



9 Month Results, 2019

Matosinhos, 13th November 2019

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

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 the 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.

01.

Highlights

- Third quarter with a **significant +8.8% growth in turnover** (+2.4% like-for-like) to €1,247m, despite a food deflation context and a cooler summer, **allowing for further market leadership enhancement**
- A **broadly stable underlying EBITDA margin of 10.7%** in the same period, resulting from the balancing of value accretive investments in the customer proposition with a continuous cost-control mindset
- **Strong cash-flow generation**, allowing for a sound financial position while investing on convenience store expansion, selective refurbishments, digital capabilities transformation and development of the fast-growing Health & Wellness business

Message from the CEO | Luís Moutinho

“We are very pleased to report our third-quarter results and the steady momentum in our business. Despite circumstantial market slowdown in the period, we outperformed the competition. Our strategy of offering customers the best value across a wide assortment of high-quality products, including more fresh, healthy, and own branded options, has driven a positive like-for-like growth while delivering on margin commitments.

Going forward we will remain focused on our priorities by developing our current business online and offline, as well as investing in new profitable growth opportunities. With the Christmas season upon us, customers can rely on Sonae MC to provide them with relevant and timely offers, coupled with great service and product range.”



Wine cellar at a Continente Store

02.

Operational and Financial Performance

TURNOVER (€m)	3 rd Quarter				9 Months			
	2018	2019	Δ y.o.y.	Δ LFL	2018	2019	Δ y.o.y.	Δ LFL
Total Sonae MC	1,146	1,247	8.8%	2.4%	3,128	3,427	9.5%	3.4%
Hypermarkets	420	426	1.5%	1.6%	1,163	1,187	2.0%	2.2%
Supermarkets	561	598	6.7%	2.0%	1,517	1,639	8.0%	3.4%
New Growth Businesses & Others	165	222	34.7%	7.5%	448	601	34.2%	8.2%

KEY RESULTS (€m)	3 rd Quarter			9 Months		
	2018	2019	Δ y.o.y.	2018	2019	Δ y.o.y.
Underlying EBITDA	118	133	12.9%	299	340	14.0%
<i>as % of turnover</i>	<i>10.3%</i>	<i>10.7%¹</i>	<i>0.4pp</i>	<i>9.5%</i>	<i>9.9%¹</i>	<i>0.4pp</i>
Net profit (from continuing operations)	39	41	5.7%	69	84	21.2%

- Turnover maintained a good momentum during the third quarter, despite food deflation and a summer season with cooler temperatures which affected the performance of more seasonal categories and stores in holiday locations. Company turnover grew by 9.5% in the first nine months of the year to €3,427m, thus, once again, reinforcing Sonae MC's leadership position. This solid performance was underpinned by a steady like-for-like growth of 3.4%, which was driven by an improvement in traffic and an increase in the average basket, and by an additional +c.54k sqm. of sales area, including Arenal integration.
- All segments showed positive growth in the period with increased volumes. Supermarkets outperformed the overall grocery retail formats and Hypermarkets delivered a resilient performance. New Growth Businesses saw an accelerated growth, namely in Health & Wellness, driven by enhanced value propositions and increased store footprint. We achieved another quarter of double-digit growth in e-commerce, benefiting from an extended network of >120 click and collect points, better service levels, and new revenue streams (i.e. instant delivery and marketplaces).
- Over the nine months, Sonae MC's strategic execution remained on-track. The Company continued to expand and renew its store network, with +89 new store openings (including franchisees) of which +36 in the proximity segment, and 33 refurbishment interventions. Investments were made in digital capabilities to make shopping quicker and more convenient for customers, including the introduction of new functionalities in the loyalty scheme app, which has >850,000 registered users.
- Sonae MC's recent investments in its core value proposition were also felt, namely with a reinforced price position backed by effective promotions. Good progress was also made across the new fresh food operating model with improved sales and reduced shrinkage. Since January 2019, the Company launched >650 new own-brand products strengthening its market leadership in private labels.

¹ Includes a one-off positive impact from IFRS 16 adoption on transportation lease agreements. If excluded, underlying EBITDA margin would stay broadly in line with the previous period.

- Underlying EBITDA reached €340m (up by +14.0%) in the first nine months, with a broadly stable margin of 9.9%, which remained a benchmark in the sector, thanks to a ruthless focus on efficiency and cost control, allowing Sonae MC to continue improving its customer offer while delivering healthy returns. Net profit from continuing operations amounted to €84m, a +€15m change year-on-year, which includes +€3m in capital gains from a sale and leaseback transaction completed in 3Q'19².

FREE CASH-FLOW AND DEBT (€m)	3 rd Quarter			9 Months		
	2018	2019	Δ y.o.y.	2018	2019	Δ y.o.y.
Free cash-flow	10	125	€115m	-160	35	€196m
Net financial debt	-	-	-	806	646	-19.8%
Lease liabilities	-	-	-	790	966	22.1%
Total net debt ³ to underlying EBITDA	-	-	-	3.8x	3.5x	-

- In the first nine months of 2019, Sonae MC posted an increase in free cash-flow of +€196m versus the same period last year, from -€160m to €35m, mainly influenced by: i) a change in working capital of +€52m; ii) a disciplined approach to investment, with gross CAPEX for the period reaching €250m, mainly to enhance the store estate (€89m), open new units (€79m), and acquire strategic assets (€82m); and iii) the successful completion of a sale and leaseback transaction of two assets totalling €23m.
- Net financial debt decreased to €646m as at September 30th, 2019, notwithstanding the strong efforts to fund growth carried out over the last months, with the Company maintaining its current investment grade profile. Total net debt in relation to underlying EBITDA at the end of September 2019 was 3.5x, which compares to 3.8x at the end of last year's third quarter.

03.

Outlook

- Sonae MC's expectations for the Christmas season remain positive and in line with forecasts. Bearing this in mind and in light of the figures for the first nine months, the Company reiterates its confidence in the economic and financial priorities outlined for the year.

² From the 1st of January 2019 onwards, Sonae MC adopted the IFRS 16 standard and accordingly the IFRS 15 standard. The adoption of IFRS 15 significantly affects the recognition of capital gains related with sale and leaseback transactions of real estate assets. Before the application of this standard, capital gains were computed through the difference between cash proceeds from the sale and net book value of the asset. Under the new standard, part of the capital gains is deferred over the length of the lease contract. The sale and leaseback transaction completed in 3Q'19 resulted in a capital gain of €11m, of which €3m were recognized in the income statement in the third quarter and €8m deferred throughout the length of the contract.

³ Total net debt equals net debt plus lease liabilities.

A.

Consolidated Financial Statements

CONSOLIDATED RESULTS (€m)	3 rd Quarter			9 Months		
	2018	2019	Δ y.o.y.	2018	2019	Δ y.o.y.
Turnover	1,146	1,247	8.8%	3,128	3,427	9.5%
Underlying EBITDA (unEBITDA)	118	133	12.9%	299	340	14.0%
<i>as % of turnover</i>	<i>10.3%</i>	<i>10.7%</i>	<i>0.4pp</i>	<i>9.5%</i>	<i>9.9%</i>	<i>0.4pp</i>
D&A – Fixed assets	-39	-39	0.4%	-114	-114	0.4%
D&A – Right-of-use	-16	-23	41.0%	-49	-69	41.0%
Underlying EBIT (unEBIT)	63	71	13.4%	136	157	15.7%
<i>as % of turnover</i>	<i>5.5%</i>	<i>5.7%</i>	<i>0.2pp</i>	<i>4.3%</i>	<i>4.6%</i>	<i>0.2pp</i>
Net financial activity – Financing	-5	-4	-	-14	-11	-
Net financial activity – Leasing ⁴	-13	-15	-	-39	-45	-
Other investment income	0	0	-	0	0	-
Non-recurring items	-2	3	-	-2	3	-
Equity method	0	0	-	0	0	-
EBT	42	55	32.1%	81	105	29.0%
Income tax	-2	-12	-	-10	-17	-
Minorities	-1	-2	-	-2	-4	-
Net profit (from continuing operations)	39	41	5.7%	69	84	21.2%

CONSOLIDATED BALANCE SHEET (€m)	9 Months		
	2018	2019	Δ y.o.y.
Net fixed assets	1,576	1,560	-1.0%
Leased assets right-of-use	714	867	21.4%
Goodwill and financial investments	468	516	10.4%
Working capital	-560	-643	14.8%
Invested capital	2,198	2,301	4.7%
Shareholders' funds	602	689	14.5%
Lease liabilities	790	966	22.1%
Net financial debt	806	646	-19.8%
Sources of financing	2,198	2,301	4.7%
Total net debt / unEBITDA	3.8x	3.5x	-
Net financial debt / unEBITDA (pre-IFRS 16)	2.6x	1.9x	-

Please visit <https://sonaemc.com/en/financial-information/> for additional information about the results, including a comprehensive glossary.

⁴ Interest on lease liability.