



Sonae SGPS FY21 Results

Conference call transcript

Moderator: João Dolores, Sonae SGPS, CFO

17 March 2022 | 3:00 pm GMT

Operator: Hello all, and welcome to Sonae's full year 2021 results conference call. During the introduction hosted by Mr. João Dolores, Sonae CFO, all participants will be on listen only mode. After the introduction, there will be an opportunity to ask questions. If you'd like to ask a question during the Q&A session, then you may do so by pressing star followed by 1 on your telephone keypad. If you're experiencing any difficulty hearing the conference at any time, please make sure you have your headset fully plugged in or alternatively, please try calling from a different device. I'll now hand the conference over to Mr. João Dolores. Please go ahead, Sir.

J. Dolores: Thank you, good afternoon everyone. Welcome to Sonae's 2021 results conference call. Besides myself and the Investor Relations team, as usual we have here with me Rui Almeida from MC, Paulo Simões from Worten, Hugo Martins from Zeitreel, Luis Mota Duarte from Sierra and Cristina Novais from Bright Pixel. 2021 was a year still marked by the pandemic across the globe and in the regions in which we operate, but obviously vaccination programmes allowed for a significant recovery in activity, especially in the second half of the year. And it was also an important year for us, not only in terms of operational recovery in businesses which were more affected by the pandemic, but also a year marked by important portfolio changes. And I will start by touching upon the key transactions that we concluded during the year. In terms of asset disposals, as you know, Worten announced its restructuring plan in Spain, with the sale of 17 stores to Media Markt, closing another 14 stores by then. Sonae concluded the sale of a 24.99% stake in MC to CVC Strat. Ops. for upfront cash proceeds of €528m. MC concluded the sale of its 50% stake in Maxmat to the BME Group for net proceeds of €68m and Bright Pixel has sold its stakes in Bizdirect, Case on it and CB4 and also part of its stake in Arctic Wolf, generating important capital gains for Sonae. On the other hand, and in terms of investment, we also maintained a very intense M&A activity and we made a number of important moves. First of all, the acquisition of another 10% participation in Sierra at the beginning of the year. Also, the acquisition of a 95% stake in Gosh!, a UK based player in the natural and plant-based food industry. ISRG made a number of acquisitions, 3 main acquisitions. First of all, it acquired 80% of Deporvillage, an online sports equipment retailer, it expanded into a new geography into the Netherlands by acquiring Sports Unlimited Retail and also acquired a majority stake of Bodytone International Sport, a Spanish producer and distributor of fitness equipment. Worten acquired 2 small companies in the services area, Zaask and Satfiel, and Bright Pixel continued to invest in a number of new minority stakes, namely in retail, tech and cyber security, and made also some follow-on investments in portfolio companies.

So, I will now move on to the operational performance of each of our sub holdings and then, at the end, I will cover the consolidated results of the group in 2021. And I will start with MC, as usual. For MC, this was another, I would say impressive year. Turnover grew 6.3% with a LFL of 3.4%. And Q4 actually saw an acceleration of that growth. In Q4, MC grew 9% in total and 6.3% LFL. This strong performance in a

context of very low inflation, which was above 1% in food, basically represented a strong increase in volumes, which clearly shows that MC's efforts to address changing consumer needs and preferences throughout the stages of the pandemic continue to pay off, with consumers recognizing the distinctiveness of the company's value proposition. In fact, in the last 12 months MC strengthened its role in the Portuguese food retail markets and grew more than 16% in the last two years. With this level of growth, market share was reinforced and so MC now is even more a leader in the Portuguese market. According to our estimates, our market share increased by 30 basis points in 2021 and 90 basis points since 2019. Online also grew in terms of sales, sales more than doubled in these last two years, and represent already 3% of total turnover, which is once again a clear proof of the company successful digital path. Regarding profitability, underlying EBITDA reached €537 m and stood at 10% of turnover, driven by the company's ongoing focus on operational cost discipline that helped to offset some cost pressures, namely in energy costs, which had a strong impact in Q4 and also additional costs to deal with the pandemic which were present throughout the year. Net profit reached €218m, obviously benefiting from the solid operational performance that I referred to, but also from the one-off capital gain from the sale of our 50% stake in Maxmat. Free cash flow generation reached over €240m, 21% above last year, leading net debt to €379m after dividend payments of 140 m and basically led MC to a very comfortable ratio of total net debt to underlying EBITDA of 2.7 times, down from last year's 3.1 times.

Moving on to Worten. For Worten this was also a very good year overall. After a very impressive response to the pandemic in 2020 and the restructuring process I referred to in Spain in the beginning of the year, the company delivered very solid results on the back of its leading omnichannel value proposition. Total sales reached 1.2bn in 2021 with an 8.8% LFL growth, a strong performance as it represents growth both versus 2020 and 2019 and particularly strong growth if we disregard the discontinued operations in Spain. Worten was able to once again reinforce its market leadership, in 4Q, and currently holds online and offline market shares above 30% in the country. Online sales in fact, already represented over €200m and were the key driver of growth during 2021. I would also like to highlight the company's journey in its marketplace strategy, with 3P sales growing by a factor of four times since 2019. And also the growth of the services business line which reached 50% growth versus 2020. If you recall Worten executed a number of important acquisitions in the services space recently, namely I-services already back in 2020 and also the ones I mentioned before Zaask and Satfiel, which are important milestones to grow the company's services business line. In terms of profitability, underlying EBITDA reached €78m in the year, with a margin improvement to 6.6%, a 20 basis points increase versus 2020.

At Zeitreel, 2021 was a tough year for our fashion banners, given the strong restrictions that they faced at the beginning of the year. If you recall, we had a very long period of 11 weeks in which stores were closed in Portugal, which was in fact longer than in 2020. However, the performance was quite resilient. Total revenues for the year reached €345m, practically flat versus 2020, but actually 11% above 2020 if we exclude the sales of masks made by MO last year. This top line improvement was felt across the company's channels and brands and show the focus of sales teams in maximizing sales and in using all available tools to maintain and improve their relationships with our customers. In terms of underlying EBITDA the company was able to partially mitigate the impact of this level of sales with cost reductions, creating the basis for future sustainable profitability and was able to deliver a solid underlying EBITDA of €27m, a €14m increase when compared to 2020. It's important to highlight that this profitability level was achieved in a very challenging context, namely with increases in relevant cost lines, such as utilities and wages, and with serious disruptions across the supply chain. So overall a quite positive performance from Zeitreel, and particularly impressive in the 4Q.

For our sports businesses, in ISRG the year was particularly successful, not only in terms of operating results, but also regarding the execution of its growth strategy. And I already mentioned the three acquisitions that were made during the year, which were important steps in the digitalization and

international expansion of the company. And if we look at the operational performance of these businesses during the year, it was quite impressive. So, on a comparable basis, JD, Sprinter and SportZone together grew 25% yoy, with online sales growing more than 50%. And overall, including the acquisitions that were made during the year, top line increased 35% yoy to almost €900m. Actually, if we consider the company's business year, which ends at the end of January, the company already surpassed the €1bn mark in sales, which is a very important milestone for the business. In terms of profitability, ISRG also displayed a strong performance, with EBITDA already surpassing €100m, one of the group's medium-term targets announced back in 2018 and achieved well before our expectations. So, all in all, the contribution towards Sonae's net results was €17m, clearly above last year's figure of €2m.

Regarding Sierra. For Sierra 2021 was another challenging year, but a year of recovery from the pandemic. We saw these lockdowns as I mentioned at the beginning, and other restrictions throughout the year in most of the geographies in which the company operates, and we saw also an improvement in the consumer confidence, which enabled Sierra's activity to start to recover with a number of different initiatives also implemented by the company to bring back visitors to shopping centres. In terms of operational performance, the company saw tenant sales and footfall in shopping centres reach levels close to 2019 at the end of the year and occupancy rates also maintained a high level of above 96% and almost 99% in the assets held in Portugal. On a proportional accounting basis, Sierra's net results reached a positive value of €15m in 2021, still below the level of 2019, but already significantly above 2020. This evolution in net results is evenly split between an improvement in direct result and also indirect result. As a result, Sierra's NAV stood by the end of 2021 at €925m, an increase of 3% when compared to the end of 2020, so an important stabilization of value when compared to the drop that we saw from 2019 to 2020. In what concerns the companies leverage profile, Sierra continues to show a very conservative level of debt, with a gross LTV of 46% and a net LTV of 22%.

Regarding our financial services arm, which is now called Universo. 2021 was a challenging, but important year, as it was marked by a change in our credit partner and also operating model. This structural change, together with the quite demanding context with the pandemic, namely in the first half of the year, marked the company's operational performance in the last 12 months. Overall, our production level increased 10% yoy, reaching €1bn, and total clients reached 965 thousand in the credit card, an increase of almost 100 thousand by the end of the year, so very positive signs and leading indicators that give us a lot of confidence for the future. At the same time, the digital footprint of this customer base increased, and so the weight of digital clients is now 61% of the total customer base, which is also a very positive sign for the future success of the business. Regarding the company's financial performance in Q4, Universo's turnover already surpassed last year's level by 28%, while total revenues for the year reached €31m, still €4m below 2020. Regarding profitability and as you know, the ramp up of the credit production continues and we expect 2022 to already present much improved financials versus 2021.

Finally, a quick note to mention, as you know that we announced the agreement to sell our 50% stake in MDS to the Ardonagh Group for €100m with an estimated capital gain of €74m. The company actually had a very strong performance in 2021, very strong growth both in turnover and also in profitability, and the conclusion of this deal is expected to happen before the end of the first semester of this year.

Regarding Bright Pixel. Bright Pixel had another very strong year with an important impact, a very relevant impact in our consolidated accounts, as you will see in a minute. During 2021 and in a challenging investment context, Bright Pixel invested another €32m in a number of new minority stakes, namely in retail sector cybersecurity, as I mentioned at the beginning, and also some follow on investments, but also made 3 exits and some partial sales while witnessing a third company in the portfolio reach an unicorn status. Cash invested in the active portfolio at the end of 2021 stood at €168m and the corresponding NAV reached €395m, representing a strong improvement over the year, which reflects the new

investments made, coupled with the impressive revaluations in minority stakes, namely Arctic Wolf, Feedzai and Safetypay. Overall, the company generated a total value of more than €100m, considering both the capital gains on asset sales and the assets revaluations registered during the year.

Regarding NOS. NOS already published its full year results in the beginning of March. The most important highlight is that in Q4, NOS was able to acquire the largest percentage of 5G spectrum released in Portugal and so further reinforcing its position as a leader in this new technology and we are very confident that NOS will be able to lead the 5G revolution in Portugal. Regarding the operational performance in the year, turnover increased 4.6% yoy to €1.4bn and EBITDA reached €618m in the year, representing a 2.5% yoy increase and a 43.2% margin. Net income totalled €144m in the full year, 57% above 2020, implying a higher equity method contribution to Sonae's results. Free cash flow was solid and allowed for the investment in the network, the investment also in consumer preferences equipment and also in the 5G license which I mentioned before. Regarding the company's capital structure, in 2021 net financial debt to EBTIDA after lease payments was slightly below 2 times and NOS continues to hold a conservative leverage profile. In addition, looking at the conservative leverage profile of the company, the company's Board of Directors approved the proposal for the next general shareholders meeting of a dividend payment of 27.8 euro cents per share, which is in line with last year.

So, I will now move on to the consolidated results. So, putting all this together consolidated turnover for the group surpassed €7bn for the first time in our history, implying an increase of 5% yoy and this increase was mainly fuelled by the growth registered both by MC and Worten. Our digital path continued to accelerate. We are the largest e-commerce player in Portugal and when we consider our aggregated online sales in all geographies, they reached €640m which is a 33% yoy increase and a 3x increase versus 2019. In terms of profitability, underlying EBITA surpassed €600m and total EBITDA reached €738m, an increase of 18% fuelled by both the operational performance but also a strong recovery of equity accounted businesses and capital gains on asset sales. Indirect result stood at €73m in 2021, mainly driven by the upward evolution in the value of Bright Pixel's portfolio and Sonae's net result reached €268m, above 2020 and also 2019. Free cash flow before dividends paid in 2021 stood at €681m, again driven by the solid operational performance and also the portfolio management activity and total net debt had a €540m decrease to €563m in total. At the end of the year we held around €1.4bn of available liquidity between cash and available credit facilities, a solid debt maturity profile with an average maturity above 4 years and also a low cost of debt of around 1%.

For the next AGM, the Board of directors will propose a 5% dividend increase to 5.11 euro cents per share, which currently corresponds to a dividend yield of around 5%. Our total NAV amounted to €4bn, 4.5% above the value at the end of 2020, which reflects the improved operational results of our business units, the revaluations of assets, namely at Bright Pixel, and also the value accretive portfolio management activity over the last 12 months. Finally, total shareholder return amounted to 61% in the year with a share price increase of more than 50% in a year marked by uncertainty and volatility in the capital markets.

I would like to leave you with a final note to mention that we continue to make progress on our sustainability targets, namely the ones related with CO₂ emissions, plastics and women in leadership positions. Sonae's businesses reduced by 16% versus 2018 their scope 1 + 2 GHG emissions, in line with our commitment to have carbon neutral operations by 2040 and during the year the group was recognized once again by CDP, the Carbon disclosure project, this time with an A- rating for our environmental efforts. In terms of plastics, 74% of our packaging in 2021 was recyclable, one more step towards our commitment to have 100% reusable, recyclable or compostable plastic by 2025. And regarding women in leadership, we now have 37% of our leadership positions occupied by women, which puts us well on track to reach our target of 39% by 2023. For the second consecutive year, the group was recognized with the leading together index awards and already in 2022 Sonae was included in the Bloomberg Gender Equality Index.

Finally, I would like to mention that today more than 60% of our long-term credit facilities are now linked to sustainable, green or ESG performance, which clearly illustrates our commitment to sustainability.

A final note, when we look into 2022, as you know we are quite prudent right now. The year started well for Sonae, but we are quite prudent because the year is, as you know already, marked by high uncertainty, particularly due to this war in Ukraine, which is already impacting the world, and we are taking a number of measures in some key dimensions. I will just name a few.

First of all, obviously the identification of all trade relations with Russia and Belarus, as well as with organizations from these two countries or controlled by shareholders from these two countries. The exposure of our portfolio is insignificant, but in any case, we immediately suspended all current and potential direct relationships with entities from these countries. The second element has to do with, obviously with the direct and indirect impacts of this crisis. As I said, the direct impact to Sonae is rather limited, but naturally the indirect impacts can be quite significant, and so we are monitoring this impacts mostly the rising cost of energy, the rising costs of oil and also food prices that will place a growing pressure on an already visible inflationary trend, which we will obviously try to manage the best that we can to make sure that we offer the best prices for our consumers. And a third note to mention an initiative which we announced today. To support Ukrainian refugees in Portugal, Sonae has set up a task force that brings together the whole portfolio of companies and all our capabilities and assets to quickly define and implement effective measures to help the integration of refugees when they arrive in Portugal. We will naturally cooperate with all national and international entities and also follow the principles and decisions made by international organizations that we are part of and that defend peace and democracy.

2022 will bring a lot of uncertainty and challenge, but we are confident that we are well prepared to face these challenges and face the future. So that's it from me for now. Thank you. You can now open up the session Q&A.

Operator: Thank you. If you'd like to ask a question, please press star followed by 1 on your telephone keypad now. To withdraw your question, is star, followed by 2 and if you joined us online, please click the flag icon on your web browser. Our first question today comes from José Rito of CaixaBank. Please go ahead, your line is open.

José Rito: Yes hi, good afternoon. Well, I have one question on Sonae MC, which is basically considering the key performance in terms of margin evolution, if you think it is possible to achieve an increase of EBITDA this year. This will be my first question on Sonae MC and then the second question also on the food retail. Regarding Mercadona performance in Portugal, obviously you are not commenting what was the performance in Portugal, but the fact is that Mercadona has been gaining fast market share with very high sales density, can you comment anything if this is in line with your expectations for the evolution of market share of Mercadona, and if you think that Mercadona could bring, let's say some pressure in 2022 already. And then, final question on Sierra, which is basically what do you seek in terms of yield evolution for this year and in terms of Sonae's strategy, how do you expect to extract value from these operations? Sonae has already 1 billion invested capital in Sierra, how do you expect to extract value and what is the expected annual dividend expected to be up streamed to Sonae. Thank you.

J. Dolores: Thank you José. I'll hand it over to Rui to take the initial two questions on MC and then I will ask Luis to comment on the expected yield evolution and also maybe to comment a little bit on Sierra's strategy, which is what Sonae as a shareholder believes will generate value for the company and for Sonae as well. Rui, do you want to start?

R. Almeida: Sure. José, how are you? I'm fine and with you? Is everything ok?

José Rito: Everything ok, thank you.

R. Almeida: Thank you. Well, starting by Mercadona. Well, we generally don't comment the performance of our competitors and we try to follow our policy of not to comment Mercadona, as you know we respect a lot Mercadona. They are doing ok. In fact, they are growing in terms of market share, but they are increasing very severely the number of staff they are having in Portugal. So, it's according to our expectations looking to their performance and seeing the market share increase that they are presenting. It's ok. Well, we are expecting that each time that we see some competitors around us increasing the number of stores in Portugal we see some pressure in the market, but I would tend to say that it's normal and we feel very confident to maintain our policy in terms of prices, in terms of increasing number of stock in Portugal. In a few words, everything say that we are very confident maintaining our strategy going forward. In terms of margins, EBITDA margins, well, I think it's too soon, as João said a while ago, it's too soon to give you any guidance in terms of margin. We are dealing with a very uncertain environment today. What will happen in terms of energy costs? What will happen in terms of other resources that will probably go up in the future? Frankly, we don't know, but we'll try to, as always to respond with efficiency programmes and efficiency results in our operation, in order to provide the company with the best results in terms of profitability.

José Rito: Ok, understood. Thank you. Just on, I understand, well, I will assume that eventually some pressure in terms of margin should be felt in 2022. My question was more on EBITDA in euros, total EBITDA, if you think it could grow yoy in 2022.

R. Almeida: EBITDA in terms of euros, right?

José Rito: Exactly.

R. Almeida: Well, I think so. Well, what least we are fighting to get the best results as we continue to be very focused in trying to enlarge our footprint in Portugal with the proximity stores and as those stores are evolving quite well, we feel that is possible, if everything maintains at the same level, the same assumptions that we are having today, we will probably continue to positively evolve in terms of EBITDA delivery.

José Rito: Ok, thank you.

Operator: Our next question today comes from...

J. Dolores: Sorry, sorry operator. We still have to answer another question that was posed by José. Luis, do you want to comment on that one?

L. M.

Duarte: Sure, very happy. Apologies for the background noise, but I'm just in a noisy place. But basically, in terms of the yield question, so we have seen actually a valuation appreciation in our European portfolio over the entire year of 2021, which has a lit bit offset by the Brazilian portfolio, that was where the variation was negative. Having said that, the yields, we saw efforts with yields going up and other efforts actually going down, depending very much on the nature of the asset. In terms of actual yield evolution, obviously that's a matter of crystal ball, but from our point of view, if you look at the spread between shopping centre's yields today and the risk free rate but also shopping centre's yields in any other real estate asset class, the yield is at historic highs which should be able to accommodate any future meaningful interest rate

increases. Having said that, also bear in mind that the shopping centre business is technically inflation protected, including inflation on the lease agreements.

And in terms of our strategy and the rationale, why Sonae is investing into Sierra. As you might know we have changed our strategy in the early part of this year, from basically being a more shopping centre developer with some service lines into a more fully vertically integrated real estate player, whereby we do continue to do developments and investing in higher return development projects, now basically based into mixed use type ventures, like office buildings, with the retail and residential, or any other type of different uses that combine residential offices and retail. That's one of the key things where we envisaging to invest significant amounts of money over the next couple of years.

The second one has to do with our investment management business. There is very material liquidity in the market and currently in Portugal, but also in the other countries where we operate. And we tried to kind of bring together that significant liquidity that exists in the market together with our know-how in the real estate sector, our specific origination, execution expertise and thereby create theme investment vehicles where we can generate returns adjusted to the investment risk profile. That at the same time as we continue to grow our services business, I think we are a world class property management provider. We are also a very good asset manager and a very good development services provider and therefore we intend to continue to grow our business further into that segments with third parties.

And last, but not least, we continue to prune and to nurture our shopping centre portfolio, which is obviously core to whatever we do, and to the future strategies of malls. And there we are significantly investing into either refurbishment extension where justified, but most importantly into omnichannel initiatives wherever we can make sure that our shopping centre business is much more the key link into the whole omnichannel experience that retailers and customers experience at the moment.

J. Dolores: Thank you, Luis. I would just add to this, José, that we have reinforced our stake in Sonae Sierra recently at a 10% discount versus NAV as measured by external valuers at a low point in the real estate cycle in terms of valuations. And so we feel that this investment at this value, which does not take into account many of the things that we've just mentioned, particularly the services activity and the value that is being created there, and additional development opportunities that we are currently, that we have identified and are currently pursuing. All of this is not factored into that valuation and so that in itself for us represents a very significant opportunity to create value, at Sonae Sierra.

Regarding the questions on MC and just to complement what Rui said. Look our expectation is obviously that we will increase EBITDA in absolute terms this year, and that expectation has to do with the growth level that we expect this year. Obviously what Rui mentioned is very valid. There's a lot of uncertainty right now. We hope that the situation will stabilize, but even under a difficult backdrop we will obviously do whatever it takes to continue to offer the best prices in the market and accommodate any increases in our cost lines through negotiation with suppliers, alternative sources of supply and also cost reductions and higher efficiency levels. And so we are very much working in all these fronts to ensure that we increase, that we continue to grow in Portugal, continue to gain market share and also with higher levels of profitability.

José Rito: Ok, understood thank you. Just on Sierra, just to with all these moving parts. If the company is planning to distribute dividends or not, if it has a defined dividend policy. Not sure if you can share a little bit more details on that.

J. Dolores: Sure, the company has a defined dividend policy which is related to its direct result and it will continue to distribute dividends based on its positive generation of direct result and then whenever asset sales

happen and we expect asset sales to continue to happen in the next few years based on Sierra's active portfolio management, then extraordinary dividends might be in place and so we do expect a significant dividend inflow to come from Sierra in the next three to five years.

José Rito: Ok, thank you. Thank you very much.

J. Dolores: Thank you José.

Operator: Our next question today comes from João Pinto of JB Capital. Your line is open.

João Pinto: Hi everyone, thanks for taking my questions. I have three on Sona MC. The first one. Could you give us some colour on your exposure to energy prices in 2022? Do you have any type of agreements to fix prices or are you fully exposed to spot? Second question, you were able to gain market share in the past couple of years. Are you seeing other competitors being more aggressive to protect their share or no major changes to the competitive backdrop? My third question on expansion, how many supermarkets do you intend to open in 2022? And my final question, on capital allocation, are you seeing any attractive opportunity to invest outside your portfolio? Or, given the current uncertainty, could you analyse opportunities to invest within your portfolio, namely in Sonaecom? Thank you.

J. Dolores: Ok. Rui, do you want to take the first ones on MC and then I'll cover the last one?

R. Almeida: Sure, sure. Hi João. Hope you are ok. Well, starting by the very first question regarding the energy, our exposure today is high. Although we have more than 20% of our consumption of energy protected by a PPA, there are several PPAs that we are having in our company. The other question is related to the how we are basically seeing our competitors in order to protect their market share, so we don't see the things that much different from what happened in the previous years, competitors are performing naturally and well, in this, in the last year we gained market share, as João said a while ago. Other retailers as Pingo Doce, Lidl and Mercadona, they also gained market share, as the other retailers lost some market share. But it's not nothing new, it happened, basically the same in the previous years, apart from what happened with Pingo Doce in 2020, but the trend is pretty much similar to what happened in the previous years.

So, the other question is the number of supermarkets that we are planning to launch this year, we are planning to launch approximately 20 supermarkets this year. We have the pipeline and we have already the commitment to launch those stores and we are very confident to be positive in launching those stores, where we will be focusing on proximity supermarkets where we are basically putting all the effort in order to continue to gain market share in some spot that we feel that we could increase our market share without significant cannibalization in our stores.

J. Dolores: Ok, thank you Rui. João, on the capital allocation question. Maybe I'm going to tell you probably the same I told you in previous conversations, right? So, we are an active portfolio manager as you saw by the number of transactions that we executed in the last couple of years and this year 2021 in particular was a very active year in terms of transactions. And we do it by investing both in our portfolio of businesses and also outside of our portfolio of businesses in areas which we feel that we have a right to play in which we can create value. What I can assure you is that we will always be very disciplined in looking at investment opportunities and we will only execute them if we feel that they return superior levels of returns on the investment and where we feel that we are a good shareholder to these companies. Regarding Sonaecom in particular, to be honest, I have nothing to add to what we said before. I think at Sonaecom we have a number of minority shareholders which are happy with the performance of Sonaecom and we have no pressing reason to change the current situation there.

João Pinto: Thank you very much.

J. Dolores: Thank you João.

Operator: Our next question today comes from Artur Amaro from Caixa BI. Please go ahead.

A. Amaro: Hi good afternoon everyone. I just have one question, if I may. I read that online sales on Sonae MC waded 3% in full year 2021, this compares with 1.6 in 2019 which is quite impressive. Almost doubled, as far as I'm aware. By 2019 the operation of Sonae MC in online did not reached break even. My question is, have you already reached break even in the online operation? If not, how much of this share would you have to have in order to reach breakeven? And this is my question, thank you.

J. Dolores: Thank you, Artur. Rui, do you want to take this one?

R. Almeida: Sure, hello Artur. Thank you for your question. It's a very difficult question because as I said in a previous conference call, we need to understand that the online is sort of a channel to improve the level of services that we are giving to our customers and generally, accordingly to the internal analysis that we do, the customers, or at least the online, online could be analysed by customer and we see, according to the online customers, we see that the best customers, or at least the customers that use the online are very profitable. But if we see online as itself, yes, this did not yet have a breakeven at EBITDA level. But for instance, in the last quarter, we have almost, well in fact we got breakeven in terms of EBITDA. It's very close to reach the level of EBITDA breakeven due to the fact that we are implementing several projects to get efficiency improvement in our operation, we are doing several things in order to improve the all offer that we are giving to our customers. For instance, last year we changed the platform to better serve our customers with very quick results. We are improving quite dramatically the operation and actually know that the in a few years we will be very profitable or at least we will be break even in terms of EBITDA level. But again, as I said while ago, it's very difficult to give you some precise figure this year, precise figure of what will happen in our operation.

A. Amaro: Just to follow up, if it's possible on this issue, I remember by the time of the IPO of Sonae MC that the figure that was disclosed is that you were market leader with 70% market share. Can you give us a little update on where this figure is right now?

R. Almeida: Yes, well, it's very difficult to give you this year because even for the market share as a whole there isn't an independent institution that could give you, that could give us the exact figures for the market. For online it will be much more difficult. According to several independent institutions, we think that the online accounts for 1.5% of the total market in 2021, meaning that we did ok, for sure that we will have more than 60% or so, but the exact figure, frankly, is very difficult to provide.

A. Amaro: Ok, ok. It was just to have an idea if you are growing above the average of the market or not.

R. Almeida: No, no, for sure, for sure. We believe that we are continuing to grow above the market, the online market, and we are basically gaining market share or at least maintaining our market share in that market.

A. Amaro: Ok, thanks.

J. Dolores: Artur. Artur, I would just add a couple of remarks. So, first of all, on the profitability of the online channel as Rui mentioned, so we have to look at food retail as a mix of different things, right? We have a mix of categories, we have a mix of store formats, we have a mix of channels and obviously all this put together, basically we reach a value proposition for our customers, which is all encompassing and which translates

into customer profitability. So I think, as Rui said, we are very disciplined, we look at each of the P&Ls of these different mixes in terms of categories, store formats, channels, etc., and we always try to optimise them. But actually what's more important for us is to make sure that this mix is the ideal mix which at the end of day maximizes value for the entire company, and so that's what we try to do with e-commerce channel as well.

A. Amaro: It's also works as an anchor, right, for your client?

J. Dolores: Absolutely, absolutely. So, and as you can imagine, we have categories in our supermarkets that we sell at very slim margins and others at a bit higher margins and the mix together makes it a compelling value proposition for our customers and makes it a compelling proposition for us as well as retailers and so we tried to manage all these elements which are quite complex to make sure that we maximize value at the end of the day. And regarding the performance of MC in the e-commerce space, I think it's quite impressive what we just described because in a couple of years where e-commerce really surged in Portugal in different categories with different players, new players coming into the market that had never operated in this space, the level of market share and dominance that MC has been able to show over the past two years in online, I think is something that we are very proud of.

A. Amaro: For sure, thank you very much João, for your work.

J. Dolores: Thank you Artur.

Operator: And our next question today comes from António Seladas of AS Independent Research. Your line is open.

A. Seladas: Good afternoon. Thank you for taking my questions, just three. First one is related with Worten, the performance in terms of margin was not so good over the fourth quarter, if you can explain. Zeitreel was exactly the opposite, it outperformed, it was very well over the fourth quarter, if you can explain, provide some color on it. And the last one is related, sorry to come to this issue again, is related with Sonae MC's earnings margin and operating margin. So, taking consideration that some goods prices are increasing so fast and they are essential goods, should we be worried about the cut consumers starting to buy cheaper goods at Sonae MC, so to buy cheaper goods instead of more expensive and that impact in your operating margin. I don't know if in the past there was any situation similar to this one. Nevertheless, if Rui can provide us some well, what he thinks about it. If we should be worried about it or not. Thank you very much.

J. Dolores: Very good, thank you António. Paulo, do you want to take the first one on Worten?

P. Simões: Sure, thank you João. Hi everyone, good afternoon António. Thank you for your question. So, regarding the EBITDA in the fourth quarter, in fact the EBITDA was in line with our plans, expectations and targets, and it was more or less in line with pre pandemic levels. The fourth quarter of last year was quite extraordinary in that respect. And along the year we managed a promotional calendar and in 2021 we decided to put more promotional pressure in the quarter than we did last year. As remember in 2020 we were in the middle of a pandemic with higher uncertainty, so competitive pressure overall was quite muted, which was not the case in 2021 it returned to regular levels, so we return to our regular promotional activity. The quarter was probably a bit heavier than the previous ones in promotional activity, but not anything extraordinary. And on the full year, if you look at the year as a whole, the EBITDA margin was totally under control and improved yoy. In fact, if you look at the full year for the last years, 2019 Worten delivered €54m of EBITDA, in 2020, 73, and in 2021, 77. So the overall EBITDA margin for the company on a yearly basis, quite controlled and the growing healthily and we don't see any reason for worry. As a result of this promotional activity, during the quarter we gained market share, which is also one of our objectives

to continue gaining market share in Worten year over year. That was the case in the fourth quarter, very important contribution for the market share gain in the year, so we consider that the promotional strategy implemented throughout 2021 was quite successful. So, we are very pleased with the performance that we achieved in last year, including last quarter.

A. Seladas: OK thank you, thank you very much.

J. Dolores: Thank you Paulo. Hugo, do you want to take the question on Zeitreel?

H. Martins: Hi, thank you. Good afternoon. So, I think that the fourth quarter for Zeitreel was indeed a confirmation of our recovery in terms of performance. So, the fourth quarter is usually where our businesses have the most productive season of the year, you make up a lot of your sales on top of key promotional periods like Black Friday, but also the seasons, the Christmas season gifting. I think that it was a combination of willingness, renewed willingness to buy our products, on top of the good work that we did in the previous quarters, so the stronger value propositions with which we are reaching the market type with a very structured and more optimized promotional activity and a linear cost base allows us in these moments where actually sales ramp up to produce a lot of profitability. I believe this is also a good sign for the quarters to come in terms of where Zeitreel can reach, what Zeitreel can reach in terms of its performance.

A. Seladas: Can I ask you if there were any brand that outperformed, or everything did well?

H. Martins: I think that in the fourth quarter specifically, all of our brands worked quite well. I would say that it's more in terms of products than brands, so we do see or we did see a faster uptake in terms of kids wear, so that segment has been specially positive in terms of performance, but the performance was generally positive across all three brands.

A. Seladas: Ok, thank you very much.

J. Dolores: Thank you, Hugo. Rui, I think you left us for a bit.

R. Almeida: Yes.

J. Dolores: Did you have a chance to hear Antonio's question or not?

A. Seladas: I can repeat it.

R. Almeida: OK, thank you António.

A. Seladas: Well basically is related with the disposable income of the consumer, so there are some essential goods that pushed prices are increasing very fast, so apparently the risk is consumers starting to do trading down. So basically, buying cheaper goods instead of more expensive and of course that could impact negatively your margin. It's something that you are worried about? It's something that you throw in the past and similar situation and how do consumers react? If you can share with us.

R. Almeida: Thank you. Well, yes, very good question, António, and thank you for your question. I hope everything is ok with you. Well, yes, up to now we are not seeing that trading down phenomena in our stores. In fact we don't, well, we know that situation is a little bit more, we need to have some concerns about that situation, but for instance, looking back when we were having the Troika around with us in the 2011, 2012,

we faced the same situation and the same situation with the disposable income shrinking a lot. And yes, people were trading down, but the phenomenon was not so dramatic to be considered as a sort of a huge, significant point that we need to change our policy. In fact, what we did back in 2011 and 2012, we decided to invest a lot in enlarging our range of private label and in giving to that range of private label a huge level of quality of our products. And today the customers are balancing their purchases with the private label and the suppliers brand as well and up to now, we don't see much difference comparing to what we for instance would be witnessing in the pre pandemic situation or in the situation for instance we were having in 2000 and before. We see we are very comfortable to our situation, but again, if the crisis starts to be more aggressive, probably the change of the consumer habits in our stores will be totally different. But up to now we feel very confident with what we are seeing and witnessing in our stores.

A. Seladas: Ok, thank you very much. Thank you for sharing your experience of 2011, still. It's probably...

R. Almeida: Thank you.

J. Dolores: Thank you António.

Operator: There are no further questions on the line, so I'll now turn the call back to Mr. João Dolores.

J. Dolores: Ok, thank you very much. Just thanks everyone for attending and for asking your questions. We will see each other again, we talk to each other again in May when we announce our Q1 results. Hopefully sharing some lights on some of the questions that were posed in this conference call as well. So, see you soon. Bye, bye.