FMCG FRAMEWORK IN PORTUGAL

Codfish - Evolution Perspectives

Lisbon – 5 February 2018

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Market Framework in Portugal

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What is the conjuncture in 2017?

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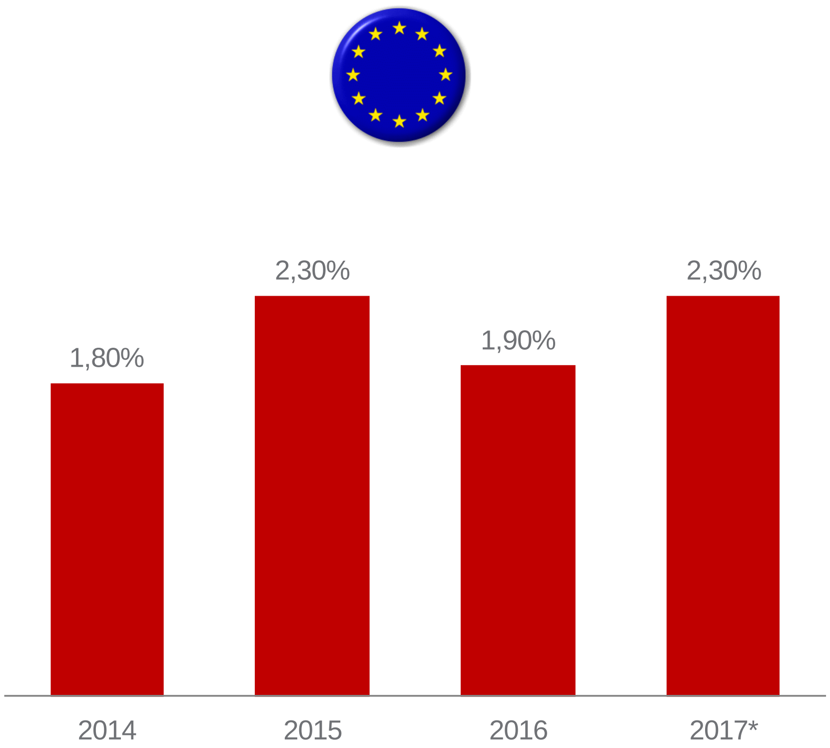
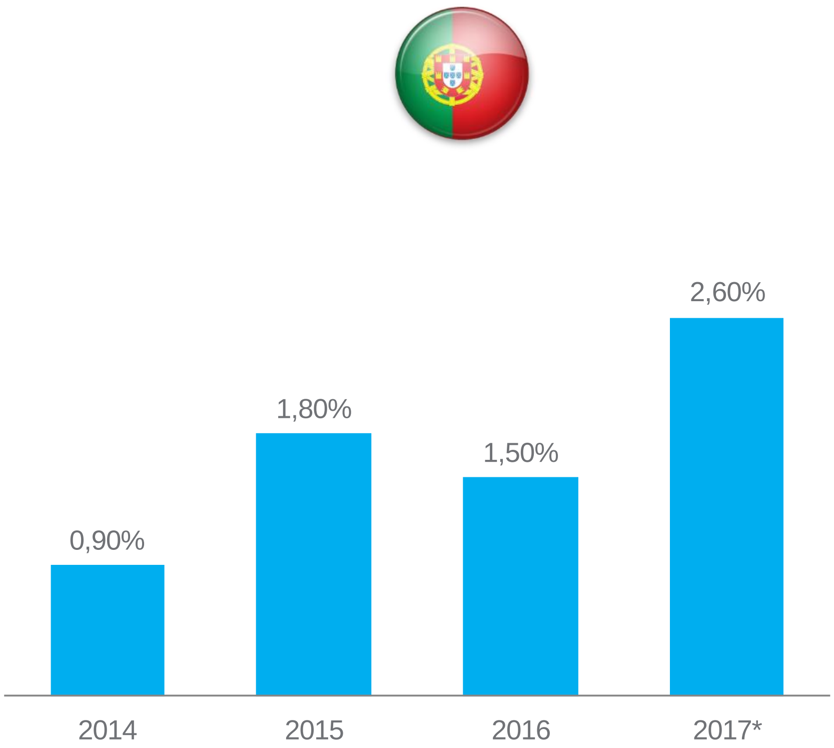
Portugal keeps growing...

PIB Variation





Fontes: Eurostat (*European Economic Forecast Autumn 2017); The World Bank; IMF

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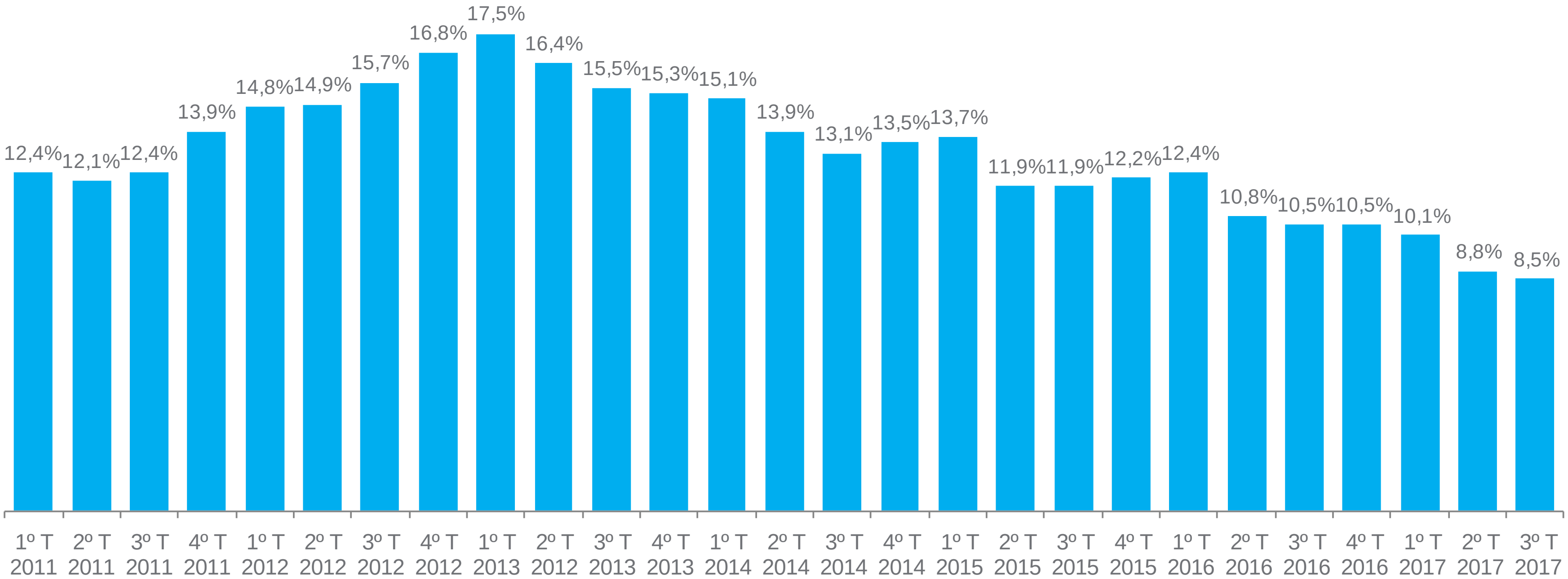
Unemployment rate keeps decreasing

Minimum levels since 2010 – 8,5%

Unemployment rate



Fonte: INE

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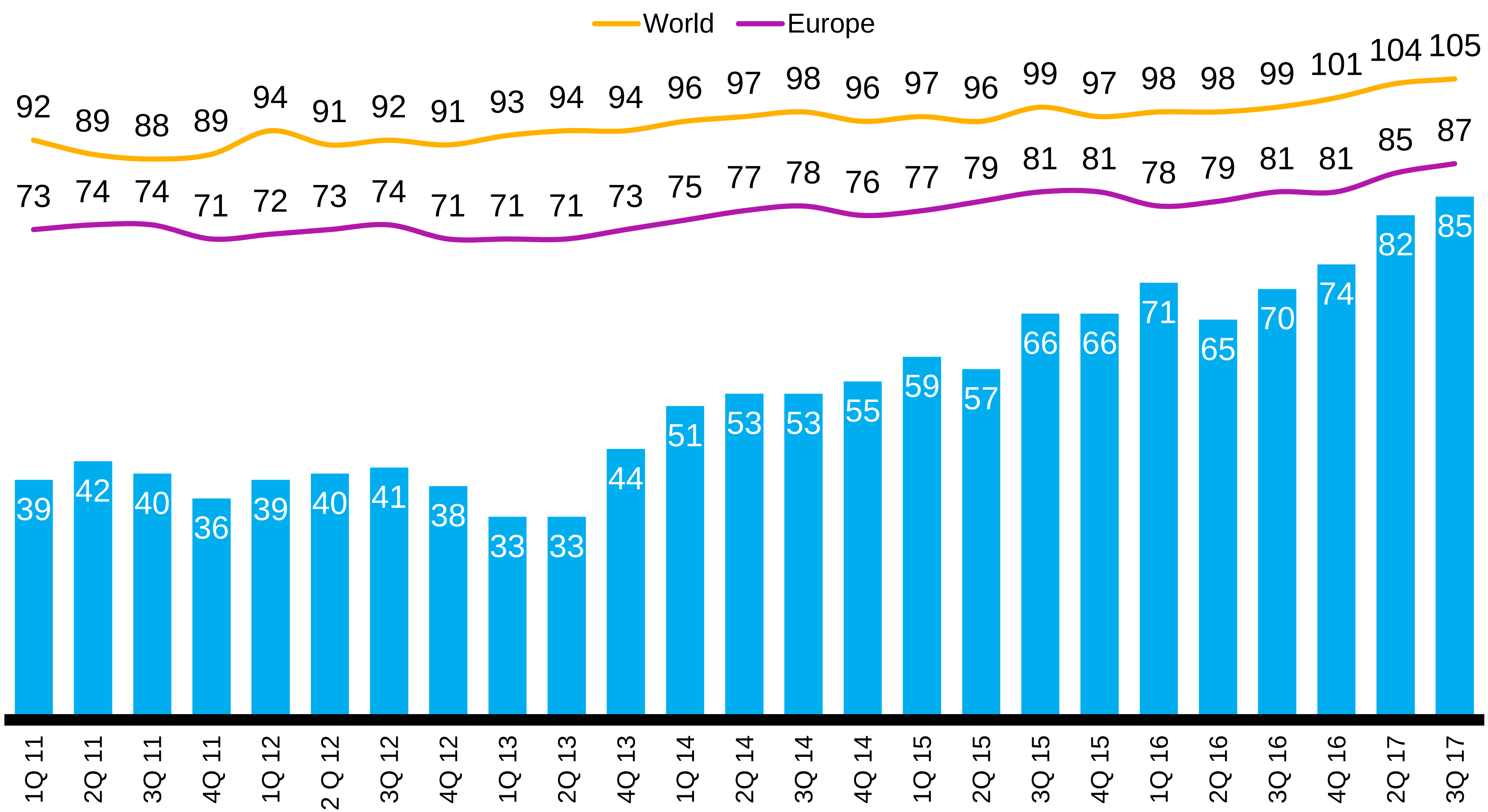
Portugueses are more confident than ever!

Only 2 points away from Europe average



Fonte: Nielsen Global Survey Consumer Confidence
Q3 2017

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They have more money to spend

42% have good perspectives about their personal finance
(+31pp vs Q2 2013)

30% say this is a good time to buy anything they want or need
(+23 pp vs Q2 2013)

33% have a better financial situation than 5 years ago

24% say they have no money in the end of the month
(-19pp vs Q2 2013)

Fontes: Nielsen Global Survey Consumer Confidence (Q2 2017) | Nielsen Premiumization Report (Dezembro 2016)

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What are consumers looking for?

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More leisure

Sources: Nielsen Out of Home Report (Agosto 2016)
Nielsen Global Survey Consumer Confidence (Q2 2017) |

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Less time shopping

75% of portuguese purchases have, at least, 11 articles*

Convenient Location

Organized Layout

Small supermarket queues

Being “easy and quick” is the 4th more important atribute when choosing a store

Fonte: Nielsen Global Retail Growth Strategies Report (June 2016) | Nielsen ShopperTrends Portugal 2017

*Fonte: Nielsen Homescan (Ano Móvel S51/16) | Global Survey Growth Strategy (Q3 2015)

*Nº itens únicos – segmentação com base na dimensão da cesta, excluindo repetições. Ex: 10 garrafas de água idênticas = 1 item único

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Convenience is even more searched

Volume Sales Change in the last 2 years

FROZEN CODFISH

+21%

FROZEN FRUIT

+36%

FROZEN VEGETABLES

+6%

REFRIGERATED PASTA

+24%

4ª GAMA

+11%

REFRIGERATED MEALS

+14%

REFRIGERATED COMPONENTS

+22%

TAKE AWAY*

+20%

Fonte: Nielsen | Market Track (TOTAL PORTUGAL INA+LIDL) – Ano Móvel S52//2017
* Fonte: TSR - Hipers+Supers – vendas em valor – Ano Móvel S38/2017

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Healthy food increases

Volume Sales Change in the last 2 years

BIOLOGICAL YOGURTS

+200%

CHARCUTERIE

+19%

DIET COOKIES

+22%

DIET BREAD

+29%

INTEGRAL RICE

+20%

***MUESLI* AND GRANOLA**

+45%

SOYA DRINKS

+7%

SEEDS

+20%

Fonte: Nielsen | Market Track (TOTAL PORTUGAL INA+LIDL) – Ano Móvel S52/2017

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Basics losing sales

Volume Sales Change in the last 2 years

DRY VEGETABLES

-3%

FLOUR

-8%

MILK

-10%

OLIVE OIL

-7%

SUGAR

-8%

SALT

-5%

BUTTER

-2%

RICE

-7%

PASTA

-3%

OILS

-1%

YOGURT

-1%

Fonte: Nielsen | Market Track (TOTAL PORTUGAL INA+LIDL) – Ano Móvel S52/2017

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Shoppers tend to be more conscious

DIVERSITY & INCLUSION
Origins, cultures, sexual orientations, incapacities, religions

SUSTAINABILITY
Environment responsability and sustainable attitudes

ORIGIN
Respect for the local economy and local origin brings proximity

TRANSPARENCY
Marks must be genuine, consistent and honest in their communication

Fontes: Nielsen Women & Diversity Report (Q3 2016) | Nielsen ShopperTrends 2017

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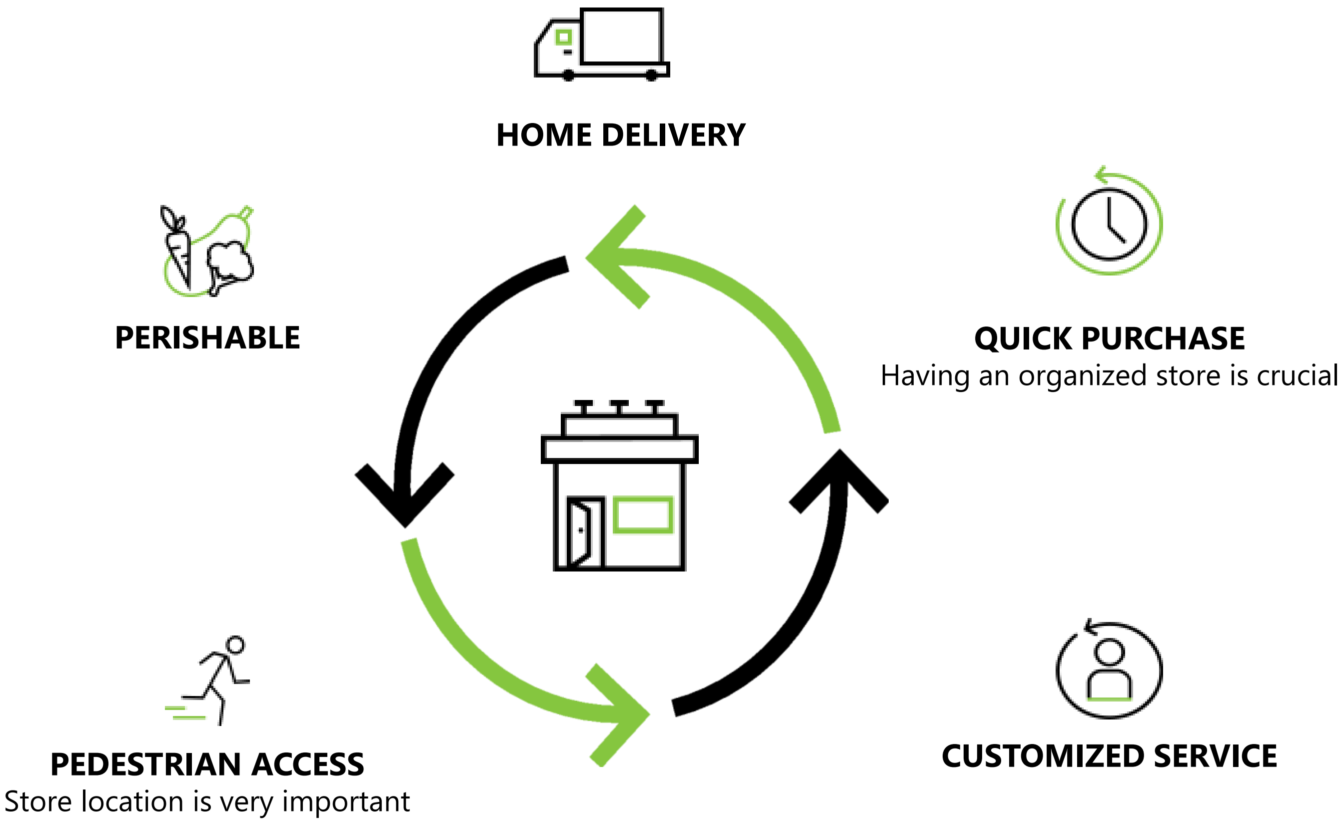
Proximity is very important!



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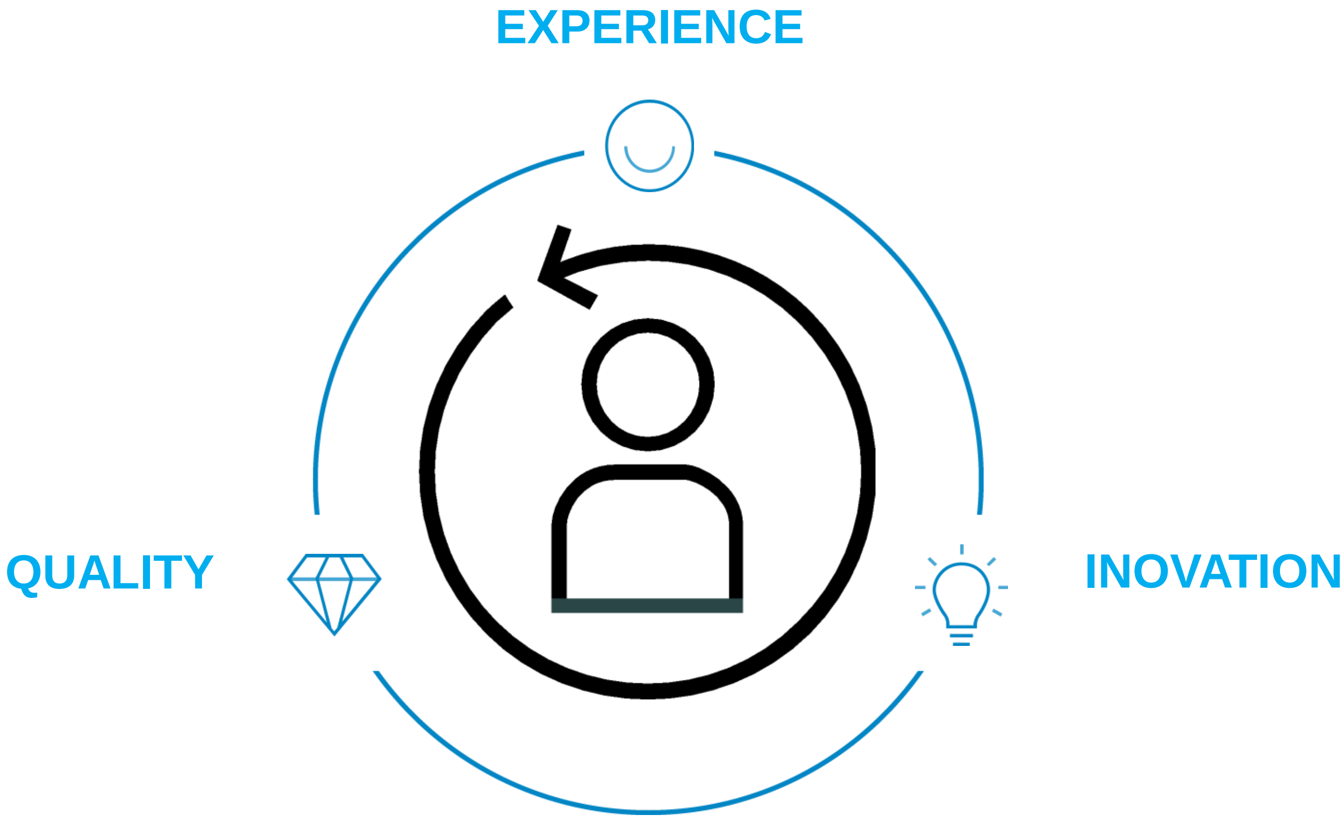
Do what consumers are looking for



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What about Retail Evolution?

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Significant market changes in the last years

RETAIL

PRIVATE LABELS

PROMOTIONS

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In 2017, Wine, Water, Appetizer Wines and Beer revealed a good dynamic on Horeca

Previsão de crescimento do On Trade acima dos anos anteriores

	Volume Sales INCIM CATEGORIES (000)	MAT Dez 2016	MAT Dez 2016	Var. %
Alcoholic Beverages	wine	56 587	60 401	7%
	whisky	2 647	2 295	-13%
	gin	230	227	-2%
	beer	192 768	205 596	7%
	appetizer wines	56 020	60 397	8%
Non Alcoholic Beverages	roasted coffees	13 919	14 185	2%
	refreshing drinks	109 480	115 529	6%
	water	129 385	143 804	11%
Food	ice cream	3 384	3 298	-3%
	chewing gum	268 979	259 850	-3%
	individual cooks	423	383	-9%
	chocolate tablets	109	92	-15%
	snacks appetizer	198	203	3%
	potato snacks	796	776	-3%

Growth of the mentioned categories

+4%

Fonte: Nielsen Markettrack week 52

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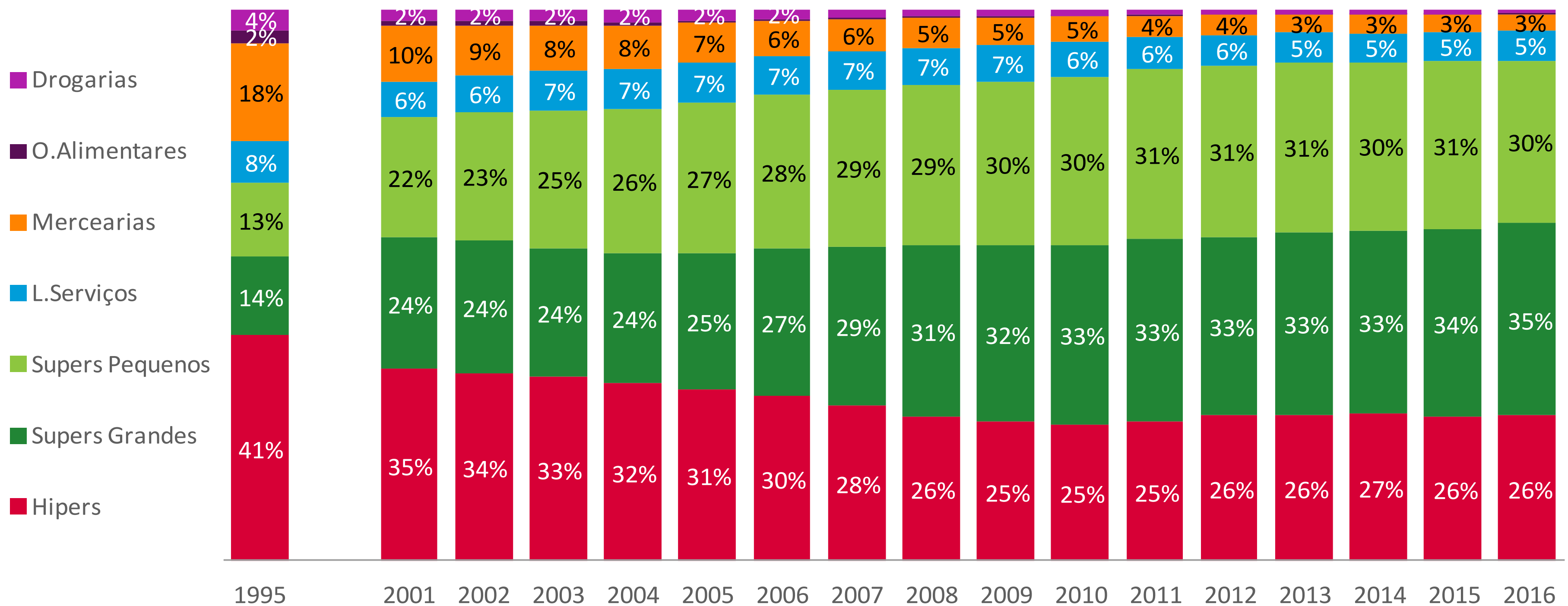
MASS MARKET – Supers Grandes had better performance (maximum of 35%)

Global Volume Sales (millions €)



	1995	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Hipers	2 604	3 211	3 342	3 426	3 415	3 484	3 481	3 461	3 333	3 249	3 248	3 239	3 366	3 435	3 446	3 446	3 580
Supers Grandes	908	2 211	2 370	2 423	2 530	2 740	3 110	3 523	3 937	4 130	4 267	4 273	4 161	4 331	4 317	4 478	4 766
Supers Pequenos	858	2 029	2 311	2 578	2 754	3 065	3 249	3 511	3 711	3 835	3 998	3 979	3 962	4 000	3 946	4 036	4 040
L.Serviços	484	588	633	726	783	821	831	849	862	884	846	758	730	703	687	718	729
Mercearias	1 132	938	906	866	850	797	737	701	678	634	591	508	454	426	422	406	402
O.Alimentares	155	83	75	68	67	55	48	40	41	42	36	31	25	23	26	24	24
Drogarias	234	195	204	217	232	221	194	181	157	145	133	100	100	95	98	96	95
TOTAL	6 375	9 255	9 841	10 303	10 630	11 182	11 649	12 266	12 719	12 919	13 119	12 888	12 798	13 013	12 942	13 204	13 635

Fonte: Nielsen|Recenseamento

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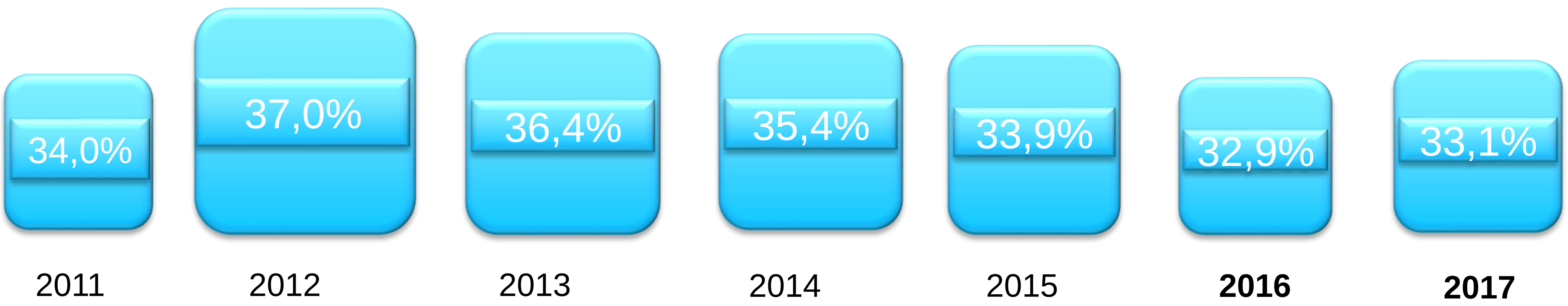
MDDS won Market Share for the first time since 2012

It represents 1/3 of total sales

Value Share – MDD + PP



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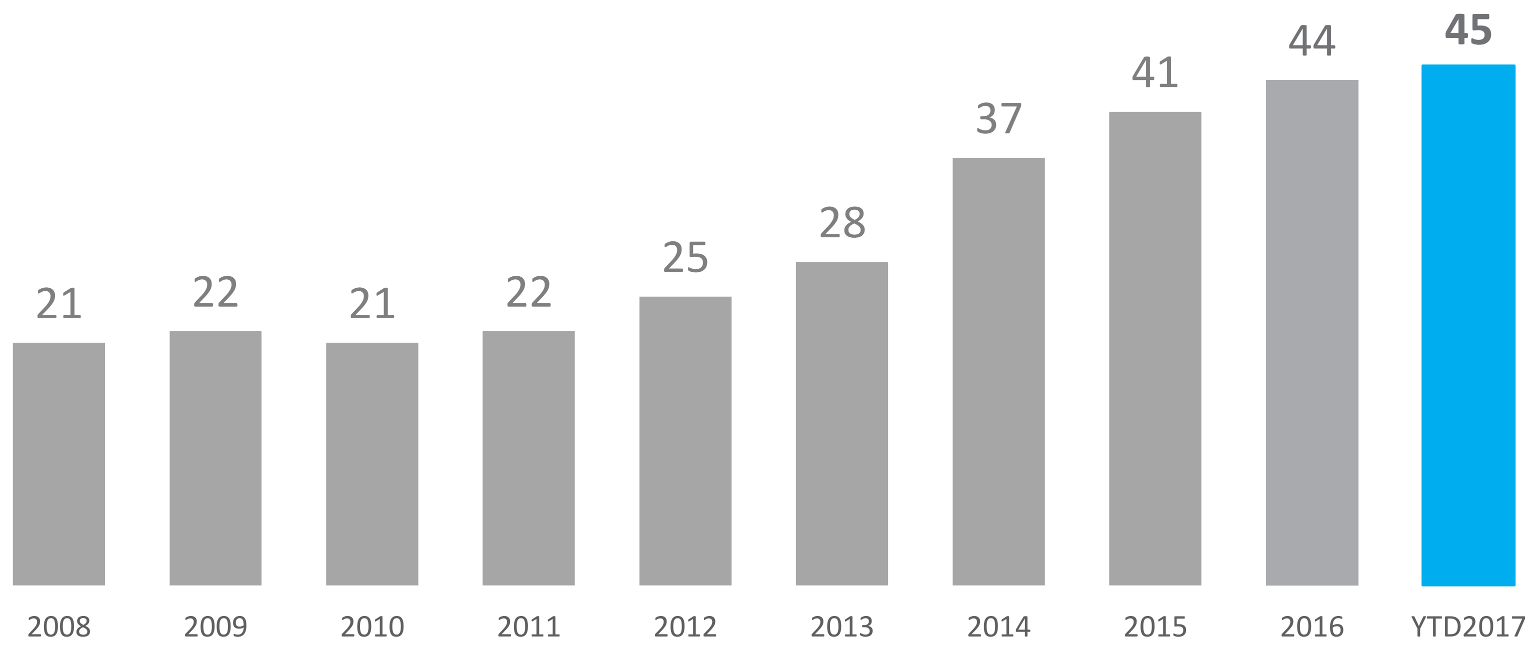
Promotions duplicated in 5 years

% Promotional Sales (Total Hiper + Supers)



Fonte: Nielsen | MarketTrack (H+S exclui LIDL) – YTD sem 44

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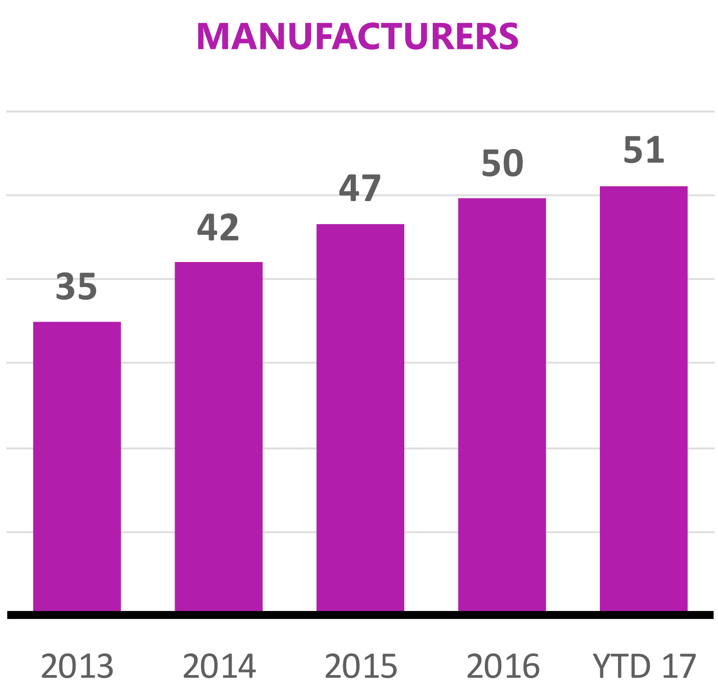
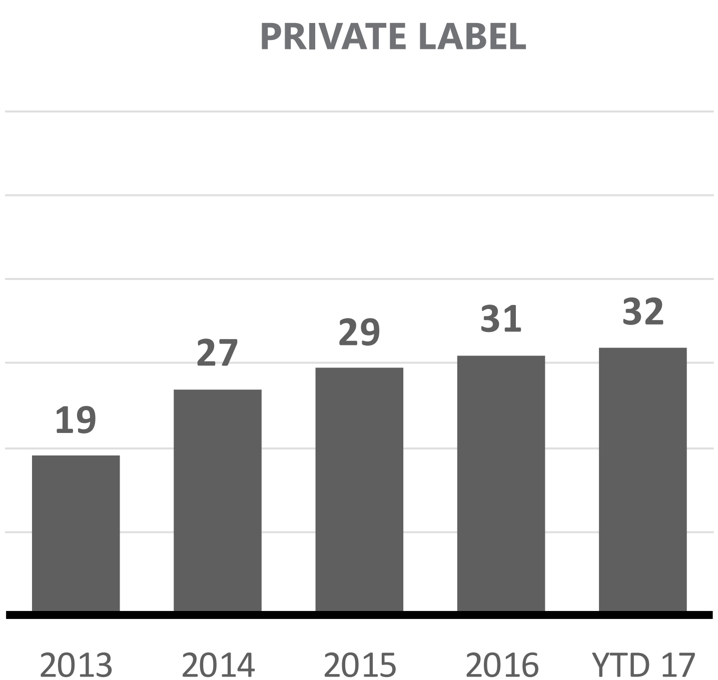
Manufacturers are at the base of promotions high level. 51% os its sales are due to promotions

Private Labels also increased promotions but in a lower level

FMCG - Hiper + Supers
% Value Sales - Promotions





Source: Nielsen | MarketTrack (H+S w/o LIDL) – YTD w24/2017 (18 June)

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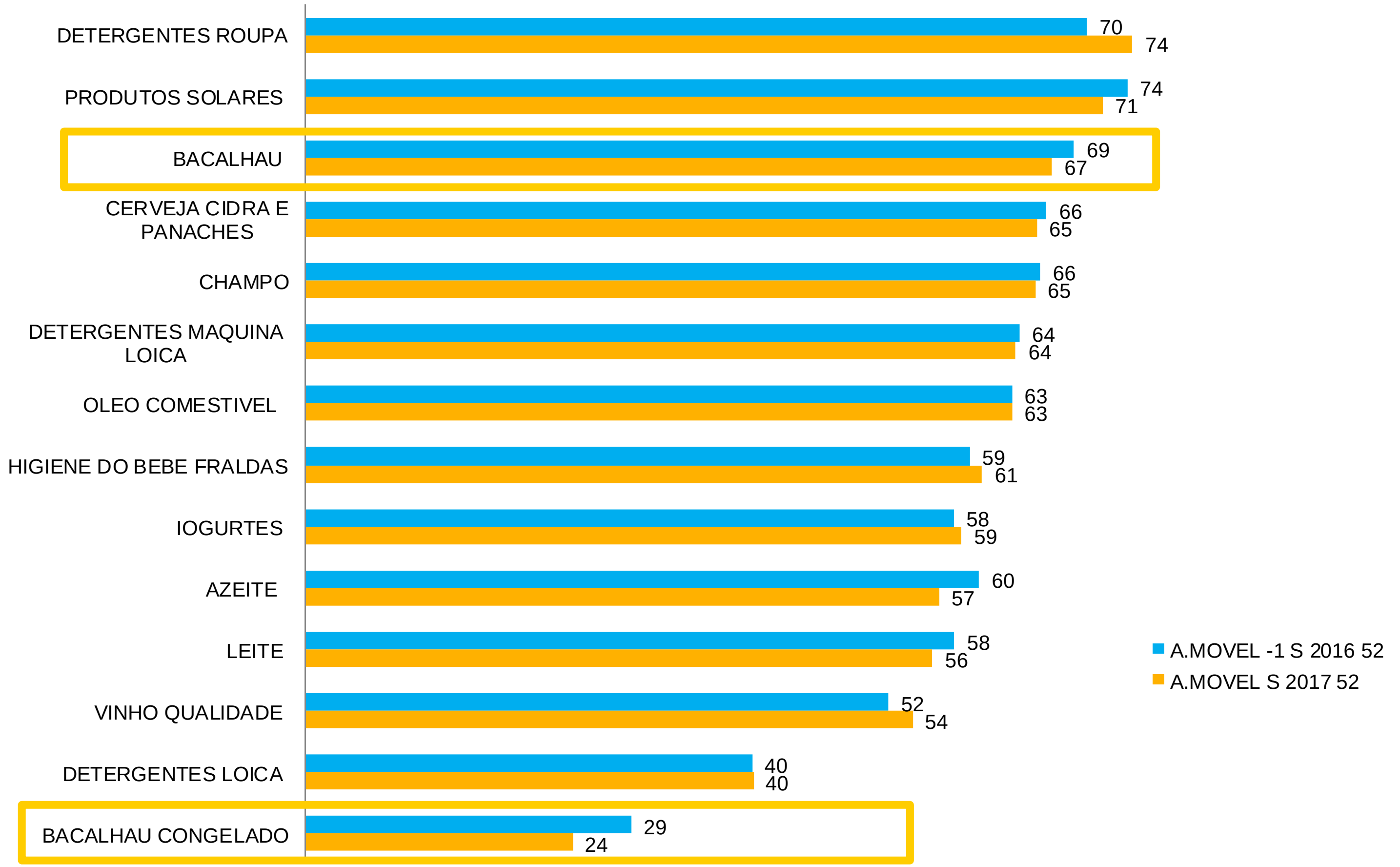
Some categories had a great increase on sales because of promotions

2/3 of Codfish sales are during promotions

% Volume Promotions – Hiper + Supers



- Fonte: Nielsen | Market Track (TOTAL HIPERS + SUPERS)

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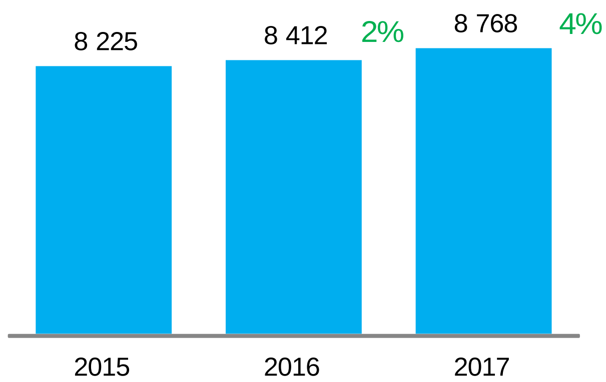
FMCGs increased dynamically in 2017!

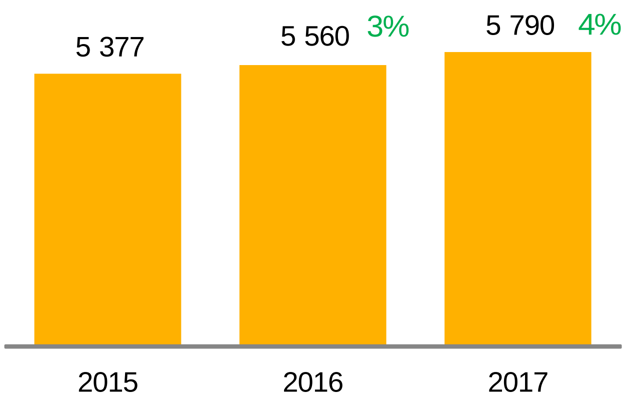
Private Labels and Manufacturers are increasing on the same way

Valeue Sales (Milhões €)
Total Portugal + LIDL

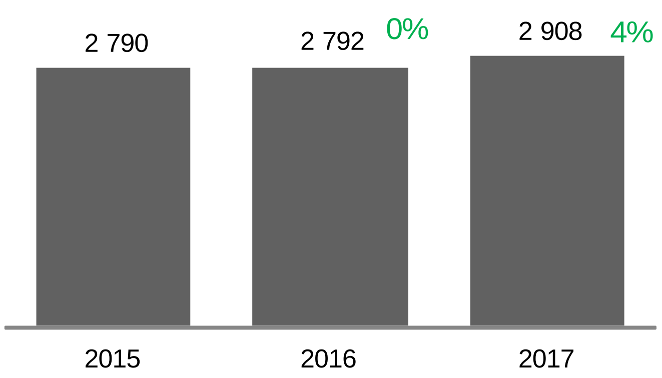
Total FMCG



Manufacturers Labels



Private Labels



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Every family grew

Drink Market had a great dynamic

Total Portugal + LIDL

Total FMCG

Δ Value Sales vs Last Year

2016	2017
2%	4%

Importance A.M. S52 - 2017		Δ% Value Vs A.M. S52 - 2017	Manufacturers	MDD+PP
64%	Food	3%	3%	3%
17%	Beverages	8%	8%	11%
8%	Home Care	3%	4%	1%
11%	Personal Care	3%	2%	5%

MDDs: Inversion tendency

Source: Nielsen Market Track S52 2017

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What about Codfish's Perfomance?

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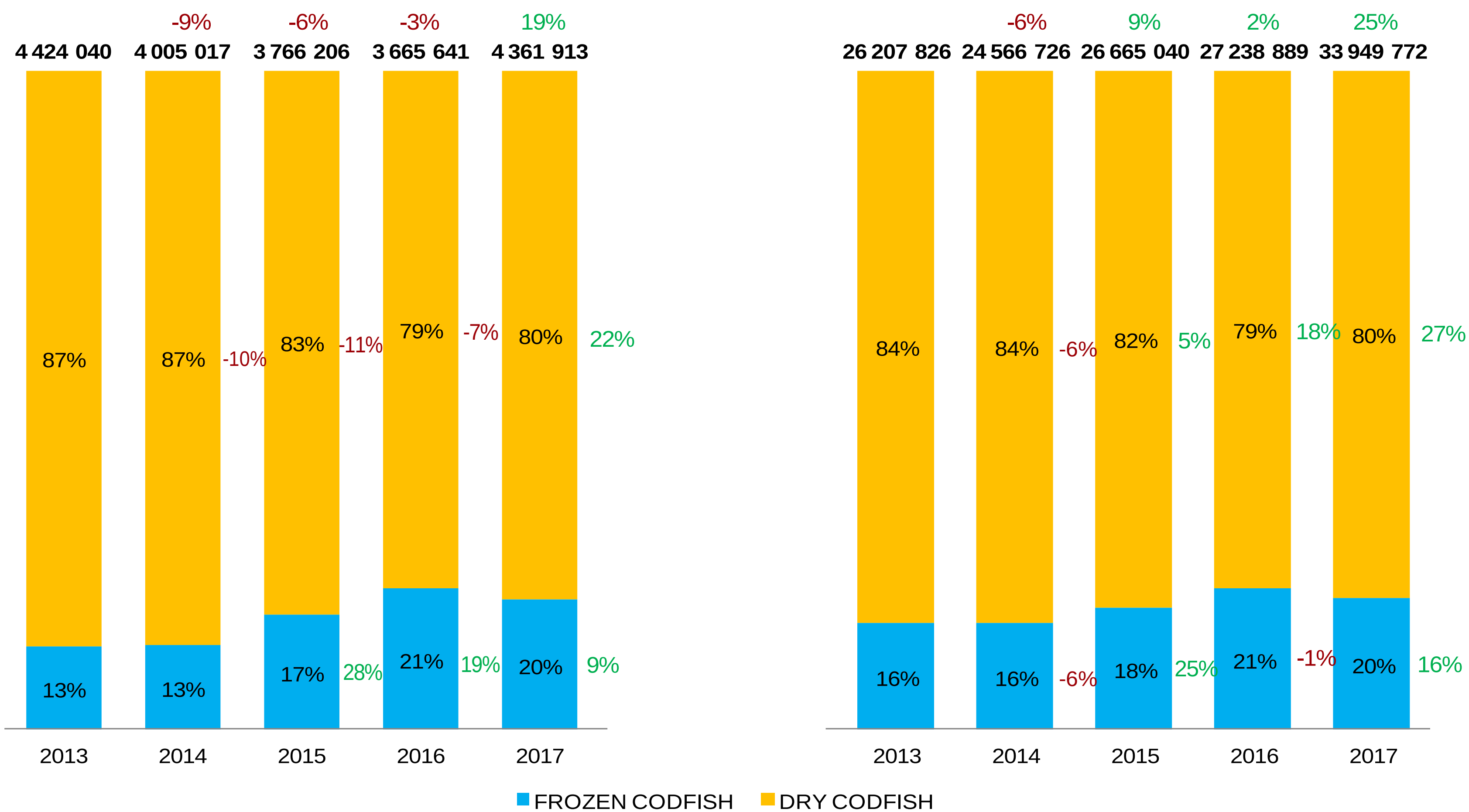
2017 invert the negative tendency and reveal Value and Volume increases

- Frozen presents highest gains than Dry (20% of Market)

Total Cash and Carry – Total CodFish

Volume Sales (Kg) / Volume Change (%)

Value Sales (€) / Value Change (%)



Source : Nielsen |Cash and Carry

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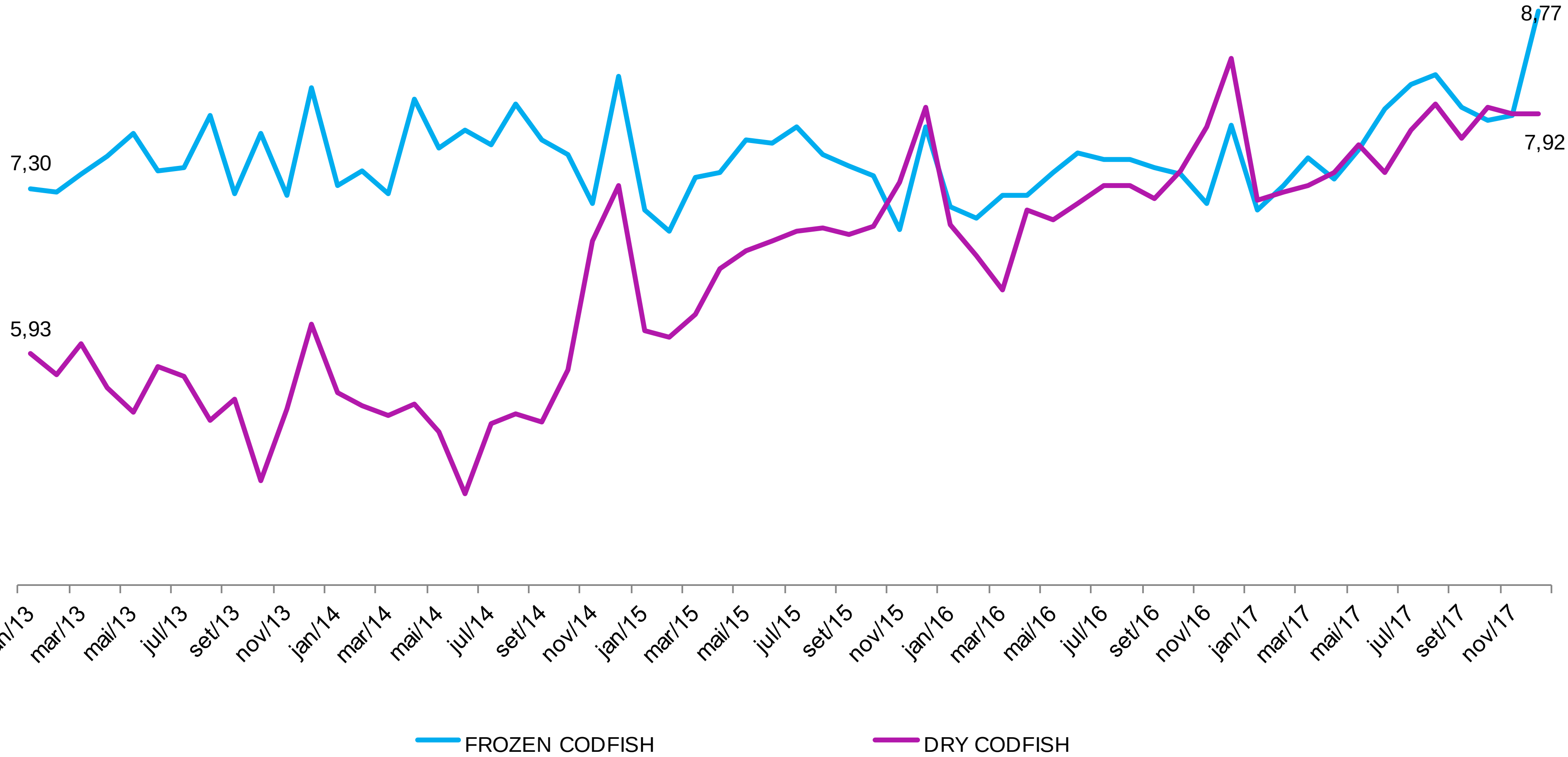
After significant price increases between 2013 and 2015, Dry Codfish shows similar levels compared to Frozen

Total Cash and Carry

Average Price



Source : Nielsen |Cash and Carry

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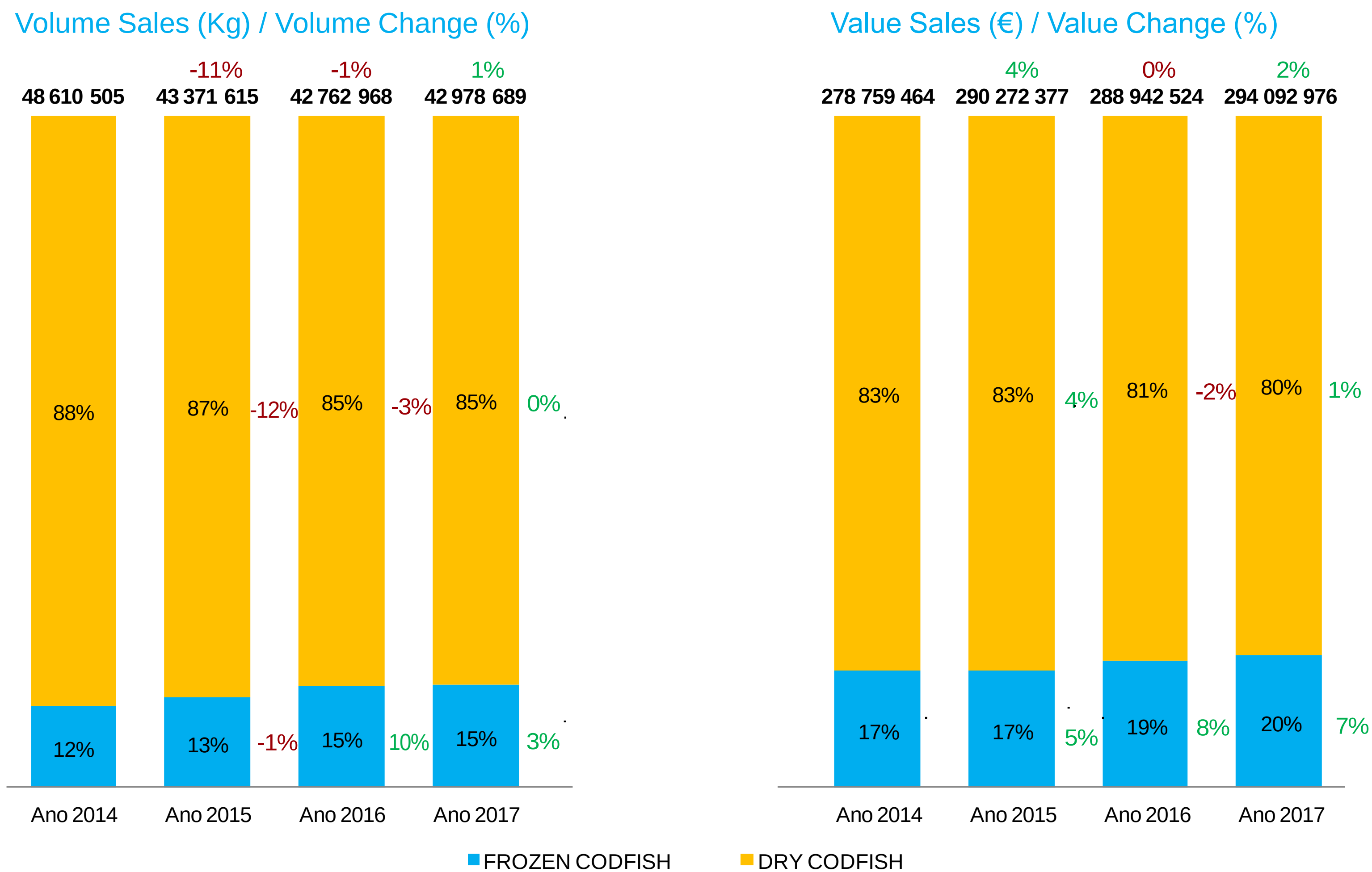
In Retail Food, Dry Codfish stablized and the Frozen Codfish sustains the growth, with 20% in value

Total Food Stores – Total CodFish



Source : Nielsen |Markettrack

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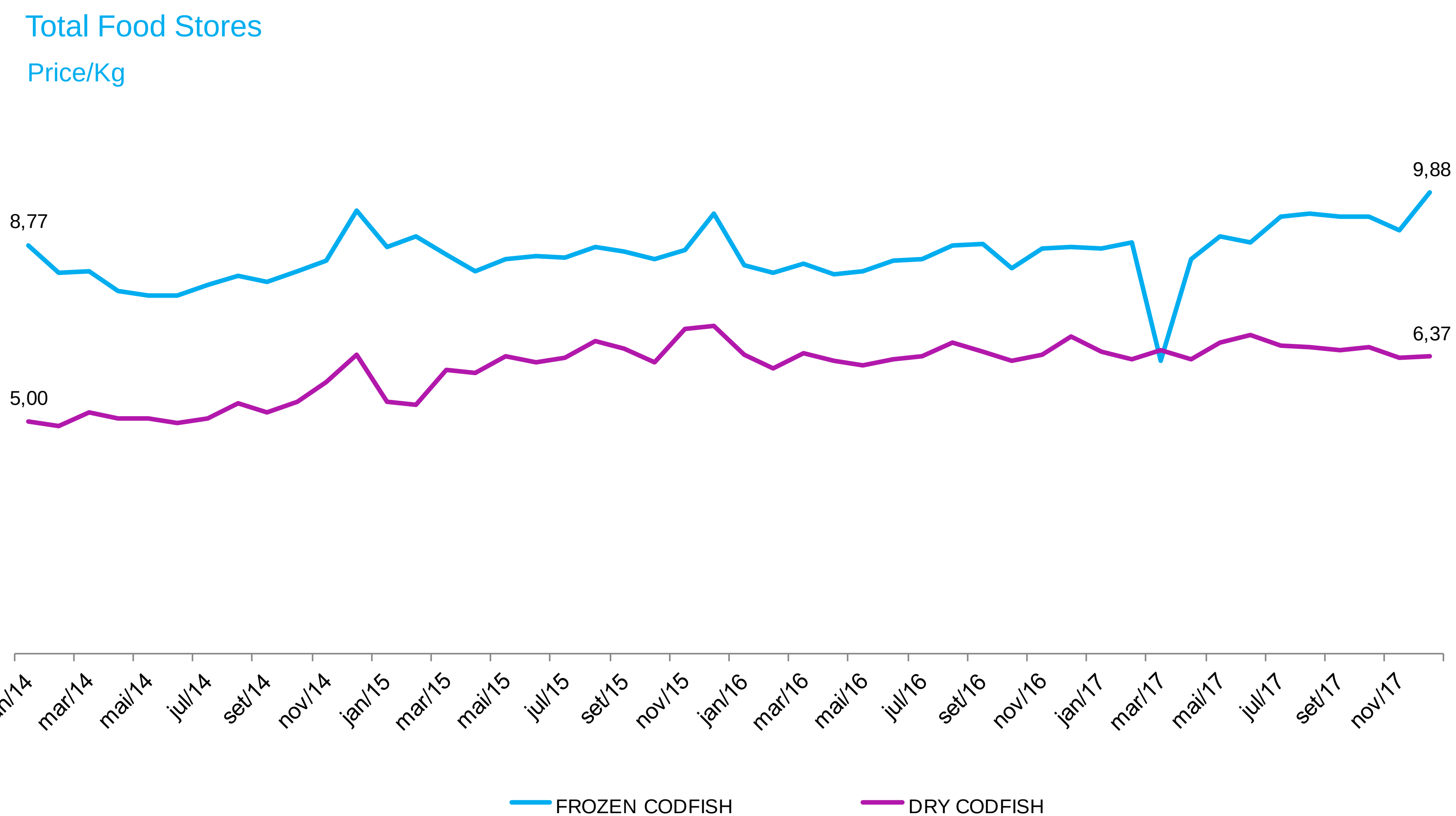
Dry Codfish also had highest average price on Take Home in the past 3 years



Source : Nielsen |Markettrack

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manuel.carvalho.martins@nielsen.com

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