

EARNINGS RELEASE

4Q20 & 2020

 **PagueMenos**



Fortaleza, Ceará, March 1, 2021. Empreendimentos Pague Menos S.A. ("Company" or "Pague Menos"), since 2009 the only Brazilian pharmaceutical retail chain present in every state in Brazil, bringing health to more than 300 Brazilian municipalities, announces its results for the 4th quarter of 2020 and the year ended December 31, 2020.

The financial information was prepared in accordance with the International Financial Reporting Standards (IFRS), in accordance with the accounting practices adopted in Brazil (BR GAAP) and were reviewed by the independent auditors in accordance with Brazilian and international auditing standards. Since 2019, our financial statements are prepared in accordance with IFRS 16, which has changed the criteria for the recognition of rental contracts. To demonstrate the effects of the implementation of this standard and facilitate comparability between periods, we present on page 17 of this release the Statement of Income for the Year excluding the effects of IFRS 16.

HIGHLIGHTS 4Q20 & 2020

- **Same Store Sales:** growth of 14.0% in 4Q20 (12.3% in mature stores) and 10.7% for 2020
- **Average Monthly Store Sales:** R\$ 590k in 4Q20 (+13.8% vs. 4Q19) and R\$551k for 2020 (+9.3% vs. 2019)
- **Digital:** growth of 159% in 4Q20, representing 5.2% of total sales (+2.9 p.p. vs. 4Q19)
- **Clinic Farma:** 622% growth in revenues (vs. 4Q19) and portfolio expansion to 31 services
- **Adjusted EBITDA :** R\$ 157.8 million in 4Q20 (+2.5% vs. 4Q19) and R\$ 572.4 million in 2020 (+14.2% vs. 2019)
- **Adjusted Net Income:** R\$ 37.5 million in 4Q20 (+147.7% vs. 4Q19) and R\$ 96.0 million in 2020
- **Capital Markets:** Accumulated share price appreciation of 16.6% since the IPO (position as of 02/26/21)

FINANCIAL HIGHLIGHTS (mm R\$)	4Q19	4Q20	Δ	2019	2020	Δ
Gross Revenue	1,744.9	1,955.3	12.1%	6,792.1	7,308.4	7.6%
Gross Profit	550.2	574.8	4.5%	2,054.3	2,120.7	3.2%
% Gross Margin	31.5%	29.4%	(2.1 p.p.)	30.2%	29.0%	(1.2 p.p.)
Sales, General and Administrative Expenses	(396.1)	(417.0)	5.3%	(1,553.2)	(1,548.3)	(0.3%)
% Expenses	(22.7%)	(21.3%)	1.4 p.p.	(22.9%)	(21.2%)	1.7 p.p.
Adjusted EBITDA	154.0	157.8	2.5%	501.2	572.4	14.2%
% Adjusted EBITDA Margin	8.8%	8.1%	(0.7 p.p.)	7.4%	7.8%	0.4 p.p.
Adjusted Net Income (Loss)	15.1	37.5	147.7%	(6.9)	96.0	-
% Adjusted Net Margin	0.9%	1.9%	1.0 p.p.	(0.1%)	1.3%	1.4 p.p.

OPERATIONAL HIGHLIGHTS	4Q19	4Q20	Δ	2019	2020	Δ
# of Stores	1,122	1,105	(1.5%)	1,122	1,105	(1.5%)
# of Stores with Clinic Farma operations	805	809	0.5%	805	809	0.5%
Avg. Sales/store/month (R\$ thousand)	518	590	13.8%	504	551	9.3%
# of clients served (thousand)	30,403	28,058	(7.7%)	120,709	108,937	(9.8%)
Average Ticket (R\$)	57.39	69.69	21.4%	56.27	67.09	19.2%
# of Employees	20,148	18,947	(6.0%)	20,148	18,947	(6.0%)
# of Employees/store	18.0	17.1	(0.9)	18.0	17.1	(0.9)
% Sales via Digital Channels	2.3%	5.2%	2.9 p.p.	2.2%	4.7%	2.5 p.p.

PRESIDENT'S MESSAGE

Pague Menos ends 2020 with consistent growth and a new level of efficiency and quality, with another quarter of strong results. Even in the face of a challenging scenario due to the Covid-19 pandemic, we reached R\$ 7.3 billion in revenues, with solid growth of 10.7% in Same Store Sales and 8.8% considering only mature stores. We achieved important improvements in productivity and operational leverage, optimized our capital structure and recorded a net profit of R\$ 96 million. All this while improving customer service and achieving a record NPS of 72.

The results reflect a series of efforts and investments made over the past few years. We brought new executives to the team in strategic areas, invested heavily in technology, innovation, data analytics and new processes, which, together with our “team of giants”, our culture and the knowledge accumulated in 39 years of history, prepared the company for a new cycle of growth.

In 2020, we advanced in our proposal of offering the expanded middle-class a comprehensive health solution, complementing retail activity with pharmacy clinics, compounding pharmacy, special medicines and content platform, among other tools that together make up the *Pague Menos* Health Hub. We were the first chain of pharmacies to offer, on a national scale, the application of Covid-19 tests; we support the states of São Paulo, Pará and Maranhão in H1N1 vaccination campaigns and make our stores available to support all state governments in the vaccination campaign against Covid-19. We ended the year with 809 *Clinic Farmas* in operation and expanded the portfolio of services to more than 30 health protocols as well as the monitoring of chronic diseases, which resulted in an increase of 56% in the average number of customer consultations, in 4Q20 vs 4Q19.

In 2020 we also took our digital channels to the next level. We have implemented, with the agility required by the moment, important advances in our omnichannel platform. We made Click & Collect available in all stores, we launched innovative services such as the Infinite Shelf, Scheduled Subscriptions and Locker Pickup, in addition to strengthening our technology infrastructure to support our e-commerce operations. As a result of all these advances, the share of digital channels grew from 2.3% in 4Q19 to 5.2% in 4Q20.

In 2020, we inaugurated our corporate university, *UP Farma*, which will play a central role in the training and preparation of our team. The university was “born big”, with eleven campuses distributed in nine states, providing 50 courses and training programs directed towards the areas of leadership, pharmacy, customer service, retailing, technology and innovation.

We also invested in training and tools for our new cycle of store openings. There were months of dedication, more than 23,000 micro markets analyzed, more than 80 items and characteristics of stores, regions, consumption profile, demographic and structural conditions mapped and ranked, which resulted in a detailed plan that is being followed to the letter by a team of approximately 50 dedicated professionals with extensive experience in the sector.

We believe that the operational advances implemented over the past few years position *Pague Menos* as one of the best vehicles to capture the growth that awaits our industry. The population's awareness for health-related themes increased during the pandemic, leveraging the consumption of healthful products, vitamins, probiotics, health devices to monitor pathologies and a greater awareness about hygiene in general, among other topics. All these factors, associated with the structural trend of a rapidly aging population and potential consolidation in the sector make us especially optimistic about the future.

In addition to the excellent results achieved in 2020 and the successful accomplishment of our IPO, we reinforced the pillar of our Brazilian identity with the announcement of an emblematic sponsorship agreement with the Brazilian national football team, the *Seleção Brasileira*. We are the first and only network of pharmacies present in every state of the federation and we will now, alongside the greatest symbol of national passion, enhance the realization of promotional campaigns for our customers and employees, increasing the engagement and strength of the *Pague Menos* brand.

We remain steadfast in our purpose of helping our customers to *Viver Plenamente* - Live Life to the Fullest.

Mário Queirós

CEO

STORE PORTFOLIO

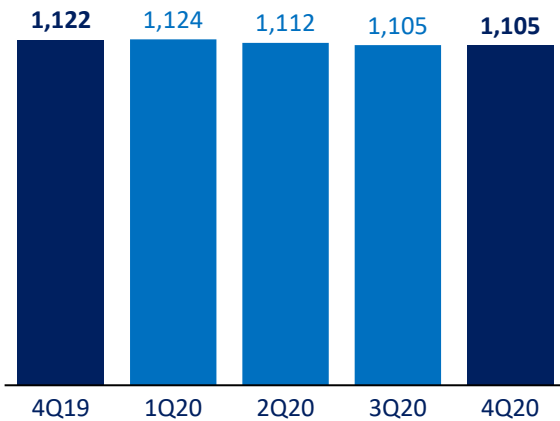
We ended the year with a base of 1,105 stores distributed in 327 municipalities. During 4Q20 we neither opened nor closed any stores.

The new expansion cycle started in 2020 is ongoing and on schedule. The first stores are already under contract and in the process of construction and licensing.

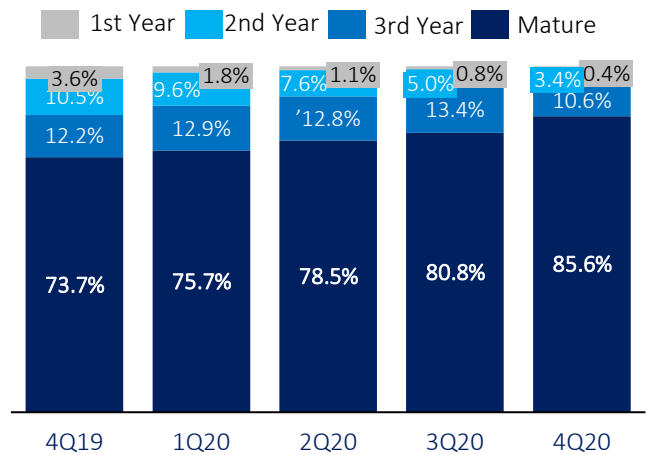
In 4Q20, we accelerated the refurbishing process, with 28 stores refurbished in the period. For 2021, we will continue this plan with the expectation of good returns on these investments.

Below is the evolution of the number of stores, age profile and regional distribution of the portfolio:

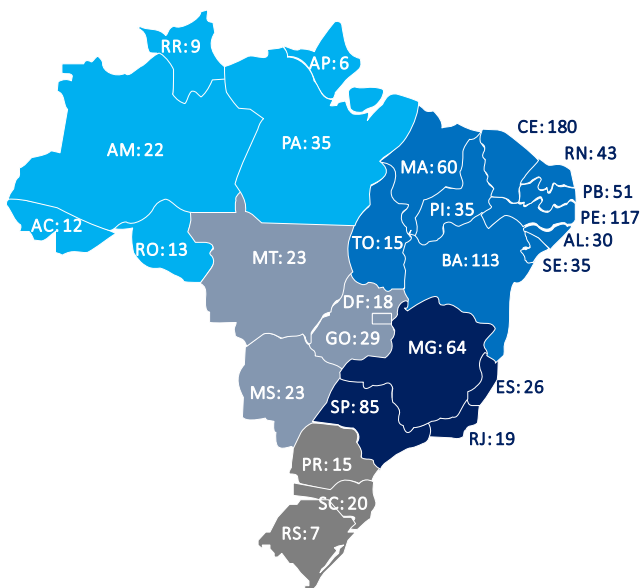
Store Base



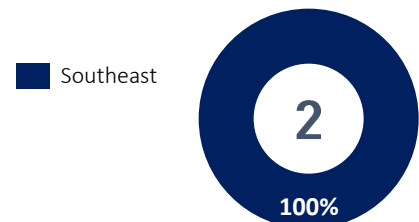
Store Age Profile



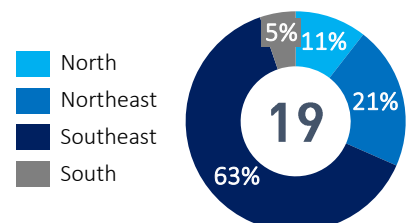
Distribution by State



Store Openings LTM*



Store Closings LTM*



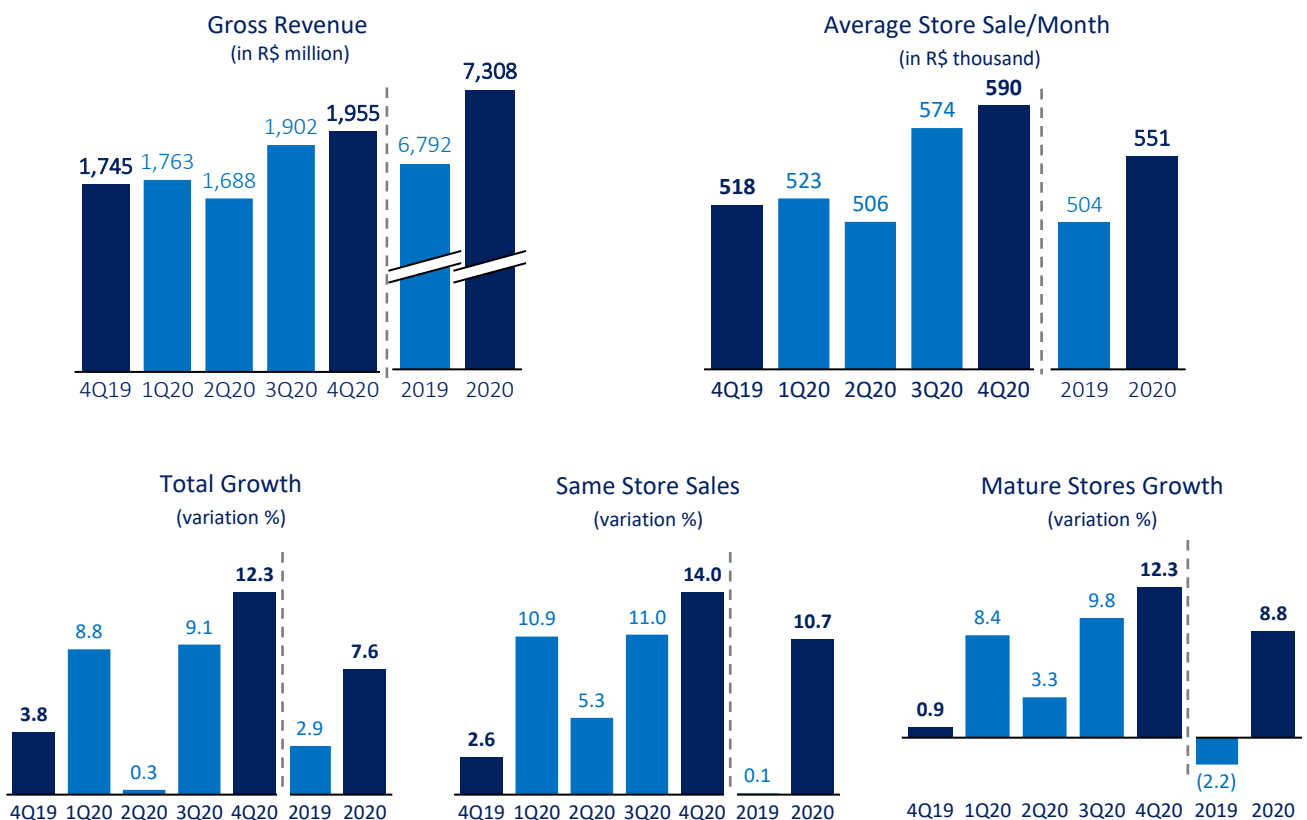
* LTM: last twelve months

SALES

We ended 2020 with gross revenue of R\$7.3 billion, an increase of 7.6% when compared to the previous year. In 4Q20, we reached R\$ 1.9 billion in revenues, total growth of 12.1% compared to 4Q19. The average monthly sales per store reached R\$ 590k in 4Q20, growing 13.8% compared to 4Q19.

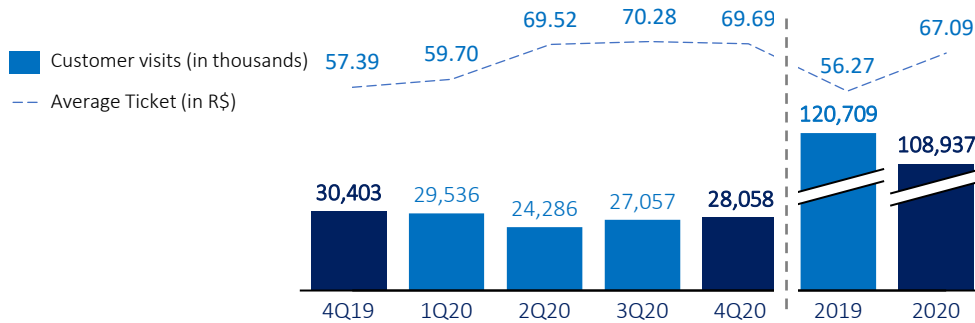
The strong pace of growth is mainly the result of the following actions: i) increase in the assortment of products in stores, ii) reduction in the stock out rates, iii) improvements in the operation of stores, iv) improvement in customer satisfaction indicators, v) increased participation of digital channels, vi) greater customer adoption of the *Clinic Farma* model and vii) growth of sales through agreements and partnerships. We observed balanced sales growth among the different regions in which we operate, reinforcing the consistency of our execution.

Growth in the same-store sales was 14.0% in 4Q20 and 10.7% for the year, with 12.3% in 4Q20 and 8.8% for the year in mature stores. We highlight the growth in the same stores sales, since the portfolio of mature units represented 85.6% of the stores in the 4Q20, in other words, less than 15% of units were in the maturation phase and therefore showing a stronger sales growth curve. The consistency in same store growth reinforces the success of the turnaround implemented over the past few years.



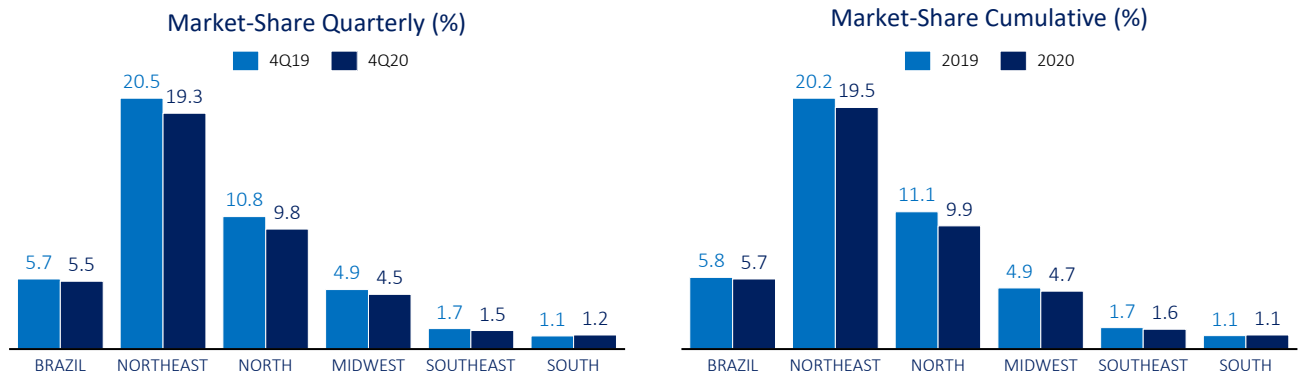
As in the previous quarters, we observed significant growth of 21.4% in the average ticket and a 7.7% reduction in the number of visits, a consequence of changing customer behavior due to social distancing measures. It is important to note that, even with the partial recovery of in-store traffic (increase of 15.5% vs. 2Q20, the peak of the pandemic) average ticket has remained at a high level when compared to the previous year.

¹ The concept of Same stores does not consider temporary store closings lasting more than seven calendar days. Including temporarily closed stores in the calculation, the same store growth for 1Q20, 2Q20, 3Q20 and 4Q20 are 9.9%, 1.7%, 10.9% and 12.5%, respectively.



MARKET-SHARE

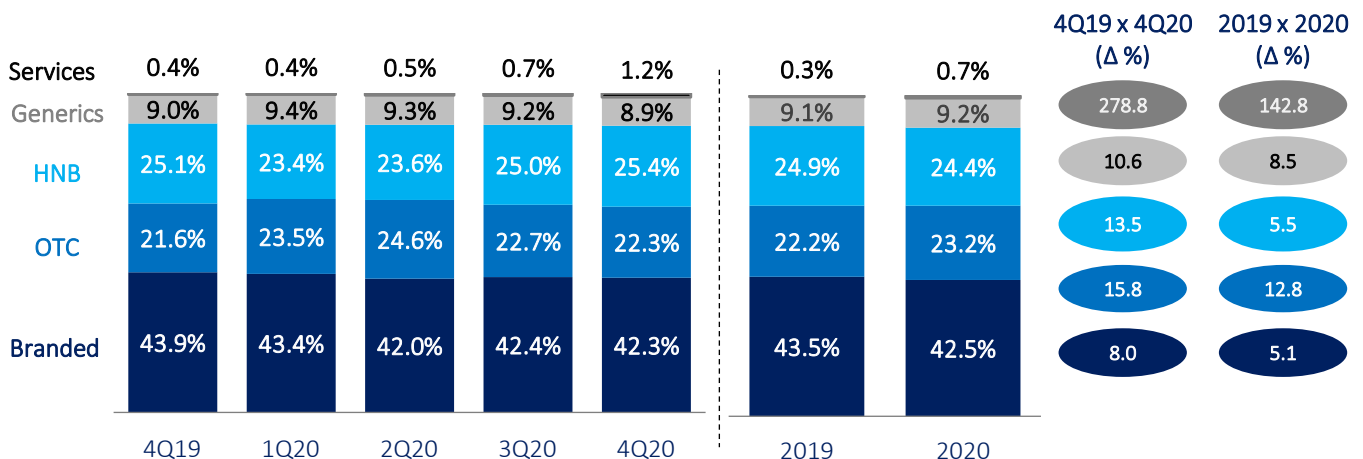
In 4Q20, our national market share was 5.5%, with a decline of 0.2p.p. compared to 4Q19. In 2020, the market share decline was 0.1 p.p., from 5.8% to 5.7%. The relative maintenance of our market share happens in the context of i) growth of independent and associative pharmacies, which gained 2.1p.p. market share in the 4Q20, due to the measures of social isolation, increasing the consumption in peripheric neighborhoods, and ii) reduction of 17 stores in our store base, due to store portfolio optimization.



Source: IQVIA

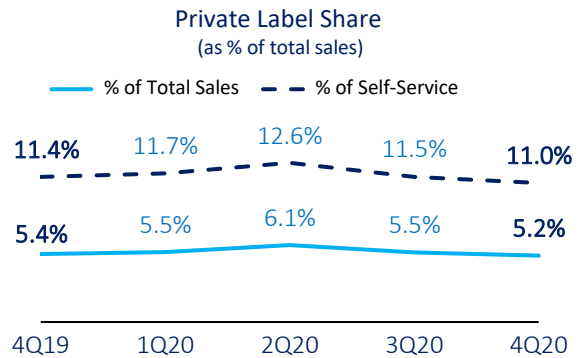
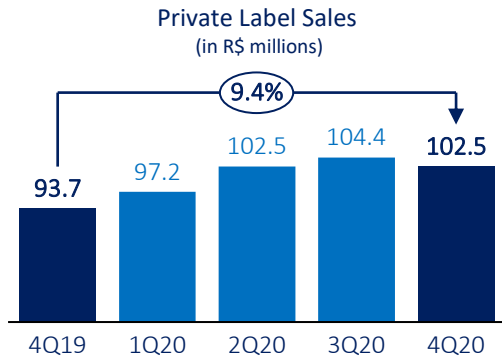
SALES MIX

In 4Q20, we observed an increase in revenue from services, resulting mainly from the high demand for Covid-19 tests. The pandemic also boosted demand for specific non-medicine categories, such as vitamins, toiletries and health appliances. As a result, the share of non-medicines in the sales mix increased from 33.8% in 4Q19 to 35.5% in 4Q20.



PRIVATE LABEL

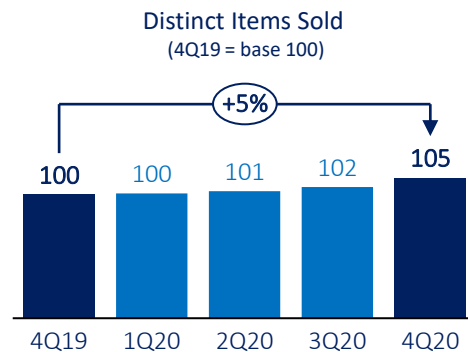
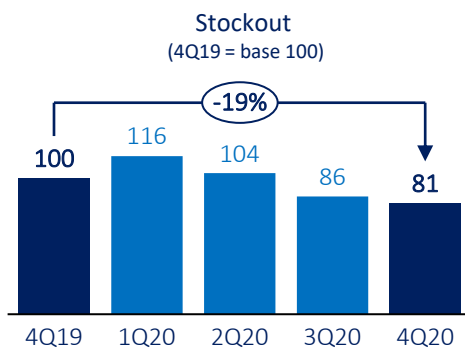
Our portfolio of private label products continues to grow. In 4Q20, products were launched in strategic categories such as children's diapers, nutritional supplements and tanning products. Gross revenue from this product line grew 9.4% in 4Q20, representing 5.2% of total sales (vs. 5.4% in 4Q19). Considering self-service only, the share of sales of private label items was 11.0% in 4Q20. With the diversification in the product portfolio, maturation of new categories and a relevant pipeline of launches in 2021, we are optimistic about this product line.



PRODUCT AVAILABILITY

Since 2018, the Company carried a readjustment of the commercial strategy in order to expand the portfolio of products available in stores. New items activated in the last two years represented more than 10% of the sales in 4Q20. One of the KPIs that illustrates the assortment expansion is the number of different items sold, which grew 5% compared to 4Q19.

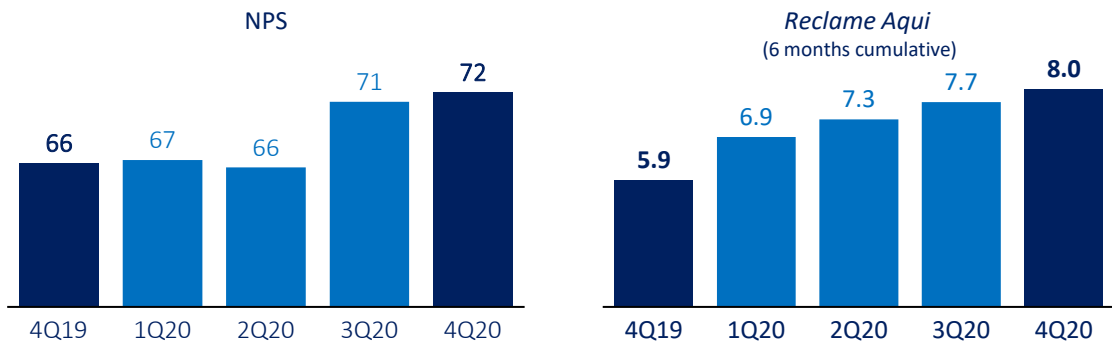
The improvement in the stockout indicator continues to contribute to strong sales performance. Among the initiatives being carried out we highlight: i) improvement of product supply algorithms, ii) adjustments in the frequency of delivery in stores and iii) inclusion of new distributors in the group of suppliers. With these efforts, we reduced the rate of stockout in stores by 19% in 4Q20 compared to 4Q19. It is important to highlight that this improvement in stockout is followed by an increase in assortment, diversification of suppliers and changes in the sales mix caused by the pandemic.



CUSTOMER SATISFACTION

We continue to consistently improve the level of service and customer satisfaction, mainly measured by NPS¹ and *ReclameAqui* ("ComplainHere" site). In 4Q20, we reached an average NPS of 72, up 6 points compared to 4Q19. The main factors contributing to the improvement in customer satisfaction levels were store atmosphere and service in the counter and checkout. On the *ReclameAqui* site, we reached a score of 8.0, positioning *Pague Menos* as one of the retail chains with the best reputation on the platform.

¹ Measured through surveys sent via SMS to the active customer base in the period. An average of 3 million SMSs are sent per month with an average response rate of 2%.







HEALTH HUB

In 2020 we reinforced our value proposition by offering an increasingly complete health and wellness solution for our customers. In 4Q20 we expanded the service portfolio to more than 30 health protocols. We started offering genetic testing for newborns, in partnership with healthtech *Mendelics/MeuDNA*, allowing the early diagnosis of more than 300 serious, silent and treatable diseases developed in early childhood. In addition, we started offering funduscopy tests, laboratory check-ups and two new Covid-19 tests (SWAB and PCR-LAMP) in several units of *Clinic Farma*. We also launched a home care service line, offering pharmaceutical care and home testing.



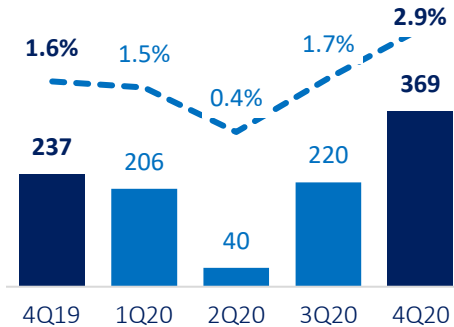
New Services 4Q20

- 
Genetic Tests
 Oral swab testing for babies, with early diagnosis of more than 300 treatable diseases
- 
Laboratory Check-Ups
 Sale of remote exams in partnership with Healthtech *Labi Exames*
- 
New Covid-19 Tests
 Offering rapid tests by SWAB and PCR-LAMP methods
- 
Home Care
 In home application of tests and pharmaceutical consultations

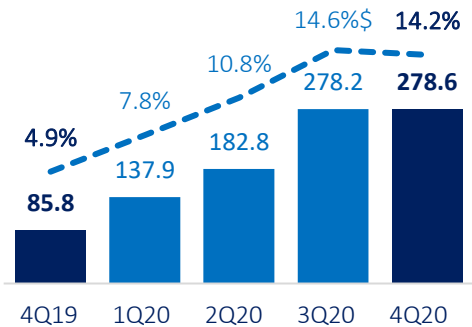
The *Clinic Farma* operation continues to develop rapidly, becoming increasingly relevant to our customers. In 4Q20, we reached a monthly average of more than 120k consultations, which represented 2.9% of the Company's total customers in the period. This channel's revenues recorded 160% growth compared to the previous quarter, boosted by demand for Covid-19 testing and growth in the portfolio of products and services. Excluding COVID testing, the channel's revenue grew 20% over 3Q20.

The vertical of agreements and partnerships (*convênios*) advanced significantly in 2020, with more than 100 contracts signed throughout the year. Sales from these contracts accounted for 14.2% of total revenue in 4Q20, an increase of 9.3p.p. compared to 4Q19. In addition to partnerships via discounts on medicines, which contribute to the capture and retention of high-value customers, we have expanded the scope of these partnerships by offering *Clinic Farma* services to customers of these partner companies. We are developing an integration solution with private health insurers, so that they can use *Clinic Farma* units as locations for the monitoring of diseases of chronic patients, contributing to more effective medical coverage.

Clinic Farma Consultations and Client Base Adoption
 (in thousands and % of total client base)



Sales through Agreements and Partnerships
 (in R\$ million and as % of total sales)



We expanded our partnerships with the public sector, reinforcing *Clinic Farma* as an important primary health center for care of the Brazilian population. We are conducting a pilot program with the Health Department of Ceará state in which patients with hypertension are referred to *Clinic Farma*, where they have access to periodic free monitoring of blood pressure. Through the partnership, municipal health professionals begin to follow the clinical evolution of patients, enabling preventive treatment of the pathology. We are also making our stores available for the vaccination campaign against Covid-19, and have already signed partnerships with two important capitals, providing the physical space for application of the vaccine, staff and PPE (Personal Protective Equipment).

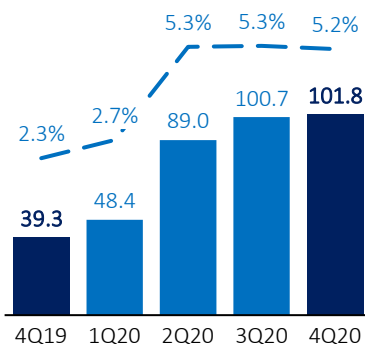
OMNICHANNEL PLATFORM

Pague Menos has an omnichannel digital platform, in which e-commerce (app and website), social media, call center, physical stores and content platform work in an integrated way to allow the offering of health products and services to our customers wherever, however and whenever they want.

In 4Q20, sales via digital channels grew 159%, representing 5.2% of the Company's total sales, an increase of 2.9 p.p. compared to 4Q19. In regions where e-commerce is more mature, such as the South and Southeast, sales share is more than 10%.

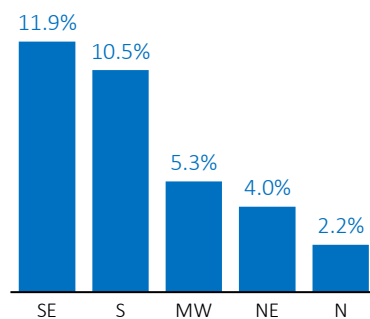
Digital Sales

(in R\$ million and % of total sales)



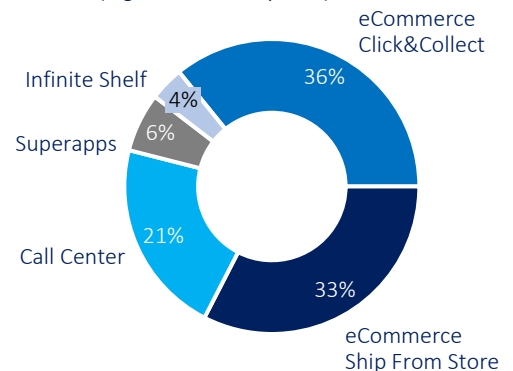
Share of Digital Sales by Region

(% of total sales in 4Q20)



Sales per Digital Channel

(Digital Sales Participation)



Click & Collect has become the digital channel's leading sales modality, accounting for 36% of sales volume (+4p.p. vs. 3Q20). Present in all stores, this service allows customers to purchase products online, including prescription drugs, and pick up the order in the store of their choice.

Innovations launched in 2020, such as Infinite Shelf, Scheduled Subscription and Locker services, are rapidly developing, contributing to a high level of service and increasingly omnichannel shopping experience. The Infinite Shelf, which allows customers to receive products not available in the store at the time of purchase, at home, with no shipping cost, reached the mark of more than 40,000 orders in the 4Q20. The Scheduled Subscription service, which allows the scheduling of

recurring purchases of products on our website and app, currently has more than 12,000 items enabled. The Lockers, launched in the 4Q20, are currently present in select stores in São Paulo and Fortaleza, allowing orders made via Click & Collect to be picked up more quickly and efficiently.

We remain committed to achieving ever better levels of service and have developed several initiatives to leverage express delivery in our digital channels. In 4Q20, 83% of deliveries were made in less than 24 hours and 49% in less than 4 hours.

CONTENT PLATFORM AND CRM

The *Sempre Bem* (Always Well) content platform continues to be an important lever of engagement and health and wellness promotion for our customers. During *Black Friday Pague Menos*, we achieved significant numbers of impacts driven by the integrated strategy of content production, relationship with industry and 360º media.

In 4Q20 we signed a sponsorship contract with the Brazilian Football Confederation (CBF) for the men's, women's and entry level national teams for the next four years, which will allow the execution of numerous campaigns and actions for our customers and employees, increasing the engagement and strength of the brand.

We continue to invest in the production of exclusive health, beauty and wellness content, reinforcing our proposition of becoming a true Health Hub. We ended 4Q20 with 406,000 followers on Instagram (+7.1% vs. 3Q20) and 143,000 subscribers on our YouTube channel (+14.4% vs. 3Q20).

The different initiatives for gaining loyalty and the expansion of the scope of our Health Hub allow for us to know our customers better and be even more precise in offering customized products, services and promotions. The offer coupon "*Desconto Só Meu*" (Discount just for Me), reached growth of 20% in activations in 2020, compared with 2019. We increasingly use segmented communications via SMS, email and push to activate customers, causing incremental sales through personalized offers to grow by 48% in 2020.

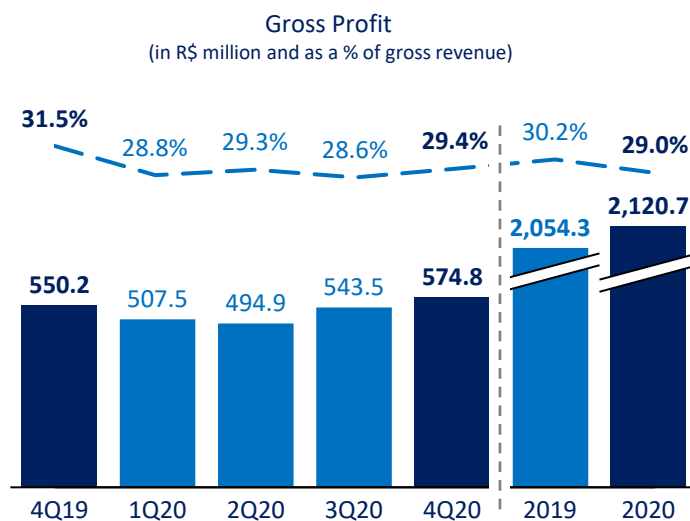
In 4Q20 we concluded the implementation of the new DBM (database marketing) in partnership with Ilope-DTM, which will give us greater speed of analysis and use of behavior data for decision making and personalized actions.



GROSS PROFIT

In 4Q20, gross profit reached R\$ 574.8 million with a gross margin of 29.4%, down 2.1 p.p. from 4Q19 and an increase of 0.8 p.p. compared to 3Q20. The margin decrease compared to 4Q19 is mainly due to tax credits recognized in 4Q19, a change in the sales mix and adjustment to present value (APV), a non-cash effect. In comparison with 3Q20, the margin increase is mainly due to the improvements implemented in the methodology used for negotiations with suppliers (Vendor Management Project), adjustments in product pricing by clusters (Pricing Project), increase in the participation of health services and an improvement in the indicator of inventory losses.

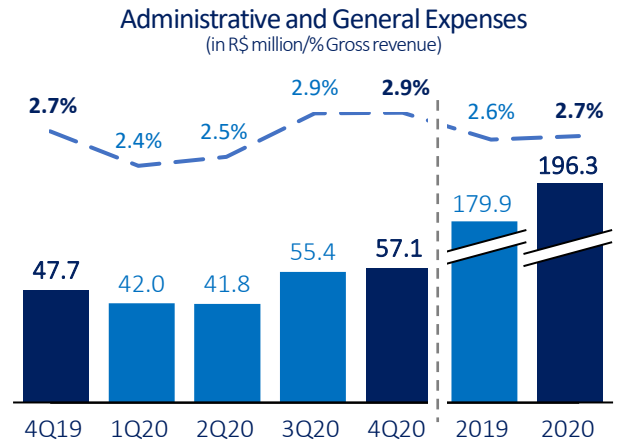
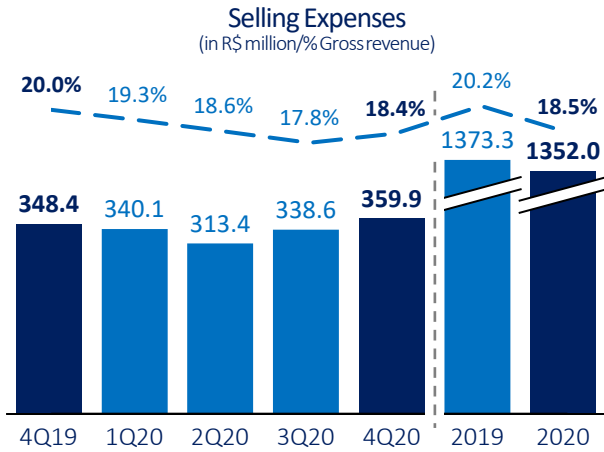
In 2020, the Gross Margin fell 1.2 p.p. compared to 2019, mainly due to an increase in the inventory losses indicator, resulting from the expansion of assortment carried out over the last 2 years (more than offset by increased sales), a change in the sales mix and the accounting effect of APV. We hope to continue capturing the benefits of the Vendor Management and Pricing Projects in the coming quarters and improve the inventory loss indicator.



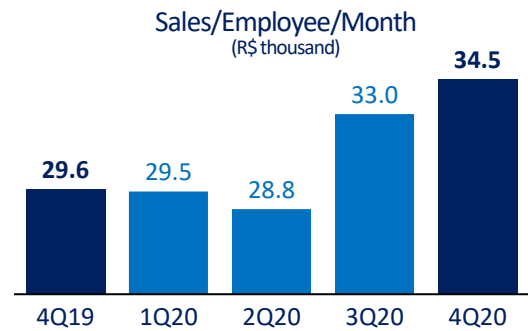
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In 4Q20, selling expenses totaled R\$359.9 million, equivalent to 18.4% of gross revenue, representing an improvement in operating leverage of 1.6 p.p. vs. 4Q19. The improvement is mainly due to the increase in average sales per store and the productivity program (accompanied by an improvement in NPS). There was an increase of 0.6 p.p. in relation to 3Q20 due to greater investments in marketing campaigns and reserves for variable compensation and the restricted stock plan for the management, since an important part of the operational goals for the year were exceeded.

Administrative and general expenses totaled R\$ 57.1 million in 4Q20, equivalent to 2.9% of gross revenue, an increase of 0.2 p.p. compared to 4Q19. The increase in expenses is due to the increase in reserves for variable compensation and the Restricted Stock Plan for the management of the company, for the same reason mentioned above.

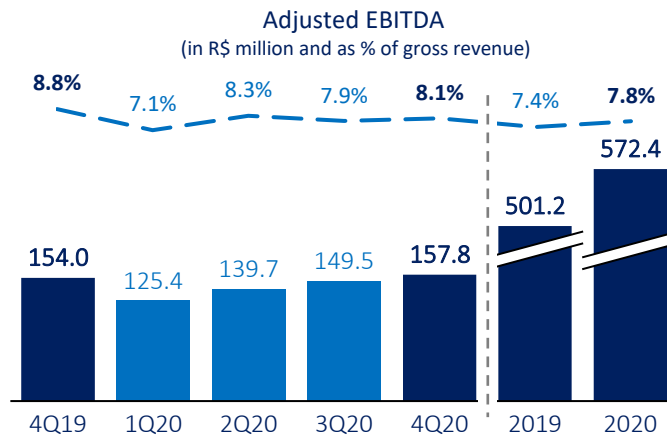


Over the last three years we have promoted an intense process of rationalization of the operation, training of the sales force and implementation of new systems and processes to leverage productivity. As a result, we have seen consistent improvement in average employee-per-store and average sales-per-employee indicators in recent quarters. It is important to highlight that these productivity gains were accompanied by an improvement in NPS.



ADJUSTED EBITDA

We ended 4Q20 with EBITDA of R\$157.8 million and the year with R\$572.4 million, an increase of 14.2% over the previous year. Ebitda margin was 8.1% in 4Q20 and 7.8% for the year, growth of 0.4 p.p. The improvement in profitability was mainly due to strong sales growth and increased productivity. Despite the reduction in gross margin of 1.2 p.p. mentioned earlier, we were able to expand the EBITDA margin due to an improvement of 1.7 p.p. in operating leverage.

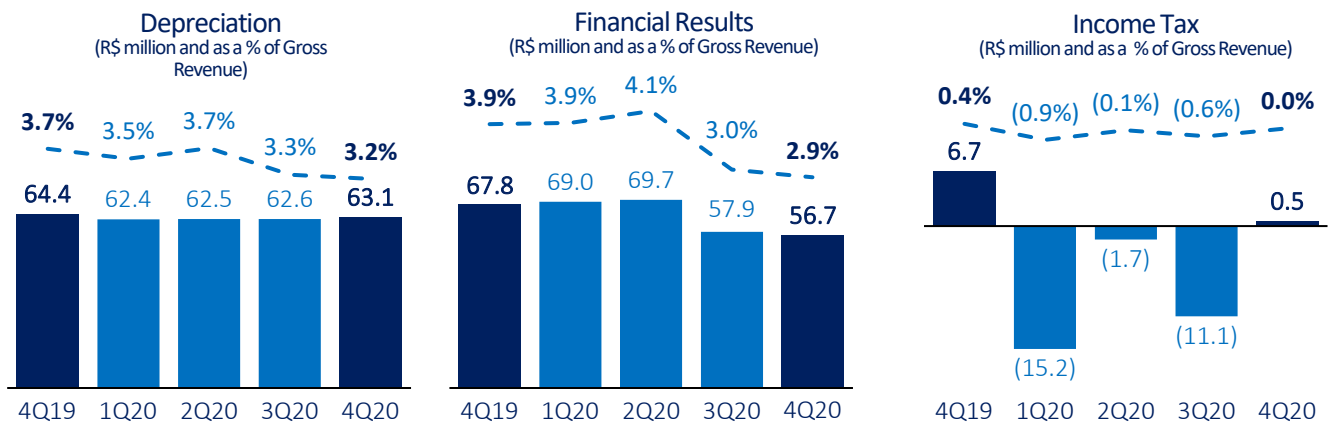


DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAX

In 4Q20, depreciation totaled R\$ 63.1 million, of which R\$ 41.3 million was related to depreciation of the right-to-use assets - IFRS16, with a reduction of 2.0% compared to 4Q19.

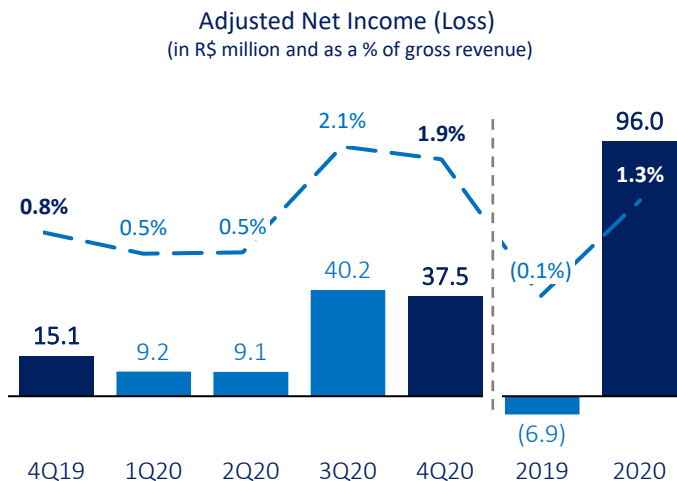
Financial result totaled net expenses of R\$ 56.7 million in the quarter, down 16.4% from 4Q19. The savings were generated by not anticipating receivables in the period, reduction in indebtedness and reduction in the cost of debt, as well as reflections in the calculation of the APV (Adjusted Present Value), resulting from the decrease in interest rates and improvement in the company's rating.

Income tax expenses were R\$ 0.5 million in 4Q20, a reduction of R\$ 6.2 million compared to 4Q19, due to temporary differences in the effect of permanent exclusions.



ADJUSTED NET INCOME (LOSS)

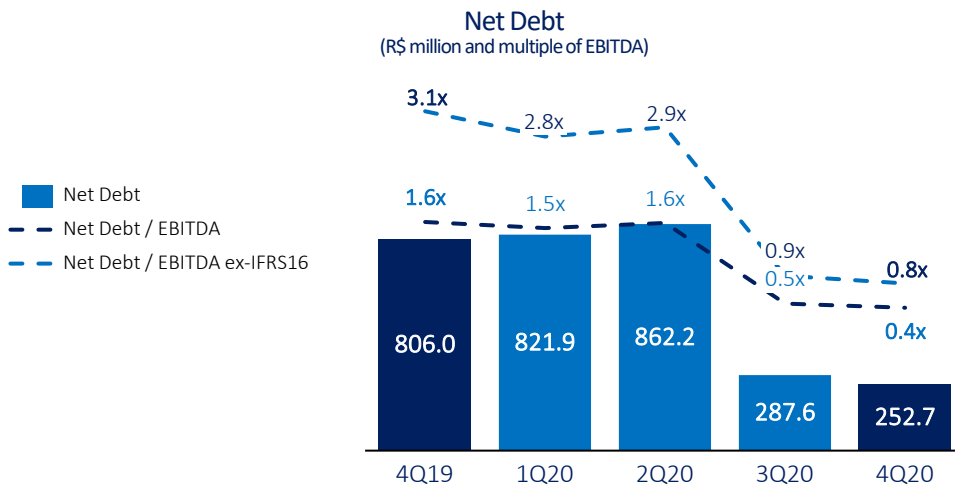
We ended 4Q20 with net income of R\$ 37.5 million. For the year it was R\$ 96.0 million, reversing the loss of R\$ 6.9 million in the previous year. Net margin was 1.9% for 4Q20 and 1.3% for the year, reflecting the operational advances and results previously demonstrated.



INDEBTEDNESS

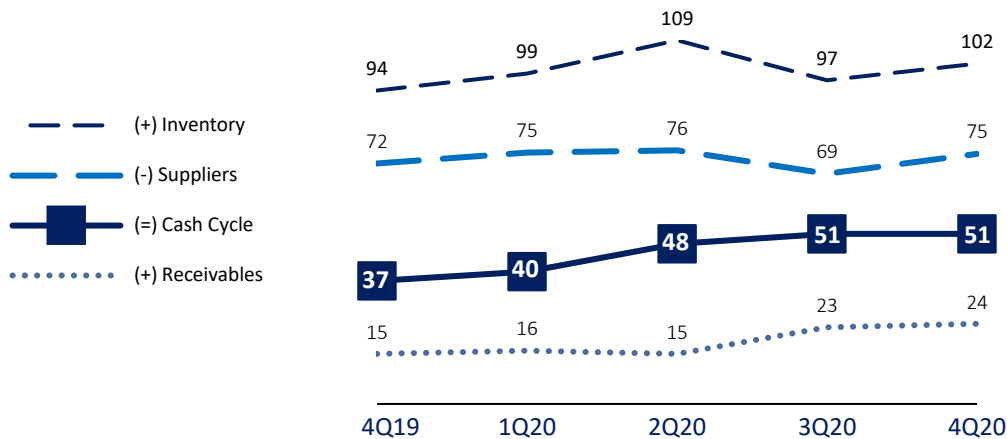
The Company continues to deleverage its balance sheet. Gross debt in 4Q20 totaled R\$ 872.7 million, a reduction of R\$ 89.3 million compared to 2Q20, the last quarter before IPO. In addition to debt reduction, the liquidity reinforced by our IPO allowed us to renegotiate the terms of our credit lines. The average cost of debt went from CDI + 3.3% in 2Q20 to CDI + 2.6% in 4Q20, reaching CDI + 2.3% at the end of January/21.

Net debt ended 4Q20 at R\$ 252.7 million, a multiple of 0.4 X EBITDA with the effect of IFRS16 in the last twelve months and 0.8 X EBITDA ex-IFRS16 effect.



CASH CYCLE

In 4Q20, the Cash Cycle was 51 days (+14 days compared to 4Q19), caused mainly by the increase in the average period for receivables, resulting from not having to anticipate receivables, due to the Company's enhanced liquidity. In addition, the difference between average inventory and average payment period, which in 4Q19 was 22 days, increased to 27 days in 4Q20 given increased investments in inventories and product mix.



Notes:

The calculations of the Average Inventory and the Average Payment Term for Suppliers do not consider APV effects. The calculation of the Average Collection Period considers the effects of anticipation of receivables.

INVESTMENTS

Throughout 2020, R\$ 45.9 million were invested, as shown in the table below, with most of the investment being directed to technology projects and store renovations.

Capex (R\$ million)	2019	%	2020	%
Store Openings	16.4	28%	1.7	4%
Store Renovations	20.9	35%	19.3	42%
Technology	6.2	10%	15.0	33%
Infrastructure	16.0	27%	10.0	22%
Total	59.5	100%	45.9	100%

CASH FLOW

In 4Q20, we recorded a negative free cash flow of R\$ 67.3 million, mainly a result of the change in working capital accounts. In 2020, we recorded negative free cash flow of R\$ 255.7 million, driven by the normalization of the cash cycle, as we are no longer discounting receivables.

Adjusted Cash Flow Statement (R\$ million)	4Q19	4Q20	2019	2020
EBITDA	136.7	157.8	468.8	572.4
(-) Rental payments (IFRS 16)	(61.0)	(60.7)	(242.1)	(245.8)
(Δ) Accounts receivable	83.5	(44.9)	27.5	(235.7)
(Δ) Inventory	(150.5)	(118.0)	76.3	(237.1)
(Δ) Suppliers	226.8	136.4	23.9	136.7
(Δ) Taxes recoverable	(145.4)	(16.6)	(230.0)	(98.6)
(+/-) Variation other assets and liabilities/Non-cash effect	(11.7)	(84.1)	11.3	(63.6)
(=) Cash flow from operations	78.5	(30.1)	135.8	(171.7)
(-) Capital investments	(9.1)	(27.7)	(59.5)	(45.9)
(=) Investment cash flow	(9.1)	(27.7)	(59.5)	(45.9)
Free cash flow	69.4	(57.7)	76.3	(217.6)
(+) Gross debt funding	148.3	100.0	779.4	324.0
(-) Gross debt repayment	(178.0)	(171.7)	(795.0)	(390.9)
(-) Interest payments	(13.8)	(9.6)	(55.5)	(38.0)
(+) Net funds raised in the IPO	-	103.1	-	817.9
(=) Cash flow from financing	(43.6)	21.8	(71.1)	713.0
Initial cash balance, equivalents and financial investments	98.7	655.9	119.3	124.5
Final cash balance, equivalents and financial investments	124.5	620.0	124.5	620.0
Variation in Cash and Cash Equivalents	25.8	(35.9)	5.2	495.4

EBITDA RECONCILIATION

In order to offer a clearer understanding and comparability of quarterly results, we present the adjusted view (below), removing non-recurring expenses and revenue from the results. The table details the non-recurring adjustments and reconciliation of EBITDA, which already consider the effects of IFRS16.

Adjusted EBITDA (R\$ million)	4Q19	1Q20	2Q20	3Q20	4Q20
Net Accounting Income (Loss)	6.3	9.2	9.1	40.2	37.5
(+) Net Financial Results	59.2	69.0	69.7	57.9	56.7
(+) Income Tax and Social Contribution	6.7	(15.2)	(1.7)	(11.1)	0.5
(+) Depreciation and Amortization	64.4	62.4	62.5	62.6	63.1
EBITDA	136.7	125.4	139.6	149.6	157.8
(+) Extraordinary Losses on Inventories ¹	23.4	-	-	-	-
(+) Expensas with Store Closings ²	16.2	-	-	-	-
(-) Tax credits ³	(22.2)	-	-	-	-
Total EBITDA adjustments	17.4	-	-	-	-
Adjusted EBITDA	154.0	125.4	139.6	149.6	157.8

RECONCILIATION OF NET INCOME

Adjusted Profit (R\$ million)	4Q19	1Q20	2Q20	3Q20	4Q20
Net Accounting Income (Loss)	6.3	9.2	9.1	40.2	37.5
(+) Extraordinary Losses on Inventories ¹	23.4	-	-	-	-
(+) Expensas with Store Closings ²	16.2	-	-	-	-
(-) Tax credits ³	(22.2)	-	-	-	-
(-) Monetary Correction of Tax Credits ³	(8.5)	-	-	-	-
Total Adjustments Net Income	8.9	-	-	-	-
Adjusted Net Income (Loss)	15.1	9.2	9.1	40.2	37.5

¹ Extraordinary losses in inventories due to the incineration of products with expired expiration dates, above normal for the period, resulting from the adaptation of the Goiás Distribution Center to new rules imposed by local Health Inspection (*Vigilância Sanitária*) authorities.

² Expenses with store closings, mainly related to the write down of improvements made to properties rented from third parties and other related expenses resulting from the implementation of the store portfolio optimization program.

³ Recognition of tax credits arising from a final judgement of unconstitutionality related to the inclusion of ICMS in the basis for calculation of the PIS/COFINS contribution, impacting the "General and Administrative Expenses" line and the respective monetary correction of these tax credits, recognized in the "Financial Results" line.

INDEPENDENT AUDITORS

The Company declares that its independent auditors, Ernst & Young Auditores Independentes S.S., did not provide non-audit services for the period ending December 31, 2020, except for the issuance of a comfort letter in connection with the public offering of shares held on September 2, 2020.

CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY (ESG)

In 4Q20 we increased the supply of renewable energy to 35.4% of our stores, an increase of 27p.p. compared to 3Q20. We ended the year with all stores and distribution centers located in the states of Ceará, Pará, Maranhão, Paraíba, Alagoas and Sergipe being supplied with renewable energy, generated in 17 solar farms distributed in these states. This represents an annual reduction of 650 thousand tons of CO² emissions. 37 other solar farms are already contracted and under construction, with capacity to expand the generation of renewable energy to 100% of our stores.

In December we launched *Pague Menos Corporate University – UP Farma*, which consolidates a series of training and vocational courses for our employees. The teaching platform has a solid physical structure distributed in eleven campuses located in nine states combined with advanced distance learning technology. There are six "corporate schools" that offer everything from workshops and technical training to bachelor's degrees in the areas of leadership, pharmacy, service, operations, technology and retailing.

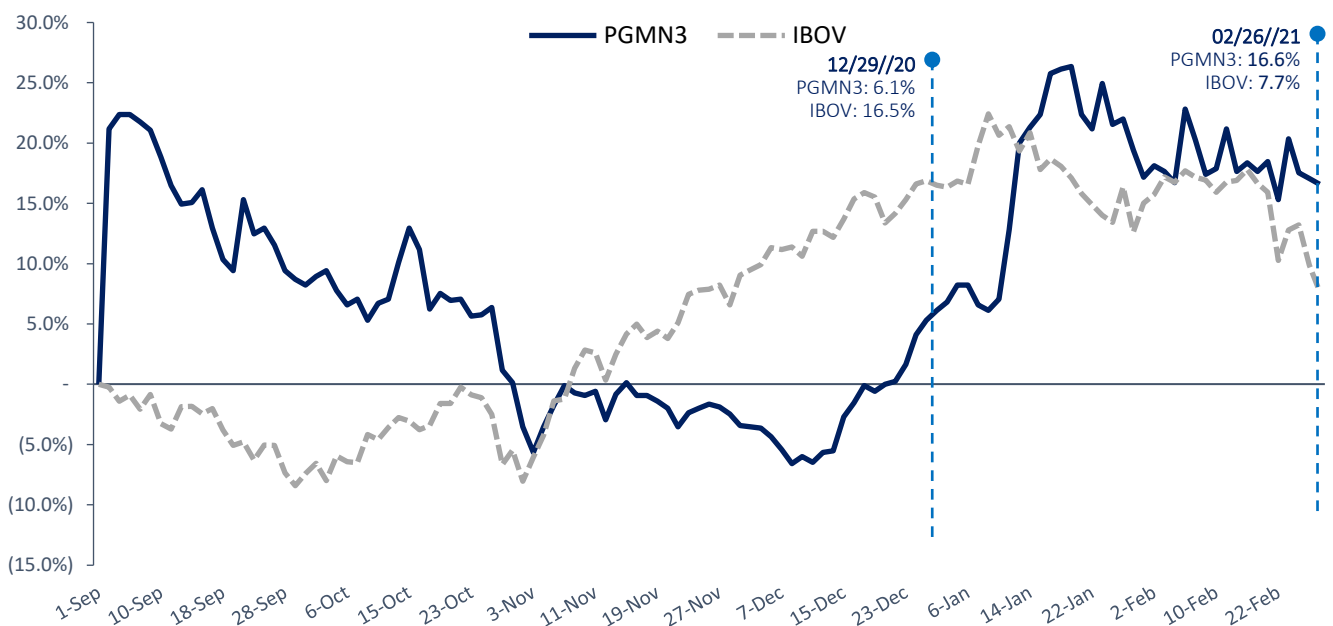
Another important milestone in the quarter was the Company's entry into the GPTW 2020 (Great Place To Work) national rankings. We received GPTW certification in the health and retail categories and were ranked among the 25 best companies to work for in the country, in the category of large retail companies.

CAPITAL MARKETS

As of the end of 4Q20, *Pague Menos* common shares (PGMN3) had recorded an accumulated appreciation since the IPO of 6.1%. As of February 26, 2021, the accumulated appreciation was 16.6%, 8.9p.p., above the Ibovespa index.

In December 2020, the Company announced its first stock repurchase plan, with the objective of acquiring shares for the restricted stock plan for the management. As of February 12, 2021, 1,040,000 shares had been acquired.

Also in December 2020, the Company contracted BTG Pactual as market maker. In 4Q20, the average daily financial volume traded was R\$ 4.9 million. In January and February of 2021 this volume reached R\$ 7.9 million.



INCOME STATEMENT

On January 1, 2019, CPC 6-R2 (IFRS 16) went into effect, changing the accounting recognition model for lease agreements. To preserve the historical comparability, we present below the conciliation with the previous standard (IAS 17/CPC 06).

Statement of Income for the Year (R\$ million)	IAS 17			IFRS16		
	4Q19	4Q20	Δ	4Q19	4Q20	Δ
Gross Revenue from the Sale of Goods and/or Services	1,744.9	1,955.3	12.1%	1,744.9	1,955.3	12.1%
Gross Profit	550.2	574.8	4.5%	550.2	574.8	4.5%
<i>Gross Margin</i>	<i>31.5%</i>	<i>29.4%</i>	<i>(2.1p.p.)</i>	<i>31.5%</i>	<i>29.4%</i>	<i>(2.1p.p.)</i>
Selling Expenses	(408.7)	(422.7)	3.4%	(348.4)	(359.9)	3.3%
General and Administrative Expenses	(47.7)	(57.1)	19.6%	(47.7)	(57.1)	19.6%
Adjusted EBITDA	93.8	95.1	1.4%	154.0	157.8	2.5%
<i>EBITDA Margin</i>	<i>5.4%</i>	<i>4.9%</i>	<i>(0.5p.p.)</i>	<i>8.8%</i>	<i>8.1%</i>	<i>(0.8p.p.)</i>
Depreciation and Amortization	(24.3)	(22.1)	(9.0%)	(64.4)	(63.1)	(2.0%)
Financial Results	(36.3)	(28.2)	(22.3%)	(67.8)	(56.7)	(16.4%)
Pretax Profit	33.1	44.7	35.1%	21.9	38.1	74.1%
Income Tax and Social Contribution	(10.5)	(2.8)	(73.4%)	(6.7)	(0.5)	(92.0%)
Adjusted Profit (Loss) for the Period	22.6	41.9	85.7%	15.1	37.5	147.7%
<i>Net Margin</i>	<i>1.3%</i>	<i>2.1%</i>	<i>0.9p.p.</i>	<i>0.9%</i>	<i>1.9%</i>	<i>1.1p.p.</i>

Statement of Income for the Year (R\$ million)	IAS 17			IFRS16		
	2019	2020	Δ	2019	2020	Δ
Gross Revenue from the Sale of Goods and/or Services	6,792.1	7,308.4	7.6%	6,792.1	7,308.4	7.6%
Gross Profit	2,054.3	2,120.7	3.2%	2,054.3	2,120.7	3.2%
<i>Gross Margin</i>	<i>30.2%</i>	<i>29.0%</i>	<i>(1.2p.p.)</i>	<i>30.2%</i>	<i>29.0%</i>	<i>(1.2p.p.)</i>
Selling Expenses	(1,615.4)	(1,598.1)	(1.1%)	(1,373.3)	(1,352.3)	(1.5%)
General and Administrative Expenses	(179.9)	(196.0)	8.9%	(179.9)	(196.0)	8.9%
Adjusted EBITDA	259.1	326.5	26.0%	501.2	572.4	14.2%
<i>EBITDA Margin</i>	<i>3.8%</i>	<i>4.5%</i>	<i>0.7p.p.</i>	<i>7.4%</i>	<i>7.8%</i>	<i>0.5p.p.</i>
Depreciation and Amortization	(92.4)	(87.5)	(5.3%)	(253.0)	(250.6)	(1.0%)
Financial Results	(150.3)	(138.0)	(8.1%)	(278.1)	(253.2)	(9.0%)
Pretax Profit	16.4	101.0	515.6%	(30.0)	68.6	-
Income Tax and Social Contribution	7.3	16.4	125.6%	23.1	27.4	18.9%
Adjusted Profit (Loss) for the Period	23.7	117.4	395.8%	(6.9)	96.0	-
<i>Net Margin</i>	<i>0.3%</i>	<i>1.6%</i>	<i>1.3p.p.</i>	<i>-0.1%</i>	<i>1.3%</i>	<i>1.4p.p.</i>

BALANCE SHEET

Balance Sheet (R\$ millions)	IFRS16		
	12/31/19	12/31/20	Δ
Total Assets	4,807.7	5,753.8	19.7%
Current Assets	2,197.9	3,147.4	43.2%
Cash and Cash Equivalents	121.1	589.1	386.6%
Financial Investments	3.5	30.9	782.3%
Clients Accounts Receivable	288.5	522.9	81.3%
Inventory	1,466.4	1,702.1	16.1%
Taxes to Recover	204.2	198.3	(2.9%)
Other Current Assets	114.3	104.1	(9.0%)
Non-Current Assets	2,609.8	2,606.4	(0.1%)
Long-Term Assets	471.5	611.5	29.7%
Investments	70.3	70.8	0.7%
Fixed Assets	582.2	541.3	(7.0%)
Lease Right of Use	1,450.7	1,344.9	(7.3%)
Intangible Assets	35.1	37.9	6.8%
Total Liabilities	4,807.7	5,753.8	19.7%
Current Liabilities	1,693.6	1,889.1	11.5%
Social and Labor Obligations	108.0	89.2	(17.4%)
Suppliers	1,100.3	1,244.5	13.1%
Tax Obligations	86.5	106.4	23.0%
Loans and Financing	213.9	241.6	13.0%
Other Obligations	20.3	35.1	73.1%
Leasing	164.7	172.3	4.6%
Long Term Liabilities	2,089.5	1,923.8	(7.9%)
Loans and Financing	725.1	636.8	(12.2%)
Other Obligations	10.8	8.2	(24.3%)
Leasing	1,332.3	1,251.5	(6.1%)
Provisions	21.2	27.2	28.2%
Shareholder's Equity	1,024.5	1,940.9	89.4%
Realized Share Capital	382.7	1,200.7	213.7%
Capital Reserves	381.0	383.4	0.6%
Profit Reserves	260.8	356.8	36.8%

GLOSSARY

- **Abrafarma:** association of the 26 largest pharmacy chains in the country.
- **AME (Special Medicine Service):** line of special medicines marketed by *Pague Menos*. They are produced with high technology and used in complex and high-cost treatments, usually in the fields of fertility, oncology and hormones.
- **Expanded Middle Class:** B2/C/D social income class, with average monthly family income below R\$ 4 thousand.
- **EBITDA:** operating income before interest, taxes, depreciation and amortization.
- **HNB (Hygiene, Nutrition and Beauty):** classification of non-drug products belonging to the categories of personal hygiene, nutrition and beauty.
- **Mature Stores:** stores opened for over three years. They are stores that have already gone through the maturation period and therefore tend to have a less inclined sales growth curve than those in maturation.
- **Market share:** market share, based on data from IQVIA, a global data intelligence company applied to the healthcare industry.
- **NPS (Net Promoter Score):** metric for measuring satisfaction and loyalty of customers to the Company.
- **Omnichannel:** the concept describing the integration of different channels in retailing, such as physical stores, e-commerce, telephone sales and social media sales, allowing the customer multiple shopping journeys.
- **OTC (Over-The-Counter):** classification of products sold via self-service, which includes nonprescription medications as well as convenience, health and well-being items.
- **PBM: Programa de Benefício em Medicamentos.** Discount programs created and administered by the pharmaceutical industry (laboratories) in order to facilitate, stimulate and promote use of treatments by patients and physicians.
- **PME: Prazo médio de estocagem.** Refers to the average storage time of goods, being calculated by the quotient between inventory balance and CMV of the quarter, multiplied by 90.
- **PMP: Prazo médio de pagamento.** Refers to the average payment period for suppliers, being calculated by the quotient between supplier balance and CMV of the quarter, multiplied by 90 days.
- **Stockout:** metric used to measure the lack of specific products in the store.
- **SSS (Same Store Sales):** sales growth in the "same stores" concept. Refers to the relationship of sales of goods and services carried out by stores opened for more than twelve months of the current period compared to the same stores' sales in the same period of the previous year. Excludes stores temporarily closed for longer than seven calendar days and considers digital sales dispensed through stores.

EARNINGS CONFERENCE CALL

Conference call in Portuguese

March 2, 2021

10:00 (BRT) | 08:00 (US EST)

Connection numbers: +55 (11) 3181-8565

Code: Pague Menos

Replay Numbers: +55 (11) 3193 1012

Replay Password: 1802973#

Webcast: [click here](#)

Conference call in English

(simultaneous translation)

March 2, 2021

10:00 (BRT) | 08:00 (US EST)

Connection numbers: TF +1 844 204-8942

Code: Pague Menos

Replay Numbers: +55 (11) 3193 1012

Replay Password: 8935551#

Webcast: [click here](#)