

Hyphens Pharma International Ltd

New products and wider distribution



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SINGAPORE | HEALTHCARE | 1H24 RESULTS

- 1H24 results were within expectations. Revenue and PATMI were 55%/46% of our forecast. PATMI surged 52% YoY to S\$5.3mn in 1H24. Earnings growth was driven by restocking in specialty pharma as supply chains normalise, new products and expansion of the distribution network.
- Earnings were dragged by a S\$0.7mn loss in medical hypermart earnings. Hyphens is investing in the enhancement and geographic expansion of the DocMed platform (for doctors and pharmaceutical companies).
- Our BUY recommendation and DCF target price of S\$0.35 is maintained. The stock is only trading at 7.7x FY24e PE for a branded consumer healthcare company (nutraceuticals, medical aesthetics and pharmaceuticals) with a regional presence. We believe the company is building a foundation for sustainable growth from product innovation, expanding distribution points and securing new exclusive licensing partnerships. In addition, Hyphens is building a regional B2B platform (i.e. DocMed) for healthcare practitioners and pharmaceutical companies.

Results at a glance

SGD '000	1H24	1H23	YoY	Comments
Revenue	99,648	74,711	33.4%	
- Specialty pharma	63,705	41,997	51.7%	Restocking in Vietnam hospitals.
- Proprietary brands	14,256	11,814	20.7%	
- Medical hypermart	21,687	20,900	3.8%	
Gross profit	34,794	28,019	24.2%	
Distribution costs	(18,659)	(17,180)	8.6%	
Administrative expenses	(7,364)	(6,485)	13.6%	
EBITDA	9,145	5,669	61.3%	
- Specialty pharma	7,896	3,934	100.7%	
- Proprietary brands	2,386	1,376	73.4%	Growth in Ceradan®, Ocean Health®
- Medical hypermart	(701)	414	n.m.	Investments in building DocMed platform.
PATMI	5,416	3,568	51.8%	

Source: Company, PSR

The Positive

+ Specialty pharma recovery post disruption. Specialty pharma EBITDA doubled to S\$7.9mn after the supply disruption last year. Revenue from Vietnam, largely specialty pharma sales to hospitals, registered a 61% YoY jump in revenue to S\$31.8mn. Customers have essentially re-stocked following the shortages a year ago.

The Negative

- Investment pain at DocMed. Following the 10% stake sale of DocMed for S\$6mn (May22), Hyphens has highlighted the need to invest in enhancing and regionalising the platform. Around half of the funds raised have been spent. These investments are dragging medical hypermart into losses. We do not expect the losses to widen in 2H24.

Outlook

We believe Hyphens is making strides in building several pillars or foundations for its future growth.

- Proprietary brands: The two key products are Ceradan and Ocean Health. From its early years as a prescription drug, Ceradan has expanded into over-the-counter pharmacies

21 August 2024

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.290
FORECAST DIV	SGD 0.0112
TARGET PRICE	SGD 0.350
TOTAL RETURN	24.6%

COMPANY DATA

BLOOMBERG CODE	HYP SP
O/S SHARES (MN) :	309
MARKET CAP (USD mn / SGD mn) :	68.4 / 89.6
52 - WK HI/LO (SGD) :	0.305 / 0.260
3M Average Daily T/O (mn) :	0.04

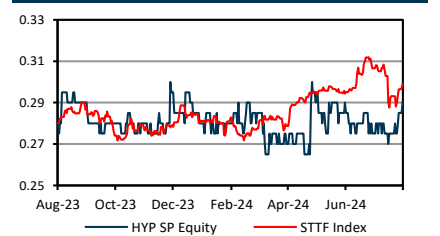
MAJOR SHAREHOLDERS

Inomed Holding Pte Ltd	47.8%
Tan Kia King	28.0%

PRICE PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	3.6	(3.4)	3.2
STTF	(0.9)	3.2	8.3

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, (S\$m)	FY22	FY23	FY24e	FY25e
Revenue	162.3	170.6	192.3	202.7
EBITDA	17.3	13.6	18.5	17.1
NPAT	11.4	8.6	11.6	12.0
EPS (S\$ Cents)	3.7	2.8	3.7	3.9
P/E (x)	7.8	10.5	7.7	7.5
P/B (x)	1.3	1.4	1.2	1.1
Div Yield	3.8%	15.4%	3.9%	3.9%
ROE	18.3%	12.6%	16.5%	15.1%

Source: Company Data

VALUATION METHOD

DCF @ WACC = 9.2%, g = 2.0%

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in Singapore, Malaysia and Vietnam. Hyphens is now expanding Ceradan into the Middle East. Ocean Health supplements are largely in Singapore. Growth is through product extension into gummies to build a younger customer base. Distribution points have also widened in traditional (Unity, Fair Price) and non-traditional convenience stores such as 7-11. Apart from its contribution to sales, such product placement builds brand equity. E-commerce is another growth distribution channel for proprietary brands.

- ii) Specialty products: These are largely prescription drugs and Hyphens strength is its distribution network and relationships with doctors and hospitals in the region. Vietnam is a growth market as healthcare spending and penetration of private healthcare rises. There is greater pricing power for Hyphens in the private healthcare market. The secular growth opportunity is to introduce and register more specialty products that can leverage on their established distribution network in the region. Some new products include Winlevi (US FDA-approved topical acne product), Byfavo (injectable drug for colonoscopy and gastroscopy), Wyzora (treatment of psoriasis) and Amenalief (treatment of eczema). New products require 18-24 months for product registration.

Maintain BUY with unchanged TP of S\$0.35

Hyphen enjoys a dividend yield of 4% and trades at a PE ratio of 7.7x FY24e.

Financials

Income Statement

Y/E Dec, S\$'000	FY21	FY22	FY23	FY24e	FY25e
Revenue	125,883	162,316	170,595	192,268	202,673
Cost of sales	(77,800)	(99,507)	(108,694)	(119,206)	(123,630)
Gross profit	48,083	62,809	61,901	73,062	79,042
Marketing and distribution costs	(28,394)	(33,267)	(35,891)	(40,953)	(44,588)
Administrative expenses	(11,639)	(14,561)	(14,125)	(16,343)	(18,849)
Finance costs	(95)	(238)	(278)	(199)	(218)
Other income and gains	964	658	735	521	567
Other losses	(680)	(1,584)	(2,322)	(1,800)	(1,200)
EBITDA	10,555	17,251	13,641	18,480	17,129
Profit before tax	8,256	14,291	10,565	14,288	14,755
Income tax expense	(1,410)	(2,882)	(1,985)	(2,715)	(2,803)
Minority Interest	-	(58)	(12)	(650)	(530)
PATMI	6,846	11,409	8,580	11,573	11,951

Per share data

Y/E Dec, SG cents	FY21	FY22	FY23	FY24e	FY25e
EPS	2.22	3.69	2.77	3.74	3.87
DPS	0.67	1.11	4.46	1.12	1.13
BVPS	17.7	22.8	21.3	24.2	26.9

Cash Flows

Y/E Dec, S\$'000	FY21	FY22	FY23	FY24e	FY25e
CFO					
Profit before tax	8,256	14,291	10,565	14,288	14,755
Adjustments	2,661	2,596	1,920	4,193	2,374
Working capital changes	(3,464)	2,142	(4,241)	(1,496)	(10,152)
Operating cash flow	7,453	19,029	8,244	16,985	6,977
Taxes paid, others	(1,415)	(2,152)	(2,599)	(2,715)	(2,803)
Net operating cash flow	6,038	16,877	5,645	14,270	4,174
CFI					
CAPEX, net	(835)	(1,228)	(1,070)	(1,000)	(1,000)
Acquisition of subsidiaries	(14,156)	179	(751)	-	-
Others	74	42	341	-	-
Net investing cash flow	(14,917)	(1,007)	(1,480)	(1,000)	(1,000)
CFE					
Proceeds from issuance of shares	-	-	-	-	-
IPO expenses	-	6,100	-	-	-
Dividends	(1,863)	(2,069)	(14,563)	(2,659)	(3,463)
Loans, net of repayments	2,677	(2,882)	(2,713)	(199)	(218)
Net financing cash flow	814	1,149	(17,276)	(2,858)	(3,681)
Net change in cash	(8,065)	17,019	(13,111)	10,412	(507)
CCE, end	19,461	36,480	23,369	33,781	33,274

Source: Company, PSR Estimates

Balance Sheet

Y/E Dec, S\$'000	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
Plant and equipment	4,408	3,017	4,864	3,225	2,958
Associate	2,306	2,667	-	-	-
Intangible assets	18,300	19,072	23,575	22,220	21,331
Others	65	61	172	172	172
Total non-current assets	25,079	24,817	28,611	25,617	24,461
Inventories	25,290	21,260	25,529	23,495	32,014
Trade and other receivables	28,722	31,106	41,110	36,954	40,485
Cash and cash equivalents	19,461	36,480	23,369	33,781	33,274
Others	639	806	2,146	2,146	2,146
Total current assets	74,112	89,652	92,154	96,375	107,918
Total assets	99,191	114,469	120,765	121,993	132,379
LIABILITIES					
Others	1,898	4,123	5,659	5,659	5,659
Total non-current liabilities	1,898	4,123	5,659	5,659	5,659
Trade and other payables	33,563	35,077	44,293	36,607	38,505
Others	8,994	4,997	4,951	4,951	4,951
Total current liabilities	42,557	40,074	49,244	41,558	43,456
Total liabilities	44,455	44,197	54,903	47,217	49,115
EQUITY					
Share capital	35,083	35,083	35,216	35,216	35,216
Retained earnings	34,609	43,760	37,765	46,029	53,987
Others	(14,956)	(8,571)	(7,119)	(6,469)	(5,939)
Total equity	54,736	70,272	65,862	74,776	83,264

Valuation Ratios

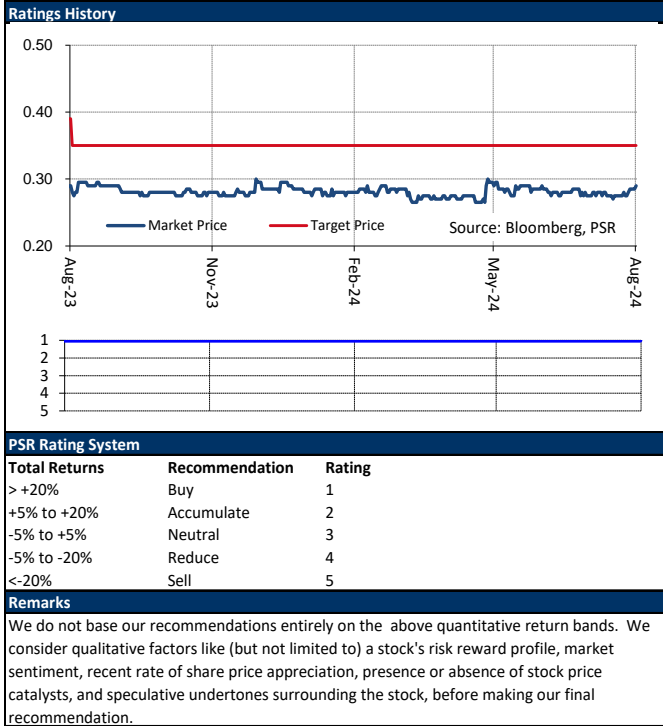
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (x)	13.1	7.8	10.5	7.7	7.5
P/B (x)	1.6	1.3	1.4	1.2	1.1
EV/EBITDA (x)	6.6	3.1	4.9	3.0	0.0
Dividend Yield	2.3%	3.8%	15.4%	3.9%	3.9%

Growth & Margins

	FY21	FY22	FY23	FY24e	FY25e
Growth					
Revenue	1.8%	28.9%	5.1%	12.7%	5.4%
Gross profit	9.9%	30.6%	-1.4%	18.0%	8.2%
EBITDA	13.5%	63.4%	-20.9%	35.5%	-7.3%
Net Profit	11.1%	66.7%	-24.8%	34.9%	3.3%
Margins					
Gross margin	38.2%	38.7%	36.3%	38.0%	39.0%
EBITDA margin	8.4%	10.6%	8.0%	9.6%	8.5%
Net Profit Margin	5.4%	7.0%	5.0%	6.0%	5.9%

Key Ratios

	FY21	FY22	FY23	FY24e	FY25e
ROE	13.4%	18.3%	12.6%	16.5%	15.1%
ROA	7.6%	10.7%	7.3%	9.5%	9.4%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	-



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