Company Note

Pharmaceuticals | Singapore | March 3, 2025

ESG Analysis Table Inside

Singapore

ADD *(no change)*

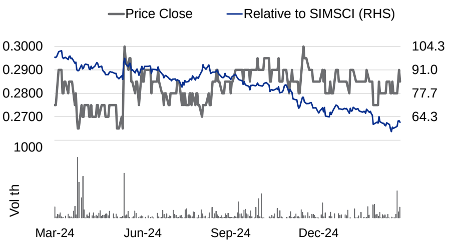
Consensus ratings*:	Buy 2	Hold 0	Sell 0

Current price:	S$0.285
Target price:	S$0.35
Previous target:	S$0.35
Up/downside:	22.8%
CGSI / Consensus:	na
Reuters:	HYPH.SI
Bloomberg:	HYP SP
Market cap:	US$65.28m
	S$88.03m
Average daily turnover:	US$0.01m
	S$0.01m
Current shares o/s:	308.8m
Free float:	24.1%

Source: Bloomberg

Key changes in this note

- Reduced FY25F EPS by 0.9%.
- Reduced FY26F EPS by 4.5%.
- Introduce FY27F estimates.



Source: Bloomberg

Price performance	*1M*	*3M*	*12M*
Absolute (%)	0.0	-1.7	-1.7
Relative (%)	-4.7	-7.9	-42.8

Major shareholders	% held
INOMED HOLDINGS PTE LTD	47.8
Tan Kia King	28.0

Hyphens Pharma International

Reinvesting for growth in FY25F

- 2H24 net profit of S$4.8m (-4.4% yoy/-11.8% hoh) was in line, bringing FY24 net profit to 101.1% of our FY24F estimate.
- 2H24 revenue saw a slight decline of 3.9% hoh due to slower sales momentum as HYP's customers backfilled orders in 1H24.
- Reiterate Add with unchanged TP of S$0.35 as we think FY24 DPS of 1.5 Scts is sustainable given its strong cash flow generation.

Higher opex observed in 2H24 likely to persist going forward

HYP saw its GP margin improve 0.9% pts yoy/1.4% pts hoh in 2H24 to 36.2%. We note that its EBITDA margin declined 0.6% pts yoy/1.4% pts hoh as opex increased 9.9% yoy/11.2% hoh. During its analyst briefing held on 28 Feb, management shared that there was an active effort by HYP to incur more marketing expense, especially in Vietnam, to regain market share it lost previously for its specialty pharmaceuticals as a result of the inventory stock-out situation in FY23. Management also shared its plans for increased marketing expenses in FY25F to launch products from its proprietary brands, such as Ocean Health, to new markets, such as Vietnam, Malaysia and Indonesia, which would likely keep opex elevated. We note that its medical hypermart and digital segment continued to see EBITDA losses as HYP aims to ramp up its digital platform business in Vietnam and Malaysia.

Targeting ethical channels for overseas expansion

HYP recognises that competition is stiff overseas within the consumer healthcare space, especially as a new entrant with little mindshare. As such, HYP will be looking to enter new markets through ethical channels (i.e. through healthcare professionals such as doctors and pharmacists). We note that HYP has BICOLD, an immune support syrup for kids listed under its clinical series under Ocean Health, as well as a range of products under its Novem portfolio, which we think could be introduced into new markets.

Indication of sustainable dividend ahead?

HYP declared a core DPS of 1.5 Scts for FY24, up from 0.86 Scts core DPS in FY23, representing a 45.4% payout ratio that is above its established dividend policy of 30% payout ratio. Given that HYP maintained its cash balance of c.S$23m in FY24 from FY23, we think that HYP could sustain similar levels of DPS moving forward.

Reiterate Add; TP unchanged at S$0.35

We reduce our FY25F/26F EPS by 0.9%/4.5% for higher finance costs as we note that HYP has taken up some short-term borrowings, which could be refinanced. Our DCF-based (WACC: 13.6%) TP of S$0.35 and Add call are unchanged as we see sustained earnings growth over FY25F-27F. Re-rating catalysts: stronger-than-expected revenue growth from product launches in new markets, accretion from new products added to its portfolio. Downside risks: margin compression from escalating opex that does not translate into sales, strengthening of EUR against key operating currencies (i.e. S$, RM, VND).

Financial Summary	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue (S$m)	170.6	195.4	206.2	211.2	216.4
Operating EBITDA (S$m)	10.30	13.52	14.54	15.10	15.68
Net Profit (S$m)	8.58	10.86	11.13	11.57	12.04
Core EPS (S$)	0.028	0.035	0.036	0.037	0.039
Core EPS Growth	(24.8%)	26.5%	2.5%	4.0%	4.0%
FD Core P/E (x)	10.26	8.11	7.91	7.60	7.31
DPS (S$)	0.045	0.015	0.015	0.015	0.015
Dividend Yield	15.6%	5.3%	5.3%	5.3%	5.3%
EV/EBITDA (x)	6.56	5.04	4.30	3.81	3.31
P/FCFE (x)	24.15	18.44	8.59	9.17	8.51
Net Gearing	(35.5%)	(31.5%)	(35.9%)	(38.7%)	(41.7%)
P/BV (x)	1.40	1.24	1.14	1.04	0.96
ROE	13.0%	16.2%	15.0%	14.3%	13.7%
% Change In Core EPS Estimates			(0.93%)	(4.49%)	
EPS/Consensus EPS (x)			0.95	0.96	(0.00)

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Analyst(s)

TAY Wee Kuang
T (65) 6210 8604
E weekuang.tay@cgsi.com

Reinvesting for growth in FY25F

Figure 1: Results comparison

FYE Dec 31 (S$m)	2H24	2H23	yoy % chg	1H24	hoh % chg	FY24	FY23	yoy % chg	Prev FY24F	Comments
Revenue	95.8	95.9	-0.1%	99.6	-3.9%	195.4	170.6	14.6%	197.6	Revenue for 2H24 was relatively stable, due to less backfilling of orders as a result of the stockout situation in FY23. FY24 revenue is a record for HYP.
Gross profit	**34.7**	**33.9**	**2.5%**	**34.8**	**-0.2%**	**69.5**	**61.9**	**12.3%**	**67.1**	
GP margin (%)	*36.2%*	*35.3%*	*0.9% pts*	*34.9%*	*1.3% pts*	*35.6%*	*36.3%*	*-0.7% pts*	*33.9%*	
Operating costs	(28.9)	(26.4)	9.9%	(26.0)	11.2%	(55.0)	(50.0)	9.9%	(54.6)	Opex rose in 2H24, which management attributed to an increase in headcount as they look to introduce some of their existing products in Singapore into other regional operating geographies such as Vietnam and Indonesia.
EBITDA	**7.4**	**8.0**	**-6.7%**	**9.1**	**-18.7%**	**16.6**	**13.6**	**21.5%**	**16.2**	
EBITDA margin (%)	*7.8%*	*8.3%*	*-0.6% pts*	*9.2%*	*-1.4% pts*	*8.5%*	*8.0%*	*0.5% pts*	*8.2%*	
Net interest income/(costs)	(0.4)	(0.1)	197.6%	(0.2)	83.9%	(0.6)	(0.3)	103.2%	(0.3)	Net interest costs rose in 2H24 due to higher short-term borrowings taken on by HYP.
Other gains/(losses)	0.1	(1.2)	-108.3%	(1.1)	-109.2%	(1.0)	(1.6)	-36.2%	0.0	
Pretax profit	5.5	6.4	-13.7%	7.5	-26.2%	13.0	10.6	22.7%	12.6	
Tax	(0.5)	(1.3)	-60.4%	(1.6)	-66.8%	(2.1)	(2.0)	6.0%	(2.5)	
Tax rate (%)	*9.5%*	*20.8%*	*-11.2% pts*	*21.2%*	*-11.7% pts*	*16.2%*	*18.8%*	*-2.6% pts*	*20.0%*	
Minority interests	0.2	0.1	n.m.	0.5	-56.6%	(0.7)	0.0	n.m.	-	
Net profit	**4.8**	**5.0**	**-4.4%**	**5.4**	**-11.8%**	**10.2**	**8.6**	**19.0%**	**10.1**	**FY24 net profit was in line at 101.1% of our FY24F estimates.**
Reported EPS (Scts)	1.55	1.62	-4.3%	1.75	-11.4%	3.30	2.77	19.1%	3.26	

Revenue breakdown	2H24	2H23	yoy % chg	1H24	hoh % chg	FY24	FY23	chg	Prev FY24F	Comments
Specialty phamaceuticals	60.5	60.2	0.6%	63.7	-5.0%	124.2	102.2	21.6%	125.7	
Proprietary brands	13.3	13.8	-4.0%	14.3	-6.8%	27.5	25.7	7.4%	28.2	
Medical Hypermart	21.9	21.8	0.4%	21.7	1.2%	43.6	42.7	2.1%	43.7	
	95.8	**95.9**	**-0.1%**	**99.6**	**-3.9%**	**195.4**	**170.6**	**14.6%**	**197.6**	

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: EPS changes

FYE Dec 31 (S$m)	New			Old			% change		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	206.2	211.2	216.4	206.2	211.21	N.A.	0.0%	0.0%	N.A.
Gross profit	**70.2**	**72.1**	**74.1**	**70.2**	**72.13**	**N.A.**	**0.0%**	**0.0%**	**N.A.**
GPM (%)	34.1%	34.1%	34.2%	34.1%	34.1%	N.A.	0.0% pts	0.0% pts	N.A.
EBIT	14.5	15.1	15.7	14.3	15.45	N.A.	1.4%	-2.3%	N.A.
Reported PATMI	**11.1**	**11.6**	**12.0**	**11.2**	**12.12**	**N.A.**	**-0.9%**	**-4.5%**	**N.A.**
Core PATMI	11.1	11.6	12.0	11.2	12.12	N.A.	-0.9%	-4.5%	N.A.
NPM (%)	5.4%	5.5%	5.6%	5.4%	5.7%	N.A.	-0.1% pts	-0.3% pts	N.A.
EPS (Scts)	**3.60**	**3.75**	**3.90**	**3.63**	**3.92**	**N.A.**	**-0.8%**	**-4.4%**	**N.A.**

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Peers comparison (as of 28 Feb 25)

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US$ m)	EV/EBITDA (x) CY24F	EV/EBITDA (x) CY25F	3-year EPS CAGR (%)	P/E (x) CY24F	P/E (x) CY25F	Recurring ROE (%) CY24F	Recurring ROE (%) CY25F	Dividend Yield (%) CY24F	Dividend Yield (%) CY25F
Hyphens Pharma International	**HYP SP**	**Add**	**0.285**	**0.35**	**65**	**4.3**	**3.8**	**3.2%**	**7.8**	**7.6**	**14.9%**	**14.3%**	**5.3%**	**5.3%**
Mega Lifesciences	MEGA TB	Hold	32.50	34.00	829	7.9	7.1	N.A.	12.2	11.5	21.7%	21.5%	4.9%	5.2%
Duopharma Biotech Bhd	DBB MK	Add	1.22	1.55	263	7.8	7.2	N.A.	13.3	11.8	11.7%	12.3%	3.0%	3.4%
Simple average						**7.9**	**7.2**	**N.A.**	**12.8**	**11.6**	**16.7%**	**16.9%**	**4.0%**	**4.3%**

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Figure 4: HYP - DCF Valuation

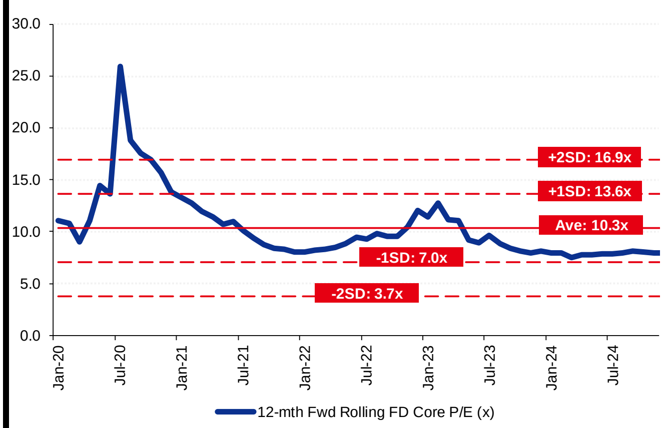
FCF calculation (S$m)	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	Terminal Value
FCF	10.25	9.60	10.34	11.10	11.89	12.13	106.60
PV of the FCFs	10.25	8.45	8.01	7.57	7.14	6.41	56.34
Year	0	1	2	3	4	5	
Discount Factor	1.00	0.88	0.77	0.68	0.60	0.53	

Valuation	
Enterprise value	97.76
Less: net cash/(debt)	(14.92)
Less: minority interest	-
Add: associates	-
Equity value	**112.68**
Number of shares	308.88
Equity value per share (S$)	**0.350**

WACC	13.6%
Rf	3.0%
Terminal growth	2.0%
Equity risk premium	12.0%
Beta	1.3
Cost of equity	**14.7%**
Debt-to-equity	0.10
Cost of debt	4.5%
Tax rate	17.0%
Effective cost of debt	**3.7%**

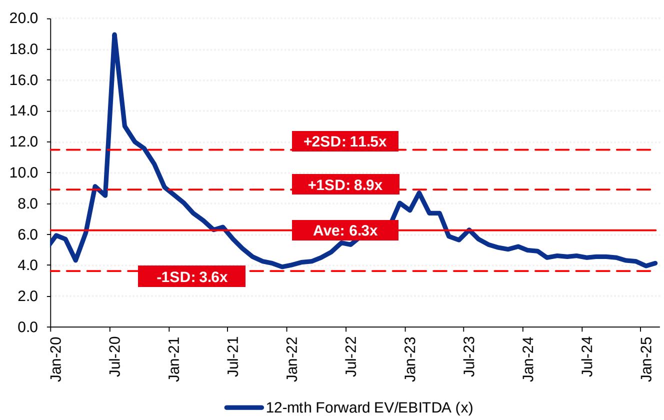
SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 5: HYP 12-mth rolling fwd core P/E (x)



SOURCES: CGSI RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 6: HYP 12-mth rolling fwd EV/EBITDA (x)



SOURCES: CGSI RESEARCH, COMPANY REPORTS, BLOOMBERG

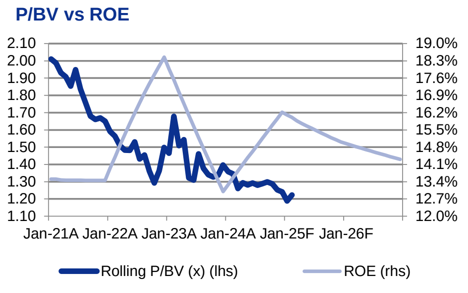
ESG in a nutshell

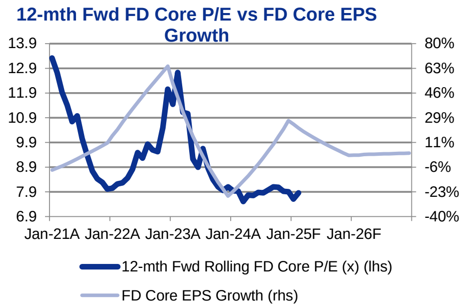
HYP's ESG efforts are not rated by LSEG or MSCI. Nevertheless, according to its FY23 annual report, HYP has been actively working on E, S, and G pillars via sourcing for sustainable products, taking on initiatives with social causes to reach out to the needy, as well as abiding by its corporate governance policies. Since its listing in 2018, HYP has not been implicated in any controversy.

Keep your eye on	Implications
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. It is subject to the relevant standards applicable to each of its products or risk product recalls that could adversely impact its business.	As a pharmaceutical distributor and manufacturer, customer reputation is especially pertinent to HYP. With no instances of adverse events, such as product recalls, HYP appears to have high quality standards, which we believe are 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.
ESG highlights	**Implications**
In terms of governance, HYP has a zero-tolerance policy towards corruption and has put in place policies governing workplace ethics and business conduct. Consequently, there have been no reported cases of breaches in the code of corporate governance, corruption, and bribery in FY22.	We think HYP's solid governance record is backed by a strong management team that has been effectively communicating expectations to its stakeholders. This is positive for HYP, in our view.
Trends	**Implications**
In terms of environment, 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, according to the company.	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 of HYP.

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(S$m)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Net Revenues	**171.3**	**196.1**	**206.2**	**211.2**	**216.4**
Gross Profit	**62.6**	**70.2**	**70.2**	**72.1**	**74.1**
Operating EBITDA	**10.3**	**13.5**	**14.5**	**15.1**	**15.7**
Depreciation And Amortisation	0.0	0.0	0.0	0.0	0.0
Operating EBIT	**10.3**	**13.5**	**14.5**	**15.1**	**15.7**
Financial Income/(Expense)	(0.3)	(0.6)	(0.6)	(0.6)	(0.6)
Pretax Income/(Loss) from Assoc.	0.5	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**10.6**	**13.0**	**13.9**	**14.5**	**15.0**
Exceptional Items					
Pre-tax Profit	**10.6**	**13.0**	**13.9**	**14.5**	**15.0**
Taxation	(2.0)	(2.1)	(2.8)	(2.9)	(3.0)
Exceptional Income - post-tax					
Profit After Tax	**8.6**	**10.9**	**11.1**	**11.6**	**12.0**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	**8.6**	**10.9**	**11.1**	**11.6**	**12.0**
Recurring Net Profit	8.6	10.9	11.1	11.6	12.0
Fully Diluted Recurring Net Profit	**8.6**	**10.9**	**11.1**	**11.6**	**12.0**
Normalised Net Profit	8.6	10.9	11.1	11.6	12.0
Fully Diluted Normalised Profit	**8.6**	**10.9**	**11.1**	**11.6**	**12.0**

Cash Flow

(S$m)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
EBITDA	10.30	13.52	14.54	15.10	15.68
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(4.24)	(14.49)	0.42	(0.89)	(0.91)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(0.70)	(1.04)	0.00	0.00	0.00
Other Operating Cashflow	2.53	3.54	1.50	1.80	2.10
Net Interest (Paid)/Received	(0.28)	(0.57)	(0.64)	(0.64)	(0.64)
Tax Paid	(2.60)	(2.36)	(2.58)	(2.78)	(2.89)
Cashflow From Operations	**5.01**	**(1.38)**	**13.25**	**12.60**	**13.34**
Capex	(0.30)	(1.18)	(3.00)	(3.00)	(3.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0.12	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.35	0.16	0.00	0.00	0.00
Cash Flow From Investing	**0.17**	**(1.02)**	**(3.00)**	**(3.00)**	**(3.00)**
Debt Raised/(repaid)	(1.53)	7.18	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	(0.19)	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(14.56)	(2.66)	(4.63)	(4.63)	(4.63)
Preferred Dividends					
Other Financing Cashflow	(1.19)	(1.34)	0.00	0.00	0.00
Cash Flow From Financing	**(17.28)**	**3.00**	**(4.63)**	**(4.63)**	**(4.63)**
Total Cash Generated	(12.10)	0.59	5.62	4.96	5.71
Free Cashflow To Equity	**3.64**	**4.77**	**10.25**	**9.60**	**10.34**
Free Cashflow To Firm	**5.45**	**(1.84)**	**10.88**	**10.23**	**10.98**

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS… cont'd

Balance Sheet

(S$m)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Cash And Equivalents	23.37	23.42	29.04	34.00	39.71
Total Debtors	41.11	45.42	45.19	46.29	47.42
Inventories	25.53	34.45	35.39	36.20	37.03
Total Other Current Assets	2.06	2.53	2.53	2.53	2.53
Total Current Assets	**92.06**	**105.82**	**112.15**	**119.02**	**126.69**
Fixed Assets	4.86	4.90	6.40	7.60	8.50
Total Investments	0.00	0.00	0.00	0.00	0.00
Intangible Assets	23.58	24.53	24.53	24.53	24.53
Total Other Non-Current Assets	0.17	0.23	0.23	0.23	0.23
Total Non-current Assets	**28.61**	**29.66**	**31.16**	**32.36**	**33.27**
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	46.71	55.11	56.25	57.27	58.31
Other Current Liabilities	2.54	2.58	2.78	2.89	3.01
Total Current Liabilities	**49.24**	**57.69**	**59.03**	**60.16**	**61.32**
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4.41	2.57	2.57	2.57	2.57
Total Non-current Liabilities	**4.41**	**2.57**	**2.57**	**2.57**	**2.57**
Total Provisions	1.25	1.02	1.02	1.02	1.02
Total Liabilities	**54.90**	**61.28**	**62.63**	**63.76**	**64.92**
Shareholders' Equity	62.99	70.90	77.39	84.33	91.74
Minority Interests	2.88	3.57	3.57	3.57	3.57
Total Equity	**65.86**	**74.47**	**80.96**	**87.90**	**95.31**

Key Ratios

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue Growth	5.1%	14.6%	5.5%	2.4%	2.4%
Operating EBITDA Growth	(26.5%)	31.3%	7.5%	3.8%	3.9%
Operating EBITDA Margin	6.04%	6.92%	7.05%	7.15%	7.25%
Net Cash Per Share (S$)	0.08	0.08	0.09	0.11	0.13
BVPS (S$)	0.20	0.23	0.25	0.27	0.30
Gross Interest Cover	37.04	23.94	22.90	23.77	24.69
Effective Tax Rate	18.8%	16.2%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	170%	24%	42%	40%	38%
Accounts Receivables Days	77.26	81.03	80.20	79.05	79.05
Inventory Days	78.56	87.17	93.73	93.94	93.94
Accounts Payables Days	133.3	127.7	118.5	118.7	118.7
ROIC (%)	24.4%	22.5%	21.4%	21.9%	21.9%
ROCE (%)	14.9%	19.0%	18.5%	17.7%	16.9%
Return On Average Assets	7.50%	8.83%	8.35%	8.20%	8.06%

Key Drivers

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Specialty pharma principals gross margin	0.4	0.4	0.4	0.4	0.4
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: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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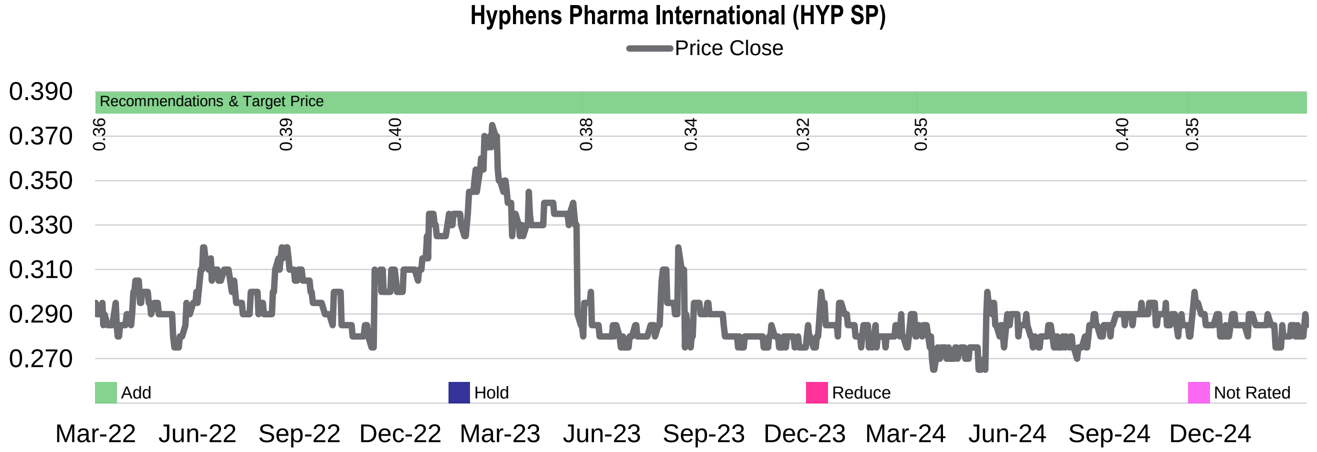
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.4%	0.8%
Hold	22.2%	0.8%
Reduce	10.4%	0.3%

Spitzer Chart for stock being researched (2 year data)



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Add	The stock's total return is expected to exceed 10% over the next 12 months.
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Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

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