

CTT – Correios de Portugal

# 1H17

Results Presentation





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01.

Key highlights

02.

Business units

03.

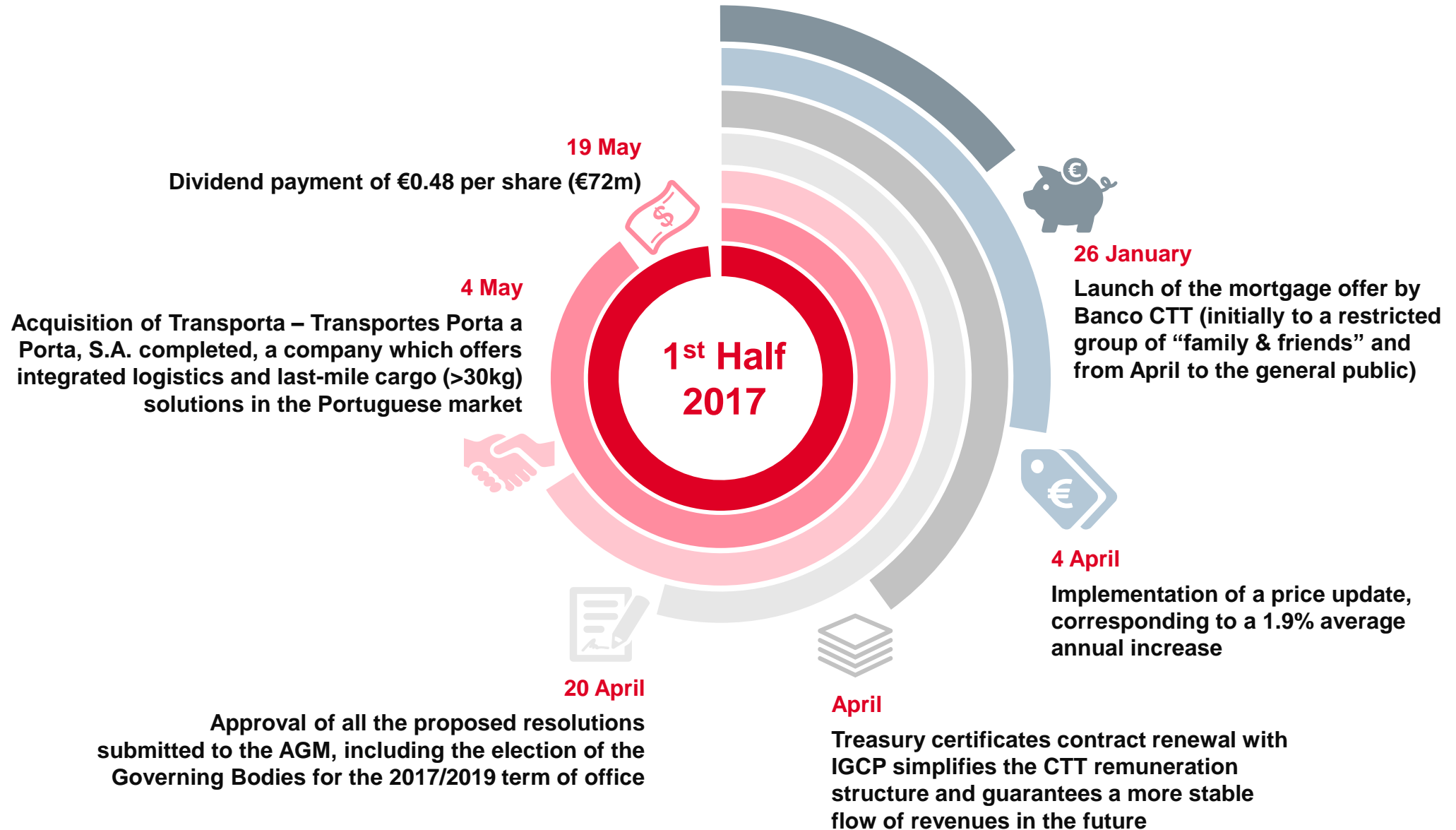
Appendix

**01.**  
**Key highlights**



Para uso exclusivo do serviço postal

**KEY HIGHLIGHTS:** The strategy to grow the Express & Parcels and the Banking / Financial Services businesses was actively pursued in 1H17, accelerating in 2Q17








**KEY HIGHLIGHTS:** 2Q17 saw return to revenues growth and stabilisation of recurring EBITDA (excl. Altice), despite the impact of the Easter break in the quarter



**Financial and operational performance**

€ million, except when otherwise indicated

	Quarterly results				Half-yearly results			
	2Q16	2Q17	Δ€	Δ%	1H16	1H17	Δ€	Δ%
<b>Recurring revenues</b>	171.5	175.2	+3.7	+2.1%	349.4	352.1	+2.8	+0.8%
Recurring revenues excl. Altice	169.0	175.2	+6.2	+3.7%	344.4	352.1	+7.8	+2.3%
<b>Recurring operating costs</b>	144.2	150.6	+6.4	+4.4%	286.9	299.5	+12.6	+4.4%
<b>Recurring EBITDA</b>	27.3	24.6	-2.7	-10.0%	62.5	52.6	-9.8	-15.8%
Recurring EBITDA excl. Altice	24.8	24.6	-0.2	-0.9%	57.5	52.6	-4.8	-8.4%
<b>Reported net profit</b>	11.0	7.4	-3.6	-32.7%	31.7	17.7	-13.9	-44.0%

	 <b>Addressed mail</b> (million items)	 <b>Parcels</b> (million items)	 <b>FS savings flows</b> <sup>1</sup> (€ billion)	 <b># Banco CTT current accounts</b> (thousand)	 <b>Banco CTT deposits</b> (€ million)
<b>1H17</b>	<b>388.1</b>	<b>15.0</b>	<b>3.3</b>	<b>147.4</b>	<b>424.3</b>
<b>1H17 vs. 1H16</b>	<b>-5.6%</b>	<b>+14.8%</b>	<b>+35.1%</b>	<b>+631.0%</b>	<b>+658.1%</b>

<sup>1</sup> Amount of savings & insurance placements (€2.3bn) and redemptions (€1.1bn).

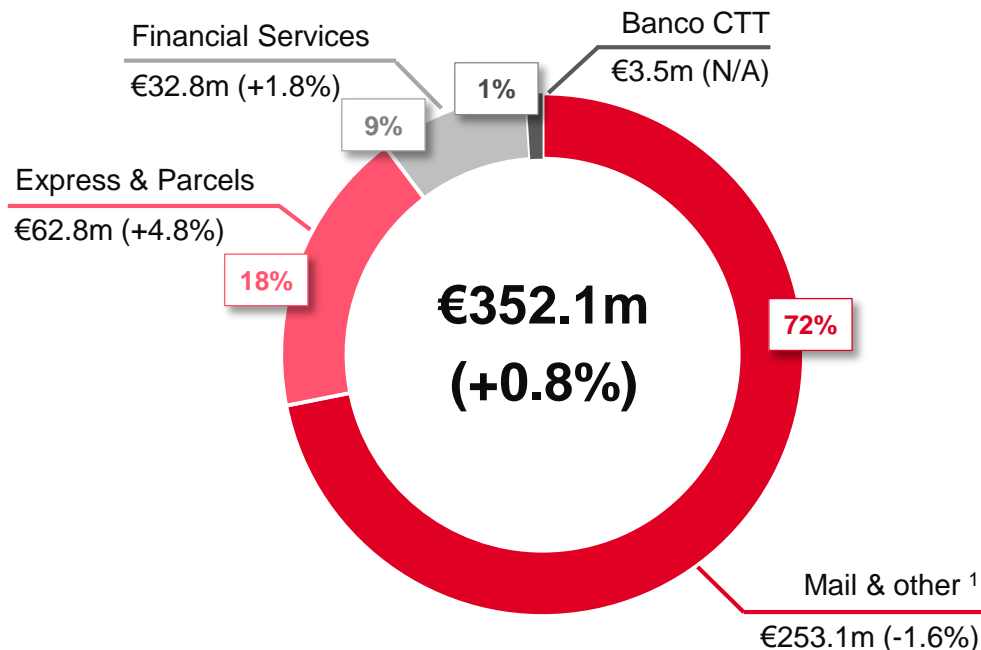


# KEY HIGHLIGHTS: Higher than €10m increase in revenues from growth businesses in 1H17 fully offset the decline in Mail revenues and the Altice 1H16 impact



## 1H17 recurring revenues

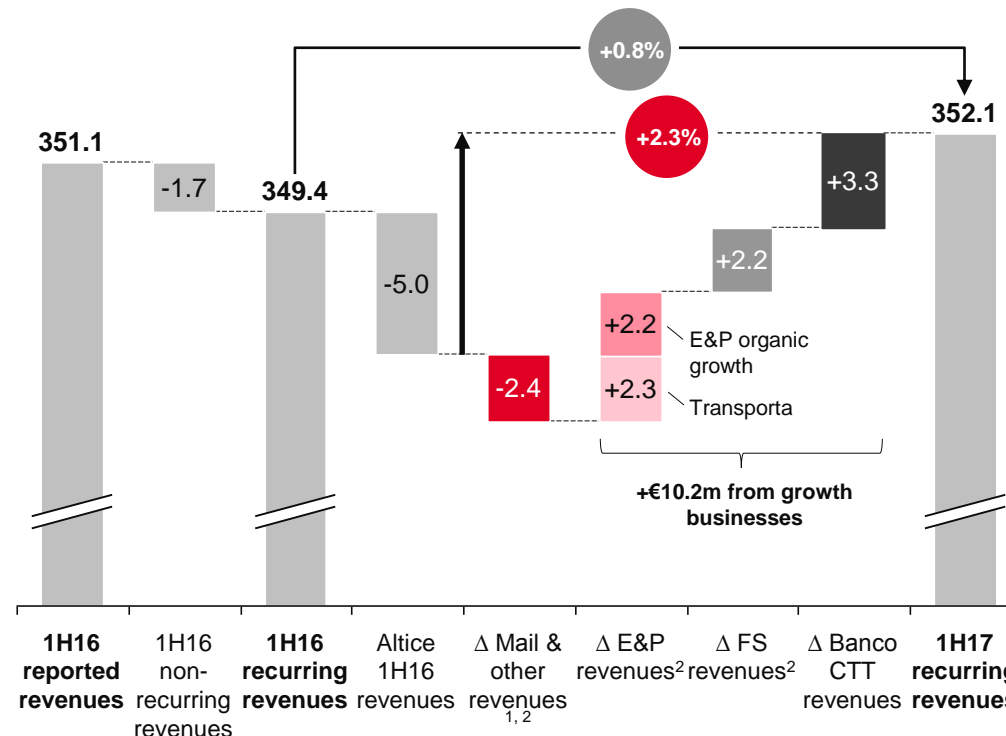
€ million; % change vs. prior year; % of total



X% % of total

## Revenues breakdown

€ million



- **Mail revenues decline** was primarily due to a temporary suspension of lottery sales in the Retail network (-€2.0m impact). The impact of 5.6% addressed mail volumes decline was largely offset by strong mix effect (6.0% registered mail volumes growth) and 1.3% average price increase in the period. The addressed mail volumes decline in 2Q17 was -7.6%, accelerating due to the impact of Easter in the quarter, but it is expected to conform to guidance range in 2H17
- **E&P was the main driver of revenues growth**, resulting from strong parcels volumes in Portugal & Spain and the Transporta acquisition (+€2.3m impact in 2Q17)
- **Banco CTT on target to achieve guidance** of high-single digit (€7m to €9m) revenues in FY17

<sup>1</sup> Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€14.8m in 1H16 and -€16.7m in 1H17.

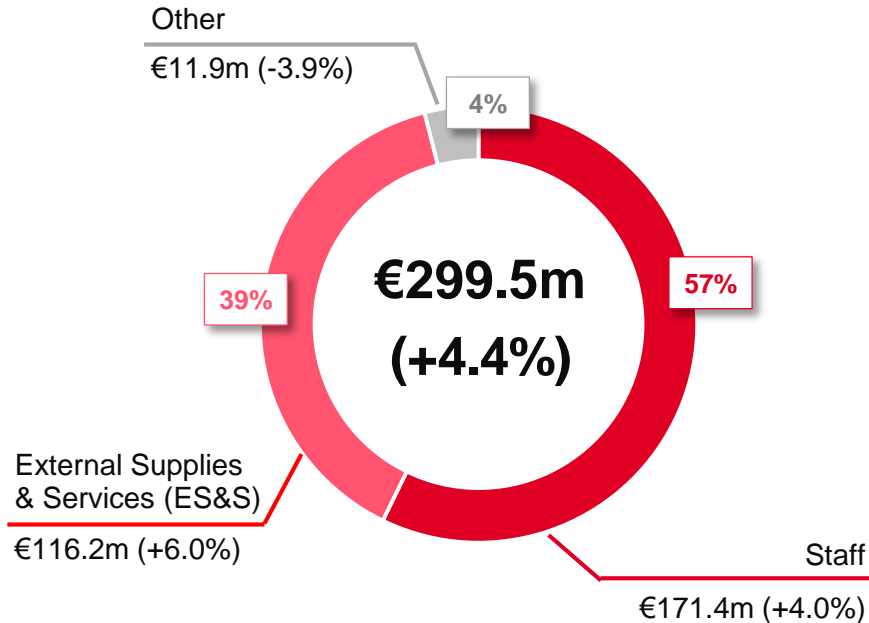
<sup>2</sup> Excluding Altice 1H16 revenues.

**KEY HIGHLIGHTS:** The increase in operating costs was driven predominantly by Banco CTT, the integration of Transporta, and increase in variable costs as a result of volumes growth



**1H17 recurring operating costs**

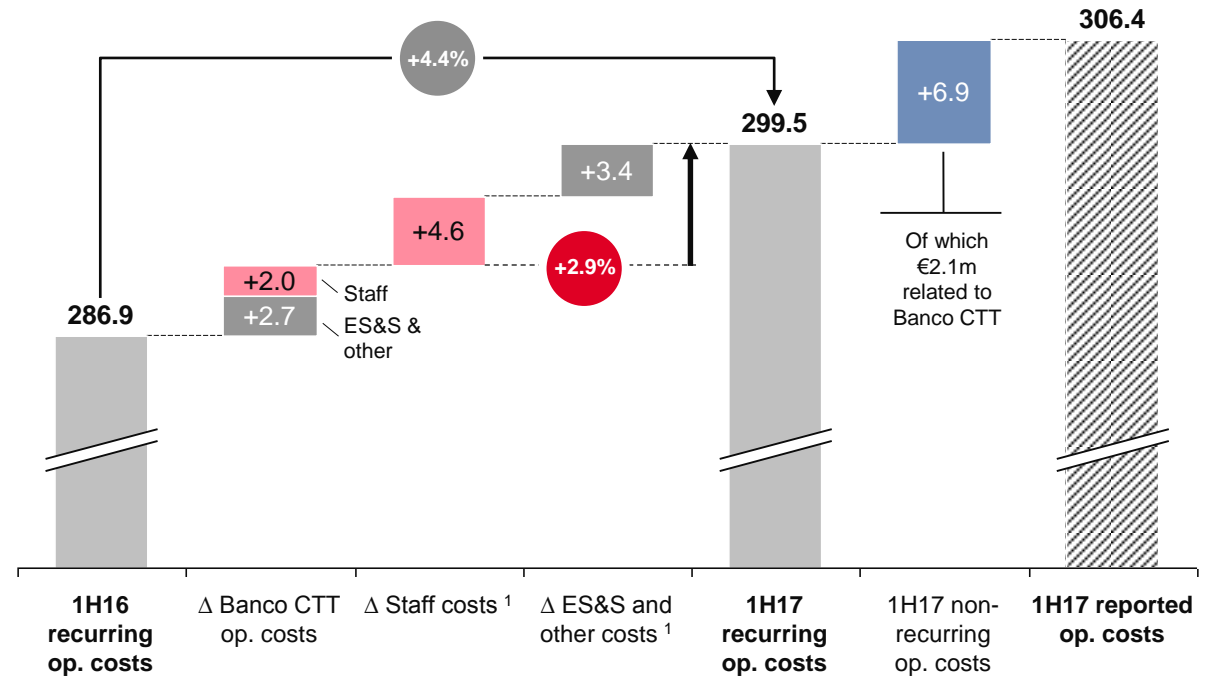
€ million; % change vs. prior year; % of total



X% % of total

**Operating costs breakdown**

€ million



- **Staff costs** (excluding Banco CTT) increased predominantly due to a **reduction in the telephone subscription fee benefit** in 1H16 (+€1.4m impact), **increase in salaries (+€1.2m)** and the **integration of Transporta (+€0.7m)**
- **ES&S and other costs** increased mainly as a result of the **integration of Transporta (+€1.9m)** and the **increase in distribution and transports costs in Tourline as a result of volumes growth and increase in routes (+€1.6m)**
- **Non-recurring costs of €6.9m** include **€3.4m of costs related to strategic studies** (of which €2.1m for Banco CTT) and **€2.2m related to staff contract terminations** (of which €1.2m in Transporta)

<sup>1</sup> Excluding Banco CTT recurring operating costs.

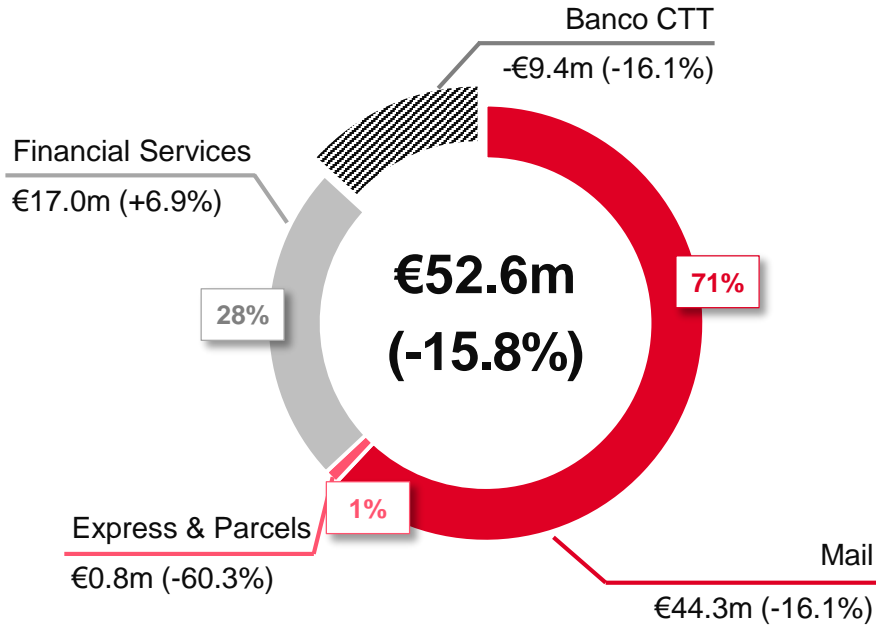


**KEY HIGHLIGHTS:** The trend of gradual improvement continued in 2Q17, with recurring EBITDA (excl. Altice) declining only 0.9%, supported by acceleration in the growth levers



**1H17 recurring EBITDA**

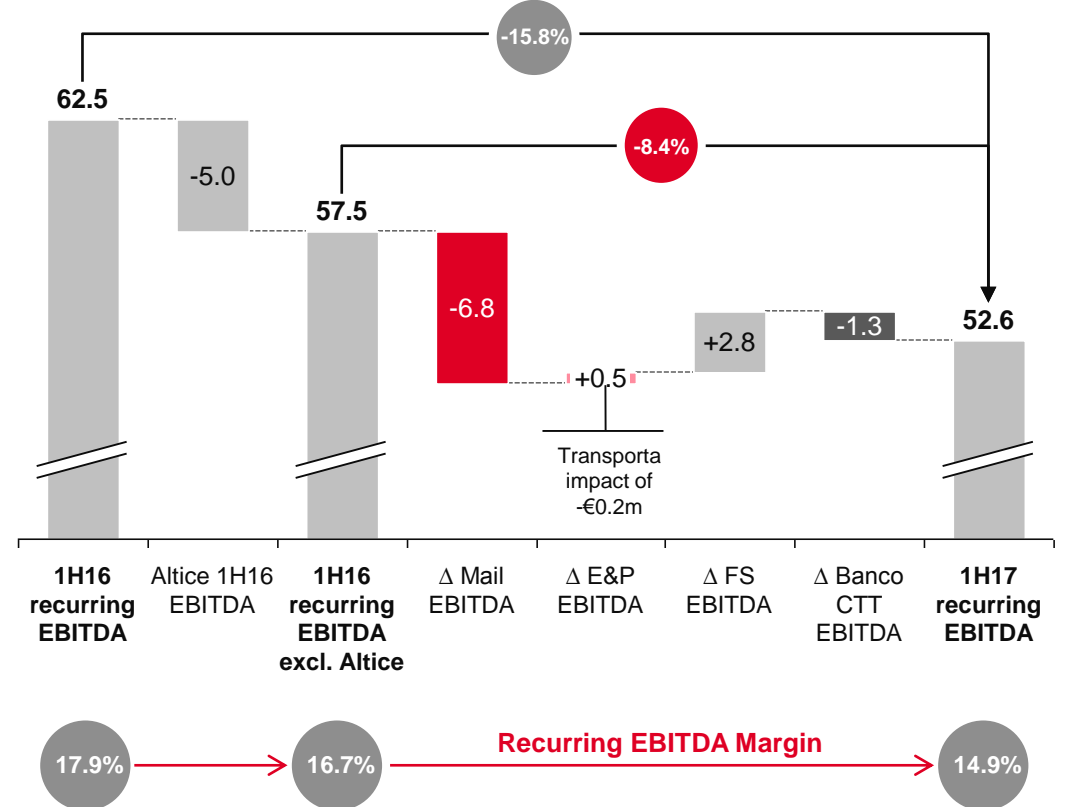
€ million; % change vs. prior year; % of total



X% % of total (excl. Banco CTT)

**Recurring EBITDA breakdown**

€ million



The 2H17 comparisons in Mail, E&P and Banco CTT are expected to ease, due to an estimated 2.5% effective price increase (in 2H17), projected Tourline break-even (in EBITDA terms) in 4Q17, and growth of the recently launched mortgage offer

**KEY HIGHLIGHTS:** The adjusted cash position reflects the growth of Banco CTT activity in the past year



**Cash Flow**

€ million; % change vs. 1H16

	Reported		Adjusted <sup>1</sup>	
	1H17	Δ %	1H17	Δ%
<b>From operating activities</b>	<b>296.7</b>	<b>57.9%</b>	<b>182.7</b>	<b>&gt;&gt;</b>
Cash flow excl. Banco CTT	159.4	12.3%	45.3	>>
Banco CTT cash flow	137.4	>>	137.4	>>
<b>From investing activities</b>	<b>-117.9</b>	<b>-54.2%</b>	<b>-117.9</b>	<b>-54.2%</b>
Capex payments	-24.7	-17.2%	-24.7	-17.2%
of which Banco CTT	-4.1	47.8%	-4.1	47.8%
Banco CTT financial assets & credit	-96.7	-58.4%	-96.7	-58.4%
Other	3.4	-38.8%	3.4	-38.8%
<b>Operating free cash flow</b>	<b>178.8</b>	<b>60.5%</b>	<b>64.8</b>	<b>&lt;&lt;</b>
<b>From financing activities</b>	<b>-73.8</b>	<b>-4.5%</b>	<b>-73.8</b>	<b>-4.5%</b>
of which Dividends	-72.0	-2.5%	-72.0	-2.5%
<b>Other <sup>2</sup></b>	<b>-3.6</b>	<b>-</b>	<b>-3.6</b>	<b>-</b>
<b>Net change in cash</b>	<b>-101.5</b>	<b>&gt;&gt;</b>	<b>-12.5</b>	<b>85.1%</b>
<b>Cash at end of period</b>	<b>720.3</b>	<b>11.8%</b>	<b>282.8</b>	<b>45.1%</b>

Reflects the growth of Banco CTT deposits in the past 12 months

**Net change in cash affected by €72m dividend payment in May**

<sup>1</sup> Cash flow from operating activities excluding changes in net Financial Services payables of +€124.9m (1H16) and +€114.0m (1H17), respectively. Cash at the end of the period excluding net Financial Services payables of €449.6m (Jun-16) and €437.5m (Jun-17).

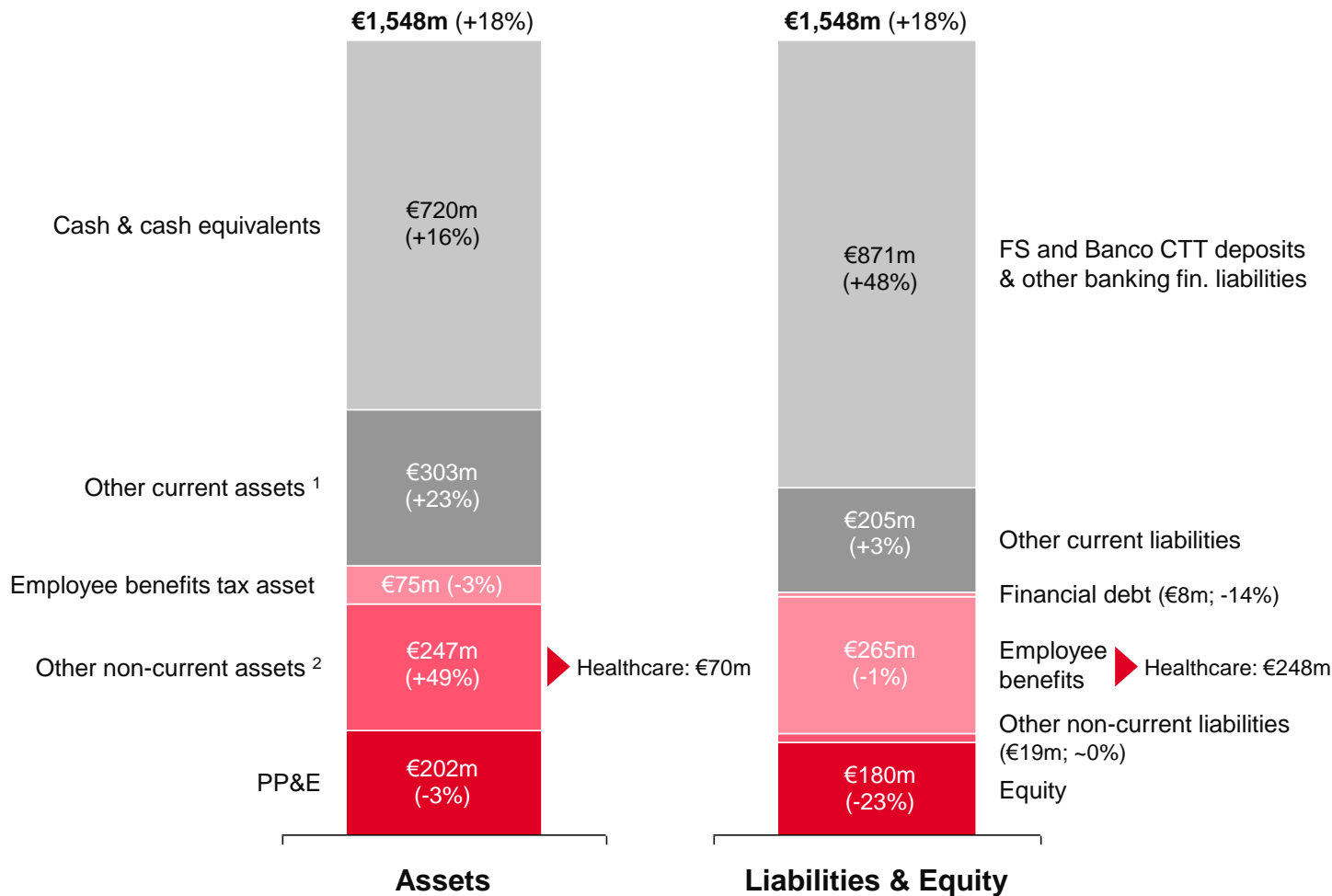
<sup>2</sup> These figures were not considered under Cash and equivalents in the Cash Flow statement. However, they are included in Cash and equivalents in the Balance Sheet.

**KEY HIGHLIGHTS:** The increase in cash and cash equivalents on the Balance Sheet was a result of the seasonal growth in FS and the continued expansion of Banco CTT activities



**Balance Sheet – 30 June 2017**

€ million; % change vs. 31 December 2016



<b>Net financial debt (cash)</b>
+ ST&LT debt: €8m
+ Net FS payables: €438m
– Cash and cash equivalents: €720m
<b>Including Banco CTT = €(274)m</b>
+ (Banco CTT deposits – fin. assets & credit): €130m
<b>Excluding Banco CTT (own cash) = €(144)m</b>
<b>Net debt (cash)</b>
+ Employee benefits: €265m
– Employee benefits tax asset: €75m
– Net financial cash: €144m
<b>= €46m</b>
<b>Liquidity position = 93%</b>

**The company's strong liquidity (93%) and own cash position (€144m) was maintained**

<sup>1</sup> Including Financial Services receivables of €8.6m and €5.3m as at Dec-16 and Jun-17, respectively, and Banco CTT current financial assets of €69.2m and €115.3m as at Dec-16 and Jun-17, respectively.

<sup>2</sup> Including Banco CTT non-current financial assets of €98.5m and €178.8m as at Dec-16 and Jun-17, respectively.



02.

## Business units



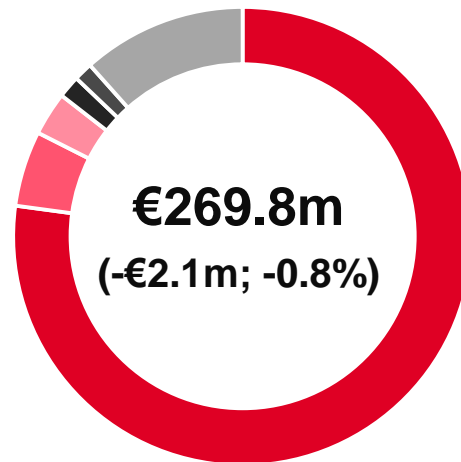
# BUSINESS UNITS: Product mix effect (registered mail volumes growth of 6.0% in 1H17) and pricing impact largely offset the addressed mail volumes decline



## 1H17 Mail revenues by type

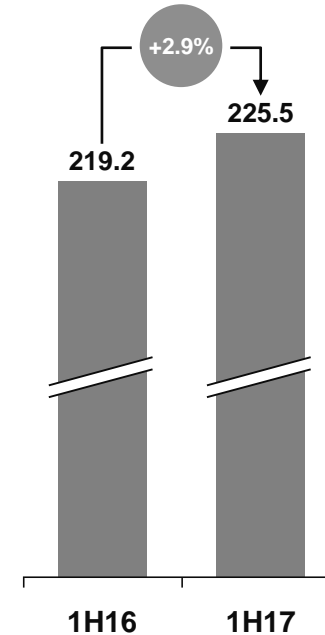
€ million, change vs. prior year (€; %)

– Transactional	€208.1m (-€0.4m; -0.2%)
– Advertising	€14.4m (-€0.4m; -2.8%)
– Editorial	€8.3m (€0.0m; 0.0%)
– Business Solutions	€4.2m (-€0.4m; -8.9%)
– USO Parcels	€3.5m (+€0.6m; +19.3%)
– Other	€31.3m (-€1.5m; -4.5%)
<b>Total excl. Altice</b>	<b>€269.8m (-€0.5m; -0.2%)</b>



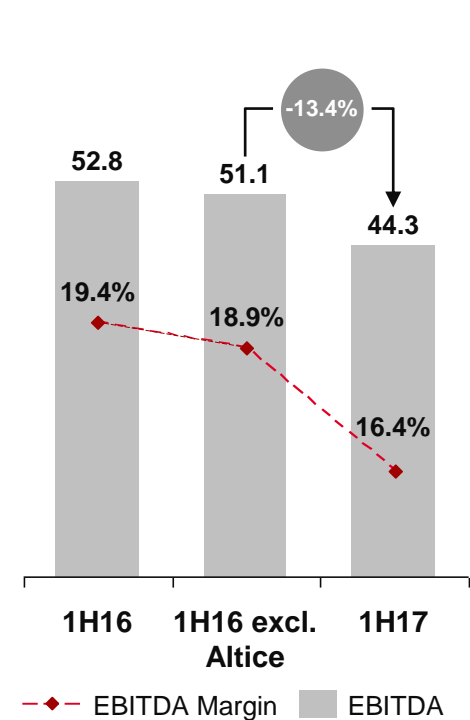
## Recurring operating costs

€ million



## Recurring EBITDA

€ million



## Mail volumes <sup>1</sup> by type

Metric	Avg. mail prices	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
1H17	N/A	388.1	331.0	35.4	21.6	234.8
1H17 vs. 1H16	+1.3%	-5.6%	-5.4%	-8.1%	-4.4%	+0.0%

<sup>1</sup> Million items.

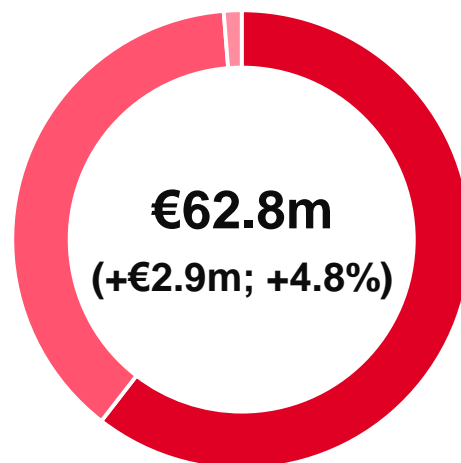
# BUSINESS UNITS: Strong organic parcels volumes growth in Portugal and Spain and the Transporta acquisition drove mid-single digit revenues increase in E&P



## 1H17 E&P revenues by region

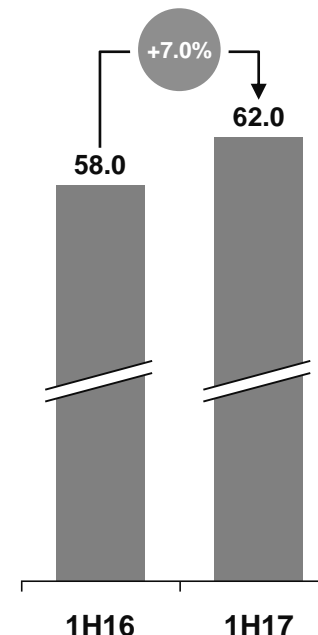
€ million, change vs. prior year (€; %)

– Portugal & other <sup>1</sup>	€38.0m (+€0.5m; +1.4%)
– Parcels <sup>2</sup>	€32.9m (+€3.0m; +10.0%)
– Banking network	€2.6m (-€0.9m; -26.6%)
– Logistics & other <sup>2</sup>	€2.5m (+€0.1m; +5.8%)
– Altice	€0.0m (-€1.7m; -100.0%)
– Spain	€24.0m (+€2.4m; +11.4%)
– Mozambique <sup>3</sup>	€0.8m (-€0.1m; -10.1%)
Portugal & other <sup>1</sup> excl. Altice	€38.0m (+€2.2m; +6.2%)



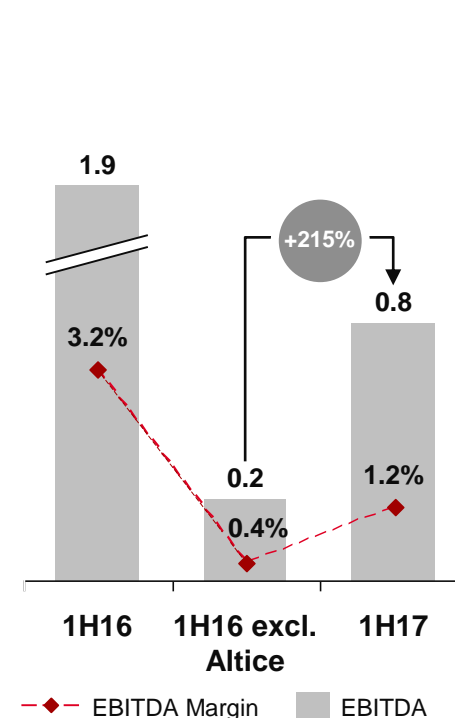
## Recurring operating costs

€ million



## Recurring EBITDA

€ million



## E&P volumes <sup>4</sup> by region

Metric	Total	Portugal	Excl. Transporta	Spain	Mozambique
1H17	15.0	7.8	7.4	7.2	0.04
1H17 vs. 1H16	+14.8%	+13.1%	+6.3%	+17.1%	-18.6%

<sup>1</sup> Including internal and other revenues, and internal transactions with Spain and Mozambique.

<sup>2</sup> Including Transporta revenues in 1H17 (€2.06m in Parcels and €0.28m in Logistics).

<sup>3</sup> MT 56.4m in 1H17 (+MT 4.8m; +9.3%).

<sup>4</sup> Million items.



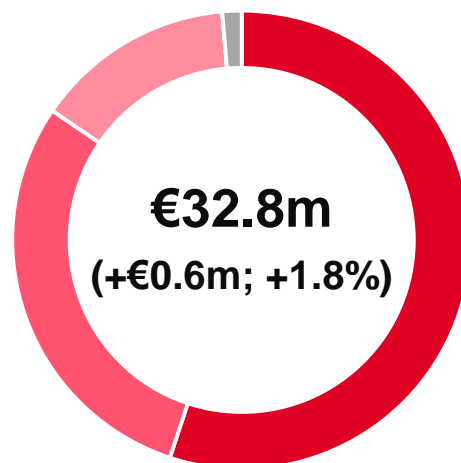
**BUSINESS UNITS:** The contract renewal with IGCP (simplified structure, no stock fees) led to revenues growth in 1H17; revenues are expected to stabilise along the year



**1H17 FS revenues by type**

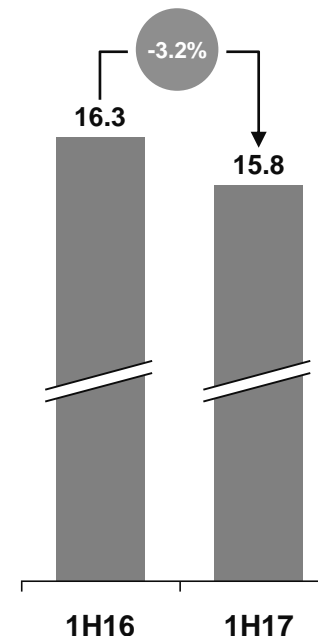
€ million, change vs. prior year (€; %)

- Savings & Insurance	€17.1m (+€4.1m; +31.9%)
- Payments	€10.2m (-€1.2m; -10.3%)
- Transfers	€4.8m (-€0.2m; -3.4%)
- Credit	€0.0m (-€0.2m; -100.0%)
- Other	€0.6m (-€2.0m; -77.5%)
<b>Total excl. Altice</b>	<b>€32.8m (+€2.2m; +7.4%)</b>



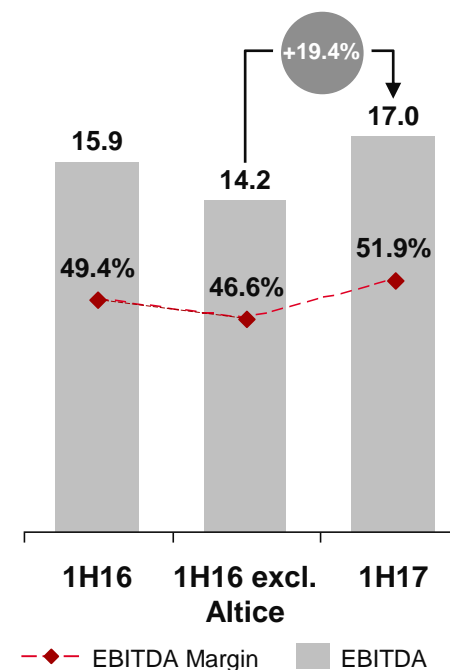
**Recurring operating costs**

€ million



**Recurring EBITDA**

€ million



**€ FS volumes by type**

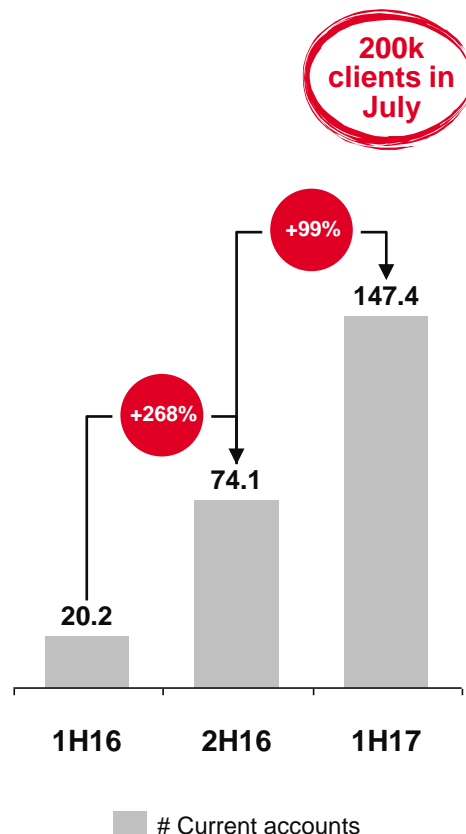
Metric	Savings placements (€bn)	Payments (m ops)	Money orders & transfers (m ops)	Credit (excl. Banco CTT) (€m)
1H17	2.3	26.3	9.0	4.2
1H17 vs. 1H16	+12.3%	-8.8%	-4.3%	-12.7%

# BUSINESS UNITS: Banco CTT continued to expand its customer base and product offer



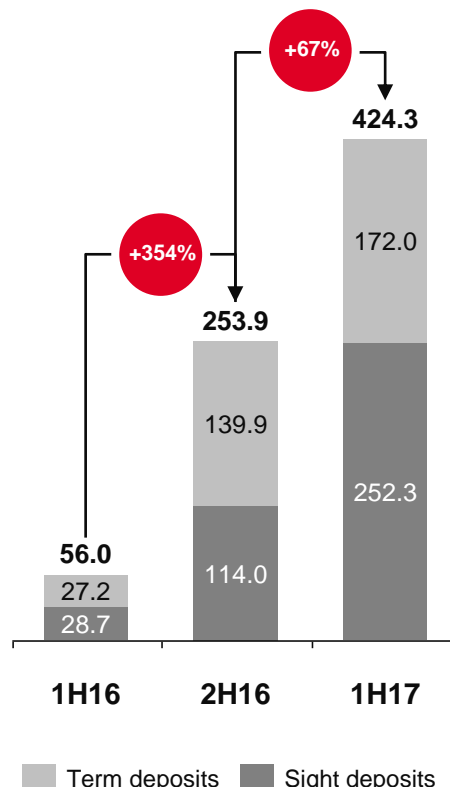
## # Current accounts

Thousand



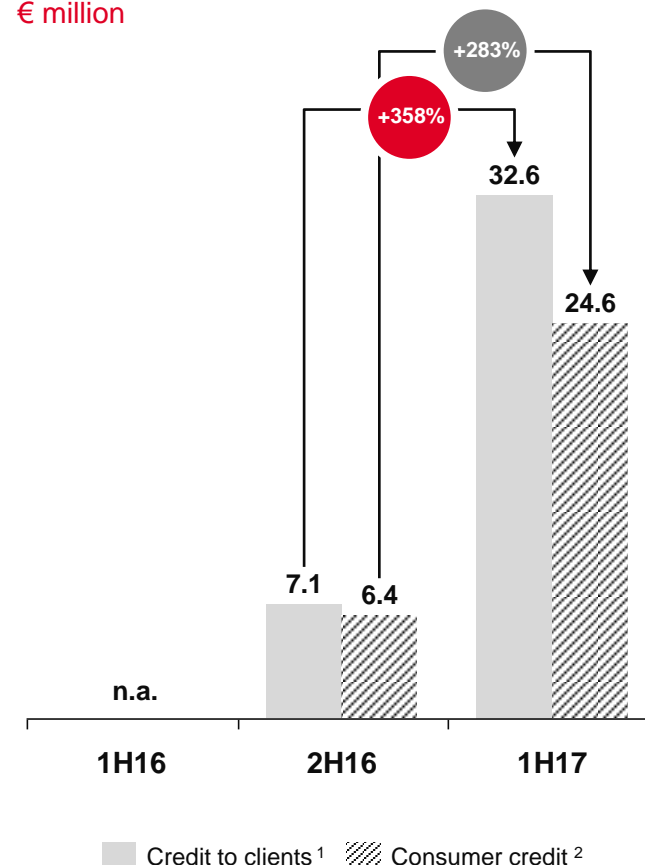
## Customer deposits

€ million



## Credits to clients & consumer credit

€ million



The Banco CTT retail offer is now complete

<sup>1</sup> Including factoring (€27.5m in 1H17), mortgage (€4.9m in 1H17) and overdraft (€0.1m in 1H17).

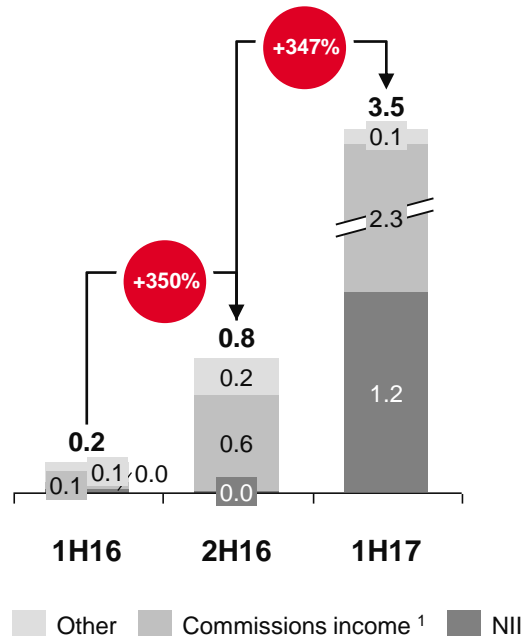
<sup>2</sup> Amount outside Banco CTT's Balance Sheet. The value represents the outstanding balance in BNP Paribas Personal Finance (Cetelem) from the partnership with Banco CTT – consumer credit and credit cards.

# BUSINESS UNITS: Banco CTT on track to achieve high-single digit FY17 revenues while recurring operating costs declined sequentially (vs. 2H16)



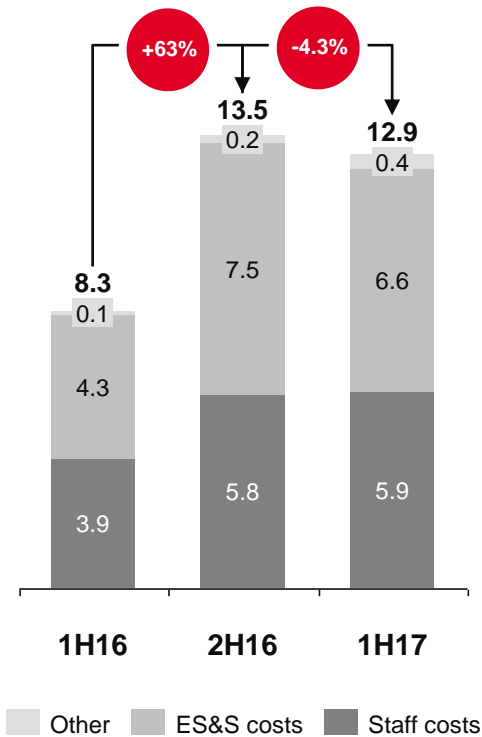
## Banco CTT operating revenues

€ million



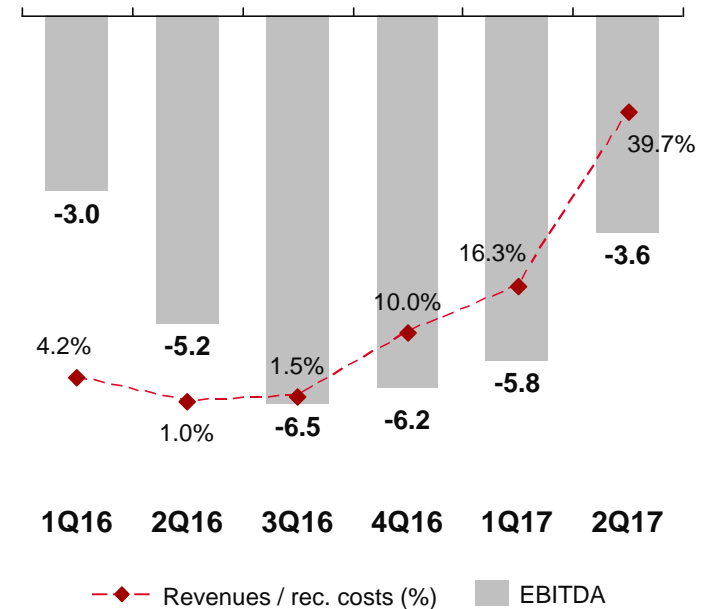
## Recurring operating costs

€ million



## Recurring EBITDA

€ million



## Banco CTT financial indicators

Metric	Assets (€ million)				Equity (€ million) / CET 1 (%)
	Cash & cash equivalents	Financial assets & investments	Credit to clients	Other assets	
30-Jun-17	197.4	261.6	32.6	31.5	87.5 / 49.9%
31-Mar-17	135.4	204.6	24.6	26.8	52.0 / 29.9%

<sup>1</sup> Includes a commission of €0.8m from the insurance provider in 2Q17.





**03.**  
**Appendix**

## APPENDIX: Non-recurring items affecting the results



€ million

	1H16	1H17	Δ
<b>Reported EBITDA</b>	<b>57.0</b>	<b>45.7</b>	<b>-11.3</b>
<b>Non-recurring items affecting EBITDA</b>	<b>5.4</b>	<b>6.9</b>	<b>+1.4</b>
Revenues	-1.7	-	+1.7
Staff costs	2.3	2.9	+0.6
ES&S & other op. costs	4.9	4.0	-0.9
<b>Recurring EBITDA</b>	<b>62.5</b>	<b>52.6</b>	<b>-9.8</b>
<b>Reported EBIT</b>	<b>47.4</b>	<b>30.6</b>	<b>-16.9</b>
<b>Non-recurring costs affecting only EBIT</b>	<b>-3.4</b>	<b>1.0</b>	<b>+4.4</b>
Provisions (reinforcements / reductions)	-3.8	-0.1	+3.7
Impairments and D&A (losses / reductions)	0.4	1.1	+0.7
<b>Non-recurring items affecting EBITDA &amp; EBIT</b>	<b>2.0</b>	<b>7.9</b>	<b>+5.9</b>
<b>Recurring EBIT</b>	<b>49.5</b>	<b>38.4</b>	<b>-11.0</b>

€1.7m from recognised deferred gain due to early termination of vacant building lease contract

**Non-recurring costs of €6.9m in 1H17 include:**

- €3.4m of costs related to strategic studies (of which €2.1m for Banco CTT)
- €2.2m due to staff contract terminations
- €0.4m related to Banco CTT branch openings
- €0.8m related to the delivery of own shares for the LTVR & other

## APPENDIX: Consolidated results



€ million	Reported		Recurring <sup>1</sup>		Banco CTT under equity method	
	1H16	1H17	1H16	1H17	1H16	1H17
<b>Revenues</b>	<b>351.1</b>	<b>352.1</b>	<b>349.4</b>	<b>352.1</b>	<b>351.1</b>	<b>349.3</b>
Operating costs	294.1	306.4	286.9	299.5	282.7	292.0
<b>EBITDA</b>	<b>57.0</b>	<b>45.7</b>	<b>62.5</b>	<b>52.6</b>	<b>68.4</b>	<b>57.3</b>
<b>EBITDA margin</b>	<b>16.2%</b>	<b>13.0%</b>	<b>17.9%</b>	<b>14.9%</b>	<b>19.5%</b>	<b>16.4%</b>
<b>EBIT</b>	<b>47.4</b>	<b>30.6</b>	<b>49.5</b>	<b>38.4</b>	<b>59.4</b>	<b>43.4</b>
Gains / (losses) in subsidiaries, associates and joint ventures	0.2	-	0.2	-	-9.3	-10.1
<b>Earnings before taxes (EBT)</b>	<b>44.9</b>	<b>28.2</b>	<b>47.0</b>	<b>36.0</b>	<b>47.4</b>	<b>30.9</b>
Income tax for the period	-13.4	-10.5	13.0	9.7	-15.8	-13.2
<b>Net profit attributable to equity holders</b>	<b>31.7</b>	<b>17.7</b>	<b>34.1</b>	<b>26.4</b>	<b>31.7</b>	<b>17.7</b>

<sup>1</sup> Recurring net profit excludes non-recurring revenues and costs and considers the theoretical (nominal) tax rate of CTT.

## APPENDIX: Balance Sheet



€ million	CTT		Banco CTT under equity method	
	31-Dec-16	30-Jun-17	31-Dec-16	30-Jun-17
Non-current assets	452.6	525.0	393.2	412.7
Current assets	864.1	1,022.8	669.9	708.3
<b>Assets</b>	<b>1,316.7</b>	<b>1,547.8</b>	<b>1,063.1</b>	<b>1,120.9</b>
Equity	233.3	179.7	233.3	179.7
Liabilities	1,083.4	1,368.2	829.8	941.3
Non-current liabilities	269.5	267.1	269.5	267.1
Current liabilities	813.8	1,101.1	560.3	674.2
<b>Equity and liabilities</b>	<b>1,316.7</b>	<b>1,547.8</b>	<b>1,063.1</b>	<b>1,120.9</b>



# CTT

## Investor Relations

### Upcoming Events:

- 8 Sep. – Lisbon
  - XIV BPI Iberian Conference
- 11 Sep. – Madrid
  - Roadshow with Haitong
- 12 Sep. – London
  - JP Morgan Cazenove Small / Mid Cap Conference
- 13 Sep. – London
  - 8<sup>th</sup> BBVA Iberian Conference
- 14 Sep. – Paris
  - 25<sup>th</sup> Kepler Cheuvreux Autumn Conference

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