A Work Project, presented as part of the requirements for the Award of a Master Degree in Finance from the NOVA – School of Business and Economics.

Ctt Portugal: Beyond the Envelopes: Please, Mr. Regulator – The Future of the Universal Service

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A Project carried out on the Master in Finance Program, under the supervision of:
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Lisbon, 17th December 2024

Abstract

This thesis provides a comprehensive valuation of CTT Portugal, analyzing its financial performance, strategic initiatives, and market position. It applies various valuation methods, including discounted cash flow (DCF) for Grupo CTT (excluding the bank) and free cash flow to equity (FCFE) for Banco CTT, along with multiples valuation, Monte Carlo simulations, sensitivity analysis, and scenario analysis.

The individual part explores the potential impacts of reforms to Portugal's Universal Service Obligations (USO) model, focusing on measures to address operational inefficiencies at the cost of the service's social character, supported by European benchmarks and internal company analysis.

Keywords

Equity Research, Corporate Finance, CTT Portugal, Universal Postal Service Obligation

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CTT – Correios de Portugal SA

Company Report

Students: Filipa Godinho | Joana Almeida | Maria Margarida Ferreira | Rodrigo Alves | Rui Silva

17 of December of 2024

Recommendation: Buy

Price Target FY24: 6.22€

Price (as of 16-Dec-24): 4.59€

52-week range: 3.46€ - 4.74€

Market Cap (million): 635.54€

Outstanding Shares (million): 138.44

(in Millions of €)	2023	2024E	2025E
Total Revenues	**957,7**	**1064,4**	**1114,7**
%YoY	23%	11%	5%
Total Costs	**833,3**	**921,6**	**967,2**
% Revenues	87%	87%	87%
EBITDA	**124,3**	**142,8**	**147,6**
EBITDA Margin %	13%	13%	13%
D&A	**64,3**	**73,9**	**77,5**
EBIT	**60,0**	**69,0**	**70,1**
NOI	**60,4**	**54,1**	**48,3**
CapEx	**48,3**	**98,4**	**68,0**

Investment Summary

The analysis issues a BUY recommendation for CTT, grounded in a robust valuation model that combines Discount Cash Flow (DCF) for logistical segments and Free Cash Flow to Equity (FCFE) for the banking activity. The model incorporates detailed operational forecasts alongside considerations for capital expenditures, debt dynamics, and regulatory obligations. This valuation approach yields a target price of €6.22, reflecting a potential upside of 35.5%. The recommendation is further substantiated by alternative valuation methods, which support the conclusion while presenting a broader valuation range of €3.29 to €12.36.

Competitive Market

CTT operates in a competitive environment with varying dynamics across its mail, parcel, and banking segments. The mail segment faces limited competition due to high entry barriers but suffers from declining volumes as digital communication alternatives gain prominence. The parcel segment experiences intense competition from global logistics players like DHL and DPD, fuelled by e-commerce expansion and strong buyer power demanding competitive pricing and efficient service. The banking sector, meanwhile, is highly competitive, characterized by numerous established players and substantial buyer power, with customers increasingly seeking innovative, cost-effective, and easily accessible financial solutions.

Growth Opportunities

CTT's expansion strategy focuses on benefiting from the growth of the Parcel segment in Portugal and Spain, leveraging the growing demand for cross-border e-commerce and its operational expertise to capture market share in the competitive Iberian region. Simultaneously, Banco CTT aims to capitalize on its trusted brand and extensive postal network to attract customers seeking straightforward and accessible banking services. By expanding its product offering and maintaining cost-efficient operations, Banco CTT has significant room for organic growth, with only 1% market share and increasing demand for simple and transparent financial solutions.

Macroeconomic Conditions and Risks

Macroeconomic conditions present both opportunities and challenges for CTT. A significant challenge is the rising cost of energy, which has substantially increased operational costs across all segments. This surge in energy prices impacts logistics, transportation, and processing expenses, thereby affecting overall profitability. Additionally, inflation and interest rate fluctuations further influence consumer behaviour and spending, adding cyclical risks to Banco CTT's performance.

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY A MASTER IN FINANCE STUDENT OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL.
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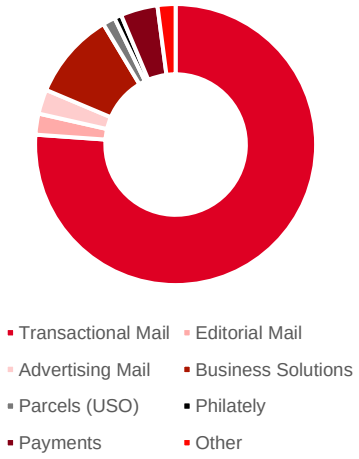
1 COMPANY OVERVIEW

Sometimes named the oldest company in Portugal, the origins of the national postal service go back to the 1500s, though its current iteration, CTT - Correios e Telecomunicações de Portugal, was established in 1970 as a public company to increase the organization of the previous public administration body in the face of increasing demand. In 1992, the group was incorporated as a private company, fully owned by the State. The biggest changes to CTT's business model came in the wake of the European Debt Crisis when, in 2012, Portugal's parliament approved the liberalization of the Postal Market, effectively allowing private participation in a previously monopolistic environment and setting the stage for the privatization of the firm. For the following two years, all shares of the group would be moved into private hands through both an IPO and direct sales to institutional investors.

CTT currently conducts its operations in three distinct markets, each prone to different circumstances and where the group holds differing sets of competitive advantages.

The most identifiable of its activity spheres is the **Postal Market** where CTT's **"Mail & Other"** sector handles the collection, sorting, transportation and delivery of national and international mail, including transactional, advertising and press mail, among other services related to its role as a postal service provider within Portuguese territory. Beyond its core business, the department further encompasses the provision of mail, document-management, or logistical related services to firms, so-called Business Solutions, as well as a Payments business unit related with its B2B endeavours. The issuance of collectible stamps is handled through this Philately section (Figure 1).

Figure 1 - Distribution of revenues in "Mail & Postal" segment



In spite of the privatization of the postal service in 2012, CTT is contracted by the Portuguese state under the "*Contrato de Concessão do Serviço Postal Universal*" which grants it a special status as the national mailing service provider, effectively giving it a social character. Its primary responsibility is to offer mailing services for letters, books, newspapers, and small parcels. Given the competitive nature of the market, this status offers little in the way of competitive advantages, entitling CTT with the exclusive rights to place mailboxes, issue nationally labelled stamps and transport letters relating to legal and administrative procedures. The deal comes, however, with a plethora of obligations and limitations to the action of CTT. Of significant importance is its constrained pricing policy, as prices are determined through negotiations with the market regulator, Autoridade Nacional de Comunicações (ANACOM), limiting its ability to freely alter fees. Furthermore, the firm must abide by quality

Figure 2 - Distribution of revenues in "Express & Parcel" segment

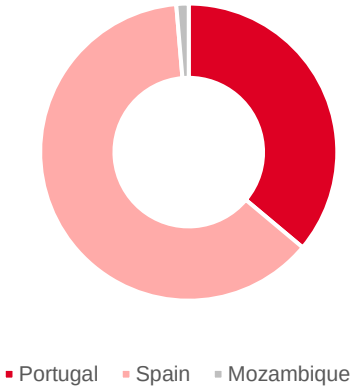


Figure 3 - Distribution of revenues in "Banco CTT" segment

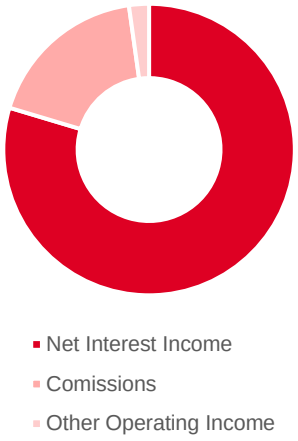
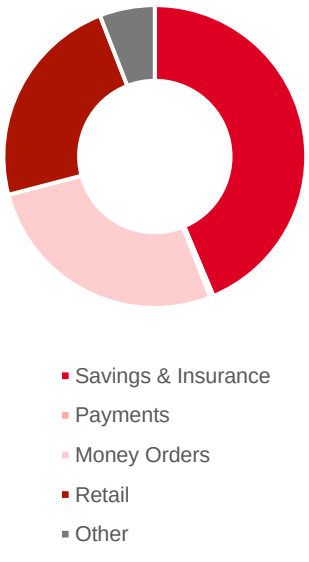


Figure 4 - Distribution of revenues in "Financial Services & Retail" segment



and performance standards set by the regulator and maintain a presence in every Portuguese municipality, ensuring a dense network of postal services easily accessible to the public. This last point provides the company with a particular lead as its heavy permeation in the Portuguese market through its vast net of stores and offices assures a degree of capillarity unrivalled by competitor firms, though possibly hampering its margins in less populous areas. Its contract obligations end in December 2028 at which point the company may choose to renew its Universal Service Obligations (USO) status.

CTT further operates in the growing **Delivery Market**, entrusting its "**Express & Parcels**" section with the expedition and collection of parcels either by individuals or businesses through e-commerce or conventional means, leveraging its extensive network in Portugal and extending its services to the Spanish market via its subsidiary, CTT Express. Recently, the firm has broadened its logistical network across the peninsula while securing important partnerships (though not exclusivity deals) in the booming e-commerce landscape with Chinese companies Temu and Shein. The firm has further sought to increase available pickup points through its expanding Locky locker network, allowing customers to collect or expedite their deliveries 24 hours a day, every day, in public and private locations spread throughout Portugal (Figure 2).

Servicing the **Financial Market**, CTT manages its own bank, **Banco CTT.** In operation since 2016 when it positioned itself as a low-cost, no-maintenance alternative to commercial banks, it has since switched strategies, functioning as a regular commercial institution holding client's deposits while granting auto and mortgage loans, offering insurance products in partnership with external providers and issuing debit cards. Besides costumer's loans, its portfolio also includes investments in sovereign debt securities of eurozone countries and supranational institutions and a highly liquid portion deposited at Central Banks. It further diversifies its sources of funding through the issuance of securities and the charging of fees on additional services. Recent increases in profitability reflect hiking interest rates, as bank activity is highly correlated with EURIBOR and European Central Bank (ECB) deposit facility rates (Figure 3).

Complementing its banking offer, the "**Financial Services & Retail"** sector deals with the provision of convenience services to consumers. Its financial services portfolio includes the sale of Money Orders for secure money transfers, the operation of service payment network Payshop and, most notably, the distribution of Public Debt certificates. CTT provides these on behalf of the Portuguese Treasury and Debt Management Agency, receiving in return a fixed annual commission as well as several variable ones, dependent on the volume

of subscriptions. The firm is in a unique position as, despite the predicted future expansion of the service, it is for the time being one of the few providers of subscriptions for these kinds of bonds, competing with the state-run website AforroNet and Banco BIG. On the non-financial retail side, CTT offers non-life insurance through a distribution agreement with Generali and has diversified its service provision by partnering with Prosegur to sell alarm systems. The firm plans to reposition its retail network as a service distribution platform, further expanding its product offerings while strengthening its established core products (Figure 4).

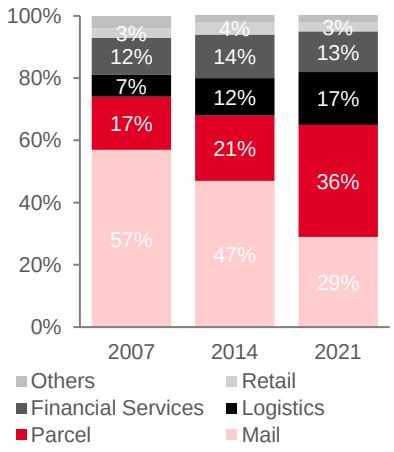
2 INDUSTRY OVERVIEW

Most companies that operate in the Postal and Logistics industry provide a broad range of services, including mail, parcels, banking and financial services. Each of these sectors is subject to its own idiosyncrasies, however, recent common trends have been shaping customers' preferences across these segments.

2.1 POSTAL SEGMENT

The Postal Industry is a fundamental component of communication and commerce worldwide. The global industry encompasses the distribution of mail letters, delivery of parcels, the provision of financial services and the sale of retail products. In the past, postal companies have established extensive networks for the transportation and distribution of physical mail, such as sorting facilities, various sources of transportation modes, delivery routes as well as for direct engagement with the public through various retail counter operations.

Figure 5 - Evolution of Postal Industry

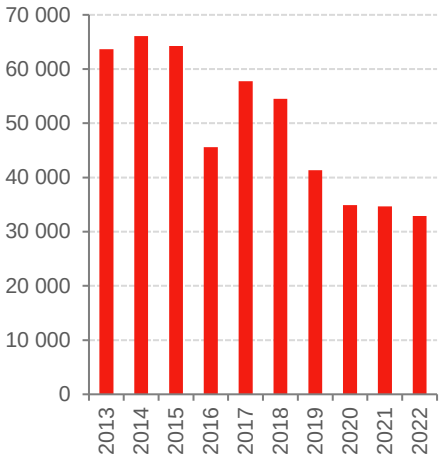


Source: Accenture Report

In the global pandemic landscape and the subsequent rise of e-commerce, the postal industry has witnessed an increase in parcel's importance. In 2014, the Mail segment held a 47% share of the global Postal Industry, while Express and Parcels accounted for 21%, with the remaining 32% being related to Financial Services and Retail. Post-Pandemic data, however, highlighted a notable shift, with Parcels surpassing Mailing, achieving a 36% share against 29%. (Figure 5) These shifts are the result of opposing trends in the industry. While the traditional mailing segment has been manifesting a downward trajectory, the dawn of e-commerce has driven demand to the up and coming express and parcels segment. In response, postal operators are increasingly focused on bolstering their parcel delivery capabilities by investing in infrastructure and enhancements to delivery networks to ensure efficient and cost-effective shipping solutions that align with evolving consumer expectations. ("2023 Post & Parcel Industry Trends" 2023)

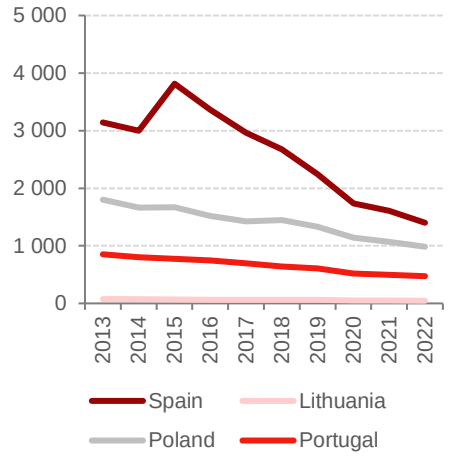
Additionally, this industry is particularly vulnerable to fluctuations in fuel and energy prices due to its dependence on transportation for both last-mile delivery

Figure 6 – Evolution of the European Mail Market (in millions of items)



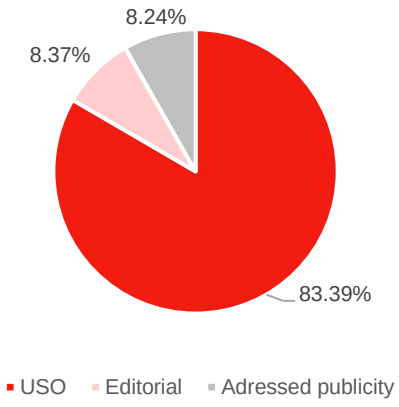
Source: Eurostat

Figure 7 – Evolution of the Mail Market in Portugal and comparable countries (in millions of items)



Source: EuroStat

Figure 8 – Distribution of deliveries per type in the Portuguese Mail Market



Source: ANACOM

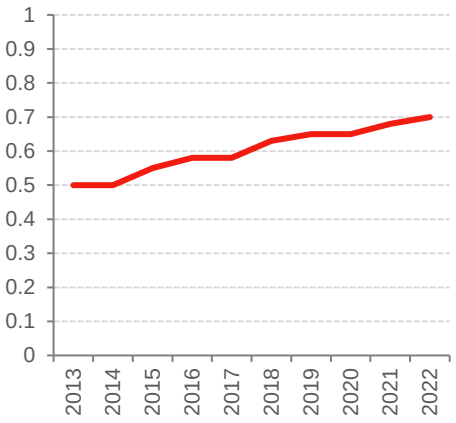
and long-haul shipping. The escalation of fuel costs in Europe, intensified by the Russian invasion of Ukraine, has increased operating costs for the whole sector, jeopardizing profit margins by driving up shipping expenses. In response, many firms like CTT are prioritizing investments in fleet electrification and exploring alternative energy sources as strategic measures to mitigate rising fuel expenses and protect profitability ("Russia-Ukraine War Will Drive Further Supply Chain Issues and Higher Costs for Logistics Operators" 2022).

Apart from the typical segments related to the postal market, such as mail and parcels, postal companies increasingly offer financial services to their clients, accounting for 13% of the market. Today, four out of five postal operators provide such services. This high adoption rate stems from the advantage postal companies have due to their extensive branch networks, high foot traffic, and close relationships with local communities. These services include Cash-in/Cash-out (CICO) activities, as well as savings and insurance products, money transfers, agency services, and postal banking. ("Global Panorama on Postal Financial Inclusion 2023" 2023)

2.1.1 MAIL SEGMENT

In the face of the digital transition, mailing services are a declining market as faster alternatives, such as emails and messaging platforms, pose a significant threat of substitutes, slowly eroding traditional mail volumes. Since 2013, the European postal market has experienced a significant decline in mail volumes, with an overall reduction of 48.35% (Figure 6). The Portuguese market has followed a similar trend, witnessing a cumulative decrease of 44.54% in mail delivery volumes during the same period, representing an average annual decline of 6.34%, culminating in a total of 459.08 million mail deliveries by the end of 2023 (Figure 7) ("Statistics | Internal Market, Industry, Entrepreneurship and SMEs | European Commission," n.d.). In light of increasing digitalization and continued migration of services and communications to digital platforms, alongside generational shifts such as the passing of older demographics who are more reliant on traditional mail, this downward trend is expected to persist. However, the decline is likely to reach a saturation point, as certain services—such as official communications, legal documents, and other specific requirements—will continue to rely on mail. This saturation point represents a level where the decline stabilizes, as the remaining mail volume consists of services that cannot be easily replaced by digital alternatives. Nonetheless, the exact timing and extent of this stabilization remain uncertain, influenced by the country-specific pace of digital adoption and regulatory intervention, as well as market shifts.

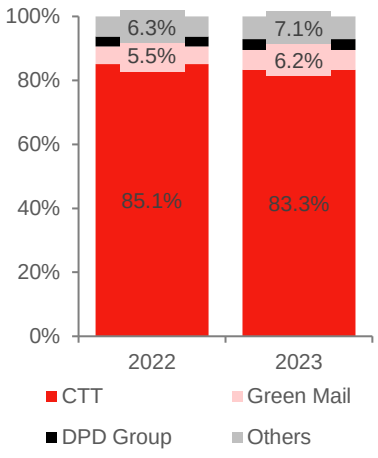
Figure 9 – Price evolution for a letter lighter than 2kg in Portugal, €



Source: EuroStat

Figure 10 - Porter's Five Forces for the Mail Market

Figure 2 – Portuguese Market Share of Mail Segment



Source: ANACOM

In Portugal, the composition of mail deliveries was predominantly aligned with the Universal Service Obligation (USO), which accounted for 83.39% of the total volume. Editorial Mail constituted 8.37%, while Addressed Publicity contributed 8.24% to the total mail deliveries (Figure 8).

Regarding pricing trends, the European market saw an average increase in the price per letter of 92% over the period, based on the price of most delivered letter, with less than 2kg, serving as a benchmark for the segment. Portugal, however, experienced a relatively moderate price adjustment, with an increase of 48.94% in the average price per letter since 2013, falling below the European average (Figure 9) ("Statistics | Internal Market, Industry, Entrepreneurship and SMEs | European Commission," n.d.). These pricing dynamics highlight the dual challenges of declining mail volumes and the necessity of price adjustments to sustain the future financial viability of the service. As such, it is expected that price increases will remain a key strategy to ensure the sustainability of postal services in the long term.

To mitigate the impact of declining mail volumes, the postal sector is diversifying its offerings in the Business-to-Business (B2B) segment. This includes Digital Postal Services, which integrate traditional mail with secure e-mail, electronic bill presentation, and payment systems to meet the needs of businesses requiring reliable communication. Direct Marketing Solutions focus on personalized addressed and unaddressed campaigns, leveraging data analytics to provide targeted reach and measurable outcomes for advertisers. Additionally, Hybrid Mail Solutions combines digital and physical formats, allowing businesses to send documents electronically for printing and delivery by postal operators ("Digital Transformation, Business Models and the Postal Industry" 2017). These ongoing efforts of activity diversification are expected to continue in the future.

The Portuguese mailing market is dominated by CTT with an 83.3% share, followed by Premium Green Mail at 6.2%. This strong position is supported by its established brand, wide geographic reach, and early market entry as a former public entity, allowing it time to solidify its presence prior to the Troika intervention. While CTT's net income decreased post-privatization (€61 million to €38.4 million), revenues rose, and market share remained stable. As observed (Figure 11), industry rivalry is low, with a shrinking market forcing operators like CTT to innovate to maintain relevance.

Until the 31st of December 2028, CTT is contracted by the Portuguese State to provide an inclusive, price-accessible and quality-bound postal service in the country. The objective of the USO is to guarantee the satisfaction of

communication needs of the country's social and economic forces, ensuring both monetary and physical accessibility. The 7-year Concession Contract with the State stipulates the framework CTT, the Universal Service Provider (USP), must follow in the organization of its postal segment, requiring it to provide comprehensive postal services with national and international scope. These obligations further include daily collection and last-mile delivery of postal items and parcels, as well as the maintenance of a widespread physical network, with at least one working office in every municipality and adherence to density targets defined in collaboration with the postal market regulator, ANACOM.

Every 3 years the State defines a series of quality indicators aligned with the best European practices, in consultation with the regulator. These cover the speed and reliability of deliveries of mailing items under the USO umbrella, as well as average queue time at postal offices. Failure to meet intended quality targets or defined responsibilities could result in the payment of fines or forced investment in mailing infrastructure.

The price policy for USO items is similarly set for periods of 3 years following a mutual agreement between the USP and the regulator, abiding by principles of affordability and accessibility while ensuring the economic sustainability of the service. Given the erosion of the postal market, the most recent agreement in 2022 introduced a new formula for determining the maximum annual price variation, considering changes in traffic, inflation rates, and the company's cost structure.

Figure 12 - Evolution of the Parcel Market in Europe (in millions)

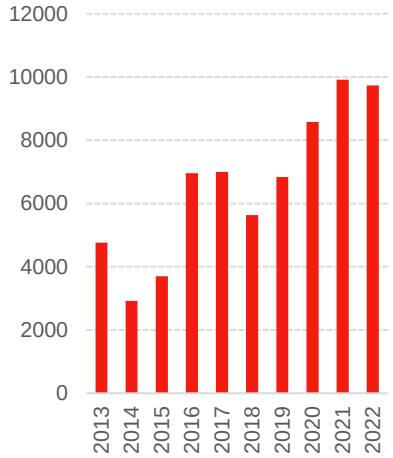


Figure 13 - Evolution of the Parcel Market in Portugal and comparable countries (in millions)

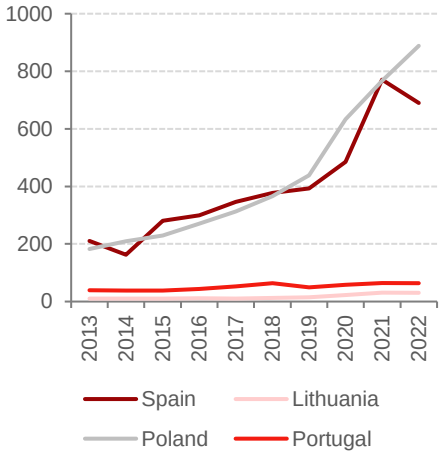
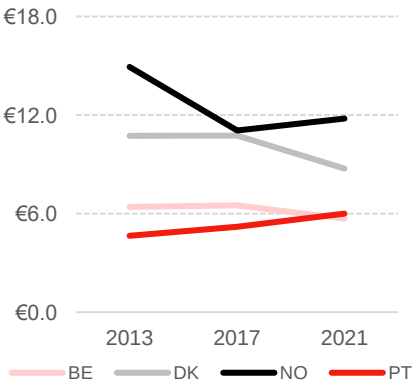


Figure 14 - Price Evolution of a 1kg Parcel in Portugal and comparable countries (in €)



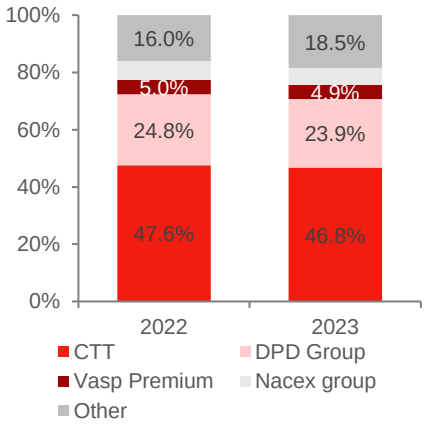
2.1.2 PARCEL SEGMENT

In the Parcel segment, the competitive landscape is shaped by the increase of e-commerce. Since 2013, the European parcel market has witnessed significant growth in total volumes, increasing by 104.4% (Figure 12). Notably, between 2019 and 2020, this growth accelerated, with parcel volumes rising by 25.8%. In Portugal, the growth trajectory, while substantial, was comparatively moderate. Parcel volumes in the Portuguese market grew by 62.30%, corresponding to a compound annual growth rate (CAGR) of 5.5%, reaching a total of 76.07 million deliveries in 2023 (Figure 13).

In contrast, Spain demonstrated a more pronounced expansion in parcel volumes during the same period. The Spanish market experienced a total increase of 228.9%, corresponding to a remarkable CAGR of 14.1%, culminating in 1,014.3 million deliveries in 2023. These growth trends are expected to persist due to the continued digitalization of shopping. However, such rapid expansion is unsustainable in the long run, as these markets will inevitably reach a

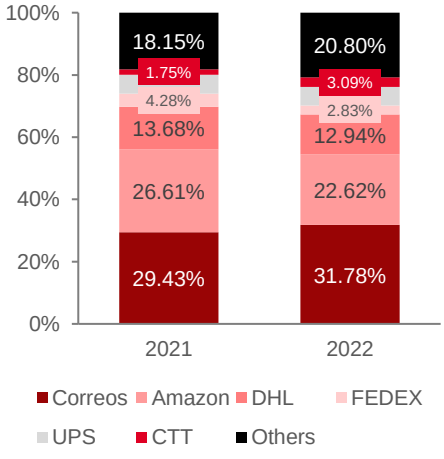
Figure 15 - Porter's Five Forces for the Parcel Market

Figure 16 - Portuguese Market Share of Parcel Segment



Source: ANACOM

Figure 17 - Spanish Market Share of Parcel Segment



Source: CNMC

saturation point. ("Statistics | Internal Market, Industry, Entrepreneurship and SMEs | European Commission" 2024)

Over the period from 2017 to 2021, parcel prices in Europe increased by an average of 4.32% for 1 kg parcels, although the price changes were not uniform across the region. Portugal, for example, saw a sharp increase of 15.4%, while countries like Denmark, Belgium, and Norway experienced declines of around 10%. This disparity showcases the heterogeneity of pricing strategies across Europe, reflective of country-specific market conditions, regulatory frameworks, and competitive dynamics (Figure 14).

However, as the market continues to evolve, several factors point toward a future decrease in parcel prices. The attractiveness of this segment will push more companies to enter this market, increasing the threat of new entrants. The growing number of competitors entering the market is expected to increase price pressure, as companies compete for market share and strive to differentiate themselves through competitive pricing. Additionally, the reduction of tariffs and customs duties, particularly as trade policies continue to shift, is likely to lower operational costs for parcel delivery companies. These changes will reduce the need for significant price increases, driving prices downward in a more competitive environment. As a result, the trend of rising parcel prices may eventually give way to a period of price reductions.

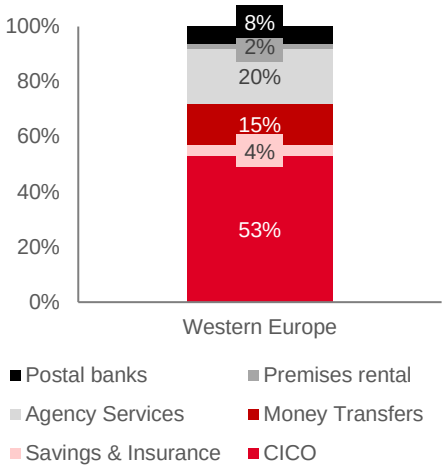
Buyer power is high, driven by the bargaining leverage of e-commerce giants and individual consumers. Suppliers, including fuel and labour providers, exert moderate influence, particularly as sustainability concerns and fluctuating fuel prices shape operational costs. Industry rivalry is intense, with global giants like DHL and DPD creeping into the Iberian market (Figure 15). In the face of these occurrences, CTT leads the segment holding 46,8% of the Portuguese segment in 2023. DPD Group is positioned right after, holding 23,9% followed by NACEX holding only 5,9% of the segment (Figure 16).

One of the main strategies CTT is pursuing is the expansion of its parcel segment to the rest of the Iberian Peninsula due to its higher profitability. In Spain, the public operator CORREOS holds 29% of the market, followed by other international companies like DHL, Amazon and SEUR in 2023, while CTT held only 3,09% (Figure 17).

2.1.3 FINANCIAL SERVICES

Although financial services are not the largest segment in the postal market, they are significant due to their widespread adoption. In Western Europe, Cash-In/Cash-Out (CICO) activities dominate, contributing 53% of financial service revenue. CICO includes bill payments, G2P transfers, deposits, withdrawals,

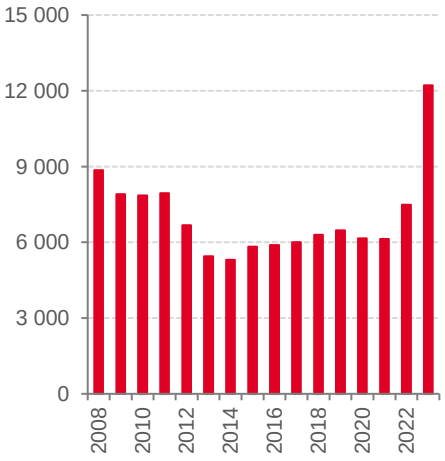
Figure 18 – Average distribution of Financial Services in Western Europe



Source: Universal Postal Unit

Figure 19 - Porter's Five Forces for the Banking Industry

Figure 20 - Total Net Interest Income of the Portuguese Banking Industry (in millions)



Source: Statista

and mobile transactions, essential for basic financial accessibility. Other contributions come from agency services (20%), money transfers (15%), Savings and Insurance (S&I, 4%), Postal Banks (8%), and premises rental (2%) (Figure 18).

In Portugal, S&I is a key segment, driven by macroeconomic factors. In 2022, soaring EURIBOR rates made Portuguese Public Debt certificates highly profitable, pushing S&I revenues to a record €36.21 million, a 200% year-over-year growth. However, in mid-2023, the government replaced these certificates with less attractive alternatives, significantly reducing their appeal. Future growth in this segment is tied to inflation expectations and increased competition, as banks and a new government app can now offer direct certificate sales, ending CTT's monopoly.

Retail financial activities in Portugal, such as selling insurance and loans via third-party partnerships, also play a role. These partnerships allow CTT to offer financial services without complex regulatory requirements, focusing on commissions.

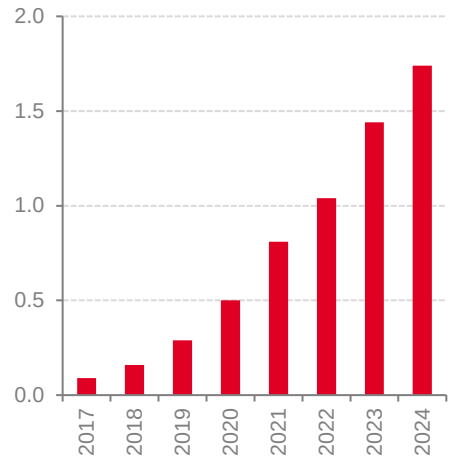
Other financial sub-segments contribute minimally to the Portuguese market and do not warrant significant consideration for further analysis.

2.2 BANKING INDUSTRY

The banking industry has played a crucial role in safeguarding wealth and providing credit, relying on customer deposits as a primary capital source. However, customers' flexibility to transfer funds turns this source into a volatile asset. In today's globalized world, customers are seeking seamless digital experiences, and this has shifted the industry towards new banking models. Additionally, with information being democratized and easily accessed by everyone, customers have now an advantage regarding banking institutions since they can easily switch banks for their convenience. Staying informed and adaptive is critical for banks to remain competitive in the industry.

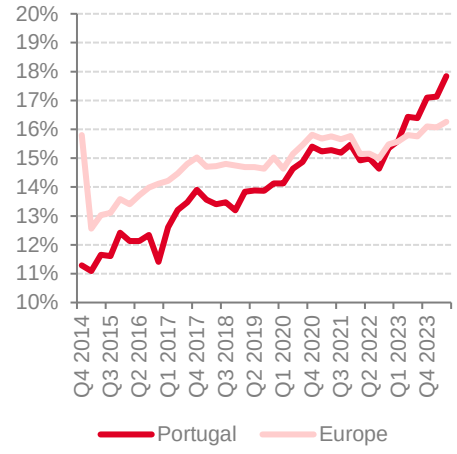
The threat of new entrants is moderate, driven by a rise of fintech companies offering innovative and alternative solutions to conventional banking with lower operational costs. On the other hand, regulatory requirements and capital constraints still act as significant barriers to entry. The bargaining power of suppliers is low, as banks rely on a diverse pool of technological providers and financial platforms, reducing dependency on any single supplier. The bargaining power of buyers is high, as customers can easily switch banks in search of better services, particularly with the rise of digital-first banking models. The threat of substitutes is moderate, with peer-to-peer lending, cryptocurrencies, and other fintech solutions offering alternatives to traditional banking services (Figure 19).

Figure 21– Users of Digital Banking Services in Portugal (in millions)



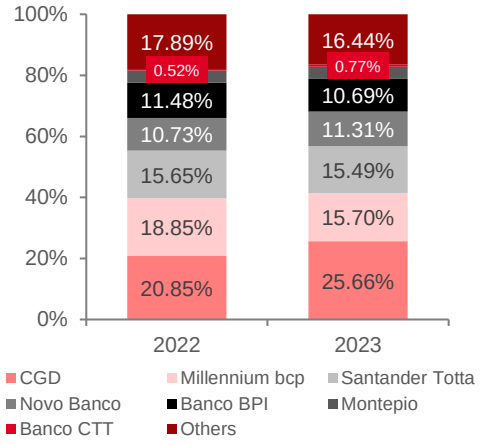
Source: Statista

Figure 22 – Evolution of CET1ratio in Europe and Portugal



Source: Statista

Figure 23 - Portuguese Market Share of the Banking Industry



Source: Statista

The evolution of the Portuguese banking industry has been marred by the 2011 sovereign debt crisis, which led to regulatory oversight and a more stringent focus on risk management practices. From 2008 to 2014, the industry experienced a decrease in net interest income, reaching its lowest point in 2014, at €5,31 billion. From this point onward, the industry has been recovering gradually, achieving the highest net interest income in 2023 of €12.1 billions (Figure 20). (Statista 2024)

Demographic changes also played an important role in shaping the industry. The aging population and ongoing emigration increased emphasis on retirement planning and cross-border financial transactions. Simultaneously, the prolonged period of low interest rates set by the European Central Bank (ECB) has exerted downward pressure on banks' profitability, compelling them to adopt strategies focused on cost reduction and the diversification of revenue streams.

The advent of new technological alternatives to conventional banking is set on threatening banking's commission model, an important revenue stream for many institutions. Fintech and platform-based solutions, often marketed as low-cost or fee-free options, are pressuring traditional banks to adapt by realigning strategies—potentially sacrificing short-term revenues to remain competitive. Adding to this, recent regulatory trends constraining the amount of fees Portuguese banks can charge on services such as money transfers and account related administrative changes, indicate a future where extra charges are substantially diminished.

Additionally, the broader economic context—encompassing both growth and stability—remains vital to the health of the banking sector, as consumer confidence, business investment, and overall economic performance directly affect the demand for financial services.

Furthermore, banking is a heavily regulated industry, thus all banks are required to maintain regulatory capital ratios being constrained in terms of where they can invest their funds to avoid putting their claimholders or depositors at risk. On the one hand, this ensures financial stability, consumer protection, and market discipline. On the other hand, the regulatory hurdles reduce banks profitability and can slow the adoption of innovative technologies. Additionally, it forces these entities to manage their funds constantly and be aware of updates in regulatory requirements. In this matter, Portugal's requirements are now higher than the EU's, registering in June 2024 a CET1 ratio of 17.8% against EU's 16.3% (Figure 22) (Statista 2024).

Banco CTT operates in a highly competitive landscape within the Portuguese banking sector, with established institutions dominating the market and

emerging digital challengers disrupting it. As of 2023, Caixa Geral de Depósitos (CGD) leads the market with a significant 25.6% share, followed by Millennium BCP at 15.7%, with Santander Totta and Novo Banco also holding substantial positions. In this saturated environment, Banco CTT holds approximately 1% of the market share. Despite the recognition of CTT as an established brand in Portugal, Banco CTT is still in the process of building its reputation as a banking institution, which presents challenges in gaining market traction (Figure 23). (Statista 2024)

3 MACROECONOMIC OVERVIEW

As CTT primarily operates in Portugal, it is essential to understand the key economic factors in the country. While the Express & Parcels revenues of both Spain and Mozambique showed significant growth over the period analysed, Spain's revenues accounted for more than 50% of the sector's total in 2023, whereas Mozambique's represented less than 2%. Therefore, it is also important to study the dynamics of the Spanish economy.

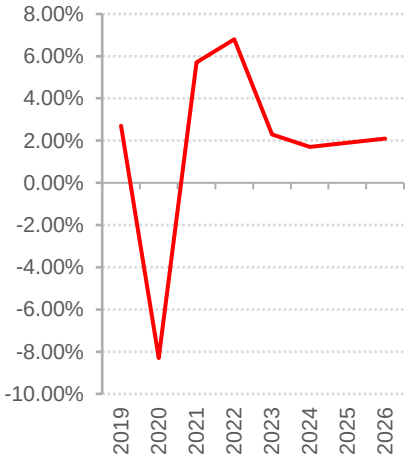
3.1 GDP GROWTH

In the years prior to the pandemic, the Portuguese and Spanish economies registered a growth trajectory, although with some deceleration.

3.1.1 PORTUGAL

Throughout the last two decades, Portuguese GDP has experienced fluctuations, with macroeconomic events significantly shaping its evolution. In 2008, Portugal entered a recession, leading to a decline in consumption and exports. The structural weaknesses of the Portuguese economy, including high levels of public and private debt, amplified the impact of the recession, setting the stage for deeper economic challenges in subsequent years. However, in the following years, Portugal's economy gradually recovered from this downturn.

Figure 24 – Evolution of Portuguese GDP Growth



Source: Banco de Portugal

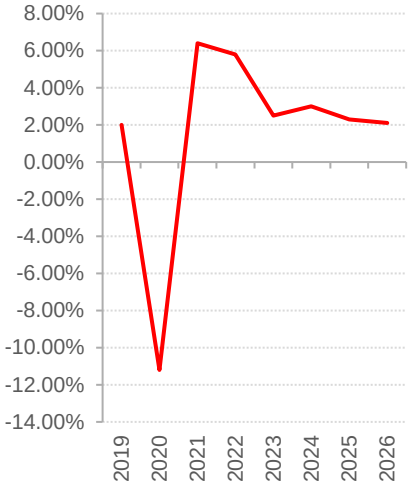
Additionally, in 2020, the Covid-19 pandemic caused a historic global contraction, resulting in an 8.3% decline in Portuguese GDP due to reduced domestic demand, private consumption and exports. Confinement measures changed household consumption patterns, increasing the consumption of essential goods while decreasing the spending on goods and services involving social interaction. In 2021, GDP grew by 5.7%, driven by a strong recovery in domestic demand, private consumption and investment (Figure 24). ("PIB a preços de mercado-Anual-Dados encadeados volume-TVH | BPstat" 2023)

The Portuguese economy grew by 6.8% in 2022, reflecting the pandemic recovery, though activity decelerated in the second quarter due to geopolitical

uncertainties and rising energy prices. Private consumption rose by 5.9% in a full employment context, with exports increasing by 17.7% and imports by 11.1%. In 2023, growth slowed to 2.3%, with domestic demand positively contributing, despite declines in private consumption and investment. Net external demand was also positive, despite lower export and import volumes.

Economic growth is projected to decelerate in 2024, reaching 1.7% due to weaker external demand and lower business confidence observed in the first half of the year. However, the outlook is positive for the following years, with growth projected to rise to 1.9% in 2025 and 2.1% in 2026, driven by private consumption and investment. ("Economic Forecast for Portugal," n.d.)

Figure 25 - Evolution of Spanish GDP Growth



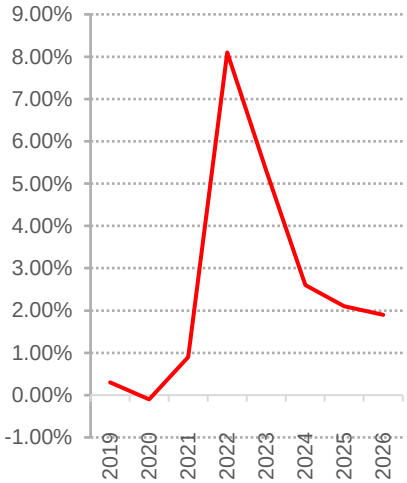
3.1.2 SPAIN

In 2020, Spain's GDP also fell sharply by 11.2% due to the Covid-19 outbreak and strict lockdown measures. Domestic demand reduced growth by 8.8 p.p., with all components declining except for government consumption, which rose by 3.8% to address health needs. Net external demand also negatively impacted GDP growth, reducing it by 2.0 p.p., driven by a 20.2% decline in exports compared to a 15.8% drop in imports (Figure 25).

GDP grew by 6.4% in 2021, fueled by private consumption and a partial recovery in tourism. Investment remained weak due to uncertainties, rising costs and supply bottlenecks, affecting key export sectors like the automotive industry. In 2022, Spain's economic activity slowed due to the Ukraine invasion, rising energy and food prices, and tighter financial conditions. GDP grew by 5.8% due to the recovery of the service sector and tourism. However, increased nominal imports driven by energy prices negatively impacted the trade balance. ("Statistics | Eurostat," n.d.)

In 2024, Spain's economy is expected to experience strong growth of 3.0%, followed by a gradual deceleration to 2.3% in 2025 and 2.1% in 2026. The expected real GDP growth is primarily driven by consumption, the acceleration in investment and the ongoing labour market resilience. ("Economic Forecast for Spain," n.d.)

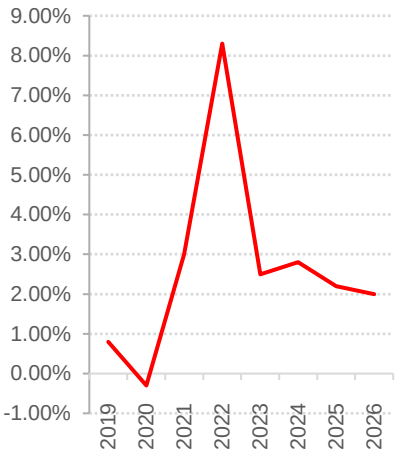
Figure 26 – Inflation rate in Portugal



3.2 INFLATION

Until 2021, Inflation in Portugal and Spain have been relatively stable, with slight increases and decreases across the years. In 2020, inflation rates were -0.1% in Portugal and -0.3% in Spain, reflecting a deflationary trend driven by steep declines in energy prices and a slowdown in service prices, despite rising food prices due to higher household demand (Figure 26&27).

Figure 27 – Inflation Rate in Spain

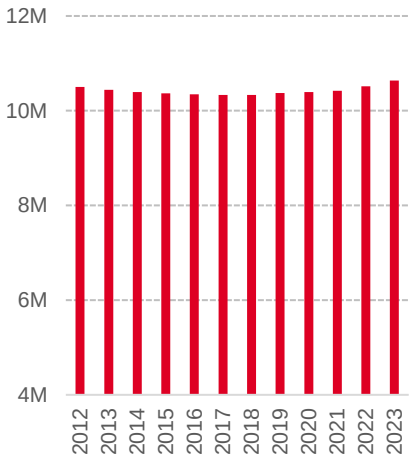


However, in 2022, inflation reached its highest levels in 30 years, with the HICP at 8.1% in Portugal and 8.3% in Spain, primarily due to rising international energy and food prices, caused by the Ukraine-Russia conflict. Europe's reliance on Russian energy led to escalating oil and gas prices. Additionally, disruptions in the supply chains and the price increase in commodity goods like wheat and other staples goods were also consequences of the war. These cost pressures spread across sectors, causing broad inflation.

Inflation is forecast to continue its decline in the upcoming years, with Portugal expecting to see a rate of 1.9% and Spain 2.0% by 2026, as the underlying price pressures are projected to ease.

3.3 DEMOGRAPHIC TRENDS

Figure 28 – Portuguese Population



From 2012 to 2019, the number of Portuguese residents decreased significantly. While there has been some recovery since then, the population has not yet returned to 2011 levels. This decline is due not only to a high number of deaths but also to substantial emigration, as many people left the country in search of better living conditions (Figure 28).

This, combined with an average age of around 47.1 years, places significant pressure on the country's social and economic systems. The aging population strains the social security system, as fewer working-age individuals are available to support a growing number of retirees. Similarly, the healthcare system faces rising costs and demand, particularly for elderly care and chronic disease management. ("Portal Do INE," n.d.)

3.4 MONETARY POLICY

In 2019, the euro area monetary policy was marked by expansionary measures, with reference and short-term interest rates at historically low levels. The ECB reduced the deposit interest rate to -0.5% and introduced a new TLTRO program to ensure favourable bank lending conditions. Starting in November, net purchases under the Asset Purchase Programme (APP) were resumed at a monthly rate of €20 billion. To mitigate the pandemic's impact, the euro area's monetary policy remained particularly expansionary. The ECB Governing Council implemented several measures to maintain favourable credit conditions for firms and households, including relaxing collateral requirements for banks and increasing the Pandemic Emergency Purchase Program (PEPP) envelope to €1,850 billion. (European Central Bank 2024)

The ECB's expansionary monetary policy continued in 2021, with low reference interest rates. However, due to the economic recovery, the ECB decreased the

pace of asset purchases under the PEPP in Q4 and announced its discontinuation by the end of March 2022. (European Central Bank 2024)

In 2022, the ECB began to reverse its expansionary monetary policy in response to rising inflation. In July, the deposit interest rate was raised from -0.5% to 0%, with further increases throughout the year, reaching 2% by December. The Governing Council also announced a reduction in the APP portfolio to an average of €15 billion per month until the end of Q2 2023, ceasing reinvestments of all principal payments from maturing securities. (European Central Bank 2024)

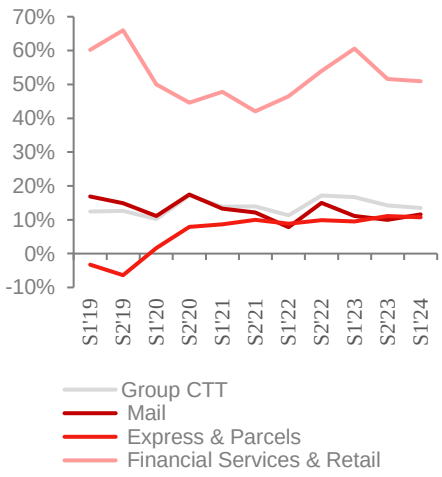
Throughout 2023, the ECB remained focused on returning inflation to its medium-term target of 2%. Thus, the cycle of increasing interest rates, which began in July 2022, continued until September 2023. Moreover, the ECB Governing Council announced plans to cut the PEPP portfolio by an average of €7.5 billion per month and to discontinue reinvestments under the PEPP at the end of 2024. (European Central Bank 2024)

For the following years, markets anticipate that the ECB will continue to reduce policy rates. The short-term nominal interest rate is expected to fall below 3% by the end of 2024 and to around 2% by the close of 2025, after which it is projected to stabilize in 2026. (European Central Bank 2024)

3.5 FURTHER MACROECONOMIC FACTORS

Under Portugal's 2025 State Budget, the corporate income tax rate has been reduced by 1 p.p. (from 21% to 20%), with the rate for small and medium-sized enterprises also lowered from 17% to 16% for profits up to 50,000 euros.

Figure 29 – Historical EBITDA Margin



4 FINANCIAL ANALYSIS

The financial analysis of CTT reveals a nuanced picture of its performance across various segments, reflecting both opportunities and challenges. Over the past five years, the breakdown of segment contributions to the Group's total EBITDA has undergone significant changes. The Mail segment, which previously dominated the profitability mix, has seen a marked decrease in its influence. In contrast, other segments, such as Parcels and Banking, have steadily increased their share of EBITDA, becoming critical drivers of the Group's financial performance. This shift has fundamentally altered the traditional balance of contributions, with these emerging segments playing a pivotal role in stabilizing the Group's accounts and reshaping the profitability landscape (Figure 29).

Figure 30 – Cash Conversion Cycle (days)

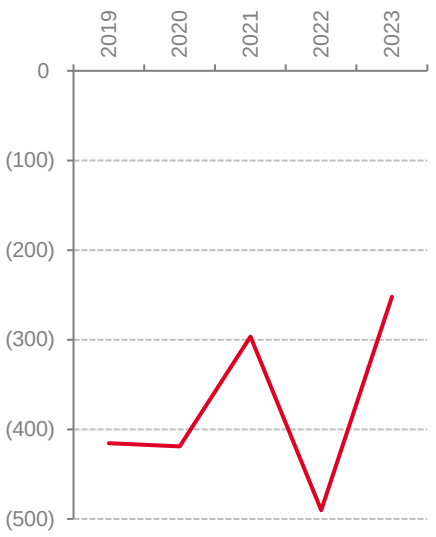


Figure 31 – Historical Liquidity Ratios

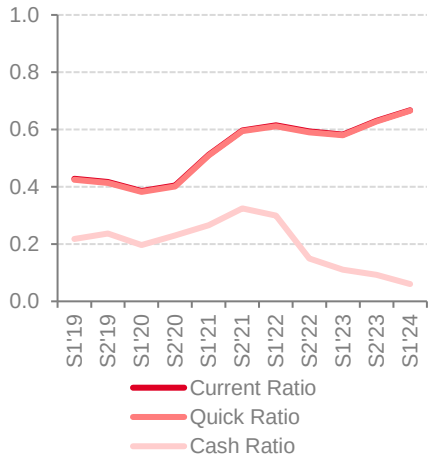
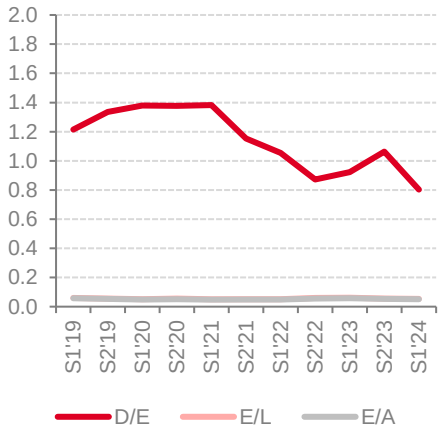


Figure 32 – Historical Debt-to-Equity and leverage ratios



The Mail segment has been particularly impacted by structural headwinds driven by digitalization, which has sharply reduced demand for traditional mail services. This ongoing shift is reflected in declining EBITDA margins and revenue trends for the segment, highlighting the urgency for strategic interventions. Diversifying services or implementing cost restructuring measures will be essential to mitigate these challenges. Without such actions, the Mail segment's contribution to overall profitability is expected to continue diminishing, aligning with global industry projections of a sustained contraction in traditional mail services.

The Express & Parcels segment presents a mixed picture. While revenue growth has been significant, increased operating costs have constrained margin expansion. However, the segment's resilience over the past five years, demonstrated by a consistent EBITDA margin above industry averages, 14.1% and 12.7% respectively, suggests potential for future growth if cost efficiencies are improved. Strategic investments in technology and logistics could help address these operational challenges.

The analysis of cash flow management reflects a consistently negative cash conversion cycle (CCC) over the past five years, averaging -354 days. This performance is primarily attributed to the company's extended average payable period, which reached 395 days in the most recent two years of the analysis. This demonstrates Grupo CTT's notable bargaining power with its suppliers, allowing it to delay payments effectively. The CCC achieved its lowest point in the last five years during the second half of 2022, a period marked by heightened demand for savings certificate subscriptions. Despite recent increases in the CCC, Grupo CTT has maintained its efficiency in collecting cash from clients and liquidating inventory before settling supplier obligations, underscoring its operational resilience (Figure 30).

In terms of Liquidity, the company has shown gradual improvement in key metrics. In the first half of 2024, the company recorded a current and quick ratio of 0.67. The close alignment of these ratios reflects the low inventory levels typical of the company's operations. However, the cash ratio has declined significantly since the first half of 2022 due to applications of 500M€ in *overnight* deposits in Central Banks (Figure 31).

The capital structure of CTT reflects the unique characteristics of its industry, particularly due to the banking segment's significant influence on its balance sheet. The solvency ratio and gearing ratio have remained consistently low and stable over the past five years. This stability is primarily attributable to the substantial liabilities and assets generated by the banking operations, which inherently dilute these ratios. In contrast, the debt-to-equity (D/E) ratio has

experienced a notable decline over the same period, driven by a steady increase in equity. This growth in equity is directly linked to retained earnings, as the company has prioritized retaining profits to bolster its financial position.

This trend is particularly relevant within CTT's industry, where a strong equity base is essential for maintaining credibility and resilience, especially in segments like banking that are heavily regulated and asset intensive. The reduced D/E ratio positions CTT more favourably by signalling lower financial leverage, which enhances its ability to navigate economic fluctuations while adhering to industry standards for financial stability (Figure 32).

Finally, it is crucial to examine banking-specific ratios, particularly those related to funding and liquidity, to assess a bank's financial strength. Over the analysed period, Banco CTT presented very solid liquidity levels with both the Liquidity Coverage Ratio (LCR) of 943% in 2023, in a short-term outlook, and the Net Stable Funding Ratio (NSFR) of 229% in 2023, in a long-term horizon, greatly higher than the minimum requirements of 100%. This LCR shows the resilience of the bank to short-term liquidity shocks, due to the consistent heavy investment in debt securities and investments in other credit institutions, mainly Banco de Portugal, which are considered high-quality liquid assets. Concerning the NSFR, this indicates stability to long-term financial stress, since the funding available is more than two times the funding required by the bank (Figure 33). Moreover, the Common Equity Tier 1 (CET1) ratio and the Leverage Ratio have consistently exceeded their respective regulatory minimum thresholds of 8.7% and 3%, as stipulated under the Supervisory Review and Evaluation Process (SREP) by the Basel Committee on Banking Supervision, throughout the years under analysis (Figure 34). In 2023, Banco CTT demonstrated an improvement in its CET1 ratio, reaching 21%, primarily driven to the termination of the Universo, IME, S.A. partnership and the subsequent sale of credit card exposure, which led to a significant reduction in the bank's Risk-Weighted Assets (RWAs). Surpassing these regulatory benchmarks not only demonstrates robust capital adequacy and prudent risk management but also enhances investor confidence and positions the institution to better weather unforeseen financial shocks.

Figure 33 – Historical Bank Ratios

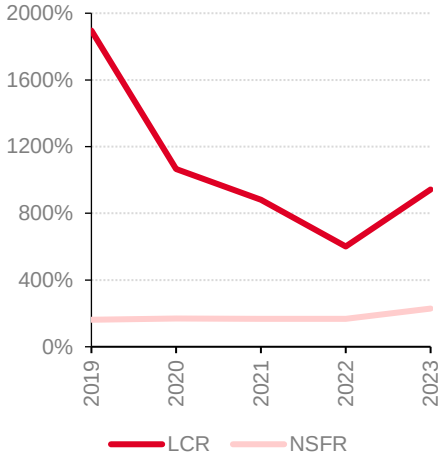
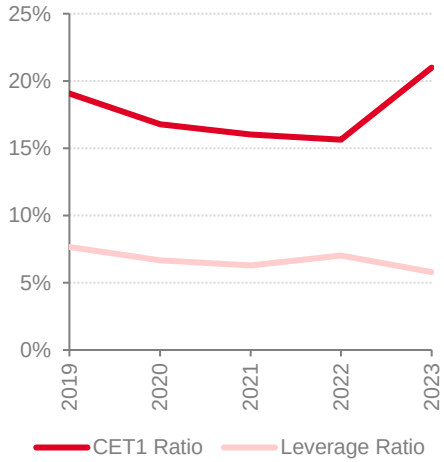


Figure 34 – Historical CET1 and Leverage Ratios



5 SERVICE QUALITY ANALYSIS

Over the past 13 years, CTT Portugal has faced challenges in meeting service quality targets (IQS) set by the Postal Market regulator. While the company met these targets in earlier years, recent performance, particularly from 2019 onwards, has shown a decline. Even excluding the pandemic years (2020-2021), the company has struggled to meet established delivery and service standards (Figure 39).

CTT's service quality has deteriorated, with delays observed in normal and priority mail deliveries. Even services like customer waiting time at postal establishments have seen a rise in non-compliance. The decline in service quality is likely attributed to increased demand, operational inefficiencies, and possible infrastructure limitations.

The COVID-19 pandemic disrupted postal services globally, and CTT was no exception. The increased demand for parcel deliveries and workforce disruptions led to service delays in 2020 and 2021. ANACOM acknowledged these challenges, exempting CTT from penalties during this period due to the "force majeure" status. However, non-compliance traced its origins to 2019 and persisted in 2022 and 2023, indicating that the pandemic was not the sole cause of the decline. In 2023, CTT received a total of 118,000 customer complaints regarding its performance, equating to an average of 51 complaints per day. Of these, 24% pertained to parcel delivery failures, while 10% were related to delays in international deliveries. Moreover, Portugal ranks among the European countries with the highest number of complaints per capita concerning the USO.

When CTT fails to meet IQS, ANACOM imposes compensation mechanisms, traditionally reducing the price increase for the following year. In 2020, due to pandemic-related disruptions, no penalties were applied. However, in 2022, ANACOM shifted to recommending infrastructure investment as compensation, rather than direct financial penalties, in line with changes to Postal Law.

CTT faces the need to address the underlying causes of service quality issues, focusing on enhancing infrastructure and operational efficiency. Investments in modernizing delivery systems and leveraging technology for better demand management will be key to meeting regulatory standards and improving customer satisfaction. The proposed compensation in the form of infrastructure investment presents an opportunity for CTT to strengthen its service delivery.

6 PRESENT AND FUTURE STRATEGY

CTT's strategy for the coming years focuses on **diversification** and **cost optimization** across its key segments to adapt to evolving market conditions while enhancing long-term profitability.

In the **Mail** segment, CTT plans to focus on **diversifying its product offerings** by increasing its presence in **B2B mailing solutions**. With the decline in traditional mail volumes due to digital communication alternatives, providing specialized services for businesses - such as secure document management, marketing campaigns, and bulk mailing services - by leveraging business relations formed through the mailing business, can create a stable revenue

stream while retaining a solid presence in the sector. Moreover, to address the declining service quality, CTT should focus on **improving operational efficiency** through better resource allocation and prioritization.

The **Parcel** business represents a significant growth opportunity, especially within the **Iberian Peninsula**. The continued expansion of operations into **Spain** will allow CTT to tap into the booming e-commerce market, particularly the demand for **last-mile delivery** solutions. To stay competitive against global logistics players like DHL and DPD, CTT is focusing on **cost optimization** by investing in alternative delivery solutions such as expanding the **Locky network** (automated parcel lockers). These solutions reduce reliance on extensive delivery fleets, cut operational costs, and improve customer satisfaction by offering more convenient delivery options. This strategy will help increase parcel market share while controlling costs and improving overall profitability.

In **Banco CTT**, the company has room to grow, particularly in its ability to increase **total client resources** and **resources per account**. With a relatively small market share, Banco CTT is focused on attracting new customers by pursuing a price attacker stance, while consolidating the value it provides to existing clients. One effective strategy would be to position Banco CTT as a provider of **comprehensive, straightforward financial services** to individuals and small businesses. Offering simple, transparent products, such as loans, savings plans, and mortgages, would appeal to customers seeking uncomplicated banking solutions and help Banco CTT align with established market players in terms of client base and resources.

The **Financial Services & Retail** segment offers an opportunity for further diversification and leveraging CTT's **geographic reach**. In addition to traditional financial services, the firm has expanded into areas like **security systems**, in partnership with Prosegur, and **non-life insurance sales**, through an agreement with Generalli, and plans on continuing this diversification strategy by expanding its service provision offer. The firm’s extensive network of branches and presence across Portugal enables it to offer these services in both urban and remote areas, creating a competitive advantage in terms of accessibility and customer reach, strengthening its position as a reliable service provider.

7 FINANCIAL FORECAST

The following Group valuation was divided into two parts: one considering solely the Bank (Banco CTT) and another the remaining segments – Mail, Express & Parcel and Financial Services & Retail (Grupo CTT ex-bank). This is justified by the Bank’s outlier role in the group with its operations being distinct enough in

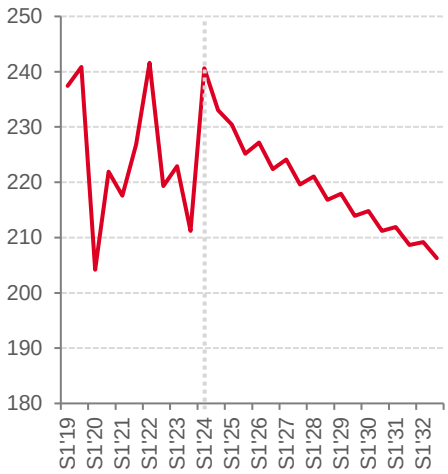
its characteristics to warrant a separate analysis all together. The disaggregation of Balance Sheets will also be helpful given the current's heavy skew towards the asset-intensive bank offers a severely distorted image of remaining operations. Financial Services & Retail were not included in Banco CTT's valuation as, despite seemingly similar lines of business, FS&R's operations don't share the characteristics of a financial institution.

The final group's valuation will result from the sum of parts, as Grupo CTT ex-bank will be valued using the Discounted Cash Flows method while Banco CTT's specificities make the Free Cash Flow to Equity model a more appropriate choice for it. The Forecasting period was set to 8 years on a semestral basis, ending on the second semester of 2032, offering the valuation 17 periods of predictions, allowing an in-depth analysis of in-year variations while going sufficiently into the future.

The Group's reports from 2019 to 2024 were used as a historical reference point. This 5-year timespan was chosen due to the presence of operational and market dynamics expected to continue in years to come, despite the period's atypical nature due to the Pandemic. A distorted image of current and future operations would result from extending our analysis to previous years, considering the infancy of the Bank's business model, having only been launched in 2016, as well as the comparatively smaller importance of the Express & Parcels segment. Furthermore, the conciliation of past reports would be complicated by observed different accounting standards before 2019.

It should be further noted that the following forecast was designed under the assumption that CTT will renew its USO contract with the Portuguese state after its expiration in 2028. Furthermore, the terms of the contract are assumed to remain similar to the current iteration, enforcing the provision of a similar scope of products and services as well as keeping its current quality standards. These regulatory constraints are assumed to reduce the ease at which the firm can allocate its resources.

Figure 35 – Revenues for the Mail segment – Historical & Projected (in millions of €)



7.1 REVENUE FORECAST

To estimate the overall revenues of the CTT Group, each business segment was forecast separately based on historical data, market trends, and key drivers.

7.1.1 MAIL & OTHER

The **Mail segment**'s forecast was divided into its several components: Mail (consisting of Transactional, Editorial and Advertising Mail, all three considered separately), Small Parcels that fall under the USO umbrella, Business Solutions, Payments, Philately and Other (Figure 35).

Table 1 – Growth of the Mail Market in Portugal and Comparable GDP Countries

Portugal	CAGR	
GDP per capita	2013-2017	2017-2022
Spain	-1.4%	-14.2%
Portugal	-4.5%	-7.5%
Romania	-3.3%	-3.8%
Lithuania	-3.0%	-5.9%
Poland	-5.6%	-7.0%
AV	-3.6%	-6.0%

Figure 36 – Revenues of the Mail part of the segment (in millions €)

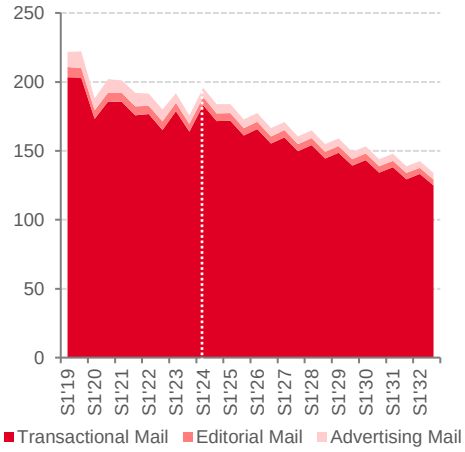
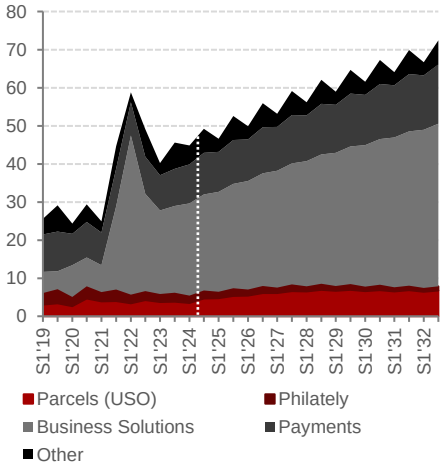


Figure 37 – Evolution of the remaining parts of the segment (in millions of €)



The previously observed decline in the mail segment is expected to continue for the course of the valuation. This belief was sustained on historical company data, which showcased the ongoing declining trend of the industry. For the historical period under analysis, Transactional and Editorial mail fell by similar yearly values, rounding the 8% mark (8.7% and 7.2% respectively). Harshly harmed by pandemic trends of digitalization in marketing was Advertising Mail at a negative CAGR of 12%.

These firm CAGRs were averaged with the evolution of letter volumes in countries with comparable GDPs per capita (Table 1) between 2017 and 2022 (-6%), resulting in future CAGRs of -7.4% for Transactional Mail, -6.6% for Editorial and -9% for Advertising, accounting for sectorial differences. These values were applied until the second semester of 2029, at which point they were reduced in half, reflecting a gradual decrease in the reduction speed as postal levels reach an assumed baseline point, consisting of letter services impossible to be moved to a digitized environment (Figure 36).

To maintain profitability in a declining Mailing segment, prices have steadily increased in recent years. In 2022, the firm formalized an agreement with the regulator, introducing a new formula for the maximum annual price variations in the segment:

$$\Delta\text{Price} = \text{HICP} - \Delta\text{Volume} * (1 - \text{VC}) - \text{E} + \text{K}$$

In this formula, HICP represents the Harmonized Index of Consumer Prices, ΔVolume are annual postal volume fluctuations, VC the weight of variable costs (set at 16%), E an efficiency factor (set at 0.5%), and K significant contextual changes. The formula was applied on an annual basis to each Mail type individually, considering individual fluctuations in volume, while using previous years' inflation rates, setting the remaining variables to its determined values and K to 0[1]. To prevent further demand shirking due to unreasonable hikes in prices, a multiplier capped at 75% was attributed to the final formula value. The formula's basis on official rulings grounds it, providing the model with the most accurate projection of price variation.

Regarding the remaining captions, the revenues associated with Small Parcels, encompassing at any time around 3.5M€ on average, were forecast in relation

[1] Despite Advertising Mail not falling under the USO umbrella resulting in its price policy not being constrained by contractual obligations, the formula used was still considered the best predictor for price variations in the overall basket of postal goods and services offered by the firm.

to the growth of the Portuguese section of the Express & Parcel segment under the assumption that the E-Commerce boom will be reflected on this caption.

A declining collectible stamps market has hampered Philately's revenues, depressing them by over a third over the past 5 years. This decrease is expected to continue for the remainder of the valuation, halving the current segment to 1M€ by 2032.

To compensate for declines in traditional mail services, CTT plans on expanding its offer in adjacent areas of growth, such as business-oriented solutions. The Business Solutions (BS) section has been one of these big bets to ensure the continued profitability of the segment. Growing shyly since 2019, a series of successful projects aimed at businesses, mainly the sale of computers, saw its sales reach 40M€ by S1 2022, increasing almost 500% in a year. Though its revenues have since halved, CTT's strategy of leveraging established commercial relations in the Mail segment towards this new opportunity ensures the segment's future growth. Thus, BS are expected to grow linearly at 1.1M€ per semester, following the yearly trend observed since S1 2023. Payments are expected to follow a similar path, growing linearly as CTT expands its portfolio of services towards businesses. Lastly, the Other caption was kept at its average of 4.7M€. (Figure 37)

To account for observed seasonal changes, seasonal indexes based on previous years' data were added to the revenues of Transactional Mail, Advertising Mail, Payments, Philately and Other.

Overall, across the valuation period, the segment is expected to decrease 14.3%, with Traditional mail activities declining by 31.9%. On the other hand, secondary sources of income within the segment related to B2B activities, like Business Solutions and Payments, are projected to grow by 61.4%, as the company seeks to offset the decrease in Traditional Mail by investing in this activities. Despite this shift, traditional mail is forecasted to remain the primarily source of income of the segment, accounting for 60.4% of the total segment by the end of 2032. (Figure 38)

7.1.2 EXPRESS & PARCELS

For the **Express & Parcels segment**, CTT runs operations in the Portuguese, Spanish and, to a much smaller extent, Mozambican markets. Even though CTT has a higher market share in Portugal, ever since 2023, the Spanish Express & Parcel segment is higher in terms of volume and revenues compared to the Portuguese. In fact, in the first semester of 2024, revenues from the Spanish market accounted for 62.6% of CTT's Express and Parcel Segment (Figure 39). Regarding these two markets, volumes were forecast based on the historical

Figure 38 – Forecast of the Mail & Other segment by category (in millions of €)

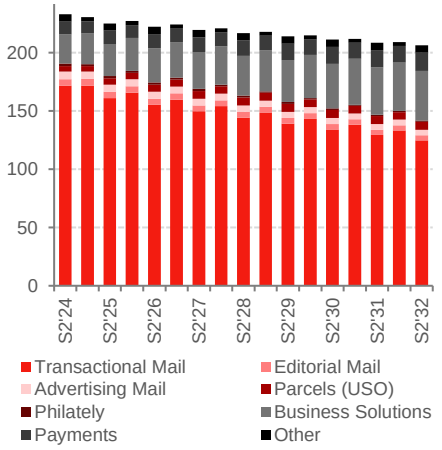


Figure 39 – Historical Revenues from Parcel segment (in millions €)

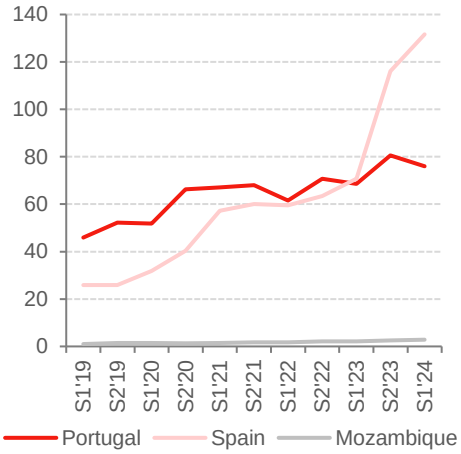


Table 2– Growth of the Parcel Market in Portugal and Comparable GDP Countries

Portugal	CAGR	
GDP per capita	2012-2017	2017-2022
Spain	13.4%	14.4%
Portugal	8.8%	3.5%
Romania	13.5%	19.3%
Lithuania	-10.3%	23.8%
Poland	30.6%	23.4%
AV	10.6%	17.5%

Table 3 – Growth of the Parcel Market in Spain and Comparable GDP Countries

Spain	CAGR	
GDP per capita	2012-2017	2017-2022
Spain	13.4%	14.4%
Portugal	8.8%	3.5%
Romania	13.5%	19.3%
Czechia	7.8%	24.2%
AV	10.0%	15.6%

Figure 40 – Parcel Volumes in Portugal and Spain (In millions)

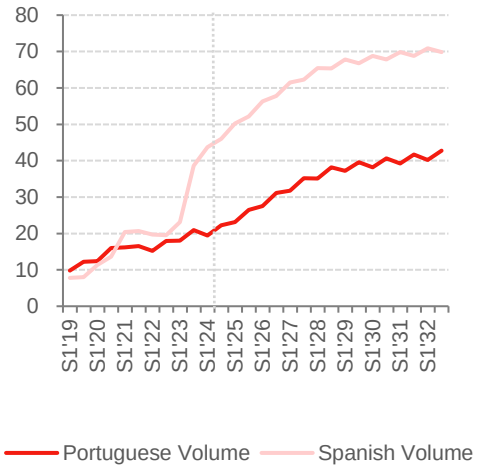
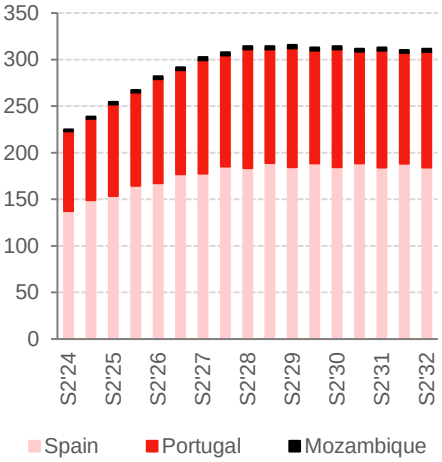


Figure 41 – Forecast of the Express & Parcels segment per region of operation (in millions of €)



performance of the market in each region. Since 2017, both markets have experienced annual growth in deliveries per capita. However, the growth in Portugal has been significantly smaller compared to Spain, with Portugal reaching 6.1 deliveries per capita, while Spain achieved 14.6. To calculate a CAGR based on historical performance, a group of comparable countries with similar GDP per capita was selected for each market. The resulting analysis produced a CAGR of 17.50% for Portugal (Table 2) and 15.65% for Spain (Table 3). Assuming this value to be unsustainable in the long run – and given the industry's tendency to slow down as it approaches a more mature phase – we assumed e-commerce's growth would tend linearly to a CAGR close to 2% by the end of 2029 for both markets, in alignment with expected general economic growth. Seasonal Indexes based on historic 5-year data were added, reflecting differences in semestral volumes (Figure 40).

The market's upward trend and resulting growing level of competition leads to an expectation of decreasing future prices. In fact, from 2019 to 2023, company data indicates Portuguese prices experienced annual decrease of 3.6% while the Spanish experienced an annual decrease of 2.9%. This goes against the aforementioned observed increase in parcel prices in the market at large during the same period. Nevertheless, since higher competition and lower tariffs are expected in the future, the company's specific declining price trend was assumed to persist in the future. Thus, the firm's historical annual declines in the price were assumed to remain unchanged for each market during all the valuation period. Mozambique's revenues were forecast through extrapolation of its historical growth, given the country's minute contribution to the company's overall bucket of revenues.

Overall, all regional markets are expected to experience growth in volume, countered by decreasing prices, primarily due to increased market competition. The segment is expected to grow by 50% until 2029, at which point its momentum is expected to subside. By 2032, the segment is projected to reach €308.2 million. The Spanish market is expected to maintain its position as the primary source of revenue for the segment, accounting for 59% of the total segment revenue by 2032 (Figure 41).

7.1.3 BANCO CTT

Due to its distinct value drivers, forecasting revenues for the **Bank segment** of the group required a differing set of assumptions. In broad strokes, the revenue generation of a financial institution can be seen as battleground between the amount it earns from the credits it concedes and the rates it must pay for the deposits it holds, with interest rates being set accordingly as to maintain an

Figure 42 – Evolution of the #accounts (left axis, in millions) and Client Resources per account (right axis, in millions of €)

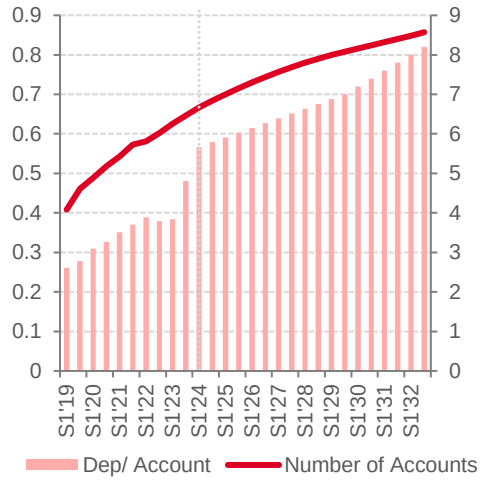


Figure 43 – Evolution of the number of Deposits and Credits - Historical & Projected (in millions of €)

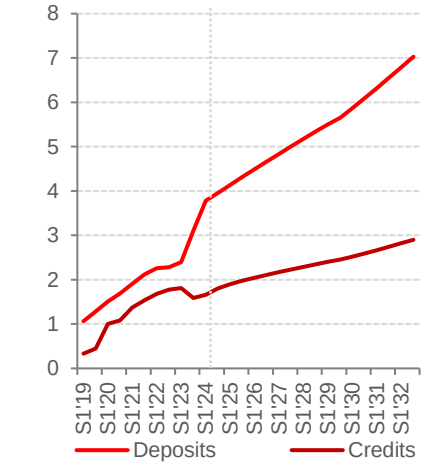


Figure 44

$$RateDeposits = \beta_0 + \beta_1 * \%euribor$$

$$\Leftrightarrow$$

$$RateDeposits = 0{,}00119 + 0{,}166 * \%euribor$$

$$(n = 11; R^2 = 0{,}89)$$

Figure 45

$$Credits = \beta_0 + \beta_1 * Deposits + \beta_2 * \%Inflation$$

$$\Leftrightarrow$$

$$Credits = 0{,}460 + 0{,}342 * Deposits + 58{,}305 * \%Inflation$$

$$(n = 22; R^2 = 0{,}82)$$

appropriate margin between both, the so-called Net Interest Income (NII). It thus proved crucial to determine the evolution of both Deposits and Credits in the company's Balance Sheet, as well as how these would be rated.

Deposits are modelled as the product of two underlying variables, the **number of current accounts** and the **value of deposit per account**. The first has seen its growth dwindling since 2019, moving from a semestral growth rate of 13% in S2 2019 to 3.1% by S1 2024. When taken as measure for the number of new bank clients, this may reflect that Banco CTT's days of capturing market share are over with its growth converging to market values. We reflected this trend by considering an initial CAGR of 5% (2.5% each semester) **in the number of current accounts**, decreasing this variable linearly until it plateaus on the second semester of 2029 at 2% annual growth (1% each semester). The variable **deposit per account** was treated as a proxy for client resources in one account, a value which the company seeks to double in the coming years, reaching the rates of market incumbents at around 8000 to 10000 euros per account. Though no timeframe is given, we assumed this consolidation strategy would follow a linear trend for the following years, reaching the value of 7000 euros per account by the second semester of 2029 and 8200 by the end of the valuation, a bit over the lower bound of the company's goals. (Figure 42&43)

For the computation of the remaining captions in the Net Interest Income, simple or multiple linear regressions with relevant explanatory variables were used. On this regard, OLS regressions are perceived to have superior predictive abilities when extrapolating past data into the future than simply considering ratios. They were thus used liberally when an external, usually macroeconomic, factor was perceived to affect the model. Robustness is thus granted to the model's assumptions, further grounding it in firm data.

Computing interest expenses associated with deposits further required the determination of a rate for deposits, a variable which highly correlates with EURIBOR rate. A regression explaining past rates of deposits offered by the Bank (measured by dividing interest expenses with total deposits) through 3-month EURIBOR returned an accurate estimate despite its low sample size (Figure 44).

Moving to the interest income side, credits were first determined via a regression relating its total value to both the predetermined number of deposits and current inflation rate, assuming the current determinants behind the variable stay in place (Figure 45). To prevent unreasonable jumps between periods, the model was calibrated by pegging half of the credit value to the previous semester and deriving the other half from the regression. (Figure 43)

Figure 46

$$RateCredits = \beta_0 + \beta_1 * \%euribor$$

$$\Leftrightarrow$$

$$RateCredits = 0{,}0229 + 0{,}804 * \%euribor$$

$$(n = 11; R^2 = 0{,}65)$$

Figure 47 – Evolution of Commissions (right axis, in millions of €) and Commissions per Account (left axis, in €)

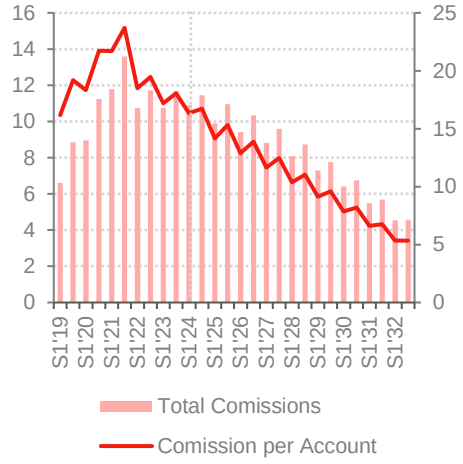
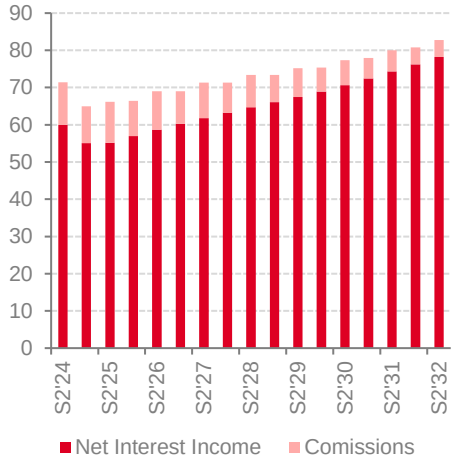


Figure 48 - Forecast of the Bank segment by type of income (in millions of €)



Similarly to its deposit counterpart, the rate for credits was determined as a function of current 3-month Euribor rates, suffering from similar drawbacks due to the limited sample size (Figure 46).

The operating income of Banco CTT is completed by the addition of commissions charged on the differing services offered by the bank. As stated in the Industry Overview, the rise of commission-free digital platforms as well as legislative action has hampered the caption's growth for regular commercial banks. This is evidenced by the yearly decline of 7% in the "**average commission per account"** indicator ever since 2021, representing the Bank's decreasing ability to charge additional costs to consumers. Given the mentioned constraints, coupled with the bank's planed aggressive pricing strategy, we assumed this caption would be severely curtailed, moving "average commission per account" from its current 16.33€ value to less than a third of this by the end of 2032. Observed semestral variations were considered through the addition of seasonal indexes (Figure 47). Other Operating income related to the bank was considered null due to its unpredictability.

Overall, revenues for the banking segment are expected to gradually grow until 2032, culminating in a value of 82.8M€, 44.3% higher than at the start. Interest paid on deposits and received on credits is expected to decline until S2 2025, with the adjustment of rates to historical values, increasing from then on, driven by the larger client base, culminating in a NII of 78.2M€ by 2032. Commissions decline by 57% over the valuation, though this effect isn't enough to counter the upward movement of the NII due to its smaller weight in overall revenues. (Figure 48)

Of note, a spike of 24% in revenues is expected in S2 2024, related to mismatching credit and deposit rates inflating gains from loans. This is corrected the following semester as credit rates decline and the gap in NII becomes narrower, decreasing revenues by 9%.

7.1.4 FINANCIAL SERVICES & RETAIL

Sporadic, inconstant data and a lack of perceived drivers for the **Financial Services and Retail** sector, which represents the lowest share of revenues of the company, led our analysis to be conducted mostly on a historical basis for all captions but one: Savings & Insurance (S&I), accounting for over 40% of the sector at any given time. This segment congregates both commissions earned through the sale of saving certificates subscriptions as well as earnings related to CTT's insurance sale partnerships. As mentioned in the industry overview, this segment heavily benefited from the mismatch between savings and deposit rates, recording €36.21M in the first semester of 2023 - a year-over-year

Figure 49

$$Revenues_{S\&I} = \beta_0 + \beta_1 * (cert - dep)Rate$$

$$\Leftrightarrow$$

$$Revenues_{S\&I} = 7{,}087 + 1070{,}3 * (cert - dep)Rate$$

$$(n = 10;\ R^2 = 0{,}92)$$

Figure 50

$$Deposits_Rate = \beta_0 + \beta_1 * \%euribor$$

$$\Leftrightarrow$$

$$Deposits_Rate = 0{,}313 + 49{,}438 * \%euribor$$

$$(n = 103;\ R^2 = 0{,}83)$$

Figure 51 – Revenues from Savings & Insurance – Historical & Projected (in millions of €)

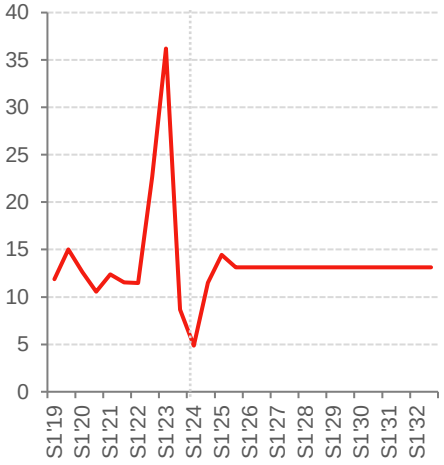
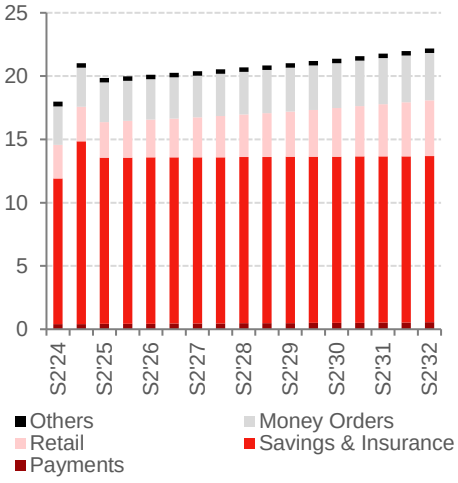


Figure 52 – Forecast of the Financial Services & Retail segment by category (in millions of €)



increase of over 200%. However, this growth proved short-lived as, in July 2023, following Government intervention, S&I revenues plummeted by 71%.

Insufficient information regarding values or growth prospects for the insurance part, as well as the S&I's high correlation with savings certificates growth led us to sustain our forecasting on the latter, disregarding the former despite the firm's stated plans to expand this component.

The modelling of S&I would first require the determination of an appropriate related variable, with the most accurate predictor found to be the "difference between the rate offered by new savings certificates and the one offered for new deposits, on average" (Figure 49). New deposit rates were forecast through a regression, using 3-month Euribor as an explanatory variable (Figure 50).[2]

The formula used to calculate the rate for new savings certificates is expected to remain the same as for the most recent issuance (Series F), consisting of 3-month EURIBOR, capped at a maximum of 2.5%. The effects of increased competition in the sale of subscriptions aren't considered. This will result in S&I reaching 13.1M€ by the end of 2025, keeping this value constant throughout the remaining years of the valuation, resulting from the constant 3-month EURIBOR assumed for the future (Figure 51)

Regarding the remaining captions in the segment, future values for Payments result from the product between the "number of Payshop transactions" (assumed to grow at a historical rate of 3.9% annually) and the 5-year average of the "ratio between payments and transactions", equal to 0.1%. Similarly, Retail is divided into its apparent components, "number of retail points" and "revenue per retail point", both assumed to grow at their 5-year average equal to 0.6% and 0.5%. Money orders are assumed to grow at their historical rate of 2.6% annually, reaching 3.74M€ by the end of the valuation. The Other caption is assumed to remain at its past average value.

7.1.5 OVERALL ANALYSIS

Based on our assumptions and future projections, the Express & Parcel segment is expected to reach €308.2 million by the end of 2032, becoming the largest revenue contributor, accounting for 51.6% of Grupo CTT's total revenues. In contrast, the Mail & Postal segment is anticipated to decline to €206.3 million, representing 32% of total revenues. Financial Services & Retail are projected to grow modestly to €21.6 million, contributing 3.4% of total revenue. Meanwhile,

[2] This variable is distinct from "*RateDeposits*" computed for the determination of the Bank's results as it doesn't reflect Banco CTT's specific rate but an average national value.

Banco CTT's share is expected to remain stable at around 13%, with total revenues reaching €82.8 million.

8 COST FORECAST

For each segment of business, CTT recognizes five distinct kinds of costs: "**Staff Costs**" encompass all expenses related to its workforce - salaries and social security charges, benefits, insurances and indemnities; "**External Supplies and Services**" include the relevant costs of conducting operations – fuel, transportation, rents, materials, outsourced services, costs with peer postal operators, among others; "**Other Costs**" covers the remaining operative expenses; "**Impairment and provisions**"; and "**Internal Services rendered**". These were all modelled separately in each segment according to respective idiosyncrasies.

8.1.1 STAFF COSTS

Staff costs were modelled considering two components: **Cost per employee** and **number of employees**. For all segments, cost per employee was assumed to increase annually at the rate of inflation, reflecting salary adjustments. (Figures 53&54)

Despite Staff Costs representing a sizable share of Mail's costs (on average over 75%, more than in any other sector) and the segment's decreasing revenues, the company has recently discarded the idea of layoffs in this department and, thus, the workforce assigned to Mail & Other was assumed to remain untouched. Nevertheless, a small semestral reduction of 0.6% was considered, accounting for the retirement of senior staff. This value was based on the firm's age distribution, approximating that, at any point, 2.5% of the staff would be older than 66. Out of these, a fourth was assumed to retire every semester.

For Parcels & Express the number of employees has been growing at a 5-year CAGR of 10.3% (5.1% per semester) reflecting growing staff needs in a booming segment. We expect this growth to slow down in coming years, as the market reaches a more mature phase, and other less manpower-intensive methods of sorting and delivery are developed. The historical new-hire CAGR will thus be reduced linearly until 2029, when it will reach a value just below its half, at 4.7% (2.3% per semester).

Given the Financial Services & Retail segment's marginal number of staff, a full analysis was deemed unnecessary, with its staff force assumed to remain at 36 employees.

Figure 53 – Number of Staff from all segments - Historical & Projected (in millions of €)

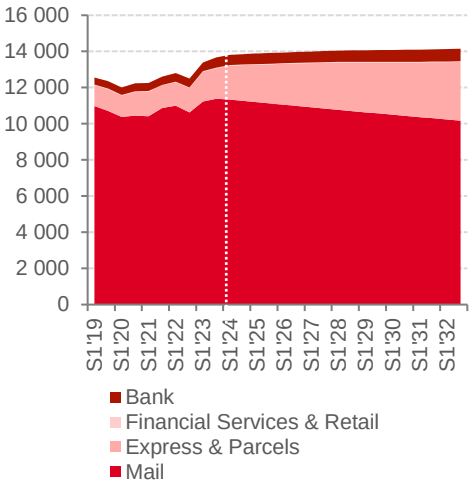
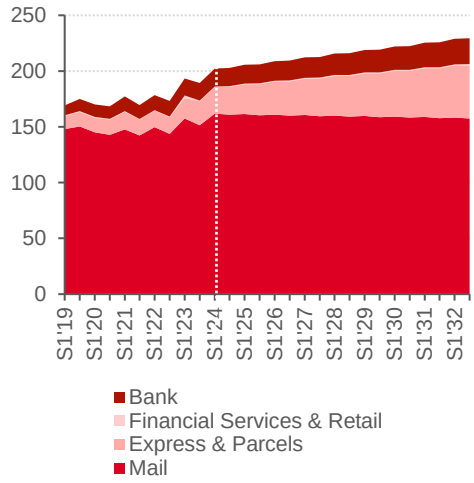


Figure 54 – Staff Costs of all segments – Historical & Projected (in millions of €)

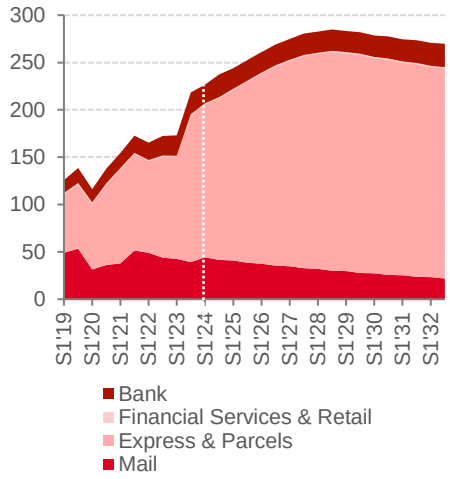


In the Bank, despite past growth at a 5-year CAGR of 7.6%, the bank's maturing as well as expected trends of service digitalization ensure the reduction of staff needs in coming years. Growth was thus assumed to be capped at 1.3%, the staff hire rate at S1 2024, for the remaining valuation.

8.1.2 EXTERNAL SUPPLIES & SERVICES

Regarding **External Supplies and Services (ES&S)**, estimation methods relied on the caption's weight on revenues for all segments except Mail, where letter volume was deemed a more pertinent indicator of costs (Figure 55).

Figure 55 – External Supplies and Services in all segments – Historical & Projected (in millions of €)



The share of ES&S in the volume of the Mail segment has been evidentially increasing since 2019, from an initial value of 15.3% to 22% by S1 2024, denoting a bloated and increasingly inefficient operation. Our forecast assumed the firm would be capable of stabilizing this increase at its S1 2024 value of 22%, in effect reallocating resources to properly accompany the expected descaling of operations.

The Express & Parcel segment has seen its ES&S become relatively less significant as its operation becomes more efficient. These costs, however, still make up the bulk of the operating expenses for the sector, having moved from 84.7% of revenues in 2019 to 76.7% by S1 2024. As operations continue scaling up, further enhancements to efficiency are expected, through a better planning of routes, electrification of the fleet and automated sorting of postal items, with the forecast assuming a linear decrease in the variable aligned with past growth rates, culminating in an ES&S per Revenue of 72% by the end of the valuation in 2032.

The weight ES&S represent on the revenues of Financial Services & Retail steadily decreased, from an initial 9% to values below 2.6% in S2 2022 and S1 2023, before suddenly jumping to 8.1% by the end of 2023, on account of the decreasing Saving Certificate Subscriptions. In the face of an unclear future trajectory, the reference variable was set at its average between S1 2019 and S1 2022 (6.4%), purposefully excluding the outlier periods between S2 2023 and S1 2024 where revenues were first inflated then heavily curtailed by macroeconomic variables.

Regarding the Bank, its ES&S weight on revenues plummeted until S2 2021, moving from 87.7% in S1 2019 to 37.4%, and has slowly decreased since, reaching 33.9% by S1 2024. This slow decline trend is expected to continue, especially as the bank moves to reduce in-store expenses through growing digitalization pressures, culminating in ES&S per revenue value of 30% by 2029, remaining until the end of the valuation.

Figure 56 – Other Costs in all segments - Historical & Projected (in millions of €)

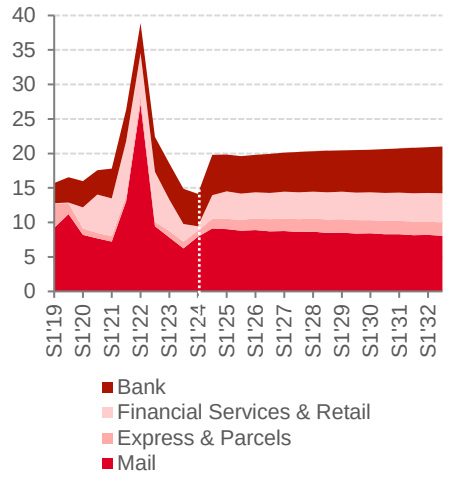


Figure 57 – Impairment and Provisions in all segments – Historical & Projected (in millions of €)

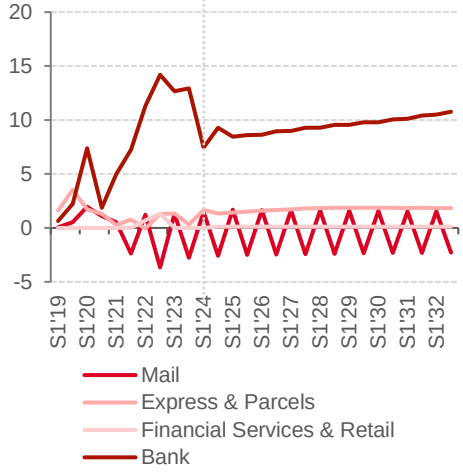
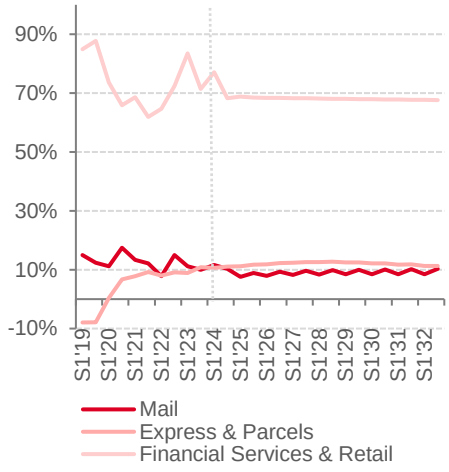


Figure 58 – EBITDA Margin – Historical & Projected



8.1.3 OTHER COSTS

Similarly, the percentage of **Other Costs** on revenues was used to predict this caption. Future paths were mostly based on the variable's historical average due to the lack of pertinent indicators.

In the Mail segment, the 5-year average of Other Costs as a percentage of revenues (3.9%), excluding an outlier value at S1 2022, was used. Similarly, the 4-year average (0.6%) was applied to Express & Parcels, reflecting stable trends since 2020. For Financial Services & Retail, unpredictable fluctuations led to assuming its 4-year average (19.5%). A clear decline in the Bank's Other Costs ratio justified using the most recent value of 8.2%.

8.1.4 IMPAIRMENTS & PROVISIONS

Finally, **Impairments and Provisions** were too estimated as a percentage of revenues (Figure 57). Stable 4-year margins for the variable were used for both E&P and FS&R (both at 0.6%). The Bank used the previous semester's weight (13.0%) to account for a declining trend. For Mail, observed seasonal fluctuations two distinct averages to be applied, based on historical data, depending on the semester being forecast (0.7% for S1 and 1.1% for S2)

8.1.5 INTERNAL SERVICES RENDERED

Internal services rendered were not forecast due to their irrelevance for valuation considerations given the caption's nullity when fully added between segments.

8.2 EBITDA MARGIN

The behaviour of EBITDA margins varies across CTT's business segments (Figure 58). In the mailing segment, declining industry revenue, overstaffing, and operational inefficiencies result in the lowest margins. Starting at 12.8% in 2024, the margin is expected to decline to 8% by the end of the valuation period, reflecting the segment's inefficiencies, including failing to meet standard letter delivery times.

In the parcel segment, EBITDA margins show modest growth, reaching 14% by 2028, driven by revenue growth despite the high costs observed in the segment. However, as market saturation slows revenue increases, margins are projected to decline slightly to 12% by 2032.

Financial services and retail maintain the highest EBITDA margins due to lower staff and operational costs. These margins are expected to remain stable throughout the forecast period, benefiting from the segment's cost-efficient structure.

Figure 59 – Evolution of Working Capital Components – Historical and Forecasted (in million €)

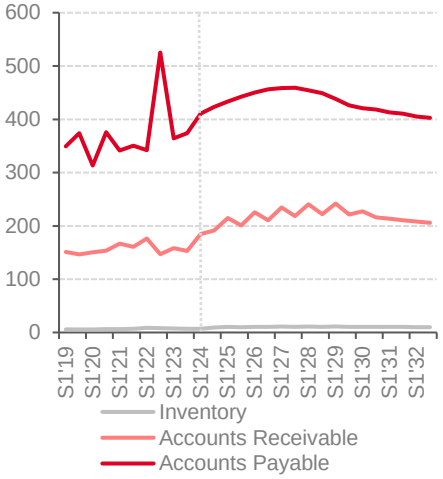
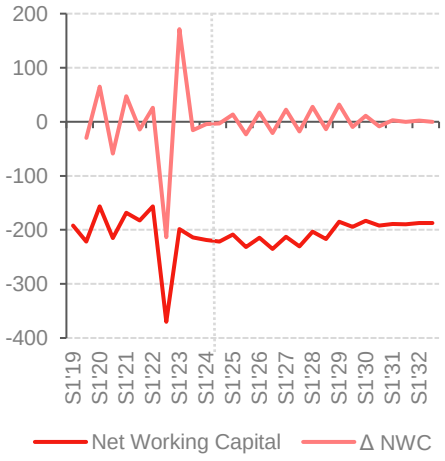


Figure 60 – Net Working Capital – Historical & Projected



Overall, for the ex-bank segment, the total EBITDA margin is expected to begin at 15.31% in 2024, decreasing slightly until 2026, reaching the lowest value of 12.3% due to the decline in the mailing segment. From this point onwards, the margin starts to increase due to a better performing Express and Parcel segment, achieving a maximum value of 13,66% in the second semester of 2028. From here until 2032, EBITDA Margin remains fairly constant.

8.3 WORKING CAPITAL

Net Working Capital for Grupo CTT (excluding the bank) was calculated by considering only the current assets and liabilities directly affecting the company's operations. These components include Accounts Receivable, Inventories, and Accounts Payable, with most forecasts based on historical data. These components were aligned with the company's cash conversion cycle from 2021 onward, reflecting the operational and growth changes across segments due to the pandemic. (Figure 59&60)

Given the limited impact of Cost of Sales in this industry, Inventories were projected to remain at their historical rate of 3.3%, reaching €10.1 million by the end of 2032.

Accounts Receivable were calculated using Days Sales Outstanding (DSO), with the historical DSO applied through 2029. From 2029 onward, it is assumed that the company will improve its operations, reducing DSO to 70 days by 2032. This results in an 11.2% increase in Accounts Receivable, reaching €205.6 million by the end of 2032.

Accounts Payable were computed using Days Payable Outstanding (DPO), with the historical DPO applied through 2029. From 2029 onward, it is assumed that the company will reduce DPO through operational improvements, reaching 300 days by 2032. This leads to Accounts Payable reaching €402.9 million by the end of 2032. Seasonal Indexes were added to these last two NWC components to reflect the observed metric's seasonality.

8.4 CAPEX

CAPEX forecast took into consideration the evolution of three components deemed relevant for value creation in the different segments: Tangible Assets, Investment Properties and Intangible Assets (Figure 61). CAPEX values were only calculated for the ex-bank segment, as Banco CTT's FCFE valuation doesn't include capital expenditures in its considerations.

Regarding Tangible Assets, accounting for 85% of the total asset of Grupo CTT ex-bank, the company is best characterized as a logistics and delivery conglomerate that, due to its geographical distribution, further operates as a

Figure 61 – Evolution of CAPEX components (in millions of €)

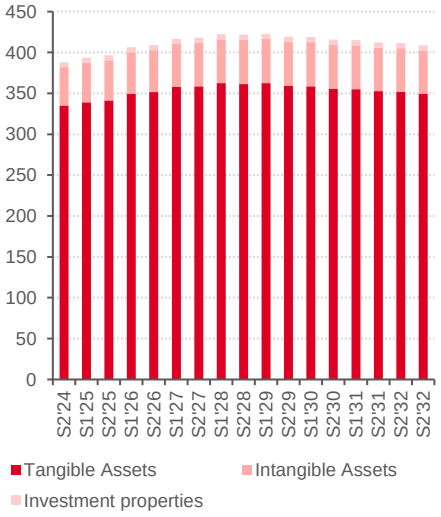


Figure 62 – Capex Forecast (in millions of €)

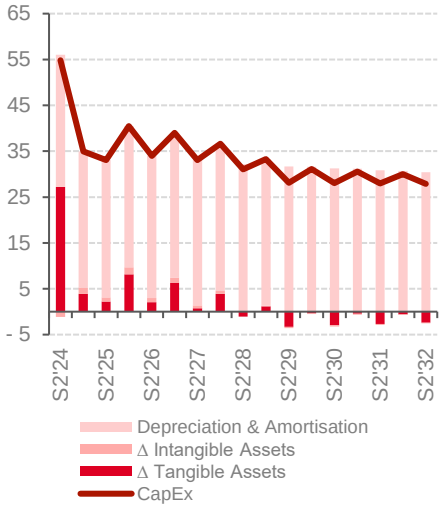
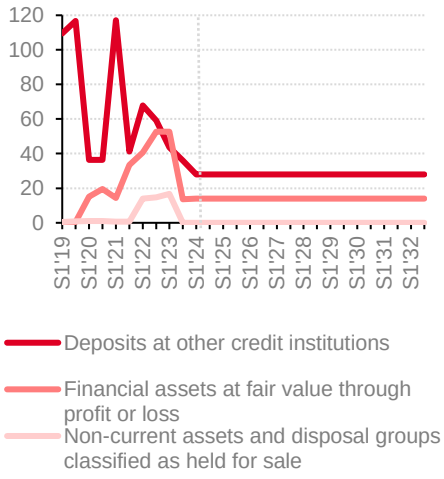


Figure 63 – Evolution of Asset items in the Bank I – Historical & Projected (in millions of €)



bank and financial service provider. This description accurately encapsulates a fixed asset distribution heavily weighted towards the logistical side of the business, its legacy operation, in line with its obligations as a USP under regulatory frameworks. Adding to the already high physical capital requirements associated with the distribution industry, the "social nature" of its mail delivery service requires CTT to maintain a spread-out network of offices, agencies, warehouses and sorting facilities throughout Portugal, while operating a fleet of vans and motorcycles to conduct distribution. This is reflected in both the Mail and Express & Parcel segments in which, historically, assets represent a large chunk of revenues, accounting for 97.8% and 47.6% respectively on average. In contrast, the Financial Services & Retail segments, which operates within CTT's existing offices, requires minimal additional physical capital due to the nature of its operations, scoring an average asset per revenue value of 0.2%. PP&E forecast thus used these historical trends regarding "asset per revenue" as a baseline, assuming – given their relatively constant value over time - they would remain the same as their mentioned averages in the future for each individual segment in Grupo CTT ex-bank. As a result of this calculation, it is assumed shrinking revenues will result in a divestment in the Mail segment in 8.2% while the booming Express & Parcel will be supported by an increased asset base around 76.6% – following the expansion strategy pursued by the company, especially in the Spanish market. Despite this, assets related to the Mail segment will still retain the majority, accounting for 55.9% (200.1M€) of tangibles by the end of the valuation, placing E&P in second place with 43.8% (157.1M€) and Non-Allocated Assets and FS&R on third with 0.3% (1.1M€).

Intangible Assets were forecast similarly, using instead "asset per revenue" of Grupo CTT ex-bank as a starting point. Since no extraordinary movement was observed, the five-year average of 9.9% for this caption was used as a reference for the totally of the valuation, resulting in an increasing intangible asset base, reaching a value of 53.0M€ by 2032.

Investment Properties represents the group's share in the Real Estate market, with these unallocated properties only used to earn rentals or for capital appreciation. Insufficient information regarding its current gains or expected evolution, as well as a low variation during the historical period and the variable's relative irrelevancy when it comes to value creation for the business segments, led us to consider this value to remain constant at 6.2M€, not affecting capital expenditures.

The evolution of assets described results in a declining CAPEX over the valuation, moving from an initial 54M€ to 27M€ by the end of the valuation, as a result of a slowdown in revenue generation (Figure 62).

Figure 64 – Evolution of Asset items in the Bank II – Historical & Projected (in millions of €)

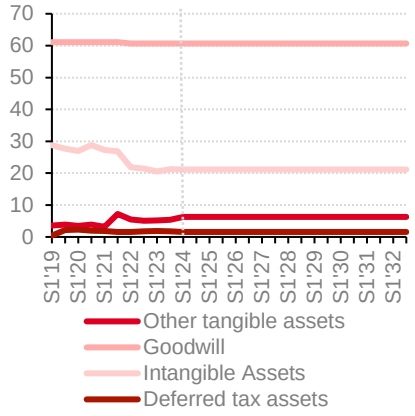


Figure 65 – Evolution of Liquid Assets in the Bank as % of Deposits – Historical & Projected

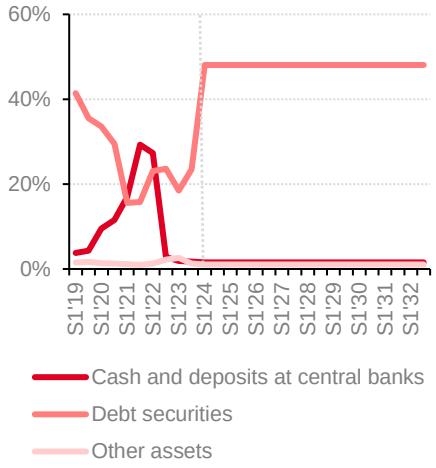
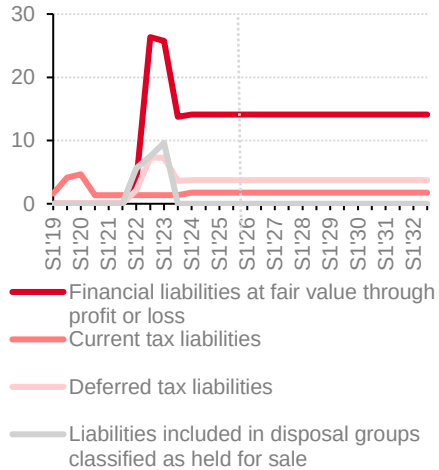


Figure 66 - Evolution of Liability items in the Bank – Historical & Projected (in millions of €)



8.5 BANCO CTT BALANCE SHEET

When forecasting the bank's balance sheet, in addition to the loans and deposits discussed earlier in the net interest income forecast, it is essential to consider the other critical elements of this financial statement.

Asset items such as, deposits at other credit institutions, financial assets at fair value through profit or loss, non-current assets and disposal groups classified as held for sale, other tangible assets, goodwill, intangible assets, and deferred tax assets, are projected for the forecasted period using the reported values from the first half of 2024. As seen in the graph (Figure 63&64), although there were some peaks, particularly in 2022 and the first half of 2023, a period marked by rising interest rates, these balance sheet elements have remained relatively stable throughout the analysed period. Furthermore, the ease of economic factors, such as interest rates and inflation, combined with the company's forward-looking strategy, suggests a return to more consistent and steady conditions. Building on this reasoning, cash and deposits at central banks, as well as other assets, are expected to grow at fixed rates of 1.6% and 1.1% of deposits, respectively, based on the percentages reported in the last period (Figure 65). This ensures the bank continues to comply with the cash and deposits at central banks minimum regulatory requirement of 1% of deposits. Lastly, investments at credit institutions are expected to remain unchanged throughout the forecasted period, whereas debt securities are projected to grow as 48.1% of deposits, consistent with the last reported period. This asset composition contributes to the liquidity of the bank and positively impacts risk-weighted assets ensuring a reduced credit risk, as debt securities carry a 0% risk weight, while investments in credit institutions are assigned a 1% risk weight.

On the liabilities side, similar to the assets, items such as financial liabilities at fair value through profit and loss, current tax liabilities, deferred tax liabilities, and liabilities included in disposal groups classified as held for sale are projected based on the last reported values (Figure 66). Debt securities issued and provisions are forecasted at 7% and 0.04% of financial assets, respectively. The issuance of debt securities was higher in 2022 and the first half of 2023 to help fund Banco CTT's growth during a period of heightened demand. Moving forward, no sudden funding requirements are expected, therefore, this item is expected to grow in line with bank's growth. Meanwhile, other liabilities are projected as a percentage of FSE costs, reflecting their relevance to this metric.

Finally, to balance the model and proceed to the next steps, cumulative changes in cash were added to the balance sheet. When positive, they are included under cash and deposits at central banks within total assets. When negative, they are

classified as debt securities issued, reflecting the excess cash held by the bank or the necessity to secure additional funding when the internal resources fall short, respectively.

8.6 COST OF CAPITAL

The Sum-of-Parts valuation approach necessitated the calculation of two distinct discount rates, tailored to the methods applied to each group. For Grupo CTT ex-bank, the Discounted Cash Flow (DCF) method utilized the Weighted Average Cost of Capital (WACC). The methodology used for its computation was based on ANACOM's report regarding Grupo CTT's Cost of Capital. For Banco CTT, the Cost of Equity was better suited for its Free Cash Flow to Equity (FCFE) approach.

The risk-free rate was assumed to be the German 10-year Bonds with a Yield of 2.34%. For calculations regarding beta deleveraging, the current Portuguese tax rate of 21% was used. However, given the recent approval of the new 20% tax rate, this rate will be used for forward-looking calculations, including the final WACC computations.

In conjuncture with the CAPM pricing model, separate cost of equity ratios were reached for Grupo CTT ex-bank and Banco CTT. The Market Risk Premium was computed using Portugal's Equity Risk premium from Damodaran of 6.35%, which is equal to the German's Equity Risk Premium (4.60%) plus the Portuguese country risk premium (1.75%).

8.6.1 GRUPO CTT EX-BANK WACC

As mentioned, the methodology used for the calculation of the WACC for the ex-bank segment will follow the approach established by the postal market regulator, ANACOM. The regulator annually computes the cost of capital applicable to CTT as part of its oversight of Universal Service provision costs. ANACOM's methodology aims to ensure fair competition, incentivize investment, and protect consumers from excessive pricing, while also ensuring adequate returns on regulated investments. It is our understanding that the methodology's broad focus regarding the company's finances and competitors grants it a comprehensive and holistic view of CTT's operations. Therefore, it serves as the most appropriate basis for our calculations, particularly because it was developed for official regulatory assessments.

Table 4 – Cost of Debt Determination

Risk free Rate	**2.34%**
Market Risk Premium	**6.35%**
Credit Rating	**BBB**
Portuguese Spread	0.75%
CTT Spread	1.47%
Yield-to-Maturity	4.56%
Probability of Default	**2.90%**
Loss Given Default	**55.10%**
Cost of Debt	**4.40%**

Table 5 – Beta Determination for the ex-bank segment using comparable firms

Mail, Express & Parcel	D/E	Adjusted Beta
Bpost	45.65%	0.638
Int. Dist. Service	49.13%	0.661
Post NL	94.64%	0.964
Austrian Post	13.92%	0.426
Malta Post	19.57%	0.464
CTT	30.26%	0.535
Average		**0.711**

Table 6 – WACC Determination for the ex-bank segment

Tax rate	20.00%
Cost of Equity	8.08%
Cost of Debt	4.40%
Target D/EV	27.45%
Implicit D/E	37.85%
WACC	**6.83%**

The gearing ratio used entails the division between debt and leverage plus equity, all at book value[3]:

$$Gearing\ Ratio\ (G) = \frac{Debt}{Liabilities + Equity}$$

From this calculation, the implied Debt-to-Equity ratio used for Beta deleveraging is determined as such:

$$\frac{D}{E} = \frac{G}{1-G}$$

In accordance with the defined methodology, an average of some comparable firms, namely Bpost, International Distribution Services, Post NL, Austrian Post, MaltaPost and CTT was used to get an estimation for the future gearing ratio of CTT. This ratio was equal to 27.5%, resulting in a future D/E of 37.8% for Grupo CTT ex-bank.

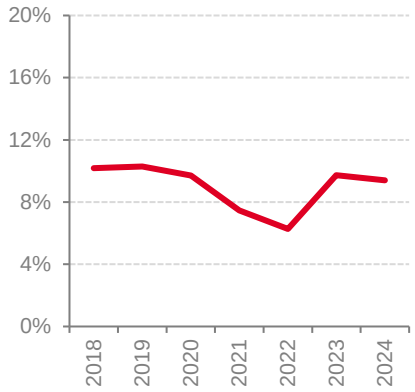
To derive the cost of debt of CTT, a default rate of 0.75%[4], consistent with Portugal's A3 credit rating according to Moody's, was added to the risk-free rate. A further spread of 1.5% based on Damodaran's synthetic Interest Coverage Ratio (ICR) was then added to this value, to account for the company's credit risks. The ICR was used due to the lack of information regarding CTT's public traded bonds. This results in a final Yield-To-Maturity of 4.6% for Grupo CTT ex-bank. From this, a probability of default of 2.90% and Loss Given Default of 55.10%, both taken from S&P Global Rating Credit: Research and Insights, were incorporated into the calculations, adjusting the previous yield to the company's credit risk. This results in a cost of debt equal to 4.4% for Grupo CTT ex-bank (Table 4).

To determine the unlevered betas for Grupo CTT ex-bank, a benchmark analysis using the same industry peers was conducted. This resulted in an unlevered beta of 0.71 (Table 5). Levered betas were then calculated using the target Debt-to-Equity ratio, yielding a levered beta of 0.9. By applying the CAPM formula, a cost of equity of 8.1% was derived for these segments. This set of assumptions

[3] To remove the distortion brought upon by bank assets, the mentioned ANACOM report opts for the removal of deposits from the total Grupo CTT's liabilities when conducting this calculation. Since our analysis already includes a proper division between the Balance Sheets of both the Bank (Banco CTT) and the remaining segments (Grupo CTT ex-bank) such an adjustment is already implied.

[4] To obtain this value the Moody's rating for Portugal was used (A3) to estimate the default spread over a default-free government bond rate.

Figure 67 – Evolution of CTT's WACC according to ANACOM



led to a WACC of 6.8% for Grupo CTT ex-bank (Table 6). When comparing CTT's cost of capital to the historical figures reported by ANACOM, slight discrepancies are noted, which can be attributed to differences in the gearing ratios used. Additionally, the WACC reported by ANACOM has shown instability over the years, primarily due to fluctuations in its capital structure and corresponding changes in the gearing ratio (Figure 67).

8.6.2 BANCO CTT'S COST OF EQUITY

To calculate Banco CTT's cost of equity, a benchmark analysis of the betas of its peers was conducted to determine an appropriate unlevered beta. The selected peers for the banking segment were Banco de Sabadell SA, Banco Comercial Português SA, Metro Bank Holdings PLC, Bankinter SA, and Banca Monte dei Paschi di Siena SpA, chosen for their similar operations to Banco CTT (Table 7). Due to the nature of banks, distinguishing debt-related items in their balance sheets can be challenging. However, assuming that all banks have a similar debt structure, regulated under the ECB, the average leveraged beta of the industry was used as the leveraged beta for Banco CTT. This analysis resulted in an average leveraged beta of 1.2 for Banco CTT, leading to a cost of equity of 9.9%.

Table 7 – Beta Determination for the Bank segment using comparable firms

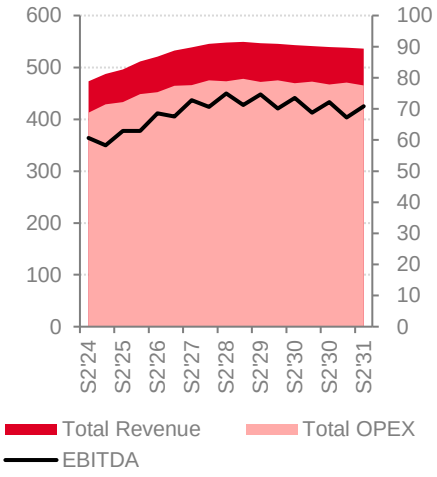
Bank	Adjusted Beta
Banco de Sabadell SA	1.013
Banco Comercial Portugues SA	1.393
Metro Bank Holdings PLC	1.820
Bankinter SA	0.867
Banca Monte dei Paschi di Siena SpA	1.060
CTT	**1.000**
Average	**1.192**
Cost of Equity	**9.9%**

9 COMPANY VALUATION

9.1 GRUPO CTT EX-BANK VALUATION: DCF APPROACH

Our forecast for the firm excluding the bank culminates in its valuation through the Discounted Cash Flow method, deemed to be the most appropriate for the determination of a conventional business' value.

Figure 68 – Ex-Bank's Revenues & Costs (right axis, in millions of €) and EBITDA margin (left axis, in millions of €)



The combined EBITDA of Grupo CTT ex-bank grows from 60.6M€ until its peak in S2 2028 at 74.9M€, followed by a slight reduction caused by the deacceleration of its revenues, ending in a value of 70.8M€ (Figure 68). Seasonal oscillations related to semestral variations in impairments are notorious, remaining present once depreciation is deducted, as EBIT follows a similar path as EBITDA.

The joint NOPAT would be reached following the deduction of Corporate Taxes. As a firm with its headquarters in Portugal, Grupo CTT is subject to the Portuguese Tax Code which stipulates a normal **Corporate Income Tax** (IRC) of **21%**. Given Parliament recent approval of a lower tax, the approved value of 20% will be used for the upcoming years, starting in 2025. The firm is further subject to a **Municipal Surtax** (*Derrama Municipal*) of up to **1.5%** of taxable profit as well as a progressive **State Surtax** (*Derrama Estadual*) levied at **3%** for taxable profits between 1.5M€ and 7.5M€, **5%** between 7.5M€ and 35M€, and **9%** above 35M€. To facilitate calculations regarding the division of total taxable

Figure 69 – Free Cash Flow Forecast (in millions of €)

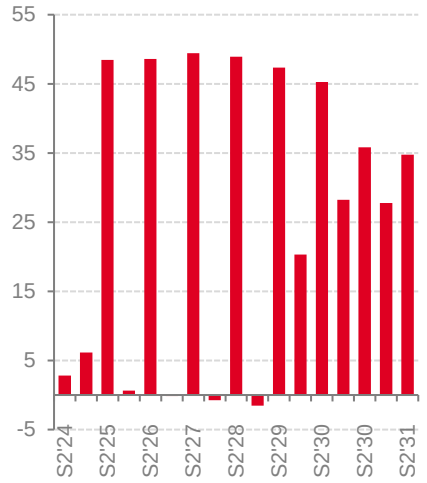


Figure 70 – FCF Components (in millions of €)

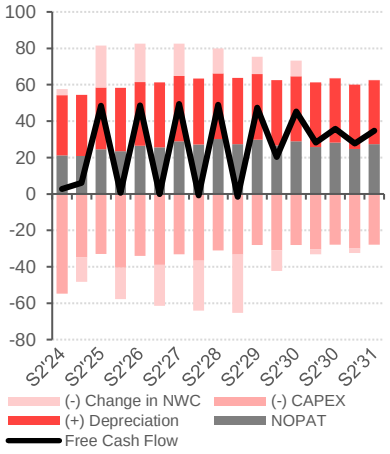
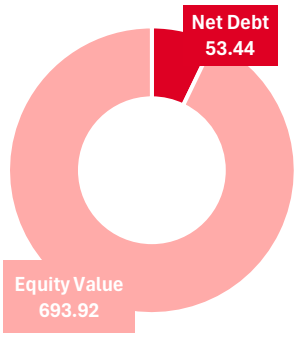
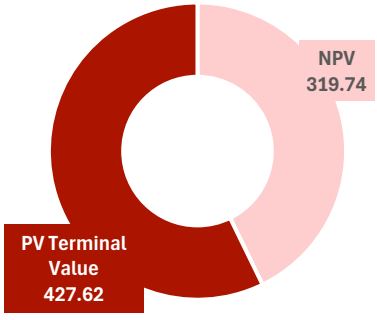


Figure 71 – Enterprise Value Pie Charts for the Ex-Bank segment (in millions of €)





profit resulting from the separate valuations, the State Surtax for the whole Group was included in this segment. Since 2020, the group has also benefited from the SIFIDE tax credit, an incentive program aimed at boosting Research and Development expenses through deductions that allow firms to recover somewhere between 32.5% and up to 82.5% of their investment in R&D. The deferred nature of these tax exemptions as well as the unclear portion of funds allocated to R&D in CTT's accounts, led us to use CAPEX as an appropriate proxy for investment. The average of these tax credits as a percentage of previous year's CAPEX for the period between 2020 and 2024 (3.54%) were used to forecast future breaks. SIFIDE gains related to the bank were assumed to be included in this calculation. Profits made by the Spanish and Mozambican subsidiaries were assumed to too be taxed under Portuguese tax stipulations.

The valuation culminates in the determination of Free Cash Flows, derived by adjusting NOPAT for non-cash items, changes in NWC, and capital expenditures (Figure 70). While the opposite movements of added Depreciation and deducted CAPEX tend to offset each other, the significant seasonal component associated with NWC ensures oscillating changes in the variable, resulting in an unstable cash flow pattern, averaging 10.1M€ on the first semester of a year and 40.1M€ in the latter semester (Figure 69).

The final enterprise value for Grupo CTT ex-bank is obtained by summing the Present Value of Free Cash Flows and the associated Terminal Value Perpetuity. A well-estimated terminal value is essential, as it often represents a significant portion of a company's overall value. Assuming the company will continue to grow faster than the economy in the long run is unrealistic. As companies mature, their growth generally aligns with the economy's real growth rate. Therefore, considering the European Commission's latest macroeconomic forecast for Portugal, the 2026 real GDP growth rate forecast of 2.1% was adopted as the terminal growth rate, as it is the most reliable long-term estimate available and a solid indicator for future years. This ensures that the valuation is based on reasonable assumptions, preventing an overestimation of future cash flows and an inflated terminal value. This results in a total enterprise value of 747.3M€. To compute the final Equity Value for segment, Net Debt must be deducted. This value was computed by subtracting Cash and Cash Equivalents (160.5M€) from Short-Term and Long-Term Debt (46.9M€ + 167.0M€), resulting in a Net Debt of 53.4M€ at the beginning of the valuation in S1 2024. A final Equity Value for Grupo CTT ex-bank of 693.9M€ is thus achieved (Figure 71).

9.2 BANCO CTT VALUATION: FCFE METHOD

Banco CTT operates in a highly specific and complex industry, the banking sector. Therefore, the most effective approach to value CTT is to separate this segment from the company's other three divisions and evaluate it independently. Proceeding to bank's valuation, the valuation method performed was the Free Cash Flow to Equity (FCFE), as it is among the most accurate methods for valuing the banking industry. An alternative approach could have been the Dividend Discount Model (DDM), however, this method was deemed unsuitable due to the absence of a consistent dividend policy at Banco CTT. Moreover, due to the unclear definition of items like capital expenditure, working capital, and debt in a financial service firm, the calculation of the cash flows through the Discounted Cash Flow (DCF) method is not suitable.

Additionally, given the significant impact of the required capital ratio on bank operations and valuation, our valuation exercise focuses on forecasting the two key metrics that represent this ratio, the total own funds and the risk-weighted assets.

Regarding the Common Equity Tier 1 (CET1), assuming a constant share capital and a goodwill throughout the forecasted period, its main driver is the net income from the previous year. According to the Commercial Companies Code, 90% of this income is allocated to retained earnings, while the remaining 10% is directed to legal reserves. Thus, over the forecasted period, CET1 is expected to increase align with the rise in Banco CTT's net income. Furthermore, the total own funds consist solely of Tier 1 capital, which is represented by CET1.

Concerning the RWAs, these were projected in alignment with EU regulation and based only on the risk weights reported in the last fiscal year by the company. This approach accounts for a significant change in Banco CTT's RWAs in 2023, which decreased by 19.6%, mainly due to the termination of the Universo, IME, S.A. partnership and the subsequent sale of credit card exposure, as referred previously in the bank's financial analysis. Therefore, given the absence of indications of substantial changes in asset composition for the future, credit risk weights are assumed to remain constant throughout the forecasted period (Table 8). Loans and advances to customers represent the largest portion of RWAs, carrying a weighted credit risk of 41%, and characterized by credit risks from companies, retail customers (motor vehicle credit), loans secured by immovable assets (mortgage credit), and non-performing loans, with risk weights of 70%, 71%, 36%, and 101%, respectively. Moreover, the operational risk is projected to grow as a percentage of credit risk.

Table 8 – Credit Risk Weights for the Bank

Credit Risk Weigths	
I. Cash and deposits at central banks	0%
II. Deposits at other credit institutions	35%
III. Financial assets at amortised cost	
Investments at credit institutions	1%
i. Banco de Portugal (central bank)	0%
ii. Term deposits (other credit institutions)	35%
iii. Loans (other credit institutions)	35%
Loans and advances to customers	41%
Debt securities	0%
i. Public debt securities (Portugal)	0%
ii. Public debt securities (foreign)	0%
iii. Supranational debt securities	0%
IV. Financial assets at fair value through profit or loss	70%
V. Non-current assets and disposal groups classified as held for sale	100%
VI. Other tangible assets	100%
VII. Other assets	83%

Figure 72 - Target Total Capital Ratio Evolution

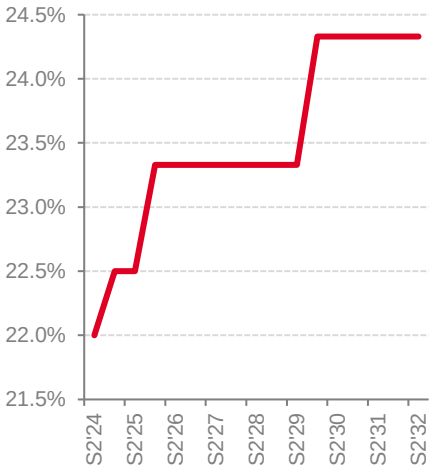


Figure 73 – Annual FCFE Evolution (in millions of €)

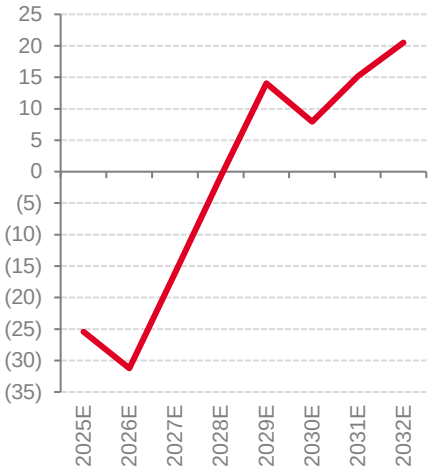
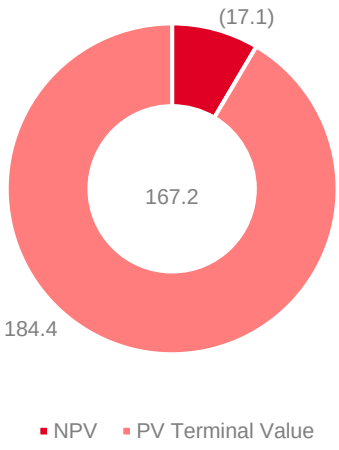


Figure 74 - Banco CTT Valuation Decomposition



Following the calculation of Banco CTT's total own funds and RWAs, the next step was to structure the FCFE model from the second semester of 2024 through the year end of 2032. Firstly, to the total own funds forecasted previously, it was added the net income applicable for each year, resulting in Banco CTT's total capital before accounting for capital shortage or surpluses. Next, to determine the capital required to meet regulatory capital requirement ratios, the target total capital was forecasted based on target total capital ratios. These ratios are set by Banco de Portugal, the national resolution authority, which is considering implementing a resolution measure for the Banco CTT Group. Specifically, Banco CTT must achieve a Minimum Requirement for Own Funds and Eligible Liabilities (MREL) of 23.33% of the Total Risk Exposures Amount (TREA) by 30 June 2026. Given the absence of eligible liabilities in the bank's balance sheet in the period analysed, it is assumed that this condition will persist throughout the forecasted period. Consequently, Banco CTT is expected to fulfil its MREL requirements exclusively through its total own funds.

In response, it is planned that Banco CTT gradually reach this target, beginning with a target total capital ratio of 22.0% at the end of 2024, increasing to 22.5% by the end of 2025, and meeting the 23.33% requirement in the first semester of 2026. Assuming no changes to the MREL by Banco de Portugal during the forecasted period, the target total capital ratio remains steady until 2029. Subsequently, this ratio is expected to rise to 24.33% from this year onwards, continuing until the end of the forecasted period, as free cash flows to equity start to appear healthier and there is the opportunity to improve to a securer bank's buffer of 1%. This final increase enhances Banco CTT's financial stability and business operations flexibility in the event of regulatory changes or potential shifts in the composition of RWAs that consequently could impact Tier 1 capital availability. The stringent capital ratio requirement imposed by the national resolution authority results in a capital shortage for Banco CTT, leading to negative free cash flows to equity during the first four years of the forecasted period.

Finally, by discounting the projected cash flows at an appropriate cost of equity of 9.91% and considering a perpetual growth rate of 2.1%, the resulting equity value is €167.2 million. This valuation is characterized by a negative net present value (NPV) of €(17.2) million and a terminal value with a present value of €184.4 million. Therefore, this values the bank at €1.21 per share, representing 19.4% of Group CTT' valuation.

This outcome highlights the difficulties that Banco CTT faces in distributing value to its shareholders over a shorter time horizon. These stem from the current challenging economic environment and the bank's relatively small market share

in the Portuguese banking sector. However, from a long-term perspective, the potential for value creation becomes evident, Banco CTT's market penetration and the anticipated easing of interest rates could significantly enhance its capacity to generate shareholder value in the future.

Table 9 – Results from the Monte Carlo Simulation

Analysis	
Max	12.36
Min	4.09
Mean	6.15
Std Dev	0.91

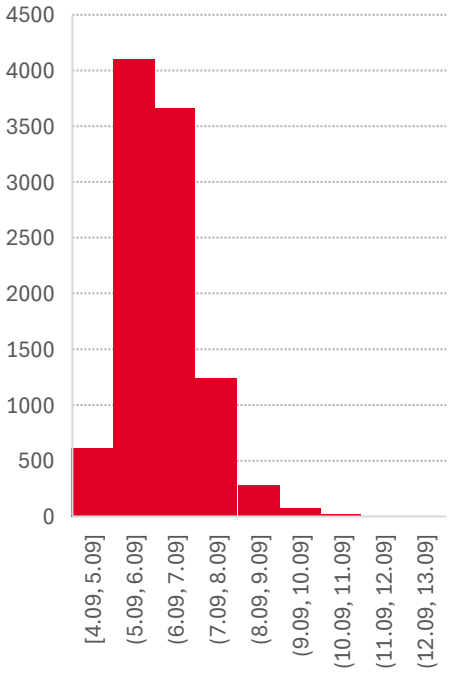
9.3 FINAL VALUATION

After using the two distinct valuation methods to appropriately discount each group, a final summed equity value of 787M€ was reached and subsequently divided by 138.44 million, the number of shares outstanding from the company's most recent financial report. This led to a share price of €6.22 for CTT as a group.

9.4 MONTE CARLO SIMULATION

To further assess the robustness of the valuation model for CTT, a Monte Carlo simulation was conducted, by addressing uncertainties inherent in financial projections, providing insight into the range of possible outcomes by varying key input assumptions. The simulation incorporated uncertainties in critical valuation parameters, including WACC, Banco CTT cost of equity and terminal growth rate. By reflecting these key business areas, the simulation aligns with the strategic priorities underlying the firm's valuation.

Figure 75 - Monte Carlo Simulation results



With 10,000 iterations and a standard deviation of 1% for WACC and bank cost of equity and 0,5% to the terminal growth, the Monte Carlo simulation yielded a sample with a mean share price of 6.14€. The results emphasize the range of potential outcomes, showcasing the model's sensitivity to fluctuations in the input parameters. Additionally, a standard deviation of 2.09€ around the mean share price highlights the inherent volatility in the valuation outcome. It is also important to note the wide range of results is given the bank's valuation is very sensitivity to fluctuations in the discount rate and growth rate, influencing this wide range of results (Figure 75)

In the Monte Carlo simulation computed almost all observations, around 99.4%, result in a higher price than the actual market price nowadays of 4.59 (at the time of writing). This indicates that 99.4% of the observations would result in a Buy or Hold position regarding the actual market price of Grupo CTT's shares.

These findings underscore the robustness of our CTT's valuation model, comprising an upward price compared to the market nowadays while also acknowledging its sensitivity to key uncertainties.

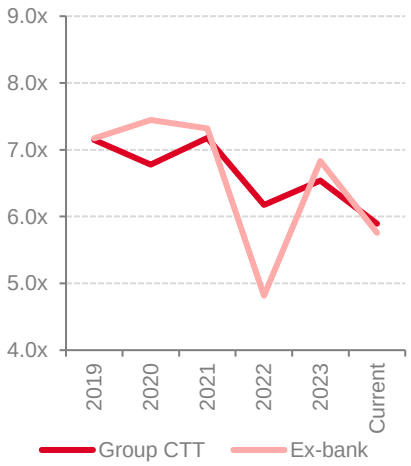
10 RELATIVE MULTIPLE VALUATION: COMPARABLE COMPANIES

The relative valuation model was conducted to benchmark its performance and potential against comparable publicly traded companies. The selection of the

Table 10 - Comparable Companies

Company Name	Ticker	Country
Group Level		
Bpost	BPOST	BE
Poste Italiana	PST	IT
Austrian Post AG	POST	AU
Japan Post	6178	JP
Ex-Bank		
IDS	IDS.L	UK
Deutsche Post AC	DPW.DE	GM
UPS	UPS	US
FedEx	FDX	US
Post NL	PNL.AS	NL
Bank		
Banco de Sabade	SAB	SP
BCP SA	BCP	PT
Credito Emiliano	CE	IT
Metro Bank Holdir	MTRO	UK
Bankinter SA	BKT	SP
Banca di Siena Sp	BMPS	IT
CaixaBank SA	CABK	SP
Santander SA	SAN	SP

Figure 76 - Median Peer Groups EV/EBITDA



peer group was based on criteria that ensured alignment with CTT's geographic operations, business model, and product offerings. Geographically, the focus was on companies operating within Western and Central Europe, regions with market dynamics, regulatory environments, and customer behaviours similar to those in Portugal. Additionally, global peers were included where their operational and market characteristics were particularly relevant.

The comparable companies were divided into three groups corresponding to CTT's key operating segments: Group Without the Bank (Mail, Express & Parcel, and Financial Services and Retail), Bank CTT, and a Group-Level Perspective. For the ex-banking segment, priority was given to logistics and delivery companies aligned with CTT's focus on B2B and B2C markets, encompassing traditional postal services and express parcel solutions influenced by e-commerce growth. In the banking segment, retail-focused institutions targeting individuals and SMEs with products such as deposits, loans, and payment services were selected, emphasizing diverse operations across Western and Central Europe. At the group level, companies with hybrid business models combining postal, logistics, and financial services were chosen to mirror CTT's integrated structure and multi-segment operations. A Sum-of-the-parts approach was employed to achieve multiples that consider both distinct operating segments.

For the valuation of the ex-bank segment, four different multiples were utilized: EV/EBITDA, EV/Revenues, Price-to-Earnings (P/E), and Price-to-Book (P/B). EV/EBITDA and EV/Revenues were chosen for their relevance in assessing operational performance. EV/EBITDA measures core profitability by focusing on earnings before the impact of non-operational costs, while EV/Revenues highlights the efficiency of revenue generation relative to the company's enterprise value. Additionally, P/E and P/B were applied to offer further insights into profitability and the relationship between market value and book value, reflecting a more comprehensive valuation approach.

In contrast, EV/EBITDA and EV/Revenues are not suitable for valuing the bank segment due to the distinct nature of financial institutions. Banks derive their value primarily from interest income and balance sheet management, making operational efficiency metrics such as EBITDA irrelevant. Similarly, revenue-based metrics are distorted by the structure of financial assets and liabilities, which are central to banking operations.

To address these differences, the bank segment was valued exclusively using P/E and P/B multiples. P/E reflects the segment's profitability relative to its earnings, while P/B evaluates its market value against book value, offering

insights into financial stability and asset quality. This tailored use of valuation multiples ensures a consistent and appropriate assessment across both segments.

At the group level, the same four multiples were used to maintain consistency across the valuation process. This approach reflects the group's diversified nature, incorporating the banking segment's specific characteristics while allowing for comparability with the ex-bank segment.

At both the group level and within the ex-bank segment, the EV/EBITDA multiple has shown a clear decreasing trend in recent years. Currently, the ex-bank segment exhibits a multiple of 5.8x, while the group level stands slightly higher at 5.9x. This downward trajectory reflects improved operational efficiency and profitability relative to enterprise value, as well as potential shifts in market valuation dynamics.

The ex-bank segment exhibits a median P/E multiple of 11.10x, while the banking industry reflects a lower multiple of 6.90x, underscoring the distinct valuation dynamics of the two sectors. The higher multiple for the Mail and Express segment may be attributed to its strong growth potential, supported by the expansion of e-commerce and increasing demand for efficient logistics solutions. A segmented analysis further indicates that companies operating in larger markets often command higher valuations, as seen with global leaders like UPS and DHL, which trade at significantly higher multiples compared to the industry average.

The capital structure of CTT presents significant challenges in estimating an accurate P/B multiple. The primary issue arises when attempting to evaluate the company's individual segments separately. Specifically, the ex-bank segment reports a negative book value due to the concentration of book value within the bank segment. This results in the non-bank operations having liabilities that exceed their corresponding assets. As a result, the nature of the company makes the P/B multiple unsuitable for the ex-bank segment, as it does not effectively reflect the intrinsic value of a business where book value is heavily skewed by its banking operations. When the company is analysed as a consolidated entity, the P/B multiple aligns more closely with the actual market price of its shares, implying a share price of €2.77.

This outcome underscores the importance of considering the company's capital structure holistically, as the interdependence and financial dynamics between the bank and ex-bank segments significantly influence the company's overall valuation. Segmenting the operations, therefore, risks omitting critical factors that are only evident in the integrated financial position of the enterprise.

Figure 77 - Forward Looking Multiples

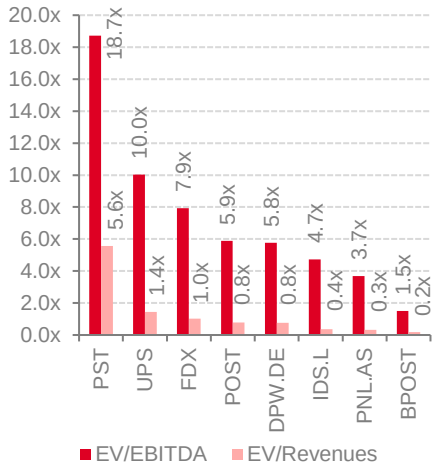


Table 11 - Peers Multiples by segment

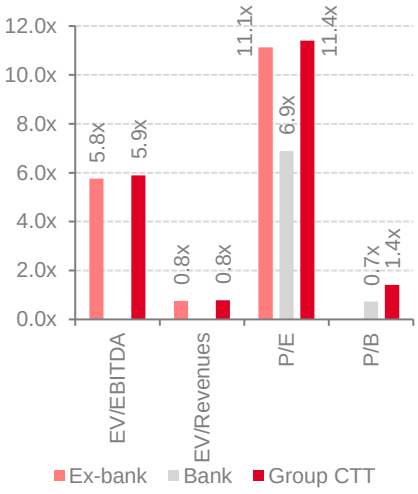
Ticker	Forward P/E	P/B
Group Level		
BPOST	3.8x	0.4x
PST	8.4x	1.5x
POST	14.0x	2.9x
6178	11.4x	0.5x
Ex-Bank		
IDS.L	9.6x	0.9x
DPW.DE	11.1x	1.9x
UPS	8.9x	3.5x
FDX	15.8x	6.8x
PNL.AS	11.9x	2.6x
Bank		
SAB	6.4x	0.7x
BCP	7.0x	1.0x
CE	6.7x	0.9x
MTRO	9.7x	0.4x
BKT	7.6x	1.1x
BMPS	6.2x	0.6x
CABK	7.8x	1.1x
SAN	5.8x	0.8x

In the valuation process, the implied share price was computed using a segment-based approach. For each segment, an average of the median share prices derived from the applied multiples was calculated. This methodology provided a comprehensive perspective on the intrinsic value of both the ex-bank and banking segments. By aggregating the results through a Sum-of-the-Parts (SOTP) framework, the analysis yielded an implied share price of €5.11 for CTT.

At the group level, the valuation integrated the combined impact of all segments, resulting in an implied share price of €5.06. The close alignment between the SOTP valuation and the group-level valuation underscores the robustness and consistency of the multiple-based approach in capturing CTT's intrinsic value.

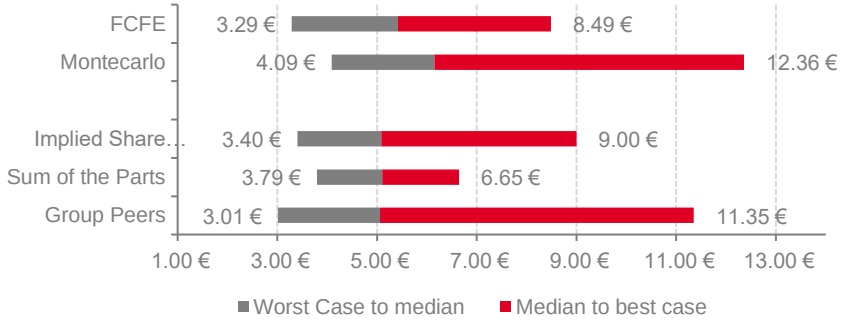
Taking an average of both methodologies, the overall implied share price for CTT is calculated at **€5.09**, representing an upside of **11%** compared to the current share price of €4.59. This suggests that, based on the applied valuation multiples, there is potential for CTT's stock price to rise to better reflect the company's intrinsic value.

Figure 78 - Median Peers Multiples by segment



11 FOOTBALL FIELD CHART

The combination of the different valuation approaches suggests a considerable upside potential compared to the current market price of €4.59. In particular, the target price of €6.22 is supported by the valuation ranges derived from both relative valuation and precedent transaction methods. However, it is essential to acknowledge that market sentiment is subject to various risks, including those related to environmental, social, and governance (ESG) factors, which could significantly influence the company's future performance and valuation.



12 ESG ANALYSIS

Concerning the CTT strategy to comply and contribute to society through environmental, social, and governance dimensions, the company has been improving its ESG score every year since 2019, except for 2021.

Figure 79 - ESG Weights

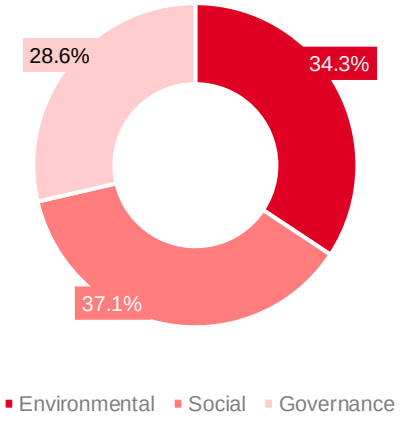


Figure 80 - ESG Score

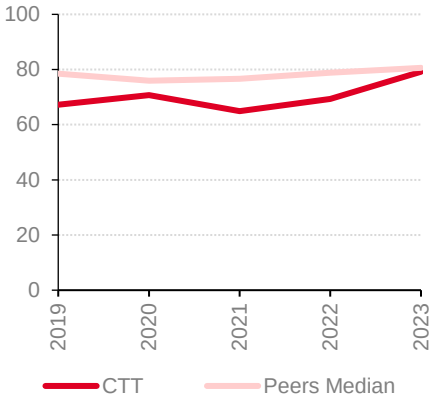


Figure 81 - ESG Combined Score

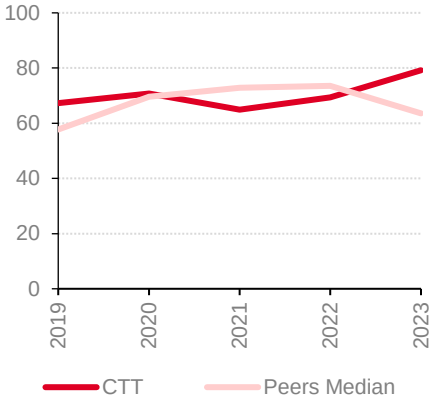
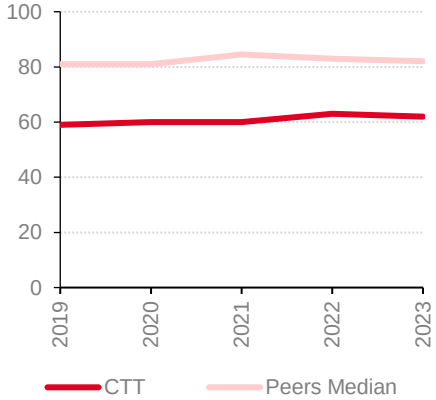


Figure 82 - Environmental Score



This analysis considers the LSEG ESG Score scale from 0/D- (worst score) to 100/A+ (best score). To this score, the environmental, social, and governance pillars weight 34.3%, 37.1%, and 28.6%, respectively.

In 2023, the company reached its all-time highest score of 79.2 (A-). This improvement is characterized mainly by the excellent progress in social and governance pillars, with scores of 92 and 82, respectively. CTT strategic ESG goals are now aligned with 9 of the 17 United Nations Sustainable Development Goals.

Compared to its peer group, CTT almost met the peers' median of 80.6, revealing an improvement from past years comparison. However, if we examine the ESG combined score, which incorporates the controversies score into the equation, the company has outperformed the peers' median, scoring 79.2 against 63.6. This is because CTT has consistently had a score of 100 for ESG controversies, displaying no controversies in recent years. Additionally, when we investigate the Portuguese outlook in the last five years, CTT has always met or exceeded the Portuguese ESG scores median.

12.1 ESG: ENVIRONMENTAL

The environmental pillar in the CTT strategy focuses on accelerating the decarbonization of CTT supply in Iberia, with the main goal of electrifying 100% of the last mile by 2030. This pillar is characterized by three subsectors, these being resource use, emissions, and environmental innovation, with weights of 30.6%, 36.2%, and 33.2%, respectively. To this score, several factors were considered, such as resource reduction, energy consumption, water stress, sustainable packaging, environmental supply chain, CO2 emissions, waste recycling, among others. CTT has been consistent throughout the period of analysis with a B score in all years, always below peers' median. As of 2023, with a 62 score, this is the worst-ranked dimension of the company, affecting negatively the overall ESG score. This lower score is mostly explained by the lack of environmental innovation that CTT has shown in the past years. Regarding resource use, in 2023, total energy consumption decreased to 363,427.4GJ, mainly due to the investment in production units for self-consumption (UPAC), the change of CTT headquarters, and the replacement of more efficient automation machines. Besides these changes, the percentage of renewable energy has worsened, revealing, in 2023, its lowest ratio of 33.2% in the last five years, due to the increase of the Express & Parcels segment and the non-follow-up of the ecological vehicles, which contributes significantly to the consumption of fossil fuels. The water consumption slightly increased to 39,228.3m^3 in 2023, mainly due to the inclusion of a new consumption point, but the company maintains its implementation of measures aimed at rationalizing

Figure 82 - Energy Consumption by Source Type (in GJ)

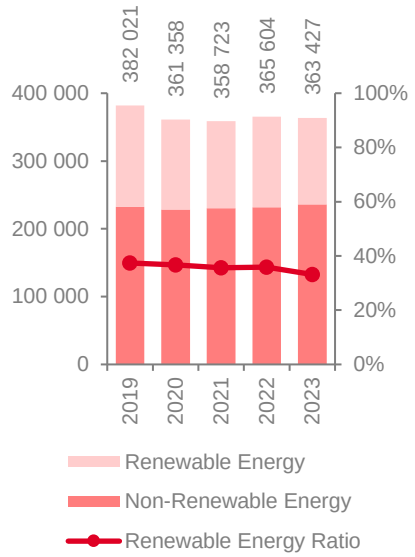


Figure 83 - CO2 Emissions by Scope (in ton)

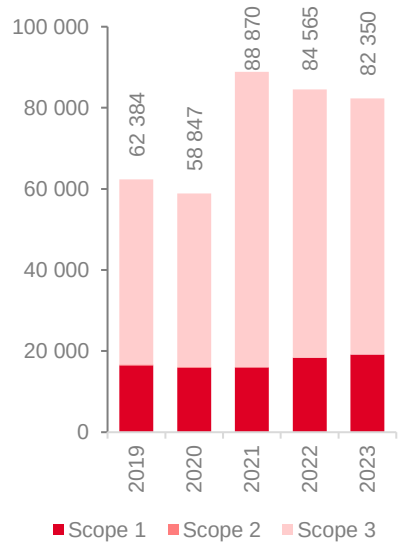
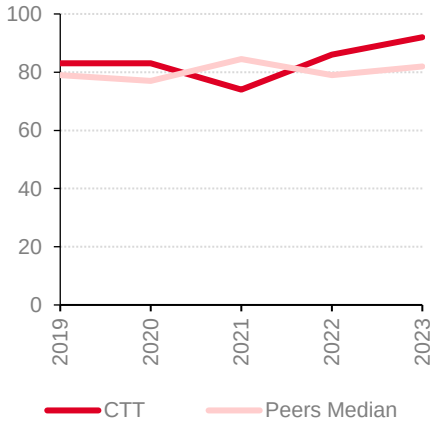


Figure 845 – Social Score



this consumption and the practice of reducing the number of car washes. Additionally, the supply of Mail and E&P is now 82.4% of recycled materials, representing a 27.5% increase from 2022, getting closer to the commitment to reach the full supply by 2030.

Concerning emissions, the subsector with the highest weight to this pillar has shown improvements in the last year. Since 2021, CTT has been decreasing the total CO2 emissions, mostly due to scope 3 indirect emissions. Although CTT has been increasing its percentage of ecological vehicles in its fleet, this also has been doing more kilometres every year with the E&P segment growth, and therefore the CO2 emissions from scope 1 (associated to the emissions released during production or service delivery) have been the opposite tendency of the overall CO2 emissions. Besides this, CTT has been decreasing the kilometres from its subcontracted fleet, the highest weight in scope 3 emissions (related to the emissions that arise across the value chain, both upstream and downstream), which consequently aligns with a more efficient transport network between these two fleets, and the creation of synergies justifies the decrease of the total CO2 emissions. Concerning waste, although the company has been increasing the tons of waste, in 2023, CTT reached a 100% waste recycling ratio, improving its position from the previous years.

12.2 ESG: SOCIAL

Concerning the social pillar, CTT focuses its strategy on taking care of CTT people and the diversity experience, as well as promoting proximity to the local community, with the goals of being a reference employer, leveraged on a people-centric culture, by 2030 and strengthening the Iberian presence and the active involvement of employees in actions with a positive impact on communities, respectively. Subsectors such as workforce, human rights, community, and product responsibility characterize this pillar with weights of 33.4%, 20.5%, 25.6%, and 20.5%, respectively. This is the dimension with the greater weight on the CTT ESG overall score as well as the one that influences it more positively. With the exception of 2021, in the past five years CTT has always been above the peers median, with the best score in 2023 of 92, against a peers median of 82.

Respecting to workforce, as of 2023, CTT registered the highest number of employees in the last five years. The company is still presenting a gender pay gap of 1%, and although the ratio of female employees has been increasing, the ratio of female managers does not follow this trend. Additionally, due to the higher costs of training hours, the company has been reducing these in the past five years. Besides this, the company maintains its approach of focusing on

Figure 85 - Female Staff

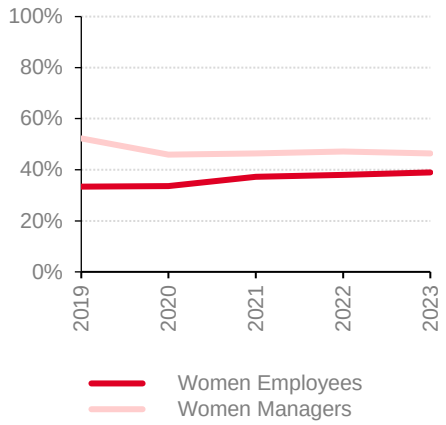
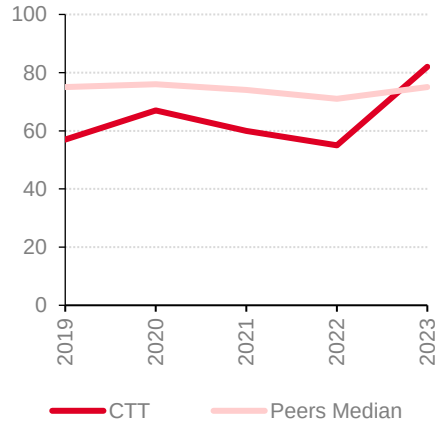


Figure 86 - Accidents and Injury Rate

Figure 876 - Governance Score



client excellence, operational excellence, and culture and leadership. Finally, with the COVID-19 and introduction of remote work in 2020, the accidents and injuries decreased around 20% from the previous years, since then, with the growth of the E&P segment, these have been slightly increased.

Regarding community, CTT is now committed to the policy of fair competition, aligned with OECD guidelines for multinational enterprises, and involved in a corruption risk assessment, impacting positively the social score since this was not happening in the previous years analysed. Concerning donations, the company failed in being consistent, showing in 2023 the lowest ratio of investment in the community in percentage of EBIT of 0.7%. In 2023, CTT registered 1,834 hours of volunteering mostly related to the environment and reached 99.5% of purchases from local suppliers. Overall, customer satisfaction has been rising annually, reaching 93.4% in 2023 when the company's global quality is rated as good or very good. These, along with other policies concerning health, safety, career development, human rights, data privacy, and diversity, are good practices that have shown the commitment and impact of the company to contributing positively to society.

12.3 ESG: GOVERNANCE

Finally, regarding the governance pillar, the company focuses on creating a governance model of reference with the goal of ensuring the involvement of CTT people in the company's culture and strategic objectives. This pillar is characterized by three subsectors: management, shareholders, and CSR strategy, with weights of 66.7%, 20.0%, and 13.3%, respectively. In 2023, CTT inverted the tendency of ESG governance scores below median peers and presented a score of 82, against the peers' median of 75. This is the dimension with the highest improvement in the last year, mainly due to the improvement in the management subsector.

Although the board size decreased from 14 to 11, the board cultural and gender diversity increased from 7.1% to 45.5% and 35.7% to 36.4%, respectively, which impacted positively this score. Also adding to this, the senior executives compensation decreased in percentage of revenue. Finally, comparing with 2022, with an increase of 300% in the frequency of reporting ESG to senior management and an increase of training hours on good conduct, harassment and corruption, and money laundering policies of 321.5% to 43,793.3 hours, CTT is showing the willingness to improve its governance pillar and being a reference in this matter.

Figure 887 - Board Size and Diversity

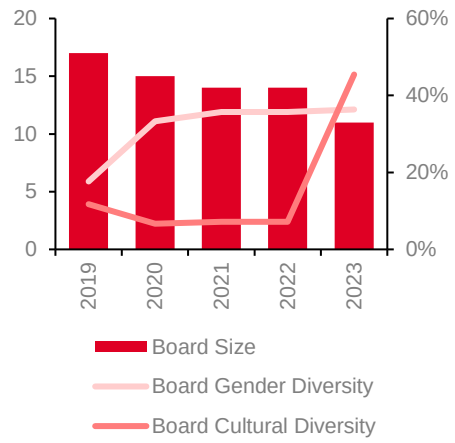
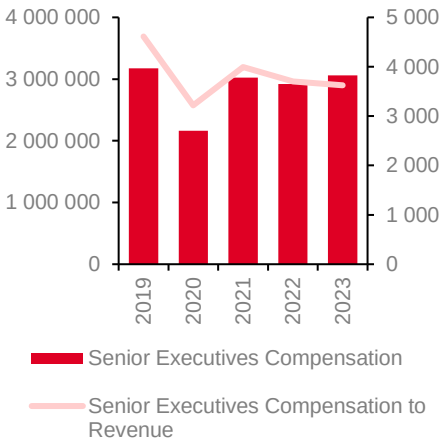


Figure 89 - Seniors Executive Compensation



13 SENSITIVITY ANALYSIS

A sensitivity analysis was performed alongside the DCF valuation to assess how changes in WACC (±1%) and terminal growth rate (±0.5%) affect the Group's equity value. These factors were chosen due to their uncertainty and significant impact on valuation, using baseline estimates from the DCF model considering best- and worst-case scenarios. While WACC was subject to a change of 2%, Terminal growth rate was subject to a change of 0,04% As expected, these variables have a large impact on the final share price, encompassing a range going from a final share price of 5.0€ to 11.5€. This wide range is translated in a decline of 25.5% and a growth of 84.1%

Additionally, another sensitivity was conducted to understand the volatility of the Banco CTT's valuation. Here, the metrics subject to change are the cost of equity of Banco CTT as well as the Terminal Growth Rate. WACC was subject to a change of 2% while Terminal Growth rate was assume to change in accordance to the previous sensitivity analysis. This resulted in a range between 5.7€ and 7.3€, showing a lower but still significant volatility (Appendix 13). This range translates in a decline of 8.2% and a growth of 16.9%

Finally, it would also be important to perform a sensitivity analysis to understand the effect of changes in the target capital ratio, a key metric that heavily impacts the valuation. However, since this parameter is not constant throughout the years, such analysis is impossible.

14 SCENARIO ANALYSIS

To assess the robustness of the valuation model, a scenario analysis was conducted to evaluate the impact of key variables on the company's overall share price. In the best-case scenario, the mailing segment is assumed to decline at a slower rate of -3.04% annually, while the parcel segment is projected to achieve significant growth of 23.8% per year in Portugal and 24.2% per year in Spain. These projections were forecasted by applying the highest observed growth rates across comparable segments.

For Banco CTT, the best-case scenario assumes the bank exceeds its expectations, reaching a 7% annual growth in the number of accounts, alongside an increase in the value per account equal to 9. On the cost side, optimal performance in the mail segment involves an annual reduction in staff-related expenses in 0,5% annually, while in the parcel segment, a similar cost efficiency is achieved through a reduction in external and supplier expenses as percentage of revenues equal to 68% in the parcel segment and 28% in the banking segment. These assumptions will lead to a share price of 9.9€.

Conversely, the worst-case scenario assumes the mail segment's annual decline increases to -9.04%, while the parcel segment's growth slows to 11.19% annually in Portugal and 7% in Spain. Regarding Banco CTT, this scenario assumes growth in the number of accounts falls short of expectations of 3%, and the value per account declines to 7. Cost management challenges are also highlighted, with staff expenses in the mail segment increasing by 0,5% annually and external and supplier costs in the parcel segment increasing as percentage of revenues to 76% and to 32% in banking segment. These set of assumptions will be translated into a share price of 3.6€.

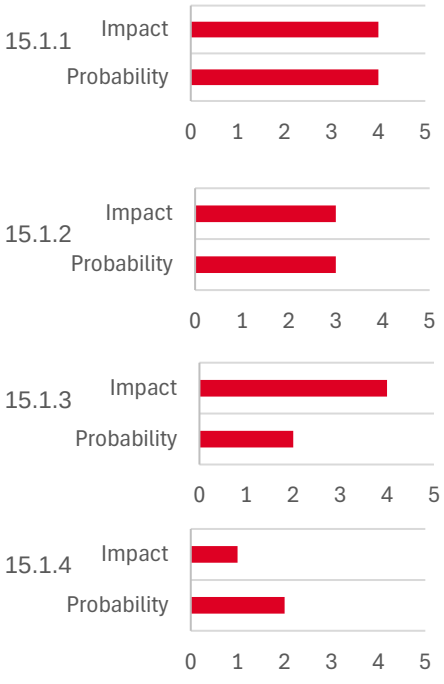
This scenario analysis provides critical insights into the sensitivity of the valuation model to variations in growth rates and cost efficiencies, emphasizing the importance of strategic planning in achieving sustainable performance.

15 INVESTMENT RISKS

CTT's valuation is influenced by multiple risk, each of which requires careful consideration to assess its financial and operational resilience (Appendix 14).

15.1 COMPANY-SPECIFIC RISKS

Figure 90 – Company Specific Risks



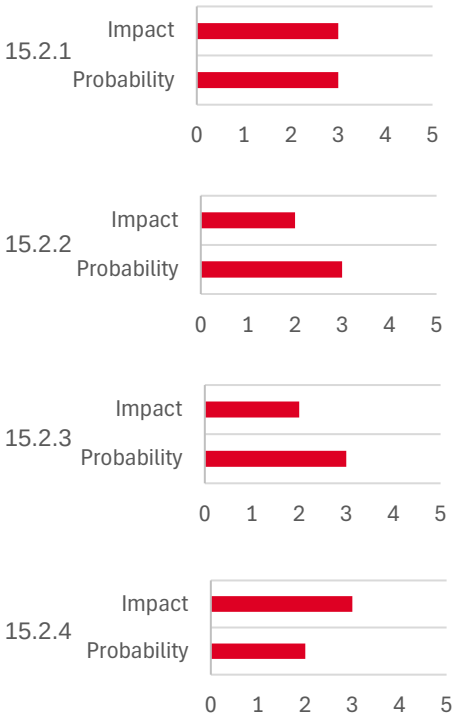
1.Over-Reliance on Mail & Postal Segment: Despite the segment's structural decline, it continues to represent a considerable portion of the company's overall strategy and revenue. The company's ability to sustain its profitability in this segment is further challenged by external elements, such as the digitalization of services, which accelerates the decline in mail volumes and creates uncertainty regarding the future of this segment.

2.Service Quality and Performance: Grupo CTT is currently falling short in delivering a high-quality service across its Mail & Postal and Express & Parcel segments. If these service standards do not improve, CTT risks losing its market position in both segments, which could ultimately jeopardize the company's overall profitability

3.Failure to Capitalize on E-commerce growth: Although the Express and Parcel sector is growing with e-commerce, there is a risk that CTT could fall behind competitors if it fails to adapt its services to meet evolving customer needs, such as offering more flexible delivery options or leveraging automation in parcel handling.

4.Diversification of Segment Portfolio: Holding a diverse portfolio of segments—including mailing, parcels, banking, and retail operations—raises the probability of inefficiencies, especially if resources are not allocated optimally or outdated processes persist.

Figure 91 – Market Related Risks



15.2 MARKET-RELATED RISKS

Market risks are influenced by external economic and competitive forces that can impact CTT's performance and its ability to adapt to changing conditions.

1.Increased Competition on Express & Parcel: While the rapid growth of e-commerce has driven expansion in the parcels segment, the market is expected to reach a saturation stage, with growth rates predicted to stabilize in the coming years. This saturation, combined with intensifying competition from new players in the market, could pressure market share and margins.

2.Banco CTT Market Position: Banco CTT faces intense competition from both traditional banks and emerging fintech companies. If it fails to differentiate its offerings or innovate in the highly competitive financial services market, it could struggle to attract and retain customers, particularly younger, tech-savvy clients. This would difficult the achievement of the ambition targets regarding value per customer by the end of 2029, jeopardizing forecast revenues and the overall profitability of this segment.

3.Industry Cyclicality: The Postal and Banking industries are very cyclical industries, which highly exposes them to economic conditions such as inflationary pressures, changes in the interest rates and GDP growth and tax legislations.

4.Unforeseen disruptions: Unexpected events like geopolitical conflicts, pandemics, or other unpredictable events could severely impact operations, particularly in logistics and delivery.

Figure 92 – Regulatory Risks

15.3 REGULATORY RISKS

Regulatory risks arise from government policies, compliance requirements, and legal constraints that can affect CTT's operations and strategic flexibility.

1.Price Regulation: ANACOM's price regulation imposes constraints on CTT's ability to adjust prices within its UPO offerings, challenging revenue growth potential. Compounding this is the US Contract, which requires CTT to follow to strict quality and geographical coverage standards, with non-compliance leading to financial penalties. These obligations puts pressure on profitability, particularly in a declining mailing segment, as maintaining extensive operations in low-demand regions becomes increasingly unprofitable.

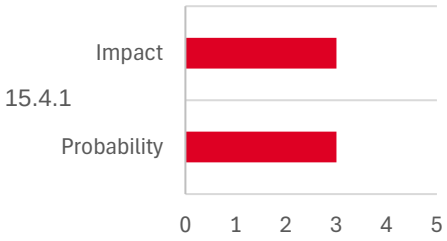
2.Regulatory Capital Risk: Banco CTT is required to maintain high regulatory capital ratios, such as the CET1 ratio, which is currently higher in Portugal than the EU average. Failure to meet these requirements could lead to regulatory penalties, restrictions on dividend payments, and reduced operational flexibility, ultimately affecting profitability and growth potential.

3.Environmenntal Regulations: Directives for green packaging and associated logistics that companies may be required to follow involve large initial investments that adds to operational and compliance costs, creating additional challenges in aligning with sustainability goals.

15.4 GOVERNANCE RISKS

Governance risks relate to challenges in leadership, strategy, and organizational oversight, which can disrupt CTT's operations or erode stakeholder confidence.

Figure 93 - Governance Risk



1.Strategic Misalignmnet: Potential strategic misalignment poses a governance risk, as CTT must balance its growth initiatives across all the segments where the company operates, exposing it to the risk of resource misallocation or uncoordinated efforts. Furthermore, dependence on key management personnel poses a risk, as leadership transitions could disrupt the company's strategic direction and operational continuity.

16 CONCLUSIONS

CTT faces significant challenges in maintaining profitability, particularly within its Mailing segment, where declining mail volumes, operational inefficiencies, and overstaffing have hindered performance. The regulatory framework, which ensures service accessibility and quality, limits pricing flexibility and exacerbates these challenges, raising questions about the sustainability of the Universal Service Obligation (USO). As CTT approaches the renewal of its USO contract in 2028, it must carefully weigh the options of either negotiating more favourable terms or potentially leaving the contract, which could result in significant cuts to its mailing operations.

Despite the struggles in the mail segment, CTT has notable growth opportunities in its Parcel segment, particularly in the Iberian Peninsula. Expanding the "Locky" automated locker network and strengthening partnerships with e-commerce giants offer potential for increased market share and operational efficiency. However, the segment is highly reliant on technological innovation, necessitating continued investment to stay competitive and align with market trends in sustainability and efficiency.

Rising energy prices and inflation have placed considerable pressure on operational costs across CTT's business units, especially in logistics. To mitigate these challenges, the company must prioritize investments in energy-efficient practices, including fleet electrification, to manage future cost increases.

The Financial Services segment, however, has provided a stabilizing effect on CTT, offering high EBITDA margins and representing a vital part of the company's overall financial health. With its extensive geographic presence, CTT

should continue to leverage its position in non-life insurance and public debt certificates to sustain this stability.

The ongoing digital transition within Banco CTT and CTT's logistics operations presents a crucial opportunity to enhance competitiveness. Expanding digital banking services and automating delivery processes are essential for meeting evolving customer expectations and ensuring long-term market relevance.

Finally, the distinct market dynamics within CTT's business segments call for tailored strategic approaches. While the Mail segment requires operational restructuring and cost containment, the Parcel business demands infrastructure investment and strategic partnerships. For the Financial Services segment, organic growth through client acquisition and product diversification remains key to sustaining stability and profitability.

In conclusion, CTT must adapt to the changing market landscape by strategically restructuring its Postal operations, capitalizing on Parcel segment growth, and continuing to leverage its Financial Services for stability. Balancing innovation, cost optimization, and regulatory compliance will be crucial in navigating the challenges and opportunities ahead.

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APPENDIX

Year	2024	2024E	2025E	2025E	2026E	2026E	2027E	2027E	2028E	2028E	2029E	2029E	2030E	2030E	2031E	2031E	2032E	2032E
Semester	S1'24	S2'24	S1'25	S2'25	S1'26	S2'26	S1'27	S2'27	S1'28	S2'28	S1'29	S2'29	S1'30	S2'30	S1'31	S2'31	S1'32	S2'32
Semester end	30/06/2024	31/12/2024	30/06/2025	31/12/2025	30/06/2026	31/12/2026	30/06/2027	31/12/2027	30/06/2028	31/12/2028	30/06/2029	31/12/2029	30/06/2030	31/12/2030	30/06/2031	31/12/2031	30/06/2032	31/12/2032
Revenue Forecasting by Segment																		
Mail																		
Transactional Mail																		
Transactional Mail (	176,3	165,2	162,6	152,4	150,1	140,6	138,4	129,7	127,7	119,7	117,8	110,4	108,7	101,8	100,3	94,0	92,5	86,7
% growth rate	3,3%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%	-3,7%
Price per item of Tr	1,039	1,039	1,057	1,057	1,104	1,104	1,154	1,154	1,206	1,206	1,261	1,261	1,318	1,318	1,377	1,377	1,440	1,440
% growth rate	8,3%	5,6%	1,7%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%
Transactional Mail F	183,184	171,623	171,842	160,997	165,698	155,241	159,775	149,692	154,063	144,340	148,555	139,180	143,245	134,205	138,124	129,407	133,186	124,781
Editorial Mail																		
Editorial Mail (volum	11,9	11,5	11,1	10,8	10,4	10,1	9,7	9,4	9,1	8,8	8,5	8,2	7,9	7,7	7,4	7,2	6,9	6,7
% growth rate	-2,5%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%	-3,3%
Price per item of Ed	0,488	0,488	0,504	0,504	0,523	0,523	0,543	0,543	0,563	0,563	0,584	0,584	0,606	0,606	0,629	0,629	0,652	0,652
% growth rate	4,7%	4,5%	3,2%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%
Editorial Mail Reven	5,812	5,619	5,609	5,423	5,440	5,259	5,276	5,101	5,117	4,947	4,962	4,798	4,813	4,653	4,668	4,513	4,527	4,377
Advertising Mail																		
Advertising Mail (vo	12,8	12,4	11,7	11,4	10,7	10,4	9,8	9,5	8,9	8,7	8,2	7,9	7,5	7,2	6,8	6,8	6,2	6,1
% growth rate	-3,0%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%	-4,5%
Price per item of Ad	0,529	0,529	0,546	0,546	0,574	0,574	0,603	0,603	0,633	0,633	0,665	0,665	0,699	0,699	0,734	0,734	0,772	0,772
% growth rate	17,7%	17,1%	3,2%	5,1%	5,1%	5,1%	5,1%	5,1%	5,1%	5,1%	5,1%	5,1%	5,1%	5,1%	5,1%	5,1%	5,1%	5,1%
Advertising Mail Rev	6,767	6,570	6,391	6,205	6,137	5,958	5,893	5,721	5,659	5,494	5,434	5,275	5,218	5,066	5,010	4,864	4,811	4,671
Business Solutions	24,192	25,177	26,261	27,362	28,446	29,548	30,632	31,734	32,824	33,926	35,010	36,111	37,195	38,297	39,381	40,483	41,573	42,675
Parcels (USO)	3,453	4,645	4,746	5,338	5,454	6,072	6,076	6,625	6,492	6,929	6,645	6,941	6,583	6,876	6,522	6,811	6,461	6,748
%revenues E&P	4,5%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%
Philately	1,976	2,142	1,680	2,014	1,577	1,886	1,473	1,758	1,369	1,629	1,266	1,501	1,162	1,373	1,059	1,245	0,955	1,117
Payments	10,259	10,961	10,456	11,540	10,995	12,119	11,533	12,699	12,074	13,280	12,612	13,859	13,151	14,439	13,689	15,018	14,229	15,599
	42,41%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%	42,38%
Other	4,987	6,289	3,437	6,289	3,437	6,289	3,437	6,289	3,437	6,289	3,437	6,289	3,437	6,289	3,437	6,289	3,437	6,289
Segment Revenue	**240,630**	**233,026**	**230,421**	**225,169**	**227,184**	**222,373**	**224,096**	**219,819**	**221,034**	**216,835**	**217,922**	**213,955**	**214,804**	**211,198**	**211,890**	**208,631**	**209,179**	**206,256**

Appendix 1 - Forecast "Mail & Postal Revenues"

Parcel	S1'24	S2'24	S1'25	S2'25	S1'26	S2'26	S1'27	S2'27	S1'28	S2'28	S1'29	S2'29	S1'30	S2'30	S1'31	S2'31	S1'32	S2'32
Portugal																		
Volume of items moved in Portugal (millions)	19,40	22,21	23,09	26,44	27,49	31,15	31,72	35,21	35,11	38,14	37,23	39,57	38,20	40,60	39,20	41,67	40,22	42,76
% growth rate	-7,2%	8,8%	8,8%	8,8%	8,8%	7,6%	6,5%	5,4%	4,3%	3,2%	2,1%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
Average price of a delivery in Portugal (€)	3,91	3,85	3,78	3,71	3,65	3,58	3,52	3,46	3,40	3,34	3,28	3,23	3,17	3,11	3,06	3,01	2,95	2,90
% growth rate	1,5%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%	-1,7%
Revenue in Portugal (€, millions)	75,93	85,41	87,26	98,16	100,28	111,64	111,73	121,82	119,37	127,41	122,19	127,62	121,05	126,43	119,92	125,24	118,80	124,07
	-0,0178434																	
	-0,0096242																	
Spain																		
Volume of items moved in Spain (millions)	43,70	45,97	50,26	52,19	56,33	57,75	61,52	62,26	65,45	65,35	67,79	66,79	68,81	67,79	69,84	68,81	70,89	69,84
% growth rate	13,2%	7,8%	7,1%	6,5%	5,8%	5,1%	4,4%	3,7%	3,0%	2,3%	1,7%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
Average price of a delivery in Spain (€)	3,01	2,99	2,97	2,94	2,92	2,90	2,87	2,85	2,83	2,81	2,78	2,76	2,74	2,72	2,70	2,68	2,66	2,64
% growth rate	-0,1%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%
Revenue in Spain (€, millions)	131,63	137,39	149,02	153,56	164,44	167,27	176,80	177,50	185,15	183,42	188,78	184,53	188,63	184,38	188,48	184,23	188,32	184,08
Mozambique																		
Revenue in Mozambique (€, millions)	2,83	2,35	2,40	2,70	2,76	3,07	3,08	3,35	3,29	3,51	3,36	3,51	3,33	3,48	3,30	3,45	3,27	3,42
% of total parcel	1,7%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%
Segment Revenue (€, millions)	**210,398**	**222,801**	**236,279**	**251,717**	**264,712**	**278,908**	**288,522**	**299,322**	**304,515**	**310,834**	**310,973**	**312,144**	**309,678**	**310,802**	**308,394**	**309,471**	**307,120**	**308,150**

Appendix 2 - Forecast Revenue "Express & Parcel"

Bank	S1'24	S2'24	S1'25	S2'25	S1'26	S2'26	S1'27	S2'27	S1'28	S2'28	S1'29	S2'29	S1'30	S2'30	S1'31	S2'31	S1'32	S2'32
Deposits																		
Number of Accounts	0,67	0,68	0,70	0,72	0,73	0,74	0,76	0,77	0,78	0,79	0,80	0,81	0,82	0,82	0,83	0,84	0,85	0,86
% growth rate	3,1%	2,5%	2,4%	2,2%	2,1%	1,9%	1,8%	1,6%	1,5%	1,3%	1,2%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
Dep/ Account	5,67	5,79	5,91	6,03	6,15	6,27	6,39	6,52	6,64	6,76	6,88	7,00	7,20	7,40	7,60	7,80	8,00	8,20
Deposits (mk)	3,78	3,96	4,14	4,31	4,49	4,67	4,84	5,01	5,18	5,34	5,50	5,65	5,87	6,09	6,32	6,55	6,79	7,03
% growth rate	21,7%	4,7%	4,5%	4,3%	4,1%	3,9%	3,7%	3,5%	3,3%	3,2%	2,9%	2,8%	3,9%	3,8%	3,7%	3,7%	3,6%	3,5%
Rate of Deposits (%)	1,0%	0,6%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%
Interest and similar **expenses**	38,12	24,18	18,53	17,61	18,32	19,04	19,75	20,45	21,13	21,80	22,44	23,06	23,95	24,87	25,79	26,74	27,70	28,68
Credits																		
Credits (mk)	1,66	1,80	1,90	1,97	2,04	2,11	2,17	2,23	2,29	2,35	2,40	2,46	2,52	2,59	2,66	2,74	2,82	2,90
% growth rate	4,6%	8,7%	5,2%	4,1%	3,5%	3,2%	2,9%	2,8%	2,6%	2,5%	2,4%	2,3%	2,6%	2,8%	2,8%	2,9%	2,9%	2,9%
Rate of Credits (%)	5,2%	4,7%	3,9%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%
Interest and similar **income**	85,93	84,18	73,62	72,80	75,34	77,71	79,99	82,21	84,37	86,48	88,53	90,52	92,90	95,50	98,22	101,05	103,94	106,91
Loan-to-Deposit	43,9%	45,6%	45,9%	45,8%	45,5%	45,2%	44,8%	44,5%	44,2%	43,9%	43,7%	43,4%	42,9%	42,5%	42,2%	41,8%	41,5%	41,3%
Net Interest Income	47,82	59,99	55,09	55,20	57,01	58,67	60,24	61,76	63,24	64,69	66,09	67,46	68,94	70,63	72,43	74,31	76,24	78,23
	56%																	
Comissions	10,90	11,44	9,90	10,95	9,41	10,33	8,81	9,59	8,10	8,72	7,29	7,76	6,41	6,75	5,50	5,69	4,54	4,58
% growth rate	-6,7%	-19,8%	-9,1%	10,6%	-14,1%	9,8%	-14,7%	8,8%	-15,5%	7,8%	-16,4%	6,5%	-17,4%	5,2%	-18,5%	3,5%	-20,2%	0,9%
per acc	16,336	16,735	14,149	15,312	12,893	13,889	11,637	12,465	10,377	11,038	9,121	9,615	7,865	8,192	6,608	6,769	5,349	5,342
																	-0,579931732	
Other Operating Income	-1,33	0,00																
Operating Income	**57,38**	**71,44**	**64,99**	**66,15**	**66,42**	**69,00**	**69,05**	**71,35**	**71,34**	**73,41**	**73,38**	**75,22**	**75,35**	**77,37**	**77,93**	**80,00**	**80,78**	**82,80**

Appendix 3 - Forecast Revenue "Banco CTT"

Financial Services and Retail (m)	S1'24	S2'24	S1'25	S2'25	S1'26	S2'26	S1'27	S2'27	S1'28	S2'28	S1'29	S2'29	S1'30	S2'30	S1'31	S2'31	S1'32	S2'32
Savings & Insurance	4,87	11,51	14,43	13,13	13,13	13,13	13,13	13,13	13,13	13,13	13,13	13,13	13,13	13,13	13,13	13,13	13,13	13,13
% growth rate	-43,8%	136,5%	26,4%	-9,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payments																		
Number of transactions	677,7	690,05	702,62	715,43	728,46	741,74	755,25	769,01	783,03	797,30	811,82	826,62	841,68	857,02	872,63	888,53	904,73	921,21
	0,0%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%	1,8%
Payments/N. Transaction	0,000	0,001	0,001	0,001	0,001	0,001	0,001	0,001	0,001	0,001	0,001	0,001	0,001	0,001	0,001	0,001	0,001	0,001
Payments (€, millions)	0,04	0,41	0,42	0,42	0,43	0,44	0,45	0,46	0,46	0,47	0,48	0,49	0,50	0,51	0,52	0,53	0,54	0,55
% growth rate	-68,1%																	
Money Orders	3,00	3,04	3,08	3,12	3,16	3,20	3,24	3,28	3,33	3,37	3,41	3,46	3,50	3,55	3,59	3,64	3,69	3,74
% growth rate	12,7%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%
Retail																		
Retail Points	569	569	569	569	569	569	569	569	569	569	569	572	575	579	582	585	589	592
	0,0%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%
Rev/Point	0,005	0,005	0,005	0,005	0,005	0,005	0,005	0,006	0,006	0,006	0,006	0,006	0,006	0,007	0,007	0,007	0,007	0,007
	-43,1%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
Retail (€, millions)	2,58	2,66	2,74	2,82	2,90	2,99	3,08	3,17	3,26	3,36	3,46	3,58	3,70	3,84	3,97	4,11	4,26	4,41
% growth rate	-43,1%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
Other	0,66	0,35	0,35	0,35	0,35	0,35	0,35	0,35	0,35	0,35	0,35	0,35	0,35	0,35	0,35	0,35	0,35	0,35
% growth rate	13,4%																	
Segment Revenue (€, millions)	**11,147**	**17,561**	**20,600**	**19,420**	**19,544**	**19,671**	**19,801**	**19,934**	**20,070**	**20,210**	**20,353**	**20,520**	**20,691**	**20,868**	**21,050**	**21,237**	**21,430**	**21,629**

Appendix 4 - Forecast Revenue "Financial Services & Retail"

Mail	S1'24	S2'24	S1'25	S2'25	S1'26	S2'26	S1'27	S2'27	S1'28	S2'28	S1'29	S2'29	S1'30	S2'30	S1'31	S2'31	S1'32	S2'32
Revenue	240,630	233,026	230,421	225,169	227,184	222,373	224,096	219,619	221,034	216,835	217,922	213,955	214,804	211,198	211,890	208,631	209,179	206,256
Operating Costs	212,677	209,044	212,988	205,168	209,245	201,688	205,757	198,443	202,501	195,414	199,455	192,583	196,590	189,927	193,918	187,448	191,425	185,119
Staff costs	161,905	160,890	161,474	160,449	161,033	160,013	160,597	159,581	160,165	159,154	159,739	158,732	159,303	158,302	158,874	157,878	158,450	157,444
Number of employees	*11 328*	*11 257*	*11 186*	*11 115*	*11 045*	*10 975*	*10 906*	*10 837*	*10 769*	*10 701*	*10 634*	*10 567*	*10 500*	*10 434*	*10 368*	*10 303*	*10 238*	*10 173*
% employee growth	*-0,5%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*	*-0,6%*
Cost per employee	*0,014 €*	*0,014 €*	*0,014 €*	*0,014 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*	*0,015 €*
Revenue per employee	*0,021 €*	*0,021 €*	*0,021 €*	*0,020 €*	*0,021 €*	*0,020 €*	*0,021 €*	*0,020 €*	*0,021 €*	*0,020 €*	*0,020 €*	*0,020 €*	*0,020 €*	*0,020 €*	*0,020 €*	*0,020 €*	*0,020 €*	*0,020 €*
External supplies and services	44,223	41,606	40,807	38,392	37,655	35,427	34,747	32,691	32,065	30,168	29,589	27,839	27,306	25,691	25,199	23,709	23,255	21,880
As a % of volume	*22,00%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*	*22,0%*
Other costs	7,913	9,119	9,017	8,811	8,890	8,702	8,769	8,594	8,650	8,485	8,528	8,373	8,406	8,265	8,292	8,164	8,186	8,071
As a % of revenues	*3,3%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*	*3,9%*
Impairment and provisions	1,494	(2,572)	1,690	(2,485)	1,666	(2,454)	1,644	(2,424)	1,621	(2,393)	1,598	(2,361)	1,576	(2,331)	1,554	(2,302)	1,534	(2,276)
As a % of revenues	*0,6%*	*-1,1%*	*0,7%*	*-1,1%*	*0,7%*	*-1,1%*	*0,7%*	*-1,1%*	*0,7%*	*-1,1%*	*0,7%*	*-1,1%*	*0,7%*	*-1,1%*	*0,7%*	*-1,1%*	*0,7%*	*-1,1%*
Internal services rendered	(2,858)																	
As a % of revenues	*-1,2%*																	
Severance Packages		*0,68*	*0,68*	*0,68*	*0,68*	*0,68*	*0,68*	*0,68*	*0,67*	*0,67*	*0,67*	*0,67*	*0,68*	*0,67*	*0,67*	*0,66*	*0,67*	*0,67*
EBITDA	27,953	23,983	17,433	20,001	17,939	20,686	18,339	21,176	18,534	21,421	18,467	21,372	18,214	21,271	17,971	21,183	17,754	21,137
Depreciation/amortisation and impairment of i	22,901	21,499	21,259	20,774	20,960	20,516	20,675	20,262	20,393	20,005	20,105	19,739	19,818	19,485	19,549	19,248	19,299	19,029
As a % of tangible assets	*10,5%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*	*9,4%*

Appendix 5 - Forecast Costs "Mail & Postal"

Express & Parcels	S1'24	S2'24	S1'25	S2'25	S1'26	S2'26	S1'27	S2'27	S1'28	S2'28	S1'29	S2'29	S1'30	S2'30	S1'31	S2'31	S1'32	S2'32
Revenue	210,398	222,801	236,279	251,717	264,712	278,908	288,522	299,322	304,515	310,834	310,973	312,144	309,678	310,802	308,394	309,471	307,120	308,150
Operating Costs	187,766	198,257	209,806	222,269	233,334	244,645	252,988	261,502	266,352	271,274	272,202	273,075	272,061	272,957	272,122	273,046	272,392	273,349
Staff costs	23,652	24,870	26,603	27,824	29,604	30,796	32,589	33,718	35,488	36,518	38,226	39,121	40,837	41,793	43,627	44,648	46,607	47,698
Number of employees	*1 884*	*1 981*	*2 078*	*2 173*	*2 267*	*2 358*	*2 446*	*2 531*	*2 612*	*2 687*	*2 758*	*2 822*	*2 888*	*2 956*	*3 025*	*3 096*	*3 169*	*3 243*
% employee growth	*11,3%*	*5,1%*	*4,9%*	*4,6%*	*4,3%*	*4,0%*	*3,7%*	*3,5%*	*3,2%*	*2,9%*	*2,6%*	*2,3%*	*2,3%*	*2,3%*	*2,3%*	*2,3%*	*2,3%*	*2,3%*
Cost per employee	*0,013*	*0,013*	*0,013*	*0,013*	*0,013*	*0,013*	*0,013*	*0,013*	*0,014*	*0,014*	*0,014*	*0,014*	*0,014*	*0,014*	*0,014*	*0,014*	*0,015*	*0,015*
External supplies and services	161,761	170,653	180,303	191,356	200,481	210,426	216,858	224,110	227,127	230,941	230,159	230,123	227,423	227,349	224,710	224,600	222,015	221,868
As a % of volume	*256%*	*250%*	*246%*	*243%*	*239%*	*237%*	*233%*	*230%*	*226%*	*223%*	*219%*	*215%*	*213%*	*210%*	*206%*	*203%*	*200%*	*197%*
As a % of revenues	*76,9%*	*77%*	*76%*	*76%*	*76%*	*75%*	*75%*	*75%*	*75%*	*74%*	*74%*	*74%*	*73%*	*73%*	*73%*	*73%*	*72%*	*72%*
Other costs	0,874	1,398	1,482	1,579	1,661	1,750	1,810	1,878	1,910	1,950	1,951	1,958	1,943	1,950	1,935	1,941	1,927	1,933
As a % of revenues	*0,4%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*
Impairment and provisions	1,647	1,337	1,418	1,510	1,588	1,674	1,731	1,796	1,827	1,865	1,866	1,873	1,858	1,865	1,850	1,857	1,843	1,849
As a % of revenues	*0,8%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*
Internal services rendered	(0,168)																	
As a % of revenues	*-0,1%*																	
EBITDA	22,632	24,544	26,473	29,448	31,378	34,263	35,534	37,820	38,163	39,560	38,772	39,070	37,617	37,845	36,271	36,424	34,728	34,802
Depreciation/amortisation and impairment of i	8,937	11,468	12,161	12,956	13,625	14,355	14,850	15,406	15,673	15,999	16,006	16,066	15,939	15,997	15,873	15,928	15,807	15,860
As a % of tangible assets	*10,0%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*	*10,8%*
EBIT Recurring	13,694	13,077	14,311	16,492	17,754	19,908	20,683	22,414	22,489	23,562	22,766	23,004	21,678	21,848	20,398	20,496	18,921	18,941
	10,7%	*11,0%*	*11,2%*	*11,7%*	*11,9%*	*12,3%*	*12,3%*	*12,6%*	*12,5%*	*12,7%*	*12,5%*	*12,5%*	*12,1%*	*12,2%*	*11,8%*	*11,8%*	*11,3%*	*11,3%*

Appendix 6 - Forecast Costs "Express & Parcel"

Financial Services & Retail	S1'24	S2'24	S1'25	S2'25	S1'26	S2'26	S1'27	S2'27	S1'28	S2'28	S1'29	S2'29	S1'30	S2'30	S1'31	S2'31	S1'32	S2'32
Revenue	11,147	17,561	20,600	19,420	19,544	19,671	19,801	19,934	20,070	20,210	20,353	20,520	20,691	20,868	21,050	21,237	21,430	21,629
Operating Costs	5,472	5,401	6,222	5,926	5,975	6,026	6,077	6,130	6,185	6,240	6,297	6,360	6,425	6,491	6,558	6,628	6,699	6,772
Staff costs	0,737	0,755	0,771	0,787	0,804	0,821	0,838	0,856	0,874	0,892	0,911	0,930	0,950	0,969	0,989	1,008	1,028	1,049
Number of employees	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*	*36*
% employee growth	*-5,3%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*
Cost per employee	*0,020*	*0,021*	*0,021*	*0,022*	*0,022*	*0,023*	*0,023*	*0,023*	*0,024*	*0,024*	*0,025*	*0,025*	*0,026*	*0,026*	*0,027*	*0,027*	*0,028*	*0,029*
External supplies and services	1,089	1,115	1,308	1,233	1,241	1,249	1,258	1,266	1,275	1,284	1,293	1,303	1,314	1,325	1,337	1,349	1,361	1,374
As a % of revenues	*9,8%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*	*6,4%*
Other costs	0,655	3,425	4,018	3,788	3,812	3,837	3,862	3,888	3,915	3,942	3,970	4,003	4,036	4,071	4,106	4,143	4,180	4,219
As a % of revenues	*5,9%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*	*19,5%*
Impairment and provisions	0,000	0,106	0,124	0,117	0,118	0,119	0,119	0,120	0,121	0,122	0,123	0,124	0,125	0,126	0,127	0,128	0,129	0,130
As a % of revenues	*0,0%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*
Internal services rendered	2,991																	
As a % of revenues	*26,8%*																	
EBITDA	5,675	12,159	14,378	13,494	13,569	13,645	13,723	13,803	13,886	13,970	14,056	14,159	14,266	14,377	14,491	14,609	14,731	14,856
Depreciation/amortisation and impairment of i	0,078	0,179	0,210	0,198	0,199	0,201	0,202	0,203	0,205	0,206	0,208	0,209	0,211	0,213	0,215	0,217	0,219	0,221
As a % of tangible assets	*1845,7%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*	*589,0%*
EBIT Recurring	5,596	11,980	14,168	13,296	13,369	13,444	13,521	13,600	13,681	13,764	13,849	13,950	14,055	14,164	14,277	14,393	14,512	14,636

Appendix 7 - Forecast Costs "Financial Services & Retail"

Bank	S1'24	S2'24	S1'25	S2'25	S1'26	S2'26	S1'27	S2'27	S1'28	S2'28	S1'29	S2'29	S1'30	S2'30	S1'31	S2'31	S1'32	S2'32
Revenue	57,384	71,439	64,992	66,150	66,424	69,002	69,051	71,348	71,338	73,411	73,385	75,223	75,354	77,373	77,926	79,995	80,783	82,804
Operating Costs	47,651	55,303	52,084	52,690	53,164	54,524	54,893	56,088	56,442	57,507	57,876	58,809	59,542	60,839	61,818	63,152	64,284	65,606
Staff costs	16,030	16,231	16,763	16,974	17,530	17,750	18,332	18,562	19,171	19,412	20,048	20,300	20,966	21,229	21,925	22,200	22,928	23,215
Number of employees	*565*	*572*	*579*	*587*	*594*	*601*	*609*	*617*	*624*	*632*	*640*	*648*	*656*	*664*	*673*	*681*	*690*	*698*
% employee growth	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*	*1,3%*
Cost per employee	*0,028*	*0,028*	*0,029*	*0,029*	*0,030*	*0,030*	*0,030*	*0,030*	*0,031*	*0,031*	*0,031*	*0,031*	*0,032*	*0,032*	*0,033*	*0,033*	*0,033*	*0,033*
External supplies and services	19,425	23,931	21,546	21,696	21,556	22,149	21,926	22,404	22,152	22,537	22,274	22,567	22,606	23,212	23,378	23,999	24,235	24,841
As a % of revenues	*33,9%*	*33,5%*	*33,2%*	*32,8%*	*32,5%*	*32,1%*	*31,8%*	*31,4%*	*31,1%*	*30,7%*	*30,4%*	*30,0%*	*30,0%*	*30,0%*	*30,0%*	*30,0%*	*30,0%*	*30,0%*
Other costs	4,702	5,854	5,325	5,420	5,443	5,654	5,658	5,846	5,845	6,015	6,013	6,164	6,174	6,340	6,385	6,555	6,619	6,785
As a % of revenues	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*	*8,2%*
Impairment and provisions	7,460	9,287	8,449	8,599	8,835	8,970	8,977	9,275	9,274	9,543	9,540	9,779	9,796	10,059	10,130	10,399	10,502	10,764
As a % of revenues	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*	*13,0%*
	0,5%																	
Internal services rendered	0,034																	
As a % of revenues	*0,1%*																	

Appendix 8 - Forecast Costs "Banco CTT"

Group W/o Bank Discount Cash Flow Model	S2'24	S1'25	S2'25	S1'26	S2'26	S1'27	S2'27	S1'28	S2'28	S1'29	S2'29	S1'30	S2'30	S1'31	S2'31	S1'32	S2'32
Mail Revenue	233,03	230,42	225,17	227,18	222,37	224,10	219,62	221,03	216,83	217,92	213,96	214,80	211,20	211,89	208,63	209,18	206,26
Express + Parcels Revenue	222,80	236,28	251,72	264,71	278,91	288,52	299,32	304,52	310,63	310,97	312,14	309,68	310,80	308,39	309,47	307,12	308,15
Financial Services + Retail Revenue	17,56	20,60	19,42	19,54	19,67	19,80	19,93	20,07	20,21	20,35	20,52	20,69	20,87	21,05	21,24	21,43	21,63
Total Revenue	**473,39**	**487,30**	**496,31**	**511,44**	**520,95**	**532,42**	**538,88**	**545,62**	**547,88**	**549,25**	**546,62**	**545,17**	**542,87**	**541,33**	**539,34**	**537,73**	**536,03**
		2,94%	1,85%	3,05%	1,86%	2,20%	1,21%	1,25%	0,41%	0,25%	-0,48%	-0,26%	-0,42%	-0,28%	-0,37%	-0,30%	-0,32%
Staff Costs	186,52	188,85	189,06	191,44	191,63	194,02	194,15	196,53	196,56	198,88	198,78	201,09	201,06	203,49	203,53	206,09	206,19
External supplies and services	213,37	222,42	230,98	239,38	247,10	252,86	258,07	260,47	262,39	261,04	259,27	256,04	254,37	251,25	249,66	246,63	245,12
Other costs	13,94	14,52	14,18	14,36	14,29	14,44	14,36	14,47	14,38	14,45	14,33	14,38	14,29	14,33	14,25	14,29	14,22
Impairment and provisions	(1,13)	3,23	(0,86)	3,37	(0,66)	3,49	(0,51)	3,57	(0,41)	3,59	(0,36)	3,56	(0,34)	3,53	(0,32)	3,51	(0,30)
Total OPEX	**412,70**	**429,02**	**433,36**	**448,55**	**452,36**	**464,82**	**466,08**	**475,04**	**472,93**	**477,95**	**472,02**	**475,08**	**469,37**	**472,60**	**467,12**	**470,52**	**465,24**
EBITDA	**60,69**	**58,28**	**62,94**	**62,89**	**68,59**	**67,60**	**72,80**	**70,58**	**74,95**	**71,29**	**74,60**	**70,10**	**73,49**	**68,73**	**72,22**	**67,21**	**70,79**
Depreciation	33,15	33,63	33,93	34,78	35,07	35,73	35,87	36,27	36,21	36,32	36,01	35,97	35,69	35,64	35,39	35,32	35,11
EBIT	**27,54**	**24,65**	**29,01**	**28,10**	**33,52**	**31,87**	**36,93**	**34,31**	**38,74**	**34,98**	**38,59**	**34,13**	**37,80**	**33,10**	**36,82**	**31,89**	**35,68**
EBIT (Total Group)	*38,71*	*32,60*	*37,51*	*36,40*	*43,04*	*41,06*	*47,22*	*44,24*	*49,68*	*45,52*	*50,04*	*44,98*	*49,37*	*44,24*	*48,70*	*43,42*	*47,92*
Corporate Income Tax	5,78	4,93	5,80	5,62	6,70	6,37	7,39	6,86	7,75	7,00	7,72	6,83	7,56	6,62	7,36	6,38	7,14
Municipal Surtax	0,41	0,37	0,44	0,42	0,50	0,48	0,55	0,51	0,58	0,52	0,58	0,51	0,57	0,50	0,55	0,48	0,54
State Surtax (Total Group)	1,89	1,43	1,78	1,68	2,28	2,10	2,66	2,39	2,88	2,50	2,91	2,45	2,85	2,39	2,79	2,31	2,72
SIFIDE Tax Credit	1,71	2,94	3,48	3,18	2,41	2,60	2,64	2,58	2,55	2,47	2,40	2,28	2,17	2,10	2,09	2,07	2,07
State Surtax Rate	*6,86%*	*5,82%*	*6,14%*	*5,98%*	*6,80%*	*6,59%*	*7,19%*	*6,96%*	*7,42%*	*7,15%*	*7,54%*	*7,19%*	*7,53%*	*7,21%*	*7,57%*	*7,25%*	*7,62%*
Effective Tax Rate	*23,15%*	*15,38%*	*15,63%*	*16,17%*	*21,12%*	*19,93%*	*21,55%*	*20,92%*	*22,33%*	*21,60%*	*22,83%*	*22,01%*	*23,28%*	*22,38%*	*23,39%*	*22,25%*	*23,31%*
SIFIDE Tax Savings	*21,13%*	*43,70%*	*43,45%*	*41,15%*	*26,37%*	*29,07%*	*24,87%*	*26,47%*	*22,79%*	*24,62%*	*21,38%*	*23,28%*	*19,80%*	*22,06%*	*19,56%*	*22,61%*	*19,93%*
NOPAT	**21,16**	**20,86**	**24,48**	**23,56**	**26,44**	**25,52**	**28,97**	**27,13**	**30,09**	**27,42**	**29,78**	**26,62**	**29,00**	**25,69**	**28,21**	**24,79**	**27,37**
											57,20		55,61				
(+) Depreciation	33,15	33,63	33,93	34,78	35,07	35,73	35,87	36,27	36,21	36,32	36,01	35,97	35,69	35,64	35,39	35,32	35,11
(-) CAPEX	-54,82	-34,93	-33,04	-40,44	-33,97	-39,02	-33,08	-36,60	-31,06	-33,30	-28,08	-31,11	-28,02	-30,53	-27,95	-29,97	-27,88
(-) Change in NWC	3,33	(13,41)	23,10	(17,24)	21,07	(22,37)	17,66	(27,56)	13,69	(31,99)	9,63	(11,14)	8,58	(2,56)	0,17	(2,39)	0,15
Free Cash Flow	**2,82**	**6,15**	**48,46**	**0,66**	**48,62**	**(0,15)**	**49,42**	**(0,76)**	**48,93**	**(1,55)**	**47,35**	**20,33**	**45,25**	**28,24**	**35,82**	**27,76**	**34,75**
Discounted Cash Flow	**2,73**	**5,76**	**43,89**	**0,58**	**41,22**	**(0,12)**	**39,22**	**(0,58)**	**36,34**	**(1,12)**	**32,92**	**13,68**	**29,45**	**17,78**	**21,82**	**16,36**	**19,82**
		54,62		49,28		49,27		48,17		45,79		65,58		64,06		62,51	
Invested Capital	77,27	93,52	72,53	96,81	77,68	105,30	88,40	118,97	104,36	136,83	124,24	126,91	124,05	126,41	123,86	125,94	123,70
ROIC		**27,00%**	**26,18%**	**32,48%**	**27,31%**	**32,85%**	**27,51%**	**30,69%**	**25,29%**	**26,28%**	**21,76%**	**21,42%**	**22,85%**	**20,71%**	**22,32%**	**20,02%**	**21,73%**
RONIC			**22,26%**	**4,39%**	**11,88%**	**4,83%**	**12,49%**	**10,87%**	**9,67%**	**18,25%**	**7,26%**	**25,11%**	**89,30%**	**115,55%**	**106,84%**	**134,21%**	**123,86%**

Appendix 9 - Discounted CashFlows for Grupo CTT ex-bank

Bank FCFE	S2'24	S1'25	S2'25	S1'26	S2'26	S1'27	S2'27	S1'28	S2'28	S1'29	S2'29	S1'30	S2'30	S1'31	S2'31	S1'32	S2'32
RWA	**1 059,13**	**1 109,39**	**1 151,26**	**1 188,73**	**1 224,00**	**1 257,82**	**1 290,81**	**1 322,95**	**1 354,38**	**1 384,84**	**1 414,46**	**1 450,12**	**1 489,08**	**1 529,77**	**1 571,99**	**1 615,14**	**1 659,34**
Total Own Funds	219,028	220,428	239,450	240,187	261,935	262,827	286,051	286,863	311,519	312,075	338,007	338,171	364,837	365,213	392,398	392,804	420,709
Net Income Applicable	12,777	9,866	10,556	10,603	11,882	11,494	12,621	12,307	13,162	12,863	13,625	13,027	13,802	13,404	14,157	13,811	14,501
Total Capital (before capital shortage/excess)	**231,80**	**230,29**	**250,01**	**250,79**	**273,82**	**274,32**	**298,67**	**299,17**	**324,68**	**324,94**	**351,63**	**351,20**	**378,64**	**378,62**	**406,55**	**406,61**	**435,21**
Total Capital Ratio	*21,9%*	*20,8%*	*21,7%*	*21,1%*	*22,4%*	*21,8%*	*23,1%*	*22,6%*	*24,0%*	*23,5%*	*24,9%*	*24,2%*	*25,4%*	*24,7%*	*25,9%*	*25,2%*	*26,2%*
Target Total Capital Ratio	22,0%	22,5%	22,5%	23,3%	23,3%	23,3%	23,3%	23,3%	23,3%	23,3%	23,3%	24,3%	24,3%	24,3%	24,3%	24,3%	24,3%
Target Total Capital	**233,01**	**249,61**	**259,03**	**277,33**	**285,56**	**293,45**	**301,15**	**308,64**	**315,98**	**323,08**	**329,99**	**352,81**	**362,29**	**372,19**	**382,46**	**392,96**	**403,72**
Free Cash Flow to Equity (considering no capital increase)	**(1,20)**	**(19,32)**	**(9,03)**	**(26,54)**	**(11,74)**	**(19,13)**	**(2,47)**	**(9,47)**	**8,70**	**1,86**	**21,64**	**(1,62)**	**16,34**	**6,42**	**24,09**	**13,65**	**31,49**
Total Capital (after capital shortage/excess)	**233,01**	**249,61**	**259,03**	**277,33**	**285,56**	**293,45**	**301,15**	**308,64**	**315,98**	**323,08**	**329,99**	**352,81**	**362,29**	**372,19**	**382,46**	**392,96**	**403,72**
Total Capital Ratio	*22,0%*	*22,5%*	*22,5%*	*23,3%*	*23,3%*	*23,3%*	*23,3%*	*23,3%*	*23,3%*	*23,3%*	*23,3%*	*24,3%*	*24,3%*	*24,3%*	*24,3%*	*24,3%*	*24,3%*
Discounted FCFE	**(1,15)**	**(17,58)**	**(7,84)**	**(21,97)**	**(9,27)**	**(14,41)**	**(1,78)**	**(6,49)**	**5,69**	**1,16**	**12,87**	**(0,92)**	**8,84**	**3,31**	**11,86**	**6,41**	**14,11**

Appendix 10 - Free CashFlow to Equity of Banco CTT

NPV	**319,74**
PV Terminal Value	**427,62**
Enterprise Value	**747,36**
Net Debt	**53,44**
Equity Value	**693,92**

Equity Value (Bank)	**167,23**
Total Equity Value	**861,15**

# Shares Outstanding (30.09.2024)	**138,44**

Share Price	**6,22 €**

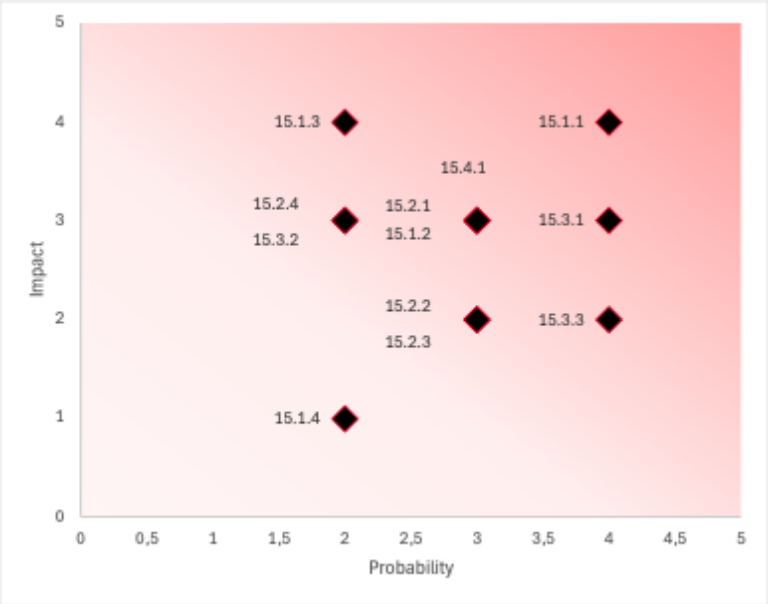
Appendix 11 - Final Valuation

Terminal Growth Rate \ WACC	4,83%	5,83%	6,83%	7,83%	8,83%
1,50%	8,47	6,87	5,86	5,15	4,63
1,70%	8,81	7,05	5,97	5,23	4,68
1,90%	9,19	7,26	6,09	5,30	4,74
2,1%	9,63	7,48	6,22	5,39	4,79
2,3%	10,14	7,73	6,36	5,48	4,85
2,5%	10,74	8,01	6,52	5,57	4,92
2,7%	11,45	8,32	6,69	5,68	4,99

Appendix 12 - Sensitivity Table DCF

Terminal Growth Rate	Cost of equity (Bank)				
	7,91%	8,91%	9,91%	10,91%	11,91%
1,50%	6,81	6,42	6,12	5,89	5,71
1,70%	6,88	6,46	6,15	5,91	5,73
1,90%	6,95	6,51	6,18	5,94	5,75
2,1%	7,02	6,56	6,22	5,97	5,77
2,3%	7,10	6,61	6,26	5,99	5,79
2,5%	7,18	6,67	6,30	6,02	5,81
2,7%	7,27	6,73	6,34	6,05	5,83

Appendix 13 - Sensitivity Table FCFE



Appendix 14 - Risk Heat Map

Bank Balance Sheet Forecasting

Assets																	
Cash and deposits at central banks	61.455	64.204	77.842	117.374	165.208	209.839	259.187	304.334	352.308	395.734	441.238	512.991	585.281	653.130	724.387	793.433	865.954
Baseline	61.455	64.204	66.971	69.705	72.439	75.118	77.777	80.367	82.909	85.353	87.736	91.122	94.609	98.114	101.723	105.365	109.099
% deposits	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*
Model	*0.000*	*0.000*	*10.871*	*47.669*	*92.769*	*134.721*	*181.410*	*223.967*	*269.399*	*310.381*	*353.502*	*421.869*	*490.673*	*555.016*	*622.664*	*688.069*	*756.855*
Deposits at other credit institutions	27.967	27.967	27.967	27.967	27.967	27.967	27.967	27.967	27.967	27.967	27.967	27.967	27.967	27.967	27.967	27.967	27.967
Financial assets at amortised cost	4 485.320	4 663.928	4 826.849	4 980.236	5 129.357	5 274.064	5 416.557	5 555.374	5 691.376	5 822.621	5 950.438	6 119.597	6 298.135	6 480.564	6 669.001	6 860.247	7 056.232
Investments at credit institutions	778.572	778.572	778.572	778.572	778.572	778.572	778.572	778.572	778.572	778.572	778.572	778.572	778.572	778.572	778.572	778.572	778.572
Loans and advances to customers	1 804.022	1 897.514	1 974.748	2 043.485	2 107.968	2 169.725	2 229.895	2 288.515	2 345.824	2 401.402	2 455.442	2 519.764	2 590.340	2 664.243	2 740.949	2 819.427	2 899.801
Debt securities	1 902.725	1 987.842	2 073.528	2 158.179	2 242.816	2 325.767	2 408.090	2 488.287	2 566.979	2 642.646	2 716.423	2 821.261	2 929.223	3 037.750	3 149.480	3 262.248	3 377.859
% deposits	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*	*48.1%*
Financial assets at fair value through profit or loss	13.942	13.942	13.942	13.942	13.942	13.942	13.942	13.942	13.942	13.942	13.942	13.942	13.942	13.942	13.942	13.942	13.942
Non-current assets and disposal groups classified as held	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other tangible assets	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244
Goodwill	60.679	60.679	60.679	60.679	60.679	60.679	60.679	60.679	60.679	60.679	60.679	60.679	60.679	60.679	60.679	60.679	60.679
Intangible Assets	21.185	21.185	21.185	21.185	21.185	21.185	21.185	21.185	21.185	21.185	21.185	21.185	21.185	21.185	21.185	21.185	21.185
Deferred tax assets	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608
Other assets	42.753	44.665	46.591	48.493	50.395	52.258	54.108	55.910	57.678	59.378	61.036	63.392	65.818	68.256	70.767	73.300	75.898
% deposits	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*	*1.1%*
Total Assets	**4 721.152**	**4 904.423**	**5 082.906**	**5 277.728**	**5 476.584**	**5 667.787**	**5 861.478**	**6 047.244**	**6 232.987**	**6 409.358**	**6 584.337**	**6 827.604**	**7 080.859**	**7 333.576**	**7 595.779**	**7 858.606**	**8 129.709**
Liabilities																	
Financial liabilities at fair value through profit or loss	14.109	14.109	14.109	14.109	14.109	14.109	14.109	14.109	14.109	14.109	14.109	14.109	14.109	14.109	14.109	14.109	14.109
Financial liabilities at amortised cost																	
Deposits from Customers	3 958.907	4 136.005	4 314.288	4 490.418	4 666.518	4 839.110	5 010.395	5 177.257	5 340.988	5 498.425	5 651.929	5 870.058	6 094.691	6 320.497	6 552.969	6 787.600	7 028.145
Debt securities issued	315.520	328.085	339.545	350.335	360.825	371.005	381.029	390.794	400.361	409.593	418.584	430.484	443.043	455.876	469.132	482.585	496.372
% financial assets	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*
Model	*23.553*	*20.369*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
Provisions	1.829	1.902	1.969	2.031	2.092	2.151	2.209	2.266	2.321	2.375	2.427	2.496	2.569	2.643	2.720	2.798	2.878
% financial assets	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Current tax liabilities	1.782	1.782	1.782	1.782	1.782	1.782	1.782	1.782	1.782	1.782	1.782	1.782	1.782	1.782	1.782	1.782	1.782
Deferred tax liabilities	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750	3.750
Other liabilities	110.442	97.294	95.781	93.019	93.341	90.219	89.922	86.697	85.925	82.711	81.517	81.659	83.847	84.446	86.689	87.542	89.732
% FSE	*461.5%*	*451.6%*	*441.5%*	*431.5%*	*421.4%*	*411.5%*	*401.4%*	*391.4%*	*381.3%*	*371.3%*	*361.2%*	*361.2%*	*361.2%*	*361.2%*	*361.2%*	*361.2%*	*361.2%*
Liabilities included in disposal groups classified as held for	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Liabilities	**4 429.893**	**4 603.297**	**4 771.224**	**4 955.444**	**5 142.417**	**5 322.126**	**5 503.195**	**5 676.654**	**5 849.236**	**6 012.744**	**6 174.098**	**6 404.338**	**6 643.791**	**6 883.103**	**7 131.150**	**7 380.166**	**7 636.768**
Equity																	
Share capital	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400
Legal reserves	4.830	6.954	6.954	8.996	8.996	11.245	11.245	13.657	13.657	16.203	16.203	18.852	18.852	21.535	21.535	24.291	24.291
Fair value reserves	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other reserves	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)	(0.344)
Retained earnings	(30.869)	(11.751)	(11.751)	6.629	6.629	26.866	26.866	48.570	48.570	71.491	71.491	95.330	95.330	119.477	119.477	144.282	144.282
Net income for the year	12.777	9.866	10.556	10.603	11.882	11.494	12.621	12.307	13.162	12.863	13.625	13.027	13.802	13.404	14.157	13.811	14.501
Total Equity	**291.260**	**301.126**	**311.682**	**322.285**	**334.167**	**345.661**	**358.282**	**370.589**	**383.751**	**396.614**	**410.239**	**423.266**	**437.068**	**450.472**	**464.629**	**478.440**	**492.941**
Net income	12.777	9.866	10.556	10.603	11.882	11.494	12.621	12.307	13.162	12.863	13.625	13.027	13.802	13.404	14.157	13.811	14.501
Var in assets	(250.522)	(183.271)	(167.613)	(158.024)	(153.756)	(149.251)	(147.001)	(143.209)	(140.311)	(135.389)	(131.857)	(174.901)	(184.451)	(188.373)	(194.556)	(197.422)	(202.317)
Var in liabilities	214.193	176.588	188.297	184.219	186.973	179.709	181.070	173.459	172.581	163.508	161.354	230.240	239.453	239.312	248.047	249.016	256.602
Change in Cash	**(23.553)**	**3.183**	**31.240**	**36.798**	**45.100**	**41.952**	**46.690**	**42.557**	**45.432**	**40.982**	**43.121**	**68.367**	**68.804**	**64.344**	**67.648**	**65.405**	**68.786**
Cumulative Change in Cash	**(23.553)**	**(20.369)**	**10.871**	**47.669**	**92.769**	**134.721**	**181.410**	**223.967**	**269.399**	**310.381**	**353.502**	**421.869**	**490.673**	**555.016**	**622.664**	**688.069**	**756.855**

Bank Own Funds Forecasting

Own Funds																	
Share capital	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400	296.400
Retained earnings	(30.869)	(30.869)	(11.751)	(11.751)	6.629	6.629	26.866	26.866	48.570	48.570	71.491	71.491	95.330	95.330	119.477	119.477	144.282
Legal reserves	4.830	4.830	6.954	6.954	8.996	8.996	11.245	11.245	13.657	13.657	16.203	16.203	18.852	18.852	21.535	21.535	24.291
Eligeble results	21.243	22.643	20.422	21.159	22.485	23.377	24.115	24.928	25.469	26.025	26.488	26.652	26.830	27.206	27.561	27.968	28.312
Other reserves	0.344	0.344	0.344	0.344	0.344	0.344	0.344	0.344	0.344	0.344	0.344	0.344	0.344	0.344	0.344	0.344	0.344
Prudential filters																	
Fair value reserves	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Additional valuation adjustment (AVA)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Deduction to common equity tier 1																	
Losses for the period	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Intangible assets	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)	(13.152)
% of intangible assets	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*	*62.1%*
Goodwill	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)	(60.679)
Adoption of IFRS 9	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)	(0.695)
Securisation deduction	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Deferred tax assets	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608	1.608
Common Equity Tier 1	**219.028**	**220.428**	**239.450**	**240.187**	**261.935**	**262.827**	**286.051**	**286.863**	**311.519**	**312.075**	**338.007**	**338.171**	**364.837**	**365.213**	**392.398**	**392.804**	**420.709**
Tier 1 Capital	**219.028**	**220.428**	**239.450**	**240.187**	**261.935**	**262.827**	**286.051**	**286.863**	**311.519**	**312.075**	**338.007**	**338.171**	**364.837**	**365.213**	**392.398**	**392.804**	**420.709**
Total Own Funds	**219.028**	**220.428**	**239.450**	**240.187**	**261.935**	**262.827**	**286.051**	**286.863**	**311.519**	**312.075**	**338.007**	**338.171**	**364.837**	**365.213**	**392.398**	**392.804**	**420.709**

Bank RWAs Forecasting

Credit Risk	**823.531**	**863.737**	**897.238**	**927.211**	**955.427**	**982.485**	**1 008.876**	**1 034.587**	**1 059.729**	**1 084.099**	**1 107.798**	**1 136.326**	**1 167.494**	**1 200.047**	**1 233.818**	**1 268.340**	**1 303.699**
Cash and deposits at central banks	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Deposits at other credit institutions	9.788	9.788	9.788	9.788	9.788	9.788	9.788	9.788	9.788	9.788	9.788	9.788	9.788	9.788	9.788	9.788	9.788
Financial assets at amortised cost																	
Investments at credit institutions	5.450	5.450	5.450	5.450	5.450	5.450	5.450	5.450	5.450	5.450	5.450	5.450	5.450	5.450	5.450	5.450	5.450
Loans and advances to customers	745.061	783.673	815.571	843.959	870.591	896.096	920.947	945.157	968.825	991.779	1 014.098	1 040.663	1 069.810	1 100.332	1 132.012	1 164.423	1 197.618
Debt securities	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Financial assets at fair value through profit or loss	9.759	9.759	9.759	9.759	9.759	9.759	9.759	9.759	9.759	9.759	9.759	9.759	9.759	9.759	9.759	9.759	9.759
Non-current assets and disposal groups classified as held	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other tangible assets	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244	6.244
Other assets	47.228	48.821	50.425	52.010	53.594	55.147	56.687	58.189	59.661	61.078	62.459	64.421	66.442	68.473	70.564	72.675	74.839
Operational Risk	**205.883**	**215.934**	**224.310**	**231.803**	**238.857**	**245.621**	**252.219**	**258.647**	**264.932**	**271.025**	**276.950**	**284.081**	**291.874**	**300.012**	**308.455**	**317.085**	**325.925**
CVA	29.716	29.716	29.716	29.716	29.716	29.716	29.716	29.716	29.716	29.716	29.716	29.716	29.716	29.716	29.716	29.716	29.716
IFRS 9 ajustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
RWA	**1 059.130**	**1 109.387**	**1 151.264**	**1 188.730**	**1 223.999**	**1 257.822**	**1 290.811**	**1 322.950**	**1 354.377**	**1 384.840**	**1 414.464**	**1 450.123**	**1 489.084**	**1 529.775**	**1 571.989**	**1 615.141**	**1 659.339**
	22.4%	22.6%	22.6%	22.5%	22.3%	22.2%	22.0%	21.9%	21.7%	21.6%	21.5%	21.2%	21.0%	20.9%	20.7%	20.6%	20.4%
Common equity tier 1 ratio	**20.7%**	**19.9%**	**20.8%**	**20.2%**	**21.4%**	**20.9%**	**22.2%**	**21.7%**	**23.0%**	**22.5%**	**23.9%**	**23.3%**	**24.5%**	**23.9%**	**25.0%**	**24.3%**	**25.4%**
Tier 1 capital ratio	**20.7%**	**19.9%**	**20.8%**	**20.2%**	**21.4%**	**20.9%**	**22.2%**	**21.7%**	**23.0%**	**22.5%**	**23.9%**	**23.3%**	**24.5%**	**23.9%**	**25.0%**	**24.3%**	**25.4%**
Total own funds ratio	**20.7%**	**19.9%**	**20.8%**	**20.2%**	**21.4%**	**20.9%**	**22.2%**	**21.7%**	**23.0%**	**22.5%**	**23.9%**	**23.3%**	**24.5%**	**23.9%**	**25.0%**	**24.3%**	**25.4%**

Appendix 15 – Bank Balance Sheet

Disclosures and Disclaimers

Report Recommendations

Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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INTRODUCTION

The postal market, a historically key component of state bureaucracy and economic activity, is now undergoing profound transformations driven by rapid digitalization, environmental considerations, and evolving consumer habits. Since the start of the millennium, letter volumes, the basis of traditional postal services, have faced steady declines, replaced by digital communication methods and paperless transactions. EU data shows annual declines of 7% in mail items between 2017 and 2021 with the total domestic letter European market shrinking by 43% since 2013 (European Commission 2022). At the same time, the parcel market is experiencing unprecedented growth, with an estimated EU CAGR for 2017-2020 of 14.5% (European Commission 2022), since fuelled by the pandemic's e-commerce boom, contributing to the reshaping of logistical priorities for postal operators worldwide. These contrasting trends present significant challenges, particularly for Universal Service Providers (USPs), who must balance the sustainability of declining mail with the surging demands of parcels.

In Europe, the Universal Service remains a cornerstone of postal regulation, ensuring accessible and affordable delivery services. However, its future is increasingly uncertain, as financial pressures faced by operators threaten its viability. Portugal's Universal Service, operated by CTT mirrors these trends, with growing pressure to adapt its regulatory framework to address financial and operational challenges of a shrinking mail market. Against this backdrop, this study explores potential reforms to the Portuguese Universal Service model and evaluates their effects on the final valuation of the Universal Service Provider, CTT.

LITERATURE REVIEW

Though models for a mailing Universal Service (US) vary across the continent, most EU member states USO's are rooted on the regulatory framework defined by the Postal Services Directive. First defined in 1997 and continuously amended since, it aims at harmonising national legislation concerning the topic, opening internal markets to competition and ensuring

the provision of an affordable, transparent and quality-driven service. Its text mandates member states to define universal service providers capable of handling and distribution of postal items lighter than to 2kg and parcels up to 10kg, five days a week, both national and cross-border levels. Tariffs must ensure affordability for users while guaranteeing the sustainability of the service, and member states are encouraged to establish quality standards based on delivery times and access point density to ensure service reliability.

In Portugal, the Universal Service largely adheres to these principles, with its provision entrusted to CTT and monitored by the Autoridade Nacional de Comunicações (ANACOM). CTT's actions in the Postal segment, including pricing policy and the location of its offices, are thus constrained by European regulations transposed into national law and by the terms of its Concession Contract, which reflect similar precepts. The service's financial sustainability has come under increasing pressure in recent years, reflecting broader trends observed across Europe.

In the face of an imminent threat to the sustainability of the Universal Service, several Europeans countries introduced reforms to alter the current structure and obligations of the service, often by setting less stringent standards or reducing unprofitable operations. Many of the strategies taken focus on the reduction of costs through the relaxation of frequency requirements. Although the Directive recommends a five-day-a-week service, countries such as Belgium have begun experimenting with alternate-day delivery for administrative and advertising mail, effectively delivering non-priority items to half the streets every other day, with minimal impact on user satisfaction. The agglutination of otherwise separate services is present, such as Finland's merger of non-priority and priority letters into a single two-day delivery service. Additionally, access points such as postal offices and letter boxes have been

significantly reduced, with the Dutch government halving their number in 2015 as part of its cost-cutting measures.

Revenue-boosting measures have also become essential to offset declining letter volumes, which disrupt established economies of scale and increase operational costs. In Sweden, for example, regulation now allows for increased price ceilings to account for inefficiency loses caused by declining quantities. The Portuguese regulator's own most recent price adjustment with CTT incorporates inflationary pressures as well as decreasing demand as determinants of future prices. Price discrimination has also been adopted by some, with countries like Italy significantly increasing prices for labour-intensive services, such as a 250% hike in 2015 for one-day delivery products.

A more radical approach was taken by the Danish government, who in 2023 chose to outright abolish the Postal USO, effectively leaving mail distribution in the hands of the market, though safeguarding distribution to small islands and visually impaired people. While this may be the result of very specific conditions that do not apply to most countries, considering Denmark's small population and land area as well as its rapid degree of digitalization, it underscores the dynamics present in the European market, from the increase of e-commerce expanding alternate operators' logistical networks to the greater need of state support for incumbent USPs.

METHODOLOGY

Our analysis will consider the effects of four specific changes to the framework under which CTT operates its mailing segment. These are: 1) A removal of the VAT exemption on postal services and goods under the USO umbrella; 2) A change in the frequency at which non-priority standard mail is delivered, from, at most, 3 days (D+3) to 4 days (D+4); 3) The installation of 50621 communal mailboxes (CBs) throughout Portuguese territory; 4) The removal of 5944 post boxes (PBs) throughout Portuguese territory. This model will assume the firm pursues a

renewal of its Universal Service Obligations following the Concession Contract's conclusion in 2028 and that the renewed contract is altered to fit the discussed changes, running from 2029 to 2032. Recognizant of the fact that contract negotiation may not result in an optimal outcome for the company, each change was modelled separately. The valuation for the referred years will be run on an annual basis.

All the changes proposed originate from an internal report requisitioned by CTT to an external consulting firm. This report covers an alternate valuation of the firm's activities for the year 2021, considering the hypothetical scenario under which CTT isn't contracted by the State with the provision of the Universal Service, operating instead under a regular postal licence. It should be noted that this report was prepared in the context of a legal dispute between CTT and the State regarding the alleged financial damage of the Pandemic on the company's accounts, having been used as evidence in the trial. Given the confidentiality of the original report, any values or methodologies used in the calculations of the final impact will be based on those made available in the final ruling of the case by the Supreme Administrative Court of Portugal.

The gains and loses presented in CTT's report were not included verbatim in our valuation, being instead scaled to the volume or revenue of the year in question in relation to its respective weight at the original report's date (2021), granting a more accurate sense of actual variations.

VAT EXEMPTION

The products sold by CTT under the USO umbrella benefit from a special VAT exemption under European regulation, designed to encourage "certain activities in the public interest", while ensuring the principle of affordability. However, this system distorts the internal postal market by allowing USPs to charge lower prices than their competitors. This is further highlighted in a study by the European Regulators Group for Postal Services (ERGP), which concluded that the exemption can, under certain conditions, become a burden to the USP. Factors such as market

demand elasticity, the firm's cost structure, and the share of clients able to deduct the tax determine whether the exemption's benefits outweigh its drawbacks. If the gains from increased demand are surpassed by the costs associated with being unable to deduct paid VAT, the exemption becomes counterproductive.

CTT's own analysis of abolishing the VAT exemption in 2021 supports this conclusion. The report estimated that while the loss associated with increasing prices (12.5M€) would be substantial, it could be countered by the reduction in costs due to decreased demand (3.6M€) and newly deductible VAT (10.2M€), resulting in a net gain of €1.3M.

With that said, the legality of removing VAT exemption on US products under European law is questionable as Article 132 of the VAT Directive enforces this exemption on postal services provided, or contracted, by the public sector. In fact, the Kingdom of Sweden was ordered to pay a fine in 2015 for continuing to apply the tax on postal products sold by its USP, with the European Court of Justice citing this piece of legislation. Some countries, however, have chosen to limit the scope of USO, lifting VAT exemptions in certain products, like in Latvia where it only applies to letters lighter than 50 grams.

While the legality of applying such a change to a USP is thus questionable we've chosen to consider it due to its potential for significant financial impact. Our model will lift the VAT exemption on Transactional and Editorial mail, as well as Parcels (USO), applying a 23% rate, standard for postal services. We will further consider that VAT is paid on all Operating Costs excluding Staff. We'll follow the report's percentages, assuming 20% of VAT costs have already deducted, computing, in relation to costs, the total value of VAT paid and hence gains from new VAT deductions. The reduction in volume resulting from the increased prices was measured at 3.3%, while efficiency gains are measured at 0.14% of total volume.

STANDARD MAIL DELIVERY FREQUENCY CHANGE

According to ANACOM's quality indicators, standard, non-priority items must arrive at their destination, at most, three days after their expedition (D+3). Taking countries such as Finland and Italy as an example, the report considers the effects of changing the maximum delivery of this kind of mail to at most four days (D+4), concluding savings of 4.2M€ through more efficient routing and the transfer of traffic towards the most expensive registered mail. In our model, this value was determined at 0.87% of total letter volume.

INSTALLATION OF COMMUNAL MAILBOXES

Point 5 of Article 12th of the Portuguese Postal Law dictates that USPs must ensure the distribution of postal items preferentially at the house of the recipient, allowing deliveries to occur in other appropriate places under circumstances defined by the Regulator. It is under this clause that CTT operates communal mailboxes, blocks of individual mailboxes placed in a common area of frequent access to users, like the top of streets or bus stops. The firm currently operates over 115,892 of these, mainly in rural, low density or seasonal residence areas actively allowing staff to deliver several mail items at once, reducing associated distribution costs. The report predicts that if optimal rates were achieved, the network of CBs could be expanded by 50,621, with an average saving per CB of 42.45€, considering operating expenses. In our model, the operation of new CBs was included in the firm's tangible assets, accounting for capital expenditures in the year of their installation. Each CB was valued at 38€, the value of an individual mailbox sold at CTT's website, accounting for an initial expense of 1.92M€. Savings per CB were conditional on the period's volume.

REMOVAL OF POST BOXES

As the Universal Service Provider, CTT is expected to abide by density standards regarding the location of its offices as well as the placement of Post Boxes. The regulator's set objective regarding the latter dictates the existence of at least one Post Box per 1100 inhabitants, with

differing specific objectives concerning demographical concentration. As a result, CTT has over 10000 Post Boxes at its disposal, at an approximate ratio of 1 PB per 1034 inhabitants, being responsible for ensuring the continuous collection of items and maintenance. Calculations done in the report indicate that over 5944 of these are unprofitable associating a reduction in costs of 0.7M€ with their removal. This would be countered by a reduction in revenues of 0.4M€, netting a final gain of 0.3M€. In our model, the associated volume loss was of 0.10% while the cost reduction gains in terms of volume were determined at 0.12%.

RESULTS

Overall, every measure contributes positively to the final valuation resulting in a 5.57% increase in share price, from 6.20 to 6.55 if all four are considered. When taken individually, the lifting of VAT exemptions is shown to have the largest effect at 3.62%, followed by the change in delivery frequency (1.43%), the installation of communal boxes (0.71%) and the removal of postal boxes (0.15%).

For the 4 years analysed (2019-2032) – considering the implementation of the four proposals – the total reduction in volume compared to the baseline scenario is of 29.5 million letter items, resulting in a revenue depression of around 25,0M€. This is countered, though not fully, by the reduction of Operating Costs in 21.6M€, resulting from efficiency gains and demand shrinkage. The increased asset base resulting from the installation of CBs soars depreciation by 2.0M€ while the larger pool of VAT received increases CTT's deduction ability, allowing it to effectively deduct 100% of VAT paid during the period and amounting to gains of 27.8M€. Overall, over the 4 years, the company saves upwards of 22.4M€ at a Net Present Value of 14M€.

Final EBIT (including VAT exemption) for 2029 moves from 1.2M€ to 4.1M€, with this increase being even more significant for 2030 (1.7M€ to 8.6M€), but becoming less pronounced

in the following two years. While under the old scenario, EBIT grows slowly over the 4-years, with the 4 proposals in place EBIT grows by a lot in 2029 and 2030, due to the initial impact of the measures, but then stagnates.

This could be related to inefficiencies associated with the VAT rate. The more cost-saving measures are applied to the model, the less efficient lifting the VAT exemption becomes at 23%. The optimal, share price maximizing, VAT rate ranges from 19.9% if only this measure is in place to 19.0% if all four are considered. This can be explained by the mismatch between VAT Paid and VAT Received as, for values above the optimal, more VAT is received from sales than what can be deducted, resulting in unnecessary reductions in demand as no extra gain is achieved.

SENSITIVITY

A sensitivity analysis (SA) was performed on each proposal to gauge at how volatility in our assumptions could affect the model, scaling variables accordingly. For the "No VAT Exemption" SA, the VAT rate was compared to a multiplier of volume reduction. Exceptionally, two SAs were run for this measure: the considered scenario where all 4 changes are included, and an alternate where VAT exemption stands on its own. Given its larger marginal effect, these SAs are the most responsive to change, despite variations of 10% in volume reduction only netting a difference of approximately 1.5 cents on share price. Especially notable in Table 2 (See Appendix), is the aforementioned existence of an optimal VAT rate around which values converge. The "Frequency Change" SA is unidimensional due to the lack of other drivers. Changes of 10% in the variable associate with change of .7 cents in the final valuation. As for the "Installation of CBs" the total percentage of capacity installed was measured against the individual cost of a box. The latter was varied widely to reflect unconsidered prices of installation but proved to be less relevant than how much of the network was put in place. Variations of 15% in this percentage account for changes of .5 cents in the final value.

Regarding the "Removal of PBs" SA, the desired density of inhabitants per PB was compared against a volume multiplier. The firm gains are almost too insignificant as moving from the current standards of 1100 inhabitants per PB to its desired 2550 nets it only an extra half cent on average.

LIMITATIONS

Questions regarding the validity of the values considered could be raised in two fronts. First, are market conditions at the time of the contract's renewal comparable to those in 2021, when the report was created? Unaccounted-for changes in demand elasticity, competitive structure or the firm's internal cost model could render our assumptions unreliable. The scenario reflected by our model is also distinct from the one presented in the report which suggests the ceasing of Universal Service Obligations while we merely forecast for its amending. The second question relates to the reliability of the original data itself. As noted, the values used in this analysis were derived from a report commissioned by CTT during a judicial proceeding, serving as primary evidence in its demand for compensation from the Portuguese State. A possible conflict of interests could have resulted in the report exaggerating potential gains from the ceasing of USO activities, favouring CTT's case. The final decision of the judge underscores this concern, highlighting that the report's model assumes an inaccurate scenario of perfect competition, despite the company's 90.1% market share, which allows it to actively "benefit" from providing services in a "reserved manner".

Lastly, the underlying assumption that CTT will renew its current contract is not questioned, when perhaps a true counterfactual model, measuring gains and losses resulting from ceasing obligations by 2029 should be considered as a comparable. While the presented measures are a starting point, they are in no way an exhaustive list of the different conditions under which the firm would operate as they fail to consider structural changes in cost structures enforced by quality standards.

CONCLUSIONS

The likelihood of these changes being implemented remains dubious. CTT's recent performance in meeting quality standards (IQS) has been abysmal, achieving none of the 22 IQS targets in 2022 and only one in 2023. This issue predates the pandemic, as the company managed to meet only one out of 24 IQS targets in 2019. While this track record may suggest that ANACOM's standards are excessively stringent, warranting a review of Universal Service obligations, it also weakens CTT's position during negotiations. The persistent failure to meet quality benchmarks erodes goodwill and diminishes the leverage of a service already grappling with declining performance. This is compounded by the threat these changes pose to the core tenets of the Universal Service, mainly its affordability and accessibility, from the increased prices, to potentially making the service less available to disfranchised sectors of the population. Though most of them have a precedent in the continent, such changes would be heavily scrutinized and criticized by consumer protection agencies and European authorities alike, highly unpopular with mail users, and potentially accelerate the service's decline.

The positive, if marginal, results of this analysis highlight, however, the need for regulatory action to counteract broader market trends. As the volume of mailing items continues its decrease, USPs lose previously established economies of scales, resulting in ever less efficient and more costly operations. The previously established delivery frequency standards or density requirements become outdated, converting into hefty burdens in the face of a market where letters have lost its past relevance. The demand for ingenious and innovative strategies that balance the precepts of the Universal Service while ensuring its continued sustainability grows, with regulators and USPs playing determinant roles. Ultimately, this study underscores that the future of Portugal's and Europe's Universal Services cannot rely solely on isolated adjustments but on coordinated legislative action, regulatory flexibility and operational ingenuity.

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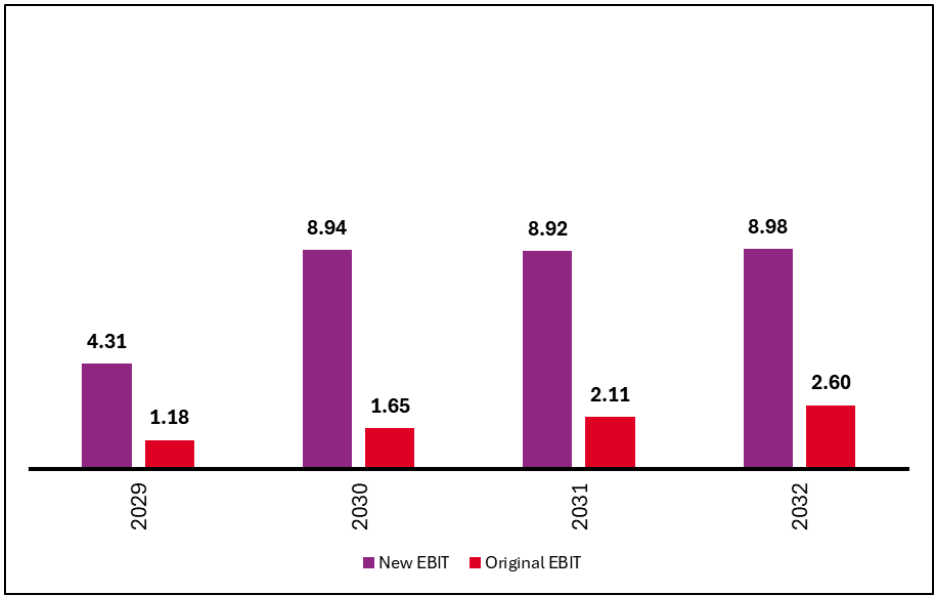
APPENDIX:

GRAPH 1 – EBIT EVOLUTION



GRAPH 2 – PROPOSALS EFFECT ON INITIAL EBIT

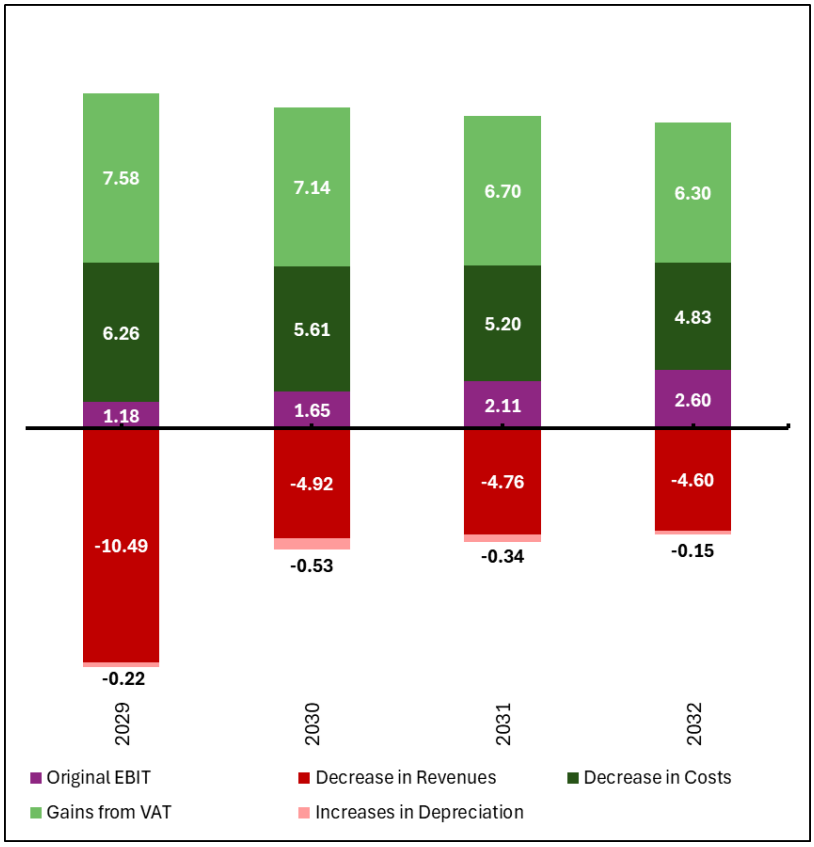


TABLE 1 – SENSITIVITY ANALYSIS FOR NO VAT EXEMPTION (4 PROPOSALS APPLIED)

Sensitivity Analysis - No VAT Exemption						
		Vat Rate				
		19%	21%	23%	25%	27%
Volume Multiplier	0.8	6.59	6.58	6.57	6.56	6.55
	0.9	6.57	6.57	6.56	6.55	6.54
	1	6.56	6.56	6.55	6.53	6.52
	1.1	6.55	6.54	6.53	6.52	6.50
	1.2	6.54	6.53	6.52	6.50	6.49

TABLE 2 - SENSITIVITY ANALYSIS FOR NO VAT EXEMPTION (ONLY VAT EXEMPTION)

Sensitivity Analysis - No VAT Exemption						
		Vat Rate				
		19%	21%	23%	25%	27%
Volume Multiplier	0.8	6.45	6.46	6.45	6.44	6.43
	0.9	6.44	6.45	6.44	6.43	6.42
	1	6.43	6.43	6.42	6.41	6.40
	1.1	6.42	6.42	6.41	6.40	6.38
	1.2	6.40	6.41	6.40	6.38	6.37

TABLE 3 – SENSITIVITY ANALYSIS FOR DELIVERY FREQUENCY CHANGE

Sensitivity Analysis - Delivery Frequency Change (D+3 to D+4)					
0.69%	0.78%	0.87%	0.95%	1.04%
6.53	6.54	6.55	6.55	6.56

TABLE 4 - SENSITIVITY ANALYSIS FOR INSTALLATION OF COMMUNAL BOXES

Sensitivity Analysis - Installation of Communal Mailboxes						
		%of capacity installed				
		55%	70%	85%	100%	115%
Individual Cost of CB	19	6.53	6.53	6.54	6.55	6.55
	38	6.53	6.53	6.54	6.55	6.55
	76	6.53	6.53	6.54	6.54	6.55
	152	6.53	6.53	6.54	6.54	6.55
	304	6.52	6.53	6.53	6.54	6.54

TABLE 5 - SENSITIVITY ANALYSIS FOR REMOVAL OF POSTAL BOXES

Sensitivity Analysis - Removal of Postal Boxes						
		Desired Density Value				
		1100	1500	2000	2550	3000
Volume Multiplier	0.5	6.54	6.54	6.55	6.55	6.55
	0.75	6.54	6.54	6.54	6.55	6.55
	1	6.54	6.54	6.54	6.55	6.55
	1.25	6.54	6.54	6.54	6.54	6.54
	1.5	6.54	6.54	6.54	6.54	6.54

TABLE 6 – REVENUE FORECAST (4 PROPOSALS)

	2028	2029	2030	2031	2032
Transactional Mail	247.37	220.53	203.45	187.70	173.17
Net Price	1.206	1.261	1.342	1.403	1.467
Price with VAT		1.551	1.651	1.726	1.804
ANACOM Formula Growth		4.52%	6.48%	4.52%	4.52%
Transactional Mail Revenues	298.40	342.00	335.95	323.94	312.36
Editorial Mail	17.88	16.15	15.10	14.11	13.19
Net Price	0.563	0.584	0.617	0.641	0.665
Price with VAT		0.718	0.759	0.788	0.817
ANACOM Formula Growth		3.74%	5.73%	3.74%	3.74%
Editorial Mail Revenues	10.06	11.60	11.47	11.12	10.79
Advertising Mail	17.61	16.08	14.69	13.43	12.28
Net Price	0.633	0.665	0.700	0.735	0.772
Price with VAT		0.665	0.700	0.735	0.772
ANACOM Formula Growth		5.06%	5.11%	5.06%	5.06%
Advertising Mail Revenues	11.15	10.70	10.28	9.87	9.48
		10.709	10.283	9.874	9.482
		-0.01	0.00	0.00	0.00
Parcels (USO)		13.13	13.01	12.88	12.76
Other		110.09	115.34	120.60	125.87
Total Received		490.53	489.03	481.38	474.19
VAT		69.14	67.95	65.62	63.36
Total Revenue		421.39	421.08	415.76	410.83
Difference		-10.49	-4.92	-4.76	-4.60

TABLE 7 – COSTS FORECAST (4 PROPOSALS)

	2028	2029	2030	2031	2032
Staff costs		318.47	317.61	316.75	315.89
Number of employees		10567	10434	10303	10173
% employee growth		-0.013	-0.013	-0.013	-0.013
Cost per employee		0.030	0.030	0.031	0.031
Revenue per employee		0.040	0.040	0.040	0.040
		57.43	53.00	48.91	45.13
External supplies and services		55.61	51.32	47.36	43.70
As a % of Volume		22.00%	22.00%	22.00%	22.00%
		16.90	16.78	16.67	16.56
Other costs		16.64	16.62	16.41	16.22
As a % of revenues		3.95%	3.95%	3.95%	3.95%
		-0.76	-0.76	-0.75	-0.74
Impairment and provisions		-0.75	-0.75	-0.74	-0.73
As a % of revenues		-0.18%	-0.18%	-0.18%	-0.18%
Internal services rendered		0.00	0.00	0.00	0.00
As a % of revenues		0.00%	0.00%	0.00%	0.00%
	Efficiency Gains	-3.99	-3.68	-3.40	-3.14
	From No VAT Exemptior	-0.37	-0.34	-0.31	-0.29
	From Frequency Chang	-2.19	-2.02	-1.87	-1.72
	From BRIC/BCCI	-1.12	-1.03	-0.95	-0.88
	From Removed Postal E	-0.32	-0.29	-0.27	-0.25
Operating Costs		385.97	381.11	376.38	371.95
	Difference	-6.26	-5.61	-5.20	-4.83
EBITDA		35.42	39.96	39.38	38.88
	Difference	-5.65	-1.01	-1.52	-2.01
Depreciation/amortisation and impairment of investm		40.11	39.85	39.12	38.44
As a % of tanginble assets		18.99%	18.95%	18.91%	18.87%
EBIT Recurring		-4.70	0.11	0.26	0.45

TABLE 8 – GAINS FROM VAT (4 PROPOSALS)

Total VAT Paid (100%)	9.48	8.92	8.38	7.87
Original Deducted (20%	1.90	1.78	1.68	1.57
Remaining Undeducted	7.58	7.14	6.70	6.30
Newly Received VAT	8.30	8.15	7.87	7.60
	107.50%	111.41%	114.01%	116.57%
VAT Deduction Gains	7.58	7.14	6.70	6.30
Final EBIT	2.89	7.25	6.96	6.75
Difference	1.71	5.60	4.84	4.14

TABLE 9 – FINAL DCF VALUATION

Group W/o Bank Discount Cash Flow Model	5.5 31/12/2029	6.5 31/12/2030	7.5 31/12/2031	8.5 31/12/2032
Mail Revenue	421.39	421.08	415.76	410.83
Express & Parcels Revenue	623.12	620.48	617.86	615.27
Financial Services & Retail F	40.87	41.56	42.29	43.06
Total Revenue	**1 085.38**	**1 083.12**	**1 075.91**	**1 069.16**
Staff Costs	397.66	402.16	407.03	412.29
External supplies and servic	518.49	508.73	499.35	490.32
Other costs	28.52	28.62	28.54	28.48
Impairement and provisions	3.23	3.22	3.22	3.22
Efficiency Gains	(3.99)	(3.68)	(3.40)	(3.14)
Total OPEX	**943.91**	**939.05**	**934.74**	**931.17**
	949.97	944.45	939.73	935.77
EBITDA	**141.47**	**144.07**	**141.17**	**137.99**
Depreciation	72.60	72.21	71.36	70.54
EBIT	**76.46**	**78.99**	**76.51**	**73.74**
EBIT Total	**98.45**	**101.41**	**99.54**	**97.51**
Corporate Income Tax	15.29	15.80	15.30	14.75
Municipal Surtax	1.15	1.18	1.15	1.11
State Surtax	7.27	7.53	7.36	7.18
SIFIDE Tax Break	4.85	4.58	4.28	4.05
	7.17%	7.23%	7.03%	7.03%
NOPAT	**57.60**	**59.06**	**56.98**	**54.75**
	57.20	55.61	53.90	52.15
(+) Depreciation	72.60	72.21	71.36	70.54
(-) CAPEX	63.30	60.89	57.59	56.98
(-) Change in NWC	22.36	2.56	2.39	2.24
Free Cash Flow	**44.54**	**67.81**	**68.36**	**66.09**
	45.79	65.58	64.06	62.51
Discounted Cash Flow	**30.97**	**44.13**	**41.64**	**37.69**

WACC	6.83%
Perpetuity growth rate	2.10%

Tax Rate		
Corporate Income Tax		20.00%
Municipal Surtax		1.50%
State Surtax		
1	7.5	3.00%
7.5	35	5.00%
35		9.00%

NPV	323.46
PV Terminal Value	463.74
Enterprise Value	787.20
Net Debt	53.44
Equity Value	733.75
Equity Value (Bank)	168.15
Total Equity Value	901.90
# Shares Outstanding (30.09.2024)	137.66
Share Price	6.55