



# 2Q22 Earnings

CONFERENCE CALL



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This document may contain certain forward-looking statements and information related to the Company reflecting current views and/or expectations of the Company and its Management concerning its performance, businesses and future events. Forward-looking statements include, without limitation, any statement that has a forecast, indication or estimates and projections of future results, performance or objectives, as well as words such as "we believe", "we anticipate", "we expect", "we estimate", we project "among others words with similar meaning. Although the Company and its management believe that such forward-looking estimates and statements are based on reasonable assumptions, they are subject to risks, uncertainties and future events and are issued in the light of information that is currently available. Any forward-looking statements refer only to the date on which they were issued, and the Company is not responsible for updating or revising them publicly after the distribution of this document due to new information, future events or other factors. Investors should be aware that a number of important factors cause actual results to differ materially from such plans, objectives, expectations, projections and intentions expressed in this document.

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Certain percentages and other amounts included in this document have been rounded up to facilitate your presentation. The scales of the graphs of the results can appear in different proportions, to optimize the demonstration. Accordingly, 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 International Financial Reporting Standards (IFRS16), in accordance with accounting practices adopted in Brazil (BR GAAP).



# 2Q22 Results

Luiz Novais, CFO

# 2Q22 Highlights

*Quarter of inflection point in the profitability trajectory*



## OPERATIONAL



**+28**  
**Opened Stores**  
(+111 in the last 12 months)



**31.5%**  
**Gross Margin**  
(+0.5 p.p. vs 2Q21)



**12.9%**  
**Contribution Margin**  
**"Same Stores"**  
(+0.6 p.p. vs 2Q21)



## STRATEGIC



**9.6%**  
**Of Sales Through**  
**Digital Channels**  
(+41.3% growth in sales)



Release of our 1<sup>st</sup>  
**Sustainability**  
**Report**

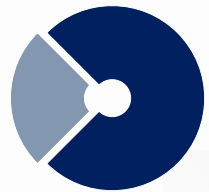


**Extrafarma**  
**Acquisition**  
*Approval and closing*

# Organic Expansion

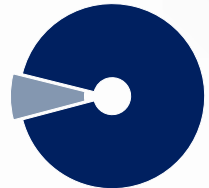
*Ascending maturation curve for new store cohorts, in line with projections*

## CHARACTERISTICS OF NEW STORES (stores opened in the last 18 months)



**75%**

located in the N/NE Regions



**92%**

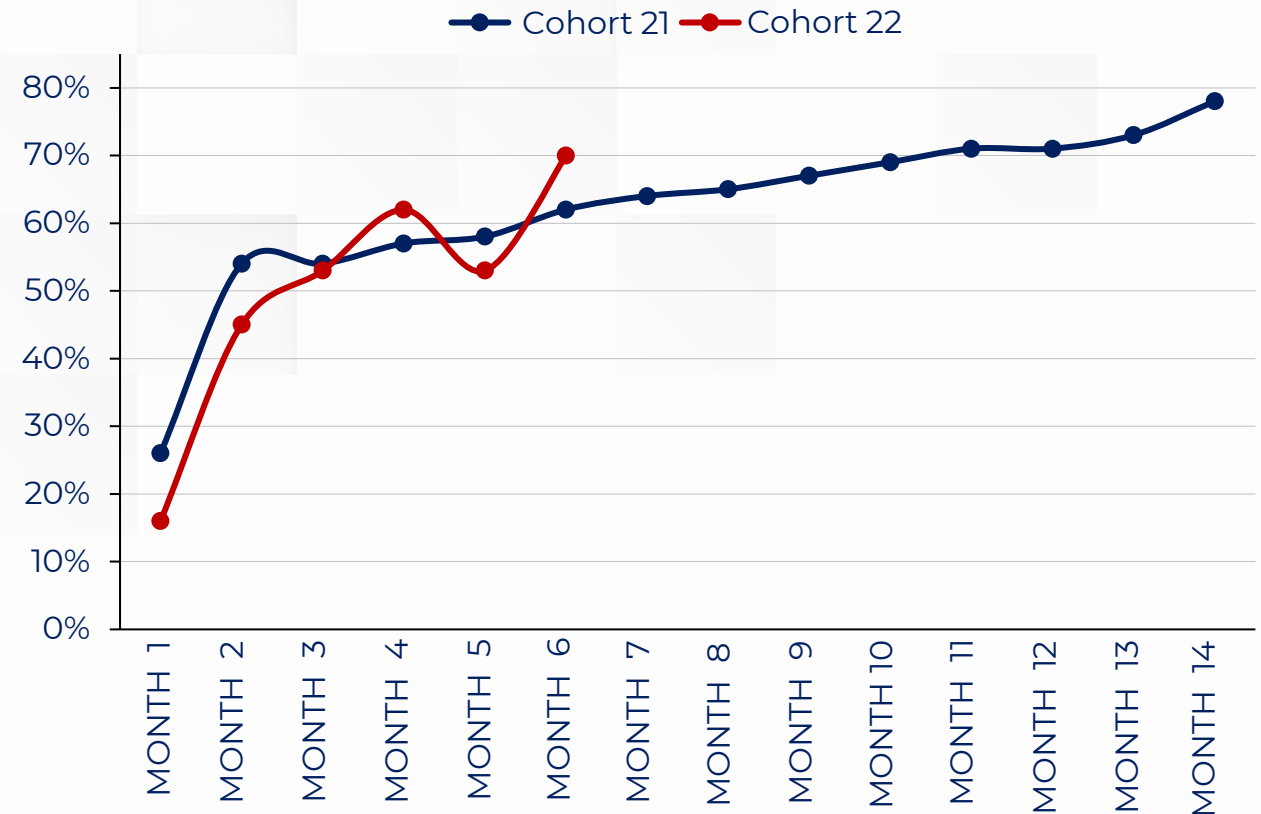
positioned in classes B2/C/D<sup>1</sup>



**65%**

in inland municipalities

## MATURATION CURVE / NEW STORE COHORTS (% of potential sale)



<sup>1</sup> Predominant income class in the area of each store (isochronous for 5 minutes travelling by car). Segmentation follows the IBGE criteria, where Class A comprises households with an average monthly family income above BRL 16.6 thousand, B1 above BRL 7.9 thousand, B2 above BRL 4.2 thousand and C and D below BRL 4.2 thousand

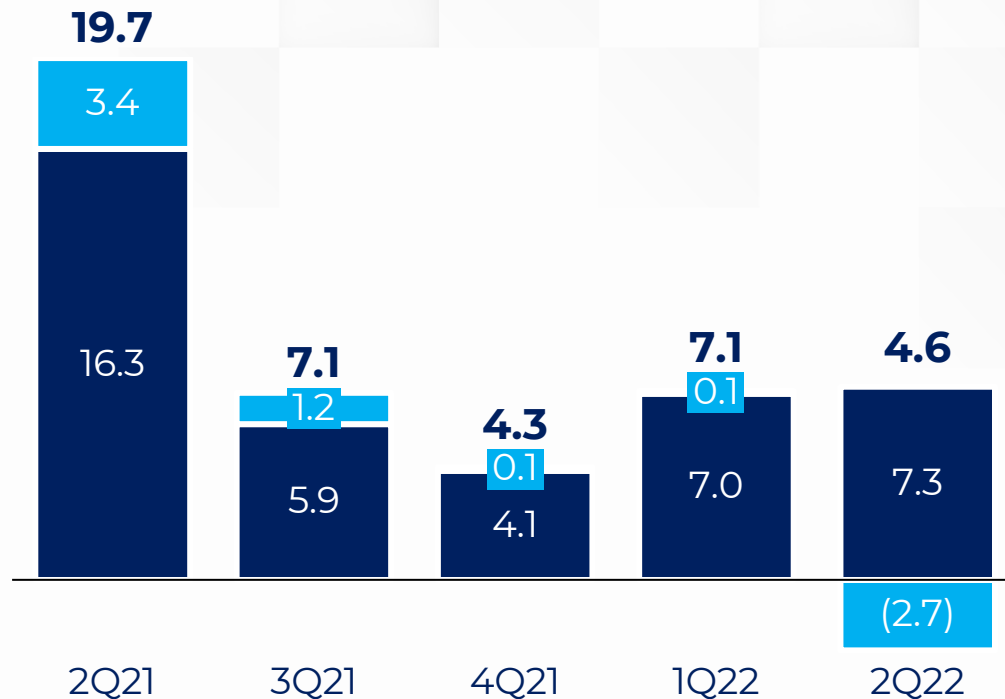
# Same Stores Performance

Performance and growth throughout the quarter was different between the regions of the country, with the flu outbreak impacting more the South and Southeast

## Same Store Growth

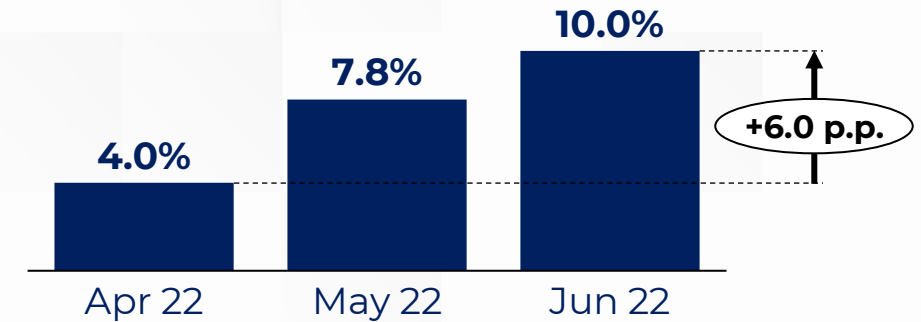
(Variation %)

 Covid Tests  ex-Covid



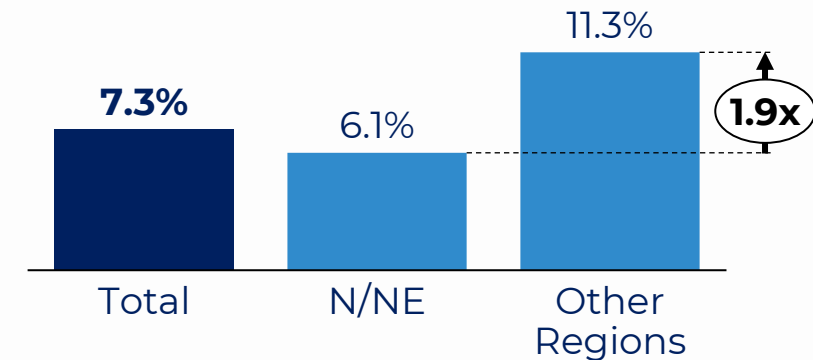
## Same Stores ex-Covid per month

(Variation %)



## Same Stores ex-Covid by Region

(% change - 2Q22 vs 2Q21)



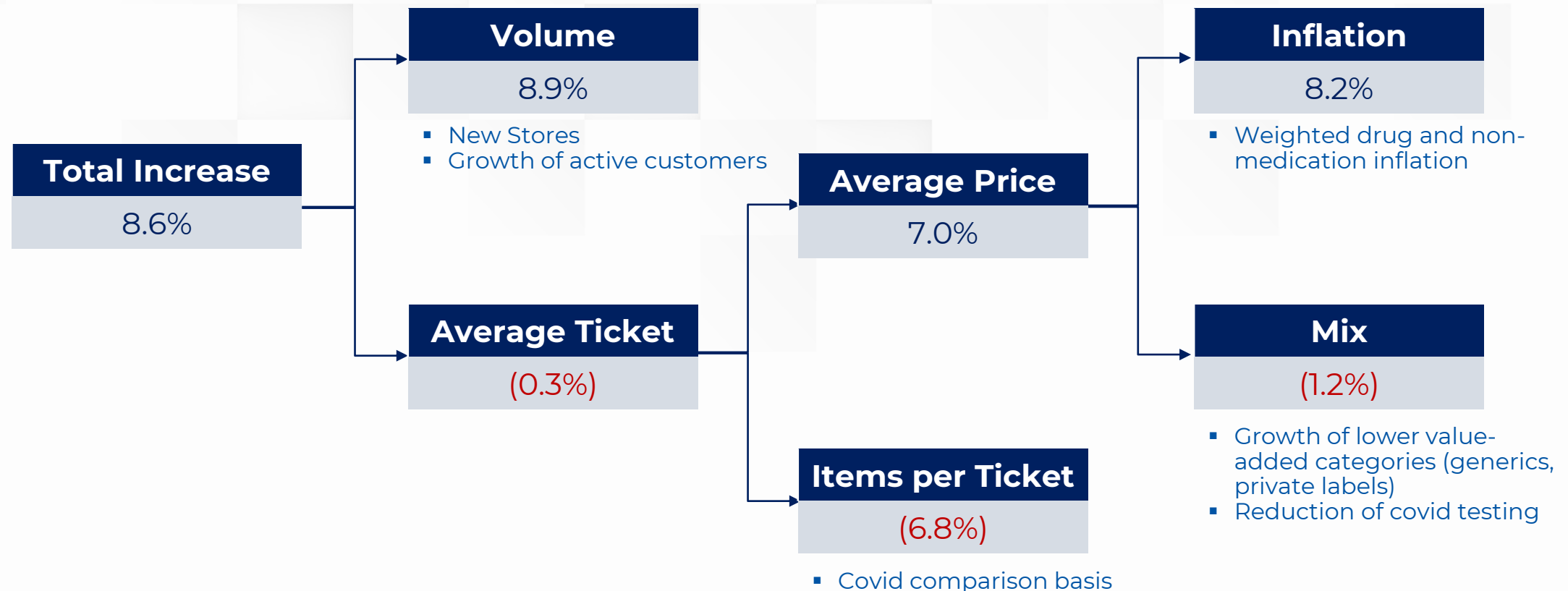


# Volume and Average Ticket

*Growth achieved through Increased volume, with stability in the average ticket*

## Sales Growth Breakdown

(Variation %)



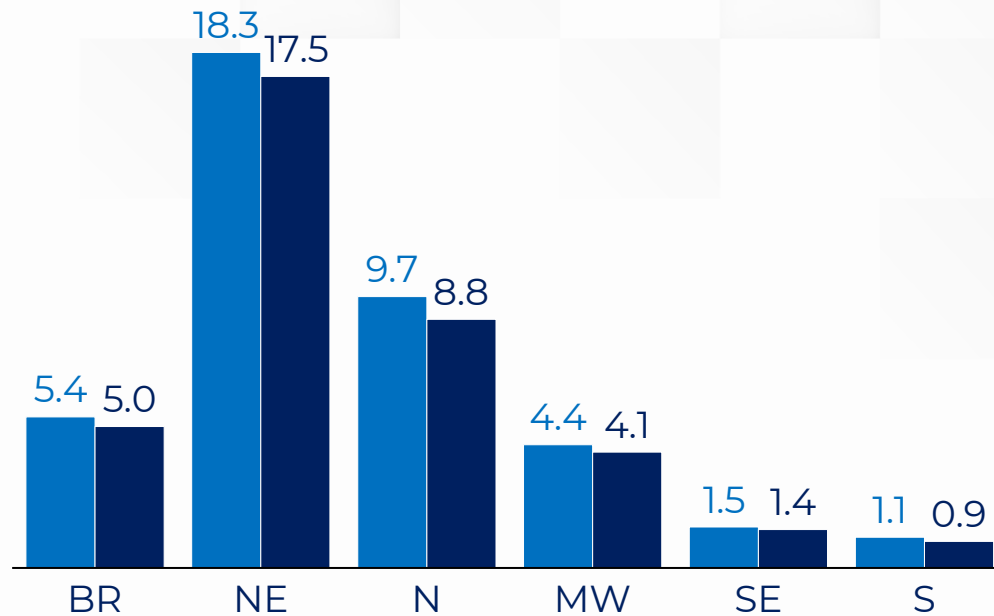
# Market Share

*Reduction caused by higher exposure to N/NE regions and early stage of organic expansion*

## Quarterly Market Share (%)

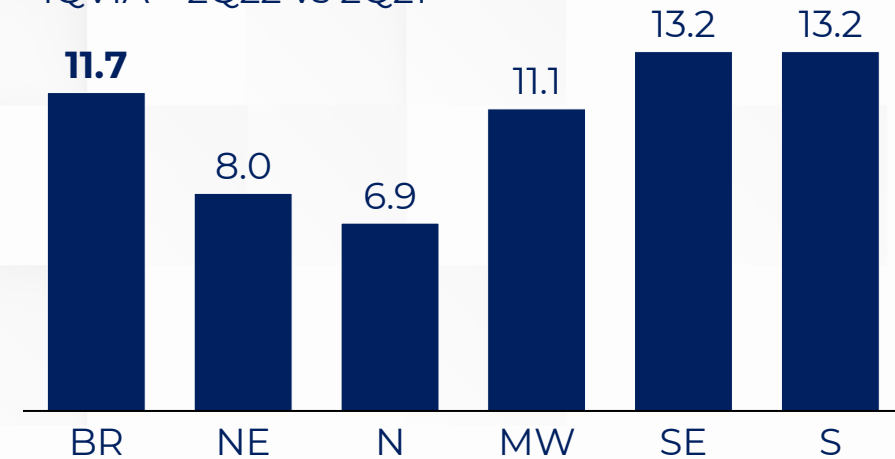
IQVIA - Total market

■ 2Q21 ■ 2Q22

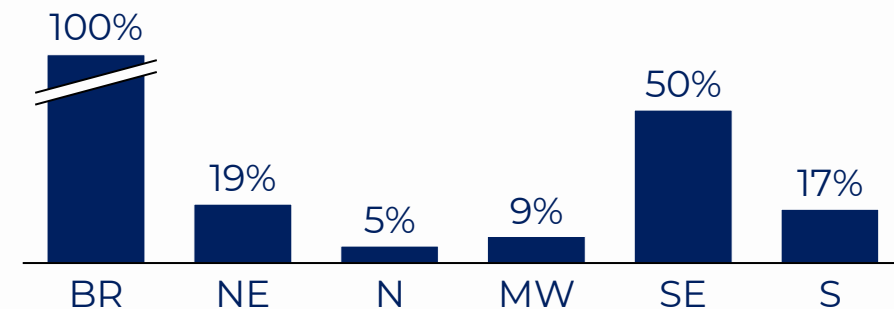


## Mature Stores Growth by Region (%)

IQVIA – 2Q22 vs 2Q21



## Market Breakdown by Region (%)





# Growth Elements

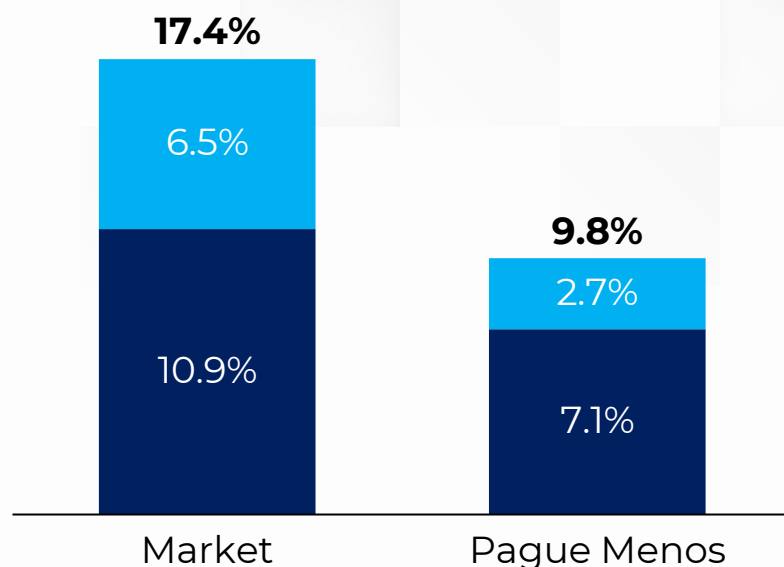
*Store openings remain the main growth driver in the market, especially in N/NE*



## Composition of Growth - BRAZIL

(Var. % 2Q22 vs 2Q21 – BRL CPP)

 New Stores/Closed  Same Stores



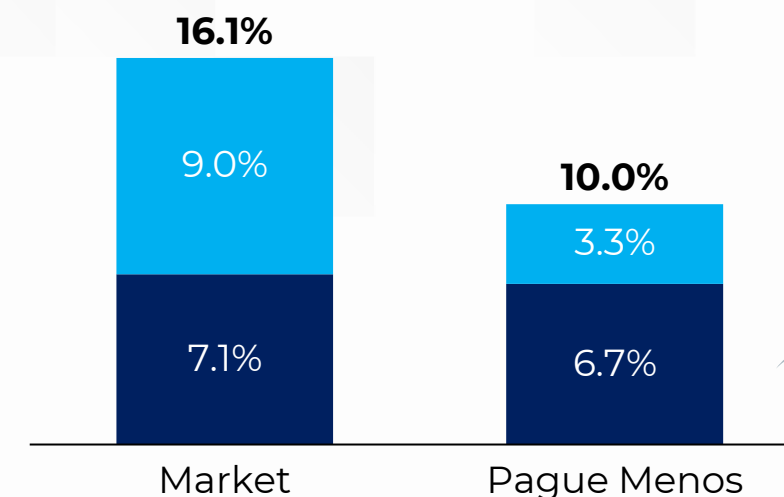
Our growth in volume below the market average is explained by the **lower exposure to the South and Southeast regions**, which presented above average growth rates in the quarter



## Growth Composition – N/NE

(Var. % 2Q22 vs 2Q21 – BRL CPP)

 New Stores/ Closed  Same Stores



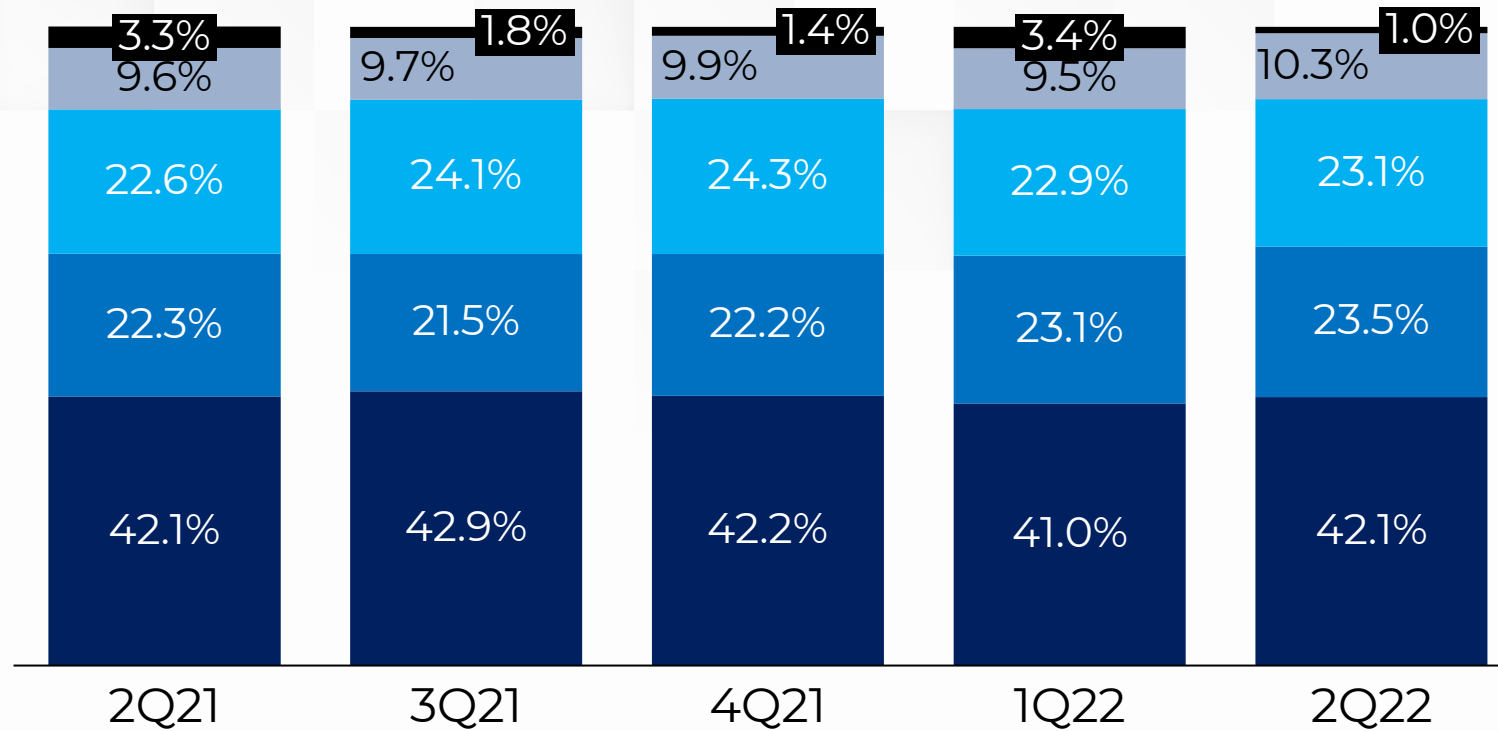
**Excluding the effect of new stores**, our growth was close to the market average in our core regions

# Sales Mix

*Reduced demand for services (Covid-19 Tests) and relevant growth in the Generics and OTC*

## Sales Mix (% of total sales)

■ Services ■ Generics ■ H&B ■ OTC ■ Branded

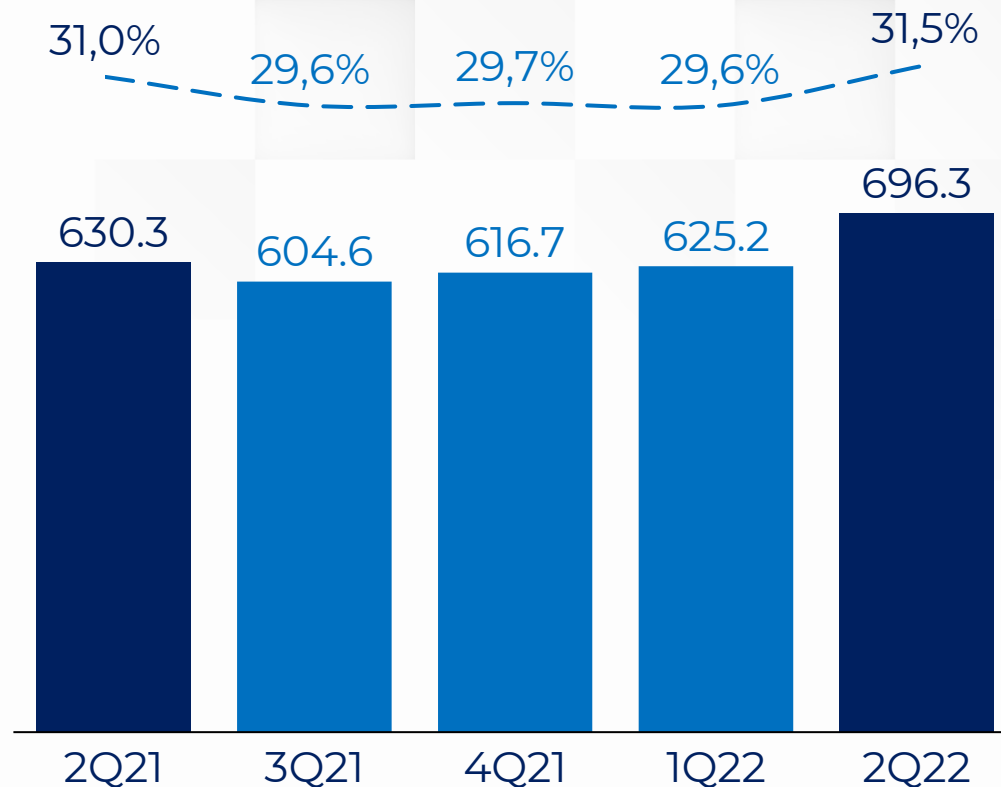


# Gross Profit and Margin

*Strong margin expansion, even with channel pressures and strategic actions*

## Gross Profit and Margin

(in BRL million and % of gross revenue)



**+0.5p.p.** (1Q22 vs 1Q21)



Inflationary gains on inventory  
Private label and generic brands  
AVP



Digital channels  
Agreements and partnerships  
Covid tests

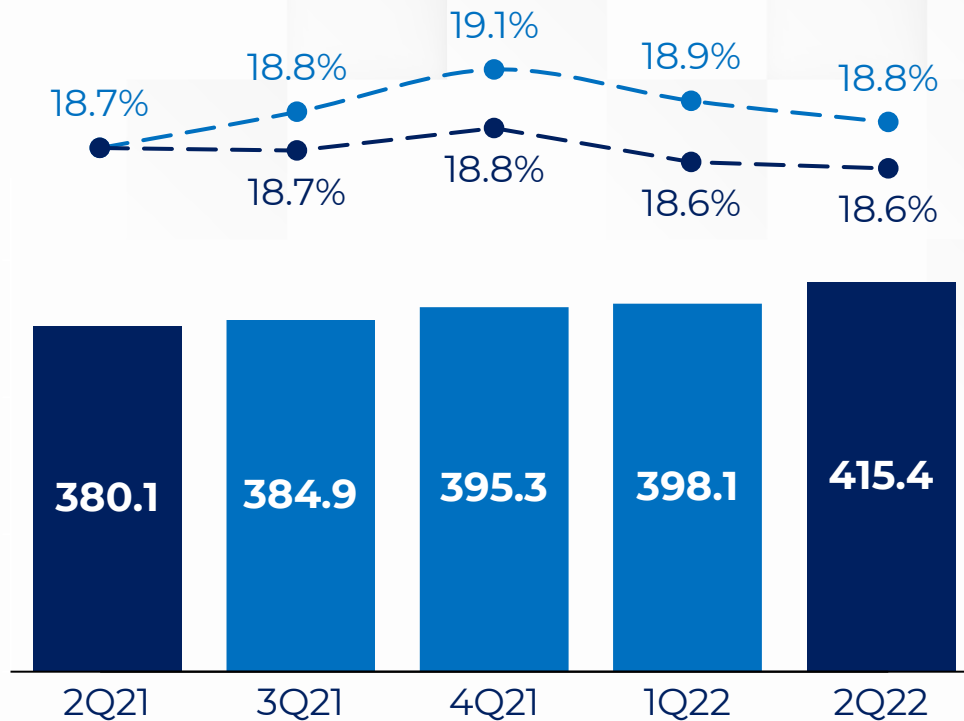
# Contribution Margin

+0.6 p.p. increase, sustained by Gross Margin growth and greater efficiency in expenses

## Selling Expenses

(BRL million and % of gross revenue)

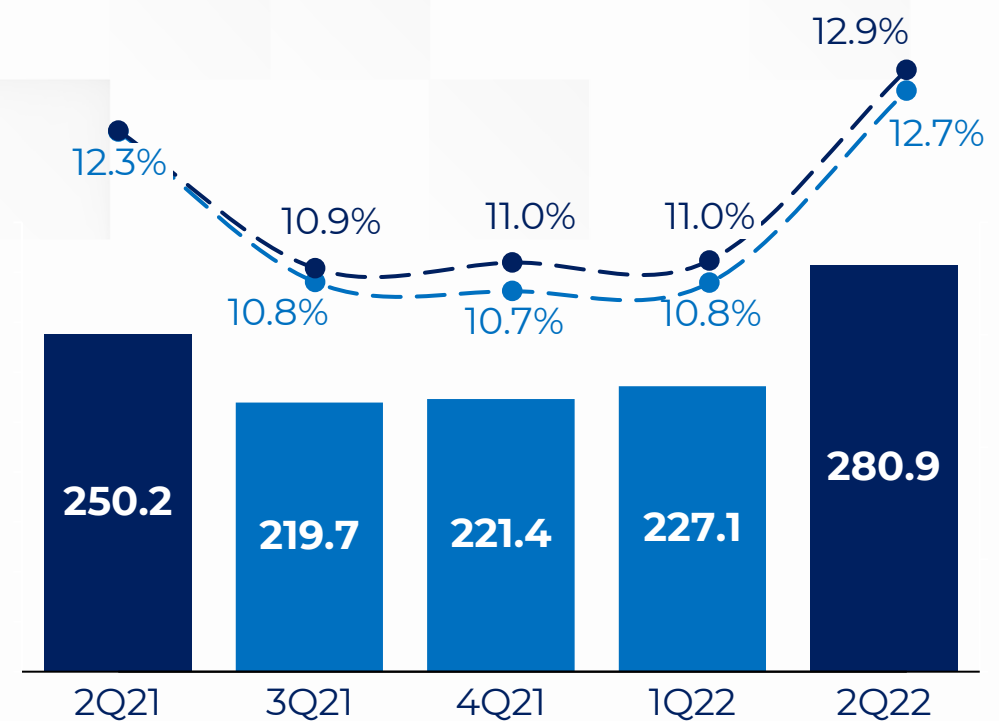
—●— Total Stores —●— Same Stores.



## Contribution Margin

(BRL million and % of gross revenue)

—●— Total Stores —●— Same Stores.

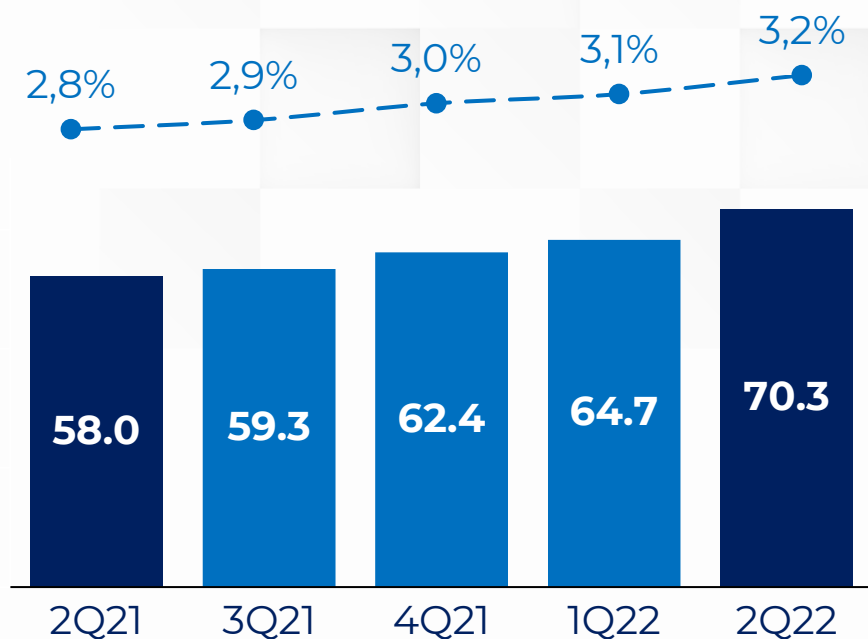


# G&A Expenses and EBITDA

*Investments in digital and corporate projects, which will sustain the Company's future growth, with potential dilution in the coming periods*

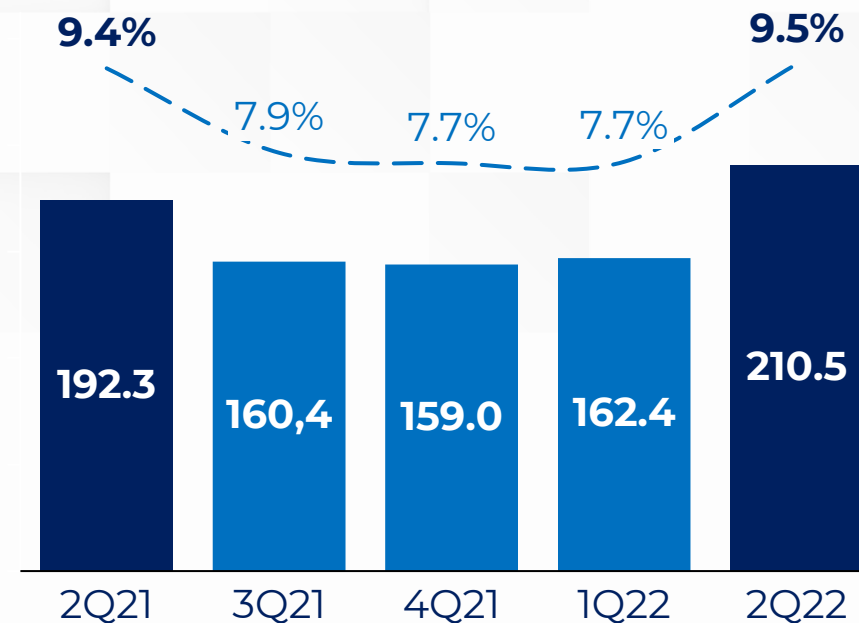
## General and Administrative Expenses

(BRL million and % of gross revenue)



## Adjusted EBITDA

(BRL million and % of gross revenue)



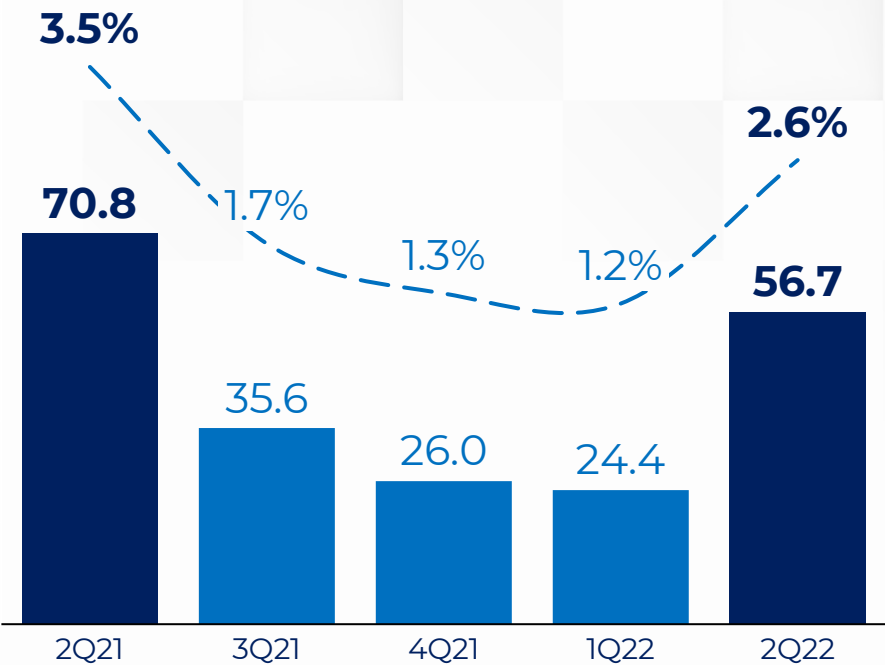
G&A growth should normalize in the coming quarters, and be gradually diluted as the organic expansion plan progresses and Extrafarma is integrated

# Net Income

Strategic investments in new stores and financial results impacting the quarter

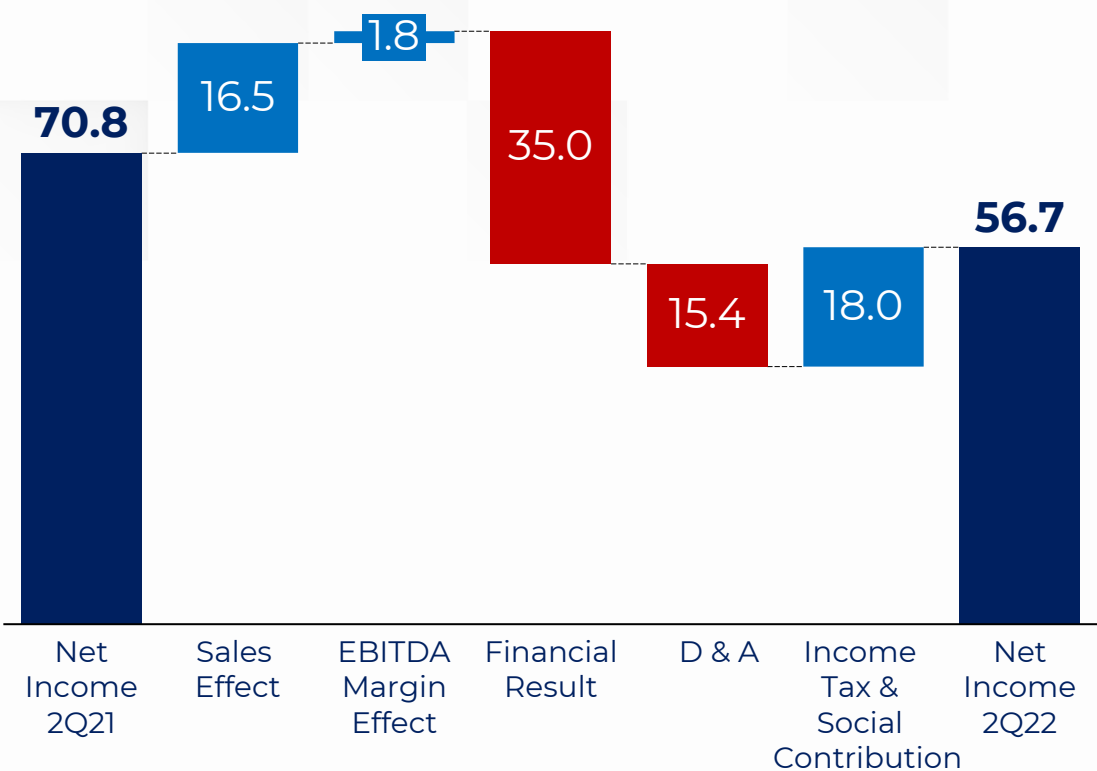
## Adjusted Net Income

(in BRL million and % of gross revenue)



## Profit Variation Components

(BRL million)



Note: IFRS16 numbers adjusted for non-recurring effects

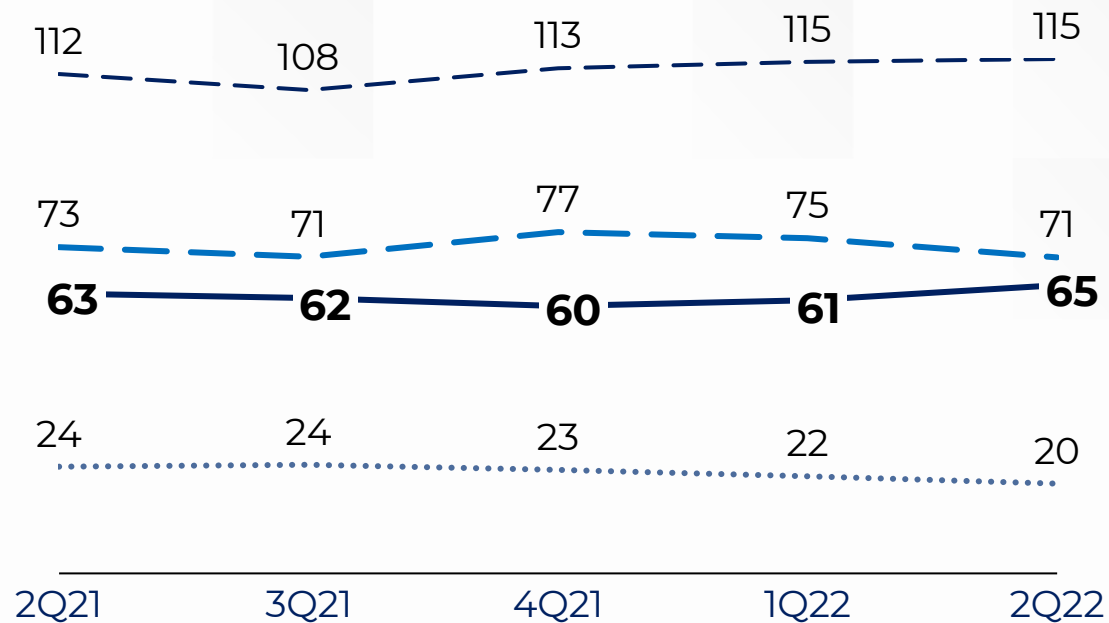
# Cash Cycle and Debt

*Indebtedness increase due to acceleration of expansion*

## Operating Cash Cycle

(in days of COGS and days of Gross Revenue)

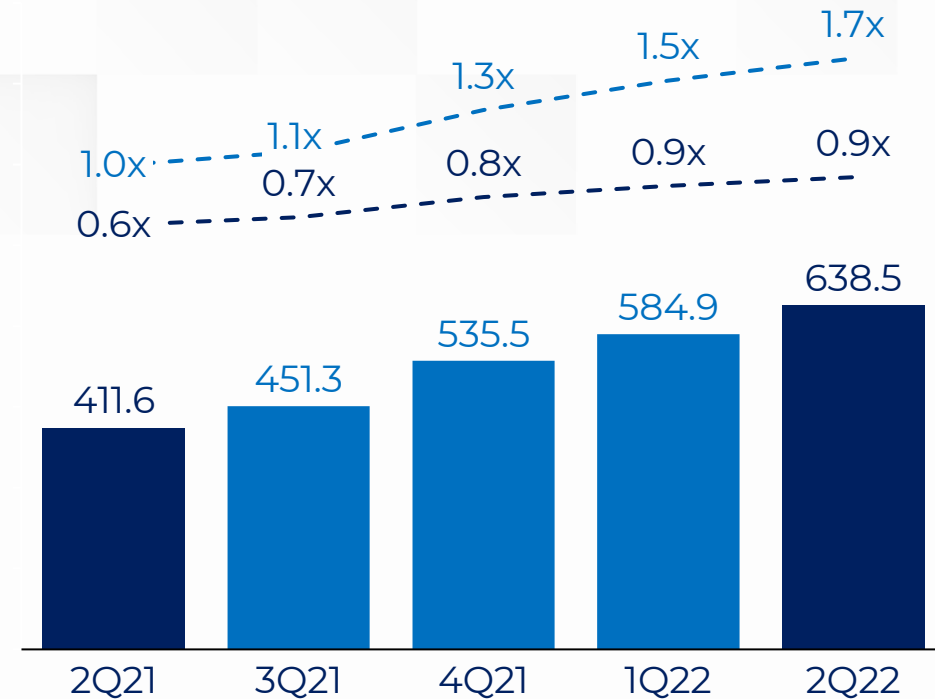
— (+) Inventory    —■— (=) Cash Flow  
— (-) Suppliers    ..... (+) Accounts Receivable



## Net Debt

(in BRL million and multiple of EBITDA)

■ Net Debt    - - Net Debt / EBITDA    - - Net Debt / EBITDA (ex IFRS)





Release of our first

# Sustainability Report



Access the document

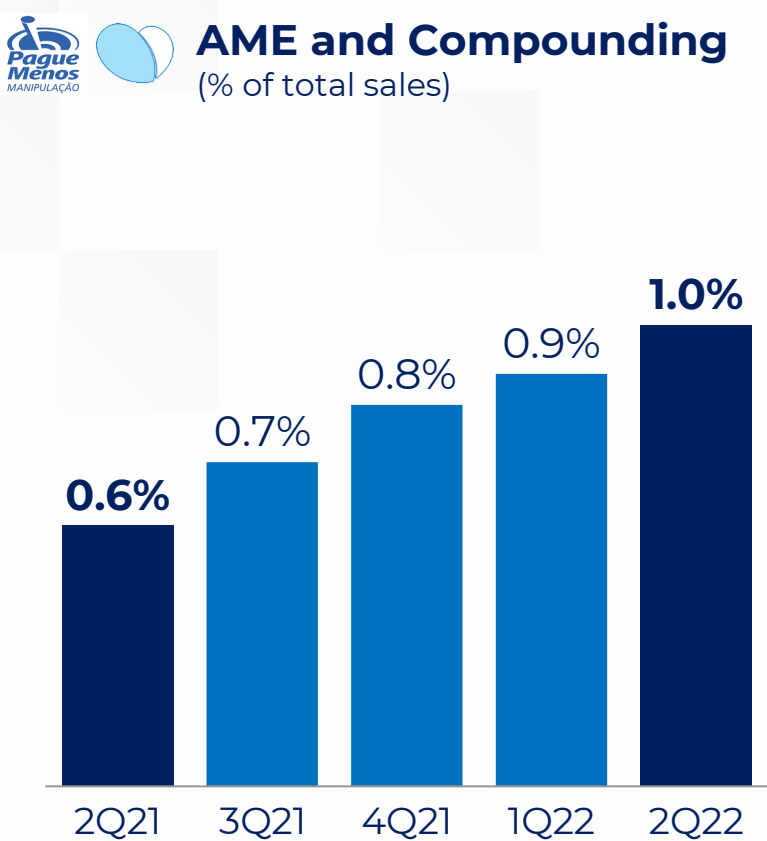
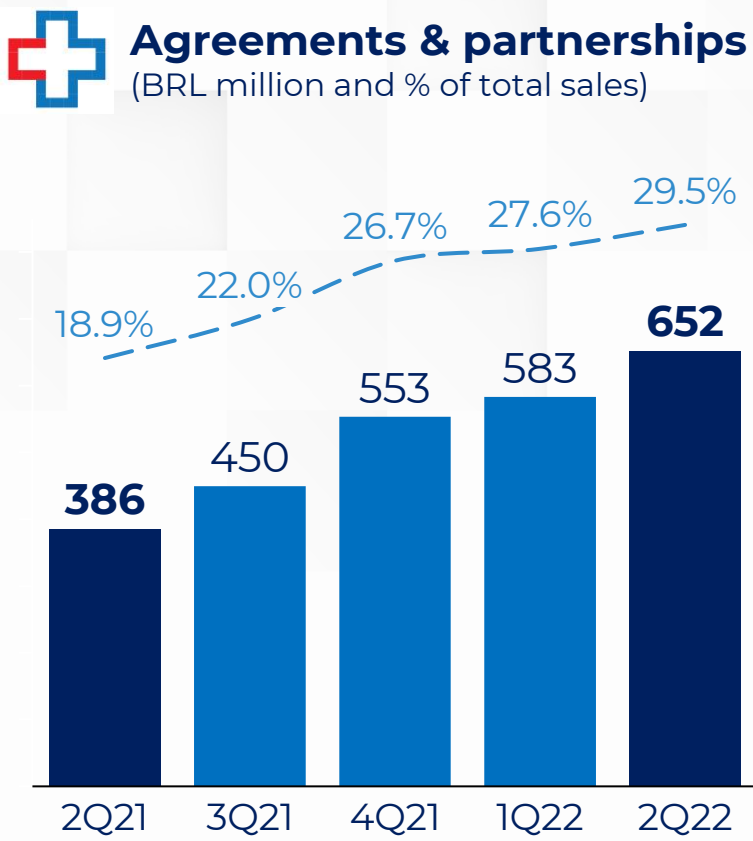
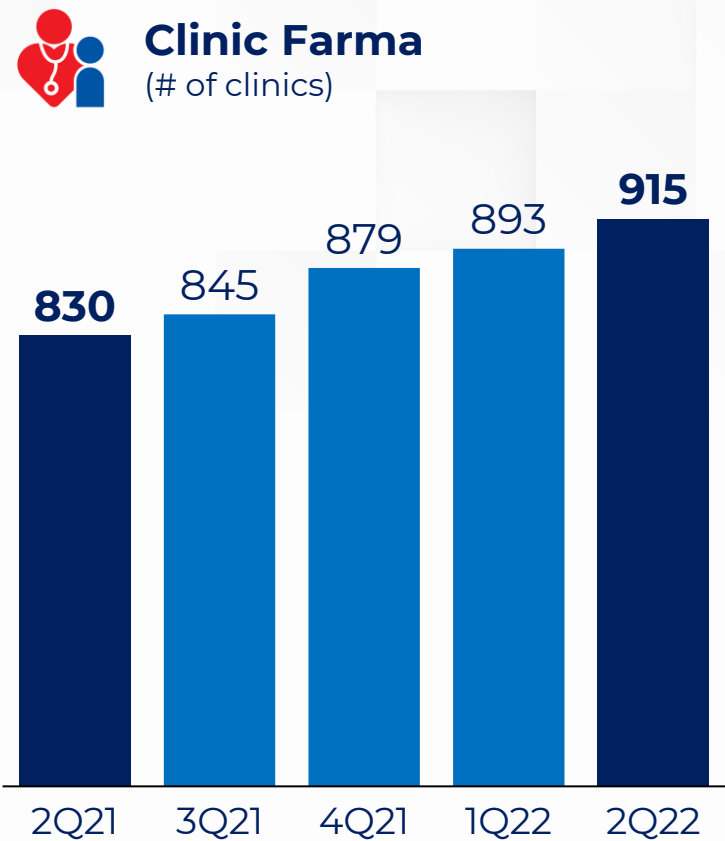


# Health Hub

Renato Camargo, cxo

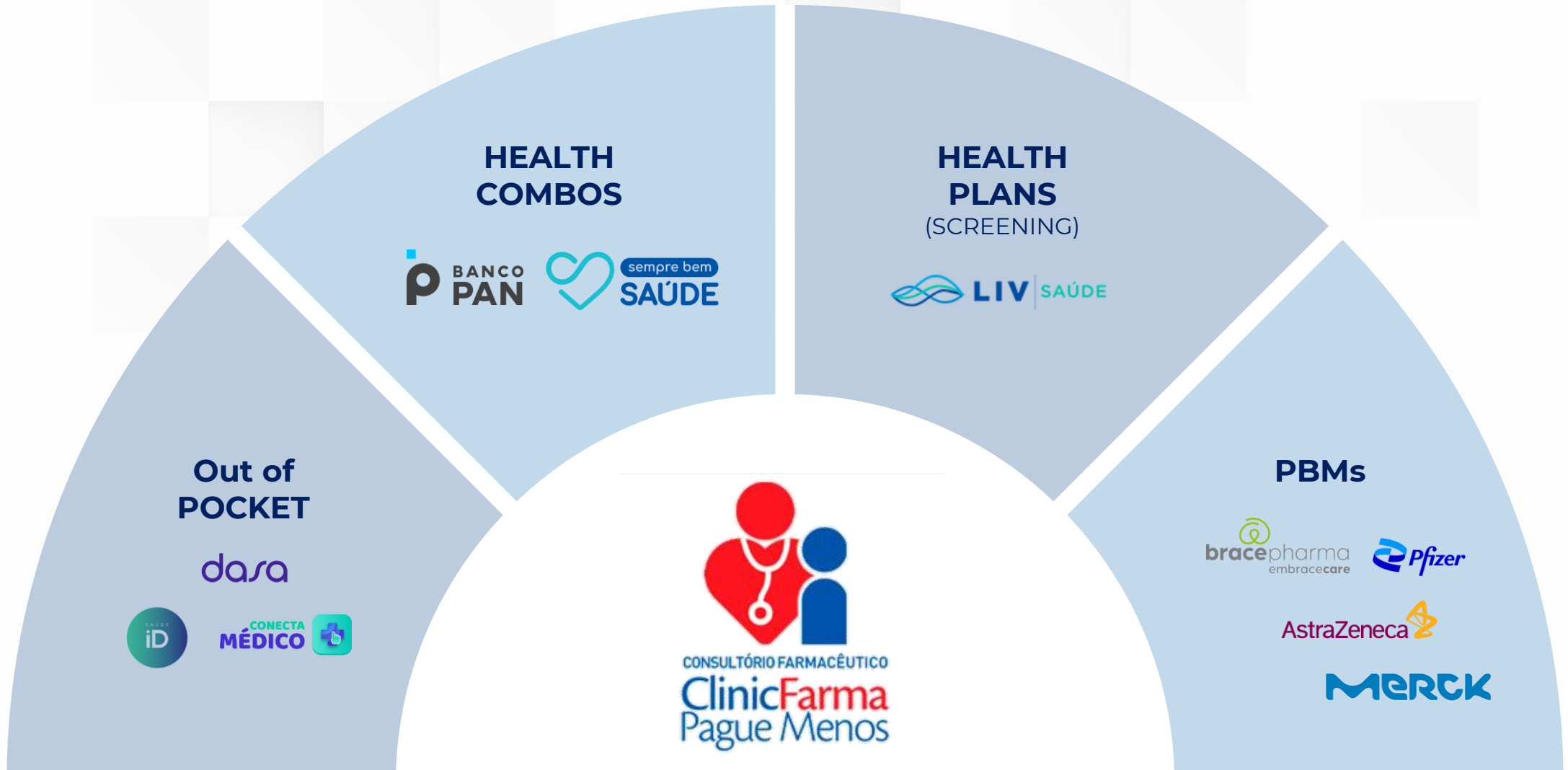
# Health Hub Results

Consistent improvements in the multiple components of our Health Hub



# Strategic Partnerships

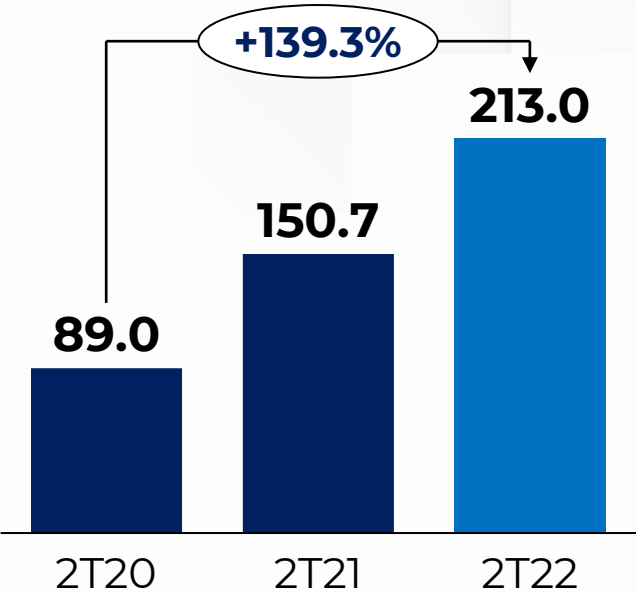
*Expanding the reach of Clinic Farma*



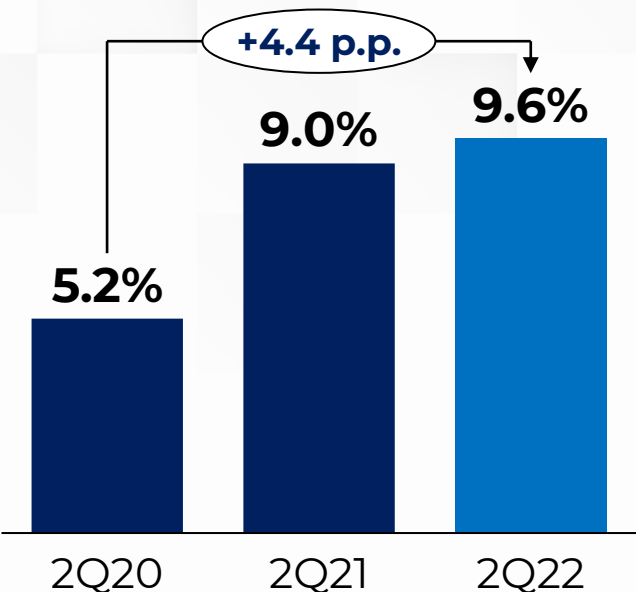
# Digital Results

*Consistent growth, above the market, and balanced across multiple channels*

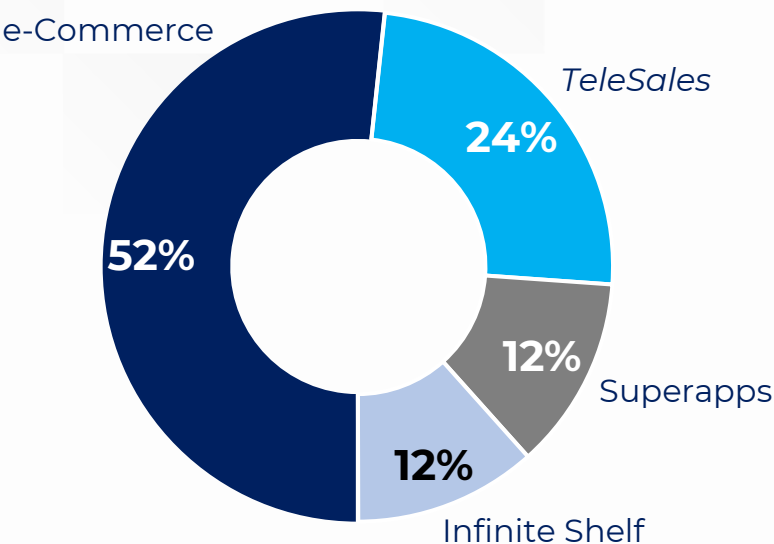
**Digital Channels Sales**  
(in R\$ million)



**Digital Channels Sales**  
(as a % of total sales)



**Breakdown by Channel**  
(% of digital sales)





# Social Commerce

Newest innovation in our digital channels, already presenting expressive results

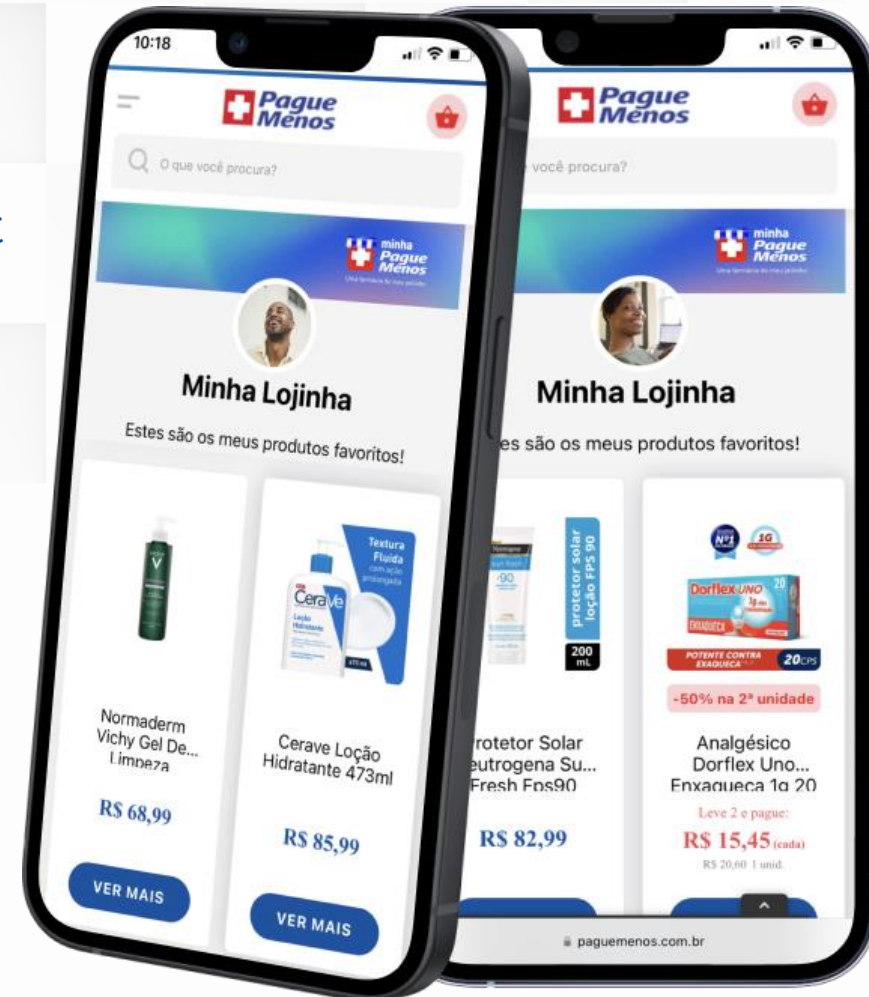
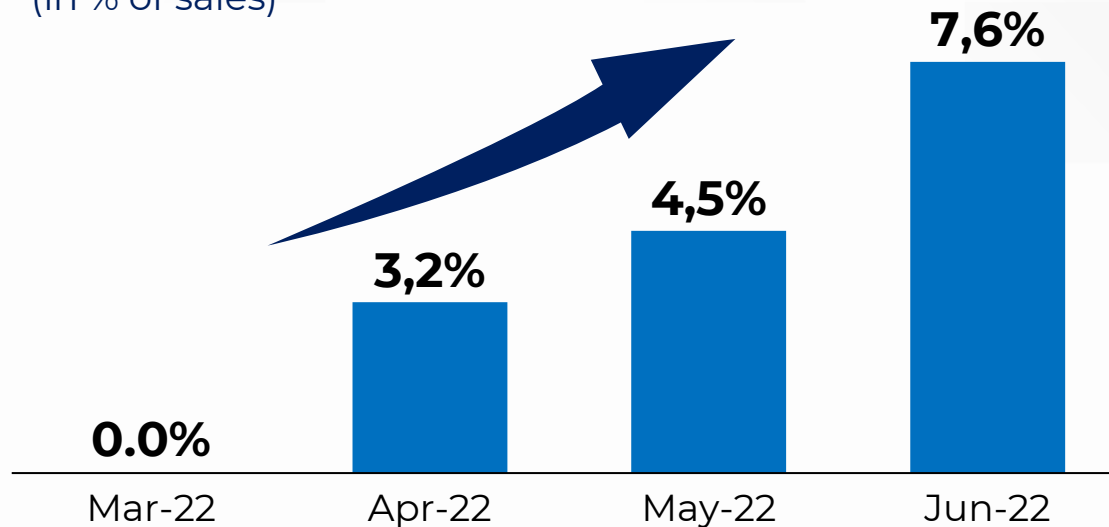


Uma farmácia do meu jeitinho

**+ 7k**  
Active stores

**~R\$ 200**  
Avg. Ticket

## Participation in e-commerce (in % of sales)





# Extrafarma Acquisition

Luiz Novais, CFO

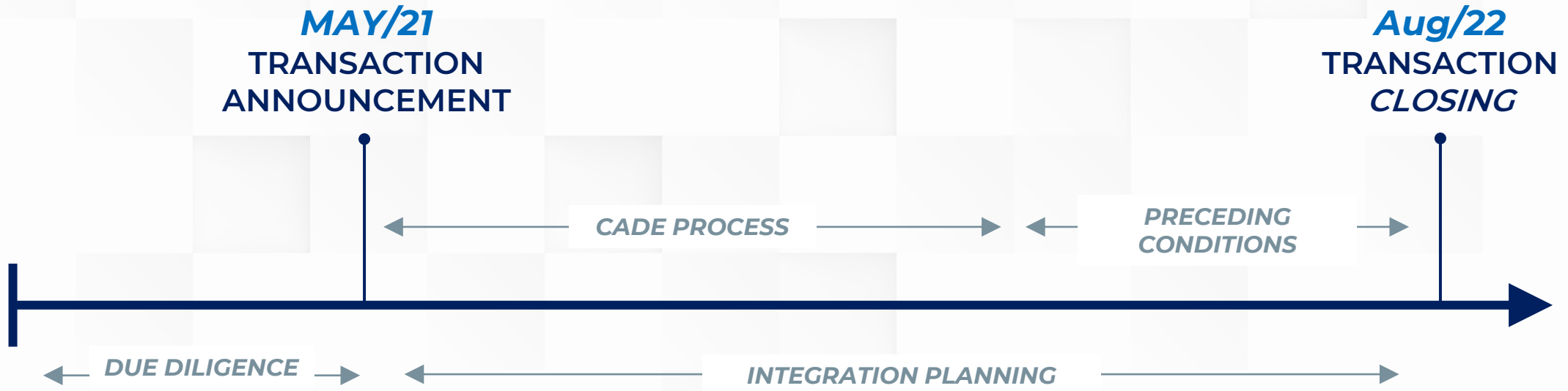
José Rafael Vasquez, COO

Mário Queirós, CEO



# Transaction Closing

*Successful completion of the acquisition*



Over the past year, **important advances** related to the transaction have been achieved:

- ✓ **Potential for synergies** confirmed by the clean team
- ✓ **Detailed integration plan** elaborated
- ✓ Successful **CADE approval**
- ✓ **Divestment** of stores formalized

# Updated Transaction Terms

## Transaction Disbursements

(BRL million)

<b>Enterprise value</b>	<b>700</b>
(-) Net Debt <sup>1</sup>	36
(+) Variation in Working Capital <sup>2</sup>	73
<b>Equity value</b>	<b>737</b>
(-) Ultra minority interest <sup>4</sup>	7
<b>Purchase Price</b>	<b>730</b>
1st Disbursement (Closing)	365
2nd Disbursement (08/01/23) <sup>3</sup>	182
3rd Disbursement (08/01/24) <sup>3</sup>	183

## Transaction Structure



- **Cash** disbursement, in 3 installments;
- Maintenance of Extrafarma CNPJ, becoming a **subsidiary of Pague Menos**
- Consolidation of the balance sheet as of 08/01/22
- Closing balance will be audited in the next 90 days;

<sup>1</sup> Considers the position of cash and cash equivalents and loans and financing of Extrafarma estimated on 07/31/22

<sup>2</sup> Regarding the variation of the current assets and liabilities between 12/31/20 and 07/31/22. Amount subject to price adjustment within 120 days after closing

<sup>3</sup> Installments to be updated by the CDI + 0.5% p.a. from closing to payment date

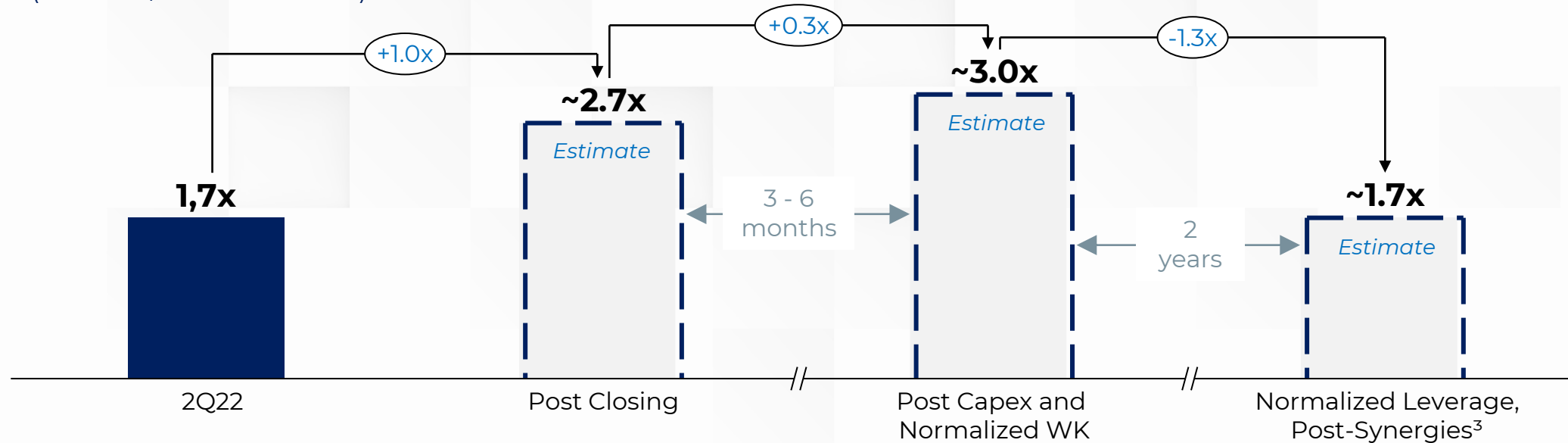
<sup>4</sup> 0.99% of the shares of Extrafarma were acquired by minority shareholders of the Ultra Group, following the preferential right provided for in the terms of the contract.

# Consolidated Capital Structure

*Strong liquidity position with temporary impact on financial leverage*

## FINANCIAL LEVERAGE

(Net Debt/EBIDA ex-IFRS16)



## STRONG LIQUIDITY POSITION

**~BRL 900MM**  
in cash<sup>1</sup>

**+BRL 600MM**  
receivables<sup>2</sup>

**~3 years**  
average maturity of debt

<sup>1</sup> Considers the cash and cash equivalents position at the end of 2Q22, R\$500 million from the 7th Issue of Debentures, settled on 07/15/22 and R\$27 million from Extrafarma's cash

<sup>2</sup> Considers credit card receivables with immediate liquidity, already discounted for the cost of anticipation

<sup>3</sup> Considers only the *mid-range* of estimated synergies, that is, it disregards the organic growth and cash generation of the Company. Should not be interpreted as a projection.

# Integration Plan

*Detailed integration roadmap to be executed since day one*

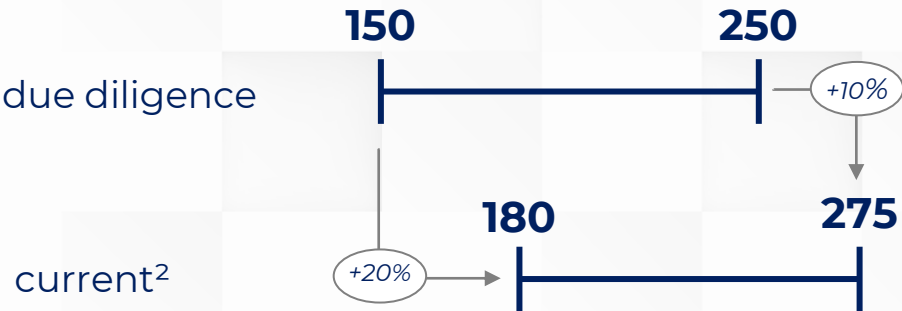
 LOGISTICAL EFFICIENCY	 TECHNOLOGICAL INTEGRATION	 ORGANIZATIONAL UNIFICATION	 OPERATIONAL CONVERGENCE
<ul style="list-style-type: none"><li>▪ Full integration of <b>DC operations and supply routes</b>;</li><li>▪ Strengthening the network, with <b>logistics and tax optimization</b>;</li><li>▪ <b>DCs turnaround schedule defined</b>, phased until January/23;</li></ul>	<ul style="list-style-type: none"><li>▪ Well-designed <b>technological integration</b> plan in 8 months;</li><li>▪ <b>Migration of 100%</b> of base to Pague Menos systems</li><li>▪ <b>System support agreement</b> with Grupo Ultra;</li></ul>	<ul style="list-style-type: none"><li>▪ Extrafarma's <b>operations team</b> remains unchanged;</li><li>▪ <b>Renovation and expansion of the SP office</b> to receive the new Extrafarma team;</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Purchasing conditions</b> unified within 6 months;</li><li>▪ <b>Assortment Expansion</b> in Extrafarma stores;</li><li>▪ <b>Single platform</b> for the operation of Health Hub</li></ul>

# Mapped Synergies<sup>1</sup>

Estimates calculated during due diligence confirmed during the planning period

## Range of Estimated Synergies

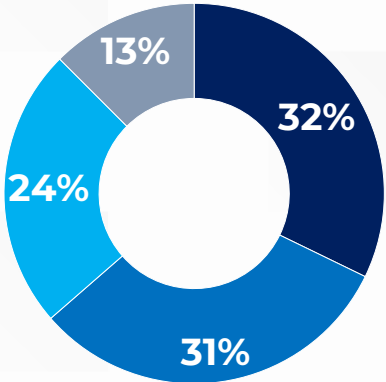
(BRL million in Increased EBITDA)



## Mapped Synergy Levers

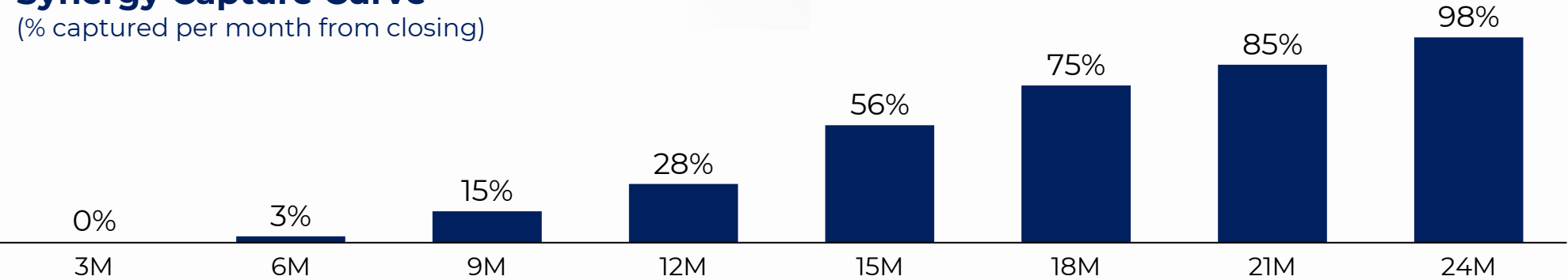
(BRL million)

- Sales
- Gross Margin
- SG&A
- Logistics



## Synergy Capture Curve





(% captured per month from closing)



<sup>1</sup> Estimated synergies, should not be interpreted as projections or promise of performance  
<sup>2</sup> Review incorporates accumulated inflation since due diligence and advances in synergy mapping

# New Company - Consolidated View

*2<sup>nd</sup> largest pharma retail chain in Brazil; numbers don't include synergies*

	2021			1H22		
			<b>NEWCo</b> (Pro forma)			<b>NEWCo</b> (Pro forma)
Stores (#)	1,126	399	1,525	1,192	399	1,591
<b>Gross Revenue (BRL mn)</b>	<b>8,063</b>	<b>2,096</b>	<b>10,159</b>	<b>4,322</b>	<b>1,105</b>	<b>5,427</b>
Gross Profit (BRL mn)	2,421	603	3,024	1,321	326	1,647
Gross margin (%)	30.0%	28.7%	29.8%	30.6%	29.5%	30.4 %
<b>EBITDA (BRL mn)</b>	<b>671</b>	<b>74</b>	<b>745</b>	<b>373</b>	<b>38</b>	<b>410</b>
EBITDA Margin (%)	8.3%	3.5%	7.3%	8.6%	3.4%	7.6%
<b>EBITDA ex-IFRS16 (BRL mn)</b>	<b>401</b>	<b>(21)</b>	<b>380</b>	<b>215</b>	<b>(13)</b>	<b>202</b>
EBITDA Margin ex-IFRS16 (%)	5.0%	(1.0%)	3.7%	5.0%	(1.2%)	3.7%

Note: Pro-forma numbers, excluding non-recurring accounting adjustments related to the closing of the transaction.

# The Beginning of a New Cycle

The conclusion of the transaction puts us in a **privileged position** in the market and marks the **beginning of a new phase** of value creation for shareholders.



**2nd LARGEST** Retail Pharma Chain



**TOP 10** Retail Chains in Brazil<sup>1</sup>



**LEADERSHIP REGIONS N/NE**

+21% market share<sup>2</sup> (+2.4x above the 2nd largest player)



**LARGEST PLATFORM**

Health Services In retail pharma (+1,200 clinics<sup>3</sup>)



<sup>1</sup> In number of stores, considering ranking published by SBVC (Brazilian Society of Consumer Retailing)

<sup>2</sup> Referring to the market share of the year 2021, measured by IQVIA

<sup>3</sup> Post integration and implementation of Clinic Farma in the operation of Extrafarma





Q&A



***PagueMenos***



Farmácia  
oficial da  
Seleção e  
da torcida  
brasileira.

## **INVESTOR RELATIONS**

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