

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

**CFA Research Challenge – CTT Correios de Portugal – Cross-Border Growth: The Role of
M&A in CTT's Strategic Expansion into Spain**

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Abstract

CTT – Correios de Portugal, S.A stands as a leading company in Portugal’s logistics and financial services sectors. The purpose of this paper is to demonstrate that the fair value for CTT’s share price is €5.21, representing a premium over the market price of €4.68 as of December 4, 2024. Through comprehensive analysis, this valuation highlights the company’s growth potential and strategic positioning in its core markets.

Beatriz de Almeida Domingues Pereira’s Individual Part evaluates the potential impact of Correios de Portugal’s ESG objectives on its cost of equity and, consequently, its projected share price.

Joana Duarte Cordeiro’s Individual Part focuses on CTT’s potential acquisition of Sending Transporte Y Comunicación SA, in Spain, aligning with the company’s strategic expansion objectives into the Iberian Courier, Express and Parcels market.

João Diogo Guerra Correia’s Individual Part analysis historical payout policy and its sustainability in the future and impact on shareholder value.

Lara Catarina Figueiredo Caçador’s Individual Part analyzes the financial impact of CTT's Locky locker network expansion in Portugal and Spain, focusing on the value which automated lockers represent for the company's last-mile logistics.

Keywords

Corporate Finance, Finance, Valuation, Equity Research, Analysis.

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This report is part of the CFA – Equity Research (annexed), developed by Beatriz de Almeida Domingues Pereira, Joana Duarte Cordeiro, João Diogo Guerra Correia, and Lara Catarina Figueiredo Caçador and should be read as an integral part of it.

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Recommendation:

This equity research recommends taking a **BUY** position with a price target of €5.37, reflecting a premium of 14.8% as of 4th December 2024.

This recommendation is driven by the performance and development of the four different business units.

Mail and Others:

Despite a -3% CAGR from 2019 to 2023, it remains CTT's core activity, representing 44% of 2023 CTT's revenues. Following years are expected to be challenging with a lower customer demand that should be recovered with a price increase.

Express and Parcels:

Fueled by e-commerce, this unit represented 35% of total revenues in 2023. It is currently operating in Portugal, Spain and Mozambique with a good outlook for expansion in Spain with its subsidiary CTT Express. It delivers higher margins compared to Mail due to a cost-cutting program.

Financial Services:

It is heavily impacted by the public interest over public debt certificates which are ultimately impacted by the interest rates practiced by the European Central Bank. Over the last years, as public debt certificates practiced an interest rate higher than bank accounts, its revenues have been increasing in 2022 and 2023.

CTT Bank:

It is currently waging the high interest rates set by the European Central Bank (ECB). The ECB has already announced rate cuts and leaves space for more cuts, reducing the net interest margin of CTT Bank. This activity delivered 15% of total revenues in 2023 and it is currently expanding its customer base.

Company Description:

CTT – Correios de Portugal, S.A. is a Portuguese company with four distinct business units – Mail and Others, Express and Parcels, Financial Services and Retail and CTT Bank. It is listed at the Euronext Lisbon Exchange under the ticker symbol CTT.LS

Recommendation: **BUY**

Vs Analysts' Consensus BUY

Price Target FY24: **5.37 €**

Vs Analysts' Price Target 5.58 €

Price (as of 4-17-Dec-24) **4.68 €**

Sources: CTT – Correios de Portugal, S.A., Refinitiv

52-week range (€) 3.46-4.74

Market Cap (€m) 643.734

Outstanding Shares (m) 137.55

Source: Refinitiv, Bloomberg



Source: Refinitiv

(Values in € millions)	2022	2023	2024F
Revenues	906	985	1.067
EBITDA	129	152	163
EBIT	56	78	87
Net Profit	36	60	50
EBITDA Margin	14%	15%	15%
EBIT Margin	6%	8%	8%
Net Profit Margin	4%	6%	5%
ROE	17%	24%	27%
ROA	1%	1.4%	0.9%
ROIC W/ lag	49%	29%	26%
ROIC W/o lag	32%	82%	25%

Source: CTT – Correios de Portugal, S.A. Annual Reports.

Fiscal Years equals Calendar Years

Company

Company Overview



Figure 1 - CTT logo
Source: CTT Website

CTT – Correios de Portugal, S.A. (CTT) traces its origins back to 1520 when King D. Manuel I founded the first public mail service in Portugal to connect Portuguese merchants. With over 500 years of history, CTT has already undergone several mergers and separations. In fact, in 1972 the then CTT – Correios e Telecomunicações de Portugal split its operations into two new companies (Portugal Telecom, S.A. and CTT – Correios de Portugal, S.A.) both controlled by the state at the time.

Currently, CTT is a publicly traded company as a consequence of a privatization process that occurred in 2013 – a period in which the government conducted privatization processes in many different Portuguese state-owned companies. CTT became the first Portuguese company with 100% free float listed at Euronext Lisbon market integrating the PSI index that aggregates the 15 largest listed companies in Portugal.

The company is among the most trusted by the Portuguese and leads in the “Mail and Logistics services” sector. This recognition by the Portuguese is a consequence of the alignment of the mission “To constantly innovate, offering logistics solutions and support services with quality, focused on the needs of customers.” with the vision “To be the partner of reference for companies, developing e-commerce and simplifying their physical and digital presence.” All in all, CTT represents an ideal partner for retail service/delivery.

CTT operates across four business units: Mail, Express & Parcels, Financial Services & Retail, and the most recently established Bank. The company provides a wide range of services through its 14 subsidiaries.

While its primary operations are in Portugal, CTT is also expanding its footprint in the Express & Parcels markets of Spain and Mozambique, achieving noticeable growth in these regions. In 2023, the firm had 13,670 employees, of which 12,637 were in Portugal, with 2,375 contact points to ensure the delivery process and distinguish it as a convenience and multi-service platform. Moreover, the firm generated €985 million in revenues, resulting in €60,5 million net profit.



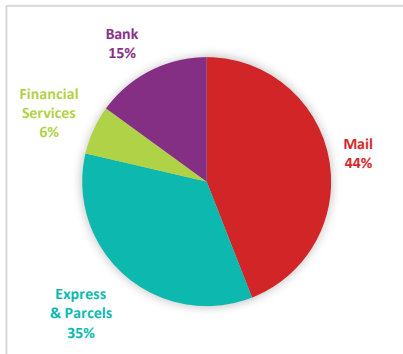
Figure 2 - CTT's Store in Oeiras
Source: Olhares de Lisboa



Figure 3 - CTT's Contact Points
Source: CTT, annual report 2023

Business Units

- Mail and Others



The Mail segment of CTT encompasses a range of services, including Addressed Mail, which consists of Transactional Mail (essential correspondence such as invoices and statements), Editorial Mail (newspapers and magazines), and Advertising Mail for direct marketing purposes. Additionally, Unaddressed Mail covers Parcels under the Universal Service Obligation (USO), ensuring nationwide delivery. The segment also includes Philately, catering to collectors, and Business Solutions, focused at enhancing corporate operational efficiency.

Despite a revenue decline of 5.8% in 2023, the Mail segment remains a cornerstone of CTT's operations, contributing 44.1% of total revenues for the year. Over the period from 2019 to 2023, the segment experienced a Compound Annual Growth Rate (CAGR) of -3.0%, reflecting the ongoing shift toward digital communication alternatives. However, when adjusted for extraordinary items, such as a €21.5 million laptop project and €3.5 million in election-related outbound mail from 2022, the underlying revenue decline was minimal at just -0.4% year-over-year (YoY), demonstrating the segment's resilience in a challenging market environment.

Transactional Mail, which accounted for 79.15% of the segment's revenues, grew 1.3% YoY. in 2023 when excluding the effects of election-related activities. This growth was driven by a 6.24% price increase and a shift toward higher-value services, which effectively offset a 6.7% decline in volume, keeping revenues stable. In contrast, other categories faced steeper declines, including Editorial Mail (-5.3% YoY) and Advertising Mail (-26.0% YoY), due to rising paper costs and the ongoing shift to digital advertising. To address these challenges, CTT has proactively formed strategic partnerships to expand its digital advertising offerings, aligning with the evolving preferences of its customers.

CTT's excellence in service quality continues to be recognized. The company won the 'Recommended Brand' award in the Postal Mail category from Consumers Trust for the second consecutive year, achieving the highest average Satisfaction Index. It was also named Portugal's Trusted Brand in Mail and Logistics Services for the 17th time, securing its position as a leader in the sector.

In Q3 2024, Mail revenues increased 3.2% year-over-year, driven by growth in Addressed Mail (+2.1%), Business Solutions (+13.0%), and Payments (+9.1%). Legislative election mail volumes in March contributed to this growth. However, excluding this effect, Addressed Mail revenues would have declined by 0.9% YoY

Figure 4 - Revenue Distribution, 2023
Source: CTT annual report, 2023

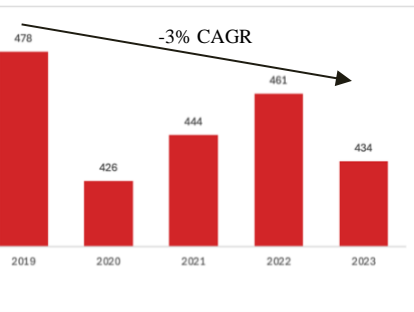


Figure 5 - Mail's total revenues in €M
Source: CTT annual report 2023

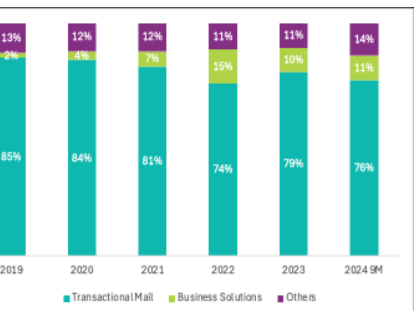
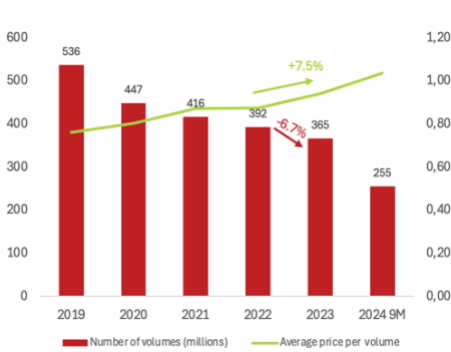


Figure 6 - Mail's revenues composition evolution
Source: CTT annual reports



for the first nine months of 2024, reflecting the impact of 0.5% fewer working days compared to the same period in 2023. Despite declining volumes due to digitalization, a price increase implemented in 2024 helped mitigate revenue losses.

Looking ahead, CTT is prioritizing cost control measures and the expansion of Business Solutions as part of its strategic focus. The segment is expected to benefit from a 6.8% increase in working days in Q4 2024, which should support stronger performance. This forward-looking strategy ensures that CTT remains well-positioned to navigate the ongoing challenges of digital substitution while continuing to deliver value to customers and stakeholders.

▪ Express and Parcels

CTT's Express & Parcels (E&P) unit specializes in last-mile delivery, focusing on transporting parcels from local distribution centers directly to customers. This final segment of the delivery process is crucial for ensuring timely and efficient service. The E&P segment has become a key growth driver for CTT, contributing 39% of total revenues in the first half of 2024. Fueled by e-commerce expansion, the segment has positioned CTT as a leader in the Iberian market, with revenues achieving a 22.3% CAGR from 2019 to 2023.

In Q3 2024, E&P revenues reached €267.9 million, up 44.0% YoY, driven by parcel volume increases across the Iberian Peninsula. Over 98 million items were shipped in the first nine months of 2024, with Q3 alone accounting for 35 million items—surpassing the typically high seasonal volumes of Q4 2023.

In Spain, where CTT has been operating since 2005, now under the CTT Express following the 2020 rebranding of Tourline Express, contributed 63% of the segment's Q3 2024 revenues, handling 368 thousand daily items.

In Portugal, the market is smaller, accounting for 36% of the revenues, with a daily volume of 157 thousand items. An important milestone for the Portuguese market was the acquisition of Transporta – Transportes Porta a Porta in 2017, which allowed CTT to expand its logistics offerings, enabling the distribution of objects weighing more than 30kg. The acquisition, which costed €1.5 million, was a strategic opportunity, as Transporta was operating at a loss but had significant potential for CTT. Transporta was fully integrated into CTT Expresso in 2019, with the aim of optimising operations and consolidating its presence in the logistics sector in Portugal.

Figure 7 - Mail's volume number in millions and average price per volume
Source: CTT annual reports

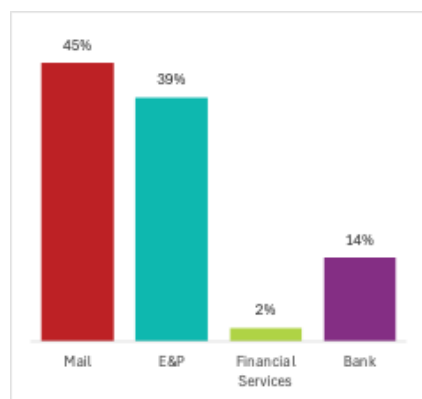


Figure 8 - Total Business Unit contribution for the 2H of 2024
Source: CTT annual report, 2024

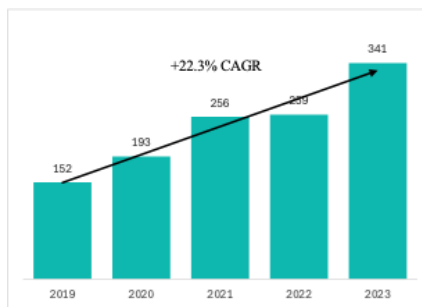


Figure 9 - Revenues of E&P evolution
Source: CTT annual reports

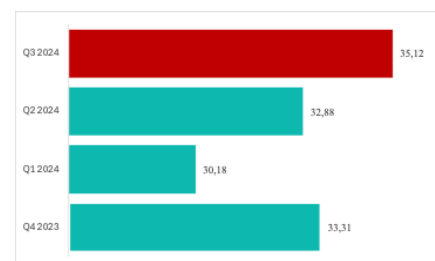


Figure 10 - Volume Distribution per quarter from Q4 2023 to Q3 2024
Source: CTT annual report, 2023 and 2024

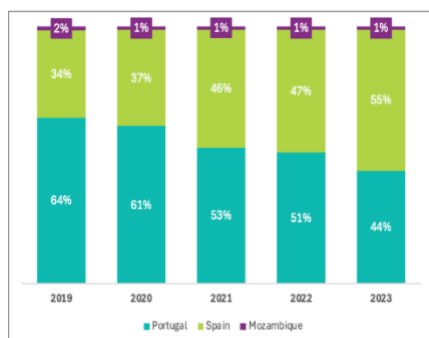


Figure 11 - Revenue contribution by country
Source: CTT annual reports

As a further development, CTT unified its Express & Parcels business in Portugal and Spain, creating a single offer for the entire Iberian region. This unification was key to standardising the services offered, customer segmentation and pricing methodology, to ensure consistency in both markets. Many of CTT's main customers operate throughout the Iberian Peninsula and therefore prefer integrated, comprehensive solutions rather than fragmented services per country.

One of CTT's strategic pillars is the international expansion and diversification of its customer base, particularly in the context of the growing e-commerce market. CTT has a strong interest in international e-sellers who generate significant volumes of parcels daily. These large e-commerce sellers send more than €20,000 worth of items per day, contributing to the significant increase in parcels on CTT's network. In addition, links with major international e-sellers such as Temu and Shein have contributed significantly to the volume of orders, exceeding 100 million express deliveries per year.

CTT invested €15.2 million in the E&P segment in 1H24, primarily in Spanish operations. The acquisition of Open Lockers in April 2024 secured full ownership of the Locky locker network, comprising 990 lockers in Portugal, enhancing consumer convenience. These efforts align with CTT's commitment to expanding its delivery network of 21 thousand pick-up drop-off (PUDO) points across the Iberian Peninsula.

Outside the Iberian Peninsula, CTT also operates in Mozambique through CORRE, in which it holds a 50% stake. Although the revenues generated are modest, representing only 1% of the total E&P segment, CORRE plays a strategic role in the provision of essential postal services, including responsibility for being nominated for the Universal Postal Service in Mozambique in 2024.

The E&P segment's recurring EBIT rose from €12.1 million in 9M23 to €24.1 million in 9M24, improving the margin from 5.3% to 7.3%. Growth in Spain, significantly boosted recurring EBIT, with a 126.8% YoY. increase in parcel traffic. For the first time in CTT's history, E&P became the largest contributor to recurring EBIT in 4Q23.

▪ Financial Services and Retail

In 2023, the revenues from the Financial Services & Retail business unit increased 3.4% YoY, reaching €62.8 million and contributing 6.4% to total revenues. This followed a significant growth of 24.2% YoY in 2022, driven by the higher attractiveness of public debt certificates, particularly, savings certificates.

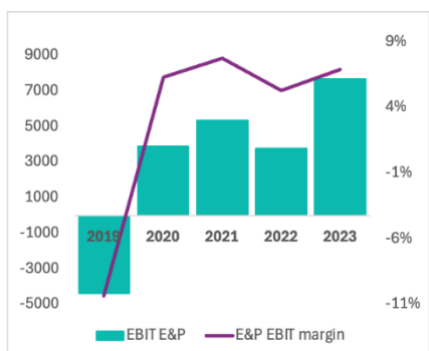


Figure 12 - EBIT margin evolution of E&P
Source: CTT annual reports

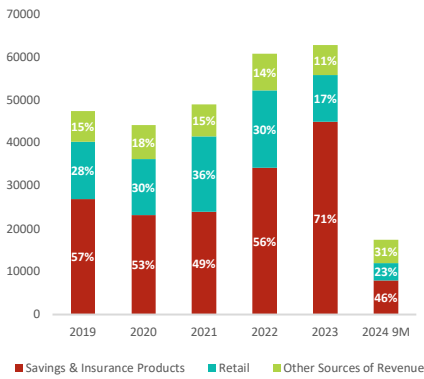


Figure 13 - Financial Services revenues and its composition
Source: CTT annual reports

However, 2023 faced a less favourable financial landscape, with lower interest rates and reduced placements per subscriber, leading to a mixed performance. After a strong first five months, which saw record issuance of public debt certificates, the market traction declined, with over €108 million in savings certificates flowing out from November 2023 to mid-2024.

As from the 7th of October 2024, the limits of public debt placements per subscriber doubled from €50 thousand to €100 thousand, sparking a surge in the daily average of public debt subscriptions, from €6-7 million in previous weeks to between €13-16 million. Moreover, the strong adoption of CTT’s online platform to subscribe debt certificates combined with the marketing campaigns contributed to a rise of 33% in public debt placements in 3Q24 compared to the previous quarter.

In 2023, Financial Services registered revenues of €50.7 million, representing a growth of 21.1% YoY. Approximately 88% of this amount, more specifically, €44.4 million (+32.7% YoY) corresponded to public debt certificates. Subscriptions for public debt certificates totalized €12,590.1 million in 2023, representing in average €50.8 million/day. In comparison, the daily average in 2022 was €32.7 million, which amounts to €8,138.0 million for the year.

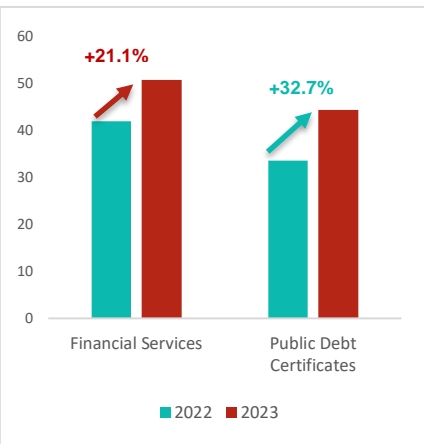


Figure 14 - Financial Services & Public Debt certificates revenues 2022-23
Source: CTT annual report, 2023

Revenues from money orders plummeted by 30.3%, totalling €4.2 million, due to the pandemic-driven surge in 2022 and a shift in consumer preference toward bank transfers. On the retail side, CTT expanded its financial services, entering the non-life insurance sector through a strategic partnership with Generali’s Portuguese entity, Tranquilidade, and with Prosegur Alarms to provide security services. Despite these initiatives, retail revenues fell by 40.2% YoY, totalling €10.8 million, primarily due to the discontinuation of in-store product sales and the shift to a service-oriented retail platform, including 24/7 self-service spaces with lockers.

▪ CTT Bank



Figure 15 - CTT’s Agreement with Generali
Source: CTT Website

In 2014, one year after its privatization, CTT embarked on a strategic initiative to reinforce its financial services by launching Banco CTT, a Postal Bank designed to serve as a key growth driver for the group. At the time, banking services accounted for 28% of CTT’s recurring EBITDA and 10% of its revenues, with the segment experiencing a strong revenue growth of 21.4%. The Postal Bank was built on low-cost operating principles, leveraging CTT’s extensive retail network to establish service desks while integrating online and mobile channels to enhance customer accessibility. After a careful build-up phase, Banco CTT officially opened to the public in the first half of 2016.

Since its inception, Banco CTT has significantly diversified its portfolio of financial services. It now offers current and savings accounts, insurance products, property and car loans, credit cards, and access to the Payshop digital payment network, enabling customers to manage and make payments conveniently.

Banco CTT's efforts to establish a strong and trusted brand among the Portuguese population have yielded impressive results. Between 2019 and 2023, the bank achieved a compound annual growth rate (CAGR) of 23.8% in revenues. This growth has been accompanied by a steady increase in the contribution of Banco CTT to the overall performance of the group, with its share of total revenues nearly doubling from 8.5% in 2019 to 15% in 2023.

A growing customer base has been a cornerstone of this success, as the bank continues to attract both new and switching customers. By the end of 2023, Banco CTT's current accounts grew by 7.4%, reaching a total of 647,000 accounts with deposits amounting to €3 billion. The bank's revenues for 2023 reached €147.7 million, largely driven by a €51.7 million increase in net interest income, which totaled €98.8 million. This surge was primarily fueled by higher interest rates and increased loan volumes, reflecting the impact of European Central Bank measures to raise benchmark interest rates in response to inflationary pressures in the Eurozone.

The mortgage loan segment proved to be a particularly strong driver of growth, with interest income from mortgages rising by €17.6 million—a remarkable 314.8% YoY increase. This performance was attributed to the higher Euribor rates observed during the period. Banco CTT continues to benefit from these elevated interest rates, maintaining its growth trajectory into the first half of 2024.

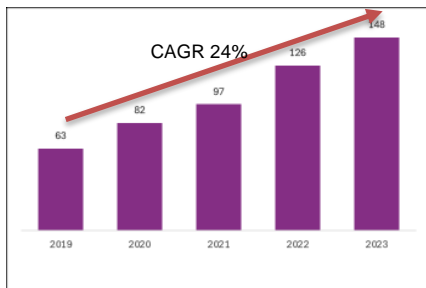


Figure 16 - CTT Bank revenues evolution
Source: CTT, annual report

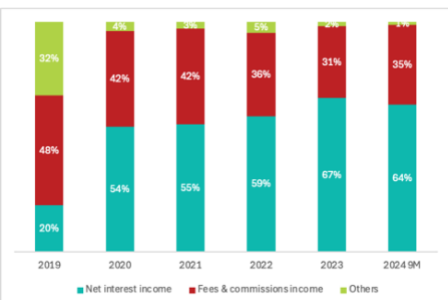


Figure 17 - Bank revenue distribution evolution
Source: CTT annual reports

- SWOT Analysis

Strengths

Mail

- **Leader** of Portugal's mail network with high entry barriers;
- Mail volumes and service costs in Portugal remain low compared to EU averages, supported by a **regulated pricing formula** tied to inflation, demand, and cost recovery, under the universal service contract until the end of **2028**;

Express & Parcels

- Efficient **integration** of parcels into the mail network;
- **Strategic ties** with e-commerce and Chinese e-tailers for superior growth;
- Only player in Iberia offering **next-day (N+1) delivery** to any point on the peninsula;

Financial Services

- High **entry barriers** (80% public debt placement market share);
- Exclusive savings accounts offering;

Bank

- **Advanced technology** with no legacy system burden;
- Low **cost-to-income ratio** due to operations integration and 50% market share in auto-loans, along with excess capital (24%) available that support loan portfolio growth;
- Solid **branch network** (570 locations), while competitors reduce theirs.

Weaknesses

Mail

- Structural mail **volume decline**, worsened by Covid-19;
- Postal prices in Portugal among the **lowest** in Europe;
- Inefficient **cost structure** with excess staff for current volumes;
- Dependence on concession contract limiting flexibility;

Express & Parcels

- **Low margins** and **high competition** with low entry barriers;
- Client concentration (Amazon, Temu, Shein and Inditex), and **seasonal** cost fluctuations;
- Relatively high **carbon footprint**;

Financial Services

- Loss of retail distribution **exclusivity**;
- **Earnings volatility** due to high sensitivity to interest rate changes; Lower rates reduce demand for new placements;
- **Competition** from other savings products within CTT's network;

Bank

- Small mortgage market player (**1% market share**) and heavily reliant on auto loans, with limited portfolio diversification due to regulatory constraints;
- **Balance sheet exposure** complicates CTT's equity narrative.

Opportunities

Mail

- Maintaining **market leadership** in Mail, capitalizing on economies of scale and expanding the range of services;

Express & Parcels

- Increasing **B2B client share** offers potential for higher margins;
- Consolidation **opportunities in Spain's** logistics sector to strengthen market presence and efficiency;
- Capitalizing on under-penetration of **e-commerce in Portugal and Spain** presents a growth opportunity, particularly in luxury goods, which are underdeveloped;

Financial Services

- Increasing the adoption of CTT's APP/Web channel for **public debt subscriptions** and increasing the public debt placement limit per account to €100,000;

Bank

- Expanding Banco CTT into **corporate lending** and **off-balance-sheet insurance** products through the partnership with Tranquilidade/Generali;
- Increasing fees, commissions, and the number of **products per client** to align with competitor levels of **revenue per client** (€8,000–€10,000 annually).

Threats

Mail

- Potential **modifications to the pricing formula** that could impact profitability;
- Stricter quality **standards** and government efforts to digitalize communications;

Express & Parcels

- Intense competition with **aggressive pricing** strategies and expansion by Correos and Seur in Spain;

Financial Services

- Decreased consumer **disposable income** and reduced **savings** rates;
- Widening **disparity** between Euribor rates and Savings Certificates, or between Portuguese Government Bonds and Treasury Certificates;
- Potential **lower compensation** in 2026 Public Debt Agency contract due to digital channel reliance;

Bank

- Reduced profitability from **lower interest rates**, as it is highly sensitive to changes in the interest rate cycles;
- Increased **financial pressure** on households due to rising taxes, economic challenges and inflation.

Macroeconomic Overview

Considering that CTT was founded in Portugal and is headquartered in Lisbon, with the majority of its activity taking place in Portugal, it is relevant to study the country's socio-economic conditions and how they affect the company.

Between 2024 and 2026, economic activity is projected to grow annually between 2.0% and 2.3%, outpacing the Euro Area's growth forecast of 0.9% in 2024 and 1.6% in 2026. This growth is supported by a recovery in services demand and stronger export synergies, with exports projected to grow 4.2% in 2024. European funds are also driving an increase in Gross Fixed Capital Formation, fostering public and private investments. However, private consumption remains the main growth driver, forecasted to rise by 1.9% annually through 2026, reflecting improved consumer confidence.

The decline in inflation, expected to fall to 2.5% in 2024 and stabilize at 2% by 2026, is increasing household purchasing power. This decline is attributed to easing global shocks, including falling energy and commodity prices, as well as restrictive monetary policies by the ECB, which have tightened financing conditions and reduced demand. Lower inflation benefits sectors like banking and logistics, where CTT operates, by supporting higher real disposable income.

Portugal's labor market is also showing resilience, with an unemployment rate near 6.6%, supported by positive migration balances and modest annual employment growth of 0.9%.

However, GDP growth remains below pre-pandemic levels due to tighter financing conditions, slower external demand—especially in European markets—and geopolitical tensions like the Ukraine-Russia conflict. Structural challenges, such as sluggish productivity growth and the residual effects of global energy shocks, continue to constrain long-term growth.

Interest rates are another key factor: Portugal's long-term interest rate stands at 2.79% as of November 30, 2024, marginally higher than October's 2.73% but notably lower than the 3.30% recorded in November 2023. This rate remains below the historical average of 4.85%, reflecting more stable conditions compared to previous periods. The lower interest rates create a favorable borrowing environment, which could benefit CTT's financial and operational strategies.

The Harmonized Index of Consumer Prices (HICP) reflects this stabilizing trend, with projections of 2.5% in 2024, 2.1% in 2025, and 2.0% in 2026. This steady decline highlights the easing of commodity price shocks and energy market corrections, creating a more stable economic environment for businesses like CTT.

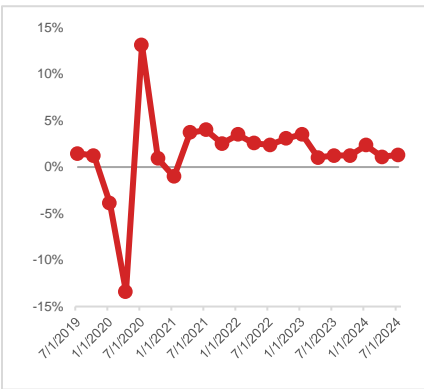


Figure 18 - Portugal Semestral GDP Growth from July 2019 to July 2024
Source: FRED Economic Data, 2024

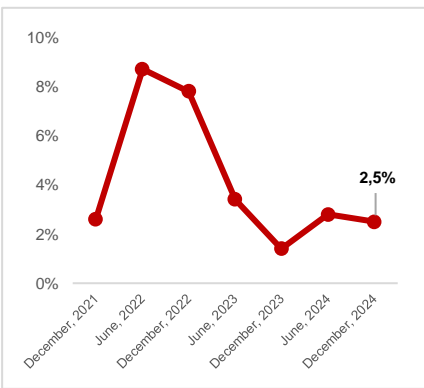


Figure 19 - Semestral Inflation YoY for Portugal from Dec. 2021 to Dec. 2024
Source: INE Portugal, 2024

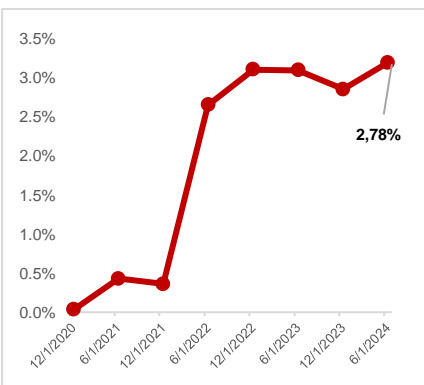


Figure 20 - Interest rates: Long-term Government Bond Yields: 10Y Portugal
Source: FRED Economic Data, 2024

Industry Overview & Competitive Landscape

Logistics

The postal sector is a critical component of a nation's infrastructure, covering a range of activities related to the collection, processing, transportation, and delivery of mail and parcels. In recent years, the Portuguese postal services market has undergone significant transformations, influenced by the increasing digitalization of communication. The market is divided into two primary segments: Mail Services and E&P services. The E&P segment has grown increasingly significantly, surpassing the Mail segment in market relevance as the demand for traditional mail declines. Reflecting this trend, João Bento, CEO of CTT, stated, "In 2001, we delivered around 1.4 billion letters, and last year [2023], it fell to 420 million."

In 2Q 2024, postal traffic in Portugal totaled 126 million items, a 9.8% decline YoY. Correspondence accounted for 70.6%, editorial mail for 7.1%, direct mail advertising for 7.8%, and parcels for 14.5% of total traffic, up 0.8 p.p. from 2Q 2023.

Revenues from postal services (excluding international incoming traffic) reached €178.5 million, a slight 0.1% decline YoY. However, average revenue per item rose 10.7%, continuing a growth trend since 2018, driven by an 11.3% increase in correspondence unit revenue following CTT's February 2024 price adjustments.

The increasing relevance of the E&P segment can be attributed to the rapid expansion of e-commerce in Portugal. The value of the e-commerce market in Portugal for 2024 is estimated at around €12.3 billion. This figure is derived from the information that the Iberian global e-commerce market in 2024 is estimated at €112 billion, with the Spanish market being approximately eight times larger than its Portuguese counterpart.

- Mail and Others

According to ANACOM and Statista, mail volume has seen YoY reductions, particularly in correspondence. This trend, accelerated by the COVID-19 pandemic and the adoption of remote work and online services, reflects the shift from physical to digital communication (ANACOM, 2023). Despite the reduction in mail volume, the Portuguese E-commerce industry has managed to stabilize revenues by increasing the average price per mail item.

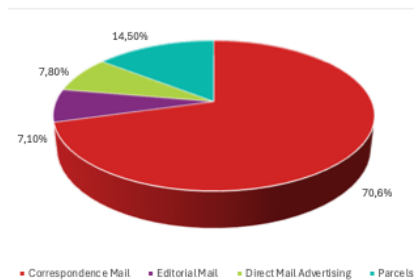
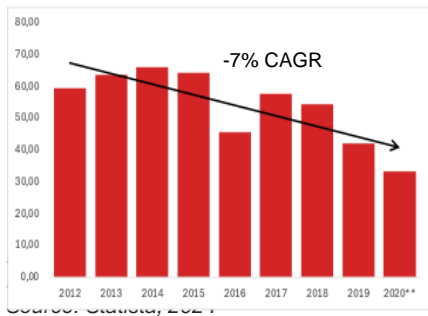


Figure 22 - Postal Traffic in Portugal in 2Q 2024
Source: ANACOM, 2024

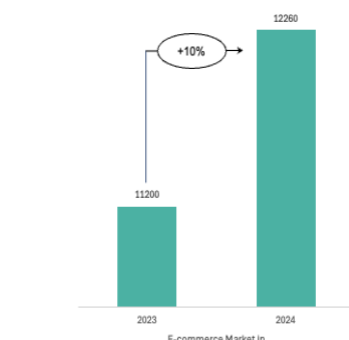


Figure 23 - E-Commerce Market in Portugal YoY Change [€, millions]
Source: E-Commerce Report CTT, 2024

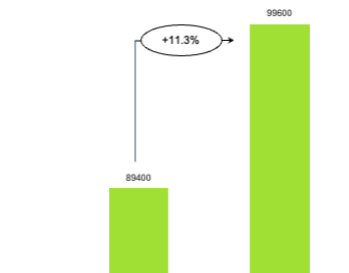


Figure 24 - E-Commerce Market in Spain YoY Change [€, millions]
Source: E-Commerce Report CTT, 2024



Figure 25 - CTT recognition
Source: CTT, 2022

Postal operators have invested in technological advancements to enhance operational efficiency and customer experience. CTT is significantly increasing its investments across the entire company between 2024 and 2025, with an annual average capital expenditure of €40-45 million, 80% of which is focused on transformational improvements. Key initiatives include expanding sorting capacity across Iberia and investing in IT systems to enhance both operations and customer experience. The company also received recognition as an 'Innovative Company '22' awarded by COTEC. This distinction is associated with high standards of financial solidity, economic performance, and an innovation-driven, entrepreneurial culture with strong ties to the business community.

Nonetheless, the overall trajectory of the mail industry in Portugal suggests that mail volumes will continue to decline in the face of ongoing digitalization and changing consumer habits. Globally, the ratio of letters to parcels is expected to reach parity by 2025, highlighting the significant shift in demand from traditional mail to parcel services driven by the rise of e-commerce (McKinsey & Company, 2020).

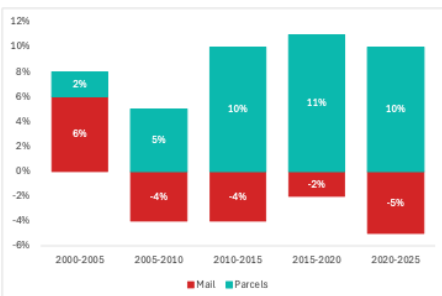


Figure 26 - Overall Market Growth, Parcel and Mail, 2000-2025, CAGR in %
Source: McKinsey & Co, 2020

▪ Express and Parcels

The rapid evolution of e-commerce has emerged as the dominant force driving the growth of Portugal's Express & Parcels (E&P) market. Despite its accelerating momentum, Portugal's market remains in its early stages of maturity, with parcel volumes standing at approximately seven parcels per capita annually. This figure pales in comparison to Germany's 27 and Spain's 17, underscoring a significant growth opportunity. The disparity reflects both Portugal's evolving consumer habits and the untapped potential for logistics companies to capture rising demand as e-commerce penetration deepens. As Portugal aligns with European norms, this gap will inevitably narrow, representing fertile ground for logistics providers to expand market share.

The current market environment is marked by a dramatic shift in consumer expectations, driven by the influence of global e-commerce giants like Amazon and Alibaba. Portuguese consumers are no longer satisfied with standard delivery timelines; instead, they demand faster, more flexible delivery options. Next-day and even same-day delivery services are rapidly becoming the norm, mirroring trends seen in mature markets. Innovative solutions such as parcel lockers, time-window deliveries, and, in experimental markets, drone-based deliveries, are setting new industry standards. These technologies enhance not just convenience but also efficiency, addressing the "last-mile delivery" bottleneck, often the most challenging and costly part of the logistics process.

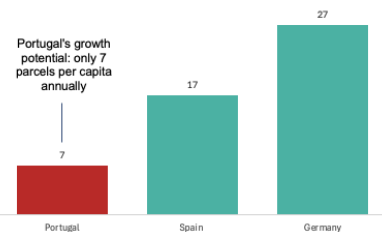


Figure 27 - Annual parcels per capita
Source: CTT annual report, 2024

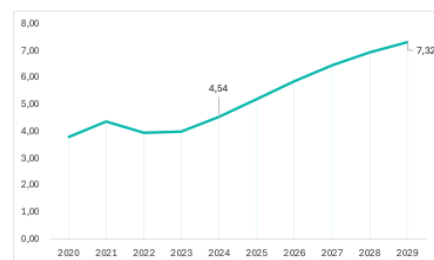


Figure 28 - Revenue of the E-commerce Market in Portugal from 2020 to 2029 [in €]
Source: Statista, 2024

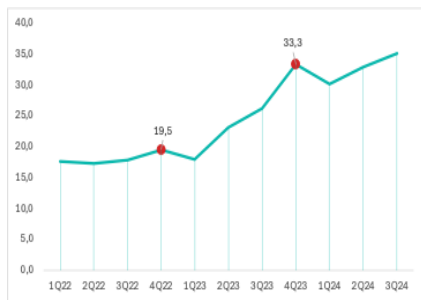


Figure 29 - Peak quarters from 2022 to 3Q 2024
Source: CTT annual reports

Nevertheless, the E&P market in Portugal faces several challenges, including low barriers to entry and intense competition. Key competitors in the Portuguese market include international players such as DHL, FedEx, and GLS, alongside local and regional courier services. The competition is particularly fierce as these companies continue to improve their service offerings, introduce more advanced technologies, and enhance last-mile delivery efficiency.

Seasonality adds another layer of complexity to the E&P market, with parcel volumes experiencing dramatic spikes around major shopping events like Black Friday, Christmas, and Amazon Prime Day. During these periods, companies must manage the operational challenge of scaling capacity, workforce, and infrastructure to meet surging demand while maintaining service quality. For instance, CTT has reported that holiday-season parcel volumes can rise to nearly three times their typical levels, putting immense strain on delivery systems. Companies unable to effectively navigate these seasonal peaks risk not only operational disruptions but also long-term reputational damage, as customers increasingly expect flawless performance during critical shopping periods.

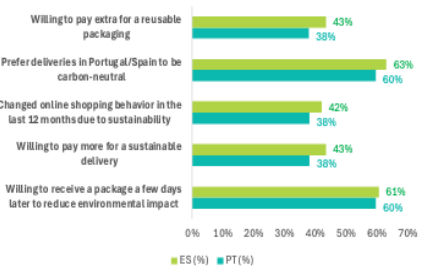


Figure 30- Portuguese and Spanish E-Buyers' Sustainability Insights
Source: E-Commerce Report CTT, 2024

Looking to the future, several trends are set to shape the Portuguese E&P market as it matures. Sustainability will play a central role, driven by both regulatory pressures and rising consumer awareness of environmental issues. Logistics companies are increasingly investing in electric delivery fleets, carbon-neutral shipping options, and greener supply chains to reduce emissions and align with broader EU sustainability goals. In Portugal, CTT has already begun electrifying its last-mile fleet, a move that reflects its commitment to environmental responsibility while meeting consumer demand for greener solutions. Automation and artificial intelligence will further revolutionize the sector, with AI-powered route optimization, automated warehouses, and advanced sorting systems enhancing efficiency, reducing costs, and improving delivery times.

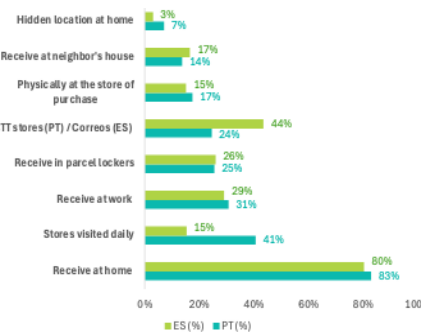


Figure 31 - Places that the Portuguese and the Spanish Consider Suitable for Receiving Parcels
Source: E-Commerce Report CTT, 2024

Another emerging trend is the expansion of parcel locker networks, which are set to transform urban delivery dynamics. Parcel lockers reduce the inefficiencies and costs associated with last-mile delivery while providing consumers with convenient pick-up points. In Portugal, the continued expansion of Locky's network, a strategic initiative led by CTT, exemplifies this shift and highlights the growing importance of flexible delivery infrastructure. Additionally, Portugal's geographic location offers strategic potential for cross-border e-commerce, particularly within the Iberian Peninsula and broader European markets. Companies that streamline international processes, develop international partnerships, and improve delivery efficiency for cross-border shipments will benefit from this emerging growth driver.

- Regulations



Figure 32 - Autoridade Nacional de Comunicações Logo
Source: ANACOM Website

The postal sector industry in Portugal is subject to strict regulatory oversight that influences deeply its operational dynamics. Regulatory bodies impacting the postal sector include Autoridade Nacional de Comunicações (ANACOM), which oversees postal and electronic communications, and other transversal authorities such as the Autoridade da Concorrência (AdC) and the National Data Protection Commission (CNPD).



Figure 33 - Strategic Goal 1:
Maximizing Benefits for Citizens and Businesses

ANACOM serves as the national regulatory authority (NRA) for postal and electronic communications in Portugal. As mandated by both European Union (EU) and national legislation, ANACOM regulates the postal sector to ensure that essential services are accessible to all citizens, promoting fair competition, efficiency, and transparency in service provision. ANACOM also inherits functions from the Comissão de Planeamento de Emergência das Comunicações, which adds further responsibilities related to emergency communications planning. To reinforce its mission, ANACOM has established three strategic goals within the postal sector: maximizing benefits for citizens and businesses, protecting user rights, and strengthening and modernizing regulation.



Figure 34 - Strategic Goal 2:
Protecting User Rights

One of the critical aspects of postal regulations in Portugal is the Universal Service Obligation (USO), which requires operators to provide postal services across the entire national territory, including remote and less accessible areas. The USO mandates a standard for delivering and collecting postal items at least five days per week, ensuring that even the most underserved areas benefit from essential communication services.



Figure 35 - Strategic Goal 3:
Strengthening and Modernizing Regulation

However, fulfilling the USO amid declining letter volumes has become increasingly challenging for incumbent providers as CTT. To help alleviate this pressure, ANACOM has provided pricing flexibility within certain limits, enabling CTT to adjust postal rates to better align with operational costs and stabilize revenue.

The liberalization of the Portuguese postal market, completed in 2012, aligned with EU directives to open up postal services to competition (European Commission, 2012). Since then, the market has seen the emergence of local and international competitors, fostering a dynamic and competitive landscape. However, this has required adjustments in the regulatory framework to ensure that the USO is met without compromising on service quality or accessibility.

According to ANACOM's multiannual activity plan for 2024-2026, several initiatives are aimed at promoting a more sustainable and competitive postal market. These include adapting the USO to better reflect current market dynamics, strengthening oversight mechanisms to ensure compliance with Quality of Service (QoS) standards, and promoting legislative measures to reduce operational costs and improve efficiency.

Furthermore, ANACOM is closely monitoring developments at the European level, particularly the evaluation and possible revision of the Postal Directive and the implementation of the Regulation on cross-border parcel delivery services (Regulation (EU) 2018/644). This regulation, which came into force on 22 May 2018, aims to increase price transparency and improve regulatory oversight of cross-border parcel delivery services within the European Union (European Parliament & Council of the European Union, 2018). The regulation requires parcel delivery service providers to provide their national regulatory authorities with a range of information, including their general terms and conditions, annual turnover, and the number of employees involved in the provision of cross-border parcel delivery services. This information is then used by the European Commission to assess the affordability of cross-border parcel delivery rates and identify potential market failures or other issues that may require further regulatory intervention. By implementing this regulation, the EU seeks to foster a more competitive and efficient cross-border parcel delivery market, ultimately benefiting consumers and businesses across the region.

Financial Services

For over 500 years, Correios de Portugal has played a pivotal role in the Portuguese financial services sector, providing a wide range of banking solutions, including savings accounts, loans, insurance, and payment solutions.

- Financial Services and Retail

This increased access to financial services, especially in underserved rural areas, has empowered the Portuguese population, fostering financial literacy and inclusion.

The issuance of government bonds to finance the government's deficit is managed by the IGCP (Agência de Gestão da Tesouraria e da Dívida Pública). CTT acts as an intermediary, selling government bonds and investment products to its customers, such as individuals and businesses, helping the government raise funds and maintain its economic stability. In 2024, CTT lost its monopoly on the sale of



Figure 36 - IGCP Logo
Source: IGCP Website



Figure 37 - Subscription of Savings Certificates on CTT's Website
Source: CTT Website

savings certificates since the IGCP intends to expand the distribution network of the certificates, especially, in an online format. Currently, individuals can invest in these certificates through various channels, including the IGCP online platform, citizen service centres, and two banking entities CTT and Banco BIG.

Contrary to the first half of 2024, savings certificate revenues are expected to see a modest increase in the following years, supported by improving economic conditions, rising household purchasing power, and higher subscription limits for public debt certificates. The recent change in subscription limits has significantly boosted the daily average of public debt subscriptions, which rose from €6–7 million in earlier weeks to €13–16 million.

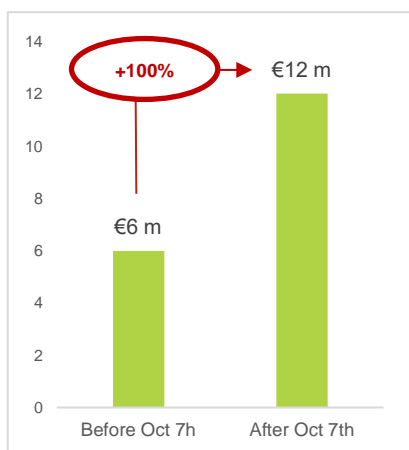


Figure 38 - Daily Average of Public Debt Subscriptions
Source: Observador

Additionally, as interest rates decrease, savings certificates become a more attractive option for conservative investors. With interest rates generally lowering across financial products, savings certificates offer a safer and more rewarding alternative for those seeking stable returns, especially in a market where bank deposits may not provide sufficient yields. These factors position savings certificates as an appealing choice for risk-averse investors in the coming years.

Furthermore, the growing adoption of CTT's online platform for subscribing to debt certificates and targeted marketing campaigns to raise public awareness have contributed to a substantial increase in public debt placements in the third quarter of 2024 compared to the previous quarter. These factors position savings certificates as a preferred choice for households seeking secure and attractive investment options.

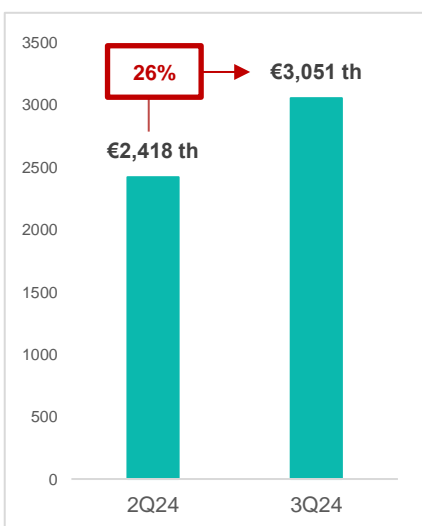


Figure 39 - Public Debt Placements Revenue, 2Q24-3Q24
Source: CTT annual report, 2024

- CTT Bank

The European banking system has faced significant challenges in the past years, such as the pandemic, the conflict in Ukraine, inflation, digitalization, unfavourable economic growth and a more rigorous regulatory environment. Despite these headwinds, the Portuguese banking system has been resilient against the overall negative macro-financial trends, maintaining high levels of capital, liquidity and profitability.

In 2023, the industry's profitability soared to 1.28% of assets, compared to 0.69% in 2022. Capital ratios also improved, with the total Capital ratio and the Common Equity Tier 1 ratio surging to 19.6% and 17.1%, respectively, registering an increase of 1.5% and 1.7%. CTT aligns with this trend, recording 21% for both indicators. The Portuguese banking sector's liquidity position remains robust, with the liquidity coverage ratio (LCR) reaching 255% and the net stable funding ratio (NSFR) 151%,

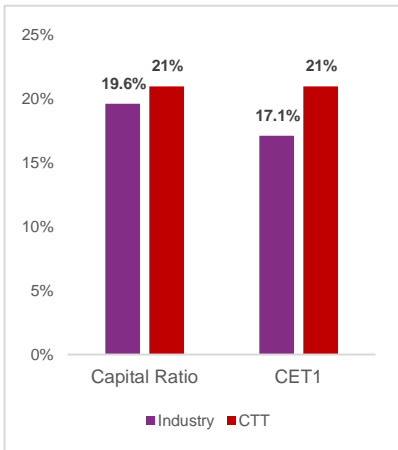


Figure 40 - Capital Ratios, Industry vs CTT, 2023
Source: Statista, 2023

exceeding 2022 levels. CTT Bank solidifies its position with an LCR of 943% and a NSFR of 229%. Multibanco, which is one of the most advanced interbank structures worldwide, also contributes to increasing the strength of the industry.

Banco CTT offers a wide range of financial services, including current and savings accounts, personal loans, mortgage loans, and credit cards. In 2019, Banco CTT acquired 321 Crédito, a consumer credit provider specializing in financing for purchasing used cars. The service focus particularly on individuals seeking flexible and reliable credit solutions for second-hand vehicles, leveraging a wide network of sales points across Portugal to facilitate access to tailored auto loans. CTT Bank also provides insurance products and operates *Payshop*, a digital payment service with a broad network of CTT and partner locations, enabling customers to pay bills, taxes, and phone recharges.

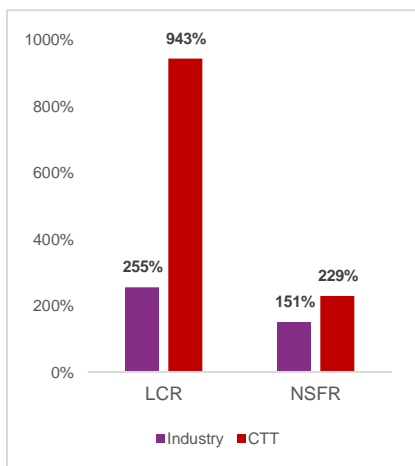


Figure 41 - Portuguese Banking Sector's Liquidity Position, 2023
Source: Statista, 2023

CTT Bank leverages the strength of its well-established brand, fostering customer loyalty and trust among Portuguese people. The bank's widespread network of post offices provides accessibility to its services, whereas its digital presence and simple banking products attract several customers. Nevertheless, there are some challenges that the bank must tackle in order to expand its market share in this mature industry. In fact, as of 2024, Portugal has 137 credit institutions. However, traditional banks, such as Caixa Geral de Depósitos, Santander, and Millennium, remain dominant in this mature market. The rise in digital banks coupled with the adoption of mobile banking systems such as Multibanco's MB Way has stiffened competition. In fact, 67% of the bank account holders in 2024 processed banking matters via smartphone or tablet, especially through MB Way platform.

In the coming years, Bank CTT is well-positioned to benefit from expected economic recovery, rising consumer confidence, and potential interest rate cuts, which could boost demand for loans and credit products. According to Fitch, consumer credit demand is set to increase by 3.0% in 2025 and 4.2% in 2026. The bank's commitment to digital transformation positions it to attract tech-savvy customers and streamline operations. Furthermore, the anticipated growth in financial markets and renewed focus on savings and investment solutions create opportunities for Banco CTT to expand its portfolio and customer base.



Figure 42 - 321 Crédito, CTT's specialized used motor vehicle credit
Source: Gestlifes

Financial Analysis

Revenues Forecast

CTT's revenues are segmented into four main business units: Mail & Others, Express & Parcels, Financial Services, and Banco CTT.

Transactional mail revenues are driven by two factors: volume decline and pricing power. Over the past 4 years (2019–2023), transactional mail volumes have declined at an average annual rate of 9%, reflecting the ongoing shift toward digital communication. This trend is expected to persist, with volumes projected to decrease from 78 thousand items in Q3 2024 to 65 thousand items by Q4 2029.

To counteract declining volumes, CTT has leveraged pricing power through tri-annual agreements with ANACOM and the Consumer Directorate-General. These agreements allow CTT to adjust prices to stabilize revenues. Pricing adjustments implemented under the 2023–2025 agreement increased average revenue per item by 7.5% in 2023, offsetting the 6.7% volume decline. Pricing power is expected to continue to keep mail revenues relatively stable, with transactional mail revenues projected to go from €80.0 million in Q3 2024 to €79.9 million by Q4 2029.

Business solutions have shown robust growth, achieving a CAGR of approximately 45% between 2019 and 2023. The forecast considers Deloitte's 2023 study, which found that only 16% of Portuguese businesses have online sales channels, with digital platforms accounting for 23% of sales for those companies. This growth has been driven by increasing digital transformation among Portuguese businesses. According to Deloitte's 2023 study, only 16% of Portuguese companies currently sell online, with digital channels contributing 23% of sales for those that do. With digital adoption rates expected to double to 32% by 2029, revenues for business solutions are forecasted to grow from €44.75 million in 2023 to €72.43 million by the end of 2029

Other Sources of Revenue, comprising editorial mail, advertising mail, parcels (USO), philately, and other smaller subsegments, account for 11% of Mail revenues. As of 2023, each subsegment individually represents less than 5% of the Mail business unit's total revenue. Despite a four-year negative CAGR of -6.0% (2019–2023), this segment showed strong recovery with 11% growth between H1 2023 and H1 2024. This resurgence is attributed to increased advertising expenditures in the post-pandemic era – global advertising revenues are projected to surpass \$1 trillion in 2024, marking a 9.5% increase from the previous year.

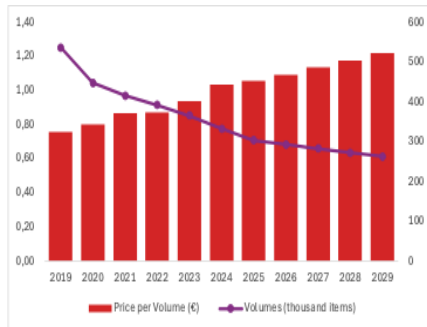


Figure 43 - Volume Decline is Offset by Price
Source: Group analysis

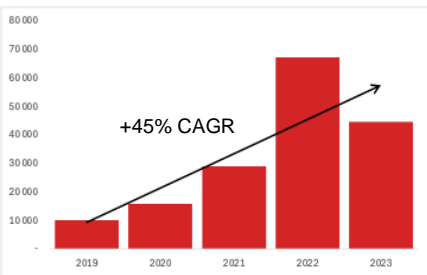


Figure 44 - Business Solutions Historical Revenue
Source: Deloitte, 2023

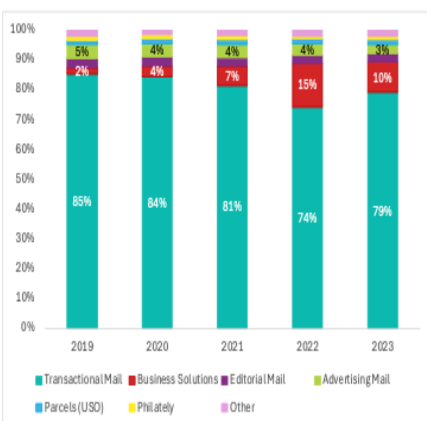


Figure 45 - Mail revenue breakdown
Source: CTT annual reports

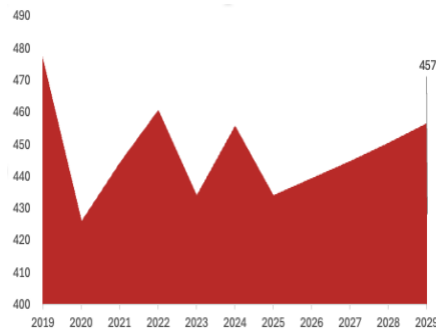


Figure 46 - Mail Revenues
Source: CTT annual reports

Furthermore, the global print media market is expected to grow from \$396.2 billion in 2023 to \$453.8 billion by 2030, at a compound annual growth rate (CAGR) of 2.0%. This growth indicates a stable or increasing interest in print media, which supports the recovery observed in CTT's related revenue streams. Looking forward, a conservative annual growth rate of 2% is projected for 2024-2029, balancing historical performance with current market trends. This forecast anticipates total revenues from this segment reaching €59.7 million by 2029.

Having these segments in consideration, the total revenues of mail are projected to increase slightly from €434 million in 2023 to €457 million in 2029 with a CAGR of 0.85% during this period.

CTT's E&P revenues are projected to rise significantly, from €341 million in 2023 to €552 million in 2029, representing a robust annual growth rate of 8.4%.

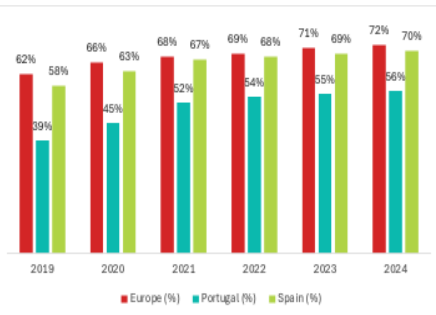


Figure 47 - E-Shoppers in Europe, Portugal and Spain
Source: European E-Commerce Report, 2024

In Portugal, CTT's E&P revenues are forecasted to increase from €149 million in 2023 to €189 million in 2029. This growth is underpinned by Portugal's evolving e-commerce landscape, which remains in an early stage of maturity. The country's current e-commerce penetration rate of 56%, significantly below the European average of 72%, highlights substantial room for further growth as consumer behaviors increasingly align with European norms.

CTT maintained a dominant market position with a 43.5% parcel traffic market share in Q2 2024, as reported by ANACOM. These indicators suggest significant opportunities for CTT to capitalize on both market expansion and the accelerating e-commerce adoption in Portugal.

Spain, on the other hand, represents a higher-growth market where CTT's revenues are expected to climb from €287 million in 2023 to €357 million by 2029, at an impressive annual growth rate of 11%. The strategic importance of Spain is reflected in its rising contribution to CTT's overall E&P revenues, increasing from 55% to 65% during this period. To expand CTT's market share in Spain from the current ~6.5% (as per CTT Q4 2023 Earnings Call) to the targeted 8% over five years, a growth rate of 2.90% is required, as calculated using the CAGR formula. To achieve this, CTT is focusing on improving its logistics capabilities to compete more effectively in Spain's mature e-commerce environment. Streamlining cross-border logistics between Spain and Portugal offers an additional opportunity to strengthen CTT's position across the Iberian Peninsula, particularly as international e-commerce flows continue to grow.

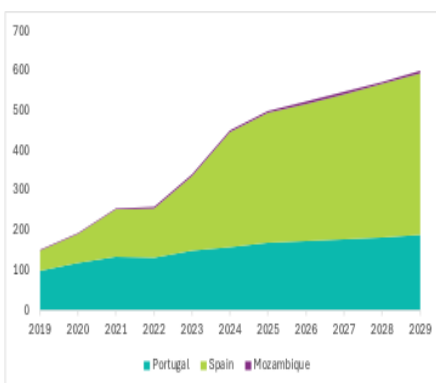


Figure 48 - E&P Revenue Breakdown
Source: CTT annual reports

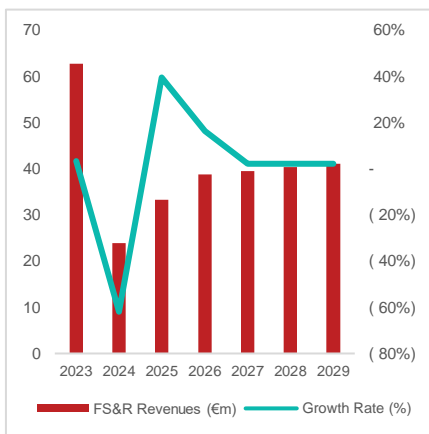


Figure 49 - Financial Services Revenues, 2023-29 [in €m]
Source: Group analysis

In Portugal, the opportunity lies in expanding e-commerce penetration and meeting evolving delivery expectations, while Spain provides a faster-growing, higher-value market where market share expansion remains a priority.

The forecast for CTT's E&P segment in Mozambique assumes a 1% annual growth rate, aligned with the historical steady but modest growth pattern. This conservative growth rate reflects the segment's relatively small contribution to total E&P revenues while acknowledging CTT's established presence in the market through its 50% stake in CORRE.

Financial Services revenues are projected to decline from €63 million in 2023 to €41 million by 2029, representing a negative CAGR of 8.1%. This significant decrease results from the lower interest rate environment and the loss of the public debt certificate monopoly, which reduce investor demand.

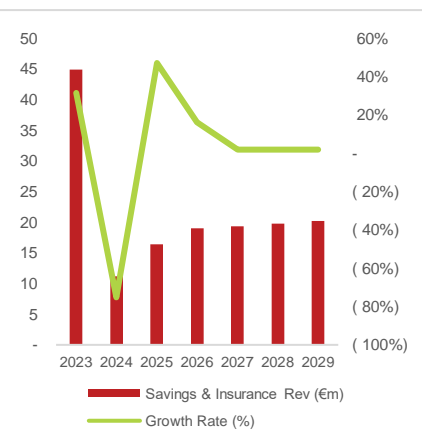


Figure 50 - Savings and Insurance Revenues, 2023-29
Source: Group analysis

Savings and insurance revenues are forecasted to decline from €45 million in 2023 to €20 million by 2029. Nevertheless, a 40% increase is expected in 2025 due to a surge in savings certificate subscriptions, fuelled by increased investment limits and their relative attractiveness to bank deposits. According to the Portuguese Government, savings certificates subscriptions will rise from €2.259 million in 2024 to €5.968 million in 2025, representing a 164% increase (Observador, 2024). After 2025, revenues are expected to stabilize as the market normalizes.

Other revenue sources, including money orders, payments and retail are forecasted to grow from €17.9 million in 2023 to €20.9 million by 2029, matching the growth rate of savings certificates. This growth is driven by several key factors. The increased availability of self-service options on CTT's online platform is making it easier for customers to access services, boosting engagement and driving demand for retail and payment solutions. At the same time, rising consumer spending and ongoing economic recovery are likely to fuel more transactions in this area. With retail making up over 60% of this segment, the introduction of new products and strategic partnerships, such as the collaboration with Tranquilidade to offer insurance products opens exciting opportunities for expansion. By leveraging its broad customer base, extensive physical network, and a robust digital strategy, CTT is well-positioned to capture growth across these areas, ensuring it stays ahead in meeting customer needs.

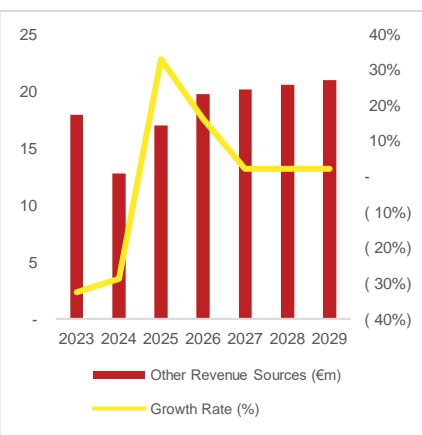


Figure 51 - Revenues of Other Source, 2023-29
Source: Group analysis

CTT Bank revenues are forecasted to slightly increase from €147.7 million in 2023 to nearly €150 million by 2029, representing a 0.6% CAGR. The Bank generates revenues through the Net Interest Income, Fees & Commissions and Others each contributing to its financial performance. These sources are driven by core banking

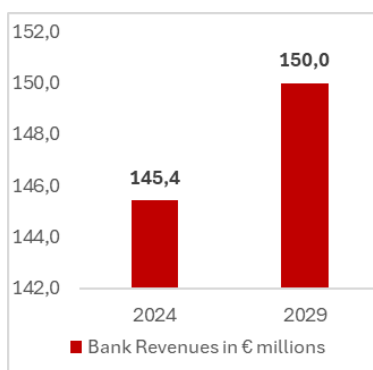


Figure 52 - CTT Bank Revenue of 2024 and 2029 [in €m]
Source: Group analysis

activities such as lending. Net Interest Income is derived from the difference between interest income and interest expenses. Interest income primarily stems from credits to banking clients while interest expense is mostly generated from Banking clients' deposits and other loans. Fees & Commissions are driven by account maintenance charges and commissions associated with credit processing.

To forecast interest income and interest expense, it was computed the historical return on average interest-bearing assets (credits) and liabilities (deposits) respectively which is derived by dividing the interest income/expenses by the interest-bearing assets/liabilities of the current and previous quarter. The forecasted return was then projected using a regression model based on the historical return and the 3M EURIBOR rate as it is the key reference interest rate used by banks in the eurozone impacting deposits (both variable and fixed-rate) and credits. By using the forecasted 3M EURIBOR, the future return on interest bearing assets/liabilities was estimated and subsequently multiplied by the forecasted credits/deposits.

A crucial step for this process involved the estimation of future levels of credits and deposits which were based on CTT's own projections and strategy with a target of €5 bn of deposits and €2 billion of credits by the end of 2025, reflecting a 40% Loan-to-Deposit (LTD) ratio. However, due to macroeconomic constraints and the higher EURIBOR which ultimately made public debt certificates more attractive than deposits, the target was delayed to 2028 maintaining an LTD of 40% as it is in the end CTT's growth strategy.

For Fees & Commissions, the forecast was divided into two parts with fees – driver average fee per current account and commissions – driver average value per credit. The two drivers were assumed to grow at an inflation rate and later multiplied by the projected number of current accounts and the value of the credit. This revenue source is expected to increase by €14 million.

This modest increase in Bank CTT's revenues is consistent with its overall growth expectations, considering the dual impact of interest rate cuts on net interest income. While lower rates may dampen interest income, growth is anticipated in other areas such as the number of accounts, credit volumes and savings. This forecast reflects both the resilience of Bank CTT's core banking activities and the anticipated recovery in consumer demand for credit and savings products in the coming years.

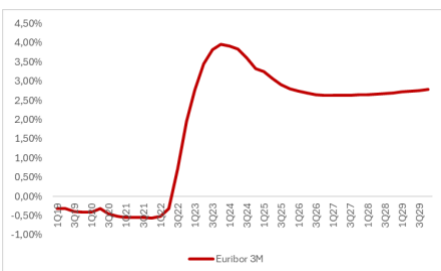


Figure 53 - Euribor 3 months rate
Source: Interest rates net, 2024

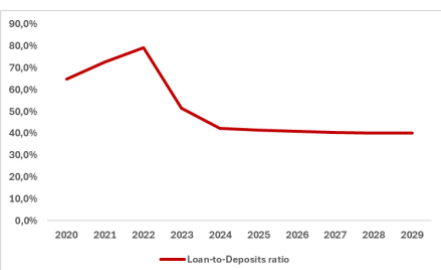


Figure 54 - Loan-to-deposits ratio historical and projected
Source: CTT annual reports and Group analysis

Operating Costs

Operating costs are the ongoing expenses required to sustain CTT's core activities. These costs are significant drivers of the company's financial performance and reflect its operational dynamics across various segments.

Staff costs, a significant component of these expenses, accounted for 42% of the Group excluding the Bank's total revenues and 21% of the Bank's revenues over the last financial year. These costs are influenced by statutory increases in the minimum wage, which are tied to inflation, and changes in workforce size. To project future staff costs, a methodology was applied that incorporates inflation adjustments, workforce dynamics, and segment-specific trends.

For workforce projections, CTT estimated a total headcount of 14,204 employees by Q4 2029, based on the historical ratio of staff to revenue for each segment. At the Group excluding the bank level, the total number of employees accounts for 13,635 employees, as the Bank is projected to reach a final headcount of 569. This approach assumes a stable relationship between workforce size and revenue generation, providing a consistent basis for the forecast. However, the Mail segment required a different approach due to its slower revenue growth. Instead of expanding the workforce, the company forecasts a gradual 1% annual reduction in staff (0.25% quarterly), achieved primarily through natural attrition and the non-replacement of retiring employees. Staff costs per employee were determined by dividing each segment's total staff costs by its employee count, with inflation adjustments applied to projected headcounts to calculate final staff cost estimates. Based on this methodology, staff costs for the Group excluding Bank are expected to rise by 12.1% from Q3 2024, reaching €98.82 million by Q4 2029. For the Bank, staff costs are projected to increase by 10%, reaching €9.32 million in the same period, in line with anticipated revenue growth.

External supplies and services costs, which are directly linked to operational scale and revenue trends, accounted for 41% of revenues for the Group excluding the Bank and 32% for the Bank in 2023. Projections for these costs were based on their historical proportions to each segment's total revenues, ensuring alignment with revenue trends and operational dynamics.

In line with this, efficiency improvements were incorporated into the projections for the Mail, Express & Parcels, and Bank segments. These efficiencies reflect cost optimizations driven by initiatives such as the "Locky" parcel locker network and digital transformation programs, which have reduced costs and improved service quality, which enable the company to achieve efficiency gains across its segments

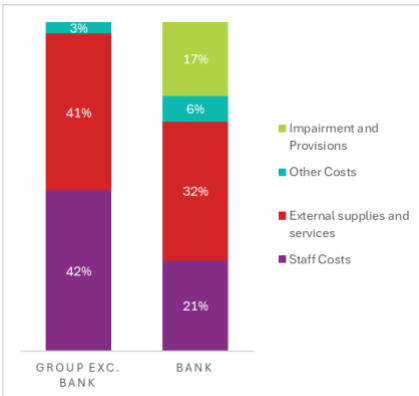


Figure 55 - Operating Costs in proportion to Revenues, 2023.
Source: CTT annual report, 2023



Figure 56 - Staff Costs and Number of employees - Group exc. Bank, 2019 - 2029
Source: Group Analysis

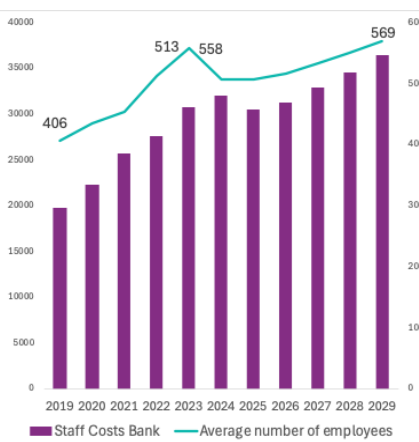


Figure 57 - Staff Costs and Number of employees - Bank, 2019 - 2029.
Source: Group Analysis

and maintain competitiveness in challenging markets. Historical data from 2019 to Q3 2024 were divided by four to derive quarterly efficiency gains of -0.17% for Mail, -0.37% for Express & Parcels, and -0.8% for the Bank.

Despite that, these efficiency gains are expected to diminish by half for the last two forecasted years (2028 and 2029), since while further investments are not realized, their marginal contribution to efficiency gains is likely to reduce as the network reaches a higher degree of saturation. This assumption balances the sustained impact of ongoing efficiency initiatives with the realistic limits of operational enhancements in a mature market environment. Additionally, these gains were not factored to Financial Services, since the segment's costs showed no linear pattern, making it unrealistic to assume consistent efficiency improvements.

Given this, external supplies and services costs for the Group excluding Bank are forecasted to increase by 5.7%, while Bank costs are predicted to increase to €12.036 million, representing a 15% growth.

For consistency purposes, the approach of projecting costs based on their historical proportion to the segment's total revenues was applied to the other costs section, which represented an average of 4.6% of the Group excluding the Bank's revenues and 8.1% in the Bank's case.

Impairment and provisions costs were also estimated using historical averages. For the Group excluding Bank, these costs, which historically averaged 0.4% of total revenues, are projected to grow by 1.1% quarter-on-quarter through 2029.

At the Bank level, impairment and provisions reflect the risk of non-performing loans and expected credit losses, which are inherently linked to the size and composition of the Bank's credit portfolio. Therefore, these costs were considered as the average proportion with the Bank's total credits from the previous year, growing at 0.3% per quarter through the end of the forecast.

Internal services, reflecting inter-segment transactions, were forecasted to offset each other, resulting in a net value of zero for the Group. This assumption aligns with historical patterns and ensures that inter-segment transactions do not distort the overall cost forecasts.

Financial Costs

The financial results of Group CTT, excluding the bank, are divided into key components, including interest expenses, interest income, and gains or losses from subsidiary companies and joint ventures.

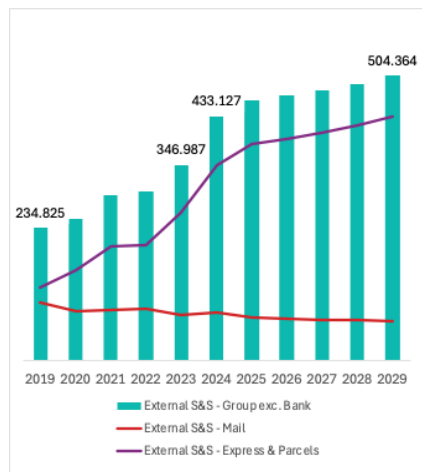


Figure 62 - External Supplies & Services – Group exc. Bank, Mail and E&P, 2019 - 2029
Source: Group Analysis

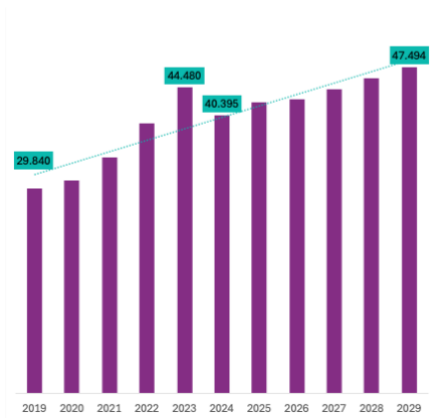


Figure 63 - External Supplies & Services – Bank, 2019 - 2029
Source: Group Analysis



Figure 64 - External Supplies & Services – Financial Services, 2019 - 2029.
Source: Group Analysis

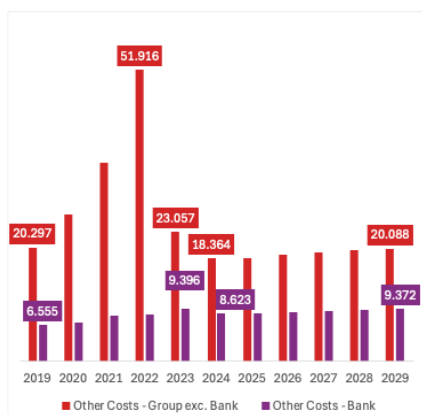
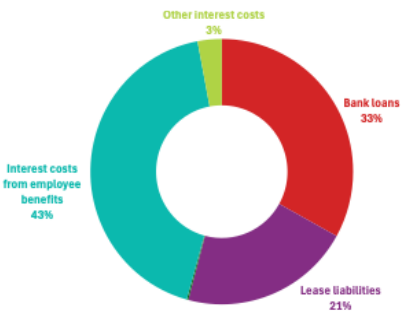
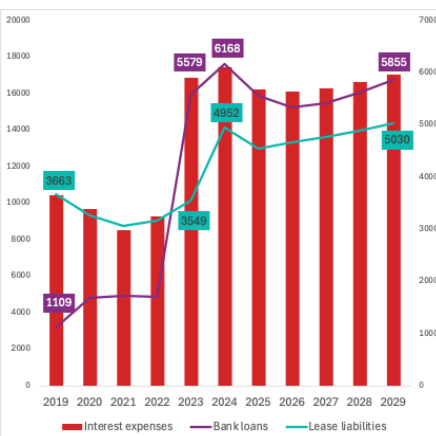


Figure 65 - Other Costs – Group exc. Bank & Bank, 2019 - 2029. Source: Group Analysis



Interest expenses are the primary driver of the financial results and are further segmented into costs arising from bank loans, lease liabilities and other interest-related costs. Bank loans constitute the largest portion of financial debt, characterized by variable interest rates predominantly indexed to Euribor benchmarks. To estimate interest costs for bank loans, a regression analysis was performed, using the three-month average of Euribor 3M values for each month to derive an average quarterly rate. This approach mitigates potential quarterly rate fluctuation distortions. The regression model employed the relative weight of bank loans as a percentage of total financial debt as the dependent variable. The effective interest rate for bank loans estimation was calculated by applying the regression equation, where the intercept and the coefficient of the independent variable were multiplied by the forecasted Euribor 3M rate.

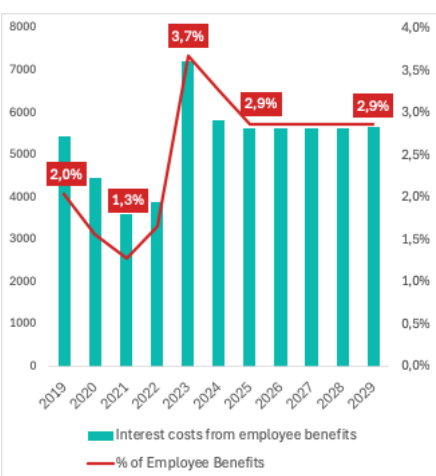
Figure 66 - Interest Expenses Breakdown, 2023. Figure 65 - Interest Expenses Breakdown, 2023. Source: CTT Annual Report, 2023



A consistent methodology was applied to forecast interest expenses for lease liabilities. In the first projected quarter, costs from bank loans were estimated at €1.44 million with an effective rate of 0.61%, while lease liability costs reached €1.12 million with an effective rate of 0.47%. These figures highlight the dynamic interplay between the structure of these debt components and the evolving Euribor 3M benchmark.

Other interest-related costs were estimated using historical data. For "other interest," the average value from 2024 was used, stabilizing at €0.01 million per quarter. Additionally, other fixed interest costs were held constant at their most recent historical value of €0.11 million. Interest expenses tied to employee benefits were projected as a fixed percentage of total employee benefits, using a historical average of 0.72% over the past three years. This consistent percentage resulted in an estimated cost of €1.41 million by the end of 2029.

Figure 67 - Bank Loans and Lease Liabilities Trends relative to Interest Expenses. Source: Group Analysis



Total interest expenses are projected to decline by 14% from Q3 2024 to Q4 2029, reaching €4.3 million. This reduction reflects the anticipated decline in interest rates, particularly in a less volatile interest rate environment, while maintaining stable assumptions for the other interest-related components.

Interest income, a minor component of the net financial results, accounts for approximately 1% of total financial results. It was assumed to remain steady at the two-year historical average of €0.05 million throughout the forecast period. Consequently, net financial results, which combine interest expenses and income, are forecasted to decline by 14% over the projection period, reaching €4.24 million by Q4 2029.

Figure 68 - Interest costs from employee benefits in proportion of Employee Benefits. Source: Group Analysis

Finally, gains or losses from subsidiary companies and joint ventures were assumed to remain constant throughout the projection period, based on the two-quarter historical average of €0.002 million per quarter. These gains and losses were added to the net financial results to derive the total financial results.

Overall, the total financial results for the Group excluding the bank are projected to decline by 14% from Q3 2024 to Q4 2029, reaching €4.24 million. This decline reflects lower interest expenses driven by a favorable interest rate environment, steady interest income, and consistent contributions from subsidiaries and joint ventures. These projections offer a balanced and methodical outlook on the financial results, taking into account both historical performance and forward-looking assumptions for key drivers.

Margin Evolution

In this section CTT's margins will be analyzed considering the separation between Group exc/ bank – and the performance and impact of each segment and the CTT Bank to enhance the potential of each segment as well as provide a more comprehensive analysis with its peers.

Firstly, regarding the EBITDA margin, the Group exc/ Bank has been consistently outperforming its peers from 2019 until 2024. Over the historical period analyzed, CTT maintained higher margins, despite a noticeable downward trend. The margin decreased significantly from 18% in 2019 to 12% in 2024 while the peer average exhibited less fluctuation but with some decline, converging to 10%. This demonstrates that although CTT remains above the peer average, both CTT and its peers are experiencing a declining trend, showing difficulties inside the industry facing the lower demand with its high fixed costs. When looking at three business units which compose this Group exc/ Bank it is possible to observe that Mail and Others is facing a sharp decline in its margin, transforming a 20% margin in 2019 to 11% in 2024. On the opposite direction, there is Express and Parcels that due to its cost-cutting program is increasing its profitability and achieving 12% margin in 2024 coming for a -1% in 2019. Lastly. There is Financial Services and Retail that due to its business model with low costs nature it is able to deliver the highest margins even though with some volatility over the last 5 years but with an expected margin of 62% in 2024.

Looking forward, CTT's EBITDA margin (Group exc/ bank) is expected to recover and grow steadily, reaching 17% by 2029 but remaining below the pre pandemic levels of 18%. The level of this recovery is explained by both Express and Parcels and Financial Services and Retail with operational efficiencies.

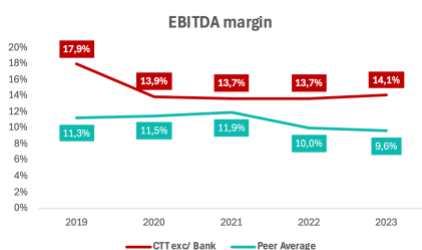


Figure 69 - EBITDA margin of CTT Group exc/ Bank Vs Peer average
Source: Group analysis and Refinitiv

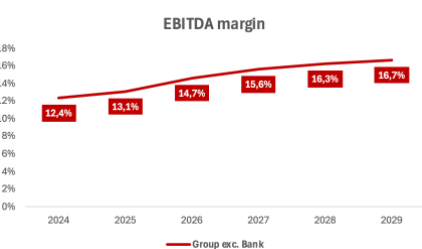


Figure 7058 - EBITDA margin forecasted for CTT Group exc/ bank
Source: Group and Refinitiv

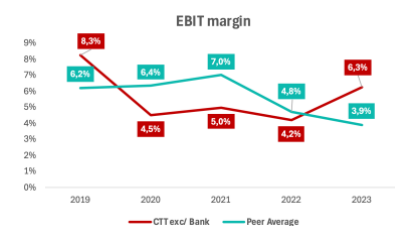


Figure 7165 - EBIT margin forecasted for CTT Group exc/ bank
Source: Group analysis

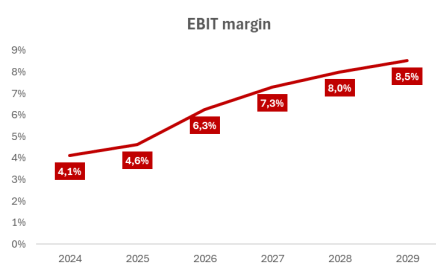


Figure 72 - EBIT margin forecasted for CTT Group exc/ bank
Source: Group analysis



Figure 73 - Net margin forecasted for CTT Group exc/ bank
Source: Group analysis

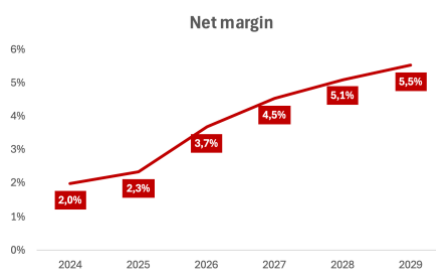


Figure 74 - Net margin forecasted for CTT Group exc/ bank
Source: Group analysis

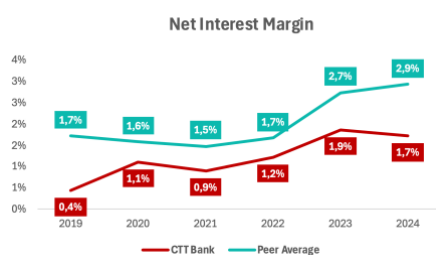


Figure 75 - Net interest margin of CTT Bank Vs Peer average
Source: Group analysis and Refinitiv

Moving forward in the income statement and its profitability there is the EBIT margin. In this regard both CTT Group exc/ Bank and its peers experienced considerable fluctuations during the historical period. CTT decreased from 8% in 2019 to 4% in 2022, recovering in 2023 by 2% but dropping again in 2024 to the 4% already recorded while its peers faced a sharp decline in 2021 moving from 7% to 4% in 2024. The lower margin achieved by CTT is in line with the lower EBITDA margin previously explained. Both CTT and its peers are now converging to a 4% margin. Breaking down the CTT Group exc/ Bank is possible to observe that Mail and Others has been decreasing its margin and already recording negative figures in 2022 and 2024. Once again, in the opposite direction Express and Parcels is experiencing a growth in its margin expecting to achieve a 7% in 2024 with 5% in 2023.

In the forecasted period, CTT Group exc/ Bank is expected to enhance EBIT margin and recover to pre-pandemic levels by 2029 with 9%. This marks a significant improvement, surpassing the 2019 levels and reflecting better operational efficiency or cost management, as depreciation is expected to increase when restructuring business costs decrease. The units that support this recovery are explained by Express and Parcels and Financial Services and Retail as e-commerce is projected to grow over the years and the public debt certificates keep attractive for costumers rather than bank deposits.

Finally, in the Net Profit Margin, CTT Group exc/ Bank and the Peer average shifted positions twice. In 2019 CTT recorded a 5% margin while the peer average was 4% shifting this situation in the following year and keeping like that over the next 2 years. The reversal would only happen in 2023 with CTT recording a 4% margin, 3% above the peer average.

In the forecast period, CTT's net profit margin is projected to grow steadily, surpassing the 2019 figure of 5% in 2028 with 4.49% and reaching almost 6% by 2029. This marks a positive turning point, indicating improved profitability sustained by Express and Parcels EBIT which will represent 59% of group's EBIT, in 2029.

For the CTT Bank it is possible to observe the evolution of three ratios. Starting with the net interest income, which is the spread between the return on average interest-bearing assets and the return on average interest-bearing liabilities there is an upward trend registered at CTT Bank operations. This trend is driven by the higher interest rates set by the regulatory authorities. Nevertheless, even with this improvement in margin, CTT has been historically below the peer average. CTT's net interest margin peaked at 1.87% in 2023, whereas peers reached a higher peak of 2.94% in 2024. Looking forward, it is expected to decrease the European interest

rates and the subsequent impact on the net interest income of banks but as stated before it is not expected to have soon negative interest rates. The impact of this effect represents a downward trend on the net interest margin of CTT Bank, reaching 1.58% by 2029. Nevertheless, this ratio would benefit from a more aggressive Loan-to-Deposits ratio rather than the 40% target and therefore be more in line with its peers.

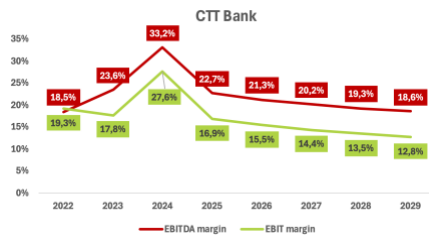


Figure 76 - EBITDA and EBIT margin historical and forecasted for CTT Bank
Source: Group analysis and Refinitiv

As CTT Bank revenues consist not only of net interest margin but also fees and commission, the EBITDA margin shows the evolution of both revenues source with cost control. As CTT group provides the EBIT of its bank it was possible to forecast both EBITDA and EBIT margins. The EBITDA margin has been increasing overtime due to the higher interest rates, achieving 33% in 2024. Looking forward, this margin is expected to decrease due to the rebalance of the interest rates, recording 19% EBITDA margin by 2029. For EBIT margin there has been an increase until 2021 achieving 24% with lower margins in the following years but recovering in 2024 with 28%. In terms of forecasted period, this margin is expected to decrease over time to 13%.

CapEx

CTT's capital expenditures declined by 2.4% to €36.1 million in 2023 in comparison with the previous year. Approximately 65% of this investment, more precisely €23.4 million, was allocated to information systems to enhance operational efficiency, customer experience, and cybersecurity. Around 13%, or €4.8 million, were directed towards facilities, particularly the investment in the new headquarters. The remaining €3.9 million was invested in the expansion of the Locky locker and the E&P network in Iberia. The decline in CapEx results from a normalization of investment levels in the E&P unit in Portugal and Spain, following a period of heightened investment in previous years.

To enhance analysis, CapEx is calculated on a quarterly basis per business unit, considering Tangible Fixed Assets, Intangible Assets, Investment Properties, and Depreciation & Amortization. During the forecast period, major investments are not anticipated. Instead, CTT is expected to prioritize the Iberian express and parcel market, as well as transformation initiatives, especially in business and logistics services.

In order to analyse CapEx, it was assumed that Tangible Assets, Intangible Assets, Investment Properties, and Depreciation will continue to evolve in the percentage of segment revenues registered in the 3Q 2024, because it reflects the most recent trends. CapEx for each business unit is then calculated by computing the change in

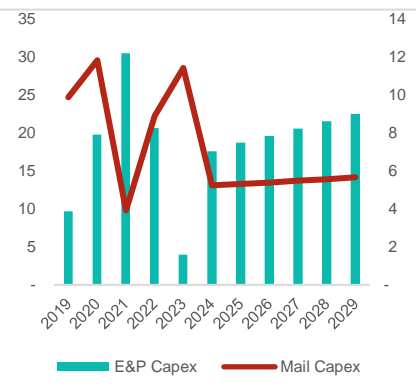


Figure 7773 - E&P & Mail CapEx [€m], 2019-29
Source: Group analysis

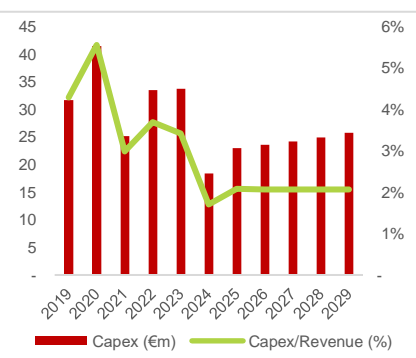


Figure 78 - CapEx Evolution [€m], 2019-29
Source: Group analysis

Tangible Assets, Intangible Assets, and Investment Properties, and adding the Depreciation for the period.

It is important to mention that total CapEx is predicted to decrease from around €31.6 million in 2019 to €25.7 million in 2029, which represents a decline from 4.3% to 2.1% of total revenue. This reduction reflects a strategic shift towards digital channels, which leads to a normalization of the investments in the Mail business unit. In fact, CapEx from Mail is projected to decrease from nearly €24.7 million in 2019 to €14.1 million by 2029. Meanwhile, E&P Capex is expected to grow from around €3.9 million in 2019 to €9.0 million by 2029, accounting for nearly 35% of the total CapEx invested in 2029.

Depreciation and Amortization

Correios de Portugal's Depreciation and Amortization (D&A) comprise Tangible Fixed Assets, Intangible Assets, and Investment Properties. In 2023, the Group's Depreciation & Amortization amounted to €64.3 million, slightly decreasing from €64.7 million in 2022. This reduction was mainly driven by the revision of the useful life of certain assets, generating a positive impact of €3.6 million. Nevertheless, this gain was partially offset by higher amortization expenses from investments in IT systems and sorting equipment totalling €3.2 million.

The Group calculates Depreciation and Amortization of Tangible, Intangible Assets and Investment Properties using the straight-line method. The computation begins in the month when assets become available for use and extends throughout their useful lives, based on their expected economic utility, less their estimated residual value.

Depreciation and Amortization expenses are computed quarterly for each business unit. These expenses are forecasted as a percentage of Tangible Assets, Intangible Assets and Investment Properties registered in 3Q 2024. D&A are projected to grow from €64.3 million in 2023 to €89.6 million by 2029, reflecting a CAGR of 6.9%. This represents an increase from 6.5% of total revenues in 2023 to 7.2% by 2029, mainly driven by growth in Tangible Assets. In fact, Tangible Assets in the Mail segment are expected to rise from €211.9 million in 2023 to €235.4 million by 2029, leading to an increase in Depreciation and Amortization expenses from €39.9 million in 2023 to €52.4 million by 2029. For the Express & Parcels segment, tangible assets are forecasted to grow from €79.5 million in 2023 to €135.6 million by 2029. Consequently, Depreciation and Amortization for this segment is anticipated to rise from €15.8 million in 2023 to €28.2 million by 2029.

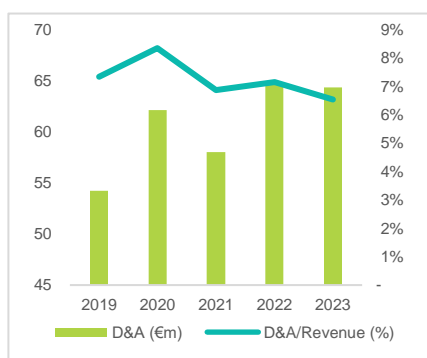


Figure 79 - CTT's Depreciation & Amortization Expenses, 2019-23
Source: CTT annual reports

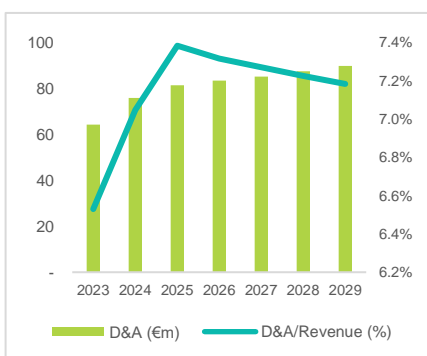


Figure 80 - CTT's Depreciation & Amortization Expenses, 2023-29
Source: Group analysis

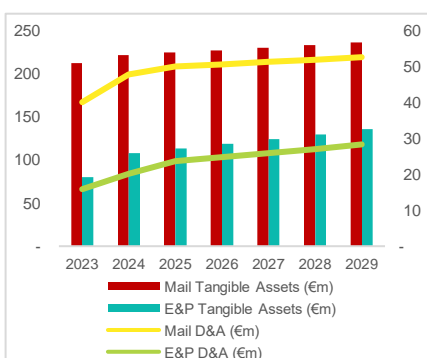


Figure 81 - Mail & E&P Tangible Assets, Depreciation & Amortization Expenses, 2023-29
Source: Group analysis

Liquidity and Capital Structure

Liquidity

CTT's financial performance reveals a mixed liquidity profile, with distinct dynamics between its non-banking operations and Banco CTT. For the non-banking Group, liquidity metrics such as the current, quick, and cash ratios remain below 1, signaling constrained short-term liquidity. As of 2023, the current ratio improved slightly to 0.72, up from 0.63 in previous years, but this figure remains below the peer median of 1.03. Similarly, the quick ratio stood at 0.71, compared to a peer median of 0.73, while the cash ratio, which measures the Group's immediate liquidity, was 0.40, broadly in line with peers. Looking ahead, these metrics are projected to improve modestly, with the current and quick ratios reaching 0.70 and 0.69, respectively, by 2029, though the cash ratio is expected to remain at 0.24 from 2024 onward.

The liquidity metrics below 1 reflect the operational and financial characteristics of the postal and logistics industry, which is highly capital-intensive and reliant on short-term liabilities such as trade credit. Investments in infrastructure, including parcel locker networks and digital transformation initiatives, tie up resources and reduce liquid asset availability. This is common in the sector, where companies often exhibit liquidity ratios lower than one due to high working capital needs and ongoing investment requirements. Despite these constraints, CTT maintains sufficient cash reserves to manage risks and ensure operational stability. While careful management is essential, the metrics indicate resilience rather than immediate liquidity distress, underscoring CTT's focus on balancing innovation and financial obligations.

The constrained liquidity metrics of the non-banking Group underscore the importance of effective cash and working capital management. Between 2020 and 2023, total current assets grew from €830 million to €924 million, while current liabilities increased from €2.73 billion to €2.85 billion over the same period. This limited growth in current assets relative to liabilities suggests that liquidity improvements remain incremental. Inventory levels were carefully managed, increasing from €6.6 million in 2020 to €6.7 million in 2023, while accounts receivables rose from €153 million in 2020 to €153 million in 2023, reflecting the Group's efforts to maintain stable working capital amid a challenging macroeconomic environment. Nevertheless, accounts payable decreased from €375 million in 2020 to €374 million in 2023, signaling shorter supplier payment terms that further constrain liquidity.



Figure 82 - Current Ratio Group exc. Bank (2020-2029) vs Peer Median (2023)
Source: Group analysis



Figure 83 - Quick Ratio Group exc. Bank (2020-2029) vs Peer Median (2023).
Source: Group Analysis



Figure 84 - Cash Ratio Group exc. Bank (2020-2029) vs Peer Median (2023).
Source: Group Analysis

However, the Group's Cash Conversion Cycle (CCC), a key measure of operational efficiency, reflects these dynamics. While the CCC improved from -151 days in 2020 to -119 days in 2023, it remains significantly higher than the peer median of -681 days. Industry peers benefit from extended supplier payment terms, minimal inventory requirements, and upfront payments, all of which allow logistics companies to accelerate cash inflows while delaying outflows. In contrast, CTT's higher CCC reflects the slower-growing Mail segment and shorter payment cycles, as well as the more diverse operational structure of the Group. Projections indicate that the CCC will gradually decline to -102 days by 2029, driven by better inventory and receivables management, though it will likely remain above industry benchmarks.



Figure 85 - Cash Conversion Cycle Group exc. Bank (2020-2029) vs Peer Median (2023).
Source: Group Analysis

In contrast, Banco CTT continues to outperform, with a liquidity profile that significantly exceeds regulatory requirements and industry standards. The Bank's Liquidity Coverage Ratio (LCR) reached an exceptional 943% in 2023, compared to a peer median of 268%. This metric highlights the Bank's strong ability to meet short-term liquidity needs, supported by its high-quality liquid assets, which doubled from €950 million in 2022 to €1.95 billion in 2023. High-quality liquid assets represented 50.8% of total assets in 2023, although this proportion is expected to normalize to 35.2% by 2024 and remain stable thereafter. This adjustment reflects a strategic shift toward utilizing a portion of these liquid reserves for growth-oriented activities, including lending and investments.

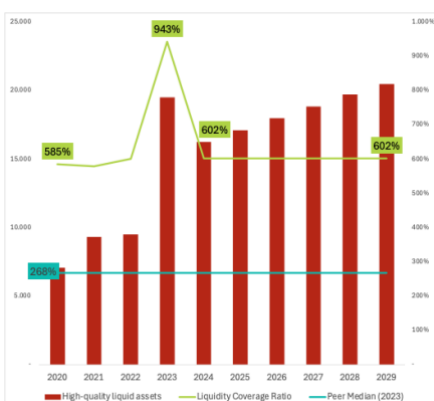


Figure 86: Liquidity Coverage Ratio (LCR) for Bank (2019-2029) vs. Peer Median (2023).
Source: Group Analysis

Moreover, the Net Stable Funding Ratio (NSFR) further reinforces the Bank's robust liquidity position. Rising from 176% in 2022 to 222% in 2023, the NSFR far exceeds the peer median of 145% and regulatory requirements, indicating that the Bank maintains a highly conservative approach to funding stability. While this approach ensures resilience, it also suggests that the Bank may be underutilizing its liquidity, as it has ample capacity to lend more aggressively without compromising financial stability. From 2024 onward, the NSFR is expected to stabilize at 140%, which remains well above regulatory thresholds but reflects a more balanced approach to liquidity and growth.



Figure 87 - Net Stable Funding Ratio - Bank (2020-2029) vs Peer Median (2023).
Source: Group Analysis

Banco CTT's net cash flows have consistently increased, rising from €66 million in 2020 to €207 million in 2023, with projections suggesting further growth to €340 million by 2029. This growth is driven by steady cash inflows, which are expected to increase from €387 million in 2024 to €488 million by 2029, alongside controlled cash outflows. Such effective cash flow management underscores the Bank's operational efficiency and ability to support its strategic objectives. Despite this, the Bank's focus on risk aversion and liquidity has limited its profitability potential. For example, the prioritization of liquidity over lending has constrained

opportunities to achieve higher net interest margins. A more aggressive approach to lending, particularly in areas such as mortgages and commercial loans, could enhance the Bank's profitability without jeopardizing its stability.

▪ Solvency

The capital structure of CTT non-banking Group has evolved significantly. The Debt-to-Equity (D/E) ratio increased slightly from 0.22 in 2020 to 0.29 in 2023, before stabilizing at 0.25 from 2024 onwards. This trend underscores CTT's controlled reliance on debt to finance its transformation strategy, which includes significant investments in infrastructure, digital transformation, and the expansion of its parcel network. The gearing ratio, however, demonstrates a more volatile trajectory. Initially positive and above one, it turned negative in 2023, reaching -1.58, before recovering to 1.19 in 2024 and stabilizing slightly above one, at 1.04 by 2029. The negative gearing in 2023 suggests a period of financial strain possibly linked to high debt levels relative to equity during a year of heavy investments and lower equity base. This aligns with CTT's strategy to modernize its operations and pivot toward growth areas like e-commerce, even at the expense of temporary solvency challenges.

CTT's debt profile provides further insight into the borrowing structure and financial performance of the Group. Between 2020 and 2022, net debt remained negative, indicating a net cash position during those years. However, in 2023, net debt turned positive as Net Debt/EBITDA reached 0.14, climbing to 0.66 in 2024 before gradually decreasing to 0.46 by 2029. Similarly, the Net Debt/EBIT ratio followed a comparable trajectory, stabilizing at 0.86 by 2029. These ratios signal improved financial performance and cash flow generation as the Group reaps the benefits of its investments, particularly in higher-margin businesses like Express & Parcels.

Despite these improvements, the Interest Coverage Ratio remained negative, at -3.68 in 2023, and is forecasted to decline further to -5.58 in 2024. This suggests that interest expenses continue to weigh heavily on earnings, reflecting CTT's reliance on external financing during its transformation. However, the gradual stabilization of gearing and debt ratios points to a long-term recovery in solvency.

The stability in the PPE/Total Assets ratio, at 0.42 from 2024 onwards, highlights CTT's ongoing commitment to maintaining its physical infrastructure, a key enabler of its last-mile delivery and e-commerce logistics capabilities. Meanwhile, the Financial Autonomy Ratio and Solvency Ratio, both negative in 2023 (both -4%), show incremental improvements, approaching near-neutral levels by 2029. These metrics underscore CTT's strategy to gradually rebuild equity through retained earnings, supported by its diversified revenue streams.

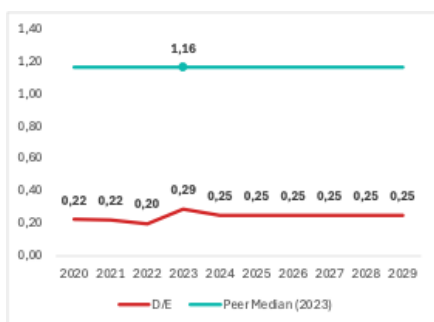


Figure 88 - D/E Ratio vs. Median Peer Group
Source: Group analysis and Refinitiv

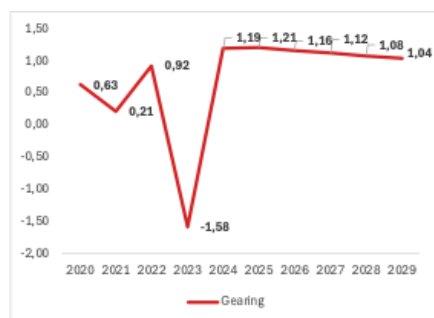


Figure 89 - Gearing ratio
Source: Group analysis

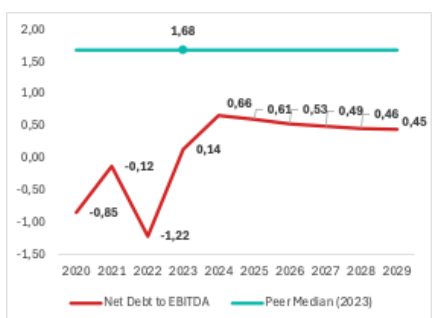


Figure 90 - Net Debt to EBITA vs. Median Peer Group
Source: Group analysis and Refinitiv

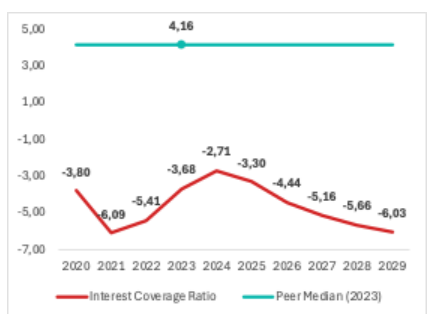


Figure 91 - Interest Coverage Ratio vs. Median Peer Group
Source: Group analysis

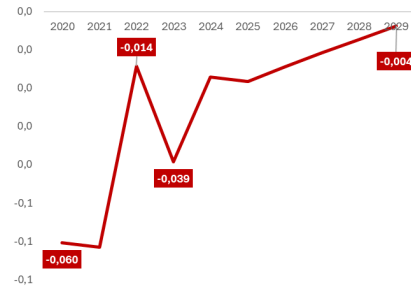


Figure 92 - CTT's Solvency Ratio
Source: Group analysis

CTT's solvency metrics for the Group ex-Bank lag behind peers, reflecting the challenges of operating within a capital-intensive industry. The median peer ratios for Interest Coverage (4.16), Net Debt/Equity (1.16), and Solvency (0.12) are notably stronger, highlighting the financial resilience of competitors like Deutsche Post and International Distribution Services. However, CTT's strategy to invest heavily in e-commerce logistics and digital transformation may yield long-term benefits, potentially narrowing these gaps over time.

Banco CTT presents a more conservative solvency profile, reflecting its risk-averse lending practices and regulatory compliance. The Tier 1 Capital Ratio, while strong at 21% in 2023, is projected to decline to 10.5% by 2029. This trend suggests increased asset growth, potentially driven by the Bank's strategy to expand its loan portfolio, albeit at a measured pace to maintain risk-adjusted returns. The Leverage Ratio follows a similar pattern, decreasing from 6.9% in 2023 to 3.4% by 2029. This decline is indicative of the Bank's cautious approach to leveraging deposits, aligning with its focus on sustainable financing and regulatory adherence.

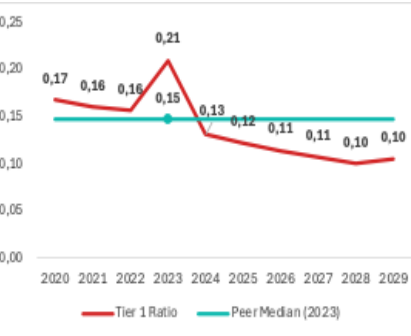


Figure 93 - Tier 1 Ratio vs. Peer Group Median
Source: Group analysis and Refinitiv

The Loan-to-Deposits Ratio, starting at 51.5% in 2023, is expected to stabilize around 40% from 2024 to 2029. This conservative ratio reflects the Bank's strategy to prioritize liquidity and risk mitigation over aggressive lending. While this approach ensures stability, it may limit profitability compared to peers with higher ratios. However, the Bank's focus on maintaining high-quality liquid assets and its role as a stable financial arm of CTT align with its overarching strategic objectives.

For Banco CTT, the Tier 1 Capital Ratio (21% in 2023) and Loan-to-Deposits Ratio (51.5%) outperform peer medians (14.7% and 78.6%, respectively), underscoring its strong liquidity and conservative lending practices. This positions the Bank as a reliable and stable entity within the CTT Group, balancing the higher financial risks associated with the non-banking operations.

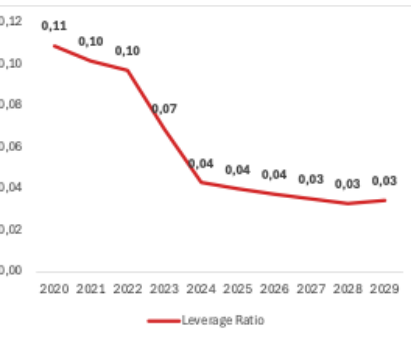


Figure 94 - Leverage Ratio
Source: Group analysis

Shareholders Returns

The analysis of shareholder returns for CTT evaluates the Group as a whole, integrating the financial and operational performance of both the Group excluding the bank and the bank. This unified approach aligns with CTT's consolidated financial reporting and reflects the operational interdependencies across its segments, ensuring a comprehensive assessment of the company's ability to generate shareholder value.

CTT's Return on Equity (ROE) has demonstrated some fluctuations during the analysis period, reflecting changes in profitability and the equity base. Between 2020 and 2023, ROE ranged from 11.3% to 24.3%, driven by a notable recovery

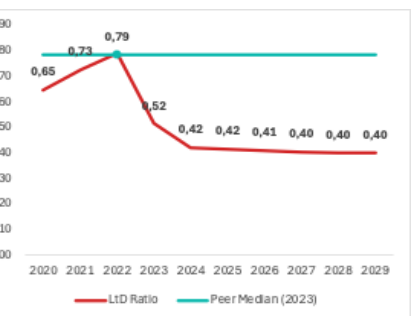
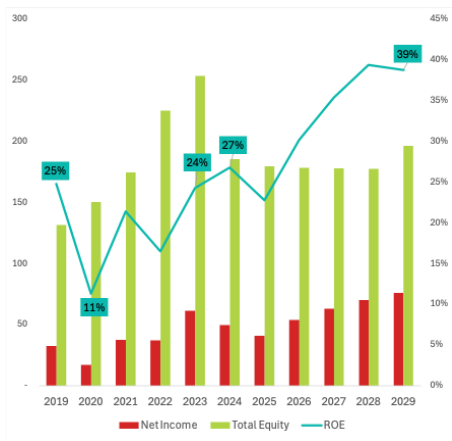
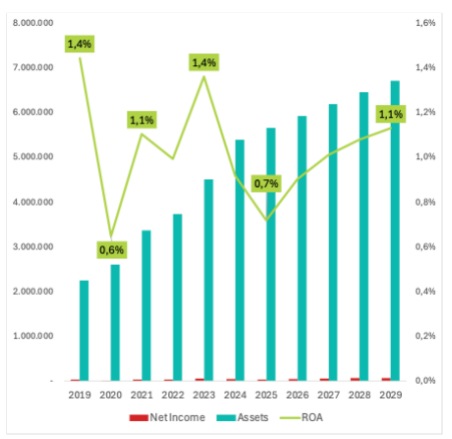


Figure 95 - Loan-to-Deposits ratio
Source: Group analysis and Refinitiv



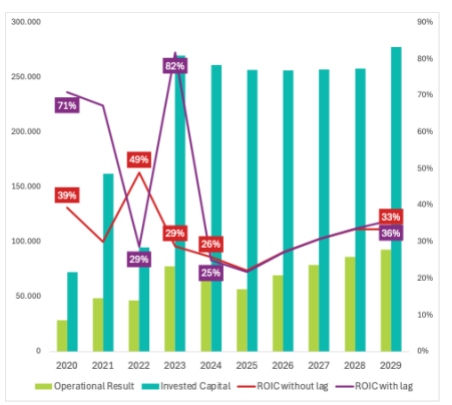
in net income following strategic investments and operational efficiency improvements. Key contributors to these gains include the digital transformation initiatives and the implementation of the “Locky” locker network, which have bolstered profitability, particularly in the expanding Express and Parcels segment. ROE is forecasted to stabilize at 26.8% in 2024, as balanced revenue growth aligns with equity expansion and operational improvements. It is expected to peak at 39.4% in 2028, underpinned by sustained income growth from e-commerce-driven logistics and operational synergies. By 2029, ROE is projected to decline slightly to 38.7%, as the Group transitions into a maturity phase and growth rates normalize. This decline reflects the natural limits of efficiency improvements, and the reinvestment cycles required to sustain operations.

Figure 96 – ROE CTT Group (2020-2029)
Source: Group analysis



Further, Return on Assets (ROA) underscores the alignment between asset utilization and profitability trends. Between 2020 and 2023, ROA ranged from 0.6% to 1.4%, indicative of modest returns on a growing asset base. This trend has been influenced by significant investments in infrastructure and technology aimed at scaling operations to meet growing e-commerce demand. As these investments begin to yield returns, ROA is projected to gradually improve, stabilizing between 0.9% and 1.1% throughout the forecast period. Improvements are expected to stem from enhanced asset efficiency in revenue-generating operations, particularly in Express and Parcels and Financial Services. However, the structural decline of the Mail segment tempers these gains, acting as a drag on overall asset productivity.

Figure 97 - ROA CTT Group (2020-2029)
Source: Group analysis



The Return on Invested Capital (ROIC) highlights CTT’s ability to generate value above its cost of capital, providing a critical measure of the company’s overall efficiency. ROIC without lag experienced a significant decline from 39% in 2020 to 29% in 2023, reflecting high capital expenditures and slower capital turnover during a period of intense investment. These investments, focused on digital transformation and infrastructure expansion, are particularly tied to the growing demand for e-commerce logistics. As these investments mature, ROIC is forecasted to recover steadily, reaching 33% in 2029, supported by profitability improvements in Express and Parcels and Financial Services. Lag-adjusted ROIC trends mirror this recovery, peaking at 36% in 2029, as operational synergies and strategic investments reach full maturity, translating into increased shareholder value over the long term.

Figure 98 - ROIC with & without lag CTT Group (2020-2029)
Source: Group analysis

CTT’s overall trends in ROE, ROA, and ROIC are closely tied to its operational turnaround and the revenue growth driven by strategic initiatives. The expansion of Express and Parcels, coupled with the steady contribution of Financial Services, serves as a critical driver of profitability. However, the structural decline

of the Mail segment continues to weigh on overall performance, offsetting some of the gains achieved in other segments. By 2029, as new investments stabilize, a slight decline in ROE and ROIC is anticipated, attributed to the reinvestment cycles necessary to maintain operational capacity and competitiveness.

Despite these challenges, CTT is expected to maintain returns consistently above its cost of capital throughout the forecast period. This resilience underscores the company's ability to generate sustainable shareholder value over the long term, supported by strategic investments, operational efficiencies, and targeted growth in high-potential segments like Express and Parcels and Financial Services. CTT's evolving financial profile reflects a balanced approach to growth and reinvestment, ensuring that shareholders benefit from consistent value creation while the company adapts to the changing market landscape.

Parameters	2024
Risk-Free Rate	2,33%
Debt Premium	2,27%
Beta	0,95
Market Risk Premium	6,35%
Gearing	19,77%
Tax Rate	21%
Cost of Equity (Re CTT_exBank)	8,37%
WACC pre-tax	7,43%

Figure 99 - CTT's Ex Bank WACC
Source: Group analysis

WACC – Group exc/ Bank

- Cost of Debt

For CTT's cost of debt calculation, the risk-free rate of 2.33% is derived from the German Government 10-year Bond Yield. As the largest and most stable economy in the Eurozone, Germany's Bunds are a benchmark for risk-free rates in the region.

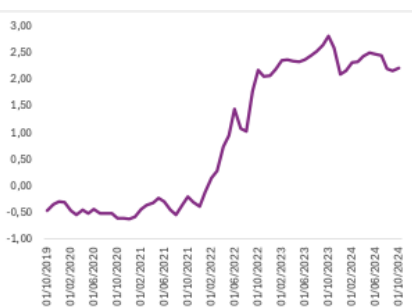


Figure 100 - Long-Term Government Bond Yields: 10-Years for Germany
Source: FRED Economic Data, 2024

The debt premium is determined by calculating the credit spread between the Yield to Maturity (YTM) of BBB- rated European corporate bonds, from Bloomberg's BVAL pricing service, and the 10-year German Government Bond Yield. The selection of BBB- rating follows ANACOM's methodology, which bases its analysis on companies with similar business profiles and credit characteristics to CTT in the telecommunications and postal services sectors. The 10-year YTM curve was 5.18% as of December 31, 2022, and 4.02% as of December 31, 2023, resulting in an average value of 4.60%. The credit spread was 2.85% as of December 31, 2022, and 1.69% by the end of 2023, which results in a mean value of 2.27%. This average debt premium is added to the risk-free rate to calculate the company's pre-tax cost of debt. Using these inputs, the pre-tax cost of debt can be estimated at approximately 4.60% (2.33% + 2.27%).

Averaging between two year-end values helps smooth out market volatility and provides a more stable estimate. Additionally, focusing on the 10-year maturity aligns with the long-term nature of corporate financing decisions and provides a good benchmark for the overall cost of debt.

- Cost of Equity and Market Risk Premium

(in million euros)

Companies	Average Gearing
BPost	34,01%
International Distribution Services (€)	23,27%
Austrian Post	16,34%
Maltapost	5,44%
Average	5,44%

Figure 101 - Gearing Levels of the Peer Group

The analysis of capital structure examined a set of comparable postal companies over the 2020-2023 period. The peer group demonstrated varying gearing levels: BPost averaged 34.01%, International Distribution Services 23.27%, Austrian Post 16.34% and Maltapost 5.44%. From these industry benchmarks, a target gearing ratio of 19.77% was established for CTT, representing the proportion of debt in the

company's total capital structure. This target ratio, derived from peer averages, provides a more stable and industry-aligned basis for the WACC calculation than using CTT's current capital structure.

The beta coefficient, central to this calculation, was determined through an analysis of comparable companies in the postal and logistics sector, including International Distribution Services, BPost, DHL Group, and Maltapost. The raw and unlevered betas from Refinitiv were relevered to reflect CTT's target gearing ratio of 19.77%, resulting in a beta of 0.95. While the resulting beta is below 1, indicating that CTT's non-banking operations exhibit less sensitivity to overall market movements, it is relatively high for a company operating in a traditionally non-cyclical industry. Postal and logistics services, particularly in CTT's case, have non-cyclical characteristics due to the essential nature of mail and e-commerce deliveries, which remain stable even during economic downturns.

However, the relatively high beta (close to 1) compared to other non-cyclical sectors could be attributed to several factors. First, CTT's strategic shift towards e-commerce and parcel logistics introduces greater exposure to competitive pressures and growth-driven risks, aligning it more closely with the dynamics of the broader logistics industry, which is inherently more market-sensitive. Additionally, CTT's reliance on capital-intensive investments, such as expanding its parcel locker network and digital transformation initiatives, increases its exposure to interest rate fluctuations and macroeconomic uncertainty. These factors heighten the company's systematic risk, pushing its beta closer to market levels.

For determining the appropriate market risk premium, data from Professor Aswath Damodaran's database indicated a rate of 6.35% for Portugal. Applying the Capital Asset Pricing Model (CAPM), CTT's cost of equity was calculated by multiplying this premium by the company's beta and adding the previously established risk-free rate of 2.33%, resulting in a cost of equity of 8.37%.

Combining the pre-tax cost of debt (4.56%) and the cost of equity (8.37%), adjusted for the target capital structure (19.77% gearing ratio), results in a WACC of 7.43% for CTT's non-banking operations. This reflects the blended cost of financing the company's activities while incorporating both equity and debt components. The

Group exc. Bank	Beta	Unlevered Beta	Levered Beta
International Distribution Services	2,21	1,58	1,83
BPost	0,91	0,54	0,62
DHL Group	1,04	0,61	0,71
Maltapost	0,59	0,56	0,65
Average			0,95

Figure 102 - Beta of Comparable Companies
Source: Group analysis

Prof. Damodaran	Equity Risk Premium	Moody's Rating	Corporate Tax Rate
Portugal	6,35%	A3	21%

Figure 103 - Prof Damodaran's Analysis
Source: Prof Damodaran

calculated WACC aligns with CTT's strategic focus on balancing its growth initiatives with financial stability, ensuring that its capital allocation decisions are aligned with its risk profile and long-term objectives.

Cost of equity - CTT Bank

CTT Bank	
Raw Beta	1,40
Adjusted Beta	1,27

Figure 104 - CTT Bank's Beta
Source: Group analysis

To value CTT's Bank, a flow-to-equity valuation (FTE) method was employed. This required calculating the cost of equity, which was determined using the Capital Asset Pricing Model. The CAPM involves estimating the risk-free rate, the market risk premium, and the bank's beta.

Firstly, the risk-free rate of 2.33% was derived from the Yield on the 10-year German Government Bond, as mentioned above. Secondly, the market risk premium of 6.35% for the Portuguese economy was also sourced from Professor Damodaran's database. Thirdly, to calculate the bank's beta, a raw beta of 1.4 was retrieved from the median of European bank betas within the STOXX Europe 600 index on Bloomberg. This index was used as it is a representative benchmark of the European banking sector, reflecting the broader market dynamics that affect European banks, such as monetary policy decisions and regulatory changes. Then, the beta was adjusted using Bloomberg's formula ($\beta_{adjusted} = (2 \div 3) \times \beta_{estimated} + (1 \div 3) \times \beta_{mean\ reverting\ level}$) to 1.27. Finally, the beta was multiplied by the market risk premium and added to the risk-free rate, obtaining a cost of equity of 10.0%.

Valuation

The valuation of CTT Group was conducted using a tailored approach to reflect the distinct characteristics of the group excluding the bank and the bank itself. The group excluding the bank was valued using a Discounted Cash Flow (DCF) method, while the bank was valued through a Flow to Equity (FTE) approach, reflecting its financial structure. Additionally, a Relative Valuation was performed using Trading Multiples of Peers and Past Transaction Multiples.

Discounted Cash Flows

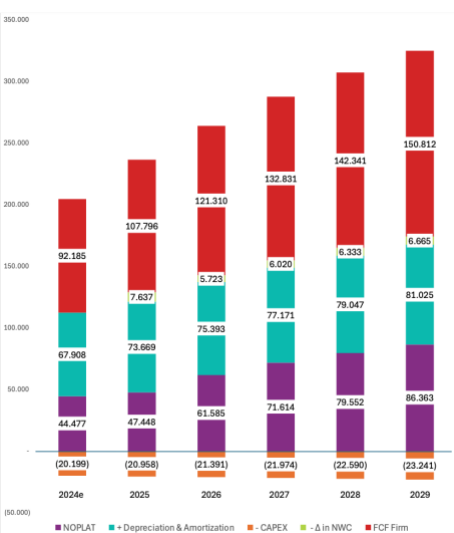


Figure 105: FCF Calculation Breakdown in thousand euros
Source: Group Analysis

The CTT Group, excluding the bank, is positioned as a company with significant growth potential throughout the projection period, driven by robust free cash flow to the firm (FCFF) growth. The FCFF is expected to grow at a compound annual growth rate (CAGR) of 10.3%, reaching €150.81 million by 2029. This growth is supported by a combination of operational enhancements, favorable market trends, and strategic initiatives. These include the expansion of e-commerce, growing demand for last-mile delivery solutions, and logistics services tailored to small and medium-sized enterprises (SMEs). The Express & Parcels segment is forecasted to be the primary engine of this growth.

Key value drivers contributing to this trajectory include increasing shipment volumes driven by online retail growth, ongoing digital transformation efforts such as the deployment of the "Locky" locker network, and infrastructure investments to accommodate rising package volumes. Additionally, the adoption of innovative technologies to improve delivery speed and enhance customer experiences strengthens the Group's competitive position in a rapidly evolving market.

Revenue for the Group is projected to grow at a CAGR of 3.3% through 2029, reflecting a strong alignment with the expanding e-commerce and logistics sectors. Capital expenditures (CAPEX), while growing at a more modest CAGR of 2.8%, support this revenue growth by ensuring continued investment in infrastructure and operational capabilities. This controlled CAPEX growth sustains free cash flow generation, underlining the assumption that CTT's growth is both sustainable and tied to market expansion trends.

By 2029, the Group is expected to transition into a maturity phase as growth rates stabilize. The Mail segment, which is increasingly contributing less to total revenue, is anticipated to fully mature between 2023 and 2025. During this period, growth rates for the Mail segment are projected to remain negative or marginally positive, reflecting the broader structural decline in traditional mail services. On the contrary, the Express & Parcels segment is forecasted to grow significantly through 2028 before reaching maturity in 2029, driven by increasing e-commerce penetration and optimized logistics infrastructure. The Financial Services & Retail segment, a smaller revenue contributor, is expected to stabilize earlier, achieving maturity by 2025. This reflects its modest growth trajectory, aligned with broader market conditions and consumer trends.

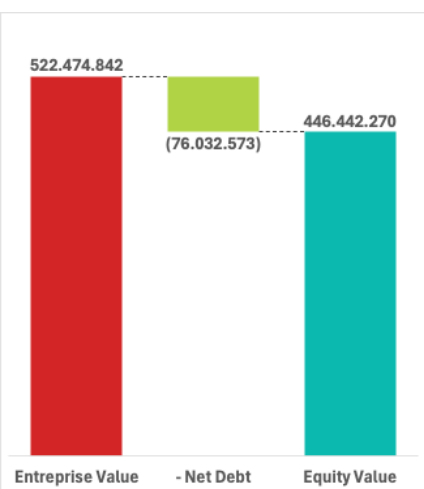


Figure 106 - Implied Enterprise Value to Implied Equity Value Waterfall in euros
Source: Group analysis

The terminal value of the Group was calculated using a perpetual growth rate of 1.5%. This rate was chosen to reflect a blended outlook, accounting for continued mail decline, ongoing growth in parcels, moderated expansion in financial services, and the overall business maturity anticipated by the end of the projection period. This conservative growth assumption is slightly below Portugal’s expected nominal GDP growth rate and the European Central Bank’s (ECB) inflation target of 2%, but it aligns with sustainable economic projections. Supporting this conservative stance, the European Commission’s Autumn 2024 Economic Forecast estimates real GDP growth for the European Union at 1.5% in 2025 and 1.3% for the Euro Area, underscoring the realistic nature of the perpetual growth assumption.

The resulting terminal value for 4Q 2029 of €346.46 million constitutes 70% of the total discounted cash flows, underscoring the importance of future cash flow stability in the overall valuation. This value was derived by adjusting the FCFF using the difference between the weighted average cost of capital (WACC) of 7.4% and the perpetual growth rate of 1.5%. Discounting cash flows to the present using the WACC produced an enterprise value of €522.48 million. After adjusting for net debt, the equity value of the Group excluding the bank was calculated at €446.44 million. This corresponds to an implied share price of €3.25 for the Group without bank, offering stakeholders a clear and detailed view of the Group’s financial valuation and growth prospects. This valuation highlights CTT’s ability to leverage growth opportunities while maintaining disciplined investments to support long-term financial stability.

Flow-to-Equity

CTT Bank was valued through a Flow-to-Equity (FTE) method. The reasoning for this method was driven by the high leverage of a bank and therefore it is important to consider the cash flows attributable to its shareholders after the interest expenses, debt structure, and changes in leverage. The valuation is driven by the Free Cash Flow to Equity holders (FCFE), which is expected to grow at a CAGR of 12% over the projection period from 2024 to 2029, reaching €23.839 million. The FCFE is derived from two key components, the bank’s net income and the changes in the book value of equity (BVE).

On the first component, the Bank activity is expected to generate lower net income, decreasing at a CAGR of -14% throughout the projection period. This decline is primarily attributed to the expected reduction in the 3-month EURIBOR compared to the current higher levels. The lower interest rate environment is expected to compress net interest margins, directly impacting profitability. The second component, the book value of equity, is projected to grow at a CAGR of 4.7%,

CTT Bank	CAGR (2024 - 2029)
Net Income	-13,7%
BVE	4,7%
FCFE	12,3%

Figure 107 - CAGRs of FCFE components
Source: Group analysis

supported by a stable capital management framework. For the estimation, an historical average of the Total Capital Ratio of 15.83% was applied consistently across the projection horizon. This ratio was multiplied by the risk-weighted assets (RWA), which were derived from the historical proportion of 24.7% of total assets.

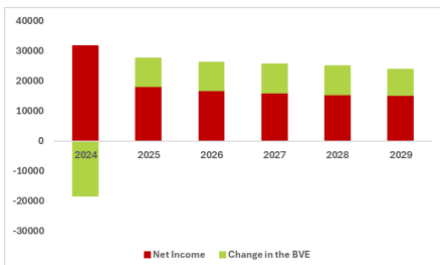


Figure 108 – Net Income and Changes in the BE (2024F – 2029)
Source: Group analysis

The terminal value of CTT Bank was determined by applying a perpetual growth rate of 1.5% to the free cash flow to the firm (FCFE) in the final year forecasted. The terminal growth rate of 1.5% is a conservative estimate, slightly below the projections for the Portuguese long-term GDP growth rate. This conservative approach considers the cyclical nature of the banking industry, intense domestic competition, and potential macroeconomic and regulatory uncertainties. This calculation assumes that FCFE will grow at a constant rate indefinitely beyond the projection period, and the result was obtained by dividing the adjusted FCFE for the final year by the difference between the cost of equity (R_e) of 10.37% and the perpetual growth rate of 1.5%, yielding a terminal value of €272.835 million.

All projected cash flows, including the terminal value, were discounted back to the present using the bank's specific cost of equity (R_e). The sum of these discounted cash flows resulted in an equity value of €270.407 million for CTT Bank. This valuation corresponds to an implied share price of €1.97 for the Bank, reflecting its ability to generate consistent returns for shareholders within a conservative and well-structured financial framework.

CTT Group Share Price from Intrinsic Valuation

The final share price of CTT Group was derived by combining the valuations of the Group excluding the bank and CTT Bank, utilizing the Discounted Cash Flow (DCF) and Flow-to-Equity (FTE) methods, respectively. These methodologies account for the unique growth potential, cash flow dynamics, and risk profiles of each segment.

The Group excluding the bank, as the larger operational segment, contributes the majority of the valuation due to its strong free cash flow generation and higher growth prospects. Its equity value was calculated at €446.44 million. Meanwhile, CTT Bank, despite challenges arising from a declining interest rate environment, adds stability with a predictable FCFE trajectory, contributing an equity value of €270.41 million.

Together, these components result in a total equity value of €716.85 million for CTT Group. With a total of 137.55 million shares outstanding, this consolidated equity value corresponds to a final implied share price of €5.21. This valuation highlights CTT Group's ability to balance growth opportunities with financial stability,

reinforcing its potential to deliver consistent and sustainable value to shareholders.

Sensitivity Analysis

Expanding on the Discounted Cash Flow (DCF) and Flow to Equity (FTE) valuations, sensitivity analysis were conducted for both the CTT Group excluding bank, and the bank segment. These analyses assessed the impact of variations in key variables such as growth and discount rates on valuation, providing stakeholders with a detailed understanding of potential share price dynamics and the underlying financial sensitivities that could shape investor perceptions.

For the Group excluding the bank, two key sensitivity analyses were performed. The terminal value analysis examined the effect of 0.5% incremental changes in the terminal growth rate (base assumption: 1.5%) and the weighted average cost of capital (WACC, base assumption: 7.4%). This analysis revealed a terminal value range from €268.65 million to €550.63 million. The enterprise value analysis tested the same variables, resulting in an enterprise value range between €439.19 million and €684 million.

		Yearly WACC								
		6,23%	6,53%	6,83%	7,13%	7,43%	7,73%	8,03%	8,33%	8,63%
Yearly Growth Rate	0,70%	563.570.866	542.895.421	524.110.238	506.953.295	491.209.232	476.699.395	463.274.326	450.808.028	439.193.526
	0,90%	574.671.203	552.744.927	532.898.296	514.833.538	498.307.540	483.119.844	469.103.676	456.119.150	444.048.051
	1,10%	586.636.905	563.319.868	542.299.728	523.236.434	505.854.331	489.927.594	475.269.449	461.724.072	449.160.421
	1,30%	599.573.267	574.703.452	552.381.076	532.215.765	513.893.495	497.158.781	481.801.636	467.647.864	454.551.737
	1,50%	613.603.393	586.992.121	563.218.862	541.832.951	522.474.842	504.854.179	488.733.899	473.918.536	460.245.472
	1,70%	628.872.123	600.298.285	574.901.544	552.158.461	531.655.138	513.059.971	496.104.154	480.567.476	466.267.804
	1,90%	645.551.050	614.753.774	587.531.928	563.273.542	541.499.355	521.828.675	503.955.264	487.629.973	472.648.025
	2,10%	663.844.998	630.514.220	601.230.206	575.272.359	552.082.219	531.220.273	512.335.875	495.145.853	479.419.014
	2,30%	684.000.475	647.764.680	616.137.791	588.264.672	563.490.105	541.303.581	521.301.423	503.160.220	486.617.806

Figure 109 - Enterprise Value Group exc/ Bank
Source: Group analysis

Similarly, sensitivity analyses for the bank segment explored the effects of 0.5% variations in the growth rate (base assumption: 1.5%) and the cost of equity (Re, base assumption: 10.37%). The terminal value for the bank ranged from €220.88 million to €355.06 million, while the equity value sensitivity analysis yielded a range of €229.15 million to €335.08 million, capturing the influence of these critical variables under different scenarios.

		Yearly Re									
		270.407.102	9,17%	9,47%	9,77%	10,07%	10,37%	10,67%	10,97%	11,27%	11,57%
Yearly Growth Rate	0,70%	289.913.128	280.509.484	271.724.975	263.500.168	255.783.005	248.527.694	241.693.794	235.245.455	229.150.784	
	0,90%	294.603.019	284.829.653	275.714.250	267.192.271	259.207.355	251.710.064	244.656.851	238.009.209	231.732.961	
	1,10%	299.525.411	289.356.318	279.887.606	271.049.044	262.779.489	255.025.469	247.740.010	240.881.682	234.413.804	
	1,30%	304.698.035	294.104.645	284.258.085	275.081.753	266.509.185	258.482.428	250.950.722	243.869.416	237.199.075	
	1,50%	310.140.468	299.091.326	288.839.989	279.302.718	270.407.102	262.090.206	254.297.072	246.979.490	240.094.998	
	1,70%	315.874.387	304.334.769	293.649.043	283.725.437	274.484.883	265.858.891	257.787.838	250.219.577	243.108.302	
	1,90%	321.923.852	309.855.330	298.702.566	288.364.729	278.755.272	269.799.495	261.432.577	253.598.003	246.246.269	
	2,10%	328.315.648	315.675.572	304.019.686	293.236.900	283.232.246	273.924.055	265.241.706	257.123.821	249.516.801	
	2,30%	335.079.680	321.820.580	309.621.580	298.359.938	287.931.167	278.245.760	269.226.602	260.806.891	252.928.477	

Figure 110 - Equity Value CTT Bank
Source Group analysis

A combined sensitivity analysis was also performed to evaluate the interplay between growth rate, WACC, and Re on the implied share price of CTT. This comprehensive approach revealed a share price range from €4.31 to €6.86, based on the base case assumptions of 1.5% growth, 7.4% WACC, and 10.4% Re.

The strength of this analysis lies in its ability to stress-test the valuation framework, highlighting potential vulnerabilities and opportunities under varying market conditions. By moving beyond a single-point estimate, it provides a robust range of possible outcomes, reflecting the inherent uncertainty in financial forecasting and equipping stakeholders with a nuanced perspective on valuation dynamics.

		Yearly WACC (Group exc. Bank)									
		5,21	6,23%	6,53%	6,83%	7,13%	7,43%	7,73%	8,03%	8,33%	8,63%
Yearly Growth Rate (Group exc. Bank)	0,70%	5,65	5,43	5,23	5,05	4,88	4,72	4,57	4,43	4,31	
	0,90%	5,77	5,54	5,33	5,13	4,95	4,79	4,64	4,49	4,36	
	1,10%	5,89	5,65	5,42	5,22	5,04	4,86	4,70	4,56	4,42	
	1,30%	6,02	5,76	5,53	5,32	5,12	4,94	4,77	4,62	4,48	
	1,50%	6,16	5,89	5,64	5,42	5,21	5,02	4,85	4,69	4,54	
	1,70%	6,32	6,02	5,76	5,52	5,31	5,11	4,93	4,76	4,60	
	1,90%	6,48	6,17	5,89	5,64	5,41	5,20	5,01	4,84	4,67	
	2,10%	6,66	6,33	6,03	5,76	5,52	5,30	5,10	4,92	4,75	
	2,30%	6,86	6,50	6,18	5,89	5,64	5,41	5,19	5,00	4,82	
		9,17%	9,47%	9,77%	10,07%	10,37%	10,67%	10,97%	11,27%	11,57%	

Figure 111 - CTT's group combined share price
Source: Group analysis

Comparable Companies

A comparative analysis using trading multiples was conducted to assess the value of Correios de Portugal. To conduct this analysis, we divided it into two parts: a valuation of CTT excluding its banking operations and a separate valuation of CTT Bank. The selection of the peer group for Correios de Portugal excluding its banking activities was guided by several key factors, including, industry (logistics), service similarity (courier and mail), and geographic region (Europe) and led to a group of five companies.

Name	Ticker	Country	Market Cap	Price (€, 15/11/2024)
CTT Ex Bank		PO		
INTERNATIONAL DISTRIBUTION S	IDS	GB	4 213	4,37
POSTNL NV	PNL	NE	558	1,10
BPOST SA	BPOST	BE	441	2,22
DHL GROUP	DHL	GE	44 572	36,92

Figure 112 - Comparable companies financials for CTT Group exc/ Bank
Source: Bloomberg

For CTT Bank, it was identified a group of seven companies, which were selected based on their industry (banking), geography (mainly Iberia, but also Europe) and market capitalization (below €11 billion).

Name	Ticker	Country	Market Cap	Price (€, 15/11/2024)
CTT Bank		PO		
BANKINTER SA	BKT	SP	7 297	8,12
UNICAJA BANCO SA	UNI	SP	3 345	1,30
BANCO COMERCIAL PORTUGUES-R	BCP	PO	7 090	0,47
BANCO DE SABADELL SA	SAB	SP	10 577	1,94
EUROBANK ERGASIAS SERVICES A	EUROB	GR	7 641	2,08
BANK OF CYPRUS HOLDINGS PLC	BOCHGR	IR	2 079	4,70

Figure 113 - Comparable companies for CTT Bank
Source: Bloomberg

In the valuation of CTT excluding the Bank, we employed four different multiples - Enterprise Value to Revenue, Enterprise Value to EBITDA, Enterprise Value to EBIT and Price to Earnings, to consider a broader scenario and arrive at a comprehensive valuation. Moreover, it was analysed data for FY23, FY24E, and FY25F to enhance the understanding of the valuation multiples and compare them to future projections. It was then computed a range of valuation multiples, considering Minimum, 25th Percentile, Median, 75th Percentile, and Maximum values.

The EV/Revenue multiple evaluates a company's ability to generate revenue relative to its enterprise value, serving as a key indicator of efficiency and market

valuation. Within the logistics peer group, EV/Revenue multiples range from 0.3x to 0.7x, shaped by factors like profitability, revenue stream diversity, and global reach. Companies with higher margins and extensive international operations, such as DHL, typically report multiples at the higher end of this range. The sector's median EV/Revenue multiple is 0.4x, offering a reliable benchmark for comparison.

The EV/EBITDA multiple evaluates a company's operational efficiency by comparing earnings before interest, taxes, depreciation, and amortization to its enterprise value. In this analysis, EV/EBITDA multiples range from 2.0x to 6.0x. Larger companies operating in major markets, such as IDS and DHL, tend to achieve higher multiples due to their stronger market presence and efficiency. The sector's median EV/EBITDA multiple of 4.2x serves as a standard benchmark for evaluating operational performance and valuation comparability.

Implied Share Price based on weighting of the Multiples		
Multiple	Implied Share Price	Weights
EV/Revenue'24	3,21	30%
EV/EBITDA 2024	4,46	50%
EV/EBIT 2024	5,07	10%
P/E 2024	2,40	10%
Implied Share Price (€)		3,94

Figure 11476 - CTT's Ex Bank Implied Share Price, CCA
Source: Group analysis

The EV/EBIT multiple refines the analysis by factoring in depreciation and amortization expenses. However, its wide range, from 4.5x to 16.7x, limits its comparability across companies and industries.

The Price/Earnings (P/E) multiple reflects market expectations for a company's future earnings potential. However, with a broad range of 3.8x to 13.7x, its usefulness is limited, as such variability reduces comparability across firms and sectors.

By applying the valuation ranges to CTT's (ex-bank) operating metrics and adjustments for the Equity Value, an implied range of Share Values was obtained.

After the calculation, different weights were distributed on the implied Share Prices of the 24E multiples. Finally, it was selected the median implied Share Price, since it excludes outliers, resulting on a Share Price of €3.94.

To assess the value of CTT Bank, we used two distinct multiples commonly used in the banking sector: Price to Earnings and Price to Book. These multiples were analysed for FY23, FY24E, and FY25F. It was then calculated a range of potential outcomes for each multiple, considering Minimum, 25th Percentile, Median, 75th Percentile, and Maximum values.

The Price/Earnings (P/E) ratio for the banking peers spans between 4.4x and 7.5x, reflecting how much investors are willing to pay for each unit of its earnings. Larger banks typically have higher P/E ratios due to their stability, operational efficiency, and diversified revenue streams.

Implied Share Price based on weighting of the Multiples		
Multiple	Implied Share Price	Weights
P/E 2024	1,15	65%
P/B 2024	1,41	35%
Implied Share Price (€)		1,24

Figure 11577 - CTT's Bank Implied Share Price
Source: Group analysis

The Price/Book (P/B) ratio compares a bank's market value to its book value, indicating whether it is undervalued or overvalued relative to its net assets. Among banking peers, the P/B ratio ranges between 0.5x and 1.2x, with a median of 0.8x. This ratio is influenced by factors such as profitability, economic conditions, and the risk profile of the institution.

By applying these ranges to CTT Bank's operating metrics, an implied range of Share Values was derived. Following the calculation, different weights were distributed on the implied Share Prices of the 24E multiples. Lastly, it was selected the median implied Share Price, resulting on a Share Price of €1.24.

To conclude, the comparative analysis using trading multiples indicates a combined Share Price of €5.18 for CTT. Compared to the company's Share Price on December 4th, 2024, it represents a premium of 10.78%.

Share Price	
CTT Ex Bank	3,94
CTT Bank	1,24
CTT - Correios de Portugal	5,18
Premium (as of 4/12/2024)	
CTT - Correios de Portugal	10,78%

Figure 11678 - Share price and premium results
Source: Group analysis

Precedent Transactions

To determine CTT's value, an analysis using transaction multiples was conducted. To begin with, several transactions involving companies similar to CTT were identified. The data of the historical M&A Activity for the Mail and Parcels sectors was retrieved from Bloomberg on November 18th, 2024. From this data, were then selected 6 eligible transactions, considering factors such as deal status, deal size, industry, geography and transaction date.

Company Name	Acquirer Name	Date	Deal Status	Country
CTT-Correios de Portugal SA				PO
International Distribution Ser	EP Corporate Group AS, J&T Capital Partners	5/29/2024	Pending	GB
NET Insurance SpA	Poste Italiane SpA	9/28/2022	Completed	IT
Sourcesense SpA	Poste Italiane SpA	6/24/2022	Completed	IT
PostNL NV	Vesa Equity Investment Sarl	5/16/2022	Pending	NE
UK Mail Group PLC	Deutsche Post AG	9/28/2016	Completed	GB
CTT-Correios de Portugal SA	Potential Buyer	6/26/2014	Terminated	PO

Figure 117 79 - Past transactions in logistics industry
Source: Bloomberg

Then, the following multiples were computed: Enterprise Value to Revenue, Enterprise Value to EBITDA, Enterprise Value to EBIT and Price to Earnings. It is important to mention that the numbers used to calculate the Equity Value from Enterprise Value are consistent with those used in the DCF and Trading Multiples.

The EV/Revenue multiple indicates a median value of 0.5x. The EV/EBITDA multiple ranges from 4.7x to 10.7x, with a median of 8.4x. The lower end represents transactions by financial sponsors focused on cost efficiency and returns, while the upper end reflects strategic acquisitions, where buyers pay premiums for synergies

and long-term growth. The Price-to-Earnings multiple has a median of 27.9x. However, the EV/EBIT multiple presents a broad range, from 13.5x to 150.9x, making it an unreliable metric for consistent valuation comparisons.

It was calculated an implied range of Share Values, and the implied Share Price was computed through the weighting of the multiples.

Implied Share Price based on weighting of the Multiples		
Multiple	Implied Share Price	Weights
EV/Revenue 2024	4,64	35%
EV/EBITDA 2024	10,44	25%
EV/EBIT 2024	13,84	5%
P/E 2024	10,67	35%

Figure 11880 - CTT's Implied Share Price based on Weighting of the Multiples, CTA
Source: Group analysis

Implied Share Price (€)	8,66
Premium (as of 4/12/2024)	85,1%

Figure 119 81 - CTT's Implied Share Price and Premium, CTA
Source: Group analysis

The Precedent Transactions Valuation results in an Implied Share Price of €8.66, which accounts for a significant premium of nearly 85%. It is crucial to bear in mind that valuations based on transaction multiples often include a control premium, which may lead to higher valuations. Therefore, this valuation should be interpreted with caution.

Weighted Valuation for Final Share Price

The final target share price for CTT Group was calculated using a weighted valuation approach, combining the Discounted Cash Flow (DCF) and Flow-to-Equity (FTE) methods, Comparable Companies Analysis (CCA), and Comparable Transactions Analysis (CTA). This approach ensures a balanced assessment by considering intrinsic value, market-based benchmarks, and transaction premiums, with specific weights assigned to each method, based on its relevance, reliability, and the specific insights it provides into CTT's overall value.

The DCF + FTE methodology holds the largest weight, at 50%, as it provides the most detailed and intrinsic assessment of CTT's value. By projecting future cash flows for both the Group excluding the bank (DCF) and CTT Bank (FTE), this approach captures the core operational and financial performance drivers. It reflects the Group's growth potential in key areas such as e-commerce and logistics, making it the most reliable foundation for valuation.

The CCA is weighted at 45% due to its importance in benchmarking CTT's value

Valuation Method	Price	Weight
DCF + FTE	5,2	50,0%
CCA	5,2	45,0%
CTA	8,66	5,0%

CTT Target Price	5,37
Current Share Price	4,68
Premium	14,8%

Figure 12082 - Overview of Valuation Methods and Final Target Price
Source: Group analysis

against similar companies in the industry. This market-based perspective accounts for competitive and sector-specific dynamics, ensuring that the valuation reflects current industry conditions and investor sentiment. While slightly less precise than intrinsic valuation methods, it remains highly relevant given the competitive environment in which CTT operates.

The CTA carries a smaller weight of 5%, as it focuses on precedent transactions, which are less directly tied to CTT’s ongoing operations. However, it offers valuable insight into how strategic investors value similar companies in acquisition scenarios, capturing a premium that reflects potential strategic value. Although important, this method is given a smaller weight due to its limited applicability to day-to-day market valuation.

By combining these methodologies and their respective weights, the final target price for CTT Group was calculated at €5.37. This approach ensures a balanced valuation that integrates intrinsic growth, market conditions, and transactional benchmarks, providing stakeholders with a well-rounded view of the company’s fair value. The current share price of €4.68 reflects a 14.8% discount to this target price, highlighting potential upside driven by CTT’s growth initiatives and operational efficiencies.

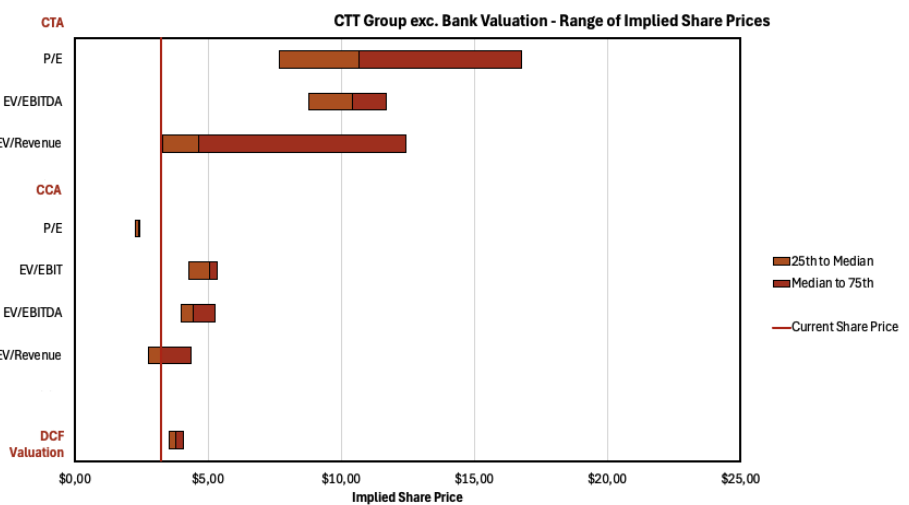


Figure 12183 - Football Field for Group exc. Bank
Source: Group Analysis

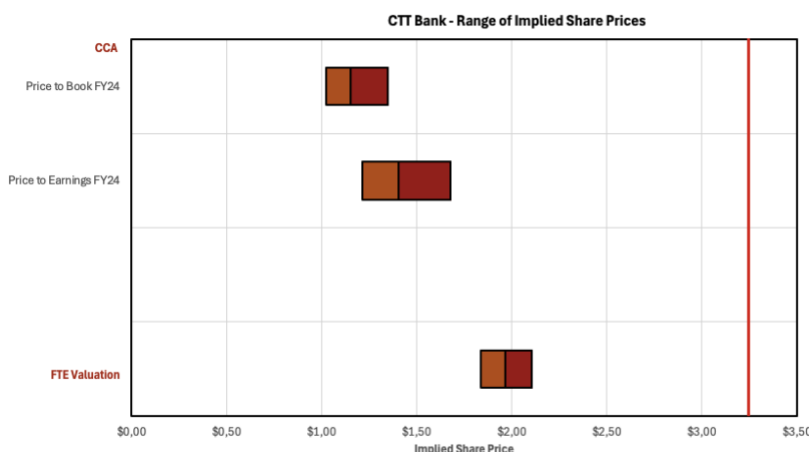


Figure 12284 - Football Field for Bank
Source: Group Analysis

Risk Analysis

CTT manage risks according to its Risk Management System, which sets standards, principles, and procedures for risk management, defining responsibilities and a governance model. The Risk System is approved by the Board of Directors.

Due to CTT's nature, its risks are divided into three main categories: strategic, operational and financial. Strategic risks arise from external factors, such as market competition, business interruptions and highly regulated environment (postal service) and can negatively impact the company's financial performance, competitiveness and long-term viability. Operational risks stem from failures in business processes, including non-compliance with regulations, IT system issues, ESG concerns, labour practices and quality service problems. These risks can cause significant financial losses, reputational damage, and impact the resilience of the business in the medium-term. The level of exposure to these risks is monitored monthly through the Key Risk Indicators (KRIs). Financial risks result from both internal and external factors that negatively impact a firm's financial performance. These risks include interest rate risk, liquidity risk and capital risk.

The most relevant risks for CTT include cyber incidents, ESG performance, macroeconomic instability, new trends in the labour market, health and safety, cost structure in mail and climate disasters. Cybersecurity is a major concern for Correios de Portugal due to rising reliance on technology and complex cyberattacks. CTT addresses this by strengthening security controls, implementing governance models and policies, training employees and raising awareness.

Increasing scrutiny and more demanding sustainability reporting regulations bring some challenges for CTT. The firm is committed to ESG principles. In fact, they intend to achieve carbon neutrality by 2030 and have outlined decarbonization targets aligned with the 1.5°C global warming limit. CTT is also focused on social impact, employee well-being, diversity, and inclusion. As a matter of fact, 50% of top and middle management incentives will be linked to ESG targets by 2025.

The global economic outlook is closely monitored by the company, particularly, inflation, interest rates, and geopolitical tensions and economic growth to develop strategies to mitigate potential impacts. The labour market has changed significantly in the past years, marked by labour shortages and growing demand for flexibility. CTT is adapting to these changes by attracting and retaining talent, developing

Environmental Pillar Score

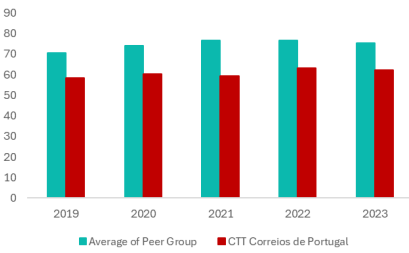


Figure 12385 - Environmental Pillar Scores evolution of both CTT and Peer Group
Source: Refinitiv

skills, and fostering a positive work culture. These efforts fuelled the recognition as a Family-Responsible Company.

CTT prioritizes workplace health and safety, especially given its large and geographically dispersed workforce, which increases the risk of road accidents. Correios de Portugal has implemented a road safety training program, ensures safe working conditions and offers health plans and insurance to mitigate this risk. The company is also ISO 45001 certified for occupational health and safety management.

The intensification of digitalization leads to a decline in postal volumes, posing a considerable challenge for CTT. While cost-cutting and operational efficiency measures have been implemented, the uncertain economic outlook adds complexity.

Recent global and European climate disasters have highlighted the need for climate adaptation. CTT is responding by reviewing business continuity policies and implementing risk management strategies to mitigate potential damages from extreme weather events.

CTT manages risks according to its Risk Management System, which sets standards, principles, and procedures for risk management, defining responsibilities and a governance model. CTT's risks are divided into three main categories: strategic, operational and financial.

ESG

This section analyzes CTT's sustainability performance, looking at its three main pillars (environmental, social, and governance) and comparing its scores with its peer group and the respective average across each pillar. For this analysis, data available from the platforms Bloomberg and Refinitiv will be used for the scores. It will be explored the CTT's position at the Freight & Logistics industry in Europe covered by Refinitiv in 2023 (26 Companies). The values range from 0 to 100, meaning that as close as they are to 100, the better the company is in the respective score.

	Refinitiv ESG Combined Score	Bloomberg ESG Percentile Score	S&P ESG Global Rank
CTT	79,2	97,5	80
Peer Average	64	78,7	95

Figure 12486 - CTT's and Peer average ESG scores
Source: Refinitiv

In a nutshell, CTT is above its peers on ESG Combined Score – Refinitiv (79.2 | 64.0 – Peer Average), driven by outstanding performance in the social and governance pillars and on ESG Percentile Score - Bloomberg (97.5 | 78.7 - Peer Average) but this time with a better performance on the environmental and social pillars. On the Standard & Poor's ESG Global Rank CTT is below its peers (80.0 | 95.0 - Peer Average) representing a lower performance on.

Environmental Pillar

The Environmental pillar Score accounts for 34.3% of the ESG Combined Score and CTT does not stand out from its peers. The company delivers the second lowest value (62.23) and consequently below the peer average (76.0).

In fact, the peer group has always delivered a higher value on average than CTT despite its upward trend compared to stagnation of its peers. In the Fiscal Year 2023, CTT obtained the 10th position in its industry. Additionally, in 2023, in the Resources Use Score, CTT had a value below the peer average (91.0 | 96.7 – Peer Average) as well as in the Environmental Innovation Score (0.0 | 40.0 – Peer Average), important to note that this score has always remained equal to 0 historically from at least 2019, showing a lack of effort on CTT's part to change it. Nevertheless, this is no longer the case regarding Emissions Score, whereas CTT's has been surpassing its peers all over the years except in 2020, recording a punctuation of 95.3 above the 90.4 of Peer Average.

Acknowledging the importance of the companies' commitment to reduce CO2 emissions many companies draw strategies to reduce their ecological footprint to combat climate change. This mission splits the emissions into three different scopes – Scope 1 (direct emissions – ex: fuel); Scope 2 (indirect emissions – ex: emissions from energy production used on firm operations); and Scope 3 (third party emissions – use and dispose of products from suppliers) – being the Scope 3 the harder to tackle driven by its nature.

CTT is part of the group of companies with ambitious carbon reduction targets approved by the Science-Based Target Initiative (SBTi) that enables companies and financial institutions to understand how much and quickly they must decarbonize to prevent the worst impacts of climate change and requires targets to be revalidated every 5 years. CTT's current target from 2017 (base year 2013) is still undergoing but a new target is still under approval. For the target setting, CTT does not include both emissions of CTT Express Spain due to data consolidation issues and from its banking activities.

Among the peer group all have disclosed and committed to a target reduction of Scope 1, 2 and 3 except Poste Italiane SpA for Scope 3. Regarding target reduction Scope 1&2, CTT announces the least ambitious figure at just 30% which is consequently below the average peer group of 54%. In contrast, the target reduction for Scope 3 reveals a more ambitious reduction from CTT of 30%, achieving the second highest reduction target, while the average of the 6 peers is slightly below at 27%. For the realization of such reduction all peers are aligned with 2030 while CTT is expected to achieve already this target in the next year –

Company Name	Base Year	Target decrease Scope 1&2	Target Date
Bpost SA	2019	55%	2030
Deutsche Post AG (DHL)	2021	42%	2030
Oesterreichische Post AG (Austrian Post)	2021	45%	2030
Poste Italiane SpA	2020	42%	2030
International Distribution Services (Royal Mail)	2020	50%	2030
PostNL NV	2017	90%	2030
Average of Peer Group	2020	54%	2030
CTT Correios de Portugal SA	2013	30%	2025

Figure 125 - Target decrease Scope 1&2 CTT and Peers

Source: Refinitiv

Company Name	Base Year	Target decrease Scope 3	Target Date
Bpost SA	2019	14%	2030
Deutsche Post AG (DHL)	2021	25%	2030
Oesterreichische Post AG (Austrian Post)	2021	25%	2030
Poste Italiane SpA	2020	N/A	N/A
International Distribution Services (Royal Mail)	2020	25%	2030
PostNL NV	2017	45%	2030
Average of Peer Group	2020	27%	2030
CTT Correios de Portugal SA	2013	30%	2025

Figure 126 - Target decrease Scope 3 of CTT and Peers

Source: Refinitiv

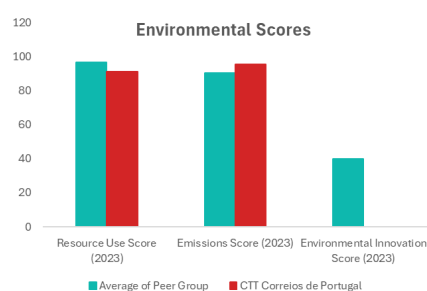


Figure 127 - Environmental Scores of CTT and Peers in 2023

Source: Refinitiv

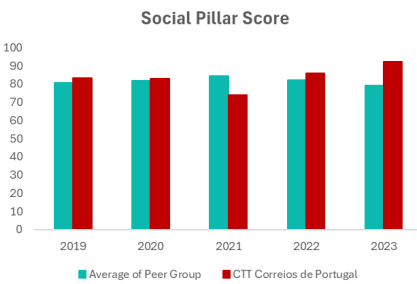


Figure 128 - Social Pillar Score evolution of both CTT and Peer Group
Source: Refinitiv

2025 according to its already approved program by SBTi. Furthermore, all firms have committed to Net Zero Targets.

S&P Global Ratings announced an opinion regarding CTT objectives and clarify that carbon emissions, particularly those related to outsourced transportation (scope 3) are highly material for CTT but the CTT's KPIs covers approximately 74% of the company's total emissions which are material for the three scopes. Regarding the exclusion of CTT Express SPAIN and CTT Bank, S&P does not view as material given the services are aimed at individuals, not corporations, and subsequently are typically less energy intensive. Nevertheless, it is still disclosed that despite its well outlined strategy and in line with its international peers it is still less ambitious than the new submissions to the SBTi.

Social Pillar

The Social pillar Score accounts for 31.7% of the ESG Combined Score and CTT does not only stand out from its peers but also has its better performance among the three pillars. The company delivers the highest value (92.4) and consequently above the peer average (79.1). In fact, CTT has always delivered a higher value than the peer group average except in 2021 (CTT 73.97 | Peer average 84.3). In the Fiscal Year 2023, CTT obtained the 1st position in its industry showcasing company's effort.

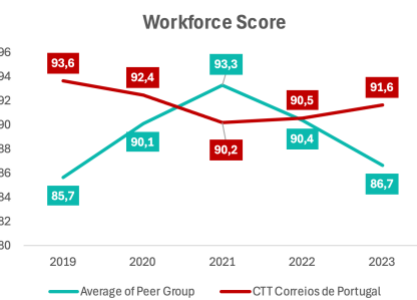


Figure 129 - Workforce Score evolution of both CTT and Peer Group
Source: Refinitiv

CTT divides the Social component into two areas: "Our people" – CTT's contribution to the development and well-being of its people; and "Social Impact" - engagement with the communities in which CTT operates.

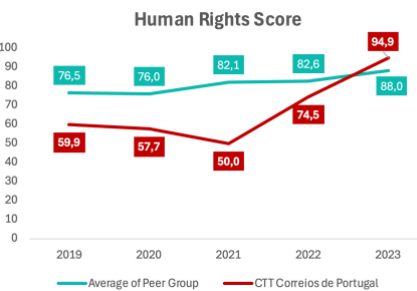


Figure 130 - Human Rights Score evolution of both CTT and Peer Group
Source: Refinitiv

The first area aims to promote talent management to improve employee experience and satisfaction additionally setting the ambition to have 45% of top and middle management positions occupied by women by 2025. In 2023, CTT had 39.9%. Bloomberg does not provide this indicator correctly and therefore, it is impossible to compare it with its peers and further analysis its performance in the gender equality agenda. Regarding the training of its employees increased 13% and the KPI used is the number of hours that increased to 146,028.6. From Refinitiv, it is still possible to take the Workforce Score, which demonstrates the outperformance of CTT (91.6 | 86.7 - Peer average), which is historical since 2019. In the field of human rights, there is the Human Rights Score that has been experiencing a robust development from CTT since 2019, converging with the peer group and even surpass it in 2023 (94.93 | 88.04 - Peer average).

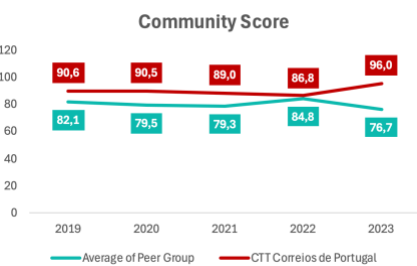


Figure 131 - Community Score evolution of both CTT and Peer Group
Source: Refinitiv

For the second area, CTT has a Product Responsibility Score higher than its peer group (86.6 | 60.4 – Peer average) as well as in Community Score (95.6 | 76.7 – Peer average). To foster the development in the area of "Social Impact", CTT outlined a goal in 2022 to source 75% of its purchases from local players (Iberian

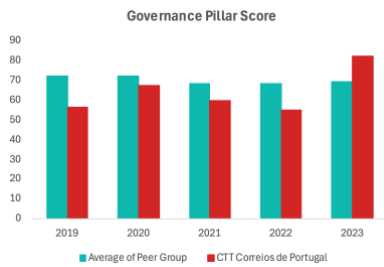


Figure 132 – Governance Pillar Score evolution of both CTT and Peer Group
Source: Refinitiv

market) and to support social initiatives with 1% of Recurring EBIT and ensure that employees can spend up to 3 days per year in volunteering and social programs. In 2023, investment in the community was below its 1% Recurring EBIT target by 0.4%. This is explained not by a lack of social initiatives or divestment of those but rather by the increase of EBIT. The purchases from local suppliers (Iberian) represented 99.5%, largely surpassing the 75% target. The number of corporate volunteering testified a plump by 21% to 1834 hours with a higher engagement from its employees in using their 3 working days. Additionally, a partnership with Quercus allowed the plantation of 118,000 trees since 2014.

Governance Pillar

The Governance pillar Score accounts for 28.6% of the ESG Combined Score, and CTT, once again, performs better than its peers. In 2023, CTT delivered the second-highest value (82.4), slightly below PostNL NV - 82.7 and consequently above the peer average (69.4). In the Fiscal Year 2023, CTT obtained the 4th position in its industry. This outstanding performance is new as historically CTT scores have always been lower than the peer average, only shifting this trend in 2023.

Looking at the parameters such as Management Score, CTT ended 2023 above the peer average (90.0 | 65.6 – Peer average) and with its historical highest value. The development of this score may be explained by the fact that the total senior executive compensation experienced a CAGR from 2019 to 2023 of - 0.9%, while the total revenues faced a CAGR of 5.4% for the same period. Looking at Shareholders Score which shows CTT’s effectiveness towards equal treatment of shareholders and the use of anti-takeover devices, recording a figure of 90 since 2021, the year when a share buy-back Program occurred to reduce the free float composition to 59.92%. The 2023 ownership structure shows Indumenta Pueri, S.L. with 14.995% of voting rights followed by Manuel Carlos de Melo Champalimaud with 13.721%, CTT owns 3.064% of its own shares. Finally, regarding CSR Strategy Score, CTT has not improved its position, getting less than half of its benchmark (33.3 | 76.7 - Peer average) meaning weak communication on its decision-making for its targets in the Sustainable Development Goals in which CTT’s gives special focus on SGD 16 (Peace, Justice and Strong Institutions); SDG 4 (Quality Education); SGD 17 (Partnerships for the Goals); SDG 1 (No poverty) without disregarding the others.

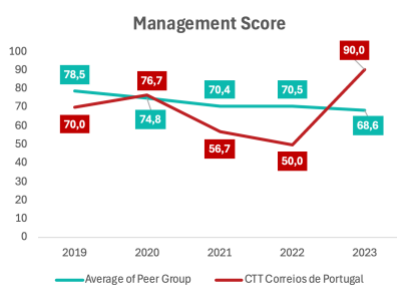


Figure 133 - Management Score evolution of both CTT and Peer Group
Source: Refinitiv

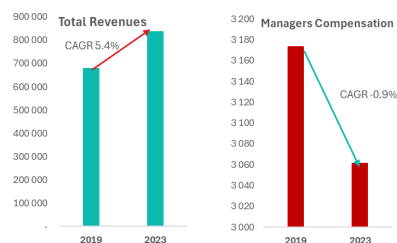


Figure 134 & 135 - Total revenues and managers compensation in thousand euros
Source: Refinitiv

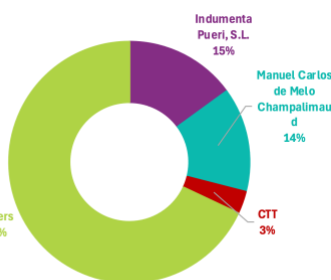


Figure 136 - CTT ownership distribution
Source: Refinitiv

Conclusion

In conclusion, CTT – Correios de Portugal, S.A. faces a double edge sword with a decline in traditional mail services while seizing opportunities in the growing e-commerce and financial sectors. Despite these challenges, CTT is strategically positioned to leverage its operational diversification and strong market presence.

The Mail unit, though experiencing a decline due to digital substitution, remains a cornerstone of CTT's legacy operations. Despite challenges, the segment continues to provide a stable revenue base, supporting the company's overall diversification. The resilience of this unit relies on optimizing operations, maintaining a strong market presence and offsetting volume decreases by adjusting prices.

The Express and Parcels segment stands as a key growth driver for CTT, driven by the surging demand for parcel delivery services fuelled by the exponential rise of e-commerce. However, the competitive landscape is intensifying, requiring CTT to focus on reducing costs and improving operational efficiency to enhance margins. By adapting to evolving market conditions, optimizing its logistics network, and leveraging its extensive distribution infrastructure, CTT aims to maintain a competitive advantage and capture a larger share of the growing market.

Complementing its operations, CTT offers a Financial Services and Retail branch that reflects the company's strategic move into high-margin businesses that complement its core operations. The success of CTT's postal savings products and insurance offerings highlights its ability to diversify revenue streams and tap into new growth opportunities. Through enhanced partnerships, digital transformation, and a focus on customer-centric solutions, CTT has strengthened its role as a trusted financial intermediary. This segment serves as a critical pillar in offsetting declines in traditional mail while driving profitability and customer retention.

Given CTT's structure, diversified business segments, and strategic foresight, this research supports a BUY recommendation with a target price of €5.21, representing a premium of 11.36%. Supported by rigorous valuation methods and market analysis, CTT is an attractive investment opportunity. As the company continues to evolve, its focus on innovation, operational excellence, and sustainability presents a promising outlook for long-term growth and profitability.

Appendix

1. Balance Sheet Group exc/ Bank – Historical and Forecasted

In thousand Euros											
Group exc. Bank	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Assets											
Intangible assets	34 330	29 138	36 579	43 700	45 523	49 263	53 036	54 241	55 512	56 851	58 264
Tangible fixed assets	260 238	291 838	292 060	297 753	291 406	329 132	336 687	344 623	352 992	361 821	371 136
Investment properties	7 653	7 076	6 327	6 184	5 976	6 102	6 358	6 550	6 751	6 963	7 187
Goodwill	9 117	9 117	20 387	19 172	19 172	19 578	19 578	19 578	19 578	19 578	19 578
Deferred tax assets	89 330	87 892	87 255	67 824	71 396	65 609	65 609	65 609	65 609	65 609	65 609
Accounts receivable	146 472	153 616	160 930	147 131	153 062	207 624	216 327	222 848	229 708	236 925	244 520
Inventories	5 860	6 602	6 872	8 041	6 663	7 457	7 769	8 004	8 250	8 509	8 782
Other assets	49 011	39 249	72 946	53 447	72 509	91 114	94 933	97 795	100 806	103 973	107 306
Operating Cash	3 614	3 772	4 164	4 157	4 603	4 716	4 913	5 061	5 217	5 381	5 554
Total Assets	605 625	628 300	687 521	647 408	670 310	780 595	805 211	824 309	844 423	865 611	887 934
Liabilities											
Accounts payable	373 791	375 563	350 304	525 212	373 961	397 285	413 937	426 417	439 543	453 353	467 885
Employee benefits	286 703	283 000	281 896	207 349	171 789	192 886	196 864	196 929	197 067	197 337	197 710
Provisions	15 912	15 636	13 334	11 248	24 647	19 262	19 262	19 262	19 262	19 262	19 262
Deferrals	3 749	3 695	3 724	3 939	5 782	6 075	6 075	6 075	6 075	6 075	6 075
Deferred tax liabilities	2 875	2 691	2 379	2 571	1 064	928	928	928	928	928	928
Income tax payable	5 959	1 340	11 612	-	6 666	5 084	5 084	5 084	5 084	5 084	5 084
Other liabilities	65 292	69 814	82 782	38 288	96 729	95 383	99 381	102 377	105 528	108 844	112 333
Total Liabilities	754 280	751 740	746 030	788 608	680 638	716 903	741 531	757 071	773 488	790 883	809 277
Total Invested Capital	(148 655)	(123 439)	(58 510)	(141 200)	(10 328)	63 692	63 679	67 238	70 935	74 727	78 658
Financing											
Financial debt	173 223	204 682	198 466	192 029	265 637	235 588	243 432	249 473	255 835	262 534	269 590
Excess cash	264 562	282 667	210 988	321 952	249 268	159 555	166 243	171 255	176 526	182 073	187 909
Net Debt	(91 340)	(77 985)	(12 522)	(129 924)	16 369	76 033	77 189	78 219	79 308	80 461	81 682
Equity	(57 315)	(45 455)	(45 988)	(11 276)	(26 696)	(12 341)	(13 510)	(10 981)	(8 373)	(5 734)	(3 024)

2. Balance Sheet CTT Bank – Historical and Forecasted

In thousand Euros											
CTT Bank	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Assets											
Intangible assets	27 683	28 879	26 928	25 709	25 117	18 388	18 413	18 741	19 346	19 960	20 647
Tangible fixed assets	3 205	3 151	4 228	5 453	5 589	5 594	5 602	5 702	5 885	6 073	6 281
Goodwill	61 085	61 085	61 085	61 085	61 085	60 679	60 679	60 679	60 679	60 679	60 679
Credit to bank clients	885 821	1 093 282	1 541 908	1 777 565	1 593 214	1 697 447	1 773 085	1 848 723	1 924 362	2 000 000	2 080 581
Financial assets at fair value through profit or loss	-	-	27 261	52 698	13 532	7 554	7 554	7 554	7 554	7 554	7 554
Debt securities at fair value through other comprehensive income	542	19 555	6 095	-	-	-	-	-	-	-	-
Debt securities at amortised cost	455 869	498 251	334 161	537 781	729 466	1 940 811	2 057 802	2 174 792	2 291 783	2 408 774	2 505 824
Other banking financial assets	33 424	40 879	14 959	462 188	1 274 575	746 112	791 087	836 062	881 037	926 012	963 321
Other assets	-	4 974	6 739	35 290	36 748	28 550	28 588	29 098	30 037	30 991	32 058
Cash and cash equivalents	174 819	231 741	662 721	130 359	97 738	114 484	121 385	128 286	135 187	142 088	147 813
Non-current assets held for sale	806	2 139	606	0	0	0	0	0	0	0	0
Total Assets	1 643 253	1 983 936	2 686 690	3 088 128	3 837 063	4 619 619	4 864 194	5 109 638	5 355 870	5 602 131	5 824 760
Liabilities											
Debt securities issued at amortized cost	-	-	-	445 578	347 375	274 557	274 557	274 557	274 557	274 557	274 557
Banking clients' deposits and other loans	1 321 418	1 688 465	2 121 511	2 245 330	3 090 963	4 028 629	4 271 472	4 514 315	4 757 157	5 000 000	5 201 453
Financial liabilities at fair value through profit or loss	-	-	-	26 345	13 744	7 773	7 773	7 773	7 773	7 773	7 773
Provisions	1 723	1 780	1 346	1 384	1 692	1 567	1 567	1 567	1 567	1 567	1 567
Current tax liabilities	4 118	1 363	1 362	1 362	1 362	1 362	1 362	1 362	1 362	1 362	1 362
Deferred tax liabilities	83	103	49	7 276	3 607	2 074	2 074	2 074	2 074	2 074	2 074
Other financial banking liabilities	127 181	96 495	341 888	124 648	98 371	106 033	112 425	118 817	125 208	131 600	136 902
Total Liabilities	1 454 523	1 788 206	2 466 156	2 851 922	3 557 114	4 421 995	4 671 230	4 920 464	5 169 698	5 418 933	5 625 688
Equity	188 730	195 730	220 534	236 206	279 949	197 624	192 964	189 174	186 171	183 198	199 072

3. Income Statement Group exc/ Bank – Historical and Forecasted

In Thousand Euros											
Group exc. Bank	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues (€ thousand)	677 389	663 140	749 005	780 648	837 479	931 765	967 358	1 001 051	1 031 629	1 063 797	1 097 644
	YoY Growth%	(2,1%)	12,9%	4,2%	7,3%	11,3%	3,8%	3,5%	3,1%	3,1%	3,2%
Mail & Others	477 586	426 096	444 439	460 920	434 114	455 981	434 352	439 472	444 913	450 696	456 847
	YoY Growth%	(10,8%)	4,3%	3,7%	(5,8%)	5,0%	(4,7%)	1,2%	1,2%	1,3%	1,4%
Express & Parcels	152 414	193 000	255 688	259 015	340 586	451 897	499 691	522 881	547 239	572 828	599 713
	YoY Growth%	26,6%	32,5%	1,3%	31,5%	32,7%	10,6%	4,6%	4,7%	4,7%	4,7%
Financial Services & Retail	47 389	44 044	48 878	60 713	62 779	23 888	33 315	38 698	39 477	40 273	41 084
	YoY Growth%	(7,1%)	11,0%	24,2%	3,4%	(61,9%)	39,5%	16,2%	2,0%	2,0%	2,0%
Operating costs	(555 852)	(570 942)	(646 737)	(673 733)	(719 457)	(816 634)	(840 216)	(854 261)	(870 421)	(890 751)	(914 100)
Staff	(324 307)	(316 308)	(321 103)	(324 261)	(351 878)	(363 100)	(362 445)	(367 687)	(375 407)	(383 521)	(392 003)
	YoY Growth%	-2,47%	1,52%	0,98%	8,52%	3,19%	-0,18%	1,45%	2,10%	2,16%	2,21%
	in % of Revenue	58,34%	55,40%	49,65%	48,13%	48,91%	44,46%	43,14%	43,04%	43,13%	43,06%
External supplies and services	(234 825)	(251 500)	(293 013)	(298 674)	(346 987)	(433 127)	(461 344)	(469 645)	(477 832)	(489 780)	(504 364)
	YoY Growth%	7,10%	16,51%	1,93%	16,18%	24,83%	6,51%	1,80%	1,74%	2,50%	2,98%
	in % of Revenue	42,25%	44,05%	45,31%	44,33%	48,23%	53,04%	54,91%	54,98%	54,90%	55,18%
Other costs	(20 297)	(26 216)	(35 254)	(51 916)	(23 057)	(18 364)	(18 410)	(18 997)	(19 342)	(19 705)	(20 088)
	YoY Growth%	29,16%	34,48%	47,26%	-55,59%	-20,35%	0,25%	3,19%	1,82%	1,88%	1,94%
	in % of Revenue	3,65%	4,59%	5,45%	7,71%	3,20%	2,25%	2,19%	2,22%	2,22%	2,21%
Impairment and provisions	(5 726)	(6 064)	802	(808)	(232)	(2 072)	1 983	2 069	2 160	2 255	2 355
	YoY Growth%	5,90%	-113,22%	-200,79%	-71,31%	794,10%	-195,69%	4,34%	4,37%	4,40%	4,43%
	in % of Revenue	1,03%	1,06%	-0,12%	0,12%	0,03%	0,25%	-0,24%	-0,24%	-0,25%	-0,26%
Internal services rendered	3 784	2 222	1 831	1 926	2 697	30	-	-	-	-	-
	in % of Revenue	-0,68%	-0,39%	-0,28%	-0,29%	-0,37%	0,00%	0,00%	0,00%	0,00%	0,00%
IFRS 16	25 520	26 923	-	-	-	-	-	-	-	-	-
EBITDA	121 537	92 198	102 268	106 915	118 022	115 132	127 142	146 790	161 208	173 046	183 544
Depreciation/amortisation and impairment of investments net	(48 636)	(55 508)	(50 337)	(56 846)	(55 912)	(67 908)	(73 669)	(75 393)	(77 171)	(79 047)	(81 025)
EBIT	72 901	36 690	51 931	50 070	62 110	47 224	53 473	71 397	84 037	93 999	102 519
Specific items	(16 717)	(6 754)	(14 549)	(17 321)	(9 651)	(8 767)	(8 767)	(8 767)	(8 767)	(8 767)	(8 767)
Business restructurings	-	-	(11 110)	(4 969)	17 473	(3 524)	(3 524)	(3 524)	(3 524)	(3 524)	(3 524)
Strategic studies and project costs	-	-	(1 187)	(3 931)	(2 024)	(1 796)	(1 796)	(1 796)	(1 796)	(1 796)	(1 796)
Other non-recurring income and expenses	-	-	(2 252)	(8 423)	(22 048)	(3 447)	(3 447)	(3 447)	(3 447)	(3 447)	(3 447)
EBIT Including Specific items	56 184	29 936	37 382	32 748	52 459	38 457	44 707	62 630	75 270	85 233	93 752
Financial results	(11 758)	(11 382)	(11 065)	(9 413)	(16 240)	(17 146)	(16 016)	(15 907)	(16 114)	(16 434)	(16 820)
Net financial results	(10 357)	(9 640)	(8 508)	(9 226)	(16 240)	(17 143)	(16 008)	(15 899)	(16 106)	(16 426)	(16 812)
Interest expenses	(10 421)	(9 660)	(8 532)	(9 256)	(16 870)	(17 423)	(16 204)	(16 095)	(16 302)	(16 622)	(17 008)
	Average interest rate	6,67%	5,26%	4,25%	4,79%	7,57%	7,77%	6,73%	6,51%	6,43%	6,39%
Bank loans	(1 109)	(1 679)	(1 725)	(1 703)	(5 579)	(6 168)	(5 555)	(5 336)	(5 424)	(5 612)	(5 855)
	Effective rate with changes in Euribor 3M	0,64%	0,91%	0,86%	0,88%	2,49%	2,75%	2,31%	2,16%	2,14%	2,19%
Lease liabilities	(3 663)	(3 271)	(3 067)	(3 168)	(3 549)	(4 952)	(4 546)	(4 655)	(4 771)	(4 896)	(5 030)
	Effective rate with changes in Euribor 3M	2,37%	1,78%	1,53%	1,64%	1,60%	2,20%	1,89%	1,88%	1,88%	1,88%
Other interest	(0)	(151)	(18)	(183)	(33)	(28)	(28)	(28)	(28)	(28)	(28)
Interest costs from employee benefits	(5 437)	(4 467)	(3 586)	(3 895)	(7 210)	(5 809)	(5 630)	(5 632)	(5 636)	(5 642)	(5 651)
Other interest costs	(212)	(92)	(136)	(308)	(500)	(466)	(444)	(444)	(444)	(444)	(444)
Interest income	64	20	25	30	631	280	196	196	196	196	196
Gains/losses in subsidiary associated companies and joint ventures	(1 401)	(1 742)	(2 557)	(187)	-	(3)	(8)	(8)	(8)	(8)	(8)
Earnings before taxes (EBT)	44 426	18 554	26 317	23 335	36 219	21 311	28 691	46 723	59 156	68 799	76 931
Income tax for the period	(7 806)	(5 102)	(6 327)	(5 180)	(645)	(2 747)	(6 025)	(9 812)	(12 423)	(14 448)	(16 156)
Net profit for the period	36 621	13 452	19 990	18 155	35 574	18 565	22 666	36 911	46 733	54 351	60 776

4. Income Statement CTT Bank – Historical and Forecasted

In Thousand Euros											
CTT Bank	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Operating Income	62 898	82 103	96 696	125 979	147 739	145 417	135 669	136 785	140 709	145 133	149 989
YoY Growth%		30,5%	17,8%	30,3%	17,3%	(1,6%)	(6,7%)	0,8%	2,9%	3,1%	3,3%
Net interest income	12 731	44 637	53 605	74 358	98 791	93 224	79 488	79 182	81 363	84 258	87 959
Interest Income (+)	13 631	45 962	55 776	80 960	132 653	167 726	138 447	135 892	140 475	147 240	155 355
Interest bearing assets	885 821	1093 282	1541 908	1777 565	1593 214	1697 447	1773 085	1848 723	1924 362	2000 000	2080 581
Return on average interest bearing assets	0,46%	1,13%	0,98%	1,36%	2,32%	2,11%	1,92%	1,86%	1,86%	1,89%	1,91%
Interest Expense (-)	(900)	(1 325)	(2 171)	(6 602)	(33 862)	(74 502)	(58 959)	(56 710)	(59 112)	(62 981)	(67 397)
Interest bearing liabilities	1321 418	1688 465	2121 511	2245 330	3090 963	4028 629	4271 472	4514 315	4757 157	5000 000	5201 453
Return on average interest bearing liabilities	0,02%	0,02%	0,07%	0,13%	0,45%	0,39%	0,34%	0,32%	0,32%	0,33%	0,33%
Net Interest Margin	0,44%	1,12%	0,91%	1,23%	1,87%	1,72%	1,59%	1,54%	1,54%	1,56%	1,58%
Fees & commissions income	29 982	34 132	40 203	45 470	46 183	50 344	54 976	56 086	57 228	58 395	59 587
YoY Growth%		13,8%	17,8%	13,1%	1,6%	9,0%	9,2%	2,0%	2,0%	2,0%	2,0%
Credits, Savings & Insurance	-	8 052	9 916	12 869	13 122	15 000	17 691	18 831	20 012	21 235	22 531
% Credit to banking clients		0,7%	0,6%	0,7%	0,8%	0,9%	1,0%	1,0%	1,0%	1,1%	1,1%
Accounts, Payments	-	7 336	8 732	8 526	8 382	9 325	9 673	10 034	10 407	10 791	11 194
per account		€ 14,18	€ 15,23	€ 14,16	€ 12,96	€ 13,74	€ 14,01	€ 14,30	€ 14,59	€ 14,88	€ 15,19
Others	20 185	3 334	2 888	6 151	2 765	1 850	1 205	1 517	2 118	2 479	2 444
Others % Credit to Banking Clients		0,55%	0,10%	0,05%	0,18%	0,04%	0,04%	0,04%	0,04%	0,04%	0,04%
Operating costs	(60 706)	(70 325)	(82 311)	(102 674)	(112 945)	(97 191)	(104 834)	(107 682)	(112 250)	(117 118)	(122 126)
Staff	(19 824)	(22 323)	(25 756)	(27 582)	(30 769)	(31 994)	(30 476)	(31 349)	(32 905)	(34 632)	(36 521)
YoY Growth%		12,60%	15,38%	7,09%	11,56%	3,98%	-4,74%	2,86%	4,97%	5,25%	5,45%
in % of Revenue		31,52%	27,19%	26,64%	21,89%	22,00%	22,46%	22,92%	23,39%	23,86%	24,35%
External supplies and services	(29 840)	(31 041)	(34 364)	(39 227)	(44 480)	(40 395)	(42 276)	(42 841)	(44 292)	(45 842)	(47 494)
YoY Growth%		4,03%	10,71%	14,15%	13,39%	-9,18%	4,66%	1,33%	3,39%	3,50%	3,60%
in % of Revenue		47,44%	37,81%	35,54%	31,14%	27,78%	31,16%	31,32%	31,48%	31,59%	31,66%
Other costs	(6 555)	(7 003)	(8 143)	(8 442)	(9 396)	(8 623)	(8 640)	(8 689)	(8 888)	(9 117)	(9 372)
YoY Growth%		6,84%	16,29%	3,66%	11,31%	-8,23%	0,20%	0,57%	2,29%	2,58%	2,79%
in % of Revenue		10,42%	8,53%	8,42%	6,70%	5,93%	6,37%	6,35%	6,32%	6,28%	6,25%
Impairment and provisions	(2 872)	(9 255)	(12 216)	(25 497)	(25 603)	(16 148)	(23 441)	(24 803)	(26 165)	(27 526)	(28 740)
YoY Growth%		222,25%	32,00%	108,72%	0,41%	-36,93%	45,17%	5,81%	5,49%	5,20%	4,41%
in % of Revenue		4,57%	11,27%	12,63%	20,24%	17,33%	11,10%	17,28%	18,13%	18,59%	19,16%
Internal services rendered	(2 969)	(2 222)	(1 831)	(1 926)	(2 697)	(31)	-	-	-	-	-
YoY Growth%		-25,17%	-17,60%	5,24%	40,00%	-98,85%	0,00%	0,00%	0,00%	0,00%	0,00%
in % of Revenue		4,72%	2,71%	1,89%	1,53%	1,83%	0,02%	0,00%	0,00%	0,00%	0,00%
IFRS 16 (impact on EBITDA)	1 353	1 518	-	-	-	-	-	-	-	-	-
EBITDA	2 192	11 778	14 385	23 305	34 794	48 226	30 834	29 103	28 459	28 015	27 863
Depreciation/amortisation and impairment of investments net	(5 588)	(6 628)	(7 670)	(7 931)	(8 419)	(8 001)	(7 757)	(7 821)	(8 046)	(8 298)	(8 576)
EBIT	(3 396)	5 150	6 715	15 374	26 375	40 225	23 077	21 282	20 413	19 717	19 287
Specific items	(1 509)	(231)	16 329	8 936	(122)	(124)	(124)	(124)	(124)	(124)	(124)
Business restructurings	-	-	-	-	-	-	-	-	-	-	-
Strategic studies and project costs	-	-	(413)	(345)	-	(107)	(107)	(107)	(107)	(107)	(107)
Other non-recurring income and expenses	-	-	16 741	9 281	(123)	(17)	(17)	(17)	(17)	(17)	(17)
EBIT Including Specific items	(4 905)	4 919	23 043	24 310	26 253	40 101	22 953	21 158	20 289	19 593	19 163
Income tax for the period	862	(1 353)	(5 540)	(5 397)	(467)	(8 421)	(4 820)	(4 443)	(4 261)	(4 114)	(4 024)
Net profit for the period	(4 044)	3 566	17 504	18 913	25 786	31 680	18 133	16 715	16 029	15 478	15 138

5. Mail and Others Segment Revenues Forecast

In Thousand Euros											
Mail & Others	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues (€ thousand)	477 586	426 096	444 439	460 920	434 114	455 981	434 352	439 472	444 913	450 696	456 847
YoY Growth%	(10,8%)	4,3%	3,7%	(5,8%)	5,0%	(4,7%)	1,2%	1,2%	1,3%	1,4%	
Transactional mail	406 364	358 886	361 244	341 650	342 620	343 179	319 912	319 806	319 700	319 595	319 489
YoY Growth%	(11,7%)	0,7%	(5,4%)	0,3%	0,2%	(6,8%)	(0,0%)	(0,0%)	(0,0%)	(0,0%)	
% of Mail Revenues	85%	84%	81%	74%	79%	75%	74%	73%	72%	71%	70%
Business Solutions	10 254	15 878	29 023	67 258	44 751	50 018	54 490	58 508	62 822	67 453	72 427
YoY Growth%	54,8%	82,8%	131,7%	(33,5%)	11,8%	8,9%	7,4%	7,4%	7,4%	7,4%	
% of Mail Revenues	2%	4%	7%	15%	10%	11%	13%	13%	14%	15%	16%
Other Sources of Revenue	60 968	51 332	54 172	52 012	46 743	62 784	59 950	61 158	62 391	63 648	64 930
YoY Growth%	(15,8%)	5,5%	(4,0%)	(10,1%)	34,3%	(4,5%)	2,0%	2,0%	2,0%	2,0%	
% of Mail Revenues	13%	12%	12%	11%	11%	14%	14%	14%	14%	14%	14%
Editorial mail	14 476	12 771	12 963	12 343	11 692						
Advertising mail	22 970	18 394	19 044	17 506	12 957						
Parcels (USO)	6 478	7 356	7 903	7 690	7 575						
Philately	6 747	5 576	5 415	4 561	4 427						
Others	10 297	7 235	8 847	9 912	10 092						
Operational											
Volume											
Transactional mail											
# Volumes (in millions)	536	447	416	392	365	332	303	292	282	272	262
YoY Growth%	(16,6%)	(7,0%)	(5,8%)	(6,7%)	(9,0%)	(8,7%)	(3,6%)	(3,6%)	(3,6%)	(3,6%)	
Average price per volume	0,8	0,8	0,9	0,9	0,9	1,0	1,1	1,1	1,1	1,2	1,2
Price increase		5,9%	8,3%	0,4%	7,5%	10,1%	2,1%	3,7%	3,7%	3,7%	3,7%

6. Express and Parcels Segment Revenues Forecast

In Thousand Euros											
Express & Parcels	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues (€ thousand)	152 414	193 000	255 688	259 015	340 586	451 897	499 691	522 881	547 239	572 828	599 713
YoY Growth%	26,6%	32,5%	1,3%	31,5%	32,7%	10,6%	4,6%	4,7%	4,7%	4,7%	
Portugal	98 191	118 007	135 139	132 185	149 078	158 392	168 447	173 255	178 200	183 287	188 519
YoY Growth%	20,2%	14,5%	(2,2%)	12,8%	6,2%	6,3%	2,9%	2,9%	2,9%	2,9%	
% of E&P Revenues	64%	61%	53%	51%	44%	35%	34%	33%	33%	32%	31%
Spain	51 775	72 287	117 329	122 950	186 814	287 907	325 676	344 001	363 358	383 803	405 399
YoY Growth%	39,6%	62,3%	4,8%	51,9%	54,1%	13,1%	5,6%	5,6%	5,6%	5,6%	
% of E&P Revenues	34%	37%	46%	47%	55%	64%	65%	66%	66%	67%	68%
Mozambique	2 448	2 707	3 220	3 880	4 694	5 597	5 568	5 624	5 681	5 738	5 795
YoY Growth%	10,6%	19,0%	20,5%	21,0%	19,2%	(0,5%)	1,0%	1,0%	1,0%	1,0%	
in % of Revenue	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

7. Financial Services and Retail Revenues Forecast

In Thousand Euros

Financial Services & Retail	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues (€ thousand)	47 389	44 044	48 878	60 713	62 779	23 888	33 315	38 698	39 477	40 273	41 084
	YoY Growth%	(7,1%)	11,0%	24,2%	3,4%	(61,9%)	39,5%	16,2%	2,0%	2,0%	2,0%
Savings and insurance products	26 892	23 166	23 931	34 152	44 862	11 122	16 354	18 997	19 380	19 770	20 169
	YoY Growth%	(13,9%)	3,3%	42,7%	31,4%	(75,2%)	47,1%	16,2%	2,0%	2,0%	2,0%
	% of FS Revenue	57%	53%	49%	56%	47%	49%	49%	49%	49%	49%
Other Sources of Revenue	20 497	20 878	24 947	26 561	17 917	12 766	16 960	19 701	20 098	20 503	20 916
	YoY Growth%	1,9%	19,5%	6,5%	(32,5%)	(28,7%)	32,9%	16,2%	2,0%	2,0%	2,0%
	% of FS Revenue	43%	47%	51%	44%	53%	51%	51%	51%	51%	51%
Money orders	5 565	5 982	5 465	5 982	4 167	5 233	3 944	4 582	4 674	4 768	4 864
Payments	1 167	1 529	1 558	1 519	1 470	366	1 391	1 616	1 649	1 682	1 716
Retail	13 340	13 003	17 574	18 049	10 786	6 049	10 210	11 860	12 099	12 342	12 591
Others	425	364	350	1 011	1 494	1 119	1 414	1 643	1 676	1 710	1 744

8. CTT Bank – Regression for Interest Expense on Interest Bearing Liabilities

Summary of results: Bank Deposits

<i>Regression Statistics</i>	
Multiple R	0,94031801
R Square	0,88419796
Adjusted R Square	0,87840786
Standard Error	0,00070079
Observations	22

ANOVA

	<i>gl</i>	<i>SQ</i>	<i>MQ</i>	<i>F</i>	<i>Significance F</i>
Regression	1	7,49963E-05	7,49963E-05	152,7085265	8,07857E-11
Residual	20	9,82215E-06	4,91108E-07		
Total	21	8,48185E-05			

	<i>Coefficients</i>	<i>Standard error</i>	<i>Stat t</i>	<i>P value</i>	<i>95% inferior</i>	<i>95% superior</i>	<i>Inferior 95,0%</i>	<i>Superior 95,0%</i>
Intercept	0,001	0,000	3,520	0,002	0,000	0,001	0,000	0,001
X 1 Variable	0,098	0,008	12,358	0,000	0,082	0,115	0,082	0,115

9. CTT Bank - Regression for Interest Income on Interest Bearing Assets

Summary of results: Bank Credits

<i>Regression Statistics</i>	
Multiple R	0,894881561
R Square	0,800813008
Adjusted R Square	0,790853658
Standard Error	0,003525142
Observations	22

ANOVA

	<i>gl</i>	<i>SQ</i>	<i>MQ</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0,0009992	0,000999202	80,408163	1,9145E-08
Residual	20	0,00024853	1,24266E-05		
Total	21	0,00124773			

	<i>Coefficients</i>	<i>Standard error</i>	<i>Stat t</i>	<i>P value</i>	<i>95% inferior</i>	<i>95% superior</i>	<i>Inferior 95,0%</i>	<i>Superior 95,0%</i>
Intercept	0,009	0,001	10,734	0,000	0,007	0,011	0,007	0,011
X 1 Variable	0,359	0,040	8,967	0,000	0,276	0,443	0,276	0,443

10. Group exc/ Bank – Regression for financial results

Summary of results - Bank loans

<i>Regression Statistics</i>	
Multiple R	0,834768026
R Square	0,696837657
Adjusted R Square	0,682401355
Standard Error	0,001452144
Observations	23

ANOVA

	<i>gl</i>	<i>SQ</i>	<i>MQ</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0,000101788	0,000101788	48,26981697	7,30799E-07
Residual	21	4,42832E-05	2,10872E-06		
Total	22	0,000146071			

	<i>Coefficients</i>	<i>Standard error</i>	<i>Stat t</i>	<i>P value</i>	<i>95% inferior</i>	<i>95% superior</i>	<i>Inferior 95,0%</i>	<i>Superior 95,0%</i>
Intercept	0,002	0,000	6,947	0,000	0,002	0,003	0,002	0,003
X 1 Variable	0,113	0,016	6,948	0,000	0,079	0,147	0,079	0,147

Summary of results - Lease Liabilities

<i>Regression Statistics</i>	
Multiple R	0,082712878
R Square	0,00684142
Adjusted R Square	-0,040451846
Standard Error	0,001078932
Observations	23

ANOVA

	<i>gl</i>	<i>SQ</i>	<i>MQ</i>	<i>F</i>	<i>Significance F</i>
Regression	1	1,68397E-07	1,68397E-07	0,144659499	0,707511939
Residual	21	2,4446E-05	1,16409E-06		
Total	22	2,46144E-05			

	<i>Coefficients</i>	<i>Standard error</i>	<i>Stat t</i>	<i>P value</i>	<i>95% inferior</i>	<i>95% superior</i>	<i>Inferior 95,0%</i>	<i>Superior 95,0%</i>
Intercept	0,005	0,000	18,132	0,000	0,004	0,005	0,004	0,005
X 1 Variable	0,005	0,012	0,380	0,708	-0,021	0,030	-0,021	0,030

11. CAPEX - CTT

In euros

CTT	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CapEx	31 648 929	41 335 836	25 130 528	33 462 787	33 665 148	18 322 578	22 909 229	23 517 172	24 201 849	24 887 940	25 661 400
Total CapEx/Revenue	4,3%	5,5%	3,0%	3,7%	3,4%	1,7%	2,1%	2,1%	2,1%	2,1%	2,1%
Depreciation & Amortization	54 224 000	62 136 000	58 007 044	64 777 146	64 330 478	75 908 362	81 426 305	83 214 142	85 216 609	87 345 093	89 601 606
Total D&A/Revenue	7,3%	8,3%	6,9%	7,1%	6,5%	7,0%	7,4%	7,3%	7,3%	7,2%	7,2%

12. CAPEX – Group exc/ Bank

In Euros											
Group exc. Bank	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CapEx	28 113 563	37 483 784	22 045 535	30 999 786	30 147 154	20 199 412	20 958 388	21 390 911	21 974 307	22 590 339	23 240 982
Total CapEx growth yoy		33,3%	(41,2%)	40,6%	(2,8%)	(33,0%)	3,8%	2,1%	2,7%	2,8%	2,9%
Total CapEx/Revenue	4,2%	5,7%	2,9%	4,0%	3,6%	2,2%	2,2%	2,1%	2,1%	2,1%	2,1%
Tangible Fixed Assets	260 238 186	291 837 892	292 060 022	297 752 832	291 405 611	329 131 835	336 687 010	344 622 849	352 992 091	361 820 528	371 135 572
Growth qoq		12,1%	0,1%	1,9%	(2,1%)	12,9%	2,3%	2,4%	2,4%	2,5%	2,6%
Intangible Assets	34 330 067	29 137 944	36 579 400	43 699 799	45 523 248	49 263 441	53 036 405	54 241 286	55 511 598	56 851 249	58 264 388
Growth qoq		(15,1%)	25,5%	19,5%	4,2%	8,2%	7,7%	2,3%	2,3%	2,4%	2,5%
Investment Properties	7 653 000	7 075 908	6 327 424	6 183 979	5 975 987	6 102 192	6 357 963	6 549 644	6 751 263	6 963 378	7 186 582
Growth qoq		(7,5%)	(10,6%)	(2,3%)	(3,4%)	2,1%	4,2%	3,0%	3,1%	3,1%	3,2%
Depreciation & Amortization	48 636 000	55 508 000	50 336 677	56 845 709	55 911 748	67 907 617	73 668 970	75 392 976	77 171 060	79 046 605	81 025 439
Growth qoq		14,1%	(9,3%)	12,9%	(1,6%)	21,5%	8,5%	2,3%	2,4%	2,4%	2,5%

13. CAPEX – Mail and Others

In Euros											
Mail & Other	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CapEx	24 673 757	29 523 621	9 770 102	22 206 449	28 532 965	13 091 382	13 277 138	13 474 788	13 685 168	13 909 175	14 147 770
Total CapEx growth qoq		19,7%	(66,9%)	127,3%	28,5%	(54,1%)	1,4%	1,5%	1,6%	1,6%	1,7%
Total CapEx/Revenue	5,2%	6,9%	2,2%	4,8%	6,6%	2,9%	3,1%	3,1%	3,1%	3,1%	3,1%
Tangible Fixed Assets	225 284 388	241 673 654	228 538 634	214 706 567	211 876 522	221 115 029	223 642 256	226 327 050	229 180 367	232 213 958	235 440 423
Growth qoq		7,3%	(5,4%)	(6,1%)	(1,3%)	4,4%	1,1%	1,2%	1,3%	1,3%	1,4%
Intangible Assets	26 115 500	21 727 101	26 274 002	32 766 994	34 375 543	35 342 947	35 746 898	36 176 035	36 632 108	37 116 996	37 632 713
Growth qoq		(16,8%)	20,9%	24,7%	4,9%	2,8%	1,1%	1,2%	1,3%	1,3%	1,4%
Investment Properties	5 265 696	4 327 286	3 815 090	3 434 238	2 883 999	2 790 553	2 822 448	2 856 331	2 892 341	2 930 626	2 971 345
Growth qoq		(17,8%)	(11,8%)	(10,0%)	(16,0%)	(3,2%)	1,1%	1,2%	1,3%	1,3%	1,4%
Depreciation & Amortization	40 003 000	45 473 000	38 825 989	40 942 499	39 949 622	47 623 058	49 863 255	50 451 020	51 075 587	51 739 521	52 445 569
Growth qoq		13,7%	(14,6%)	5,5%	(2,4%)	19,2%	4,7%	1,2%	1,2%	1,3%	1,4%

14. CAPEX – Express and Parcels

Express & Parcels	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CapEx	3 876 776	7 892 667	12 188 018	8 263 054	1 575 786	7 009 025	7 475 798	7 829 047	8 200 309	8 590 544	9 000 766
Total CapEx/growth qoq		103,6%	54,4%	(32,2%)	(80,9%)	344,8%	6,7%	4,7%	4,7%	4,8%	4,8%
Total CapEx/Revenue	2,5%	4,1%	4,8%	3,2%	0,5%	1,6%	1,5%	1,5%	1,5%	1,5%	1,5%
Tangible Fixed Assets	34 616 686	49 822 262	63 336 252	82 742 537	79 487 195	107 951 390	112 948 980	118 198 095	123 712 051	129 504 889	135 591 418
Growth qoq		43,9%	27,1%	30,6%	(3,9%)	35,8%	4,6%	4,6%	4,7%	4,7%	4,7%
Intangible Assets	7 433 279	6 985 490	9 602 354	9 919 170	10 683 116	13 200 263	16 235 017	16 989 512	17 782 075	18 614 724	19 469 587
Growth qoq		(6,0%)	37,5%	3,3%	7,7%	23,6%	23,0%	4,6%	4,7%	4,7%	4,7%
Investment Properties	1 793 263	2 306 675	2 107 399	2 119 625	2 884 414	3 142 746	3 288 239	3 441 055	3 601 580	3 770 225	3 947 420
Growth qoq		28,6%	(8,6%)	0,6%	36,1%	9,0%	4,6%	4,6%	4,7%	4,7%	4,7%
Depreciation & Amortization	8 301 000	9 731 000	11 410 407	15 794 540	15 825 894	20 102 009	23 532 337	24 624 406	25 771 524	26 976 608	28 242 734
Growth qoq		17,2%	17,3%	38,4%	0,2%	27,0%	17,1%	4,6%	4,7%	4,7%	4,7%

15. CAPEX – Financial Services and Retail

Financial Services & Retail	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CapEx	(436 970)	67 496	87 415	530 283	38 404	99 004	205 452	87 075	88 830	90 620	92 446
Total CapEx/growth qoq		(115,4%)	29,5%	506,6%	(92,8%)	157,8%	107,5%	(57,6%)	2,0%	2,0%	2,0%
Total CapEx/Revenue	(0,9%)	0,2%	0,2%	0,9%	0,1%	0,4%	0,6%	0,2%	0,2%	0,2%	0,2%
Tangible Fixed Assets	337 112	341 976	185 136	303 728	41 894	65 415	95 774	97 704	99 673	101 681	103 730
Growth qoq		1,4%	(45,9%)	64,1%	(86,2%)	56,1%	46,4%	2,0%	2,0%	2,0%	2,0%
Intangible Assets	781 287	425 352	703 044	1 013 635	464 589	720 231	1 054 490	1 075 738	1 097 415	1 119 529	1 142 088
Growth qoq		(45,6%)	65,3%	44,2%	(54,2%)	55,0%	46,4%	2,0%	2,0%	2,0%	2,0%
Investment Properties	594 041	441 946	404 935	630 116	207 574	168 893	247 276	252 258	257 342	262 527	267 817
Growth qoq		(25,6%)	(8,4%)	55,6%	(67,1%)	(18,6%)	46,4%	2,0%	2,0%	2,0%	2,0%
Depreciation & Amortization	332 000	304 000	100 281	108 670	136 232	182 550	273 378	317 550	323 949	330 477	337 136
Growth qoq		(8,4%)	(67,0%)	8,4%	25,4%	34,0%	49,8%	16,2%	2,0%	2,0%	2,0%

16. WACC – Group exc/ Bank

Parameters	2024
Risk-Free Rate	2,33%
Debt Premium	2,27%
Beta	0,95
Market Risk Premium	6,35%
Gearing	19,77%
Tax Rate	21%
Cost of Equity (Re CTT_exBank)	8,37%
WACC pre-tax	7,43%

17. Beta – Group exc/ Bank

Group exc. Bank	Beta	Unlevered Beta	Levered Beta
International Distribution Services	2,21	1,58	1,83
BPost	0,91	0,54	0,62
DHL Group	1,04	0,61	0,71
Maltapost	0,59	0,56	0,65
Average			0,95

18. Gearing – Group exc/ Bank

Debt	265 637 073
Equity	238 940 880
Debt-to-Equity	0,53

(in million euros)

Companies		2020	2021	2022	2023	Average Gearing
BPost	Total interest bearing liabi	1 443	1 378	1 489	1 291	
	Equity	584	885	1 065	1 027	
	Liabilities & Equity	3 875	4 141	4 358	4 119	
	Gearing	37,24%	33,28%	34,17%	31,34%	34,01%
International Distribution Services	Total interest bearing liabi	2 823	2 051	2 213	2 309	
	(in pounds) Equity	5 621	4 805	5 334	3 802	
	Liabilities & Equity	11 017	9 985	10 679	8 816	
	Gearing	25,62%	20,54%	20,72%	26,19%	23,27%
Austrian Post	Total interest bearing liabi	352	404	580	404	
	Equity	655	672	710	717	
	Liabilities & Equity	2 161	2 249	2 418	5 677	
	Gearing	16,29%	17,96%	23,99%	7,12%	16,34%
Maltapost	Total interest bearing liabi	2	2	1	2	
	Equity	27	29	27	29	
	Liabilities & Equity	29	31	28	31	
	Gearing	6,26%	5,04%	4,90%	5,58%	5,44%
Average						19,77%

19. Cost of Equity – CTT Bank

Parameters	2024
Risk-Free Rate	2,33%
Beta	1,3
Market Risk Premium	6,35%
Cost of Equity (Re Bank)	10,37%

20. Beta – CTT Bank

	CTT Bank	CTT - Correios de Portugal, SA	
Raw Beta	1,40	0,758	Bloomberg Adjusted beta formula: $B_{adjusted} = 2/3 * B_{estimated} + 1/3 * B_{mean\ reverting\ level}$
Adjusted Beta	1,27	0,839	with $B_{mean\ reverting\ level}$ being 1

*retrived from bloomberg

The beta for CTT Bank was obtained from the median of the betas for European banks within the STOXX Europe 600 index

EURO STOXX Banks EUR Price Index | Index Constituents Analysis

Name	RIC	Sector - TRBC	Market Cap (USD)	Beta Value
EURO STOXX Banks EUR Price Index	SX7E	--	765 383 332 226,15	1,40
Societe Generale SA	SOGN.PA	Banks (NEC)	22 620 314 082,82	1,74
Banco Bilbao Vizcaya Argentaria SA	BBVA.MC	Banks (NEC)	58 272 010 178,04	1,73
ING Groep NV	INGA.AS	Banks (NEC)	51 792 542 580,65	1,71
BNP Paribas SA	BNPP.PA	Banks (NEC)	71 774 360 792,88	1,70
UniCredit SpA	CRDI.MI	Banks (NEC)	66 984 126 900,92	1,65
AIB Group PLC	AIBG.I	Banks (NEC)	13 103 234 252,97	1,63
Credit Agricole SA	CAGR.PA	Corporate Banks	42 164 678 546,09	1,61
Banco Santander SA	SAN.MC	Banks (NEC)	76 165 509 664,63	1,56
Banco Comercial Portugues SA	BCP.LS	Banks (NEC)	7 019 919 243,23	1,51
Erste Group Bank AG	ERST.VI	Banks (NEC)	24 305 079 305,81	1,45
Banca Popolare Di Sondrio SpA	BPSI.MI	Banks (NEC)	3 828 324 817,15	1,45
Kbc Groep NV	KBC.BR	Banks (NEC)	31 373 463 692,09	1,43
Bper Banca SpA	EMII.MI	Banks (NEC)	8 764 867 959,01	1,41
Banco de Sabadell SA	SABE.MC	Banks (NEC)	10 983 929 272,91	1,40
Intesa Sanpaolo SpA	ISP.MI	Banks (NEC)	72 230 690 677,24	1,37
ABN Amro Bank NV	ABNd.AS	Banks (NEC)	8 181 990 469,28	1,31
Raiffeisen Bank International AG	RBIV.VI	Banks (NEC)	6 935 107 465,20	1,22
Bank of Ireland Group PLC	BIRG.I	Banks (NEC)	8 962 550 828,69	1,22
Banco BPM SpA	BAMI.MI	Banks (NEC)	12 294 391 929,65	1,14
Bankinter SA	BKT.MC	Banks (NEC)	7 301 120 485,75	1,10
Banca Monte dei Paschi di Siena SpA	BMPS.MI	Banks (NEC)	8 413 462 554,21	1,08
Deutsche Bank AG	DBKGn.DE	Banks (NEC)	35 515 701 388,50	1,08
Nordea Bank Abp	NDAFL.HE	Banks (NEC)	40 416 882 096,57	1,07
CaixaBank SA	CABK.MC	Banks (NEC)	41 277 361 377,09	1,06
Commerzbank AG	CBKG.DE	Banks (NEC)	18 610 414 603,74	1,06
BAWAG Group AG	BAWG.VI	Banks (NEC)	6 449 976 221,93	1,03
FinecoBank Banca Fineco SpA	FBK.MI	Banks (NEC)	10 715 493 253,44	0,75

21. Risk Free – CTT Bank and Group – exc/ Bank

German Government Bond 10Y (Yield)	2,33%
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22. Market Risk Premium – CTT Bank and Group – exc/ Bank

Approaches	Market Risk Premium
Professor Aswath Damodaran	6,35%

23. Cash Flows Statement – Group exc/ Bank

In thousand Euros						
Group exc. Bank	2024E	2025F	2026F	2027F	2028F	2029F
Revenues	931 765	967 358	1 001 051	1 031 629	1 063 797	1 097 644
EBITDA	115 132	127 142	146 790	161 208	173 046	183 544
<i>% margin</i>	<i>12,36%</i>	<i>13,14%</i>	<i>14,66%</i>	<i>15,63%</i>	<i>16,27%</i>	<i>16,72%</i>
- Depreciation & Amortization	(67 908)	(73 669)	(75 393)	(77 171)	(79 047)	(81 025)
- Income Taxes	(2 747)	(6 025)	(9 812)	(12 423)	(14 448)	(16 156)
NOPLAT	44 477	47 448	61 585	71 614	79 552	86 363
+ Depreciation & Amortization	67 908	73 669	75 393	77 171	79 047	81 025
Gross CFs	112 385	121 117	136 978	148 785	158 598	167 388
- CAPEX	(20 199)	(20 958)	(21 391)	(21 974)	(22 590)	(23 241)
<i>% of revenue</i>	<i>2,17%</i>	<i>2,17%</i>	<i>2,14%</i>	<i>2,13%</i>	<i>2,12%</i>	<i>2,12%</i>
NWC	(117 524)	(125 161)	(130 884)	(136 904)	(143 238)	(149 902)
- Δ in NWC		7 637	5 723	6 020	6 333	6 665
FCF Firm	92 185	107 796	121 310	132 831	142 341	150 812

24. Discounted Cash Flows – Group exc/ Bank

In Euros

Group exc. Bank	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	1Q28	2Q28	3Q28	4Q28	1Q29	2Q29	3Q29	4Q29
FCFs	12 657 721	7 097 269	10 730 226	12 110 562	13 563 197	13 616 062	14 197 409	14 779 371	15 383 047	15 998 742	16 622 443	17 259 790	17 911 680	18 285 786	18 675 614	19 069 897	19 473 697	19 887 199	20 304 928	20 725 928	21 158 143
Terminal Value																					362 092 337
PV of the CFs	12 432 921	6 847 414	10 168 615	11 272 880	12 400 817	12 228 055	12 523 699	12 805 517	13 091 855	13 374 030	13 648 626	13 920 257	14 189 455	14 228 551	14 273 799	14 316 297	14 359 800	14 404 270	14 445 638	14 483 280	263 059 067
Enterprise Value	522 474 842																				
Net Debt	76 032 573																				
Equity Value	446 442 270																				

25. Flow to Equity – CTT Bank

In euros											
CTT Bank	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Available own funds (amounts)											
Common Equity Tier 1 (CET1) Capital	123 236 224	130 902 180	167 112 179	184 876 483	198 895 943	149 751 597	146 220 837	143 348 308	141 073 230	138 820 512	150 848 673
<i>CET1 % of Total Equity</i>	65,3%	66,9%	75,8%	78,3%	71,0%	75,8%	75,8%	75,8%	75,8%	75,8%	75,8%
Tier 1 Capital	123 236 224	130 902 180	167 112 179	184 876 483	198 895 943	149 751 597	146 220 837	143 348 308	141 073 230	138 820 512	150 848 673
Total Capital	123 236 224	130 902 180	167 112 179	184 876 483	198 895 943	149 751 597	146 220 837	143 348 308	141 073 230	138 820 512	150 848 673
Risk-Weighted exposure amounts											
Total risk exposure amount	646 600 363	780 104 199	1 043 231 645	1 182 594 054	947 577 000	1 140 832 172	1 201 230 853	1 261 844 050	1 322 651 956	1 383 467 149	1 438 446 062
<i>Total risk exposure amount % of Total Assets</i>	39,3%	39,3%	38,8%	38,3%	24,7%	24,7%	24,7%	24,7%	24,7%	24,7%	24,7%
BVE	123 886 630	130 901 485	167 125 710	184 839 451	198 896 412	180 536 691	190 094 782	199 686 821	209 309 672	218 933 676	227 634 089
Change in the BVE		7 012 855	36 224 225	17 713 741	14 056 962	(18 359 721)	9 558 091	9 592 038	9 622 851	9 624 004	8 700 413
Capital ratios (as percentage of risk-weighted exposure amount)											
Common Equity Tier 1 ratio (%)	19,16%	16,78%	16,02%	15,63%	20,99%	15,83%	15,83%	15,83%	15,83%	15,83%	15,83%
Tier 1 ratio (%)	19,16%	16,78%	16,02%	15,63%	20,99%	15,83%	15,83%	15,83%	15,83%	15,83%	15,83%
Total Capital ratio (%)	19,16%	16,78%	16,02%	15,63%	20,99%	15,83%	15,83%	15,83%	15,83%	15,83%	15,83%
Minimum regulatory ratios											
Common Equity Tier 1 ratio (%)	7%	7%	7%	7%	7%						
Tier 1 ratio (%)	8,50%	8,50%	8,50%	8,50%	8,50%						
Total Capital ratio (%)	10,50%	10,50%	10,50%	10,50%	10,50%						
Net Income	(4 043 524)	3 566 101	17 503 714	18 912 831	25 785 565	31 680 182	18 132 964	16 714 821	16 028 636	15 478 317	15 138 487
Change in the BVE		7 012 855	36 224 225	17 713 741	14 056 962	(18 359 721)	9 558 091	9 592 038	9 622 851	9 624 004	8 700 413
FCFE						13 320 461	27 691 055	26 306 859	25 651 487	25 102 321	23 838 900
Terminal Value											272 834 583
PV of the CFs						12 995 947	24 478 388	21 070 117	18 615 090	16 505 213	176 742 347
Equity Value	270 407 102										

26. Share Price

In Euros

Equity Value - Group ex/ Bank 446 442 270

Equity Value - Bank 270 407 102

Total Equity CTT 716 849 371

Shares outstanding 137 552 522

CTT Group Implied Share price 5,21 €

CTT Group Current share price (as of 04/12/2024) 4,68 €

Premium 11,36%

27. Comparable Companies – Group exc/ Bank

Name	EV to Revenue			EV to EBITDA			EV to EBIT			Price to Earnings		
	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
CTT Ex Bank	0,4x	0,3x	0,2x	2,5x	2,0x	1,8x	4,8x	4,5x	3,7x	10,3x	13,7x	8,5x
INTERNATIONAL DISTRIBUTION S	0,4x	0,4x	0,4x	10,3x	5,6x	4,8x	626,6x	13,0x	11,0x	62,0x	13,5x	9,7x
POSTNL NV	0,3x	0,3x	0,3x	4,7x	4,1x	3,7x	16,4x	16,7x	11,0x	28,7x	13,7x	9,1x
BPOST SA	0,6x	0,6x	0,5x	3,2x	4,6x	4,1x	13,2x	13,8x	10,9x	5,0x	3,8x	3,3x
DHL GROUP	0,8x	0,7x	0,7x	6,1x	6,0x	5,5x	11,1x	10,7x	9,6x	12,7x	12,5x	10,8x

Min	0,3x	0,3x	0,2x	2,5x	2,0x	1,8x	4,8x	4,5x	3,7x	5,0x	3,8x	3,3x
25th Percentile	0,4x	0,3x	0,3x	3,2x	4,1x	3,7x	11,1x	10,7x	9,6x	10,3x	12,5x	8,5x
Median	0,4x	0,4x	0,4x	4,7x	4,6x	4,1x	13,2x	13,0x	10,9x	12,7x	13,5x	9,1x
75th Percentile	0,6x	0,6x	0,5x	6,1x	5,6x	4,8x	16,4x	13,8x	11,0x	28,7x	13,7x	9,7x
Max	0,8x	0,7x	0,7x	10,3x	6,0x	5,5x	626,6x	16,7x	11,0x	62,0x	13,7x	10,8x
Average	0,5x	0,5x	0,4x	5,4x	4,4x	4,0x	134,4x	11,8x	9,2x	23,7x	11,5x	8,3x

28. Comparable Companies – CTT Bank

Name	Ticker	Price to Earnings			P/B'23
		FY23	FY24	FY25	
CTT Bank					
BANKINTER SA	BKT	7,9x	7,5x	7,9x	1,2x
UNICAJA BANCO SA	UNI	7,5x	5,7x	6,7x	0,5x
BANCO COMERCIAL PORTUGUES-R	BCP	7,3x	7,5x	7,3x	1,0x
BANCO DE SABADELL SA	SAB	6,2x	6,4x	6,5x	0,7x
EUROBANK ERGASIAS SERVICES A	EUROB	5,1x	5,1x	5,6x	0,8x
BANK OF CYPRUS HOLDINGS PLC	BOCHGR	3,7x	4,4x	5,4x	0,8x

Min	3,7x	4,4x	5,4x	0,5x
25th Percentile	5,4x	5,2x	5,8x	0,7x
Median	6,7x	6,0x	6,6x	0,8x
75th Percentile	7,4x	7,2x	7,2x	0,9x
Max	7,9x	7,5x	7,9x	1,2x
Average	6,3x	6,1x	6,6x	0,8x

29. Comparable Transactions

(in million euros)															
Company Name	Acquirer Name	Date	Deal Status	Country	Equity Value	Net Debt	Enterprise Value	Reported Revenue	Reported EBITDA	Reported EBT	Reported Earnings	EV to Revenue	EV to EBITDA	EV to EBT	Price to Earnings
CTT-Correios de Portugal SA				PO	593		(1 067)	985	147	78	64				9.3x
International Distribution Ser	SP Corporate Group AS, J&T Capital Partners	5/29/2024	Pending	GB	2 788	1 736	4 955	15 931	637	33		0.3x	7.7x	150.9x	61.4x
NET Insurance SpA	Poste Italiana SpA	9/28/2022	Completed	IT	172	7	181	78			8	2.3x			
Sourcesense SpA	Poste Italiana SpA	6/24/2022	Completed	IT	35	(4)	30	21	3	2	1	1.5x	10.7x	20.8x	
PostNL NV	Vesa Equity Investment Sarl	5/16/2022	Pending	NE	632	155	1 128	3 955	259	84	55	0.4x	4.7x	21.3x	27.9x
UK Mail Group PLC	Deutsche PostAG	9/28/2016	Completed	GB	281	(2)	288		(0)	(0)	(0)	0.5x	9.0x	13.5x	
CTT-Correios de Portugal SA	Potential Buyer	6/26/2014	Terminated	PO	598		(1 063)	985		78	61				11.5x
Min					35	(4)	(1 063)	21	(0)	(0)	(0)	0.3x	4.7x	13.5x	11.5x
25th Percentile					199	(2)	68	78	2	2	1	0.4x	7.0x	19.0x	19.7x
Median					440	4	234	985	131	33	8	0.5x	8.4x	21.0x	27.9x
75th Percentile					624	118	918	3 955	254	78	55	1.5x	9.0x	13.7x	44.7x
Max					2 788	1 736	4 955	15 931	637	84	61	2.3x	10.7x	150.9x	61.4x

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Individual Abstract

This Work Project analyses CTT – Correios de Portugal's strategic opportunity to acquire Sending Transporte Y Comunicación, S.A., a Spanish logistics provider. The study assesses the acquisition's financial and strategic potential through intrinsic and relative valuation techniques, detailed financial modeling, and scenario analysis. Findings highlight synergies that enhance CTT's enterprise value, competitive position, and shareholder returns in the growing Iberian Courier, Express and Parcel (CEP) market. Shaped by e-commerce trends and increasing demand for integrated logistics, the acquisition emerges as a transformative step toward CTT's competitive positioning in the Iberian logistics sector.

Keywords

Mergers and Acquisitions - Corporate Valuation - Logistics and Transportation - Courier, Express, and Parcel (CEP) Market - Iberian Logistics – Synergies

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1. Introduction

In the global business landscape, mergers and acquisitions (M&A) have become critical strategies for expansion and market penetration. The Courier, Express, and Parcel (CEP) industry, particularly in the Iberian Peninsula, represents a sector marked by technological disruption and intense competition. This research examines a pivotal strategic opportunity, CTT – Correios de Portugal's potential acquisition of Sending Transporte Y Comunicación, S.A., a Spanish logistics provider.

The study analyzes the potential merger through intrinsic and relative valuation techniques, scenario analysis, and synergy projections. Against a backdrop where 60 to 80% of mergers fail to generate shareholder value, this research provides a nuanced examination of the strategic and financial implications of cross-border expansion in the logistics sector. By exploring the challenges and opportunities of this potential acquisition, the thesis offers insights into successful M&A strategies, progressively unveiling the complexity of the proposed transaction, from a comprehensive literature review to detailed market analysis, target company profiling, and financial valuation. The research aims to provide a holistic view of how strategic acquisitions can potentially transform a company's market positioning and create sustainable value.

2. Literature Review

2.1. Conceptual Framework of Mergers and Acquisitions

Mergers and acquisitions (M&A) serve as a mechanism for business expansion internationally. Although often used interchangeably, these concepts represent distinct strategic transactions. An acquisition involves a unilateral transfer of ownership, where one organization purchases a partial or complete stake in another entity. On the contrary, a merger implies the combination of two or more organizations into a single entity with integrated operational and strategic frameworks (Alao, 2010). Georgios & Georgios (2011) highlights that M&A allow firms to achieve greater advantages through collaboration than operating independently, such as increasing shareholder wealth, achieving higher equity returns and reducing costs.

2.2. Drivers behind Mergers and Acquisitions

2.2.1. Synergies: The Core Driver of M&A

The primary goal of M&A is to achieve synergies, where the combined value of two firms exceeds their individual stand-alone values (Jensen and Ruback, 1983), expressed as "1+1=3."

Operational synergies emerge through economies of scale and scope, elimination of redundant operations, and increased supplier bargaining power (Fatima and Shehzad, 2014). Meanwhile, revenue synergies arise from expanded product offerings, complementary goods, and improved distribution networks (Krishnakumar & Sethi, 2012). Diversification, particularly in cross-border deals, improves internal capital allocation and mitigates market inefficiencies (Travlos and Doukas, 1988).

Moreover, corporate governance also boosts synergies, with strategic governance transfers increasing efficiency gains, especially in international contexts (Wang and Xie, 2009). Financial synergies, such as tax benefits from loss carryforwards, tax credits, or depreciation opportunities, further incentivize M&A, with tax regime variations impacting cross-border returns (Hayn, 1989; Manzon, 1994).

2.2.2. Agency Conflicts

Agency conflicts arise when managerial goals diverge from shareholder interests, leading to decisions that may not maximize shareholder value. Amihud and Lev (1981) argue that managers engage in conglomerate mergers to diversify activities and stabilize earnings, primarily to secure their positions, even though shareholders can achieve diversification at a lower cost.

Similarly, Jensen's (1986) Free Cash Flow theory suggests that managers with excess cash prefer unprofitable acquisitions or personal projects over returning funds to shareholders, creating conflicts between owners and managers. Additionally, executive compensation tied to firm size incentivizes managers to prioritize growth over returns, as paying cash to shareholders reduces firm size and managerial autonomy. Additionally, CEOs may pursue acquisitions for the prestige and power of leading larger organizations, even if it harms shareholder value.

2.2.3. The Hubris Hypothesis: Managerial Overconfidence

Roll (1986) proposed the Hubris Hypothesis, where managers overestimate their abilities and overpay for acquisition targets, resulting in a "winner's curse," similar to auction scenarios, where the highest bidder incurs the largest valuation error. This overconfidence often leads to negative market reactions and shareholder losses. Doukas and Petmezas (2007) further argue that self-attribution bias amplifies this overconfidence, as managers attribute past successes to personal skill, resulting in poorly executed deals that underperform compared to acquisitions led by more cautious managers.

2.2.4. Efficiency Gains

Farrell and Shapiro (2001) distinguished between technical and synergy efficiencies. Technical efficiency relates to improvements in the combined production capacity of merging firms and can also be achieved through alternatives such as joint ventures, agreements, internal growth, or licensing. These improvements may result from redeploying output, scale economies, or large-scale investments. In contrast, synergy efficiency is merger-specific and arises from the integration of merging firms.

2.3. Keys to Successful M&A Outcomes

Despite the significant rise in M&A activity, research by Tetenbaum (1999) indicates that 60 to 80% of M&As fail to generate value for shareholders, with only 30% of potential synergies realized. Sirower (2007) points that overestimating synergies without proper planning often leads to failure, driven by insufficient focus on post-merger integration. While financial considerations dominate pre-merger planning, organizational, cultural, and psychological factors are neglected (Haspelagh and Jemison, 1991). Effective integration management plans can value creation by 50%, yet fewer than 20% of merging companies establish such plans (Tetenbaum, 1999). Lastly, Haspelagh and Jemison (1991) highlight aligning strategies, ensuring decision quality and assessing integration capabilities as key challenges, emphasising the need for strategic integration planning to ensure M&A success.

3. Courier, Express and Parcels (CEP) Industry in Spain

3.1. Market Analysis and Trends

Spain's Courier, Express, and Parcel (CEP) market is projected to grow from \$4.20 billion in 2024 to \$5.30 billion by 2030, at a 3.92% CAGR (Figure 1), driven by the e-commerce boom and rising online retail (Mordor Intelligence, 2024). The logistics and transport sector in Spain contributed to 4.6% to GDP in 2022, nearly one million jobs, over 197,000 companies and a €111 billion turnover. Infrastructure investments, including €24.2 billion committed by the Spanish government between 2021 and 2026, aim to enhance railway systems, improve sustainability, and align with European standards. Spain's robust infrastructure, combined with export growth of 4.7% in 2023, continues to drive CEP market expansion (Mordor Intelligence, 2024).

3.2. Competitive Landscape

The Spanish CEP market is moderately consolidated, with Correos Express, United Parcel Service of America, Inc. (UPS), FedEx, La Poste Group (including SEUR) and DHL Group holding 51.43% of the market share (Figure 2). DHL Group lead with 13.81% in 2022, supported by advanced solutions like the MySupplyChain platform, tracking over 144,000 monthly orders (Mordor Intelligence, 2024). Other notable players are Paack SPV Investments SL, Logista, Szendex, MRW and GEODIS.

3.3. CTT Expansion to Spain and Strategic Objectives

In 2005, CTT initiated its international expansion with the acquisition of Spanish courier Tourline Express for €28.5 million, aiming to integrate operations in Spain with CTT Expresso in Portugal in order to capture a larger share of the expanding logistics and e-commerce markets in the region. This move intended to create synergies, enhance cross-border parcel flows, and provide integrated logistics services across the Iberian market (Jornal de Negócios, 2005).

In 2020, CTT rebranded Tourline Express as CTT Express, reflecting a unified corporate identity and reinforcing its commitment to becoming a leader in the Iberian CEP market (CTT, 2020).

Despite these efforts, CTT's market share in Spain remains modest compared to dominant players, prompting the company to explore acquisition opportunities to strengthen its competitive position in the Spanish logistics and last-mile delivery market. CEO João Bento emphasized a strategy focused

on acquiring companies with full operational control rather than franchise models, citing the scarcity of opportunities in Spain (Jornal Económico, 2024).

CTT aims to rise its market share to a "high single-digit" level and achieve an EBIT margin in the "mid-to-high single-digit" range. This involves expanding the B2C (Business-to-Consumer) segment through an efficient in-house distribution network and growing its B2B (Business-to-Business) by offering a more competitive business model (Expresso, 2021).

CTT's strategy also focuses on scaling operations to reduce structural costs, improving operational leverage, optimizing pricing, and implementing Iberian-wide productivity initiatives. By leveraging its Portuguese network and pursuing acquisitions in Spain, the company intends to create synergies and provide integrated logistics solutions, ultimately positioning itself as a key player in the Iberian CEP market (ICEX, 2021).

4. Acquisition Target in Spain Presentation

The selection of Sending Transporte y Comunicación, S.A. as CTT's acquisition target is driven by its strong alignment with CTT's strategic objectives and the dynamics of the Spanish logistics market. Founded in 2009, Sending specializes in urgent transportation and logistics across Spain, Portugal, and Andorra, offering 24-hour delivery supported by air and sea routes.

Its scalability, infrastructure, and financial viability make it an optimal choice in a competitive market where larger players like Seur and Correos Express have already been acquired or merged with larger global entities, such as DPD Group or Spain's public postal service. These acquisitions have driven up valuations significantly, making larger companies way more expensive, complex and with slower integration timelines. Furthermore, competing for such entities would involve bidding against logistics giants such as DHL or Amazon Logistics, further inflating acquisition costs and increasing risks. This way, Sending represents a more cost-effective option for CTT.

On the other hand, smaller or niche regional players in Spain lack the scale, operational readiness, and geographic reach to meet CTT's growth objectives. Acquiring such companies would require

additional capital expenditure to build infrastructure, fleet capacity, and service coverage, delaying market penetration and reducing the potential return on investment. Sending, operating in a mid-tier segment, offers the right balance of affordability, scalability, and strategic alignment, enabling immediate market entry without inflated costs or extended timelines.

Operationally, Sending's extensive infrastructure, including 130 delegations, 75,000 square meters of warehousing, and a fleet of 1,500 vehicles, enhances CTT's capacity to handle growing volumes, especially in the expanding e-commerce sector. Integrating Sending into CTT's portfolio offers opportunities to optimize distribution routes, consolidate cross-border operations, and eliminate redundancies within the supply chain. Cost synergies can also be achieved through economies of scale, such as negotiating better rates with suppliers, optimizing fuel usage through improved route planning, and reducing unit delivery costs.

Unlike franchise-based competitors, such as Nacex or MRW, Sending operates under a centralized management model, allowing CTT full control over strategic decisions, operational standards, and customer service. This structure simplifies integration and accelerates the realization of synergies, ensuring a unified operational framework across the Iberian Peninsula.

Strategically, Sending's expertise in last-mile delivery is a critical differentiator, as it aligns directly with CTT's ambition to create an integrated Iberian logistics network. Last-mile delivery is essential for meeting the rising demands of e-commerce clients, both B2B and B2C, and Sending's established operations enable CTT to avoid the time and expense of building a network from scratch.

Moreover, Sending's advanced logistics platforms and tailored business solutions support CTT's commitment to innovation, enabling improvements in tracking systems and customer service. These capabilities, which are difficult to replicate, provide CTT with a competitive edge in delivering reliable and efficient cross-border services while enhancing client satisfaction and retention.

5. Financial Analysis of Sending Transporte

Sending has demonstrated consistent revenue growth, rising from €29.8 million in 2018 to a projected €95.9 million in 2029, with a 6% compound annual growth rate (CAGR) from 2022 onward. This growth aligns with the 3.96% CAGR of the Spanish CEP industry from 2024 to 2029, as estimated by Mordor Intelligence (2024) (Figure 2). The COVID-19 pandemic further accelerated demand for e-commerce and last-mile delivery, driving a 20% revenue increase in 2020. However, this expansion also increased employee expenses by 14% in 2020 and 11% in 2021, driven by growing workforce demands and safety-related expenses, alongside rising operating costs from supply chain disruptions and inflationary pressures. As a result, EBITDA declined from €3.7 million in 2020 to €2.4 million in 2022, while net income dropped from €2.2 million to €1.05 million (Table 1).

Despite such challenges, investments in property, plant, and equipment (PPE) have expanded non-current assets from €2.03 million in 2018 to €7.94 million in 2022, reflecting fleet expansion and infrastructure upgrades (Table 2). This positions the company for immediate scalability, enabling CTT to quickly capitalize in operational synergies.

Current assets, particularly accounts receivable, have also grown in line with sales volume, maintaining liquidity. Sending's long-term liabilities stood at €3.1 million in 2022, and interest expenses are projected to fall from €86,000 in 2022 to €68,000 by 2029, indicating reduced reliance on external financing. Lastly, depreciation and amortization are projected to grow, fuelled by capital expenditures, which peaked at €3.45 million in 2022 (Table 2). Despite cost pressures, strong revenue growth and infrastructure investments position Sending Transporte for future expansion, though improved efficiency and cost control are critical for sustained profitability.

6. Valuation

In mergers and acquisitions, companies are valued using intrinsic or relative valuation methods. For this valuation, both approaches were employed to determine Sending's enterprise value, as it is a

privately held company. The Weighted Average Cost of Capital (WACC) was a key input, reflecting the company's financial structure and market conditions.

Firstly, the cost of debt was derived using a 2.76% risk-free rate, based on Spanish Government's 10-year bond yield, representing the base rate for its primary market. A debt premium of 1.80% was added, calculated as the average credit spread of BBB- rated European corporate bonds and the risk-free rate, resulting in a pre-tax cost of debt of 4.52%.

Further, a target gearing ratio of 10.89% was set based on Austrian Post and Maltapost benchmarks to reflect the industry-aligned proportion of debt in its capital structure. To estimate systematic risk, raw and unlevered betas from DHL Group, International Distribution Services, and MaltaPost were used. These were relevered with Sending's target gearing ratio, adjusted for tax, resulting in a beta of 1.06, which captures its systematic risk as a smaller, privately held company.

Using the Capital Asset Pricing Model (CAPM), Sending's cost of equity was calculated at 10.12%, combining the risk-free rate, a 6.94% market risk premium (sourced from Damodaran), and the beta. Finally, the WACC was determined by weighting the cost of equity and the after-tax cost of debt, yielding a WACC of 9.39%, representing Sending's financing cost and capital structure (Table 5).

Additionally, a long-term growth rate of 2% was applied, reflecting sustainable economic realities in Spain, including the expected long-term GDP growth rate and the European Central Bank's (ECB) 2% inflation target. This ensures the valuation is aligned with nominal growth trends, capturing both real economic expansion and gradual increase in prices due to inflation, grounding it in realistic, sustainable financial assumptions.

6.1. Intrinsic Valuation

The intrinsic valuation of the target was conducted using a Discounted Cash Flow (DCF) approach, projecting the firm's Free Cash Flows (FCFs) (Table 3), and discounting them with the WACC. A terminal value of €24.53 million, based on a 2% perpetual growth rate was added to the sum of the present values of the discounted FCFs, yielding an Enterprise Value (EV) of €23.1 million (Table 4).

6.2. Relative Valuation

The relative valuation of Sending Transporte was based on comparable European logistics companies including Logista Integral SA, CTT Correios de Portugal, Deutsche Post AG, PostNL, Bpost SA, InPost SA, International Distribution Services PLC, and Oesterreichische Post AG, selected for their regional and sector alignment with Sending (Table 6).

Key valuation multiples such as EV/EBITDA, EV/EBIT, and EV/Revenue were derived from the comparable companies (yielding medians of 7.02, 15.02, and 0.64, respectively), and multiplied by Sending's corresponding financials, yielding Enterprise Values (EV) of €17.1 million, €23.12 million, and €41.81 million, accordingly. Due to Sending's smaller margins, profitability-based metrics (EBITDA and EBIT) were deemed more reliable, resulting in an average EV of €20.1 million, aligning closely with the €23.1 million from the intrinsic valuation.

6.3. Cost and Feasibility of Acquisition

To arrive at a final valuation, a weighted approach was applied, assigning 70% to the DCF and 30% to the multiples-based valuation, reflecting DCF's detailed, company-specific focus while grounding the valuation in current market trends. The combined approach resulted in a final Enterprise Value of €22.2 million for Sending (Table 7).

When acquiring a company, the acquiror typically offers a premium over the target's value. For this transaction, a premium of 30% was added, based on industry M&A averages from Bloomberg, and 2% transaction costs, accounting for Sending's smaller size, resulting in a €29.43 million acquisition price. Furthermore, to assess funding options, it was determined that CTT could finance the acquisition entirely through internal cash reserves, as it represents only 24.8% of CTT's €118.9 million liquidity, making the transaction both feasible and cost-effective without requiring external funding.

6.4. Estimation of Synergies

M&A can generate significant synergies through revenue growth, cost reductions, optimized depreciation, streamlined capital expenditures, and improved net working capital, being able to create

post-acquisition value. To model incremental gains, a scenario analysis was used (base, optimistic, and pessimistic), progressing from modest initial gains to larger long-term benefits as integration advances. Revenue synergies are primarily driven by increased market share in Spain's CEP market, with a forecasted combined market share of 10.8% in 2029 (Table 8). Under the base scenario, these synergies were projected to improve revenues by -1.5% to 5% over five years, representing gains from market consolidation, operational efficiency, and expanded customer reach. The optimistic scenario forecasts stronger gains of 3% to 10% from cross-selling opportunities and enhanced competitive positioning, while the pessimistic case declines revenues from 4% to 0%, reflecting potential customer loss and operational disruptions.

Staff costs synergies arise from workforce optimization. The base case for staff costs starts with a 1% increase in year 1, improving to a 5% reduction by year five. While the optimistic scenario projects reductions of 2% to 8%, the pessimistic case anticipates a 4% increase, driven by significant training, onboarding, and restructuring expenses associated with integration, stabilizing at 0% by year 5.

Other operating cost synergies reflect economies of scale and streamlined processes. In the base case, costs decline from 2% in Year 1 to -6% by Year 5. The optimistic case achieves savings of 10%, while the pessimistic scenario sees costs rising 4% in Year 1, stabilizing at 0% by Year 5, driven by unforeseen inefficiencies, higher integration-related expenses and potential efforts duplication.

CapEx synergies arise from reduced investment duplication and infrastructure optimization. Under the base scenario, reductions progress from 1% in Year 1 to -6% by Year 5. The optimistic case projects savings of -15% by Year 5, reflecting strong alignment and efficiency. On the contrary, the pessimistic case sees initial cost increases of 4% in Year 1, improving to 0% by Year 5, reflecting expenses to address redundant infrastructure needs and unanticipated requirements for capital upgrades.

Also, depreciation and amortization synergies reflect streamlined asset usage and optimized schedules. The base case projects gradual reductions from 1% in Year 1, driven by the need to reassess and adapt asset usage and depreciation schedules before stabilizing to -3% by Year 5, while the optimistic case

achieves savings of -10% by Year 5. In the pessimistic scenario, costs increase slightly by 1.5% in Year 1 to a -1% reduction by Year 5.

Lastly, Net Working Capital synergies are linked to improved cash flow management. The base case forecasts incremental changes from 1.5% in Year 1, reflecting difficulties in synchronizing supply chain and payment cycles before reaching -6% by Year 5. Under the optimistic scenario, stronger efficiencies yield savings up to -8% by Year 5, and the pessimistic case assumes initial cost increases of 2% in Year 1, stabilizing to -1% by Year 5 as payment and supply chain cycles synchronize.

6.5. Financial Outcomes: NPV, IRR and Share Price

The incremental cash flows from the acquisition were projected under base (Table 9), optimistic (Table 10), and pessimistic (Table 11) scenarios, complemented by a terminal value to capture long-term synergies.

Under the base case, the acquisition yielded a NPV of €71.7 million and an IRR of 42%, reflecting strong returns by steady synergies. Enterprise value reaches €594 million, equity value rises to €451 million and the share price for the CTT Group excluding the Bank increases to €3.28, reflecting a 1% premium over the pre-acquisition price. These results demonstrate achievable value creation through successful integration. In the optimistic scenario, where synergies exceed expectations, NPV increases to €244 million with a 65% IRR. Enterprise value rises to €766 million, equity value to €623 million and the share price to €4.53, representing a 40% premium, highlighting the transformative potential of successful integration and operational alignment.

However, the pessimistic scenario reflects integration risks and unrealized synergies, resulting in a negative NPV of -€8 million and an IRR of -5%. Enterprise value declines to €515 million, reducing equity value to €372 million and the share price to €2.7, a -17% premium. These results underscore the potential for value erosion if integration costs outweigh benefits or synergies fail to materialize.

7. Conclusion

The valuation of Sending Transporte reveals a strategic opportunity for CTT that extends beyond a simple acquisition. This potential transaction represents a nuanced pathway to transforming CTT's competitive positioning in the Iberian logistics market, leveraging Sending's established operations, advanced logistics expertise and market position to unlock synergies across revenue, costs, and operational efficiencies. While the base and optimistic scenarios highlight strong value creation potential, the pessimistic scenario underscores the risks of poor integration and unfulfilled synergies, consistent with research showing most M&As struggle to create shareholder value due to overestimated synergies and insufficient integration planning.

The combined financial outcomes reinforce the strategic potential of the acquisition but also the importance of meticulous integration management. Ultimately, effective integration will determine whether CTT realizes the synergies and growth potential outlined in the base and optimistic scenarios, or faces value erosion, as seen in the pessimistic scenario of this valuation. By addressing inefficiencies, capturing synergies, and strengthening its market share, CTT can position itself as a leader in the Iberian CEP market and achieve sustainable growth.

8. Appendix

Figure 1. Growth in Spanish CEP market, from 2024 to 2029. *Source: Mordor Intelligence (2024)*

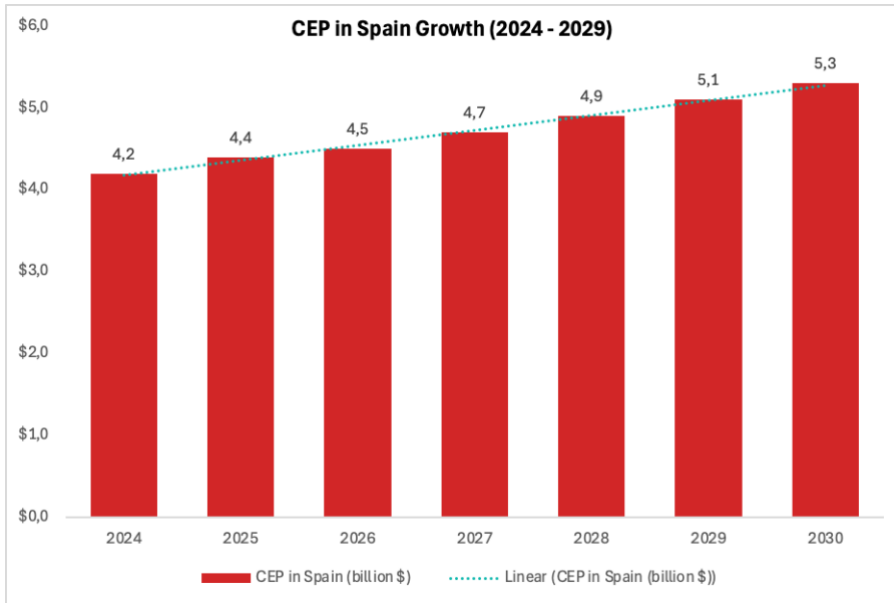


Figure 2. Market Share of Spanish CEP Market Leaders in 2022. *Source: Mordor Intelligence (2024)*

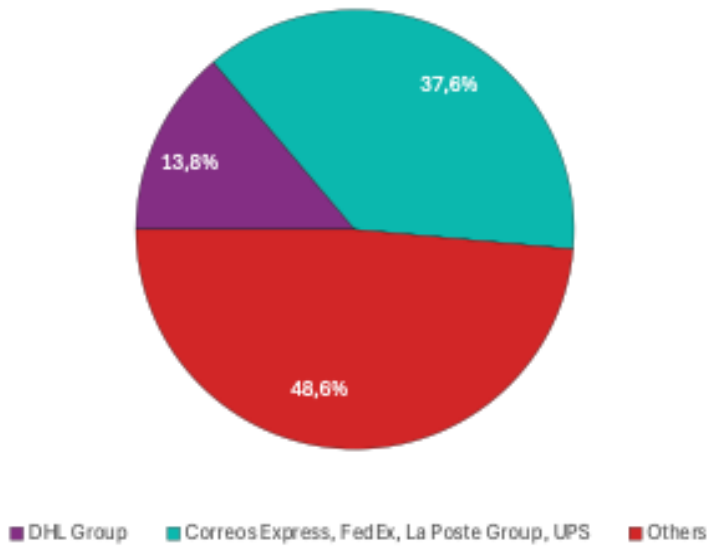


Table 1. Income Statement of Sending (in thousand of euros). *Source: Orbis*

Sending Transporte (thousands of €)	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F	2028F	2029F IGR (2022-2029)	
Total Revenues (Sales)	29.847	36.340	48.701	58.492	65.472	75.959	78.967	82.094	85.344	88.724	92.237	95.890	6%
% growth		22%	34%	20%	12%	16%	4%	4%	4%	4%	4%	4%	
Total Operating Expenses	-28.122	-34.063	-45.002	-55.102	-63.041	-72.045	-75.096	-78.215	-81.477	-84.876	-88.420	-92.116	6%
% growth		21%	32%	22%	14%	14,3%	4,2%	4,2%	4,2%	4,2%	4,2%	4,2%	
Employee costs	-3.611	-4.115	-4.451	-5.206	-5.772	-6.925	-7.397	-7.835	-8.310	-8.812	-9.344	-9.908	
% growth		14%	8%	17%	11%	20%	7%	6%	6%	6%	6%	6%	
number of employees	124	136	148	176	192	223	232	241	250	260	270	281	
% of Revenues	0,4%	0,4%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	
% growth of # employees		10%	9%	19%	9%	16%	4%	4%	4%	4%	4%	4%	
Employee costs per employee	-29	-30	-30	-30	-30	-31	-32	-33	-33	-34	-35	-35	
% growth of #Costs per employee		4%	-1%	-2%	2%	3%	3%	2%	2%	2%	2%	2%	
Other Operating Expenses	-24.511	-29.947	-40.551	-49.896	-57.269	-65.121	-67.700	-70.380	-73.167	-76.065	-79.077	-82.208	
% growth		22%	35%	23%	15%	18,9%	18,9%	18,9%	18,9%	18,9%	18,9%	18,9%	
% of Revenues	82,1%	82,4%	83,3%	85,3%	87%	84,3%	84,3%	84,3%	84,3%	84,3%	84,3%	84,3%	
Efficiency gains with inflation		0,3%	0,9%	2,0%	2,2%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%	
EBITDA	1.725	2.278	3.699	3.390	2.430	3.914	3.871	3.878	3.867	3.848	3.817	3.774	6%
Depreciation & Amortization	-299	-322	-426	-600	-891	-621	-645	-651	-677	-703	-731	-760	
% growth		8%	32%	41%	48%	-30%	4%	1%	4%	4%	4%	4%	
% of PPE & Intangible Assets	-17%	-15%	-13%	-14%	-12%	-12%	-12%	-12%	-12%	-12%	-12%	-12%	
EBIT	1.426	1.955	3.274	2.790	1.539	3.293	3.225	3.228	3.191	3.144	3.086	3.014	10%
Financial results	-29	-31	-41	-38	-86	-63	-62	-62	-61	-61	-59	-58	
% growth		6%	30%	-6%	125%	59%	59%	59%	59%	59%	59%	59%	
Financial income	0,1	0,0	n.a.	12	n.a.	0,1	0,1	0,1	0,1	0,1	0,1	0,1	
Financial expenses	-30	-31	-41	-50	-86	-63	-62	-62	-61	-61	-59	-58	
% of EBIT	2%	2%	1%	2%	6%	2%	2%	2%	2%	2%	2%	2%	
Profit (Loss) Before Taxes	1.397	1.924	3.233	2.752	1.454	3.229	3.163	3.166	3.129	3.084	3.026	2.956	11%
Income Taxes	-464	-572	-1.016	-750	-404	-42.977	-42.094	-42.127	-41.647	-41.042	-40.276	-39.335	
% growth		23%	78%	-26%	-46%	10544%	-2%	0%	-1%	-1%	-2%	-2%	
Net Income	933	1.353	2.217	2.002	1.050	-39.747	-38.931	-38.961	-38.518	-37.958	-37.249	-36.379	-1,3%

Table 2. Balance Sheet of Sending (in thousand of euros). *Source: Orbis and Refinitiv*

Sending Transporte (thousands)	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F	2028F	2029F
Assets												
Non-current assets	2.030	2.540	3.832	4.954	7.942	5.656	5.857	5.902	6.112	6.331	6.558	6.795
L Intangible assets	809	929	1.029	1.204	1.461	1.605	1.668	1.652	1.718	1.786	1.856	1.930
% of Revenues	2,7%	2,6%	2,1%	2,1%	2,2%	2,1%	2,1%	2,0%	2,0%	2,0%	2,0%	2,0%
L PP&E	907	1.160	2.222	3.164	5.816	3.466	3.603	3.664	3.809	3.960	4.116	4.279
% of Revenues	3,0%	3,2%	4,6%	5,4%	8,9%	4,6%	4,6%	4,5%	4,5%	4,5%	4,5%	4,5%
L Other non-current assets	314	451	581	586	665	586	586	586	586	586	586	586
Current assets	9.286	9.779	16.384	18.846	20.513	21.944	22.813	23.716	24.655	25.631	26.646	27.702
L Accounts receivable	8.339	9.594	12.151	13.565	17.935	18.953	19.703	20.483	21.294	22.138	23.014	23.926
Average collection period	25	24	23	21	25	23	23	23	23	23	23	23
L Other current assets	947	185	4.232	5.281	2.578	2.991	3.110	3.233	3.361	3.494	3.632	3.776
% of Revenues	3,2%	0,5%	8,7%	9,0%	3,9%	3,9%	3,9%	3,9%	3,9%	3,9%	3,9%	3,9%
Total assets	11.316	12.319	20.216	23.801	28.455	27.600	28.670	29.618	30.767	31.962	33.205	34.496
Equity												
Shareholders funds	4.992	6.090	8.506	10.607	11.686							
L Capital	4.161	4.161	4.161	4.161	4.161							
L Other shareholders funds	831	1.929	4.345	6.446	7.525							
Liabilities												
Non-current liabilities	20	20	1.295	1.850	3.129							
L Long term debt	20	20	1.295	1.850	3.129							
L Other non-current liabilities	0	0	0	0	0	0	0	0	0	0	0	0
L Of which provisions	0	0	0	0	0	0	0	0	0	0	0	0
Current liabilities	6.304	6.210	10.414	11.343	13.640	15.278	15.883	16.512	17.165	17.845	18.552	19.286
L Loans & short-term debt	1.105	530	282	436	1.267	1.018	1.058	1.100	1.144	1.189	1.236	1.285
% of Revenues	3,7%	1,5%	0,6%	0,7%	1,9%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%
L Creditors	n.a.	0	n.a.	n.a.	0	0	0	0	0	0	0	0
L Other current liabilities	5.199	5.680	10.132	10.908	12.372	14.260	14.824	15.411	16.022	16.656	17.315	18.001
% of Revenues	17,4%	15,6%	20,8%	18,6%	18,9%	18,8%	18,8%	18,8%	18,8%	18,8%	18,8%	18,8%
Total liabilities	6.324	12.319	20.216	23.801	28.455							
CAPEX		575	1.488	1.542	3.542	-1.729	783	711	822	854	888	923
Net Working Capital	2.982	3.569	5.969	7.503	6.874	6.666	6.930	7.204	7.490	7.786	8.095	8.415

Table 3. Map of Free Cash Flows

<i>in thousands of €</i>	2024	2025	2026	2027	2028	2029
Revenues	78.967	82.094	85.344	88.724	92.237	95.890
% growth		4%	4%	4%	4%	4%
Costs	-75.096	-78.215	-81.477	-84.876	-88.420	-92.116
% growth		4%	4%	4%	4%	4%
EBITDA	3.871	3.878	3.867	3.848	3.817	3.774
% margin	5%	5%	5%	4%	4%	4%
- Depreciation & Amortization	-645	-651	-677	-703	-731	-760
EBIT	3.225	3.228	3.191	3.144	3.086	3.014
Income Taxes	-806	-807	-798	-786	-771	-753
+ Depreciation & Amortization	645	651	677	703	731	760
Gross CFs	3.064	3.072	3.070	3.062	3.046	3.020
- CAPEX	-783	-711	-822	-854	-888	-923
% growth		-9%	15%	4%	4%	4%
- Δ in NWC	-264	-274	-285	-297	-308	-321
% growth		4%	4%	4%	4%	4%
FCF	2.018	2.086	1.963	1.911	1.849	1.777

Table 4. Discounted Cash Flows (DCF) Valuation

<i>in thousands of €</i>	2025	2026	2027	2028	2029
FCFs	2.086	1.963	1.911	1.849	1.777
Terminal Value					24.521
PV of the CFs	1.907	1.640	1.460	1.291	16.788
Enterprise Value	23.087				

Table 5. WACC calculation

WACC Parameters	
Risk-Free Rate	2,76%
Debt Premium	1,84%
Beta	1,06
Market Risk Premium	6,94%
Gearing	10,89%
Tax Rate	25%
Cost of Equity (Re)	10,12%
Cost of Debt (Rd)	4,60%
WACC pre-tax	9,39%

Table 6. Comparable Companies Multiples Valuation. *Source: Refinitiv*

Identifier (GRID_REPORT.RIC)	Company Name	EV/EBITDA (2022)	EV/EBIT (2022)	EV/Total Revenue (2022)
LOG.MC	Logista Integral SA	2,05	2,85	0,09
CTT.LS	CTT Correios de Portugal SA	12,54	20,59	2,63
DHLn.DE	Deutsche Post AG	7,16	12,53	0,91
PTNL.AS	PostNL NV	4,28	12,05	0,37
BPOST.BR	Bpost SA	2,93	9,37	0,32
INPST.AS	InPost SA	12,88	22,45	3,93
IDSI.L	International Distribution Services PLC	6,88	54,87	0,31
POST.VI	Oesterreichische Post AG	7,72	17,51	0,94
	Peers Median	7,02	15,02	0,64
	Peers Average	7,06	19,03	1,19

Table 7. Target Company Weighted Enterprise Value

Valuations	Weights	Enterprise Value
DCF	70%	16.161
Multiples	30%	6.028
Total	100%	22.189

Table 8. Market Share Increase. *Source: Mordor Intelligence (2024)*

	2024	2025	2026	2027	2028	2029
Market Share Increase						
CEP in Spain (billions of \$) 2023	4,2	4,37	4,54	4,72	4,91	5,10
Conversion from \$ to € (1,1\$ = 1€)	3,82	3,97	4,13	4,29	4,46	4,64
CEP in Spain (thousand of €) 2023	3.818.182	3.969.375	4.126.554	4.289.958	4.459.833	4.636.434
Sending Transporte market share in CEP Spain	2,07%	2,07%	2,07%	2,07%	2,07%	2,07%
CTT Express market share in CEP Spain 2023	7,54%	8,20%	8,34%	8,47%	8,61%	8,74%
Estimated CTT's market share in Spain with acquisition	9,61%	10,27%	10,40%	10,54%	10,67%	10,81%

Table 9. Base Scenario: Map of FCFs

<i>in thousands of €</i>	2025	2026	2027	2028	2029
Incremental Revenues	80.862	84.918	90.498	95.004	100.684
% growth		5%	7%	5%	6%
Incremental Costs	-79.701	-81.435	-83.647	-85.070	-86.688
% growth		2%	3%	2%	2%
EBITDA	1.161	3.482	6.851	9.934	13.996
% margin	1%	4%	8%	10%	14%
Incremental Depreciation & Amortization	-657	-677	-696	-717	-737
EBIT	504	2.806	6.155	9.217	13.259
Income Taxes	-126	-701	-1.539	-2.304	-3.315
+ Depreciation & Amortization	657	677	696	717	737
Gross CFs	1.035	2.781	5.313	7.630	10.682
CAPEX	-719	-822	-841	-853	-868
% growth		14%	2%	1%	2%
Δ in NWC		-177	-141	-140	-139
% growth			-21%	0%	-1%
Incremental FCF	317	1.782	4.330	6.637	9.674
Terminal Value					133.514

Table 10. Optimistic Scenario: Map of FCFs

<i>in thousands of €</i>	2025	2026	2027	2028	2029	
Incremental Revenues	84.556		89.185	94.047	99.616	105.479
% growth			5%	5%	6%	6%
Incremental Costs	-75.947		-78.301	-79.960	-81.533	-83.102
% growth			3%	2%	2%	2%
EBITDA	8.609		10.884	14.088	18.083	22.376
% margin	10%		12%	15%	18%	21%
Incremental Depreciation & Amortization	-638		-643	-647	-658	-684
EBIT	7.972		10.241	13.441	17.425	21.692
Income Taxes	-1.993		-2.560	-3.360	-4.356	-5.423
+ Depreciation & Amortization	638		643	647	658	684
Gross CFs	6.616		8.324	10.727	13.727	16.953
CAPEX	-676		-760	-769	-781	-785
% growth			12%	1%	2%	0%
Δ in NWC			-202	-207	-212	-133
% growth				2%	2%	-37%
Incremental FCF	5.941		7.362	9.752	12.733	16.036
Terminal Value						221.305

Table 11. Pessimistic Scenario: Map of FCFs

<i>in thousands of €</i>	2025	2026	2027	2028	2029
Incremental Revenues	78.810	82.784	86.062	90.392	95.890
<i>% growth</i>		5%	4%	5%	6%
Incremental Costs	-81.344	-83.921	-86.574	-89.304	-92.116
<i>% growth</i>		3%	3%	3%	3%
EBITDA	-2.534	-1.137	-511	1.088	3.774
% margin	-3%	-1%	-1%	1%	4%
Incremental Depreciation & Amortization	-661	-683	-703	-731	-753
EBIT	-3.195	-1.821	-1.215	357	3.021
Income Taxes	799	455	304	-89	-755
+ Depreciation & Amortization	661	683	703	731	753
Gross CFs	-1.735	-682	-208	999	3.019
CAPEX	-740	-846	-871	-897	-923
<i>% growth</i>		14%	3%	3%	3%
Δ in NWC		-179	-259	-308	-236
<i>% growth</i>			45%	19%	-23%
Incremental FCF	-2.475	-1.707	-1.338	-206	1.859

Table 12. Integration of Sending into CTT's Share Price (in thousand of €)

	Base Scenario	Optimistic Scenario	Pessimistic Scenario
NPV	71.712	278.674	-5.948
IRR	42%	69%	-4%
CTT exc. Bank Enterprise Value	522.475	522.475	522.475
CTT Enterprise Value after acquisition	594.187	801.149	516.527
CTT Excess Cash after acquisition	89.471	89.471	89.471
CTT Net Debt after acquisition	143.314	143.314	143.314
CTT Equity Value after acquisition	450.873	657.835	373.213
CTT exc. Bank New Share Price	3,28	4,78	2,71
<i>Premium</i>	<i>1%</i>	<i>47%</i>	<i>-16%</i>

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