

## Ache Laboratorios Farmaceuticos S.A.

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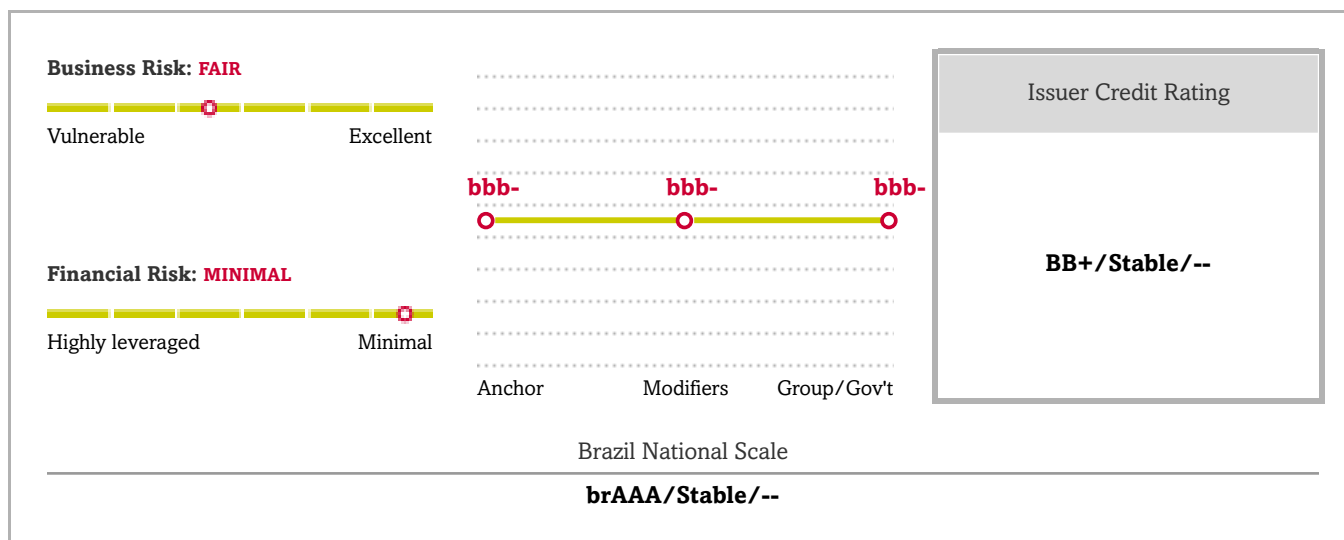
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# Ache Laboratorios Farmaceuticos S.A.



## Credit Highlights

| Overview  |  |
|---|--|
| Key strengths   | Key risks                                  |
| One of the largest players in the Brazilian market.             | Operating in a highly fragmented industry. |
| A sizable pipeline of launches.                                 | Geographic concentration.                  |
| Familiarity with the regulatory approval process for new drugs. | Rising competition.                        |
| Low leverage.   |  |

**Strong cash flows from new drugs and sales recovery.** The social-distancing measures imposed by the Brazilian government drastically lowered visits to pharmacies and doctors. This reduced demand for some of Ache Laboratorios Farmaceuticos S.A.'s (Ache's) products, which weighed on its over-the-counter (OTC) and generics portfolio. For 2021, we expect these segments to recover while continuing to launch new drugs and portfolio matures, boosting sales and cash flows.

**Low leverage to remain despite high investments in the new plant.** The construction of Ache's new plant in the Brazilian state of Pernambuco was halted for about five months in 2020 due to government's restrictions to contain the spread of the coronavirus, which resulted in the postponement of investments for that year. As a result, we expect Ache to invest about R\$ 241 million in the new plant in 2021 and 2022, when construction should be completed. The company will finance investment mostly through bank loans from BNDES (the Brazilian National Development Bank) and Banco do Nordeste (a public bank in northeastern Brazil, where the plant is located). Still, we believe Ache's solid cash flows will enable it to continue reporting solid credit metrics, with debt to EBITDA remaining between 0.5x and 0.7x in the next few years.

**Outlook: Stable**

The stable outlook reflects our expectation that Ache will continue increasing its cash flows thanks to its sizable pipeline of new drugs. At the same time, we expect Ache to maintain debt to EBITDA at about 0.5x despite higher debt to finance the construction of the new plant in 2021 and 2022, following the temporary suspension in 2020. Additionally, we expect Ache to continue funding its capex and dividend payments with internal cash flows.

**Downside scenario**

We would lower the ratings on Ache if we were to revise Brazil's transfer and convertibility (T&C) assessment downward to 'BB' from 'BB+' currently due to a sovereign downgrade. Given that we believe there's a significant cushion between Ache's stand-alone credit profile (SACP) of 'bbb-' and its final issuer credit rating of 'BB+', we would only downgrade Ache if its debt to EBITDA rises consistently above 3x or if its liquidity weakens. Nevertheless, we could revise downward Ache's SACP to 'bb+' from 'bbb-' if its debt to EBITDA is consistently above 2x or if liquidity weakens because of significant debt increase to fund potential acquisitions or more aggressive dividend distributions. However, we don't foresee these scenarios in the next few years because of the management's very prudent approach to debt. Additionally, in the event of weakened liquidity, we would reassess the extent to which we could rate the company above the sovereign.

**Upside scenario**

We could raise our ratings on Ache if we upgrade Brazil. This is currently the only upgrade scenario we expect, because we limit ratings on the company to a maximum of two notches above the sovereign rating.

**Our Base-Case Scenario**

| Assumptions   | Key Metrics                   |       |       |         |         |         |
|---|-------------------------------|-------|-------|---------|---------|---------|
| <ul style="list-style-type: none"> <li>Brazil's GDP growth of 3.2% in 2021 and 2.6% in 2022-2023.</li> <li>Inflation rate at 3.9% in 2021 and about 3.5% in 2022-2023.</li> <li>Basic interest rate of 2.4% in 2021, 3.9% in 2022, and 5.1% in 2023.</li> <li>Average exchange rate of R\$5.30 per \$1 in 2021, and R\$5.15-R\$5.20 per \$1 in 2022 and 2023.</li> <li>Volume growth of 35% in 2021, driven by OTC and generics which took a hit in 2020. For 2022-2023, we expect a 2.2%-5.5% volume growth from new drug launches and portfolio maturation with prescription drugs representing the bulk of such</li> </ul> | Key Metrics*                  |       |       |         |         |         |
|   | --Fiscal year ended Dec. 31-- |       |       |         |         |         |
|   | 2019a                         | 2020e | 2021f | 2022f   | 2023f   |         |
|   | EBITDA margin (%)             | 28.9  | 30-31 | 26-28   | 29-31   | 30-31   |
|   | Debt to EBITDA (x)            | 0.5   | 0.7   | 0.5-0.7 | 0.3-0.5 | 0.3-0.5 |
| FFO to debt (%)   | 147.8                         | >109  | >120  | >170    | >195    |         |
| *All figures adjusted by S&P Global Ratings.a--Actual. e--Estimate. f--Forecast.  |                               |       |       |         |         |         |

growth.

- Price adjustments on average in line with inflation.
- Based on volume growth and price increases we forecast revenues of R\$4.2 billion in 2021, R\$4.7 billion in 2022, and R\$5.0 billion in 2023, compared with estimated R\$3.4 billion in 2020.
- Dividend payout of 80%-85% in the next three years.
- Debt refinancing in the coming years.

### Base-case projections

***We forecast weaker EBITDA margins in 2021, but they will recover in 2022.*** Higher expenses related to R&D and digital initiatives, as well as to the transfer of products to the new plant should pressure Ache's margins in 2021. We forecast the company's EBITDA margin to drop to about 27% in 2021 from 30%-31% in 2020. We expect margins to start recovering in 2022, returning to about 30% thanks to the new plant's full operations.

***Solid cash flows allow sizable dividend payments.*** We forecast dividend payout to be 80%-85% of previous year's net income in 2022-2023. In our view, Ache's solid operations and rising cash flows, thanks to pipeline of new drugs and the above-industry-average profitability, allow the company to continue to make such payments. Moreover, we believe dividends are highly discretionary to Ache and that it could decrease payout if liquidity is pressured.

***Leverage to remain comfortably low.*** Ache reported debt increase in 2020 to finance the new plant strengthen liquidity and inventory amid the pandemic. It posted debt to EBITDA of about 0.7x in 2020. We expect increasing cash flows to strengthen credit metrics with leverage below 0.5x.

## Company Description

Ache is one of the largest pharmaceutical companies in Brazil. It has a diversified portfolio in terms of drug classes in the prescription, generic, OTC, and dermatology segments. The company also generates small export revenues through licensing agreements to manufacture and sell pharmaceutical products internationally. Founded in 1966, Ache is headquartered in Sao Paulo, Brazil, and the founding family holds 100% of shares.

## Business Risk: Fair

We expect Ache to maintain its meaningful market position in the Brazilian pharmaceutical industry, with leadership position in main segment of operation, the so called "branded generics" which currently represents about 75% of revenue. The company launched 46 products in 2020 given the perception of quality, efficacy, and safety of its products, even amid the public health crisis, which took a toll on the pharmaceutical industry. We believe Ache will maintain a considerable pipeline of new drugs, while benefitting from experience in navigating through the regulatory approval process.

We believe that once the new plant is completed and starts to operate, Ache's profitability should rebound to about

30%. In addition, the company's focus on the branded generics that should continue representing the bulk of its revenue supports our expectation of higher margins in the future, in contrast to the more commodity-like nature of unbranded generics with lower margins.

Ache lacks scale, portfolio, and geographic diversification in comparison with those of large global pharmaceutical players. Still, Ache's consistent operating efficiency with a large domestic market share enables sound relationships with distributors and retailers.

## Peer comparison

**Table 1**

| <b>Ache Laboratorios Farmaceuticos S.A.--Peer Comparison</b> |   |                    |                   |
|--|---|--------------------|-------------------|
| <b>Industry sector: Pharmaceuticals</b>                      |   |                    |                   |
|  | <b>Ache Laboratorios Farmaceuticos S.A.</b> | <b>Hypera S.A.</b> | <b>Mylan N.V.</b> |
| Ratings as of Feb. 10, 2021                                  | BB+/Stable/--                               | BB+/Stable/--      | BBB-/Positive/A-3 |
| <b>--Fiscal year ended Dec. 31, 2019--</b>                   |   |                    |                   |
| Mil. Mix currencies  | R\$   | R\$                | \$                |
| Revenue  | 3,350.5                                     | 3,294.7            | 11,500.5          |
| EBITDA   | 967.9                                       | 674.4              | 3,405.1           |
| Funds from operations (FFO)                                  | 741.2                                       | 630.6              | 2,645.8           |
| Interest expense   | 25.1  | 43.2               | 530.4             |
| Cash interest paid   | 22.0  | 28.0               | 480.7             |
| Cash flow from operations                                    | 685.7                                       | 1,344.0            | 1,881.2           |
| Capital expenditure  | 187.0                                       | 361.6              | 406.0             |
| Free operating cash flow (FOCF)                              | 498.7                                       | 982.4              | 1,475.2           |
| Discretionary cash flow (DCF)                                | 14.5  | 286.8              | 1,475.2           |
| Cash and short-term investments                              | 145.4                                       | 2,246.4            | 541.4             |
| Debt   | 501.3                                       | 0.0                | 13,073.1          |
| Equity   | 1,697.2                                     | 8,710.1            | 11,883.8          |
| <b>Adjusted ratios</b>                                       |   |                    |                   |
| EBITDA margin (%)  | 28.9  | 20.5               | 29.6              |
| Return on capital (%)  | 44.8  | 7.3                | 5.4               |
| EBITDA interest coverage (x)                                 | 38.5  | 15.6               | 6.4               |
| FFO cash interest coverage (x)                               | 34.6  | 23.5               | 6.5               |
| Debt/EBITDA (x)  | 0.5   | 0.0                | 3.8               |
| FFO/debt (%)   | 147.8                                       | N.M.               | 20.2              |
| Cash flow from operations/debt (%)                           | 136.8                                       | N.M.               | 14.4              |
| FOCF/debt (%)  | 99.5  | N.M.               | 11.3              |
| DCF/debt (%)   | 2.9   | N.M.               | 11.3              |

N.M.--Not meaningful

Hypera S.A. (BB+/Stable/--) is Ache's closest rated peer because both operate in Brazil and lack international operations.

After the recent acquisition of the drug portfolio from Takeda Pharmaceuticals Co. Ltd. (BBB+/Negative/A-2), Hypera

has become the largest pharmaceutical player in Brazil, considering sell-out pharmacy purchase price. The company also expanded its presence in the prescription drug segment, increasing competition for Ache. Still, we believe that both companies are well positioned in a fragmented market with room to further grow without jeopardizing their current market shares. Moreover, Ache has maintained a more prudent approach to leverage, with lower debt levels.

Viartis Inc. (BBB-/Positive/A-3), following the merger of Mylan N.V. with Pfizer's (A+/Stable/a-1+) subsidiary, Upjohn Co., is now the world's largest generic drug producer, with a larger scale and higher geographic diversification than Ache. The merger also bolsters the company's profitability, which is now likely to be higher than Mylan's historical margins that were close to Ache's. Still, Viartis has higher leverage than Ache.

## Financial Risk: Minimal

We forecast Ache to continue to generate solid free cash flows, owing to the new launches and portfolio adjustments over the next few years, despite its sizable capex of about R\$340 million in 2021 and R\$280 million in 2023 to complete the new plant. Additionally, we expect Ache to continue to distribute most of its excess cash to shareholders, while discretionary cash flows remain positive. In 2020, Ache issued new debt to support its operations amid the pandemic-induced economic crisis, which combined with the debt issued previously to fund the construction of the new plant, resulted in debt to EBITDA of 0.7x. This was a leverage peak for a company with a historical net cash position. For the next few years, we expect some new debt issuance to fund capex. Still, amid increasing cash generation, we forecast debt to EBITDA to drop below 0.5x by 2022. Nevertheless, the new loans have long-term maturities, allowing the company to keep a comfortable capital structure with weighted average maturity of debt beyond three years.

## Financial summary

Table 2

| Ache Laboratorios Farmaceuticos S.A.--Financial Summary |                               |         |         |         |         |
|---|-------------------------------|---------|---------|---------|---------|
| Industry sector: Pharmaceuticals                        |                               |         |         |         |         |
|   | --Fiscal year ended Dec. 31-- |         |         |         |         |
|   | 2019                          | 2018    | 2017    | 2016    | 2015    |
| <b>(Mil. R\$)</b>                                       |                               |         |         |         |         |
| Revenue   | 3,350.5                       | 3,183.2 | 2,967.9 | 2,686.3 | 2,332.9 |
| EBITDA  | 967.9                         | 934.4   | 871.4   | 811.0   | 670.4   |
| Funds from operations (FFO)                             | 741.2                         | 643.7   | 646.7   | 599.2   | 476.6   |
| Interest expense  | 25.1                          | 16.2    | 16.3    | 14.7    | 12.7    |
| Cash interest paid                                      | 22.0                          | 11.1    | 12.7    | 10.7    | 12.4    |
| Cash flow from operations                               | 685.7                         | 562.0   | 694.6   | 479.7   | 370.1   |
| Capital expenditure                                     | 187.0                         | 129.0   | 99.2    | 107.8   | 145.7   |
| Free operating cash flow (FOCF)                         | 498.7                         | 433.1   | 595.3   | 371.9   | 224.4   |
| Discretionary cash flow (DCF)                           | 14.5                          | (30.6)  | 45.2    | (80.2)  | (74.4)  |
| Cash and short-term investments                         | 145.4                         | 245.5   | 169.0   | 134.4   | 228.6   |
| Gross available cash                                    | 145.4                         | 245.5   | 169.0   | 134.4   | 228.6   |
| Debt  | 501.3                         | 137.6   | 5.7     | 38.4    | 0.0     |

**Table 2****Ache Laboratorios Farmaceuticos S.A.--Financial Summary (cont.)**

|                                    | <b>--Fiscal year ended Dec. 31--</b> |             |             |             |             |
|------------------------------------|--------------------------------------|-------------|-------------|-------------|-------------|
|                                    | <b>2019</b>                          | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
| Equity                             | 1,697.2                              | 1,557.6     | 1,524.5     | 1,455.9     | 1,354.7     |
| <b>Adjusted ratios</b>             |                                      |             |             |             |             |
| EBITDA margin (%)                  | 28.9                                 | 29.4        | 29.4        | 30.2        | 28.7        |
| Return on capital (%)              | 44.8                                 | 54.0        | 54.9        | 54.7        | 53.5        |
| EBITDA interest coverage (x)       | 38.5                                 | 57.8        | 53.3        | 55.1        | 52.6        |
| FFO cash interest coverage (x)     | 34.6                                 | 59.2        | 51.8        | 56.9        | 39.4        |
| Debt/EBITDA (x)                    | 0.5                                  | 0.1         | 0.0         | 0.0         | 0.0         |
| FFO/debt (%)                       | 147.8                                | 467.8       | 11,396.9    | 1,562.1     | N.M.        |
| Cash flow from operations/debt (%) | 136.8                                | 408.5       | 12,240.9    | 1,250.5     | N.M.        |
| FOCF/debt (%)                      | 99.5                                 | 314.7       | 10,492.1    | 969.5       | N.M.        |
| DCF/debt (%)                       | 2.9                                  | (22.3)      | 796.1       | (209.1)     | N.M.        |

N.M.--Not meaningful

**Liquidity: Adequate**

Ache's liquidity remains adequate, in our view, with sources of liquidity to exceed uses by about 1.4x for the next 12 months. While we expect the company to maintain high dividend payouts due to strong cash flows, they're discretionary and Ache can reduce them if needed in order to support its still high capex in the next two years. We assume Ache could reduce the dividend payout ratio to about 25% to maintain adequate liquidity.

We don't assess Ache as a frequent debt issuer in credit markets, but it has sound relationship with banks (mainly public lenders) and generally prudent financial risk management, ensuring a consistently comfortable liquidity position. In addition, we believe Ache can absorb high-impact and low-probability events without refinancing, given capex and dividend flexibility.

| <b>Principal Liquidity Sources</b>  | <b>Principal Liquidity Uses</b>  |
|---|--|
| <ul style="list-style-type: none"> <li>• Cash position of R\$272 million as of Sept. 30, 2020;</li> <li>• Undrawn bank lines of R\$300 million; and</li> <li>• Projected funds from operation (FFO) of about R\$800 million in 2021.</li> </ul> | <ul style="list-style-type: none"> <li>• Short-term debt maturities of R\$507.5 million as of Sept. 30, 2020;</li> <li>• Projected working capital outflows of about R\$2 million in 2021;</li> <li>• Capex of about R\$336 million in 2021; and</li> <li>• Dividend payments of about R\$164 million in 2021 (down to 25% from our base-case assumption of 80%, given Ache's flexibility to reduce payouts if needed).</li> </ul> |

## Debt maturities

As of Sept. 30, 2020, Ache's debt maturity profile was as follows:

- Short-term: R\$507.5 million
- 2022: R\$76.3 million
- 2023-2024: R\$137.3 million
- Thereafter: R\$155.6 million

## Covenant Analysis

### Compliance expectations

We expect the company to maintain more than a 15% cushion on its financial covenants.

### Requirements

Ache's covenants require it to keep net debt to EBITDA at maximum of 3x, total liabilities to total assets of a maximum of 75% (only for BNDES's loans), and an EBITDA margin above 18%.

## Rating Above The Sovereign

The global scale rating on Ache is currently two notches above the 'BB-' long-term sovereign foreign currency rating on Brazil because, in our view, there's a considerable likelihood that the company wouldn't default in a hypothetical scenario of sovereign default due to its comfortable liquidity position, very few short-term debt maturities, and flexibility to reduce dividends and capex. We consider pharmaceutical entities to be moderately sensitive to Brazil's economy, given the industry's resilience. These factors allow us to rate Ache above the sovereign, but we cap the rating at the 'BB+' T&C assessment on the country because Ache mainly operates in the domestic market. In a simulated sovereign default scenario, we would expect to see:

- GDP contraction of 10%, a doubling of FX and basic interest rates compared with our base-case scenario, and inflation rate of 12.5%.
- GDP decline and high unemployment would reduce Ache's revenues by about 15% due to lower volumes and no price increases.
- Inflation and a weaker Brazilian real would increase costs and expenses, leading to an EBITDA decline close to 25% relative to our base-case assumptions.
- Doubling of basic interest rates would increase Ache's interest expenses on its floating-rate debt.
- A haircut of 70% on the company's short-term investments and of 10% on its bank deposits.
- Due to weaker cash flows, we assume the company would reduce capex to maintenance levels of R\$60 million - R\$70 million and wouldn't distribute dividends.
- Ache could postpone the construction of the new plant.



Even in this hypothetical scenario, the company's cash sources would be sufficient to cover its short-term needs, given its smooth debt amortization profile.

## Reconciliation

**Table 3**

**Ache Laboratorios Farmaceuticos S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. R\$)**

--Rolling 12 months ended Sept. 30, 2020--

**Ache Laboratorios Farmaceuticos S.A. reported amounts**

|  | Debt    | Shareholders' equity | Revenue | EBITDA  | Operating income | Interest expense | S&P Global Ratings' adjusted EBITDA | Cash flow from operations | Dividends | Capital expenditure |
|--|---------|----------------------|---------|---------|------------------|------------------|-------------------------------------|---------------------------|-----------|---------------------|
| Reported                                   | 876.7   | 1,721.7              | 3,450.0 | 1,015.5 | 926.0            | 36.4             | 998.2                               | 631.3                     | 521.4     | 45.1                |
| <b>S&amp;P Global Ratings' adjustments</b> |         |                      |         |         |                  |                  |                                     |                           |           |                     |
| Cash taxes paid                            | --      | --                   | --      | --      | --               | --               | (203.2)                             | --                        | --        | --                  |
| Cash interest paid                         | --      | --                   | --      | --      | --               | --               | (32.4)                              | --                        | --        | --                  |
| Reported lease liabilities                 | 118.9   | --                   | --      | --      | --               | --               | --                                  | --                        | --        | --                  |
| Accessible cash and liquid investments     | (272.1) | --                   | --      | --      | --               | --               | --                                  | --                        | --        | --                  |
| Nonoperating income (expense)              | --      | --                   | --      | --      | 6.9              | --               | --                                  | --                        | --        | --                  |
| EBITDA: Gain/(loss) on disposals of PP&E   | --      | --                   | --      | 0.0     | 0.0              | --               | --                                  | --                        | --        | --                  |
| EBITDA: Other                              | --      | --                   | --      | (17.3)  | (17.3)           | --               | --                                  | --                        | --        | --                  |
| Depreciation and amortization: Other       | --      | --                   | --      | --      | 0.4              | --               | --                                  | --                        | --        | --                  |
| Working capital: Other                     | --      | --                   | --      | --      | --               | --               | --                                  | 15.3                      | --        | --                  |
| Operating cash flow: Other                 | --      | --                   | --      | --      | --               | --               | --                                  | (15.3)                    | --        | --                  |
| Total adjustments                          | (153.2) | 0.0                  | 0.0     | (17.3)  | (10.1)           | 0.0              | (235.6)                             | 0.0                       | 0.0       | 0.0                 |

Table 3

**Ache Laboratorios Farmaceuticos S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. R\$) (cont.)**

| S&P Global Ratings' adjusted amounts |       |         |         |        |       |                  |                       |                           |           |                     |
|--------------------------------------|-------|---------|---------|--------|-------|------------------|-----------------------|---------------------------|-----------|---------------------|
|                                      | Debt  | Equity  | Revenue | EBITDA | EBIT  | Interest expense | Funds from operations | Cash flow from operations | Dividends | Capital expenditure |
| Adjusted                             | 723.6 | 1,721.7 | 3,450.0 | 998.2  | 915.9 | 36.4             | 762.7                 | 631.3                     | 521.4     | 45.1                |

## Ratings Score Snapshot

### Issuer Credit Rating

BB+/Stable/--

### Business risk: Fair

- **Country risk:** Moderately high
- **Industry risk:** Low
- **Competitive position:** Fair

### Financial risk: Minimal

- **Cash flow/leverage:** Minimal

Anchor: bbb-

### Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Fair (no impact)
- **Comparable rating analysis:** Neutral (no impact)

### Stand-alone credit profile : bbb-

- **Group credit profile:** bbb-
- **Related government rating:** BB-
- **Rating above the sovereign:** (-1 notch from SACP)

## Related Criteria

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, Aug. 14, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014

- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Pharmaceutical Industry, April 8, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

### Business And Financial Risk Matrix

| Business Risk Profile | Financial Risk Profile |        |              |             |            |                  |
|-----------------------|------------------------|--------|--------------|-------------|------------|------------------|
|                       | Minimal                | Modest | Intermediate | Significant | Aggressive | Highly leveraged |
| Excellent             | aaa/aa+                | aa     | a+/a         | a-          | bbb        | bbb-/bb+         |
| Strong                | aa/aa-                 | a+/a   | a-/bbb+      | bbb         | bb+        | bb               |
| Satisfactory          | a/a-                   | bbb+   | bbb/bbb-     | bbb-/bb+    | bb         | b+               |
| <b>Fair</b>           | <b>bbb/bbb-</b>        | bbb-   | bb+          | bb          | bb-        | b                |
| Weak                  | bb+                    | bb+    | bb           | bb-         | b+         | b/b-             |
| Vulnerable            | bb-                    | bb-    | bb-/b+       | b+          | b          | b-               |

### Ratings Detail (As Of March 4, 2021)\*

#### Ache Laboratorios Farmaceuticos S.A.

Issuer Credit Rating  
Brazil National Scale

BB+/Stable/--  
brAAA/Stable/--

#### Issuer Credit Ratings History

|             |                       |                    |
|-------------|-----------------------|--------------------|
| 07-Apr-2020 |                       | BB+/Stable/--      |
| 12-Dec-2019 |                       | BB+/Positive/--    |
| 12-Jan-2018 |                       | BB+/Stable/--      |
| 16-Aug-2017 |                       | BBB-/Negative/--   |
| 23-May-2017 |                       | BBB-/Watch Neg/--  |
| 16-Aug-2017 | Brazil National Scale | brAAA/Stable/--    |
| 23-May-2017 |                       | brAAA/Watch Neg/-- |
| 17-Feb-2016 |                       | brAAA/Negative/--  |

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