



# FY22

## Results Presentation

ctt

Committed to deliver

# Disclaimer

## DISCLAIMER

This document has been prepared by CTT – Correios de Portugal, S.A. (the “Company” or “CTT”) exclusively for use during the presentation of the full year 2022 results (FY22). As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason or purpose without the express and prior written consent of CTT. This document (i) may contain summarised information and be subject to amendments and supplements, and (ii) the information contained herein has not been verified, reviewed nor audited by any of the Company’s advisors or auditors.

Except as required by applicable law, CTT does not undertake any obligation to publicly update or revise any of the information contained in this document. Consequently, the Company does not assume liability for this document if it is used for a purpose other than the above. No express or implied representation, warranty or undertaking is made as to, and no reliance shall be placed on, the accuracy, completeness or correctness of the information or the opinions or statements expressed herein. Neither the Company nor its subsidiaries, affiliates, directors, employees or advisors assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents. Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or agreement.

This document has an informative nature and does not constitute, nor must it be interpreted as, an offer to sell, issue, exchange or buy any financial instruments (namely any securities issued by CTT or by any of its subsidiaries or affiliates), nor a solicitation of any kind by CTT, its subsidiaries or affiliates. Distribution of this document in certain jurisdictions may be prohibited, and recipients into whose possession this document comes shall be solely responsible for informing themselves about, and observing any such restrictions. Moreover, the recipients of this document are invited and advised to consult the public information disclosed by CTT on its website ([www.ctt.pt](http://www.ctt.pt)) as well as on the Portuguese Securities Market Commission’s website ([www.cmvm.pt](http://www.cmvm.pt)). In particular, the contents of this presentation shall be read and understood in light of the financial information disclosed by CTT, through such means, which prevail in regard to any data presented in this document. By attending the meeting where this presentation is made and reading this document, you agree to be bound by the foregoing restrictions.

## FORWARD-LOOKING STATEMENTS

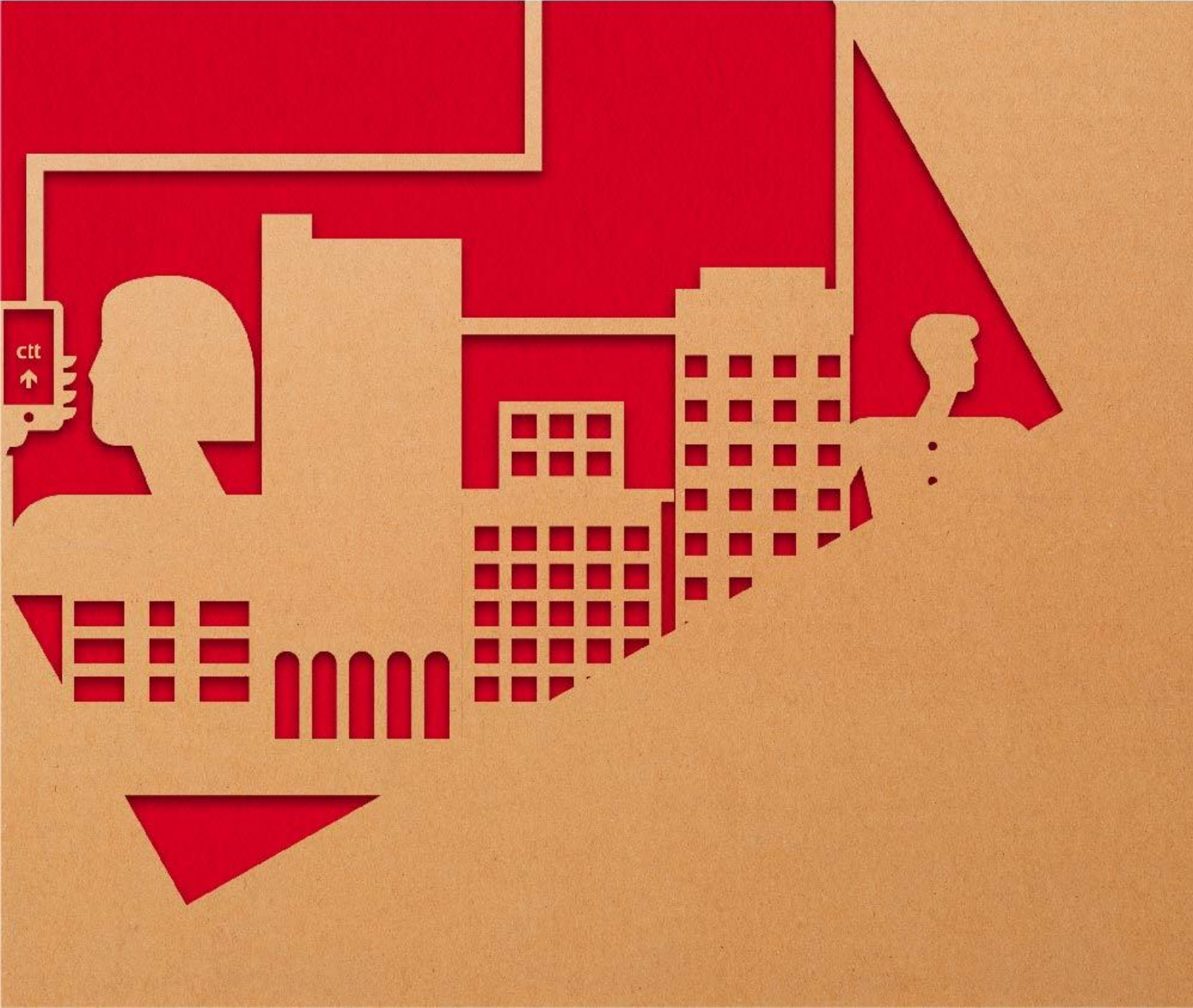
This presentation contains forward-looking statements. All the statements herein which are not historical facts, including, but not limited to, statements expressing our current opinion or, as applicable, those of our directors regarding the financial performance, the business strategy, the management 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.



**Operational  
review**

**ctt**

**Committed to deliver**

## 2022 highlights: meeting guidance in a challenging macro environment



- **Portugal:** Steady recovery of CEP volumes in Portugal (y.o.y: -7.2% in 1Q22, +1.9% in 2Q22; +5.8% in 3Q22, and +11.6% in 4Q22)
- **Spain:** Lower volumes due to a difficult market environment, focus on growing average revenue per item and scale driving profitability



- Mail revenue performance in 2022 impacted by *de minimis* and elections
- Mild traffic decline on the back of solid commercial performance
- Positive contribution from business solutions



- Record level demand of public debt certificates leverages significant revenue growth in Financial Services & Retail, against a favourable interest rate environment
- Repositioning of retail network towards services to drive future growth



- Banco CTT delivering on volume growth and profitability
- Prudent balance sheet, but leveraged to the new interest rate environment
- Bancassurance as a new growth avenue



- Revenues up by 6.9% y.o.y in the FY22
- Positive revenue trend across all business units in the quarter, especially in Financial Services & Retail and Banco CTT
- Recurring EBIT of 64.5m (+7.4% y.o.y) and meeting guidance



- Strong operating cash flow generation on the back of improved collections
- Against a backdrop of €21.6m share buyback and €17.7m dividends, net debt<sup>1</sup> in 2022, consolidated and with Banco CTT equity accounted, stood at €29.8m and €192.6m, respectively
- €53.9m reduction in net employee benefits to €150.7m as a result of new interest rate environment

<sup>1</sup>includes IFRS16.

# Steady EBIT recovery throughout 2022

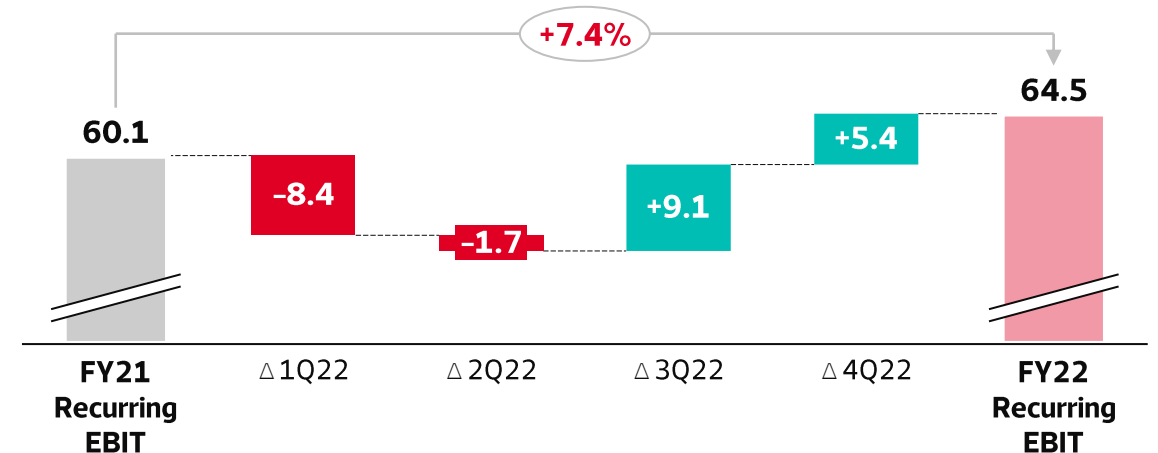
## Group CTT - Financials

€ million

	4Q22	FY22
Revenues <sup>1</sup>	€243.8m (+3.8%)	€906.6m (+6.9%)
Recurring EBIT	€25.8m (+26.3%)	€64.5m (+7.4%)

## Recurring EBIT evolution

€ million; % change vs. prior year



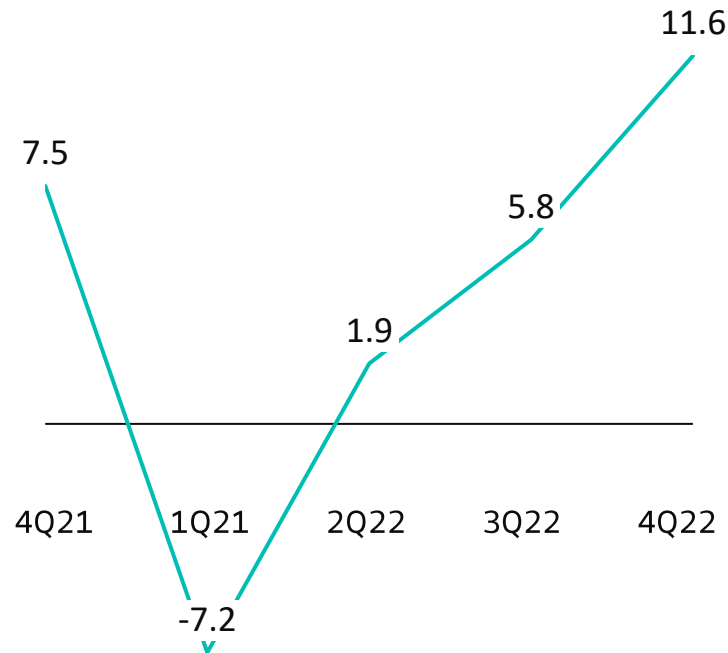
	Express & Parcels		Mail & Other <sup>2</sup>		Financial Services & Retail		Banco CTT	
	Revenues	Recurring EBIT	Revenues	Recurring EBIT	Revenues	Recurring EBIT	Revenues	Recurring EBIT
4Q22	€71.2m (+2.8%)	€3.8m (-29.8%)	€115.4m (-8.0%)	€5.9m (-25.8%)	€21.2m (+59.0%)	€11.2m (+139.2%)	€36.0m (+34.3%)	€4.9m (+101.9%)
2022	€259.0m (+1.3%)	€8.5m (-31.4%)	€460.9m (+3.7%)	€10.7m (-39.6%)	€60.7m (+24.2%)	€30.8m (+41.4%)	€126.0m (+27.4%)	€14.4m (+76.9%)

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

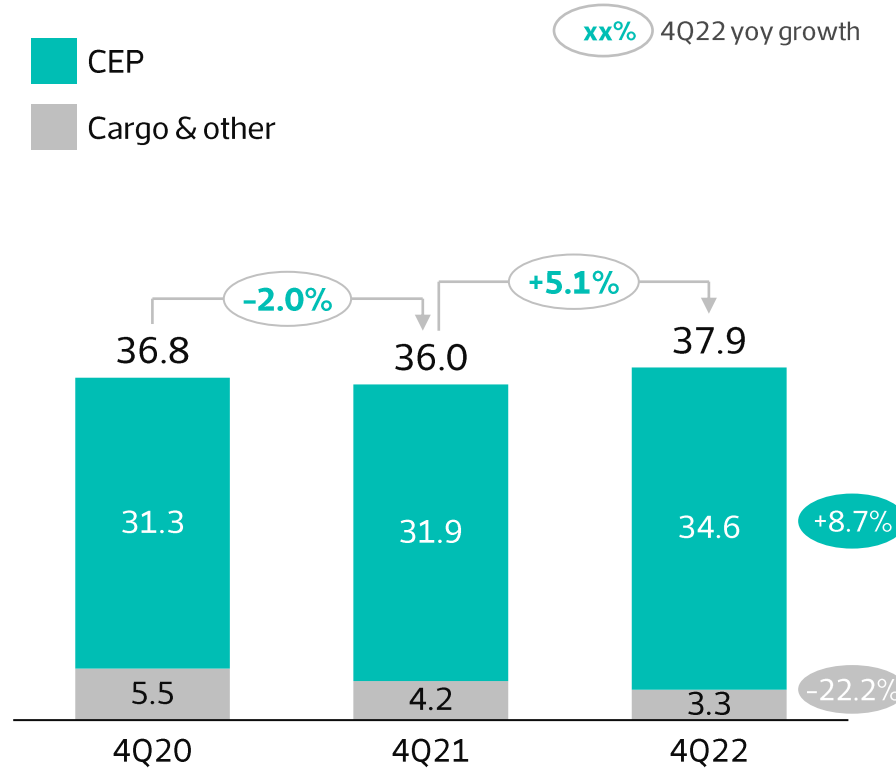


# E&P Portugal: Steady recovery in volumes and revenues with profitability pressured by labour, fuel inflation and investment in capacity

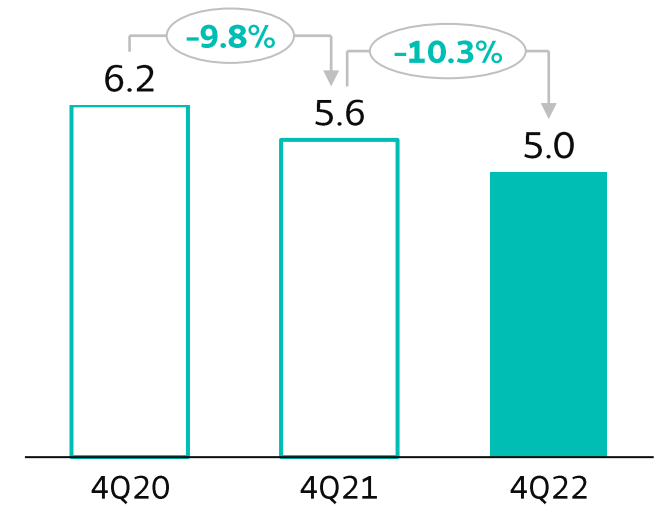
Express & Parcels Portugal  
CEP Volumes  
% change vs. prior year



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



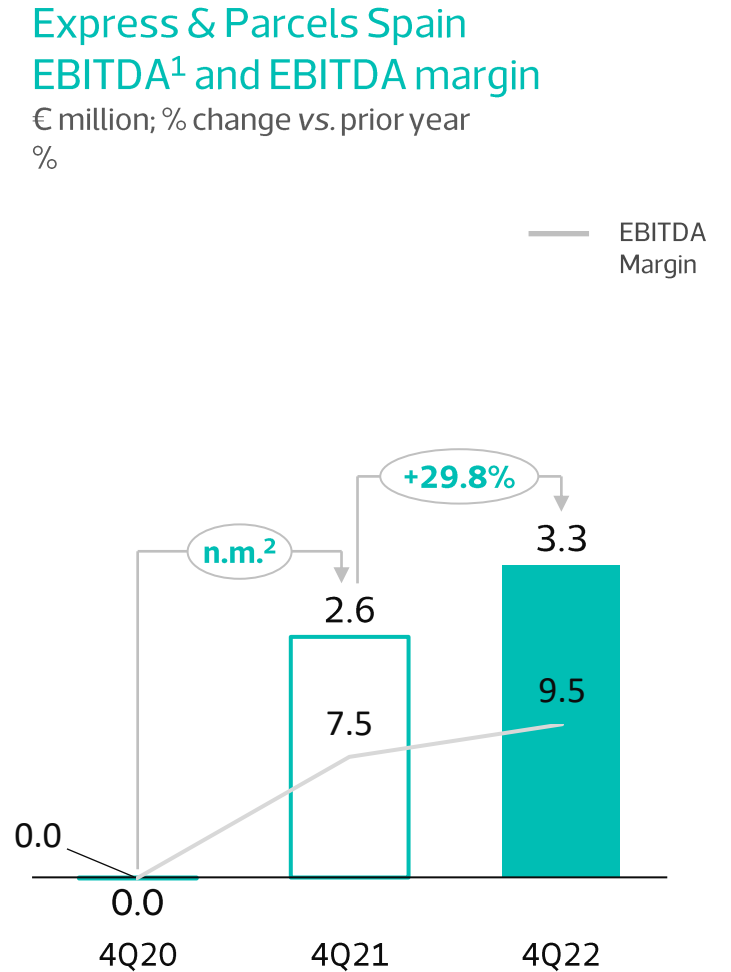
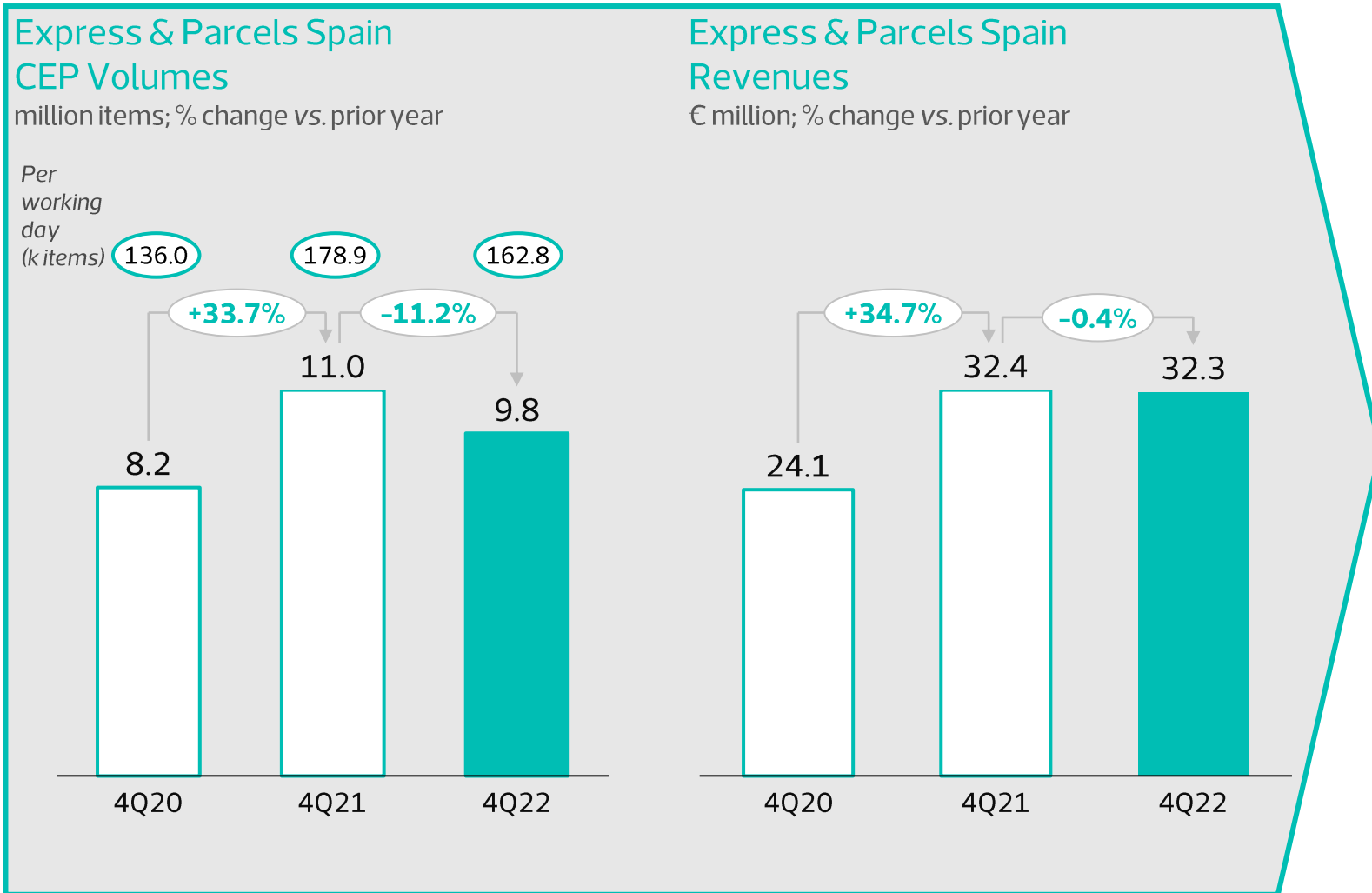
Express & Parcels Portugal  
EBITDA<sup>1</sup>  
€ million; % change vs. prior year



<sup>1</sup>Individual accounts.



# E&P Spain: Market context placing volumes under pressure, while growing average revenue per item and cost efficiency driving profitability

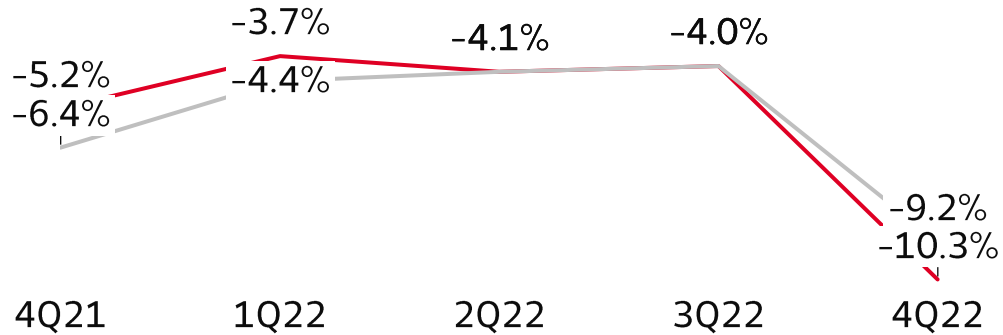


<sup>1</sup>Individual accounts; <sup>2</sup>Not meaningful.

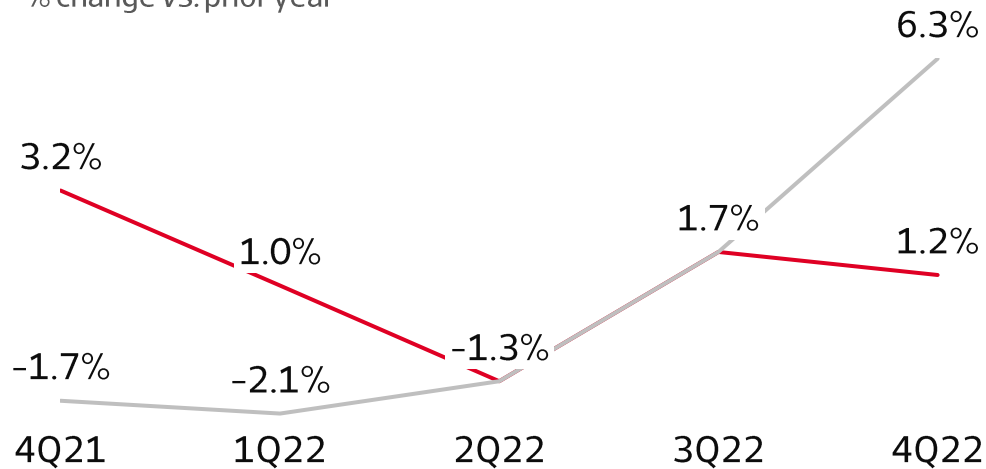
# Stronger average revenue per item on the back of premium mail driving addressed mail revenues, notwithstanding softer volumes

**Addressed mail volumes** % change vs. prior year

- Adjusted for elections impact
- Reported

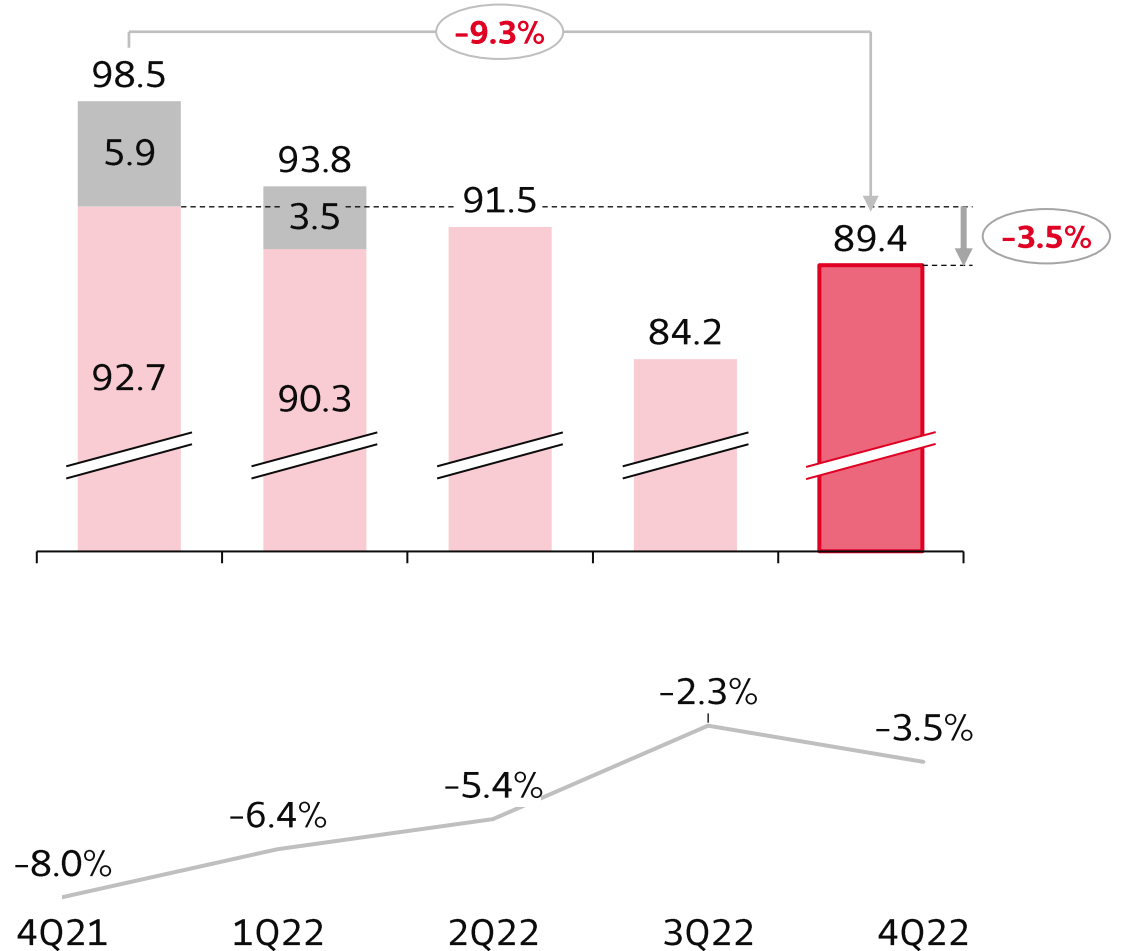


**Average revenue per item** % change vs. prior year



**Addressed mail revenues** € million; % change vs. prior year

- Impact of elections



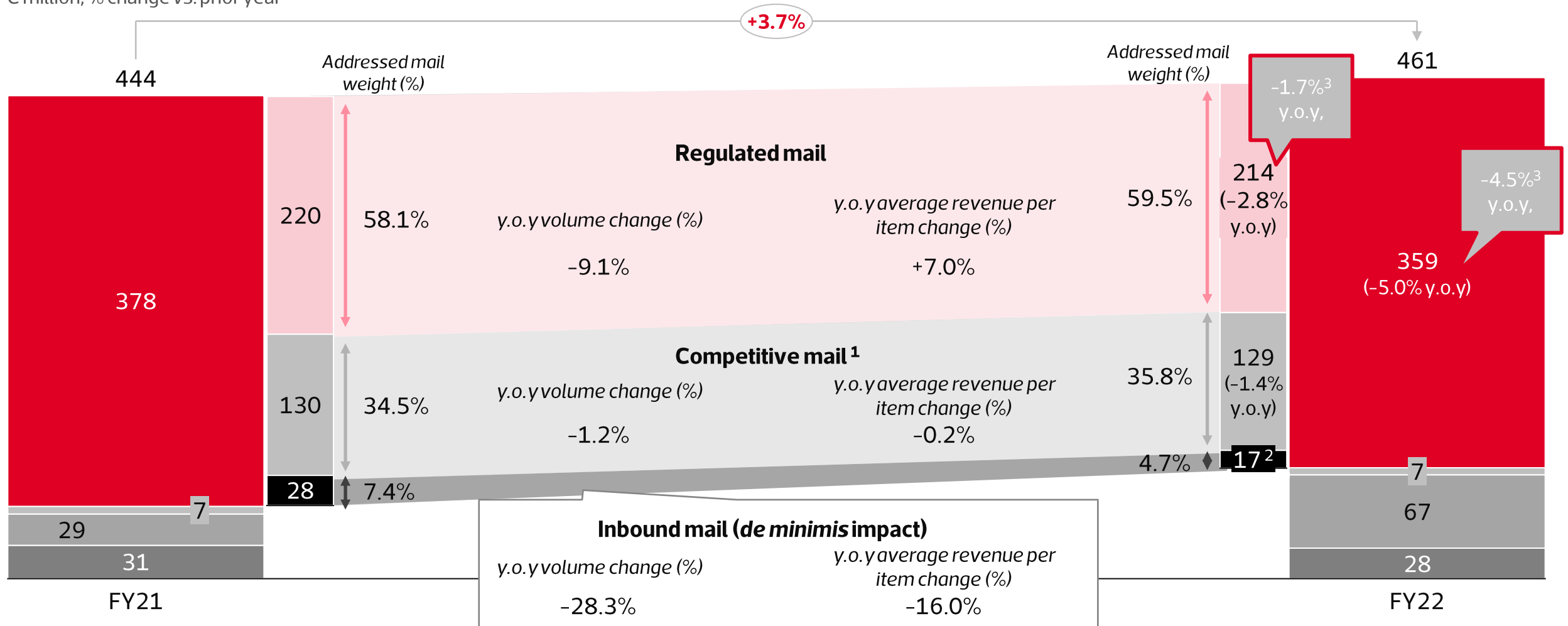


# Elections apart, Mail showed a mild decline in volumes and revenues

## Mail & Other revenues

€ million; % change vs. prior year

- y.o.y revenues adjusted for elections
- Addressed ■ Unaddressed ■ Business solutions ■ Other



<sup>1</sup>Includes bulk and advertising mail; <sup>2</sup>-39.8% y.o.y; <sup>3</sup>Adjusted for elections impact

# Focus is on transforming CTT's retail network in a powerhouse of services to the citizen

## Distribution of public debt

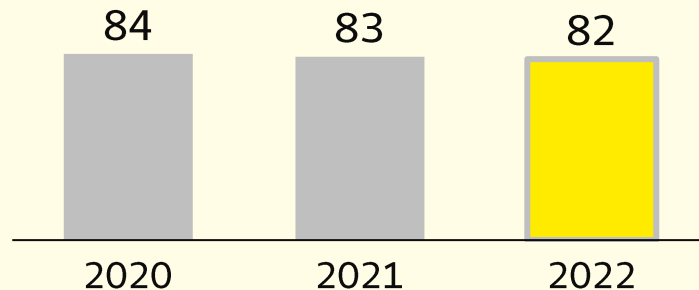
New public debt distribution agreement signed with IGCP – Portuguese Treasury and Debt Management Agency

- entered into force on 20 January 2023
- three-year duration.

Key commercial conditions were maintained

New contract includes the distribution through CTT's online channels

CTT's share of Public debt placements in retail %



## Citizen services

- Insurance distribution agreement with Generali<sup>1</sup>
- Non-life insurance products, including auto, health, personal accidents, life protection, and multi-risk
  - 5-year renewable exclusivity period

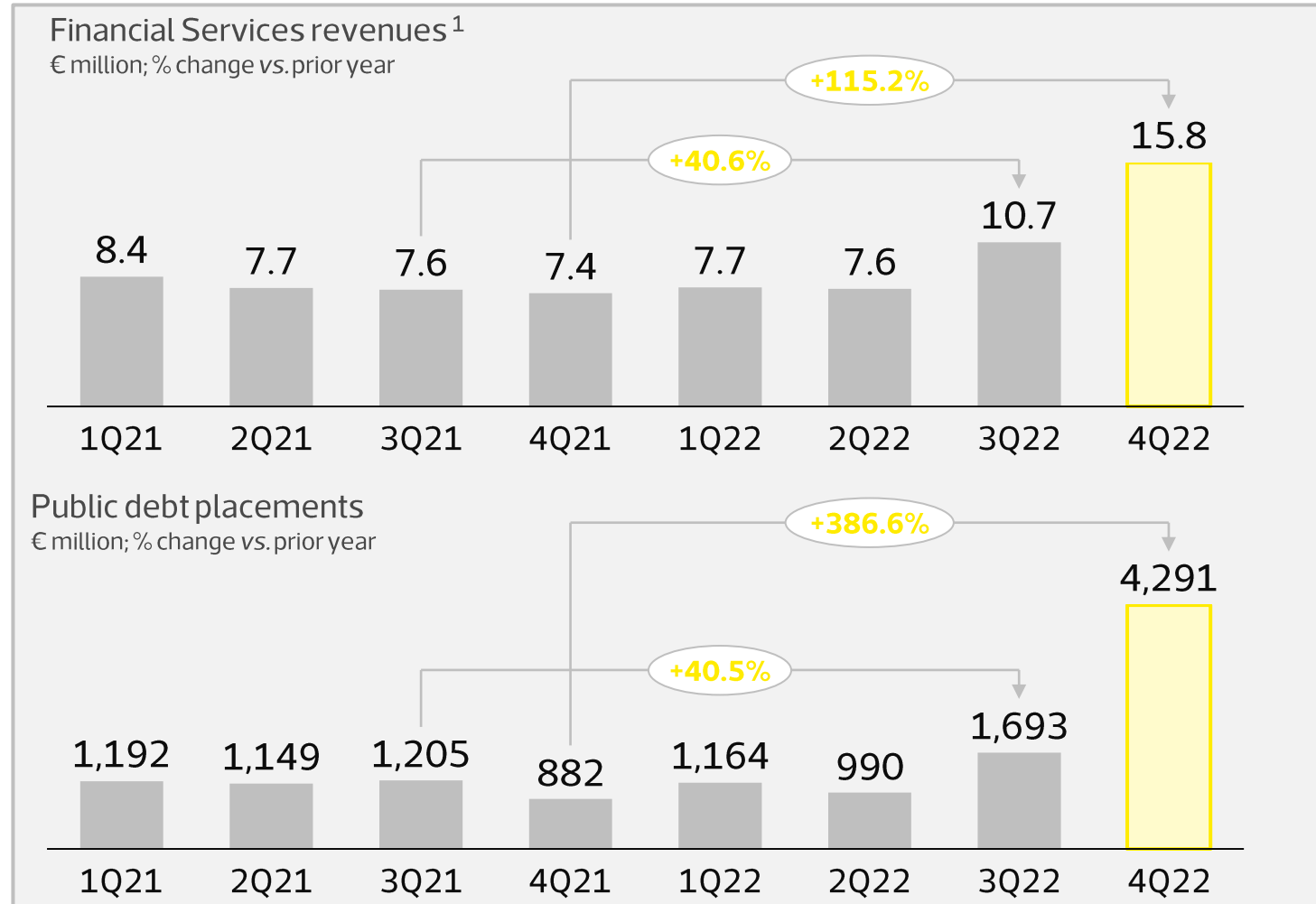
*CTT already started to trial the distribution of insurance products under this partnership*

- Offerings and financial solutions for individuals and SMEs
  - Money transfer and payment services
  - Public administration / citizen services
- Evaluation of additional distribution agreements for other services

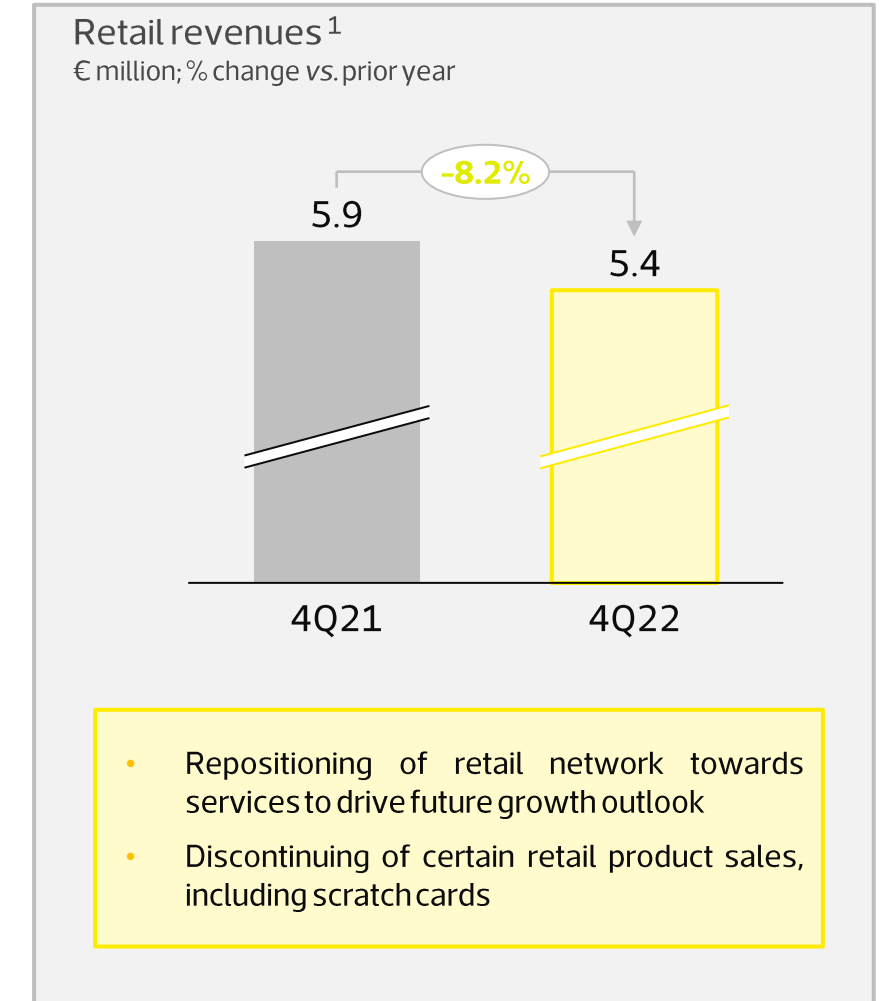
<sup>1</sup>Tranquilidade/GeneraliSeguros

# Public debt placements driving revenue performance and offering solid outlook

## Financial Services



## Retail products & services

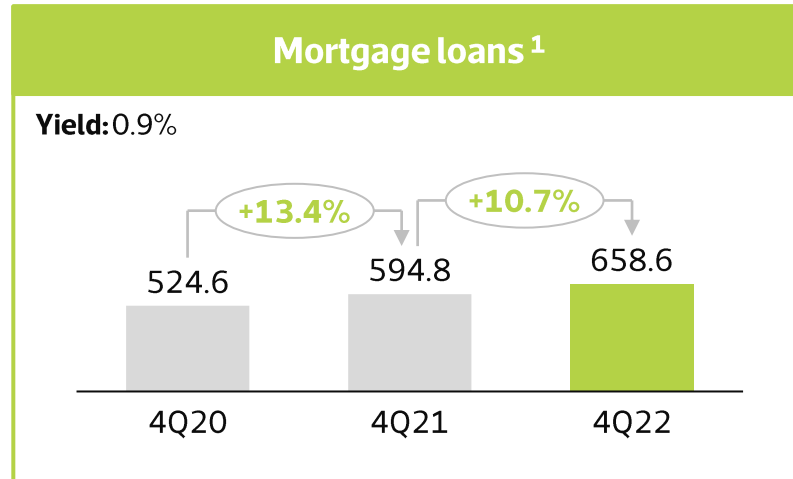
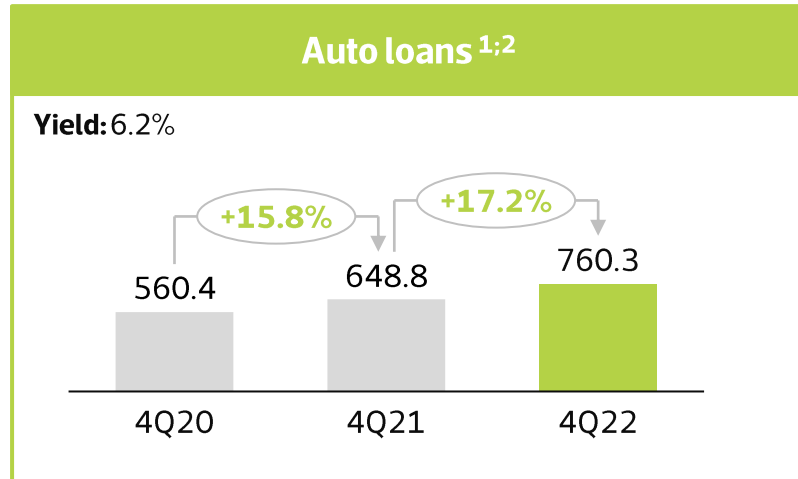


<sup>1</sup> Excludes other revenues that account for €0.03m in 4Q21 and €-0.10m in 4Q22

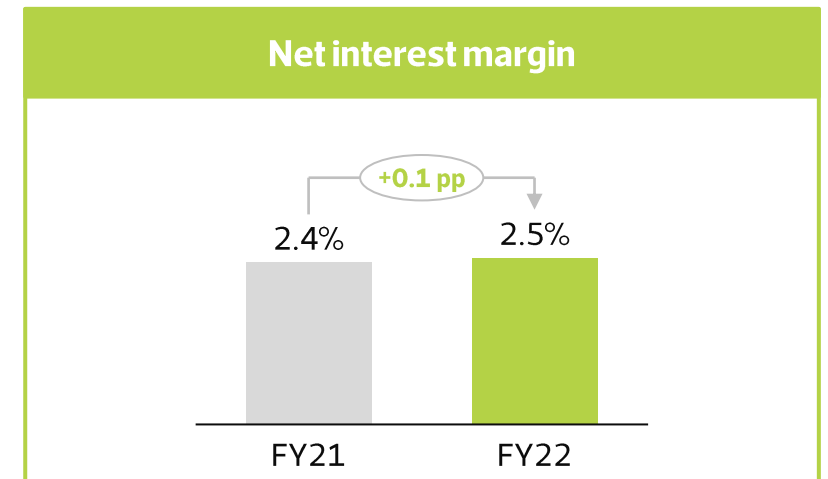
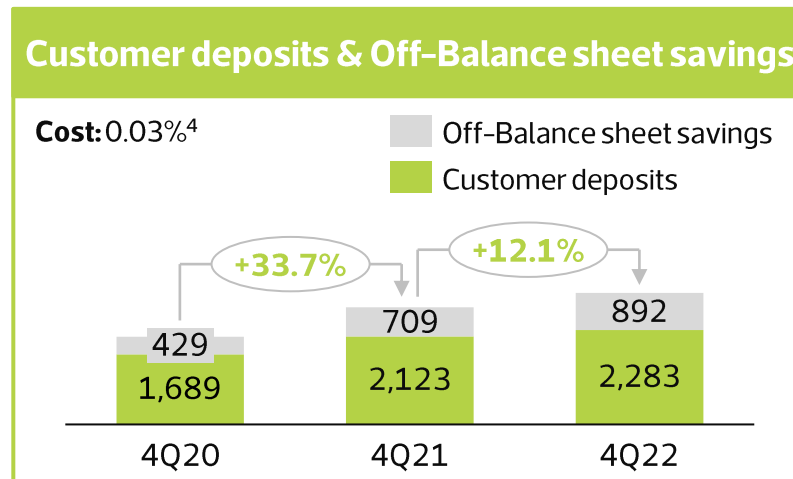
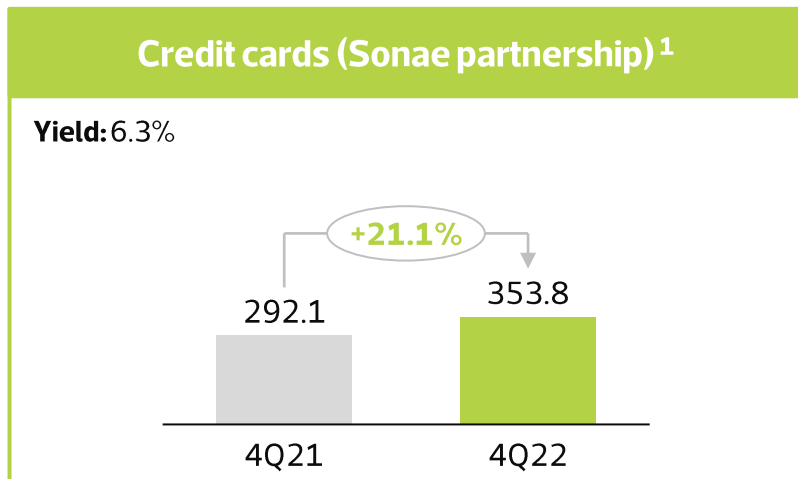
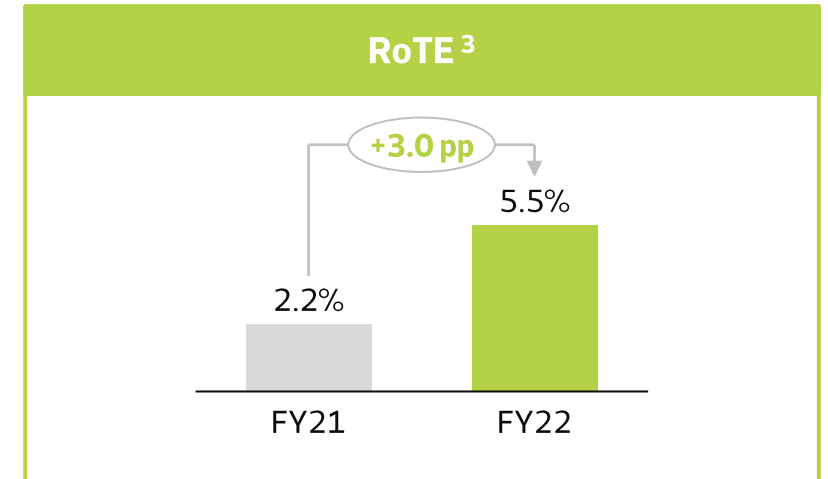
# Banco CTT strong performance driven by higher volumes, while revenues and RoTE will benefit further from the interest rate outlook

## Banco CTT – Book volumes evolution

€ million, except otherwise indicated

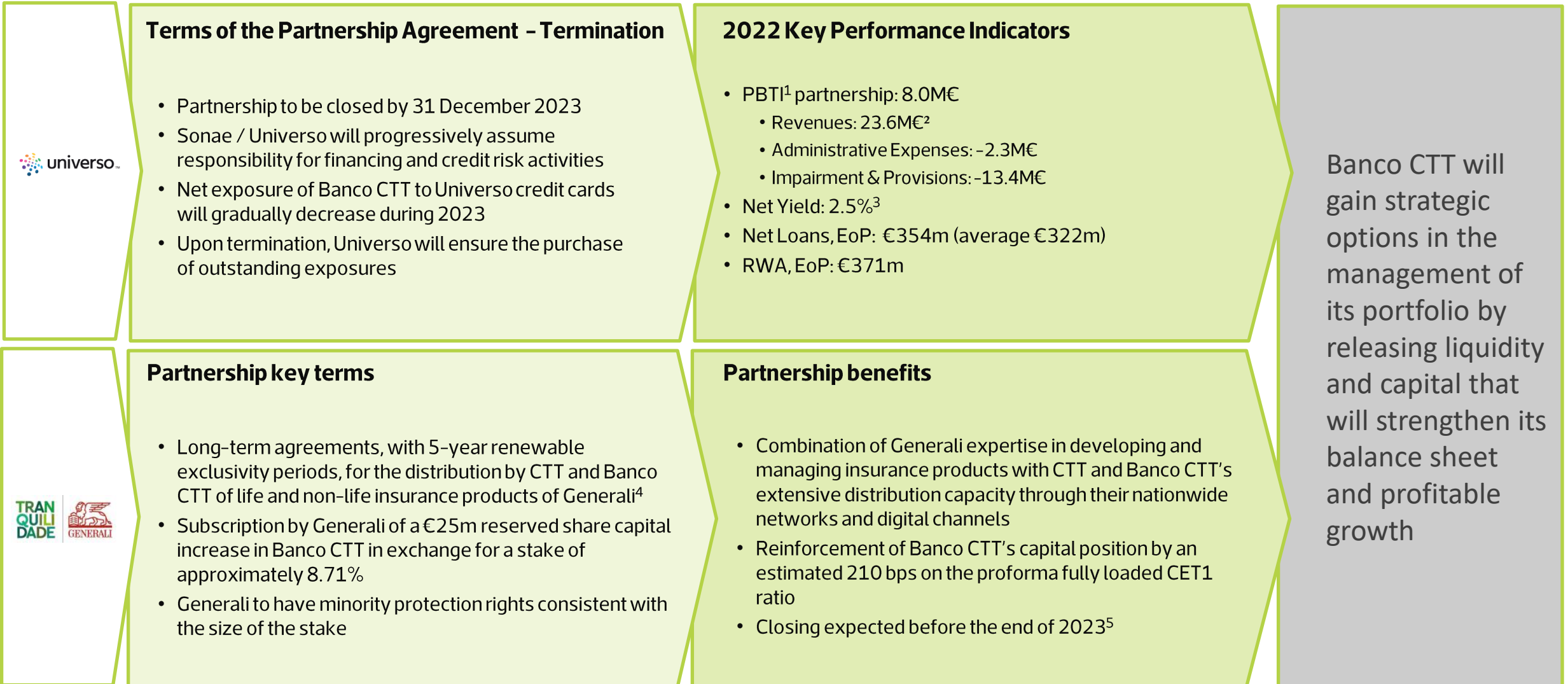


## Banco CTT – Key ratios



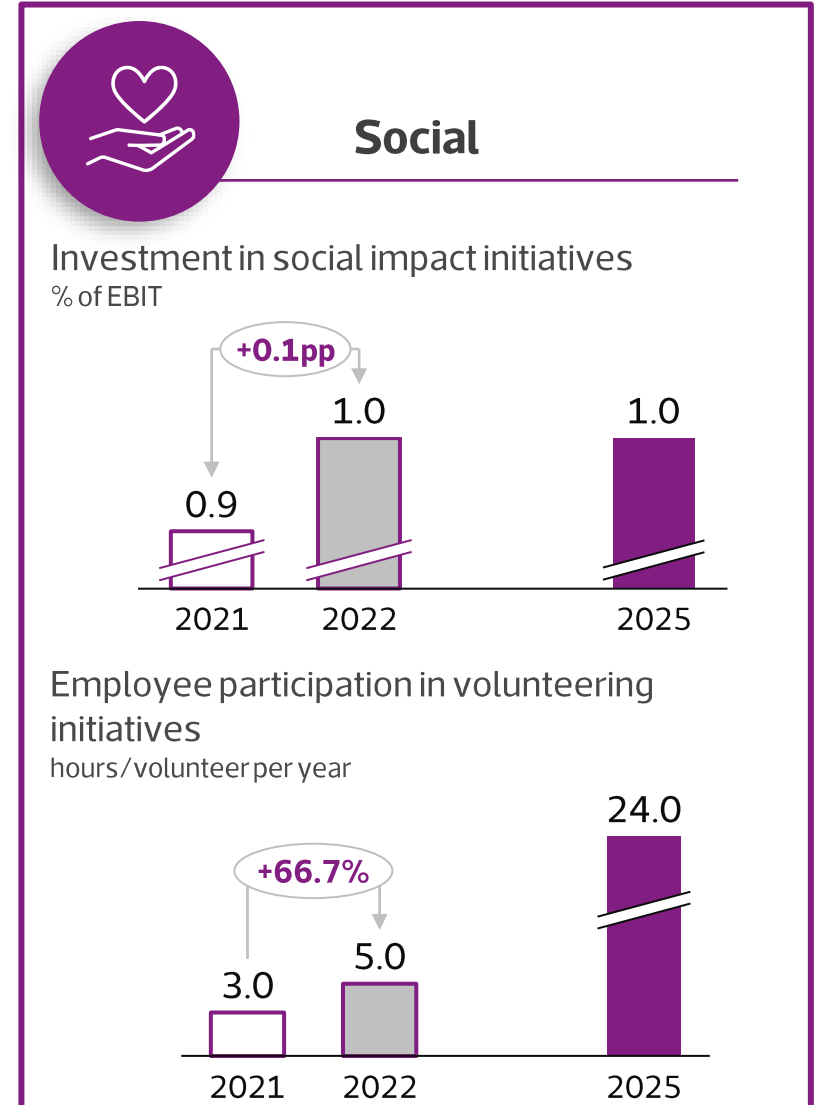
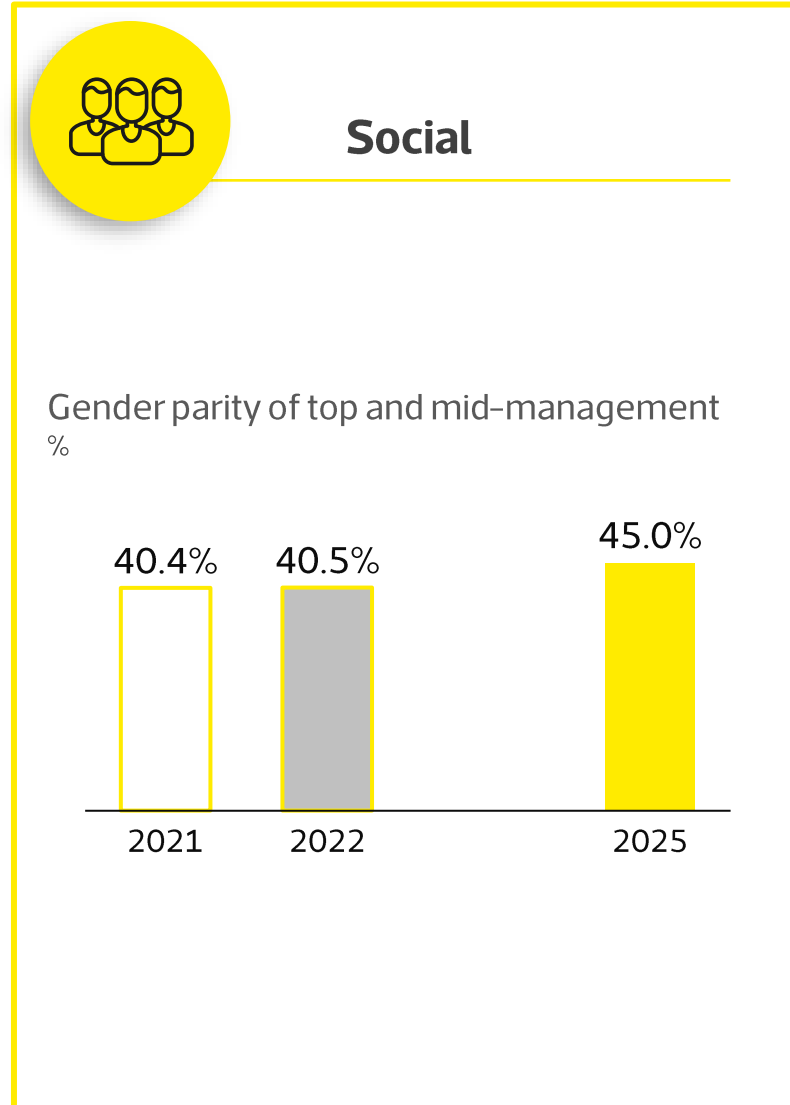
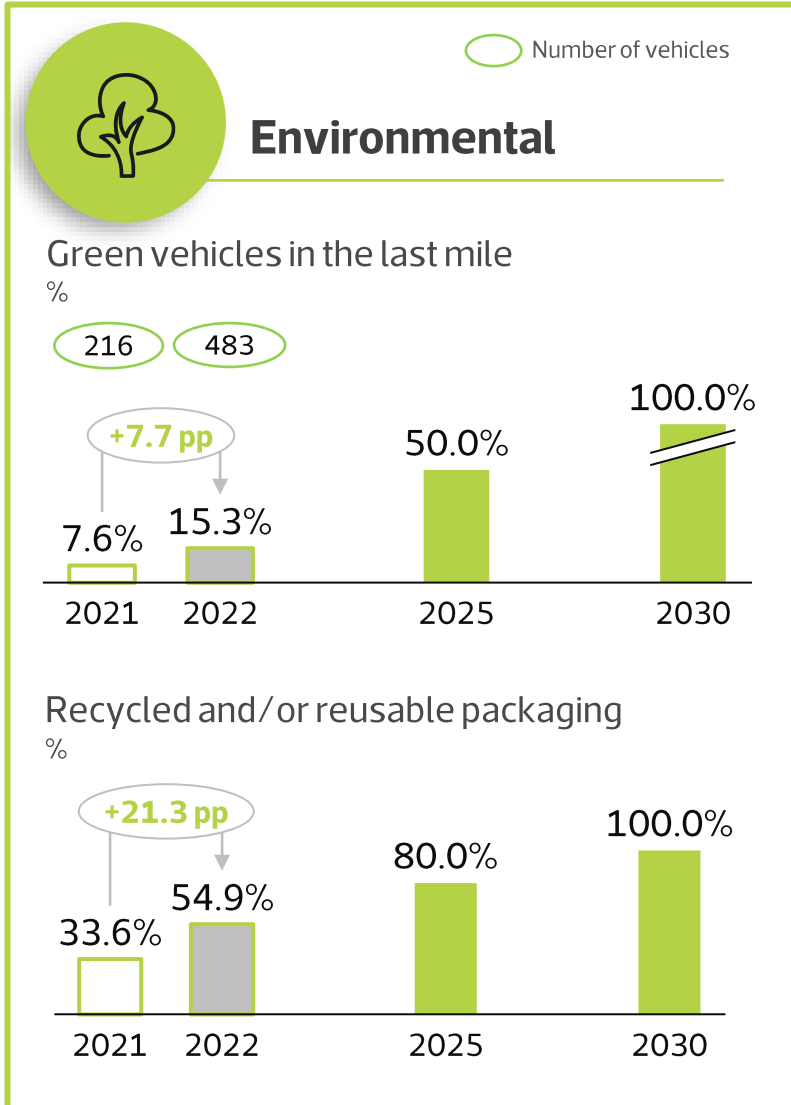
<sup>1</sup> Net of impairments; <sup>2</sup> Consolidated contribution; <sup>3</sup> Excluding Specific items. <sup>4</sup> Average cost of customer deposits.

# The termination of the Universo credit card partnership and the partnership with Generali will release significant capital



<sup>1</sup>Direct contribution before funding costs; <sup>2</sup>Banco CTT's revenues includes a €1.9M severance payment for termination of contract in December 2022; <sup>3</sup> PBTI/ Average net loans; <sup>4</sup>Tranquilidade/Generali Seguros, and <sup>5</sup>Ongoing process to fulfil the conditions precedent, including banking and insurance regulatory authorities' approvals.

# Progressing towards the ESG targets





# Financial review

# ctt

Committed to deliver

## Growth of revenues and recurring EBIT coupled with strong FCF generation

### Key financial indicators

€ million; % change vs. prior year

	Quarter			Full year		
	4Q21	4Q22	y.o.y	2021	2022	y.o.y
<b>Revenues<sup>1</sup></b>	235.0	<b>243.8</b>	<b>3.8%</b>	847.9	<b>906.6</b>	<b>6.9%</b>
Operating costs – EBITDA <sup>2</sup>	199.8	<b>201.4</b>	<b>0.8%</b>	729.8	<b>777.3</b>	<b>6.5%</b>
<b>EBITDA<sup>2</sup></b>	35.2	<b>42.5</b>	<b>20.7%</b>	118.1	<b>129.3</b>	<b>9.5%</b>
Depreciation & amortization	14.8	<b>16.7</b>	<b>12.9%</b>	58.0	<b>64.8</b>	<b>11.7%</b>
<b>Recurring EBIT<sup>1</sup></b>	20.4	<b>25.8</b>	<b>26.3%</b>	60.1	<b>64.5</b>	<b>7.4%</b>
Specific items	4.0	<b>12.6</b>	<b>215.7%</b>	-1.8	<b>8.4</b>	<b>571.2%</b>
<b>EBIT</b>	16.4	<b>13.1</b>	<b>-20.0%</b>	61.9	<b>56.1</b>	<b>-9.3%</b>
Financial result	-3.0	<b>-2.3</b>	<b>23.8%</b>	-11.1	<b>-9.4</b>	<b>14.9%</b>
Tax	1.2	<b>2.8</b>	<b>126.1%</b>	12.2	<b>10.4</b>	<b>-15.1%</b>
<b>Net profit attributable to equity holders</b>	12.1	<b>8.1</b>	<b>-33.0%</b>	38.4	<b>36.4</b>	<b>-5.2%</b>
<b>Free cash flow</b>	5.9	<b>35.5</b>	<b>502.5%</b>	45.3	<b>67.4</b>	<b>48.7%</b>

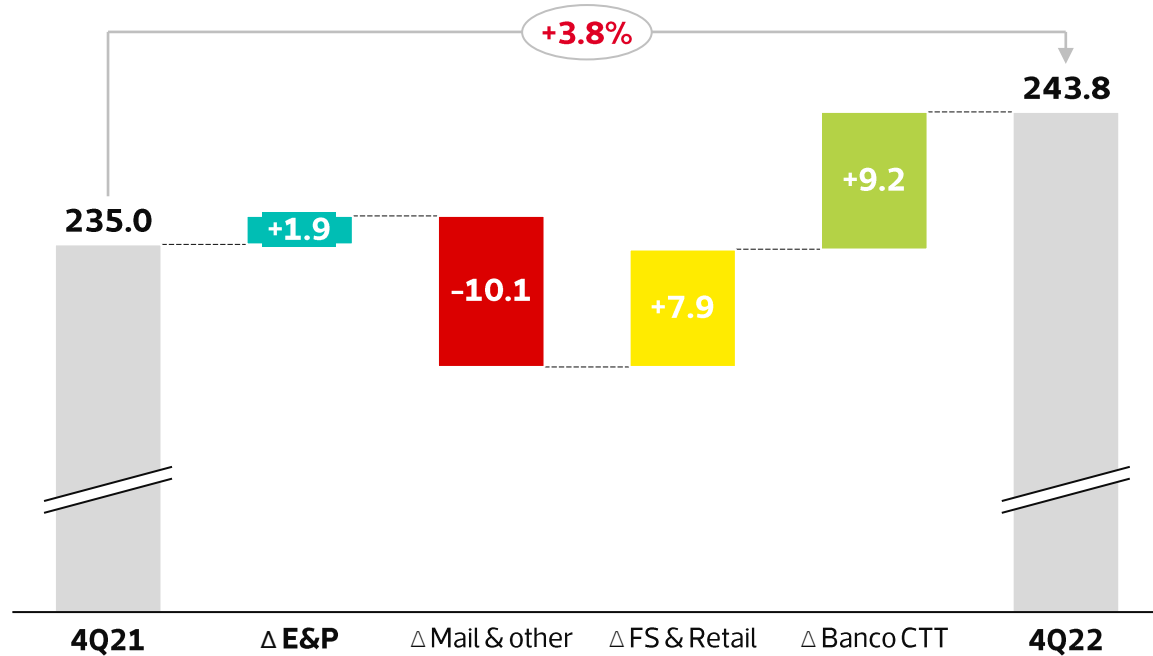
<sup>1</sup> Excluding Specific items; <sup>2</sup> Excluding Specific items, depreciation & amortization



# Mail performance offset by growth in all other business segments

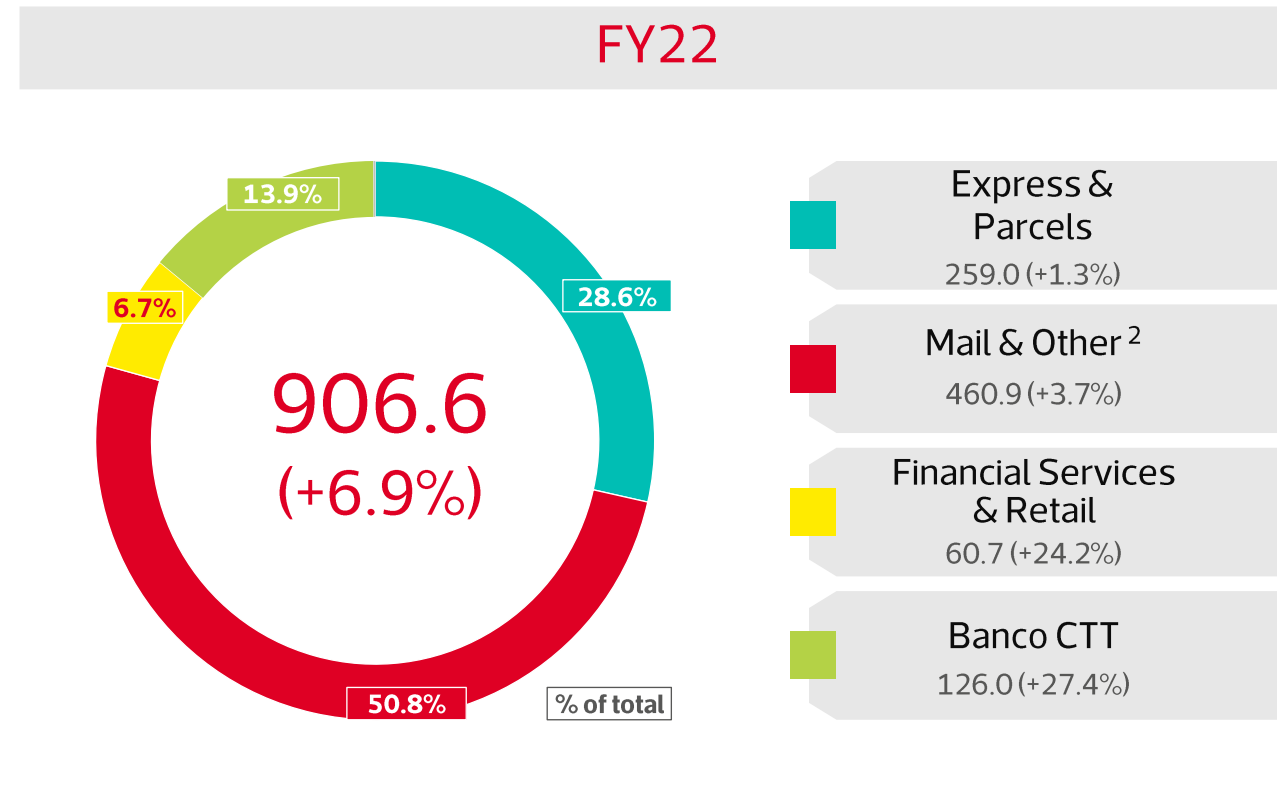
## Revenues <sup>1</sup>

€ million; % change vs. prior year



## Revenue <sup>1</sup> breakdown

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

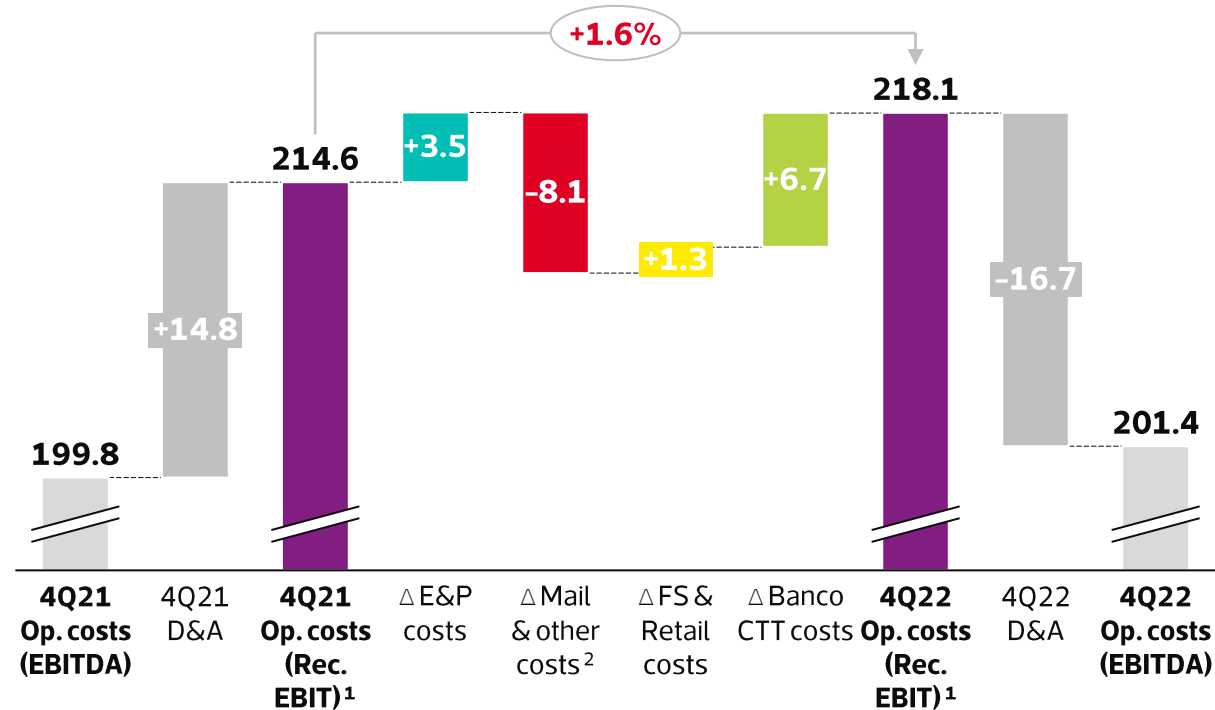


<sup>1</sup> Excluding Specific items; <sup>2</sup> Including Central Structure

## Further initiatives to be implemented in cost structure

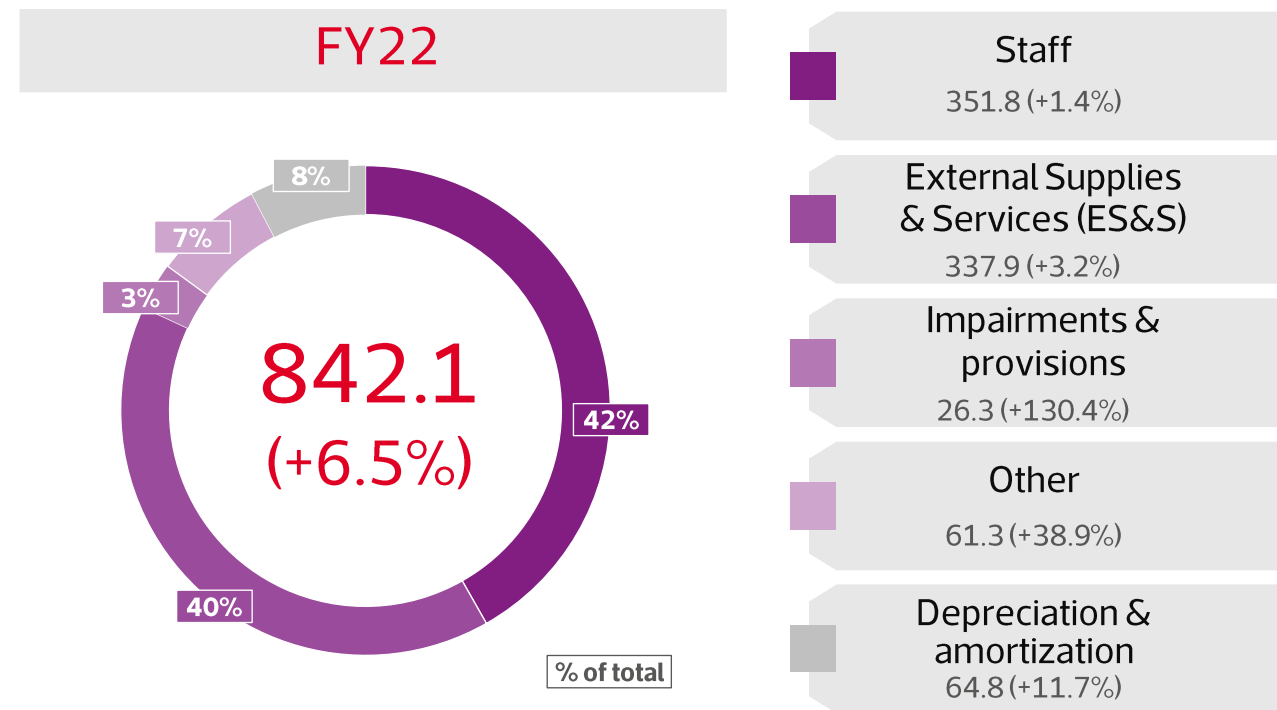
### Operating costs<sup>1</sup>

€ million; % change vs. prior year



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

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



#### In 4Q22:

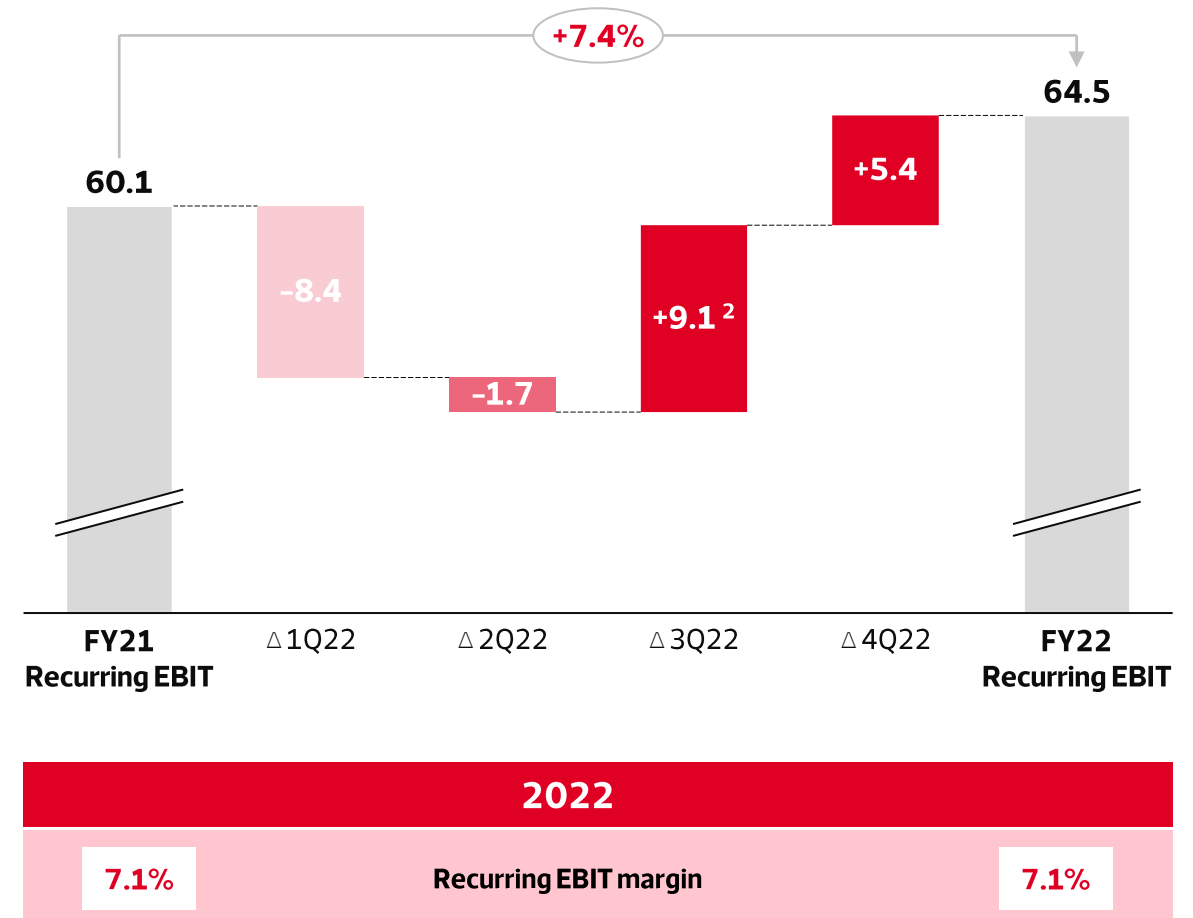
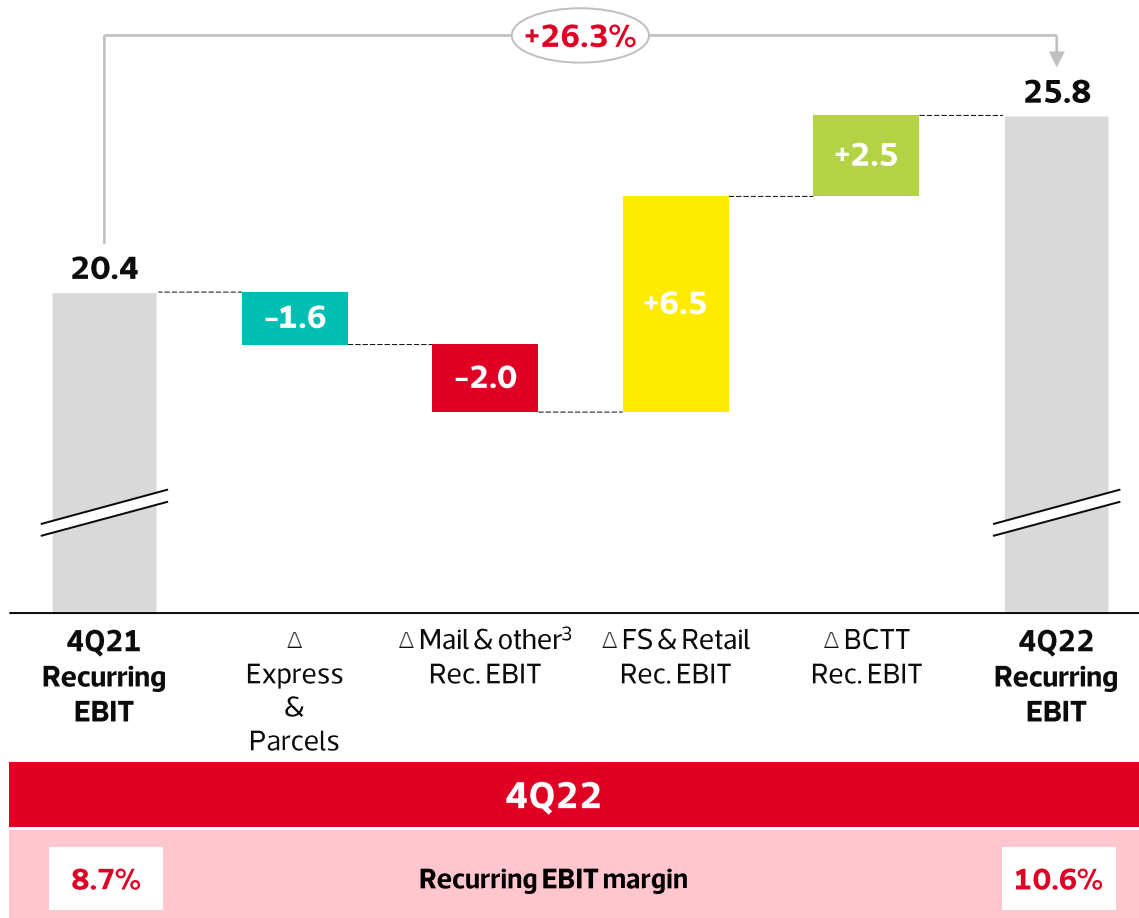
- **E&P costs grew by €3.5m** mainly due to activity, fuel inflation and investment in capacity expansion and automation
- **Mail & Other costs decreased €8.1m** primarily due to the impact of the elections in 4Q21 (€4.1m) and impacted by facilities optimisation, as previously highlighted
- **Banco CTT costs increased €6.7m** mainly as a result of impairment & provisions growth (+€3.1m) as a result of volume growth and due to the CoR volatility in the consumer credit book

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

# EBIT performance consistently improved throughout the year, as guided

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

€ million; % change vs. prior year

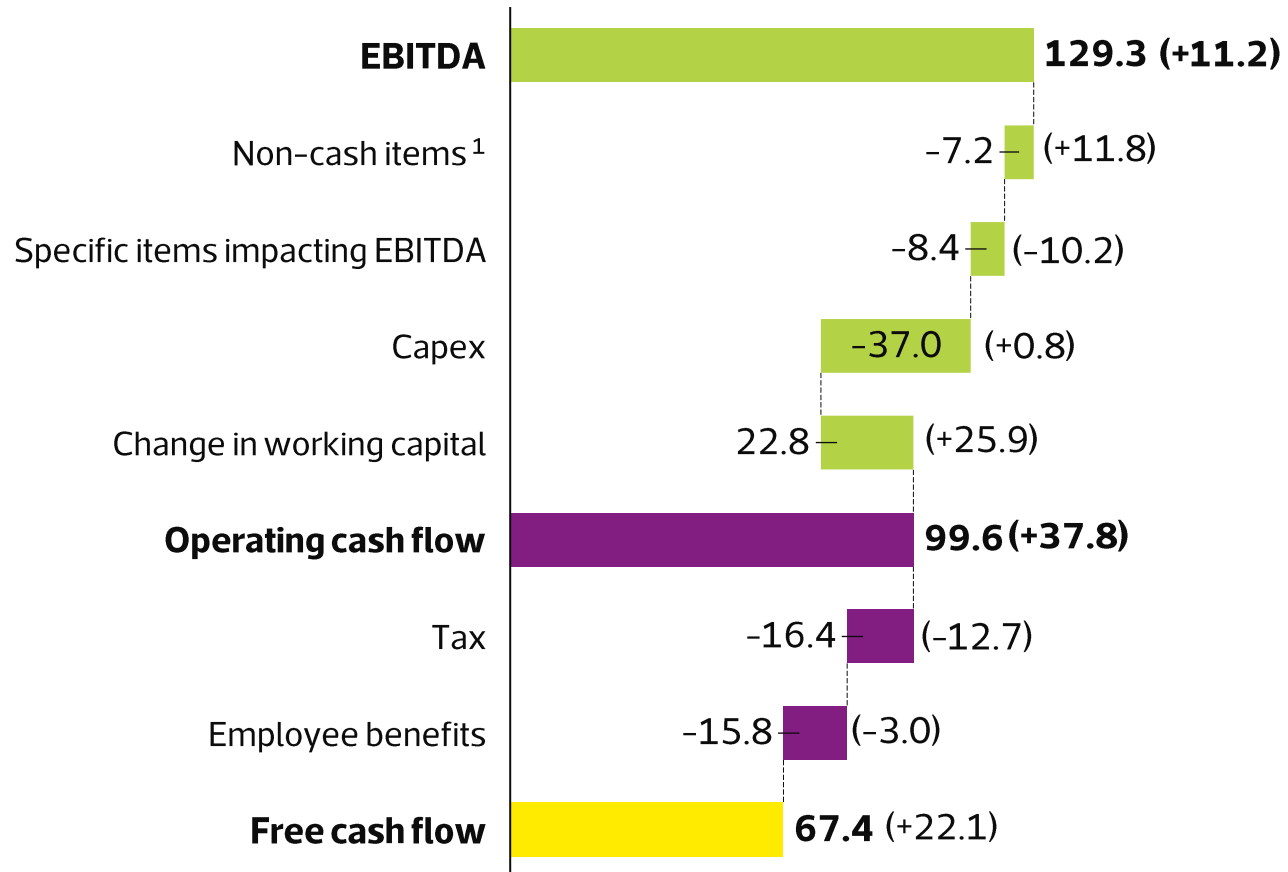


<sup>1</sup> Excluding Specific items; <sup>2</sup> The recurring EBIT also benefited from the cost savings associated with the change of CTT's headquarters already envisaged in the quick wins shared with the market, namely those related with the optimization of facilities. The impact in 2022 is €3.4m and there will be an equivalent annual impact in 2023 and going forward; <sup>3</sup> Including Central Structure

## Strong cash flow generation leading to a reduction in consolidated net debt

### 2022 Cash flow

€ million; impact on cash flow vs. prior year



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

€ million

	Consolidated
(+) Cash & cash equivalents	456.5
(-) Net Financial Services & Other payables <sup>3</sup>	361.7
(-) Banco CTT liabilities, net <sup>3</sup>	-117.1
(-) Other <sup>4</sup>	45.7
(=) Adjusted cash	166.2
(-) Financial debt	70.1
<b>(=) Net cash position</b>	<b>96.1</b>
(-) Lease liabilities (IFRS 16)	125.9
<b>Net financial debt<sup>2</sup></b>	<b>29.8</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 €162.1m as at 31 December 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



# Key takeaways & Outlook

**ctt**

**Committed to deliver**

# Increasing recurring dividend to €12.5ct per share

## Shareholder remuneration principles<sup>1</sup> disclosed at the CMD2022

Committed to improve shareholder remuneration while maintaining financial flexibility, subject to the following key principles:

- i. enable objectives of investing in business growth and to being a reference Iberian player in logistics and e-commerce;
- ii. ambition to implement an attractive shareholder remuneration policy, constituting an adequate source of income for its shareholders, and
- iii. combine recurrent, dividend-based, with opportunistic shareholder remuneration, based on SBB and subsequent cancellation of shares, that is within the context of specific market conditions.

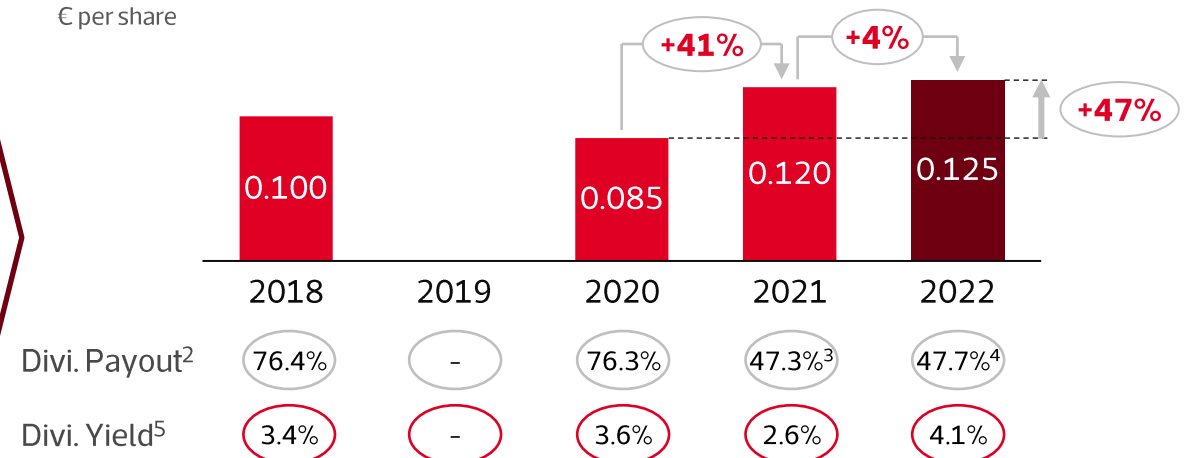
- Targeting to pay out between 35 and 50% of net profit in recurring dividends.
- The dividend proposal is subject<sup>5</sup> to:
  - market conditions
  - a suitable financial and accounting context of CTT's balance sheet, and
  - the applicable legal and regulatory terms and conditions

## Dividends

✓ Dividend of €0.125 per share for the 2022 financial year to be proposed and subject to approval in the AGM, payable in May 2023

### DPS

€ per share



	2018	2019	2020	2021	2022
Divi. Payout <sup>2</sup>	76.4%	-	76.3%	47.3% <sup>3</sup>	47.7% <sup>4</sup>
Divi. Yield <sup>5</sup>	3.4%	-	3.6%	2.6%	4.1%

## Share buyback

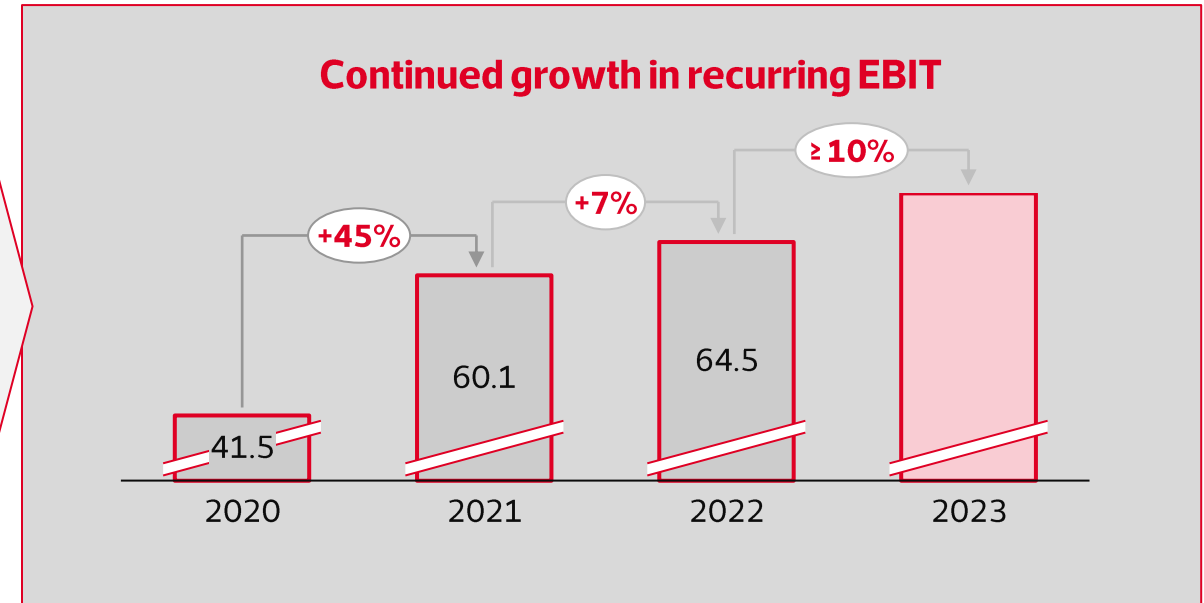
- ✓ SBB of €21.6m carried out in 2022, having acquired 6.08m shares
- ✓ 4.65m shares already have been cancelled
- ✓ 1.43m shares to be cancelled, subject to AGM approval

<sup>1</sup>For detailed information on CTT's Financial Policy, including its shareholder's remuneration principles, please refer to CTT's investor relations website and to the announcement disclosed on 23 June 2022; <sup>2</sup>Based on individual accounts; <sup>3</sup>Excludes the dividend paid on the 1.5m own shares of the share buyback of 2021, share count excluding own shares equals 148.5m; <sup>4</sup>Share count excluding own shares equals 142.4m, and <sup>5</sup>Yield calculated taking as a reference the year end share price of each year

# Continued growth and transformation, notwithstanding a challenging environment

## Guidance

- Mid single-digit decline in mail volumes
- Low-to-mid single-digit growth in Portugal CEP volumes with improved revenue per item
- Resume double-digit volume growth in Spain
- Robust growth envisaged in Financial Services
- Banco CTT RoTE to improve further
- Mid single digit revenue growth
- **Recurring EBIT in FY23 expected to grow at least 10%**



## Risk outlook

- Still high geopolitical uncertainty
- Macro risks continue to be relevant and persistent: inflation, cost of energy and raw materials

## Our 2023 priorities: expecting a growth of recurring EBIT at least 10%



Grabbing the full potential of e-commerce convergence in Portugal and Spain to resume growth, while focusing on prices and costs to improve profitability



Improving structural mail profitability furthering operational efficiency measures



Transforming the retail network into a service platform, with special focus on savings and insurance distribution



Benefiting from a favourable interest rate outlook, Banco CTT will focus on (i) delivering on growth; (ii) strengthening its bancassurance offering and (iii) taking advantage of its strong capital position



Continue to implement transformation initiatives to drive revenue sustainability by reducing dependence on traditional mail services



Focusing on cost cutting to cope with inflation pressure and high fuel prices



Exploit inorganic expansion opportunities in last mile and fulfilment segments in Iberia



CTT

Correios de Portugal, S.A.

Investor Relations

Contacts:

Phone: +351 210 471 087

E-mail: [investors@ctt.pt](mailto:investors@ctt.pt)

**ctt.pt**

