Operator:

Good morning, and welcome to Hypera Pharma conference call for the earnings of 2021. We have with us, Mr. Breno Oliveira, CEO and Mr. Adalmario Couto, Investor Relations Director.

We would like to inform you that this event is being recorded and that during the Company's presentation, all participants will be in listen-only mode. After that, we will begin the question and answer session for investors and analysts, when further instructions will be given. If you need assistance during the conference call, you can request the help of an operator by dialing *0.

We would like to inform you that questions may be asked through a phone connection. If you are connected through the webcast, you should send your question to the Investor Relations team through ir@hypera.com.br. This is being broadcast online in our Investor Relations website, hypera.com.br/ri.

We would like to inform you that some of the information in this conference call might be projections about future expectations, which are subject to known and unknown risks and uncertainties that may cause these expectations not to materialize, or it could be substantially different from expected.

We will now pass on to Mr. Breno Olivera, who will begin his presentation space. Mr. Breno, over to you.

Breno Oliveira:

Good morning, everyone. Welcome to our earnings call for the year of 2021.

I am going to begin my presentation by talking about our growth on slide 3. Since we became an exclusively pharma company in early 2017, we started a strong investment program to boost our sustainable growth, especially investing in innovation, production capacity, acquisition and to give visibility to our leading brands.

2021 showed we were taking the right path and that we are at a new operational performance, proving that we are the best prepared pharma company to capture the several growth opportunities in the Brazilian pharma industry.

Our sell-out grew organically by 16.3% this year, which is 2.1 p.p. above the market average. For the 4Q, we had a growth of 15.2%, or 3 p.p. above the market average. We have been posting consistent above market growth every quarter for about a year and a half.

Prescription products were the main highlight this year, sell-out grew 20.1%, 7 p.p. above the market average. In skincare, we once again gained market share, especially due to line extensions in the last quarters and an expansion of our medication portfolio acquired from Glenmark in early 2020. The Neo Química brand with biosimilars and generic drugs went up 16.1%, especially due to accelerated launches of new generic molecules and an expansion in production capacity this year.

In consumer health, our leadership was expanded with organic above market growth, 3.1 p.p. above the average.

Anti-flu medicine is a category we lead with brands like Benegrip, Coristina, Fluviral and Apracur, and it was the major highlight in the 4Q due to a recent increase in flu cases in Brazil, which allowed us to grow twice as much as the consumer health market in that quarter.

We are the only pharma company that has a relevant presence in all segments of pharma retail, and we had great organic performance in basically all of them. So I would like to take this opportunity to thank all of our employees for their efforts and their dedication in 2021. Without them, we would not have reached these numbers.

At the same time as we were focusing on organic and sustainable growth, we also concluded the acquisition of the Takeda brands in early 2021, and we developed the integration of these brands, and also Buscopan added to our portfolio in late 2020. These brands are benefiting from our business platform, getting more exposure in sales and in media, and they are getting more medical promotions, which improved our sell-out throughout the year. We expect the acquired brands to add even more to our performance in 2022.

Continuing, we will talk about innovation on slide 4. Our product portfolio was extended through several important launches in 2021, and we would like to underscore our intern motto of always launching new products, always on time and on budget.

We launched Vaban, the first drug based on rivaroxaban for medical promotion in Brazil after the particle was broken, meaning that Hypera entered the biggest therapy class in Brazilian pharma retail. We were also the first to launch melatonin products with Vitasay Melatonin and Neo Química Melatonin, as soon as melatonin was approved in Brazil by the authorities.

Our innovation teams deserve kudos because we are the pharma company that most launches product in Brazil, and they really made a difference in 2021 once again.

I am not going to talk about all launches we had this year, it was over 80 new products, but we expect that these products will add about R$1 billion to our gross revenue in peak sales. In 2022, we expect to launch over 100 new products across all segments, which, according to our expectations, may add R$1.6 billion to our revenue when we reach peak sales, as you see on slide 5.

Another important step that we took in 2021 was expanding our production capacity, which we will discuss further on.

In 2018, we decided to increase our investments in production capacity in our plant in Anápolis to meet the growing demand for our products and also for new launches. We concluded the project and expanded our solid production capacity by 75%, and we have already been seeing the benefits of that expansion in the Company's recent growth.

We have also advanced in expanding our vitamin production capacity, a strategic segment for Hypera, which has already been growing at a fast pace in the last two years. We should reach a capacity of over 1 billion pills per year at the 2H22.

Besides that, in 2020, we also invested in tripling our injectable production capacity 2023. It will also support our new initiative to go into the institutional market, which I will mention on slide 7.

The institutional market corresponds to about half of the total pharma market in Brazil, and it has been posting consistent growth rates of two digits in the last two years.

As we said in the last Hype Day, in 2021, we set our strategy and we started organizing our structure to go into the institutional market. We have over 20 experienced professionals who are dedicated to this new business unit, and we are creating a research and development area for the institutional market. We are also developing a pilot plant with over 10,000 m² in São Paulo to support our growth in that market.

The Company has mapped over 70 molecules to be launched in the next few years, in oncology, specialties and biologicals, and we are complementing our work through Bionovis, a potential market of R$12 billion. We hope that this new business unit can represent about 15% of our revenue in 5 years.

We recently got an approval with Anvisa to temporarily sell immunoglobulin, given that this molecule is facing shortages in Brazil. We are happy to take that important step and help the Brazilian population to access the molecule in such a critical moment for the market.

Immunoglobulin is one of the biological products in our new products pipeline, and we hope to get a definitive approval for the molecule with Anvisa in the next few months.

Besides some important operational and financial advances this year, we have made significant strides in several topics related to sustainability in our business, and we have not lost sight of our commitment to conserving a good environment and well-being for our stakeholders.

We entered dermocosmetics with Bioage, and we announced an acquisition of 12 brands from Sanofi that includes iconic brands in consumer health such as AAS, Naturetti and Cepacol, besides some prescription drugs like Buclina and Hidantal. We expect to conclude the acquisition very soon, depending on approval from monetary authorities.

Another important advance this year was the creation of the Hypera Partner Program, our omnichannel B2B platform, allowing all drugstores in Brazil to have access to innovations and special conditions in our products portfolio. In 2021, we sold over R$100 million through that platform, and we hope to reach R$300 million in sales through the platform in 2022.

Moving on to slide 7, once again, we were certified as a Great Place to Work, and we started integrating the IGPTW portfolio from B3 in the last quarter. We also got an approval from Women on Board due to how women are represented in our board. And we also evolved in the main global ESG rankings, such as the Dow Jones Sustainability Index, MSCI and CDP.

We also joined the 'Juntos Pelo Araguia' project that will increase water availability in the Araguaia basin through forestry conservation and soil conservation initiatives. We will continue to invest in sustainable growth and in the well-being of our stakeholders, without losing sight of our commitment in compensating our shareholders.

We approved payments of interest on own capital of R$779 million, R$1.23 per share, 5% above what was approved in 2020.

Before passing over to Adalmario, I would just like to quickly talk about changes in our administrative structure that we announced yesterday. Adalmario will now focus specifically on innovation, business development, digital, new businesses and investor relations, and other financial attributions will be passed to Ramon.

Ramon has been working for the Company for nearly ten years. He has worked in planning and projects, and he was already the Company's financial director in the last two years. We would like to wish all the best to Ramon, who is now the CFO at Hypera, and Adalmario will focus specifically on initiatives to boost our long term sustainable growth.

I will pass it over to Adalmario, who will talk about this year's results.

Adalmario Couto:

Good morning, everyone, I hope you are all doing well. Thank you, Breno. Thank you for your confidence in these new responsibilities. It is an honor to be able to be closer to the Company and help us growth through the sales of new products and new categories here in Brazil. And I hope we can continue having innovation in our power brands.

As you mentioned, in the last year, we were able to launch several products, and we still have a lot of potential ahead of us with the products to be launched in 2022 and everything we have in our pipeline. We have also invested significantly in acquisitions, partnerships with startups and creating new business models of the Company, which is the case for e-commerce, B2C, loyalty programs and the partnership that you mentioned. I think there are several opportunities ahead of us to add categories to our portfolio to look into new channels and new opportunities.

Looking at 4Q figures and figures for 2021, we had an exceptional 4Q, one of the best ones in the Company's last 3 years. I think we were able to clearly show that Hypera is operating at a different level now. Our sales were 43% above what we had in the previous year, quite leveraged by the Takeda acquisition and some other smaller acquisitions like Bioage and Simple Organic, which added about R$300 million, a total of R$1.6 billion.

When we compare to the previous year and excluding acquisitions, our growth was nearly 16%. And a lot of it came from a 10% volume increase, and the rest from price increases. The main difference this quarter is that our main growth came from consumer health and prescription brands, which is different from what we had seen in previous quarters, where the biggest share came from generics.

Gross margins were above 62% this quarter, up 1 p.p. comparing to 2020. Even with increased prices from inputs and transformation costs, we were able to get better margins, especially due to a better mix and the brands we acquired from Takeda, increase in sales in our traditional brands in anti-flu medication, and due to foreign exchange effects, given our hedge policy, which had a very positive effect.

For this year, we have basically hedged almost 60% of our purchases for the next 12 months, and we are using this reduction in the last few days to increase our protection.

Considering expenses, we had a relevant drop across all our expense lines as a percentage of revenue, expenses in sales, marketing and administrative. Put together, they used to represent 38% of our revenue, and now they are under 28% this quarter, a reduction of nearly 4 p.p. in marketing and sales.

These are the main expenses that the Company has, and I think that demonstrates very clearly for one more quarter our potential synergy as we bring in new brands and launches into our platform.

So that concludes our quarter with a EBITDA margin of 35%, an EBITDA of R$571 million, a growth of 61% versus the same quarter last year. The financial results were impacted by a higher leverage in the Company after acquisitions, and also the variable cost of our debt, which is fixed with the CDI. So our growth was nearly 12%.

When we look at a snapshot for the year, it is clear to see how 2021 was transformational for the Company. 45% growth on net revenues and an organic growth above 15%. Our gross margin in 2021 was at the same level of 64% in 2020, with price increases and integrating acquired brands, which offset foreign exchange pressures and higher input prices.

SG&A expenses represented 32% of our revenue in 2021, a reduction of 6 p.p. versus 2020. And here, once again, in marketing, although there was a reduction as a percentage of our revenue, we increased our investment by R$250 million, our investments in media, CDP and representatives for medical visits. We also added R$60 million in expenses with sales teams, and we continue to invest in new projects to develop our R&D.

With that, our EBITDA was above R$2.1 billion, a 46% growth and margins above 35%. Net profits above R$1.6 billion, and a growth in 22%. These figures are above the guidance for 2021. Revenues are slightly above the guidance, and net profits above it by 4%.

Continuing with our cash flow and working capital on slide 11, our working capital had a reduction at the end of the year in accounts receivable and suppliers, and this was due to the consolidation of the acquired brands from Takeda and Buscopan. On accounts receivable, these brands have lower terms with our clients, and on accounts payable, we also have some terms to pay our suppliers, which are lower than what we had negotiated with our other input providers. That also reduced our accounts payable from the 4Q21.

As the products become more internalized, we have some room to grow and to improve accounts payable, and we will begin that process for Buscopan in March, and in Takeda we are expected to begin in 2024.

This puts us at ease with our net levels. We are at a very solid position with record occupational cash generation of R$1.4 billion and above 16% growth versus last year. With the cash generated, we can maintain our capital allocation priorities and optimize how we use our operational cash in investing and increasing production capacity.

We will also have a healthy production pipeline and invest in future acquisitions that will add to the Company's portfolio, and any excess cash will be given back to shareholders in the best way possible.

The Company generated more than enough cash to cover our CAPEX investments, which were at a record high this year, above R$180 million, which was what we invested in 2020, and also all of our R&D investments, part of which have been activated.

And our funding flow, we had a positive balance of R$1.5 billion, which reflects new issuances that brought in cash about R$2.2 billion, and also interest rate payments, and especially rebuying shares and gains in investment hedging.

So we finished the year at nearly R$2.3 billion in cash, a net debt above R$5.1 billion. And when we adjusted to the IOC in 2021 and the Sanofi brand payments that should take place in the next few days, our net debt will be around R$6.5 billion, or 2.5x the EBITDA estimated for 2022.

I will now pass it on to Breno, who is going to talk about the financial projections and final remarks on slide 12.

Breno Oliveira:

Thank you, Adalmario. 2021 had important advances for Hypera. About R$2 billion invested in production, innovation and promoting our leading brands to strengthen our business platform even more.

We invested more than any other Brazilian pharma company invested in 2021. These investments contributed to the Company so that it could expand its organic market share in 2021, and also so it could start 2022 with a strong performance.

The first two months appoints that our sell-out will grow to above 30%. This underscores how we can continue to be the best prepared pharma company to capture growth opportunities in the Brazilian pharma industry.

Based on our recent performance, we also announced our guidance for 2022, which are:

- Net Revenue of R$7.4 billion;
- Adjusted EBITDA for continuing operations, excluding other revenues and expenses, of about R$2.65 billion;
- Net Income from continuing operations of around R$1.7 billion.

That concludes our presentation. Thank you, everyone, and we will now continue with the questions and answer session.

Robert Ford, Bank of America:

Thank you. Good morning, everyone. Congratulations for your results. Breno, can you expand a bit on the oncology market for Bionovis? The press release mentions 70 molecules and an addressable market of R$ 12 billion. Is that all Bionovis or does that include other segments? And are those all monoclonal antibody therapies and peptide therapies, or is Bionovis developing other biological capabilities?

And I was also very curious about OTC as a whole. In the press release and in the remarks this morning, you mentioned that the sell-out of the consumer health division is 2x market growth, and most of that is OTC, but not all. If you look at OTC as a whole for Hypera, what percentage of sales is OTC if you put it into a single bucket, and what is the sell-out of OTC?

And lastly, would you mind commenting on the progress you're making with Simple Organic?

Breno Oliveira:

Thank you for your questions, Bob. I will answer in Portuguese, and I hope that you are listening to the translation.

Roberto Ford:

No problem.

Breno Oliveira:

To answer your first question on Bionovis, when we talk about the addressable market, R$12 billion, we are talking about the market that Hypera will be working on directly through our new business unit, and that excludes the Bionovis market.

The addressable market for Bionovis is about 30% of our total institutional market. So that is about R$18 billion. So that R$12 billion is in addition to what Bionovis has been posting. So we are focusing on monoclonal antibodies, which is their area, and this of course, includes biological medication but not monoclonal antibodies, and also medical specialties and oncology. That is what we are focusing on directly.

The team I mentioned that has 20 people that we are putting together, which will represent hopefully 15% of our revenue, excluding Bionovis. That is the joint venture that we have, a 25% share of focusing on biosimilars.

So considering your second question, Bob, about the OTC market, and congratulations on the report you published recently, by the way, OTC as a whole represents about 50% of our portfolio. All medications that do not require prescriptions to be retained and also the dermo portfolio, which has a similar profile.

And that is the strength of our portfolio, 50%, because when it is done correctly, with all the right investments into marketing, everything being done efficiently for brand visibility in media and POS, it buffers our business. It protects our business.

So you can see that even in developed countries that have fewer generics brands, branded products still have great margins, and also allow us to carry out our strategy, which is our core business, extending the line using umbrella brands, strong brands to extend our product portfolio on that brand. And through that, we are much more efficient in our marketing expenses.

So that is it. Unilever recently had a bid, as you said in your report, that was 18x the GSK portfolio and it was not accepted. That is the major strengths in our portfolio.

So to answer your last question, about Simple Organic, we are very optimistic about the acquisition. We have about 65% of the Company. The entrepreneur who created it is still running the business, and we hope that the Company will be a separate entity to keep its agility. It has been doing very well, in 2021 it tripled its income, and it is expected to double it again.

So besides that, we have also been learning a lot from it in Hypera, and that was the main reason behind this investment, especially in cosmetics and direct-to-consumer relationship.

We also recently launched our website in direct to consumer cosmetic products. So the business has been doing very well, and it is going to start selling in the U.S. as well. Simple Organic is going to start a new growth phase selling online in the U.S., and it will focus on that model of Brazilian beauty.

So we are very excited about these investments. I think that answers all of your questions, right?

Robert Ford:

Yes, that was very good. Thank you.

Vinicius Figueiredo, Itaú:

Good morning, everyone. Thank you for taking my question. So the first thing I would like to talk about is generics. Your generics portfolio is very relevant considering your launches for 2022, but we have seen slightly lower sell-out performances, or lower than the market. Can you tell us about what you are mapping to accelerate organic growth in this category?

My second question is, for your 2022 guidance, the EBITDA margin we are seeing, excluding other revenues and expenses, is above what we had been expecting. So we would just like to understand how much of that came from the Sanofi contributions. Or is that a synergy that is being better captured than you expected? That is basically it. Thank you.

Breno Oliveira:

Vinicius, thank you for that question. So let me answer your first question on generics, and Adalmario will answer your second one. Generics and similars, the brand grew slightly below the whole market performance, but for the last quarter we see that it has been picking up steam.

So it is a market that faces tougher competition, but that is a part of our strategy. We want to grow above the market average. We are trying to lead the pharma industry, and that is the fastest growing segment in Brazil, so we have to play there.

With that being said, although we are facing a tougher competition, it is still very profitable for the Company. Considering our cost structure, there is a lot of synergy with other business units. So it is still very profitable for Hypera.

To look ahead, the strategy we are looking at, in the past, we focused on having a higher stake in other therapeutic classes, having more coverage in generics. We have launched several products, several molecules in the last years and months. Again, rivaroxaban, we were the first to launch it with medical promotions, and the second to launch it in the generics market. And now we have also been seeking cost reductions, so finding efficiencies in manufacturing and also sourcing raw materials.

So that is a core. In this market, if you have the best cost, you are going to stand out. And that is why we are trying to get more suppliers and more options and input suppliers at the lowest cost possible.

So that is our strategy. And of course, we will continue to invest in processing, which we have already been doing, and we will try to be the first to launch molecules once patents are broken.

So with rivaroxaban, we were one of the first, and that is our goal from now on, especially looking at how many patents will be broken as there is a new understanding from the Supreme Court in Brazil about how patents can be broken.

So I will pass it on to Adalmario so he can answer your next question.

Adalmario Couto:

Vinicius, incorporating Sanofi brands to our portfolio do help with our margins, because the gross and the EBITDA margins for these products are above the Company's, and that connects to our potential synergies, which we have shared with you before. So that will take us to much higher EBITDA margins than what we have in our portfolio.

In absolute terms, they are not that significant, but in proportional terms, the acquisition is one of the ones that has most given us synergies as a percentage of our income, our revenues.

So we are going to bring these brands to our platform without any additional investments in personnel or structure. We are going to use the same structure we have today, which is one of our strengths. We have one of the best structures to visit stores, to market, to do medical visits, as we have done last year.

So we are just adding the Takeda brands, and also using the same infrastructure to promote the prescription brands that are coming through the Sanofi portfolio.

So besides this Sanofi acquisition and integration, there are some other factors that have been contributing towards on margins. The main one is higher prices, which we are expecting in early April, and also the higher demand that we started seeing last year, and that will continue throughout the 1Q, especially for OTC and consumer health brands, and also prescription brands.

This is a part of our portfolio that has above average margins. So there were a number of factors that gave us confidence in the guidance we gave you, and margins should continue to be higher than what we delivered in 2021.

Vinicius Figueiredo:

Great. Thank you for that answer.

Mauricio Cepeda, Credit Suisse:

Good morning. Thank you for taking my question. I have a couple of questions. Of course, within what you can see, but if you could tell us a bit about how your agreement with the general prosecutors have been going on in the past investigations. We would just like to get some perspective on that.

And I also have a question about your receivables. You are at a very good moment when it comes to sell-out, your working capital seems to be stable, but would not this be an opportunity to reduce your inventory levels, and could that help you to have greater bargaining power with your suppliers?

I have another question about the ecosystem. You are developing several new products in retail and some institutional ones, and then I would just like to ask what percentage of the retail market is still untouched by your generic. So how much space do you still have in retail? And considering that in the last few years, many of your innovations have been in the institutional space, I am just wondering if there is a lot of opportunity in retail. I will stop at that. Thank you.

Breno Oliveira:

Cepeda, I am going to answer your questions in reverse order. If I understood it right, you are asking after all of our new launches, how much white space there still is in the retail market that we can work with.

Today, we are at about 60% of generic molecules. So there is still a potential of 40% that we can work on. We have mapped that, we have been developing and trying to get higher coverage, besides the markets that will still be created in Brazil as patents are broken. There are some categories that do not have any generics yet, so that will provide us with a lot of opportunities for growing in the next years.

You asked about if there are any opportunities to reduce receivable levels, and we are operating at a higher inventory level than the average in the pharma industry. That was significantly reduced when we made some adjustments in 2019, and our goal is to keep it the way it is.

We know there is an investment in working capital, but we believe that the benefits outweigh the costs. So having some more inventory with our clients does not come at a higher cost for the Company nowadays. There is some working capital costs, but when it comes to margins, that does not come at any cost for the Company, and it gives us an advantage, just as we recently saw with the demand boom for anti-flu medication, painkillers, fever medication.

So, we had a high level of demand since December, and we were able to perform better. And I think a part of our success in gaining market share in these categories was due to the fact that we had products available when there was a sudden increase, a sudden spike in demand on the short term. So we will continue with that strategy, and again, that does not have any additional cost, besides working capital for the Company.

So to answer your question on a possible agreement, again, I will repeat what I have said during the last calls. The Company is focusing on that. We have been working on it. It is a priority for us. We want to solve it as soon as we can, but unfortunately we have no news to share on that end. What I can say is that we are much further along than we were three or four months ago when we had our last call.

Mauricio Cepeda:

Great. So I just want to ask something else. The 40% potential is the number of molecules, right? And how much is it worth in the retail market?

Breno Oliveira:

No, when I said 40%, I meant market value. The number of molecules, I do not know, but it is probably similar. But I was referring to market value when I said 40%.

Mauricio Cepeda:

And are there any big opportunities besides that one to add to that?

Breno Oliveira:

Yes, there are several other great molecules. Apixaban is going to have its patent broken, and it is similar to rivaroxaban, and I think it will be broken in September. So there are several other markets that really picked up steam with patents being broken, and we intend to be the first few to go into those areas.

Adalmario can add some more information to that.

Adalmario Couto:

We mentioned that during the Hype Day, but there is a very significant market for anti-diabetes molecules. Several molecules will have their patents broken later this year, and we have many of them under development in our pipeline, and it is a huge market that will also start seeing some patents being broken this year or next year.

So we really expect that this market will take off. We are talking about generics and other brands that are prescription that will be added to the market.

Mauricio Cepeda:

OK. Thank you.

Vinicius Strano, UBS:

Good morning, everyone. Thank you for taking my question, and congratulations on your results. If you can tell us a bit more about your guidance, what gross margins are you expecting, and what level of foreign exchange rates did you consider for the guidance?

And considering melatonin, can you tell us what is the addressable market, and what market share do you expect to get in that segment? That is all. Thank you.

Adalmario Couto:

I will take your question. Gross margins should be at a similar level to what we had in 2021, probably no major changes there. Foreign exchange, as I said, 60% of our expected purchases from the next months are locked at around R$5.30, and we have been making use of this reduction in the last few days to increase our exposure. So it should be below R$5.30, but our projection was R$5.30 for the guidance.

Considering melatonin, I think everyone knows, but this is a huge market in the U.S. and in other countries in Europe, and it only began in Brazil in October, when it was approved by the authorities. So we were the first company to launch a melatonin product in the Brazilian market, and we basically launch it across all of our categories, so we have one brand that is prescription that has a different formula, in our Vitasay line, we also launched it, and under Neo Química as well. So we were not only the first, but the Company that also most launched different products since it was approved.

And we see that this market will expand quickly. There are several indications for melatonin, not only moderate and light insomnia, but also some other indications that we are exploring. And it can also be associated to other ingredients.

So it is a promising market, and we hope to explore the strength that Hypera has of being in several market segments, so that we can make melatonin available to several targets under several indications.

Vinicius Strano:

Great. Thank you.

Joseph Giordano, JPMorgan:

Good morning, everyone. Thank you for taking my question, Adalmario. I would like to talk again about synergies. We have seen that operational efficiencies have been gained in operational areas and marketing. So when you look at your portfolio expansion strategy across all brands, how is that line going to behave?

We would also like to hear more about R&D. We see that you have invested more in R&D because of the market opportunities that you have been seeing. Within those opportunities, have you been looking at any potential partnerships for certain products with outside companies that already have some experience with that pipeline? Thank you.

Breno Oliveira:

Concerning reduced expenses and SG&A, I think you should expect it to dilute. Of course, less than what we saw in the last year, but when we have any acquisitions, basically, what we are buying is especially gross profits. We announced some deals, and we were basically buying gross income. Of course, the structure is increased, but it is a very small share of revenues brought in by the business.

Basically, we have Takeda results practically incorporated in our business, it was only in the January figures that were not, and Sanofi will be, of course, smaller this year, and we do not expect to have to add any infrastructure to add these new brands to our portfolio.

Considering R&D, we do not expect any relevant increase in R&D expenses right now. We have basically reached our capacity in the retail market. Our R&D will remain the same, so those are the levels we will continue with.

There should be some slight increases considering the institutional or hospital market, but they are not so relevant yet. They might grow over some time, but they will probably not grow as a percentage of the revenue. I think we have reached a peak of our R&D investments as a percentage of revenue.

Adalmario Couto:

And to answer your next question concerning partnerships, we have been developing that area of business development in the last few years. We have great partnerships and great launches for the next years. We have over 50 partners currently with Hypera. We have launched over 10 products with some of them.

So we hope to continue to expand the number of products that we have with our partners, and maybe start new partnerships, especially with technologies and pharmaceutical formulas that we do not have in Brazil. I think that is our major focus.

And considering the hospital, our institutional segment, our growth will be based on partnerships initially, as Breno said. We are still going to develop our R&D, our pilot plant, so that we can develop our own products in home, but we want to get a higher share of the market through our partners, at least initially. So it should go up from the 50 partners we have now. It will definitely go up.

Breno Oliveira:

That is exactly the same strategy we used when we began focusing on innovation in 2016 or 2017. It is exactly the same. We started our first steps through partnerships and then over time we put our portfolio together, having our own products.

Joseph Giordano:

Great. If I can refer back to R&D, when you say that there should not be major increases, are you talking about nominal terms or as a percentage of your revenue?

Breno Oliveira:

Both in nominal terms as well as the percentage of our revenue. Probably nominal on the short term, and on the medium term as a percentage of our revenue.

Joseph Giordano:

Great. Thank you.

Renan Prata, Citibank:

Good morning, everyone, thank you for taking my question. I think most of my questions have already been answered, but I would just like to know if you can tell us a bit about sell-out growth in the beginning of the year. You have answered a previous question, but if you could give us some more color on what is leading that growth.

And also, I would like to ask about your leverage, which was at 2.5x. If you still believe that you have space for bigger acquisition, if you are looking at anything at that level you had in the last months. Thank you.

Adalmario Couto:

To tell you about our sell-out, we have been seeing a positive moment since last year. A big difference we saw in the market was that previously, especially with the new covid wave, people started treating covid as it were just the flu, which is very different from what we saw in the past, in the beginning of the pandemic, where we had a very negative impact to our portfolio, especially in the 2Q20. It was different this time.

But besides the additional demand that we have been seeing due to the spike in covid and flu cases, we are also seeing some other categories taking off. Supplements had also been growing strong in 2021, but in the beginning of the 2Q, it had a slightly lower growth since it had already been growing so much in 2020, and then it accelerated again at the end of 2021.

That demand on vitamins for immunity, vitamin D, vitamin C as well is a market that we just got into last year, so that also had a higher demand.

And our entire ‘summer portfolio’ performed very well. All of our brands, such as Epocler, Tamarine, Estomazil, Engov has also been very successful since we launched the English After product.

So we had a generalized spike in demand, and the only segment that we still have some potential to grow in is biosimilars. We are leaders in that category, and we have several initiatives so that we can have greater demands of that area. But besides that, all other categories we work in have been growing above average, and we have been gaining market share in the 4Q and earlier this year.

Breno Oliveira:

And Renan, considering the acquisition strategy with leverage, on the short term, we are not focusing on new acquisitions. Leverage is relative because it depends on your interest. If it is 2.5x with low level of interest rates, it is very different if interest rates were higher. So we were focusing on how we are investing on our business, organic growth investments in R&D, CAPEX to expand our capacity and deleveraging. And also, keeping compensations for our shareholders, our payouts.

So this year, I do not think that we will see anything relevant when it comes to acquisitions.

Renan Prata:

Great. Thank you.

Caio Moscardini, Santander:

Thank you for taking my question. I would like to hear a bit more about your initiatives in the institutional market. What are you expecting from the pilot plant? What investments will you need to make to finish that plant? Just to see if you have had any revenue in 2021 from it, and what was it as a percentage of your revenue? Just to give us an idea of your potential growth to reach 15% in 5 years. That is all. Thank you.

Breno Oliveira:

Caio, this new area starts with R&D. So until the end of this year, we will have R&D working, and it is all done in stages, one right after the other. So the first step is R&D, developing products, and then later on, we will have a pilot plant ready. And probably for late 2023 or early 2024, the plant will be ready, and that is when we will really need to go into the product development process.

So it is within schedule. This year, we should see some investments around R$100 million, R$150 million, but that is within our CAPEX plan for the year.

Concerning sales. I think we mentioned it, but we were working in the institutional market, but very slowly, without a dedicated structure for it, basically by using the products we already had in our portfolio, retail and the products that were best suited for the institutional segment. But we have already doubled our sales in 2021. In 2020, we had about R$80 million, in 2021 we had about R$160 million, and we also hope to continue growing to R$300 million in 2022 in the institutional segment.

So it has been growing, and now we have a dedicated portfolio, a dedicated team. So we are confident that this is a great growth path for the Company for the next years.

Caio Moscardini:

Great. Thank you, Breno.

Operator:

Thank you. That concludes our questions and answer session. We will pass it over to Mr. Breno Oliveira for his closing remarks.

Breno Oliveira:

Thank you, everyone. Thank you for being here and listening to our call. We are very happy about the results that the Company has been having, that it had in 2021, and we are very excited about 2022.

If you have any other questions, our investor relations team is available, so you can contact us. Thank you once again. Have a great day, and a great Carnival. Goodbye.

Operator:

Thank you. That concludes Hypera's conference call. Thank you for listening. Have a great day.