Sonae

Press Release

Maia, 27 July 2023

# Sonae increases investment by 22% and strengthens leadership positions

## 1. Highlights of 2023 First Half Year Results

- Consolidated turnover surpassed 3.8 billion euros in the 1H23, growing 12%, sustained by market share gains in MC and Worten and by investments in businesses' expansion
- Underlying EBITDA totalled 301 million euros (€M) while the EBITDA margin decreased 0.2pp yoy, due to ongoing efforts to partially absorb inflationary pressures, mostly in food retail formats
- Net result group share reached €69 M, reflecting support to families, rising financial costs and taxes, together with the investment in the businesses' expansion and digitalisation
- Consolidated investment reached €684 M in the last 12 months, increasing 22%, with organic expansion of businesses and acquisitions
- Group established partnerships to create leading operators in the health, wellness and beauty retail in Spain and in consumer credit in Portugal, now holding Sierra's full share capital and having made six new acquisitions in the tech
- Support to the community grew 15% and surpassed €15.6 M in the 1H23, particularly focused on food donations

## 2. Message from the CEO, Cláudia Azevedo

"In the second quarter of the year, and despite the challenging macroeconomic and competitive context, Sonae showed a strong overall performance. Our businesses continued to grow on the back of distinctive value propositions for customers, and we continued to actively manage our portfolio to create superior value for our shareholders.

In terms of operational performance, our teams continued to work hard to mitigate the impacts of inflation on consumers and deliver the best quality at the lowest prices, thus being able to strengthen the market leadership positions of Continente and Worten. On the real estate front, Sierra continued to register tenant sales in shopping centres above pre-pandemic levels, showing the resilience and high quality of its assets, while further expanding its services activity into new sectors and countries. NOS continued to improve its operational performance, underpinned by the investments made in recent years to enable the best mobile network in Portugal, and by the recovery of the cinema theatre business. As such, in the 1H23, Sonae's consolidated turnover reflected the quality of our businesses and assets and increased 12% yoy to €3.8bn, while EBITDA grew 9% yoy to €350 M.

Even in such a demanding and fast-moving environment, we continued to execute important portfolio shifts during this second quarter. MC took an important strategic step by reaching an agreement for the combination of Arenal and Druni in Spain, creating – together with Wells in Portugal – the leading operator in the health, wellness and beauty segment in Iberia, with a combined turnover of over €1.0 billion. Bright Pixel continued to expand its investment in technology companies with 3 new minority investments concluded during the 2Q, reaching over 40 companies in the portfolio.

Already in July, we received the notification from JD Sports to buy our stake in ISRG for €300m, triggered by Sonae's exercise of the buy or sell option foreseen in the shareholders' agreement. After 5 years of a successful



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partnership, I would like to thank everyone at ISRG, and the Segarra family in particular, for their contribution to the company's extraordinary track record and wish them all the best for the future.

Overall, our operational performance, combined with the portfolio management activity of the last 12 months, led to a significant increase in net asset value. Given our strong FCF generation profile, our financial position was further reinforced, and the holding LTV now stands at 7.0%.

We also took important steps in the quarter to advance our sustainability commitments. After a thorough group-wide process, we reviewed our sustainability strategy and elevated our targets to a new level for the 2023-2026 cycle, in areas such as decarbonisation, biodiversity & water consumption, circularity and human development. We committed to a renewed ambition in all of these areas, and I am sure we will achieve our goals.

Going forward, I am confident that our portfolio of leading businesses and our strong ambition, coupled with our solid financial position, will ensure that Sonae continues to meet the needs of all our stakeholders and to create economic and social value for all."

## 3. Consolidated analysis

### Active portfolio management and creation of leading operation in the Iberia

Sonae proceeded with its active portfolio management strategy during the 1H23, namely through partnerships and acquisitions. MC celebrated an agreement with the founding shareholders of Druni and Arenal to combine both companies (predicted to be concluded in the 2H23), which will create a leading operator in the health, wellness and beauty segment in Iberia. Bright Pixel maintained its portfolio management activity, with three new investments in the 2Q23, totalling six in the 1H23. During the 1Q23, Sonae had already acquired the remaining 10% stake in Sierra and reached an agreement with Bankinter Consumer Finance for a 50/50 partnership to create a leading consumer credit operator in Portugal.

This July, JD Sports Group informed Sonae of its intention to acquire the remaining stake in ISRG, with an equity value of one billion euros. This transaction implies a €300 M cash-in and an estimated €175 M capital gain for Sonae. Additionally, Sonaecom acquired Sonae's direct stake in NOS for €213 M, currently holding 37.37% of the telco company's share capital.

### Turnover grows 12% and surpass 3.8 billion euros through expansion and market share gains

During the 2Q23, Sonae's businesses continued to face a challenging macroeconomic environment, with a persistently high inflation and significant cost pressure. Nevertheless, in line with the 1Q23, the main businesses proved resilient and were able to continue to gain market share within each of its competitive fields. Thus, consolidated turnover increased 12% yoy to 3.8 billion euros, mostly driven by the strong performance of MC and Worten. This growth translates the businesses' expansion, opening new stores and investing in its digitalisation process, as well as their drive to reinforce leadership positions, as consumers recognise efforts to offer the best prices.

### EBITDA margin decreases 0.2 percentage points with extraordinary items and costs absorption

Despite the solid performance across main businesses, the ongoing efforts to absorb inflationary pressures for customers impacted the operational margin evolution, as underlying EBITDA rose to €301 M and EBITDA totalled €350 M, thus representing a 0.2pp margin decrease compared to the same period last year. Equity method consolidated businesses continued to post improved contributions to Sonae's results, mainly due to the increased stake in NOS.

Moreover, increased funding costs and the higher level of depreciations due to the businesses' store network expansion led to a lower Direct Result of €84 M.

### Net result impacted by efforts to support families and investments

Net result group share reached €69 M, as a result of efforts to support families, of rise in funding costs and taxation, and also of the ongoing investment in the businesses' expansion and digitalisation.

### Investment grows 22% with businesses' expansion and acquisitions

Sonae's consolidated investment reached €684 M in the last 12 months, increasing 22% through the businesses' organic expansion and acquisitions. Operational investment (Capex) rose to €406 M in that period, as investment in acquisitions and reinforced stakes in businesses and companies totalled €278 M.

In spite of this investment, net debt decreased yoy to €1,067 M. As a result, the Group maintains a solid financial position, with a low leverage level and high available liquidity, thus maintaining a good debt maturity profile.

### Support to the community increases 15% to €15.6 M

Faced with the growing difficulties affecting all families, Sonae deepened its corporate responsibility policy, focusing particularly on food donations. As such, support to the community rose 15% in the 1H23, reaching €15.6 M.

At the same time, Sonae is determined to actively contribute towards the education and reskilling for the jobs of the future, being one of the promoters of the R4E (Reskilling for Employment) European Programme and its national branch, PRO_MOV, which already counts seven training laboratories. The R4E programme's ambition entails reskilling one million people over the coming years, contributing to value trainees and provide the necessary human resources to develop the economy.

## 4. Operational and financial highlights per business

In **food retail,** MC continued to adapt to the constant evolution of consumers' needs, offering affordable products while absorbing part of the inflationary pressure. The company sustained its leadership position, as turnover grew 12.6% in the 2Q23 compared to the 2Q22 (LfL of +11.1%), driven both by grocery and non-grocery formats, to over 3 billion euros in the 1H23 (+13.1% yoy and a LfL of +11.4%). Regarding profitability, trading down movements together with the partial absorption of inflationary pressures on prices are still affecting MC's margin. Underlying EBITDA stood at €279 M in the 1H23, with a 9.2% margin representing a decrease compared to the pre-pandemic period (9.5% in the 1H19).
Concerning store network expansion, MC opened 18 new company-operated stores in the 1H23. One should also note the agreement to combine Druni and Arenal, which will allow, with Wells, to create a leading operator in the health, wellness and beauty segment in Iberia, with a turnover of approximately €1 bn.

In **electronics retail**, Worten's resilience resulted in increased sales, allowing to strengthen its leadership position in the Portuguese market, despite the inflationary pressures on consumers' purchasing power and the highly competitive environment. Turnover grew across both channels, online and offline, not only in appliances and electronics, but also in new categories, benefitting from the marketplace and associated services. This solid performance contributed to a €557 M turnover in the 1H23 (+6.9% yoy and a LfL of +5.5%), as the online channel accounts for over 15% of total sales (in accumulated terms).

In **fashion retail**, the resilient performance across all brands allowed Zeitreel to reach a turnover of €171 M in the 1H23, only slightly below last year's figure.

In **sports retail**, in the L6M 23 (Nov-Apr), total turnover grew 20% and amounted to €740 M, with the positive contribution from all brands. Already in July, JD Sports announced its intention to acquire Sonae's stake in ISRG for €300 M, implying an estimated capital gain of €175 M.

In **real estate**, Sierra delivered a positive operational performance in its prime shopping centres and also in the expansion of its services areas. Overall, Sierra posted a significant increase in total Net Result, to €38 M. Tenant sales registered a double-digit growth when compared to the pre-pandemic period, resulting in sustained rent levels and consistently high occupancy rates, of 98% in the total portfolio and 99% in Portugal. The services area also achieved significant progress, with total revenues growing 20% in the 1H23.

In **tech,** Bright Pixel maintained its well-paced portfolio expansion in the 2Q23, investing in cybersecurity and retail technologies. The company concluded three investments, including in Sekoia.io, a platform that

allows security analysts to detect and respond to threats in real time. These investments, combined with the portfolio expansion registered in the 1Q23 in the areas of cybersecurity and infrastructure software, namely in Picnic and Seldon, implied a €32 M capex and drove an 8.5% increase in the portfolio's NAV compared to the end of 2022, to €331 M.

In **financial services**, Universo continued to post a robust operational performance, sustained by its one million customer base. In the 1H23, total production improved 1% yoy to €471 M, and total turnover rose 28% versus the same period last year, to €22 M. Universo remains committed to develop its partnership with Bankinter Consumer Finance to create a new reference player in consumer credit in Portugal.

In **telecommunications**, NOS presented yet another positive quarter in terms of operational and financial performance. In the 2Q23, turnover rose 6.8% yoy to €394 M, with a 6.2% yoy variation in the telco segment and +9.8% in the media and entertainment segment, driving a turnover of €775 M in the 1H23, +4.5% compared to the 1H22. For Sonae's consolidated accounts, the increased stake in NOS over the last 12 months resulted in a higher equity method contribution of €10 M, to €29 M in the 1H23.

## 5. Financial indicators

| Million euros | 1H22R | 1H23 | Var |
|---|---|---|---|
| **Turnover** | **3,432** | **3,831** | **11.6%** |
| **Underlying EBITDA** | **264** | **301** | **13.8%** |
| Underlying EBITDA margin | 7.7% | 7.9% | 0.1pp |
| Equity method results (*) | 39 | 53 | 35.7% |
| Non-recurrent items | 16 | -4 | - |
| **EBITDA** | **319** | **350** | **9.5%** |
| EBITDA margin | 9.3% | 9.1% | -0.2pp |
| D&A and provisions and impairments | -172 | -196 | - |
| **EBIT** | **148** | **154** | **4.3%** |
| Net financial result | -43 | -59 | - |
| Taxes | 0 | -11 | - |
| **Direct result** | **105** | **84** | **-20.1%** |
| Indirect result | 39 | 6 | - |
| **Total net result** | **144** | **90** | **-37.6%** |
| Non-controlling interests | -26 | -21 | - |
| **Net result group share** | **118** | **69** | **-41.6%** |

R – Restated. Universo was considered as asset held for sale and all periods in 2022 were restated to include as discontinued operation.
*Equity method results: include equity method direct results from Sierra statutory revenues, direct income related with investments consolidated by the equity method (mainly NOS/Zopt and ISRG) and results of discontinued operations.