PROFARMA GROUP

EARNINGS RESULTS CALL 2Q21

Ms. Juliana Matos: Good afternoon everyone and thank you for participating. I'm **Juliana Matos, Profarma Group's IR**. We are starting another live of earnings and results, and today we are going to talk about the numbers for the second quarter of 2021, presented to the market yesterday. We are joined by **Sammy Birmarcker, our CEO**, and **Max Fischer, the Group's VP of Finance and IR**. Please feel free to send questions through the Q&A, and after the presentation we will answer all your questions. This live will be transcribed and made available on our website, as well as the complete presentation in Portuguese and English versions. Now I'll give the floor to Max to comment on the results.

Mr. Max Fischer: Thank you Juliana and thank you all once again for following Profarma's earnings release today, to talk about the second quarter of this year. Our agenda is to go through the main highlights of the Profarma group. Including those from Profarma Distribuição, and the Rede d1000. Next, we present an update on some of the company's key initiatives regarding ESG, and finally our Q&A session.

Before starting the presentation, however, I want to highlight two major highlights of this quarter. The operating result of the EBITDA, which reached R$ 82 million, with growth of 71% in relation to the same period of the previous year, and the accumulated net income of the last 12 months, which reached approximately R$ 100 million. Almost double the net profit for the year 2020. These results reflect the continued evolution of the company over the past two years. From an operational standpoint, or from a financial standpoint of capital structure.

Now, starting with the group's gross revenue, we reached R$1.8 billion, a 25% growth compared to the same period last year. With significant performance in both divisions, with 26% from Profarma Distribuição, and 27.4% from Rede d1000. Then, for the first time, we present the group's gross revenue performance in an LTM view, which is the accumulated view of the last 12 months, coming from the second quarter of the last 3 years. Showing an average annual growth of 14.3% from 2019 to 2021, on a recurring basis if we compare this percentage with the growth of each year, which we obtained each year.

Next, we present operating expenses, which showed a relative reduction of 0.4 percentage points, reaching 10.3% of net operating revenue, R$161 million. It is worth remembering that this quarter, we still had some additional expenses, compared to the second half of 2020, such as expenses related to pre-discharge in distribution, opening of the new DC in DF, also in distribution and retail, remembering that year In the past, we had the benefits of MP936's reduction of some wage benefits that could have improved this performance even further.

In this second quarter of 2021, the group delivered an EBITDA of R$ 82 million, about 71% higher than the same period of the previous year. And with 1.4 percentage points of margin expansion, reaching 5.3%. We also present the EBITDA LTM analysis, which also shows the consistency of the results delivered. With an average annual growth of 20.3% in the last 3 years. Well above the average annual growth of 14.3% we saw a little earlier in gross revenue.

As in the three previous quarters, the company continued to deliver higher profits than the same periods in previous years. Having achieved in this second quarter, a record net profit of R$ 33.7 million,

865% higher than the same period of the previous year. As we saw at the beginning of the presentation, another major highlight was the net income accumulated in the last 12 months, which reached R$98.6 million, R$112 million better than the same view in 2019, and almost twice as high as the entire net income 2020.

On the next slide, we can see a summary of these group highlights, and we can then go into the distribution division. In this quarter, Profarma Distribuição reached R$1.7 billion in sales, 26% higher than the previous year. Mainly related to the growth of sales to independent pharmacies. In the view of the 12 months accumulated in the second quarter, we find an average annual growth of 17% in gross revenue, consistently and recurrently, when we analyze the evolution of each period. Gross profit was 40% higher compared to the second quarter of 2020. Above the 26% increase in sales. Mainly due to the positive impacts of the increase in drug prices that occurred on March 31st. And also maintaining an increase in gross margin resulting from the growth in sales of independent customers, as we saw a little while ago.

Distribution EBITDA reached R$ 52.5 million, 60% higher compared to the second quarter of 2020. With an expansion of image as well, of almost one percentage point and reaching 3.6% of net operating revenue. In the LTM view, we can see an average annual growth of 32% in EBITDA. With increases cons tent each year, and higher than the annual sales growth for the same period of 17%. As a result of the significant operating results, and combined with a reduction in financial expenses, we delivered a net income of R$33.3 million, 320% higher than the net income for the same period last year. As we saw in the EBITDA revenue, LTM net income also presents a very consistent and

recurring evolution. Reaching R$ 88.8 million, almost a hundred million better compared to 2019 in this same vision.

On the next slide, we can see the highlights of the period in distribution and then hand the floor over to Sammy, who will present the results of Rede d1000 this semester. Thanks.

Mr. Sammy Birmarcker: Good afternoon and thank you for participating in our results presentation. Speaking here about Rede d1000, revenue in the quarter reached R$292 million, an increase of 27% over the same period last year. I think it is worth noting that the month of April was still partially impacted, mainly in shopping mall operations, due to a restriction on opening hours. If we didn't have this performance in April, we would have probably presented a growth in the order of 30%. One more, please.

The gross margin of 32% increased compared to the same quarter of the previous year. It is worth noting that this quarter is impacted by a price increase and in the second quarter of last year this did not happen, and ended up being practiced in the third quarter, and that this margin of 32% is not the standard. We are probably working at a margin of 30% or a little below.

Further on, corporate expenses of R$13.9 million, a dilution to 4.7% of gross revenue. The absolute value grows compared to the previous year, largely due to the effects of MP, more strongly in the second and third quarter of last year. But when we look at the last quarters, this is an expense that is under control and tends to be diluted with the increase in revenue in stores that already exist, and also in the expected openings going forward.

Contribution margin of 14%, it grows 3.9 percentage points over the previous year, and in absolute values it was 75% growth. Even when compared to the distribution margin of the second quarter of 2019, which has not yet been affected by the pandemic, we would have a superior performance. In 2019 our contribution margin was 12.3% and in this quarter it was 14.2%. I think it already shows a little the results of all the improvements we have been implementing over the last few months.

EBITDA of R$27 million, an increase of 89% over the same period last year. It is also worth comparing to the second quarter of 2019, when it was an EBITDA of R$22 million, that is, we would have performed 25% more than the quarter of 2019, and a margin expansion from 7.3 to 9.4.

Those are the highlights. I think that the free cash flow generation of R$7 million is worth a special mention here. In previous quarters there was a cash burn, in this one we managed to generate this positive cash of R$7 million. Going a little bit to the operational, this quarter we opened six stores and with that we reached 15 stores, that is, half of the guidance of 30 in the middle of the year, and we already have a contract signed for 100% of the guidance. So, the achievement of our goal is already quite assured. As important as analyzing our speed of expansion, I think it is to take a look at the additional potential that we would still have with the current platform. Specifically in this case, we do a simulation with mall stores that are still performing at 76% of their history, going back to 2019 numbers, which was an average of R$ 599 thousand per store. If we accept this simulation, we would have R$14 million in additional sales, and the contribution margin without IFRS would then rise to close to 8.5. I think that, with little to go, we

know that here is an interesting space for improvements in average sales, including street stores, so that we could operate closer to 9 or 9.5, which would be a short-term goal that we have. So, we still depend a little on a recovery in mall stores, which we believe tends to occur in the fourth quarter. The highlight goes back to Max.

Mr. Max Fischer: Yes. Thank you Sammy.

Mr. Sammy Birmarcker: Max, let me just enjoy the moment here, sorry I forgot. It was supposed to be done at the beginning.

Mr. Max Fischer: I was going to do it.

Mr. Sammy Birmarcker: Oh, so would you please.

Mr. Max Fischer: Just to introduce Cristiane, she is joining the group as CFO of distribution, and has experience, she came from Globo. She is another director here to work with us, and contribute to our results presented here.

Ms. Cristiane: Thank you Max. Nice to meet you guys.

Mr. Max Fischer: Well, to finish our presentation, and before entering the Q&A session, let's talk about ESG, updating some of the actions that the company has already been doing. not only to reduce the impact on the environment, but also to contribute to a more just and egalitarian society. Our partnership with UNICEF has already accumulated 2.9 million in donations through micro donations at the checkout of our stores, and also campaigns with some Profarma Distribuição clients. Additionally, we received the UNICEF seal, which represents the recognition of advances in guaranteeing the rights of children and adolescents in the semiarid region and in the Legal Amazon region of the country. Another highlight was the donation of

one hundred tons of food in partnership with Brink, reaching nearly nine thousand families.

Before moving on to the Q&A, I want to draw your attention once again to the main highlights of this quarter in the Profarma group. Revenue growth of 25%, reflecting growth in both businesses, 26% at Profarma Distribuição, 27% in Rede d1000. An increase of 71% in EBITDA, also with growth in both businesses, 60% in Profarma Distribuição and 90% in Rede d1000. And finally, the accumulated net income for the last 12 months, of almost R$ 100 million, and achieved consistently, if we look at the results each quarter. An average profit of R$25 million, and in only one of them the result was lower than this average. So, we close our presentation here, and then move on to the Q&A session.

Q&A SESSION

Ms. Juliana Matos: Here's a question: “Is it plausible to reach revenue of R$8 billion in 12 months and a net margin of 2.5% for the group? Could you comment? Thanks."

Mr. Max Fischer: Well, the market that you know, right. At Profarma, we work with guidance. But I think that what I wanted to draw attention to here in our presentation is exactly to draw a slightly longer history, of two years, to show consistency in growth, remembering that this is a market that has historically grown around 10%. This is information that we have and can pass on, which is from IQVIA, which is as if it were the body that monitors the market worldwide and in Brazil as well, in the pharmaceutical sector. It indicates growths

between 8 and 9% over the next three years. This growth has also been seen in recent years, and our performance has been superior to market growth. So I think this is a little of what we have already delivered, and I think I leave with you the projection for the coming years using what we have already delivered. Be it in revenue, in EBITDA, and now in profits as well, as we can see in the last 4 quarters, in a very consistent way.

Ms. Juliana Matos: You have a question, asking you to comment on the success rate of the 15 stores opened in 2021.

Mr. Sammy Birmarcker: Can you design that slide of new stores? I think he helps with the explanation. That one, thanks.

If we look at this slide, this is 85% of the sample of stores opened from January to now. Why not 100%? Of this, 15% represents two stores, which we have placed in places that we believe have a promising future and we wanted to guarantee these locations, but anyway our average sales expectations were lower and we are delivering as planned, but they end up polluting a little this vision. So here is 85% of what was opened. We can see the number of stores and their average sales result in the first month of existence, in the second, third, fourth and fifth. It is obvious that the sample for the fifth month is statistically insufficient, as it has only one store, but we have already reached R$ 580 thousand in sales in this newly opened store and a double-digit contribution margin, without IFRS. So, I believe that with these numbers, I even think the market maturation curve, I even preached a little while ago, that the first few months would always have a negative contribution margin and a less accelerated curve of sales increase. Our opening strategy, our expansion strategy, ends up having a curve a little faster in this regard. So, given that, and also with all the monitoring that we do with the projected, when we approve each project for each store, versus the one delivered, I would say that we are having a very successful expansion so far.

Ms. Juliana Matos: Next question, "Hello, congratulations on the very expressive result. I would like to know if there is a pre-high effect in the distribution. Is it possible to expect this level of profitability going forward? How are sales feeling at the beginning of Q3 from July to mid-August?".

Mr. Max Fischer: Yes, it has an effect on the price increase. The price increase, for 20 years, always takes place on April 1st or March 31st, with the price list. So, all the second quarters of this period are the ones with the best margin. Last year it wasn't, due to the postponement that took only a part on June 1st, but as I mentioned, I think if there is really a price adjustment, then this second quarter margin is always the best of the whole year, if compare with the margin of the first, second and third. However, it also has on a base of increased sales from independent customers that also bring better margins. Therefore, we can look at previous years and realize that this margin has an additional maybe one percentage point that, over the third quarter, this year specifically, as the increase was very high, we invested more than last year. So, normally 70% of the price increase, its positive impact, happens in this second quarter. So we still have a remnant of positive impact that will happen in the third quarter of this year.

Ms. Juliana Matos: Another question that came was asking to explain the increase in debt.

Mr. Max Fischer: Right. Well, as a result of this investment that I just mentioned, it is also seasonal, it was already expected by the company that in this second quarter we would have additional debt to finance this price increase, and today we are at 2.2 times net debt EBITDA , but when you look at the comparison of the cash cycle, of distribution, it is almost ten days longer compared to last year. When you transform these ten days into values, it enters into almost R$ 180 million reais that will be disinvested over the next quarter, and so the debt returns to the previous level and we return to the debt level below twice as we did deliver there in the first quarter, on average with the fourth quarter of last year. So, a lot due to, and it is already expected by the company, the additional investment that we made in the price increase.

Mr. Sammy Birmarcker: It's around 8% to 8.5%, isn't it Max? It is up to us to emphasize this.

Mr. Max Fischer: Yes, well remembered.

Ms. Juliana Matos: We close the question and answer session here, thank you for the questions you sent. I take this opportunity to make our IR group available to everyone for any questions and clarifications. I now hand over to Sammy and Max for final considerations.

FINAL CONSIDERATIONS

Mr. Max Fischer: I would like to thank everyone for coming, thank you very much, and have a good afternoon.

Mr. Sammy Birmarcker: I would also like to thank everyone for their presence and interest, and our IR is available for further clarification. Thanks for your presence and interest, guys.