



Earnings Conference Call

4Q20 & 2020



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Certain percentages and other values included in this document have been rounded to facilitate its presentation. The scales of the quarterly results and annual results charts may appear in different proportions to optimize the income statement. Thus, the numbers and graphs presented may not represent the arithmetic sum and the appropriate scale of the numbers that precede them and may differ from those presented in the financial statements.

The quarterly information was prepared in accordance with the International Financial Reporting Standards (IFRS16), in accordance with accounting practices adopted in Brazil (BR GAAP).


4Q20: Another Strong Set of Results

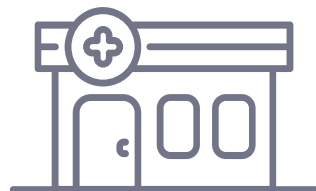
Reinforcing the new moment of Pague Menos




 **14.0%**
Same Store Sales

 **R\$ 590k**
Avg Monthly Store Sale

 **8.1%**
Adj. EBITDA Margin



 **5.2%**
Digital Channels Sales

 **2.9%**
Clinic Farma Adoption

 **72**
NPS



Evolution of Our Health Hub

Mário Queirós, CEO

Clinic Farma Evolution

Leveraging Our Health Hub



New Partnerships

Health Insurance Plans and State Health Departments



Expansion of the Portfolio of Clinics and Services

809 clinics with a portfolio of 31 services and tests

Services



DIABETES



BODY ASSESSMENT



COVID-19 TESTING



RAPID TESTS



BETA HCG



DENGUE FEVER



PSA



LIPID PROFILE



EAR PIERCING



INJECTIONS

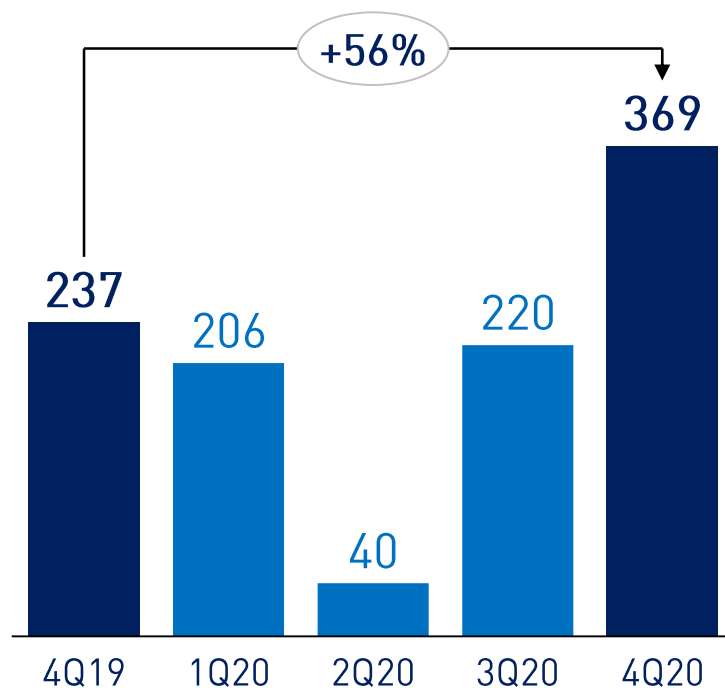
Clinic Farma KPIs

Growth in the number of consultations, customer base and conversion into purchases



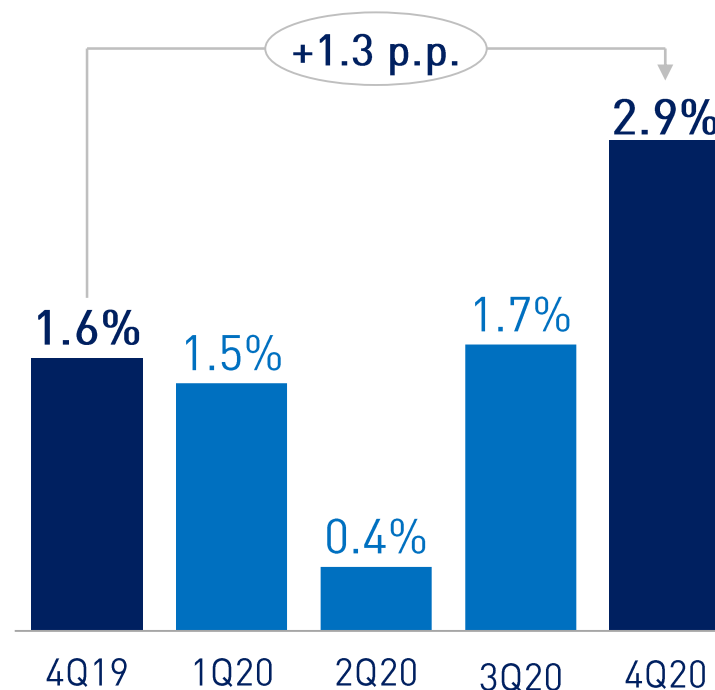
Consultations

(# thousands)



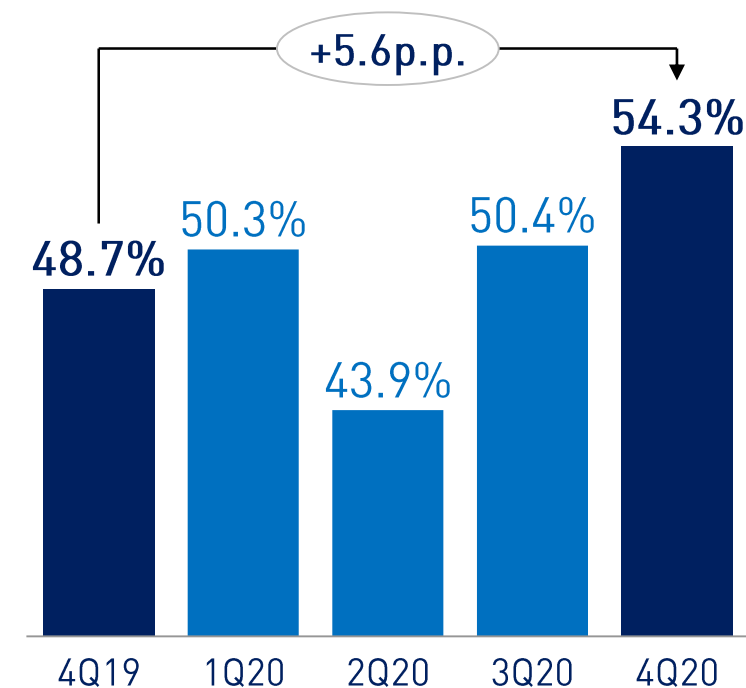
Client Base Penetration

(% Clinic customers/total customers)



Conversion

(% Clinic customers making purchases on same-day of the consultation)

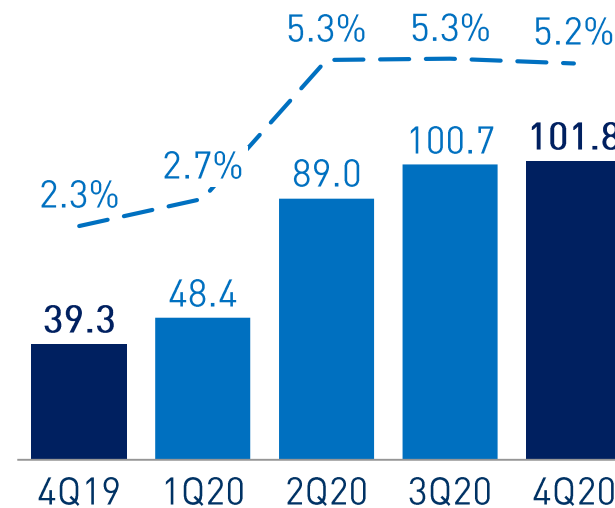


Omnichannel Platform Evolution

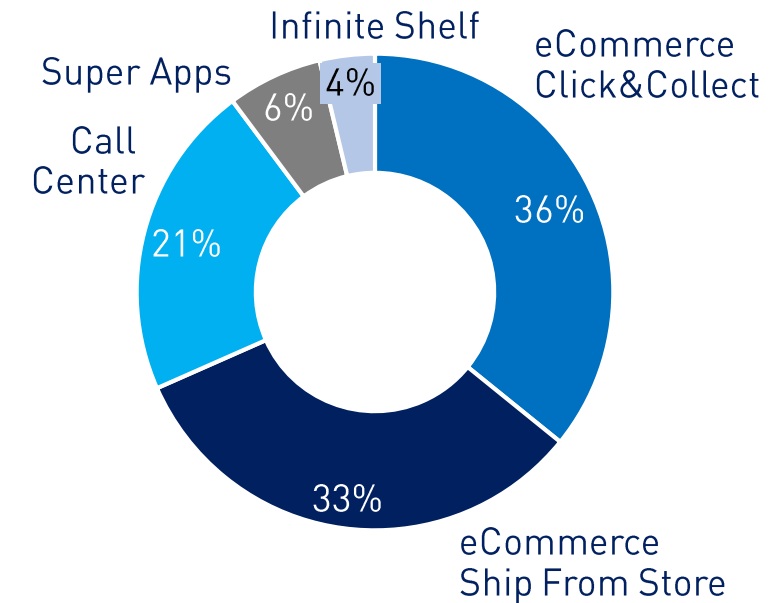
Complete integration of e-commerce and physical stores, with unique scale and capabilities in the industry



Digital Sales
(R\$ million / % of Total Sales)



Participation by Channel
(% of Digital Sales in 4Q20)



Improvements in the Shopping Experience...

Recent innovations gaining traction, making the customer journey increasingly complete

INFINITE SHELF

Increased product availability and convenience for customers



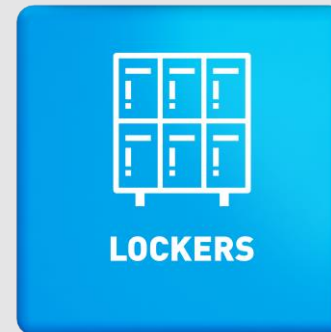
SUBSCRIPTION

Recurring purchases subscription increasing customer loyalty



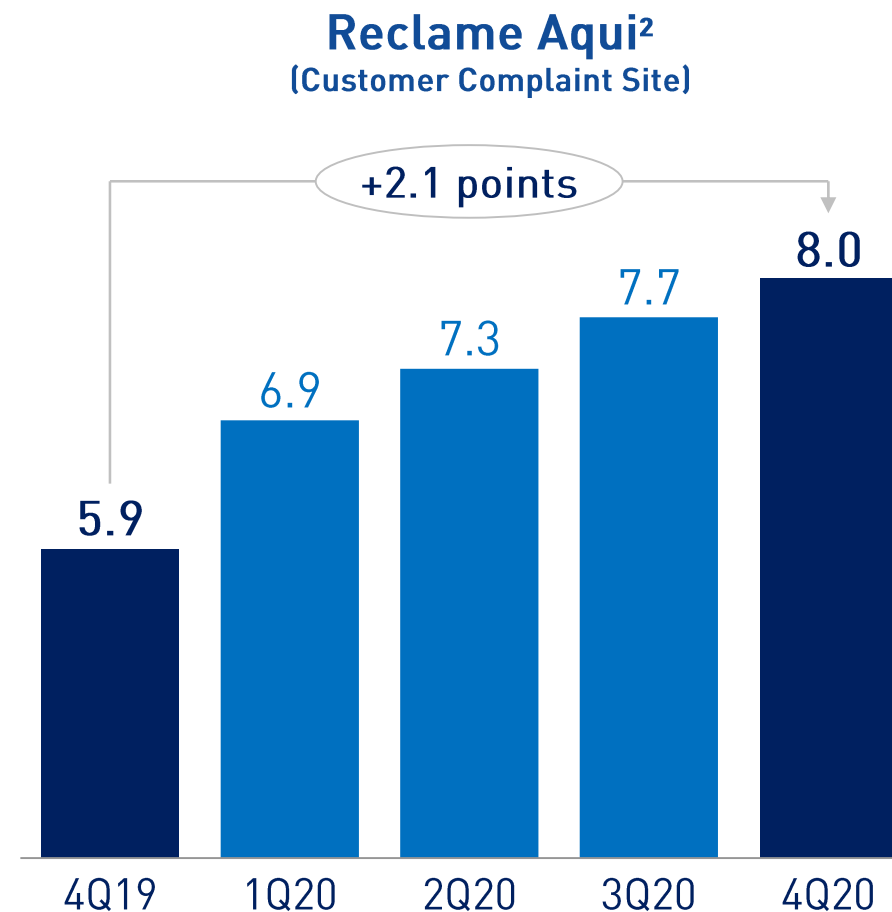
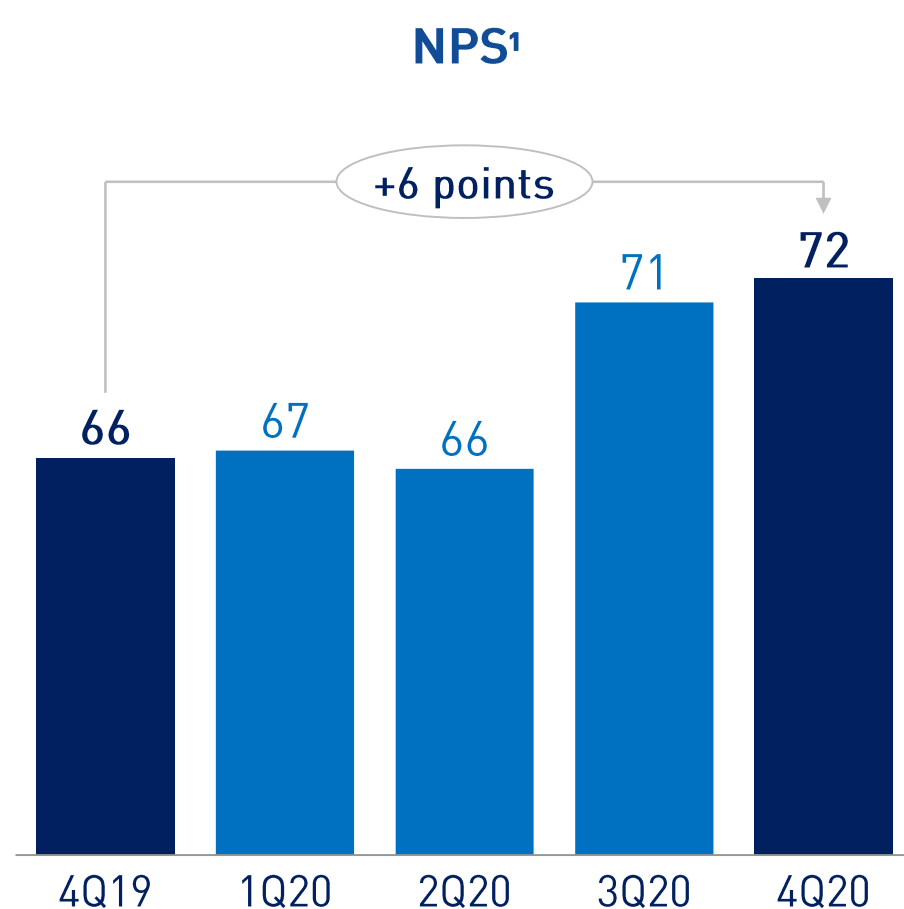
LOCKERS

Practical for the client, more efficient to store operation



... Increasing Customer Engagement

Great service level, with consistent evolution



¹ Survey conducted via SMS for 30% of customer base, with an average response rate of approximately 2%

² Score attained during the previous six months, calculated at the end of each quarter

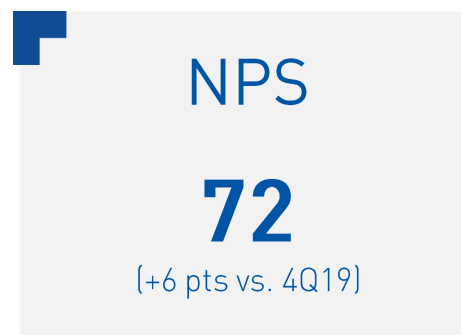


4Q20 & 2020 Results

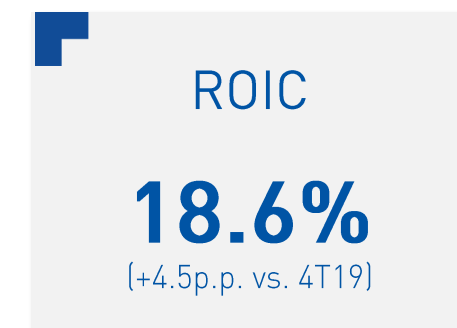
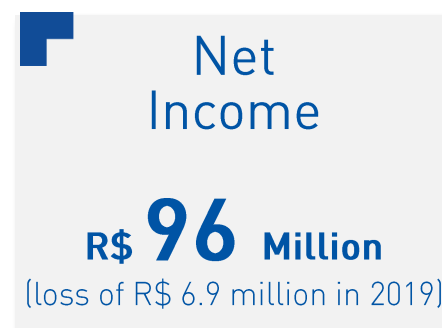
Luiz Novais, CFO

2020: Growth with Quality

Important operating improvements...



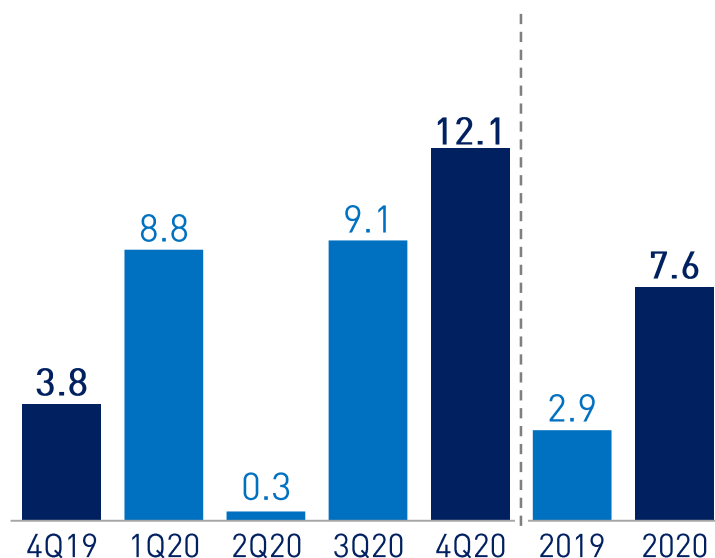
... reflected in strong results



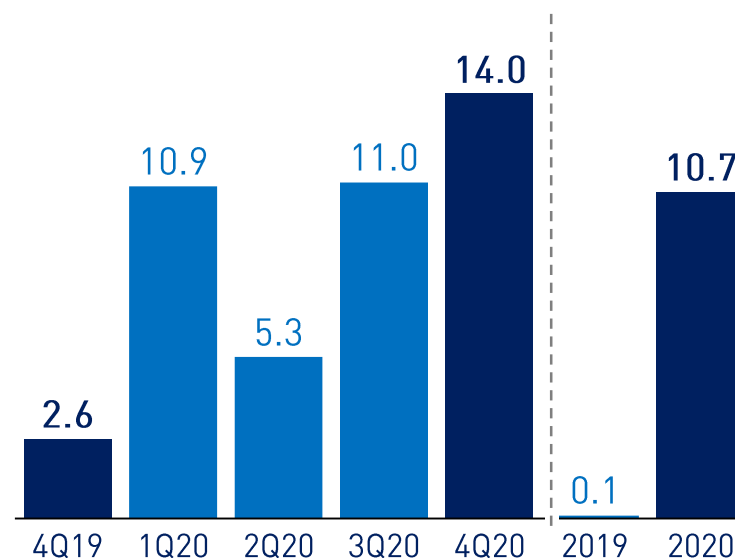
Consistent Sales Growth

R\$ 7.3B in revenue in the year, 14% in Same Stores Sales and 12.3% in Mature Stores Growth in 4Q20

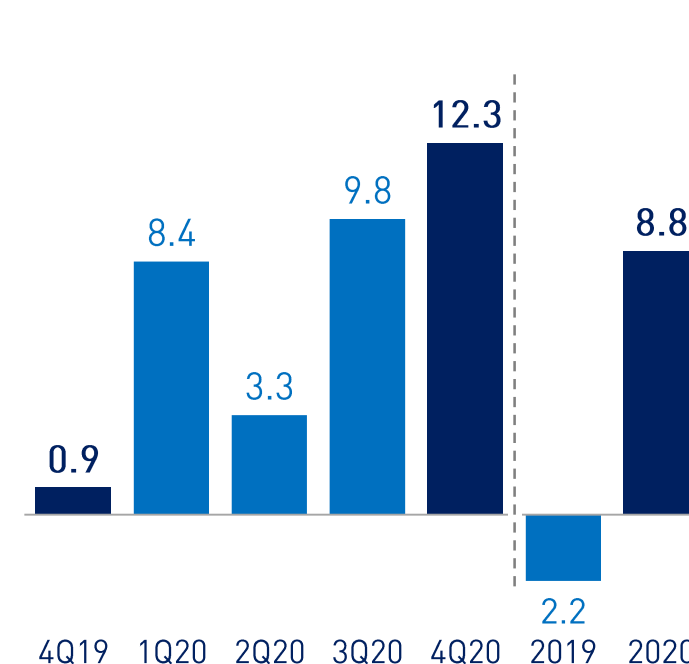
Total Growth
(% vs. previous year)



Same Store Growth
(% vs. previous year)



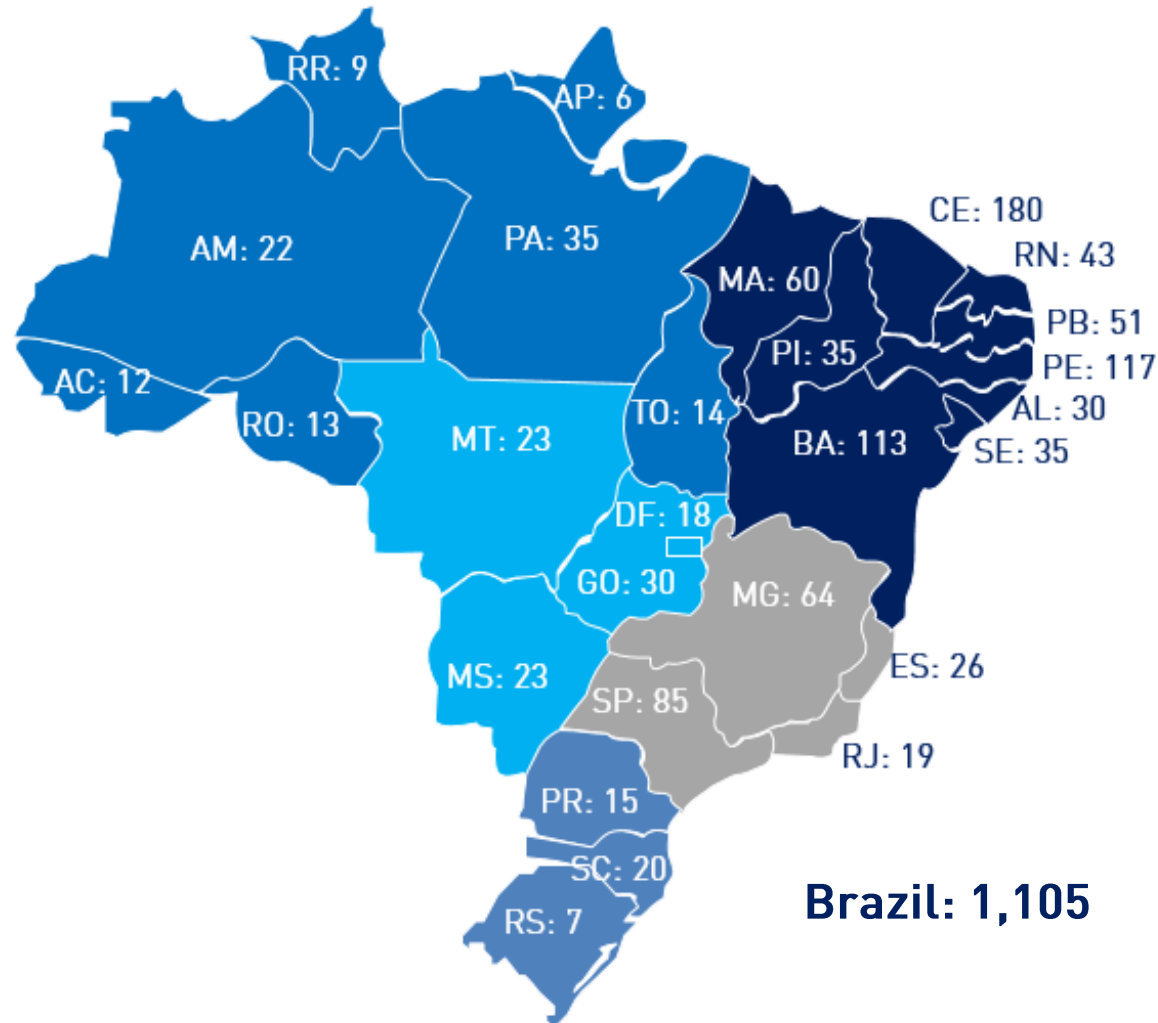
Growth Mature Stores
(% vs. previous year)



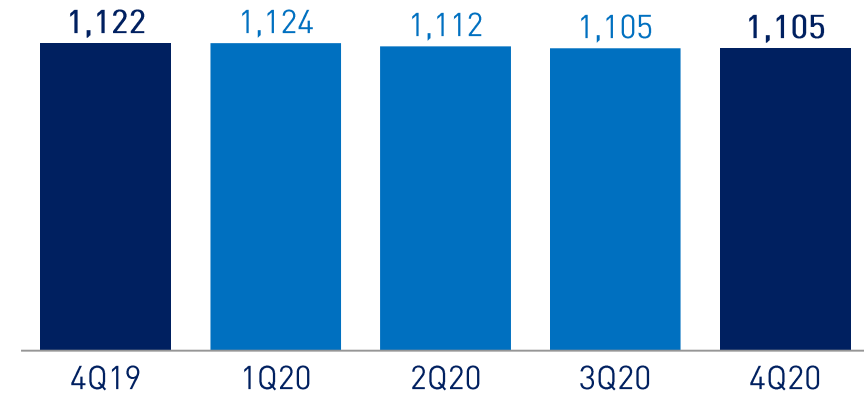
¹ The concept of same stores does not consider temporarily closed stores, when closed for more than seven calendar days. Including such temporarily closed stores, the same store growth for 1Q20, 2Q20, 3Q20, 4Q20 and 2020 were 9.9%, 1.7%, 10.9%, 13.5% and 9.2%, respectively.

National Store Portfolio

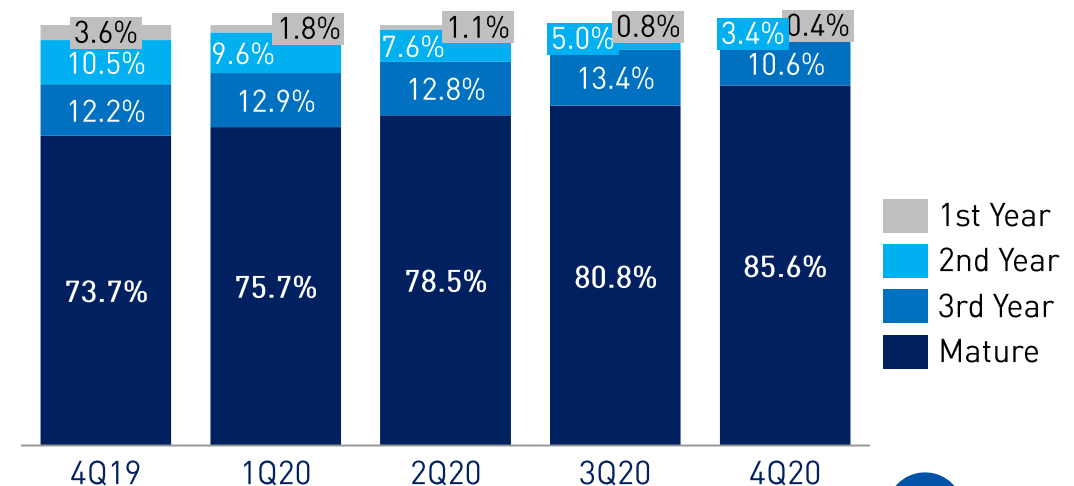
+85% mature stores; Focus in the expanded midde-income class



Store Portfolio (# stores)



Stores Age Profile

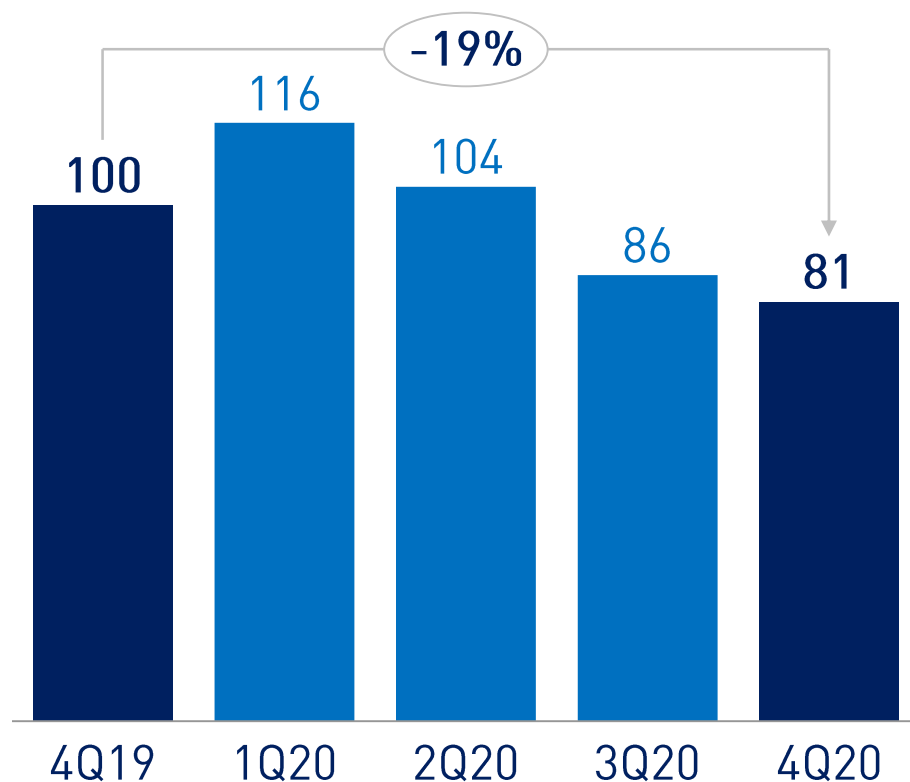


Increased Product Availability

Reduction in stockouts combined with increase in assortment

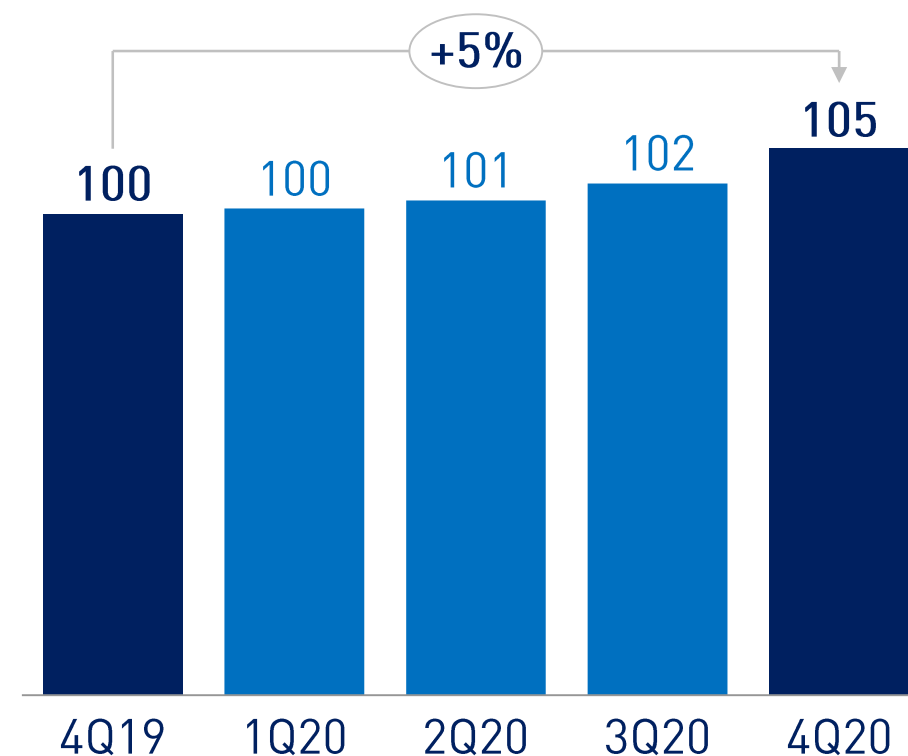
Stockout Index

(4Q19 = base 100)



Unique items sold

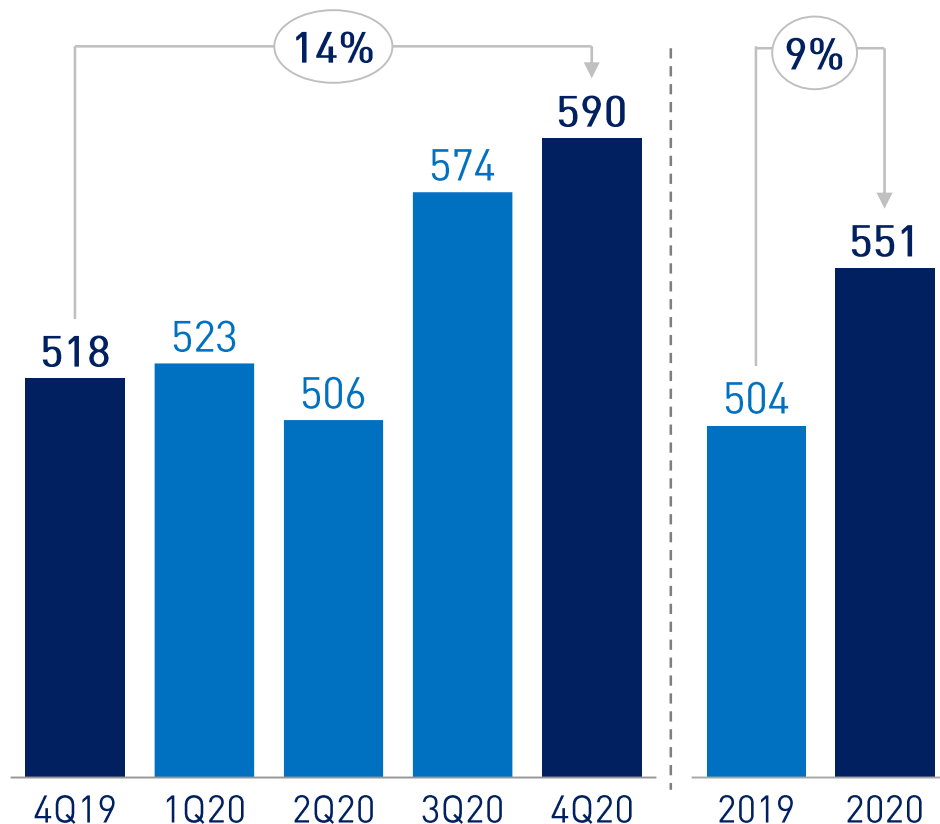
(4Q19 = base 100)



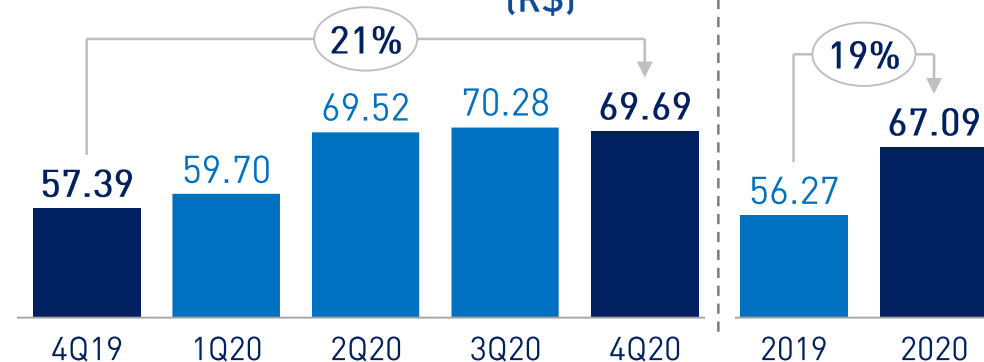
Increase in Average Sales per Store

Change in the level of average sales per store, with relevant increase in average ticket

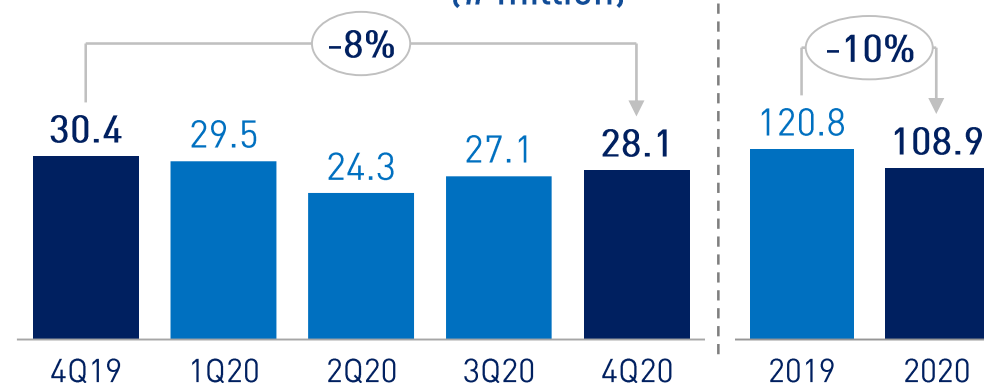
Average Store Sales / Month
(R\$ thousand)



Average Ticket
(R\$)



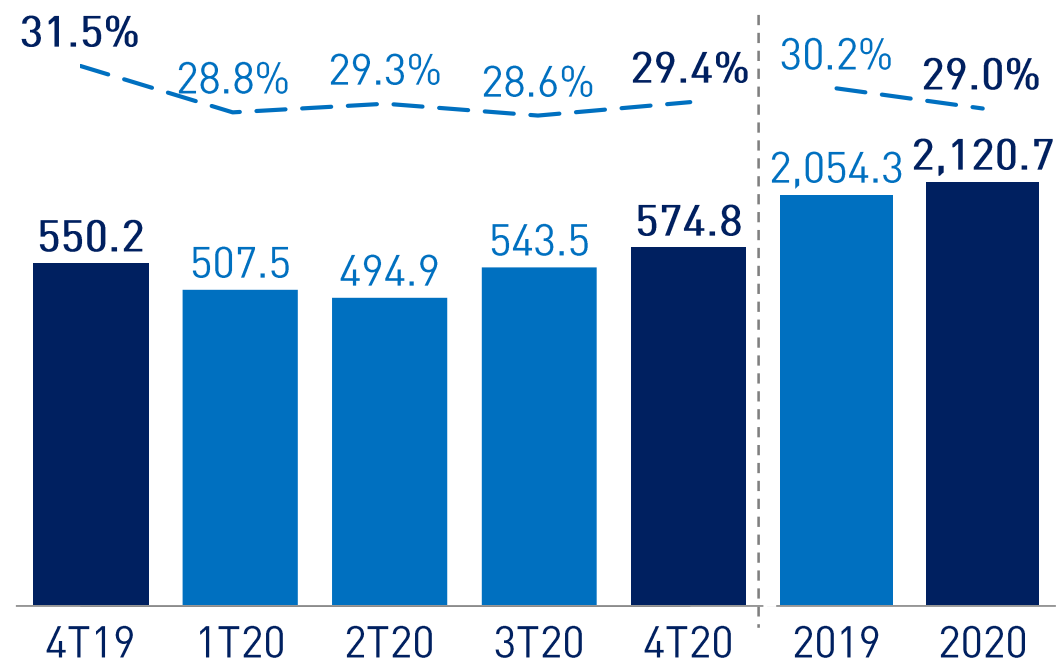
Customer visits
(# million)



Margin Expansion

First gains captured from the Vendor Management Project and reduction in inventory loss rate

Gross Profit and Gross Margin (R\$ million and % of Gross Revenue)



-2.1p.p. 4Q20 vs. 4Q19

- Recognition of 2019 tax credits in 4Q19
- Increase in the rate of inventory losses
- APV effect (non-cash)



+0.8p.p. 4Q20 vs. 3Q20

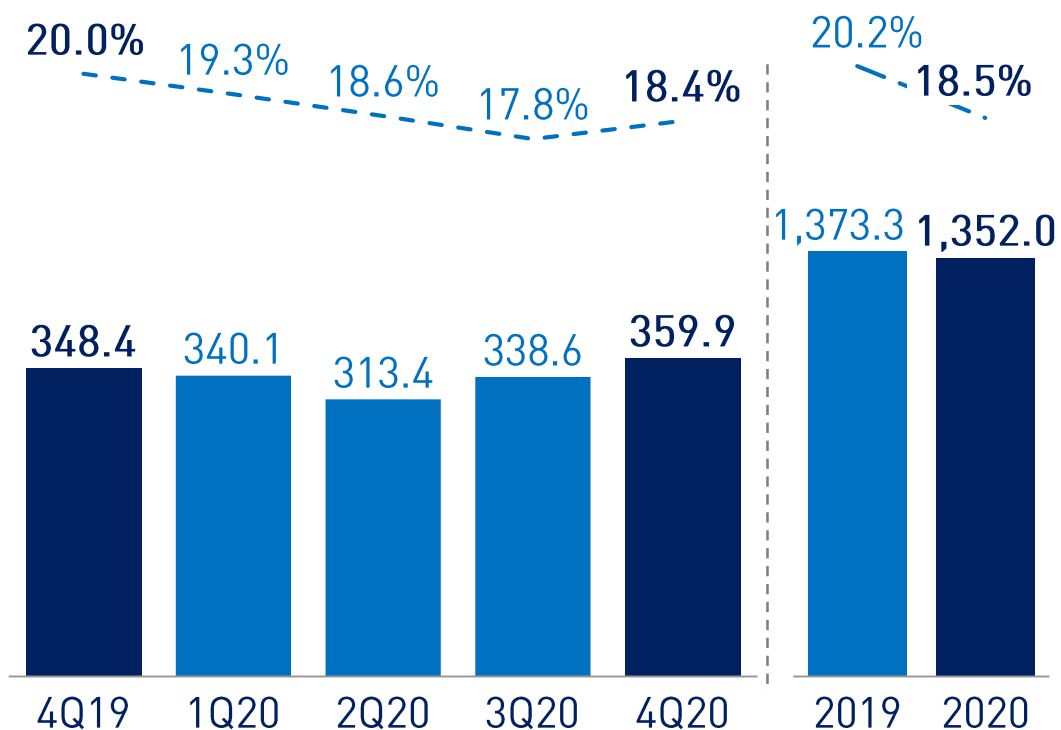
- Vendor Management Project and Pricing
- Reduction in rate of inventory losses
- Product Mix

Expense Dilution

Increased store productivity and operating leverage of 1.7p.p.

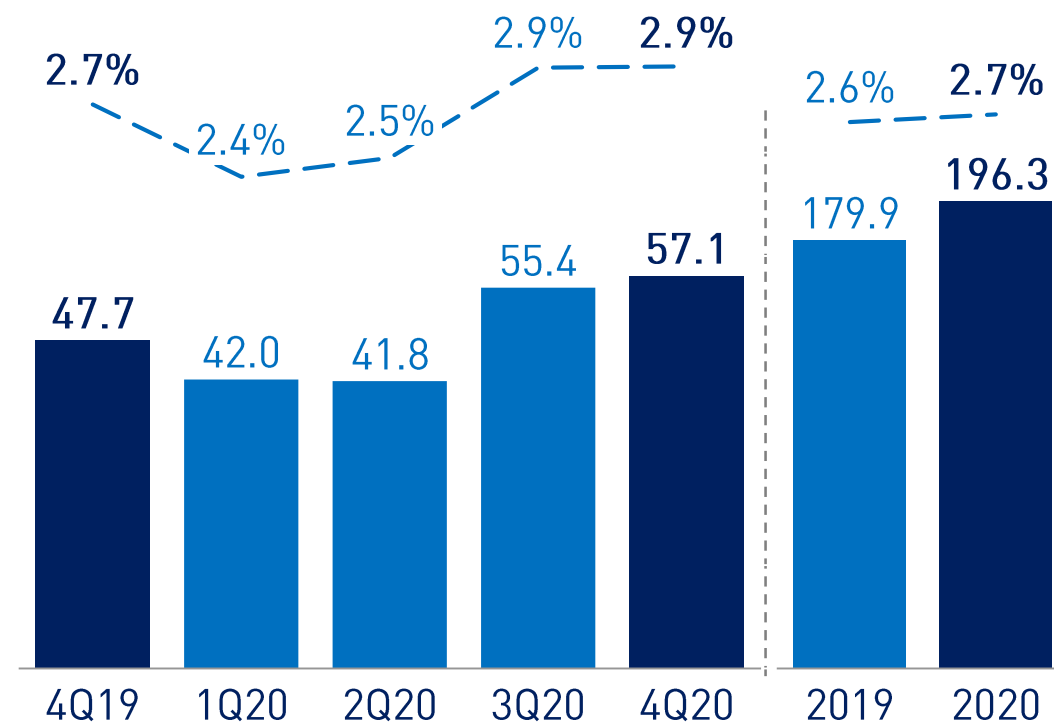
Selling Expenses

(R\$ million and % of Gross Revenue)



General and Administrative Expenses

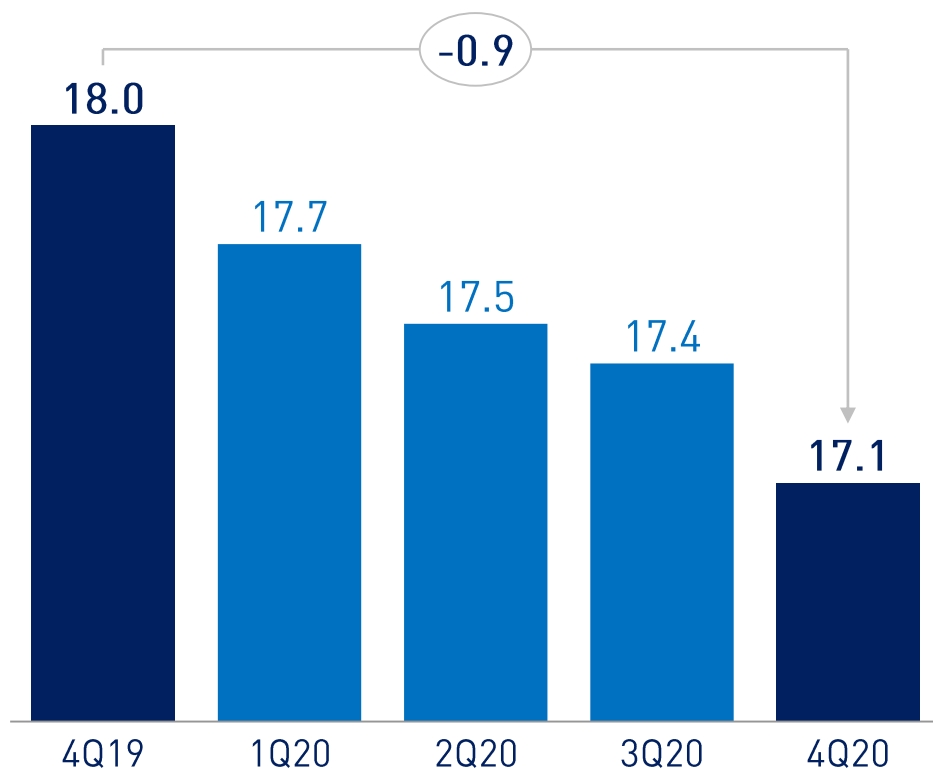
(R\$ million and % of Gross Revenue)



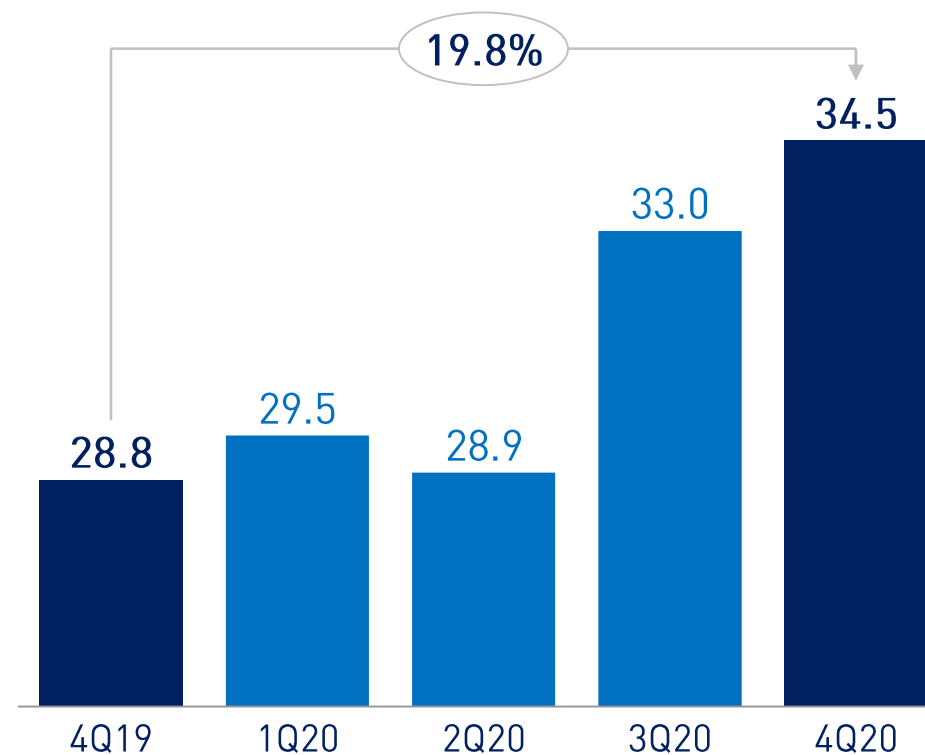
Increased Productivity

with a reduction of 0.9 employees on average per store, while improving service level (NPS)

Average Employees / Store
(# employees)



Sales / Employee / Month
(R\$ thousand)

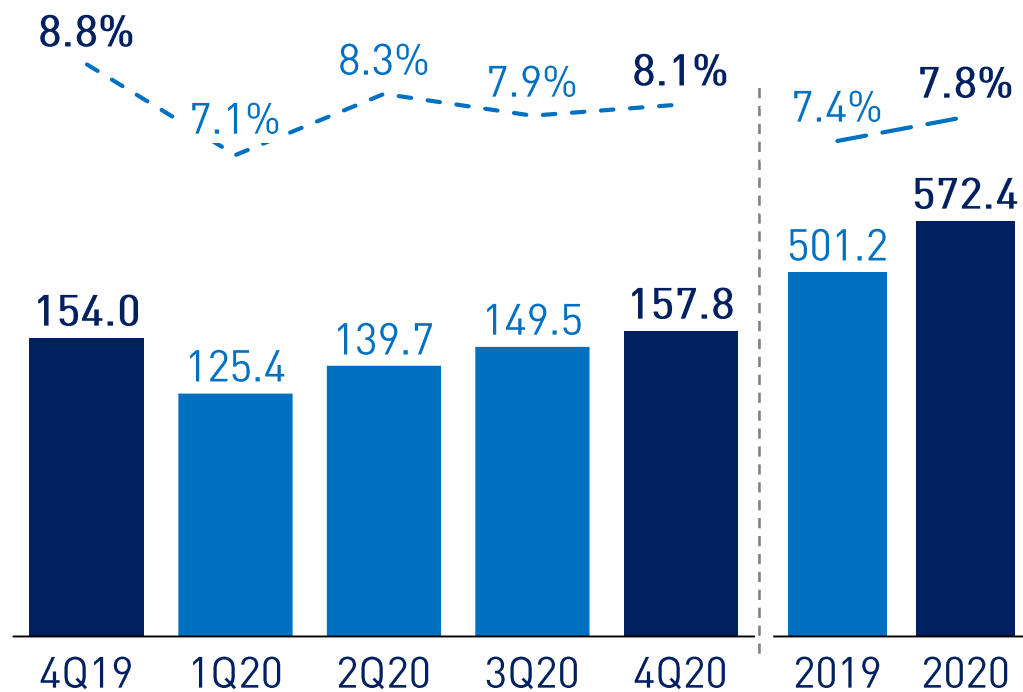


Increased Profitability

Positive combination of growth, efficiency gains and financial deleveraging

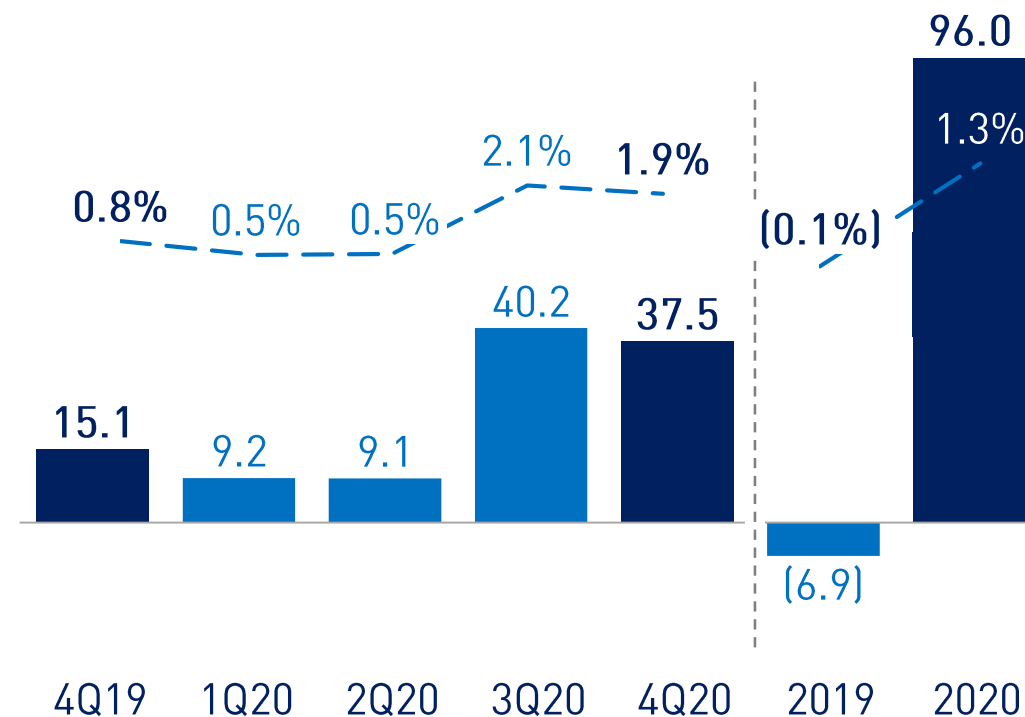
Adjusted EBITDA and Margin

(R\$ million and % of Gross Revenue)



Adjusted Net Income and Margin

(R\$ million and % of Gross Revenue)



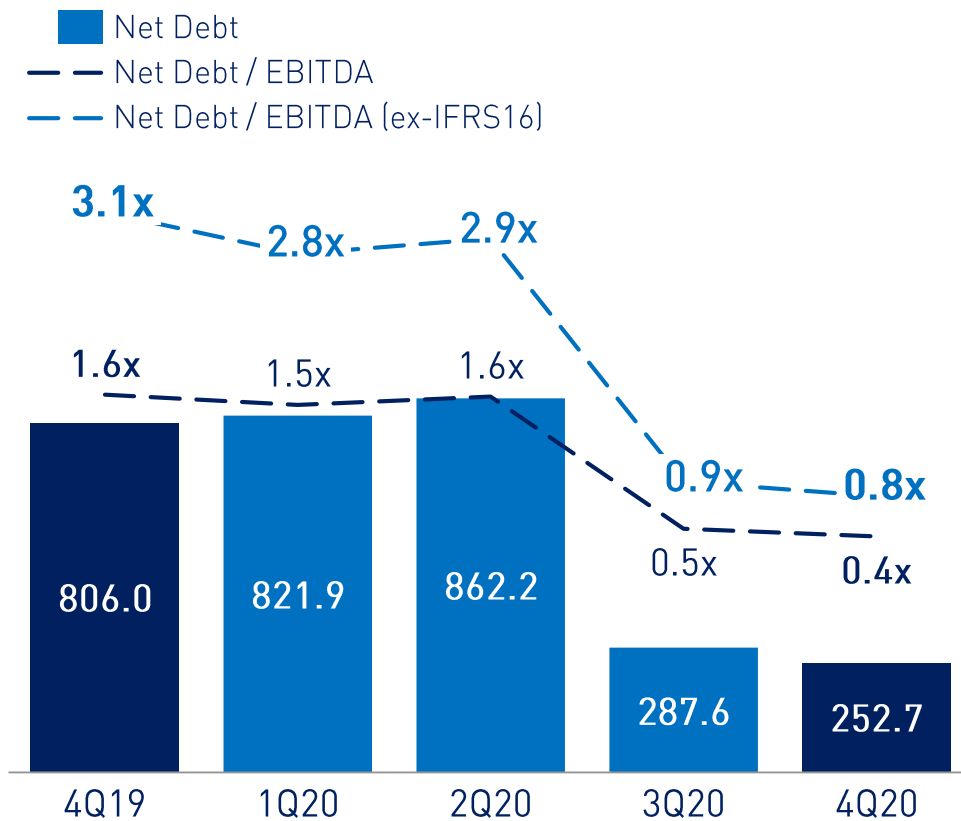
Note: figures with IFRS16

Financial Deleveraging

Indebtedness reduction and normalization of the cash cycle, with no anticipation of receivables

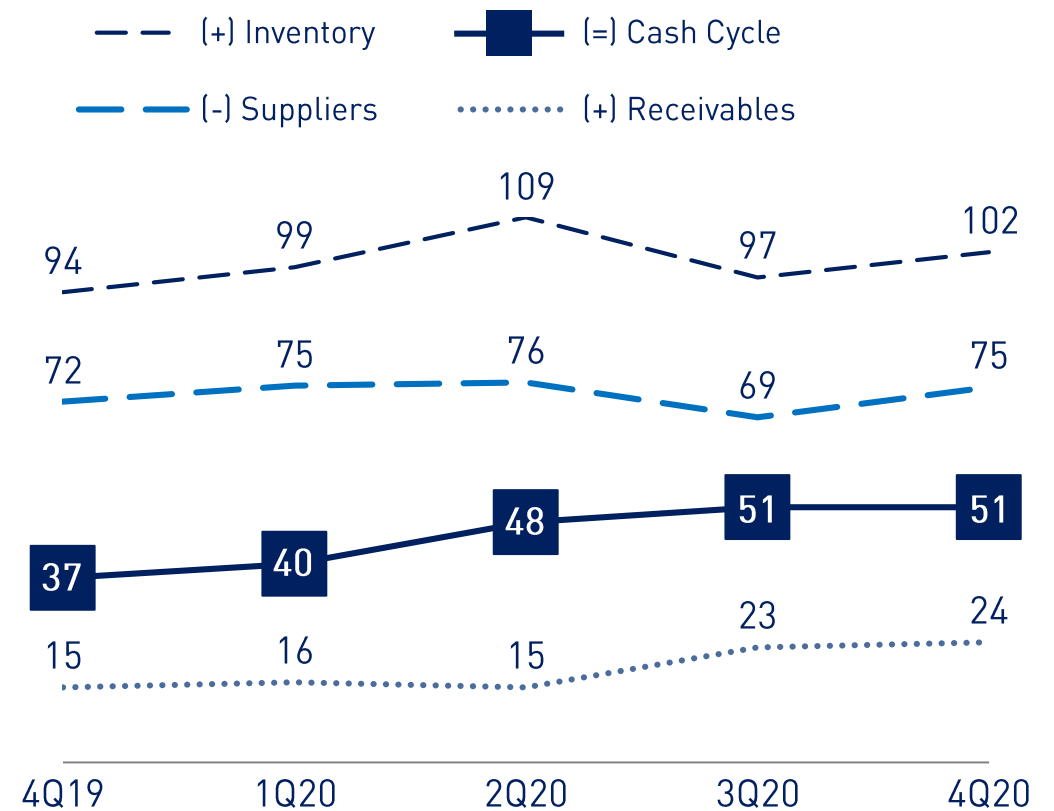
Debt

(R\$ million and X EBITDA Ltm)

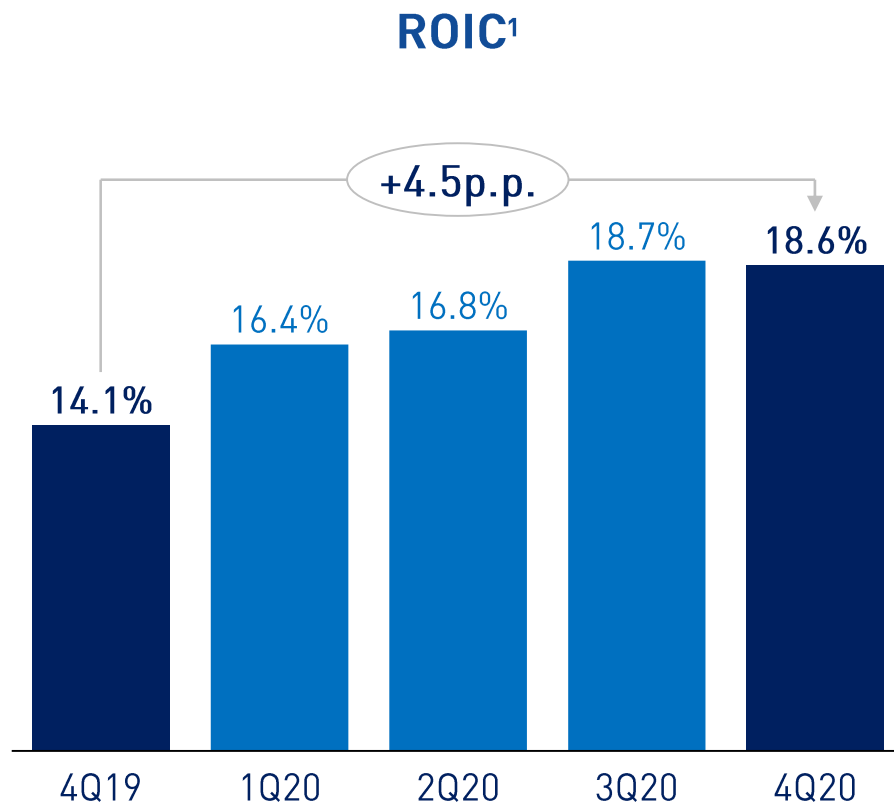


Cash Cycle

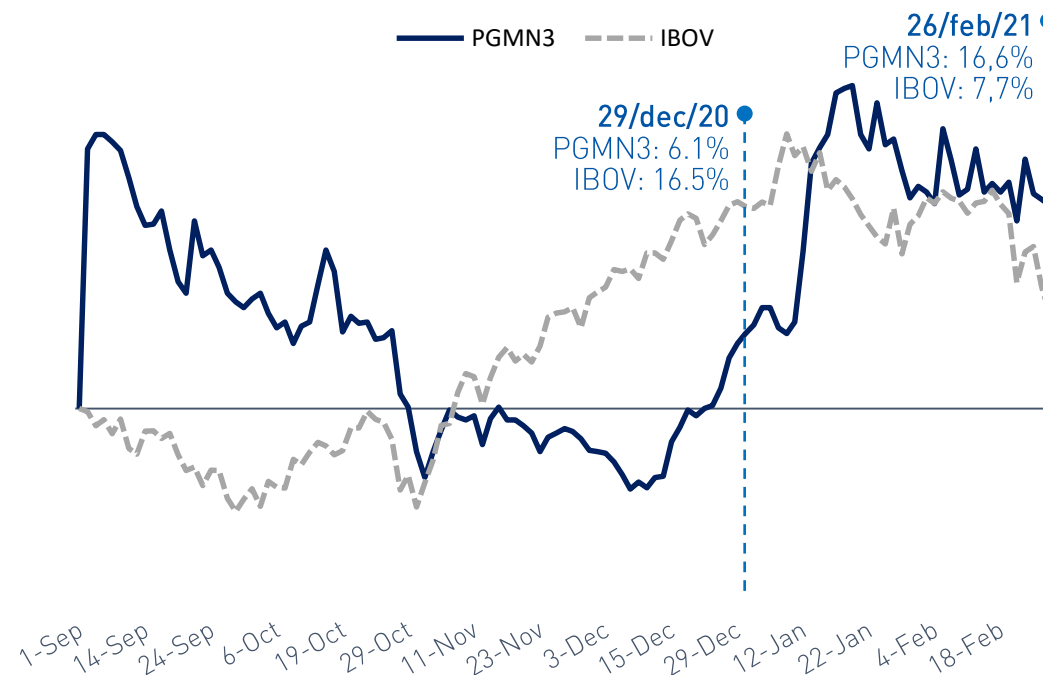
(days)



Return On Invested Capital



Share Price Performance (% of appreciation since the IPO)



¹ ROIC calculated as follows: Operating Profit After Taxes (does not include general and administrative expenses), accumulated in the preceding last 12 months, divided by the moving average of the last 4 quarters of invested capital, which is calculated by the sum of Working Capital (Inventory + Accounts Receivable - Suppliers) and Fixed Capital (Fixed + Intangible)

Levers For Value Creation

Multiple ongoing initiatives for value creation



Supplier Management and Private Label

- Balancing margins between suppliers and categories
- Entry into new categories with private labels



Category Management

- Increased supply of new items and categories in-store
- Adapting the product mix to customer expectations



Supply Chain

- Implementation of new supply processes
- Optimization of demand forecasting algorithm



Pricing Optimization and Personalized Offers

- Implementation of pricing policy and strategy by category
- Balancing margins between stores



In-Store Productivity and Customer Satisfaction

- Development of segmented actions to increase NPS and loyalty
- Employee headcount optimization per store



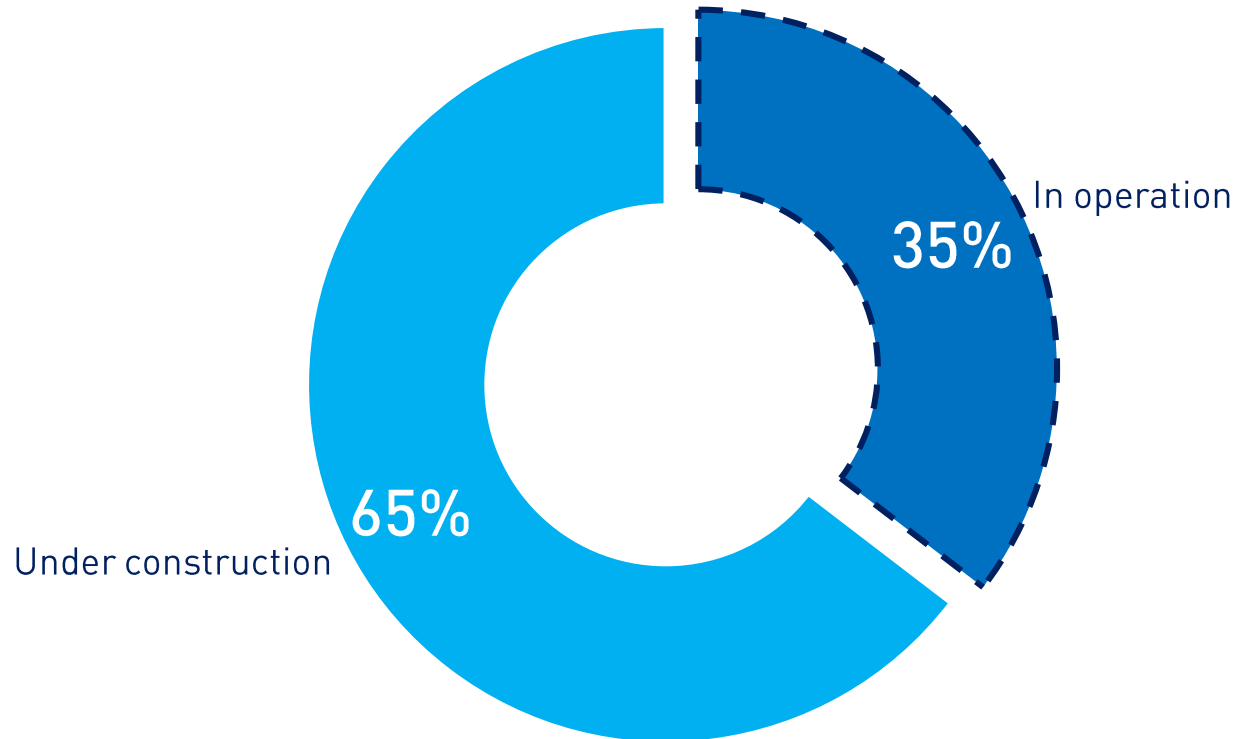
- Incipient, with great upside potential
- Complete, with most of the upside already captured

ESG Committment

Relevant part of the energy matrix generated by renewable sources

Photovoltaic Solar Power Plants

(% of total energy consumed for the operation of stores and CDs)



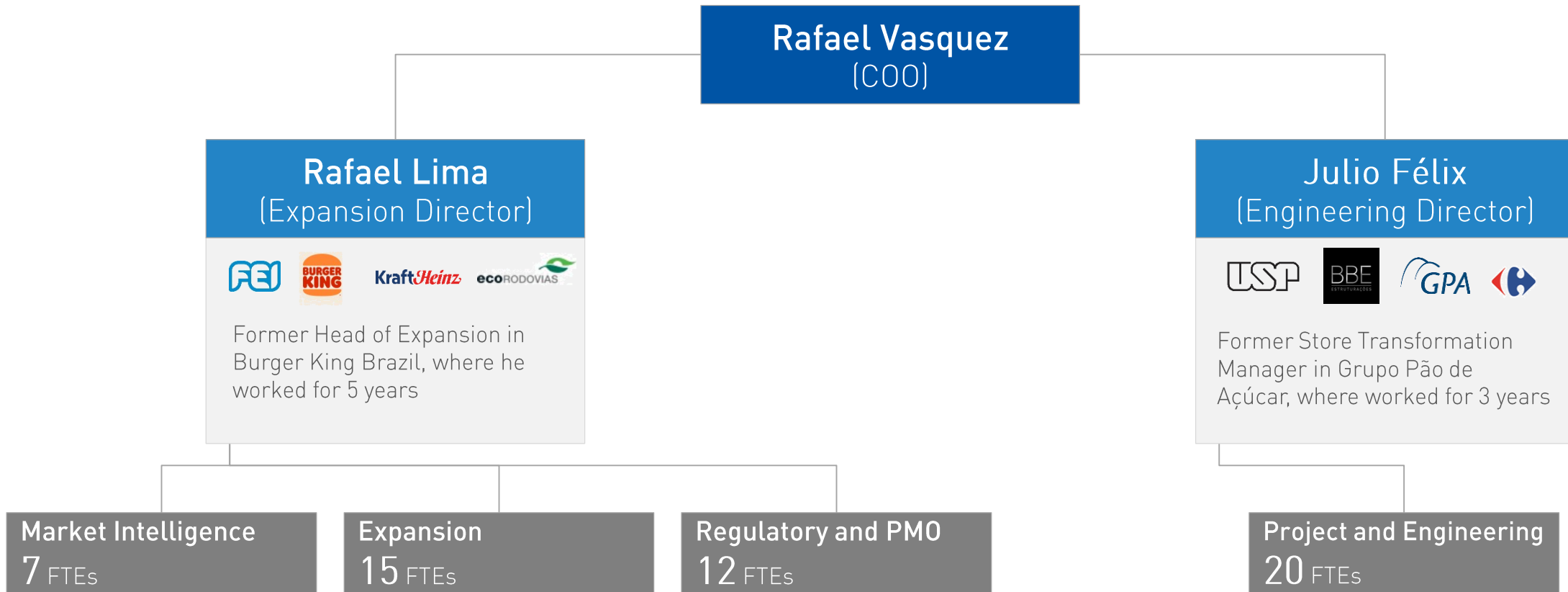


New Expansion Cycle

José Vasquez, COO

Team Focused on Expansion

Experienced management with ~50 dedicated professionals

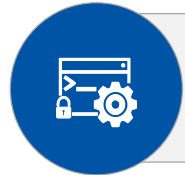


Robust Tools Dedicated to Growth



Geolocation Analysis

Mapping of potential micro markets



Score Deployment

Data-driven checklist for new sites implementation



Predictive Sales Model

Proprietary model for estimating new stores sales and margins



Project Management

Software and specialized consulting for project management



Portfolio Management

Processes for defining renovations, relocating and resizing stores

Expansion Guidelines

Clear criteria and focus



Target Customer

Expanded Middle-Income Class, average family income below R\$ 4.4k/month



Formats

Differentiation of store formats, depending on the microregion



Regions

Primarily in the North and Northeast and regions with lower competition



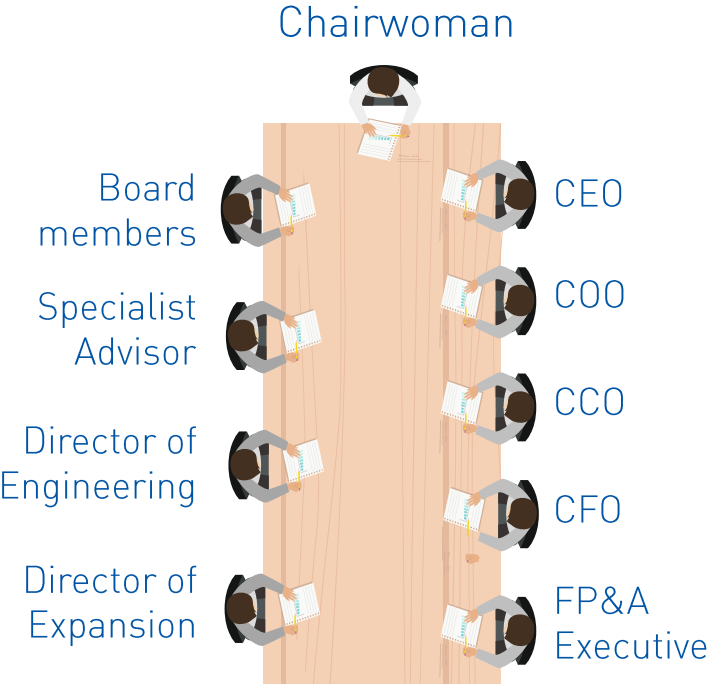
Return

High potential return and no or limited cannibalization

Enhanced Governance

Robust processes and a strong team in place for new sites' approval

Real Estate Committee



Weekly Meetings



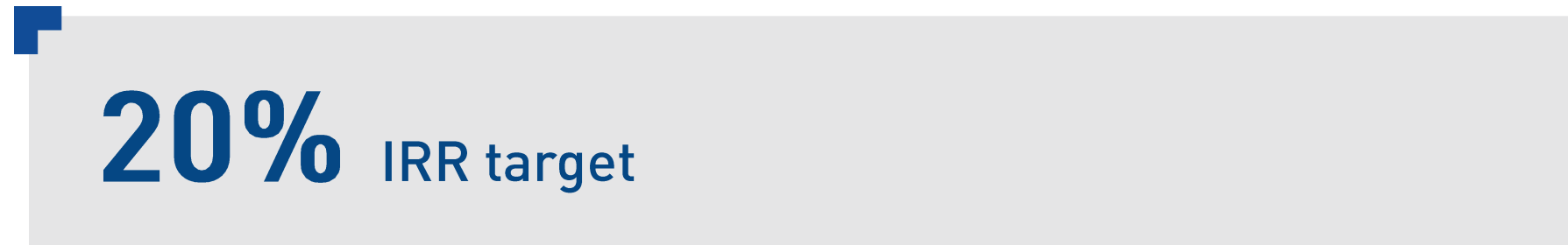
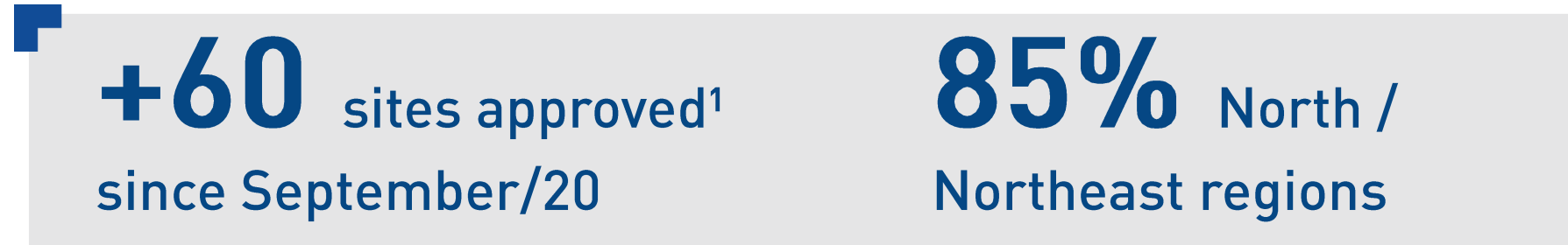
Objective evaluation with KPIs and scorecard



Clear processes and metrics for approval

Expansion Update

We are confident in the success of our expansion



¹ Once approved, sites go through a process of lease negotiation with owners and obtaining licenses from regulatory agencies and may or may not become new stores.

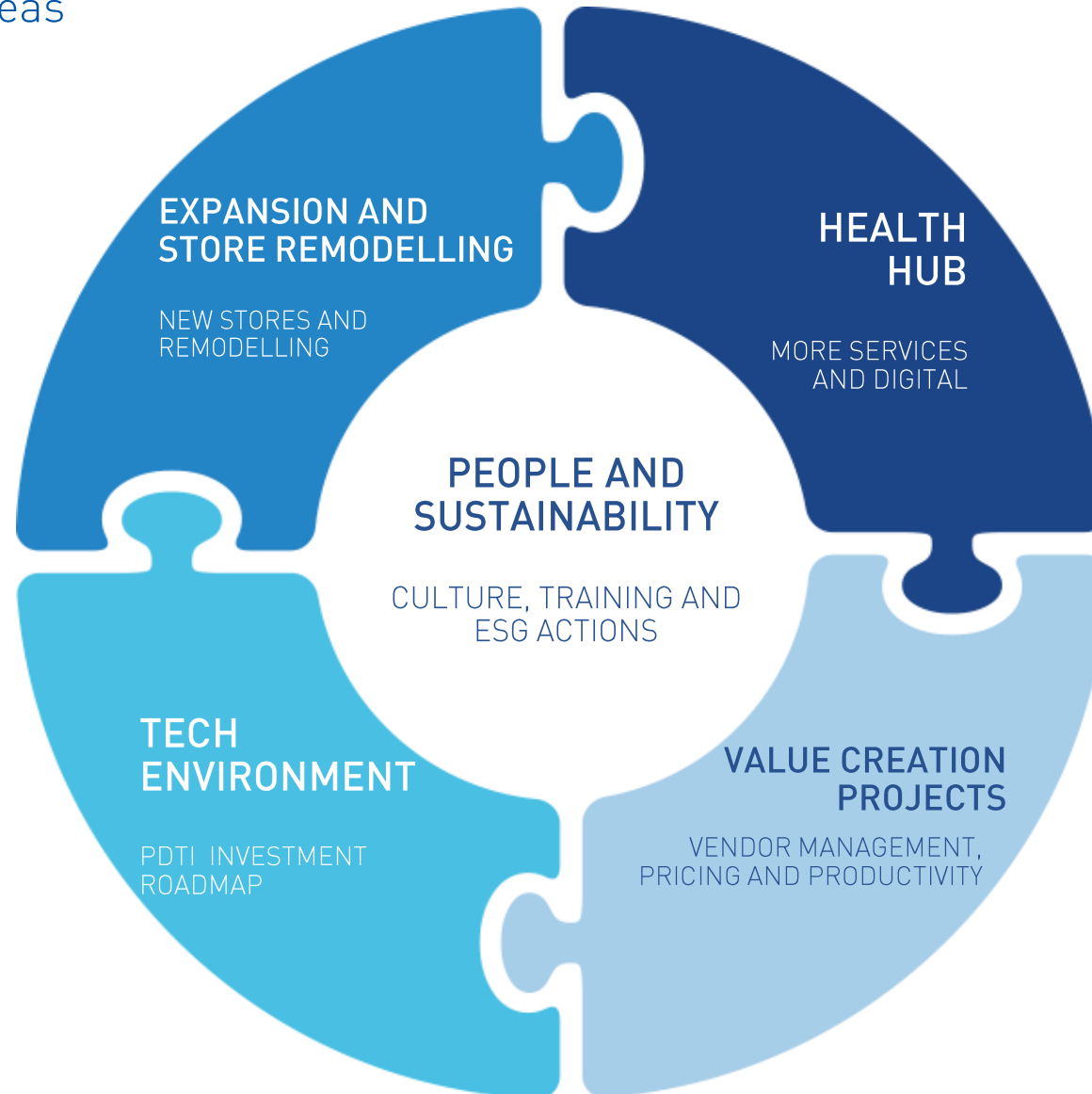


2021 Priorities

Mário Queirós, CEO

2021 Priorities

Efforts in 5 targeted areas





Investor Relations

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