



CTT – Correios de Portugal, S.A.

Avenida D. João II, 13

1999-001 LISBON

Lisbon commercial registry and

fiscal no. 500 077 568

Share Capital EUR 75,000,000.00

Announcement – Lisbon, 23 June 2022

Material information

CTT – Correios de Portugal, S.A. (“CTT” or “Company”) hereby informs that today it holds its Capital Markets Day 2022 where the Management team reviews the continued transformation strategy anchored on business and commerce services, presenting the new strategy and the ESG and financial targets for the 2022-25 period.

Strategy for 2022-25: CTT ready and geared for growth

Changes in the sector, namely through digitalization and changing consumer habits and expectations, have created opportunities that CTT is prepared to grab, given the deep transformation that it has been implementing. The three key landmark achievements that have shaped our transformation recently are: (1) the turnaround of Spanish E&P operations, having been able to regain market share, grow revenues and achieve breakeven at EBITDA level in 2021; (2) the continued growth of Banco CTT, which is becoming a powerhouse in consumer credit and improving profitability, having already reached positive ROTE in 2021; and (3) the agreement on the new postal universal service concession contract, which enables the adequate tools to strive for a more sustainable mail business.

Going forward, CTT is now a well-diversified company, exposed to growth, focused on (1) capturing the Iberian e-commerce opportunity with an integrated one-stop-shop offering, (2) leveraging proximity and trust to cater to B2C customers' financial and retail needs through multiple channels while increasing focus on productivity, efficiency and customer service excellence and (3) moving towards the forefront of environmental, social and governance practices.

This will be done by leveraging CTT's strategic assets: (1) a unique Iberian sales force, underpinned by ubiquitous access to B2B clients and an exceptional retail network; (2) a strong and trusted brand for individuals and businesses alike, and (3) an unmatched last-mile distribution network, increasingly integrated at an Iberian level.

Confirming 2022 guidance

Within the context of increased macro-economic and persistent geopolitical risks, the 2022 guidance is confirmed as follows:

- (1) Mid-to-high single-digit decline in mail volumes, improved from high single-digit prior guidance;



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- (2) Low double-digit growth in Iberian E&P volumes, unchanged and subject to normalization of supply chains;
- (3) Mid-to-high single-digit revenue growth, unchanged;
- (4) Recurring EBIT in FY22 expected to be above €65m, and within the original guidance range.

The risk outlook is maintained as follows: (1) macro risks are relevant and persistent, namely, geopolitical uncertainty, inflation, cost of energy and raw materials and de minimis; (2) the COVID-19 pandemic continues to represent a relevant risk factor; and (3) there are also severe risks in the functioning of logistics chains, namely originated in Asia.

As referred to above, the revenue and recurring EBIT guidance reflect continued growth and transformation, notwithstanding a challenging environment.

Financial ambition and guidance for 2025

Based on the outlined strategy, CTT will continue a transformation journey based on a profound reshaping of its business profile. Within that context, we will continue to invest in growth-oriented projects and aim at achieving sustained and meaningful growth until 2025, which should be translated to the following consolidated targets in 2025:

- (1) Revenue CAGR of 7-10% to achieve group revenues within the range of €1,100m-€1,250m;
- (2) EBIT CAGR of 14-19% to achieve group recurring EBIT within the range of €100m-€120m, and
- (3) Group consolidated cumulative CAPEX of €160m-€180m for the period between 2022-25, equivalent to €40m-€45m per year, aimed at increasing the sorting capacity across Portugal and Spain, developing the lockers network in Portugal, developing IT to drive improvements in customer experience and efficiency and improving quality of service.

Key ESG targets for 2025 and 2030

Over the past years, CTT has been taking a strong position across all ESG dimensions, with an emphasis in what regards its environmental performance. Moreover, CTT has placed already significant effort in reducing its carbon footprint, a key issue in the mail and express & parcels industry. As a result, (1) CTT reduced **20%** of global carbon emissions (direct and indirect) since 2013 and (2) **100% of electricity** consumed by CTT comes from renewable sources. CTT has also been working across all other ESG dimensions, namely by: (1) actively promoting the well-being of its employees and improving the performance in road safety-related issues; (2) increasing the capillarity of its retail and logistics networks while at the same time driving the adoption of e-commerce in Portugal and Spain, and (3) improving the governance framework through the promotion of more regular engagement with stakeholders and through the active adoption of more comprehensive codes to regulate the day-to-day life of the Company.

Within this context, CTT aims to continue to be at the forefront of environmental commitment, while caring for CTT's people and the local community. This vision is translated into the following objectives:

1. **Environmental:** accelerate the decarbonization path to achieve **net-zero by 2030** with 100% of green vehicles in the last mile, and 50% of green last-mile vehicles by 2025;



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2. Social /Internal – Caring people and diversity experience: (1) achieve **gender parity of top and mid-management by 2025**, and (2) to become one of the top employers in Portugal by leveraging employee’s centric culture as one of the key priorities;
3. Social /External – Ambitious promotion of our local community: (1) enable **CTT employees to spend 3 days per year in volunteering and social programs** that lead to a positive impact on local communities and (2) ensure that 1% of EBIT is invested in social programs by 2025, and
4. Leading ESG operating model: introduce specific incentives linked to ESG goals to 50% of top and mid-management by 2025.

Financial Policy

Balance Sheet

Within a prudent and adequate management of its financial position, CTT establishes a financial framework that, assuming Banco CTT in equity consolidation, aims at maintaining net financial debt to EBITDA¹ below 2.5x.

Use of cash

CTT also aims at balancing the use of cash through investment in organic growth and commitment to shareholder returns:

1. Cash flow to benefit from revenue growth, operating leverage – namely in E&P;
 - a. No additional commitments to Banco CTT are envisaged;
2. CAPEX leans towards transformation and growth and offers management flexibility;
3. Recurrent shareholder remuneration to be covered by free cash flow;
4. Excess free cash flow to be enhanced by monetization of the asset pool, and
5. Excess free cash flow to be allocated in inorganic growth and used for opportunistic shareholder remuneration.

Regarding the monetization of its asset pool, CTT foresees the following potential short-term initiatives:

- Banco CTT²: having received several offers for a strategic partnership to accelerate the growth potential of Banco CTT, CTT is considering (1) entering into a strategic partnership in Banco CTT, reserving capital increase to a potential partner in Banco CTT in exchange for a minority stake and devoting the proceeds to already identified new RoE accretive business initiatives, and (2) establishing an insurance distribution agreement with the potential partner, which will be of exclusive and long-term nature, covering life and non-life categories, and covering both CTT and Banco CTT retail networks.

¹ Consolidated net debt including lease liabilities, assuming Banco CTT under equity method, compared with consolidated EBITDA assuming Banco CTT under equity method.

² Disclaimer: CTT has received several offers of interest to establish the strategic partnership and continues to make progress with potential interested parties. It is noted that no decision has been made in relation to the potential partnership and that there is no certainty as to whether ongoing conversations with interested parties will translate in the signing of the relevant transaction documentation. CTT will provide information in due time of any decisions that, as the case may be, might be made, when and in the manner required by law.



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- Real Estate: as announced on the past 19 June, CTT aims to incorporate c. 400 assets in the new entity, both retail and operations, crystalizing its value, while optimizing the return of unused and vacant assets and creating a vehicle to fund the growth potential for future build-to-suit opportunities for CTT's operations. Against this backdrop: (1) the CTT asset portfolio will be incorporated in a new entity ("PropCo"), on which CTT will keep a majority shareholding, (2) the PropCo will be managed by an external Asset Manager, and (3) new investor(s) will enter, e.g. institutional investors and family offices, to take a minority position in the PropCo.

Shareholder remuneration

CTT remains committed to improve shareholder remuneration while maintaining financial flexibility, subject to the following key principles: (1) enable CTT to continue to pursue its objectives of investing in business growth and to being a reference Iberian player in logistics and e-commerce; (2) ambition to implement an attractive shareholder remuneration policy, constituting an adequate source of income for its shareholders, and (3) combine recurrent, dividend-based, with opportunistic shareholder remuneration, based on SBB and subsequent cancellation of shares, that is within the content of specific market conditions.

Within this context, CTT announces that it targets to pay out between 35 and 50% of net profit in recurring dividends.

The dividend proposal is subject to market conditions, to a suitable financial and accounting context of CTT's balance sheet that enables such execution, and to the applicable legal and regulatory terms and conditions, besides other factors considered relevant by the Board of Directors at any given moment.

CTT pledges for 2022-25: Better, faster and greener

Against, the backdrop of the above, CTT pledges:

1. To be the fastest-growing e-commerce player in Iberia;
2. To maximize share of wallet of business and commerce services of mail clients;
3. To achieve 11-13% ROTE in Banco CTT;
4. To emerge as the proximity services distribution platform of excellence;
5. To become a top employer through improved employee experience, diversity, inclusion, health and safety at the workplace
6. To become net-zero by 2030 with 100% of electric vehicles in the last mile, and
7. To optimally combine shareholder remuneration with the capacity to grow the business.

This information to the market and the general public is made under the terms and for the purposes of article 29-Q of the Portuguese Securities Code and other legislation in force in Portugal. It is also available on CTT website at:

https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?language_id=1.



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This document 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 concerning 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.