Stronger Together

Sonae Results Review 2020

Maia, 18th March 2021

SONAE GROWS 6% WITH SOLID PORTFOLIO PERFORMANCE AND SALES BREAKING RECORD FIGURE OF 6.8 BILLION EUROS

1. 2020 ANNUAL RESULTS HIGHLIGHTS:

- Portfolio demonstrated a very solid performance, as all businesses delivered significant results, despite the especially challenging context caused by the pandemic
- Consolidated turnover grew 6.1% to more than 6.8 billion euros (€M), a record value, while underlying EBITDA remained practically stable at €593 M
- Net income group share totalled €71 M, impacted by the pandemic, with effects both at an operational level and in terms of asset revaluation
- Aggregated online sales more than doubled, reaching ca. €480 M
- Capital structure was strengthened by the strong cash flow generation, with net debt decreasing by 4% and more than €750 M refinanced, of which €225 M were in a sustainable ESG and Green framework
- Investment grew 26% to more than €500 M, reflecting organic expansion and acquisitions, namely reinforced positions at NOS and Salsa
- Arctic Wolf, a leader in cybersecurity operations, became Sonae IM's second unicorn in its investment portfolio, joining Outsystems
- Sonae reinforced its commitment to People and the Planet, as support to the community surpassed €14 M, reaching 73% of recyclable plastic packaging, an 18% reduction in GHG emissions compared to 2019 and the anticipation of carbon neutrality by a decade
- Proposal of a dividend of 4.86 cents per share, a 5% increase compared to last year, corresponding to a dividend yield of 7.4%



Sonae is a multinational managing a diversified portfolio of businesses in retail, financial services, technology, shopping centres and telecommunications. Present in around 70 countries, it reached a turnover of 6.8 billion euros in 2020.
Find out more at www.sonae.pt

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2. Message by Cláudia Azevedo, CEO:

Cláudia Azevedo, CEO of Sonae, says, 2020 was a year unlike any other. For each and everyone of us, Covid-19 rapidly impacted every aspect of our lives and changed us as an organization at large. We faced incredible disruptions in areas such as health and safety, remote working, supply chains and digital acceleration. And, not only did we stand up to the challenge, but we also leapt into the future.

Today, we are a company fit for the digital age. Our response to the pandemic critically set us apart from the competition. In our retail businesses, we led the way in online sales and digitally-enabled customer loyalty. Brands like Continente and Worten saw e-commerce market shares well above their already leading positions in Portugal, contributing to a total online Group sales of ca. €480 M. Our technology investments under Sonae IM increased significantly in value last year while we accelerated the digitisation of customer touchpoints in retail, financial services and telecommunications.

2020 was a year that proved our collective agility. We moved thousands of people, went remote in matter of days, reshifted purchases and investments, adjusted network and delivery capacities. No doubt, the organisational changes we implemented in recent years and the young talent who have joined us were crucial to achieve this level of readiness and agility.

We have always said that Sonae is more than the sum of its parts. This has never been more true than in 2020. Our people and our businesses leaned on another, learned from each other and were challenged to do better together. I am incredibly proud and humbled by the commitment, resourcefulness and effort made by our people during the pandemic. Needless to say, it's thanks to them we have made it so far.

This was a year that tested us more than ever and we delivered with purpose, staying true to our values. Our purpose energized us to step up to the challenge and make great progress in our social and environmental commitments surrounding carbon emissions, plastics consumption and gender equality. We did not stop there, we went further to increase the support to our communities. We contributed €14 M and mobilised our businesses to donate thousands of goods and personal protective equipment to vulnerable people and health and safety professionals.

All in all, Sonae's diversified portfolio of leading businesses held strong as we were able to grow consolidated turnover by 6.1% to €6,827 M and reach an underlying EBITDA practically in line with 2019. The strength of our operations was underpinned by an active capital deployment management. We implemented multiple cash preservation initiatives across businesses and refinanced important debt facilities in order to further strengthen our capital structure. Our portfolio continued to show its ability to generate cash flow and, in total, the Group's consolidated net debt decreased €47 M to €1,103 M over the last 12 months.

At Sonae, we have built a legacy because of our focus on the future. We trust that scientific developments will swiftly get the pandemic under control. Yet, 2021 will not be an easy year. Our immediate priority will continue to be the protection of our people, while we remain committed to serving our customers and creating value for all our stakeholders. To do so, we must be relentless in innovating and adapting to a fast-moving environment. At the same time, we must remain focused on continuously evolving our portfolio of investments, shifting capital allocation to seize medium-term growth opportunities and ensure that Sonae is future-ready. This has always been our philosophy. It is now more needed than ever."

3. 2020 CONSOLIDATED ANALYSIS

Sonae's consolidated performance in such a challenging year proved the benefits of a well-balanced portfolio. Despite the impacts of severe operational restrictions in some sectors, Sonae's portfolio overall presented a remarkable performance, sustained by strong value propositions, digital readiness and its ability to rapidly adapt to a volatile context.

€6,827 M
+ 6.1%
Turnover

A year of growth despite the pandemic

From a statutory point of view, **Sonae's consolidated turnover** grew 6.1% yoy to 6.8 billion euros, mostly driven by the positive contributions of Sonae MC and Worten. In the 4th quarter (4Q), and despite the several restrictions implemented by national authorities, Sonae's consolidated turnover increased 6.6% to 1.9 billion euros.

Growth in 2020 was strongly driven by online sales, as the main retail businesses achieved online market shares well above their already offline leadership positions. **Total aggregated e-commerce revenues of Sonae businesses more than doubled in 2020, reaching ca. €480 M**, proving these businesses' digital expertise, particularly in a context of sudden acceleration of e-commerce demand.

In terms of operational profitability, underlying EBITDA reached 187 million euros (€M) in the 4Q, due to the restrictions that affected mainly Sonae Fashion and Sonae Sierra. In the full year, **underlying EBITDA** stood at €593 M, a mere 1% below 2019.

Indirect result stood at -€59 M, negatively impacted by a €91 M reduction in the value of Sonae Sierra's investment properties because of the pandemic, and positively by Sonae IM's portfolio revaluations of €39 M. Despite the negative impacts brought on by Covid-19, both operationally and concerning asset revaluation, **Sonae's net result** group share was positive and reached €71 M in 2020.

Investment surpasses €500 M with organic expansion and acquisitions

In spite of the context, Sonae continued to develop its businesses, as total investment reached €502 M, up 25.7% or €103 M than in the previous year. Sonae's capex, significantly above 2019, is a clear demonstration of the Group's financial strength and confidence in the current strategies of its businesses. The Group managed to not only continue to invest in improving its value propositions and operations' digitalisation, but also strengthened its shareholding positions in NOS (+7.38%) and in Salsa (+50%).

Moreover, a Sonae IM remained its regular M&A activity, Sonae Sierra concluded the Sierra Prime transaction and Sonae MC executed further sale & leaseback transactions, generating total cash proceeds of €335 M.

Reinforced capital structure and net debt decreases 4.1%

Sonae generated €220 M in Free Cash Flow before dividends paid. Albeit the challenging year, Sonae was able to deliver an improved operational cash flow from its fully consolidated businesses (+28.9% compared to the same period last year), which, along with asset sales, more than compensated the cash spent on the abovementioned M&A operations. Sonae's free cash flow generation, coupled with the dividends paid to its shareholders and to minority shareholders of Sonaecom and Sonae Sierra (totalling €166 M in dividends in 2020), allowed for a 4% decrease in Net Debt compared to the end of 2019, to €1,103 M. Once again, Sonae managed to decrease net debt and further strengthen its capital structure.

The group's financing conditions remained robust. In 2020, Sonae maintained, despite the difficult market conditions, a stable cost of debt of around 1.2% (ca. 1.0% excluding Sonae Sierra), and its average maturity profile was sustained above 4 years. Since the end of 2019, Sonae has refinanced more than €750 M in long term facilities. It is worth highlighting the €225 M of ESG and Green loans executed in 2020, which further consolidate Sonae's strong commitment to a sustainable future.

Active portfolio management rewarded with second unicorn

During the 1H20, Sonae Sierra joined APG, Allianz and Elo in the creation of Sierra Prime, a leader joint-venture in retail real estate, while Sonae Fashion announced the acquisition of the remaining 50% stake in Salsa.

In the 3Q20, Sonae reinforced its position in NOS and announced the agreement to terminate the partnership at ZOPT (when executed, these operations will guarantee Sonae a standalone position of 33.45% in NOS). Additionally, NOS completed the sale of NOS Towering to Cellnex with total proceedings of €375 M (with potential to reach €550 M).

In the 4Q20, Arctic Wolf – leader in cybersecurity operations – went through a new funding round with a valuation of more than 1.3 billion dollars, thus becoming Sonae IM's second unicorn, joining Outsystems.

Carbon neutrality and acceleration of improved environmental footprint

During 2020, Sonae's businesses reduced their Scope 1 and 2 GHG emissions by 18% compared to last year, which is in line with its commitment to have carbon neutral operations by 2040. In 2020, 73% of our plastic packaging was recyclable, an important step forward in our commitment to ensure 100% reusable, recyclable or compostable plastic by 2025.

CDP recognised the Group's environmental efforts and awarded Sonae with an A rating – the highest possible classification – only bestowed on the world's most advanced companies in terms of disclosure, awareness and management of environmental risks and best practices associated with environmental leadership.

Support to the community surpasses €14 M in response to the pandemic and social needs

Faced with the pandemic and identified social needs, Sonae and its subsidiaries strengthened their active social responsibility policies, as direct support to the community surpassed €14 M in 2020. Sonae and its businesses promoted the distribution of thousands of goods (food, non-food and PPE) to social institutions, hospitals or local councils, and also the donation of hundreds of computers to schools with the purpose of supporting distance learning. Likewise, internal skills were also put at the service of the community, by helping in the international sourcing, transportation logistics and distribution of PPE for priority public institutions. Additionally, multiple fundraising campaigns were also organised by the several insignias, in articulation with social support institutions, as Sonae furthered these campaigns' results by donating food and essential products.

4. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

Sonae MC grows 10% and has highest ever market share gain

Sonae MC turnover surpassed five billion euros, reaching a total of €5,153 M, which represented a growth of 9.6% yoy, and a LfL sales increase of 6.6%. In such an atypical and turbulent year, total sales performance showed that the company was very positively recognised by its clients and stood out as a sector leader. Sonae's MC ability to provide an agile and assertive response, coupled with its differentiated value proposition, translated into a superior performance, reinforcing its leadership position in the Portuguese food retail market. In fact, 2020 might have been the year with the highest market share increase in the Company's history, along with the biggest improvements in customer preference scores and brand metrics.

This growth was also the reflection of the company's online presence and leadership – online sales increased 80% in the full year. At the same time, Sonae MC continued to invest in its digital transformation, focused on adapting customer experience, business models, processes and culture.

Overall, Sonae MC maintained its pace of expansion with the opening of 89 new company-operated stores (of which 13 proximity stores, Continente Bom Dia), as investment rose to €205 M.

Regarding profitability, Sonae MC was able to deliver an underlying EBITDA evolution in line with sales growth, increasing 10% to €526 M, with sales growth mitigating the Covid-19 related costs.

Worten grows 7%, with online accounting for more than 10% of sales

In spite of the challenges brought on by the pandemic, Worten had a very positive year and the last quarter was no exception. In the 4Q20, Worten continued to register a robust top line growth of 12.2% (12.8% in LfL terms), clearly showing that its omnichannel approach is a winning value proposition.

In the full year, Worten posted a 6.8% growth yoy (8.6% LfL), achieving a total turnover of €1,161 M. Leveraging both convenient locations and a distinctive online presence (that includes a marketplace offering), once again, Worten delivered a remarkable performance in the online channel, which more than doubled sales compared to last year, both in the 4Q and in the full year. This robust top line performance benefitted from an increased demand, more noticeably in IT and small domestic appliances due to the pandemic context, and from the company's ability to rapidly adapt its operation to respond to spikes in demand, especially in the online channel. Thus, Worten further strengthened its market share in Portugal in both channels, as the online market share already surpassed that of the offline. For the first time, online sales accounted for a double-digit weight of total turnover in 2020.

In terms of profitability, despite the Covid-19 related costs, the strong top line performance, together with efficiency gains, resulted in an underlying EBITDA of €74 M, €17 M or 30% above last year.

Sonae Fashion accelerates online growth, which already weighs 14% of sales

The year of 2020 was challenging for Sonae Fashion, as apparel and footwear retail were among the most affected worldwide, which persisted in the last quarter of the year. Nevertheless, performance in the 4Q was better than expected and Sonae Fashion achieved a turnover of €112 M, only 1.6% below the 4Q19. Much like in the previous quarters, there were different performances across the brands: while adult apparel brands were more affected by the lockdown period, kidswear saw its demand less impacted in this context.

In the full year, Sonae Fashion total turnover rose to €344 M, decreasing only 12.2% compared to the previous year. Online sales were instrumental for this performance, having doubled their weight in total turnover, from 7% in 2019 to 14% in 2020.

In such a challenging backdrop, Sonae Fashion clearly outperformed the market. The ability of all teams to constantly adapt allowed the company to secure all possible additional revenue streams, namely through the introduction of new sales categories (such as the innovative reusable mask developed by MO) and of new and improved digital customer services (including the "sale at the wicket" service or the rollout of a personalised customer service via webchat and WhatsApp).

In order to minimise the impact of the pandemic, Sonae Fashion actively managed its supply chain, inventory and operating expenses. Concerning profitability, Sonae Fashion was able to deliver a positive underlying EBITDA of €13 M in 2020, mostly driven by the strong performance in the 4Q (total underlying EBITDA of €11.4 M).

ISRG triples online sales

ISRG was one of the businesses most affected by the pandemic, having had all stores closed for a long period of time, which significantly impacted its business performance. Following a challenging first 6 months, the 3Q (period ended on October 31st) saw a very solid recovery both in terms of sales and profitability. Turnover increased 9% in the 3Q yoy to €192 M, benefitting from positive performances in all brands, but especially from Sprinter, which grew sales by 14%. Online sales more than tripled and already account for ca 10% of sales in the last 12 months. As regards to operational profitability, all brands registered yoy improvements, which led consolidated EBITDA to increase more than 40% when compared to the same period last year, reaching €31 M. This solid performance in the 3Q allowed to end the last twelve months with a turnover of €660 M (-2% yoy) and an EBITDA of €48 M.

Universo Card increases market share to 13.8%

Sonae FS activity was indirectly impacted by Covid-19 and registered a slowdown during the year, mostly due to the reduction in private consumption. Since the Universo card was not exposed to credit risk in 2020, no negative impacts emerged from this dimension.

The Universo card registered record credit card production in April and May – with 18.1% and 16.4%, respectively – and ended the year with 13.8%, which represents an increase of 100 basis points compared to the end of last year. Universo's digital approach was critical for this performance, resulting in an over 40% increase of the digital customer base, to 428 thousand clients. Global activity rate began to recover after registering minimum levels in April (during lockdown), and the year ended already with values above historical levels.

Overall, Sonae FS turnover in the 4Q stood at €9 M, rising to a total of €35 M in 2020, -9.1% compared to 2019. In terms of profitability, underlying EBITDA followed the top line trend, standing at €8.2 M in the full year.

Sonae IM completes five new investments and achieves second unicorn

Sonae IM completed five new investments in 2020, made some follow-on investments in portfolio companies and achieved relevant evolutions in some of its minority stakes. As already announced, Arctic Wolf raised 200 million dollars in Series E funding at a valuation of 1.3 billion dollars. Thus, Artic Wolf became Sonae IM's 2nd unicorn, joining Outsystems. This funding round allowed Sonae IM to record a capital gain of almost €29 M.

Regarding new investments, Sonae IM made two seed investments: Replai, a company with a distinctive short video technology, and Didimo, a company with 3D technology for virtual interactions. Sonae IM also entered the share capital of SalesLayer (retail), Deepfence (cybersecurity) and Weaveworks (digital platform). Additionally, Sonae IM decided to consolidate its cybersecurity companies (S21Sec and Excellium) into a new holding company, Maxive Cybersecurity, one of Europe's largest Managed Security Services Provider pure players, both in terms of business and specialised personnel, and will offer its clients a wider set of services, combining the best practices and resources from both companies.

Despite the double-digit growth at cybersecurity companies, Sonae IM's consolidated portfolio was slightly below last year in terms of turnover, totalling €115 M in 2020, albeit registering a significant improvement in the underlying EBITDA when compared to 2019 (+€5 M), with nearly all consolidated companies registering positive performances yoy.

Already in 2021, one of Sonae IM's minority investments indirectly held through Armilar funds, Outsystems, which reached a unicorn valuation in 2018, announced a $150 M capital raise, at an underlying valuation of 9.5 billion dollars. Despite being a relatively small transaction, it is a positive sign of the company's strong evolution.

Shopping centres affected by pandemic and unconstitutional law

In 2020, a Sonae Sierra was severely impacted by the pandemic and associated footfall and/or store closure restrictions imposed across the world. Sonae Sierra was the most impacted company in Sonae's portfolio.

In Europe, tenant sales and footfall decreased by 34% and 38% yoy, respectively, on a LfL basis. In addition to the effect of the pandemic, Sonae Sierra's activity and results were materially affected by an extraordinary and unique law imposed by the Portuguese Parliament. This law led to total discounts of 54% of total rents in Portugal in 2020, which far exceeds any other European country where Sierra operates (where the implied discount averaged 26%). The disproportionate nature of this law obviously did not translate into any practical social or economic benefit, as collection and occupancy rates in Portugal did not diverge from other countries. On the contrary, it led to increased litigation and unnecessary temporary volatility. The Portuguese State Ombudsman classified the law as unconstitutional and it is now under review by the Portuguese Constitutional Court.

Sonae Sierra's net result since the pandemic started (April to December) totals -€89 M, which led to a full year net result of -€42 M. This was driven by the negative operating performance of Sonae Sierra's European investment portfolio, and by the 7% decrease in asset valuation. As a result, INREV NAV at the end of 2020 stood at €902 M.

NOS with 1% growth in telecommunications

Similarly to other businesses, NOS still felt the effects of the pandemic in the 4Q. In the telco business, the main impact was the reduction in roaming revenues associated with travel restrictions, and in the cinema business, the main impact was the drop in ticket sales due to restrictions in shopping centres.

Telco revenues increased 1% yoy in the 4Q, after three quarters with a negative trend, which was nevertheless not enough to offset the significant drop of revenues in the cinema and audiovisual businesses. In total, revenues in the quarter stood at €354 M, -3.3% compared to last year, leading to a total of €1,368 M in 2020. Regarding profitability, the telco business registered a 1.5% increase in EBITDA, and the cinema and audiovisual business, despite the negative annual trend, had a positive sequential quarterly improvement due to cost efficiencies. In consolidated terms, EBITDA stood at €132 M in the 4Q and at €603 M in 2020, -2.9% and -5.7% yoy, respectively.

5. DIVIDEND PROPOSAL

In view of the Net Results for the 2020 financial year, and according to our dividend policy, the Board of Directors will propose at the Shareholders' Annual General Meeting the payment of a dividend of 0.0486 euros per share, 5% above the dividend distributed in the previous year. This dividend corresponds to a dividend yield of 7.4%, based on the closing price as of December 31st 2020 (which stood at €0.66), and to a payout ratio of 85% of the consolidated direct income attributable to Sonae shareholders.

6. FINANCIAL INDICATORS

Consolidated results Million euros	2019	2020	Var	4Q19	4Q20	Var
Turnover	**6,433**	**6,827**	**6.1%**	**1,799**	**1,919**	**6.6%**
Underlying EBITDA	**601**	**593**	**-1.3%**	**196**	**187**	**-4.6%**
Underlying EBITDA margin	9.3%	8.7%	-0.7p.p.	10.9%	9.8%	-1.2p.p.
Equity method results (1)	94	32	-65.9%	17	9	-48.4%
EBITDA	**694**	**631**	**-9.2%**	**209**	**194**	**-7.0%**
EBITDA margin	10.8%	9.2%	-1.6p.p.	11.6%	10.1%	-1.5p.p.
Provisions and impairment	-19	-72	-	-8	-18	-
EBIT	**345**	**216**	**-37.3%**	**116**	**89**	**-23.7%**
Net financial results – lease liabilities	-72	-75	-	-18	-19	-
Net financial results – financing	-38	-32	-	-7	-4	-
Direct results	**215**	**114**	**-46.9%**	**82**	**75**	**-8.6%**
Indirect result	19	-59	-	22	-5	-
Total net results	**235**	**56**	**-76.3%**	**103**	**70**	**-**
Non-controlling interests	-69	15	-	-26	5	-
Net income group share	**166**	**71**	**-57.2%**	**78**	**75**	**-3.4%**

(1) Equity method results: include equity method direct results from Sonae Sierra statutory revenues, direct income related with investments consolidated by the equity method (mainly NOS/Zopt ISRG) and results of discontinued operations.