

Hyphens Pharma International Ltd

Digital healthcare catalyst emerges



StocksBnB.com

SINGAPORE | HEALTHCARE | Update

- Raised \$6mn for a 10% stake in Hyphens Pharma digital assets – DocMed Technology.
- DocMed Technology owns POM (B2B digital hypermart) and WellAway (Singapore's first and only HSA registered e-pharmacy).
- We raised FY22e earnings by 40% to S\$9.2mn to incorporate earnings from the acquisition of Novem. Our DCF target price is raised from S\$0.345 to S\$0.43 due to higher earnings. WACC is increased from 7.3% to 9% from raising our risk-free rate assumption. We upgrade our recommendation from ACCUMULATE to BUY. Hyphens underlying growth strategy is to be a leading portfolio of proprietary skin health products and brands across Asia. Digital healthcare is a new growth and stock catalyst. We have not incorporated the new valuation of DocMed into our target price. We view the transaction as a funding event rather than crystallisation or monetization of Hyphens digital assets. The proceeds have the potential to enhance the B2B platform with more doctors, pharmaceutical companies, transactions and new sources of revenue. Such milestones could drive further rounds of financing and higher valuations.

Event

Metro Holdings Limited will invest S\$6mn through new preference shares for a 10% stake in Hyphens wholly owned subsidiary DocMed Technology (DocMed). DocMed owns Hyphens medical B2B hypermart (POM Medical Hypermart) and a licensed e-pharmacy (WellAway).

1. POM is a B2B platform that serves doctor's drug and other medical supply needs. For instance, a clinic can order and receive all its drugs and supplies from POM. Revenue in FY21 was S\$41mn including offline sales.
2. WellAway serves the telemedicine industry as a licensed e-pharmacy. After tele consultation with patients, a doctor will be able to prescribe and arrange delivery of the drugs to their patients through WellAway. Doctors do not need to stock up with multiple and expensive drugs and can tap on WellAway's extensive range. WellAway supports telemedicine fulfilment needs.

Comment

With the proceeds, DocMed will build up its manpower (technology, operations, marketing) and enhance its B2B platform to serve doctors. The platform can be enhanced with more pharmaceutical offerings, mobile features and a regional footprint across ASEAN. The expected timeline to enhance and expand the B2B platform is two years.

Key operational milestones of the platform will include a larger number of doctors joining and purchasing through the platform. Pharmaceutical companies are constantly looking to reach out and engage doctors. DocMed platforms will be an important platform to showcase their drugs to doctors. In turn, DocMed can generate new sources of revenue such as advertising and promotion from pharmaceutical companies.

We upgrade our recommendation to BUY with a higher TP of S\$0.43 (prev. S\$0.345)

Hyphen's multiple-year growth strategy is to expand its proprietary brands of skincare products (e.g. Ceradan and tDf) across the region. The creation and development of the digital healthcare platform DocMed is an additional growth and share price catalyst. Near-term earnings drivers are the acquisition of Novem and growth in specialty pharma sales due to the return of elective surgeries after the pandemic.

6 June 2022

BUY (UPGRADED)

LAST CLOSE PRICE	SGD 0.295
FORECAST DIV	SGD 0.007
TARGET PRICE	SGD 0.430
TOTAL RETURN	48.1%

COMPANY DATA

BLOOMBERG CODE	HYP SP
O/S SHARES (MN)	309
MARKET CAP (USD mn / SGD mn)	66.2 / 91.1
52 - WK HI/LO (SGD)	0.365 / 0.270
3M Average Daily T/O (mn)	0.04

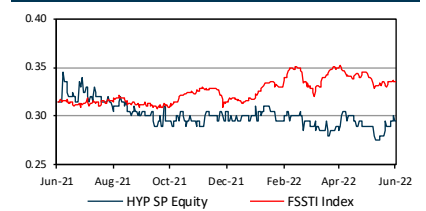
MAJOR SHAREHOLDERS

Inomed Holding Pte Ltd	38.8%
Tan Kia King	24.7%
Tan Chwee Choon	12.3%

PRICE PERFORMANCE

	1MTH	3MTH	YTD
COMPANY	4.2	2.4	0.7
STI RETURN	(2.8)	1.2	5.6

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, (\$'000)	FY20	FY21	FY22e	FY23e
Revenue	123,698	125,883	148,354	158,570
EBITDA	9,299	10,555	14,015	14,983
NPAT	6,163	6,846	9,231	10,068
EPS (\$ Cents)	2.1	2.2	2.2	3.0
P/E (x)	14.4	13.3	9.9	9.0
P/B (x)	1.9	1.7	1.5	1.3
Div Yield	2.1%	2.3%	2.4%	2.7%
ROE	13.5%	13.4%	15.9%	15.3%

Source: Company Data

VALUATION METHOD

DCF @ WACC = 9.0%, g = 2.0%

Paul Chew (+65 6212 1851)
Head of Research
paulchewkl@phillip.com.sg

Financials

Income Statement

Y/E Dec, S\$'000	FY19	FY20	FY21	FY22e	FY23e
Revenue	119,442	123,698	125,883	148,354	158,570
Cost of sales	(76,773)	(79,939)	(77,800)	(89,309)	(95,142)
Gross profit	42,669	43,759	48,083	59,045	63,428
Marketing and distribution costs	(24,837)	(26,523)	(28,394)	(33,380)	(36,154)
Administrative expenses	(9,772)	(10,138)	(11,639)	(14,178)	(14,750)
Finance costs	(138)	(110)	(95)	(171)	(181)
Other income and gains	546	2,248	964	80	87
Other losses	(481)	(2,128)	(680)	-	-
EBITDA	10.1	9.3	10.6	14.0	15.0
Profit before tax	7,987	7,108	8,239	11,396	12,430
Income tax expense	(1,457)	(945)	(1,410)	(2,165)	(2,362)
Profit after tax	6,530	6,163	6,829	9,231	10,068

Per share data

Y/E Dec, SG cents	FY19	FY20	FY21	FY22e	FY23e
EPS	2.2	2.1	2.2	3.0	3.3
DPS	1.0	0.6	0.7	0.7	0.8
BVPS	14.7	15.7	17.7	20.0	22.6

Cash Flows

Y/E Dec, S\$'000	FY19	FY20	FY21	FY22e	FY23e
CFO					
Profit before tax	7,987	7,108	8,256	11,396	12,430
Adjustments	1,937	1,893	2,661	2,619	2,553
Working capital changes	935	(3,810)	(3,464)	(3,881)	(10,319)
Operating cash flow	10,859	5,191	7,453	10,133	4,664
Taxes paid, others	(1,406)	(1,061)	(1,415)	(2,165)	(2,362)
Net operating cash flow	9,453	4,130	6,038	7,968	2,302
CFI					
CAPEX, net	(606)	(1,193)	(835)	(1,300)	(1,500)
Acquisition of subsidiaries	-	-	(14,156)	-	-
Others	157	180	74	-	-
Net investing cash flow	(449)	(1,013)	(14,917)	(1,300)	(1,500)
CFE					
Proceeds from issuance of shares	-	-	-	-	-
IPO expenses	-	-	-	-	-
Dividends	(1,650)	(3,004)	(1,863)	(2,069)	(2,161)
Loans, net of repayments	(3,542)	1,248	2,677	(171)	(181)
Net financing cash flow	(5,192)	(1,756)	814	(2,240)	(2,342)
Net change in cash	3,812	1,361	(8,065)	4,428	(1,540)
CCE, end	26,165	27,526	19,461	23,889	22,349

Source: Company, PSR Estimates

Balance Sheet

Y/E Dec, S\$'000	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
Plant and equipment	2,888	4,807	4,171	3,830	3,731
Right-of-use asset	3,060	-	-	-	-
Intangible assets	7,462	7,890	20,150	19,344	18,570
Others	105	47	372	372	372
Total non-current assets	13,515	12,744	24,693	23,546	22,673
Inventories	11,431	16,888	25,076	27,446	26,487
Trade and other receivables	28,654	23,736	28,543	30,235	38,412
Cash and cash equivalents	26,165	27,526	19,461	23,889	22,349
Others	366	564	639	639	639
Total current assets	66,616	68,714	73,719	82,209	87,887
Total assets	80,131	81,458	98,412	105,754	110,560

LIABILITIES

Others	2,911	3,967	1,222	1,222	1,222
Total non-current liabilities	2,911	3,967	1,222	1,222	1,222
Trade and other payables	30,628	27,555	33,563	33,744	30,642
Others	2,516	2,761	8,994	8,994	8,994
Total current liabilities	33,144	30,316	42,557	42,738	39,636
Total liabilities	36,055	34,283	43,779	43,960	40,858

EQUITY

Share capital	32,641	32,641	35,083	35,083	35,083
Retained earnings	26,467	29,626	34,609	41,771	49,677
Others	(15,032)	(15,092)	(15,059)	(15,059)	(15,059)
Total equity	44,076	47,175	54,633	61,795	69,701

Valuation Ratios

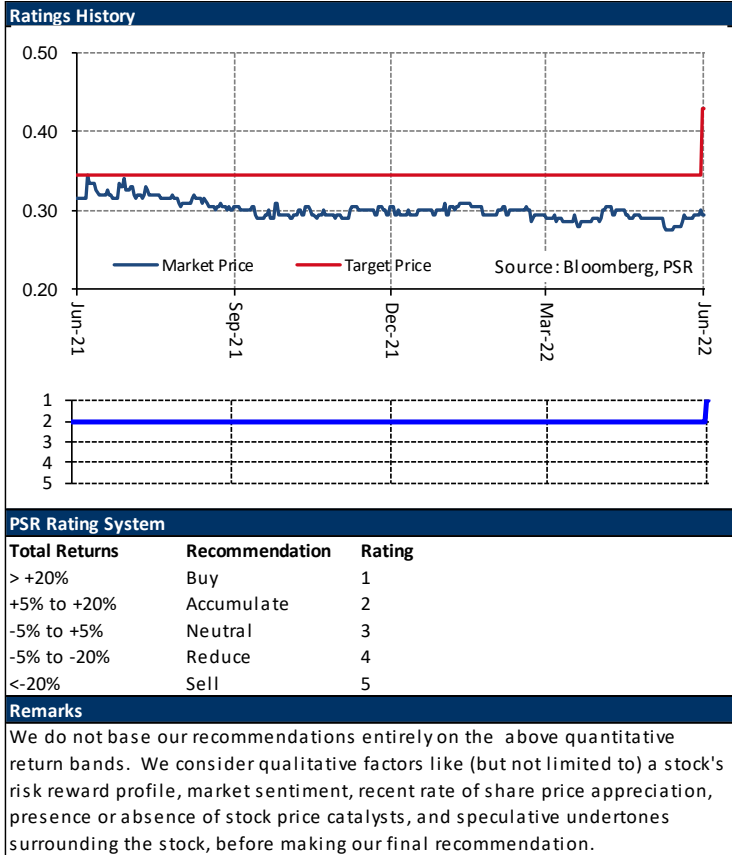
Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
P/E (x)	13.6	14.4	13.3	9.9	9.0
P/B (x)	2.0	1.9	1.7	1.5	1.3
EV/EBITDA (x)	6.2	6.6	6.8	4.8	4.6
Dividend Yield	3.4%	2.1%	2.3%	2.4%	2.7%

Growth & Margins

	FY19	FY20	FY21	FY22e	FY23e
Growth					
Revenue	-1.2%	3.6%	1.8%	17.9%	6.9%
Gross profit	4.6%	2.6%	9.9%	22.8%	7.4%
EBITDA	27.3%	-8.2%	13.5%	32.8%	6.9%
Net Profit	20.7%	-5.6%	10.8%	35.2%	9.1%
Margins					
Gross margin	35.7%	35.4%	38.2%	39.8%	40.0%
EBITDA margin	8.5%	7.5%	8.4%	9.4%	9.4%
Net Profit Margin	5.5%	5.0%	5.4%	6.2%	6.3%

Key Ratios

ROE	15.7%	13.5%	13.4%	15.9%	15.3%
ROA	8.4%	7.6%	7.6%	9.0%	9.3%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash



Contact Information (Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Admin

Qystina Azli - qystina@phillip.com.sg

Consumer | Industrial | Conglomerates

Terence Chua – terencechuatl@phillip.com.sg

Property | REITs

Natalie Ong – natalieongpf@phillip.com.sg

Banking & Finance

Glenn Thum – glenthumjc@phillip.com.sg

Small-Mid Cap

Vivian Ye – yeqw@phillip.com.sg

US Technology Analyst (Internet)

Jonathan Woo – jonathanwooki@phillip.com.sg

Credit Analyst

Shawn Sng – shawnsngkh@phillip.com.sg

US Technology Analyst (Software/Services)

Ambrish Shah – amshah@phillipcapital.in

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA

Phillip Capital Limited

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

TURKEY

PhillipCapital Menkul Degerler

Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGEX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's licence under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.