



## 1Q16 EARNINGS RELEASE

São Paulo, April 28<sup>th</sup>, 2016. Raia Drogasil S.A. (BM&FBovespa: RADL3) announces today its results for the 1<sup>st</sup> quarter of 2016 (1Q16). The quarterly information of Raia Drogasil S.A. was prepared in accordance to the Accounting Pronouncement 21 – Intermediate Statements as well as the standards issued by the Brazilian Securities and Exchange Commission – CVM and was reviewed by our independent auditors in accordance with Brazilian intermediate statements standards of auditing. Such information was prepared in thousand Reais and all growth rates relate to the same period of 2015.

On October 1<sup>st</sup>, 2015 we concluded the acquisition of 55% of 4Bio. Since the 4Q15, we have reported our consolidated figures. In order to assure the historical comparability, the 2015 results were combined on a pro-forma basis.

### HIGHLIGHTS:

- **Drugstores:** 1,274 stores in operation (39 openings)
- **Gross Revenue:** R\$ 2.6 billion, 26.3% of growth (16.0% retail same-store sales growth)
- **Gross Margin:** 28.7% of gross revenue, a 0.2 percentage point margin increase
- **EBITDA:** R\$ 192.8 million, a 7.3% margin, 0.1 percentage point margin decrease
- **Adjusted Net Income:** R\$ 100.8 million, a 3.8% margin and an increase of 23.8%
- **Cash Flow:** R\$ 161.5 million negative free cash flow, R\$ 156.6 million total cash consumption

Summary	1Q15	2Q15	3Q15	4Q15	1Q16
<i>(R\$ thousand)</i>					
# of Stores Raia Drogasil + 4Bio	1,112	1,145	1,180	1,235	1,274
Store Openings	19	38	37	62	39
Store Closures	(1)	(5)	(2)	(7)	0
# of Stores (average)	1,099	1,126	1,159	1,206	1,250
Headcount	23,851	25,010	25,529	26,520	26,720
Pharmacist Count	3,956	4,230	4,479	4,698	4,963
# of Tickets (000)	38,208	41,115	42,067	43,908	44,145
Gross Revenue	2,090,599	2,323,102	2,436,861	2,574,215	2,641,079
Gross Profit	596,605	702,775	696,319	740,084	756,940
% of Gross Revenues	28.5%	30.3%	28.6%	28.7%	28.7%
EBITDA	153,917	218,910	182,611	188,120	192,839
% of Gross Revenues	7.4%	9.4%	7.5%	7.3%	7.3%
Adjusted Net Income	81,459	119,346	95,463	94,865	100,829
% of Gross Revenues	3.9%	5.1%	3.9%	3.7%	3.8%
Net Income	70,760	108,647	83,999	78,347	90,131
% of Gross Revenues	3.4%	4.7%	3.4%	3.0%	3.4%
Free Cash Flow	(31,083)	38,311	68,239	35,613	(161,451)

RADL3: R\$ 54.98/share

Number of Shares: 330,386,000

Market Cap: R\$ 18,165 million

Closing: April 27<sup>th</sup>, 2016

#### IR Contacts:

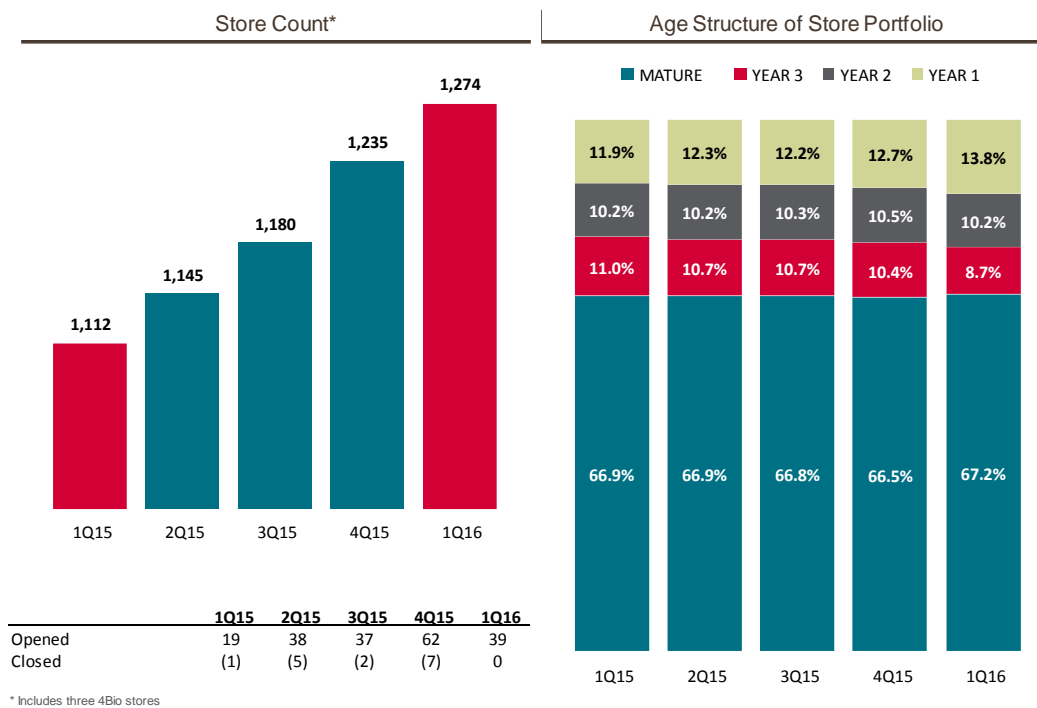
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## STORE DEVELOPMENT

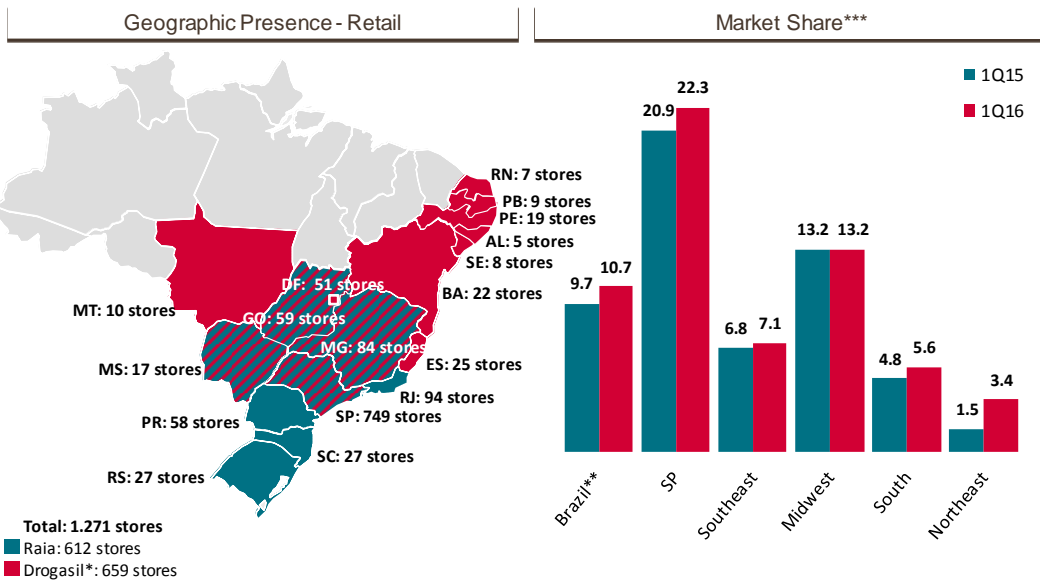


We opened 39 new stores in the 1Q16, ending the quarter with 1,274 stores in operation, including three 4Bio stores. We did not close any stores in the period. Considering the last twelve months, we have opened a total of 176 new stores, a record both for Raia Drogasil and for the Brazilian drugstore market. We reiterate our guidance of 165 gross openings in 2016 and of 195 in 2017.

At the end of the period, 32.8% of our stores were still in the process of maturation, and had not yet reached their full potential in terms of revenue and profitability.

Our average comparable national market share including 4Bio reached 10.7% in the quarter, a 1.0 percentage point pro-forma increase when compared to 2015. Our market share figures were adjusted by IMS Health to exclude new informants, so as to preserve historical comparability. Considering the inclusion of new informants, our national market share totaled 10.5%.

We increased or preserved our market share in every region where we operate. The Northeast was our main highlight, where we recorded a market share of 3.4%, a 1.9 percentage point increase driven by our growth in Bahia as well as by our successful entry in five new states in the region in 2014. We also recorded an outstanding performance in São Paulo, where we reached a market share of 22.3%, a 1.4 percentage point increase, driven by our organic expansion and by the solid performance of our mature stores. In the remaining states of the Southeast, we gained 0.3 percentage point. Finally, in the Southern region, we increased our market share by 0.8 percentage point, driven by store maturation in Paraná, in Santa Catarina and in Rio Grande do Sul. Finally, we maintained a market share of 13.2% in the Midwest, in line with the previous year, since we have not opened any stores in Goiás since 2013.



PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (%)

Source: IMS Health

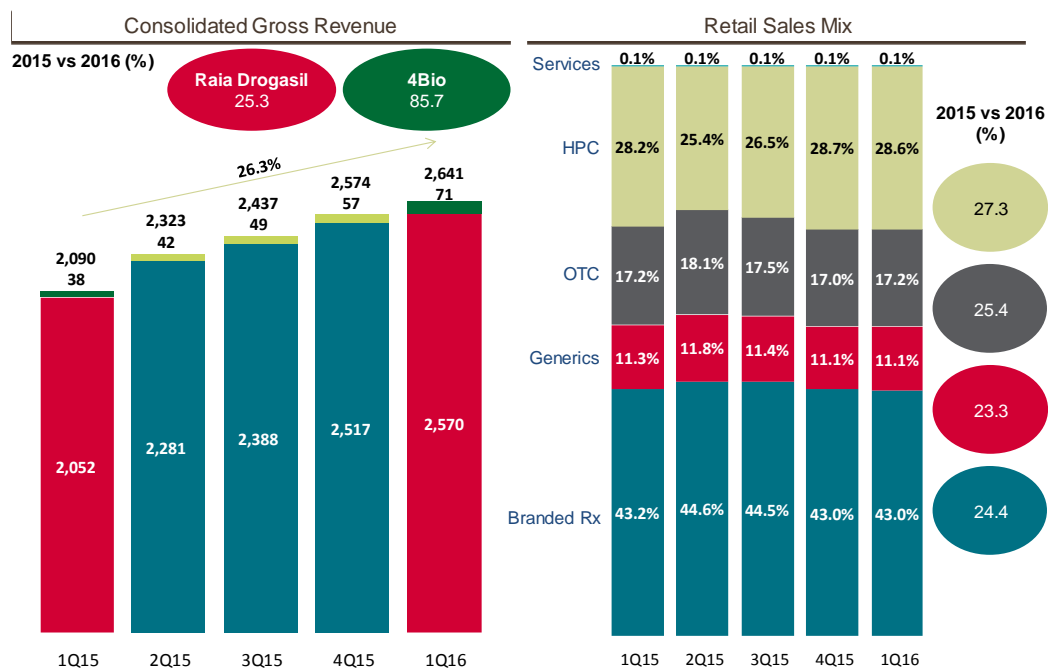
\* Includes Farmasil stores

\*\* 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 10.5%

Region	Brazil**	SP	Southeast	Midwest	South	Northeast
Market Share (%)	100.0	26.6	24.1	8.9	16.4	19.1

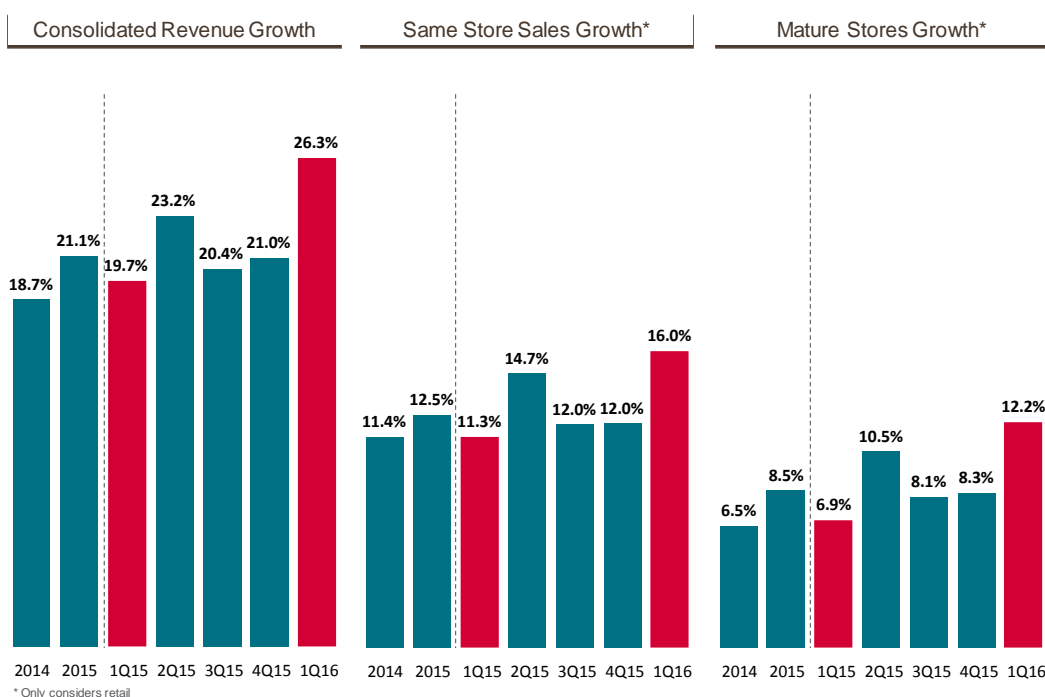
## GROSS REVENUE





In the 1Q16, we recorded the highest growth rate in the merged Company's history. We ended the quarter with gross revenues of R\$ 2,641.1 million, a 26.3% increase over the previous year. Raia Drogasil recorded a growth of 25.3%, while 4Bio grew 85.7% in the period.

HPC was the highlight of the quarter, recording a 27.3% growth, and increased its participation in the sales mix by 0.4 percentage point at the expense of Branded Rx and Generics. OTC grew 25.4% and maintained its participation. Even though Branded Rx and Generics lost participation in the sales mix, they grew by 24.4% and 23.3%, respectively.



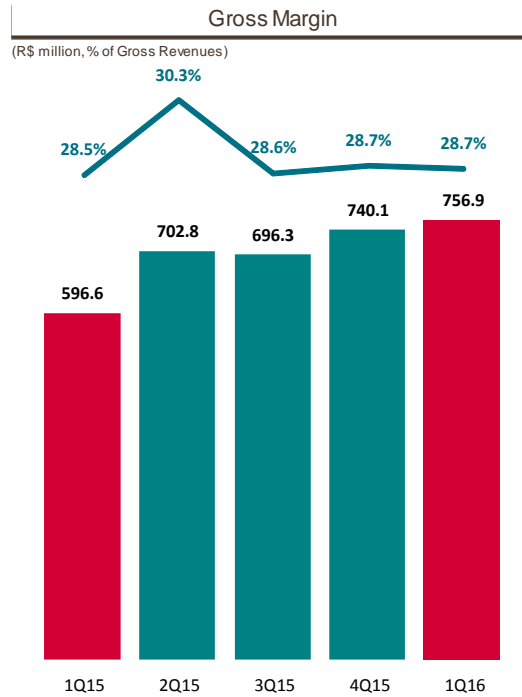
Same store sales at Raia Drogasil increased by 16.0% while our mature stores recorded an increase of 12.2%. Both the Zika virus pandemic and the early flu season, especially as regarding the H1N1 virus, helped boosting our sales in the quarter. Finally, we recorded a positive calendar effect of 0.8% due to the leap year.

The Brazilian pharmaceutical market grew by 14.5% (7.4% in units sold) in the last twelve months ended in March, 2016, according to the IMS Health, a testament to the defensive nature of our market.

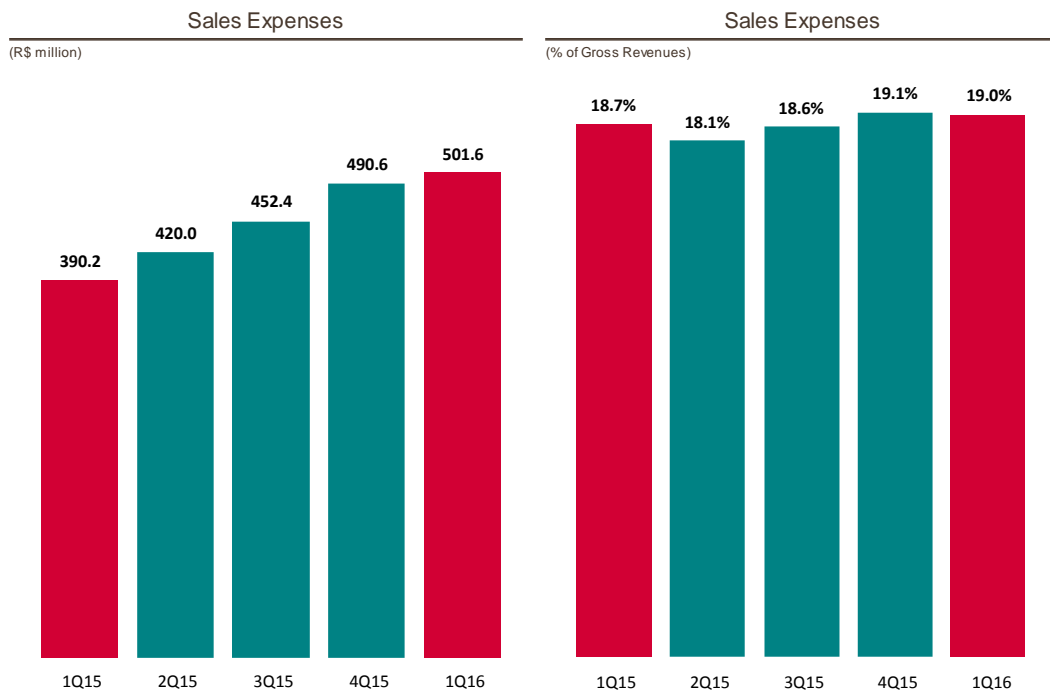
## GROSS PROFIT

Our gross margin reached 28.7%, a 0.2 percentage point increase versus the 1Q15, and remained in line with the 4Q15.

This gross margin expansion was driven by structural improvements in our commercial terms, opportunistic purchases, tactical pricing adjustments and a reduction in inventory losses, which more than offset the lower Net Present Value Adjustment of 0.1 percentage point and 4Bio's negative margin mix effect of 0.1 percentage point, since Specialty Drugs have a lower gross margin than Retail.



## SALES EXPENSES





In the 1Q16, sales expenses totaled R\$ 501.6 million, equivalent to 19.0% of gross revenue, a 0.3 percentage point increase over the same period of the previous year and a 0.1 dilution versus the 4Q15.

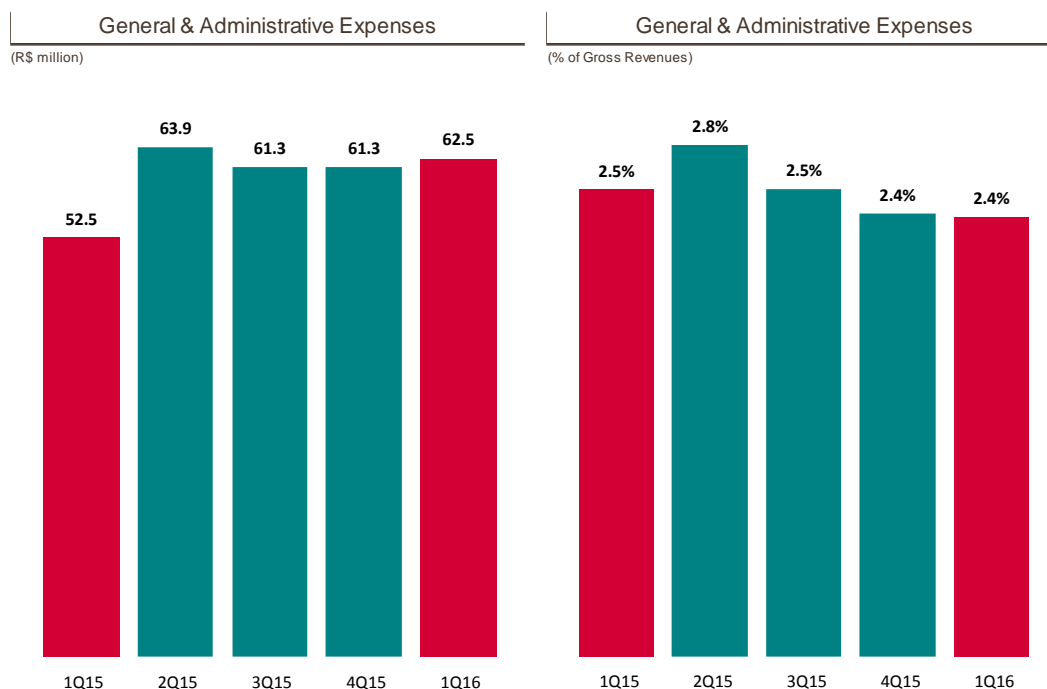
Personnel expenses increased by 0.3 percentage point, while electricity pressured our sales expenses by 0.2 percentage point. Finally, the faster store-opening pace increased pre-operational expenses by 0.2 percentage point in the quarter. These pressures were partially offset by dilutions of 0.2 percentage point in other expenses and of 0.2 percentage point related to 4Bio, which achieved significant operating leverage in the quarter.

Rental expenses remained in line with the same period of the previous year. In the 1Q16, we started a renegotiation process with our property owners that will contribute to maintain or even dilute this expense line in 2016 and especially in 2017, when our results will reflect the full effect of the renegotiation process.

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R\$ 62.5 million in the 1Q16, equivalent to 2.4% of gross revenue, a 0.1 percentage point dilution versus the previous year and in line with the 4Q15.

In spite of significant investments in our structure, especially as regarding Category Management and Human Resources, we have achieved consistent overhead dilution over the years due to our increased operating leverage.







## EBITDA

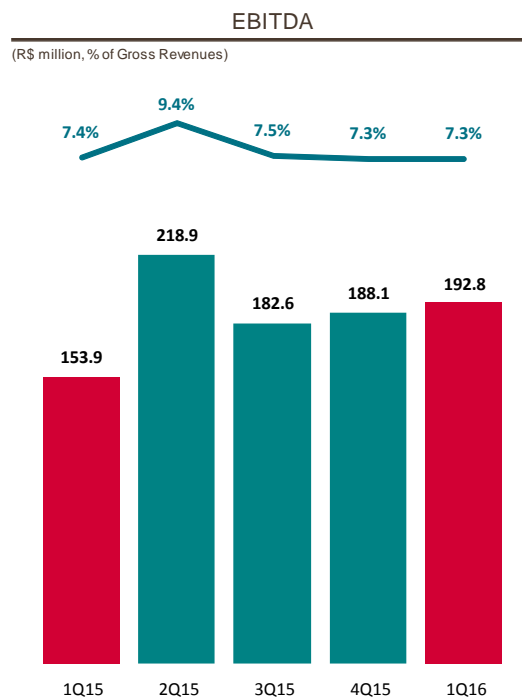
Our EBITDA reached R\$ 192.8 million, a 25.3% increase over the 1Q15. Our EBITDA margin reached 7.3%, a contraction of 0.1 percentage point, and remained in line with the 4Q15 in spite of the unfavorable seasonality of the quarter, since January is a vacation month and February is a shorter month with the Carnival holiday. Our strong growth momentum coupled with the Zika virus epidemic, with the earlier flu season and with the leap year effect, were instrumental in offsetting the negative seasonality of the quarter.

New stores opened in the quarter, as well as those that were in the opening process, reduced the EBITDA by R\$ 14.3 million in the 1Q16. Therefore, considering only the 1,235 stores in operation since the end of 2015 and the full absorption of logistics as well as of general and administrative expenses by such stores, our adjusted EBITDA would have totaled R\$ 207.1 million, equivalent to an EBITDA margin of 7.8% over gross revenue.

Raia Drogasil achieved a retail EBITDA of R\$ 191.1 million, an EBITDA margin of 7.4% in the 1Q16, in line with the previous year. It is important to highlight that the increase in operating expenses was more than offset by an increase in gross margin.

4Bio reached an EBITDA of R\$ 1.8 million in the quarter, an increase of 15.1% over the previous year and an EBITDA margin of 2.5% that represents a 1.5 percentage point pressure. Although it recorded an 85.7% growth in the quarter, its gross margin was penalized by the shift in the sales mix, migrating to Hepatitis C and Oncology categories that have a lower gross margin when compared to the other categories. It is important to highlight that 4Bio has fine-tuned its pricing strategy, and that already in March, the EBITDA margin was materially higher than in the previous two months.

Finally, it is important to highlight that 4Bio is a more capital-efficient business than Raia Drogasil, since its cash cycle is much lower and its Capex is dismal. Therefore, when comparing the EBIT, the margin gap is significantly smaller, since 4Bio recorded a margin of 2.4% versus 5.0% for Raia Drogasil.



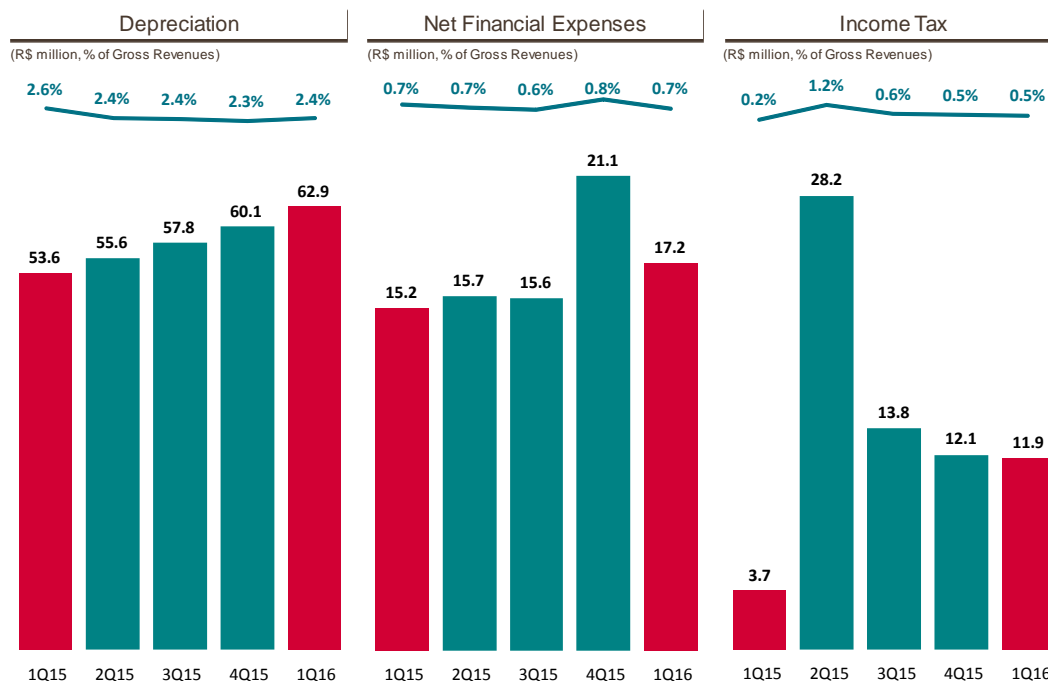


## DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

Depreciation expenses totaled R\$ 62.9 million in the 1Q16, equivalent to 2.4% of gross revenue, a 0.2 percentage point dilution when compared to the same period of the previous year.

Financial expenses represented 0.7% of gross revenue, in line with the previous year. Excluding the NPV Adjustment, the interest accrued on debt amounted to 0.2% of revenue in the 1Q16. Of the R\$ 17.2 million of net financial expenses recorded in the quarter, R\$ 12.3 million refers to the Net Present Value Adjustment, while R\$ 4.9 million refers to net interest accrued.

Finally, we booked R\$ 11.9 million in taxes, equivalent to 0.5% of gross revenue, a 0.3 percentage point increase due to a higher interest on equity payout in the 1Q15.



## ADJUSTED NET INCOME

Adjusted net income totaled R\$ 100.8 million in the quarter, a 23.8% increase over the previous year. We achieved an adjusted net margin of 3.8%, a 0.1 percentage point decrease.

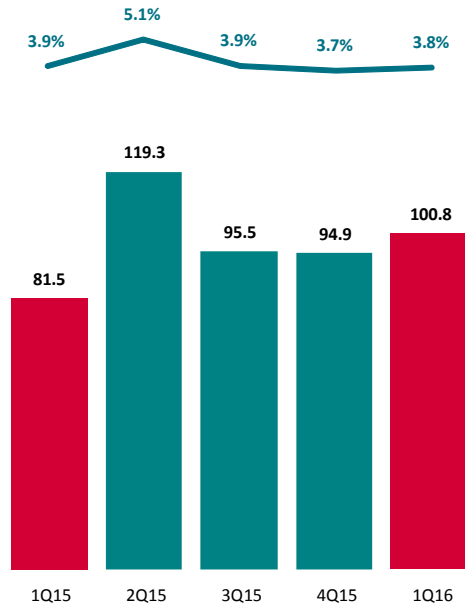
Excluding the benefit from the goodwill amortization, we recorded a reported net income of R\$ 90.1 million, a net margin of 3.4%, which represent a growth of 27.4% compared to the previous year.





## Adjusted Net Income

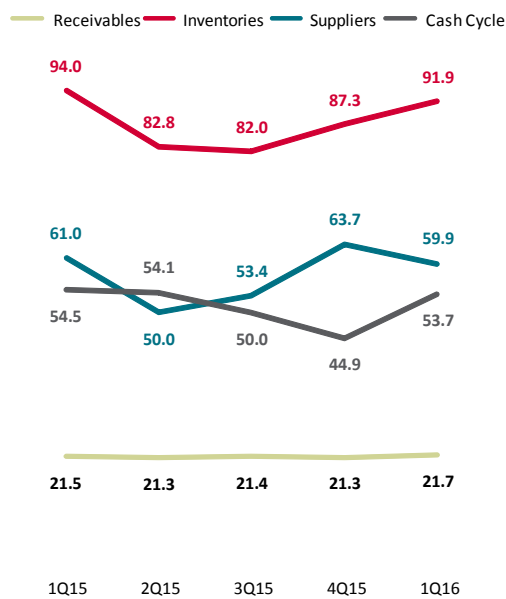
(R\$ million, % of Gross Revenues)



## CASH CYCLE

### Cash Cycle

(COGS Days, Gross Revenues Days)



We achieved a cash cycle reduction of 0.8 day when compared to the same period of the previous year. Despite the aggressive forward buying undertaken in the quarter, inventories decreased by 2.1 days, reflecting the strong acceleration of our revenue growth. Finally, accounts payable decreased by 1.1 day and receivables increased by 0.2 day versus the previous year.

## CASH FLOW

In the 1Q16, we generated a negative free cash flow of R\$ 161.5 million, and a negative total cash flow of R\$ 156.6 million. It is important to highlight that the first quarter always brings an unfavorable cash cycle seasonality, while the fourth quarter has the most favorable seasonality of the year, therefore resulting in a material cash outlay in the first quarter. It is important to mention that the working capital investment in 2015 was very low due to a strong reduction in cash cycle, and that the 2016 level reflects the normalized cash consumption to finance our growth.

<b>Cash Flow</b> <i>(R\$ million)</i>	<b>1Q16</b>	<b>1Q15</b>
<b>Adjusted EBIT</b>	<b>129.9</b>	<b>100.3</b>
Income Tax (34%)	(44.2)	(34.1)
Tax Shield from Goodwill	10.7	10.7
Depreciation	62.9	53.6
Others	(2.6)	(12.8)
<b>Resources from Operations</b>	<b>156.8</b>	<b>117.6</b>
Cash Cycle*	(206.6)	(67.0)
Other Assets (Liabilities)	(12.7)	(22.3)
<b>Operating Cash Flow</b>	<b>(62.5)</b>	<b>28.3</b>
<b>Investments</b>	<b>(98.9)</b>	<b>(59.5)</b>
<b>Free Cash Flow</b>	<b>(161.5)</b>	<b>(31.1)</b>
Interest on Equity	(0.0)	(0.4)
Income Tax Paid over Interest on Equity	-	(4.2)
Net Financial Expenses	(17.2)	(15.2)
Income Tax (Tax benefit over financial expenses and interest on equity)	22.1	26.0
<b>Total Cash Flow</b>	<b>(156.6)</b>	<b>(24.9)</b>

\* Cash cycle includes variation in accounts receivables, inventories and supplier;

\*\* Does not include financing cash flow

Resources from operations amounted to R\$ 156.8 million, equivalent to 5.9% of gross revenue, while we recorded a working capital increase of R\$ 219.3 million, amounting to a negative operating cash flow of R\$ 62.5 million.

Of the R\$ 98.9 million invested in the year, R\$ 59.9 million corresponded to new store openings, R\$ 9.1 million to the renovation of existing stores, and R\$ 29.9 million to investments in infrastructure.



Net financial expenses totaled R\$ 17.2 million in the quarter. These expenses were more than fully offset by the R\$ 22.1 million tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid at a later date.

We accrued R\$ 47.7 million in interest on equity in the 1Q16, reflecting a payout of 52.9%, through the full utilization of the legal interest on equity limit.

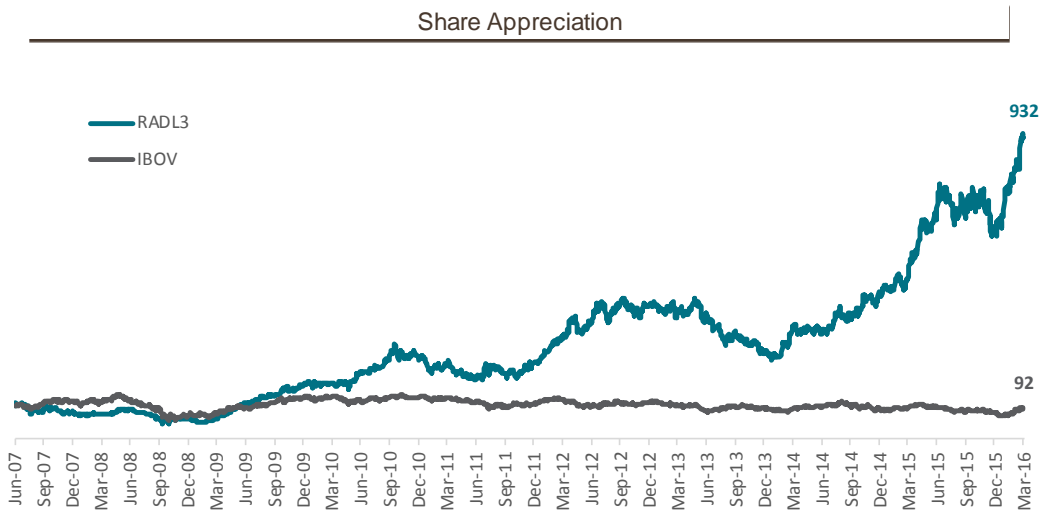
### INDEBTEDNESS

At the end of the quarter, we recorded a net debt position of R\$ 186.9 million, versus a net debt of R\$ 35.3 million recorded in the same period of 2015.

Our gross debt totaled R\$ 293.7 million, of which 98.8% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines and 1.2% corresponds to the bank debt related to 4Bio. Of our total debt, 63.0% is long-term, while 37.0% relates to the short-term parcels of our long-term debt. We ended the quarter with a total cash position (cash and marketable securities) of R\$ 106.8 million.

### TOTAL SHAREHOLDER RETURN

Our share price appreciated by 47.1% in 2016, 31.7 percentage points above the Ibovespa, which gained 15.5%.



Since the IPO of Drogasil, we achieved a cumulative share appreciation of 832.1% versus a negative return of 8.0% of the IBOVESPA. Including the payment of interest on equity, we generated an average annual total return to shareholders of 29.4%. Considering the IPO of Raia in December of 2010, the cumulative return amounted to 398.3% versus a decrease of 26.4% by the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 35.8%.

We recorded an average daily trading volume of R\$ 75.9 million in the quarter.



<b>Adjusted Income Statement</b> <i>(R\$ thousand)</i>	<b>1Q15</b>	<b>1Q16</b>
<b>Gross Revenue</b>	<b>2,090,599</b>	<b>2,641,079</b>
Taxes, Discounts and Returns	(86,153)	(125,652)
<b>Net Revenue</b>	<b>2,004,446</b>	<b>2,515,427</b>
Cost of Goods Sold	(1,407,841)	(1,758,487)
<b>Gross Profit</b>	<b>596,605</b>	<b>756,940</b>
Operational (Expenses) Revenue		
Sales	(390,161)	(501,633)
General and Administrative	(52,527)	(62,468)
Other Operational Expenses, Net	0	0
<b>Operational Expenses</b>	<b>(442,688)</b>	<b>(564,101)</b>
<b>EBITDA</b>	<b>153,917</b>	<b>192,839</b>
Depreciation and Amortization	(53,573)	(62,930)
<b>Operational Earnings before Financial Results</b>	<b>100,344</b>	<b>129,909</b>
Financial Expenses	(29,548)	(42,894)
Financial Revenue	14,330	25,705
<b>Financial Expenses/Revenue</b>	<b>(15,218)</b>	<b>(17,189)</b>
<b>Earnings before Income Tax and Social Charges</b>	<b>85,126</b>	<b>112,720</b>
Income Tax and Social Charges	(3,668)	(11,891)
<b>Net Income</b>	<b>81,459</b>	<b>100,829</b>



## Income Statement

(R\$ thousand)

	1Q15	1Q16
<b>Gross Revenue</b>	<b>2,090,599</b>	<b>2,641,079</b>
Deductions	(86,153)	(125,652)
<b>Net Revenue</b>	<b>2,004,446</b>	<b>2,515,427</b>
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Income Tax and Social Charges	(14,366)	(22,589)
<b>Net Income</b>	<b>70,760</b>	<b>90,131</b>



<b>Assets</b>	<b>1Q15</b>	<b>1Q16</b>
<i>(R\$ thousand)</i>		
<b>Current Assets</b>		
Cash and Cash Equivalents	230,073	106,770
Accounts Receivable	492,897	629,502
Inventories	1,454,149	1,775,777
Taxes Receivable	59,254	79,305
Other Accounts Receivable	112,845	110,901
Income Tax and Social Charges deferred	180	0
Following Fiscal Year Expenses	<u>17,170</u>	<u>19,419</u>
	<u>2,366,568</u>	<u>2,721,674</u>
<b>Non-Current Assets</b>		
Deposit in Court	18,120	23,230
Taxes Receivable	20,241	23,861
Other Credits	2,114	2,290
Property, Plant and Equipment	665,690	835,302
Intangible	<u>1,119,448</u>	<u>1,169,021</u>
	<u>1,825,613</u>	<u>2,053,704</u>
<b>ASSETS</b>	<u>4,192,181</u>	<u>4,775,378</u>





## Liabilities and Shareholder's Equity

(R\$ thousand)

	<u>1Q15</u>	<u>1Q16</u>
Current		
Suppliers	943,256	1,157,077
Loans and Financing	95,417	108,675
Salaries and Social Charges Payable	142,959	164,597
Taxes Payable	46,120	79,309
Dividend and Interest on Equity	55,948	113,695
Provision for Lawsuits	4,205	1,690
Other Accounts Payable	<u>88,907</u>	<u>95,867</u>
	<u>1,376,812</u>	<u>1,720,910</u>
Non-Current Assets		
Loans and Financing	169,937	185,015
Provision for Lawsuits	3,718	3,120
Income Tax and Social Charges deferred	140,038	175,072
Other Accounts Payable	<u>3,916</u>	<u>35,781</u>
	<u>317,609</u>	<u>398,988</u>
Shareholder's Equity		
Common Stock	909,407	1,808,639
Capital Reserves	1,020,249	133,262
Revaluation Reserve	12,708	12,523
Income Reserves	475,420	665,820
Accrued Income	39,645	42,347
Equity Adjustments	0	(30,230)
Non Controller Interest	0	23,119
Additional Dividend Proposed	<u>40,331</u>	<u>0</u>
	<u>2,497,760</u>	<u>2,655,480</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>4,192,181</b></u>	<u><b>4,775,378</b></u>

<b>Cash Flow</b>	<b>1Q15</b>	<b>1Q16</b>
<b>Earnings before Income Tax and Social Charges</b>	<b>85,127</b>	<b>112,720</b>
<b>Adjustments</b>		
Depreciation and Amortization	53,573	62,930
Compensation plan with restricted shares, net	457	1,920
Interest over additional stock option	0	1,467
P,P&E and Intangible Assets residual value	100	163
Provisioned Lawsuits	(1,601)	153
Provisioned Inventories Loss	(261)	(3,596)
Allowance for Doubtful Accounts	(128)	651
Provisioned Store Closures	(332)	0
Interest Expenses	7,577	9,279
	<b>144,512</b>	<b>185,687</b>
<b>Assets and Liabilities variation</b>		
Accounts Receivable	(15,123)	(40,899)
Inventories	(102,917)	(121,728)
Other Short Term Assets	(27,025)	(29,477)
Long Term Assets	(7,106)	(5,120)
Suppliers	51,034	(43,959)
Salaries and Social Charges	324	(811)
Taxes Payable	10,357	17,167
Other Liabilities	40	4,444
Rent Payable	1,119	1,094
<b>Cash from Operations</b>	<b>55,215</b>	<b>(33,602)</b>
Interest Paid	(5,601)	(5,373)
Income Tax and Social Charges Paid	(12,639)	(14,768)
<b>Net Cash from (invested) Operational Activities</b>	<b>36,975</b>	<b>(53,743)</b>
<b>Investment Activities Cash Flow</b>		
P,P&E and Intangible Acquisitions	(59,791)	(98,929)
P,P&E Sale Payments	333	0
<b>Net Cash from Investment Activities</b>	<b>(59,458)</b>	<b>(98,929)</b>
<b>Financing Activities Cash Flow</b>		
Funding	4,305	37,320
Payments	(32,814)	(43,923)
Interest on Equity and Dividends Paid	(403)	(6)
<b>Net Cash from Funding Activities</b>	<b>(28,912)</b>	<b>(6,609)</b>
<b>Cash and Cash Equivalents net increase</b>	<b>(51,395)</b>	<b>(159,281)</b>
<b>Cash and Cash Equivalents in the beginning of the period</b>	<b>281,468</b>	<b>266,051</b>
<b>Cash and Cash Equivalents in the end of the period</b>	<b>230,073</b>	<b>106,770</b>



## 1Q16 Results Conference Calls – April 29<sup>th</sup>, 2016

### Portuguese

at 10:00 am (Brasília)

Dial in access:  
+55 (11) 2188-0155  
Conference ID: Raia Drogasil

Replay (available for 7 days):  
+55 (11) 2188-0400

### English

at 12:00 pm (Brasília)

Dial in access:  
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Replay (available for 7 days):  
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Live broadcast through the internet at: [www.raiadrogasil.com.br/ir](http://www.raiadrogasil.com.br/ir)

For more information, please contact our Investor Relations department.

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