

Singapore

ADD (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	S\$0.30
Target price:	S\$0.40
Previous target:	S\$0.39
Up/downside:	33.3%
CGS-CIMB / Consensus:	-7.0%
Reuters:	HYPH.SI
Bloomberg:	HYP SP
Market cap:	US\$66.90m
	S\$92.63m
Average daily turnover:	US\$0.01m
	S\$0.01m
Current shares o/s:	308.8m
Free float:	24.1%

*Source: Bloomberg

Key changes in this note

- FY22F EPS raised by 18.4%.
- FY23F EPS raised by 0.3%.
- FY24F EPS raised by 12.2%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.1	-6.3	0
Relative (%)	-2.5	-6.1	-0.6

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

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Hyphens Pharma International

Steadfast in executing its business strategy

- 3Q22 net profit of S\$4.1m a beat at 36.6%/39.8% of our/Bloomberg consensus' FY22F. 9M22 net profit of S\$123.5m at 93.0% of our FY22F.
- HYP's strong performance is a culmination of successful portfolio expansion efforts; financial strength supports investments for next phase of growth.
- We raise FY22F-24F EPS by 0.3-18.4% to reflect better sales mix on resilient revenue growth ahead. Reiterate Add with a higher TP of S\$0.40.

Record revenue/net profit to date; 3Q22 net profit +270.8% yoy

3Q22 revenue of S\$42.8m (+2.9% qoq; +46.7% yoy) was propelled by growth across all business segments. Strong yoy growth in specialty pharma principals (+77.1%) and proprietary brands (+51.4%), in addition to growth in the medical hypermart and digital segment (+2.6% yoy) supported a 3.7% pts GP margin expansion yoy. 9M22 revenue was in line at 78.1% of our FY22 forecast but net profit of S\$10.3m exceeded our expectation at 93.0% of our full-year estimate. Newly-acquired Novem contributed S\$3.8m/S\$13.0m sales to HYP in 3Q22/9M22, surpassing its pre-acquisition revenue of S\$11.4m in FY20.

Keeping expectations in check despite pleasant surprise

We believe that cyclical restocking by customers in Vietnam, ahead of product licence renewals that typically occur every two years, contributed to the strong 3Q earnings. The last round of licence renewals was in FY20. HYP's management comments in its 3Q22 business updates identified potential headwinds from inflationary pressures, supply chain disruptions and a potential economic slowdown that could disrupt supply-demand dynamics and lead to higher costs. We also expect a step-up in operating costs from incubating DocMed, which houses HYP's digital assets including its e-pharmacy and business-to-business (B2B) platform for two years with the S\$6m raised from a 10% stake sale in DocMed in Jun 2022.

Potentially heading into an investment year

As at end-1H22, HYP's cash balance has recovered back to S\$28.4m from end-FY21's S\$19.5m post-acquisition of Novem with a low debt level of c.S\$5.3m. The healthy cash balance suggests that HYP could go into FY23F with an eye out for investments, which can include acquisition of brands, businesses, as well as potential in-licensing from brand principals. Nevertheless, we do not expect an immediate earnings impact due to regulatory approvals required before sales, and slow adoption from the medical community.

Reiterate Add with a higher DCF (WACC: 11.4%) TP of S\$0.40

We raise our FY22F/23F/24F EPS by 18.4%/0.3%/12.2% as we expect a stronger FY22F, and normalisation of profitability from FY23F onwards. This should pave the way for higher dividends – we project 1.27 Scts for FY22F based on its 30% payout policy, suggesting a yield of c.4% – while allowing the company to pursue potential growth opportunities. Potential re-rating catalysts include accretive acquisitions and strong growth of portfolio products while downside risks include margin compression and demand disruption.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (S\$b)	0.12	0.13	0.17	0.17	0.17
Operating EBITDA (S\$b)	0.007	0.008	0.017	0.015	0.017
Net Profit (S\$b)	0.006	0.007	0.013	0.011	0.013
Core EPS (S\$)	0.021	0.023	0.042	0.037	0.043
Core EPS Growth	(5.7%)	11.1%	86.2%	(12.6%)	16.2%
FD Core P/E (x)	14.62	13.17	6.98	8.09	6.96
DPS (S\$)	0.006	0.007	0.013	0.011	0.013
Dividend Yield	2.07%	2.23%	4.23%	3.70%	4.30%
EV/EBITDA (x)	8.89	8.52	4.08	4.33	3.12
P/FCFE (x)	17.50	NA	13.07	11.54	6.87
Net Gearing	(58.3%)	(35.6%)	(37.8%)	(40.2%)	(48.0%)
P/BV (x)	1.91	1.65	1.41	1.27	1.11
ROE	13.5%	13.4%	21.8%	16.5%	17.0%
% Change In Core EPS Estimates			18.4%	0.3%	12.2%
CGS-CIMB/Consensus EPS (x)			1.29	1.06	1.13

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Steadfast in executing its business strategy

Figure 1: Results comparison

FYE Dec 31 (S\$m)	3Q22	3Q21	yoy % change	2Q22	qoq% change	9M22	9M21	yoy % chg	Prev. FY22F	Remarks
Revenue	42.8	29.1	46.7%	41.5	2.9%	123.5	92.9	32.8%	165.2	9M22 revenue in-line at 78% of our full-year forecasts. All segments saw growth - and Novem contributed S\$13.0m to revenue.
Gross profit	17.2	10.6	61.7%	16.1	7.2%	48.3	35.4	36.4%	65.1	
Gross profit margin (%)	40.2%	36.5%	3.7% pts	38.6%	1.6% pts	39.1%	38.0%	1.1% pts	39.4%	Better sales mix (i.e. specialty pharma principals and proprietary brands) contributed to margin expansion.
Profit before tax	5.3	1.5	251.5%	3.6	46.4%	13.2	6.7	95.1%	16.37	
PBT margin (%)	12.5%	5.2%	7.3% pts	8.8%	3.7% pts	10.7%	7.3%	3.4% pts	9.9%	
Net profit	4.0	1.1	270.8%	3.0	32.9%	10.3	5.4	90.3%	13.10	9M22 net profit exceeded expectations at 93% of our FY22F forecasts on better operating leverage.
Net profit margin (%)	9.5%	3.7%	5.7% pts	7.3%	2.1% pts	8.3%	5.8%	2.5% pts	7.9%	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: EPS changes

FYE Dec 31 (S\$ m)	New			Old			% change		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Revenue	165.2	170.3	174.5	158.2	162.9	166.8	4.5%	4.5%	4.6%
Gross profit	65.1	67.3	69.1	60.5	62.5	64.2	7.6%	7.7%	7.7%
GPM (%)	39.4%	39.5%	39.6%	38.3%	38.4%	38.5%	1.1% pts	1.1% pts	1.1% pts
EBIT	16.5	14.4	16.7	13.9	14.4	14.9	18.3%	0.3%	12.2%
Reported PATMI	13.1	11.5	13.3	11.1	11.4	11.9	18.4%	0.3%	12.2%
Core PATMI	13.1	11.5	13.3	11.1	11.4	11.9	18.4%	0.3%	12.2%
NPM (%)	7.9%	6.7%	7.6%	7.0%	7.0%	7.1%	0.9% pts	-0.3% pts	0.5% pts
EPS (Scts)	4.2	3.7	4.3	3.6	3.7	3.8	18.4%	0.3%	12.2%

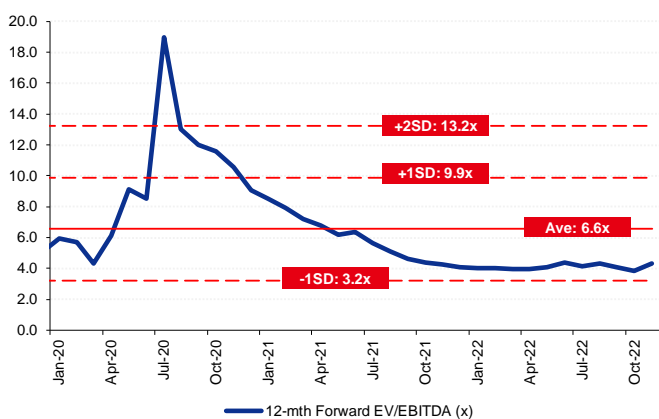
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Peer comparison (as of 23 Nov 2022)

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	EV/EBITDA (x)	3-year EPS CAGR (%)	P/E (x)	Recurring ROE (%)	Dividend Yield (%)				
						CY22F	CY23F	CY22F	CY23F	CY22F	CY23F			
Hyphens Pharma International	HYP SP	Add	0.300	0.40	67	4.8	4.3	17.9%	8.4	8.1	18.9%	16.9%	3.6%	3.7%
Mega Lifesciences	MEGA TB	Hold	46.00	51.00	1,106	11.6	12.2	5.5%	16.9	17.6	29.1%	24.3%	3.5%	3.4%
Pharmaniaga Bhd	PHRM MK	Hold	0.53	0.58	152	9.7	9.2	-33.9%	12.9	11.9	12.1%	12.2%	5.4%	5.9%
Blackmores	BKL AU	Hold	71.00	73.40	918	13.3	11.1	25.5%	37.7	28.6	9.5%	11.5%	1.6%	2.1%
Duopharma Biotech Bhd	DBB MK	Add	1.34	1.85	279	8.5	8.6	8.3%	13.1	12.7	15.3%	13.5%	2.3%	2.4%
Simple average						8.7	8.1	1.9%	23.5	20.0	15.7%	15.4%	3.1%	3.3%

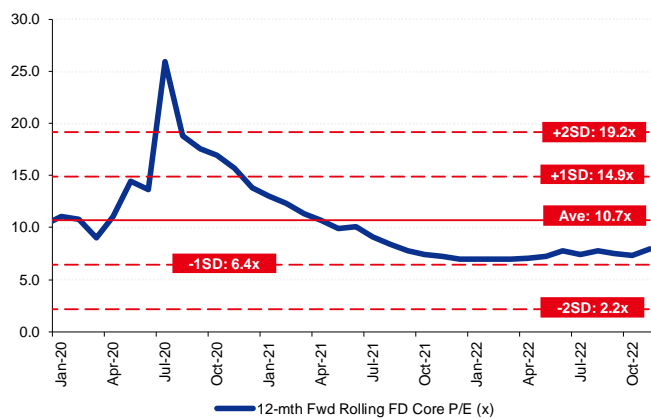
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: HYP's 12-mth fwd FD EV/EBITDA (x)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 5: HYP's 12-mth fwd rolling FD core P/E (x)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

ESG in a nutshell



Refinitiv and MSCI do not report HYP's ESG. Nevertheless, HYP has been actively pursuing E, S, and G pillars by sourcing for sustainable products, and taking on initiatives with social causes to reach out to the needy, as well as abiding by its corporate governance policies. Since its listing in 2018, HYP has not been implicated in any controversy.

Keep your eye on

HYP has not faced any controversy since its listing in 2018. HYP operates within the pharmaceutical and health supplements industry that is regulated by the Ministry of Health (MOH) and Health Sciences Authority (HSA) of Singapore, and is subject to the relevant standards applicable to each of its products, or risk product recalls that could adversely impact its business.

Implications

As a pharmaceutical distributor and manufacturer, customer reputation is especially pertinent to HYP. With no instances of adverse events such as product recalls, HYP upholds standards testament of product quality and we believe that is positive for HYP's brand equity. However, we have not ascribed a value to the brand premium as its presence remains limited within the local market.

ESG highlights

On its governance pillar, HYP has a zero-tolerance policy towards corruption and put in place policies governing workplace ethics and business conduct. Consequently, there were no reported cases in relation to breaches of code of corporate governance, corruption, and bribery in FY21.

Implications

We think HYP's solid governance record is backed by a strong management team which has been effectively communicating expectations to its stakeholders. This is a positive for HYP, in our view.

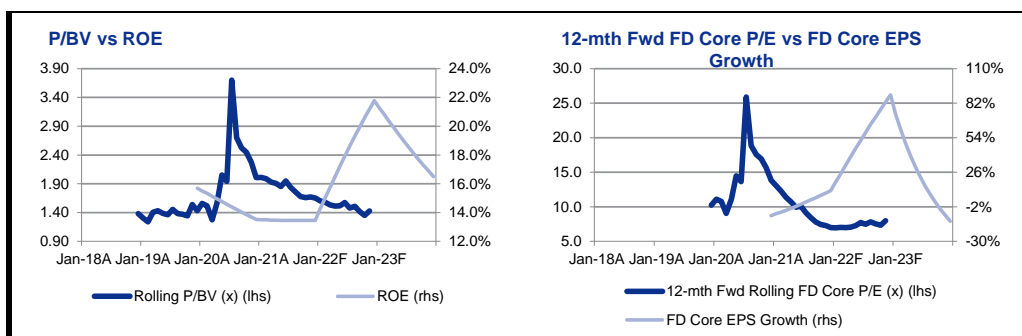
Trends

On its Environment pillar, in FY21, HYP launched a refill pack for its Ocean Health Omega-3 Fish Oil 1000mg product. This refill pack is the first refill pouch in Singapore's health supplement category, and it uses 90% less plastic compared to the large Ocean Health Omega-3 Fish Oil bottle.

Implications

Should the refill pack be accepted favourably by consumers, HYP will consider using the more environment-friendly refill pack for other supplements, as indicated in its FY21 annual report. We have not factored this into our valuations.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

Profit & Loss

(\$b)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	0.12	0.13	0.17	0.17	0.17
Gross Profit	0.05	0.05	0.07	0.07	0.07
Operating EBITDA	0.01	0.01	0.02	0.01	0.02
Depreciation And Amortisation	0.00	0.00	(0.00)	(0.00)	(0.00)
Operating EBIT	0.01	0.01	0.02	0.01	0.02
Financial Income/(Expense)	0.00	(0.00)	(0.00)	(0.00)	(0.00)
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	0.01	0.01	0.02	0.01	0.02
Exceptional Items					
Pre-tax Profit	0.01	0.01	0.02	0.01	0.02
Taxation	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Exceptional Income - post-tax					
Profit After Tax	0.01	0.01	0.01	0.01	0.01
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	0.01	0.01	0.01	0.01	0.01
Recurring Net Profit	0.01	0.01	0.01	0.01	0.01
Fully Diluted Recurring Net Profit	0.01	0.01	0.01	0.01	0.01

Cash Flow

(\$b)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	0.007	0.008	0.017	0.015	0.017
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(0.004)	(0.003)	(0.007)	(0.002)	0.001
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense			(0.001)	(0.001)	(0.001)
Other Operating Cashflow	0.002	0.003	0.002	0.002	0.002
Net Interest (Paid)/Received	0.000	(0.000)	(0.000)	(0.000)	(0.000)
Tax Paid	(0.001)	(0.001)	(0.002)	(0.003)	(0.003)
Cashflow From Operations	0.004	0.006	0.009	0.010	0.016
Capex	(0.000)	(0.001)	(0.000)	(0.000)	(0.000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	-	(0.014)	-	-	-
Other Investing Cashflow	(0.001)	(0.000)	-	-	-
Cash Flow From Investing	(0.001)	(0.015)	(0.000)	(0.000)	(0.000)
Debt Raised/(repaid)	0.002	0.004	(0.002)	(0.002)	(0.002)
Proceeds From Issue Of Shares	-	-	-	-	-
Shares Repurchased					
Dividends Paid	(0.003)	(0.002)	(0.002)	(0.004)	(0.003)
Preferred Dividends					
Other Financing Cashflow	(0.001)	(0.001)	-	-	-
Cash Flow From Financing	(0.002)	0.001	(0.004)	(0.006)	(0.005)
Total Cash Generated	0.001	(0.008)	0.005	0.004	0.010
Free Cashflow To Equity	0.005	(0.005)	0.007	0.008	0.013
Free Cashflow To Firm	0.003	(0.009)	0.009	0.010	0.015

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(\$b)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	0.028	0.019	0.025	0.029	0.040
Total Debtors	0.029	0.029	0.038	0.041	0.040
Inventories	0.017	0.025	0.029	0.030	0.031
Total Other Current Assets	0.001	0.001	0.001	0.001	0.001
Total Current Assets	0.074	0.074	0.093	0.101	0.112
Fixed Assets	0.005	0.004	0.003	0.003	0.002
Total Investments	-	0.000	0.000	0.000	0.000
Intangible Assets	0.008	0.020	0.020	0.019	0.019
Total Other Non-Current Assets	0.000	0.000	0.000	0.000	0.000
Total Non-current Assets	0.013	0.025	0.023	0.022	0.021
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	0.035	0.041	0.047	0.046	0.045
Other Current Liabilities	0.001	0.002	0.003	0.003	0.003
Total Current Liabilities	0.036	0.043	0.050	0.049	0.048
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.004	0.001	0.001	0.001	0.001
Total Non-current Liabilities	0.004	0.001	0.001	0.001	0.001
Total Provisions	0.000	0.000	0.000	0.000	0.000
Total Liabilities	0.040	0.044	0.051	0.050	0.050
Shareholders' Equity	0.047	0.055	0.066	0.073	0.083
Minority Interests					
Total Equity	0.047	0.055	0.066	0.073	0.083

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	1.3%	4.1%	31.3%	3.0%	2.5%
Operating EBITDA Growth	(12%)	17%	100%	(12%)	15%
Operating EBITDA Margin	5.8%	6.6%	10.0%	8.5%	9.6%
Net Cash Per Share (\$\$)	0.09	0.06	0.08	0.10	0.13
BVPS (\$\$)	0.16	0.18	0.21	0.24	0.27
Gross Interest Cover	64.0	86.9	100.8	68.7	133.4
Effective Tax Rate	13.3%	17.1%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	48.7%	27.2%	15.8%	34.2%	25.8%
Accounts Receivables Days	87.85	84.03	74.02	85.00	85.23
Inventory Days	67.0	98.4	99.2	105.5	106.1
Accounts Payables Days	151.1	156.7	136.2	147.9	148.7
ROIC (%)	29.3%	27.6%	35.5%	26.8%	29.0%
ROCE (%)	15.7%	16.3%	26.6%	20.2%	20.8%
Return On Average Assets	7.3%	7.4%	12.2%	9.6%	10.4%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Specialty pharma principals gross margin	N/A	0.5	0.5	0.5	0.5
Proprietary brands gross margin	N/A	0.6	0.6	0.6	0.6
Medical hypermart and digital gross margin	N/A	0.2	0.2	0.2	0.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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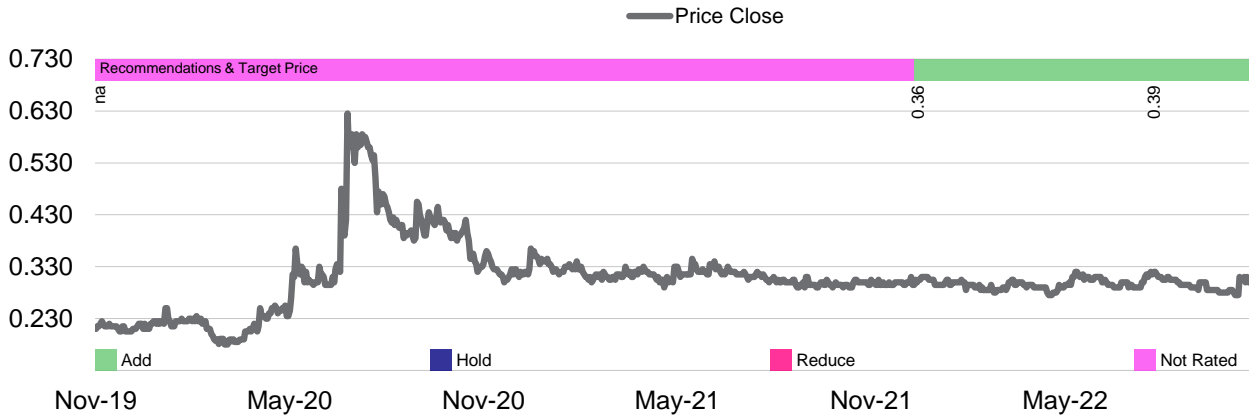
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2022		
646 companies under coverage for quarter ended on 30 September 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.6%
Hold	25.2%	0.2%
Reduce	8.0%	0.2%

Spitzer Chart for stock being researched (2 year data)

Hyphens Pharma International (HYP SP)



Recommendation Framework

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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.

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