

# CTT – Correios de Portugal, S.A.

Full Year 2015 Results Presentation

*Strong year while preparing the new growth era in Financial Services:  
Banco CTT*

15 March 2016



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## 01. Key highlights

## 02. Business units performance

## 03. 2016 Outlook

## 04. Appendix



# Important 2015 milestones





OUTLOOK

2015 RESULTS

**Growth in revenues**, supported also by MoU with Altice

- Addressed mail volumes decline in the -3% / -4% range, better than the -5% initial target (1H15 upgrade)
- Double-digit volumes growth in Express & Parcels (Portugal), driven by e-commerce growth



**Recurring revenues grow by 1.3%**, supported by strong performance of the Mail business unit and also by MoU with Altice

- ✓ Addressed mail volumes decline 3.2% (lower bound of the range guidance)
- ✗ Single-digit overall volumes growth in Express & Parcels despite the strong double-digit growth in e-commerce volumes

**Decline in like-for-like recurring costs** (excluding Banco CTT project)



**Like-for-like recurring costs (excluding Banco CTT project) decline by 0.8%**

**High single-digit growth in like-for-like recurring EBITDA** (excluding Banco CTT project)



**Like-for-like recurring EBITDA (excluding Banco CTT project) grows by 10.3%**

**Total spending (capex and opex) in Banco CTT project of up to €30m**



**Banco CTT project spending of €23.2m** (lower than target, partially related to soft opening strategy). **Cash position of CTT not affected**

**Policy of stable growth of dividend**

**Minimum dividend of €0.47 per share** (€70.5m for 150m shares outstanding) for the financial year 2015



**The Board will propose a dividend of €0.47 per share (€70.5m), a 6.8% growth on a recurring basis**

## Solid recurring 2015 financial results despite Banco CTT project costs

### Financial and operational performance

€ million, except when indicated otherwise

Financial indicators:	2014	Including Banco CTT project		Excluding Banco CTT project (like-for-like) <sup>4</sup>	
		2015	Δ%	2015	Δ%
Recurring revenues <sup>1</sup>	717.8	727.2	+1.3%	727.2	+1.3%
Recurring operating costs <sup>2</sup>	582.7	583.2	+0.1%	578.2	-0.8%
Recurring EBITDA <sup>1,2</sup>	135.1	144.0	+6.6%	149.0	+10.3%
Recurring net profit <sup>3</sup>	72.5	81.6	+12.5%	85.2	+17.5%
Reported net profit	77.2	72.1	-6.6%	80.9 <sup>5</sup>	+4.8%

Metric	Addressed mail (m items)	Unaddressed mail (m items)	Parcels (m items)	Savings flows (€bn) / # of ops. (m) <sup>6</sup>
2015 volumes	814.7	473.4	28.5	5.3 / 536.3
2015 vs. 2014	-3.2%	-6.7%	+3.2%	-20.5% / -7.5%

<sup>1</sup> Excluding non-recurring revenues of €1.0m in 2014.

<sup>2</sup> Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs affecting EBITDA of -€59.5m in 2014 and €9.4m in 2015, €6.4m of the latter related to Banco CTT project set-up costs.

<sup>3</sup> Considers the nominal tax rate of CTT.

<sup>4</sup> Excluding Banco CTT business unit costs and Banco CTT project costs booked in the Financial Services business unit.

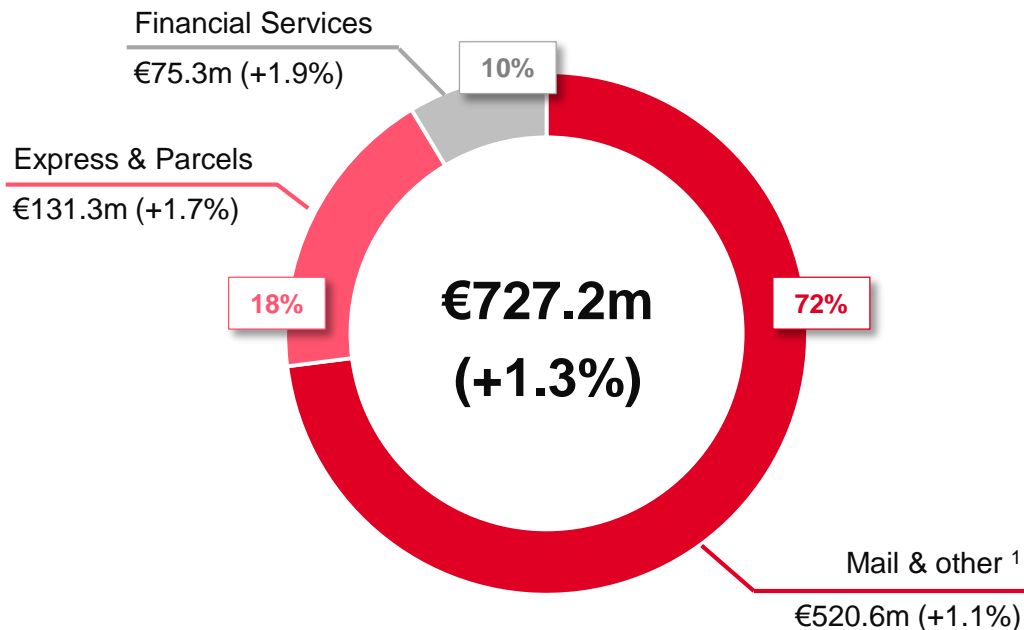
<sup>5</sup> Considers the corporate tax rate of Banco CTT and the effective tax rate of the year at CTT.

<sup>6</sup> Amount of savings & insurance placements and redemptions / Number of savings & insurance placements and redemptions operations.

# Diversified portfolio supports growth with positive impact from all businesses

## 2015 recurring revenues

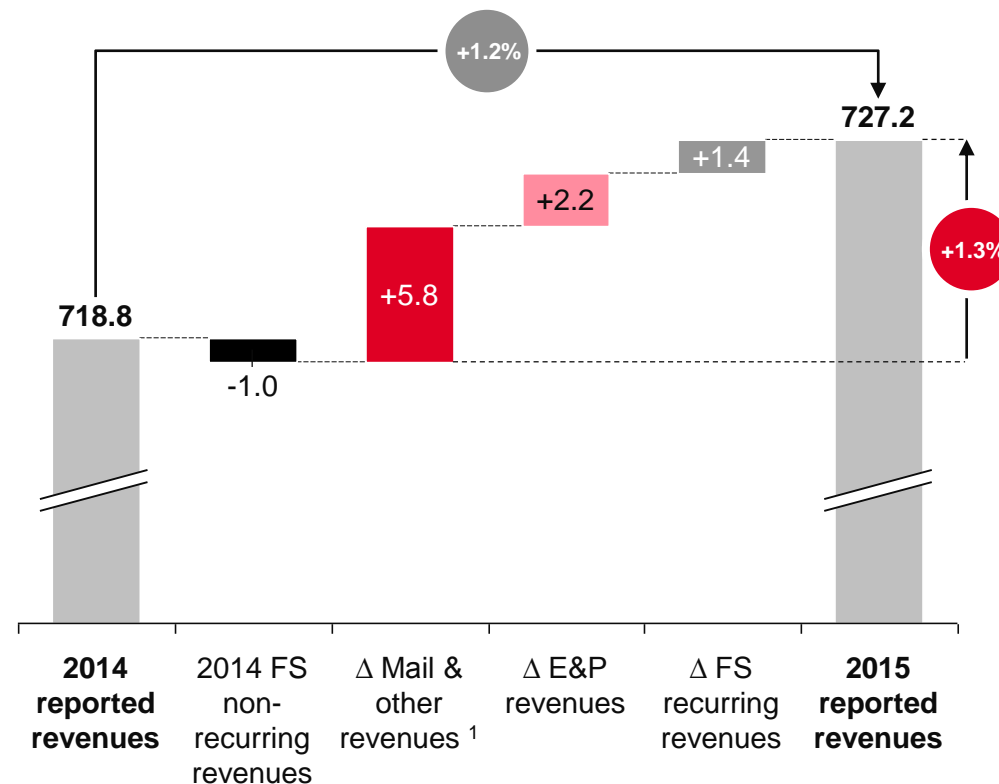
€ million; % change vs. prior year; % of total



X% % of total

## Revenues breakdown

€ million



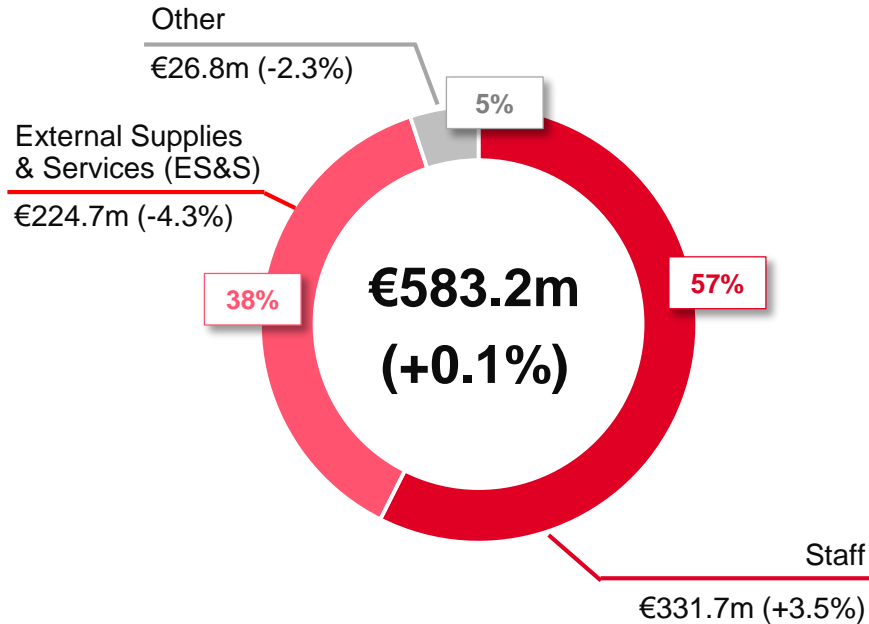
- **Mail positively impacted by lower than expected addressed mail volumes decline, growth in advertising mail and other revenues, and revenues from Express & Parcels network integration (+€2.8m)**
- **E&P benefits from volumes growth in Portugal and Mozambique and growth in other revenues**
- **FS supported by growth in savings & insurance revenues (+€2.4m), outstanding stock fees and other revenues**

<sup>1</sup> Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€31.3m in 2014 and -€34.0m in 2015.

# Recurring costs remain flat despite recurring variable remuneration and Banco CTT project

## 2015 recurring operating costs <sup>1</sup>

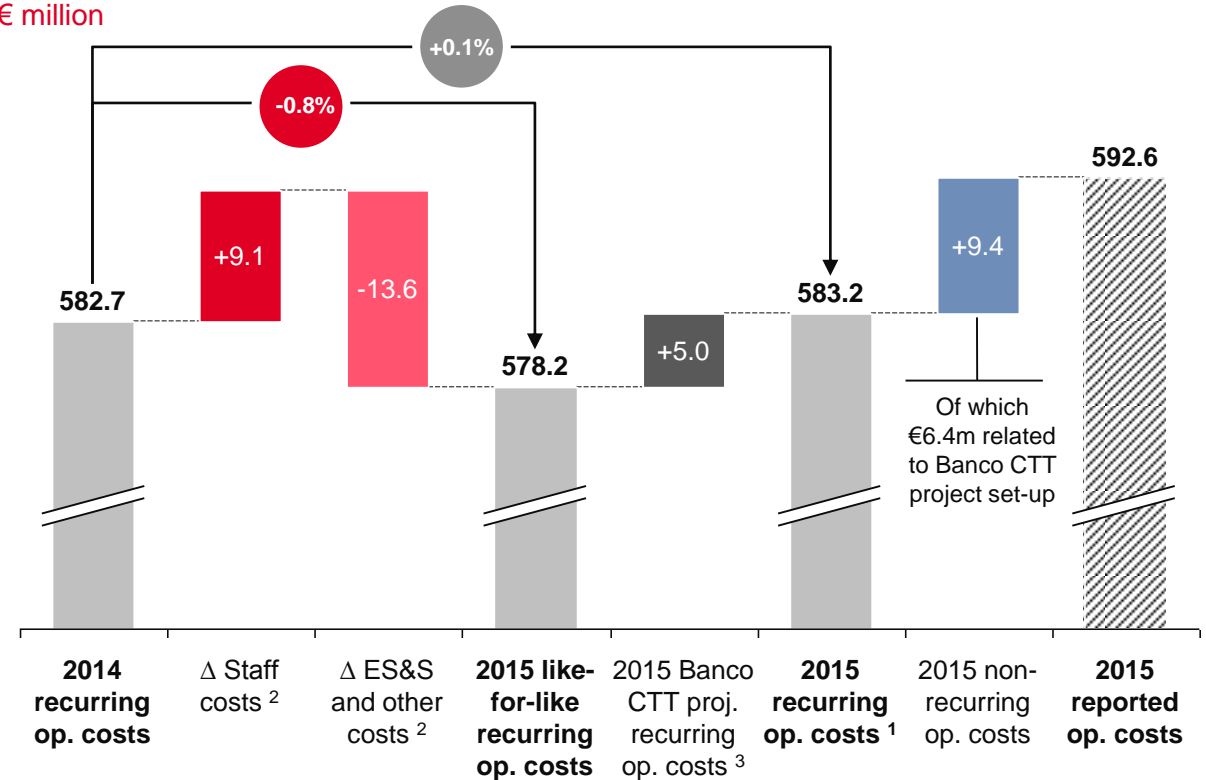
€ million; % change vs. prior year; % of total



X% % of total

## Operating costs breakdown

€ million



- **Staff costs increase** mainly due to the reintroduction of the variable remuneration as a recurring cost (+€9.7m) and the increase in the fixed salaries (+€3.9m), partly offset by lower healthcare costs (-€3.9m) as a result of the revision of the healthcare plan
- **ES&S costs decrease** mainly due to lower outsourcing costs as a result of the revised IT and communication services contracts (-€14.7m) and also the partial impact of Mail and E&P networks integration

<sup>1</sup> Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs affecting EBITDA of -€59.5m in 2014 and €9.4m in 2015, €6.4m of the latter related to Banco CTT project set-up costs.

<sup>2</sup> Excluding Banco CTT project recurring op. costs: €5.0m in 2015 (€4.7m booked in the Banco CTT business unit and €0.4m in the FS business unit), of which €2.3m staff costs and €2.8m ES&S costs and other costs.

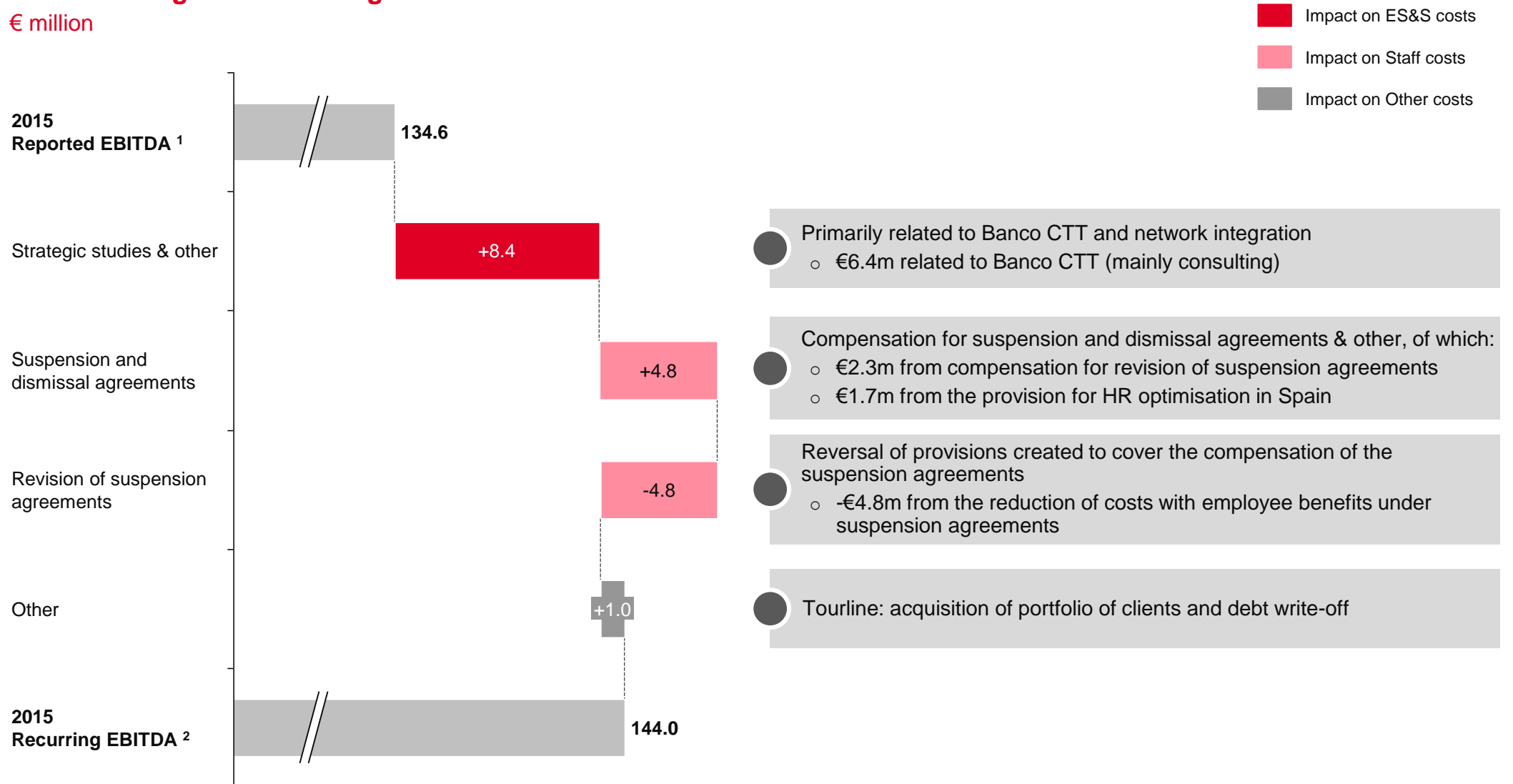
<sup>3</sup> Booked in the Banco CTT business unit (€4.7m) and in the Financial Services business unit (€0.4m).



# The majority of the 2015 non-recurring costs are associated with the Banco CTT set-up

## Non-recurring items affecting EBITDA

€ million



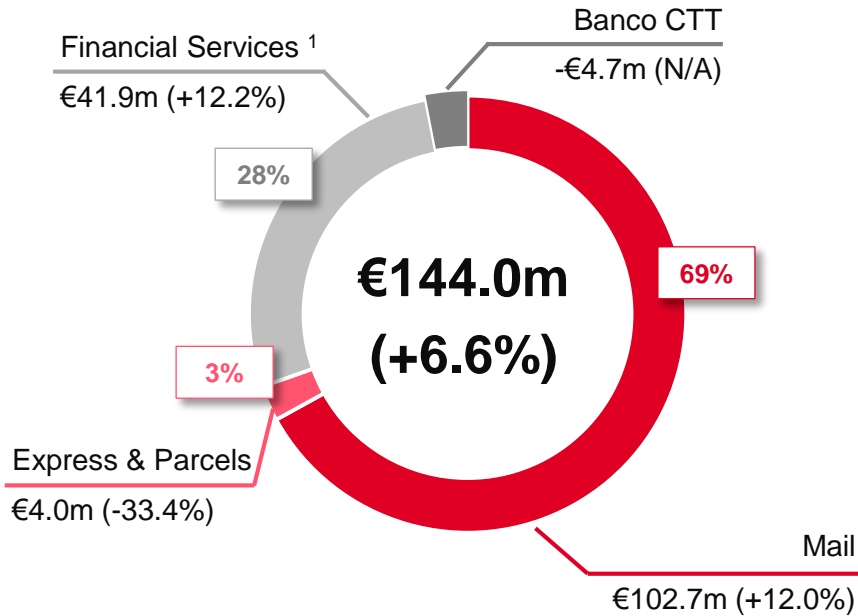
<sup>1</sup> Excluding amortisation, depreciation, provisions and impairment losses.

<sup>2</sup> Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs.

# Recurring EBITDA grows by 6.6% to €144.0m, driven mainly by efficiency projects

## 2015 recurring EBITDA

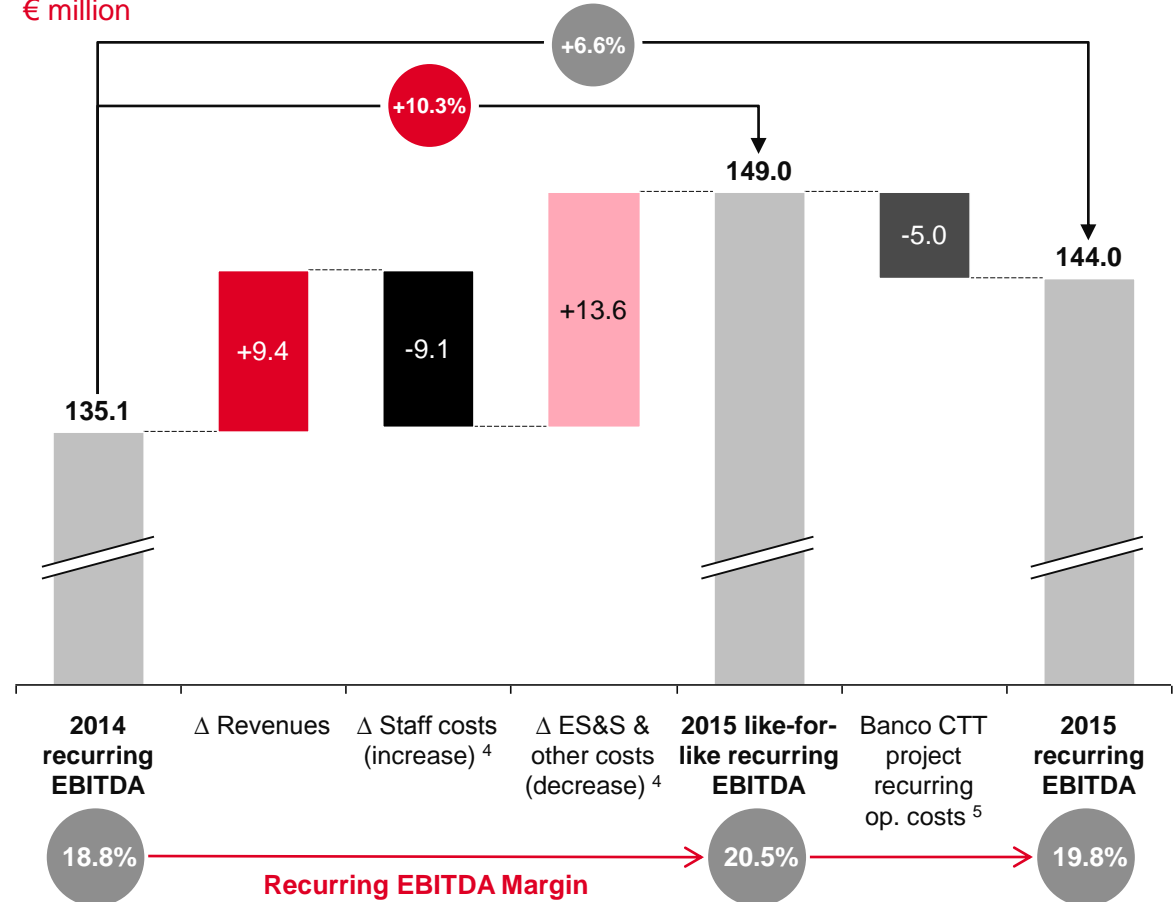
€ million; % change vs. prior year; % of total



X% % of total <sup>2</sup>

## Recurring EBITDA <sup>3</sup> breakdown

€ million



## Recurring EBITDA grows by 10.3% on a like-for-like basis

<sup>1</sup> Including €0.4m Banco CTT project recurring operating costs booked in the Financial Services business unit.

<sup>2</sup> Excluding -€4.7m Banco CTT recurring EBITDA.

<sup>3</sup> Excluding total non-recurring revenues of €1.0m in 2014 and non-recurring operating costs affecting EBITDA of -€59.5m in 2014 and €9.4m in 2015, €6.4m of the latter related to Banco CTT project set-up costs.

<sup>4</sup> Excluding Banco CTT project recurring op. costs: €5.0m in 2015 (€4.7m booked in the Banco CTT business unit and €0.4m in the FS business unit), of which €2.3m staff costs and €2.8m ES&S costs and other costs.

<sup>5</sup> Booked in the Banco CTT business unit (€4.7m) and in the Financial Services business unit (€0.4m).

## Cash flow generation supports higher capex and dividend payments

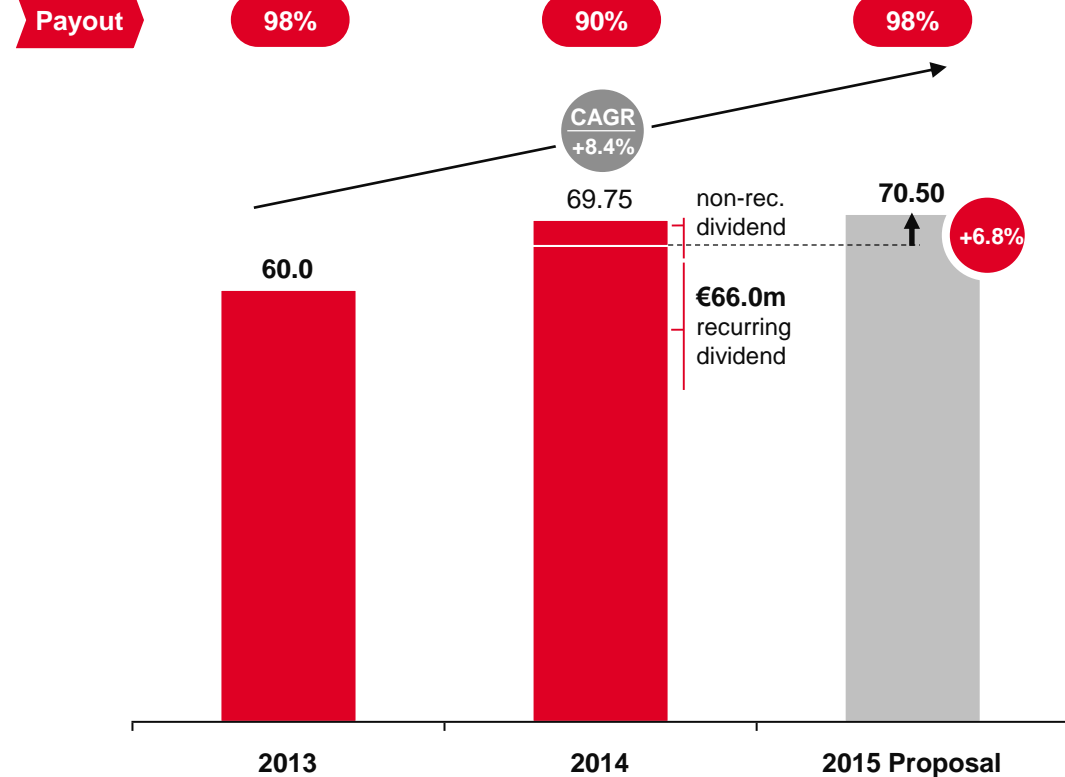
### Cash flow

€ million

	Reported		Adjusted <sup>1</sup>	
	2015	Δ %	2015	Δ%
From operating activities	32.8	-82%	93.9	-7%
From investing activities	-25.5	-577%	-25.5	-577%
Of which: Capex payments <sup>2</sup>	-28.4	-277%	-28.4	-277%
Operating free cash flow	7.3	-96%	68.3	-36%
From financing activities	-68.2	-7%	-68.2	-7%
Of which: Dividends	-69.8	-16%	-69.8	-16%
Net change in cash <sup>3</sup>	-60.9	-151%	0.1	-100%
Cash at end of period	603.6	-9%	279.0	0%

### Dividend

€ million



**Dividend not affected by Banco CTT launch, as committed**

**The Board will propose a dividend of €70.5m (€0.47 per share), a 6.8% increase vs. the prior year recurring dividend base**

<sup>1</sup> Cash flow from operating activities excluding increase in Net Financial Services payables of €77.6m (2014) and decrease of €61.0m (2015). Cash at end of period excluding Net Financial Services payables of €385.7m (2014) and €324.7m (2015).

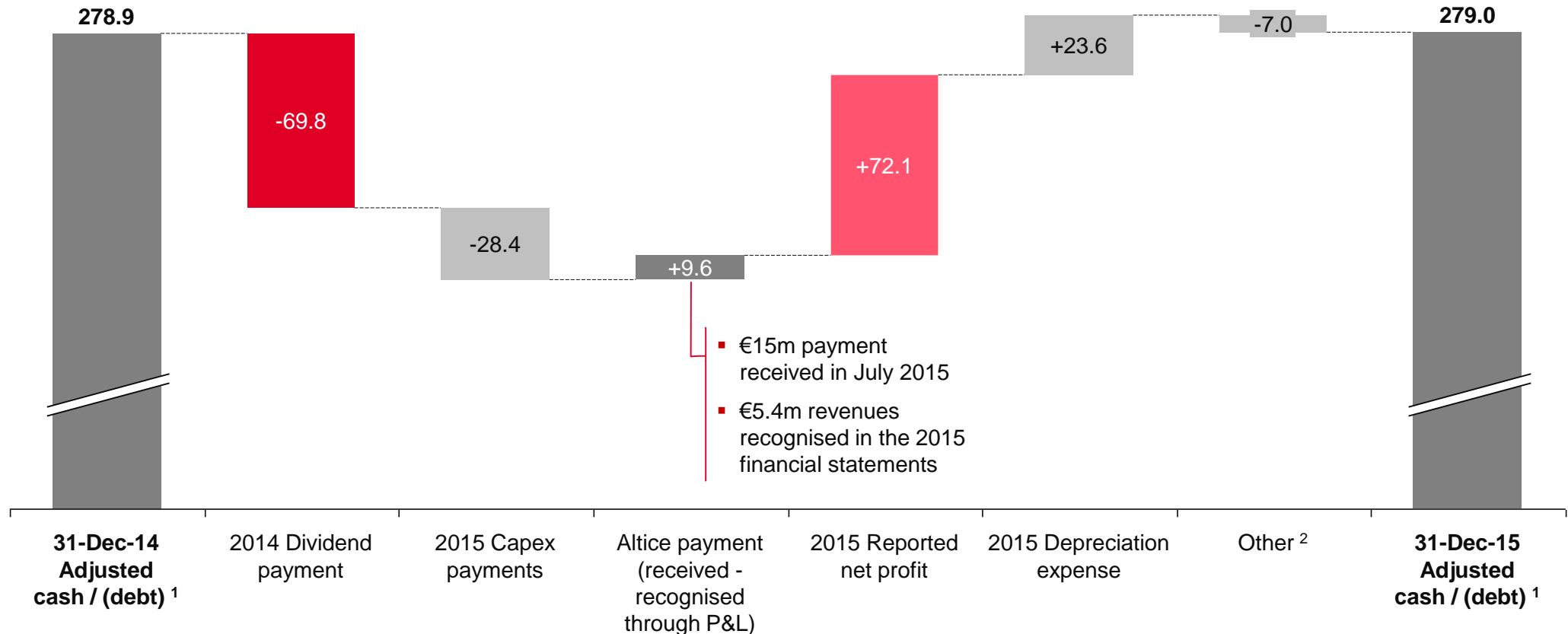
<sup>2</sup> Capex payments presented in table. 2015 capex was €32.3m, 95% above that of 2014 (€16.6m).

<sup>3</sup> Including -€0.7m change in consolidation perimeter in 2014.

## Strong cash position maintained in a year of high investment

### Adjusted cash at the end of the period <sup>1</sup>

€ million



**High cash flow generation enables CTT to keep its strong cash position stable in a year of relevant investment in preparation of the launch of Banco CTT**

<sup>1</sup> Cash and cash equivalents excluding net Financial Services payables of €385.7m (Dec-14) and €324.7m (Dec-15).

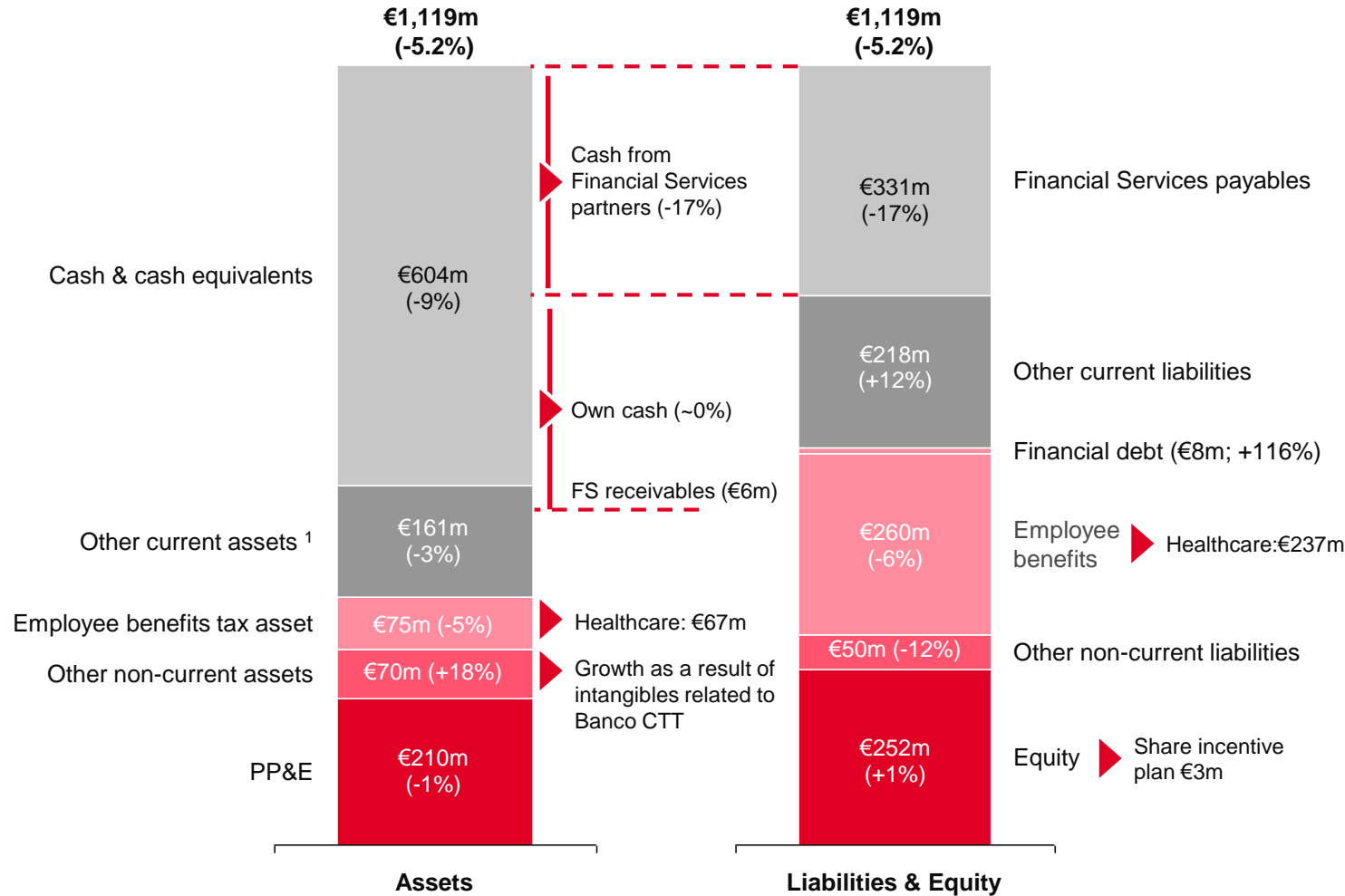
<sup>2</sup> Includes €5.3m of P&L tax benefits (VAT) to be recovered in 2016.

# Net cash grows to €83m



## Balance Sheet – December 2015

€ million; % change vs. Dec-14



<b>Net financial debt (cash)</b>
+ ST&LT Debt: €8m
+ Net FS payables: €325m
- Cash and cash equivalents: €604m
<b>= €(271)m</b>
<b>Net debt (cash)</b>
+ Employee benefits: €260m
+ Share incentive plan : €3m
- Employee benefits tax asset: €75m
- Net financial cash: €271m
<b>= €(83)m</b>
<b>Strong liquidity position = 133%</b>

Balance sheet optimisation initiatives to continue

<sup>1</sup> Including Financial Services receivables of €12.4m and €6.4m as at Dec-14 and Dec-15, respectively.

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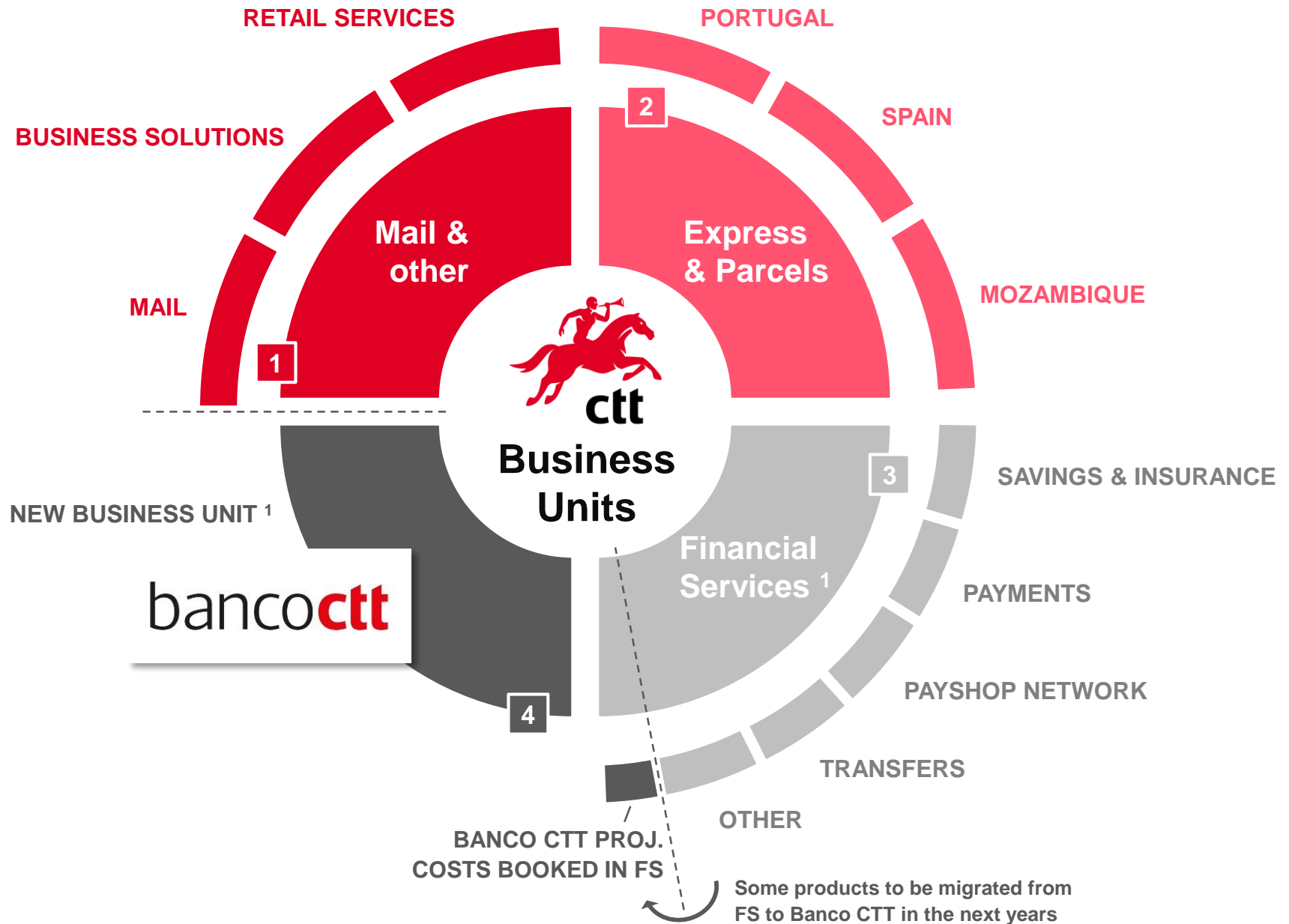
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# New business unit created – Banco CTT

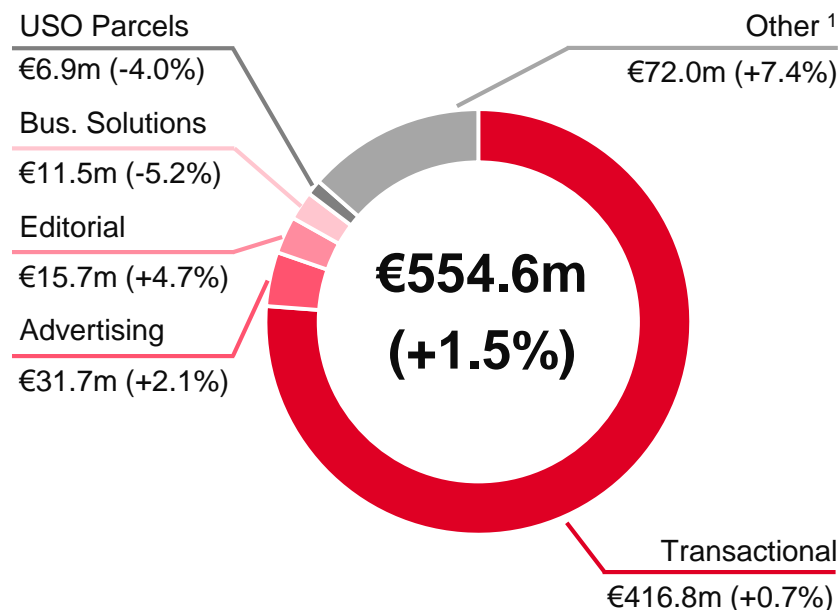


<sup>1</sup> Banco CTT costs in 2015 are booked partly in the new Banco CTT business unit and partly in the Financial Service business unit.

# 1 Mail benefits from lower volumes decline and growth in advertising & other revenues

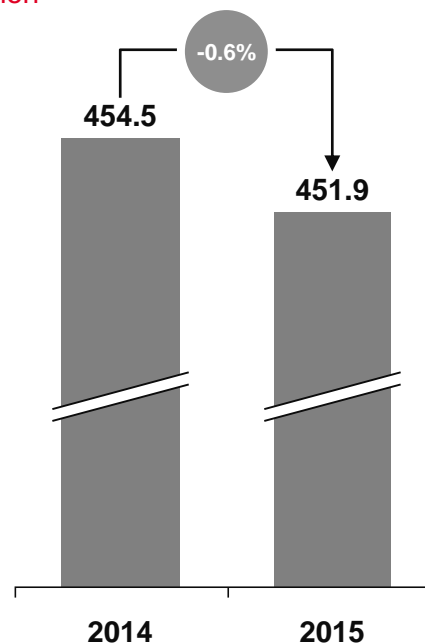
## 2015 Mail revenues by type

€ million, % change vs. prior year



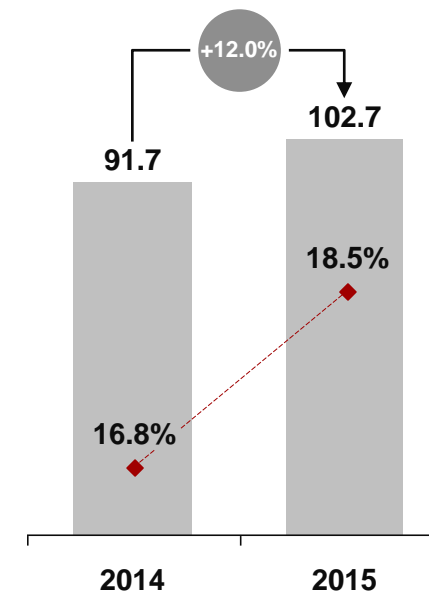
## Recurring operating costs<sup>2</sup>

€ million



## Recurring EBITDA<sup>2</sup>

€ million



■ Operating costs

◆ EBITDA Margin ■ EBITDA

## Mail volumes by type

Metric	Avg. mail prices <sup>4</sup>	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
2015 volumes <sup>3</sup>	N/A	814.7	688.3	80.2	46.2	473.4
2015 vs. 2014	+4.1%	-3.2%	-4.1%	+6.0%	-2.9%	-6.7%

<sup>1</sup> Including +€2.8m of revenues that result from the network integration with CTT Expresso, +€1.8m from the MoU with Altice and +€3.6m from the improvements made in the VAT deduction methodology procedures in 2015.

<sup>2</sup> Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including variable remuneration as recurring operating cost in 2015.

<sup>3</sup> Million items.

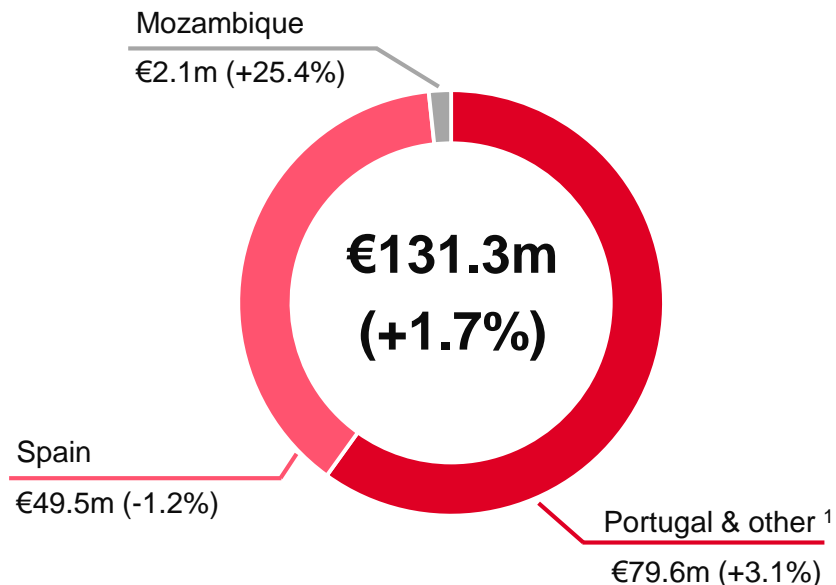
<sup>4</sup> USO, excluding international inbound mail.



## 2 Tourline restructuring overshadows the double-digit profitability in Portugal

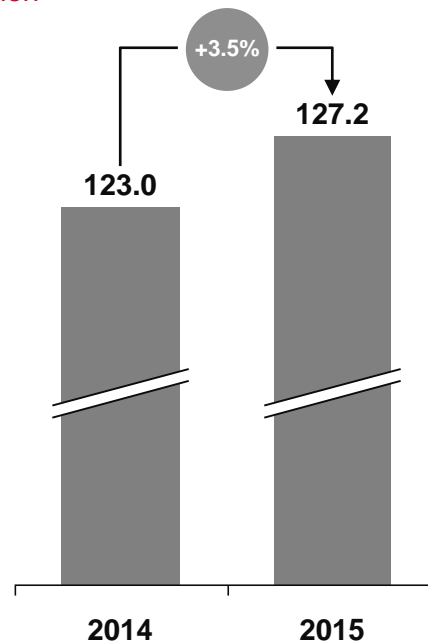
### 2015 E&P revenues by region

€ million, % change vs. prior year



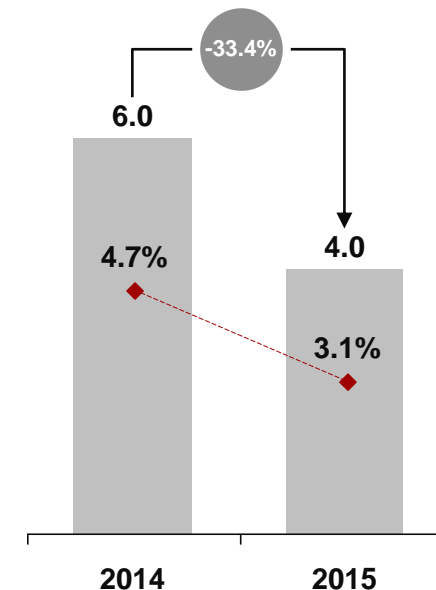
### Recurring operating costs<sup>2</sup>

€ million



### Recurring EBITDA<sup>2</sup>

€ million



■ Operating costs

◆ EBITDA Margin ■ EBITDA

### E&P volumes by region

Metric	Total	Portugal	Spain	Mozambique
2015 volumes <sup>3</sup>	28.5	14.4	14.0	0.1
2015 vs. 2014	+3.2%	+4.8%	+2.3%	N/A <sup>4</sup>

<sup>1</sup> Including internal and other revenues, and internal transactions with Spain and Mozambique. Including +€1.8m from the MoU with Altice in 2015.

<sup>2</sup> Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including variable remuneration as recurring cost in 2015.

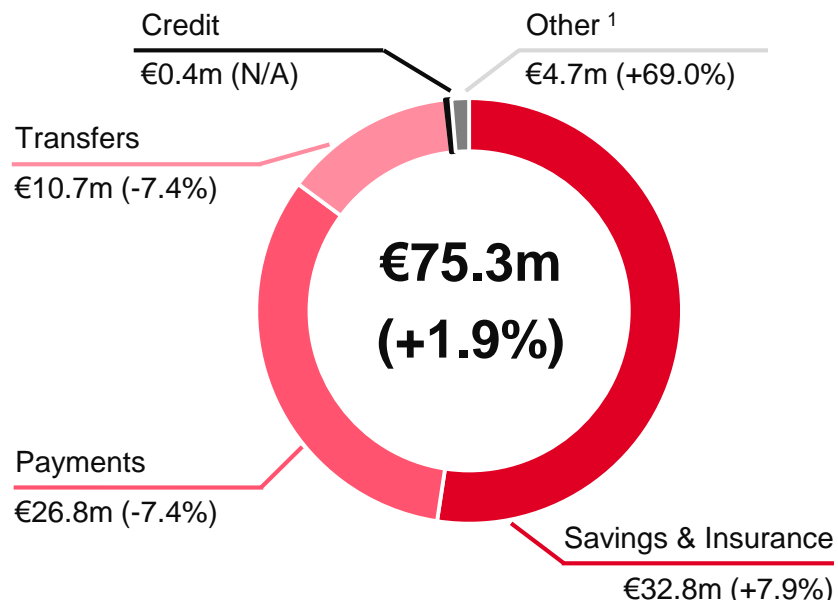
<sup>3</sup> Million items.

<sup>4</sup> Change in methodology, comparison to 2014 not meaningful.

### 3 Financial Services benefits from growth in revenues and lower sales incentives

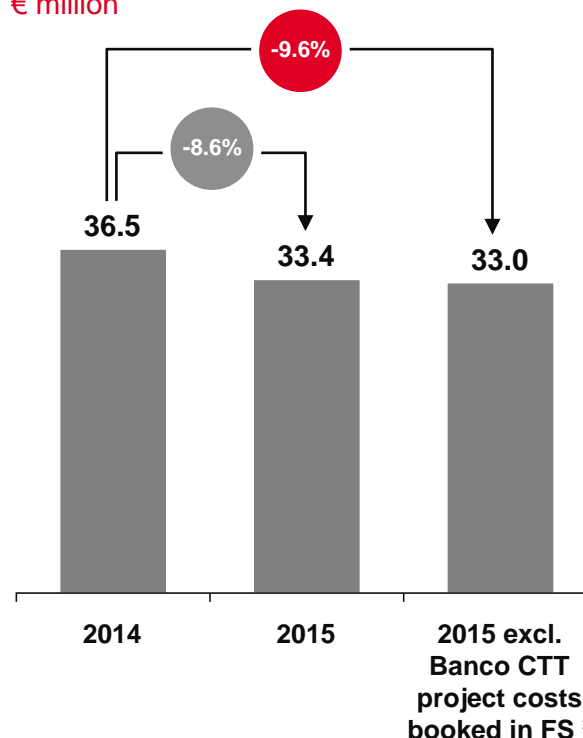
#### 2015 FS recurring revenues by type

€ million, % change vs. prior year



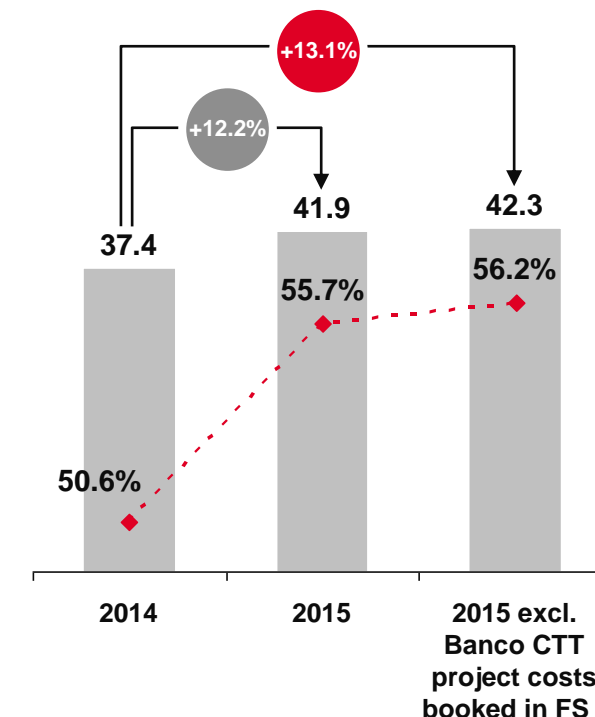
#### Recurring operating costs <sup>2</sup>

€ million



#### Recurring EBITDA <sup>2</sup>

€ million



#### FS volumes by type

Metric	Savings flows / # of ops. <sup>4</sup>	Payments <sup>5</sup>	Money orders & transfers <sup>5</sup>	Credit <sup>6</sup>
2015 volumes	5.3 / 536.3	61.5	19.4	8.3
2015 vs. 2014	-20.5% / -7.5%	-8.2%	-1.4%	N/A

<sup>1</sup> Includes +€1.8m from the MoU with Altice and +€1.8m from the improvements made in the VAT deduction methodology procedures in 2015.

<sup>2</sup> Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including variable remuneration as recurring cost in 2015.

<sup>3</sup> €0.4m Banco CTT project op. costs booked in the Financial Services CTT business unit (the remaining €4.7m Banco CTT project recurring operating costs are booked in Banco CTT business unit).

<sup>4</sup> Amount of savings & insurance products placements and redemptions (€ billion) – €4.3bn of placements and €1.0bn of redemptions in 2015 / # of savings & insurance products placements and redemptions ops. (million).

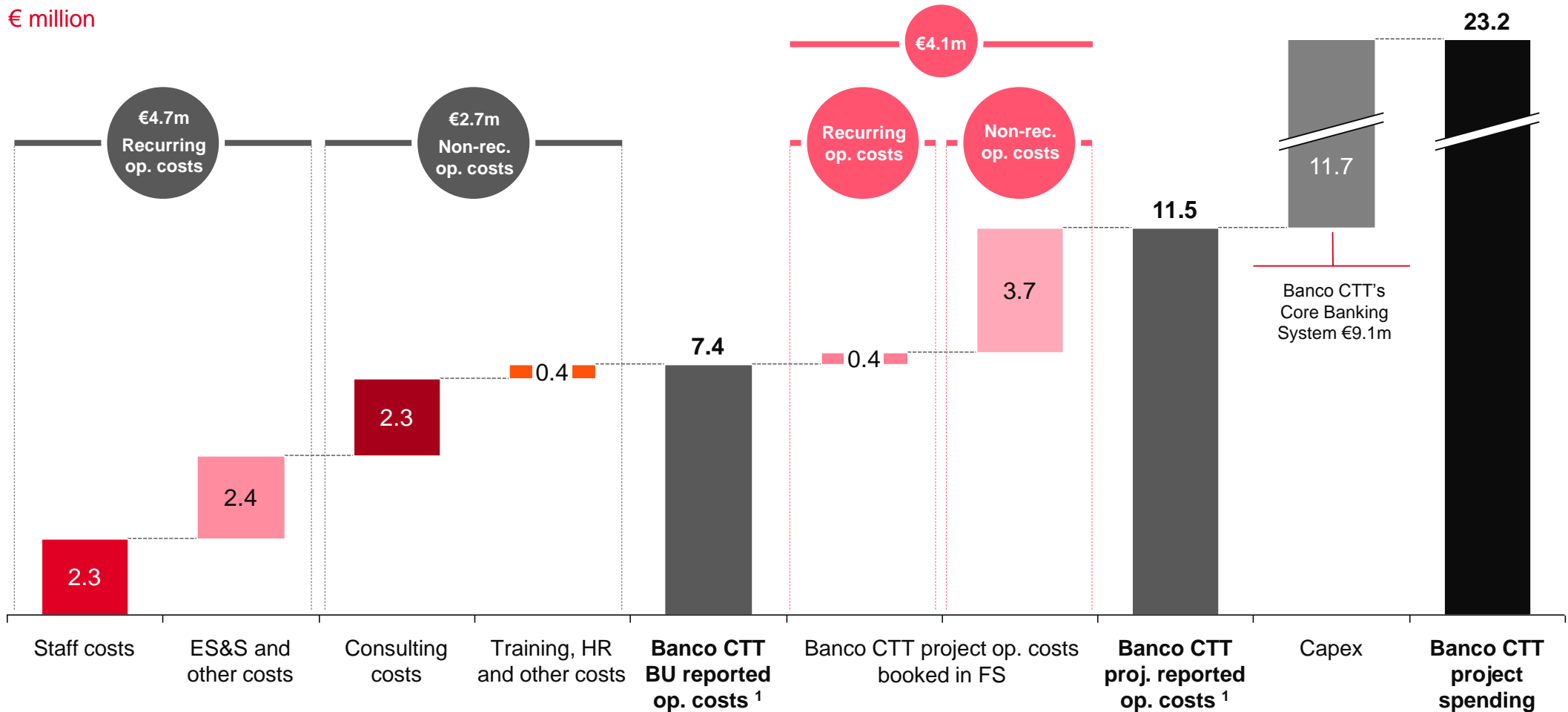
<sup>5</sup> Million operations.

<sup>6</sup> € million, new credit production, including consumer credit & credit cards.

## 4 Banco CTT project spending remained within the €30m target

### 2015 Banco CTT project operating costs <sup>1</sup> and spending

€ million



Due to soft opening in 2015, the kick-off media campaign will occur in 2016  
Opening on 18 March

<sup>1</sup> Excluding amortisation, depreciation, provisions and impairment losses.

01. Key highlights

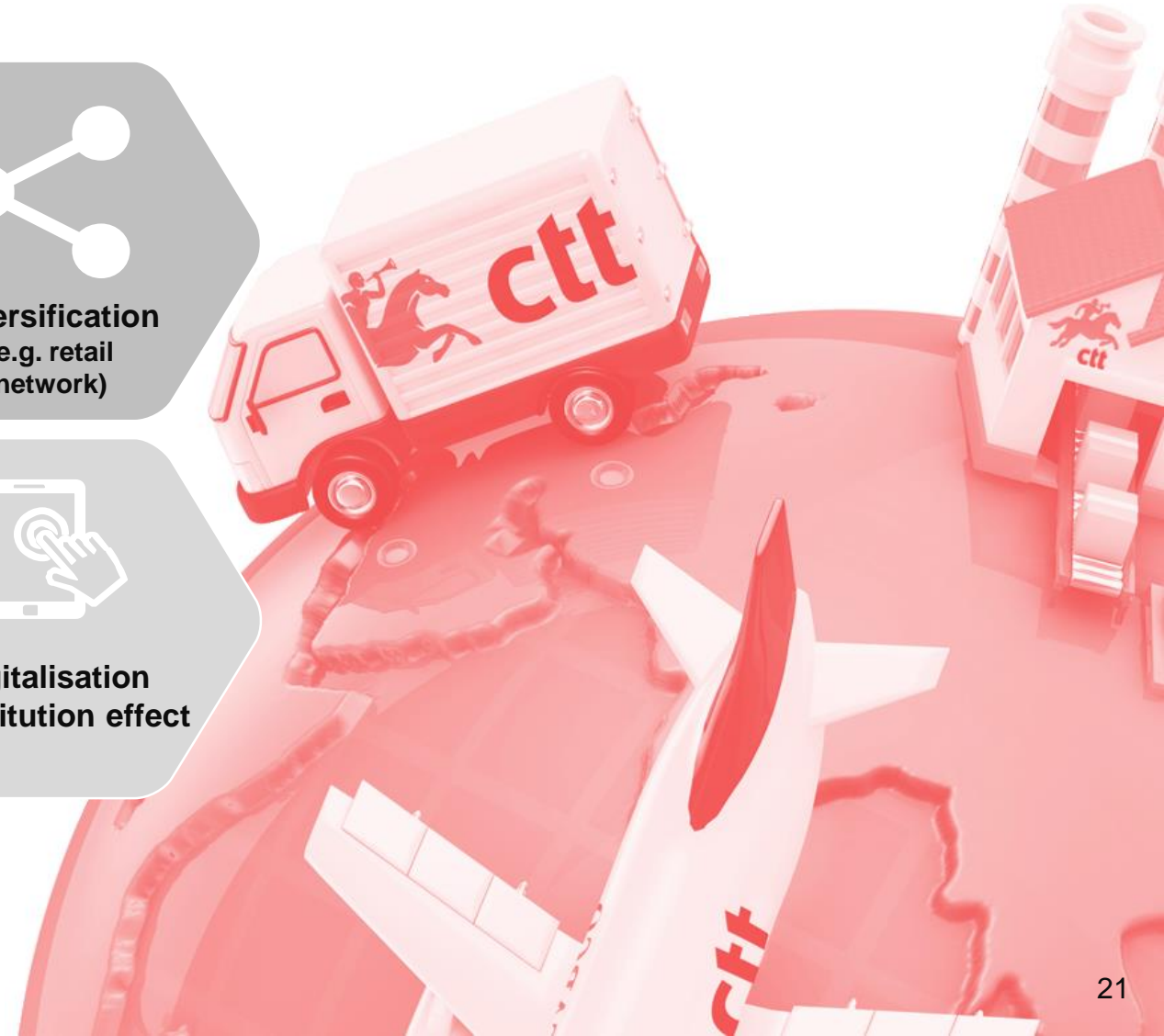
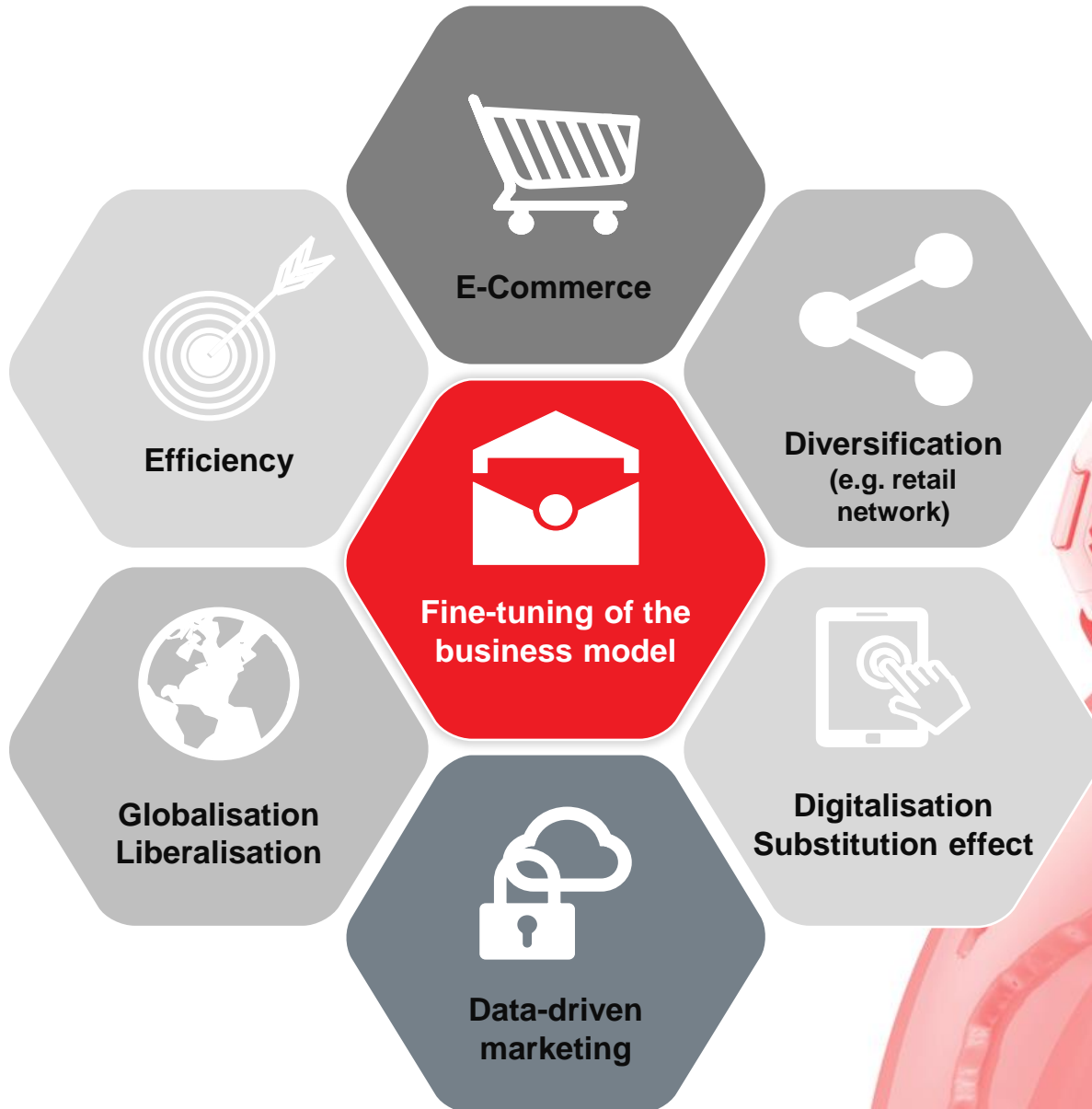
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# The industry transformation trends are expected to continue to impact CTT in 2016





PRESERVE THE VALUE OF THE MAIL BUSINESS



CAPTURE THE GROWTH TREND IN PARCELS



LAUNCHING BANCO CTT TO ACCELERATE GROWTH IN FINANCIAL SERVICES



LEVERAGE ON NETWORKS  
CAPITALISE ON OUR ASSETS



RETAIL NETWORK



DISTRIBUTION NETWORK



HUMAN CAPITAL



FINANCIAL STRENGTH



PHYSICAL PROXIMITY



OPERATIONAL EFFICIENCY

## Capital Markets Day guidance reaffirmed

### Revenues & volumes



- **Growth in revenues**, supported by Banco CTT launch:
  - **Decline in addressed mail volumes [-3% / -5%]**, dependent of the growth of GDP
  - **Banco CTT 2016 focus to be on customer acquisitions** (account openings)
  - **Banco CTT launch with marginal incremental revenues in 2016** to support growth

### Operating costs



- **Recurring costs (excluding Banco CTT) to reduce:**
  - **Full benefit of network integration and optimisation, new IT infrastructure and HR initiatives**
  - **Additional efficiency measures under development**
- **Operating costs to be impacted by Banco CTT** (~€20m recurring costs and ~€8m non-rec. costs)

### Earnings & dividend



- **Recurring EBITDA (excluding Banco CTT) to grow by mid-single digits**, positively impacted by optimisation measures implemented
- **Stable growth of dividend** supported by strong cash flow generation linked to Balance Sheet optimisation measures
- **Capex of ~€40m, ~€20m of which related to Banco CTT**

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## Non-recurring items affecting the results

### Non-recurring items

€ million

	2014	2015	Δ (€m)	
<b>Reported EBITDA</b>	<b>195.6</b>	<b>134.6</b>	<b>-61.1</b>	
<b>Non-recurring items affecting EBITDA</b>	<b>-60.5</b>	<b>9.4</b>	<b>69.9</b>	
Revenues	-1.0	0.0	1.0	
Staff costs	-62.4	0.0	62.4	
ES&S & other op. costs	2.9	9.4	6.5	Banco CTT project set-up costs: €6.4m
<b>Recurring EBITDA</b>	<b>135.1</b>	<b>144.0</b>	<b>8.9</b>	Tourline debt write-off: €1.0m
<b>Reported EBIT</b>	<b>135.4</b>	<b>109.9</b>	<b>-25.5</b>	
<b>Non-recurring costs affecting only EBIT</b>	<b>36.6</b>	<b>0.4</b>	<b>-36.2</b>	
Provisions (net movement)	11.6	0.0	-11.6	
<i>Labour contingencies</i>	4.9	-0.5	-5.4	
<i>Onerous contracts</i>	6.7	0.5	-6.2	
Impairment of investments	-0.2	-0.2	0.0	
Restructuring for network optimisation	6.3	1.2	-5.1	
Goodwill and investment impairment	18.9	-0.6	-19.5	
<b>Non-recurring items affecting EBITDA &amp; EBIT</b>	<b>-23.9</b>	<b>9.8</b>	<b>33.7</b>	
<b>Recurring EBIT</b>	<b>111.5</b>	<b>119.8</b>	<b>8.2</b>	

# CTT Investor Relations

## Upcoming Events:

- 17 Mar. – **London** – roadshow with BPI
- 21 Mar. – **Edinburgh** – roadshow with Jefferies
- 31 Mar. – **Madrid** – roadshow with Haitong
- 6 Apr. – **London** – Barclays Select Series Leisure and Transp. Corp. Day
- 7 Apr. – **Paris** - 29th ESN European Conference with Caixa BI
- 11 Apr. – **New York** – roadshow with JP Morgan
- 12 Apr. – **Boston** – roadshow with Investec

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