



Full year results, 2018

Matosinhos, 26th February 2019

Sonae MC's new perimeter
Proforma unaudited figures

01.

Highlights and Key Figures

- **Turnover in the full year reached €4,308m**, with a sound **+6.2% total growth** (+3.0% in LFL) that was the **highest** yearly increase **over the last decade**. This performance was significantly **above total market growth**, thus reinforcing **Sonae MC's leadership position**.
- **Net profit from continuing operations totalled €151m** (a **+31.3% growth**), drawing benefit from positive trading and resilient operational margin performance.
- **Underlying EBITDA increased to €318m** (ensuring a stable best-in-class **7.4% margin**), with the Company continuing to **adapt its value proposition and realising efficiencies**, offsetting both market cost pressures and the maturing profile of the ongoing store opening program.
- **Gross capex amounted to €241m**, of which **€146m** concerned **store maintenance and optimisation** and **€95m** was related with the **expansion of the store portfolio**.
- **74 new Company operated stores opened** (+68 net additions), corresponding to an **increase of circa +28k square meters in sales area**. At the year-end, Sonae MC's total store network comprehended **1,108 stores nationwide** (approximately 853k square meters).
- Investments were partly financed with the completion of **two sale & leaseback transactions of six retail assets**, corresponding to a **book value of €40m** and **capital gains of €37m**.
- **Year-end net debt amounted to €607m**, -6.0% comparing with the €645m figure in 2017, with the Company maintaining a **solid capital structure**.

Message from the CEO | Luís Moutinho

"We are very pleased to report a remarkable year for Sonae MC, with marked improvements in all key indicators that enabled us to achieve a winning performance in the sector, thanks to strong sales development, a sustained world-class profitability and a strengthened financial profile.

In a business environment that remains highly competitive, we believe we have the right strategy to address our customers' expectations, coupled with a disciplined execution, delivering a unique value proposition while operating in a leaner way.

It is time to look forward with a renewed ambition, maintaining our execution momentum and striving to stay at the forefront of retail transformation, in order to continue creating long-term value for all our stakeholders."

02.

Operational and Financial Performance

TURNOVER (€m)	Full year			
	2017	2018	Δ y.o.y.	Δ LFL
Total Sonae MC	4,055	4,308	6.2%	3.0%
Hypermarkets	1.590	1.622	2.0%	2.7%
Supermarkets	1.914	2.076	8.5%	2.9%
New Growth Businesses & Others	551	609	10.6%	5.5%

- In 2018, the Portuguese consumption environment remained positive, benefiting from consumers' high levels of confidence, the gradual improvement of labour market conditions and increasing disposable household income.
- Sonae MC's turnover totalled €4,308m, +6.2% above the previous year and its highest yearly growth in the last ten years. The Company grew above the market and continued consolidating its leadership position, as customers engaged with its brands, recognising improvements in both quality and value, and boosted foot store traffic.
- This positive turnover evolution was driven by a solid LFL growth of +3.0%, significantly above a 0.7% inflation (as measured by Portugal's National Statistics Institute), and the highest performance since 2007, as well as by the strong expansion efforts, mainly in the fast-growing proximity segment, which is expected to drive food retail growth in the mid-term.
- All formats have demonstrated their ability to satisfy customers' shopping missions and presented a positive LFL growth, with the Supermarkets segment exceeding the overall food retail's performance, namely through the Continent Bom Dia banner.
- Health & Wellness remained a major lever of development, mainly through organic initiatives implemented during the year (for example, the opening of 22 new company operated Well's stores). Additionally, the acquisition of a 60% stake in Arenal, a Spanish retailer of parapharmacy and perfumery (which was completed in January 2019), was a key step in the internationalisation of this business and opens new prospects for future growth.
- The period was further marked by strengthened leadership in digital, with the e-commerce business showing a double-digit growth in the full year, driven by more customers adhering to the Company's online offerings and increasing average spending, on the back of an increasingly efficient and effective supply chain.

CONSOLIDATED RESULTS (€m)	Full year		
	2017	2018	Δ y.o.y.
Turnover	4,055	4,308	6.2%
Underlying EBITDAR	395	421	6.6%
<i>as % of turnover</i>	9.7%	9.8%	+0.1 p.p.
Fixed rents	-94	-102	8.3%
Underlying EBITDA	301	318	5.9%
<i>as % of turnover</i>	7.4%	7.4%	0.0 p.p.
D&A	-142	-160	13.2%
Underlying EBIT	159	158	-0.5%
<i>as % of turnover</i>	3.9%	3.7%	-0.2 p.p.
Non-recurring items	11	35	-
Equity method	-6	0	-
Net financial activity	-17	-13	-
EBT	147	180	22.0%
Income tax	-30	-26	-
Minorities	-3	-3	-
Net profit (from continuing operations)	115	151	31.3%

- Overall, 2018 was a year of continuous effort in the enhancement of the core value proposition. Strategic execution remained on track and is delivering encouraging results, namely, in optimising value perception through competitive prices and effective promotions, in improving quality across key fresh categories and in developing a distinctive own brand assortment with new lines launched.
- Underlying EBITDAR reached €421m and stood at 9.8% of turnover (+0.1p.p. vs. 2017), despite the persistently competitive backdrop and the high investments in the ongoing expansion program. This positive performance reflects a sound top-line delivery and an ongoing focus on operational excellence, namely in cost discipline and organisational transformation.
- Underlying EBITDA margin remained stable in the period, at 7.4% of turnover, notwithstanding an increase in fixed rents due to the full year impact of sale & leaseback transactions completed in 2017.

- Net profit from continuing operations amounted to €151m, a +€36m change versus 2017, driven by the solid operational performance, but also influenced by the negative effect of a +€19m increase in D&A associated with the investment program, and the recognition of €35m non-recurring items that were mainly related to capital gains from the two sale & leaseback transactions completed in the fourth quarter.

CASH-FLOW (€m)	Full year		
	2017	2018	Δ y.o.y.
Underlying EBITDA	301	318	5.9%
Change in working capital	54	63	16.9%
Gross capex	-219	-241	10.0%
<i>Maintenance & Optimisation capex</i>	-135	-146	8.2%
<i>Expansion capex</i>	-84	-95	12.8%
Income tax expense	-30	-26	-
Sale & leaseback divestments	25	77	-
Other non-recurring items	0	-2	-
Free cash flow¹	131	190	45.1%
Cash conversion²	55.1%	54.1%	-1.0 p.p.

- Free cash flow in 2018 (before net financial activity, other investment income, dividends and operations and assets carved-out) amounted to €190m, a +€59m change versus 2017, representing a healthy cash-conversion ratio of 54%. This free cash flow figure was strongly influenced by the significant investment in store network expansion, and by the above-mentioned sale & leaseback transactions.
- Gross capex for the year reached €241m, of which €146m concerned maintenance and optimisation, critical to improve sales productivity of stores, and €95m was related with expansion, reflecting Sonae MC's accelerated store opening program.
- In 2018, Sonae MC invested in 74 new Company operated stores (68 net additions), corresponding to an approximate +28k square meters in sales area.

¹ Before net financial activity, other investment income, dividends and operations and assets carved-out.

² (Underlying EBITDA less maintenance capex, less optimisation capex) as percentage of underlying EBITDA.

- The two sale & leaseback transactions of six retail assets, accomplished in the fourth quarter, with a book value of €40m, generated capital gains of €37m.
- As of December 2018, the Company's freehold real estate ownership stood at 45% (vs. 49% in December 2017).

CONSOLIDATED BALANCE SHEET (€m)	Full year		
	2017	2018	Δ y.o.y.
Net fixed assets	1,480	1,504	1.7%
Goodwill and financial investments	468	467	-0.2%
Working capital	-541	-604	11.6%
Invested capital	1,406	1,368	-2.8%
Shareholders' funds	761	761	0.0%
Net financial debt	645	607	-6.0%
Sources of financing	1,406	1,368	-2.8%

Net financial debt / Underlying EBITDA	2.1x	1.9x	-
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- Invested capital amounted to €1,368m and decreased €39m comparing with 2017, despite the 2018 investments in store expansion. This result was mainly driven by the sale & leaseback impact in Net fixed assets, and by the -€63m change in working capital, which benefited from improvements both in stocks and suppliers' ratios.
- As of December 2018, Sonae MC further strengthened its capital structure, benefiting from a net financial debt reduction from €645m to €607m, coupled with the successful refinancing operations completed throughout the year which enabled an improvement in both the average maturity and financing costs.
- Net financial debt in relation to underlying EBITDA at year-end was 1.9x, in line with the Company's medium-term target of around 2x.

03.

Outlook and Dividend Proposal

- In the near term, Sonae MC does not anticipate a significant change in the Portuguese consumption environment, which is expected to stay positive.
- The Company aims to draw benefit from its strategic execution momentum, keeping a steady focus on profitable top-line growth and continuing to invest in three specific levers of development:
 - Distinctiveness in critical consumer preference attributes to drive traffic and basket size;
 - Levering key operational processes to secure best-in-class efficiency versus peers;
 - Exploiting major market opportunities to anticipate consumer trends and capture above-market growth.
- In light of the 2018 results, Sonae MC reiterates its confidence in the economic and financial priorities that were recently communicated:
 - Achieve profitable growth (LFL, new opportunities, efficiency);
 - Ensure a conservative capital structure:
 - Year-end net debt to underlying EBITDA of around 2x;
 - Pay an attractive dividend:
 - Dividend pay-out ratio target: 40%-50% of adjusted net income after non-controlling interests.
- Considering the net profit from continuing operations for the fiscal year 2018 and according to Sonae MC's dividend policy, the Board of Directors will propose at the Shareholders' Annual General Meeting the payment of a maximum gross dividend of €75m, corresponding to €0.075 per share. This dividend implies a pay-out ratio of approximately 50% of the net profit from continuing operations attributable to Sonae MC's shareholders.

A.

Store Network

Nº OF STORES	2017	2018			Dec 31 st
	Dec 31 st	Openings	Acquisitions	Closures	
Total Sonae MC	1,033	115	2	-42	1,108
Total Company Operated	690	74	2	-8	758
Continente	41	0	0	0	41
Continente Modelo	123	3	0	0	126
Continente Bom Dia	96	13	0	-2	107
Well's	194	22	0	-3	213
Bagga	128	5	0	-1	132
Note!	35	18	0	0	53
Zu	9	6	0	0	15
Go Natural supermarkets	7	1	2	0	10
Go Natural restaurants	25	5	0	-2	28
Maxmat	31	0	0	0	31
Other	1	1	0	0	2
Total Franchised	343	41	0	-34	350
Continente Modelo	8	1	0	0	9
Meu Super	295	36	0	-33	298
Well's	28	2	0	-1	29
Bagga	6	1	0	0	7
Go Natural restaurants	1	0	0	0	1
Note!	5	1	0	0	6

SALES AREA ('000 SQM.)	2017	2018			
	Dec 31 st	Openings ³	Acquisitions	Closures	Dec 31 st
Total Sonae MC	823	38	0	-8	853
Total Company Operated	749	28	0	-2	776
Continente	277	-1	0	0	276
Continente Modelo	254	7	0	0	260
Continente Bom Dia	117	17	0	-2	133
Well's	19	2	0	0	21
Bagga	8	0	0	0	8
Note!	8	2	0	0	10
Zu	1	1	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
Other	1	0	0	0	1
Total Franchised	74	10	0	-6	77
Continente Modelo	18	2	0	0	20
Meu Super	52	7	0	-6	53
Well's	2	0	0	0	2
Bagga	0	0	0	0	0
Go Natural restaurants	0	0	0	0	0
Note!	1	0	0	0	1

FREEHOLD (END OF PERIOD)	2017	2018			
	Dec 31 st	Mar 31 st	Jun 30 th	Set 30 th	Dec 31 st
Total Sonae MC	49%	49%	49%	48%	45%

³ Includes change in sales area resulting from store optimisation initiatives.

B.

Glossary

- **Turnover:** total revenue from sales and services rendered
- **LFL (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. 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 EBITDAR:** Underlying EBITDA before fixed rents
- **Fixed rents:** rental costs from leased real estate assets
- **Underlying EBITDAR margin:** Underlying EBITDAR as percentage of turnover
- **Underlying EBITDA:** EBITDA excluding non-recurring items
- **Non-recurring items:** net capital gains/losses on the sale & leaseback transactions of real estate assets
- **Underlying EBITDA margin:** underlying EBITDA as percentage of turnover
- **D&A:** depreciations, amortisations, provisions and impairments
- **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
- **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

- **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)
- **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
- **Free cash flow**: underlying EBITDA, less income tax expense and total 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 maintenance capex, less optimisation capex) as percentage of underlying EBITDA
- **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.

Subsequent Events

January 2019

Sonae MC completed the transaction regarding the acquisition of a 60% stake in Tomenider SL, which holds 100% of Arenal Perfumerias SLU (“Arenal”), an operation that was initially announced to the market on September 29th, 2018.

January 2019

Sonae MC signed a €55m loan with the European Investment Bank to finance the Company’s investments aimed at reducing the environmental impact of its food retail business.

February 2019

Sonae MC completed several refinancing operations in the last 3 months, amounting to €260m, with maturities ranging from 5 to 12 years and below current financing costs, ensuring the refinancing requirements for 2019 and increasing the average debt maturity to almost 4 years, whilst diversifying its sources of funds.

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.

Although these statements reflect our current expectations, which we believe are reasonable, investors and analysts, and generally all recipients of this document, are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.