



EARNINGS PRESENTATION

4Q19

RD Gente,
Saúde e
Bem-estar.
RaiaDrogasil S.A.



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Annual consolidated highlights

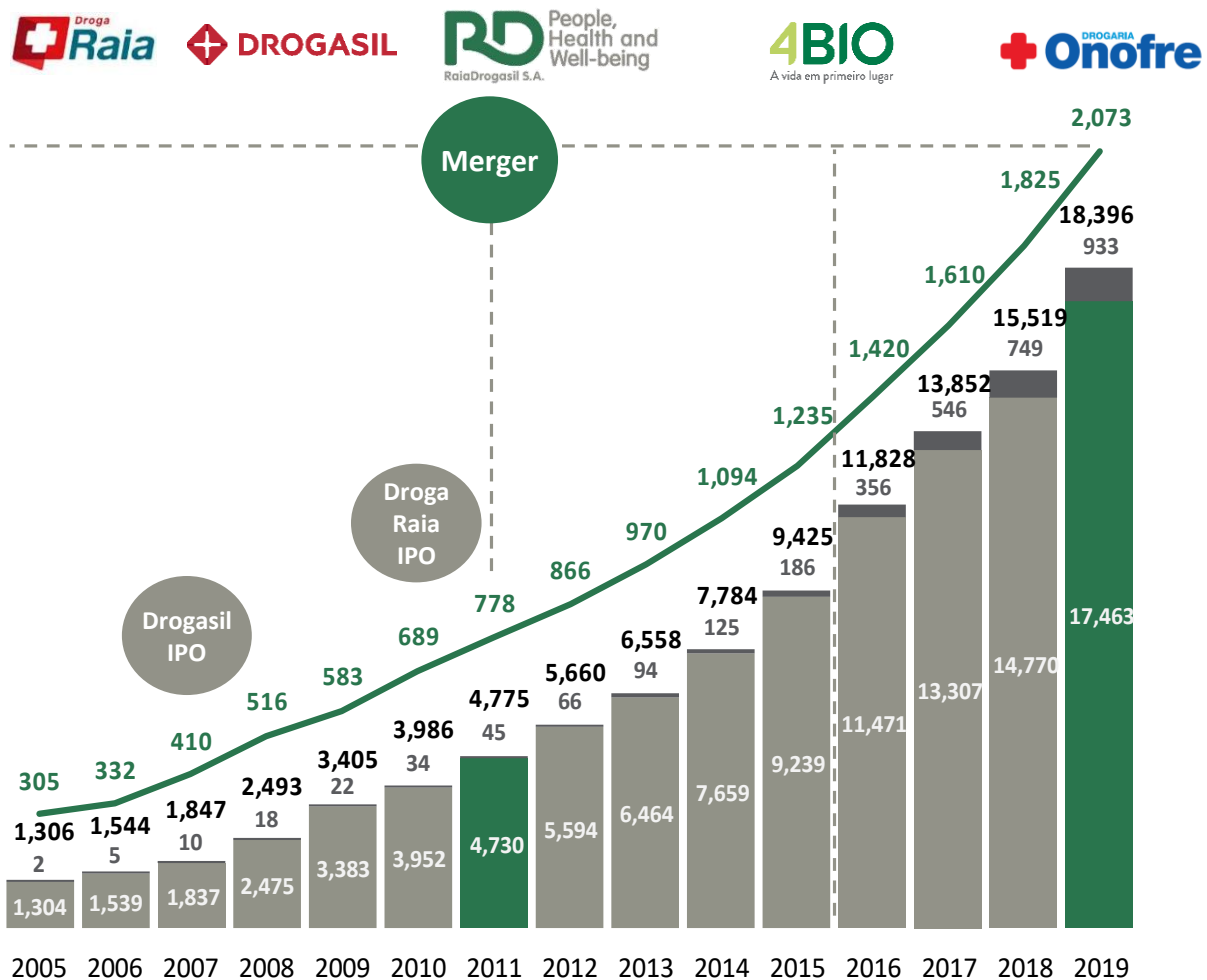
- › **DRUGSTORES:** 2,073 stores in operation (240 organic openings, 42 Onofre and 34 closures)
- › **MARKET SHARE:** 1.3 percentage point national increase, with a 2.4 gain in São Paulo
- › **GROSS REVENUE:** R\$ 18.4 billion, 18.5% growth (9.2% retail same-store sales growth)
- › **GROSS MARGIN:** 28.2% of gross revenue, a 0.4 percentage point decrease
- › **EBITDA:** R\$ 1,343.6 million, a margin of 7.3% and an increase of 12.4%
- › **NET INCOME:** R\$ 587.3 million, 3.2% of net margin, an increase of 7.0%
- › **CASH FLOW:** R\$ 1.5 million positive free cash flow, R\$ 188.4 million of cash consumption



We reached 2,000 stores and R\$ 18.4 billion in revenues.

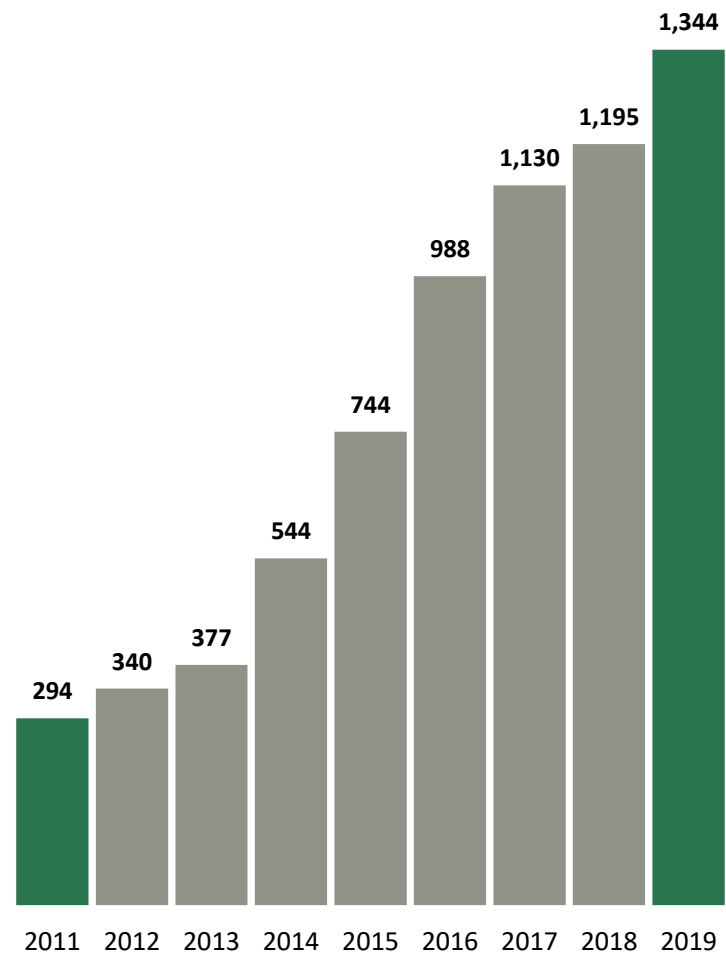
Combined Gross Revenues & Store Count

R\$ million, Stores



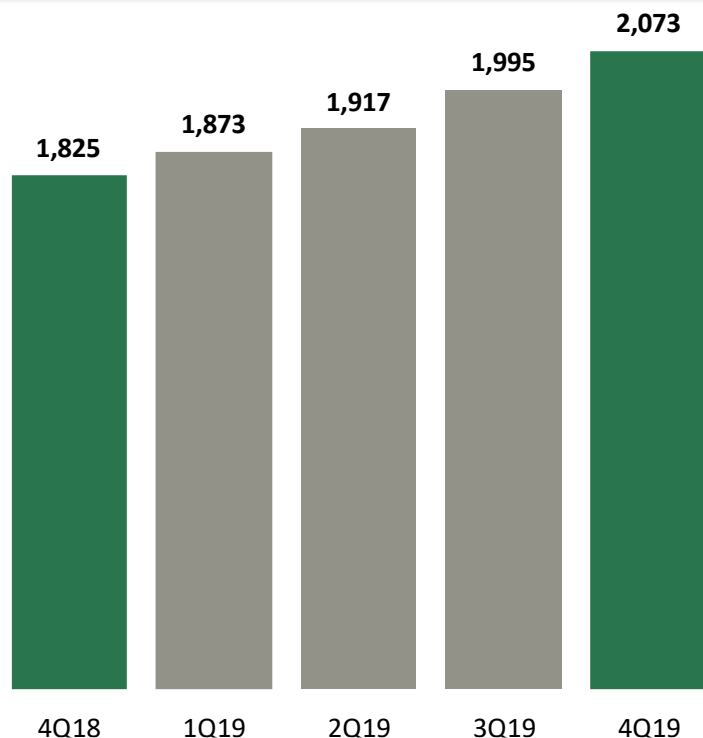
Adjusted EBITDA

R\$ million



We opened 240 stores and added 42 from Onofre. Guidance of 240 new stores for 2020.

Store Count*



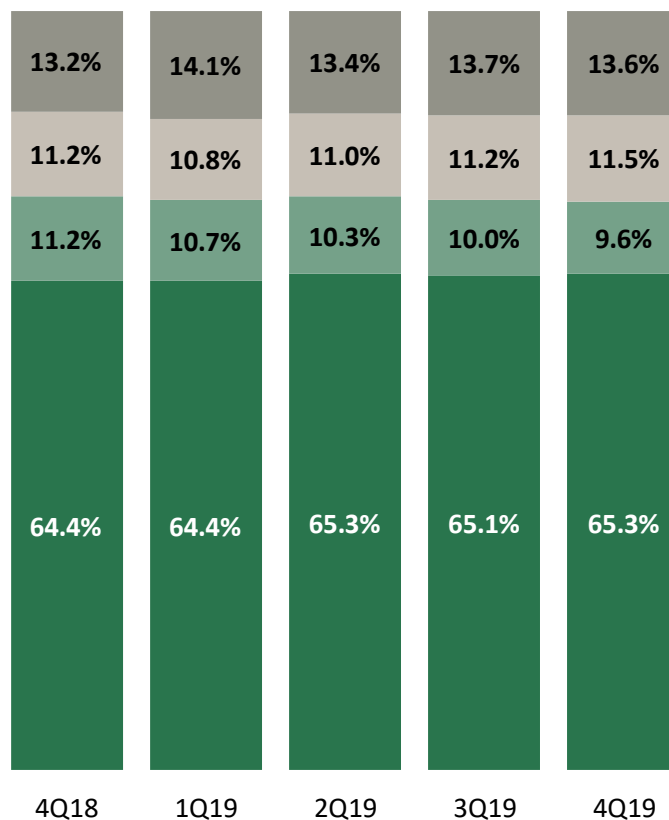
	4Q18	1Q19	2Q19	3Q19	4Q19
Openings	70	62	47	52	79
Onofre				42	
Closures	(13)	(14)	(3)	(16)	(1)

*Includes three 4Bio units.

**Stores acquired from Onofre were added to our base as Year 1.

Age Structure of Store Portfolio**

■ MATURE ■ YEAR 3 ■ YEAR 2 ■ YEAR 1



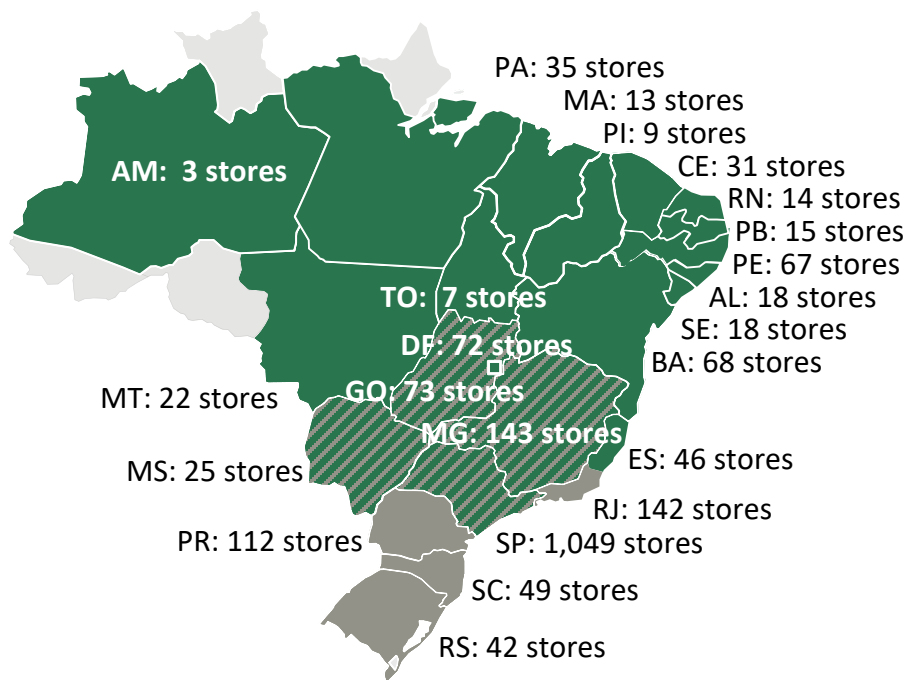
Guidance 2020:

240 New Stores
while maintaining the
current
geographical and
customer segment
diversification



Our national market share reached 13.7%, a 1.3 p.p. increase with gains in every region.

Geographic Presence



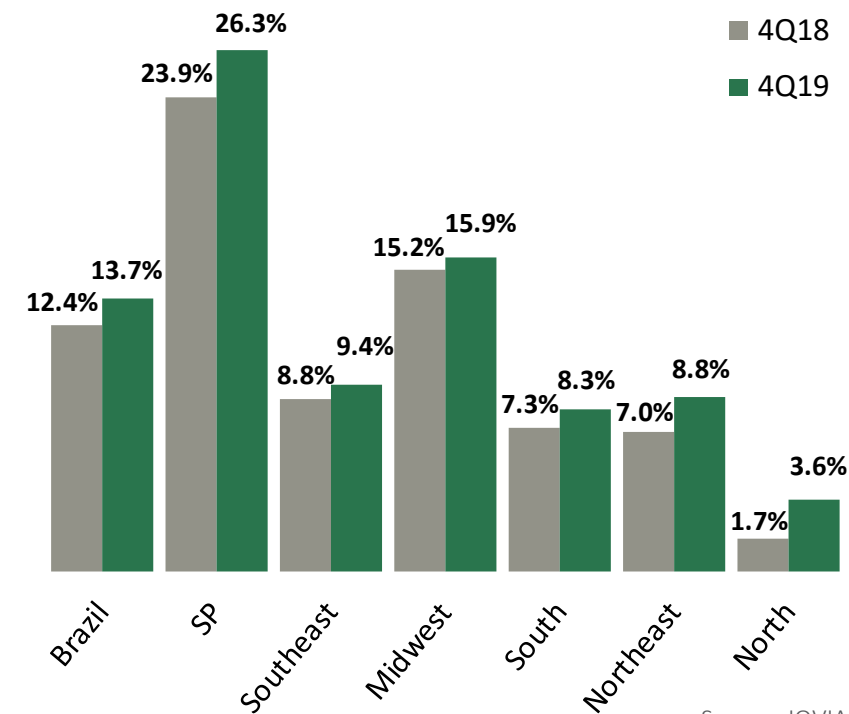
Total: 2,073 stores

■ Raia: 913 stores

■ Drogasil: 1,157 stores

* 4Bio: 3 stores

Retail Market Share



Source: IQVIA.

LTM Openings	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
São Paulo	82	75	79	76	73	76	67	65	76
Other States	128	137	141	154	167	182	176	166	164
Onofre								42	42
Total	210	212	220	230	240	258	243	273	282

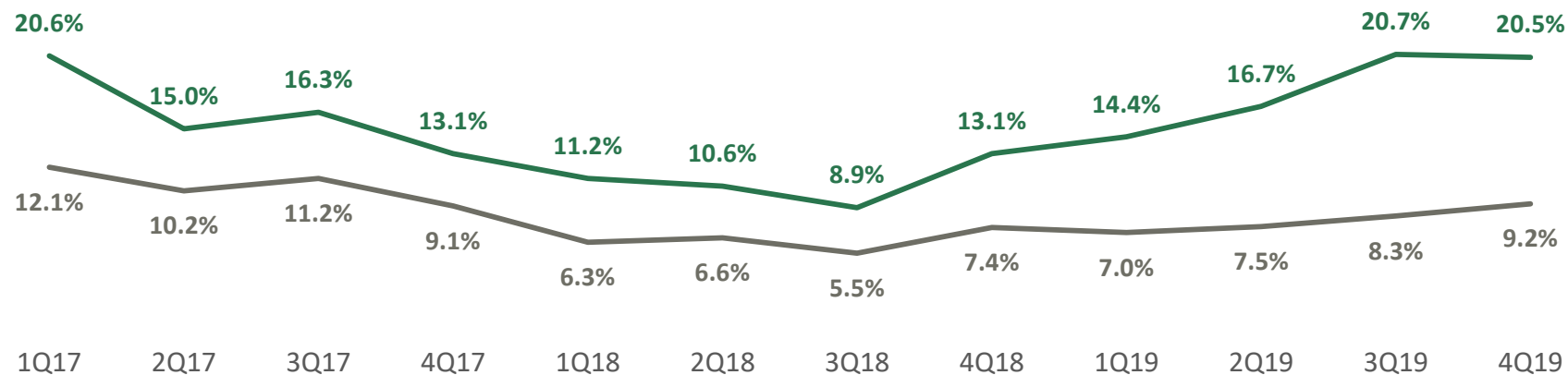
São Paulo %* 39.0% 35.4% 35.9% 33.0% 30.4% 29.5% 27.6% 28.1% 31.7%

*Disconsiders Onofre



Increased revenue growth and store opening gap versus the rest of ABRAFARMA.

Retail Gross Revenues – Nominal Growth Y/Y (%)

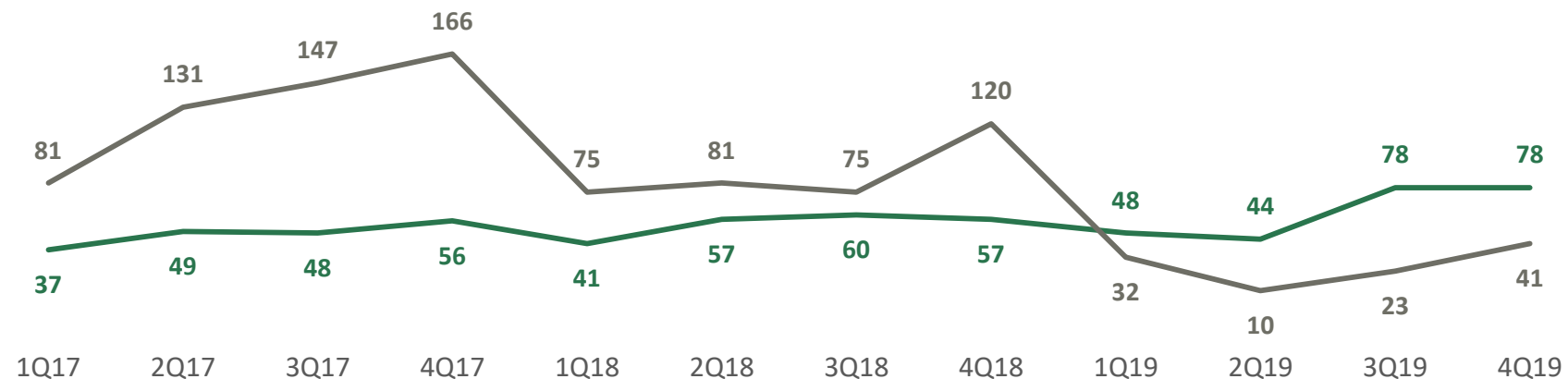


2019 Average

18.1%

8.0%

Net Store Addition



2019 Total

248

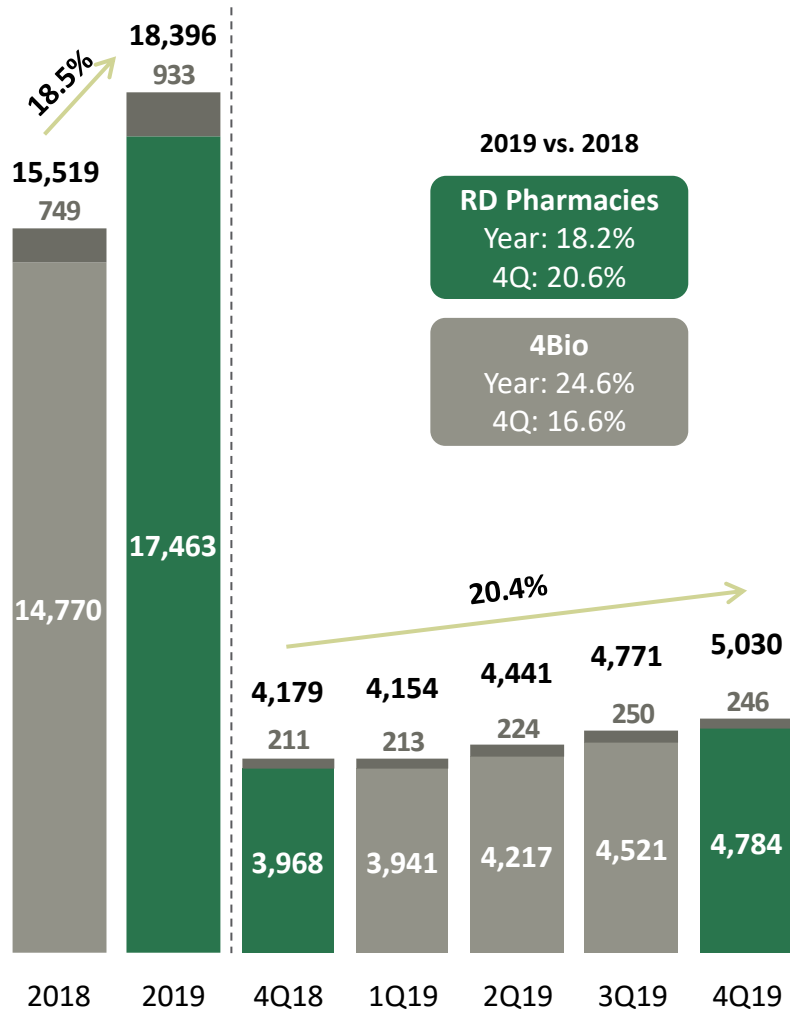
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— RD — Abrafarma (ex-RD)*

*Note: Data adjusted to exclude the effect of players entering/leaving the database.

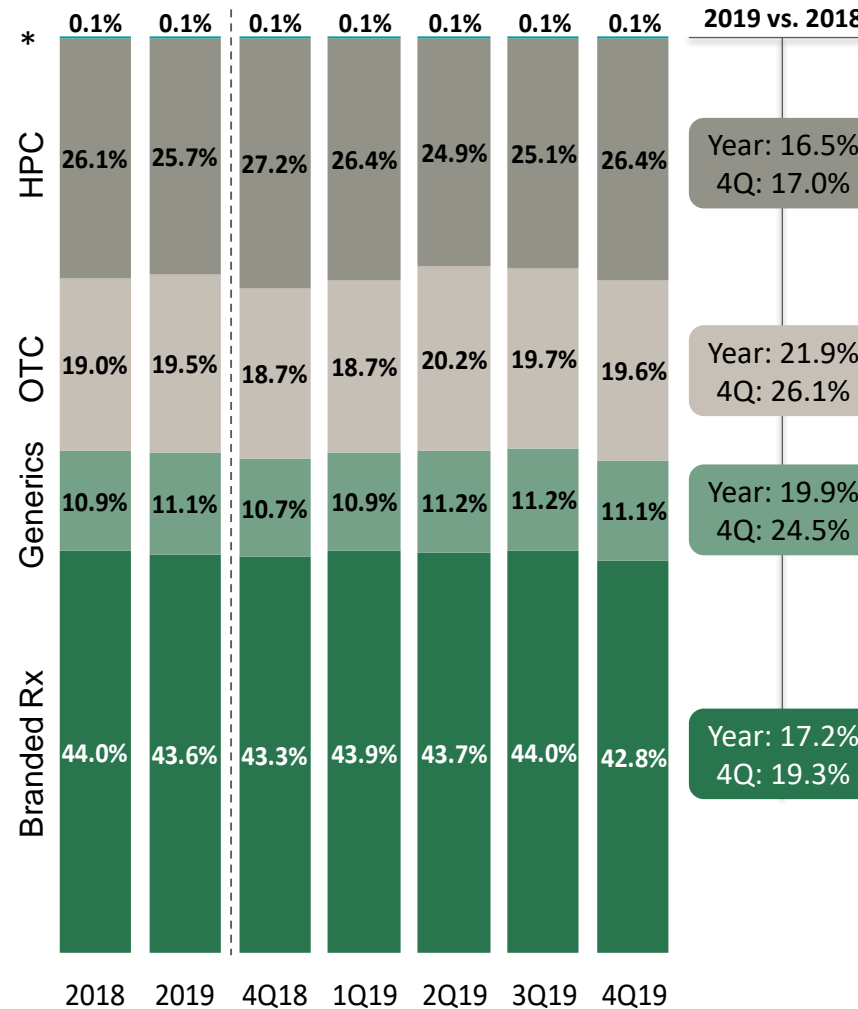
Retail revenues grew 18.2% driven by OTC and Generics.

Consolidated Gross Revenue



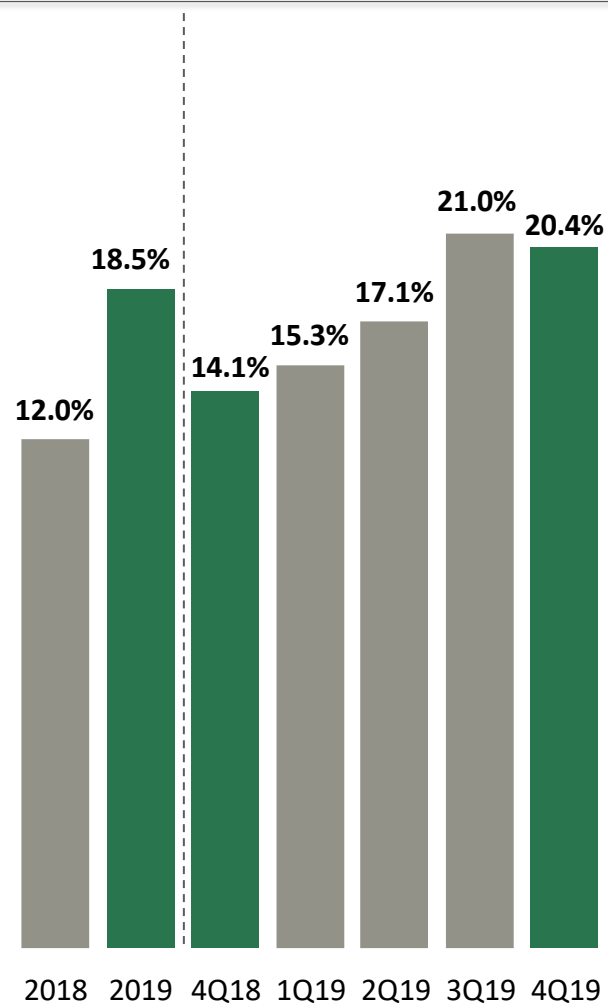
* Services

Retail Sales Mix

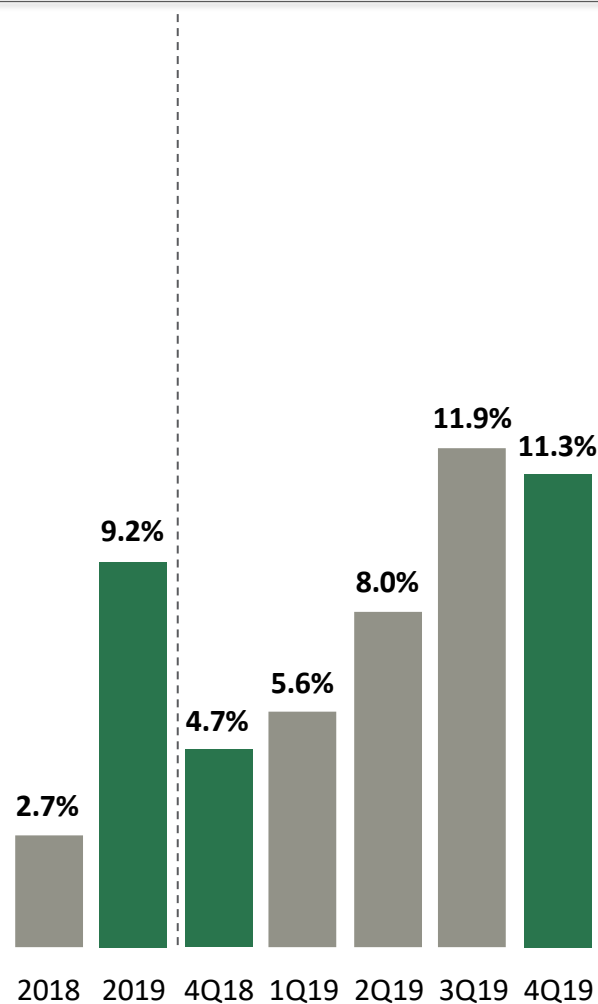


Mature stores grew 5.2%, with 7.3% in the 4Q19, beating inflation by 0.9 p.p and 3.0 p.p., respectively.

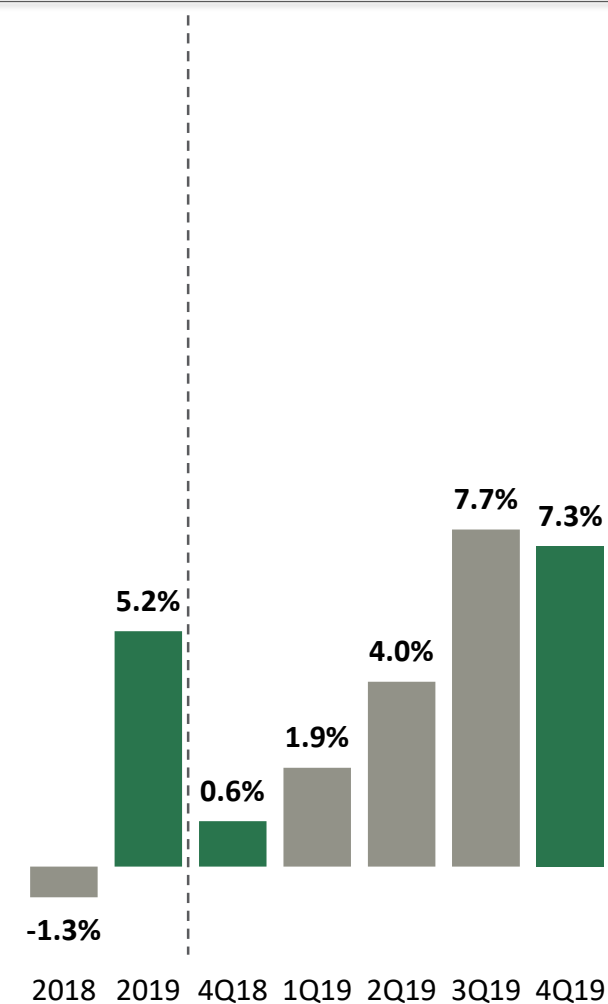
Consolidated Revenue Growth



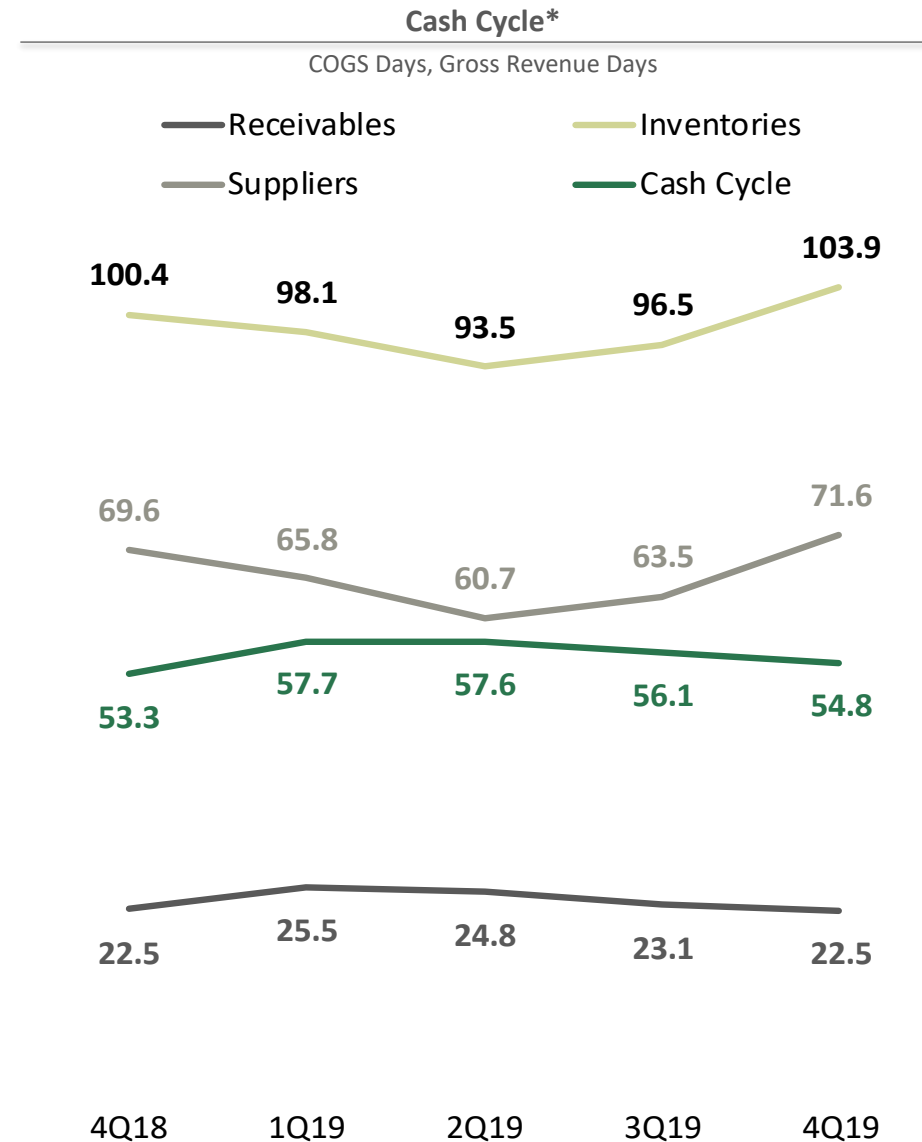
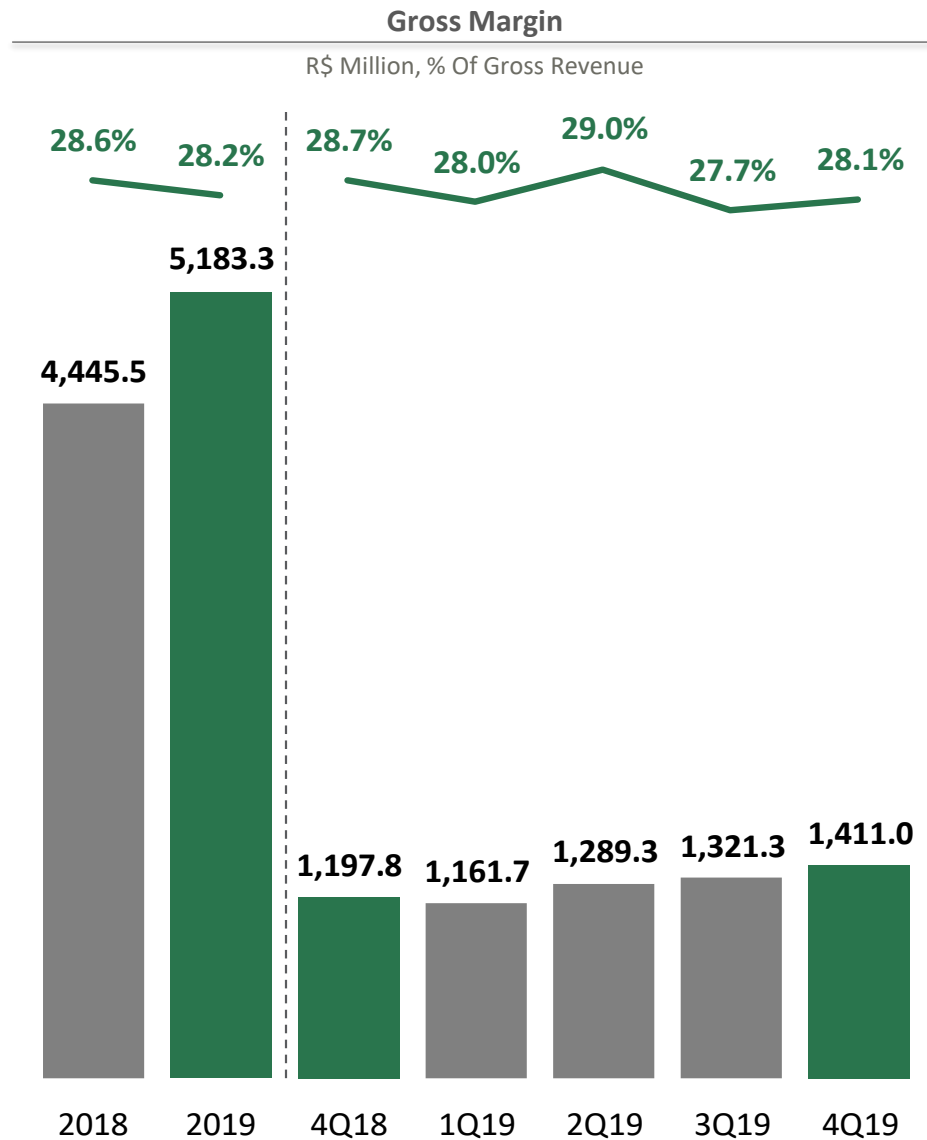
Same-Store Sales Growth - Retail



Mature-Store Sales Growth - Retail

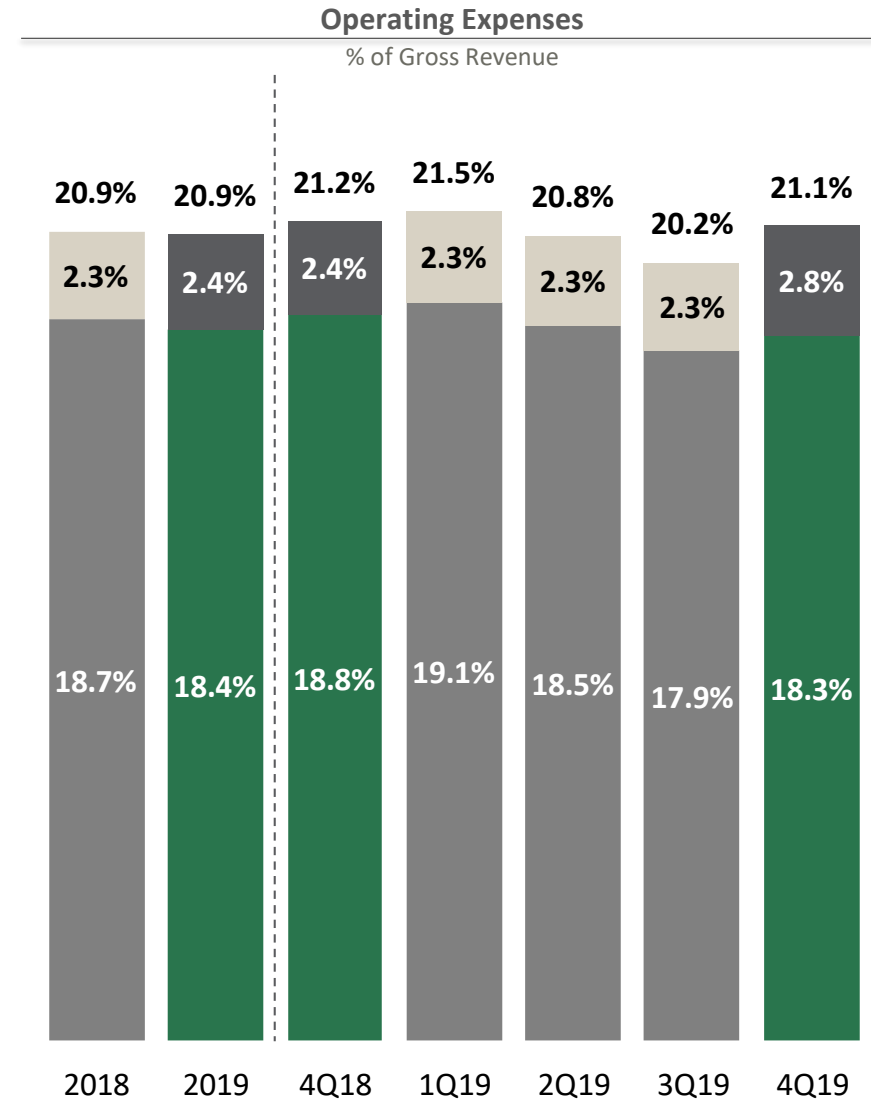
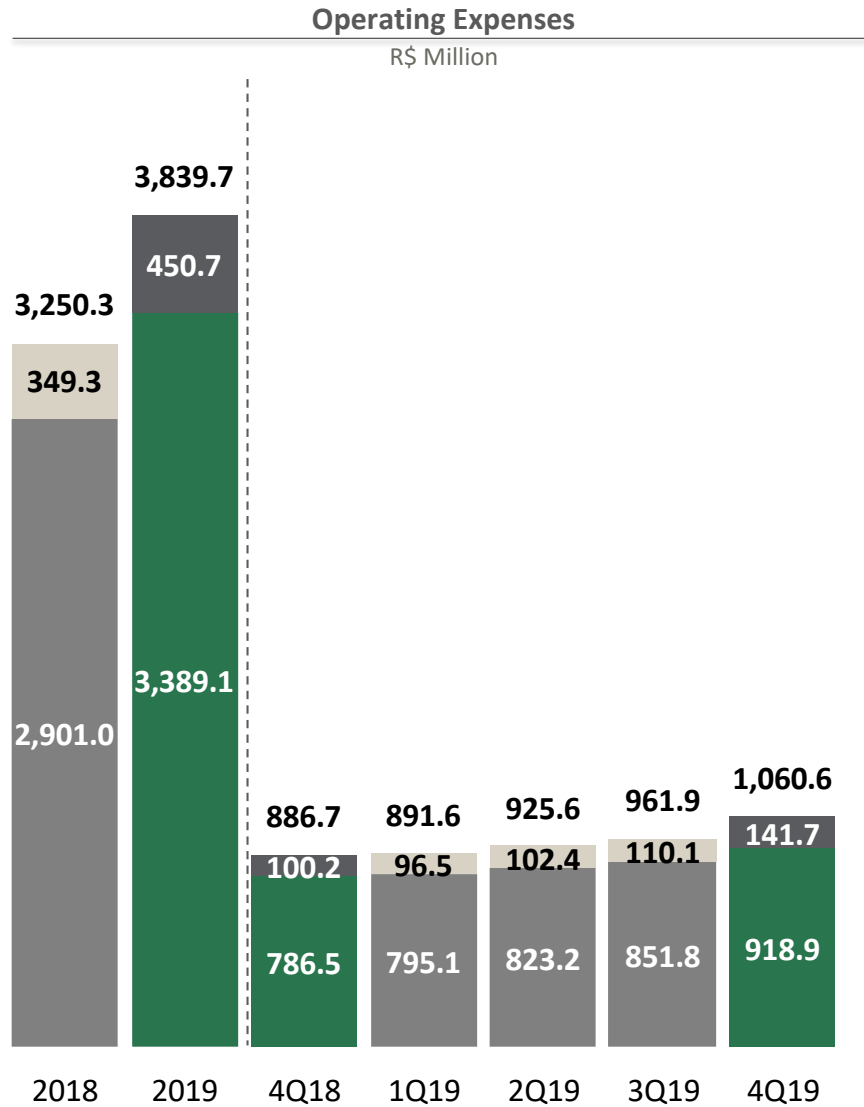


Gross margin decreased 0.4 p.p. due to investments in pricing. Cash cycle pressure due to opening of two new DCs.



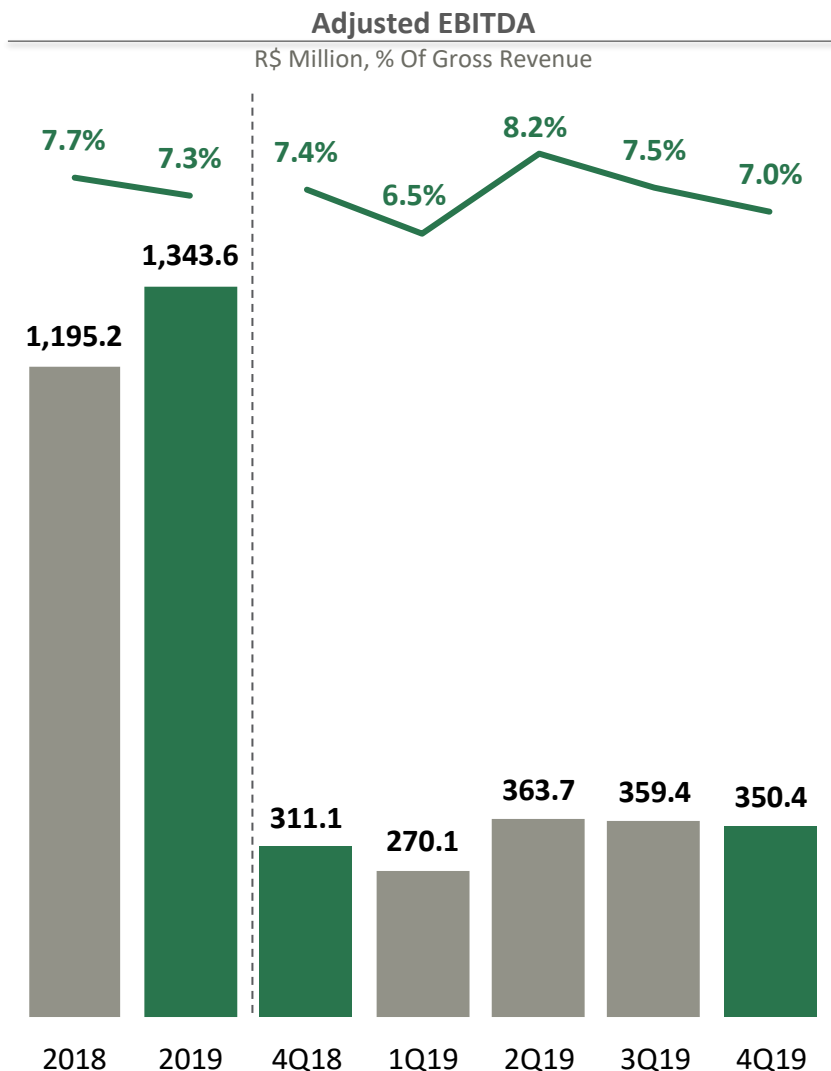
* Adjusted to discounted receivables.

Sales expense dilution of 0.5 p.p.; Labor contingencies and variable compensation generated a 0.4 p.p. one-off pressure.



■ Selling Expenses ■ General & Administrative Expenses

EBITDA totaled R\$ 1,343.6 million in the year, an increase of 12.4%.



* 1825 stores by the end of the 4Q18 less 34 stores closed.

1,791* stores operating since 2018:

(performance in 2019)

- > R\$ 17,677.8 million in Gross Revenues
- > EBITDA of R\$ 1,349.6 million
- > EBITDA margin of 7.6%

RD Pharmacies

- > EBITDA of R\$ 1,329.1 million
- > EBITDA margin of 7.6%

4Bio

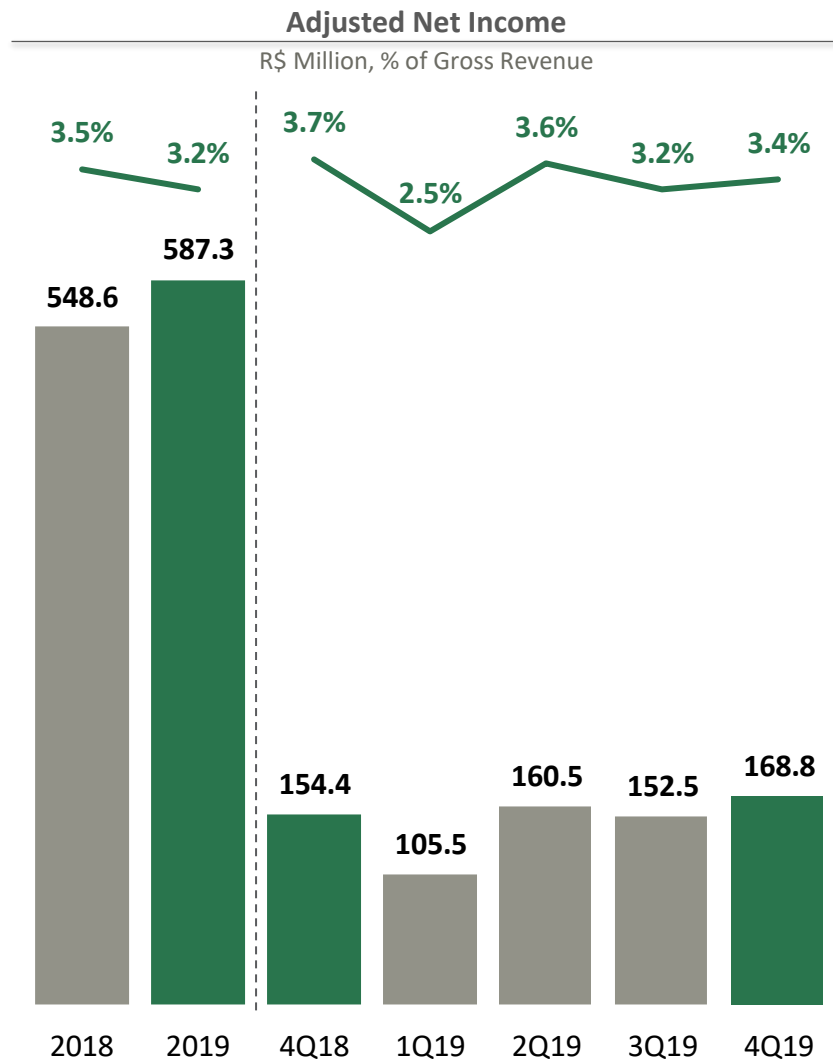
- > EBITDA of R\$ 14.5 million
- > EBITDA margin of 1.6%

We recorded R\$ 195.9 MM in non-recurring/non-operating gains in 2019, mostly due to Onofre's acquisition.

Non-Recurring Revenues / (Expenses)

Non-recurring / non-operating Expenses	1Q19	2Q19	3Q19	4Q19	2019
<i>(R\$ million)</i>					
Asset write-off	(2.4)	(0.6)	(6.3)	(7.7)	(16.9)
Restructuring Expenses		(1.2)	(4.5)	(10.5)	(16.1)
Consulting and Advisory Expenses	(5.2)	(4.3)		(5.9)	(15.3)
Distribution Center closure - Barra Mansa	(1.6)	(7.8)	(3.3)		(12.8)
Labor contingencies from previous years				(3.7)	(3.7)
INSS credits from previous years			4.6		4.6
Non-recurring tax credits	4.0			4.1	8.1
Non-recurring / non-operating Expenses - RD	(5.2)	(13.9)	(9.4)	(23.6)	(52.1)
Other Net Operating Losses			(84.8)	(12.5)	(97.2)
Negative Goodwill Gain			357.7	(2.4)	355.3
Non-recurring / non-operating Expenses - Onofre			272.9	(14.9)	258.0
EBITDA non-integrated operations			(10.0)		(10.0)
Total non-recurring / non-operating Expenses	(5.2)	(13.9)	253.4	(38.5)	195.9

Net Adjusted Income totaled R\$ 587.3 million in 2019, an increase of 7%.



R\$ 1.5 million positive free cash flow, with R\$ 188.4 million of total cash consumption in the year.

Cash Flow	2019	2018	4Q19	4Q18
<i>(R\$ million)</i>				
Adjusted EBIT	826.3	781.1	217.2	198.8
NPV Adjustment	(55.5)	(50.4)	(17.3)	(16.6)
Non-Recurring Expenses	205.9	(59.5)	(38.5)	(49.8)
Income Tax (34%)	(332.1)	(228.2)	(54.9)	(45.0)
Depreciation	507.3	414.1	133.3	112.3
Others	31.4	68.0	29.1	61.4
Resources from Operations	1,183.3	925.1	268.9	261.1
Cash Cycle*	(418.8)	(344.4)	(60.4)	17.9
Other Assets (Liabilities)**	(106.5)	(17.6)	(6.3)	(29.0)
Operating Cash Flow	657.9	563.0	202.2	250.0
Investments	(656.5)	(703.0)	(153.8)	(220.9)
Free Cash Flow	1.5	(139.9)	48.4	29.1
Interest on Equity	(186.6)	(173.6)	(93.0)	(86.4)
Income Tax Paid over Interest on Equity	(30.5)	(29.5)	(14.1)	(15.2)
Net Financial Expenses***	(67.8)	(32.9)	(6.7)	1.5
Share Buyback	-	(46.9)	-	-
Income Tax (Tax benefit over financial expenses and interest on equity)	95.0	81.5	18.9	17.6
Total Cash Flow	(188.4)	(341.4)	(46.5)	(53.5)

*Includes adjustments to discounted receivables.

**Includes adjustments for the incorporation of Onofre's assets and liabilities.

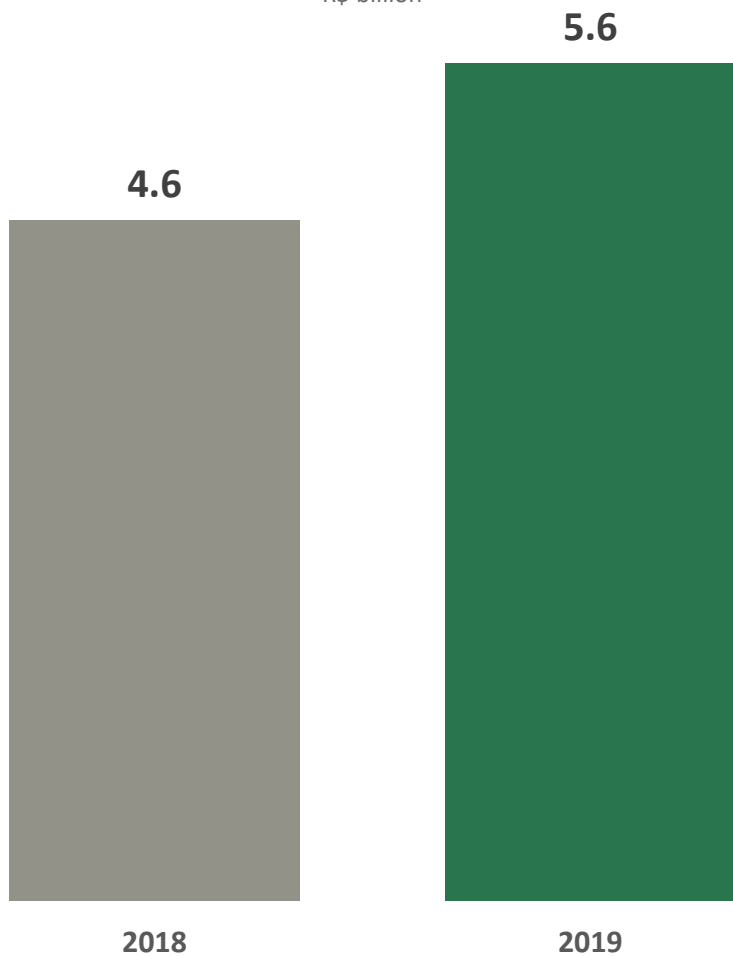
***Excludes NPV adjustments.



We created R\$ 5.6 billion in value for our stakeholders.

Total Value Added*

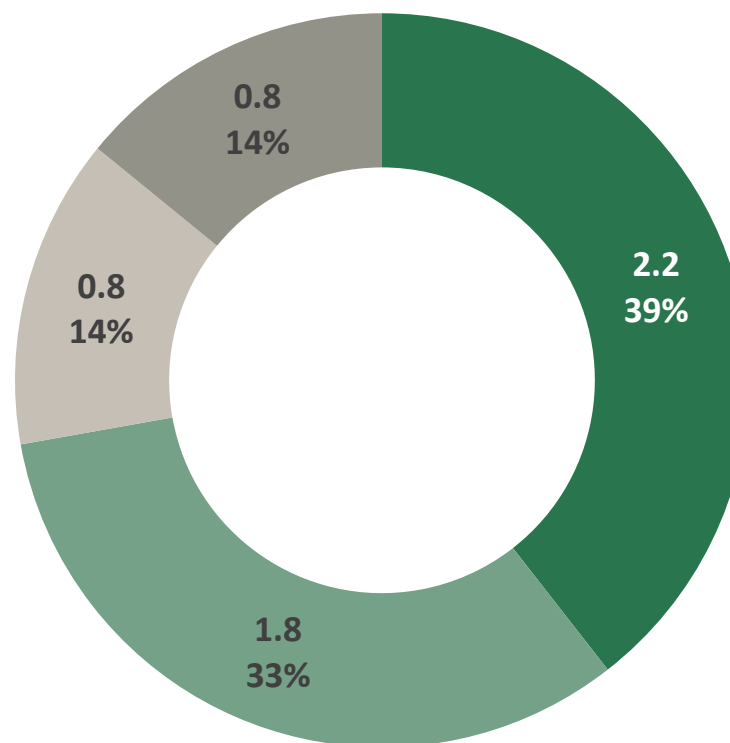
R\$ billion



Value Added per Stakeholder

R\$ billion, % of the Yearly Total

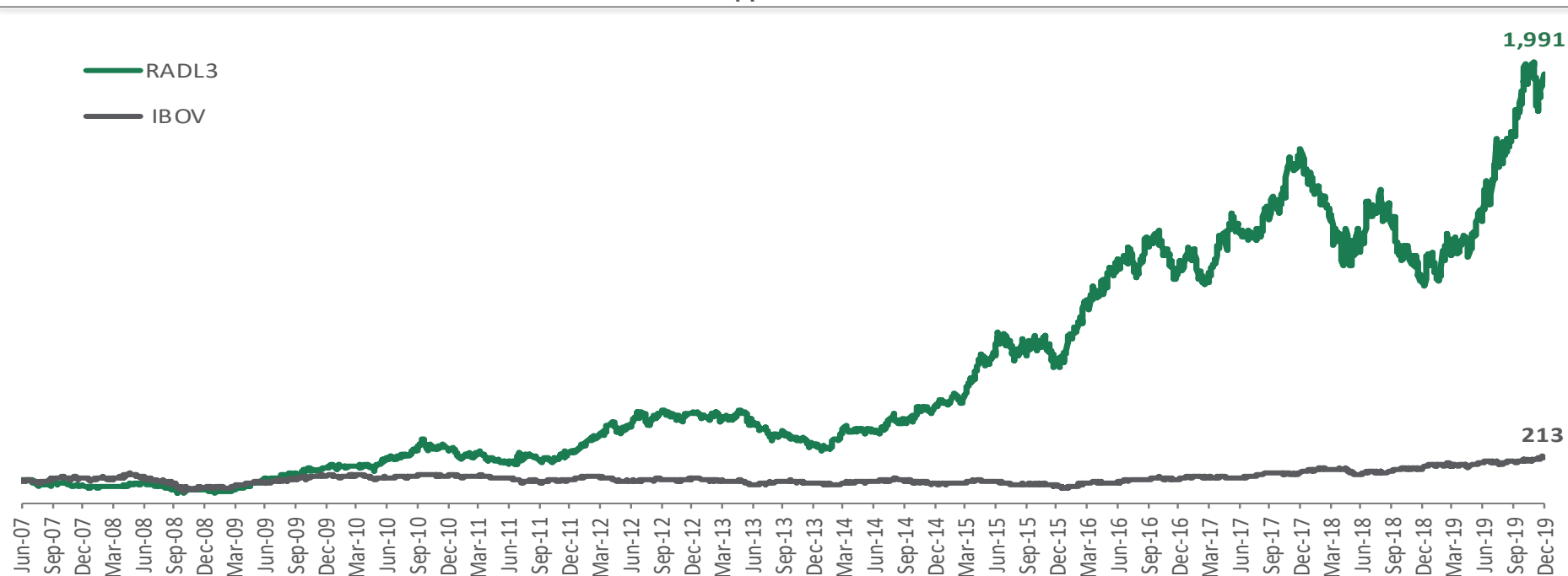
- Taxes
- Employees
- Remuneration of 3rd Parties*
- Shareholder Remuneration



* Considers effective rentals and interest expenses

RADL3 shares increased by 97.5% in 2019.

Share Appreciation



Performance in 2019

RADL3: 97.5%
BOVESPA: 31.9%
Alpha: 65.6%

Average Trading Volume RADL3: R\$ 101.3 MM

- › Average annual return of 28.9% since the Drogasil IPO.
- › Average annual return of 26.5% since the Raia IPO.

What we accomplished in 2019

Achieved mature stores growth above inflation and accelerated market share gains

- › Investments in pricing and the reversal of the industry's store opening peak drove comp acceleration
- › Mature stores grew an average of 5.2% in the year and of 7.3% in the 4Q19
- › We gained 1.3 percentage point in market share, reaching 13.7%, with gains in every market

Opened 240 organic stores with high expected marginal returns

- › Real IRR ~20%, even as we expand outside of São Paulo and advance into popular markets
- › Entered Amazonas, our 23rd state, and significantly advanced in the North and Northeast
- › Opened 2 new DCs (Fortaleza and Guarulhos) and relocated our RJ DC to support expansion

Acquired, quickly integrated and turned around Onofre, with significant value creation

- › Integrated 42 additional stores to our portfolio
- › Completed the store integration in one month and digital integration in four months
- › Retained more than 100 professionals, who brought additional capabilities to RD
- › Stores reached break-even in the first month, surpassing the company's total margin in December

Delivered EBITDA growth, free cash flow generation and value creation

- › EBITDA increased by 12%
- › R\$ 657 million in investments fully funded by operations, driving positive free cash flow generation
- › Share price increased by 97.5%, with a Total Shareholder Return of 98.7%



Digital Transformation Milestones

2.3%
of digital
sales in the
4Q19

5.6%
4Q19 sales
from digital
customers

+40%
spending with
digital
adoption

+61%
4Q19 digital
organic
growth*

27 cities
with 1-4h
delivery

**131
stores**
with ship-
from-store

67%
of digital
orders serviced
by stores



Challenges and opportunities for 2020

Increase customer acquisition

- › Open 240 new stores
- › Leverage our store network for new customer acquisition and to increase the frequency and spending from existing customers
- › Expand super popular model to build on the success of our popular stores (424 stores, 76 of which were opened in 2019)
- › Leverage Univers and RD Brands for customer acquisition

Build customer loyalty and engagement

- › Increase the number of squads from 7 to 20
- › Leverage customer centricity, mobile technology and analytics to improve client experience and eliminate pain points in all channels
- › Boost our loyalty program by focusing on health and wellness promotion and in prevention and through the launch of Stix

Drive real mature-store growth and fast market share gains

- › Build on our price competitiveness and digital transformation to sustain long-term real growth at mature stores
- › Generate operating leverage gains and margin expansion, offsetting G&A increases from digital

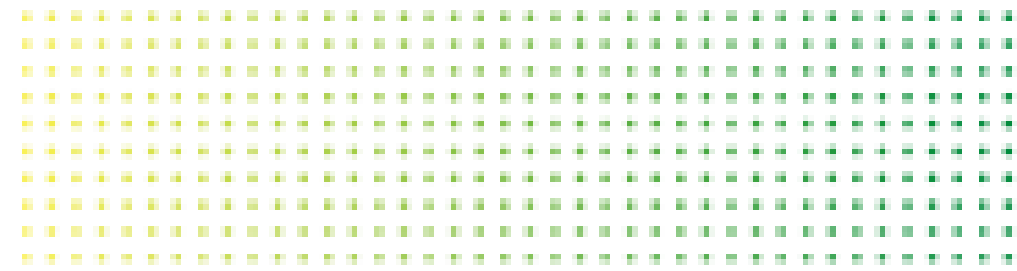
Invest in leadership development and succession planning

- › Form potential successors for every C-Level and Director position

Build a Regenerative Sustainability Agenda

- › Build a long-term aspiration and roadmap, aligned with UN Sustainable Development Goals
- › Shift the focus from compensating damages to creating a positive impact for the environment and the communities we serve





Q&A

sua  Droga Raia



 DROGASIL
& você

