



1Q20

Results Presentation

ctt

Committed to deliver

6 May 2020

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01

Highlights

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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

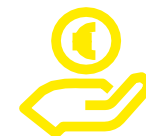
Strong growth in B2C parcels compensates the decline in B2B volumes in both Portugal & Spain in Mar-20



€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

¹The 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

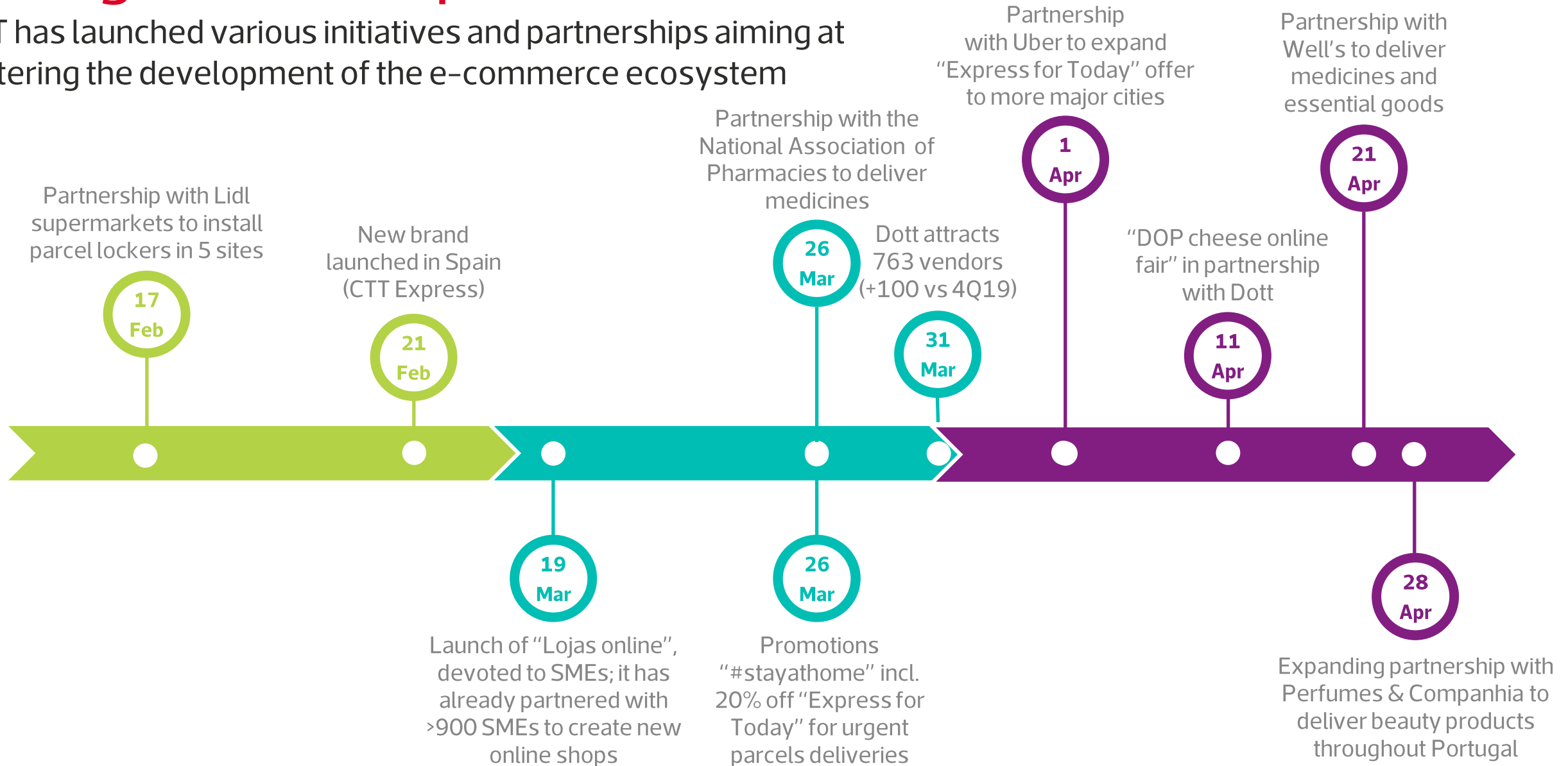
- Working with clients to eliminate bottlenecks in mail printing & finishing
- Alternative solutions sought to forward mail to the Portuguese islands
- New routes sought to receive international mail, faced with reduced international air freight capacity

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

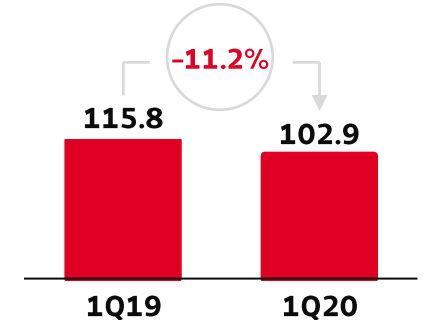
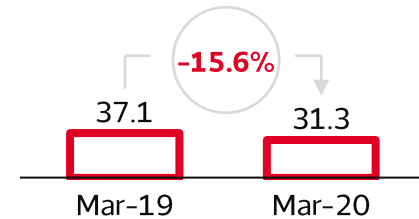
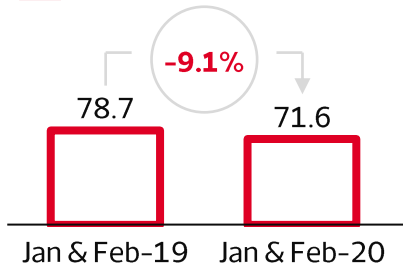
million items; % change vs. prior year

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

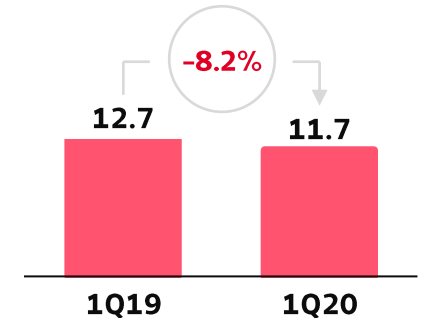
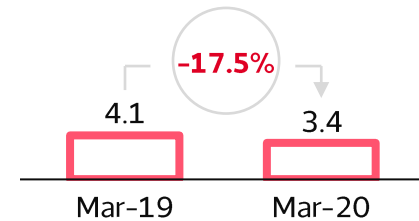
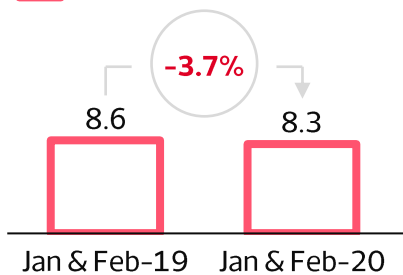
- Registered mail was affected by delays in tax notices and notifications from courts in Mar-20 (related to the declaration of the state of emergency in Portugal)

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

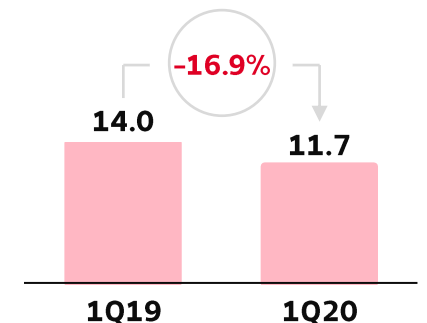
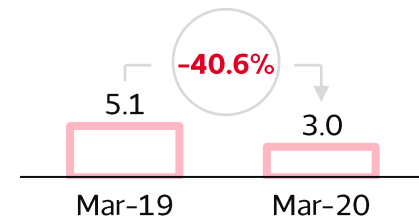
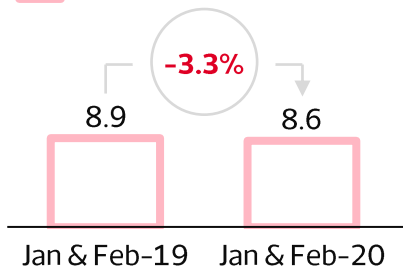
Ordinary, priority & other mail



Registered mail



International mail

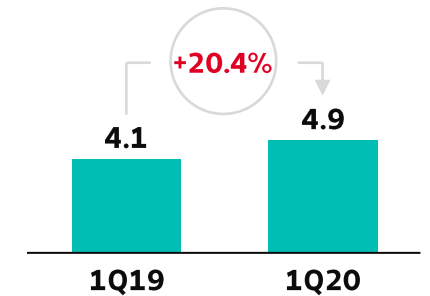
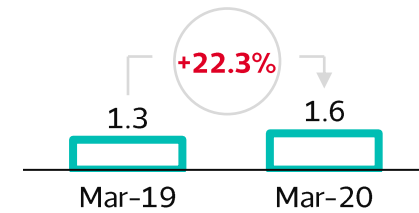
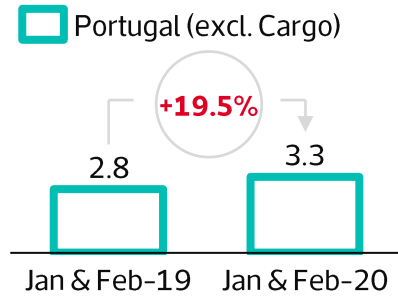


Portuguese parcels and public debt placements benefited from a strong start to the year

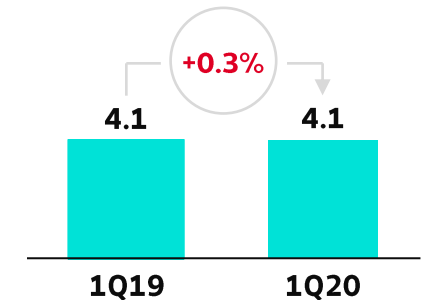
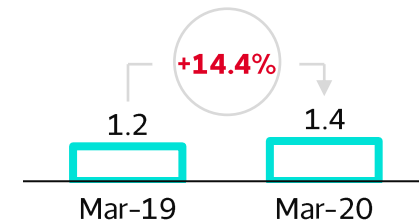
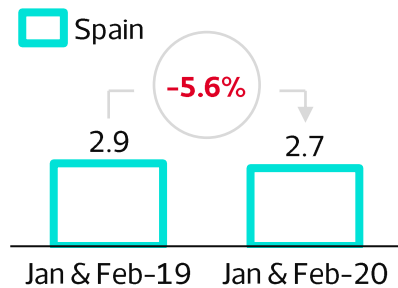
Parcels volumes

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



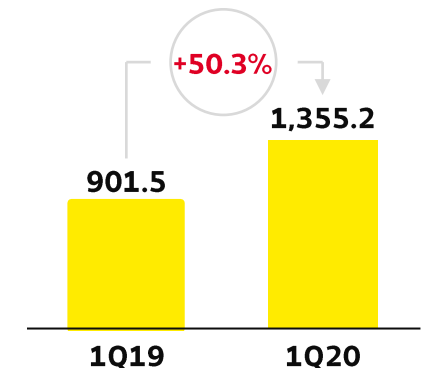
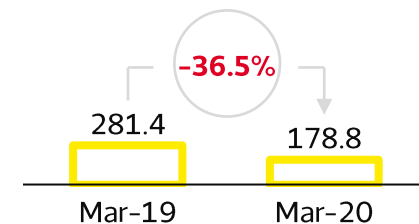
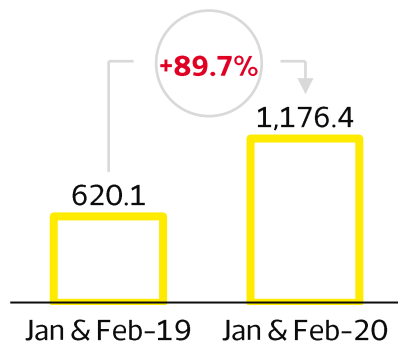
- Strong capture of B2C volumes in Mar-20 in Spain, albeit at lower margins, mitigated the loss of a large client in Apr-19 and the B2B volumes decline as a result of the pandemic



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

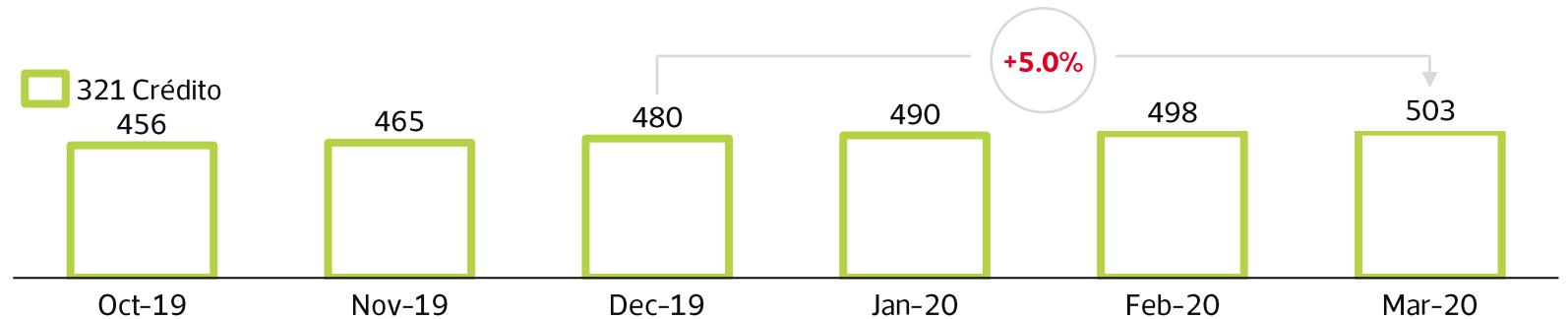
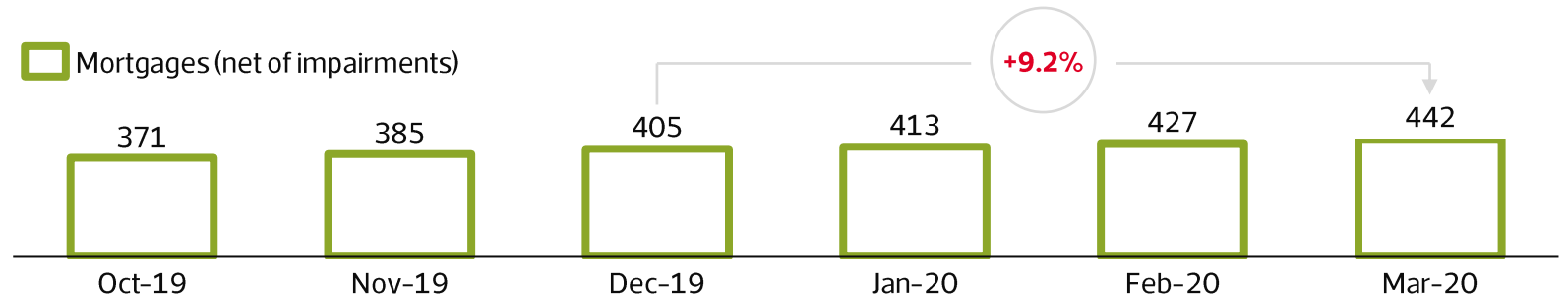


Banco CTT customers' flight to safety was evident in the strong capture of new deposits

Credit to clients

€ million

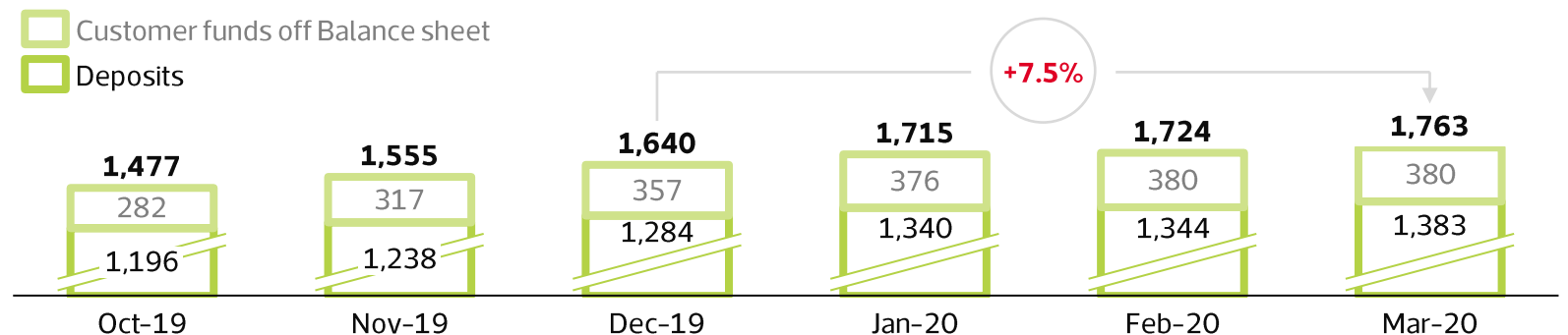
- Mortgage activity remained resilient, despite the temporary 50% reduction in business hours in the Retail network since mid-Mar-20
- 321 Crédito credit book growth in Mar-20 was also affected by the reductions in the movement of people and the temporary closure of auto dealerships (as non-essential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



02

Financials

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Growth in EBIT and stable Net profit in the quarter, despite the challenging operational environment in Mar-20

Key financial indicators

€ million; % change vs. prior year

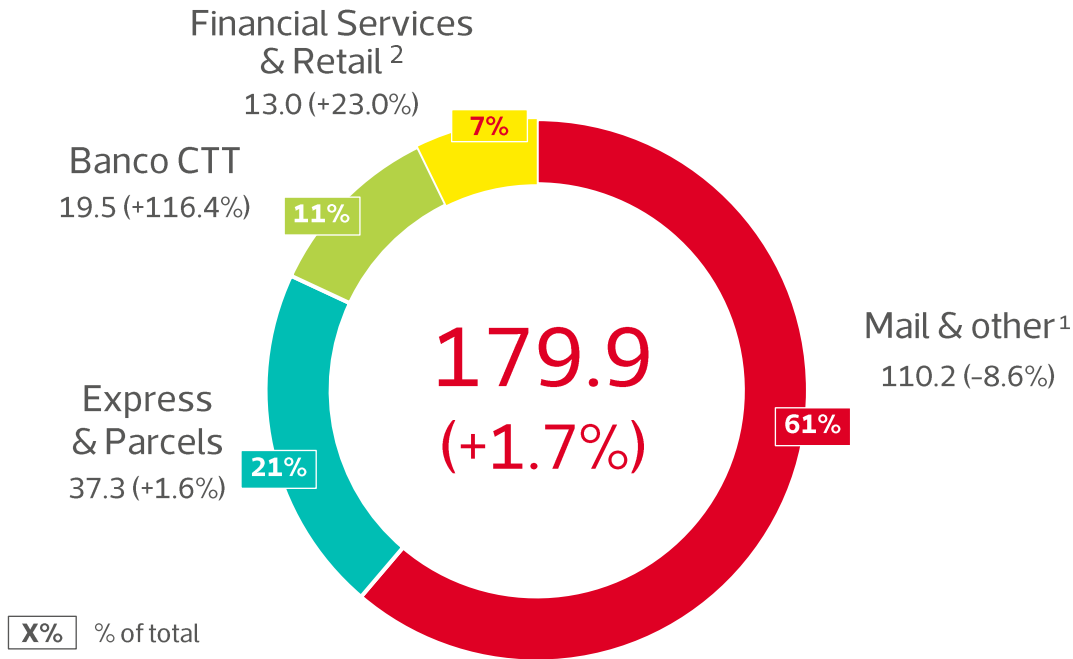
	Reported		
	1Q19	1Q20	Δ%
Revenues¹	176.9	179.9	+1.7%
Operating costs ¹	155.9	159.7	+2.4%
EBITDA¹	21.0	20.2	-3.7%
Specific items	5.6	0.0	-99.7%
EBIT	8.7	9.3	+6.7%
Net profit attributable to equity holders	3.7	3.7	-0.4%
Free cash flow	4.3	8.6	+99.8%

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

Growth in revenues, underpinned by the organic & inorganic contribution of Banco CTT and the strong performance by Financial Services & Retail in the first two months of the quarter

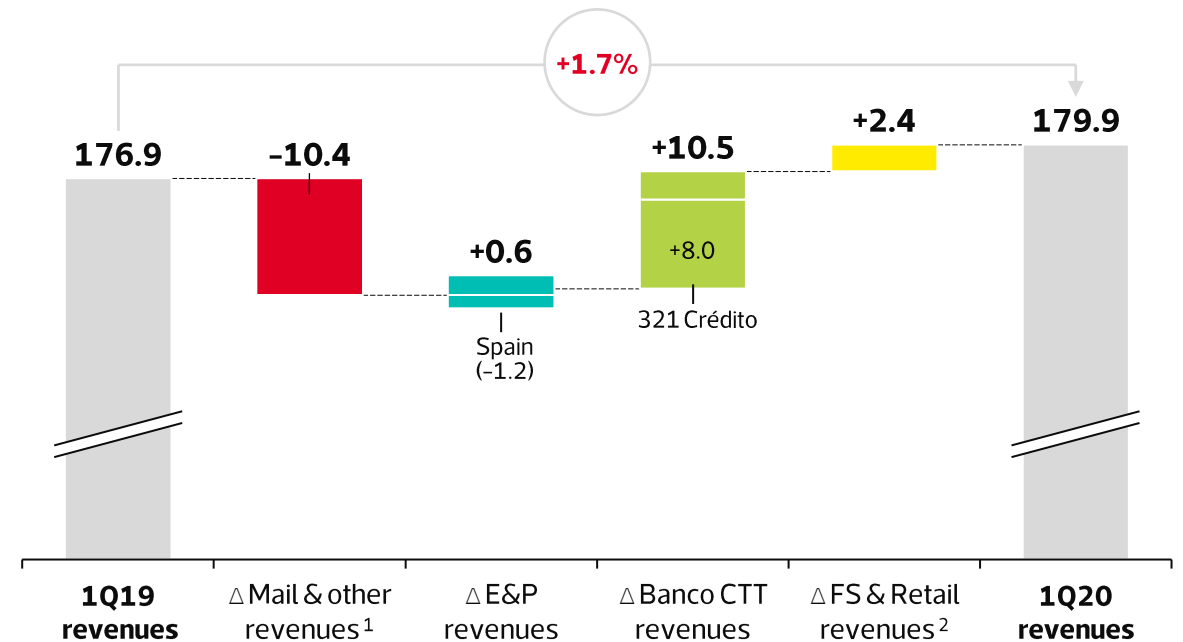
Revenues

€ million; excluding specific items; % change vs. prior year; % of total



Revenues breakdown

€ million; excluding specific items; % change vs. prior year



- Excluding the inorganic impact of 321 Crédito, revenues declined by €4.9m (-2.8%) as increases in Banco CTT net interest income (+€1.6m) and fees & commissions income (+€1.2m) and the growth in revenues from the sale of public debt products (+€2.6m) were unable to offset the higher-than-expected Mail revenues decline, provoked by the COVID-19 pandemic

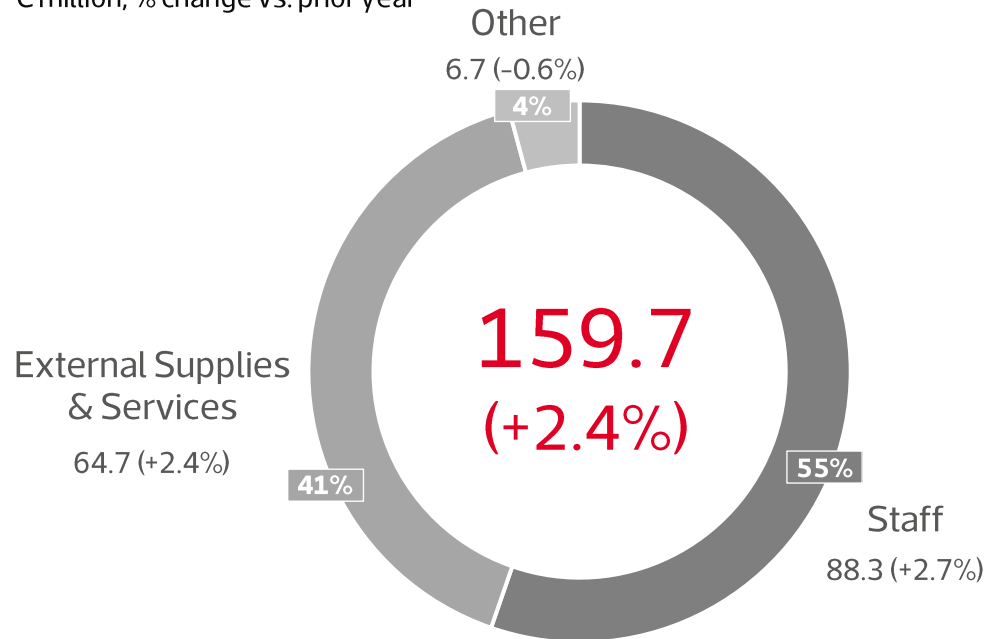
¹ Including Central Structure.

² 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).

Operating costs, excluding the inorganic contribution of 321 Crédito, were practically flat

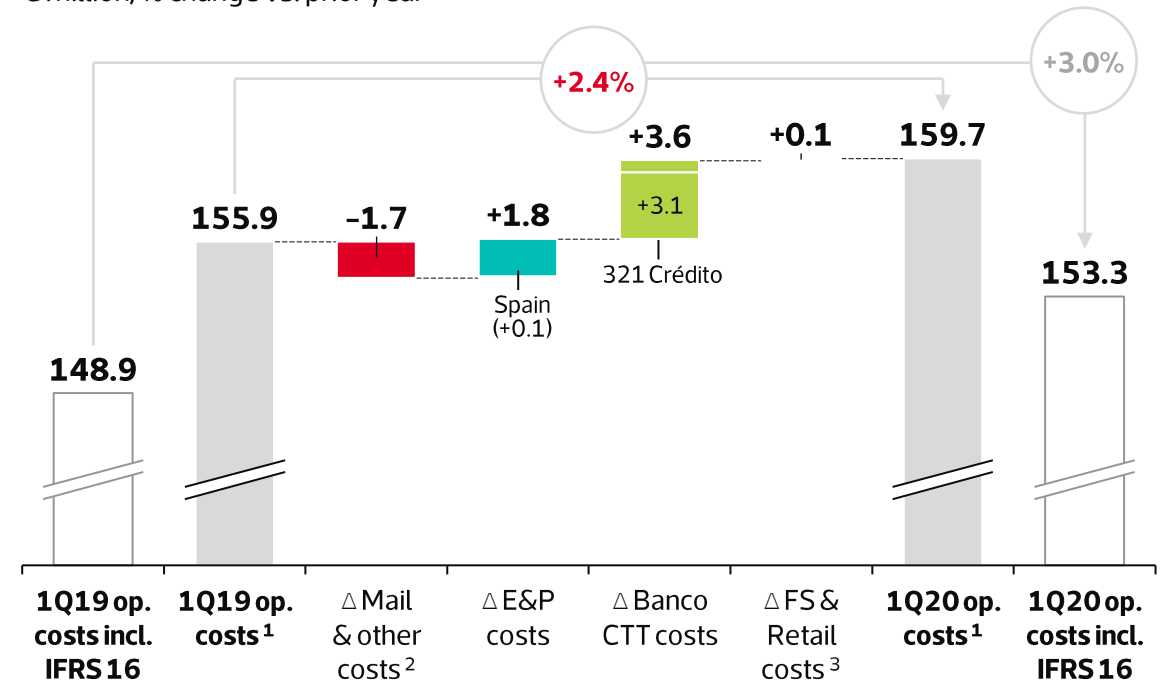
Operating costs¹

€ million; % change vs. prior year



Operating costs¹ breakdown

€ million; % change vs. prior year



- Staff costs, excluding 321 Crédito, increased by €1.0m (+1.1%), mainly due to a one-time cut in the phone subscription fee benefit (€0.9m) in Mar-19, as communicated at that time. COVID-19 led to a €0.5m reduction in the utilization of the employee healthcare plan in the last 2 weeks of Mar-20, fully offset by hiring of temporary staff to cope with the pandemic
- ES&S and other costs, excluding 321 Crédito, were practically flat as the €1.0m reduction in marketing costs was offset by an increase in direct costs related to the capture of new B2C clients and the increase in related parcels volumes in Portugal. Regulatory costs, related to the new quality of service requirements, increased by €0.4m. The abovementioned requirements were suspended since the declaration of the state of emergency in Portugal (*force majeure*)

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

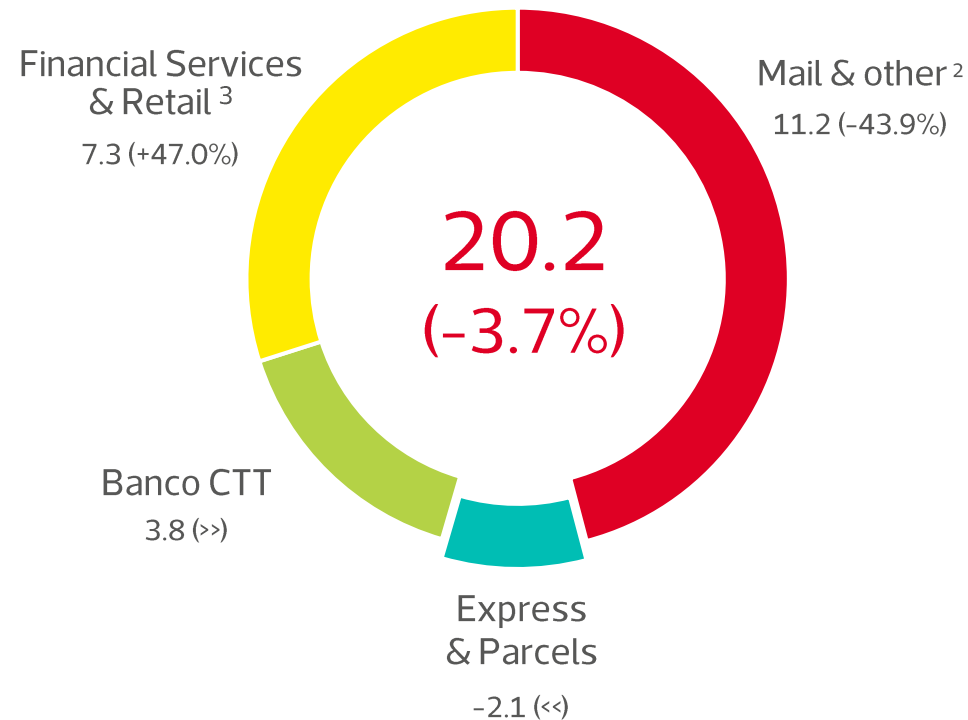
² Including Central Structure.

³ 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).

Slight decline in EBITDA, impacted by the unprecedented business interruption in Mail in Mar-20, despite the positive evolution in banking & financial services

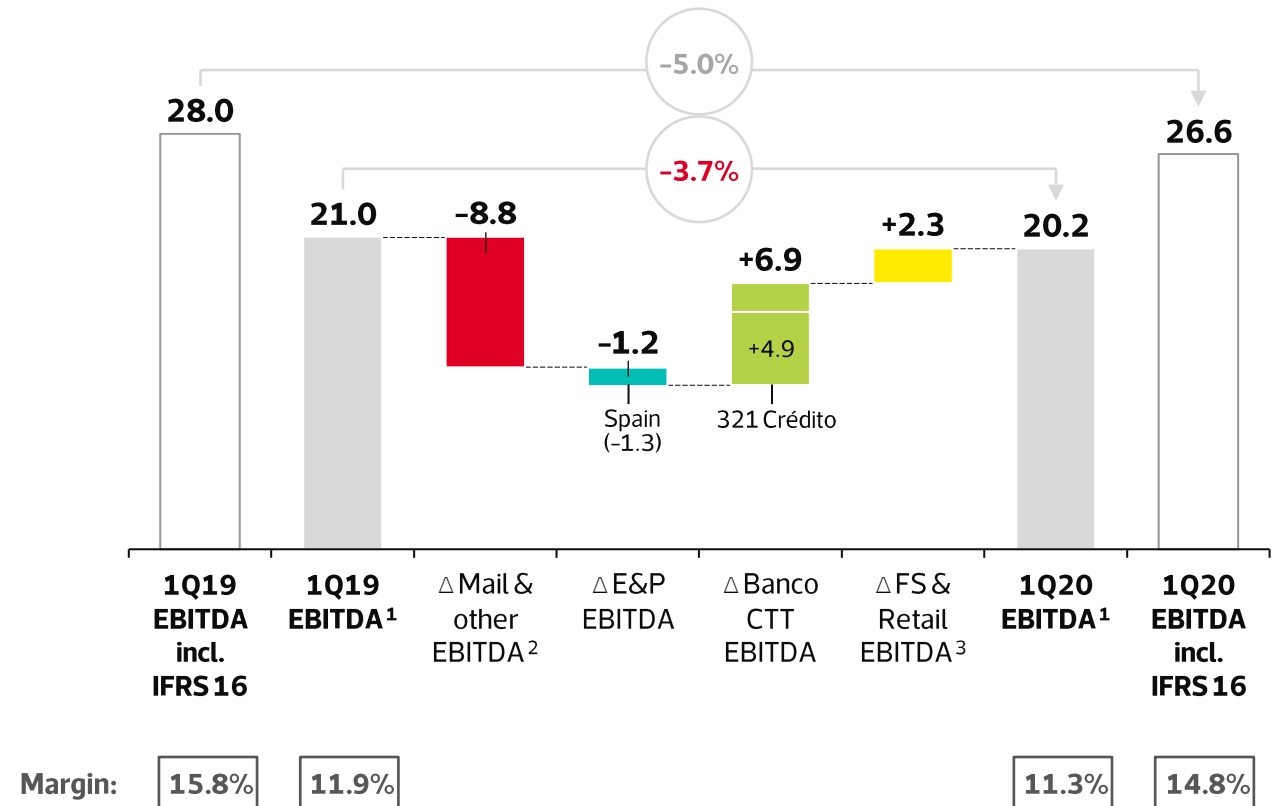
EBITDA ¹

€ million; % change vs. prior year



EBITDA ¹ breakdown

€ million; % change vs. prior year



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

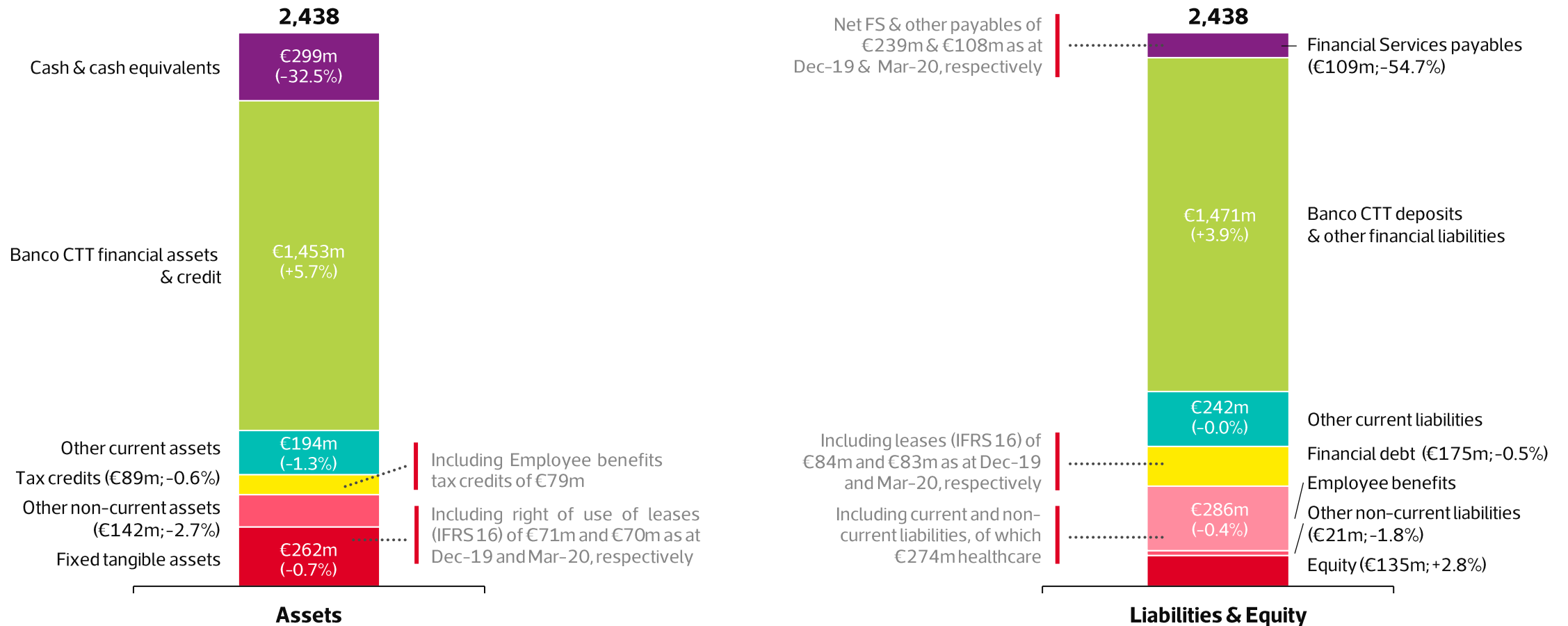
² Including Central Structure.

³ 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).

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

Balance Sheet – 31 March 2020

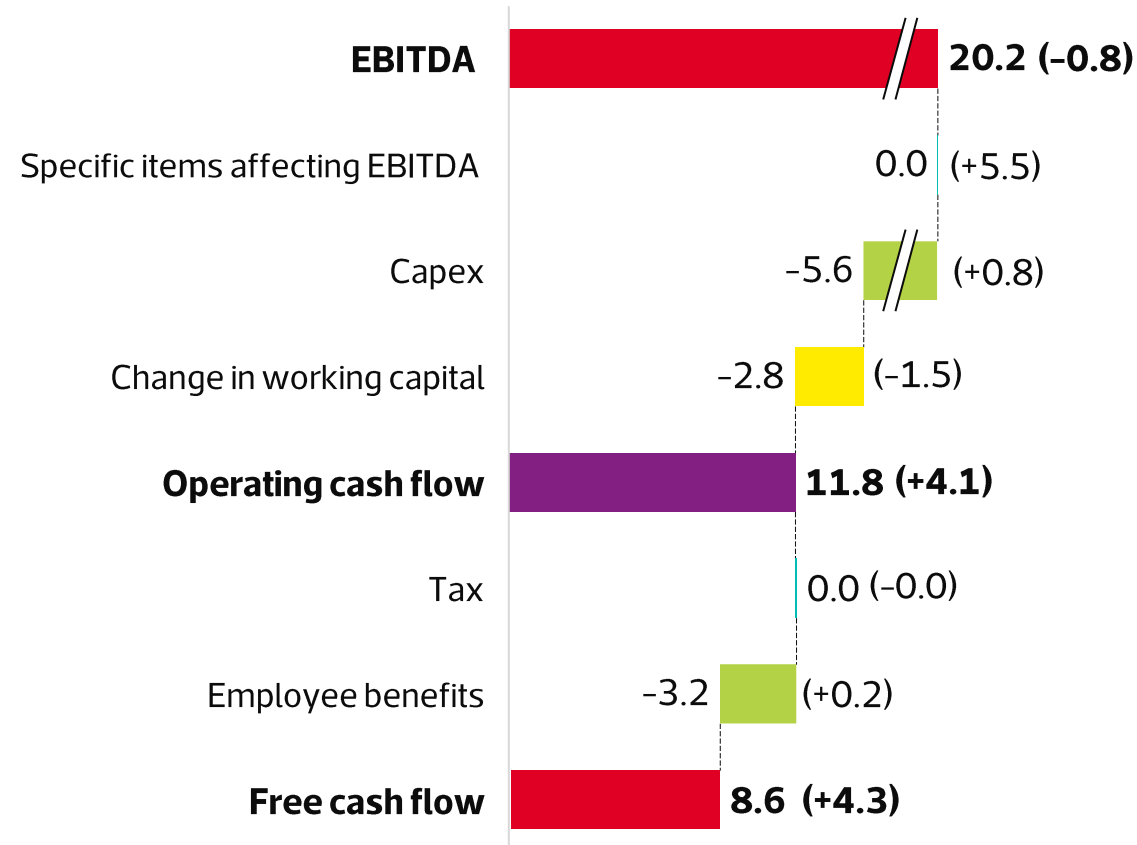
€ million; % change vs. 31 December 2019



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

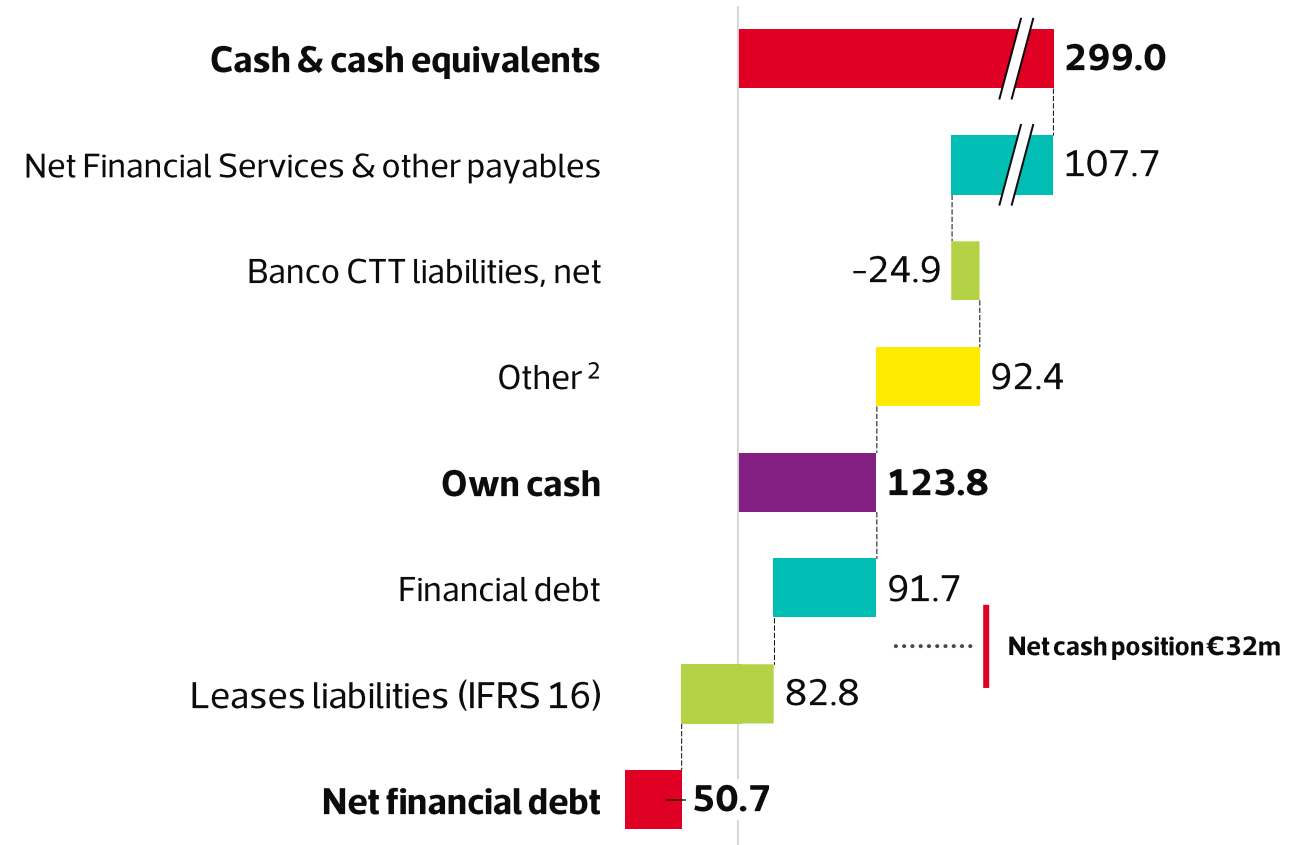
Cash flow

€ 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.

03

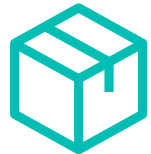
Outlook
update

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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

04

Appendix

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Pressure on profitability in Mail, as a result of higher-than-expected volumes decline, affected by the lockdown from mid-Mar-20 onwards

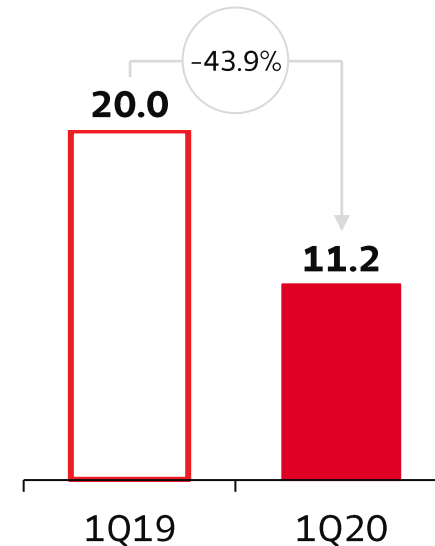
Revenues¹

€ million; % change vs. prior year

Transactional	€94.9m (-7.9%)
Advertising	€5.1m (-9.1%)
Editorial	€3.3m (-11.0%)
Business Solutions	€2.5m (-10.6%)
USO Parcels	€1.4m (-6.4%)
Philately & other ¹	€2.9m (-26.1%)
Total	€110.2m (-8.6%)

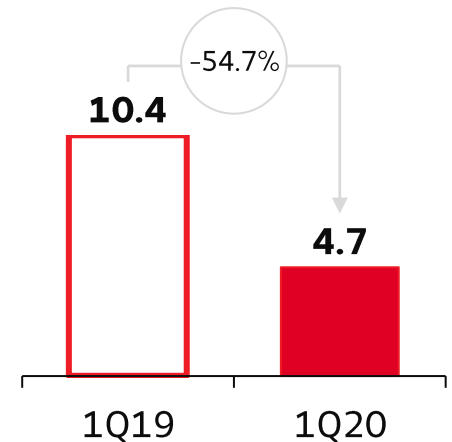
EBITDA^{1,2}

€ million



EBIT^{1,3}

€ million



Volumes by type (m items)

Metric	Avg. mail prices	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
1Q20	N / D	144.9	126.2	11.1	7.6	115.4
vs. 1Q19	+0.6%	-11.8%	-11.5%	-15.3% <small>of which 7.1 (-18.4%) International inbound</small>	-11.2%	+8.6%

¹Including Central Structure. 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).

²Excluding Specific items & IFRS 16 impacts, depreciation, amortization, impairments and provisions.

³Including Specific items & IFRS 16 impacts, depreciation, amortization, impairments and provisions.

Parcels showing signs of resilience in revenues, with lower B2B volumes compensated by strong growth in B2C activity, both in Portugal & Spain

Revenues

€ million; % change vs. prior year

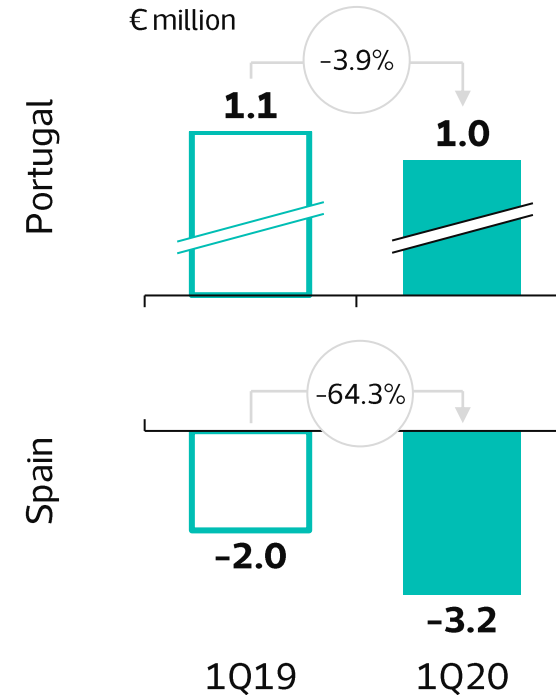
Portugal	€24.4m (+6.5%)
Parcels	€18.9m (+10.4%)
Cargo	€2.8m (-11.5%)
Banking network	€1.8m (+11.3%)
Logistics	€0.7m (-5.2%)
Other	€0.3m (-18.3%)
Spain	€12.1m (-9.0%)
Mozambique	€0.8m (+57.2%)
Total	€37.3m (+1.6%)

Volumes by region (m items)

Metric	Total	Portugal	Spain	Mozambique
1Q20	9.7	5.6	4.1	0.01
vs. 1Q19	+8.1%	+14.7%	+0.3%	-15.8%

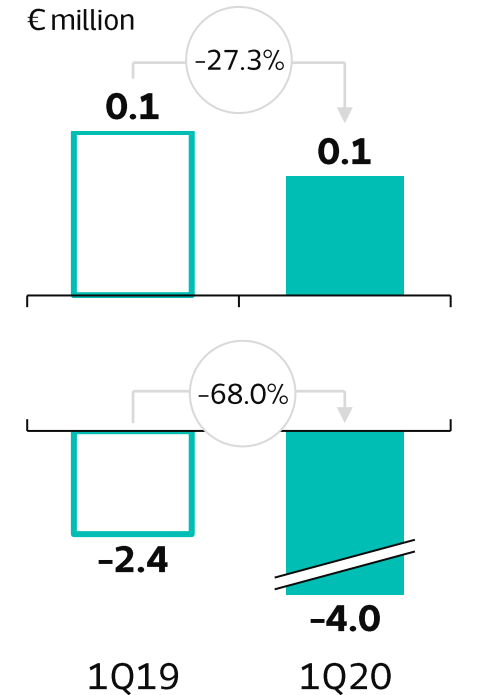
EBITDA¹

€ million



EBIT²

€ million



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

² Including Specific items & IFRS 16 impacts, depreciation, amortization, impairments and provisions.

Another landmark quarter for Banco CTT, achieving positive Net profit for the first time in its short history, with a relevant contribution from the auto loans business line

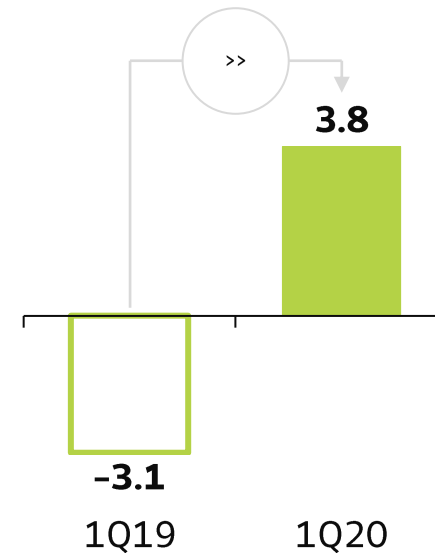
Revenues

€ million; change vs. prior year

Net interest income	€4.1m (+€1.6m)
Interest income	€4.4m (+€1.7m)
Interest expense	-€0.3m (-€0.1m)
Fees & commissions income	€2.8m (+€1.2m)
Own products	€1.5m (+€0.4m)
Consumer credit & insurance	€1.3m (+€0.8m)
Payments & other	€4.6m (-€0.3m)
321 Crédito (auto loans)	€8.0m (+€8.0m)
Total	€19.5m (+€10.5m)

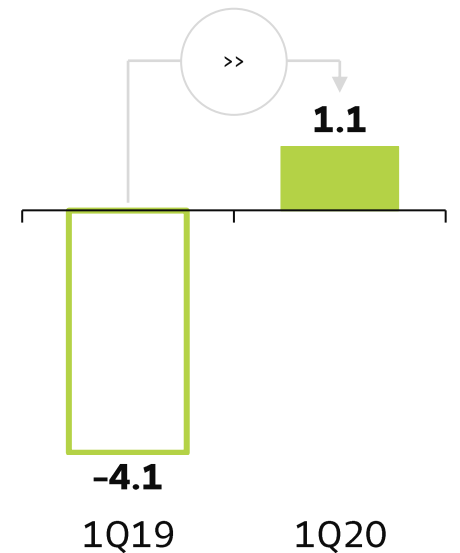
EBITDA¹

€ million



EBIT²

€ million



Selected Banco CTT Balance Sheet indicators

Metric	Assets (€m)	Cash & equivalents	Investments	Credit to clients (net of impairments)	Customer deposits (€m)	Equity (€m) / CET 1 Fully implemented (%)
31-Mar-20	1,718.0	180.6	474.2	947.2	1,382.8	211.5 / 18.4%
vs. 31-Dec-19	+3.1%	-12.6%	+3.9%	+6.9%	+7.7%	+0.1% / -0.7p.p.

481k current accounts (+4.2%)

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

² Including Specific items & IFRS 16 impacts, depreciation, amortization, impairments and provisions.

Stellar performance in the placement of public debt in the first two months of the quarter drove strong growth in Financial Services & Retail revenues and profitability

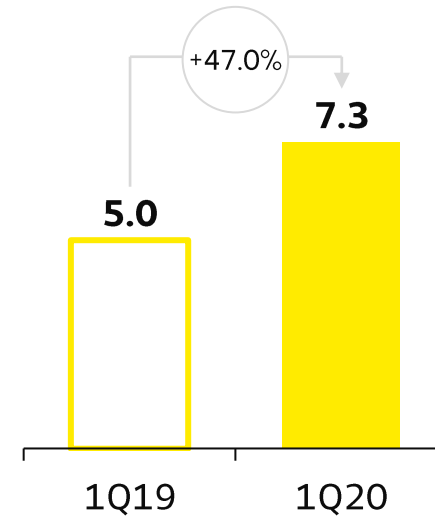
Revenues¹

€ million; % change vs. prior year

Savings & Insurance	€8.6m (+41.1%)
Money orders	€1.5m (+8.1%)
Payments	€0.1m (-11.3%)
Retail products & services	€2.7m (-1.9%)
Other	€0.0m (-73.5%)
Total	€13.0m (+23.0%)

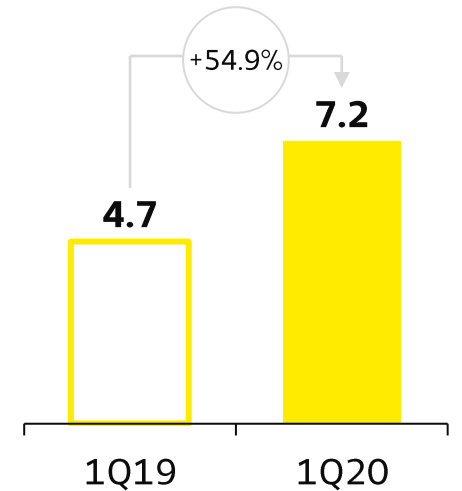
EBITDA²

€ million



EBIT³

€ million



Financial Services volumes by type

Metric	Savings & insurance flows (€bn)	Placements	Redemptions	Money orders (m ops.)
1Q20	1.6	1.4	0.2	3.8
vs. 1Q19	+40.4%	+50.2% <small>of which 1.4 (+50.3%) public debt</small>	-1.0%	+7.1%

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)

² Excluding Specific items & IFRS 16 impacts, depreciation, amortization, impairments and provisions.

³ Including Specific items & IFRS 16 impacts, depreciation, amortization, impairments and provisions.

EBIT growth in the quarter, despite the challenging operational environment in Mar-20

Income statement

€ million

	Reported		With Banco CTT under equity method	
	1Q19	1Q20	1Q19	1Q20
Revenues	176.9	179.9	172.3	164.7
Operating costs	155.9	159.7	147.1	147.4
EBITDA	21.0	20.2	25.1	17.3
EBITDA including IFRS 16	28.0	26.6	32.0	23.5
Depreciation, amortization, impairments & provisions	13.7	17.3	12.6	14.4
of which IFRS 16 impact	5.6	5.3	5.5	5.1
Specific items	5.6	0.0	5.5	0.0
EBIT	8.7	9.3	13.9	9.0
Net financial income / (costs)	-2.4	-2.5	-2.4	-2.5
of which IFRS 16 impact	-1.0	-0.8	-1.0	-0.8
Associated companies – gains / (losses)	0.3	-0.6	-3.9	-0.4
Earnings before taxes	6.6	6.2	7.6	6.2
Net profit attributable to equity holders	3.7	3.7	3.7	3.8

The Balance Sheet reflects the reduction in the float from Financial Services

Balance Sheet

€ million

	Reported		With Banco CTT under equity method	
	31-Dec-19	31-Mar-20	31-Dec-19	31-Mar-20
Non-current assets	1,734.7	1,797.8	615.8	610.2
Current assets	778.8	640.7	456.9	336.7
Assets	2,513.4	2,438.5	1,072.8	946.8
Equity	131.4	135.0	131.4	135.1
Liabilities	2,382.0	2,303.4	941.3	811.7
Non-current liabilities	512.8	500.5	432.0	427.4
Current liabilities	1,869.2	1,802.9	509.3	384.3
Equity and Liabilities	2,513.4	2,438.5	1,072.8	946.8

Free cash flow generation doubling from prior year

Cash flow

€ million

	Reported			With Banco CTT under equity method		
	1Q19	1Q20	Δ 20/ 19	1Q19	1Q20	Δ 20 / 19
EBITDA	21.0	20.2	-0.8	25.1	17.3	-7.8
Specific items affecting EBITDA	5.6	0.0	-5.5	5.5	0.0	-5.5
Capex	6.3	5.6	-0.8	5.4	5.1	-0.4
Change in working capital	-1.4	-2.8	-1.5	-3.2	1.8	5.1
Operating cash flow	7.8	11.8	4.1	11.0	14.1	3.1
Tax	-0.1	0.0	0.0	-0.1	0.3	0.4
Employee benefits	-3.4	-3.2	0.2	-3.4	-3.2	0.2
Free cash flow	4.3	8.6	4.3	7.5	11.2	3.7
Debt (principal + interest)	3.7	-0.2	-3.9	3.7	-0.2	-3.9
Net change in own cash	8.0	8.4	0.4	11.2	11.0	-0.2
Change in liabilities FS & other & Banco CTT (net)	-70.2	-216.7	-146.5	-84.2	-131.4	-47.2
Change in other	4.5	64.2	59.7	0.0	0.0	0.0
Net change in cash	-57.7	-144.0	-86.3	-72.9	-120.4	-47.4

Minimal amount of specific items with neutral impact on the 1Q20 P&L

Specific items

€ million

	1Q19	1Q20
EBIT excluding Specific items	14.2	9.3
Specific items	5.6	0.0
Revenues	0.0	0.6
Staff costs	4.0	0.0
ES&S & other op. costs	1.6	0.6
EBIT	8.7	9.3

Specific items detail

- €0.6m capital gain related to the sale of a non-strategic real estate asset
- €0.6m of ES&S & other op. costs, of which €0.3m of strategic studies (including €0.1m related to the new concession contract) and €0.1m related to COVID-19

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to whatever
you want

From a parcel
to whatever
you dream of

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Correios de Portugal, S.A.
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Contacts:
Phone: +351 210 471 087
E-mail: investors@ctt.pt

ctt.pt