

# Hyphens Pharma International Ltd

Assembling multiple growth engines



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## SINGAPORE | HEALTHCARE | 2H22 RESULTS

- FY22 results exceeded expectations. FY22 revenue and PATMI were 109%/118% of our forecasts. Revenue jumped across all segments in 2H22, in part driven by pent-up demand after the re-opening. Dividends surged by 66% to 1.11 cents.
- We believe the re-opening saw the return of surgeries deferred during the pandemic, and increased visits drove specialty pharma revenue. Around 86% of FY22 earnings is from specialty pharma.
- We raise FY23e earnings by 31% to S\$13.2mn and the DCF target price is nudged up to S\$0.445 (prev. S\$0.43). Our BUY recommendation is maintained. We underestimated the rebound in sales post re-opening. Hyphens has assembled multi-franchise drivers in the medium term, namely DocMed, proprietary skincare brands and specialty pharma distribution into public sector verticals. A near-term headwind is the upfront costs to develop the DocMed healthcare platform.

### Results at a glance

SGD '000	2H22	2H21	YoY	Comments
<b>Revenue</b>	<b>81,612</b>	<b>62,076</b>	<b>31.5%</b>	Excl. Novem, revenue up 19% YoY to S\$73.8mn.
- Specialty pharma	47,307	32,303	46.4%	Excl. Novem, revenue up 23% YoY to ~S\$39.8mn.
- Proprietary brands	12,736	9,732	30.9%	Excl. Novem, revenue up 28% YoY to ~S\$12.4mn.
- Medical hypermart	21,569	20,041	7.6%	
<b>Gross profit</b>	<b>31,732</b>	<b>23,331</b>	<b>36.0%</b>	
Distribution costs	(16,393)	(14,123)	16.1%	
Administrative expenses	(8,364)	(6,405)	30.6%	
EBITDA	8,013	4,217	90.0%	
- Specialty pharma	7,934	3,582	121.5%	
- Proprietary brands	947	856	10.6%	
- Medical hypermart	(336)	386	n.m.	
<b>PATMI</b>	<b>5,147</b>	<b>2,531</b>	<b>103.4%</b>	Excl. Novem, PAT up 52% YoY to S\$3.8mn.
DPS	1.11	0.67	65.7%	30% payout ratio is maintained.

Source: Company, PSR; Note# Novem was acquired in December 2021

### The Positive

**+ Strong growth in specialty pharma.** The largest earning driver was specialty pharma. EBITDA more than doubled to S\$7.9mn with the inclusion of recently acquired Novem. We believe the re-opening has increased surgeries and visits to hospitals and specialists, thereby driving up revenue.

### The Negative

**- Softer proprietary margins.** EBITDA margins for proprietary brands declined by 1.4% points YoY to 7.4% in 2H22. We believe higher production and product development costs contributed to the weakness in margins.

### Outlook

We expect slower growth post the pent-up demand after the re-opening. New products launched will support sales, such as Nabota® (botox), Meradan® (steroid eczema cream) and Winlevi® (acne cream). Hyphens continue to build medium-term franchises: (i) DocMed - a platform for doctors, drug companies and other healthcare providers; (ii) Proprietary brands in skin health products; (iii) Novem - expand specialty products distribution into the public sector.

### Maintain BUY with higher TP of S\$0.445 (prev. S\$0.43)

Hyphen enjoys a net cash balance sheet of S\$33mn, pays a yield of 3% and is trading at PE ratio of 8x.

9 March 2023

## BUY (Maintained)

LAST CLOSE PRICE	SGD 0.350
FORECAST DIV	SGD 0.0112
TARGET PRICE	SGD 0.445
<b>TOTAL RETURN</b>	<b>30.3%</b>

### COMPANY DATA

BLOOMBERG CODE	HYP SP
O/S SHARES (MN):	309
MARKET CAP (USD mn / SGD mn):	79.8 / 108.1
52 - WK HI/LO (SGD):	0.375 / 0.270
3M Average Daily T/O (mn):	0.17

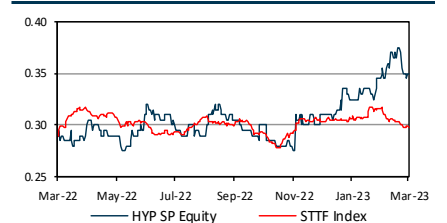
### MAJOR SHAREHOLDERS

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

### PRICE PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	1.4	12.9	4.5
STTF	(3.8)	1.0	0.1

### PRICE VS. STTF



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec, (S\$'000)	FY21	FY22	FY23e	FY24e
Revenue	125,883	162,316	177,652	190,275
EBITDA	10,555	17,251	19,360	19,336
NPAT	6,846	11,409	13,240	13,746
EPS (S\$ Cents)	2.2	2.2	3.7	4.3
P/E (x)	15.8	9.5	8.2	7.9
P/B (x)	2.0	1.5	1.3	1.2
Div Yield	1.9%	3.2%	3.2%	3.2%
ROE	13.4%	18.3%	17.6%	16.1%

Source: Company Data

### VALUATION METHOD

DCF @ WACC = 9.2%, g = 2.0%

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## Financials

### Income Statement

Y/E Dec, S\$'000	FY20	FY21	FY22	FY23e	FY24e
Revenue	123,698	125,883	162,316	177,652	190,275
Cost of sales	(79,939)	(77,800)	(99,507)	(107,479)	(114,165)
<b>Gross profit</b>	<b>43,759</b>	<b>48,083</b>	<b>62,809</b>	<b>70,172</b>	<b>76,110</b>
Marketing and distribution costs	(26,523)	(28,394)	(33,267)	(37,307)	(40,909)
Administrative expenses	(10,138)	(11,639)	(14,561)	(16,526)	(18,276)
Finance costs	(110)	(95)	(238)	(181)	(199)
Other income and gains	2,248	964	658	87	94
Other losses	(2,128)	(680)	(1,584)	(500)	(500)
<b>EBITDA</b>	<b>9,299</b>	<b>10,555</b>	<b>17,251</b>	<b>19,360</b>	<b>19,336</b>
<b>Profit before tax</b>	<b>7,108</b>	<b>8,256</b>	<b>14,291</b>	<b>16,346</b>	<b>16,971</b>
Income tax expense	(945)	(1,410)	(2,882)	(3,106)	(3,224)
Minority Interest	-	-	(58)	(80)	(100)
<b>Profit after tax</b>	<b>6,163</b>	<b>6,846</b>	<b>11,409</b>	<b>13,240</b>	<b>13,746</b>

### Per share data

Y/E Dec, SG cents	FY20	FY21	FY22	FY23e	FY24e
EPS	2.05	2.22	3.69	4.29	4.45
DPS	0.62	0.67	1.11	1.12	1.13
BVPS	15.7	17.7	22.8	25.9	29.3

### Cash Flows

Y/E Dec, S\$'000	FY20	FY21	FY22	FY23e	FY24e
<b>CFO</b>					
<b>Profit before tax</b>	<b>7,108</b>	<b>8,256</b>	<b>14,291</b>	<b>16,346</b>	<b>16,971</b>
Adjustments	1,893	2,661	2,596	2,413	1,715
Working capital changes	(3,810)	(3,464)	2,142	(7,514)	(6,363)
Operating cash flow	5,191	7,453	19,029	11,246	12,323
Taxes paid, others	(1,061)	(1,415)	(2,152)	(3,106)	(3,224)
<b>Net operating cash flow</b>	<b>4,130</b>	<b>6,038</b>	<b>16,877</b>	<b>8,140</b>	<b>9,098</b>
<b>CFI</b>					
CAPEX, net	(1,193)	(835)	(1,228)	(1,000)	(1,000)
Acquisition of subsidiaries	-	(14,156)	179	-	-
Others	180	74	42	-	-
<b>Net investing cash flow</b>	<b>(1,013)</b>	<b>(14,917)</b>	<b>(1,007)</b>	<b>(1,000)</b>	<b>(1,000)</b>
<b>CFE</b>					
Proceeds from issuance of shares	-	-	-	-	-
IPO expenses	-	-	6,100	-	-
Dividends	(3,004)	(1,863)	(2,069)	(3,427)	(3,458)
Loans, net of repayments	1,248	2,677	(2,882)	(181)	(199)
<b>Net financing cash flow</b>	<b>(1,756)</b>	<b>814</b>	<b>1,149</b>	<b>(3,608)</b>	<b>(3,657)</b>
<b>Net change in cash</b>	<b>1,361</b>	<b>(8,065)</b>	<b>17,019</b>	<b>3,532</b>	<b>4,441</b>
<b>CCE, end</b>	<b>27,526</b>	<b>19,461</b>	<b>36,480</b>	<b>40,012</b>	<b>44,453</b>

Source: Company, PSR Estimates

### Balance Sheet

Y/E Dec, S\$'000	FY20	FY21	FY22	FY23e	FY24e
<b>ASSETS</b>					
Plant and equipment	4,807	4,408	3,017	2,209	1,765
Associate	-	2,306	2,667	3,267	3,917
Intangible assets	7,890	18,300	19,072	18,047	17,325
Others	47	65	61	61	61
<b>Total non-current assets</b>	<b>12,744</b>	<b>25,079</b>	<b>24,817</b>	<b>23,584</b>	<b>23,068</b>
Inventories	16,888	25,290	21,260	23,826	30,213
Trade and other receivables	23,736	28,722	31,106	37,594	38,551
Cash and cash equivalents	27,526	19,461	36,480	40,012	44,453
Others	564	639	806	806	806
<b>Total current assets</b>	<b>68,714</b>	<b>74,112</b>	<b>89,652</b>	<b>102,237</b>	<b>114,022</b>
<b>Total assets</b>	<b>81,458</b>	<b>99,191</b>	<b>114,469</b>	<b>125,821</b>	<b>137,090</b>
<b>LIABILITIES</b>					
Others	3,967	1,898	4,123	4,123	4,123
<b>Total non-current liabilities</b>	<b>3,967</b>	<b>1,898</b>	<b>4,123</b>	<b>4,123</b>	<b>4,123</b>
Trade and other payables	27,555	33,563	35,077	36,616	37,597
Others	2,761	8,994	4,997	4,997	4,997
<b>Total current liabilities</b>	<b>30,316</b>	<b>42,557</b>	<b>40,074</b>	<b>41,613</b>	<b>42,594</b>
<b>Total liabilities</b>	<b>34,283</b>	<b>44,455</b>	<b>44,197</b>	<b>45,736</b>	<b>46,717</b>
<b>EQUITY</b>					
Share capital	32,641	35,083	35,083	35,083	35,083
Retained earnings	29,626	34,609	43,760	53,493	63,681
Others	(15,092)	(14,956)	(8,571)	(8,491)	(8,391)
<b>Total equity</b>	<b>47,175</b>	<b>54,736</b>	<b>70,272</b>	<b>80,085</b>	<b>90,373</b>

### Valuation Ratios

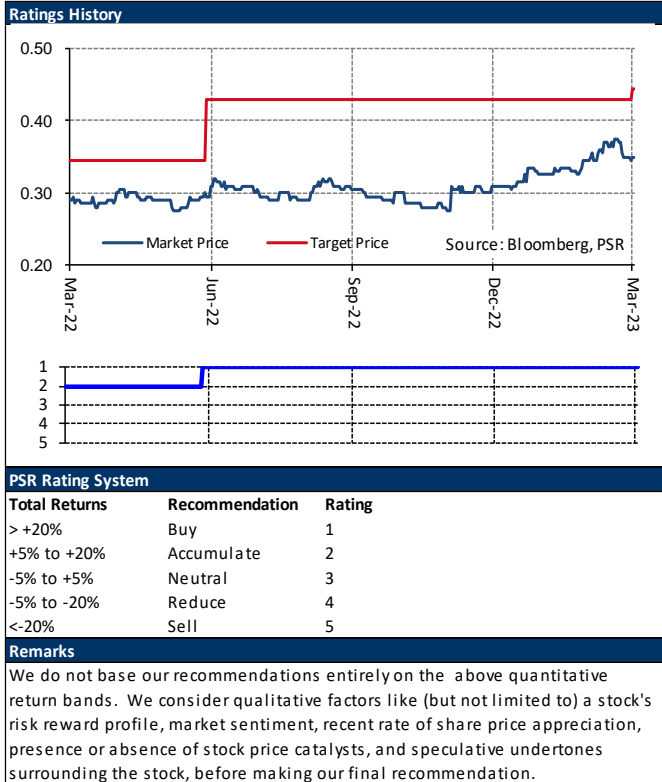
Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
P/E (x)	17.1	15.8	9.5	8.2	7.9
P/B (x)	2.2	2.0	1.5	1.3	1.2
EV/EBITDA (x)	8.3	8.4	4.1	3.5	3.3
Dividend Yield	1.8%	1.9%	3.2%	3.2%	3.2%

### Growth & Margins

	FY20	FY21	FY22	FY23e	FY24e
<b>Growth</b>					
Revenue	3.6%	1.8%	28.9%	9.4%	7.1%
Gross profit	2.6%	9.9%	30.6%	11.7%	8.5%
EBITDA	-8.2%	13.5%	63.4%	12.2%	-0.1%
Net Profit	-5.6%	11.1%	66.7%	16.1%	3.8%
<b>Margins</b>					
Gross margin	35.4%	38.2%	38.7%	39.5%	40.0%
EBITDA margin	7.5%	8.4%	10.6%	10.9%	10.2%
Net Profit Margin	5.0%	5.4%	7.0%	7.5%	7.2%

### Key Ratios

	FY20	FY21	FY22	FY23e	FY24e
ROE	13.5%	13.4%	18.3%	17.6%	16.1%
ROA	7.6%	7.6%	10.7%	11.0%	10.5%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash



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