



1H25 Results

Conference call transcript

Moderator: João Dolores, Sonae SGPS, CFO

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Operator: Good morning. We welcome you to Sonae's First Half 2025 Results Conference Call. During the presentation hosted by Mr. João Dolores, Sonae's CFO, all the participants will be in listen-only mode. Q&A is available after the presentation. If you wish to ask a question during the Q&A session, you may do so by pressing star key followed by one on your telephone keypad. If you are experiencing any difficulty in listening to the conference at any time, please try calling from a different device.

I will now hand over the call to Mr. João Dolores. Please go ahead, sir.

João Dolores: Thank you. Good morning, everyone. Thank you for joining us for Sonae's results presentation for the first half of 2025. Besides myself and the Investor Relations team, we have on the call with us Cristina Novais from BrightPixel; Fernando Van Zeller from MC; Paulo Simões from Worten; and Miguel Moreira from Sierra.

I'll start with a brief reminder of our most recent portfolio changes. As you know, we made an important investment in the pet care space last year by acquiring a controlling stake in Musti, and then by making a first international expansion move into the Baltics with the acquisition of Pet City. We also established a strategic partnership with Druni, thereby creating the leading health and wellness and beauty player in Iberia.

More recently, in May this year, we reached an agreement to sell MO and Zippy, two of our fashion retail banners. And last week, we announced the closing of this transaction.

These operations reflect our active portfolio management and disciplined capital allocation approach. We are now focused on helping our new companies grow, building on our know-how and on our capabilities. Just to give you a few examples, we are currently helping Musti on several fronts, namely by leveraging our scale in areas such as IT and product sourcing, but also by providing support in store operating models, streamlining of logistics and M&A.

Musti's expansion into the Baltics through the acquisition of Pet City is a clear opportunity to add value to this operation, namely by exploring synergies in product development, sourcing and IT between the two companies.

With the partnership with Druni, our health and wellness and beauty companies are already benefiting from enhanced efficiencies and improved value propositions across all banners.

Let's now move on to our results business by business, starting with MC.

In Grocery, Continente once again outperformed the market, reinforcing its position as a leading grocery retailer in Portugal. Like-for-like sales grew 10.5% in Q2, supported by strong volumes performance, which also benefited from the timing of Easter this year. If we look at half year growth, like-for-like sales growth reached 7.8% and 9.5% in total, representing yet another significant increase in market share.

Grocery underlying EBITDA margin improved by 60 basis points year-on-year to 10.4%, driven by the evolution of turnover and also important efficiency gains. In health, wellness and beauty, results were driven by the contribution of Druni Group, which has been consolidated into our accounts since the third quarter of last year, but also by organic growth and expansion.

Revenues reached €415 million in the quarter, further reinforcing our banner's leadership positions across Iberia. Underlying EBITDA margin increased by 1.4 percentage points to 12.5% in Q2, reflecting stronger profitability through the successful integration of Druni in Spain and also solid improvements in operating profitability at Wells in Portugal.

Overall, if you look at consolidated results at MC, we see an increase in revenues of 27% to €2.1 billion or 11.4% year-on-year on a comparable basis, excluding the contribution from Druni. MC was able to improve underlying EBITDA margin by about 90 basis points year-on-year to 10.8%, supported by stronger performance across both the grocery and the health, wellness and beauty segments.

Regarding financial leverage, MC kept a comfortable position with total net debt-to-EBITDA reaching 2.8 times at the end of June of '25.

Moving on to Worten. The company reinforced its market share in Portugal once again on the back of a strong performance of the online channel, in particular. So we continue to increase our market leadership position in both the offline and online channels since the beginning of the year. In Q2, total turnover grew by 10.6% to €313 million, backed by a robust like-for-like growth of 6.9% in a challenging environment with intense promotional activity.

Worten delivered top line growth across all segments with volume gains in core electronic categories, strong double-digit growth in new product categories and continued momentum in the services division.

In what regards to profitability, underlying EBITDA margin reached 2.5% in the quarter. This was a decrease in margin, which was influenced by a higher cost base associated with strategic growth initiatives, mainly impacting logistics and staff costs as well as persistent inflationary pressures. We are now working to make sure that we mitigate these impacts on the cost base until the end of the year.

As for Musti, the company released its quarterly results earlier this week. As you might have seen, during the period, Musti strengthened its leadership position in the Nordics pet care retail market on the back of a rebounding market after a period of weaker market growth. Nevertheless, the company increased its market share quite clearly. Like-for-like sales improved yet again this quarter, reaching 5.7% in total with particularly solid display from Norway and also Finland, which is the company's original core market.

Total turnover grew 17% to €122 million, supported also by the consolidation of Pet City. Despite a still challenging operating environment, underlying EBITDA rose to €12.9 million, although the

margin remained under pressure due to continued investments in growth and market share and higher operating costs. But even here in profitability, both in terms of gross margin and underlying EBITDA margin, we are seeing month-on-month improvements, which also give us confidence to what remains for the rest of the year.

Moving on to Sierra, our real estate business. The company maintained a strong momentum in the second quarter of the year across its European shopping centre portfolio, while services continued to follow the diversification strategy and the development activity progressed steadily throughout the quarter.

Sierra's European shopping centre portfolio posted solid results, as I said, with tenant sales continuing to grow, footfall rising again, and we have nearly full occupancy levels in all of our shopping centres. In line with its long-term value creation strategy, Sierra also initiated key expansions and refurbishments across several assets aimed at unlocking additional value and improving the customer experience.

Overall, Sierra's net result rose to €33 million in Q2, up by 5.7% year-on-year, supported by the strong operational performance and at the indirect result level by higher shopping centre valuations, which contributed to an increase of NAV to just over €1.1 billion.

Moving on to telecom technology, NOS, already reported its results to the market as usual, maintaining a strong focus on delivering advanced solutions to customers in all segments supported by its next-generation network footprint.

Total revenues reached €458 million in Q2, driven by continued growth in the core telco business with a specific highlight to the significant growth in the corporate segment, which totalled 9%. Consolidated EBITDA also increased to €203 million, with all business areas contributing positively for this performance.

Operational profitability improved. So the NOS contribution to Sonae's equity method result was lower year-on-year as the prior year benefited from one-off gains related to the sale of towers and also the activity fees from Anacom, but on a comparable basis, profitability was better than last year.

On April 24, NOS paid an ordinary dividend of €0.35 per share and an extraordinary dividend of €0.05 per share related to the '24 results, which meant a €77 million cash in for Sonaecom.

Finally, Bright Pixel with more than 50 companies in the portfolio invested in five new companies since the beginning of the year until the end of June and continued the development of a pipeline of new ventures to expand the portfolio over coming months. NAV reached €328 million with cash invested totalling €213 million, implying a potential cash-on-cash return at this stage of 1.5x.

Moving on to our consolidated view. Overall, our consolidated turnover grew 24% year-on-year to €2.7 billion, driven by strong organic growth across our core businesses and also the contribution from new companies to the portfolio, including Druni and Pet City. Excluding portfolio changes, consolidated turnover posted a solid 11% year-on-year increase. Underlying EBITDA amounted to €255 million, improving by 38% versus last year. This positive performance of our fully consolidated businesses, combined with a €33 million results in terms of equity method led consolidated EBITDA to reach €274 million in Q2, up by 38% year-on-year.

Net result Group share increased to €59 million, an increase of 23% versus last year, driven by the improved operational performance across our portfolio companies and also favourable indirect results, mostly related to Sierra's shopping centre revaluations.

Net debt before dividends paid increased €75 million in the last 12 months due to the significant acquisitions that were executed in the last year. If we look at the performance of the original portfolio, Sonae registered a total of €254 million in free cash flow, as we continue to generate healthy levels of cash flow across all our main businesses. And we continue to have a quite solid financial position with significant available liquidity facilities and a well-balanced debt maturity profile.

The holding loan-to-value stood at 13.8% at the end of June, down from 15.9% at the end of December last year, as we progress on our deleveraging path. As a final note, I would like to highlight the evolution of our net asset value, which grew 7.3% year-to-date and reached €4.7 billion at the end of June, which equates to €2.44 per share. This positive evolution was mostly fuelled by improved valuations of MC and also received dividends, which offsets the softened performance of the NOS stock price in the period.

This is all for now. Thank you. You can now open the session to Q&A.

Operator: Thank you. If you would like to ask a question on today's call, please press star one on your telephone keypad. To withdraw your question, please press star two. Please ensure your line is unmuted locally and you will be advised when to ask your question. That was star one on your telephone keypad. We do have a question coming through from the line of José Rito calling from CaixaBank. Please go ahead.

José Rito: Good morning to all. Thank you for the presentation. I have one question on the health and beauty business. Just to have some clarity on the slowdown that we saw in Q2, if this was only because of the comparison base or if you are seeing some moderation on the market growth? Related to this, I witnessed that minorities in the P&L increased substantially in Q2. Is this related with Druni? This will be my first question.

The second on Worten. So we are seeing a very strong top line performance, but then both margins and EBITDA declining year-on-year. I think that in the past, you mentioned that this is related to growth investments that the company is doing. Could you explain a little bit better in terms of the dynamics of the margins that, if you are seeing a dilution also from the margin mix? So mainly the fact that you are investing in iServices, online or the fact that online expansion or the growth of the online channel is also diluting margins. So some clear visibility on this will help.

Then finally, on MC. So if you can detail a little bit of the difference between volumes and price component in the like-for-like in Q2? And also, what was the market share gains in the first half for Continente? Thank you.

João Dolores: Thank you, José. I'll hand your questions directly over to Fernando on the MC ones and then to Paulo on the Worten question as well. Fernando, do you want to start?

Fernando Van Zeller: Sure. Hi, José. Good morning. Thank you for your question. Starting from health, wellness and beauty, the like-for-like. As you rightly pointed out, the like-for-like of health, wellness and beauty was around 2.9% in Q2 '25. I would like to highlight that pro forma for Druni, the like-for-like goes up to 7.2% on Q2.

When you look at H1, the pro forma is also 7.6% versus 4.6% without Druni. And the main reason for the slowdown of Q2 in terms of like-for-like is really the impact on Arenal from the integration. So we are, over the last couple of months, making significant changes to the value proposition of Arenal, both offline and online, and that has an impact on the like-for-like. So when you pro forma for Druni and also when you take into account the performance of Wells, we are seeing a like-for-like of about 7% to 8% year-to-date. And so a very positive momentum in the business, despite also obviously, the changes we are making in Arenal, which during the course of this year should have a negative impact on the like-for-like, which as we don't have Druni in Q2, you can see more the impact of Arenal and from Q3 and Q4, less because, obviously, we have this pro forma.

That being said, it's obviously a very competitive market these days, mainly in Spain, and the market is growing about 5%. So we are clearly growing market share in this market in Spain and Portugal.

Going to the second question around minorities. Yes, the impact is really on Druni. As you know, we have a 50% partnership with the Casp family for Spain, that we fully consolidated in our P&L. And so this is really the impact of the minorities of Druni in our P&L of MC.

Going to the questions on Grocery. When you look at Q2 in terms of the 10.5% of like-for-like, as you know, it has probably around 2 percentage points of impact of the Easter in this year of being in Q2. When you break it down in terms of volumes and price, we're talking about price inflation around 3% over the quarter, slightly above 3%, 5% of volumes and 1% to 2% of improved mix. Obviously, the mix in Q2 because of the Easter is positive, is particularly positive in these months. So that's really the core of the breakdown.

In terms of market share in the first half of the year, we improved our market share in Continente about close to 0.5 percentage points. I think that's it on my end. Thank you.

João Dolores: Thank you, Fernando. Paulo, do you want to take the Worten question?

Paulo Simões: Sure. Good morning, everyone. José, thank you for your question. Regarding the margin at Worten, margin percentage-wise is stable, so no impact there. Worten is having a good market and customer momentum. We are growing significantly by 7% in the quarter, 5.4% on a like-for-like basis, so very healthy growth, as you said. We are very happy with those results.

Our NPS is also increasing 1 percentage point in this period. Overall, margin is stable, no dilution there and the excellent sales growth gives us growth in margin in euros. What's happening at EBITDA level is that we have higher logistics costs as a result of higher stock level. And consequently, we had to rent additional warehouse space, people and equipment to operate those warehouses. And that brought some inefficiency.

Additionally, we are building our future logistics platform near Lisbon, that also impacted a bit our cost base. Also, staff levels, we tested increasing customer service in store and accelerate the growth of some new business areas like services, for example. We have been testing that with additional people in the stores. Now we are able to pinpoint those services that require more people and have positive impact in growth and profitability. So we will adjust going forward.

Additionally, we had a spike in shrinkage, especially in the first quarter that is now back under control. We reinforced security in our stores and things seem to be back to normal now. So those costs will not carry over in the second half of the year.

Finally, we also have an impact of higher energy costs, especially in the first quarter also resulting from a spike of energy costs in the Iberian market. Now it's back again to lower prices. So hopefully, this will not happen also in the second quarter.

So overall, in summary, we have stable gross margin, no dilution there. Excellent growth in sales, especially online, very good performance in the market and with improving customer relationship. And we are investing to accelerate growth, had some learnings, and we will now focus on streamlining the cost base. And hopefully, in the second half of the year, we will recover profitability again. That's it.

José Rito: Okay. Understood. Thank you. I assume that these logistics investments that you are making that you mentioned that eventually increase the cost base in H1 will fade in the second half, and then in 2026 will not be there, right?

Paulo Simões: Logistics specifically, I think we will need some more time to solve it. We still have a bit of stock above the optimum level that we will be dealing with over the next semester. We will have the additional space needs still in place for a couple of months. Let's see how sales grow. If sales growth is good in the second half of the year and we expect that to be the case, those costs will also come down. So we'll have to wait, but there's still some lag in solving the logistics part.

João Dolores: Maybe I would just add to Paulo's remarks that, I mean, I think looking at this performance from Worten, what we see is a quite positive performance in terms of growth and market share gains and a healthy growth in the sense that, as Paulo mentioned, gross margin is relatively stable versus last year. And we do have a few cost lines that we need to work on until the end of the year, which the team is addressing now. So we are also optimistic on what lies ahead.

José Rito: Okay. Thank you.

Operator: Thank you. We currently have no further questions coming through. So as a reminder, if you would like to ask a question on today's call, please press star one on your telephone keypad now.

João Dolores: If I can, I think we got two additional questions from Julian from Kepler on the chat, which I can address. The first one is, could you give us a more detailed explanation on the like-for-like for MC's health and wellness and beauty division? What's your outlook for the second half of the year? And I will let Fernando answer this question in a minute. The second one is your NAV discount is now at 45% versus share price below your 15-year historical average. Which are the drivers you identified that could narrow it? Maybe I'll take this one first, and then I'll ask Fernando to answer the one on the like-for-like of health and wellness and beauty.

We're very happy with the performance of Sonae's share price since the beginning of the year. It's true that we have been able to narrow significantly the discount versus NAV, but we're still not happy. So we still feel, obviously, that there's a huge potential to unlock value in the share price given the intrinsic value of our assets. The drivers that we identified that can narrow it are multiple fold. So I would say that the main driver has to be our continued strong performance. It's only with continued strong results that we are able to prove to the market that we have winning value propositions with very capable management teams that are able to win in their respective markets and generate value for our shareholders. That has been happening consistently throughout the last quarters and the last few years. So that's the main driver.

If we keep consistently delivering results, I think that that's the most important thing that we can do. Then there's a number of other things that obviously we are doing, making sure that our Investor Relations activity is as far-reaching as possible, that we explain Sonae's equity story and value creation story to the market, that we reach more investors. And that we have also been doing and investing a lot in that area in the last few months.

I think also the international investments that we've done in the last 18 months have helped us reach the attention of a base of investors that was not there before. And so they're now looking more at Sonae, at our performance. So I think it's a number of things put together, but I think we're on a good track, and we are very confident that we can continue on this positive path closing down the gap versus NAV.

Fernando, do you want to take the health and wealth and beauty question?

Fernando Van Zeller: Sure. I think the question was more or less the same as José. But just to clarify, we have a 2.9% like-for-like in health and wellness in Q2. If we pro forma it for the acquisition or the partnership with Druni we get to 7.2% pro forma, which is more or less in line with what we have seen over the last quarters for health, wellness and beauty. And this is mainly due to the fact, as I was mentioning before, that at Arenal, we were actually making important changes to the value proposition, which is impacting the like-for-like, and we expect that to happen over the course of this year.

On the second part of your question around the second half, it's obviously difficult to predict what's going to happen. I would say that if the macro environment stays the same, we should expect, I would say, more or less the same level of like-for-like of around 7% in the health and wellness division. That being said, and obviously, both for grocery and health wellness and beauty, it's going to be key really to understand if the macro stays as robust as it is in Iberia, mainly driven by disposable income, immigration, tourism.

But I would say that if the macroeconomic environment stays the same, that's more or less our expectation and the continuation of the growth in market share, both in Portugal and in Spain.

João Dolores: Thank you, Fernando.

Fernando Van Zeller: Thank you, João.

Operator: We do have some further questions coming through via the audio lines. The next question comes in from the line of António Seladas calling from AS Research. Please go ahead.

António Seladas: Good morning. Thank you for the presentation and thank you for taking my questions. I have two. First one on BrightPixel. If you could provide some colour on the environment? Because I noticed that you have been buying assets, but it seems difficult to sell it or at least to do the asset rotation.

Second question is on Sierra. I know Sierra paid a generous dividend, €49 million, I think. Is that something that should be repeated in the coming years or it was just a one-off payment? Thank you very much.

João Dolores: Thank you, António. Cristina, do you want take the BrightPixel one?

Cristina Novais: Yes, of course. Thank you, António, and all the rest. Good morning, everyone. Giving some colour about the market is very difficult, but we have mixed times nowadays. We

have some parts of the world, namely US, with higher activity, but mainly focused on AI investments with strong valuations. The rest of the world is more calm. Even Europe is very stopped. We keep continuing investing, as you said, in our region. So we are investing since the last 12 months more than €50 million. And we are doing some exits. We did it in the last quarter of last year. We did small exits this year, and we are working on a couple of them. But it depends not only from our side, but our main focus is to keep our strategy in our current segment and, of course, coupled with a good level of recycling capital. So we hope that in the next quarters, we have some exits and continue investing in the portfolio.

João Dolores: Miguel, do you want to take the Sierra one?

Miguel Moreira: Yes, thank you for the question. Thank you, António. Regarding dividends, what we can say is that they are 50%, 50% between the more recurrent component and the other not so recurrent. We have a stable policy regarding dividends with our shareholders. And that policy is supported by the distribution of dividends related with our current activity and normal activity, but also the dividends that result from the adjustments from the portfolio and sales of assets and all that. So these results are composed by these two components and 50% division between them.

António Seladas: Okay. So it means that around between €20 million, €25 million. Is that the case?

Miguel Moreira: Yes.

António Seladas: Okay. Thank you. Just on Worten. A follow-up question on Worten and taking margins and so on. You mentioned that it should improve. Nevertheless, well, margins have been under pressure, not just this last quarter, but over the last year. So it seems that there's a downward trend on margins. So I don't know. Well, it seems that it's not just a specific season of logistics or whatever, it seems that the market environment that is very tough. I don't know if you could provide more colour on this or some more insights.

João Dolores: Maybe I can start because I gave the answer, and I'll let Paulo complement. So what we're seeing is in terms of commercial margin versus last year, it's true that it's always been under pressure, and this is a challenging sector. But if you take a comparison with last year, it's fairly stable. If you take into consideration the mix of products and services that we have had in recent months, so that's why I was saying that we are not unhappy with the performance in terms of sales and in terms of commercial margin. But obviously, it's below that, that we are seeing some additional pressure that we are working to try to solve. But I will let Paulo complement my answer as well.

Paulo Simões: Yes. Thank you, António, for the question. We don't feel that this year, we have especially aggressive competitive environment in terms of price. So we don't feel that on the competitive environment, and there's no impact whatsoever on commercial margin. So we are happy with the margin performance in the company.

As I and João already reinforced, these are operational costs. We did some tests in terms of accelerating growth, and we will be correcting those excess costs going forward, and we expect the company profitability to recover on the second half and going forward. So we don't have that view that the competitive environment is worsening our results this year.

António Seladas: Okay. So commercial margin is gross margin, yes?

Paulo Simões: Exactly. That's it.

António Seladas: Okay. Thank you very much.

João Dolores: Thank you, António.

Operator: I believe we have further questions coming through from the webcast. So I'll hand it back across to yourselves.

João Dolores: Okay. So we have a couple of additional questions from Luis Colaço from JB Capital Markets. Can you please provide us with some colour on how the competitive environment in the food retail sector has been evolving over the past six months? Which players and segments are underperforming? And also, can you please provide us some colour on the indirect income results that were much higher than in the most recent quarters? What drove this revaluation?

I can start with this one. It is true that we had important revaluations during the quarter, and we had revaluations in both centres. Most were on the positive side. So the most important ones come from Sierra, revaluation of assets, real estate assets, and that has mostly to do with the net operating income of the assets because yields have been fairly stable since the beginning of the year. This is just a revaluation based on the positive performance of our shopping centre assets.

We also have some positive impacts in our Sparkfood division from some revaluations of participations there. And we had some headwinds in terms of the US dollar-euro exchange rate, which slightly counters these positive impacts at BrightPixel. As you know, we have several investments which are denominated in dollars. So it's a combination of different things, but mostly positive effects.

Fernando, do you want to take the one on the competitive environment in food retail?

Fernando Van Zeller: Sure. Hi, Luis. Good morning. Thank you very much for your question. Around grocery retail, as I was mentioning before, the market overall is growing at a healthy pace, and this is mainly driven by macro disposable income, again, immigration, tourism. When we look at the competitive environment, it remains quite challenging and fierce.

When we look at all the initiatives of the different players around price, promotions and new products, assortment, on one hand, we're seeing a lot of pressure on that side. On the other hand, when you look at the expansion and remodellings, we continue to see a various number of players opening new stores, remodelling their stores as well as we are doing. And so we feel that on the two angles, all the big players in the Portuguese market are investing in their value propositions as well as new stores and remodelling.

In terms of segments, as you asked, I would say that the segments - the growth is more or less homogeneous. That being said, we see the fresh products in the market outperforming the FMCG in total, and this is mainly driven by fruits and vegetables, meat, fish. And so those are the categories that are growing at a faster pace in the market as we stand. All in all, a market that is growing at a healthy pace, mainly driven by macro, but remaining with a very competitive market in all its dimensions.

João Dolores: Thank you, Fernando. We have an additional question from Luis. If we can provide more detail on the €14 million negative non-recurrent items. So we have several impacts here, but

the two biggest ones are the capital loss that stems from the transaction, the sale of MO and Zippy.

We had announced to the market an estimated capital loss of roughly €24 million. It was actually a bit below that. So it was €19 million. Then we have a positive impact from Sierra's activity that relates to portfolio management in Brazil, which is €8 million positive. So these are the two main impacts of that line. Then we have some smaller non-recurring items, but these are the two most important impacts.

We do have a couple of additional questions from Rita Belo, from Caixa BI. What's the market share of Sonae's health, wellness and beauty segment in the Iberian beauty sector? And also a question for Worten. During the last quarters, we have seen a decrease in Worten's EBITDA margins, do you expect operating profit to be positive in 2025, or do you expect profitability to remain pressured in the second half of the year?

I believe we mostly covered this question. I will ask Fernando to take the one on the health wellness and beauty segment.

Fernando Van Zeller: Rita, thank you very much for the question. Quite a good one and a very complex one. As you know, in terms of our value proposition, we have a lot of different segments, health, beauty, optics across Iberia. And so we don't have a market definition overall or any kind of public information and source that give us the combined market share, obviously. That being said, I can give you a couple of data points.

In terms of health and beauty in Spain, Druni and Arenal, they are clearly the market leader in health and beauty, specialised retail, obviously, excluding the grocery, let's say, size of this market.

When we look at health and beauty in Portugal, Wells is already also the leader in this sector. Then when we go to optics, obviously, Wells, it's still growing its business. So it's not the market leader but already has an interesting close to 10% market share in this segment. So all in all, I would say we are the market leaders in all the different dimensions. That being said, even the definition of the different segments are markets, they are not super easy to make. And so it's difficult to give you an aggregated market share, but clearly, the leaders in all the different segments and reinforcing the position this year.

João Dolores: Thank you, Fernando. Just to comment on Rita's second question, we do expect, obviously, Worten's operating profit to be positive in 2025 and recovering in relative terms from what we saw in the first half of the year. I believe we have another question on the call.

Operator: The next question comes in from the line of José Rito calling from CaixaBank. Please go ahead.

José Rito: Yeah. Just a question on Musti. Just to ask if you think that the bottom has been reached in Q2.

João Dolores: Was that on Musti?

José Rito: Musti, yes.

João Dolores: Musti, okay. Look, yes, we're very happy with the performance of Musti in Q2. We see the market rebounding in terms of total growth. So as you know, the pet care retail market

had a rough year in 2024 overall globally. But we are seeing now the market rebounding, coming back to growth. But Musti is clearly growing ahead of the market, as I said. So we are growing right now in Norway at double-digit like-for-like, in Finland at high single-digit like-for-like.

In Sweden, a bit lower because we are managing a bit more for margins and for profitability. But still, in all the geographies, we are increasing our sales ahead of the market, taking share from the competition and seeing our operating profitability also improve. That's on the back not only of global sales, total sales, but also on the back of the mix. So we are seeing a rebound in all categories and particularly discretionary spending, which is especially relevant in terms of profitability.

Now we are seeing positive figures in food, disposables and also toys and accessories. And so that's very, very important for us to make sure that the economic equation is a sound one for the company. We also are implementing a number of efficiency measures working collaboratively alongside the Musti team to make sure that these efficiency gains are extracted. So we are quite positive in what concerns the rest of the year. So we are positive that the second half of the year will follow the trend that we have been seeing in recent months of recovery, not only in terms of top line, but also in terms of profitability.

José Rito: Okay. Thank you, João.

João Dolores: Thank you, José. We do have another question in the chat from Alexandre Deprez. Could you please comment on the outlook for MC in the second half of the year? Fernando?

Fernando Van Zeller: Hello, Alexandre. Thank you very much for the question. In terms of the second half of the year, difficult to forecast at this stage. As you know, the first half of the year was quite positive, driven both in food and health, wellness and beauty. So in terms of the top line, I would say that clearly, the key driver of the potential growth over the next months are going to be the macro environment. Again, I think that's going to be critical. In terms of margin, in the first half, we have seen, again, the commercial margin more or less flat. So we would say, given the competitive pressure we're seeing, we expect more or less the same trend over the second half. So the market is quite competitive, mainly in price and promotions. So we are not expecting an improvement in commercial margin clearly over the course of the rest of the year.

In terms of the margin profile, mainly across the grocery sector, I would say that the evolution of the margin is really going to depend on the top line. As you can see, with the commercial margin flat, we have a very important and relevant cost to serve programme to make our company more and more efficient. But clearly, the fact that the top line has grown significantly in the first half of the year also helped obviously to dilute some of the fixed costs we have. So I would say that in terms of profitability is really going to depend on also how the top line evolves. But what we have seen also in the first month of H2 in July is a similar trend to the first half. Let's see how it evolves over the next months.

João Dolores: Okay. Thank you, Fernando, for that answer. Also thank you, everyone, for the questions that you posed. As you can imagine, given the performance that we saw in H1, we are quite positive about what remains of the year. And so we will be back in November to comment on the Q3 results. Thank you very much and see you then.

Fernando Van Zeller: Thank you.

Operator: Thank you for joining today's call. You may now disconnect your handsets.