



RaiaDrogasil S.A.

People,
Health and
Well-being

**INSTITUTIONAL
PRESENTATION:**

1Q18

*Taking Close Care
of People's Health
and Well-Being
during all Times
of their Lives*



June, 2018

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COMPANY HIGHLIGHTS



DIFFERENTIATED BUSINESS MODEL



RD has a differentiated business model, superior scale, efficiency and geographic presence, which has resulted in an unique organic growth track-record in Brazilian retail

Merger between Raia S.A. and Drogasil S.A., the two leading drugstore brands in Brazil (IMS), with 198 years of combined history and shared control by shareholders who are members of the founding families. Rated AAA-Br by Fitch;

Brazil's largest drugstore chain and 5th largest retailer: Revenues of R\$ 14.2 billion, EBITDA of R\$ 1,158 MM and adjusted net income of R\$ 528.4 MM in the LTM. Launched ADR Level 1 in the NYSE.

More than 1,650 stores in 21 states of Brazil, which represent 96% of the Brazilian pharmaceutical market, and a national market share of 12.0%

Unparalleled business model, based on a portfolio of Healthcare and Wellness assets: RD Pharmacies (Raia, Drogasil, Farmasil), RD Services (4Bio and Univers) and RD Brands (Needs, B-Well, Triss, Caretech, Nutrigood and LePop)

Unique growth track record in the Brazilian retail market: more than doubling our store base between 2011 and 2017 while relying 100% on organic growth.



ESSENCE



Belief

People Taking Care of
People

Purpose

Taking Close Care of
People's Health and Well-
being during all Times of
their Lives

Values

Efficiency

Ethics

Innovation

Relationships of Trust

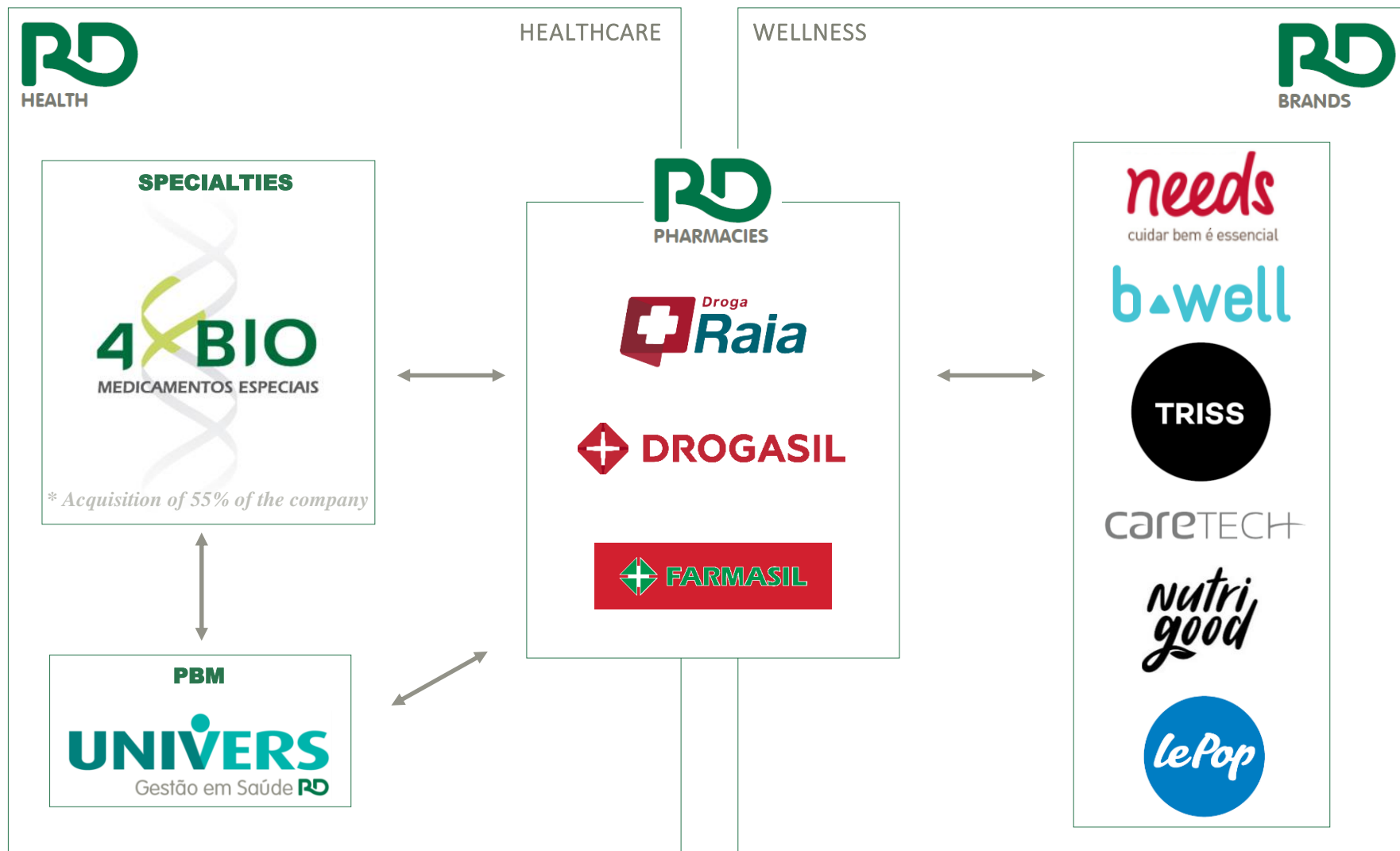
Long-Term View



UNIQUE PORTFOLIO



Our business model is based on a unique portfolio of integrated healthcare & wellness assets



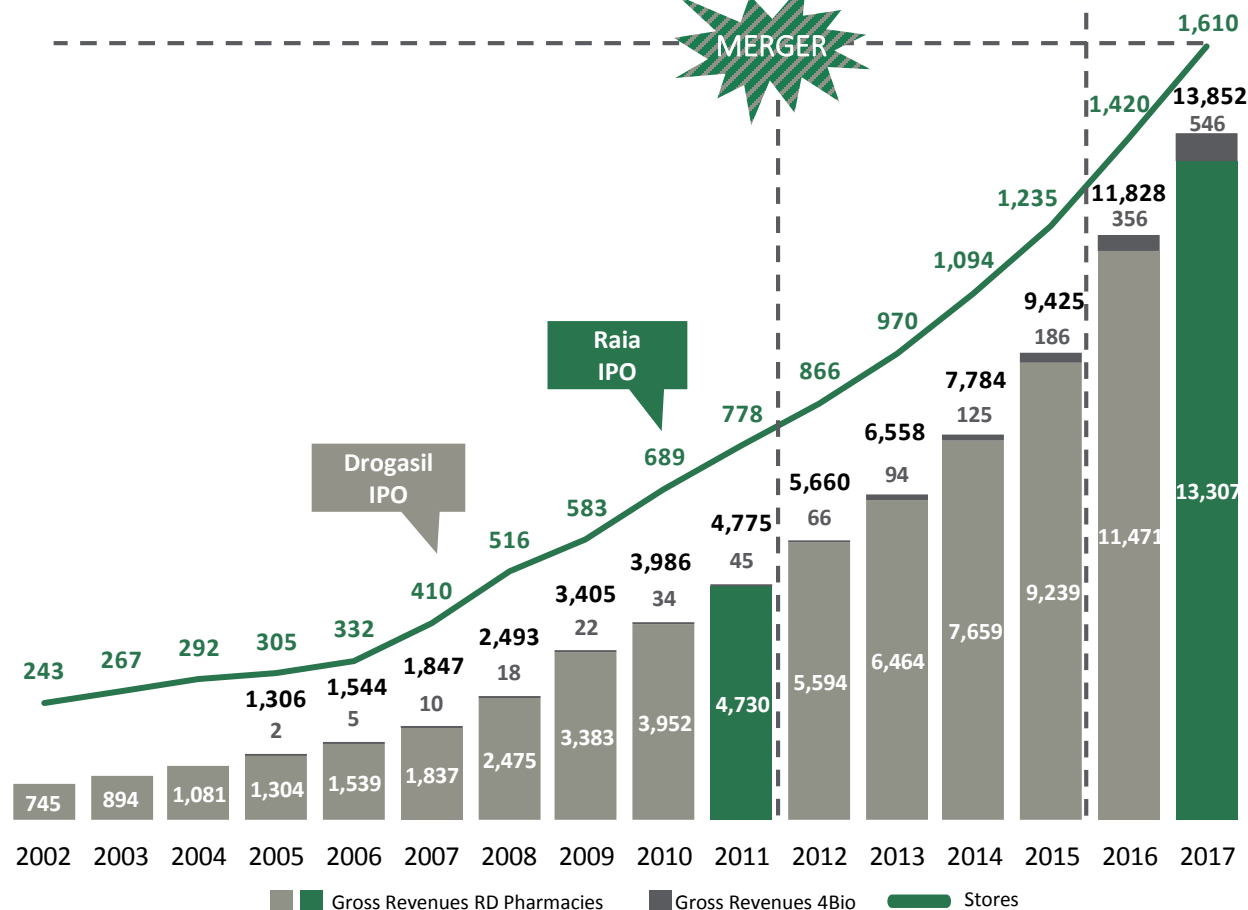
MULTIPLIED STORES BY 2X, SALES BY 3X AND EBITDA BY 4X FROM 2011 TO 2017



Unique track-record of accelerated organic growth with margin expansion

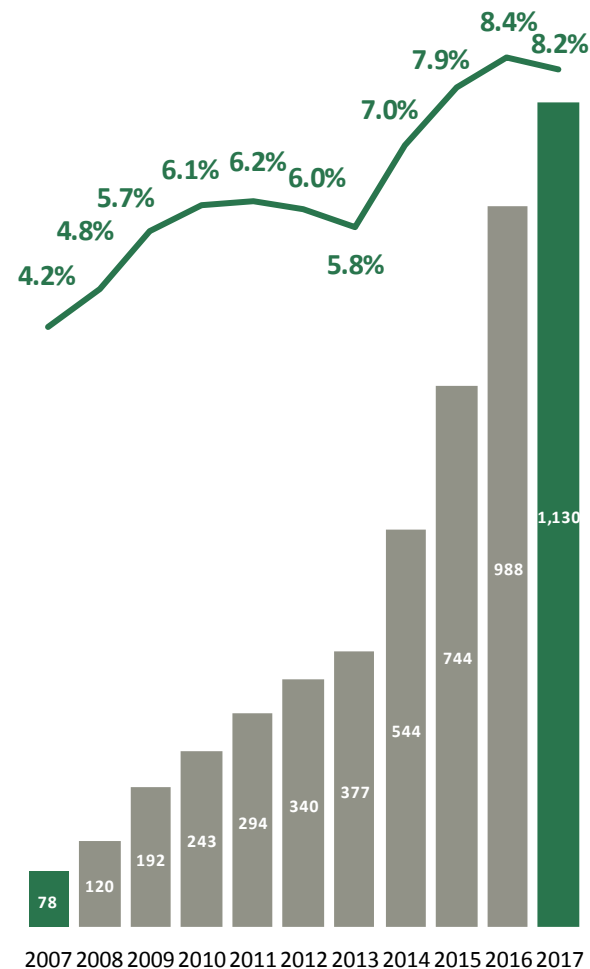
Combined Gross Revenues & Store Count

R\$ million, Stores



Combined EBITDA












R\$ million, % of Gross Revenues



LARGEST, FASTEST-GROWING AND MOST EFFICIENT DRUGSTORE CHAIN IN BRAZIL



Ranks as the 5th largest retail group in Brazil

| Brazil Ranking | | Gross Revenues (billion)* | Stores | EBITDA (million) | EBITDA (margin) | Brazil Ranking | | Gross Revenues (billion) | Stores |
|----------------|--|---------------------------|---------------|-------------------|--------------------|----------------|--|--------------------------|---------------|
| 1st |  Gente, Saúde e Bem-estar. RaiaDrogasil S.A. | R\$ 13.9 +17% | 1,610 +13% | R\$ 1,130 +14% | 8.2% - 0.2 p.p. | 1st |  | R\$ 77.6 +15% | 2,052 -3% |
| 2nd |  | R\$ 9.2 +10% | 1,227 +5% | R\$ 654 +47% | 7.1% + 1.8 p.p. | 2nd |  | R\$ 52.4 +7% | 432 +17% |
| 3rd |  | R\$ 6.3 +8% | 1,082 +14% | R\$ 287 -1.6% | 4.6% - 0.4 p.p. | 3rd |  | R\$ 28.2 -4% | 450 -10% |
| 4th |  | R\$ 2.6 +30% | 670 - | - | - | 4th |  | R\$ 20.0 -7% | 1,306 +16% |
| 5th |  | R\$ 2.1 +13% | 399 +8% | R\$ 128 +2.7% | 5.4% - 0.1 p.p. | 5th |  Gente, Saúde e Bem-estar. RaiaDrogasil S.A. | R\$ 13.9 +17% | 1,610 +13% |
| 6th |  | R\$ 2.0 +18% | 394 +25% | R\$ 24 -35% | 1.2% - 1.0 p.p. | | | | |

Source: Companies, Brazilian Supermarket Ranking: Supermercado Moderno, Valor Economico Newspaper and Panorama Farmacêutico.

Only considers retailers which operate with own stores.

As of 2017.

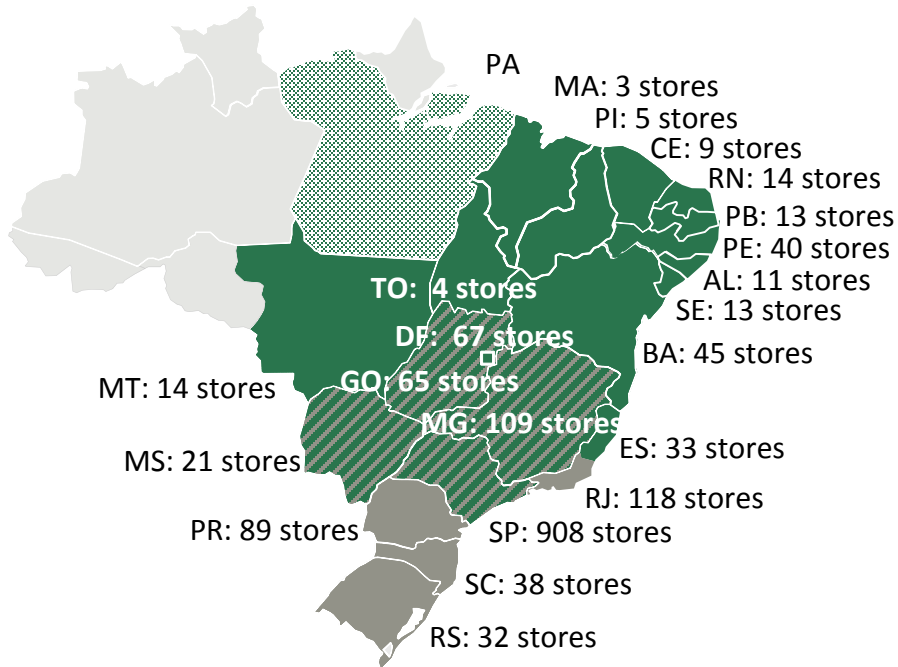
* Panvel Gross Revenues do not consider wholesale operations.

STRONG MARKET SHARE GROWTH DRIVEN BY ORGANIC EXPANSION



RD is positioned in 21 states that account for 96% of the Brazilian pharmaceutical market

Geographic Presence – March 31, 2018



Total: 1,651 stores

■ Raia: 759 stores

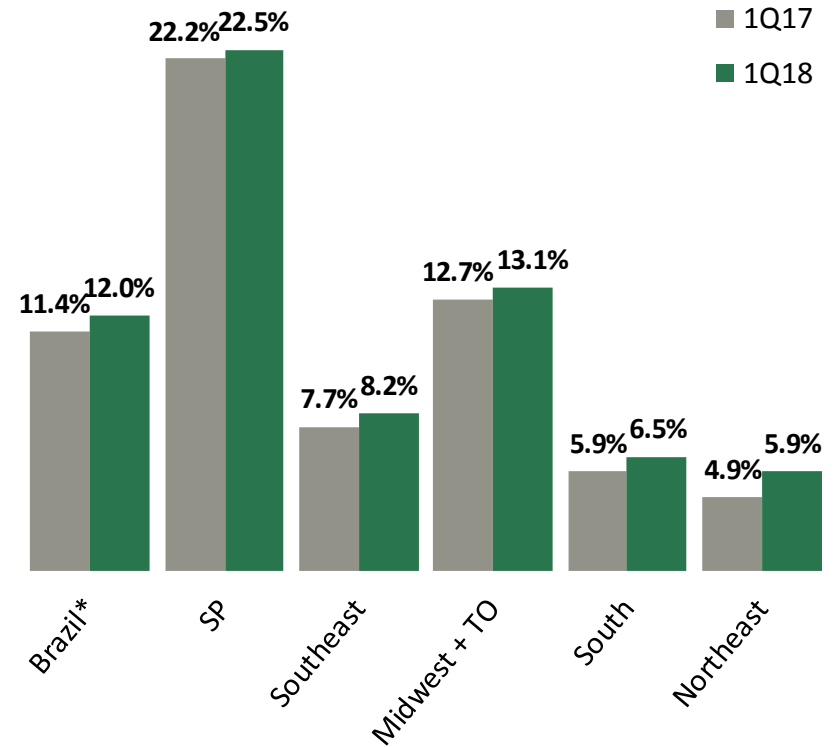
■ Drogasil: 865 stores

■ Future markets

* Farmasil: 24 stores

* 4Bio: 3 stores

Market Share



PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

| Brazil* | SP | Southeast | Midwest + TO | South | Northeast |
|---------|-------|-----------|--------------|-------|-----------|
| 100.0% | 26.6% | 24.3% | 9.9% | 16.1% | 18.7% |

Source: IMS Health

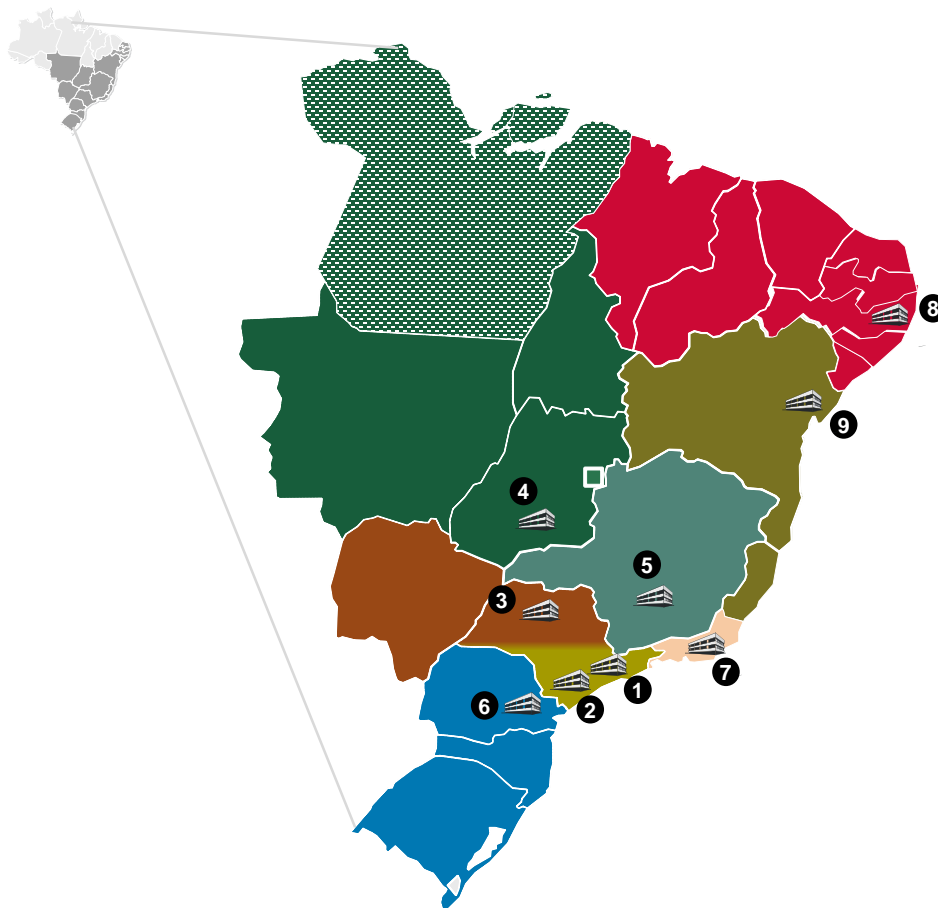
* Includes 4Bio only for Brazil total.

DISTRIBUTION INFRASTRUCTURE



Unified, decentralized and scalable distribution infrastructure, with state of the art supply chain management driven by proprietary platforms

DISTRIBUTION CENTERS



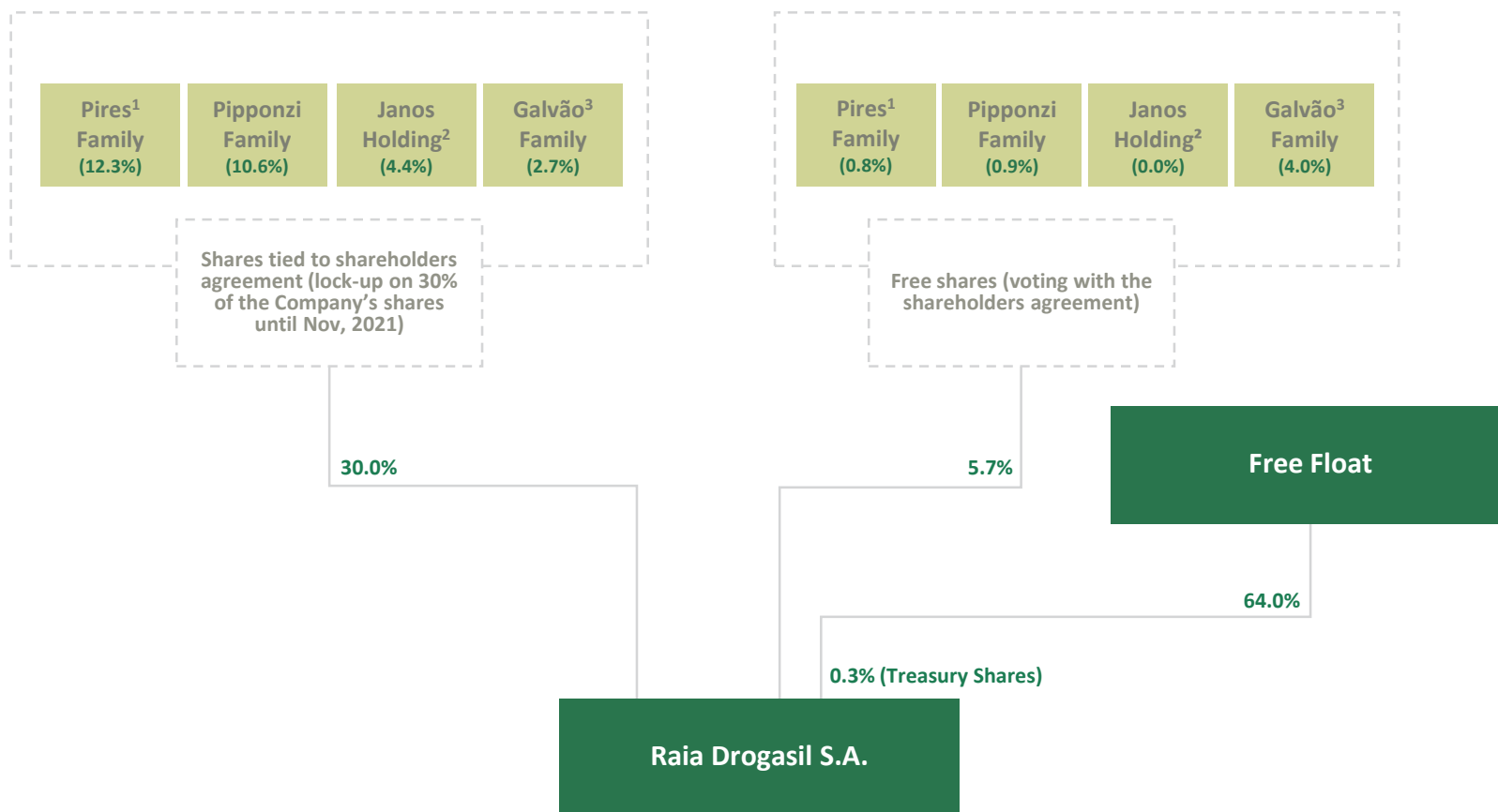
Ribeirão Preto DC

- | | |
|---|---|
| 1 | › São Paulo (SP) › Area: 18,000 m ² |
| 2 | › Embu (SP) › Area: 22,700 m ² |
| 3 | › Ribeirão Preto (SP) › Area: 18,500 m ² |
| 4 | › Aparecida (GO) › Area: 15,000 m ² |
| 5 | › Contagem (MG) › Area: 8,500 m ² |
| 6 | › S. J. dos Pinhais (PR) › Area: 12,900 m ² |
| 7 | › Barra Mansa (RJ) › Area: 10,400 m ² |
| 8 | › Jaboatão (PE) › Area: 10,300 m ² |
| 9 | › Salvador (BA) › Area: 8,500 m ² |

HIGH STANDARDS OF CORPORATE GOVERNANCE



Members of the founding families of both Raia and Drogasil as long-term majority shareholders



The number of locked-up shares is presently 30% of the stock capital and will remain unchanged until Nov, 2021. Therefore, 84% of the current controlling shareholders' shares will remain under lock-up. Controllers own 6% in free shares that were not sold.



¹ Carlos Pires Oliveira Dias and Regimar Comercial S.A.

² Pragma's carve-out, Janos Holding is the long-term strategic investment group of Guilherme Leal, Luis Seabra and Pedro Passos, founders of Natura.

³ GL Participações Ltda and Paulo Galvao Shares

STRONG VALUE CREATION SINCE THE MERGER



| Combined Operational Highlights | 2011 | 1Q18 LTM | Var. % |
|---|---|--|--|
| Store Count | 778 | 1,651 | 112.2% |
| Sales Area (sqm) | 109,095 | 242,329 | 122.1% |
| Geographic Presence | 9 states 78% of the Brazilian Market | 21 states 96% of the Brazilian Market | +12 states +18% of the Brazilian Market |
| Employees | 17,244 | 32,265 | 87.1% |
| Combined Financial Highlights (R\$ MM) | | | |
| Gross Revenues | 4,775 | 14,244 | 198.3% |
| Gross Profit (% of Gross Revenues) | 1,241 26.0% | 4,093 28.7% | +229.8% +2.7 p.p. |
| EBITDA (% of Gross Revenues) | 294 6.2% | 1,158 8.1% | 294.0% +2.0 p.p. |
| Net Income (% of Gross Revenues) | 152 3.2% | 528 3.7% | 247.6% +0.5 p.p. |
| ROIC | 12.7% | 19.3% | +6.6 p.p. |
| Market Cap (billion)* | 4.3 | 24.7 | 476.7% |



**HIGH GROWTH
INDUSTRY, IN THE
PROCESS OF
CONSOLIDATION**



BRAZIL IS UNDERGOING AN UNPRECEDENTED DEMOGRAPHIC TRANSFORMATION



The senior population will escalate from 16 million to 30 million over the next 15 years

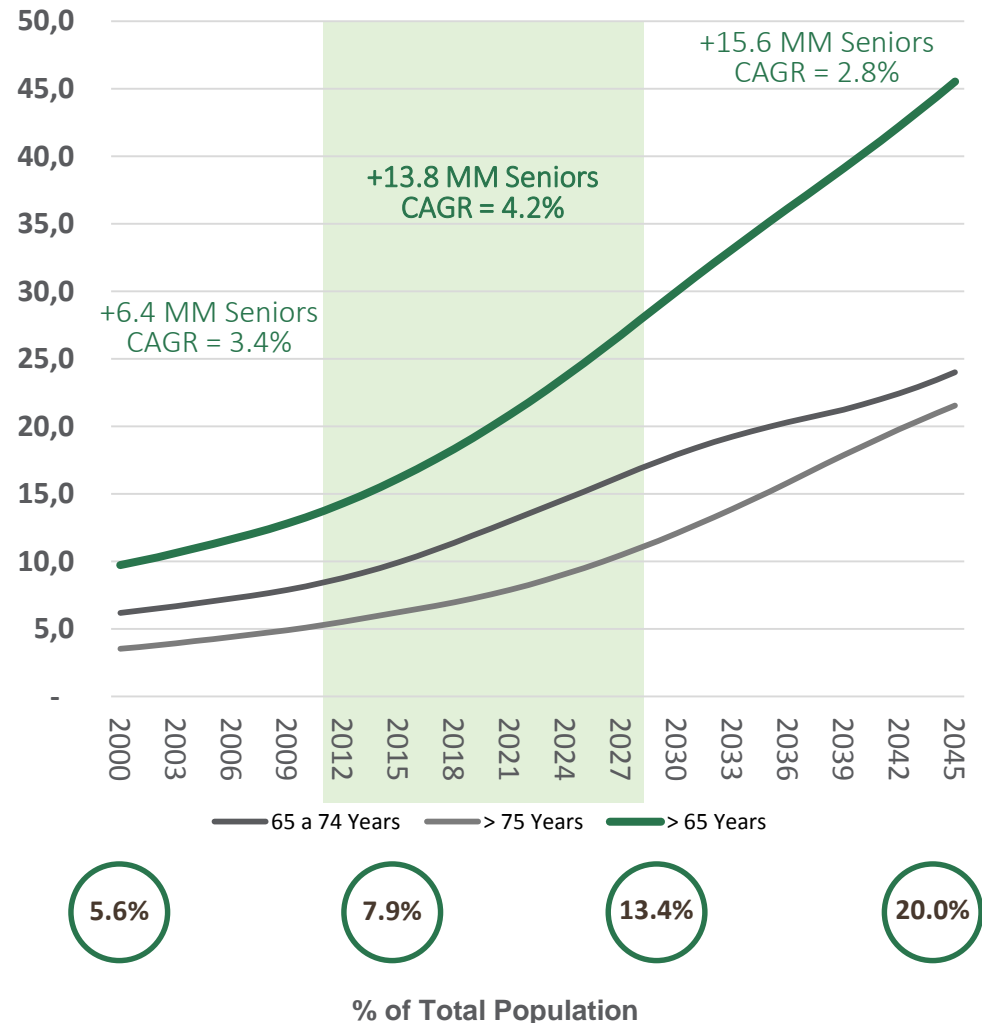
Speed of Population Aging

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



Brazilian Population Above 65 Years Old

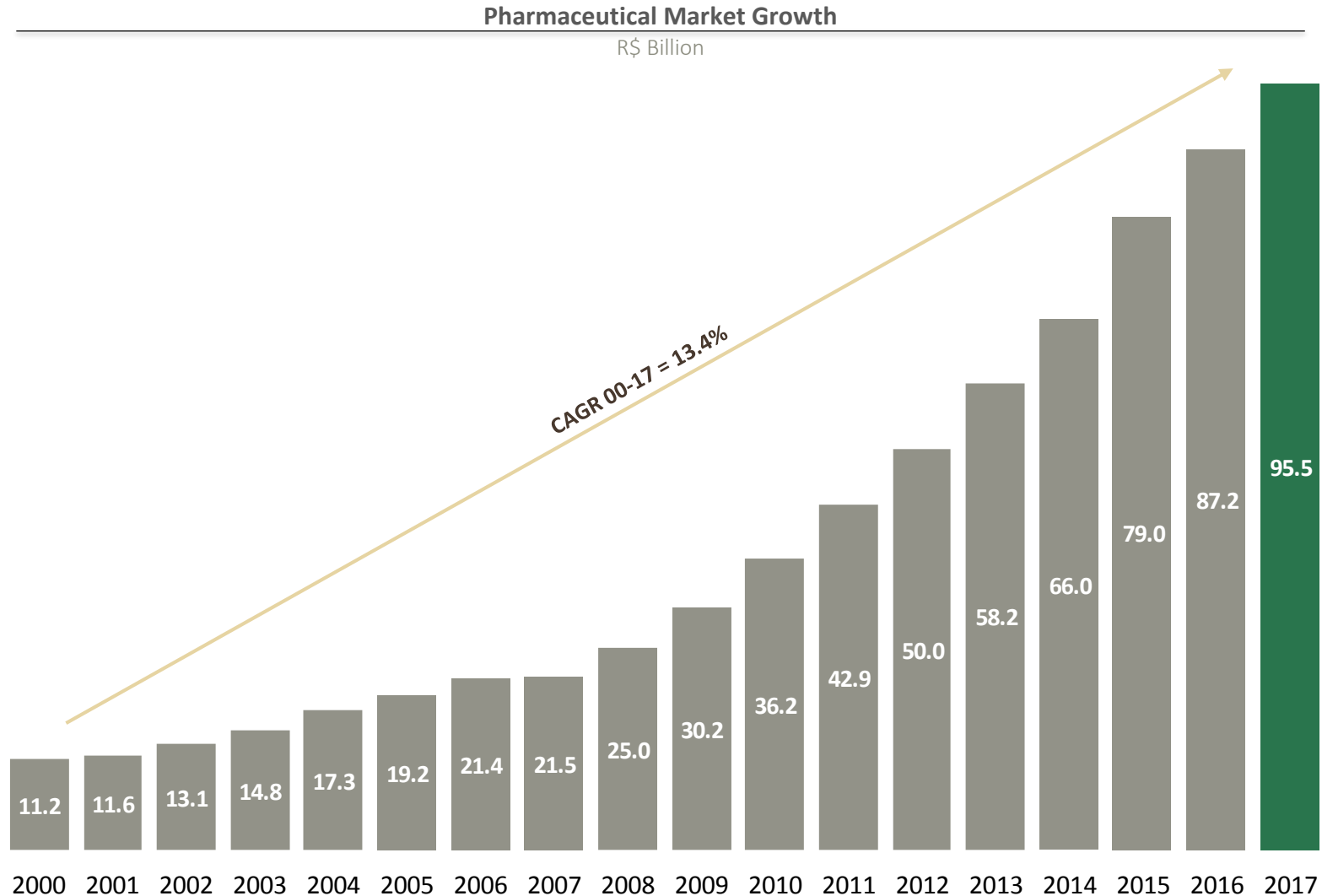
Million People



THE PHARMACEUTICAL MARKET SHALL SUSTAIN A STRONG GROWTH PACE



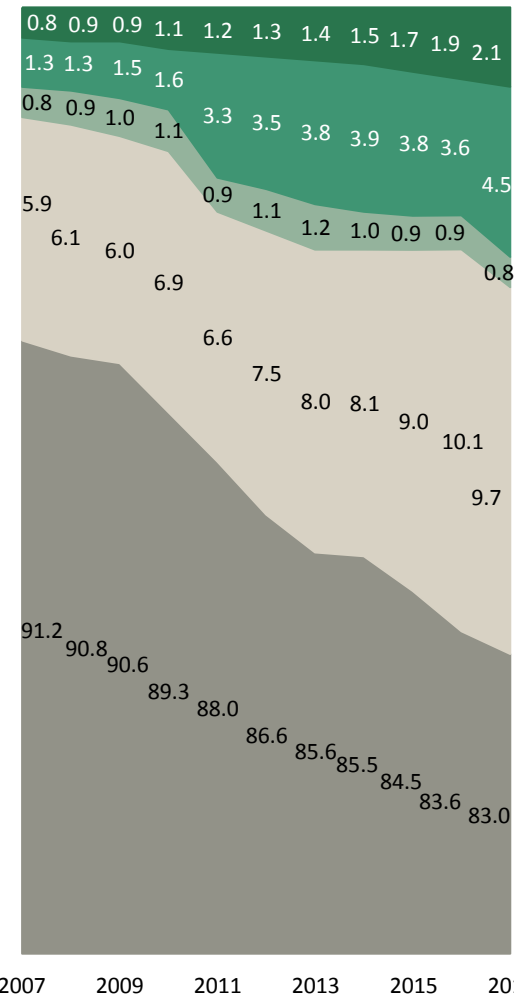
The pharmaceutical market, which grew significantly over the last 15 years, shall sustain a strong growth pace for another 15 years.



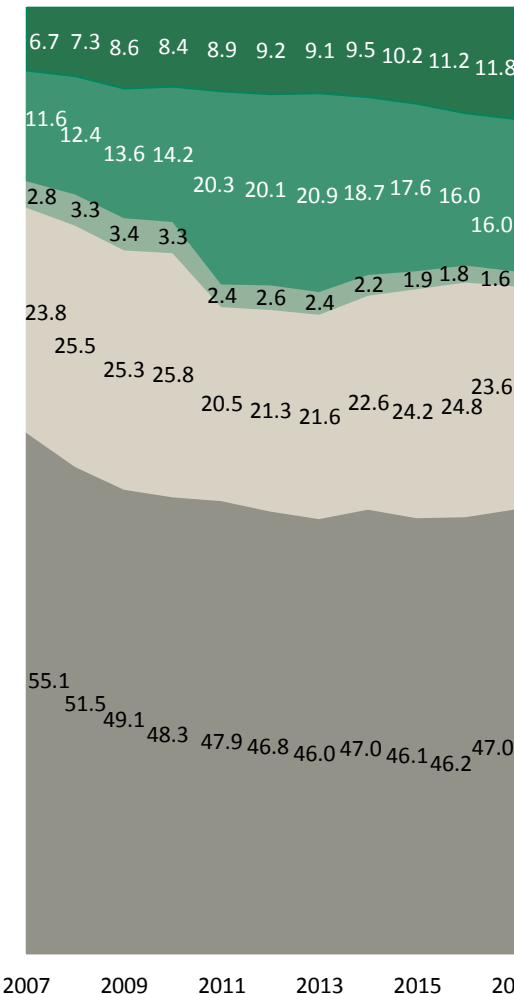
THE DRUGSTORE MARKET REMAINS VERY FRAGMENTED

This allows RD to lead the industry's consolidation & enhance the productivity edge versus our peers

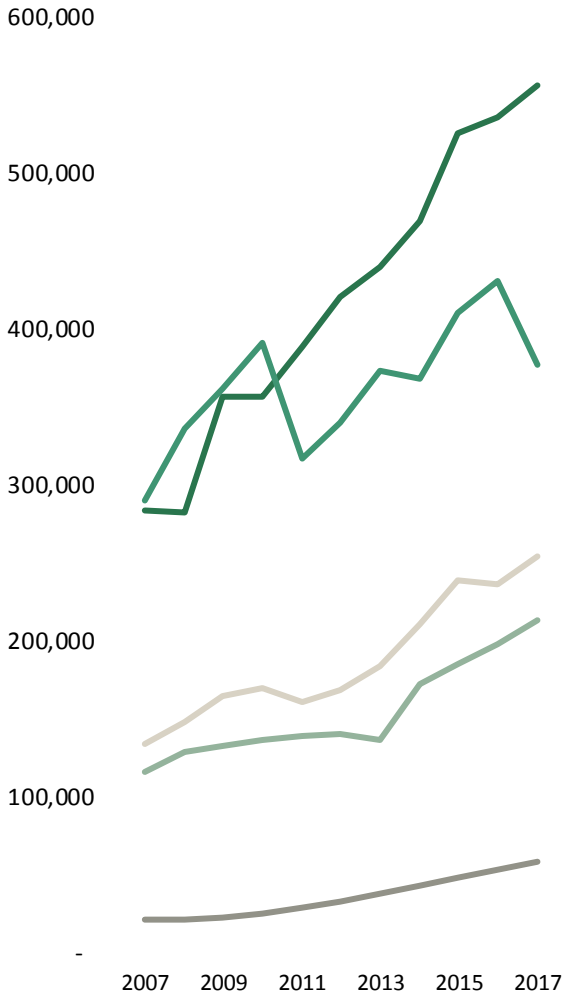
% of Stores



% of Pharma Revenues



Pharma Revenues per Store (R\$/Month)



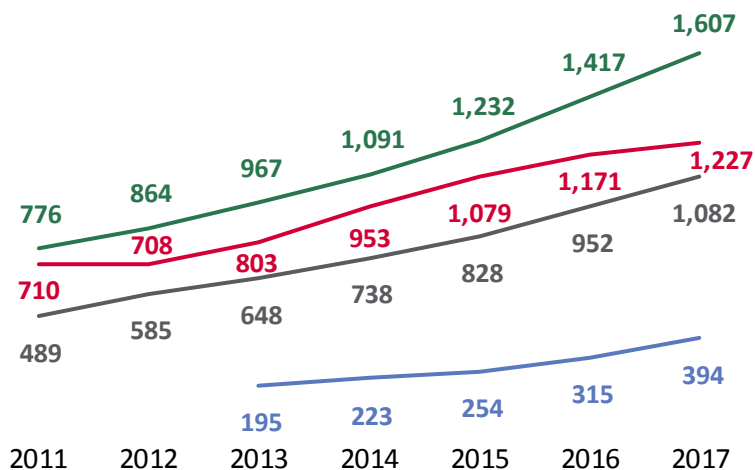
Source: IMS Health and Abrafarma.

DECOUPLING FROM THE OTHER NATIONAL CHAINS



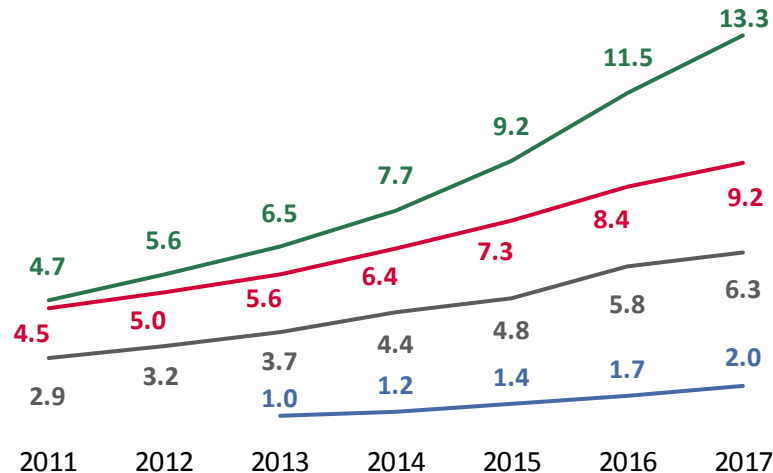
Stores

Units (EoP)



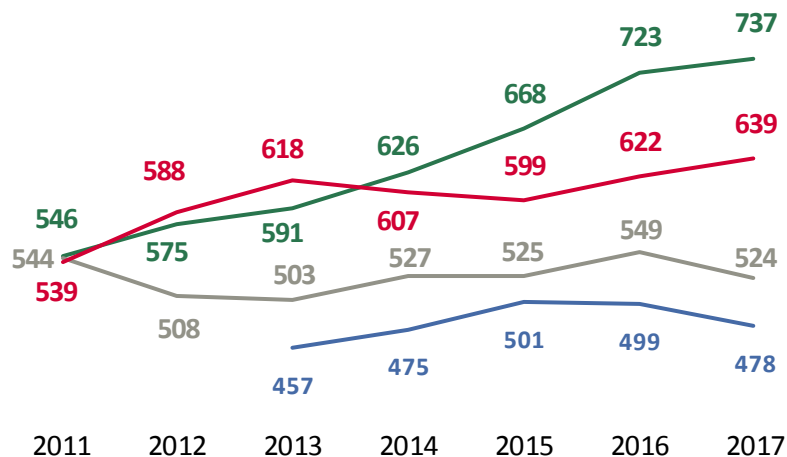
Gross Revenues

R\$ Million



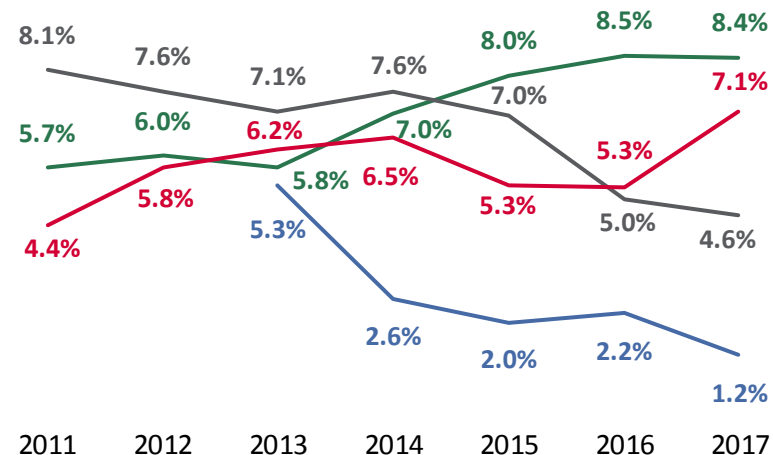
Gross Revenues per Store (Monthly)

R\$ Thousand



Adjusted EBITDA

% of Gross Revenues



RD* DPSP Pague Menos Extrafarma

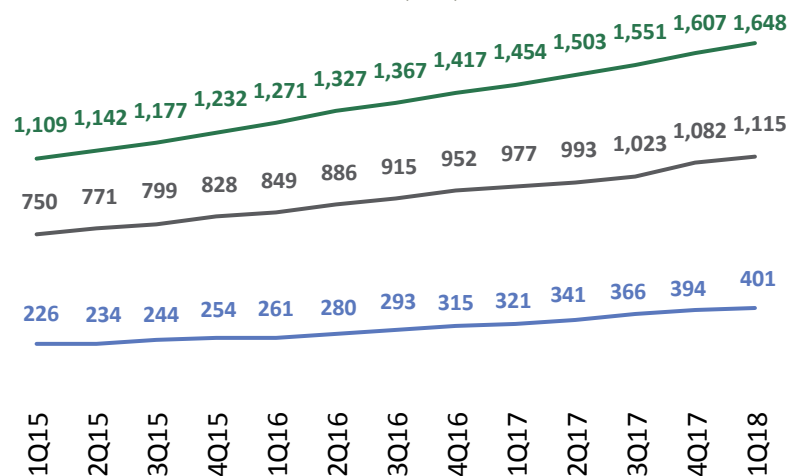
* RD figures do not include 4-bio.

DECOUPLING FROM THE OTHER NATIONAL CHAINS (QUARTERLY)



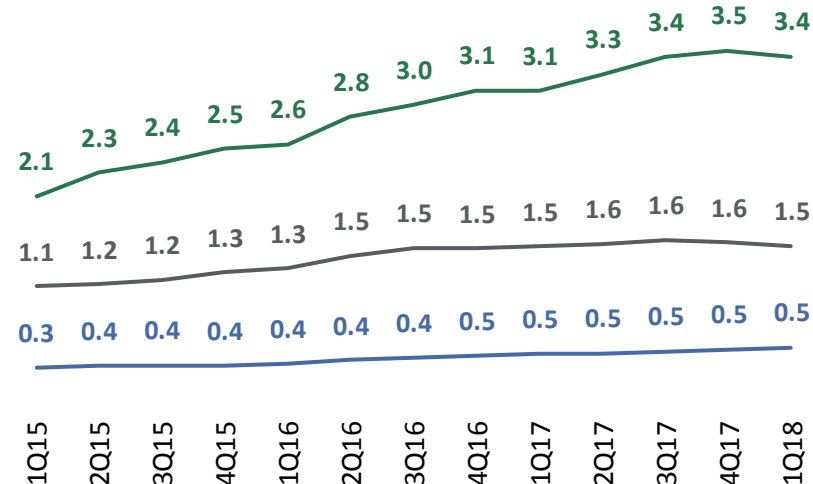
Stores

Units (EoP)



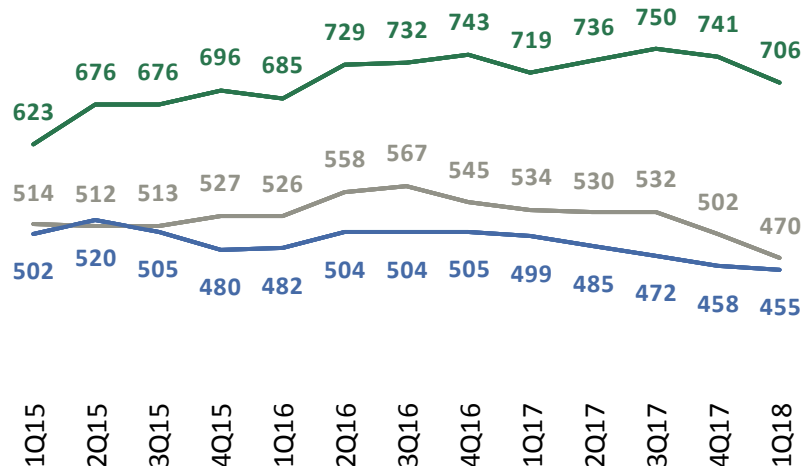
Gross Revenues

R\$ Million



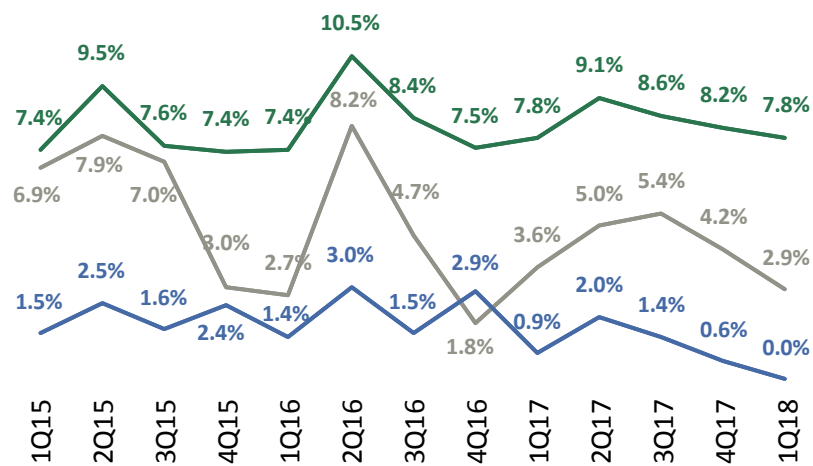
Gross Revenues per Store (Monthly)

R\$ Thousand



Adjusted EBITDA

% of Gross Revenues



RD* Pague Menos Extrafarma

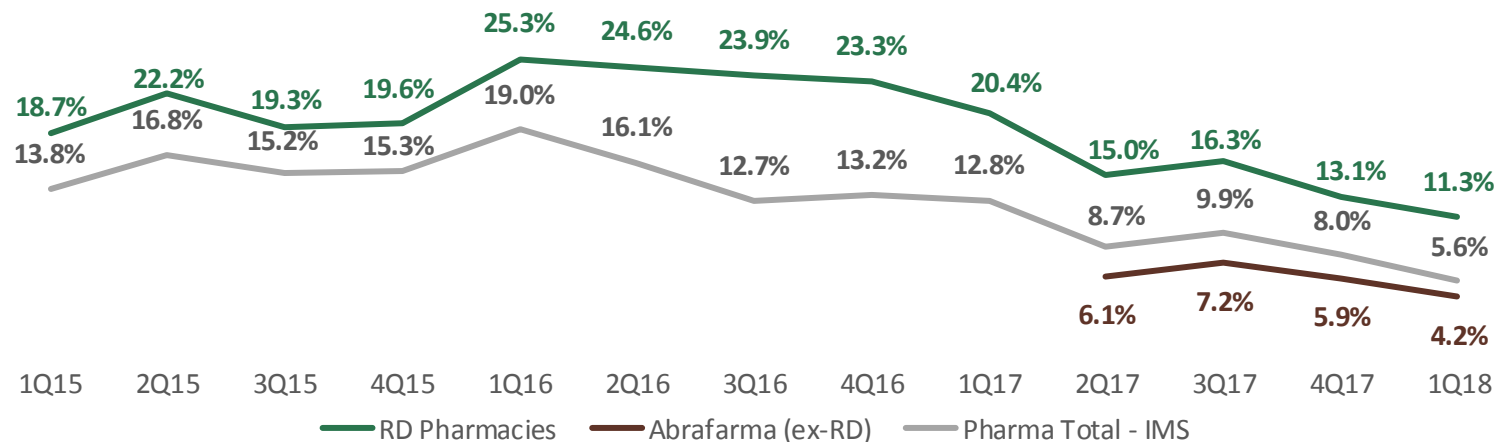
* RD figures do not include 4-bio.

INDUSTRY DECELERATION WAS THE KEY DRIVER OF THE POOR SALES PERFORMANCE

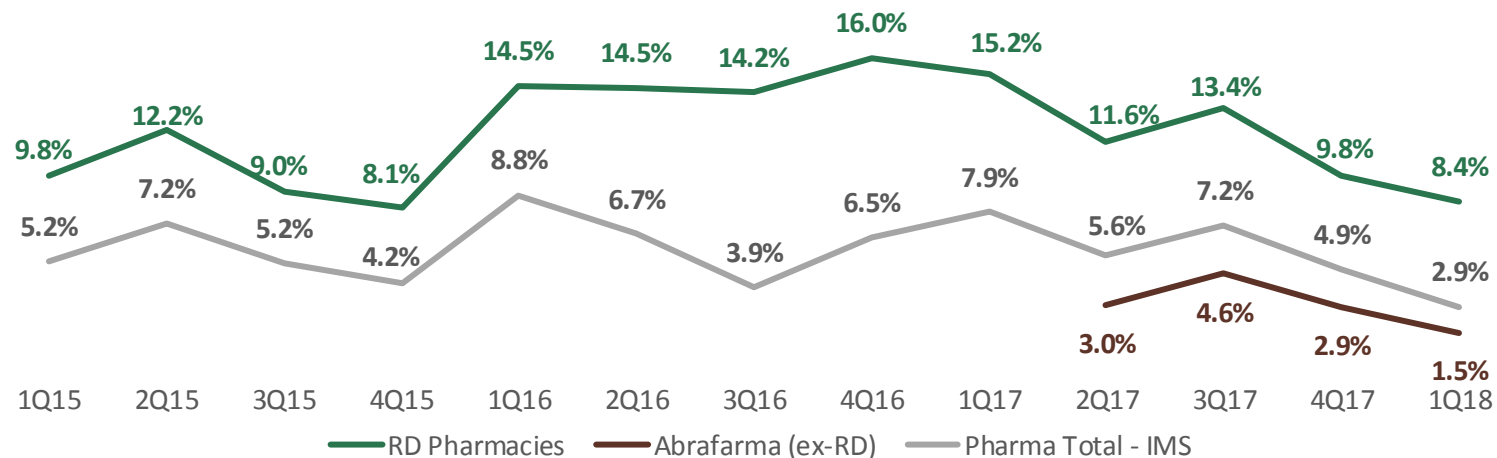


RD's revenue growth was much higher than the market increase. The real growth spread is lower than the peak level of 2016, but higher than our historical levels. The other chains of Abrafarma are growing below the industry

RD vs. Pharma Industry – Nominal Growth Y/Y (%)



RD vs. Pharma Industry – Real Growth Y/Y (%)



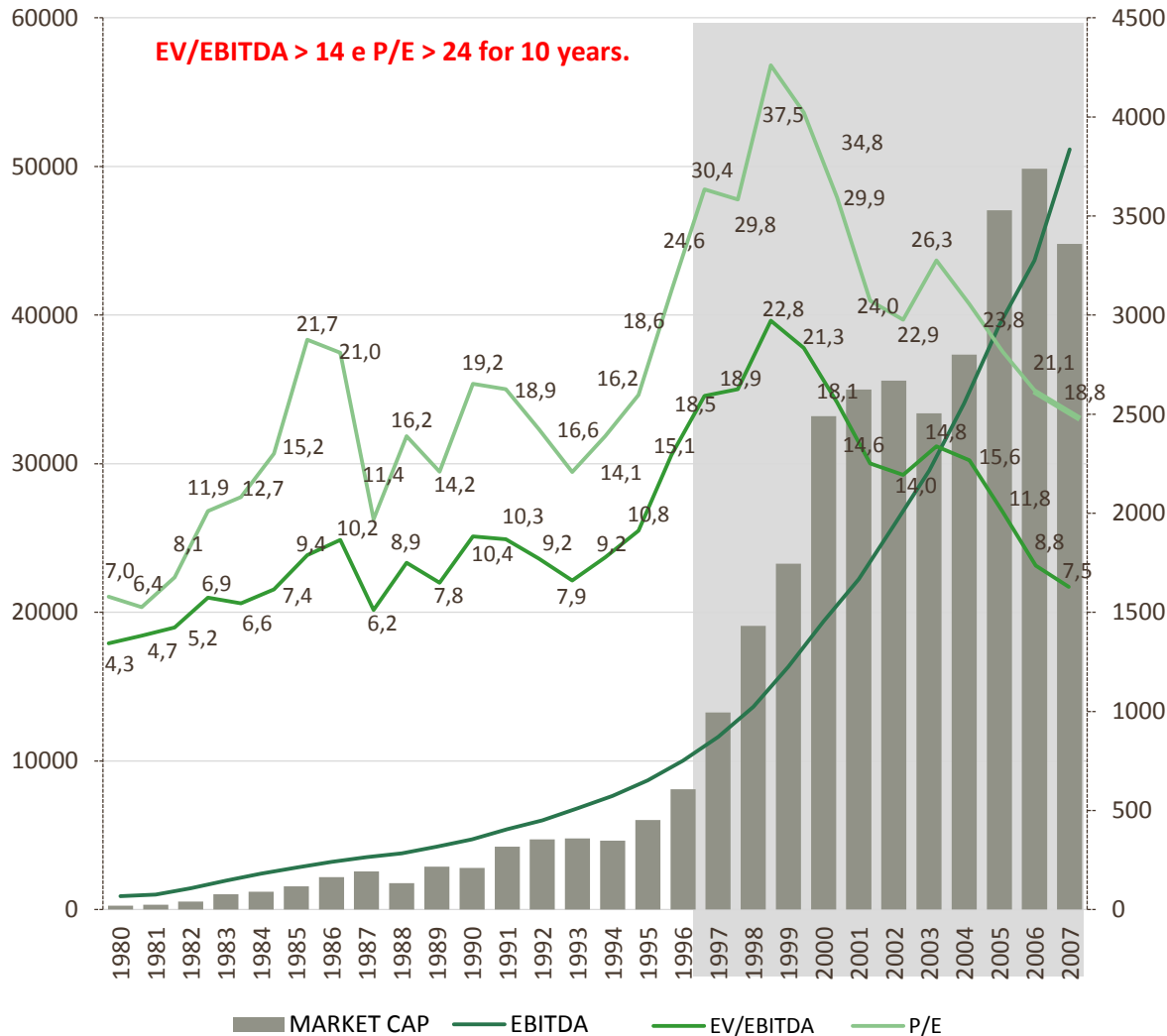
* The Abrafarma data is only available for the last twelve months due to a change in the reporting base, which makes previous data non-comparable.

THE BRAZILIAN DRUGSTORE INDUSTRY RESEMBLES THE US MARKET IN THE 90S

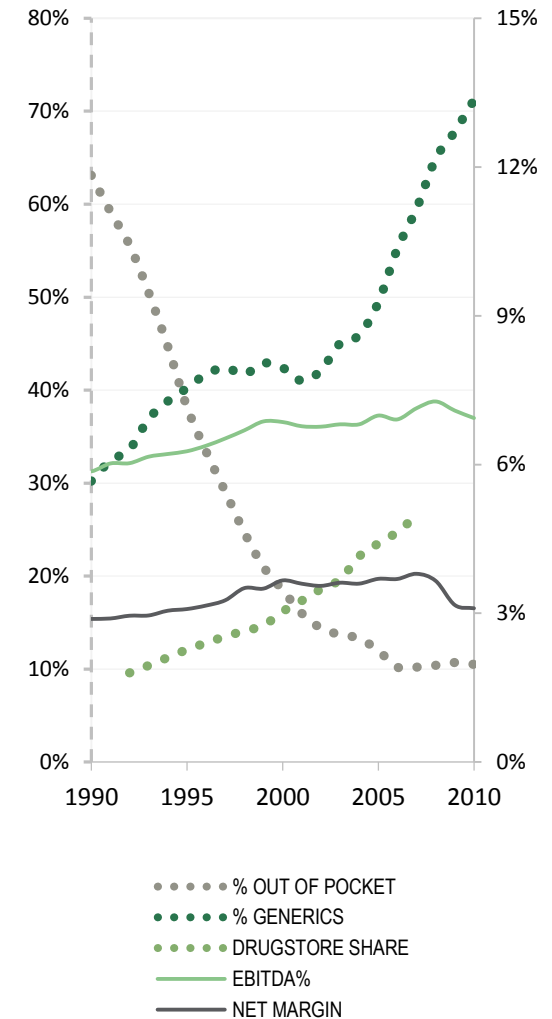


Similar real growth opportunity but larger margin expansion potential

Walgreens Long-Term Benchmark



Industry Trends*



* WAG's financial performance in lieu of its market share increase and of industry trends (generics increase and out of pocket payment substitution by third-party payors)



**DIFFERENTIATED
ASSETS &
COMPETENCIES
DRIVING AN UNIQUE
EXECUTION**



WE HAVE A UNIQUE SET OF ASSETS AND COMPETENCIES



That constitute a very significant entry barrier both against local and global new entrants



OUR RETAIL BRANDS ARE ICONIC ...



DROGASIL: Traditional Drugstore Brand, with Higher Focus on Seniors and Pharma



... WITH DIFFERENTIATED & COMPLEMENTARY POSITIONING



DROGA RAIA: Upscale Wellness Format, focused on Women and on Families

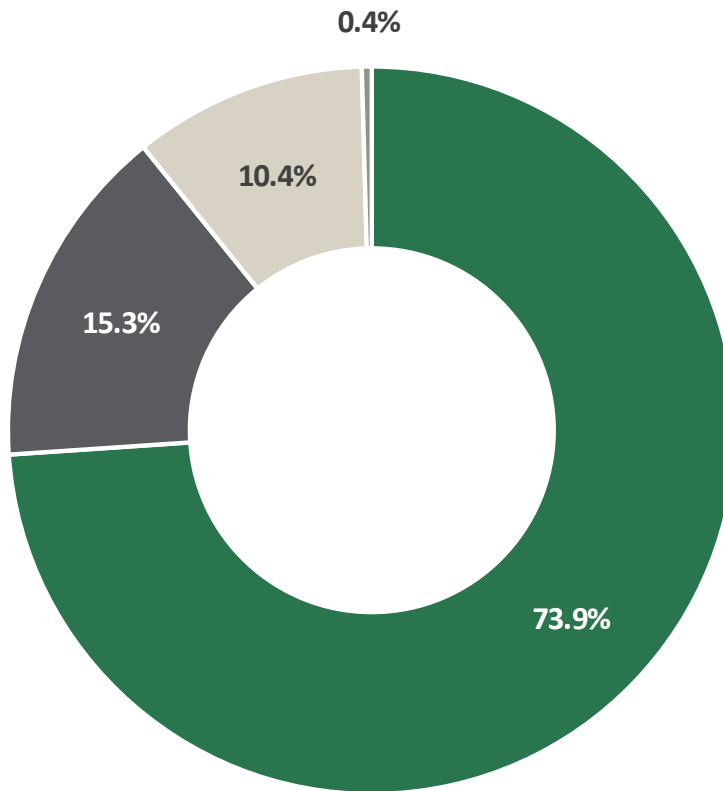


PRIME LOCATIONS



Brazil's top corners, streets and commercial centers

Location Profile



Madalena, Recife (PE)



Savassi, Belo Horizonte (BH)



Shopping Leblon, Rio de Janeiro (RJ)



Itaú HQ Store, São Paulo (SP)

Stores with Parking

Pedestrian Stores

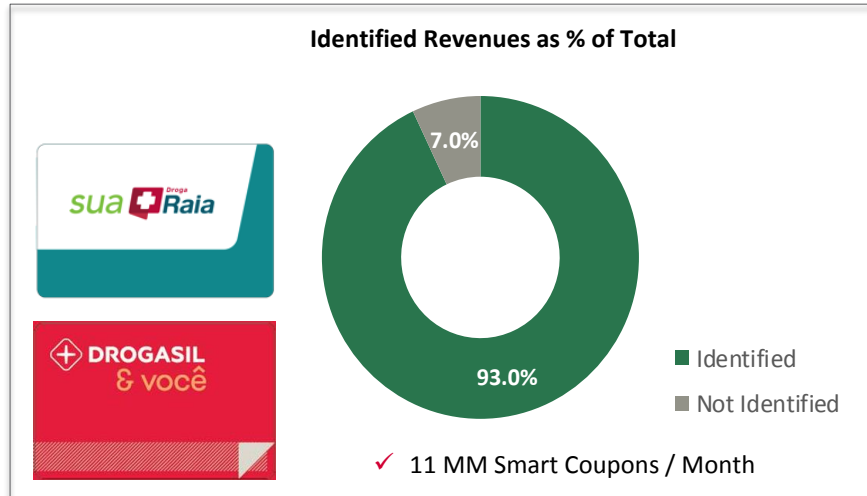
Shopping & Commercial Centers

Corporate Stores

PROPRIETARY PLATFORMS

Proprietary, cutting-edge platforms, with CRM-driven retail execution

1. Enroll



2. Shop

MARCELO
OFERTAS ESPECIAIS PARA VOCÊ.

oportunidade
gasta R\$ **5,00**
na compra acima de R\$20,00 em produtos de higiene oral da marca GOGATE.
aproveite!

20% DE DESCONTO
você ganha nos seus produtos favoritos

20% DE DESCONTO
Escovas dentais Oral B, Colgate, Clinip, Sunil

Colgate Creme Dental Refrescância Confiantemente
Ref Gel 900 Sabor Hortela (Cod 12345)
R\$ 5,15
Por R\$ **4,75**
EM CADA UNIDADE

Droga Raia
CAMILA
já viu quais são os benefícios de ter uma DROGA RAIA só sua?

NOVIDADES
25% de desconto
Colgate Creme Dental Refrescância Confiantemente Ref Gel 900 Sabor Hortela (Cod 12345)

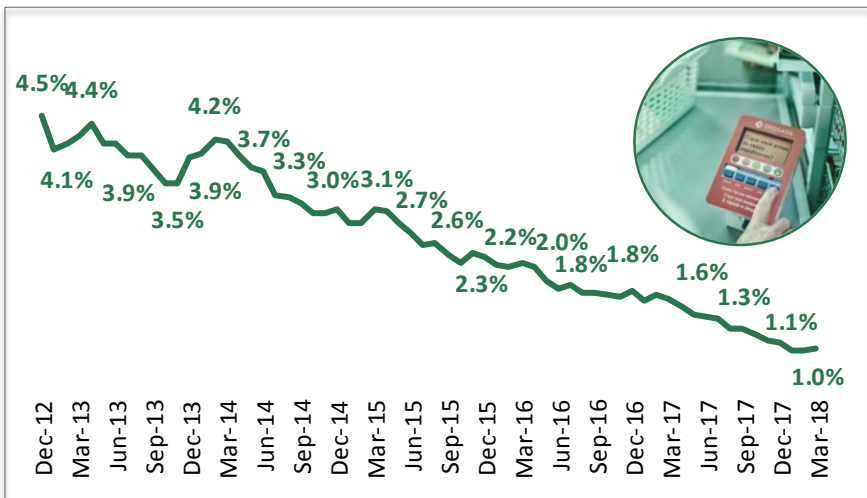
Seus produtos favoritos em ofertas para você
20% DE DESCONTO
Colgate Creme Dental Refrescância Confiantemente Ref Gel 900 Sabor Hortela (Cod 12345)

Escovas dentais
20% DE DESCONTO
Oral B, Colgate, Clinip, Sunil

DE R\$ 5,15 Por R\$ 4,75
EM CADA UNIDADE

Mais ofertas para você experimentar.

3. Pay & Evaluate



4. New Loyalty Program

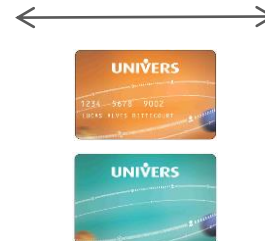
- › Focus on Surprise and Delight
- › Higher focus in up-sell instead of cross-sell
- › Higher accuracy and relevance for the Exclusive Offers
- › Measurement of the loyalty level by store

PROPRIETARY PBM

32 MM beneficiaries, over 1,100 institutions



Processing & Eligibility Check



PBM System



Preferred Retail Network

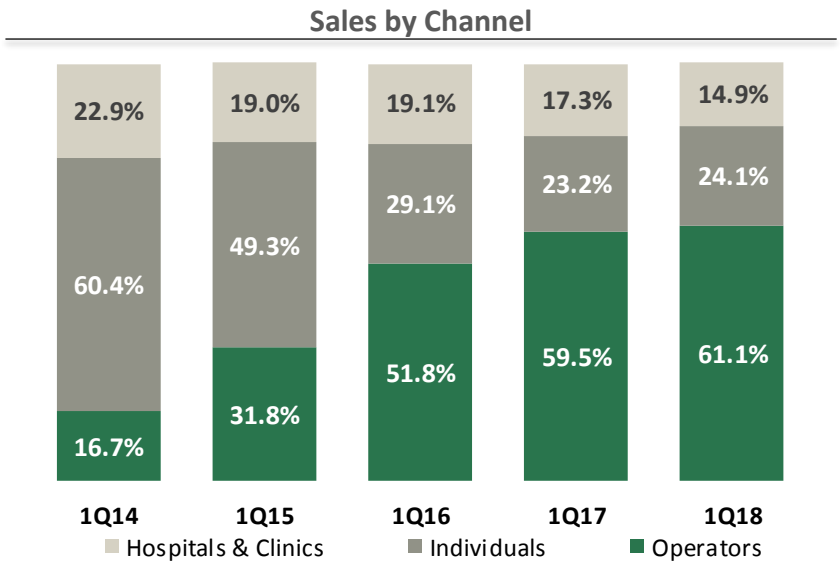
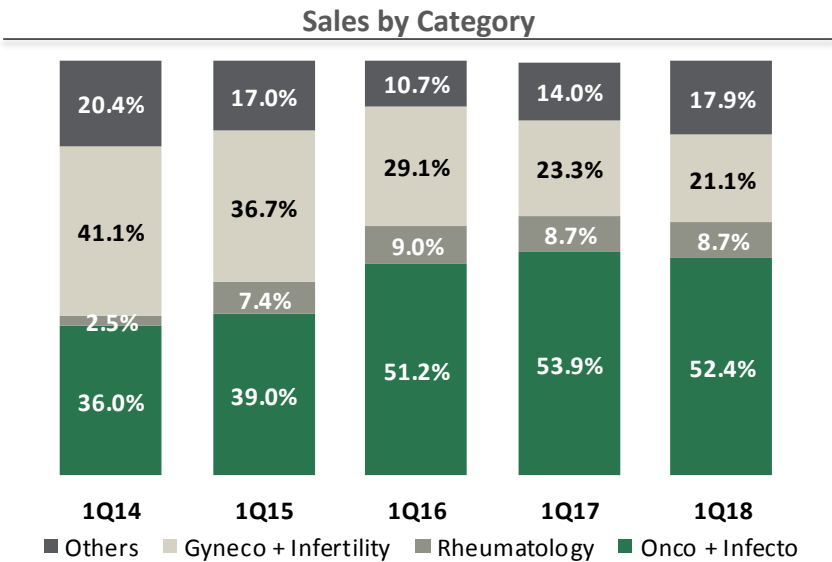
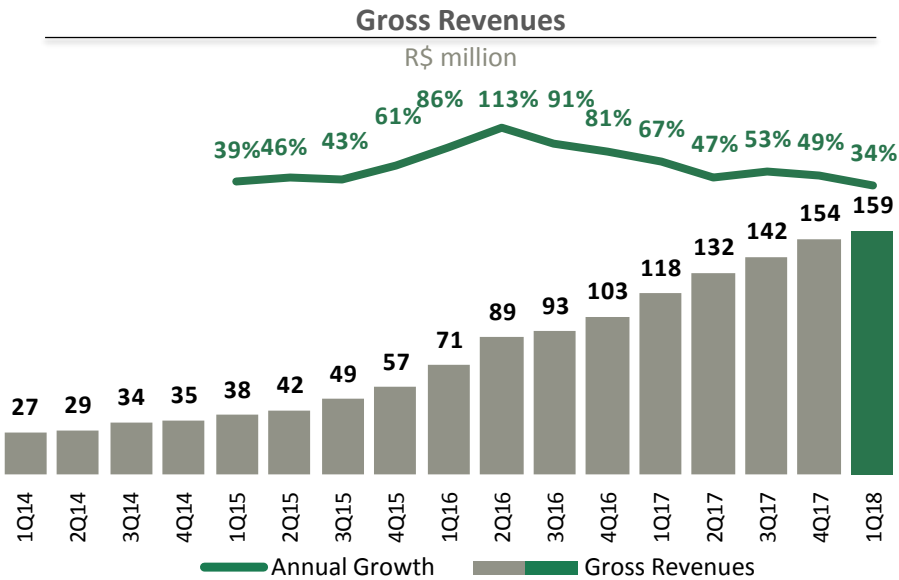
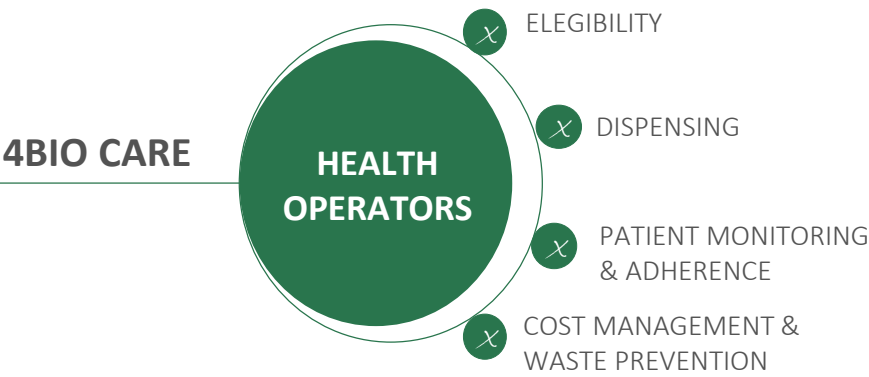


Specialty Pharmacy

700 third-party pharmacies

4BIO HAS BECOME THE LEADER IN SPECIALTY RETAILING

Strong growth due to managed care expertise and a focus in Oral Oncology and Hepatitis C





... WITH HIGH MARGINAL RETURNS ON INVESTED CAPITAL

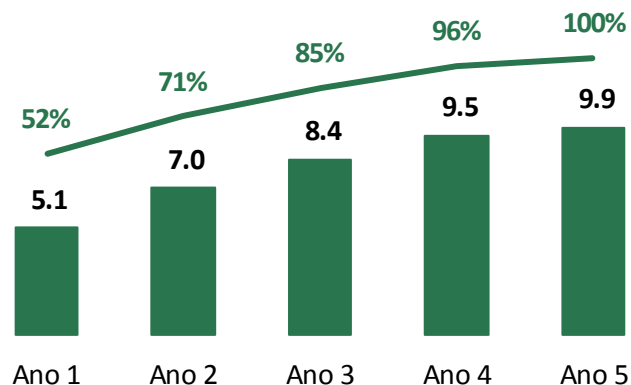


Average Mature Store Contribution Margin ⁽¹⁾

| Income Statement (Mature Store) 2017 | |
|--------------------------------------|--------------|
| (R\$ 000) | |
| Gross Revenues | 9,862 |
| Gross Profit | 2,940 |
| % of Gross Revenues | 29.8% |
| Store Expenses | (1,588) |
| % of Gross Revenues | 16.1% |
| Store Contribution Margin | 1,352 |
| % of Gross Revenues | 13.7% |
| NPV Effect | (48) |
| Depreciation | (347) |
| Income Tax (34%) | (325) |
| Depreciation | 347 |
| NOPAT (a) | 978 |
| % of Gross Revenues | 9.9% |
| Capex | 1,733 |
| Pre-Operating Expenses | 183 |
| Operating Working Capital | 692 |
| Total Investment (b) | 2,609 |
| ROIC (a/b) ⁽²⁾ | 37.5% |

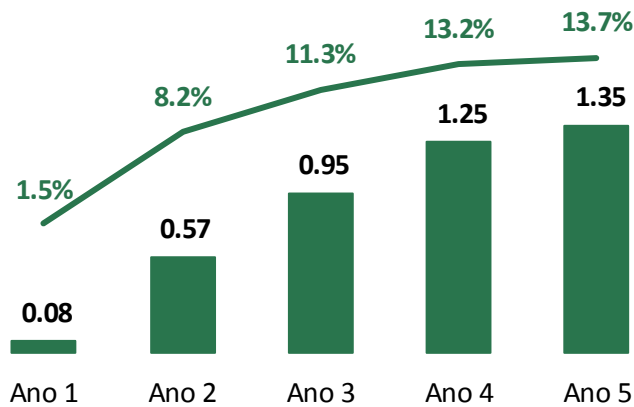
Gross Revenues Ramp-Up

(as % of sales: in R\$ million per store/year)



Contribution Margin Ramp-Up

(% of gross revenues: in R\$ million per store/year)



(1) Does not consider G&A and DCs expenses.

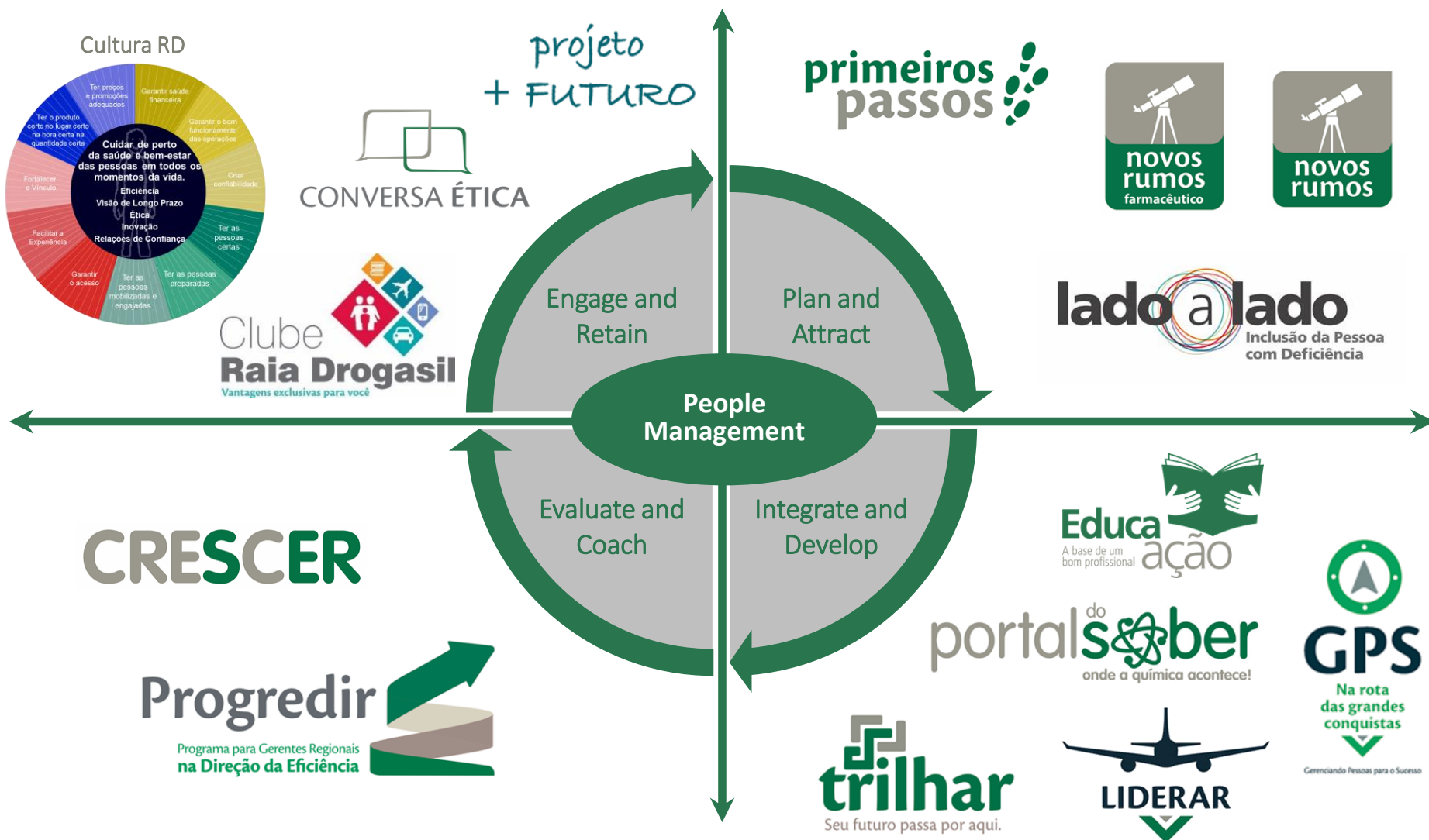
(2) ROIC calculation includes the full CAPEX (gross PP&A instead of Net PP&A), and therefore no depreciation in the NOPAT

Source: Company internal estimates

QUALIFIED AND MOTIVATED PEOPLE, DEVELOPED AND PROMOTED INTERNALLY



We have structured 15 programs in 3 years to promote the People Management Cycle and strengthen the RD Efficiency Culture





REINVENTING
THE EXECUTION
FOR THE NEXT
15 YEARS



MAIN STRATEGIES

We have established four main strategies and three core enablers to deliver on them

MAIN STRATEGIES



1

Accelerate the Organic Expansion



2

Introduce New Formats



3

Enhance Category Mgmt. & Shopping Experience



4

Involve, Understand & Potentialize Customers

CORE ENABLERS



5. Attract, Develop, Engage & Retain People



6. Integrate, Streamline & Reinforce Processes

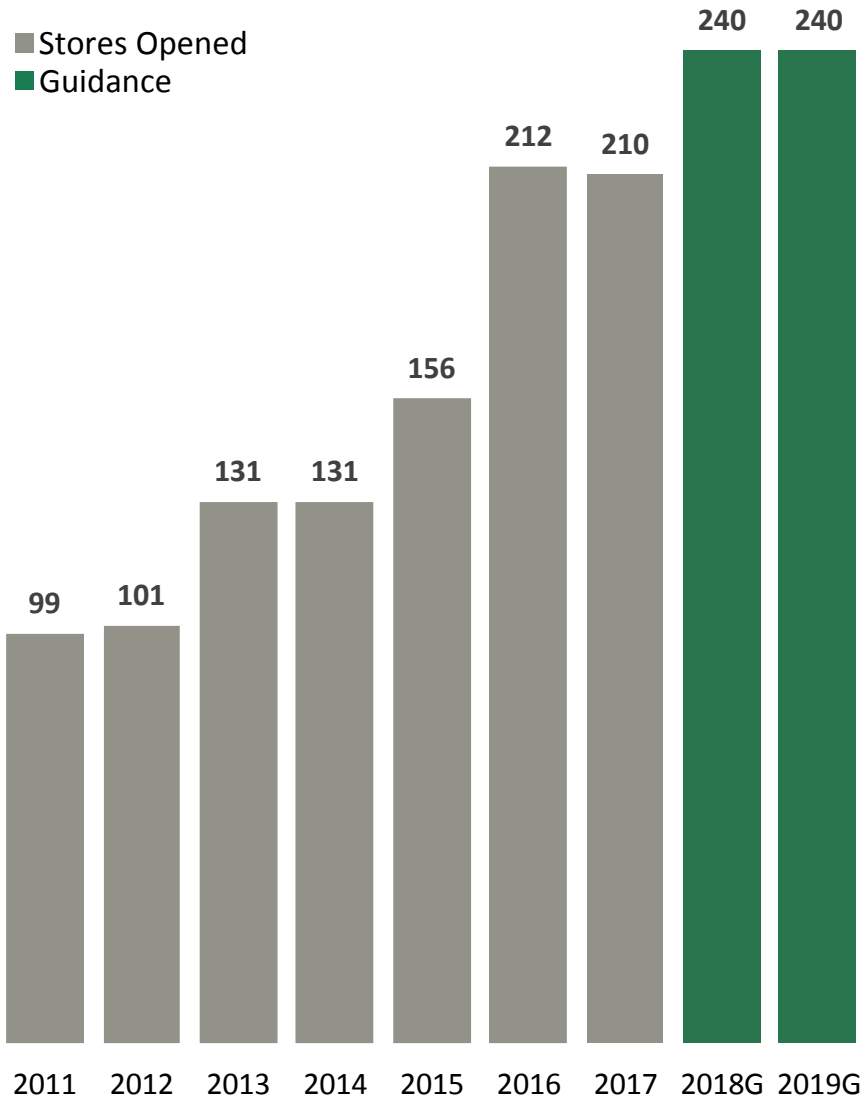


7. Leverage & Improve Platforms

1 – ACCELERATE ORGANIC EXPANSION



New Store Openings



Main Challenges

- › Accelerating Prospections
- › Tougher Licensing Requirements
- › Excessive 4Q Opening Concentration
- › Developing New Managers

Main Solutions

- › Expanded the Real Estate Team
- › Increasing Contract Buffer
- › Implementing PMO to Align Functional Areas & Streamline Process
- › Enhancing Training Programs & Turnover Reduction

2 – INTRODUCE NEW FORMATS

Farmasil (Low Cost Format)



Droga Raia "Big Store"



New Drogasil Store Identity



INTRODUCING NEW FORMATS

Farmasil



Farmasil Model



Pedestrian and low income public

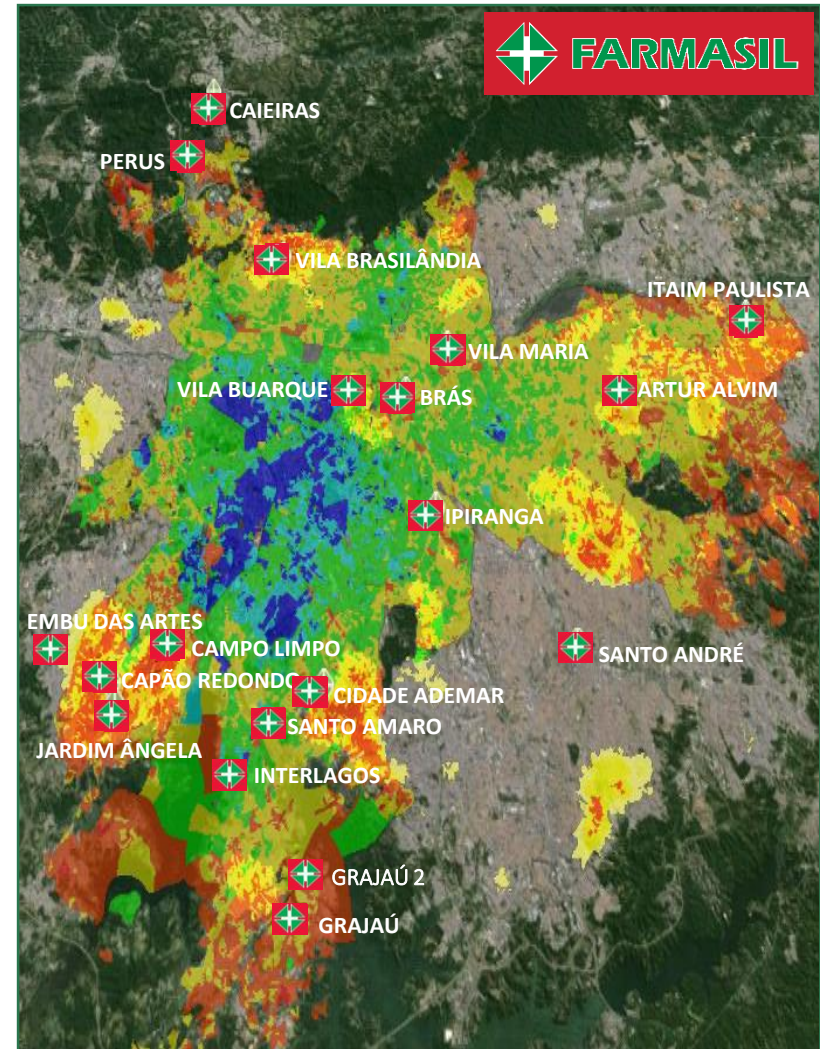
Differentiated and innovative store format

Low operating cost

Competitive prices and focus on generics

Higher gross margin and lower working capital

São Paulo Metropolitan Region



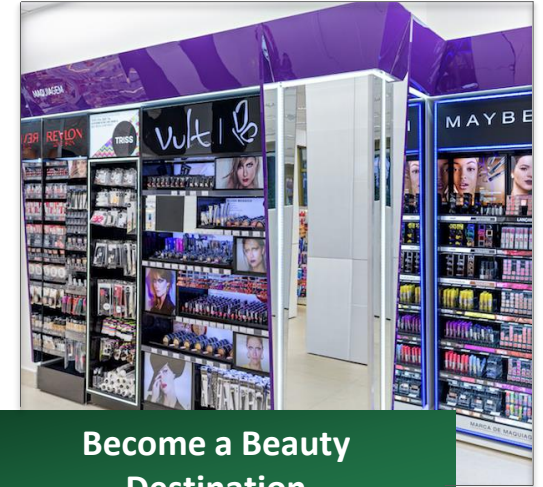
3 – ENHANCE CATEGORY MANAGEMENT & SHOPPING EXPERIENCE



**Customer-Centric
Category Management**



**Implementing a New
Pricing Platform**



**Become a Beauty
Destination**

Primary Care



Specialty Drugs



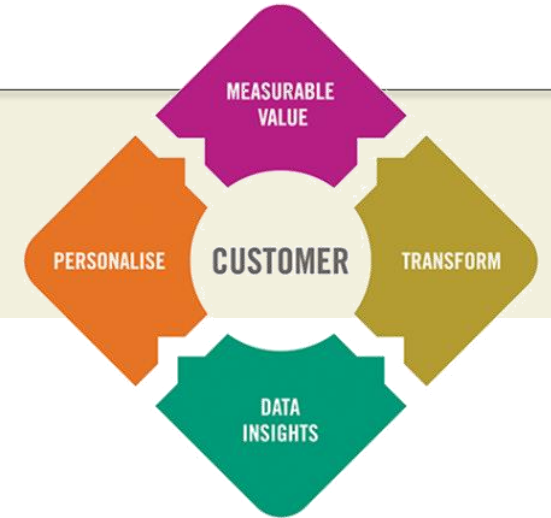
+

**Become a Full-Service
Pharmaceutical Provider**



**Increase Private Label
Range & Penetration**

Data + Science = Delight + Loyalty



Dunnhumby

- › Global leader in Customer Science and Personalization
- › Long term partnerships with global retail leaders such as Tesco, Kroger, Casino and Macy's

Partnership Terms

- › Long term partnership
- › Fully dedicated team and cutting-edge platforms
- › RD has exclusivity in the Brazilian drugstore market

New Loyalty Program

- › Focus on Surprise and Delight, in substitution for the current Earn and Redeem points scheme
- › Enhance customer experience in all phases of the shopping cycle, in and out of store
- › Higher focus in up-sell instead of cross-sell

Personalization

- › Complex algorithms allowing higher accuracy and relevance for the Exclusive Offers
- › Reduced time of service for controlled medicines through client registration
- › Measurement of the loyalty level by store and improved tracking of the customer profile
- › Opportunities of leveraging adherence to treatments through industry partnerships



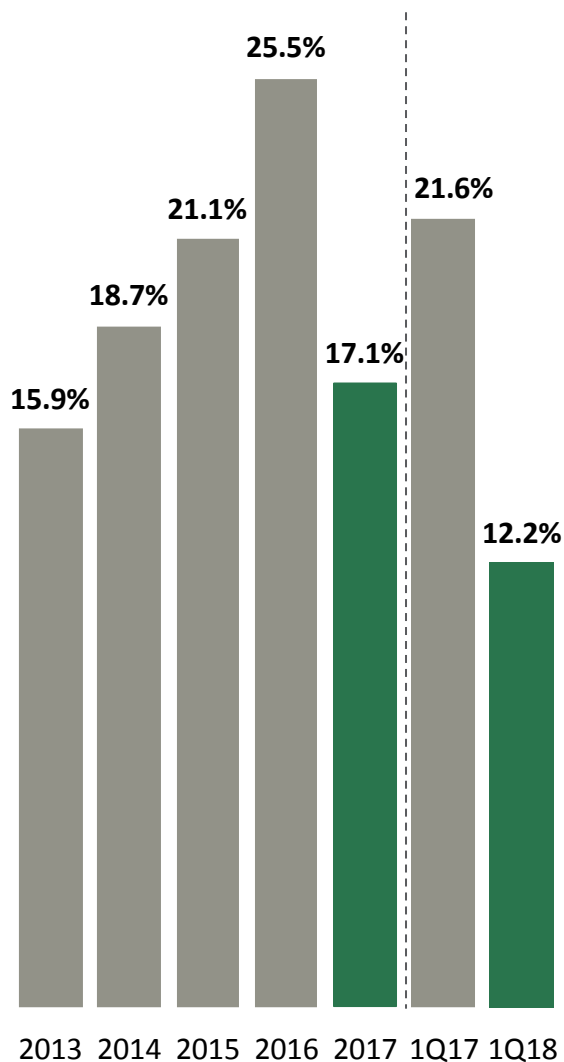
PROVEN TRACK
RECORD IN
DELIVERING HIGH
GROWTH WITH
MARGIN EXPANSION



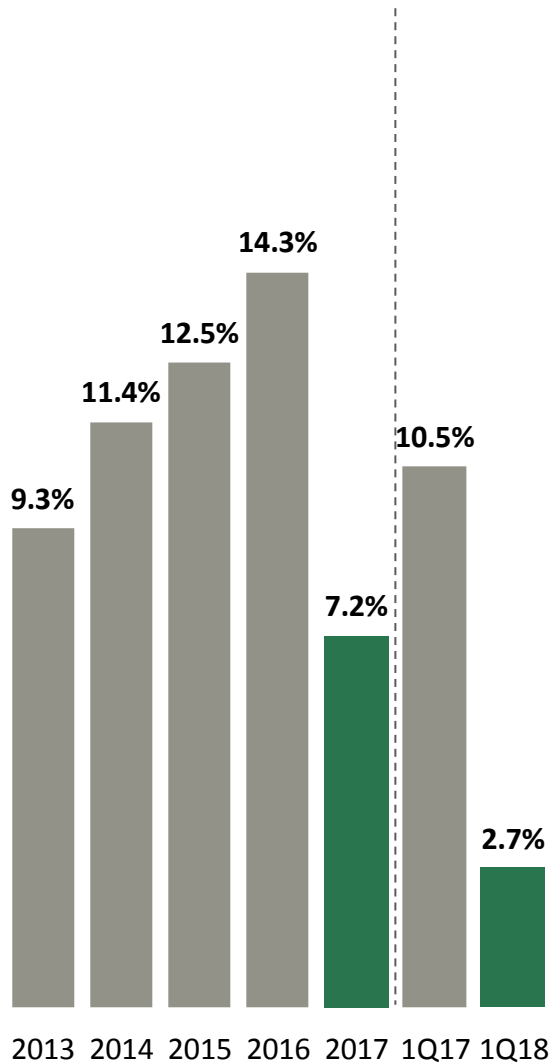
REVENUE GROWTH



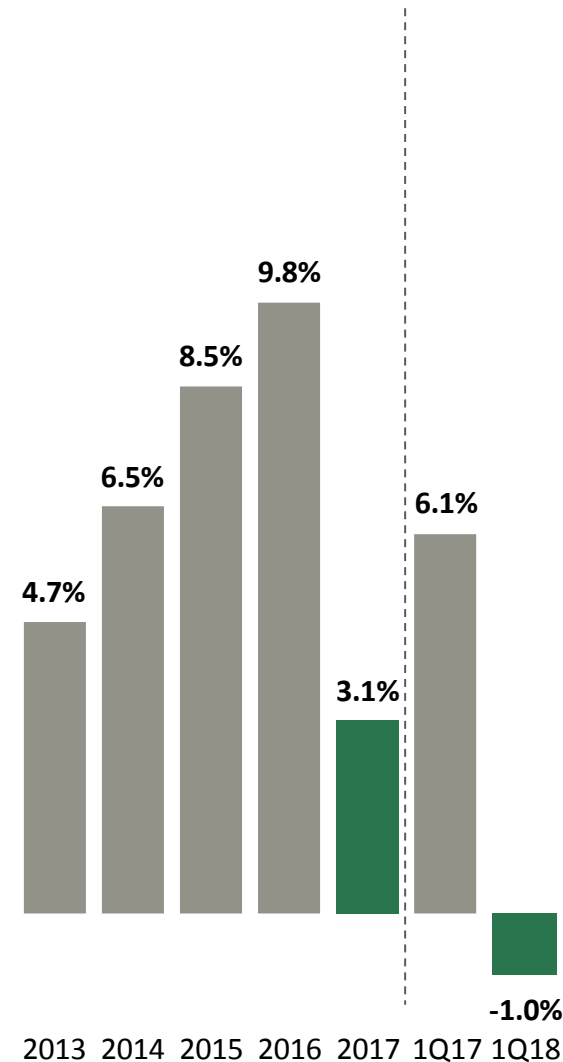
Consolidated Revenue Growth



Same Store Sales Growth*



Mature Stores Growth*



* Only considers retail.

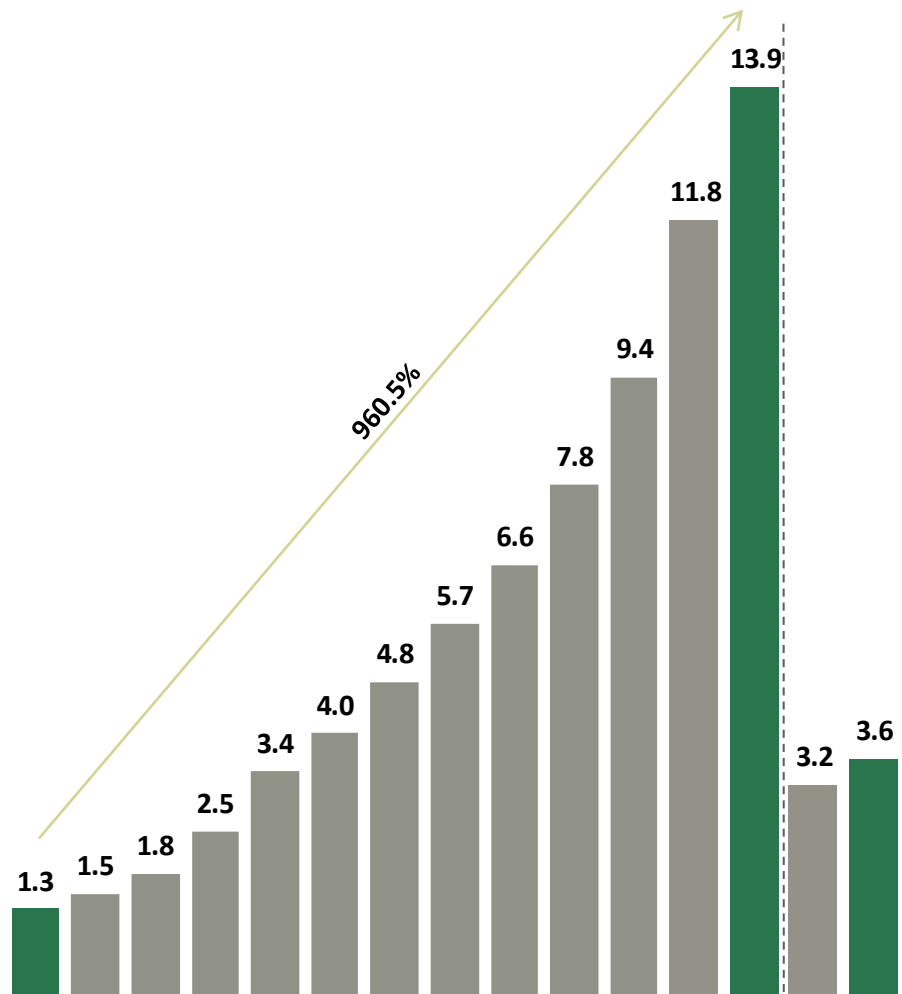
PHARMACEUTICAL PRODUCTS HAVE BEEN THE HIGHLIGHT



Maintaining a very strong growth pace in an unfavorable macro scenario

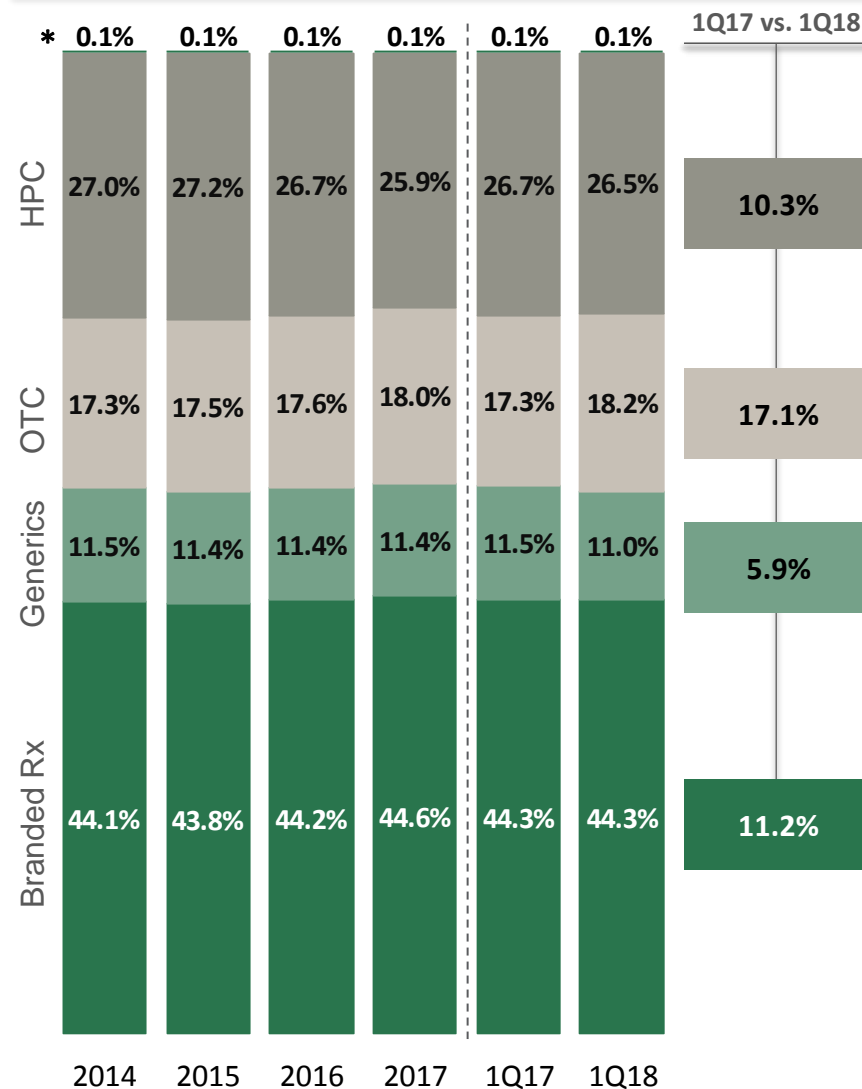
Consolidated Gross Revenue

R\$ million



* Services

Retail Sales Mix

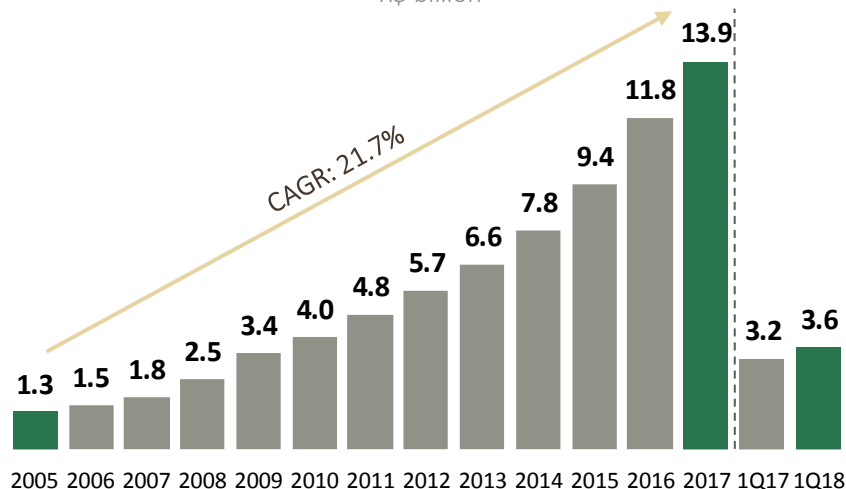


DELIVERING ACCELERATED LONG-TERM GROWTH WITH MARGIN EXPANSION*



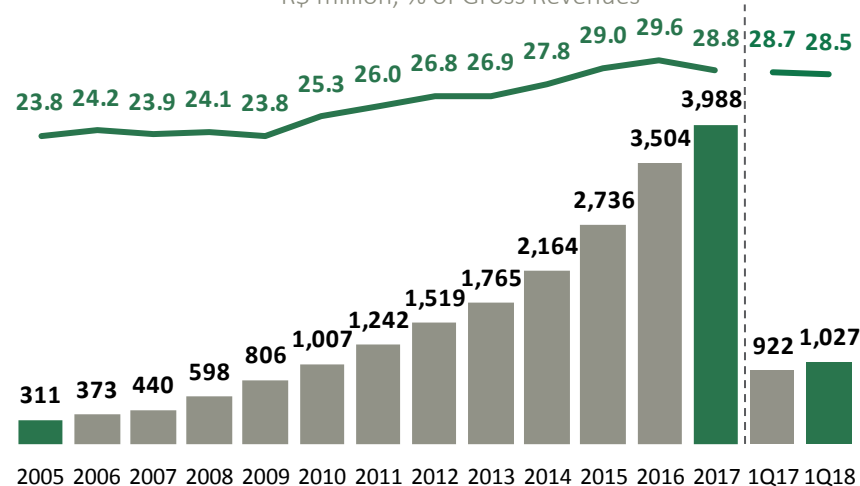
Gross Revenues

R\$ billion



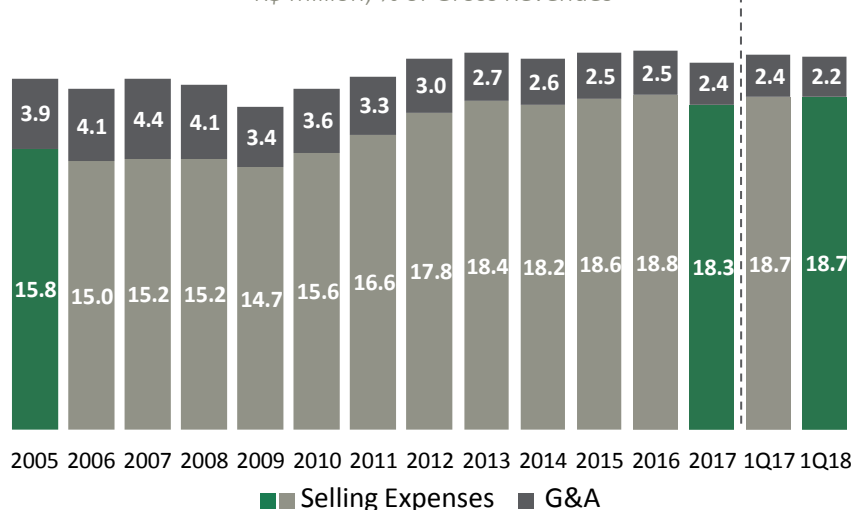
Gross Profit

R\$ million, % of Gross Revenues



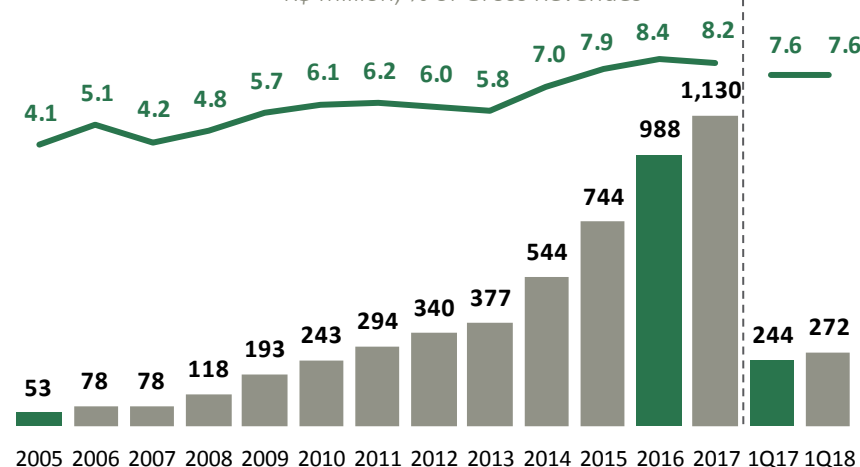
Operational Expenses

R\$ million, % of Gross Revenues



EBITDA

R\$ million, % of Gross Revenues

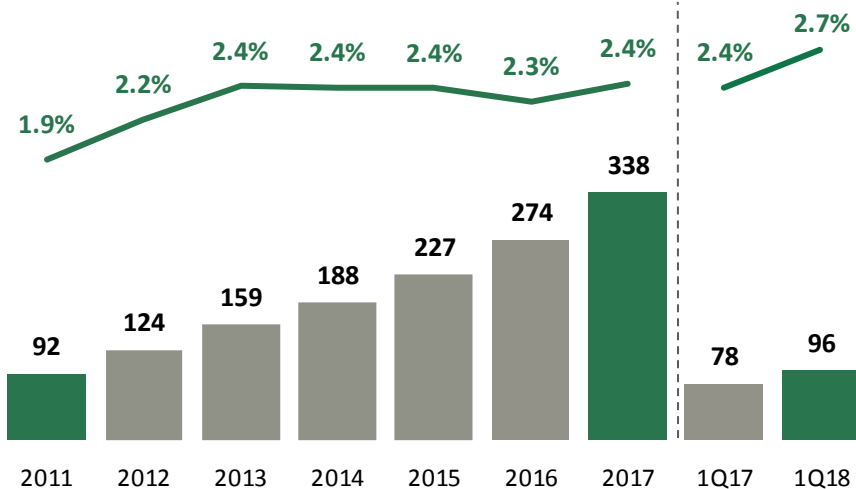


EXPANDING NET MARGIN*



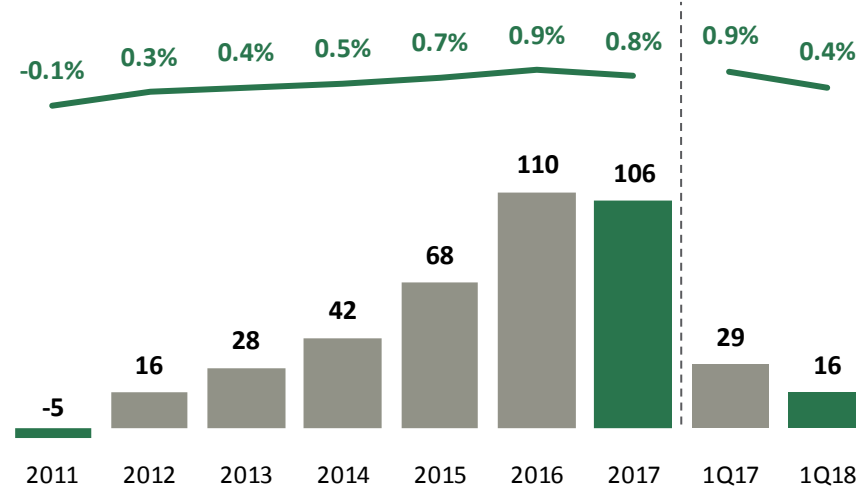
Depreciation

R\$ million, % of Gross Revenues



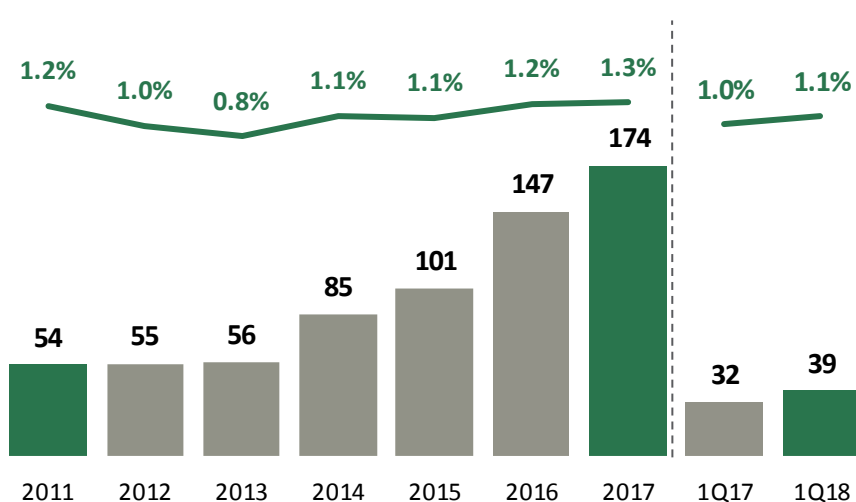
Net Financial Expenses

R\$ million, % of Gross Revenues



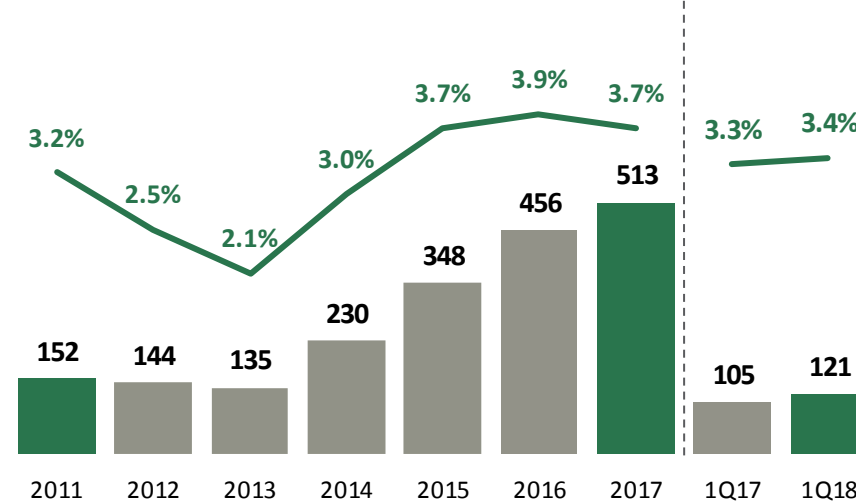
Income Tax

R\$ million, % of Gross Revenues



Adjusted Net Income

R\$ million, % of Gross Revenues



STRONG OPERATING CASH FLOW GENERATION TO FINANCE INVESTMENTS



Cash Flow

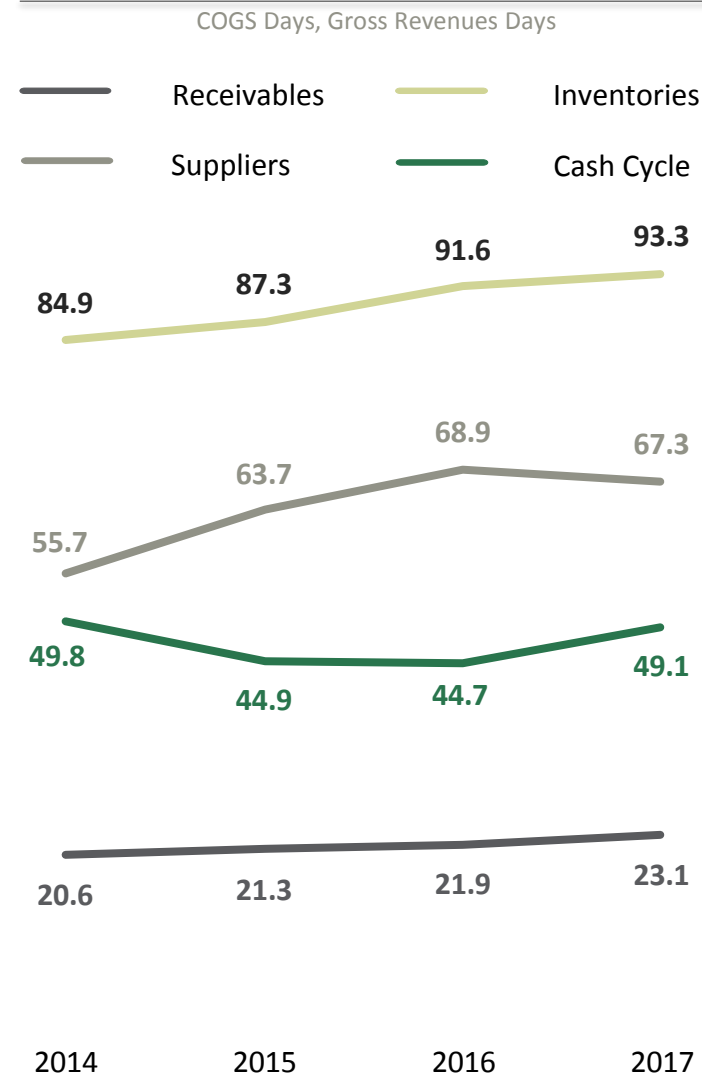
| Cash Flow (R\$ million) | 2014 | 2015 | 2016 | 2017 |
|---|----------------|----------------|----------------|----------------|
| Adjusted EBIT | 356,7 | 516,5 | 713,2 | 792,4 |
| NPV Adjustment | (33,6) | (53,2) | (67,3) | (63,9) |
| Non-Recurring Expenses | (9,5) | (10,0) | (7,7) | 0,2 |
| Income Tax (34%) | (106,6) | (154,1) | (217,0) | (247,8) |
| Depreciation | 187,8 | 227,1 | 274,4 | 337,9 |
| Others | 8,4 | (3,5) | 12,9 | 32,2 |
| Resources from Operations | 403,2 | 522,7 | 708,6 | 851,0 |
| Cash Cycle* | (116,6) | (90,6) | (257,5) | (337,0) |
| Other Assets (Liabilities)** | 38,7 | 28,2 | 59,3 | 75,5 |
| Operating Cash Flow | 325,3 | 460,3 | 510,4 | 589,5 |
| Investments | (271,2) | (388,7) | (489,1) | (639,2) |
| Free Cash Flow | 54,2 | 71,6 | 21,3 | (49,7) |
| Interest on Equity | (41,5) | (121,3) | (153,3) | (170,8) |
| Income Tax Paid over Interest on Equity | (10,6) | (25,3) | (27,0) | (28,5) |
| Net Financial Expenses*** | (8,5) | (10,9) | (42,1) | (46,8) |
| Share Buyback | (20,9) | - | - | - |
| Income Tax (Tax benefit over financial expenses and interest on equity) | 28,3 | 64,6 | 80,5 | 84,8 |
| Total Cash Flow | 0,9 | (21,3) | (120,6) | (211,0) |

* Includes adjustments to discounted receivables.

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

*** Excludes NPV adjustments.

Cash Cycle*



IBOVESPA



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- 1 Largest, Fastest Growing and Best Positioned Player in the Industry
- 2 Transformational Market Growth for 15 Years Driven by the Aging of the Population
- 3 Leading the Drugstore Industry's Consolidation
- 4 Unique Assets and Competencies: Brands, Locations, Platforms, Formats & People
- 5 Reinventing the Execution for the Next 15 Years
- 6 Proven Track Record of Accelerated Organic Growth with Margin & ROIC Expansion