

Hyphens Pharma International Ltd

Year of investment and challenges



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SINGAPORE | HEALTHCARE | 2Q23 RESULTS

- 2Q23 PAT was down 29% YoY and below expectations. 1H23 revenue and PATMI were 46%/39% of our forecasts. The discontinuation in Biosensors distribution, absence of a major hospital tender and supply disruptions of several specialty pharma products was a drag on earnings.
- Hyphens announced a 3.6 cents special interim dividend for the 5th anniversary of its IPO.
- We maintain our FY23e revenue but lower our PATMI by 11% to S\$8.0mn. Our operating expense forecast is raised as Hyphens will be investing more in senior hires and building up the DocMed platform. Our DCF target price is lowered to S\$0.35 (prev. S\$0.39). Our BUY recommendation is maintained.

Results at a glance

SGD '000	2Q23	2Q22	YoY	Comments (YoY)
Revenue	41,477	41,536	-0.1%	Loss of Biosensors and supplier delays.
Gross profit	14,904	16,053	-7.2%	
Profit after tax	2,146	3,043	-29.5%	
Gross profit margin	35.9%	38.6%	-2.7%	Decline in higher margin specialty pharma.
Net profit margin	5.2%	7.3%	-2.2%	

Source: Company, PSR

The Positive

+ Healthy balance sheet and special dividend. The company announced a 3.6 cents special interim dividend for the 5th anniversary of its IPO. The payout of S\$11mn is well supported by its net cash of S\$33mn as of Jun23.

The Negative

- Weakness in specialty pharma. Specialty revenue was down 13% YoY in 1H23 to S\$41mn. The drop was from the discontinuation of distributing Biosensors products (Dec22), the absence of one-off hospital tenders and supply disruptions of several specialty pharma products. Vietnam bore the brunt of the supply disruption with revenue contracting 27% in 1H23.

Outlook

The supply chain is gradually improving for its upper respiratory products. Demand has surged globally and suppliers are unable to meet this spike. Of the three major suppliers, one has resumed supply. Proprietary brands continue to grow at a healthy pace from new product introduction and greater health awareness. Nutritional supplements are highly fragmented and the largest challenge is to build sufficient scale. DocMed remains at an investment stage with around S\$5mn of spending on recruitment, technology and expansion into new countries. Hyphens is also spending on senior leadership within the company. We believe these investments will be a drag on earnings in the near term.

Maintain BUY with lower TP of S\$0.35 (prev. S\$0.39)

Hyphen enjoys a net cash balance sheet of S\$33mn, pays a (ordinary dividend) yield of 4% and is trading at PE ratio of 11x.

22 August 2023

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.280
FORECAST DIV	SGD 0.0112
TARGET PRICE	SGD 0.350
TOTAL RETURN	29.0%

COMPANY DATA

BLOOMBERG CODE	HYP SP
O/S SHARES (MN)	309
MARKET CAP (USD mn / SGD mn)	63.9 / 86.6
52 - WK HI/LO (SGD)	0.331 / 0.239
3M Average Daily T/O (mn)	0.68

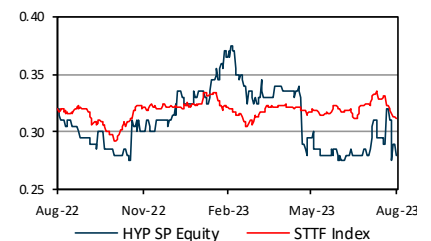
MAJOR SHAREHOLDERS

Inomed Holding Pte Ltd	47.8%
Tan Kia King	28.0%

PRICE PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	13.1	7.3	(2.3)
STTF	(2.1)	0.3	1.2

PRICE VS. STTF



KEY FINANCIALS

Y/E Dec, (\$mn)	FY21	FY22	FY23e	FY24e
Revenue	125.9	162.3	160.9	167.4
EBITDA	10.6	17.3	13.0	15.8
NPAT	6.8	11.4	8.1	10.9
EPS (\$ Cents)	2.2	2.2	3.7	2.6
P/E (x)	12.6	7.6	10.7	7.9
P/B (x)	1.6	1.2	1.4	1.2
Div Yield	2.4%	4.0%	16.9%	4.0%
ROE	13.4%	18.3%	12.1%	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	160,921	167,357
Cost of sales	(79,939)	(77,800)	(99,507)	(98,162)	(100,414)
Gross profit	43,759	48,083	62,809	62,759	66,943
Marketing and distribution costs	(26,523)	(28,394)	(33,267)	(36,690)	(35,982)
Administrative expenses	(10,138)	(11,639)	(14,561)	(16,092)	(17,572)
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)
EBITDA	9,299	10,555	17,251	12,997	15,799
Profit before tax	7,108	8,256	14,291	9,983	13,434
Income tax expense	(945)	(1,410)	(2,882)	(1,897)	(2,552)
Minority Interest	-	-	(58)	(80)	(100)
Profit after tax	6,163	6,846	11,409	8,086	10,882

Per share data

Y/E Dec, SG cents	FY20	FY21	FY22	FY23e	FY24e
EPS	2.05	2.22	3.69	2.62	3.52
DPS	0.62	0.67	1.11	4.72	1.13
BVPS	15.7	17.7	22.8	20.7	23.1

Cash Flows

Y/E Dec, S\$'000	FY20	FY21	FY22	FY23e	FY24e
CFO					
Profit before tax	7,108	8,256	14,291	9,983	13,434
Adjustments	1,893	2,661	2,596	2,413	1,715
Working capital changes	(3,810)	(3,464)	2,142	(2,647)	(6,880)
Operating cash flow	5,191	7,453	19,029	9,750	8,269
Taxes paid, others	(1,061)	(1,415)	(2,152)	(1,897)	(2,552)
Net operating cash flow	4,130	6,038	16,877	7,853	5,717
CFI					
CAPEX, net	(1,193)	(835)	(1,228)	(1,000)	(1,000)
Acquisition of subsidiaries	-	(14,156)	179	-	-
Others	180	74	42	-	-
Net investing cash flow	(1,013)	(14,917)	(1,007)	(1,000)	(1,000)
CFE					
Proceeds from issuance of shares	-	-	-	-	-
IPO expenses	-	-	6,100	-	-
Dividends	(3,004)	(1,863)	(2,069)	(14,543)	(3,458)
Loans, net of repayments	1,248	2,677	(2,882)	(181)	(199)
Net financing cash flow	(1,756)	814	1,149	(14,724)	(3,657)
Net change in cash	1,361	(8,065)	17,019	(7,871)	1,060
CCE, end	27,526	19,461	36,480	28,609	29,668

Source: Company, PSR Estimates

Balance Sheet

Y/E Dec, S\$'000	FY20	FY21	FY22	FY23e	FY24e
ASSETS					
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
Total non-current assets	12,744	25,079	24,817	23,584	23,068
Inventories	16,888	25,290	21,260	19,167	25,667
Trade and other receivables	23,736	28,722	31,106	31,236	33,021
Cash and cash equivalents	27,526	19,461	36,480	28,609	29,668
Others	564	639	806	806	806
Total current assets	68,714	74,112	89,652	79,817	89,162
Total assets	81,458	99,191	114,469	103,402	112,230
LIABILITIES					
Others	3,967	1,898	4,123	4,123	4,123
Total non-current liabilities	3,967	1,898	4,123	4,123	4,123
Trade and other payables	27,555	33,563	35,077	30,467	31,872
Others	2,761	8,994	4,997	4,997	4,997
Total current liabilities	30,316	42,557	40,074	35,464	36,869
Total liabilities	34,283	44,455	44,197	39,587	40,992
EQUITY					
Share capital	32,641	35,083	35,083	35,083	35,083
Retained earnings	29,626	34,609	43,760	37,223	44,546
Others	(15,092)	(14,956)	(8,571)	(8,491)	(8,391)
Total equity	47,175	54,736	70,272	63,815	71,238

Valuation Ratios

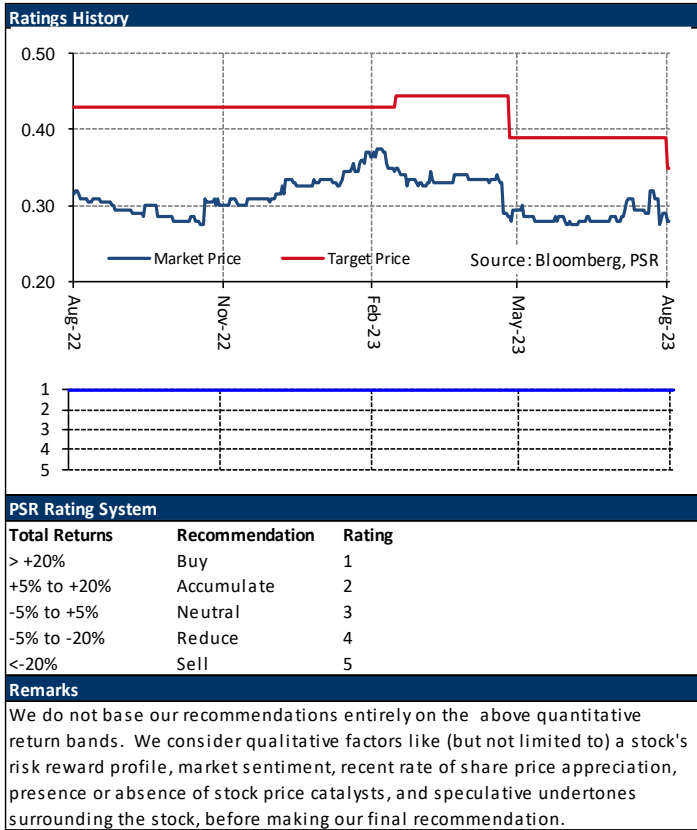
Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
P/E (x)	13.6	12.6	7.6	10.7	7.9
P/B (x)	1.8	1.6	1.2	1.4	1.2
EV/EBITDA (x)	6.1	6.3	2.9	4.5	3.6
Dividend Yield	2.2%	2.4%	4.0%	16.9%	4.0%

Growth & Margins

	FY20	FY21	FY22	FY23e	FY24e
Growth					
Revenue	3.6%	1.8%	28.9%	-0.9%	4.0%
Gross profit	2.6%	9.9%	30.6%	-0.1%	6.7%
EBITDA	-8.2%	13.5%	63.4%	-24.7%	21.6%
Net Profit	-5.6%	11.1%	66.7%	-29.1%	34.6%
Margins					
Gross margin	35.4%	38.2%	38.7%	39.0%	40.0%
EBITDA margin	7.5%	8.4%	10.6%	8.1%	9.4%
Net Profit Margin	5.0%	5.4%	7.0%	5.0%	6.5%

Key Ratios

	FY20	FY21	FY22	FY23e	FY24e
ROE	13.5%	13.4%	18.3%	12.1%	16.1%
ROA	7.6%	7.6%	10.7%	7.4%	10.1%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash



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