Deposits & current accounts<sup>1</sup>

Deposits (€ million) Current accounts (thousands)

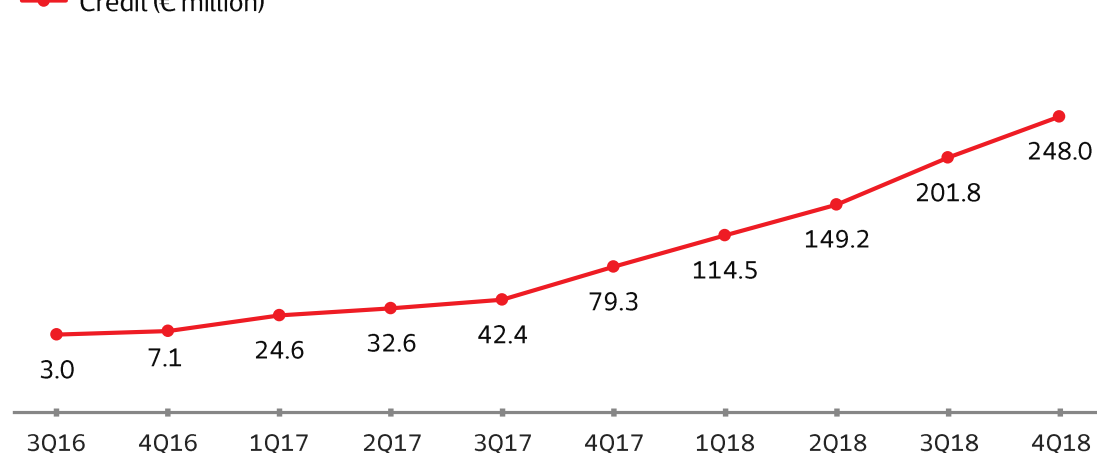


<sup>1</sup>Cumulative figures.

<sup>2</sup>Net of impairments.

## Credit placed by Banco CTT on its own Balance Sheet<sup>2</sup>

Credit (€ million)

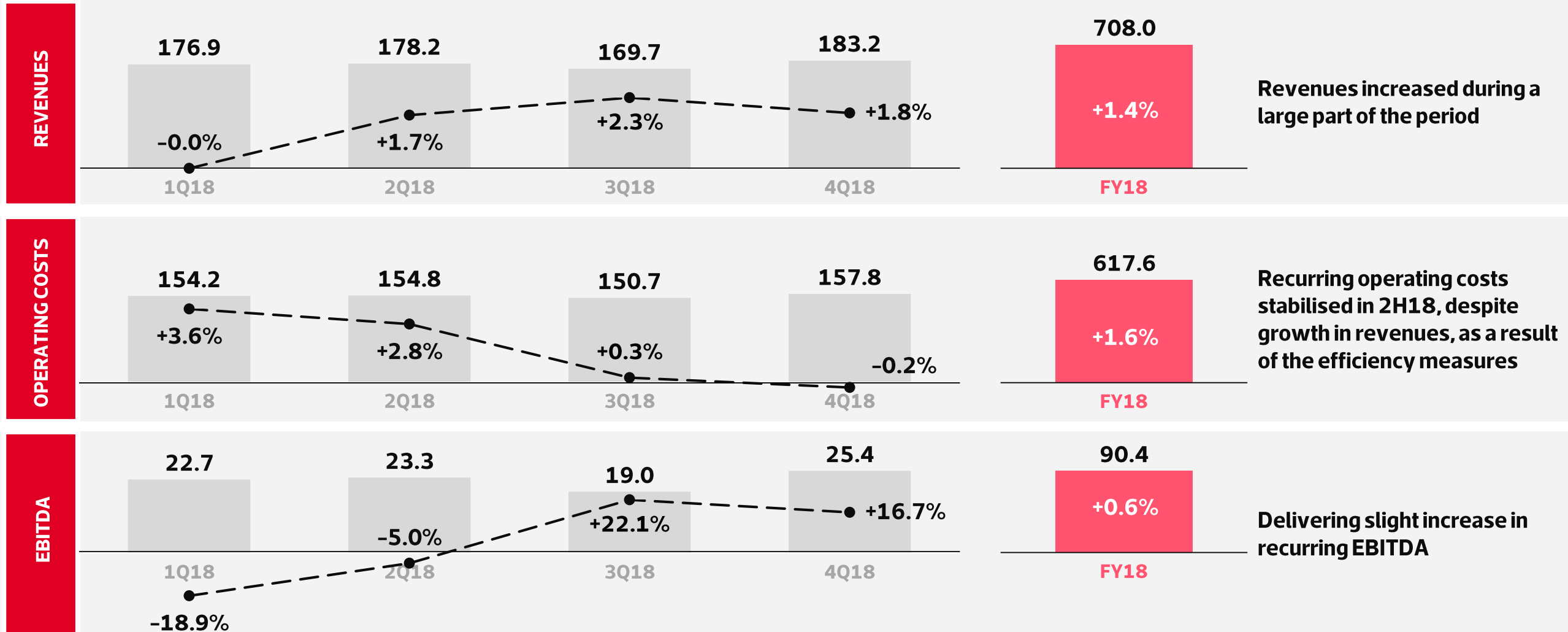


# Key financial indicators registered gradual improvement as 2018 progressed



## Key recurring<sup>1</sup> financials





€ million; % change vs. prior year



<sup>1</sup>Excluding non-recurring items affecting EBITDA of -€8.8m in 2017 and -€16.1m in 2018.

In 2017, CTT launched an ambitious Operational Transformation Plan to improve profitability levels, complying with all regulatory obligations and positioning the company for the next growth phase



	Recurring EBITDA impact (by 2020)	One-time costs
 <p>Adjust HR policies and deepen <b>the ES&amp;S cost reduction efforts</b></p>	€6-7m	€-m
 <p>Reinforce <b>HR optimisation programme</b> and rationalise non-core assets</p>	€5-6m	€14m
 <p><b>Optimise the Retail Network</b> maintaining proximity to the citizens</p>	€6-7m	€15m
 <p><b>Reengineer the Distribution Network</b> to improve operational efficiency</p>	€21-25m	€25m (plus incremental Capex of c. €25m)

Operational Transformation Plan objective: up to €45m positive contribution to recurring EBITDA from 2020 onwards

# The Operational Transformation Plan costs savings & capital gains exceeded the 2018 objectives



## FY18 recurring operating costs savings

Savings objective exceeded



**€15.0m**

Costs savings realised

**€13.8m**

Costs savings objective



## FY18 non-recurring revenues / capital gains

Capital gains objective exceeded



**€9.3m**

Capital gains realised

**€5.2m**

Capital gains objective



## FY18 non-recurring operating costs

**€21.6m**

Non-recurring op. costs related to the OTP

**€20.0m**

Non-recurring op. costs objective

# CTT strategy: transform the postal business and continue to develop the Express & Parcels and Banco CTT growth levers, committed to business diversification



## Mail



**Preserve the value of the Mail business, improve profitability and reinforce quality of service**

**TRANSFORMATION**

## Express & Parcels



**Consolidate CTT's positioning as a integrated Iberian CEP operator and leverage on the e-commerce growth trend**

**GROWTH**

## Banco CTT



**Develop an innovative retail banking player, focused on simplicity, transparency and proximity**

**GROWTH**

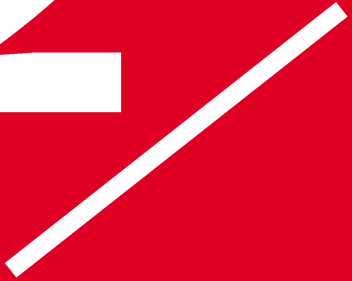
## Financial Services



**Strengthen the Retail Network capacity, focusing on customer experience and convenience ensuring proximity to the population**

**GROWTH**

2



**2018**

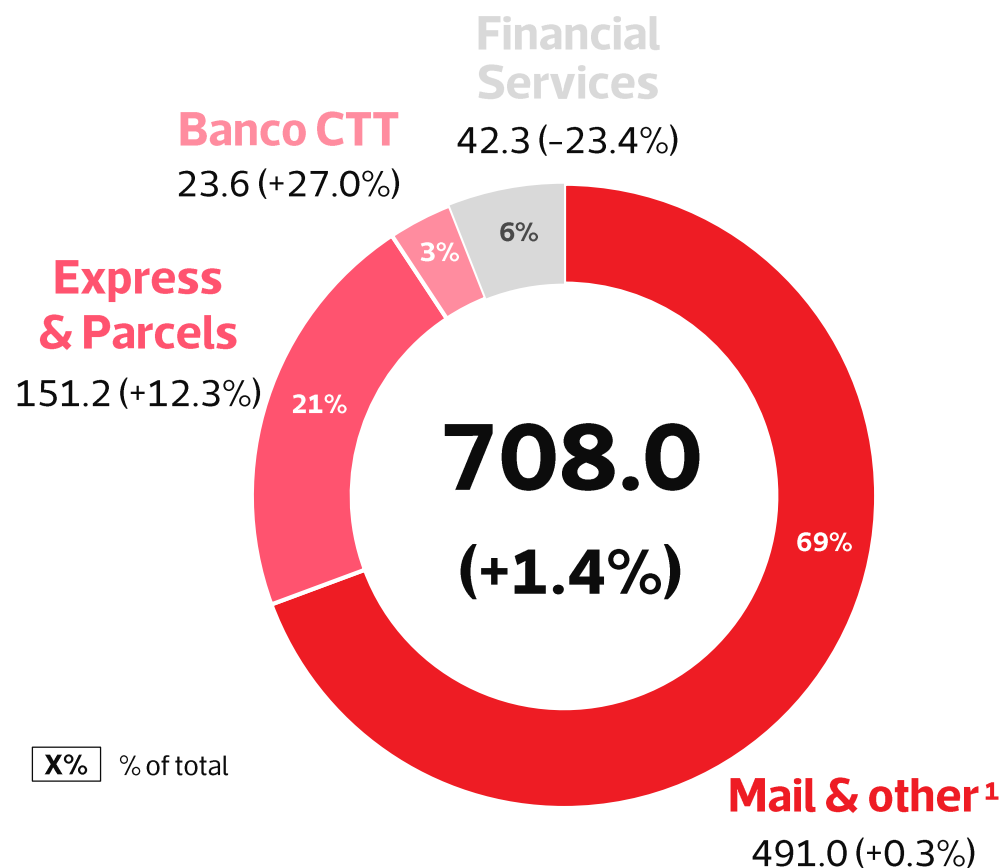
**results**

# The expected revenues softness in Financial Services was more than offset by solid progress in the growth levers



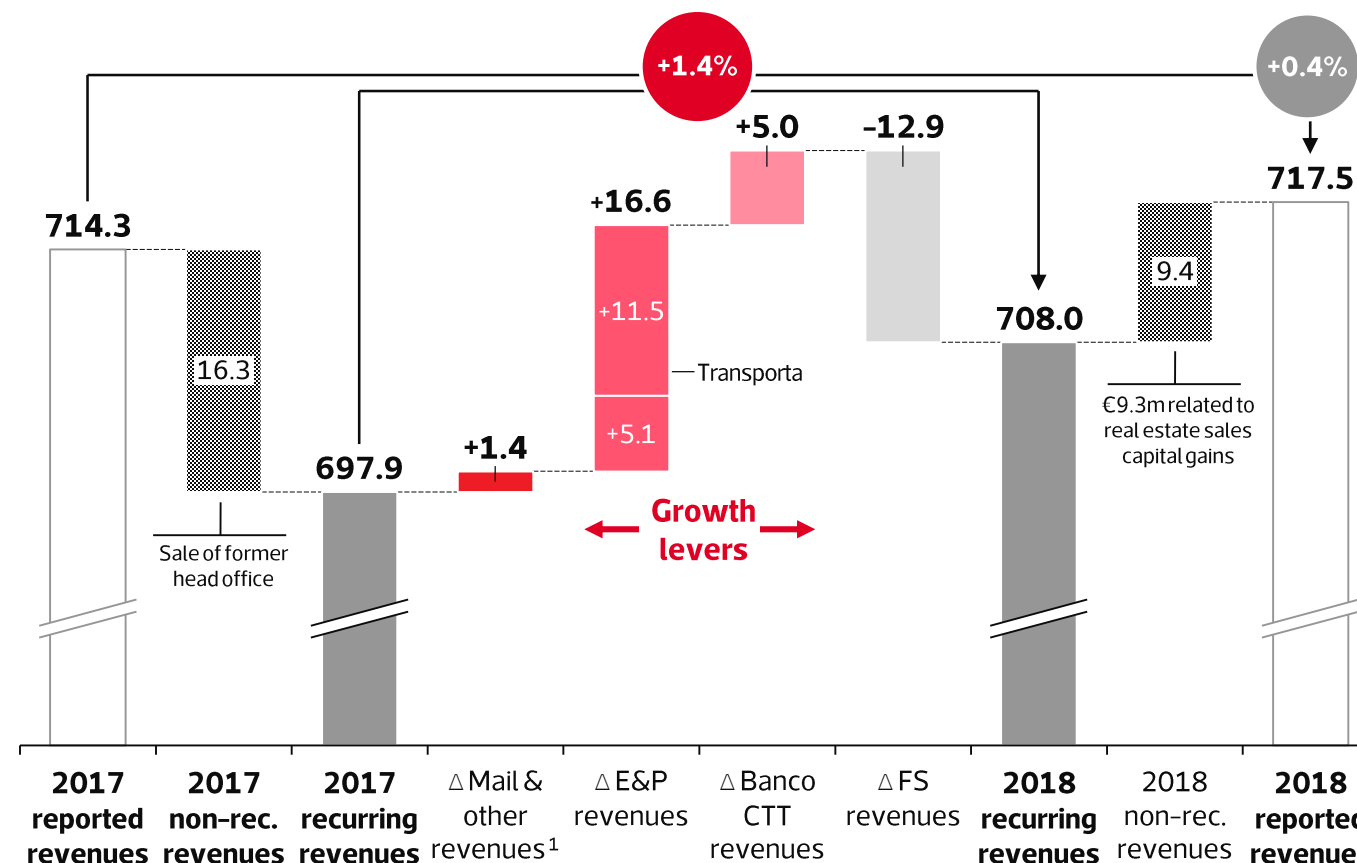
## Recurring revenues

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



## Revenues breakdown

€ million; % change vs. prior year



<sup>1</sup>Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€37.9m in 2017 and -€40.9m in 2018.

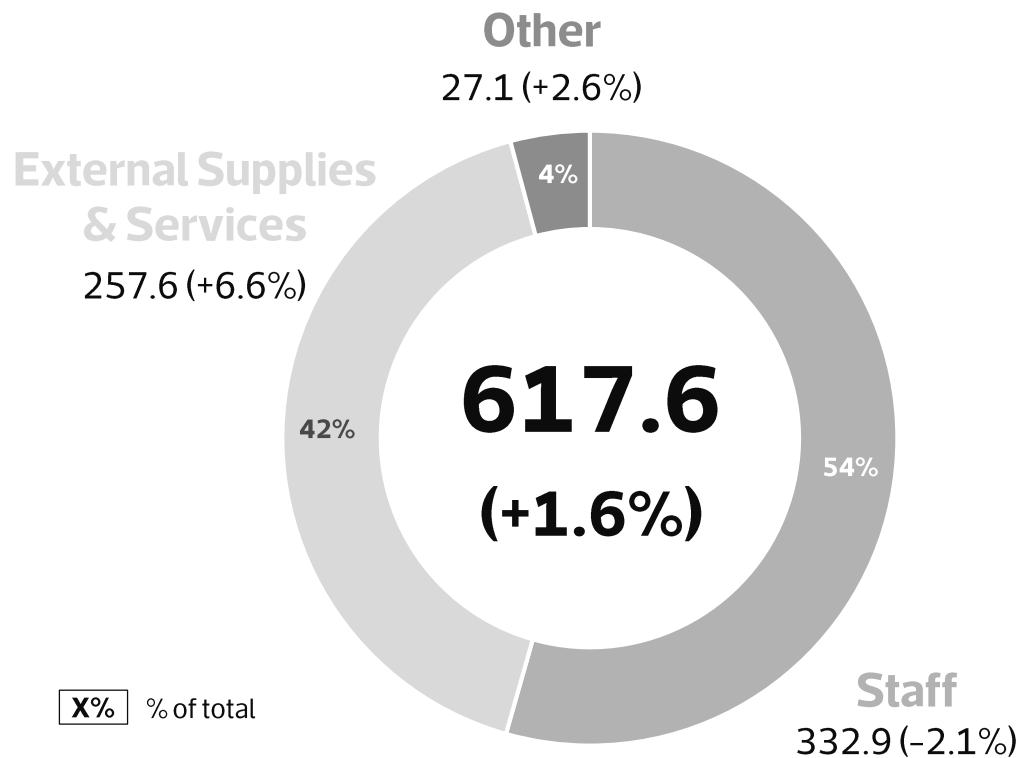


# The recurring operating costs increased due to growth in activity, declining in the staff category as a result of the operational transformation plan HR optimisation initiatives



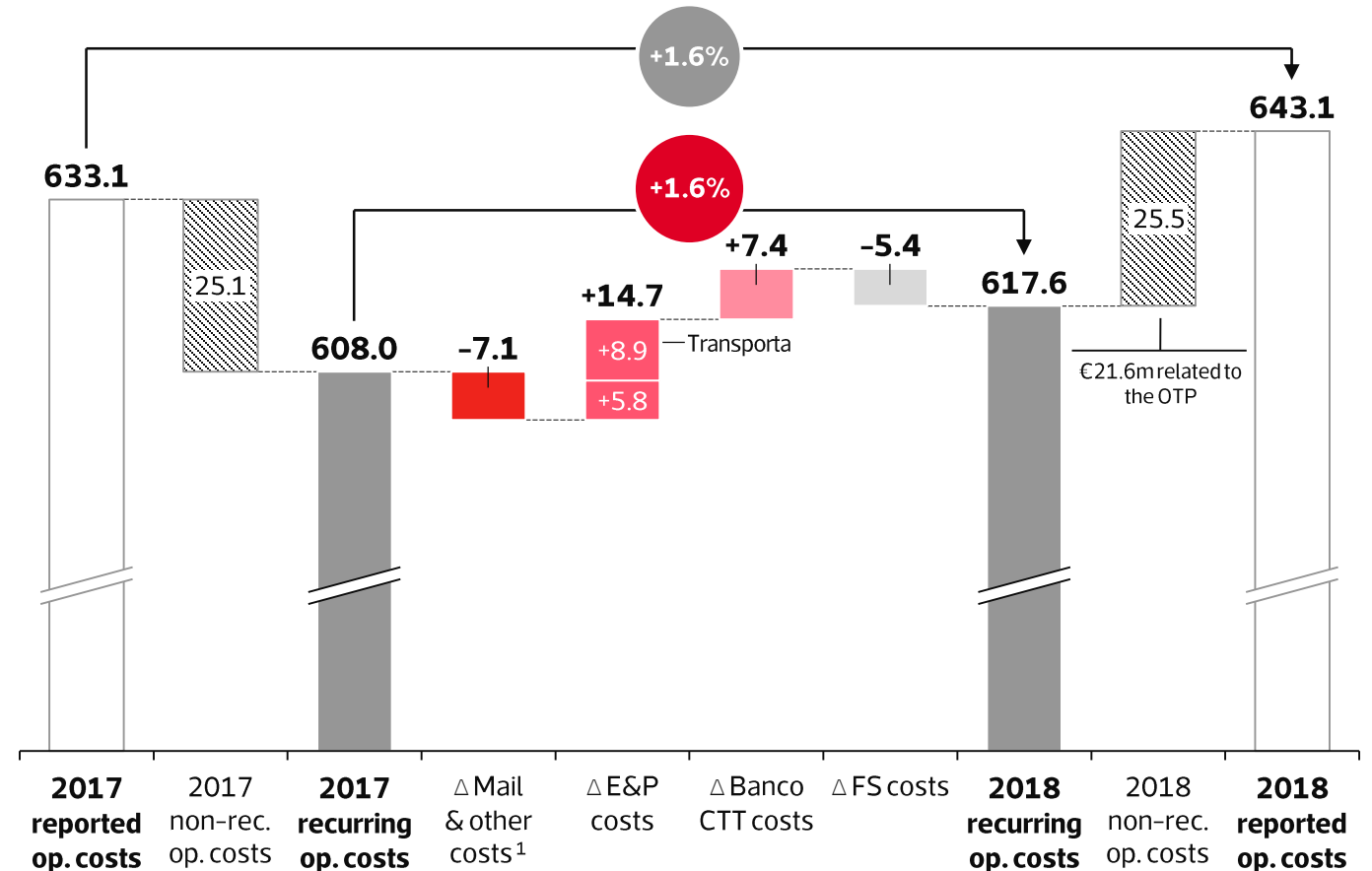
## Recurring operating costs

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



## Operating costs breakdown

€ million; % change vs. prior year



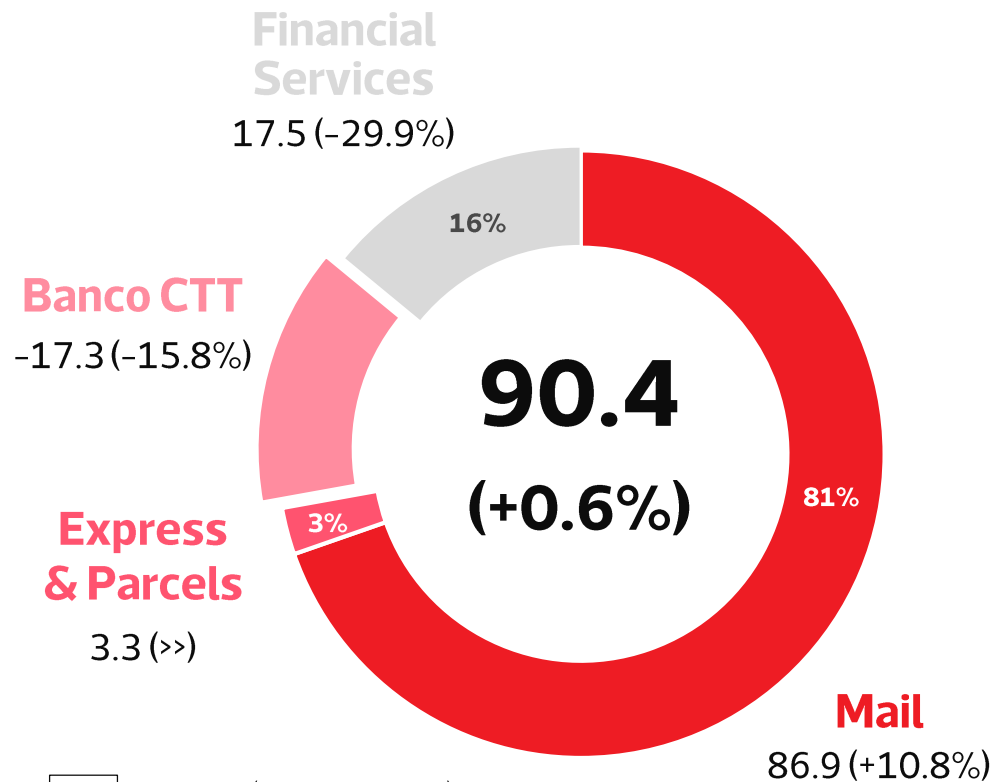
<sup>1</sup>Including costs related to CTT Central Structure and Intragroup Eliminations amounting to -€37.9m in 2017 and -€40.9m in 2018.

# The recurring EBITDA growth reflects an underlying trend of sustained improvement throughout the year



## Recurring EBITDA

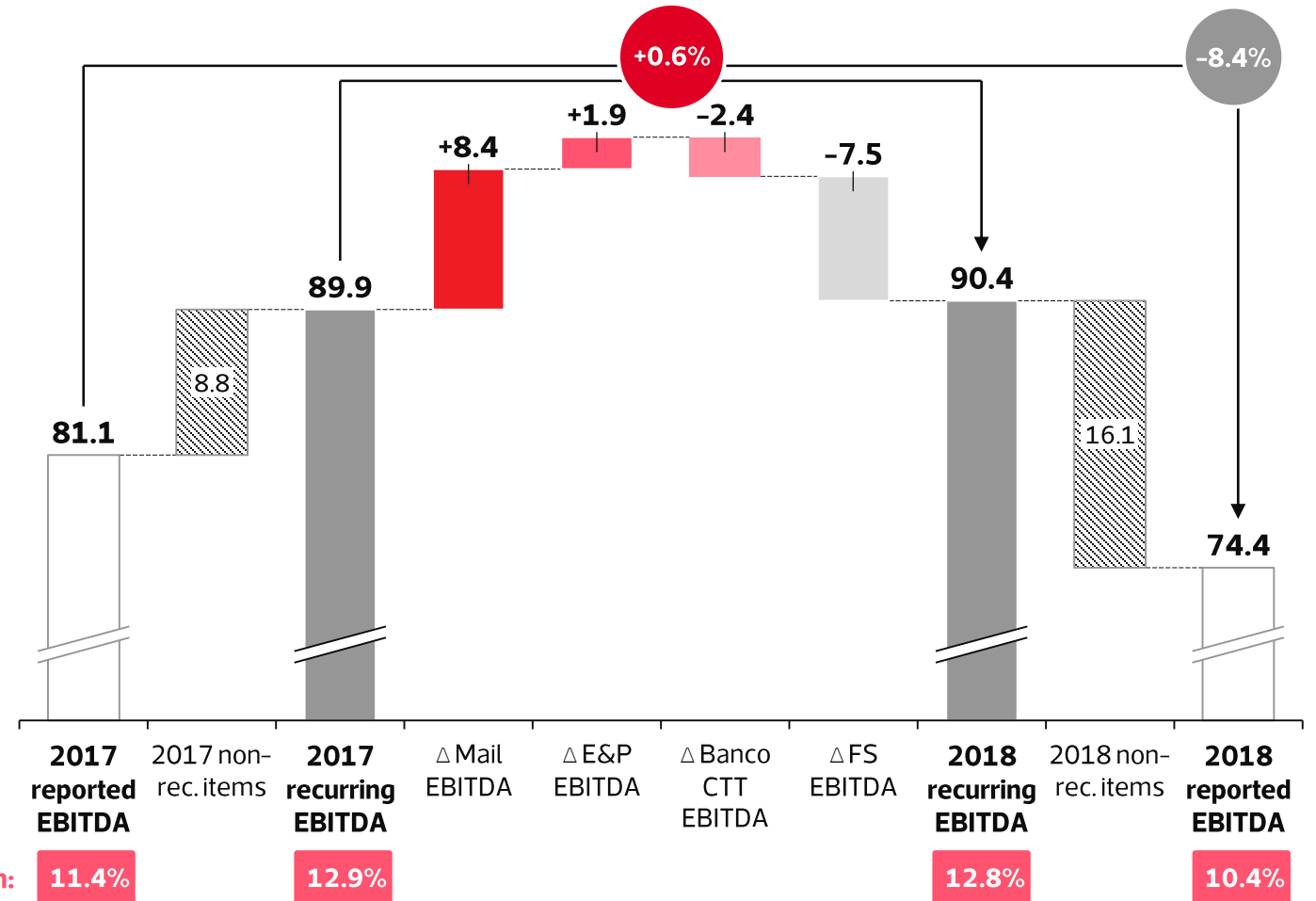
€ million; % change vs. prior year; % of total



X% % of total (excl. Banco CTT)

## EBITDA breakdown

€ million; % change vs. prior year



Margin:

11.4%

12.9%

12.8%

10.4%

# Mail: strong expansion of the recurring EBITDA margin as a result of revenues growth coupled with efficiency improvements



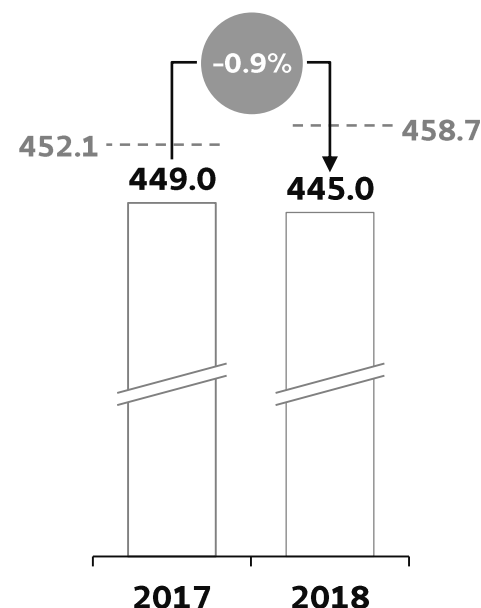
## Recurring revenues

€ million; % change vs. prior year

- Transactional	€413.1m (+2.8%)
- Advertising	€24.2m (-14.6%)
- Editorial	€14.7m (-5.0%)
- Business Solutions	€9.6m (+8.4%)
- USO Parcels	€6.8m (-11.2%)
- Retail & other	€63.5m (-2.7%)
<b>Total</b>	<b>€531.9m (+0.8%)</b>

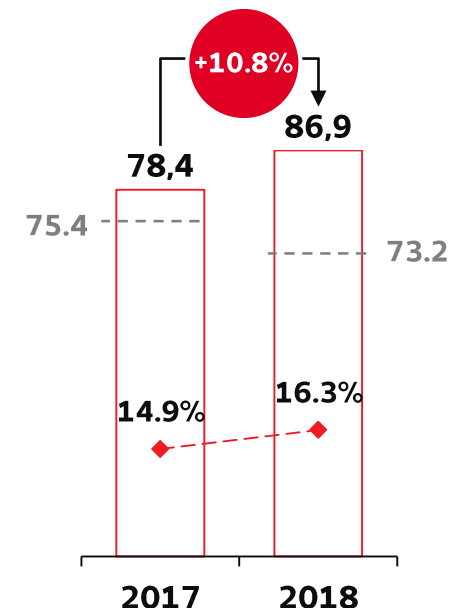
## Operating costs

€ million



## EBITDA

€ million



□ Recurring --- Reported

□ Recurring --- Reported -◆- Rec. EBITDA Margin

## Mail volumes by type (m items)

Metric	Avg. mail prices	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
4Q18   2018	N/D	165.0   680.7	140.6   585.8	14.7   57.8	9.7   37.2	110.5   427.3
vs. 4Q17   2017	+4.7%   +4.1%	-8.9%   -7.6%	-7.4%   -6.6%	-23.2%   -15.7%	-4.1%   -8.9%	-10.8%   -13.2%

# Express & Parcels: double-digit volumes and revenues growth, driven predominantly by e-commerce



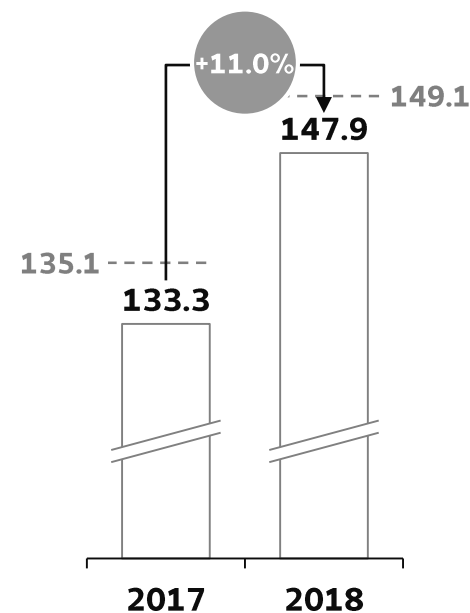
## Recurring revenues

€ million; % change vs. prior year

- Portugal & other <sup>1</sup>	€94.0m (+14.9%)
- Parcels	€67.8m (+7.8%)
- Cargo & Logistics <sup>2</sup>	€15.9m (+53.6%)
- Banking network	€6.3m (+22.2%)
- Other <sup>2</sup>	€4.1m (+16.8%)
- Spain	€55.3m (+8.1%)
- Mozambique	€1.8m (+18.4%)
<b>Total</b>	<b>€151.2m (+12.3%)</b>
<b>Total excl. Transporta</b>	<b>€137.2m (+9.2%)</b>

## Operating costs

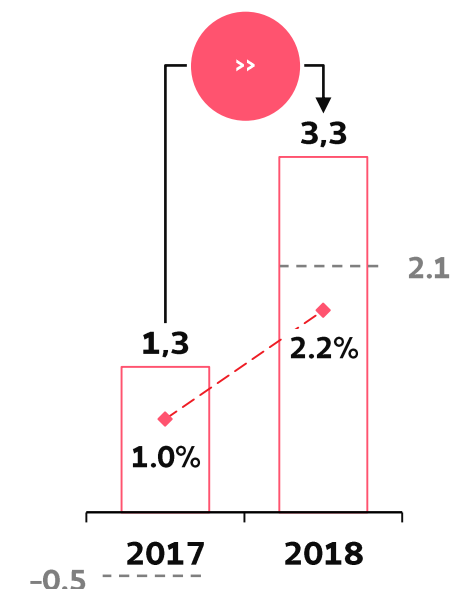
€ million



□ Recurring --- Reported

## EBITDA

€ million



□ Recurring --- Reported -◆- Rec. EBITDA Margin

## E&P volumes by region (m items)

Metric	Total	Portugal	Portugal excl. Transporta	Spain	Mozambique
4Q18   2018	10.2   37.3	5.4   19.8	4.8   17.3	4.8   17.5	0.02   0.06
vs. 4Q17   2017	+4.8%   +12.3%	+4.5%   +11.7%	+11.0%   +10.3%	+5.2%   +13.1%	-13.7%   -12.0%

<sup>1</sup> Including revenues from intra-group transactions with companies of other business units and other operating income of Portugal, Spain and Mozambique.

<sup>2</sup> Including Transporta revenues (€13.8m in Cargo & Logistics and €0.3m in Other in 2018).

# Banco CTT: net interest margin expansion spurred by continued growth in all customer volumes metrics



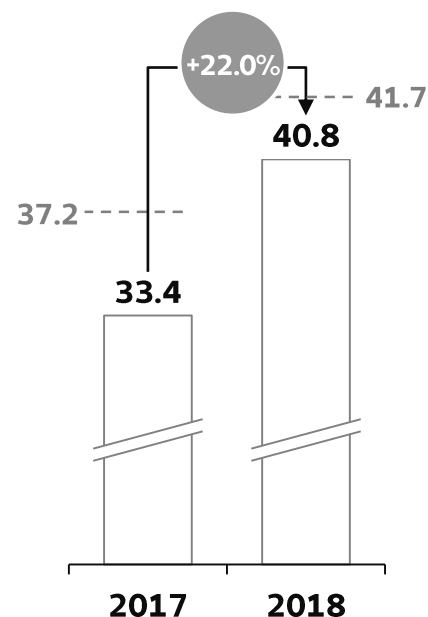
## Recurring revenues

€ million; % change vs. prior year

- Net interest income	€7.9m (+€4.5m)
- Interest income	€8.6m (+€4.4m)
- Interest expense	€0.7m (-€0.1m)
- Fees & commissions income	€5.0m (+€0.8m)
- Consumer credit <sup>1</sup> and insurance	€1.2m (-€0.9m)
- Own products	€3.8m (+€1.7m)
- Payshop & other	€10.7m (-€0.3m)
<b>Total</b>	<b>€23.6m (+€5.0m)</b>

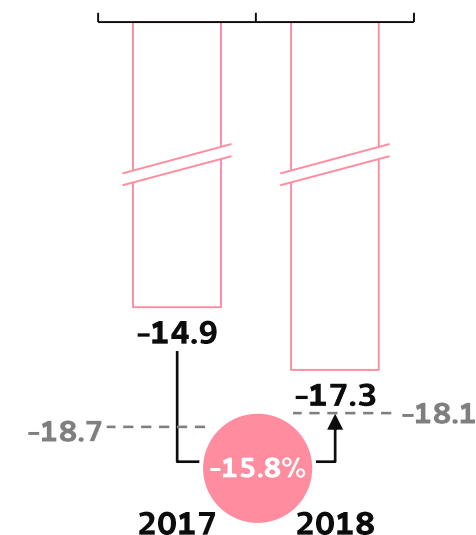
## Operating costs

€ million



## EBITDA

€ million



## Selected Banco CTT Balance Sheet indicators

Metric (non consolidated)	Assets (€ million)				Deposits (€ million)		Consolidated Equity (€ million) / CET 1 (%) (fully implemented)
	Cash & equivalents	Investments	Credit to clients <sup>3</sup>	of which Mortgage	Term (incl. savings)	Sight	
<b>31-Dec-18</b>	<b>250.8</b>	<b>454.1</b>	<b>248.0</b>	<b>238.4</b>	<b>212.3</b>	<b>671.7</b>	<b>89.5 / 23.4%</b>
<b>vs. 31-Dec-17</b>	<b>-25.6%</b>	<b>+69.9%</b>	<b>+212.6%</b>	<b>+260.8%</b>	<b>+0.8%</b>	<b>+64.4%</b>	<b>+17.2% / -3.1p.p.</b>

- Mortgage credit growth  
**€172m**  
(€54m in 4Q)
- Consumer credit growth<sup>2</sup>  
**€42m**  
(€11m in 4Q)
- Current accounts  
**348k**  
(122k in 2018)
- Deposits  
**€884m**  
(€265m in 2018)

<sup>1</sup> Consumer credit & credit cards sold in partnership with BNP Paribas Personal Finance (Cetelem). The FY17 revenues included a fixed commission fee of €0.8m from an insurance provider for the launch of sale of insurance products.

<sup>2</sup> Amount outside CTT's Balance Sheet, representing the amount of credit placed in FY18, in partnership with BNP Paribas Personal Finance (Cetelem).

<sup>3</sup> Net of impairments.

# Financial Services: savings placements registered a strong recovery in 4Q18, as prior treasury certificates issues started to mature, but unable to offset 9 months of declines



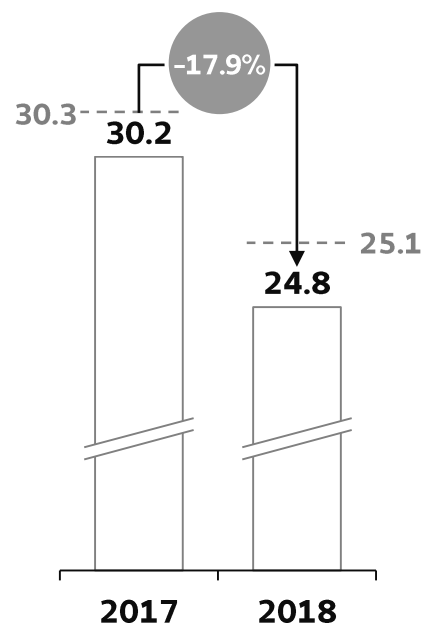
## Recurring revenues

€ million; % change vs. prior year

- Savings & Insurance	€18.9m (-37.9%)
- Payments	€13.0m (-8.1%)
- Transfers	€8.2m (-11.7%)
- Other	€2.2m (+64.6%)
<b>Total</b>	<b>€42.3m (-23.4%)</b>

## Operating costs

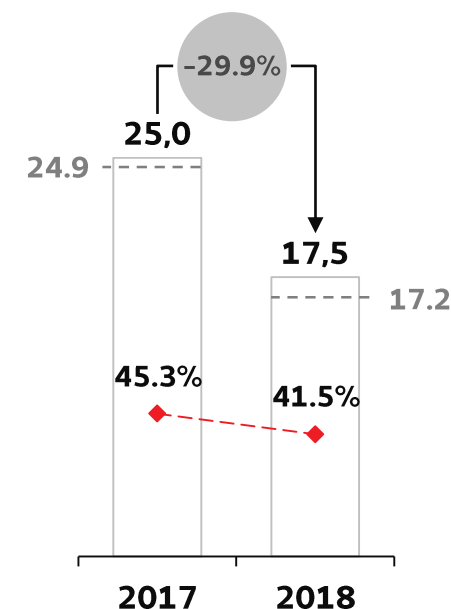
€ million



□ Recurring --- Reported

## EBITDA

€ million



□ Recurring --- Reported -◆- Rec. EBITDA Margin

## FS volumes by type

Metric	Savings & insurance placements (€bn)	Payments (m ops)	Money orders & transfers (m ops)
<b>4Q18   2018</b>	<b>0.9   2.7</b>	<b>6.0   27.0</b>	<b>4.4   16.0</b>
<b>vs. 4Q17   2017</b>	<b>+15.9%   -32.9%</b>	<b>-6.1%   -5.5%</b>	<b>+4.7%   -8.5%</b>






# Net profit impacted by restructuring costs related to the Operational Transformation Plan



## Financial and operational performance

€ million, except when otherwise indicated

Financial indicators	Quarter			Full year		
	4Q17	4Q18	Δ%	2017	2018	Δ%
<b>Recurring revenues</b>	<b>180.0</b>	<b>183.2</b>	<b>+1.8%</b>	<b>697.9</b>	<b>708.0</b>	<b>+1.4%</b>
Recurring operating costs <sup>1</sup>	158.2	157.8	-0.2%	608.0	617.6	+1.6%
<b>Recurring EBITDA <sup>1</sup></b>	<b>21.8</b>	<b>25.4</b>	<b>+16.7%</b>	<b>89.9</b>	<b>90.4</b>	<b>+0.6%</b>
<b>Reported Net profit</b>	<b>7.8</b>	<b>9.7</b>	<b>+25.5%</b>	<b>27.3</b>	<b>19.6</b>	<b>-28.0%</b>

	 <b>Addressed mail</b> (million items)	 <b>Unaddressed mail</b> (million items)	 <b>Express &amp; Parcels</b> (million items)	 <b>Savings &amp; insurance flows</b> (€ billion)	 <b>Banco CTT credit to clients</b> (€ million)
<b>2018 volumes</b>	<b>680.7</b>	<b>427.3</b>	<b>37.3</b>	<b>3.7</b>	<b>248.0</b>
<b>vs. 2017</b>	<b>-7.6%</b>	<b>-13.2%</b>	<b>+12.3%</b>	<b>-35.0%</b>	<b>+212.6%</b>

<sup>1</sup> Excluding non-recurring items affecting EBITDA of +€0.1m and +€3.2m in 4Q17 and 4Q18, respectively. Excluding non-recurring items affecting EBITDA of -€8.8m and -€16.1m in 2017 and 2018, respectively.

# Operating cash flow generation impacted by non-recurring items related to the Operational Transformation Plan



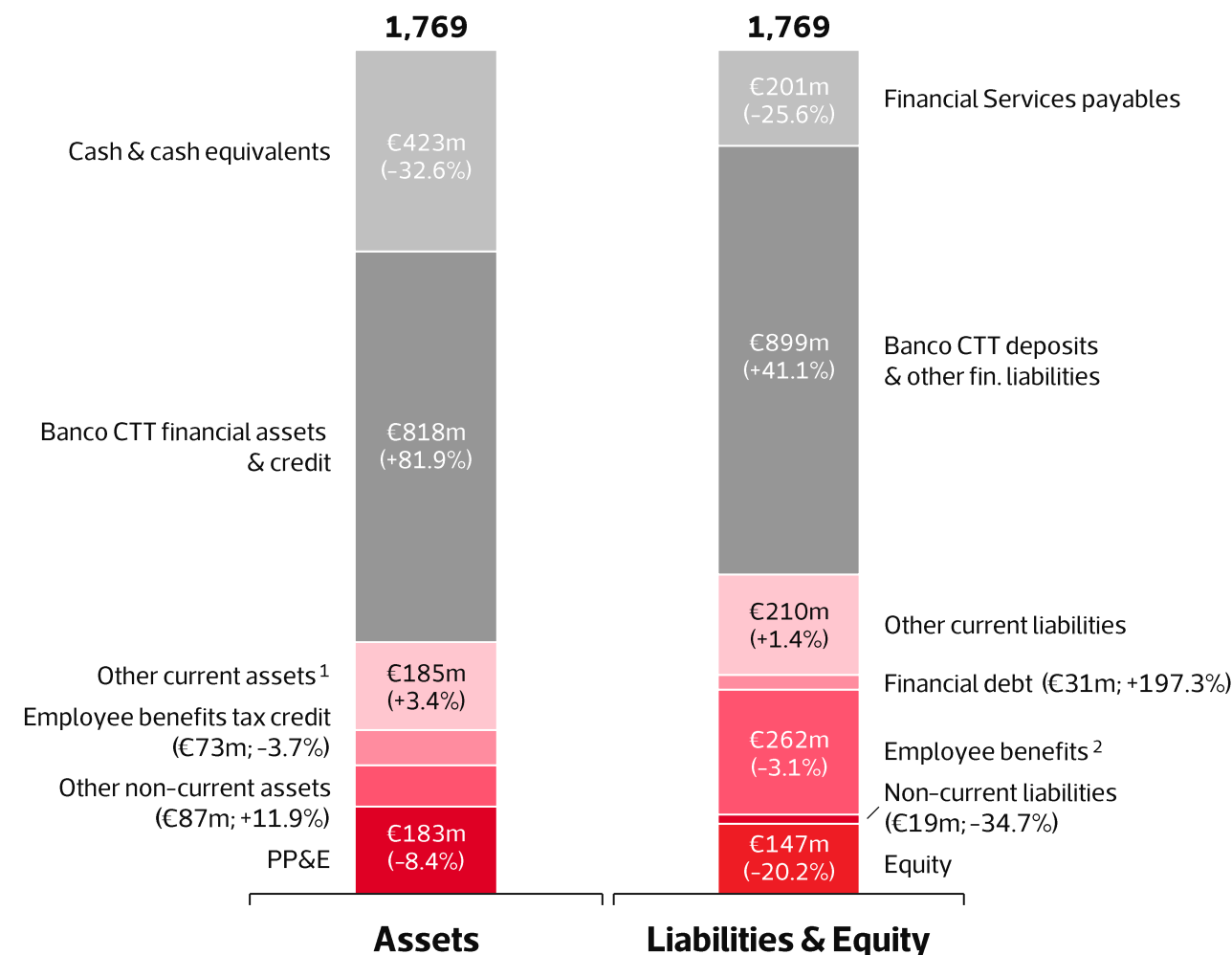
## Cash flow

€ million; change vs. prior year

	<b>Adjusted</b> (Excl. FS float & Banco CTT deposits and financial assets)	
	<b>2018</b>	<b>Δ</b>
<b>From operating activities</b>	<b>31.8</b>	<b>-12.6</b>
Operating cash flow, excl. Banco CTT	35.7	-27.5
Banco CTT operating cash flow	-3.9	+15.0
<b>From investing activities</b>	<b>-16.4</b>	<b>-10.6</b>
Capex payments (excl. Banco CTT)	-22.2	+3.1
Banco CTT Capex payments	-6.2	-0.3
Other	12.0	-13.4
<b>Operating free cash flow</b>	<b>15.3</b>	<b>-23.2</b>
<b>From financing activities</b>	<b>-36.3</b>	<b>+35.7</b>
of which Dividends	-57.0	+15.0
<b>Net change in cash</b>	<b>-21.0</b>	<b>+12.3</b>

## Balance sheet – 31 December 2018

€ million; % change vs. 31 December 2017



<sup>1</sup>Including Financial Services receivables of €4m and €6m as at Dec-17 and Dec-18, respectively.

<sup>2</sup>Including current and non-current liabilities.



**3**



**2019**

**objectives**

# MAIL OBJECTIVES FOR 2019



**1% - 2% positive mix effect**, benefiting from international inbound and registered mail contribution



**€15m of recurring operating cost savings** from the Operational Transformation Plan



**€25m additional Capex** related to and in line with previously communicated OTP **modernisation and automation** initiatives

# EXPRESS & PARCELS OBJECTIVES FOR 2019



Sustain **double-digit growth** in volumes & revenues



Stablish new partnerships in order to accelerate the e-commerce ecosystem expansion, namely through the **launching of Dott**, a Portuguese e-commerce marketplace



Improve **profitability in Spain**

**Improve the customer base monetisation,**  
promoting a wider retail banking product portfolio



Start the **321Crédito integration** to take advantage  
of the growing consumer credit market and capture  
identified synergies, impacting positively the Group EBITDA



# **BANCO CTT**

## **OBJECTIVES**

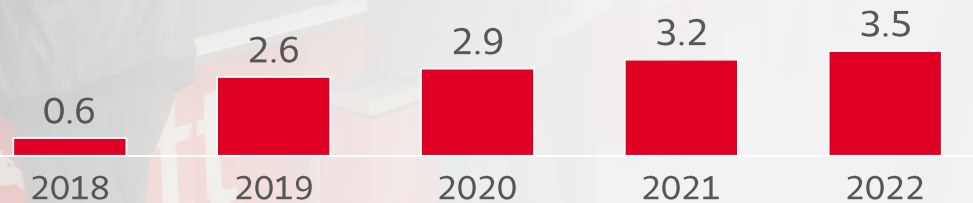
### **FOR 2019**

01

02 **Recover the levels of savings placements, taking advantage of the maturity of the certificates previously placed through CTT**

## Maturity of the Treasury Certificates (*Poupança Mais*)

€ billion; Estimate based on savings placed in n-5 years



# FINANCIAL SERVICES OBJECTIVES FOR 2019

# 2019 OUTLOOK



**Increase in revenues**, supported by organic & inorganic impacts in the growth levers



**Decline in addressed mail volumes** expected to be in the -6% to -8% range



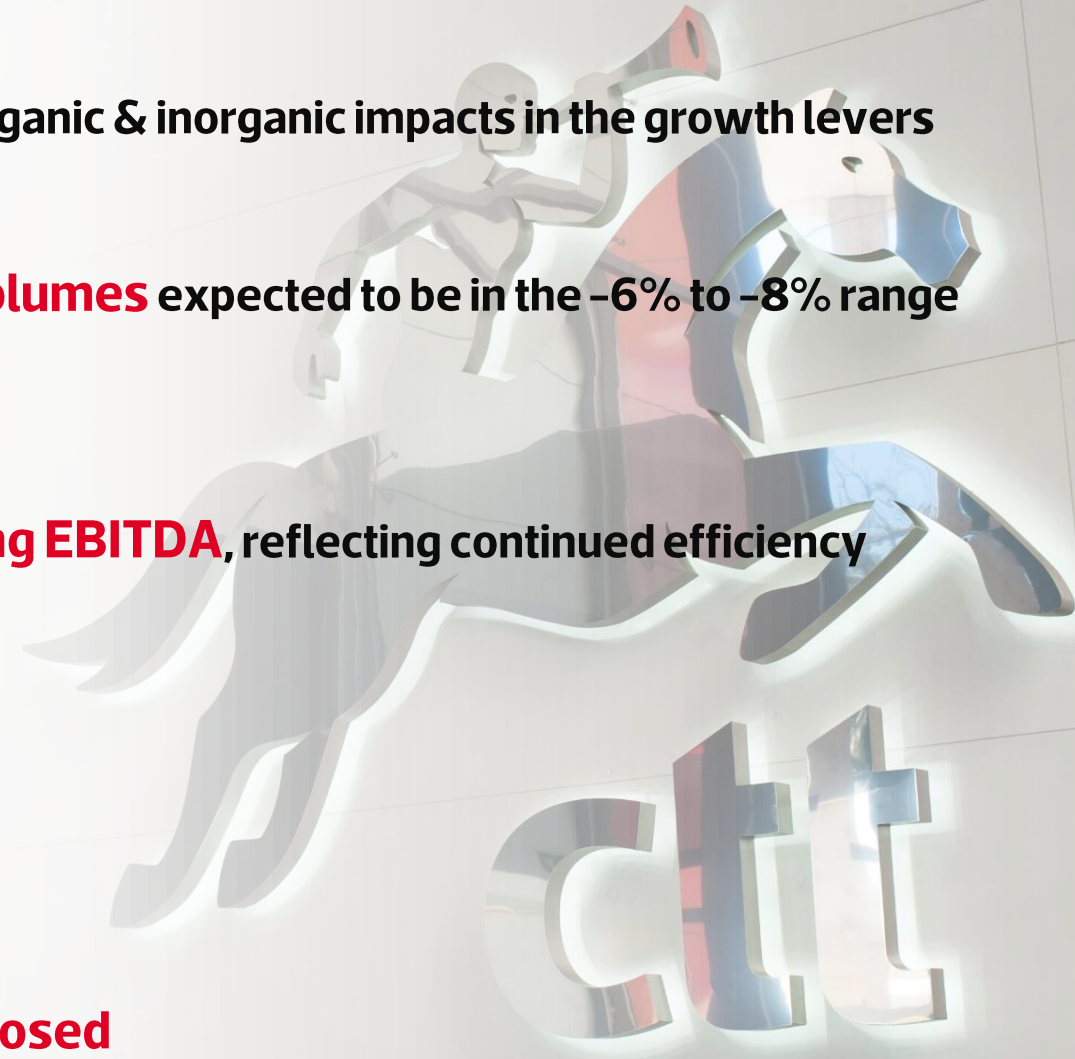
**Growth in organic recurring EBITDA**, reflecting continued efficiency improvements



**Total Capex of €55m**



**FY18 dividend of €0.10/share proposed**



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