



Full-year Results, 2021

Matosinhos, 17th March 2022

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.



01.

2021 HIGHLIGHTS

Following the sale of 50% of Maxmat's share capital completed last September, all periods of 2020 and 2021 were restated to consider Maxmat as a discontinued operation.

- Turnover reached €5,362m, growing 6.3% y-o-y and 3.4% on a like-for-like basis. E-commerce grew c.30%, and contributed to the overall market leadership reinforcement
- Underlying EBITDA rose to €537m, representing 10.0% of sales. Activity normalization, operational efficiency and growing maturity of younger formats offset extra costs in the period
- Investment totalled €195m, fuelling future growth through digital transformation initiatives and the expansion and modernization of the store network and logistics infrastructure
- A strong free cash-flow generation entailed a reduction in net financial debt to €379m and supported a 2.7x total net debt/unEBITDA ratio
- The very positive business evolution was matched by an increasing social and environmental influence, as MC continued to front-run sustainability developments in the sector

MESSAGE FROM THE CEO | Luís Moutinho

"We are very pleased with our full year results - in terms of growth, profitability and cash-flow generation -, which consolidate the solid performance of previous periods and MC's market leadership.

Throughout these turbulent times, our teams kept attentive to the pandemic evolution and its impacts on consumer behaviour and purchasing patterns, effectively adjusting our customer offer and operational practices, whenever adequate. At the same time, with extra confidence fuelled by improved customer recognition and positive business momentum, we have remained steadfast in our long-term direction by continuing to execute on our strategic priorities.

As for 2022, notwithstanding some industry headwinds in terms of growing cost pressures and an increasingly competitive market, we continue operating with our long-standing customer-centric approach, developing our growth avenues and integrating key sustainability issues into the day-to-day activities of our businesses, maximizing the value creation for all stakeholders".



Aerial view of the recently expanded Azambuja distribution centre



02.

OPERATIONAL AND FINANCIAL PERFORMANCE

TURNOVER (€m)	Full-year				4 th Quarter			
	2020	2021	Δ y.o.y.	Δ LFL	2020	2021	Δ y.o.y.	Δ LFL
Total MC	5,044	5,362	6.3%	3.4%	1,358	1,479	8.9%	6.3%
Hypermarkets	1,758	1,800	2.4%	2.6%	490	519	5.9%	6.1%
Supermarkets	2,527	2,677	5.9%	2.4%	667	714	7.1%	4.3%
New Growth Businesses & Others	759	885	16.5%	13.6%	201	246	22.4%	18.3%

KEY RESULTS (€m)	Full-year			4 th Quarter		
	2020	2021	Δ y.o.y.	2020	2021	Δ y.o.y.
Underlying EBITDA (unEBITDA)	511	537	5.0%	149	152	2.4%
as % of turnover	10.1%	10.0%	-0.1pp	10.9%	10.3%	-0.7pp
Net profit (from continuing operations)	135	218	61.2%	46	67	45.2%

- The year began with a strict lockdown, that eased significantly during the summer with the rollout of Covid-19 vaccination, and it ended with the world retreating again due to the Omicron surge. Along the year, the Portuguese grocery sector continued to benefit from high food consumption at home, as the sanitary and social constraints drove families to their home basis. On a less positive note, inflation was harsher in non-discretionary areas of the household budget. Supply chain issues, as well as commodity, energy and labour cost pressures, have also impeded with acute prevalence.
- For MC, this was a particularly enthusiastic year in terms of digital transformation. The Company implemented several relevant initiatives, which included the opening of the first cashierless store by a European retailer (Continente Labs), the revamp of Continente and Wells e-commerce front-ends, the expansion of online fulfilment capacity and instant delivery partnerships, and the upgrade of several solutions in favour of better shopping journeys. In the background, MC deployed several new digital business tools and continued modernizing its IT infrastructure, by reinforcing efforts to develop additional data-driven capabilities and promote more agile and hybrid working models.
- It was also a year for heightened distinctiveness in the eyes of the customer, as the Company refined the fresh proposition, private label portfolio, and food service solutions on the food based-stores. All translated into a steep increase in consumer recognition of the Continente brand. MC also powered-up its health, wellness and beauty store formats. Additionally, the period was marked by higher operational efficiency and reliability, through the consolidation of the new replenishment and fresh models in the food-based stores, and by progress in the restructuring of warehouse architecture and supply-chain flows.
- In this positive backdrop, MC delivered another solid trading performance, with annual turnover growing 6.3%, to €5,362m, and by 3.4% on a like-for-like basis. These results were particularly positive on the 4th quarter (6.3% like-for-like), in which consumer sentiment was high and the widespread lockdowns of the 2020 holiday season did not occur. The sound figures in the full-year were underpinned by a strong delivery in Continente, and by the rebound of the most conditioned banners during the lockdown measures of 2020. Health, wellness and beauty remained a major lever of growth, both through the fast-development pace of the like-for-like universe and the roll-out of the Company's ambitious expansion plan. The year registered some normalisation in online demand versus the beginning of the pandemic, but this remained a very high growth channel (c. 30% y-o-y) and a driver of customer engagement.



- Underlying EBITDA reached €537m and stood at 10.0% of turnover. This performance reflected a sound topline delivery, but also resulted from the ongoing focus on operational cost discipline, that helped to offset the surge in specific cost factors (such as Covid-19 related ones, energy and labour). The formats that suffered the most in 2020 from enforced lockdown measures, naturally, presented a better profitability profile in 2021, while more recent formats continued improving their performance indicators.
- All-in-all, net profit from continuing operations totalled €218m in 2021 (increasing 61% versus 2020), benefiting from the positive baseline operational performance, as well as the one-off gain of c. €40m related to the net capital gain on the sale of the 50% stake in Maxmat.

FREE CASH-FLOW AND DEBT (€m)	Full-year				
	2020	% turnover	2021	% turnover	Δ y.o.y.
Gross cash-flow	365	7.2%	385	7.2%	20
Change in working capital & other cash impacts	31	0.6%	16	0.3%	-15
Operational capex	-203	-4.0%	-195	-3.6%	8
Sales & leaseback divestments	50	1.0%	-	0.0%	-50
Other divestments	-0	0.0%	68	1.3%	68
Income tax and net financial activity	-41	-0.8%	-30	-0.6%	10
Free cash-flow	201	4.0%	243	4.5%	42
Net financial debt	483	-	379	-	-103
Lease liabilities	1,093	-	1,082	-	-10
Total net debt ¹ to unEBITDA	3.1x	-	2.7x	-	-

- In annual terms, operational capex amounted to €195m. The year was marked by the opening of 13 new food-based stores and 51 new units in the New Growth Business segment. In particular, the centres of Lisbon and Porto continued to call for new stores focused on quick and convenient shopping missions. The focus was also on improving the standards of modernity and comfort of Continente Modelo stores, and on the implementation of the new warehouse structure in the Azambuja distribution centre, which was completed in the 4th quarter.
- The Company also invested in technological accelerators of growth and performance. In particular, it executed relevant investments in data (with the scaling of the data lake and event processing sources), in automation (by expanding CI/CD and automated testing footprint and digitizing business processes), and in the use of artificial intelligence (embracing solutions with integrated machine learning and cognitive services orchestration).
- As of December 2021, MC had further strengthened its balance sheet structure, reducing net financial debt by €103m y-o-y, to €379m, with total-net-debt/ unEBITDA reaching 2.7x. Throughout the year, the Company completed several refinancing operations (with very competitive pricing conditions), achieving comfortable available liquidity and a solid debt maturity profile, as well as a re-composition of the funding structure towards attractive Green or ESG-linked instruments (which account for c. 56% of total long-term facilities at current date).

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



SUSTAINABLE DEVELOPMENT
(selected ratios)

	Full-year			
	Unit	2020	2021	Δ y.o.y.
GHG emissions (scope 1 & 2)	(tonCO ₂ eq)	134,971	160,774	19.1% (-4.7% ²)
Renewable energy production	(GWh)	18.8	31.4	66.9%
Recyclability of own brand products plastic packaging	(%)	72.8	74.7	1.9pp
Food waste avoided	(€m)	30.0	37.1	23.6%
Direct community support	(€m)	11.6	19.6	69.0%
Direct employees	(#)	35,900	36,607	2.0%
Women in leadership positions	(%)	36.6	38.8	2.2pp

- In the sustainability field, the year was marked by progress in the global plastic waste management, the strengthening of the weight of renewable electricity in the Company's energy consumption mix, and the "Luzes com Presença" social campaign, through which Continente mobilized Portuguese society to combat loneliness and social isolation.
- Aware of the significant burden that the pandemic has imposed on its teams, the Company prioritized employee engagement and satisfaction throughout the year. Namely, by reinforcing critical employee journey foundations, introducing new digital and social engagement initiatives, and powering-up wellbeing and inclusion conditions.
- All-in-all, MC teams remained strongly committed to sustainability efforts throughout the year. Such endeavours were recognised and rewarded – namely with the highlight of MC's performance in the Global Commitment Annual Report and the distinction awarded by the Portuguese Association for Diversity and Inclusion.

03. OUTLOOK

- On fundamental terms, MC is confident that the grocery retail backdrop is to remain globally positive over 2022 and beyond, as health and social conditions will continue to pull customers to their homes (either for family, leisure or work motives).
- Nevertheless, alternative channels will continue to compete for expenditure at home, while food away from home will account for a greater share-of-stomach compared to recent years (as Covid-19 related lockdowns tend to stop occurring and the Horeca segment revives). In the next months, geopolitical tensions (particularly materialized in the military confrontation in Ukraine), combined with the steep rise in energy costs, will place additional uncertainty and cost loads on businesses.
- In this context, MC will be focused on effectively adjusting to changes in consumer purchasing behaviour, balancing competitive pressures, and mitigating potential incremental cost burdens (with acute importance of energy). Additionally, it will continue to explore critical development options to defend its distinctiveness and capture new emergent opportunities, in both food grocery and health, wellness and beauty Iberian markets.

² Change versus 2019 figure; To assess the progress of its CO₂&AC roadmap, the Company considers 2019 as a more suitable baseline, since the electricity emission factor in 2020 was abnormally low due to the pandemic context.



A.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED RESULTS (€m)	Full-year			4 th Quarter		
	2020	2021	Δ y.o.y.	2020	2021	Δ y.o.y.
Turnover	5,044	5,362	6.3%	1,358	1,479	8.9%
Underlying EBITDA (unEBITDA)	511	537	5.0%	149	152	2.4%
<i>as % of turnover</i>	10.1%	10.0%	-0.1pp	10.9%	10.3%	-0.7pp
D&A	-267	-257	-3.4%	-69	-53	-23.5%
Underlying EBIT (unEBIT)	244	279	14.2%	79	99	25.1%
<i>as % of turnover</i>	4.8%	5.2%	0.4pp	5.8%	6.7%	0.9pp
Net financial activity	-78	-80	-	-19	-19	-
Other investment income	0	0	-	-	-	-
Non-recurring items	-3	40	-	-1	-	-
Equity method	1	1	-	0	0	-
EBT	164	241	46.7%	59	80	35.4%
Income tax	-29	-21	-	-13	-12	-
Minorities	-0	-2	-	-0	-2	-
Net profit (from continuing operations)	135	218	61.2%	46	67	45.2%

CONSOLIDATED BALANCE SHEET (€m)	Full-year		
	2020	2021	Δ y.o.y.
Net fixed assets	1,602	1,623	1.3%
Leased assets right-of-use	958	933	-2.5%
Goodwill and financial investments	482	476	-1.3%
Working capital	-667	-650	-2.6%
Invested capital	2,375	2,383	0.3%
Shareholders' funds ³	799	921	15.2%
Lease liabilities	1,093	1,082	-0.9%
Net financial debt	483	379	-21.4%
Sources of financing	2,375	2,383	0.3%
Total net debt¹ to unEBITDA	3.1x	2.7x	-

³ Shareholders' funds in 2020 exclude the net book value of Maxmat.



CASH-FLOW (€m)	Full-year		
	2020	2021	Δ y.o.y.
Underlying EBITDA	511	537	5.0%
Fixed rents	-146	-152	3.9%
Change in working capital & other cash impacts	31	16	-48.3%
Operational capex	-203	-195	-3.8%
<i>Maintenance & Optimisation</i>	-127	-136	-
<i>Expansion</i>	-76	-59	-
<i>Acquisitions</i>	0	0	-
Sales & leaseback divestments	50	-	-
Other divestments	-0	68	-
Income tax and net financial activity	-41	-30	
Free cash-flow⁴	201	243	42
Cash conversion	65.3%	64.6%	-0.7pp

⁴ Corresponds to the change in net financial debt and dividends.



B.

STORE NETWORK AND FREEHOLD

STORE NETWORK	N° of stores			Sales area ('000 sqm.)		
	2020	2021	Net change	2020	2021	Net change ⁵
Total MC	1,283	1,342	59	883	910	27
Total company operated	939	984	45	804	828	23
Continente	41	41	0	276	276	0
Continente Modelo	132	133	1	274	278	5
Continente Bom Dia	131	143	12	164	178	14
Wells	251	261	10	25	28	3
Arenal	54	59	5	32	35	2
Bagga	136	136	0	8	7	0
Note!	76	80	4	12	13	0
Zu	28	38	10	3	3	1
Go Natural supermarkets	12	12	0	3	3	0
Go Natural restaurants	34	19	-15	2	1	-1
Dr. Well's	22	24	2	3	4	0
Other	22	38	16	2	3	0
Total franchised	344	358	14	79	83	4
Continente Modelo	10	10	0	21	21	0
Meu Super	289	307	18	53	57	4
Wells	30	28	-2	3	2	0
Bagga	8	6	-2	1	0	0
Go Natural restaurants	3	3	0	1	1	0
Note!	4	4	0	1	1	0

FREEHOLD (END OF PERIOD)	2020	2021			
	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec
Total MC	38%	38%	38%	38%	38%

Please visit <https://mc.sonae.pt/en/> for additional information about the results, including a comprehensive glossary.

⁵ Includes changes in sales area resulting from store optimization initiatives.