



EARNINGS
RELEASE
4Q22 / 2022



Fortaleza, Ceará, March 6, 2023.

Empreendimentos Pague Menos S.A. ("the Company" or "Pague Menos"), the main Health Hub serving the Brazilian middle class, present in every state and in more than 380 municipalities, announces its results for the 4th quarter of 2022 and the 12 months ending December 31, 2022.

HIGHLIGHTS 4Q22 / 2022

+ STORE BASE EXPANSION

+500 added stores in the year, being 399 from Extrafarma acquisition and 118 openings (61 in 4Q22)

+ OMNICHANNEL SALES

11.4% of total Pague Menos sales in 4Q22 (+2.6 p.p. vs 4Q21)

+ HEALTH HUB

+2 million health care services rendered during the year (+417 thousand in 4Q22)

+ ACTIVE CUSTOMERS

19 million clients active in the last 12 months (+26% vs 2021)

+ GROSS REVENUE

Consolidated growth of 21.8% for the year (37.0% in 4Q22), and 10.5% in standalone Pague Menos sales (11.4% in 4Q22)

+ ADJUSTED EBITDA

Consolidated growth of 19.9% for the year (46.2% in 4Q22), and 16.4% in standalone Pague Menos sales (34.1% in 4Q22)

+ EXTRAFARMA SYNERGIES

Contracted actions resulted in BRL 8.5 million in 4Q22 (BRL 34 million on an annualized basis)

+ NET INCOME

BRL 192.0 million standalone Pague Menos for the year (+8.7% vs. 2021) and BRL 73.7 million in 4Q22 (+183.5% vs. 4Q21)

REPORTING CRITERIA

On August 1, 2022, the acquisition process of Imifarma Produtos Farmacêuticos e Cosméticos S.A. (Extrafarma) with Ultrapar Participações S.A. (Ultrapar) was completed. With the completion of the precedent conditions and incorporation of the equity balances, Extrafarma was consolidated and became part of the consolidated financial statements of Empreendimentos Pague Menos S.A. (the Company) that same month. Therefore, the Company's consolidated financial Statements for the 12 months ending December 31, 2022 include five months of Extrafarma's operations.

In order to facilitate the analysis of the results, we will present in this release segregated operational data for Pague Menos and Extrafarma, while the financial information is presented as Pague Menos "standalone" (ex-Extrafarma) and Consolidated (Pago Menos plus Extrafarma).

Since 2019, our financial statements have been prepared in accordance with IFRS 16, which changed the criteria for recognizing rental contracts. To demonstrate the effects of implementing this standard and facilitate comparison between periods, we present on pages 23 and 24 of this release the Income Statement for the Year excluding the effects of IFRS 16.

FINANCIAL HIGHLIGHTS PAGUE MENOS STANDALONE

in BRL million and % of Gross Revenue	4Q21	4Q22	Δ	2021	2022	Δ
Gross Revenue	2,074.8	2,310.4	11.4%	8,062.9	8,911.3	10.5%
Gross Profit	616.7	688.5	11.6%	2,420.6	2,687.4	11.0%
% Gross Margin	29.7%	29.8%	0.1 p.p.	30.0%	30.2%	0.1 p.p.
Contribution Margin	221.4	265.9	20.1%	900.4	1,029.7	14.4%
Contribution Margin %	10.7%	11.5 %	0.8 pp	11.2%	11.6%	0.4 p.p.
Adjusted EBITDA	159.0	213.1	34.1%	671	781	16.4%
Adjusted EBITDA Margin %	7.7%	9.2%	1.6 p.p.	8.3%	8.8%	0.4 p.p.
Adjusted Net Income	26.0	73.7	183.5%	176.6	192.0	8.7%
Adjusted Net Margin %	1.3%	3.2%	1.9 p.p.	2.2%	2.2%	0.0 pp



CONSOLIDATED FINANCIAL HIGHLIGHTS

in BRL million and % of G.R.	4Q21	4Q22	Δ	2021	2022	Δ
Gross Revenue	2,074.8	2,843.4	37.0%	8,062.9	9,818.7	21.8%
Gross Profit	616.7	854.6	38.6%	2,420.6	2,955.5	22.1%
% Gross Margin	29.7%	30.1 %	0.4 p.p.	30.0%	30.1%	0.1 pp
Contribution Margin	221.4	319.7	44.4%	900.4	1,110.3	23.3%
Contribution Margin %	10.7%	11.2%	0.6 p.p.	11.2%	11.3%	0.1 p.p.
Adjusted EBITDA	159.0	232.5	46.2%	671	804.8	19.9%
Adjusted EBITDA Margin %	7.7%	8.2%	0.5 p.p.	8.3%	8.2%	(0.1 p.p.)
Adjusted Net Income	26.0	46.5	78.9%	176.6	134.8	(23.6%)
Adjusted Net Margin %	1.3%	1.6%	0.4 p.p.	2.2%	1.4%	(0.8 p.p.)

OPERATIONAL HIGHLIGHTS

Indicator / Operation	4Q21	4Q22	Δ	4Q22
Stores (units)	1,165	1,270	9.0%	376
Average Sale/store/month (BRL thousand)	604	621	2.9%	468
Average Ticket (BRL)	73.60	77.20	4.9%	67.88
Employees (quantity)	19,988	20,099	0.6%	5,602
Employees/store (quantity)	17.2	15.8	(7.8%)	14.9
Average Sale/Employee/month (R\$ thousand)	35.0	38.5	10.1%	31.8
Omnichannel Share (% retail revenue)	8.8%	11.4%	2.6p.p.	3.4%
Private Label (% retail revenue)	6.2%	7.1%	0.9 p.p.	2.9%
Pharmaceutical Clinics (units)	879	988	12.4%	68

MESSAGE FROM THE MANAGEMENT

2022 was the third consecutive year of relevant growth, increased profitability and development of our strategy to expand our presence in the health chain, positioning Pague Menos as an important participant in primary care in the Brazilian health ecosystem.

Despite the context of strong acceleration in organic expansion, with the opening of 118 stores, and the challenging macroeconomic scenario, with unfavorable inflationary pressures and an increase in basic interest rates and borrowing costs, Pague Menos standalone revenue grew by 10.5% (a 9.5% CAGR for the last 3 years), with EBITDA expansion of 16.4% (a 15.9% in the CAGR for the last 3 years) and record net income of BRL 192 million (almost BRL 200 million above 2019). In the last 3 years, we increased the Company's EBITDA margin by 1.4 p.p. and net margin by 2.3 p.p..

In addition, we have completed the acquisition process of Extrafarma, significantly expanding our presence in the North and Northeast regions. Starting in August 2022, we initiated a complex integration process, involving almost 400 stores and 5 Distribution Centers. The start of this integration has been extremely promising, with important milestones already achieved, such as unification of the corporate organizational structures, logistics integration and migration of the technology systems being completed ahead of the original schedule. In 4Q22, we already observed a significant improvement in Extrafarma margins. Just five months after the closing of the transaction, we have recognized synergies of R\$34 million on an annualized basis, equivalent to approximately 15% of the potential gains mapped out in our planning.

We have evolved and matured in our Health Hub value proposition. Even with the control of the pandemic and the drop in demand for Covid-19 rapid testing, the main health service offered on *Clinic Farma* in recent years, we have invested heavily in telemedicine and teleconsultation services, which we believe are innovations with the potential to change the level of health services in Brazil, in the medium term. We launched a health benefits club focused on telemedicine, *Sempre Bem Saúde*, which has gained traction throughout the year, and which is in the "improvements" phase. In 2023, we have already started to offer health care and services as the main tools to strengthen our bond with customers, with the relaunch of our loyalty program, *Sempre Bem* (Always Well).

Our digital channels have once again registered records in both growth and share of total sales, showing that our business undergoes a rapid transformation and increasingly fluid interface between our multiple complementary channels. In 4Q22, these channels represented an 11.4% share of Pague Menos sales, 2.6 p.p. above the level of the previous year and five times higher than in 2019. Our rapid growth in digital channels is accompanied by good levels of profitability and consistent improvements in the level of service, attributes that we consider non-negotiable for the long-term sustainability of these channels.

In 2022, we officially integrated the ESG Journey into our Strategic Plan, with the launch of a robust agenda with short, medium and long-term commitments and goals to increase our positive impact on society. In the first year, we reached 20% of the goals contemplated in the planning, four which had been planned for 2022 and two which had only been scheduled for 2025. Among them, we highlight the fact that 100% of mature Pague Menos stores are already supplied by solar energy, effectively contributing to a reduction in our carbon footprint.

We begin 2023, with great enthusiasm, but without exaggerated expectations, with the conviction that we are on the right path. The year holds a series of challenges for us. Our focus will be on capturing synergies with Extrafarma.

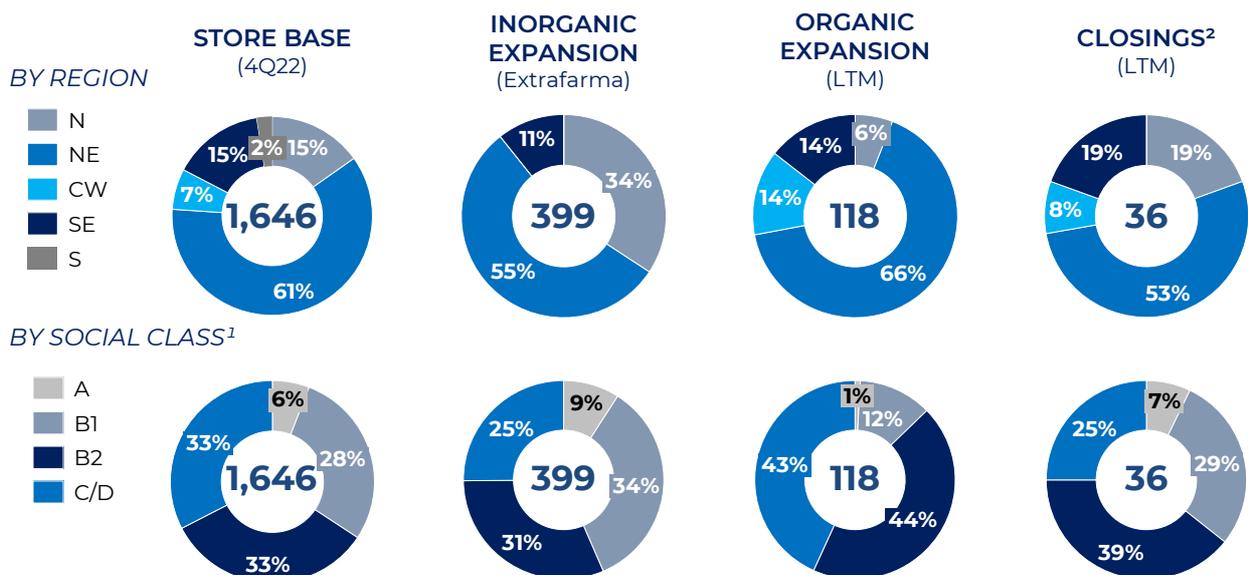
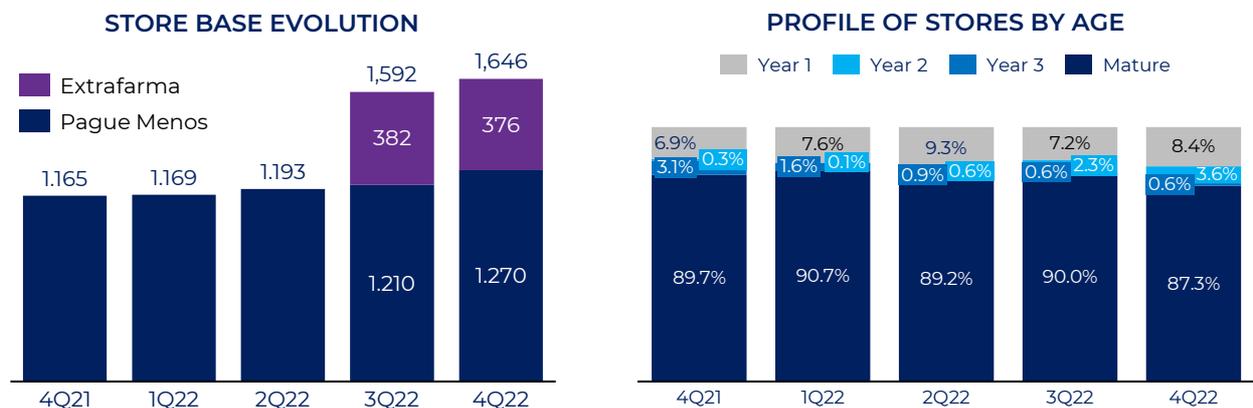
We thank our employees, suppliers, and all our partners who have contributed to these 2022 results!

STORE PORTFOLIO

2022 saw the largest annual expansion in the Company's store base, which ended the year with 1,646 points of sale (+41% vs. 2021). The growth of the chain combined the incorporation of 399 Extrafarma stores and with organic expansion of 118 store openings during the year (+47% vs 2021). In 4Q22, 61 new stores were opened.

Of the 118 stores opened in the year, 66% are located in the Northeast region and 87% in regions with demographic predominance of the expanded middle class (social classes¹ B2/C/D). The new discount store format, more economical and with a more popular profile, represented 75% of the total stores opened in the period. 2022 also marked the entry of Pague Menos in 41 new municipalities, expanding our reach to 389 cities in every state in Brazil.

In line with the portfolio optimization process, seven stores were closed in 4Q22, six of them from the Extrafarma brand and one from the Pague Menos brand. In addition, five Extrafarma stores underwent brand conversions to Pague Menos. Managerially, these stores will continue to be considered as part of the Extrafarma portfolio, for the purpose of monitoring the indicators of integration and capture of synergies.



¹ Predominant social class in the vicinity of each store (isochronous for 5 minutes travelling by car). Segmentation follows the IBGE criteria, where Class A comprises households with an average monthly family income above BRL 16.6 thousand, B1 above BRL 7.9 thousand, B2 above BRL 4.2 thousand and C and D below BRL 4.2 thousand

² Includes the divestment of 8 stores as part of the remedies defined by the CADE regarding the acquisition of Extrafarma.

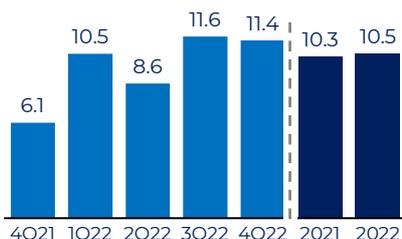
SALES PERFORMANCE

In 4Q22, we recorded a sales growth rate similar to that of the previous quarter in Pague Menos (11.4%), important growth in the Extrafarma same stores sales (12.0%) as well as the good performance of new Pague Menos stores, increasingly contributing to the Company's total growth.

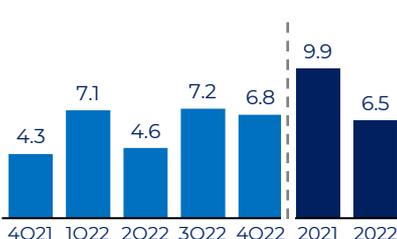
In Pague Menos, the total growth recorded in the quarter was 11.4%, with 6.3% expansion in mature stores and 5.1 p.p. contribution from maturing stores. Purging the effect of Covid-19 testing from the base, same stores sales in the period was 7.6%. For the year, the same store sales was 6.5%, 7.6% of which were ex-Covid tests.

In Extrafarma, the total growth of 2.5% in 4Q22 was negatively impacted by the lower store base (23 closings in the last 12 months) and the closing of the wholesale operation. Mature stores continue to grow above inflation and above the market average, with good prospects, since an important part of sales synergies are projected to be captured throughout 2023.

+ TOTAL GROWTH (%)



+ SAME STORES SALES (%)



+ MATURE STORES (%)



+ TOTAL GROWTH (%)



+ SAME STORES SALES (%)



+ MATURE STORES (%)



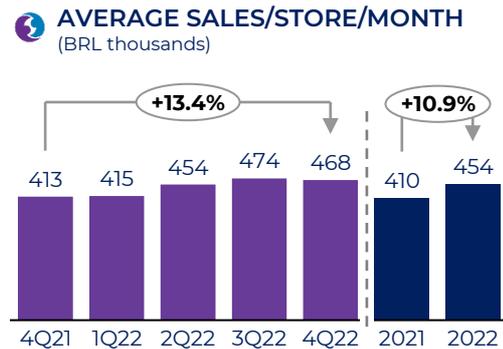
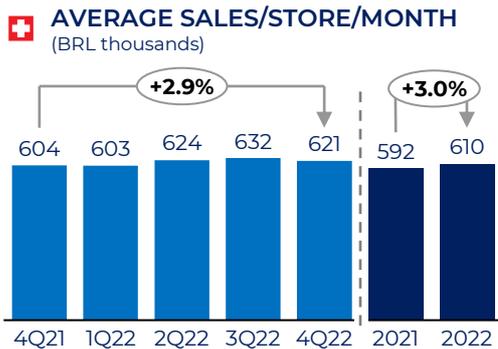
During 4Q22, we observed an important variation in sales performance between the months, with the month of December weaker than the others, caused by: i) the effect of the World Cup, which negatively impacted customer traffic in store on Brazil's match days; and ii) the strong comparison base of the previous year, due to the omicron variant and influenza outbreak, generating peak demand for Covid-19 tests and medicines at the time. The same pace of growth recorded between October and November was 9.5% in Pague Menos and 17.6% in Extrafarma, dropping to about 2% in both brands in December.

In 4Q22, we again observed different behavior in sales performance by region. In the North and Northeast, growth rates were below other regions, similar to what occurred throughout the year, caused by the atypical winter and the outbreak of more acute respiratory syndromes in the coldest regions of the country. In Pague Menos, the same stores sales in the North and Northeast was 5.8% in the quarter, while the South and Southeast regions showed growth of 14.8%.

EARNINGS RELEASE 4Q22 / 2022

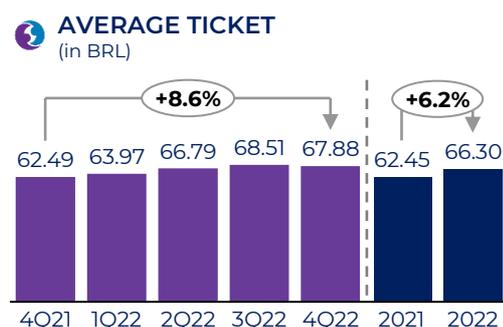
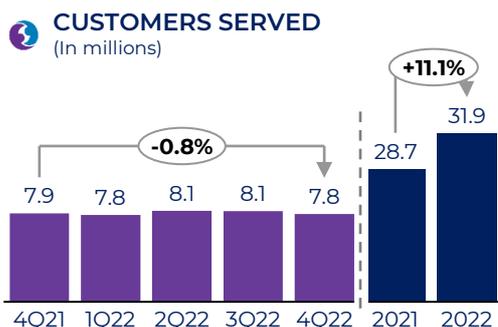
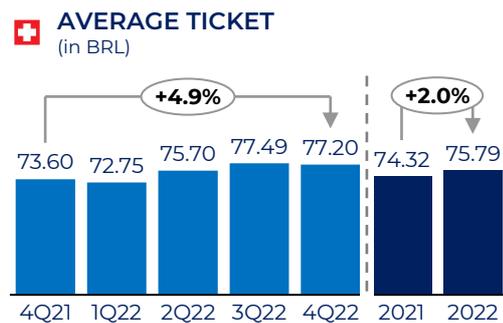
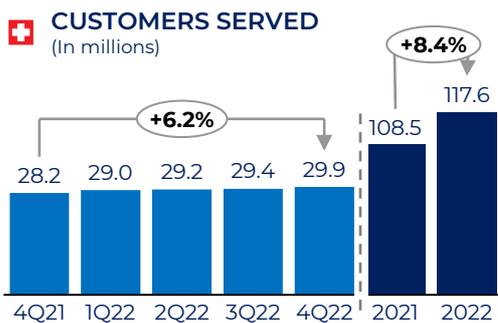
» OPERATIONAL DATA

In 4Q22, the average monthly sales per store reached BRL 621 thousand in Pague Menos, an increase of 2.9% compared to the same period of the previous year, impacted by the 118 stores opened throughout the year, which have sales volume in the first months of operation below the level of mature stores. Considering only the portfolio of mature stores, the average sales number was BRL 663 thousand per month, an increase of 6.6% compared to 4Q21. For Extrafarma, average monthly sales reached BRL 468 thousand, an increase of 13.4% compared to 4Q21.



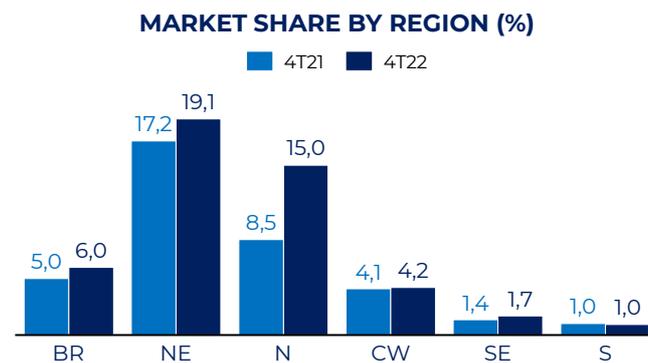
In 4Q22, the sales growth in Pague Menos was a result of 6.2% increase in the volume of customers served, combined with an increase in average ticket of 4.9%. The increase in volume is related to the expansion in the store base and the good management of marketing and CRM, contributing to an increase in the customer base even in the same stores concept. The average ticket was positively impacted by product inflation of 9.6% and negatively impacted by the reduction of 3.5% in items per basket and sales mix of 0.9%.

In Extrafarma, the volume of customers served decreased 0.8% in 4Q22 compared to 4Q21, impacted by the reduction in the store base in the period. Considering only same stores, the volume increase was 3.3%. The average ticket recorded 8.6% increase, reflecting the approximate inflation of product prices accumulated in the last 12 months.



MARKET SHARE

In 4Q22, we recorded an increase in market share in every region in which we operate, reaching a 6.0% market share nationally. In the North and Northeast regions, the acquisition of Extrafarma consolidated our leading position, while in the Center West, Southeast and South regions we recorded organic growth above the overall market.



Source: IQVIA

Pharmaceutical retailing recorded another quarter of solid growth, proving its resilience in challenging economic times. According to IQVIA data, the market grew³ by 14.3% in 4Q22 compared to the same period in the previous year, while Pague Menos and Extrafarma grew by 12.3% and 8.3%, respectively. As observed in previous quarters, the growth gap between our brands and the market is related to the contribution of new stores in total growth, due to being in the initial stage of the resumption of the Pague Menos organic expansion plan in and the reduction in Extrafarma store base. Disregarding the effect of new stores⁴, market growth was 7.1%, while Pague Menos and Extrafarma grew by 6.8% and 8.3%, respectively.

According to IQVIA, the store base installed in the North and Northeast regions grew 7.3% in 2022 versus an average growth of 3.0% in other regions, putting pressure on our market share in these regions. However, in recent quarters we have observed a slowdown in the pace of expansion, especially of independent and associative pharmacies, while Pague Menos, in the other hand, is accelerating the store openings.

CATEGORY AND SUPPLY MANAGEMENT

Our commercial execution continues to contribute to positive sales and margin results, through an assertive strategy of assortment expansion, mix optimization and competitive pricing. Throughout 2022, we have consistently evolved on each of these attributes despite the challenging scenario in the pharmaceutical industry's supply chain.

In line with our focus on the expanded middle-class, low-ticket categories with attractive margins have been gaining relevance in our sales mix. Throughout 2022, the generics category registered growth of 21.0% in Pague Menos, more than double the Company's average, and above overall market growth. These results are a consequence of assortment expansion, competitive pricing and store layouts more adapted to this category.

³ IQVIA methodology normalizes sales prices between players, as such the calculated growth may differ from that effectively realized

⁴ considers stores opened in the last 24 months

EARNINGS RELEASE 4Q22 / 2022

» OPERATIONAL DATA



In 4Q22, the generics category reached 10.8% of total revenue, up 0.9 p.p. year-over-year. Hygiene, nutrition and beauty items were another positive highlight in the quarter, reaching 26.1% of sales.

Pague Menos private-label brands posted another quarter of consistent results, reaching a record share of 7.1% of total sales and 14.7% in self-service categories. In 4Q22, the category reached BRL 164.6 million in sales, up 27.1% year-over-year. In the year, there private label totaled BRL 594.2 million in sales, an increase of 19.1% compared to 2021. It is important to highlight that this good growth performance occurs despite the drop in demand for items related to Covid-19 (masks, alcohol gel, etc.), where our private label had great relevance in the most acute moments of the pandemic.

In Extrafarma, private-label brands accounted for 2.9% of total sales, still well below the participation observed in Pague Menos. However, with logistics integration and expansion of offerings of products in stores progresses, this share has increased. In December of 2022, with approximately 50% of Extrafarma stores already being supplied by Pague Menos Distribution Centers, the share of private label brands in Extrafarma reached 3.2% of sales, with a strong growth trend.

Indicator / Operation	PagueMenos					extrafarma	
	4Q21	3Q22	4Q22	Δ YoY	Δ QoQ	4Q22	Δ vs PM
SALES MIX							
Branded Drug	42.2%	41.3%	40.1%	-2.1 p.p.	-1.2 p.p.	35.2%	-4.9 p.p.
Generic Medication	9.9%	10.8%	10.7%	0.8 p.p.	-0.1 p.p.	13.1%	2.4 p.p.
Hygiene, Nutrition and Beauty	24.3%	25.0%	26.1%	1.8 p.p.	1.1 p.p.	29.5%	3.4 p.p.
Over the Counter (OTC)	22.2%	22.2%	22.4%	0.2 p.p.	0.2 p.p.	21.9%	-0.5 p.p.
Services	1.4%	0.7%	0.6%	-0.8 p.p.	-0.1 p.p.	0.2%	-0.4 p.p.
PRIVATE LABEL							
Total Sales (BRL million)	129.5	150.3	164.6	27.1%	9.5%	15.6	-90.5%
Total Sale Share (% of Gross Revenue)	6.2%	6.6%	7.1%	0.9 p.p.	0.5 p.p.	2.9%	-4.2 p.p.
Self-Service Participation (% of G.R.)	13.4%	14.0%	14.7%	1.3 p.p.	0.7 p.p.	5.7%	-9.0 p.p.
SUPPLY CHAIN							
Average SKUs/store (#thousands)	9.8	10.4	10.6	8.0%	1.7%	10.5	(0.9%)
Stockout (4Q21 = base 100)	100	232	249	149.4%	7.3%	321	29%
Availability (4Q21 = base 100)	100	103	104	3.5%	1.0%	101	(2.5%)

We continue to observe a challenging scenario in the pharmaceutical supply chain, with higher than normal medicine shortages, which, combined with the movement of logistics integration and reinforcement of Extrafarma inventories, led to a worsening in the levels of in store stockouts in 4Q22. The industry service level, measured by the percentage of orders placed and delivered within the requested deadline (OTIF), reached the lowest level in the last 2 years during this quarter.

Despite this, the level of availability of products in store has increased, due to the assortment expansion carried out by the Company over the last years. At the end of 2022, we had an average of 10.6k items per store in Pague Menos, an 8.0% growth compared to the end of 2021. Despite the increase in the stockout rate, the greater scope of the assortment caused the availability of products to increase by 3.5% in 4Q22.

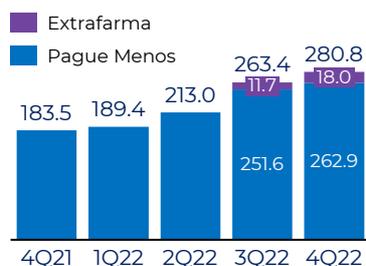
At Extrafarma, inventory balancing efforts and efficiencies in the logistics network begin to be reflected in a reduction in stock-out levels. In 4Q22, the brand had a stock-out rate 11% lower than in 3Q22, and the gap in relation to the same Pague Menos indicator, which was 56% in the previous quarter, fell to 29%.

OMNICHANNEL PLATFORM

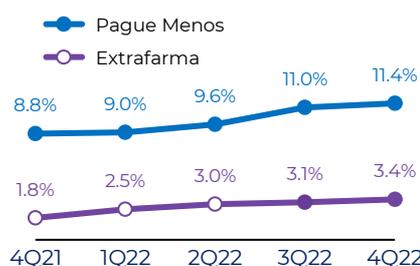
We ended the year with BRL 946 million in sales via digital channels, an increase of 51.8% compared to 2021. The accelerated pace of growth, above the market average, coincided with consistent improvement in the level of service (reflected in the reduction in delivery time and customer evaluations) and healthy profitability (reflected in EBITDA margin). The results achieved throughout the year reinforce the success in executing our strategy of building a robust omnichannel platform, allowing customers multiple purchase journeys.

In 4Q22, omnichannel sales reached 11.4% in Pague Menos, up 2.6 p.p. year-over-year. Among the digital channels, e-commerce (website and app) stood out once again, reaching 54% of the total and registering sales growth of 72% compared to 4Q21. The good performance is due to the relevant increase in traffic combined with an increase in the conversion rate, due to the improvements in UX implemented throughout the year and the launch of new app features.

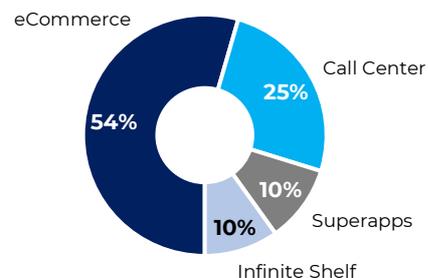
OMNICHANNEL SALES
(in BRL million)



OMNICHANNEL SALES
(% of retail revenue)



SALES BY CHANNEL
(% of digital sales 4Q22)



At Extrafarma, the technological integration of digital channels with Pague Menos was initiated, which will enable a significant gain of scale in operations. By the end of 4Q22, 224 Extrafarma stores were prepared to use "click and collect" and 78 stores had migrated delivery services to the Call Center. Throughout 2023, there is an extensive pipeline of initiatives that will be implemented with the objective of reducing the omnichannel sales share gap in relation to Pague Menos. In 4Q22, Extrafarma recorded 3.4% of sales via digital channels, 8.0 p.p. below the Pague Menos level.

Our market-share in digital channels, measured by IQVIA, reached 10.6% in 4Q22. In 2022, our market share was 10.9%, 0.6 p.p. higher than in 2021. The pace of growth in digital channels, stronger than the market average, is greatly influenced by the greater geographical exposure in the North and Northeast regions, which are still in the early stages of using digital channels. Still, by purging the effect of the regional mix, we continue to grow above the market average in all regions of the country, with the exception of the Center-West.

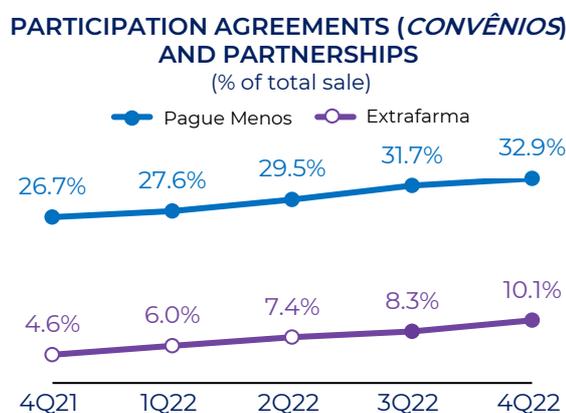
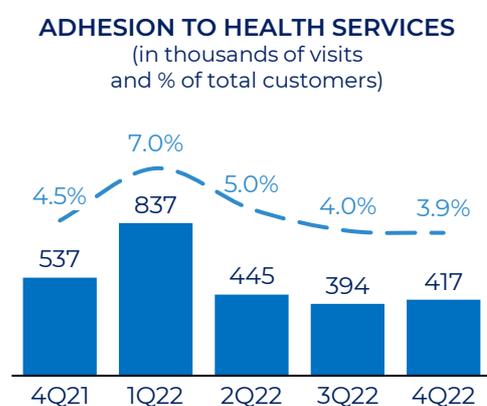
In 4Q22 we continued to sustain a good level of customer service. The Pague Menos app has more than 2 million downloads since its relaunch in 4Q21, with scores of 4.6 and 4.4 in the Apple and Google app stores, respectively. On the Reclame Aqui platform, both Pague Menos and Extrafarma brands ended the year with a score of 8.3, among the best in Brazilian pharmaceutical retailing. The good level of customer evaluation is due to a continuous improvement in delivery and availability indicators.

In 2022, we advanced the proposition of integrating our Health Hub with our digital channels, making our omnichannel approach an integral part of our plan to be a reference in primary health care. We currently have the entire portfolio of services available for purchase and scheduling on the website as well as the app. Over the course of the year, more than 200 thousand appointments were made using digital channels.

HEALTH HUB

In 2022, we advanced the value proposition of positioning Pague Menos as a reference in primary care in the health ecosystem, increasingly coupling solutions and enabling a one-stop-care customer journey. With the control of the pandemic and the consequent drop in demand for Covid-19 tests, there was a natural reduction in the rate of customer adherence to health services, but stabilizing well above pre-pandemic levels. Throughout the year, approximately 2 million visits were made to our *Clinic Farma*, which we estimate to have represented 25% of the total market for pharmacy-based health services performed in the country.

We ended the year with 1,056 stores equipped with pharmaceutical clinics, 988 in Pague Menos stores and 68 in Extrafarma locations. In 4Q22, 417 thousand consultations were made, with 3.9% adherence of the total customer base. By way of comparison, in 4Q19, the last quarter of the pre-pandemic period, 237 thousand visits were made, with 1.6% adherence of the customer base.



Pague Menos was the first pharmacy chain to scale up teleconsultation services in stores nationally, with the launch of the *Sempre Bem Saúde* (Always Well Health) program. Throughout 2022, important regulatory and technological advances have helped the program to gain traction, with more than 70k memberships, more than 50k consultations carried out and more than 600 clinics adapted for the different types of teleconsultations. In 2023, the program will be repackaged and included as an important piece of the *Sempre Bem* loyalty program, the Pague Menos and Extrafarma new and rebranded loyalty initiative. In the program, “gold” customers, (those with high shopping behavior), are rewarded with benefits such as discounts on generic drugs and private label products, basic health services, and free shipping for e-commerce purchases. With the inclusion in the teleconsultation program, the client now has the option of making a monthly subscription of BRL 19.90 and having access to all of the “gold” benefits plus unlimited general practitioner care, 2 psychological consultations per month and 1 nutritional consultation per month. With this change, health services, especially telemedicine, become more integrated into our business, with special emphasis on reaching “high value” customers.

In 4Q22, we continued to expand our network of agreements and partnerships (*convênios*), which reached 32.9% of sales in Pague Menos and 10.1% in Extrafarma. Throughout 2022, this initiative contributed positively to the acquisition of new customers and an increase in average revenue per customer. 20% of the total of new customers in the base made their first purchase on the network through some form of partnership.

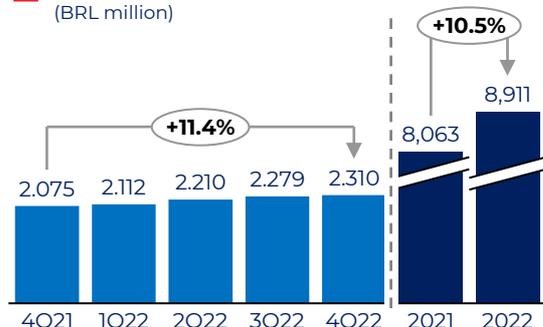
The Specialty Drugs Service continues to present consistent results, reaching approximately 1.0% of the total Pague Menos sales, growing 45% compared to the same period of the previous year. Throughout the year, innovative products were activated in different therapeutic areas, bringing the assortment of high complexity treatments to more than 500 SKUs.

GROSS REVENUE

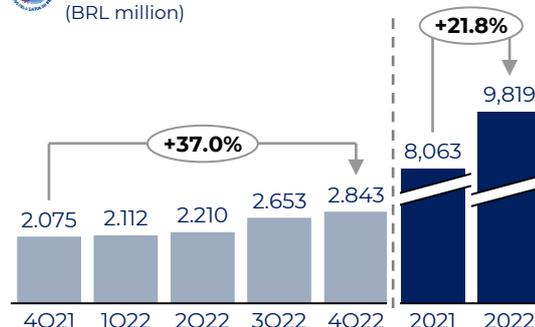
In 2022, consolidated gross revenue reached BRL 9.8 billion, an increase of 21.8% compared to the previous year, combining a healthy pace of growth in the same stores, acceleration of organic expansion and the acquisition of Extrafarma. In Pague Menos standalone, gross revenue totaled BRL 8.9 billion, an increase of 10.5% compared to 2021. In the last 3 years, compound annual growth was 9.5%.

In 4Q22, we recorded 37.0% growth in consolidated gross revenue and 11.4% growth in Pague Menos standalone. With advances in logistics integration between Pague Menos and Extrafarma, cross-supply intercompany sales increased in the quarter, totaling BRL 39.8 million in the quarter. These sales have been eliminated in the numbers reported in this release.

STANDALONE GROSS REVENUE
(BRL million)



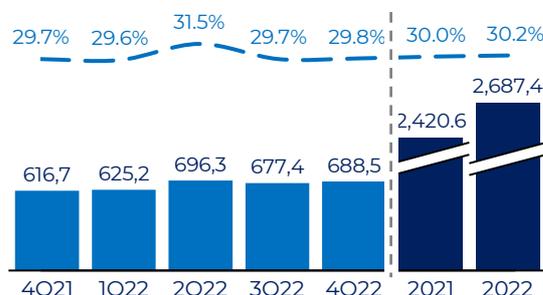
CONSOLIDATED GROSS REVENUE
(BRL million)



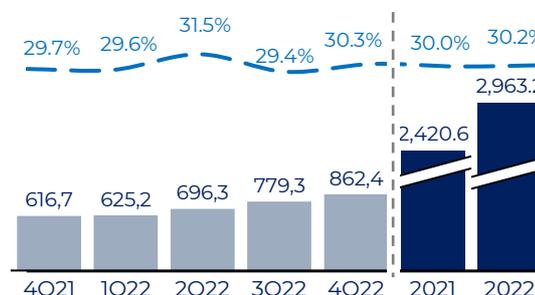
GROSS PROFIT

Consolidated gross profit totaled BRL 3.0 billion in 2022, a 22.1% increase compared to 2021. The Company's gross margin was 30.1%, an increase of 0.1 p.p. compared to the previous year. The relative stability of margin is related to a good balance in price competitiveness (with about 0.7 p.p. investment via differentiated pricing in e-commerce, agreements and partnerships – *convênios* - and commercial campaigns), partially offset by favorable evolution in sales mix (growth of generics and private label brands), inflationary gains on inventories, and reduction in the inventory losses rate. The annual gross margin was 30.2% for Pague Menos and 29.5% for Extrafarma.

STANDALONE GROSS PROFIT
(BRL million and % of Gross Revenue)



CONSOLIDATED GROSS PROFIT
(BRL million and % of Gross Revenue)



In 4Q22, consolidated gross profit reached BRL 854.6 million, up 38.6% year-on-year. The consolidated gross margin was 30.1%, an increase of 0.4 p.p. compared to 4Q21. At Pague Menos, we registered relatively stable margins, with compression of 0.7 p.p. due to the strategic growth of e-commerce and sales via partnerships and agreements (*convênios*) gaining in share in total sales, which was more than offset by the favorable evolution in the sales mix (generics, private labels and hygiene and beauty items), commercial agreements in partnership with the industry, in addition to a positive effect of APV (adjustment to present value).

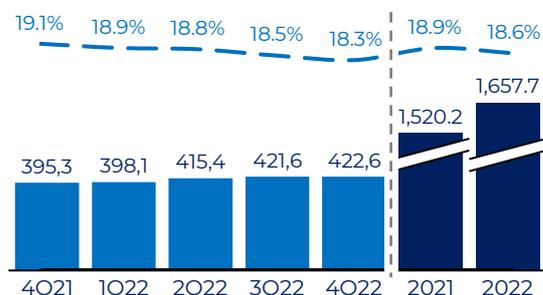
SELLING EXPENSES

Throughout 2022, due to the inflationary scenario and high interest rates, we intensified actions to reduce expenses, reflecting greater operational efficiency and dilution of the principal expenses under the Company's direct management.

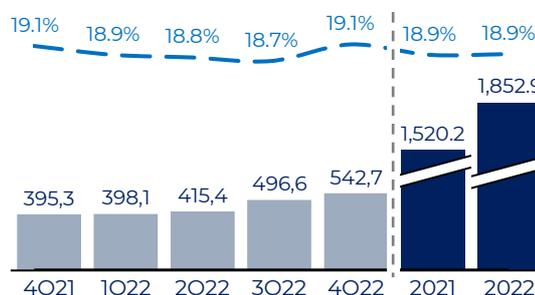
As a result, selling expenses at Pague Menos standalone totaled BRL 1.7 billion for the full year, an increase of 9.2% compared to 2021. Normalizing spending by the number of stores, the growth was only 1.7%, well below the inflation recorded in the period. As a percentage of revenue, there was a 0.3 p.p. dilution during the year, directly contributing to the growth of the contribution margin and EBITDA in the period.

In 4Q22, selling expenses in Pague Menos standalone represented 18.3% of revenue, a decrease of 0.8 p.p. compared to the same period of the previous year and 0.2 p.p. lower than the previous quarter. The efficiency gain is mainly a result of the reduction in the average number of employees per store (from 14.0 in 4Q21, to 13.3 in 3Q22 and 12.8 in 4Q22). In addition, projects to reduce expenses, including bidding processes with suppliers and spending rationalization, generated savings of 0.4 p.p. in the categories of services, utilities, supplies, security and maintenance. Positive inflationary dynamics also contributed to results in the quarter, with the average increase in product prices (calculated at 9.6% in 4Q22) being higher than the expense indexes, generally linked to the IPCA or IGP-M indicators.

 **STANDALONE SELLING EXPENSES**
(BRL million and % of Gross Revenue)



 **CONSOLIDATED SELLING EXPENSES**
(BRL million and % of Gross Revenue)



It is important to highlight that the dilution of expenses occurs at a time of significant acceleration in organic expansion, which tends to pressure margins due to the initial stage of maturation of the new stores. The profile of the new stores opened, however, should contribute positively to the profitability of the overall portfolio as they progress in their maturation, as they are stores with more attractive expense structures than the overall portfolio average.

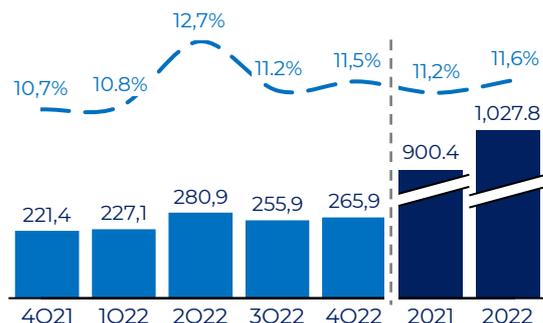
On a consolidated basis, sales expenses totaled 18.9% of revenue for the year, stable compared to 2021. Extrafarma's stores are still at a level of expenses as a percentage of revenue far above Pague Menos (21.1% vs 18.3% for 4Q22), as a direct result of the average sales gap per store between the two brands. As sales and expense synergies are captured this gap tends to narrow, or even, be eliminated.

CONTRIBUTION MARGIN

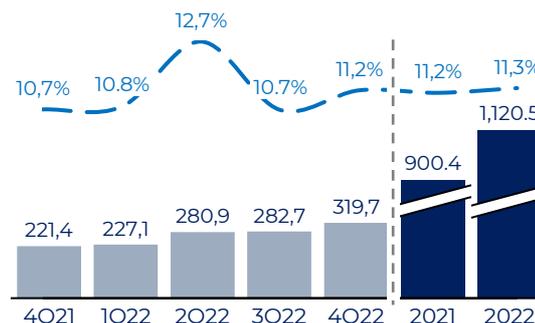
As a result of gross margin growth and expense dilution, the consolidated contribution margin grew 0.1 p.p. in 2022, ending the year at 11.3%. Broken down by brand, the contribution margin was 11.6% in Pague Menos and 8.8% in Extrafarma (accumulated from August to December).

In 4Q22, the contribution margin in Pague Menos standalone was 11.5%, growing 0.8 p.p. compared to the same period of the previous year and 0.3 p.p. compared to the previous quarter. This growth rate is especially strong, considering that the company ended the year with 198 stores still in the maturation stage (less than 3 years of operation), which means that mature stores are “financing” the temporary pressure from new store margins.

STANDALONE CONTRIBUTION MARGIN (BRL million and % of Gross Revenue)



CONSOLIDATED CONTRIBUTION MARGIN (BRL million and % of Gross Revenue)

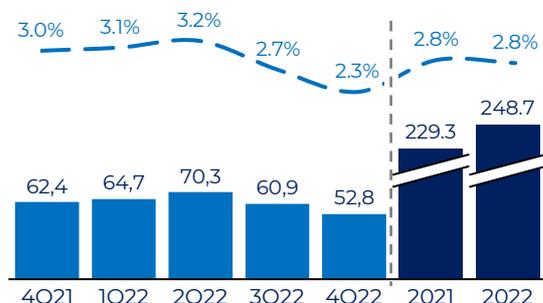


GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

Consolidated general and administrative expenses (G&A) totaled BRL 305.5 million in 2022, equivalent to 3.1% of gross revenue (+0.3 p.p. vs 2021). The increase is related to the integration of Extrafarma's corporate structure, which currently has a proportion of G&A expenses relative to revenue well above Pague Menos, due to the smaller store base and lower average sales per store.

Excluding the cost centers related to Extrafarma, G&A expenses in 2022 totaled BRL 248.7 million, representing 2.8% of gross revenue, stable compared to 2021. Despite the increase in G&A observed throughout the first half of the year, with inflationary pressures and an increase in corporate structure, we executed a successful expense rationalization program throughout the second half, which combined with the redesign of the organizational structure resulting from the integration with Extrafarma and the maturation of the new expansion cycle, allowed for stability in G&A when calculated for the full year.

STANDALONE G&A EXPENSES (BRL million and % of Gross Revenue)



CONSOLIDATED G&A EXPENSES (BRL million and % of Gross Revenue)

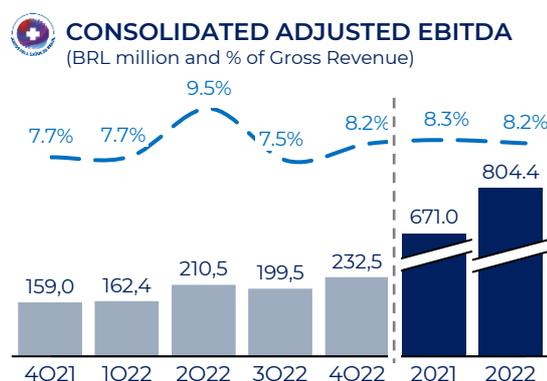
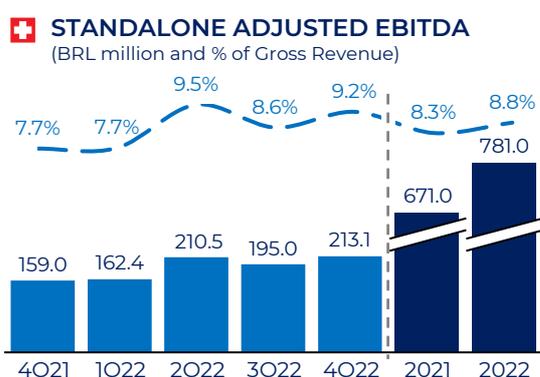


In 4Q22, consolidated G&A totaled BRL 87.2 million, equivalent to 3.1% of gross revenue, stable compared to 3Q22 and slightly above 4Q21. Thus, the pressures resulting from the integration of Extrafarma's corporate structure, which at an early stage contributed negatively to the dynamics of expense dilution, were offset by organizational synergies and discipline in controlling spending. In the consulting and third-party services line alone, there was a reduction of 0.3 p.p. when compared to the same period of the previous year.

ADJUSTED EBITDA

Consolidated adjusted EBITDA for 2022 was BRL 804.8 million, up 19.9% year-over-year. The adjusted EBITDA margin ended the year at 8.2%, down 0.1% compared to 2021, due to the consolidation of Extrafarma. Excluding the effects of the acquisition, the adjusted EBITDA margin stood at 8.8% in the year, registering a significant growth of 0.5 p.p. compared to the previous year.

It is important to highlight that, with this result, we accumulated **an increase of 1.4 p.p. of EBITDA margin in the last 3 years** in Pague Menos, evidencing the success in our sustainable growth strategy combined with profitability gains.



In 4Q22, consolidated adjusted EBITDA reached BRL 232.5 million, a robust growth of 46.2% year-over-year. The adjusted margin was 8.2%, an increase of 0.5 p.p. compared to 4Q21, even considering the incorporation of Extrafarma's results, which pressured the margin by 1.0 p.p. due to the lower level of profitability in that operation. Despite this, we have already seen a sequential improvement in performance in 4Q22 compared to the previous quarter. The improvement is related to the beginning of synergy capture, as presented below.

EXTRAFARMA INTEGRATION AND SYNERGY CAPTURE

The Company's main focus in the short term has been to successfully complete the Extrafarma integration, accelerating the capture of the mapped synergies of between BRL 180 million to BRL 275 million in incremental EBITDA per year, as detailed in our Reference Form. Over the past few months, we have made significant progress in the integration plan.

In January 2023, just five months after the start of the Integration process, the migration of systems and processes in all Distribution Centers affected by the project was completed, thus allowing the unification of the logistics network between the two brands. The process was completed ahead of the original schedule. The logistics integration will allow an important optimization in the supplying of stores, with a reduction in the cost of freight, reduction in lead-times, increase in the frequency of re-supply and reduction in stock-outs.

Stores located in the states Bahia (BA), Pernambuco (PE) and Tocantins (TO), which were part of the first phase of supply migration, have shown important advances in operational indicators since December. In these states, before the beginning of the integration process, there was a gross margin gap of approximately 6 p.p. between the Pague Menos and Extrafarma brands. By December 2022, this margin gap had already been completely closed. In addition, we observed a reduction of approximately 50% in the stock-out rate of these stores, following the changes in the logistics network.

In February 2023 we completed the migration of all legacy Extrafarma systems to the Pague Menos technological infrastructure. The process was completed 3 months before the maximum deadline agreed with Ultra Group for maintenance of servers and licenses of the systems involved. With this migration, we will save BRL 1.5 million in technology expenses per month starting in April, in addition to accelerating the capture of other operational synergies.

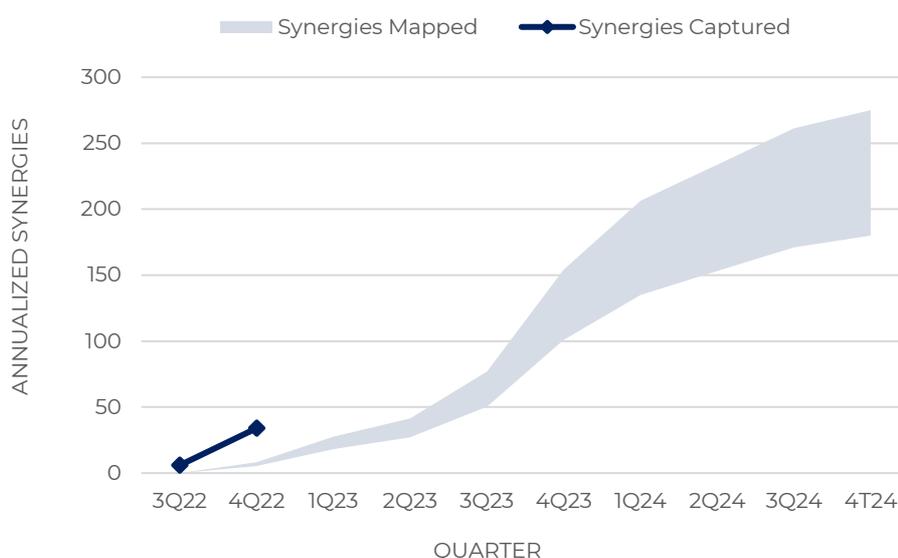
We also advanced in organizational restructuring, with the unification of the corporate organizational structure starting in October 2022. In addition, operational and third-party service redundancies have started to be eliminated, already contributing to the dilution of general and administrative expenses in 4Q22.

On the commercial front, there was also a significant advance in the vendor management strategy. Payment terms, generally longer for Pague Menos, were replicated for virtually all Extrafarma purchase orders by the end of 4Q22. The leveling of the purchase price conditions was partially executed in 4Q22 and will be finalized in 1Q23, already impacting gross margin for the quarter.

As a result of the multiple initiatives, we observed an increase of 0.8 p.p. in Extrafarma's adjusted EBITDA Margin compared to the previous quarter (2.9% versus 2.2%), which considers only the months of August and September (post-closing of the transaction).

In 4Q22, we recorded a volume of BRL 14.0 million in synergies, mainly due to organizational changes (BRL 3.7 million), logistics efficiencies (BRL 2.0 million), vendor management and private labels (BRL 2.1 million), assortment expansion (BRL 1.8 million), among others. The amount was partially offset by dis-synergies estimated at BRL 5.5 million, related to i) the closure of the wholesale operation and disinvestment of stores imposed by CADE (BRL 2.2 million); and ii) adaptation time and impacts of the changes in DC systems on store supply, normal in logistics integration processes of this scale (BRL 3.3 million). In addition, we recognized in the quarter a volume of BRL 9.1 million in non-recurring expenses related to the initial stage of integration, already disregarded in the adjusted result presented in this release. On an annualized basis, the synergies captured in 4Q22, net of dis-synergies, already represent R\$34 million, equivalent to 15% of the potential mapped in the transaction.

 **SYNERGY CAPTURE CURVE**
(BRL million)



⁵ considers only the months after the closing of the transaction (August and September 2022). Adjusted to include the accounting of the adjustment to present value (APV), recorded in 4Q22.

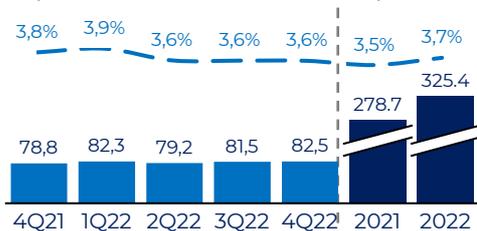
DEPRECIATION, FINANCIAL RESULTS AND INCOME TAX/SOCIAL CONTRIBUTION

Depreciation and amortization totaled BRL 387.3 million on a consolidated basis in 2022, equivalent to 3.9% of gross revenue. Compared to 2021, there was an increase of 39.0% (+16.8% in Pague Menos standalone), due to the growth in the Company's store base and relevant investment in Capex in the period. In 4Q22, depreciation and amortization totaled BRL 118.8 million (BRL 82.5 million standalone), equivalent to 4.2% of gross revenue (3.6% standalone).

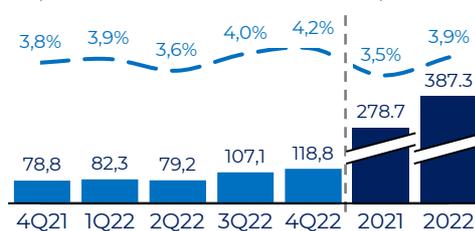
In 4Q22, financial expenses grew, due to the increase in interest rates and their effects on borrowing and financing costs. The consolidated financial result totaled BRL 134.4 million, equivalent to 4.7% of consolidated gross revenue. In Pague Menos standalone growth of 90.4%, reaching BRL 109.3 million, equivalent to 4.7% of gross revenue. For the year-to-date, BRL 383.4 million in consolidated and BRL 350.4 million in Pague Menos standalone.

Compensating for part of the negative effect of the financial result in the year, we recorded a positive deferred income tax of BRL 100.2 million in 2022, resulting from: i) deliberation of Interest on Shareholder's Equity (ISE), ii) credits resulting from the exclusion of monetary correction using the SELIC rate on fiscal refunds due, iii) reduction in taxable income in the period and tax incentives recognized under the *Lei do Bem* "the Good Law"; e iv) reduction of taxable income for the period and consolidation of Extrafarma losses.

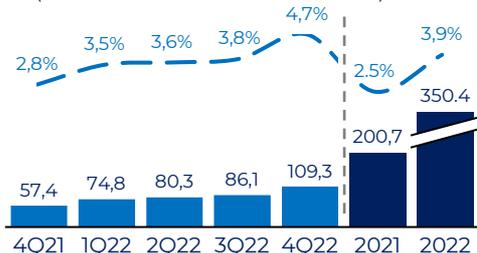
STANDALONE DEPRECIATION (BRL million and % of Gross Revenue)



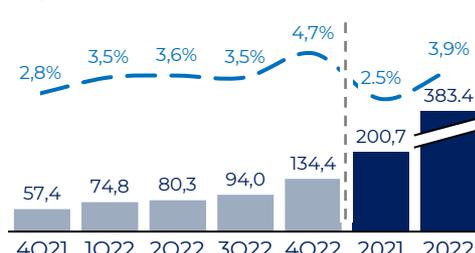
CONSOLIDATED DEPRECIATION (BRL million and % of Gross Revenue)



STANDALONE FINANCIAL RESULTS (BRL million and % of Gross Revenue)



CONSOLIDATED FINANCIAL RESULTS (BRL million and % of Gross Revenue)



STANDALONE INCOME TAX (BRL million and % of Gross Revenue)



CONSOLIDATED INCOME TAX (BRL million and % of Gross Revenue)



ADJUSTED NET INCOME

We recorded adjusted net income of BRL 134.8 million in 2022, impacted by the incorporation of negative results from Extrafarma, which totalled BRL 57.5 million in the period between August and December. In Pague Menos standalone, we recorded adjusted net income of BRL 192.0 million, an increase of 8.7% compared to 2021. Consolidated net margin was 1.4% of gross revenue (2.2% in Pague Menos standalone unchanged compared to the previous year).

In 4Q22, consolidated adjusted net income was BRL 46.0 million (BRL 73.7 million in Pague Menos standalone), an increase of 76.8% compared to the same period of the previous year (+183.5% standalone), due to the important growth in the adjusted EBITDA margin and the effect of the resolution of Equity Interest (JCP) of BRL 28 million.

STANDALONE NET INCOME (BRL million and % of Gross Revenue)



CONSOLIDATED NET INCOME (R\$ million and % of Gross Revenue)



ADJUSTED INCOME RECONCILIATION

For a better understanding and comparability with previous periods, the result of 4Q22 was adjusted in order to purge non-recurring events related to the acquisition of Extrafarma. We present below the details of the adjustments made, as well as their respective impacts on the result. The complete reconciliation of the accounting and adjusted result is presented in Appendix 1 of this release.

Adjustment Description	Net effect on profit or loss				Net effect on profit or loss			
	4Q21	4Q22	2021	2022	4Q21	4Q22	2021	2022
Net Accounting Income	21.1	101.9	164.5	263.7	21.1	101.9	164.5	263.7
Non-recurring expenses related to closing the transaction	7.5	6.0	18.4	16.1	7.5	7.1	18.4	18.6
Revenue from Advantageous purchase	-	(115.0)	-	(252.8)	-	(115.0)	-	(252.8)
Elimination of intercompany sales	-	4.6	-	4.6	-	4.6	-	4.6
Organizational restructuring	-	-	-	-	-	4.5	-	4.5
Provisions for interest on installments payable for the transaction	-	11.4	-	24.2	-	11.4	-	24.2
Divestments and closings of Extrafarma stores	-	-	-	-	-	3.5	-	5.7
Exclusion of equity method of Extrafarma in standalone results	-	33.2	-	65.6	-	-	-	-
Effect of adjustments on IRPJ (Corporate Income tax) and CSLL (Social Contributions on Net Profit)	(2.5)	31.6	(6.2)	70.7	(2.5)	28.6	(6.2)	66.4
Total - Effect on Net Income	4.9	(28.2)	12.1	(71.6)	4.9	(55.4)	12.1	(128.8)
Adjusted Net Income	26.0	73.7	176.6	192.0	26.0	46.5	176.6	134.8

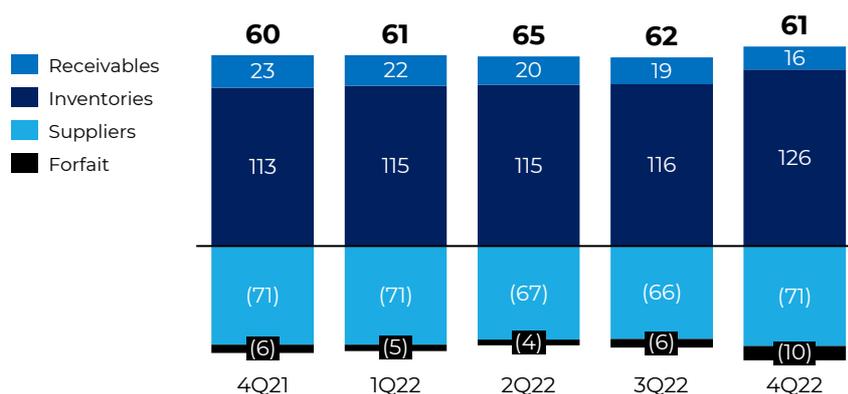
CASH CYCLE

At the end of 2022, the Company's operating cash cycle was 61 days, a reduction of 1 day compared to the previous quarter, and an increase of 1 day compared to the end of 2021. In line with the Extrafarma integration plan, a significant investment is being made in inventories, with a focus on reducing the stockout rates and expanding the assortment. This impact on the cash cycle has been financed by discounting receivables and increasing payment terms to suppliers.

It is important to highlight that, as of 4Q22, forfeit operations, in which suppliers advance the company's receivables with banks, were reclassified in the Financial Statements from Suppliers to Loans and Financing. However, for the purposes of this release, we continue to consider these transactions in Suppliers account.

These operations take place on the initiative of suppliers, due to their working capital management needs, and result in financial income for banking institutions, which is shared with the Company in the form of payment terms extension. In 4Q22, these operations extended the average payment terms originally for invoices subject to transactions by 34 days (24 days in 4Q21).

 **CONSOLIDATED CASH CYCLE⁶**
(in days of COGS and days of Gross Revenue)

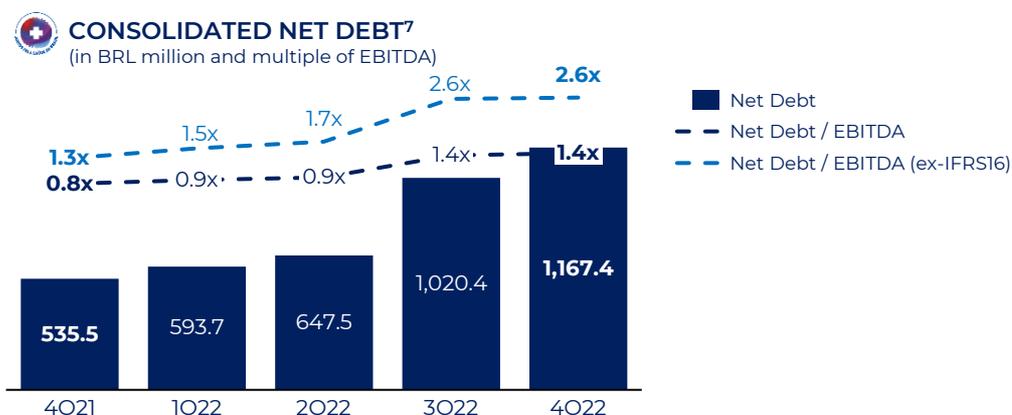


INDEBTEDNESS

Consolidated net debt totaled BRL 1,167.4 million at the end of 2022, equivalent to 1.4x the adjusted EBITDA of the last twelve months (2.6x when the effects of IFRS 16 are not considered). Compared to the same period of the previous year, we recorded an increase of BRL 631.9 million, mainly related to the payment of the first installment of the acquisition of Extrafarma (BRL 365 million), operating cash cycle (BRL 119 million, mostly related to investment in Extrafarma inventory) and debt service in the period (BRL 123 million).

The debt profile remains healthy, with an average duration of 2.7 years and more than 80% of maturities occurring during or after 2024.

⁶ The calculation of the Average Inventory Term and the Average Supplier Payment Term disregards the effects of the APV, commercial agreements and recoverable taxes. ⁷ Drawn risk operations, shown in Explanatory Note 15 to the Financial Statements, are being considered as suppliers and disregarded from the debt calculations, for the purposes of this release



CASH FLOW

In 2022, we recorded negative free cash flow of BRL 462.4 million, impacted by the payment of the 1st installment related to the acquisition of Extrafarma (BRL 365.4 million) and the other initiatives related to the beginning of the integration. Disregarding the effect of Extrafarma on cash generation (operating result, capex and cash cycle normalization), free cash flow reached the breakeven point for the year, which compares to the cash consumption of BRL 200.1 million registered on 2021.

Managerial Cash Flow (R\$ million)	4Q21	4Q22	2021	2022
Consolidated EBITDA	151.5	327.8	652.6	1,024.2
(-) Lease payments (IFRS 16)	(78.9)	(104.7)	(270.4)	(359.9)
(-) Revenue from advantageous purchase	-	(115.0)	-	(252.8)
(Δ) Accounts receivable	26.4	76.3	(7.3)	149.0
(Δ) Inventories	(98.6)	(255.4)	(250.8)	(585.2)
(Δ) Suppliers	93.2	85.9	39.5	168.1
(Δ) Forfait operations	30.5	101.0	27.8	138.9
(Δ) Recoverable taxes	(56.6)	(23.4)	(83.2)	(49.5)
(+/-) Change in other assets and liabilities/Non-cash effects	(15.5)	(80.3)	(66.8)	(24.5)
(=) Cash flow from operations	51.9	12.1	41.4	208.5
(-) Investments	(100.9)	(109.3)	(241.5)	(325.6)
(-) Company Acquisitions	-	-	-	(365.4)
(+) Cash from business combination	-	-	-	20.1
(=) Investment Cash Flow	(100.9)	(109.3)	(241.5)	(670.9)
Free cash flow	(49.0)	(97.1)	(200.1)	(462.4)
(+) Gross new debt	450.0	149.8	610.0	649.8
(-) Payment of gross debt	(39.0)	(83.3)	(300.8)	(531.4)
(-) Debt service	(15.7)	(47.8)	(50.8)	(123.4)
(-) Repurchase of shares / Payment of capital	(15.0)	(6.4)	(24.2)	(20.0)
(+) Dividends and Interest on Equity Capital paid (received)	-	0.2	-	1.5
(=) Financing Cash Flow	380.3	12.4	234.3	(23.6)
Opening balance of cash and cash equivalents	322.8	252.8	620.0	654.1
Closing balance of cash and cash equivalents	654.1	168.1	654.1	168.1
Change in cash and cash equivalents	331.3	(84.7)	34.2	(486.0)

⁷ Forfait operations, presented in Explanatory Note 15 to the Financial Statements, are being considered as suppliers and disregarded from the debt calculations, for the purposes of this release

INVESTMENTS

In 2022, BRL 324.7 million were invested, mainly directed to organic expansion. Of this amount, approximately BRL 25.0 million was directed to Extrafarma, of which BRL 19.1 million was related to technological integration projects and BRL 5.9 million was for store renovations and brand conversions.

Capex (BRL million)	2021	%	2022	%
Expansion	116.3	48%	213.4	66%
Store renovations	69.1	29%	28.2	9%
Technology,	25.4	11%	55.7	17%
Infrastructure of stores, DCs and offices	30.7	13%	28.4	9%
Total	241.5	100%	325.6	100%

ESG JOURNEY

In 2022, we took significant steps in our ESG Journey. We officially launched our ESG Agenda, with 9 commitments and 32 public goals with short, medium and long-term horizons, including best practices in the three dimensions of sustainability: environmental, social and governance. Already, in the first year, we have delivered 20% of the goals set out in the Agenda, in important initiatives that today are integrated into our operation and business strategy.

In the **Health for People** dimension, we progressed in generating value for society and expanding access to health, through the initiatives of our Volunteer Program, the *Programa Gigantes Solidários* (Giants of Solidarity Program). In addition to encouraging the practice of corporate volunteering, with the adherence of more than 6,400 employees throughout Brazil, the Program directly contributed to the main purpose of our ESG Agenda, to reduce inequalities in access to a healthy life, through the *Jornada da Saúde* (Health Journey) project. In this project, we impact communities near our stores with awareness campaigns in health care and free provision of basic services such as blood pressure measurement, bioimpedance and oxygen saturation testing.

In the **Health for the Environment** dimension, we have advanced in the renewal of our energy matrix, reaching the important mark of having the energy needs of 100% of stores, supplied by solar energy within 2 years of opening. In addition, we carried out our first Emissions Inventory, covering scope 1 and 2. With this, we initiated a more structured blueprint for our climate strategy for the coming years, defining the main areas for improvement.

In the **Health for Business** dimension, we continue to invest in the personal and professional development of our employees, in addition to expanding access to quality education for society. We had 15 hours of training per employee during the year. Full-time undergraduate and postgraduate scholarships were also made available to 12.5% of the Company's leadership, in addition to scholarships of up to 60% for other employees and dependents, two goals which had been planned for 2025.

We also strive to promote diversity and inclusion across our business units. Five Inclusion Programs were implemented throughout 2022: the Operations Trainee Program (with affirmative vacancies for the priority positions), the Accelerated Individual Development Program (also for the priority positions), Representativeness Program (composed of our affinity groups and the Diversity and Inclusion Committee), Inclusive Attraction and Selection Program, in which we reviewed our Attraction and Selection Policy, reshaping the process with a focus on promoting the inclusion of our priority areas and, finally, the Accessibility Program, in which we implemented an Inclusion Best Practices Manual. It is important to note that, for the second consecutive year, we are included in the B3's GPTW index portfolio.

For more information about our ESG journey, visit <https://esg.paguemenos.com.br/en>

EARNINGS RELEASE 4Q22 / 2022

» APPENDIX

APPENDIX 1: INCOME STATEMENT

On January 1, 2019, CPC 6-R2 (IFRS 16), which changed the accounting recognition model of lease agreements, went into effect. To preserve historical comparability, below is the reconciliation according to the previous standard (IAS 17/CPC 06).

PAGUE MENOS STANDALONE FINANCIAL STATEMENT

Income Statement (BRL million)	IAS 17			IFRS16		
	4Q21	4Q22	Δ	4Q21	4Q22	Δ
Gross Revenue	2,074.8	2,310.4	11.4%	2,074.8	2,310.4	11.4%
Deductions	(131.1)	(149.9)	14.3%	(131.1)	(149.9)	14.3%
Net Revenue	1,943.6	2,160.6	11.2%	1,943.6	2,160.6	11.2%
Cost of Goods Sold	(1,327.0)	(1,472.1)	10.9%	(1,327.0)	(1,472.1)	10.9%
Gross Profit	616.7	688.5	11.6%	616.7	688.5	11.6%
<i>Gross Margin</i>	29.7%	29.8%	0.1 p.p.	29.7%	29.8%	0.1 p.p.
Sales Expenses	(474.2)	(501.3)	5.7%	(395.3)	(422.6)	6.9%
Contribution Margin	142.4	187.2	31.4%	221.4	265.9	20.1%
<i>Contribution Margin (%)</i>	6.9%	8.1%	1.2 p.p.	10.7%	11.5%	0.8 p.p.
General and administrative expenses	(62.4)	(52.8)	(15.4%)	(62.4)	(52.8)	(15.4%)
Adjusted EBITDA	80.0	134.4	68.0%	159.0	213.1	34.1%
<i>Adjusted EBITDA Margin</i>	3.9%	5.8%	1.9 p.p.	7.7%	9.2%	1.5 p.p.
Depreciation and amortization	(24.9)	(29.7)	19.7%	(78.8)	(82.5)	4.7%
Financial Earnings	(22.4)	(74.5)	232.6%	(57.4)	(109.3)	90.4%
Earnings before Income Tax	32.8	30.2	(7.8%)	22.8	21.4	(6.1%)
Income Tax and Social Contribution	(0.2)	49.3	-	3.2	52.3	1,517.2%
Adjusted Net Income	32.6	79.5	143.8%	26.0	73.7	183.5%
<i>Adjusted Net margin</i>	1.6%	3.4%	1.8 p.p.	1.3%	3.2%	1.9 p.p.

Income Statement (BRL million)	IAS 17			IFRS16		
	2021	2022	Δ	2021	2022	Δ
Gross Revenue	8,062.9	8,911.3	10.5%	8,062.9	8,911.3	10.5%
Deductions	(534.2)	(577.4)	8.1%	(534.2)	(577.4)	8.1%
Net Revenue	7,528.7	8,333.9	10.7%	7,528.7	8,333.9	10.7%
Cost of Goods Sold	(5,108.1)	(5,646.5)	10.5%	(5,108.1)	(5,646.5)	10.5%
Gross Profit	2,420.6	2,687.4	11.0%	2,420.6	2,687.4	11.0%
<i>Gross Margin</i>	30.0%	30.2%	0.2 p.p.	30.0%	30.2%	0.2 p.p.
Selling Expenses	(1,790.6)	(1,973.8)	10.2%	(1,520.2)	(1,657.7)	9.0%
Contribution Margin	629.9	713.7	13.3%	900.4	1,029.7	14.4%
<i>Contribution Margin (%)</i>	7.8%	8.0%	0.2 p.p.	11.2%	11.6%	0.4 p.p.
General and administrative expenses	(229.3)	(248.7)	8.4%	(229.3)	(248.7)	8.4%
Adjusted EBITDA	400.6	465.0	16.1%	671.0	781.0	16.4%
<i>Adjusted EBITDA Margin</i>	5.0%	5.2%	0.2 p.p.	8.3%	8.8%	0.5 p.p.
Depreciation and amortization	(92.8)	(111.0)	19.5%	(278.7)	(325.4)	16.8%
Financial Earnings	(80.4)	(211.5)	163.0%	(200.7)	(350.4)	74.6%
Earnings before Income Tax	227.4	142.5	(37.3%)	191.7	105.2	(45.1%)
Income Tax and Social Contribution	(27.2)	74.1	-	(15.1)	86.9	-
Adjusted Net Income	200.1	216.6	8.3%	176.6	192.0	8.7%
<i>Adjusted Net margin</i>	2.5%	2.4%	(0.1 p.p.)	2.2%	2.2%	-

PAGUE MENOS CONSOLIDATED FINANCIAL STATEMENT

Income Statement (BRL million)	IAS 17			IFRS16		
	4Q21	4Q22	Δ	4Q21	4Q22	Δ
Gross Revenue	2,074.8	2,843.4	37.0%	2,074.8	2,843.4	37.0%
Deductions	(131.1)	(183.2)	39.7%	(131.1)	(183.2)	39.7%
Net Revenue	1,943.6	2,660.3	36.9%	1,943.6	2,660.3	36.9%
Cost of Goods Sold	(1,327.0)	(1,805.6)	36.1%	(1,327.0)	(1,805.6)	36.1%
Gross Profit	616.7	854.6	38.6%	616.7	854.6	38.6%
<i>Gross Margin</i>	29.7%	30.1 %	0.4 p.p.	29.7%	30.1 %	0.4 p.p.
Selling Expenses	(474.2)	(639.6)	34.9%	(395.3)	(535.0)	35.3%
Contribution Margin	142.4	215.0	50.9%	221.4	319.7	44.4%
<i>Contribution Margin (%)</i>	6.9%	7.6%	0.7p.p.	10.7%	11.2%	0.5 p.p.
General and administrative expenses	(62.4)	(87.2)	39.7%	(62.4)	(87.2)	39.7%
Adjusted EBITDA	80.0	127.8	59.7%	159.0	232.5	46.2%
<i>Adjusted EBITDA Margin</i>	3.9%	4.5%	0.6 p.p.	7.7%	8.2%	0.5 p.p.
Depreciation and amortization	(24.9)	(45.5)	83.1%	(78.8)	(118.8)	50.7 %
Financial Earnings	(22.4)	(92.0)	310.5%	(57.4)	(134.4)	134.1%
Earnings before Income Tax	32.8	(9.7)	-	22.8	(20.7)	-
Income Tax and Social Contribution	(0.2)	63.2	-	3.2	66.9	1967.9%
Minority Interest	0.0	0.3	-	0.0	0.3	-
Adjusted Net Income	32.6	53.2	65.0%	26.0	46.5	78.9%
<i>Adjusted Net margin</i>	1.6%	1.9%	0.3 p.p.	1.3%	1.6%	0.3 p.p.

Income Statement for the Year (BRL million)	IAS 17			IFRS16		
	2021	2022	Δ	2021	2022	Δ
Gross Revenue	8,062.9	9,818.7	21.8%	8,062.9	9,818.7	21.8%
Deductions	(534.2)	(630.8)	18.1%	(534.2)	(630.8)	18.1%
Net Revenue	7,528.7	9,187.9	22.0%	7,528.7	9,187.9	22.0%
Cost of Goods Sold	(5,108.1)	(6,232.4)	22%	(5,108.1)	(6,232.4)	22.0%
Gross Profit	2,420.6	2,955.5	22.1%	2,420.6	2,955.5	22.1%
<i>Gross Margin</i>	30.0%	30.1%	0.1 p.p.	30.0%	30.1%	0.1 p.p.
Selling Expenses	(1,790.6)	(2,205.0)	23.1%	(1,520.2)	(1,845.1)	21.4%
Contribution Margin	629.9	750.5	19.1%	900.4	1,110.3	23.3%
<i>Contribution Margin (%)</i>	7.8%	7.6%	(0.2 p.p.)	11.2%	11.3%	0.1 p.p.
General and Administrative Expenses	(229.3)	(305.5)	33.2%	(229.3)	(305.5)	33.2%
Adjusted EBITDA	400.6	444.9	11.1%	671.0	804.8	19.9%
<i>Adjusted EBITDA Margin</i>	5.0%	4.5%	(0.5 p.p.)	8.3%	8.2%	(0.1 p.p.)
Depreciation and amortization	(92.8)	(139.2)	49.9%	(278.7)	(387.3)	39.0%
Financial Earnings	(80.4)	(231.5)	187.9%	(200.7)	(383.4)	91.1%
Earnings before Income Tax	227.4	74.2	(67.3%)	191.7	34.0	(82.2%)
Income Tax and Social Contribution	(27.2)	86.8	-	(15.1)	100.2	-
Minority Interest	0.0	0.6	-	0.0	0.6	-
Adjusted Net Income	200.1	161.6	(19.2%)	176.6	134.8	(23.6%)
<i>Adjusted Net margin</i>	2.5%	1.6%	(0.9 p.p.)	2.2%	1.4%	(0.8 p.p.)

APPENDIX 2: BALANCE SHEET

 CONSOLIDATED BALANCE SHEET

Balance (BRL million)	IFRS16		
	12/31/2021	12/31/2022	Δ
Total Assets	6,573.3	8,597.4	30.8%
Current Assets	3,512.5	4,127.9	17.5%
Cash and Cash Equivalents	654.1	168.1	-74.3%
Accounts receivable from Clients	530.3	505.5	-4.7%
Inventory	1,957.0	3,029.2	54.8%
Recoverable Taxes	232.4	244.0	5.0%
Other Current Assets	138.7	181.1	30.5%
Non-Current Assets	3,060.8	4,469.5	46.0%
Long-term receivables	648.7	1,073.7	65.5%
Investments	72.6	76.3	5.1%
Fixed Assets	665.6	1,044.8	57.0%
Rights of use under lease	1,615.6	2,054.5	27.2%
Intangible	58.2	220.2	278.3%
Total Liabilities	6,573.3	8,597.4	30.8%
Current Liabilities	2,191.4	2,935.8	34.0%
Social and Labor Obligations	103.4	158.5	53.2%
Suppliers	1,202.4	1,590.4	32.3%
Forfait Operations	104.1	237.9	128.6%
Tax Obligations	94.1	167.2	77.7%
Loans, financing and debentures	435.7	234.9	-46.1%
Other Obligations	29.6	233.6	690.1%
Commercial leasing	222.1	313.3	41.0%
Non-Current Liabilities	2,291.6	3,318.6	44.8%
Loans, financing and debentures	753.9	1,100.6	46.0%
Tax Obligations	0.0	6.0	-
Commercial leasing	1,508.0	1,926.2	27.7%
Provisions	22.6	90.9	302.9%
Other Bills Payable	7.2	194.9	2616.0%
Equity	2,090.2	2,343.0	12.1%
Paid-up Share Capital	1,199.2	1,199.2	0.0%
Capital Reserves	369.7	391.9	6.0%
Profit Reserves	521.3	764.4	46.6%
Treasury Shares	0.0	-21.0	-
Non-controlling interests	0.0	8.4	-

APPENDIX 3: RECONCILIATION OF ADJUSTED EARNINGS

Adjusted Financial Statement Reconciliation (BRL million)	STANDALONE			CONSOLIDATED		
	4Q22 Accounting	Non Recurring Charges	4Q22 Adjusted	4Q22 Accounting	Non Recurring Charges	4Q22 Adjusted
Gross Revenue	2,350.2	(39.8)	2,310.4	2,843.4	-	2,843.4
Deductions	(154.4)	4.6	(149.9)	(187.8)	4.6	(183.2)
Net Revenue	2,195.7	(35.2)	2,160.6	2,655.7	4.6	2,660.3
Cost of Goods Sold	(1,511.8)	39.8	(1,472.1)	(1,805.6)	-	(1,805.6)
Gross Profit	683.9	4.6	688.5	850.0	4.6	854.6
Selling Expenses	(307.6)	(115.0)	(422.6)	(420.0)	(115.0)	(535.0)
General and Administrative Expenses	(91.9)	39.1	(52.8)	(102.2)	15.0	(87.2)
Depreciation and amortization	(82.5)	-	(82.5)	(118.8)	-	(118.8)
Operating Results	201.9	(71.3)	130.6	209.0	(95.4)	113.7
Financial Earnings	(120.6)	11.4	(109.3)	(145.8)	11.4	(134.4)
Income Before Income Tax	81.2	(59.9)	21.4	63.3	(84.0)	(20.7)
Income Tax and Social Contribution Tax	20.7	31.6	52.3	38.3	28.6	66.9
Minority Interest	-	-	-	0.3	-	0.3
Net Income	101.9	(28.2)	73.7	101.9	(55.4)	46.5

APPENDIX 4: EBITDA RECONCILIATION

Adjusted Financial Statement Reconciliation (BRL million)	STANDALONE			CONSOLIDATED		
	4Q22 Accounting	Non Recurring Charges	4Q22 Adjusted	4Q22 Accounting	Non Recurring Charges	4Q22 Adjusted
Net Income	101.9	(28.2)	73.7	101.9	(55.4)	46.5
(+) Financial Earnings	120.6	(11.4)	109.3	145.8	(11.4)	134.4
(+) Income Tax and Social Contribution Tax	(20.7)	(31.6)	(52.3)	(38.3)	(28.6)	(66.9)
(+) Depreciation and Amortization	82.5	-	82.5	118.8	-	118.8
Minority Interest	-	-	-	(0.3)	-	(0.3)
EBITDA	284.4	(71.3)	213.1	327.8	(95.4)	232.5

APPENDIX 5: REGIONAL DISTRIBUTION OF STORES

State / Region (# Stores)	4Q21	Organic expansion	Inorganic expansion	Closings	4Q22
Total	1,165	118	399	36	1,646
Northeast	720	78	222	19	1,001
Alagoas	31	5	-	-	36
Bahia	130	10	20	2	158
Ceará	184	17	91	10	282
Maranhão	69	10	57	3	133
Paraíba	55	5	4	1	63
Pernambuco	126	17	34	1	176
Piauí	38	5	-	-	43
Rio Grande Do Norte	50	4	16	2	68
Sergipe	37	5	-	-	42
North	115	7	135	7	250
Acre	13	2	-	-	15
Amapá	7	-	11	-	18
Amazonas	22	-	-	-	22
Pará	35	2	121	7	151
Rondônia	13	-	-	-	13
Roraima	11	1	-	-	12
Tocantins	14	2	3	-	19
Southeast	193	17	42	7	245
Espírito Santo	25	-	-	-	25
Minas Gerais	59	10	-	1	68
Rio De Janeiro	20	-	-	1	19
São Paulo	89	7	42	5	133
Center-West	96	16	-	3	109
Distrito Federal	16	-	-	1	15
Goiás	28	2	-	1	29
Mato Grosso	28	11	-	-	39
Mato Grosso do Sul	24	3	-	1	26
South	41	-	-	-	41
Paraná	15	-	-	-	15
Rio Grande Do Sul	7	-	-	-	7
Santa Catarina	19	-	-	-	19



 **PagueMenos**

 **extrafarma**



CONFERENCE CALL

March 07, 2023

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

In Portuguese, with simultaneous translation into English,

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