



INSTITUTIONAL PRESENTATION

3Q19

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

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Company Overview

Leading the consolidation of the drugstore industry in Brazil

Taking close care of
people's **health and
well-being** at all
times in their lives.



198 years

of combined history of Raia
and Drogasil, merged in 2011



#1 drugstore chain and
6th largest retailer in Brazil



> 2,000

Stores



240

New stores per year (guidance
for 2019 and 2020)



17.5 billion

Gross Revenues (LTM)
16.9% Y/Y growth



13.3%

Market Share
in the 3Q19



247 million

Tickets (LTM)



34 million

Active anual customers



~ 40,000

Employees

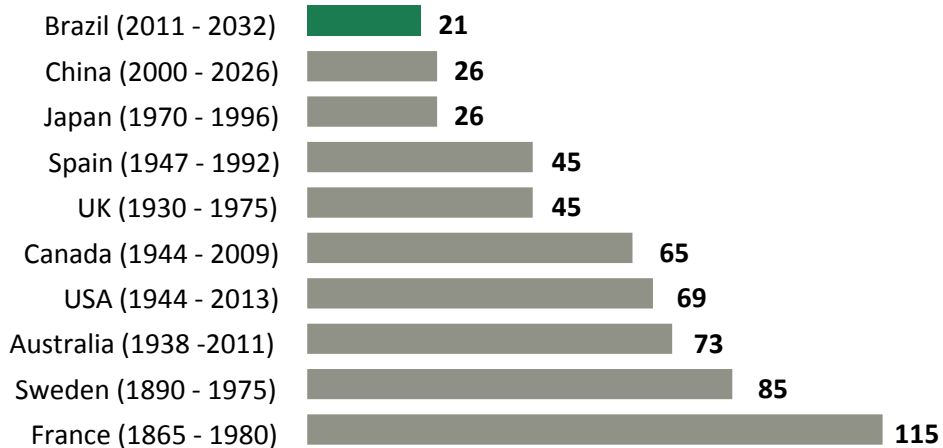


Rated AAA_(bra)
by Fitch

Secular demand growth and consolidation opportunity

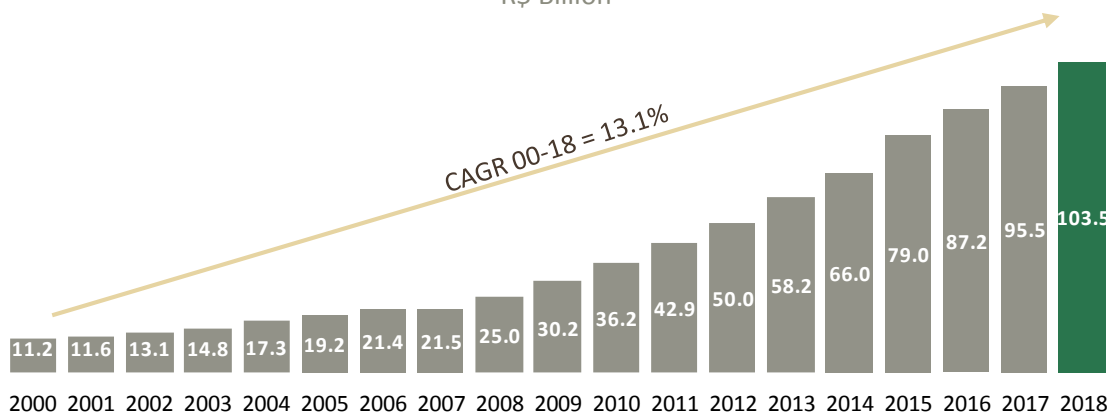
Fast population aging process

Number of years to the 65+ population increase from 7% to 14%



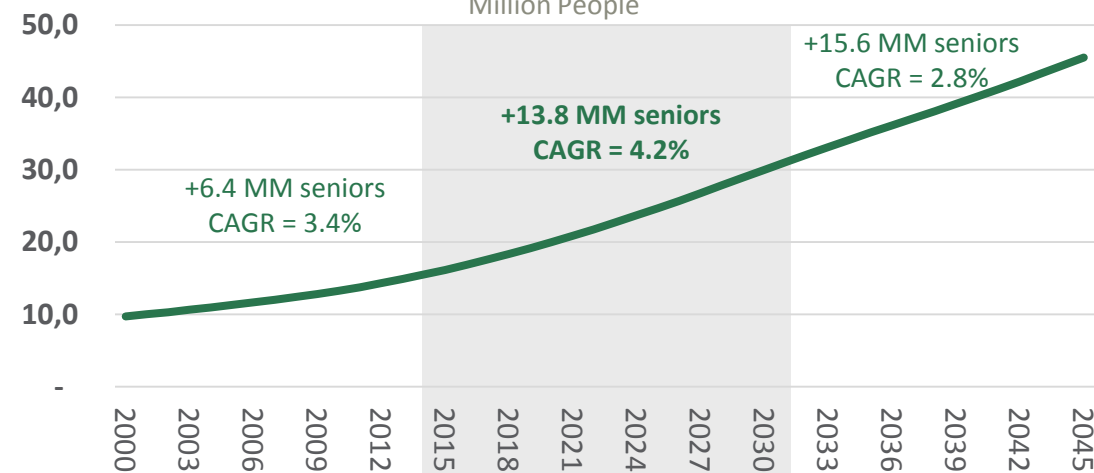
The Pharmaceutical market shall sustain long-term growth

R\$ Billion



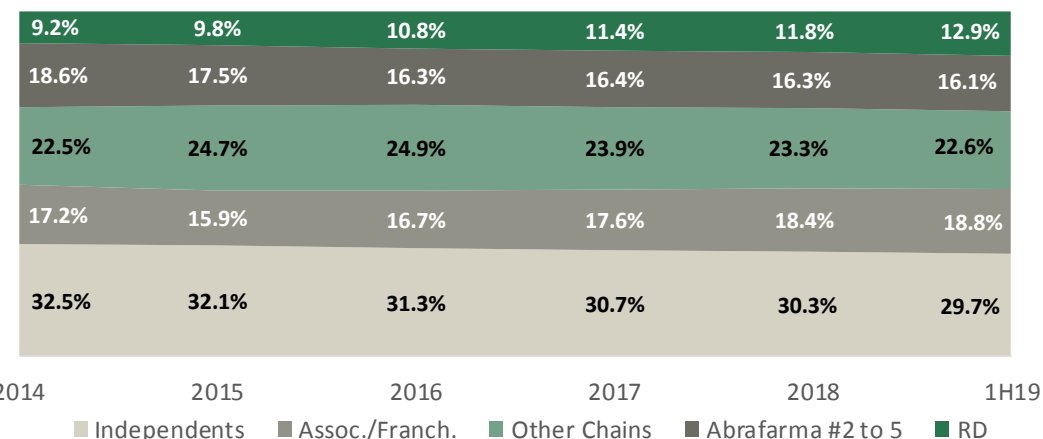
Population above 65 years old

Million People

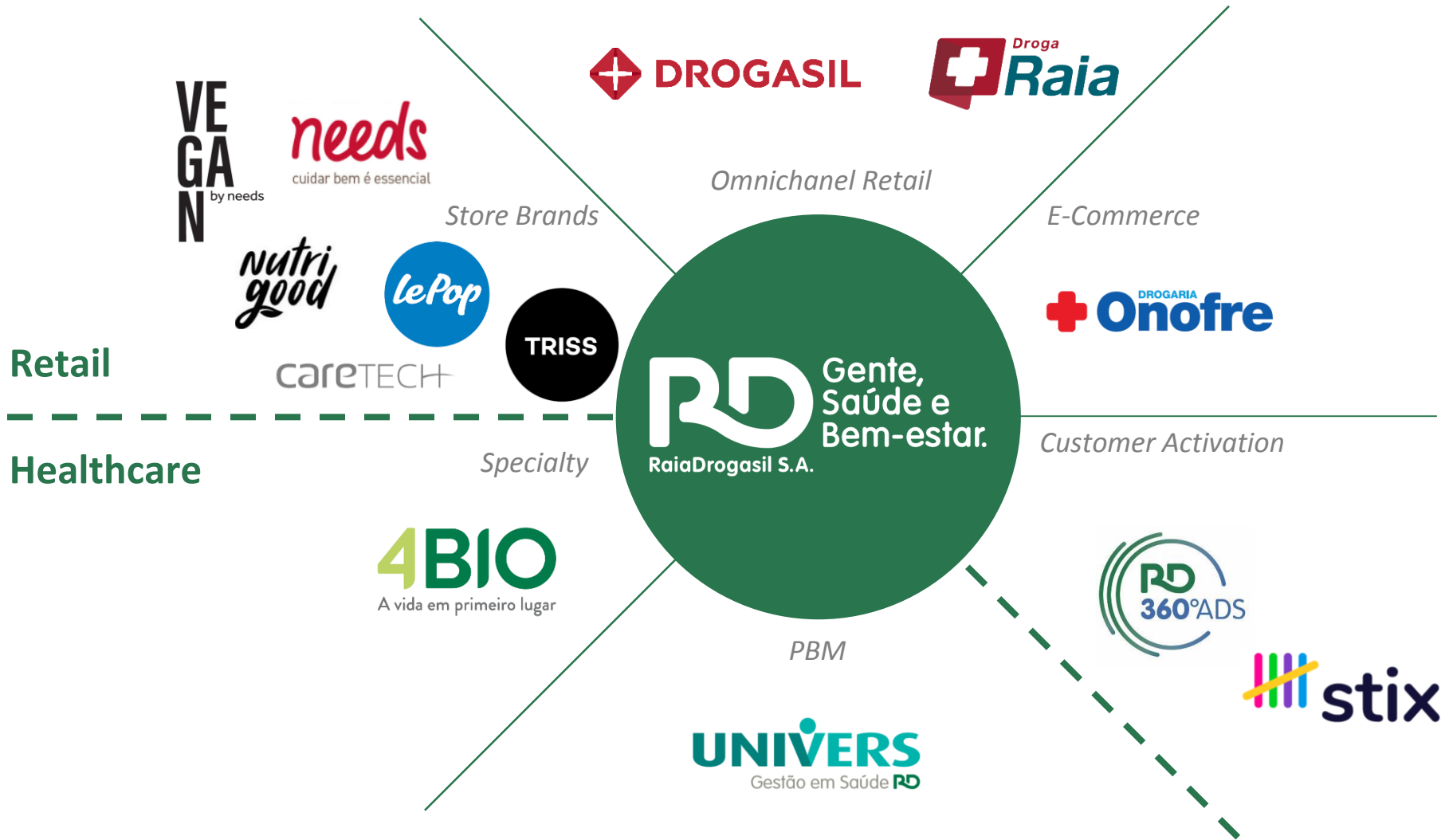


Fragmented market: Strong consolidation opportunity

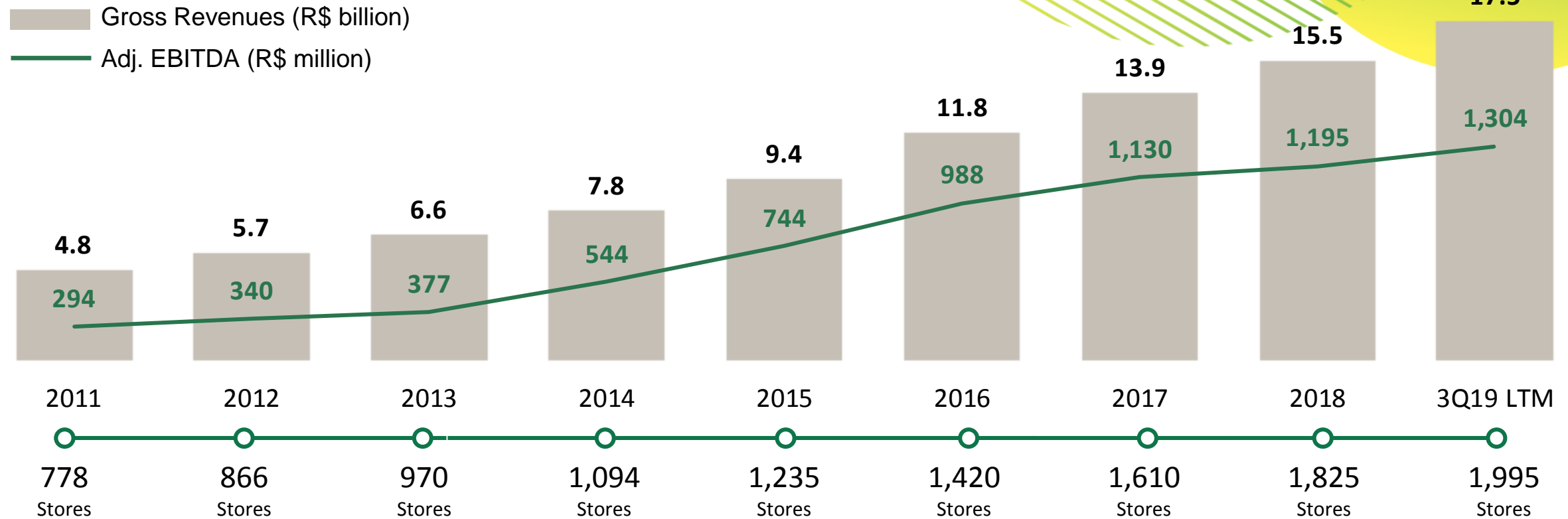
Market share



Integrated healthcare and wellness assets



Unique growth and value creation track-record



Merger



New HQ



System
Integration



New Retail
Strategy

4BIO
A vida em primeiro lugar



Corporate
Essence
Definition



New Corporate
Culture

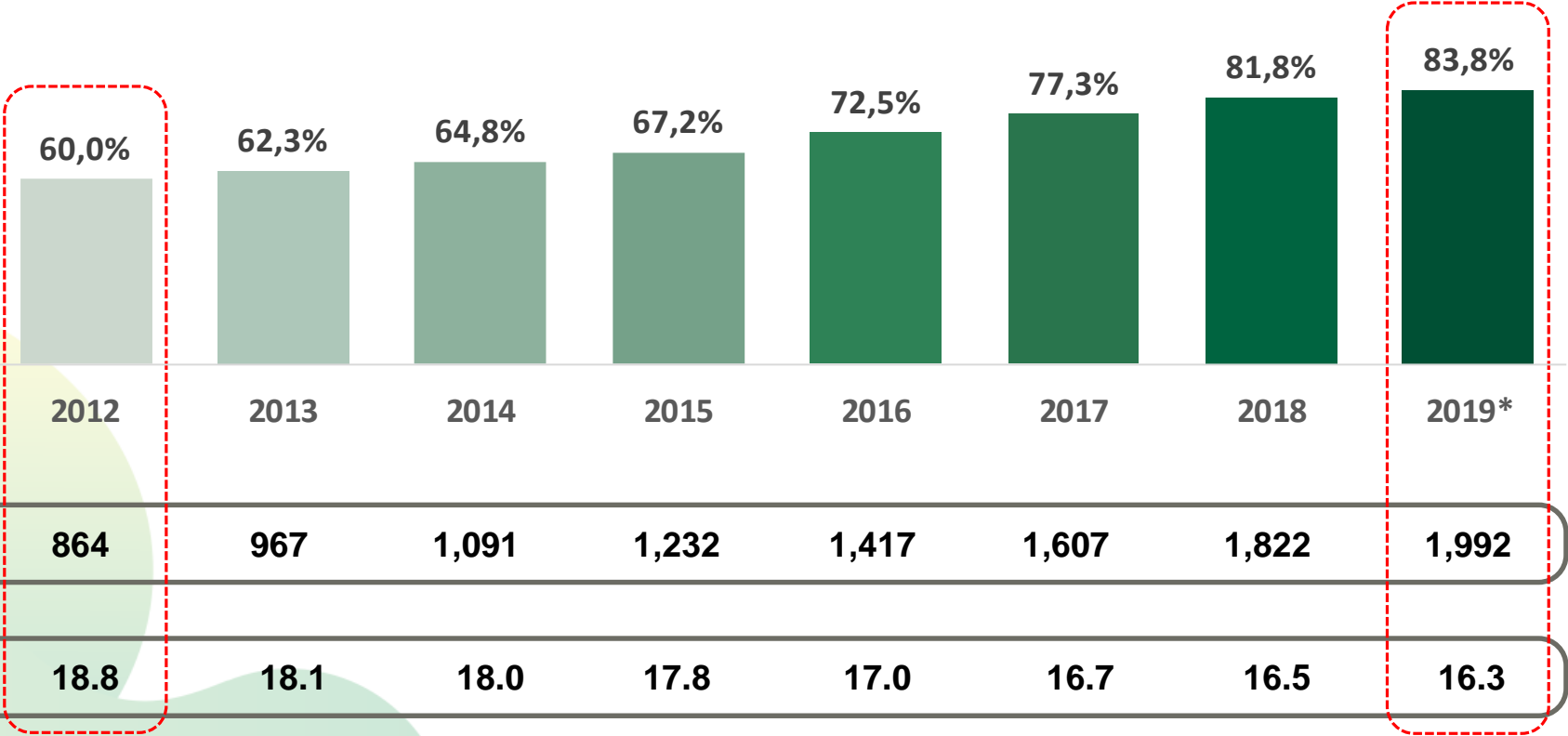


Omnichannel
Strategy



High Growth with Improved Services and Productivity

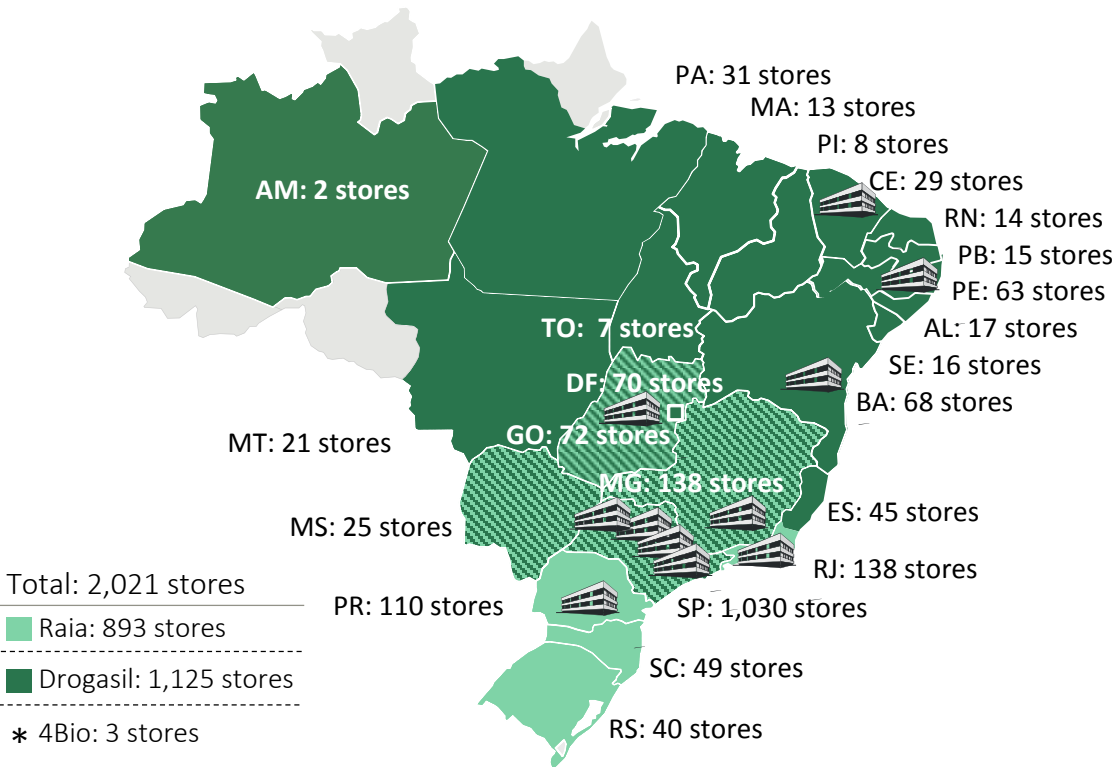
NET CUSTOMER SATISFACTION SCORE



*Data refers to the 3Q19. Note: Retail only.

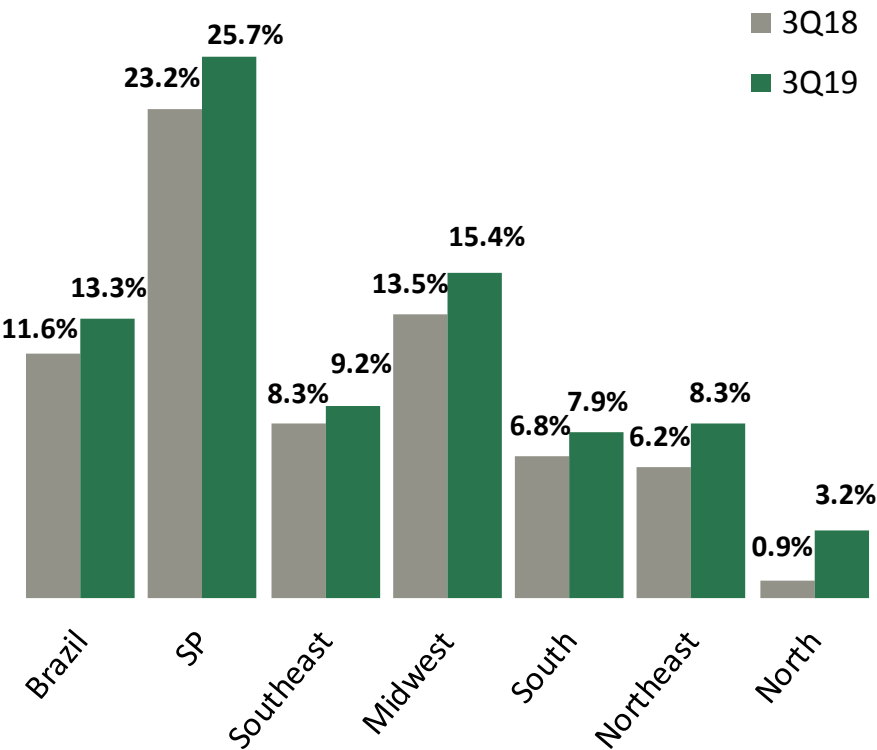
National presence, with opportunities in every market

Geographic Presence – November 1st



Distribution Centers

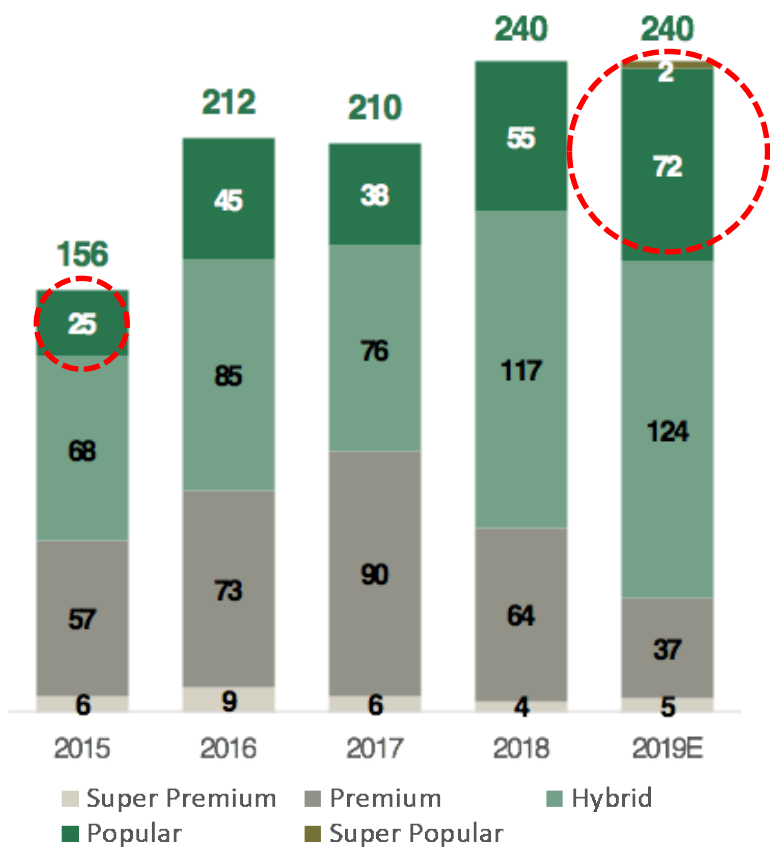
Market Share



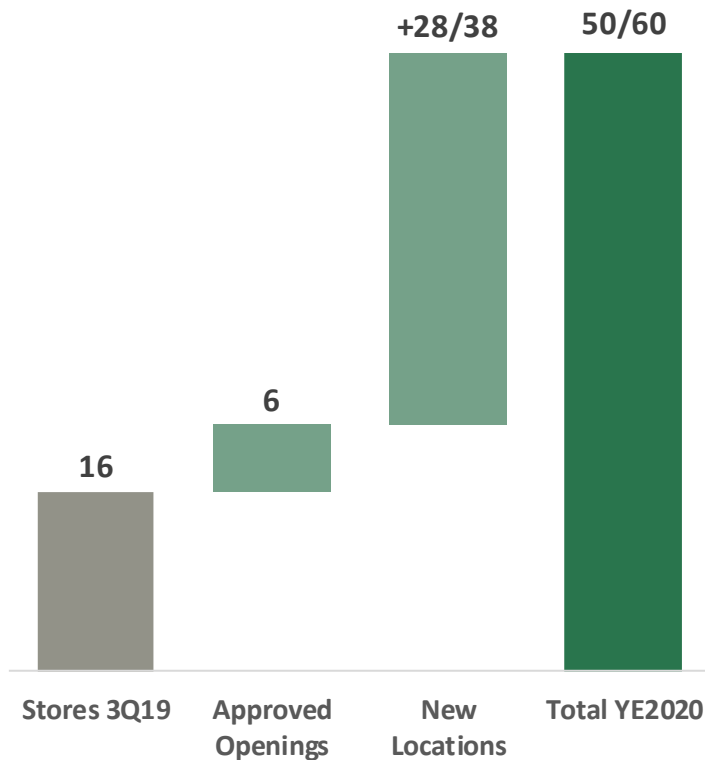
Source: IQVIA.

Accelerating growth in popular regions

Openings by Format



Super Popular – Store Ramp-up



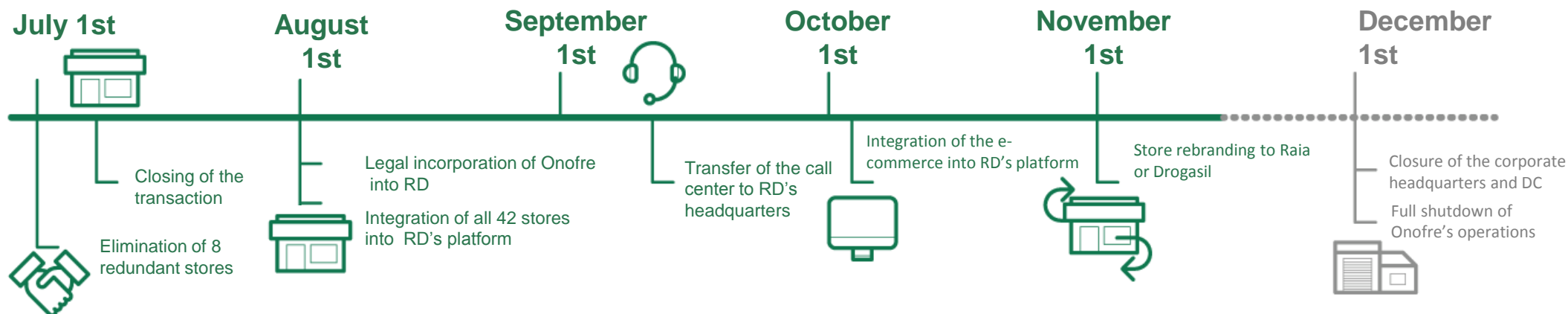
Guidance 2020:

240 New Stores

while maintaining the current geographical and customer segment diversification



Swift integration of Onofre, with significant upside



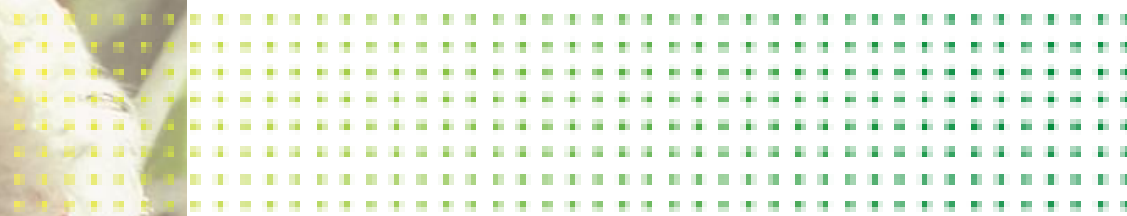
Gains of R\$ ~ 150 MM with Onofre's liquidation, already net of expenses related to the integration and initial losses

- + Onofre's Net Cash
- + Working Capital Decrease
- + Sale of Properties
- + Fiscal Assets usage
- + Other Gains
- Contingencies
- Expenses related to the transaction and the integration
- Incurred losses until the end of the integration

Relevant value creation in the operation, with the total reversion of the negative ~ R\$ 100 MM EBITDA still in 2019

- > We expect to maintain ~ 35 stores, with projected monthly revenues of R\$ 600k to R\$ 700k.
- > Strong gross margin gain already materialized. Rapid equalization of the stores with our margins in the city of SP
- > EBITDA of the stores is already positive and should keep growing
- > Stores that have been rebranded show robust growth in revenues, which should also happen to the other stores.
- > Digital operations should have neutral to positive EBITDA starting in October, the initial month of the integration.
- > Elimination of Corporate and DC expenses already in 2019.





Our Digital Transformation

sua  Droga Raia



 DROGASIL
& você



Unique assets to support our digital transformation

**34
million**

active
customers

**4
million**

loyal
customers

96%

of identified
revenues

> 2,000

stores in
more than
350 cities

85%

of brazilian
"A" class
within a
1.5KM
radius



Anytime. Anywhere. Seamless.

Where to buy



Collecting or Receiving



Improve Customer Health, Experience and Economy

Improve shopping experience

Easy Buying

Smart Coupons

Subscriptions

In-store Exchanges

PBM pre-eligibility

Long Tail Inventory

Health promotion and prevention

Adherence to the Treatment

Health Coaching

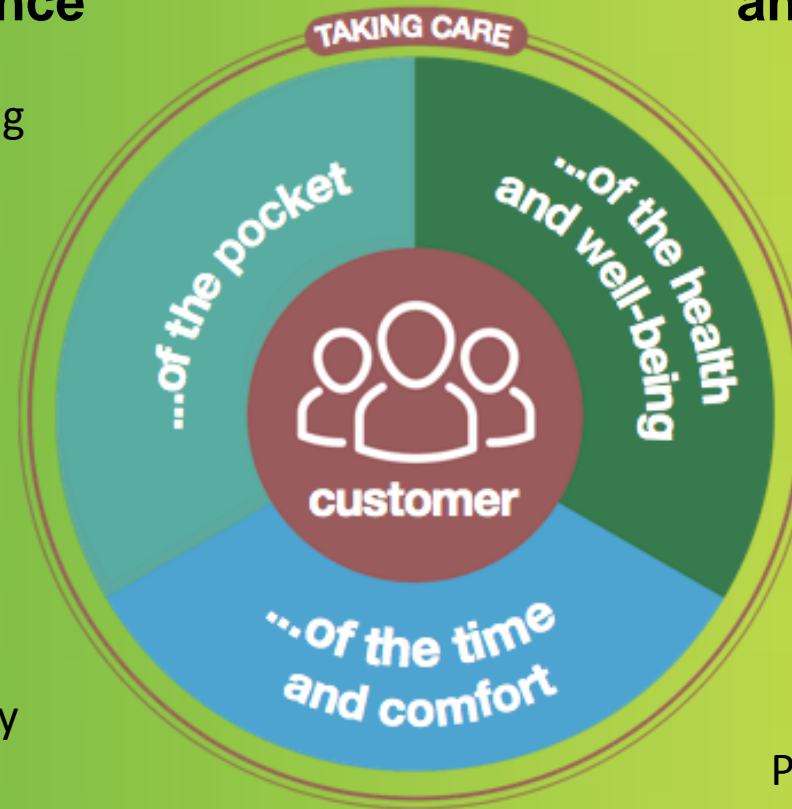
Refill Reminders

Medication Reminders

Health promotion

Disease prevention

Personalization



Execution challenges



MICROSERVICES

- ✓ Flexibility
- ✓ Scalability
- ✓ Agility
- ✓ Fast cycles

CLOUD COMPUTING

- ✓ Performance
- ✓ Scalability
- ✓ IT incorporation

ANALYTICS

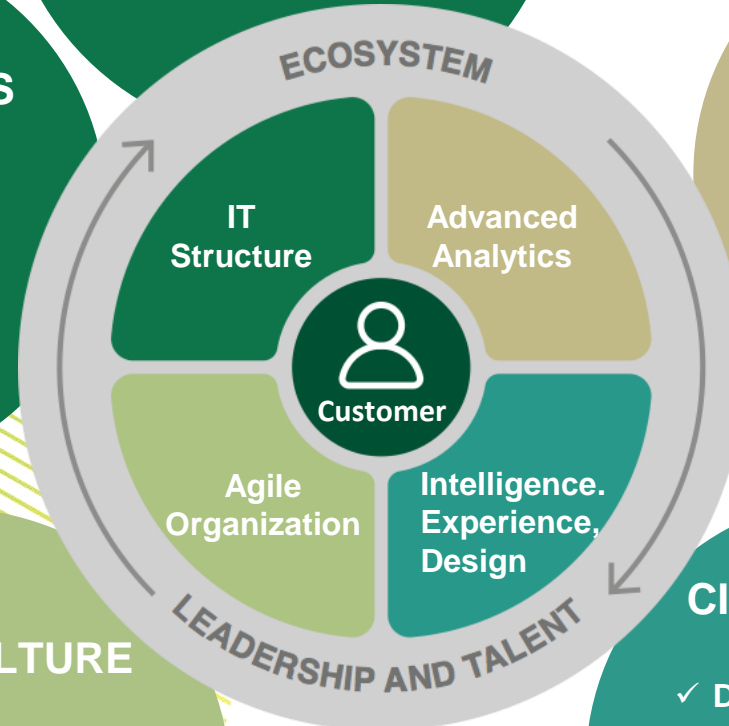
- ✓ Data Lake
- ✓ Unique Client ID
- ✓ Ad-Hoc Analysis
- ✓ Use Cases

CI / CX / UX

- ✓ Design Thinking
- ✓ Concept Tests
- ✓ Prototypes
- ✓ Usability
- ✓ Customer Surveys
- ✓ Personas

DIGITAL CULTURE

- ✓ Squads
- ✓ Client Journey focus
- ✓ Empowerment
- ✓ Teamwork



What we have accomplished so far

**1.9
million**
digital
customers

2.3x
Higher
average
spending

65%
YoY organic
growth*

**2.5% of
total sales**
by YE2019

**19
cities**
with 1-4h
delivery

**115
stores**
as shoppable
DCs

80%
of digital
sales serviced
by stores

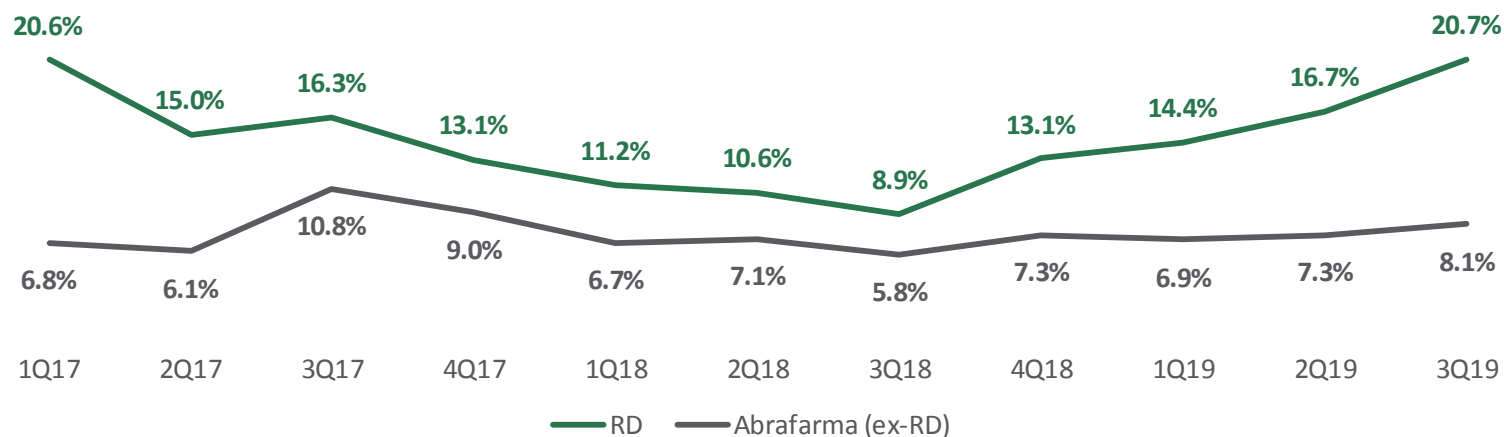


A woman with long brown hair, wearing a dark blue blazer over a white and black striped shirt, stands in a pharmacy. She is holding a black smartphone in her right hand and a white pill bottle with an orange label in her left hand. The background shows shelves stocked with various medications. The image is overlaid with a green and yellow abstract graphic on the left side.

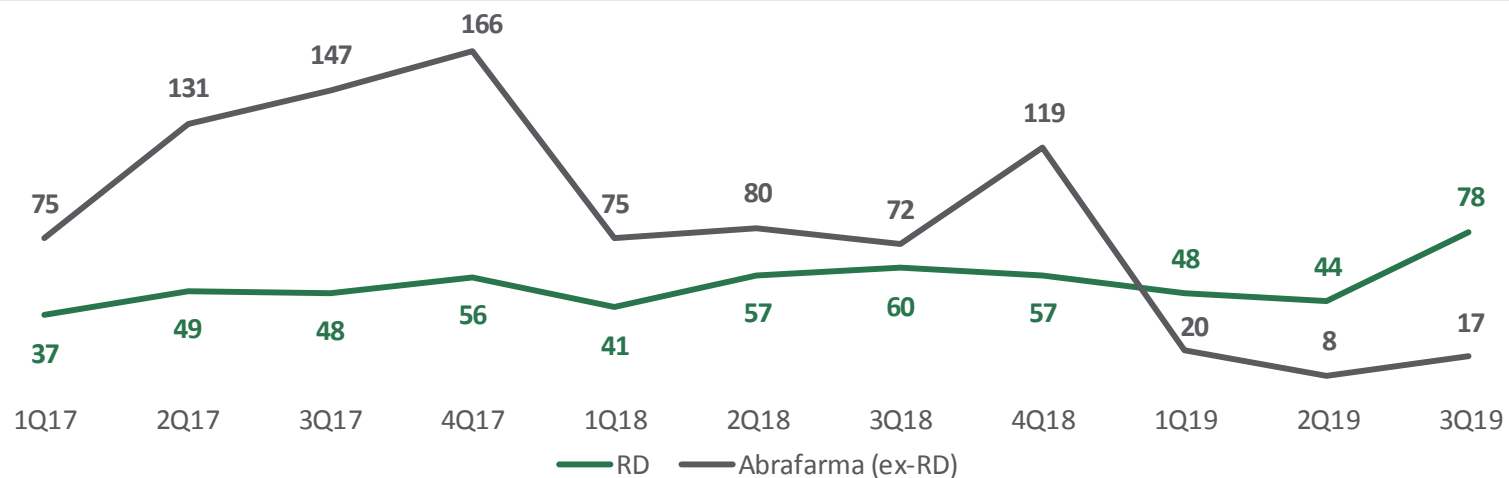
Economic Performance

Accelerating our growth as competition retracts

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



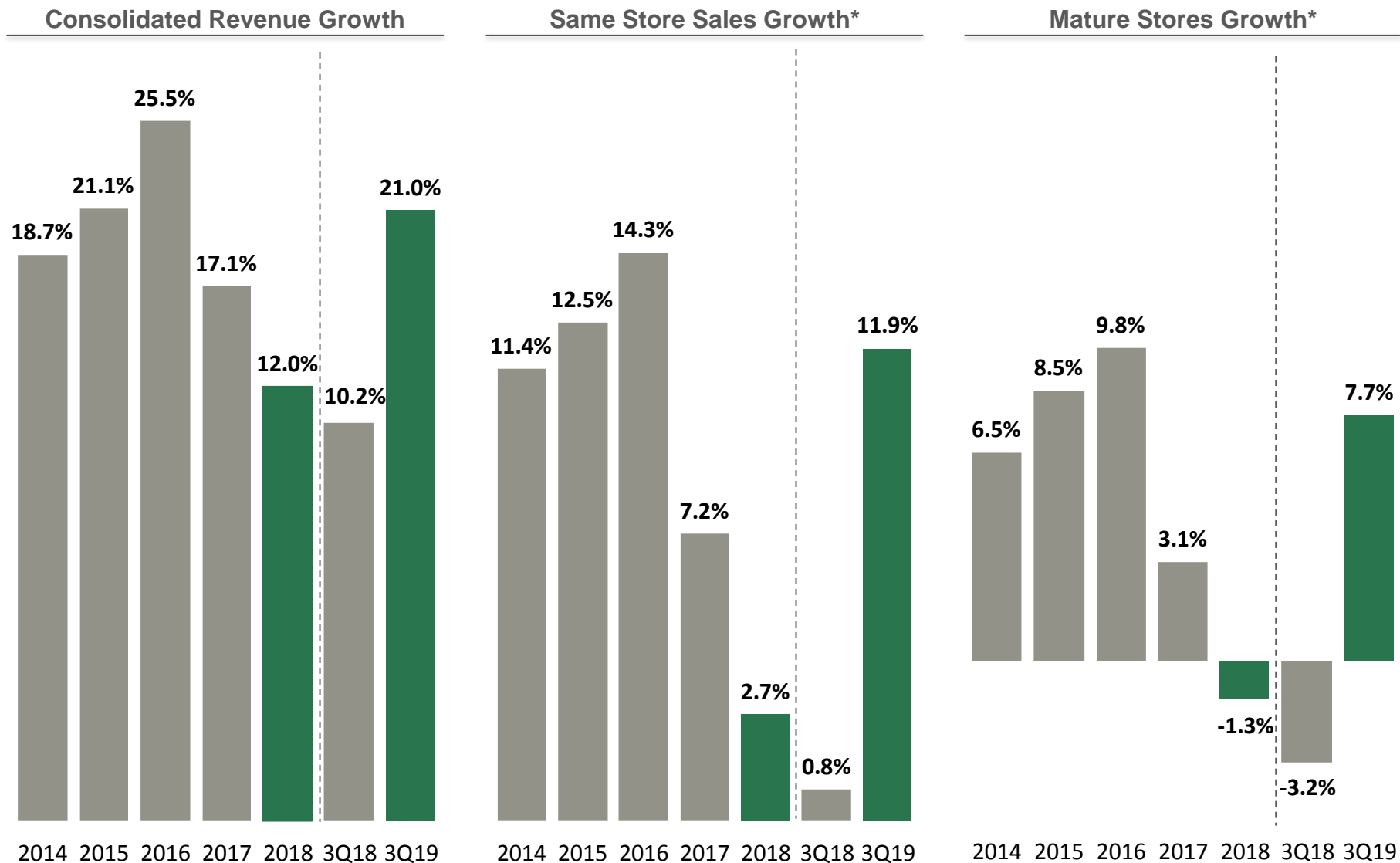
Net Store Addition (Q/Q)



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



Strong mature store performance

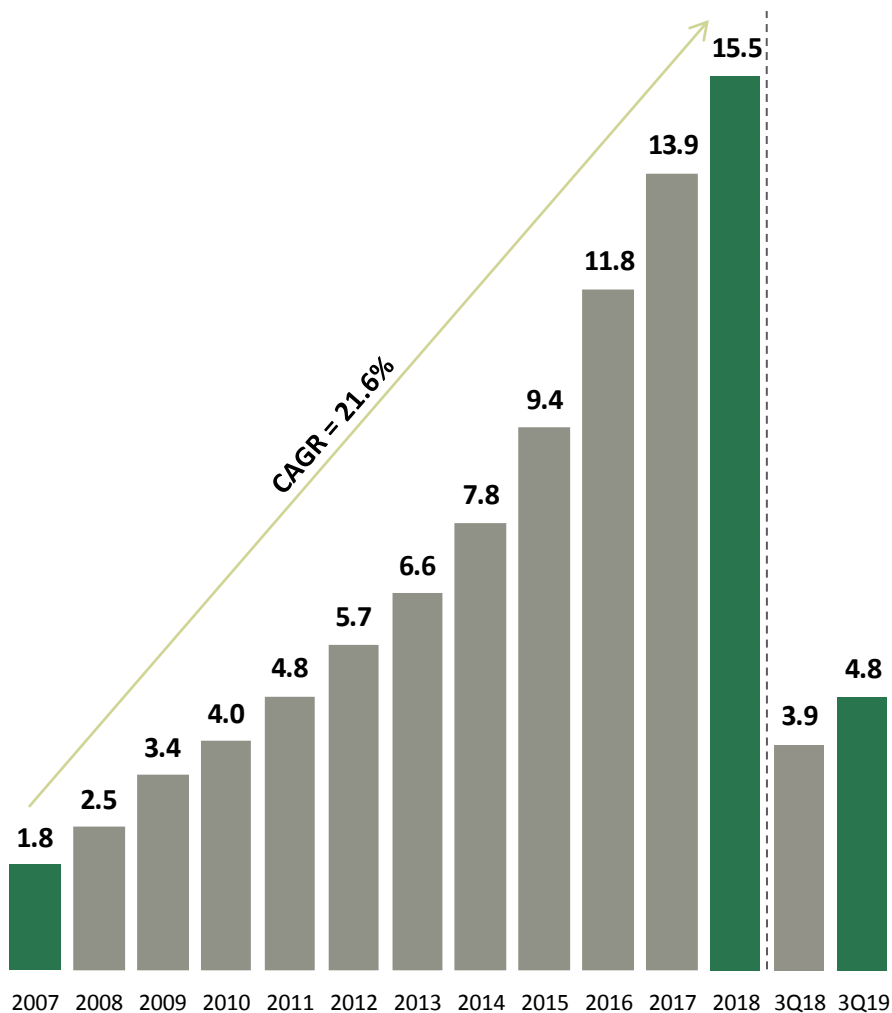


* RD Pharmacies only.

Generics and OTC have been the main growth drivers

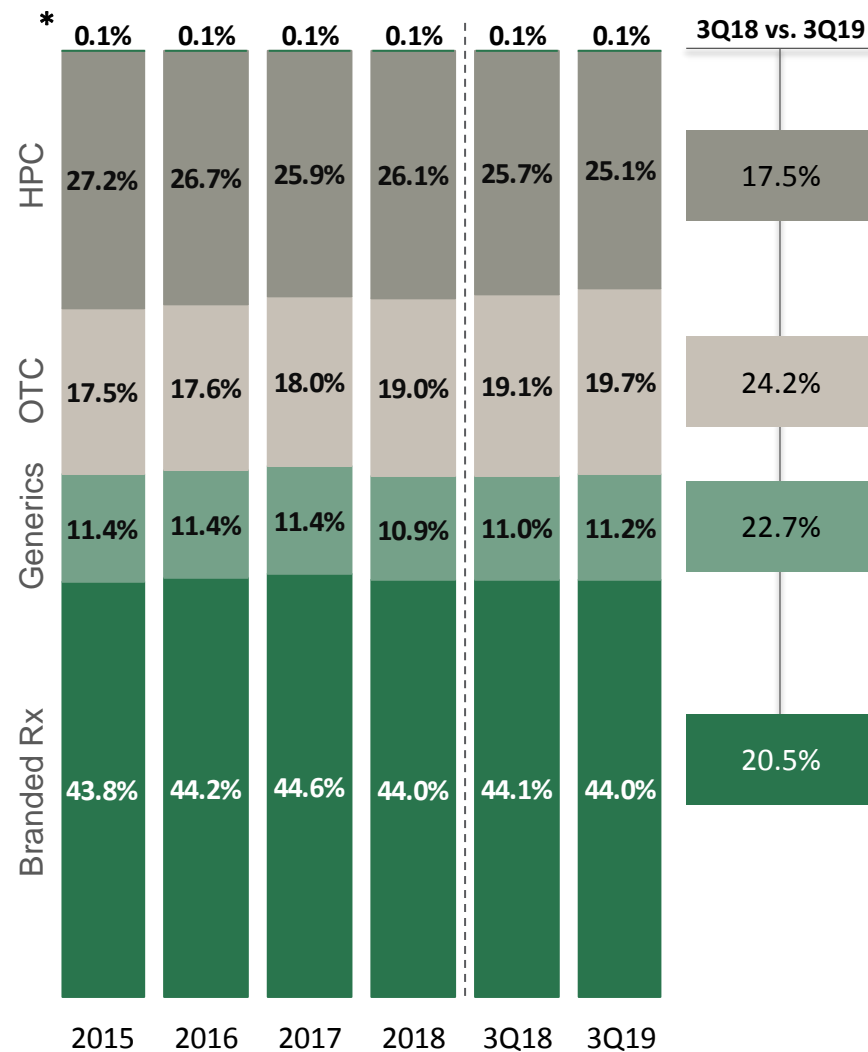
Consolidated Gross Revenue

R\$ million



* Services

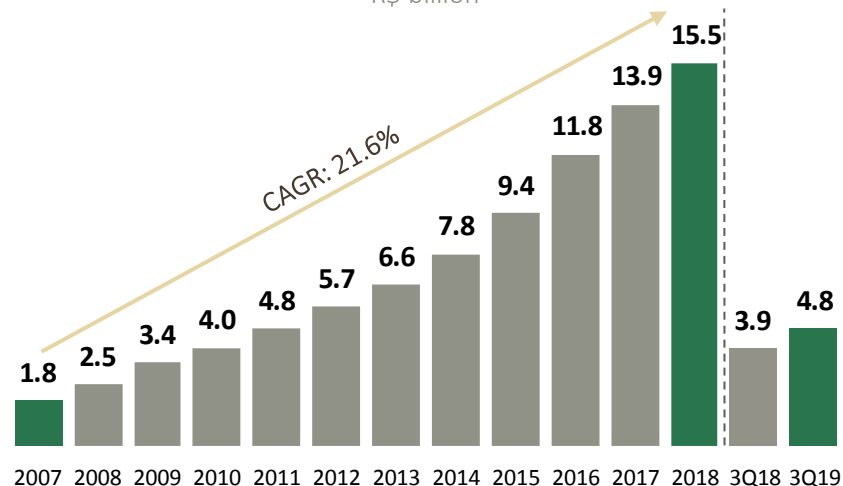
Retail Sales Mix



Long-term growth with value creation

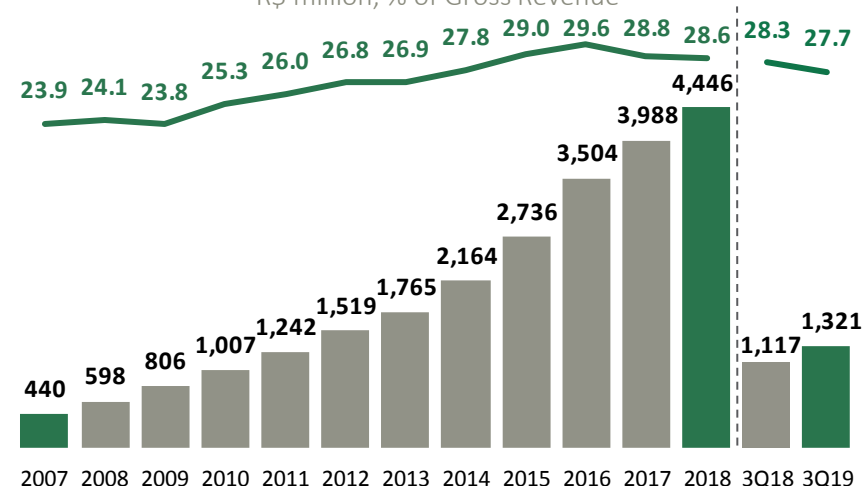
Gross Revenue

R\$ billion



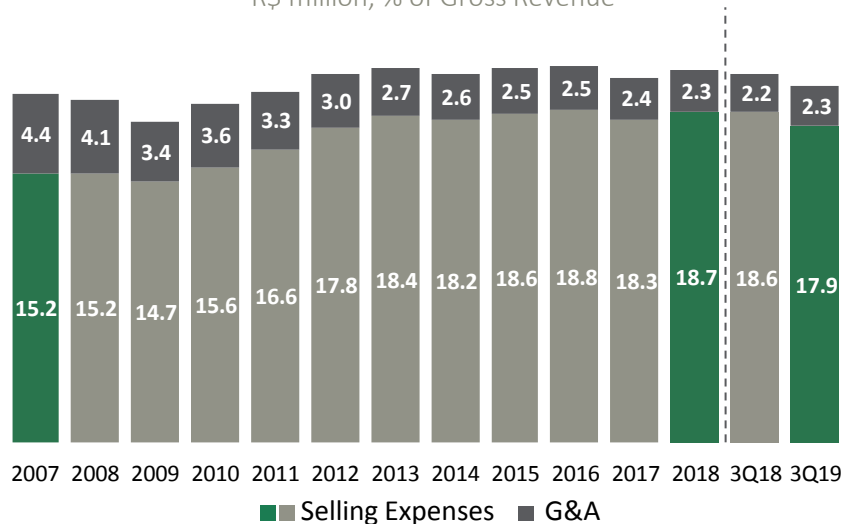
Gross Profit

R\$ million, % of Gross Revenue



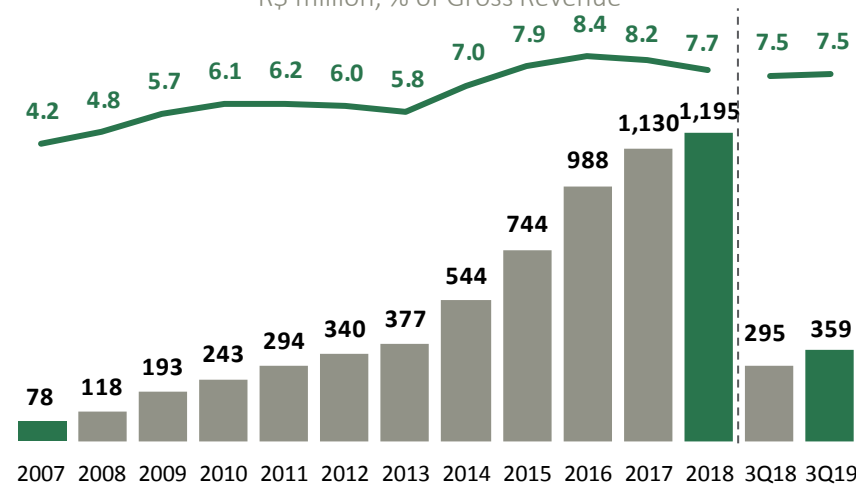
Operating Expenses

R\$ million, % of Gross Revenue



EBITDA

R\$ million, % of Gross Revenue

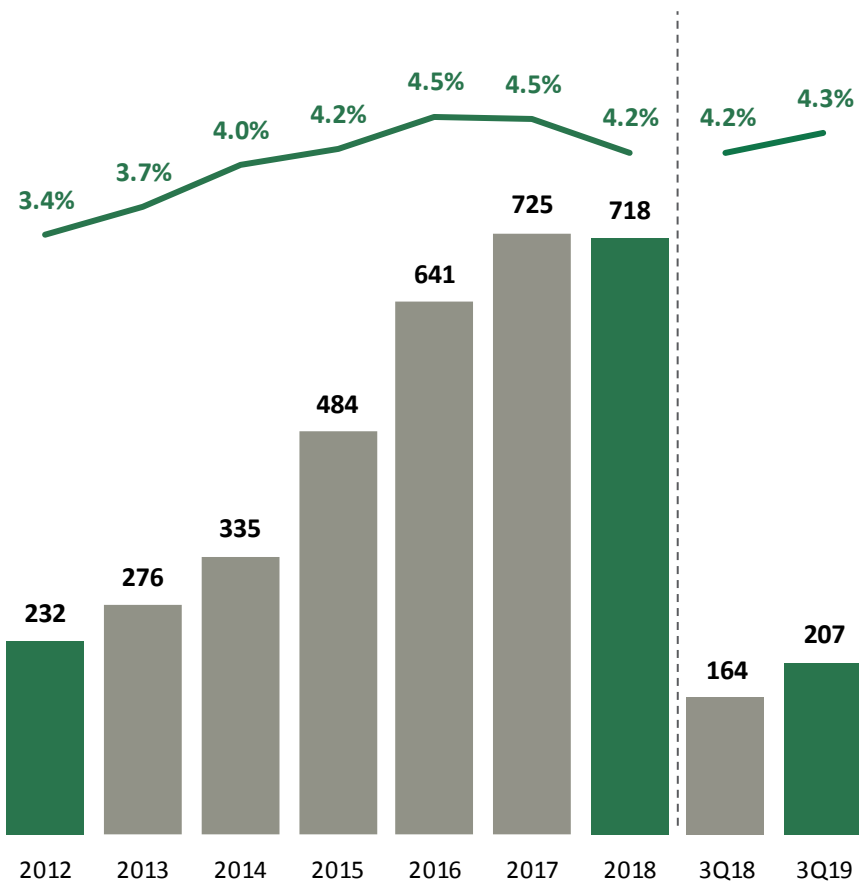


Note: Data for 2019 presented under the previous accounting standard (IAS17).

Significant historic earnings growth

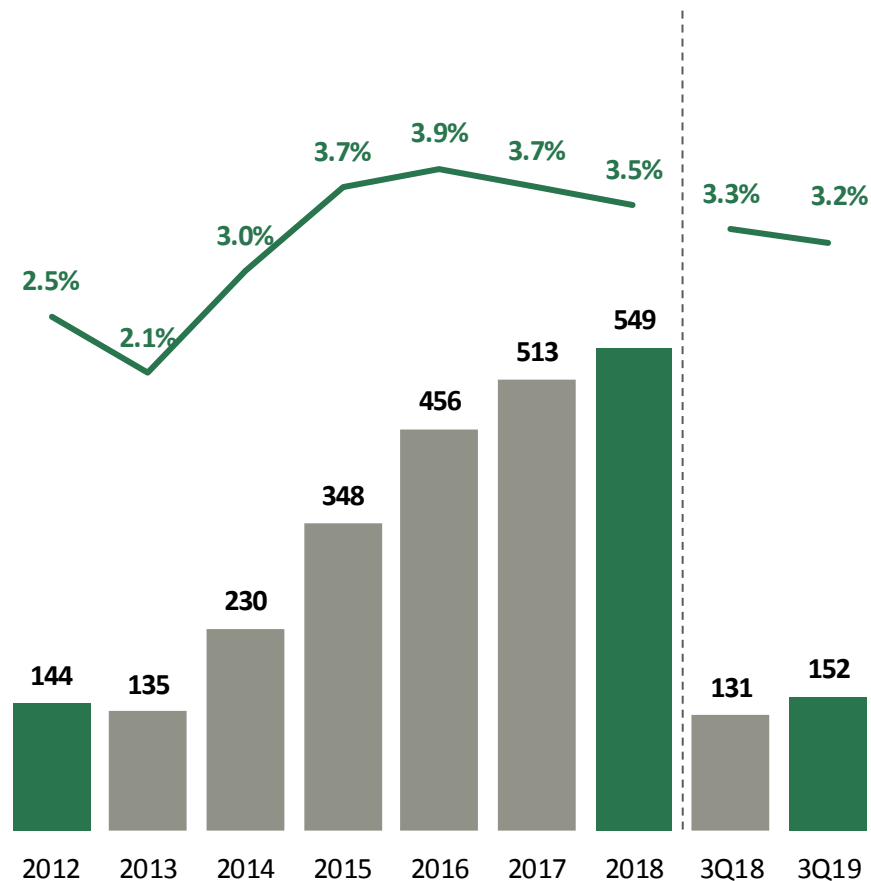
Financial Result, D&A and Income Taxes

R\$ million, % of Gross Revenue



Adjusted Net Income

R\$ million, % of Gross Revenue



Note: Data for 2019 presented under the previous accounting standard (IAS17).

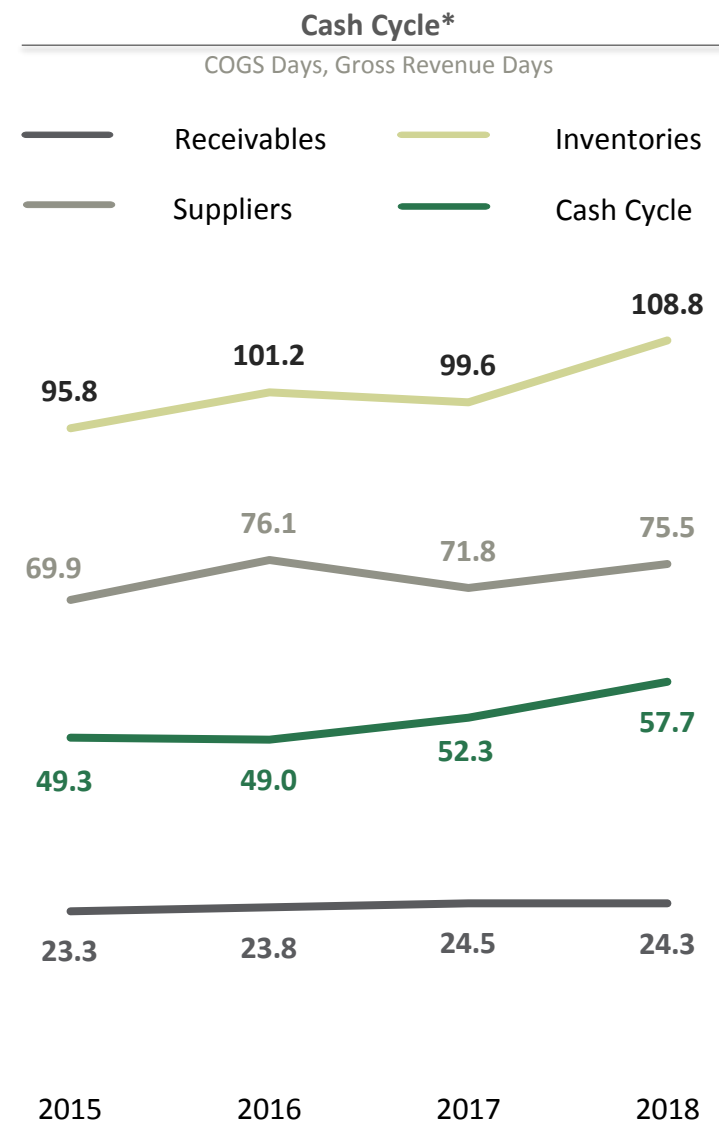
Strong operating cash generation to finance investments

	Cash Flow			
Cash Flow (R\$ million)	2015	2016	2017	2018
Adjusted EBIT	516.5	713.2	792.4	781.1
NPV Adjustment	(53.2)	(67.3)	(63.9)	(50.4)
Non-Recurring Expenses	(10.0)	(7.7)	0.2	(59.5)
Income Tax (34%)	(154.1)	(217.0)	(247.8)	(228.2)
Depreciation	227.1	274.4	337.9	414.1
Others	(3.5)	12.9	32.2	68.0
Resources from Operations	522.7	708.6	851.0	925.1
Cash Cycle*	(90.6)	(257.5)	(337.0)	(344.4)
Other Assets (Liabilities)**	28.2	59.3	75.5	(17.6)
Operating Cash Flow	460.3	510.4	589.5	563.0
Investments	(388.7)	(489.1)	(639.2)	(703.0)
Free Cash Flow	71.6	21.3	(49.7)	(139.9)
Interest on Equity	(121.3)	(153.3)	(170.8)	(173.6)
Income Tax Paid over Interest on Equity	(25.3)	(27.0)	(28.5)	(29.5)
Net Financial Expenses***	(10.9)	(42.1)	(46.8)	(32.9)
Share Buyback	-	-	-	(46.9)
Income Tax (Tax benefit over financial expenses and interest on equity)	64.6	80.5	84.8	81.5
Total Cash Flow	(21.3)	(120.6)	(211.0)	(341.4)

* Includes adjustments for discounted receivables.

** Includes tax shield from goodwill amortization and NPV adjustments.

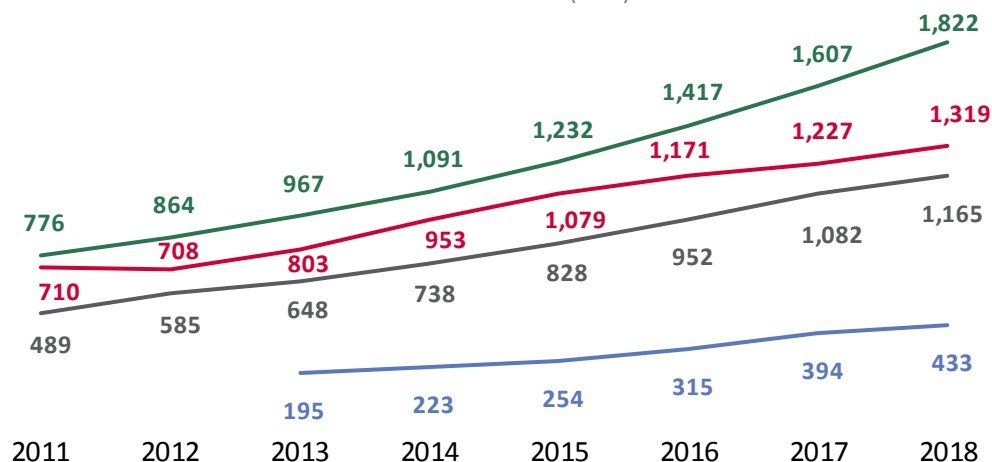
*** Excludes NPV adjustments.



Decoupling from the other national chains

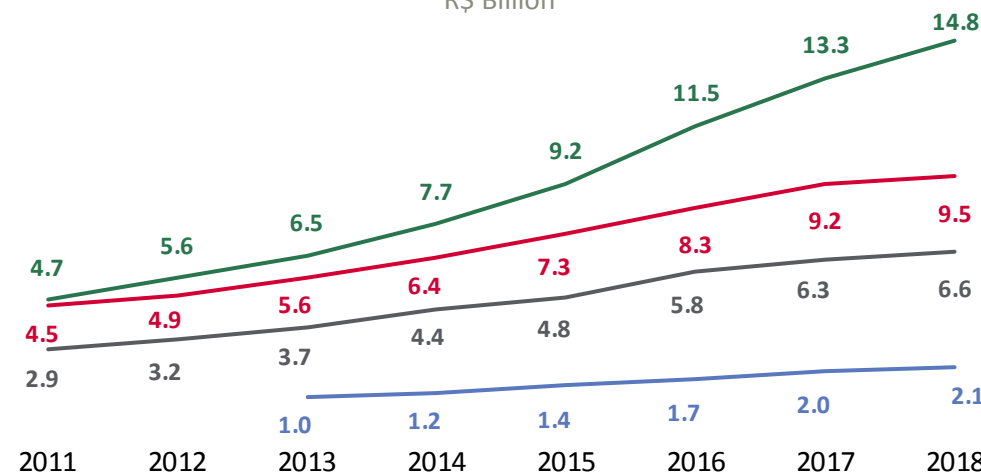
Stores

Number of stores (EoP)



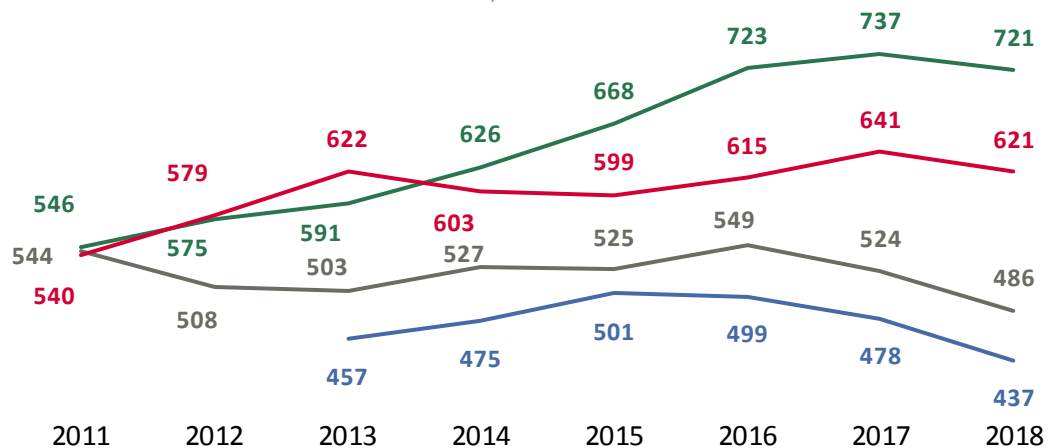
Gross Revenues

R\$ Billion



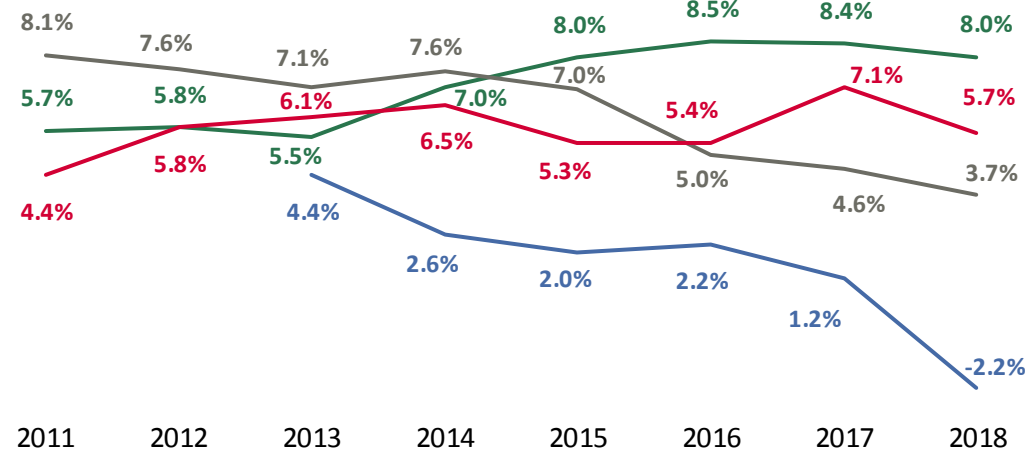
Gross Revenue per Store (Monthly)

R\$ Thousand



Adjusted EBITDA margin

% of Gross Revenue



Source: Company reports.

*RD figures do not include 4Bio. DPSP Gross Revenues estimated using Net Revenues

RD* DPSP Pague Menos Extrafarma