

## Earnings Presentation – 3Q16

October 28<sup>th</sup>, 2016



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Although the Company believes that the expectations and assumptions reflected in the forward-looking statements are reasonable based on information currently available to the Company’s management, the Company cannot guarantee future results or events. The Company expressly disclaims a duty to update any of the forward looking-statements.



- **Drugstores:** 1,370 stores in operation, 53 openings and 13 closures (5 location changes)
- **Gross Revenue:** R\$ 3.1 billion, 25.2% of growth (13.5% retail same-store sales growth)
- **Gross Margin:** 29.5% of gross revenue, a 0.9 percentage point margin increase
- **EBITDA:** R\$ 254.0 million, a 8.3% margin, 0.8 percentage point margin increase
- **Adjusted Net Income:** R\$ 127.6 million, a 4.2% margin and an increase of 33.1%
- **Cash Flow:** R\$ 172.5 million positive free cash flow, R\$ 162.4 million total cash consumption

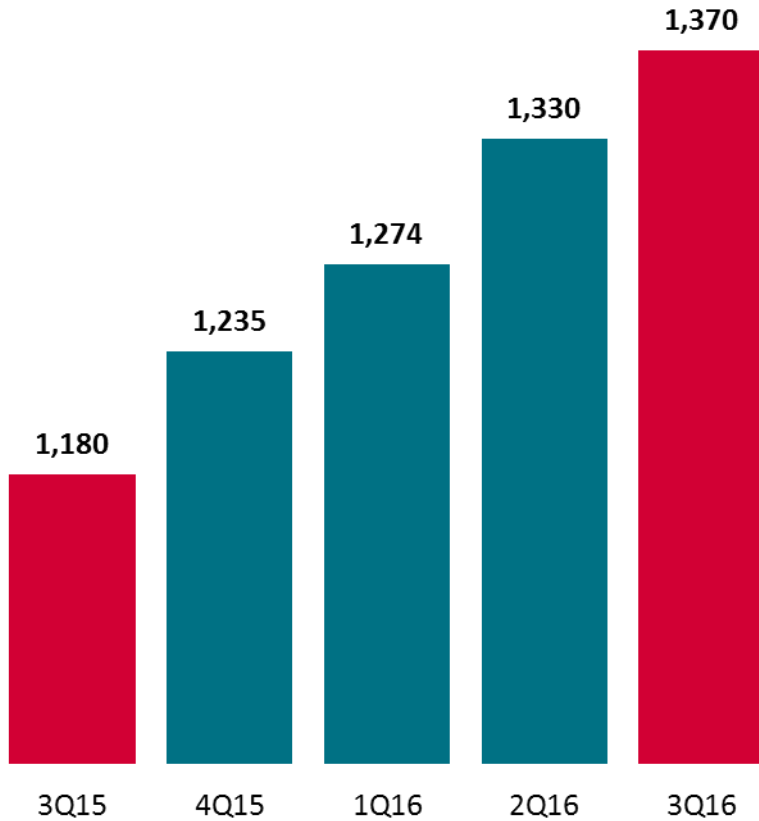




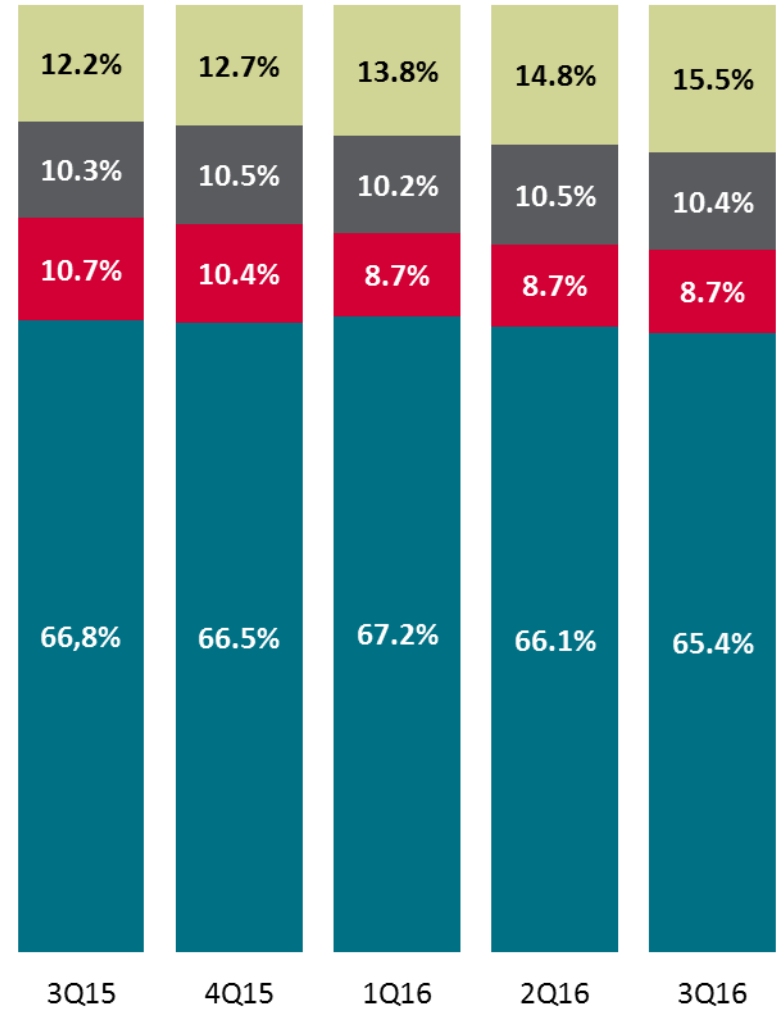
We opened 53 stores in the 3Q16, 150 stores YTD and 212 stores in the LTM. Maturing stores represent 34.6% of the base, with 15.5% still in year one.

Store Count\*

Age Structure of Store Portfolio



MATURE YEAR 3 YEAR 2 YEAR 1



	3Q15	4Q15	1Q16	2Q16	3Q16
Opened	37	62	39	58	53
Closed	(2)	(7)	0	(2)	(13)

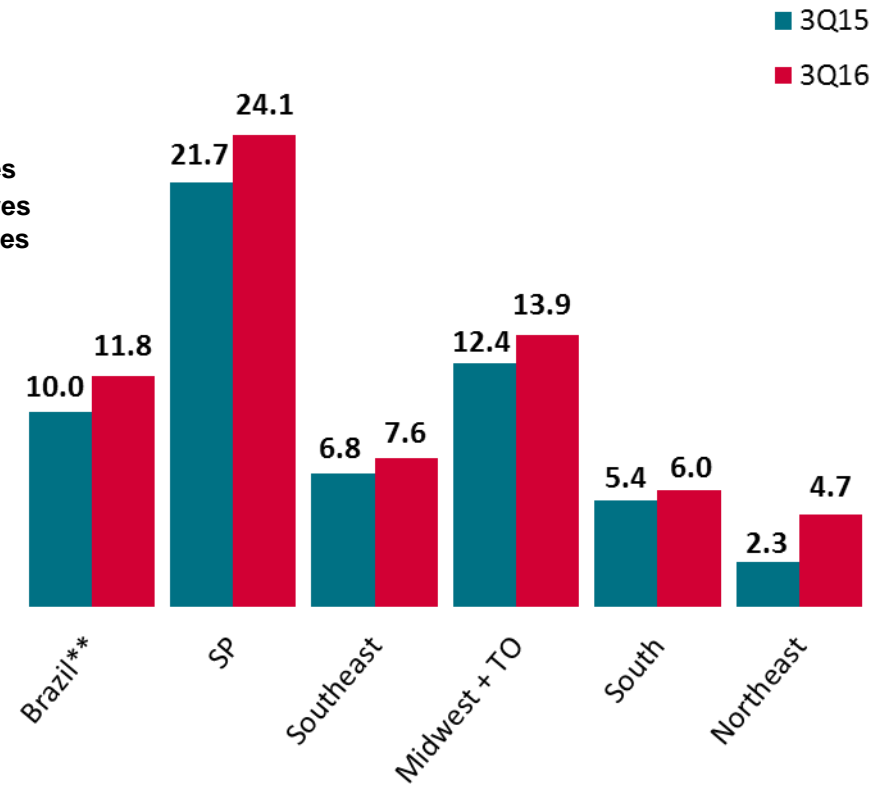
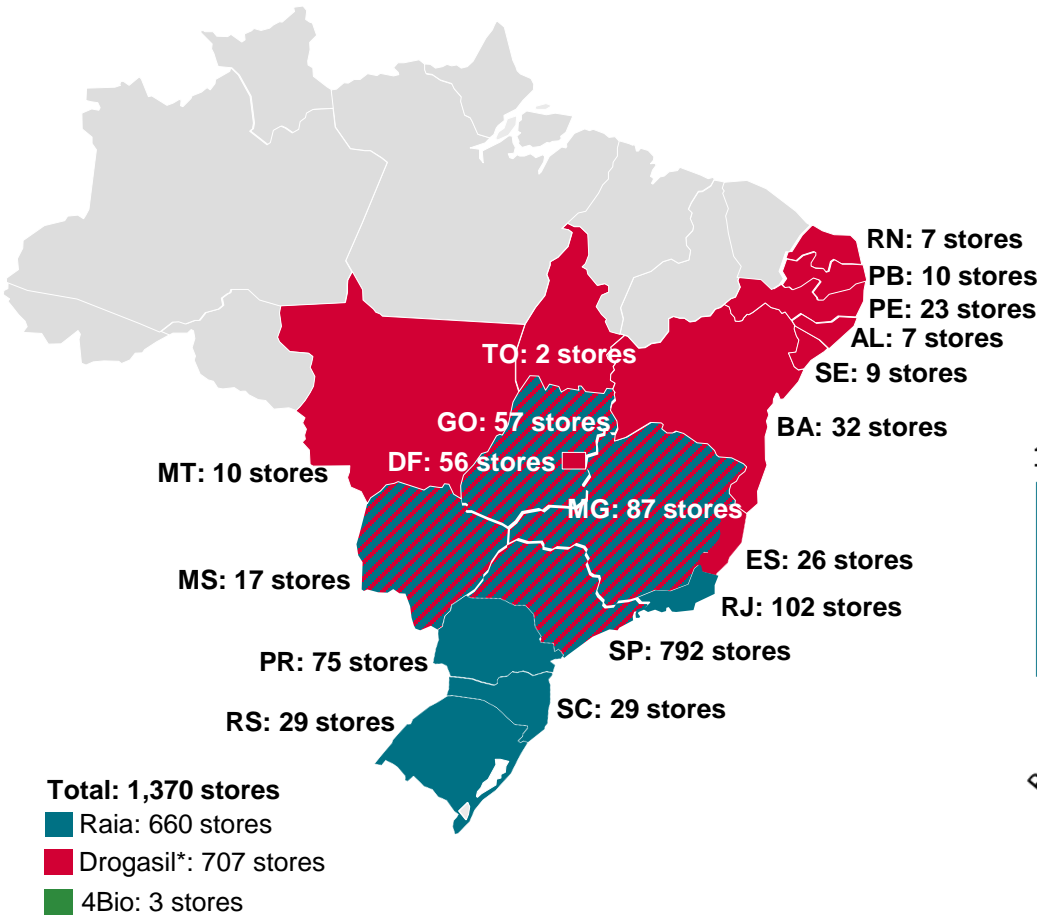
\* Includes three 4Bio stores



We gained market share in all regions and reached 11.8% of comparable market share in Brazil, a 1.8 percentage point increase versus the previous year.

### Geographic Presence

### Market Share\*\*\*



### PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (%)

	Brazil**	SP	Southeast	Midwest + TO	South	Northeast
	100.0	26.6	24.4	9.4	16.2	18.8

Source: IMS Health

\* Includes Farmasil stores

\*\* Includes 4Bio only for Brazil

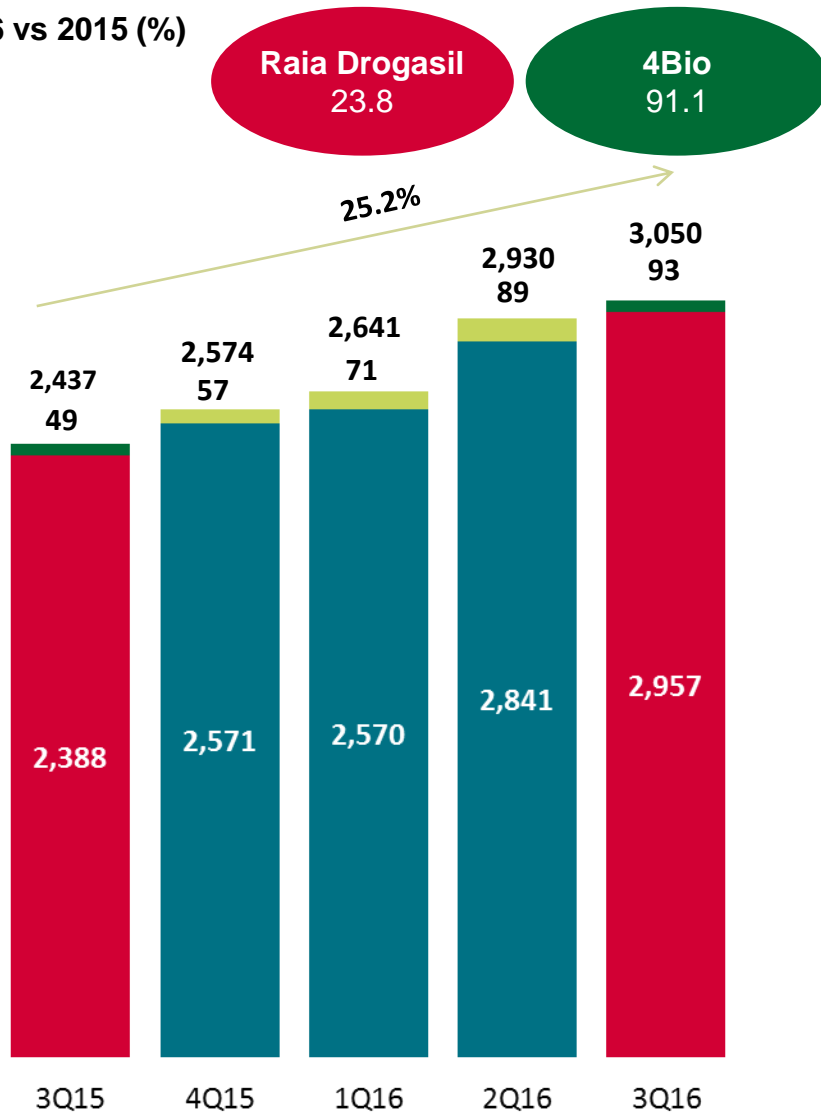
\*\*\* Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 11.4%

Gross revenues grew by 25.2% (23.8% for retail and 91.1% for 4Bio). OTC was the highlight (+ 0.4 p.p. in the sales mix), while HPC was penalized by the colder weather (- 1.0 p.p.).

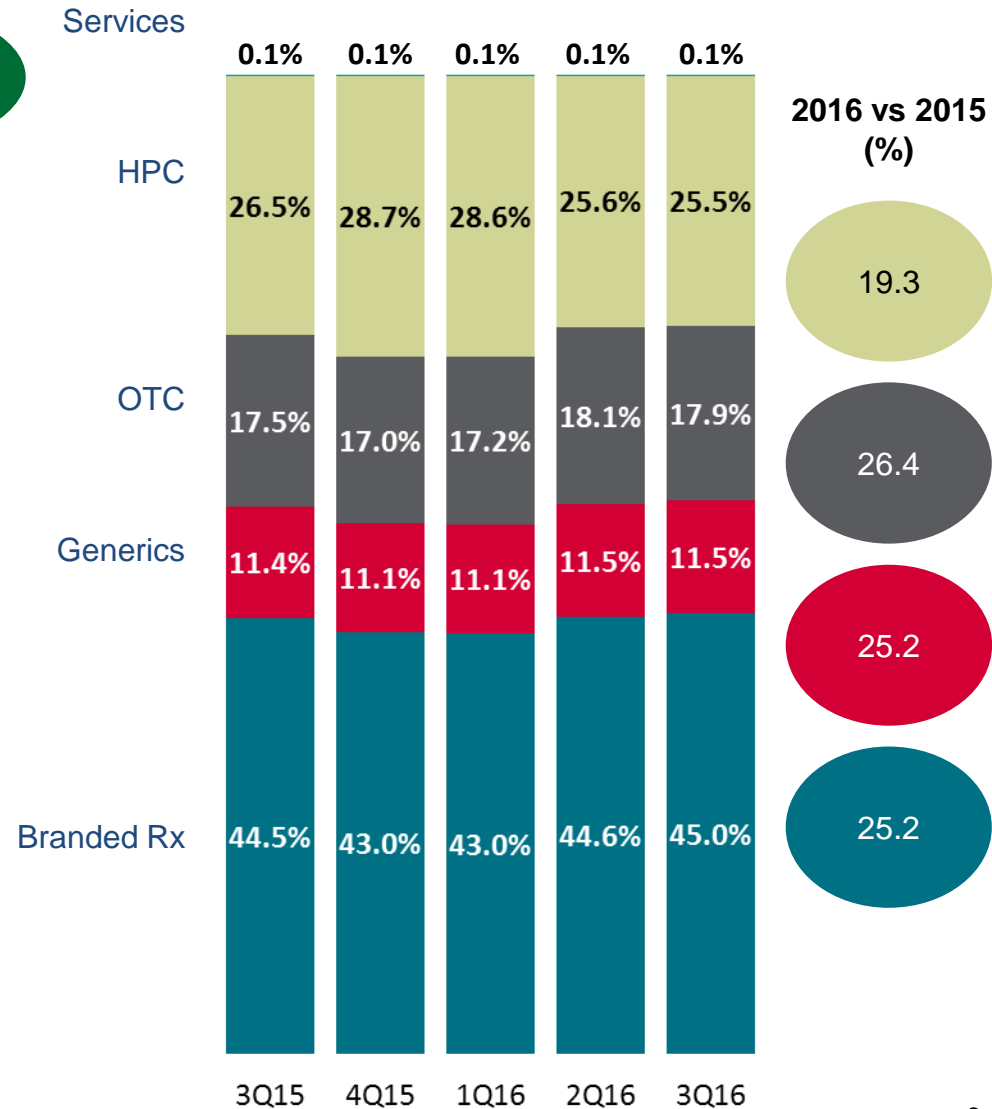


### Consolidated Gross Revenue

2016 vs 2015 (%)



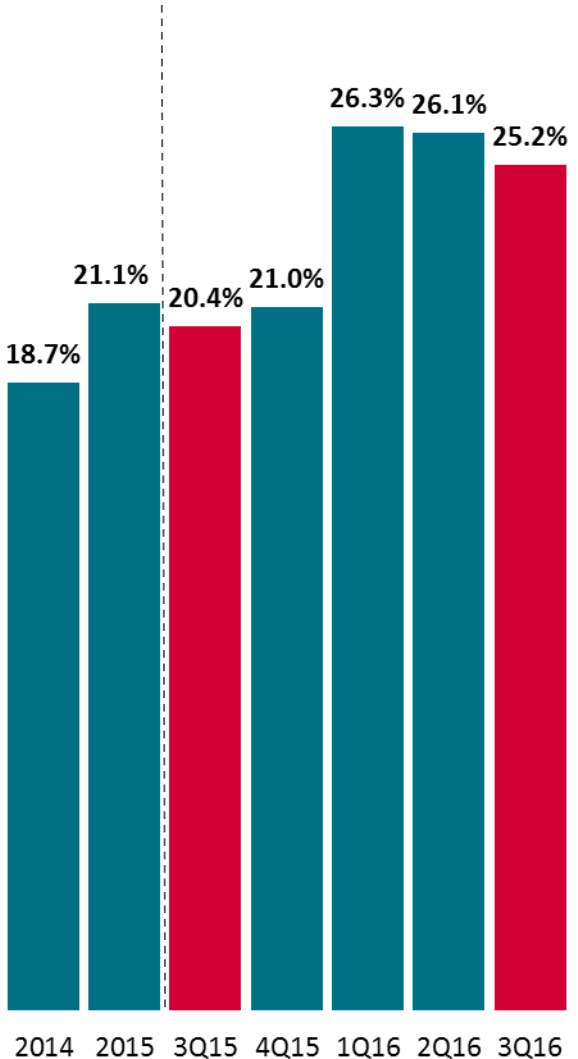
### Retail Sales Mix



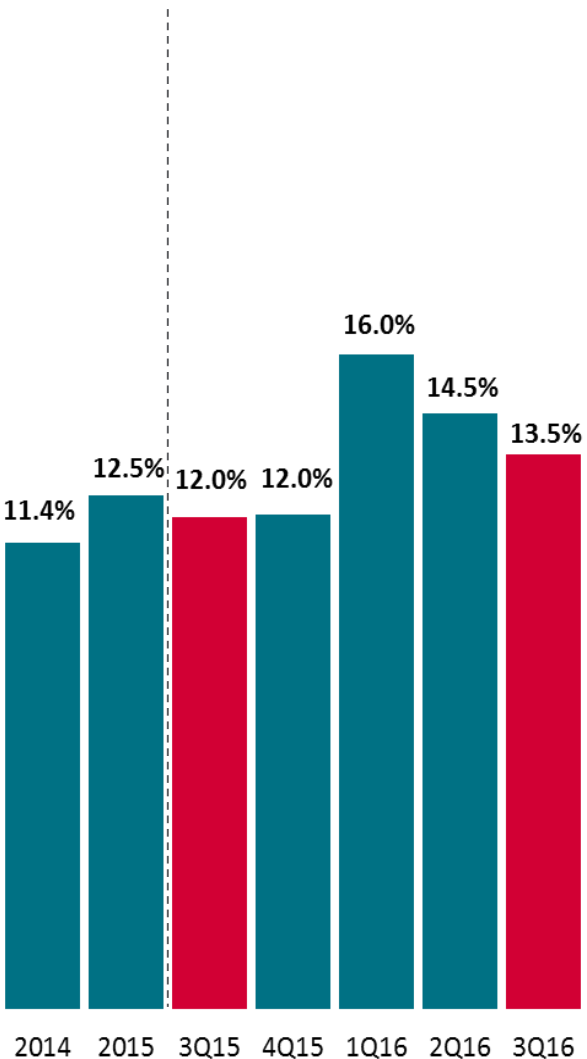
We recorded a revenue growth of 8.9% for mature stores and of 13.5% for same-store sales. Total revenue growth was penalized in approximately 1.3% by the *Rio 2016 Olympics*.



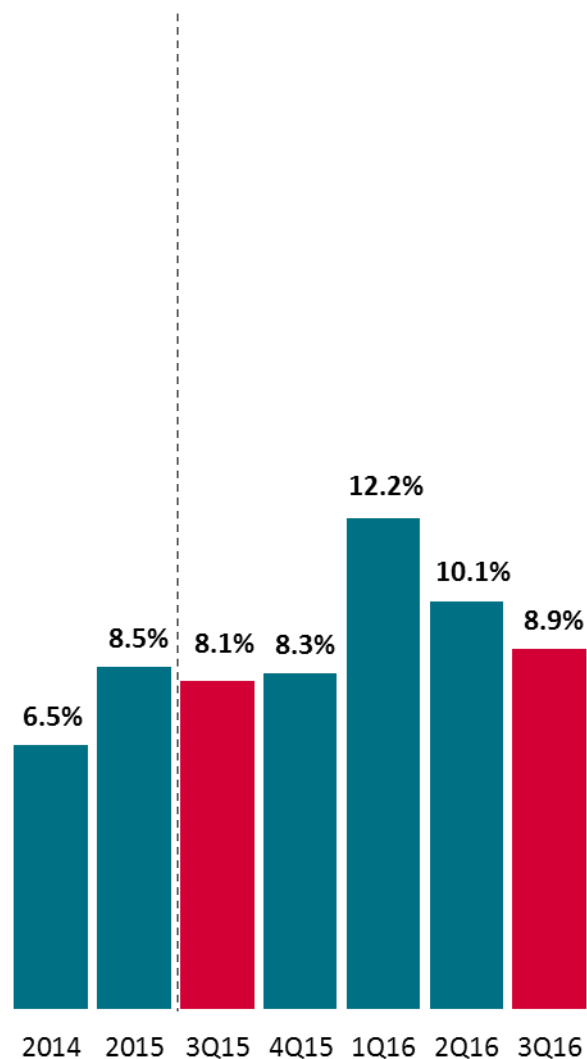
Consolidated Revenue Growth



Same Store Sales Growth\*



Mature Stores Growth\*



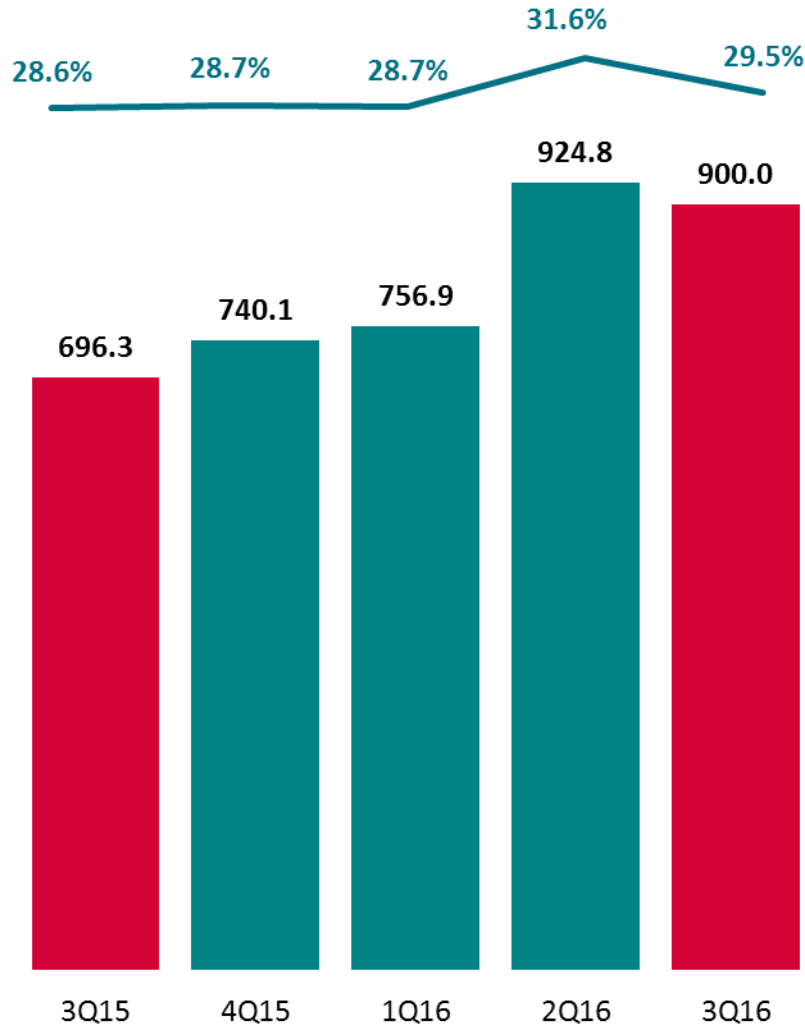
\* Only considers retail



Gross margin increased 0.9 pp due to forward buying gains, while a higher NPV adjustment was offset by the 4Bio negative mix effect. Cash cycle remained in line with the 3Q15.

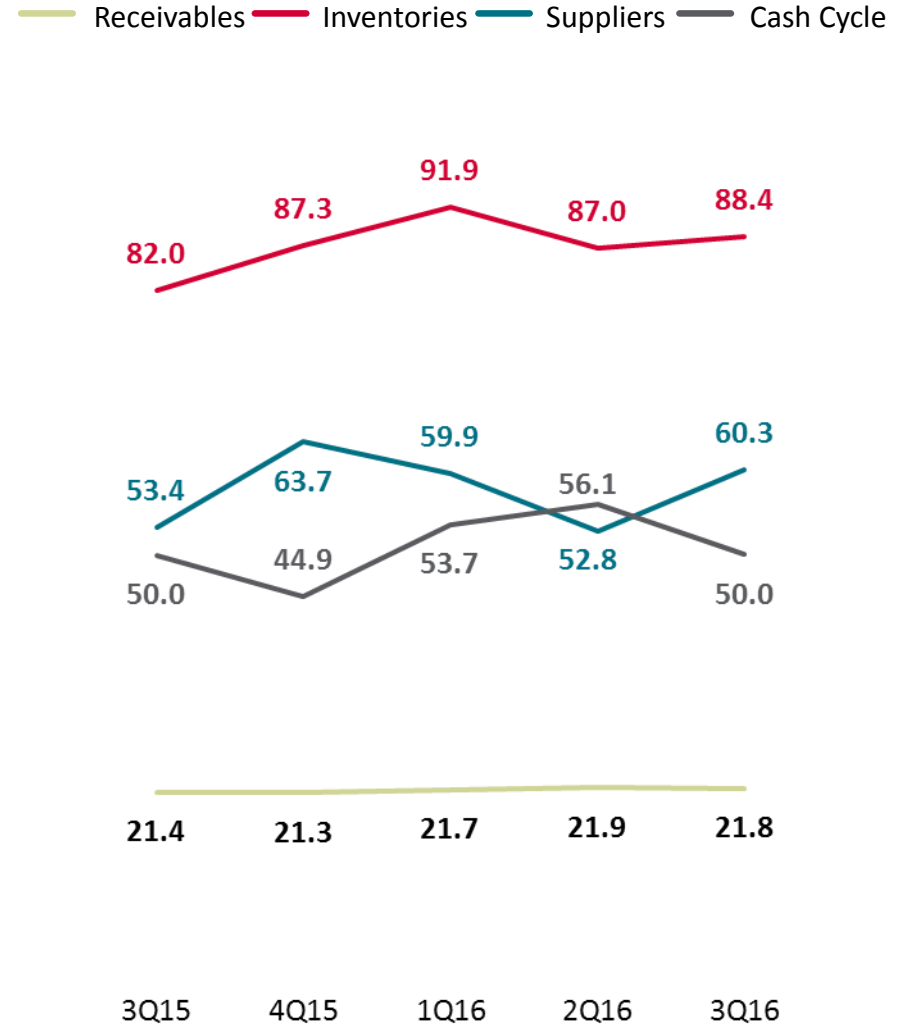
### Gross Margin

(R\$ million, % of Gross Revenues)



### Cash Cycle

(COGS Days, Gross Revenues Days)C



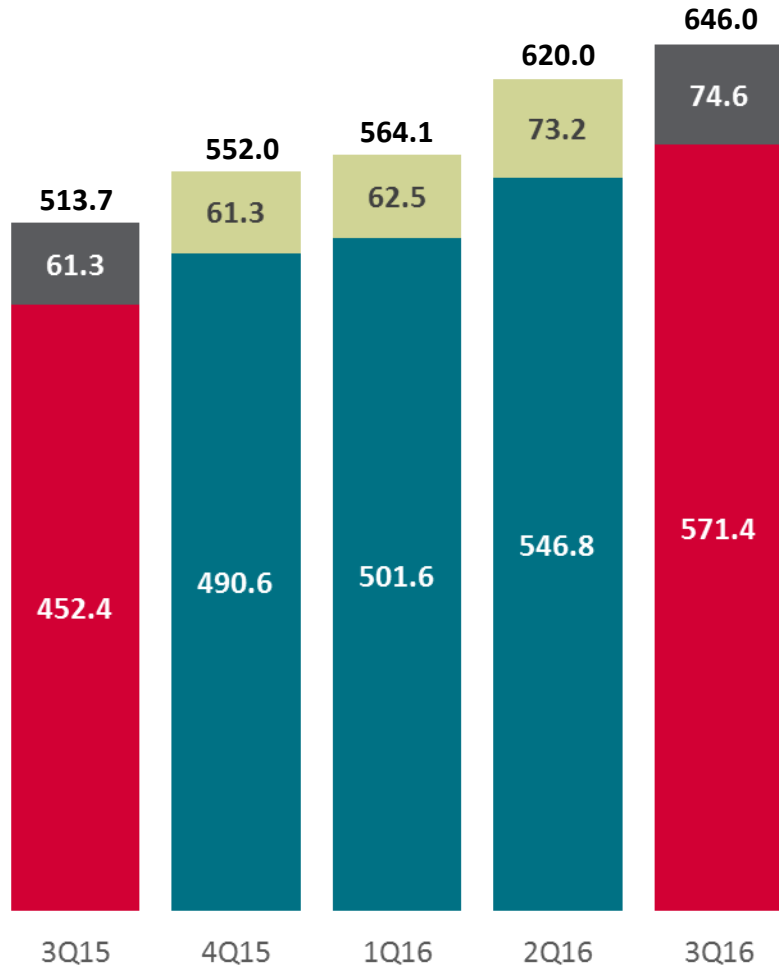




SG&A increased by 0.1 p.p., with higher personnel (0.2 p.p.), marketing (0.1 p.p.) and rentals (0.1 p.p.) expenses and partially offset by a lower pressure from new stores, G&A and 4Bio.

### Sales, General & Administrative Expenses

(R\$ million)



### Sales, General & Administrative Expenses

(% of Gross Revenues)



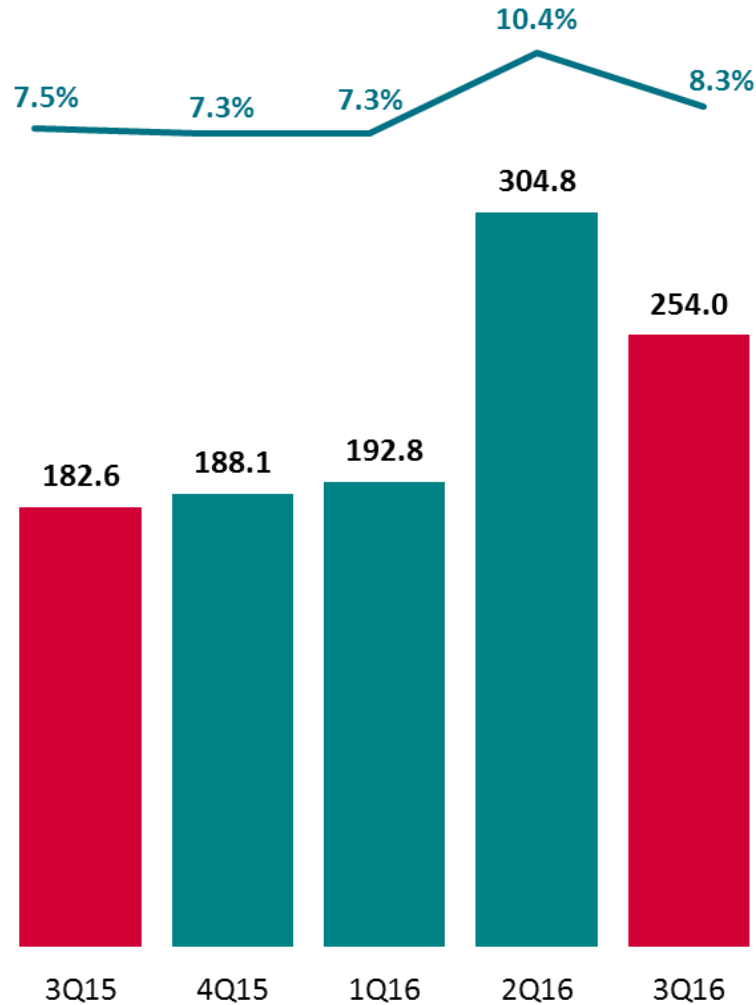
■ Sales Expenses ■ General & Administrative Expenses



The consolidated EBITDA totaled R\$ 254.0 MM, an 8.3% margin. EBITDA margin of 8.4% for Raia Drogasil and of 4.8% for 4Bio. New stores penalized the consolidated EBITDA by R\$ 6.3 MM.

## EBITDA

(R\$ million, % of Gross Revenues)



### 1,220 stores operating since 2015: *(performance in the 3Q16)*

- R\$ 2.9 billion of Gross Revenues
- R\$ 260.3 million of EBITDA
- EBITDA margin of 9.0%

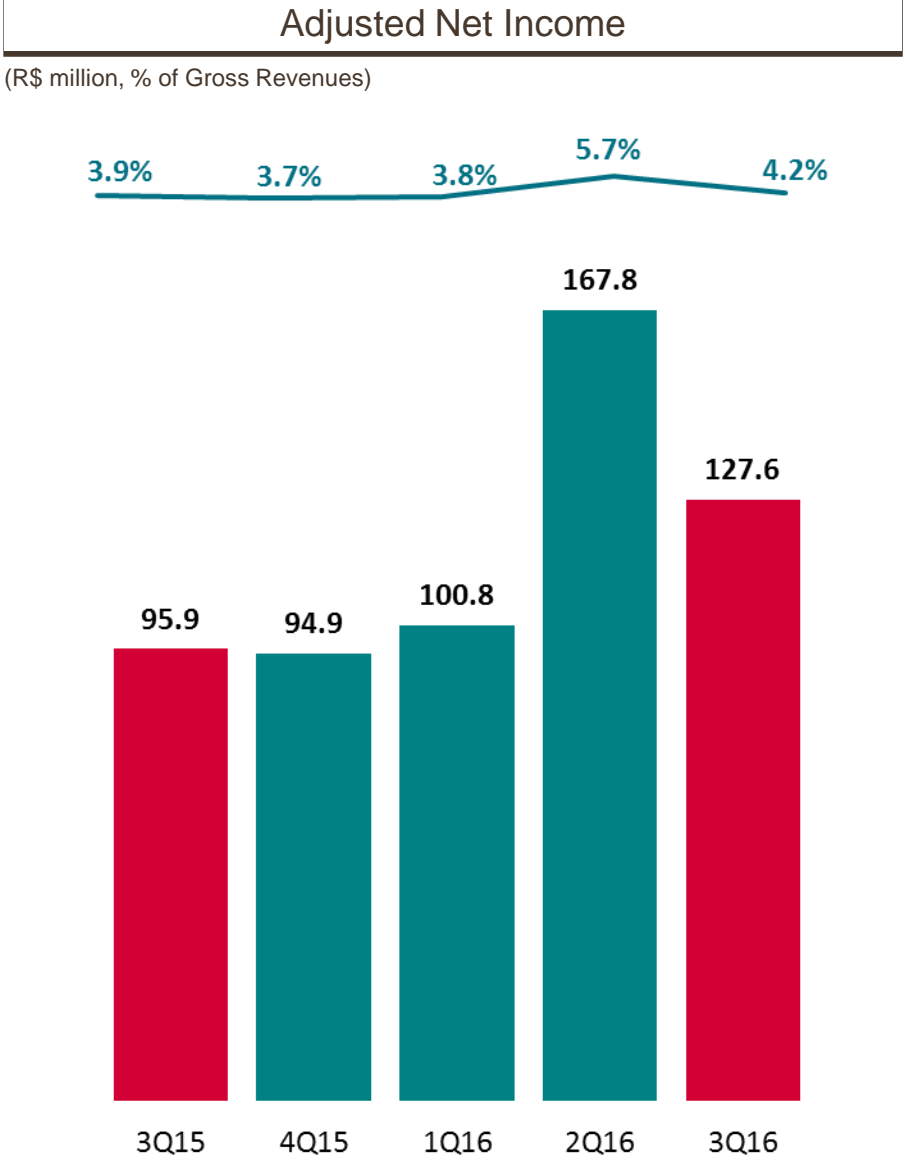
### Raia Drogasil

- R\$ 249.5 million of EBITDA
- EBITDA margin of 8.4%
- EBIT margin of 6.1%

### 4Bio

- R\$ 4.5 million of EBITDA
- EBITDA margin of 4.8%
- EBIT margin of 4.7%

We reached an adjusted net income of R\$ 127.6 MM in the 3Q16, an increase of 33.1%. Reported net income grew 39.2% vs previous year.



**Positive Free Cash Flow of R\$ 172.5 MM and Total Cash Flow of R\$ 162.4 MM in the 3Q16 driven by the favorable cash cycle in the quarter. Positive YTD free cash flow of R\$ 9.4 MM.**



<b>Cash Flow</b> <i>(R\$ million)</i>	<b>3Q16</b>	<b>3Q15</b>	<b>9M16</b>	<b>9M15</b>
<b>Adjusted EBIT</b>	<b>183.5</b>	<b>124.9</b>	<b>551.6</b>	<b>388.4</b>
Income Tax (34%)	(62.4)	(42.1)	(187.5)	(131.7)
Tax Shield from Goodwill Amortization	10.7	10.7	32.1	32.1
Depreciation	70.5	57.7	200.0	167.0
Others	(0.0)	(9.3)	17.4	(8.8)
<b>Resources from Operations</b>	<b>202.3</b>	<b>140.9</b>	<b>613.6</b>	<b>447.1</b>
Cash Cycle*	82.1	13.3	(288.0)	(145.0)
Other Assets (Liabilities)	31.7	12.6	38.2	18.3
<b>Operating Cash Flow</b>	<b>316.1</b>	<b>166.8</b>	<b>363.8</b>	<b>320.3</b>
<b>Investments</b>	<b>(143.7)</b>	<b>(98.6)</b>	<b>(354.4)</b>	<b>(244.4)</b>
<b>Free Cash Flow</b>	<b>172.5</b>	<b>68.2</b>	<b>9.4</b>	<b>74.9</b>
Interest on Equity	(0.0)	(0.0)	(71.5)	(64.0)
Income Tax Paid over Interest on Equity	(6.6)	(5.0)	(13.3)	(13.8)
Net Financial Expenses	(30.6)	(15.7)	(72.4)	(46.7)
Income Tax (Tax benefit over financial expenses and interest on equity)	27.1	18.7	73.8	62.1
<b>Total Cash Flow</b>	<b>162.4</b>	<b>66.1</b>	<b>(73.9)</b>	<b>12.5</b>

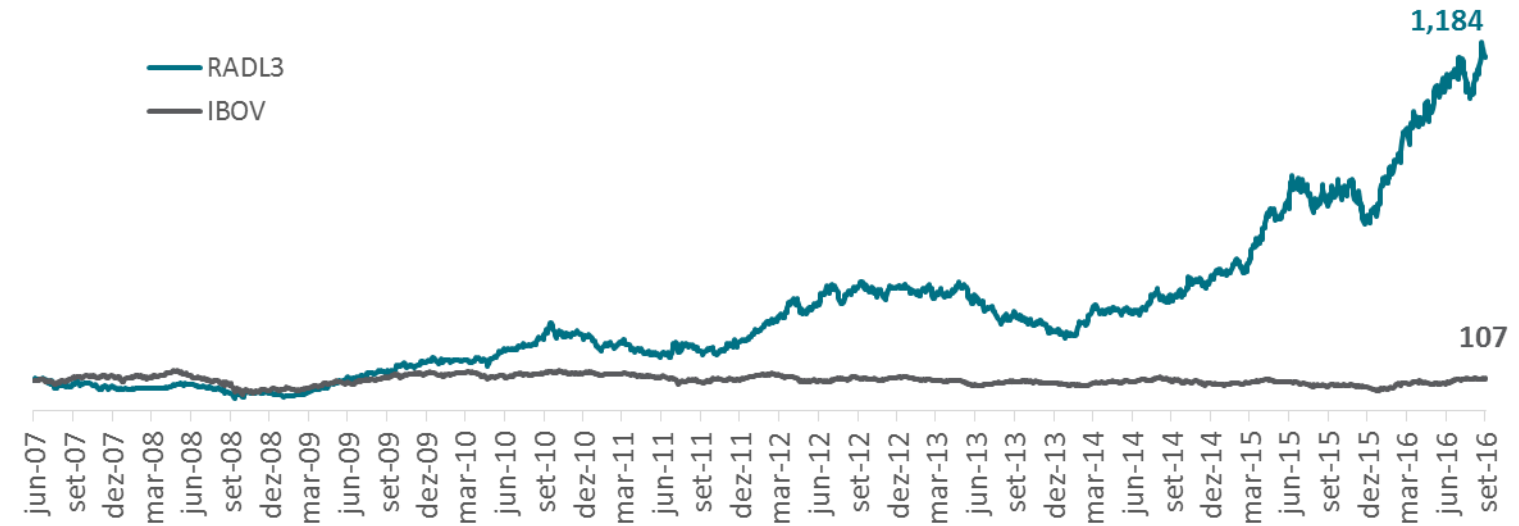
\* Cash cycle includes variation in accounts receivables, inventories and suppliers

\*\* Does not include financing cash flow

We generated a Total Shareholder Return of 86.8% YTD with an average annual return of 30.9% for Drogasil's IPO investors since 2007 and of 37.9% for Raia's IPO investors since 2010.



Share Appreciation



**Performance 3Q16**

**RADL3: 86.8%**  
**BOVESPA: 34.6%**  
**Alpha: 52.2%**

**Average Trading Volume RADL3: R\$ 64.4 M**



## Preparing for the Future: **Becoming Bigger & Better**

### ▪ **Confirming the Opening Guidance of 200 new stores both in 2016 and in 2017**

- Opened 150 stores YTD, 212 stores in the LTM
- Pace of store openings has both accelerated and become more linear
- New stores presenting outstanding performance, consistently ahead of targets
- Will open only 50 stores in the 4Q16, down from 62 in the 4Q15
- Even stronger reduction in December – maintain focus on operation in a very busy month

### ▪ **Advancing Towards our Strategic Roadmap**

- Accelerate Expansion: **Opening 200 amazing stores both in 2016 and in 2017**
- Formats: **Piloting the new Drogasil store identity\***, a Big Store format \*\* and advancing with Farmasil \*\*\*
- Category Management: **Implementing a pricing platform, evolving with Dunnhumby in other category decisions**
- CRM: **Piloting a new loyalty program and a new sales platform with increased personalization**

*\* Opening a pilot store today in Higienópolis with the new Drogasil identity*

*\*\* Piloting two Big Stores (new 350 m<sup>2</sup> format) in Paulista Ave. and in Alphaville*

*\*\*\* Opening 4 new Farmasil stores in 2016 (1 already opened)*



- **2016 Earnings Releases**

- **4Q:** February 16<sup>th</sup>, 2017

- **Raia Drogasil Day**

- November 25<sup>th</sup> in the morning
- Hotel Unique
- English translation available

- **Scheduled Investor Conferences**

- November 8<sup>th</sup>: **Citi Consumer and Retail Conference**, Citi (São Paulo)
- November 15<sup>th</sup> and 16<sup>th</sup>: **Bradesco 6th Annual CEO FORUM**, Bradesco (New York)
- December 1<sup>st</sup>: **Brazil Opportunities Conference**, JP Morgan (São Paulo)
- January 9<sup>th</sup> and 10<sup>th</sup>: **JP Morgan Healthcare Conference: Emerging Markets Track**, JP Morgan (San Francisco)
- January 11<sup>th</sup> to 13<sup>th</sup>: **8<sup>th</sup> Latin America Executive Conference**, Morgan Stanley (Miami)