



# 9M21

## Results Presentation

# ctt

## Committed to deliver

4 November 2021

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# Operational review



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## 3Q21 earnings show resilient growth against inbound mail headwinds



Quarterly growth in revenues (+8.1%), underpinned by Express & Parcels and Banco CTT was achieved notwithstanding a deterioration observed in Mail due to lower inbound



Inbound mail revenues penalized by the end of *de minimis* VAT exemption in non-EU inflows, which had a stronger impact than anticipated



Business solutions driving customer loyalty and revenue growth



Above market growth in Express & Parcels in Spain translating into positive EBITDA in 9M21, anticipating the initial turnaround targets



Consolidation of leadership position in the Portuguese CEP market while focusing on complementary e-commerce value chain solutions



Continued growth of consumer and auto credit portfolios

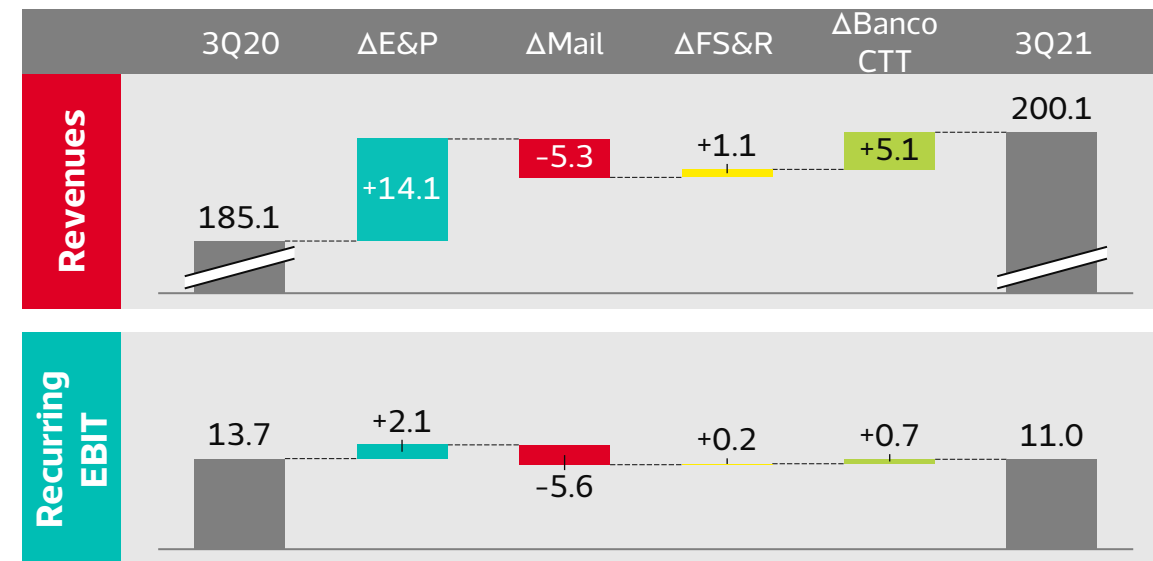
# Resilient revenue growth with room to further improve mail cost base

## Group CTT - Financials

€ million

Revenues **3Q21** **€200.1m** **9M21** **€612.9m**

Recurring EBIT **€11.0m** **€39.7m**



	Express & Parcels		Mail & other <sup>1</sup>		Financial Services & Retail		Banco CTT	
Revenues	3Q21 €60.5m	9M21 €186.3m	3Q21 €101.3m	9M21 €318.9m	3Q21 €11.9m	9M21 €35.6m	3Q21 €26.4m	9M21 €72.1m
Recurring EBIT	3Q21 €1.6m	9M21 €7.1m	3Q21 €0.2m	9M21 €9.8m	3Q21 €5.9m	9M21 €17.1m	3Q21 €3.4m	9M21 €5.8m

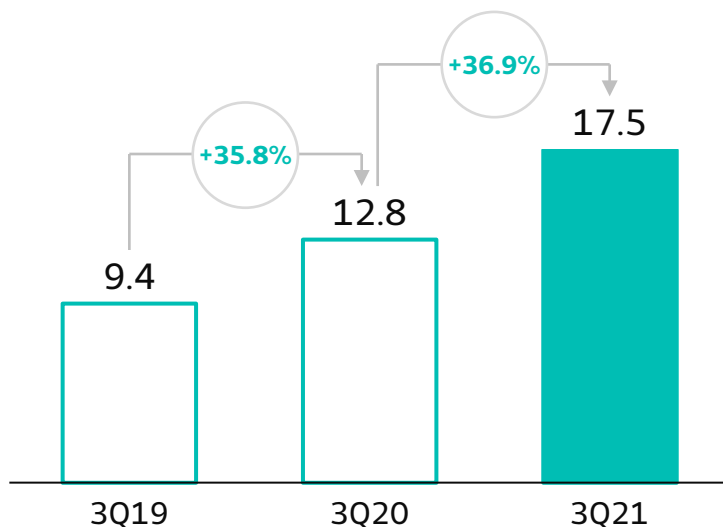
<sup>1</sup> Including Central Structure



## Healthy growth of CEP driven by market growth and share gains in Spanish operations

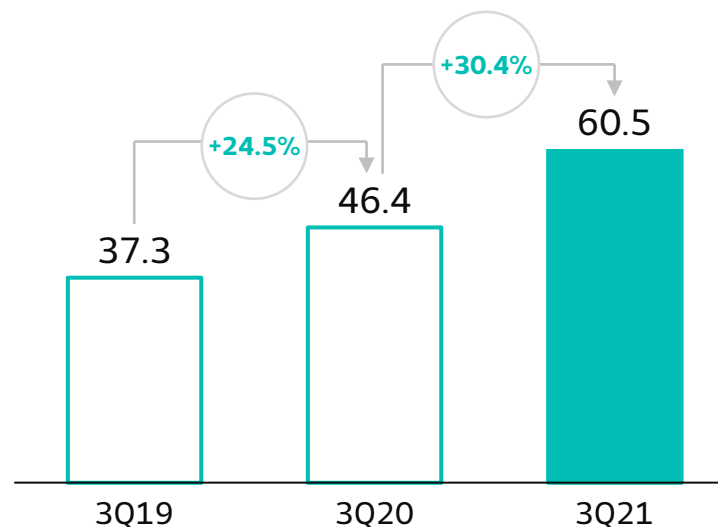
### Express & Parcels Iberia<sup>1</sup> – Volumes

million items; % change vs. prior year



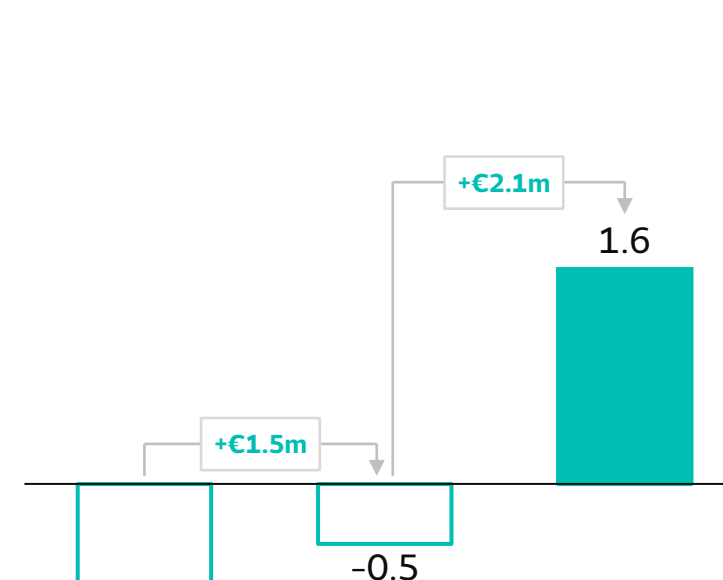
### Express & Parcels Iberia<sup>1</sup> – Revenues

€ million; % change vs. prior year



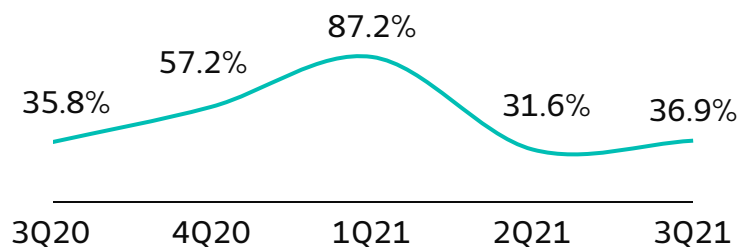
### Express & Parcels Iberia<sup>1</sup> – Recurring EBIT

€ million; change vs. prior year



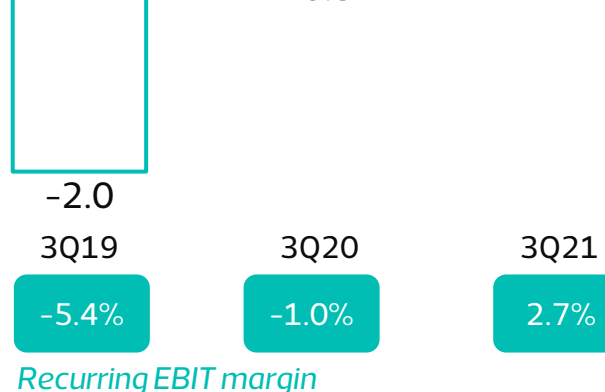
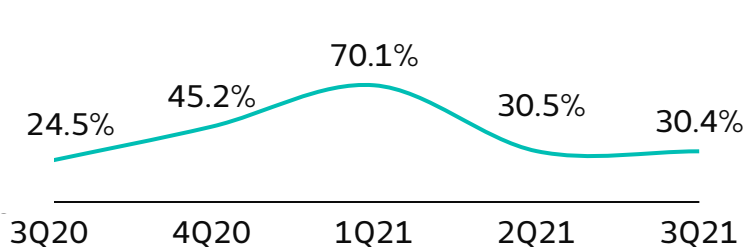
### Express & Parcels Iberia – Volume growth

% change vs. prior year



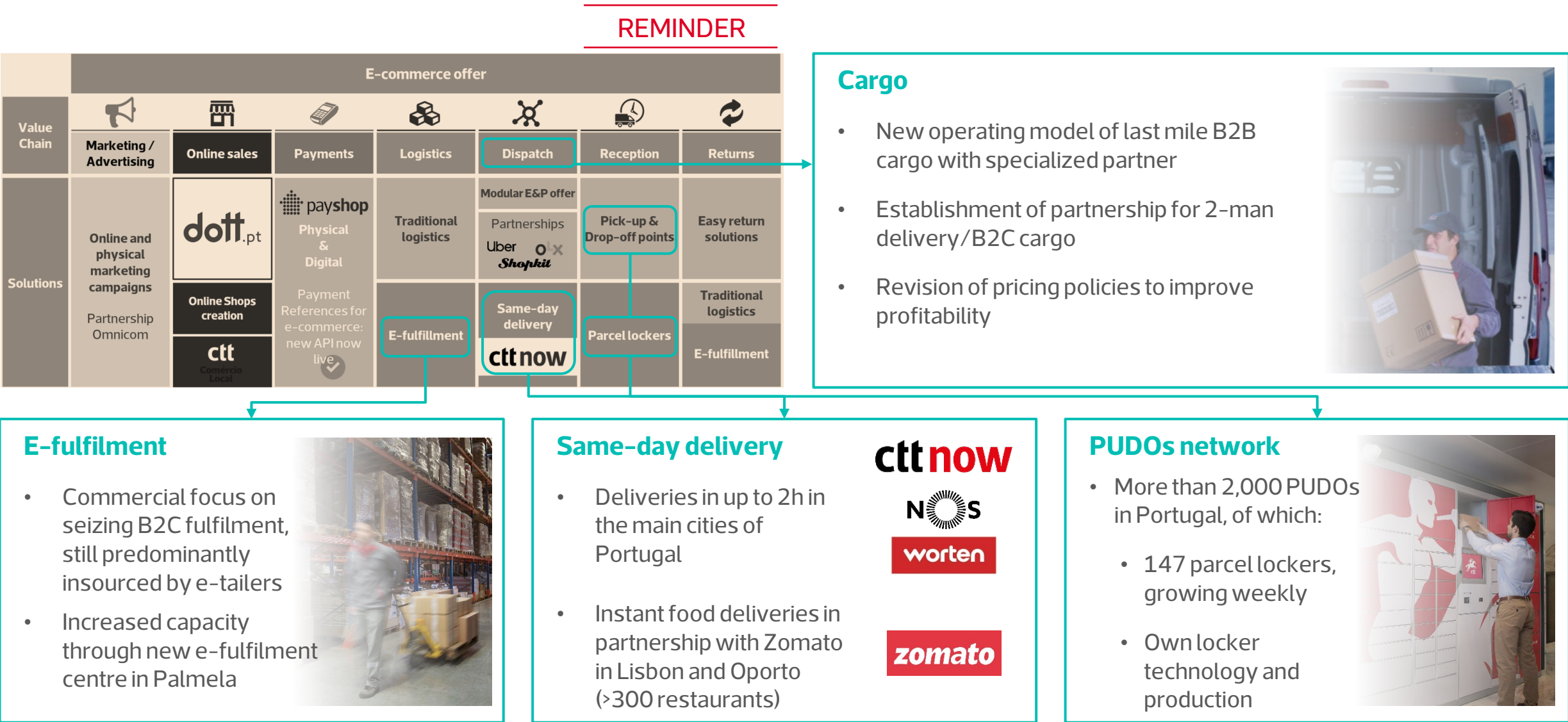
### Express & Parcels Iberia – Revenue growth

% change vs. prior year



<sup>1</sup>includes Mozambique, contributing with 0.01m in volume, €0.9m in revenue and €0.2m in recurring EBIT in 3Q21.

# Continued rollout of complementary CEP solutions in the e-commerce value chain

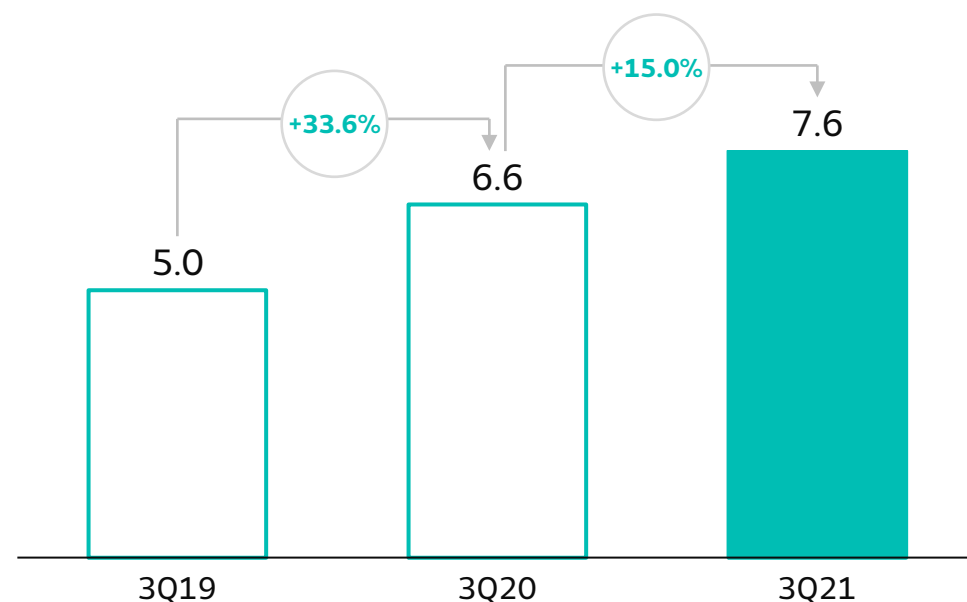




# Portugal CEP showing steady growth notwithstanding induced lower cargo activity

## Express & Parcels Portugal – CEP Volumes

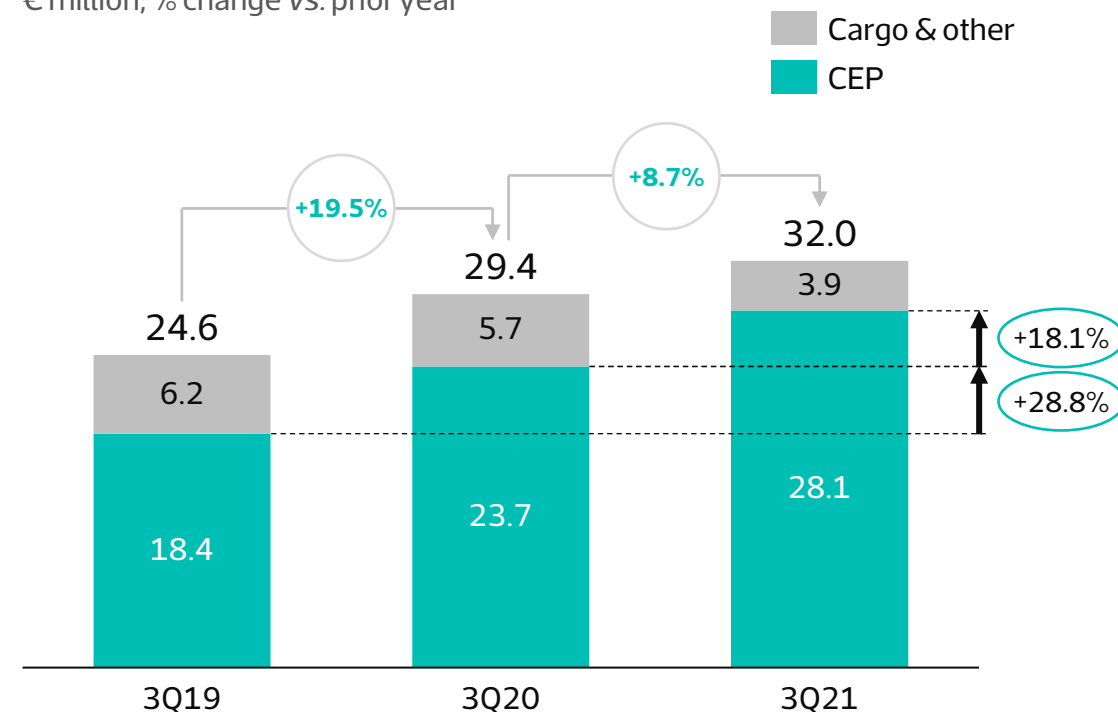
million items; % change vs. prior year



Volume growth on the back of capturing large Chinese e-tailers

## Express & Parcels Portugal – Revenues

€ million; % change vs. prior year

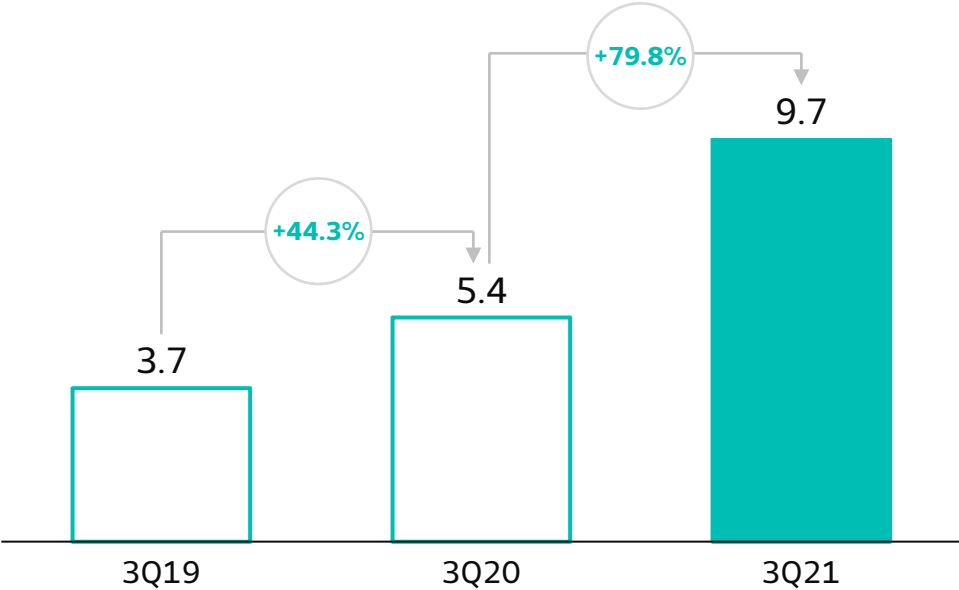


Other revenues declined due to churn of unprofitable clients, upon the new cargo operating model



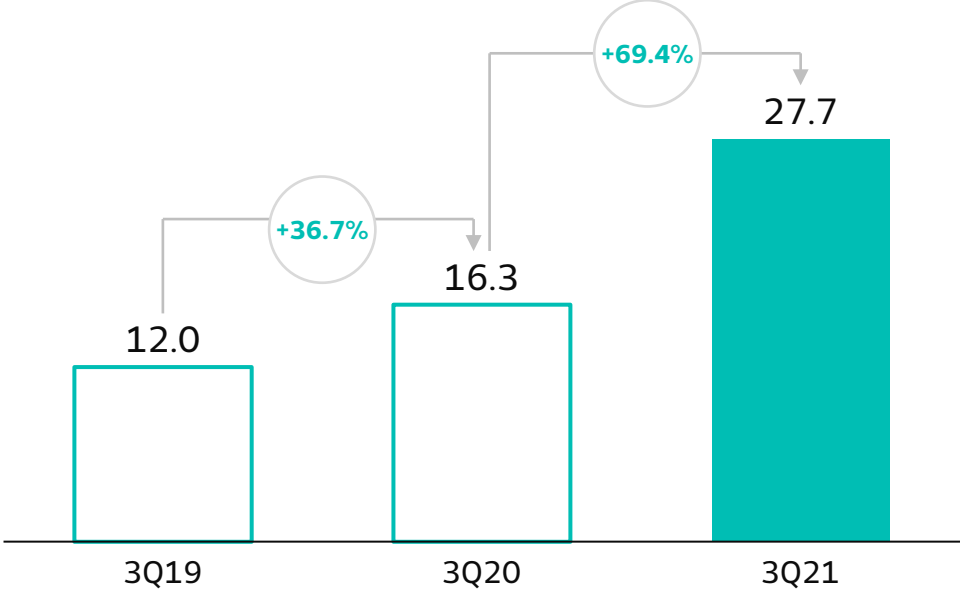
# Buoyant revenue growth in Spain driven by solid market share gains

Express & Parcels Spain – CEP Volumes  
million items; % change vs. prior year



Volumes have been growing consistently...

Express & Parcels Spain – Revenues  
€ million; % change vs. prior year

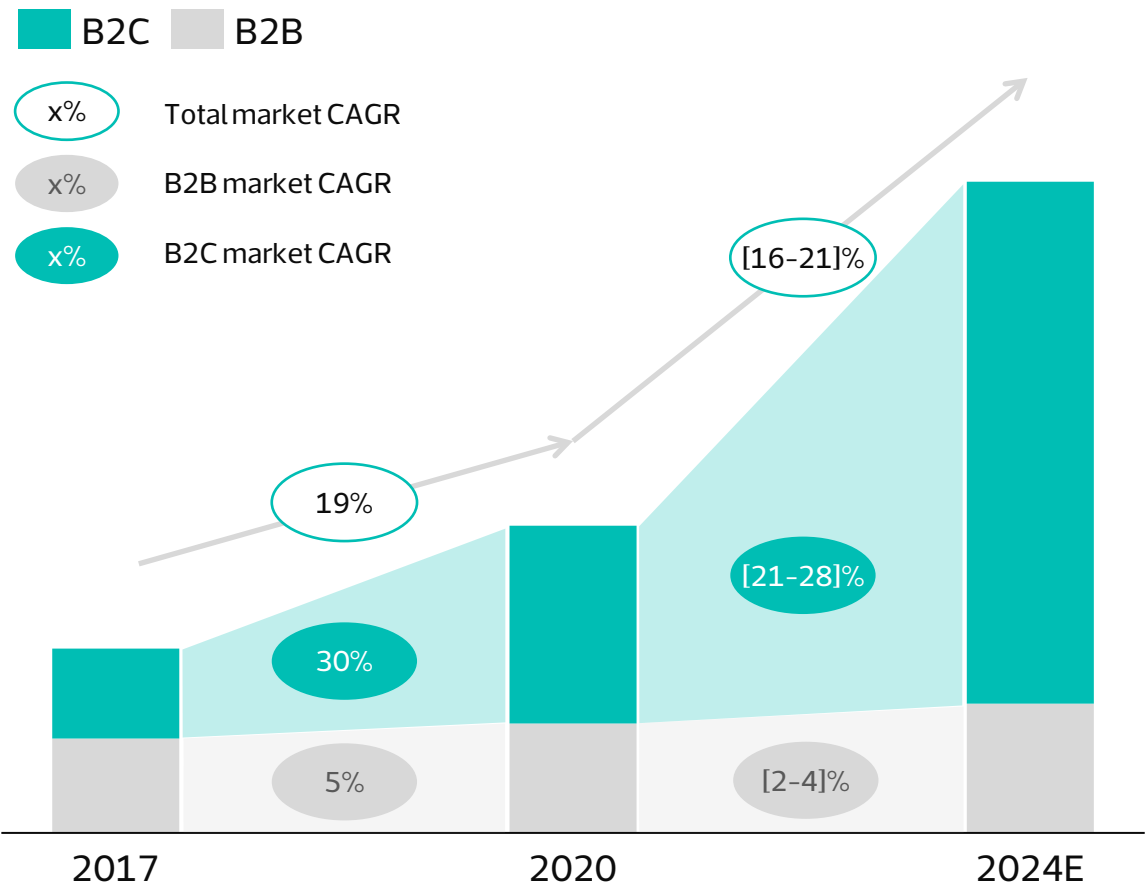


...resulting in solid year-on-year revenue growth

# Market share gains driven by B2C client acquisition on top of a growing market

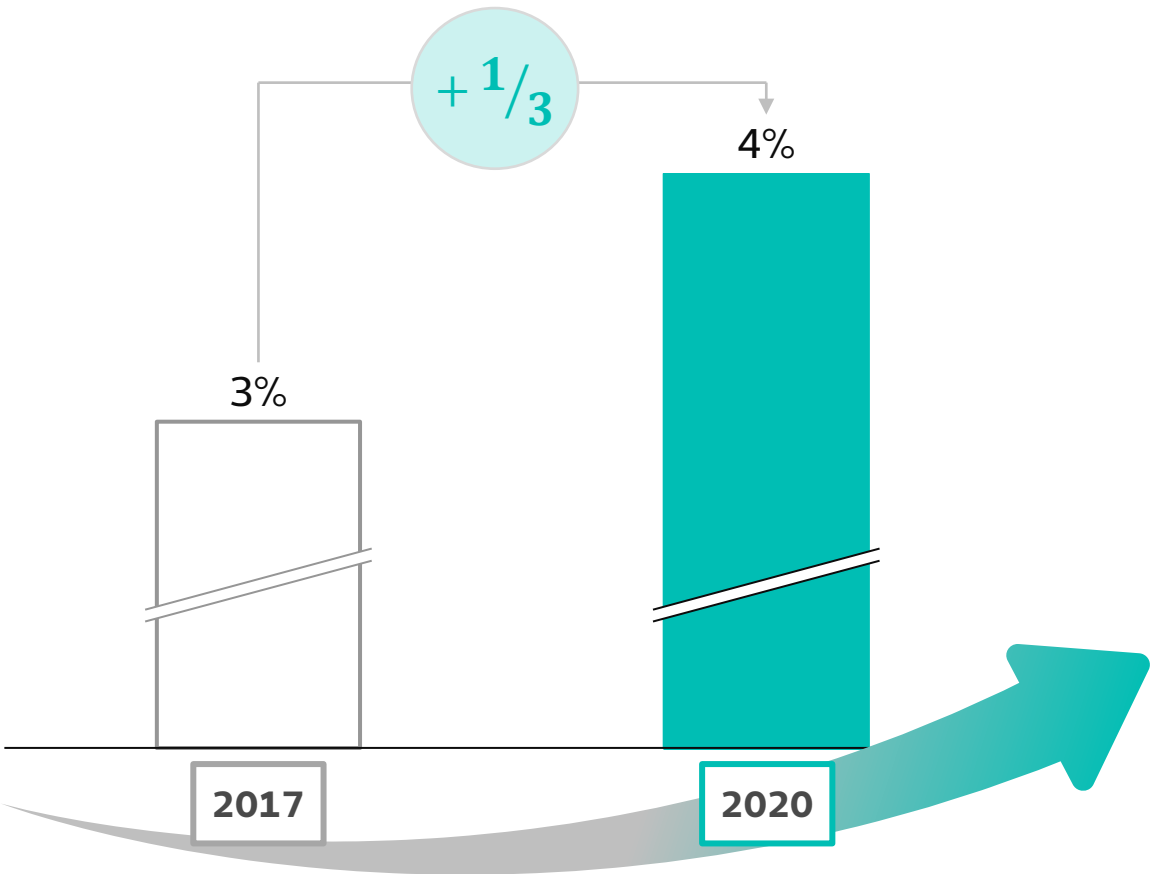
Express & Parcels Spain – CEP market (shipments)

# shipments



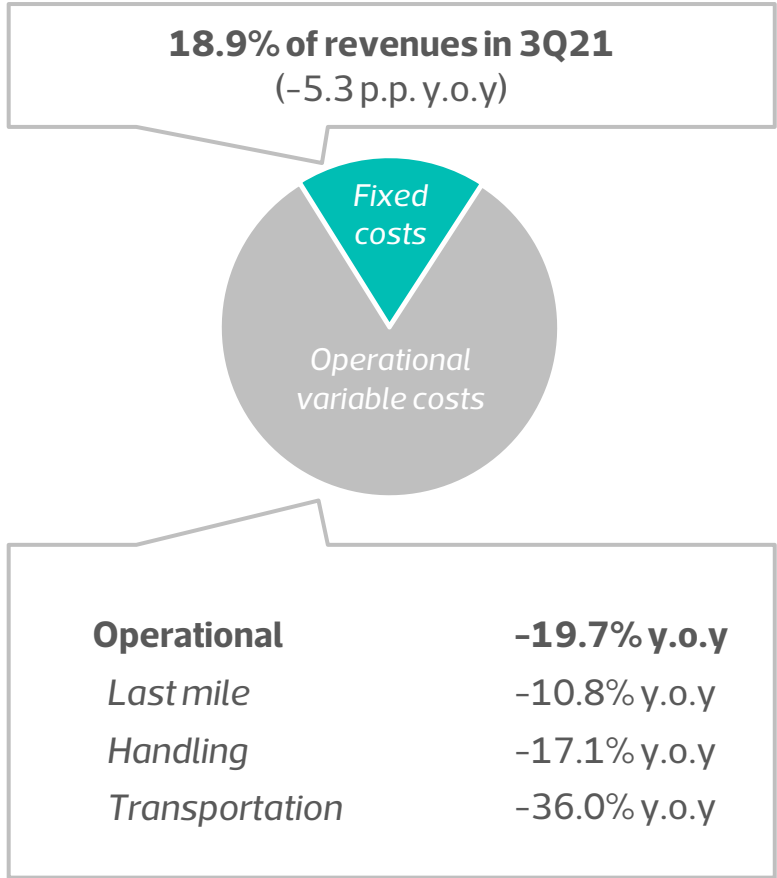
Express & Parcels Spain – CEP market share (shipments)

% market share

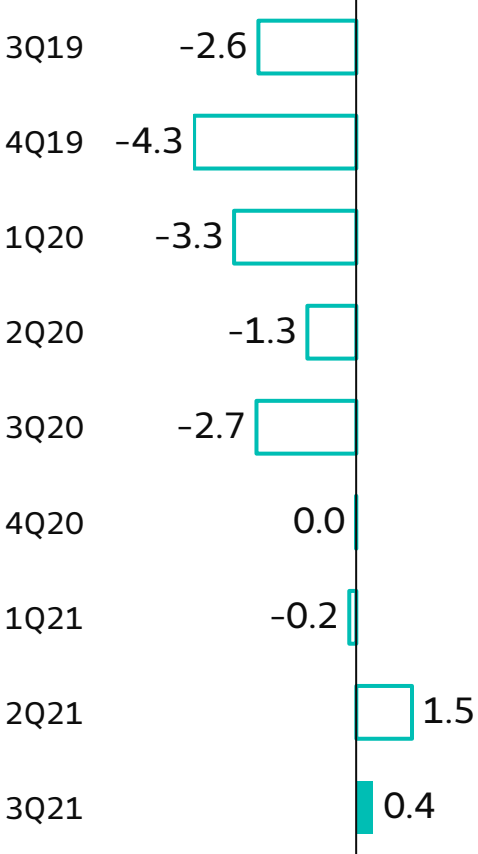
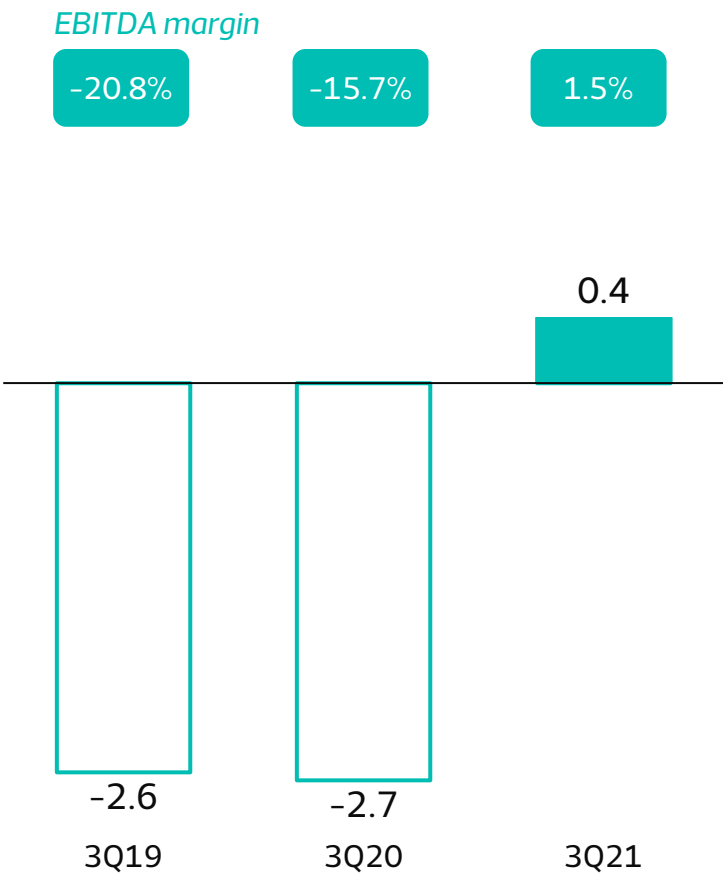


# Spain: profitability driven by relentless focus on growth, efficiency and increased scale

Operating costs (EBITDA)  
€ million; % change vs. prior year



EBITDA  
€ million



Breakeven achieved  
well ahead of  
commitment



CTT Express ambition in Spain is to increase market share to high single digit and grow EBIT margin to mid-to-high single digit

## Current

Market share  
2020 (revenue)

**2.2%**

(4% of shipments)

EBIT margin 9M21

**Around  
breakeven**

### Commercial goals

- Grow in B2C market with a more efficient delivery network, based in own operations
- Grow in B2B with a more competitive business model, redefining the role of franchisees
- Become the company of reference for cross-border Iberian flows

### Profitability goals

- Develop scale to enable dilution of structure costs and improve operational leverage
- Refine pricing dynamics
- Iberian projects to improve productivity (detailed in slide 19)

## Mid-term ambition

Increase market  
share to **high  
single digit**

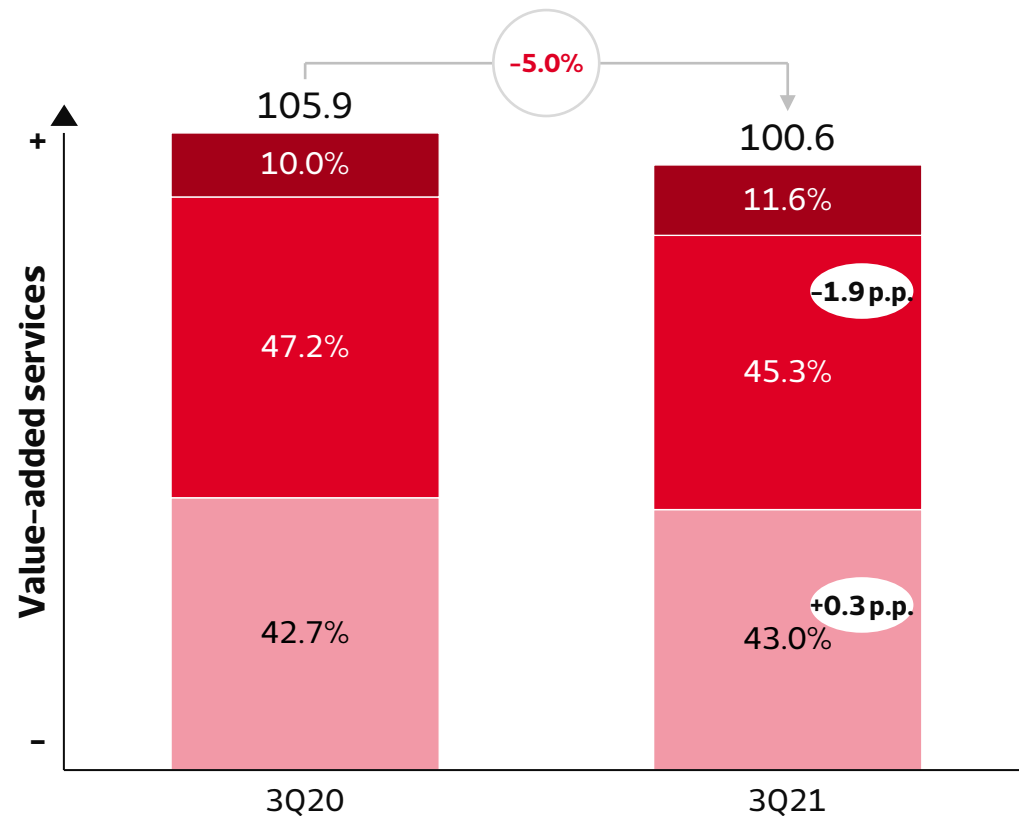
Increase EBIT  
margin to  
**mid-to-high  
single digit**

# Revenue trends penalized by inbound mail decline driven by the end of VAT *de minimis*

## Mail revenues

€ million; % change vs. prior year

○ Delta (p.p.) 3Q20-3Q21



■ Business solutions, advertising mail & other ■ Higher-value mail <sup>2</sup> ■ Lower-value mail <sup>3</sup>

- Renewed commercial effort
- NewSpring consolidation (detailed in slide 15)

- Negatively impacted by VAT *de minimis* <sup>1</sup> (detailed in the next slide)
- Registered mail maintained a solid performance

- Digitalization of the customer experience to improve convenience in mail usage

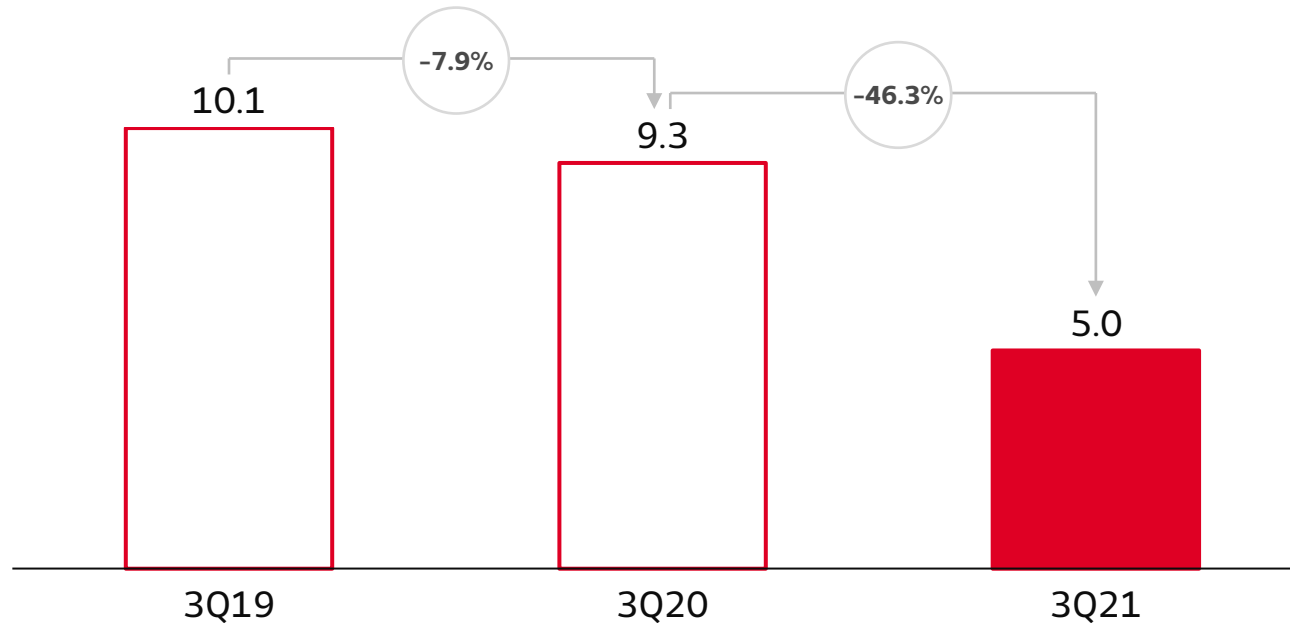
<sup>1</sup> End of VAT exemption in non-EU inbound flows; <sup>2</sup> Higher-value mail includes registered and international mail; <sup>3</sup> Lower-value mail includes ordinary, priority, green and editorial mail



## De minimis negative impact was higher than anticipated and across the sector

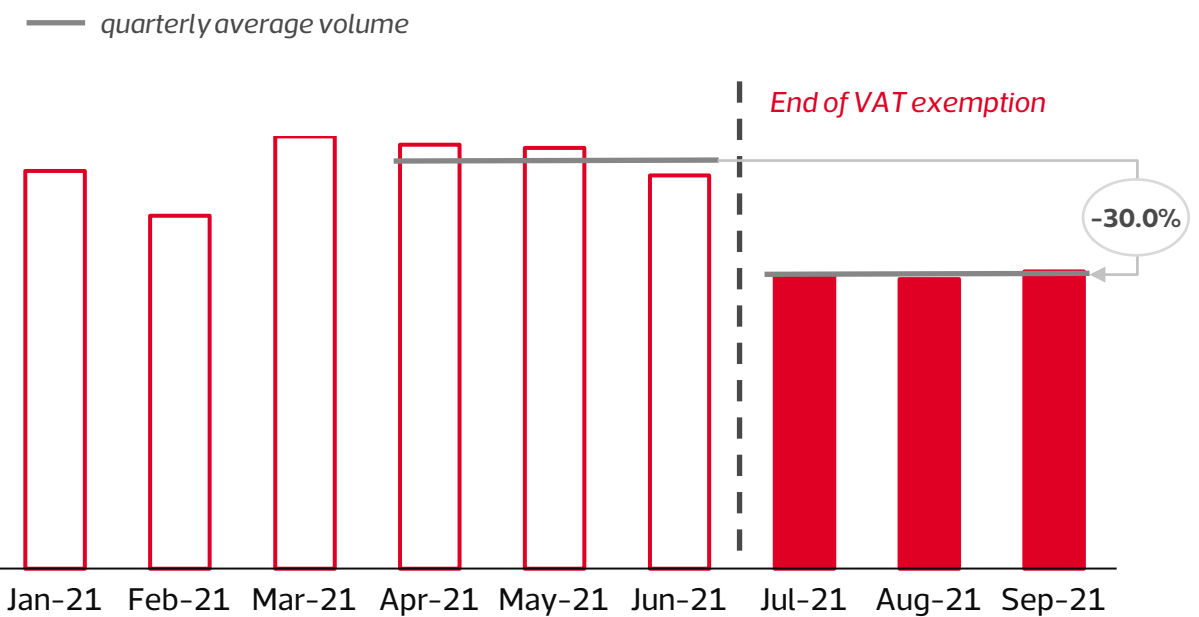
### Non-EU inbound mail revenues

€ million; % change vs. prior year



### EU tracked inbound mail volumes<sup>1</sup>

million items



### 3Q21 impacted by elimination of VAT exemption in non-EU inbound volumes

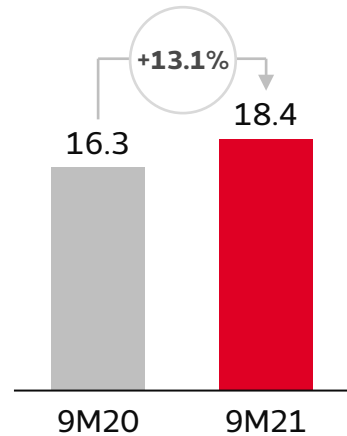
- European-wide trend (c. 30% volume decline since end of VAT exemption)
- Cumbersome customs processes: leading to significant delays and deteriorating client experience
- Accelerating migration to CEP channels (e-commerce volumes from China Post to Europe have decreased c. 75% since 2019)

# Having concluded the acquisition of NewSpring, focus is on cross selling

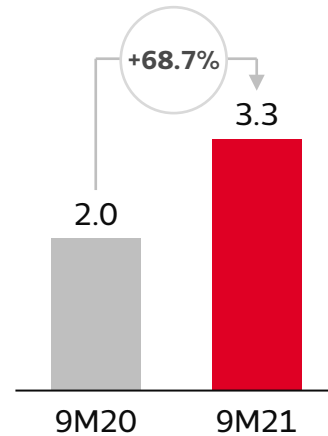
## NewSpring individual financials <sup>1</sup>

€ million, change vs prior year

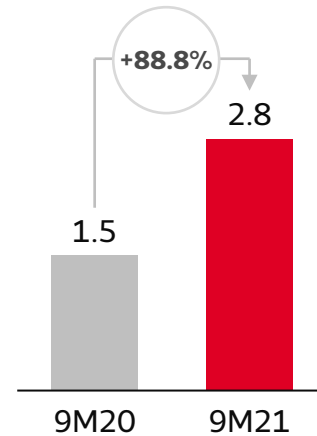
### Revenues



### EBITDA



### Recurring EBIT



600

Contact centre FTEs



13.5k

Inbound calls/day



6,000

Archive space sqm



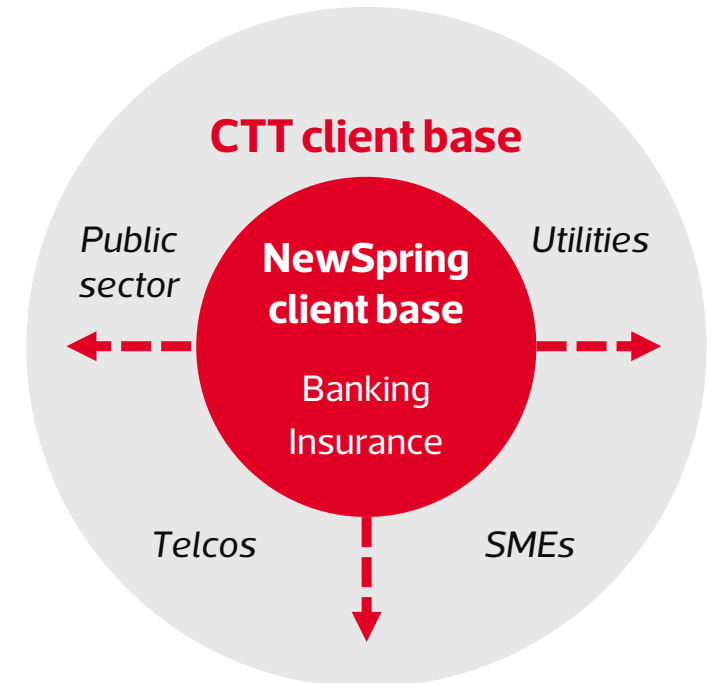
15

Number of clients

- Expand market share in banking and insurance segment
- Penetration in other sectors
- Moving towards medium size company segment

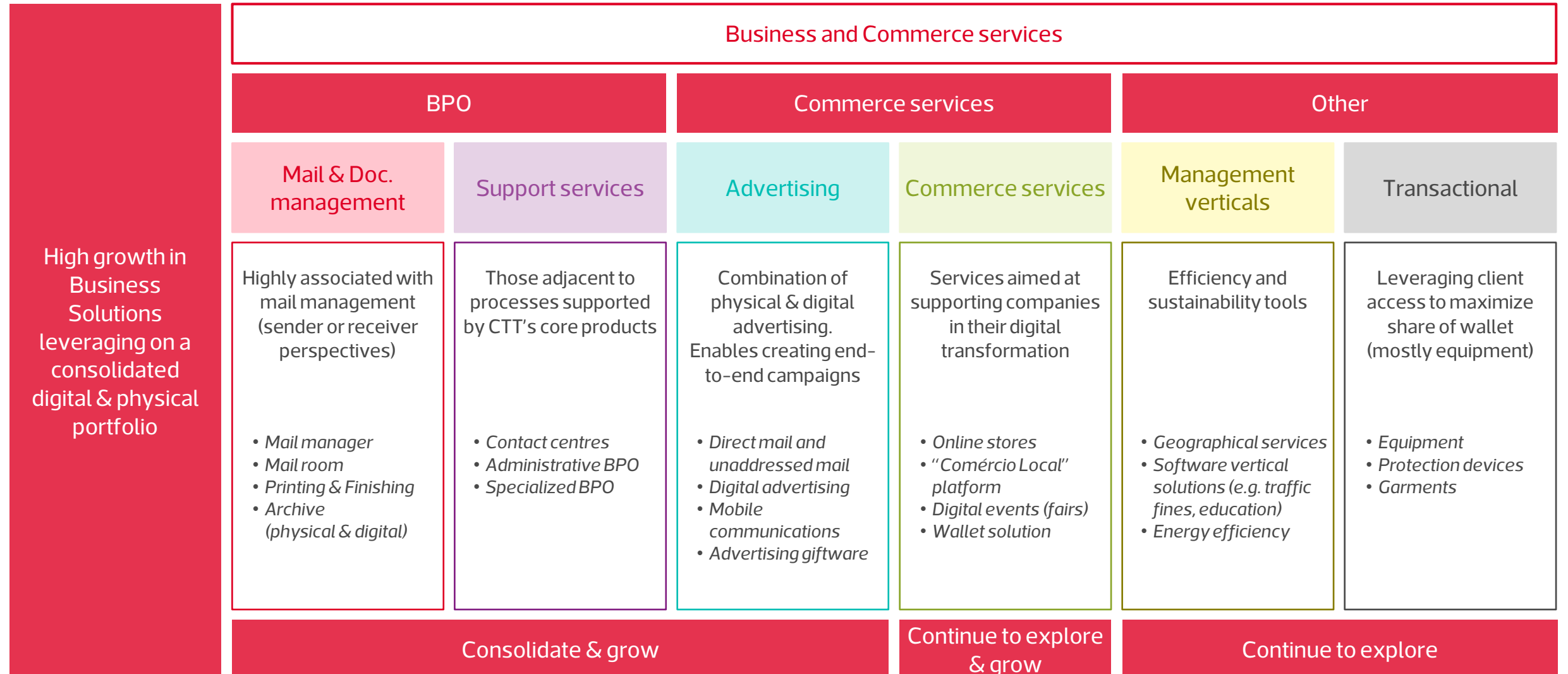


125 clients approached



<sup>1</sup> Newspring Services started to be consolidated within CTT group on the 1<sup>st</sup> of September

## Business solutions portfolio can be comprised in 6 pillars, each with different goals



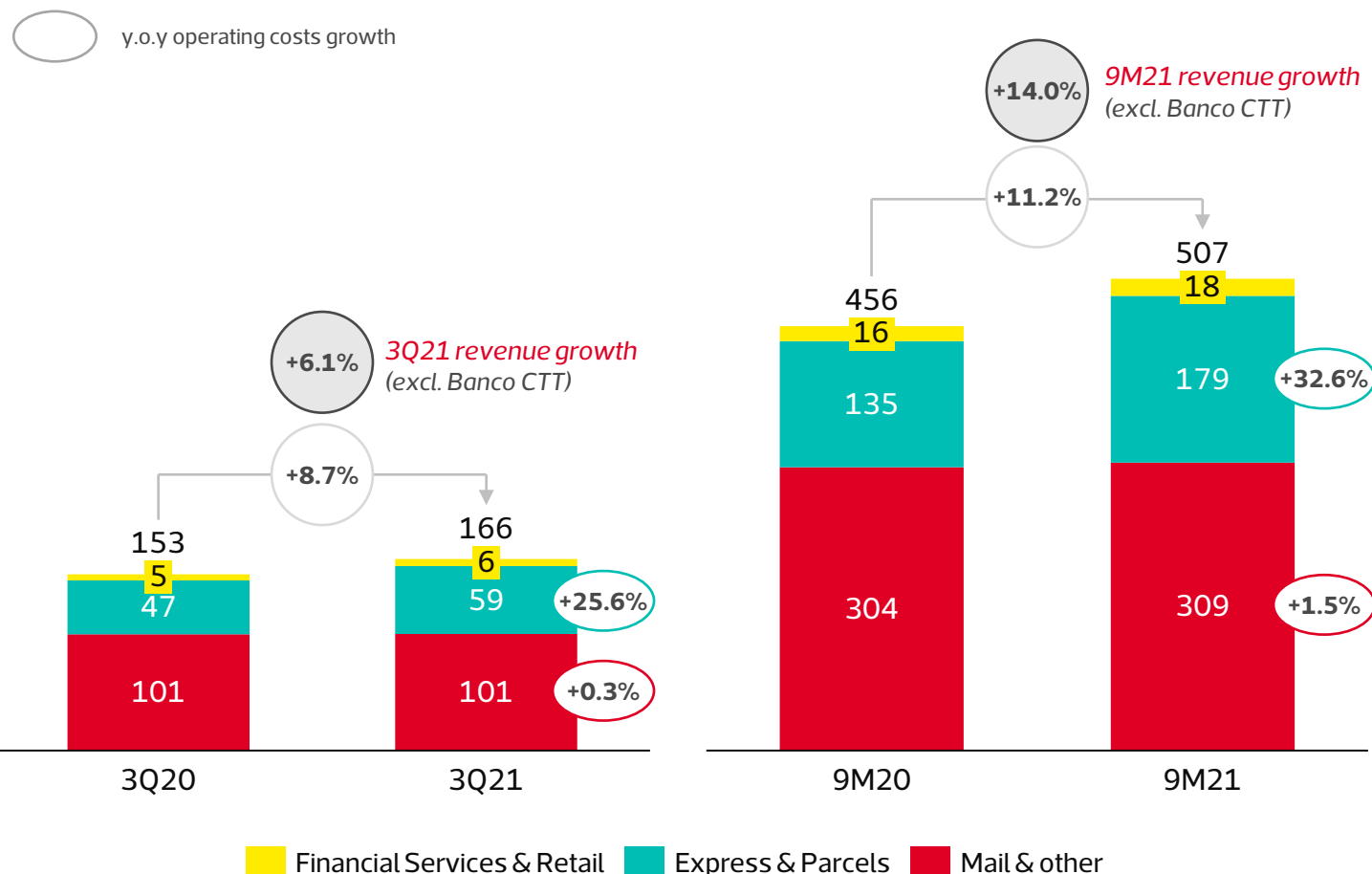
# Against a backdrop of quick decline in inbound mail revenues, CTT remains focused on costs

Portugal  
Operations

Iberian  
synergies

## Operating costs – Recurring EBIT (excluding Banco CTT Segment) <sup>1</sup>

€ million; % change vs. prior year



Operating costs grew above revenues in 3Q21 for two motives:

### I. Increased commercial effort

- Discretionary nature
- To be maintained to drive transformation and growth

### TO BE DETAILED

### II. Operational efficiency

- Portugal operations
- Iberian Synergies

<sup>1</sup> Excluding Specific Items; Excludes Bank & Payments segment

# Optimization of last mile and interoperability of express and mail networks offer room for improvement

Portugal  
Operations

## Last mile route optimization

- Mail: 40% of routes have been optimized; the whole network to be fully optimized during 2022
- CEP: Renegotiation of last mile fee structure with third party distributors (~5% savings projected)
- CEP: Implementation of dynamic routing expected to reduce travelled distance

## Workforce

- Insourcing in growth areas
- Undergoing c.175–200 suspension agreements<sup>1</sup> by YE22, with total annual savings of €5–6m;
  - €8m provision already booked (118 contracts)

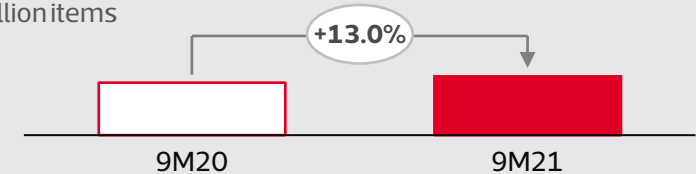
## Other

- Integrated management of linehaul and distribution networks in Mail and in CEP
- Lean operations methodology to engage front line staff and to accelerate operations transformation, reignited post pandemic
- Hybrid utilization of sorting equipment for parcels and mail
- Lower air cargo transportation costs due to the progressive normalization of commercials flights
- Cargo margin becoming positive going forward

Iberian  
synergies

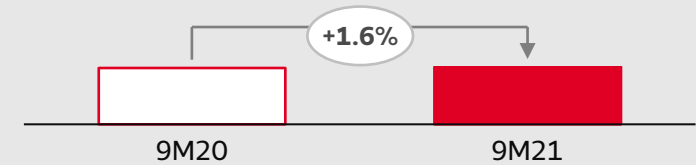
## Increased parcels internalization in mail network...

Express volume distributed through mail network  
million items

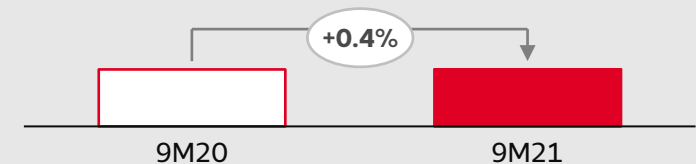


## ...with a more efficient workforce

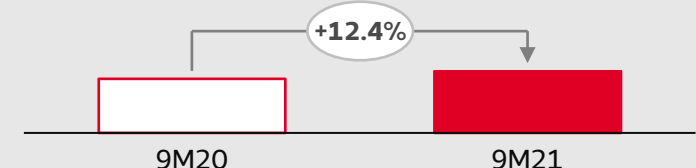
Mail distribution network productivity<sup>2</sup>



Mail handling productivity<sup>3</sup>



Express handling productivity<sup>4</sup>



<sup>1</sup>Suspension agreements and other exit mechanisms;<sup>2</sup> Mail & parcels equivalent k units / distribution FTE; <sup>3</sup>Addressed mail volume (k items) / mail handling FTE; <sup>4</sup> CEP volumes (k items) / express handling FTE



# Seizing cross-border synergies

Portugal  
Operations

Iberian  
synergies

## Operations & Innovation



### In operation:

- Optimization of Iberian linehaul network: Three concentration hubs near the border; Benavente (Spain), Guarda & Évora – enables reducing costs for Iberian D+1 delivery



### Ongoing development:

- Joint utilization of IT apps and webservices enabling quick wins with low cost of implementation – new Iberian systems architecture
- Alignment best practices in customer service and incident management, namely social media and modern channels (WhatsApp, voice & chat bot's, live chats, etc.)



### Under planning:

- Uniformization of the linehaul management system
- Portal to interact with external providers management systems
- Field force management tools



## Procurement

### Benefits:

- ✓ Coordinated commercial strategy
- ✓ Improved scale
  - ✓ Incorporating best practices
  - ✓ Joint procurement
  - ✓ Progressive unifying maintenance contracts and spare parts



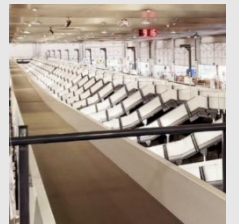
c.70 forklifts and  
c.120 pallet trucks

**Savings of  
c. €2m**



2,000 PDAs  
in 2Q21

**Savings of  
c. 20%**



4 mini-sorters  
in 2020

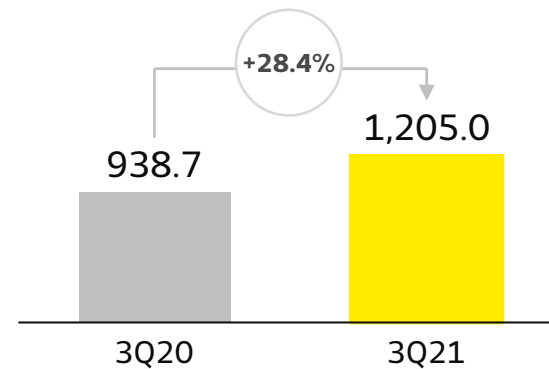
**Savings of  
c. 15%**

## Continued commercial proactivity

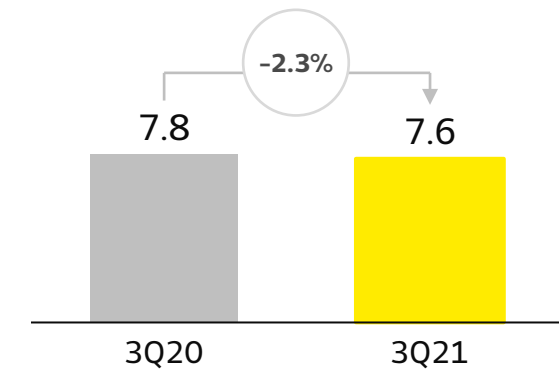
### Financial Services

- A 28.4% increase in public debt placements in 3Q21, almost compensated lower revenues in money orders and payments (-7.7% and -19.8% vs. 3Q20, respectively) and new public debt contract conditions

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



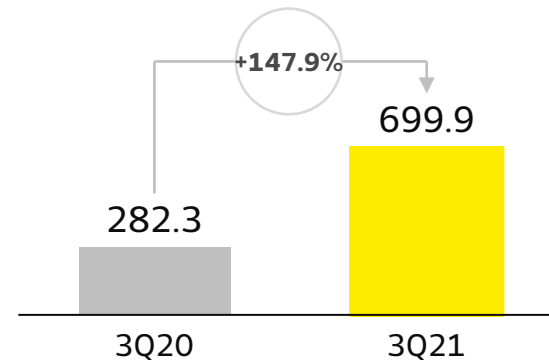
Financial Services revenues<sup>1</sup>  
€ million; % change vs. prior year



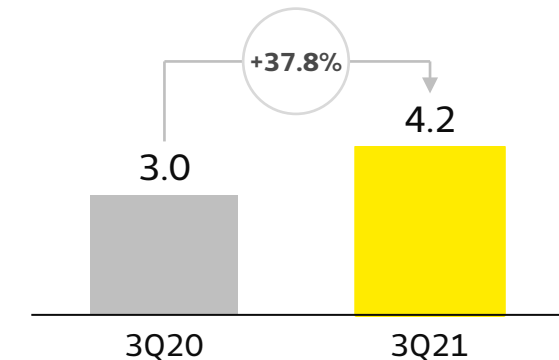
### Retail products & services

- Retail revenues growing in 3Q21 on the back of new products and renewed commercial dynamics

Number of transactions  
thousand items; % change vs. prior year



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

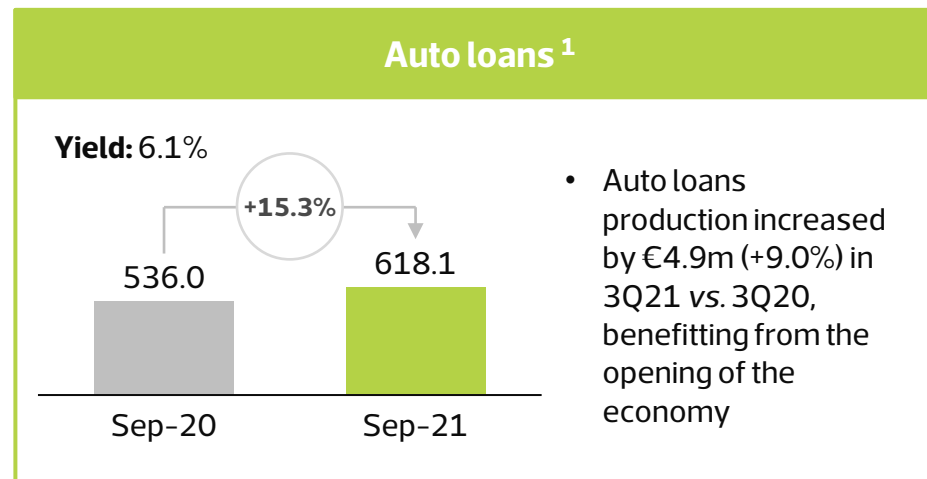
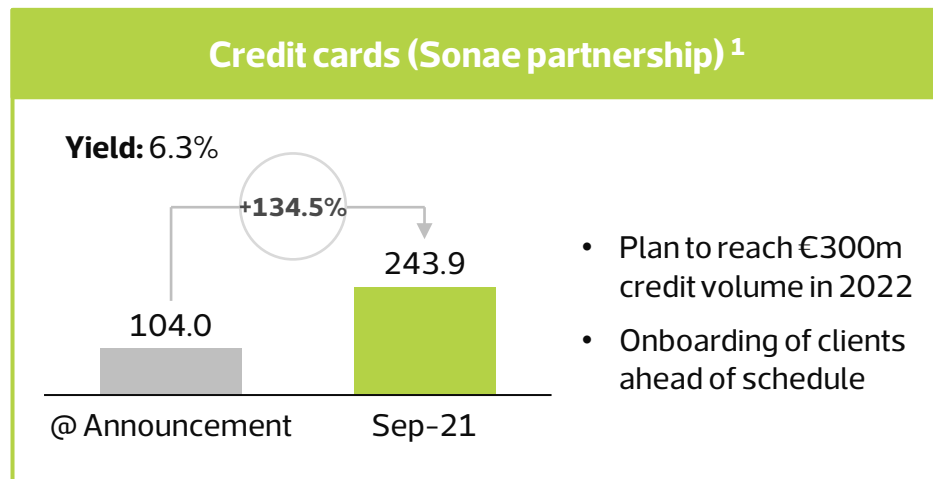
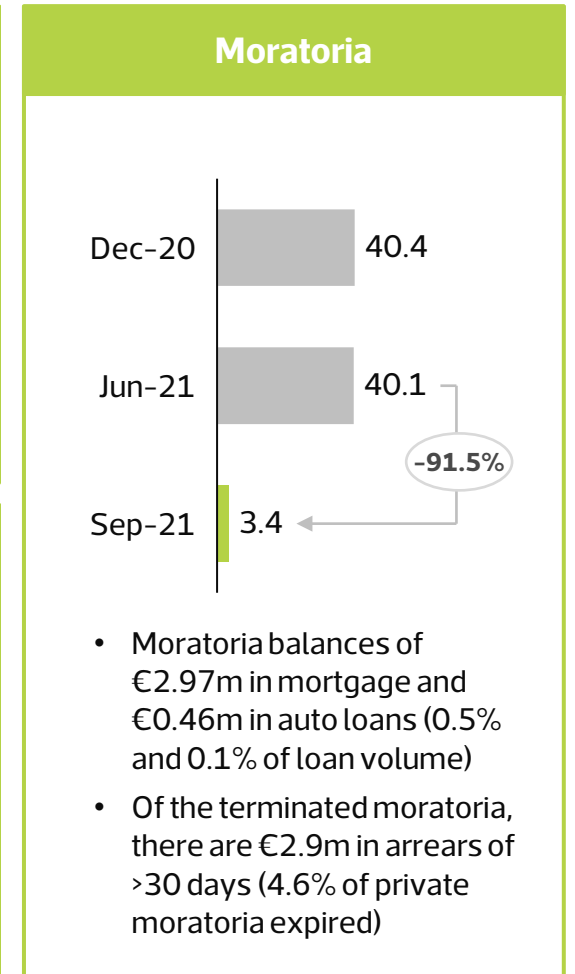
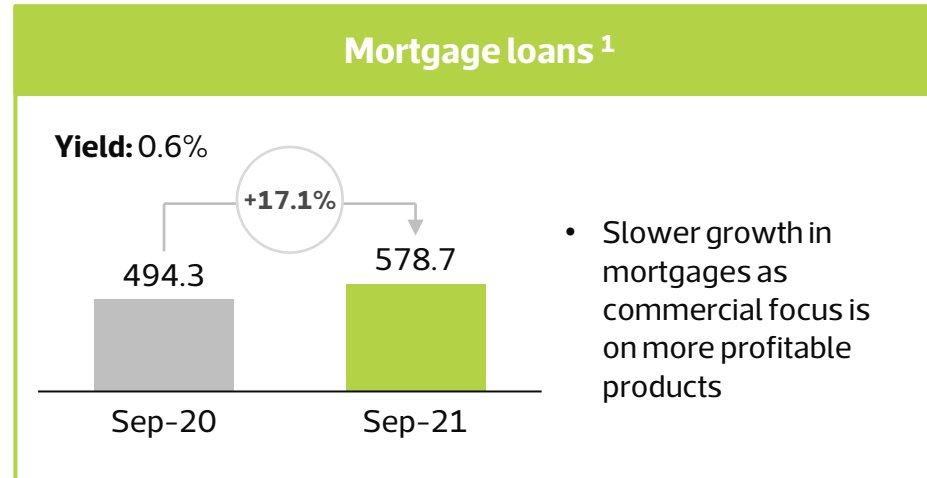
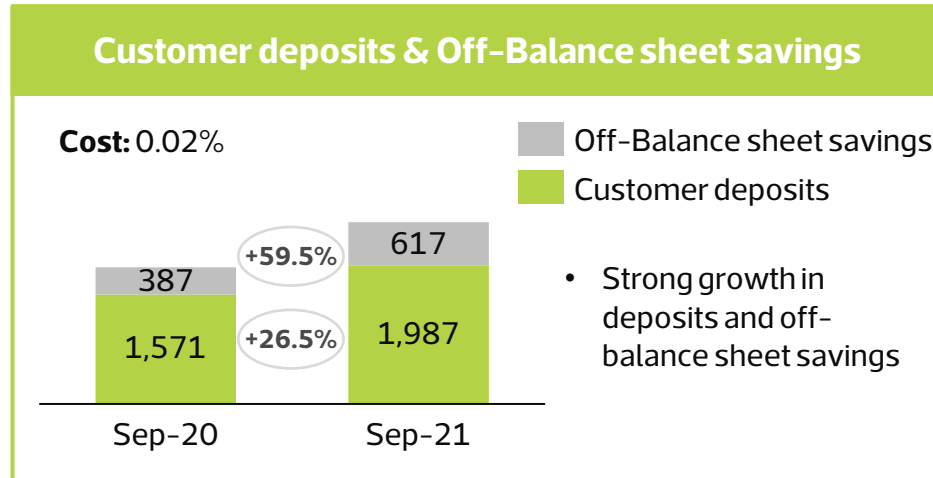


<sup>1</sup> Excludes other revenues that account for €0.003m in 3Q20 and €0.13m in 3Q21

# Consumer, auto lending and savings continue to drive growth and offer substantial potential

## Banco CTT – business volumes evolution

€ million except otherwise indicated



<sup>1</sup> Net of impairments





# Financial review



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# Revenue growth on the back of Express & Parcels growth will be translated into profitability

## Key financial indicators

€ million; % change vs. prior year

	Quarter		
	3Q20	3Q21	y.o.y
<b>Revenues<sup>1</sup></b>	185.1	<b>200.1</b>	<b>8.1%</b>
Operating costs - EBITDA <sup>2</sup>	155.4	<b>174.5</b>	<b>12.3%</b>
<b>EBITDA<sup>2</sup></b>	29.7	<b>25.6</b>	<b>-13.8%</b>
Depreciation & amortization <sup>3</sup>	16.0	<b>14.6</b>	<b>-8.9%</b>
<b>Recurring EBIT<sup>1</sup></b>	13.7	<b>11.0</b>	<b>-19.6%</b>
Specific items	1.3	<b>-3.5</b>	<b>&lt;&lt;</b>
<b>EBIT</b>	12.4	<b>14.5</b>	<b>16.7%</b>
Financial result	-2.5	<b>-2.7</b>	<b>-8.7%</b>
Tax	3.6	<b>2.6</b>	<b>-27.5%</b>
<b>Net profit attributable to equity holders</b>	6.3	<b>9.1</b>	<b>44.5%</b>
<b>Free cash flow</b>	0.4	<b>8.1</b>	<b>&gt;&gt;</b>

	9-months		
	9M20	9M21	y.o.y
	534.3	<b>612.9</b>	<b>14.7%</b>
	468.9	<b>530.0</b>	<b>13.0%</b>
	65.4	<b>82.9</b>	<b>26.8%</b>
	46.1	<b>43.2</b>	<b>-6.2%</b>
	19.3	<b>39.7</b>	<b>105.2%</b>
	2.1	<b>-5.8</b>	<b>&lt;&lt;</b>
	17.3	<b>45.5</b>	<b>163.4%</b>
	-8.4	<b>-8.1</b>	<b>4.0%</b>
	4.5	<b>11.0</b>	<b>145.9%</b>
	4.3	<b>26.3</b>	<b>&gt;&gt;</b>
	-0.2	<b>39.4</b>	<b>&gt;&gt;</b>

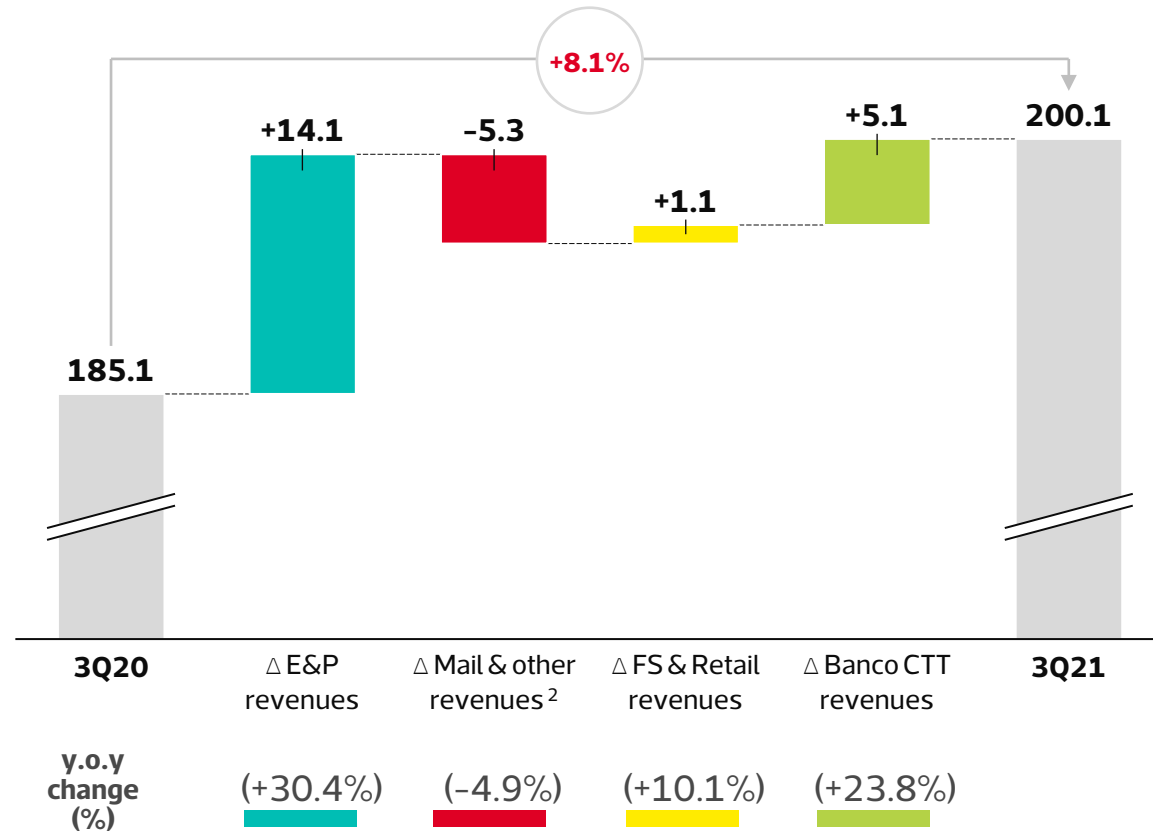
<sup>1</sup> Excluding Specific items; <sup>2</sup> Excluding Specific items, depreciation & amortization; <sup>3</sup> Depreciation & amortization were positively impacted in 9M21 by the revision of the useful life of some assets



# Express & Parcels and Banco CTT growth foster strong revenues expansion

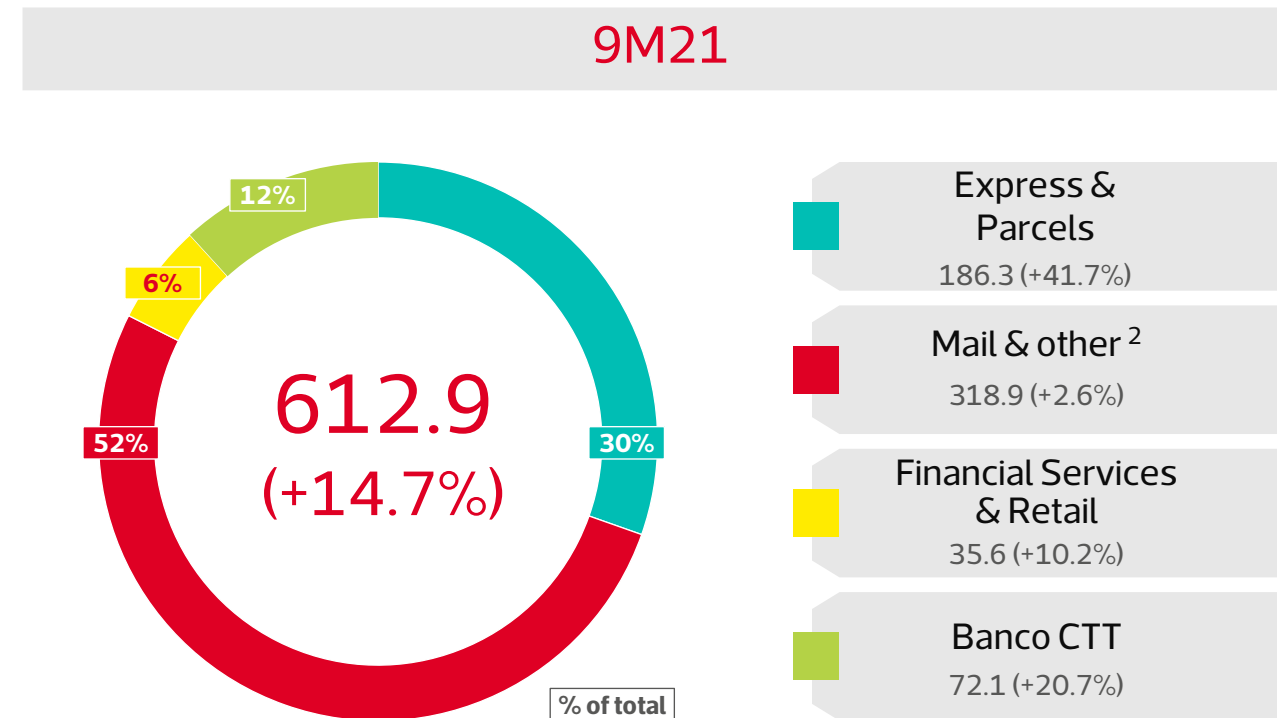
## Revenues <sup>1</sup>

€ million; % change vs. prior year



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

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

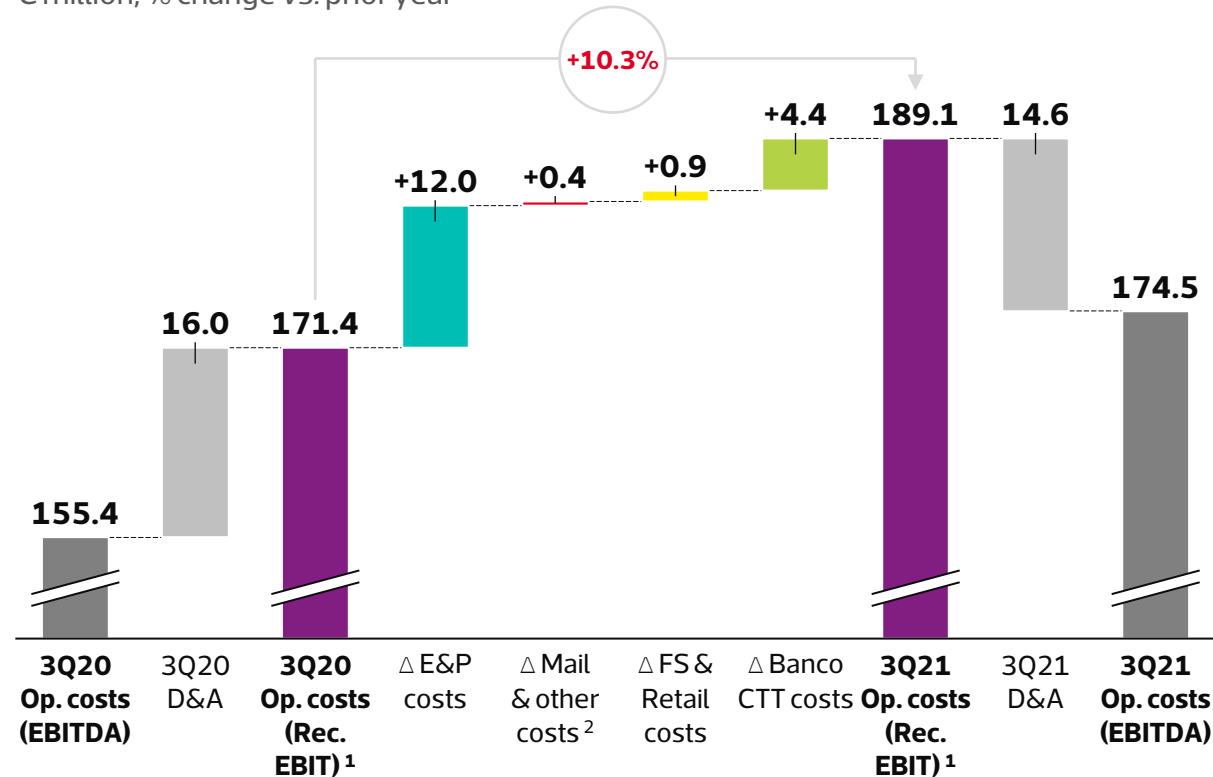


<sup>1</sup> Excluding Specific items; <sup>2</sup> Including Central Structure

# Operating costs growing due to Express & Parcels growth

## Operating costs

€ million; % change vs. prior year



In 3Q21:

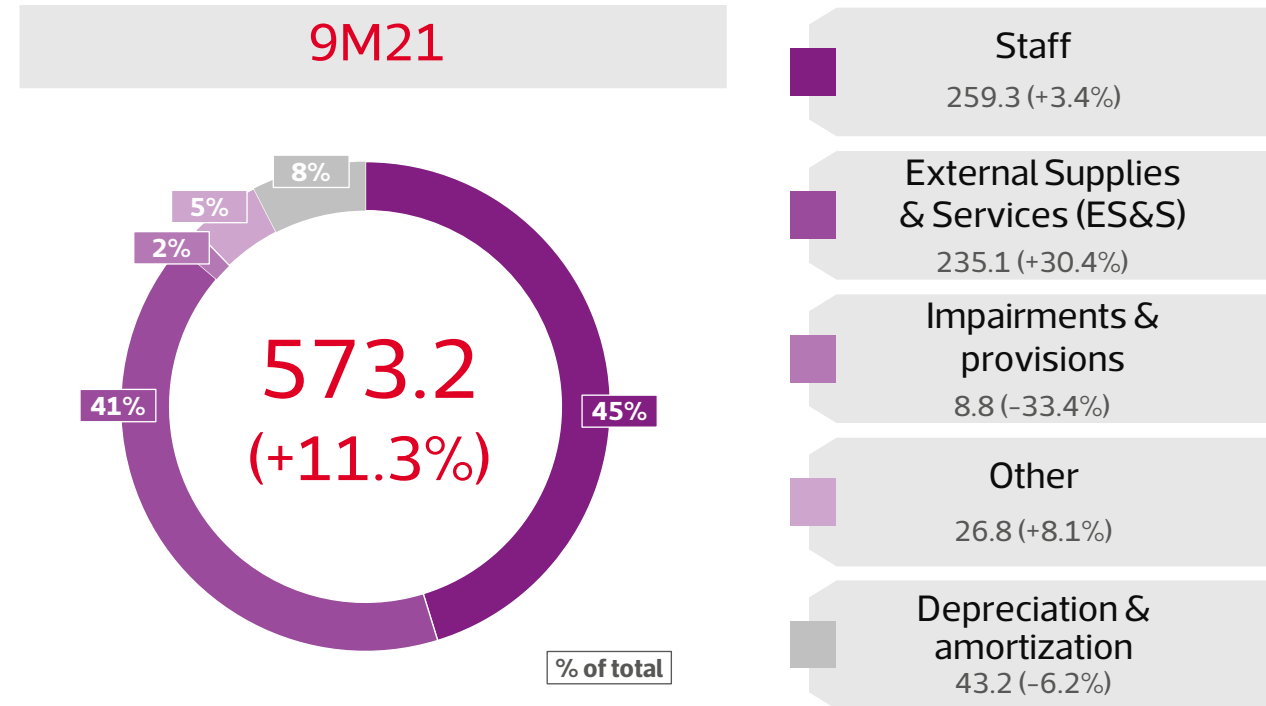
- Staff costs increased in Mail & other (+€0.5m), Express & Parcels (+€0.6m) and Banco CTT (+€0.7m) and decreased by €0.2m in Financial Services & Retail
- ES&S costs grew by €16.5m, mainly as a result of a €9.4m increase in transport and distribution costs and a €1.8m increase in business solutions costs due to the increased commercial dynamic in this segment
- Impairments and provisions increased by €0.9m, due to the growth in Banco CTT (+€2.3m), offset by the declines in the remaining Business Units

<sup>1</sup> Excluding Specific items. In 2021 and in the same period of the previous year (proforma), operating costs (EBITDA) include impairments and provisions and the impact of the leases covered by IFRS 16 being presented pursuant to this standard;

<sup>2</sup> Including Central Structure

## Operating costs (Rec. EBIT)<sup>1</sup> breakdown

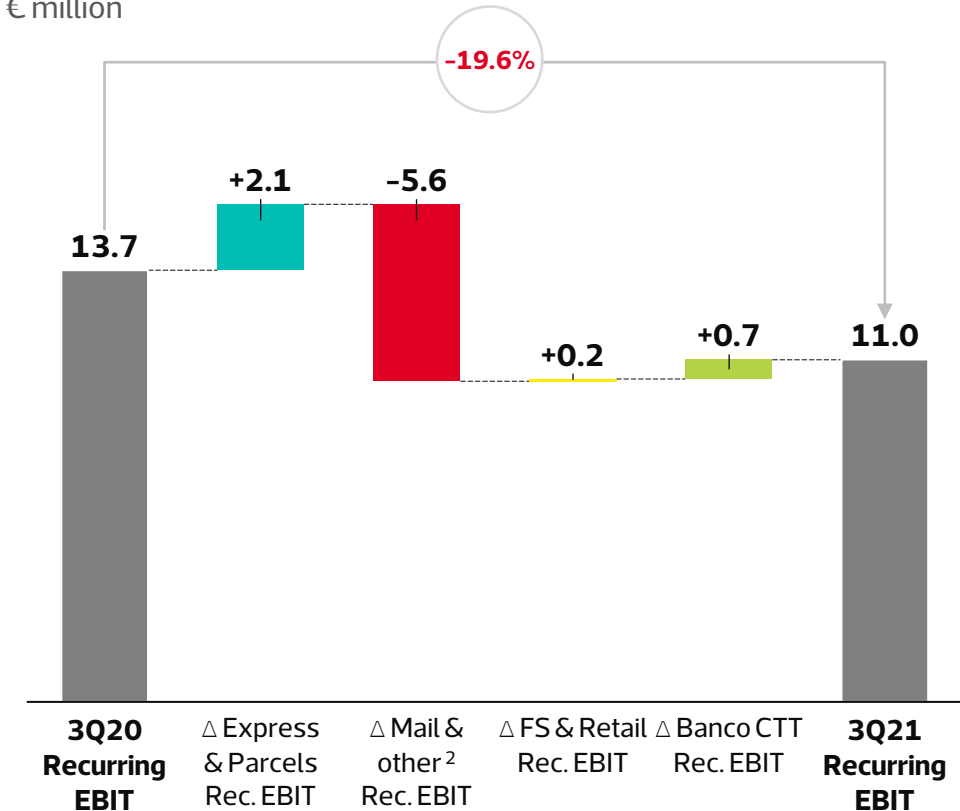
€ million; % change vs. prior year; % of total



Recurring EBIT declined in 3Q21 as a result of Mail & other decline of €5.6m, not entirely compensated by the positive performance of the remaining business units

## Recurring EBIT <sup>1</sup>

€ million

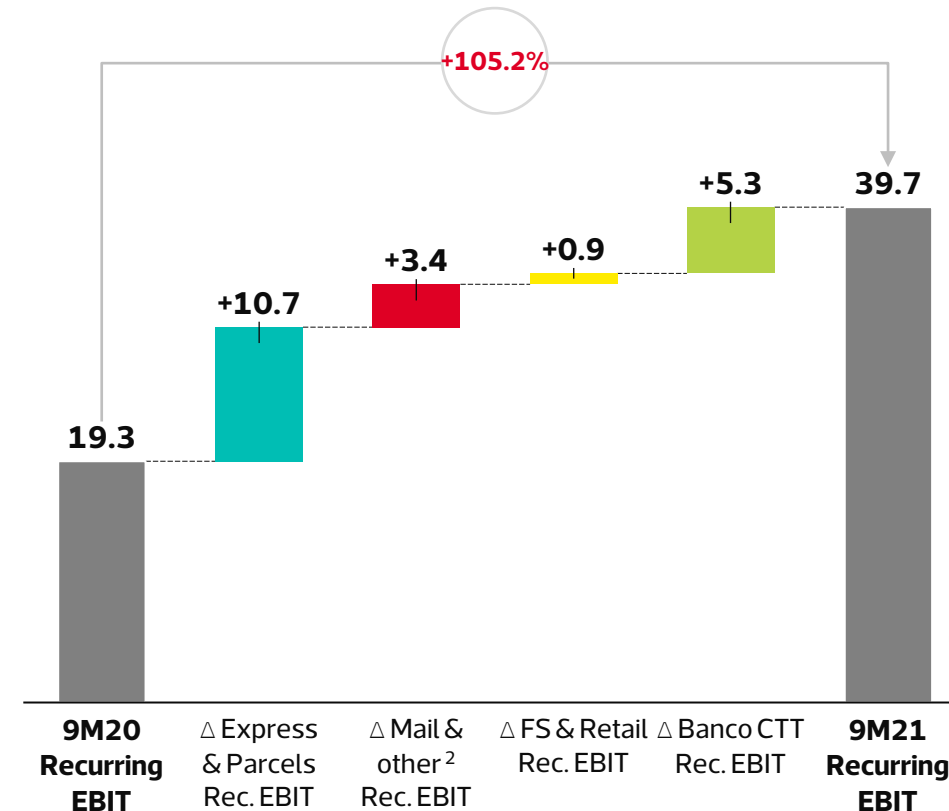


**3Q21**

**7.4%**

**Recurring EBIT margin**

**5.5%**

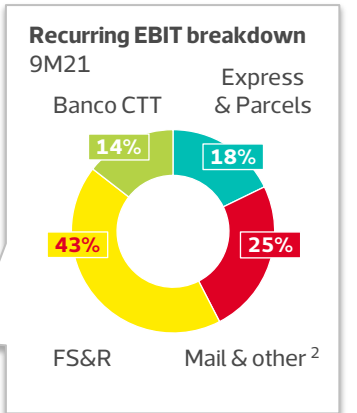


**9M21**

**3.6%**

**Recurring EBIT margin**

**6.5%**

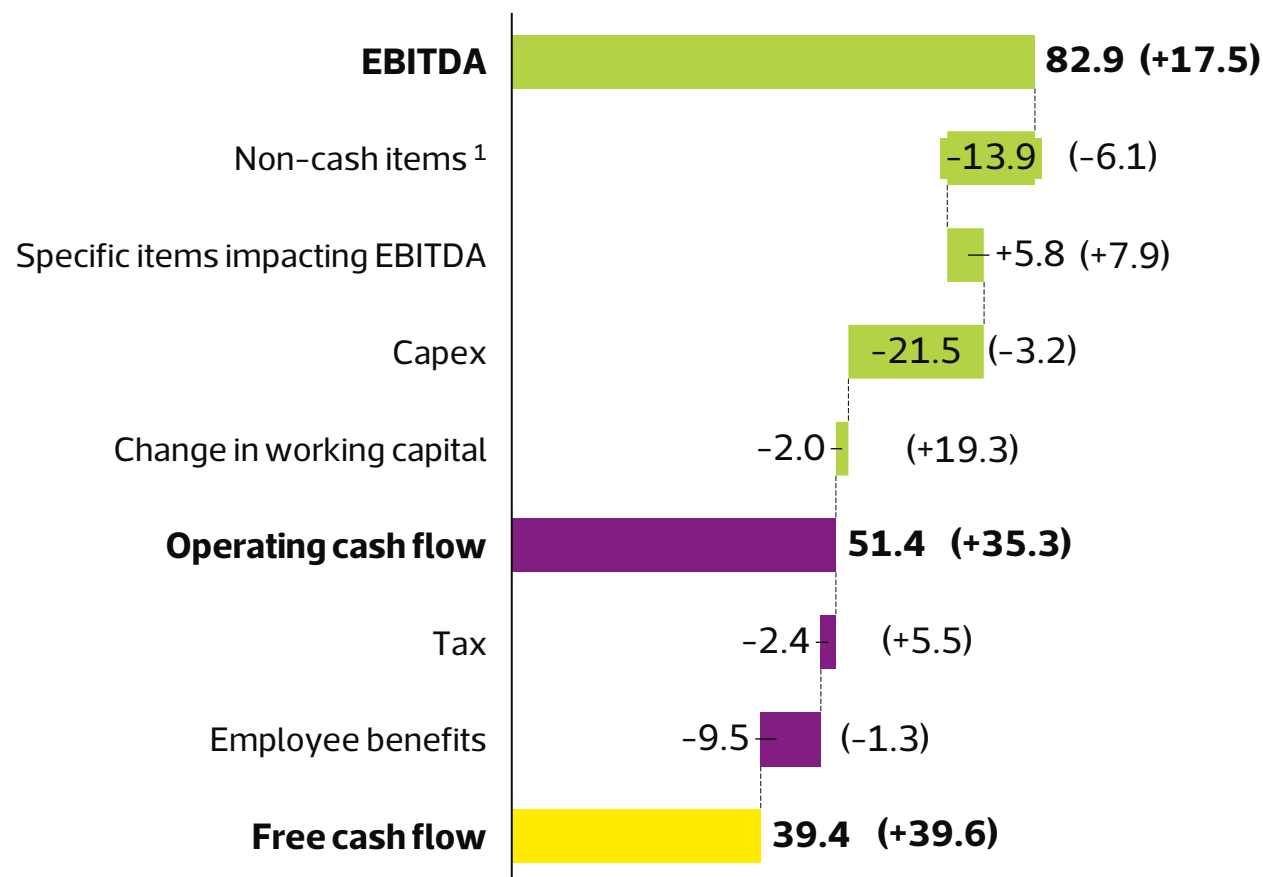


<sup>1</sup> Excluding Specific items; <sup>2</sup> Including Central Structure

# Adjusted cash increased by c.€2m in 9M21

## 9M21 Cash flow

€ million; impact on cash flow vs. prior year



## 30 September 2021 Net financial debt <sup>2</sup>

€ million

(+) Cash & cash equivalents	933.0
(-) Net Financial Services & other payables <sup>3</sup>	198.3
(-) Banco CTT liabilities, net <sup>3</sup>	575.5
(-) Other <sup>4</sup>	21.5
(=) Adjusted cash	137.7
(-) Financial debt	84.5
(=) Net cash position	53.2
(-) Lease liabilities (IFRS 16)	112.2
<b>Net financial debt <sup>2</sup></b>	<b>59.0</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 €204.1m as of 30 September 2021; <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

# New step towards a more sustainable concession contract to be signed before year-end

## Concession contract – key highlights

### Density

- The criteria that define the minimum threshold for the density of the postal network remain under the jurisdiction of ANACOM
- One post office per municipality defined as a minimum threshold for postal density

### Quality

- Quality parameters and objectives should be aligned with the European Union best practices
- The Government will set the quality parameters and targets, upon proposal by ANACOM
- Non-compliance with the quality objectives by CTT may be compensated through investment obligations, within the scope of the provision of this service

### Price

- Pricing criteria should encourage an efficient operation, have enhanced sensibility to the evolution of postal activity and ensure the economic and financial sustainability of the universal service provider
- Pricing formation will be approved by the Government upon proposal of the concessionaire and after analysis by ANACOM, under the terms of the criteria to be settled in a multi-year agreement to be signed between the concessionaire, ANACOM and the Customer Directorate-General
- The prices defined for the new contract will be applied in 2022

- Government approved the RCM no. 144/2021 determining a sole SPU provider, for a new 7 year-term concession contract
- A direct award procedure was chosen, aimed at CTT, justifying that CTT is the only company with the necessary requirements to fulfill the obligations of the universal service
- An evaluation committee will be nominated until 9<sup>th</sup> November, with the assignment of preparing a tender and inviting CTT to present a proposal

## Outlook: ready to grab further growth



Continued acceleration of the digital initiatives will further strengthen CTT's competitive position

Impact of *de minimis* on revenues was stronger than anticipated and remains a risk factor

The COVID-19 remains an uncertainty

Persistence on cost optimization to compensate for pressure in mail revenues

Structural improvement in profitability of mail requires a more balanced and sustainable concession contract

Government Resolution 144/2021 established the procedures enabling a more sustainable 7-year term concession with CTT, by year-end

CTT remains committed to achieving FY21 EBIT above €60m



CTT

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**ctt.pt**



From a  
parcel to  
whatever  
you want

From a  
parcel to  
whatever  
you dream  
of

From a  
parcel to  
whatever  
you wish  
for

We  
connect  
people and  
companies