

## Q1 2021 Earnings Call

### Company Participants

- Adalmario Ghovatto Satheler do Couto, Investor Relations Officer
- Breno Toledo Pires de Oliveira, Chief Executive Officer

### Other Participants

- Caio Moscardini, Analyst
- Gustavo Tiseo, Analyst
- Joseph Giordano, Analyst
- Leandro Bastos, Analyst
- Mauricio Cepeda, Analyst
- Robert Ford, Analyst
- Unidentified Participant

### Presentation

#### Operator

Good morning. Welcome to Hypera Pharma First Quarter 2021 Results Earnings Call. Mr. Breno Oliveira, CEO and Mr. Adalmario Couto, CFO and IRO are here with us today. This event is being recorded. All participants will be in a listen-only mode. After the closing remarks, there will be a Q&A session for investors and analysts, further instructions will be given then. (Operator Instructions) If you are connected through the webcast, submit your question through email at [ri@hypera.com.br](mailto:ri@hypera.com.br). Today's live webcast is being broadcast at [www.hypera.com.br/ir](http://www.hypera.com.br/ir). We also would like to inform that statements during this conference may continue forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that could cause the company's actual results to differ materially from those expected.

I will turn the floor over to Mr. Breno Oliveira. Mr. Oliveira, you have the floor.

#### **Breno Toledo Pires de Oliveira** {BIO 17653260 <GO>}

Good morning, everyone. Welcome to our first quarter earnings call. I would like to start by talking about our growth on slide 3. For the second quarter in a row, we grew our sell-out organically in double digits and we gained market share. Organic growth was 11.5% in our sell-out, 2 percentage points above market. The comparison for the sell-out is very challenging in this quarter because March last year the market grew by over 30%, when consumers went to drug stores to purchase medicine right at the start of the pandemic. Our sell-out growth is favored by the gradual improvement -- the pharmaceutical industry starting in second quarter last year, as well as our initiatives to boost our growth.

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Similar and Generics were the highlight with two digit growth. We are benefited by our distribution network to boost Neo Quimica brand and through the expansion of our production capacity. In our pipeline, we have important new products that can contribute to increase our coverage in the generic products, reaching 55% of the total molecules in the market by year's end. On top of that, in this quarter, we signed a master sponsorship from a soccer club Jersey, (inaudible) and Neo Quimica. It's on top of the naming rights contract of the Neo Quimica Arena signed last year. In Prescription Products, we grew over market average. We are reaping the harvest of the new products we introduced for chronic use and we also benefited from the strong performance of Colflex, Ofolato [ph] and Addera brands.

In skin care, the portfolio has been growing heavily or strongly ever since we acquired the Glenmark portfolio. In Consumer Health, I would like to point out vitamins, supplements and nutritional products benefited from the extension of Vitasay and Finn brands, the Gastro segment with Tamarine, Epocler and Gastrol brand and the recent introduction of Maracugina Noite.

By concluding the acquisition of the Takeda brands portfolio, we have strengthened our business in this area of consumer health. With these acquired brands, we have consolidated our leadership at 20% market share and we are now the third largest player in the prescription sector. The integration of acquisitions are according to plan. In the late Q1, we had sales and marketing teams from Takeda already integrated to our restructure and in terms of operation at the end of the second quarter, we have all the Buscopan secondary packaging and the entire Takeda portfolio being produced in Anapolis and by early next year the entire Buscopan production will be conducted in our facilities. We keep on investing in our portfolio to foster our long-term growth. There are several opportunities to expand the lines of these acquired brands. We have a pipeline with over 350 [ph] projects with the potential to grow the size of the company substantially in years to come. These investments are already yielding good results as you can see on the next slide.

34% of the revenue from this quarter came from products introduced in the past five years and 8 percentage points growth since we started concentrated our operations in the pharmaceutical industry in Brazil and intensified our investments in R&D. In the quarter, we have important introductions. Let me point out, the expansion of lines of might Neo Quimica and vitamins for both vitamin C and vitamin C plus zinc, Addera Flash, the first film D vitamin and Alektos Ped, an extension from the antihistamine patented and acquired from Takeda to promote them for pediatric use. Innovation is part of our DNA. We've been investing more than any other player and introducing products in relevant segments in this market and they are contributed substantially to our sustainable growth.

I'll turn over to Adalmario. He will be talking about this quarter's results.

**Adalmario Ghovatto Satheler do Couto** {BIO 20598860 <GO>}

Thank you, Breno. Good morning, everyone. I'll be talking about the highlights of our results and also for the cash flow in the quarter. Let me start on slide 6 please. Sell-in that's our net revenue, growth was almost 44% driven by the consolidation of the

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Buscopan family numbers and the two months of the Takeda portfolio sales that the company we've recently acquired. In the quarter, when we combine the two, their contribution was about BRL220 million of additional sales. When we compare to the same basis last year excluding the contribution of acquisitions, growth would have been 16%. Out of this, 16% price increases contributed in about 5%, volumes went up about 11%.

All our product lines where we operate had positive contribution towards that growth, a market share gain in several important categories. I would like to point out, Generics and Similar products. Gross margin was 64% in the quarter, over 2 percentage points drop when compared to the same period last year because of the exchange rate and the product mix. The average exchange rate was BRL5.7, a favorable impact through the hedging policy implemented by the company. Depreciation was 26% when compared to Q1 of 2020. Trying to mitigate exchange rate devaluation and to protect ourselves from future volatility, we have updated our prices in early April. And we -- as we said in the previous call, we had 100% of hedging of 100% of inputs pegged to the dollar for 2021 at BRL5.30.

Onto expenses now, we had a 19% increase in sales expenses because of the increase in the R&D infrastructure and we incremented or improved our bonuses -- in the. The total investments grew by two digits, that is proof of our commitment to innovation and sustainable growth. Marketing expenses went up 18% by investing in new markets, especially for media expenses in the case of Buscopan and free samples, increase in Takeda portfolio. We had important introductions just like Amome [ph], it will compete with the nasonex brand. And by doing so, we have increased substantially the free samples which is common when new products are introduced.

Despite their positioning, we had a major drop as a percentage of revenues when compared to the same quarter last year over 22% to 18% of our net revenue. That's the first indication of the synergy capture when we acquired these other brands. SG&A went up 12%. As a percentage of revenue, they were 1.5% below what we had last year in the same period. There were no other relevant impacts and we have an EBITDA margin of almost 31% in the quarter, a BRL362 million EBITDA substantial growth of 45%, when compared to the same period of last year.

The financial results was negative because of the leverage levels after we paid for the Takeda acquisition. Taxes was slightly positive because of interest on equity and because of government subsidies as well. Net income was BRL307 million in continued operations and a total BRL305 million and almost 20% -- 28% growth.

On to cash flow on slide 7, we had a operational generation of BRL151 million. When we use working capital for Takeda, BRL135 million and payments of that sponsorship on that soccer team jersey, we had smaller CapEx investments when we compared to the past two quarters of 2020. We're almost concluding the expansion construction site for the solids unit in Anapolis. In intangibles, we have the net payment of almost BRL3.4 billion. R&D investments of BRL47 million and the payment of Simp organic

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In the quarter, we took some financial -- additional financial lines for a two year term and that's according to our strategy to have that cash cushion because of the impacts of the lockdowns that would be announced -- that were announced back in March. We also paid interest in our equity for 2020 in late March. Interest on equity was BRL195 million, BRL0.31 per share as to the first quarter of the year, a 5% increase when we compare to last year's numbers. The year was almost 4%. By doing so, the company has a cash position of BRL1.7 billion and net debt level is BRL5 billion, 2.5 times the EBITDA we have announced as our guidance for the year that was announced in Hype Day.

Let me comment that in early April, we announced the sale of our distribution center for the consumable products for BRL231 million, that will contribute to reduce our leverage levels. As to the balance sheet accounts, major changes was the liquidity position, reducing cash position. On the other hand, we had more intangible assets after we acquired Takeda's portfolio. When we look at the major lines that contribute to working capital, we had an increase of almost 20% of finished goods and raw material inventory and a 10% increase for our consumers. Receivables is in line with what we had last year. By doing so, we had a more cash conversion 174 days. The most important impact was the working capital for Takeda.

I'll give the floor back to Breno for his final remarks before we go on to the Q&A.

## **Breno Toledo Pires de Oliveira {BIO 17653260 <GO>}**

Thank you, Adalmario. We're very pleased with the Hypera's results in the first quarter, 12% growth in sell-out, 44% in net revenue, 60% when we exclude acquisitions, 46% EBITDA growth and 24% in net income of continuing operations. The sell-out growth in recent months, the integration of acquired portfolios, the new launches and the innovation pipeline with over 350 projects puts us to fight for the leadership position in the market.

We are confident, we are heading the right directions. Early data in April show a sell-out growth over 25% that will entail in accrued growth for the year above 15% along the lines that of growth we expect for the year. That's why early this month, we've announced the guidance's for 2021, net revenue about BRL5 billion -- BRL5.9 million. EBITDA for continued operations -- continued operations BRL2 billion, net income BRL1.5 billion. We remain confident in the growth of the Brazilian pharmaceutical market and we'll keep on growing through innovation, M&A considering new markets and new distribution channels such as the institutional market and e-commerce. We'll continue to use cash generation to invest in our business to deleverage and to distribute dividends to our shareholders.

Thank you for attending this earning calls -- these earnings call and we'll move on to the Q&A session now.

## **Questions And Answers**

### **Operator**

We'll now start our Q&A session for investors and analysts. Joseph Giordano from JPMorgan asks the first question.

**Q - Joseph Giordano** {BIO 17751061 <GO>}

Good morning, everyone. Thank you for taking my call. I have a couple of questions, more focus on the short-term. You talked about capturing synergies, when you look at the guidance about BRL280 million for Buscopan and from other Takeda assets, how much have you captured so far? When should we expect the full speed of these synergies? What about short-term, we had significant price increases in April. And you're hedging seems to be very favorable at 515. But what can you expect as to the gross margin and marketing expenses developments, it seems to be very small still. And the second question is more on the mid-term basis. You said that towards the years end you have about 55% of molecules for Generics in retail. What does that mean in incremental markets for the company? Thank you.

**A - Breno Toledo Pires de Oliveira** {BIO 17653260 <GO>}

This is Breno. I'll be fielding the first question about synergies and then Adalmario will answer the portion of hedging and marketing and the last question about Generics. All right. In terms of synergy capture, as you know, we acquired these two companies and we purchased the Takeda's brand portfolio and Buscopan for the case. In the case of Buscopan, they had a small marketing team, they have already been integrated to our team back in September last year.

The results you see already include the integration of these teams. In the case of Takeda, they had a bigger team, in terms of product portfolio as well. We have integrated both a marketing and sales teams and these representatives that call on doctor's offices. These results have already been captured as early as the first quarter. Now onto quarter -- the second quarter. We start having synergies in terms of production. Part of the secondary packaging is now being conducted here in our facilities and by years in the entire production for Buscopan as it is next year early 2022, the entire Buscopan production will be conducted in our facilities. Synergies in sales and marketing have already been captured and production synergies most or some of it will be captured now in Q2, will be making the secondary packaging and the rest or the remainder will come by or early 2022 and the Takeda will take longer because the production contract we signed with them will take from three to five years to transfer that production in-house. But most of these synergies will be captured in this second quarter. You see most of these synergies captured in Q2 results.

**A - Adalmario Ghovatto Satheler do Couto** {BIO 20598860 <GO>}

Hello. Let me address your question about price increases and margins. We increased prices back in early April between 8% and 9% on average. That helps to bring margins up. It hasn't been enough to cover the 100% impact with exchange rate devaluations that occurred last year, but that helped. This first quarter is historically a quarter with smaller margins, but we expect that in quarters to come with these price increases, we may be able to restore gross margins and we are comfortable they will be able to reach our guidance for the year, that is the EBITDA margin between 33% and 34% for the year, it's closer to 34% actually.

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As to Generic products, Generic products have become more and more important overall. As we manage to have enough capacity to meet that demand for

Generic products, this is a very important point. We've been investing in increasing our capacity in the past two years and at the same time introducing new molecules to focus on those more relevant molecules that grow the most. And then we'll be able to use the capillarity that we have for the Neo Quimica brand and also to benefit from the marketing efforts and as a consequence increase penetration. The coverage level will be over half of the market by year's end.

And for the years to come, we'll have a very robust pipeline not only for the molecules that already exist that are no longer exclusive, but many others that will be terminating that exclusivity and some of them are very relevant and that will take place in early 2022. We are very well positioned to be one of the first companies to introduce products with those molecules.

**Q - Joseph Giordano** {BIO 17751061 <GO>}

Thank you, Breno. Thank you Adalmario.

## Operator

Thank you. Leandro Bastos from Citibank asks the following question.

**Q - Leandro Bastos** {BIO 21416405 <GO>}

Good morning. This is a very quick one. When you look at the acquired brands portfolio, especially those from Takeda, how much is the sell-out growth for these brands? And what do you expect from the future? I hope you are able to hear my question because the call is breaking up little bit.

**A - Breno Toledo Pires de Oliveira** {BIO 17653260 <GO>}

For Buscopan grew 40% in Q4, it's growing in line with our original portfolio. Takeda's growth is somewhat smaller in February, March mostly, it's a matter of placement, product inventory. We have been improving that work, it's growing now in April, in line with the rest of the portfolio about 20%.

Let me remind you that Takeda has less seasonal portfolio, it is not as impacted by COVID as the other products from Glenmark. It grew substantially as we said about 25%, 30%. So we are very pleased by the sell-out growth of these acquired products. Takeda, at the start was somewhat more difficult, but they're getting back on track and we are growing over 20% now in April. Thank you. Have a good day.

**Q - Leandro Bastos** {BIO 21416405 <GO>}

Thank you.

## Operator

Robert Ford from Bank of America asks the next question.

**Q - Robert Ford** {BIO 1499021 <GO>}

Thank you. Congratulations on your results. Can you give us some sales numbers for first quarter. What about quality of innovation, when the repetition of this numbers, you are already innovating the Takeda portfolio. What about the other stronger brands you've also acquired recently?

**A - Adalmario Ghovatto Satheler do Couto** {BIO 20598860 <GO>}

Hi, Bob. As to Bionovis, it's about double-digit growth. It's very relevant, last year we grew because of the new molecules that were included in our portfolio. We do not expect as many new molecules or new products rather and the portfolio. Growth should be somewhat smaller albeit significant. We keep on investing in Bionovis heavily. We believe it's an important branch or an arm for the PDPs, we've investing to have there its own facility and to have our own product before 2023, but growth isn't expected to be as high as the one we had last year.

**Q - Robert Ford** {BIO 1499021 <GO>}

Thank you, Adalmario.

**A - Breno Toledo Pires de Oliveira** {BIO 17653260 <GO>}

Could you repeat the other questions?

**Q - Robert Ford** {BIO 1499021 <GO>}

Yes, of course, Breno. What about quality of innovation and can it be repeatable when you purchase new products and you're already innovating in the Takeda portfolio. What should be our take as to the change in innovations for your stronger brands that you have recently acquired?

**A - Breno Toledo Pires de Oliveira** {BIO 17653260 <GO>}

Well, Bob, that's part of our business plans in our acquisitions. That was to have new introductions, line extensions, it was not their core and they were not investing in that directions. There were projects being designed, but they did not pull the trigger. They did not introduce those products. Let me give an example, the one I just mentioned. I'd like to -- for pediatrician use it was in their pipeline, but we ended up speeding it up and we introduced it. I won't be giving you any details about specific projects, but there are many things in our pipeline along those lines, things that will be introduced in the second and third quarters. Using these strong brands, there are launches for Neosaldina, their number one brand, but I won't be giving any details, but we have already mapped out that new launch. And the other question was about the quality of the innovation portfolio right?

**Q - Robert Ford** {BIO 1499021 <GO>}

Yes, that's right. Is that repeatable, so that we can have a taste of the quality of that innovation?

**A - Breno Toledo Pires de Oliveira {BIO 17653260 <GO>}**

Yes, we monitor that regularly through sell-out. We have very granular data both from sell-out sales, as well as prescriptions. Of course, in the case of prescription products, we can see the recurrence of prescriptions and with our numbers, our top customers, we purchased data from them, from Raia, Pague Menos the top retailers and then we get that information. And that's according to plan, when you introduce a new product, we put together a business plan for the products and we keep track of results very closely and that's according to plan. Of course, some products do better than expected not as well, but on average performance has been according to our expectations.

**Q - Robert Ford {BIO 1499021 <GO>}**

Thank you very much. Breno congratulations one more time.

**A - Breno Toledo Pires de Oliveira {BIO 17653260 <GO>}**

Thank you, Bob.

**Operator**

Guilherme Assis from Safra [ph] asks the next question.

**Q - Unidentified Participant**

Good morning, Breno, Adalmario. Thank you for taking my question. I would like to delve into the sell-in topic when compared to sell-out. You provided a lot of information about the organic growth and correct me if I'm wrong. Sell-in was about 11.5%, sell-out 16.3%, right? You've also mentioned that you invested in working capital to normalize I guess that's the word, your inventory levels for both Buscopan and Takeda brands. What should we expect we'll sell-in and sell-out will gravitate towards 15%? And what's the dynamics that will play out between sell-out sales and your own sales through your channels?

**A - Breno Toledo Pires de Oliveira {BIO 17653260 <GO>}**

Hi, Guilherme. You mentioned, well, in actual fact sell-out grew 12% and sell-in including acquisitions grew 16%. Yes, that's right, that's right. Sell-in grew more than sell-out this quarter, but we do not look that quarter-after-quarter in terms of growth. In the last quarters of last year, sell-out grew slightly over sell-in. But in terms of nominal values, we keep close track of everything and spin inventory levels have been kept steady. In the first quarter, you have that increase, price increases, customers profitability comes from the previous period before price increases and we negotiate that, of course and this quarter sell-in was a little over sell-out.

Let me remind you that in Q1 2020, we had the impact of the Q4 of 2019, there was some water shortage in Anapolis that impacted results for both Q4 and Q1 2020. The



sell-in comparison was somewhat slow -- smaller, but we are not expecting any variations mid-term basis. These growth will be closer together and that's our goal for 2021.

### Q - Unidentified Participant

Perfect. That was very clear. Let me just follow-up on that. As to the capital structure, you were very deleveraged, you were even given guidance for the deleveraging levels. Is there anything you can do to speed that deleveraging effort up, you saw the RDC right BRL230 million? Is there room to sell some more asset or any other type of activity to improve that deleveraging profile for the company?

### A - Breno Toledo Pires de Oliveira {BIO 17653260 <GO>}

No, the only asset that was not operational was our DC. We had been working on or trying to sell that DC for some time. We have finalized it now. We want to deleverage, of course, that's our goal especially from cash generation, our EBITDA conversion into operational cash flow is very high. And our intention is to use that cash generation to grow the business, to invest in the business CapEx, R&D, just as we have been doing, distributing dividends increasingly to shareholders and at the same time deleveraging the company. So that's our goal to bring to less than 2 times EBITDA on a mid-term basis. We are 2.4 give or take using the guidance says our reference and our goal is to bring that under 2 times, but using company's cash generation in the years to come.

### Q - Unidentified Participant

Perfect. That was very clear. Thank you, Breno.

### A - Breno Toledo Pires de Oliveira {BIO 17653260 <GO>}

Thank you, Guilherme.

### Operator

Caio Moscardini from Morgan Stanley asks the next question.

### Q - Caio Moscardini {BIO 20856018 <GO>}

Hi, I have two quick questions, the first one is about the sale of our DC. I would like to confirm that was BRL230 million should be other revenues, it shouldn't be booked as the guidance of a bided EBITDA. And my second question is about the cash flow the number of suppliers increased dramatically, are we to expect a return to historical levels on that front?

### A - Adalmario Ghovatto Satheler do Couto {BIO 20598860 <GO>}

Hi, Caio. The DC sales will not be booked as a result is not incorporated in our guidance for the year, that's the sale of an asset, so it was fixed asset, the profit would be about BRL100 million. Given the booked asset, but it shouldn't be reflected in our results. And the other question was about the recurring cash flow is that right?

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**Q - Caio Moscardini** {BIO 20856018 <GO>}

Yes. The number of suppliers increased substantially, is it the new normal or would that be brought down to historical levels?

**A - Adalmario Ghovatto Satheler do Couto** {BIO 20598860 <GO>}

The main component of our cash flow was the construction work we had to do for the Takeda portfolio. When you acquire a brand and like company, acquisition, you don't get the receivables. We had to build their working capital gradually. We purchased the Takeda products, we have the inventory. We increased our supplier portfolio and that would be going back to regular levels in quarters to come. This impact won't be recurring when you look at the second quarter of this year, for example.

**Q - Caio Moscardini** {BIO 20856018 <GO>}

Perfect, thank you. Adalmario

**A - Adalmario Ghovatto Satheler do Couto** {BIO 20598860 <GO>}

Thank you.

**Operator**

Mauricio Cepeda from Credit Suisse asks the next question.

**Q - Mauricio Cepeda** {BIO 21783651 <GO>}

Good morning. Thank you for taking my call. My question Pedro Adalmario, my question is about the working capital, question was about the sell-in growing more than the sell-out and you explained it, but anyway knowing that both Buscopan and Takeda portfolio are more traditional products. Would there be an opportunity to reduce the number of days with the receivables or are you going to use that advantage to increase sell-in?

Working capital as we see it is being based on suppliers, is that a result of Takeda's acquisition or is it the policy that the company implemented? And what about remote, are you going to stick to a remote working, working from home? Are you going to resort to that or maybe a hybrid model? And I would like to know whether there are any specific risks in the Takeda contract as to the US dollar whether packaging is dollar-based, whether there are any FX risks in there?

**A - Breno Toledo Pires de Oliveira** {BIO 17653260 <GO>}

Hello, Cepeda, thank you for your questions. Let me address some of them and then Adalmario will takeover as to the Takeda's contract. If I miss something just let me know. Well, the first question, as to inventory levels at our customers of the acquired portfolio, yes, that's right. Takeda and (inaudible) used low inventory levels with their customers because they have more predictability in their portfolio. Our intention is not to increase inventory levels, we are going to compare products, but our intention is to have average levels smaller than what we have at Hypera. So we're going to use that to reduce or to

bring our average numbers down and then they'll show up in the receivables in terms of number of days we are at about 110 days, the trend is to bring that down slightly maybe 100 days give or take. That's what our expectation for years end.

There was another question about the suppliers about the leveraging of our suppliers. Well, we have been working with our suppliers to extend these terms. We started that last year, we have been very successful in those negotiations. That's why these numbers are going up. Inventory levels go up as well and you impact the suppliers account as well.

Ever since the beginning of the pandemic, we have been increasing our inventory levels for finished products and raw material to have that cushion especially for those relevant raw materials. These raw materials come from China and India, we have increased our raw material inventory levels from China, from India. In Q1 we have boosted our inventory levels of raw materials. By doing so, we are at a better position to discuss or negotiate payment terms and as to remote visiting doctors.

We talked about that on our Hype Day. We've used that virtual visiting at the beginning of the pandemic and we've been resorting to that hybrid model. We expect to perpetuate that productivity gains are about 20% by resorting to this hybrid model and we expect that to remain in the future. It's included in our guidance for the year, that's a productivity gain that can be captured. And as to the last portion of your question, the contract we have with Takeda prices are in reals, the production of all products is made in Brazil. It's a 12-month contract term that can be renegotiated every 12 months. Well, let me add to that, there is no difference as to what we have -- the Takeda cost structure is very similar to ours, raw material in general is imported, transformation costs are in Brazilian currency. So we shouldn't expect any changes as to the cost structure.

**Q - Mauricio Cepeda** {BIO 21783651 <GO>}

That was very clear. There is still some delay right? Jaguaruna plant is even more exposed than your sales, right?

**A - Adalmario Ghovatto Satheler do Couto** {BIO 20598860 <GO>}

Yes, that's right. Initially, that's true, yeah.

**Q - Mauricio Cepeda** {BIO 21783651 <GO>}

Perfect, thank you.

**Operator**

Thank you. Gustavo Tiseo from Bradesco asks the next question.

**Q - Gustavo Tiseo** {BIO 21421350 <GO>}

Thank you for taking my question. I have two actually. The first is about M&As. You've been trying to resort to M&A that will have less impact in the drug store segment. Are you going to keep on expecting the same line of investments or anything disruptive coming

along? What about the institutional sector, are you going to boost investments to reach that 7%, 8%? And my second question is about commercial synergies from Takeda, you said that was marketing and you've already integrated their marketing teams. What can we expect in the long run, can we expect mid-term, long-term benefits coming from Takeda? Thank you.

**A - Breno Toledo Pires de Oliveira {BIO 17653260 <GO>}**

Hi, Gustavo. This is Breno, let me answer the question about the M&A and then Adalmario will be answering the portion of the synergies. The volume was very low, I don't know whether I understood your question. But I believe that the question was about new M&A opportunities for both the company and also in the corporate venture capital program, let me start with the corporate venture capital.

We've announced two acquisitions and we had committed in late 2019 to invest up to BRL200 million in that program. We're not disclosing how much these acquisitions were, but we still have room for new acquisitions. We're not in a hurry, there is no urgent need to allocate this capital, but the goal is to keep looking for opportunities. Companies and startups that have that growth potential and which are related to the health industry in Brazil.

As to the acquisitions for our own business, as I said, M&A has always been part of our strategy and it will remain so in the future. There are still many opportunities, several multinational organizations leaving the country or even focusing on their core businesses and selling product portfolios, OPC, OTC rather. Short-term, the focus is deleveraging, but mid-term basis we keep close attention to new opportunities that may come up to our company.

As to the institutional segment, our focus is to grow organically there, both using the existing product portfolio and we have more production capacity now based on the investments we have made. We have room to tackle this institutional market and just like we said during our Investor Day a new product pipeline through partnerships just like we do and the products we have for retail, as well as developing our own products. Once we have our new sterile plant concluded and it's going to be concluded in or early next year.

Adalmario will be talking about the synergies.

**A - Adalmario Ghovatto Satheler do Couto {BIO 20598860 <GO>}**

Well, Gustavo, you talked about sales expenses in the past, in the past they amounted to 9% to 10% of our revenues. In this quarter, that number was brought down to about 7%. So we already see this synergy happening in the case of Buscopan it was integrated back there, back in September and we haven't had any additions in terms of sales, maybe one or two people in sales. And for Takeda these are large and relevant brands, they are perfect fit to our portfolio. We've increased our team, but small increase when we compare to the total number of employees we have in that department. Anyway we see part of that synergy being captured already, despite the fact that we've had only two months of Takeda in our portfolio.

Now in Q2, we expect to capture even more synergies because there will be 100% integrated especially sales and marketing teams. We expect to see even more relevant synergy gains. In the tax portion, we haven't captured anything yet in Q4, Q1 rather and we will begin to capture part of that synergy in Q2. That was very clear.

**Q - Gustavo Tiseo** {BIO 21421350 <GO>}

I'm sorry, the audio was not very low. But the answer was clear, you answered all my questions. Thank you. Thank you.

**Operator**

(Operator Instructions) Since there are no questions, this concludes the Q&A session. I'll turn the floor over to Mr. Breno Oliveira for his final remarks.

**A - Breno Toledo Pires de Oliveira** {BIO 17653260 <GO>}

I would like to thank each and every one of you for attending this earnings call. Myself and Adalmario and the IR team are available to answer any further questions. Thank you. Have a good day.

**Operator**

This concludes Hypera's Earnings Call. Thank you for attending. Have a great day.

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