

# Hyphens Pharma International Limited

16 May 2024

## BUY (Maintained)

<b>BBG</b>	HYP SP
<b>Market cap</b>	S\$92.6m
<b>Share price</b>	S\$0.30
<b>52-week range</b>	S\$0.239 – S\$0.305
<b>Target Price</b>	S\$0.38
<b>Previous Price</b>	S\$0.38
<b>Shares Outstanding</b>	308.9M
<b>Free Float</b>	24.1%
<b>Major Shareholder</b>	Inomed Holding Pte Ltd 47.8% Tan Kia King 28.1%
<b>P/NAV (FY2023)</b>	1.5 x
<b>Net gearing (FY2023)</b>	Net Cash

Source: Company data, Bloomberg, SAC Capital

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## 1Q2024 - Robust Growth across all segments

**1Q2024's Performance** - 1Q2024 results were within our expectations. Revenue and net profit were 25.6% and 30.7% of our forecasts respectively. Revenue for 1Q2024 has increased by 44.4% yoy to S\$48.0m, driven by improvement in sales from all segments compared to a year ago which was heavily affected by supply chain disruptions. Correspondingly, gross profit improved by 32.8% yoy to S\$17.4m. However, the gross margin decreased to 36.3% in 1Q2024 from 39.5% in 1Q2023 due to ongoing cost pressures and a higher sales mix of lower margin products. Net profit after tax surged by 97.6% yoy to S\$2.7m, in line with the higher revenue. Compared to the previous quarter, revenue experienced a 9.6% reduction, primarily due to preemptive inventory buildup by distributors in 4Q2023 for the proprietary brands and specialty pharma segments. Consequently, gross profit fell 7.0% qoq and net profit decreased by 6.6% qoq.

**Optimism Intact** - Our positive outlook remains unchanged, and we expect the announced initiatives to proceed as planned. The proprietary brands segment is anticipated to further its market expansion and penetration, highlighted by the partnership with 7-Eleven to offer Ocean health supplements at selected convenience stores in Singapore and the introduction of the Ceradan range into five middle eastern markets through an exclusive distributorship with Cooper Pharma S.A. Additionally, the recent licensing of Wyzora Cream, a proven treatment for plaque psoriasis in the United States and Europe, for ASEAN countries from MC2 Therapeutics bolsters the segment's growth potential. The specialty pharma portfolio continues to expand with the introduction of new products, including offerings from Laboratoires Gilbert S.A.S. and products from the medical aesthetics portfolio.

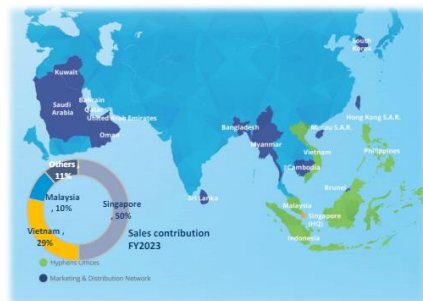
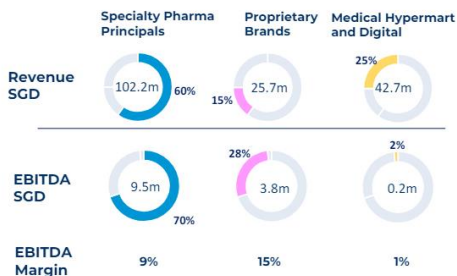
**Reiterate BUY** - We continue to recommend a BUY rating with TP of \$0.38 for Hyphens Pharma, utilizing a blended approach of DCF and Comparable Companies valuation. Moving forward, we expect the easing of inventory levels from distributors, while remaining cognizant of the uncertainties stemming from inflationary pressures leading to increased supply costs.

## KEY FINANCIAL HIGHLIGHTS

<b>Year ended Dec (S\$m)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Revenue	125.9	162.3	170.6	187.6	197.1
EBIT	8.4	14.5	10.8	11.0	11.6
Net profit	6.8	11.4	8.6	8.9	9.4
EPS (S\$ cents)	2.3	3.7	2.8	2.9	3.0
Dividend per share (S\$ cents)	0.7	1.1	4.5	0.9	0.9
<b>Valuation</b>					
Net profit margin (%)	5.4%	7.0%	5.0%	4.7%	4.8%
EV/EBITDA (x)	6.9	3.2	4.9	5.0	4.2
Fully Diluted P/E (x)	12.4	7.6	10.1	9.8	9.2
P/B (x)	1.6	1.3	1.4	1.2	1.1
Dividend yield (%)	2.4%	4.0%	15.9%	3.2%	3.4%

### Segment Breakdown

\*as of FY2023



<b>5</b> Operating countries	<b>14</b> Distribution markets*	<b>&gt;9000</b> Customers (hospitals, clinics, pharmacies)	<b>Omnichannel</b> Ethical, Consumer healthcare, Digital
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\*Distribution markets are in addition to operating countries

### New Growth Horizon under Medical Aesthetic Arm:

Hyphens Pharma X Ardence Aesthetics



### 7-Eleven Convenience Stores Mark a New Distribution Channel for Hyphens Pharma



## Income Statement

FYE Dec (S\$m)	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>125.9</b>	<b>162.3</b>	<b>170.6</b>	<b>187.6</b>	<b>197.1</b>
Cost of Sales	(77.8)	(99.5)	(108.7)	(119.5)	(125.6)
<b>Gross Profit</b>	<b>48.1</b>	<b>62.8</b>	<b>61.9</b>	<b>68.1</b>	<b>71.5</b>
Other income and gains	1.0	0.7	0.7	1.0	1.1
Distribution costs	(28.4)	(33.3)	(35.9)	(40.1)	(42.1)
Administrative expenses	(11.6)	(14.6)	(14.1)	(16.6)	(17.4)
Other losses	(0.7)	(1.6)	(2.3)	(1.8)	(1.9)
Share of profit from an equity-accounted associate	0.0	0.5	0.5	0.4	0.4
Finance costs	(0.1)	(0.2)	(0.3)	(0.1)	(0.1)
<b>Profit before tax</b>	<b>8.3</b>	<b>14.3</b>	<b>10.6</b>	<b>10.9</b>	<b>11.5</b>
Income tax	(1.4)	(2.9)	(2.0)	(2.0)	(2.2)
<b>Net profit</b>	<b>6.8</b>	<b>11.4</b>	<b>8.6</b>	<b>8.9</b>	<b>9.4</b>

## Balance Sheet

FYE Dec (S\$m)	FY21	FY22	FY23	FY24E	FY25E
<b>Assets</b>					
Cash and cash equivalents	19.5	36.5	23.4	27.0	31.7
Inventories	25.3	21.3	25.5	30.8	32.4
Trade and other receivables	28.7	31.1	41.1	41.3	43.4
Prepayments	0.6	0.8	2.1	1.4	1.5
Other financial assets	0.0	0.0	0.1	0.1	0.1
<b>Total current assets</b>	<b>74.1</b>	<b>89.7</b>	<b>92.2</b>	<b>100.6</b>	<b>109.0</b>
Plant and equipment	4.4	3.0	4.9	4.4	4.0
Intangible assets	18.3	19.1	23.6	23.5	23.5
Investment in an associate	2.3	2.7	0.0	0.0	0.0
Deferred tax assets	0.1	0.1	0.2	0.2	0.2
<b>Total non-current assets</b>	<b>25.1</b>	<b>24.8</b>	<b>28.6</b>	<b>28.2</b>	<b>27.7</b>
<b>Total Assets</b>	<b>99.2</b>	<b>114.5</b>	<b>120.8</b>	<b>128.8</b>	<b>136.7</b>
<b>Liabilities</b>					
Income tax payable	1.7	2.7	2.5	2.5	2.5
Trade and other payables	33.6	35.1	44.3	47.5	49.9
Other financial liabilities, current	7.3	2.3	2.4	1.2	1.2
<b>Total current liabilities</b>	<b>42.6</b>	<b>40.1</b>	<b>49.2</b>	<b>51.2</b>	<b>53.6</b>
Deferred tax liabilities	1.0	0.8	1.3	1.3	1.3
Other financial liabilities, non-current	0.9	3.3	4.4	4.4	3.4
<b>Total non-current liabilities</b>	<b>1.9</b>	<b>4.1</b>	<b>5.7</b>	<b>5.7</b>	<b>4.7</b>
<b>Total liabilities</b>	<b>44.5</b>	<b>44.2</b>	<b>54.9</b>	<b>56.8</b>	<b>58.2</b>
<b>Net assets</b>	<b>54.7</b>	<b>70.3</b>	<b>65.9</b>	<b>72.0</b>	<b>78.5</b>
<b>Equity</b>					
Share capital	35.1	35.1	35.2	35.2	35.2
Retained earnings	34.6	43.8	37.8	43.9	50.4
Other reserves	(15.0)	(9.8)	(10.0)	(10.0)	(10.0)
Owner's equity	54.7	69.0	63.0	69.1	75.6
Non-controlling interests	0.0	1.2	2.9	2.9	2.9
<b>Total equity</b>	<b>54.7</b>	<b>70.3</b>	<b>65.9</b>	<b>72.0</b>	<b>78.5</b>

## Cash Flow Statement

FYE Dec (S\$m)	FY21	FY22	FY23	FY24E	FY25E
<b>Profit before tax</b>	<b>8.3</b>	<b>14.3</b>	<b>10.6</b>	<b>10.9</b>	<b>11.5</b>
Adjustments for:					
Amortisation of intangible assets	0.4	0.7	0.7	0.7	0.8
Depreciation of plant and equipment	1.8	2.1	2.1	0.8	0.8
Interest income	(0.1)	(0.0)	(0.3)	0.0	0.0
Interest expense	0.1	0.2	0.3	0.1	0.1
Others	0.4	(0.3)	(0.8)	1.3	0.0
Operating cash flows before changes in working capital	10.9	16.9	12.5	13.7	13.1
Changes in working capital	(3.5)	2.1	(4.2)	(1.7)	(1.3)
Net cash flows from operations	7.5	19.0	8.2	12.1	11.8
Income taxes paid	(1.4)	(2.2)	(2.6)	(2.0)	(2.2)
<b>Net cash flows from operating activities</b>	<b>6.0</b>	<b>16.9</b>	<b>5.6</b>	<b>10.0</b>	<b>9.6</b>
<b>Cash flows from investing activities</b>					
Acquisition of subsidiaries, net of cash acquired	(14.2)	0.0	(0.8)	0.0	0.0
Dividend received from an associate	0.0	0.1	0.1	0.0	0.0
Consideration adjustment for acquisition of subsidiaries	0.0	0.2	0.0	0.0	0.0
Down-payment for plant and equipment	(0.1)	0.0	0.0	0.0	0.0
Purchase of plant and equipment	(0.6)	(0.6)	(0.3)	(0.3)	(0.4)
Purchase of intangible assets	(0.1)	(0.8)	(0.9)	(0.7)	(0.7)
Proceed from sale of plant and equipment	0.0	0.0	0.0	0.0	0.0
Interest received	0.1	0.0	0.3	0.0	0.0
<b>Net cash flows used in investing activities</b>	<b>(14.9)</b>	<b>(1.0)</b>	<b>(1.5)</b>	<b>(1.0)</b>	<b>(1.1)</b>
<b>Cash flows from financing activities</b>					
Dividends paid to equity owners	(1.9)	(2.1)	(14.6)	(2.8)	(2.9)
Payment of principal portion of lease liabilities	(0.9)	(1.0)	(2.4)	0.0	0.0
Interest paid	(0.1)	(0.2)	(0.3)	(0.1)	(0.1)
Proceeds from borrowings	4.2	5.0	0.0	0.0	0.0
Repayment of borrowings	(0.6)	(6.6)	(1.3)	(1.3)	(1.0)
Issue of shares to non-controlling interests of a subsidiary	0.0	6.1	0.0	0.0	0.0
<b>Net cash flows from financing activities</b>	<b>0.8</b>	<b>1.1</b>	<b>(18.5)</b>	<b>(4.1)</b>	<b>(3.9)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8.1)</b>	<b>17.0</b>	<b>(14.4)</b>	<b>4.9</b>	<b>4.6</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>27.5</b>	<b>19.5</b>	<b>36.5</b>	<b>22.1</b>	<b>27.0</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>19.5</b>	<b>36.5</b>	<b>22.1</b>	<b>27.0</b>	<b>31.7</b>

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