

Singapore

ADD (initiation)

Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	S\$0.295
Target price:	S\$0.36
Previous target:	S\$
Up/downside:	22.0%
CGS-CIMB / Consensus:	-3.4%
Reuters:	HYPH.SI
Bloomberg:	HYP SP
Market cap:	US\$67.19m
	S\$91.09m
Average daily turnover:	US\$0.02m
	S\$0.03m
Current shares o/s:	308.8m
Free float:	24.1%

*Source: Bloomberg

Key changes in this note

➤ N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	1.7	-6.4
Relative (%)	-1.5	-0.9	-16.9

Major shareholders	% held
INOMED HOLDINGS PTE LTD	38.8
Tan Kia King	24.7
Tan Chwee Choon	12.3

Analyst(s)


TAY Wee Kuang

T (65) 6210 8604

E weekuang.tay@cgs-cimb.com

Hyphens Pharma International Ltd

On the lookout for growth

- We initiate coverage on HYP with an Add rating and a DCF-derived TP of S\$0.36 (WACC: 9.4%) post its acquisition of Novem.
- We like HYP for its resilient business model and growing product portfolio as well as sales and distribution channels that will drive future earnings growth.
- Re-rating catalysts: accretive portfolio acquisitions and positive Ceradan patent applications. Key risks: movement restrictions in medical channels.

Novem acquisition supportive of EPS growth

On 9 Nov, HYP proposed the acquisition of Novem, a Singapore-based pharmaceutical distribution business. Valued at c.S\$16.3m, the acquisition is priced at c.3.6x P/B relative to HYP's of c.1.8x (based on 1H21 figures) and offers quality earnings with historically superior margins of c.18% compared to HYP's historical average of c.5%. The acquisition will grow its customer base as 60% of Novem's business caters to the public healthcare sector (i.e. public hospitals and polyclinics). HYP could reap further synergies through cross-selling opportunities given the differing sales channel exposure between HYP and Novem, as well as bring Novem's portfolio to HYP's other operating markets such as Vietnam, Malaysia and Indonesia. The earnings-accretive nature of the acquisition is supportive of our forecasted EPS growth of 23% in FY22F.

Operating in an industry with a long runway for growth

The fragmented pharmaceutical industry offers HYP plenty of inorganic growth opportunities, such as (1) business acquisitions, (2) brand acquisitions and (3) partnerships with brand principals. HYP has demonstrated its penchant for growth historically, acquiring brands such as Ocean Health (health supplements) and TDF (dermatology) in 2016, and CG 210 (scalp care) in 2020. With the acquisition of Novem, HYP adds over 40 brand principals and 150 products to its portfolio. HYP continues to maintain a strong net cash position of S\$22m post acquisition of Novem as of 9M21, which allows it to remain nimble in the face of future expansion opportunities.

Initiate coverage with an Add rating and target price of S\$0.36

Our DCF-based TP of S\$0.36 (WACC: 9.4%, beta: 1.0, g: 1%, risk-free rate: 1.8%, COE: 10%) represents an FY22F P/E multiple of 13.5x, 1 s.d. above its historical mean since its listing in 2018. We believe that HYP's share price has yet to reflect the value of its business acquisition of Novem, the first since its listing. HYP currently trades at 11.1x FY22F P/E, close to 1 s.d. below its historical mean. Furthermore, HYP has laid the groundwork for future growth, with multiple distribution agreements allowing it to expand its sales and distribution network into China, Sri Lanka, and South Korea. Re-rating catalysts: potential approval of pending patents of Ceradan to augment sales. A key downside risk is movement restrictions in medical channels (hospitals, clinics etc.) dampening sales.

Financial Summary	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue (S\$m)	119.4	123.7	126.6	140.9	147.1
Operating EBITDA (S\$m)	7.97	7.04	8.16	10.99	11.66
Net Profit (S\$m)	6.53	6.16	6.49	8.20	8.76
Core EPS (S\$)	0.022	0.021	0.022	0.027	0.028
Core EPS Growth	11.5%	(5.7%)	5.4%	22.9%	6.8%
FD Core P/E (x)	13.05	14.38	13.65	10.95	10.40
DPS (S\$)	0.010	0.006	0.006	0.008	0.009
Dividend Yield	3.39%	2.10%	2.20%	2.70%	2.89%
EV/EBITDA (x)	7.83	8.68	7.13	6.03	5.07
P/FCFE (x)	13.82	17.21	22.72	NA	9.50
Net Gearing	(59.4%)	(58.3%)	(57.8%)	(40.0%)	(45.9%)
P/BV (x)	2.01	1.88	1.68	1.47	1.31
ROE	15.7%	13.5%	13.0%	14.3%	13.3%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			0.98	1.21	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

On the lookout for growth

Investment merits

1. Acquisition of Novem as a growth catalyst

On 9 November 2021, HYP announced the proposed acquisition of 100% of the issued and paid-up shares of Novem, for a total consideration of c.S\$16.3m. About S\$13.8m or 85% of the total consideration will be paid in cash and the rest through issuance of 8,345,800 new ordinary shares, at an issue price of S\$0.2926 per share (Fig 1).

The cash consideration of c.S\$13.8m will be financed through cash and debt based on HYP's announcement on 9th November 21. Nevertheless, given HYP's net cash position as of 3Q21 with c.S\$33.6m in cash balance and total debt of c.S\$4.2m as of 1H21, we do not think the increase in debt will impact HYP's financial position materially. The management has also shared during the analyst briefing that the company intends to maintain its net cash position to remain nimble for any potential acquisitive opportunities in the market.

Figure 1: Purchase consideration of S\$16.28m will be funded by c.S\$13.84m of cash (85% of consideration)

	S\$m	% of consideration
- Cash (to be funded by internal cash and external debt)	13.84	85%
- Issuance of shares to Albert Ng and Lau Jui Fang	2.44	15%
Total consideration	16.28	100%
Issuance of shares:		
Price per share (S\$)	0.2926	
No of Consideration shares (millions)	8.35	
Dilution	2.7%	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

HYP's S\$16.3m consideration of Novem's acquisition represents a price-to-book (P/B) valuation of 3.6x based on 1H21 disclosures, compared to HYP's current P/B valuation of 1.8x based on 9M21 book value. We think the premium attributed to HYP's current valuation is due to the quality of Novem's earnings, with net profit margins of c.18% in FY20 as disclosed by HYP in its acquisition announcement, compared to HYP's average of c.5% between FY16-20.

We believe the value behind the acquisition of Novem remains overlooked due to (i) the financial attractiveness of the acquisition, as well as (ii) the potential latent synergies that will bring longer-term value for HYP.

i. Financial attractiveness of Novem acquisition

Based on disclosures by HYP, Novem recorded annual revenue and net profit of S\$11.4m and S\$2.1m, respectively, in FY20. Assuming a full year's contribution and disregarding acquisition-related expenses for FY20, HYP would have seen ROE improve by 9.4% pts from 13.1% to 22.4% in FY20 (Fig 2). The business combination would have also represented an EPS accretion of approximately 29.9% in FY20 and contribute c.20% to future earnings after taking into account acquisition-related expenses as well as goodwill recognition, which will be subject to determination of purchase price allocation (PPA).

Figure 2: Had the acquisition of Novem been completed in FY20, HYP's ROE would have increased 9.4% pts to 22.4%

Based on FY20 figures	S\$m
HYP's PAT	6.16
Novem's PAT less JSS*	1.71
FY20 combined PAT	7.87
HYP's NAV	47.18
Novem's NAV	4.21
FY20 combined NAV	51.38
Less: purchase consideration	(16.28)
FY20 adjusted combined NAV	35.10
FY20 ROE of combined entity	22.4%
FY20 ROE of HYP	13.1%
Increase in ROE	9.4%
* JSS refers to Job Support Scheme. Novem recorded a one-off JSS income of S\$0.39m in FY20.	
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS	

ii) Potential latent synergies with HYP's existing business

The acquisition of Novem could provide business synergies to HYP. Despite operating within the same industry, the two companies have no directly competing business segments, even within its nutraceutical portfolio. HYP's management has shared that Novem predominantly serves the public healthcare sector within Singapore, with c.60% of its sales historically to public hospitals and polyclinics. This is in contrast with HYP's channel exposure in Singapore, whereby about 90% of its sales historically are to private healthcare sectors such as specialists and general practitioners (GPs), with the remainder from consumer healthcare space. In Vietnam, HYP has significant revenue exposure to the public healthcare sector.

This means that there could be cross-selling opportunities in Singapore in the near-term. HYP could also use its regulatory knowledge of other regional markets such as Vietnam, Malaysia and Indonesia to introduce Novem's portfolio, which will represent greater opportunities due to the larger market size in these regions. We like that the acquisition could allow HYP to grow its overseas sales, even though contribution may be insignificant for another two or more years due to the lead times associated with product registrations for pharmaceutical products in different regions.

2. Ample opportunities for inorganic growth

The overall pharmaceutical industry is fragmented due to its multi-disciplinary nature, where many pharmaceutical goods serve unique and specific medical needs. Brand principals who own pharmaceutical products typically appoint a local/regional distributor so that they do not need to invest in the distribution network themselves, which may not be capital efficient if they do not have the scale to leverage a large network.

As such, pharmaceutical distributors who consolidate a portfolio across various brand principals like HYP compete on the extensiveness of their portfolio. Having built up its presence in various markets such as Singapore and Vietnam, HYP offers brand principals an extensive distribution network, which puts HYP in a position to continue growing its portfolio through inorganic means. HYP has demonstrated its ability to grasp these opportunities, which have been manifested in three broad categories of inorganic business expansion: (i) business acquisitions, (ii) brand acquisitions, as well as (iii) new licensing agreements with brand principals.

i. Business acquisitions

Business acquisitions are the most lucrative form of inorganic expansion, as they provide HYP with a portfolio of products that are ready-for-sale and increase the breadth of HYP's product portfolio. The impact of such expansion plans would have an immediate impact on its financial performance and could also offer non-financial benefits such as operational synergies. The recent acquisition of Novem represents a business acquisition that we expect to have an accretive impact on HYP's earnings from the get-go.

Figure 3: HYP's acquisition of Novem provides the company with a readily available product portfolio



Figure 4: HYP's acquisition of Novem provides the company with a readily available product portfolio



ii. Brand acquisitions

HYP could also grow its product portfolio through brand acquisitions. The impact on the company would vary according to the size of the acquisition. HYP's Ocean Health acquisition, alongside the TDF brand in 2016, had a visible impact on earnings as Ocean Health was an established brand that represented a new business segment of health supplements for HYP. However, smaller acquisitions, such as CG 210 in 2020, have a narrower market presence in the less prominent scalp care segment.

Figure 5: Snapshot of Ocean Health's current portfolio of products



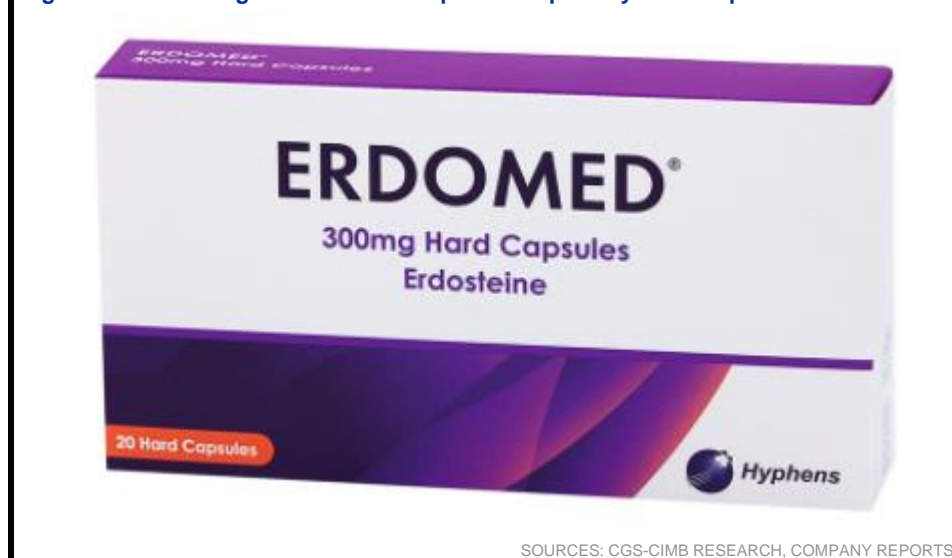
SOURCES: CGS-CIMB RESEARCH, OCEAN HEALTH WEBSITE

iii. Distributorship agreements and in-licensing agreements

Distributorship agreements and in-licensing agreements broaden HYP's specialty pharma principals portfolio directly, oftentimes through allowing HYP to distribute these products. Depending on the type of product, HYP will undertake product registration, and thereafter conduct sales and marketing activities on behalf of brand principals.

In 2Q21, HYP strengthened its specialty pharma portfolio by in-licensing Erdomed (Fig 6), a mucolytic designed to treat Respiratory Tract Infections, Chronic Obstructive Pulmonary Disease (COPD), and other mucus-related disorders. Mucolytics thin the mucus, making it easier to cough phlegm out, as per Singapore-based medical information firm MIMS Pte Ltd.

Figure 6: In-licensing of Erdomed to expand its Specialty Pharma portfolio



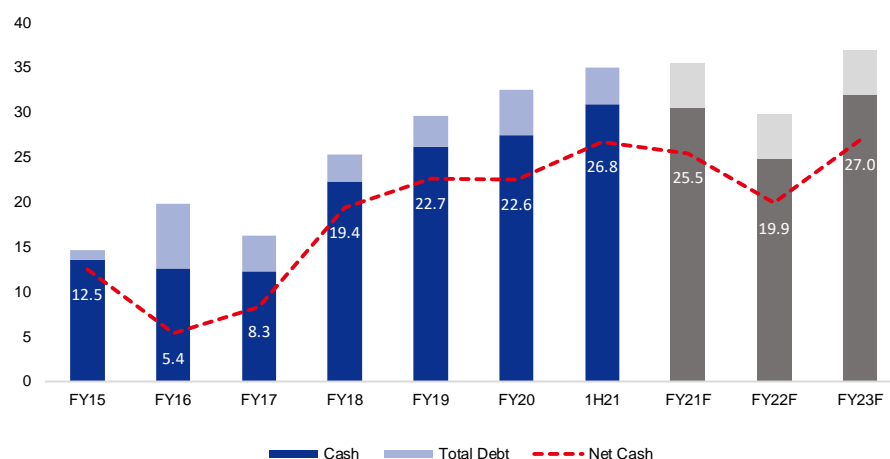
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

More recently, on 14 Dec 2021, HYP signed an exclusive licence and supply agreement with DKSH's subsidiary, Favorex Pte Ltd, to commercialise the ustekinumab biosimilar produced by Alvotech in Singapore, Malaysia, and the Philippines. According to HYP, the ustekinumab biosimilar will only record its first sales in 2-3 years at the earliest, after the product completes clinical studies, and HYP obtains the relevant regulatory approvals to distribute the ustekinumab biosimilar in its operating markets.

3. Financial prudence supportive of growth

HYP has maintained a strong cash position since its listing in 2018. Its net cash position of S\$26.8m as of 1H21 (Fig 7) and cash position of S\$33.6m is at record levels as well. The strong capital position is more than sufficient to fund Novem's acquisition, but HYP has decided to partially fund its acquisition through borrowings. Its strong capital position is also supportive of sustainable and growing dividends. Management has guided for a 30% payout ratio since its listing which would translate to DPS of 0.65/0.80/0.85 Scts for FY21F/22F/23F with growth in FY22F due to positive contribution from Novem.

Figure 7: Cash and debt levels (S\$ m)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

SWOT Analysis

Figure 8: SWOT Analysis for HYP

Strengths:

1. Strong regulatory capabilities → HYP's extensive market know-how and high investments in manpower and technology pose a high barrier to entry for new entrants
2. Large base of doctors and close relationships with brand principals
3. Strong distribution network
4. Highly experienced management team with proven track record

Weaknesses:

1. Mainly serves the private sector; lack of presence in the public sector
2. Mainly selling through doctors, so customers are not as aware of their products

Opportunities:

1. Strategic acquisitions of pharmaceutical distributors or proprietary brands to drive organic growth
2. Applications for more patents for its proprietary range of products
3. Expansion of the e-pharmacy licence to other countries and the rise of telemedicine

Threats:

1. Difficulty in expanding to countries, especially those with a population that are loyal to local brands (e.g. South Korea)
2. Worsening Covid-19 situation and extended lockdowns in Vietnam, HYP's 2nd largest market
3. Entry of new competitors in the pharmaceutical space (e.g., Medi Lifestyle, MCE)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

About the company

Background ►

Hyphens Pharma (HYP) is a specialty pharmaceutical and consumer healthcare group operating predominantly in Southeast Asia. Established in 1998, HYP was incorporated in Singapore on 12 December 2017 and was listed on the Singapore Exchange (SGX) on 18 May 2018.

Headquartered in Singapore, HYP has a direct presence in Indonesia, Malaysia, the Philippines, and Vietnam. In addition, HYP has a marketing and distribution network spanning ten other markets: Bangladesh, Brunei, Cambodia, China, Hong Kong S.A.R, Macau S.A.R., Myanmar, Oman, Sri Lanka, and South Korea.

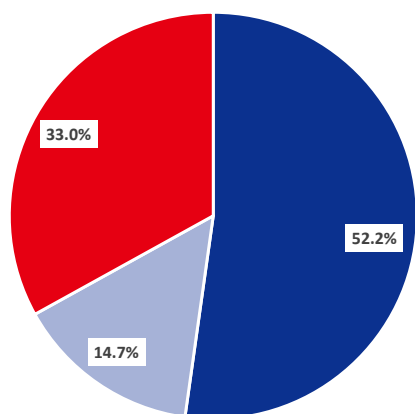
Figure 9: Hyphens Pharma's geographical presence as of FY20



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

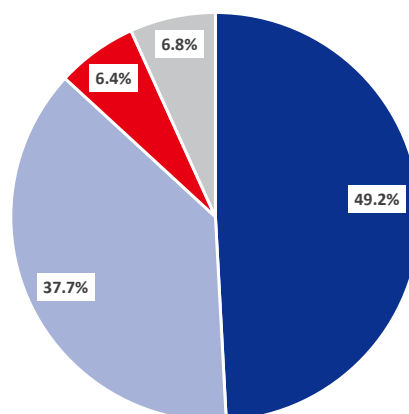
The group operates in three business segments:

1. Specialty pharma principals;
2. Proprietary brands; and
3. Medical Hypermart and Digital

Figure 10: Revenue breakdown by segment as at end-FY20


■ Specialty pharma principals ■ Proprietary brands ■ Medical hypermart and digital

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 11: Revenue breakdown by geography as at end-FY20


■ Singapore ■ Vietnam ■ Malaysia ■ Others

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

1. Specialty pharma principals

HYP markets and sells specialty pharmaceutical products in selected ASEAN countries across its operating markets through exclusive distributorship or licensing and supply agreements with brand principals predominantly from Europe as well as the United States. Specialty pharmaceutical products are often prescribed drugs and equipment that are used in specific therapeutic areas or medical disciplines.

Currently, HYP manages a portfolio of more than 30 specialty pharmaceutical products from brand principals including Biosensors International, Chiesi Farmaceutici and Guerbet, that are used across medical disciplines such as Interventional Cardiology, Neonatology, as well as Radiology (Fig 12).

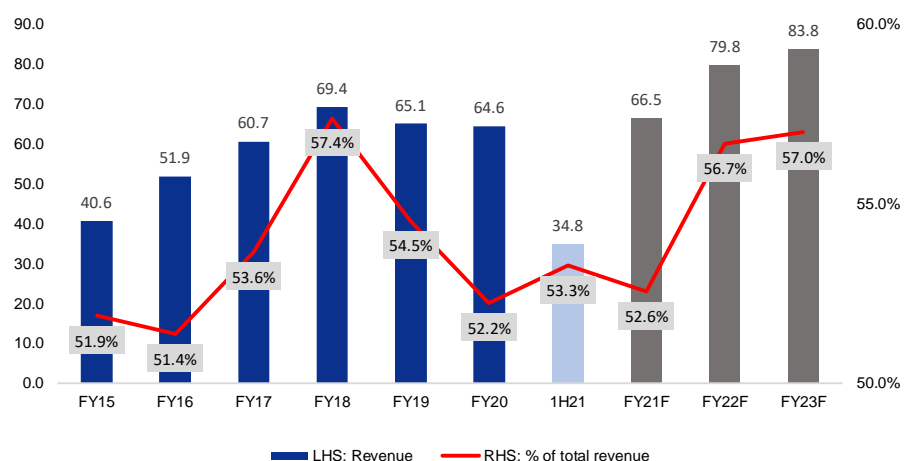
Figure 12: Some of HYP's products under specialty pharma segment

Product	Brand principals	Medical discipline	Use
1 BioFreedom	Biosensors International	Interventional Cardiology	Coronary stents used in angioplasty procedures to help keep artery from narrowing or closing.
2 Curosurf	Chiesi Farmaceutici	Neonatology	Used to treat or prevent Respiratory Distress Syndrome (RDS) in new born babies and especially premature babies.
3 Xenetix	Guerbet SA	Radiology	Enhances contrast of images obtained during radiological examinations such as CT scans and X-rays.
4 Vivomixx	Next Gen Pharma	Gastroenterology	Probiotics used to help restore and maintain a healthy gut.
5 Rupafin	J Uriach y Compañía	Allergy	A type of antihistamine, used in the symptomatic treatment of allergic rhinitis and urticaria.

*List is non-exhaustive

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Since FY15, the Specialty Pharma Principals segment has contributed an average of 53.5% to total revenue. In 1H21, the segment recorded S\$34.8m, or 53.3% of total revenue (Fig 13). We have classified the entire contribution from Novem into the segment for now due to the lack of visibility as to how the newly acquired portfolio will be classified under HYP's enlarged portfolio. Management has guided that more clarity will be provided by 1H22 earnings.

Figure 13: Evolution of Specialty Pharma Principals segment revenue


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Conduct of business – Specialty Pharma Principals

The agreements that HYP establishes with brand principals are typically exclusive in nature, and allow HYP to undertake the sales and marketing of the product on behalf of brand principals within one or more of its operating markets. HYP, with its regulatory know-how, will then register the product with local authorities, which is a lengthy process that could take anywhere from a few months to years depending on the nature of the product. Once approved for sale, HYP will then be able to conduct sales and marketing activities, such as providing education for medical practitioners and physicians on various aspects of the product. HYP will then take charge of product management, which includes licence renewals in accordance with local regulation requirements.

Distributorship agreements usually last for 2 to 5 years while licensing and supply agreements span from 7 to 10 years, and are subject to renewal. Nevertheless, due to the extensive nature of partnerships between brand principals and distributors, licensing agreements are often renewed and are 'sticky' in nature.

Figure 14: HYP's product portfolio under Specialty Pharma Principals segment as of Nov 21


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

2. Proprietary brands

HYP develops, markets, and sells its own proprietary range of dermatological products, health supplement products, and scalp care products under the brands Ceradan, TDF, Ocean Health, as well as CG 210. Having brand ownership allows HYP to have the flexibility to develop new products under the respective brands depending on the market segmentation.

Ceradan

HYP launched Ceradan in 2011, a ceramide-dominant emollient for the purpose of alleviating atopic dermatitis (i.e. eczema). In 2018, Ceradan emerged as the number one “top-of-mind” brand among dermatologists based on a market study conducted by IQVIA, an independent third-party analytics firm. The range of products under the Ceradan brand portfolio has since expanded to infant care and mosquito repellent.

Ocean Health

Ocean Health is a home-grown health supplements brand established in 1994 with products spanning across areas such as general health, heart health, joint health, physical health, brain health, eye health, and children’s health. HYP acquired Ocean Health in 2016 and has continued to expand the brand’s portfolio, which consists of more than 40 products currently.

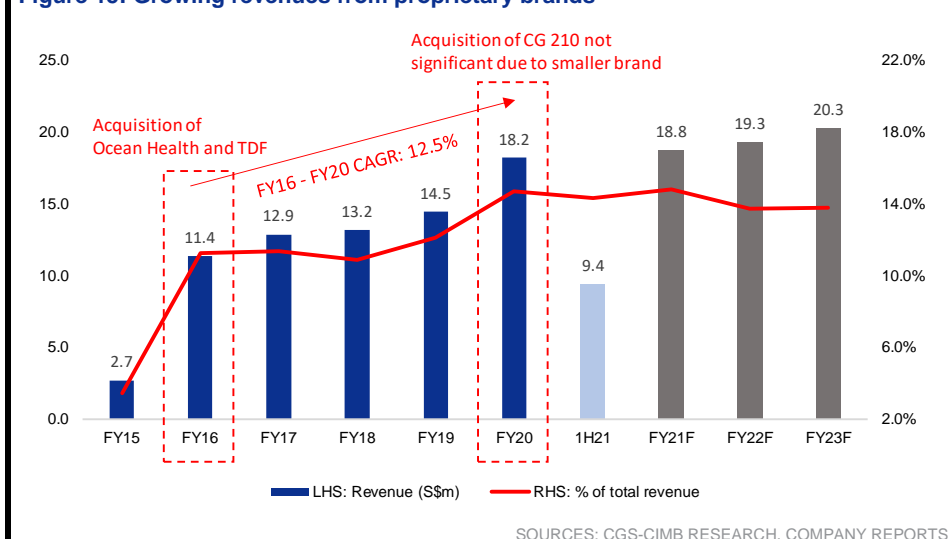
TDF

TDF is a dermocosmetic brand established by Ocean Health, aimed at managing other dermatology conditions beyond eczema, such as oily and acne-prone skin, dehydrated and sensitive skin, ageing skin, and hyperpigmentation. HYP acquired the brand alongside Ocean Health in 2016, enhancing the group’s capabilities in dermatology and nudges the company towards its long-term goal of being Asia’s number one skin health company.

CG 210

CG 210 is a patented topical botanical hair growth-promoting agent. HYP acquired all rights, titles, and interests in the trademarks to the brand from Legacy Healthcare (Switzerland) in 2020 for the sale and distribution of the CG 210 product series in Singapore and Malaysia, which was previously undertaken by Abbott (ABT US Equity, Not Rated). HYP’s acquisition of CG 210 is an entry into the scalp care segment, which further augments the group’s capabilities in dermatology, in our view.

The Group’s investments to grow its proprietary brands have been evident, with growing revenues from the segment (Fig 15). In 1H21, proprietary brands contributed 14.4%, or S\$9.4m to the group’s total revenue. The relatively low revenue contribution during FY21F-23F is due to the inclusion of Novem under the Specialty Pharma Principal segment in our estimates as the company has yet to announce the segment classification of the acquired business.

Figure 15: Growing revenues from proprietary brands


Conduct of business – Proprietary Brands

HYP acts as the brand principal for its Proprietary Brand segment. This means that HYP has the flexibility to develop and launch new products under its brands to create its own portfolio of products. Although its proprietary brands products operate in a competitive space, i.e. Ceradan and TDF for dermatology and Ocean Health for health supplements, HYP differentiates from its peers by undertaking clinical studies to provide evidence for the effectiveness of its TDF and Ceradan products, and also ensures the quality of its products by conducting quality assurance and quality control in Singapore, while outsourcing the manufacturing to Contract Manufacturing Organisations (CMOs) in countries such as New Zealand, Australia and the USA among others.

HYP will then also be able to register the product for sale directly in its operating markets, but may also appoint distributors in other countries where HYP may not have the operational and regulatory know-how. In FY20-FY21, HYP has appointed various distributor partners, including JS Pharma for its TDF brand of products in South Korea as well as with SUTL Corporation (Hong Kong) for the distribution of its Ocean Health products in Hong Kong, Macau and Duty-Free channels in China.

3. Medical hypermart and digital

Through this segment, HYP engages in the wholesale of pharmaceuticals and medical supplies in Singapore through its wholly-owned subsidiary Pan-Malayan. Within the segment, HYP carries a portfolio of more than 4,000 items, including medical supplies such as pharmaceuticals and medical personal protective equipment (PPEs). The wholesale business was the original business undertaken by the company, which was established in the late 1940s. Today, the segment adopts both conventional sales through tele-sales and sales representatives, an online sales platform and conducts sales to healthcare professionals, healthcare institutions, and retail pharmacies.

On 8 Jan 2021, the Health Sciences Authority (HSA) awarded Pan-Malayan an e-pharmacy licence for its WellAway Pharmacy. According to HYP, WellAway collaborates with medical clinics in Singapore to provide a reliable and convenient medication delivery service to residential homes. With the rise in telemedicine in Singapore, we think the e-pharmacy licence will provide HYP with more scope to scale up its Medical Hypermart business by on-boarding more private practitioners

who may use HYP's door-to-door delivery services for prescription medications, while carrying less inventory.

Figure 16: Interface for online Digital Hypermart



Conduct of business – Medical Hypermart and Digital

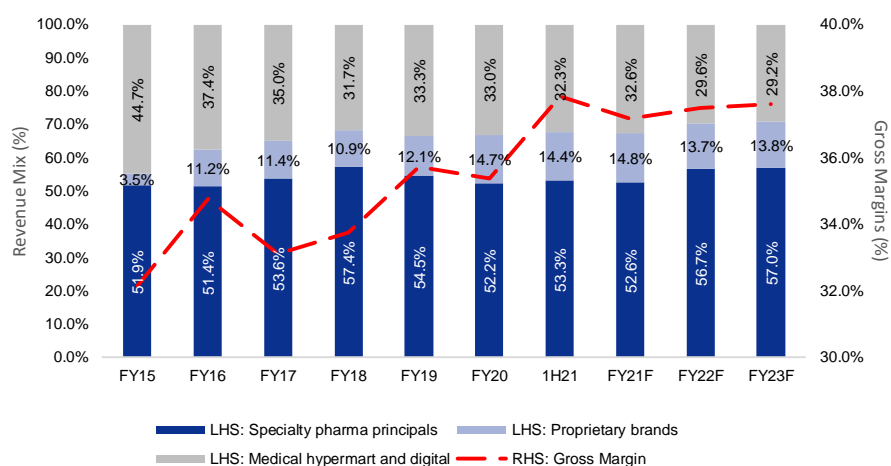
The Medical Hypermart and Digital segment complements HYP's two other business segments due to the pharmaceutical needs of medical professionals and physicians. Beyond licenced pharmaceutical products, doctors need other medical supplies such as generic drugs and other medical PPEs. HYP provides a one-stop shop for doctors to procure their medical supplies. Unlike working with other 3PLs within the industry, HYP offers break-bulk capabilities, allowing smaller basket-size purchases for independent private healthcare operators who do not do bulk purchases. Furthermore, doctors may also work with HYP to bring in medical supplies that may not be widely available.

Financials

Stable, expanding margins ➤

HYP has maintained average gross margin at c.34% and net profit margin at c.5% since FY15.

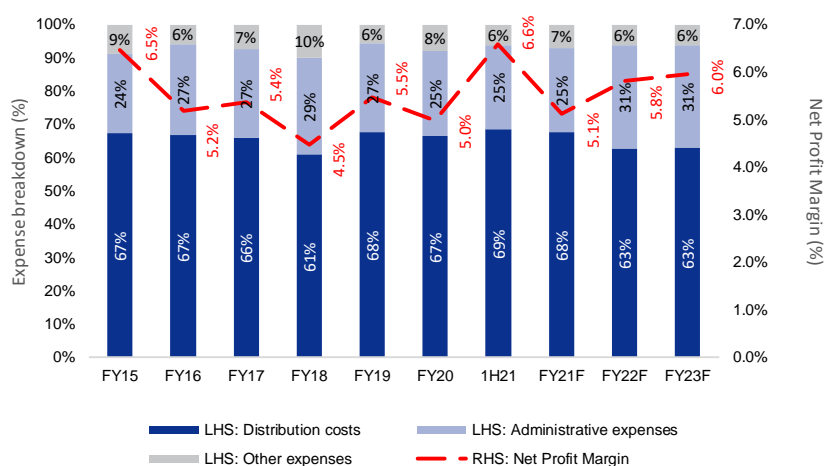
GPM has gradually improved over the years, and currently stands at 37.9% as of 1H21 (Fig 17). Margin expansion was a result of an improved revenue mix, with higher contribution from Specialty Pharma Principals and Proprietary Brands segments as they offer higher margins. As HYP continues to prioritise growth in both segments through licensing agreements and new product launches, we expect GPM of 37.2%-37.6% in FY21F-FY23F, in line with revenue growth.

Figure 17: Margin expansion from better revenue mix


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

On the other hand, net profit margins have hovered between 4.5%-6.5% throughout the same period (Fig 18). For HYP, distribution and administrative expenses make up an average of 93% of non-COGS-related expenses (Fig 18). Distribution expenses made up more than 65% of expenses due to the higher advertising and promotional expenses involved in the sales of its products, especially for Specialty Pharma and Proprietary brands. Furthermore, due to an expanding product portfolio under its proprietary brands that are retail-centric such as Ocean Health products, distribution expenses have inched upwards to 69% of total non-COGS-related expenses. Distribution expenses will likely trend alongside revenue momentum, but we have forecasted higher administrative expenses from potential amortisation expense from PPA of the Novem acquisition and R&D expenses.

Administrative costs include staff costs and other expenses such as Research and Development (R&D) costs. The variability in R&D costs is a result of investments during various phases of the business cycle and are directly linked to new product launches in the future. As such, we are not concerned by the higher expenses, as they play an important role in the future profitability of the company. R&D expenses are also often discretionary in nature, which means that HYP could delay/defer such expenses to manage its margins moving forward.

Figure 18: Profitability heavily affected by distribution and administrative expenses


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Moving forward, we expect NPM to trend slightly higher at 5.8%-6.0% in FY22F-23F post the Novem acquisition. This is due to Novem's business being largely B2B and within the public healthcare sector, which according to management, requires lower advertising and promotional expenses compared to the private and consumer-facing nature of HYP's existing business segments.

Heightened inventory obsolescence in FY20 to normalise

HYP recorded S\$2.1m in other losses in FY20 (+342.4% yoy) due to higher allowances for inventory obsolescence. Of which, S\$1.3m of these allowances that were attributed to the Medical Hypermart and Digital segment included exceptional items:

- S\$0.6m write-down of personal protective equipment (PPE) to net realisable value, in view of a decline in values of PPE due to global supply increases; and
- S\$0.5m full provision made on diagnostic test kits for Covid-19 purchased during Singapore's circuit breaker period from Apr 2020 to Jun 2020, which HYP was unable to distribute.

Given the full impairments that were recorded, we expect other losses to normalise at around c.S\$1m moving forward, similar to levels between FY15 and FY19.

Initiate with Add call and DCF-derived TP of S\$0.36

Due to relatively low market liquidity, a smaller market size, and the lack of listed peers owing to HYP's differing operating geographies and business segments-most peers either operate within one of the company's three business segments (Specialty Pharma Principal, Proprietary Brand or Medical Hypermart) but not all three, we have opted for a DCF based valuation approach for HYP. Our DCF-derived TP (WACC: 9.4%, Beta: 1.0, g: 1%, risk-free rate: 1.8%, COE: 10%) of S\$0.36 represents c.13.5x forward 12-month P/E, which is 1 s.d. above its historical average since listing in 2018. We think that the higher multiple is justified considering the completion of the Novem acquisition, which we expect to contribute to our EPS growth forecasts of 22.9% in FY22F. HYP is currently trading at 8x forward 12-month P/E, at roughly 1 s.d. below its historical average.

Based on the lead times for acquiring product registration and sales conversion, we think that HYP will be able to achieve stable, sustainable growth moving forward, with potential to grow its product portfolio through various means given its net cash position.

Figure 19: Hyphens Pharma Int Ltd - DCF Valuation

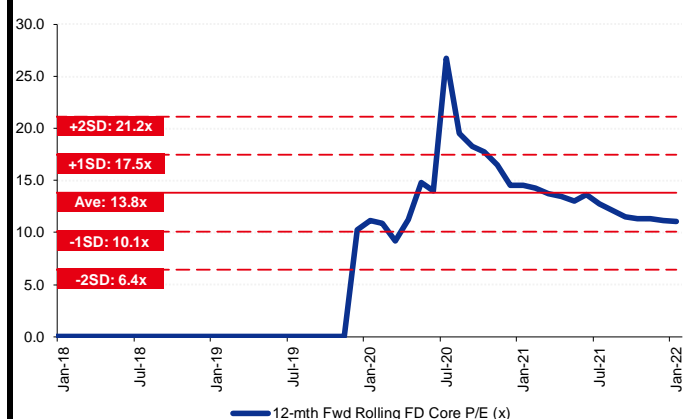
FCF calculation (S\$m)	FY21e	FY22e	FY23e	FY24e	FY25e	Terminal Value
FCF	3.90	9.47	8.42	10.50	9.39	78.53
PV of the FCFs	3.90	8.66	7.03	8.01	6.55	54.78
Discount Factor	1.00	0.91	0.84	0.76	0.70	

WACC		Rationale
Rf	1.8%	Singapore 10-year Treasury Yield
Beta	1.0	Pegged to 1x due to low liquidity
Cost of equity	10.0%	Higher discount to SG/VN average of c.7% due to liquidity risk
WACC	9.4%	
Terminal growth	1.0%	Conservative terminal growth due to smaller scale

Valuation	
Enterprise value	88.92
Less: net cash/(debt)	22.55
Less: minority interest	-
Add: associates	-
Equity value	111.48
Number of shares	308.78
Equity value per share	0.360

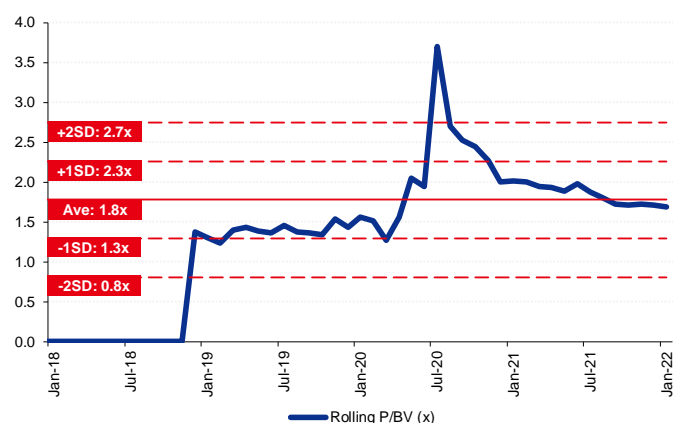
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 20: Hyphens Pharma International Ltd 12-mth Fwd Rolling FD Core P/E (x)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 21: Hyphens Pharma International Ltd P/BV (x)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 22: Peers Comparison

	Bloomberg		Price	Target	Market	EV/EBIT				Recurring	Dividend	
Company	Ticker	Recom.	(lcl curr)	Price	Cap	DA (x)		3-year EPS	P/E (x)	ROE (%)	Yield (%)	
				(lcl curr)	(US\$ m)	CY21F	CY22F	CAGR (%)	CY21F	CY21F	CY21F	
Hyphens Pharma International Ltd	HYP SP	Add	0.295	0.36	67	7.4	6.0	12.2%	13.6	13.1%	2.2%	
Mega Lifesciences	MEGA TB	Add	48.75	57.00	1,279	17.1	16.5	10.7%	24.0	25.3%	2.2%	
Pharmaniaga Bhd	PHRM MK	Add	0.76	1.00	236	6.1	9.0	13.5%	8.2	34.7%	8.5%	
Apex Healthcare Bhd	APEX MK	Non-Rated	2.60	N/A	399	0.1	0.1	5.7%	22.2	10.8%	1.5%	
Blackmores	BKL AU	Hold	86.41	95.00	1,215	18.5	14.6	45.2%	54.0	8.7%	0.9%	
Duopharma Biotech Bhd	DBB MK	Hold	1.61	1.60	362	12.8	11.8	5.0%	21.0	11.3%	3.3%	
Simple average							10.5	10.0	18.8%	27.1	19.9%	3.3%
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG												
Note: All forecasts for Non-rated companies are based on Bloomberg consensus estimates												
DATA AS AT 6 JAN 2022												

Risks

Termination of long-term licencing agreements ➤

The success of HYP's specialty pharma principal's business lies in its good relationship management with key brand principals. A termination of long-standing licensing contracts could jeopardise the segment's business proposition, especially within specific medical disciplines as the products could be a key component to conducting sales.

Unfavourable product development outcomes ➤

Proprietary brands represent a high-growth area for HYP. HYP's success is driven by a science-based approach of augmenting its product's quality through clinical trials and studies that are costly. However, delays and unfavourable clinical outcomes could lead to inefficient investments for HYP and dampened growth momentum moving forward.

Tightened laws and regulations ➤

HYP's products and business activities are heavily regulated by healthcare laws and regulations. Stricter laws and regulations may delay or inhibit HYP's processes, which may translate to reduced sales and profits. Examples of HYP's processes which may be delayed include delays in applications for various permits, licences, or certifications to market and sell their products, closure of production facilities, etc.

Reimposed lockdowns due to Covid-19 ➤

Elective surgeries and doctor visits for non-Covid-19-related illnesses are generally postponed during lockdowns, due to movement restrictions and/or reallocation of resources for Covid-19 related treatments. This reduces demand for HYP's products across all three segments, since none of their products cater to Covid-19 treatment. As a result, this would negatively impact HYP's revenue.

Appendix

Extensive product portfolio

1. Specialty Pharma

Brand principals and products ►

Over the course of its business, HYP has gained experience in various therapeutic areas or medical specialties. As of FY20, the group's specialty pharmaceutical products span across:

1. Dermatology,
2. Paediatrics and Neonatology,
3. Allergy,
4. Otorhinolaryngology (ear, nose, and throat),
5. Orthopaedic and Rheumatology,
6. Radiology
7. Cardiology and Interventional Cardiology,
8. Ophthalmology,
9. Gastroenterology,
10. Child psychiatry, and
11. Family Medicine.

As of FY20, the group's specialty product portfolio comprises more than 30 products. HYP's major products are contrast media products, Sterimar nasal sprays, Bausch+Lomb eye drops, Vivomixx, Fenosup Lidose, and Piascledine.

Figure 23: Contrast media products



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 24: Sterimar® nasal sprays



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 25: Bausch+Lomb eye drops



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

2. Proprietary brands

Ceradan ►

Ceradan was launched in 2011 as a ceramide-dominant skincare brand that rebuilds and restores eczema-prone, dry, sensitive skin, as per the product's description.

How does eczema occur?

Atopic dermatitis, also known as eczema, is a common chronic or recurrent inflammatory skin condition that affects people of all ages. Common symptoms of atopic dermatitis are dry, red, and itchy skin typically on the face, neck, and extensor surfaces. Patients with atopic dermatitis usually have reduced levels of ceramide, one of the most important lipids in forming the skin barrier that regulates water loss from the body, as well as protects the body from the external environment. When the skin barrier breaks down due to lack of ceramide, moisture evaporates from the skin easily, causing dryness. Allergens, irritants, and pathogens may also penetrate the skin, causing inflammation.

Ceradan products contain a 3:1:1 ratio of ceramide, cholesterol, and free fatty acids, targeted to replenish ceramide deficiency in the skin and restore normal skin barrier function as per the product's descriptions. As of Oct 2021, Ceradan offers nine products categorised into four segments: cleansing, intensive care, moisturisation, and child essentials.

Awarded patent for Ceradan Advanced in the UK; 13 more patents pending

On 13 Jul 2020, HYP's patent for Ceradan Advanced was granted in the UK and is pending approval in 13 other countries and regions such as Singapore, Malaysia, Vietnam, China, Europe, and the US.

According to HYP, Ceradan Advanced is a next-generation emollient therapy scientifically formulated for eczema-prone skin conditions. It sustainably lowers the skin pH for up to 12 hours, inducing production of skin lipids and suppresses the breakdown of skin cells.

Figure 26: Ceradan Advanced was granted a patent in the UK on 13 Jul 2020



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Ocean Health ➤

HYP acquired the Ocean Health brand in 2016 to expand its range of proprietary products. Ocean Health was established in 1994 as a home-grown health supplements brand, with products spanning general health, heart health, joint health, physical health, brain health, eye health, and children's health.

Ocean Health supplements are sold in all major retail pharmacies, hospital pharmacies, department stores, supermarkets, and selected Chinese medical halls in Singapore. They are prescribed by healthcare institutions such as the National Heart Centre Singapore, National Cancer Center, Changi General Hospital, KK Women's & Children's Hospital, and Singhealth group of polyclinics. Ocean Health supplements are also sold online, on the Ocean Health e-shop, as well as on third-party online marketplaces such as Qoo10, Lazada, and Redmart.

Among these, the Omega-3 range (Fig 25), Multivitamin & Minerals Range (Fig 26), and Joint Range (Fig 27) are listed as its bestsellers.

Figure 27: Omega range – High Strength Omega-3 Vitamin D3-Enriched



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 28: Multivitamin & Minerals



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 29: Joint range – Joint-RX



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

TDF ➤

TDF is a dermocosmetic brand established by Ocean Health, for managing oily and acne-prone skin, dehydrated and sensitive skin, ageing skin, and hyperpigmentation. HYP acquired the TDF brand alongside the acquisition of Ocean Health Singapore in 2016.

TDF products include facial cleansers and moisturisers for various skin types, sunscreen, eye care products, and acne treatments. Best sellers listed on the company's website as at December 2021 include the acne, skin pigmentation, and sun protection and age defense series.

On 18 Jan 2021, HYP appointed JSPHARMA as an exclusive distributor of Fairence T-Complex in South Korea, marking HYP's entry into South Korea.

Figure 30: HYP appointed JSPHARMA as an exclusive distributor of Fairence T-Complex in South Korea



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

TDF products are currently marketed and sold to medical specialists and general practitioners in Singapore, Vietnam, Malaysia, Indonesia, the Philippines, Hong Kong, and South Korea. Hospital pharmacies in Singapore also carry TDF products.

CG 210 ➤

HYP announced the launch of the CG 210 product series in Aug 2020. HYP procured all rights, titles, and interests in the trademarks of CG 210 and CG45S from Legacy Healthcare (Switzerland) SA for Singapore and Malaysia.

Since then, HYP has been involved in the sale and distribution of the CG 210 product series to medical professionals in Singapore and Malaysia, as well as retail outlets in Malaysia. Its range of products include the CG 210 Women lotion, CG 210 Men lotion, CG 210 Forte Lotion, and the CG4S Shampoo.

What is CG 210, and what does it do?

As per HYP's announcement on 3 Aug 20, CG 210 is a patented topical botanical hair growth-promoting agent based on *Allium cepa* (onion), *Citrus medica limonum* (lemon), *Theobroma cacao* (cocoa), and *Paullinia cupana* (guarana), that works via unique mechanisms of action.

According to the product description on MIMS, CG 210 is described to protect and strengthen hair from the roots. Based on a 3-month phototrichogram study (ACEPA 3), CG 210 extends the growing phase and delays the shedding phase, so that hair sheds at normal levels and creates the appearance of thicker, healthier hair in a minimum of 44 days.

Figure 31: CG 210 products



Features

- Clinically tested, evidence-based
- Patented botanical essence, Cellium®
- Low % of alcohol: non-irritating
- No preservatives, colourants, parabens or glycols

Hair Benefits

- Normalise hair shedding in as little as 44 days¹
- 53% of users perceived increase in hair thickness after 14 days²
- Increase scalp collagen by 80% after 4 months - better hair implantation³
- Clinical improvement in 96% of subjects⁴

CG210® Hair and Scalp Essence for Men and Women

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, RAFFLES HEALTH

Production ►

HYP outsources the manufacturing of its proprietary products to contract manufacturing organisations (CMOs). CMOs deliver the products to HYP either in bulk or in a finished pack. Those delivered in bulk are repackaged in HYP's facilities.

HYP sells and markets its dermocosmetic products directly to customers in Singapore and through third-party distributors in other countries. Ocean Health, however, is distributed by Zuellig Pharma Pte Ltd in Singapore.

Key management

Figure 32: HYP's key management as at end FY20

Position	Name	Joined HYP in	Background
Chairman, Executive Director, & CEO	Mr Lim See Wah	1998	Mr Lim founded HYP in 1998 and was appointed as the Executive Director on 12 Dec 2017. He has more than 25 years of pharmaceutical experience. Mr Lim graduated with a Bachelor of Science (Pharmacy) with Honours (Second Class Honours Upper Division) from the National University of Singapore in June 1992. He also obtained a Graduate Diploma in Business Administration from Singapore Institute of Management in May 1994.
Executive Director	Mr Tan Chwee Choon	2004	Mr Tan was appointed as Executive Director on 12 Dec 2017. He has more than 35 years of experience in the pharmaceutical and consumer healthcare industries. Prior to joining HYP, Mr Tan held key positions such as the International Business Development Manager at Vita Health Asia Pacific (S) Pte. Ltd., Marketing Company President (Singapore, Vietnam, and Indochina) for AstraZeneca Singapore Pte. Ltd., and Country Manager (Singapore and Indochina) of Astra Pharmaceuticals (Singapore) Pte. Ltd. Mr Tan served as President of the Singapore Association of the Pharmaceutical Industry from 1995 to 2000.
Non-Executive Director	Dr Tan Kia King	2017	Dr Tan was appointed as Non-Executive Director on 12 Dec 2017. Dr Tan has more than 25 years of experience as a medical doctor, beginning his career as a Medical Officer in the Ministry of Health. He was the Managing Director of Westpoint Family Hospital Pte. Ltd. Dr Tan has been the Vice-Chairman of Sengkang West Citizens' Consultative Committee since Jul 2016. He obtained a Public Service Medal (Pingat Bakti Masyarakat) in Aug 2016 for commendable public service by the Prime Minister's Office.
Chief Financial Officer	Ms Fang Lee Wei	2010	Ms Fang has more than 20 years of experience in audit, corporate finance, and financial management. Before joining HYP, she worked with Ernst & Young and a few other Singapore Exchange Mainboard-listed companies. Ms Fang holds a Master of Commerce in International Business from the University of New South Wales and B.Acc (Hons) from Nanyang Technological University. She is a Chartered Accountant with the Institute of Singapore Chartered Accountants.
Chief Operating Officer	Mr Yann Alain Marche	2019	Mr Yann has more than 27 years of experience in the global pharmaceutical industry, specialising in dermatology, rheumatology and aesthetic business. Mr Yann held key management positions at Galderma, including Vice-President for Latin America. His last role was at Laboratoires Expanscience as Senior Chief Operating Officer, where he managed operations and revenue growth in more than 50 countries, 16 subsidiaries and 400 collaborators. Mr Yann graduated with a Doctor in Pharmacy from the Université de Paris V, France. He also took part in Wharton's Essentials of Management at The Wharton School of the University of Pennsylvania in 2007 and the L'Oréal Management Program at CEDEP-INSEAD in Fontainebleau in 1996.
General Manager, Hyphens Pharma (Singapore)	Mr Jason Yeo	2002	Mr Yeo held managerial roles in sales and marketing in Singapore, and was the Regional Manager before he assumed his current position.
General Manager, Pan-Malayan Pharmaceuticals	Mr David Lim	2000	Before joining HYP in 2000, Mr Lim spent more than 13 years in both MNC and SME environments, building an impressive track-record in local and regional sales, marketing, and business management. He handled established brands and services that include Singapore Airlines, SilkAir, Noel Gifts, Tiger and Heineken Beers.
Head, Regulatory Affairs	Ms Stella Ang	1997	Before joining HYP in 1997, Ms Ang was a Pharmacist with the Singapore General Hospital. She has more than 20 years of regulatory experience in ASEAN countries. Her regulatory expertise spans across therapeutic products, medical devices, cosmetic products, and complementary medicine, among others. Ms Ang is a Registered Pharmacist and holds a B.Sc (Pharm) from the National University of Singapore.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

About Novem's acquisition

HYP proposed the acquisition of Novem through its wholly-owned subsidiary, Hyphens Pharma Pte. Ltd (HPPL), on 9 Nov 2021. HPPL will acquire 100% of the issued and paid-up shares of Novem, which comprise:

1. Novem Healthcare Pte Ltd,
2. Novem Pharma Pte Ltd, and
3. Novem Sciences Private Ltd.

Total consideration is priced at S\$16.28m, of which S\$13.84m (85% of total consideration) will be paid in cash and the remainder through the issuance of 8,345,800 new ordinary shares (valued at c.S\$2.44m, or 15% of total consideration), at an issue price of S\$0.2926. The S\$13.84m to be paid in cash will be funded by both internal cash and external debt financing.

About Novem

Novem is based in Singapore and distributes pharmaceutical products, nutraceutical products, and medical devices. It has a track record of more than 20 years and represents more than 40 brand principals in Europe and Asia.

Synergies between HYP and Novem:

1. Product portfolio

Novem offers more than 150 products currently, including a portfolio of proprietary generics and in-house developed nutraceutical products. Its products cater to a variety of diseases and therapeutic areas such as musculoskeletal, cardiology, ophthalmology, and general surgery.

These products complement HYP's pharmaceutical products under its specialty pharma segment, where it markets and sells specialty pharmaceutical products in selected ASEAN countries.

Similarities between the therapeutic areas and medical specialties HYP and Novem's products are involved in are highlighted in Fig 31. As of this writing, HYP has not specified which Novem products will be classified under its specialty pharma segment and which under its proprietary brands segment.

Figure 33: Novem's product portfolio complements HYP's specialty pharma segment

Therapeutic areas/Medical specialties	HYP	Novem
Cardiology	✓	✓
Ophthalmology	✓	✓
Dermatology	✓	
Paediatrics and Neonatology	✓	
Allergy	✓	
Otorhinolaryngology (ear, nose, and throat)	✓	
Orthopaedic and Rheumatology	✓	
Radiology	✓	
Gastroenterology	✓	
Child psychiatry	✓	
Family Medicine	✓	
Musculoskeletal		✓
General surgery		✓

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

2. Customer profile

Based on the presentation slides by HYP on the acquisition on 16 November 21, Novem serves c.1,000 active customers, of which more than 60% are in the public sector, such as hospitals, polyclinics, specialists, and general practitioners.

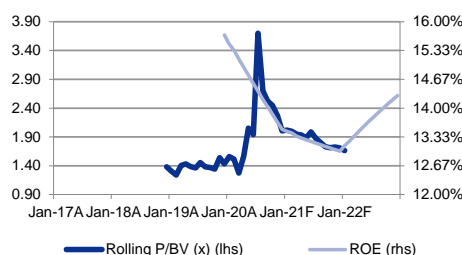
In all its three segments, HYP sells to doctors and physicians in the private sector, with the exception of Ceradan and Ocean Health, which are sold directly to end-consumers through retail stores and e-commerce platforms. We believe acquiring Novem is thereby the fastest way for HYP to penetrate the public sector and further entrench its foothold in Singapore, its largest market.

ESG in a nutshell	
<p>Refinitiv and MSCI do not report HYP's ESG. Nevertheless, HYP has been actively pursuing E, S, and G pillars through sourcing for sustainable products, and taking on initiatives with social causes to reach out to the needy, especially during the initial outbreak of Covid-19 in 2020, as well as abiding by its corporate governance policies. HYP makes special efforts to engage stakeholders through formal and informal channels to align with HYP's sustainability efforts. Since its listing in 2018, HYP has not been involved in controversies relating to the firm.</p>	
Keep your eye on HYP has not faced any controversies since its listing in 2018.	Implications As a pharmaceutical distributor and manufacturer, customer reputation is especially pertinent to HYP. Hence, the absence of controversies is a positive for HYP.
ESG highlights On its governance pillar, in FY20, there were no reported cases in relation to breaches of code of corporate governance, corruption, and bribery. There were also no reported instances of non-compliance in laws and regulation, as well as personal data violation and customer privacy.	Implications We think HYP's solid governance record is backed by a strong management team who have been effectively communicating expectations to its stakeholders. This is a positive for HYP, in our view.
Trends As part of its Environment pillar, in FY20, HYP reached out to its suppliers to collect data on packaging materials for its products, in compliance with the Mandatory Packaging Reporting (MPR) framework. HYP also communicates with its waste management consultants to determine its 3R plan for measures to reduce, reuse, and recycle its packaging materials.	Implications Moving forward, HYP plans to continue to seek partners who share a similar mindset to promote a sustainable future according to their 2020 sustainability report. We have not factored this into our valuations.

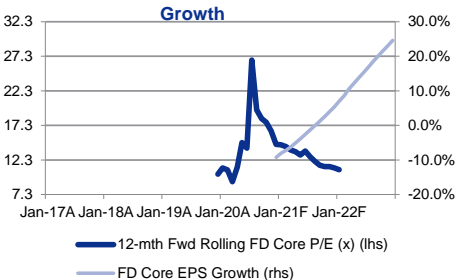
SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Net Revenues	119.8	125.8	126.9	140.9	147.1
Gross Profit	43.1	45.8	47.4	52.8	55.3
Operating EBITDA	8.0	7.0	8.2	11.0	11.7
Depreciation And Amortisation	0.0	0.0	0.0	(1.2)	(1.2)
Operating EBIT	8.0	7.0	8.2	9.8	10.5
Financial Income/(Expense)	0.0	0.1	0.1	0.1	0.1
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	8.0	7.1	8.2	9.9	10.6
Exceptional Items					
Pre-tax Profit	8.0	7.1	8.2	9.9	10.6
Taxation	(1.5)	(0.9)	(1.7)	(1.7)	(1.8)
Exceptional Income - post-tax					
Profit After Tax	6.5	6.2	6.5	8.2	8.8
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	6.5	6.2	6.5	8.2	8.8
Recurring Net Profit	6.5	6.2	6.5	8.2	8.8
Fully Diluted Recurring Net Profit	6.5	6.2	6.5	8.2	8.8

Cash Flow

(\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
EBITDA	7.97	7.04	8.16	10.99	11.66
Cash Flow from Invt. & Assoc.					
Change In Working Capital	0.94	(3.81)	(3.61)	0.07	(1.59)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1.96	1.96	0.98	2.26	2.38
Net Interest (Paid)/Received	0.02	0.07	0.07	0.07	0.07
Tax Paid	(1.41)	(1.06)	(0.95)	(1.73)	(1.68)
Cashflow From Operations	9.47	4.20	4.65	11.65	10.84
Capex	(0.50)	(0.36)	(0.75)	(1.00)	(1.25)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	(16.28)	0.00
Other Investing Cashflow	(0.10)	(0.83)	0.00	0.00	0.00
Cash Flow From Investing	(0.61)	(1.19)	(0.75)	(17.28)	(1.25)
Debt Raised/(repaid)	(2.70)	2.14	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	2.44	0.00
Shares Repurchased					
Dividends Paid	(1.65)	(3.00)	(0.97)	(1.23)	(1.31)
Preferred Dividends					
Other Financing Cashflow	(0.70)	(0.78)	0.00	0.00	0.00
Cash Flow From Financing	(5.05)	(1.65)	(0.97)	1.21	(1.31)
Total Cash Generated	3.81	1.36	2.93	(4.42)	8.28
Free Cashflow To Equity	6.17	5.15	3.90	(5.63)	9.59
Free Cashflow To Firm	9.00	3.12	4.01	(5.52)	9.70

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Cash And Equivalents	26.17	27.53	30.45	24.86	31.96
Total Debtors	28.65	29.42	33.01	36.46	36.07
Inventories	11.43	16.89	13.61	20.15	15.05
Total Other Current Assets	0.37	0.56	0.56	0.56	0.56
Total Current Assets	66.62	74.40	77.64	82.04	83.64
Fixed Assets	5.95	4.81	4.58	4.50	4.54
Total Investments	0.00	0.00	0.00	0.00	0.00
Intangible Assets	7.46	7.89	7.89	22.99	21.82
Total Other Non-Current Assets	0.11	0.05	0.05	0.05	0.05
Total Non-current Assets	13.52	12.74	12.51	27.54	26.41
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	31.69	34.66	31.36	41.42	34.32
Other Current Liabilities	1.46	1.35	2.13	2.08	2.19
Total Current Liabilities	33.14	36.00	33.49	43.50	36.52
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2.44	3.56	3.56	3.56	3.56
Total Non-current Liabilities	2.44	3.56	3.56	3.56	3.56
Total Provisions	0.47	0.41	0.41	0.41	0.41
Total Liabilities	36.06	39.97	37.46	47.47	40.49
Shareholders' Equity	44.08	47.18	52.69	62.11	69.56
Minority Interests					
Total Equity	44.08	47.18	52.69	62.11	69.56

Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue Growth	(1.2%)	3.6%	2.3%	11.3%	4.4%
Operating EBITDA Growth	12.6%	(11.7%)	15.9%	34.7%	6.1%
Operating EBITDA Margin	6.67%	5.69%	6.44%	7.80%	7.93%
Net Cash Per Share (\$\$)	0.09	0.09	0.10	0.08	0.10
BVPS (\$\$)	0.15	0.16	0.18	0.20	0.23
Gross Interest Cover	57.74	63.98	74.15	89.21	95.34
Effective Tax Rate	18.2%	13.3%	21.1%	17.0%	17.0%
Net Dividend Payout Ratio	25.3%	48.7%	15.0%	15.0%	15.0%
Accounts Receivables Days	89.36	85.92	90.00	90.00	90.00
Inventory Days	53.00	64.83	70.00	70.00	70.00
Accounts Payables Days	146.1	146.2	145.0	145.0	145.0
ROIC (%)	37.6%	29.3%	27.3%	31.1%	21.1%
ROCE (%)	19.3%	15.7%	16.6%	17.3%	16.1%
Return On Average Assets	8.40%	7.30%	7.26%	8.16%	7.93%

Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Specialty pharma principals gross margin	N/A	N/A	0.4	0.4	0.4
Proprietary brands gross margin	N/A	N/A	0.7	0.7	0.7
Medical hypermart and digital gross margin	N/A	N/A	0.2	0.2	0.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

DISCLAIMER

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to CGS-CIMB. Reports relating to a specific geographical area are produced and distributed by the corresponding CGS-CIMB entity as listed in the table below.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the “Restrictions on Distributions” set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CGS-CIMB.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. CGS-CIMB may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. CGS-CIMB has no obligation to update this report in the event of a material change to the information contained in this report. CGS-CIMB does not accept any obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, CGS-CIMB, its affiliates and related persons including China Galaxy International Financial Holdings Limited (“CGIFHL”) and CIMB Group Sdn. Bhd. (“CIMBG”) and their respective related corporations (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, CGS-CIMB disclaims all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon sources which CGS-CIMB considers to be reasonable. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research.

Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CGS-CIMB or any of its affiliates (including CGIFHL, CIMBG and their respective related corporations) to any person to buy or sell any investments.

CGS-CIMB, its affiliates and related corporations (including CGIFHL, CIMBG and their respective related corporations) and/or their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CGS-CIMB, its affiliates and their respective related corporations (including CGIFHL, CIMBG and their respective related corporations) do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CGS-CIMB or its affiliates (including CGIFHL, CIMBG and their respective related corporations) may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CGS-CIMB may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. The analyst(s) who prepared this research report is prohibited from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/her coverage of company(ies) in the performance of his/her duties or the performance of his/her recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

Reports relating to a specific geographical area are produced by the corresponding CGS-CIMB entity as listed in the table below. The term “CGS-CIMB” shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case except as otherwise stated herein, CGS-CIMB Securities International Pte. Ltd. and its affiliates, subsidiaries and related corporations.

Country	CGS-CIMB Entity	Regulated by
Hong Kong	CGS-CIMB Securities (Hong Kong) Limited	Securities and Futures Commission Hong Kong
India	CGS-CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CGS-CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Malaysia	CGS-CIMB Securities Sdn. Bhd.	Securities Commission Malaysia
Singapore	CGS-CIMB Securities (Singapore) Pte. Ltd.	Monetary Authority of Singapore
South Korea	CGS-CIMB Securities (Hong Kong) Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CGS-CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

Other Significant Financial Interests:

(i) As of December 31, 2021 CGS-CIMB has a proprietary position in the securities (which may include but not be limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

(ii) Analyst Disclosure: As of January 6, 2022, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not be limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

This report does not purport to contain all the information that a prospective investor may require. Neither CGS-CIMB nor any of its affiliates (including CGIFHL, CIMBG and their related corporations) make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CGS-CIMB nor any of its affiliates nor their related persons (including CGIFHL, CIMBG and their related corporations) shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CGS-CIMB's clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report.

The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Restrictions on Distributions

Australia: Despite anything in this report to the contrary, this research is provided in Australia by CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited do not hold, and are not required to hold an Australian financial services license. CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).

Canada: This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. For any research report distributed by CIBC, further disclosures related to CIBC conflicts of interest can be found at <https://researchcentral.cibcwm.com>.

China: For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Germany: This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

Hong Kong: This report is issued and distributed in Hong Kong by CGS-CIMB Securities (Hong Kong) Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities) and Type 4 (advising on securities) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CGS-CIMB Securities (Hong Kong) Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected.

CHK has no obligation to update its opinion or the information in this research report.
This publication is strictly confidential and is for private circulation only to clients of CHK.
CHK does not make a market on other securities mentioned in the report.

India: This report is issued and distributed in India by CGS-CIMB Securities (India) Private Limited ("CGS-CIMB India"). CGS-CIMB India is a subsidiary of CGS-CIMB Securities International Pte. Ltd. which is in turn is a 50:50 joint venture company of CGIFHL and CIMBG. The details of the members of the group of companies of CGS-CIMB can be found at www.cgs-cimb.com, CGIFHL at www.chinastock.com.hk/en/ACG/ContactUs/index.aspx and CIMBG at www.cimb.com/en/who-we-are.html. CGS-CIMB India is registered with the National Stock Exchange of India Limited and BSE Limited as a trading and clearing member (Merchant Banking Number: INM000012037) under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992. In accordance with the provisions of Regulation 4(g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CGS-CIMB India is not required to seek registration with the Securities and Exchange Board of India ("SEBI") as an Investment Adviser. CGS-CIMB India is registered with SEBI (SEBI Registration Number: INZ000209135) as a Research Analyst (INH000000669) pursuant to the SEBI (Research Analysts) Regulations, 2014 ("Regulations").

This report does not take into account the particular investment objectives, financial situations, or needs of the recipients. It is not intended for and does not deal with prohibitions on investment due to law/jurisdiction issues etc. which may exist for certain persons/entities. Recipients should rely on their own investigations and take their own professional advice before investment.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of CGS-CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CGS-CIMB India or its affiliates.

CGS-CIMB India does not have actual / beneficial ownership of 1% or more securities of the subject company in this research report, at the end of the month immediately preceding the date of publication of this research report. However, since affiliates of CGS-CIMB India are engaged in the financial services business, they might have in their normal course of business financial interests or actual / beneficial ownership of one per cent or more in various companies including the subject company in this research report.

CGS-CIMB India or its associates, may: (a) from time to time, have long or short position in, and buy or sell the securities of the subject company in this research report; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company in this research report or act as an advisor or lender/borrower to such company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

CGS-CIMB India, its associates and the analyst engaged in preparation of this research report have not received any compensation for investment banking, merchant banking or brokerage services from the subject company mentioned in the research report in the past 12 months.

CGS-CIMB India, its associates and the analyst engaged in preparation of this research report have not managed or co-managed public offering of securities for the subject company mentioned in the research report in the past 12 months. The analyst from CGS-CIMB India engaged in preparation of this research report or his/her relative (a) do not have any financial interests in the subject company mentioned in this research report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the research report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the research report.

Indonesia: This report is issued and distributed by PT CGS-CIMB Sekuritas Indonesia ("CGS-CIMB Indonesia"). The views and opinions in this research report are our own as of the date hereof and are subject to change. CGS-CIMB Indonesia has no obligation to update its opinion or the information in this research report. This report is for private circulation only to clients of CGS-CIMB Indonesia. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

Ireland: CGS-CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CGS-CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

Malaysia: This report is distributed in Malaysia by CGS-CIMB Securities Sdn. Bhd. ("CGS-CIMB Malaysia") solely for the benefit of and for the exclusive use of our clients. Recipients of this report are to contact CGS-CIMB Malaysia, at Level 29, Menara Bumiputra-Commerce, No. 11, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia, in respect of any matters arising from or in connection with this report. CGS-CIMB Malaysia has no obligation to update, revise or reaffirm its opinion or the information in this research reports after the date of this report.

New Zealand: In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

Singapore: This report is issued and distributed by CGS-CIMB Securities (Singapore) Pte Ltd ("CGS-CIMB Singapore"). CGS-CIMB Singapore is a capital markets services licensee under the Securities and Futures Act (Chapter 289). Accordingly, it is exempted from the requirement to hold a financial adviser's licence under the Financial Advisers Act, Cap 110 ("FAA") for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. CGS-CIMB Singapore is subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CGS-CIMB Singapore, 50 Raffles Place, #16-02 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CGS-CIMB Singapore has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CGS-CIMB Singapore directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CGS-CIMB Singapore accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CGS-CIMB Singapore is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following:

- (a) Section 25 of the FAA (obligation to disclose product information);
- (b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;
- (c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];
- (d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];
- (e) Section 36 (obligation on disclosure of interest in specified products), and
- (f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that as CGS-CIMB Singapore is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CGS-CIMB Singapore for any loss or damage arising from the recipient's reliance on any recommendation made by CGS-CIMB Singapore which would otherwise be a right that is available to the recipient under Section 27 of the FAA. .

CGS-CIMB Singapore, its affiliates and related corporations, their directors, associates, connected parties and/or employees may own or have positions in specified products of the company(ies) covered in this research report or any specified products related thereto and may from time to time add to or dispose of, or may be materially interested in, any such specified products. Further, CGS-CIMB Singapore, its affiliates and its related corporations do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in specified products of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of January 6, 2022, CGS-CIMB Singapore does not have a proprietary position in the recommended specified products in this report.

CGS-CIMB Singapore does not make a market on the securities mentioned in the report.

South Korea: This report is issued and distributed in South Korea by CGS-CIMB Securities (Hong Kong) Limited, Korea Branch ("CGS-CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea ("FSCMA").

Spain: This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CGS-CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Switzerland: This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers' Association (Directives on the Independence of Financial Research).

Thailand: This report is issued and distributed by CGS-CIMB Securities (Thailand) Co. Ltd. ("CGS-CIMB Thailand") based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CGS-CIMB Thailand has no obligation to update its opinion or the information in this research report.

CGS-CIMB Thailand may act or acts as Market Maker, and issuer and offeror of Derivative Warrants and Structured Note which may have the following securities as its underlying securities. Investors should carefully read and study the details of the derivative warrants in the prospectus before making investment decisions.

AAV, ACE, ADVANC, AEONTS, AMATA, AOT, AP, BAM, BANPU, BBL, BCH, BCP, BCPG, BDMS, BEC, BEM, BGRIM, BH, BJC, BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, CRC, DELTA, DOHOME, DTAC, EA, EGCO, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, ICHI, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KKP, KTB, KTC, LH, MAJOR, MEGA, MINT, MTC, NRF, OR, ORI, OSP, PLANB, PRM, PSL, PTG, PTL, PTT, PTTEP, PTTGC, QH, RATCH, RBF, RS, SAWAD, SCB, SCC, SCGP, SINGER, SPALI, SPRC, STA, STEC, STGT, SUPER, SYNEX, TASCO, TCAP, THANI, TISCO, TKN, TOP, TQM, TRUE, TTB, TU, TVO, VGI, WHA

Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by,

deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom and European Economic Area (EEA): In the United Kingdom and European Economic Area, this material is also being distributed by CGS-CIMB Securities (UK) Limited ("CGS-CIMB UK"). CGS-CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 53 New Broad Street, London EC2M 1JJ. The material distributed by CGS-CIMB UK has been prepared in accordance with CGS-CIMB's policies for managing conflicts of interest arising as a result of publication and distribution of this material. This material is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CGS-CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (c) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, material (all such persons together being referred to as "relevant persons"). This material is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

This material is categorised as non-independent for the purposes of CGS-CIMB UK and therefore does not provide an impartial or objective assessment of the subject matter and does not constitute independent research. Consequently, this material has not been prepared in accordance with legal requirements designed to promote the independence of research and will not be subject to any prohibition on dealing ahead of the dissemination of research. Therefore, this material is considered a marketing communication.

United States: This research report is distributed in the United States of America by CGS-CIMB Securities (USA) Inc, a U.S. registered broker-dealer and an affiliate of CGS-CIMB Securities Sdn. Bhd., CGS-CIMB Securities (Singapore) Pte Ltd, PT CGS-CIMB Sekuritas Indonesia, CGS-CIMB Securities (Thailand) Co. Ltd, CGS-CIMB Securities (Hong Kong) Limited and CGS-CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as "U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CGS-CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CGS-CIMB Securities (USA) Inc.

CGS-CIMB Securities (USA) Inc. does not make a market on other securities mentioned in the report.

CGS-CIMB Securities (USA) Inc. has not managed or co-managed a public offering of any of the securities mentioned in the past 12 months.

CGS-CIMB Securities (USA) Inc. has not received compensation for investment banking services from any of the company mentioned in the past 12 months.

CGS-CIMB Securities (USA) Inc. neither expects to receive nor intends to seek compensation for investment banking services from any of the company mentioned within the next 3 months.

United States Third-Party Disclaimer: If this report is distributed in the United States of America by Raymond James & Associates, Inc ("RJA"), this report is third-party research prepared for and distributed in the United States of America by RJA pursuant to an arrangement between RJA and CGS-CIMB Securities International Pte. Ltd. ("CGS-CIMB"). CGS-CIMB is not an affiliate of RJA. This report is distributed solely to persons who qualify as "U.S. Institutional Investors" or as "Major U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934, as amended. This communication is only for U.S. Institutional Investors or Major U.S. Institutional Investor whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major U.S. Institutional Investor must not rely on this communication. The delivery of this report to any person in the U.S. is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. If you are receiving this report in the U.S from RJA, a FINRA/SIPC member, it takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CGS-CIMB Securities (USA) Inc. or RJA. <https://raymondjames.com/InternationalEquityDisclosures>

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2021		
623 companies under coverage for quarter ended on 30 September 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	72.4%	1.1%
Hold	20.1%	0.0%
Reduce	7.5%	0.0%

Spitzer Chart for stock being researched (2 year data)
Hyphens Pharma International Ltd (HYP SP)

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework
Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

