RaiaDrogasil S.A.

People, Health and Well-being

EARNINGS PRESENTATION: 2018

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

DISCLAIMER

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MAIN HIGHLIGHTS:

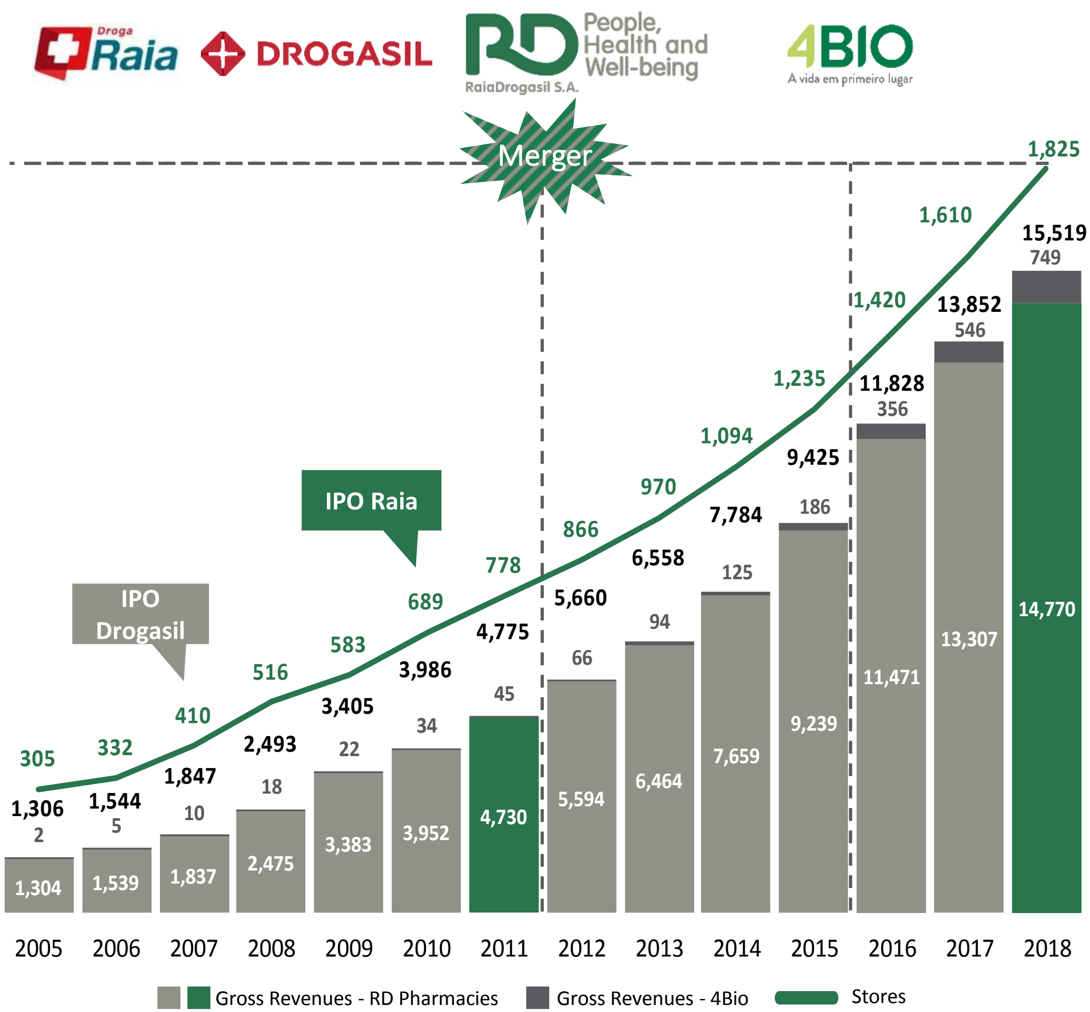
- **Drugstores:** 1,825 stores in operation (240 openings and 25 closures)
- **Market Share:** 12.9% national share, a 0.9 p.p.increase
- **Gross Revenue:** R$ 15.5 billion, 12.0% growth (2.7% retail same-store sales growth)
- **Gross Margin:** 28.6% of gross revenue, a 0.2 p.p. decrease
- **EBITDA:** R$ 1,195.2 million, a margin of 7.7% and an increase of 5.7%
- **Net Income:** R$ 548.6 million, 3.5% of net margin, an increase of 7.0%
- **Cash Flow:** R$ 139.9 million negative free cash flow, R$ 341.4 million of cash consumption
- **M&A:** Signed on Feb 26 a Sales and Purchase Agreement for the acquisition of 100% of Onofre

ANOTHER YEAR OF HIGH-QUALITY AND ACCELERATED ORGANIC EXPANSION

Despite competitive headwinds, 2018 was another year of revenue and EBITDA growth

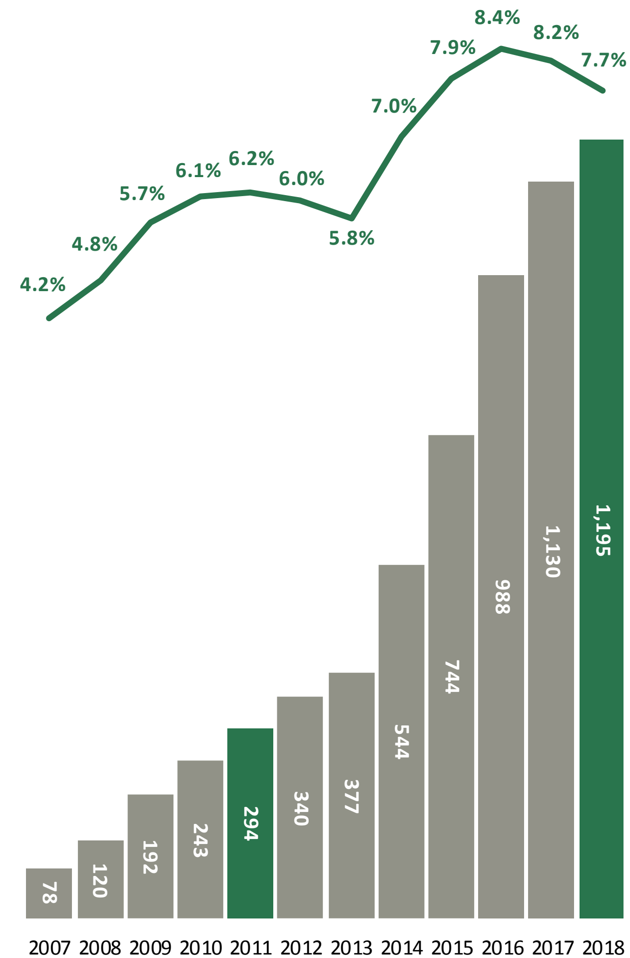
Combined Gross Revenues & Store Count

R$ million, Stores



Combined EBITDA

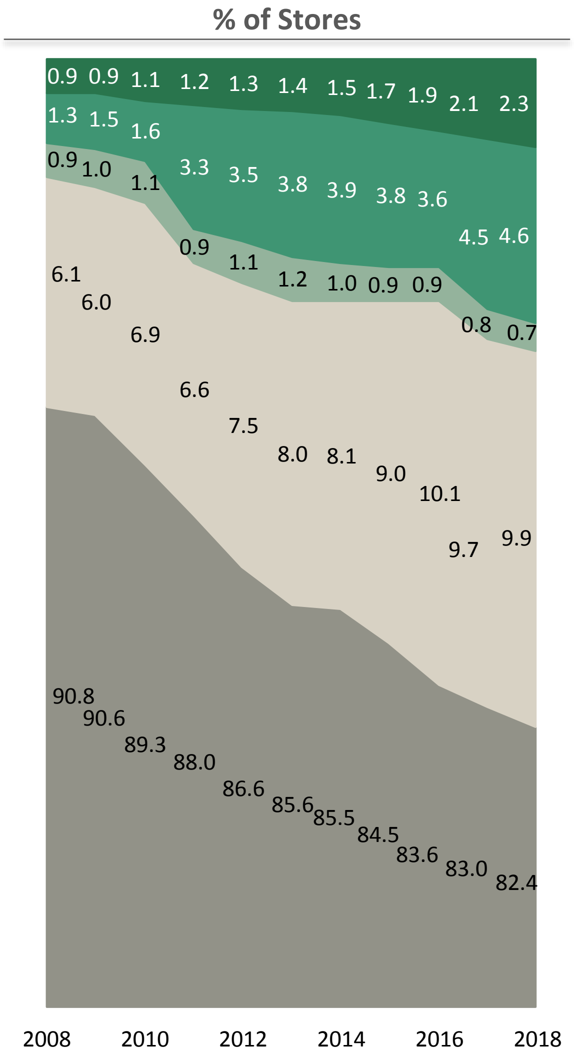
R$ million, % of Gross Revenue

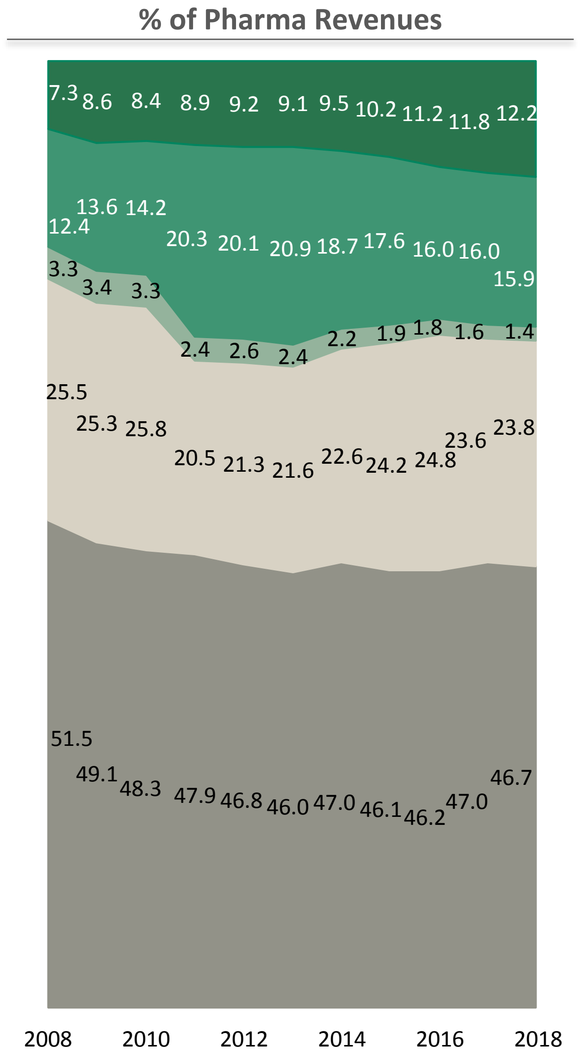


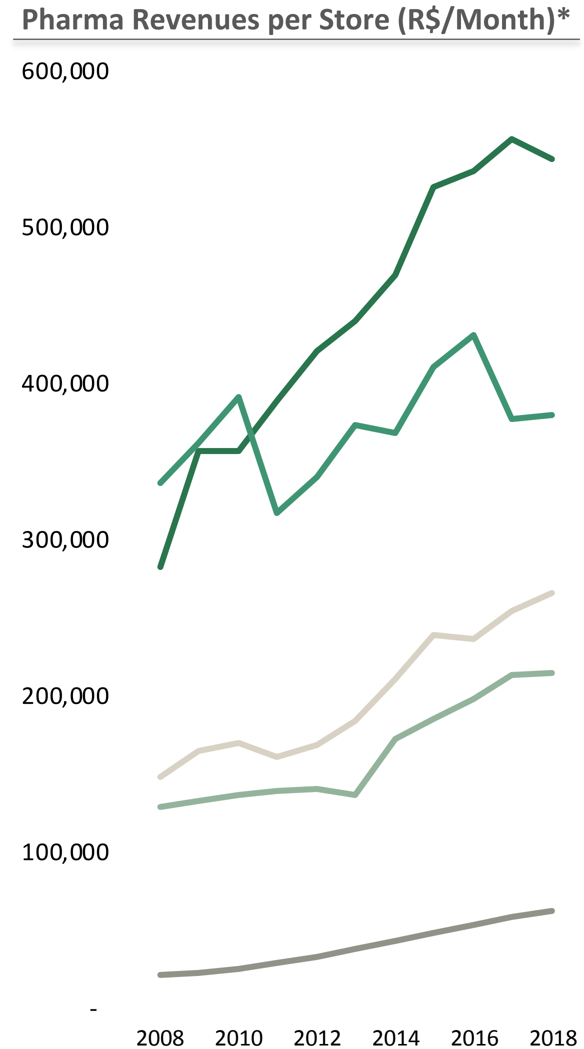
Pro-Forma.

WE INCREASED MARKET SHARE AND GAINED EFFICIENCY VERSUS OUR PEERS

Store share increased by 0.2 percentage points, while revenue market share increased by 0.4 percentage points







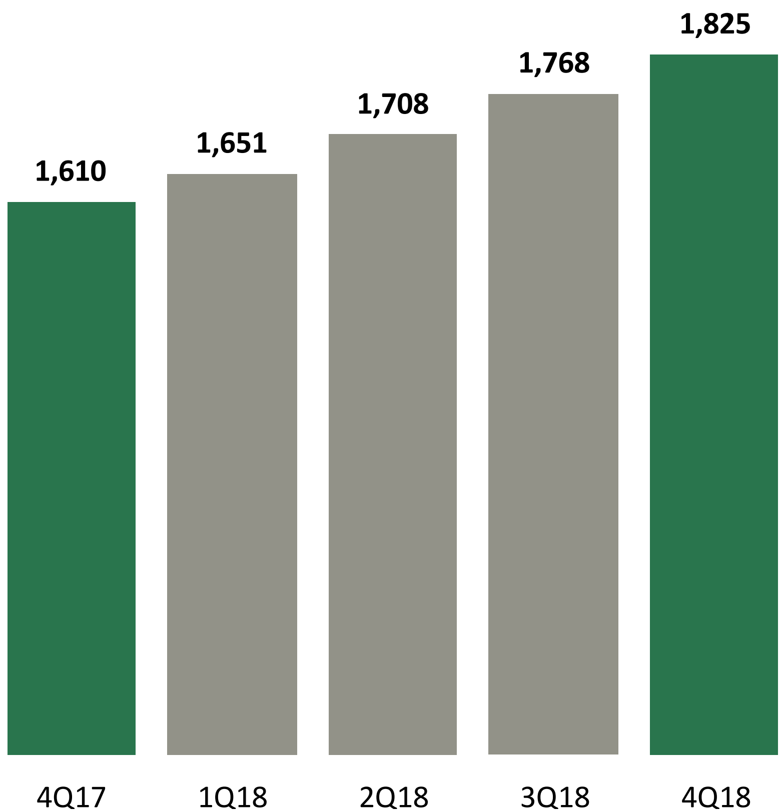
RD
ABRAFARMA #2 TO #5
SUPERMARKETS
OTHER CHAINS
INDEPENDENTS

Source: IQVIA and Abrafarma.
* Does not include 4Bio

STORE DEVELOPMENT

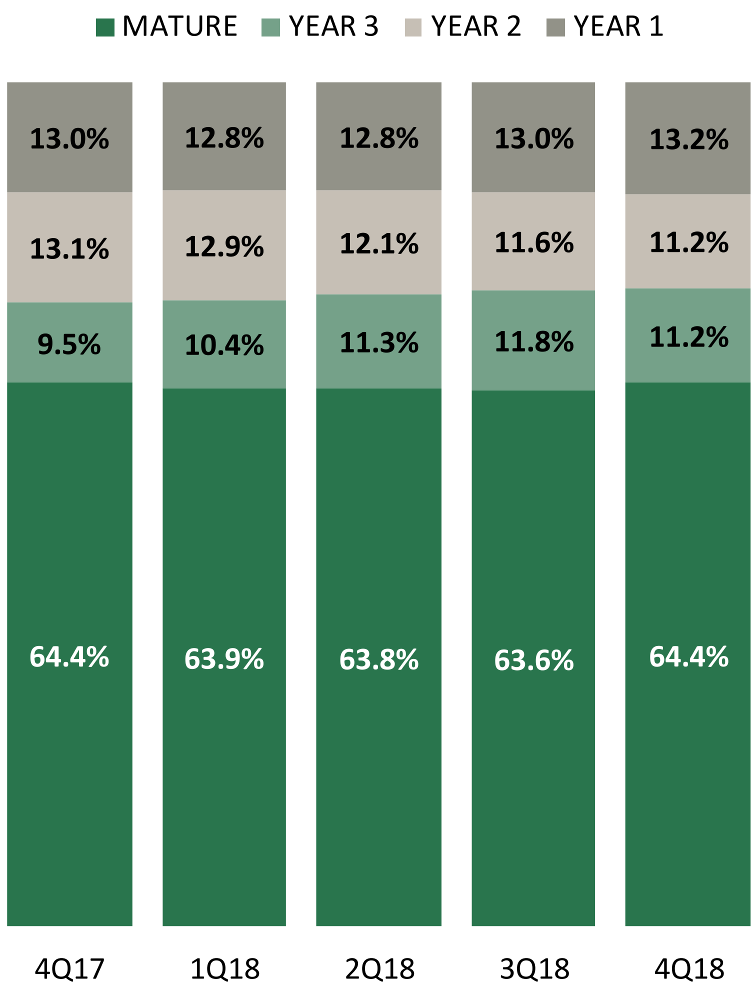
In 2018, we opened 240 new stores and closed 25. In the 4Q18, we opened 70 and closed 13. At the end of the period, 35.6% of our stores were still maturing.

Store Count*



	4Q17	1Q18	2Q18	3Q18	4Q18
Openings	60	44	62	64	70
Closures	(4)	(3)	(5)	(4)	(13)

Age Structure of Store Portfolio

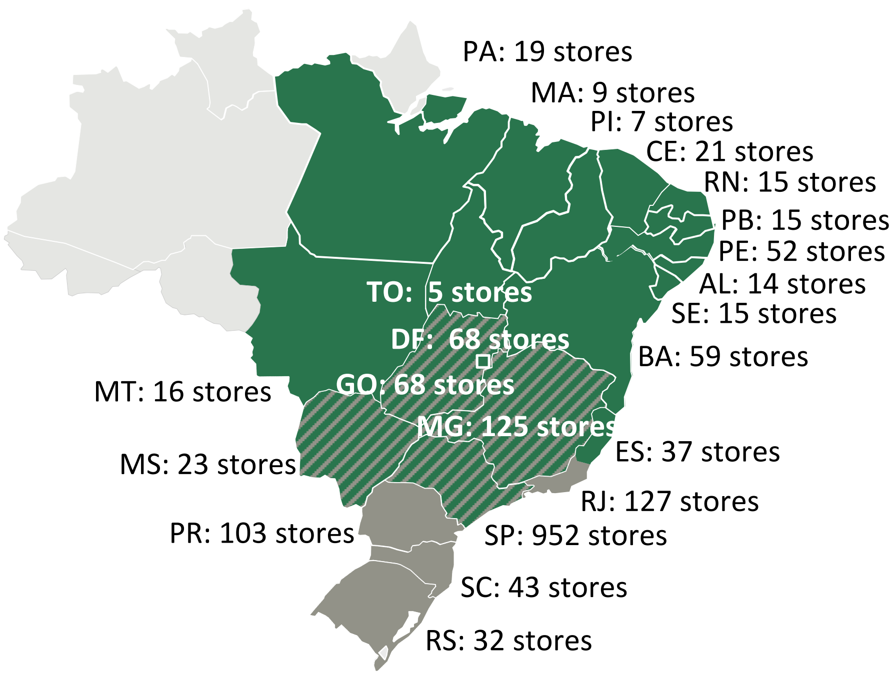


* Includes three 4Bio stores.

WE HAVE GAINED OR MAINTAINED MARKET SHARE IN ALL SIX REGIONS

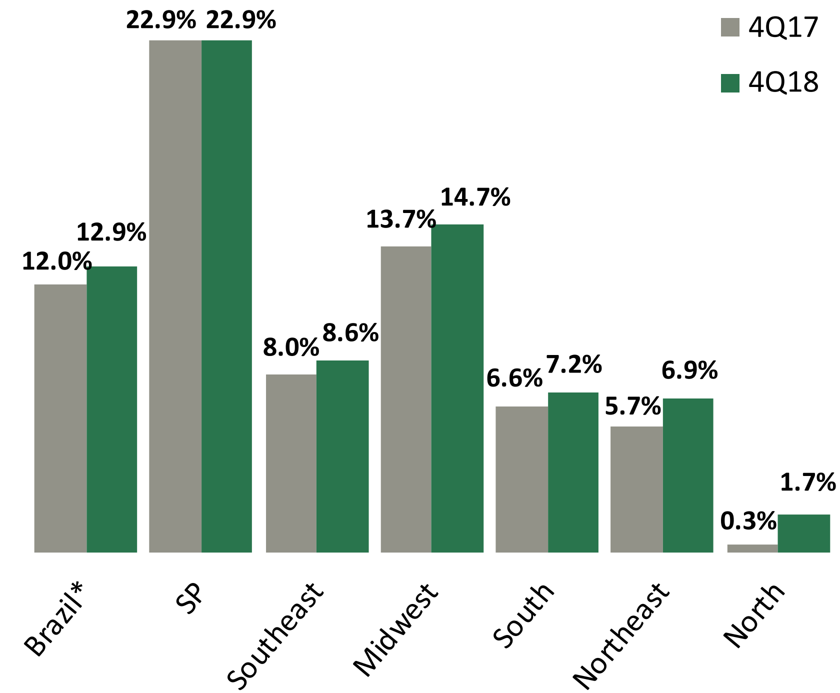
We reached 12.9% of national market share in the 4Q18, an increase of 0.9 p.p. In 2018, we entered Pará (N) and Maranhão (NE), consolidating our presence in 22 states which represent 97.7% of the Brazilian pharma market.

Geographic Presence



Total: 1,825 stores
- Raia: 814 stores
- Drogasil: 991 stores
- ∗ Farmasil: 17 stores
- ∗ 4Bio: 3 stores

Market Share



PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

Brazil*	SP	Southeast	Midwest	South	Northeast	North
100.0%	27.0%	24.2%	9.1%	16.0%	18.7%	5.1%

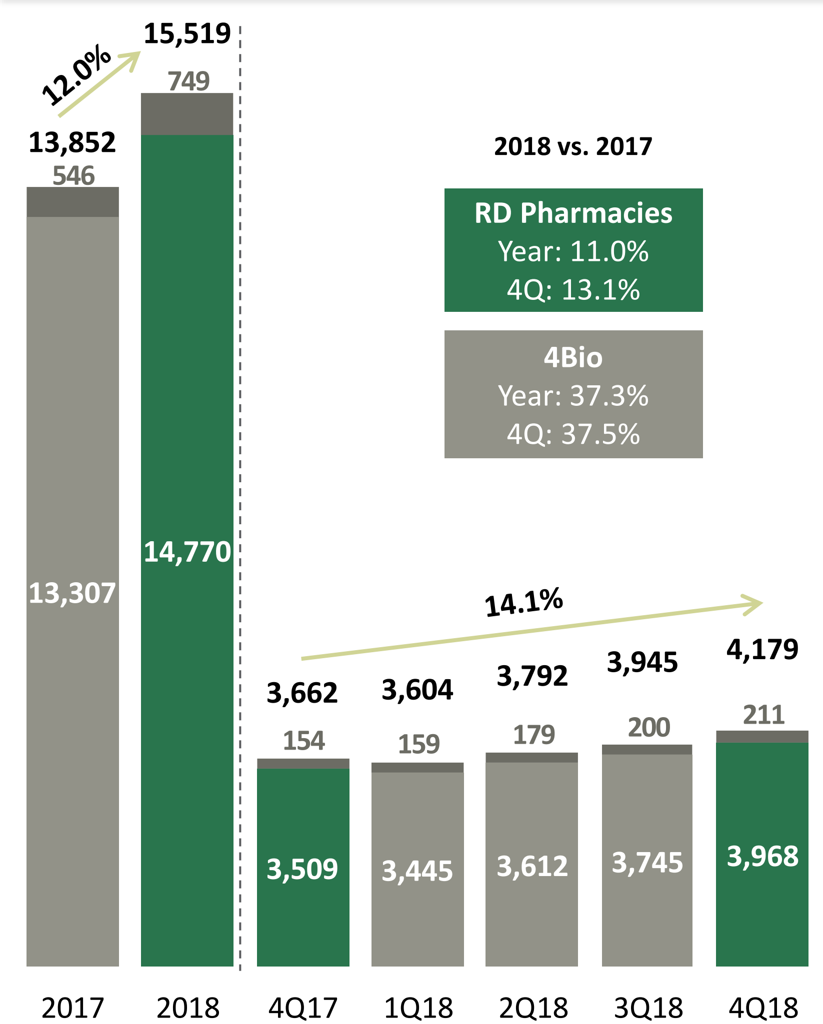
Source: IQVIA.

* Includes 4Bio only for Brazil total.

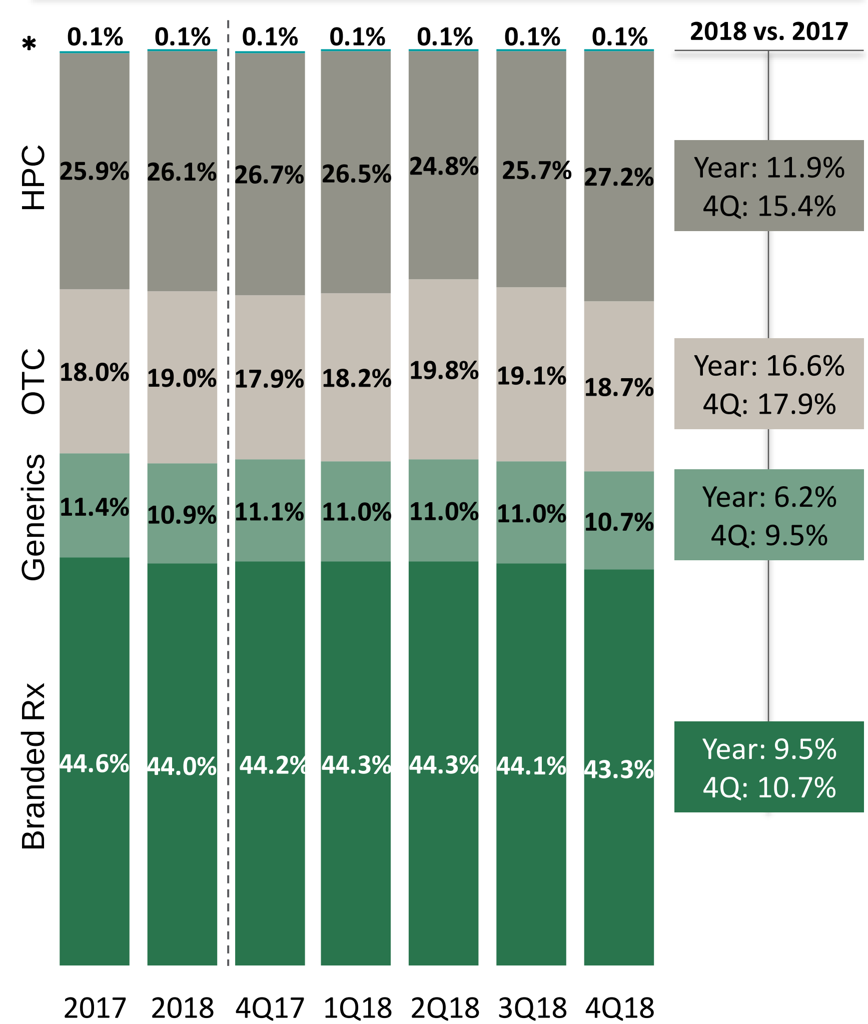
RETAIL OPERATIONS GREW 11.0% AND 4BIO 37.3%

OTC was the highlight both for 2018 (1.0 p.p. increase in the sales mix) and for the 4Q18 (0.8 p.p. increase in the mix). The outperformance by OTC over Branded was helped by switches, which represented a migration of 0.4 p.p.

Consolidated Gross Revenue



Retail Sales Mix

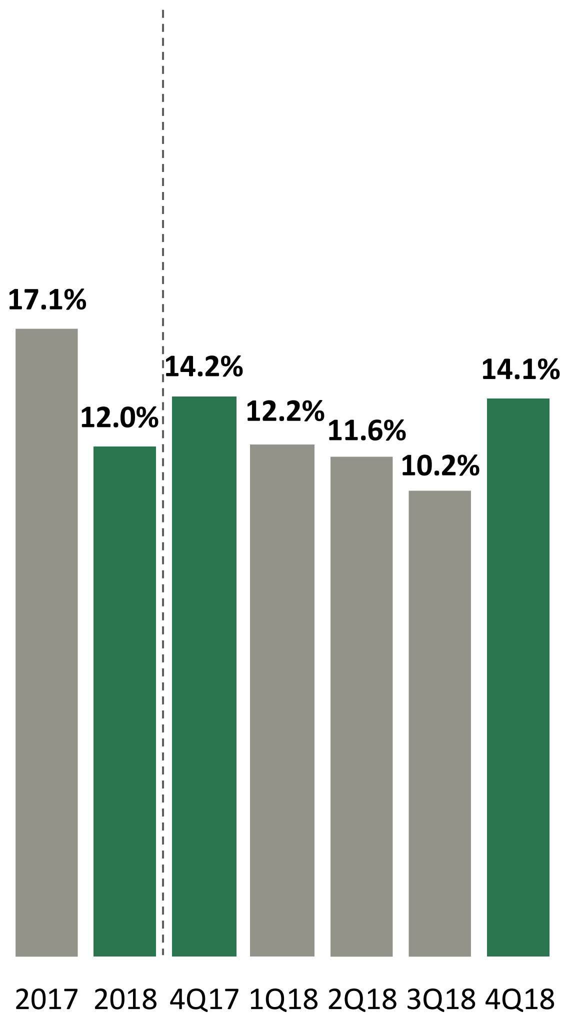


* Services

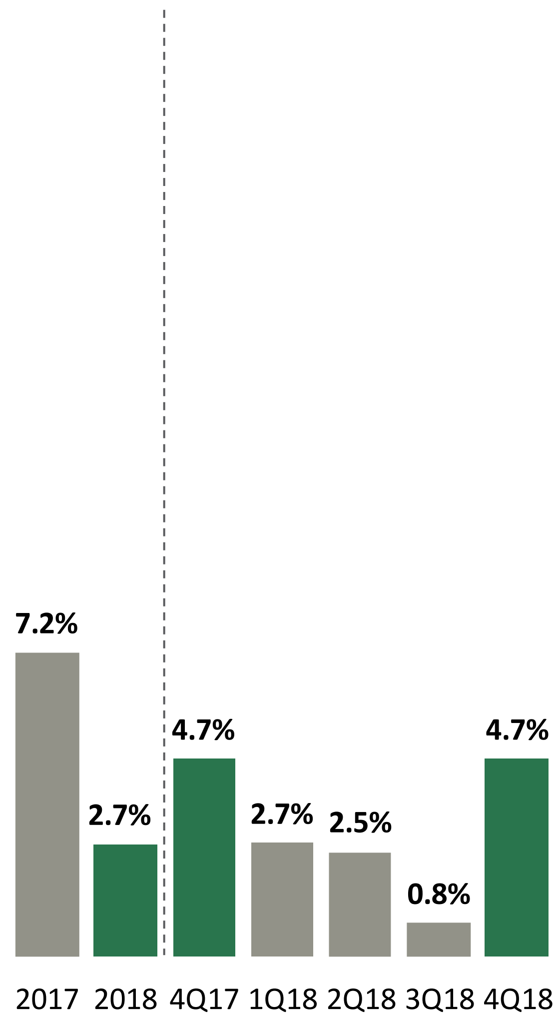
REVENUE GROWTH OF 12.0%, WITH -1.3% FOR MATURE STORES

In the 4Q18 revenues increased by 14.1% with 0.6% for mature stores, returning to positive ground after three consecutive quarters of contraction. We recorded a positive calendar effect of 0.1%.

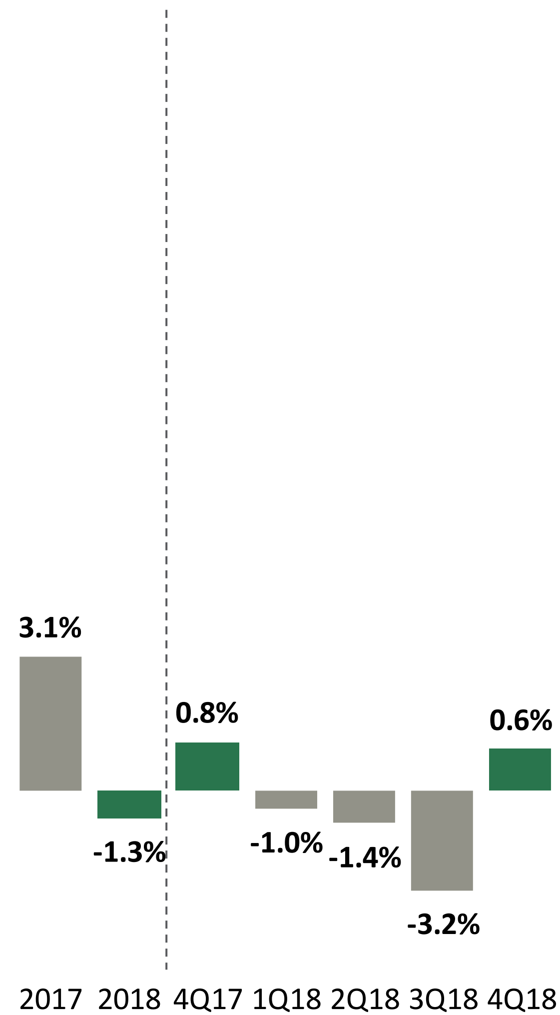
Consolidated Revenue Growth



Same-Store Sales Growth - Retail



Mature-Store Sales Growth - Retail

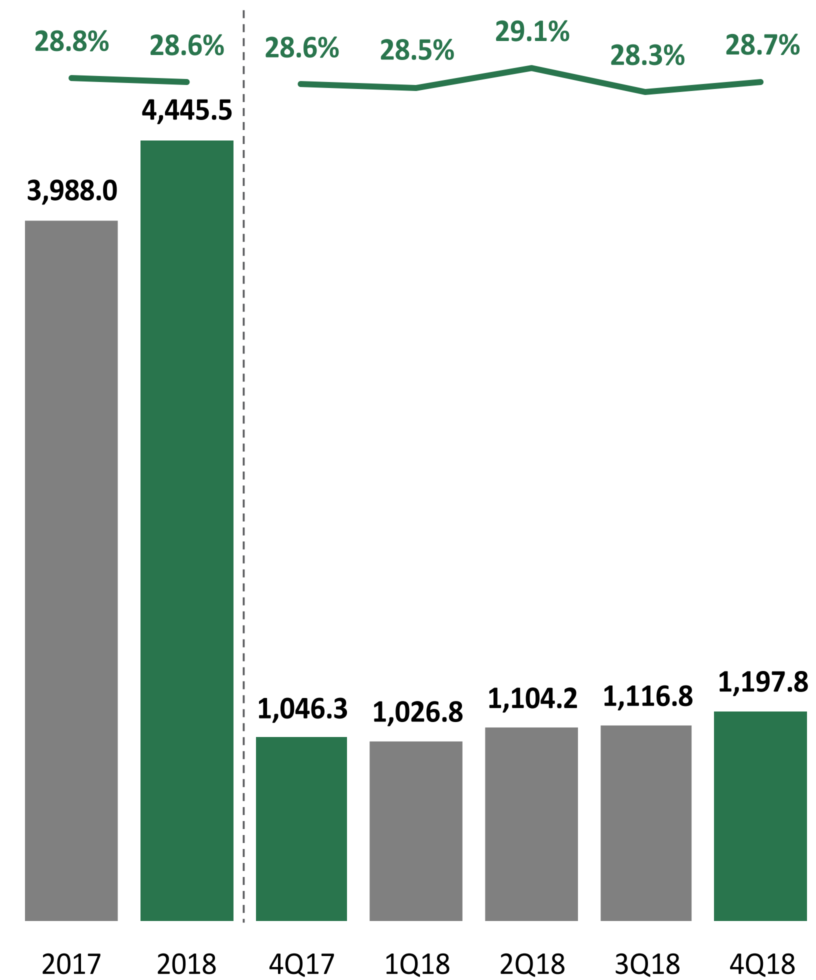


GROSS MARGIN DECREASED 0.2 P.P. IN 2018 DRIVEN BY THE 4BIO MIX EFFECT

In the 4Q18, we recorded one-off gains related to PIS and Cofins tax credits (0.3 p.p.) which were mitigated by 4Bio pressures (0.2 p.p.). Cash cycle was 4.2 days higher, driven by efforts towards defending retail gross margin.

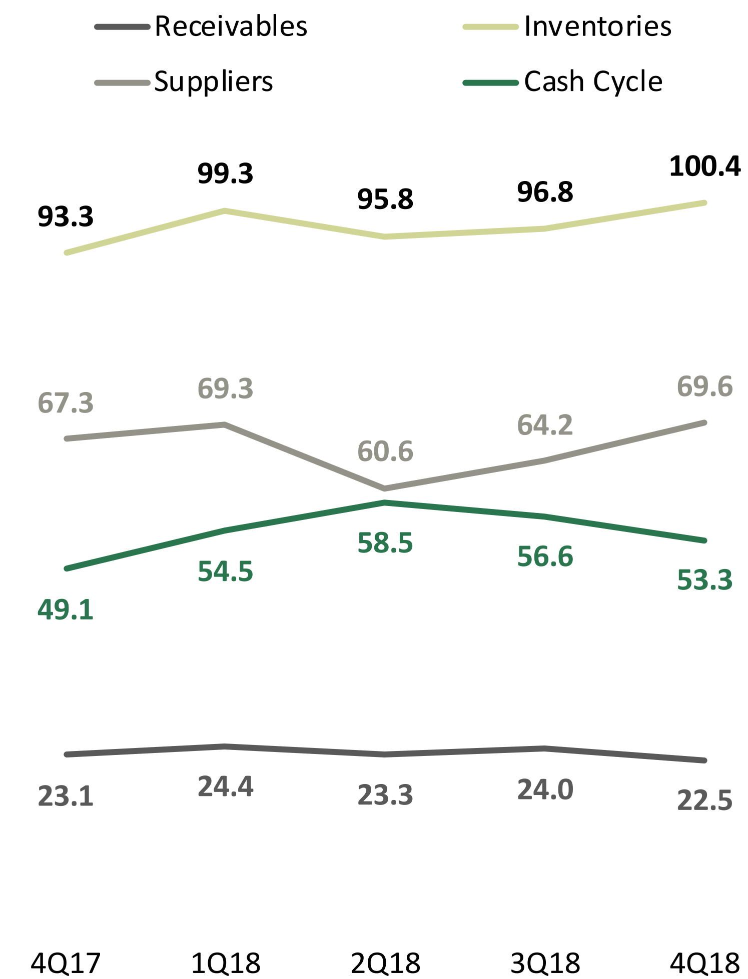
Gross Margin

R$ Million, % Of Gross Revenue



Cash Cycle*

COGS Days, Gross Revenue Days



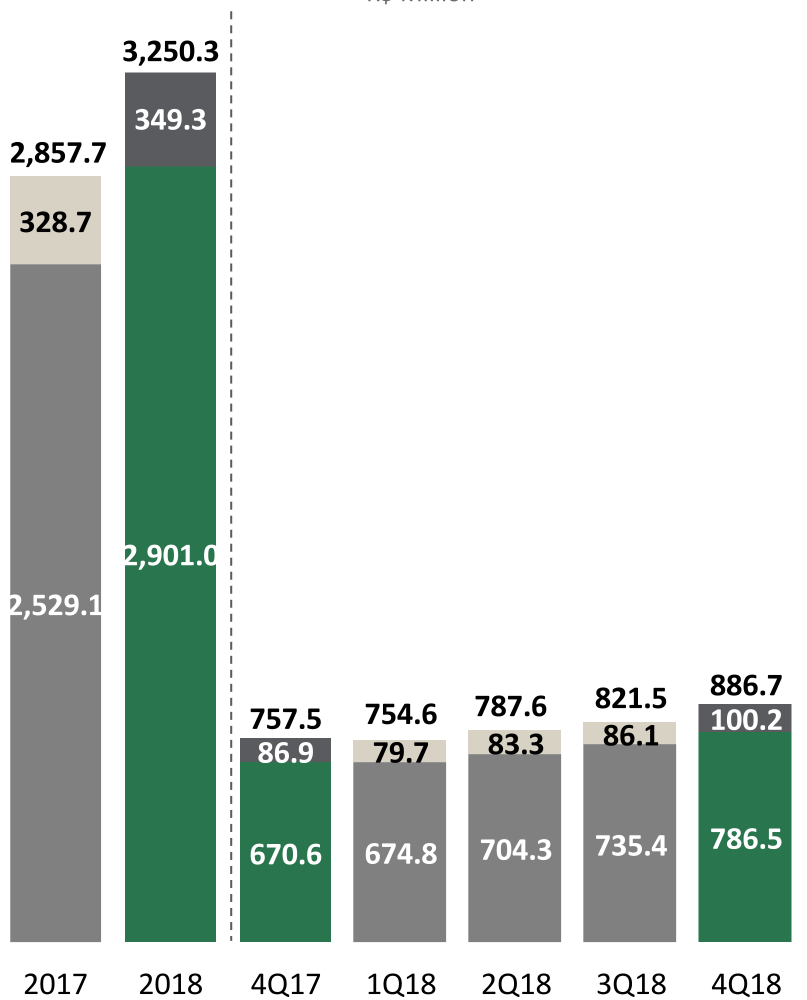
* Adjusted to discounted receivables.

SG&A EXPENSES INCREASED BY 0.3 P.P. (0.5 P.P IN THE QUARTER)

Personnel and rentals pressured by 0.2 p.p. each. Logistics and new store expenses pressured by 0.1 p.p. each. Pressures were offset by a 0.2 p.p dilution from 4Bio and a 0.1 p.p dilution due to lower variable compensation.

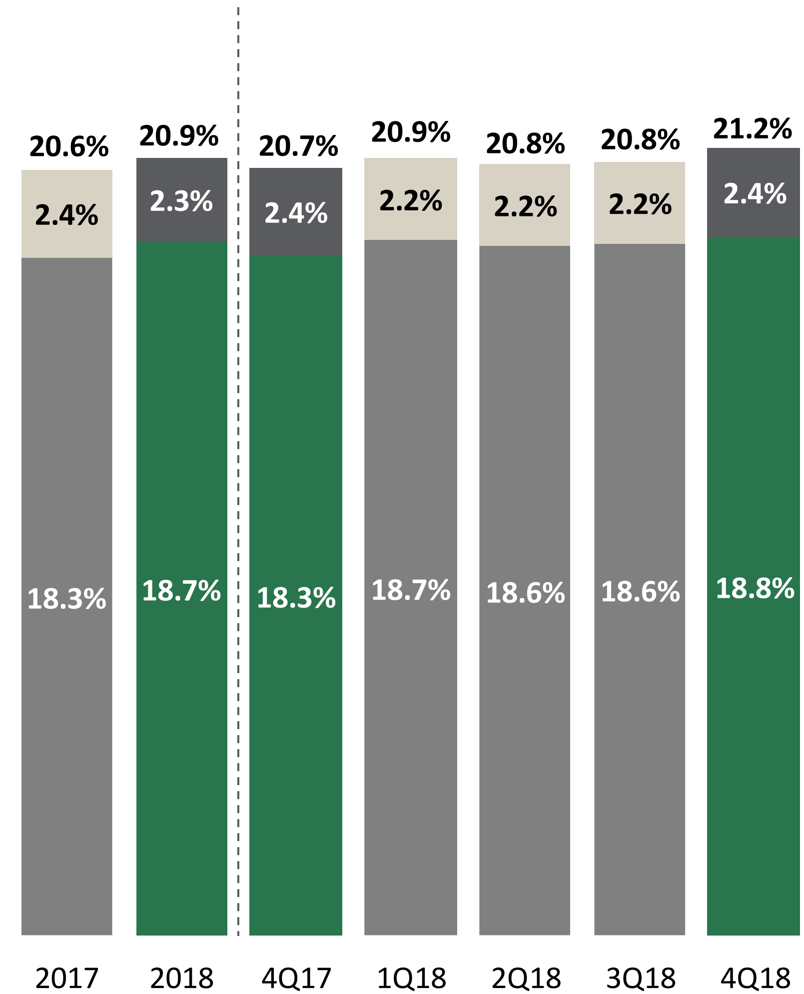
Operating Expenses

R$ Million



Operating Expenses

% of Gross Revenue



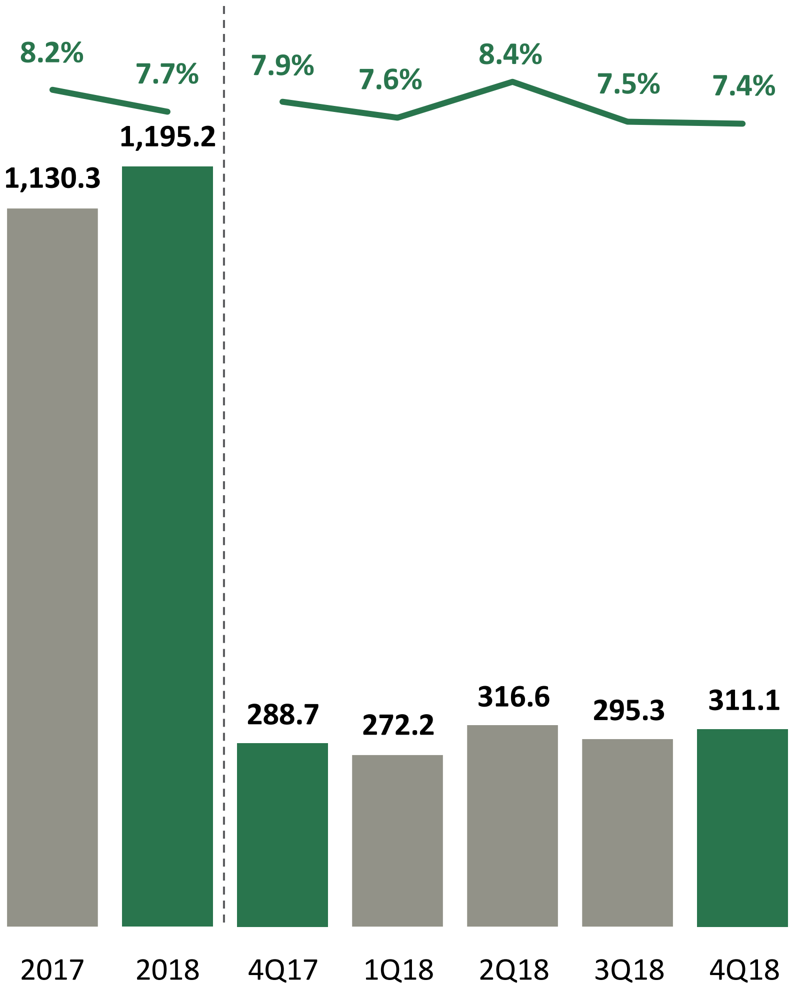
Sales Expenses General & Administrative Expenses

EBITDA TOTALED R$ 1,195.2 MM, WITH 0.5 P.P. PRESSURE (0.5 LOSS IN THE 4Q18). ANNUAL EBITDA INCREASE OF 5.7% (7.8% IN THE QUARTER)

Gross margin pressured 0.2 p.p., while SG&A pressured 0.3 p.p. in the year. Excluding PIS and Cofins credits of 0.3 p.p. and labor contingency of 0.1 p.p., relating to other quarters, 4Q18 EBITDA margin would have been 7.2%.

Adjusted EBITDA

R$ Million, % Of Gross Revenue



* 1610 stores by the end of the 4Q17 less 25 stores closed.

1,585* stores operating since 2017:
(performance in 2018)

- R$ 14,982.5 billion of Gross Revenues
- R$ 1,237.7 million of EBITDA
- EBITDA margin of 8.3%

RD Pharmacies

- R$ 1,178.4 million of EBITDA
- EBITDA margin of 8.0%

4Bio

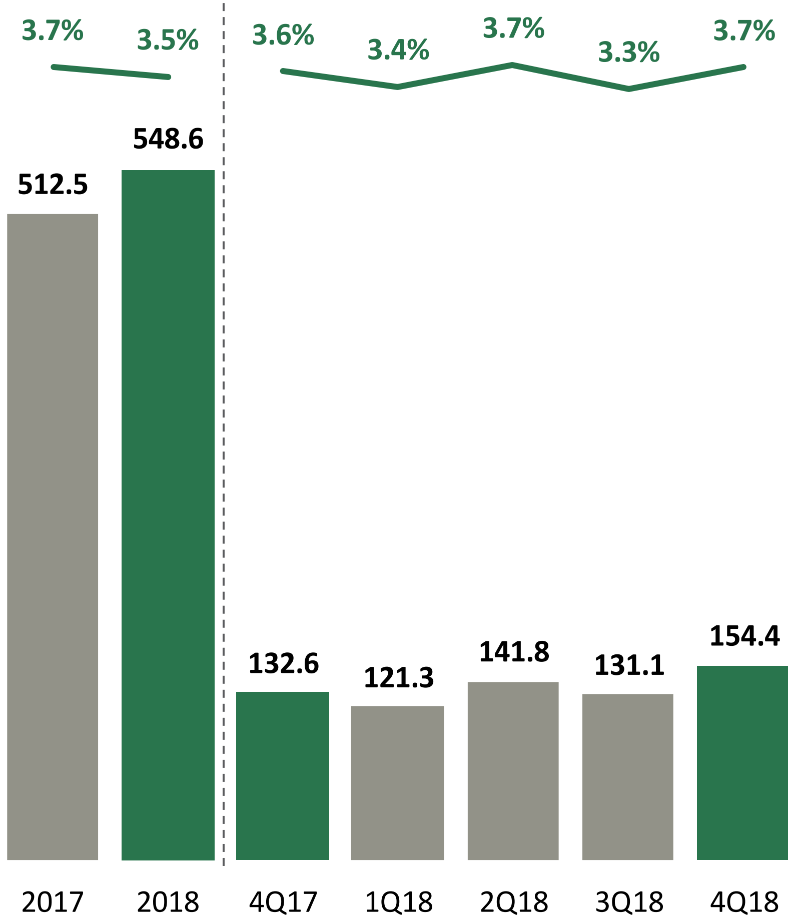
- R$ 16.8 million of EBITDA
- EBITDA margin of 2.2%

ADJUSTED NET INCOME TOTALED R$ 548.6 MM IN 2018

Net margin of 3.5% and an increase of 7.0% over the previous year. We recorded R$ 59.6 million in non-recurring net expenses in 2018.

Adjusted Net Income

R$ Million, % of Gross Revenue



Non-Recurring Revenues / (Expenses)

Non-Recurring Revenues / (Expenses)	4Q18	2018
(R$ million)		
Expenses related to the Strategic Planning	(2.1)	(13.9)
Asset Write-off - Farmasil	(0.3)	(1.5)
Non-recurring tax credits	7.4	10.7
Labor Contigencies: claims filled in previous years	(47.2)	(47.2)
Restructuring Charges	(7.6)	(7.6)
Total Non-Recurring Expenses	**(49.8)**	**(59.6)**

FREE CASH FLOW CONSUMPTION R$ 139.9 MM

R$ 563.0 million in operating cash flow helped finance R$ 703.0 million in investments. Total cash consumption of R$ 341.4 million.

Cash Flow	**4Q18**	**4Q17**	**2018**	**2017**
(R$ million)				
Adjusted EBIT	**198.8**	**196.6**	**781.1**	**792.4**
NPV Adjustment	(16.6)	(14.6)	(50.4)	(63.9)
Non-Recurring Expenses	(49.8)	2.4	(59.5)	0.2
Income Tax (34%)	(45.0)	(62.7)	(228.2)	(247.8)
Depreciation	112.3	92.1	414.1	337.9
Others	61.4	8.8	68.0	32.2
Resources from Operations	**261.1**	**222.6**	**925.1**	**851.0**
Cash Cycle*	17.9	28.2	(344.4)	(337.0)
Other Assets (Liabilities)**	(29.0)	(22.9)	(17.6)	75.5
Operating Cash Flow	**250.0**	**227.9**	**563.0**	**589.5**
Investments	**(220.9)**	**(159.5)**	**(703.0)**	**(639.2)**
Free Cash Flow	**29.1**	**68.4**	**(139.9)**	**(49.7)**
Interest on Equity	(86.4)	(85.6)	(173.6)	(170.8)
Income Tax Paid over Interest on Equity	(15.2)	(14.5)	(29.5)	(28.5)
Net Financial Expenses***	1.5	(4.5)	(32.9)	(46.8)
Share Buyback	-	-	(46.9)	-
Income Tax (Tax benefit over financial expenses and interest on equity)	17.6	19.0	81.5	84.8
Total Cash Flow	**(53.5)**	**(17.2)**	**(341.4)**	**(211.0)**

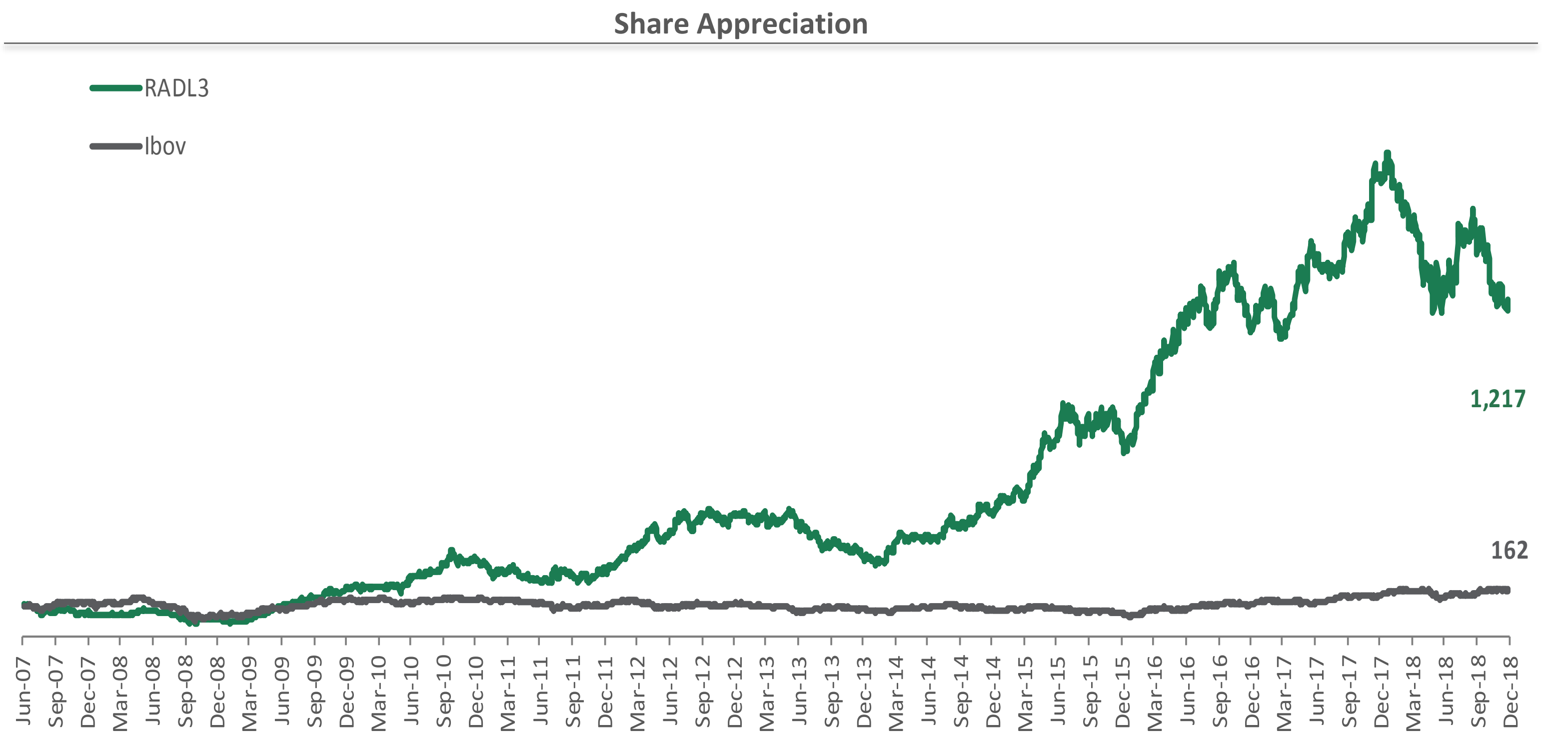
*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments.

RADL3 SHARES FELL 36.4% IN 2018

Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,055.2% with an average annual return of 22.4%. Considering the IPO of Raia, the average annual return was 19.8%.



Performance in 2018

RADL3: -36.4%
BOVESPA: 15.5%
Alpha: -51.9%
Average Trading Volume RADL3: R$ 91.6 MM

WHAT WE ACCOMPLISHED IN 2018

A Challenging Year for RD ...

- Softer revenue growth due to increased competition and lower average prices (-1.3% for mature stores)
- EBITDA margin pressure of 0.5 percentage point
- Better supplier negotiations and gains from smarter front-store pricing allowed us to defend our gross margin

... with the achievement of Several Strategic Milestones

- Opened a record 240 new stores with strong marginal returns and entered 2 new states (Maranhão and Pará)
- Ended the year with 1,825 stores in 22 Brazilian states, which represent 97.7% of the Brazilian Pharmaceutical Market
- Gained 0.9 percentage point of market share in the 4Q18, with stability in SP and gains in all other regions
- Invested boldly in generics pricing and significantly increased volume growth
- Initiated an ambitious digital transformation, the main pillar of our new Strategic Planning

Our Competitive Position has Never Been Stronger

- Strong industry fundamentals have attracted significant store opening activity by both established competitors and new entrants which, however, have been eluded by its many entry barriers
- The combination of increased capital allocation with sharp margin losses has led to leverage increase across the industry and to a quick reversion of the expansion cycle (less store openings, more closures)
- While we believe the current competitive pressures are temporary, our relative positioning is significantly strengthened

CHALLENGES AND OPPORTUNITIES FOR 2019

Fast Organic Growth:

- Guidance of 240 new stores for 2019, leveraging our unique national growth platform
- Leverage our enhanced popular store format: larger store size, full front-store offering and value proposition, CRM and loyalty program. Same austerity and operating model of Farmasil while leveraging the Raia and Drogasil brands.

Deliver a Customer-Centric Digital Experience:

- Improve the customer engagement by offering a seamless omnichannel experience and increasing loyalty through CRM
- Goal of ending 2019 with 2 million omnichannel customers, up from 400 thousand in the end of 2018

Normalize Mature-Store Sales Growth

- Progressively accelerate our mature store comps, so as to end 2019 with mature comps around inflation, driven by our new pricing strategy and digital initiatives

Reduce Expenses and Improve the Management Model

- Tackle inefficiencies and find opportunities to reduce expenses and mitigate possible margin pressures, with the assistance of a specialized consulting company in expense management
- Search for expense anomalies with advanced analytics, which will also help us to be more accurate and to act faster on expense reduction

ACQUISITION OF ONOFRE – OVERVIEW

Onofre's Overview:

- Acquired by CVS in 2013
- ~ R$ 480 million in gross revenues in 2018
- Negative EBITDA and Net Income
- No financial leverage
- Total of 50 stores (47 in SP, 2 in RJ, 1 in MG)
- E-commerce represents ~ 45% of revenues
- Fully formal company, with CVS compliance standards

Deal Structure

- No expected disbursement, which will depend on working capital and other adjustments after closing
- *"As-Is"* structure with both contingencies and existing tax assets fully-owned by RD
- Approval by the General Assembly is not required
- Deal closing depends on CADE's approval (normal process)
- Existing arbitrage procedure after closing will still be managed by CVS, who will bear eventual gains or losses

ACQUISITION OF ONOFRE - RATIONALE

Acquisition Rationale

- Opportunistic turnaround transaction, with no expected disbursement
- Capacity to create value by plugging Onofre into our structure
- Accelerates our digital strategy
- Complements our store network
- Allows us to strengthen our team by bringing in new talent

E-Commerce

- Acquisition of a leading e-commerce brand
- Deal more than doubles our digital revenues
- Allows us to increase our fulfillment scale and delivery density
- Onofre is very focused in SP, RJ and MG – ability to expand local deliveries to every market where RD has local fulfillment
- Complementary model: Onofre is pure-play, price-driven while Raia and Drogasil are omnichannel, convenience driven

Stores

- Onofre's stores will allow us to increase our buying power and gain capillarity
- Strong and complementary store portfolio
- Healthy revenues per store, in line with Abrafarma – capacity to further increase sales through our execution

IR HIGHLIGHTS FOR 2019

2019 Earnings

- **1Q:** April 29th, 2019
- **2Q:** August 6th, 2019
- **3Q:** October 29th, 2019

Scheduled Investor Conferences

- February 28th: **20º CEO Conference Brasil 2019**, BTG Pactual (São Paulo)
- April 2nd and 3rd: **Brazil Investment Forum,** Bradesco (São Paulo)
- May 15th and 16th: **14th Annual LatAm CEO Conference**, Itaú (New York)