



1st Quarter Results, 2019

Matosinhos, 15th May 2019

Sonae MC's new perimeter
Proforma unaudited figures
reported according to IFRS 16

01.

Highlights

- **Strong turnover growth outperforming the market**, benefiting from sound like-for-like sales delivery, fast-paced expansion and increased scale following Arenal acquisition
- **Stable underlying EBITDA margin on the back of a buoyant operating performance**, driving a consistent improvement in bottom line profitability
- **Solid financial profile despite a high level of investments in the future**, destined to new store openings and selective refurbishments, as well as strategic acquisitions

Message from the CEO | Luís Moutinho

“With a favourable top line performance and a healthy earnings development, we have had an encouraging start to the year, despite a very challenging backdrop. Our growth agenda is on track, with another quarter of positive like-for-like sales and new space contribution, making us once again proud, with the momentum in the business.

These excellent results mean we continue to have the right strategy in place coupled with a disciplined execution, and that we are running day-to-day operations in a way that puts the customer at the heart, while creating a more resilient and agile organization for the future.

Profitable growth acceleration remains our number one priority going forward, representing the best way to ensure long term sustainability. In doing so, we will be well placed to deliver on our vision to continue leading retail transformation.”



Fresh food counter at a Continente store

02.

Operational and Financial Performance

TURNOVER (€m)	1 st Quarter			
	2018	2019	Δ y.o.y.	Δ LFL
Total Sonae MC	975	1,048	7.4%	1.1%
Hypermarkets	371	369	-0.6%	-0.5%
Supermarkets	470	497	5.8%	1.3%
New Growth Businesses & Others	134	182	35.5%	8.1%

- Despite a negative calendar effect, with Easter falling later than it did in the previous year, the first three months of 2019 unrolled within a positive consumption environment and a relatively low food inflation rate (circa +0.9%¹), supporting food retail sales steady evolution in the quarter.
- For Sonae MC, the first quarter of the year was a period of relevant top-line growth (+7.4%). Turnover increased to €1,048m (+€72m above historical figures), which enabled the Company to improve its market leadership in the period. This favourable performance was underpinned by:
 - The Company's positive LFL evolution in Q1 2019, which evidenced an increase in transacted volumes.** This solid result was delivered across almost all formats (except for hypermarkets, which were more affected by the abovementioned negative calendar effect), with a strong contribution from proximity supermarkets and perishables. Excluding the Easter effect all formats posted favourable LFL growth. Also, worth highlighting the performance of the e-commerce business, which recorded double-digit sales growth (as well as in number of customers and orders), and the healthy momentum in new growth businesses, with vibrant sales development ensuring the continuity of leading positions in each individual market.
 - The steady advancement in Sonae MC's expansion efforts, with +14 company operated stores opened** (of which +1 Continente Modelo and +3 Continente Bom Dia stores), corresponding to about +8 thousand sqm. of additional sales area, as the Company continued capturing white space opportunities in underpenetrated metropolitan areas.
 - The completion of Arenal's acquisition, reinforcing Sonae MC's position in the Health & Wellness segment,** one of its main strategic development pillars. The post-acquisition integration proceeded according to plan and the Company remains focused on delivering the expected synergies and deploying the expansion program. Furthermore, Arenal has shown a positive start to the year, with a strong turnover performance.

¹Source: Portugal's National Statistics Institute.

- Top line performance also encompassed an ongoing focus on the core value proposition fundamentals in an attempt to meet the rapidly evolving customer preferences and tastes, namely through the reinforcement of the Company price position together with more relevant and timely promotions, the launch of innovative own brand products rising Sonae MC's private label market share, and the improved quality across key fresh categories coupled with decreased shrinkage. Furthermore, Sonae MC benefited from the trustworthiness and confidence of its brands among consumers, which continued to deliver record-breaking top of mind awareness in the first three months of the year.

CONSOLIDATED RESULTS (€m)	1 st Quarter		
	2018	2019	Δ y.o.y.
Turnover	975	1,048	7.4%
Underlying EBITDA	75	81	8.1%
<i>as % of turnover</i>	<i>7.7%</i>	<i>7.7%</i>	<i>0.0 p.p.</i>
D&A – Fixed assets	-36	-37	3.4%
D&A – Right-of-use	-16	-19	14.7%
Underlying EBIT	23	26	10.7%
<i>as % of turnover</i>	<i>2.4%</i>	<i>2.4%</i>	<i>0.1 p.p.</i>
Net financial activity – Financing	-4	-4	-
Net financial activity – Leasing ²	-13	-15	-
Other investment income	0	0	-
Non-recurring items	0	0	-
Equity method	0	0	-
EBT	6	7	18.5%
Income tax	2	3	-
Minorities	0	0	-
Net profit (from continuing operations)	8	10	27.7%

- From Q1 2019 onwards, Sonae MC started reporting according with IFRS 16, which affects the overall presentation of the income statement, as rental charges were replaced by depreciation (on right of use asset) and interest (on lease liability).
- The positive turnover momentum together with productivity gains from the reconfiguration of the operating model and strict cost-control measures, resulted in a resilient underlying operating performance, offsetting the pressure from the very challenging business context and the high investments in the ongoing expansion program. The Company's underlying EBITDA increased +€6m, to reach €81m, which corresponded to a stable 7.7% underlying EBITDA margin.

² Interest on lease liability.

- For the first quarter of the year, net profit from continuing operations totalled €10m, a +€2m change versus the same period last year. This result was achieved based on solid trading performance and world class operational profitability.

CASH-FLOW (€m)	1 st Quarter		
	2018	2019	Δ y.o.y.
Underlying EBITDA	75	81	8.1%
Fixed rents	-24	-29	21.9%
Change in working capital ³	-171	-85	-50.3%
Gross capex	-56	-131	135.1%
<i>Maintenance & Optimisation</i>	-34	-23	-
<i>Expansion</i>	-21	-26	-
<i>Acquisitions⁴</i>	-1	-82	-
Income tax and financial interest	-2	0	-
Free cash flow	-178	-164	-7.5%
Cash conversion⁵	34.0%	56.3%	+22.3 p.p.

- Free cash flow amounted to -€164m in the quarter, a +€13m increase comparing with the first three months of 2018, mostly reflecting the higher level of investment in acquisitions in the current period and working capital seasonal effects. This performance led to a cash conversion⁵ ratio of 56.3% (+22.3 p.p. vs. Q1 2018).
- By the end of March, the Company had invested €131m, of which €82m concerned acquisitions⁴, including Arenal, and also Dr. Well's and Skinerie (that were brought into Sonae MC's new reporting perimeter in January 2019). The remaining investment amount in this period was related with store maintenance and optimisation (€23m), critical to improve sales productivity of stores, and with expansion of the store network (€26m), reflecting the importance of Sonae MC's store opening program.
- As there were no sale & leaseback transactions completed in the first quarter, Sonae MC's freehold real estate ownership ratio stood at 44% as of March 2019, reflecting a minor -1 p.p. change versus December 2018, mainly due to the impact of Arenal's acquisition.

³ Includes impacts from the changes in perimeter that occurred during 2018.

⁴ Includes both the equity stake and the assumed debt.

⁵ Underlying EBITDA less fixed rents, less maintenance and optimisation capex, as percentage of (underlying EBITDA less fixed rents).

CONSOLIDATED BALANCE SHEET (€m)	1 st Quarter		
	2018	2019	Δ y.o.y.
Net fixed assets	1,502	1,536	2.3%
Leased assets right-of-use	696	819	17.7%
Goodwill and financial investments	467	516	10.6%
Working capital	-466	-518	11.1%
Invested capital	2,199	2,354	7.1%
Shareholders' funds	614	682	11.0%
Lease liabilities	762	902	18.4%
Net financial debt	823	771	-6.3%
Sources of financing	2,199	2,354	7.1%
Total net debt⁶ / Underlying EBITDA	4.0x	3.9x	-
Net financial debt / Underlying EBITDA (pre-IFRS 16)	2.7x	2.4x	-

- Under IFRS 16, Sonae MC recognised on the balance sheet a new right-of-use asset of €819m and a new lease liability of €902m, equivalent to the present value of future lease payments.
- At the end of the first quarter, invested capital totalled €2,354m, up by +€156m when compared with March 2018. This result was mainly driven by acquisitions in the last quarter and the store portfolio expansion undertaken over the last twelve months, as well as seasonal working capital contribution.
- As of March 2019, Sonae MC presented a solid balance sheet that was strengthened during the quarter, as net debt stood at €771m, below historic figures, despite the abovementioned relevant investment efforts. Since the end of 2018, Sonae MC refinanced approximately €200m in long term facilities, which enabled the Company to secure a comfortable average maturity profile of around four years and fulfill the objective of being fully financed for the next eighteen months. In the same period, the Company improved its general funding conditions and was able to maintain a low average cost of debt of around 1.0%.
- Total net debt⁶ in relation to underlying EBITDA at the end of the period was 3.9x which compares to 4.0x at the end of last year's first quarter. On a pre-IFRS 16 basis, this ratio was 2.4x (versus 2.7x in the same period last year). As for the full year, the Company expects this ratio to stay in line with its medium-term target of around 2x (pre-IFRS 16).

⁶ Total net debt equals net debt plus lease liabilities.

03.

Outlook

- Sonae MC continues to foresee a supportive consumption backdrop in the near term. Although the outlook is favourable, caution should prevail ahead of risks from ongoing macroeconomic and geopolitical events (such as Brexit or the trade war between the US and China) and evolving competitive trading conditions.
- Bearing this in mind, the promising start to the year reinforces Sonae MC's confidence in its ability to tackle potential hurdles and exploit opportunities in the quarters ahead, drawing benefits from its current strategic execution momentum.
- Therefore, looking forward, the Company restates its ambitions and will remain firmly on track to deliver its economic and financial priorities.

04.

Other Events

- In 2017, Modelo Continente Hipermercados, S.A. (MCH) was subject to a search and/or seizure of digital and paper documents by the Portuguese Competition Authority (Autoridade da Concorrência – AdC), as part of an investigation that was publicly reported by AdC as involving 21 entities in the fast-moving consumer goods retail sector (e.g. hypermarkets, supermarkets, hard-discounts and their suppliers).

On March 22, 2019, in the context of the aforementioned investigation, AdC published on its website that it issued Statements of Objections to MCH, regarding alleged anticompetitive practices. The Statements of Objections do not represent the final outcome of the investigation, but a provisional phase that is still subject to the exercise of the right of defence of MCH. These Statements of Objections are being analysed with the utmost rigor and care, given that MCH will not waive its rights, namely its right of defence in a proper time and manner.

- Considering the net profit from continuing operations for the fiscal year 2018 and based on Sonae MC's dividend policy, Sonae MC's Shareholders approved the payment of a gross dividend of €75.000.000, corresponding to €0.075 per share, proposed by the Board of Directors. This dividend implies a pay-out ratio of 49% of the net profit from continuing operations attributable to Sonae MC's shareholders.

A.

Store Network

Nº OF STORES	2018	2019			Mar 31 st
	Dec 31 st	Openings	Acquisitions	Closures	
Total Sonae MC	1,108	22	49	-22	1,157
Total Company Operated	758	14	49	-3	818
Continente	41	0	0	0	41
Continente Modelo	126	1	0	0	127
Continente Bom Dia	107	3	0	0	110
Well's	213	4	0	0	217
Arenal	0	0	41	0	41
Bagga	132	1	0	-2	131
Note!	53	1	0	0	54
Zu	15	1	0	0	16
Go Natural supermarkets	10	0	0	0	10
Go Natural restaurants	28	1	0	-1	28
Maxmat	31	0	0	0	31
Dr. Wells	0	2	8	0	10
Other	2	0	0	0	2
Total Franchised	350	8	0	-19	339
Continente Modelo	9	0	0	0	9
Meu Super	298	6	0	-18	286
Well's	29	0	0	0	29
Bagga	7	0	0	0	7
Go Natural restaurants	1	2	0	0	3
Note!	6	0	0	-1	5

SALES AREA ('000 SQM.)	2018	2019			
	Dec 31 st	Openings ⁷	Acquisitions	Closures	Mar 31 st
Total Sonae MC	853	10	25	-3	884
Total Company Operated	776	8	25	0	808
Continente	276	0	0	0	276
Continente Modelo	260	2	0	0	263
Continente Bom Dia	133	4	0	0	137
Well's	21	0	0	0	22
Arenal	0	0	23	0	23
Bagga	8	0	0	0	8
Note!	10	0	0	0	10
Zu	2	0	0	0	2
Go Natural supermarkets	2	0	0	0	2
Go Natural restaurants	2	0	0	0	2
Maxmat	61	0	0	0	61
Dr. Wells	0	0	1	0	2
Other	1	0	0	0	1
Total Franchised	77	2	0	-3	76
Continente Modelo	20	0	0	0	20
Meu Super	53	1	0	-3	51
Well's	2	0	0	0	2
Bagga	0	0	0	0	0
Go Natural restaurants	0	1	0	0	1
Note!	1	0	0	0	1

FREEHOLD (END OF PERIOD)	2018				2019
	Mar 31 st	Jun 30 th	Set 30 th	Dec 31 st	Mar 31 st
Total Sonae MC	49%	49%	48%	45%	44%

⁷ Includes changes in sales area resulting from store optimisation initiatives.

B.

Glossary

Turnover: total revenue from sales and services rendered

LFL sales (Like for Like sales): sales from owned stores that operated under the same conditions in comparable months in both the current period and the prior comparative period, and excludes stores opened, closed or that underwent major upgrade works in one of the periods

Hypermarkets: mainly Continente and Continente Online banners

Supermarkets: mainly Continente Modelo and Continente Bom Dia banners

New growth businesses & Others: mainly Meu Super, Well's, Go Natural, Bagga, Note!, Zu and Maxmat banners. From 2019, it includes Arenal and Dr. Well's banners. It also includes the real estate component that owns the assets and rents them out to third-parties

EBITDA: EBIT before depreciation and amortisation expenses, provisions and impairments losses, gains/losses on the disposal of subsidiaries, losses on the disposal of assets and gains on sales of assets excluding non-recurring items

Underlying EBITDA: EBITDA excluding non-recurring items

Underlying EBITDA margin: underlying EBITDA as percentage of turnover

D&A: depreciations, amortisations, provisions and impairments

Fixed rents: rental costs from leased real estate assets

EBIT: profit before interest tax, dividends and share of profit or loss of joint ventures and associates

Underlying EBIT: EBIT excluding non-recurring items

Underlying EBIT margin: underlying EBIT as percentage of turnover

Non-recurring items: net capital gains/losses on the sale & leaseback transactions of real estate assets

Change in working capital: working capital variation from one period to another

Gross capital expenditure ("Gross capex"): maintenance capex, plus optimisation capex, plus expansion capex, plus acquisitions capex

Maintenance capital expenditure ("Maintenance capex"): investments to maintain and refurbish existing stores, as well as investments in non-store areas such as IT, warehousing, logistics and e-commerce

Optimisation capital expenditure ("Optimisation capex"): investments to significantly change existing stores customer experience. This type of investment goes beyond a typical shop refurbishment

Expansion capital expenditure ("Expansion capex"): investments to open new stores in the period (including associated real estate investments)

Acquisitions capital expenditure (“Acquisitions capex”): integration of companies/businesses acquired in the period, including the assumed financial debt

Sale-and-leaseback divestments: net book value of retail properties sold in sale-and-leaseback transactions

Net capital expenditure (“Net capex”): gross capex less sale-and-leaseback divestments

Working capital: inventories, trade creditors and trade debtors and other current assets and current liabilities (excluding loans obtained from non-controlling interests, items included in the computation of net debt and Shareholders attributed dividends)

Net financial debt: loans, bonds and other loans, leases and derivatives less cash and bank balances and other current investments

Total net debt: net financial debt plus lease liabilities

Free cash flow: underlying EBITDA, less fixed rents, less income tax expense and net capital expenditure, less change in working capital, plus other items (non-recurring items, share of profit or loss of joint ventures and associates, non-controlling interests and dividends received during the year)

Cash conversion: underlying EBITDA less fixed rents, less maintenance and optimisation capex, as percentage of (underlying EBITDA less fixed rents)

Freehold: stores sales area ownership in percentage of total stores sales area (end of period figures)

Sqm.: square meters

Net fixed assets: property, plant and equipment and intangible assets

Goodwill and financial investments: goodwill, investments in joint ventures and associates and other non-current investments

Shareholders’ funds: equity attributable to owners of the company and non-controlling interests

C.

Financial Calendar

August 21st, 2019

Results for the 6 months ending 30 June 2019

November 13th, 2019

Results for the 9 months ending 30 September 2019

Safe Harbour

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that should not be regarded as historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, industry and economic conditions; and the effects of competition. Forward-looking statements may be identified by words such as "believes," "expects," "anticipates," "projects," "intends," "should," "seeks," "estimates," "future" or similar expressions.

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