BTG Pactual Affiliate Research
Banco BTG Pactual S.A.

Brazil

Sector Note
19 August 2025

Brazil Retail & Consumer Goods

What to watch today – Pharma-retail: another solid sell-out print

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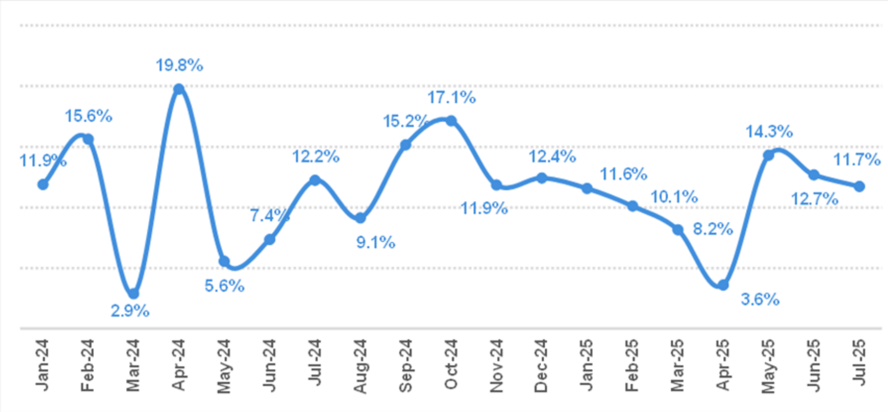
Sindusfarma (Pharmaceutical Industry Union) released pharma industry sell-out data for July. According to the entity, the data is collected monthly by IQVIA (a leading global pharmaceutical contract researcher) and reflects overall pharma-related sales at pharmacy purchasing prices (PPP), comprising products sold at drugstores during the period (including drugs and other consumer products).

Industry sell-out grew 11.7% y/y in July, continuing the strong growth trend seen in the last few months. More precisely, industry sell-out grew 10.3% in 2Q25, 12.7% in June and 14.3% in May. Above all, the data also indicates strong OTC and generics, which have been outperforming other segments since May. More specifically, generics grew +14.7% y/y in July, following +12.9% y/y in June and +13.4% in May.

The pharma sector was one of the highlights in Q2, and preliminary data supports the strong growth backdrop (which helped results this earnings season). For RADL, while expectations after weak 1Q figures were low, 2Q25 numbers came in as a positive surprise. PGMN and PNVL posted strong SSS growth and meaningful margin gains. See more in our report 2Q25 checks and balances – you can´t always get what you want.

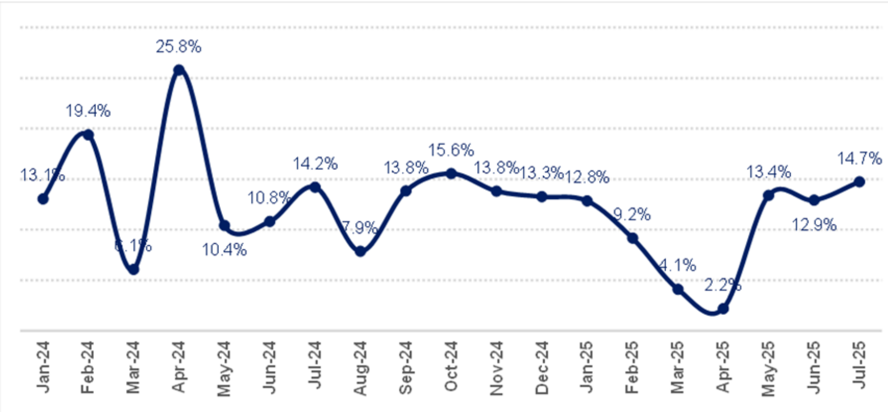
There is no question that the retail sector is highly correlated to the macro-outlook, as is stock performance. There is concern that credit constraints in the coming months could impact consumption, and the scenario of higher interest rates poses a risk to the pace of financial deleveraging. Following the sector rally observed in April-June, investors have recently trimmed exposure. Thus, from this point onward, we believe that further upside in retail equities hinges on two drivers: (i) a continued decline in long-term real interest rates; and/or (ii) sustained earnings upgrades. We are BUYers of RADL, PGMN and PNVL.

Figure 1: Pharma market monthly sell-out growth (%)



Source: Sindusfarma

Figure 2: Pharma market monthly sell-out growth (%)



Source: Sindusfarma

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