

Hyphens Pharma International Limited

22 Aug 2024

BUY (Maintained)

BBG	HYP SP
Market cap	S\$88.0m
Share price	S\$0.29
52-week range	S\$0.26 – S\$0.305
Target Price	S\$0.38
Previous Price	S\$0.38
Shares Outstanding	308.9M
Free Float	24.1%
Major Shareholder	Inomed Holding Pte Ltd 47.8% Tan Kia King 28.1%

Source: Company data, Bloomberg, SAC Capital

ANALYST

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1H2024 – Commendable Growth Amid Economic Headwinds

1H2024 Performance – Revenue was up 33.4% yoy to S\$99.6m, driven by robust sales across all key segments. Gross profit increased by 24.2% yoy in line with the growth in revenue, with gross profit margin decreasing from 37.5% in 1H2023 to 34.9% in 1H2024. Net profit after tax increased by 66.7% yoy to S\$5.9m in 1H2024, with net profit margin improving from 4.7% in 1H2023 to 5.9% in 1H2024. Management has highlighted potential cost pressures and margin erosion due to the depreciation of ASEAN currencies against the Singapore dollar, the currency in which supplies are denominated. In light of these factors, we have adjusted our gross profit forecasts for the full year slightly downwards. Conversely, operating expenses were better than we have anticipated in 1H2024. Consequently, we have revised our operating expense assumptions downwards in our model to reflect the improved efficiency in cost management.

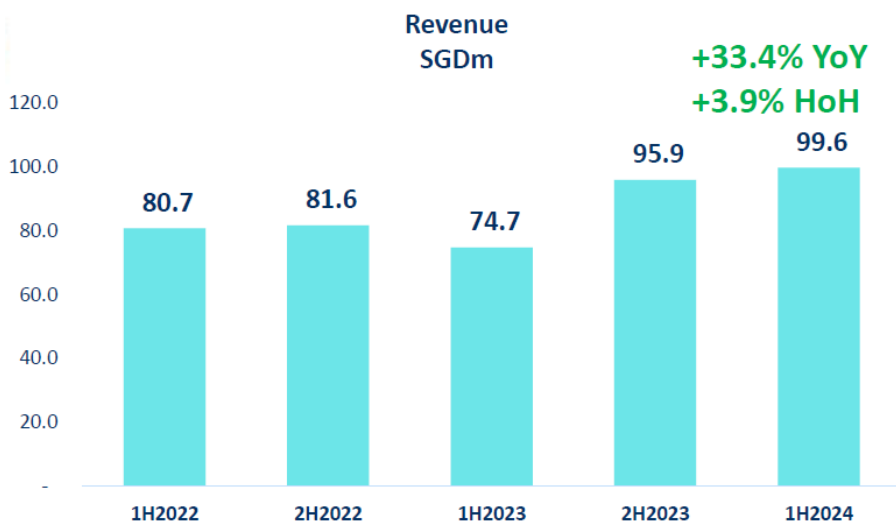
Business Highlights – Hyphens recently secured regulatory approvals for several new products in its Specialty Pharma segment. These products include Wyzora, Amenalief and Ustefav (Ustekinumab biosimilar). These approvals will enable Hyphens to expand its offerings across new and existing markets in the future, enhancing not only the company's portfolio but also provides a strong foundation for long-term growth. Additionally, the Group's partnership with 7-Eleven continues to rise the brand equity and exposure of Ocean Health supplements, driving higher sales in the proprietary brands segment. For the Medical Hypermart and Digital segment, Hyphen continues to invest in the digital space, reflecting its strategic pivot towards digital sales channels to meet evolving customer behaviors.

Reiterate BUY – We have raised our FY2024 net profit forecast by 14% to S\$10.2m, reflecting the lower operating expenses observed in 1H2024. We have also lifted FY2025 net profit forecast by 16% to S\$10.9m. Looking ahead, we expect the stabilization of the regional currencies vis-à-vis the US\$ and Euro. We maintain our BUY rating with TP of \$0.38, utilizing a blended approach of DCF and Comparable Companies valuation.

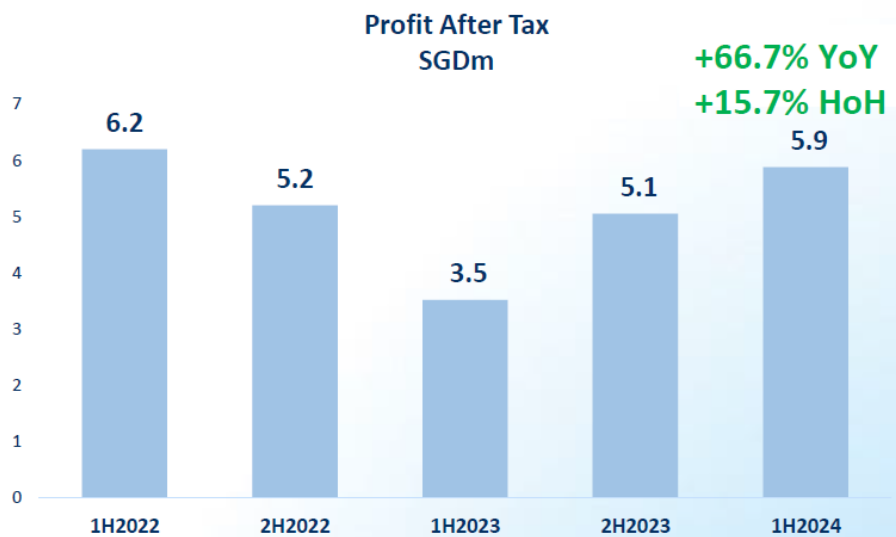
KEY FINANCIAL HIGHLIGHTS

Year ended Dec (S\$m)	FY21	FY22	FY23	FY24E	FY25E
Revenue	125.9	162.3	170.6	187.6	197.1
EBIT	8.4	14.5	10.8	12.8	13.6
Net profit	6.8	11.4	8.6	10.2	10.9
EPS (S\$ cents)	2.3	3.7	2.8	3.3	3.5
Dividend per share (S\$ cents)	0.7	1.1	4.5	1.0	1.1
Valuation					
Gross profit margin (%)	38.2%	38.7%	36.3%	34.9%	35.0%
Net profit margin (%)	5.4%	7.0%	5.0%	5.4%	5.5%
EV/EBITDA (x)	7.1	3.3	5.0	4.7	4.0
P/E (x)	12.6	7.8	10.3	8.7	8.1
P/B (x)	1.6	1.3	1.4	1.2	1.1
Dividend yield (%)	2.4%	3.9%	15.6%	3.6%	3.8%

Revenue Performance



Profit After Tax Performance



Performance by Geography



Income Statement

FYE Dec (S\$m)	FY21	FY22	FY23	FY24E	FY25E
Revenue	125.9	162.3	170.6	187.6	197.1
Cost of Sales	(77.8)	(99.5)	(108.7)	(122.1)	(128.1)
Gross Profit	48.1	62.8	61.9	65.5	69.0
Other income and gains	1.0	0.7	0.7	0.6	0.6
Distribution costs	(28.4)	(33.3)	(35.9)	(36.8)	(38.7)
Administrative expenses	(11.6)	(14.6)	(14.1)	(14.7)	(15.4)
Other losses	(0.7)	(1.6)	(2.3)	(1.8)	(1.9)
Finance costs	(0.1)	(0.2)	(0.3)	(0.3)	(0.2)
Profit before tax	8.3	14.3	10.6	12.5	13.4
Income tax	(1.4)	(2.9)	(2.0)	(2.3)	(2.5)
Net profit	6.8	11.4	8.6	10.2	10.9

Balance Sheet

FYE Dec (S\$m)	FY21	FY22	FY23	FY24E	FY25E
Assets					
Cash and cash equivalents	19.5	36.5	23.4	23.5	28.9
Inventories	25.3	21.3	25.5	31.5	33.0
Trade and other receivables	28.7	31.1	41.1	45.2	47.5
Prepayments	0.6	0.8	2.1	2.3	2.4
Other financial assets	-	-	0.1	0.1	0.1
Total current assets	74.1	89.7	92.2	102.6	112.0
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	-	-	-
Deferred tax assets	0.1	0.1	0.2	0.2	0.2
Total non-current assets	25.1	24.8	28.6	28.2	27.7
Total Assets	99.2	114.5	120.8	130.7	139.6
Liabilities					
Income tax payable	1.7	2.7	2.5	2.5	2.5
Trade and other payables	33.6	35.1	44.3	48.5	50.9
Other financial liabilities, current	7.3	2.3	2.4	1.2	1.2
Total current liabilities	42.6	40.1	49.2	52.2	54.6
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
Total non-current liabilities	1.9	4.1	5.7	5.7	4.7
Total liabilities	44.5	44.2	54.9	57.8	59.2
Equity					
Share capital	35.1	35.1	35.2	35.2	35.2
Retained earnings	34.6	43.8	37.8	44.8	52.3
Other reserves	(15.0)	(9.8)	(10.0)	(10.0)	(10.0)
Equity attributable to owners of the Company	54.7	69.0	63.0	70.0	77.5
Non-controlling interests	0.0	1.2	2.9	2.9	2.9
Total equity	54.7	70.3	65.9	72.9	80.4

Cash Flow Statement

FYE Dec (S\$m)	FY21	FY22	FY23	FY24E	FY25E
Profit before tax	8.3	14.3	10.6	12.5	13.4
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	0.3	0.2
Loss on disposal of plant and equipment	0.0	0.0	(0.0)	0.0	0.0
Loss on disposal of subsidiary	0.0	0.0	(0.2)	0.0	0.0
Expenses in connection with acquisition of subsidiaries	0.4	0.0	0.1	0.0	0.0
Share of profit of an equity-accounted associate	(0.0)	(0.5)	(0.5)	0.0	0.0
Net effect of exchange rate changes in consolidating foreign operations	0.0	0.1	(0.2)	0.0	0.0
Operating cash flows before changes in working capital	10.9	16.9	12.5	14.3	15.2
Changes in working capital	(3.5)	2.1	(4.2)	(6.1)	(1.6)
Net cash flows from operations	7.5	19.0	8.2	8.2	13.6
Income taxes paid	(1.4)	(2.2)	(2.6)	(2.3)	(2.5)
Net cash flows from operating activities	6.0	16.9	5.6	5.8	11.1
Cash flows from investing activities					
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
Net cash flows used in investing activities	(14.9)	(1.0)	(1.5)	(1.0)	(1.1)
Cash flows from financing activities					
Dividends paid to equity owners	(1.9)	(2.1)	(14.6)	(3.2)	(3.4)
Payment of principal portion of lease liabilities	(0.9)	(1.0)	(1.2)	0.0	0.0
Interest paid	(0.1)	(0.2)	(0.3)	(0.3)	(0.2)
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
Net cash flows from financing activities	0.8	1.1	(17.3)	(4.7)	(4.6)
Net increase (decrease) in cash and cash equivalents	(8.1)	17.0	(13.1)	0.1	5.4
Cash and cash equivalents at beginning of financial year	27.5	19.5	36.5	23.4	23.5
Cash and cash equivalents at end of financial year	19.5	36.5	23.4	23.5	28.9

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