



9 Months Results, 2020

Matosinhos, 11th November 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.

9M'2020:

Strong customer recognition in demanding times

01.

HIGHLIGHTS

In the 1st nine months, within the context of the coronavirus pandemic:

- Turnover increased by 10.0% on a total basis, to €3,769m, and 7.1% on a same-store comparison, reflecting high customer engagement which resulted in strengthened market leadership
- Underlying EBITDA margin stood in line with the previous year at 9.9%, reflecting a combined effect of higher sales volumes and incremental operating costs associated with the COVID-19 crisis
- The balance sheet remained well-funded, with improved leverage and gearing ratios, on the back of lower net financial debt, providing a reinforced cash position

MESSAGE FROM THE CEO | Luís Moutinho

"In the 1st nine months of the year, our business endured hardships that could not have been foreseen. We started 2020 on the right foot, quickly adapting to the material changes in customer behaviour at the height of the crisis. As the year progressed, and with uncertainty still looming, we adopted a practical approach, combining the flexibility to respond to the short-term shifts in the business landscape, while focusing on the long-term industry transformation.

Our Company successfully rose to every challenge, which resulted in some of our highest brand perception scores to date, and solid performances across several areas of our business. Thanks to this, we delivered incredibly positive growth, and enhanced our leadership position, on the back of consecutive market share gains.

Looking forward, we will emerge from the pandemic and the economic crisis, by sustaining the momentum of a stronger Company and serving customers even better. It is of the utmost importance that we continue to invest in the future and focus our resources on strategic activities and projects geared towards our long-term success. In the meantime, we will concentrate on delivering the best possible Christmas for Portuguese consumers."



Fresh food counter at a Continente store

02.

OPERATIONAL AND FINANCIAL PERFORMANCE

TURNOVER (€m)	9 Months				3 rd Quarter			
	2019	2020	Δ y.o.y.	Δ LFL	2019	2020	Δ y.o.y.	Δ LFL
Total Sonae MC	3,427	3,769	10.0%	7.1%	1,247	1,338	7.4%	4.8%
Hypermarkets	1,187	1,268	6.8%	6.8%	426	445	4.4%	4.6%
Supermarkets	1,639	1,860	13.5%	9.8%	598	650	8.6%	5.3%
New Growth Businesses & Others	601	642	6.9%	-3.9%	222	244	9.5%	3.0%

KEY RESULTS (€m)	9 Months			3 rd Quarter		
	2019	2020	Δ y.o.y.	2019	2020	Δ y.o.y.
Underlying EBITDA (unEBITDA)	340	374	10.0%	133	148	11.2%
as % of turnover	9.9%	9.9%	0.0pp	10.7%	11.1%	0.4pp
Net profit (from continuing operations)	84	92	10.1%	41	50	22.4%

- The effects of the COVID-19 crisis shaped performance this year, with far-reaching changes in customer shopping behaviour and substantial impacts across Sonae MC's store and e-commerce operation and supply chain. The business responded very well to these material disruptions, quickly and effectively adjusting the operating model and addressing the surge in demand.
- The Company turnover grew by 10.0%, to €3,769m, in the 1st nine months of 2020. The effects of stockpiling early in the period, coupled with the shift away from out-of-home consumption, contributed to an overall like-for-like sales increase of 7.1%. In recent months, sales growth tended towards regular levels, penalised by a weaker summer (reflecting the impact of COVID-19 on tourism in Portugal). Notwithstanding, amid a backdrop of decreasing food inflation vs. the previous quarter (2.3% in 3Q'2020), Sonae MC continued to see elevated demand across its grocery business, growing above the market average and reinforcing its market leadership position, supported by improved brand perception scores.
- Turnover grew across all of Sonae MC's grocery formats, benefiting from a sound performance both in Continente hypermarkets and supermarkets, as well as from the very high growth figures in the leading e-commerce business (both in orders, customers and sales). The Company was swift to adapt to this acceleration in online demand, by scaling up capacity and providing new delivery options to customers, among other initiatives. Sonae MC also registered a substantial sales increase across essential items and fresh produce categories.
- Following a challenging 1st half of the year (with enforced store closures and some temporary reduction in footfall), the New Growth Businesses sustained their recovery in the 3rd quarter, albeit with mixed performances. Of note was the positive sales development of the Health & Wellness formats (reflecting the growing importance of this segment in the context of the crisis). On the flip side, the Company's foodservice formats are still bouncing back from the impact of lockdown and from more cautious consumption behaviours that followed.
- In the 1st nine months, underlying EBITDA increased by +€34m to €374m, with a stable margin of 9.9%, as incremental COVID-19-related direct costs (c.€20m in 9M'2020) were more than offset by the contribution from increased sales volumes and operational enhancements implemented in the same period. In the 3rd quarter, the dilution of fixed costs also contributed to improved operating profitability. All in all, net profit from continuing operations amounted to €92m in these nine months, a +€8m change year-on-year.

FREE CASH-FLOW AND DEBT (€m)	9 Months		
	2019	2020	Δ y.o.y.
Free cash-flow	35	127	€92m
Net financial debt	646	538	-16.7%
Lease liabilities	966	1,007	4.3%
Total net debt ¹ to unEBITDA	3.5x	3.0x	-

- In the nine months period, Sonae MC posted an increase in free cash-flow of +€92m versus the same period last year, from €35m to €127m, mainly influenced by: i) an increase in sales volume (COVID-19 related); ii) a change in working capital of -€19m, primarily owing to a lower accounts payable ratio; iii) a prudent approach to capital spending in the current adverse backdrop, with gross capex just under €138m, earmarked for selected store refurbishments and other modernization investments (€92m), and the opening of new units (€45m); and iv) the proceeds from the sales & leaseback transactions completed in the period totalling €49m. The positive cash-flow from operating activities led to a cash conversion ratio of 65.0%.
- The Company's investment program included the opening of +57 new company-operated stores (including +7 Continente Bom Dia proximity supermarkets), representing an additional +18k square meters of sales area. In addition to, the refurbishment of 6 food retail units, plus other key projects such as the ongoing modernization of warehousing and logistics facilities and the development of digital capabilities.
- Sonae MC's balance sheet remained robust throughout the period. Net financial debt stood at €538m, down -€108m year-on-year, with the Company improving its leverage and gearing ratios. The total net debt in relation to underlying EBITDA at the end of September 2020 was 3.0x.
- Also, over these nine months, Sonae MC further improved its liquidity position, increasing the available credit facilities under very competitive market conditions (including the successful issuance of a €50m unsecured bond loan in the 3rd quarter), and significantly reducing its future funding needs.

03. OUTLOOK

- As we look ahead, the Company will continue to be guided by its key priorities in the more tactical response to the ongoing health crisis. At the same time, it will also remain focused on its longer-term strategy to continue seizing step-change opportunities, while creating value for all stakeholders.
- Despite the exceptional nature of all the looming uncertainty surrounding COVID-19, Sonae MC is confident of continued positive momentum into the seasonally meaningful 4th quarter of 2020 (namely the Christmas period), improved free-cash-flow generation and net debt reduction, plus another year of favourable earnings.

¹ Total net debt equals net financial debt plus lease liabilities.

A.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED RESULTS (€m)	9 Months			3 rd Quarter		
	2019	2020	Δ y.o.y.	2019	2020	Δ y.o.y.
Turnover	3,427	3,769	10.0%	1,247	1,338	7.4%
Underlying EBITDA (unEBITDA)	340	374	10.0%	133	148	11.2%
<i>as % of turnover</i>	9.9%	9.9%	0.0pp	10.7%	11.1%	0.4pp
D&A	-183	-199	9.1%	-62	-73	17.4%
Underlying EBIT (unEBIT)	157	175	11.1%	71	75	5.9%
<i>as % of turnover</i>	4.6%	4.6%	0.0pp	5.7%	5.6%	-0.1pp
Net financial activity	-56	-59	-	-19	-20	-
Other investment income	0	0	-	0	0	-
Non-recurring items	3	-2	-	3	3	-
Equity method	0	1	-	-0	0	-
EBT	105	114	9.3%	55	59	7.5%
Income tax	-17	-18	-	-12	-7	-
Minorities	-4	-4	-	-2	-2	-
Net profit (from continuing operations)	84	92	10.1%	41	50	22.4%

CONSOLIDATED BALANCE SHEET (€m)	9 Months		
	2019	2020	Δ y.o.y.
Net fixed assets	1,560	1,611	3.2%
Leased assets right-of-use	867	877	1.2%
Goodwill and financial investments	516	485	-6.1%
Working capital	-643	-634	-1.3%
Invested capital	2,301	2,339	1.6%
Shareholders' funds	689	793	15.1%
Lease liabilities	966	1,007	4.3%
Net financial debt	646	538	-16.7%
Sources of financing	2,301	2,339	1.6%
Total net debt¹ to unEBITDA	3.5x	3.0x	-

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