



# EARNINGS PRESENTATION

3Q20

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



## Disclaimer

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# Consolidated Highlights

- › **DRUGSTORES:** 2,223 stores in operation (64 openings and 3 closures)
- › **MARKET SHARE:** 13.2% national market share, with 25.1% in São Paulo
- › **GROSS REVENUE:** R\$ 5.4 billion, a 12.8% growth over the 3Q19 (1.4% in mature stores)
- › **GROSS MARGIN:** 27.8% of gross revenues, a 0.1 percentage point increase
- › **ADJUSTED EBITDA:** R\$ 397.2 million, a 7.4% EBITDA margin and a 10.5% growth
- › **NET INCOME:** R\$ 172.9 million, 3.2% of net margin and a 13.4% growth
- › **CASH FLOW:** R\$ 351.8 million positive free cash flow, R\$ 331.3 million of cash generation



# We opened 64 stores in the quarter, with 3 closures, and announced our guidance of 240 stores per year for 2021 and 2022.

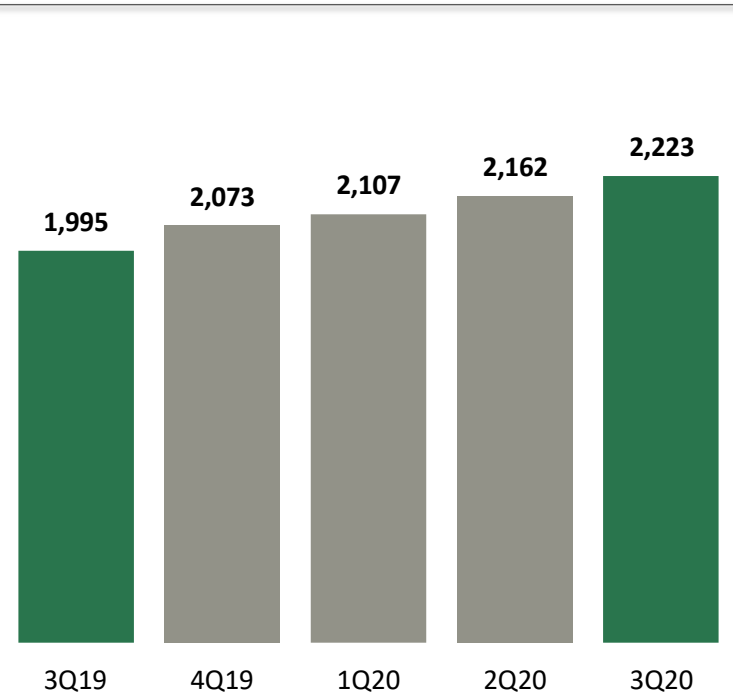
## Guidance 2020-22:

### 240 New Stores

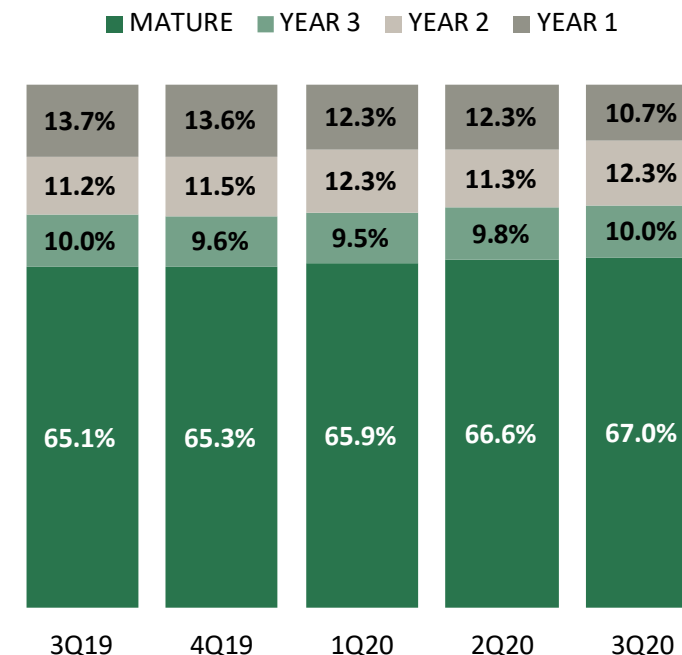
*per year, while maintaining the current geographical and customer segment diversification*



Store Count\*



Age Structure of Store Portfolio\*\*



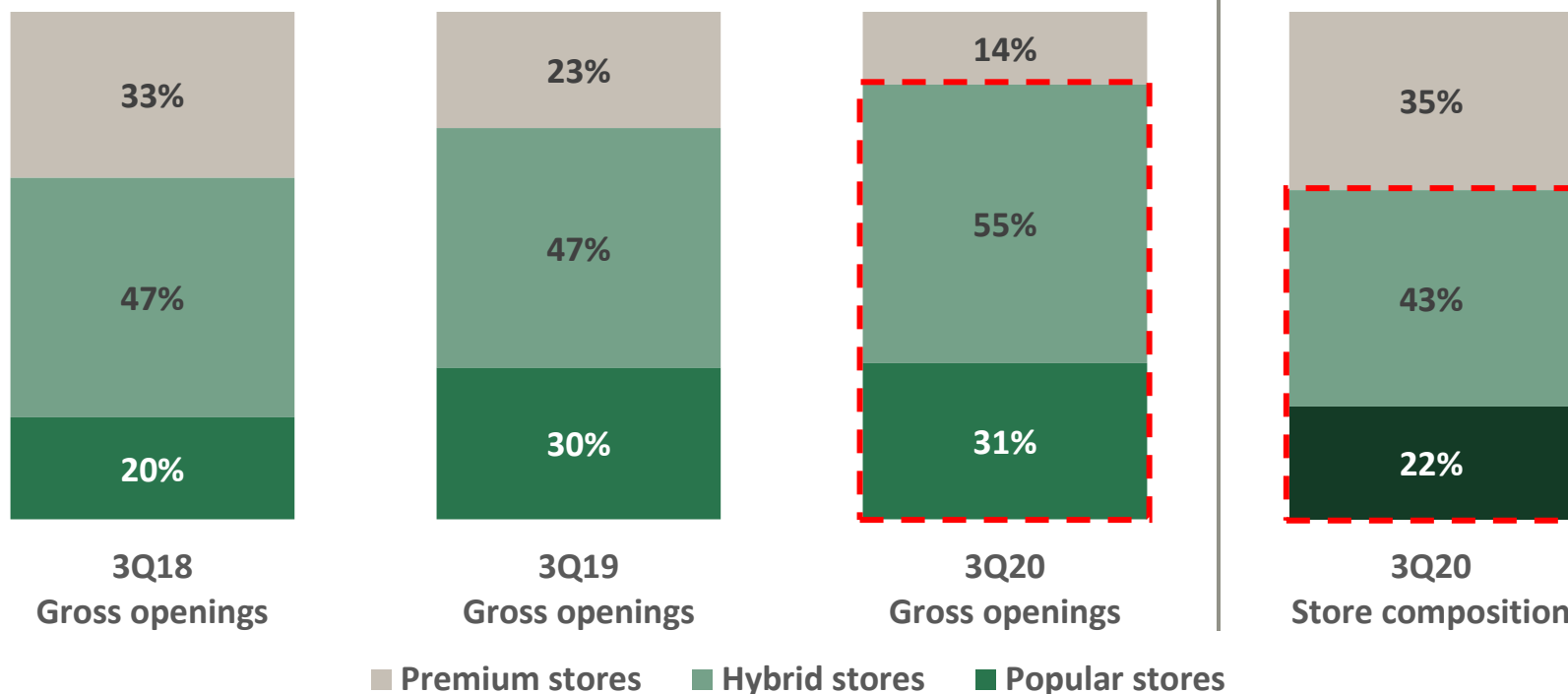
	3Q19	4Q19	1Q20	2Q20	3Q20
Openings	52	79	39	55	64
Onofre	42				
Closures	(16)	(1)	(5)	0	(3)

\*Includes three 4Bio units.

\*\*Stores acquired from Onofre were added as Year 1.

# Of our LTM store openings, 86% were of the Popular or Hybrid formats, increasing our reach into the expanded middle class.

Store composition by format\*



- ✓ 946 hybrid stores
- ✓ 347 openings over the L3Y
- ✓ 494 popular stores
- ✓ 188 openings over the L3Y

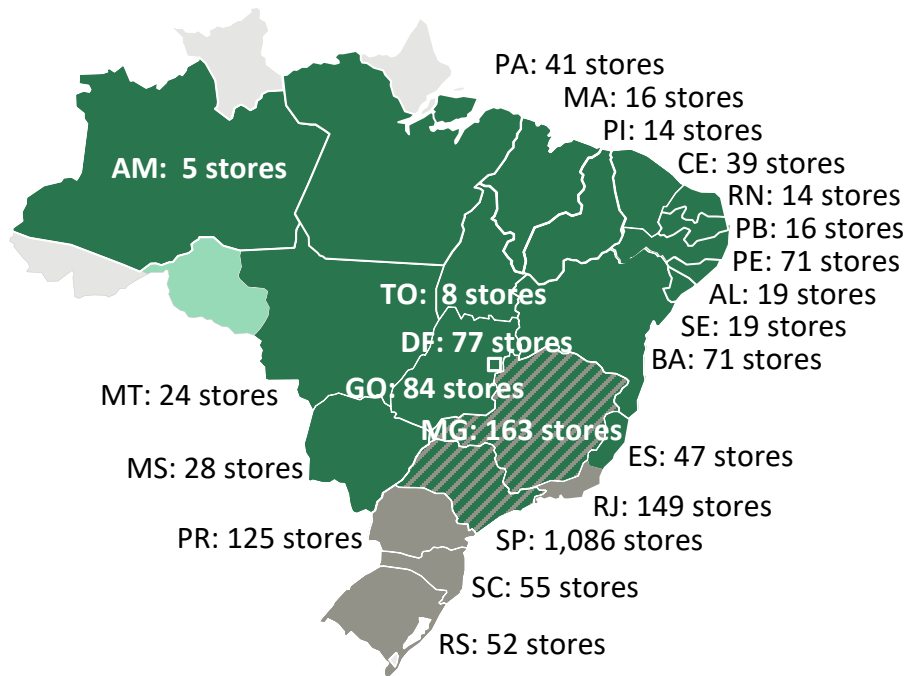


We have a total of 1,440 stores that reach the expanded Brazilian middle class (65% of the total), of which 535 were opened over the last 3 years.

\* Premium and super premium stores are grouped together, as well as popular and super popular stores. Openings exclude the Onofre acquisition.

# Our national market share was 13.2%. We opened a new DC in RS to accelerate our growth in the state.

## Geographic Presence



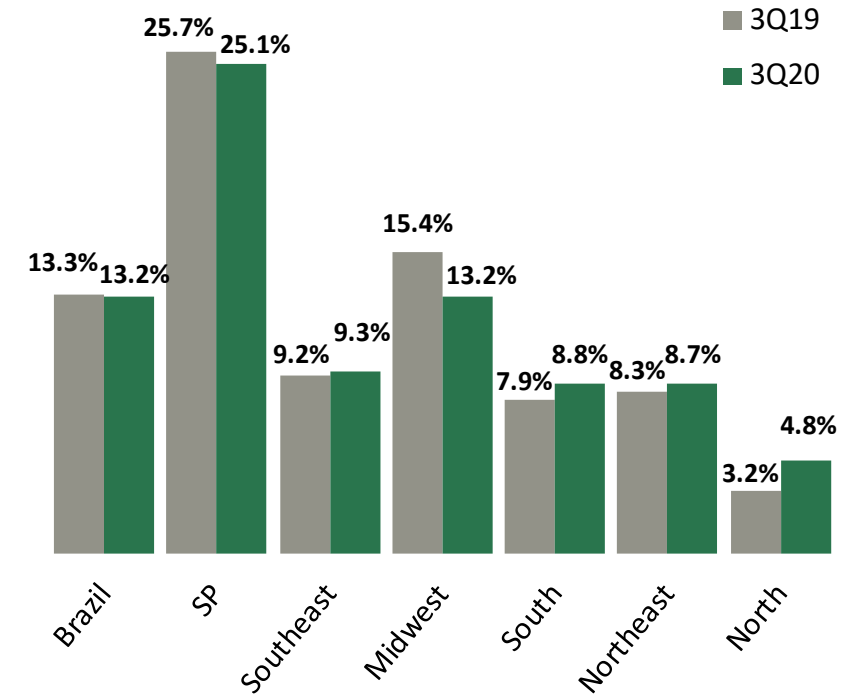
Total: 2,223 stores

■ Raia: 966 stores

■ Drogasil: 1,254 stores

\* 4Bio: 3 stores

## Retail Market Share



Source: IQVIA. Southeast excludes SP.

LTM Openings	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
São Paulo	76	73	76	67	65	76	71	71	71
Other States	154	167	182	176	166	164	146	154	166
Onofre					42	42	42	42	
<b>Total</b>	<b>230</b>	<b>240</b>	<b>258</b>	<b>243</b>	<b>273</b>	<b>282</b>	<b>259</b>	<b>267</b>	<b>237</b>
São Paulo %*	33.0%	30.4%	29.5%	27.6%	28.1%	31.7%	32.7%	31.6%	30.0%

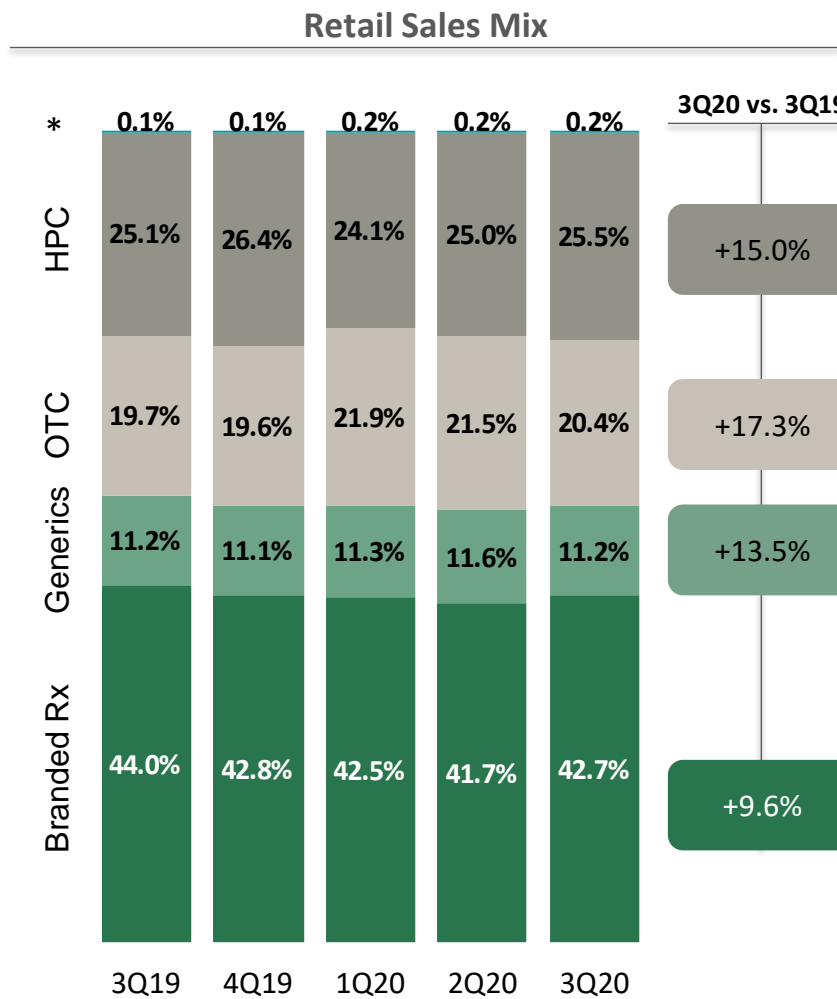
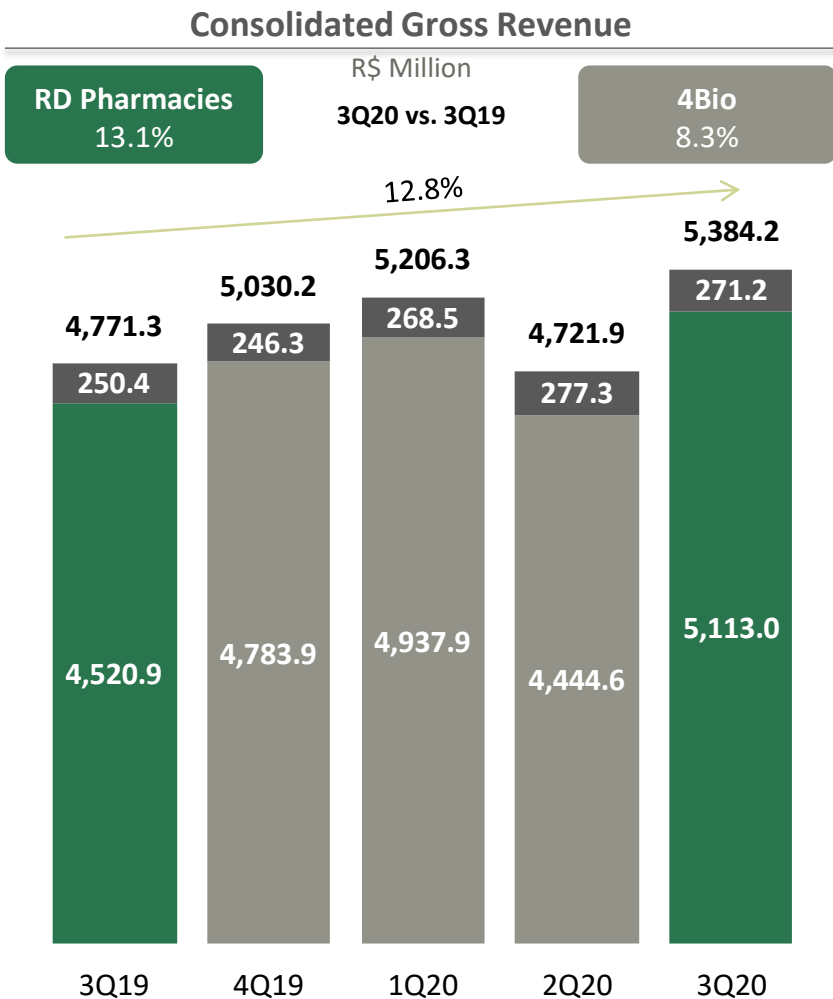
\*Not including Onofre.

Retail Sales 3Q20	All Stores	Premium Stores	Hybrid Stores	Popular Stores
<b>Total</b>	<b>+13.1%</b>	<b>+3.9%</b>	<b>+18.0%</b>	<b>+26.0%</b>
<b>Same Stores</b>	<b>+6.8%</b>	<b>+1.4%</b>	<b>+8.7%</b>	<b>+16.5%</b>
<b>Mature Stores</b>	<b>+1.4%</b>	<b>-2.8%</b>	<b>+3.3%</b>	<b>+9.1%</b>

Retail excludes 4Bio.



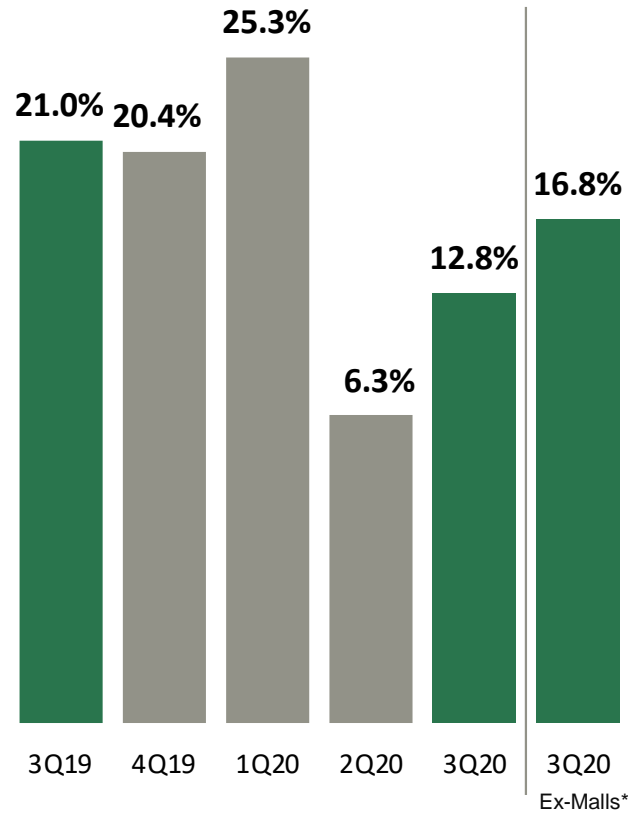
# Sales in the 3Q20 grew by 12.8%, with a 13.1% growth in retail driven by OTC and HPC.



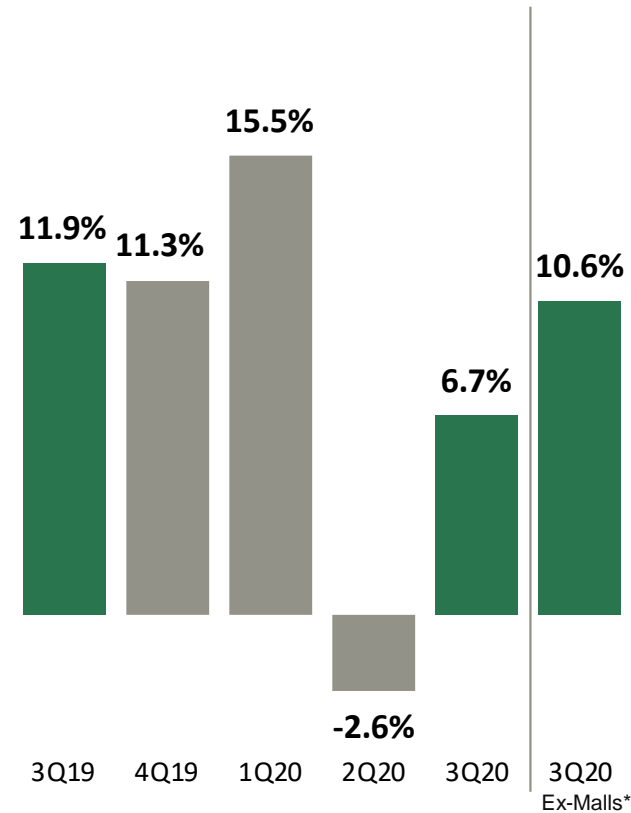
\* Services

# Mature stores grew 1.4% in the 3Q20 and 5.3% excluding shopping malls, a real growth of 2.2%.

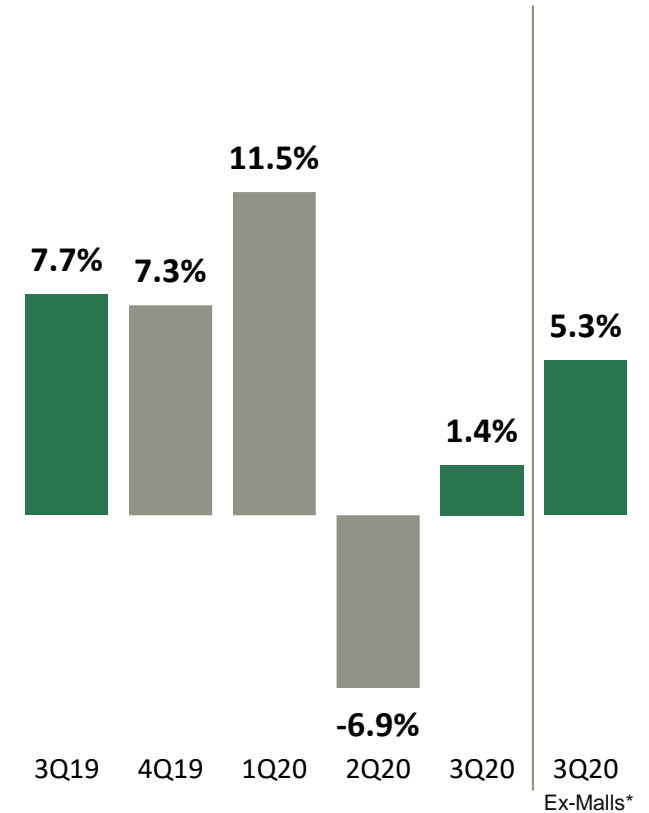
Consolidated Revenue Growth



Same-Store Sales Growth - Retail



Mature-Store Sales Growth - Retail

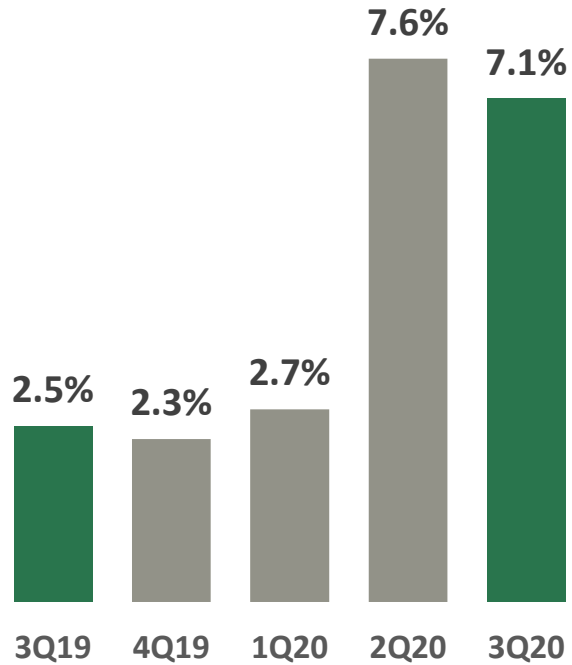


\* Excludes 125 shopping mall stores which had to cope with shorter working hours and severely diminished customer traffic in the quarter.

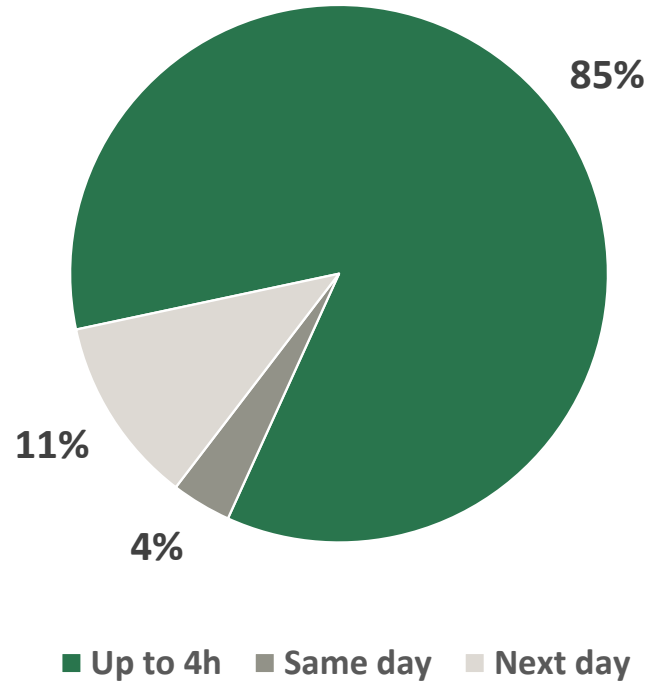


# Digital sales sustained a retail penetration above 7%, despite the customer traffic improvement at stores.

Digital channels penetration

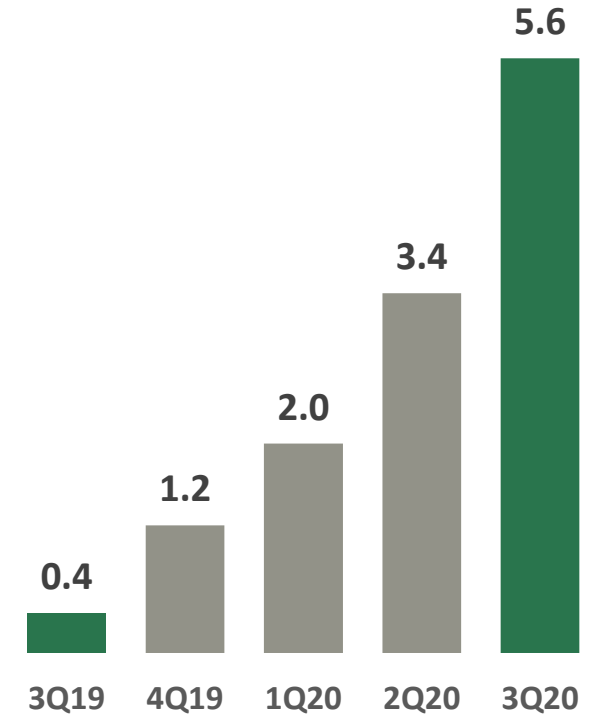


Deliveries fulfilled by stores – 3Q20\*



Cumulative app downloads

Millions



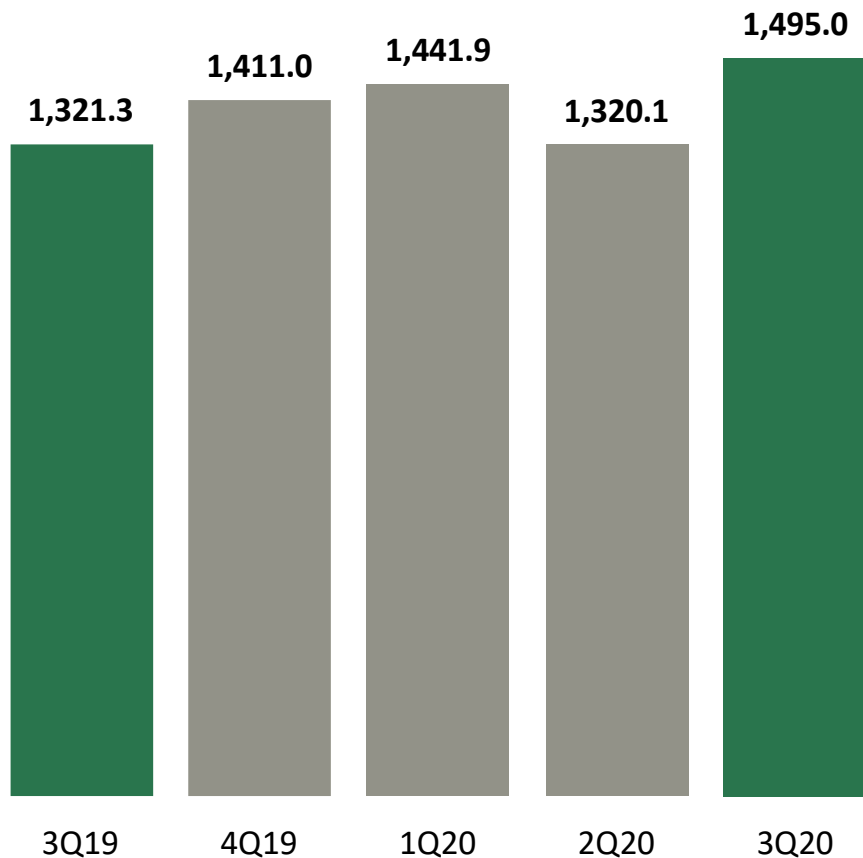
\* Deliveries fulfilled by stores represented 74% of digital sales in the 3Q20.  
Up to 4h deliveries: Ship from store in up to 4h, click and collect, neighborhood deliveries and super apps.

# Gross margin increased 0.1 percentage point, in-line with the 3Q19. Gradual cash cycle recovery of 15.1 days versus 2Q20.

## Gross Margin

R\$ Million, % Of Gross Revenue

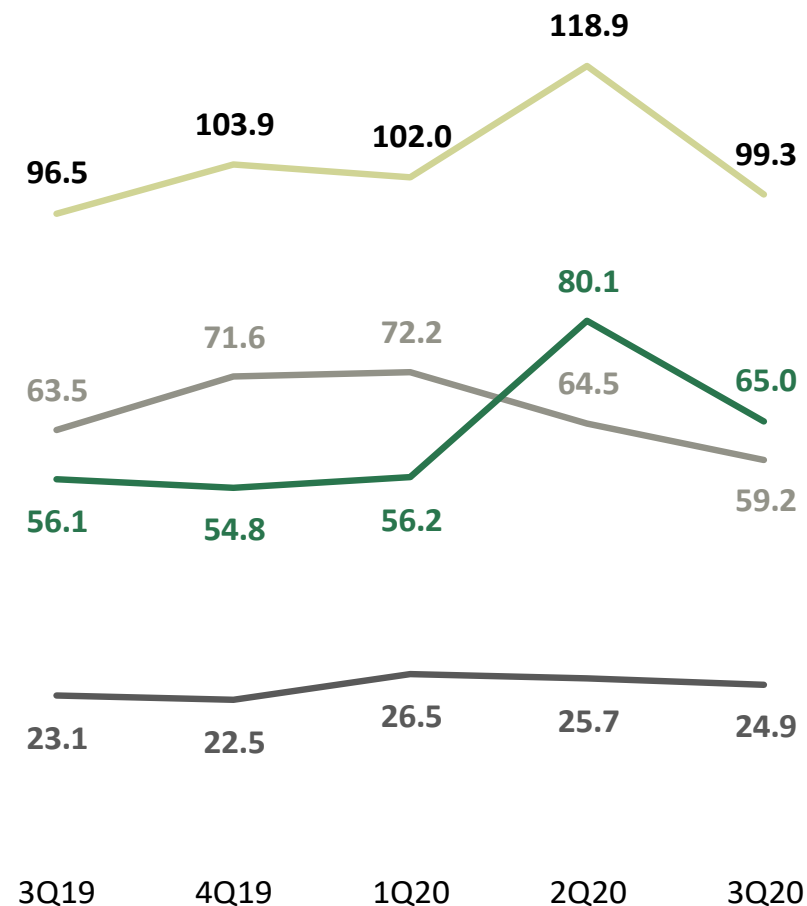
27.7%    28.1%    27.7%    28.0%    27.8%



## Cash Cycle\*

COGS Days, Gross Revenue Days

Receivables    Inventories  
Suppliers    Cash Cycle

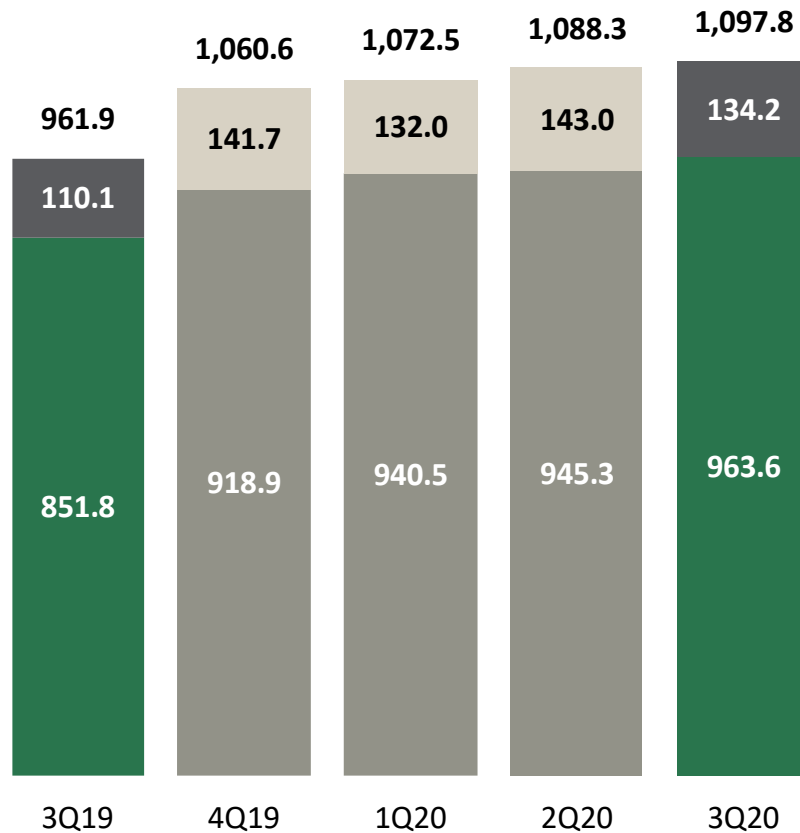


\* Adjusted for discounted receivables.

# Selling expenses in-line with the 3Q19 due to savings in rentals and payroll. G&A pressure of 0.2 p.p. due to investments in digital.

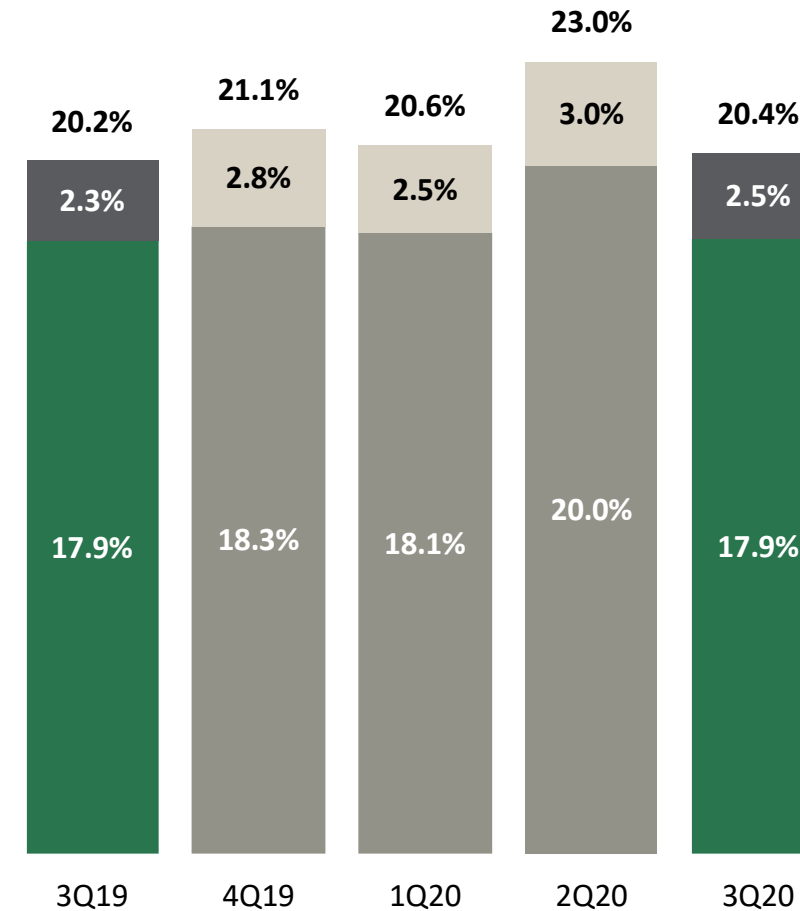
Operating Expenses

R\$ Million



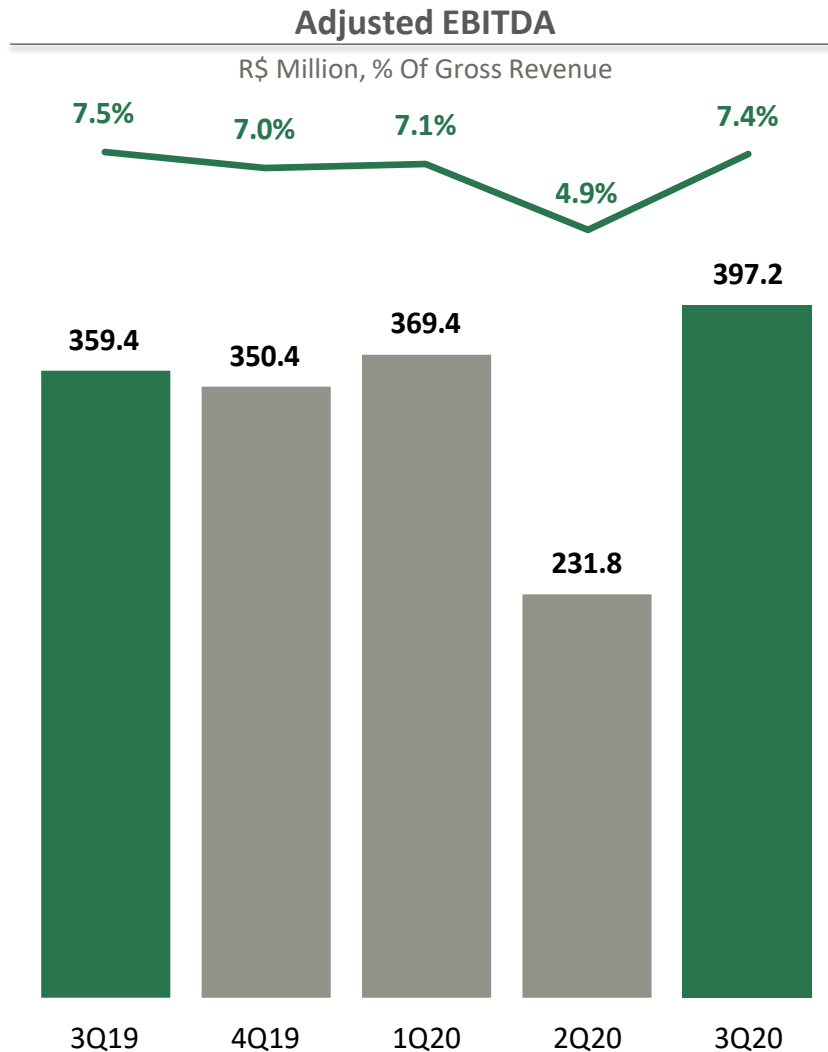
Operating Expenses

% of Gross Revenue



■ Selling Expenses ■ General & Administrative Expenses

# Adjusted EBITDA totaled R\$ 397.2 MM with a 7.4% margin.



## 2,062\* stores operating since 2019: *(performance in the 3Q20)*

- > R\$ 4,959.6 million in Gross Revenues
- > EBITDA of R\$ 395.7 million
- > EBITDA margin of 8.0%

## RD Pharmacies

- > EBITDA of R\$ 395.1 million
- > EBITDA margin of 7.7%

## 4Bio

- > EBITDA of R\$ 2.1 million
- > EBITDA margin of 0.8%

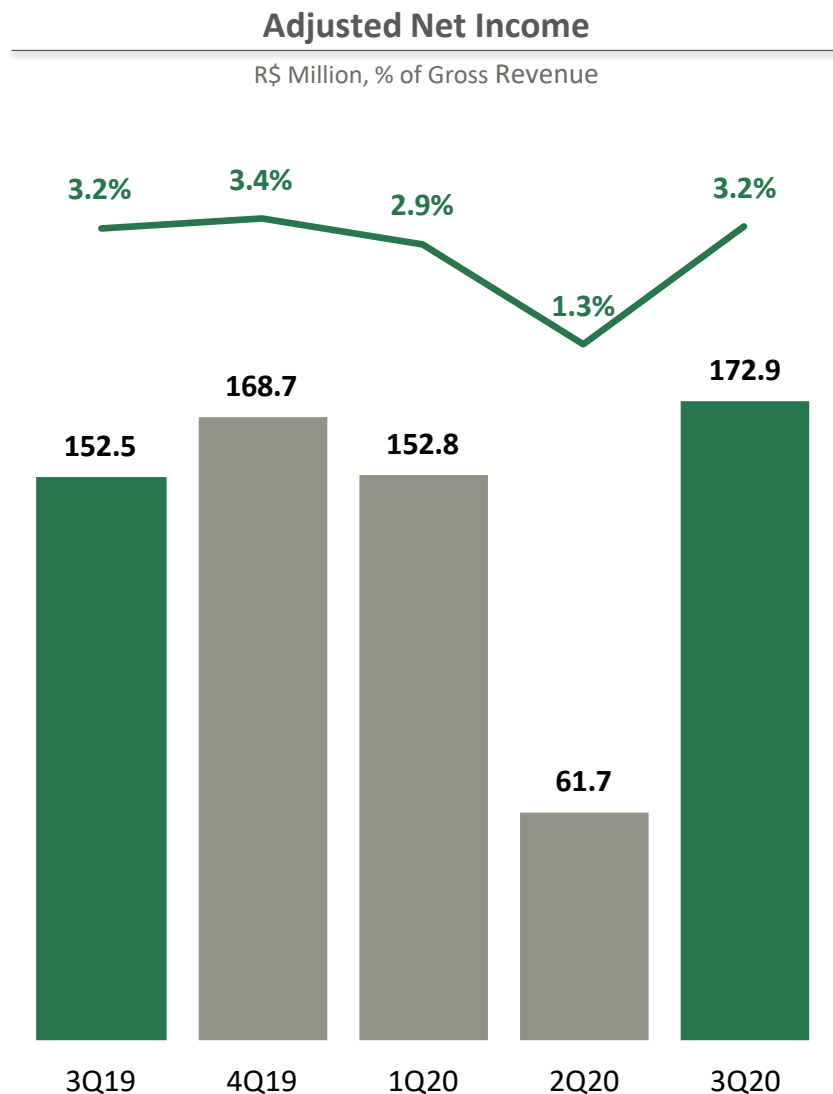
\* 2,070 Retail stores by the end of the 4Q19 less 8 closures.

# We booked R\$ 2.8 MM in net non-recurring/non-operating gains.

## EBITDA Reconciliation

EBITDA Reconciliation	3Q20	3Q19
<i>(R\$ million)</i>		
<b>Net Income</b>	<b>174.7</b>	<b>465.2</b>
(+) Income Tax	57.4	(17.0)
(+) Equity Equivalence	4.3	-
(+) Financial Result	22.0	32.9
<b>EBIT</b>	<b>258.4</b>	<b>481.1</b>
(+) Depreciation and Amortization	141.5	131.8
<b>EBITDA</b>	<b>400.0</b>	<b>612.9</b>
(+) Donations	2.0	-
(+) Asset Write-off	1.7	6.3
(+) Distribution Center Closure	0.7	3.3
(-) Restructuring Expenses	(2.4)	4.5
(-) INSS, PIS and Cofins Credits from Previous Years	(3.9)	(4.6)
(-) Other non-recurring / non-operating net gains	(0.8)	-
<b>Non-recurring / non-operating Expenses - RD</b>	<b>(2.8)</b>	<b>9.4</b>
<b>Non-recurring / non-operating Expenses - Onofre Acquisition</b>	<b>-</b>	<b>(262.9)</b>
<b>Total non-recurring / non-operating Gains</b>	<b>(2.8)</b>	<b>(253.4)</b>
<b>Adjusted EBITDA</b>	<b>397.2</b>	<b>359.4</b>

# Adjusted Net Income in the 3Q20 totaled R\$ 172.9 MM and a net margin of 3.2%, in-line with the previous year.



# R\$ 351.8 million in positive free cash flow, with a leverage ratio 0.3x below the 2Q20.

Cash Flow	3Q20	3Q19	YTD '20	YTD '19
<i>(R\$ million)</i>				
<b>Adjusted EBIT</b>	<b>255.6</b>	<b>217.6</b>	<b>582.1</b>	<b>609.1</b>
NPV Adjustment	(5.6)	(17.4)	(16.5)	(38.3)
Non-Recurring Expenses	2.8	263.5	(9.9)	244.4
Income Tax (34%)	(86.0)	(157.7)	(188.9)	(277.2)
Depreciation	141.5	131.8	416.3	374.0
Others	12.9	1.9	47.7	2.3
<b>Resources from Operations</b>	<b>321.3</b>	<b>439.7</b>	<b>830.7</b>	<b>914.4</b>
Cash Cycle*	144.9	(38.9)	(635.4)	(358.4)
Other Assets (Liabilities)**	70.0	(138.5)	146.1	(100.2)
<b>Operating Cash Flow</b>	<b>536.2</b>	<b>262.2</b>	<b>341.3</b>	<b>455.7</b>
<b>Investments</b>	<b>(184.4)</b>	<b>(141.5)</b>	<b>(475.2)</b>	<b>(502.7)</b>
<b>Free Cash Flow</b>	<b>351.8</b>	<b>120.7</b>	<b>(133.9)</b>	<b>(46.9)</b>
Interest on Equity	(19.5)	(0.0)	(127.1)	(93.6)
Income Tax Paid over Interest on Equity	(6.6)	(7.9)	(12.0)	(16.3)
Net Financial Expenses***	(17.2)	(25.2)	(46.8)	(61.1)
Income Tax (Tax benefit over financial expenses and interest on equity)	22.8	26.3	65.5	76.0
<b>Total Cash Flow</b>	<b>331.3</b>	<b>113.8</b>	<b>(254.2)</b>	<b>(142.0)</b>

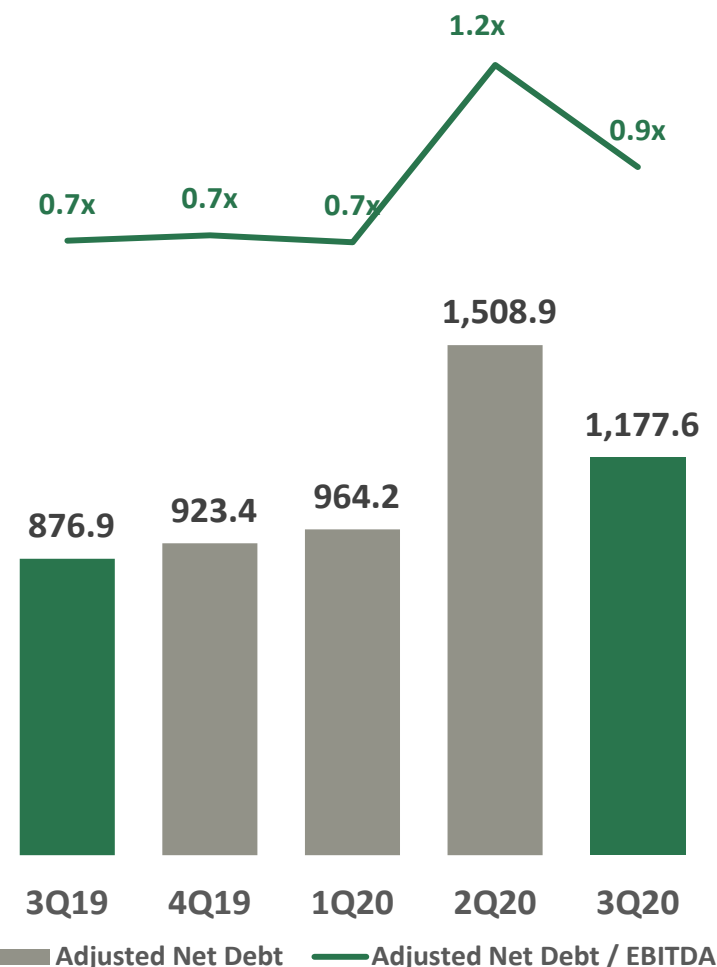
\*Includes adjustments to discounted receivables.

\*\*Includes NPV adjustments.

\*\*\*Excludes NPV adjustments.

## Net Debt and Financial Leverage

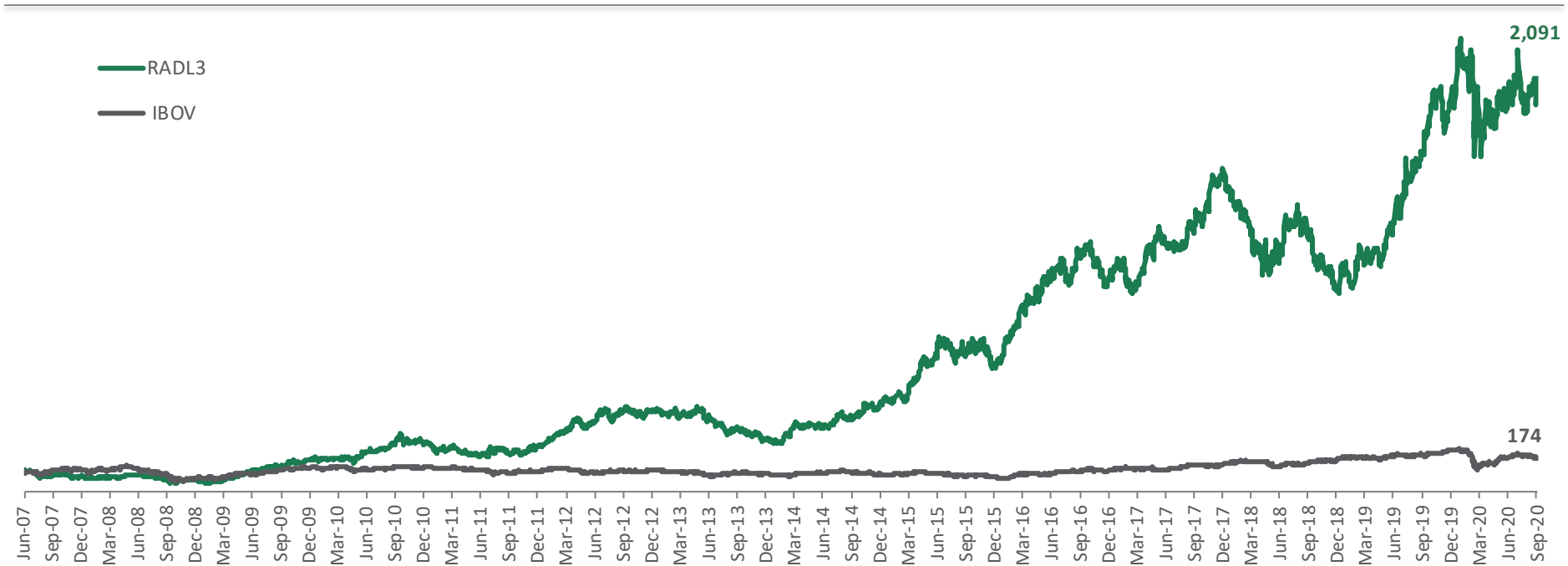
R\$ Million, As a ratio of LTM Adjusted EBITDA



**Our working capital and financial leverage are expected to normalize by the end of 2020.**

# RADL3 shares increased by 5.9% in the 3Q20, performing 6.3 p.p. above the IBOVESPA.

## Share Appreciation



### Performance in 2020

RADL3: 4.9%  
BOVESPA: -18.4%  
Alpha: +23.3%

Average Trading Volume RADL3: R\$ 186.3 MM

- › Average annual return of 26.1% since the Drogasil IPO.
- › Average annual return of 24.2% since the Raia IPO.



# RD: Strategy 2025

## Taking close care of people's health and well-being during all times of their lives

Healthier People (Employees, Customers, Community)

Healthier Business (Diversity, Education & Employment, Inclusion)

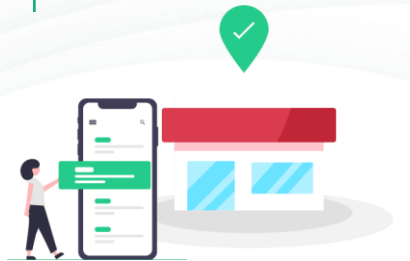
Healthier Planet (Emissions, Energy, Materials)



Pharmaceutical Retail



Integral Health



**I** New Pharmacy (Omnichannel + Health Hub)



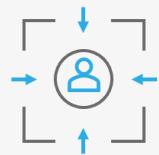
**II** Marketplace for Health Products



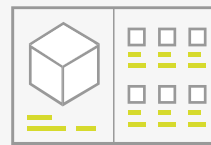
**III** Healthcare Platform



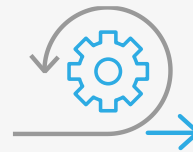
Focus on People



Customer Centricity



1P and 3P Logistics



Technology, Data and Agile Organization



Digital and Innovative Culture



RD Ventures

Sustainability Ambition 2025: Become the leading company to provide access to a life with healthy habits in Brazil.

# As demand and financial metrics return to normal, we are accelerating our Strategy 2025 initiative.



## Demand is gradually recovering and financial metrics approach pre-pandemic levels

- › Consolidated sales of 12,8%, with mature stores growth of 1.4% and recovery of operating leverage;
- › Excluding shopping mall stores, consolidated growth was of 16.8%, with 5.3% for mature stores, a real growth of 2.2%;
- › Partial cash cycle Recovery of 15.1 days and an Adjusted Net Debt / EBITDA of 0.9x, 0.3x lower than in the 2Q20.



## Our digital execution is already driving significant comp growth (ex-shopping mall stores)

- › Increased digitalization, with 7.1% of retail sales through digital channels and 5.6 million cumulative app downloads;
- › Our 2,223 stores with click and collect and neighborhood deliveries and the 431 with ship-from-store served 74% of digital sales;
- › 85% of digital orders served by stores were fulfilled within 4 hours;
- › Focus on expanding 1-hour service in 2021;
- › Launched Stix in October, our new program in partnership with GPA and Itaú, which will drive increased loyalty and digitalization.

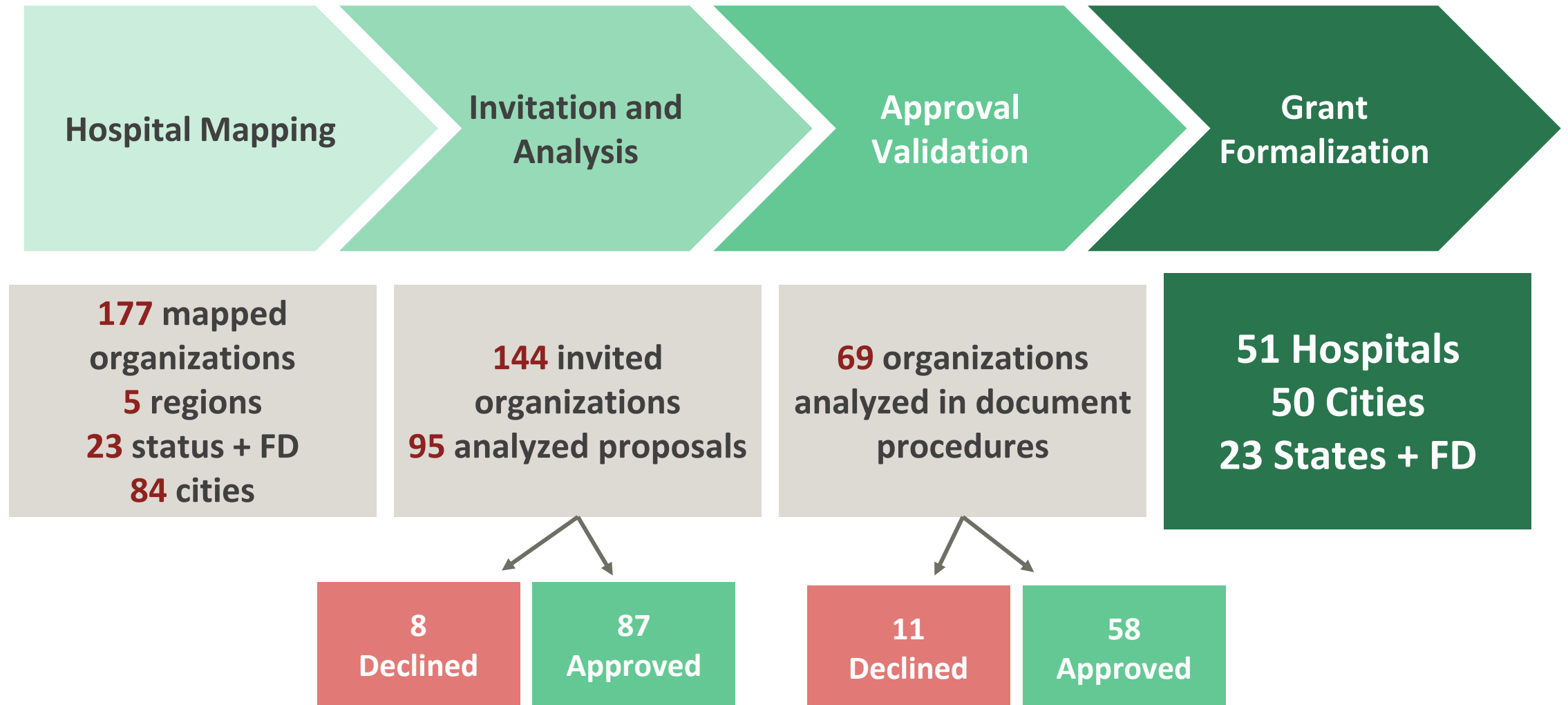


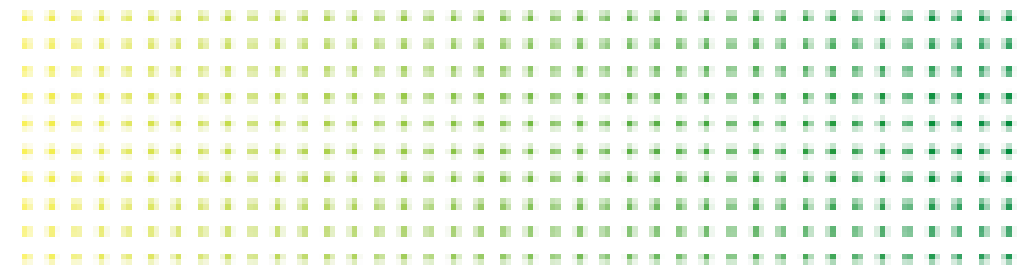
## Our Marketplace and Health Platform are already under construction

- › We reached a total of 0.5 million COVID-19 serological tests this week, showing the potential of our health initiative;
- › Our initial health hubs are already in development, and will be piloted still in 2020;
- › The marketplace is also entering pilot stage in the coming weeks, with two sellers in the initial stage;
- › RD Ventures will be established still in the 4Q20. Acquired a stake in Manipulaê\* and have several other healthtechs in the pipeline.

\* Convertible debentures with paths to control and full ownership in the future.

# We concluded in October the donation of R\$ 25 million to 51 philanthropic hospitals in 23 states and the Federal District.





# Q&A

sua  Droga Raia



 DROGASIL  
& você



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