COMÉRCIO LUSITANO, S.A.
ANNUAL REPORT 2023

Table of Contents

Executive Summary
Company Profile   2.1 Mission, Vision, & Values   2.2 Organizational Structure   2.3 Store Network & Key Markets
Market Overview   3.1 Macroeconomic & Sector Context   3.2 Competitive Landscape
2023 Operating Highlights   4.1 Sales & Marketing Initiatives   4.2 Technology & Digitalization   4.3 Operational Efficiency Programs
Human Resources   5.1 Workforce Overview   5.2 Talent Management   5.3 Health, Safety, & Wellbeing
Environmental, Social and Governance (ESG)
Financial Review   7.1 Income Statement   7.2 Balance Sheet   7.3 Cash Flow   7.4 Debt & Liquidity
Main Risks & Uncertainties
Management Response & Restructuring Plan   9.1 Store Rationalization   9.2 Digital Transition   9.3 Supply Chain Optimization   9.4 Cost Control
2024 Outlook
Corporate Governance   11.1 Board of Directors   11.2 Internal Controls
Independent Auditor’s Opinion (summary)
Conclusion
Contact Information

1. Executive Summary

2023 was the most challenging year in recent memory for Comércio Lusitano, S.A. Adverse macroeconomic factors, an abrupt shift in consumer preferences, intensifying competition from international e-commerce providers, persistent inflation, and internal operational inefficiencies led to a 12% decline in revenues and a net loss of €10.3 million. In response, management initiated immediate cost rationalization, asset divestment, and digital transformation plans to safeguard the company’s future.

2. Company Profile

2.1 Mission, Vision, & Values

Mission: To deliver a wide range of quality consumer goods to Portuguese families, emphasizing fairness, trust, and customer proximity.

Vision: To be a reference in the Portuguese retail market, known for innovation, social responsibility, and resilience.

Values: Integrity, customer focus, adaptability, and sustainability.

2.2 Organizational Structure

Comércio Lusitano, S.A. is governed by a Board of Directors and a Supervisory Board, with divisions for merchandising, logistics, finance, HR, and IT.

2.3 Store Network & Key Markets

34 stores (down from 40 after restructuring), located primarily in Lisbon, Porto, Algarve, and Central Portugal.

Main categories: home goods (38%), clothing (28%), electronics (20%), food & beverages (14%).

3. Market Overview

3.1 Macroeconomic Context

Portugal’s GDP Growth 2023: +1.4% (down from 6.8% in 2022)

Persistent inflation at 4.2%, impacting household purchasing power.

Wage growth below inflation, reducing discretionary spending.

3.2 Competitive Landscape

International online retailers increased market share to 22%.

Consolidation among domestic competitors.

Shift toward value retailers and private-label products.

4. 2023 Operating Highlights

4.1 Sales & Marketing Initiatives

Launched “Compras Perto de Si” local marketing campaign (Q1).

Developed loyalty program attracting 25,000 members by year-end.

Increased private-label product offering to 32% of SKUs.

4.2 Technology & Digitalization

Upgraded e-commerce platform, but technical delays hindered full rollout until Q4.
Piloted click-and-collect in 10 stores.
Invested €1.2 million in ERP integration and inventory digitalization.

4.3 Operational Efficiency Programs

Closed 6 non-performing stores, saving €2.4 million annually.
Centralized procurement for improved supplier terms.
Initiated logistics optimization, reducing internal transport costs by 8%.

5. Human Resources

5.1 Workforce Overview

End of year headcount: 1,052 (2022: 1,230).
80 positions made redundant through collective bargaining and early retirement.

5.2 Talent Management

Launched 3 new training programs (digital skills, customer service, management).
42 internal promotions.

5.3 Health, Safety, & Wellbeing

Maintained zero major workplace accidents.
Employee assistance program adopted by 9% of staff.

6. Environmental, Social and Governance (ESG)

Reduced energy consumption by 9.2% via LED upgrade and improved insulation.
Donated excess inventory to 6 local charities (value: €180,000).
Increased board gender diversity from 14% to 25%.

7. Financial Review

7.1 Income Statement

	2023	2022
Revenues	€96.4 M	€109.6 M
Gross Profit	€26.0 M	€34.0 M
Operating Exp.	€34.7 M	€32.1 M
EBITDA	-€2.5 M	€2.4 M
Operating Inc.	-€8.7 M	€1.9 M
Net Income	-€10.3 M	-€0.5 M

7.2 Balance Sheet

	31 Dec 2023	31 Dec 2022
Total Assets	€45.0 M	€52.0 M
Inventory	€11.2 M	€14.1 M
Receivables	€2.8 M	€4.7 M
Cash & Equivalents	€4.2 M	€8.6 M
Total Liabilities	€38.2 M	€31.3 M
Financial Debt	€33.0 M	€24.0 M
Equity	€6.8 M	€20.7 M

7.3 Cash Flow

Operating cash flow: -€2.1M
Investing cash flow: -€1.8M
Financing cash flow: -€0.5M

7.4 Debt & Liquidity

Negotiated 12-month debt standstill with lead creditors until Q2 2024.
€3.5M in undrawn revolving credit facilities at year-end.

8. Main Risks & Uncertainties

Prolonged weakness in consumer sentiment.
High cost and limited access to credit.
Non-performing store portfolio.
Supplier insolvency risk due to sector-wide pressures.
Cybersecurity vulnerabilities during digital transition.

9. Management Response & Restructuring Plan

9.1 Store Rationalization
Review of store portfolio identified 6 closures and 7 scheduled for lease renegotiation in 2024.
9.2 Digital Transition
Full rollout of revamped e-commerce by Q2 2024.
Expansion of click-and-collect and local delivery services.
9.3 Supply Chain Optimization
Shift towards nearshoring 18% of key product lines.
Centralized supplier negotiation for 60% of purchases.
9.4 Cost Control
Freeze on external consultancies.
Voluntary 20% salary reduction for executive management in 2024.
10. 2024 Outlook
Stabilization in Q2 anticipated as macro-level inflation eases and e-commerce enhancements drive incremental sales. Company expects low single-digit revenue growth and positive operating cash flow by year-end if restructuring measures deliver forecasted results.

11. Corporate Governance
11.1 Board of Directors
Paulo Almeida (Chair)
Rita Cabral (CFO)
Joana Serpa (HR)
Luís Diniz (Independent, Risk & Audit)
11.2 Internal Controls
Strengthened fraud monitoring and compliance reporting.
Biannual risk review by independent committee.
12. Independent Auditor’s Opinion (summary)
The financial statements present fairly, in all material respects, the financial position of Comércio Lusitano, S.A. as of December 31, 2023, and its financial performance and cash flows for the year then ended, in accordance with Portuguese GAAP. However, material uncertainty exists which may cast significant doubt on the company’s ability to continue as a going concern.

13. Conclusion
While 2023 marked a nadir in operational and financial performance, the Board and Executive Team have taken decisive actions to secure Comércio Lusitano’s future. Continued stakeholder support remains critical as the company pursues rapid adaptation to a transformed retail environment.

14. Contact Information
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