grupo panvel

1Q23
Earnings Release

<u>Results Conference Calls</u>
May 11, 2023 - Thursday
10:00 am (Brasília time) / 09:00 am (EDT)
The call shall be held in Portuguese with simultaneous translation into English.
Link: Click here

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Eldorado do Sul, RS, May 10, 2023

Dimed S.A. Distribuidora de Medicamentos (B3 S.A. - BRASIL, BOLSA, BALCÃO: PNVL3), one of the main retailers and distributors of pharmaceutical products in the Country, announces the results for the 1st quarter of 2023 (1Q23). The Company's financial statements are prepared in Brazilian reais (BRL), pursuant to the Brazilian corporate law and international financial reporting standards (IFRS). 1Q23 result comparison is based on 1Q22 unless stated otherwise. For comparison with previous periods, figures in this report are indicated pursuant to standard IAS 17/CPC 06. Mentioned financial values refer to amounts in Brazilian reais (BRL).

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1Q23 Results

1Q23

Group Gross Revenue BRL 1,106M (+14.1%)	Retail Gross Revenue BRL 1,002M (+14.2%)
Group Gross Margin 28.4%	**Retail Gross Margin** 30.0% (+0.2 p.p.)
Adjusted EBITDA BRL 50.0M (+25.9%) 4.5% Margin	**Customer base** +16.4 million Customers +28.8% vs 1Q22

Description	1Q22	2Q22	3Q22	4Q22	1Q23
No. of Stores	527	538	548	556	565
No. of employees	8,550	9,026	9,414	9,300	9,121
In thousands of Brazilian reais					
TT Gross Revenue	969,334	1,057,66	1,087,775	1,165,011	1,105,711
TT Gross Margin	275,474	315,342	315,143	336,580	313,758
% of Gross Revenue	28.4%	29.8%	29.0%	28.9%	28.4%
Gross Retail Revenue	877,411	965,395	995,322	1,070,306	1,002,361
Gross Retail Margin	261,504	300,664	303,502	321,089	300,494
% of Gross Retail Revenue	29.8%	31.1%	30.5%	30.0%	30.0%
Adjusted EBITDA TT	39,664	56,098	48,458	58,647	49,971
% of Gross Revenue	4.1%	5.3%	4.5%	5.0%	4.5%
Adjusted Net Income TT	25,625	27,986	23,610	24,294	22,647
% of Gross Revenue	2.6%	2.6%	2.2%	2.1%	2.0%

A message from management

We ended the first quarter of 2023 with excellent results and once again demonstrating our ability to execute our strategic plan. After a cycle of record investments and acceleration of expansion, which began after our follow-on in 2020, we are at a phase of harvesting productivity gains, in the form of an increase in average revenue per store and dilution of expenses with sales, stores and our distribution centers.

In a quarter that found a strong basis for comparison (1Q22 had sales boosted by the share of Covid tests and the entire basket related to the pandemic), we saw the Group's Gross Revenue show a good growth of 14.1% compared to 1Q22. This growth was driven by Panvel, whose sales grew 14.2% in the period, accompanied by a strong performance of SSS (10.0% vs 1Q22) and MSSS (6.2% vs 1Q22). It is also worth highlighting the **opening of 14 new stores in 1Q23**, maintaining the pace and consistency observed in previous quarters. This robust sales growth translated into another quarter of **market share gains in all States in the Southern Region**, reaching a market share of 11.7% in the Southern Region in 1Q23, an increase of 0.2 p.p. over the same period of 2022.

This sales performance was built on through efficient product mix management, through which Panvel was able to more than offset and reduce sales of services and categories related to the Covid basket. The Hygiene and Beauty and Generic Drugs categories were the highlights of the period with growth of 25.8% and 22.5%, respectively.

Digital reaches a record 17.9% share in Retail sales.

Digital was once again a highlight for Panvel, maintaining a high share of the chain's total sales (**17.9% in the quarter**), and increasingly improving its last mile delivery capacity. Over the first quarter of 2023, more than 480,000 deliveries were made, with 47% of this volume delivered within 60 minutes. We continue to evolve in social commerce tools, increasing our ability to impact customers and make new digital sales to our customers.

EBITDA grows 25.9% in 1Q23, with a margin of 4.5% (+0.4 p.p.) on Gross Revenue.

Sales growth was accompanied by a strong increase in the EBITDA margin. On the one hand, as previously mentioned, the efficient management of our product mix more than compensated in terms of sales and gross margin for the reduced share of services and other Covid-related items. These movements, combined with an efficient commercial policy, allowed Panvel's Retail to reach a **Gross Margin of 30.0% in 1Q23**, an expansion of 0.2 p.p. compared to the previous year. On the other hand, following the trend observed in the last quarter of 2022, we are capturing efficiency gains in our selling expenses, both in store maturation and logistics expenses. Here, it should be noted that after two years of investments in the Company's distribution centers, we expect that the dilution of these expenses will play an important role in expanding our margins throughout 2023.

Within this context, **the Adjusted EBITDA Margin represented 4.5% of Gross Revenue, an increase of 0.4 p.p. compared to 1Q22, with a growth of 25.9% compared to the previous year, reaching the mark of BRL 50.0 million in the quarter**.

Panvel maintains low financial leverage, below 0.83x EBITDA.

The quality of cash management was another highlight of the quarter. **We grew sales, opened stores, invested in logistics and technology, and continue to have one of the lowest financial leverages in retail.** We ended the first quarter with low debt and leverage, equivalent to 0.83 x EBITDA. This comfortable cash situation gives us the strength to continue investing and growing, even with a scenario of high interest rates.

It should be emphasized that this growth in sales was also accompanied by excellent customer service indicators, whose main KPI is the **NPS** (Net Promoter Score). This indicator **remained at a record level of 80 points, one of the highest in the sector**. This is the best possible translation of our purpose of “Providing Health and Well-being”, with the customer always at the center of our decisions.

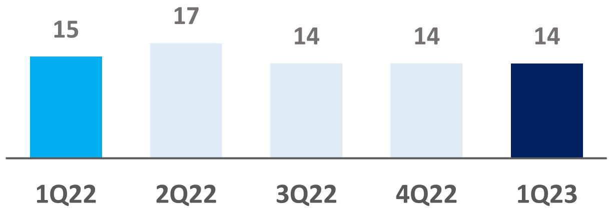
We would like to thank all of our employees and stakeholders for yet another successful and results-delivering quarter.

Store portfolio

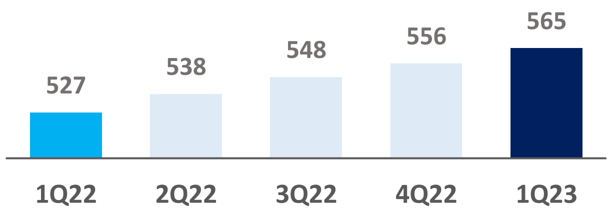
In 1Q23, the Company opened 14 stores, 4 in RS, 7 in SC, 2 in PR and 1 in SP, reaching the mark of 565 stores in operation. These numbers represent the consistency and ability to execute a strong pace of expansion, in line with the strategy of densification in the Southern Region, mainly outside the Capitals, added to the increase in the service capacity of digital channels.

In the period, the Company transferred 2 (mature) branches to points with greater sales potential. Another 3 branches (two mature and one maturing) were closed because they no longer met the profile, nor the sales and profitability potential determined by the Company's operating standards, considering indicators such as location, parking spaces and square footage. We remind you that closing branches that are out of line with the Company's strategy is a tool for optimizing the use of our assets, freeing up resources, and increasing the rates of return on our investments.

Store Opening

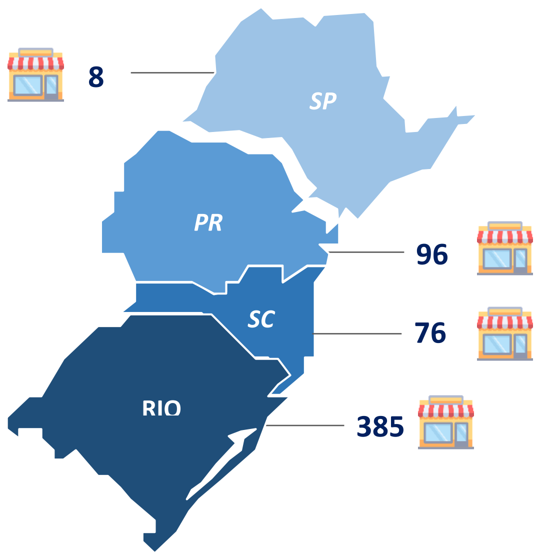


Number of Stores

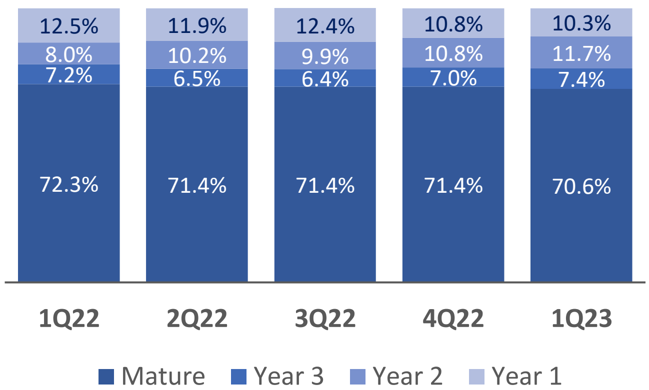


	1Q22	2Q22	3Q22	4Q22	1Q23
Open Stores	15	17	14	14	14
Transfer/End	(5)	(6)	(4)	(6)	(5)

At the end of the period, the Company had 70.6% mature stores and 29.4% in the maturation process, this being the highest percentage of maturation stores in the Company's history.



Distribution of Stores Portfolio by Maturity



Market share

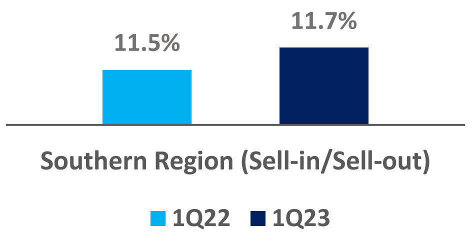
In the first quarter of 2023, the Company continued to show consecutive market share gains in the Southern Region, in line with its expansion strategy for each of the States in the region. These market share gains are the result of an assertive expansion strategy and the quality of operations at existing stores.

Panvel presents a gain of 0.2 p.p. Market Share in the Southern Region, in line with its Expansion strategy.

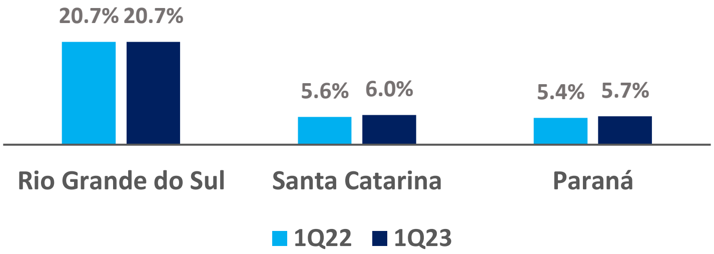
In 1Q23, Panvel achieved a market share of 11.7% in the Southern Region, a growth of 0.2 p.p. compared to the same period last year, with emphasis on the state of Santa Catarina where we reached a 6.0% share, with a gain of 0.4 p.p. vs 1Q22. The Company continues to see many opportunities in the Southern Region, especially in the interior of the states in this region. These opportunities will continue to be explored in the coming years.

Another important highlight in the quarter was the market share gain in all drugs categories, aligned with the outlined strategy of monitoring the journey of patients with chronic and continuous use illnesses, and greater participation in generic drugs.

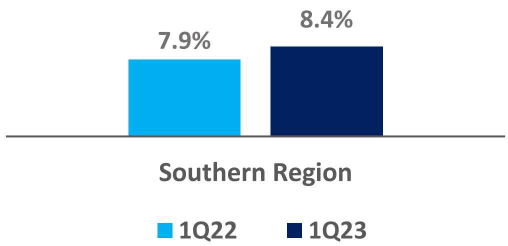
Market Share - Southern Region



Market Share by State

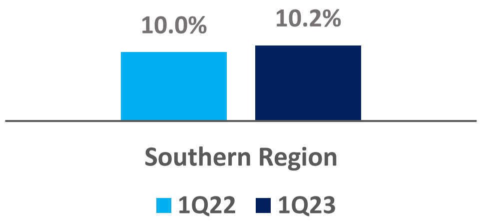


Market Share – Generic Drugs



Market Share - Drugs

* Total RX Drug Data from IQVIA



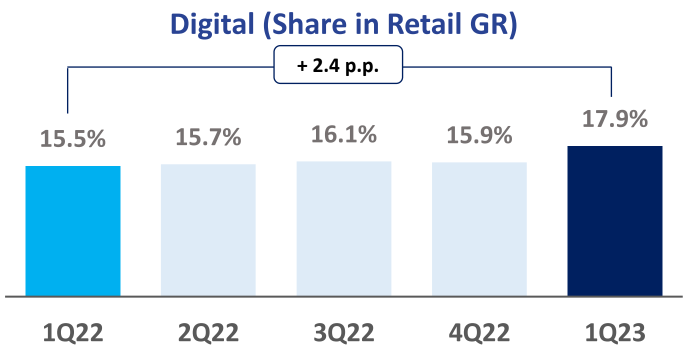
Source: IQVIA - *Sell-in / sell-out concept = distributor sales plus retail sales

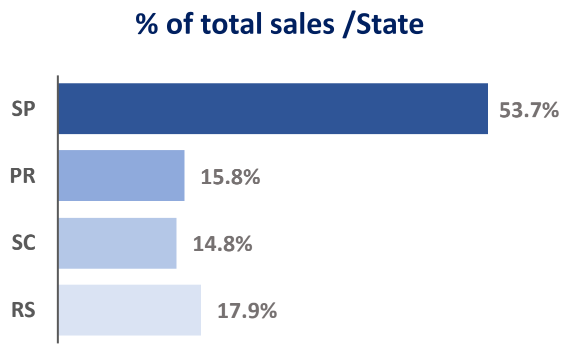
E-commerce and digital initiatives

In another quarter of strong digital performance, we maintained our position as the benchmark for Brazilian pharmacy retail, with the highest share of digital channels in retail sales. We understand that this is one of Panvel's competitive differentiators, resulting from a smooth and fully omni experience provided across all our non-presential sales channels (App, Website, Marketplaces, Alô Panvel and Social Commerce).

Digital sales were one of the major highlights of the period, reaching a record share of 17.9% of retail sales. This strong growth is the result of the maturity of several Company projects that were completed in the last year, particularly the implementation of Social Commerce tools, which have become a relevant contributor to the growth of digital sales.

In the area of Social Commerce, we have developed a very important project called Digital Managers. This is an initiative to digitize our employees, who through platforms, transform our Store Managers into digital influencers in their communities. There are over 260 stores, more than 10,000 posts and more than 30 million impressions expected by the end of 2022, greatly expanding the communication capacity of each of our stores, offering products, services, coupons and promotions.





These results demonstrate the quality of our business model and last-mile delivery structure. In this regard, Panvel also stands out for having the fastest last-mile delivery in Brazilian pharmacy retail and the best omnichannel experience. Investments in these structures translate into solid and consistent indicators. It is important to highlight that this growth does not negatively affect the Company's margins, as it acts as a lever for increasing store productivity.

Digital Highlights

Scope of delivery within 1 hour: All the cities in which we are present;

1Q23 Delivery Structure: 136 hybrid stores + 9 Mini DCs (dark stores)

Number of Deliveries 1Q23: 482 thousand (average of 298 thousand deliveries/month)

Service Level: 97% of on-time deliveries (1Q23)

Aligned with our strategy for each of the locations where we are present, we had another quarter of balance in Digital's share among the states in the Southern Region. Regarding the City of São Paulo, Panvel follows its strategy for the region, which aims to provide the best online experience, with the fastest delivery of pharma retail in Brazil without sacrificing profitability.

Health ecosystem

Panvel remains a reference in health services in the Southern Region of the country, as reflected in the high market share in carrying out services, such as tests, vaccines and other services that make up our portfolio. Thus, customers increasingly identify Panvel stores as a place to deal with and solve the most diverse issues related to health.

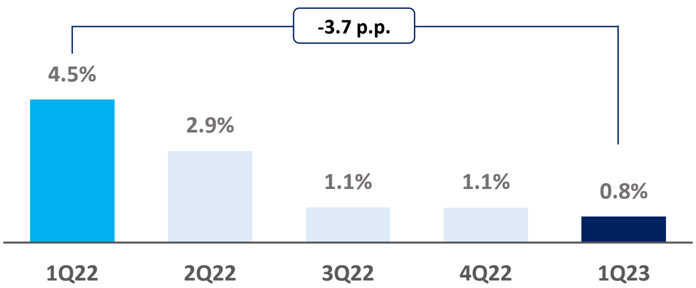
Panvel Clinic

Panvel Clinic	Vaccination Rooms	Services Provided:
344 stores	**89**	**More than 98 thousand**
(+27 rooms vs 1Q22)	(+8 rooms vs 1Q22)	**(1Q23)**

With a robust structure and expertise in providing services, combined with the quality of service, Panvel maintained its role as a reference in the sector, with a market share of 44.5% of vaccination in the Southern Region in 1Q23, according to IQVIA.

In line with the Company's expectations, throughout 1Q23 services achieved a smaller share of Retail sales, with 0.8% penetration. This decrease in share was offset by the growth of other categories within our sales mix, mainly hygiene and beauty products, in addition to the strong performance of generic drugs.

Services (Share in Retail GR)



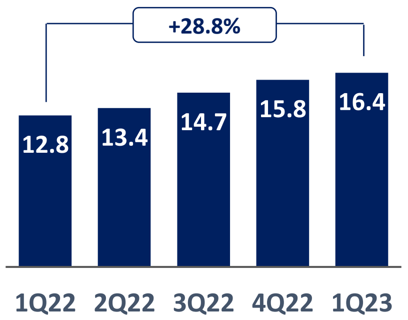
Panvel Saúde Empresarial

Panvel Saúde Empresarial continues to be a differential in the Company's value proposition. Through this pillar, we offer a program of benefits to the employees of affiliates and the companies themselves, with a special focus on Health Plan Operators, Self-Management and Group Medicine. We also offer the management and follow-up of its beneficiaries, the supply of special medicines and all the necessary products to improve the quality of life of this population.

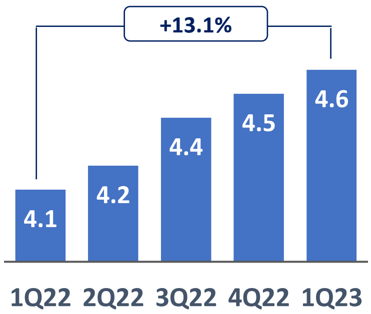
Thus, our agreements currently total more than 7.1 million lives under management, a robust number that, combined with partnerships, represents a strength of Panvel in the Southern Region and which has grown 36.7% in recent years (an increase of 1.9 thousand lives). Currently, sales arising from agreements represent 52% of Panvel's sales.

CRM

Customer Evolution Bem Panvel (in million)

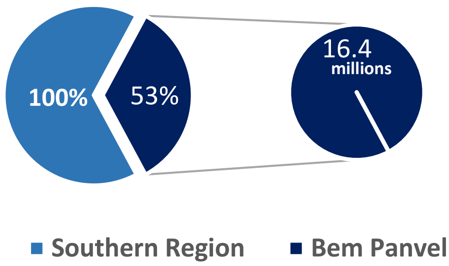


Customer Evolution Assets* (in million)



*Active Customer = made at least one purchase in 6 months

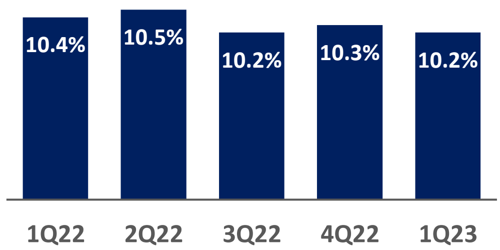
Bem Panvel - Population in the Southern Region (IBGE 2021)



The unified base of the Bem Panvel Program showed an annual growth of 28.8% (+ 3.5 million new customers), ending 1Q23 with 16.4 million customers in its base. Currently, Panvel's customer base represents 53% of the population in the southern region of the country (IBGE data, 2021), as shown in the chart above. In the last quarter, our active client base grew 13.1% compared to the previous year. In yet another quarter of strong sales growth, we saw that this movement was due both to the growth in the number of customers and the increase in the frequency of these customers in stores.

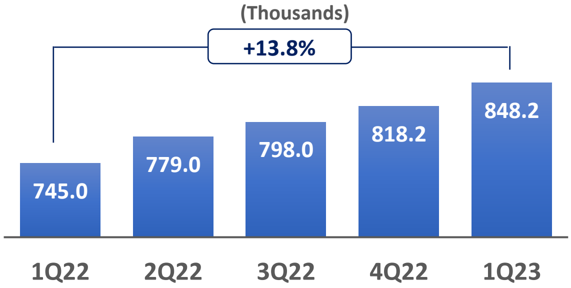
We remain focused on digitizing our customers and our operations. To sustain this Omni strategy, we are working on actions to encourage this digitization process, such as, for instance, activating coupons in the App for use in stores. In 1Q23, the share of Omni customers (customers who buy from more than one of our channels) reached 10.2% of the total customer base.

Evolution of Omni Customers



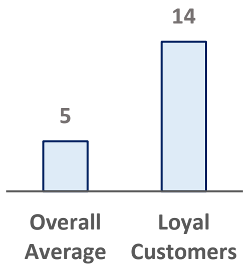
In line with the digitalization and loyalty strategy, the number of loyal customers at Panvel grew by 13.8% in 1Q23 when compared to 1Q22, a robust growth that converges with our mission of providing an increasingly complete and personalized experience for Panvel customers. It is also important to highlight that the loyal customer has a frequency 3 times higher than a normal customer.

Loyal Customer
(Thousands)

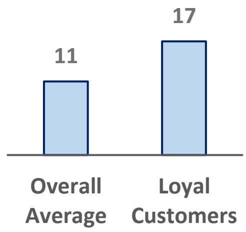


Loyal Customer = Customer who frequents/consumes every 15 days.

Semester attendance (Loyal Customers)



Semester attendance (Loyal Omni Customers)



Service quality

Panvel continues to offer its clients a unique journey of satisfaction, quality, and experience, regardless of the channel where the purchase takes place. For this reason, Panvel is recognized by consumers for offering the best retail pharmacy experience, according to the indicators below:

NPS - Panvel	NPS - Store	NPS - App	NPS - Website	NPS – Alô Panvel
80	79	82	84	73

APP	Play	Reclame Aqui
4.8	4,7	8.5

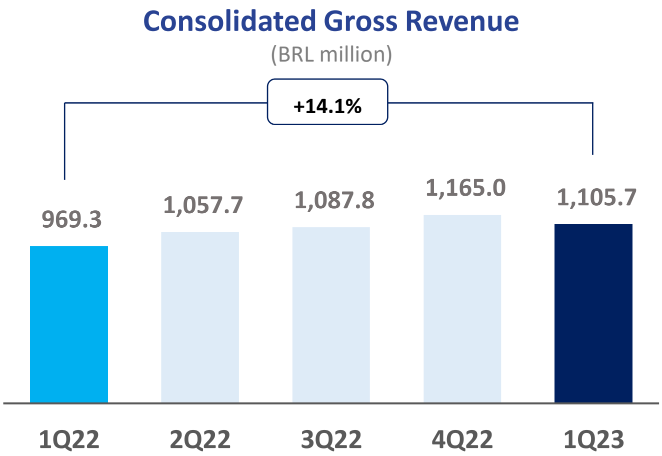
ebit TOP FIVE

Panvel's NPS remained at a high level in 1Q23, with 80 points. Panvel is the only Brazilian retail pharmacy chain that combines high penetration of digital channels with the fastest delivery of products in the country, and a high level of NPS.

Gross revenue

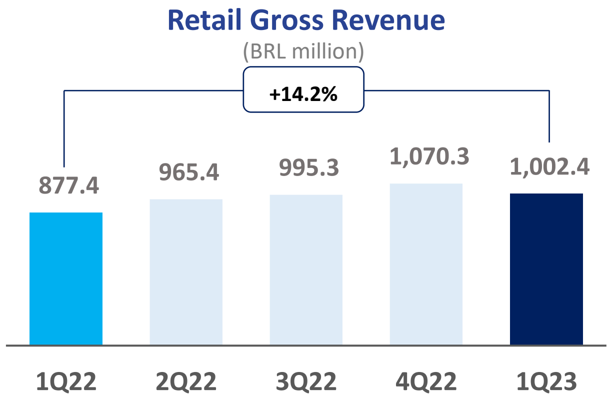
The consolidated gross revenue (which includes sales from retail, wholesale, and other business units of the Company) was BRL 1,105.7 million in 1Q23, which represents a 14.1% increase compared to 1Q22. It is important to point out that this growth is based on a strong basis for comparison.

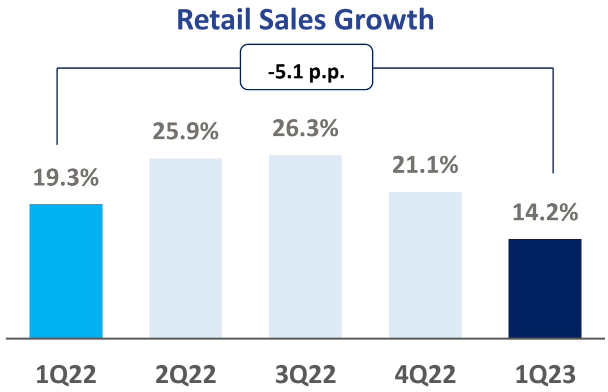
The strong sales growth in the period reinforces the quality of execution of our expansion strategy and of all our strategic pillars.



Retail

Throughout the first quarter of 2023, Panvel delivered strong sales growth, despite having a strong comparison base. In 1Q23, retail gross revenue was BRL 1,002.4 million, an increase of 14.2% compared to the same period of the previous year.



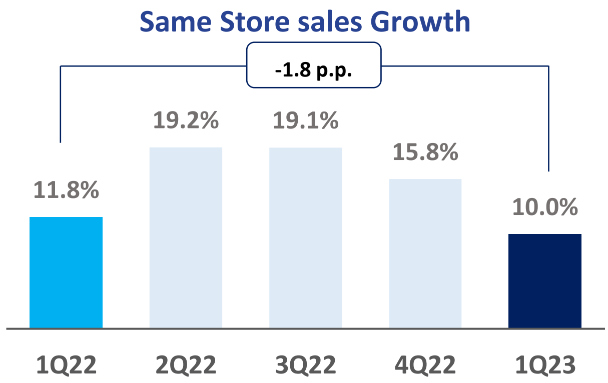


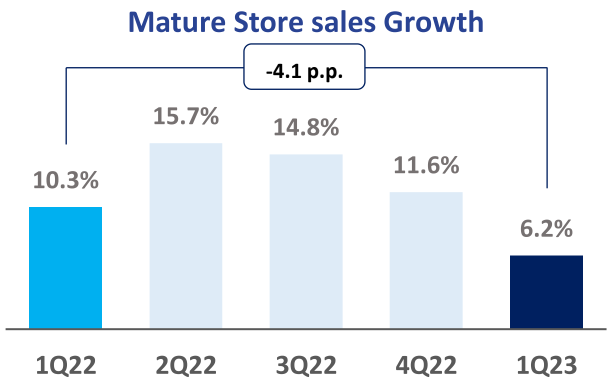
The sales results for the period are directly related to an efficient mix management, which was able to absorb the impacts of the reduction of categories such as Covid-related products and services. The Hygiene and Beauty category stands out, which grew by 25.8% when compared to 1Q22.

These results are translated into an increase in the flow of customers in our physical stores and in our digital channels, combined with an increase in the average ticket, thanks to factors such as a drug strategy with a well-sized portfolio, and efficient inventory management, ensuring a low disruption level for the customer, in addition to maintaining high service quality indicators.

It is worth noting that, once again, the new stores made a positive contribution to this result, with accelerated maturation rates, reinforcing the success of our expansion strategy.

Same-Store Sales (SSS) grew 10.0% in 1Q23 compared to 1Q22. The performance of Mature Stores (Mature Same Store Sales or MSSS) also remained at a healthy level, with a growth of 6.2% compared to 1Q22, a percentage higher than the period's inflation.

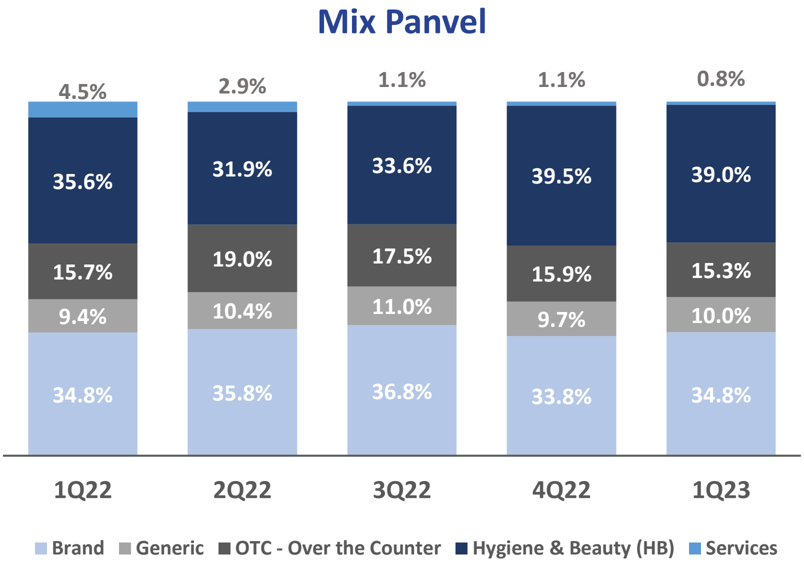




Throughout 1Q23, we achieved an average sale of BRL 591 thousand/store, 6.6% higher than the same period last year. It's important to note that the first quarter of the year is always impacted by the month of February, which has fewer business days and ends up pulling the average down. When considering only March/23, Panvel's average sales were R$ 648k, making it clear that the operation has reached a new level of average sales, which will continue to grow over the next periods.

Considering that the Company opened 120 stores in the last 24 months, including 60 new stores in 2022 (a growth of 11.6% in the store base) and with the highest historical percentage of stores in maturation, we understand that the average sales results delivered by our operation demonstrate the efficiency of our expansion project and the productivity gains in the existing store base.

Retail sales mix



1Q23 vs 1Q22

Δ p.p.	Δ
- 3.7 p.p.	-78.8%
+ 3.4 p.p.	+25.8%
- 0.4 p.p.	+10.2%
+ 0.6 p.p.	+22.5%
0.0 p.p.	+14.5%

In 1Q23, we observed a strong change in the composition of Panvel's sales mix, with two highlights: the Hygiene and Beauty category, which showed strong growth compared to 1Q22, expanding its share in the product mix by 3.4 p.p; the Generic Drugs category, which expanded by 0.6 p.p. in the period.

In a quarter where the consumption profile was significantly changed in relation to the comparison period (1Q22), we saw the efficiency of our category and mix management strategy being the main factor mitigating the impact of the reduction in the sale of services and products related to Covid (such as tests and masks), demonstrating the soundness of Panvel's operations and its ability to adapt to the market, through a complete and well-dimensioned mix.

Drugs in general performed well throughout the quarter, with a growth of 14.6% compared to 1Q22, a result that reinforces our strategy and focus on Panvel's main category.

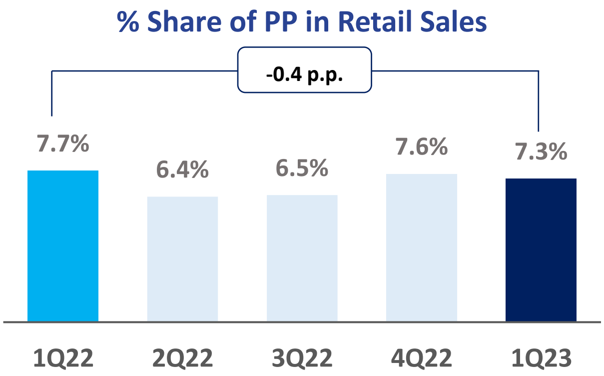
The **OTC** category grew 10.2% compared to 1Q22, impacted by a strong comparison base. Within this category, the highlights were the groups of Gastrointestinal (+22.4%), Wounds and Contusions (+25.7%), Diabetes (+39.2%) and Eye Care (+17.8%).

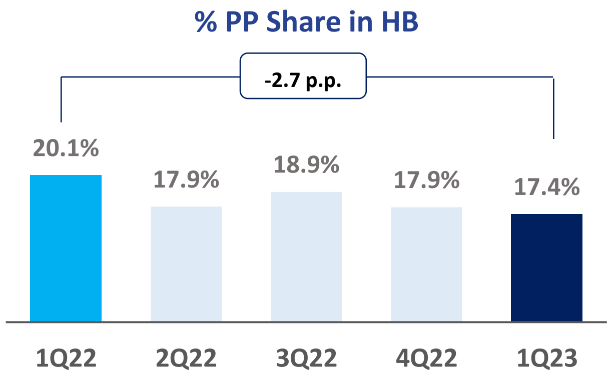
The **Generic Drugs** category was one of the main highlights of the period, having shown a growth of 22.5% in relation to 1Q22, and an expansion of 0.6 p.p. in representativeness within the mix in 1Q23. This category plays an important role in bringing more customers to the stores, in addition to being a key lever for maintaining a healthy Gross Margin.

The **Hygiene and Beauty (HB)** category was the main highlight of the quarter, showing a growth of 25.8% compared to 1Q22 and an expansion of 3.4 p.p. of share within the mix, growth that was driven mainly by groups such as Children (+50.9%), Makeup (+46.8%), Food (+69.2%), Facial Care (+36.3%), and Dermocosmetics (+20.6%).

The **Services** pillar represented 0.8% of Retail sales in 1Q23, in line with the Company's expectations. Even with this reduction, Services remain an important strategic pillar for Panvel, which this quarter provided more than 98,000 health services to its customers.

Panvel Products





Panvel Product sales grew 8.4% compared to 1Q22, reaching a 7.3% share of total Retail sales in 1Q23. In relation to the Hygiene and Beauty mix, the private label reached a representativeness of 17.4%, numbers that reinforce the positioning of Panvel Products as a benchmark of the Brazilian pharmacy retail.

If we analyze the performance of Panvel Products excluding Covid-related items (such as masks) from the base, the category shows a growth of 28.1% in 1Q23. Throughout 2023, the basis for comparison will be free of these seasonal effects, causing the share of Private Label products in Panvel's sales to grow again.

Panvel product grows 28.1% compared to the previous year in the ex-masks concept.

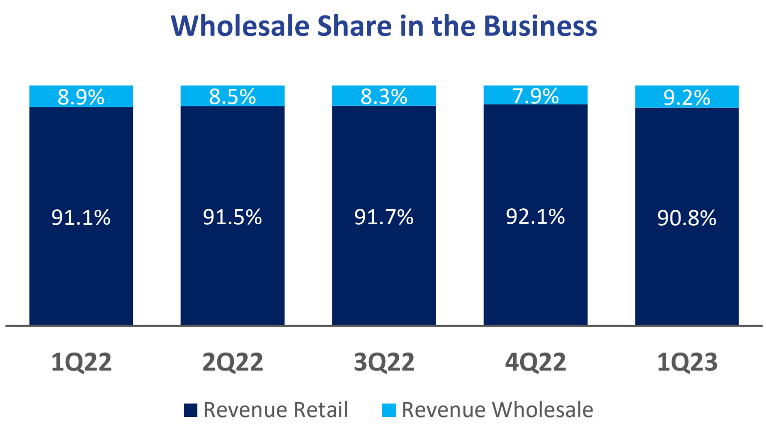
Reflecting the increased demand for care and beauty products, the Panvel Make Up brand grew by 48.6% in sales compared to 1Q22, consolidating its leadership in the makeup category once again. Products related to skin care also showed excellent results and showed, again, consistent growth. Among the categories that stood out are the Solar (+49.0%) and Panvel Faces (+25.4%) line.

The Panvel Baby brand, a line of baby care products and one of the main brands of the group, showed robust growth of 35.2% compared to 1Q22. Also, the *Panvel Acessórios* line grew by 39.1% in 1Q23, demonstrating that the strength of our private label products goes beyond personal care and hygiene.

Reflecting the brand's move to provide a line of up-to-date products, in line with the trend towards more conscious consumption with the preservation of the environment and animal welfare, the Vert line, made up of natural and vegan items, has remained accelerating and showed a significant evolution in sales, growing 152.6% in the period.

Wholesale

In 1Q23, Wholesale represented 9.2% of the Company's total sales, with an 18.5% growth in revenue. As already observed over the past quarters, Wholesale has been presenting a good performance and revenue growth, being an important ally in the dilution of expenses. Throughout the year, the Wholesale share should remain in line with the average practiced in recent periods.



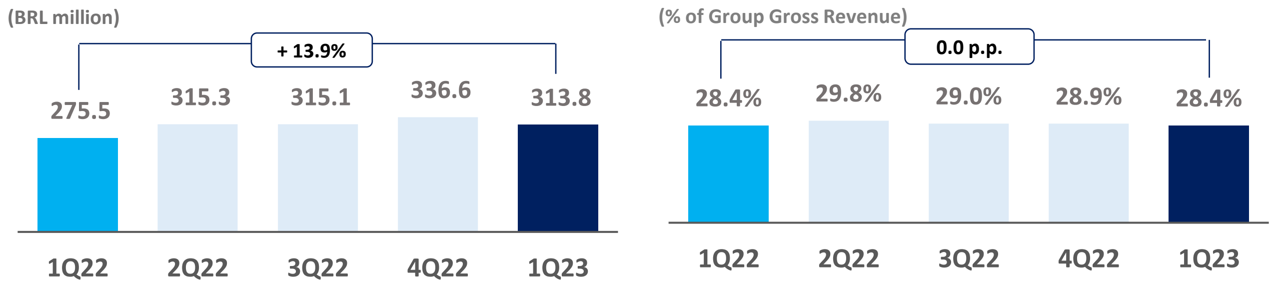
Gross margin

The Company delivered a Consolidated Gross Margin (including retail, wholesale and other business units) of BRL 313.8 million in 1Q23, which represents 28.4% of gross revenue for the period, keeping the gross margin stable in relation to the same period of the previous year.

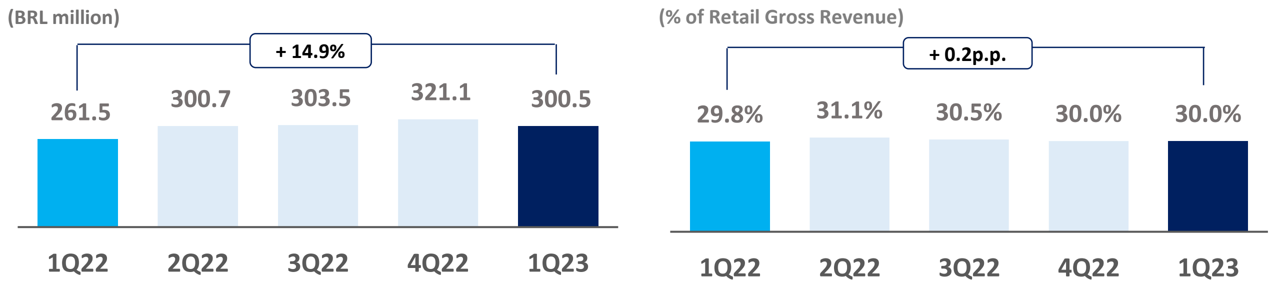
Retail Gross Margin was BRL 300.5 million, which is equivalent to 30.0% of Retail Gross Revenue in 1Q23, with growth of 14.9% and expansion of 0.2 p.p. compared to 1Q22. This expansion is explained by the strong growth of the Hygiene and Beauty and Generic Drugs categories, which were essential for maintaining a healthy margin, even with the reduction in the share of services and products related to Covid in the mix.

The Gross Margin of the Wholesale division was R$ 11.0 million, representing 10.9% of the Gross Revenue of this business unit in 1Q23, a decrease of 0.9 p.p. compared to 1Q22.

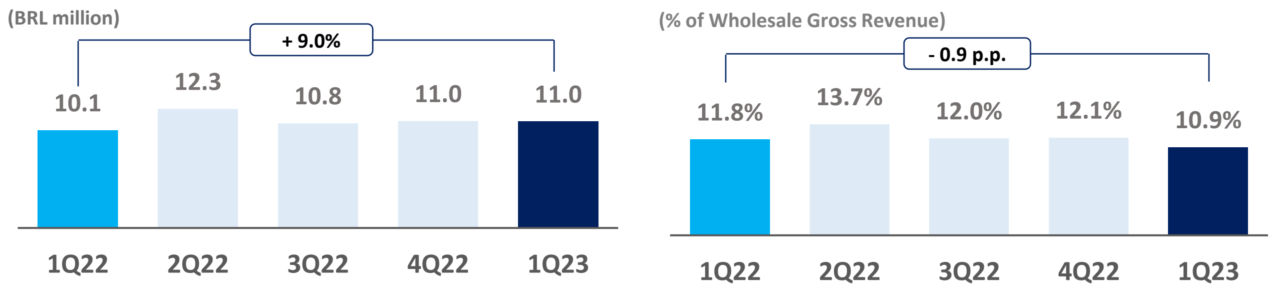
GROUP GROSS MARGIN



RETAIL GROSS MARGIN

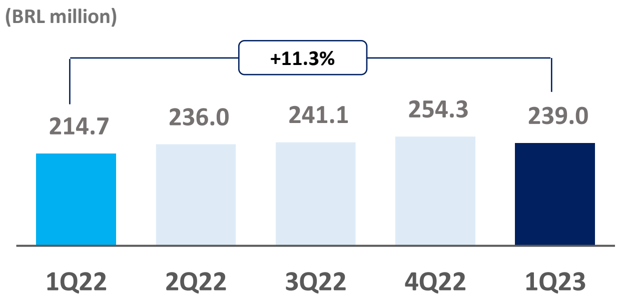


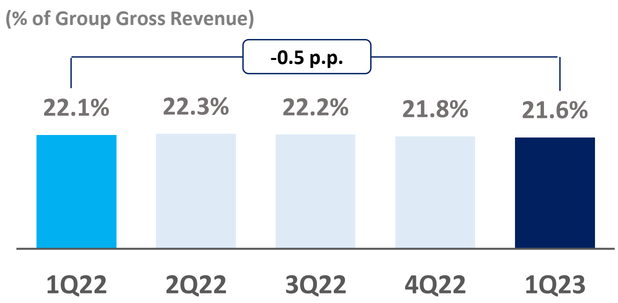
WHOLESALE GROSS MARGIN



Selling expenses

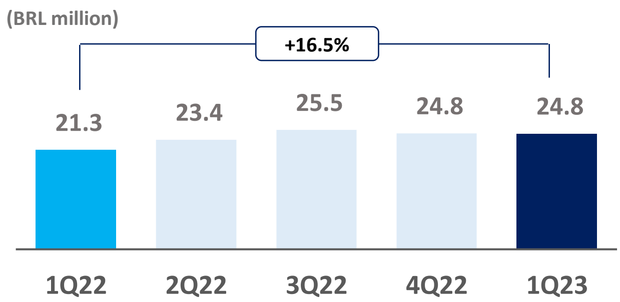
Total Selling Expenses in 1Q23 amounted to R$ 238.9 million, representing 21.6% of Gross Revenue, a reduction of 0.5 p.p. compared to 1Q22. This movement reinforces the Company's performance in progressively reducing selling expenses, quarter after quarter, as this is one of our main commitments for the year. After a period of strong investments in expansion and distribution centers, we have begun the process of reaping productivity gains in store expenses, especially in personnel, energy, materials and inventory losses, as well as logistics expenses.

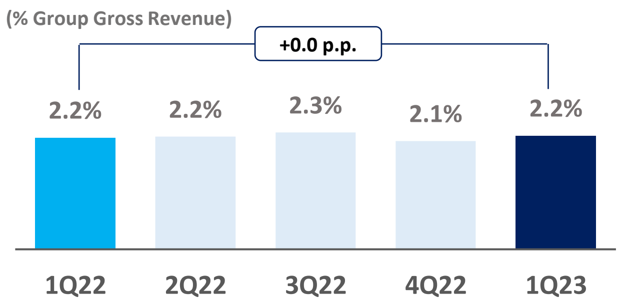




General and administrative expenses

General and Administrative Expenses totaled BRL 24.8 million in 1Q23, representing 2.2% of Gross Revenue, remaining stable in relation to the same period of the previous year. This excellent result reinforces the Company's commitment to cost control and the constant search for greater operational efficiency in its administrative expenses as well.



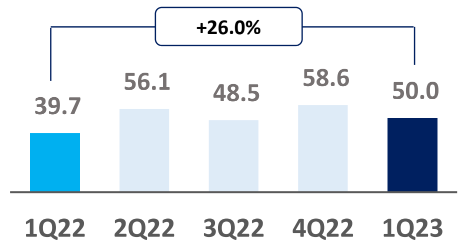


EBITDA

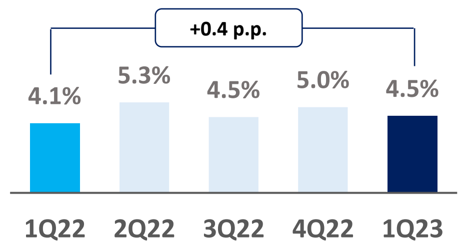
In 1Q23, we reached an adjusted EBITDA of BRL 50.0 million, an increase of 25.9% compared to 1Q22, with a margin equivalent to 4.5% of Gross Revenue and with an expansion of 0.4 p.p. This consistent progress in the year reinforces the commitment, after two years of strong investments, to continue expanding the Company's margins through increasing returns on our assets and gains in scale in stores and logistics.

ADJUSTED EBITDA

(BRL million)



(% of Group Gross Revenue)



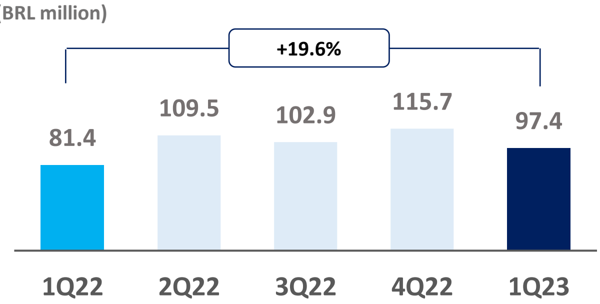
EBITDA Reconciliation	1Q22	1Q23	Var. %
(BRL million)			
Net Profit	**24.4**	**20.3**	**(16.8%)**
(+) Income Tax	(4.0)	2.0	(150.9%)
(+) Financial Income	1.9	6.8	260.1%
EBIT	**22.3**	**29.2**	**30.9%**
(+) Depreciation and amortization	13.6	16.4	20.9%
EBITDA	**35.9**	**45.6**	**27.1%**
Interests/Distributions	2,6	2.0	(23.3%)
Asset Write-offs	0.3	0.7	137.0%
Other Adjustments	0.9	1.6	81.0%
Adjusted EBITDA	**39.7**	**50.0**	**25.9%**
Adjusted EBITDA Margin	**4.1%**	**4.5%**	**0.4 p.p.**

Retail EBITDA

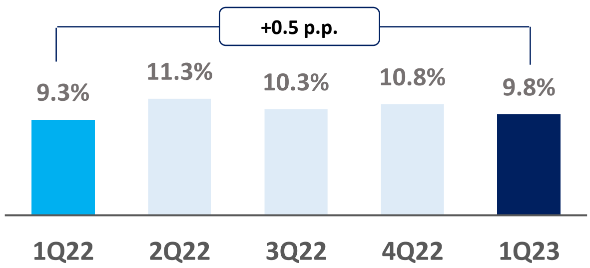
Retail EBITDA represents the income generated by the stores and is calculated using the formula described below[1].

Retail EBITDA in 1Q23 was BRL 97.4 million, equivalent to 9.8% of Retail Gross Revenue, with a 0.5 p.p. increase in the annual comparison. This growth is the result of the maintenance of the Retail Gross Margin in the period and the dilution of expenses, which offset the effects of the accelerated expansion on expenses and brought greater productivity gains.

(BRL million)



(% of Gross Revenue)

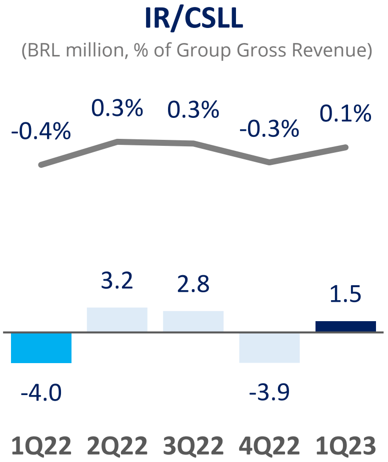


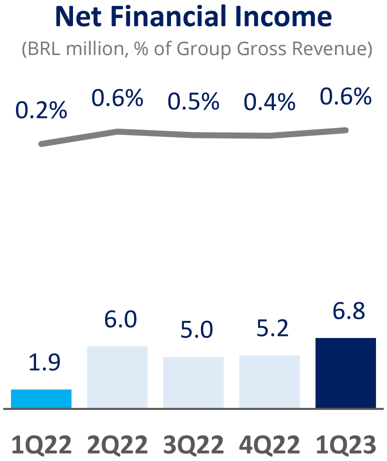
[1] *Retail Gross Revenue (-) COGS/Taxes/Discounts/Returns = Retail Gross Margin (-) Expenses with Store Sales (+) Store Depreciation = Retail EBITDA.*

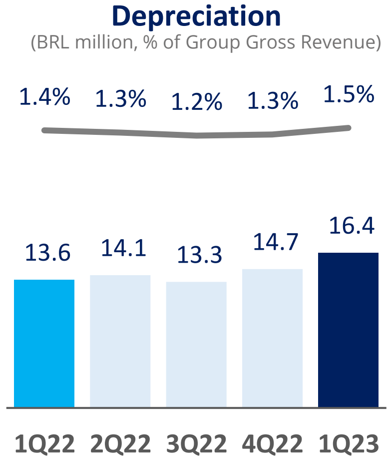
Depreciation, net financial income, and IR/CSLL

Depreciation showed a growth of 0.1 p.p. in the quarterly comparison, an expected effect of investments already made in expansion and logistics. Net Financial Expenses had an evolution of 0.4 p.p. in the quarterly comparison, going from a net expense of BRL 1.9 million to a net expense of BRL 6.8 million. This movement is a direct result of the reduction in the net cash position, also in line with the Company's expectations.

In the quarterly comparison, the IR/CSLL had an impact of 0.6 p.p. on the result. It is important to note that in 1Q22 we recognized tax credits in the amount of BRL 6.2 million, resulting from a final court decision, which made the comparison base reach a high level.



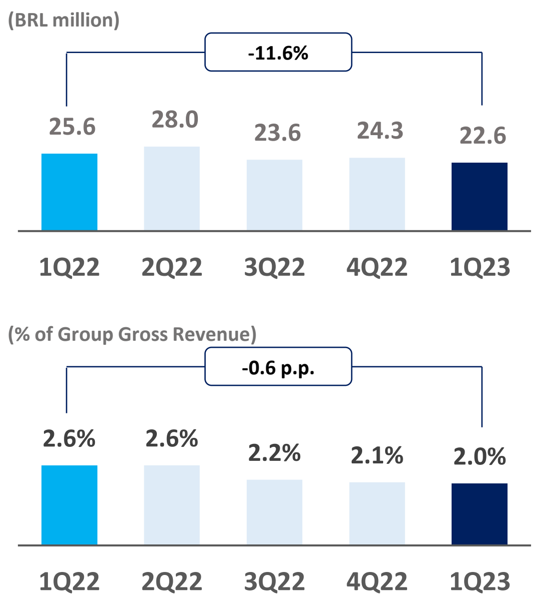




Net Income

Adjusted Net Income in 1Q23 was BRL 22.6 million, equivalent to a net margin of 2.0%. The 11.5% pressure is due to the impact of interest expenses (increase of 0.7 p.p. in the period), an effect already expected due to the consumption of cash linked to the highest level of investments in the Company's history in recent years and to the increase of interest rates.

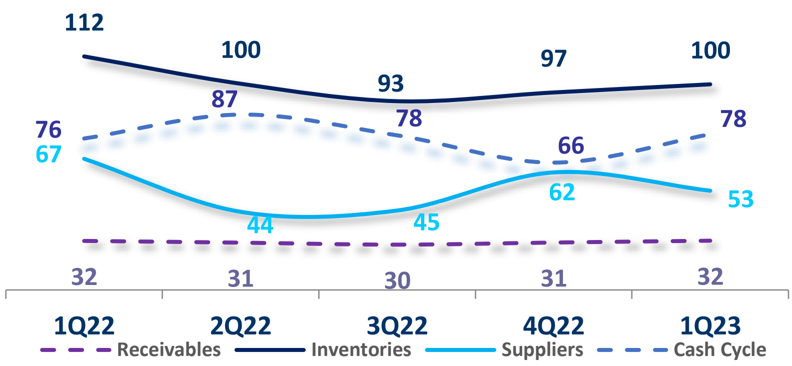
ADJUSTED NET INCOME



The table below shows the reconciliation of Net Income and non-recurring adjustments in the period.

Net Profit Reconciliation	1Q22	1Q23	Var. %
(BRL million)			
Net Income	**24.4**	**20.3**	(16.8%)
Asset Write-offs	0.3	0.7	137.0%
Other Adjustments	0.9	1.6	81.0%
Adjusted Net Income	**25.6**	**22.6**	**(11.5%)**
Adjusted Net Margin	**2.6%**	**2.0%**	**-0.6 p.p.**

Cash cycle



The Company increased its cash cycle by 2 days compared to 1Q22. Even so, in the sequential view, it presented the best cash cycle of the year, reflecting the efforts focused on improving terms with suppliers and inventories.

Cash flow

The Company had a negative free cash flow of BRL 74.8 million in the period.

Fluxo de caixa	1Q22	1Q23	Var.
Net profit for the period	24,409	20,877	-14%
Corporate Income Tax (IRPJ)/Social Contribution Tax on Net	(3,980)	1,468	-137%
Financial Income	1,870	6,842	266%
EBIT	**22,299**	**29,187**	**31%**
Depreciations and Amortizations	13,565	16,486	22%
EBITDA	**35,864**	**45,673**	**27%**
Cash Cycle	(92,857)	(69,372)	-25%
Other variations in assets and liabilities	(1,884)	(21,794)	1057%
Operating cash Flow	**(58,877)**	**(45,493)**	**-23%**
Investments	(52,273)	(29,300)	-44%
Free Cash Flow	**(111,150)**	**(74,793)**	**-33%**
Interest on Equity	(5,809)	(8,126)	40%
Treasury shares	(582)	(705)	21%
Total Cash Flow	**(117,541)**	**(83,624)**	**-29%**

Indebtedness

Net Debt (in BRL million)	1Q22	2Q22	3Q22	4Q22	1Q23
Short-Term Debt	59.5	88.3	97.9	118.4	302.3
Long-Term Debt	80.1	172.9	172.9	116.4	116.4
Gross Debt	**139.6**	**261.2**	**270.7**	**234.8**	**418.8**
(-) Cash, Equivalents, and Financial Investments	95.9	127.0	164.3	157.4	257.6
Net Debt / Net Cash	**43.7**	**134.2**	**106.5**	**77.5**	**161.1**
Net Debt / EBITDA (LTM)	**0.27x**	**0.75x**	**0.55x**	**0.38x**	**0.83x**

The Company's gross indebtedness level at the end of 1Q23 was BRL 418.8 million and, after deducting cash and cash equivalents (BRL 257.6 million), the Net Debt at the end of the period was BRL 161.1 million. The Company understands that the increase in debt remains at a healthy level, with a tendency to decrease over the next quarters, and is generated seasonally and in line with the growth strategy and the current economic scenario of the segment.

We consider that the Company's capital structure remains solid and with low leverage, even in a scenario of investments and accelerated expansion. We understand that this low level of indebtedness represents a competitive differential within the country's current macroeconomic scenario.

Investments

In line with the Company's planning, a total investment of BRL 29.3 million was made in 1Q23, a reduction of -44.0% compared to 1Q22.

BRL thousands	1Q22	1Q23	Δ
Opening Stores	16,976,501	16,219,049	-4.5%
Renovation of Stores	2,411,045	1,765,928	-26.8%
IT	7,148,329	5,740,213	-19.7%
Logistics and Others	25,737,125	5,542,699	-78.5%
Total	**52,273,000**	29,267,890	-44.0%

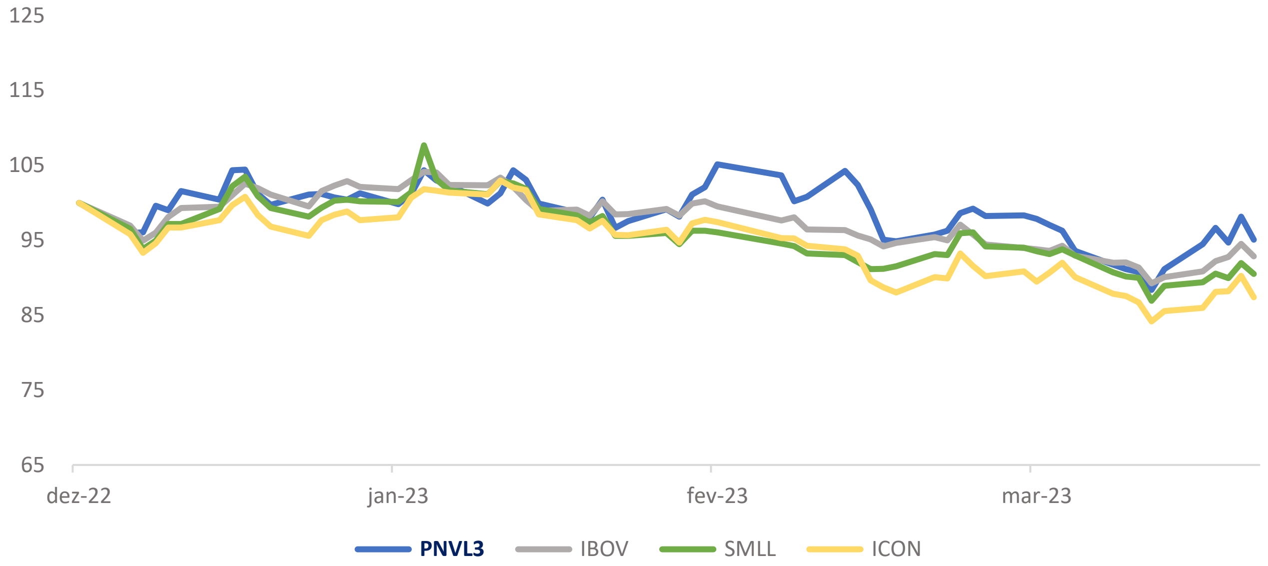
ESG

In 1Q23, an excellent result in one of our main initiatives, the Troco Amigo, deserves attention. Through this initiative, we distributed an additional R$ 1.2 million to more than 50 hospitals in the Southern Region. Since its inception, the Troco Amigo has already raised more than R$ 15.9 million. To learn more about our Todos Bem platform, click here.

Capital market

In 1Q23, the Company's stock followed the movement of retail sector companies, as well as companies classified as small caps. During the period, the Company's stock had a variation of -4.93%, while the IBOVESPA had a variation of -7.58%.

Currently, the Company is part of the following B3 indexes: IBRA (Broad Brazil Index), ICON (Consumer Index), IGCT (Trade Corporate Governance Index), IGCX (Stocks Index with Differentiated Corporate Governance), IGNM (Corporate Governance Index - Novo Mercado), ITAG (Stock Index with Differentiated Tag Along), and SMLL (Small Cap Index).



IFRS 16: impacts

The standard introduced by IFRS 16/CPC 06 (R2) establishes new procedures regarding the accounting method for a few rental agreements. For those who fit the new standard, accounting records are made to recognize the amounts in the Company's Assets (rights to use) and Liabilities (future commitments), resulting in a change in accounting records between rent, depreciation, and interest expenses.

To maintain historical comparability, figures herein are presented using the old methodology (IAS 17). Data and financial statements under IFRS 16 are available on the Company's and CVM's websites.

	1Q23		
Income Statement	**IAS 17**	**Reclassification**	**IFRS 16**
(BRL million)			
Gross Revenue	**1,105,719**	**-**	**1,105,719**
Gross Profit	**313,759**	**-**	**313,759**
% GR	28.4%	0.0%	28.4%
Selling Expenses	(238,922)	**41,497**	(197,425)
Administrative Expenses	(24,886)	-	(24,886)
Total Expenses	**(263,808)**	**41,497**	**(222,311)**
% GR	23.9%	-3.8%	20.1%
Adjusted EBITDA	**49,950**	**41,497**	**91,447**
% GR	4.5%	3.8%	8.3%
Depreciation and amortization	(16,428)	(33,120)	(49,549)
Part. Adm/PLR	(1,995)	-	(1,995)
Other adjustments	(2,340)	-	(2,340)
Financial Income	(6,842)	(11,544)	(18,386)
Corporate Income Tax (IRPJ)/Social Contribution Tax on Net Profit (CSLL)	(1,468)	507	(961)
Net Profit	**20,877**	**(2,661)**	**18,217**
% GR	1.9%	-0.2%	1,6%

	1Q23		
Balance Sheets	**IAS 17**	**Reclassification**	**IFRS 16**
(BRL million)			
Assets	**2,201,979**	**614,589**	**2,816,568**
Current Assets	**1,622,566**	**79**	**1,622,645**
Customers	390,414	79	390,493
Non-current Assets	**579,413**	**614,510**	**1,193,923**
Deferred Assets	29,008	18,132	47,141
Property, plant and equipment	457,206	596,378	1,053,584
Liabilities and equity	**2,201,979**	**614,589**	**2,816,568**
Current Liabilities	**908,722**	**157,376**	**1,066,098**
Leases	-	157,376	157,376
Non-current Liabilities	**130,925**	**492,718**	**623,644**
Leases	-	492,718	492,718
Equity	**1,162,331**	**(35,505)**	**1,126,826**
Retained Earnings	53,722	(35,505)	18,217

Balance Sheet

	Former Standard (IAS 17)		
ASSETS	**1Q22**	**1Q23**	**Var. %**
(in thousands)			
Current Assets	**1,436,198**	**1,622,566**	**13.0%**
Cash and cash equivalents	51,203	10,759	-79.0%
Financial Investments	44,730	246,888	452.0%
Customers	338,557	390,414	15.3%
Inventory	853,647	874,483	2.4%
Recoverable income tax and social security contribution	29,640	24,754	-16.5%
Recoverable taxes	30,856	13,192	-57.2%
Other accounts receivables	87,565	62,076	-29.1%
Non-Current Assets	**488,208**	**579,413**	**18.7%**
Deferred taxes	25,571	29,008	13.4%
Taxes recoverable	8,173	10,165	24.4%
Court deposits	3,952	3,066	-22.4%
Credits with related parties	2,530	1,330	-47.4%
Other assets	214	406	89.5%
Investments	4	4	-0.2%
Property, plant and equipment	385,123	457,206	18.7%
Intangible assets	62,641	78,228	24.9%
Total Assets	**1,924,405**	**2,201,979**	**14.4%**

Former Standard (IAS 17)			
LIABILITIES	**1Q22**	**1Q23**	**Var. %**
(in thousands)			
Current Liabilities	**728,081**	**908,722**	**24.8%**
Suppliers	503,177	456,113	-9.4%
Borrowing and financing	58,071	**302,338**	420.6%
Lease - IFRS 16	1,452	-	-100.0%
Salaries and social charges	55,325	**66,529**	20.3%
Interests payable	4,439	1,617	-63.6%
Taxes, fees, and contributions	21,469	**28,216**	31.4%
Dividends and interest on equity	(108)	(2,608)	2314.6%
Other accounts payable	82,133	53,674	-34.7%
Other Provisions	2,123	2,843	33.9%
Non-Current Liabilities	**103,602**	**130,925**	**26.4%**
Borrowing and financing	79,286	116,429	46.8%
Lease - IFRS 16	785	-	-100.0%
Other Obligations	6,579	6,820	100.0%
Tax provisions for civil, labor, and social security	16,952	7,676	-54.7%
Equity	**1,092,722**	**1,162,331**	**6.4%**
Share capital	918,000	943,000	2.7%
Capital transactions with members	(14,448)	(14,448)	0.0%
Capital reserve	(33,243)	(28,920)	-13.0%
Retained Earnings	176,052	208,978	18.7%
Retained Earnings	46,361	53,722	15.9%
Total Liabilities and Shareholders' equity	**1,924,405**	**2,201,979**	**14.4%**

Income Statement

DRE	Former Standard (IAS 17) 1Q22	1Q23	Var. %
(in thousands)			
Gross revenue	**969,934**	**1,105,719**	**14.1%**
Taxes and returns	(68,221)	(78,307)	14.8%
Net revenue	**901,550**	**1,027,411**	**14.0%**
Cost of goods sold	(626,076)	(713,653)	14.0%
Gross profit	**275,474**	**313,759**	**13.9%**
Expenses	**(253,175)**	**(284,572)**	**12.4%**
With sales	(235,004)	(263,599)	12.2%
General and administrative	(23,874)	(27,350)	14.6%
Other operating revenue	5,703	6,377	11.8%
Financial income	**(1,870)**	**(6,842)**	**265.9%**
Financial expenses	(6,231)	(13,304)	113.5%
Financial revenues	4,361	6,462	48.2%
Profit before IR, social contribution, and interests	**20,429**	**22,345**	**9.4%**
Income tax and social security contribution	3,980	(1,468)	-136.9%
Net income for the fiscal year	**24,409**	**20,877**	**-14.5%**