



Full-year Results, 2019

Matosinhos, 18th March 2020

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.

2019: Standout growth, best-in-class profitability and sound financial profile

01. HIGHLIGHTS

- Turnover for the full-year increased by a record-breaking +9.2% to €4,702m, benefiting from a +3.0% like-for-like growth, positive across all formats
- Annual underlying EBITDA reached €480m, with a stable benchmark margin of 10.2% over turnover
- Year-end financial net debt decreased, reinforcing the capital structure; additionally, Sonae MC continued to invest for profitable growth (gross capex above €300m), and maintained the payment of an attractive dividend stream (€75m)
- In 2019, the Company stood committed to reduce its carbon footprint, reinforce its role as a socially responsible actor, and create a workplace that fosters talent

MESSAGE FROM THE CEO | Luís Moutinho

"I am very satisfied to report our exceptional performance in 2019, whereby we increased market share and returns once again, also enhancing brand power and customer engagement.

Buoyed by a clear strategy and a focused execution, we reinforced our portfolio value proposition, leveraged key operational processes, improved our in-store experience, rolled-out new omnichannel and digital capabilities and accelerated the expansion of our rapid growth formats.

We face 2020 well prepared, with a robust capital structure and a finely-tuned operating model, enabling us to be more agile and capitalise on new opportunities, while driving sustainable change."



Continte own brand nutrition reformulation

02. OPERATIONAL AND FINANCIAL PERFORMANCE

TURNOVER (€m)	Full-year				4 th Quarter			
	2018	2019	Δ y.o.y.	Δ LFL	2018	2019	Δ y.o.y.	Δ LFL
Total Sonae MC	4,308	4,702	9.2%	3.0%	1,180	1,275	8.1%	2.2%
Hypermarkets	1,622	1,653	1.9%	1.9%	459	466	1.5%	1.1%
Supermarkets	2,076	2,239	7.9%	3.1%	558	600	7.4%	2.1%
New Growth Businesses & Others	609	810	32.9%	8.2%	162	209	29.3%	7.8%

KEY RESULTS (€m)	Full-year			4 th Quarter		
	2018	2019	Δ y.o.y.	2018	2019	Δ y.o.y.
Underlying EBITDA (unEBITDA)	423	480	13.4%	125	140	12.0%
<i>as % of turnover</i>	9.8%	10.2% ¹	0.4pp	10.6%	10.9% ¹	0.4pp
Net profit (from continuing operations)	143	132 ²	-7.9%	74	48 ²	-35.2%

- Sonae MC's turnover reached €4,702m in 2019, up by +9.2%, with all segments, formats and key categories delivering a solid like-for-like performance, amid a backdrop of low inflation and increasing competition.
- Market share across the Company's banners increased compared to last year, yet again, reinforcing Sonae MC's leadership position. Sonae MC also delivered record-breaking top of mind brand awareness in the period, embodying strong customer acknowledgment.
- Throughout the full-year the Company continued to explore value accretive opportunities, stepping up the expansion of its proximity and rapid growth formats, while adding +36k sqm. to its company-operated store network. Furthermore, it pursued selective refurbishments, with 13 food retail units remodelled in the period, which in turn boosted customer in-store experience. The year was also marked by the internationalization of the Health, Wellness & Beauty business through the Arenal acquisition, in the northwest region of Spain.
- Strategic execution remained on track with demonstrable results, as the Company continued to deliver definite value and excellent quality through: i) a refined fresh product range backed by a revamped operating model, ii) reinforced price competitiveness coupled with more relevant and effective promotions, iii) an enhanced and competitive own brand assortment and iv) a healthier and more sustainable range.
- Sonae MC also developed its digital capabilities, accelerating investments in omnichannel, with double-digit growth on e-commerce, and ramping up the mobile apps' ecosystem through the development of new solutions to improve customer experience and address expectations regarding assortment, speed and convenience. In addition, it also enhanced decision-making through new advanced modelling and data-analysis expertise.

¹ From 2019 onwards, Sonae MC adopted the IFRS 16 and IFRS 15 accounting standards. Underlying EBITDA margin 2019 figures include a one-off positive impact from IFRS 16 adoption on transportation lease agreements. If this impact was excluded, underlying EBITDA margin would stay broadly in line with the previous period.

² Adoption of the IFRS 15 standard forced the postponement of most of the capital gains resulting from a sale & leaseback transaction of two real estate assets concluded on September 2019. Before adoption 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, a part of the capital gains is deferred over the length of the lease contract.

- Underlying EBITDA amounted to €480m, corresponding to a 10.2% margin in line with previous years¹, driven by a solid turnover performance, effective margin mix management, and continued progress in the Company's cost-to-serve programme.
- Over the period, Sonae MC achieved further efficiencies and savings across its store operations, supply chain, and head office, offsetting pressure on costs, which facilitated targeted commercial investments aimed at delivering sharper value to customers, as well as the development of organic and inorganic growth opportunities.
- In the bottom line, net profit from continuing operations totalled €132m, enabling the Company to continue to deliver best-in-class returns.
- As at December 2019, Sonae MC's freehold real estate ownership stood at 43%, reflecting the impact of the Arenal acquisition and a sales and leaseback transaction of two food retail assets completed in the 3rd quarter.

FREE CASH-FLOW AND DEBT (€m)	Full-year		
	2018	2019	Δ y.o.y.
Free cash-flow	39	91	€52m
Net financial debt	607	591	-2.6%
Lease liabilities	859	1,006	17.1%
Total net debt ³ to unEBITDA	3.5X	3.3X	-

- For the full-year Sonae MC delivered a sound free cash-flow of €91m, up by +€52m versus last year, a standout result leading to a cash conversion ratio of 65.0%. This free cash flow figure benefited from a very positive working capital performance, reflecting a broadly stable working capital to turnover ratio, while being also strongly influenced by the significant investments carried on in the period.
- The cash-flow for the year from investing activities was mainly attributable to the modernization of the store network (€120m), the steady expansion of the Company store portfolio (€107m), and the strategic capital expenditures (€82m), mostly related to the Arenal integration. Other relevant projects included acquisitions of future store locations, as well as investments in e-commerce, IT, and in improving the logistics backbone.
- In 2019, the Company continued to strengthen its balance sheet, reducing its year-end net financial debt by -€16m to €591m, mainly due to robust free cash-flow generation. As at 31 December 2019, total net debt³ in relation to underlying EBITDA was 3.3x, well in line with Sonae MC's long-term target of <3.5x and compatible with an investment-grade profile.
- The Company also completed several refinancing operations throughout the year, including a financing from the European Investment Bank to support environmental sustainability investments, which allow the improvement of liquidity over the mid-term and the extension of average debt maturity while maintaining a low average cost of debt.

³ Total net debt equals net financial debt plus lease liabilities.

SUSTAINABLE DEVELOPMENT
 (selected ratios)

		Full-year		
		2018	2019	Δ y.o.y.
Specific electricity consumption	(kWh/ sqm.)	517.5	497.3	-3.9%
GHG emissions (scope 1 & 2)	(kg CO ₂ e/ sqm.)	252.2	202.0	-19.9%
Recycled plastic	(%)	22.8	29.3	6.5pp
Fresh products purchased from national suppliers	(%)	83.5	85.3	1.8pp
Seafood sourced from sustainable fisheries or farmed	(%)	59.0	62.2	3.2pp
Direct community support	(€m)	9.1	9.3	2.2%
Number of direct employees change	(%)	2.3	6.5	4.2pp
Absenteeism rate	(%)	5.1	5.1	0.0pp
Workplace accident frequency rate	(#)	11.7	9.8	-1.9

- Sustainability remained a key priority in Sonae MC's strategy and business model, mainly centred around three core areas: Environment, Community and People. Throughout 2019, the Company became a signatory to relevant international commitments – including the “New Plastics Economy Global Commitment” led by the Ellen MacArthur Foundation – and implemented major initiatives aiming at: i) reducing carbon emissions and general waste and increasing energy efficiency by implementing technologies with a lower ecological footprint, ii) reducing, reusing and recycling plastic through a circular economy model (4,431 tonnes of recycled plastic incorporated instead of virgin plastic by the end of 2019), iii) delivering sugar (-450 tonnes), salt (-60 tonnes) and saturated fat (-300 tonnes) reduction targets, through own brand nutrition reformulation, iv) improving supply chain transparency, namely through higher standards regarding responsible seafood sourcing, v) balancing gender equality on the back of a multi-level intervention plan with short and mid-term measures or vi) promoting work-life integration.

03.

OUTLOOK AND DIVIDEND PROPOSAL

- Sonae MC foresees a cautious macroeconomic scenario for 2020. Despite a forecast at the beginning of the year of positive economic growth, albeit at a slower pace than in 2019, and progress in key downside risks (including Brexit and the US-China trade dispute), the Company anticipates relevant pockets of uncertainty will remain, with the impacts of the COVID-19 pandemic at the top of concerns.
- Furthermore, the competitive scenario should remain challenging, requiring a very assertive strategic architecture and a disciplined operational execution. With this in mind, Sonae MC will continue to be guided by its priorities, placing the customer at the centre of the business, ensuring a solid capital structure, remaining focused on value-added growth, and staying highly committed with sustainable development.
- Considering the net profit from continuing operations for FY 2019 and Sonae MC's dividend practice, 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 c.50% of the net profit from continuing operations attributable to Sonae MC's shareholders.

A.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED RESULTS (€m)	Full-year			4 th Quarter		
	2018	2019	Δ y.o.y.	2018	2019	Δ y.o.y.
Turnover	4,308	4,702	9.2%	1,180	1,275	8.1%
Underlying EBITDA (unEBITDA)	423	480	13.4%	125	140	12.0%
<i>as % of turnover</i>	9.8%	10.2%	0.4pp	10.6%	10.9%	0.4pp
D&A	-226	-250	10.4%	-64	-67	5.0%
Underlying EBIT (unEBIT)	197	230	16.8%	61	73	19.2%
<i>as % of turnover</i>	4.6%	4.9%	0.3pp	5.2%	5.7%	0.5pp
Net financial activity	-65	-74	-	-13	-18	-
Other investment income	0	0	-	-	-	-
Non-recurring items	35	3	-	37	-	-
Equity method	0	1	-	0	0	-
EBT	167	160	-4.2%	85	55	-35.8%
Income tax	-21 ⁴	-22	-	-11 ⁴	-5	-
Minorities	-3	-6	-	-1	-2	-
Net profit (from continuing operations)	143	132	-7.9%	74	48	-35.2%

⁴ Restated figures following the recalculation of deferred tax required by the adoption of IFRS 16.

CONSOLIDATED BALANCE SHEET (€m)	Full-year		
	2018	2019	Δ y.o.y.
Net fixed assets	1,504	1,635	8.7%
Leased assets right-of-use	780	898	15.2%
Goodwill and financial investments	467	491	5.1%
Working capital	-589 ⁴	-653	10.8%
Invested capital	2,162	2,372	9.7%
Shareholders' funds	697	775	11.2%
Lease liabilities	859	1,006	17.1%
Net financial debt	607	591	-2.6%
Sources of financing	2,162	2,372	9.7%
Total net debt / unEBITDA	3.5X	3.3X	-
Net financial debt / unEBITDA (pre-IFRS 16)	1.9X	1.7X	-

CASH-FLOW (€m)	Full-year		
	2018	2019	Δ y.o.y.
Underlying EBITDA	423	480	13.4%
Fixed rents	-105	-138	31.7%
Change in working capital ⁵	-79	69	-188.4%
Gross capex	-242	-309	28.0%
<i>Maintenance & Optimisation</i>	-146	-120	-
<i>Expansion</i>	-95	-107	-
<i>Acquisitions</i> ⁶	-1	-82	-
Sales & leaseback divestments	77	23	-
Income tax and net financial activity	-37	-35	-
Free cash-flow ⁷	39	91	€52m
Cash conversion	54.1%	65.0%	10.8pp

⁵ Includes impacts from the changes in perimeter that occurred during 2018.

⁶ Includes both the equity stake and the assumed debt.

⁷ Corresponds to the change in net debt and dividends.

B.

STORE NETWORK AND FREEHOLD

STORE NETWORK	N° of stores			Sales area ('000 sqm.)		
	2018	2019	Net change	2018	2019	Net change ⁸
Total Sonae MC	1 108	1 228	120	853	911	58
Total Company Operated	758	890	132	776	835	59
Continente	41	41	0	276	276	0
Continente Modelo	126	129	3	260	267	7
Continente Bom Dia	107	119	12	133	149	17
Well's	213	234	21	21	23	2
Arenal	0	48	48	0	29	29
Bagga	132	136	4	8	8	0
Note!	53	61	8	10	11	1
Zu	15	20	5	2	2	0
Go Natural supermarkets	10	12	2	2	3	0
Go Natural restaurants	28	37	9	2	3	1
Maxmat	31	31	0	61	61	0
Dr. Wells	0	16	16	0	2	2
Other	2	6	4	1	2	1
Total Franchised	350	338	-12	77	76	-1
Continente Modelo	9	9	0	20	20	0
Meu Super	298	285	-13	53	52	-2
Well's	29	29	0	2	2	0
Bagga	7	7	0	0	0	0
Go Natural restaurants	1	3	2	0	1	1
Note!	6	5	-1	1	1	0

FREEHOLD (END OF PERIOD)	2018	2019			
	Dec 31 st	Mar 31 st	Jun 30 th	Sep 30 th	Dec 31 st
Total Sonae MC	45%	44%	44%	43%	43%

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

⁸ Includes changes in sales area resulting from store optimization initiatives.