Privatisation of the Portuguese postal operator

SUMMARY

The Portuguese Government approved the conditions for the privatisation of up to 70% of CTT - Correios de Portugal, S.A. (**CTT**), the Portuguese postal operator. The privatisation will consist of an IPO combined with a direct sale to banking institutions with CTT's employees benefiting from a call option regarding 5% of the shares.

CONTACTS

António de Macedo Vitorino
avitorino@macedovitorino.com

André Dias
adias@macedovitorino.com

In September 2013, the Portuguese Government approved the privatisation of CTT, the Portuguese postal operator, by way of an IPO combined with a direct sale to banking institutions.

Although a direct sale to investors had been contemplated and several players disclosed their interest and formed consortia to bid (*e.g.* Montepio Geral and Rangel Grup, Correios do Brasil and Paulo Fernandes, Urbanos and an Arab fund, Apax and other investment funds), the Government chose to sell the shares through an IPO, following the successful IPO of Royal Mail carried out in the United Kingdom.

The Government has recently approved Resolution 62-A/2013, of 11 October 2013, which set out the terms and conditions of the IPO as well as the tender specifications for the direct sale to banking institutions.

Under Decree-Law 129/2013, of 6 September 2013, the Government established that the privatisation could comprise up to 100% of CTT. However, it has now decided to undertake a two-stage privatisation procedure: in a first stage the Government will privatise up to 70% with the remaining 30% being privatised in a second stage to be determined by the Government.

CTT's employees will have an option to purchase up to 5% of the CTT's shares at a discount, these shares being subject to a 90-day lock-up period.

One of the most relevant aspects of the IPO will be the apportionment criteria. Pursuant to Resolution 62-A/2013 the investors filing their purchasing orders no later than the 5th business day before the expiration of the offer period will benefit from higher apportionment criteria than the orders filed afterwards, in a percentage of 100%, save if these orders may be satisfied with a lower percentage. This means that the orders filed in the last four business days of the offer will only be, fully or partially, satisfied if there are any remaining shares to be distributed.

The shares that are not included in the IPO or that are not purchased will be subject to a direct sale procedure to banking institutions. Clawback and clawforward mechanisms will be implemented so that (i) a larger number of shares may be included in the IPO if the demand is larger than the supply, by reducing the number of shares subject to the direct sale to the banking institutions and (ii) a larger number of shares may be subject to the direct sale to the banking institutions if the demand is larger than supply or to the extent the shares offered in the IPO are not purchased.

The tender specifications for the direct sale provides that the banking institutions will be selected taking into account their ability to place the shares in the national and international markets. The subsequent sale procedure will be agreed between Parpública and the banking institutions and must follow the international practices of prospecting investment's intentions.

Although the date for the launching of the IPO and the relevant subscription period are not yet known, it is the Government's intention to complete the privatisation in December 2013.