



## 1<sup>st</sup> Quarter Results, 2020

Matosinhos, 20<sup>th</sup> May 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.

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# An unprecedented start to the year marked by the COVID-19 outbreak

## 1Q'20: Strong sales growth with softer earnings

### 01.

#### MESSAGE FROM THE CEO

*"One thing we all have observed in the past few months is how fast reality can change, and as I write this message, the beginning of 2020 seems like a very long time ago. In fact, during a very exceptional and turbulent quarter, the COVID-19 pandemic spread across the globe in a completely unexpected way, profoundly affecting people's lives, bringing hardships and uncertainty to nations and businesses.*

*Sonae MC had a good start to the year, with a sound business performance in January and February, following the buoyant trend of 2019. Still, the rapid development of the outbreak in early March brought global economic activity to a halt, and radically changed the operating environment, drastically impacting shopping behaviour. Grocery sales have seen a sharp yet transitory uplift, and operating costs increased accordingly, as consumers began stockpiling in order to prepare for an extended stay at home, easing in the latter part of the month.*

*In this time of acute need, the food retail sector plays a vital role in responding to this emergency. Sonae MC has risen to the challenge and has taken this responsibility seriously, implementing substantial measures ensuring the safety of our customers and colleagues, managing demand, safeguarding our supply chain, and supporting local communities.*

*The Company's solid results for the period reflect the resilience and commitment demonstrated by all Sonae MC associates across our banners, in our supply chains, and at our head office. I thank them all for their efforts.*

*Looking ahead, the outlook for the year remains full of question marks, and currently nobody can ascertain when this crisis will come to an end. With this in mind, I firmly believe in the ability of our Company to steer through these uncharted waters. Our strong business fundamentals, leading competitive edge and comfortable liquidity position leave us well positioned for the post-COVID 19 world."*

*Luís Moutinho*

## 02.

## OPERATIONAL AND FINANCIAL PERFORMANCE

TURNOVER (€m)	1 <sup>st</sup> Quarter			
	2019	2020	Δ y.o.y.	Δ LFL
Total Sonae MC	1,048	1,194	14.0%	10.6%
Hypermarkets	369	401	8.7%	8.7%
Supermarkets	497	591	18.9%	14.5%
New Growth Businesses & Others	182	202	11.3%	-0.1%

KEY RESULTS (€m)	1 <sup>st</sup> Quarter		
	2019 Restated <sup>1</sup>	2020	Δ y.o.y.
Underlying EBITDA (unEBITDA)	85.2	96.5	13.2%
as % of turnover	8.1%	8.1%	-0.1pp
Net profit (from continuing operations)	10.1	9.8	-2.4%

- Sonae MC got off to a good start in 2020, with a very positive sales performance in January and February, building on momentum from the previous year. Still, in the final weeks of the quarter, the world witnessed the rapid spread of the COVID-19 pandemic, which severely affected economic activity and had a material impact on consumer shopping behaviour.
- Amid this unprecedented outbreak, demand across the Company's grocery retail formats increased significantly. Throughout March, sales performance at Sonae MC's Hypermarkets and Supermarkets saw a sharp acceleration due to customers stockpiling everyday essentials, followed by a shift from out-of-home consumption to both grocery stores and online platforms, as a consequence of the enforcement of lockdown measures in Portugal. Towards the end of the month activity showed signs of reverting to more typical levels.
- During the initial weeks of the public health crisis, consumer hoarding and panic buying resulted in temporary hiccups in the supply chain and placed an additional burden on Sonae MC's operations. These were mitigated efficiently and effectively thanks to a well-planned business model and swift response. Availability improved in the final weeks of the period, and service levels tended to stabilise, as sales were brought into line, and more regular volumes were registered.
- In addition, the New Growth Businesses segment was negatively impacted both by the enforced closure of non-essential businesses (including all Bagga coffee shops, Go Natural restaurants and Dr. Well's clinics in Portugal and Arenal stores in Spain), and by a reduction in customer traffic following other harsh containment measures.
- As a cumulative result, the turnover for the first three months of the year amounted to €1,194m, benefiting from a total growth of 14.0%, and a like-for-like sales increase of 10.6%, above market, as customers recognised the Company's efforts. Quarterly sales were also characterised by extraordinarily strong growth in e-commerce, an increased move towards proximity formats, and a high demand for stock-up and personal hygiene categories.
- In spite of the positive top-line performance, underlying EBITDA margin remained broadly stable at 8.1%, offset by higher operating costs (namely due to new hygiene and safety measures to safeguard customers and colleagues, and added associate bonuses to reward exceptional work at the frontline), which will become more material towards 2Q'20, a less favourable sales mix (owing to shopping baskets with more basic products, and to a shift away from discretionary and non-food categories), and the forced closure of non-food banners.

<sup>1</sup> For comparison purposes, the figures for the first quarter of 2019 have been restated to reflect a one-off positive impact resulting from the adoption of IFRS 16 in transportation lease agreements, which was carried out by the Company in the second quarter of 2019.

- Despite the dynamic trading activity and particularly resilient operating performance, net profit from continuing operations totalled €9.8m, slightly below the previous year, reflecting the challenging context at the end of the quarter.

FREE CASH-FLOW AND DEBT (€m)	1 <sup>st</sup> Quarter		
	2019	2020	Δ y.o.y.
Free cash-flow	-164	-104	€61m
Net financial debt	771	694	-9.9%
Lease liabilities	902	995	10.3%
Total net debt <sup>2</sup> to unEBITDA	3.9x	3.4x	-

- In the first three months of 2020, Sonae MC's free cash-flow amounted to -€104m, +€61m year-on-year, mainly reflecting working capital seasonal effects (to which the impacts of selected measures to deal with the crisis, such as advance payments to support small suppliers, were added), the materialisation of the capital expenditure program (which included the opening of +18 company operated stores, adding +8k square meters of sales area, and the refurbishment of 1 food retail unit), and additional investments to implement safety and protective measures. This performance led to a cash conversion ratio of 55.0%.
- As at March 2020, the Company demonstrated healthy financials with a solid balance sheet that was strengthened during the quarter, on the back of a lower net financial debt versus the same period last year, which stood at €694m, decreasing -€76m, despite the more adverse backdrop at the end of the period.
- Sonae MC also completed several refinancing operations between the end of March and the beginning of April, totalling €180m, which enabled the Company to extend the average term of its debt and increase the available credit facilities. It is worth highlighting that the first Green Loan was completed during the period to the amount of €55m. Sonae MC's capital structure was significantly reinforced with these operations, remaining well-funded and ensuring maximum future flexibility.

## 03.

### OUTLOOK

- Given the current unprecedented events around COVID-19, the outlook for 2020 is highly uncertain, and it is still too early to fully assess how this crisis will impact the Company's business over the course of the year.
- In the forthcoming months, Sonae MC's key priorities will be to ensure the safety of its customers and associates, and to support its suppliers and partners, in addition to giving back to the community, while keeping the business running smoothly and efficiently.
- Bearing this in mind, the Company is confident that thanks to its distinctive core value proposition, multi-format omnichannel portfolio, and investment grade financial profile, it will be able to cater for its customer needs, and successfully navigate the current headwinds, emerging as winner in the aftermath.

<sup>2</sup> Total net debt equals net financial debt plus lease liabilities.

# A.

## CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED RESULTS (€m)	1 <sup>st</sup> Quarter			
	2019	2019 Restated <sup>1</sup>	2020	Δ y.o.y. (vs. restated)
Turnover	1,048	1,048	1,194	14.0%
Underlying EBITDA (unEBITDA)	81.1	85.2	96.5	13.2%
<i>as % of turnover</i>	7.7%	8.1%	8.1%	-0.1pp
D&A	-56	-60	-64	7.0%
Underlying EBIT (unEBIT)	25.6	25.7	32.8	27.5%
<i>as % of turnover</i>	2.4%	2.5%	2.7%	0.3pp
Net financial activity	-19	-19	-21	-
Other investment income	-	-	0	-
Non-recurring items	-	-	1	-
Equity method	0	0	0	-
EBT	7.2	7.1	13.0	83.9%
Income tax	3	3	-3	-
Minorities	-0	-0	-1	-
Net profit (from continuing operations)	10.1	10.1	9.8	-2.4%

CONSOLIDATED BALANCE SHEET (€m)	1 <sup>st</sup> Quarter		
	2019	2020	Δ y.o.y.
Net fixed assets	1,536	1,636	6.5%
Leased assets right-of-use	819	882	7.6%
Goodwill and financial investments	516	491	-4.8%
Working capital	-518	-534	3.1%
Invested capital	2,354	2,475	5.1%
Shareholders' funds	682	786	15.4%
Lease liabilities	902	995	10.3%
Net financial debt	771	694	-9.9%
Sources of financing	2,354	2,475	5.1%

Total net debt / unEBITDA	3.9x	3.4x	-
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Please visit <https://sonaemc.com/en/financial-information/> for additional information about the results, including a comprehensive glossary.