

# 1Q22

## Results Presentation



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5 May 2022



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# Operational review

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## Key takeaways



Transitory slowdown in E&P and investment in capacity to enable foreseen growth, impacting the quarter results



Mail revenues penalized by slowdown in e-commerce and adverse evolution of mix. Earnings momentum is improving following regulated price increase



Solid and expanding balance sheet positions Banco CTT for further revenue growth and offers interest rate leverage



Transformation continues to deliver on sustainable market share gains, namely in B2B where we regained important contracts in BPO, printing and finishing and mail volumes



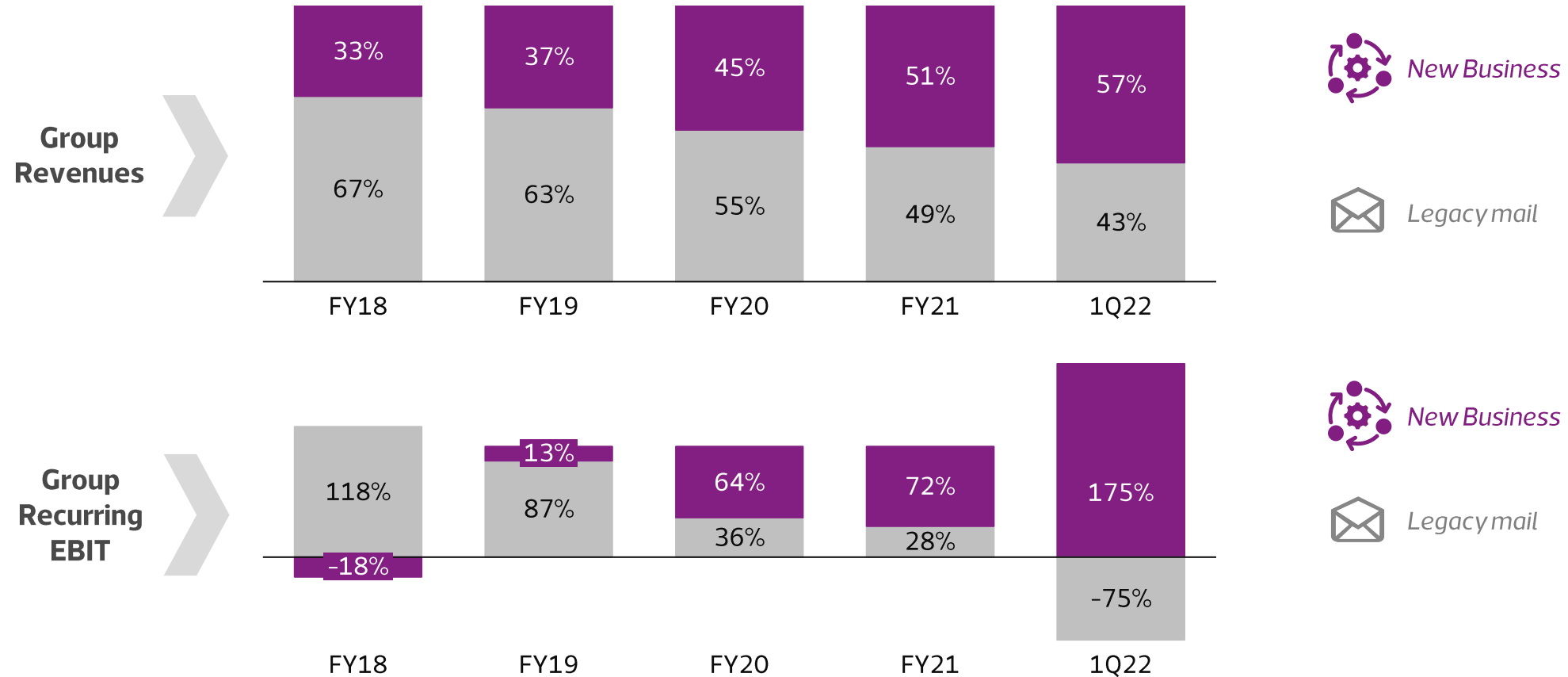
Annual dividend, amounting to €12ct per share, to be paid on 20 May 2022 (ex-div on 18 May 2022)



Notwithstanding a difficult economic environment, with increased execution risks, we remain committed to achieving FY22 EBIT within €65-75m

# Significant transformation by increasing exposure to growing businesses

Group CTT – Legacy<sup>1</sup> vs. New Business<sup>2</sup>



<sup>1</sup> Mail & Other excl. business solutions; <sup>2</sup> Express & Parcels, Financial Services & Retail, Banco CTT and business solutions.

# Quarter marked by transitory e-commerce slowdown and challenging economic conditions

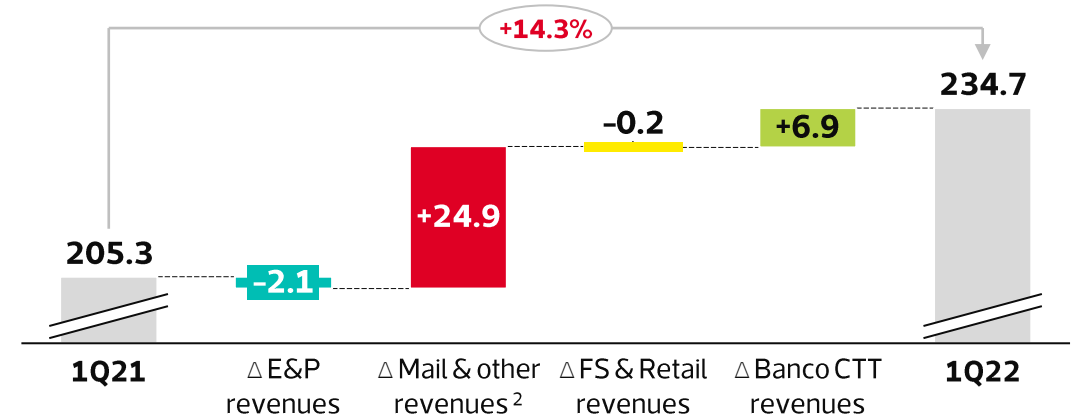
## Group CTT – Financials

€ million

	1Q22
Revenues	€234.7m (+14.3%)
Recurring EBIT	€6.7m (-55.7%)

## Revenues <sup>1</sup>

€ million; % change vs. prior year



### Express & Parcels

Revenues	Recurring EBIT
€61.3m (-3.3%)	€1.3m (-47.4%)

### Mail & other <sup>2</sup>

Revenues	Recurring EBIT
€133.5m (+22.9%)	€-3.3m (-166.9%)

### Financial Services & Retail

Revenues	Recurring EBIT
€11.9m (-1.7%)	€5.2m (-15.3%)

### Banco CTT

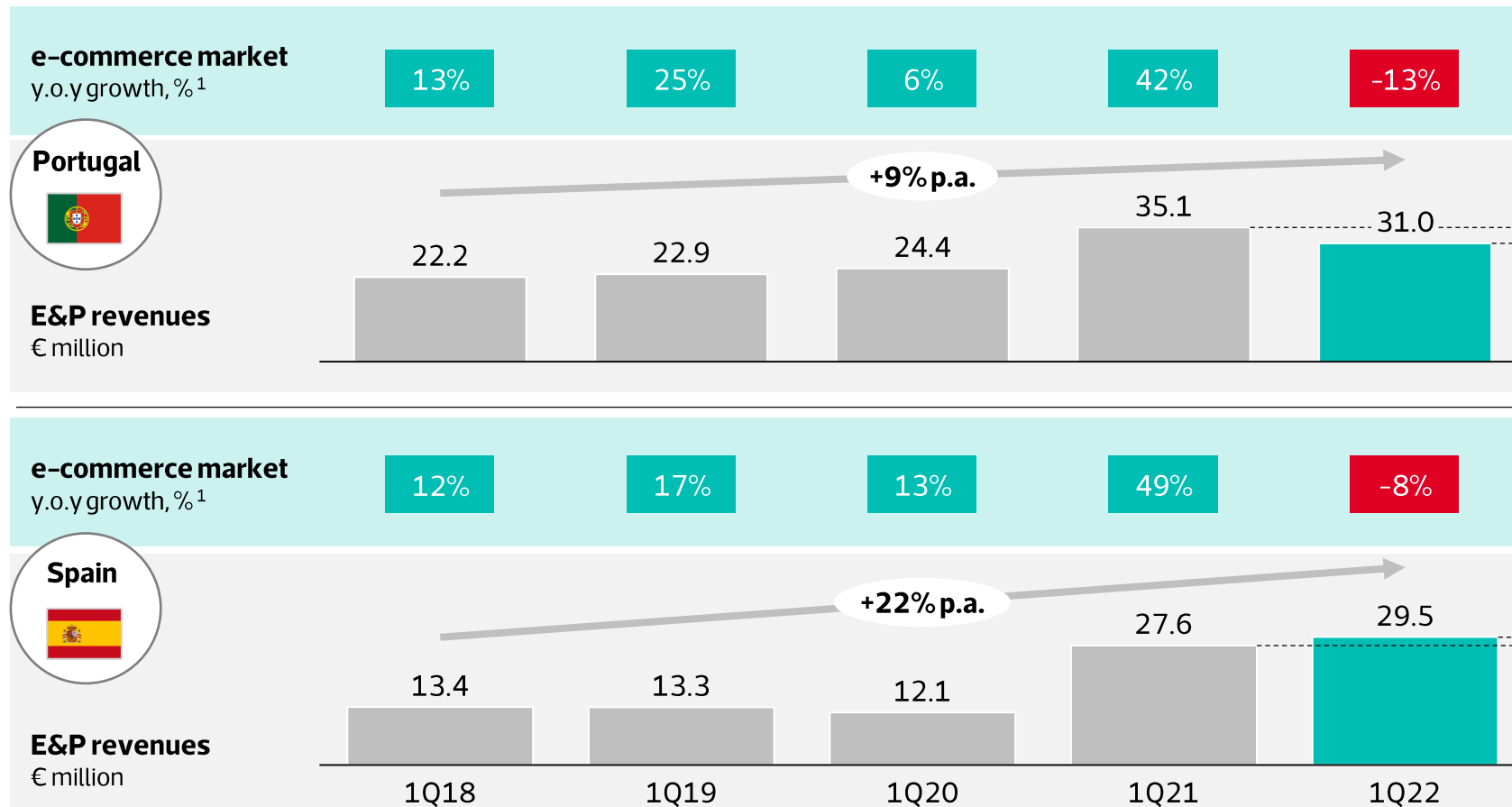
Revenues	Recurring EBIT
€28.0m (+32.5%)	€3.4m (+142.5%)

<sup>1</sup> Excluding Specific items; <sup>2</sup> Including Central Structure.

# Notwithstanding a transitory loss of momentum in 1Q22, we are delivering consistent market share gains in Spain and maintaining our leading position in Portugal

## Express & Parcels Revenues

€ million; % compounded annual growth rate



**1Q22 reflects a combination of negative effects**

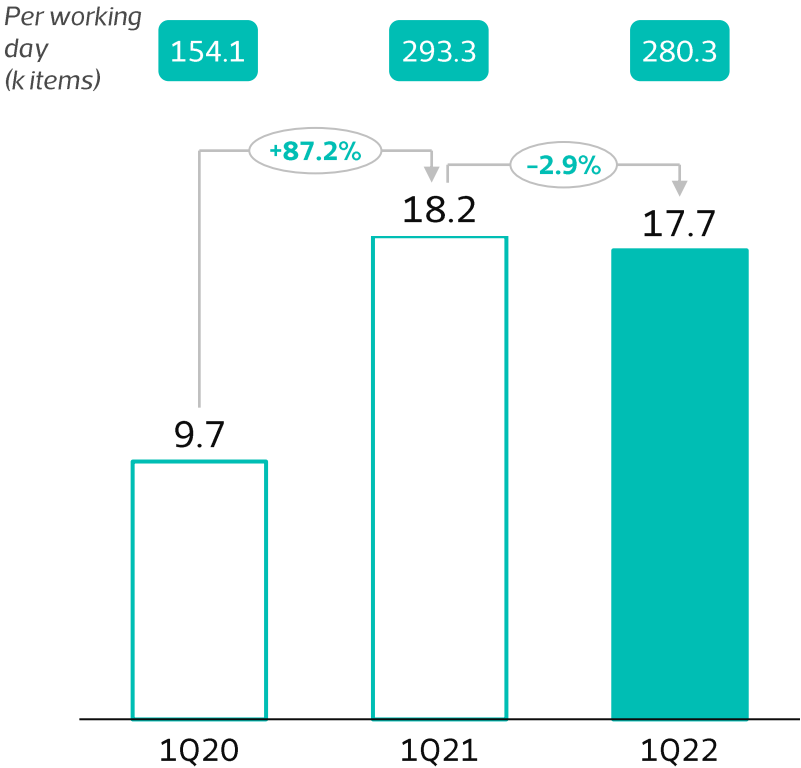
- Customers returned to physical retail
- Macro context impact on consumer confidence (-30 points in PT<sup>2</sup> and -36 points in SP<sup>3</sup>)

Still, longer series highlight the persisting growth trend in both markets, converging with more mature e-commerce markets

# E&P in Iberia reflects transitory slowdown and structural investment in growth and quality

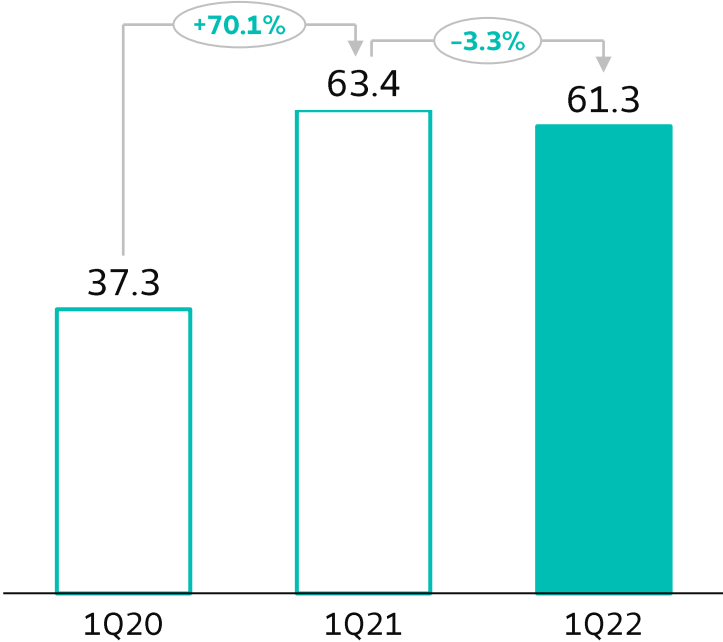
Express & Parcels Iberia<sup>1</sup> – Volumes

million items; % change vs. prior year



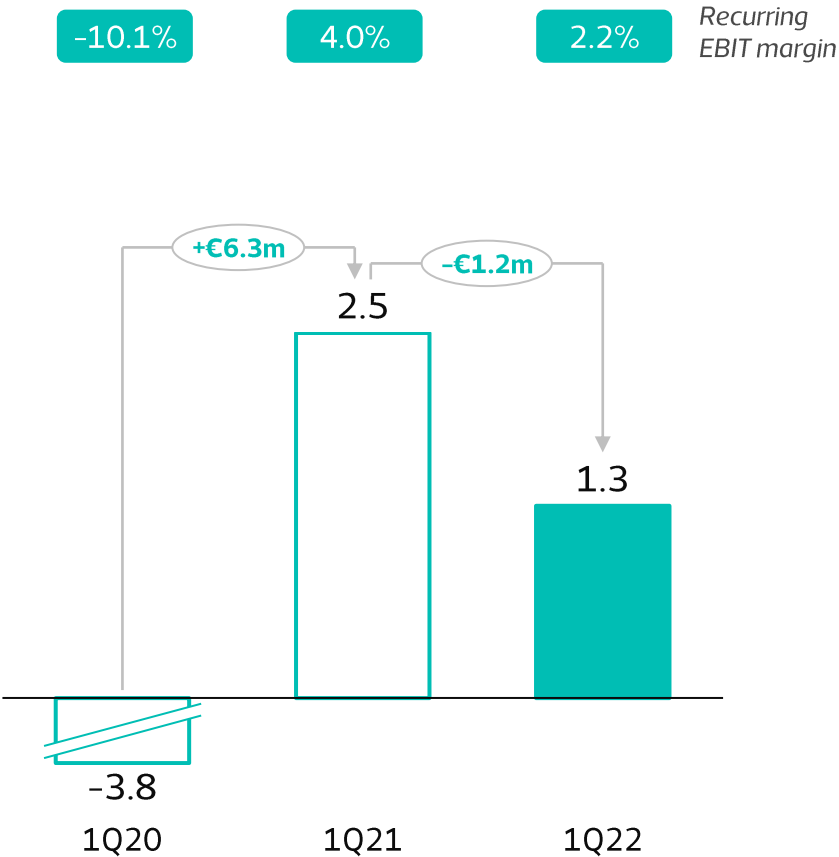
Express & Parcels Iberia<sup>1</sup> – Revenues

€ million; % change vs. prior year



Express & Parcels Iberia<sup>1</sup> – Recurring EBIT

€ million; change vs. prior year



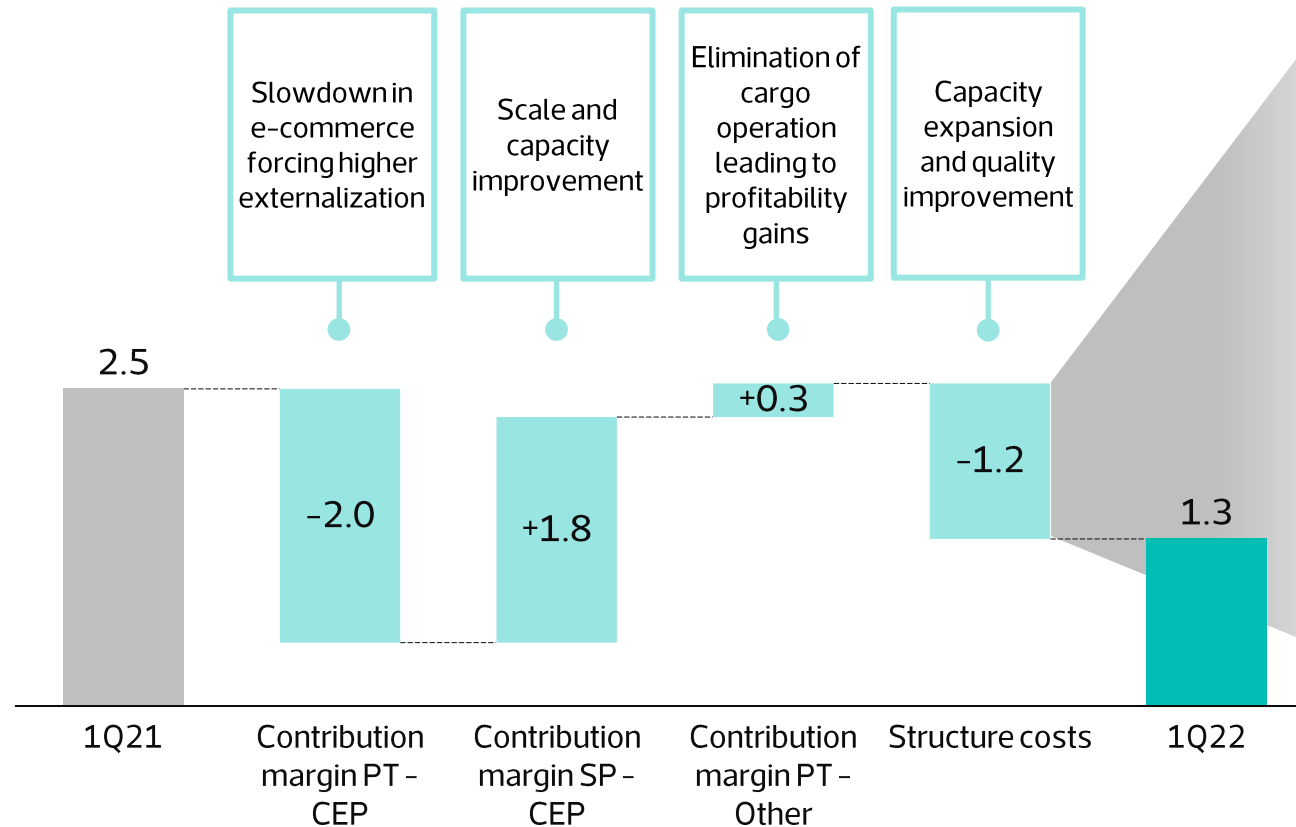
<sup>1</sup> includes Mozambique, contributing with 0.01m, 0.01m and 0.01m in volumes, €0.8m, €0.7m and €0.8m in revenues and €0.1m, €0.1m and €0.1m in recurring EBIT in 1Q20, 1Q21 and 1Q22, respectively.



# Notwithstanding the growth breather we continued to prepare the structure for the structural growth we see ahead

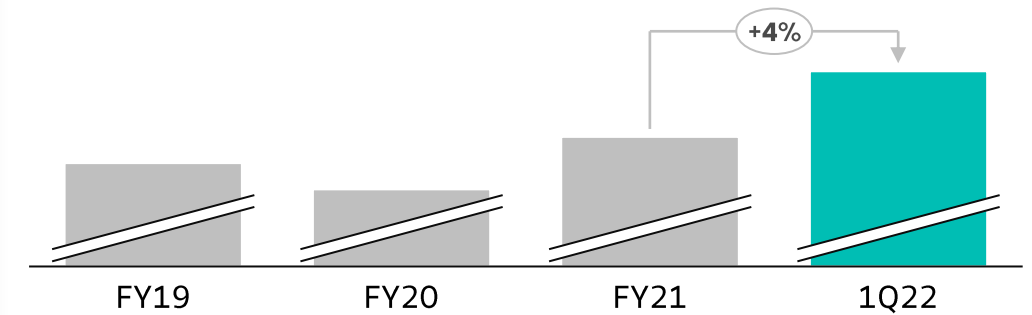
## Express & Parcels recurring EBIT

€ million



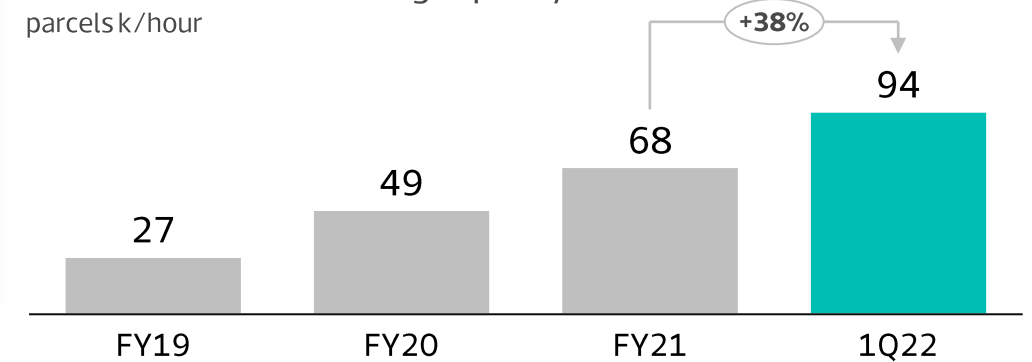
## Iberian quality evolution

% of deliveries within SLA



## Iberian automated sorting capacity

parcels k/hour

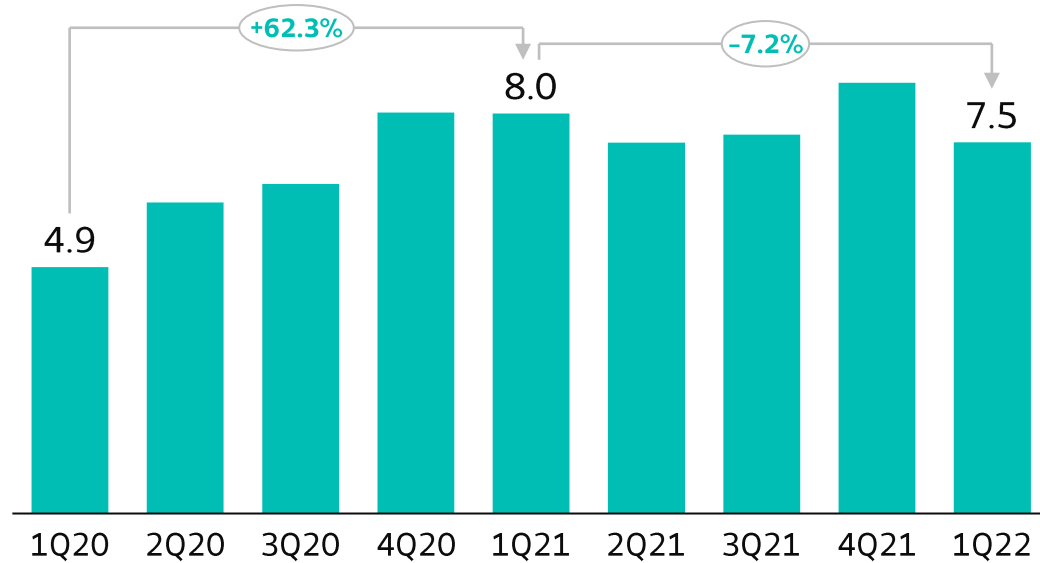




# E&P in Portugal reflecting primarily a difficult comparison and a sharp decline in consumer confidence

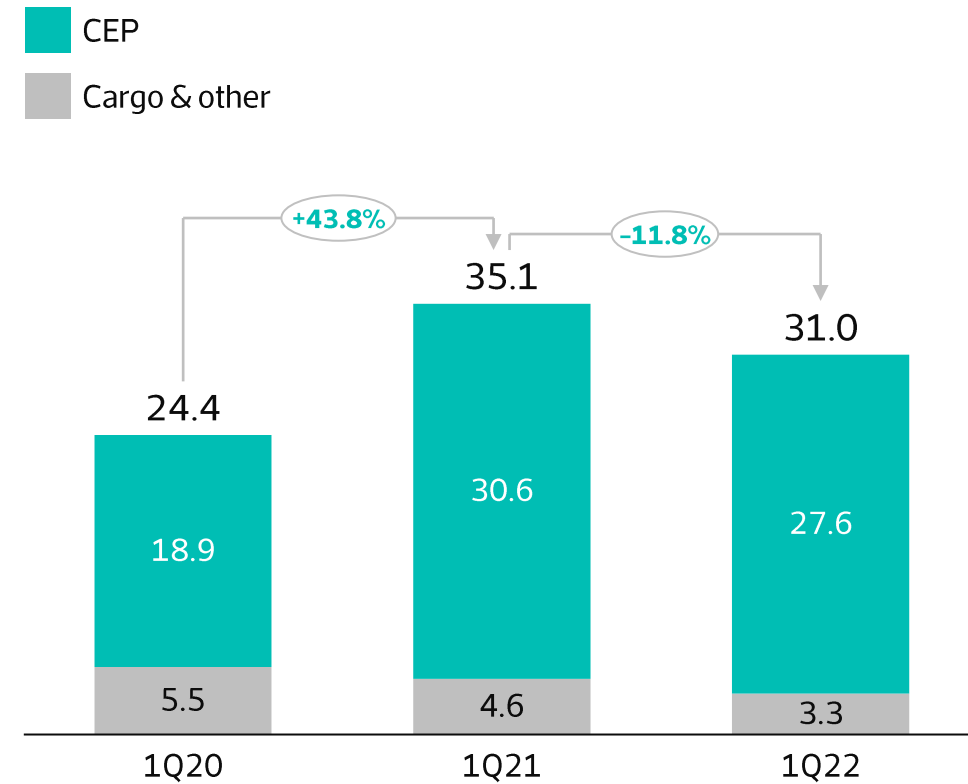
## Express & Parcels Portugal – CEP Volumes

% change vs. prior year; million items



## Express & Parcels Portugal – Revenues

€ million; % change vs. prior year

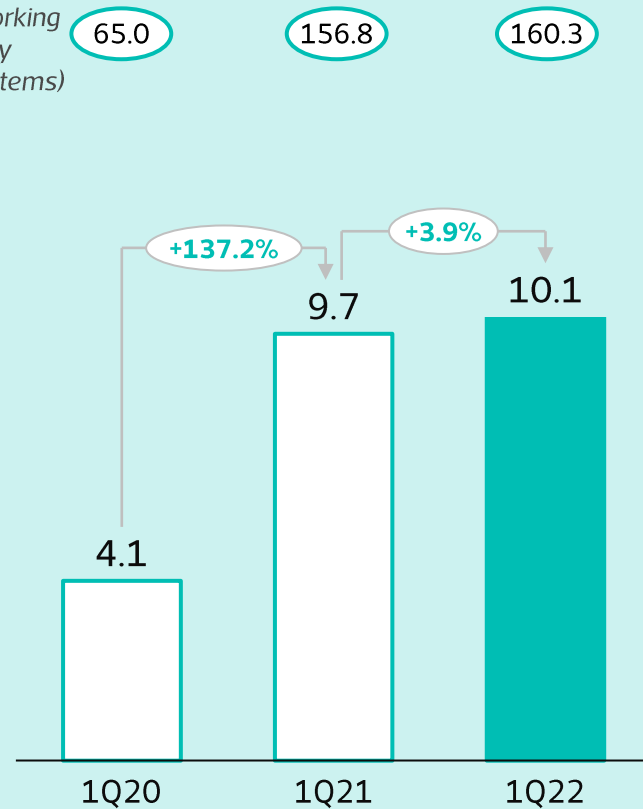


# E&P in Spain reflected continued improvement in volumes, revenues and profitability

## Express & Parcels Spain – CEP Volumes

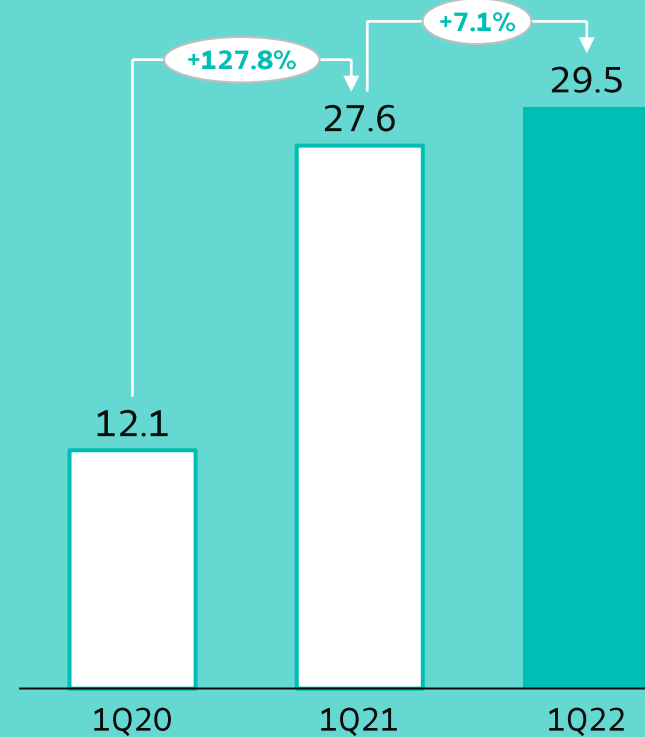
million items; % change vs. prior year

Per  
working  
day  
(k items)



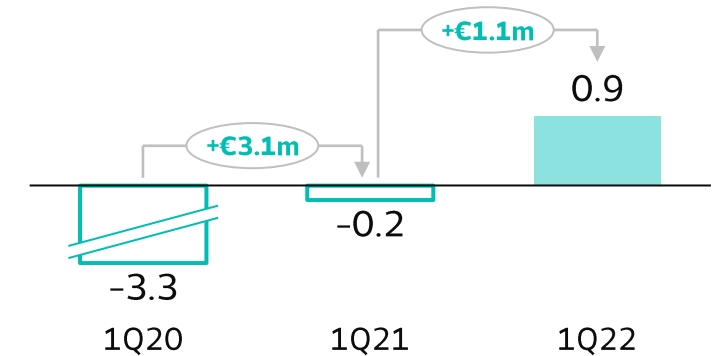
## Express & Parcels Spain – Revenues

€ million; % change vs. prior year



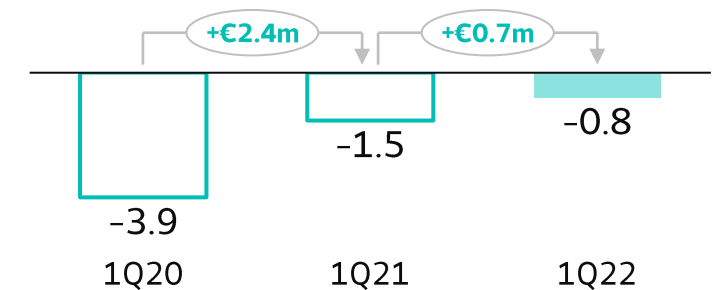
## Express & Parcels Spain – EBITDA<sup>1</sup>

€ million; change vs. prior year



## Express & Parcels Spain – Recurring EBIT<sup>1</sup>

€ million; change vs. prior year



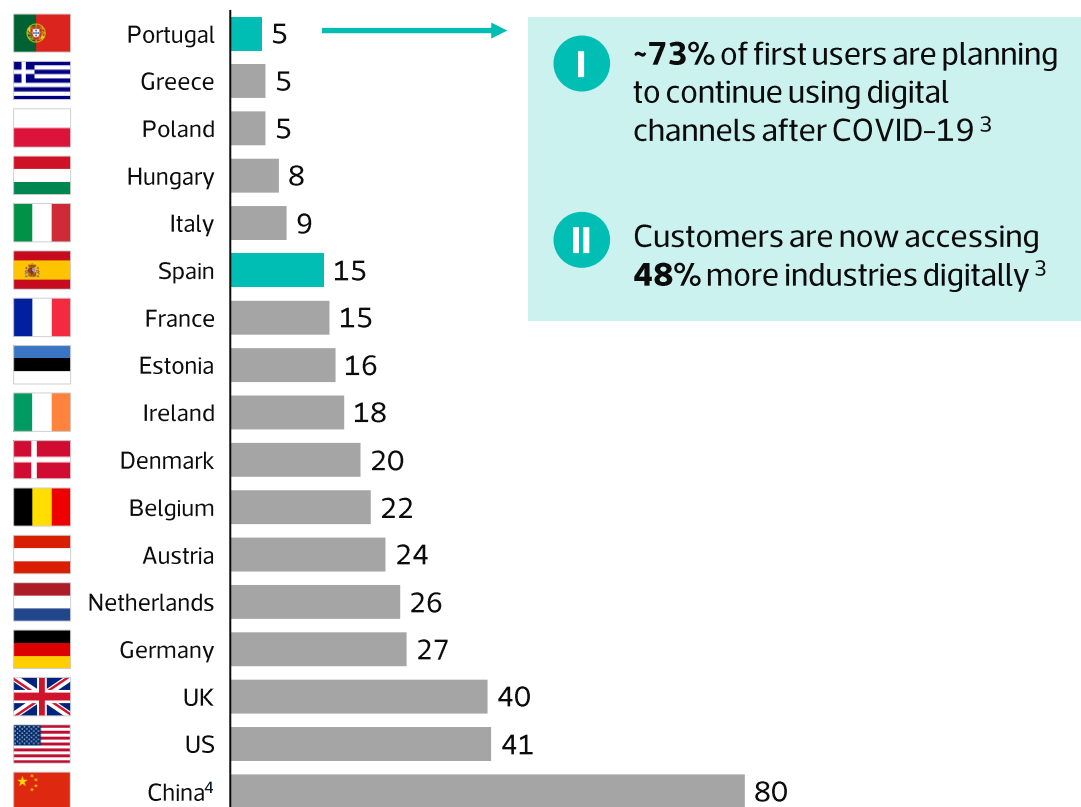
<sup>1</sup>Individual accounts.



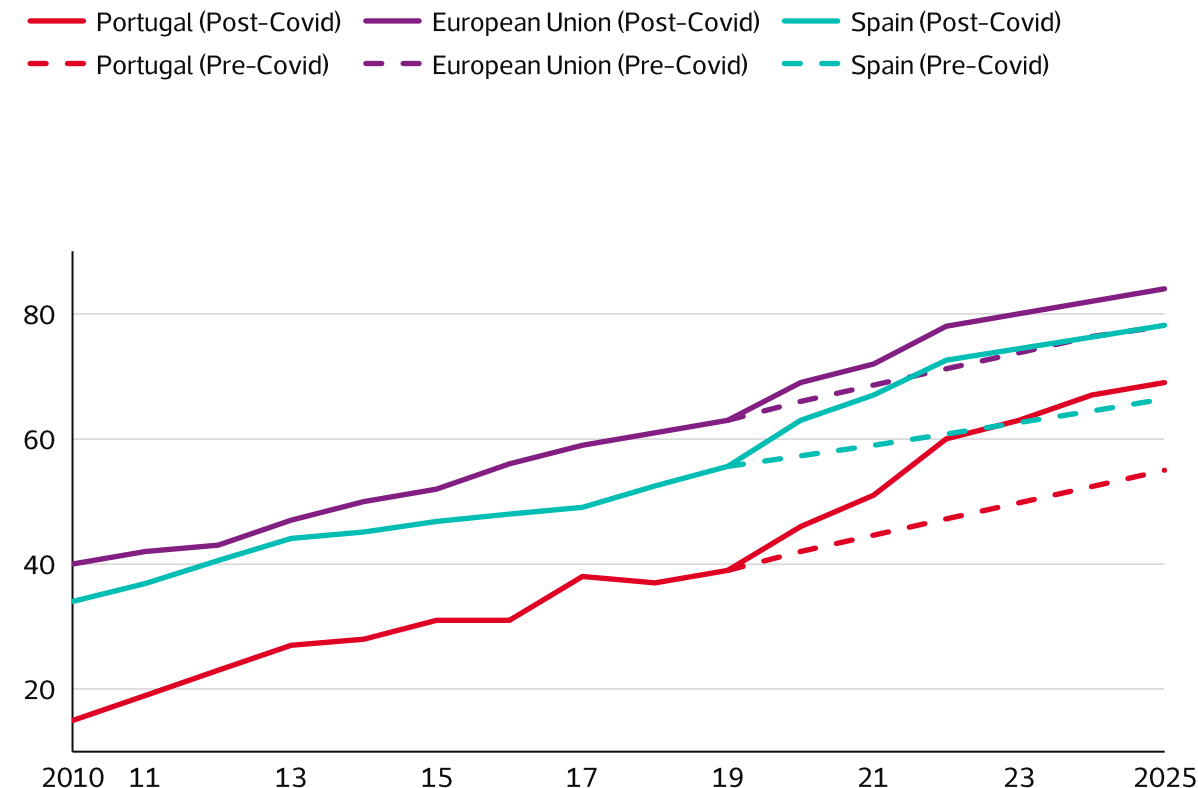
# Nevertheless, we believe e-commerce market will continue to grow

Latent potential to grow in Iberian market given penetration levels...

E-commerce-relevant parcel<sup>1</sup> penetration, 2021. Number of parcels per capita per year<sup>2</sup>



... with pandemic acting as a trigger to a lot of migration to e-commerce and many first purchases...<sup>5</sup>

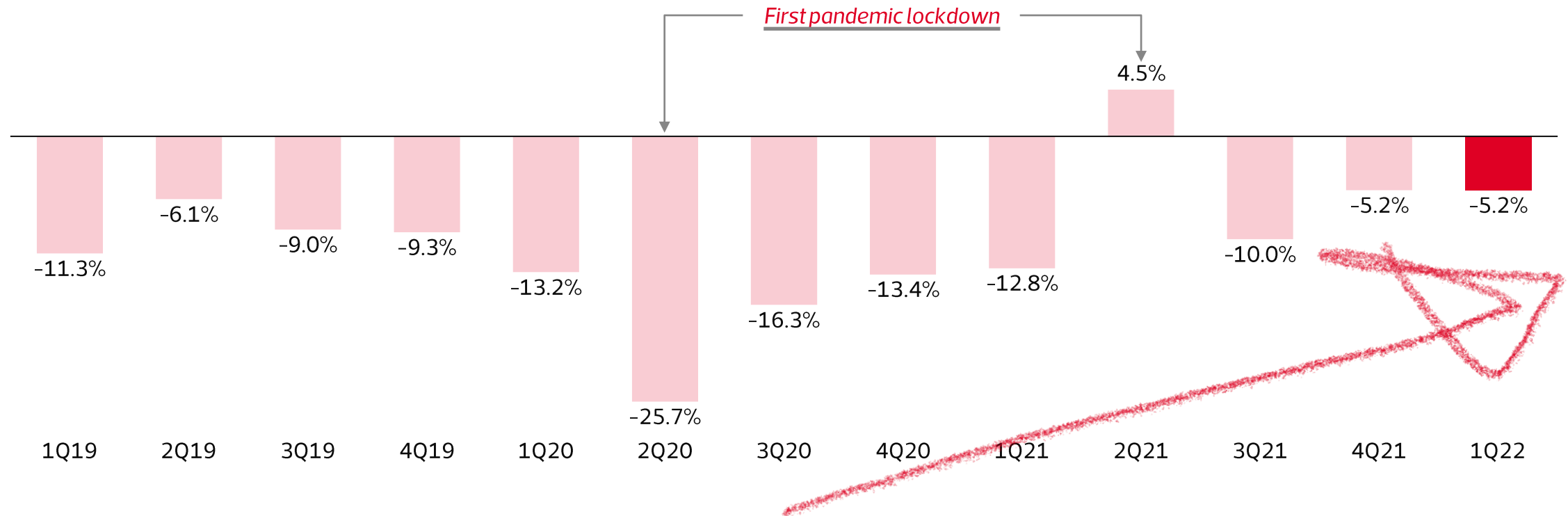


<sup>1</sup>“E-commerce-relevant” is defined as domestic B2C parcels, with speed typical for e-commerce shipments in the given country; <sup>2</sup>Statista; <sup>3</sup>Consumer insights from Portugal study, McKinsey, June 2020; <sup>4</sup>China figures is Shanghai and Beijing average; <sup>5</sup>Eurostat.

# Mail volumes consistently declining less

## Addressed mail volumes per working day

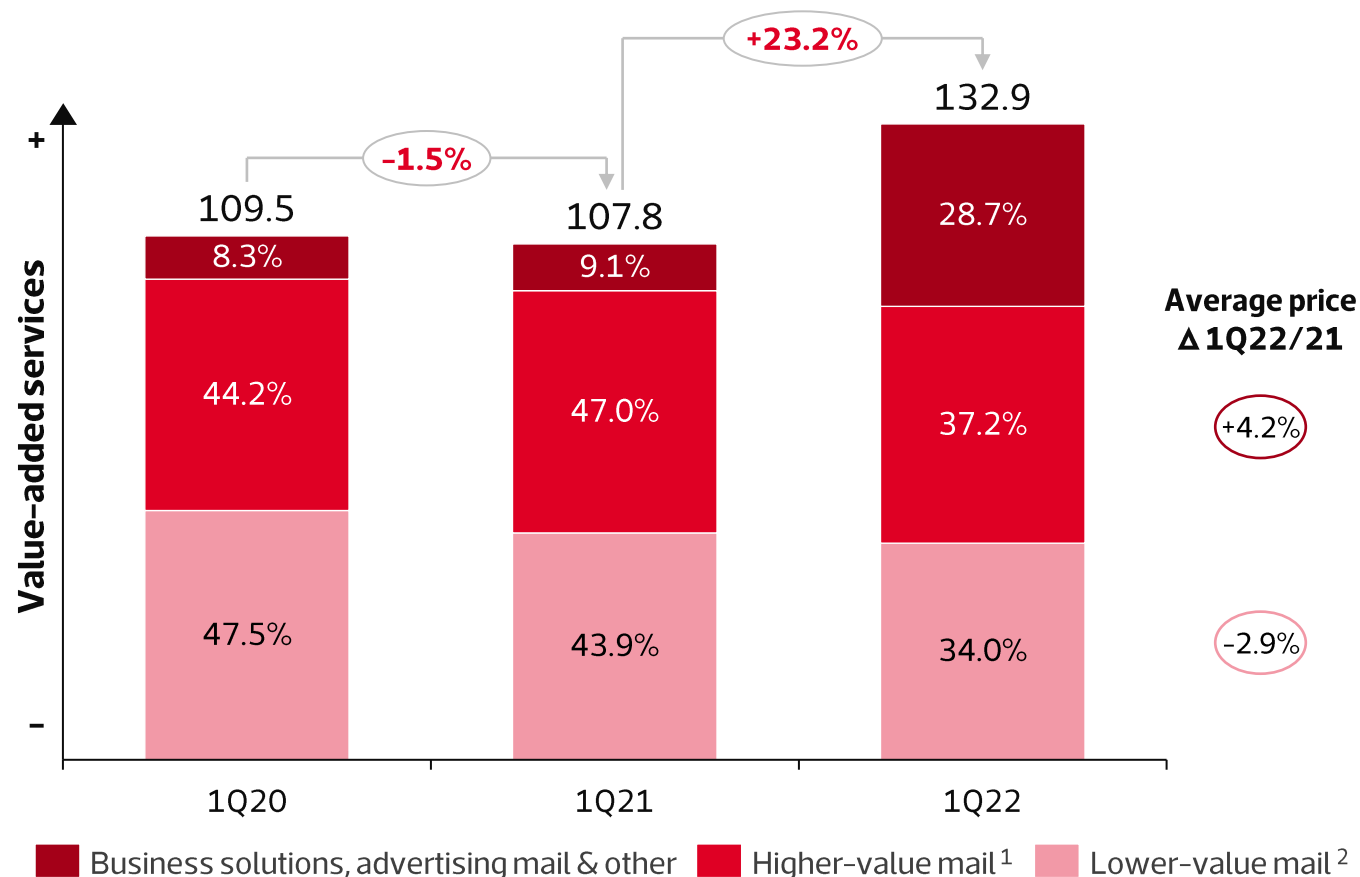
% change vs. prior year



# Further progress in revenue transformation, while still impacted by lower inbound traffic and adverse mix effect

## Mail revenues

€ million, weight (%)



Business solutions are growing, driven by special projects, NewSpring and underlying organic growth, including BPO services in utilities

Increased competitiveness in B2B, especially in utilities, is driving improvement in volumes, albeit at a lower pricing than average

E-commerce related volumes migrating to E&P and *de minimis* impact will wear out during the year – these are price-rich volumes with impact in revenues and EBIT

New pricing in USO services to kick in as from 2Q22 onwards

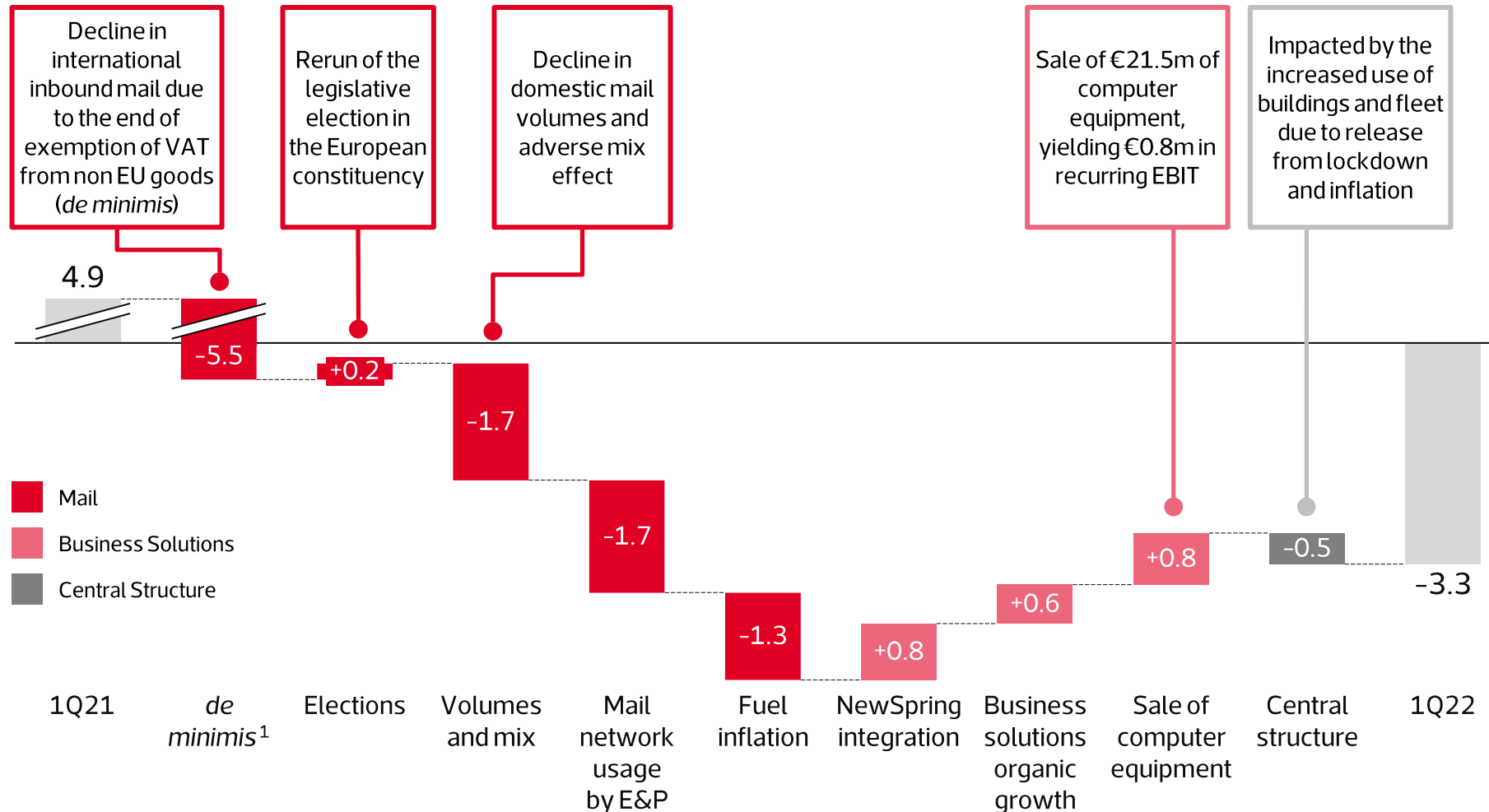
<sup>1</sup>Higher-value mail includes registered and international mail; <sup>2</sup>Lower-value mail includes ordinary, priority, green and editorial mail.



# Mail EBIT to improve sequentially with price increase

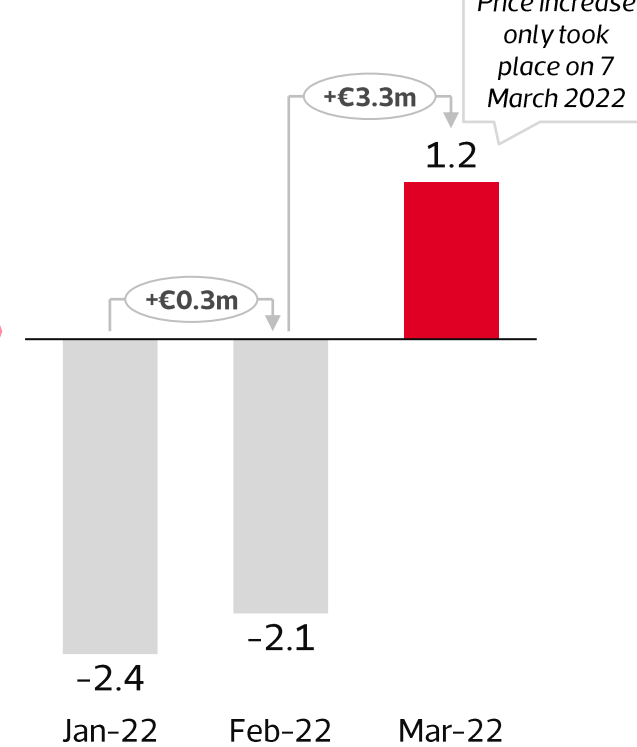
## Mail & other recurring EBIT

€ million



## Mail & other recurring EBIT monthly basis

€ million; % change m.o.m

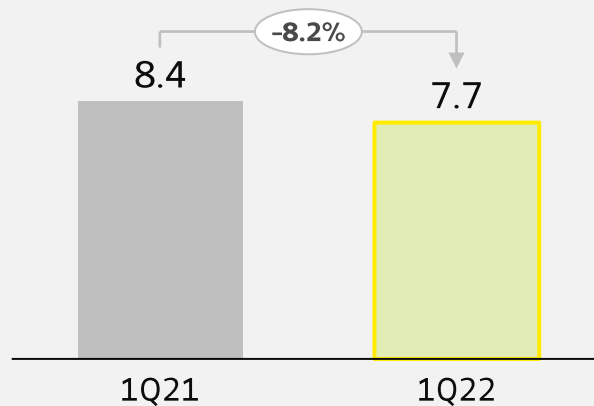


<sup>1</sup>Impact of *de minimis* in international mail revenues.

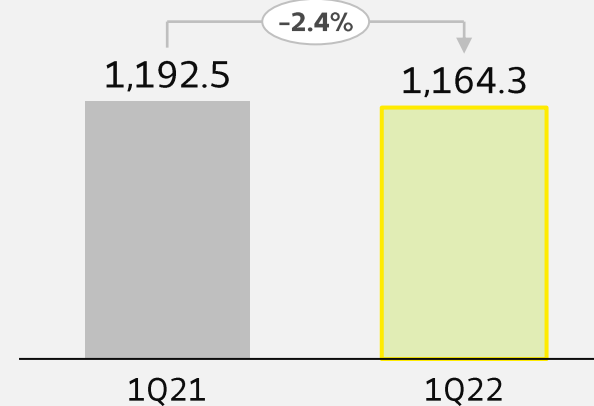
# Inflation and geopolitical risks penalize subscriptions, while retail continues to grow

## Financial Services

Financial Services revenues<sup>1</sup>  
€ million; % change vs. prior year



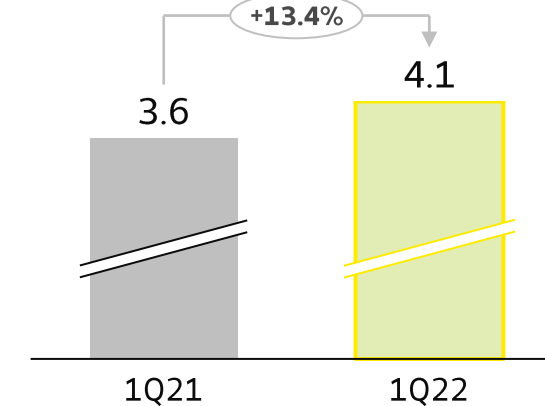
Public debt placements  
€ million; % change vs. prior year



- Public debt placements reached €1.2bn 1Q22, with signs of a slowdown in demand from more risk averse investors, specially in March, who may not want to subscribe to products with longer maturities in a period of high inflation and geopolitical risks

## Retail products & services

Retail revenues<sup>1</sup>  
€ million; % change vs. prior year



- Retail revenues growing in 1Q22 on the back of new products, renewed commercial dynamics and less restrictions on physical retail from the pandemic, when compared with 1Q21

<sup>1</sup> Excludes other revenues that account for €0.04m in 1Q21 and €0.03m in 1Q22

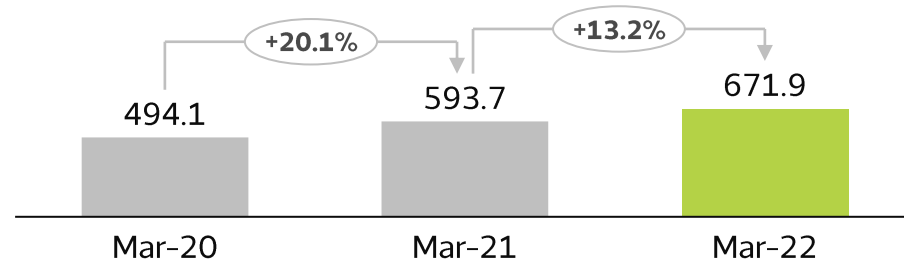
# Banco CTT posted another quarter of consistent growth across all activity lines

## Banco CTT – Book volumes evolution

€ million, except otherwise indicated

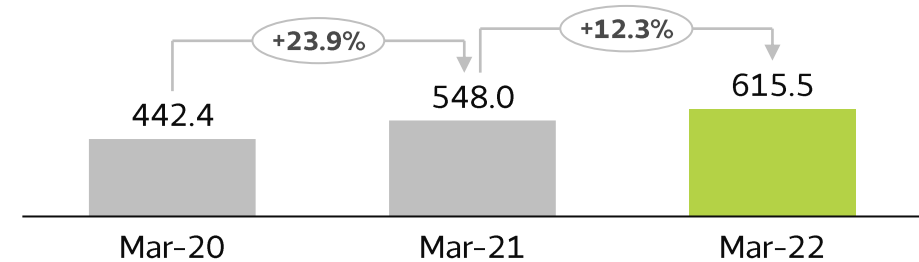
### Auto loans <sup>1</sup>

Yield: 6.2%



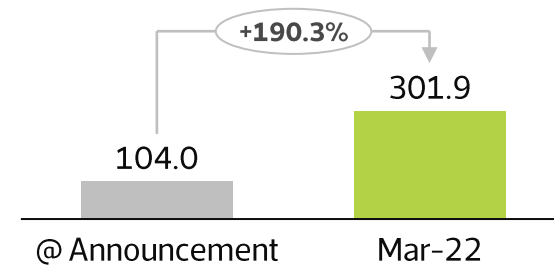
### Mortgage loans <sup>1</sup>

Yield: 0.6%



### Credit cards (Sonae partnership) <sup>1</sup>

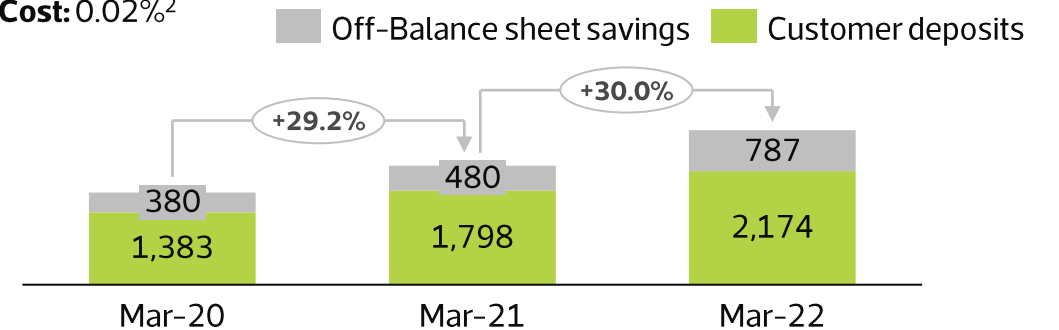
Yield: 6.1%



- Ambition of €300m reached ahead of schedule

### Customer deposits & Off-Balance sheet savings

Cost: 0.02%<sup>2</sup>



<sup>1</sup> Net of impairments; <sup>2</sup> Average cost of customer deposits.



# Continued focus on ESG measures and alignment with UN Sustainable Development Goals

## Environment



6,000 trees planted in 1Q22 in a long-standing partnership with Quercus



Acquisition of 71 electric vehicles and establishment of second 100% electric CTT hub



Installation of energy efficiency meters in buildings which represent 55% of CTT's energy consumption

## Social



Campaign to collect goods in CTT post offices to help people of Ukraine, with more than 40 tons collected



Third edition of CTT's student monitoring program, where a group of students are being tutored by CTT employees







# **Financial review**

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# Continued transformation notwithstanding difficult comparison base and challenging economic environment

## Key financial indicators

€ million; % change vs. prior year

	Quarter		
	1Q21	1Q22	y.o.y
<b>Revenues<sup>1</sup></b>	205.3	<b>234.7</b>	<b>14.3%</b>
Operating costs – EBITDA <sup>2</sup>	176.3	<b>212.7</b>	<b>20.7%</b>
<b>EBITDA<sup>2</sup></b>	29.1	<b>22.0</b>	<b>-24.1%</b>
Depreciation & amortization	14.0	<b>15.4</b>	<b>9.8%</b>
<b>Recurring EBIT<sup>1</sup></b>	15.0	<b>6.7</b>	<b>-55.7%</b>
Specific items	-0.8	<b>-2.7</b>	<b>-219.6%</b>
<b>EBIT</b>	15.9	<b>9.4</b>	<b>-41.1%</b>
Financial result	-2.6	<b>-2.1</b>	<b>19.2%</b>
Tax	4.5	<b>1.8</b>	<b>-59.7%</b>
<b>Net profit attributable to equity holders</b>	8.7	<b>5.4</b>	<b>-38.1%</b>
<b>Free cash flow</b>	9.9	<b>6.2</b>	<b>-37.4%</b>

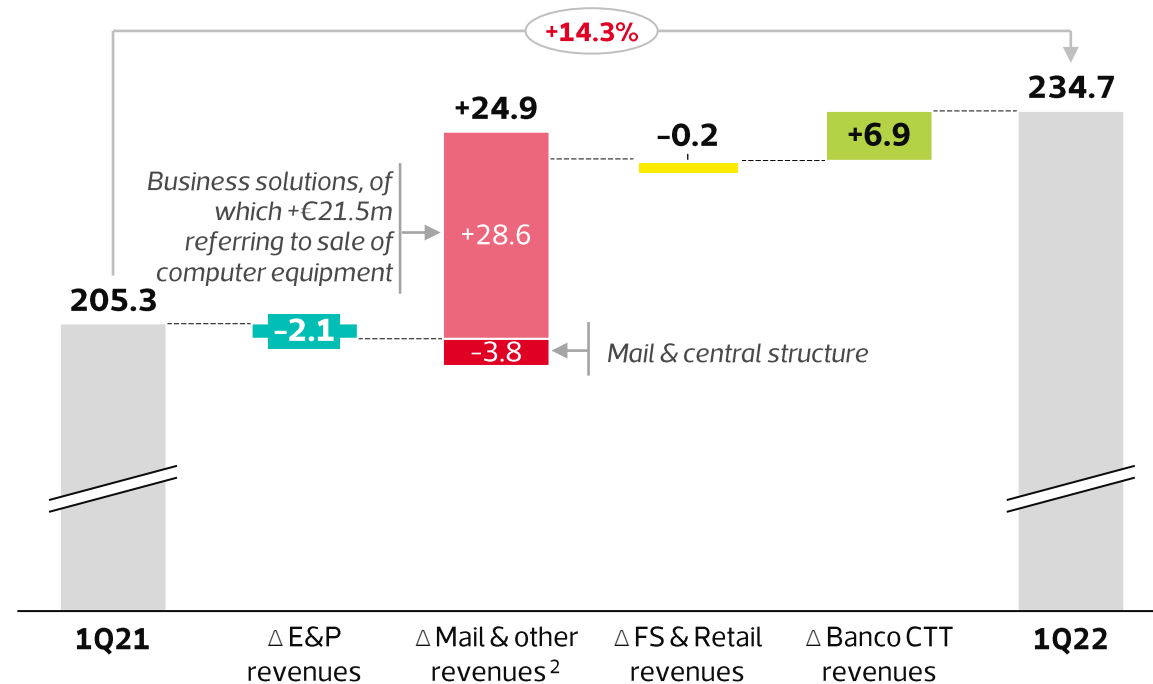
<sup>1</sup> Excluding Specific items; <sup>2</sup> Excluding Specific items, depreciation & amortization



# Decline in Express & Parcels segment driven by transitory slowdown in e-commerce

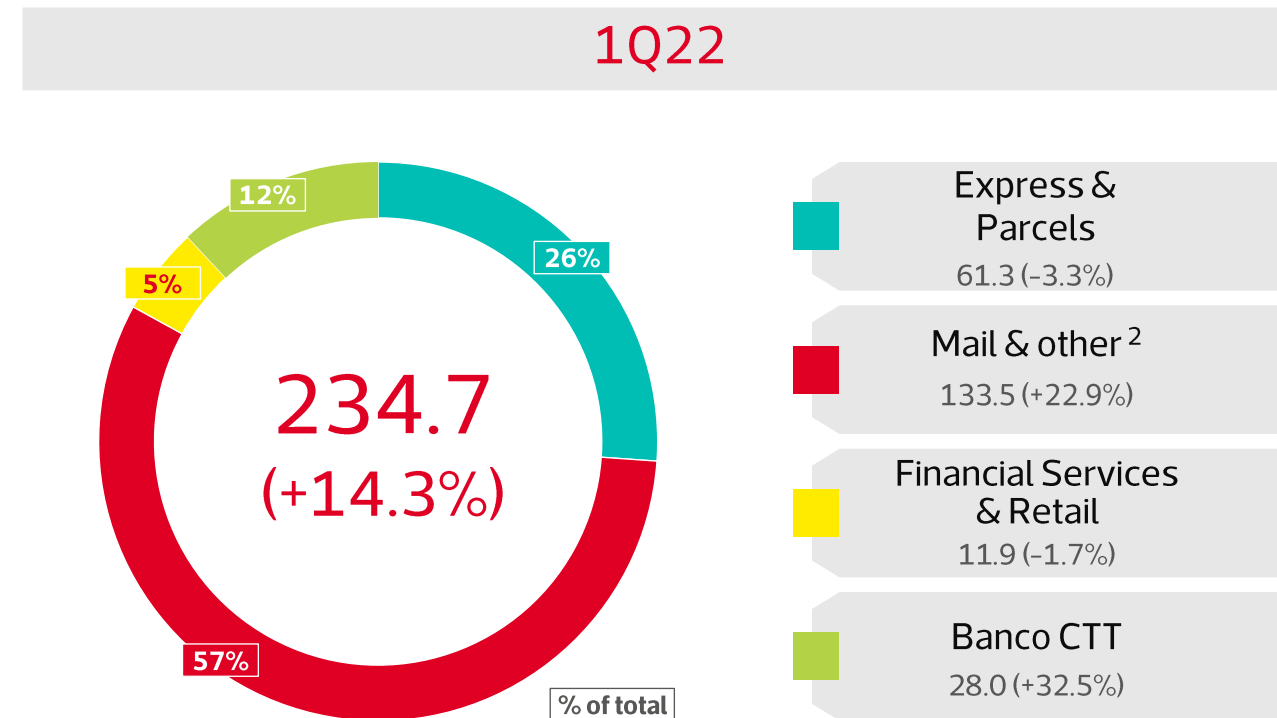
## Revenues <sup>1</sup>

€ million; % change vs. prior year



## Revenues <sup>1</sup> breakdown

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

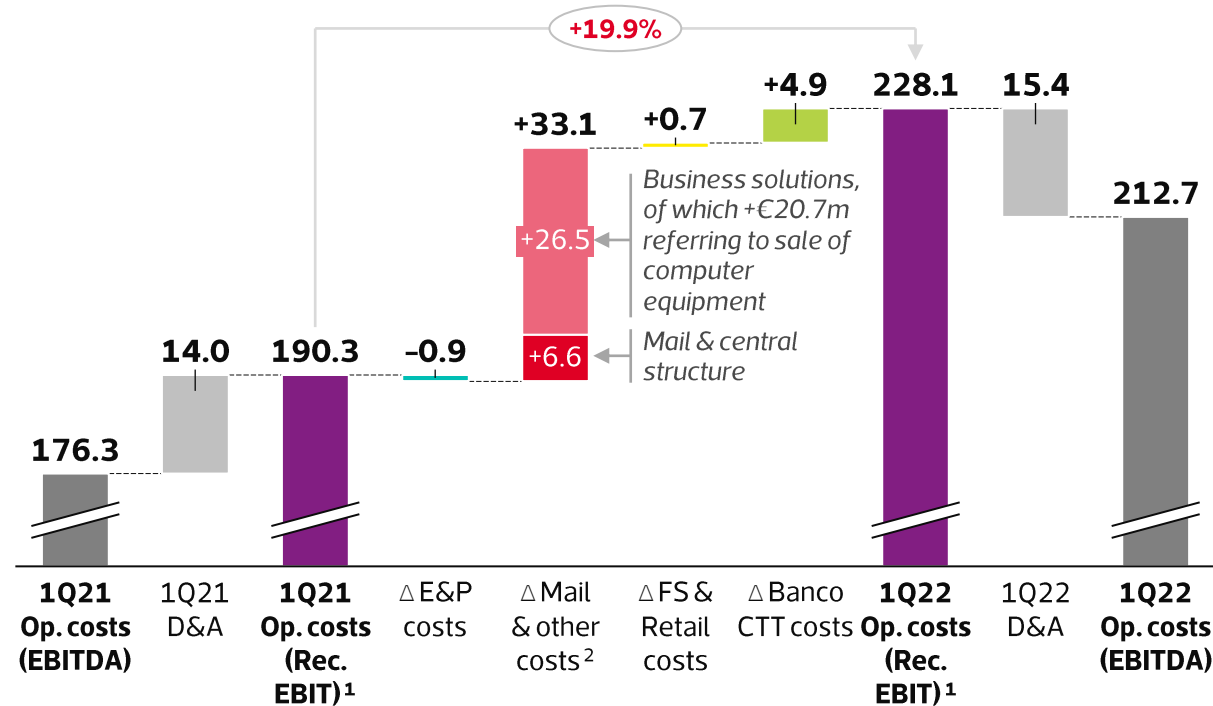


<sup>1</sup> Excluding Specific items; <sup>2</sup> Including Central Structure

# Opex increase in Mail & other related with the sale of computer equipment

## Operating costs

€ million; % change vs. prior year



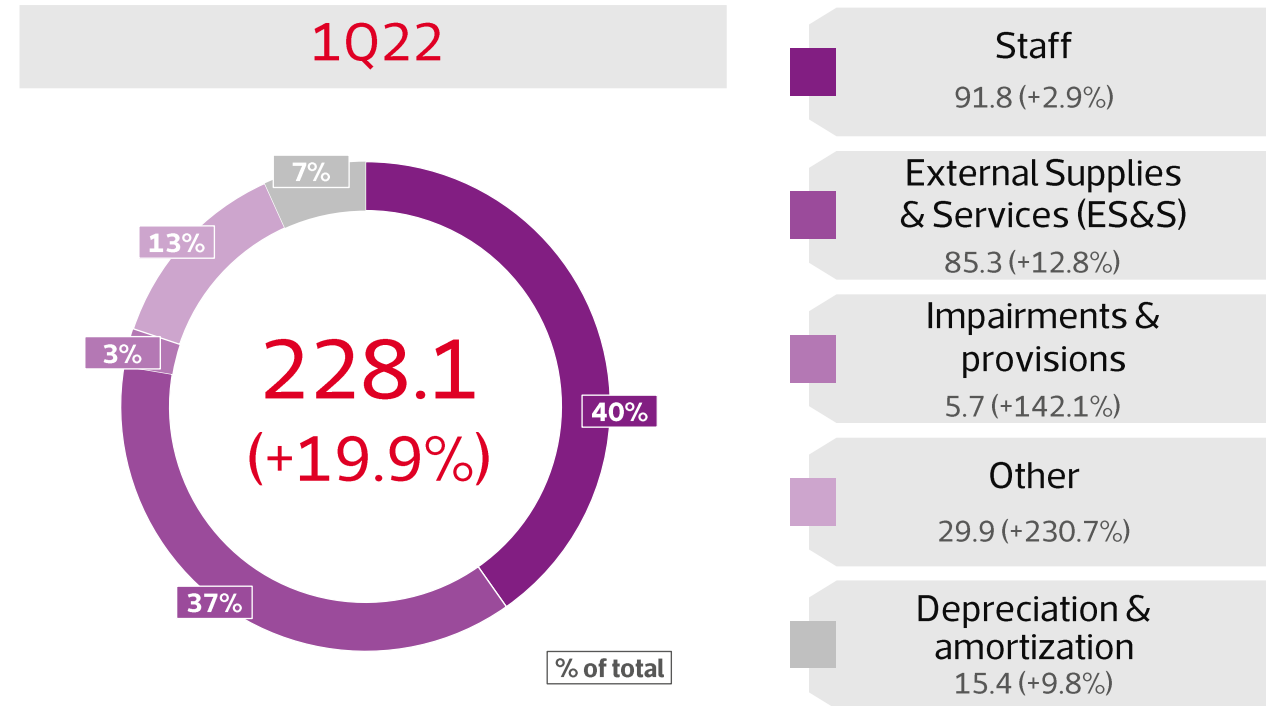
In 1Q22:

- **Staff costs increased in Mail & other (+€2.6m) due to the integration of NewSpring (+€3.1m).** The remaining BU staff costs decreased (Express & Parcels -€0.5m and Financial Services & Retail -€0.1m), with the exception of Banco CTT (+€0.6m)
- **ES&S costs grew by €9.7m**, mainly as a result of a €3.3m increase in foreign operators from the international outbound mail from the elections, a €1.9m increase due to the integration of NewSpring and a €1.6m increase in buildings & fleet due to the investment in additional operational capacity
- **Other costs increased by €20.8m**, mainly due to the €20.7m cost registered in the sale of computer equipment

¹ Excluding Specific items; ² Including Central Structure

## Operating costs (Rec. EBIT)¹ breakdown

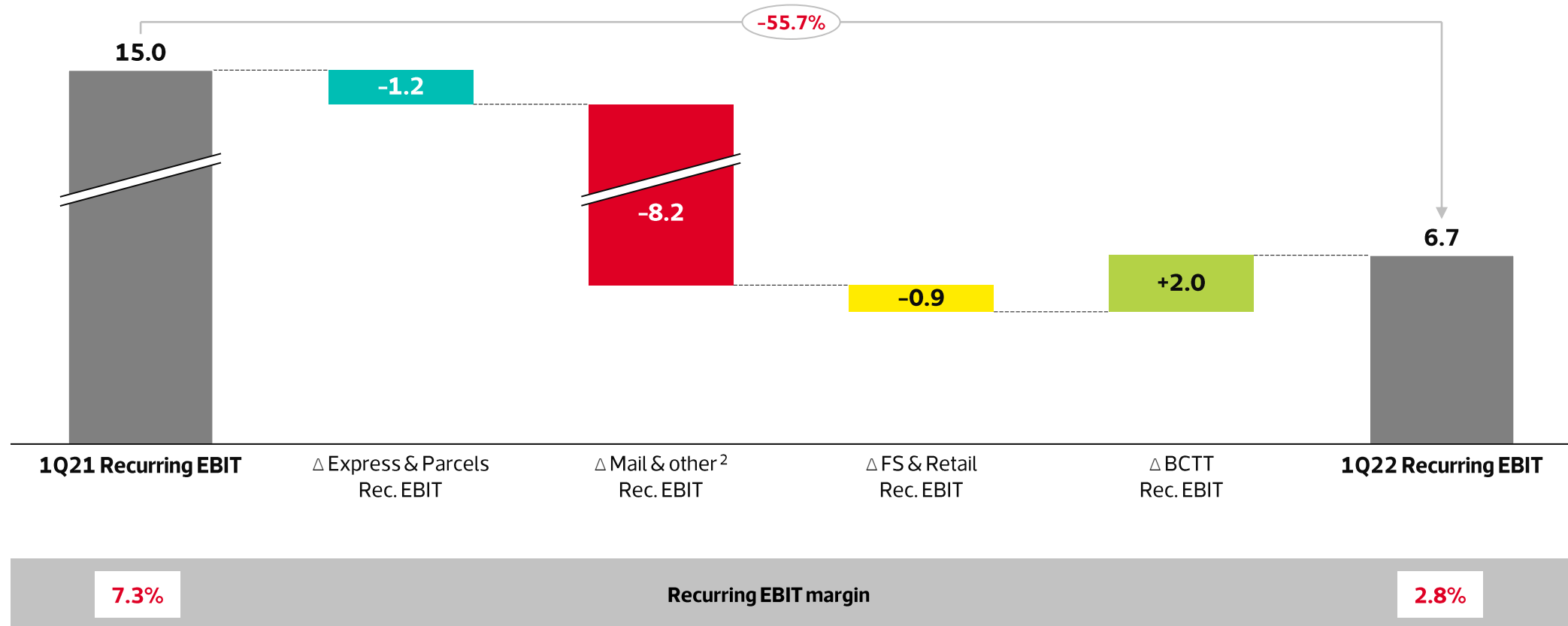
€ million; % change vs. prior year; % of total



# EBIT performance reflects decline in mail revenues and continued investment in quality and preparation for further structural e-commerce growth ahead

Recurring EBIT<sup>1</sup>

€ million

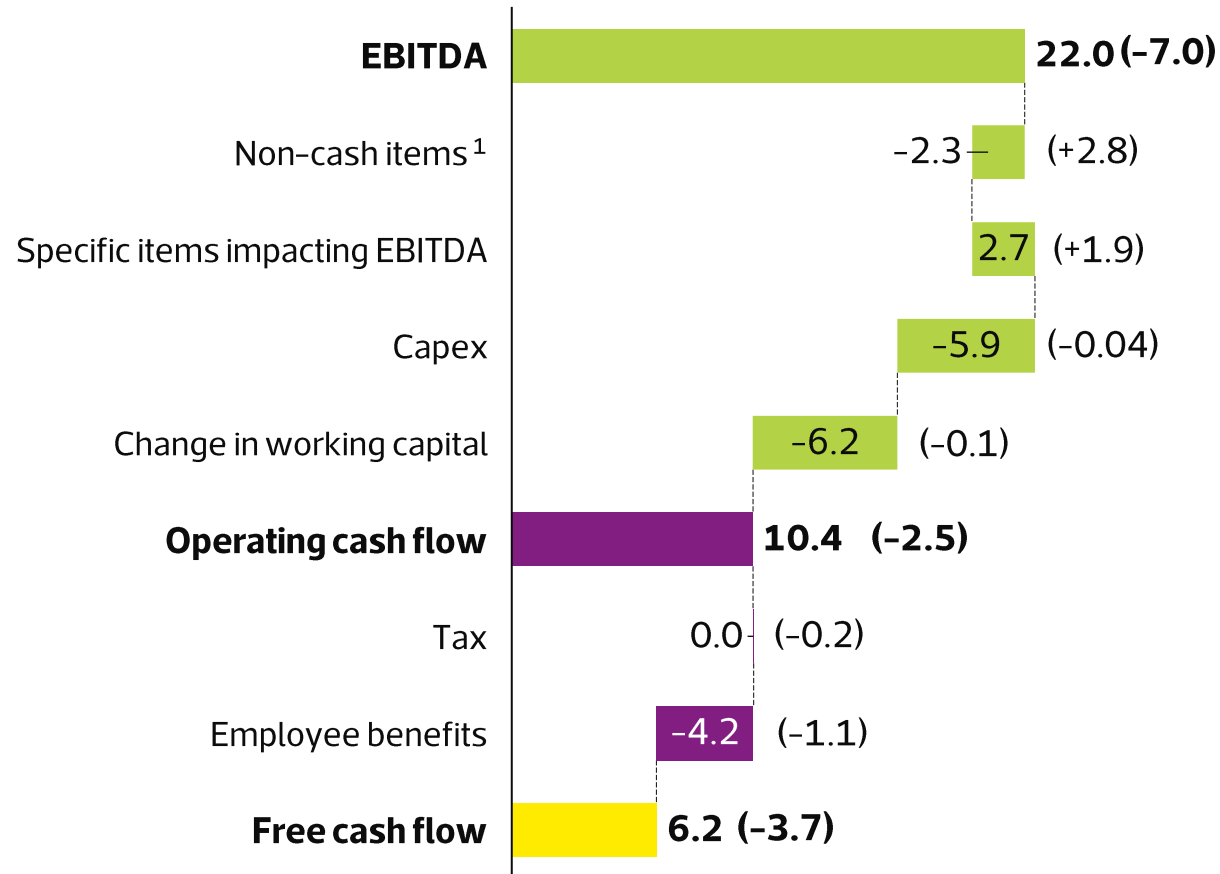


<sup>1</sup> Excluding Specific items; <sup>2</sup> Including Central Structure

# Ample balance sheet flexibility with net debt to LTM recurring EBIT at 1.3x

## 1Q22 Cash flow

€ million; impact on cash flow vs. prior year



## 31 March 2022 Net financial debt<sup>2</sup>

€ million

(+) Cash & cash equivalents	766.2
(-) Net Financial Services & other payables <sup>3</sup>	139.3
(-) Banco CTT liabilities, net <sup>3</sup>	457.2
(-) Other <sup>4</sup>	26.8
(=) Adjusted cash	142.9
(-) Financial debt	86.2
(=) Net cash position	56.7
(-) Lease liabilities (IFRS 16)	121.6
<b>Net financial debt<sup>2</sup></b>	<b>64.9</b>

<sup>1</sup> Impairments, provisions and IFRS 16 affecting EBITDA; <sup>2</sup> Only financial debt presented in the table; it does not include net employee benefits of €204.0m as at 31 March 2022; <sup>3</sup> The change in net liabilities of Financial Services and Banco CTT reflects the evolution of credit balances with third parties, depositors or other banking financial liabilities, net of the amounts invested in credit or investments in securities/banking financial assets, of entities of the CTT Group providing financial services, namely CTT financial services, Payshop, Banco CTT and 321 Crédito. <sup>4</sup> The change in other cash items reflects the evolution of Banco CTT's sight deposits at Bank of Portugal, outstanding cheques/clearing of Banco CTT cheques, and impairment of sight and term deposits and bank applications

## Closing remarks

We are building capacity to cope with future demand, preserving operational flexibility to adjust, if required

Commercial and marketing initiatives should improve customer intake, especially in E&P and business services

Profitability measures, namely in operations and central structure, have been intensified and will deliver results as from 2H22

EBIT generation improved throughout 1Q22 (81% of recurring EBIT in 1Q22 generated in March)

Previously identified risks remain active and 2Q22 will still be penalized by macroeconomic factors when compared with March22 run-rate

Notwithstanding a difficult environment, increasing execution risk, **we remain committed to achieving FY22 EBIT within €65-75m**

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ctt



# CTT

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