



Full-year Results, 2020

Matosinhos, 18th March 2021

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.

2020: an exceptional year for Sonae MC

Strengthened position as the leading omnichannel grocery retailer in Portugal

01. HIGHLIGHTS

In a year deeply marked by the COVID-19 pandemic:

- Turnover totaled €5,153m, driven by a total rise of 9.6% and a like-for-like sales increase of 6.6%, with Sonae MC exceeding market growth and enhancing its leadership position
- Online sales grew by approximately 80% in the full-year, reinforcing Sonae MC's clear leadership also in grocery e-commerce in Portugal
- Underlying EBITDA increased to €526m, corresponding to a steady and benchmark margin of 10.2%, as the effect of higher sales volumes offset incremental COVID-19-related costs
- A strong free cash-flow generation supported a reduction in net financial debt at the year-end of -€127m, to €464m, and an improvement in leverage and gearing ratios
- Sonae MC took its responsibility in helping the nation with a renewed sense of purpose, making significant headway in its sustainable development key focus areas

MESSAGE FROM THE CEO | Luís Moutinho

"Throughout 2020, with the spread of the coronavirus pandemic, Sonae MC was able to overcome emerging adversities, adapting its operational processes with agility, guaranteeing a high-level execution of its teams, and continuing to provide an excellent service to its customers, thus boosting superior performance.

Over the year, we made sure to also keep our focus on the long-term industry shifts, promoting game-changing initiatives, and accelerating our transformation with an innovative track record, while still prioritizing the short-term response to the immediate challenges of a rapidly shifting backdrop.

The throes of the pandemic should last some more time and Sonae MC will continue to live up to its critical role in the grocery industry. We have a renewed set of ambitions and feel confident and well prepared to face 2021."



In times of COVID-19, day-to-day activity in one of Sonae MC's logistics warehouses

02.

OPERATIONAL AND FINANCIAL PERFORMANCE

TURNOVER (€m)	Full-year				4 th Quarter			
	2019	2020	Δ y.o.y.	Δ LFL	2019	2020	Δ y.o.y.	Δ LFL
Total Sonae MC	4,702	5,153	9.6%	6.6%	1,275	1,383	8.5%	5.4%
Hypermarkets	1,653	1,758	6.4%	6.4%	466	490	5.2%	5.3%
Supermarkets	2,239	2,527	12.8%	9.2%	600	667	11.2%	7.6%
New Growth Businesses & Others	810	868	7.1%	-3.8%	209	226	7.9%	-3.6%

KEY RESULTS (€m)	Full-year			4 th Quarter		
	2019	2020	Δ y.o.y.	2019	2020	Δ y.o.y.
Underlying EBITDA (unEBITDA)	480	526	9.8%	140	152	9.1%
as % of turnover	10.2%	10.2%	0.0pp	10.9%	11.0%	0.1pp
Net profit (from continuing operations)	132	139	5.8%	48	47	-1.9%

- The year was very challenging and profoundly impacted by COVID-19. Customer behaviour and shopping patterns have changed drastically, while the industry has witnessed greater consumption at home (at the expense of restaurant visits), shoppers cutting down on store trips, increased purchasing on each occasion and a rise in online shopping. Amid a backdrop of 2.1% food inflation, the Portuguese grocery market showed resilience and posted dynamic growth, benefiting from the shift away from foodservice.
- Sonae MC stood beside the customers and emerged as a winner within the industry, wrapping up an unparalleled year with a 9.6% sales increase, and 6.6% same-store growth, once again exceeding market benchmark figures. The teams demonstrated their unity and commitment, with frontline associates being among the true champions of the crisis and a centerpiece in further driving the businesses dynamics. All customer and brand metrics improved in 2020, and market share increased on a consistent basis, resulting in the Company cementing its leadership status.
- A record sales development across all the Company's food retail formats and channels more than compensated for the more challenging year in the non-food businesses (namely in foodservice), which suffered negative impacts due to enforced containment measures.
- Sonae MC's online business distinctly outperformed and registered an accelerated c.80% year-on-year growth, adapting rapidly to the sharp increase in customer demand, thus reinforcing its clear leadership in grocery e-commerce in Portugal.
- The Company continued to look towards the future, in addition to focusing on responding to the immediate shifts in the business environment. Significant progress has been made in digital transformation (namely omnichannel experience developments, and digital competence-strengthening), as well as in the other long-term strategic pillars – core value proposition improvement, operating model optimization, and portfolio expansion (specially in proximity) – all-in-all boosting customer engagement.
- Underlying EBITDA performance for the full-year was strong, totalling €526m (up 9.8% year-on-year), corresponding to a 10.2% stable margin, despite the greater levels of complexity added to operations and supply chain logistics, within the backdrop of the pandemic crisis. In fact, the favourable earnings growth leveraged on the dynamic momentum in the food retail business and the operational adjustments implemented throughout the period, which offset the additional direct costs resulting from the response

to the severity of the pandemic (c.€30m in the full-year), the negative impacts of the containment measures in some of the non-food businesses, and the investments in the competitiveness of the customer offering.

FREE CASH-FLOW AND DEBT (€m)	Full-year		
	2019	2020	Δ y.o.y.
Free cash-flow	91	202	€111m
Net financial debt	591	464	-21.5%
Lease liabilities	1,006	1,095	8.8%
Total net debt ¹ to unEBITDA	3.3x	3.0x	-

- For the full-year, Sonae MC delivered a robust free cash-flow of €202m, an increase of €111m versus last year. The free cash-flow improvement benefited from the rise in cash-flow from operating activities (leading to a cash conversion ratio of 66%), a lower investing activity, and the proceeds from the sales & leaseback transactions of six food retail assets completed in the period, totalling €50m.
- In 2020, gross capex amounted to €206m, earmarked for the modernization (€129m) and expansion (€76m) of the store network. The Company's more prudent investment activity in the full year, in light of the current adverse backdrop, included the opening of +89 new company-operated stores, representing an additional +31k square meters of sales area, and the refurbishment of 8 food retail units, plus other relevant projects such as the further enhancement of omnichannel and digital capabilities, the revamp of warehousing and logistics facilities, and the modernization of the technology backbone.
- Sonae MC continued to strengthen its balance sheet, further reducing its year-end net financial debt by -€127m, to €464m, mainly owing to a solid operational cash-flow generation. As at 31 December 2020, total net debt¹ in relation to underlying EBITDA was 3.0x, below the Company's long-term target of <3.5x.
- During the year, Sonae MC completed several refinancing operations at competitive market conditions, ending 2020 with comfortable amounts of available liquidity and a solid debt maturity profile (with an average maturity greater than 4 years). It is also worth highlighting the closure of the first Green Loan in March, in the amount of €55m, demonstrating the Company's commitment to its sustainability strategy.

SUSTAINABLE DEVELOPMENT (selected ratios)		Full-year		
		2019	2020	Δ y.o.y.
Specific electricity consumption	(kWh/ sqm.)	497.3	486.9	-2.1%
GHG emissions (scope 1 & 2)	(kg CO ₂ e/ sqm.)	202.0	156.3	-22.6%
Recyclable plastic in own brand packaging	(%)	73.0	74.2	1.2pp
Continente Producer's Club members	(#)	200	256	28.0%
Seafood sourced from sustainable fisheries or farmed	(%)	62.2	65.4	3.2pp
Direct community support	(€m)	9.3	11.6	25.3%
Direct employees	(#)	34,898	35,900	2.9%
Women in leadership positions	(%)	35.4	37.0	1.6pp
Workplace accident frequency rate	(#)	9.8	8.4	-1.4

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

- Amidst the response to the COVID-19 outbreak, Sonae MC continued to be guided by a strong focus on sustainable development, covering its three focus areas – environment, community, and people –, and in decision making for the benefit of all stakeholders.
- In 2020, as selected examples of the Company's headway in sustainable development, it should be mentioned that, Sonae MC remained committed to reducing its GHG emissions, and reaching its recyclable plastic incorporation targets. Also, the strong partnerships and close support to local suppliers have enabled the Company to maintain high availability of products in stores shelves throughout the period, while continuing to promote a more sustainable and transparent supply chain. Finally, Sonae MC fostered increased collaboration and dialogue across its workforce, while shielding its most vulnerable associates and implementing temporary bonuses to frontline colleagues amidst the heights of the public health crisis.

03.

OUTLOOK

- The year 2021 began with Portugal being put again into full lockdown, posing additional challenges to the overall macro scenario and operating environment. The unpredictable circumstances of the public health emergency, namely the speed and success of 'post-pandemic normalisation', and the evolution of the economic outlook, with influence on consumption, will dictate business developments in the current year.
- Nevertheless, Sonae MC will continue to be guided by its economic and financial priorities, aiming to continue generating profitable growth (with best-in-class efficiency), achieving high levels of returns, and maintaining a sound capital structure. Backed by a clear and proven strategy, and a well-planned business model, the Company started the year with a positive note and remains confident and in great shape to keep delivering in 2021 and beyond.

04.

OTHER EVENTS

- In December 2020, Sonae MC became aware of a decision by the Portuguese Competition Authority to condemn two suppliers and several large food distribution groups present in Portugal, including the Company itself, due to the alleged practice of price concertation, in the period between 2007 and 2017.
- Sonae MC absolutely repudiates this condemnation decision, which is manifestly wrong and unfounded, and rejects the accusation of involvement in any price agreement or concertation, as well as the imposition of any fine. The Company will appeal the decision to the Courts and use all means at its disposal for the complete clarification of the facts of which it is accused, the defence of its reputation and the affirmation of its values.
- The Board of Directors will propose at the Shareholders' Annual General Meeting the payment of a maximum gross dividend of €140m, corresponding to €0.14 per share. This dividend implies a pay-out ratio of c.100% 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		
	2019	2020	Δ y.o.y.	2019	2020	Δ y.o.y.
Turnover	4,702	5,153	9.6%	1,275	1,383	8.5%
Underlying EBITDA (unEBITDA)	480	526	9.8%	140	152	9.1%
<i>as % of turnover</i>	10.2%	10.2%	0.0pp	10.9%	11.0%	0.1pp
D&A	-250	-270	8.0%	-67	-70	4.9%
Underlying EBIT (unEBIT)	230	257	11.7%	73	82	13.0%
<i>as % of turnover</i>	4.9%	5.0%	0.1pp	5.7%	5.9%	0.2pp
Net financial activity	-74	-78	-	-18	-19	-
Other investment income	0	0	-	-0	-	-
Non-recurring items	3	-3	-	-	-1	-
Equity method	1	1	-	0	0	-
EBT	160	176	10.5%	55	62	12.9%
Income tax	-22	-32	-	-5	-14	-
Minorities	-6	-5	-	-2	-1	-
Net profit (from continuing operations)	132	139	5.8%	48	47	-1.9%

CONSOLIDATED BALANCE SHEET (€m)	Full-year		
	2019	2020	Δ y.o.y.
Net fixed assets	1,635	1,634	-0.1%
Leased assets right-of-use	898	960	6.8%
Goodwill and financial investments	491	482	-1.9%
Working capital	-653	-673	3.1%
Invested capital	2,371	2,403	1.3%
Shareholders' funds	775	844	8.9%
Lease liabilities	1,006	1,095	8.8%
Net financial debt	591	464	-21.5%
Sources of financing	2,371	2,403	1.3%
Total net debt¹ to unEBITDA	3.3x	3.0x	-

CASH-FLOW (€m)	Full-year		
	2019	2020	Δ y.o.y.
Underlying EBITDA	480	526	9.8%
Fixed rents	-138	-148	7.1%
Change in working capital	69	23	-66.9%
Gross capex	-309	-206	-33.5%
<i>Maintenance & Optimisation</i>	-120	-129	-
<i>Expansion</i>	-107	-76	-
<i>Acquisitions²</i>	-82	-0	-
Sales & leaseback divestments	23	50	-
Income tax and net financial activity	-35	-44	-
Free cash-flow³	91	202	€111m
Cash conversion	65.0%	66.0%	1.0pp

² Includes both the equity stake and the assumed debt.

³ Corresponds to the change in net debt and dividends.

B.

STORE NETWORK AND FREEHOLD

STORE NETWORK	Nº of stores			Sales area ('000 sqm.)		
	2019	2020	Net change	2019	2020	Net change ⁴
Total Sonae MC	1,228	1,313	85	911	942	32
Total Company Operated	890	969	79	835	864	29
Continente	41	41	0	276	276	0
Continente Modelo	129	132	3	267	274	7
Continente Bom Dia	119	131	12	149	164	15
Well's	234	251	17	23	25	2
Arenal	48	54	6	29	32	4
Bagga	136	136	0	8	8	0
Note!	61	76	15	11	12	1
Zu	20	28	8	2	3	1
Go Natural supermarkets	12	12	0	3	3	0
Go Natural restaurants	37	34	-3	3	2	0
Maxmat	31	30	-1	61	60	-1
Dr. Wells	16	22	6	2	3	1
Other	6	22	16	2	2	0
Total Franchised	338	344	6	76	79	3
Continente Modelo	9	10	1	20	21	1
Meu Super	285	289	4	52	53	2
Well's	29	30	1	2	3	0
Bagga	7	8	1	0	1	0
Go Natural restaurants	3	3	0	1	1	0
Note!	5	4	-1	1	1	0

FREEHOLD (END OF PERIOD)	2019	2020			
	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec
Total Sonae MC	43%	42%	42%	41%	40%

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

⁴ Includes changes in sales area resulting from store optimization initiatives.