

Earnings Presentation – 2015

February 19th, 2016



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- **Drugstores:** 1,235 stores in operation (156 openings and 15 closures)
- **Gross Revenues:** R\$ 9.4 billion, 21.1% of growth (12.5% retail same-store sales growth)
- **Gross Margin:** 29.0% of gross revenues, a 1.2 percentage point margin increase
- **EBITDA:** R\$ 743.5 million, a 7.9% margin, 0.9 percentage point margin expansion
- **Adjusted Net Income:** R\$ 391.1 million, a 4.2% margin and an increase of 43.6%
- **Cash Flow:** R\$ 110.4 million free cash flow, R\$ 19.9 million total cash consumption



On October 1st, 2015 we concluded the acquisition of 55% of 4Bio. 2014 and 2015 figures are reported combined in order to assure the historical comparability.



(R\$ million)	Raia Drogasil						4Bio							
	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Gross Revenues	2,093.1	7,658.9	2,052.4	2,281.2	2,388.2	2,517.4	9,239.2	35.2	125.3	38.2	41.9	48.7	56.8	185.6
Gross Profit	588.8	2,143.8	590.5	695.9	689.6	731.9	2,707.9	5.2	20.5	6.1	6.9	6.7	8.2	27.8
% of Gross Revenues	28.1%	28.0%	28.8%	30.5%	28.9%	29.1%	29.3%	14.8%	16.4%	16.0%	16.4%	13.7%	14.4%	15.0%
Operating Expenses	(430.0)	(1,604.0)	(438.1)	(478.7)	(508.4)	(545.8)	(1,971.0)	(4.4)	(15.8)	(4.6)	(5.1)	(5.3)	(6.2)	(21.2)
% of Gross Revenues	(20.5%)	(20.9%)	(21.3%)	(21.0%)	(21.3%)	(21.7%)	(21.3%)	(12.4%)	(12.6%)	(12.0%)	(12.3%)	(10.9%)	(10.9%)	(11.4%)
Sales Expenses	(382.3)	(1,409.1)	(386.9)	(416.2)	(448.4)	(486.3)	(1,737.7)	(3.1)	(11.5)	(3.3)	(3.8)	(4.0)	(4.4)	(15.4)
% of Gross Revenues	(18.3%)	(18.4%)	(18.8%)	(18.2%)	(18.8%)	(19.3%)	(18.8%)	(8.9%)	(9.1%)	(8.6%)	(9.0%)	(8.1%)	(7.7%)	(8.3%)
G&A	(47.7)	(194.9)	(51.2)	(62.5)	(60.0)	(59.5)	(233.2)	(1.2)	(4.4)	(1.3)	(1.4)	(1.4)	(1.8)	(5.9)
% of Gross Revenues	(2.3%)	(2.5%)	(2.5%)	(2.7%)	(2.5%)	(2.4%)	(2.5%)	(3.4%)	(3.5%)	(3.4%)	(3.3%)	(2.8%)	(3.3%)	(3.2%)
Adjusted EBITDA	158.8	539.8	152.4	217.2	181.3	186.2	737.0	0.9	4.7	1.5	1.7	1.4	2.0	6.6
% of Gross Revenues	7.6%	7.0%	7.4%	9.5%	7.6%	7.4%	8.0%	2.4%	3.7%	4.0%	4.1%	2.8%	3.4%	3.5%
Depreciation & Amortization	(51.6)	(187.6)	(53.5)	(55.6)	(57.7)	(60.0)	(226.8)	(0.1)	(0.2)	(0.1)	(0.0)	(0.1)	(0.1)	(0.2)
Financial Expenses/Income	(12.5)	(40.5)	(14.4)	(14.7)	(15.0)	(20.3)	(64.4)	(0.6)	(1.6)	(0.8)	(1.0)	(0.6)	(0.7)	(3.2)
Income Tax & Social Contribution	(19.4)	(41.3)	(3.4)	(28.0)	(13.5)	(11.7)	(56.7)	0.1	(0.8)	(0.3)	(0.2)	(0.2)	(0.4)	(1.1)
Adjusted Net Income	75.4	270.4	81.0	118.9	95.0	94.1	389.0	0.3	2.0	0.4	0.4	0.5	0.8	2.1
% of Gross Revenues	3.6%	3.5%	3.9%	5.2%	4.0%	3.7%	4.2%	0.8%	1.6%	1.1%	1.0%	0.9%	1.4%	1.1%

(R\$ million)	Combined						
	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Gross Revenues	2,128.3	7,784.2	2,090.6	2,323.1	2,436.9	2,574.2	9,424.8
Gross Profit	594.1	2,164.4	596.6	702.8	696.3	740.1	2,735.7
% of Gross Revenues	27.9%	27.8%	28.5%	30.3%	28.6%	28.7%	29.0%
Operating Expenses	(434.4)	(1,619.9)	(442.7)	(483.9)	(513.7)	(552.0)	(1,992.2)
% of Gross Revenues	(20.4%)	(20.8%)	(21.2%)	(20.8%)	(21.1%)	(21.4%)	(21.1%)
Sales Expenses	(385.5)	(1,420.6)	(390.2)	(420.0)	(452.4)	(490.6)	(1,753.1)
% of Gross Revenues	(18.1%)	(18.2%)	(18.7%)	(18.1%)	(18.6%)	(19.1%)	(18.6%)
G&A	(48.9)	(199.3)	(52.5)	(63.9)	(61.3)	(61.3)	(239.1)
% of Gross Revenues	(2.3%)	(2.6%)	(2.5%)	(2.8%)	(2.5%)	(2.4%)	(2.5%)
Adjusted EBITDA	159.7	544.5	153.9	218.9	182.6	188.1	743.5
% of Gross Revenues	7.5%	7.0%	7.4%	9.4%	7.5%	7.3%	7.9%
Depreciation & Amortization	(51.7)	(187.8)	(53.6)	(55.6)	(57.8)	(60.1)	(227.1)
Financial Expenses/Income	(13.0)	(42.2)	(15.2)	(15.7)	(15.6)	(21.1)	(67.6)
Income Tax & Social Contribution	(19.3)	(42.1)	(3.7)	(28.2)	(13.8)	(12.1)	(57.8)
Adjusted Net Income	75.7	272.4	81.5	119.3	95.5	94.9	391.1
% of Gross Revenues	3.6%	3.5%	3.9%	5.1%	3.9%	3.7%	4.2%

Another Year of Strong Growth with Value Creation.

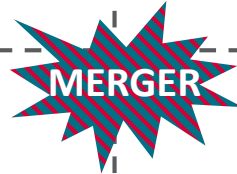


Combined Gross Revenues & Store Count

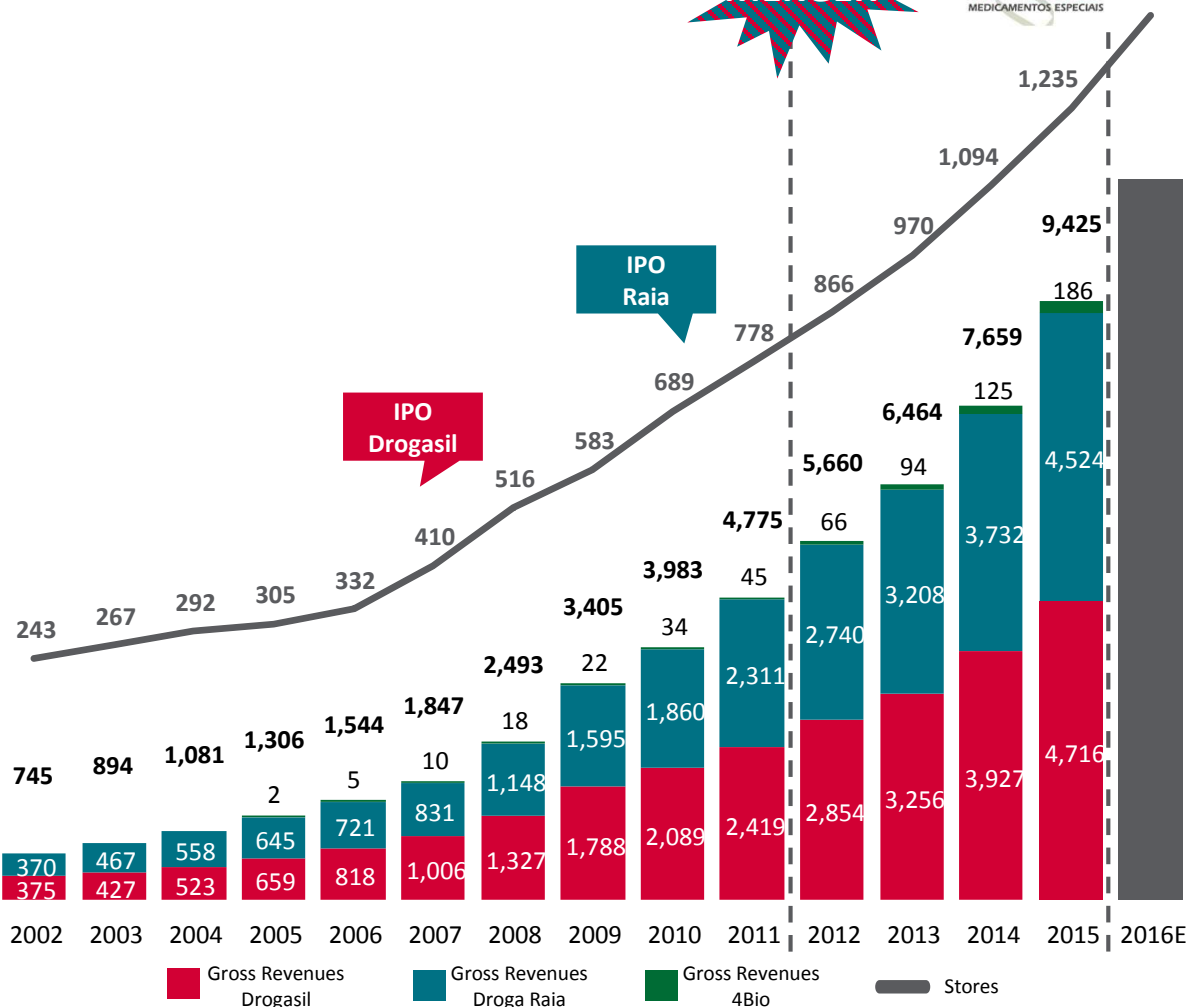
(R\$ million, Units)



RaiaDrogasil

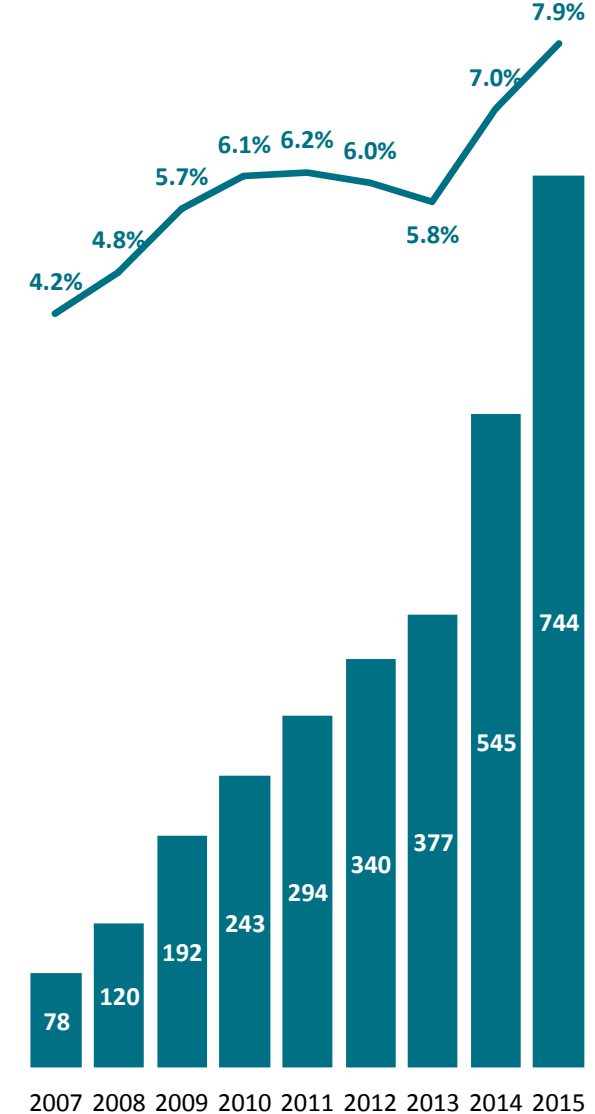


~1,400



Combined EBITDA

(R\$ million, % of Gross Revenues)



Since the creation of Raia Drogasil, store count increased by 58.7%, Gross Revenues by 97.4%, EBITDA by 153.1% and Net Income by 157.2%, with a ROIC expansion of 6.7 p.p.



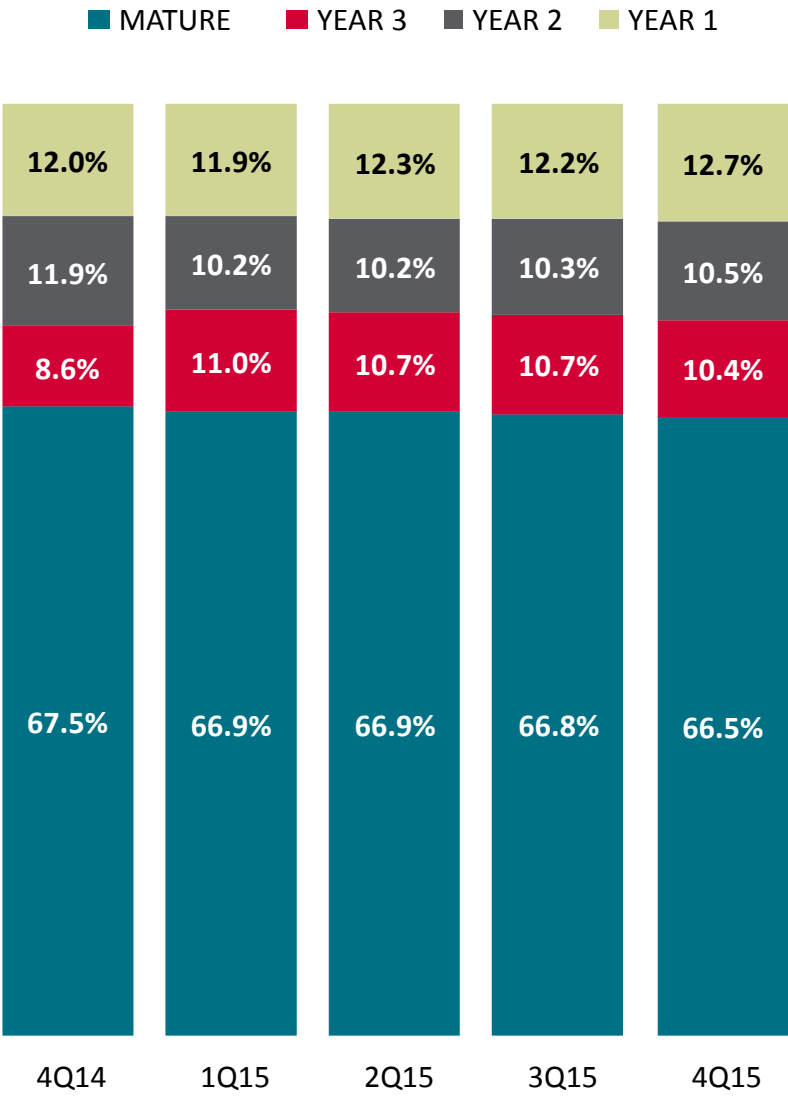
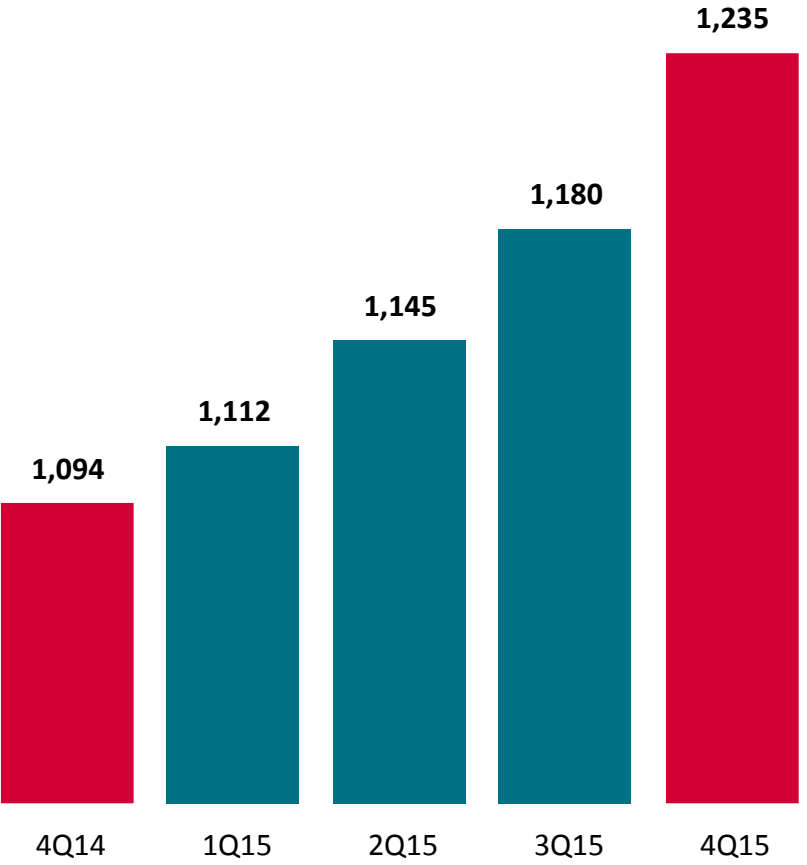
Combined Operational Highlights	2011	2015	Var. %
Store Count	778	1,235	58.7%
Sales Area (sqm)	109,095	176,969	62.2%
Geographic Presence	9 states 78% of the Brazilian Market	17 states 89% of the Brazilian Market	+8 states +11% of the Brazilian Market
Employees	17,244	26,520	53.8%
Combined Financial Highlights (R\$ MM)			
Gross Revenues	4,775	9,425	97.4%
Gross Profit (% of Gross Revenues)	1,241 26.0%	2,736 29.0%	+120.5% +3.0 p.p.
EBITDA (% of Gross Revenues)	294 6.2%	744 7.9%	153.1% +1.7 p.p.
Net Income (% of Gross Revenues)	152 3.2%	391 4.1%	157.2% +1.0 p.p.
ROIC	12.7%	19.4%	+6.7 p.p.
Market Cap (billion)	4.3	11.7	173.6%

We opened in 2015 a total of 156 stores and closed 15. In the 4Q15, we opened 62 stores and closed 7. At the end of the period, 33.5% of our stores were still maturing.



Store Count*

Age Structure of Store Portfolio



	4Q14	1Q15	2Q15	3Q15	4Q15
Opened	51	19	38	37	62
Closed	(5)	(1)	(5)	(2)	(7)

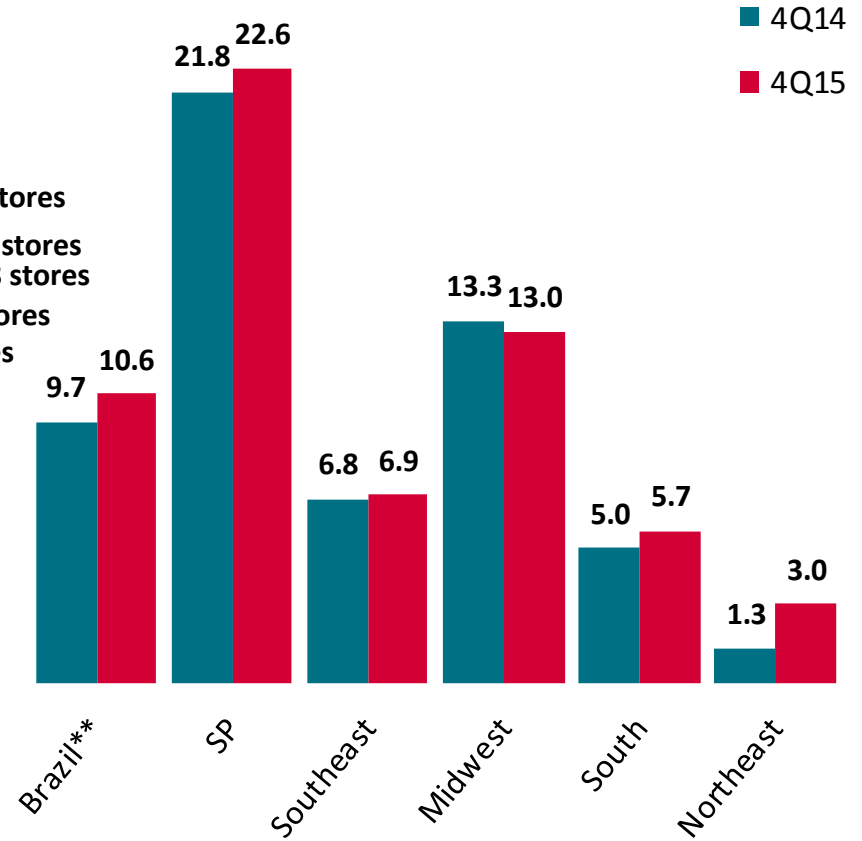
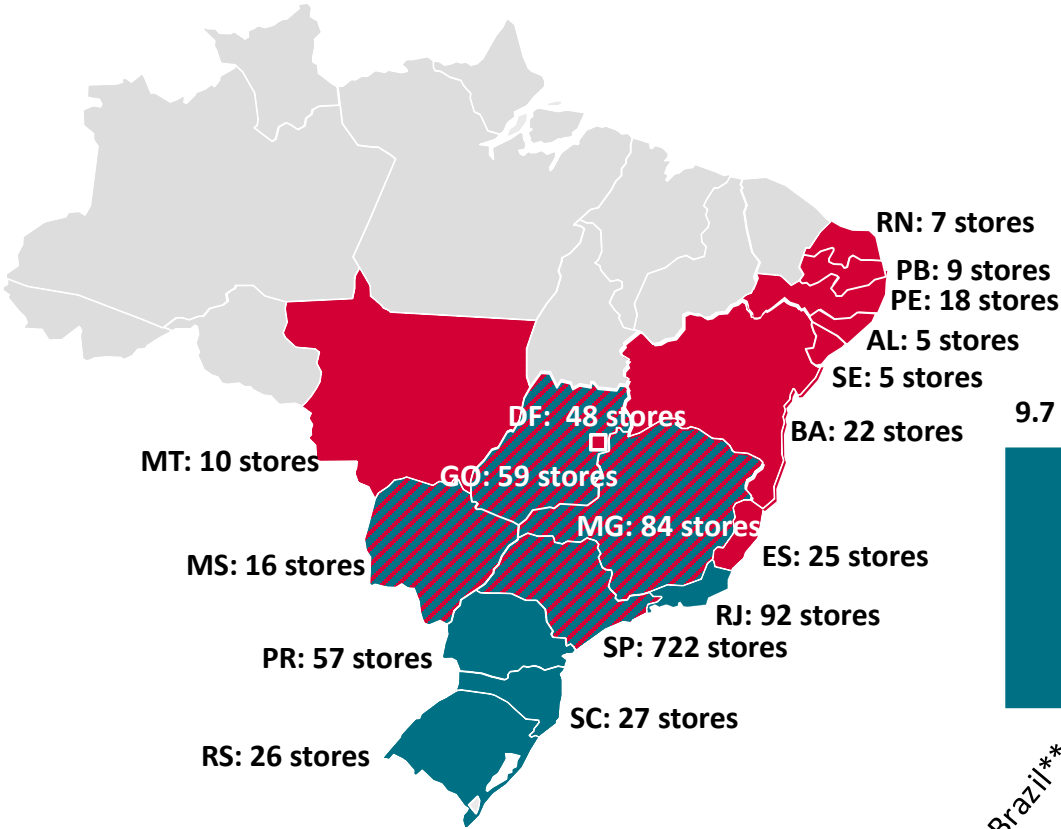
* Includes tree 4Bio stores



We have gained share in most of the regions, achieving 10.6% of comparable market share in Brazil, an increase of 0.9 percentage point compared to the previous year.

Geographic Presence - Retail

Combined Market Share***



Total: 1,232 stores

Raia: 594 stores

Drogasil*: 638 stores

PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (%)

Region	Brazil	SP	Southeast	Midwest	South	Northeast
Market Share (%)	100.0	26.5	24.3	8.8	16.6	18.9

Source: IMS Health

* Includes Farmasil stores

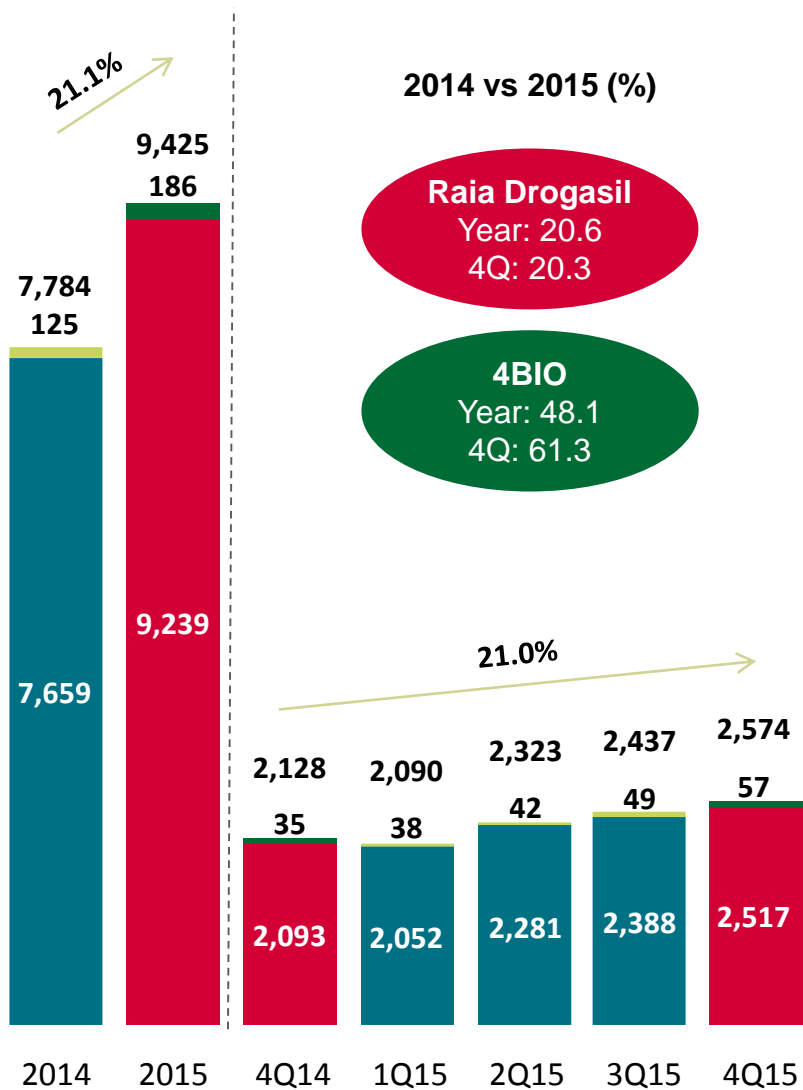
** Includes 4Bio only for Brazil

*** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 10.3%

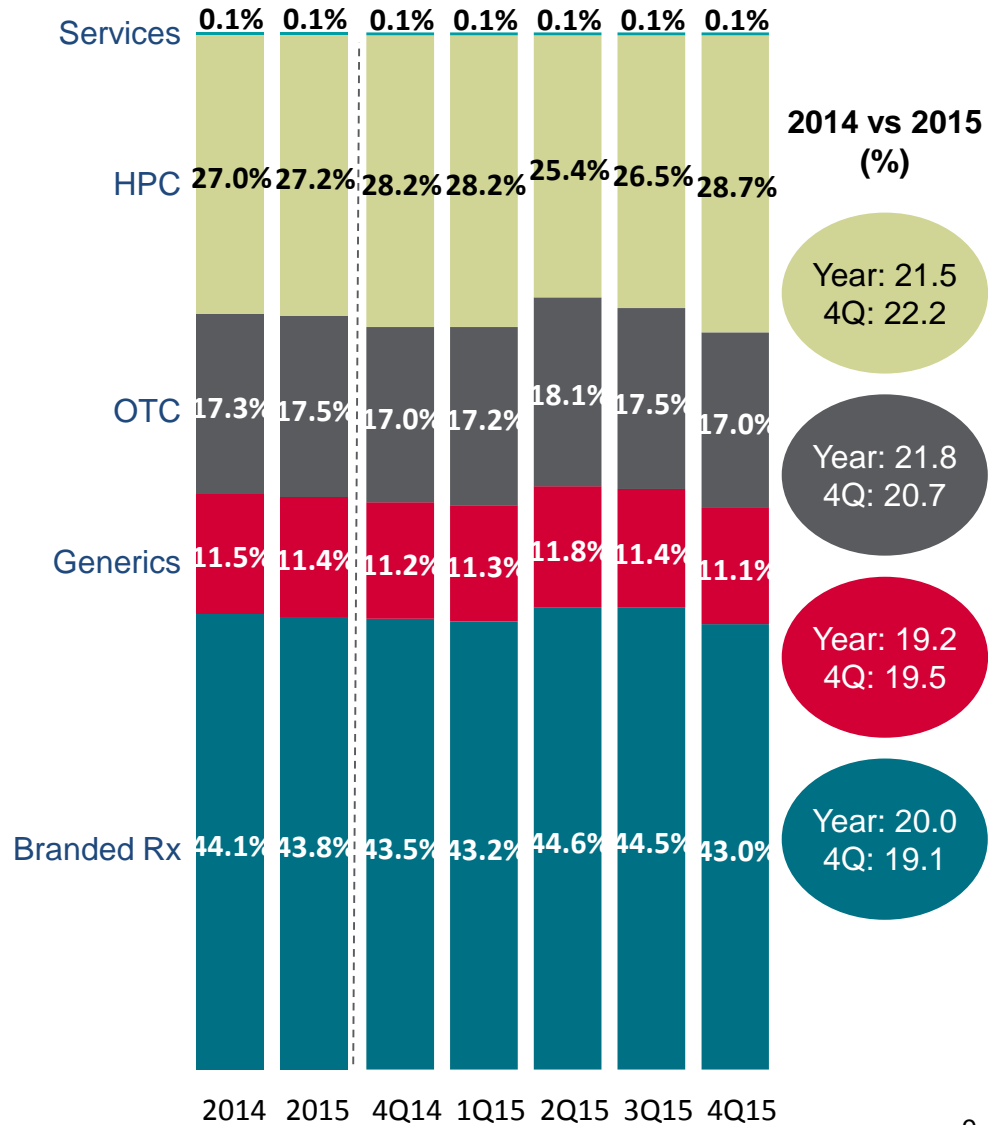
OTC was the highlight in 2015 (growth of 21.8%), while HPC was the highlight of the quarter (growth of 22.2%), boosted by insect repellents. 4Bio grew by 48.1% in 2015 and 61.3% in the quarter.



Combined Gross Revenues



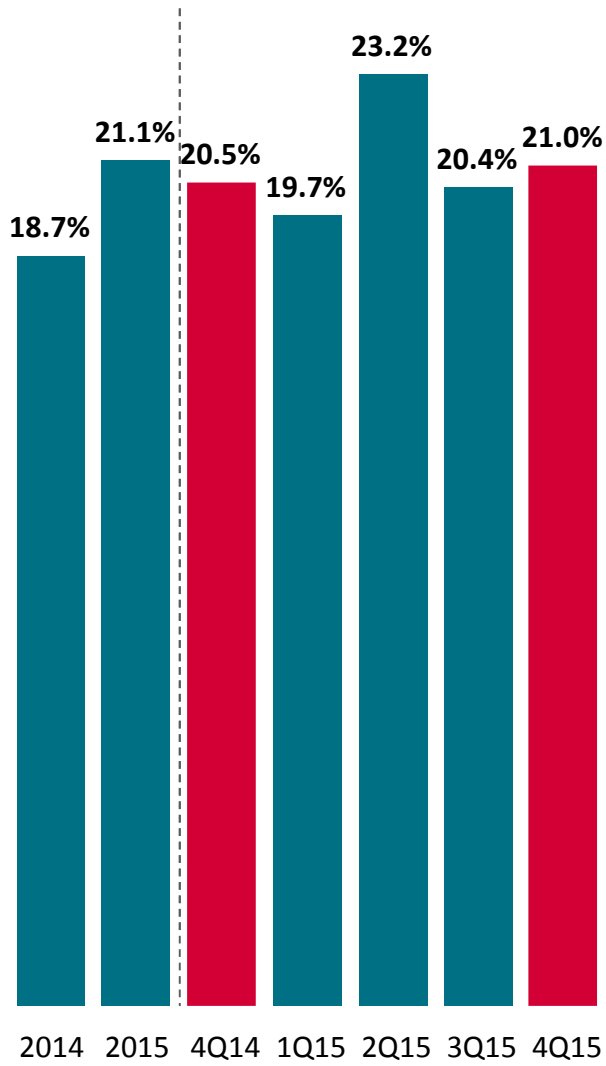
Retail Sales Mix



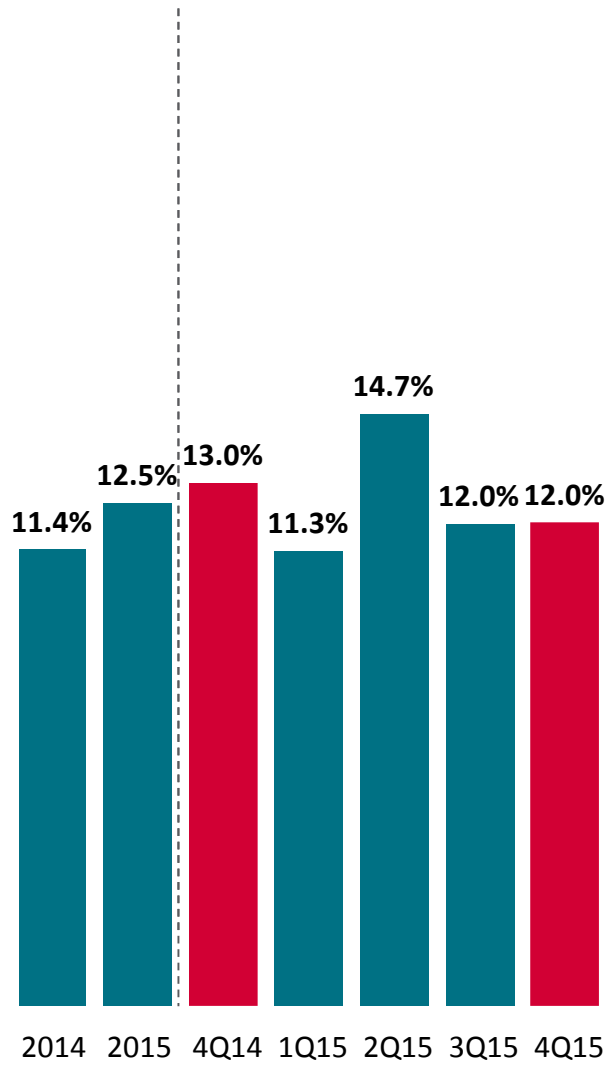
Our revenues grew by 21.1% in 2015, with 8.5% for mature stores. In the 4Q15, revenues increased by 21.0% with 8.3% for mature stores, including a negative calendar effect of 0,6%.



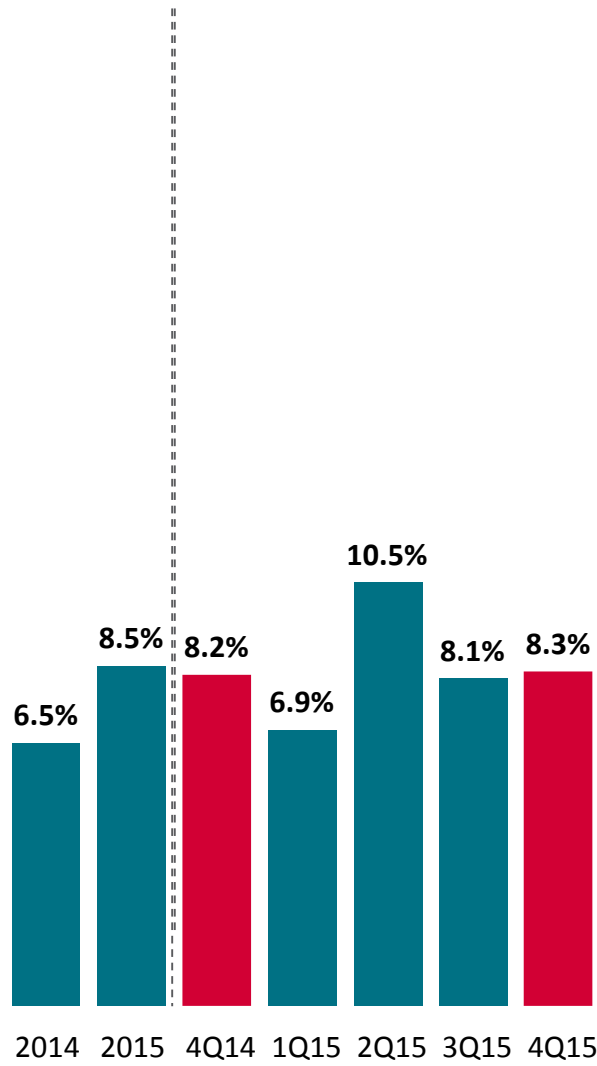
Combined Revenue Growth



Retail Same-Store Sales Growth



Retail Mature Stores Growth

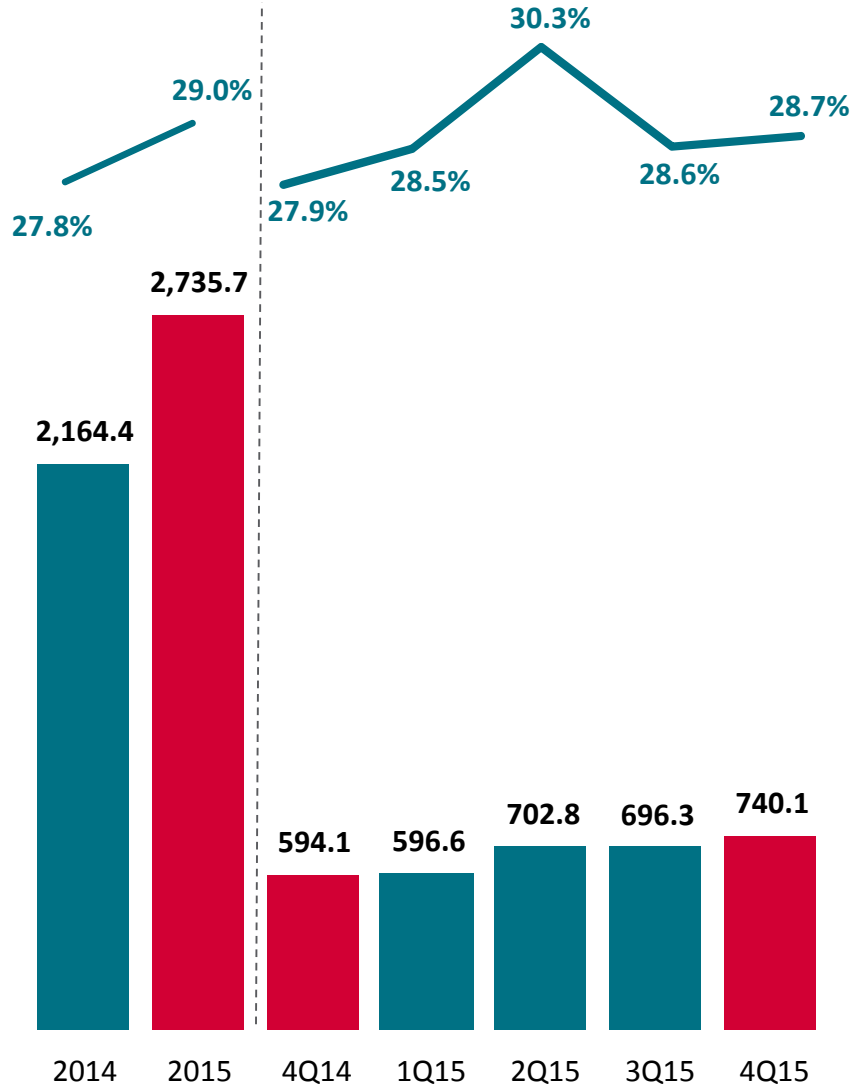




Gross margin increased +1.2 p.p. due to improvements in commercial terms, opportunistic purchases and inventory losses. Annual cash cycle reduction of 4.9 days (11 days since 2012).

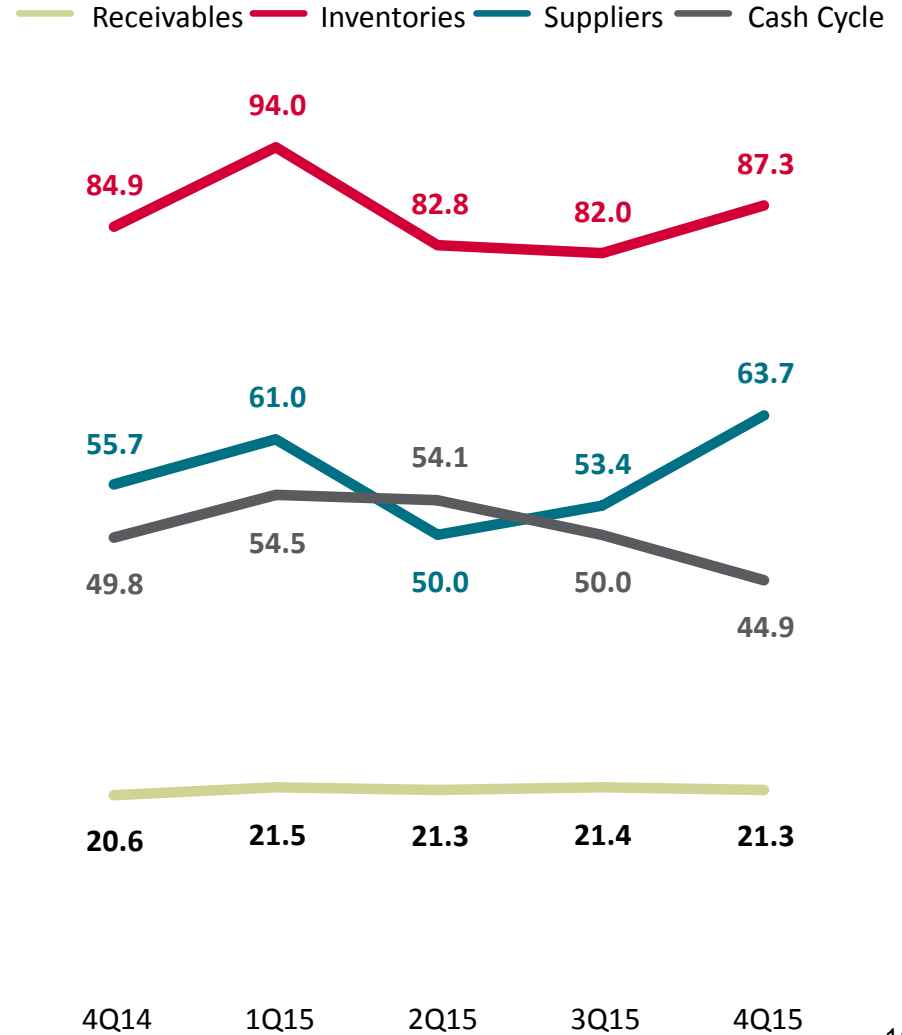
Gross Margin

(R\$ million, % of Gross Revenues)



Cash Cycle

(COGS Days, Gross Revenues Days)

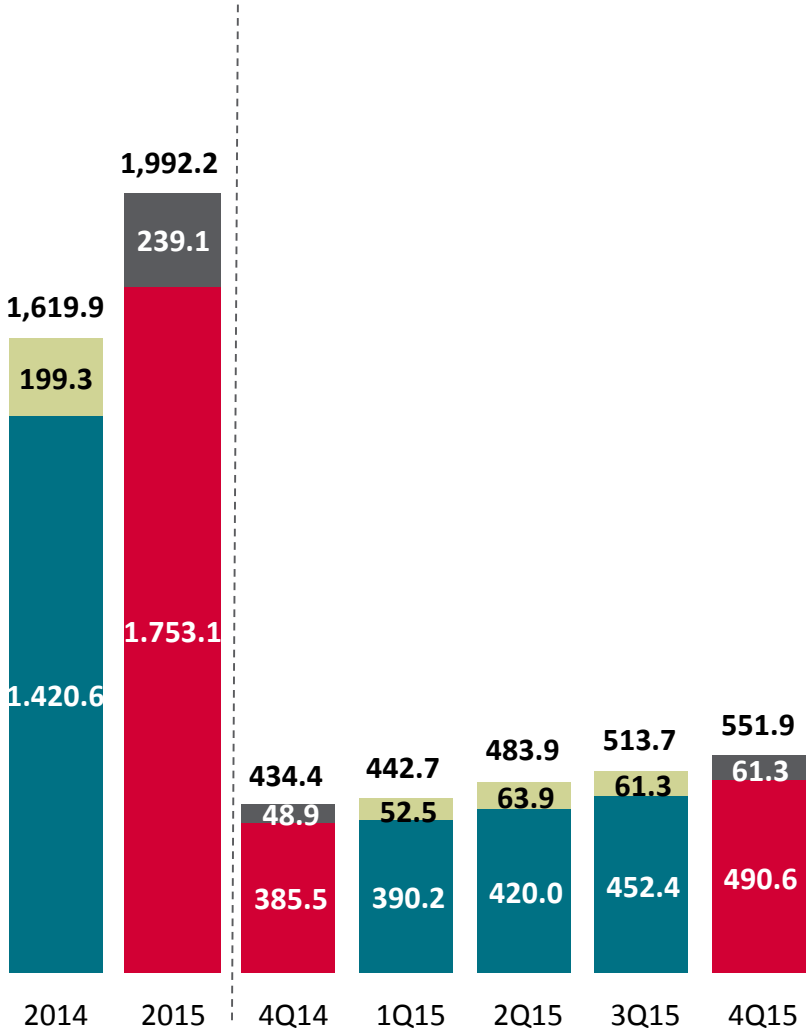




SG&A increased by 0.3 p.p. in 2015 and by 1.0 p.p. in the 4Q15 reflecting pressures from payroll (0.4 p.p.), from electricity (0.3 p.p.) and from the acceleration in store openings (0.3p.p.).

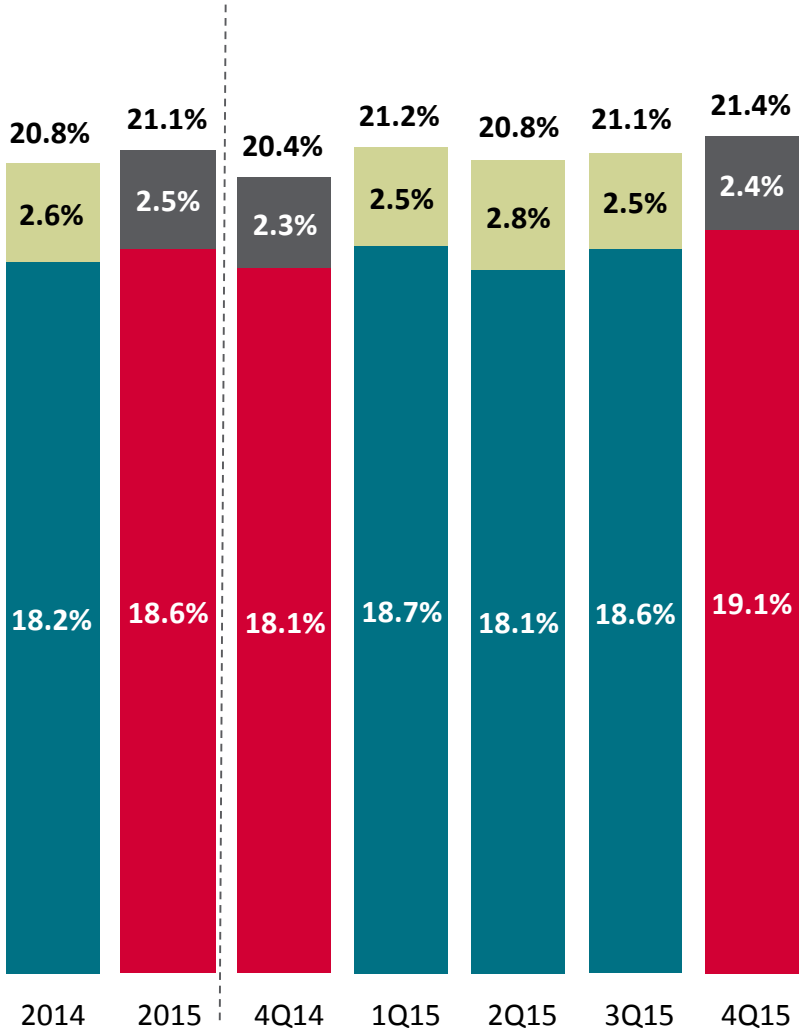
Operating Expenses

(R\$ million)



Operating Expenses

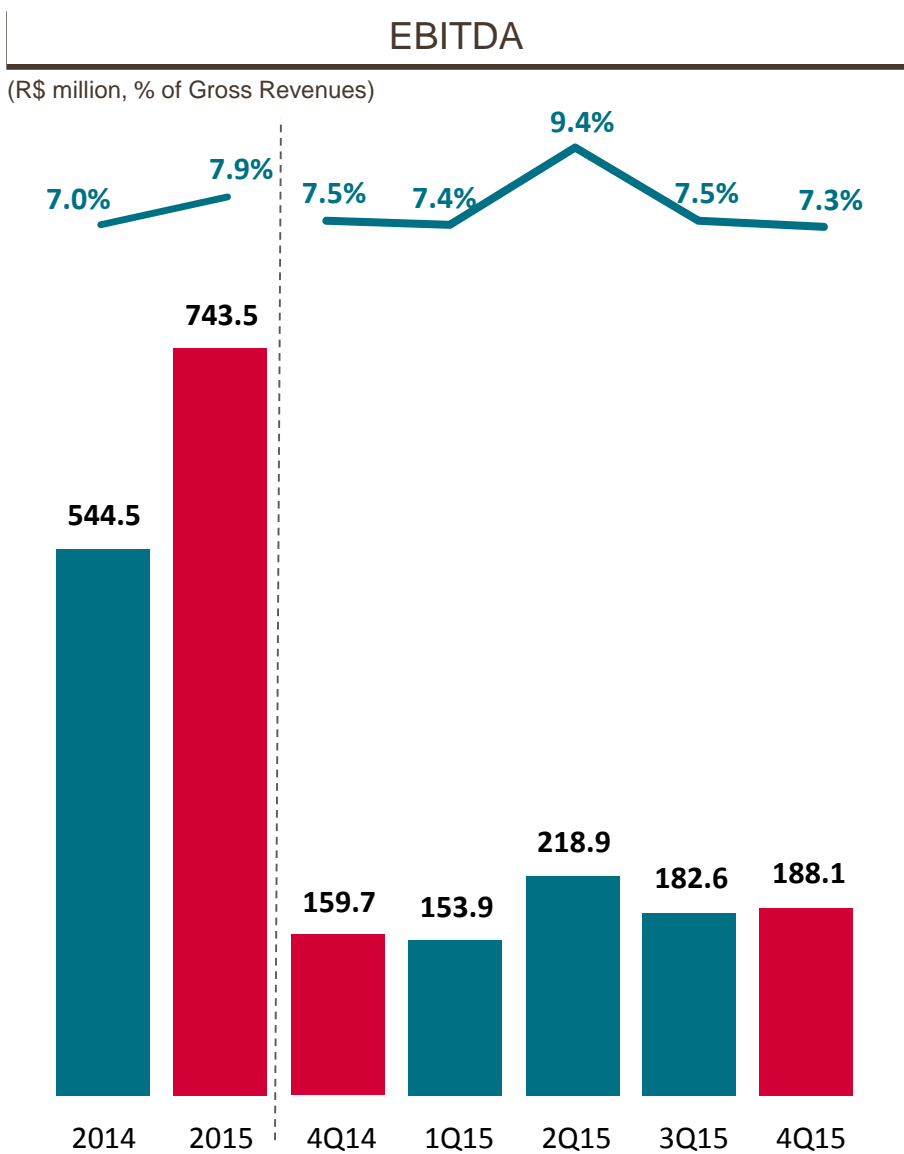
(% of Gross Revenues)



■ Sales Expenses ■ General & Administrative Expenses



The annual EBITDA totaled R\$ 743.5.2MM, with a margin of 7.9% (7.3% in the 4Q15). New stores penalized EBITDA by R\$ 40.0 MM. EBITDA margin of 8.0% for Raia Drogasil and of 3.5% for 4Bio.



1,079* stores operating since 2014:
(performance in 2015)

- R\$ 9.0 billion of Gross Revenues
- R\$ 783.5 million of EBITDA
- EBITDA margin of 8.3%

Raia Drogasil

- R\$ 737.0 million of EBITDA
- EBITDA margin of 8.0%
- EBIT margin of 5.5%

4Bio

- R\$ 6.6 million of EBITDA
- EBITDA margin of 3.5%
- EBIT margin of 3.4%

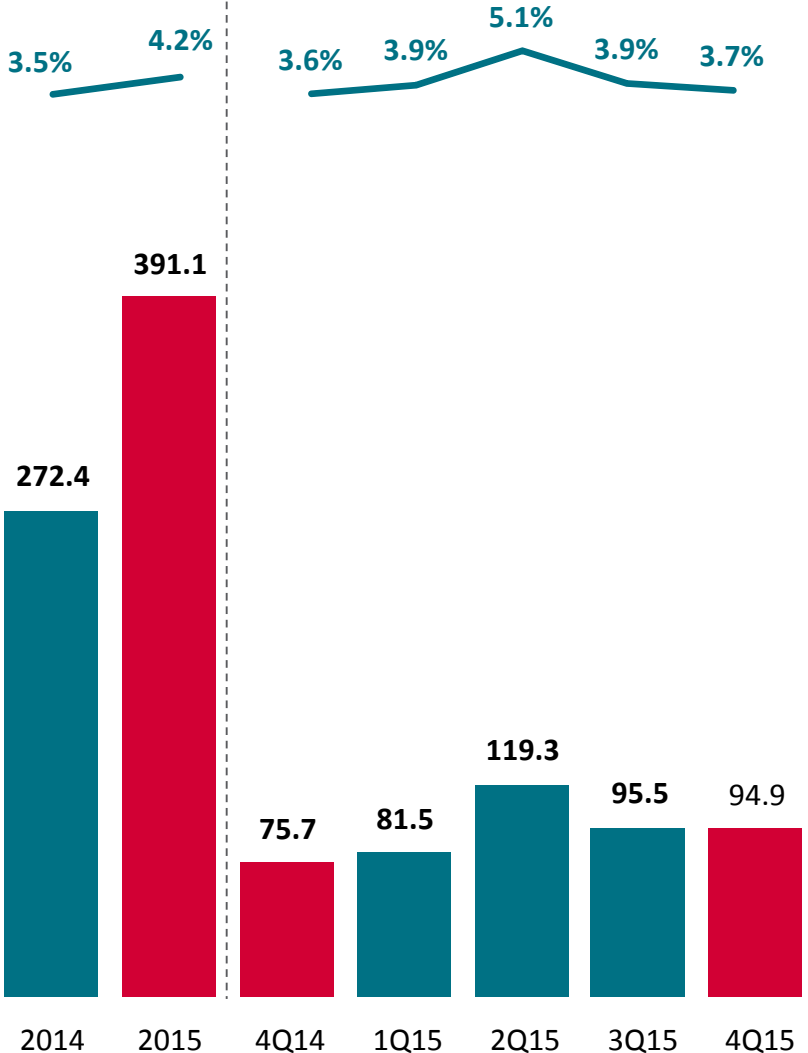
* 1,094 stores at year-end less 15 stores closed

We reached an adjusted net income of R\$ 391.1 MM in 2015, a growth of 43.6%. Reported net income grew 53.0% vs previous year. We had R\$ 8.8MM of non-recurring expenses in the 4Q15



Adjusted Net Income

(R\$ million, % of Gross Revenues)



Non-Recurring Expenses

(R\$ million)

	4Q15
Bad debtors' provision: third-party PBM	(5.8)
4Bio transaction and integration	(1.9)
Change in PBM Receivables Provisioning	(1.1)
Total	(8.8)

Positive Free Cash Flow (R\$ 110.4 MM) for the third consecutive year. Total Cash Flow was negative in R\$ 19,9 MM. Operating Cash Flow of R\$ 499.1 MM funded CAPEX of R\$ 388.7 MM.

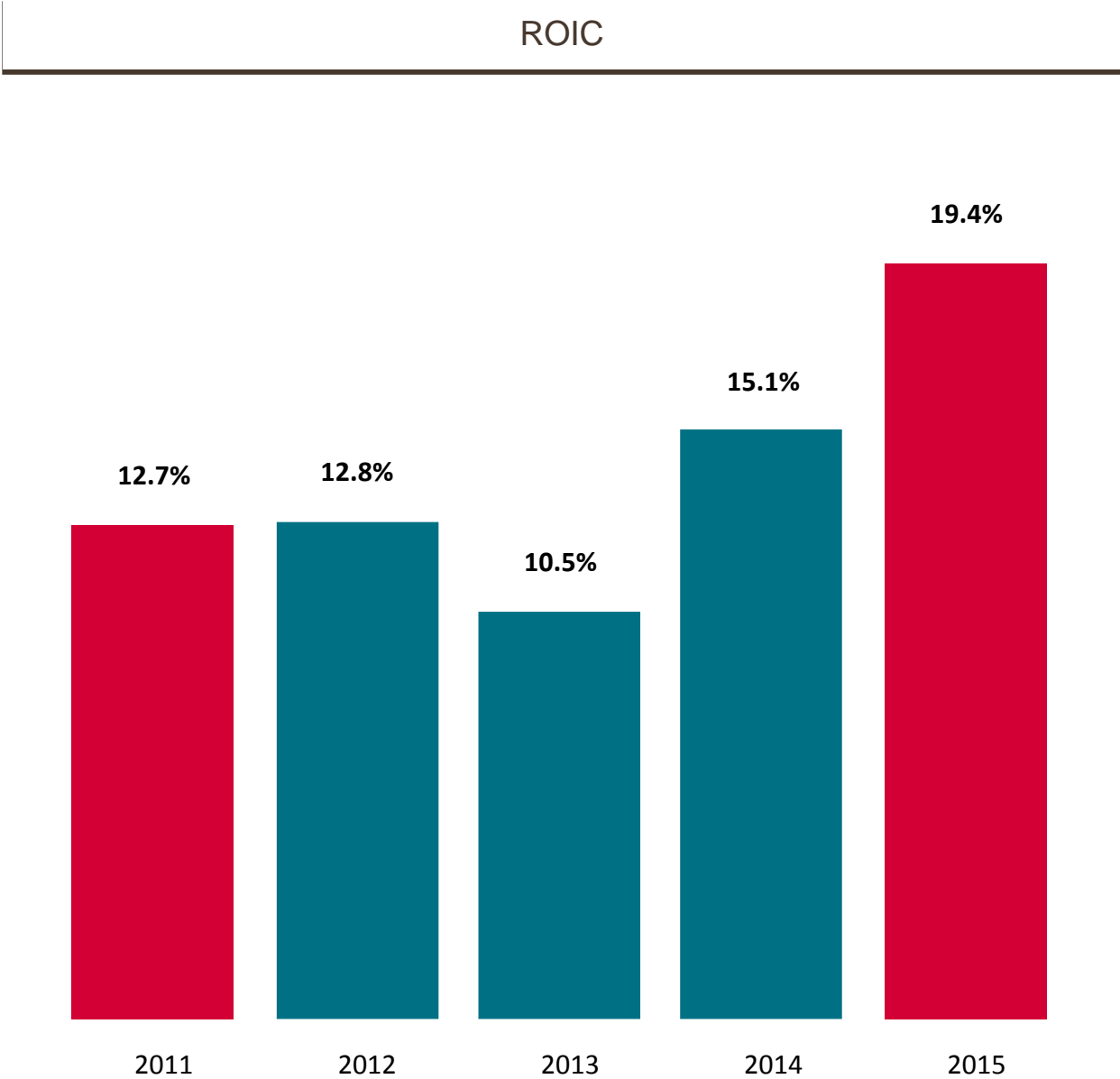


Cash Flow <i>(R\$ million)</i>	4Q15	4Q14	2015	2014
Adjusted EBIT	128.0	108.0	516.5	356.7
Non-Recurring Expenses	(8.8)	(3.9)	(10.0)	(9.5)
Income Tax (34%)	(40.5)	(35.4)	(172.2)	(118.1)
Tax Shield from Goodwill	10.7	10.7	42.8	42.8
Depreciation	60.1	51.7	227.1	187.8
Others	14.9	11.2	6.3	9.1
Resources from Operations	164.4	142.3	610.4	468.9
Cash Cycle*	54.4	80.1	(90.6)	(116.6)
Other Assets (Liabilities)	(38.8)	(35.5)	(20.7)	(4.8)
Operating Cash Flow	180.0	186.9	499.1	347.5
Investments	(144.3)	(83.7)	(388.7)	(271.2)
Free Cash Flow	35.6	103.2	110.4	76.4
Interest on Equity	(57.3)	(24.5)	(121.3)	(41.5)
Income Tax Paid over Interest on Equity	(11.5)	(6.5)	(25.3)	(10.6)
Net Financial Expenses	(21.1)	(13.0)	(67.6)	(42.2)
Share Buyback	-	-	-	(20.9)
Income Tax (Tax benefit over financial expenses and interest on equity)	21.8	12.4	83.9	39.7
Total Cash Flow	(32.5)	71.6	(19.9)	0.9

* Cash cycle includes variation in accounts receivables, inventories and suppliers

** Does not include financing cash flow

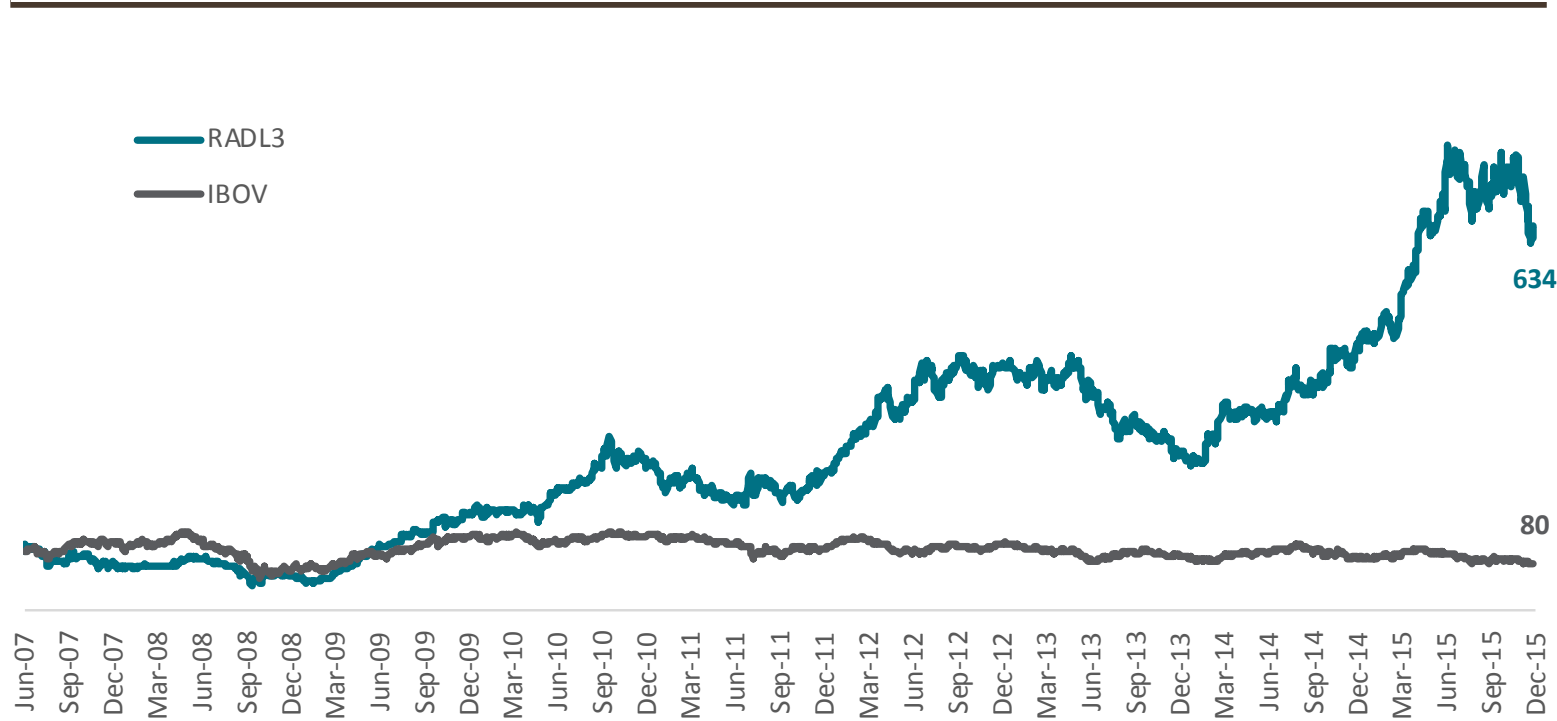
ROIC increased by 4.3 percentage point versus 2015, reflecting a higher margin and an increased capital efficiency.



We generated a Total Shareholder Return of 41.4% with average annual returns of 24.8% for Drogasil IPO investors and of 27.9% for the Raia IPO investors.



Share Appreciation



Performance 2015

RADL3: 40.0%
BOVESPA: (13.3%)
Alpha: 53.3%
Average Trading Volume RADL3: R\$ 58.1 MM



What We Accomplished in 2015

■ Accelerated Organic Growth

- 156 New Stores, more than 200 contracts signed in 2015
- Highly selective on locations, returns-driven decisions
- Great initial performance of new stores

■ Improved Execution

- Boosted all Operating Metrics (Net Promoter Score, Stock-outs, Employee Turnover, Inventory Losses)
- Improved supply chain management: **Reduced cash cycle + Reduced Stock-outs**
- Enhanced Category Management execution – initial learnings from Dunnhumby
- Revamped HR execution after area restructuring in 2014 and launched new programs to support accelerated growth
- Complementary Healthcare Assets: **Stores + 4 Bio + Univers**

■ Boosted Shareholder Returns

- Significant margin expansion – reached 7.9% of combined EBITDA margin
- Increased ROIC from 15.1% to 19.4% in 2015
- Delivered a Total Shareholder Return of 41,8% in 2015
- Joined the IBOVESPA and IBRX-50 due to increased liquidity



Challenges and Opportunities for 2016

▪ **Implement our Strategic Plan**

- Accelerate Organic Growth
- Develop New Formats
- Enhance Category Management and Shopping Experience
- Engage, Analyze and Potentialize Customers

▪ **Leverage Free Cash Flow Generation and Capital Structure**

- Financial discipline: IRR-Based Decision-Making, Regular Assessment, Enhance Capital Allocation Culture
- Tight Expense Control, Working Capital Management and Indirect Investments (not related to expansion)
- Leverage opportunities: aggressive forward buying, focus on markets with higher IRR and weakened competitors

▪ **Enhance Productivity**

- Mitigate inflationary pressures and growth pains
- Leverage Proprietary IT Platforms to expedite service: **Customer Satisfaction + Productivity**
- Roll out new staffing algorithm and standardize career program and staffing practices across Raia and Drogasil



IR Highlights for 2016

- **ADR Level 1**

- Approved by the Board, preparing the launch
- Greater visibility by the Capital Markets
- Access to a broader pool of investors
- Expected Timing for Implementation: March to April, 2016

- **2016 Earnings Releases**

- **1Q:** April 28th, 2016
- **2Q:** July 28th, 2016
- **3Q:** October 27th, 2016

- **Scheduled Investor Conferences**

- March 16th and 17th : **IX Annual Brazil Conference**, Bank of America Merrill Lynch (São Paulo)
- April 5th and 6th : **3rd Brazil Investment Forum**, Bradesco (São Paulo)
- May 18th and 19th: **11th Annual Latam CEO Conference**, Itaú BBA (New York)