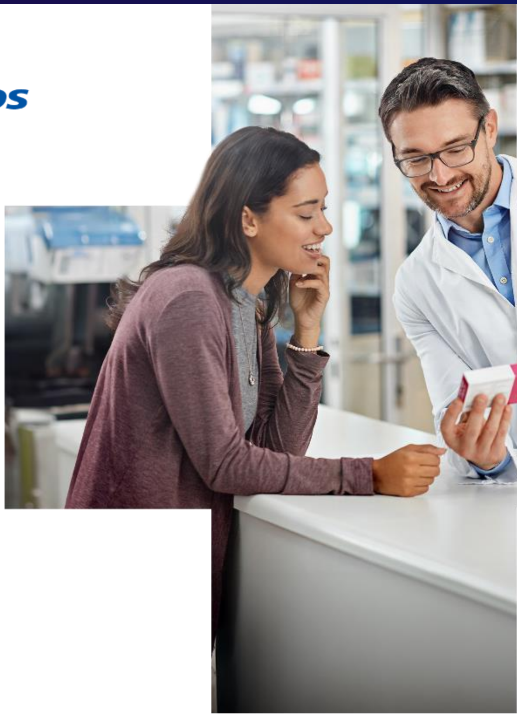
EARNINGS RELEASE 1Q24

PagueMenos

extrafarma



Fortaleza, Ceará, May 6, 2024.

Empreendimentos Pague Menos S.A. ("Company"), the main Health Hub for the Brazilian expanded middle class, present in every state in Brazil and more than 400 municipalities, announces its results for the 1st quarter of 2024.

1Q24 HIGHLIGHTS

- **SAME STORE SALES**
  9.6% consolidated (8.5% in Pague Menos and 15.1% in Extrafarma)
- **GROSS REVENUE**
  R$ 3.1 billion (+10.0% vs 1Q23) with acceleration in both brands
- **EXTRAFARMA SYNERGIES**
  R$ 153 million on an annualized basis (+18% vs 4Q23)
- **ADJUSTED EBITDA**
  R$ 96.9 million (+77.4% vs 1Q23) with 1.2 p.p. in margin expansion
- **INDEBTEDNESS**
  2.6x Net debt / EBITDA (0.4x reduction vs 1Q23)
- **CASH CYCLE**
  60 days (-5 days vs 1Q23), with partial receivables recomposition
- **OMNICHANNEL PLATFORM**
  13.4% of total sales via digital channels (+2.2 p.p. vs 1Q23)
- **HEALTH HUB**
  1.9 million consultations provided in Clinic Farma

Note: The figures in this earnings release are presented under the IAS 17 accounting standard. The reconciliation to the IFRS 16 accounting standard can be found in Appendix 1.

DISCLOSING CRITERIA

On August 01, 2022, the acquisition process of Imifarma Produtos Farmacêuticos e Cosméticos S.A. (Extrafarma) with Ultrapar Participações S.A. (Ultrapar) was completed. With the completion of the precedent conditions and merger of equity balances, Extrafarma was consolidated and became part of the consolidated financial statements of Empreendimentos Pague Menos S.A. (Company) that same month.

In order to facilitate the analysis of the results, we will present the financial data in this release with an emphasis on consolidated numbers. Nevertheless, Annex 1 of this document presents the individual statements of income for the year (ex-Extrafarma), aiming to allow the comparison with periods prior to the acquisition.

Since 2019, our financial statements have been prepared in accordance with IFRS 16, which changed the criteria for recognition of rental contracts. To better demonstrate the economic reality of the business, the numbers in this report are presented under the old standard, IAS 17. The reconciliation with IFRS 16 can be found in a dedicated chapter in this document.

CONSOLIDATED FINANCIAL HIGHLIGHTS

in R$ million and % of Gross Revenue	1Q23	1Q24	Δ
Gross Revenue	**2,813.2**	**3,095.1**	**10.0%**
Gross Profit	**817.5**	**903.6**	**10.5%**
% Gross Margin	*29.1%*	*29.2%*	*0.1 p.p*
Contribution Margin	**142.6**	**185.9**	**30.3%**
% Contribution Margin	*5.1%*	*6.0%*	*0.9 p.p*
Adjusted EBITDA	**54.6**	**96.9**	**77.4%**
% Adjusted EBITDA Margin	*1.9%*	*3.1%*	*1.2 p.p*
Adjusted Net Profit	**(55.3)**	**(29.6)**	**(46.5%)**
% Adjusted Net Margin	*(2.0%)*	*(1.0%)*	*1.0 p.p*

OPERATING HIGHLIGHTS

KPI	1Q23	1Q24	Δ
# of Stores	1,647	1,654	0.4%
Average Sale/store/month (R$ thousand)	570	628	10.3%
Average ticket (R$)	76.66	81.96	6.9%
Same store sales (%)	4.4%	9.6%	5.2 p.p.
Digital channels (% of Gross Revenue)	11.2%	13.4%	2.2 p.p.
Private label (% of Gross Revenue)	6.3%	6.7%	0.4 p.p
# of Clinics	1,059	1,077	1.7%
Active customers (million)	19.9	20.9	4.9%
Total employees	25,373	25,819	1.8%
Store Employees	20,503	21,139	3.1%
Employees/store	12.4	12.8	2.7%
Operating cash cycle (days)	65	60	(5)
Net Debt / Adjusted EBITDA	3.0x	2.6x	(0.4x)

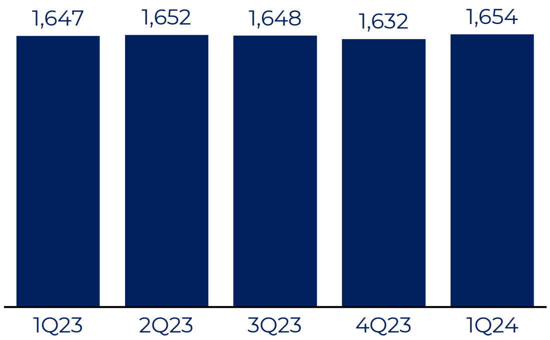
STORE PORTFOLIO

We ended 1Q24 with 1,654 stores, 29 of which were opened and 7 closed in the quarter (5 of which related to Extrafarma's footprint optimization process). With the opening of 29 stores in 1Q24, we practically completed the projection of openings for 2024.

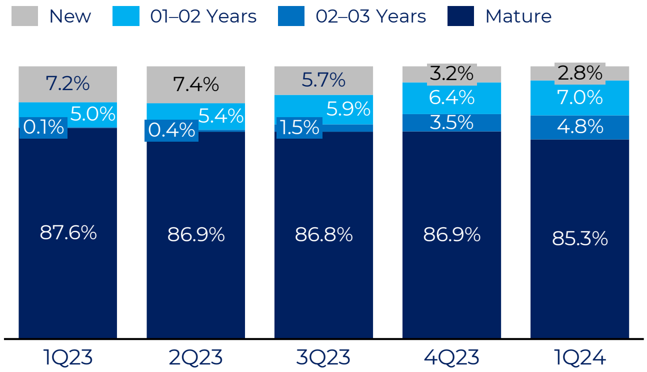
The profile of new stores continues to be geographically concentrated in the Northeast region (76% of openings in the last 12 months), but with a gradual relevance gain in the Center-West region, which is already the second region in terms of number of new stores.

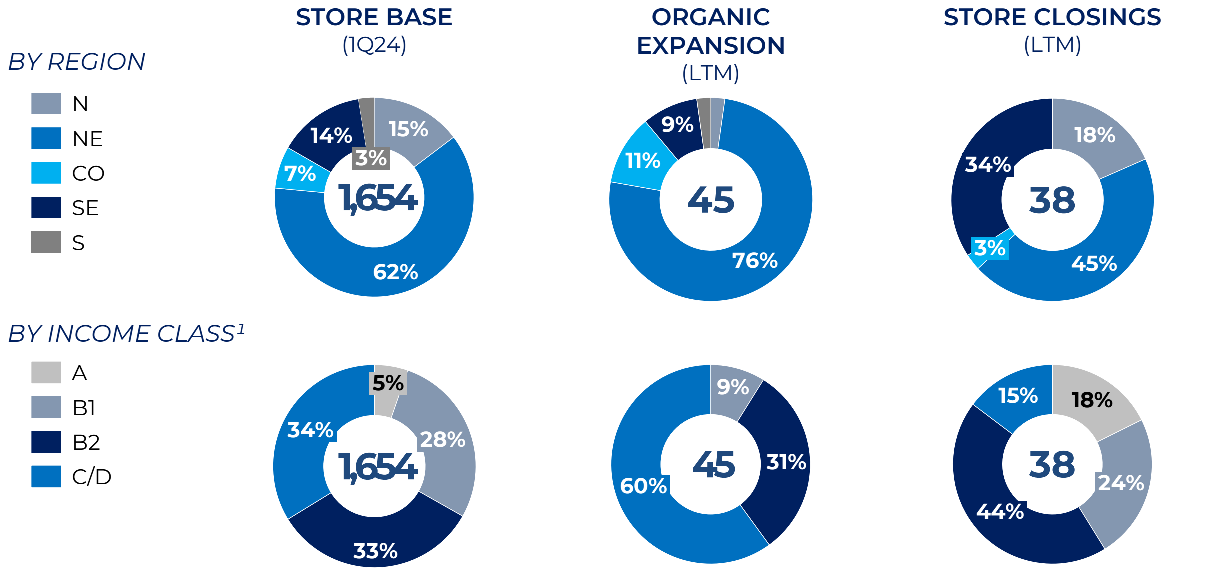
Regarding Extrafarma's operational integration, we made a relevant adjustment to the acquired store portfolio. Since August 2022, 41 stores have been closed. Moreover, we converted 55 stores to the Pague Menos brand and another 54 stores are currently in the pipeline for conversion, with expected conclusion in June 2024.

EVOLUTION OF STORE BASE



AGE PROFILE OF STORES





¹ Predominant social class in the vicinity of each store (isochronous for 5 minutes travelling by car). Segmentation follows the IBGE criteria.

SALES PERFORMANCE

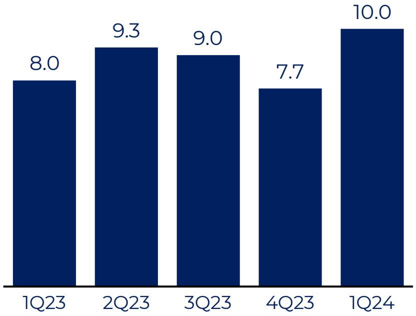
We observed an acceleration in sales growth in 1Q24, with a good mix between brands and store age profiles. Total growth reached 10.0% in the period, comprised of 8.3p.p. growth in mature stores and contributions of 1.2 p.p. of maturing stores, 1.5 p.p. in new stores and a negative effect of 1.0 p.p. caused by closed stores.

Consolidated same-store growth was 9.6% in the quarter, 8.5% in the Pague Menos store portfolio, and a significant 15.1% in Extrafarma. The good Pague Menos performance reflects the positive maturation of stores opened in 2021 and 2022, in addition to a favorable market environment marked by the reacceleration of growth, after a weaker fourth quarter. In Extrafarma, the strong growth level, substantially above the market average, reflects the operational improvement obtained over the last year, a weak basis for comparison (harmed by the more acute period of logistics and technological integrations in 1Q23), as well as brand conversions carried out in 2023.

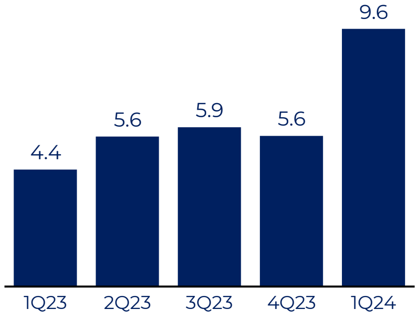
The results obtained through brand conversions continue exceeding expectations, with a fast ramp-up in sales. In 1Q24, converted stores recorded growth of 32.1% compared to the same period of the previous year, while the remaining Extrafarma stores grew 12.5%. This performance highlights the strength of Pague Menos' brand in our core regions, thus supporting the strategy of continuing conversion projects in the coming quarters, which will contribute to maximizing the capture of synergies.

It is important highlighting that Extrafarma stores converted to the Pague Menos brand continue to be considered part of the Extrafarma portfolio, both for management (calculation of KPIs) and accounting (individual financial statements) purposes, as the stores retain their original EIN (CNPJ).

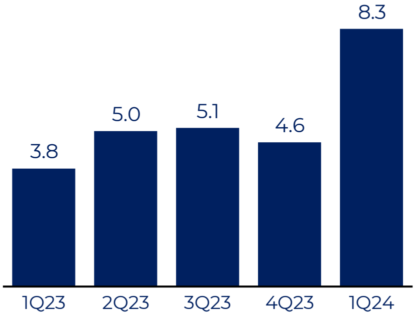
TOTAL GROWTH[2]
(change %)



SAME STORES
(change %)



MATURE STORES
(change %)



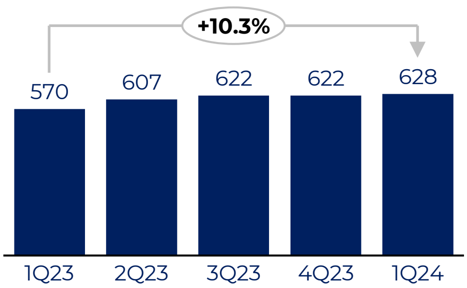
We estimate a neutral calendar effect on sales performance for the quarter. Despite the leap year contributing to one more day of sales than the previous year, the holiday calendar and greater number of weekends fully offset this effect. On the other hand, we estimate a positive calendar effect for the second quarter of the year.

The Center-West region continues standing out in the regional analysis, with same-store growth (SSS) of 15.5% in the quarter, well above the North and Northeast (SSS of 9.5%) and South and Southeast (SSS of 8.2%) regions. Considering also the new stores, the region recorded growth of 18.3% in the quarter, well above the market average.

[2] Pro forma growth data, considering Extrafarma's historical base and disregarding the wholesale operation, discontinued in October 2022.

Average monthly sales per store reached R$ 628 thousand (R$ 657 thousand in the Pague Menos portfolio and R$ 522 thousand in Extrafarma). In a short time, the integration plan quickly resulted in strong operational convergence, with metrics such as stockouts, assortment and share of digital channels across both brands. The effect of this operational convergence on sales is gradual and has been reflected in a progressive decrease in the sales gap between the two operations, which dropped from 30% before the acquisition to 20% in 1Q24.

AVERAGE SALE/STORE/MONTH
(R$'000)

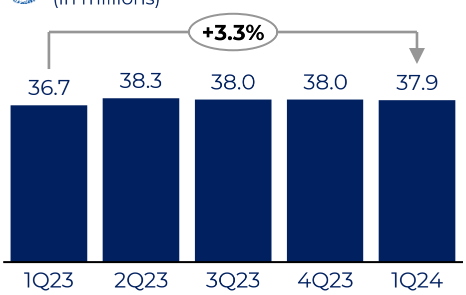


The consolidated growth for the quarter can be broken down into a growth of 3.3% in the volume of services and 6.5% in the average ticket.

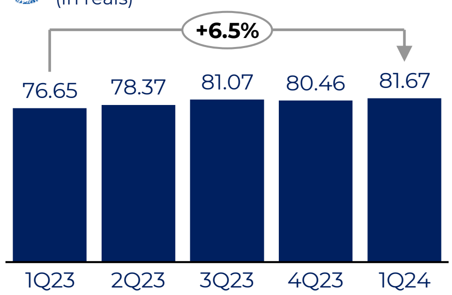
Volume growth was similar in both brands, although presenting a different behavior in the evolution of the store base in the last 12 months (net growth of 33 stores in Pague Menos and reduction of 26 stores in Extrafarma). In the same store concept, which excludes the effect of openings and closings, volume growth was 2.8%, with 1.9% in Pague Menos and a significant 7.0% in Extrafarma.

The 6.5% growth in the average ticket recorded in the quarter mainly reflects the inflation accumulated in the period. It is worth highlighting that the average ticket gap between the brands continues to reduce, reflecting the equalization of the commercial strategy and product assortment, thus contributing to the reduction in the average sales gap per store. The average ticket gap between brands is currently 10.9%, vs. 12.5% recorded before the integration started.

SERVICES
(in millions)



AVERAGE TICKET
(in reais)

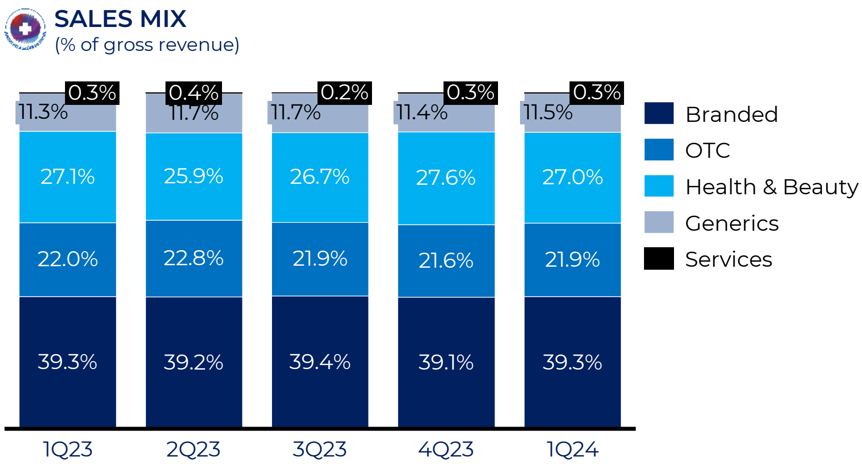


Our active customer base totaled 20.9 million customers, accounting for a 4.9% growth compared to the same period of the previous year, even with a reduction in the volume of marketing investments for the quarter. Our CRM strategy continues to be increasingly focused on improving loyalty and average spending among the customer base through actions to customize the purchasing journey, improvements in the customer experience and prioritization of the *Cliente Ouro* (our top loyalty program tier).

CATEGORY AND SUPPLY MANAGEMENT

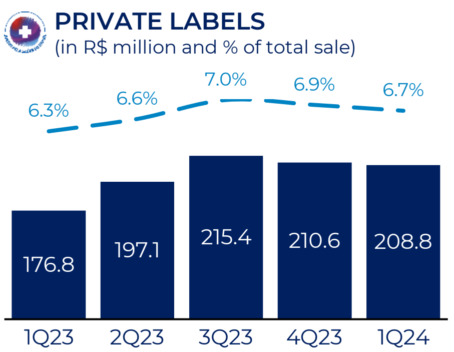
With a well-balanced growth in the main categories, the sales mix remained relatively stable in 1Q24 when compared to the same period of the previous year. The major highlight continues to be generic drugs, reaching 11.5% of sales in the quarter. We continue observing a great growth potential in this category, which should contribute to structural margin gains in our business.

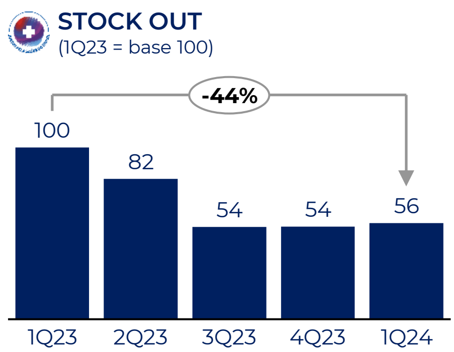
Among the levers for increasing sales in the Extrafarma brand, we continue to see a great opportunity in the sales mix convergence. Despite the efforts to expand the assortment, reduce stock out rates and reposition prices, the share of prescription medicines is significantly lower under this brand, which contributes negatively to the average ticket and customer loyalty. In this context, it is important to observe the effectiveness of brand conversions, which have already boosted this category of medicines in a short time.



Our private labels totaled R$ 208.8 million in 1Q24, accounting for a growth of 18.1% compared to the same period of the previous year. The sales share jumped from 6.3% to 6.7% when considering total sales, and from 12.8% to 13.8% when considering only self-service sales. The good performance is driven by the progressive increase in the category's share at Extrafarma, which already operates at a higher level than Pague Menos.

Our supply chain continues operating efficiently, with a stable stock out rate compared to previous quarters. Compared to 1Q23, when the logistics integration with Extrafarma was not fully completed, this KPI recorded a significant reduction of 44%.



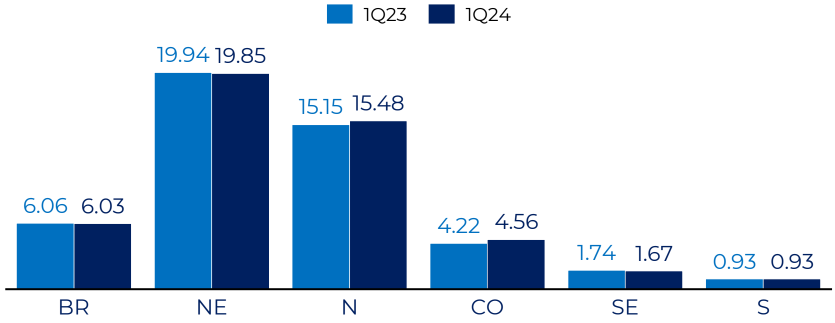


MARKET SHARE

We observed stable market share dynamics in 1Q23, with share gains in the North and Center-West regions and stability in the remaining regions. Domestically, we recorded a slight decline of 0.03 p.p. in our market share, due to the growth breakdown between regions.

It is worth highlighting that traditionally the market share data calculated by IQVIA suffers distortion in the first quarter of the year due to its methodology. While the share of chains is calculated by sell-out, that is, sales made to the end consumer, the share of independent participants and associations is calculated by sell-in, informed by distributors. In the months before the annual readjustment of medicine prices, when there is a reinforcement of retail stocks, the sell-in volume tends to grow more than the sell-out, thus overestimating the market share of independent participants and associations.

MARKET SHARE BY REGION (%)

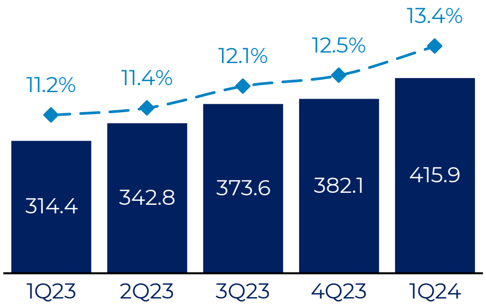


The good market share performance occurs despite the slowdown in our organic expansion. While our store base increased only 0.4% in the last 12 months, the market recorded growth of 1.6%, driven by a growth of approximately 5% in chain stores. Even with this mismatch, we managed to consistently record growth in line with the market over the last few quarters.

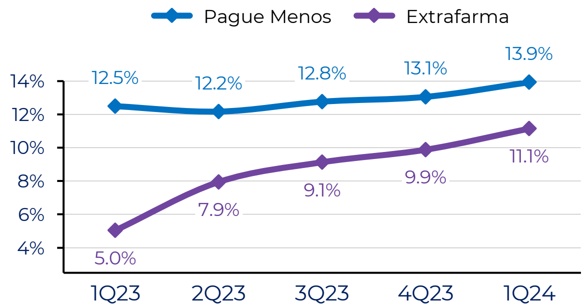
OMNICHANNEL PLATFORM

We continue to consistently advance in our omnichannel strategy. Our multiple digital channels totaled R$ 416 million in sales in 1Q24, accounting for a growth of 32.3% compared to the same period of the previous year. The total sales share reached 13.4%, representing a 2.2 p.p. increase over 1Q23, progressively closing the gap between brands.

OMNICHANNEL SALES
(R$ million)



OMNICHANNEL SALES
(% of retail revenue)

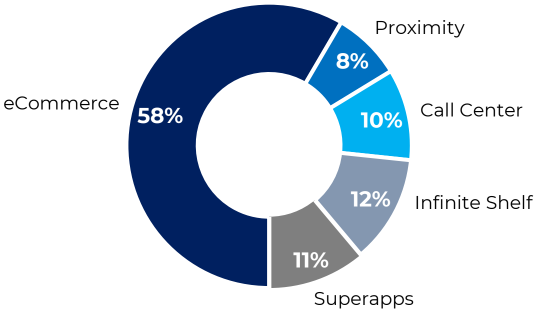


Growth on our omnichannel platform remains well balanced across multiple channels, with emphasis on e-commerce and infinite shelf, which continue to gain market share in sales. The WhatsApp sales initiative, launched at the end of 2023, gained traction in 1Q24 with the incorporation of new features and improvements to the shopping experience. We are currently the only pharmaceutical retail chain to operate this sales channel in a fully automated and scalable manner, using conversational artificial intelligence.

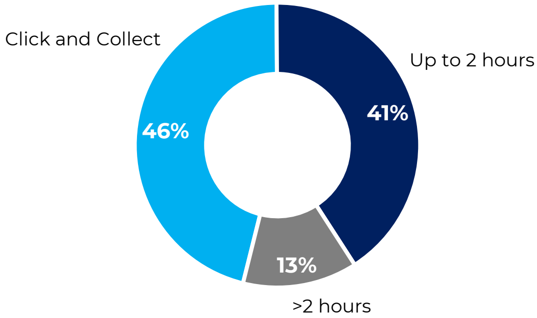
We continue working to increase the profitability of our digital channels through improvements implemented in pricing intelligence, product mix and efficiency gains in indirect expenses. Therefore, in 1Q24 we recorded a channel contribution margin of over 1 p.p. higher than that recorded in 1Q23.

Balancing growth, profitability and service level, we continue presenting a good delivery performance. Our capillarity of brick-and-mortar stores and integration between sales channels allowed 87% of orders placed on digital channels to become available to clients in less than 2 hours.

DIGITAL CHANNELS MIX
(% of omnichannel sales 1Q24)



DELIVERY MIX
(% of omnichannel orders 1Q24)



HEALTH HUB

In 1Q24, we carried out 1.9 million consultations at our Clinic Farma, surpassing the 5 million mark in the last 12 months. The services vertical is increasingly gaining scale and relevance in customers' purchasing journeys, thus resulting in increased recurrence and greater value perception.

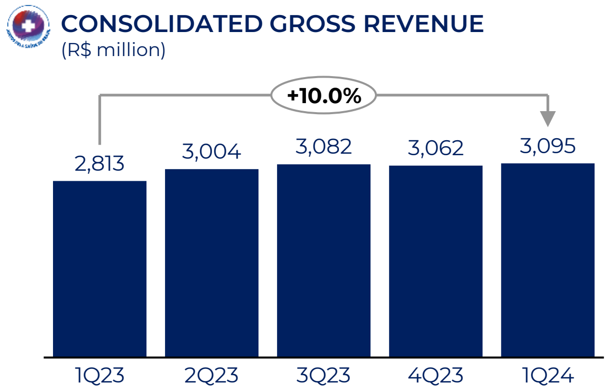
Throughout the quarter, our network of pharmaceutical clinics was an important point of support for the population in the face of the dengue outbreak, even considering that the highest incidence of cases occurred in states outside our core regions. The demand for rapid tests and dengue vaccines grew more than 800% compared to the same period of the previous year.

We recently changed our vaccination strategy, moving away from a model of partnerships with specialized companies to focus on our own model, where we are responsible for stocking and administering vaccines, thus gaining flexibility for promoting campaigns and greater profitability on this service. With this change, the volume of vaccinations has grown exponentially in recent quarters, reaching a level more than 5 times higher than in the same period of the previous year. We currently have 36 vaccination rooms and expect to expand to approximately 100 stores by the end of the year.

Our specialty medicines front recorded a 54.5% growth in sales, already accounting for over 1% of consolidated sales. The higher relevance within this market occurs gradually, with an increase in market share in multiple highly complex items.

GROSS **REVENUE**

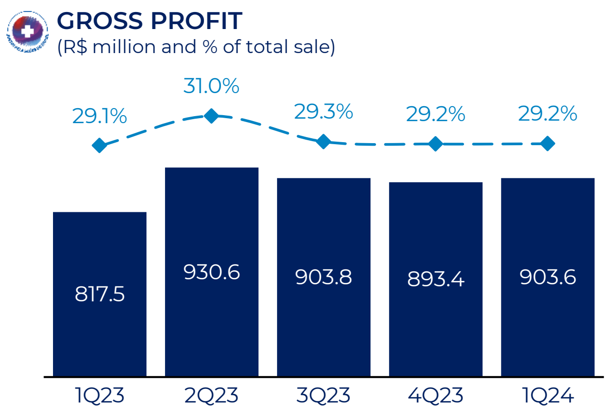
Consolidated gross revenue reached a new record level in 1Q24, totaling R$ 3.095 billion. Of this total, 82% was generated in Pague Menos and 18% in Extrafarma. For more information on sales growth in the quarter, check the "Sales Performance" section of this release.



GROSS **PROFIT**

Consolidated gross profit totaled R$ 903.6 billion in the quarter, accounting for a growth of 10.5% compared to 1Q23. Gross margin totaled 29.2%, recording a slight expansion of 0.1 p.p. compared to the same period of the previous year.

We recorded specific pressure on the inventory loss rate in the quarter, related to Extrafarma's old inventory. Moreover, we recorded a lower APV effect on the margin than in the same period of the previous year. Said combined effects pressured the gross margin by 0.6 p.p. Despite this situation, commercial actions, advances in capturing synergies at Extrafarma, inflationary gains from inventories (generated by increases in ICMS tax rates in some markets) and a positive mix effect (generated mainly by the growth in generic medicines and private labels), were enough to maintain gross margin at a similar level to previous quarters.



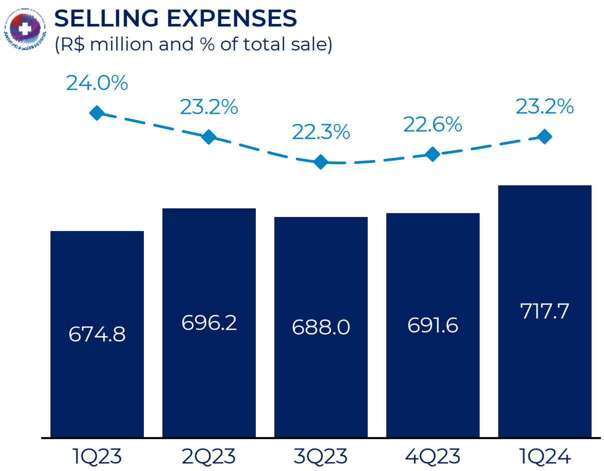
In the breakdown by company, the gross margin was 28.9% in Pague Menos (stable in relation to 1Q23) and 30.4% in Extrafarma (up 0.6 p.p. in relation to 1Q23). The higher gross margin in Extrafarma is related to the brand geographic exposure, more concentrated in regions where we operate with better margins, and the sales mix, which has a lower share of branded medicines.

SELLING EXPENSES

Consolidated selling expenses totaled R$ 717.7 million, equivalent to 23.2% of gross revenue, down 0.8 p.p. compared to the same period of the previous year.

The greater dilution of expenses is partly related to the 1Q23 comparison base, when the volume of expenses was occasionally pressured by a greater concentration of marketing expenses, based on the year's sponsorship calendar, and the most pressing moment of the Extrafarma integration, which increased technology and logistics expenses, in addition to negative impacts on sales. Together, these effects pressured sales expenses as a percentage of revenue by 0.4 p.p. in 1Q23.

However, the operational leverage generated by the growth of mature stores above inflation, as well as the progress in capturing synergies at Extrafarma also contributed directly to performance in the quarter, especially in rental expenses, where we achieved positive renegotiations with property owners and positive inflationary impact, following the behavior of the IGPM (index used in most rental contracts), which remained at a low level.



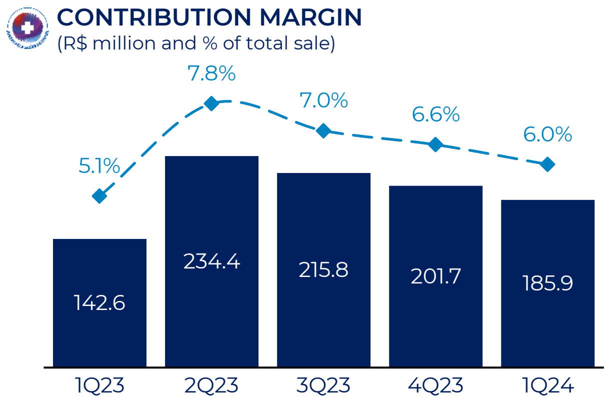
Compared to 4Q23, selling expenses grew 3.9%, related to the increase in the store base, employee collective bargaining agreements in important locations, such as Fortaleza and the phasing of marketing expenses.

We continue highlighting the relevant opportunity to reduce the gap in operating expenses between brands. In 1Q24, selling expenses accounted for 22.6% of gross revenue at Pague Menos, while this percentage was 25.9% at Extrafarma, a significant gap of 3.3 p.p. As Extrafarma's sales increase levers advance over the next quarters, we expect this gap to be gradually reduced, thus significantly contributing to the increase in profitability of our consolidated operation.

CONTRIBUTION MARGIN

The contribution margin, equivalent to the operating profit of our store base, reached 6.0% in 1Q24, accounting for a significant growth of 0.9 p.p. compared to the same period of the previous year.

It is worth highlighting that, seasonally, the contribution margin in the first quarter is the lowest for the year, due to fewer working days of sales, lower gross margin and the accrual of expense inflation, which is only recovered in April with the annual price adjustment of medicines.

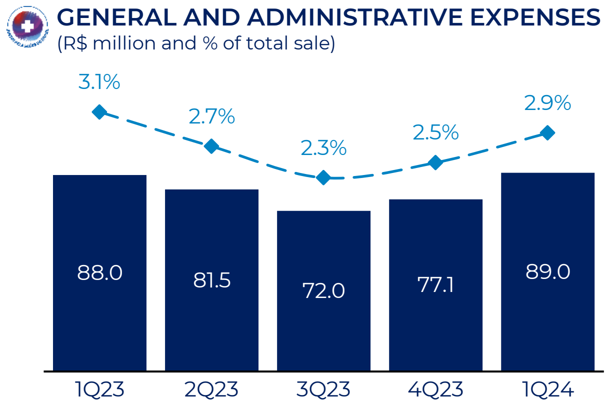


From a brand perspective, the contribution margin was 6.3% in Pague Menos and 4.4% in Extrafarma, resulting in a profitability gap of 1.9p.p. between operations. This gap is slightly higher than the 1.7 p.p. gap recorded in 4Q23, justified by a reduction in the gross margin gap between the brands, owing to the increased share of branded medicines in the Extrafarma mix.

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

G&A expenses totaled R$ 89.0 million in 1Q24, equivalent to 2.9% of gross revenue. Compared to the same period of the previous year, there was a dilution of 0.2 p.p. in this group of expenses, mainly related to the organizational synergies captured within the scope of the Extrafarma integration.

It is important to highlight that, seasonally, G&A expenses as a percentage of revenue reach their peak in the first quarter, due to the employee collective bargaining in Fortaleza, where our headquarters are located.

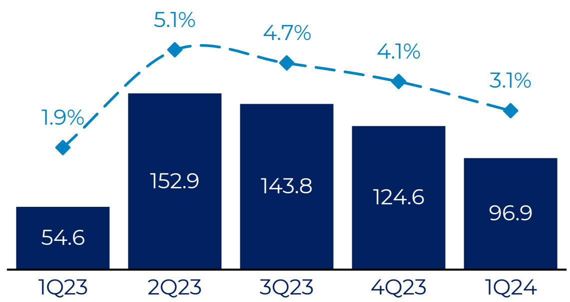


ADJUSTED **EBITDA**

Consolidated adjusted EBITDA totaled R$ 96.9 million in 1Q24, accounting for a significant growth of 77.5% compared to the same period of the previous year. The adjusted EBITDA margin was 3.1% in the quarter, up 1.2 p.p. compared to 1Q23.

In the quarter, we managed to combine the acceleration in the growth pace with the expansion of gross margin and dilution of expenses, where the main drivers of operational improvement are related to the synergies captured in the Extrafarma integration. The operational result achieved stresses our conviction that 2024 has good prospects to be more positive than 2023.

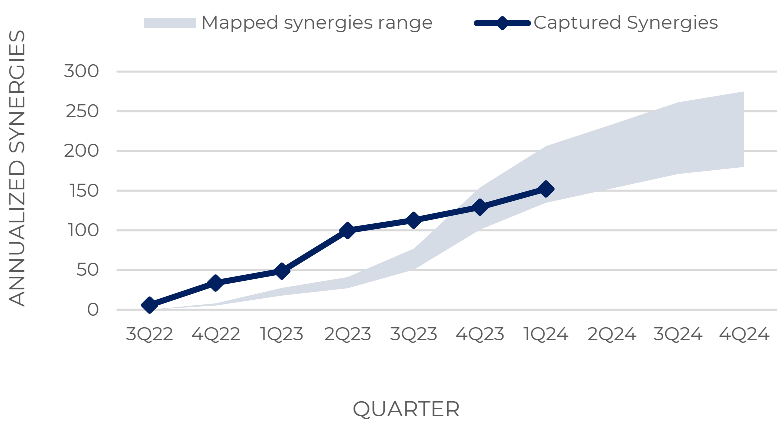
ADJUSTED EBITDA
(R$ million and % of total sale)



INTEGRATION OF EXTRAFARMA AND CAPTURE OF SYNERGIES

In 1Q24, we reached a volume of R$ 153.3 million in annualized synergies, with 85% impacting on Extrafarma's operating income and 15% on Pague Menos. The result recorded in the quarter accounts for an increase of 18% compared to 4Q23, where the main developments were generated by footprint optimization initiatives (closings and conversions) and increased sales (CRM, digital channels and assortment expansion). The synergies recorded in the quarter are already discounted from the non-synergies related to the integration, such as an increase in the level of inventory losses, closure of the wholesale operation and CADE's remedies.

SYNERGY CAPTURE CURVE
(R$ million)



Sales levers already account for 30% of the total captured synergies. The good performance in this area reflects the acceleration of average sales per Extrafarma store, which jumped 27% compared to 1Q22, the first comparable quarter before the acquisition.

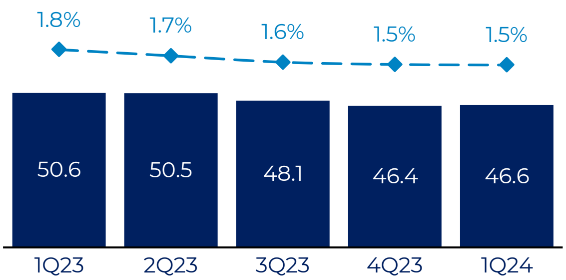
Extrafarma's EBITDA margin was 1.9% in 1Q24, growth of 4.1 p.p. in relation to the same period of the previous year, reflecting all the operational progress implemented over the last 12 months. Compared to 4Q23, the EBITDA margin recorded a decrease of 0.2 p.p., as a result of the seasonality of the first quarter.

DEPRECIATION, FINANCIAL RESULTS AND INCOME TAX

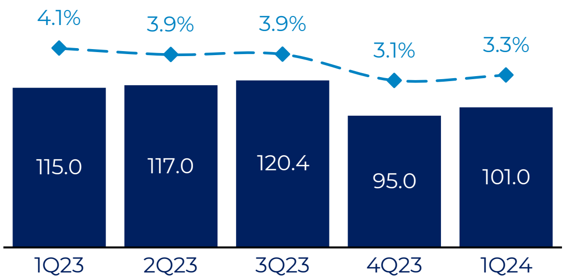
Depreciation and amortization totaled R$ 46.6 million in 1Q24, an 8.0% decrease compared to 1Q23. The downward trend observed in recent quarters follows the decrease in the volume of investments from 2023 onwards, when we started our financial deleveraging cycle.

The net financial expense of R$ 101.0 million in 1Q24, represented a 12.2% decrease compared to the same period of 2023. The main component of the change was the decrease in expenses with advances on receivables, which reduced from R$ 29.2 million in 1Q23 to R$ 11.1 million in 1Q24. The gain was partially offset by higher provision for interests, following the increase in gross debt, and the Adjustment to Present Value (APV). Compared to 4Q23, the financial result grew 6.4%, reflecting the seasonality for the period, when there is normally greater cash consumption, thus putting pressure on financial expenses.

DEPRECIATION
(R$ million and % of total sale)

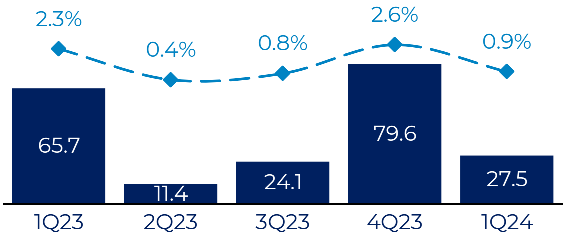


FINANCIAL RESULT
(R$ million and % of total sale)



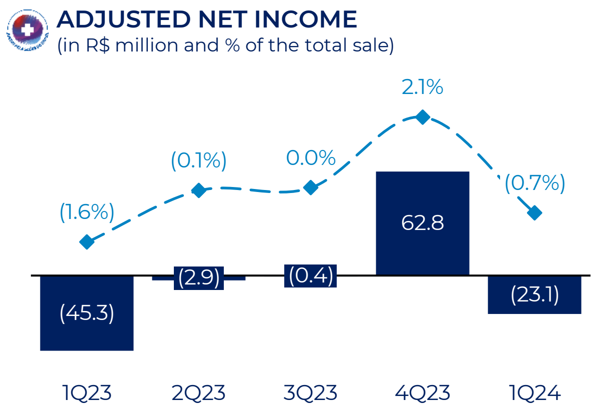
Deferred income tax in 1Q24 was R$ 27.5 million, down 58.2% compared to 1Q23. The decline is related to the tax losses recognition in the previous period, especially in the Extrafarma operation. We also recorded a drop in the volume of investment grants as a result of the changes implemented in the logistics network in the context of the Extrafarma integration. In 1Q23, grants were equivalent to 1.2% of gross revenue, while this percentage was reduced to 1.0% in 1Q24.

INCOME TAX
(R$ million and % of total sale)



ADJUSTED NET **INCOME**

In 1Q24, we recorded a negative adjusted net result of R$ 23.1 million. Despite the strong expansion of operating results in the quarter, the current level of financial results, still pressured by the indebtedness level and high interest rates, continue to affect the company's net result.



It is worth highlighting that the seasonality of the first quarter negatively impacts the net result in three ways: i) lower gross margin related to the sales mix and promotional calendar; ii) lower operational leverage, due to inflationary gap and fewer business days of sales; and iii) higher financial expenses, due to cash consumption in prior to the medicines price increase. Therefore, we can expect that results in the coming quarters will tend to be more positive.

ADJUSTED INCOME **RECONCILIATION**

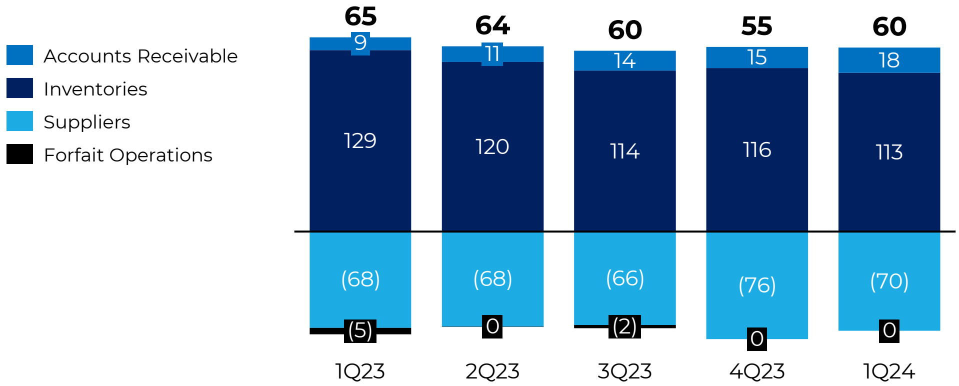
For a better understanding and comparability with previous periods, the results for the year were adjusted in order to exclude non-recurring events. We present below the details of the adjustments made, as well as their respective impacts on earnings. The complete reconciliation of the accounting and adjusted result is presented in Annex 3 of this release

Description of Adjustment	Net effect on consolidated result	
	1Q23	1Q24
Accounting net income - IFRS 16	**(62.8)**	**(36.9)**
IFRS 16 effects	10.0	6.4
Total - Management adjustments	7.5	7.3
(+/-) Write-off of property, plant and equipment	(5.6)	1.5
(+) Extrafarma acquisition extraordinary expenses	3.0	-
(+) Organizational restructuring	1.6	-
(+/-) Business combination	-	3.8
(+) Interest on installments payable in Extrafarma transaction	12.4	5.7
(+/-) Effect on IRPJ and CSLL taxes of adjustments	(3.9)	(3.7)
(+/-) Effect on minority interest of adjustments	-	0.0
Adjusted Net Income	**(45.3)**	**(23.1)**

CASH CYCLE

In 1Q24, the operating cash cycle reached 60 days, a reduction of 5 days compared to the same period of the previous year. In practice, the operational efficiency gain was even greater, as over the last 12 months we reduced the volume of receivables anticipations, causing the receivables term to rise from 9 to 18 days. The main driver for the reduction in capital employed is related to the significant decrease in inventory from 129 days in 1Q23 to 113 days in 1Q24. It is worth highlighting that we were at the most critical moment of logistics integration in 1Q23, which temporarily generated an excess inventory in the DCs involved in changes in the supply network, in addition to negative impacts on Extrafarma's sales.

CONSOLIDATED CASH CYCLE[3]
(in days of COGS and days of Gross Revenue)



Compared to 4Q23, there was an increase of 5 days in the cash cycle, with a lower suppliers term partially offset by a reduction in inventories. It is important highlight that, even with the traditional pre price increase inventory reinforcement, which was fully implemented according to our planning, productivity gains allowed a significant reduction in the inventory level for the quarter.

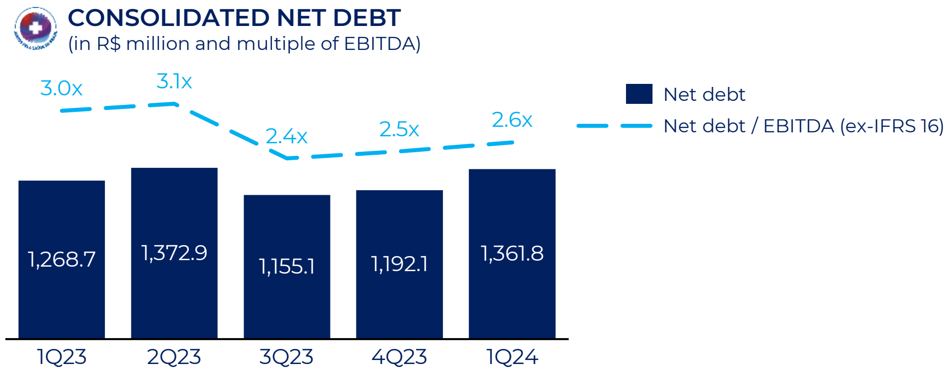
The inventory reduction effort is concentrated on 3 fronts: i) reduction in the volume of excess products (Extrafarma legacy inventory); ii) improvements to the product replacement algorithm; and iii) improvement in inventory turnover at Extrafarma stores, with growth in average sales per store.

The productivity gain at Extrafarma becomes clear when we analyze the gap in inventories turnover between brands. In 1Q23, Extrafarma stores operated with inventories term 30 days above the level of Pague Menos stores. In 1Q24, this gap was reduced to 9 days, even with initiatives to increase assortment and reduce stock out carried out throughout the integration.

INDEBTEDNESS

The debt level in 1Q24, measured by the net debt to adjusted EBITDA ratio, was 2.6x, accounting for a slight increase of 0.1x compared to 4Q23. The increase is related to the seasonality of the first quarter of the year, where there is traditionally operating cash consumption due to the greater need for working capital as a result of the pre-increase.

[3] The calculation of the Average Inventory Period and the Average Payment Period disregards the effects of the APV, commercial agreements and recoverable taxes.



The debt profile continues to evolve favorably, with lengthening of terms and reduction in financing costs. Considering the total gross debt recorded at the end of the quarter, 74% matures in the long term, with 40% after 2026. The weighted average spread, which at the end of 4Q23 was CDI + 2.19%, reduced to CDI + 1.97% in 1Q24. This change, coupled with the cycle of falling interest rates currently underway, should contribute to significant savings on debt service throughout the year.

With the expansion plan for the year practically completed in 1Q24, our cash generation from 2Q24 onwards will be directed towards reducing the indebtedness level, thus accelerating the ongoing financial deleveraging process.

INVESTMENTS

In 1Q24, the amount of R$ 12.1 million was disbursed in investments, 68% lower than the same period of the previous year. The decrease reflects the greater prioritization of cash preservation and the Company's financial deleveraging cycle.

It is important to highlight that, although we opened 29 new stores in the quarter, most of the Capex related to the openings was invested in the previous year, following the store construction schedule.

Capex (R$ million)	1Q23	%	1Q24	%
Expansion	20.0	53%	6.2	51%
Refurbishment of stores	6.6	17%	2.8	23%
Technology	5.4	14%	2.8	23%
Infrastructure of stores, DCs and offices	6.0	16%	0.4	3%
Total	**38.0**	**100%**	**12.1**	**100%**

CASH FLOW

The free cash flow recorded in 1Q24 was negative R$ 88.4 million, following the usual seasonality of cash consumption for the period.

Compared to the same period of the previous year, the reduction in free cash flow is explained by the change in the balance of accounts receivable, since we increased the volume of advance of receivables in 1Q23, generating cash, while in 1Q24 we recovered part of the balance, consuming cash. Excluding said effect, free cash flow was R$ 262.6 million better than the comparable period, combining an improvement in operating results, reduction in inventories and a slowdown in the volume of investments.

Management Cash Flow (R$ million)	1Q23	1Q24
Consolidated EBITDA (ex-IFRS 16)	**55.4**	**94.1**
(-) Gain from bargain purchase	-	1.3
(Δ) Accounts receivable	220.6	(113.1)
(Δ) Inventories	(15.0)	123.5
(Δ) Suppliers	0.8	(174.2)
(Δ) Drawee risk operations	(130.9)	-
(Δ) Recoverable taxes	(44.0)	(30.5)
(+/-) Change in other assets and liabilities/Non-cash effects	(66.2)	22.6
(=) Cash flow from operations	**20.8**	**(76.4)**
(-) Capital investments	(38.0)	(12.1)
(=) Cash flow from investments	**(38.0)**	**(12.1)**
Free cash flows	**(17.2)**	**(88.4)**
(+) Gross debt raised	123.1	-
(-) Gross debt payment	(58.2)	(47.6)
(-) Debt service	(75.1)	(54.2)
(-) Share repurchases / Payment of capital	68.6	115.4
(+) Dividends and interest on capital received (paid)	(79.1)	(136.0)
(=) Cash flow from financing	**(20.7)**	**(122.4)**
Opening balance of cash, equivalents and interest earning bank deposits	168.1	443.3
Closing balance of cash, equivalents and interest earning bank deposits	130.2	232.5
Changes in cash and cash equivalents	**(37.9)**	**(210.8)**

APPENDIX 1: **STATEMENT OF INCOME FOR THE YEAR**

IFRS 16 came into force on January 01, 2019, amending the accounting recognition model for lease contracts. To preserve historical comparability, we present below the reconciliation with the previous standard (IAS 17).

PAGUE MENOS CONSOLIDATED INCOME STATEMENT

Statement of income for the year (R$ million)	IAS 17			IFRS16		
	1Q23	1Q24	Δ	1Q23	1Q24	Δ
Gross Revenue	**2,813.2**	**3,095.1**	**10.0%**	**2,813.2**	**3,095.1**	**10.0%**
Deductions	(177.2)	(212.6)	20.0%	(177.2)	(212.6)	20.0%
Net revenue	**2,636.1**	**2,882.5**	**9.3%**	**2,636.1**	**2,882.5**	**9.3%**
Cost of goods sold	(1,818.6)	(1,978.9)	8.8%	(1,818.6)	(1,978.9)	8.8%
Gross Profit	**817.5**	**903.6**	**10.5%**	**817.5**	**903.6**	**10.5%**
Gross margin	*29.1%*	*29.2%*	*0,1p.p.*	*29.1%*	*29.2%*	*0,1p.p.*
Sales expenses	(674.8)	(717.7)	6.4%	(560.9)	(597.0)	6.4%
Contribution Margin	**142.6**	**185.9**	**30.3%**	**256.5**	**306.5**	**19.5%**
Contribution margin (%)	*5.1%*	*6.0%*	*0,9p.p.*	*9.1%*	*9.9%*	*0,8p.p.*
General and administrative expenses	(88.0)	(89.0)	1.1%	(88.0)	(89.0)	1.1%
Adjusted EBITDA	**54.6**	**96.9**	**77.4%**	**168.5**	**217.6**	**29.1%**
Adjusted EBITDA margin	*1.9%*	*3.1%*	*1,2p.p.*	*6.0%*	*7.0%*	*1,0p.p.*
Depreciation and amortization	(50.6)	(46.6)	(8.0%)	(132.3)	(127.5)	(3.6%)
Financial income (loss)	(115.0)	(101.0)	(12.2%)	(162.5)	(150.5)	(7.4%)
Income (loss) before income tax	**(111.1)**	**(50.7)**	**(54.4%)**	**(126.3)**	**(60.5)**	**(52.1%)**
Income tax and social contribution	65.7	27.5	(58.2%)	70.9	30.8	(56.6%)
Minority interest	0.1	0.1	9.7%	0.1	0.1	9.7%
Adjusted Net Profit	**(45.3)**	**(23.1)**	**(48.9%)**	**(55.3)**	**(29.6)**	**(46.5%)**
Adjusted net margin	*(1.6%)*	*(0.7%)*	*0,9p.p.*	*(2.0%)*	*(1.0%)*	*1,0p.p.*

APPENDIX 2: **BALANCE SHEET**

PAGUE MENOS CONSOLIDATED BALANCE SHEET

Statement of financial position (R$ million)	IFRS16 12/31/2023	IFRS16 03/31/2024	IFRS16 ∆
Total assets	**8,988.6**	**8,767.7**	**(2.5%)**
Current assets	**4,493.6**	**4,272.5**	**(4.9%)**
Cash and cash equivalents	443.3	232.5	(47.5%)
Trade accounts receivable	513.6	624.3	21.6%
Inventories	3,029.7	2,886.9	(4.7%)
Recoverable taxes	239.6	270.5	12.9%
Other current assets	267.4	258.2	(3.4%)
Non-current assets	**4,495.0**	**4,495.3**	**0.0%**
Non-current receivables	1,358.9	1,388.6	2.2%
Investments	80.0	79.0	(1.3%)
Property, plant and equipment	949.6	920.8	(3.0%)
Right-of-use in leases	1,912.0	1,920.2	0.4%
Intangible assets	194.5	186.7	(4.0%)
Total liabilities	**8,988.6**	**8,767.7**	**(2.5%)**
Current liabilities	**3,242.5**	**3,088.5**	**(4.8%)**
Social and labor charges	163.6	194.6	19.0%
Suppliers	1,936.2	1,749.3	(9.6%)
Forfait operations	0.0	0.0	-
Tax obligations	111.2	118.2	6.3%
Loans, financing and debentures	430.3	415.9	(3.3%)
Other liabilities	265.4	266.6	0.5%
Lease	335.9	343.9	2.4%
Non-current liabilities	**3,085.6**	**3,069.9**	**(0.5%)**
Loans, financing and debentures	1,205.1	1,178.4	(2.2%)
Deferred taxes	3.6	3.3	(6.6%)
Lease	1,786.0	1,798.6	0.7%
Provisions	79.1	77.8	(1.7%)
Other accounts payable	11.8	11.8	0.0%
Shareholders' equity	**2,660.5**	**2,609.4**	**(1.9%)**
Realized capital	1,604.8	1,721.9	7.3%
Capital reserves	383.6	381.6	(0.5%)
Profit reserves	681.5	537.3	(21.2%)
Treasury shares	(17.0)	(2.0)	(88.1%)
Retained earnings/losses	0.0	(36.9)	-
Non-controlling interest	7.5	7.4	(1.3%)

APPENDIX 3: **RECONCILIATION OF ADJUSTED INCOME (LOSS)**

Adjusted Financial Statement Reconciliation (R$ million)	1Q24 Book value (Pague Menos)	1Q24 Book value (Extrafarma)	Eliminations	1Q24 Book value (Consolidated)	Effects IFRS 16	Management adjustments	1Q24 Adjusted (Consolidated)
Gross Revenue	**2,661.0**	**983.5**	**(549.4)**	**3,095.1**	-	-	**3,095.1**
Deductions	(176.9)	(47.4)	11.7	(212.6)	-	-	(212.6)
Net revenue	**2,484.2**	**936.1**	**(537.8)**	**2,882.5**	-	-	**2,882.5**
Cost of goods sold	(1,748.4)	(768.3)	537.8	(1,978.9)	-	-	(1,978.9)
Gross Profit	**735.8**	**167.8**	**-**	**903.6**	-	-	**903.6**
Sales expenses	(483.4)	(115.1)	(1.3)	(599.8)	(120.7)	2.7	(717.7)
G&A expenses (ex-EP)	(76.7)	(14.0)	-	(90.8)	-	-	(90.8)
Equity in net income of subsidiaries	(12.4)	-	14.2	1.8	-	-	1.8
Depreciation and amortization	(96.7)	(30.8)	(1.5)	(129.0)	80.9	1.5	(46.6)
Operating income (loss)	**66.5**	**7.9**	**11.4**	**85.8**	**(39.8)**	**4.3**	**50.3**
Financial income (loss)	(132.7)	(23.6)	(1.0)	(157.3)	49.6	6.7	(101.0)
Income (loss) before income tax	**(66.2)**	**(15.7)**	**10.4**	**(71.5)**	**9.8**	**11.0**	**(50.7)**
Income tax and social contribution	29.3	5.2	-	34.5	(3.3)	(3.7)	27.5
Minority interest	-	-	0.1	0.1	-	0.0	0.1
Net income	**(36.9)**	**(10.5)**	**10.5**	**(36.9)**	**6.4**	**7.3**	**(23.1)**

APPENDIX 4: **EBITDA RECONCILIATION**

Reconciliation of EBITDA (R$ million)	*CONSOLIDATED* 1Q23	*CONSOLIDATED* 1Q24
Net income	**(62.8)**	**(36.9)**
(+) Net financial income (loss)	174.7	157.3
(+) Income tax and social contribution	(74.8)	(34.5)
(+) Depreciation and Amortization	132.3	129.0
(+) Minority interest	(0.1)	(0.1)
EBITDA (IFRS 16)	**169.3**	**214.8**
(+/-) IFRS 16 effects	(113.9)	(120.7)
(+/-) Management adjustments	(0.8)	2.7
Adjusted EBITDA (IAS 17)	**54.6**	**96.9**

APPENDIX 5: **STORE DISTRIBUTION BY STATE**

State / Region (# sotors)	1Q23	Organic Expansion	Closures	1Q24
Total	**1,647**	**45**	**38**	**1,654**
Northeast	**1,005**	**34**	**17**	**1,022**
Alagoas	37	2	-	39
Bahia	160	2	6	156
Ceará	283	8	7	284
Maranhão	133	5	-	138
Paraíba	63	5	-	68
Pernambuco	176	8	4	180
Piauí	43	-	-	43
Rio Grande do Norte	68	2	-	70
Sergipe	42	2	-	44
North	**249**	**1**	**7**	**243**
Acre	15	-	-	15
Amapá	18	-	-	18
Amazonas	21	-	-	21
Pará	151	-	6	145
Rondônia	13	-	-	13
Roraima	12	1	-	13
Tocantins	19	-	1	18
Southeast	**243**	**4**	**13**	**234**
Espírito Santo	24	-	-	24
Minas Gerais	68	3	-	71
Rio de Janeiro	18	-	3	15
São Paulo	133	1	10	124
Mid-West	**109**	**5**	**1**	**113**
Federal District	15	-	-	15
Goiás	29	-	-	29
Mato Grosso	35	4	-	39
Mato Grosso do Sul	30	1	1	30
South	**41**	**1**	**-**	**42**
Paraná	15	1	-	16
Rio Grande do Sul	7	-	-	7
Santa Catarina	19	-	-	19

EARNINGS VIDEOCONFERENCE

May 07, 2024

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