RD People, Health and Well-being.

RaiaDrogasil S.A.

# Earnings Presentation

## 2Q23

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# Consolidated Highlights [1]

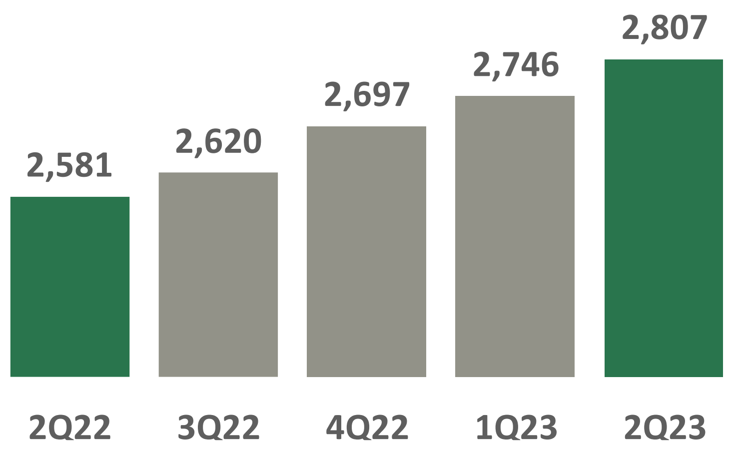
- **PHARMACIES:** 2,807 units in operation (64 openings and 3 closures);
- **GROSS REVENUES:** R$ 9.0 billion, a 18.1% increase with 7.6% mature-store growth;
- **MARKET SHARE:** 15.1%, a 0.7 pp increase, with gains in every region;
- **DIGITAL:** R$ 1.2 billion, an increase of 56.4% and a retail penetration of 14.3%;
- **CONTRIBUTION MARGIN[2]:** 12.0% of gross revenues and an increase of 10.0%;
- **ADJUSTED EBITDA:** R$ 767.6 million, a margin of 8.5% and an increase of 5.5%;
- **ADJUSTED NET INCOME:** R$ 349.2 million, a net margin of 3.9% and an increase of 1.6%;
- **CASH FLOW:** R$ 487.8 million negative free cash flow, R$ 763.3 million total cash consumption.

[1] Considers the IAS 17 / CPC 06 reporting standard.

[2] Margin before the corporate overhead (gross profit – selling expenses).

# We opened 64 new pharmacies and closed 3 in the quarter. We reiterate our guidance of 780 new pharmacies for the 2023-2025 period.

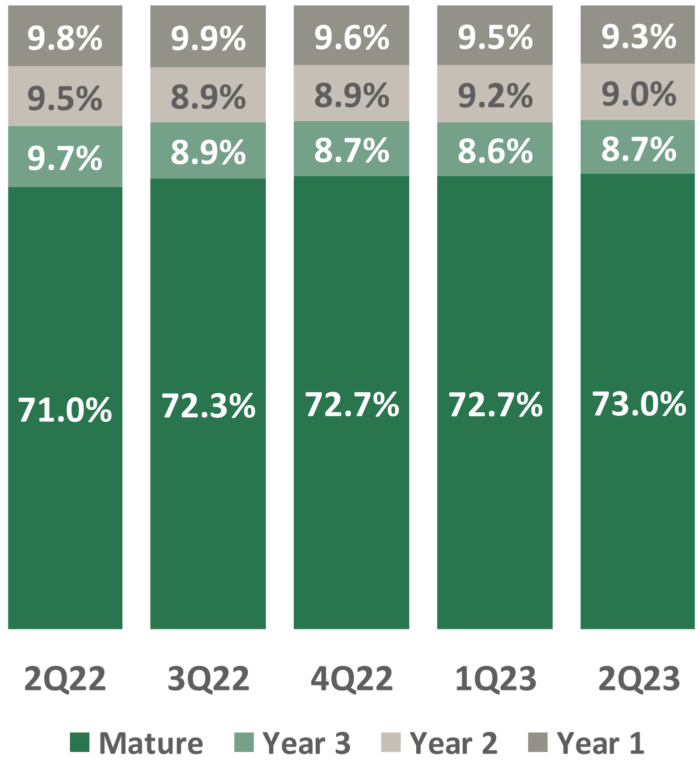
## Pharmacy count




| | 3Q22 | 4Q22 | 1Q23 | 2Q23 | LTM |
|---|---|---|---|---|---|
| **Gross openings** | **+58** | **+86** | **+55** | **+64** | **+263** |
| Closures | -19 | -9 | -6 | -3 | -37 |
| *Maturing* | *-2* | *-* | *-1* | *-* | *-3* |
| *Mature* | *-17* | *-9* | *-5* | *-3* | *-34* |
| **Net openings** | **+39** | **+77** | **+49** | **+61** | **+226** |

## Pharmacy portfolio

Age structure




***Expansion***

Guidance of **260** new stores per year from 2023 to 2025

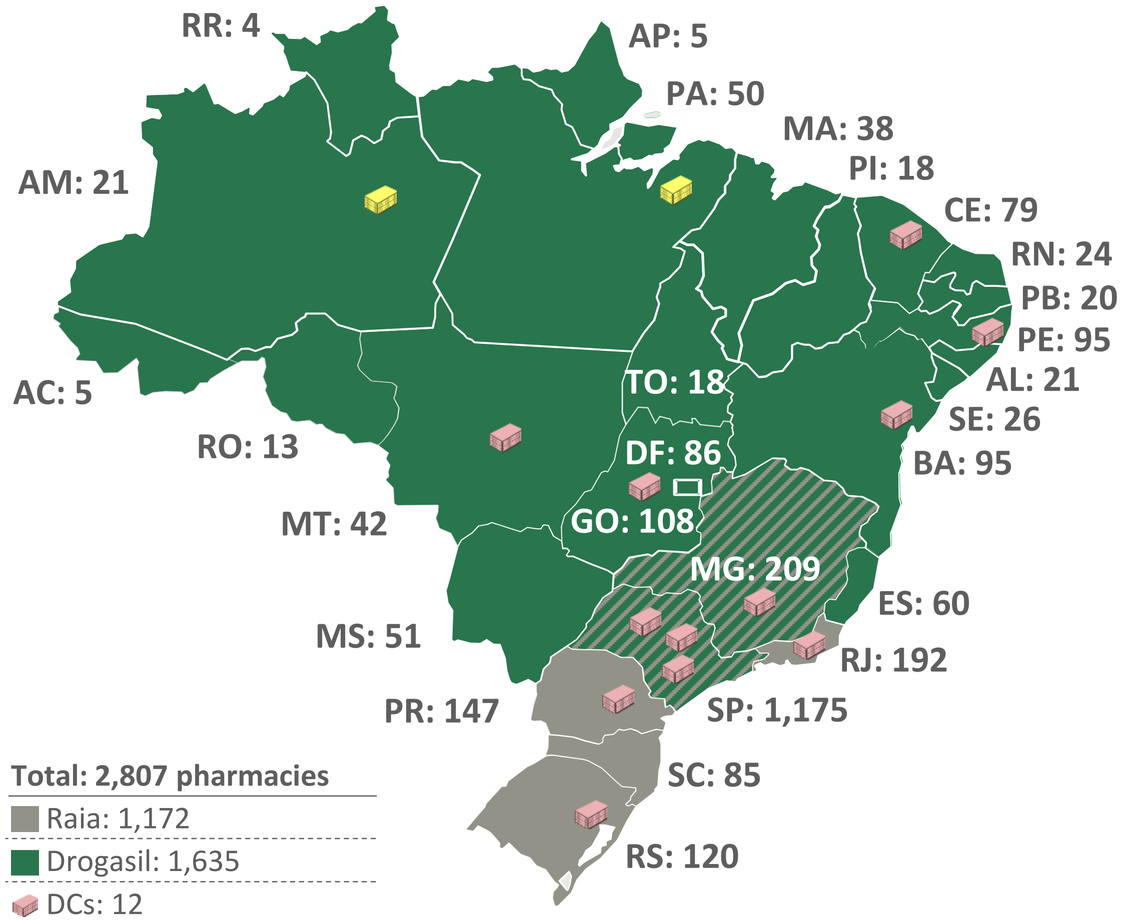
Total of **780 new pharmacies**

**99%** LTM assertiveness

Broad geographic and demographic diversification

# We are present in every state, with a national market share of 15.1% in the 2Q23, a 0.7 pp expansion with gains across every region. We are opening two new DCs in the North.

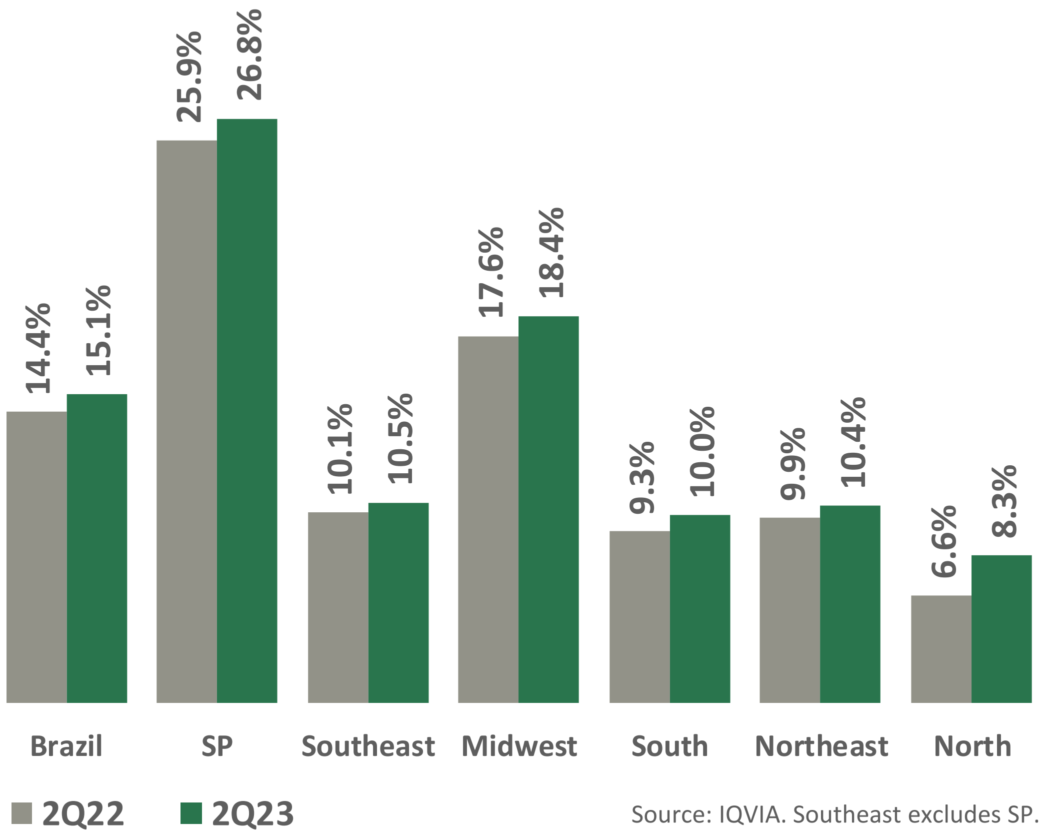
## Geographic presence




Total: 2,807 pharmacies
- Raia: 1,172
- Drogasil: 1,635
- DCs: 12
- Future DCs: 2

## Market share

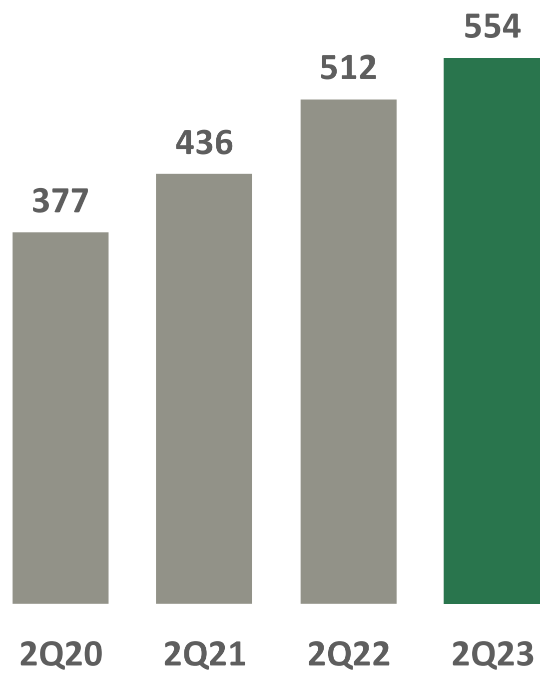
Quarterly retail share at Factory Prices (sell-out + sell-in)



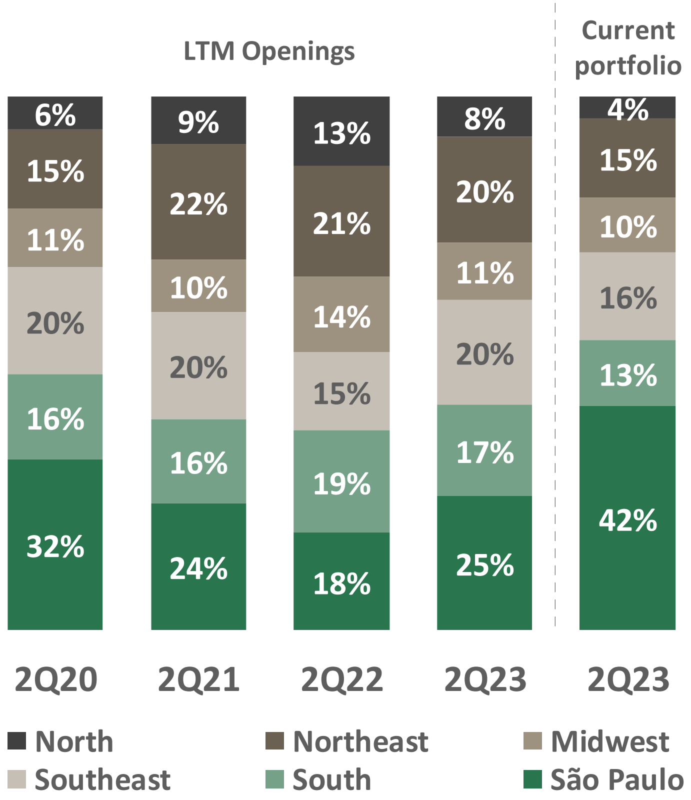

Source: IQVIA. Southeast excludes SP.

# We expanded our presence to 554 cities and increased our geographic and demographic diversification, with 84% of LTM openings and 61% of all stores with Popular and Hybrid formats.

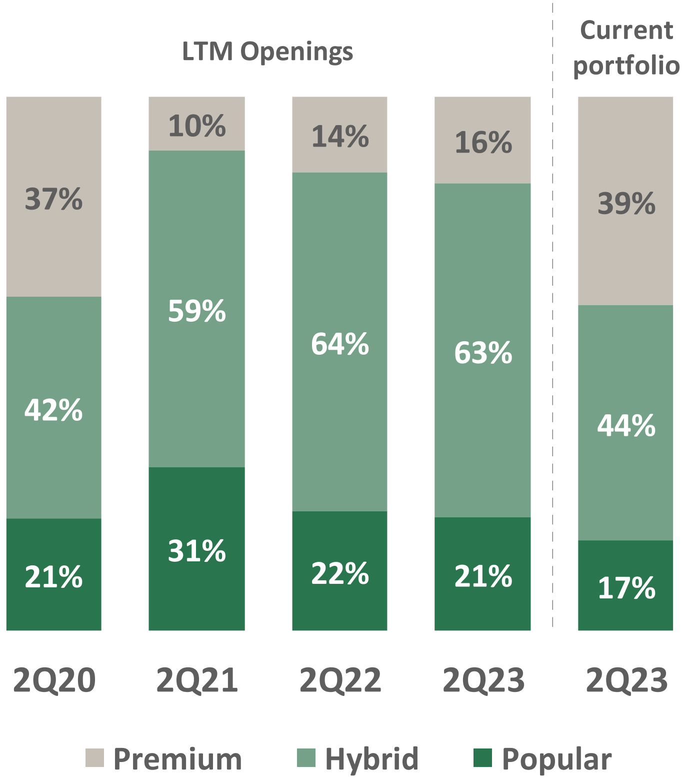
## Number of cities with pharmacies




## Pharmacies by region




## Pharmacies by format



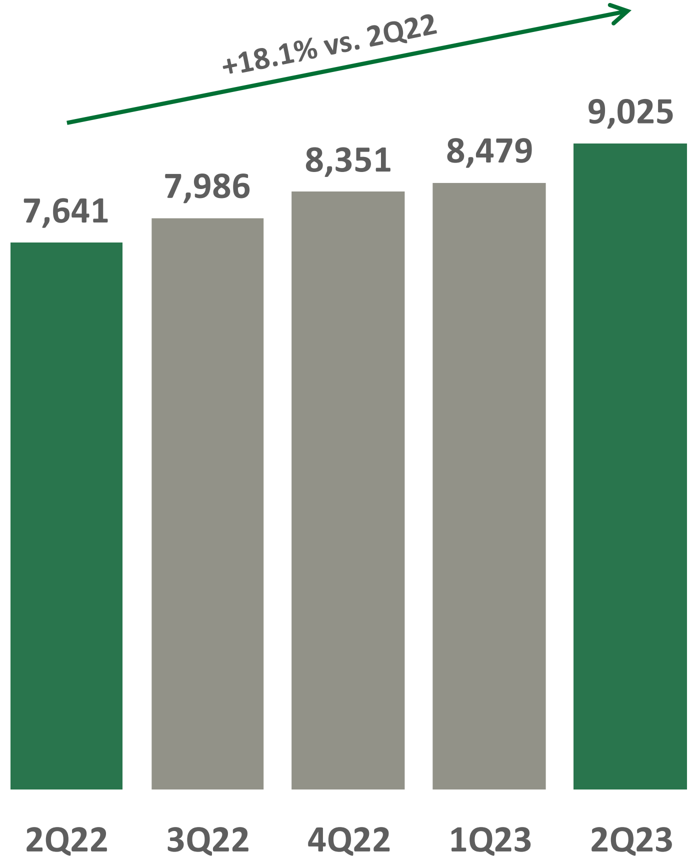

**Presence in 306 of the 319 Brazilian cities with over 100 thousand inhabitants**

*(includes both pharmacies in operation as well as those in the opening process)*

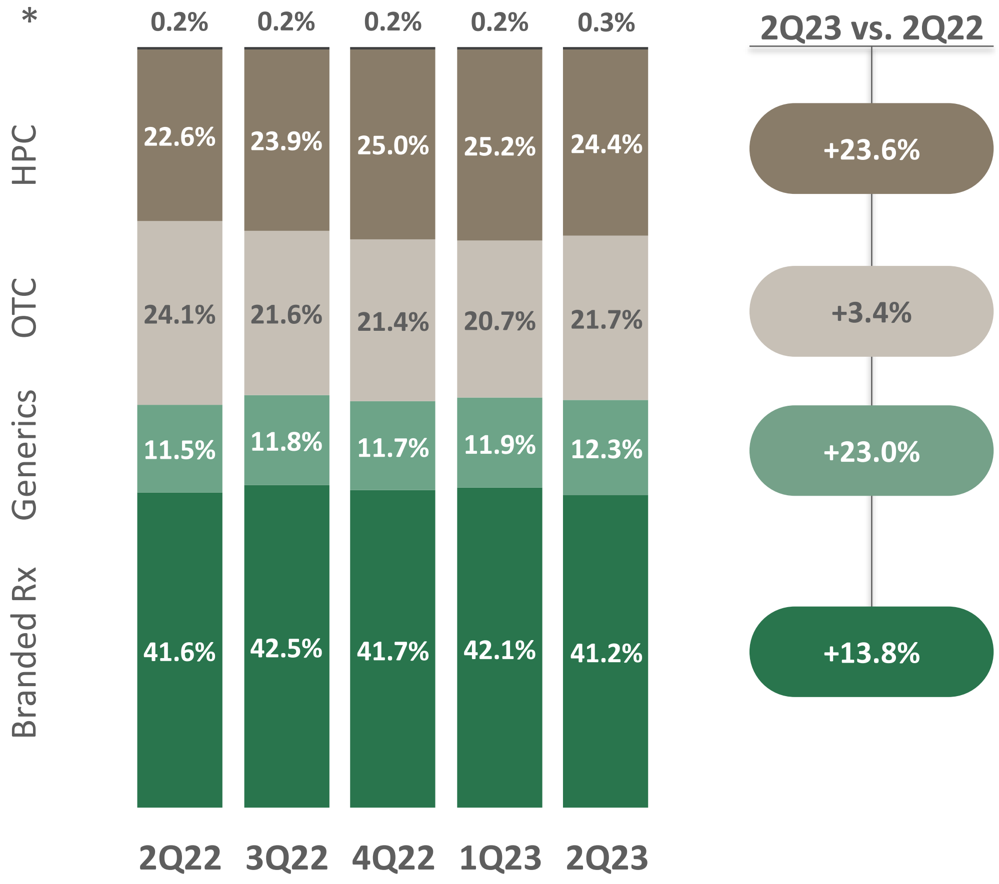
# Revenues grew 18.1% driven by digital and 4Bio (impact of +3.2 pp). HPC and Generics allowed us to offset pressures from OTC and Branded arising from the pandemic peak of the 2Q22.

## Consolidated gross revenues

R$ millions

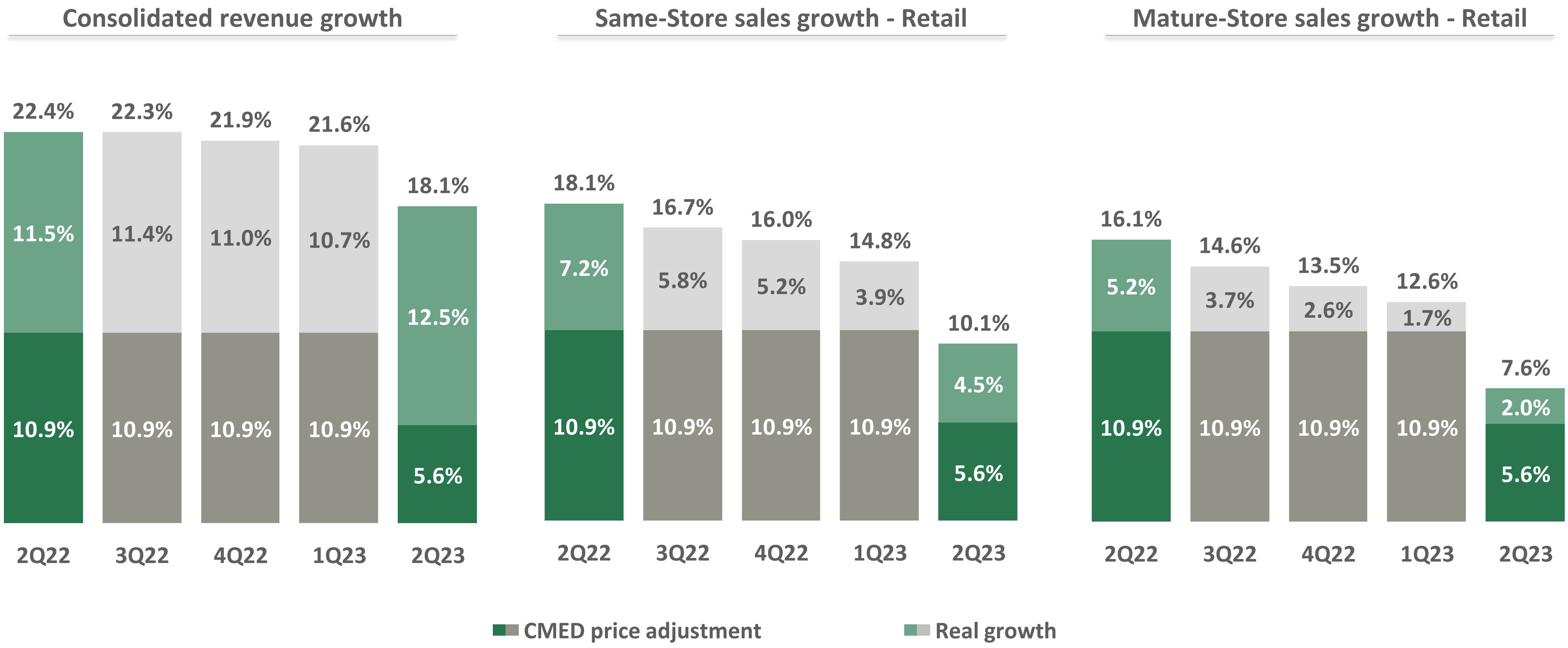



## Retail sales mix




* Services.

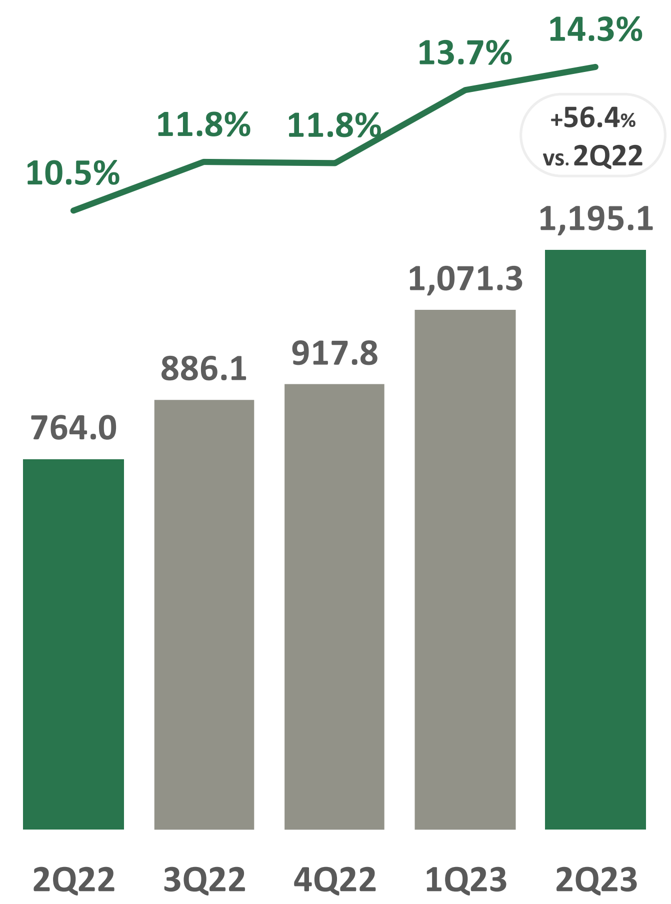
# Mature stores grew 7.6%, performing 2.0 pp above the CMED price adjustment of 5.6% in spite of pressures of 2.2 pp from COVID tests and of 0.4 pp from the calendar effect.



# Digital sales of R$ 1.2 billion in the 2Q23, with 56.4% growth and 14.3% retail penetration. Focus on modern, proprietary and mobile channels, with 89% of sales delivered in up to 2 hours.

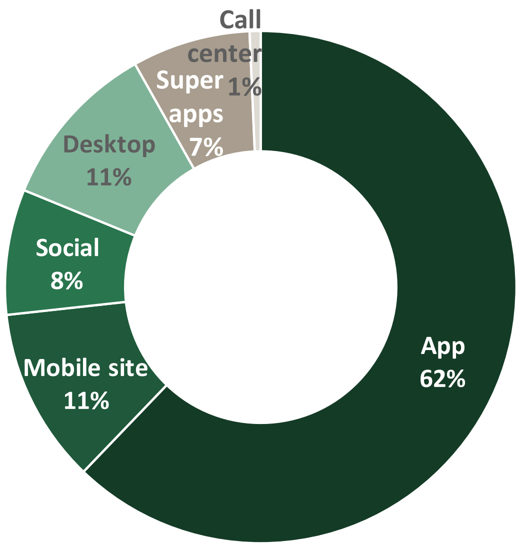
## Digital sales and penetration

R$ millions, % of retail gross revenue




## Digital channel mix

% of digital sales

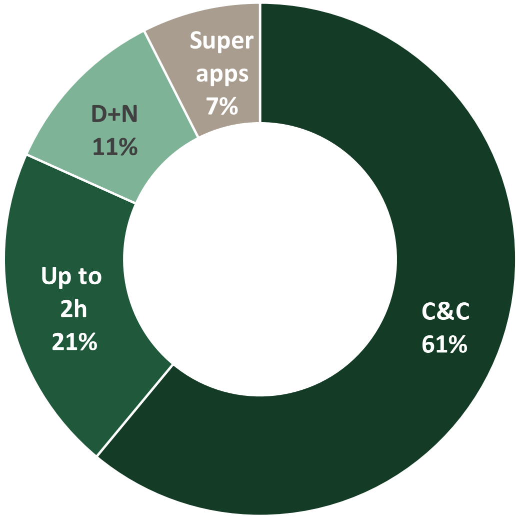



**92%** **modern and proprietary** channels

**81%** **modern, proprietary and mobile** channels

## Delivery mix

% of digital sales



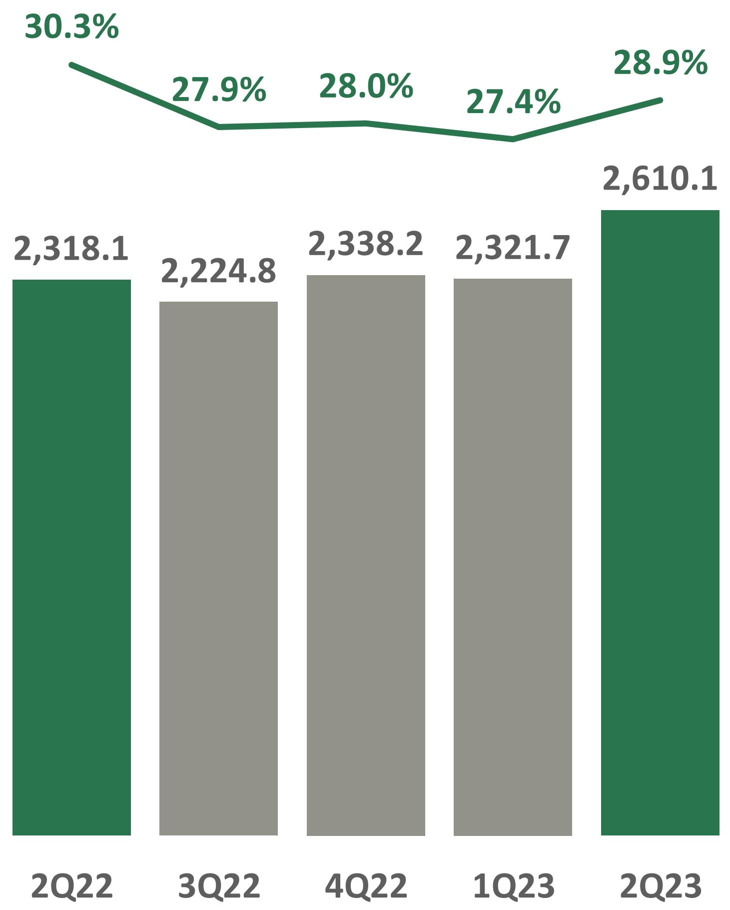

**93%** fulfilled by **pharmacies**

**89%** delivered in **up to 2h**

# Gross margin of 28.9%, a 1.4 pp pressure due to the lower CMED price adjustment and the 4Bio mix effect. Seasonal cash cycle peak of 67.8 days due to the forward buying.

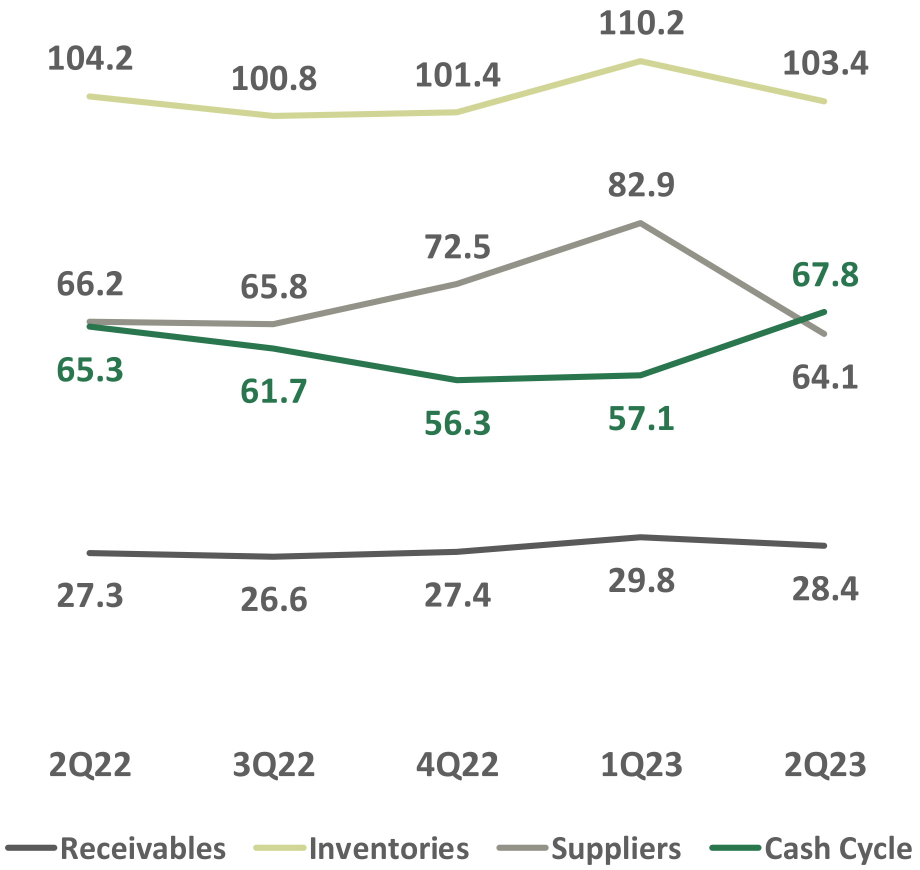
## Gross margin

R$ millions, % of gross revenue



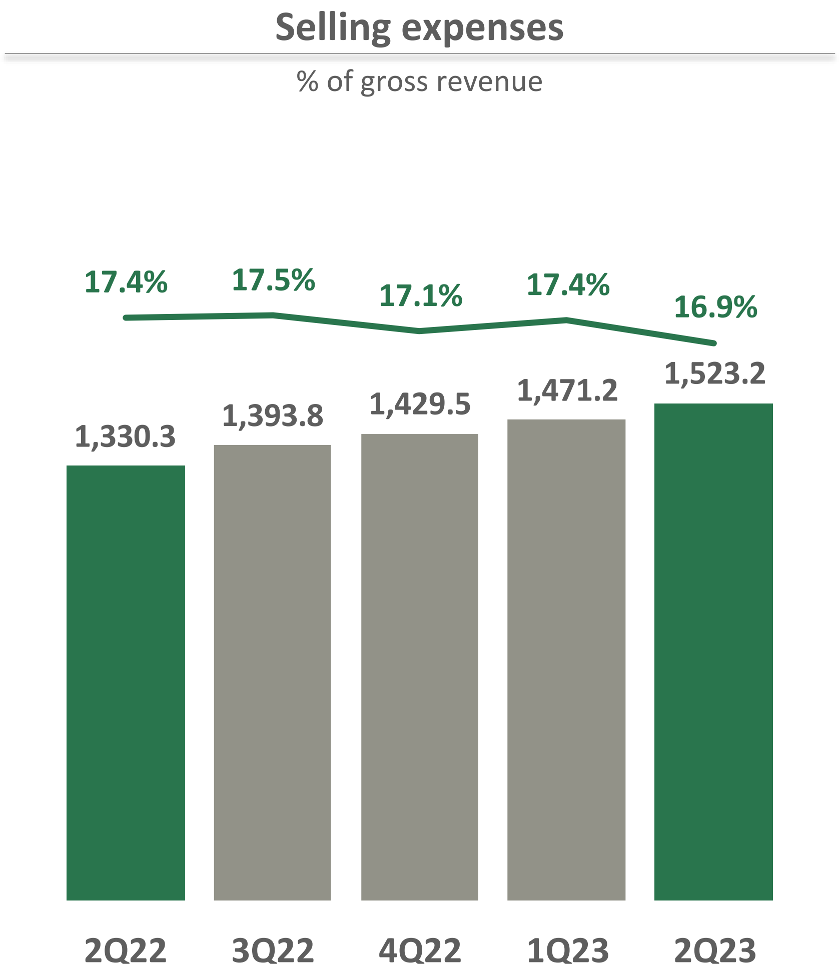

## Cash cycle*

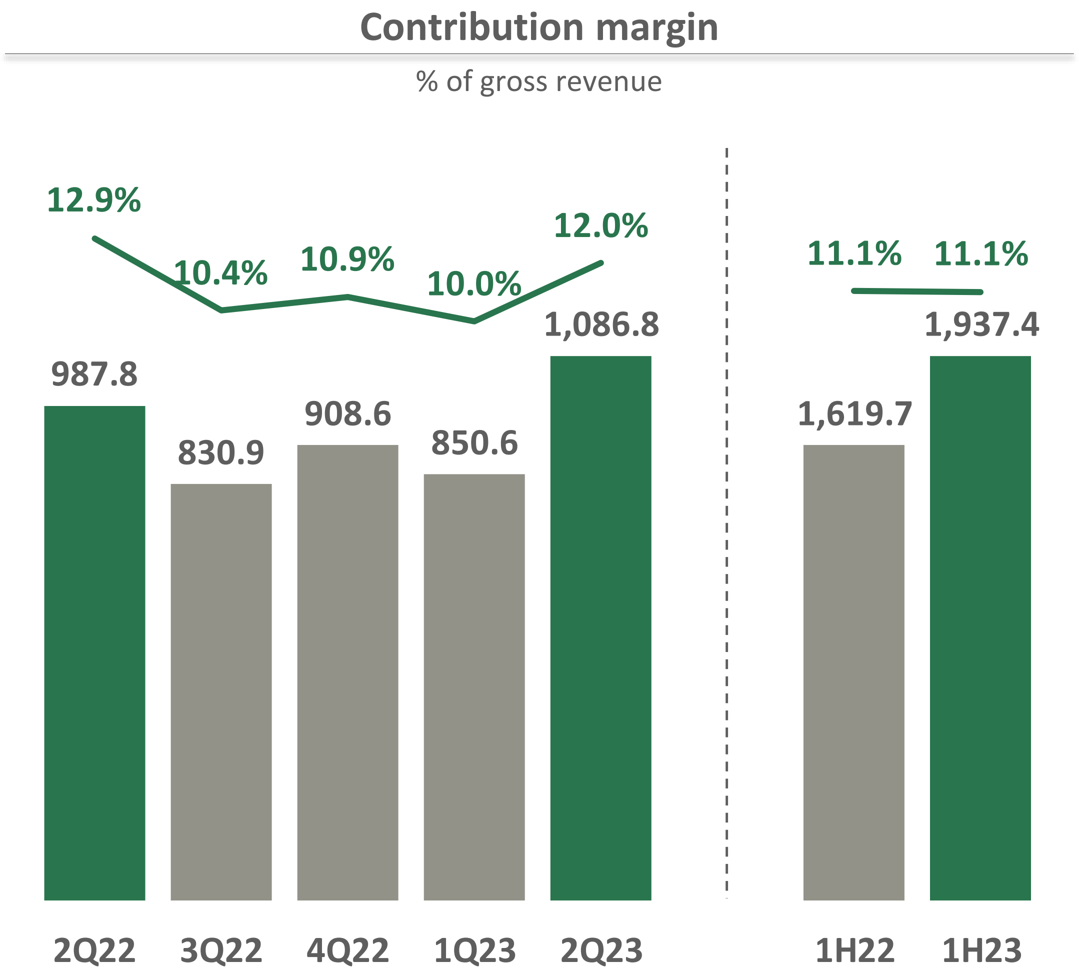
COGS days, Gross revenue days




* Adjusted for discounted receivables and advanced payments to suppliers.

# Operating leverage gains led to a selling expenses dilution of 0.5 pp in the quarter. Contribution margin remained stable in the 1H23 at 11.1%, despite the lower CMED price adjustment vs. 2022.

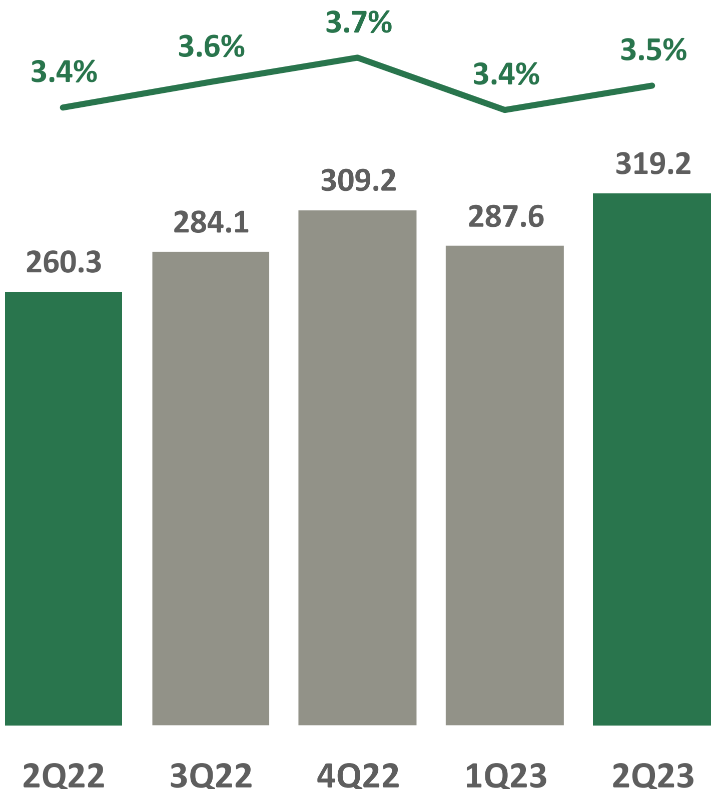


# EBITDA of R$ 767.6 MM, with 5.5% of growth and 8.5% of margin. Cumulative margin stable in the 1H23 at 7.6%, with a 0.2 pp expansion in retail, despite the lower CMED price adjustment.

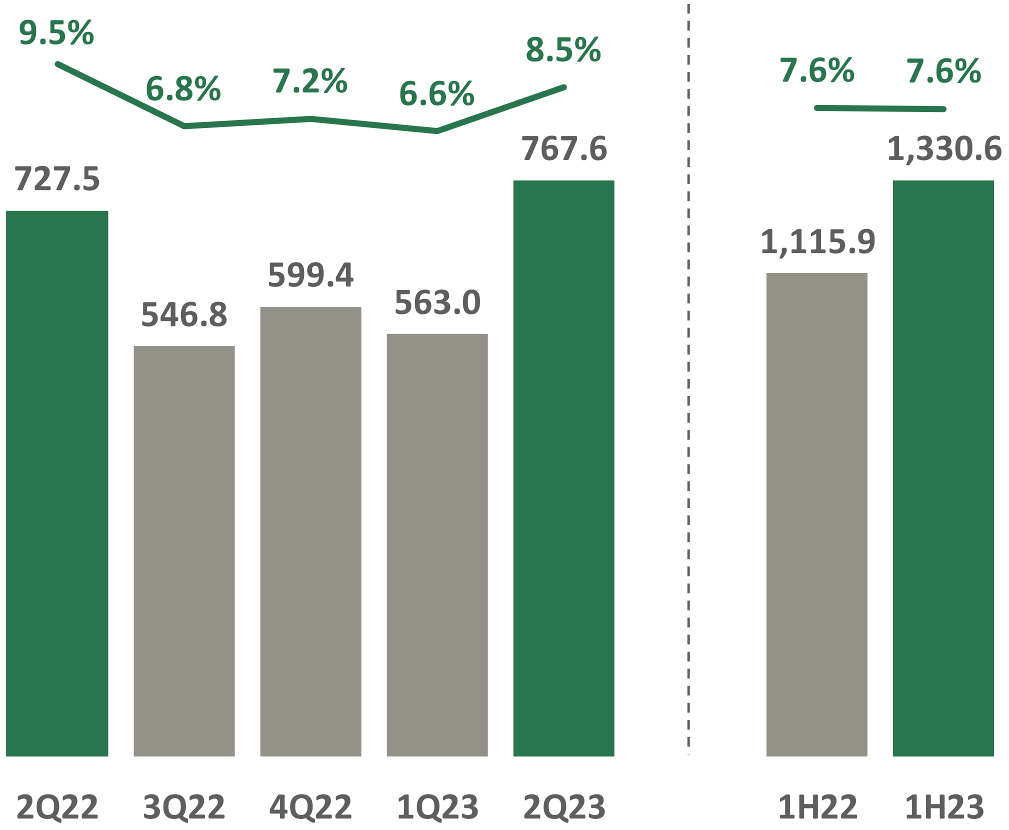
## General and administrative expenses

% of gross revenue




## Adjusted EBITDA

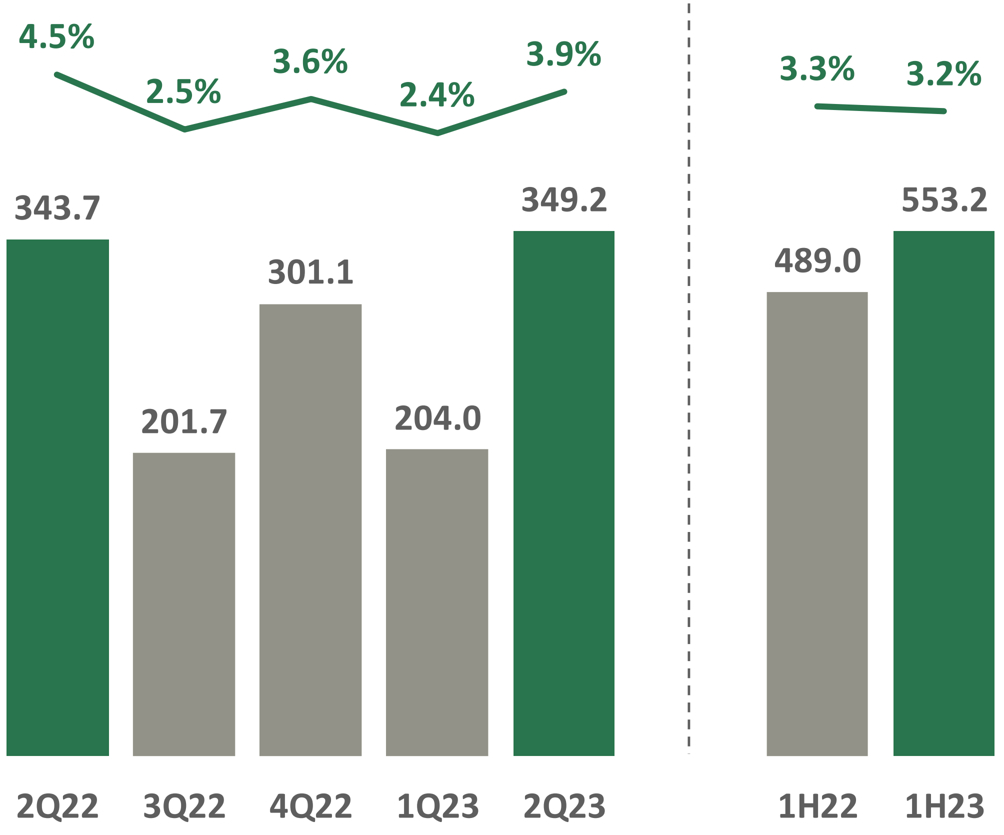
R$ millions, % of gross revenue



# Net income of R$ 349.2 MM, with a margin of 3.9%. Net margin of 3.2% in the 1H23, similar to the 1H22, despite the lower CMED price adjustment. Non-recurring gains of R$ 21.1 MM.

## Adjusted net income

R$ millions, % of gross revenue




| EBITDA Reconciliation - R$ millions | 2Q23 | 2Q22 |
|---|---|---|
| **Net income** | **363.2** | **372.2** |
| Income tax | 83.6 | 128.7 |
| Equity Equivalence | 0.8 | (0.3) |
| Financial Result | 146.5 | 98.2 |
| **EBIT** | **594.1** | **598.9** |
| Depreciation and amortization | 194.5 | 171.8 |
| **EBITDA** | **788.7** | **770.7** |
| Tax effects and other non-recurring from previous years | (21.3) | (57.6) |
| Asset write-offs | (2.6) | 13.5 |
| Social investments and donations | 2.8 | 0.9 |
| **Non-recurring/non-operating expenses** | **(21.1)** | **(43.2)** |
| **Adjusted EBITDA** | **767.6** | **727.5** |

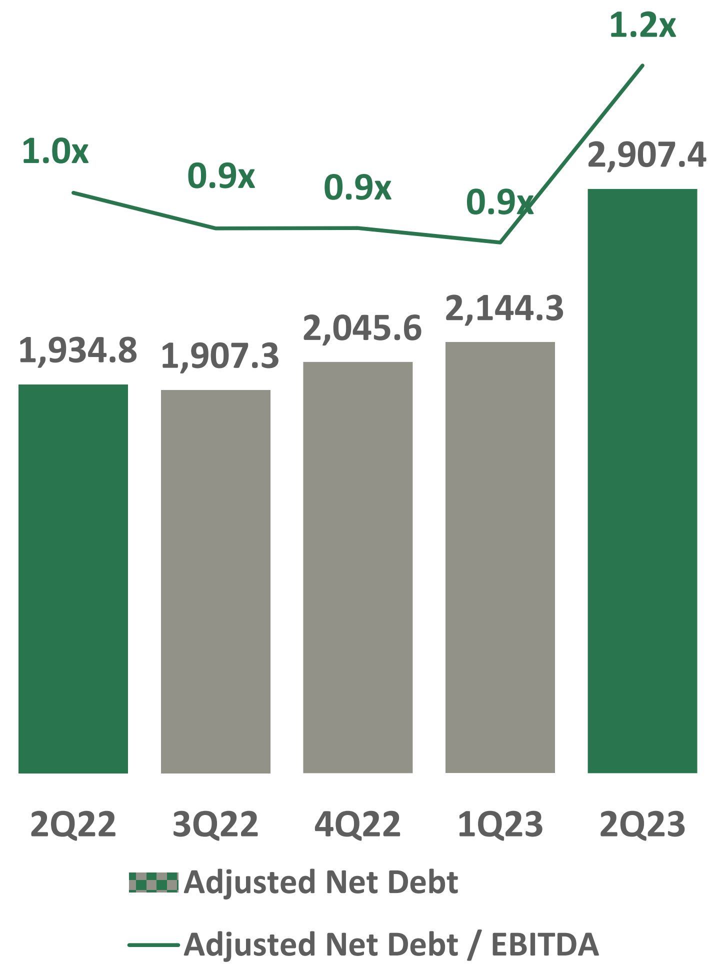
# Free cash flow of R$ - 487.8 MM, with R$ 763.3 MM in total cash consumption. Seasonal cash cycle and financial leverage peaks due to the forward buying.

| Cash flow | 2Q23 | 2Q22 | 1H23 | 1H22 |
|---|---|---|---|---|
| *(R$ million)* | | | | |
| **Adjusted EBIT** | **573.0** | **555.7** | **947.4** | **776.4** |
| NPV adjustment | (39.5) | (30.2) | (88.0) | (47.9) |
| Non-recurring expenses | 21.1 | 43.2 | 25.1 | 55.8 |
| Income tax (34%) | (188.6) | (193.4) | (300.7) | (266.7) |
| Depreciation | 195.2 | 171.1 | 383.7 | 338.8 |
| Others | (62.3) | 41.4 | (41.6) | 59.5 |
| **Resources from operations** | **499.0** | **587.8** | **925.9** | **915.9** |
| Cash cycle* | (896.7) | (509.9) | (1,069.9) | (943.6) |
| Other assets (liabilities)** | 211.4 | 118.9 | 143.3 | 76.7 |
| **Operating cash flow** | **(186.3)** | **196.8** | **(0.7)** | **49.0** |
| **Investments** | **(301.5)** | **(249.8)** | **(529.3)** | **(422.6)** |
| **Free cash flow** | **(487.8)** | **(53.0)** | **(530.0)** | **(373.6)** |
| M&A and other investments | (16.2) | (15.3) | (29.0) | (34.7) |
| Interest on equity and dividends | (226.5) | (96.1) | (226.5) | (96.2) |
| Income tax paid over interest on equity | - | (8.9) | - | (8.9) |
| Net financial expenses*** | (102.3) | (68.2) | (209.5) | (115.1) |
| Tax benefit (fin. exp., IoE, dividends) | 69.4 | 48.4 | 133.1 | 86.7 |
| **Total Cash Flow** | **(763.3)** | **(193.2)** | **(862.0)** | **(541.8)** |

* Includes adjustments to discounted receivables. ** Includes NPV adjustments. *** Excludes NPV adjustments.

## Net debt and financial leverage

R$ millions, as a ratio of LTM adjusted EBITDA



# We are entering RD's 4th phase, with the Digital Transformation driving faster real sales growth, operating leverage gains and overall margin expansion.

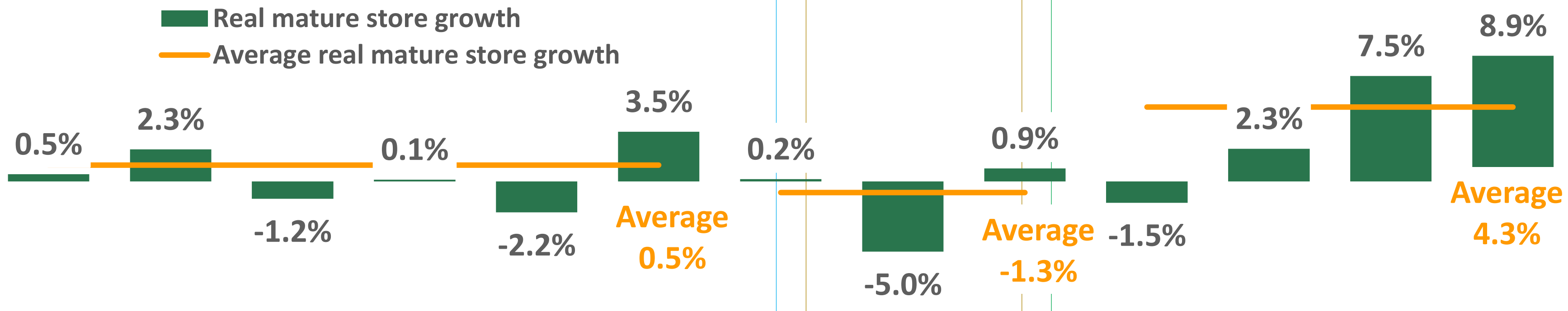
**PHASE 1**
Merger, synergies and efficiency gains
+ gross mg., - G&A%

**PHASE 2**
Gross margin investment

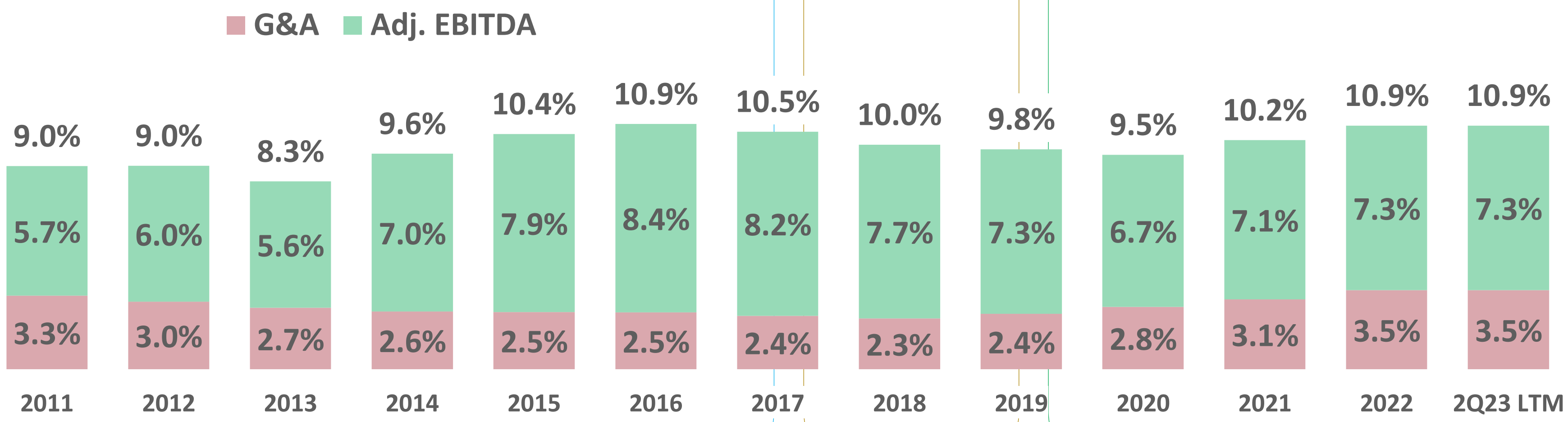
**PHASE 3**
Digital transformation
+ contrib. mg., + G&A%

**PHASE 4**
Monetization of digital

Real Mature Stores Growth




Contribution Margin
(% of sales)

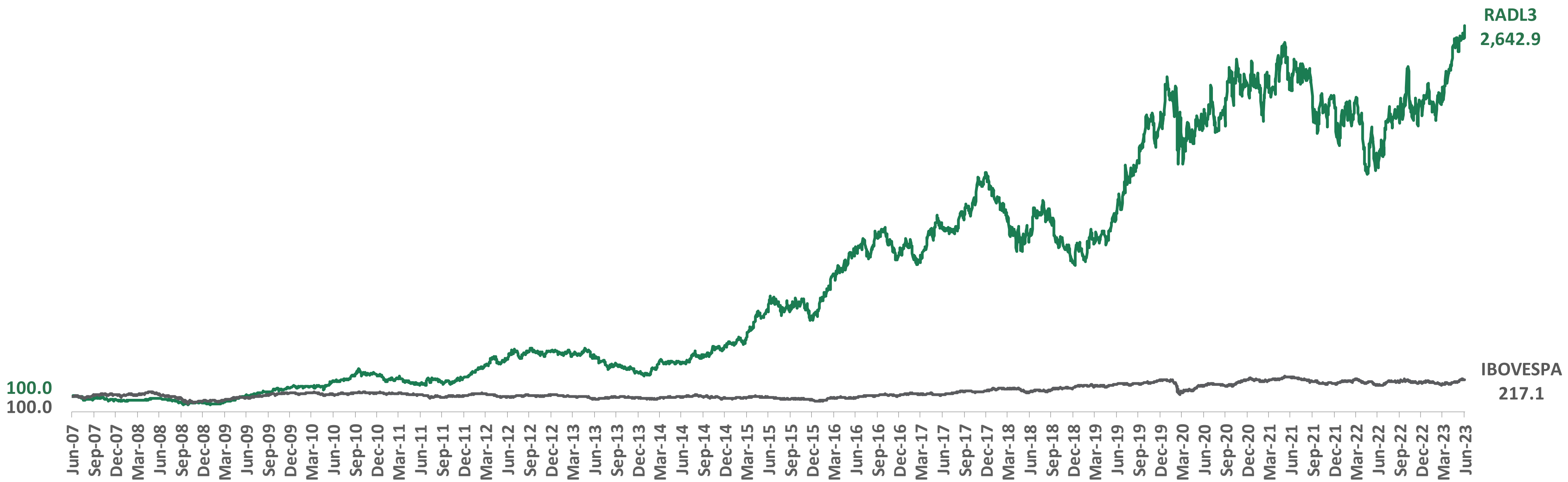



+ Contribution Margin%
- G&A%
+ EBITDA%

- Greater digitalization of the customer relationship;
- Sustained real growth at mature stores;
- Contribution margin expansion;
- Expected dilution of G&A expenses.

# Our share price increased by 24.8% in the year, 17.2 pp above the IBOVESPA, with an ADTV of R$ 160 MM.

## Stock price appreciation




### 2023 Performance

- RADL3: 24.8%
- IBOVESPA: 7.6%
- Alpha: +17.2%
- Average RADL3 Daily Liquidity: R$ 160 MM

### Average TSR

- 23.4% since the Drogasil IPO
- 21.1% since the Raia IPO
- 24.5% since the merger (31/Dec/11)

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# Highlights & Strategy

# Solid top-line growth and financial performance, with sustained 1H23 EBITDA margin. Structural real growth at mature stores offsetting non-structural gross margin pressure.

## Growth remains accelerated and decoupled from the market, with mature stores performing consistently above inflation

- Total growth of 18.1%, with 14.9% in Retail and 81.0% in 4Bio. Mature stores grew 7.6%, 2.0 pp above CMED 2023, despite a pressure of 2.2 pp from COVID tests due to the pandemic peak in 2Q22 and the calendar effect of 0.4 pp;
- Digital revenues accounted for 14.3% of total retail revenues, 92% via modern and proprietary channels, with 89% fulfilled within 2 hours;
- National market share reached 15.1%, an increase of 0.7 pp with gains in every market;
- We opened 64 new pharmacies in 2Q23 and 263 in the last 12 months, in line with the guidance for the year;
- Real IRR, net of cannibalization, consistently above 20%, despite expansion focus on smaller cities and on the Brazilian B and C classes;
- Focus on the Customer Experience, both in the Pharmacy and in Digital.

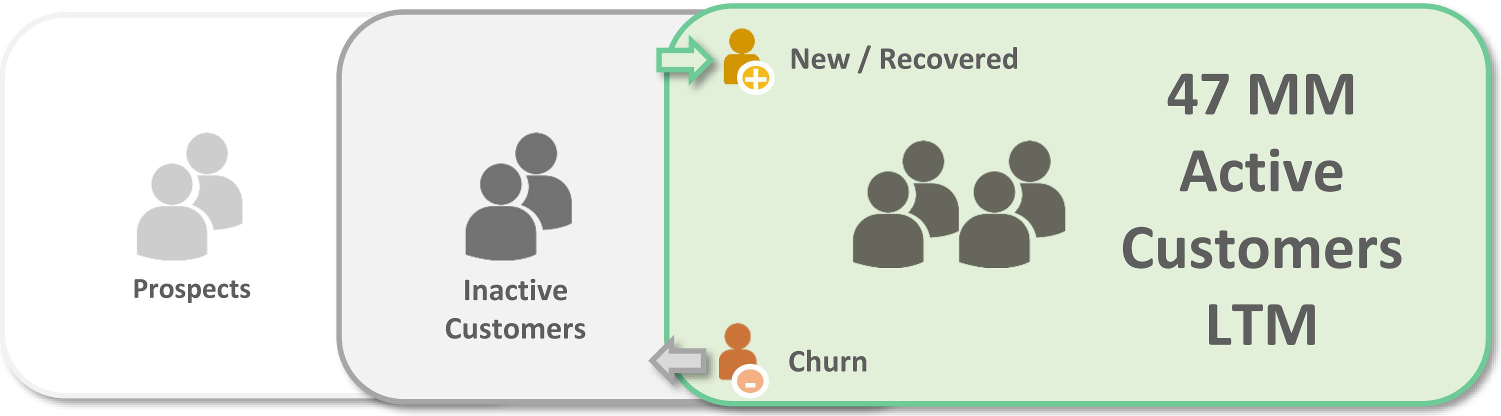
## Solid financial performance, with structural gains offsetting the non-structural CMED pressure

- EBITDA margin of 7.6% in the 1H23, stable versus the 1H22, with 7.9% in retail, an expansion of 0.2 pp;
- Non-structural gross margin pressure from the inflation slowdown (5.6% CMED increase vs. 10.9% in 2022) was fully offset in the 1H23 by structural operating leverage gains driven by sustained real growth at mature stores;
- Sequential G&A increase of 0.1 pp in the quarter due to an expense peak, but pointing to a dilution still in the 2H23;
- Seasonal cash cycle and financial leverage peaks due to the forward buying, expected to normalize in the coming quarters.

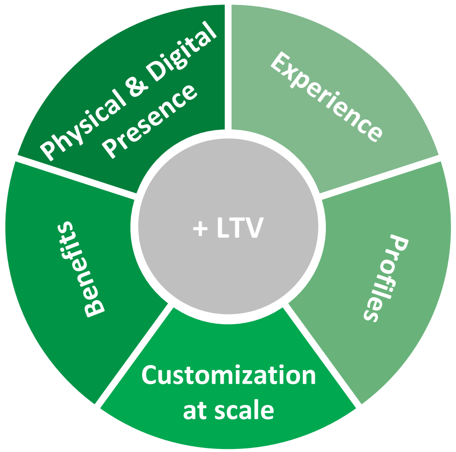
**Margin Expansion Perspective in the Coming Quarters**

# Our strategy is based on engaging our customers, understanding their behaviors and journeys, while providing a unique experience and standard of execution both in pharmacies and in digital.

## Customer base




## Engagement is the result of the entire customer journey




**Physical & Digital Presence**
- Capillarity, Proximity and Convenience
- Digitalization of the Customer Relationship

**Experience**
- Physical Environment and Services
- Category Management, Pricing, Formats
- Inventory Availability and Deliveries

**Profiles**
- Chronic, Childcare, Beauty, Healthy Life, etc.

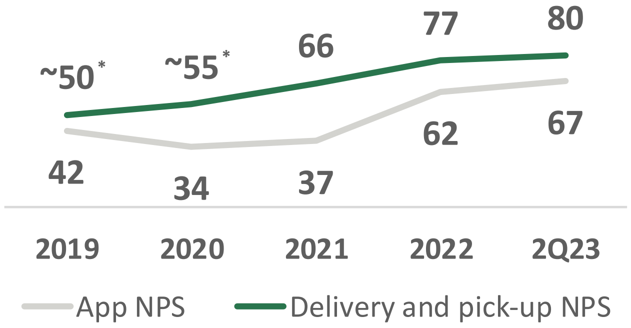
**Customization at Scale / Activation**
- Contact channels (off & on)
- Engagement Funnel (from prospection to loyalty)

**Benefits**
- Loyalty program
- Univers
- Stix
- PBMs
- Private Lab etc.el
- Pharma services
- Treatment Support
- “Farmácia Popular”
- Marketplace
- Health Platform
- and others...

## NPS - Net Promoter Score

### Pharmacy NPS


### App & Delivery/Pick-up NPS

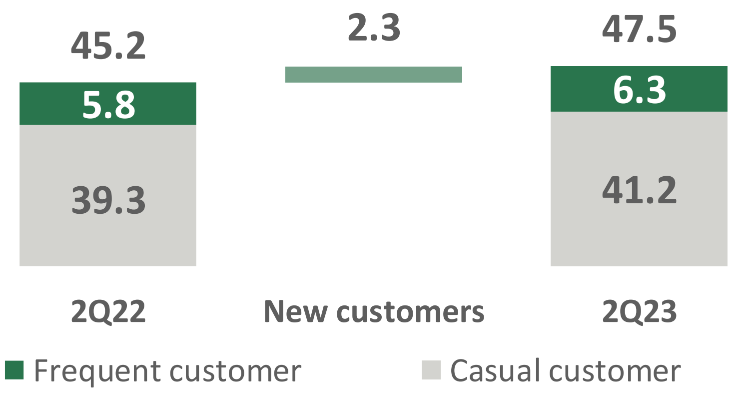



* Estimated 2019 and 2020 for delivery & pick-up NPS based on current methodology.

# Improving the customer experience allows us to acquire new ones, leverage the engagement and loyalty of existing ones, thus boosting their LTV.

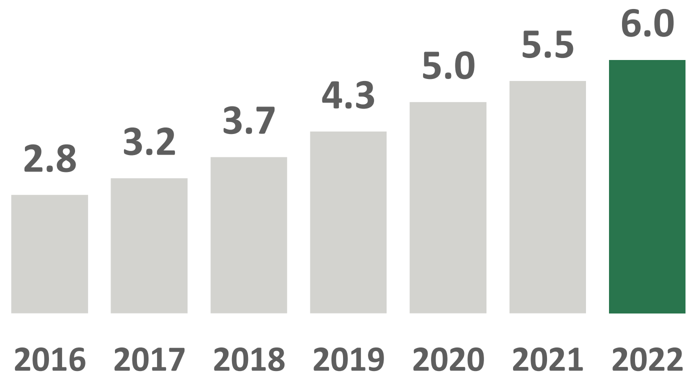
## Customers

Millions




## Frequent Customers Evolution (high spending)

Millions

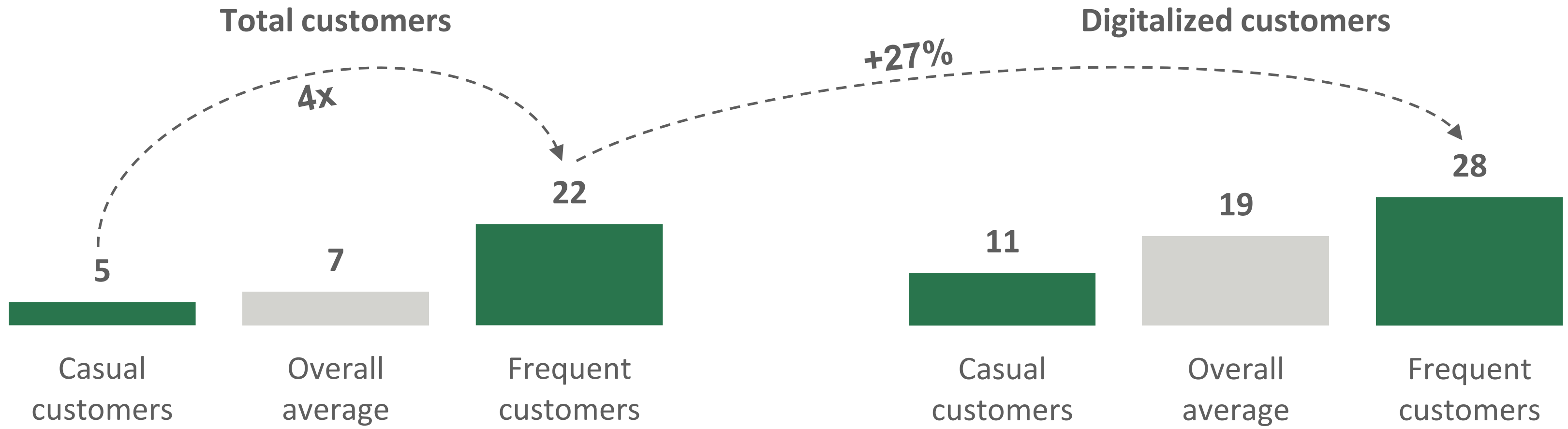



## Customer frequency

Purchases per year

**1.5 MM**

**frequent & digitalized customers**



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