

## Singapore

**ADD** (no change)

Consensus ratings\*: Buy 2 Hold 0 Sell 0

Current price:	S\$0.34
Target price:	S\$0.40
Previous target:	S\$0.40
Up/downside:	17.6%
CGS-CIMB / Consensus:	-5.3%
Reuters:	HYPH.SI
Bloomberg:	HYP SP
Market cap:	US\$79.07m
	S\$105.0m
Average daily turnover:	US\$0.04m
	S\$0.05m
Current shares o/s:	308.8m
Free float:	24.1%

\*Source: Bloomberg

**Key changes in this note**

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	4.6	15.3
Relative (%)	-3.4	4	16.6

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

## DocMed undertakes Vietnam digital venture

- HYP's subsidiary, DocMed, has entered into a joint venture to develop a B2B virtual medical hypermart for pharmaceutical supplies in Vietnam.
- Its partner, Hoang Duc Pharmaceutical & Medical Supplies (Hoang Duc), is a local pharmaceutical distribution company with over 35k B2B customers.
- The venture offers avenues for HYP to grow digitally despite stiff competition from peers like Buymed and SwipeRx. Reiterate Add; TP: S\$0.40.

### DocMed makes headway out of Singapore

DocMed will be partnering with Hoang Duc in a 51%/49% partnership to develop a B2B commerce platform for pharmaceutical supplies in Vietnam. HYP created DocMed in May 22 as a subsidiary to house HYP's digital assets and its Medical Hypermart business. The JV grants DocMed an opportunity to grow its digital capabilities beyond Singapore in the future. As a local pharmaceutical distribution company in Vietnam, Hoang Duc's distribution network comprises more than 35k B2B customers, including hospitals, clinics, independent and chain pharmacies, as well as other retail outlets. According to HYP's media release document, Hoang Duc also generated US\$140m in sales during 2022. According to Hoang Duc's website, the company has partnered with HYP for more than 10 years, likely as a distribution partner in Vietnam.

### HYP unlikely to see hefty investments in the near term

Although development and commercialisation efforts for the digital platform in Vietnam mean revenue contribution is unlikely for the next year, we do not see a need for HYP to raise additional capital to fund this venture. HYP raised S\$6m from its 10% stake sale of DocMed to Metro Holdings (non-rated) in Jun 22 to fund DocMed's operations over the next two years. As of end-FY22, HYP has shared that it has only utilised c.S\$600k of that amount, which we think leaves sufficient capital for its Vietnam digital venture. Furthermore, HYP has indicated its stake sale of DocMed will be through Series A funding, and we think HYP could raise capital via subsequent rounds of fund-raising should the need arise. HYP also maintains a net cash position of S\$30.8m.

### Reiterate Add; digital venture could become a re-rating catalyst

We like HYP's prudent approach to incubate DocMed as a start-up funded outside of HYP's core Specialty Pharmaceutical and Proprietary Brands businesses, which we think will preserve HYP's financial health while offering a potential re-rating catalyst should its digital venture take off. Nevertheless, we foresee challenges to commercialisation considering players such as Buymed and SwipeRx have entered Vietnam's B2B digital marketplace ahead of DocMed and have received larger capital via more rounds of funding (Fig 1). Our DCF-based TP remains unchanged at S\$0.40 (WACC: 12.4%) and does not factor in contribution from the potential commercial success of DocMed. Other re-rating catalysts include accretive acquisitions of brands/portfolios/businesses given HYP's net cash position of S\$30.8m. Downside risks are margin compression from inflation pressures and demand disruption for its consumer healthcare products.

**Financial Summary**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (S\$m)	125.9	162.3	170.3	174.5	178.8
Operating EBITDA (S\$m)	8.26	14.01	14.53	16.77	17.33
Net Profit (S\$m)	6.85	11.41	11.32	13.12	13.56
Core EPS (S\$)	0.023	0.037	0.037	0.042	0.044
Core EPS Growth	11.1%	62.1%	(0.7%)	15.8%	3.4%
FD Core P/E (x)	14.92	9.08	9.27	8.00	7.74
DPS (S\$)	0.007	0.011	0.011	0.013	0.013
Dividend Yield	1.97%	3.26%	3.24%	3.74%	3.88%
EV/EBITDA (x)	9.97	4.79	4.40	3.00	2.47
P/FCFE (x)	NA	7.87	17.04	6.35	9.59
Net Gearing	(35.6%)	(51.9%)	(50.2%)	(59.6%)	(60.9%)
P/BV (x)	1.87	1.52	1.36	1.21	1.09
ROE	13.4%	18.5%	15.5%	16.0%	14.8%
CGS-CIMB/Consensus EPS (x)			0.92	0.97	1.00

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## DocMed undertakes Vietnam digital venture

### Digital ventures eye Vietnam's growing pharma market ▶

According to business intelligence website, Vietnam Briefing, Vietnam's pharmaceutical market value has grown from US\$5bn in 2015 to US\$10bn in 2020. According to the website, market research firm IBM also expects the industry's value to reach S\$16.1bn in 2026. Although most of the digital start-ups entering Vietnam's pharmaceutical market are B2C in nature, providing telehealth services and e-pharmacy services to serve patients directly, other B2B platforms that have entered the market ahead of DocMed include Buymed and SwipeRx, which have raised more capital and feature a strong list of investors (Fig 1).

However, with Hoang Duc's existing distribution network in Vietnam and DocMed's experience of managing HYP's B2B pharmaceutical platform in Singapore, we think that DocMed could potentially have a shorter runway to commercialisation compared to Buymed and SwipeRx.

**Figure 1: Peers for B2B pharmaceutical platforms in Vietnam**

Company	Funding round	Date	Fund raised	Geographical presence
Buymed	Pre-Series A	2020	US\$2.5m	Vietnam
	Series A	Sep-21	US\$8.8m	
	Series B	Feb-23	US\$33.5m	
	Equity investment	1Q23	US\$18m	
SwipeRx	Series A	2017	US\$6.3m	Southeast Asia
	Series B	May-22	US\$27m	
	Series B2	Feb-23	US\$10m	
DocMed	Series A	Apr-23	S\$6m	Singapore, Vietnam

SOURCES: DEALSTREETASIA, TECHCRUNCH, COMPANY REPORTS

**Figure 2: HYP - DCF Valuation**

FCF calculation (\$\$ m)	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	Terminal Value
FCF	6.16	16.53	10.95	16.16	12.05	17.28	68.34
PV of the FCFs	5.48	13.09	7.71	10.13	6.72	8.57	38.10
Discount Factor	0.89	0.79	0.70	0.63	0.56	0.50	

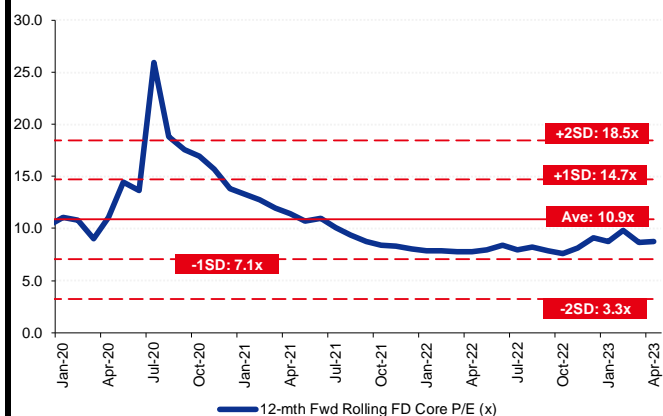
WACC		Rationale
Rf	3.5%	Singapore 10-year Treasury Yield
Beta	1.0	Pegged to 1x due to low liquidity
Cost of equity	13.0%	Higher discount to SG/VN average of c.7% due to liquidity risk
WACC	12.4%	
Terminal growth	1.0%	Conservative terminal growth due to relative scale to industry

Valuation	
Enterprise value	89.79
Less: net cash/(debt)	33.54
Less: minority interest	-
Add: associates	-
<b>Equity value</b>	<b>123.33</b>
Number of shares	308.78
<b>Equity value per share</b>	<b>0.400</b>

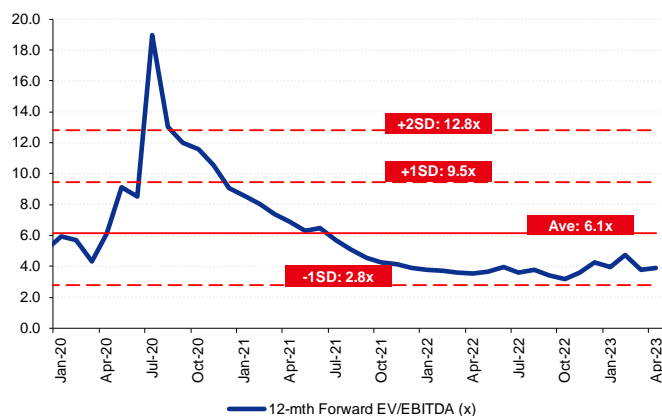
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: HYP's 12-mth Fwd Rolling FD Core P/E (x)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

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



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 5: Peers comparison (as of 12 Apr 23)

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	EV/EBITDA (x) CY23F	EV/EBITDA (x) CY24F	3-year EPS CAGR (%)	P/E (x) CY23F	P/E (x) CY24F	Recurring ROE (%) CY23F	Recurring ROE (%) CY24F	Dividend Yield (%) CY23F	Dividend Yield (%) CY24F
Hyphens Pharma International	HYP SP	Add	0.340	0.40	79	4.5	3.1	6.8%	9.3	8.0	15.6%	16.0%	3.2%	3.7%
Mega Lifesciences	MEGA TB	Add	43.25	55.00	1,104	12.1	10.8	4.7%	16.9	15.5	24.1%	23.8%	3.5%	3.9%
Pharmaniaga Bhd	PHRM MK	Reduce	0.32	0.25	95	11.0	9.5	na	14.2	11.7	-12.7%	-17.4%	0.0%	2.6%
Blackmores	BKL AU	Hold	76.92	72.00	1,003	13.5	11.8	18.3%	29.5	25.3	12.2%	13.4%	2.3%	2.8%
Duopharma Biotech Bhd	DBB MK	Hold	1.53	1.59	330	11.8	10.6	-2.9%	17.7	17.3	12.1%	11.3%	1.7%	1.7%
<b>Simple average</b>						<b>9.2</b>	<b>8.1</b>	<b>11.2%</b>	<b>21.8</b>	<b>18.6</b>	<b>9.0%</b>	<b>8.4%</b>	<b>1.9%</b>	<b>2.7%</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

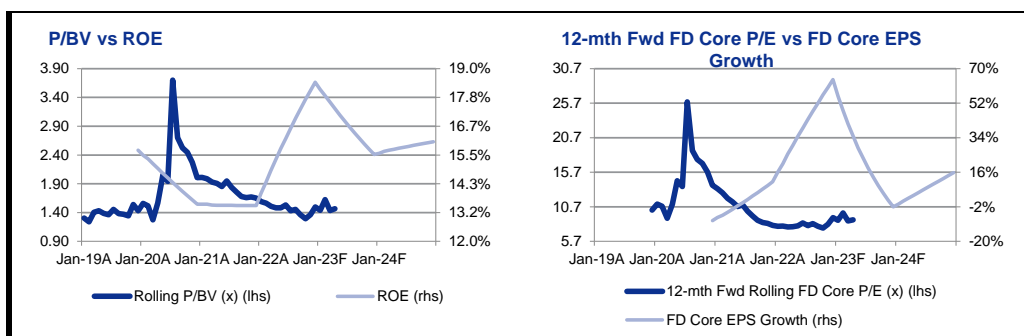


## ESG in a nutshell

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.

<p><b>Keep your eye on</b></p> <p>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.</p>	<p><b>Implications</b></p> <p>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 quality standards and products which we believe 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.</p>
<p><b>ESG highlights</b></p> <p>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.</p>	<p><b>Implications</b></p> <p>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.</p>
<p><b>Trends</b></p> <p>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.</p>	<p><b>Implications</b></p> <p>Should the refill pack be accepted favourably by consumers, HYP will consider using the more environmentally-friendly refill pack for other supplements, as indicated in its FY21 annual report. We have not factored this into our valuations.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

**BY THE NUMBERS**

**Profit & Loss**

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total Net Revenues</b>	<b>126.8</b>	<b>162.9</b>	<b>170.3</b>	<b>174.5</b>	<b>178.8</b>
<b>Gross Profit</b>	<b>49.0</b>	<b>63.4</b>	<b>67.3</b>	<b>69.1</b>	<b>71.0</b>
<b>Operating EBITDA</b>	<b>8.3</b>	<b>14.0</b>	<b>14.5</b>	<b>16.8</b>	<b>17.3</b>
Depreciation And Amortisation	0.0	0.0	(0.7)	(0.7)	(0.7)
<b>Operating EBIT</b>	<b>8.3</b>	<b>14.0</b>	<b>13.9</b>	<b>16.1</b>	<b>16.7</b>
Financial Income/(Expense)	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)
Pretax Income/(Loss) from Assoc.	0.0	0.5	0.5	0.5	0.5
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax (pre-EI)</b>	<b>8.3</b>	<b>14.3</b>	<b>14.2</b>	<b>16.4</b>	<b>17.0</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>8.3</b>	<b>14.3</b>	<b>14.2</b>	<b>16.4</b>	<b>17.0</b>
Taxation	(1.4)	(2.9)	(2.8)	(3.3)	(3.4)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>6.8</b>	<b>11.4</b>	<b>11.3</b>	<b>13.1</b>	<b>13.6</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>6.8</b>	<b>11.4</b>	<b>11.3</b>	<b>13.1</b>	<b>13.6</b>
Recurring Net Profit	6.8	11.4	11.3	13.1	13.6
<b>Fully Diluted Recurring Net Profit</b>	<b>6.8</b>	<b>11.4</b>	<b>11.3</b>	<b>13.1</b>	<b>13.6</b>

**Cash Flow**

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>EBITDA</b>	<b>8.26</b>	<b>14.01</b>	<b>14.53</b>	<b>16.77</b>	<b>17.33</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3.46)	2.14	(6.79)	1.73	(2.90)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense		(0.66)	(0.66)	(0.66)	(0.66)
Other Operating Cashflow	2.66	2.87	2.91	3.20	2.14
Net Interest (Paid)/Received	(0.02)	(0.20)	(0.18)	(0.18)	(0.18)
Tax Paid	(1.42)	(2.15)	(2.66)	(2.83)	(3.28)
<b>Cashflow From Operations</b>	<b>6.02</b>	<b>16.02</b>	<b>7.16</b>	<b>18.03</b>	<b>12.45</b>
Capex	(0.56)	(0.56)	(1.00)	(1.50)	(1.50)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(14.16)	0.21	0.00	0.00	0.00
Other Investing Cashflow	(0.27)	(0.66)	0.00	0.00	0.00
<b>Cash Flow From Investing</b>	<b>(14.99)</b>	<b>(1.01)</b>	<b>(1.00)</b>	<b>(1.50)</b>	<b>(1.50)</b>
Debt Raised/(repaid)	3.68	(1.86)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	6.10	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(1.86)	(2.07)	(3.43)	(3.40)	(3.92)
Preferred Dividends					
Other Financing Cashflow	(0.91)	(1.02)	0.00	0.00	0.00
<b>Cash Flow From Financing</b>	<b>0.91</b>	<b>1.15</b>	<b>(3.43)</b>	<b>(3.40)</b>	<b>(3.92)</b>
Total Cash Generated	(8.07)	16.17	2.73	13.13	7.03
<b>Free Cashflow To Equity</b>	<b>(5.30)</b>	<b>13.16</b>	<b>6.16</b>	<b>16.53</b>	<b>10.95</b>
<b>Free Cashflow To Firm</b>	<b>(8.88)</b>	<b>15.25</b>	<b>6.41</b>	<b>16.79</b>	<b>11.20</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	19.46	36.48	39.21	52.35	59.37
Total Debtors	28.54	31.11	34.20	32.71	35.86
Inventories	25.08	21.26	25.39	25.98	26.58
Total Other Current Assets	0.64	0.81	0.81	0.81	0.81
<b>Total Current Assets</b>	<b>73.72</b>	<b>89.65</b>	<b>99.61</b>	<b>111.84</b>	<b>122.62</b>
Fixed Assets	4.17	3.02	1.76	0.72	0.74
Total Investments	0.31	2.67	3.13	3.59	4.05
Intangible Assets	20.15	19.07	18.41	17.76	17.10
Total Other Non-Current Assets	0.07	0.06	0.06	0.06	0.06
<b>Total Non-current Assets</b>	<b>24.69</b>	<b>24.82</b>	<b>23.36</b>	<b>22.12</b>	<b>21.95</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	40.85	37.42	37.85	38.67	39.52
Other Current Liabilities	1.71	2.66	2.83	3.28	3.39
<b>Total Current Liabilities</b>	<b>42.56</b>	<b>40.07</b>	<b>40.68</b>	<b>41.95</b>	<b>42.91</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.88	3.33	3.33	3.33	3.33
<b>Total Non-current Liabilities</b>	<b>0.88</b>	<b>3.33</b>	<b>3.33</b>	<b>3.33</b>	<b>3.33</b>
Total Provisions	0.34	0.79	0.79	0.79	0.79
<b>Total Liabilities</b>	<b>43.78</b>	<b>44.20</b>	<b>44.80</b>	<b>46.08</b>	<b>47.04</b>
Shareholders' Equity	54.63	69.03	76.92	86.64	96.28
Minority Interests	0.00	1.25	1.25	1.25	1.25
<b>Total Equity</b>	<b>54.63</b>	<b>70.27</b>	<b>78.17</b>	<b>87.89</b>	<b>97.53</b>

### Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	4.1%	28.9%	4.9%	2.5%	2.5%
Operating EBITDA Growth	17.4%	69.6%	3.7%	15.4%	3.3%
Operating EBITDA Margin	6.56%	8.63%	8.54%	9.61%	9.69%
Net Cash Per Share (S\$)	0.06	0.12	0.13	0.17	0.19
BVPS (S\$)	0.18	0.22	0.25	0.28	0.31
Gross Interest Cover	86.95	58.88	54.39	63.16	65.34
Effective Tax Rate	17.1%	20.2%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	27.2%	18.1%	30.3%	25.9%	28.9%
Accounts Receivables Days	84.03	67.07	70.00	70.19	70.00
Inventory Days	98.44	84.98	82.69	89.22	88.97
Accounts Payables Days	156.7	125.9	125.1	124.8	124.5
ROIC (%)	27.6%	30.8%	31.5%	32.3%	37.0%
ROCE (%)	16.3%	22.3%	18.6%	19.3%	17.9%
Return On Average Assets	7.4%	10.9%	9.7%	10.3%	9.8%

### Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Specialty pharma principals gross margin	0.5	0.5	0.5	0.5	0.5
Proprietary brands gross margin	0.6	0.6	0.6	0.6	0.6
Medical hypermart and digital gross margin	0.2	0.2	0.2	0.2	0.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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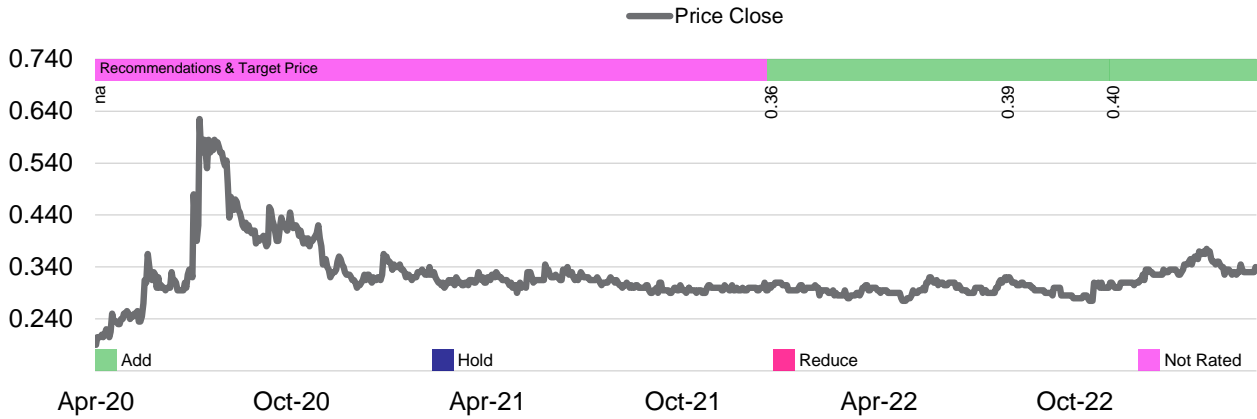
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647 companies under coverage for quarter ended on 31 March 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	64.6%	1.1%
Hold	27.0%	0.2%
Reduce	8.3%	0.2%

Spitzer Chart for stock being researched ( 2 year data )

Hyphens Pharma International (HYP SP)



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