

Hyphens Pharma International Limited

26 March 2024

BUY (Maintained)

BBG	HYP SP	
Market cap	S\$85.0m	
Share price	S\$0.28	
52-week range	S\$0.239 – S\$0.309	
Target Price	S\$0.38	
Previous Price	S\$0.33	
Shares Outstanding	309.2M	
Free Float	24.2%	
Major Shareholder	Inomed Holding	47.8%
	Tan Kia King	28.0%
P/NAV (FY2023)	1.4 x	
Net gearing (FY2023)	Net Cash	

Source: Company data, Bloomberg, SAC Capital

ANALYST

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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	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
Valuation					
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%

What A Difference A Half Makes

Firing from all cylinders. To paraphrase jazz legend Dinah Washington's signature song, Hyphens 2H2023 has demonstrated remarkable growth in 2H23 vis-à-vis just half year before in 1H23. Revenue up 28.4% h-h to S\$95.9m, leading to 2H23 net profit improving by 43.4% h-h to S\$5.1m. This strong recovery in 2H23 is due to enhanced supply chain efficiencies, strong organic growth of Ceradan and Ocean Health and contributions from the acquisition of Ardence Pharma. With this strong momentum carrying into FY24, management anticipates sustained growth.

Medical Aesthetics Arm. Hyphens' acquisition of Ardence Pharma and the establishment of Ardence Aesthetics in Singapore marks significant milestones for Hyphens. This strategic move solidifies the company's presence in Singapore and Malaysia and adds an exciting range of products to the medical aesthetic business. Anticipated synergies between Hyphens and Ardence Pharma are expected to drive accelerated growth in FY24.

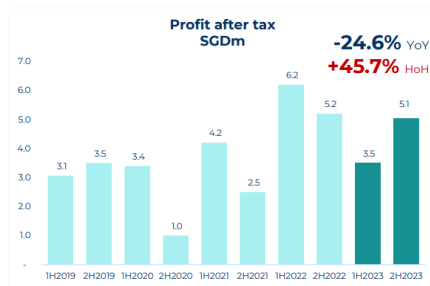
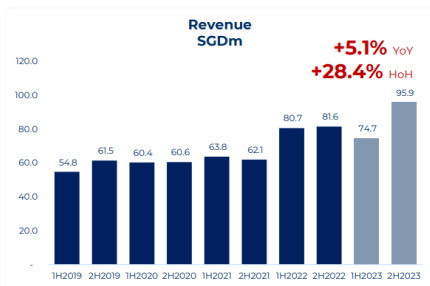
7-11 collaboration. In a bid to enhance market visibility and penetration, Hyphens Pharma has partnered with 7-Eleven to offer Ocean Health supplements at 112 convenience stores in Singapore. This strategic collaboration is set to bolster the brand's reach and deliver long-term growth for the Company.

Middle East market. Hyphens Pharma has expanded into the Middle East, including Saudi Arabia, UAE, Kuwait, Qatar, and Bahrain, through as exclusive distribution with Cooper Pharma. This marks the entry of their flagship dermatological brand, Ceradan, into these markets. This also aligns with Hyphen's strategy to penetrate markets beyond Asia.

Reiterate BUY with TP revised to S\$0.38, reflecting our heightened confidence in the company's trajectory following its stellar performance in 2H23 and confidence in its ability to further capitalize on the opportunities in its key segments.

OVERALL PERFORMANCE

Remarkable Growth in 2H2023:



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
Revenue	125.9	162.3	170.6	187.6	197.1
Cost of Sales	(77.8)	(99.5)	(108.7)	(119.5)	(125.6)
Gross Profit	48.1	62.8	61.9	68.1	71.5
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)
Profit before tax	8.3	14.3	10.6	10.9	11.5
Income tax	(1.4)	(2.9)	(2.0)	(2.0)	(2.2)
Net profit	6.8	11.4	8.6	8.9	9.4

Balance Sheet

FYE Dec (\$S'm)	FY21	FY22	FY23	FY24E	FY25E
Assets					
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
Total current assets	74.1	89.7	92.2	100.6	109.0
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	0.0	0.0	0.0
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	128.8	136.7
Liabilities					
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
Total current liabilities	42.6	40.1	49.2	51.2	53.6
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	56.8	58.2
Net assets	54.7	70.3	65.9	72.0	78.5
Equity					
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
Total equity	54.7	70.3	65.9	72.0	78.5

Cash Flow Statement

FYE Dec (\$S'm)	FY21	FY22	FY23	FY24E	FY25E
Profit before tax	8.3	14.3	10.6	10.9	11.5
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)
Net cash flows from operating activities	6.0	16.9	5.6	10.0	9.6
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)	(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
Net cash flows from financing activities	0.8	1.1	(18.5)	(4.1)	(3.9)
Net increase (decrease) in cash and cash equivalents	(8.1)	17.0	(14.4)	4.9	4.6
Cash and cash equivalents at beginning of financial year	27.5	19.5	36.5	22.1	27.0
Cash and cash equivalents at end of financial year	19.5	36.5	22.1	27.0	31.7

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