



People,  
Health and  
Well-being.

RaiaDrogasil S.A.

## Earnings Presentation

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4Q23

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## Consolidated annual highlights <sup>1</sup>

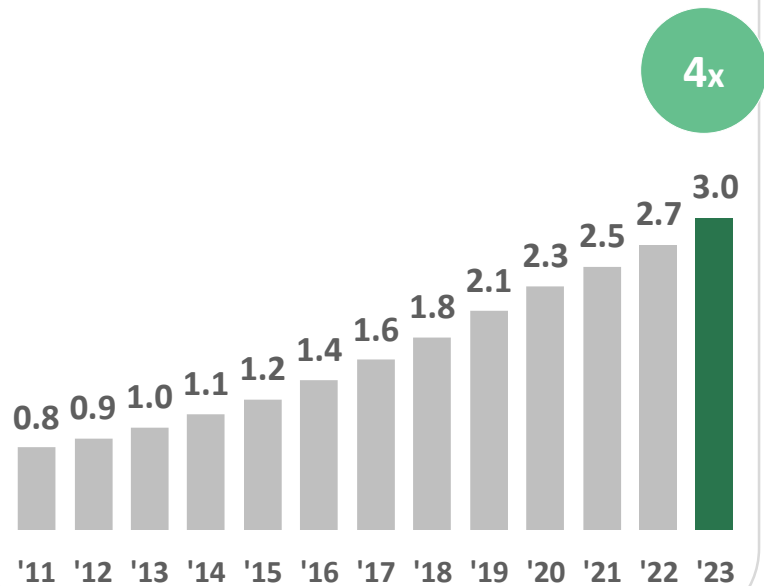
- › **PHARMACIES:** 2,953 units in operation (270 openings and 14 closures);
- › **GROSS REVENUES:** R\$ 36.3 billion, + 5.4 billion, a 17.4% increase with 8.0% of mature-store growth;
- › **MARKET SHARE:** 16.1%, a 0.9 pp increase, with gains in every region;
- › **DIGITAL:** R\$ 5.1 billion, an increase of 57.5% and a 4Q23 retail penetration of 16.7%;
- › **CONTRIBUTION MARGIN<sup>2</sup>:** 10.7% of gross revenues, an increase of 16.1%;
- › **ADJUSTED EBITDA:** R\$ 2,603.2 million, an increase of 15.1% and a margin of 7.2%;
- › **ADJUSTED NET INCOME:** R\$ 1,104.8 million, a net margin of 3.0%, an increase of 11.4%;
- › **CASH FLOW:** R\$ 41.1 million negative free cash flow, R\$ 721.3 million total cash consumption.

<sup>1</sup> Considers the IAS 17 reporting standard.

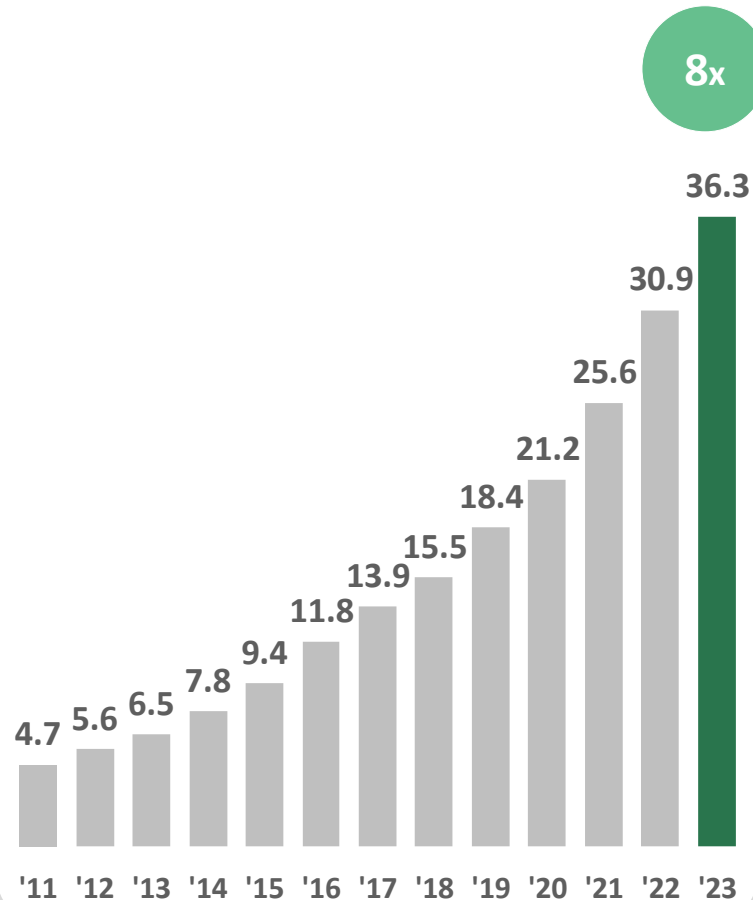
<sup>2</sup> Margin before administrative expenses (gross profit – selling expenses).

Since the merger, RD has multiplied store count by 4x, revenues by 8x and EBITDA by 10x.

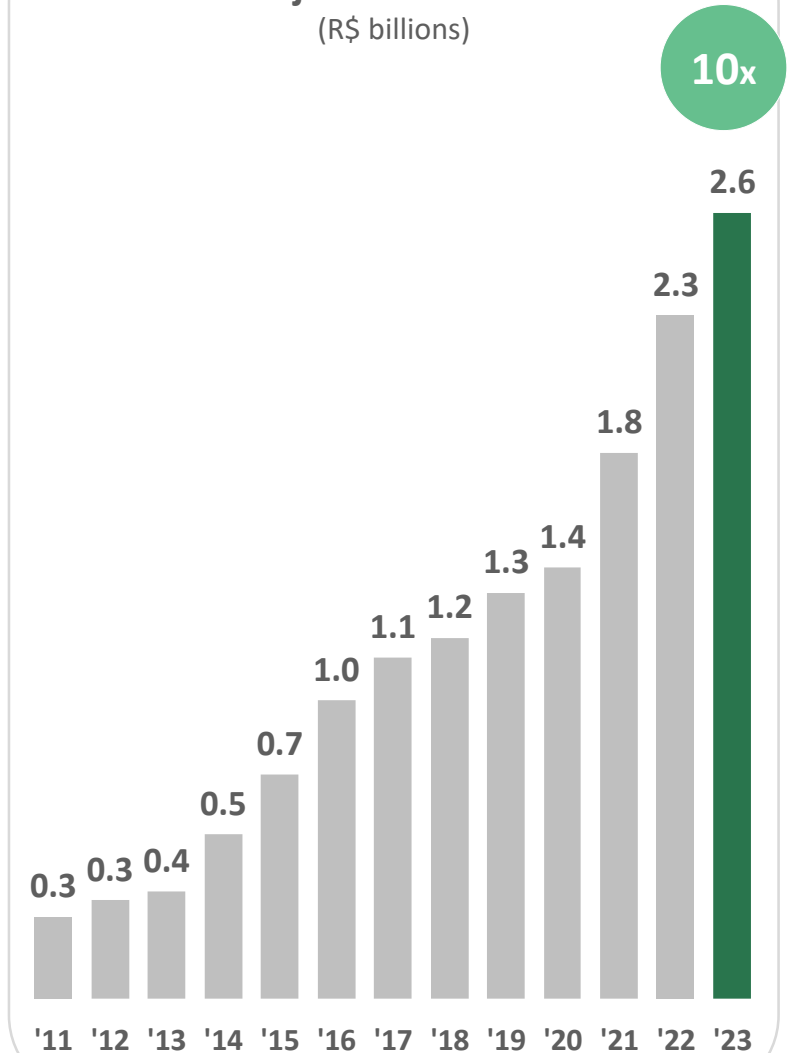
**Pharmacies**  
(Store count, thousands)



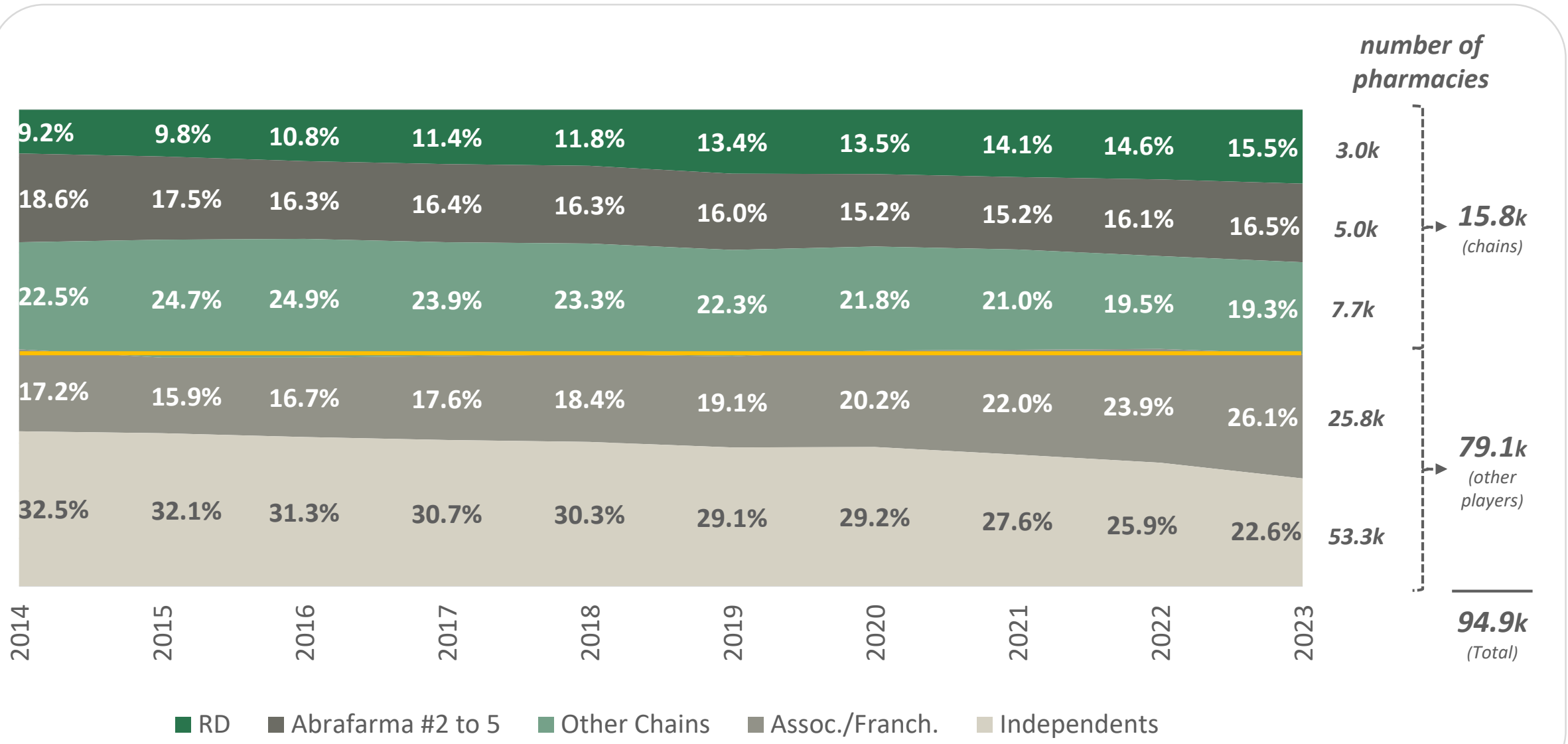
**Gross Revenue**  
(R\$ billions)



**Adjusted EBITDA**  
(R\$ billions)

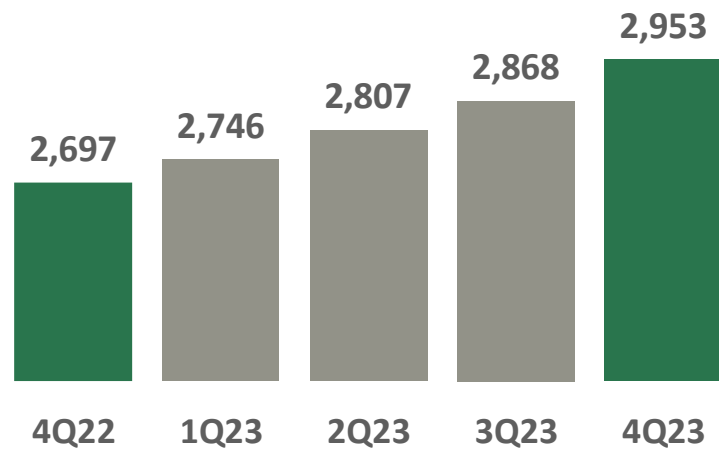


**RD is leading the organized market, outgrowing ABRAFARMA peers and also smaller chains, while the combined share of independents and associations has remained constant.**



We reached 2,953 pharmacies, with 270 openings (+10.0% of store base) and 14 closures (-0.5% of store base). Guidance of 280-300 gross openings per year for both 2023 and 2025.

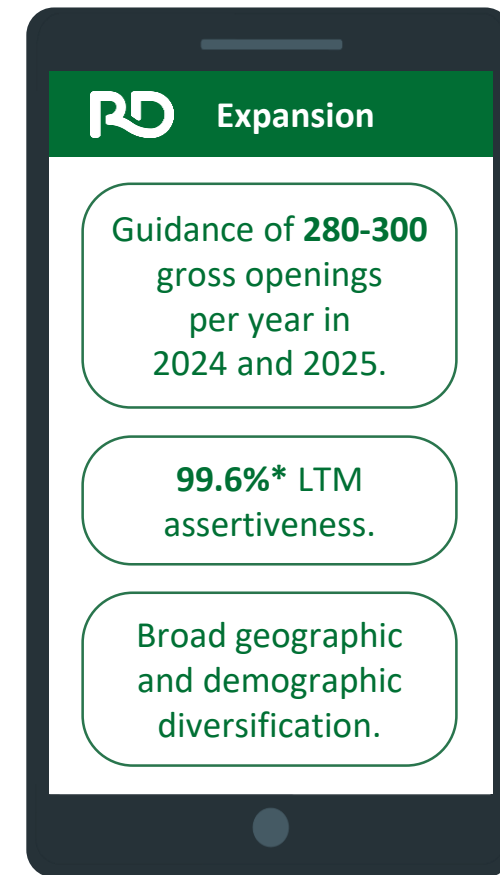
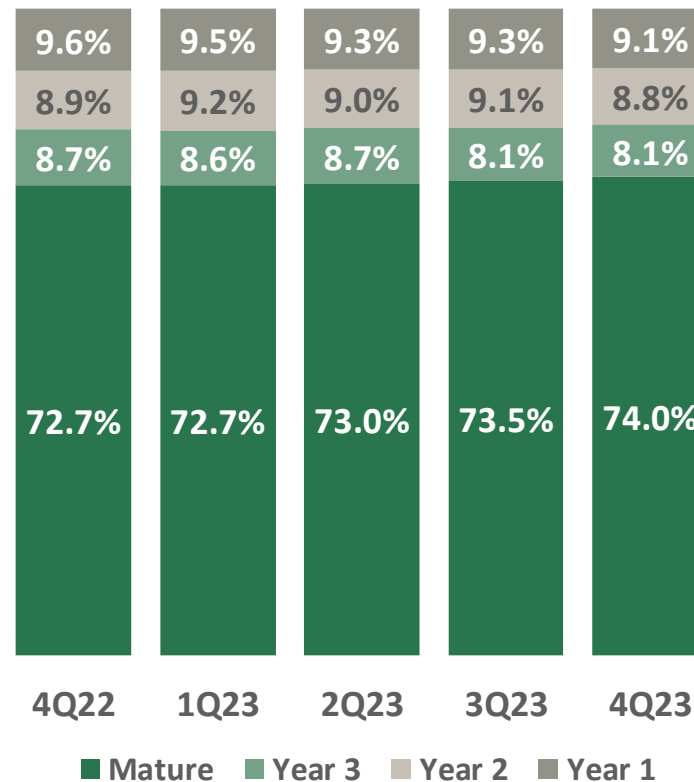
### Pharmacy count



	4Q22	1Q23	2Q23	3Q23	4Q23	LTM
Gross openings	+86	+55	+64	+64	+87	+270
Closures	-9	-6	-3	-3	-2	-14
Maturing	-	-1	-	-	-	-1
Mature	-9	-5	-3	-3	-2	-13
Net openings	+77	+49	+61	+61	+85	+256

### Pharmacy portfolio

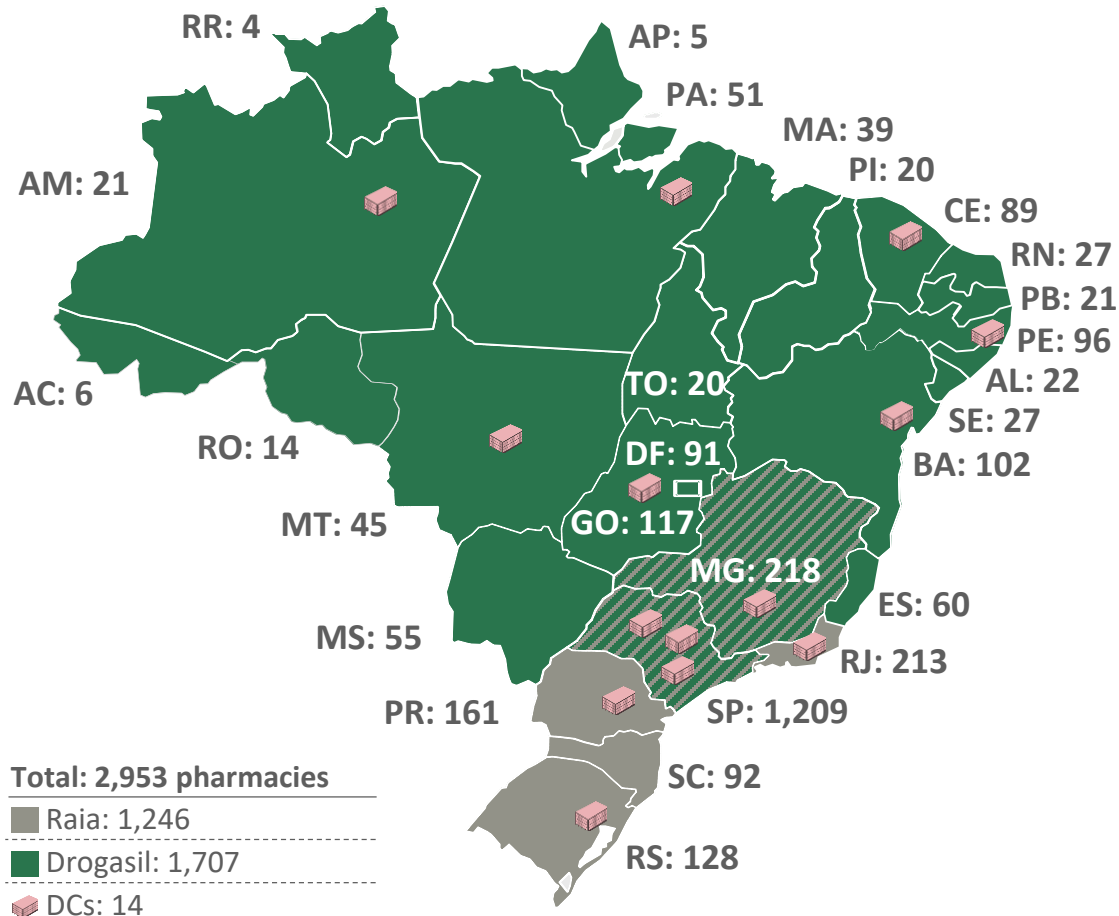
#### Age structure



\* Considers the % of store closures within the maturation process, which correspond to expansion mistakes, divided by the LTM openings.

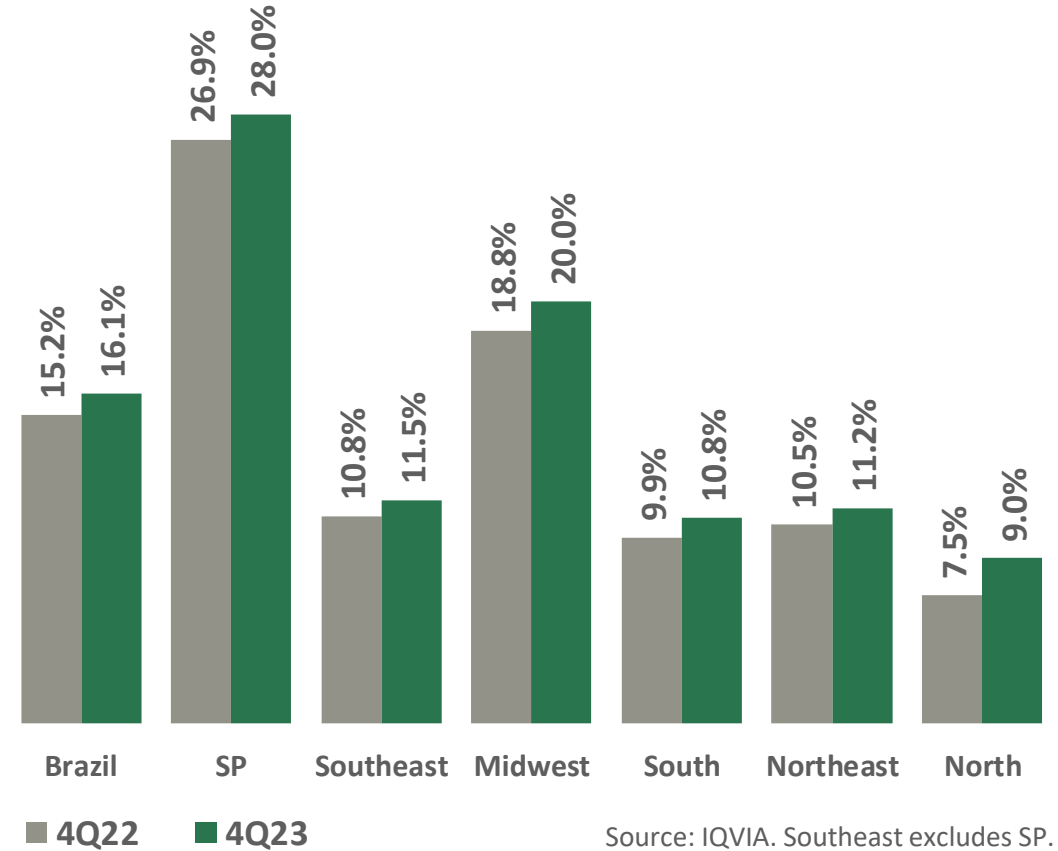
We are present in every state, with a national market share of 16.1%, a 0.9 pp increase, with relevant gains across every region. We opened 3 new DCs in 2023.

### Geographic presence



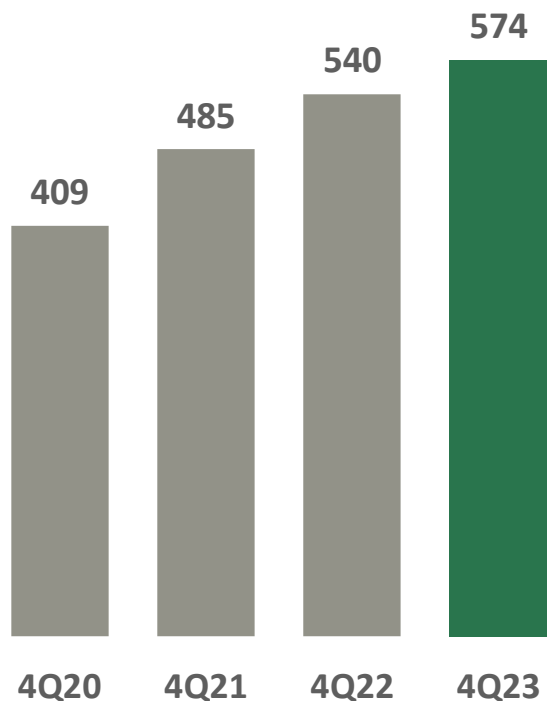
### Market share

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

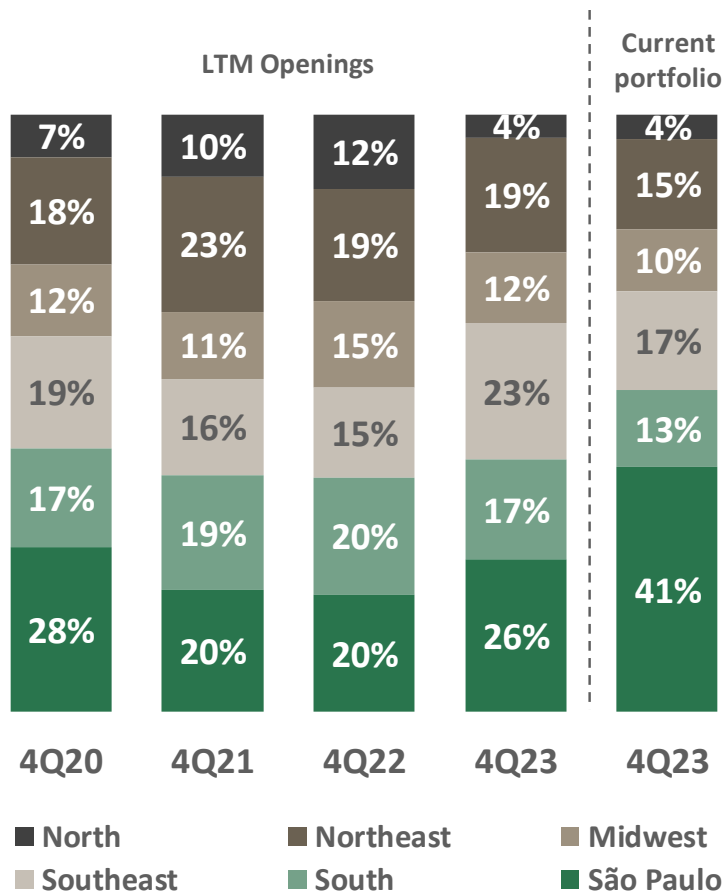


We expanded our presence to 574 cities and increased our geographic and demographic diversification, with 80% of LTM openings and 60% of all stores with Popular or Hybrid formats.

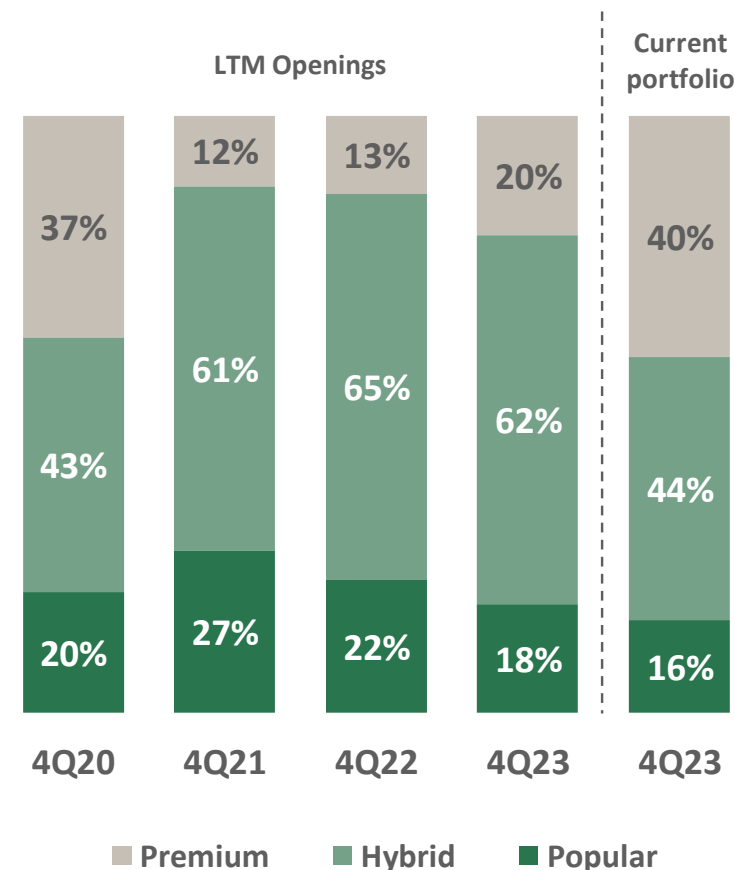
Number of cities with pharmacies



Pharmacies by region



Pharmacies by format



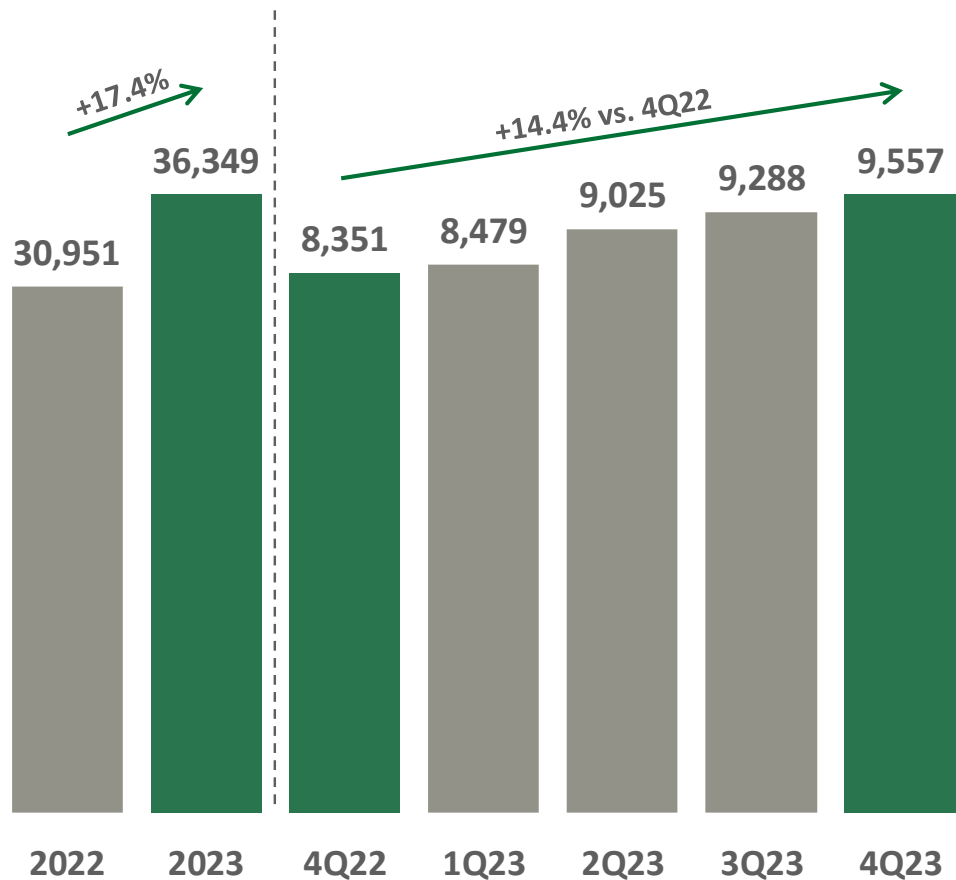
Presence in 307 of the 319 Brazilian cities with over 100 thousand inhabitants  
*(includes both pharmacies in operation as well as those in the opening process)*



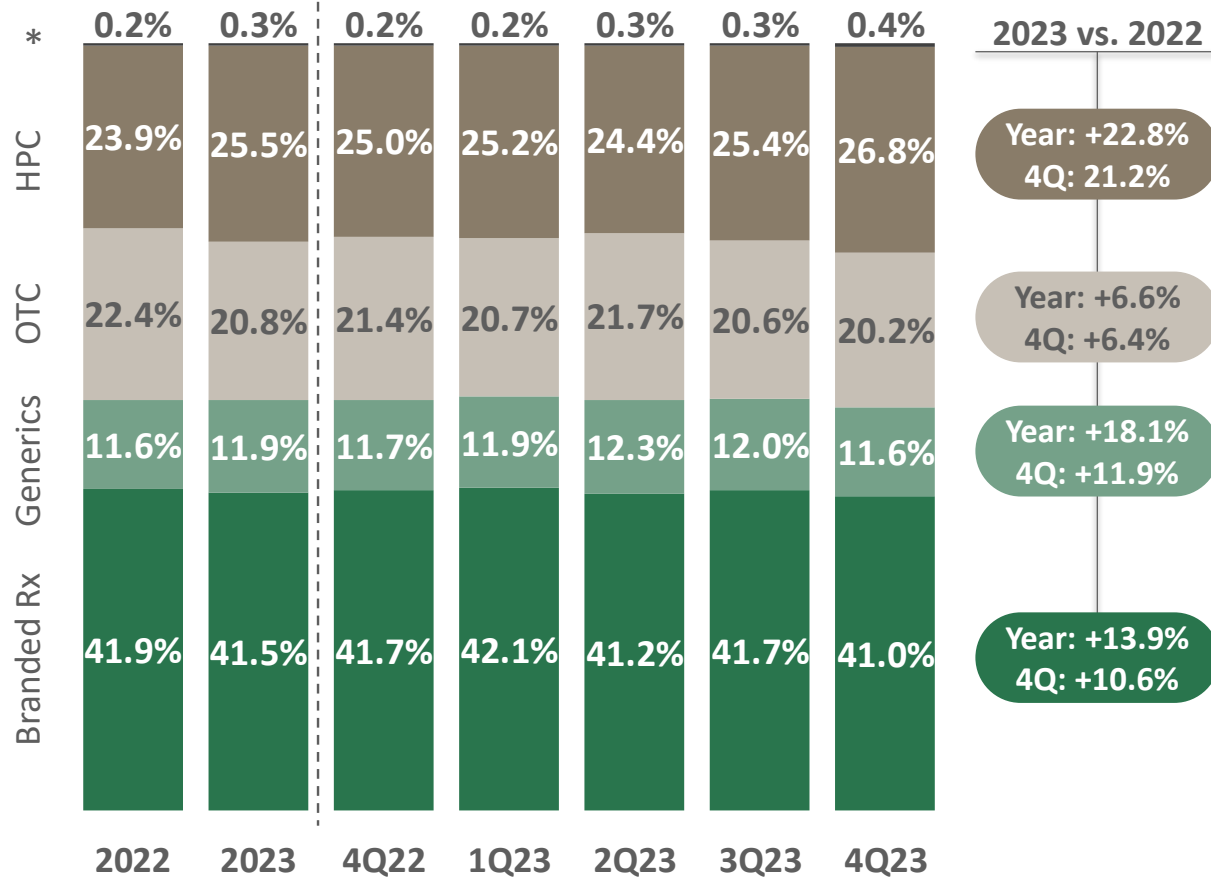
Revenue growth of 17.4%, driven by digital and 4Bio (impact of +2.2 pp). HPC and Generics were the highlights, with a reduced OTC mix due to the control of the pandemic.

### Consolidated gross revenues

R\$ millions



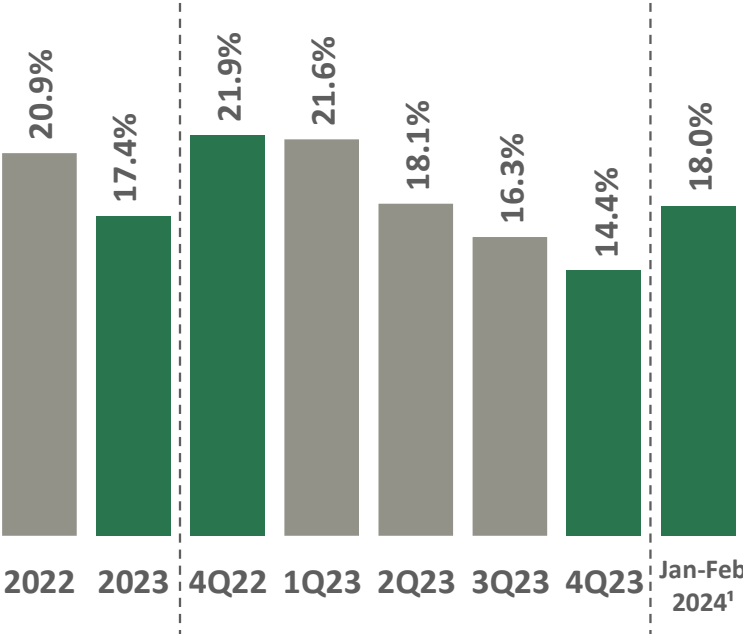
### Retail sales mix



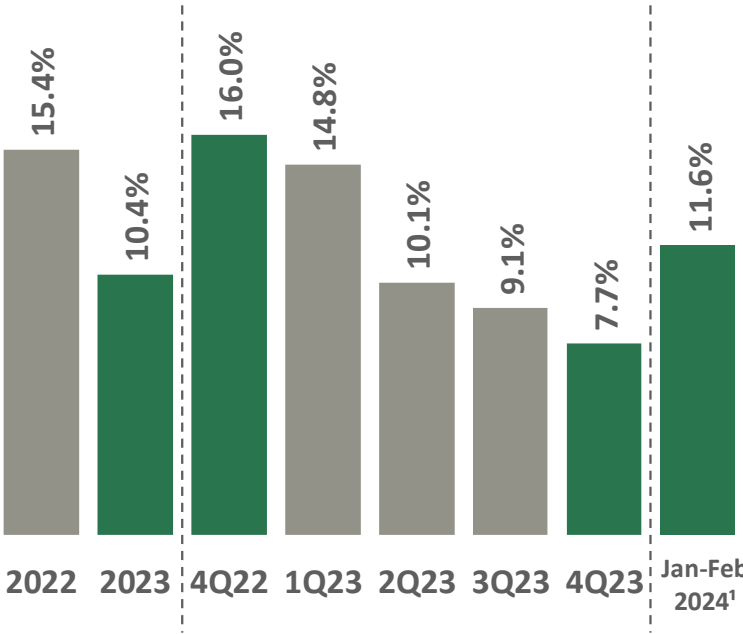
\* Services.

Mature store growth of 8.0% in 2023 (3.4 pp above the CPI). Mature store growth decelerated to 5.1% in the 4Q23, but recovered to 9.1% in Jan-Feb/24<sup>1</sup> (leap year calendar effect of +1.9 pp).

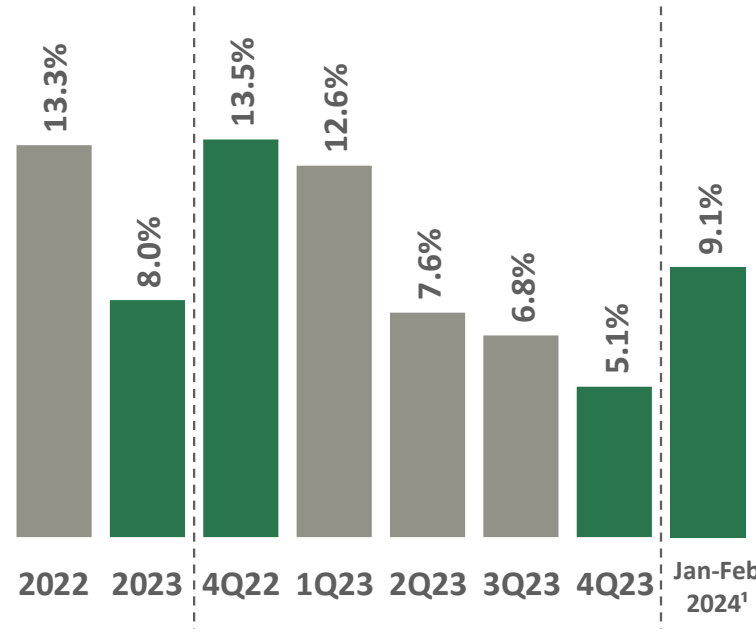
Consolidated revenue growth



Same-Store sales growth - Retail



Mature-Store sales growth - Retail

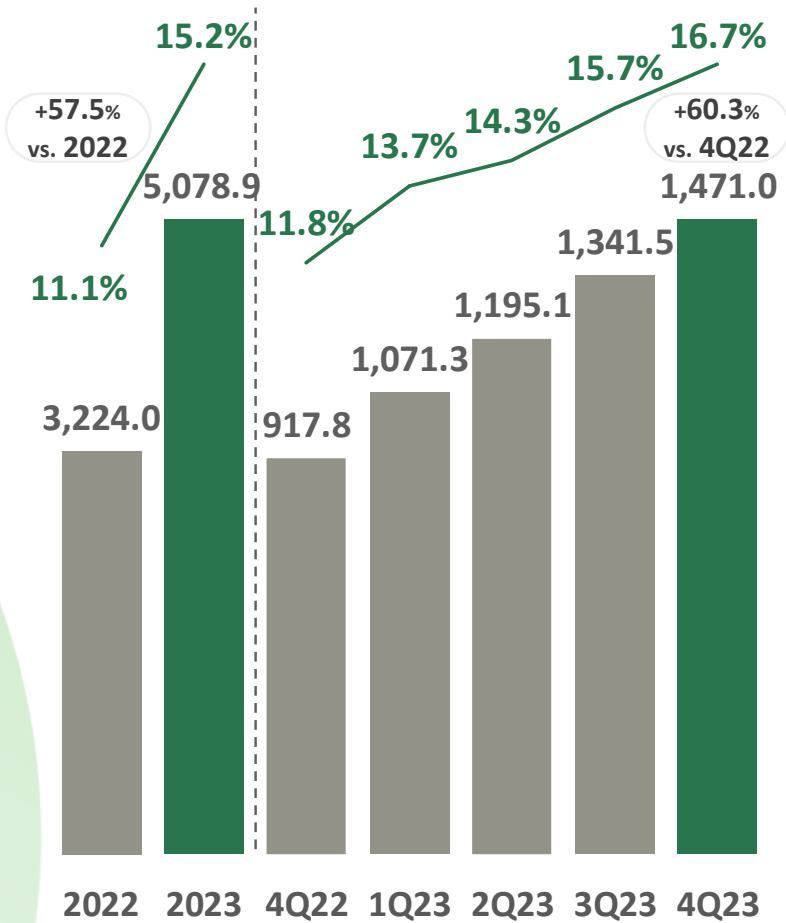


<sup>1</sup> Preliminary managerial data, non audited.

# Digital sales of R\$ 5.1 billion in 2023, with 57.5% of growth and 16.7% of retail penetration in the 4Q23. Focus on proprietary and mobile channels, with 92% of sales delivered in up to 60 min.

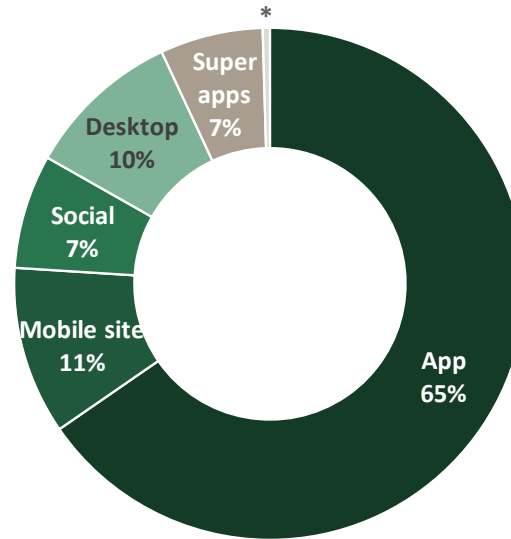
## Digital sales and penetration

R\$ millions, % of retail gross revenue

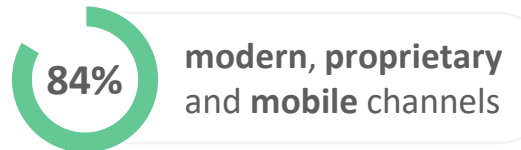
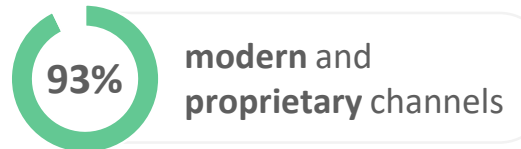


## Digital channel mix

% of digital sales

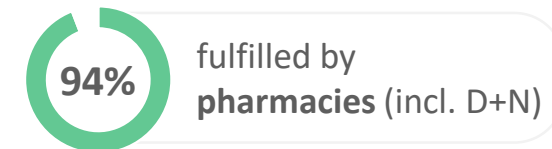
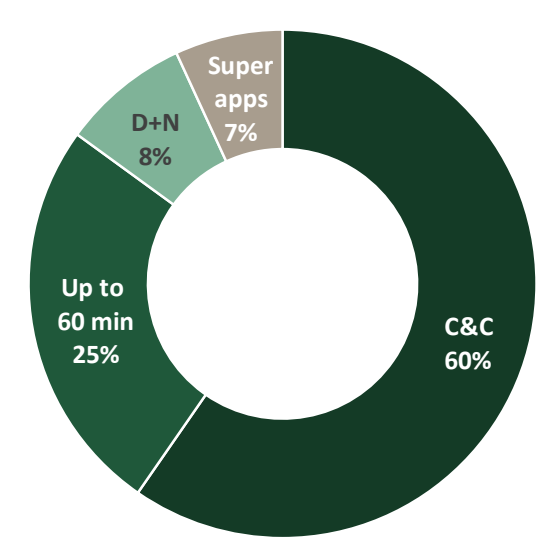


\* Call Center represents < 1% of the mix.

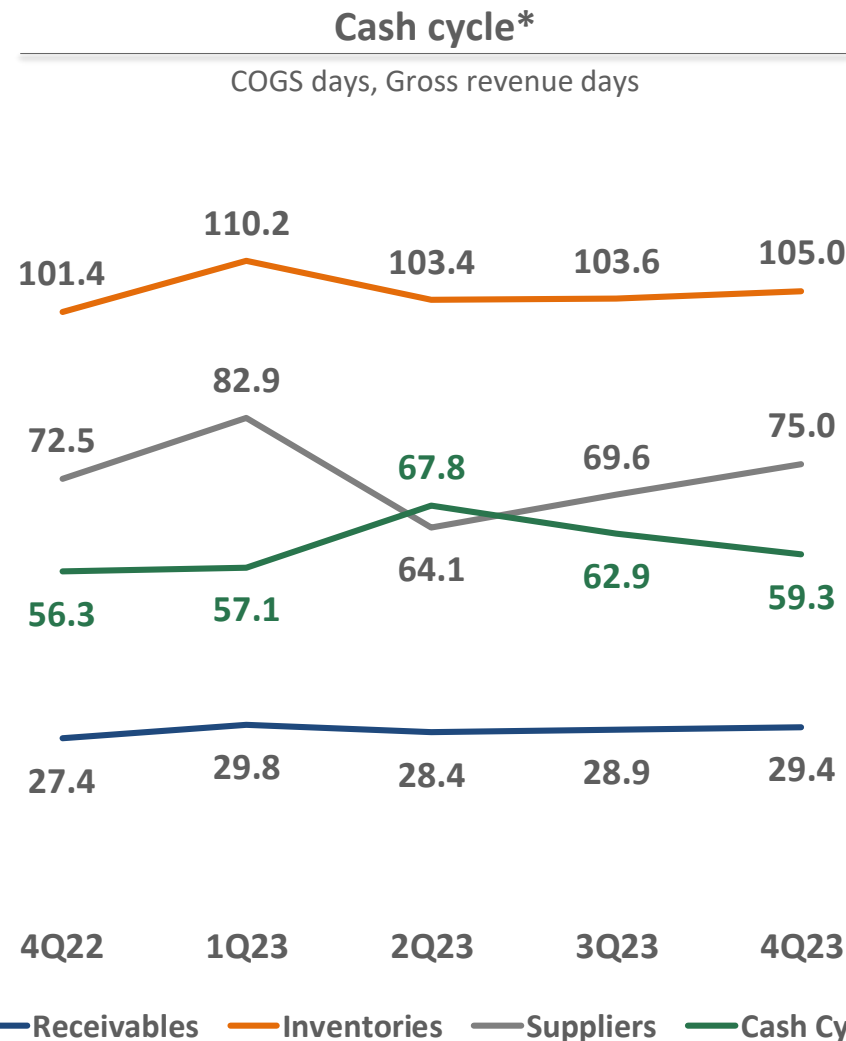
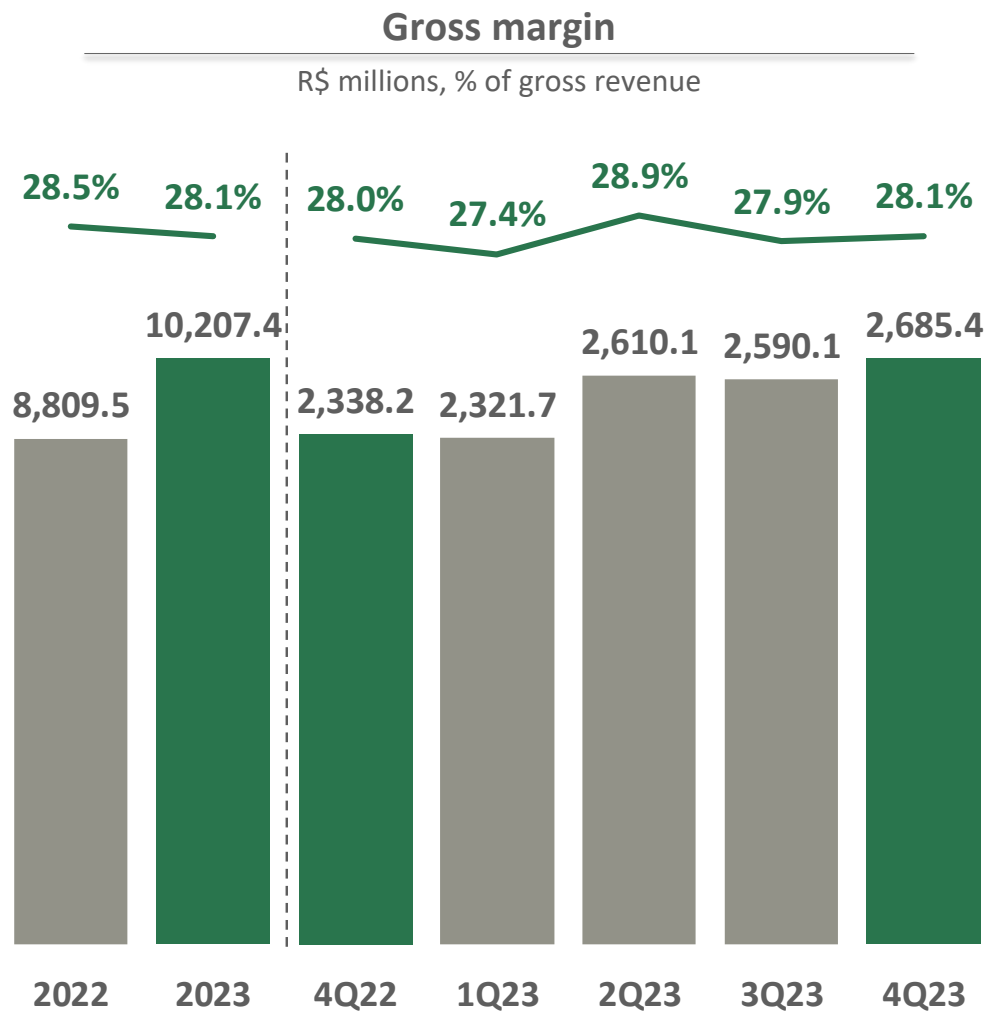


## Delivery mix

% of digital sales



Gross margin of 28.1% in 2023 impacted by the lower price adjustment (-0.2 pp) and mix + DIFAL pressures at 4Bio (-0.6 pp). Structural gains of +0.4 pp in the year. Cash cycle of 59.3 days.

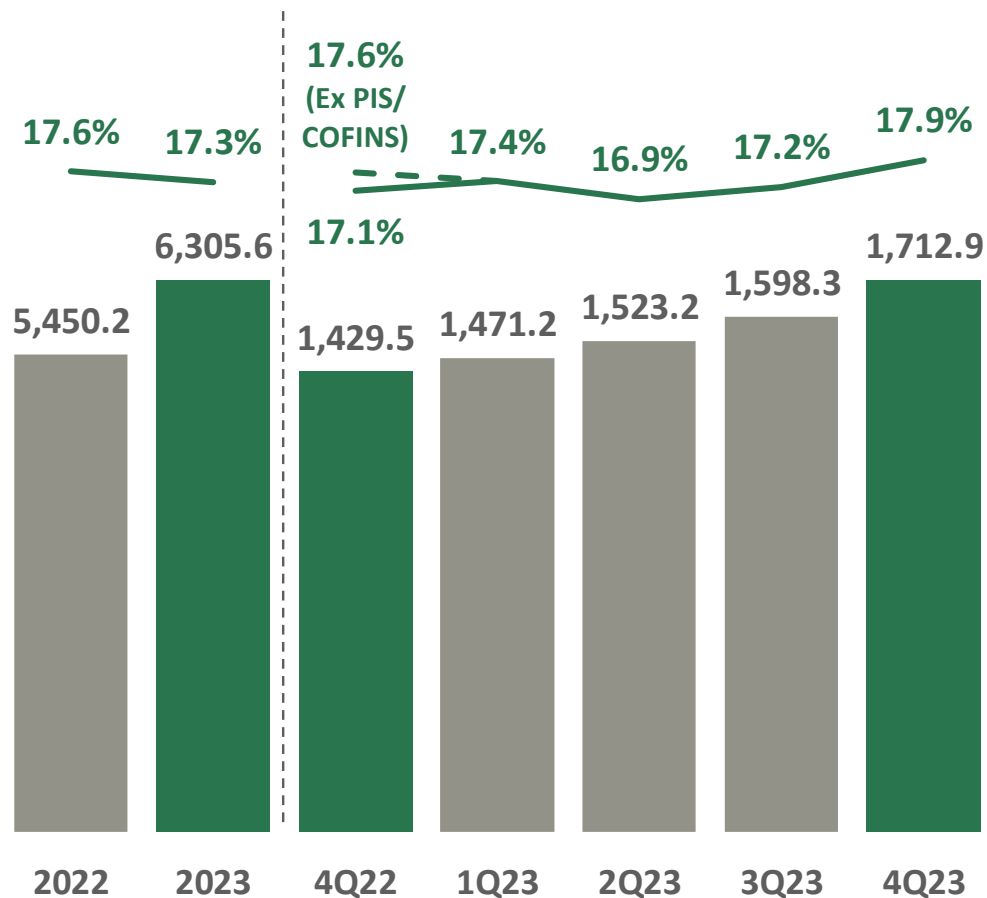


\* Adjusted for discounted receivables and advanced payments to suppliers.

**Selling expenses dilution of 0.3 pp in 2023. Normalized pressure of 0.3 pp in the 4Q23 due to lower mature store growth. Contribution margin pressured both from lower CMED and 4Bio.**

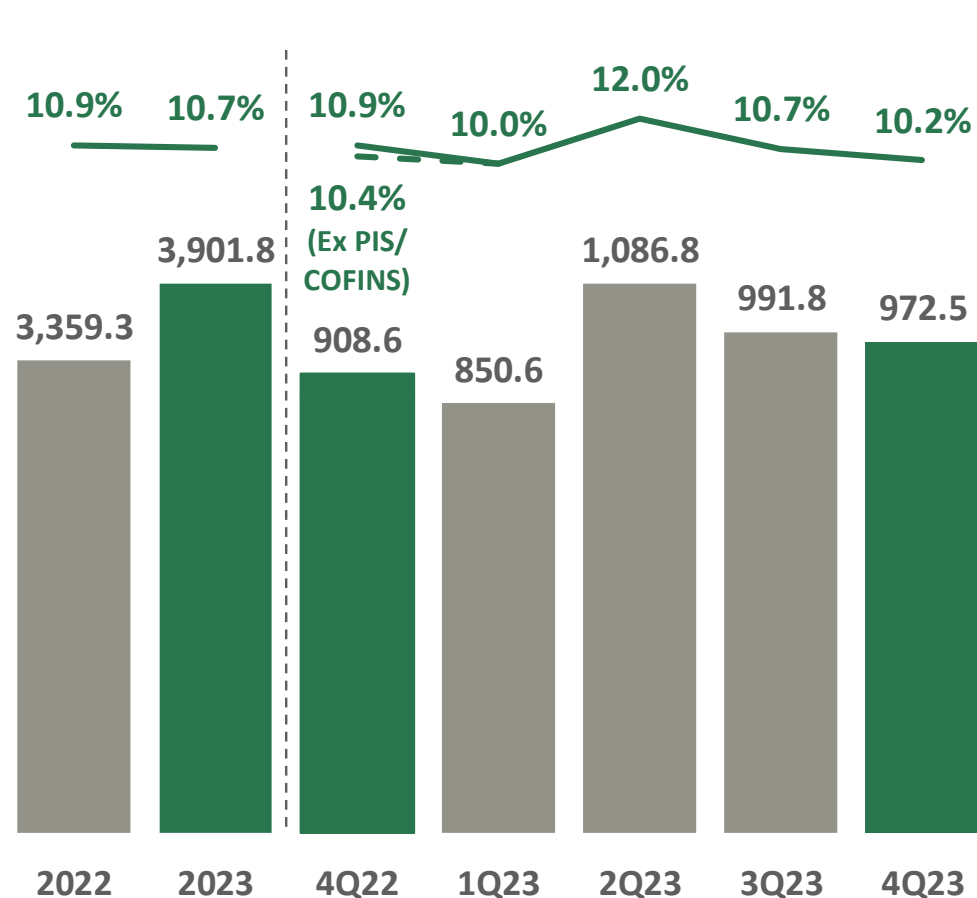
### Selling expenses

R\$ millions, % of gross revenue



### Contribution margin

R\$ millions, % of gross revenue

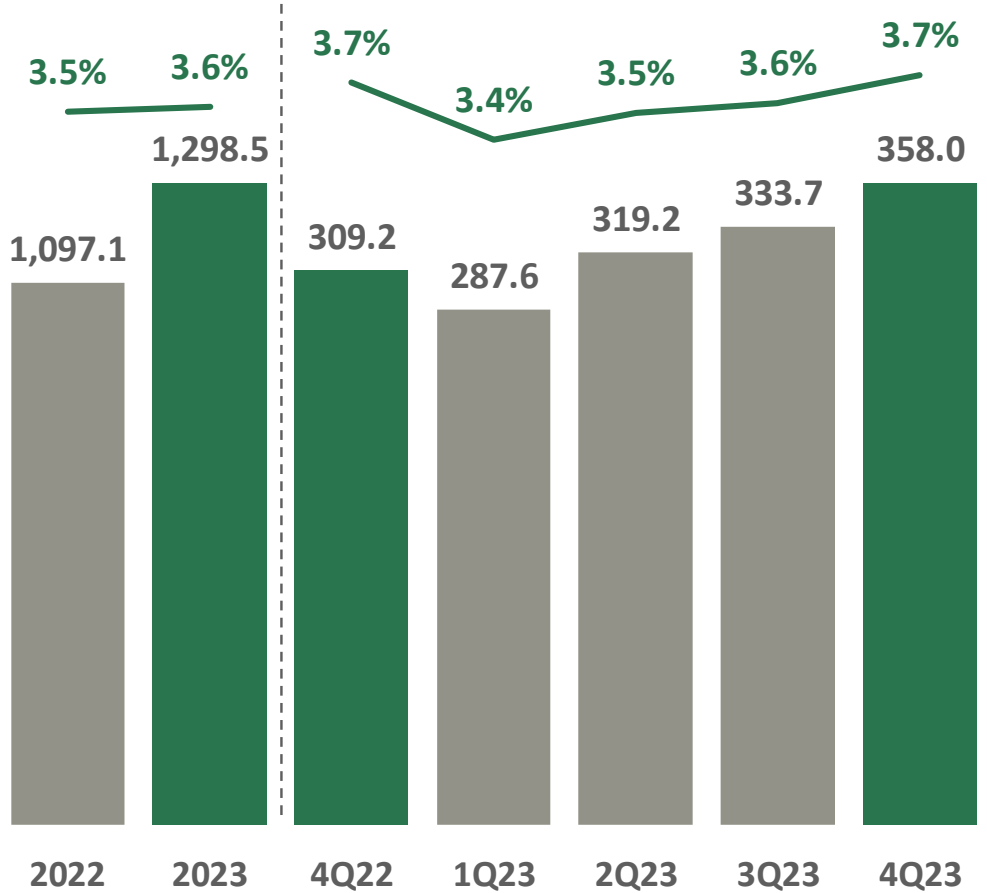


--- Non recurring PIS/COFINS on expenses effect from the first 9 months of 2022 booked in the 4Q22.

**EBITDA of R\$ 2.6 billion in the year, (+15.1%), with stable G&A and margin, despite CMED and 4Bio pressures. Normalized pressure in the 4Q23 of 0.3 pp due to the lower mature store growth.**

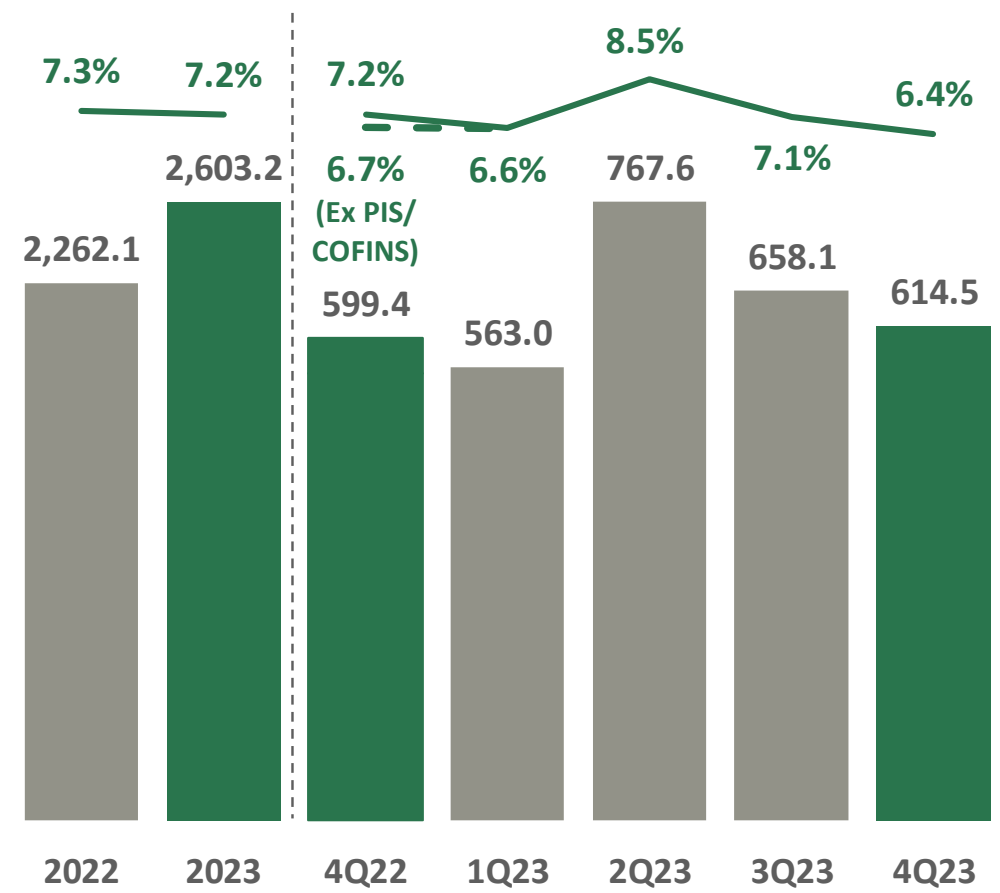
**General and administrative expenses**

R\$ millions, % of gross revenue



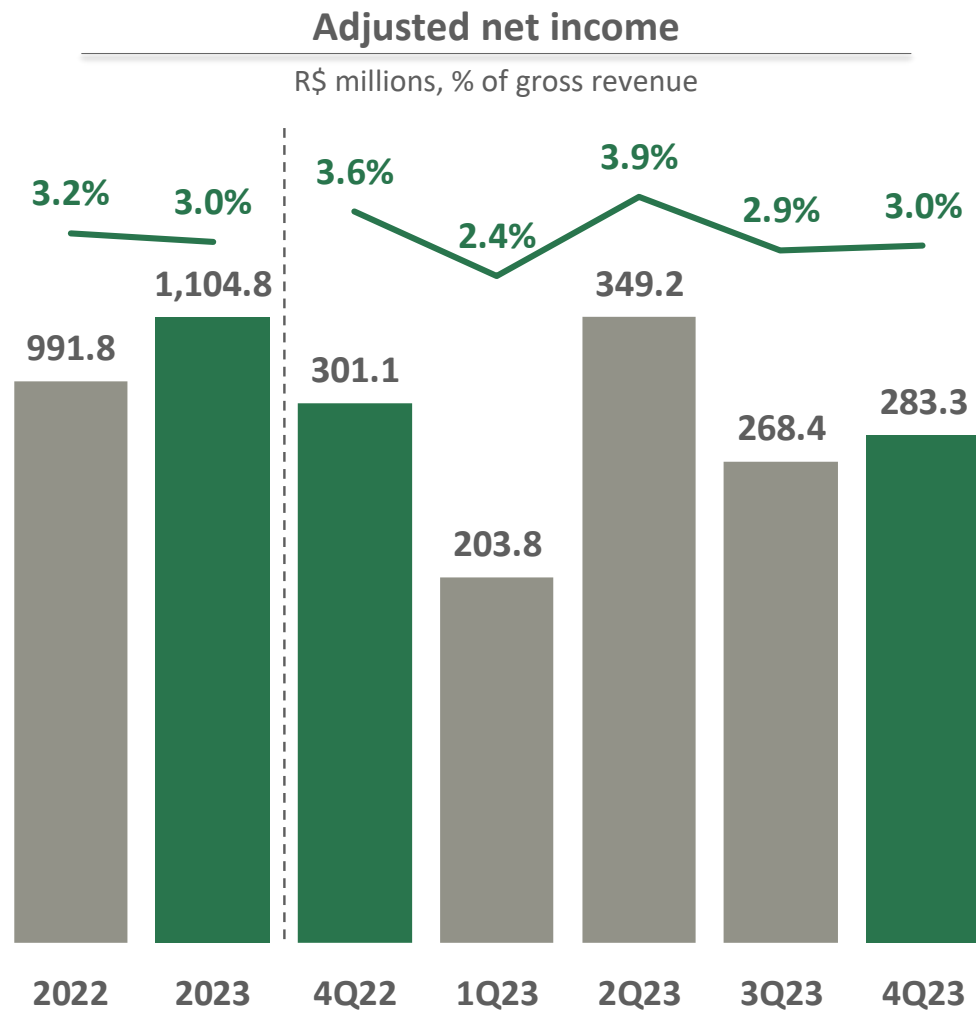
**Adjusted EBITDA**

R\$ millions, % of gross revenue



--- Non recurring PIS/COFINS on expenses effect from the first 9 months of 2022 booked in the 4Q22.

Net income of R\$ 1.1 billion in the year, a 11.4% increase and net margin of 3.0%. Net non recurring gains of R\$ 69.7 MM, with R\$ 61.0 MM DIFAL impact in 4Bio offset by other gains.



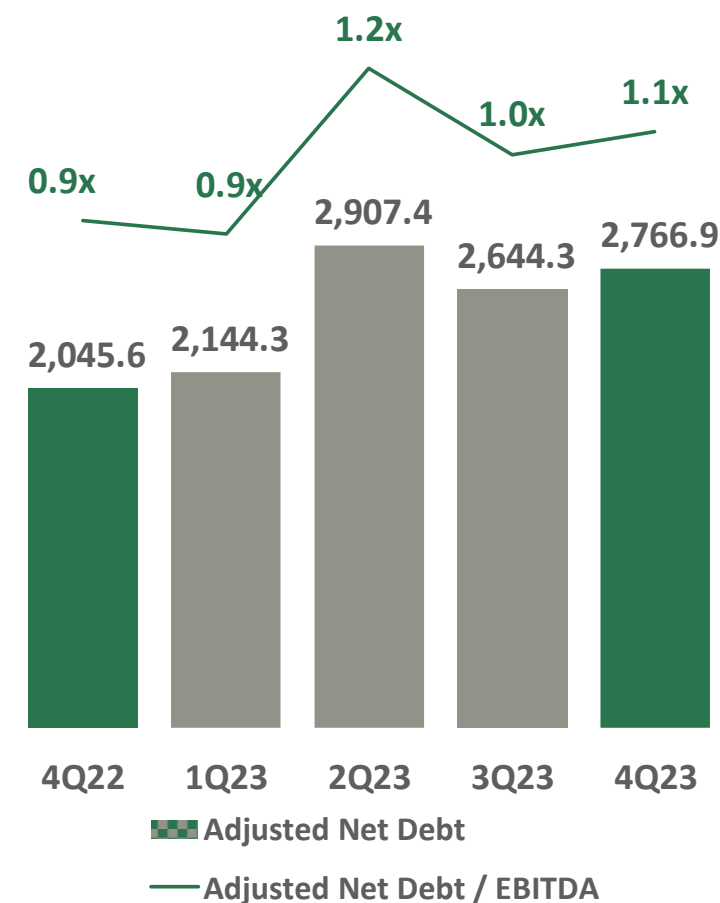
EBITDA reconciliation - R\$ millions	1Q23	2Q23	3Q23	4Q23	2023
<b>Net income</b>	<b>206.4</b>	<b>363.2</b>	<b>296.6</b>	<b>284.7</b>	<b>1,150.8</b>
Income tax	9.8	83.6	48.3	19.7	161.4
Equity equivalence	2.4	0.8	1.9	5.5	10.6
Financial result	159.7	146.5	149.7	94.5	550.5
<b>EBIT</b>	<b>378.4</b>	<b>594.1</b>	<b>496.4</b>	<b>404.4</b>	<b>1,873.3</b>
Depreciation and amortization	188.6	194.6	204.3	212.2	799.7
<b>EBITDA</b>	<b>567.0</b>	<b>788.7</b>	<b>700.7</b>	<b>616.6</b>	<b>2,673.0</b>
Tax effects and other non-recurring from previous years	(6.2)	(21.3)	(49.5)	(46.2)	(123.3)
Asset write-offs	0.9	(2.6)	1.1	38.6	38.0
Social investments and donations	1.3	2.8	2.1	3.5	9.8
Other non-recurring/non-operating effects	-	-	3.7	2.2	5.8
<b>Non-recurring/non-operating expenses</b>	<b>(4.0)</b>	<b>(21.1)</b>	<b>(42.6)</b>	<b>(2.0)</b>	<b>(69.7)</b>
<b>Adjusted EBITDA</b>	<b>563.0</b>	<b>767.6</b>	<b>658.1</b>	<b>614.5</b>	<b>2,603.2</b>

# Free cash flow of R\$ -41.1 MM, with R\$ 721.3 MM in total cash consumption. Financial leverage ratio of 1.1x at the end of the year.

Cash flow (R\$ million)	2023	2022	4Q23	4Q22
<b>Adjusted EBIT</b>	<b>1,803.6</b>	<b>1,561.1</b>	<b>402.3</b>	<b>414.8</b>
NPV adjustment	(185.9)	(132.6)	(49.1)	(46.7)
Non-recurring expenses	69.7	56.6	2.0	(35.0)
Income tax (34%)	(573.7)	(504.9)	(120.8)	(113.3)
Depreciation	797.7	700.2	209.5	183.8
Others	381.4	124.8	421.0	4.3
<b>Resources from operations</b>	<b>2,292.7</b>	<b>1,805.1</b>	<b>865.0</b>	<b>407.9</b>
Cash cycle*	(1,019.5)	(898.1)	(54.8)	93.3
Other assets (liabilities)**	(79.9)	105.7	(292.2)	25.9
<b>Operating cash flow</b>	<b>1,193.3</b>	<b>1,012.8</b>	<b>518.0</b>	<b>527.1</b>
<b>Investments</b>	<b>(1,234.4)</b>	<b>(1,020.6)</b>	<b>(367.0)</b>	<b>(321.1)</b>
<b>Free cash flow</b>	<b>(41.1)</b>	<b>(7.8)</b>	<b>150.9</b>	<b>206.0</b>
M&A and other investments	(72.7)	(209.0)	(31.4)	(90.6)
Interest on equity and dividends	(465.9)	(324.1)	(239.1)	(227.8)
Income tax paid over interest on equity	(27.9)	(30.7)	-	(11.0)
Net financial expenses***	(358.0)	(283.6)	(49.6)	(68.9)
Tax benefit (fin. exp., IoE, dividends)	244.2	202.5	46.5	54.0
<b>Total Cash Flow</b>	<b>(721.3)</b>	<b>(652.7)</b>	<b>(122.7)</b>	<b>(138.3)</b>

## Net debt and financial leverage

R\$ millions, as a ratio of LTM adjusted EBITDA



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



Our share price increased by 23.9% in the year, 1.6 pp above the IBOVESPA, with an ADTV of R\$ 152 MM.

### Stock price appreciation



#### 2023 Performance

- › RADL3: 23.9%
- › IBOVESPA: 22.3%
- › Alpha: +1.6%
- › Average RADL3 Daily Liquidity: R\$ 152 MM

#### Average TSR

- › 22.6% since the Drogasil IPO
- › 20.2% since the Raia IPO
- › 23.3% since the merger (December 31<sup>st</sup> 2011)



## Highlights & Strategy

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# Solid annual financial performance despite lower CMED and mix + DIFAL pressures at 4Bio, with strong comp growth decoupled from peers. Pressure in the 4Q23 to be reverted in the 1Q24.

## Structural growth of operations remains accelerated and decoupled from peers

- › Consolidated revenue growth of 17.4%, with 15.2% in retail and 54.9% for 4Bio;
- › Mature stores sales growth 8.0% with 3.4 pp above the annual CMED readjustment (above inflation for the 4<sup>th</sup> consecutive year);
- › National market share reached 16.1% in the quarter, a 0.9 pp increase with gains in every region. In a quarter with lower market growth, this is a testament to the strength of our execution;
- › 270 stores opened in 2023, a 10% increase, in-line with the year's upgraded guidance;
- › Closed 14 stores in the year, aiming at optimizing the portfolio through sales transfers, elimination of redundant costs, and working capital and fixed assets redeployment. Corrections of expansion mistakes totaled only 0.4% of LTM openings;
- › Expansion with a real IRR, net of cannibalization, consistently of circa 25%, despite the broad geographic and demographic diversification;
- › NPS of 92 in physical stores, with 68 in our digital channels and 81 for deliveries.

## Solid structural financial performance, with retail EBITDA margin expansion

- › 2023 EBITDA margin of 7.2%, a 0.1 pp pressure despite impacts from 4Bio (-0.6 pp), lower CMED (-0.2 pp) and lower 4Q23 sales growth;
- › Retail EBITDA of 7.5%, a 0.1 pp expansion despite the lower CMED and negative the mix effect from digital and Ozempic;
- › Normalized margin pressure of 0.3 pp in the quarter, as a weaker market growth pressured our comps and operating leverage;
- › Strong 1Q24 in the making, with mature store growth of 9.1% in jan+fev/2024\* (positive calendar effect of 1.9 pp due to the leap year);
- › G&A stabilized at 3.6% in the year, slightly higher in the 4Q23 due to atypically lower sales growth in the quarter;
- › Neutral free cash flow (-R\$ 41.1 million), and low financial leverage ratio of 1.1x.

## Our execution is transforming at a rapid pace. Main achievements in 2023:

### Footprint & Expansion

- 270 openings and record IRR ~25%;
- 2,953 pharmacies in 574 cities;
- +3 DCs and 92% of stores supplied daily.

### Digital and Omni Presence

- 16.7% of digital sales in the 4Q23;
- R\$ 5.1 B in sales in 2023 and growth of +57.5%
- 92% of orders delivered in up to 60 min;
- App NPS of 68 and Delivery NPS of 81;
- Digital contribution margin +6.1 pp yoy.

### Healthcare

- 1.9 k pharmacies with Pharmacy Services;
- 304 stores with vaccines, highlight to Herpes Zoster and Dengue;
- 3.5 MM services and 160 k immunizations in 2023.

### Customers and Engagement

- 47.6 MM active customers, with 6.4 MM frequent customers, of which 28% are digitalized;
- Engagement Bonds driving LTV growth;
- Stix reached 4.8 MM active customers and R\$ 200 MM in redeemed points. Livelo doubling our redemptions in the final months of the year.

### Brands & Banners

- Drogasil and Raia are the two leading brands in the pharma retailing in terms of revenues;
- Drogasil has been named by Interbrand as the 14<sup>th</sup> most valuable brand in Brazil;
- RD Brands is among the Top 20 consumer health players in Brazil, with Needs as the 4th largest brand, behind Pampers, Rexona and Dorflex.

### Digital Infrastructure

- IT platform migrated to Microservices and Cloud;
- New features being added 4x faster;
- 5.5x more code releases per year.

### People

- 57.7 k employees (+4.2 k in 2023);
- Internal promotions and 108 hours of training per employee on average;
- Affirmative actions for race, gender, PWDs, LGBTI+, ages 50+ and refugees.

### Sustainability

- CDP (climate change), from B to A-;
- MSCI ESG Ratings, from BBB to A;
- ISE B3, from 76 to 80;
- Top 3 in IDIVERSA.

# Challenges and Opportunities for 2024

## Our Ambition



To become, by 2030, the group that contributes the most towards a healthier Society in Brazil

1 *Healthier People*

2 *Healthier Businesses*

3 *Healthier Planet*

### Accelerate the digitalization of the customer relationship

- › Increase participation of digitalized customers;
- › Improve digital experience and personalization, shortening delivery times;
- › Increase squad productivity and frequency of code releases;
- › Boost loyalty and retain customers through subscriptions, adherence, and loyalty programs, in addition to Stix;
- › Advance with the marketplace, increasing GMV, improving seller engagement and customer experience;
- › Make RD Ads a benchmark in Consumer Health Media, positively impacting consumers' health, well-being and purchase power.

### Opportunities in healthcare

- › Promote the delivery of pharmaceutical and immunization services, which are very relevant engagement bonds;
- › Evolve with the digitalization of health services, including customer access to their health records;
- › Develop complete and integrated health promotion solutions, focused on customers, companies and HC operators;
- › Integrate our investees Vitat and Healthbit (health promotion), Manipulaê, Cuco and Safepill (access and adherence to treatment) and Amplimed and Labi (consultations and exams) with Univers and the health hubs.

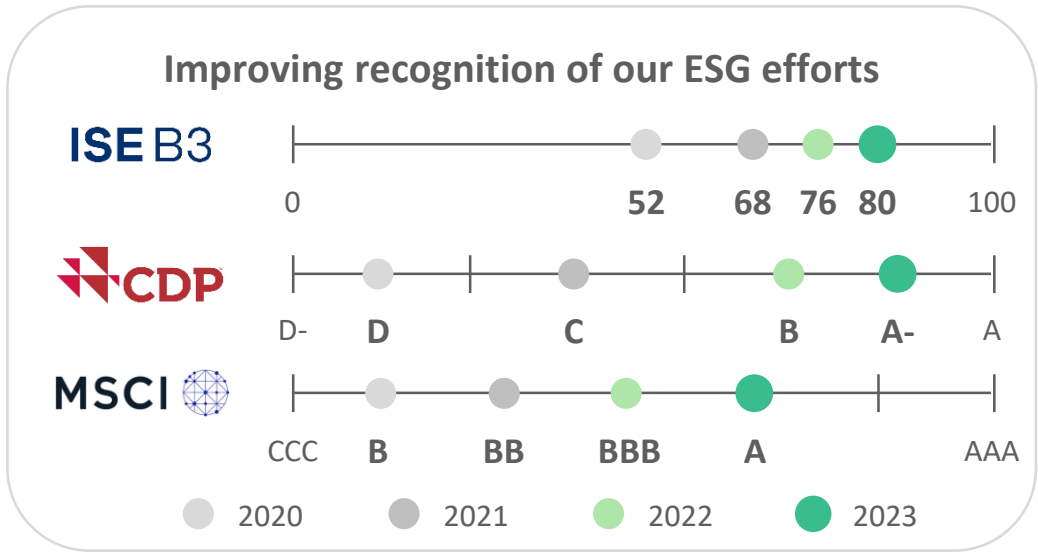
### Maintain accelerated growth, gaining operating leverage and market share

- › Open 280 to 300 new pharmacies per year in 2024 and 2025, maintaining IRR of ~25%;
- › Sustain real mature store growth with operating leverage gains;
- › Increase contribution margin through greater digitalization and customer engagement;
- › Leverage our combined Scale (buying power, infrastructure, media), Efficiency (lowest price, highest profitability) and Investment Capacity (expansion, digitalization, etc.);
- › Benefit from the context of favorable tax changes and still high interest rates that expand our competitive advantage.


### Dilute administrative expenses

- › Progressive dilution of G&A, which stabilized in 2023, maximizing the productivity of investments already made.

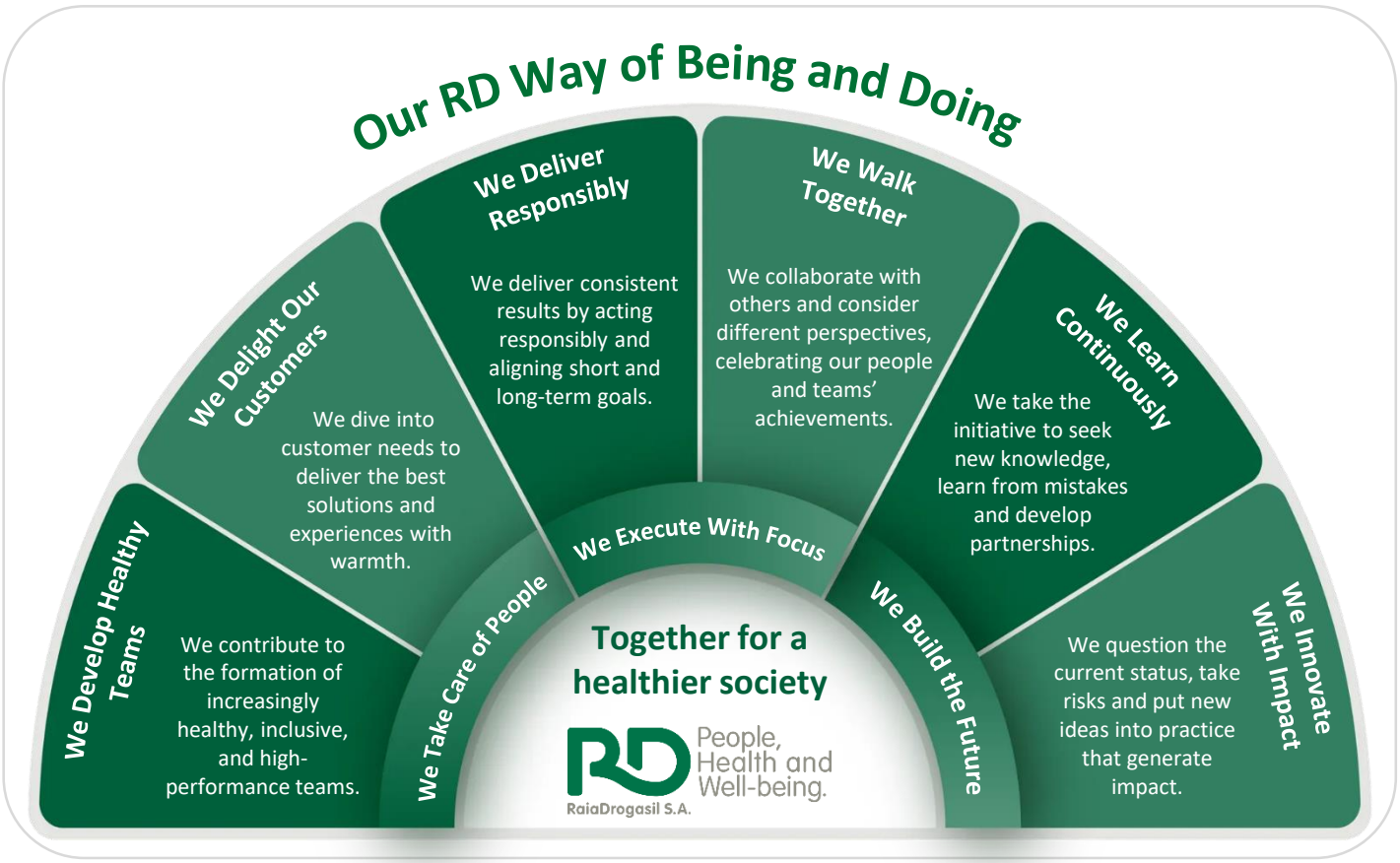
Aligned with our Business Strategy, we established a Sustainability roadmap with clear goals for 2030. We received improved ratings from ISE, CDP and MSCI in 2023.



- Part of **IDIVERSA B3**;
- Ranked Top 3 out of 75 companies;
- Launched in Aug/23, highlighting companies that stand out in terms of diversity.



- GPTW® certification;
- Sample survey by GPTW® with 5k employees.



- **ISO/IEC 27001:2022** Certification (BSI);
- Information Security Certification on Digital Channels (App and Website) and Univers PBM.



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4Q23