EARNINGS RELEASE 1Q22

PagueMenos

Fortaleza, Ceará, May 2, 2022. Empreendimentos Pague Menos SA ("Company" or "Pague Menos"), the first pharmaceutical retail chain present in every state in Brazil, bringing health care products and services to approximately 350 Brazilian municipalities, announces its results for the first quarter of 2022.

Since 2019, our financial statements have been prepared in accordance with IFRS 16, which changed the criteria for recognizing rental contracts. To demonstrate the effects of implementing this standard and facilitate comparison between periods, we present on page 15 of this release the Income Statement for the quarter excluding the effects of IFRS 16.

1Q22 HIGHLIGHTS

- **Sales**: total growth of 10.5%, with 7.1% in same stores and 7.0% in mature stores
- **Digital**: 63.1% growth, reaching 9.0% of total sales (+2.9p.p. vs 1Q21)
- **Clinic Farma**: new record of 837 thousand consultations and 7.0% customer base adhesion
- **Contribution Margin**: 10.8% of gross revenue, with 11.0% in same stores (+0.1 p.p. vs 1Q21)
- **Adjusted EBITDA**: BRL 162.4 million and 7.7% margin (-0.6 p.p. vs 1Q21)
- **Adjusted Net Income:** BRL 24.4 million and 1.2% net margin (-1.1 p.p. vs 1Q21)

FINANCIAL HIGHLIGHTS (BRL million)	1Q21	1Q22	Δ
Gross Revenue	**1,910.2**	**2,111.5**	**10.5%**
Gross Profit	**569.0**	**625.2**	**9.9%**
% Gross Margin	*29.8%*	*29.6%*	*(0.2 p.p.)*
Contribution Margin	**209.0**	**227.1**	**8.6%**
Contribution Margin %	*10.9%*	*10.8%*	*(0.1 p.p.)*
Adjusted EBITDA	**159.3**	**162.4**	**1.9%**
Adjusted EBITDA Margin %	*8.3%*	*7.7%*	*(0.6 p.p.)*
Adjusted Net Income	**44.2**	**24.4**	**(44,8%)**
Adjusted Net Margin %	*2.3%*	*1.2%*	*(1.1 p.p.)*

OPERATING HIGHLIGHTS	1Q21	1Q22	Δ
# of stores	1,101	1,169	6.2%
# of Stores with Clinic Farma	809	893	10.3%
Avg. Sale/store/month (BRL thousand)	577	603	4.5%
# of Consultations (thousand)	26,067	29,025	11.3%
Average Ticket (BRL)	73.28	72.75	(0.7%)
# of Employees	19,121	20,055	4.9%
# Average Employees/store	17.4	17.2	(0.2)
Avg. Sale/employee/month (BRL thousand)	33.5	35.2	5.1%
% of Sales from Digital Channels	6.1%	9.0%	2.9 p.p.

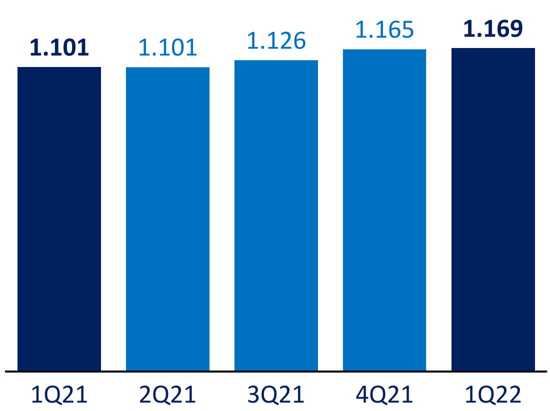
STORE PORTFOLIO

In 1Q22, we opened 10 stores and closed 6 stores, reaching a total portfolio of 1,169 points of sale.

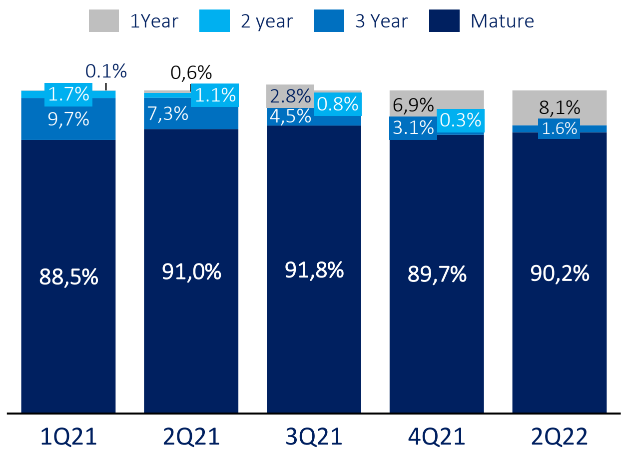
We remain focused on the densification of the North and Northeast regions, sporadically taking advantage of opportunities for new sites in other regions, in markets adherent to our value proposition and target audience. More than 80% of the stores opened in the last 12 months are in micromarkets with a predominance of income classes[1] B2, C and D.

The new stores are increasing Pague Menos presence in the interior of the country, as we are entering new small and medium-sized municipalities. About 70% of the new stores were opened in inland cities.

Evolution of Store Base



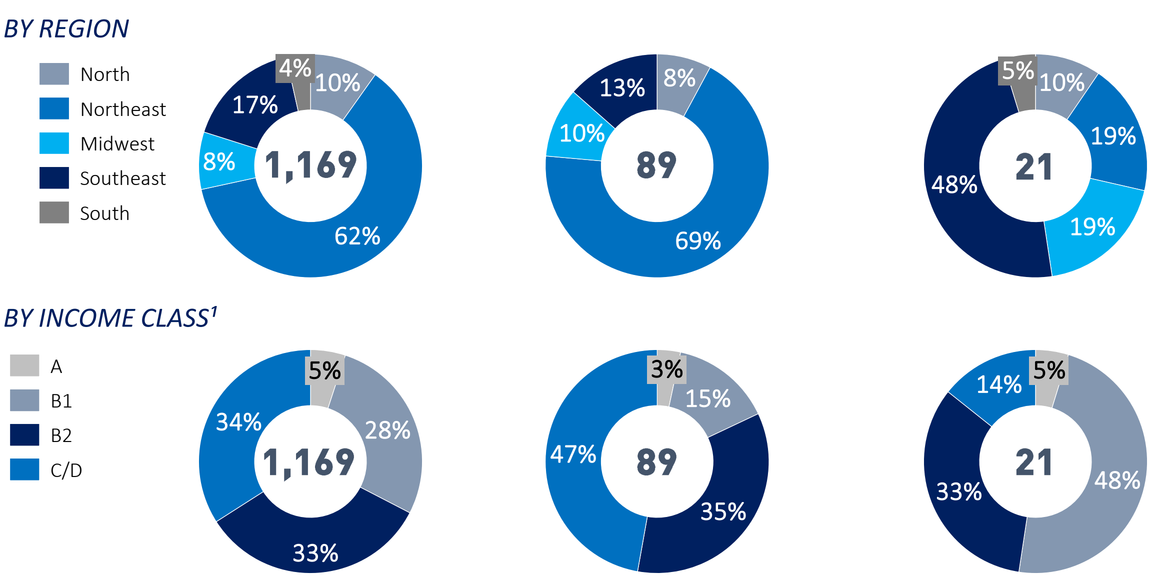
Age Profile of Stores



Store Base

Openings (LTM)

Closures (LTM)

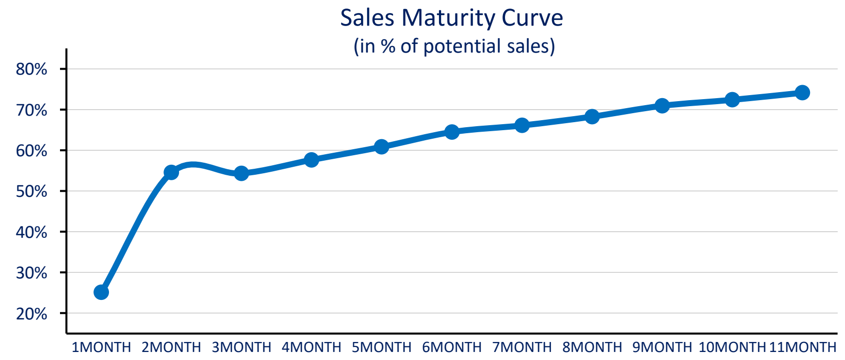


[1] Predominant social class in the vicinity of each store (isochronous for 5 minutes travelling by car). Segmentation follows the IBGE criteria, where Class A comprises households with an average monthly family income above BRL 16.6 thousand, B1 above BRL 7.9 thousand, B2 above BRL 4.2 thousand and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

The new cohort of stores continue to evolve positively, with good sales performance and contribution margins. The sales maturity curve, considering the performance in the quarter, was slightly below our initial projections (7p.p. in average per month). We believe that this trend occurred due to the atypical sales behavior in the quarter. Despite this reduction in the curve, by the end of 1Q22, more than 90% of the stores with more than 3 months had already reached its breakeven point.

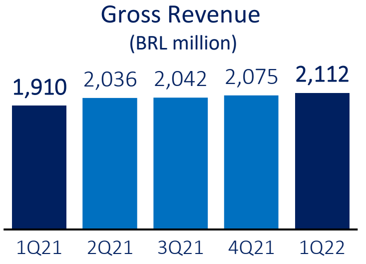
The average investment for new store openings has also been changing from what was originally planned. We have forecasted an average capex per store around R$ 1.1 million, however due to the inflation in construction material costs, the average caper per store being carried out is around 1.35 million.

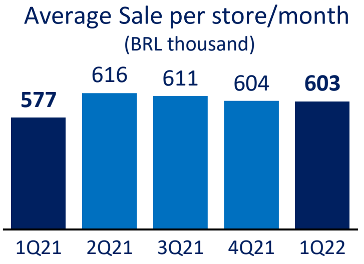
Even with these effects, the projection of the internal rate of return (IRR) for stores already opened is over 18%, well above the Company's cost of capital, with important generation of value and return on investment.

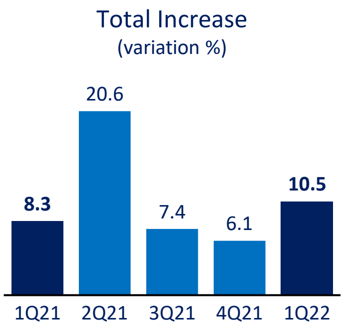


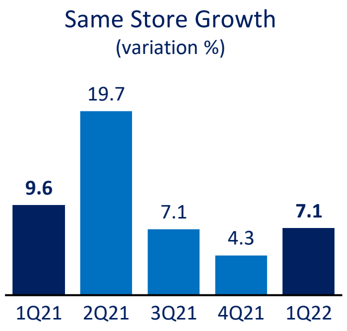
SALES

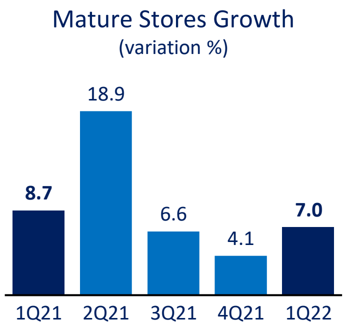
Gross revenue in 1Q22 totaled BRL 2.1 billion, an increase of 10.5% compared to 1Q21. The same store sales reached 7.1%, above the weighted inflation of the product categories we marketed, which was 6.3% in the period. The average monthly sale per store was BRL 603 thousand, an increase of 4.5% compared to 1Q21, even with the rise in the proportion of stores less than one year (0.1% in 1Q21 and 8.1% in 1Q22). If we disregard the new stores, the average monthly sale was BRL 622 thousand, increasing 7.8% compared to 1Q21.







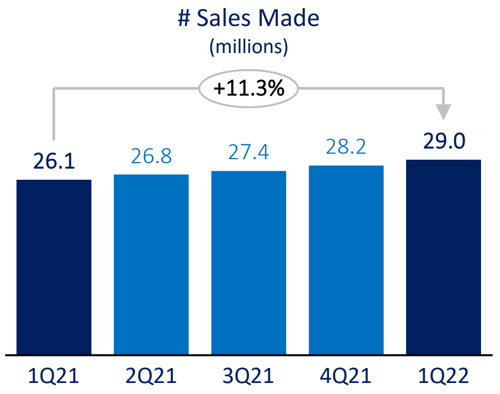


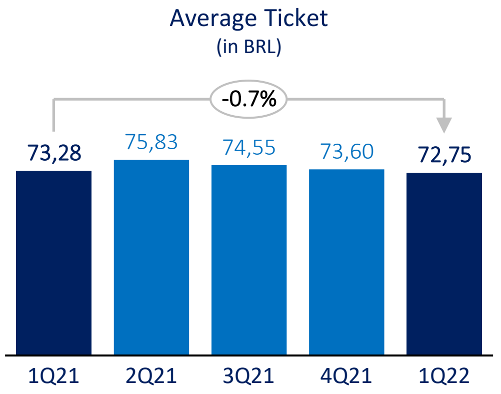


Throughout the quarter, we observed different dynamics in the sales growth pace between months. While January was a month with a strong demand for Covid-19 tests and flu or cold products, due to the Covid-19 Omicron outbreak and influenza, February was a month with low demand for acute treatment items. In March, the growth pace for sales returned to a normalized level.

The good results achieved with CRM actions stood out in the quarter, resulting in the attraction of new customers, reduction in the churn rate, and retention of high-value customers. At the end of 1Q22, we recorded 15.5 million active customers in the last 12 months, increasing 6.8% compared to 1Q21. In addition, incremental sales generated by custom campaigns and activations reached 3.2% of total sales.

Total sales growth in the quarter was driven by the increase in traffic, with number of sales made reaching 29.0 million in the quarter, an increase of 11.3% compared to 1Q21. We also observed a reduction in the average ticket of 0.7%, which despite an increase in the average price of products sold by 6.3% in the period, was negatively impacted by the number of items per basket and the mix effect.

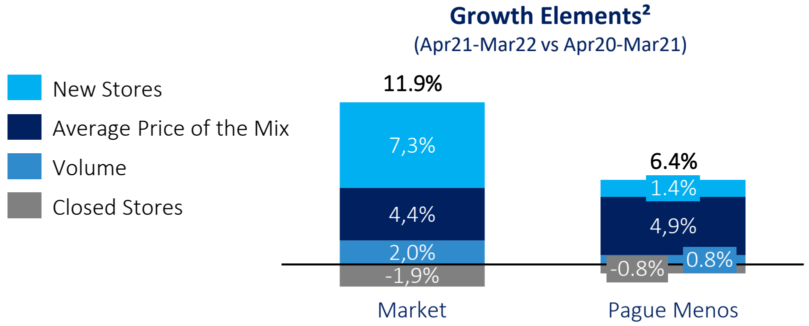




MARKET SHARE

As usually occurs in every first quarter of the year, the market shared measured by IQVIA is distorted by the data capturing methodology, which uses the sell-in volumes sold by industry and distributors to independents and associatives pharmacies and the sell-out volumes sold to the end customer by the pharmacies chains. Due to the additional volume of purchases of medicines from the industry and distributors by the retail channel, due to the readjustment of medicines in April, the market share of independent pharmacies and associations, measured by sell-in, is overestimated.

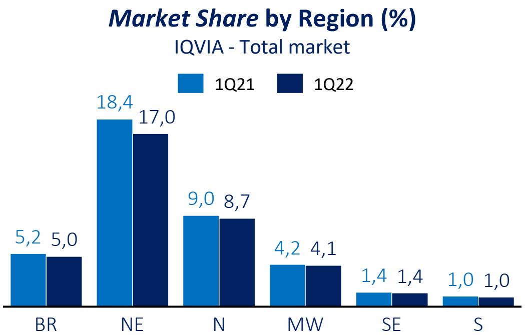
Additionally, the growth of the pharmaceutical market in Brazil has been mainly captured by stores openings. According to IQVIA data presented below, the market growth in the last 12 months was 11.9%, with more than 60% of this growth being captured by stores opened in the last two years, concentrating 7.3 p.p. of the total growth. As we are in the initial stage of resuming organic expansion, the contribution of new stores to Pague Menos's total growth is lower than the market average.

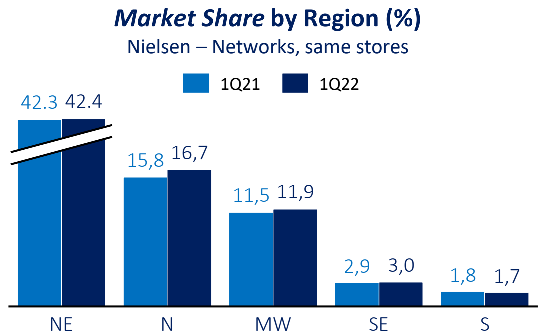


[2] Considers sales growth in R$ CPP (Consumer Purchase Price), which normalizes sales prices between players. Due to the methodology, the percentages of growth may differ from what was actually carried out.

As a result of the components mentioned above, in 1Q22 Pague Menos presented a reduction of 0.2 p.p. in national market share measured by IQVIA compared to 1Q21, and reductions of 1.4 p.p. in the Northeast region and 0.3 p.p. in the North region, regions with higher participation of independent pharmacies and associations than in other regions of the country.

It is important to highlight that the performance of the same stores of Pague Menos has been better than the stores of the big chains in practically all the regions of the country. To demonstrate this evolution, we present this quarter the market share measured by Nielsen using the like-for-like methodology.



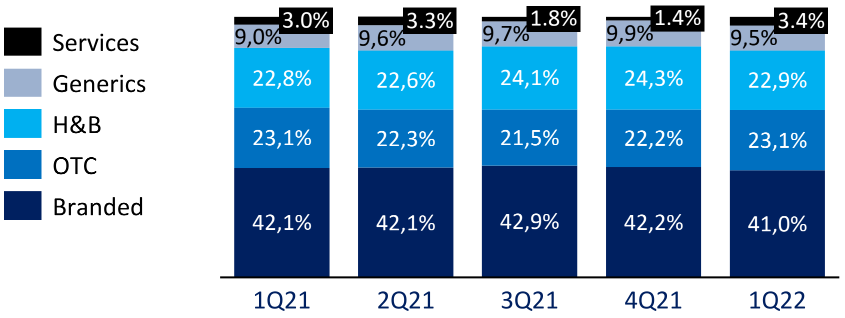


We keep optimistic about the recovery of market share gains in the future, due to the sequence of store openings, good same store sales performance and the maturation of the new cohort of stores.

SALES MIX

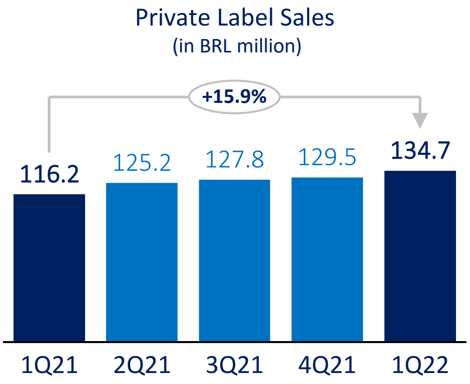
In 1Q22, the sales mix was influenced by the atypical demand related to the Omicron variant wave and Influenza outbreak, which boosted sales of Covid-19 tests and products for the flu and colds, increasing the share of the revenue from Services and OTC. In addition to these categories, we highlight the good performance of Generics, registering a growth of 17.2%.

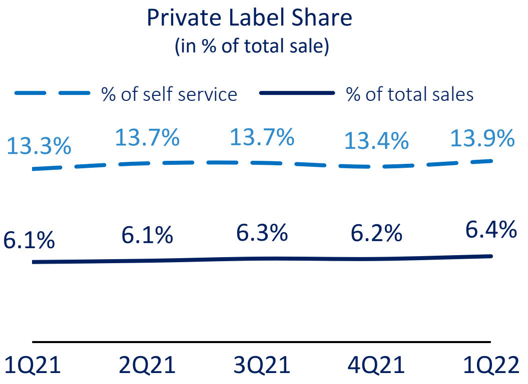
Our ongoing improvement in commercial execution continues to leverage strategic categories through the activation of new items, store layout and pricing optimization, contributing to sales growth and gross margin. In 1Q22, the mix effect positively impacted the gross margin by 0.5 p.p. compared to 1Q21.



PRIVATE LABEL

Our private label products continue to stand out, reaching a record sale of BRL 134.7 million in 1Q22, an increase of 15.9% compared to 1Q21. As a result, the share of this category of products reached 6.4% of the total sales and 13.9% of self-service sales.



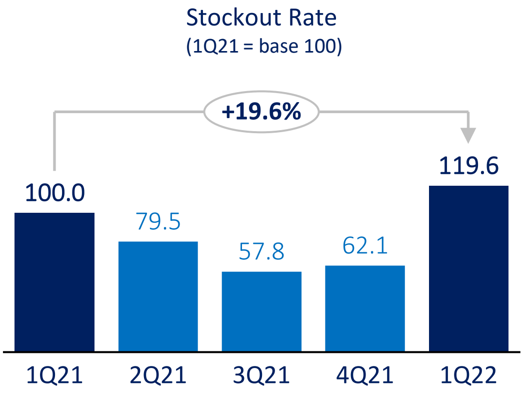


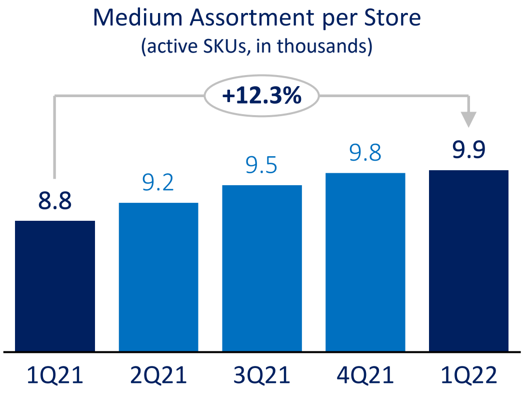
ASSORTMENT AND STOCKOUT

In 1Q22, we observed a challenging scenario in the supply chain, with a significant drop in the level of service in the industry and distributors and a consequent increase in the level of stockouts. This scenario was the result of the atypical demand in January due to Omicron and Influenza, in addition to the collective vacation period for the industry, above-average absenteeism rates, and increased demand for inventories due to the annual price readjustments, which was above the level of the previous years.

The inventory stockout rate grew 19.6% compared to 1Q21. We have noticed our supply chain gradually going back to normality throughout the month of April.

We continue to expand our products assortment, reaching an average of 9.9 thousand items per store in 1Q22, an increase of 12.3% compared to 1Q21.



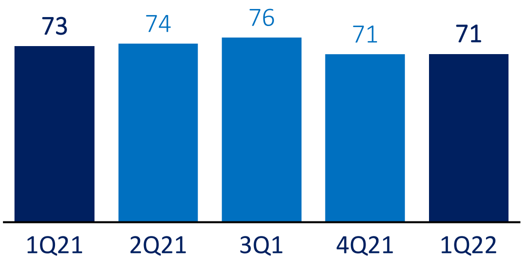


SERVICE LEVEL

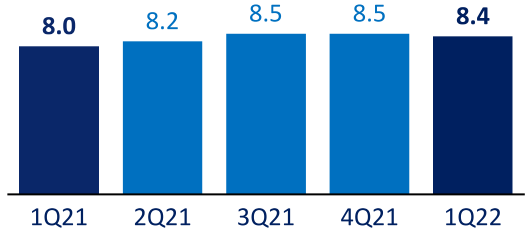
In 1Q22, the NPS was 71, a 2-point reduction compared to 1Q21, remaining stable versus 4Q21. The result in the quarter was negatively impacted by the month of January when the absenteeism rate in stores was 5 times higher than normal, due to the Omicron outbreak, and there was an increase in the stockout rates, mentioned above. In January, the NPS for the quarter was 73, stable compared to 1Q21.

Our score on *ReclameAqui* was kept at a level of excellence, with 8.4 points. We continue to excel on the platform, reducing the average response time to 13 hours, one of the lowest among the retailers evaluated, with a high-resolution rate.

NPS



Reclame Aqui
(cumulative 6 months)



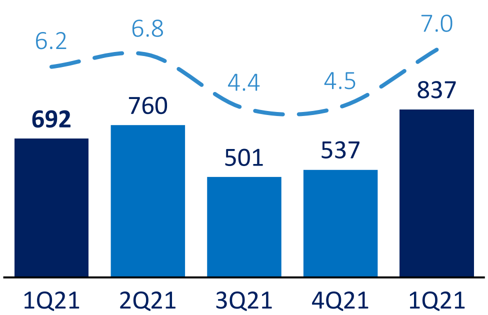
HEALTH HUB

Clinic Farma, the main asset in our Health Hub, continues to grow and gain more awareness among customers. The initiative was expanded to 893 stores and reached new records in 1Q22, with 837 thousand consultations, a growth of 20.9% compared to 1Q21, and adherence of 7.0% among the customer base.

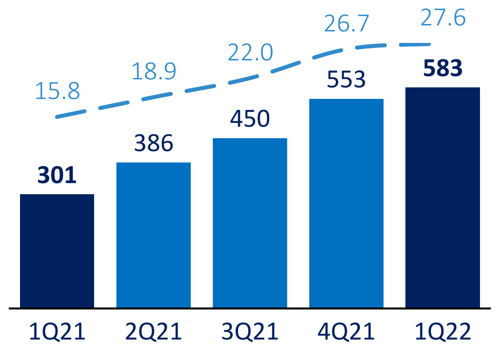
The good performance was mainly influenced by the high demand for Covid-19 tests in January. In this peak demand period, our service capacity was put to the test, and even amidst severe restrictions on inputs and increasing employee's absenteeism, we applied more than 500 thousand tests, reaching a testing market share, among Abrafarma's networks, of more than 20%. In addition to the Covid-19 tests, the other remote lab tests (POCT) also performed very well in the period, more than doubling the number of applications compared to 1Q21.

Gradually, customers begin to perceive more and more value in the health services offered in stores. The pharma market is progressively adapting to a new reality in which the pharmacy begins to occupy an essential space in primary patient care. In this context, our Clinic Farma has taken on a leading role given its scope and operational history since 2016. We currently estimate a *market share* of 20% of pharmaceutical clinics in Brazil and more than 25% of the consultations provided among the chains that are part of Abrafarma.

Clinic Farma Consultations and Adherence
(in thousands and % of total customers)



Sales from Insurance Plans and Partnerships
(BRL million and % of the total sales)



For 2022, one of the strategic priorities of our Health Hub will be to scale our vaccination offer through our model or partnerships with regional *players*, using the Clinic Farma structure installed in all Brazilian states. We ended 1Q22 with more than 100 stores qualified to apply vaccines and integrated into our *e-commerce* and *app*, enabling online scheduling.

We continued to expand our network of agreements and partnerships, with sales from this channel representing 27.6% of the total sales, increasing 11.8 p.p. compared to 1Q21. In addition to contributing to good sales performance, with the activation of new customers, we consider this channel to be strategic for loyalty and leveraging customer purchase behaviors.

In 1Q22, our specialty drugs channel, AME, grew 116% year-over-year, and currently has a portfolio of more than 460 products. The strategies for launching new items, medical visitation, and monitoring patients have been very successful, reflecting the channel's growth.

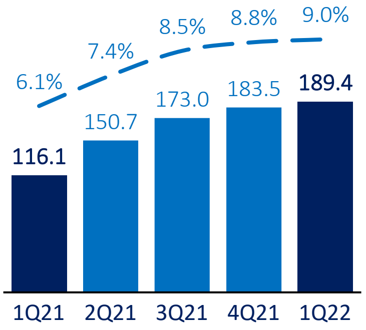
OMNICHANNEL PLATFORM

Our digital channels totaled BRL 189.4 million in sales in 1Q22, an increase of 63.1% compared to 1Q21, reaching 9.0% of the total sales. The strong growth pace is accompanied by consistent improvements in the service level and maintenance of a healthy level of profitability, reinforcing the quality and sustainability of the growth presented.

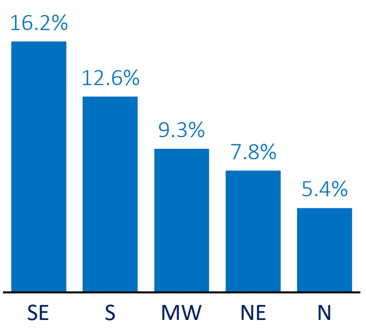
Compared to 4Q21, the regions that contributed most to growth in digital channel sales were the North and Northeast, reinforcing how the initial stage of digital maturity in our core markets is translated into a great opportunity and growth potential above other regions.

Among channels, the infinite shelf stood out in the quarter, which grew 237% compared to 1Q21 and 19% compared to 4Q21. This channel fulfilled an important role during this quarter amidst the increase in inventory loss rates, generated by the peak demand for items related to Covid-19 and Influenza, in January. Orders placed via digital channels and collected in stores represented 23% of sales in the quarter.

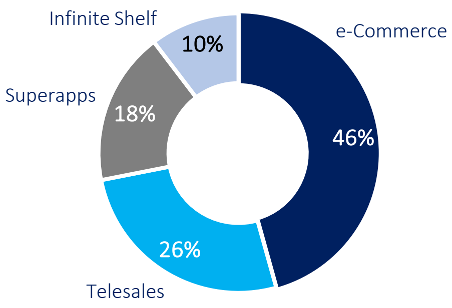
Digital Sales
(BRL million and % of total sales)



Digital Sales Share by Region
(% of total sales in 1Q22)



Digital Channel Sales
(% of digital sales in 1Q22)



We continued to gain market share in digital channels, reaching a 12.0% share in 1Q22, 0.6 p.p. above 1Q21. Despite the increasingly competitive environment, with an increase in CAC (customer acquisition cost), paid traffic and price competitiveness among the main players, our balanced regional exposure and diversification of channels have provided consistent growth above market levels.

In recent quarters, we have launched important UX (user experience) improvements on our website and app, which have been reflected in an increase in our conversion rate. More than 10 UX improvement projects are underway, including customized geolocation navigation, shopping experience customization, landing page creation, and SEO optimization, which we believe will be critical to continuing to improve our traffic and conversion.

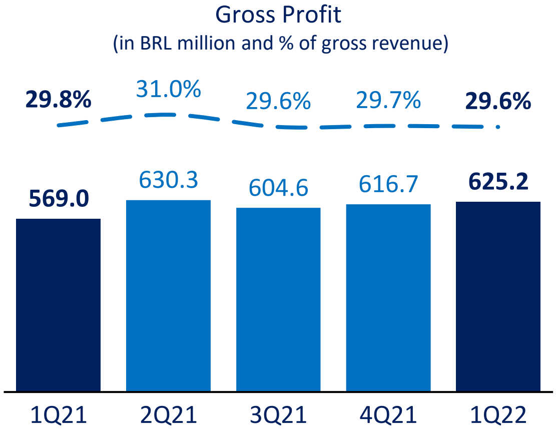
The new app, launched at the end of 2021, surpassed the 600,000 downloads milestone, maintaining good levels of user assessments in the main app stores. The new app is an important step towards intensifying our omnichannel approach, and although it already concentrates approximately 20% of the channel sales, it tends to gain more and more relevance throughout the year, as new features, which are already under development, are integrated.

In line with our ESG strategy, in 1Q22 we began the ecological delivery mode via Tuk Tuk, an electric and non-polluting vehicle. The new transport option, which enables deliveries within 1 hour as well as loading bulky items, is already available in some neighborhoods in Fortaleza, with good customer adherence. Over the coming quarters, this modality will be expanded to other capitals.

GROSS PROFIT

Gross profit in 1Q22 totaled BRL 625.2 million, an increase of 9.9% compared to 1Q21. Gross margin was 29.6% during the quarter, a 0.2 p.p. reduction compared to 1Q21 and a 0.1 p.p. reduction compared to 4Q21.

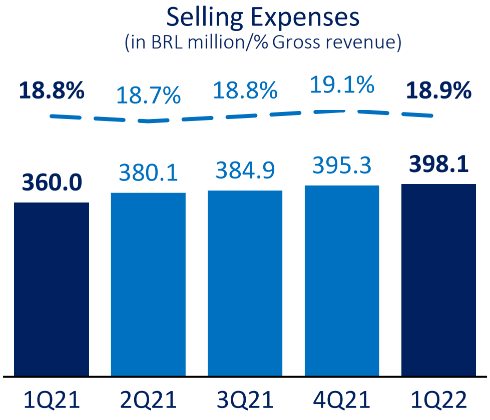
Good performance in digital channels, as well as agreements (health plans) and partnerships, which increased their share in total sales by 2.9 p.p. and 11.8 p.p., respectively, pressuring the gross margin due to their promotional nature. However, they are very important for the company's sales growth and *cash margin*. In 1Q21, the negative pressure of these channels on the gross margin was 0.7 p.p., partially offset by an improvement in the sales mix (growth in the share of generics, private labels and services) and a reduction in the loss ratio.

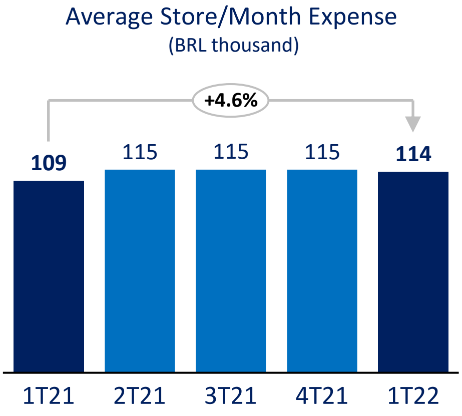


SELLING EXPENSES

Selling expenses totaled BRL 398.1 million in 1Q22, an increase of 10.6% compared to 1Q21. As a percentage of gross revenue, this group of expenses reached 18.9%, an increase of 0.1 p.p. compared to 1Q21 and a reduction of 0.2 p.p. compared to 4Q21.

The growth of store expenses above the sales growth pace is related to the recovery in the expansion plan and consequent increase in the proportion of stores in the early maturity stages. As we normalize the selling expenses by the number of stores, we noticed that the average monthly expense per store totaled BRL 114 thousand, an increase of 4.6% compared to 1Q21, well below the expense inflation in the period. The good performance is mainly due to the improvement in the productivity among employees allocated in stores.



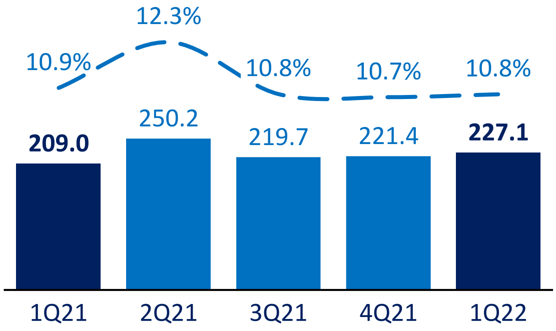


CONTRIBUTION MARGIN

The stores' contribution margin reached 10.8% in 1Q22, a reduction of 0.1 p.p. compared to 1Q21 and an increase of 0.1 p.p. compared to 4Q21; despite negative pressures related to inflation and the accelerated expansion pace, we managed to maintain the stores' contribution margin levels.

If we do not consider stores opened in 2021 and 2022, the contribution margin in the quarter was 11.0%, an increase of 0.1 p.p. compared to 1Q21.

Contribution Margin
(BRL million and % of gross revenue)

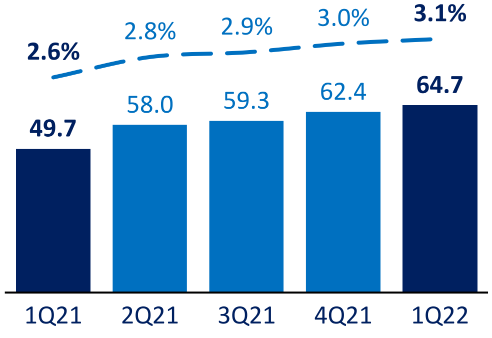


GENERAL AND ADMINISTRATIVE EXPENSES

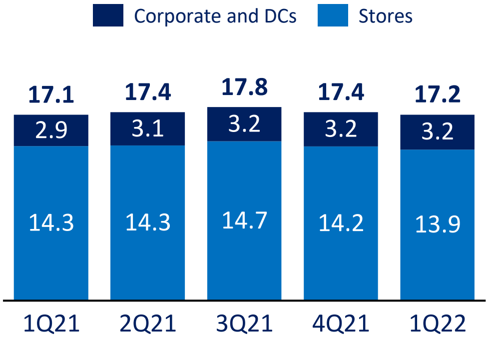
General and administrative expenses (G&A) totaled BRL 64.7 million in 1Q22, an increase of 30.2% compared to 1Q21. As a percentage of revenues, this group of expenses reached 3.1% in 1Q22, an increase of 0.5 p.p. compared to 1Q21 and 0.1 p.p. compared to 4Q21.

The increase is related to strengthening the organizational structure, the growth of the technology team, strategic consultancies, and collective labor agreements in Fortaleza, where our corporate headquarters are, which took place in January. We consider this investment in G&A expenses to be fundamental to support the Company's long-term growth. However, the growth rate of this group of expenses is expected to be lower in the coming quarters and tends to be diluted as new stores advance through their maturity curve as well as with the incorporation of Extrafarma, after the analysis by CADE (the antitrust body).

General and Administrative Expenses
(BRL million and % of gross revenue)



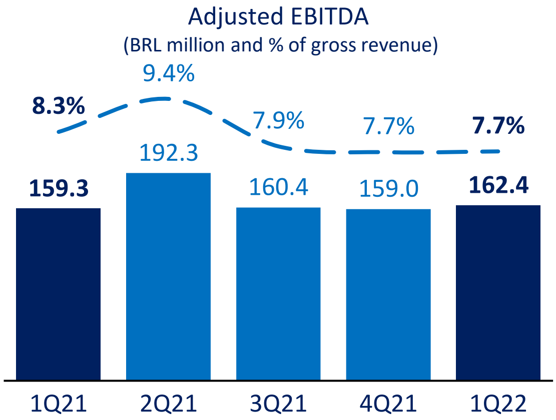
Employees/Store



ADJUSTED EBITDA

Adjusted EBITDA in 1Q22 totaled BRL 162.4 million, an increase of 1.9% compared to 1Q21. Adjusted EBITDA margin reached 7.7% of the gross revenue, a 0.6 p.p. reduction compared to 1Q21, and remained stable compared to 4Q21.

We consider the lower EBITDA margin levels in recent quarters to be normal due to the recovery of the expansion pace, inflationary pressures, and investments made in G&A mentioned previously. We believe we are at the inflection point to resume the margin expansions observed in previous quarters, with the maturation of stores, normalization in the pace of openings, as well as the adjustments in medication pricing, offsetting the inflationary effects of SG&A.



EBITDA RECONCILIATION

In 1Q22, we registered a total of BRL 1.4 million in non-recurring expenses related to the acquisition and integration planning for Extrafarma, still under analysis by the antitrust agency (CADE).

Below is the EBITDA reconciliation table and non-recurring adjustments in the reported earnings.

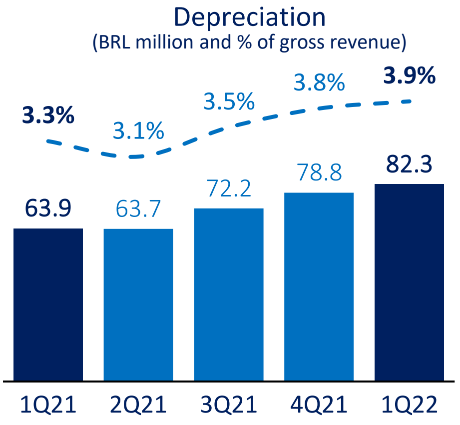
Adjusted EBITDA Reconciliation (BRL million)	1Q21	2Q21	3Q21	4Q21	1Q22
Net Accounting Income	44.2	69.4	29.9	21.1	23.4
(+) Net financial income	46.9	45.3	51.1	57.4	74.8
(+) Income Tax and Social contribution	4.4	11.6	(1.4)	(5.8)	(19.6)
(+) Depreciation and Amortization	63.9	63.7	72.2	78.8	82.3
EBITDA	159.3	190.0	151.8	151.5	161.0
(+) Expenses with the Extrafarma acquisition and integration planning	-	2.2	8.7	7.5	1.4
Total adjustments	-	2.2	8.7	7.5	1.4
Adjusted EBITDA	159.3	192.3	160.4	159.0	162.4
Total adjustments (after Income Tax)	-	1.5	5.7	4.9	0.9
Adjusted Net Income	44.2	70.8	35.6	26.0	24.4

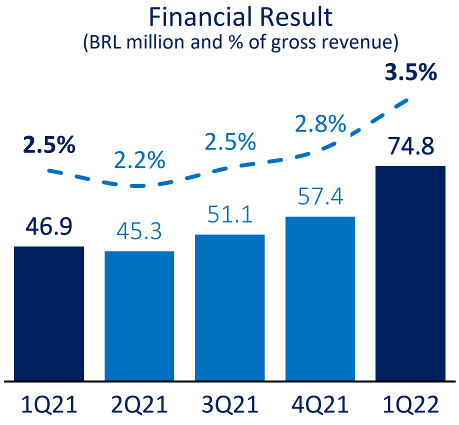
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAX

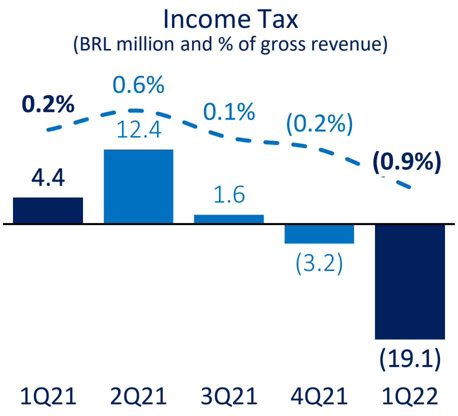
Depreciation reached a total BRL of 82.3 million in 1Q22, an increase of 28.8% compared to 1Q21, following the fixed asset growth in the period. As a result of the recovery of investments in store openings and technology, which we consider strategic priorities, the depreciation line temporarily registers growth above the sales pace, which should be normalized as new stores mature and investments in technology generate results.

The financial result recorded a net expense of BRL 74.8 million in the quarter, an increase of 59.5% compared to 1Q21. As a percentage of revenues, the financial result reached 3.5%, an increase of 1.0 p.p. compared to 1Q21. The increase in financial expenses is mainly related to the increase in the basic interest rate in the period. In addition, non-cash effects such as AVP and IFRS16, sensitive to changes in interest rates, negatively impacted financial results by 0.1 p.p. and 0.2 p.p., respectively, as a percentage of the gross revenue.

Deferred income tax reached a total BRL 19.1 million in the period, adding up to 0.9% of the gross revenue. In 1Q22, we registered credits arising from the exclusion of the monetary restatement on undue tax debts, favorably impacting income tax.

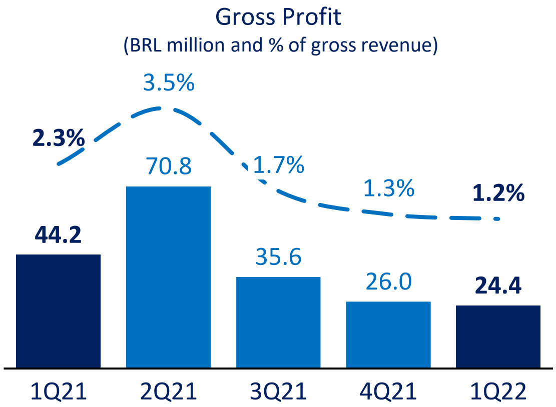






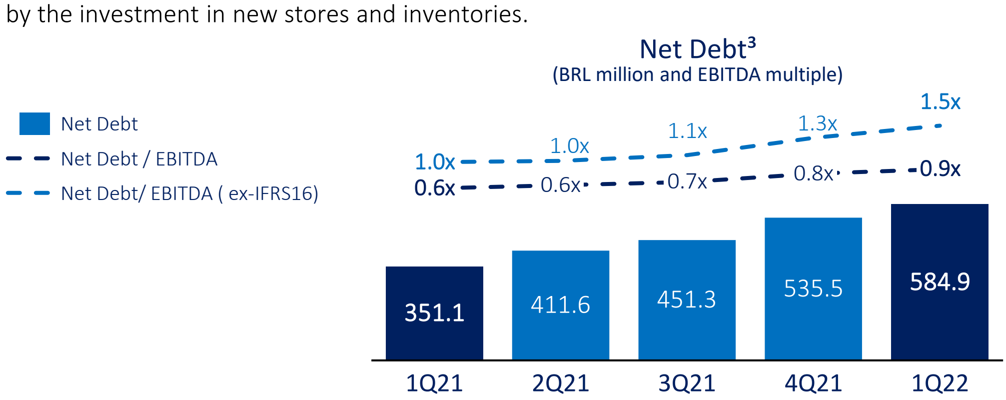
ADJUSTED NET INCOME

Adjusted net income reached a total BRL 24.4 million, a 44.8% reduction compared to 1Q21, due to the reduction in the EBITDA margin caused mainly by the new expansion cycle, and an increase in financial expenses in the period. The net margin was 1.2% in the quarter, a reduction of 0.1 p.p. compared to 4Q21.



INDEBTNESS

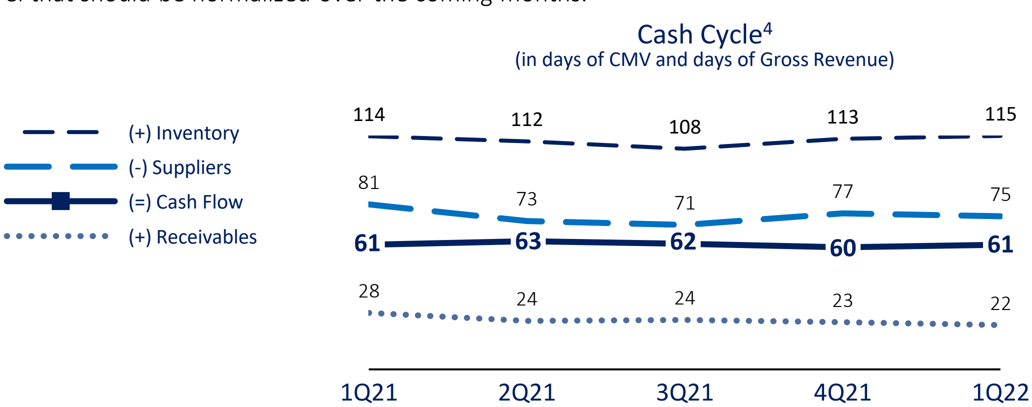
Net debt reached BRL 584.9 million, an increase of BRL 233.8 million compared to 1Q21. The net debt/EBITDA ratio (ex-IFRS16) reached 1.5 times, an increase of 0.5 times compared to 1Q21 and 0.2 times compared to 4Q21, which was caused by the investment in new stores and inventories.



OPERATING CASH CYCLE

In 1Q22, the operating cash cycle was 61 days, which is stable compared to 1Q21. When compared to 4Q21, there was an increase of one day.

We carried out a good supply chain execution, strengthening our inventories of price regulated medicined, in order to capture an incremental margin after the price adjustments on April 1. As a result, the level of stocks increased to 115 days, a level that should be normalized over the coming months.



[3] Includes financial investments
[4] The calculation of the Average Inventory Term and the Average Supplier Payment Term disregards the effects of the AVP, commercial agreements and recoverable taxes.

CASH FLOW

In 1Q22, free cash flow was negative by BRL 22.5 million, an improvement of BRL 55.9 million compared to 1Q21. The lower cash consumption is related to the increase in the cash flow from operations, generated by the maintenance of the cash cycle at a controlled level.

Management Cash Flow (BRL million)	1Q21	1Q22
EBITDA	**159.3**	**161.0**
(-) Lease payments (IFRS 16)	(60.3)	(79.0)
(Δ) Accounts receivable	(67.3)	14.5
(Δ) Inventories	(94.0)	(11.0)
(Δ) Suppliers	5.4	(52.8)
(Δ) Recoverable taxes	23.5	(15.3)
(+/-) Change in other assets and liabilities/Non-cash effects	(22.5)	15.6
(=) Cash flow from operations	**(55.8)**	**33.0**
(-) Capital investments	(22.6)	(55.6)
(=) Investment Cash Flow	**(22.6)**	**(55.6)**
Free cash flow	**(78.4)**	**(22.6)**
(+) Gross debt raising	160.0	-
(-) Payment of gross debt	(199.4)	(123.4)
(-) Debt service	(13.5)	(16.3)
(-) Share buyback	(10.4)	(5.4)
(=) Financing Cash Flow	**(63.3)**	**(145.1)**
Opening balance of cash, cash equivalents and financial investments	620.0	654.1
Closing balance of cash, cash equivalents and financial investments	478.2	486.5
Change in cash and cash equivalents	**(141.7)**	**(167.7)**

INVESTMENTS

In 1Q21, BRL 55.6 million was invested, among which 59% was concentrated in the organic expansion and renovation of the store network. Investments in technology reached BRL 18.8 million, being directed mainly to digital transformation projects and improvements in IT infrastructure, making it increasingly scalable.

Capex (BRL million)	1Q21	%	1Q22	%
Expansion	4.7	21%	22.1	40%
Store rennovations	7.6	33%	10.8	19%
Technology	1.9	9%	18.8	34%
Infrastructure of stores, DCs and offices	8.5	37%	3.9	7%
Total	**22.6**	**100%**	**55.6**	**100%**

INCOME STATEMENT FOR THE YEAR

On January 1, 2019, CPC 6-R2 (IFRS 16) entered into force, which changed the accounting recognition model of lease agreements. To preserve historical comparability, below is the reconciliation according to the previous standard (IAS 17/CPC 06).

Income Statement for the Year (BRL million)	IAS 17			IFRS16		
	1Q21	1Q22	Δ	1Q21	1Q22	Δ
Gross Revenue	**1,910.2**	**2,111.5**	**10.5%**	**1,910.2**	**2,111.5**	**10.5%**
Deductions	(133.9)	(138,7)	3.6%	(133.9)	(138.7)	3.6%
Net Revenue	**1,776.3**	**1,972.9**	**11.1%**	**1,776.3**	**1,972.9**	**11.1%**
Cost of Goods Sold	(1,207.3)	(1,347.7)	11.6%	(1,207.3)	(1,347.7)	11.6%
Gross Profit	**569.0**	**625.2**	**9.9%**	**569.0**	**625.2**	**9.9%**
Gross Margin	*29.8%*	*29.6%*	*(0.2 p.p.)*	*29.8%*	*29.6%*	*(0.2 p.p.)*
Selling Expenses	(420.2)	(477.1)	13.5%	(360.0)	(398.1)	10.6%
Contribution Margin	**(148.8)**	**148.1**	**(0.5%)**	**209.0**	**227.1**	**8.6%**
Contribution Margin (%)	*7.8%*	*7.0%*	*(0.8 p.p.)*	*10.9%*	*10.8%*	*(0.1 p.p.)*
General and Administrative Expenses	(49.7)	(64.7)	30.2%	(49.7)	(64.7)	30.2%
Adjusted EBITDA	**99.1**	**83.4**	**(15.8%)**	**159.3**	**162.4**	**1.9%**
Adjusted EBITDA Margin	*5.2%*	*3.9%*	*(1.3 p.p.)*	*8.3%*	*7.7%*	*(0.6 p.p.)*
Depreciation and amortization	(22.4)	(28.2)	26.2%	(63.9)	(82.3)	28.8%
Financial Earnings	(19.4)	(40.5)	108.8%	(46.9)	(74.8)	59.5%
Earnings before Income Tax	**57.3**	**14.6**	**(74.5%)**	**48.6**	**5.2**	**(89.2%)**
Income Tax and Social Contribution	(7.4)	15.9	-	(4,4)	19.1	-
Adjusted Net Income	**49.9**	**30.5**	**(38.8%)**	**44.2**	**24.4**	**(44,8%)**
Adjusted Net margin	*2.6%*	*1.4%*	*(1.2 p.p.)*	*2.3%*	*1.2%*	*(1.1 p.p.)*

BALANCE SHEET

Balance Sheet (R$ millions)	IFRS16		
	12/31/21	03/31/22	Δ
Total Assets	**6,573.3**	**6,475.3**	**(1.5%)**
Current Assets	**3,512.5**	**3,356.1**	**(4.5%)**
Cash and Cash Equivalents	654.1	486.5	(25.6%)
Clients Accounts Receivable	530.3	515.0	(2.9%)
Inventory	1,957.0	1,960.1	0.2%
Taxes to Recover	232.4	230.9	(0.7%)
Other Current Assets	138.7	163.6	17.9%
Non-Current Assets	**3,060.8**	**3,119.2**	**1.9%**
Long-Term Assets	648.7	686.7	5.9%
Investments	72.6	72.2	(0.5%)
Fixed Assets	665.6	691.6	3.9%
Rights of use under lease	1,615.6	1,608.1	(0.5%)
Intangible Assets	58.2	60.6	4.1%
Total Liabilities	**6,573.3**	**6,475.3**	**(1.5%)**
Current Liabilities	2,191.4	2,176.6	(0.7%)
Social and Labor Obligations	103.4	128.6	24.4%
Suppliers	1,306.5	1,255.0	(3.9%)
Tax Obligations	94.1	107.3	14.0%
Loans and Financing	435.7	425.8	(2.3%)
Other Obligations	29.6	33.1	12.1%
Leasing	222.1	226.8	2.1%
Long Term Liabilities	**2,291.6**	**2,186.7**	**(4.6%)**
Loans and Financing	753.9	654.3	(13.2%)
Other Obligations	7.2	6.7	(6.2%)
Leasing	1,508.0	1,505.2	(0.2%)
Provisions	22.6	20.4	(9.4%)
Shareholder's Equity	**2,090.2**	**2,111.9**	**1.0%**
Realized Share Capital	1,199.2	1,199.2	0.0%
Capital Reserves	369.7	368.0	(0.5%)
Profit Reserves	521.3	521.3	0.0%
Accumulated Profits/Losses	-	23.4	-

ANNEX: DISTRIBUTION OF STORES BY STATE

State / Region (# Stores)	1Q21	Openings	Closings	1Q22
Total	**1,101**	**89**	**21**	**1,169**
Northeast	**665**	**61**	**4**	**722**
Alagoas	30	2	-	32
Bahia	114	17	2	129
Ceará	180	5	1	184
Maranhão	60	10	-	70
Paraíba	51	4	1	54
Pernambuco	117	10	-	127
Piauí	35	4	-	39
Rio Grande Do Norte	43	7	-	50
Sergipe	35	2	-	37
North	**110**	**7**	**2**	**115**
Acre	12	2	-	14
Amapá	6	1	-	7
Amazonas	22	-	-	22
Pará	34	2	2	34
Rondônia	13	-	-	13
Roraima	9	2	-	11
Tocantins	14	-	-	14
Southeast	**192**	**12**	**10**	**194**
Espírito Santo	26	-	1	25
Minas Gerais	63	3	5	61
Rio De Janeiro	19	2	2	19
São Paulo	84	7	2	89
Midwest	**92**	**9**	**4**	**97**
Distrito Federal	17	-	1	16
Goiás	29	2	3	28
Mato Grosso	23	5	-	28
Mato Grosso do Sul	23	2	-	25
South	**42**	**-**	**1**	**41**
Paraná	15	-	-	15
Rio Grande Do Sul	7	-	-	7
Santa Catarina	20	-	1	19

GLOSSARY

- Abrafarma : association of the 26 largest pharmacy chains in the country.
- AME (Special Medicines Service): line of special medicines sold by Pague Menos. They are produced with high technology and used in complex and expensive treatments, usually in the fertility, oncology, and hormones verticals.
- B2B2C : A business model where a service or product is offered to another company, and later to an end customer.
- Expanded Middle Class: public from social classes B2/C/D, with an average monthly family income of less than BRL 5.7 thousand.
- EBITDA : operating income before interest, taxes, depreciation, and amortization.
- HNB (Hygiene, Nutrition and Beauty) : classification of non-drug products belonging to the categories of personal hygiene, nutrition, and beauty.
- Mature stores : stores open for more than three years. These are stores that have already gone through the maturation period and therefore tend to have a less accentuated sales growth curve than those in maturation.
- Market Share : Estimated market share in the Brazilian pharmaceutical retail market, based on data from IQVIA, a global data intelligence company applied to the healthcare industry.
- NPS (*Net Promoter Score*) : metric of customer satisfaction and loyalty to the Company.
- *Omnichannel*: the concept illustrates the approach of integrating different retail channels, such as physical stores, e-commerce, telephone sales, and social media, allowing the customer to have multiple purchase journeys.
- OTC (*Over-The-Counter*) : classification of products sold via self-service, which includes over-the-counter medicines and convenience, health, and wellness items.
- PBM : drug benefit program. These are discount programs created and administered by the pharmaceutical industries (laboratories) in order to facilitate, encourage and promote adherence to treatments for patients and physicians.
- PME : Average storage period. It refers to the average period that a good remains in stock before being sold, being calculated by the quotient between the balance of inventories and the COGS for the quarter, multiplied by 90 days.
- PMP : Average payment period. Refers to the average supplier payment term, calculated by the ratio between the balance of suppliers and the COGS for the quarter, multiplied by 90 days.
- PMR : Average term of receivables. Refers to the average customer payment term, calculated as the ratio between the balance of accounts receivable and gross revenue for the quarter, multiplied by 90 days.
- Pre-increase : period prior to the annual medication readjustment, which occurs in the month of April according to current legislation.
- Stock Out : metric used to measure the lack of products in-store.
- SKU : acronym for *Stock Keeping Unit* (Stock Keeping Unit), which refers to the identifier code assigned to items in stock.
- SSS (*Same Store Sales*) : sales growth in the “same stores” concept. Refers to the ratio of sales of goods and services carried out by stores open for more than twelve months in the current period compared to same-store sales in the same period of the previous year.

DISCLAIMER

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 containing forecast, indication or estimates and projections regarding future results, performance or objectives, as well as words like we "believe", "anticipate", "expect", "estimate", "project", and other similar expressions. 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 several important factors cause actual results to differ materially from such plans, objectives, expectations, projections, and intentions as expressed in this document.

In view of the aforementioned risks and uncertainties, the prospective circumstances and events discussed in this document may not occur, and the Company's future results may differ significantly from those expressed or suggested in these forward-looking statements. Forward-looking statements involve risks and uncertainties and are not guarantees of future events. Therefore, investors should not make any investment decision based on the forward-looking statements that may be contained herein.

Market and certain competitive position information, including market projections mentioned herein were obtained from in-house surveys, market research, public information, and business publications. Though we have no reason to believe that any of these reports or of this Information is imprecise in any relevant aspect, we have not independently verified the competitive position, market position, growth rate, or any other data supplied by third parties or other industry publications. The Company is not responsible for the accuracy of such information.

Certain percentages and other amounts included in this document have been rounded up to facilitate their 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 financial information was prepared in accordance with International Financial Reporting Standards (IFRS), in accordance with accounting practices adopted in Brazil (BR GAAP) and were reviewed by independent auditors in accordance with Brazilian and international auditing standards.

INDEPENDENT AUDITORS

The Company states that its independent auditors, Ernst & Young Auditores Independentes S.S., did not provide services unrelated to the audit during the period which ended on March 31, 2022.

EARNINGS CALL

Videoconference In Portuguese

May 03, 2022
10:00 (BRT) | 09:00 am (US ET)

Access in Portuguese

Dial-in:

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Videoconference in English (simultaneous translation)

May 03, 2022
10:00 (BRT) | 09:00 am (US ET)

Access in English

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PagueMenos 40 anos