

Hyphens Pharma International Ltd

Investing for future growth



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SINGAPORE | HEALTHCARE | 2H24 RESULTS

- FY24 earnings were below expectations. Revenue and PATMI were 102%/94% of our FY24e forecast. 2H24 PATMI declined 4% YoY to S\$4.8mn due to weaker margins in proprietary brands, a decline in Vietnam sales and higher losses from DocMed.
- The softer earnings are from Hyphens expanding the distribution of proprietary brands into more SE Asian countries and retail chains. The DocMed platform (for doctors and pharmaceutical companies) requires further development, especially with the expansion into Malaysia and Vietnam.
- Our BUY recommendation, FY25e earnings and DCF target price of S\$0.35 is maintained. Hyphens' earnings growth will be impacted in the near term from its expansion into new countries and additional investments into the DocMed platform. Hyphens' valuations are attractive at 7x FY25e PE with a net cash balance sheet of S\$23mn. It is a branded consumer healthcare company (nutraceuticals, medical aesthetics and pharmaceuticals) with a regional presence.

Results at a glance

SGD '000	2H24	2H23	YoY	Comments
Revenue	95,772	95,884	-0.1%	
- Specialty pharma	60,540	60,198	0.6%	
- Proprietary brands	13,290	13,837	-4.0%	
- Medical hypermart	21,942	21,849	0.4%	
Gross profit	34,713	33,882	2.5%	
Distribution costs	(21,080)	(18,711)	12.7%	
Administrative expenses	(7,868)	(7,640)	3.0%	
EBITDA	7,434	7,972	-6.7%	
- Specialty pharma	6,912	5,577	23.9%	
- Proprietary brands	1,440	2,463	-41.5%	Higher marketing costs.
- Medical hypermart	(664)	(171)	288.3%	Investment in DocMed.
PATMI	4,778	5,000	-4.4%	
DPS - Final	1.50	0.86	74.4%	

Source: Company, PSR

The Positive

+ Growth in specialty pharma. Despite the 13.5% YoY decline in revenue from Vietnam to S\$25.3mn, specialty pharma revenue remained stable, and EBITDA rose 24% YoY to S\$6.9mn. Vietnam suffered from overstocking by distributors. We believe most of the growth in 2H24 was from medical aesthetics in Malaysia.

The Negative

- DocMed is still at the investment stage. Over the past 3 years, there has been a S\$3mn swing in medical hypermart profits, from S\$1.5mn profit before tax in FY21 to a loss of S\$1.4mn. This has been due to investments in DocMed since FY22. Both earnings and valuations will be under pressure in the near term as Hyphen builds this platform.

Outlook

We expect slower growth in FY25e. The proprietary brand is scaling up through wider retail distribution points and expansion overseas, particularly in Malaysia. However, margins may be under pressure due to initial marketing costs. Specialty pharma growth will stem from the recovery in Vietnam and a newly licensed range of products such as Wyzora, Amenalief, Winlevi, and Byfavo.

Maintain BUY with unchanged TP of S\$0.35

10 March 2025

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.280
FORECAST DIV	SGD 0.0150
TARGET PRICE	SGD 0.350
TOTAL RETURN	30.4%

COMPANY DATA

BLOOMBERG CODE	HYP SP
O/S SHARES (MN) :	309
MARKET CAP (USD mn / SGD mn) :	66 / 88
52 - WK HI/LO (SGD) :	0.300 / 0.260
3M Average Daily T/O (mn) :	0.05

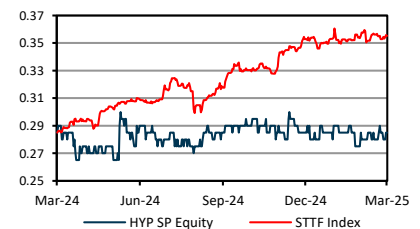
MAJOR SHAREHOLDERS

Inomed Holding Pte Ltd	47.8%
Tan Kia King	28.1%

TOTAL PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	0.0	0.0	0.0
STTF	2.4	3.4	3.7

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, (\$\$mn)	FY23	FY24	FY25e	FY26e
Revenue	170.6	195.4	205.1	217.4
EBITDA	13.6	16.6	18.6	18.4
PATMI	8.6	10.2	11.9	12.3
EPS (\$\$ Cents)	2.8	3.5	4.0	4.2
P/E (x)	10.1	8.0	7.0	6.7
P/B (x)	1.3	1.2	1.1	1.0
Div Yield	15.9%	5.4%	5.4%	5.7%
ROE	12.6%	14.5%	15.1%	14.3%

Source: Company Data

VALUATION METHOD

DCF @ WACC = 9.2%, g = 2.0%

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Financials

Income Statement

Y/E Dec, S\$'000	FY22	FY23	FY24	FY25e	FY26e
Revenue	162,316	170,595	195,420	205,125	217,414
Cost of sales	(99,507)	(108,694)	(125,913)	(130,254)	(137,406)
Gross profit	62,809	61,901	69,507	74,870	80,008
Marketing and dist. costs	(33,267)	(35,891)	(39,739)	(42,666)	(45,874)
Administrative expenses	(14,561)	(14,125)	(15,232)	(16,410)	(17,611)
Finance costs	(238)	(278)	(565)	(218)	(237)
Other income and gains	658	735	693	567	620
Other losses	(1,584)	(2,322)	(1,705)	(1,100)	(1,200)
EBITDA	17,251	13,641	16,579	18,637	18,399
Profit before tax	14,291	10,565	12,959	15,044	15,707
Income tax expense	(2,882)	(1,985)	(2,104)	(2,708)	(2,827)
Minority Interest	(58)	(12)	(661)	(480)	(530)
PATMI	11,351	8,568	10,194	11,856	12,350

Per share data

Y/E Dec, SG cents	FY22	FY23	FY24	FY25e	FY26e
EPS	3.69	2.77	3.51	3.99	4.17
DPS	1.11	4.46	1.50	1.50	1.60
BVPS	22.8	21.3	24.1	26.6	29.3

Cash Flows

Y/E Dec, S\$'000	FY22	FY23	FY24	FY25e	FY26e
CFO					
Profit before tax	14,291	10,565	12,959	15,044	15,707
Adjustments	2,596	1,920	3,956	3,594	2,692
Working capital changes	2,142	(4,241)	(14,487)	(8,750)	(1,293)
Operating cash flow	19,029	8,244	2,428	9,887	17,106
Taxes paid, others	(2,152)	(2,599)	(2,355)	(2,708)	(2,827)
Net operating cash flow	16,877	5,645	73	7,179	14,279
CFI					
CAPEX, net	(1,228)	(1,070)	(3,171)	(1,000)	(1,000)
Acquisition of subsidiaries	179	(751)	-	-	-
Others	42	341	150	-	-
Net investing cash flow	(1,007)	(1,480)	(3,021)	(1,000)	(1,000)
CFE					
Share capital	-	-	(85)	-	-
IPO expenses	6,100	-	(100)	-	-
Dividends	(2,069)	(14,563)	(2,656)	(4,633)	(4,633)
Loans, net of repayments	(2,882)	(2,713)	5,840	(218)	(237)
Net financing cash flow	1,149	(17,276)	2,999	(4,851)	(4,870)
Net change in cash	17,019	(13,111)	51	1,329	8,409
CCE, end	36,480	23,369	23,420	24,749	33,158

Source: Company, PSR Estimates

Balance Sheet

Y/E Dec, S\$'000	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Plant and equipment	3,017	4,864	4,898	4,129	3,590
Associate	2,667	-	-	-	-
Intangible assets	19,072	23,575	24,530	22,923	22,006
Others	61	172	234	234	234
Total non-current assets	24,817	28,611	29,662	27,286	25,830
Inventories	21,260	25,529	34,445	45,306	46,401
Trade and other receivables	31,106	41,110	45,423	46,988	50,535
Cash and cash equivalents	36,480	23,369	23,420	24,749	33,158
Others	806	2,146	2,800	2,800	2,800
Total current assets	89,652	92,154	106,088	119,843	132,894
Total assets	114,469	120,765	135,750	147,129	158,724
LIABILITIES					
Others	4,123	5,659	3,597	3,597	3,597
Total non-current liabilities	4,123	5,659	3,597	3,597	3,597
Trade and other payables	35,077	44,293	43,570	47,246	50,595
Others	4,997	4,951	14,117	14,117	14,117
Total current liabilities	40,074	49,244	57,687	61,363	64,712
Total liabilities	44,197	54,903	61,284	64,960	68,309
EQUITY					
Share capital	35,083	35,216	35,131	35,131	35,131
Retained earnings	43,760	37,765	45,231	52,454	60,170
Others	(8,571)	(7,119)	(5,896)	(5,416)	(4,886)
Total equity	70,272	65,862	74,466	82,169	90,415

Valuation Ratios

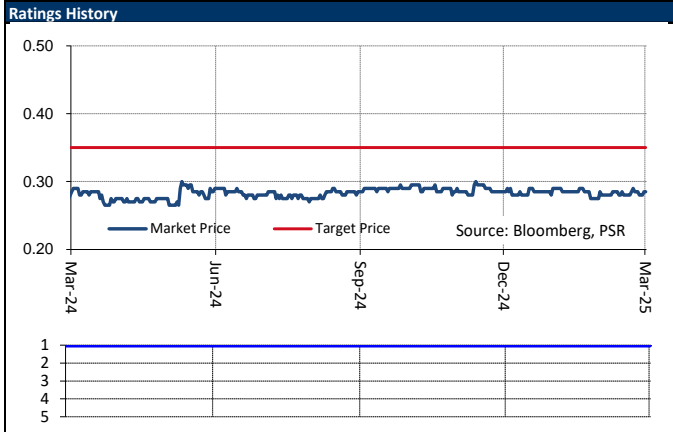
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	7.6	10.1	8.0	7.0	6.7
P/B (x)	1.2	1.3	1.2	1.1	1.0
EV/EBITDA (x)	2.9	4.6	3.8	3.3	2.9
Dividend Yield	4.0%	15.9%	5.4%	5.4%	5.7%

Growth & Margins

	FY22	FY23	FY24	FY25e	FY26e
Growth					
Revenue	28.9%	5.1%	14.6%	5.0%	6.0%
Gross profit	30.6%	-1.4%	12.3%	7.7%	6.9%
EBITDA	63.4%	-20.9%	21.5%	12.4%	-1.3%
Net Profit	65.8%	-24.5%	19.0%	16.3%	4.2%
Margins					
Gross margin	38.7%	36.3%	35.6%	36.5%	36.8%
EBITDA margin	10.6%	8.0%	8.5%	9.1%	8.5%
Net Profit Margin	7.0%	5.0%	5.2%	5.8%	5.7%

Key Ratios

	FY22	FY23	FY24	FY25e	FY26e
ROE	18.2%	12.6%	14.5%	15.1%	14.3%
ROA	10.6%	7.3%	7.9%	8.4%	8.1%
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.

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