

# 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

Daniel Ng  
+65 9382 9657  
dng@saccapital.com.sg

Matthias Chan  
+65 9687 9957  
mchan@saccapital.com.sg

## 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.

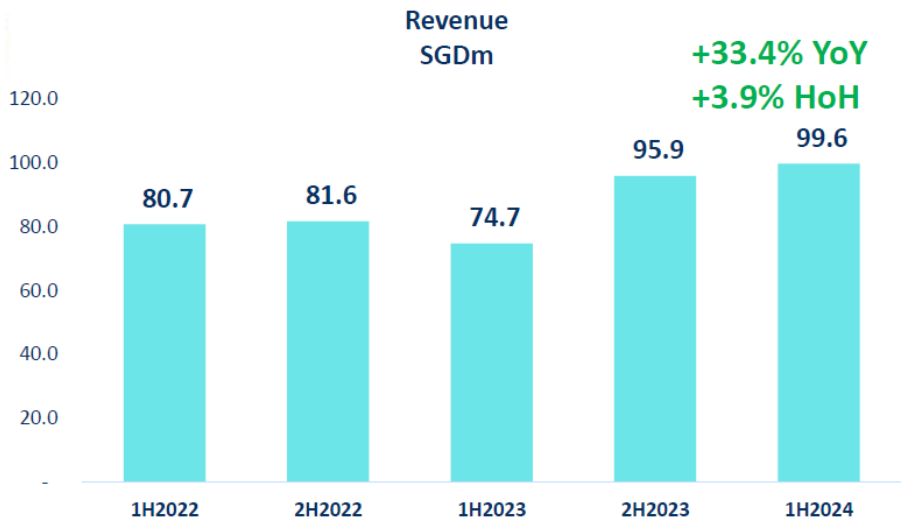
**Business Highlights** – Hyphens recently secured regulatory approvals for several new products in its Specialty Pharma segment. These products include Wyzora, Amenalief and Ustefav (Ustekinumab biosimilar). These approvals will enable Hyphens to expand its offerings across new and existing markets 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.

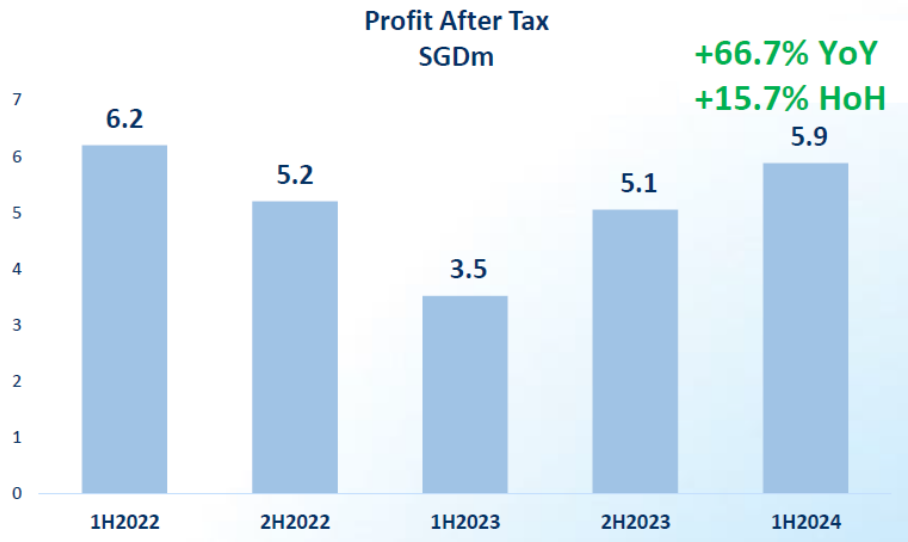
## KEY FINANCIAL HIGHLIGHTS

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
<b>Valuation</b>					
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%

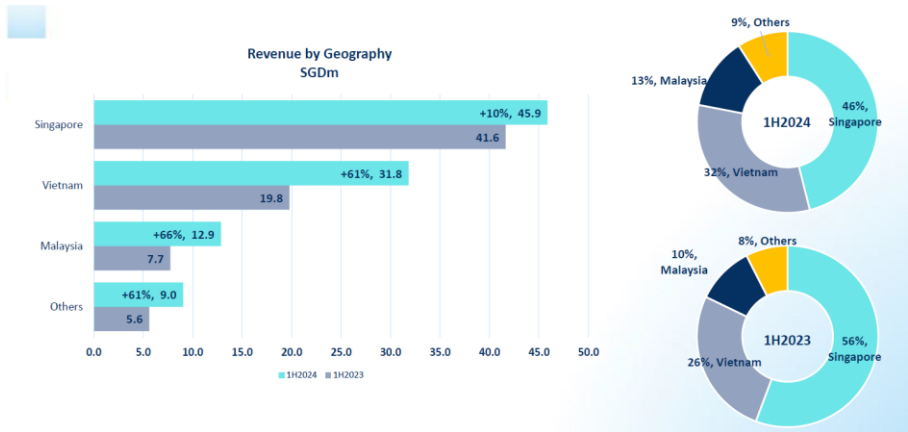
Revenue  
Performance



Profit After Tax  
Performance



Performance by  
Geography



## Income Statement

FYE Dec (S\$m)	FY21	FY22	FY23	FY24E	FY25E
<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)	(122.1)	(128.1)
<b>Gross Profit</b>	<b>48.1</b>	<b>62.8</b>	<b>61.9</b>	<b>65.5</b>	<b>69.0</b>
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)
<b>Profit before tax</b>	<b>8.3</b>	<b>14.3</b>	<b>10.6</b>	<b>12.5</b>	<b>13.4</b>
Income tax	(1.4)	(2.9)	(2.0)	(2.3)	(2.5)
<b>Net profit</b>	<b>6.8</b>	<b>11.4</b>	<b>8.6</b>	<b>10.2</b>	<b>10.9</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	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
<b>Total current assets</b>	<b>74.1</b>	<b>89.7</b>	<b>92.2</b>	<b>102.6</b>	<b>112.0</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	-	-	-
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>130.7</b>	<b>139.6</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	48.5	50.9
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>52.2</b>	<b>54.6</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>57.8</b>	<b>59.2</b>
<b>Equity</b>					
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)
<b>Equity attributable to owners of the Company</b>	<b>54.7</b>	<b>69.0</b>	<b>63.0</b>	<b>70.0</b>	<b>77.5</b>
<b>Non-controlling interests</b>	<b>0.0</b>	<b>1.2</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>
<b>Total equity</b>	<b>54.7</b>	<b>70.3</b>	<b>65.9</b>	<b>72.9</b>	<b>80.4</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>12.5</b>	<b>13.4</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	0.3	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)
<b>Net cash flows from operating activities</b>	<b>6.0</b>	<b>16.9</b>	<b>5.6</b>	<b>5.8</b>	<b>11.1</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)	(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
<b>Net cash flows from financing activities</b>	<b>0.8</b>	<b>1.1</b>	<b>(17.3)</b>	<b>(4.7)</b>	<b>(4.6)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8.1)</b>	<b>17.0</b>	<b>(13.1)</b>	<b>0.1</b>	<b>5.4</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>23.4</b>	<b>23.5</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>19.5</b>	<b>36.5</b>	<b>23.4</b>	<b>23.5</b>	<b>28.9</b>

## DISCLAIMERS AND DISCLOSURES

This report has been prepared and distributed by SAC Capital Private Limited ("**SAC Capital**") which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report has been prepared for the purpose of general circulation, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual person or any specific group of persons and does not purport to be comprehensive or contain all necessary information which a prospective investor may require in arriving at an investment decision. Any prospective purchaser should make his own investigation of the securities and all information provided. Advice should be sought from a financial adviser regarding suitability, taking into account the specific investment objectives, financial situation or particular needs of the person in receipt of the recommendation, before a commitment to purchase is entered into.

This report does not constitute or form part of any offer or solicitation of any offer to buy or sell any securities. This report is confidential and the information in this report shall not be copied or reproduced in part or in whole, and save for the recipient of this report, shall not be disclosed to any other person without the prior written consent of SAC Capital. The distribution of this report outside the jurisdiction of Singapore is also strictly prohibited.

Whereas SAC Capital has not independently verified all the information set out in this report, all reasonable care and effort has been taken to ensure that the facts stated herein are accurate, this report might contain certain forward looking statements and forward looking financial information which are based on certain assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the subject company to be materially different from those expressed herein. Predictions, projections or forecasts of the economy or market trends are not indicative of the future performance of the subject company. The inclusion of such statements and information should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions of the subject company or that the forecast results will or are likely to be achieved.

Our opinion and facts set out in this report are based on the market, economic, industry and other applicable conditions prevailing as at the date of the preparation of this report. Such conditions may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any development subsequent to the publication of this report, that may or may not have affected our opinion contained herein.

This report contains forward-looking statement which are based on assumptions or forecasts and are subject to uncertainties which may result in the actual result or performance to be materially different from the opinion or facts set out herein. Caution should be exercised in placing undue reliance on such statements. Such assumptions or forecasts may change over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any development subsequent to the publication of this report.

No representation or warranty, expressed or implied, is made and no responsibility is accepted by the company, SAC Capital, or any of their affiliates, advisers or representatives as to the fairness, accuracy, completeness or adequacy of such information or facts, in this report or any other written or oral information made available to any interested party or its advisers and any liability therefore is hereby expressly disclaimed.

SAC Capital and its associates, directors, and/or employees may have positions in the securities covered in the report and may also perform or seek to perform other corporate finance and/or capital markets related services for the company whose securities are covered in the report. SAC Capital and its related companies may from time to time perform advisory services or solicit such advisory services from the entity mentioned in this report ("**Other Services**"). This report is therefore classified as a non-independent report. However, the research professionals involved in the preparation of this report are independent of those possible or actual business relationships as they have not and will not participate in the solicitation or provision of such business.

As at the date of this report, SAC Capital does not have proprietary positions or interests in the subject company, except for:

Party	Quantum of position
Nil	Nil

For services rendered in the production and distribution of this Research report, SAC Capital will receive monetary compensation payable by the subject company. The quantum of which was pre-determined prior to the writing and publication of the report and is not dependent on or affected by the recommendation made herein. The future performance of the security will not have a bearing on compensation payable for the purpose of the production of this report.

As at the date of this report, none of the analysts who covered the securities in this report have any proprietary position or material interest in the subject companies covered here in, except for:

Analyst name	Quantum of position
Nil	Nil

#### **ANALYST CERTIFICATION/REGULATION AC**

As noted above, research analyst(s) of SAC Capital who produced this report hereby certify that

- (i) The views expressed in this report accurately reflect his/her personal views about the subject corporation(s);
- (ii) The report was produced independently by him/her;
- (iii) He/she does not on behalf of SAC Capital or any other person carry out Other Services involving any of the subject corporation(s) or securities referred to in this report; and
- (iv) He/she has not received and will not receive any compensation directly or indirectly related to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. He/she has not and will not receive any compensation directly or indirectly linked to the performance of the securities of the subject corporation(s) from the time of the publication of this report either.