



1st Half Results, 2020

Matosinhos, 26th August 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.

1H'2020:

A sound business performance under very exceptional circumstances

01.

MESSAGE FROM THE CEO

"Over the last six months, the world has changed beyond what one could have imagined. Clearly, the first half of 2020 was an extraordinary period for the whole of Sonae MC's businesses, with massive challenges that impacted both our near-term priorities and long-term direction.

From the outset, we worked exceptionally hard, playing our full part to assist the Portuguese nation. Under the most demanding conditions, our associates went above and beyond in their commitment to ensuring top-notch customer service and providing access to food in a safe environment. We have been successful in our endeavors, and our solid results reflect this recognition.

Sales trend has improved since the start of 2020, and yet again in the second quarter, resulting in an increase in market share and further reinforcing our market leadership position. The steady growth achieved throughout the first half of the year was mainly driven by an acceleration in food sales, underpinned by initial stocking up of essential groceries, followed by increased demand in the eat-at-home market, which remained more significant than usual until the end of June.

Still, the COVID-19 outbreak has materially impacted our business. Our response to the crisis has required substantial changes to our operating model, which have led to a significant increase in costs, weighing down on profitability in the first six months of the year.

Looking ahead, our capital structure remains well-funded, with lower net financial debt and a strong maturity profile providing significant liquidity headroom and giving us enhanced flexibility.

Our day-to-day operations are gradually adjusting to a "new normal", while customers are adapting to a "new life" and resuming their daily routines. In light of this, we are investing in understanding the structural changes and consequences arising from this unprecedented event, by refocusing on our longer-term strategy to stay at the forefront of the market and continue leading transformation in our industry, as the most forward-looking and innovative player in the sector."

Luís Moutinho



Continente Bom Dia frontline associates

02.

OPERATIONAL AND FINANCIAL PERFORMANCE

TURNOVER (€m)	1 st Half				2 nd Quarter			
	2019	2020	Δ y.o.y.	Δ LFL	2019	2020	Δ y.o.y.	Δ LFL
Total Sonae MC	2,180	2,431	11.5%	8.3%	1,132	1,237	9.2%	6.2%
Hypermarkets	761	823	8.2%	8.0%	392	422	7.7%	7.4%
Supermarkets	1,041	1,210	16.2%	12.3%	544	619	13.8%	10.3%
New Growth Businesses & Others	378	398	5.3%	-8.0%	196	196	-0.3%	-15.4%

KEY RESULTS (€m)	1 st Half			2 nd Quarter		
	2019	2020	Δ y.o.y.	2019 Restated ¹	2020	Δ y.o.y.
Underlying EBITDA (unEBITDA)	207	226	9.2%	122	129	6.4%
as % of turnover	9.5%	9.3%	-0.2pp	10.7%	10.5%	-0.3pp
Net profit (from continuing operations)	43	42	-1.7%	33	32	-1.5%

- Trends from the end of the first quarter of 2020 continued into the second quarter, with favorable sales growth, good momentum in e-commerce, and strengthened leadership position. In the first half of the year, Sonae MC's turnover amounted to €2,431m, driven by a total growth of 11.5%, and a like-for-like sales increase of 8.3%, amid an environment of accelerating food inflation (2.0% in 1H'2020).
- Within the Company's food business, the relevance of the customer offering, and in particular, the vast assortment, dependable availability, and safe and clean shopping environment, resulted in dynamic business activity, consecutive weekly gains in market share and improved satisfaction scores.
- Sonae MC experienced steady growth, both in the larger formats and the more convenient channels. Hypermarkets registered a resilient performance thanks to their broad offering and perceived sense of safety, acting as a one-stop-shop for sizable weekly purchases. Proximity supermarkets enjoyed sound sales, as customers looked closer to home for their everyday essentials.
- The Company's e-commerce business also posted strong double-digit growth, remaining at high levels even after containment measures were eased, benefiting from a channel shift that appears to have stuck. Sonae MC was swift to adapt to this surge in demand by expanding its online capacity in the period, more than doubling the number of weekly delivery slots and providing different delivery options to customers.
- Following a challenging start to the second quarter, both New Growth Businesses and non-food categories at the Company's hypermarkets, partially recovered in the latter part of the period, owing to the ease of government restrictions. Notwithstanding, Sonae MC's foodservice formats (including Bagga coffee shops and Go Natural restaurants) were negatively impacted by a temporary reduction in customer footfall, with many consumers remaining cautious of eating out.
- On the whole, trading results for the six-month period reflect the extraordinary impact of the COVID-19 pandemic and the embedded strategic advantages of the Company's distinctive value proposition, well-planned business model, and high-quality team.

¹ In the second quarter of 2019, the Company adopted IFRS 16 in transportation lease agreements, with retrospective impacts dating back to 1st January 2019. For comparison purposes, in this document, figures for the second quarter of 2019 have been restated to exclude the abovementioned retrospective effect, which regards to the first quarter of 2019.

- Despite the positive top-line performance, underlying EBITDA margin stood slightly below the previous year at 9.3%, evidencing the incremental impact the pandemic has had on the business, namely, substantial COVID-related trading costs throughout the period, and changes in channel and product mix weighing down on gross margins. These became more material towards the second quarter.
- Operating profitability was also impacted by -€5m of non-recurring items related to temporary rent discounts granted to tenants at Sonae MC's operated power centers, in the context of the pandemic. All-in-all, net profit from continuing operations totaled €42m, slightly down from the previous year.

FREE CASH-FLOW AND DEBT (€m)	1 st Half		
	2019	2020	Δ y.o.y.
Free cash-flow	-90	3	€93m
Net financial debt	772	663	-14.1%
Lease liabilities	957	990	3.4%
Total net debt ² to unEBITDA	3.8x	3.3x	-

- Free cash-flow amounted to €3m in the period (reflecting typical first half seasonality), an increase of +€93m compared to the first half of 2019. The positive operational performance, coupled with a disciplined approach to investment, led to a cash conversion ratio of 61.2%.
- The Company remained on track with developing its capital expenditure program, aimed at capturing future profitable growth opportunities and ensuring that it upholds its prime position. Major investments included the opening of +37 company-operated stores, adding +12k square meters of sales area, and the refurbishment of 2 food retail units. Other capex projects encompassed investments in improving omnichannel capabilities and revamping the technology backbone. Also, the impact of the outbreak on working capital resulted in lower inventory and accounts payable ratios.
- Sonae MC continued to operate from a very solid financial position, with a robust balance sheet and lower net financial debt, which stood at €663m, decreasing -€109m versus the same period last year, and a comfortable maturity profile. In the first six months of the year, the Company further improved its liquidity, increasing the available credit facilities on attractive financial terms.

03. OUTLOOK

- At this stage, the impact of COVID-19 remains uncertain, and it is a toilsome task to predict its full extent and duration. For the remainder of the year, Sonae MC considers it is appropriate to remain cautious about the sales trajectory, given a likely further weakening in terms of consumer spending outlook.
- Going forward, the Company will continue to adapt to the new day-to-day circumstances, while being both proactive and reactive in capturing new opportunities, running its business as efficiently as possible, and keeping its absolute focus on what customers want, to stay ahead of the market.

² Total net debt equals net financial debt plus lease liabilities.

A.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED RESULTS (€m)	1 st Half			2 nd Quarter			
	2019	2020	Δ y.o.y.	2019	2019 Restated ¹	2020	Δ y.o.y. (vs. restated)
Turnover	2,180	2,431	11.5%	1,132	1,132	1,237	9.2%
Underlying EBITDA (unEBITDA)	207	226	9.2%	126	122	129	6.4%
<i>as % of turnover</i>	9.5%	9.3%	-0.2pp	11.1%	10.7%	10.5%	-0.3pp
D&A	-121	-126	4.8%	-65	-61	-63	2.6%
Underlying EBIT (unEBIT)	86	99	15.4%	61	61	67	10.3%
<i>as % of turnover</i>	4.0%	4.1%	0.1pp	5.4%	5.3%	5.4%	0.1pp
Net financial activity	-37	-40	-	-19	-18	-19	-
Other investment income	0	0	-	0	0	-0	-
Non-recurring items	-	-5	-	-	-	-5	-
Equity method	1	0	-	0	0	0	-
EBT	50	55	11.3%	43	43	42	-0.7%
Income tax	-5	-11	-	-8	-8	-9	-
Minorities	-2	-2	-	-2	-2	-1	-
Net profit (from continuing operations)	43	42	-1.7%	33	33	32	-1.5%

CONSOLIDATED BALANCE SHEET (€m)	1 st Half		
	2019	2020	Δ y.o.y.
Net fixed assets	1,548	1,639	5.9%
Leased assets right-of-use	866	873	0.8%
Goodwill and financial investments	516	491	-4.8%
Working capital	-561	-609	8.7%
Invested capital	2,369	2,394	1.0%
Shareholders' funds	641	741	15.7%
Lease liabilities	957	990	3.4%
Net financial debt	772	663	-14.1%
Sources of financing	2,369	2,394	1.0%
Total net debt² to unEBITDA	3.8x	3.3x	-

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