



Hyphens Pharma International Limited

Results Briefing 3Q2019



HYPHENS PHARMA INTL LTD (SGX: 1J5)

DISCLAIMER

This presentation has been prepared by Hyphens Pharma International Limited (the "**Company**") and, together with its subsidiaries, the "**Group**").

This content in this presentation is being furnished to you on a confidential basis and solely for your information and neither this presentation nor any part thereof may be (i) used or relied upon by any other party or for any other purpose; (ii) copied, photocopied, duplicated, photographed or otherwise reproduced in any form or by any means; or (iii) redistributed, passed on or otherwise disseminated or quoted, directly or indirectly, to any person either in your organisation or elsewhere.

None of the Company, DBS Bank Ltd. (the "**Sponsor**") nor any of their respective affiliates, advisors and representatives makes any representation regarding, or assumes any responsibility or liability whatsoever (in negligence or otherwise) for, the accuracy or completeness of, or any errors or omissions in, any information contained herein nor for any loss howsoever arising from any use of the content in this presentation.

By attending or viewing all or part of this presentation, you:

- i. represent and warrant that you are lawfully able to receive this presentation under the laws of the jurisdiction in which you are located and all other applicable laws;
- ii. agree to be bound by the limitations and restrictions described herein; and
- iii. agree to maintain confidentiality regarding the information disclosed in this presentation and to continue to adhere to all applicable securities and insider trading rules and laws in any jurisdiction at all times.

This presentation does not constitute, or form any part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities in Singapore or any other jurisdiction nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

The information in this presentation is a summary only and does not purport to contain all of the information that may be required to evaluate the Company or any potential transaction. Any potential transaction could be made available to you in accordance with applicable laws and regulations, including the distribution of any required documents for such potential transaction and such documents will supersede all prior information provided to you, herein or otherwise. Information in this presentation is qualified in its entirety by reference to an offering document for any potential transaction, if it proceeds.

None of the Company, the Sponsor, and any of their respective holding companies, subsidiaries, associated undertakings, controlling persons, affiliates, and any of their respective directors, officers, partners, employees, agents, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising, whether directly or indirectly, from any use, reliance or distribution of this presentation or its contents or otherwise arising in connection with this presentation. It is not the intention to provide, and you may not rely on the content of this presentation as providing, a complete or comprehensive analysis of the Company's or the Group's financial or trading position or prospects. The information and opinions contained in this presentation is provided as at the date hereof (unless otherwise indicated) and are subject to change without notice. This presentation may not contain all material information concerning the Company or the Group.

The information contained in this presentation has not been independently verified. The accuracy and completeness of the information and opinions in this presentation is not guaranteed and no representation or warranty, expressed or implied, is made as to, and no reliance, in whole or in part, should be placed on the fairness, accuracy, completeness or correctness of the information, opinions or assumptions contained herein. Further, nothing in this presentation should be construed as constituting legal, business, tax or financial advice. None of the Sponsor and its subsidiaries or affiliates has independently verified, approved or endorsed the material herein.

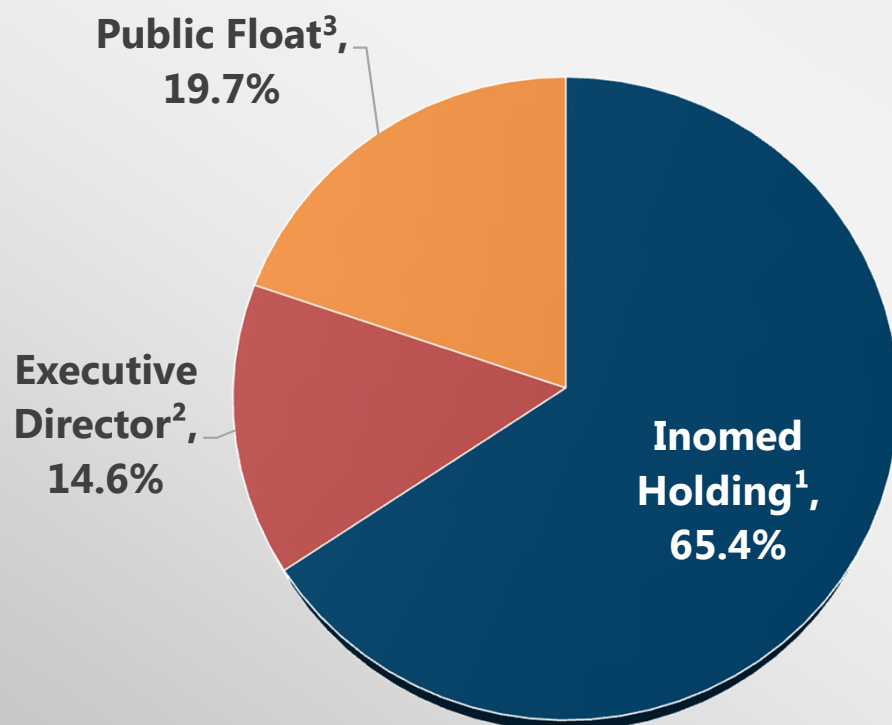
The information in this presentation includes historical information about and relevant to the Group that should not be regarded as an indication of the future performance of the Group or the value of the shares of the Company. This presentation also contains forward-looking statements that may be identified by their use of words like "plans", "expects", "will", "anticipates", "believes", "intends", "depends", "projects", "estimates" or other words of similar meaning and that involve assumptions, risks and uncertainties. All statements that address expectations or projections about the future and all statements other than statements of historical facts included in this presentation, including, but not limited to, statements about the strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Such forward-looking statements are based on certain assumptions and expectations of future events regarding the Group's present and future business strategies and the environment in which the Group will operate, and must be read together with those assumptions. No assurance or guarantee is given that these assumptions and expectations are accurate or will be realised. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. These risks, uncertainties and assumptions include, without limitation, general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other entities, shifts in customer demand, customers and partners, changes in operating expenses including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of the Group. Past performance is not necessarily indicative of future performance. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Company's current view of future events. None of the Company and the Sponsor, their respective affiliates and their respective agents assumes any responsibility to amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events, or otherwise.

Neither this presentation nor any of its content may be used without the prior written consent of the Company and the Sponsor. Any forwarding, distribution or reproduction of the information in this presentation electronically or otherwise, in whole or in part, is unauthorised.



CORPORATE INFORMATION

Shareholding



Bloomberg Code	HYP:SP
Reuters Code	1J5.SI
ISIN Code	1J5
Issued Shares (M)	300.43
Market Cap (SG\$M) (15 Nov 2019)	60.1
Share Price (SG\$) (15 Nov 2019)	0.20
Average volume 1-mth ('000)	110.7
52 wk range (SG\$) (15 Nov 2019)	0.16 - 0.24

At least 30% of Net Profits Attributable to Shareholders in FY2018 and FY2019 intended to be distributed as dividends

¹ Owned by Mr. Lim See Wah, CEO and Dr. Tan Kia King, Non-Executive Director

² Mr. Tan Chwee Choon, Executive Director

³ As at 12 Mar 2019



KEY DEVELOPMENTS

3Q2019



BOARD OF DIRECTORS **REINFORCED**



Audrey Liow
Independent Director

Ms Tan Seok Hoong @ Mrs Audrey Liow was appointed to our Board as Independent Director on 29 July 2019.

Having spent 30 years with the Nestlé Group, Audrey has in-depth experience and international background in marketing, management and operations in the food, nutrition, health and wellness industry.

Audrey currently serves as Independent Director on the Board of Venture Corporation Limited and Heliconia Capital Management Pte Ltd, and as Vice Chairman on the Tanjong Katong Girls' School Advisory Committee.



CORPORATE TEAM STRENGTHENED



Yann Marche
Chief Operating Officer



Sarah Wong
Marketing Director



Jessica Tan
Senior Regional
HR Manager



Ceradan® ATOPIC DERMATITIS RANGE



The image displays a collection of Ceradan products for atopic dermatitis. At the top, a yellow seal with a star border and a large '#1' in the center reads 'DERMATOLOGIST' at the top and 'TOP-OF-MIND BRAND IN SINGAPORE *' on a banner below. The products are arranged in two rows. The back row includes boxes of Ceradan HYDRA Hydrating Moisturiser, bottles of Ceradan wash Soap-free Moisturising Body Wash, and boxes of Ceradan wash Soap-free Moisturising Wash. The front row includes boxes of Ceramoz Mosquito Repellent Cream, Ceradan ADVANCED Moisturising Skin Barrier Cream, Ceradan Diaper Cream, Ceradan Soothing Gel, and a large tube of Ceradan Ceramide-Dominant Skin Barrier Repair Cream. Several callout boxes provide additional information: 'Enriched with Essential Skin Lipids in a pH Balanced System' points to the Ceramoz box; 'Gentle Non-Soap Wash' points to the Ceradan wash bottle; 'Maintenance Therapy' points to the Ceradan wash box; 'PATENT PENDING' is on a red circular sticker on the Ceradan wash bottle; 'NEW!' is on a red circular sticker on the Ceradan wash box; 'Specially-Formulated Mosquito Repellent For AD' points to the Ceramoz box; 'Triple Protective Action Against Diaper Rash' points to the Ceradan Diaper Cream box; 'Menthol Gel to Calm & Soothe Itchy Skin' points to the Ceradan Soothing Gel box; and 'Ceramide-Dominant Therapeutic Moisturiser' points to the large Ceradan tube. A 'pH' icon is also visible on the Ceradan ADVANCED box.

Enriched with Essential Skin Lipids in a pH Balanced System

Gentle Non-Soap Wash

Maintenance Therapy

PATENT PENDING

NEW!

Specially-Formulated Mosquito Repellent For AD

Triple Protective Action Against Diaper Rash

Menthol Gel to Calm & Soothe Itchy Skin

Ceramide-Dominant Therapeutic Moisturiser

*IQVIA 2018 Q3 Survey on Top-of-Mind Awareness on 31 Private Dermatologists in Singapore



Singapore's Leading Specialty Pharmaceutical and Consumer Healthcare Group



CERADAN OTC DRIVE

In pharmacy in Jurong Point



Singapore's Leading Specialty Pharmaceutical and Consumer Healthcare Group



CERADAN OTC DRIVE



Top shelf display



Video ad



Singapore's Leading Specialty Pharmaceutical and Consumer Healthcare Group



INCREASED RESEARCH COVERAGE



Hyphens Pharma International Limited

Date: 08 November 2019

BUY
(Initiating coverage)

Target price: S\$0.285
(+46%)

HYP SP
Price: S\$0.195 (as at 06 November 2019)



Share price	1M	3M	6M	1Y
Hyphens Pharma	-2.6%	-2.5%	-7.1%	-2.5%
Catalist Index	6.6%	-1.4%	-5.7%	-18.9%
Market capitalisation	S\$58.6 million			
Current price	S\$0.195			
Shares outstanding	300.4 million			
Free Float	20.1%			
Substantial shareholders	Inomed Holding Pte Ltd 65.3% Tan Chiew Choon 14.6%			
Recommendation of other brokers	1 Buy			

Source: Annual Report, SGX StockFacts, Bloomberg, SAC Capital

Analyst
Chow Zheng Jie +65 6232 3239
chowzj@saccapital.com.sg

Analyst
Terence Chua +65 6232 3236
tchua@saccapital.com.sg

Nicholas Neo +65 6232 3224
nneo@saccapital.com.sg

Key Historical Financials

Year ended 31 Dec (S\$'000)	FY2017A	FY2018A	FY2019E	FY2020E	FY2021E
Revenue	112,652	120,930	121,902	132,183	142,797
% Growth	11.6%	7.3%	0.8%	8.4%	8.0%
Gross profit (\$\$)	36,968	40,805	40,988	45,470	49,999
Gross profit margin	32.8%	33.7%	33.6%	34.4%	35.0%
Profit/(loss) before tax (\$\$)	7,160	7,000	7,330	7,950	9,649
Profit/(loss) before tax margin	6.4%	5.8%	6.0%	6.0%	6.8%
Profit/(loss) attributable to owners	6,088	5,410	6,018	6,527	7,922
EPS/(LPS) (Singapore cents)	2.54	1.95	2.00	2.17	2.64
P/E (x)	7.7	10.0	9.7	9.0	7.4
P/B (x)	3.1	1.5	1.4	1.3	1.1
Net Debt/Equity	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Annual Report, SAC Capital

FY2018 and FY2017 figures may not be comparable with FY2019 due to preparation under SFRS (I)

Healthy prospects in ASEAN

Hyphens Pharma International Limited ("Hyphens Pharma", "Company", or the "Group") is a leading specialty pharmaceutical and consumer healthcare group with a diverse geographical footprint. The Group develops and markets proprietary dermatological and healthcare supplements, distributes pharmaceuticals and medical supplies in Singapore, and markets and sells specialty pharmaceutical products in the burgeoning ASEAN region.

Complex local drug regulatory framework and long lead time to gain acceptance are key barriers to entry. Hyphens has a 20-year track record in building up a distribution network in Asean. Each country has its unique regulatory requirements to accept and approve the sale and consumption of drugs. The process entails specialised knowhow in medical and healthcare practices, and continuous engagements with medical practitioners to gain their acceptances of the products.

R&D efforts to add proprietary products. Hyphens is better-known in the market for its proprietary brand Ceradan's line of dermatological products. These used to be available only via prescription, but are now available over-the-counter, further broadening the market reach. Hyphens has a R&D pipeline of several proprietary dermatological products, which could drive earnings in the longer term.

Rising affluence and an ageing population. The International Monetary Fund had projected higher growth in per capita GDP for most of the countries where Hyphens has built a presence. The ageing population in developed markets such as Singapore would also fuel demand for healthcare and pharmaceuticals.

Initiating coverage with BUY and target price of S\$0.285. Our DCF-derived target price translates into FY19E P/E of 14.2x. This takes into consideration the Group's footprint in high-growth countries in ASEAN, the sizeable target markets and growth potential for its proprietary brands.

Key risks: (i) Regulatory risk and (ii) dependence on brand principals.

Hyphens Pharma Intl Ltd

Leveraging on trust with doctors for profitability

SINGAPORE | HEALTHCARE | UPDATE

- Specialty pharmaceuticals the major earnings driver, rising from 52% of total revenue in FY15 to 57% in FY18.
- High product barriers, brand reputation and product efficacy will enable Hyphens to maintain its premium pricing and product loyalty.
- Revenue generated outside of Singapore to increase as Hyphens intensify presence in existing countries and diversify to new geographies.
- The stock trades at around 10.2x price to earnings and 1.5x price to book and offers a decent dividend yield of 2.8%.

Company Background

Hyphens Pharma International Limited (Hyphens) is a Singapore-based specialty pharmaceutical and consumer healthcare group with a footprint in ASEAN countries. The Group has a direct presence in five ASEAN countries, namely, Singapore, Vietnam, Malaysia, Indonesia and the Philippines, supplemented by a marketing and distribution network covering five additional jurisdictions, namely, Hong Kong, Myanmar, Brunei, Cambodia and Oman. Besides marketing and selling a range of specialty pharmaceutical products in selected ASEAN countries through exclusive distributorship or licensing and supply agreements with brand principals mainly from Europe and the United States, the Group also develops, markets and sells its own proprietary range of dermatological products and health supplement products. In addition, the Group operates a medical hypermart for healthcare professionals, healthcare institutions and retail pharmacies, to supply pharmaceutical products and medical supplies.

- High product loyalty or stickiness for specialty pharmaceutical due to efficacy and trust.** Specialty pharmaceuticals are drugs or treatments prescribed by doctors. There is generally product stickiness because doctors are inherently prudent and they prefer proven products as they are responsible for the well-being of their patients. Hence, doctors require extensive convincing through scientific evidence and past experience to make a switch. Once converted, doctors will gain product confidence gradually and stay with the brands which they prescribe. In addition, Hyphens operates in a tightly regulated market with drug registrations taking as long as two to three years with significant recurring financial and compliance costs to renew licenses and permits.
- High product differentiation for proprietary brands equal healthier margins and low price sensitivity.** Hyphens enjoy higher margins due to the way they market their proprietary products as premium branded products with innovative and differentiated offerings. Hyphens has the full right to set prices in the countries they operate and since their products are mostly imported and with good efficacy, Hyphens is able to price appropriately. Hyphens ultimately compete based on value rather than price. In respect of Hyphens' proprietary brands (e.g. Ceradan® and TDF®), Hyphens' ability to develop a brand reputation and establish product quality differentiation from generic brands, will enable Hyphens to maintain its premium pricing and better margins.

- Growing ASEAN network in tandem with strong economic growth in the region.** Hyphens has five focus countries (Singapore, Malaysia, Indonesia, Philippines and Vietnam) with the percentage of revenue generated from markets outside of Singapore expected to increase as Hyphens continue to increase their presence in existing focus countries and expand to new geographies.

In terms of valuation, the stock trades at around 10.2x price to earnings and 1.5x price to book. The stock currently offers a decent dividend yield of 2.8%.



StocksBnB.com

22 October 2019

Non-rated
LAST CLOSE PRICE SGD 0.195
FORECAST DIV N/A
TARGET PRICE N/A
TOTAL RETURN N/A

COMPANY DATA
BLOOMBERG CODE HYP SP
Q1 SHARES (MM) 300
MARKET CAP (USD mn / SGD mn) 43 / 58.6
52 - WK HIG (USD) 0.24 / 0.14
3M Average Daily T/O (mm) 0.06

MAJOR SHAREHOLDERS (%)
INOMED HOLDING PTE LTD 65.3%
TAN CHIEW CHOON 14.6%

PRICE PERFORMANCE (%)	3M 1M	3M 1M	1Y
COMPANY	(2.5)	(11.4)	(6.9)
CSI RETURN	(0.6)	(5.7)	6.5



Source: Bloomberg, PFR

KEY FINANCIALS	FY15	FY16	FY17	FY18
Revenue	78,278	100,970	112,652	120,930
EBITDA	6,314	6,545	8,113	8,952
NPAT	5,058	5,240	6,088	5,410
EPS (\$ Cents)	1.7	1.7	2.0	1.8
P/E (x)	11.6	11.2	9.6	10.8
P/B (x)	3.8	3.0	3.1	1.5
Div Yield	-	-	-	2.8%
ROE	-	30.0%	31.7%	18.7%

Source: Company Data

VALUATION METHOD

N/A

Tan Min Yung

Research Analyst

tanmy@phillip.com.sg



Singapore's Leading Specialty Pharmaceutical and Consumer Healthcare Group



FINANCIAL HIGHLIGHTS



INCOME STATEMENT

S\$'000	3Q2019	3Q2018	Change %	9M2019	9M2018	Change %
Revenue	30,699	29,448	4.2%	86,705	90,963	-4.7%
Gross profit	10,873	9,499	14.5%	30,497	30,209	1.0%
Opex	8,886	8,126	9.4%	24,914	24,630	1.2%
EBITDA	2,712	1,634	66.0%	7,424	6,448	15.1%
Profit before tax	2,209	1,433	54.2%	5,924	5,817	1.8%
Profit, net of tax	1,801	1,189	51.5%	4,865	4,596	5.9%
Earnings per share	0.60 cents	0.44 cents	36.4%	1.62 cents	1.70 cents	-4.7%

	3Q2019	3Q2018	Change %	9M2019	9M2018	Change %
GP margin	35.4%	32.3%	3.1 ppt	35.2%	33.2%	2.0 ppt
EBITDA margin	8.8%	5.5%	3.3 ppt	8.6%	7.1%	1.5 ppt
PBT margin	7.2%	4.9%	2.3 ppt	6.8%	6.4%	0.4 ppt
PAT margin	5.9%	4.0%	1.9 ppt	5.6%	5.1%	0.5 ppt



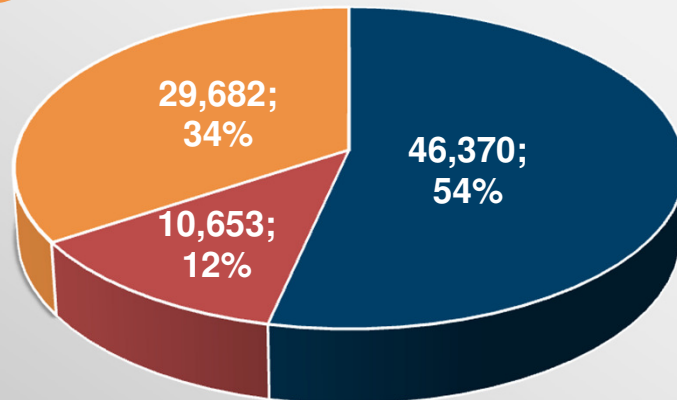
SEGMENT REVENUE

9M2019

9M2018



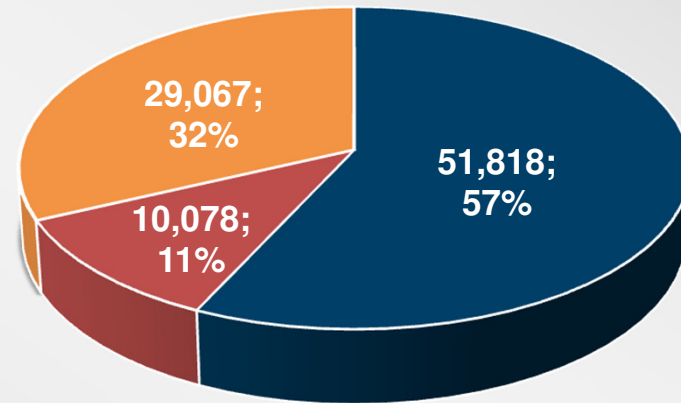
**Medical Hypermart
& Digital**



**Proprietary
Brands**



**Specialty Pharma
Principals**



Figs in S\$'000

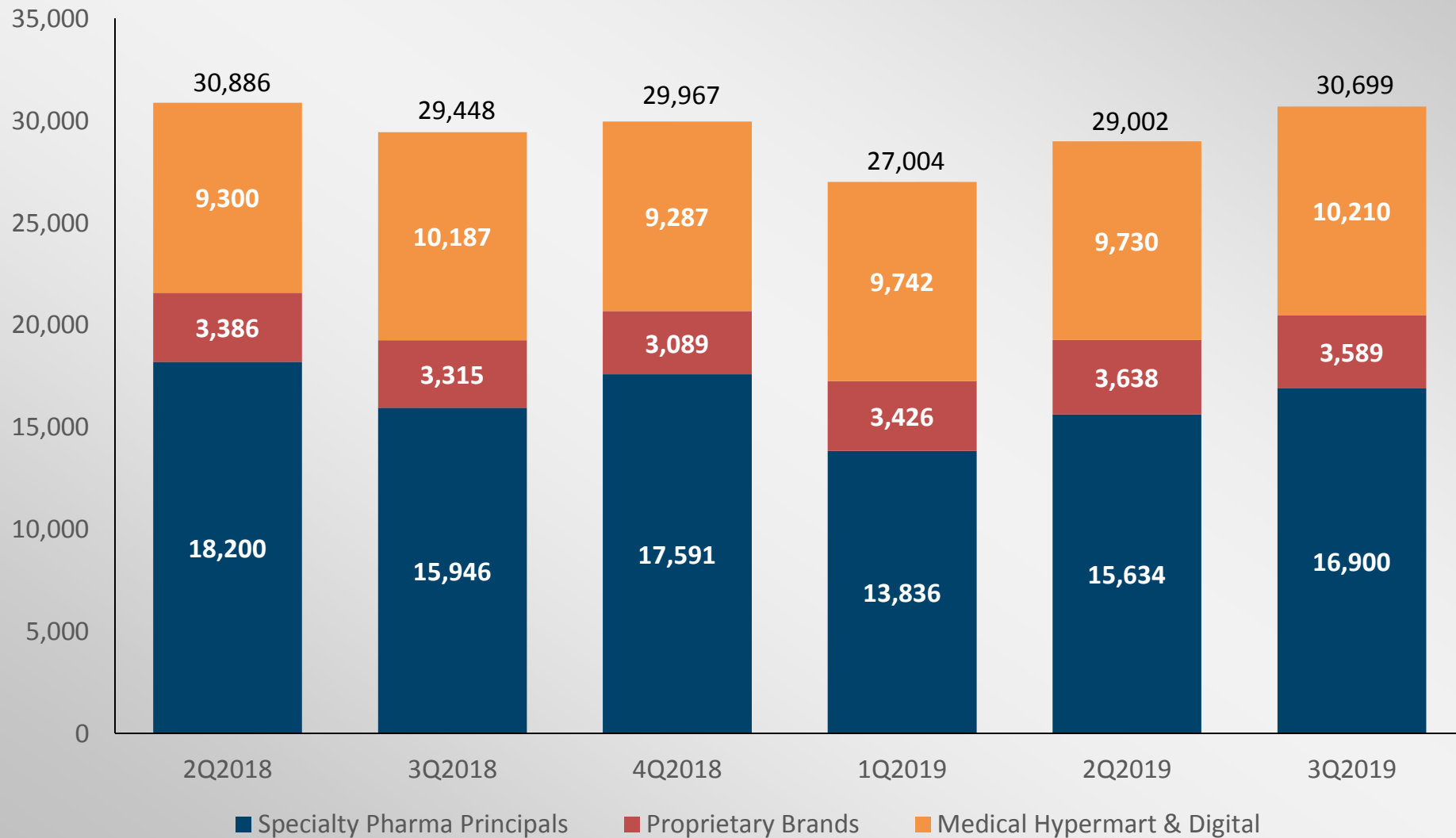


Singapore's Leading Specialty Pharmaceutical and Consumer Healthcare Group



QUARTERLY REVENUE

S\$'000



Singapore's Leading Specialty Pharmaceutical and Consumer Healthcare Group



FINANCIAL POSITION & CASH FLOW

S\$'000	As at 30 Sep 2019	As at 31 Dec 2018
Total assets	78,608	74,979
Cash & cash equivalents	23,456	22,353
Total liabilities	36,178	35,817
Financial liabilities	500	3,000
Total equity	42,430	39,162
NAV per share (cents)	14.12	13.05

S\$'000	3Q2019	3Q2018	9M2019	9M2018
Cashflow from operating activities	300	2,384	6,238	4,268
Cashflow used in investing activities	(283)	(1,388)	(354)	(2,256)
Cashflow used in financing activities	(207)	(3,726)	(4,781)	8,975
Net cash (outflow)/ inflow	(190)	(2,730)	1,103	10,987



FINANCIAL RATIOS

	As at 30 Sep 2019	As at 31 Dec 2018
Current ratio	1.95	1.80
Debt-to-Equity ratio	0.85	0.91
ROE	13.38% ⁽¹⁾	13.8%
EV/EBITDA	4.15 ⁽¹⁾⁽²⁾	4.95 ⁽²⁾
PE ratio	10.53 ⁽¹⁾⁽²⁾	10.82 ⁽²⁾
PB ratio	1.41 ⁽¹⁾⁽²⁾	1.49 ⁽²⁾

(1) Based on 12-month trailing PAT & EBITDA

(2) Based on closing share prices of S\$0.199 on 30 Sep 2019 and S\$0.195 on 31 Dec 2018.



FUTURE GROWTH

- **Investment in Hyphens Dermatology**
 - Strengthening S&M teams to drive sales
 - Drive both ethical and consumer healthcare channels
 - R&D for new products, improve formulation and generate scientific validation
- **New product launches**
 - Continue to enhance product offerings through licencing and research collaborations
 - Launching new specialty pharma products in regional markets
- **Establishing a broader geographical footprint**
 - Cementing leadership position in Singapore and deepening ASEAN presence
 - Expanding international footprint
- **Driven by enhanced human capital**
 - Investing in manpower to support expansion plans





Hyphens Pharma International Limited (SGX: 1J5)
16 Tai Seng Street, Level 4, Singapore 534138
www.hyphensgroup.com

in | Follow us on LinkedIn