



Hyphens Pharma International Ltd

Year of investment and challenges

22 August 2023

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.280
FORECAST DIV	SGD 0.0112
TARGET PRICE	SGD 0.350
TOTAL RETURN	29.0%

COMPANY DATA

BLOOMBERG CODE	HYP SP
O/S SHARES (MN)	309
MARKET CAP (USD mn / SGD mn)	63.9 / 86.6
52 - WK HI/LO (SGD)	0.331 / 0.239
3M Average Daily T/O (mn)	0.68

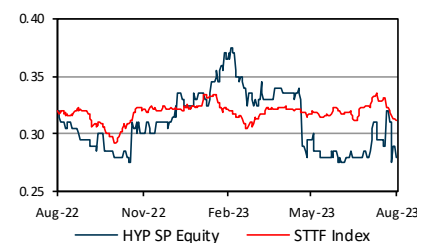
MAJOR SHAREHOLDERS

Inomed Holding Pte Ltd	47.8%
Tan Kia King	28.0%

PRICE PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	13.1	7.3	(2.3)
STTF	(2.1)	0.3	1.2

PRICE VS. STTF



KEY FINANCIALS

Y/E Dec, (\$\$mn)	FY21	FY22	FY23e	FY24e
Revenue	125.9	162.3	160.9	167.4
EBITDA	10.6	17.3	13.0	15.8
NPAT	6.8	11.4	8.1	10.9
EPS (\$\$ Cents)	2.2	2.2	3.7	2.6
P/E (x)	12.6	7.6	10.7	7.9
P/B (x)	1.6	1.2	1.4	1.2
Div Yield	2.4%	4.0%	16.9%	4.0%
ROE	13.4%	18.3%	12.1%	16.1%

Source: Company Data

VALUATION METHOD

DCF @ WACC = 9.2%, g = 2.0%

Paul Chew (+65 6212 1851)
 Head of Research
 paulchewkl@phillip.com.sg

SINGAPORE | HEALTHCARE | 2Q23 RESULTS

- 2Q23 PAT was down 29% YoY and below expectations. 1H23 revenue and PATMI were 46%/39% of our forecasts. The discontinuation in Biosensors distribution, absence of a major hospital tender and supply disruptions of several specialty pharma products was a drag on earnings.
- Hyphens announced a 3.6 cents special interim dividend for the 5th anniversary of its IPO.
- We maintain our FY23e revenue but lower our PATMI by 11% to S\$8.0mn. Our operating expense forecast is raised as Hyphens will be investing more in senior hires and building up the DocMed platform. Our DCF target price is lowered to S\$0.35 (prev. S\$0.39). Our BUY recommendation is maintained.

Results at a glance

SGD '000	2Q23	2Q22	YoY	Comments (YoY)
Revenue	41,477	41,536	-0.1%	Loss of Biosensors and supplier delays.
Gross profit	14,904	16,053	-7.2%	
Profit after tax	2,146	3,043	-29.5%	
Gross profit margin	35.9%	38.6%	-2.7%	Decline in higher margin specialty pharma.
Net profit margin	5.2%	7.3%	-2.2%	

Source: Company, PSR

The Positive

+ Healthy balance sheet and special dividend. The company announced a 3.6 cents special interim dividend for the 5th anniversary of its IPO. The payout of S\$11mn is well supported by its net cash of S\$33mn as of Jun23.

The Negative

- Weakness in specialty pharma. Specialty revenue was down 13% YoY in 1H23 to S\$41mn. The drop was from the discontinuation of distributing Biosensors products (Dec22), the absence of one-off hospital tenders and supply disruptions of several specialty pharma products. Vietnam bore the brunt of the supply disruption with revenue contracting 27% in 1H23.

Outlook

The supply chain is gradually improving for its upper respiratory products. Demand has surged globally and suppliers are unable to meet this spike. Of the three major suppliers, one has resumed supply. Proprietary brands continue to grow at a healthy pace from new product introduction and greater health awareness. Nutritional supplements are highly fragmented and the largest challenge is to build sufficient scale. DocMed remains at an investment stage with around S\$5mn of spending on recruitment, technology and expansion into new countries. Hyphens is also spending on senior leadership within the company. We believe these investments will be a drag on earnings in the near term.

Maintain BUY with lower TP of S\$0.35 (prev. S\$0.39)

Hyphen enjoys a net cash balance sheet of S\$33mn, pays a (ordinary dividend) yield of 4% and is trading at PE ratio of 11x.

Financials

Income Statement

Y/E Dec, S\$'000	FY20	FY21	FY22	FY23e	FY24e
Revenue	123,698	125,883	162,316	160,921	167,357
Cost of sales	(79,939)	(77,800)	(99,507)	(98,162)	(100,414)
Gross profit	43,759	48,083	62,809	62,759	66,943
Marketing and distribution costs	(26,523)	(28,394)	(33,267)	(36,690)	(35,982)
Administrative expenses	(10,138)	(11,639)	(14,561)	(16,092)	(17,572)
Finance costs	(110)	(95)	(238)	(181)	(199)
Other income and gains	2,248	964	658	87	94
Other losses	(2,128)	(680)	(1,584)	(500)	(500)
EBITDA	9,299	10,555	17,251	12,997	15,799
Profit before tax	7,108	8,256	14,291	9,983	13,434
Income tax expense	(945)	(1,410)	(2,882)	(1,897)	(2,552)
Minority Interest	-	-	(58)	(80)	(100)
Profit after tax	6,163	6,846	11,409	8,086	10,882

Per share data

Y/E Dec, SG cents	FY20	FY21	FY22	FY23e	FY24e
EPS	2.05	2.22	3.69	2.62	3.52
DPS	0.62	0.67	1.11	4.72	1.13
BVPS	15.7	17.7	22.8	20.7	23.1

Cash Flows

Y/E Dec, S\$'000	FY20	FY21	FY22	FY23e	FY24e
CFO					
Profit before tax	7,108	8,256	14,291	9,983	13,434
Adjustments	1,893	2,661	2,596	2,413	1,715
Working capital changes	(3,810)	(3,464)	2,142	(2,647)	(6,880)
Operating cash flow	5,191	7,453	19,029	9,750	8,269
Taxes paid, others	(1,061)	(1,415)	(2,152)	(1,897)	(2,552)
Net operating cash flow	4,130	6,038	16,877	7,853	5,717
CFI					
CAPEX, net	(1,193)	(835)	(1,228)	(1,000)	(1,000)
Acquisition of subsidiaries	-	(14,156)	179	-	-
Others	180	74	42	-	-
Net investing cash flow	(1,013)	(14,917)	(1,007)	(1,000)	(1,000)
CFE					
Proceeds from issuance of shares	-	-	-	-	-
IPO expenses	-	-	6,100	-	-
Dividends	(3,004)	(1,863)	(2,069)	(14,543)	(3,458)
Loans, net of repayments	1,248	2,677	(2,882)	(181)	(199)
Net financing cash flow	(1,756)	814	1,149	(14,724)	(3,657)
Net change in cash	1,361	(8,065)	17,019	(7,871)	1,060
CCE, end	27,526	19,461	36,480	28,609	29,668

Source: Company, PSR Estimates

Balance Sheet

Y/E Dec, S\$'000	FY20	FY21	FY22	FY23e	FY24e
ASSETS					
Plant and equipment	4,807	4,408	3,017	2,209	1,765
Associate	-	2,306	2,667	3,267	3,917
Intangible assets	7,890	18,300	19,072	18,047	17,325
Others	47	65	61	61	61
Total non-current assets	12,744	25,079	24,817	23,584	23,068
Inventories	16,888	25,290	21,260	19,167	25,667
Trade and other receivables	23,736	28,722	31,106	31,236	33,021
Cash and cash equivalents	27,526	19,461	36,480	28,609	29,668
Others	564	639	806	806	806
Total current assets	68,714	74,112	89,652	79,817	89,162
Total assets	81,458	99,191	114,469	103,402	112,230
LIABILITIES					
Others	3,967	1,898	4,123	4,123	4,123
Total non-current liabilities	3,967	1,898	4,123	4,123	4,123
Trade and other payables	27,555	33,563	35,077	30,467	31,872
Others	2,761	8,994	4,997	4,997	4,997
Total current liabilities	30,316	42,557	40,074	35,464	36,869
Total liabilities	34,283	44,455	44,197	39,587	40,992
EQUITY					
Share capital	32,641	35,083	35,083	35,083	35,083
Retained earnings	29,626	34,609	43,760	37,223	44,546
Others	(15,092)	(14,956)	(8,571)	(8,491)	(8,391)
Total equity	47,175	54,736	70,272	63,815	71,238

Valuation Ratios

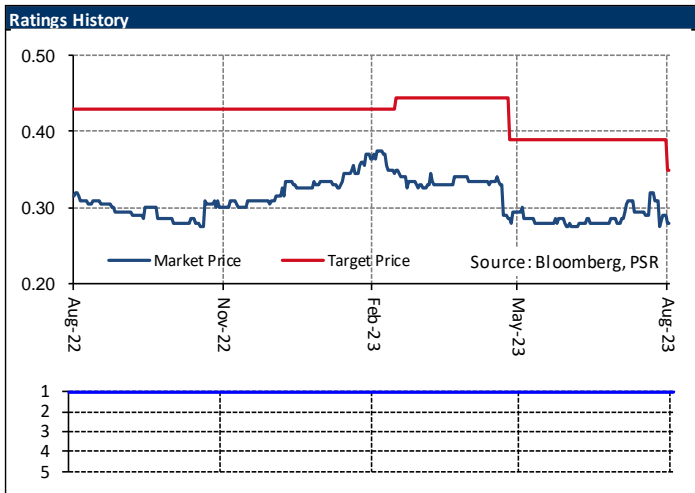
Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
P/E (x)	13.6	12.6	7.6	10.7	7.9
P/B (x)	1.8	1.6	1.2	1.4	1.2
EV/EBITDA (x)	6.1	6.3	2.9	4.5	3.6
Dividend Yield	2.2%	2.4%	4.0%	16.9%	4.0%

Growth & Margins

	FY20	FY21	FY22	FY23e	FY24e
Growth					
Revenue	3.6%	1.8%	28.9%	-0.9%	4.0%
Gross profit	2.6%	9.9%	30.6%	-0.1%	6.7%
EBITDA	-8.2%	13.5%	63.4%	-24.7%	21.6%
Net Profit	-5.6%	11.1%	66.7%	-29.1%	34.6%
Margins					
Gross margin	35.4%	38.2%	38.7%	39.0%	40.0%
EBITDA margin	7.5%	8.4%	10.6%	8.1%	9.4%
Net Profit Margin	5.0%	5.4%	7.0%	5.0%	6.5%

Key Ratios

	Net cash	Net cash	Net cash	Net cash	Net cash
ROE	13.5%	13.4%	18.3%	12.1%	16.1%
ROA	7.6%	7.6%	10.7%	7.4%	10.1%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks
 We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation.

Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Admin

Qystina Azli – qystina@phillip.com.sg

Technical Analyst

Zane Aw – zaneawyx@phillip.com.sg

Property | REITs

Darren Chan – darrenchanrx@phillip.com.sg

Banking & Finance

Glenn Thum – glennthumjc@phillip.com.sg

Credit Analyst

Shawn Sng – shawnsngkh@phillip.com.sg

Property | REITs

Liu Miaomiao – liumm@phillip.com.sg

Conglomerate | Transport

Peggy Mak – peggymak@phillip.com.sg

US Technology Analyst (Hardware & Marketplaces)

Maximilian Koeswoyo – maximilian@phillip.com.sg

US Technology Analyst (Digital Media & Entertainment)

Jonathan Woo – jonathanwookj@phillip.com.sg

US Technology Analyst (Software/Services)

Ambrish Shah – amshah@phillipventuresifsc.in

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangkok,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES

Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA

Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

CAMBODIA

Phillip Bank Plc
Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

INDIA

PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

TURKEY

PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hakİs Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI

Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCC)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

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