

Q2 2021 Earnings Call

Company Participants

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

Other Participants

- Caio Moscardini, Analyst
- Irma Sgarz, Analyst
- Joseph Giordano, Analyst
- Leandro Bastos, Analyst
- Mauricio Cepeda, Analyst
- Robert Ford, Analyst

Presentation

Operator

Good morning, welcome to Hypera Pharma's Second Quarter 2021 Results Conference Call. Today with us we have Mr. Breno Oliveira, CEO; and Mr. Adalmario Couto, CFO and IRO.

We would like to inform you that this event is being recorded and all participants will be in a listen-only mode during the Company's presentation. After the closing remarks, there will be a questions-and-answer session for investors and analysts when further instructions will be given. (Operator Instructions) We would like to inform you that questions can only be asked by telephone. So, if you are connected through the webcast, you should e-mail your questions directly to the IR team at ri@hypera.com.br. Today's live webcast, may be accessed through the Company's Investors Relations website at hypera.com.br/ir.

We would like to inform you that statements during this conference may constitute 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 set forward in the forward-looking statements.

Now I will turn the floor to Mr. Breno Oliveira, who will begin the presentation. Mr. Breno, you may begin your presentation.

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

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Good morning, everyone, and welcome to our results conference call for the second quarter of 2021. I'd like to begin my presentation by discussing our growth starting on Slide 3. For the third quarter in a row, we have had organic sell-out growth. We grew in double digits and got organic market share. This quarter it was 23.3% or 1.1 percentage points above the market.

In our financial results, as Adalmario will mention soon, our net revenue grew by 44%, which was a growth of our gross revenue versus the previous quarter. We increased our EBITDA margin excluding the expenses line to 34%, and our net income grew by 20%. This performance is the result of the initiatives that we have made to boost our long-term sustainable growth. And the highlight here, is our launches have been speeding up over the last years, as well as our production capacity, and also our investment in marketing our leading brands.

Prescription products have been a highlight this quarter and it's sell-out growth was above the market growth once again. This performance was benefited by a growth in chronic medication, which is a segment that has been expanding over the last years with significant launches as well as dermatology, and Vitamin D. In Consumer Health, our main highlight has been a growth in vitamins and supplements, which is a market that has been growing above the Consumer Health average for the last years, and this had a strong growth ever since the pandemic began.

We have continued to expand our market share significantly with new line extensions, and going into new growth at categories, such as Vitamin C, that we just recently went into. In Similar and Generics, our growth still is boosted by our strong capillarity, as well as our increased production capacity and the investments we've made in the Neo Quimica brand. I'd like to underscore that in our innovation pipeline, we have some very important launches, which will contribute to our coverage in Generics. And will allow us to go from 50% to 60% of total molecules in the market by the end of this year.

Total investments in innovation and R&D, including what has already been capitalized was BRL370 million in the last month, 39% above what was recorded in the same period last year. The innovation index, which is the percentage of the net income for large products was 33% in the second quarter of 2021, versus 31% in the second quarter of 2020, using the same comparative basis. We launched some very important products this quarter. In Consumer Health, for example, we launched a Blumel, a natural product line for treating and preventing Influenza, Benegrip, Imuno Complex and Imuno Energy are extensions of the Benegrip brand for the prevention segment.

We also reinforced our product portfolio with two very important acquisitions. Bioage and a portfolio of 12 products from Sanofi, which I'll discuss in Slide 5. Bioage is a high-performance brand in dermocosmetics for professional use. But this acquisition we've gone into an aesthetic market. And it has a direct to consumer platform with over 100,000 monthly accesses and 55 franchisees which will boost our sales and contribute to creating loyalty in these professions. We currently have 200,000 professionals in this area versus 20,000 dermatologists. Bioage is a leader in this segment and this is a high-growing segment for the next years. So this acquisition is aligned with our strategic goals, the goal of strengthening our presence in skincare through innovative products and brands. Our

sell-out is above BRL400 million, and it has been growing close to 30% with several launch opportunities and new segments.

So this month, we've created a new business unit for skincare specifically, which will be led by Vivian Angiolucci. She has been a CFO at Hypera, and she has also led the business unit for generics and biosimilars in the past.

On July 12, we also signed an agreement with Sanofi for the acquisition of 12 OTC in prescription products in Brazil, Mexico and Colombia, which I will discuss on Slide 6. Brazil represents around two-thirds of the income for this portfolio, and our sell-out was around BRL220 million last year. In Brazil, the products acquired include in Consumer Health, some leading brands such as AAS, Cepacol, Pepsamar and Naturetti.

In Prescription Products, will have Buclina, Hidantal, Aturgyl, Hexomedine, and Sulpan as our brands. With these acquisitions, we're strengthening our leadership in Consumer Health even further, and also our participation in Prescription Products. These brands are very complementary to our portfolio and they reinforce our position in strategic categories for Hypera. AAS for instance, will be used as an umbrella brand for new associations between acetylsalicylic acid and other molecules in the hypertension market, which we are already developing in our innovation pipeline. For Cepacol, this is a great opportunity, not only will we strengthened the brand, which has not been marketed for years. We also have a potential brand extension to other related categories.

In Prescription Products, we've brought in the Buclina brands for appetite stimulation and Hidantal which is specifically for the treatment of epilepsy. And this underscores some important categories such as Gastro and Central Nervous System, which are very important areas for Hypera. So, these brands will count on our robust business platform, which will allow us to capture important synergies on the short and long-term, as I'll mention now on Slide 7.

First, our relevance at the point of sale enduring medical visits. We now count on the biggest pharmacy visiting team in Brazil, a distribution that reaches 96% of points of sale. And we're absolute leaders in OTC medication, which should boost the performance of these brands on the short-term already. In medical visits, we have over 100 -- excuse me, 1,100 employees, which make many visits every day twice as much as the rest of the market, and which will also promote some of the prescription medication we're acquiring. Our portfolio will also count on our R&D structure, which will allow us to launch important line extensions for the next years.

We believe that with the go-to-market platform from Hypera, we can boost our growth for these products. This has been seen with Buscopan for example, and with some other brands we acquired from Takeda. Moreover, we have to highlight the operational synergies that we're capturing with this acquisition. First, the tax and cost area. When we transfer the production of this portfolio to our Anapolis plant, we hope to conclude this process by the end of 2024. With expenses, we're going to capture results in the short term, because we will absorb this acquisition on our current platform without needing to hiring new teams.

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We now move on to Slide 8, which will give us more details on that transaction. The value was \$190 million or BRL990 million considering the FX of 5.20. It will be paid when the acquisition is concluded after the monetary authorities have approved it, and we already hedged about 40% of the value to be paid. This portfolio generated an EBITDA of BRL165 million in 2020, and we estimate synergies of BRL35 million which will come to a total of BRL200 million in EBITDA in the 2020 basis [ph]. We're paying four times sales and five times EBITDA after synergies, which makes this acquisition very interesting for our shareholders. The acquired shareholder -- excuse me, the acquired portfolio is already have high margins and we can leverage them even more, when we put them into our business platform. We continue to invest and accelerating our growth without losing sight of our commitment, in making our business profitable.

Of course, we never forget paying our shareholders and the well-being of our stakeholders which are in the next slide. Our interest on our own equity was BRL194 million or BRLO.31 per share, a growth of 5% versus what was declared in the second quarter of 2020. Once again, we received a certification from GPTW or Great Place to Work. And we got (inaudible) from women onboard, an initiative supported by UN Women for the representation of women in our Board. We published our Annual Report in 2020, the first following, the protocols for sustainability reports or GRI, which has information on the main highlights and initiatives in environmental, social and governance aspects. Complying to our mission and being the best and most comprehensive company in the Brazilian pharmaceutical industry. So, the people will live more and better.

I'll now pass it on Adalmario, who will go into the results for this quarter.

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

Thank you, Breno. Good morning, everyone. So looking at our results, in sell-in or our net revenue, our growth was nearly 44%, and this was boosted by the consolidation of the acquisition of Buscopan, and the Takeda brand portfolio. This quarter, we consolidated 100% of the portfolio we acquired. When we compare it to the same basis last year, and exclude acquisitions, it was a lower growth of about 10%, a positive impact from the price readjustment we had from April 1st, with slightly higher volume when we compared to the second quarter of 2020.

The highlights for this quarter came from our excellent performance in the dermatology portfolio -- especially for acne products and moisturizers, which grew 45% in sell-in, and we were also impacted by the gray market portfolio acquisition last year. We also had relevant growth in sell-in and generics and biosimilars and prescription products, as the acute medication portfolio recovered along with our leading brand, such as Predsim, (inaudible), Mioflex and Alivia [ph]. Considering our margins, gross margins were over 65% this quarter, which is in line with the same period last year. And here, we suffered a positive impact from the brand mixed, which helped us to recover these margins this quarter.

Without considering our acquisition, our gross margins would have been 2 basis points lower, especially due to increased costs, in transformation and increased costs for inputs, and also the foreign exchange variation last year. Considering our expenses, we had an

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increase in marketing about 60%, given the higher investments we made in media for the new brands that came into our portfolio. And the highest -- the higher level of free samples CPP, and funds to support recent launches. We also expanded our medical visit teams, which was about 1,250 professionals, 150 higher than last year.

In SG&A, we see the acquisitions and the synergies they brought of the last two years. There was a significant reduction in the percentage of that revenue and a greater dilution of commercial expenses as well as R&D and administrative expenses. So with that, we finished our quarter with an EBITDA margin of nearly 39%, and a 32% growth when we compared to the same quarter last year. If we exclude the effect from other revenues, our EBITDA margin was close to 34%.

Our financial results showed an increase in expenses and increased leverage for the Company, and also the increase in Selic, which is the main index that we use for our debt. So, our net income was nearly BRL480 million, a growth of 20%. The results for this quarter is in mind with our budget for the year, and this gives us the confidence that we should reach all of the metrics in the guidance we sent to the market in early April.

When we look at the Company's cash flow in the last slide, we can see that cash generation this quarter was more than enough to cover all the investments that we've made in CapEx, R&D, which are in the intangibles line here and also our hedge and taxes on declared cash. When we look at city Goiania this also is included in the CapEx line, which is why it's positive. So, when we look at the CapEx invested in the expansion and maintenance, it was around -- of our plants, it was about BRL113 million. But here we're also including other factors. So with that, the Company's cash position went from BRL1.7 billion in the first quarter, to over BRL2 billion at the end of June, and net debt of BRL4.6 billion.

Our debt profile, still has an average term of over three years, with a very attractive cost and a very good cash cushion which will allow the company to honor its commitments without any additional debt for the next years. We're still assessing what the best alternatives are for this, and what will be our needs for higher debt, considering the newest acquisitions of the Sanofi brand.

And to conclude with our working capital, we had a 16% increase in client receivables, 5% in inventories, finished goods and raw materials, and a slight reduction in suppliers. Although, we increased our investment in working capital by about 17%, it was still much lower than our revenue, which contributed towards a reduction in investments, in working capital, which was around 40%, and dropped down to 36% at the end of June.

With that, will pass it on to Breno for his closing remarks.

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

Thank you, Adalmario. So, I'm very pleased with the Company's results this quarter. In the second quarter of 2020, our portfolio was deeply affected by the pandemic and we had a slight retraction in our sell-out. But this quarter, although some important markets still

have not recovered to their pre-pandemic levels, such as anti-influenza medication and acute use medication, we had a growth of 23% in the same comparative basis, which shows a double-digit growth versus 2019.

In the second quarter, we also concluded the first stage in the integration process between the Buscopan and Takeda portfolio, and which is in line with what we were considering. We are on track to deliver the guidance that we promised for 2021, and we're very excited about the potential value generation for our shareholders with the new product portfolio acquired from Sanofi.

Now, we'll focus on reducing the Company's leverage, bringing in the production from the acquired portfolios and will continue on our organic growth strategy by exploring new markets and new distribution channels, as well as innovation and line extensions for the fantastic brands we have in our portfolio.

Thank you for listening, and we'll now continue with the questions-and-answer session.

Questions And Answers

Operator

Thank you. The floor is now open for questions from investors and analysts. (Operator Instructions) Mr. Robert Ford from Bank of America will ask the first question.

Q - Robert Ford {BIO 1499021 <GO>}

Thank you. Good morning everyone and congratulations on your results. Breno, what was the market share for this quarter, excluding the acquisitions? And also, you mentioned that acquisitions will contribute towards your leverage. So specifically, how far long are you in integrating the Takeda acquisitions? And what do you expect when it comes to synergies?

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

Hi, Bob. Thank you for your question. And well, to answer your first question on market share, as we mentioned, we grew slightly above the market value in the second quarter, about 23%, versus 22%, which was the market growth. And our market share is about 9%, on a consolidated basis.

Q - Robert Ford {BIO 1499021 <GO>}

Is that without the acquisitions?

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

No, this is of our total market share. So, this is the same comparative basis without considering acquisitions, because last year, we didn't have that under our management. So about your question on the synergies with Takeda, this is all within our expectation. So for Buscopan for example, basically all synergies are being captured. We are internalizing

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production and that should be concluded at the end of last year and the first quarter of 2022. So this is going to go through some stages right now, but most of the synergies are being captured right now, since we are producing secondary packaging in our plant in Anapolis, and Takeda, as well.

Over the second quarter, we started producing secondary packaging in Anapolis. And now in this third quarter, we'll have the full results of that. But for Takeda, to get 100% of the synergies there, this will only happen in the next five years, as we transfer all of our production to Anapolis. So, according to our supplier agreement, this transfer will happen in the next five years. But a good share of those synergies are being captured, especially by integrating marketing and sales teams, and also producing secondary packaging in Anapolis.

Q - Robert Ford {BIO 1499021 <GO>}

Okay. Thank you, Breno. And if you allow me another question, you spent some time with the business now. And I just like to know if your expectations have changed?

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

Bob, they have. I think we had high expectations for this portfolio. And the performance, it's had so far has confirmed our expectations. As I mentioned briefly in our call, when we look at all of the comparative advantages, the advantage as I mentioned for Sanofi's portfolio, well, they're also true for Takeda's portfolio. So, as we start promoting the brands, and reactivating them, the ones that had not received any relevant marketing investments. For example, this quarter, we have the first campaign for Neosaldina, under our management. So, by having the product in more points of sales, since we have a great channel over very strong besides that channels, we already have, we now have independent channels through our teams.

As I mentioned, we have the transfer order teams which can reach 96% of Brazilian pharmacies. So with all of that, and also the medical visits team, Takeda had a team, but it was much smaller than the one we have. So, we can promote the product in a much more efficient way than they did before. So, we had high expectations for this portfolio and we've been able to reach our targets and our business plan for these products.

Q - Robert Ford {BIO 1499021 <GO>}

Great. That was very clear. Thank you.

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

Thank you, Bob.

Operator

Joseph Giordano from JP Morgan will ask the next question.

Q - Joseph Giordano {BIO 17751061 <GO>}

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Hi. Good morning Breno and Adalmario. Thank you for taking my question. So first, we see that the Company is still capturing the opportunities from mature portfolios that you can accelerate in Brazil. So, do you still see other pharmaceutical companies doing the same, that is using this market opportunity, taking whatever expired relevant patents there are -- that still have a relevant share of the market?

And also if you could tell us what your firepower will be for the future? Just so we can understand what to expect, what level of leveraging would you accept to capture any market opportunities that you see?

And my last question, it's about the last quarter. When we look at our gross margins, we see the acquisitions contributed a lot to your gross margins. But I'd just like to understand what sort of effects we should see in the future? Will we see Generics growing above average for the Company, for example? So that's what I'd like to know. Thank you.

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

Joe, thank you for your questions. And I'll answer the first two, and let Adalmario answer your question on gross margins. So your first question was about other opportunities for divestments in multinationals. We see that this is a clear trend, and we had these three acquisitions, and besides the one -- the ones we mentioned there were other -- a couple of other processes over the last years. Some investments in multinationals. And we believe that this trend will continue.

The big pharma companies in the last years have been changing their strategies, and focusing on some core businesses for them. So, this is what happened with Sanofi, with Takeda, and we believe it will continue in the future. As you know, acquisitions are in our DNA. At first, we're focusing on deleveraging. So, we want to make it under two times, so that we can in the future, participate in other opportunities, that might arise in the market.

I'll let Adalmario answer your last question on gross margins.

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

Hi, Joe, how are you? So regarding gross margins, this quarter specifically, we had a contribution from the acquired brands portfolio, which helped us to increase our gross margins, but we continue to invest significantly in the Generics and Biosimilars segment, which will probably grow when you compare it to other market segments. It's the fastest growing one in fact. And it still has a very low basis. When you look at the entire Brazilian market, when it comes to value Generics, still represent under 20% of the total market. But it has been growing significantly. So for us, it's a very attractive segment and business unit, it generates a lot of synergies and cost efficiency for us. But at the same time, we have been adding to our brand portfolio, we had some acquisitions, which are not only iconic brands, which lead their own categories, also represent products that have very high margin. So, it generate a lot of cash.

And although, we are increasing our leverage, it's a brand portfolio that allows us to deleverage the company very quickly. So overall, when we look at our balance and since

this is the company that has the most diverse portfolio in the Brazilian pharma industry, this also allows us to work on this level of gross margins, which is quite high, 65%. And for the rest of the year, we believe it won't vary that much, it will be around the same level, close to what we saw in the second quarter of this year.

Q - Joseph Giordano {BIO 17751061 <GO>}

Great. Thank you, Adalmario and Breno.

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

Thank you.

Operator

Leandro Bastos from Citibank will ask the next question.

Q - Leandro Bastos {BIO 21416405 <GO>}

Hi, everyone, good morning. I'd just like to talk a bit about the Sanofi acquisition. I have a couple of questions. First, Breno, if you could tell us about what your expectations are for the operational margins? If you could tell us how much of the EBITDA comes from Brazil? And so that's one question.

And about synergies, there are a couple of questions. First, what is the timeline that you have to capture these potential synergies? And also, if you could tell us about the three main fronts, so, tax, costs, and revenue, how much do you expect in each one of these fronts? That's all. Thank you.

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

Hi, Leandro. Well, about margins, we have a mature portfolio with very high margins -- gross margins, which is not very different from the products that we have in our own portfolio. We did -- it did not have a lot of investments in marketing these products, which explains the high margins they have. Regarding synergies, we basically see that the main thing, our fiscal synergies. So, we're going to have some tax benefits for these products as we manufacture them in Anapolis. Sanofi did not have these tax incentives. And this will all be captured as I said over the next years. And we hope to conclude this process by 2024. Regarding Brazil, Brazil represents about two-thirds of our sales, and it will probably be a bit higher when it comes to margins, but this is not a very relevant difference. I don't know if that answers your questions.

Q - Leandro Bastos {BIO 21416405 <GO>}

Yes. And also if I could ask another one. In percentages, are there any class that you see have a higher concentration and that might receive some investments from the Takeda portfolio?

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

Well, we're still going to begin this process with the authorities, but we don't expect to divest with this acquisition. So as I said, these are complementary categories to our own portfolio. And we don't believe there will be a need to divest, differently from what happened with Buscopan and Takeda.

Q - Leandro Bastos {BIO 21416405 <GO>}

Okay. Thank you.

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

Thank you, Leandro.

Operator

Caio Moscardini from Morgan Stanley will ask the next question.

Q - Caio Moscardini {BIO 20856018 <GO>}

Hi, everyone. Good morning, and I have a couple of questions related to innovation. What is the level of innovation that you have in Sanofi's portfolio? I believe it's very -- I imagine that it's very low, but I just like to confirm that with you. And when we consider the Takeda and Buscopan portfolio, how much increase should we expect from the launches in that portfolio? And when will the companies levels go over 30%?

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

Hi, Caio. So to answer your first question, we haven't seen any launches in this portfolio acquired from Sanofi. That was very relevant in the last 10 years. So, these are truly mature brands that are very well known and Sanofi was not focused on investing in innovation for these brands. So similarly to what we did with Buscopan, and Takeda, we have a few brands or some categories that fit into our portfolio, that we had already been developing in our pipeline. So we can make use of that for these brands -- with these brands acquired by Sanofi. So that we can improve brand extensions.

Let me give you an example. For Takeda, we should have about three launches this year for line extensions from the brands we acquired, and one of them has recently been made, one of the biggest launches we have here, which is Alektos, a (inaudible) molecule, so it's going to be pediatric Alektos. It was recently launched, that was launched last week. Doctors are very excited about this new presentation, and we believe that it will have a lot of potential. We have a second generation molecule in a new presentation. So, we still have two other launches to make on two brands in our Takeda portfolio, which have been acquired.

For Buscopan and Buscofem, the same goes. So, we had already been working on one brand, Neocopan. We had a number of projects to extend this brand, and now we have been quickly been able to plug it into the acquired brands as well. So, we'll probably see some news in the next six months.

And your last question was about our innovation index. As you can see, we are seeing brand launches accelerating this year. So, if everything goes according to our expectations, we should launch over 100 new products this year. And that will continue the innovation level above 30%, close to 35% for the next years.

Q - Caio Moscardini {BIO 20856018 <GO>}

That's great. Thank you.

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

Yes, I'm not sure if I answered your -- all of your questions.

Q - Caio Moscardini {BIO 20856018 <GO>}

Thank you.

Operator

Irma Sgarz from Goldman Sachs will ask the next question.

Q - Irma Sgarz {BIO 15190838 <GO>}

Hi, good morning. I'm sorry if you've answered this already, but it wasn't clear to me. If you discussed the Sanofi portfolio outside of Brazil, I assume you're going to continue with the same plan that you used for the Takeda portfolio where you continued after the launch. And I'd also like to ask about your market growth the 22%, you mentioned. What is your expectation for market growth this year? It started in the low-teens earlier this year, and now it's slightly above 20%. And of course, there were increased prices, but I just like to get a feeling of what do you think about market growth for this year?

And also with these 22% of the market growth, how much of it was ballooned by increased prices? Thank you.

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

Hi, Irma, good morning. So to answer your first question, on the portfolio outside of Brazil, as you know, we're still focusing on Brazil and we'll analyze the best opportunities for this portfolio. We're getting ready to take this portfolio by having good infrastructures in other countries, starting our offices there and we're going to assess it. We might license the brand for other players, and maybe even sell it or have a partnership outside of Brazil. But this is still being assessed.

Regarding the market growth, it was about 50% volume, 50% price. As you mentioned yourself, there was a relevant price hike in the second quarter. And the estimated growth for the market was about 10%, so low double digits. The comparative basis for the second quarter was weaker for us and for the entire market. So, we believe it will be at the same low double digits level for 2021. And our expectation is to grow mid-teens and sell-out in 2021. Recovering a part of the effects we had in 2020.

Q - Irma Sgarz {BIO 15190838 <GO>}

That's great. Thank you.

Operator

Mauricio Cepeda from Credit Suisse will ask the next question.

Q - Mauricio Cepeda {BIO 21783651 <GO>}

Good morning, Breno and Adalmario. Congratulations for your sell-out growth, which seems to be very sustainable. And I'd also like to ask about marketing expenses. Considering medical promotions, besides going back to regular promotions, did you also get any sales force from Takeda? And do you intend to optimize this from a broader prescription portfolio? So that's my first question.

And also looking at consumer marketing, I see that this grew significantly. Adalmario even mentioned that this was due to new brands being promoted, the acquired brands. But was there any other factor that drove this? Do you expect your sell-out to accelerate? Will this be the new normal? Or will you gradually remove these marketing expenses?

And also Irma had asked about volume growth. We heard that some -- there were some discounts because of the dollar variations, and how this decreased a bit. So, what is your perspective? Is the average market price going up or down, and what do you intend to do? You intend to increase or reduce your average price? Thank you.

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

Hi Cepeda, I'll take your first questions and Breno will take the last one. Regarding investments in Prescription, I think overall the main effect we see is a base effect. If you compare this quarter with the second quarter of 2020, basically that's when we started seeing the effects of the pandemic. So, medical visits were suspended, our entire team started doing remote visits. We also had collective time-off for most of the team, and a lower level of free samples of events, conferences. So, that was the main effect, this quarter's here [ph], we already see it recovering. We see that most of the team has already recovering to actually a higher level of visits than we had last year. Some teams are doing 100% face to face visits, but there was also a hybrid model that we adopted in the beginning of the pandemic. So, that also increased the productivity for the team. But basically we're working at a very normalized level, and events and conferences are starting to recover with doctors.

Regarding media, we also have that base effect. So last year during the pandemic, we also reduced that level of investment entirely. So now, we see that investments are going up again. And this is also strengthened as Breno said, by our first campaign, for example with Neosaldina. So, the rationale behind the acquisitions is to recover our marketing and media investments behind these brands, which we believe we're not at the ideal level.

So, I think recovering these investments in media and visitation will accelerate our sell-out level. That's our goal at least. And to answer your question on the average discounts, I

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don't have the data with me right now, but that is a trend that we're seeing. Costs have gone up significantly as you see, this is quite clear in our figures. Our competitors have a very similar cost structure to ours. So all APIs from our competitors are also imported. And increased prices from April this year were not enough to offset the foreign exchange impact, it corrected to a level of about BRL5 on average. So, it's expected that discounts were reduced, and I think that it will depend a bit more on how foreign exchange will be stabilized in the future. But you can get this info from the folks in Investor Relations. We don't have the data here, but this is a trend that we're seeing and it should continue for the next months and quarters.

Q - Mauricio Cepeda {BIO 21783651 <GO>}

Great. That's very clear. So just to confirm, you're more aggressive promotional strategy will continue from what I understand?

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

Yes, I think, so that this quarter we're at a normal level, when it comes to marketing expenses. And for the rest of the year, it will probably continue around the same level.

Q - Mauricio Cepeda {BIO 21783651 <GO>}

Great. Thank you.

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

Thank you.

Operator

(Operator Instructions) Thank you. The Q&A session is now closed. We will pass the floor to Mr. Breno Oliveira for his closing remarks.

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

Well everyone, I think we covered all the ground we wanted to in our presentation and also in the questions-and-answer session. Thank you for listening. Thank you for being interested in Hypera. And we're available through our Investor Relations team to answer any of the questions you may still have about our acquisitions, and about our results for the second quarter. Thank you, and have a great day.

Operator

This concludes Hypera Pharma's conference call. Thank you for listening and have a good day.

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