

Matheus Fujisawa:

Good morning, everyone. Welcome to the earnings call for the 1Q24 of Blau Farmacêutica. Today we have Marcelo Hahn, the CEO and founder of the Company, Douglas Rodrigues, the CFO and Investor Relations, and me, Matheus Fujisawa, Investor Relations.

Our call is taking place in Portuguese, with simultaneous translation into English, and it's going to be available on the Company's IR website.

Now I will pass the floor to Marcelo to begin the presentation.

Marcelo Hahn:

Good morning, everyone, and thank you, Matheus; Just to make sure everyone is up to date. Bruna Gamboa is our former investor relations at Blau. She's not, part of the Company anymore. She would like to follow along with her own personal projects. We hope she's very successful in her personal projects. So we also have Matheus, our Investor Relations coordinator, and now he's here on the stage with us.

So I want to take advantage of this opportunity to mention our concern and solidarity to the situation in Rio Grande do Sul because of the very challenging moment they are going through. Blau implemented many different measures to help and support the people there. We are also, donating medication, especially antibiotics, to certain hospitals there. The Blau family is engaged with many donations in the Rio Grande do Sul region.

We are really happy to share the results of the 1Q24. Before getting into the numbers for the quarter itself, we would like to quickly go over the strategic plan for the Company, with the strong investments we performed in the last few years. From now on, in 2024, we started to capture our returns. I would like you to leave here with the perception that there are positive results to be captured in 2024, and results that are even more significant to be captured in the next few years.

As a highlight, I mention the five main deliverables. When we look at the execution of our launches pipeline that's connected to the increase of our productive capacity, we estimate there will be launches between 2024 and 2027 of products with over R\$7 billion of addressable market. About 10% of this amount in 2024, and even more relevant values in the next few years.

The expansion of our capacity is in line with the investments in demand, with the use of Bergamo and some other lines we already have in our factories, and two other production lines in Blau São Paulo, we are able to support our short and mid-term needs, which will reflect into even higher margins than what we have seen recently.

In the mid to long term, the main project is the P1000 project in Pernambuco, which also intends to keep up with demand. That's why we are going to be building this with a gradual migration and a phased out approach. After this is 100% complete, we will have a capacity of about 3x greater than what we have currently, with the inclusion of medical medication categories that we do not produce yet, and that will meet the needs of new markets locally and internationally, with our markets that we are developing.

In the pharmaceutical national market, it's quite common to import the IFA, the pharmaceutical ingredient, and then with the API, the active pharmaceutical ingredients. For some strategic products, it makes sense to produce the API to really increase the levels of margins in these products.

As we talk about the monoclonal antibodies, the new generation of medication with an addressable size of R\$5.6 billion in Brazil, we are developing together with Similis Bio. The development schedule is following its original plan, and we plan to launch these drugs as soon as we have the patents.

So, the search for new regions and geographies is also going to take an important role in this new cycle as we search for ways to increase our revenue in strong currencies and access new markets. We can mention Prothya, the investment in Europe with all of the plasma chain, all the way to the finished product.

Prothya, as we mentioned in the previous call, has been growing in accelerated paces, with revenue of €320 million in 2023. You can see the potential of the business.

I also want to highlight that for Hemarus, our plasma collection centers are currently having four cycles in different stages, plus our subsidiaries in LatAm that are also ramping up with their growth. We are going to show you some more details about both of them throughout the presentation.

On side three, we want to share some important updates here from the Company. When we go back to international front at Hemarus, we continue to have the collection center at full sprint, and we hope to be opening in the 2H24. The Northside center that we opened and the end of last year is still in a soft opening regime, ramping up. And the affiliates, we opened up a new logistical center in Uruguay that's going to also meet the needs of the LatAm operations, especially in the Midwest and Central America.

In Bergamo, we completed the integration, and now we are accelerating the production of the oncological drugs from Blau at the Bergamo. And this is the main operational leverage, to be able to increase our margins that have the potential to reach the same levels of the other Blau factories.

Now, when we get into the aesthetics business, we have another Medytox partnership, with one of the botulinum toxin supply agreements. This partner was chosen because of their capacity to add more products to our portfolio and enable geographic expansion to these markets. The aesthetics market is going to grow above average in the next few years, and Blau intends to capture this growth. And that's why we have been able to develop a business unit that's really dedicated to Blau's segments, which has been growing, greatly.

On slide four, I want to highlight that the initiative to open up three business units was fundamental to the completion of 39% of the revenue in the 1Q24, and 30% of this came from the institutional segment in our business unit for oncohemato specialties, and the business units for pharma, OTC, aesthetics and Hemarus, in our operation in the U.S. So a little less significant in the consolidated numbers, but they have been evolving quite significantly.

Now Matheus will continue to mention the highlights in the quarter.

Matheus Fujisawa:

Another important highlight, we can see the intensification of the evolution in the margins, the gross margin, the EBITDA and the net margin as well. We can see that the gross margin went up 230 bps, and when we look at this in the last quarter, it had gone up 30 bps, and last year it had gone up 120 bps. So we can see a real intensification in the margins.

And we also see an important adjustment in the level of stocks with the fourth reduction consecutively, and we went from almost 300 days in 1Q23 in 2023 to 225 days in 1Q24. So that's a really significant reduction, and this improvement led to an improvement in our cash position of R\$73 million, with a reduction of the net debt of R\$45 million.

As a final highlight here, we see the important Blau balance sheet, low leverage reduction in regard to 0.4 and the previous quarter, and that gives us resilience in the macro scenario that is still very challenging and a lot of strategic flexibility.

Moving on to slide five, we are going to talk about the revenue for the launches. We really talked about the pipelines and how we should be launching over R\$7 billion in the next few years, but we notice that general investors have a bit of a difficulty to add this to the model. So we are going to help with this slide a bit.

But in order to do this, we are going to have to go back to 2023 to talk about the performance of the launches in the last three years. We can see our revenue of R\$68 million from launches, and here the criteria are a little different than what we were doing in the last, releases.

We changed the criteria to keep up with the internal targets for revenue coming from launches. So, on the right upper side, you can see we are going to talk about 2023, and we are always going to look at the batch of launches in 2022 that was the most significant. So we look at R\$1.1 billion from this batch in 2022, and we multiply this by the market share of 7.4%, and we reach a potential revenue of close to R\$80 million reais.

But if you look at the effective revenue that goes to Blau, we reach 57 million, that you can see on the lower right side. So where is the rest of the revenue going to? It's because the TAM data that comes from IQVIA are the end prices, the final prices. You have to deduct taxes and margins from intermediate players. And we are talking about this, the conversion rates of the TAM into net revenue. We notice it has been around 70%. So if we look at R\$1.1 billion and the 7.4% of market share and 70% of the conversion rate, we will reach the revenue of R\$57 million in this batch from 2022, and then you can apply this to all of the other years and batches of product launches.

We do not intend to update this every quarter with this kind of detail. We are probably just going to update this annually. But just so you can keep up with the evolution of the revenue from the launches we showed this year on the bottom, on the left side. You can see the LTM revenue in the last 12 months for 1Q24, and you can see the comparison year by year.

So where are we trying to get to with all of this? When we move on to slide six, you can see our pipeline for up to 2027, with products that have a TAM of R\$7.4 billion. So if we compare the R\$7.4 billion, then we can perform a sensitivity analysis alongside our investors to try to estimate the potential revenue to be captured in the next few years by Blau. So we can see the market share or the conversion rate of the TAM into the net revenue.

So here it's just a hypothesis, it's not a guidance. But if we were to consider 20% market share and this conversion rate of 70%, we would have an incremental revenue of approximately R\$1 billion from these products. And then, of course, you can perform different simulations, and depending on this, you can reach even a new Blau with this pipeline until 2027.

Until 2027, it does not even include in the monoclonal and antibodies, and it does not include Hemarus, Prothya and all of these other elements. So this is just Brazil.

And if we get back to the left side of the slide, we launched three products in the 1Q24, considering a TAM of R\$239 million. What's interesting about all of this is that the TAM we launched now in the 1Q24 is already higher than everything we launched in 2023.

Finally, on slide seven, we can see the revenue grew 39% from 1Q compared to the same quarter last year, or 27% if you consider the exclusion of the Bergamo, and the drop is mainly due to the

calendar effect. So you can see the interactive spreadsheet available on our website, and you can see that, in the last six years, we always had this kind of dynamic.

If you analyze growth per company, you can see that there's 27% growth from Blau, 21% from Hemarus, plus the contribution from the Bergamo acquisition. And if you look at this segment, you will see a growth of 30% in the institutional segment, which is a core business for the Company, and 122% in the non-institutional side, which includes retail, Hemarus and Aesthetics, and that seems to be a real important avenue for growth in the Company.

So, as Marcelo mentioned, we are convinced that this result was very important due to the segregation into business units. And what's most important is the results we are going to be able to conquer in the next quarters.

Now I want to pass the floor to Douglas, our CFO, and he's going to be able to keep up with the presentation.

Douglas Rodrigues:

Thank you, Matheus. Good morning everyone. Let's keep up with the presentation, and let's talk about the gross profit in this quarter, R\$120 million, margin of 33.3% and an evolution of 230 bps in regard to the previous quarter.

And so, this, sequential evolution has the following main factors: with the better use of the productive capacity in the Company, optimization of the Bergamo operation. Bergamo is still an operation that is going through a turnaround, and also the stock turnover. So the cost of acquisition is smaller than the cost we carry in our inventory. So if you keep up with all of the other variables, you have a natural trend to intensify and evolve, continuously, and it's going to contribute to increase the Company's margins.

Alongside this, in our consolidated results, we carry operations that have no effective contribution to the gross margin of the Company. So these two factors added up will make the Company lever and increase the level of gross margin. So it's important to have this analysis with the potential for margin generation, these new investments in the operations.

So when you move on to the right side here of the same slide, we get into expenses. Expenses also follow the trend or evolution, and the results were another quarter of dilution, 18.7 in regard to our net sales. And when we look at our details and information, the sales' expenses are pretty flat in this quarter. The variable parts are keeping in line with sales, and this is really related to the internal restructuring of the business units and activities in the business units. Administrative expenses also impacted in this quarter by the new restructuring, and also some strategic projects with extraordinary expenses in the 1Q.

So this is 2% of the revenue in the 1Q, but that's really related to the stage of development and these products and their characteristics, that kind of impacts this quarter. So the Company keeps up with this process to also intensify, dilute and lever the expenses.

So we can see all of the operational gains and efficiency and the EBITDA, and it also mentions the evolution in regards to the previous quarter. So we also gained 320 bps, and we generated R\$65 million in EBITDA, and that's really related to the evolution of the gross margins in relation to the expenses.

We have the margins about 12%, evolution of 360 bps, and besides all the operational improvements, you also have the tax efficiency. This quarter, we also disclosed the JCP, the interest on capital. So it's a sequential improvement in our margins, and you can see the

operations that do not contribute, representing almost 1% of the net revenue. So you can see the potential in the short term to really lever the margins in the Company.

So let's move on to the next slide, when we look at the working capital and CAPEX. Matheus has already given us some spoilers here, but I think working capital is really important for our cash generation. So for another quarter, we continue to evolve, and that represents 58% of our revenue.

So, despite a very challenging scenario, the Company continues to search for ways to improve the indicators. Accounts receivable still at a pretty high level, 109 days, but that really reflects the current moment in the market. But it was kept stable in regards to the previous quarter, and when it comes to payment, we evolved of a bit with a 3-day gain, 73 days versus 70 in the previous quarter, and the main highlight is the reduction of our stock levels. Matheus already mentioned this.

So if you compare that with 12 months before, we can mention that, of course, within a supply chain that's a little more normalized, the Company can have better control on the levels of stock and continuously search for improvements and efficiency, and, of course, better cash generation.

So in the quarter, the level of R\$50 million, this is a level that should be expected for the business as usual in the next quarters. Basically, our P1000 project that we are going to start working with, and of course, then you have the development stage for R&D, including Similis Bio's projects. So you could have some variations between quarters.

And finally, the last but not least. I think this is probably the best slide we could share before getting into Q&A, which is, the Company has been highlighting a relevant flow of investments that still do not contribute to our profitability, but you can see an important cash generation above R\$70 million, a reduction of our net debt of R\$45 million, and a leverage rate of 0.3x, which makes the Company basically a very unique case in the sector. And all of this is after a relevant investment flow and margins that are still at a maturity phase.

So this gives us, as Matheus mentioned, a scenario of instability with resilience that will really help us advance and accelerate our strategic plan and analyze all of the opportunities.

So I am closing up with this part, and we will get into Q&A. And then after, we will come back to our final remarks. Thank you so much.

Felipe Amâncio, Itaú BBA:

Good morning. Thanks for taking my question. I wanted to talk about the Bergamo dynamic. We noticed there is a relevant drop compared to the previous quarter. So I wanted to understand what led to this drop. You even mentioned this seasonality, but could you give us a bit more details?

And also, I would like to understand if there was an effect in the gross margin, because Bergamo in this quarter had a relevant impact on the business, and I wanted to understand it.

Douglas Rodrigues:

This mix effect had some impact. But anyways, the sales of Bergamo on the 1Q being lower than the previous has a calendar effect with the phasing of the 1Q, but nothing that would compromise the plan when we consider the growth and potential year over year. But even if you perform this analysis of the margins, of course, if we exclude Bergamo, we continue to evolve with the gross margin.

So basically, considering the factors I mentioned, not only with the revenue, but also better use of the productive capacity, the stock turnovers.

Marcelo Hahn:

And also, renegotiation with the Bergamo suppliers.

Douglas Rodrigues:

Then you have this upside of Bergamo, which is this turnaround operation. As we produce more products there, we can optimize this. But even excluding Bergamo, our margins are still at this level.

Yan Cesquim, BTG::

Good morning. I have two questions here. One is about working capital, and I want to understand, considering that we have already noticed this improvement in the cycle of stocks and inventories, I want to understand what you guys consider to be the ideal level of stock, if you can continue the optimization agenda.

And the second question is about the non-institutional aspect. We noticed that the non-institutional aspect reached almost 16% of the revenue, and I would like to understand this better. So if you consider the budget and plan, what's the ambition that you consider with this channel when it comes to its share in the short and mid-term?

Douglas Rodrigues:

When we look at the working capital, yes, with a more normalized supply chain, the Company can have more controls and efficiency. There's also a trend with trying to have a target that reaches about 6 or 7 months of inventory. But of course, there are more strategic items, and in a more normalized scenario, we will be able to search for this efficiency, but it's also a gradual movement.

And then when we get into the second question, which is a little more related to the non-institutional business unit, You can see this is very much related to the potential. So the retail business unit has a potential. Despite the share being a little lower, there's a huge potential for growth than the aesthetics business unit that's also exponential. And we operate with this partnership between Blau, and that expanded the opportunities in the market, and this partnership with Medytox as well, bringing in more products and a potential for growth. And then, our plasma collection operation is ramping up.

So we should expect a percentage of about 15% and 20% share overall, if we look at what would be our plan for the year, and any kind of variation would be somewhere around 15% and 20. But you can add on, if you want.

Marcelo Hahn:

You asked about the days. It would be 180 days ideally, which would be about three months of the IFA, and so we do not have any risks with the lack of products if there's an increase in demand, and difficulty to bring in the API from abroad.

Douglas Rodrigues:

That's why it's so important to have this verticalization process.

Marcelo Hahn:

We have some final remarks here, if there are no more questions. I think it's really important to explain Blau's business. We are a company that has been working on investments more than ever. We have a target plan here in the Company that's quite huge and that's split in between different work groups.

So I want to highlight Hemarus, the plasma collection center in the U.S. that contributes more to expenses than profitability in the business. We also have all of our R&D work that we spend about 11% of our net revenue to develop new products. And this is also an expense we have in the Company within our Inventa, which is our PDI. We have professionals with a high level of experience, PhD, scientists, etc., and all of the other expenses we have at the Company kind of carries on.

And we have all of the API production plant, we have about 70 employees. So, that impacts our consolidated margins, but the potential is huge. I am trying to talk about this so that you can understand the magnitude of this investment.

So we also have Prothya, and up until today, we have not really accounted for any of the returnson that investment. But despite all of these investments, the Company has solid results, and weare in a very resilient scenario. So if we compare with any other peer in the market, our results in the last line are better than our comparables.

So I wanted to kind of express this here. The Company has a potential for growth that's huge. So everything we have been investing in, we have not been capturing at this point in time. We are starting to capture, and this is kind of what Matheus has been talking about here.

To give you an idea, we reached an all-time high of requests for registrations now in the 1Q, which were 11 requests, just in Brazil. So the potential for growth is huge. Still, a lot of people say that the monoclonal antibodies are going to be transformational. We are going to change this, and it's going to be transformational. But the Company has been investing a lot in the last few years, bringing in important results, and we hope to soon have a market that really knows more about our business, to understand that everything we are investing in will be consolidated and bring very important results for the Company.

Douglas Rodrigues:

So we even want to invite you all to have a deeper analysis of this and understanding what Blau is currently and what the potential is with the investments we have already performed but are still in this maturity curve.

Marcelo Hahn:

And it's worth mentioning that we are working with exceptional drugs. Drugs that are essential as well, and within the hospitals, which is our core business. The Brazilian population is aging, above 68 years old, we already have 7 million. There is even an article in Valor, and in the last year, we had an additional 1 million. So there has been access to these drugs in the private hospital network, besides all of the number of beds in hospitals that's growing a lot. And that demonstratesa huge avenue for growth besides what we already have today, besides everything we already mentioned.

So we have some more questions in writing. Let's, cover these.

Cristiano, investor (via webcast):

What's the expectation for the P1000 now that you kind of modified it a bit?

Marcelo Hahn:

With the macroeconomic situation in the country, as well as the need for caution in the Company, which helped, we decided to postpone the beginning of the construction work, but we intend to start the work in the 2H24 with some speed.

And the launch of new drugs, that also maybe need a different kind of, production plan that's more dedicated, and we are going to invest in Pernambuco. We have already invested, actually, and we plan to start as soon as possible in the 2H, as soon as we get all the licenses to do so.

Carlos Gurgel, investor (via webcast):

Is there an expectation for Blau presenting profitability per product line and not only the consolidated numbers?

Marcelo Hahn:

No one in the sector does this. We have, monitored other peers as well, and sometimes we have a strong point. For example, if you produce the API in-house, you are going to have a bigger profitability or a strong point.

So according to each productive process and each development, you will have a strong point and a weak point. And so, I think exposing this goes against the interests of the actual shareholders of the Company, and I am a company shareholder. All of my assets are invested in Blau, and my time as well is 100% dedicated to Blau. And so we are focused on bringing in the best results to our investors, but this disclosure we cannot provide right now. That would place the Company in a very sensitive position.

Douglas Rodrigues:

But we are committed to more and more help, guide investors to understand the potential with the current margin the potential of the evolution in the margin.

Matheus Fujisawa:

And despite not having the breakdown for product, we are providing a breakdown per company. So we have Blau a little more mature, we have Hemarus, Bergamo, and all of this has different characteristics, and they should be evolving at different intensities.

We also have a breakdown of the institutional segment and the non-institutional segment. We have retail, aesthetics, and we can even break down Hemarus from this segment. So there's a little more details there, as much as possible, of course, to not compromise the Company's strategy.

Marcelo Hahn:

Moving on a bit, I wanted to talk about the overall photograph of all the expenses the Company has. If you get the final results, and you add back all of the expenses we are having, you will see the results that the Company achieves. Because, we have a lot of investors questioning like, "your profitability is not the same as it was in the past", but we never invested as much as we have been investing now. We never had as many expenses in operating in the immediate returns. I want to make this clear.

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And the Company is really carrying on an API plan for plasma collection centers where expenses are really high, four leases per month, all the operational expenses as well. Besides all of this, we have investments with Prothya, R&D investments and a lot of things that the Company is carrying on.

So imagine if we did not have these expenses. And then you will forget the future. So investors need to have this balance, if they would like that promising future or something more immediate.

That's pretty much it. Let's go to our final remarks. I want to thank you all for your presence, and our Investor Relations area available for any possible questions that may come up. We believe that the worst phase is in the past, and we are confident about the execution of these projects and the results from 2024 on . Blau is just starting. So please, join us. Blauers!

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