Sonae 9M20 results - conference call transcript

Moderator: João Dolores, Sonae SGPS, CFO

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Operator: Welcome to Sonae's nine Months 2020 Results Conference Call. During the introduction hosted by Mr. João Dolores, Sonae's CFO, all participants will be on a listen-only mode. After the introduction there will be an opportunity to ask questions. If any participant has difficulty in hearing the conference at any time, please make sure you have yours fully plugged in or alternatively calling from a different device. If you go to ask a question during the Q&A course of the day, then you may do it by pressing star one at your telephone keypad. I will now hand the conference over to Mr. João Dolores. Please go ahead, sir.

João Dolores: Thank you. Hi everyone. Good afternoon. I hope you're all doing well. It's a pleasure to speak to you today to present our Q3 results. Besides myself and the investor relations team at Sonae, today you have on the call Rui Almeida from Sonae MC, Paulo Simões from Worten, Miguel Moreira from Sonae Fashion, Luís Mota Duarte from Sonae Sierra, and Cristina Novais from Sonae Investment Management. As usual, they will be able to provide more color and detail on some topics related to their individual businesses.

This was another challenging quarter in a very unusual year. But I'm happy to say that overall, it was a good, solid quarter for Sonae. And it was a good quarter due to the ability of our teams to quickly adapt and innovate, but also due to the unique customer intimacy of our businesses, which enabled us to design the best, future-proof value propositions to respond to market needs. All of our businesses, even the ones that continue to be the most affected by the pandemic, showed a very resilient behavior during Q3, and this naturally gives us a lot of confidence to face the coming months, which as you know, will continue to be challenging. As usual, I will now cover the performance of each of our main business units, and then I'll wrap up with our consolidated results and also our brief outlook.

Starting with retail and starting with **Sonae MC**. Sonae MC maintained a very strong performance and continues to gain market share in Portugal, while sustaining reference levels of profitability, despite the increased costs driven by Covid-19. In Q3, total turnover increased by 7.4% year on year, and 4.8% like for like. This growth was clearly above the market. And according to our estimates, it resulted in a 60 basis point increase in market share year on year. All food retail formats have solid like-for-like growth levels, and ecommerce sales have continued to show very strong growth above 60% year on year. This online performance was underpinned by a rapid scale-up of our delivery capacity, and also by the development of new delivery options for customers. So Continente continues to be the clear leader in Portugal, not only offline, but also online. Non-food formats already showed some signs of recovery, with particularly positive performances of Maxmat, Wells, Zu and Note. This performance was driven by several factors, which I would like to highlight the quality of our stores network and online offerings, the readiness and grit of our people, and also the importance of the Continente loyalty program, which continued to offer new benefits and functionalities, which are increasingly digital and personalized. All in all, in the first nine months of the year, Sonae MC's turnover grew by 10% year-on-year to 3.8 billion euros, and like-for-like sales growth surpassed 7%. Regarding profitability, underlying EBITDA reached €374 M in the first nine months of the year after the significant improvement in Q3, where we saw growth of 11.2% year on year to €148 M. Essentially the top line growth, more than offset the additional COVID related costs in the quarter and this resulted in a 40 basis points increase in margin, allowing for the maintenance of a 9.9% underlying EBITDA margin in the first nine months of the year which is obviously a sound recovery after the intense pressure felt in Q2. Sonae MC continues to follow a very disciplined approach to cashflow management, namely by improving cost efficiency on several fronts, by rationalizing capital expenditures without compromising its growth plan and also by optimizing working capital management and executing selected real estate asset sales. In total, Sonae's net debt decreased over €100 M year on year, with the company improving its leverage and gearing ratios.

Moving on to **Worten**. This was another very good quarter for Worten, both in terms of top line and also profitability. Turnover growth reinforced the trend that we saw in Q2. And so we reached 8.5% year on year growth in Q3 and more than 10% in like-for-like terms. This allowed for an improvement of year to date performance to 4.3% growth year on year to €775 M with a like-for-like growth of 6.6%. In terms of profitability, underlying EBITDA presented an important increase in Q3, an extra €6.5 M versus last year resulting also in an improvement of over €11 M in the first nine months of 2020. In Portugal, the results were particularly strong. Worten continued to gain market share. And according to our data, this was the first quarter ever that our online market share surpassed our offline share. We are obviously very pleased with these results, as they clearly show that the digital strategy implemented by the team, with strong omni-channel approach but also with distinctive online features, such as the range extension to the marketplace, and also innovative same-day delivery options. All these changes are really paying off. Online sales more than doubled in the first nine months and offline sales also showed solid like-for-like growth, despite some pressure on footfall, conversion rates, and average ticket increased. In Spain, Worten continues to implement its transformation plan on the mainland and closed three additional loss-making stores in Q3. So we remain on track to reach our goals in that geography. Overall, this was another good and encouraging performance, particularly in Portugal and also particularly in our online offering and online sales.

Moving on to **Sonae Fashion**. Sonae Fashion, I would say, showed a lot of agility to adapt to this challenging context. All the initiatives performed across all the banners to maximize the revenue streams during and after the lockdown period basically enabled a better-than-expected performance in Q3, and resulted in market share gains in the quarter in a still very challenging environment. Performances across brands and categories were different, basically reflecting different price positioning and higher or lower reliance on shopping centers and also a demand for essential items. But overall, we saw a good recovery in revenues driven by the online channel, which more than doubled sales year on year, and also by childrenswear and last but not least MO's Ad-Tech masks, that boosted e-commerce and international sales, and are a good example of the innovation ability of our teams in difficult circumstances. All in all, Sonae Fashion registered an impressive like for like sales growth of 12% and only a 3% decrease of its turnover in Q3. At the end of the first nine months of 2020 Sonae Fashion's turnover had reached €232 M, now only 17% below last year and underlying EBITDA is already positive with the performance in the quarter offsetting the negative impact of the first six months. This sales performance has allowed us to reverse part of the stock provisions we had registered back in Q1.

At **ISRG**, our sports retail division. The company's Q2, which runs from May to July was marked by the reopening of all the stores across Iberia from mid May onwards and by the focus on trying to recover from the lockdown impact. With physical stores still facing some restrictions, and total turnover closer to 7% decline in the quarter, in spite of the impressive performance from the online operation, which shows three times growth versus the same period of last year. In terms of profitability, EBITDA followed the same trend, which means that the company's equity method contribution to Sonae's results was practically zero in the quarter. More recently, all brands have been doing much better having already reached positive year on year evolutions in August and September.

As for financial services. At financial services, we also saw important signs of recovery in Q3 and positive dynamics in the operational performance of the Universo card. Credit production was already above historical figures and the activity rate reached pre-pandemic values in September. The number of new customer acquisitions also started to recover with 9,000 new issuances in the quarter as we reached 900,000 customers already. At the same time the universo digital journey accelerated, and an important milestone was reached at the end of September with the number of digital customers already surpassing 400,000. So more than 50% increase year on year. In terms of market share, Universo continues to be in the top three of the overall credit market in Portugal with a 13.4% market share at the end of the first nine months, more than one percentage point above last year's figure. Overall turnover stood at €9 M in Q3 ending the first nine months with €26 M, almost in line with last year's figure. This slight drop in top line in Q3 was compensated by significant cost savings and Sonae FS was able to post an underlying EBITDA of €2.9 M in Q3, already an improvement year on year versus the third quarter of 2019.

As for **Sonae Sierra**. As you know, shopping centers have continued to be under significant pressure. In any case, after the lockdown in Q2, Q3 has shown generally positive operating trends, although still below pre-pandemic levels. Both tenant sales and footfalls showed signs of recovery over the period, with September sales being 14% below 2019 levels and footfall 22% below last year. Occupancy rates in the European portfolio continued to be quite stable at above 96%. Regarding results, direct result in Q3 was negative by €3 M, reflecting the impact from the rental law introduced in Portugal, and also agreements around discount reached with tenants in the other geographies. Additionally, and given the uncertain market environment, Sonae Sierra conducted external valuations to its European assets in September, having recorded a €9 M negative impact leading net results in Q3 to a negative €12 M. All in all, the first nine months of 2020 net results are at minus €20 M. Regarding NAV, Sonae Sierra ended Q3 with €918 M, 3% down compared to the end of H1, mainly reflecting the decline in asset valuations and also foreign exchange losses from its Brazilian and Colombian investments. Overall, and despite the challenging backdrop, the Company has been able to work constructively with its tenants to maximize sales across geographies, and reach win-win agreements regarding rents. Sonae Sierra has also been in close contact with relationship banks to ensure solid liquidity level across the assets and at the corporate level.

NOS, as you know, has already published its results and the impact of the pandemic on operating and financial results was lower in Q3, although still relevant. Turnover decreased 6%, mostly driven by the cinemas and audiovisual segment, where revenues decreased 67% year on year, due to the lack of blockbuster movies to exhibit and also to less intrinsic demand in the current context. The core telco segment was much more resilient and only fell 1% versus 8% in Q2 and here the drag revenues came mainly from the roaming charges given the restrictions on international travel that still subsist. Operationally, RGUs continued to increase 2.8% in Q3 reflecting total net of 125,000 in the quarter and positive evolutions across all business lines. At the EBITDA level, the cost control measures which were put in place allowed the margin to stay at practically the same level as last year, around 46%. EBITDA-Capex was below last year, but still above expectations given the lower level of capex versus what was originally planned. Net income in Q3 decreased 8% year on year to €44 M. While in the first nine months, it was still impacted by the extraordinary provisions due to Covid-19. Two important deals were completed by NOS, two important strategic milestones. First the agreement to sell Nos Towering to Cellnex which resulted in a 375 million cash in up front and also an additional expected €175 M cash in over the next six years. And already in Q4, the mobile network sharing agreement with Vodafone was also announced, which will enable faster, more efficient and environmentally sustainable deployments and running of networks in Portugal.

Finally, **Sonae Investment Management** had a very solid quarter with positive performances across controlled companies, especially in the cybersecurity portfolio. In Q3, Sonae IM's turnover grew by 11% year on year to

€89 M, recovering almost all of the revenues lost in the first semester. Underlying EBITDA despite still being on negative ground, also showed a solid improvement. Regarding portfolio activity and on top of the follow-on investments in some of its portfolio companies Sonae IM entered in Q3 in the share capital of two new companies one cyber security company and one early stage venture. It received a gross capital distribution of €21 M as a result of the redemption of participation units held in the AVP II Fund, which represents a value improvement of 37% compared to the distribution occurred in 2018, and increases the cumulative return on Armilar Funds to to 2.3 times cash on cash. And finally, already in Q4, Arctic Wolf, a leader in cyber security operations announced it had raised 200 million dollars in a Series B funding at a valuation of 1.3 billion dollars and so it became Sonae IM's second unicorn in the portfolio. This operation resulted in an equity account capital gains of almost €29 M already registered in Q3.

So, overall, looking at **consolidated** results, Sonae's turnover in Q3 increased 6% year on year, the same growth level of the first six months, with the most important contributions coming from Sonae MC and Worten. In year to date terms, one third of the top line growth came from online sales which more than doubled versus last year. Underlying EBITDA reached €77 M in the quarter, a margin of 10%. And year to date, underlying EBITDA stood at €406 M already above last year. Consolidated net result in Q3 stood 2% above last year and reached €51 M. In accumulated terms the non-cash contingencies registered Q1 and also Sonae Sierra's portfolio devaluations in the last couple of quarters which are both directly related to Covid-19, still means that net income is in negative ground at the end of the nine months.

The Group's capital structure remains solid, with net debt decreasing €287 M in the last 12 months. This evolution was driven by the strong cash flow generation profile of Sonae's portfolio of businesses and also by a number of asset sales, namely the Sierra Prime transaction back in Q1, the sale and leaseback operations at Sonae MC and also the Armilar capital distribution at Sonae Investment Management. Therefore, even under this challenging context, we have been able to sustain our dividend policy, invest in our businesses, although with more prudence, and continue some selected M&A activity such as the acquisition of the 7.4% stake in NOS back in August. Over the last nine months, we have already refinanced more than €650 M in credit facilities and we continue to have a low cost of debt and comfortable maturities.

In terms of outlook. As you all know, we are now witnessing a second wave of the pandemic. Our priority continues to be to do everything in our power to protect the health and safety of our people, customers and partners, while obviously continuing to serve our customers. And we are confident that given our track record over the last few months and also the dedication and enthusiasm of our people, we will continue to do well and comply with our mission of creating economic and social value. On this front, I would like to highlight that we recently decided to reinforce our commitment to reach carbon neutrality by 2040, anticipating this target by 10 years. So that's it for me for now, thank you for listening and feel free to ask any questions to all of us. Thank you.

Operator: Ladies and gentlemen, if you wish to ask a question, please press star followed by one on your telephone keypad. And if you're joining us via the web, please use the chat icon. If you change your mind, please press star followed by two. Our first question comes from João Pinto from JB capital. João, please go ahead.

João Pinto: Hi, good afternoon, everyone. Thanks for taking my questions. And the first one regarding the new restrictions in Portugal and namely the curfew from 1pm implemented for the next two weekends. What do you plan to do both in Sonae MC as well as other units? My second question on Sierra regarding the NAV. We are getting closer to the next reevaluation in December. Do you have any estimate on how much this NAV can decline in the next evaluation? My third question regarding Worten in Spain. Can you update us on your plans for the operation in

Spain? Can we expect news until the end of the year? And finally, if I can regarding the plan to anticipate your carbon targets by 10 years, will this represent a relevant increase in Capex in the short term? Thank you.

João Dolores: Thank you João. So let me start with a couple of these questions, and then I'll hand it over to Luís and Paulo to tackle the Sonae Sierra and Worten questions. So regarding the weekend restrictions in Portugal in terms of mobility. Yes, it's true that in the next couple of weekends, the Portuguese government has enforced significant restrictions to the mobility of people in more than 120 municipalities in the country, including requiring people to stay home between 1pm and 5am, with very few exceptions. These exceptions include work duties, provided that people have a formal certification and also going out for essential products and services, such as groceries and personal hygiene, pet care and personal health care. Sonae will, as always, comply with the law. But also with the spirit of the law, we feel that it is our duty as an important player in the retail landscape in Portugal, to act with the responsibility that we need to act with and show positive examples of public authorities in their efforts to contain the virus spread. So in practice, this is what we will do. Our food retail, parapharmacy and pet care stores will remain open for our customers, we will not be changing our opening hours in the coming weekend, and we will be ready, as ever, to welcome customers in our stores. As for our remaining physical retail concepts in Portugal. We will be closing those stores at 1pm during these two weekends. We will naturally continue to serve our customers through all of our online channels and as you know, we have implemented a number of faster same-day delivery options across our banners that we will reinforce during this period. Regarding the carbon target. Carbon neutrality is something which is already embedded in the current business plans of our business, so we are confident that we will be able to achieve this without the need to do further investments, namely to acquire carbon credit. So this is currently the assumption we feel very comfortable that this commitment that we have will imply a lot of work and a lot of effort from our teams, but we believe that we can do this complying with our current financial plans and not having any additional capex in the next few years.

I will briefly touch upon the Worten question and I will let Paulo complement. As I said before, we have continued to work on our plan, our solution for Worten's Presence in continental Spain, which enables which ensures that this operation is not a loss-making operation beyond this year. And yet we expect to announce this solution by the end of this year. And so hopefully we will be able to do that. But I will hand it over to Paulo to complement this point and also to Luís to comment on the Sonae Sierra's NAV question.

Paulo Simões: Thank you João. Thank you João for your question also. So, as João just said, we are committed to reaching positive operational profitability in 2021. And we are confident that we are on track to deliver this objective. So from now to the end of the year, we will continue to streamline our storebase and the overall operation and focus on online growth and continued digitalization of our business in that geography. And we are confident that with these two actions we will be able to reach our objectives. So that's the way we are planning to manage the event.

João Dolores: Thanks Paulo. Luís, do you want to take the Sierra question?

Luís Mota Duarte: Sure, Olá João. In relation to our NAV forecasts for the end of the year. I mean, as you know, given the current uncertainty around the Covid-19, given the volatility of the Brazilian currency, it's a very difficult exercise. Having said that, as a reference point in June, we lost, we recorded a 52 million depreciation in asset values, including significant impact from FX. And I would assume that for the end of the year, it would be conservative to assume a similar level. So we would expect it to outperform, but it's a good reference point.

João Pinto: Thank you very much.

Operator: Thank you. Our next question comes from António Seladas from AS Independent Research, please go ahead, sir.

António Seladas: Good afternoon, thank you for taking my questions and congratulations for the figures, they were really strong. So three questions from me. The first one related with Nav of Sonae Sierra, if you can clarify if you are saying that by the end of the year the NAV will adjust as it is by the end of the first half or, if I understand well, the current NAV will be cut, if you can clarify. So first if you can clarify that part of the question. The second one is related with ZOPT dissolution. So if you can updated the process. And the last question is related with NOS current stock price. So the price is really under pressure, and has underperformed a lot. Sonae as a holding company and very committed with NOS. Should we expect, or why are you not increasing your stake in NOS, taking into consideration that your prior stakes were then at higher prices? Thank you very much.

João Dolores: Thank you, António. Let me start with the last couple of questions, and then I'll hand it over to Luís to come back to the topic of the Sierra NAV. Starting with the situation at ZOPT, at this stage, unfortunately, I do not have any further updates to give you. The key points of our previous announcements still stand. But we are still waiting for the judicial situation to be clarified before we terminate the JV and execute what we announced to the market back in August. We are confident that will happen in the coming weeks, but we are still at the same stage that we discussed in our last conference call. Regarding the NOS share price, yes, I agree that the share price is extremely low and depressed when compared to the company's intrinsic value. But, I mean, we are currently happy with the level of economic exposure that we have to the sector and to the company, given also the level of influence and control that we currently have, and that we expect to have when we dissolve the partnership at ZOPT. And so currently, we do not have any short-term plans to increase our shareholding in the business although it's always an option for us in the future, as you know after we execute what we announced, we can increase our stake to 50 percent without triggering a mandatory tender offer. So we always have the option down the road. But currently we are happy with the level of exposure that we have to the sector and the company. Luís, do you want to take the NAV question?

Luís Mota Duarte: Sure, with pleasure. In terms of our NAV, the first thing I have to say, though, is that we are much more than a NAV. We are much more than a portfolio shopping centers. I would like to remind you all that we have a services platform, which manages more than 150 properties, we have a fund business that manages 3.5 billion of funds. We have an asset management business which manages significant external contracts, and we have a development service business, which provides services to third parties around architecture, engineering, et cetera. On top of that, we have a development platform which is the group of people that created the portfolio that we have today. None of that is really reflected in the NAV. So when you think of us, I think if you just apply the simple discount to NAV, you need to be fair and you need to apply also value to the other business. Coming to your question around NAV, what I'm saying is that for the fourth quarter, a useful reference point is the second quarter. In the second quarter, we recorded a negative net result of 56 million, of which 52 were from value reduction in investment properties. What I'm saying as well is that this figure included a significant impact from FX and from Brazil. That is even more difficult to forecast than any Covid-19 impact. So from a conservative basis, I would take the Q2 figure as a useful reference point, but I would be disappointed if we don't outperform it.

António Seladas: Okay, thank you very much. Very clear. Thank you very much.

Operator: Our next question is from José Rito from CaixaBank. Please go ahead.

José Rito: Yes, good afternoon to all. I have a follow up question on Worten if you can give me a little bit more details, how was the performance of Worten in Spain in Q3? We saw a very strong performance from Worten as a whole for the quarter. If you can provide a little bit more visibility in Spain and basically what we are trying to understand is how you can assure that in 2021, you'll be at least at break-even and more important than that is that after 2021, the company is able to maintain this break-even figure, considering that this will be the first time since it started this operation. So what are you seeing in these markets? We understand that electronic online has been quite strong in Portugal and in Spain, and so for that reason, this should have been helping, but going forward, what do you expect to change in Spain in order to maintain a profitability level in this market? Then my second question relates to Sonaecom, Sonae Investment Management, considering the recent good track record from these divisions, namely, OutSystems, Arctic Wolf, and these being a potential source for hidden value within the group, my question is, why maintaining Sonaecom listed? And, finally, on the online and considering the growth, the strong growth that we had this year, can you say if this has been margin dilutive for the group as a whole, and how is this business margins in the case of Sonae MC? Thank you.

João Dolores: Thank you. Paulo do you want to start with the Worten question?

Paulo Simões: Yes. Sure. Thank you for the question. So regarding Spain, the performance overall was solid, I would say, because on a like-for-like basis, Spain was more a less flat versus last year. Of course, on a total turnover basis, we lost sales because we have been closing stores, but looking at comparable stores, we were more or less flat. So solid performance, notwithstanding the context, which is very, very challenging as you know. Regarding how to reach a positive profitability in the region, as I told you before, I mean, we will continue to streamline the store base and the overall operation, and our plan is to continue to invest in online, and guarantee that our online business grows and improves profitability, and that's our overall focus. I would not like to go into further details on this, because we are continually monitoring the operation and we take decisions regarding what to do next looking at the most recent performance of the stores, so we are looking constantly on how to streamline the operation, and we will, and we are on track on improving the profitability as I commented before. So we are very confident that if we continue with the plan that we have, we will be able to reach positive profitability in 2021 but I would leave it here.

José Rito: Okay. Okay. Understood. Thank you.

João Dolores: Maybe I'll take the Sonaecom question now. We've obviously discussed this in the past. And I think I would say something initially, which is, I mean, there is no reason for Sonae IM to be, as you said, a hidden pocket of value within the group, right? So we give a lot of visibility on the NAV of the company, we give visibility on the investments we have, it's become clear in recent times that the track record, as you said, of investment management has been fundamentally a very strong one in terms of return on investment. We have shown a number of exits over the past few years that have proven to be quite successful, and that have also proven the validity of the strategy that has been followed at Sonae IM in terms of actively managing a portfolio of investments. And so I think there is no reason for it to be a hidden pocket of value and if it still is, maybe we need to do a better job in conveying the value of that portfolio. But going directly into your question of, why we should maintain Sonaecom listed, again, we discussed this a number of times in the past. It's something that we have considered in the past, but we do not have any pressing reasons to take Sonaecom private at this moment in time. Also, because it would entail probably a significant investment for us, and we are obviously managing our liquidity at the current moment in time with a lot of prudence. And so, again, we do not have any pressing reasons to think about that sort of operation at this moment in time. But I'm glad that you recognize the good track record that we've seen at Sonae IM, and we will make sure that we convey that with a lot of clarity in the coming weeks and months.

In terms of the online, I will have a first stab at this, and then I will probably hand it over to others for comments. Overall, online this year has increased a lot, online sales have increased a lot throughout all our formats and concepts. I think this shows the strong value propositions that we have in ecommerce, and that consumers recognize. We have, I mean, in our main operations, we are clear leaders not only offline but also online. If you look at the channel economics by themselves, it's true that in some businesses, it is margin diluted but we do not look at it like that. I think it's narrow to look at the ecommerce profitability on a stand-alone basis because what we look at is customer lifetime value. And most of our customers are omnichannel customers: They purchase with us online; offline; in a mixture of both channels, so ordering online and picking up in stores, going to stores, choosing their products and ordering products at the stores to be delivered at their homes. So we really have a relationship that goes through several channels with each of our customers, typically, and we also have specifics that say that our customers who buy online with us typically are our most valuable customers. And so if you take that into consideration, you will understand that the economics of a single customer that purchases with us online are much more interesting than serving that customer only offline. And so it's a complex issue. It's obviously, we are trying to improve the economics of our online operations every year. In some sectors, that is easier to achieve than in others. But overall we are very happy with our online strategy, very happy with the overall economics that we see across the board in different channels serving our customers, and so we will continue to invest in this space. But I think you asked specifically a question, this question related to MC, so I will let Rui complement on the MC angle as well.

Rui Almeida: Thank you, João. Hi, everyone. Hi José. I don't have anything to add to your comments. I totally agree on the strategy. As you said in the very beginning, we grew a lot in this quarter, and we see the online business as being totally in the omnichannel approach to reach all consumers in Portugal. And we are doing okay, and it continues to be at the point that you were mentioning, it continues to be very marginal in our performance, in our portfolio. So all the investment that we are doing in this segment is not as relevant as you may think. So we are doing okay. And it's very difficult to compete. You need to consider all the benefits that the consumers and our customers are getting. And all the indicators that we are competing in our operations. And we feel that this should be considered in an omnichannel approach. And we are totally okay with this situation.

José Rito: Okay, understood. I think that in the past you referred that in some specific regions, you were getting close to being break even. I remember that I think you mentioned this in the Lisbon area.

Rui Almeida: Very good point. And then we continue. In fact, there are some months that we are doing okay in terms of EBITDA figures. As the moment, we are now reaching the point where we are fighting to be positive. And we feel that we are optimizing, as João said a while ago, optimizing, being more efficient, and searching for new solutions to become very profitable in this business.

José Rito: Okay, understood. But just a follow-up: So no need to do major investments on this online to make the business profitable? Let's say, I know that as of today, it's around 3 percent of sales, but if it goes to, I don't know, 10, 15 percent, the impact would be different on the margin. That's why I'm asking you.

Rui Almeida: You are basically saying that the margins could be higher. For instance, we have all our operations in different modes. We need to think, for instance, that all our business should be considerably different this way. But the point is that as João said a while ago, also mentioned, we are thinking online in an omnichannel approach that we need to combine the offline business with the online business as well, and we are understanding that this is totally complementary to our offline business. That's why we are fighting to get a very good operation in terms of online in order to complement the operations that we are feeling very comfortable with as well, the offline business we are fighting to get all the value propositions combined in order to give the best value to our customers and our consumers.

José Rito: Okay. Okay. Thank you.

João Dolores: And just to add a remark, I mean, we are very far today from having a ten percent weight of online sales in total sales in food retail in Portugal.

José Rito: Yeah, yeah, yeah, I know.

João Dolores: Even in some of the most advanced countries in the world, such as the UK, the average weight is around 7 to 8 percent. In Portugal, it's way below that. So it's still not we're still not there.

José Rito: Okay. Thank you.

Operator: Other reminders, ladies and gentlemen, if you wish to ask a question, please press star followed by one on your telephone keypad, and if you are joining us via the web, please use the flag icon. As a reminder, ladies and gentlemen, star followed by 1 on your telephone keypad, and if you are joining us via the web, please use the flag icon. We currently have no further questions from the participant lines, and I'll hand back to Mr. João Dolores.

João Dolores: Okay, thank you. I think we have a question that was sent via webcast. And so it's about Sonae IM, our readout in the H1 financial, the investment in Arctic Wolf was a value of €12.1 M, and in today's press release said there was an almost €29 M capital gain as per the most recent financing. So that means that Sonae IM's investment in Arctic Wolf is worth about €41 M. I think this one's for you, Cristina.

Cristina Novais: Yeah, thank you. Well, you can assume that. It's exactly that, the number in September accounts. But please note that the roundup period in October and as we published, we said that we participated in this financial round, and we made a follow-on investment, so in October, the value's a little bit higher than that. But for September account, it's that figure, the €41 M.

João Dolores: Very well. So I hope that's clear. I think we have no further questions, is that right?

Operator: Yes, we currently have no further questions registered.

João Dolores: Okay. So thank you very much, everyone for your questions. I hope this was useful to clarify our performance in Q3 as I said at the beginning, we are very pleased with the performance that we had at Q3, and also obviously motivated to save the rest of the year, and given the context, it's going to be challenging. But we are confident that given what we've done up until now, we will continue to succeed in serving our customers and producing solid results going forward. So thank you all for listening. And we will speak to each other in the annual accounts in March now. So hope you all stay safe and healthy and talk to you soon, bye-bye.

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