

**We go further
to bring
the world**

Close.

AHORRO
PRESENTATION
June 2020



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go further
in**
Ambition

We go further to bring the world closer.



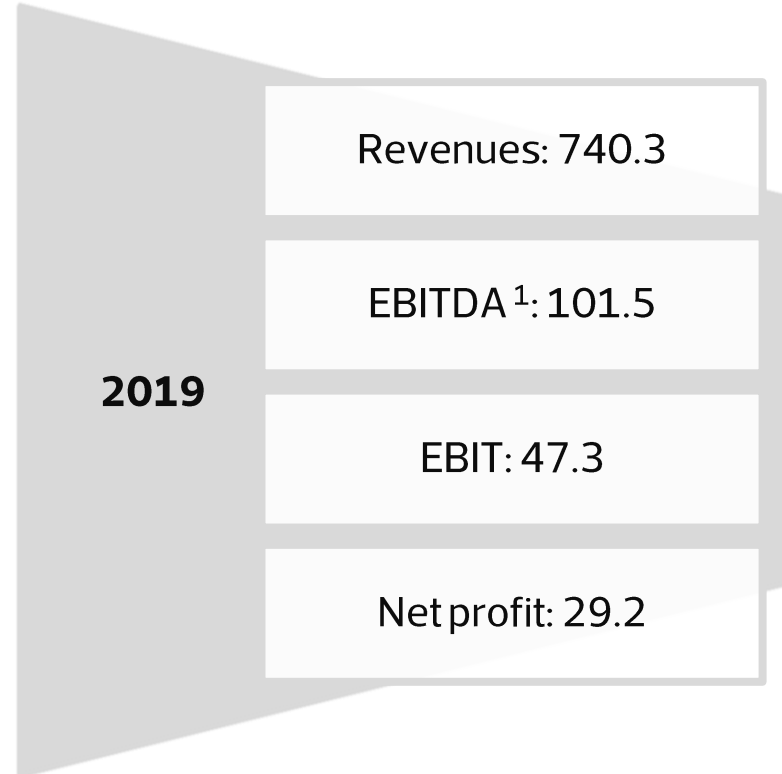
01

Company
overview

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

Key financials

€ million



Revenues breakdown

€ million; % of total

	Revenues	% of total
Mail & other² (477.6; 64.5%)	435.1	58.8%
Addressed mail	435.1	58.8%
Transactional	406.4	54.9%
Advertising	14.2	1.9%
Editorial	14.5	2.0%
Unaddressed mail	8.4	1.1%
Other ²	34.1	4.6%
Express & Parcels (152.4; 20.6%)	98.2	13.3%
Portugal	98.2	13.3%
Spain	51.8	7.0%
Mozambique	2.4	0.3%
Banco CTT (62.9; 8.5%)	26.9	2.9%
Net interest & commissions	26.9	2.9%
Payments & other	20.2	2.7%
321 Crédito	21.0	2.8%
Financial Services & Retail (47.4; 6.4%)	26.9	3.6%
Savings & insurance	26.9	3.6%
Money orders & other	7.2	1.0%
Retail products & services	13.3	1.8%

Indisputable market leader

Economies of scale and market-leading position in Portugal

Leveraging on a strong brand and historical track record

¹Excluding Specific items & IFRS 16 impacts, depreciation, amortisation, impairments & provisions.

²Including Central Structure.

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

Logistics player...



619m items

Addressed Mail



521m items

Unaddressed Mail



38m items

Express & Parcels

...with growing banking & financial services businesses



€4.0bn

**Savings & insurance
Placements**



461k

Current accounts



€1.3bn

Customer deposits



€886m

**Credit to clients
Net of impairments**

Retail Network



**2,497
Human Resources**



**539
Post Offices**



**1,831
Postal Agencies**

Distribution Network



**5,971
Human Resources**



**4,402
Mailmen & Women**

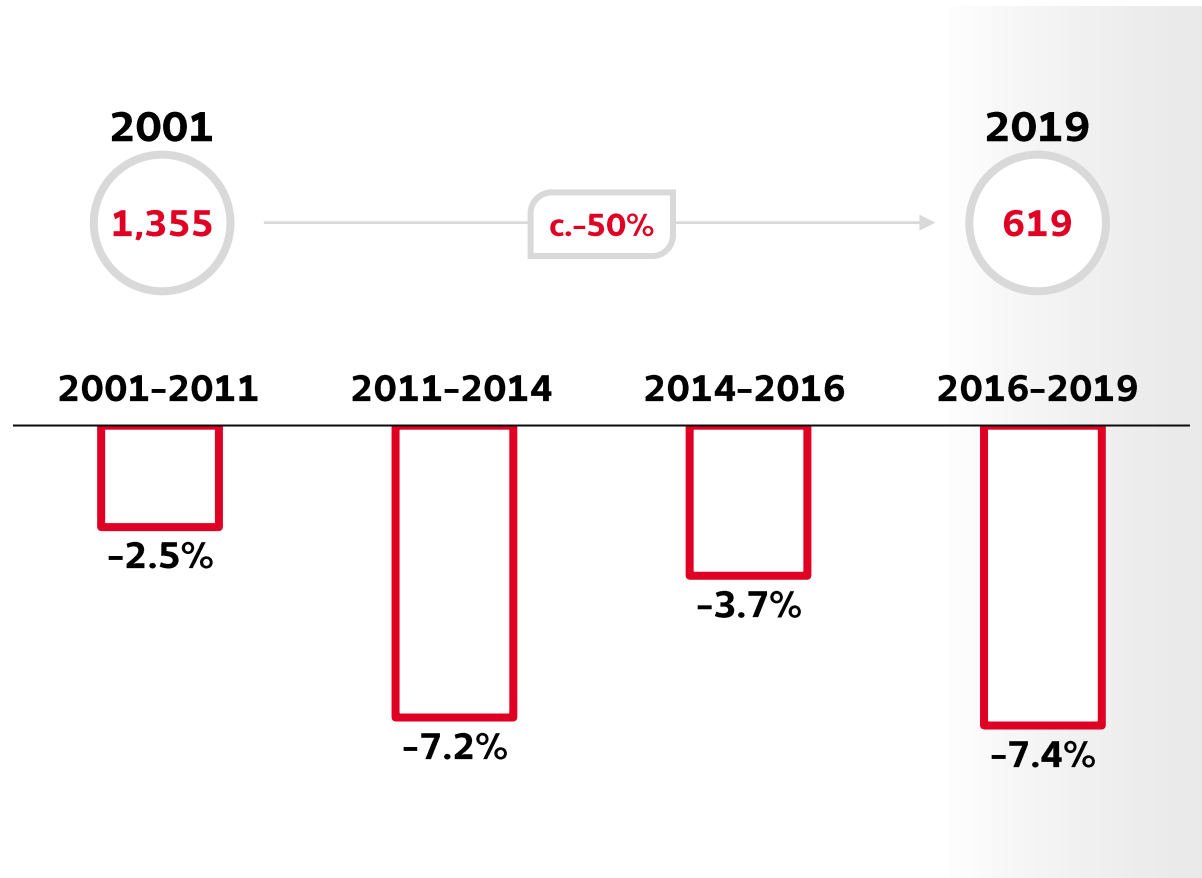


**3,804
Operational Fleet**

Mail revenues have shown resilience since the IPO, as the price and mix effects have been able to offset the structural decline in volumes

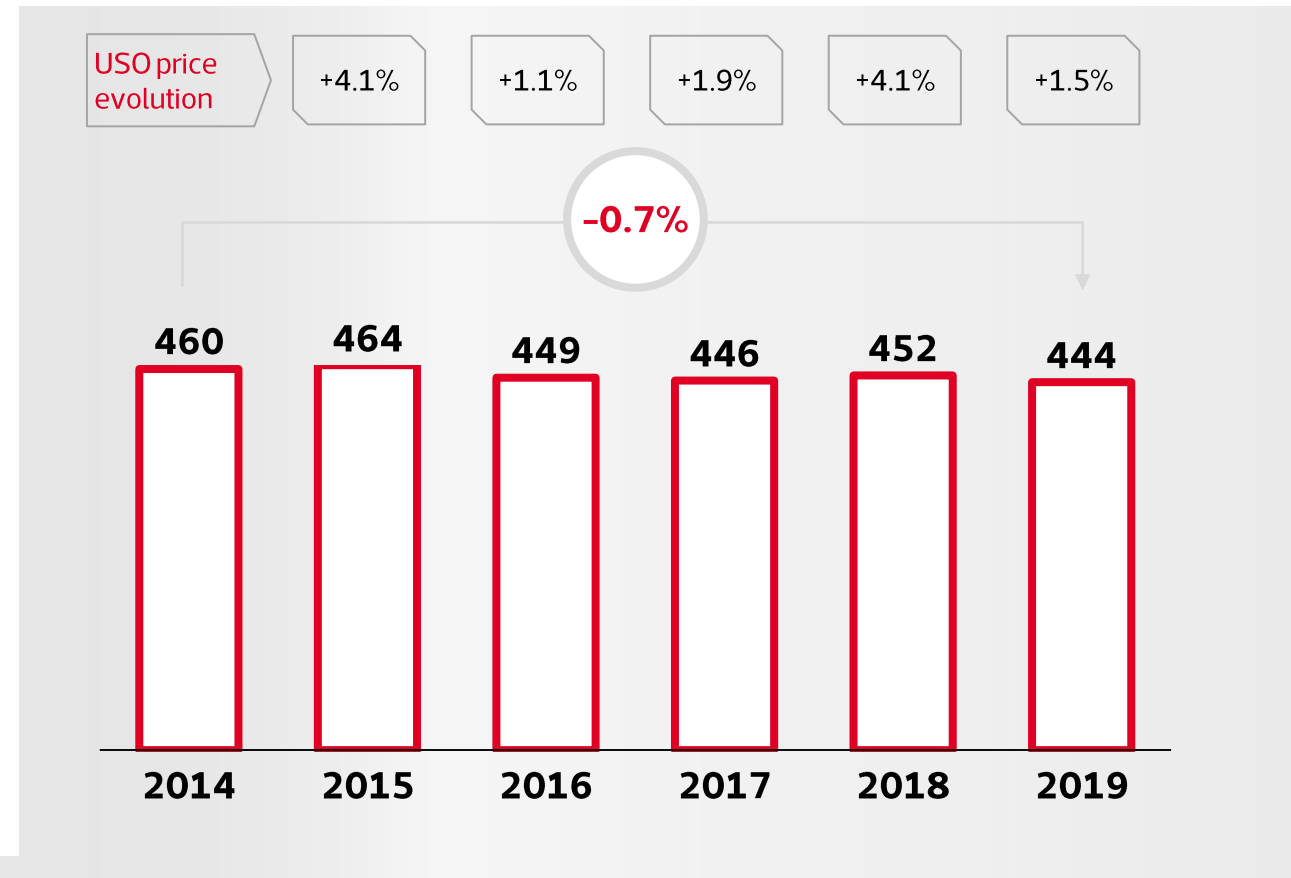
CTT addressed mail volumes

Million items; CAGR (%)



CTT addressed & unaddressed mail revenues

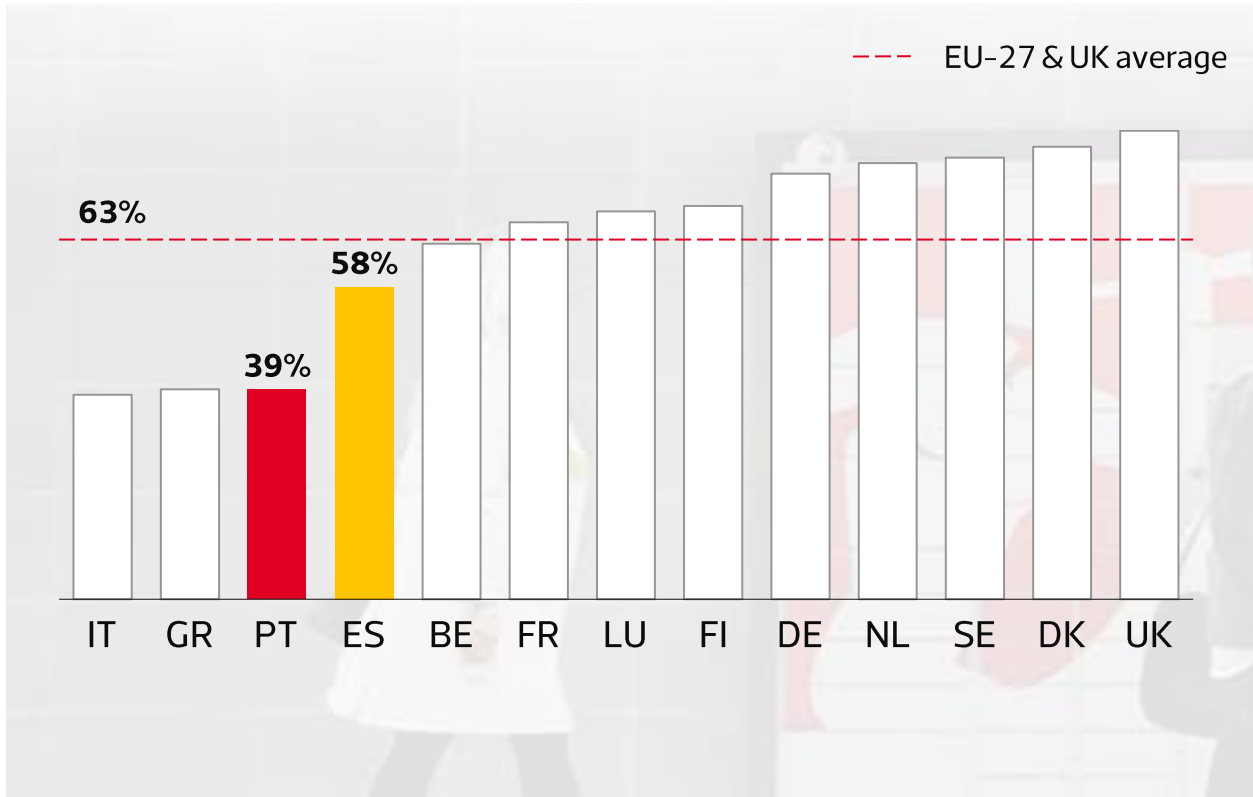
€ million; CAGR (%); price change vs. prior year



Significant upside potential exists in e-commerce, a market which remains underpenetrated in Portugal and Spain, the main geographies where CTT operates

Percentage of internet users who purchased goods online ¹

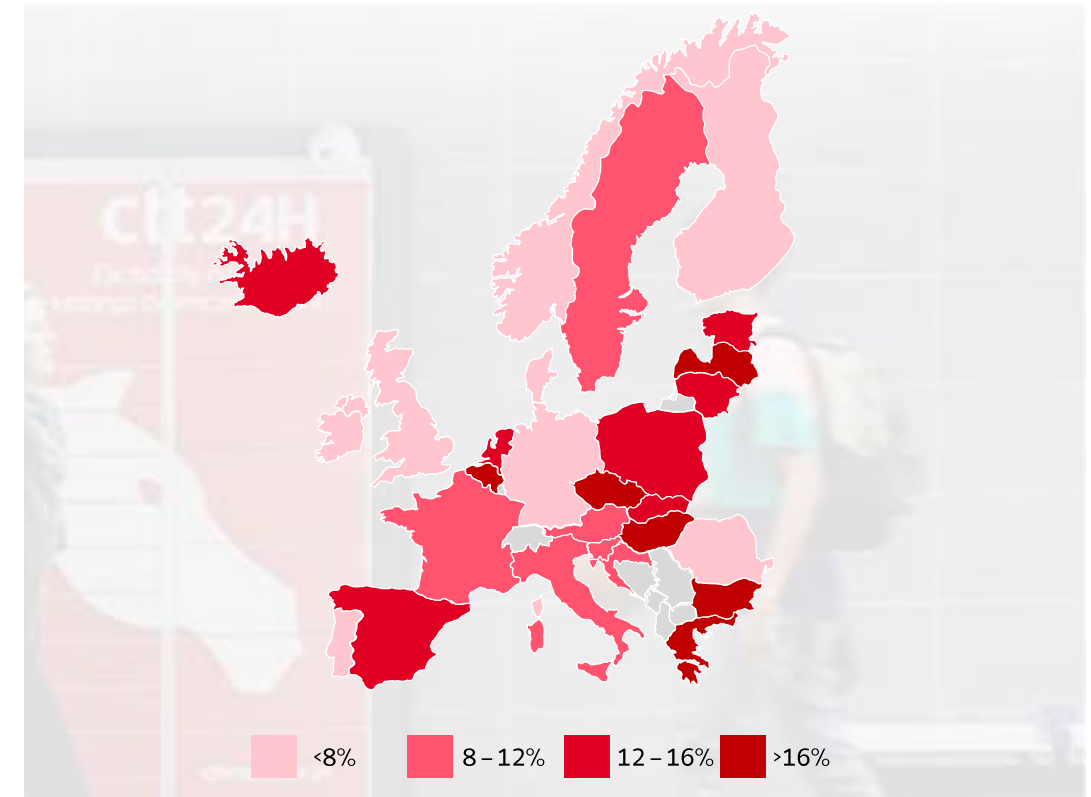
2019



Both Portugal and Spain are still lagging in e-commerce penetration when compared to EU peers...

E-commerce growth ²

2013-17 CAGR (%)



...however **Spain has enjoyed significant growth**, while Portugal is still in the early stages of development

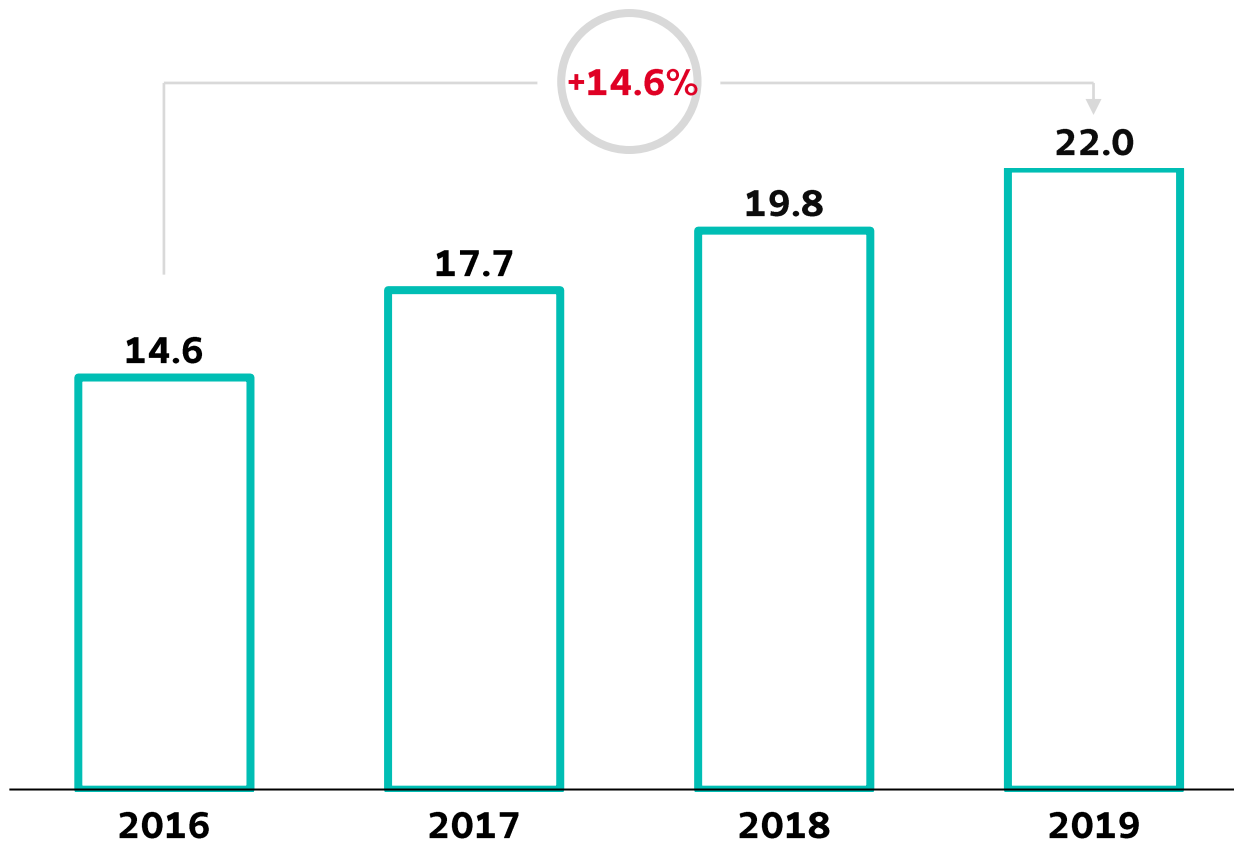
¹ Eurostat data

² WIK - Development of Cross-border E-commerce through Parcel Delivery

CTT is the market leader in Express & Parcels in Portugal and has been investing in new products and partnerships in order to spur e-commerce growth

Portugal Express & Parcels volumes

Million items; CAGR (%)



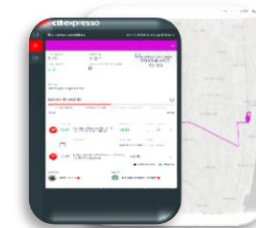
Initiatives for e-commerce ecosystem expansion

ctt e-segue



A convenient, flexible and responsive app **for those who buy and sell online**. CTT e-segue allows the entire delivery process to suit buyers & sellers needs and interests.

SUPER EXPRESS

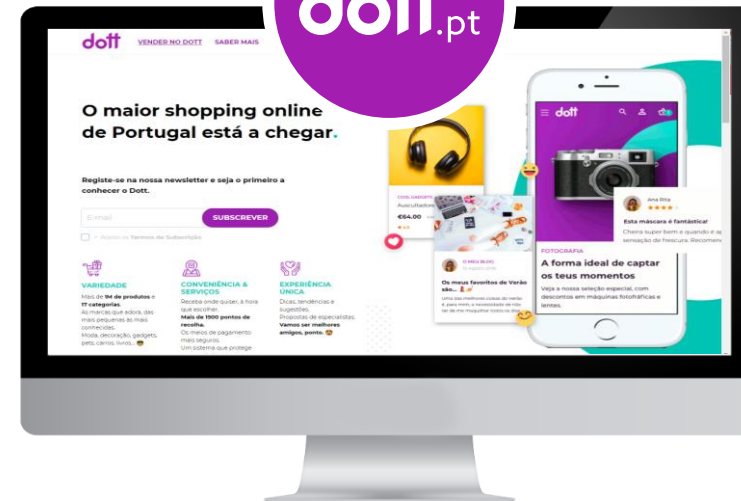


Same-day delivery within 2h

PARCEL LOCKERS



24h available lockers



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

Spain remains a key growth pillar for the CTT Express & Parcels business, due to its market size and growth dynamics

New local management team, with **sector & turnaround knowledge & experience**



Commercial reorientation

- **Improve efficiency of direct sales** and franchises through a new contractual approach
- **Grow B2C business** mainly through direct sales in major cities



Improve unit costs & margin

- Optimise the **operation model** and its efficiency by **progressively increasing control over the distribution**
- **Improve the customer mix**, focusing on more profitable clients



Improve Quality

- Reinforce the quality of service in **distribution; reduce breakage and loss**
- **Rebranded as “CTT Express” to strengthen Iberian positioning** and revamp awareness



Internal reorganisation

- Improve the **management information systems**
- Increase **regional focus**
- **Strengthen operations coordination** with Portugal

Supported by Capex of up to €12m for the period of the plan



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in**

Innovation

We go further to bring the world closer.



02

FY19
results
highlights

2019 – a year of transition

Changes in the leadership of the Company provide an impulse and a new direction

+4.6%

Revenues growth accelerates
(+1.4% in 2018)

€101.5m

EBITDA guidance delivered
(€90.4m in 2018)

€16.5m

Operating costs savings exceeded the OTP¹ full year objective
(€15.0m initial objective)



-2.1%

Mail revenues remain resilient

Despite an acceleration of addressed mail volumes decline to -9.1%



+10.7%

Parcels volumes growth in Portugal

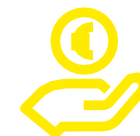
Leading to increases in transport & distribution costs to resolve capacity bottlenecks



€3.7m

Landmark year for Banco CTT

With 321 Crédito fully absorbed, positive EBITDA is reached in the fourth year of operation



€4.0bn

Very strong savings performance

Financial Services business area resuming a sound contribution

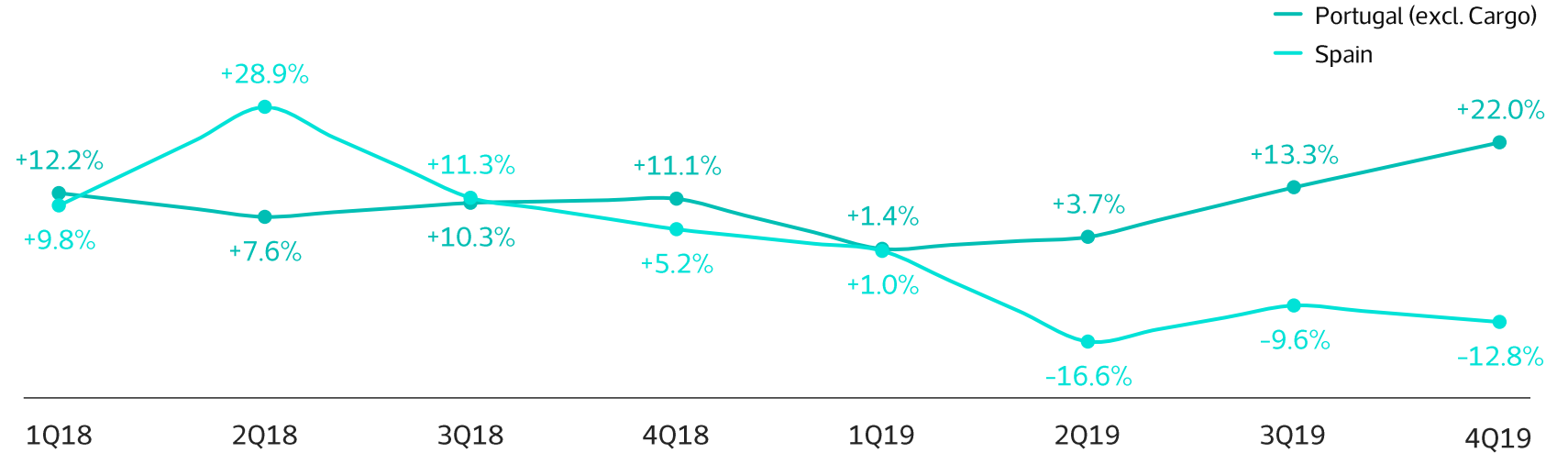
¹Operational Transformation Plan.

Portuguese parcels and public debt placements display strong growth dynamics

Parcels volumes

% change vs. prior year

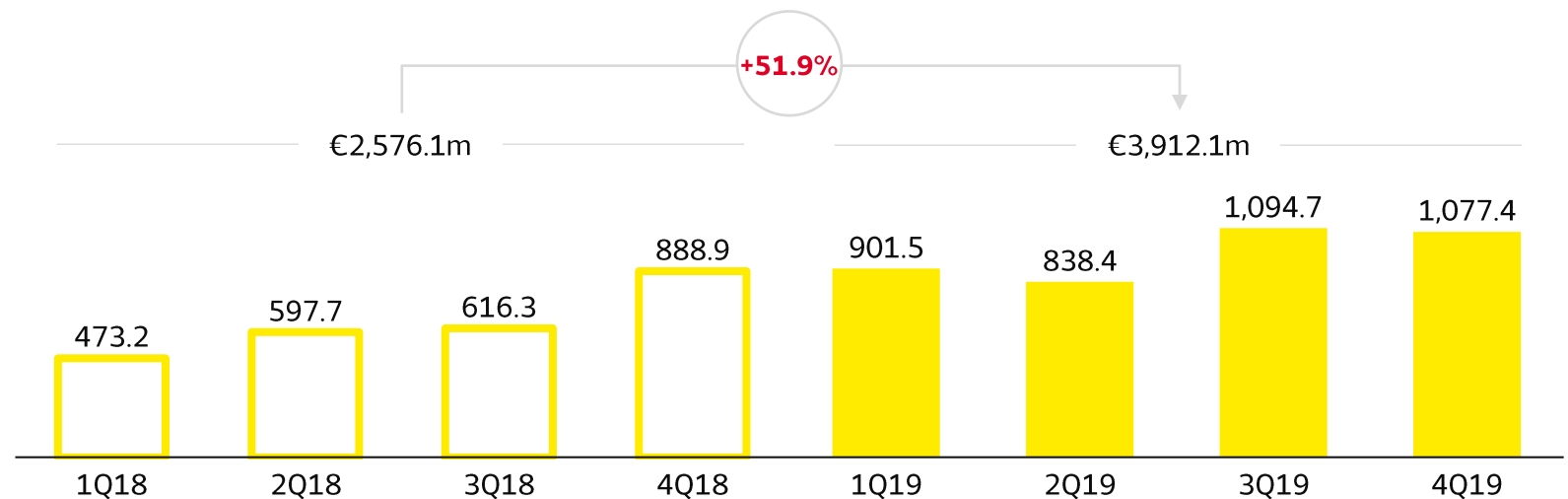
- Portuguese parcels volumes growth accelerated further in 4Q19, benefiting from a very pronounced holidays shopping effect and large customer wins
- Spain impacted by the loss of a large customer (excluding that effect, volumes would have grown slightly in 4Q19)



Public debt placements

€ million; % change vs. prior year

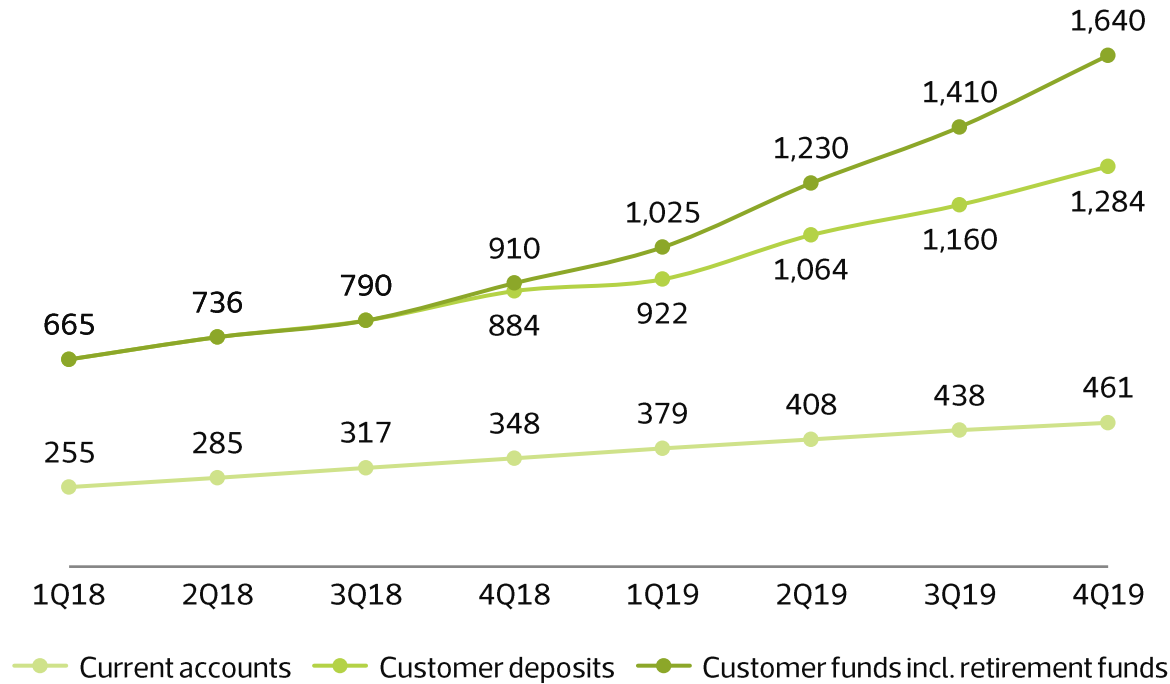
- Public debt products placements totaled €3.9bn (+51.9%), evidencing the Retail Network's proximity to the population and its continued ability to capture savings



Banco CTT customer funds and credit growth accelerate, boosted by new partnerships and 321 Crédito

Current accounts & customer funds

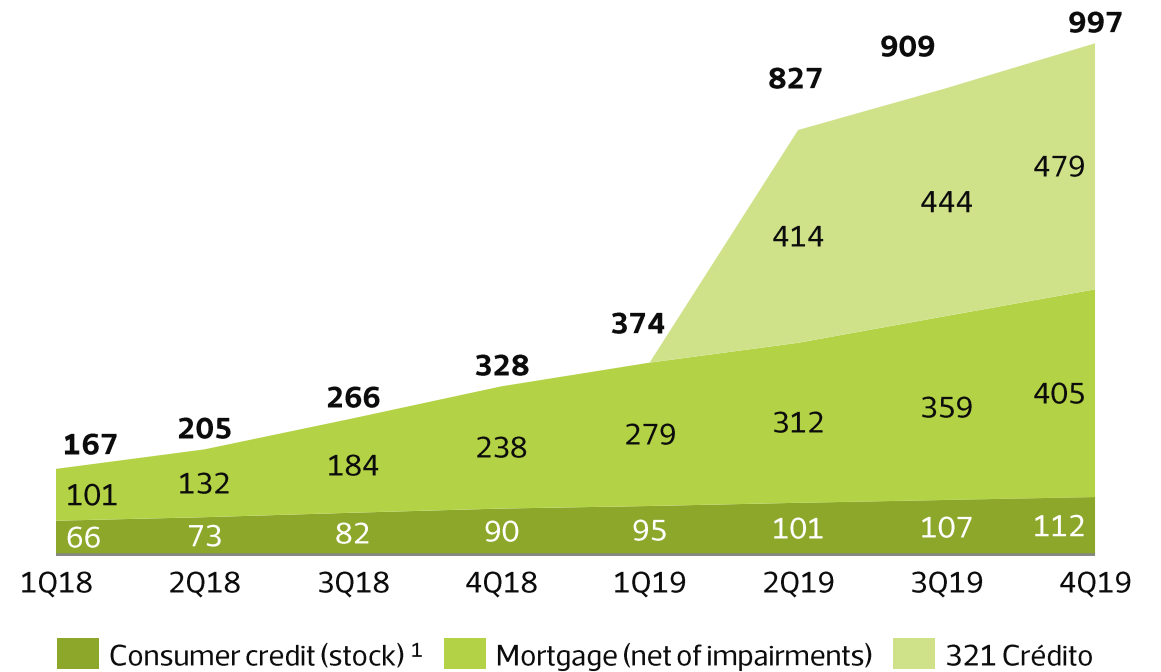
Current accounts (thousands); Customer funds (€ million); cumulative



- Seamless integration with partners for the sale of products and services: retirement funds placements reaching double-digit new production market share in one year

Credit to clients

Total; € million; cumulative



- 321 Crédito acquisition provided a significant boost to the lending book and improved the loan-to-deposit ratio to 69.0%

¹ Amount outside CTT's Balance Sheet, placed in partnership with BNP Paribas Personal Finance (Cetelem).



**We
go further
with**
Confidence

We go further to bring the world closer.



03

1Q20
results
highlights



1Q20 highlights

CTT services remain fully functioning, as an **integral part of Portugal's critical infrastructure**

+1.7%

Revenues growth driven mainly by **banking & financial services**

-3.7%

EBITDA impacted by the **extraordinary business interruption** in Mail in Mar-20

+6.7%

EBIT benefits from **significantly lower restructuring costs**

-0.4%

Net profit stable, despite the challenging operational environment



-8.3%

Mail revenues substantially impacted by COVID-19

International, registered & advertising mail the most affected by the pandemic



+8.1%

Resilient parcels volumes

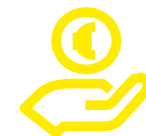
Strong growth in B2C parcels compensates the decline in B2B volumes in both Portugal & Spain in Mar-20



€1.1m

Another landmark quarter for Banco CTT

Achieved positive EBIT (and Net profit) for the first quarter in its short four-year history



+€2.4m

Increase in Financial Services & Retail¹ revenues

Robust public debt placements also affected by the unprecedented reduction in retail activity in Mar-20

¹ The business line "Retail sales" of the Mail & other business unit migrated to the Financial Services & Retail business unit in 1Q20 (proforma figures presented for 1Q19 throughout the presentation).

COVID-19 pandemic response

CTT's immediate response to the unprecedented crisis centered on **six key pillars**

1. Preserve the health and wellbeing of staff and customers

- Daily crisis-management committee, chaired by the CEO
- Comprehensive business continuity plan launched
- Workplace cleaning, increased investment in protective gear for employees
- Limiting contact with customers on delivery of products & services

2. Strengthen the operational response

- *Force majeure* clause invoked in mail concession contract to improve flexibility
- Rotating back-up teams created to ensure business continuity in case of high number of infections
- Retail network's hours of operation adapted to the new reality

3. Reinforce financial position and liquidity

- Intention of proposing to the Shareholders General Meeting the distribution of a dividend of €0.11 / share reversed
- Annual bonus to executive members of the BoD and employees suspended
- Defensive working capital management, accessing additional credit lines
- Sale of non-strategic assets, where the demand is still high

4. Launch an extensive Opex and Capex reduction program

- Reviewed timing and phasing of non-committed Capex and non-critical projects
- Renewed fleet, buildings and IT contracts under new conditions, temporary freeze on marketing and consulting spend
- Managing unused vacation time and gradually reducing temporary work

5. Preserve the value of the traditional business

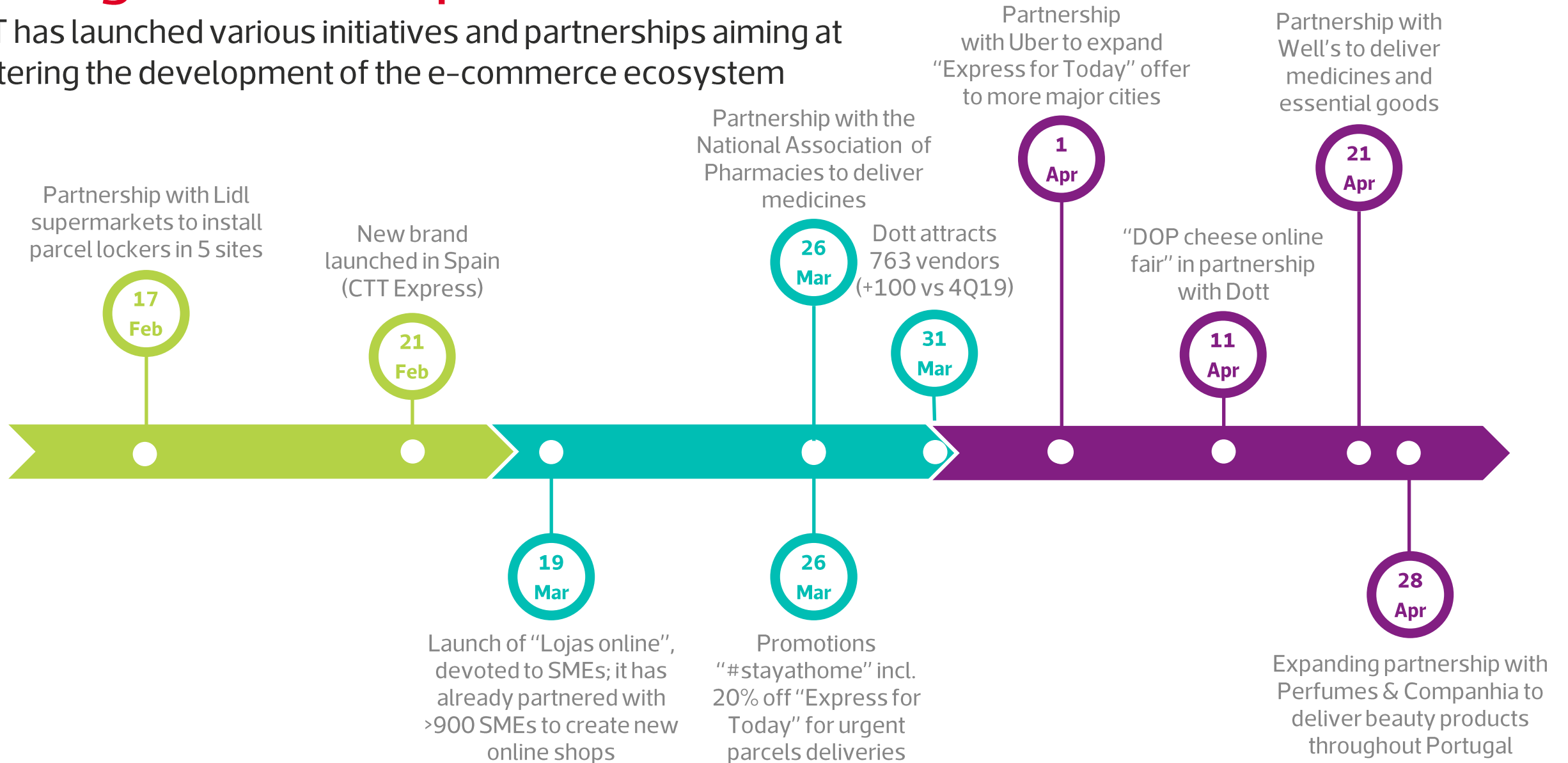
- Working with clients to eliminate bottlenecks in mail printing & finishing
- Alternative solutions sought to forward mail to the Portuguese islands
- New routes sought to receive international mail, faced with reduced international air freight capacity

6. Provide a lifeline to the communities, leveraging on digital platforms

- “*Lojas online*”, devoted to SMEs, has gathered >900 new online shops since its launch in mid-Mar-20
- Delivery partnerships launched with Uber, Well's, the National Association of Pharmacies, and various associations of local producers
- Strong growth in new B2C partnerships and B2C market share in Spain

Taking a leadership role in e-commerce

CTT has launched various initiatives and partnerships aiming at fostering the development of the e-commerce ecosystem



Mail volumes were strongly affected by the restrictions on operations and movement of cargo, businesses and individuals, as a result of the COVID-19 pandemic

Mail volumes

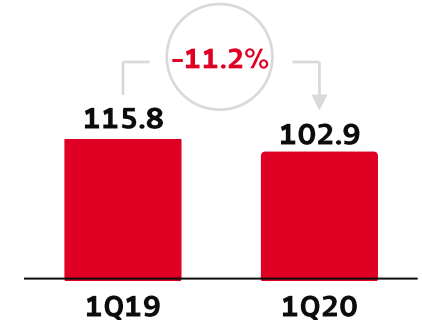
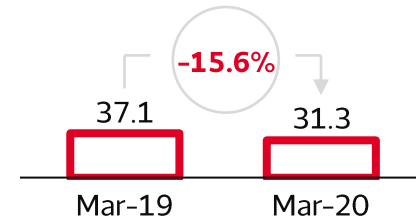
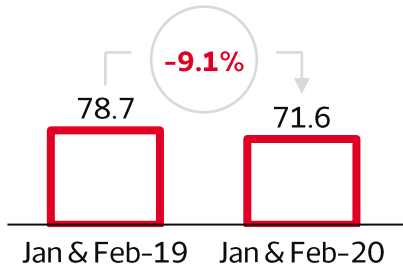
Million items; % change vs. prior year

- Several large clients' statements deliveries and advertising mail campaigns were delayed or cancelled in Mar-20, as only essential services were operating in Portugal

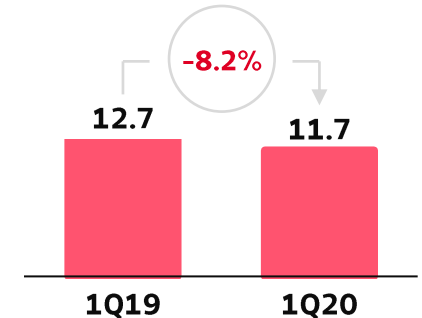
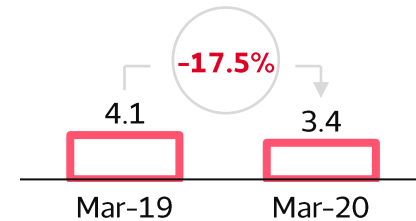
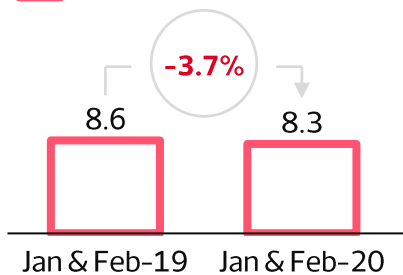
- Registered mail was affected by delays in tax notices and notifications from courts in Mar-20 (related to the declaration of the state of emergency in Portugal)

- International mail was severely impacted by the reduction in global air freight capacity from the end of Feb-20 onwards, especially out of China

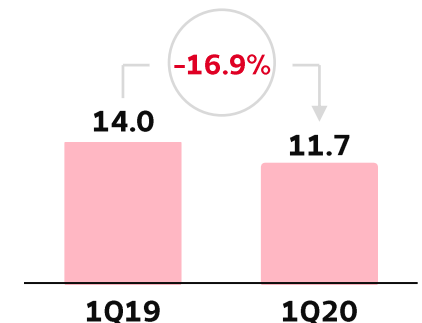
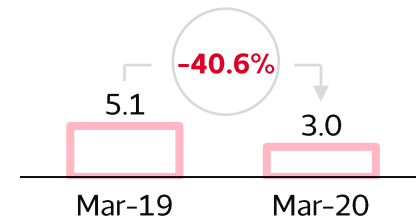
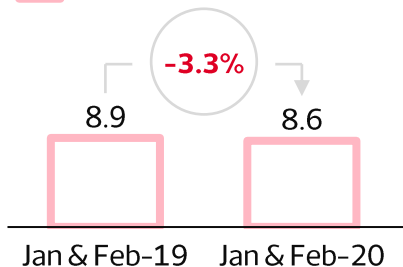
Ordinary, priority & other mail



Registered mail



International mail

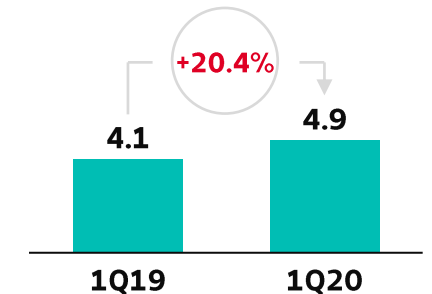
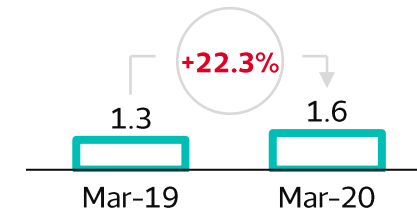
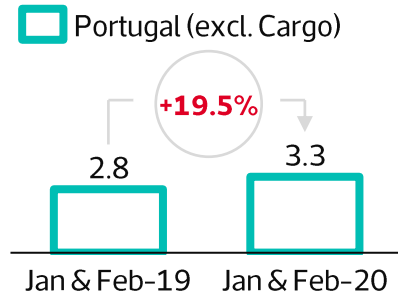


Portuguese parcels and public debt placements benefited from a strong start to the year

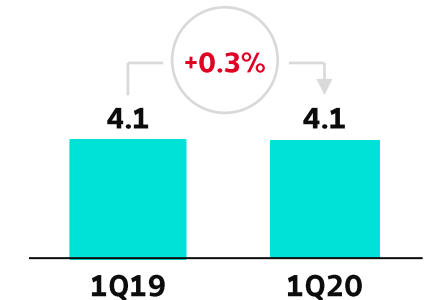
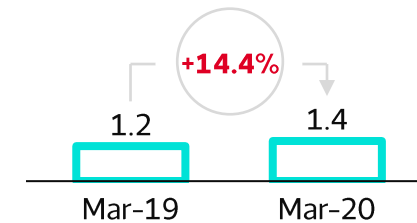
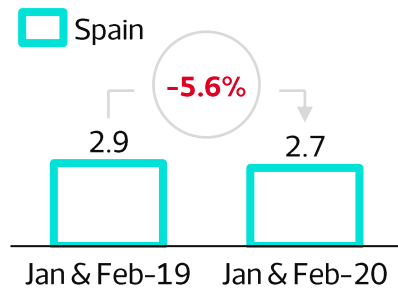
Parcels volumes

Million items; % change vs. prior year

- Portuguese parcels volumes benefited from strong B2C growth, driven by e-commerce, despite the B2B volumes decline in Mar-20



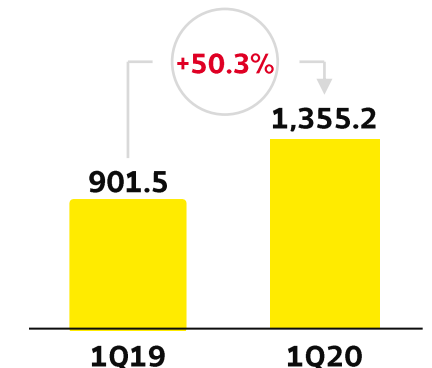
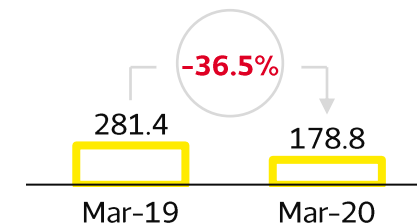
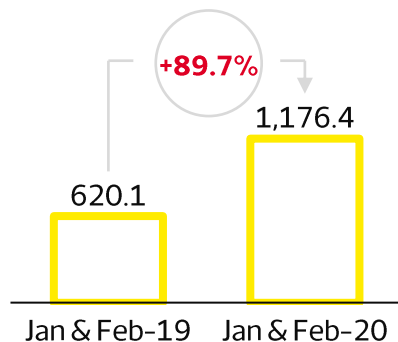
- Strong capture of B2C volumes in Mar-20 in Spain, albeit at lower margins, mitigated the loss of a large client in Apr-19 and the B2B volumes decline as a result of the pandemic



Public debt placements

€ million; % change vs. prior year

- Public debt placements benefited from a very strong start to the year; however, they were also impacted by the unprecedented reduction in the movement of people and retail activity since mid-Mar-20

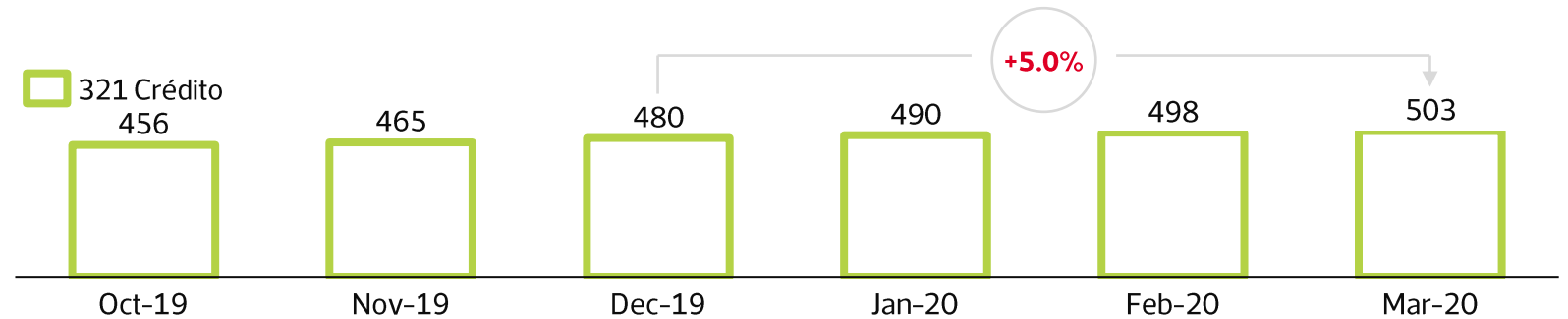
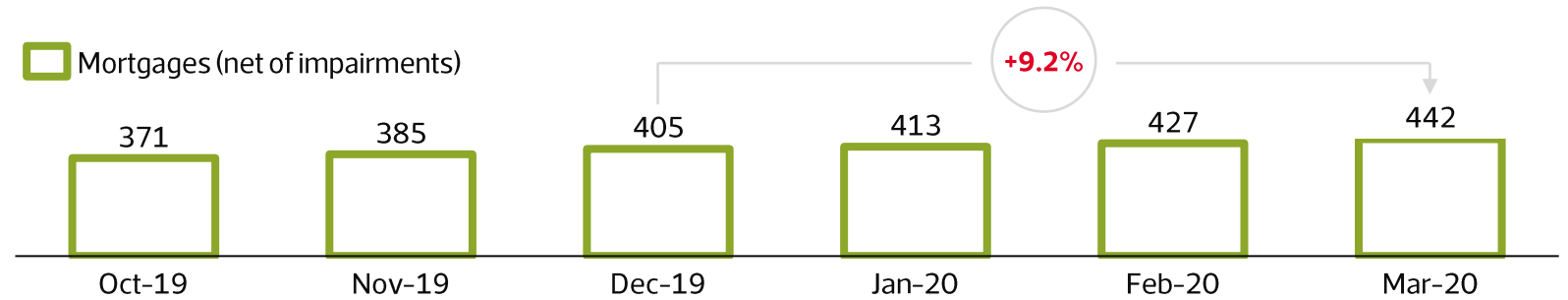


Banco CTT customers' flight to safety was evident in the strong capture of new deposits

Credit to clients

€ million

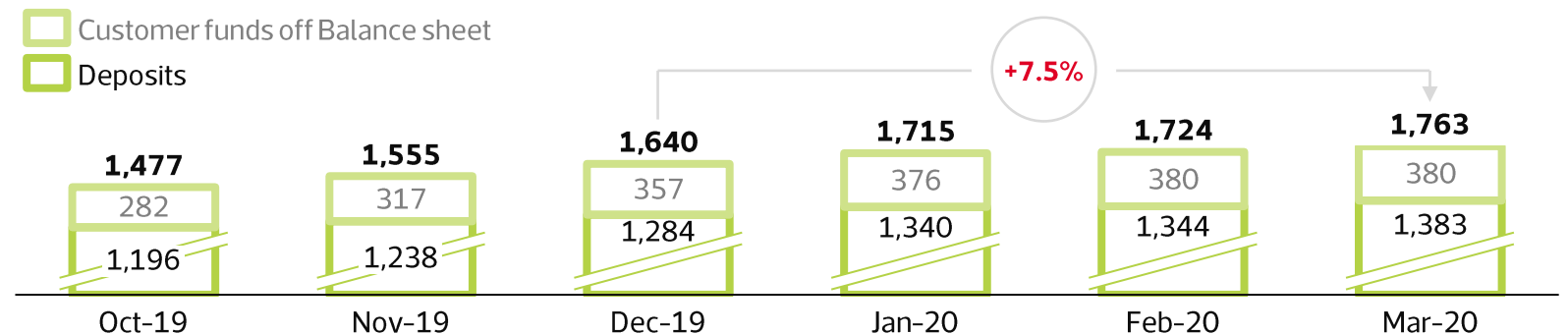
- Mortgage activity remained resilient, despite the temporary 50% reduction in business hours in the Retail network since mid-Mar-20
- 321 Crédito credit book growth in Mar-20 was also affected by the reductions in the movement of people and the temporary closure of auto dealerships (as non-essential businesses)



Customer funds

€ million; cumulative; including retirement funds

- Deposits growth accelerated strongly since the start of the pandemic, as customers chose the safety, transparency and brand name of Banco CTT



CTT faces the current period of economic uncertainty with a strong Balance Sheet...

Balance Sheet – 31 March 2020

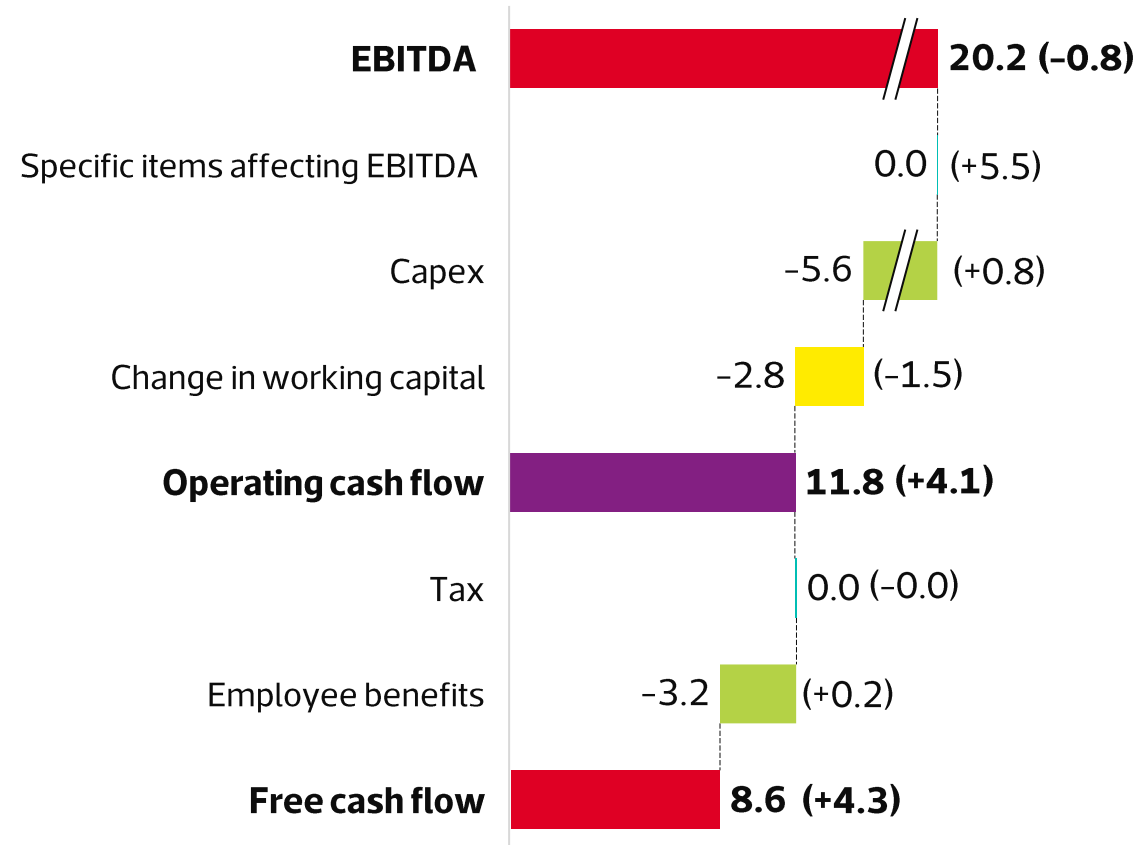
€ million; % change vs. 31 December 2019



... substantial liquidity and low levels of net financial debt

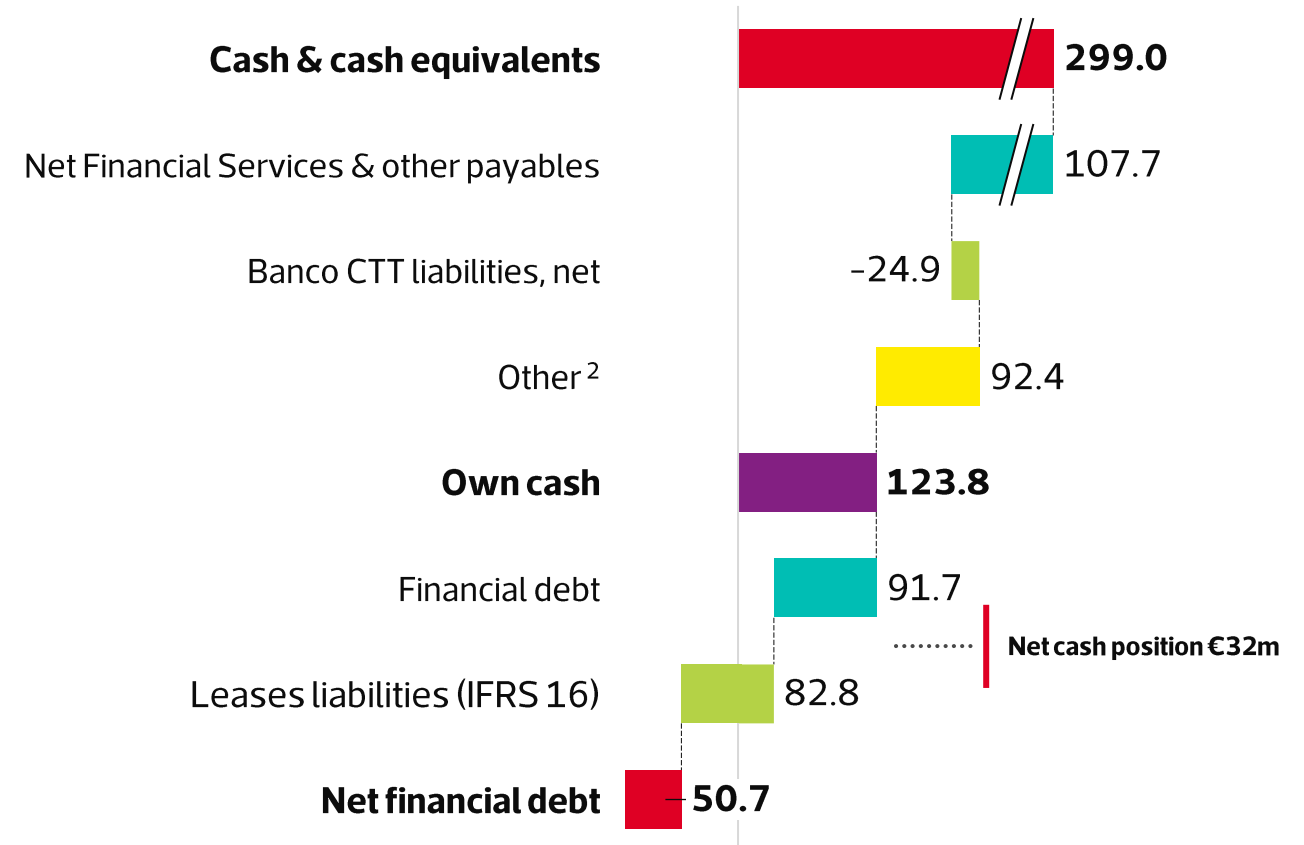
Cash flow

€ million; impact on cash flow vs. prior year



Net financial debt¹

€ million



¹ Does not consider Employee benefits, net.

² Including €89.4m of Banco CTT cash deposits in Central Banks.

FY20 outlook update

Apr-20 showed encouraging signs of stabilization in some areas, **although mail and financial services remain under significant pressure**



Express & Parcels

Parcels already at peak levels, due to B2C growth, albeit with lower margins. E-commerce adoption increasing at a rapid pace in both Portugal & Spain



Opex & Capex savings

Revising Capex guidance downwards to €30m for 2020, while maintaining investments in Express & Parcels automation. **Opex reduction focused on ES&S costs**, temporary work, marketing & consulting spending



Banco CTT

As at end of Apr-20, **circa 5% of all mortgage and 7% of all auto loans contracts** had received requests for payment holidays, as per applicable decree law or industry moratoria, related to COVID-19 measures



Balance Sheet and liquidity

CTT will continue to **prioritize cash reserves and treasury flexibility**, currently in the process of **accessing additional credit lines**



Financial Services & Retail

Slight improvement in the subscription rate of public debt products registered in Apr-20



Addressed mail volumes

Significant reductions in letter (statements), international & especially advertising mail are expected to lead to **double-digit addressed mail volumes decline for the year**

The full impacts of Covid-19 on FY20 revenues & earnings guidance currently cannot be accurately and reliably quantified. CTT will provide an update on guidance as soon as it is possible to do so

CTT – Correios de Portugal, S.A.

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