

# Introduction to

**SONAE MC**

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June 2018

# Sonae MC is the Leading Multi-format Omnichannel Food Retailer in Portugal

## Key highlights

### Positioning



in **Food Retail**

in **Food Retail E-commerce**

in **Healthy Nutrition**

in **Para-Pharmacies**

**697** operated stores

**>40%** real estate ownership

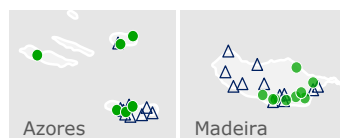
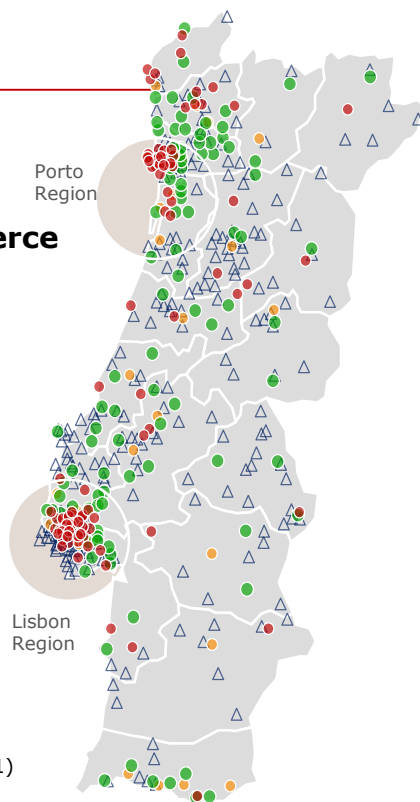
**>30k** employees

**Turnover** ~€4.1bn

**EBITDA** ~€303m (~7.5% margin)<sup>(1)</sup>

**99%** brand awareness<sup>(2)</sup>

**85%** loyalty card penetration in Portuguese households



- Continente
- Continente Modelo
- Continente Bom Dia
- △ Meu Super

## Food retail portfolio

% TOTAL SALES AREA

**95%**

**CONTINENTE**

URBAN  
HYPERMARKETS

**CONTINENTE**  
*modelo*

LARGE  
SUPERMARKETS

**CONTINENTE**  
*bom dia*

PROXIMITY  
SUPERMARKETS

**CONTINENTE**  
*online*

E-COMMERCE

**Meu  
super**

PROXIMITY  
SUPERMARKETS  
(FRANCHISE)

## Adjacent formats

% TOTAL SALES AREA

**5%**

**wells**

PARA-PHARMACIES  
(HEALTH, WELL-BEING  
AND EYE-CARE)

**gonatural**

ORGANIC  
SUPERMARKETS  
AND RESTAURANTS

**B.A.G.G.A.**

COFFEE SHOPS

**note**

STATIONERY,  
BOOKS  
AND GIFTS

**ZU**

PET CARE AND  
VET SERVICES

**Maxmat**

DIY RETAIL

Note: For the purpose of the potential IPO and for this document, Sonae MC business is now defined as: i) the operation of food retail and adjacent formats (brands presented in this slide), operated directly or through franchise agreements; ii) ownership and management of related real estate properties, part of which is leased to third and related parties, as well as iii) rendering back office services to related parties. Financial information relates to year ended 31 December 2017 and has been re-stated to reflect this perimeter. Financial information is preliminary, has not been audited and is subject to final confirmation (including capital gains). Sonae MC's store data as of March 2018. Sonae MC has additional 344 franchised stores and 1 outlet store.

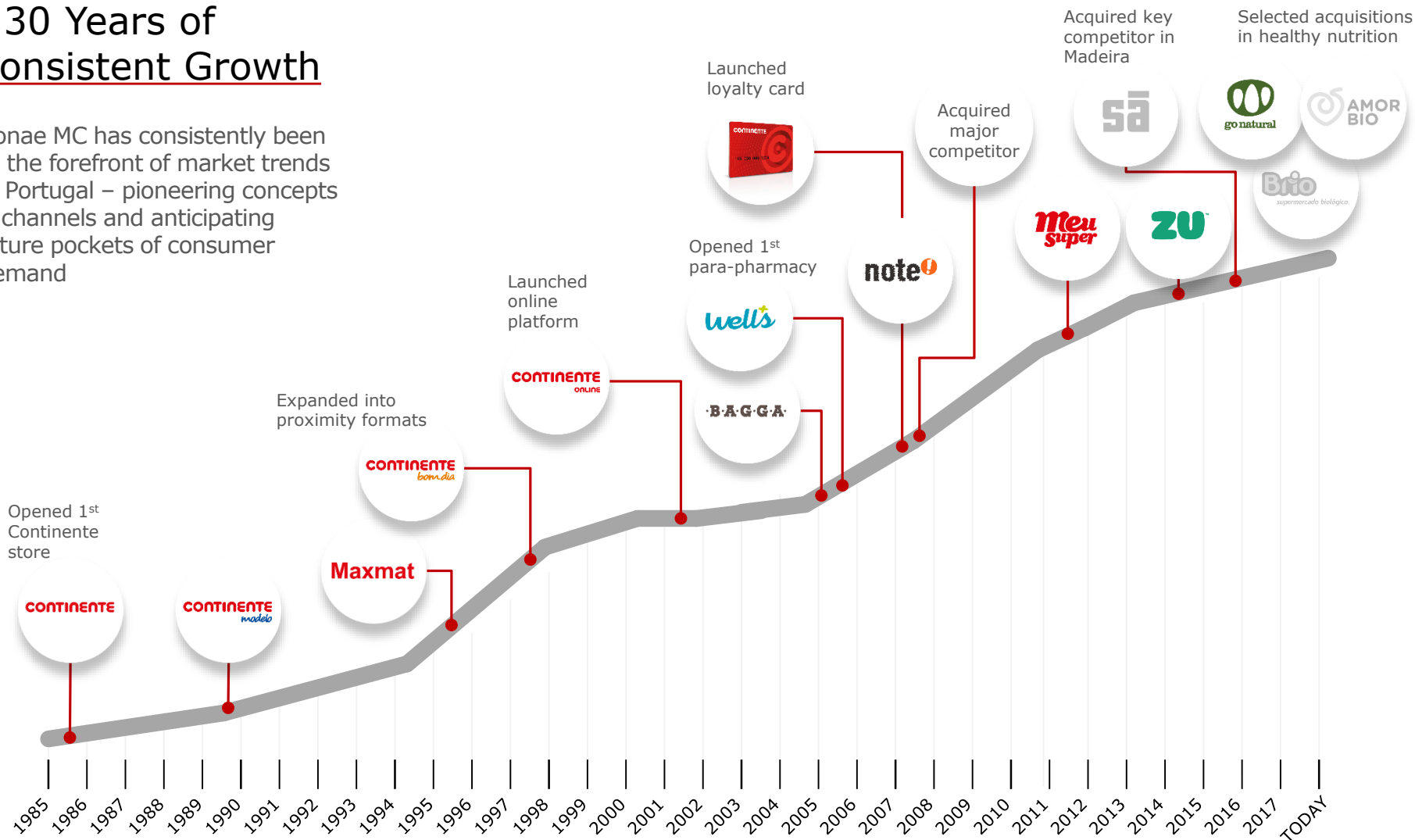
(1) Figure is underlying, as defined in page 15

(2) Based on study by Instituto de Marketing Research (IMR) on behalf of Sonae MC

Source: Company information, PlanetRetail RGD

# Track Record of >30 Years of Consistent Growth

Sonae MC has consistently been at the forefront of market trends in Portugal – pioneering concepts & channels and anticipating future pockets of consumer demand



## Key focus areas

### Large format supermarkets

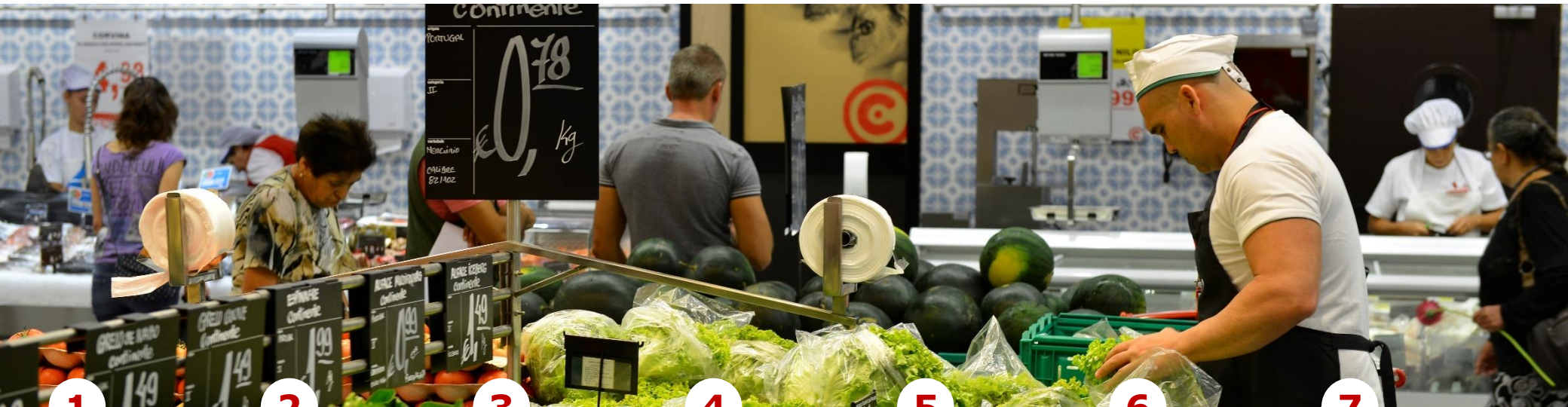
- + Fine tuning of value proposition
- + Operating model sophistication

### Adjacent formats

### Proximity, digital, health & wellness



# Strong Investment Proposition



1

## Attractive Macro Environment

Unique Opportunity to Gain Direct Exposure to the Portuguese Food Retail Market

2

## Leading Food Retailer in Portugal

~22% Market Share<sup>(1)</sup>

3

## Strong Retail Network & Digital Platform

Comprehensive Network of Food Retail Formats in Urban Locations Complemented by an Unrivalled Digital Platform

4

## Exceptional Brand Reputation & Customer Engagement

Unique Loyalty Programme Covering ~85% of Portuguese Households

5

## Highly Efficient Operator

Differentiated Supply Chain Capabilities and Focus on Efficiency Provide a Distinctive Competitive Advantage

6

## Solid Financial Profile

Good LFL Growth, Best-in-class Margin, >40% Real Estate Ownership

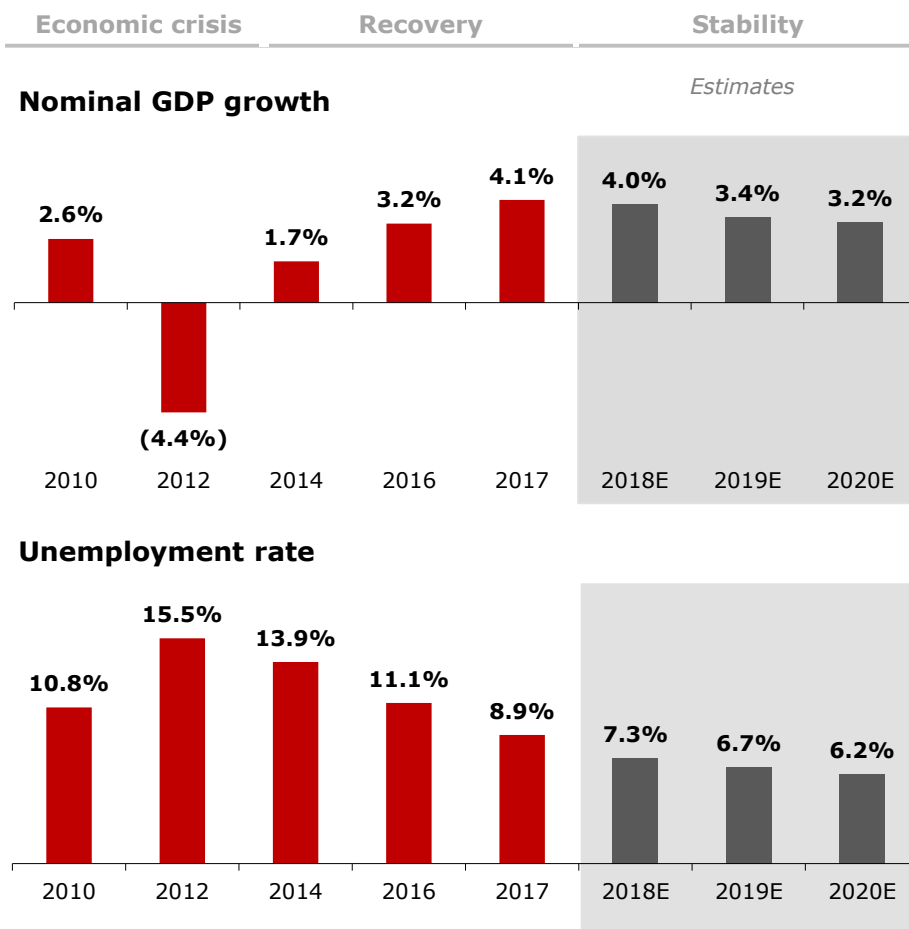
7

## Clear Growth Strategy

Four Growth Pillars, Executed by Highly Experienced Management Team

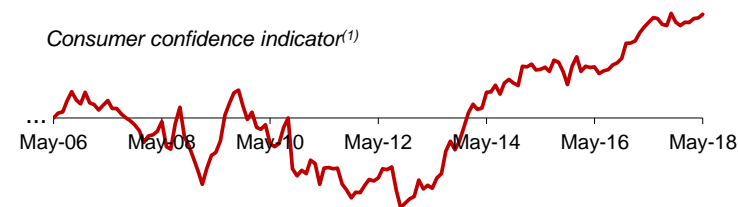
# Following an Economic Downturn, the Portuguese Economy is Thriving

The Portuguese economy has rebounded...



... which is being reflected in higher consumption...

- **Consumer confidence** at its highest level in 30 years



- **Significant growth in disposable income** (+4.1% in 2018e)
- **Private consumption now above pre-crisis level**, and forecasted to grow at +3.6% CAGR until 2022e

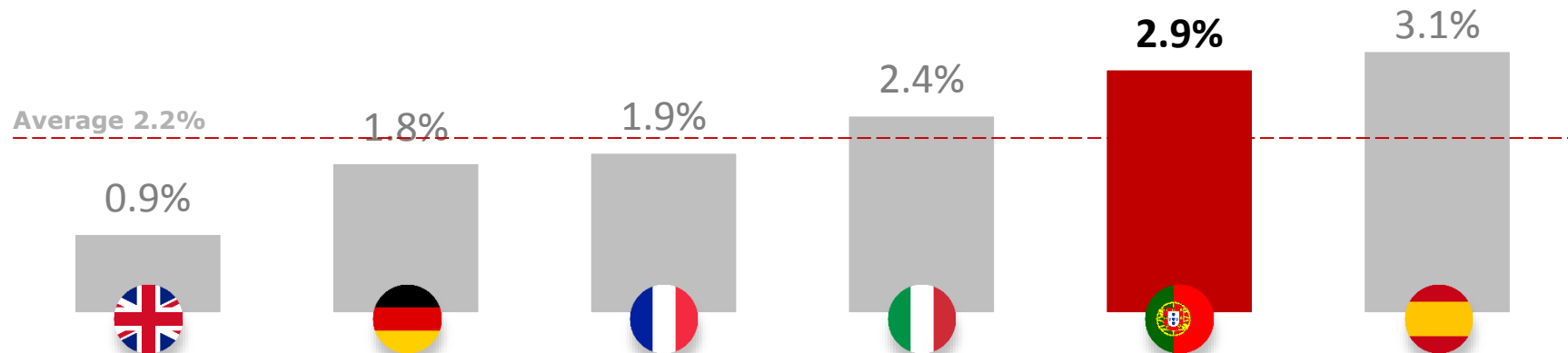
... and increased levels of investor confidence

- **Increased Direct Foreign Investment** (+24% in 2017 vs 2008 pre-crisis)
- **Portugal has recovered its Investment Grade credit rating from Fitch and S&P in the last 12 months** (Portuguese 10-year bond yields below 2%, which compares to >4% in Q1 2017 and >7% in 2013)

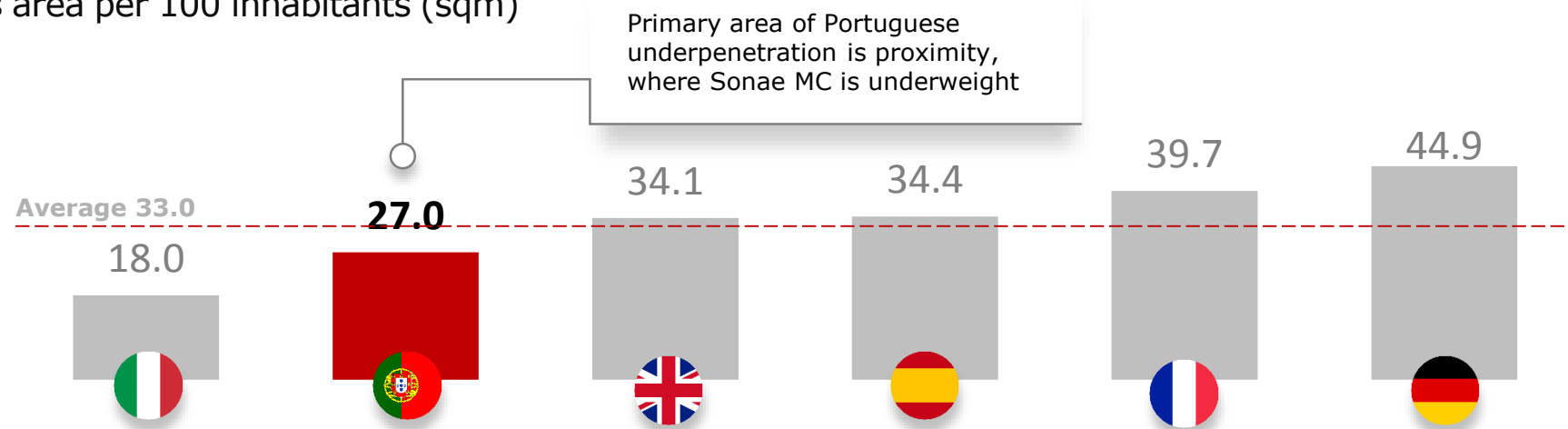
(1) Consumer confidence represents by how much optimistic views of consumers are superior to pessimistic views.  
Source: IMF World Economic Outlook database, Banco de Portugal, Instituto Nacional de Estatística (INE), Bloomberg, AMECO

# The Portuguese Grocery Retail Market is Relatively Underpenetrated and is Expected to be One of the Fastest Growing Markets in Europe

Grocery market sales CAGR '17-22E



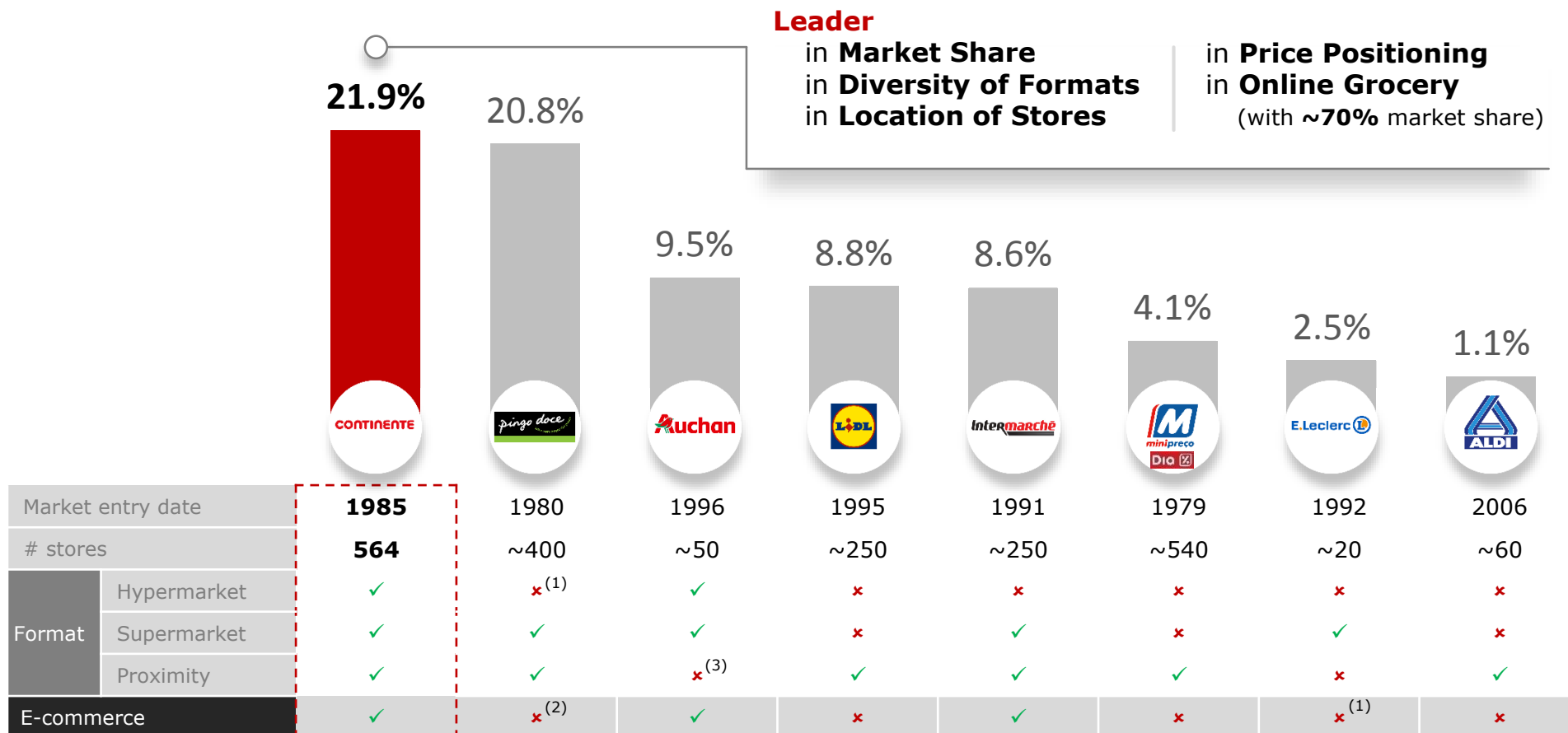
Sales area per 100 inhabitants (sqm)



# Sonae MC is the Leading Food Retailer in Portugal, with a Diversified Portfolio of Formats and Channels

1 2 **Leading Food Retailer in Portugal** 3 4 5 6 7

2017 Grocery market share in Portugal



Note: Sonae MC store data as of March 2018. Other players as of December 2017. Sonae MC number of stores refers to food retail stores only.  
 Presence in formats based on store split as per PlanetRetail RGD in 2017. Hypermarket & Superstores >2,500 sqm; Supermarket 400 – 2,500 sqm; Proximity <400 sqm.  
 (1) Player is present in format, although not representative: Pingo Doce operates 9 Hypermarkets, E-Leclerc operates 2 Proximity stores  
 (2) Jerónimo Martins announced in April 2018 it would explore a partnership with a third party online platform (Mercadão)  
 (3) Auchan launched a proximity growth programme in the beginning of 2017

Source: Company information, PlanetRetail RGD, Euromonitor



# First Mover Advantage: Unreplicable Store Estate in Prime Urban Locations

1 2 3 Strong Retail Network & Digital Platform 4 5 6 7

**CONTINENTE**

URBAN  
HYPERMARKETS



- Reinvented urban hypermarkets anchored in **premium shopping centres** (25 out of 41 stores) or in **standalone centres**
- Located in **high density urban locations**, extremely difficult to replicate
- Differentiation through **price** and **variety**

**CONTINENTE**

*modelo*

LARGE  
SUPERMARKETS



- Large supermarkets with **strategic locations** in **mid-sized cities**
- **Broad assortment** (including light bazar) & **high service levels**
- Attractiveness reinforced by adjacent formats **driving footfall**

**CONTINENTE**

*bom dia*

PROXIMITY  
SUPERMARKETS











- Proximity supermarkets located in **highly populated areas**, mainly inside cities
- Modern concept based on **quality and variety of fresh products**, targeting daily shopping



# Multi-Format Omnichannel Approach to Capture All Shopping Missions

% TOTAL SALES AREA



Food retail format	URBAN HYPERMARKET	LARGE SUPERMARKET	PROXIMITY SUPERMARKET	PROXIMITY STORES (SMALLER FORMAT) (FRANCHISING)
Year of 1 <sup>st</sup> opening	1985	1989	1997	2011
% of total sales area	 ~40%	 ~36%	 ~17%	 ~7%
# of stores	41	132 <sup>(1)</sup>	98	293
# of stores opened in L2Y (2016-17; net)	1	1	44	90
Average sales area per store ( <sup>000</sup> sqm)	~6.8	~2.0	~1.2	~0.2
Offering (% sales area) 				n/a
Average # of SKUs ( <sup>000</sup> )	~35	~17	~9	~3
Average # of private label SKUs ( <sup>000</sup> )	~14	~7	~5	~1



Note: Sonae MC's store data as of March 2018. Information regarding number of SKUs calculated based on 2017 average monthly figures.

(1) Figure includes 9 Continente Modelo franchised stores located in Azores

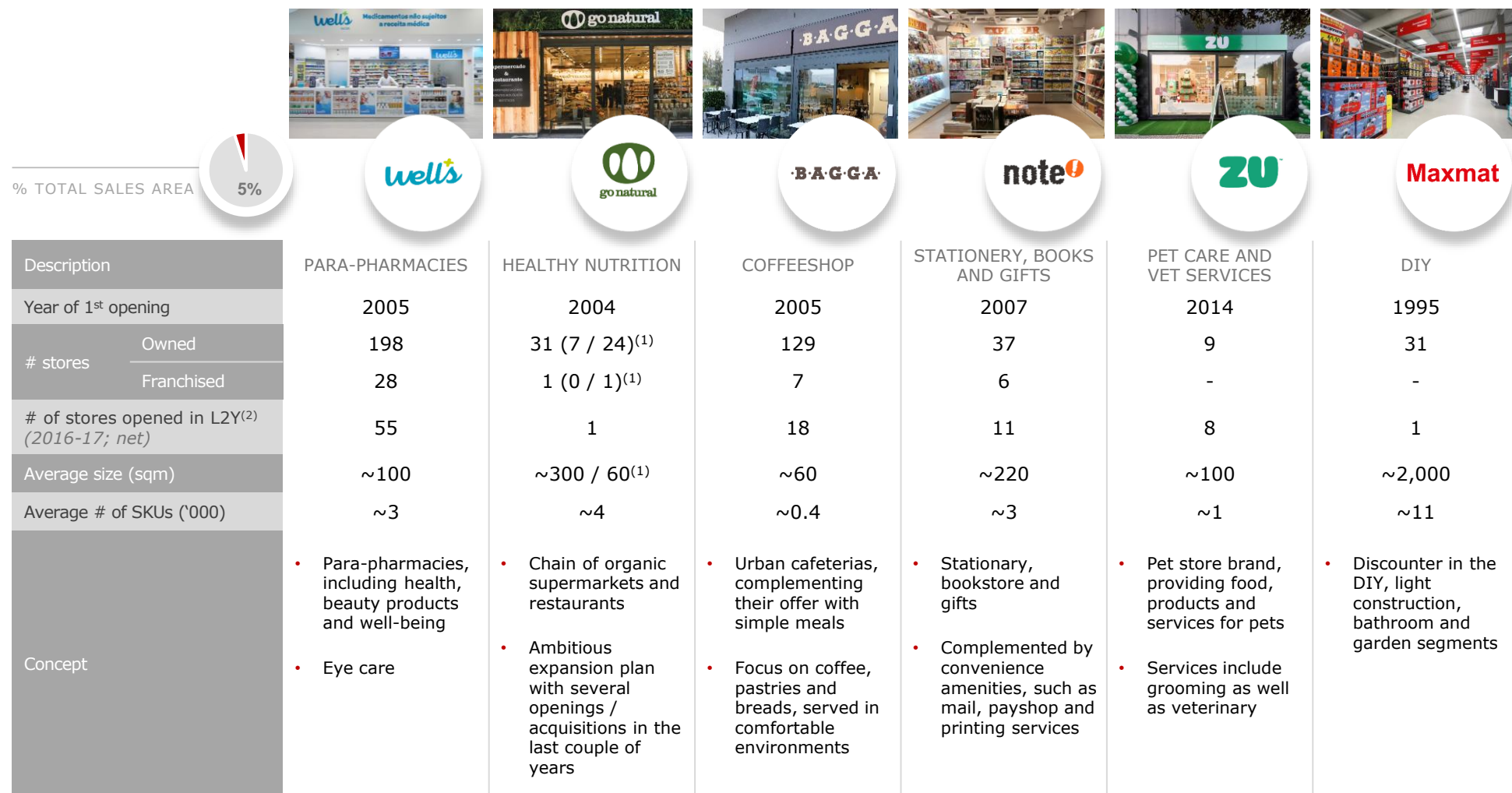
Source: Company information, Instituto Nacional de Estatística (INE)

# Sonae MC is the Undisputed Food Retail E-commerce Leader in Portugal

- Operating since 2001 and clear market leader in Portugal: **~70% market share**
- National coverage:
  - **>500k registered customers**
  - **Same-day nationwide delivery** (7 days/week)
- Extended assortment: **+50K SKUs**
- Ability to leverage store estate with **click & collect** and **drive-through** options
- Price, promotions and loyalty card – **same benefits as in physical stores** (and more)
- Mobile app



# Diversified Portfolio of Profitable Adjacent Formats to Complement Core Food Retail Stores



Note: Sonae MC store data as of March 2018. Sonae MC owns 51% of Go Natural's restaurants. Sonae MC owns 50% of Maxmat.

(1) Split refers to number and average size of supermarkets / restaurants

(2) Including franchised stores

Source: Company information, PlanetRetail RGD, Euromonitor

# Exceptional Brand Reputation and Customer Engagement

## Highly trusted and recognised brand

- **99%** brand awareness in Portugal, the highest of any brand<sup>(1)</sup>
- **80%** of Portuguese families make regular purchases in our stores<sup>(2)</sup>
- **The largest Portuguese community of followers on Facebook** among corporate brands (~2m fans)<sup>(3)</sup>
- *Continente* voted for **16 consecutive years** as the **"Most Trusted Brand"** in Food Retail<sup>(4)</sup>
- Strong social engagement with community, environment and social causes
- **Numerous awards** and distinctions in areas such as workplace attractiveness and HR leadership



(1) Based on a study by Instituto de Marketing Research (IMR) on behalf of Sonae  
(2) Company estimate  
(3) Based on a report by Socialbakers  
(4) Reader's Digest

## Multiple community engagement projects



Sponsorship of the Portuguese National Football Team



Food Festival in Porto (+500k people)



Various charity causes: eg Missão Continente



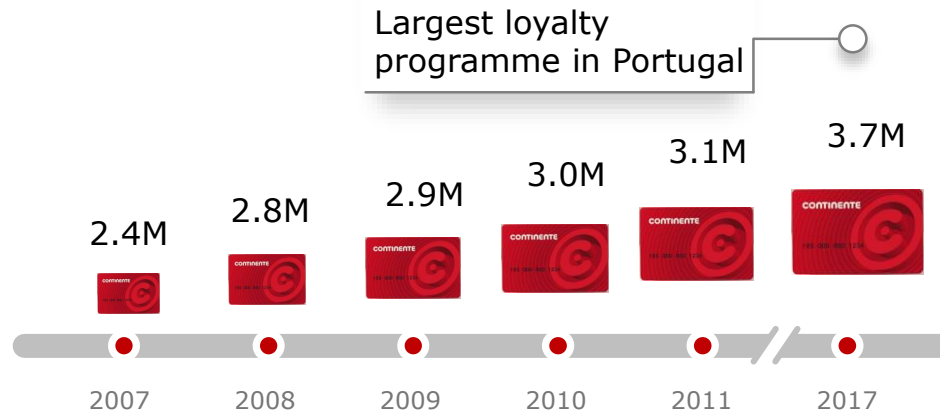
Mega-Picnic in Lisbon



# A Unique Loyalty Programme with an Unrivalled Customer Database Covering ~85% of Portuguese Households

## Active loyalty accounts

With purchases in the last 12 months



## Strategic goals

1. Obtain in-depth knowledge of customers
2. Drive customer acquisition and retention
3. Be used as a promotional tool by Sonae MC and partner brands
4. Support digitization and omnichannel



(1) Company estimate considering an universe of 4.1 million households in Portugal (source: INE)

(2) Currently has 19 partners across industries

Source: Company information, INE

## Key features

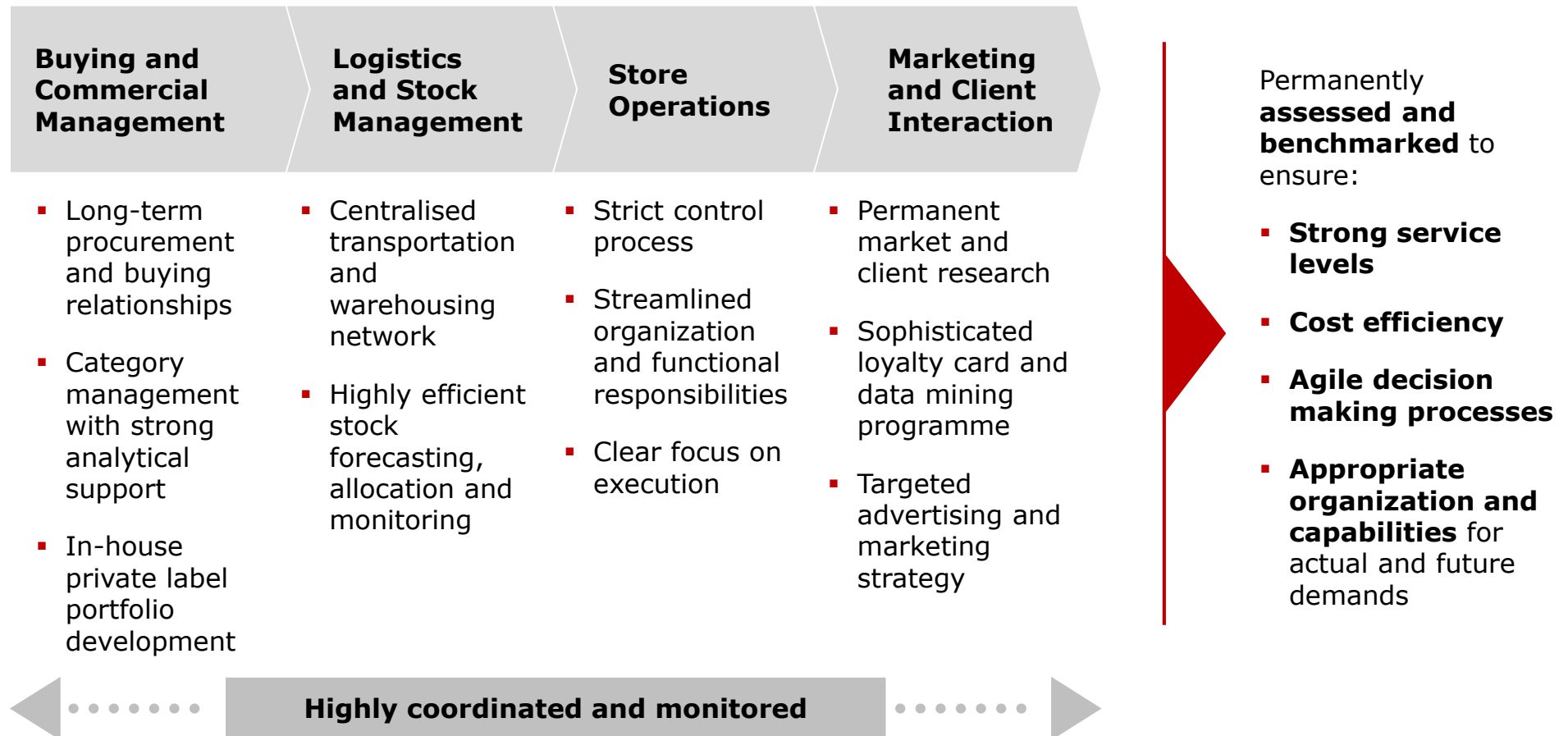
- **~85% household penetration**<sup>(1)</sup>
- **~88%** of **Sonae MC sales** performed using Continente loyalty card
- Uses euro as “currency” (not points) – very **simple and tangible for customers**
- **Partnerships** with other **industry leaders** in relevant spending areas for families (e.g. Burger King)<sup>(2)</sup>
- Provides **comprehensive knowledge** of our customer base
- Launched new **digital mobile App** last February, which already has over 300k users

## Selected partner brands<sup>(2)</sup>



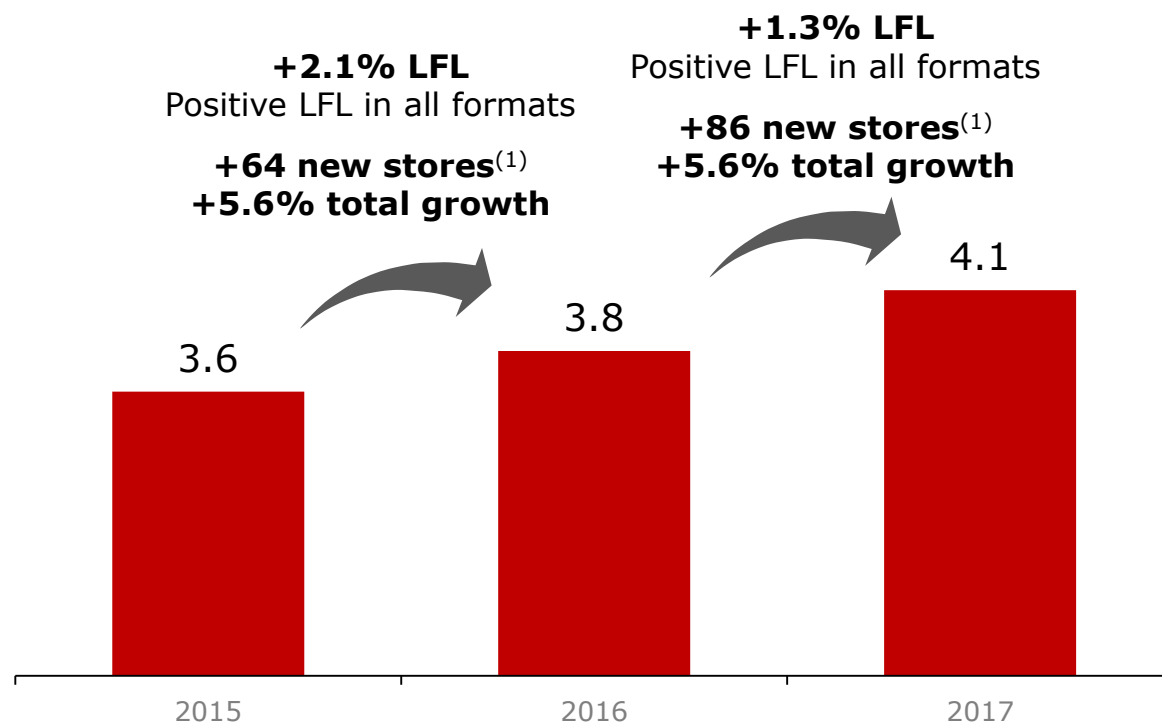
# Deep Culture of Efficiency and Innovation, with Best-in-Class Supply Chain Capabilities

Key strategic pillars of Sonae MC's supply chain



# Attractive Growth Profile Through a Solid LFL Performance and a Strong Expansion Plan

Turnover evolution (€bn)



**Sonae MC**  
**Q1 2018 LFL**  
**growth:**  
**+5.3%**<sup>(2)</sup>  
Positive LFL in  
all formats

**Sonae MC**  
**Q1 2018 total**  
**growth:**  
**+10.0%**<sup>(2)</sup>

Note: Financial information has been re-stated to reflect the perimeter for the potential IPO. Financial information is preliminary, has not been audited and is subject to final confirmation (including capital gains). Q1 2018 results refer to current Sonae MC only, based on Sonae SGPS reporting (therefore not perimeter adjusted).

(1) Net additions

(2) Calculated on a year-over-year basis. Includes favourable effect of an early Easter

Source: Company information

# Margins Have Stabilized Following a Period of Investment

## Profitability (€m)

	2015	2016	2017
<b>EBITDAR</b>	<b>370</b>	<b>384</b>	<b>397</b>
<i>Margin (% of turnover)</i>	10.2%	10.0%	9.8%
<b>Rents</b>	62	84	94
<b>EBITDA<sup>(1)</sup></b>	<b>308</b>	<b>300</b>	<b>303</b>
<i>Margin (% of turnover)</i>	8.5%	7.8%	7.5%

**Sonae MC  
Q1 2018  
margin  
expansion:  
+10bps  
YoY<sup>(2)</sup>**

### ■ Key drivers for historical margin evolution

- Initiatives to improve price positioning towards a leadership position
- Impact from new store openings
- Continuous streamlining of cost structure
- Impact from selective sale & leaseback transactions

- **Margins have stabilized,**  
following recent price  
repositioning steps

Note: Financial information has been re-stated to reflect the perimeter for the potential IPO. Financial information is preliminary, has not been audited and is subject to final confirmation (including capital gains). Q1 2018 results refer to current Sonae MC only, based on Sonae SGPS reporting (therefore not perimeter adjusted).

(1) Figure is underlying and is defined as EBITDA (earnings before interest, tax, depreciation, amortisation, provision and impairment losses, and gains/losses from equity method), excluding capital gains and other items. Underlying EBITDA is not a measure of financial performance or liquidity under IFRS. The closest IFRS measure to underlying EBITDA is Profit Before Taxes

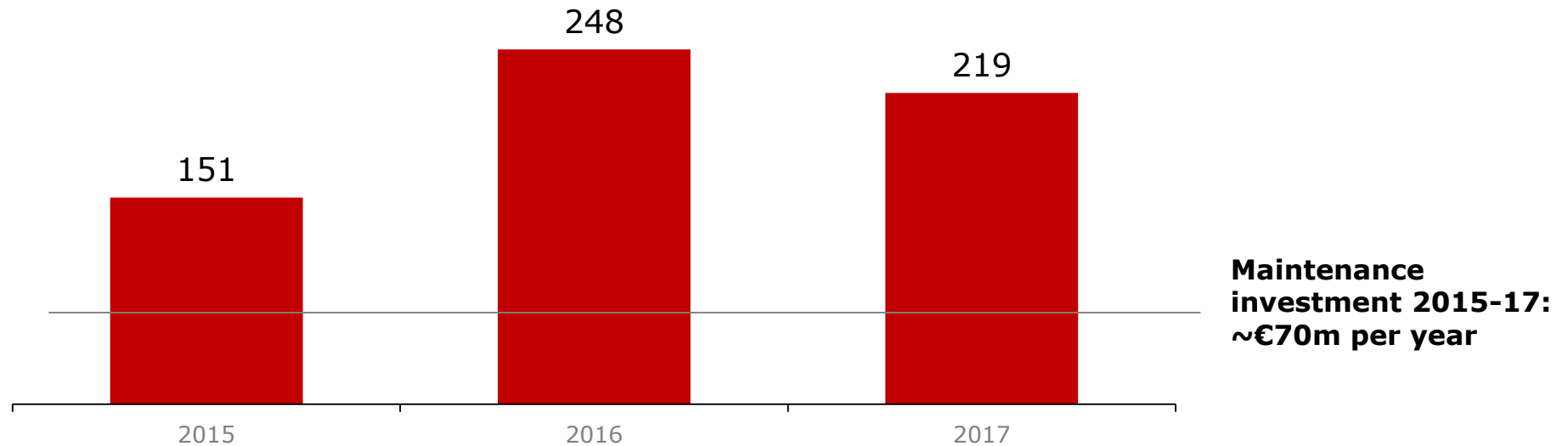
(2) Impacted by favourable effect of an early Easter

Source: Company information



# Strong Investment Programme to Enhance Store Estate and Open New Stores

Capital expenditure evolution (€m)



Note: Financial information has been re-stated to reflect the perimeter for the potential IPO. Financial information is preliminary, has not been audited and is subject to final confirmation (including capital gains).  
Excluding financial Capital Expenditure and not considering divestments related to sale and lease-back transactions

Source: Company information

# Key Building Blocks of Future Growth

Specific initiatives further supported by strong macro environment and highly experienced management team

**A**

## **Continue to Enhance our Core Food Retail Value Proposition to Drive LFL Growth**

- Value Perception
- Fresh Produce
- Private Label

**B**

## **Continued Proximity Network Expansion & Store Optimisation**

- Underpenetration of Proximity
- Selective Optimizations to Enhance Store Productivity

**C**

## **Leverage Digital Platform and Capture E-Commerce Growth Potential**

- Fastest Growing Channel where Sonae MC is the Clear Number 1

**D**

## **Further Expand Health & Wellness Platform**

- Expand Well's and Healthy Nutrition Offer

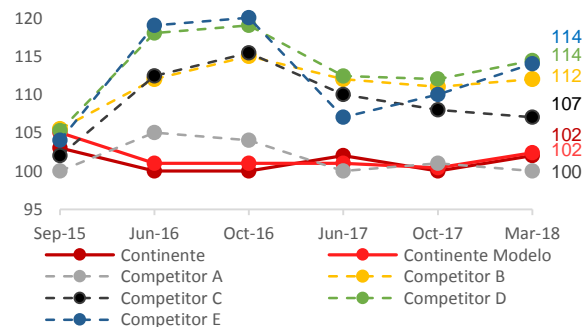


# Continue to Enhance Core Food Retail Value Proposition to Drive LFL Growth

## Further enhance **customer value perception**

- Sonae MC has **invested** significantly in **value** (price and promotion) over the last 2-3 years
- However, there is an **opportunity to improve**:
  - Customer price** perception
  - Effectiveness of **promotions**

Basket price index<sup>(1)</sup>



## Intensively promote **fresh offer** to **drive traffic** and **basket size**

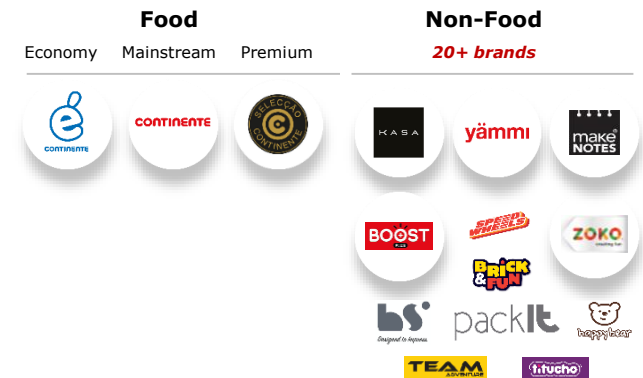
- Improve **quality of fresh products** (intrinsic and perceived)
- Optimize range** and **differentiate product offer** according to store clusters
- Refine store **operating model**



## Comprehensive **private label** transformation programme

- New product development** and **innovation**
- Complete **sourcing optimization plan**
- New image**: quality and SKU structure
- Implement dedicated **communication plan**

### Overview of private label brands

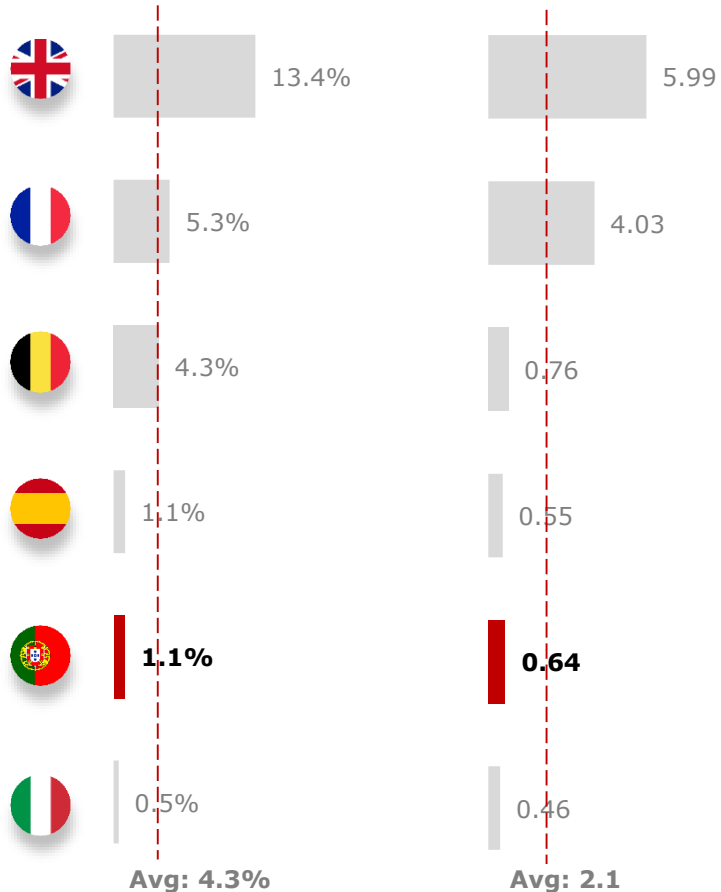


(1) Basket prices indexed to the lowest price operator  
Source: Company information, DECO (Portuguese Consumers association)

# Opportunity to Further Expand *Bom Dia* Network, Capitalising on Market Underpenetration in Proximity

Share of Proximity in selected European markets (based on market sales)

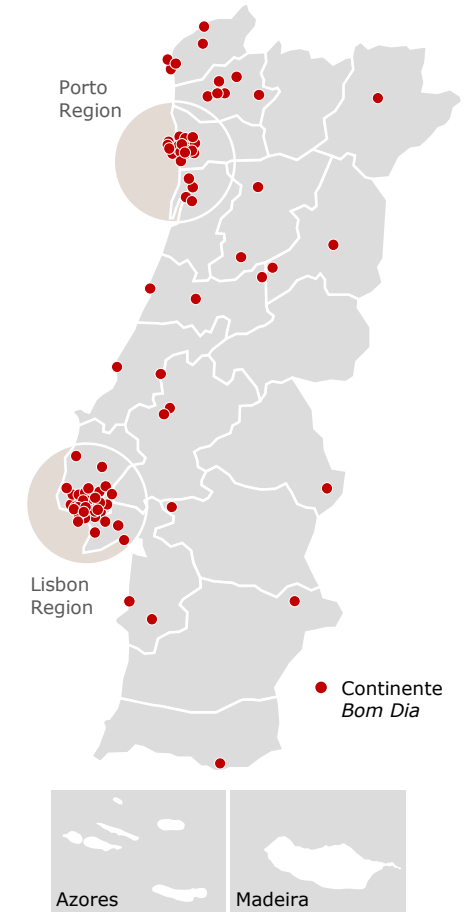
Proximity selling area / 100 inhabitants (sqm)



- Strong track-record of store openings in the *Bom Dia* format, with **44 new stores** over the last 2 years<sup>(1)</sup>



- Expansion guided by rigorous economic criteria and proprietary data analytics
- Key criteria for new store openings:
  - ✓ Density of population and disposable income
  - ✓ # of proximity stores in area
  - ✓ Pre-existence of *Continente* stores



Note: 'Proximity' defined by PlanetRetail RGD as small grocery outlets selling a wide selection of food, drinks, tobacco, grocery and household essentials with a selling area up to 400 square metres.

(1) Years 2016-17

Source: Company information, PlanetRetail RGD



# Selective Optimisations to Enhance Store Productivity

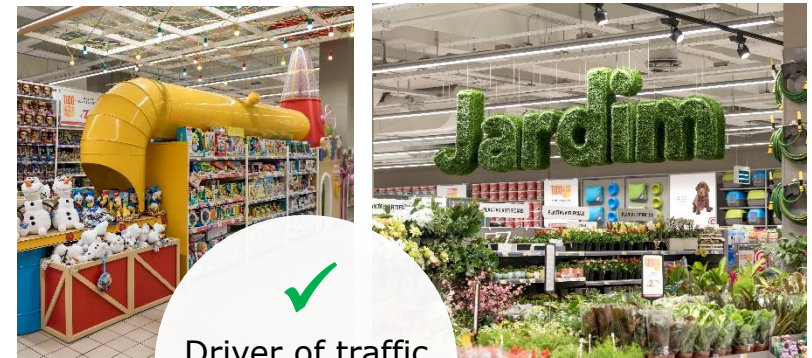
## Ongoing investment in store estate

- Store environment drives customer's perception of quality and safety
- ~37% of the estate has been modernised over the last 3 years<sup>(1)</sup>

## Case study: 2016 modernisation of store in Colombo, Lisbon

- Renovated the *Continente* store in the Colombo Shopping Centre in Lisbon
- Reduced selling area, modernised the space and added new in-store services (eg natural juices, sushi bar, healthy nutrition area)
- Used some of the unused area to add other formats (*Well's*, *Bagga*, *Note!* and *Zu*), as well as 3<sup>rd</sup> party brands

- Resulted in **increased footfall** as customers appreciated the smaller, more modern appearance and adjacent formats
- **Turnover and profitability increased** given better use of space and incremental income from 3<sup>rd</sup> parties



✓  
Driver of traffic  
& increased  
basket size

(1) Calculated as the number of stores refurbished and opened between 2015 and 2017, compared with the total number of stores at the end of 2017

Source: Company information

# Leverage Digital Platform and Capture E-Commerce Growth Potential

1 2 3 4 5 6 **7** Clear Growth Strategy

**C** Digital platform

**Portuguese internet retail market:**  
**+11.8%**  
CAGR  
2017-22E

**Portuguese mobile internet retail market:**  
**+22.4%**  
CAGR  
2017-22E

## Strategic priorities in E-commerce

### Growth



- Exploit **market growth trends** and **reinforce leadership**
- Numerous further opportunities in **non-food categories**

### Consumer Experience and Convenience



- **Customer focus**
  - Customer centric approach, supported by data analytics
  - Customer service excellence and innovation
  - Leverage local customer preferences
- **Omnichannel**
  - Leverage capillarity of Continente stores for deliveries
  - Integrated customer experience through loyalty programme (Cartão Continente)

### Profitability



- **Business sustainability**
  - Achieve positive EBITDA
  - Drivers: scale, aov<sup>(1)</sup>, net margin, delivery fees and advertising revenues
- **Agile processes and tools**

### Digital Knowledge and Culture



- **Strong business intelligence** competencies and **data-driven** mindset
- **Experimentation and creation**
- **Culture alignment** with the customers of tomorrow

# Expand and Evolve Health & Wellness Offering, Leveraging Attractive Market Fundamentals

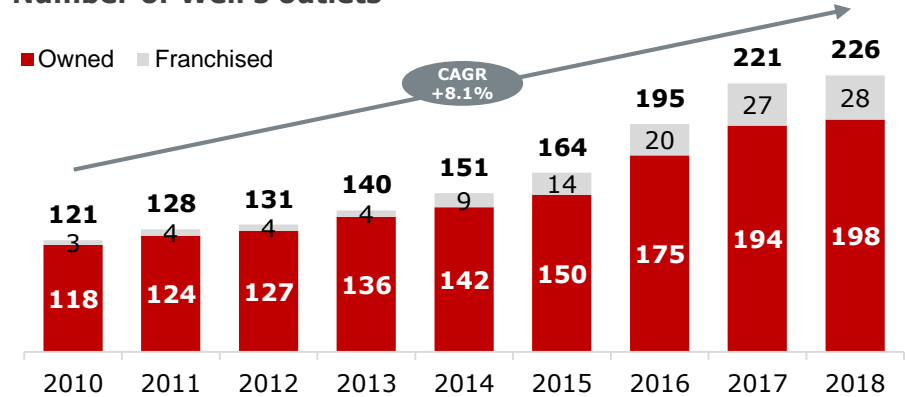
Leading para-pharmacies platform in Portugal



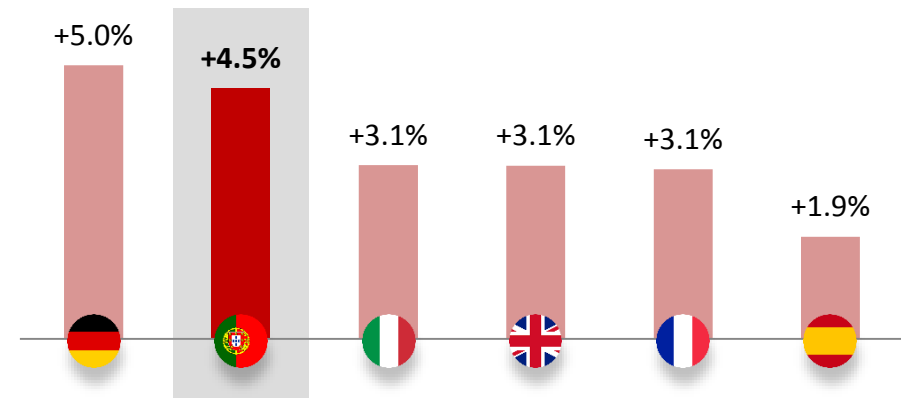
- **Leader** in the Portuguese para-pharmacy market with **strong brand recognition** and **~50% market share**<sup>(1)</sup>
- Track record of **high growth** leveraging 4 key success factors:
  - **Distinct value proposition:** best price and promotions, convenience, specialised service and strong private label
  - High footfall driven by **proximity to Continente stores**
  - Integration into **Sonae MC's loyalty programme**
  - Continuous **business innovation** (development of new concepts, continuous improvements) and **store expansion**
- **International potential** through a mix of small-scale M&A and selective organic expansion

Strong track record of growth with significant further potential

Number of Well's outlets



Para-pharmacies' market sales CAGR 17-22E



(1) Estimated based on IQVIA's figures for para-pharmacies' mass market. Excludes pharmacies.

Source: Company information, IQVIA, PlanetRetail RGD, Euromonitor

# Continue Expansion into Healthy Nutrition, Capitalising on Changing Portuguese Consumer Habits

Leading organic platform in Portugal, with different approaches

1



CONTINENTE

CONTINENTE  
modèle

CONTINENTE  
bona

- Continente stores to become the **key destination** for **healthy nutrition** in Portugal
- Roll-out of Bio & Saudável concept**, with an enlarged assortment, dedicated space and a strong fresh products offer

2

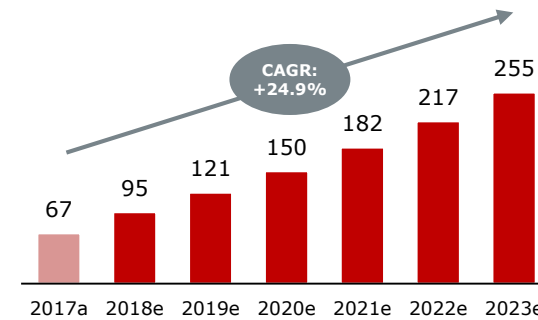


go natural

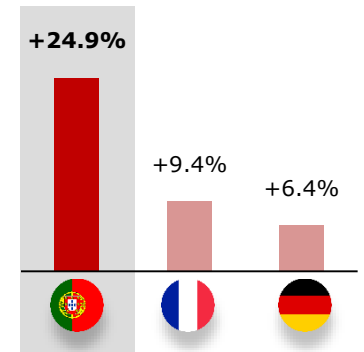
- Network of **7 healthy, organic supermarkets**, complemented by **25 restaurants** dedicated to healthy food
- Continue to selectively **explore opportunities in this growing segment** (organically and selective M&A)

Portuguese market growing at 25% but still remains underpenetrated

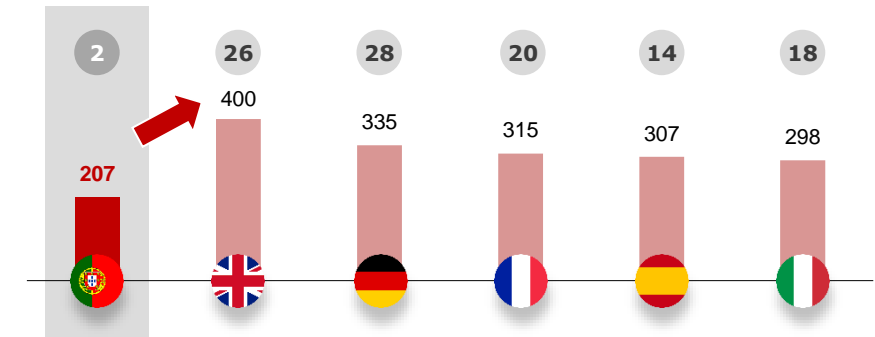
Portuguese organic food sales (€m)



CAGR 17-23E (%)



Healthy nutrition consumption by country (2016)



Consumption per capita (€) Healthy nutrition consumption (€bn)



# Recap of our Key Messages

- Undisputed **food retail leader in Portugal**, and an opportunity to **gain direct exposure** to the **Portuguese consumer**
- **Multi-format omnichannel business**, including:
  - **Differentiated, highly performing hypermarket format** located in **densely populated urban areas**
  - Significant opportunity to **open proximity stores**
  - **~70% market share in food retail E-commerce**
- **30 year track record of growth**, with **strong momentum**
- **Best-in-class margin profile**
- **Highly experienced and engaged team** – excited about the growth opportunities that lie ahead





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