

EARNINGS RELEASE 3Q21



Fortaleza, Ceará, November 3, 2021. Empreendimentos Pague Menos S.A. ("Company" or "Pague Menos"), since 2009 the only Brazilian pharmaceutical retail chain present in every Brazilian states, bringing healthcare to more than 300 Brazilian municipalities, announces its results for the 3rd quarter of 2021.

Since 2019, our financial statements have been prepared in accordance with IFRS 16, which changed the criteria for recognizing rental contracts. In order to demonstrate the effects of the implementation of this standard and facilitate comparability between periods, on page 16 of this release we present the Income Statement for the Year excluding the effects of IFRS 16.

3Q21 HIGHLIGHTS

- **Expansion:** 25 new stores opened during the quarter
- **Sales :** 7.4% growth, 7.1% in same stores and 6.6% in mature stores
- **Market Share :** gains of 0.5 p.p. in the Northeast and 0.6 p.p. in the North
- **Digital :** 71.8% growth, representing 8.5% of total sales (+3.2pp vs 3Q20)
- **Clinic Farma :** more than 500 thousand consultations (+128% vs 3Q20), used by 4.4% of the customer base
- **Adjusted EBITDA :** R\$ 160.4 million with an EBITDA margin of 7.9% (stable vs 3Q20)
- **Adjusted Net Income:** 35.6 million with a net margin of 1.7% (-0.4 pp vs 3Q20)
- **Capital markets :** Accumulated appreciation in share price since the IPO 14.0% (as of November 01, 2021)

FINANCIAL HIGHLIGHTS (R\$ million)	3Q20	3Q21	Δ	9M20	9M21	Δ
Gross Revenue	1,901.6	2,042.1	7.4%	5,353.2	5,988.1	11.9%
Gross Profit	543.5	604.6	11.2%	1,545.8	1,803.9	16.7%
% Gross Margin	28.6%	29.6%	1.0 pp	28.9%	30.1%	1.2 p.p.
Contribution Margin	204.9	219.7	7.3%	553.7	679	22.6%
Contribution Margin	10.8%	10.8%	-	10.3%	11.3%	1.0p.p.
Adjusted EBITDA	149.5	160.4	7.4%	414.5	512.1	23.5%
Adjusted EBITDA Margin	7.9%	7.9%	-	7.7%	8.6%	0.9 pp
Adjusted Net Income	40,2	35.6	(11.4%)	58.5	150.6	157.4%
Adjusted net margin	2.1%	1.7%	(0.4 p.p.)	1.1%	2.5%	1.4 p.p.

OPERATING HIGHLIGHTS	3Q20	3Q21	Δ	9M20	9M21	Δ
# of stores	1,105	1,126	1.9%	1,105	1,126	1.9%
# of stores with Clinic Farma	806	845	4.8%	806	845	4.8%
Avg sales/store/month (BRL K)	574	605	5.4%	538	591	9.8%
# of Consultations (thousand)	27,057	27,391	1.2%	80,879	80,304	(0.7%)
Average Ticket (BRL)	70.28	74.55	6.1%	66.19	74.57	12.7%
# of Employees	19,217	19,561	1.8%	19,217	19,561	1.8%
# of Employees/store	17.4	17.4	-	17.4	17.4	-
Avg Sales/Employee/month (in BRL K)	33.0	34.8	5.5%	31.0	34.0	9.7%
% of Sales using Digital Channels	5.3%	8.5%	3.2 p.p.	4.4%	7.3%	2.9 p.p.

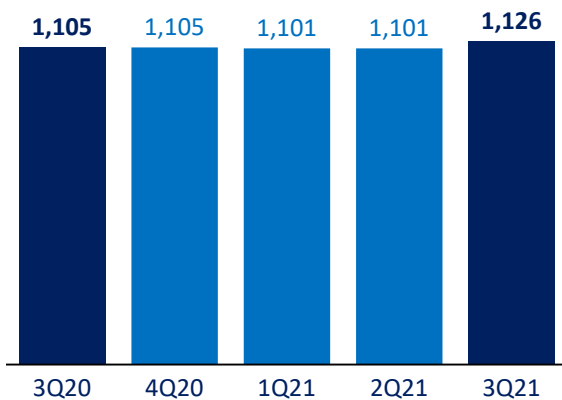
STORE PORTFOLIO

In 3Q21 we opened 25 stores, totaling 32 in the year. The portfolio reached 1,126 units distributed in 339 municipalities, of which 91.8% are mature stores.

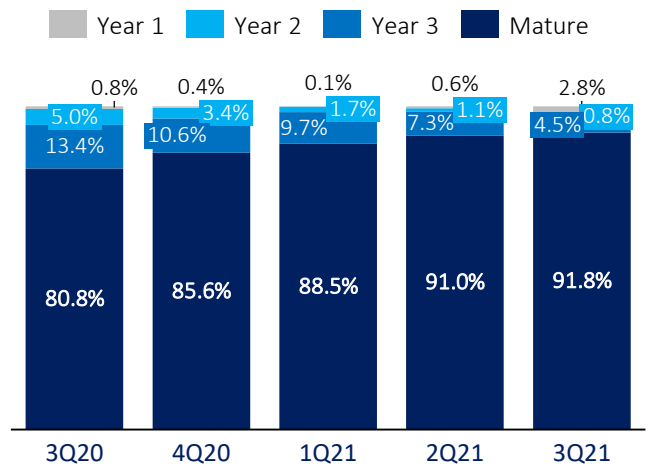
Of the 32 stores opened, 97% are located in the North and Northeast regions and 84% are located in micro-regions with a predominance of the B2, C and D class consumers. We continue with the pipeline of new store openings with characteristics similar to those already inaugurated and reiterate the projection of 80 gross store openings for 2021, with 48 store openings expected in the fourth quarter, and 120 openings in 2022.

We continue to revitalize the store portfolio with refurbishments and renovations. In 3Q21, 14 stores were renovated, totaling 66 during the year.

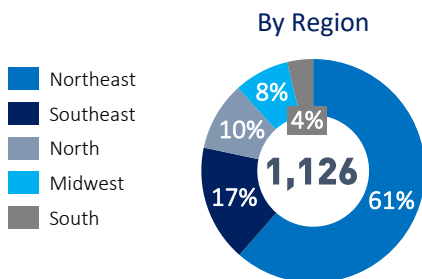
Store Base Evolution



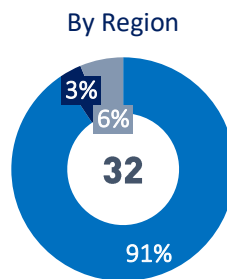
Store Age Profile



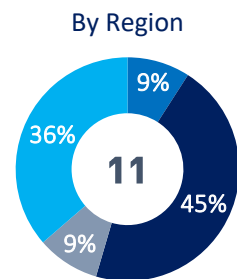
Store Base (3Q21)



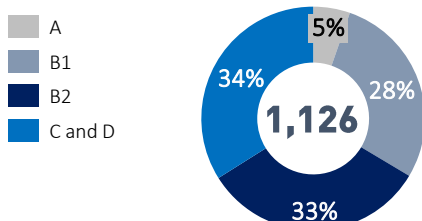
LTM openings¹



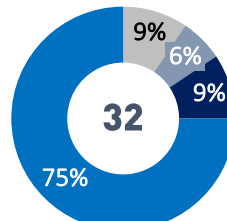
LTM closures¹



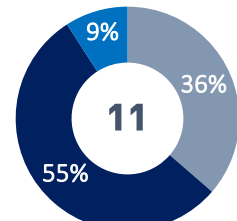
By Income Class



By Income Class



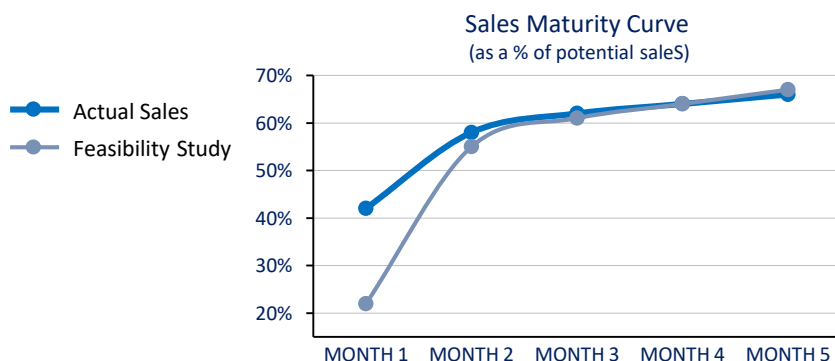
By Income Class



Last Twelve Months

Note: Predominant income class around each store (5 minutes isochronous). Segmentation follows IBGE criteria, where Class A comprises households with an average monthly family income of R\$ 22.7 thousand, Class B1 of R\$ 10.7 thousand, Class B2 of R\$ 5.7 thousand, and C/D of up to R\$3.0 thousand.

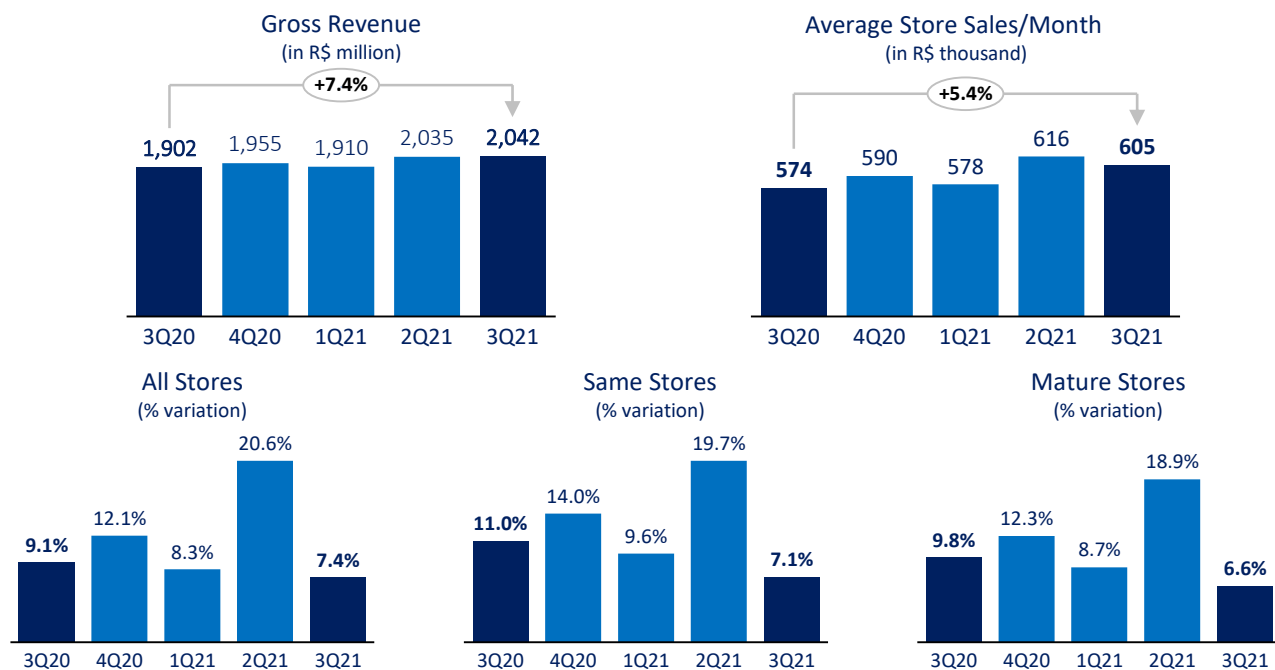
The new cohort of stores presents promising results in their first months of operation, with a sales maturation curve in line with the economic feasibility studies for these new sites, which have an average IRR above 20%. In the graph below, we present the maturation curve effectively realized, as a percentage of potential sales for these stores at maturation (in the 3rd year of operation), considering stores with at least one full month of sales.



SALES

In 3Q21, we maintained a good level of sales growth, reaching gross revenue of R\$2.0 billion, an increase of 7.4% compared to 3Q20. Growth was 7.1% in same stores and 6.6% in mature stores.

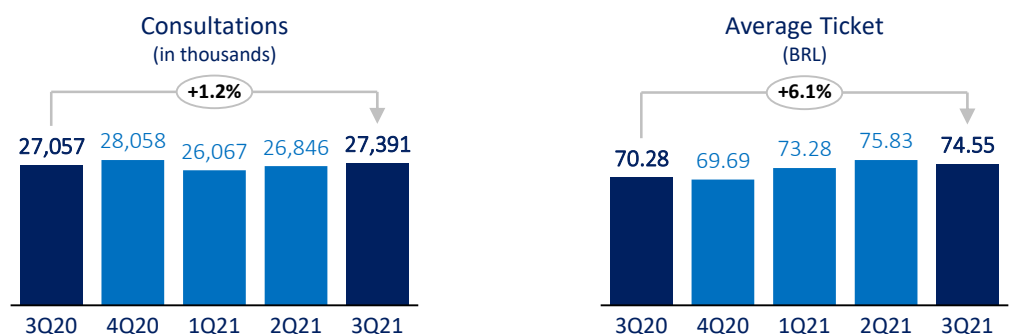
Average monthly sales per store in the quarter was R\$ 605 thousand, below the level observed in the previous quarter due to the addition of 25 new stores, in their initial stage of maturation, to the portfolio. Excluding new stores, average monthly sales were R\$ 617 thousand, in line with the previous quarter.



The main levers driving sales growth are: i) increased share of digital channels, reaching 8.5% of total sales in 3Q21; ii) Increased product availability in stores, with expansion of the average assortment per store reaching 9.6 thousand SKUs, an increase of 17.8% vs 3Q20 and a reduction of 45% in Stockout levels vs 3Q20; iii) increase in sales via agreements and partnerships (*convênios*), which reached 22.0% of total company sales in 3Q20; iv) growth in incremental sales through CRM actions, responsible for 2.9% of total company revenue in 3Q21; and v) improvement in the level of service, resulting in our all-time high NPS score of 76 points.

¹ The same stores concept does not consider stores temporarily closed for more than seven consecutive days. Including temporarily closed stores in the base, same store growth in 3Q20, 4Q20, 1Q21, 2Q21 and 3Q21 was 10.9%, 13.5%, 9.3%, 20.6% and 7.1%, respectively.

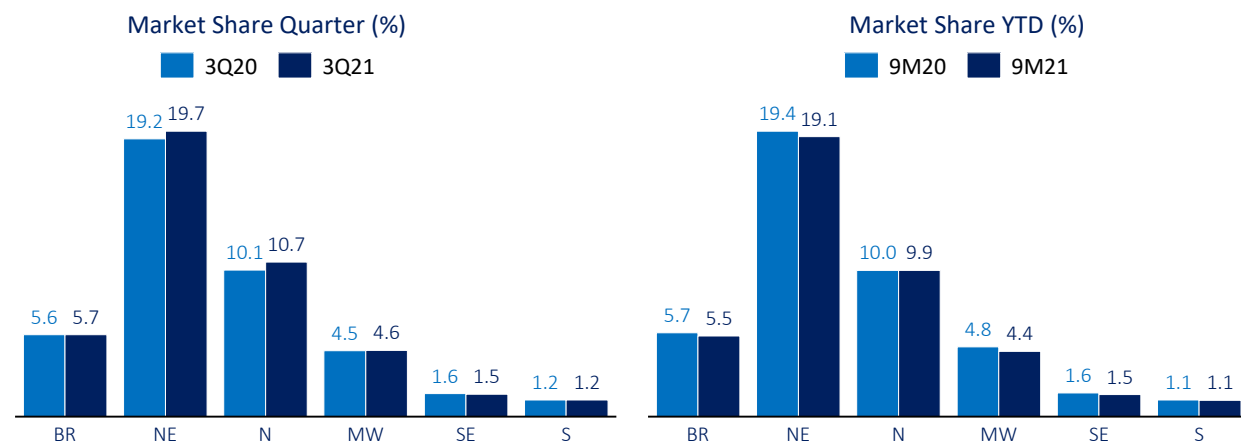
The growth of the quarter was compounded by an increase of 1.2% in the volume of consultations compared to 3Q20, related to the store expansion and the resumption of certain activities which had slowed during the pandemic, as well as an increase of 6.1% in average ticket compared to 3Q20, positively impacted by inflation of drugs prices and negatively impacted by a reduction in the average customer basket, caused by a gradual increase in the frequency of store visits.



MARKET SHARE

We continue to benefit from of market share gains, especially in our core regions. In 3Q21, we reached 5.7% market share in Brazil, 0.1 p.p. growth compared to 3Q20. Regionally, we had relevant gains of share of 0.5 p.p. in the Northeast, 0.6 p.p. in the North and 0.1 p.p. in the Midwest. Market share remained stable in the South, and we lost 0.1 p.p. in the Southeast.

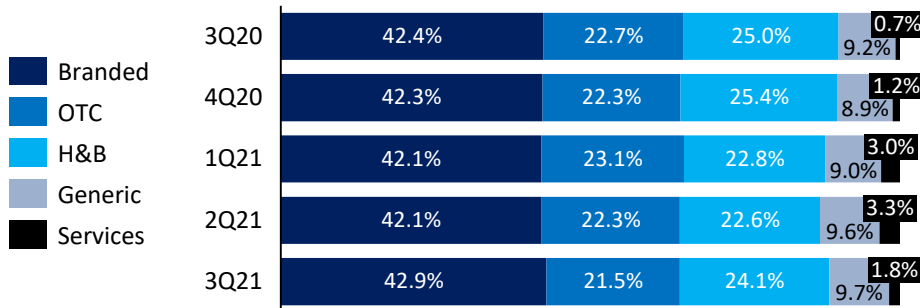
We continue to show growth rates of average sales per store above the market average in all regions where we operate, demonstrating that our market share increase is a result of a healthy combination of same store growth and organic expansion.



Source: IQVIA

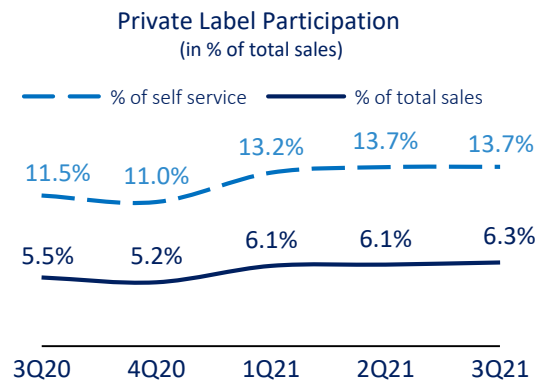
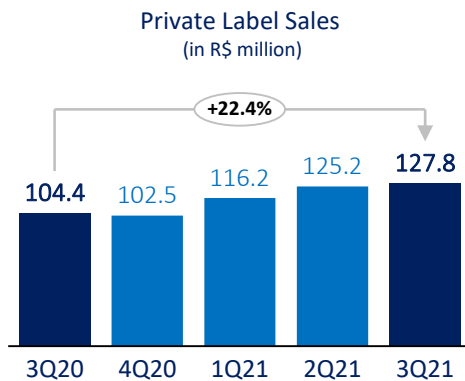
SALES MIX

Generic drugs continue to gain share in the sales mix. This category reached 9.7% of sales in 3Q21, 0.5 p.p. above 3Q20. Services concentrated 1.8% of sales, down 1.5 p.p. compared to 2Q21, reflecting the drop in demand for Covid-19 tests as a result of the advance in vaccination throughout the country.



PRIVATE LABEL

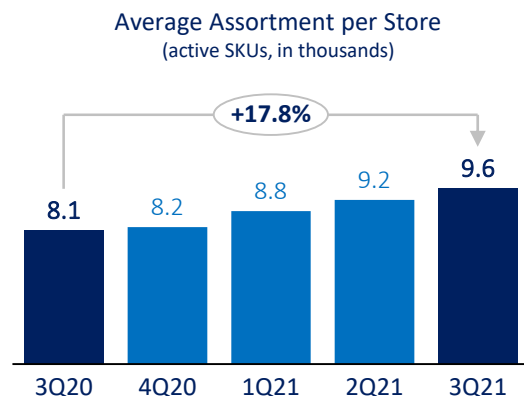
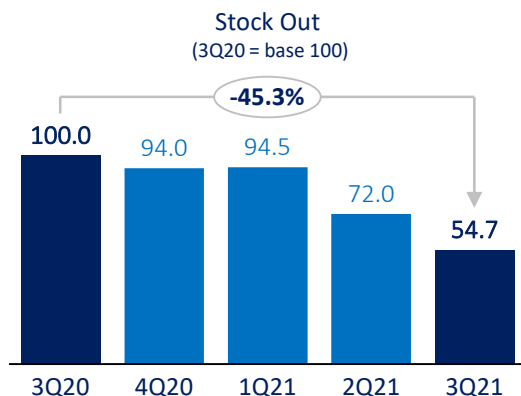
The private label products category totaled R\$127.8 million in sales in the quarter, 22.4% higher than 3Q20, three times the Company's overall growth rate. The share of total sales reached 6.3%, an increase of 0.8 p.p. compared to 3Q20, with their share of total self-service sales being 13.7%, an increase of 2.2 p.p. compared to 3Q20.



PRODUCT AVAILABILITY

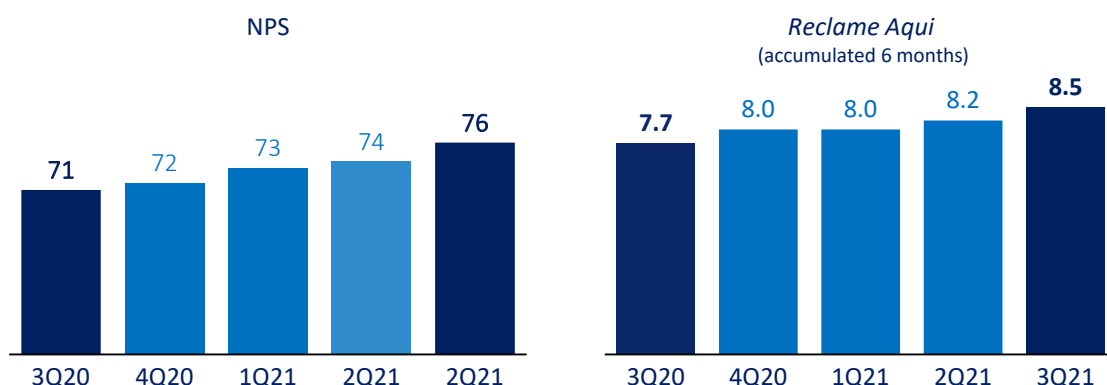
We continue working to expand the offer and availability of products in stores. In 3Q21, the stockout rate decreased 45% compared to the same period of the previous year, reaching the lowest rate in the historical series. We continued to include healthcare products in our assortment, reaching an average of 9.6 thousand items per store in 3Q21, an increase of 17.8% compared to 3Q20.

We also highlight that even with this relevant increase in product availability, the rate of inventory losses continues to decline, contributing to the growth of the gross margin.



SERVICE LEVEL

We continue to see improvements in key indicators of customer satisfaction. The NPS, obtained through satisfaction surveys sent to a relevant portion of customers who visit our stores, reached an all-time high of 76 points. All store execution attributes grew, with emphasis on assessments related to assortment and store environment. We also reached our highest score in reputation in the historical series of the *Reclame Aqui* ("Complain Here", a customer satisfaction website), with a user rating of 8.5, one of the highest in the retail sector nationally. In addition, we maintained our RA1000 seal on the platform, which is granted to companies offering excellence in customer service.

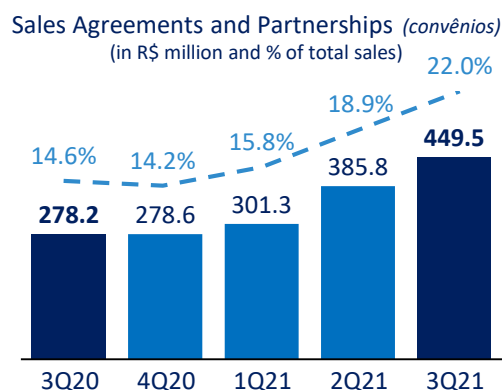
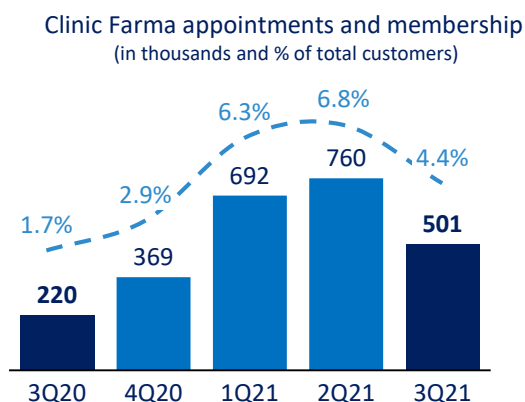


HEALTH HUB

We continue to focus on the development of an increasingly robust Health Hub, consolidating our leadership in promoting health and well-being for the expanded middle class.

Clinic Farma reached the mark of 501 thousand consultations in 3Q21, an increase of 128% compared to the previous year. The customer adhesion rate was 4.4%, while the conversion rate, that is, customers making purchases on the same day of their consultation, reached the mark of 65%, the highest rate in the historical series. The economics of the client who uses Clinic Farma continues to be very positive, with an average spend almost 3 times greater than that of a traditional client.

Clinic Farma's portfolio of services has now grown to more than 50 health protocols in 3Q21, with the inclusion of more complex tests, such as food intolerance and atopic allergy tests, capable of detecting more than 50 types of allergies with results in as little as 30 minutes. Gradually, we position our clinics as important diagnostic test locations in the Point of Care Testing (POCT) model. Despite the drop in demand for Covid-19 tests throughout the quarter, reflecting the advance of the vaccination campaign across the country, we remain optimistic about the increasing adherence of customers to these in-store services. Excluding Covid-19 tests, the application of remote laboratory tests (RTLs) grew by 135% compared to 3Q20, of which 58% being due to the increased demand for tests offered and 77% due to new tests added to the portfolio over the last year, signaling that demand for these services should continue growing.



During the quarter, we signed important partnerships with healthcare companies focused on Home Care solutions, which will enhance the offer of basic services at home, such as the application of injectable drugs and rapid tests. With these new partnerships, we have expanded the offering of these services to 16 states.

The agreement and partnership (*convênios*) channel continues to gain relevance. The share of sales from this channel reached 22.0% during 3Q21, 5.4 p.p. above the level of the same period of the previous year. We are gradually increasing our network of partnerships to structure healthcare services offering in the B2B2C model. In 3Q21, we took another important step in this direction, including Clinic Farma as an accredited network within Pan Saúde, an initiative of Banco Pan as a benefits club to offer health and well-being solutions at affordable prices. In addition, we advanced with multiple partnerships with public and private entities to increase the offer of Covid-19 tests for sporting and cultural events related to the resumption of activities with participation of the public.

AME, our specialty drugs channel, grew by 171% in 3Q21, maintaining the acceleration pace of previous quarters. These good results are the outcome of multiple ongoing initiatives, such as the Patient Support Program (PSP), remote medical advertising on telemedicine platforms, flow optimization for court ordered claims and the expansion of the portfolio of products offered. We continue to consider AME as one of the most relevant levers for the future growth of our business.

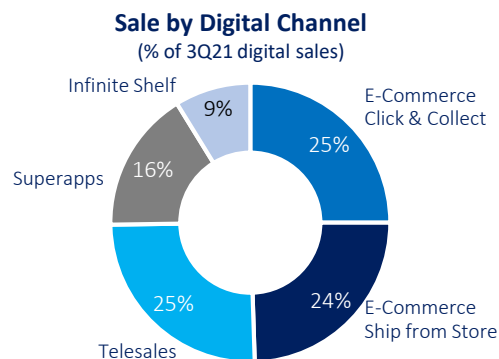
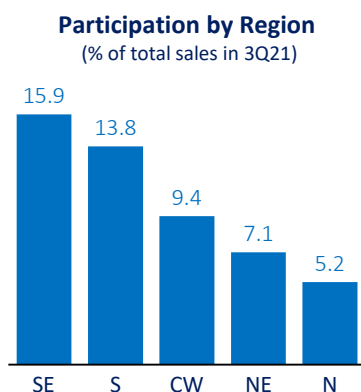
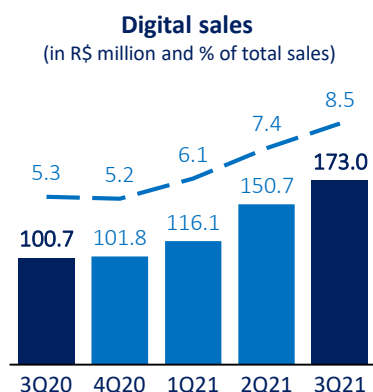
OMNICHANNEL PLATFORM

Digital channel sales grew 71.8% in 3Q21, reaching 8.5% of total sales. The good performance is a combination of growing customer demand across different channels and delivery modes with roll-outs of new tools or enhancement of existing applications.

In 3Q21, we saw an increase in the digital channel share of in all regions. We continue to present growth rates above the market, reflecting a gain in market share in the digital channels of pharmaceutical retail, as measured by IQVIA. In 3Q21, we reached a 12.8% market share in Brazil, 1.6pp. above 3Q20.

Among the initiatives developed in recent quarters, we highlight the Call Center, whose coverage was expanded to 270 stores, and the new Call&Collect feature, allowing the collection of orders made over the phone in one hour or less, with no shipping costs.

Sales made by our e-commerce (Click&Collect and Ship From Store) grew by 24.5% vs. 3Q20, reflecting improvements made in different SEO and engagement metrics, which raised the website's conversion rate to an all-time high, growing 35% compared to the end of 3Q20. In addition, we expanded the express delivery mode to 310 stores (vs. 225 in 2Q21), enabling delivery from stores in up to 4 hours.



On August 31, 2021, we launched the new Pague Menos app, which is gradually being made available to different user bases. The new app will be an important avenue for the growth of digital channels, also functioning as a central touchpoint with our customers for an increasingly fluid and personalized shopping journey. Right after the stabilization phase, we will start rolling out additional features.

We have continued to develop the concept of the Digital Health Hub, incorporating more and more functionalities into our digital platform. In 3Q21, we incorporated a new telemedicine partner on the website, expanding the scope of specialties offered to speech therapists, physiotherapists and nursing professionals.

Customers with the omnichannel profile, that is, those who make purchases in multiple different channels tend to have high value characteristics, resulting in an average spend up to 4 times higher than that of the “monochannel” customer. Therefore, our digital channels are becoming more and more a priority within our strategic planning.

CRM AND DATA ANALYTICS

Initiatives related to CRM and data analytics continue to make a relevant contribution to the good performance of sales. In 3Q21, we expanded our “active in last 12 months” customer base to 14.9 million, with an increase in the level of recurrence and a greater degree of retention of high-value customers.

Incremental sales, generated through segmented activations and calculated by measuring behavior vs. a control group, reached 2.9% of total sales in 3Q21, 1.6 p.p. above 3Q20. The good performance of these campaigns is the result of the development of a robust data lake and the refinement of algorithms over the last few quarters.

We continue to advance our CRM strategy towards an increasingly personalized approach. To this end we started a pilot project of Offer/Custom Pricing in this quarter, allowing the pricing of products in a segmented way to specific clusters of the customer base. Initially focusing on customers without purchases in the last 3 months, in selected locations, the project has achieved promising results, with an increase in the rate of return up to 80% above the expected levels.

TECHNOLOGY AND TRANSFORMATION

In 3Q21, we held the 4th Fast Dating Pague Menos with pitches from 10 startups, 6 of which were selected to develop solutions for different business areas. Now, the Pague Menos and Startup teams start conversations for pilots and implementations. Additionally, we now have the first trainees from UP{Code}, our DEV training school interacting with our Technology team, to accelerate learning and increase productivity.

During the quarter we launched VIDA, our AI platform for service and scheduling services, created to increase the efficiency of our telesales and e-commerce. Also, among the projects delivered are: i) the new Pague Menos app, ii) the evolution of the Infinite Shelf for deliveries from our DC and iii) the Scheduling and Benefits HUB, bringing a better experience in our customer's shopping journey and interaction. We continue to accelerate our Data-Driven journey, culminating in the delivery of the management cockpit to the operations area.

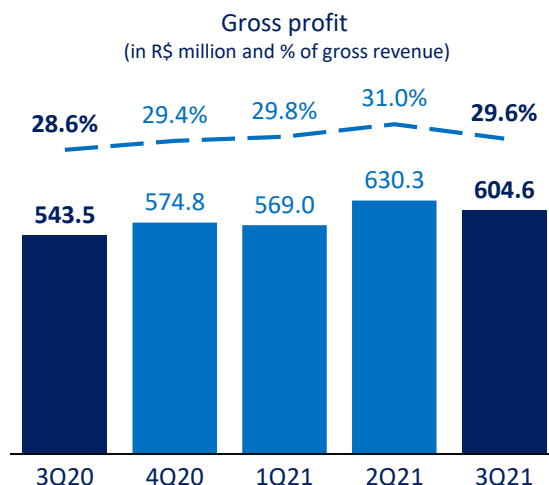
In the technological transformation journey, we implemented the Channel Integration Platform, based on a Microservice and API chassis, to enable new channels and partnerships, reducing the time-to-market for solutions for the business.

In November we will inaugurate our new IT & Transformation office, a cool and relaxed environment, in an annex to company headquarters. Based on a co-working model, which facilitates the hybrid and remote workday, this office is an important initiative in the direction of incorporating even more of the “startup mindset” which is already very present in *pmenoslab*, our innovation and transformation arm.

GROSS PROFIT

In 3Q21, gross profit reached R\$604.6 million, an increase of 11.2% compared to 3Q20. The gross margin reached 29.6%, an increase of 1.0 p.p. compared to 3Q20, mainly due to the increase in the share of generic drugs from 9.2% to 9.7% of total sales, the share of private labels from 5.5% to 6.3%, reduction in the loss rate of inventory and gains from the vendor management project, which has been improving the Company's commercial conditions since the end of 2020.

It is important to highlight that the good gross margin performance takes place in parallel with the growth of digital channels and agreements and partnerships (*convênios*), which have a more promotional structure and, consequently, lower gross margins than the company average.



SELLING EXPENSES

In 3Q21, selling expenses totaled R\$384.9 million, equivalent to 18.8% of gross revenue, an increase of 1.0 p.p. compared to 3Q20.

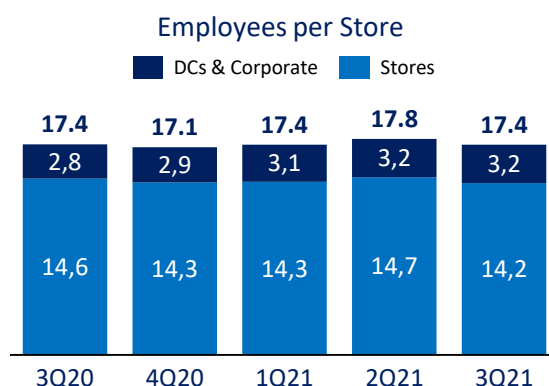
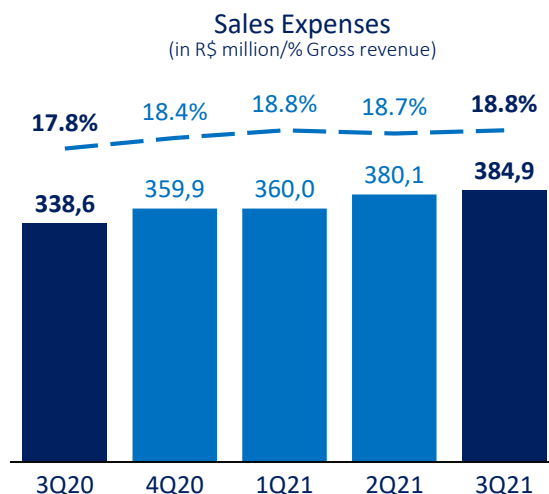
Part of the increase in expenses is a consequence of the resumption of expansion. Pre-operating expenses and the maturation curve for new stores contributed to a 0.2 p.p. increase in selling expenses.

Compared to the previous year, the increase in expenses is mainly related to expense reduction measures implemented in 2020 due to the pandemic, such as suspension of employment contracts and early vacations.

Additionally, inflationary pressures contributed to an increase in occupancy, maintenance and supplies, totaling an impact of 0.6 p.p. on selling expenses.

Personnel expenditures, the main component in selling expenses, remained under control. This quarter we started to roll-out the smart scale project, which resizes the headcount needs for the store operation in accordance with peak demand and customer behavior, and the implementation of the new store system (POS), which will contribute to reducing customer service time in stores.

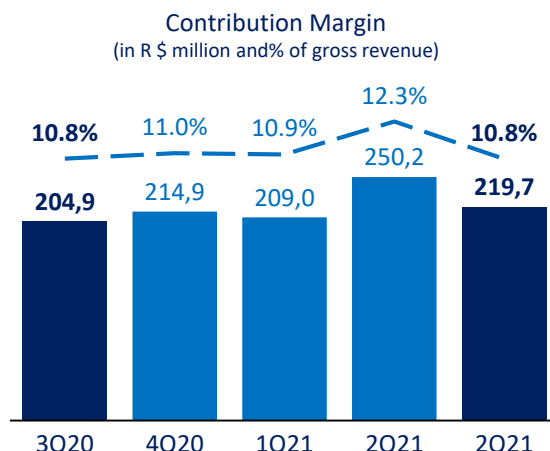
Considering employees from stores, corporate areas and Distribution Centers, the average number of employees per store remained stable compared to previous quarters at 17.4.



Contribution Margin

The contribution margin, result of the difference between gross profit and selling expenses, reached 10.8% of gross revenue, maintaining the level reached in 3Q20, despite pressures on selling expenses, related to the resumption of expansion, inflationary pressures and the temporary deferred spending in 2020 in as a result of the pandemic.

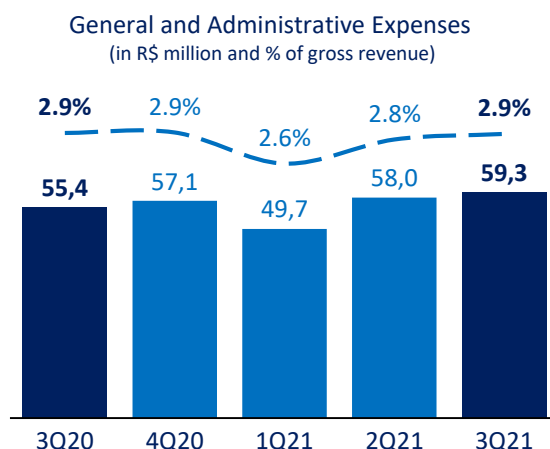
Excluding new stores, the contribution margin in 3Q21 was 10.9%, an increase of 0.2 p.p. compared to 3Q20.



GENERAL AND ADMINISTRATIVE EXPENSES

In 3Q21, general and administrative expenses totaled R\$59.3 million, representing 2.9% of gross revenue. The increase in expenses is mainly related to the growth of the organizational structure related to new strategic initiatives implemented over the last quarters, such as the Call Center and UP Farma, projects such as the new POS and the new APP and the strengthening of strategic areas such as Expansion.

We continue to invest to improve our technological capabilities. We have increased our team of developers, engineers and technicians and IT by 43 % over the last few quarters, and we have invested in a new headquarter for Pmenoslab, our innovation arm.

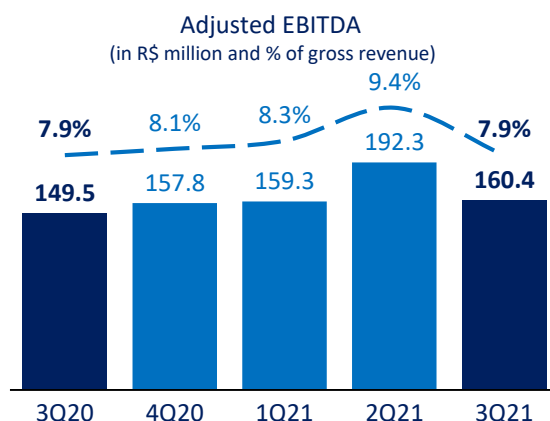


ADJUSTED EBITDA

We ended 3Q21 with adjusted EBITDA of R\$160.4 million, an increase of 7.4% compared to 3Q20. The EBITDA margin was 7.9%, stable compared to 3Q20.

Disregarding the effect of new stores, the EBITDA margin was 8.1%, an improvement of 0.2 p.p. compared to the same period of the previous year.

In the ex-IFRS16 metric, the EBITDA margin reached 4.4%, decreasing 0.2 p.p. compared to 3Q20. Disregarding the effect of the new stores on the result, the EBITDA margin ex-IFRS16 would be 4.6%, in line with the 3Q20.



EBITDA RECONCILIATION AND NON-RECURRING ADJUSTMENTS

In 3Q21, we recorded R\$8.7 million in non-recurring expenses related to expenses with consulting and legal advice related to the acquisition of Imifarma Produtos Farmacêuticos e Cosméticos SA (Extrafarma).

We present below the EBITDA reconciliation table and non-recurring adjustments in the reported result.

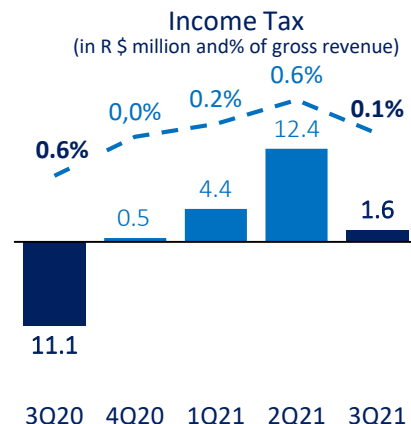
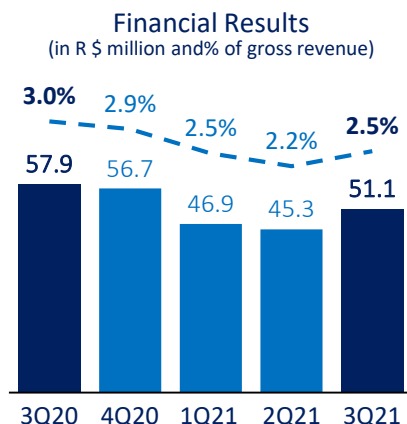
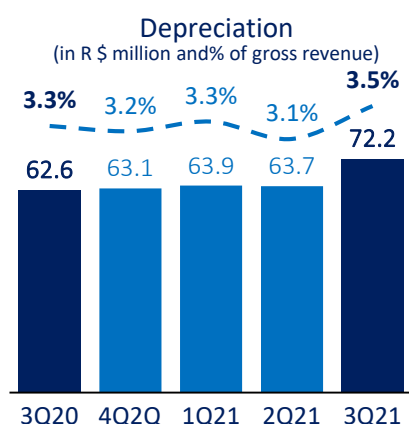
Reconciliation of Adjusted EBITDA (BRL million)	3Q20	4Q20	1Q21	2Q21	3Q21
Accounting Net Income	40.2	37.5	44.2	69.4	29.9
(+) Net financial result	57.9	56.7	46.9	45.3	51.1
(+) Income tax and social contribution	(11.1)	0.5	4.4	11.6	(1.4)
(+) Depreciation and Amortization	62.6	63.1	63.9	63.7	72.2
EBITDA	149.5	157.8	159.3	190.0	151.8
(+) Spending on Consultancy on Mergers and Acquisitions	-	-	-	2.2	8.7
Total adjustments	-	-	-	2.2	8.7
Adjusted EBITDA	149.5	157.8	159.3	192.3	160.4

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAX

In 3Q21, depreciation totaled R\$72.2 million, an increase of 15.4% vs 3Q20, as a result of the increase in the store base and increases in lease liability contracts.

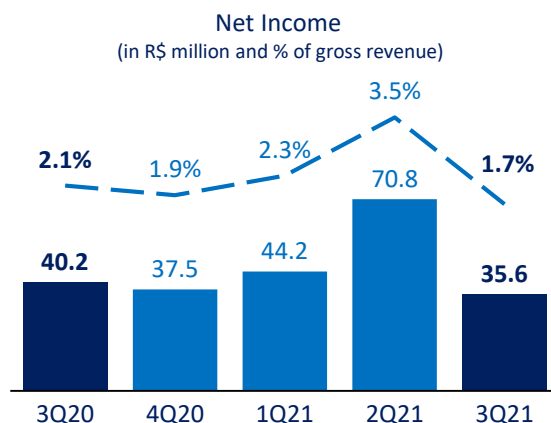
The financial result totaled a net expense of R\$51.1 million in the quarter, down 11.8% from 3Q20, reflecting the optimization of the capital structure and debt reprofiling carried out since the IPO.

Income tax expenses totaled 1.6 million in 3Q21, a variation of R\$ 12.7 million compared to the same period of the previous year, mainly explained by the capitalization of expenses related to the IPO in 3Q20, generating tax credits at the time.



Adjusted Net Income

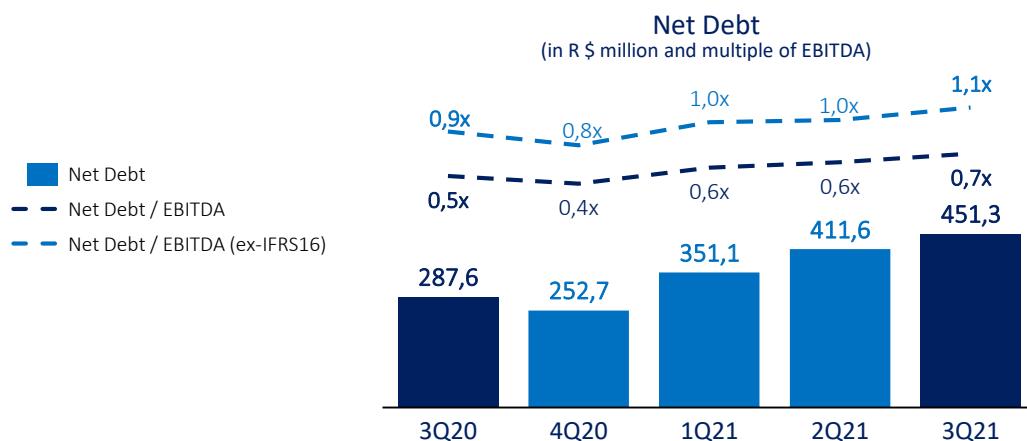
We ended 3Q21 with an adjusted net income of R\$35.6 million and a net margin of 1.7%. The result represented a decrease of 11.4% in relation to the same period of the previous year, with the variation in income tax and social contribution more than offsetting the increase in the operating result and the improvement in the financial result. Excluding the effect of the capitalization of IPO costs incurred in 3Q20, which reduced the income tax base, net income in 3Q21 would have grown by 21.7%.



INDEBTEDNESS

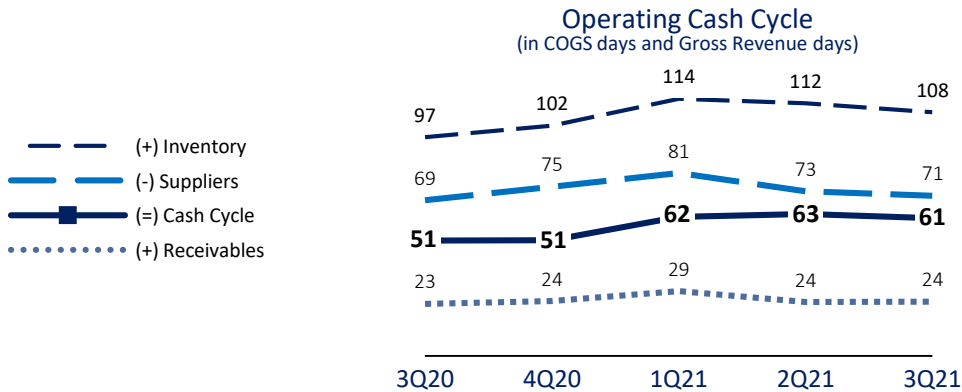
Gross debt at the end of 3Q21 totaled R\$774.1 million, down 3.7% compared to 2Q21 and 18.0% compared to 3Q20. Net indebtedness ended 3Q21 at R\$451.3 million, growing 9.6% compared to the immediately previous quarter, maintaining the net debt / EBITDA indicator stable.

On October 13 we announced the 6th debenture issuance by the Company, totaling R\$450 million in two series with maturities of 5 and 7 years. More than 90% of the funding will be used to amortize debt maturing in 2022. With this funding, our debt profile will be substantially lengthened, optimizing the average cost of debt.



CASH CYCLE

In 3Q21, the cash cycle was 61 days, an increase of 10 days compared to 3Q20, caused by the higher investments in inventories resulting from the expansion of the product assortment and the reinforcement of coverage for new stores. Compared to 2Q21, the cash cycle was reduced by 2 days.



Note: the Calculation of Average Inventory period and Average Supplier Payment Terms disregards the effects of APV, commercial agreements and recoverable taxes.

CASH FLOW

In 3Q21, we recorded a negative free cash flow of R\$25.5 million. This cash consumption is mainly explained by investments in new stores made in the quarter, consuming the cash flow generated by operations. Compared to the previous year, cash consumption was lower due to the normalization of accounts receivable in 3Q20.

Cash Flow (R\$ million)	3Q20	3Q21	9M20	9M21
EBITDA	149.5	160.4	414.5	512.1
(-) Lease Payments (IFRS 16)	(62.8)	(70.5)	(185.1)	(191.5)
(Δ) Receivables	(202.1)	(16.2)	(190.7)	(34.8)
(Δ) Inventory	(27.0)	(10.8)	(119.1)	(152.2)
(Δ) Suppliers	54.3	15.7	0.2	(56.4)
(Δ) Recoverable Taxes	(24.3)	(33.9)	(81.9)	(26.6)
(+/-) Change in other assets and liabilities/Non-cash effects	(8.4)	2.4	20.4	(60.0)
(=) Cash Flow from Operations	(120.7)	47.1	(141.7)	(9.3)
(-) Capex	(10.2)	(72.6)	(18.3)	(140.6)
(=) Investment Cash Flow	(10.2)	(72.6)	(18.3)	(140.6)
Free Cash Flow	(130.9)	(25.5)	(160.0)	(149.9)
(+) New Debt	5.0	-	224.0	160.0
(-) Debt repayment	(31.5)	(32.5)	(278.8)	(261.8)
(-) Debt service	(7.8)	(11.2)	(28.4)	(35.1)
(-) Derivative Operations	3.0	-	59.6	-
(-) Stock Buyback	-	-	-	(10.4)
(+) Capital Raise - IPO	714.9	-	714.9	-
(=) Financing Cash Flow	683.5	(43.7)	691.3	(147.3)
Opening cash, cash equivalents and financial invest. balance	103.2	392.0	124.5	620.0
Closing cash, cash equivalentes and financial invest. balance	655.9	322.8	655.9	322.8
Change in Cash and Equivalents	552.7	(69.2)	531,3	(297.2)

INVESTMENTS

In 2021 to date, R\$140.6 million were invested, mainly directed to organic expansion, technology projects and store renovations. We present below the breakdown of CAPEX for the period.

Capex (R\$ million)S	9M20	%	9M21	%
Expansion	-	0%	62.0	44%
Renovation of stores	7.6	41%	39.6	28%
Technology	7.6	42%	18.8	13%
Stores, DCs and office Infrastructure	3.1	17%	20.1	14%
Total	18.3	100%	140.6	100%

ENVIRONMENTAL, SOCIAL, AND CORPORATE RESPONSIBILITY (ESG)

In 3Q21, we continued to build out our ESG agenda. We defined a sustainability vision for 2030, fully integrated into the Company's strategic planning and in line with the United Nations sustainable development goals.

PAGUE MENOS SUSTAINABILITY VISION 2030:

HEALTH IS FOR EVERYONE - Pague Menos will be a complete healthcare solution that will significantly contribute to reducing inequalities in access to a healthy life in Brazil.



HEALTH FOR PEOPLE

Adherence to treatment; Prevention of chronic diseases; Employee health and safety; Social impact.



HEALTH FOR THE ENVIRONMENT

Waste Management; Renewable energy consumption; Greenhouse gas emissions.



HEALTH FOR BUSINESS

Ethics and transparency in relationships; Development of employees; Inclusion of minorities and respect for diversity; Traceability.

We have structured the company's Diversity and Inclusion sector, which is working hard on 4 fronts: Gender, Racial, Disabled Persons and Over 50 equality. As for gender equality, women account for 59% of the staff and 60% of those in leadership positions. We are part of a select group of 3% of companies listed on B3's Novo Mercado with 3 or more women on both the Board of Directors and the Executive Board. Due to this representation, in 3Q21 Pague Menos was awarded the Women on Board (WOB) seal. In addition, we joined the Business Coalition for Racial and Gender Equality and UN Women movements.

We continue to advance in the use of clean energy. In 3Q21, we expanded solar energy supply to stores in the states of Rondônia, Amapá, Rio de Janeiro, Acre and Goiás. At the end of 3Q21, stores in 16 different states, representing 61.4% of the total number of stores, are already supplied by renewable energy generated from 33 solar farms. Another 26 solar farms are contracted and under construction with the capacity to expand energy generation to 100% of company stores by 1Q22, including the new stores.

PEOPLE: DEVELOPMENT, PRODUCTIVITY AND ORGANIZATIONAL CULTURE

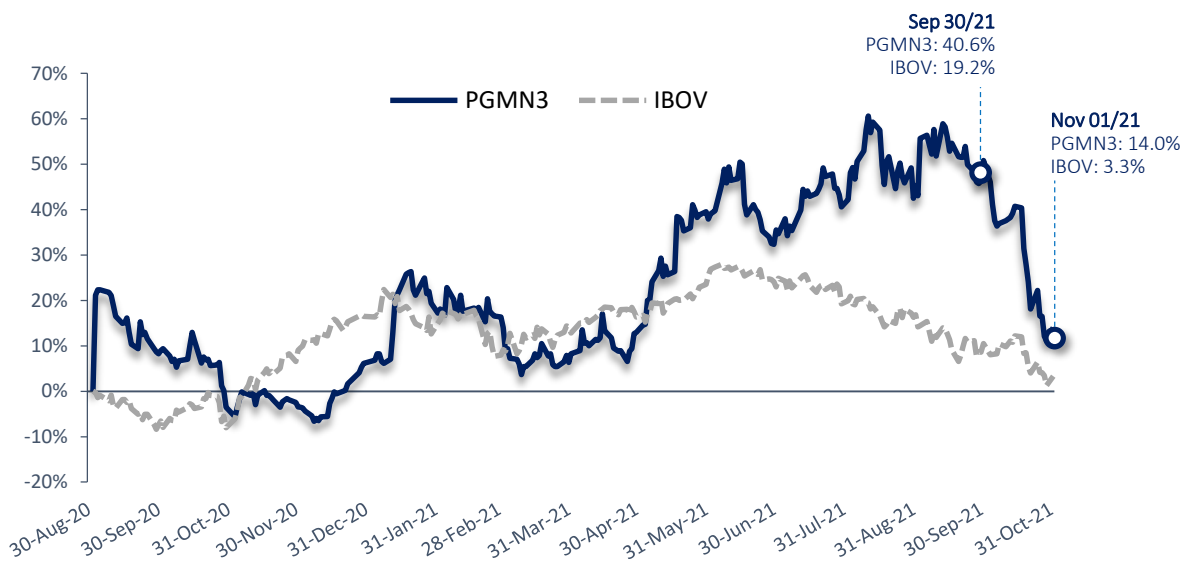
In 3Q21, we started an important project to enhance our Organizational Culture within Pague Menos, with the goal of preparing ourselves for the challenges and the organic growth that we will have in 2022. We are focusing on three fronts: i) Performance: for all of our key positions and their successors, mapping out talents and preparing development plans for the challenge of growth and training people; ii) Climate: based on workshops with the teams, we align specific action plans for each area; and iii) Culture: hiring specialized consultants to map out and diagnose our way of doing things, which will not only be preserved but enhanced.

In the development pillar, we realized more than 248 thousand hours of training for our sales team, and we have started operating our "school stores", in order to streamline the training and integration of new employees and the recycling of current ones, which will contribute to improving customer service. Through *UP Farma*, we launched a public notice for the selection of professors to elaborate content for the development of our training course in retail operation, which will be open to both internal and external audiences. It will be a 300-hour course, lasting 12 months, with the objective of training young people looking for their first job or even those looking to improve their skills in customer service and execution of store routines, to be able to start a career in any retail chain.

In the productivity pillar, we completed the implementation of the Work Force Management (Smart Scheduling) project, in all our stores, and we now have a better allocation of employees according to the demands of customer flow, thus ensuring better coverage, which has been having a positive impact on both our NPS and average ticket.

CAPITAL MARKETS

Pague Menos common shares (PGMN3) appreciated by 10.5% in 3Q21, while the Ibovespa index fell 12.2% in the same period. In accumulated numbers since the IPO, the shares total appreciation is 14,0%, 10.7p.p. above the Ibovespa. The average financial volume traded in the quarter was R\$14.6 million, 14.1% above the average for 2Q21.



STATEMENT OF FINANCIAL RESULTS FOR THE PERIOD

On January 1, 2019, CPC 6-R2 (IFRS 16) came into effect, which changed the accounting recognition model for lease agreements. In order to preserve historical comparability, we present below the reconciliation with the previous standard (IAS 17/CPC 06).

Income Statement for the Period (R\$ million)	IAS 17			IFRS16		
	3Q20	3Q21	Δ	3Q20	3Q21	Δ
Gross Revenue	1,901.6	2,042.1	7.4%	1,901.6	2,042.1	7.4%
Deductions	(119.9)	(130.1)	8.5%	(119.9)	(130.1)	8.5%
Net Revenue	1,781.8	1,912.0	7.3%	1,781.8	1,912.0	7.3%
Cost of Goods Sold	(1,238.3)	(1307.4)	5.6%	(1,238.3)	(1307.4)	5.6%
Gross Profit	543.5	604.6	11.2%	543.5	604.6	11.2%
<i>Gross Margin</i>	28.6%	29.6%	1.0 p.p.	28.6%	29.6%	1.0 p.p.
Sales Expenses	(401.4)	(455.3)	13.4%	(338.6)	(384.9)	13.7%
Contribution Margin	142.1	149.3	5.0%	204.9	219.7	7.2%
<i>Contribution Margin</i>	7.5%	7.3%	(0.2 p.p.)	10.8%	10.8%	-
General and Administrative Expenses	(55.4)	(59.3)	7.0%	(55.4)	(59.3)	7.0%
Adjusted EBITDA	86.7	90.0	3.7%	149.5	160.4	7.3%
<i>Adjusted EBITDA Margin</i>	4.6%	4.4%	(0.2 p.p.)	7.9%	7.9%	-
Depreciation and amortization	(21.6)	(23.3)	7.5%	(62.6)	(72.2)	15.4%
Financial Result	(29.4)	(20.3)	(30.8%)	(57.9)	(51.1)	(11.8%)
Income before Income Taxes	35.7	46.4	29.9%	29.1	37.1	27.7%
Income Tax and Social Contribution	8.9	(4.7)	-	11.1	(1.6)	-
Adjusted Net Income	44.6	41.7	(6.5%)	40,2	35.6	-11.6%
<i>Adjusted net margin</i>	2.3%	2.0%	(0.3 p.p.)	2.1%	1.7%	(0.4 p.p.)

Income Statement for the Year to Date (R\$ million)	IAS 17			IFRS16		
	9M20	9M21	Δ	9M20	9M21	Δ
Gross Revenue	5,353.2	5,988.1	11.9%	5,353.2	5,988.1	11.9%
Deductions	(324,0)	(403,0)	24.4%	(324,0)	(403,0)	24.4%
Net Revenue	5,029.1	5,585.1	11.1%	5,029.1	5,585.1	11.1%
Cost of goods sold	(3,483.3)	(3,781.2)	8.6%	(3,483.3)	(3,781.2)	8.6%
Gross Profit	1,545.8	1,803.9	16.7%	1,545.8	1,803.9	16.7%
<i>Gross Margin</i>	28.9%	30.1%	1.2pp	28.9%	30.1%	1.2pp
Sales Expenses	(1,177.2)	(1,316.4)	11.8%	(992.1)	(1,124.9)	13.4%
Contribution Margin	368.6	487.5	32.3%	553.7	679	22.6%
<i>Contribution Margin</i>	6.9%	8.1%	1.2pp	10.3%	11.3%	1.0 p.p.
General and Administrative Expenses	(139.2)	(166.9)	19.9%	(139.2)	(166.9)	19.9%
Adjusted EBITDA	229.4	320.6	39.8%	414.5	512.1	23.5%
<i>Adjusted EBITDA Margin</i>	4.3%	5.4%	1.1pp	7.7%	8.6%	0.9pp
Depreciation and amortization	(65.6)	(68.0)	3.6%	(187.5)	(199.8)	6.6%
Financial Result	(109.4)	(58.0)	(46.9%)	(196.5)	(143.3)	(27.1%)
Income before Income Taxes	54.4	194.6	257.8%	30.5	169.0	453.4%
Income Tax and Social Contribution	19.9	(27.1)	-	28.0	(18.4)	-
Adjusted Net Income	74.3	167.5	125.6%	58.5	150.6	157.4%
<i>Adjusted net margin</i>	1.4%	2.8%	1.4pp	1.1%	2.5%	1.4 p.p.

BALANCE SHEET

Balance Sheet (R\$ million)	IFRS16		
	12/31/20	09/30/21	Δ
Total Assets	5,753.8	5,973.2	3.8%
Current Assets	3,147.4	3,097.3	(1.6%)
Cash and Cash Equivalents	589.1	322.8	(45.2%)
Financial Investments	30.9	-	-
Accounts receivable from Clients	522.9	555.9	6.3%
Inventory	1702.1	1,865.7	9.6%
Recoverable Taxes	198,3	196.1	(1.1%)
Other Current Assets	104.1	156.8	50.6%
Non-Current Assets	2,606,4	2,875.9	10.3%
Noncurrent receivables	611.5	645.2	5.5%
Investments	70.8	72.1	1.9%
Fixed Assets	541.3	602.4	11.3%
Leases - rights-of-use	1,344.9	1,508.5	12.2%
Intangible	37.9	47.6	25.8%
Total Liability	5,753.8	5,973.2	3.8%
Current Liabilities	1,889.1	2,056.7	8.9%
Social and labor obligations	89.2	149.5	67.6%
Suppliers	1,244.5	1,188.1	(4.5%)
Tax Liabilities	106.4	104.6	(1.6%)
Loans, financing and bonds	241.6	380.6	57.5%
Other Obligations	35.1	32.3	(8,0%)
Commercial leasing	172.3	201.3	16.8%
Non-Current Liabilities	1,923.8	1,839	(4.4%)
Loans, financing and bonds	636.8	393.6	(38.2%)
Other Obligations	8,2	7.8	(4.5%)
Commercial leasing	1,251.5	1,411.6	12.8%
Provisions	27.2	26.0	(4.6%)
Net Equity	1,940.9	2,077,7	7.0%
Capital	1,200.7	1,199,2	(0.1 %)
Capital Reserves	383.4	386	0.7%
Retained Earnings	356.8	356.8	0.0%
Treasury Stock	-	143.4	-
Accumulated Profits/Losses	-	(7.7)	-

ANNEX: DISTRIBUTION OF STORES BY STATE

State / Region # of Stores	3Q20	Openings	Closings	3Q21
Total	1,105	32	(11)	1,126
Northeast	664	29	(1)	692
Alagoas	30	-	-	30
Bahia	113	10	(1)	122
Ceará	180	2	-	182
Maranhão	60	4	-	64
Paraíba	51	2	-	53
Pernambuco	117	5	-	122
Piauí	35	3	-	38
Rio Grande do Norte	43	2	-	45
Sergipe	35	1	-	36
North	111	2	(1)	112
Acre	12	1	-	13
Amapá	6	-	-	6
Amazonas	22	-	-	22
Pará	35	1	(1)	35
Rondônia	13	-	-	13
Roraima	9	-	-	9
Tocantins	14	-	-	14
Southeast	194	1	(5)	190
Espírito Santo	26	-	-	26
Minas Gerais	64	-	(4)	60
Rio De Janeiro	19	-	-	19
São Paulo	85	1	(1)	85
Center-West	94	-	(4)	90
Federal District	18	-	(1)	17
Goiás	30	-	(3)	27
Mato Grosso	23	-	-	23
Mato Grosso do Sul	23	-	-	23
South	42	-	-	42
Paraná	15	-	-	15
Rio Grande Do Sul	7	-	-	7
Santa Catarina	20	-	-	20

GLOSSARY

- **Abrafarma** : association of the 26 largest pharmacy chains in the country.
- **AME (Special Medicines Service)**: line of special drugs marketed by Pague Menos. They are produced with high technology and used in complex and costly treatments, generally in the treatment of fertility, oncology and hormones.
- **B2B2C** : Business model where a service or product is offered to another Company, and later to an end consumer.
- **Expanded Middle Class**: public of social classes B2/C/D, with average monthly family income of less than R\$ 4.4 thousand.
- **EBITDA** : operating profit before interest, taxes, depreciation and amortization.
- **HNB (Hygiene, Nutrition and Beauty)** : classification of non-medicinal products belonging to the categories of personal hygiene, nutrition and beauty.
- **Mature Stores** : stores open for over three years. These are stores that have already gone through the maturation period and therefore tend to have a sales growth curve that is less steep than those that are still maturing.
- **Market Share** : estimated Brazilian pharmaceutical retail market share, based on data from IQVIA, a global data intelligence company applied to the healthcare industry.
- **NPS (Net Promoter Score)** : metric used to measure customer satisfaction with and loyalty to the Company.
- **Omnichannel** : the concept illustrates the approach of integrating different retail channels, such as physical stores, e-commerce, tele-sales and social media, allowing multiple purchasing journeys for the customer.
- **OTC (Over-The-Counter)** : classification of products sold via self-service, which includes over-the-counter medications and convenience, health and well-being items.
- **PBM** : drug benefit program. These are discount programs created and administered by the pharmaceutical industry (laboratories) with the aim of facilitating, stimulating and promoting adherence to treatments for patients and physicians.
- **PME** : Average storage period. It refers to the average period that a product remains in inventory before being sold, calculated by the ratio between inventory balance and COGS for the quarter, multiplied by 90 days.
- **PMP** : Average payment period. Refers to the average supplier payment terms, calculated by the quotient between supplier balance and COGS for the quarter, multiplied by 90 days.
- **Pre-Increase (Pré-alta)**: period prior to the annual readjustment of prices of medications, which takes place in April, pursuant to current legislation.
- **Stock-out** : metric used to measure the lack of products in store.
- **SKU** : acronym for 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 made by stores open for more than twelve months in the current period compared to sales of the same stores in the same period of the previous year. Excludes temporarily closed stores (closings lasting more than seven calendar days) and considers sales of digital channels dispensed through stores.

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 your presentation. The scales of the graphs of the results can appear in different proportions, to optimize the demonstration. Accordingly, the numbers and graphs presented may not represent the arithmetic sum and the appropriate scale of the numbers that precede them and may differ from those presented in the financial statements.

The 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 informs that its independent auditors, Ernst & Young Auditores Independentes S.S., did not provide services unrelated to the audit in the period ending September 30, 2021.

EARNINGS VIDEOCONFERENCE

Videoconferência Em Português

November 4, 2021
10:00 (BRT) | 09:00 (US ET)



Access in Portuguese



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+55 (11) 3181-8565
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Código: Pague Menos

Video conference in English

(simultaneous translation)
November 4, 2021
10:00 (BRT) | 09:00 (US ET)



Access in English



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Code: Pague Menos

 **PagueMenos** 40 anos

