

## Major Shift in Working Capital Strategy Announced; Updating Estimates and Downgrading to Market Perform

**The news.** Hypera announced on Friday night a process to optimize working capital by reducing the payment terms granted to clients. This decision, made by the board of directors and the company's strategy committee, aims to enhance the company's cash flow profile in the coming years. Among the drivers for the shift in strategy, the company mentioned the context of higher interest rates, as well as reducing credit risk and minimizing the need for significant discounting activities in the future. Additionally, the company announced a new share buyback program of up to 30 million shares for the next 18 months, representing 7.5% of the current free float.

**The short-term impacts.** The company published a presentation (which management will discuss on a [conference call on Monday at 9AM BRT](#)) outlining the impacts on the company's main operational metrics. According to the presentation, no impact is expected on projected sell-out growth, but a significant decrease in sell-in is anticipated (as the company corrects the inventories of the sales channel), which may result in operational deleverage. As a result, we should expect negative impacts on EBITDA and net income up to 2Q25.

**The company's rationale in the longer term.** The driver of the strategic fit is to create a better environment for cash generation by reducing accounts receivable (the company's guidance aims to reach 60 days by 2025YE from the 116 days in 2Q24). Additionally, balancing the product mix at clients will optimize product capacity, reduce discards, and minimize inventory losses. By 2028, the expectation is to decrease discounts, returns, and inventory losses by BRL 157 million per year, while also increasing gains in accounts receivable and financial income through a more efficient cash conversion cycle for the company.

**The impacts of the preliminarily disclosed 3Q24.** Despite a decent acceleration in sell-out at 11% YoY in 3Q24, the company's top-line was at BRL 1.9 billion (15% below our estimate), with EBITDA margin under pressure by 780 bps YoY (an EBITDA miss of 25%) and net income from continued operations down 26% YoY (19% below our expectation).

**The impacts on our forecasts.** Given the strategic shift that is expected to have significant effects on the company's economics for at least the next 12 months, and the withdrawal of the guidance for 2024, we are revising our forecasts to adapt to this new scenario. We anticipate that most of the correction of the sales channel's inventories will occur in 4Q24, with the sell-in expected to decrease by 11% YoY in the period, despite the easy comparison basis. Consequently, our 2024FY top line is projected to decrease by 5% YoY, revised downwards by 12% from our previous model. We expect an operational de-leverage for the company, with a projected 3.2 pp decrease in EBITDA margin for 2024FY when compared to our previous model, leading to a 20% decrease in our EBITDA forecast as well. For 2025, we are revising our net revenue forecast downwards by 12%, and EBITDA and net income downwards by 21% and 31% respectively.

**The impacts on the investment thesis have led to a downgrade to Market Perform.** The unexpected movement in the market has put significant pressure on the company's forecasts for 2024 and 2025. The market's sensitivity to short-term dynamics has made investors less willing to pay in advance for potential long-term gains. **Despite the still-compelling long-term features in Hypera's investment thesis, a more cautious approach is being taken in the short term until a clearer sign of an inflection point in results is seen. As a result, the stock has been downgraded to a Market Perform rating (from Outperform), with a new YE25 fair value of BRL 29/share (down from BRL 37/share YE25).**

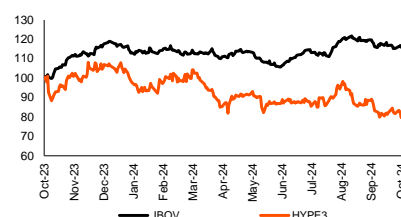
For further information, please refer to the presentation published by the company ([link](#)).

Ticker (local)	HYPE3
Target Price - BRL(YE25)	29.0

### Stock Data

Current price	BRL	25.67
Upside (YE25)	%	13.0
52 Week high/low	BRL	37.18/25.35
Shares outstanding	th	633,421
Market capitalization	BRL m	16,260
3-mth avg daily vol.	BRL m	115
Performance (%)	1m	12m
Absolute	-10.8	-20.6
Vs. Ibovespa	-7.9	-29.7

### Company x Ibovespa



Source: Itaú BBA

### HEALTHCARE TEAM

Vinicius Figueiredo, CNPI  
vinicius.figueiredo@itaubba.com  
+55-11-3073-3029

Lucca Generali Marquezini, CNPI  
lucca.marquezini@itaubba.com  
+55-11-3073-3246

Felipe Amancio, CNPI  
felipe.amancio@itaubba.com  
+55-11-3073-3476

## Hypera – Estimates and Valuation Summary

BRL million	2024e	2025e	2026e
Net revenues	7,554	8,249	9,673
EBITDA	2,345	2,518	3,336
EBITDA Margin %	31.0%	30.5%	34.5%
EBITDA ex-Others	2,289	2,518	3,336
EBITDA ex-Others Margin %	30.3%	30.5%	34.5%
Net Income, Adj. By Cap. Interests (Tax Shield Maintained)	1,365	1,326	2,158
Net Income, Adj. By Cap. Interests (Removing Tax Shield over ICMS Benefit)	n.m.	1,000	1,784
P/E (Tax Shield Maintained)	11.9x	12.3x	7.5x
P/E (Tax Shield Removed)	n.m.	16.3x	9.1x

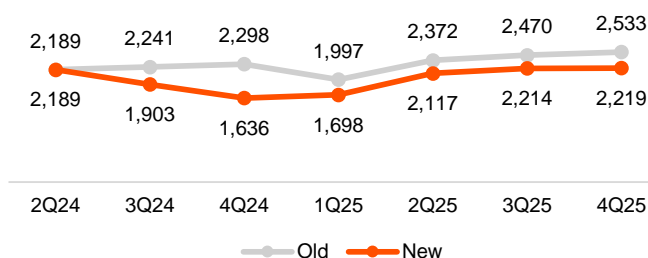
Source: Itaú BBA estimates and Company.

## Hypera – Preliminary 3Q24 Results

BRL m	3Q24a	3Q24e	A/E (%)	3Q23a	YoY (%)
Net revenues	1,900	2,241	-15.2%	2,138	-11.2%
EBITDA	561	749	-25.1%	797	-29.6%
EBITDA Margin %	29.5%	33.4%	-3.9 pp	37.3%	-7.8 pp
Net income from Continued Ops.	370	454	-18.5%	499	-25.9%

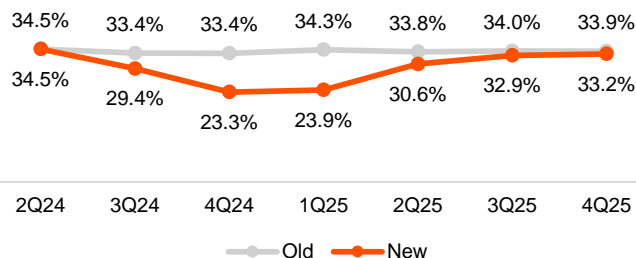
Source: Itaú BBA estimates and Company.

## HYPE Net Revenue Estimates – Old vs. New



Source: Itaú BBA estimates and Company.

## HYPE EBITDA Margin Estimates – Old vs. New



Source: Itaú BBA estimates and Company.

## Hypera IBBA Estimates: Old vs. New

	2024E			2025E			2026E		
	New	Old	%	New	Old	%	New	Old	%
Net Revenue	7,554	8,554	-11.7%	8,249	9,372	-12.0%	9,673	10,244	-5.6%
Gross Margin %	59.5%	60.7%	-1.2 p.p	59.4%	61.2%	-1.8 p.p	61.8%	61.6%	0.2 p.p
EBITDA ex-Others	2,289	2,863	-20.1%	2,518	3,185	-21.0%	3,336	3,549	-6.0%
EBITDA ex-Others Margin %	30.3%	33.5%	-3.2 p.p	30.5%	34.0%	-3.5 p.p	34.5%	34.6%	-0.2 p.p
Net Income (IBBA Adjusted, Considering Tax Shield from ICMS Benefit)	1,365	1,803	-24.3%	1,326	1,912	-30.6%	2,158	2,305	-6.4%
Net Income (IBBA Adjusted, NOT Considering Tax Shield from ICMS Benefit)	n.m.	n.m.	n.m.	1,000	1,541	-35.1%	1,784	1,902	-6.2%

Source: Itaú BBA estimates and Company.

## Hypera – Model Output

Income Statement	Unit	2023	2024e	2025e	2026e
<b>Net revenues</b>	<b>BRL million</b>	<b>7,914.7</b>	<b>7,554.3</b>	<b>8,248.5</b>	<b>9,673.5</b>
YoY Growth %	%	4.9%	-4.6%	9.2%	17.3%
Costs	BRL million	-2,919.1	-3,056.7	-3,349.4	-3,695.6
<b>Gross profit</b>	<b>BRL million</b>	<b>4,995.5</b>	<b>4,497.6</b>	<b>4,899.1</b>	<b>5,977.9</b>
Gross Margin %	%	63.1%	59.5%	59.4%	61.8%
Expenses	BRL million	-2,477.7	-2,426.9	-2,661.4	-2,929.3
<b>EBIT from continued operations</b>	<b>BRL million</b>	<b>2,517.8</b>	<b>2,070.7</b>	<b>2,237.8</b>	<b>3,048.6</b>
EBIT Margin %	%	31.8%	27.4%	27.1%	31.5%
<b>EBITDA</b>	<b>BRL million</b>	<b>2,756.1</b>	<b>2,344.6</b>	<b>2,517.6</b>	<b>3,335.8</b>
EBITDA Margin %	%	34.8%	31.0%	30.5%	34.5%
<b>EBITDA ex-Others</b>	<b>BRL million</b>	<b>2,733.2</b>	<b>2,288.9</b>	<b>2,517.6</b>	<b>3,335.8</b>
EBITDA ex-Others Margin %	%	34.5%	30.3%	30.5%	34.5%
<b>Net Financial Expenses</b>	<b>BRL million</b>	<b>-1,008.3</b>	<b>-863.6</b>	<b>-944.8</b>	<b>-792.1</b>
Financial Expenses	BRL million	-1,255.9	-1,154.1	-1,267.0	-1,134.2
Financial Revenues	BRL million	247.6	290.5	322.2	342.1
<b>EBT</b>	<b>BRL million</b>	<b>1,509.5</b>	<b>1,207.1</b>	<b>1,292.9</b>	<b>2,256.5</b>
Income Tax (Tax Shield Maintained)	BRL million	141.6	158.3	33.0	-98.9
Effective Tax Rate %	%	9.4%	13.1%	2.6%	-4.4%
Income Tax (Removing Tax Shield over Presumed Credit)	BRL million			-292.9	-472.6
Effective Tax Rate %	%			-22.7%	-20.9%
<b>Net Income for Cont. Ops, Reported</b>	<b>BRL million</b>	<b>1,651.1</b>	<b>1,475.2</b>	<b>1,447.4</b>	<b>2,265.9</b>
<b>Net Income, Adj. By Cap. Interests (Tax Shield Maintained)</b>	<b>BRL million</b>	<b>1,544.6</b>	<b>1,365.4</b>	<b>1,326.0</b>	<b>2,157.7</b>
<b>Net Income, Adj. By Cap. Interests (Removing Tax Shield over ICMS Tax Benefit)</b>	<b>BRL million</b>			<b>1,000.0</b>	<b>1,783.9</b>
	Unit	2023	2024e	2025e	2026e
HYPE3 Share Price	BRL/share	25.7	25.7	25.7	25.7
Market Cap	BRL million	16,259.9	16,259.9	16,259.9	16,259.9
Net Debt	BRL million	7,380.9	7,495.6	7,122.4	6,471.4
Enterprise Value	BRL million	23,640.9	23,755.5	23,382.4	22,731.3
<b>EV/EBITDA</b>	<b>x</b>	<b>8.6x</b>	<b>10.1x</b>	<b>9.3x</b>	<b>6.8x</b>
EV/EBIT	x	9.4x	11.5x	10.4x	7.5x
<b>P/E, Adj. By Cap. Interests (Tax Shield Maintained)</b>	<b>x</b>	<b>10.5x</b>	<b>11.9x</b>	<b>12.3x</b>	<b>7.5x</b>
<b>P/E, Adj. By Cap. Interests (Removing Tax Shield over ICMS Tax Benefit)</b>	<b>x</b>			<b>16.3x</b>	<b>9.1x</b>

Source: Itaú BBA estimates and Company.

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Analistas	Itens de Divulgação				CNPI
	1	2	3	4	
Vinicius Figueiredo					OK
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