

Hyphens Pharma International Ltd

Digital healthcare catalyst emerges



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SINGAPORE | HEALTHCARE | Update

- Raised \$6mn for a 10% stake in Hyphens Pharma digital assets – DocMed Technology.
- DocMed Technology owns POM (B2B digital hypermart) and WellAway (Singapore's first and only HSA registered e-pharmacy).
- We raised FY22e earnings by 40% to S\$9.2mn to incorporate earnings from the acquisition of Novem. Our DCF target price is raised from S\$0.345 to S\$0.43 due to higher earnings. WACC is increased from 7.3% to 9% from raising our risk-free rate assumption. We upgrade our recommendation from ACCUMULATE to BUY. Hyphens underlying growth strategy is to be a leading portfolio of proprietary skin health products and brands across Asia. Digital healthcare is a new growth and stock catalyst. We have not incorporated the new valuation of DocMed into our target price. We view the transaction as a funding event rather than crystallisation or monetization of Hyphens digital assets. The proceeds have the potential to enhance the B2B platform with more doctors, pharmaceutical companies, transactions and new sources of revenue. Such milestones could drive further rounds of financing and higher valuations.

Event

Metro Holdings Limited will invest S\$6mn through new preference shares for a 10% stake in Hyphens wholly owned subsidiary DocMed Technology (DocMed). DocMed owns Hyphens medical B2B hypermart (POM Medical Hypermart) and a licensed e-pharmacy (WellAway).

1. POM is a B2B platform that serves doctor's drug and other medical supply needs. For instance, a clinic can order and receive all its drugs and supplies from POM. Revenue in FY21 was S\$41mn including offline sales.
2. WellAway serves the telemedicine industry as a licensed e-pharmacy. After tele consultation with patients, a doctor will be able to prescribe and arrange delivery of the drugs to their patients through WellAway. Doctors do not need to stock up with multiple and expensive drugs and can tap on WellAway's extensive range. WellAway supports telemedicine fulfilment needs.

Comment

With the proceeds, DocMed will build up its manpower (technology, operations, marketing) and enhance its B2B platform to serve doctors. The platform can be enhanced with more pharmaceutical offerings, mobile features and a regional footprint across ASEAN. The expected timeline to enhance and expand the B2B platform is two years.

Key operational milestones of the platform will include a larger number of doctors joining and purchasing through the platform. Pharmaceutical companies are constantly looking to reach out and engage doctors. DocMed platforms will be an important platform to showcase their drugs to doctors. In turn, DocMed can generate new sources of revenue such as advertising and promotion from pharmaceutical companies.

We upgrade our recommendation to BUY with a higher TP of S\$0.43 (prev. S\$0.345)

Hyphen's multiple-year growth strategy is to expand its proprietary brands of skincare products (e.g. Ceradan and tDf) across the region. The creation and development of the digital healthcare platform DocMed is an additional growth and share price catalyst. Near-term earnings drivers are the acquisition of Novem and growth in specialty pharma sales due to the return of elective surgeries after the pandemic.

6 June 2022

BUY (UPGRADED)

LAST CLOSE PRICE	SGD 0.295
FORECAST DIV	SGD 0.007
TARGET PRICE	SGD 0.430
TOTAL RETURN	48.1%

COMPANY DATA

BLOOMBERG CODE	HYP SP
O/S SHARES (MN)	309
MARKET CAP (USD mn / SGD mn)	66.2 / 91.1
52 - WK HI/LO (SGD)	0.365 / 0.270
3M Average Daily T/O (mn)	0.04

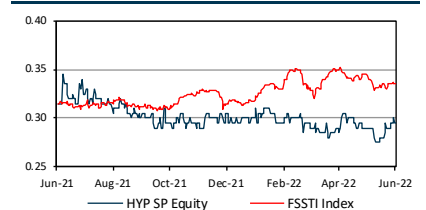
MAJOR SHAREHOLDERS

Inomed Holding Pte Ltd	38.8%
Tan Kia King	24.7%
Tan Chwee Choon	12.3%

PRICE PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	4.2	2.4	0.7
STI RETURN	(2.8)	1.2	5.6

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, (\$'000)	FY20	FY21	FY22e	FY23e
Revenue	123,698	125,883	148,354	158,570
EBITDA	9,299	10,555	14,015	14,983
NPAT	6,163	6,846	9,231	10,068
EPS (\$ Cents)	2.1	2.2	2.2	3.0
P/E (x)	14.4	13.3	9.9	9.0
P/B (x)	1.9	1.7	1.5	1.3
Div Yield	2.1%	2.3%	2.4%	2.7%
ROE	13.5%	13.4%	15.9%	15.3%

Source: Company Data

VALUATION METHOD

DCF @ WACC = 9.0%, g = 2.0%

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Financials

Income Statement

Y/E Dec, S\$'000	FY19	FY20	FY21	FY22e	FY23e
Revenue	119,442	123,698	125,883	148,354	158,570
Cost of sales	(76,773)	(79,939)	(77,800)	(89,309)	(95,142)
Gross profit	42,669	43,759	48,083	59,045	63,428
Marketing and distribution costs	(24,837)	(26,523)	(28,394)	(33,380)	(36,154)
Administrative expenses	(9,772)	(10,138)	(11,639)	(14,178)	(14,750)
Finance costs	(138)	(110)	(95)	(171)	(181)
Other income and gains	546	2,248	964	80	87
Other losses	(481)	(2,128)	(680)	-	-
EBITDA	10.1	9.3	10.6	14.0	15.0
Profit before tax	7,987	7,108	8,239	11,396	12,430
Income tax expense	(1,457)	(945)	(1,410)	(2,165)	(2,362)
Profit after tax	6,530	6,163	6,829	9,231	10,068

Per share data

Y/E Dec, SG cents	FY19	FY20	FY21	FY22e	FY23e
EPS	2.2	2.1	2.2	3.0	3.3
DPS	1.0	0.6	0.7	0.7	0.8
BVPS	14.7	15.7	17.7	20.0	22.6

Cash Flows

Y/E Dec, S\$'000	FY19	FY20	FY21	FY22e	FY23e
CFO					
Profit before tax	7,987	7,108	8,256	11,396	12,430
Adjustments	1,937	1,893	2,661	2,619	2,553
Working capital changes	935	(3,810)	(3,464)	(3,881)	(10,319)
Operating cash flow	10,859	5,191	7,453	10,133	4,664
Taxes paid, others	(1,406)	(1,061)	(1,415)	(2,165)	(2,362)
Net operating cash flow	9,453	4,130	6,038	7,968	2,302
CFI					
CAPEX, net	(606)	(1,193)	(835)	(1,300)	(1,500)
Acquisition of subsidiaries	-	-	(14,156)	-	-
Others	157	180	74	-	-
Net investing cash flow	(449)	(1,013)	(14,917)	(1,300)	(1,500)
CFE					
Proceeds from issuance of shares	-	-	-	-	-
IPO expenses	-	-	-	-	-
Dividends	(1,650)	(3,004)	(1,863)	(2,069)	(2,161)
Loans, net of repayments	(3,542)	1,248	2,677	(171)	(181)
Net financing cash flow	(5,192)	(1,756)	814	(2,240)	(2,342)
Net change in cash	3,812	1,361	(8,065)	4,428	(1,540)
CCE, end	26,165	27,526	19,461	23,889	22,349

Source: Company, PSR Estimates

Balance Sheet

Y/E Dec, S\$'000	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
Plant and equipment	2,888	4,807	4,171	3,830	3,731
Right-of-use asset	3,060	-	-	-	-
Intangible assets	7,462	7,890	20,150	19,344	18,570
Others	105	47	372	372	372
Total non-current assets	13,515	12,744	24,693	23,546	22,673
Inventories	11,431	16,888	25,076	27,446	26,487
Trade and other receivables	28,654	23,736	28,543	30,235	38,412
Cash and cash equivalents	26,165	27,526	19,461	23,889	22,349
Others	366	564	639	639	639
Total current assets	66,616	68,714	73,719	82,209	87,887
Total assets	80,131	81,458	98,412	105,754	110,560

LIABILITIES

Others	2,911	3,967	1,222	1,222	1,222
Total non-current liabilities	2,911	3,967	1,222	1,222	1,222
Trade and other payables	30,628	27,555	33,563	33,744	30,642
Others	2,516	2,761	8,994	8,994	8,994
Total current liabilities	33,144	30,316	42,557	42,738	39,636
Total liabilities	36,055	34,283	43,779	43,960	40,858

EQUITY

Share capital	32,641	32,641	35,083	35,083	35,083
Retained earnings	26,467	29,626	34,609	41,771	49,677
Others	(15,032)	(15,092)	(15,059)	(15,059)	(15,059)
Total equity	44,076	47,175	54,633	61,795	69,701

Valuation Ratios

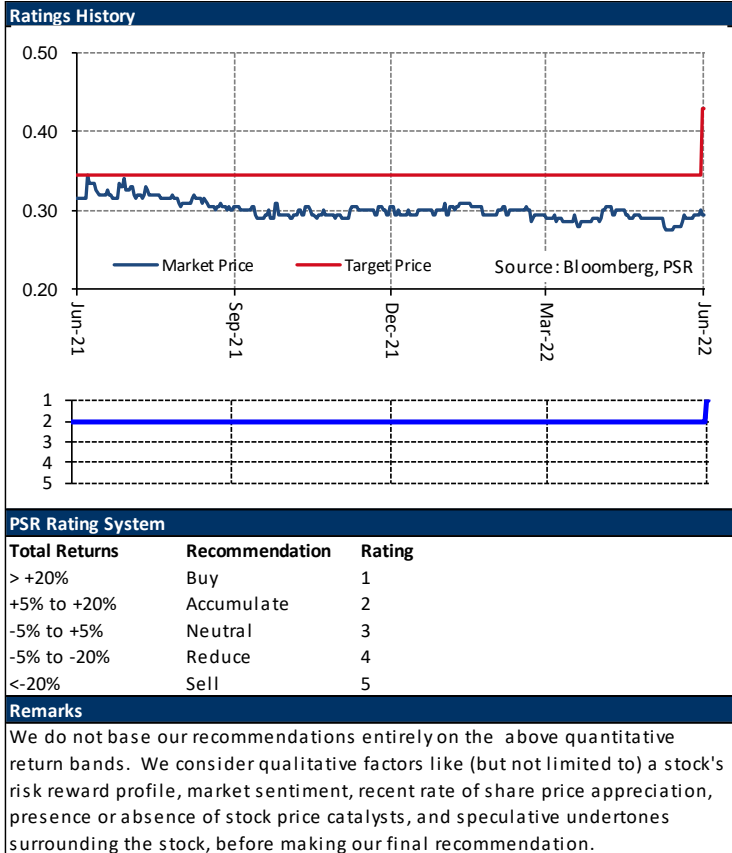
Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
P/E (x)	13.6	14.4	13.3	9.9	9.0
P/B (x)	2.0	1.9	1.7	1.5	1.3
EV/EBITDA (x)	6.2	6.6	6.8	4.8	4.6
Dividend Yield	3.4%	2.1%	2.3%	2.4%	2.7%

Growth & Margins

	FY19	FY20	FY21	FY22e	FY23e
Growth					
Revenue	-1.2%	3.6%	1.8%	17.9%	6.9%
Gross profit	4.6%	2.6%	9.9%	22.8%	7.4%
EBITDA	27.3%	-8.2%	13.5%	32.8%	6.9%
Net Profit	20.7%	-5.6%	10.8%	35.2%	9.1%
Margins					
Gross margin	35.7%	35.4%	38.2%	39.8%	40.0%
EBITDA margin	8.5%	7.5%	8.4%	9.4%	9.4%
Net Profit Margin	5.5%	5.0%	5.4%	6.2%	6.3%

Key Ratios

ROE	15.7%	13.5%	13.4%	15.9%	15.3%
ROA	8.4%	7.6%	7.6%	9.0%	9.3%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash



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