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Ctt Portugal: Beyond the Envelopes -
An Analysis of Ctt's Dividend Policy

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Abstract

This thesis presents 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 ex-bank, and free cash flow to equity (FCFE) for Banco CTT, along with multiples valuation, Monte Carlo simulations, sensitivity and scenario analyses.

Additionally, the individual section examines CTT Portugal's dividend policy, analyzing its historical dividend distribution and evaluating its sustainability using established frameworks. Valuations through FCFE and DDM models lead to a recommendation for an optimal dividend policy from 2025 to 2032, which balances returns with growth and stability.

Keywords

Equity Research, CTT Portugal, Dividend Policy, Corporate Finance

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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.

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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).

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

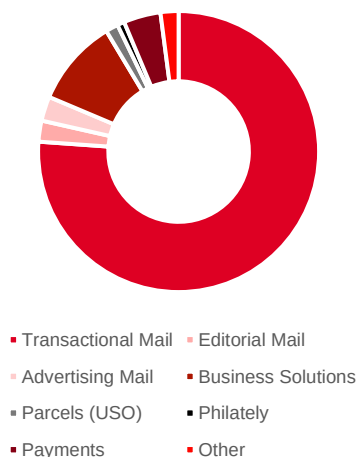
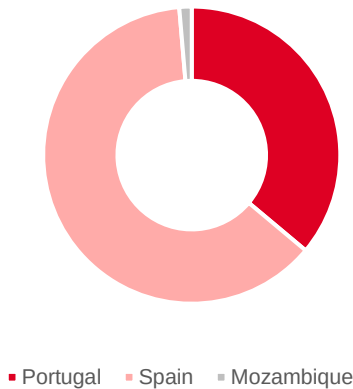


Figure 2 - Distribution of revenues in "Express & Parcel" segment



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 customer'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

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

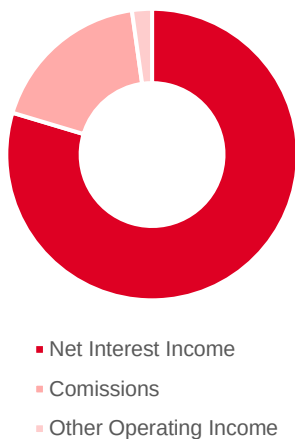
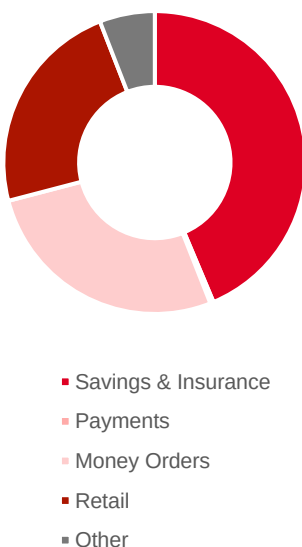


Figure 4 - Distribution of revenues in "Financial Services & Retail" segment



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.

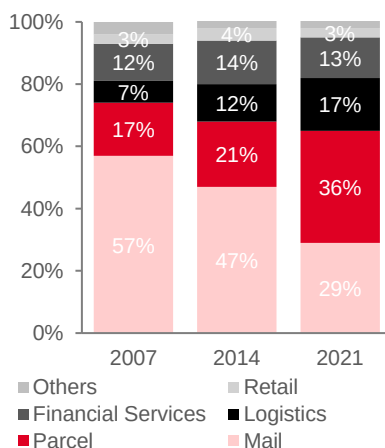
2.1 POSTAL SEGMENT

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.

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)

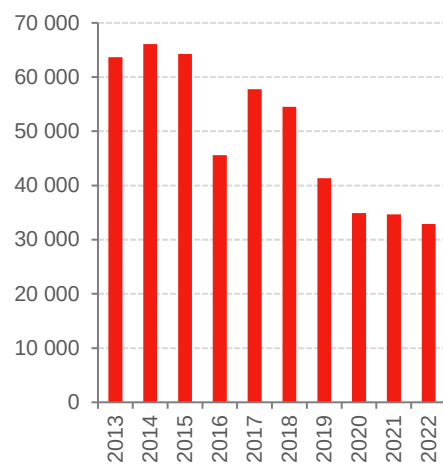
Additionally, this industry is particularly vulnerable to fluctuations in fuel and energy prices due to its dependence on transportation for both last-mile delivery

Figure 5 - Evolution of Postal Industry



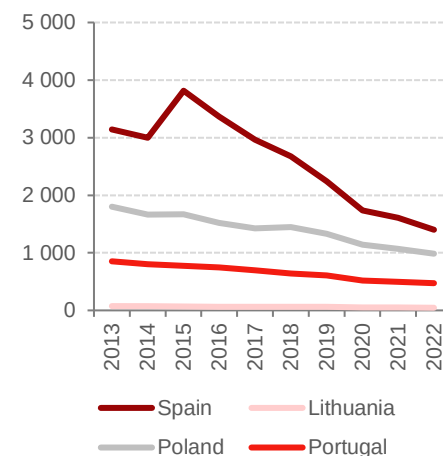
Source: Accenture Report

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



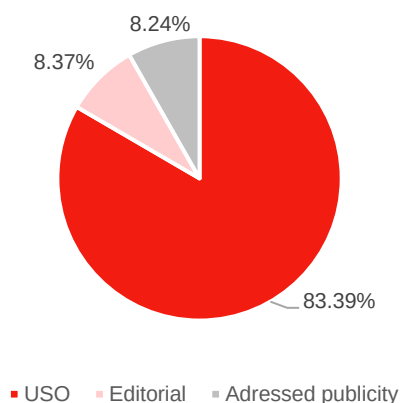
Source: Eurostat

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

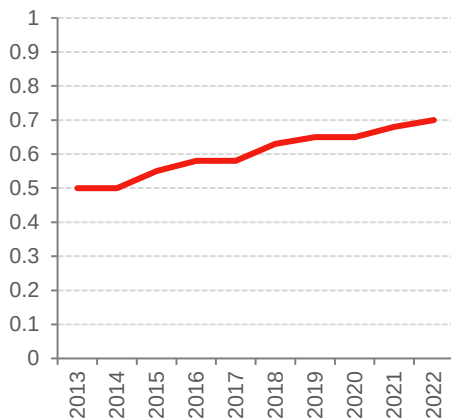
and long-haul shipping. The escalation of fuel costs in Europe, intensified by the Russian invasion of Ukraine, has increased operating costs for the whole sector, jeopardizing profit margins by driving up shipping expenses. In response, many firms like CTT are prioritizing investments in fleet electrification 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

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

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

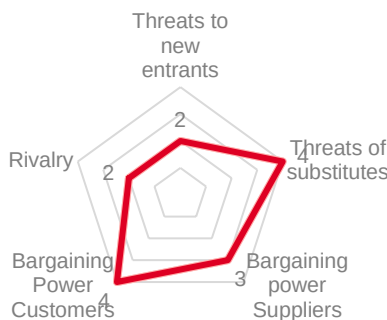
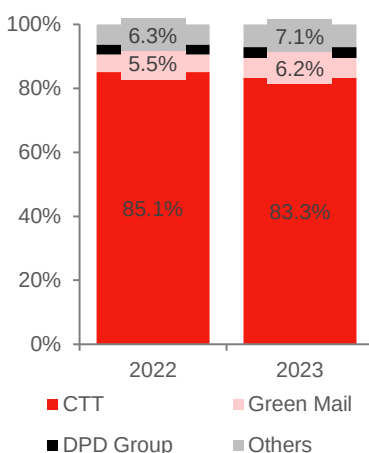


Figure 2 – Portuguese Market Share of Mail Segment



Source: ANACOM

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

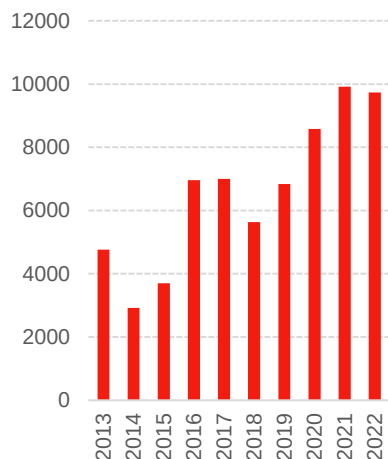


Figure 13 - Evolution of the Parcel Market in Portugal and comparable countries (in millions)

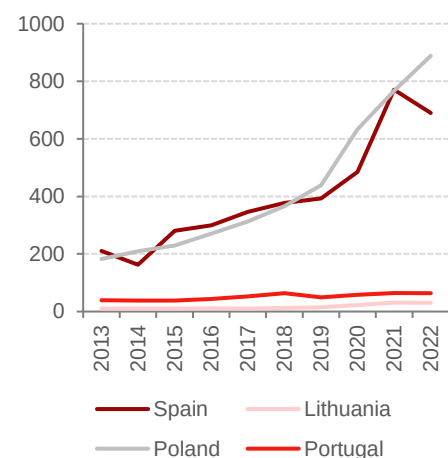
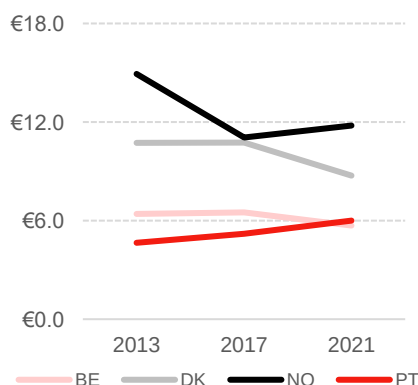


Figure 14 - Price Evolution of a 1kg Parcel in Portugal and comparable countries (in €)



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.

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

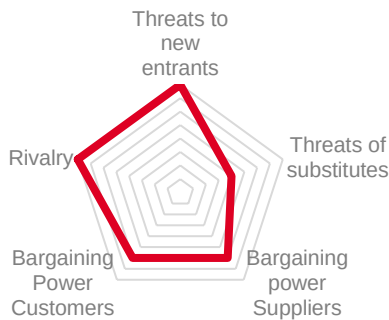
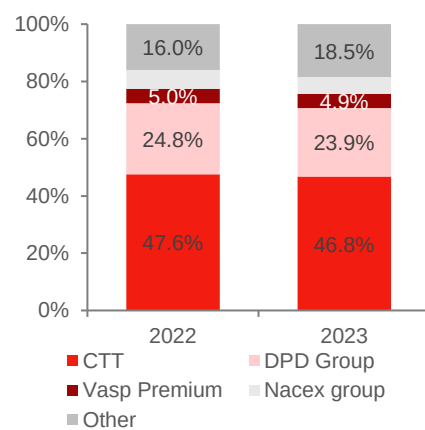
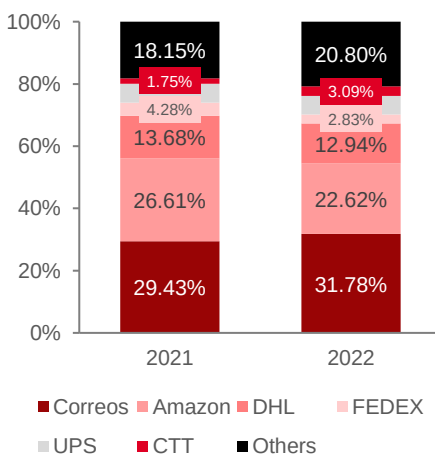


Figure 16 - Portuguese Market Share of Parcel Segment



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.

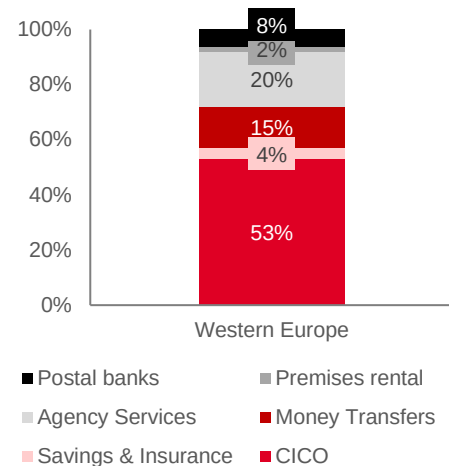
Buyer power is high, driven by the bargaining leverage of e-commerce giants and individual consumers. Suppliers, including fuel and labour providers, exert moderate influence, particularly as sustainability concerns and fluctuating fuel prices shape operational costs. Industry rivalry is intense, with 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

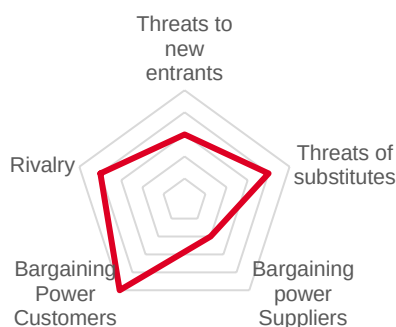
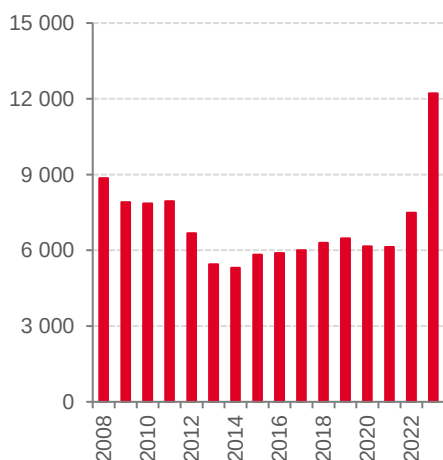


Figure 20 - Total Net Interest Income of the Portuguese Banking Industry (in millions)



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.

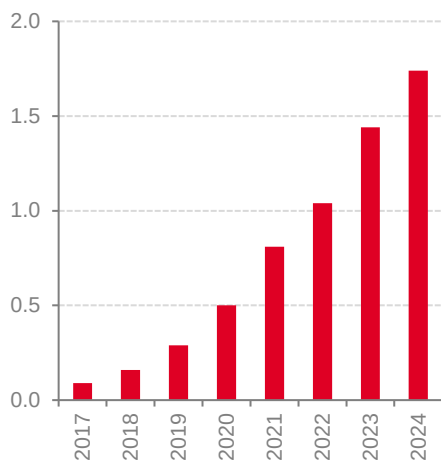
Other financial sub-segments contribute minimally to the Portuguese market and do not warrant significant consideration for further analysis.

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.

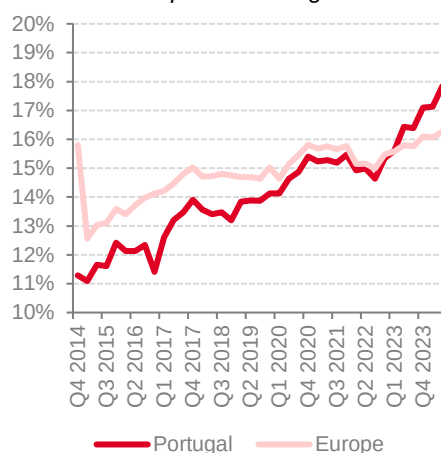
The threat of new entrants is moderate, driven by a rise of fintech companies offering innovative and alternative solutions to conventional banking with lower operational costs. On the other hand, regulatory requirements and capital constraints still act as significant barriers to entry. The bargaining 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)



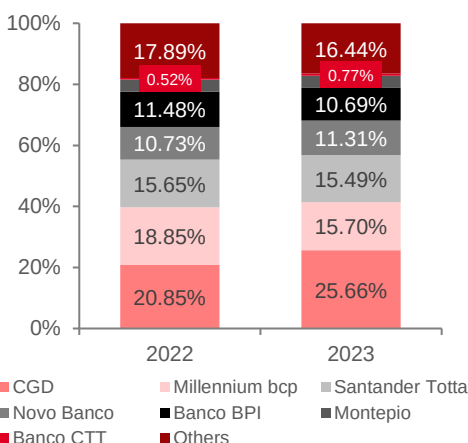
Source: Statista

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.

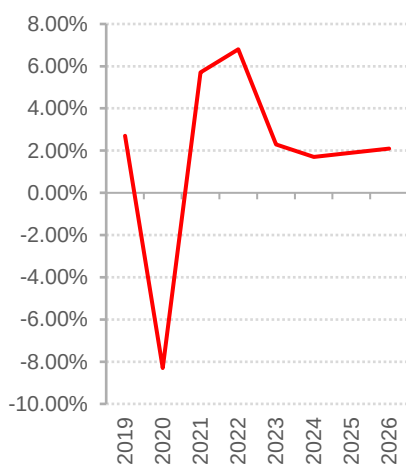
3.1.1 PORTUGAL

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.

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

Figure 24 – Evolution of Portuguese GDP Growth

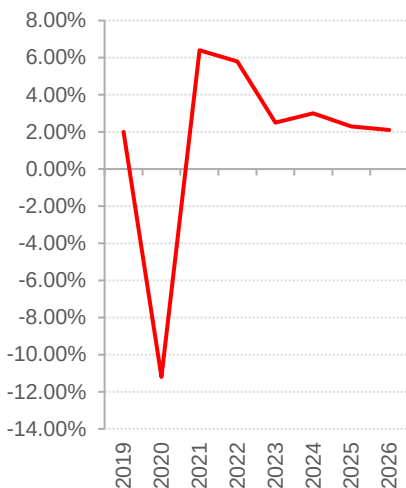


Source: Banco de Portugal

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.)

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 26 – Inflation rate in Portugal

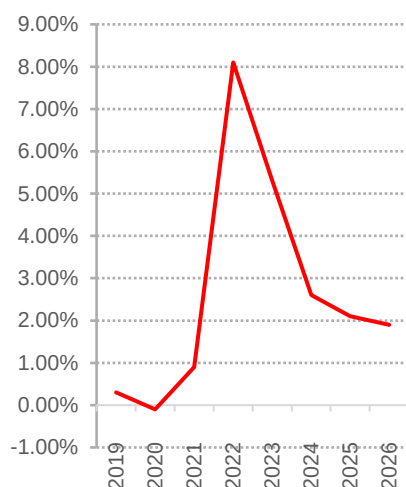
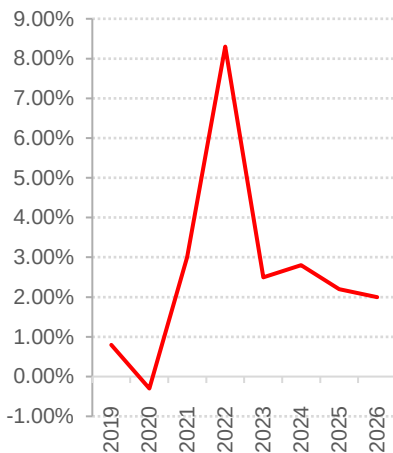


Figure 27 – Inflation Rate in Spain



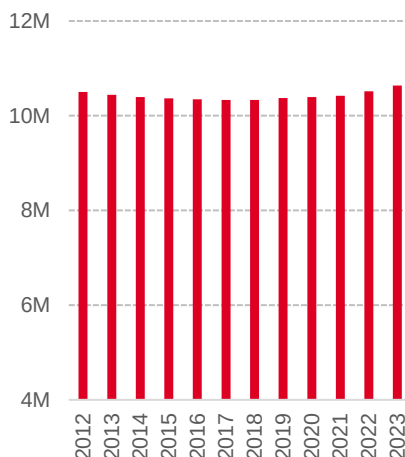
However, in 2022, inflation reached its highest levels in 30 years, with the HICP at 8.1% in Portugal and 8.3% in Spain, primarily due to rising international energy and food prices, caused by the Ukraine-Russia conflict. Europe's reliance on Russian energy led to escalating oil and gas prices. Additionally, 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

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).

Figure 28 – Portuguese Population



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)

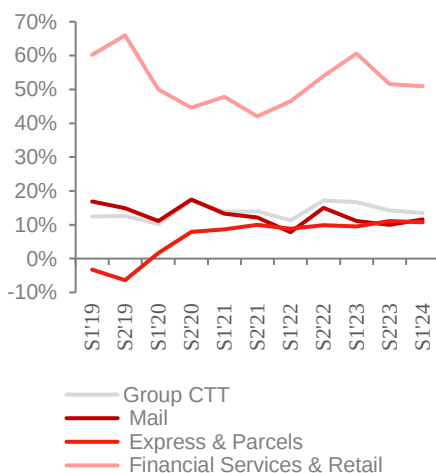
Throughout 2023, the ECB remained focused on returning inflation to its medium-term target of 2%. Thus, the cycle of increasing interest rates, which began in July 2022, continued until September 2023. Moreover, the ECB Governing Council announced plans to cut the PEPP portfolio by an average of €7.5 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)

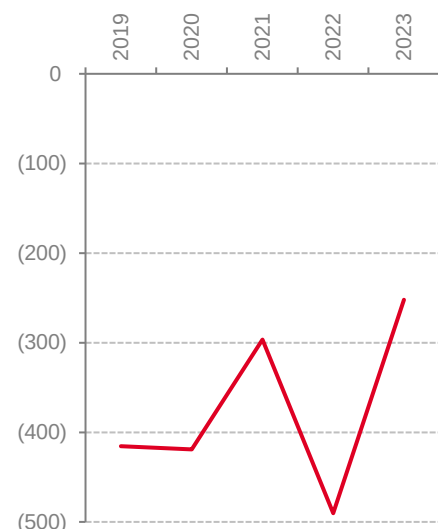


Figure 31 – Historical Liquidity Ratios

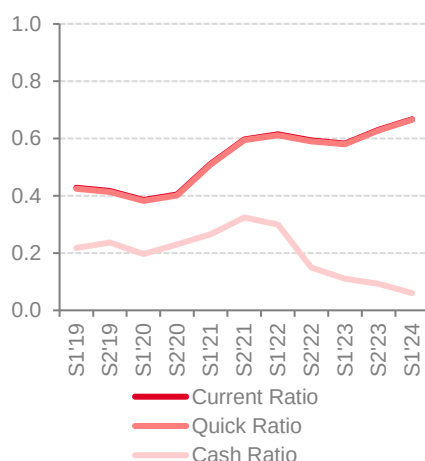
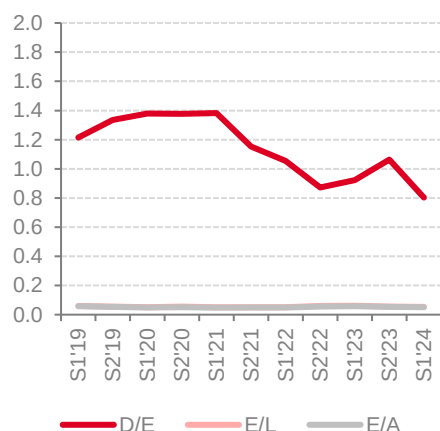


Figure 32 – Historical Debt-to-Equity and leverage ratios



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.

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).

Figure 33 – Historical Bank Ratios

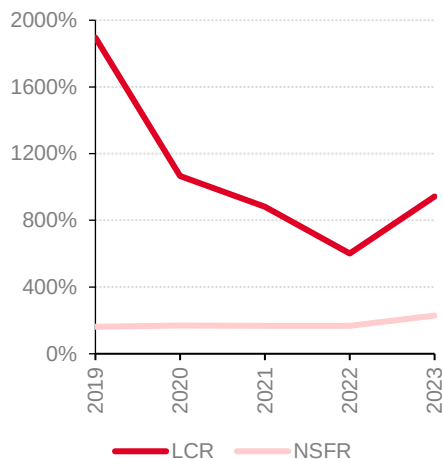
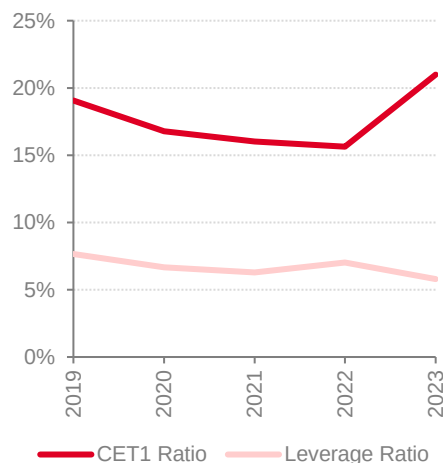


Figure 34 – Historical CET1 and Leverage Ratios



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 Generali, 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

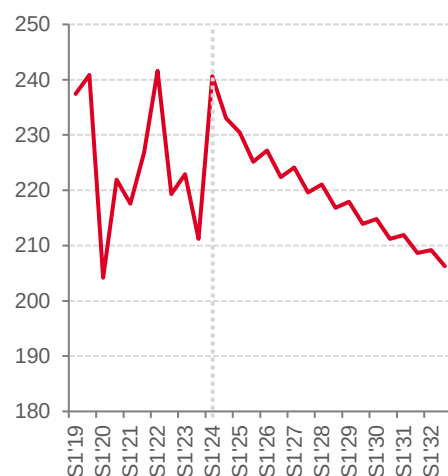
its characteristics to warrant a separate analysis all together. The disaggregation of Balance Sheets will also be helpful given the current's heavy skew towards the asset-intensive bank offers a severely distorted image of remaining operations. Financial Services & Retail were not included in Banco 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%

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 0¹. 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

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

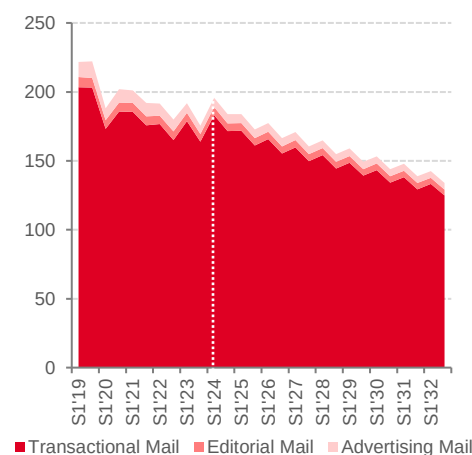
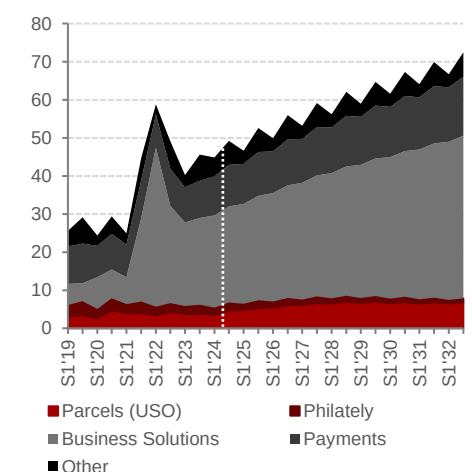


Figure 37 – Evolution of the remaining parts of the segment (in millions of €)



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.

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

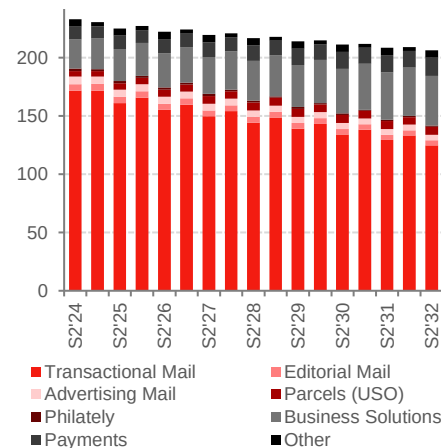


Figure 39 – Historical Revenues from Parcel segment (in millions €)

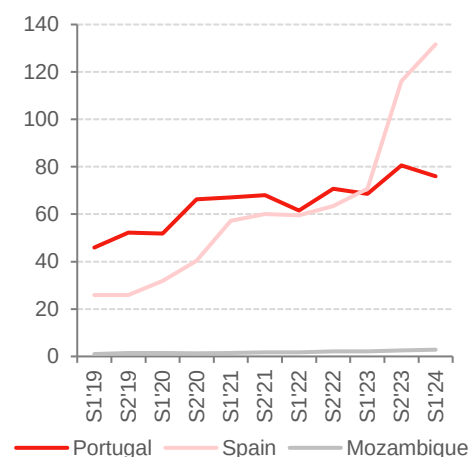


Table 2– Growth of the Parcel Market in Portugal and Comparable GDP Countries

Portugal	CAGR	
	2012-2017	2017-2022
GDP per capita		
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%

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

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

Spain	CAGR	
	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%

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

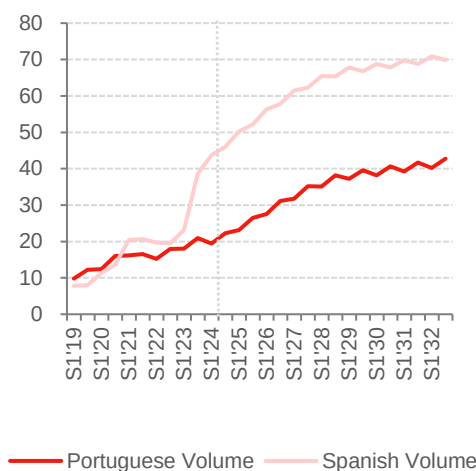


Figure 41 – Forecast of the Express & Parcels segment per region of operation (in millions of €)

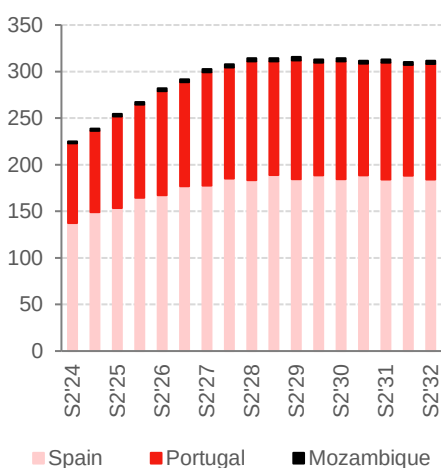


Figure 42 – Evolution of the #accounts (left axis, in millions) and Client Resources per account (right axis, in millions of €)

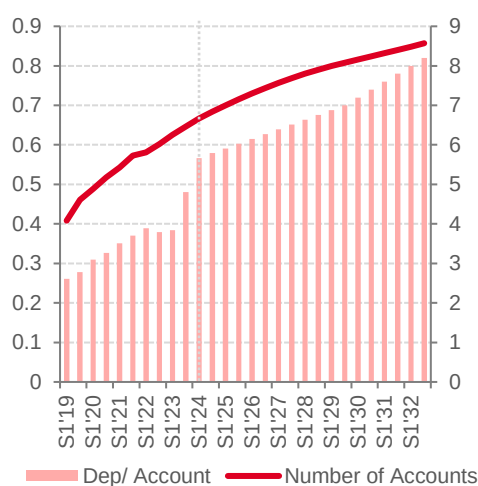


Figure 43 – Evolution of the number of Deposits and Credits - Historical & Projected (in millions of €)

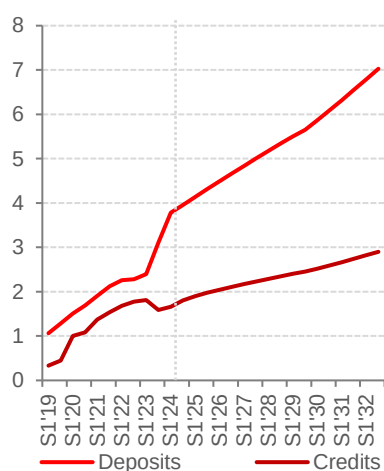


Figure 44

$$\text{RateDeposits} = \beta_0 + \beta_1 * \%euribor$$

⇔

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

(n = 11; R² = 0,89)

Figure 45

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

⇔

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

(n = 22; R² = 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

$$\text{RateCredits} = \beta_0 + \beta_1 * \% \text{euribor}$$

 $\Leftrightarrow$

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

(n = 11; R² = 0,65)

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

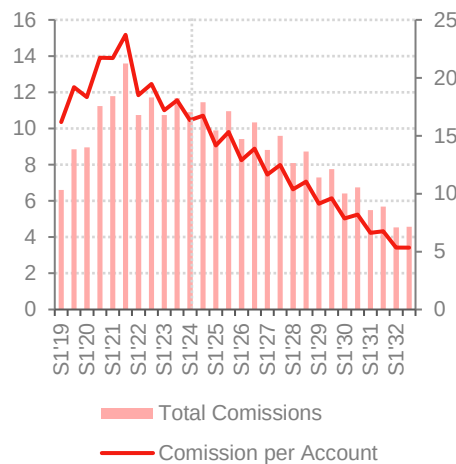


Figure 48 - Forecast of the Bank segment by type of income (in millions of €)

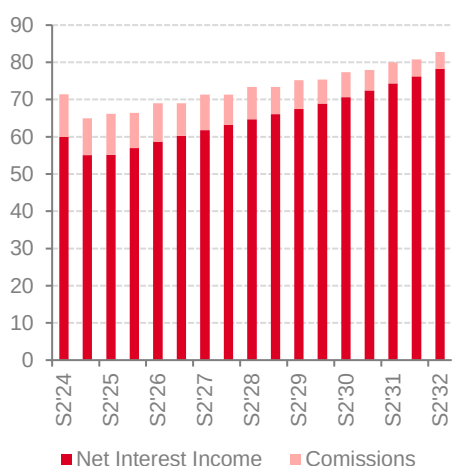


Figure 49

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

 $\Leftrightarrow$

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

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

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 €)

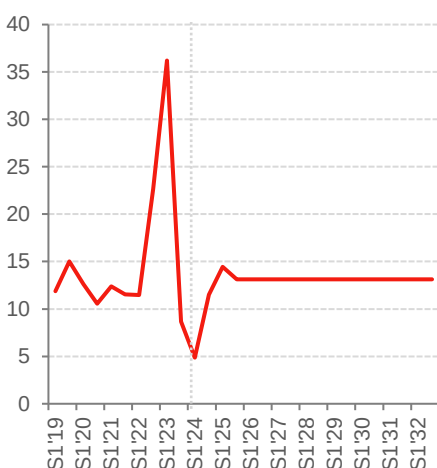
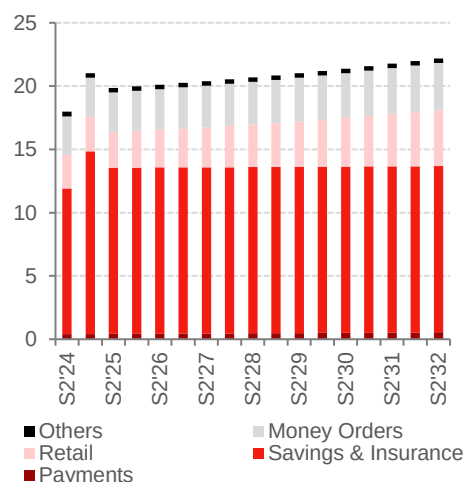


Figure 52 – Forecast of the Financial Services & Retail segment by category (in millions of €)



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.

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

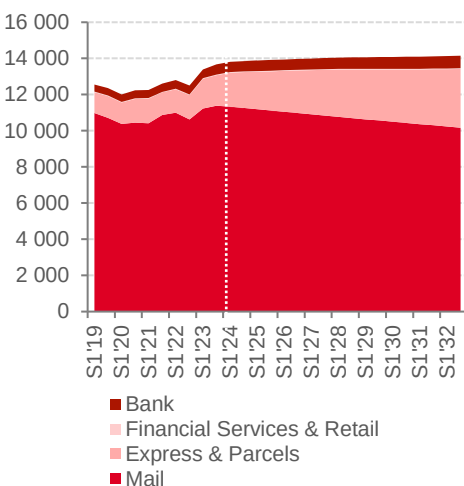
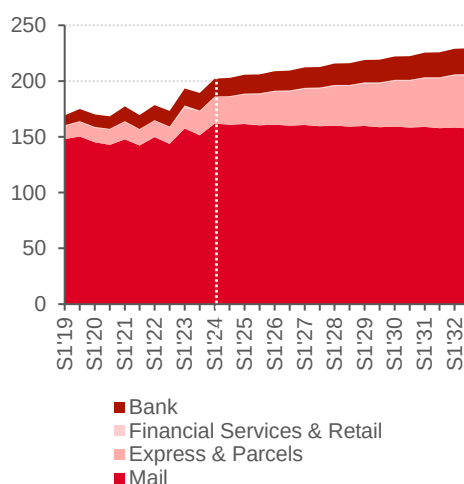


Figure 54 – Staff Costs of all segments – Historical & Projected (in millions of €)



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.

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).

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

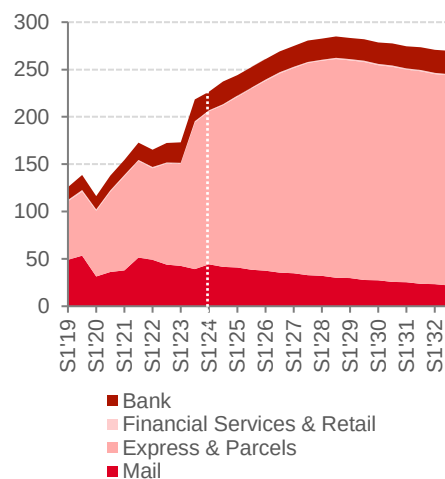


Figure 56 – Other Costs in all segments - Historical & Projected (in millions of €)

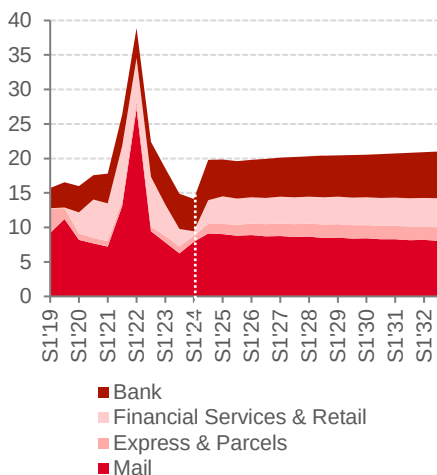


Figure 57 – Impairment and Provisions in all segments – Historical & Projected (in millions of €)

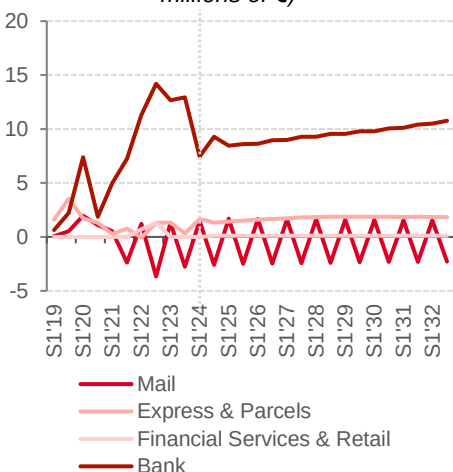
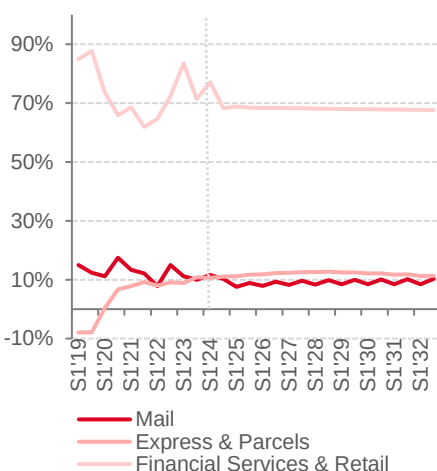


Figure 58 – EBITDA Margin – Historical & Projected



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 €)

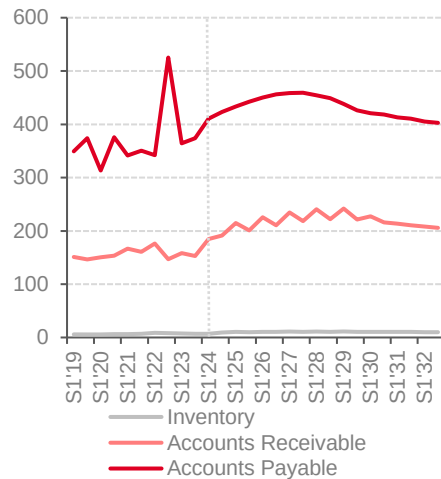
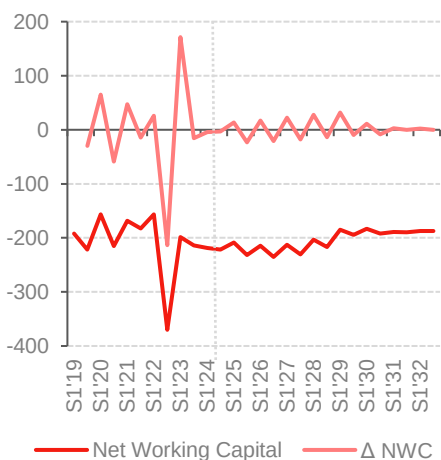


Figure 60 – Net Working Capital – Historical & Projected



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 €)

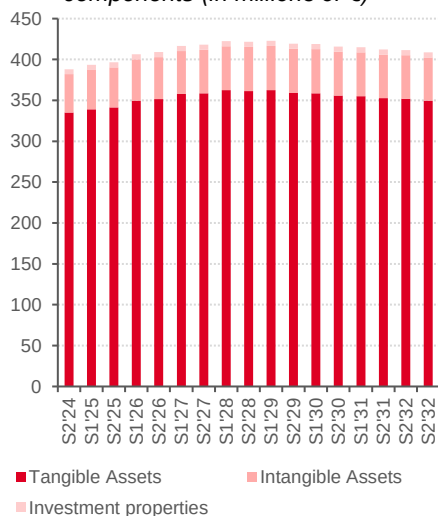


Figure 62 – Capex Forecast (in millions of €)

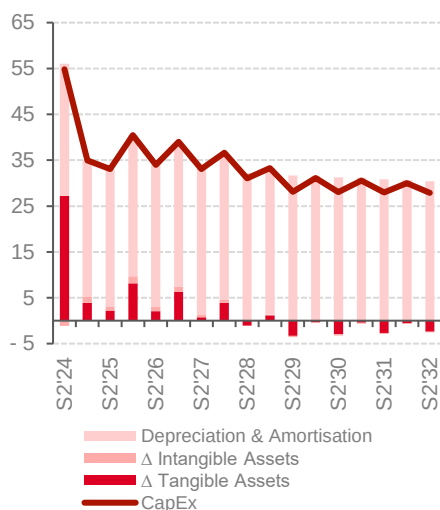
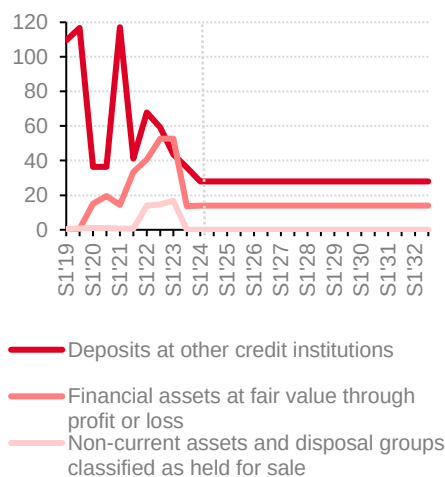


Figure 63 – Evolution of Asset items in the Bank I – Historical & Projected (in millions of €)



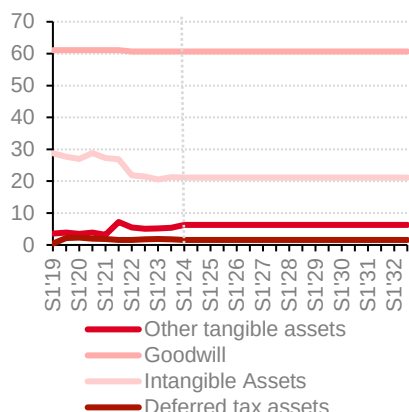
bank and financial service provider. This description accurately encapsulates a fixed asset distribution heavily weighted towards the logistical side of the business, its legacy operation, in line with its obligations as a USP under regulatory frameworks. Adding to the already high physical capital requirements 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 €)



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.

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

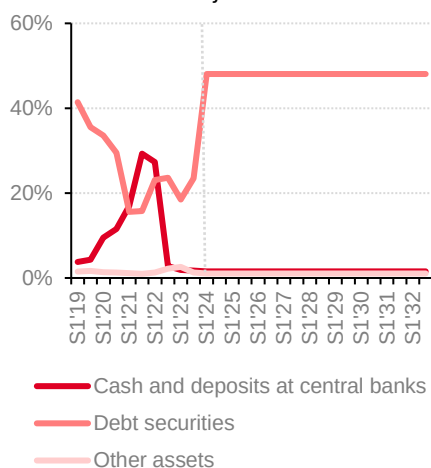
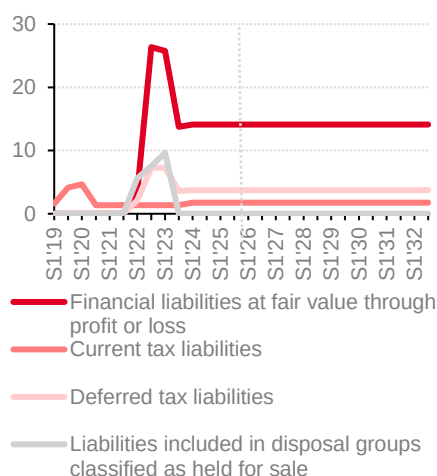


Figure 66 - Evolution of Liability items in the Bank – Historical & Projected (in millions of €)



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 value³:

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

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

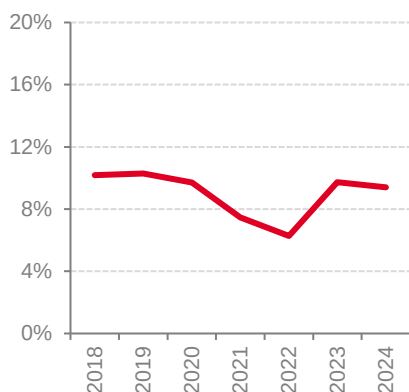


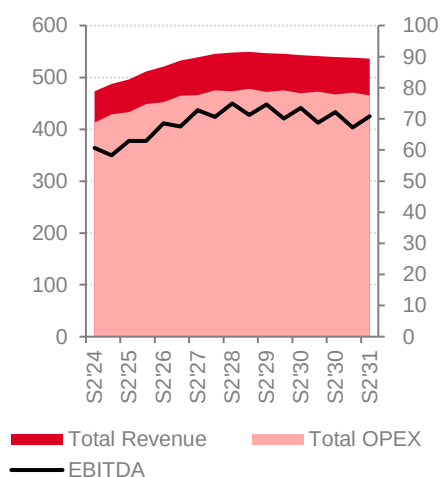
Table 7 – Beta Determination for the Bank segment using comparable firms

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
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Cost of Equity	9.9%
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Figure 68 – Ex-Bank's Revenues & Costs (right axis, in millions of €) and EBITDA margin (left axis, in millions of €)



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%.

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.

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 €)

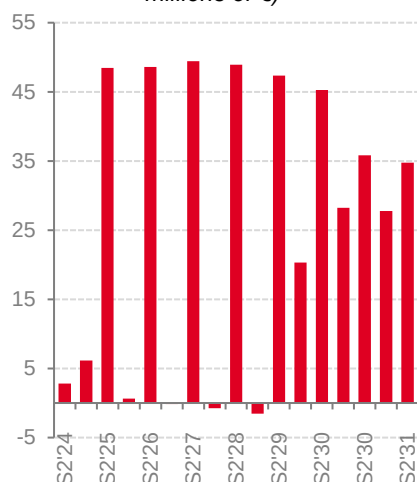


Figure 70 – FCF Components (in millions of €)

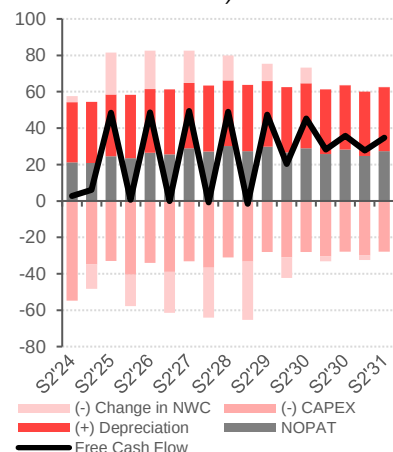
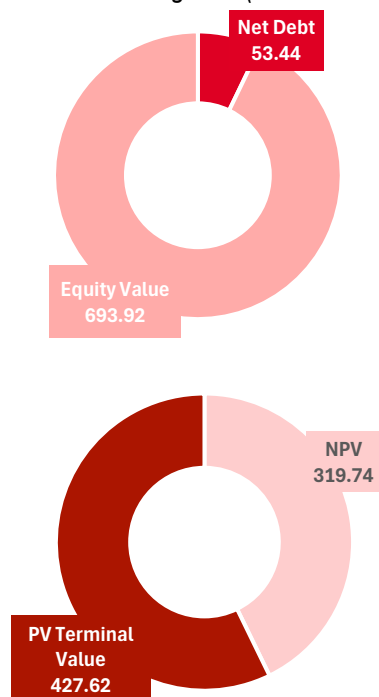


Figure 71 – Enterprise Value Pie Charts for the Ex-Bank segment (in millions of €)



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.

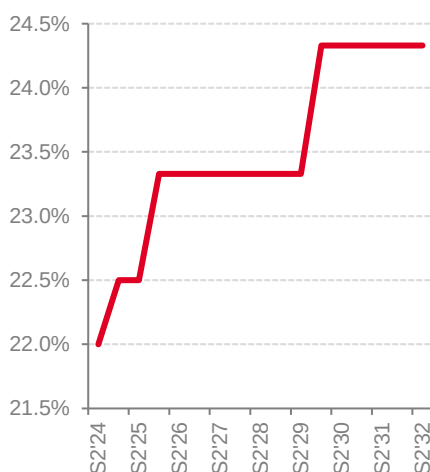
The valuation culminates in the determination of Free Cash Flows, derived by adjusting NOPAT for non-cash items, changes in NWC, and capital expenditures (Figure 70). While the opposite movements of added Depreciation and deducted CAPEX tend to offset each other, the significant seasonal component associated 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).

Table 8 – Credit Risk Weights for the Bank

Credit Risk Weights	
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



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.

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

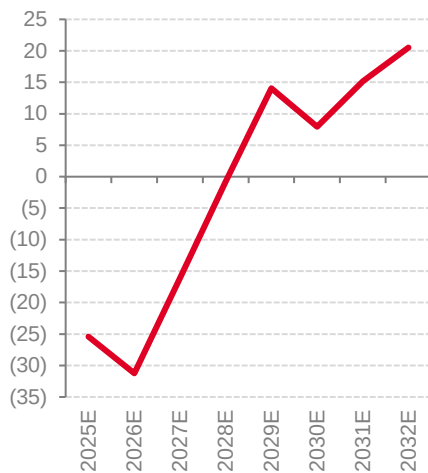
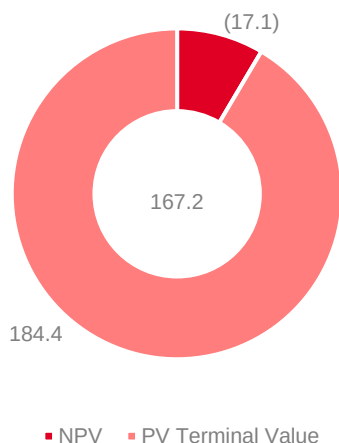


Figure 74 - Banco CTT Valuation Decomposition



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.

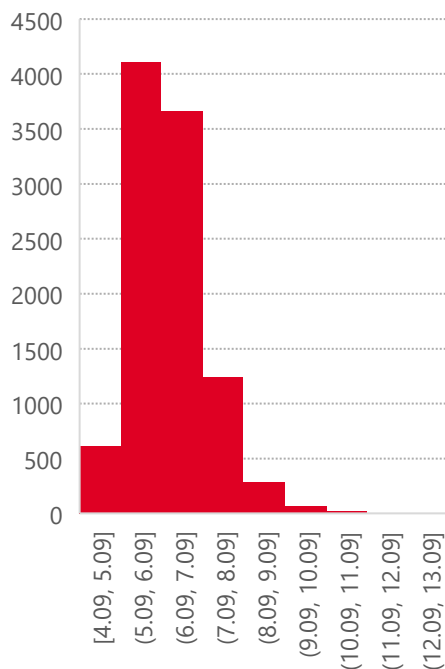
Finally, by discounting the projected cash flows at an appropriate cost of equity of 9.91% and considering a perpetual growth rate of 2.1%, the resulting equity value is €167.2 million. This valuation is characterized by a negative net present value (NPV) of €(17.2) million and a terminal value with 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

Table 9 – Results from the Monte Carlo Simulation

Analysis	
Max	12.36
Min	4.09
Mean	6.15
Std Dev	0.91

Figure 75 - Monte Carlo Simulation results



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.

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.

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 AG	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 Holding	MTRO	UK
Bankinter SA	BKT	SP
Banca di Siena SpA	BMPS	IT
CaixaBank SA	CABK	SP
Santander SA	SAN	SP

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.

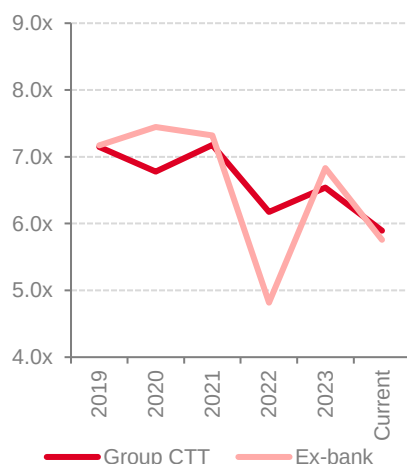
The comparable companies were divided into three groups corresponding to CTT's key operating segments: Group Without the Bank (Mail, Express & Parcel, and Financial Services and Retail), Bank CTT, and a Group-Level Perspective. For the ex-banking segment, priority was given to logistics and delivery 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

Figure 76 - Median Peer Groups EV/EBITDA



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

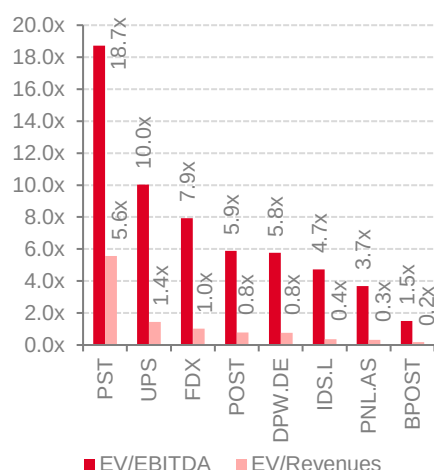


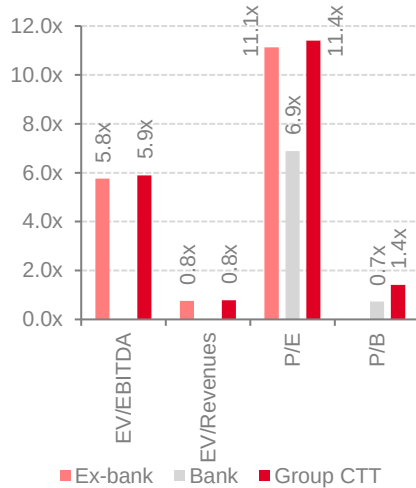
Table 11 - Peers Multiples by segment

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.

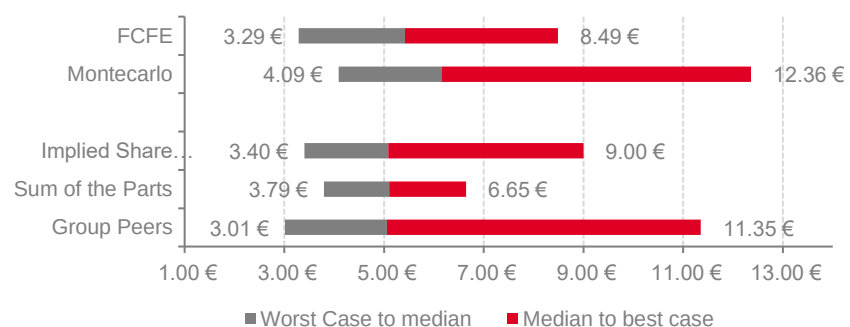
Figure 78 - Median Peers Multiples by segment



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.

11 FOOTBALL FIELD CHART

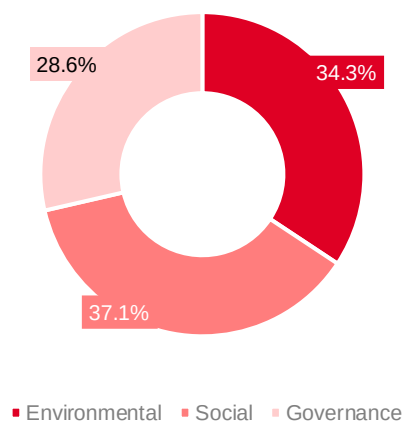
The combination of the different valuation approaches suggests a considerable upside potential compared to the current market price of €4.59. In particular, the target price of €6.22 is supported by the valuation ranges derived from both relative valuation and precedent transaction methods. However, 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



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.

Figure 80 - ESG Score

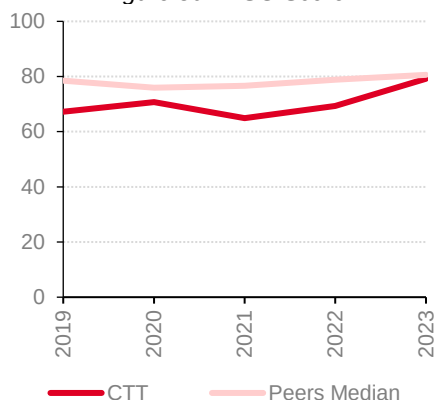


Figure 81 - ESG Combined Score

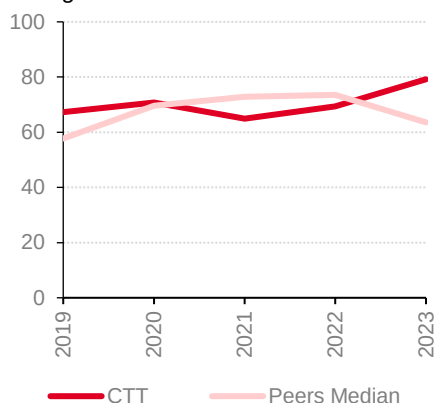
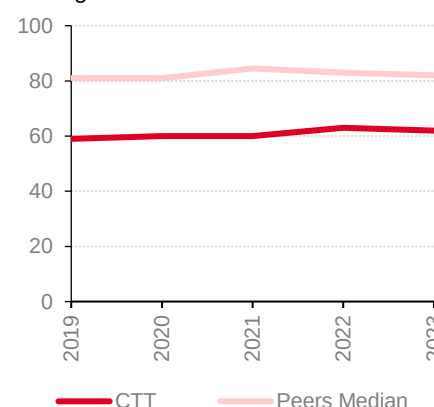


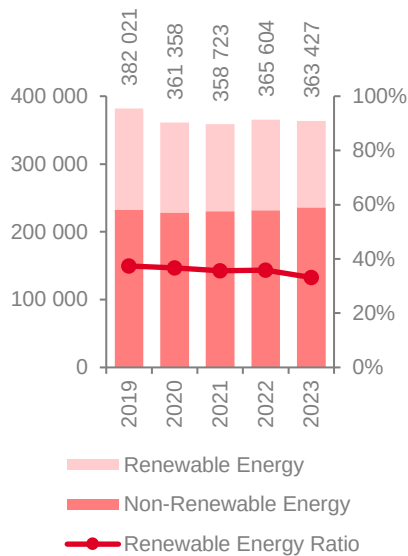
Figure 82 - Environmental Score



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 39,228.3m³ in 2023, mainly due to the inclusion of a new consumption point, but the company maintains its implementation of measures aimed at rationalizing

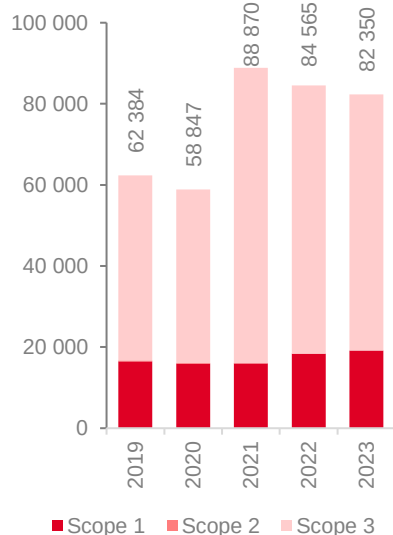
Figure 82 - Energy Consumption by Source Type (in GJ)



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.

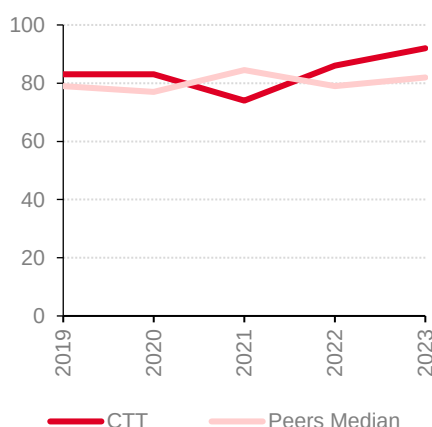
Figure 83 - CO2 Emissions by Scope (in ton)



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.

Figure 845 – Social Score



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

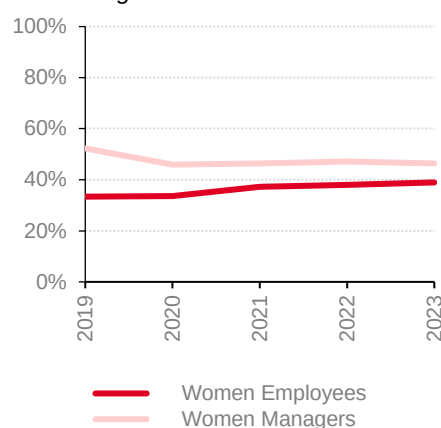
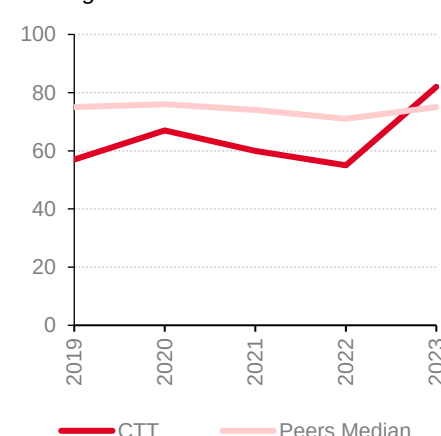


Figure 86 - Accidents and Injury Rate



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

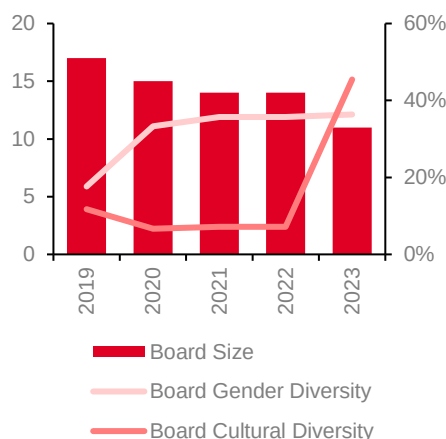
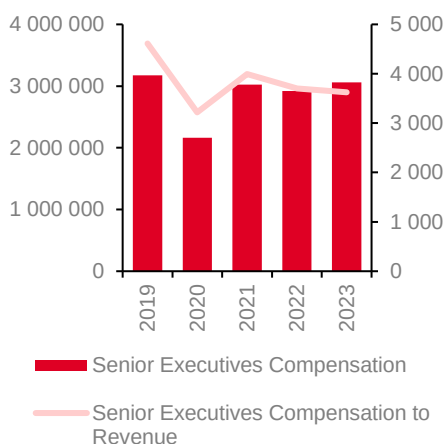


Figure 89 - Seniors Executive Compensation



13 SENSITIVITY ANALYSIS

A sensitivity analysis was performed alongside the DCF valuation to assess how changes in WACC ($\pm 1\%$) and terminal growth rate ($\pm 0.5\%$) 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€.

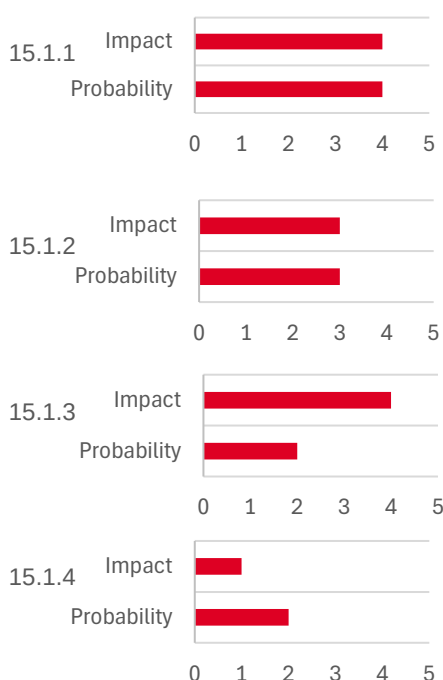
This scenario analysis provides critical insights into the sensitivity of the valuation model to variations in growth rates and cost efficiencies, emphasizing the importance of strategic planning in achieving sustainable performance.

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



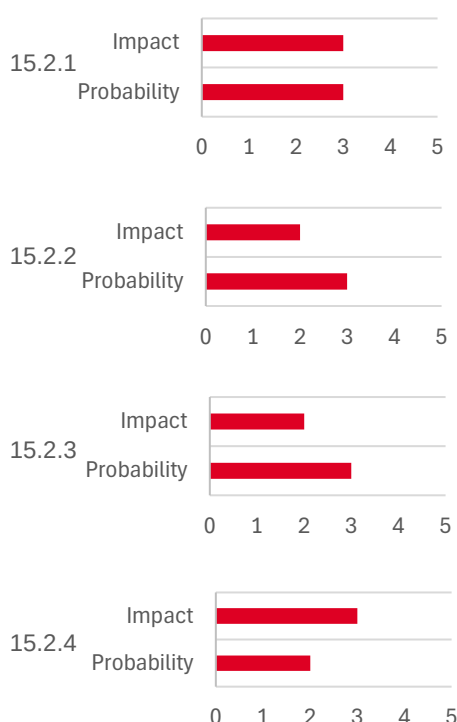
1.Over-Reliance on Mail & Postal Segment: Despite the segment's structural decline, it continues to represent a considerable portion of the company's overall strategy and revenue. The company's ability to sustain its profitability in this segment is further challenged by external elements, such as the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

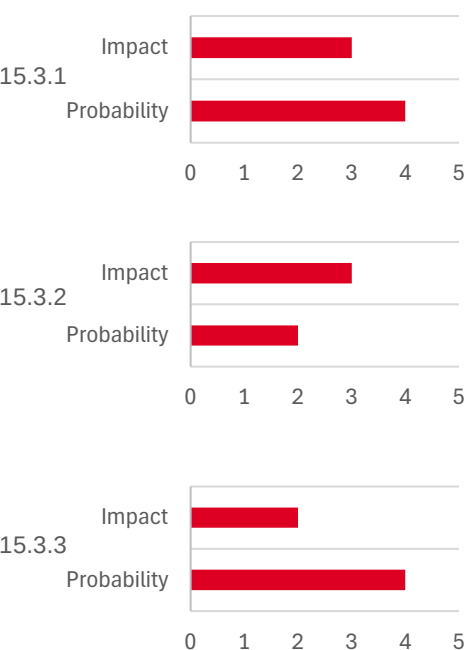
15.3 REGULATORY RISKS

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.

Figure 92 – Regulatory Risks



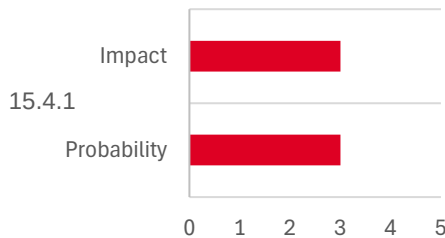
3.Environmental Regulations: Directives for green packaging and associated logistics that companies may be required to follow involve large initial investments that adds to operational and compliance costs, creating additional challenges in aligning with sustainability goals.

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.

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.

Figure 93 - Governance Risk



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	8.2%	6.0%	7.2%	4.9%	4.6%	4.8%	4.9%	4.6%	4.9%	4.6%	4.9%	4.6%	4.9%	4.6%	4.9%	4.6%	4.9%	4.6%
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	-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%	-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	0,638	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	17.2%	17.1%	3.2%	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%
Advertising Mail Re	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																		
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)																		
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 F&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																		
Philately	1,978	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																		
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																		
Segment 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

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%	6.0%	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%
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
% growth rate	-0.0178434	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-0.0096242	-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%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
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	0.2%	-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%
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
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	3.7%	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%
Segment Revenue (€ millions)	210,396	222,801	236,279	251,717	264,712	278,908	288,522	299,322	304,615	310,834	310,973	312,144	309,678	310,802	308,394	309,471	307,120	306,150

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%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
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%	4.6%	4.3%	4.1%	4.1%	3.9%	3.7%	3.8%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
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%	2.3%	2.8%	2.9%	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%	45.9%	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	68.84	70.63	72.43	74.31	76.24	78.23
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%	10.8%	-14.1%	9.8%	-14.7%	8.6%	-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	11,937	12,465	10,377	11,038	9,121	9,615	7,865	8,192	6,608	6,769	5,349	5,342
Other Operating Income	-1.33	0.00															-0.579931732	
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	82.85



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	211,138	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	-0.6%	-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%	-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	21,860
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	8,184	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	-0,68	-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	18,244	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	19,259	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	310,602	308,394	309,471	307,120	308,150
Operating Costs	187,766	198,257	209,806	222,269	233,334	244,645	252,988	261,592	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	27,624	29,604	30,796	32,589	33,719	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	200,491	210,426	218,858	224,110	227,127	230,941	230,169	230,123	227,423	227,349	224,710	224,600	222,015	221,868
As a % of volume	250%	250%	246%	243%	239%	237%	233%	230%	228%	223%	219%	219%	213%	210%	206%	203%	200%	197%
As a % of revenues	76,9%	77%	76%	76%	76%	75%	75%	75%	74%	74%	73%	73%	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
As a % of revenues	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	0,767	0,804	0,821	0,836	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	0,024	0,024	0,025	0,025	0,026	0,026	0,027	0,027	0,028	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%	6,3%	6,3%	6,3%	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	77,737	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	57,876	58,809	59,542	60,839	61,818	63,152	64,284	65,006	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	563	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	0,029	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	21,558	22,149	21,926	22,404	22,152	22,537	22,274	22,567	22,606	23,232	23,378	23,999	24,235	24,841
Other costs	31,995	33,171	30,540	30,716	31,626	32,774	31,925	31,416	31,172	30,788	30,474	30,610	30,648	31,382	31,779	32,096	32,548	33,018
As a % of revenues	4,702	5,854	5,325	5,420	5,443	5,854	5,658	5,846	5,845	6,015	6,013	6,164	6,174	6,340	6,385	6,555	6,619	6,785
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	10,050	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%
Internal services rendered	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634	0,634



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	310,83	310,97	312,14	309,68	310,80	308,39	309,47	307,12	308,15
Financial Services + Retail Revenue	17,66	20,60	19,42	19,54	19,67	19,80	19,93	20,07	20,21	20,35	20,52	20,69	20,87	21,06	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%	-0,28%	-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	(11,13)	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	472,83	477,95	472,02	475,08	469,37	472,60	467,12	470,50	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	35,89	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	7,58	6,82	7,38	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	0,56	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%	5,14%	5,99%	6,90%	5,59%	7,19%	6,95%	7,42%	7,15%	7,54%	7,19%	7,63%	7,21%	7,57%	7,25%	7,52%
Effective Tax Rate	23,15%	15,38%	15,63%	16,17%	21,12%	18,63%	21,55%	20,92%	22,33%	21,60%	22,83%	22,01%	23,28%	22,58%	23,59%	22,25%	23,31%
SIFIDE Tax Savings	21,13%	43,70%	43,45%	41,15%	26,33%	26,07%	24,87%	28,47%	22,79%	24,62%	21,38%	23,28%	19,80%	22,08%	18,56%	22,61%	19,83%
NPAT	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
(+) 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	35,89	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	(2,58)	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	86,40	116,97	134,36	136,83	124,24	126,91	124,05	126,41	123,86	125,84	123,70
ROIC	27,00%	26,18%	32,44%	27,31%	32,85%	27,51%	30,99%	25,29%	26,28%	21,76%	21,42%	22,85%	20,71%	22,32%	20,92%	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%	123,88%	

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	364,937	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
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Share Price	6,22 €
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Appendix 11 - Final Valuation

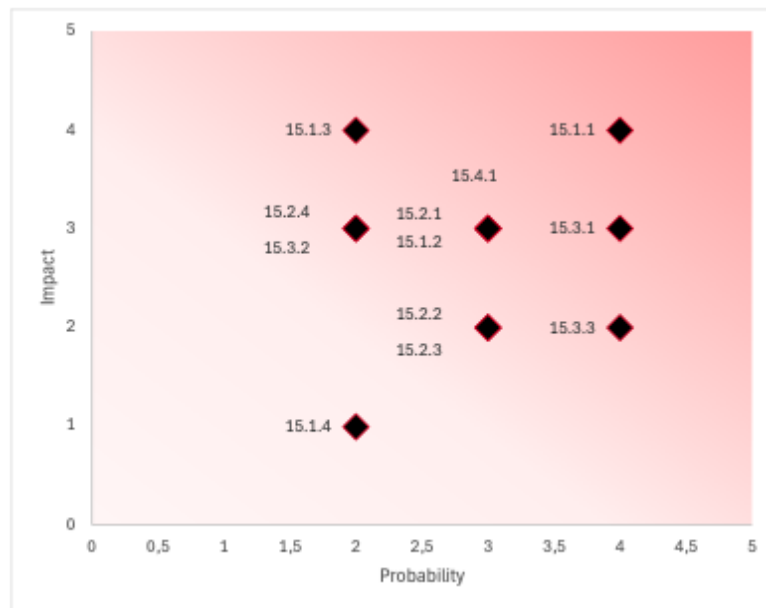
WACC

	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
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
% 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%
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
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
Financial assets at amortised cost	4.485.320	4.683.928	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
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
Loans and advances to customers	1.804.022	1.897.514	1.974.748	2.043.485	2.107.968	2.169.725	2.228.515	2.285.824	2.345.824	2.401.402	2.455.442	2.519.764	2.590.340	2.664.243	2.740.949	2.819.427
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
% 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%
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
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
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
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
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
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
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
% 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%
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	6 827.043	7 080.859	7 333.576	7 595.779	7 858.606

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
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
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
% 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%
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
Provisions	1.829	1.802	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
% 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%
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
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
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
% 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%
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
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

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
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
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
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)
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	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
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
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
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)
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	238.453	239.312	248.047	249.016
Change in Cash	(23.553)	3.183	31.240	36.798	45.100	41.952	46.890	42.557	45.432	40.982	43.121	68.367	68.804	64.344	67.448	65.405
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

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
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	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	24.291
Eligible 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
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
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
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
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
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)
% 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%
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)
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)
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)
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
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
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
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

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Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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1. INTRODUCTION

The primary goal in corporate finance is to maximize shareholder value. This is accomplished through three key decisions: the investment decision, which determines the firm's allocation of financial resources; the financing decision, which establishes the optimal mix of debt and equity to maximize investments' value; and the dividend decision, which dictates the proportion of earnings to reinvest in the business versus the amount to distribute to shareholders. These decisions play a crucial role in the firm's value, which is calculated as the present value of expected future cash flows discounted at a rate that reflects both the riskiness of firm's projects and the financial mix employed to fund them. Investors' expectations on future cash flows are based on current cash flow patterns and projected growth, which are in turn affected by the quality of the company's investments and the share of earnings reinvested.

As a result, the dividend policy adopted by a firm is essential to the maximization of shareholder wealth. That is the reason why managers must take into account the investment needs of the company as well as the potential impact of their decisions on the company's share price. Empirical evidence suggests that when earnings increase, dividends usually rise, whereas a decrease in earnings may sometimes lead to dividend reductions, as firms are usually cautious about adjusting dividends. Investors can perceive the dividend cut as a sign of reduced earnings and lower future cash flows, which can lead to a decrease in the share price. This decline in value can have negative consequences, such as making it more difficult for the company to attract and retain top talent as well as reducing its ability to use stocks as part of the payment in M&A transactions. Moreover, the dividend reduction might undermine investor confidence, particularly among income-focused investors, and harm the company's reputation. It could also indicate that the company is experiencing financial problems, potentially needing external financing, which could result in higher borrowing costs or a downgrade in the firm's credit rating. While a dividend cut is often perceived negatively, it can also be a strategic move to strengthen the company's long-term financial position and foster growth, especially when funds are redirected towards capital expenditures (CAPEX) for expansion or the improvement of operational efficiency. In these situations, the firm must provide a clear and transparent explanation for such decision, highlighting its long-term benefits. This transparency can help to restore confidence among investors and potentially attract growth-oriented investors.

Therefore, this form of reinvestment has the potential to improve the company's long-term profitability, resulting in increased earnings and cash flow, and eventually making it possible to reinstate or raise dividends once financial stability is restored. If investors are confident that these strategic decisions will yield significant long-term returns, they might be willing to accept the temporary loss in dividends in exchange for long-term value creation.

With this in mind, this thesis aims to analyse CTT Portugal's dividend policy over the past few years, in order to assess its sustainability and effectiveness in generating value for the company's shareholders. The findings from this analysis, supported by existing literature on the matter, will provide the foundation for recommending a future dividend policy and an optimal payout ratio for CTT Portugal for the forecast period of 2025 to 2032.

2. LITERATURE REVIEW

Dividend policy has long been a subject of interest for economists, resulting in the development of numerous theories and a significant body of empirical research. There are three primary schools of thought on the subject of dividend policy. The dividend irrelevance school argues that dividends do not influence the value of the firm. The second school advocates for the positive effects of dividends, viewing them as attractive for investors and beneficial for stock prices. Lastly, the third school believes that dividends create tax disadvantages and, consequently, are harmful to shareholders, leading to a reduction in the company's value.

2.1 DIVIDEND IRRELEVANCE THEORY

According to the Modigliani and Miller's (M&M) theory, in a perfect capital market, dividend policy has no impact on the firm's value, meaning that shareholders are indifferent between receiving dividends versus capital gains. Additionally, they also suggest that all dividend policies are fundamentally equivalent for investors, as they can create "homemade dividends" by adjusting their investment portfolios according to their specific preferences.

M&M theory is based on a set of assumptions referred to as perfect capital markets: i) no tax differences between dividends and capital gains / no taxes, ii) no transaction nor flotation costs, iii) homogeneous information, iv) the firm's investment policy is established beforehand, remaining unchanged by adjustments in the company's dividend policy, v) no conflicts of interest between managers and shareholders and vi) all market participants are price-takers.

Under these assumptions, firms that distribute higher dividends tend to have lower price appreciation, however, they deliver the same total return to shareholders compared to companies that pay lower dividends. As a consequence, neither the firms nor the stockholders will be negatively impacted by dividend payments that are too low or too high.

From this theory, three important implications can be taken: i) shareholders should not be affected by changes in the company's dividend policy, ii) there is no correlation between stock returns and the dividend policy adopted by the firm and iii) the only factor that determines the firm's value is its future cash flows resultant from investment decisions.

2.2 BIRD-IN-THE-HAND ARGUMENT

Given the uncertainty and imperfect information present in financial markets, dividends are regarded as more valuable than capital gains. This happens because investors tend to prefer the certainty associated with cash dividends, represented by the "bird in the hand", over the riskier and uncertain future capital gains, symbolized by the "two in the bush".

Ceteris paribus, as an increase in the current dividend decreases the uncertainty surrounding future cash flows, a higher payout ratio will result in a lower cost of capital, which will lead to a rise in the value of the shares.

In conclusion, this theory suggests that firms that distribute cash dividends will have a higher valuation than a comparable company that does not pay cash dividends, assuming all else is equal. Consequently, the firm's value is influenced by its dividend policy.

2.3 TAX ARGUMENT

This argument relies on the assumption that dividends are subject to higher tax rates than capital gains. The resulting tax disadvantage causes shareholders to favour companies that retain a larger portion of their earnings in order to reinvest their cash flows in value-creating projects rather than companies that distribute profits as dividends.

To address this behaviour from investors, firms may opt to implement dividend policies that diminish dividend payouts, prioritizing share buybacks or the retention of earnings in order to effectively maximize stockholder wealth from a tax perspective.

2.4 AGENCY COSTS

So far, this analysis has focused primarily on the dividend policy from the standpoint of the company's equity investors. Nonetheless, because managers are responsible for establishing the dividend policy, a conflict of interests between the two parties may arise.

The root cause of this conflict is associated with excessive cash. If accumulated cash is entrusted to the firm's managers, who may spend it on poor investments, that do not generate long-term value for the company, shareholders would be better off if the firm increased its debt, as it would force managers to be more disciplined in their project decisions. Consequently, requiring a company to commit to the distribution of dividends can be an alternative way of ensuring managers remain selective in their investment choices, since it limits the cash available for discretionary spending. This can ultimately benefit stockholders, if managers are not aligning their decisions with shareholder wealth maximization.

3. METHODOLOGY

In order to evaluate the sustainability of CTT Portugal's dividend policy, the framework developed by A. Damodaran was followed. According to this framework, it is important to examine the amount of cash available for distribution to shareholders after accounting for debt obligations and reinvestment requirements, as well as to evaluate the trustworthiness of managers in handling the company's cash resources. Additionally, the quality of existing and potential new investments in the firm must be taken into account. From these assessments, a conclusion can be drawn about whether the company should be accumulating more or less cash.

The first step is to examine whether the free cash flow to equity (FCFE) from the previous period surpasses the dividends distributed. The FCFE reflects the cash available to equity holders after paying non-equity claimants (debt and preferred stock) and after making the necessary reinvestments to preserve the firm's assets and drive future growth. In situations where the distributed dividends constantly exceed the FCFE, the firm is allocating funds meant for debtholders to shareholders. This creates the need for the company to raise additional funds via new debt or equity issuance, a strategy that is unsustainable in the long-term.

The second step is to assess whether the firm's return on equity (ROE) is greater than its cost of equity. When the company's ROE consistently exceeds its cost of equity, it demonstrates that the firm is capable of reinvesting its profits into lucrative projects, which points to the potential for ongoing value creation through reinvestment.

These two comparisons lead to four possible outcomes, as described in the dividend matrix:

- If a firm has strong investment opportunities but distributes more in dividends than its FCFE, it loses value by paying out excessive dividends. This results in a cash deficit that requires the issuance of new securities, potentially causing the firm to forgo good projects it could have otherwise pursued;
- If a firm has attractive projects to invest in and distributes less than its FCFE in dividends, it will accumulate cash. Nonetheless, the firm can justify this strategy by arguing that the accumulated cash will be used to fund profitable projects in the future;
- If a firm does not have good quality projects to pursue and is distributing more than its FCFE in dividends, it needs to scale back on its poor investments. By reducing capital expenditure, the FCFE will rise, which can address the dividend problem. If not, the company will need to reduce its dividends;
- If a firm has poor investment opportunities and distributes less than its FCFE in dividends, it will accumulate cash. However, stockholders will pressure the company to have the cash distributed, fearing that it will be spent on low quality projects.

		Quality of projects taken: ROE vs. Cost of Equity	
		Poor projects	Good projects
Dividends paid out relative to FCFE	Cash Surplus	Cash surplus + Poor Projects Significant pressure to pay out more to stockholders as dividends or stock buybacks	Cash Surplus + Good Projects Maximum flexibility in setting dividend policy
	Cash Deficit	Cash Deficit + Poor Projects Cut out dividends but real problem is in investment policy	Cash Deficit + Good Projects Reduce cash payout, if any, to stockholders

Figure 1.1: Dividend matrix.

Having evaluated the outlined variables over the past few years, four different scenarios were explored to suggest a sustainable dividend policy for CTT Portugal moving forward. This proposal is designed to maximize shareholder value while also factoring in the firm's future investment requirements. Firstly, a valuation using the FCFE model was carried out, using the same methodology and assumptions as in the group part. Secondly, a valuation was performed using the Dividend Discount Model (DDM), with the payout ratio being: i) the average historical payout ratio, ii) the average historical $\text{Dividend}_t / \text{FCFE}_{t-1}$ ratio, iii) the average historical payout ratio of the company's peers, and iv) the median historical payout ratio of the firm's peers. The peers considered as well as the costs of equity and the terminal growth rate are the same as those defined in the group section.

Several criteria have been taken into account to assess the sustainability of the dividend policy: i) dividend payments should not exceed the net income from the previous period, ii) distributed dividends should not surpass the FCFE from the previous period, iii) in 2025, the dividend payout will be between 35-50% of net income, based on CTT's objective for that year and iv) no dividends will be paid if the firm reported a net loss in the prior year.

4. HISTORICAL ANALYSIS

An analysis of CTT Portugal's dividend policy from 2014 to 2018 reveals that the company consistently paid out a significant portion of its earnings as dividends, with payout ratios steadily increasing throughout this period. The payout ratio grew from 78% in 2014 (regarding the financial year of 2013) to 271% in 2018 (regarding the financial year of 2017). It is worth noting that these payout ratios are not sustainable in the long-run, so a decline in this ratio is expected over time. During this period, the dividends per share (DPS) varied between 0.38€ and 0.48€.

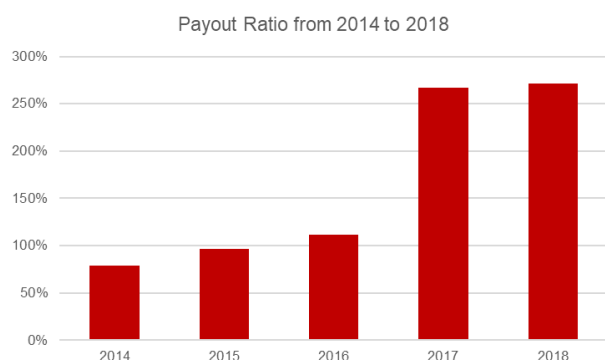


Figure 2.1: CTT Portugal's payout ratio from 2014 to 2018.

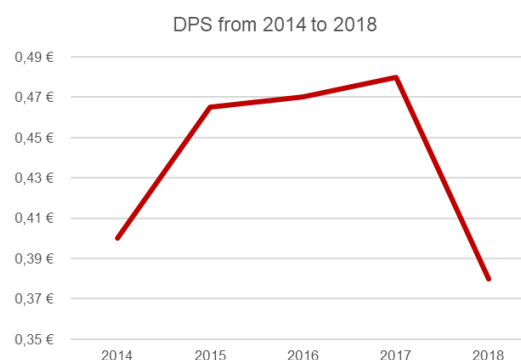


Figure 2.2: Firm's dividends per share from 2014 to 2018.

At the end of 2017, the firm introduced its Operational Transformation Plan (OTP), with full implementation scheduled by 2020. The plan's goals are: i) to improve operational efficiency and profitability, and ii) to enhance service quality while ensuring compliance with regulatory standards. To achieve long-term sustainability, CTT Portugal must prioritize innovation, modernization and ongoing business diversification, with the objective of increasing revenues and mitigating the current overreliance on the mail sector. Therefore, securing the company's long-term competitive advantages will require a demanding short-term effort, involving the mobilization of essential resources as well as the active participation and contribution of all the firm's stakeholders.

Due to the execution of this plan, dividends were significantly reduced in 2019, with CTT Portugal distributing only 0.10€ per share to its stockholders (regarding the fiscal year of 2018). In 2020, no dividends were paid given the uncertainty caused by the Covid-19 pandemic. CTT Portugal's DPS in 2021 amounted to 0.085€ (regarding the fiscal year of 2020), and they have progressively risen until 2024, following the completion of the OTP in 2020, reaching 0.17€. Throughout this period, payout ratios varied from 29% to 53%, reflecting a significant decrease compared to the previous years.

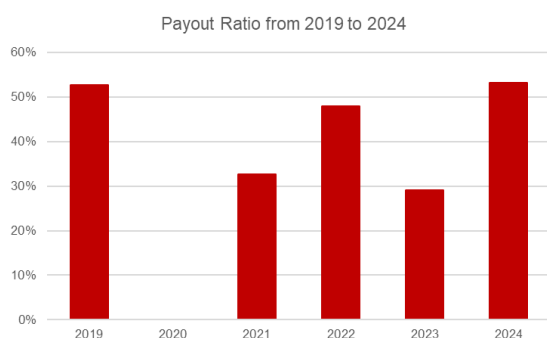


Figure 2.3: CTT Portugal's payout ratio from 2019 to 2024.

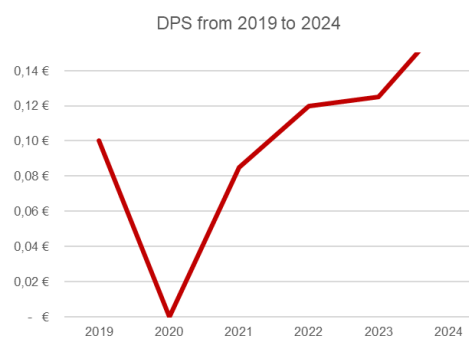


Figure 2.4: CTT Portugal's dividends per share from 2019 to 2024.

To assess the sustainability of CTT Portugal's dividend policy, the annual dividends and FCFE were derived from the company's annual reports, while the ROE and cost of equity figures were taken from the 'Refinitiv' database and Anacom, respectively.

In 2021, the firm distributed dividends that were higher than the 2020 FCFE, and the ROE exceeded the cost of equity, suggesting that the firm may be losing value by paying out excessive dividends and potentially passing up on good investment opportunities. However, this situation was corrected in the following years, with the dividends paid being lower than the FCFE from the previous year, and the ROE surpassing the cost of equity. As a result, the company is accumulating cash that can be directed toward financing the ongoing transformation and modernization initiatives over the next few years. With a strategic focus on digital transformation, sustainability and the expansion of its financial services via Bank CTT, the company will be able to allocate the accumulated funds towards e-commerce logistics, green technologies and the enhancement of customer experience, while also modernizing its core mail and parcel services.

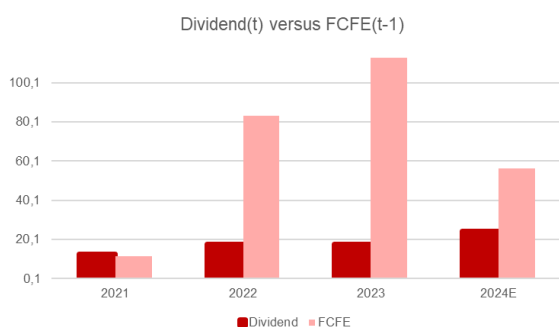


Figure 2.5: Firm's dividends(t) vs. FCFE(t-1) from 2021 to 2024.

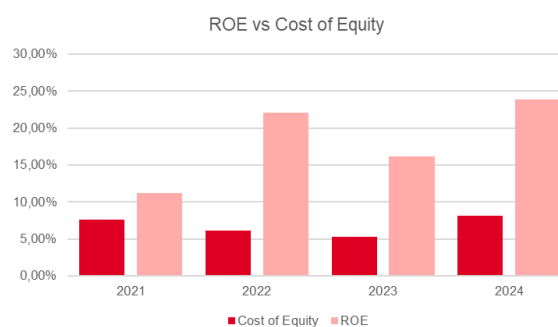


Figure 2.6: CTT Portugal's ROE vs. cost of equity from 2021-2024.

5. RESULTS

5.1. FCFE MODEL

As previously mentioned, FCFE is a metric that reflect the cash available to shareholders after covering operating expenses, necessary reinvestments and debt obligations. Following the assumptions outlined in the group part, FCFE estimates were projected for the forecast period from 2025 to 2032, first for the Group CTT ex-bank, and then for Bank CTT. For the Group CTT ex-bank, the cost of equity was considered to be 8.08% whereas for Bank CTT it was assumed to be 9.91%. In both cases, a terminal growth rate of 2.10% was used.

It is important to notice that a reduction in FCFE is forecasted for 2025 and 2026, driven by substantial CAPEX investments and a decrease in net borrowings. The company is focused on increasing the sorting capacity across Iberia, expanding its locker network in Portugal and starting its expansion into Spain, investing in IT in order to improve customer experience and operational effectiveness, strengthening service quality, modernizing Bank CTT hubs and updating the core platform along with digital channels. Additionally, the company is expected to experience improvements in its cash flows and profitability, primarily as a result of the projected growth in the Express & Parcel sector. As a consequence, the increase in internal funds is expected to reduce the firm's reliance on short-term debt. In fact, the company's 9-month report for 2024 demonstrates a significant decrease in current liabilities,

especially in bank loans, when compared to 2023 (27.26M vs. 82.40M), as some renegotiations in loan contracts took place due to the underutilization of funds, leading to a reduction in the credit limit throughout the contract period. As an example, the loan contract between CTT Portugal, BBVA and Bankinter experienced a reduction in the predefined limit. In addition, on 30 September 2024, the Group decided not to use the remaining available funds. Despite the decrease in FCFE in the short-term, the firm is expected to see an increase in FCFE after this period, as the company begins to realize the returns from its investments.

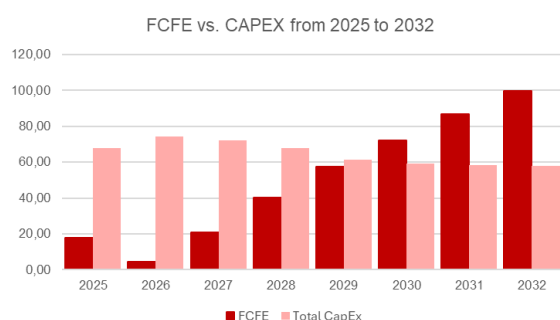


Figure 3.1: Firm's FCFE vs. CAPEX from 2025-2032.

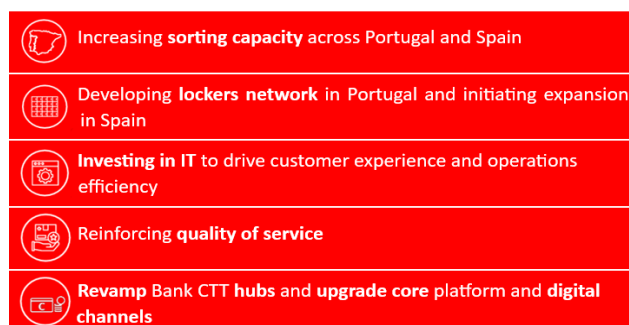


Figure 3.2: CTT Portugal's key areas of investment.

Taking this into consideration, the share price was determined to be 5.42€, reflecting an increase of 29.43% relative to the share price of €4.19 registered on 28 June 2024. Refinitiv reports a target price of 5.57€ for the same date, which aligns with the model's projections. This convergence supports the view that the stock has strong growth prospects and is expected to appreciate in value moving forward.

5.2 DDM CONSIDERING THE AVERAGE HISTORICAL PAYOUT RATIO

In the first scenario of the DDM valuation, the average historical payout ratio of CTT Portugal was applied for the forecasted period from 2025 to 2032. This average was based solely on the payout ratios from 2022 to 2024, as the ratios from 2019 and 2021 were moderately smaller. This led to an average historical payout ratio of 37.14%.

Applying this payout ratio to the forecasted period results on a share price of €2.58, showing a downside of 38.37% compared to the €4.19 share price on 28 June 2024. Additionally, from 2026 to 2028, the dividends distributed surpass the FCFE of the prior year, signalling that the company is paying out excessive dividends during that period.

In conclusion, the defined payout ratio for 2026 to 2028 appears to be too high, considering the firm's investment prospects. For the dividend policy to remain sustainable, the payout ratio in those years should be lower than 37.14%. Furthermore, the projected downside indicates that the firm may have the capacity to increase its dividend payout ratio from 2028 onwards.

5.3 DDM CONSIDERING THE AVERAGE HISTORICAL DIVIDEND/FCFE

For the second scenario in the DDM valuation, the average historical $\text{Dividend}_t / \text{FCFE}_{t-1}$ ratio of CTT Portugal was taken as the payout ratio for the 2025-2032 forecast period. Only the ratios from 2022 to 2024 were used, as there were no dividend payments in 2020 and the ratio for 2021 was much higher

than in other years (110.40%). This resulted in an average historical Dividend/FCFE payout ratio of 26.85%.

Considering this payout ratio for the forecasted period results in a share price of 1.87€, which represents a 55.44% downside. Moreover, in 2028, the dividends distributed are higher than the FCFE of the previous year, indicating that the company is overpaying dividends in that year. In addition, the payout ratio for 2025 is too conservative, meaning that CTT Portugal's objective of paying 35% to 50% of net income in recurring dividends will not be achieved.

In summary, the payout ratio set for 2028 is excessive, implying that for the dividend policy to be sustainable according to the established criteria, the company will have to pay out fewer dividends in that year.

5.4 DDM CONSIDERING THE PEERS' AVERAGE HISTORICAL PAYOUT RATIO

The third scenario in the DDM valuation involved applying the average historical payout ratio of CTT Portugal's peers as the payout ratio for the forecast period of 2025-2032.

For both the Group CTT ex-bank and the Bank CTT, the peer group considered was the same as in the group section, as these companies offered a comparable mix of products and services to CTT Portugal. The data from 2020 to 2024 was taken into account, with some outliers being excluded from the analysis. For Bank CTT, however, 2020 was not considered, as it only had three data points, one of which was an outlier. As a result, an average historical payout ratio of 48.04% was obtained for the Group CTT ex-bank and of 34.60% for Bank CTT.

When applying these payout ratios for the forecast period, the share price comes out to 3.06€, reflecting a downside of 26.97%. Additionally, from 2026 to 2028, the dividends distributed in those years are greater than the FCFE from the previous year, suggesting that the company is paying out excessive dividends during this period. Therefore, the payout ratio for these years is too high, particularly in light of the firm's planned significant investments in CAPEX.

5.5 DDM CONSIDERING THE PEERS' MEDIAN HISTORICAL PAYOUT RATIO

For the fourth scenario in the DDM valuation, the median historical payout ratio of CTT Portugal's peers was used for the 2025-2032 forecast period. The same methodology of the previous section was followed to conduct this valuation. Based on this, a median historical payout ratio of 47.98% was obtained for the Group CTT ex-bank and of 28.67% for Bank CTT.

Using these values for the payout ratio in the forecasted period leads to a share price of 2.93€ showing a downside of 29.99%. Furthermore, between 2026 and 2028, the dividends paid are higher than the FCFE from the prior year, indicating that the firm is paying out too much dividends in that period. This suggests that the appropriate payout ratio for these years should be adjusted downward from the previously set values.

Moreover, the decline in share price compared to the previous section suggests that the firm has the capacity increase its dividend payouts from 2028 onwards.

5.6 SUSTAINABLE FUTURE DIVIDEND POLICY

Taking into account the results of the previous valuations, a sustainable dividend policy for CTT Portugal was defined for the future years, incorporating the previously established criteria along with two additional assumptions: i) the dividends per share for 2026 and 2027, which are based on the financial years of 2025 and 2026, should be lower than the previous year's DPS but still positive, reflecting the significant CAPEX investments anticipated in those years as well as the decrease in net borrowings, and ii) the payout ratio cannot exceed 70%. This threshold is established to guarantee the company's ability to invest in long-term growth and address economic uncertainties, striking a prudent balance between distributing attractive dividends and retaining enough resources for reinvestment and risk management.

The optimal payout ratios for the forecast period were calculated based on these assumptions using Solver, leading to a share price of 4.21€, which corresponds to an upside of 0.57%. This estimate is relatively conservative, given that the maximum payout ratio was set at 70%. If this assumption was relaxed, the company's higher growth driven by its investments could result in a more substantial increase in the share price.

Scenario	Implied share price	Premium/Discount
FCFE model	5.42 €	29.43%
Average historical payout ratio	2.58€	-38.37%
Average historical dividend/FCFE	1.87€	-55.44%
Peers' average historical payout ratio	3.06€	-26.97%
Peers' median historical payout ratio	2.93€	-29.99%
Recommended dividend policy	4.21€	0.57%

Figure 4.1: Implied share price and premium/discount to current share price (28/06/2024) for all the scenarios tested.

6. SENSITIVITY ANALYSIS

A sensitivity analysis was conducted to understand how changes in key variables would influence the model. The analysis involved adjusting both the cost of equity of the Group CTT ex-bank and the terminal growth rate. A similar analysis was performed for Bank CTT. While the costs of equity were subject to changes of 0.5%, the terminal growth rate was subject to a change of 0.01%.

For the FCFE model, the sensitivity of the terminal value, equity value and share price to variations in these variables was tested, whereas in the DDM model, only the share price sensitivity was examined. The starting values of the three parameters were the estimates considered in the valuation (cost of equity Group CTT ex-bank: 8.08%, cost of equity Bank CTT: 9.91%, terminal growth rate: 2.10%).

The FCFE model sensitivity analysis produced a terminal value range of 344.84M and 709.27M, an equity value range of 640.88M and 1005.31M, and a share price range of 4.65€ and 7.29€ for the share price. For the DDM model, the share price fluctuated between 3.36€ and 6.28€. These outcomes highlight the considerable impact of these variables on both the terminal and equity values as well as on the share price, due to their uncertainty and critical impact on the valuation.

7. CONCLUSION

Over the last decade, CTT Portugal has not followed a specific dividend policy. From 2013 to 2018, the company distributed high dividends to its stockholders, as shown by the high payout ratios during that period. However, with the implementation of the Operational Transformation Plan, which required a

substantial investment to improve the firm's operating efficiency, dividends were reduced until the plan was fully executed. Afterwards, CTT Portugal has been consistently increasing the proportion of earnings distributed to its shareholders, which has been higher than the FCFE from the previous year, indicating that the firm is accumulating cash that can be used to finance future attractive investment opportunities. Additionally, from 2023 to 2025, the company defined as an objective to use 35% to 50% of net income for the payment of recurring dividends, although this dividend proposal is subject to market conditions, an adequate financial context that allows such execution and the applicable legal and regulatory terms and conditions.

In the upcoming years, CTT Portugal is planning to make substantial investments in CAPEX which will result in organic growth for the company. The firm is focused on enhancing its sorting capabilities throughout Iberia, expanding its network of lockers in Portugal and beginning its growth into Spain. Additionally, it plans to invest in technology to improve customer satisfaction and operational efficiency, strengthen service quality and overhaul Bank CTT hubs while modernizing its core platform and digital interfaces. Such investments will allow CTT Portugal to increase its market position in Spain and consolidate its market position in Portugal, however, they will come at the cost of reduced FCFE. Nonetheless, after this period, FCFE are expected to increase as the company collects the benefits from these investments.

In light of this, a sustainable dividend policy for CTT Portugal was recommended. FCFE are expected to decline at the start of the forecast period due to the company's significant investments in CAPEX and reduction in net borrowings, leading to lower dividends. Afterwards, as FCFE increase, the firm is expected to consistently distribute higher proportions of its earnings as dividends to stockholders.

As the recommended policy results in a modest increase in the share price, it is essential that the company clearly communicates the reasons for the CAPEX increase to its stockholders and how this will benefit CTT Portugal in the long-term. If the firm can demonstrate that these investments will lead to significant growth and profitability in the future, as projected in the estimates performed, investors may be more receptive to the dividend cuts in the short-term. An analysis of the first dividend cut reveals that, initially, the OTP approval was followed by a rise in the stock price. However, after the announcement of the dividend reduction on 18 April 2018, the share price exhibited an overall downward trend until the dividend payment date, after which it experienced a recovery. To shorten this adverse market reaction in the coming years, the strategies outlined above should be adopted, emphasizing the prospects of dividend increases to reassure investors and minimize the likelihood of stock sales. Additionally, the success of the OTP, which translated into an increase in profitability and, consequently, in dividends after its implementation, can contribute to restore investor confidence and reduce the risk of a negative market reaction to the future dividend reduction.

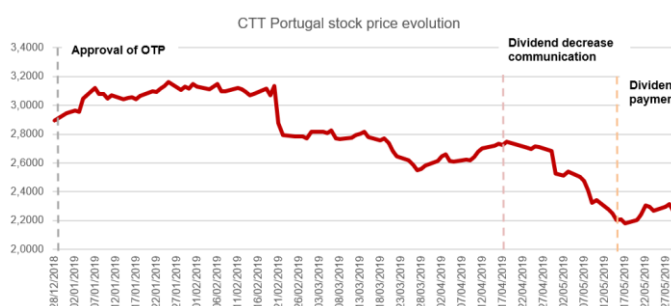


Figure 5.1: CTT Portugal's stock price evolution following the approval of OTP and consequent cut in dividends.

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Appendix

Year	Dividends (Total)	DPS	EPS	Payout ratio	Market price per share	Dividend yield	Date of payment	Type
2013	60 000 000,00 €	0,40 €	0,51 €	78%	7,21 €	5,5%	22/05/2014	Annual
2014	69 750 000,00 €	0,465 €	0,48 €	97%	9,20 €	5,1%	29/05/2015	Annual
2015	70 500 000,00 €	0,47 €	0,42 €	112%	8,01 €	5,9%	25/05/2016	Annual
2016	72 000 000,00 €	0,48 €	0,18 €	267%	5,42 €	8,9%	19/05/2017	Annual
2017	57 000 000,00 €	0,38 €	0,14 €	271%	2,95 €	12,9%	18/05/2018	Annual
2018	15 000 000,00 €	0,10 €	0,19 €	53%	2,18 €	4,6%	17/05/2019	Annual
2019	-	-	0,11 €	0%	-	-	-	-
2020	12 750 000,00 €	0,085 €	0,26 €	33%	4,06 €	2,1%	20/05/2021	Annual
2021	17 820 000,00 €	0,12 €	0,25 €	48%	3,66 €	3,3%	20/05/2022	Annual
2022	17 817 109,00 €	0,125 €	0,43 €	29%	3,46 €	3,6%	19/05/2023	Annual
2023	24 465 550,00 €	0,17 €	0,32 €	53%	4,33 €	3,9%	16/05/2024	Annual

Year	Cost of Equity	Net income	Shareholders' equity	ROE
2018	7,63%	21 520 262,00 €	135 867 186,00 €	15,8%
2019	7,78%	29 284 700,00 €	131 414 832,00 €	22,3%
2020	7,57%	16 766 534,00 €	150 275 094,00 €	11,2%
2021	6,11%	38 591 301,00 €	174 546 069,00 €	22,1%
2022	5,30%	36 342 185,00 €	224 929 476,00 €	16,2%
2023	8,10%	60 442 441,00 €	253 252 652,00 €	23,9%

Exhibit 1: Historical data regarding CTT Portugal, from the company's annual reports, Refinitiv database and Anacom.

	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	
	2024.12	2024.12	2024.12	2027.12	2027.12	2027.12	2029.12	2031.12	2032.12	
Mail Revenue	233,87	455,59	445,58	443,71	437,67	433,68	426,80	420,52	415,44	
Expresso + Parcels Revenue	222,89	488,80	543,62	587,84	615,35	623,12	626,48	617,86	615,27	
Financial Services + Retail Revenue	17,58	40,02	39,21	38,73	40,28	40,87	41,56	42,39	43,06	
Total Revenue	474,34	984,41	1028,41	1070,28	1093,30	1095,67	1094,84	1080,77	1073,76	Cost of Equity 8,08%
Staff Costs	186,52	377,91	383,07	388,18	393,09	397,66	402,16	407,02	412,38	Perpetuity growth rate 2,10%
External supplies and services	213,37	453,49	486,48	518,93	522,86	526,11	530,41	535,09	540,75	
Other costs	13,84	28,70	28,65	28,80	28,85	28,78	28,67	28,58	28,52	
Impairment and provisions	-1,13	2,37	2,71	2,99	3,16	3,22	3,22	3,21	3,21	
Total OPEX	412,70	862,38	900,91	930,90	947,96	949,97	944,45	939,72	935,76	
EBITDA	60,69	121,23	131,48	140,40	145,53	145,90	143,69	140,85	138,01	
Depreciation	33,15	67,58	69,86	71,60	72,48	73,33	71,66	71,03	70,43	
EBIT	27,54	53,67	61,62	68,80	73,05	72,56	71,93	69,82	67,57	
Interest payments	1,21	2,36	2,71	3,03	3,22	3,24	3,17	3,08	2,97	
EBT	26,33	51,31	58,91	65,77	69,84	70,32	68,76	66,84	64,60	
Corporate Income Tax	5,53	10,28	11,78	13,15	13,97	14,06	13,75	13,37	12,92	
Municipal Surtax	0,38	0,77	0,80	0,89	1,05	1,05	1,00	1,00	0,97	
State Surtax	1,12	2,18	2,56	2,91	3,18	3,20	3,09	2,96	2,84	
Net Income	19,28	38,10	43,69	48,72	51,64	52,89	50,88	49,51	47,87	
(+) Depreciation	33,15	67,58	69,86	71,60	72,48	73,33	71,66	71,03	70,43	
(-) CAPEX	54,82	67,97	74,41	72,11	67,86	65,38	59,53	55,48	57,84	
(-) Change in NWC	3,33	(8,68)	(3,94)	4,79	13,87	22,36	2,96	2,39	2,24	
(+) Net Borrowings	57,80	(1,25)	(0,24)	(0,81)	(1,41)	(1,87)	(3,28)	(3,54)	(3,70)	
Free Cash Flow to Equity	56,74	46,13	42,79	42,69	41,18	38,62	37,57	36,13	34,53	
Discounted FCFE	56,58	41,65	35,18	32,52	29,82	25,19	24,73	21,33	28,18	

	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	
	2024.12	2024.12	2024.12	2027.12	2027.12	2027.12	2029.12	2031.12	2032.12	
RWA	1059,53	2290,65	2412,73	2548,63	2677,33	2799,30	2899,21	3101,76	3274,48	Cost of Equity 9,91%
Total Own Funds	219,03	468,88	502,12	540,88	568,38	600,08	703,01	757,61	813,51	Perpetuity growth rate 2,10%
Net Income Applicable	13,78	20,42	22,49	24,12	25,47	26,49	26,83	27,56	28,31	
Total Capital (before capital shortage/excess)	331,89	490,39	534,43	573,89	603,85	636,57	729,84	786,17	841,83	
Total Capital Ratio	21,89%	21,25%	21,74%	22,48%	23,30%	24,17%	24,53%	25,31%	25,71%	
Target Total Capital Ratio	22,00%	22,50%	23,33%	23,33%	23,33%	23,33%	24,33%	24,33%	24,33%	
Target Total Capital	233,01	508,65	562,89	594,60	624,62	657,84	715,11	754,66	796,68	
Free Cash Flow to Equity (considering no capital increase)	(1,28)	(28,35)	(38,28)	(21,60)	(6,77)	18,73	34,73	36,51	45,14	
Total Capital (after capital shortage/excess)	233,01	508,65	562,89	594,60	624,62	657,84	715,11	754,66	796,68	
Total Capital Ratio	22,00%	22,50%	23,33%	23,33%	23,33%	23,33%	24,33%	24,33%	24,33%	
Discounted FCFE	(1,15)	(24,68)	(36,33)	(15,52)	(6,98)	13,14	7,97	13,82	20,23	

	Group CTT ex-bank	Bank CTT	Sum
Sum of discounted FCFE	313,69	(17,65)	296,04
Discounted Terminal Value	267,17	184,38	451,55
Equity Value	580,86	166,73	747,59

# Shares outstanding (30/06/2024)	137,86
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Implied share price	5,42
Current share price (28/06/2024)	4,19
Premium/Discount to current share price	29,43%

Exhibit 2: FCFE valuation forecast from S2 2024 to 2032.

		Cost of equity (Group CTT ex-bank)									
		6,08%	6,58%	7,08%	7,58%	8,08%		8,58%	9,08%	9,58%	10,08%
Terminal Growth Rate	1,6%	600,23	543,85	498,34	460,93	429,74		403,41	380,95	361,62	344,84
	1,7%	610,14	551,58	504,48	465,91	433,83		406,81	383,81	364,04	346,91
	1,8%	620,50	559,62	510,86	471,06	438,05		410,32	386,75	366,53	349,04
	1,9%	631,37	568,01	517,49	476,39	442,41		413,92	389,77	369,08	351,21
	2,0%	642,76	576,76	524,37	481,91	446,91		417,64	392,87	371,70	353,44
	2,1%	654,73	585,91	531,53	487,63	451,55		421,47	396,06	374,39	355,73
	2,2%	667,31	595,47	538,99	493,57	456,36		425,41	399,35	377,15	358,07
	2,3%	680,56	605,47	546,76	499,73	461,33		429,49	402,73	379,99	360,48
	2,4%	694,53	615,96	554,85	506,13	466,48		433,70	406,21	382,90	362,94
	2,5%	709,27	626,96	563,31	512,77	471,81		438,04	409,80	385,90	365,47

		Cost of equity (Bank CTT)									
		7,91%	8,41%	8,91%	9,41%	9,91%		10,41%	10,91%	11,41%	11,91%
Terminal Growth Rate	1,6%	532,63	503,66	479,04	457,90	439,61		423,67	409,69	397,35	386,41
	1,7%	537,17	507,42	482,19	460,97	441,88		426,82	411,38	398,82	387,70
	1,8%	541,86	511,30	485,42	463,30	444,21		427,62	413,10	400,32	389,01
	1,9%	546,70	515,29	488,75	466,11	446,60		429,67	414,87	401,85	390,35
	2,0%	551,71	519,41	492,18	468,99	449,04		431,76	416,67	403,42	391,71
	2,1%	556,89	523,65	495,71	471,95	451,55		433,90	418,52	405,02	393,10
	2,2%	562,25	528,04	499,34	474,99	454,13		436,10	420,40	406,65	394,53
	2,3%	567,80	532,57	503,08	478,12	456,77		438,35	422,33	408,32	395,98
	2,4%	573,56	537,25	506,94	481,34	459,48		440,66	424,31	410,02	397,46
	2,5%	579,53	542,09	510,92	484,65	462,27		443,02	426,33	411,77	398,97

Exhibit 3: Terminal value sensitivity to changes in the costs of equity and terminal growth rate.

Cost of equity (Group CTT ex-bank)										
	6,08%	6,58%	7,08%	7,58%	8,08%	8,58%	9,08%	9,58%	10,08%	
Terminal Growth Rate	1,6%	896,27	839,89	794,38	756,97	725,78	699,45	676,99	657,66	640,88
	1,7%	906,18	847,62	800,52	761,95	729,87	702,86	679,85	660,08	642,96
	1,8%	916,54	855,66	806,90	767,10	734,09	706,36	682,79	662,57	645,08
	1,9%	927,41	864,05	813,53	772,43	738,45	709,96	685,81	665,12	647,25
	2,0%	938,80	872,80	820,41	777,95	742,95	713,68	688,91	667,74	649,48
	2,1%	950,77	881,95	827,58	783,67	747,59	717,51	692,10	670,43	651,77
	2,2%	963,35	891,03	835,03	789,61	752,40	721,46	695,39	673,19	654,11
	2,3%	976,60	901,52	842,80	795,77	757,37	725,53	698,77	676,03	656,52
	2,4%	990,57	912,00	850,90	802,17	762,52	729,74	702,25	678,95	658,99
	2,5%	1005,31	923,00	859,35	808,82	767,86	734,08	705,84	681,94	661,51
Cost of equity (Bank CTT)										
	7,91%	8,41%	8,91%	9,41%	9,91%	10,41%	10,91%	11,41%	11,91%	
Terminal Growth Rate	1,6%	828,67	799,70	775,08	753,94	735,65	719,71	705,73	693,39	682,45
	1,7%	833,21	803,46	778,23	756,61	737,93	721,66	707,42	694,86	683,74
	1,8%	837,90	807,34	781,47	759,34	740,25	723,66	709,14	696,36	685,05
	1,9%	842,74	811,33	784,80	762,15	742,64	725,71	710,91	697,89	686,39
	2,0%	847,75	815,45	788,22	765,03	745,09	727,80	712,71	699,46	687,75
	2,1%	852,93	819,70	791,75	767,99	747,59	729,94	714,56	701,06	689,15
	2,2%	858,29	824,08	795,38	771,03	750,17	732,14	716,44	702,69	690,57
	2,3%	863,84	828,61	799,13	774,16	752,81	734,39	718,37	704,36	692,02
	2,4%	869,60	833,29	802,98	777,38	755,52	736,70	720,35	706,06	693,50
	2,5%	875,57	838,13	806,96	780,69	758,31	739,06	722,38	707,81	695,01

Exhibit 4: Equity value sensitivity to changes in the costs of equity and terminal growth rate.

Cost of equity (Group CTT ex-bank)										
	6,08%	6,58%	7,08%	7,58%	8,08%	8,58%	9,08%	9,58%	10,08%	
Terminal Growth Rate	1,6%	6,50	6,09	5,76	5,49	5,26	5,07	4,91	4,77	4,65
	1,7%	6,57	6,15	5,81	5,53	5,29	5,10	4,93	4,79	4,66
	1,8%	6,65	6,21	5,85	5,56	5,33	5,12	4,95	4,81	4,68
	1,9%	6,73	6,27	5,90	5,60	5,36	5,15	4,97	4,82	4,70
	2,0%	6,81	6,33	5,95	5,64	5,39	5,18	5,00	4,84	4,71
	2,1%	6,90	6,40	6,00	5,68	5,42	5,20	5,02	4,86	4,74
	2,2%	6,99	6,47	6,06	5,73	5,46	5,23	5,04	4,88	4,74
	2,3%	7,08	6,54	6,11	5,77	5,49	5,26	5,07	4,90	4,76
	2,4%	7,19	6,62	6,17	5,82	5,53	5,29	5,09	4,92	4,78
	2,5%	7,29	6,70	6,23	5,87	5,57	5,32	5,12	4,95	4,80
Cost of equity (Bank CTT)										
	7,91%	8,41%	8,91%	9,41%	9,91%	10,41%	10,91%	11,41%	11,91%	
Terminal Growth Rate	1,6%	6,01	5,80	5,62	5,47	5,34	5,22	5,12	5,03	4,95
	1,7%	6,04	5,83	5,65	5,49	5,35	5,23	5,13	5,04	4,96
	1,8%	6,08	5,86	5,67	5,51	5,37	5,25	5,14	5,05	4,97
	1,9%	6,11	5,89	5,69	5,53	5,39	5,26	5,16	5,06	4,98
	2,0%	6,15	5,92	5,72	5,55	5,40	5,28	5,17	5,07	4,99
	2,1%	6,19	5,95	5,74	5,57	5,42	5,29	5,18	5,09	5,00
	2,2%	6,23	5,98	5,77	5,59	5,44	5,31	5,20	5,10	5,01
	2,3%	6,27	6,01	5,80	5,62	5,46	5,33	5,21	5,11	5,02
	2,4%	6,31	6,04	5,82	5,64	5,48	5,34	5,23	5,12	5,03
	2,5%	6,35	6,08	5,85	5,66	5,50	5,36	5,24	5,13	5,04

Exhibit 5: Share price sensitivity to changes in the costs of equity and terminal growth rate.

	2019	2020	2021	2022	2023	2024E
Mail Revenue	478,29	426,10	444,44	460,92	434,11	473,66
Expresso = Parcels Revenue	152,41	193,00	255,69	259,02	340,59	433,20
Financial Services = Retail Revenue	34,30	44,04	48,88	60,52	62,65	28,71
Total Revenue	665,00	663,14	749,00	780,46	837,34	935,56
Staff Costs	324,31	316,31	321,10	324,26	351,88	372,61
External supplies and services	122,61	224,58	293,01	298,67	346,99	420,45
Other costs	25,66	26,22	35,25	51,92	23,06	23,38
Impairment and provisions	5,73	6,06	-0,80	0,81	0,23	2,01
Total OPEX	478,31	573,16	648,57	675,66	722,16	818,65
EBITDA	186,69	89,98	100,44	104,80	115,19	116,91
Depreciation	48,64	55,51	50,34	56,85	55,91	65,06
EBIT	138,06	34,47	50,10	47,95	59,28	51,85
Interest payments	6,08	1,52	2,21	2,11	2,61	2,28
EBT	131,98	32,95	47,89	45,84	56,67	49,57
Corporate Income Tax	26,40	6,59	9,58	9,17	11,33	10,41
Municipal Surtax	1,84	0,51	1,04	0,97	1,16	1,07
State Surtax	10,28	1,45	2,72	2,53	3,50	2,87
Net Income	93,46	24,40	34,56	33,17	40,67	35,22
(+) Depreciation	48,64	55,51	50,34	56,85	55,91	65,06
(-) CAPEX	31,07	76,32	51,29	62,47	48,26	98,39
(-) Change in NWC	-29,57	6,11	32,84	-187,54	155,80	-7,61
(+) Net Borrowings	(78,01)	13,87	66,55	(116,88)	140,42	85,30
Free Cash Flow to Equity	62,60	11,34	67,31	98,20	32,93	94,80
	2019	2020	2021	2022	2023	2024E
RWA	724,69	779,67	1036,42	1176,30	945,53	2033,50
Total Own Funds	186,19	130,42	159,40	177,51	196,14	418,09
Net Income Applicable	-8,01	0,23	16,15	14,72	17,02	21,24
Total Capital (before capital shortage/excess)	178,18	130,65	175,55	192,23	213,16	439,33
Total Capital Ratio	24,59%	16,76%	16,94%	16,34%	22,54%	21,60%
Target Total Capital Ratio	18,98%	16,73%	15,38%	15,09%	20,07%	22,00%
Target Total Capital	137,55	130,44	159,40	177,50	189,77	447,37
Free Cash Flow to Equity (considering no capital increase)	40,63	0,21	16,15	14,73	23,39	(8,04)
Total Capital (after capital shortage/excess)	137,55	130,44	159,40	177,50	189,77	447,37
Total Capital Ratio	18,98%	16,73%	15,38%	15,09%	20,07%	22,00%

**Exhibit 6: FCFE valuation from 2019 to 2024.**

	2019	2020	2021	2022	2023	2024E
Dividend	15,00		12,75	17,82	17,82	24,47
FCFE	103,23	11,55	83,46	112,93	56,33	86,76
Dividends(t)/FCFE(t-1)		110,40%	21,35%	15,78%	43,43%	26,85%
Net income	85,45	24,63	50,71	47,89	57,69	56,46
# Shares outstanding	150,00	150,00	149,14	147,18	141,77	138,44
EPS	0,57 €	0,16 €	0,34 €	0,33 €	0,41 €	0,41 €
DPS	0,10 €		0,09 €	0,12 €	0,13 €	0,18 €
Payout ratio	17,55%		25,14%	37,21%	30,89%	43,33%
Retention Rate	82,45%	100,00%	74,86%	62,79%	69,11%	56,67%
Dividend Payment Date	17/05/2019		20/05/2021	20/05/2022	19/05/2023	16/05/2024
Share price at payment date	2,18 €		4,06 €	3,66 €	4,33 €	
Dividend yield	4,59%		2,11%	3,31%	3,64%	4,08%
						3,54%

	2019	2020	2021	2022	2023	
International Distribution Services	142,29%	48,56%	18,13%	41,72%		Not considered in the analysis (outliers)
Deutsche Post AG	58,94%	66,10%	43,64%	41,15%	59,02%	
Post NL		66,51%	85,09%		66,67%	
UPS	75,25%	264,48%	27,96%	46,44%	83,65%	
Fedex	147,20%	52,88%	13,88%	20,76%	37,70%	
Banco de Sabadell SA	7,30%	5693,40%	-	28,89%	26,83%	
Banco Comercial Portugues SA	10,47%	-	-	6,74%	-	
Credito Emiliano SpA	36,14%	-	19,32%	32,13%	19,97%	
Mero Bank Holdings PLC						
Bankinter SA	58,63%	25,68%	55,02%	50,00%	50,00%	
Banca Monte dei Paschi di Siena SpA	-	-	-	-	845,70%	
CaixaBank SA	26,59%	17,45%	23,67%	60,36%	63,68%	
Santander SA	84,32%		26,01%	20,22%	25,00%	
Average Payout Ratio (Peers Group CTT ex-bank)	105,92%	55,53%	37,34%	37,52%	61,76%	
Average Payout Ratio (Bank CTT)	37,24%	21,57%	31,01%	33,06%	37,10%	
Median Payout Ratio (Peers Group CTT ex-bank)	108,77%	54,52%	27,96%	41,44%	62,85%	
Median Payout Ratio (Bank CTT)	31,37%	21,57%	24,84%	30,61%	26,83%	
Average PR last 4 years					48,04%	
Average PR (excluding 2020)					34,60%	
Median PR last 4 years					47,98%	
Median PR (excluding 2020)					28,67%	

Exhibit 7: Definition of the average payout ratio, Dividend/FCFE ratio, peers' average and median payout ratio.

	2024E	1,5	2,5	3,5	4,5	5,5	6,5	7,5	8,5
Net income (Group CTT ex-bank)	35,22	38,10	43,69	48,72	51,64	52,00	50,88	49,51	47,87
Growth			14,67%	11,51%	6,09%	0,71%	-2,15%	-2,70%	-3,38%
Net income (Bank CTT)	21,24	20,42	22,49	24,12	25,47	26,49	26,83	27,56	28,31
Growth			10,10%	7,25%	5,61%	4,00%	1,29%	2,73%	2,72%
Net income	56,46	58,52	66,18	72,83	77,11	78,49	77,71	77,07	76,18
Growth			13,08%	10,06%	5,87%	1,79%	-0,99%	-0,82%	-1,16%
FCFE (Group CTT ex-bank)	94,80	46,13	42,73	42,69	41,18	38,62	57,57	56,13	54,53
Growth			-7,39%	-0,08%	-3,56%	-6,20%	49,06%	-2,51%	-2,85%
FCFE (Bank CTT)	(8,04)	(28,35)	(38,28)	(21,60)	(0,77)	18,73	14,73	30,51	45,14
Growth			35,05%	-43,57%	-95,44%	-2535,78%	-21,30%	47,95%	47,95%
FCFE	86,76	17,79	4,44	21,09	40,41	57,36	72,30	86,64	99,67
Growth			-75,01%	374,50%	91,59%	41,95%	26,05%	19,63%	15,04%
Payout Ratio	37,14%	37,14%	37,14%	37,14%	37,14%	37,14%	37,14%	37,14%	37,14%
Dividend (Group CTT ex-bank)	13,08	14,15	16,23	18,09	19,18	19,31	19,31	18,90	18,39
Dividend (Bank CTT)	7,99	7,59	8,35	9,96	9,84	9,84	9,96	10,24	10,24
Dividend	20,97	21,74	24,58	27,05	28,64	29,15	28,86	28,63	28,63
DPS		0,15 €	0,16 €	0,18 €	0,20 €	0,21 €	0,21 €	0,21 €	0,21 €
Growth DPS			3,65%	13,08%	10,06%	5,87%	1,79%	-0,99%	-0,82%
Discounted Dividend (Group CTT ex-bank)	11,64	11,65	12,36	12,75	12,51	11,65	10,55	9,50	9,50
Discounted Dividend (Bank CTT)	8,85	8,99	6,00	5,65	5,63	5,32	4,91	4,59	4,59
Discounted Dividend	18,49	17,64	18,36	18,61	18,13	16,98	15,45	14,08	14,08
Check: Dividends(t) < Net Income(t-1)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: Dividends(t) < FCFE(t-1)	TRUE	FALSE	FALSE	FALSE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: CTT's policy defined for 2023-2025	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: Net Loss (t-1) ⇒ No Dividends (t)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Group CTT ex-bank	Bank CTT	Sum							
Sum of Discounted Dividends	92,61	45,13	137,74						
Discounted Terminal Value	156,68	61,56	218,24						
Equity Value	249,29	106,69	355,98						
# Shares outstanding (30/06/2024)	137,88								
Implied share price	2,58								
Current share price (28/06/2024)	4,19								
Premium/Discount to current share price	-38,37%								

Exhibit 8: DDM considering the Average Historical Payout Ratio.

	2024E	1,5	2,5	3,5	4,5	5,5	6,5	7,5	8,5
Net income (Group CTT ex-bank)	35,22	38,10	43,69	48,72	51,64	52,00	50,88	49,51	47,87
Growth			14,67%	11,51%	6,09%	0,71%	-2,15%	-2,70%	-3,38%
Net income (Bank CTT)	21,24	20,42	22,49	24,12	25,47	26,49	26,83	27,56	28,31
Growth			10,10%	7,25%	5,61%	4,00%	1,29%	2,73%	2,72%
Net income	56,46	58,52	66,18	72,83	77,11	78,49	77,71	77,07	76,18
Growth			13,08%	10,06%	5,87%	1,79%	-0,99%	-0,82%	-1,16%
FCFE (Group CTT ex-bank)	94,80	46,13	42,73	42,69	41,18	38,62	57,57	56,13	54,53
Growth			-7,39%	-0,08%	-3,56%	-6,20%	49,06%	-2,51%	-2,85%
FCFE (Bank CTT)	(8,04)	(28,35)	(38,28)	(21,60)	(0,77)	18,73	14,73	30,51	45,14
Growth			35,05%	-43,57%	-95,44%	-2535,78%	-21,30%	47,95%	47,95%
FCFE	86,76	17,79	4,44	21,09	40,41	57,36	72,30	86,64	99,67
Growth			-75,01%	374,50%	91,59%	41,95%	26,05%	19,63%	15,04%
Payout Ratio	26,85%	26,85%	26,85%	26,85%	26,85%	26,85%	26,85%	26,85%	26,85%
Dividend (Group CTT ex-bank)	9,46	10,23	11,73	13,08	13,87	13,96	13,96	13,66	13,30
Dividend (Bank CTT)	5,70	5,48	6,04	6,94	6,84	7,11	7,20	7,40	7,40
Dividend	15,16	15,72	17,77	19,56	20,71	21,08	20,87	20,70	20,70
DPS		0,11 €	0,11 €	0,13 €	0,14 €	0,15 €	0,15 €	0,15 €	0,15 €
Growth DPS			3,65%	13,08%	10,06%	5,87%	1,79%	-0,99%	-0,82%
Discounted Dividend (Group CTT ex-bank)	8,42	8,42	8,94	9,22	9,04	8,43	7,63	6,87	6,87
Discounted Dividend (Bank CTT)	4,95	4,93	4,34	4,23	4,07	3,85	3,55	3,31	3,31
Discounted Dividend	13,37	12,75	13,28	13,45	13,11	12,27	11,17	10,18	10,18
Check: Dividends(t) < Net Income(t-1)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: Dividends(t) < FCFE(t-1)	TRUE	TRUE	FALSE	FALSE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: CTT's policy defined for 2023-2025	FALSE	FALSE	FALSE	FALSE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: Net Loss (t-1) ⇒ No Dividends (t)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE



	Group CTT ex-bank	Bank CTT	Sum
Sum of Discounted Dividends	66,96	32,63	99,59
Discounted Terminal Value	113,28	44,51	157,79
Equity Value	180,24	77,14	257,38

Shares outstanding (30/06/2024) 137,86

Implied share price	1,87
Current share price (28/06/2024)	4,19
Premium/Discount to current share price	-55,44%

Exhibit 9: DDM considering the Average Historical Dividend/FCFE Ratio.

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Net income (Group CTT ex-bank)	35,22	38,10	43,69	48,72	51,64	52,00	50,88	49,51	47,87
Growth			14,67%	11,51%	6,00%	0,71%	-2,15%	-2,70%	-3,32%
Net income (Bank CTT)	21,24	20,42	22,49	24,12	25,47	26,49	26,83	27,56	28,31
Growth			10,10%	7,25%	5,61%	4,00%	1,29%	2,28%	2,72%
Net income	56,46	58,52	66,18	72,83	77,11	78,49	77,71	77,07	76,18
Growth			13,08%	10,06%	6,87%	1,75%	-0,99%	-0,82%	-1,18%
FCFE (Group CTT ex-bank)	94,80	46,13	42,73	42,69	41,18	38,62	57,57	56,13	54,53
Growth			-7,38%	-0,08%	-3,55%	-6,20%	49,06%	-2,51%	-2,85%
FCFE (Bank CTT)	(8,04)	(28,35)	(38,28)	(21,60)	(0,77)	18,73	14,73	30,51	45,14
Growth			-35,05%	-43,57%	-98,44%	-2535,78%	-21,33%	99,99%	47,95%
FCFE	86,76	17,79	4,44	21,09	40,41	57,36	72,30	86,64	99,67
Growth			-75,01%	374,50%	91,59%	41,95%	26,05%	19,83%	15,04%
Payout Ratio (Group CTT ex-bank)	48,04%	48,04%	48,04%	48,04%	48,04%	48,04%	48,04%	48,04%	48,04%
Payout Ratio (Bank CTT)	34,60%	34,60%	34,60%	34,60%	34,60%	34,60%	34,60%	34,60%	34,60%
Dividend (Group CTT ex-bank)	16,92	18,30	20,99	23,40	24,81	24,98	24,44	24,44	23,78
Dividend (Bank CTT)	7,35	7,07	7,78	7,78	8,34	8,81	9,16	9,28	9,54
Dividend	24,27	25,37	28,77	31,75	33,62	33,62	34,15	33,73	33,32
DPS	0,18 €	0,18 €	0,21 €	0,23 €	0,24 €	0,24 €	0,24 €	0,24 €	0,24 €
Growth DPS			4,53%	13,40%	10,36%	5,90%	1,57%	-1,23%	-1,20%
Discounted Dividend (Group CTT ex-bank)	15,06	15,07	15,99	16,49	16,49	16,18	15,07	13,64	12,28
Discounted Dividend (Bank CTT)	6,38	5,58	5,59	5,45	5,24	4,96	4,57	4,27	4,27
Discounted Dividend	21,44	20,65	21,58	21,95	21,42	20,03	18,21	16,95	16,95
Check: Dividends(t) < Net Income(t-1)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: Dividends(t) < FCFE(t-1)	TRUE	FALSE	FALSE	FALSE	FALSE	TRUE	TRUE	TRUE	TRUE
Check: CTT's policy defined for 2023-2025	TRUE								
Check: Net Loss (t-1) ⇒ No Dividends (t)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

	Group CTT ex-bank	Bank CTT	Sum
Sum of Discounted Dividends	119,79	42,04	161,83
Discounted Terminal Value	202,64	57,35	259,99
Equity Value	322,43	99,39	421,82

Shares outstanding (30/06/2024) 137,86

Implied share price	3,06
Current share price (28/06/2024)	4,19
Premium/Discount to current share price	-26,97%

Exhibit 10: DDM considering the Peers' Average Historical Payout Ratio.

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Net income (Group CTT ex-bank)	35,22	38,10	43,69	48,72	51,64	52,00	50,88	49,51	47,87
Growth			14,67%	11,51%	6,00%	0,71%	-2,15%	-2,70%	-3,32%
Net income (Bank CTT)	21,24	20,42	22,49	24,12	25,47	26,49	26,83	27,56	28,31
Growth			10,10%	7,25%	5,61%	4,00%	1,29%	2,28%	2,72%
Net income	56,46	58,52	66,18	72,83	77,11	78,49	77,71	77,07	76,18
Growth			13,08%	10,06%	6,87%	1,75%	-0,99%	-0,82%	-1,18%
FCFE (Group CTT ex-bank)	94,80	46,13	42,73	42,69	41,18	38,62	57,57	56,13	54,53
Growth			-7,38%	-0,08%	-3,55%	-6,20%	49,06%	-2,51%	-2,85%
FCFE (Bank CTT)	(8,04)	(28,35)	(38,28)	(21,60)	(0,77)	18,73	14,73	30,51	45,14
Growth			-35,05%	-43,57%	-98,44%	-2535,78%	-21,33%	99,99%	47,95%
FCFE	86,76	17,79	4,44	21,09	40,41	57,36	72,30	86,64	99,67
Growth			-75,01%	374,50%	91,59%	41,95%	26,05%	19,83%	15,04%
Payout Ratio (Group CTT ex-bank)	47,98%	47,98%	47,98%	47,98%	47,98%	47,98%	47,98%	47,98%	47,98%
Payout Ratio (Bank CTT)	28,67%	28,67%	28,67%	28,67%	28,67%	28,67%	28,67%	28,67%	28,67%
Dividend (Group CTT ex-bank)	16,90	18,28	20,96	23,37	24,77	24,95	24,41	23,75	23,75
Dividend (Bank CTT)	6,09	5,86	6,45	6,91	7,30	7,59	7,69	7,90	7,90
Dividend	22,99	24,13	27,41	30,29	32,08	32,54	32,10	31,66	31,66
DPS	0,17 €	0,17 €	0,20 €	0,22 €	0,23 €	0,23 €	0,24 €	0,23 €	0,23 €
Growth DPS			4,99%	13,58%	10,51%	5,91%	1,48%	-1,35%	-1,40%
Discounted Dividend (Group CTT ex-bank)	15,04	15,05	15,97	16,47	16,16	16,16	15,05	13,63	12,27
Discounted Dividend (Bank CTT)	5,29	4,62	4,63	4,52	4,34	4,11	3,79	3,54	3,54
Discounted Dividend	20,32	19,67	20,60	20,99	20,50	19,16	17,41	15,81	15,81
Check: Dividends(t) < Net Income(t-1)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: Dividends(t) < FCFE(t-1)	TRUE	FALSE	FALSE	FALSE	FALSE	TRUE	TRUE	TRUE	TRUE
Check: CTT's policy defined for 2023-2025	TRUE								
Check: Net Loss (t-1) ⇒ No Dividends (t)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

	Group CTT ex-bank	Bank CTT	Sum
Sum of Discounted Dividends	119,64	34,84	154,47
Discounted Terminal Value	202,39	47,52	249,91
Equity Value	322,02	82,36	404,38

Shares outstanding (30/06/2024) 137,86

Implied share price	2,93
Current share price (28/06/2024)	4,19
Premium/Discount to current share price	-29,99%

Exhibit 11: DDM considering the Peers' Median Historical Payout Ratio.

Payout ratio smaller than	70%
Payout ratio 2025	50,00%
Payout ratio 2026	30,39%
Payout ratio 2027	6,72%
Payout ratio 2028	28,96%
Payout ratio 2029	52,40%
Payout ratio 2030	68,74%
Payout ratio 2031	69,42%
Payout ratio 2032	70,00%



	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Net income (Group CTT ex-bank)	35,22	38,10	43,69	48,72	51,64	52,00	50,88	49,51	47,87
Growth		8,46%	14,67%	11,51%	6,00%	0,71%	-2,55%	-2,79%	-3,35%
Net income (Bank CTT)	21,24	20,42	22,40	24,12	25,47	26,40	26,83	27,56	28,31
Growth		-3,87%	9,70%	7,70%	5,11%	4,00%	1,59%	2,65%	2,72%
Net income	56,46	58,52	66,10	72,83	77,11	78,49	77,71	77,07	76,18
Growth		3,63%	13,08%	10,08%	5,57%	1,79%	-0,99%	-0,82%	-1,16%
FCFE (Group CTT ex-bank)	94,80	48,13	42,73	42,69	41,18	38,62	57,57	56,13	54,53
Growth		-49,33%	-7,28%	-0,09%	-3,58%	-6,20%	49,08%	-2,53%	-2,85%
FCFE (Bank CTT)	(8,04)	(28,35)	(28,28)	(21,60)	(6,77)	18,73	14,73	50,51	45,14
Growth		-35,95%	0,27%	-43,57%	-95,44%	255,78%	-21,38%	44,98%	-10,35%
FCFE	86,76	17,79	4,44	21,09	40,41	57,36	72,30	86,64	99,67
Growth		-79,31%	-34,80%	214,80%	51,58%	41,55%	20,50%	16,53%	15,04%
Payout Ratio	50,00%	50,00%	30,39%	6,72%	29,96%	52,40%	68,74%	69,42%	70,00%
Dividend (Group CTT ex-bank)	17,61	11,58	2,93	2,93	14,11	27,06	35,74	35,32	34,66
Dividend (Bank CTT)	10,62	6,21	1,51	1,51	6,98	13,35	18,21	18,63	19,29
Dividend	28,23	17,79	4,44	4,44	21,09	40,41	53,95	53,95	53,95
Growth DPS		-37,00%	-13,16%	0,00%	-75,01%	374,55%	91,59%	33,52%	0,00%
Discounted Dividend (Group CTT ex-bank)	15,67	9,53	2,24	2,24	9,84	17,65	21,57	18,72	17,90
Discounted Dividend (Bank CTT)	9,22	4,90	1,08	1,08	4,36	7,84	9,85	9,17	8,64
Discounted Dividend	24,89	14,43	3,32	3,32	14,21	25,49	31,42	28,89	26,54
Check: Dividends(t) < Net Income(t-1)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: Dividends(t) < FCFE(t-1)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: CTT's policy defined for 2023-2025	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Check: Net Loss (t-1) => No Dividends (t)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

	Group CTT ex-bank	Bank CTT	Sum
Sum of Discounted Dividends	114,22	55,37	169,59
Discounted Terminal Value	295,29	116,03	411,31
Equity Value	409,50	171,39	580,90

# Shares outstanding (30/06/2024)	137,86
Implied share price	4,21
Current share price (28/06/2024)	4,19
Premium/Discount to current share price	0,57%

Exhibit 12: Recommended Dividend Policy for CTT Portugal in the upcoming years.

		6,08%	6,58%	7,08%	7,58%	8,08%	8,58%	9,08%	9,58%	10,08%
Terminal Growth Rate	1,6%	5,41	4,95	4,59	4,29	4,04	3,83	3,65	3,49	3,36
	1,7%	5,49	5,02	4,64	4,33	4,07	3,86	3,67	3,51	3,37
	1,8%	5,57	5,08	4,69	4,37	4,11	3,88	3,69	3,53	3,39
	1,9%	5,66	5,15	4,74	4,41	4,14	3,91	3,72	3,56	3,41
	2,0%	5,75	5,22	4,80	4,46	4,18	3,94	3,74	3,57	3,43
	2,1%	5,84	5,29	4,85	4,50	4,21	3,97	3,77	3,60	3,45
	2,2%	5,94	5,37	4,91	4,55	4,25	4,00	3,80	3,62	3,46
	2,3%	6,05	5,45	4,98	4,60	4,29	4,04	3,82	3,64	3,48
	2,4%	6,16	5,53	5,04	4,65	4,33	4,07	3,85	3,66	3,50
	2,5%	6,28	5,62	5,11	4,70	4,38	4,11	3,88	3,69	3,52

		7,91%	8,41%	8,91%	9,41%	9,91%	10,41%	10,91%	11,41%	11,91%
Terminal Growth Rate	1,6%	4,58	4,45	4,34	4,24	4,16	4,09	4,02	3,97	3,92
	1,7%	4,60	4,47	4,35	4,25	4,17	4,10	4,03	3,97	3,92
	1,8%	4,63	4,49	4,37	4,27	4,18	4,10	4,04	3,98	3,93
	1,9%	4,65	4,50	4,38	4,28	4,19	4,11	4,05	3,99	3,93
	2,0%	4,67	4,52	4,40	4,29	4,20	4,12	4,05	3,99	3,94
	2,1%	4,69	4,54	4,42	4,31	4,21	4,13	4,06	4,00	3,95
	2,2%	4,72	4,56	4,43	4,32	4,23	4,14	4,07	4,01	3,95
	2,3%	4,74	4,58	4,45	4,34	4,24	4,15	4,08	4,02	3,96
	2,4%	4,77	4,60	4,47	4,35	4,25	4,16	4,09	4,02	3,97
	2,5%	4,80	4,63	4,48	4,36	4,26	4,17	4,10	4,03	3,97

Exhibit 13: Share price sensitivity to changes in the costs of equity and terminal growth rate.