

Hyphens Pharma International Ltd

6 June 2022

BUY (Maintained)

BBG	HYP SP
Market cap	S\$95.7m
Price (6 June 2022)	S\$0.31
52-week range	S\$0.27 – S\$0.365
Target Price	S\$0.46 (previously S\$0.40)
Shares Outstanding	308.8m
Free Float	24%
Major Shareholders	Lim See Wah (38.8%) Tan Kia King (24.7%) Tan Chwee Choon (12.3%)
P/BV (12/21)	1.7x
Net Debt to EBITDA (12/20)	Net cash

Source: Company data, Bloomberg, SAC Capital

Receives S\$6m fund infusion, digital assets valued at S\$60m

Hyphens received a S\$6m fund infusion for a 10% stake in its digital assets under DocMed Technology. The fund will be used to further develop its existing digital infrastructure into an integrated healthtech platform. About 50% of the proceeds will be used to expand into Malaysia, Vietnam and other ASEAN countries.

DocMed has three verticals: 1) Wholesale of pharmaceuticals and medical supplies in Singapore through Pan-Malayan, a B2B medical hypermart for healthcare professionals, institutions and retail pharmacies. It runs www.pom.com.sg which is a platform for brand principals to provide product information and educational materials to medical professionals; 2) WellAway, a B2C digital platform for doctors to give e-prescriptions and have the prescribed medicines delivered directly to the patients' homes. WellAway holds the only e-pharmacy licence issued by the Health Science Authority in Singapore; and 3) DocCentral, which offers a suite of tools for medical professionals to collaborate, network, conduct virtual patient visits and coordinate patient care.

The fund injection is positive for Hyphens. 1) The proceeds extend a 24-month runway to develop an integrated health-tech platform; 2) Ascribes a value to the digital assets, which had not been priced in, in our view. The platforms are operational with registered user base of >120,000 doctors and telehealth providers, an average of 80 daily e-prescriptions, >51,000 transactions and >500,000 visitor log-ins per year; 3) DocMed will extend its digital footprint to beyond Singapore and add verticals such as collaboration and networking, virtual patient care and education and marketing tools; and 4) A bigger addressable market in ASEAN will enhance Hyphens' pricing power for its core specialty pharma and proprietary products.

As an illustration of DocMed's potential, US-listed Doximity (DOCS), a digital platform which caters to 80% of all US physicians and 350,000 telehealth unique active providers, is valued at US\$7.34b, and trades at 34x FY23E EV/EBITDA. It recorded a 4-year CAGR of 59% for revenue and 147% for EBITDA, and guided 32% revenue and 28% EBITDA growth for FY23E.

Raised TP to S\$0.46. DocMed will incur higher outlay in FY22E and FY23E for recruitment and roll-out into the regional markets. The significant uplift in Hyphens' earnings would be from FY24E (+30.4%), when DocMed gains traction and builds a sizeable user base in ASEAN. We maintain FY22E and FY23E earnings estimates, but lift DCF-derived TP to S\$0.46 (COE: 14%).

Analyst

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YE 31 Dec (S\$m)	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	119.4	123.7	125.9	149.7	161.7
EBIT	8.0	7.0	8.4	10.3	10.6
Net profit	6.5	6.2	6.8	8.5	8.7
EPS (S cents)	2.2	2.1	2.3	2.7	2.8
DPS (S cents)	1.0	0.6	0.7	0.8	0.9
Net cash / (debt)	22.7	22.6	11.3	25.9	28.5
Valuation					
EBIT margin (%)	6.7	5.7	6.6	6.9	6.5
ROIC (%)	31.9	26.5	19.0	21.4	20.2
EV/EBITDA (x)	7.1	7.6	7.7	5.8	5.6
P/E (x)	14.2	15.1	13.6	11.3	11.0
Dividend yield (%)	3.2	2.0	2.2	2.7	2.8

Income Statement

FYE 31 Dec (\$m)	FY20A	FY21A	FY22E	FY23E
Revenue	121.0	125.9	149.7	161.7
Cost of sales	(75.3)	(75.6)	(89.5)	(95.7)
Gross profit	45.7	50.3	60.2	66.0
Other income	0.2	0.5	-	-
Operating expenses	(38.7)	(40.7)	(48.2)	(53.9)
EBITDA	7.3	10.1	12.0	12.1
Depreciation	(2.1)	(2.2)	(1.7)	(1.5)
Associates & JV	-	-	-	-
Government grant	2.0	0.4	-	-
EBIT	7.2	8.4	10.3	10.6
Finance costs	(0.1)	(0.1)	(0.1)	(0.1)
Pretax profit	7.1	8.3	10.2	10.5
Tax expense	(0.9)	(1.4)	(1.7)	(1.8)
Minority interests	-	-	-	-
Net profit	6.2	6.8	8.5	8.7

Balance Sheet

FYE 31 Dec (\$m)	FY20A	FY21A	FY22E	FY23E
Assets				
PPE	4.8	4.2	5.5	7.0
Intangible assets	7.9	20.2	20.2	20.2
Associates	-	0.3	0.3	0.3
Deferred tax assets	-	0.1	0.1	0.1
Non-current assets	12.7	24.7	26.0	27.5
Inventories	16.9	25.1	29.4	31.5
Trade receivables	23.7	28.5	32.8	35.4
Prepayments / deposits	0.6	0.6	0.6	0.6
Cash	27.5	19.5	34.0	36.7
Current assets	68.7	73.7	96.9	104.2
Total assets	81.5	98.4	122.9	131.7
Liabilities				
Other financial liabilities	1.4	7.3	7.3	7.3
Trade payables	27.6	33.6	39.7	42.5
Tax provisions	1.3	1.7	1.7	1.8
Current liabilities	30.3	42.6	48.8	51.6
Other financial liabilities	3.6	0.9	0.9	0.9
Deferred tax	0.4	0.3	0.3	0.3
Non-current liabilities	4.0	1.2	1.2	1.2
Net assets	47.2	54.6	72.9	78.9
Equity				
Share capital	32.6	35.1	37.5	37.5
Other reserves	(15.1)	(15.1)	(5.1)	(5.1)
Retained earnings	29.6	34.6	40.5	46.5
	47.2	54.6	72.9	78.9
Minority interests	-	-	0.0	0.0
Total equity	47.2	54.6	72.9	78.9

Cash Flow

FYE 31 Dec (\$m)	FY20A	FY21A	FY22E	FY23E
Pretax profit	7.1	8.3	10.3	10.4
Depreciation	2.1	2.2	1.7	1.5
Associates & JV	-	-	-	-
Net finance expense	(0.1)	0.0	0.1	0.1
Non-fund items	(0.1)	0.5	0.0	0.0
Working capital changes	(3.8)	(3.5)	(2.4)	(1.9)
Interest paid	0.1	(0.0)	(0.1)	(0.1)
Tax paid	(1.1)	(1.4)	(1.7)	(1.7)
Operating cash flow	4.2	6.0	7.8	8.3
Capex	(0.4)	(0.7)	(3.0)	(3.0)
Net investments	-	(14.2)	10.0	-
Fixed assets disposal	-	-	-	-
Others	(0.8)	(0.1)	-	-
Investing cash flow	(1.2)	(15.0)	7.0	(3.0)
Free cash flow	3.0	(9.0)	14.8	5.3
Dividend paid	(3.0)	(1.9)	(2.6)	(2.7)
Borrowings	1.4	2.8	(0.0)	(0.0)
Equity	-	-	2.4	-
Financing cash flow	(1.6)	(1.0)	(0.2)	(2.7)
Net change	1.4	(8.1)	14.6	2.6

Ratios

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E
Profitability (%)				
Gross margin	36.1	38.2	39.1	39.9
EBIT margin	6.0	6.6	6.9	6.5
Liquidity (x)				
Current ratio	2.3	1.7	2.0	2.0
Net Debt/EBITDA	Net cash	Net cash	Net cash	Net cash
Interest coverage ratio	n.a.	n.a.	n.a.	n.a.
Net Debt to Equity	Net cash	Net cash	Net cash	Net cash
Valuation (x)				
P/E	15.1	13.6	11.3	11.0
P/B	2.0	1.7	1.3	1.2
EV/EBITDA	7.6	7.7	5.8	5.6
Cash Conversion Cycle				
Trade receivable days	72	82	80	80
Inventory days	82	121	120	120
Trade payable days	134	162	162	162

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