

CTT

(CTT PL)

Buy

Price Target: € 4.10

9 meetings, 17 investors

[Last report](#)

- ▶ **New regulation:** CTT will be aiming at creating a more predictable and rational regulatory framework. The expected required level of capillarity should not impair the cost cutting plan. In the meantime, the formula of price revision (Mail) indicates up to 3% increase for 2020 vs less than 2% in 2019.
- ▶ **Guidance:** no changes, expected to reach between €100mn and €105mn EBITDA in FY19.
- ▶ **Banco CTT:** Intention to keep retail bank profile although exploring the increase of mass market products (incl. the recently launched PPR reaching c5% market share of new sales). No credit events in mortgage so far. 1.5% market share in new mortgage production. Not looking for any new significant acquisitions. Company recognized that the majority of the market is still attributing zero value to CTT banco. EBITDA Breakeven to be achieved in 2H19.
- ▶ **Retail savings certificates:** The president of IGCP (Portuguese Credit agency) recognized in a macro meeting at our conference that the interest offered by IGCP retail saving products are well above the rate offered by retail banks at competing products, although it is not expected an interest cut in those products in the ST. We recall that those retail saving products are mainly placed through CTT branches with the company collecting an interesting fee for those placements.
- ▶ **Real Estate:** the company is analyzing several different scenarios to unlock what they considered to be a significant hidden value in some of CTT real estate (including real estate used in the normal operations of the company).
- ▶ **E&P in Spain:** Tourline has a new CEO that is finalizing a turnaround plan with targets for the next 18-24 months. CTT aims to increase control over the service level and gain scale in B2C. Loss of Amazon contract impact to soften yoy in 4Q as volumes started to decline significantly already in 4Q18.
- ▶ **E&P Portugal:** Penetration of E&P in the country is below average. Likely entrance of Amazon could be a very positive for the market.
- ▶ **Mail:** CTT is gradually being able to deliver what is considered a sustainable cut in costs. Elections in Portugal to allow for a material one-off boost in volumes in September. Still, digitalization trend in big client sectors and RGPD have been hitting volumes further. Drop this year could be slightly worse than the low point guidance of (-8%, -6%).
- ▶ **New chief sales officer** (step in this week) – previously at PT, with a good track record.]