

# 1Q23 EARNINGS

CONFERENCE CALL



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Market and certain competitive position information, including market projections mentioned herein were obtained from in-house surveys, market research, public information and business publications. Although we have no reason to believe that any of this information or these reports are inaccurate in any material respect, we do not independently verify market position, growth rate, competitive position or any other data provided by third parties or other industry publications. The Company is not responsible for the accuracy of such information.

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The quarterly information was prepared in accordance with International Financial Reporting Standards (IFRS16), in accordance with accounting practices adopted in Brazil (BR GAAP) and presented here on an adjusted basis for the non-recurring effects described in the release.



# 1Q23 Earnings

Luiz Novais, CFO

# Highlights 1Q23

Quarter with good sales performance, especially in digital channels, with growth in the customer base and market share increase



## **SAME STORE SALES**

*SSS ex-Covid tests 7.2% Pague Menos and 6.5% Extrafarma*



## **ACCELERATION OF DIGITAL CHANNELS**

*66% growth, reaching 12.5% of sales for Pague Menos*



## **ORGANIC AND INORGANIC MARKET SHARE GROWTH**

*6.1% domestic market share (+1.2 p.p. vs. 1Q22)*



## **STRONG EXPANSION IN THE CUSTOMER BASE**

*19.9 million active customers (+28.4% vs. 1Q22)*



## **BREAKEVEN EBITDA ex-IFRS16 IN EXTRAFARMA**

*R\$3.9 million EBITDA ex-IFRS16 in March*

# Pague Menos Sales

Maintenance of SSS ex-Covid tests despite strong 1Q22 base and growth in the regional gap

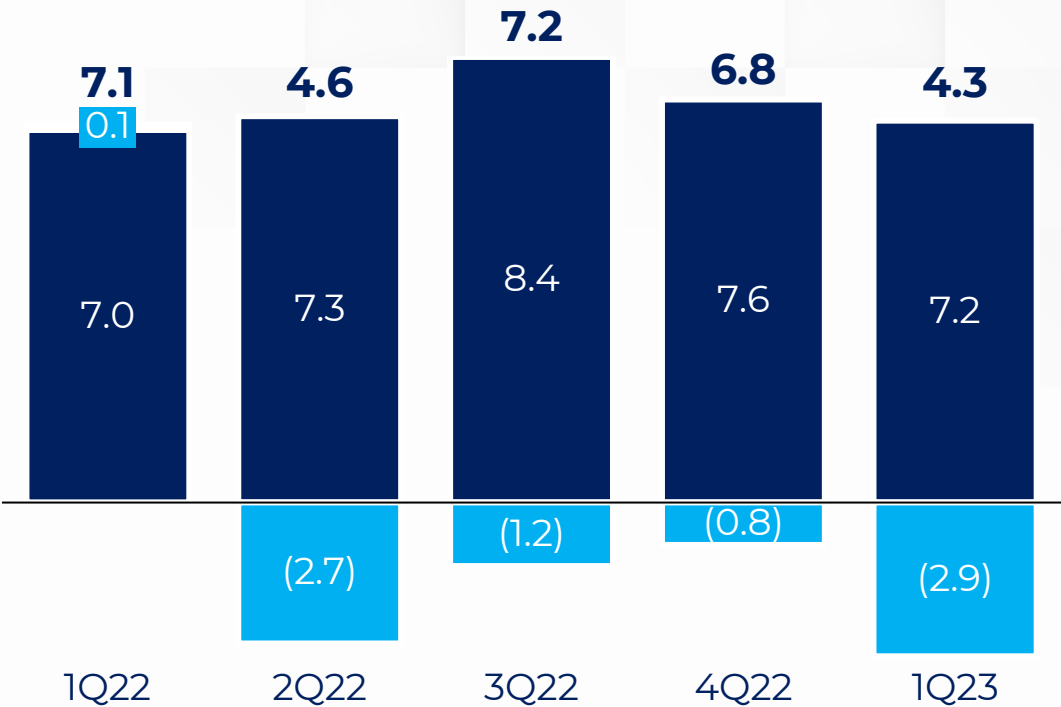


## SAME STORE SALES

(% variation)

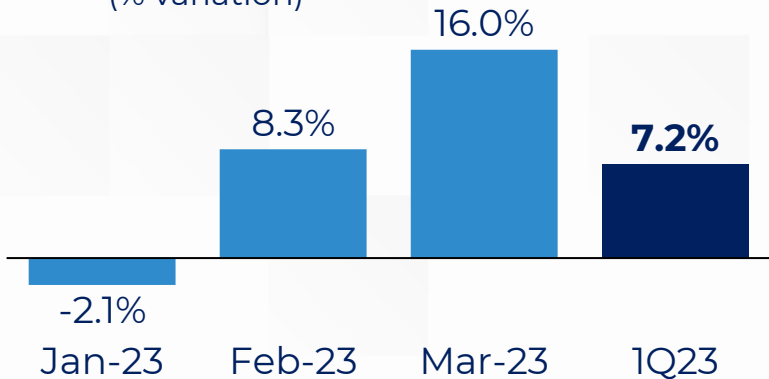
Covid Tests

Ex-Covid Tests



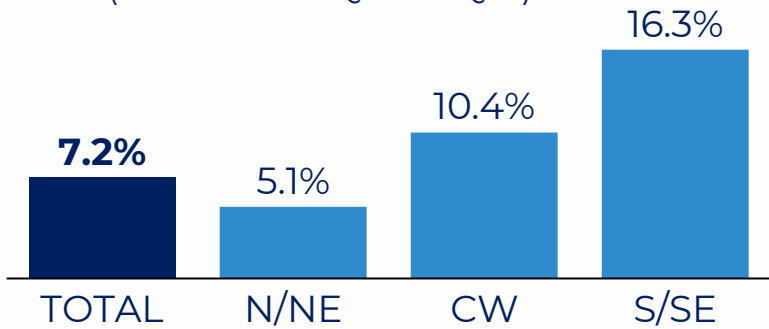
## SSS MONTHLY BREAKDOWN

(% variation)



## SSS REGIONAL BREAKDOWN

(% variation - 1Q23 vs 1Q22)

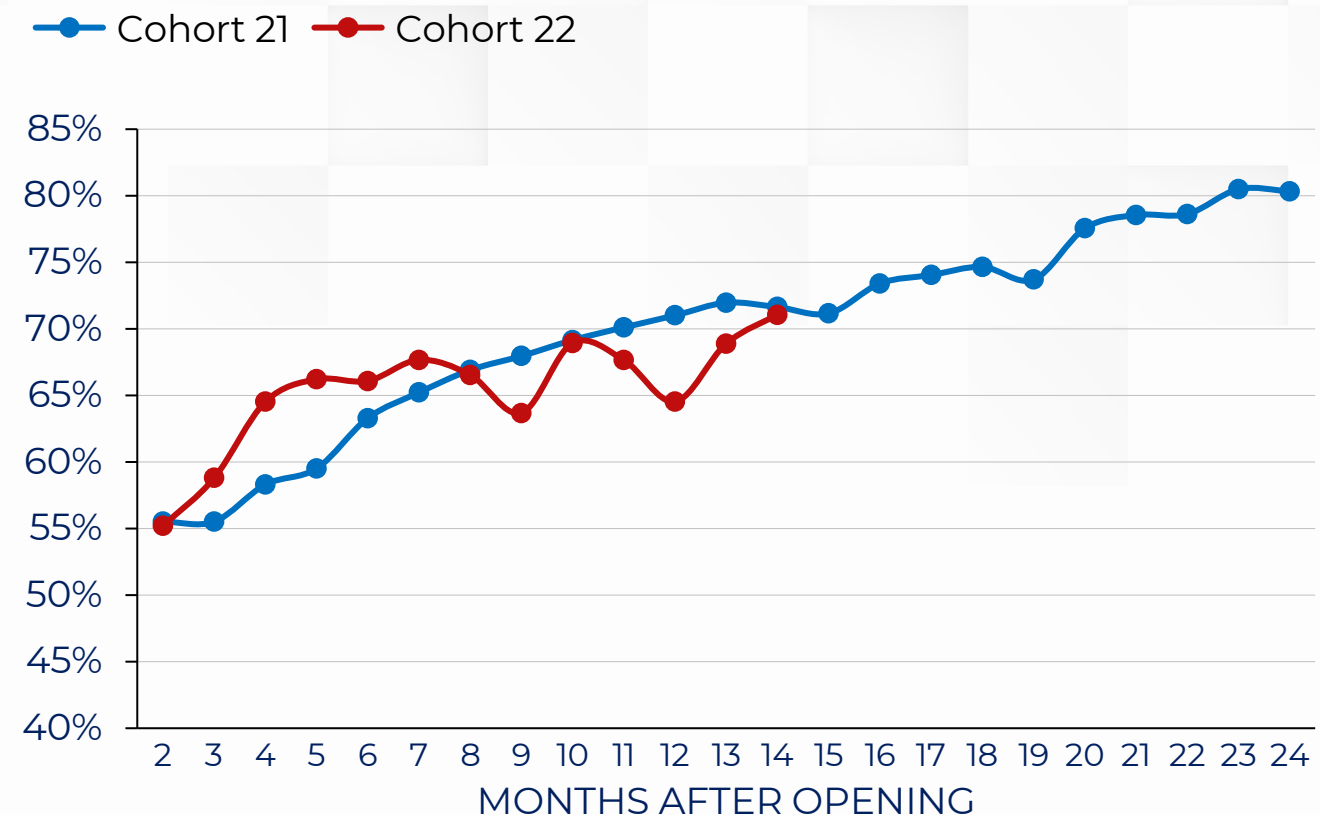


# New Store Cohorts Performance

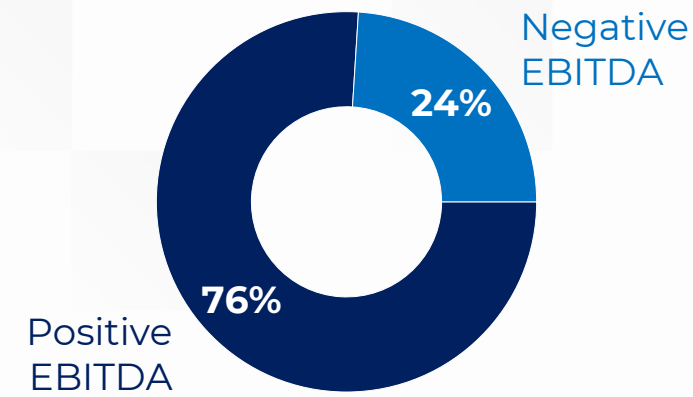
*Maturity curve in line with projections and excellent profitability prospects*

## SALES MATURITY CURVE NEW STORES

(% of potential sales)



## STORES W/ POSITIVE 4-WALL EBITDA AFTER THE THIRD MONTH OF OPERATIONS

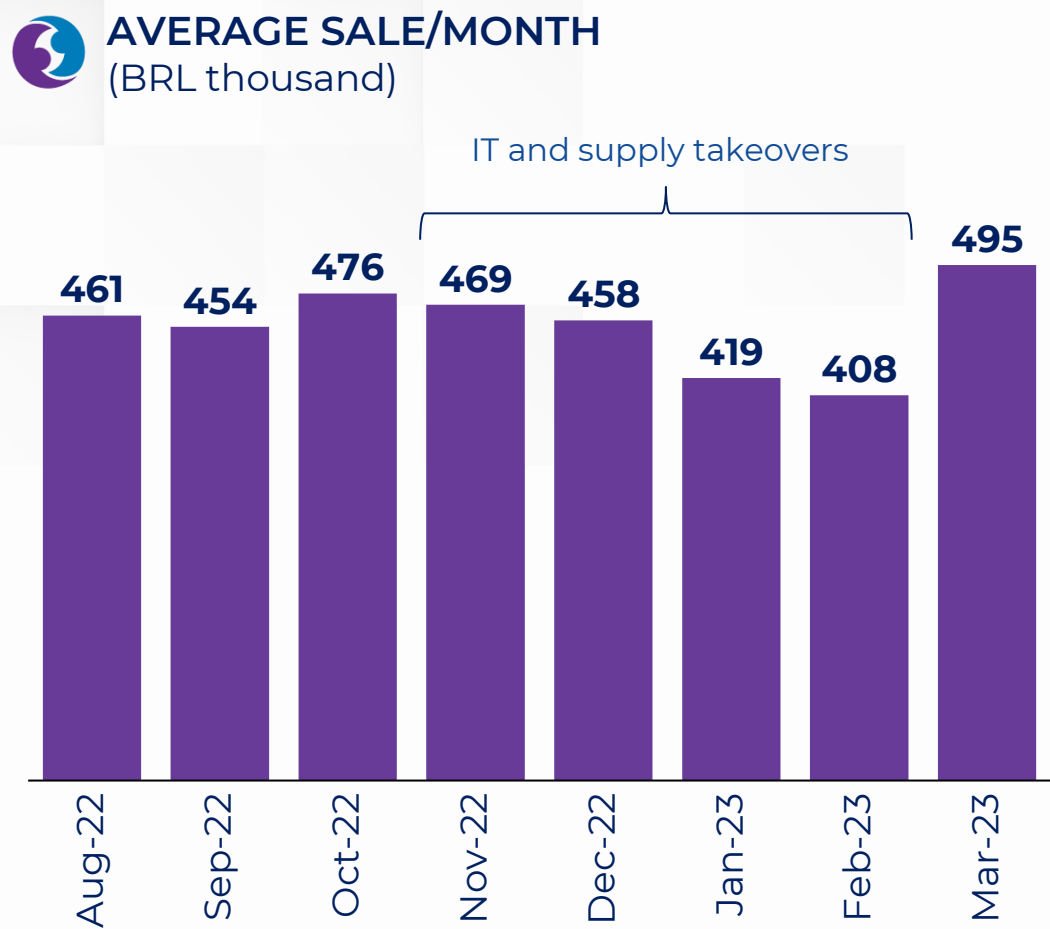
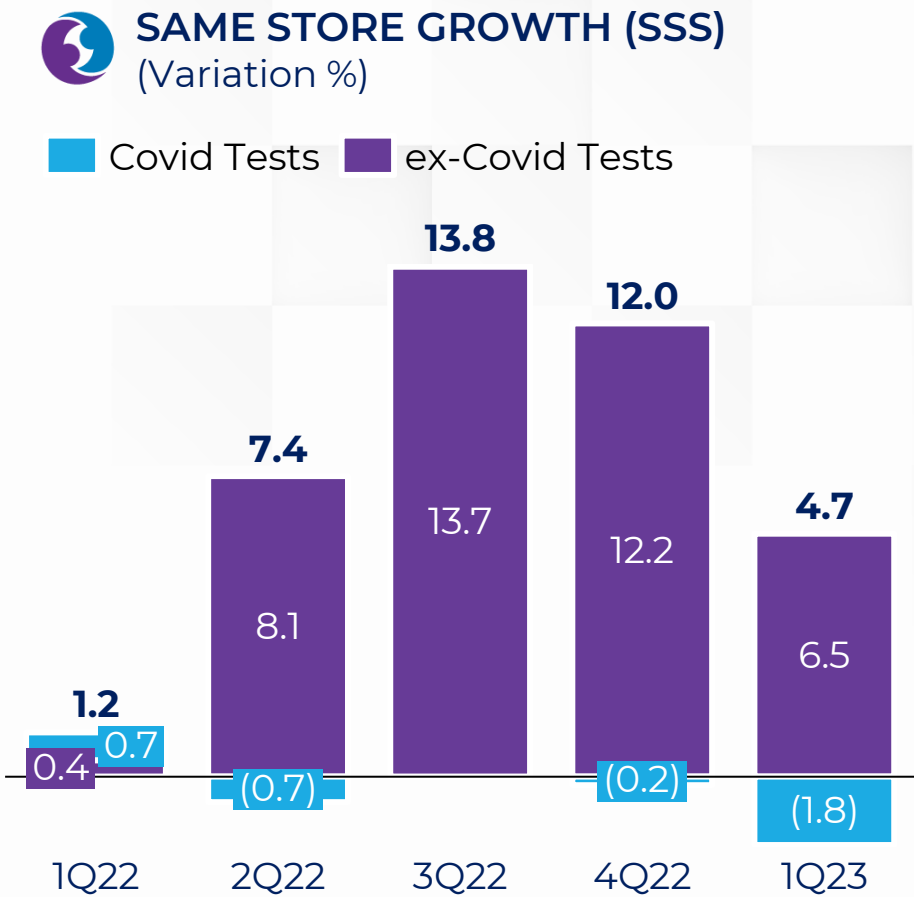


**>20%** estimated IRR  
for new stores



# Extrafarma Sales

Quarter impacted by system takeovers and supply overhaul



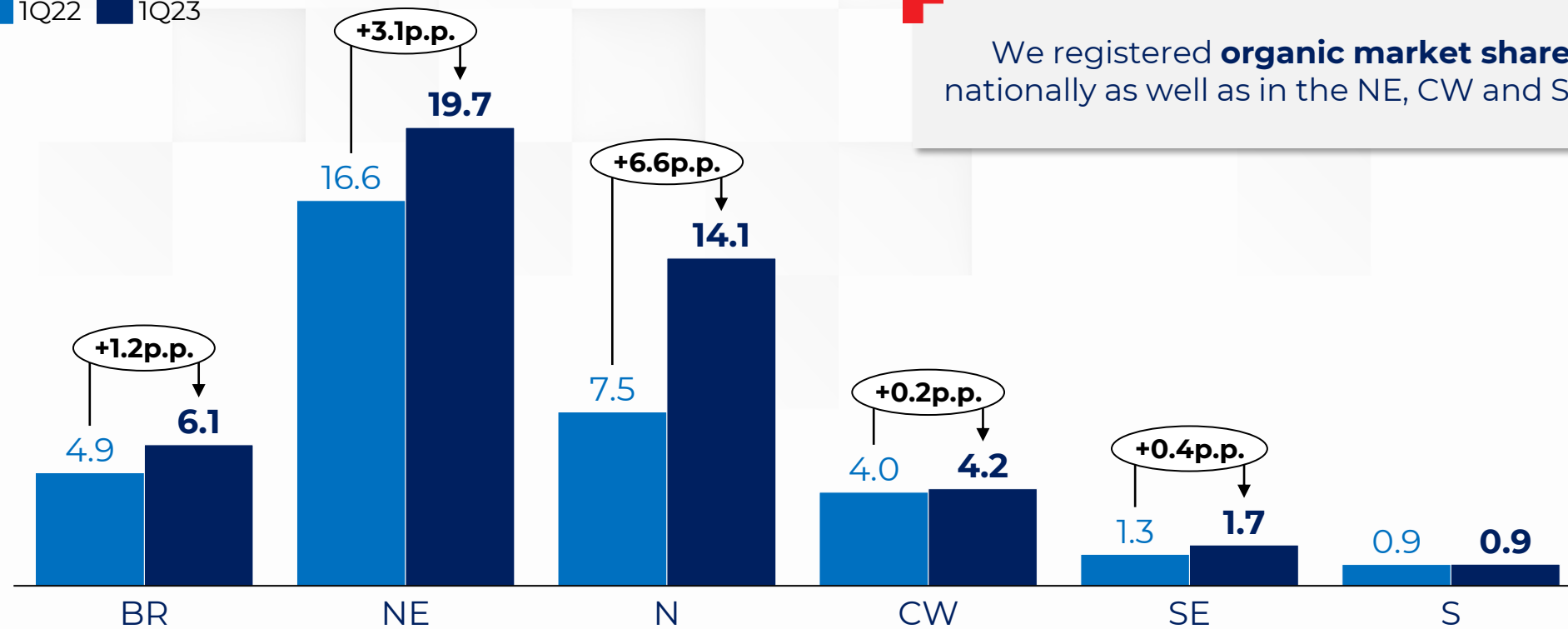
# Market Share

Market share increase in every single region

## SHARE BY REGION

(% of total market)

■ 1Q22 ■ 1Q23



We registered **organic market share gains** nationally as well as in the NE, CW and SE regions

Source: IQVIA

Note: Includes Extrafarma only in 1Q23. Acquisition completed in August/2022.



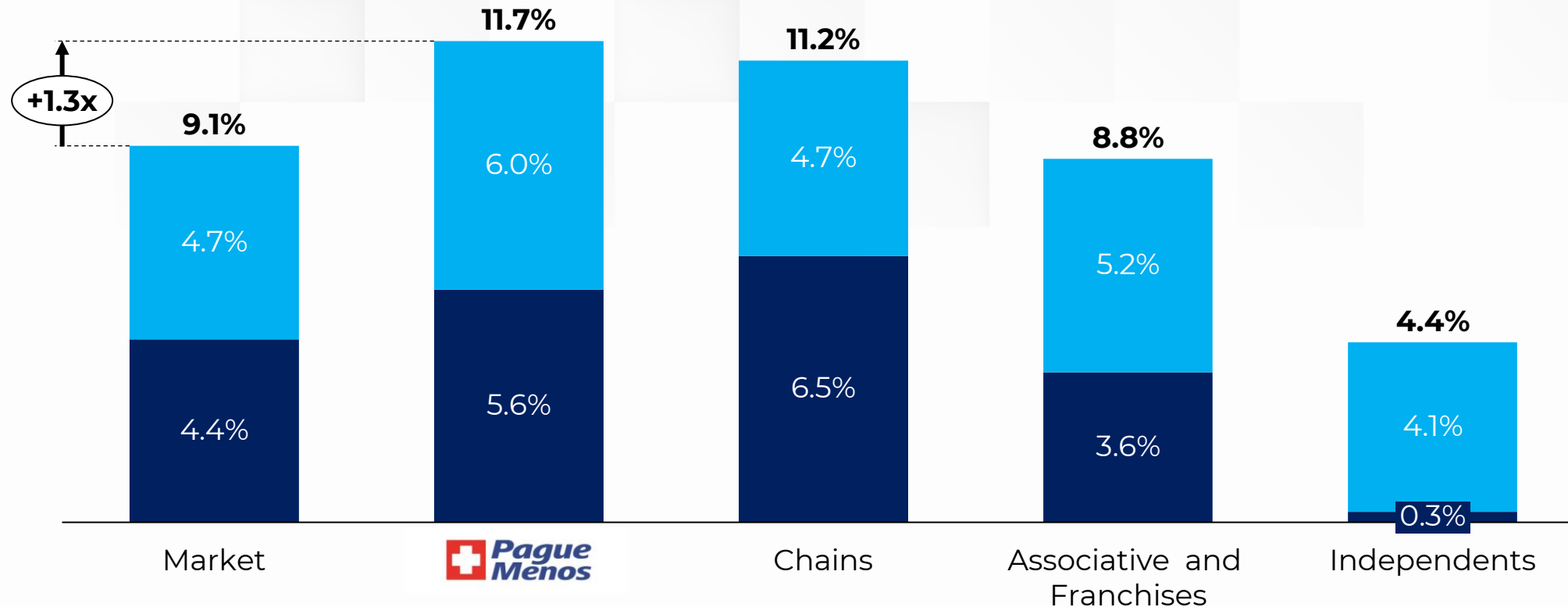
# Growth Elements

*Both same stores and new stores performing above the market*

## COMPOSITION OF GROWTH - BRAZIL

(Variation % 1Q23 vs 1Q22 - BRL CPP – Consumer Purchase Price)

 New / Closed Stores  Same Stores



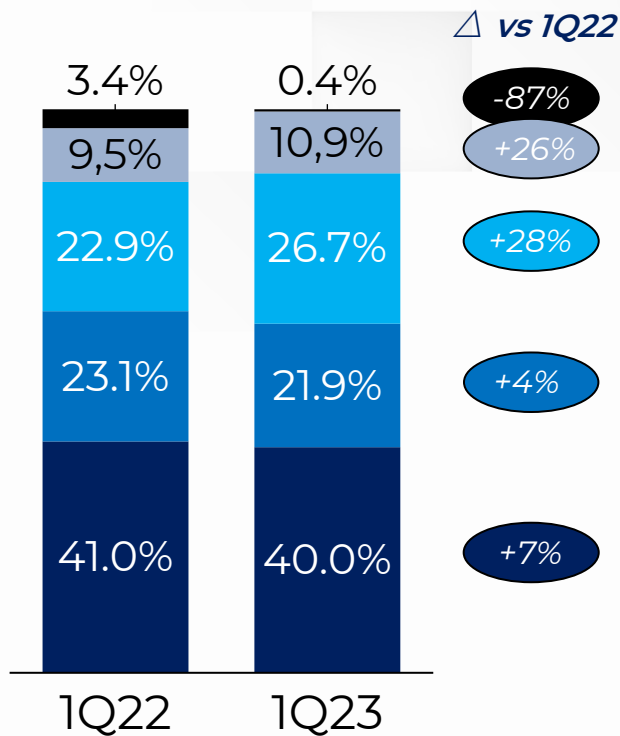
Source: IQVIA

Note: IQVIA methodology normalizes sales prices between players, making the growth in BRL CPP (Consumer Purchase Price) may differ from those prices actually practiced. Pague Menos growth does not include Extrafarma stores.

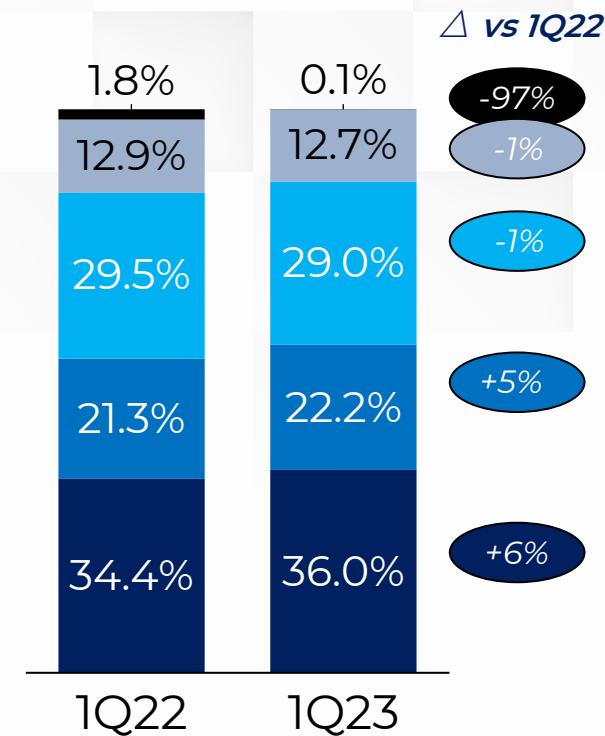
# Sales Mix

Generics and private labels continue to grow above other categories

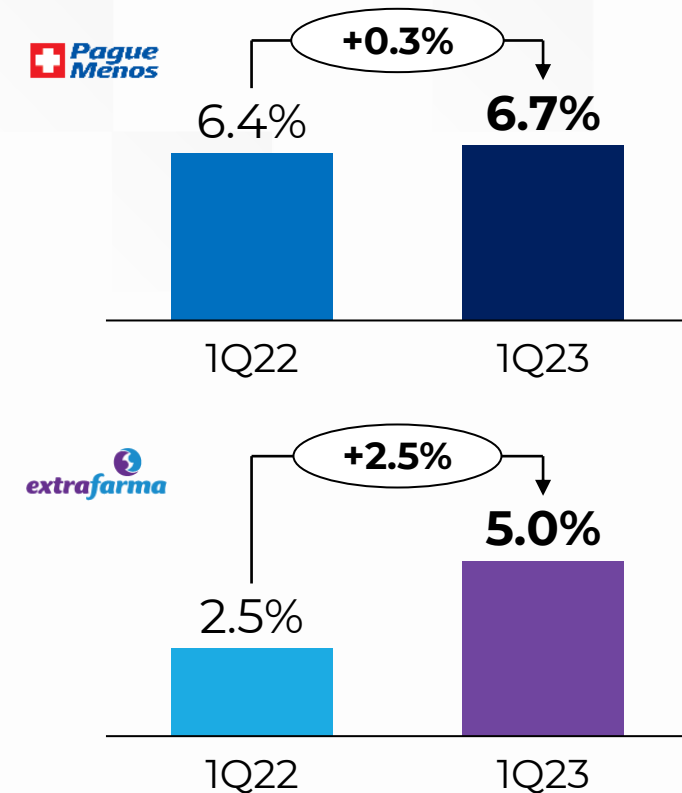
## **PAGUE MENOS** (% of total sale)



## **EXTRAFARMA** (% of total sale)



## **PRIVATE LABEL** (% of total sale)



 Services
  Generics
  H&B
  OTC
  Branded

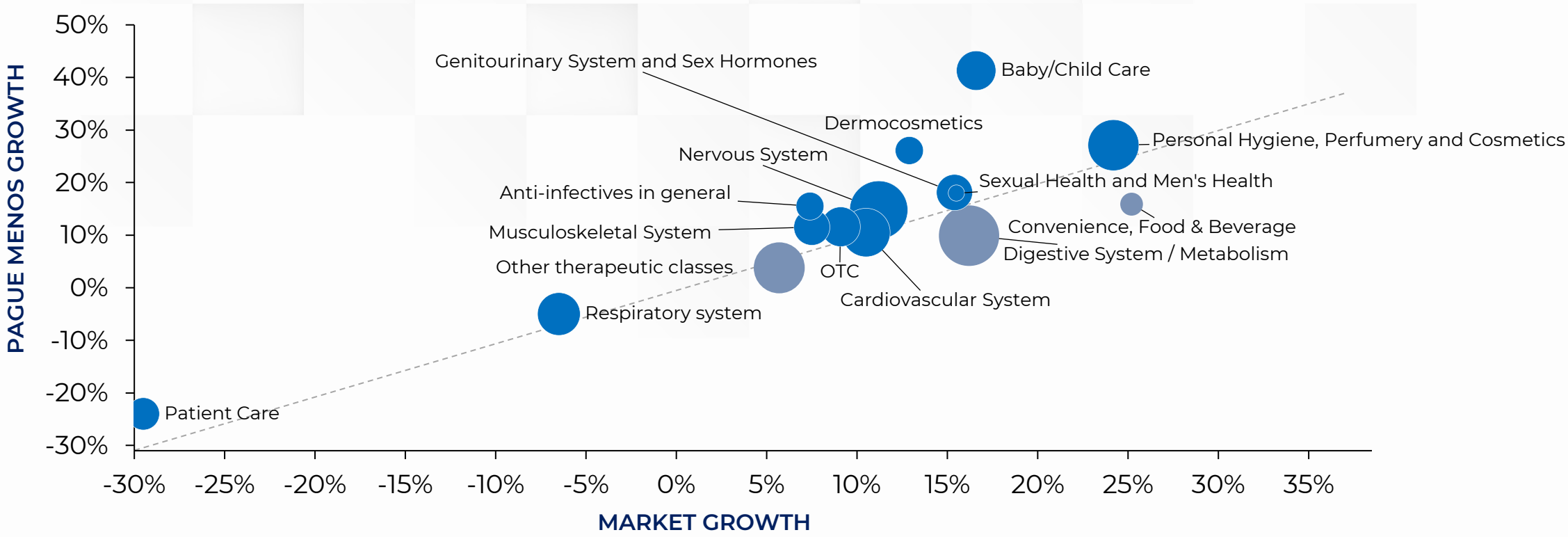
# Category Management

Above-market growth in the vast majority of therapeutic classes

## GROWTH BY THERAPEUTIC CLASS

Variation 1Q23 vs 1Q22)

● Outperformance (Better than market performance) ● Underperformance (below market performance)

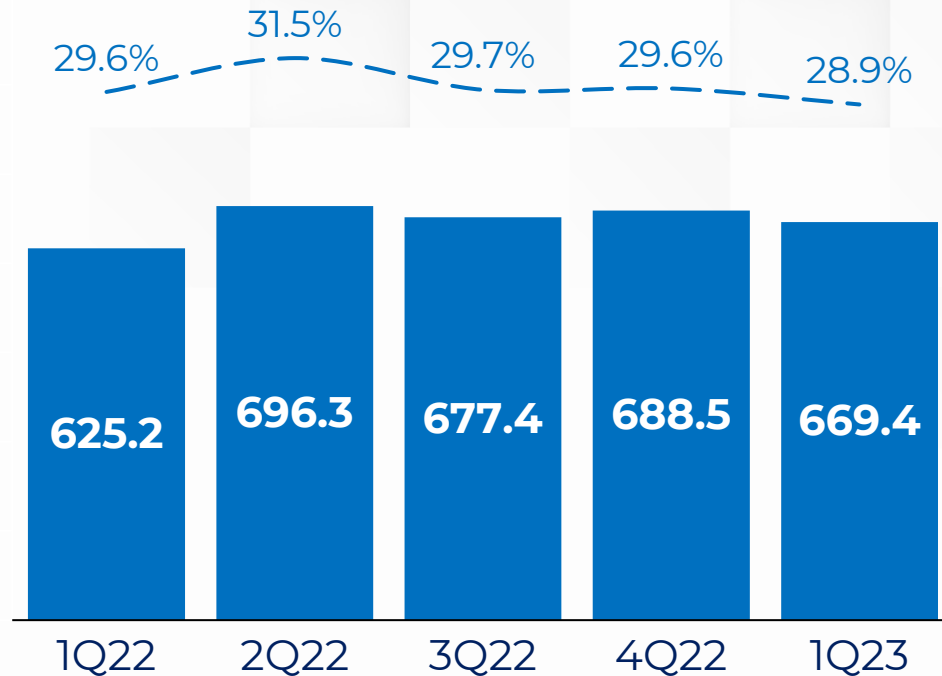


Source: IQVIA  
Note: Segregation of medicines by therapeutic classes and non-medicines by category.  
Underperformance/overperformance calculations considering only the Pague Menos brand

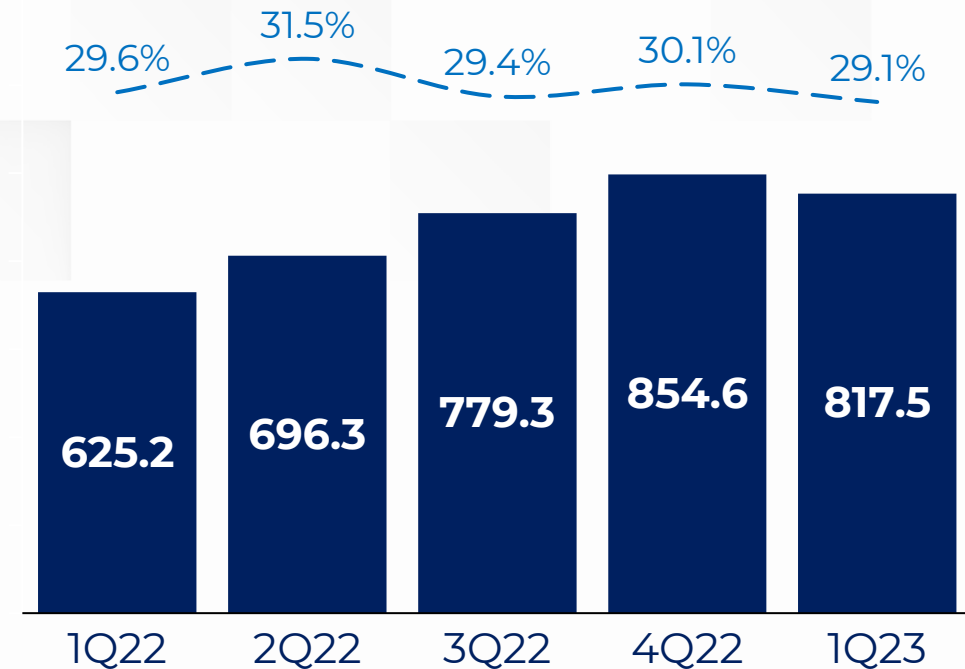
# Gross Profit and Gross Margin

*Pague Menos margin reduction mitigated by good Extrafarma performance*

## **STANDALONE GROSS PROFIT** (BRL million and % of Gross Revenue)



## **CONSOLIDATED GROSS PROFIT** (BRL million and % of Gross Revenue)

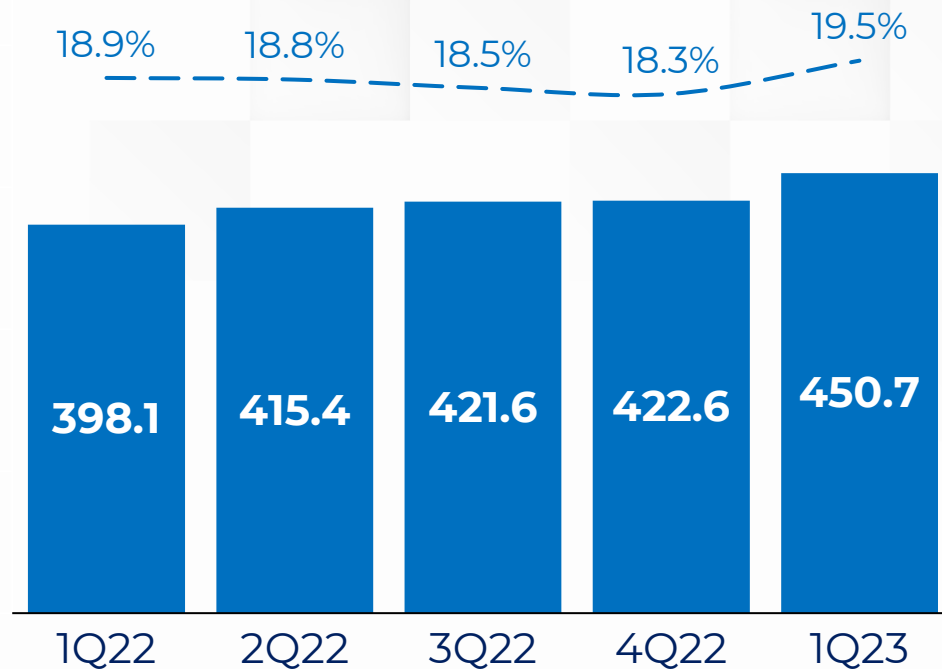


Note: IFRS16 numbers adjusted for non-recurring effects.  
Consolidated data consider Extrafarma results as of August 2022.

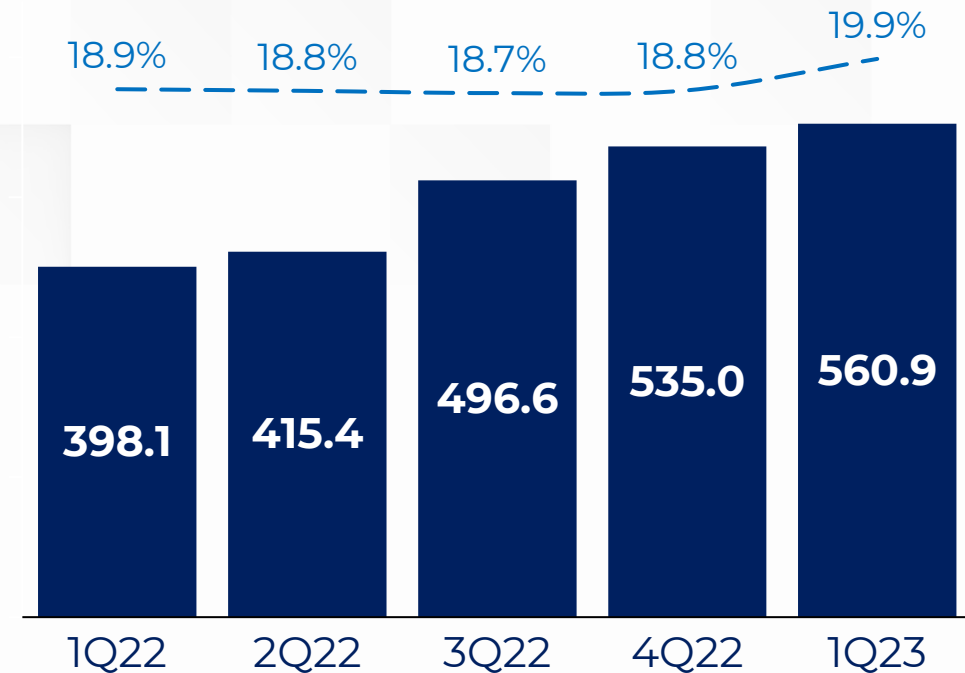
# Selling Expenses

*Increase in 0.6 p.p. vs 1Q22 in Pague Menos due to the phasing of marketing expenses and increase in the base of maturing stores*

## **STANDALONE SALES EXPENSES** (BRL million and % of Gross Revenue)



## **CONSOLIDATED SALES EXPENSES** (BRL million and % of Gross Revenue)

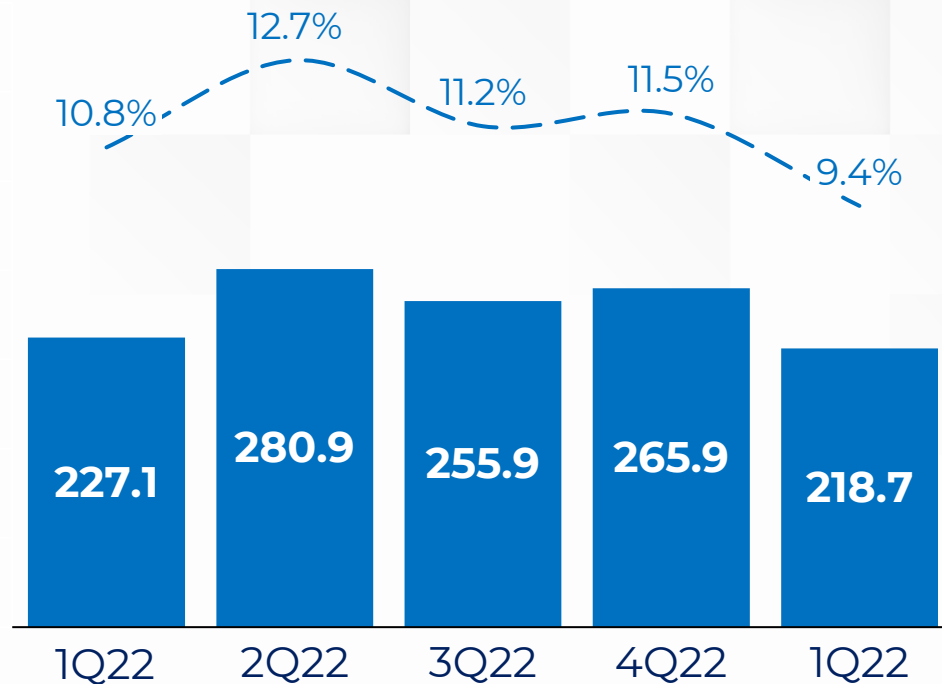


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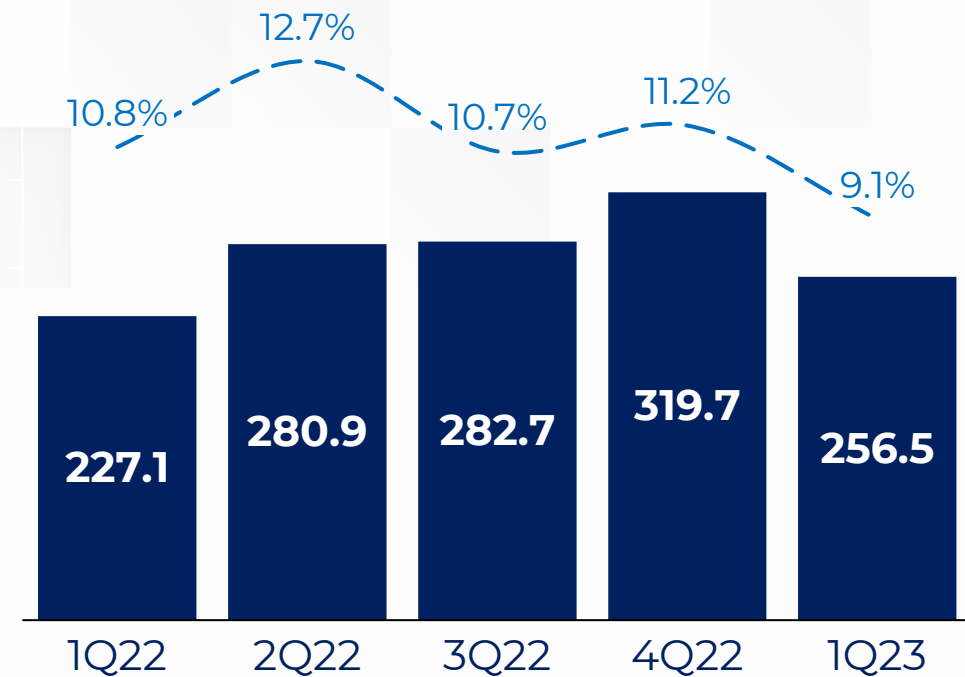
# Contribution Margin

*Reduction in contribution margin considered seasonal and temporary*

## **STANDALONE CONTRIBUTION MARGIN** (BRL million and % of Gross Revenue)



## **CONSOLIDATED CONTRIBUTION MARGIN** (BRL million and % of Gross Revenue)

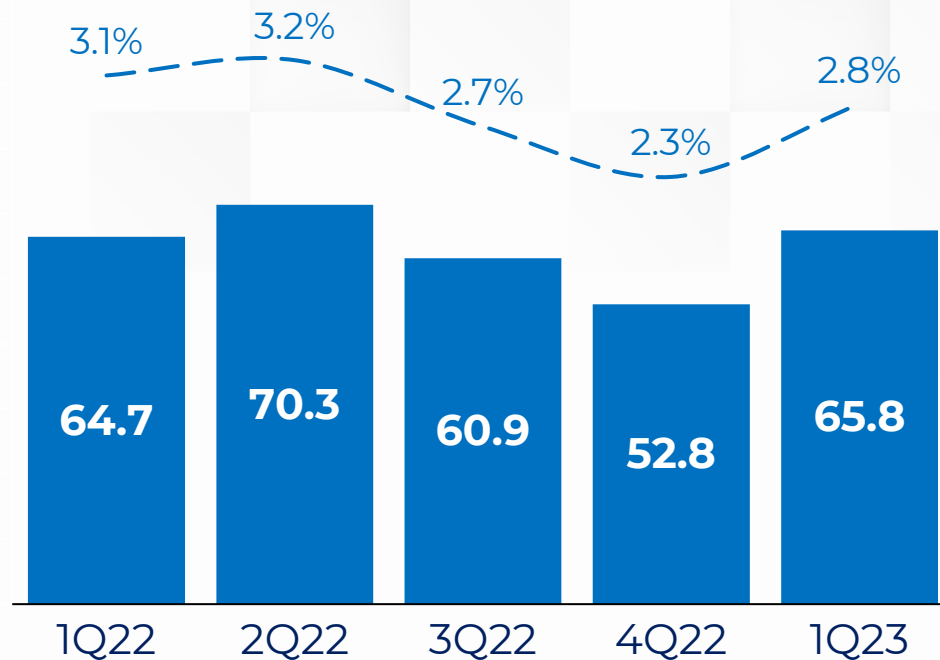


Note: IFRS16 numbers adjusted for non-recurring effects.  
Consolidated data consider Extrafarma results starting from August 2022.

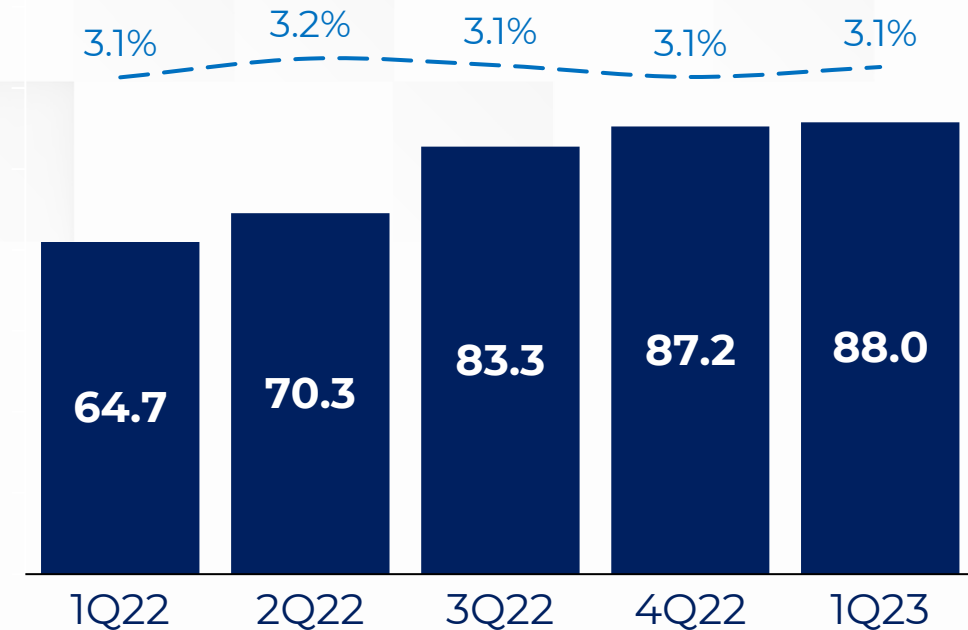
# G&A Expenses

*Control of expenses and progressive capture of synergies with Extrafarma*

## **STANDALONE G&A EXPENSES** (BRL million and % of Gross Revenue)



## **CONSOLIDATED G&A EXPENSES** (BRL million and % of Gross Revenue)



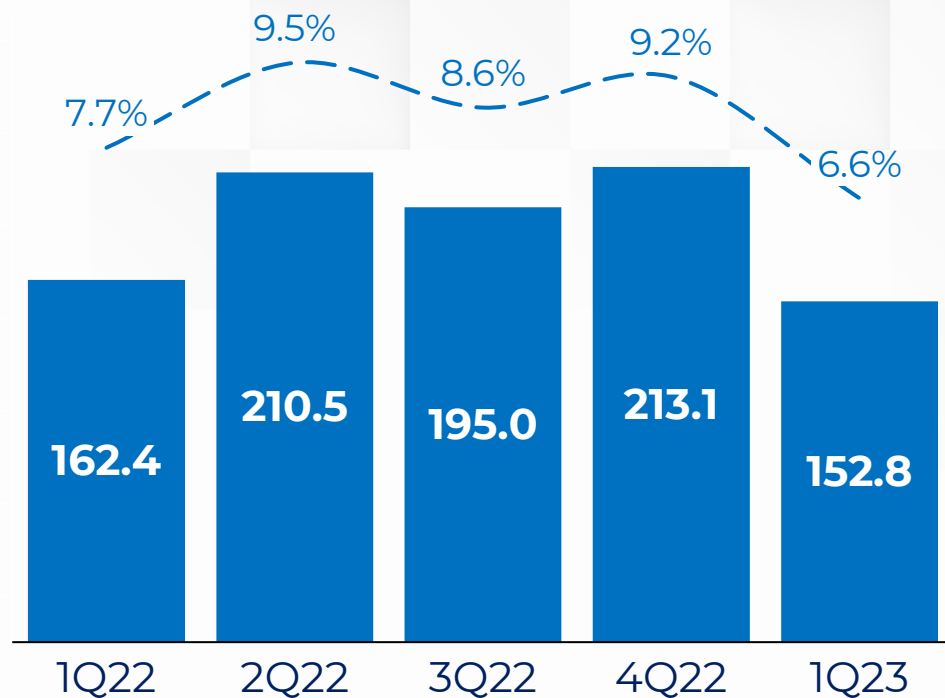
Note: IFRS16 numbers adjusted for non-recurring effects.  
Consolidated data consider Extrafarma results starting from August 2022.



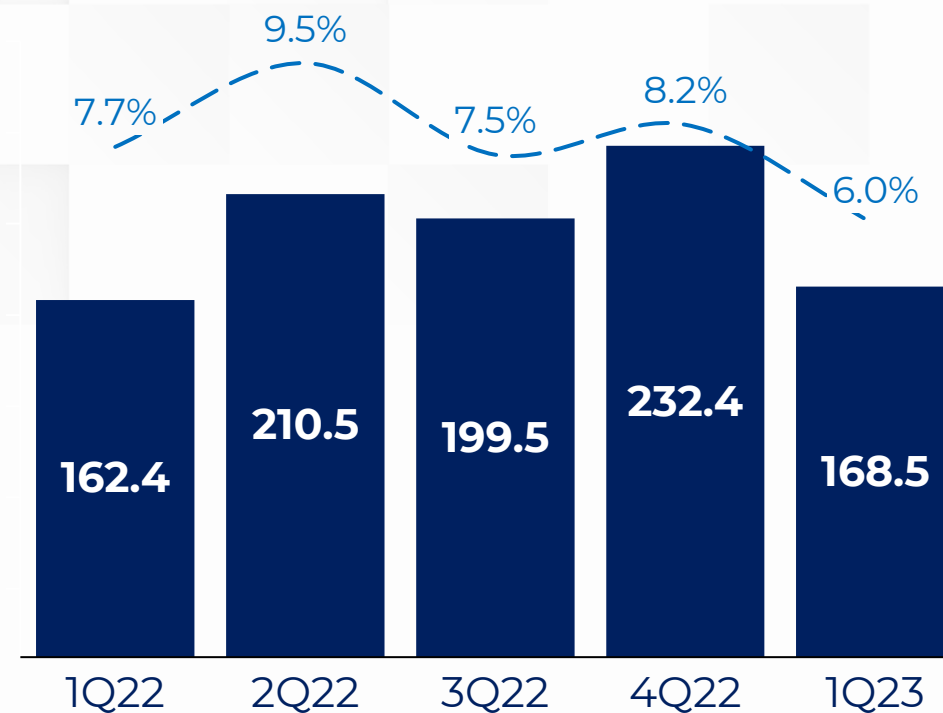
# Adjusted EBITDA

*Temporary margin reduction in 1Q23, with good prospects for recovery throughout the year with synergies, normalization of covid-19 basis and phasing of expenses*

## **ADJUSTED STANDALONE EBITDA** (BRL million and % of Gross Revenue)



## **ADJUSTED CONSOLIDATED EBITDA** (BRL million and % of Gross Revenue)

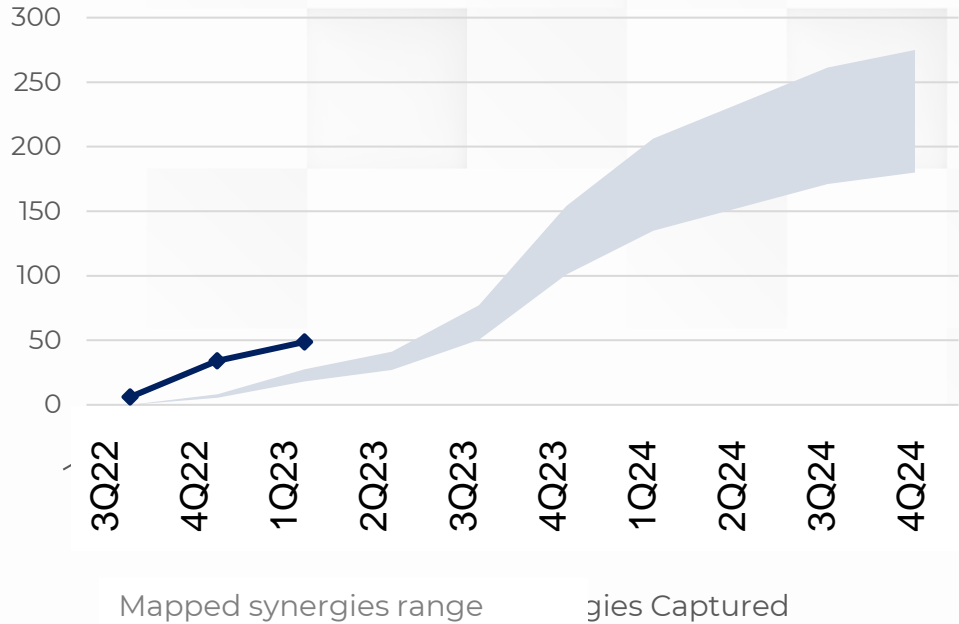


Note: IFRS16 numbers adjusted for non-recurring effects.  
Consolidated data consider Extrafarma results starting in August, 2022.

# Extrafarma EBITDA

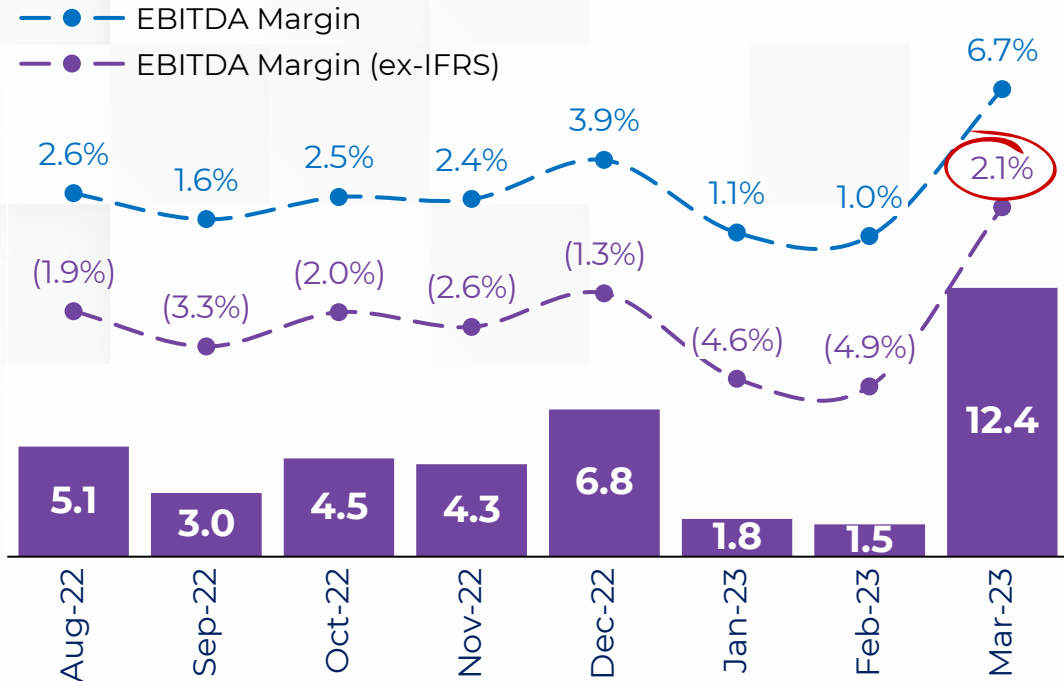
Capture of synergies remains strong, contributing to a breakeven in March

 **SYNERGY CAPTURE CURVE**  
(BRL million)



**BRL 2.2M in synergies** captured in 1Q23  
(~BRL 49M annualized – 21% of potential)

 **ADJUSTED EBITDA EXTRAFARMA**  
(BRL million and % Gross Revenue)

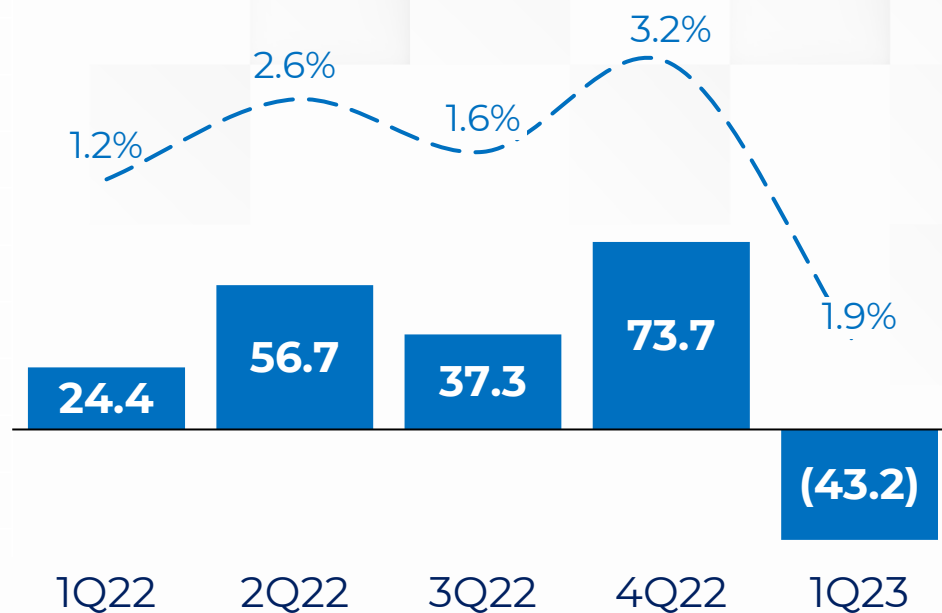


**Operational breakeven (ex-IFRS16)**  
achieved in March/2023

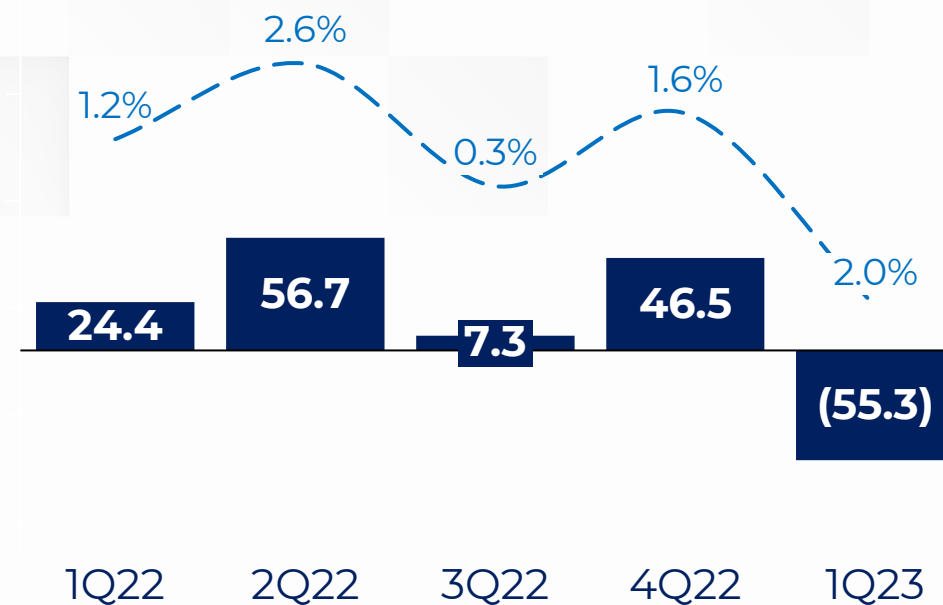
# Adjusted Net Result

*Negative result caused by the increase in financial expenses*

## **STANDALONE ADJUSTED NET RESULT** (BRL million and % of Gross Revenue)



## **CONSOLIDATED ADJUSTED NET RESULT** (BRL million and % of Gross Revenue)



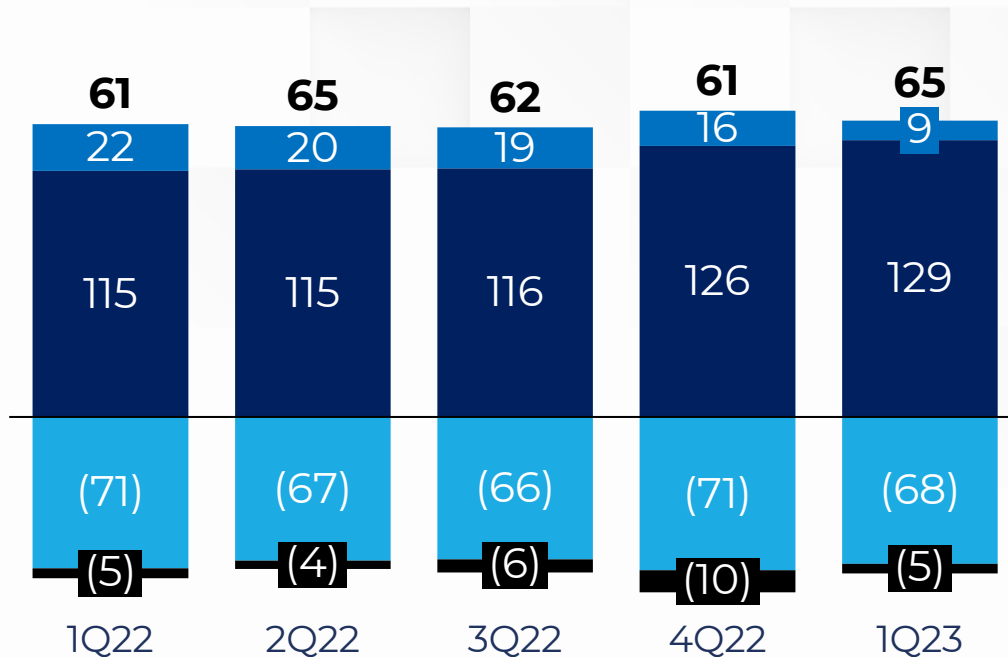
Note: IFRS16 numbers adjusted for non-recurring effects.  
Consolidated data consider Extrafarma results starting from August 2022.

# Cash Cycle and Indebtedness

*Increase in inventories and reduction of suppliers drawn risk being financed with prepayments of receivables and new loans, beginning of the deleveraging cycle projected for 2Q23*



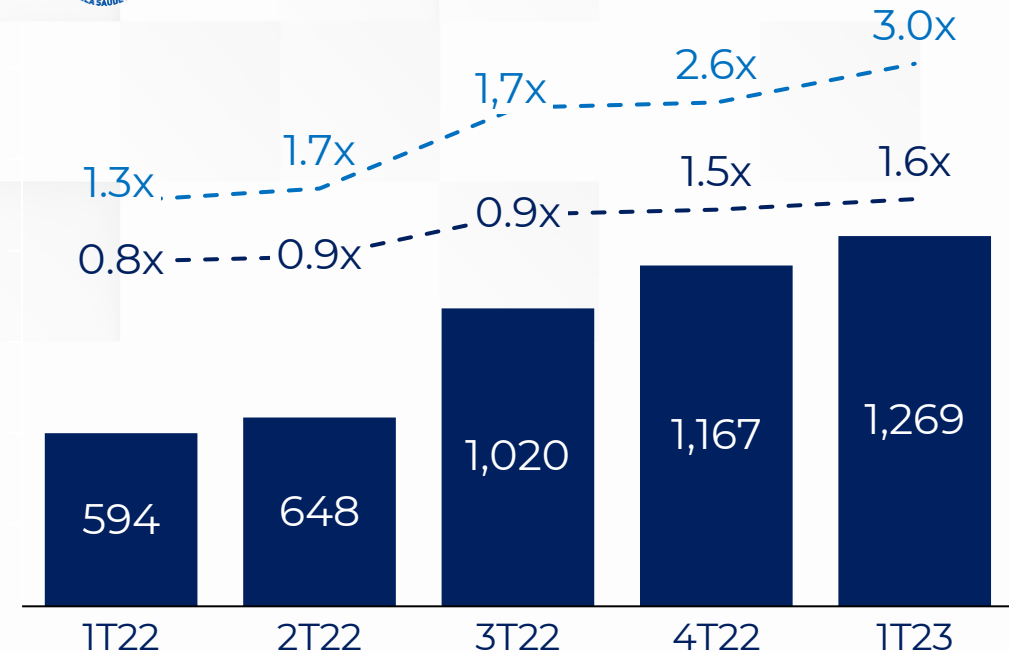
## CONSOLIDATED CASH CYCLE (in days of COGS and days of Gross Revenue)



■ Receivables    ■ Suppliers  
■ Inventory    ■ Drawn Risk



## CONSOLIDATED NET DEBT (in BRL million and multiple of EBITDA)






■ Net Debt  
--- Net Debt / EBITDA  
-.- Net Debt / EBITDA (ex-IFRS16)

Note: Net debt disregards forfait operations

# New Stores Guidance Review

*Revision of the capital allocation strategy and short-term reduction in the pace of expansion due to the adverse macro scenario*

	SCENARIO IN OCT/22 <sup>1</sup>	PROJECTED SCENARIO <sup>1</sup>	CURRENT SCENARIO	 <b>New Stores</b> (# new Pague Menos stores)
Average cost of funding	<b>12.7%</b>	<b>14.8%</b>	<b>16.3%</b>	
Inventory Investment (PME-PMP)	<b>41 days</b>	<b>47 days</b>	<b>56 days</b>	Original Projection  <b>60</b>
Leverage ratio <i>Net Debt/EBITDA<sup>2</sup></i>	<b>2.6x</b>	<b>3.0x</b>	<b>3.0x</b>	
Financial Earnings <i>(% of gross revenue)</i>	<b>2.0%</b>	<b>3.3%</b>	<b>4.3%</b>	Revised Projection  <b>20</b>
Pace of market openings <sup>3</sup>	<b>5.0%</b>	<b>5.0%</b>	<b>3.6%</b>	

Deceleration in the pace of organic expansion will contribute to the **optimization of the capital structure**, with limited impact on sales and margin for the year 2023.

**Impacts on market share will be limited** given the slowdown observed in the market and the ramp-up of stores opened between 2021/2022 and the acceleration of Extrafarma sales.

<sup>1</sup> Scenarios considered by the Company on the date of formalization of the original *guidance*

<sup>2</sup> Considers Bank Debt, Cash and Equivalents and adjusted EBITDA, without the effects of IFRS 16

<sup>3</sup> Moving average growth in total market store base in three months

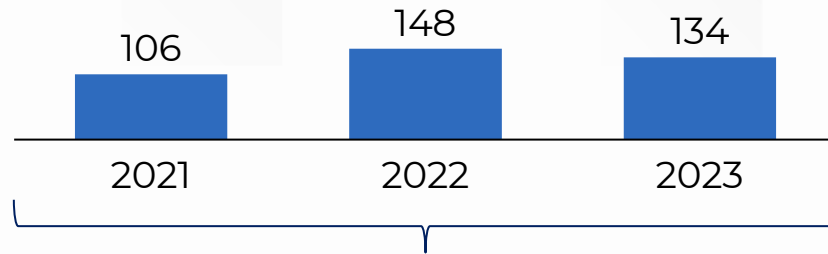
# Big Picture on Expansion

*Organic + inorganic expansion outpaced the plan by 229 stores in 2021-2023*

## STORE OPENINGS – IPO SCENARIO<sup>1</sup>

(# new store count)

■ Organic Expansion

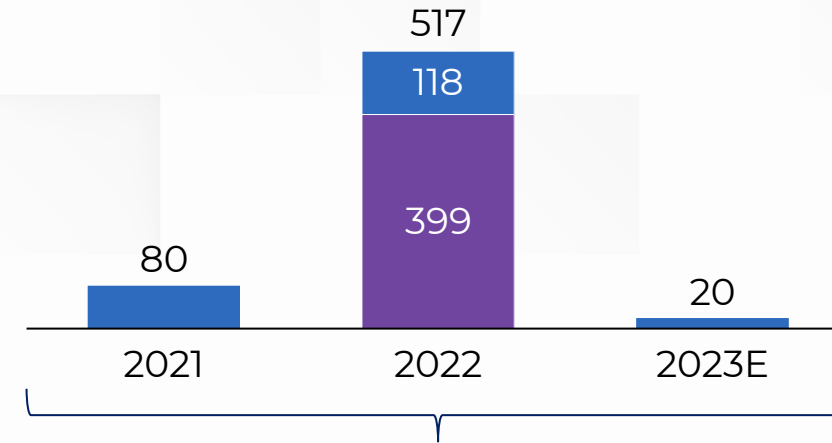


**388** New stores  
in 3 years

## STORE OPENINGS – ACTUAL SCENARIO

(# new store count)

■ Organic Expansion ■ Extrafarma acquisition



**617** New stores  
in 3 years



**+229** stores = **59%** above IPO plan

<sup>1</sup> Company's projections before IPO, in september, 2020



# Strategic Priorities

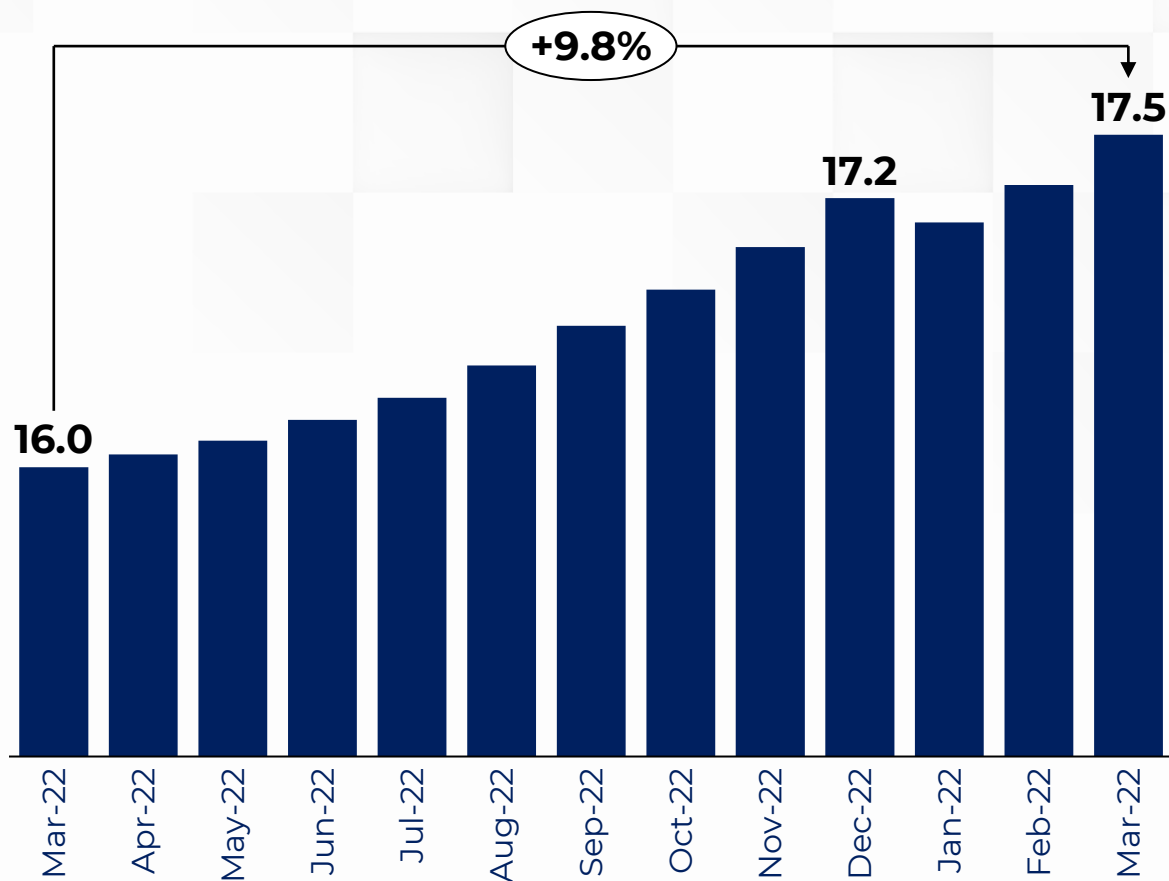
Mário Queirós, CEO



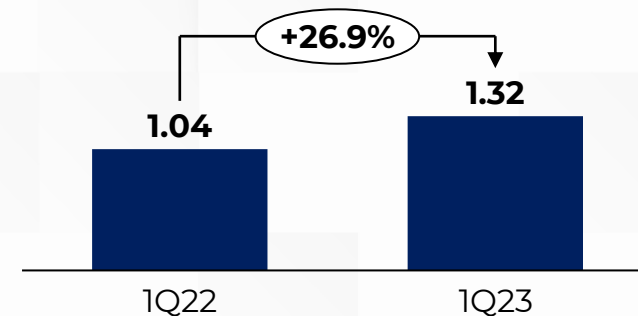
# Expansion of the customer base...

*1Q23 was a quarter with strong results in new customer acquisition*

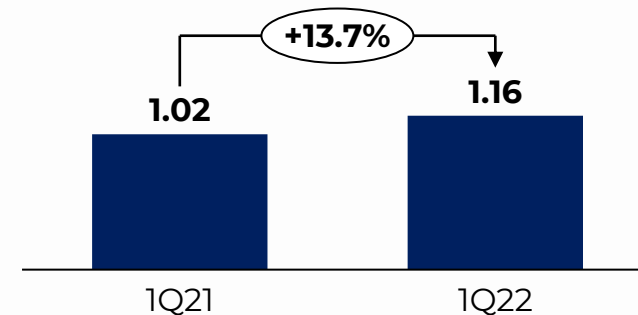
## **ACTIVE PAGUE MENOS CUSTOMERS (LTM)** (in millions)



## **QUICK RATIO** (new customers + reactivated) / inactive



## **QUICK RATIO (SSS)** (new customers + reactivated) / inactive



# ...with more Engagement

*Customers in the base have consistently improved purchasing behavior*

## CUSTOMER MIGRATION MATRIX BETWEEN PURCHASE PROFILES

		APR/22 – MAR/23				
		High (A)	HIGH B	MEDIUM	LOW	ABANDON
APR/21 – MAR/22	High (A)					7.9M
	HIGH B					
	MEDIUM					
	LOW	9.2M				
	NEW					

 Customers LTV upgraded<sup>1</sup>

 Customers LTV downgraded<sup>1</sup>

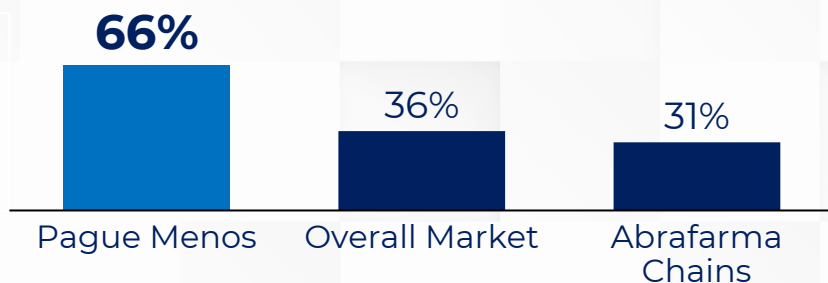
<sup>1</sup> LTV – Lifetime Value

# Acceleration of Digital Channels

*Strong growth in 1Q23*

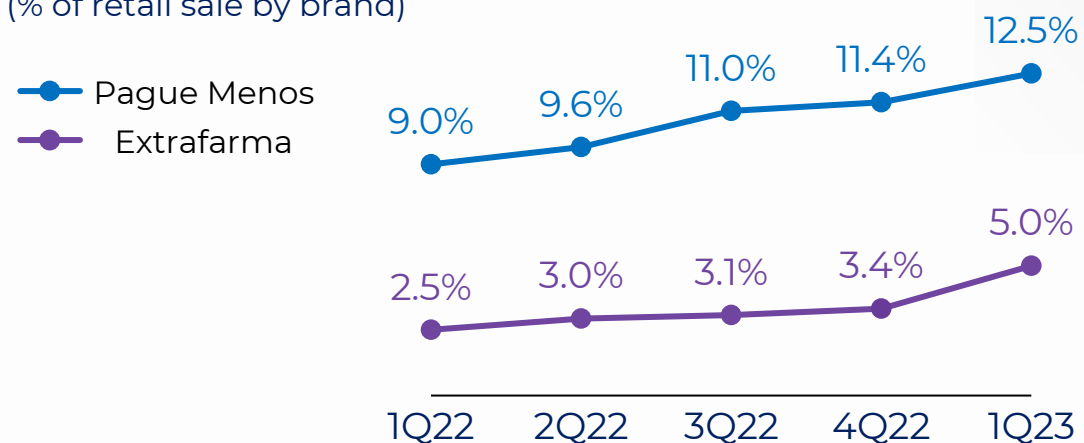
## GROWTH OF DIGITAL CHANNELS <sup>1</sup>

(% change 1Q23 vs 1Q22)



## Digital Share

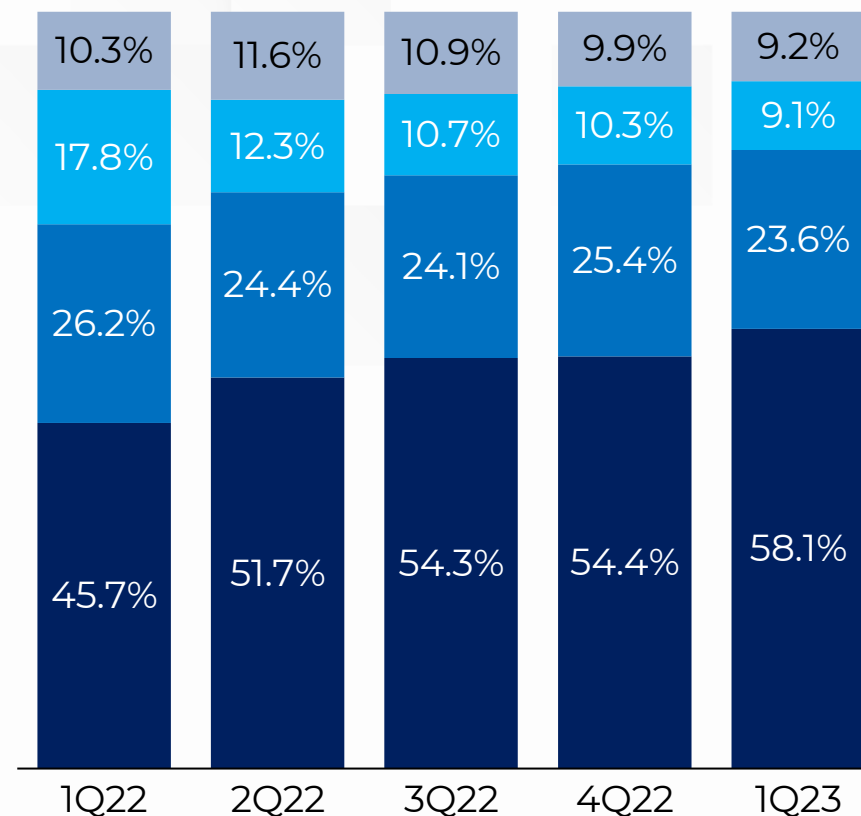
(% of retail sale by brand)



## DIGITAL CHANNELS MIX

(% of digital channel sales)

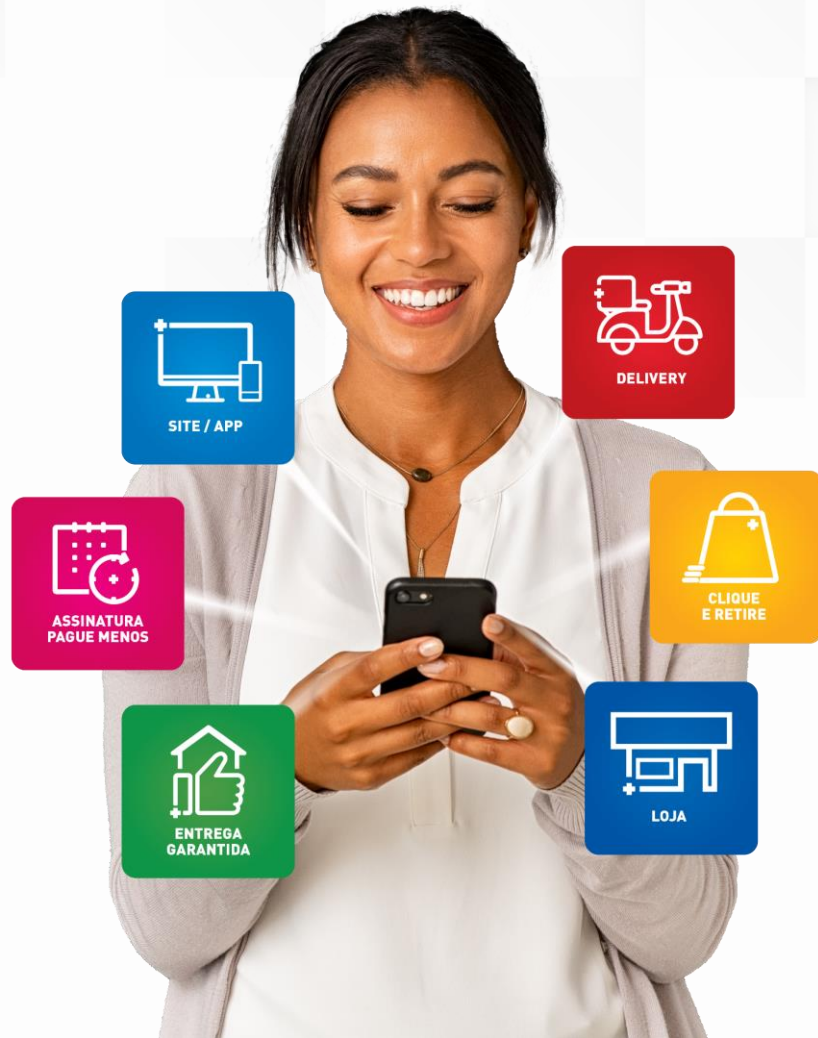
■ Infinite Shelf  
■ Superapps  
■ Telephone Sales  
■ e-Commerce



<sup>1</sup> Sources: IQVIA and Abrafarma

# Omnichannel Platform

*Why we consider the growth of digital channels strategic for the business*

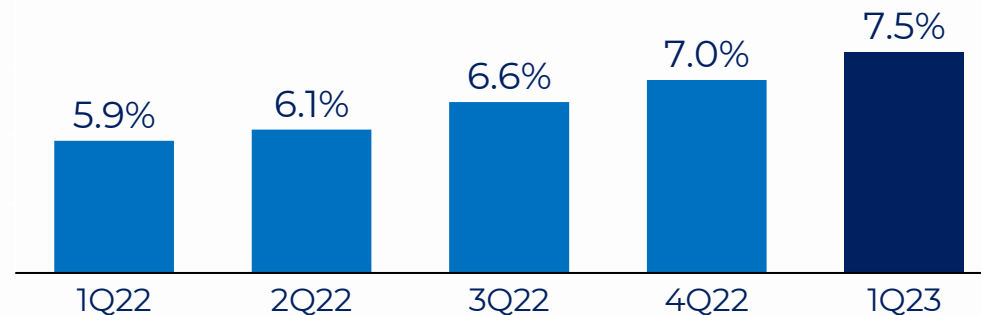


Digital customers have a high **omnichannel index** (consumption in more than one channel)

Omnichannel customers have an **average spend +3x higher than** single-channel customers

Digital channels generate negative pressure on margins at first, which is offset by the **growth of customer LTV**

 **OMNICHANNEL CUSTOMERS**  
(% of customer base purchasing in more than one channel)





Q&A





Farmácia  
oficial da  
Seleção e  
da torcida  
brasileira.

## INVESTOR RELATIONS

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