

# Hyphens Pharma International Ltd

More visible growth drivers



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## SINGAPORE | HEALTHCARE | 2H23 RESULTS

- 2023 results beat expectations. Both revenue and PATMI were 106% of our forecast. Other markets, such as Indonesia and the Philippines, grew faster than expected due to the maiden contribution from Laboratoires Gilbert S.A.S exports.
- Revenue in 2H23 was a record S\$96mn following a 27% YoY jump in specialty pharma to S\$60mn. However, margins declined from higher distribution costs.
- We expect earnings to recover as the supply chain for specialty products from Europe normalises. Other growth drivers for Hyphens include aggressively expanding the number of principals for its specialty products, exporting to new markets, and SKU extensions of its proprietary brands. Additional costs by DocMed are also at a more gradual pace. Our BUY recommendation and DCF target price of S\$0.35 is maintained.

### Results at a glance

SGD '000	2H23	2H22	YoY	Comments
<b>Revenue</b>	<b>95,884</b>	<b>81,612</b>	<b>17.5%</b>	
- Specialty pharma	60,198	47,307	27.2%	
- Proprietary brands	13,837	12,736	8.6%	
- Medical hypermart	21,849	21,569	1.3%	
<b>Gross profit</b>	<b>33,882</b>	<b>31,732</b>	<b>6.8%</b>	
Distribution costs	(18,711)	(16,393)	14.1%	
Administrative expenses	(7,640)	(8,364)	-8.7%	
EBITDA	7,972	8,013	-0.5%	
- Specialty pharma	5,577	7,934	-29.7%	
- Proprietary brands	2,463	947	160.1%	Growth in Ceradan®, Ocean Health®, Novem®
- Medical hypermart	(171)	(336)	-49.1%	
<b>PATMI</b>	<b>5,000</b>	<b>5,189</b>	<b>-3.6%</b>	
DPS - Final	0.86	0.67	28.4%	Full year DPS 4.46 cts (incl. 3.6 cts special).

Source: Company, PSR

### The Positive

**+ Rebound in specialty pharma revenue.** Despite the loss of Biosensor's S\$5mn revenue contribution in 2023, revenue in 2H23 rose 27% YoY to a record S\$61mn. The addition of new specialty products, namely Laboratoires Gilbert S.A.S, drove growth in the export sector. Revenue from other countries (Indonesia, Philippines) tripled in 2H23 to S\$13.7mn.

### The Negative

**- Weaker gross margins and higher opex.** EBITDA margins declined 1.5% points YoY to 8.3% in 2H23. We believe a combination of higher export sales, an increase in headcount costs and additional expenses from DocMed drove down margins.

### Outlook

Investments in a larger management team has resulted in more aggressive expansion in principals, products and distribution. We believe Hyphens is on a faster growth trajectory:

- Expanded its product line-up in specialty pharma in 2023, such as Byfavo®, Plinest, Nabota®, and Laboratoires Gilbert S.A.S. These brands can contribute in 2024.
- Build new or expand further into other countries, namely the Middle East, Indonesia, and the Philippines.
- Product extensions of its established proprietary brands such as Ocean Health® Joyful Gummies, women's multivitamins, immune support, etc.
- Platform-related costs at DocMed will weigh hypermart earnings down, but the business is expanding into Malaysia and Vietnam.

### Maintain BUY with unchanged TP of S\$0.35

Hyphen enjoys a dividend yield of 4% and trades at a PE ratio of 7x FY24e.

14 March 2024

## BUY (Maintained)

LAST CLOSE PRICE	SGD 0.280
FORECAST DIV	SGD 0.0112
TARGET PRICE	SGD 0.350
<b>TOTAL RETURN</b>	<b>29.0%</b>

### COMPANY DATA

BLOOMBERG CODE	HYP SP
O/S SHARES (MN)	309
MARKET CAP (USD mn / SGD mn)	65 / 86.6
52 - WK HI/LO (SGD)	0.309 / 0.239
3M Average Daily T/O (mn)	0.03

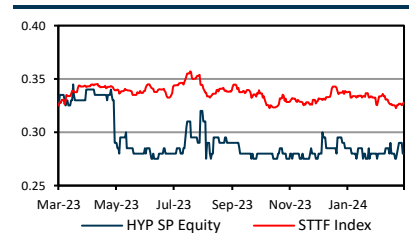
### MAJOR SHAREHOLDERS

Inomed Holding Pte Ltd	47.8%
Tan Kia King	28.0%

### PRICE PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	0.0	1.8	(1.8)
STTF	0.2	1.6	(2.7)

### PRICE VS. STTF



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec, (\$\$mn)	FY22	FY23	FY24e	FY25e
Revenue	162.3	170.6	182.6	192.4
EBITDA	17.3	13.6	18.7	18.3
NPAT	11.4	8.6	11.7	12.9
EPS (\$\$ Cents)	3.7	2.8	3.8	4.2
P/E (x)	7.6	10.1	7.4	6.7
P/B (x)	1.2	1.3	1.2	1.0
Div Yield	4.0%	15.9%	4.0%	4.0%
ROE	18.3%	12.6%	16.7%	16.2%

Source: Company Data

### VALUATION METHOD

DCF @ WACC = 9.2%, g = 2.0%

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## Financials

### Income Statement

Y/E Dec, S\$'000	FY21	FY22	FY23	FY24e	FY25e
Revenue	125,883	162,316	170,595	182,557	192,374
Cost of sales	(77,800)	(99,507)	(108,694)	(109,534)	(113,501)
<b>Gross profit</b>	<b>48,083</b>	<b>62,809</b>	<b>61,901</b>	<b>73,023</b>	<b>78,873</b>
Marketing and distribution costs	(28,394)	(33,267)	(35,891)	(38,885)	(42,322)
Administrative expenses	(11,639)	(14,561)	(14,125)	(18,256)	(19,430)
Finance costs	(95)	(238)	(278)	(199)	(218)
Other income and gains	964	658	735	94	103
Other losses	(680)	(1,584)	(2,322)	(1,300)	(1,100)
<b>EBITDA</b>	<b>10,555</b>	<b>17,251</b>	<b>13,641</b>	<b>18,671</b>	<b>18,280</b>
<b>Profit before tax</b>	<b>8,256</b>	<b>14,291</b>	<b>10,565</b>	<b>14,478</b>	<b>15,907</b>
Income tax expense	(1,410)	(2,882)	(1,985)	(2,751)	(3,022)
Minority Interest	-	(58)	(12)	(60)	(30)
<b>PATMI</b>	<b>6,846</b>	<b>11,409</b>	<b>8,580</b>	<b>11,727</b>	<b>12,884</b>

### Per share data

Y/E Dec, SG cents	FY21	FY22	FY23	FY24e	FY25e
EPS	2.22	3.69	2.77	3.79	4.17
DPS	0.67	1.11	4.46	1.12	1.13
BVPS	17.7	22.8	21.3	24.2	27.3

### Cash Flows

Y/E Dec, S\$'000	FY21	FY22	FY23	FY24e	FY25e
<b>CFO</b>					
<b>Profit before tax</b>	<b>8,256</b>	<b>14,291</b>	<b>10,565</b>	<b>14,478</b>	<b>15,907</b>
Adjustments	2,661	2,596	1,920	4,193	2,374
Working capital changes	(3,464)	2,142	(4,241)	840	(10,958)
Operating cash flow	7,453	19,029	8,244	19,511	7,323
Taxes paid, others	(1,415)	(2,152)	(2,599)	(2,751)	(3,022)
<b>Net operating cash flow</b>	<b>6,038</b>	<b>16,877</b>	<b>5,645</b>	<b>16,760</b>	<b>4,300</b>
<b>CFI</b>					
CAPEX, net	(835)	(1,228)	(1,070)	(1,000)	(1,000)
Acquisition of subsidiaries	(14,156)	179	(751)	-	-
Others	74	42	341	-	-
<b>Net investing cash flow</b>	<b>(14,917)</b>	<b>(1,007)</b>	<b>(1,480)</b>	<b>(1,000)</b>	<b>(1,000)</b>
<b>CFE</b>					
Proceeds from issuance of shares	-	-	-	-	-
IPO expenses	-	6,100	-	-	-
Dividends	(1,863)	(2,069)	(14,563)	(2,659)	(3,463)
Loans, net of repayments	2,677	(2,882)	(2,713)	(199)	(218)
<b>Net financing cash flow</b>	<b>814</b>	<b>1,149</b>	<b>(17,276)</b>	<b>(2,858)</b>	<b>(3,681)</b>
<b>Net change in cash</b>	<b>(8,065)</b>	<b>17,019</b>	<b>(13,111)</b>	<b>12,902</b>	<b>(380)</b>
<b>CCE, end</b>	<b>19,461</b>	<b>36,480</b>	<b>23,369</b>	<b>36,271</b>	<b>35,891</b>

Source: Company, PSR Estimates

### Balance Sheet

Y/E Dec, S\$'000	FY21	FY22	FY23	FY24e	FY25e
<b>ASSETS</b>					
Plant and equipment	4,408	3,017	4,864	3,225	2,958
Associate	2,306	2,667	-	-	-
Intangible assets	18,300	19,072	23,575	22,220	21,331
Others	65	61	172	172	172
<b>Total non-current assets</b>	<b>25,079</b>	<b>24,817</b>	<b>28,611</b>	<b>25,617</b>	<b>24,461</b>
Inventories	25,290	21,260	25,529	18,659	29,367
Trade and other receivables	28,722	31,106	41,110	33,264	38,416
Cash and cash equivalents	19,461	36,480	23,369	36,271	35,891
Others	639	806	2,146	2,146	2,146
<b>Total current assets</b>	<b>74,112</b>	<b>89,652</b>	<b>92,154</b>	<b>90,340</b>	<b>105,820</b>
<b>Total assets</b>	<b>99,191</b>	<b>114,469</b>	<b>120,765</b>	<b>115,957</b>	<b>130,281</b>
<b>LIABILITIES</b>					
Others	1,898	4,123	5,659	5,659	5,659
<b>Total non-current liabilities</b>	<b>1,898</b>	<b>4,123</b>	<b>5,659</b>	<b>5,659</b>	<b>5,659</b>
Trade and other payables	33,563	35,077	44,293	30,417	35,320
Others	8,994	4,997	4,951	4,951	4,951
<b>Total current liabilities</b>	<b>42,557</b>	<b>40,074</b>	<b>49,244</b>	<b>35,368</b>	<b>40,271</b>
<b>Total liabilities</b>	<b>44,455</b>	<b>44,197</b>	<b>54,903</b>	<b>41,027</b>	<b>45,930</b>
<b>EQUITY</b>					
Share capital	35,083	35,083	35,216	35,216	35,216
Retained earnings	34,609	43,760	37,765	46,773	56,164
Others	(14,956)	(8,571)	(7,119)	(7,059)	(7,029)
<b>Total equity</b>	<b>54,736</b>	<b>70,272</b>	<b>65,862</b>	<b>74,930</b>	<b>84,351</b>

### Valuation Ratios

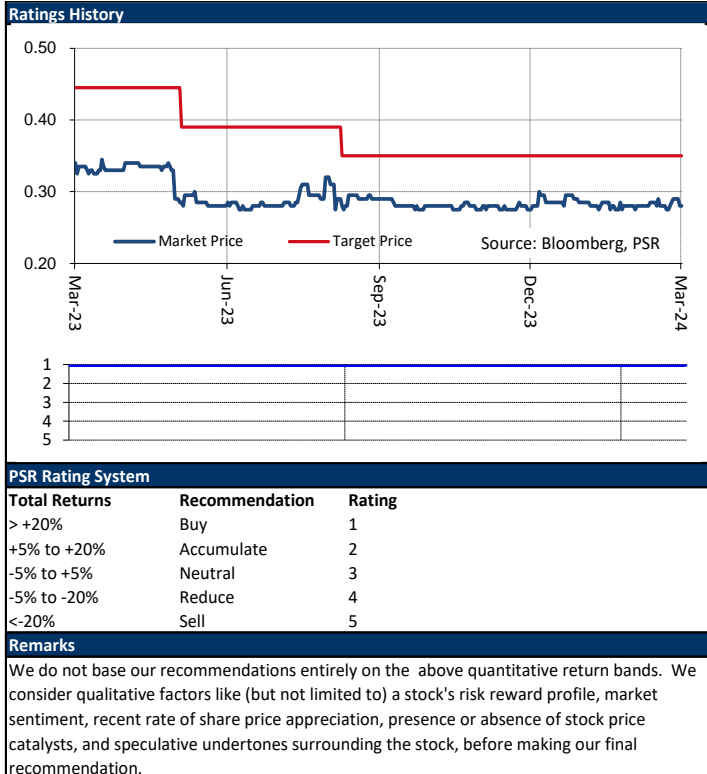
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (x)	12.6	7.6	10.1	7.4	6.7
P/B (x)	1.6	1.2	1.3	1.2	1.0
EV/EBITDA (x)	6.3	2.9	4.6	2.7	0.0
Dividend Yield	2.4%	4.0%	15.9%	4.0%	4.0%

### Growth & Margins

	FY21	FY22	FY23	FY24e	FY25e
<b>Growth</b>					
Revenue	1.8%	28.9%	5.1%	7.0%	5.4%
Gross profit	9.9%	30.6%	-1.4%	18.0%	8.0%
EBITDA	13.5%	63.4%	-20.9%	36.9%	-2.1%
Net Profit	11.1%	66.7%	-24.8%	36.7%	9.9%
<b>Margins</b>					
Gross margin	38.2%	38.7%	36.3%	40.0%	41.0%
EBITDA margin	8.4%	10.6%	8.0%	10.2%	9.5%
Net Profit Margin	5.4%	7.0%	5.0%	6.4%	6.7%

### Key Ratios

	FY21	FY22	FY23	FY24e	FY25e
ROE	13.4%	18.3%	12.6%	16.7%	16.2%
ROA	7.6%	10.7%	7.3%	9.9%	10.5%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	-



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