

# Intangible Asset Portfolio Review



18 August 2020



**Bridging Possibilities**



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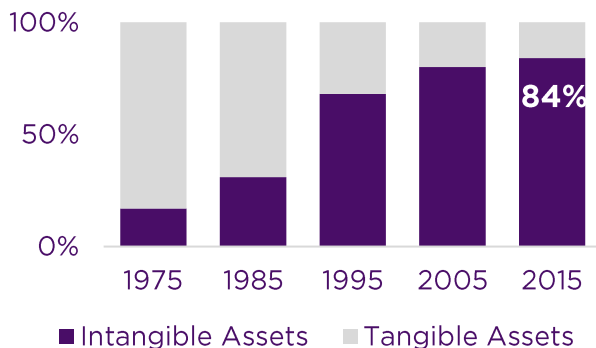
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# Intangible Assets Drive Value Creation

This report outlines how strategic use of Hyphens' intangible assets may contribute to long-term value creation for the company.

*"Firms will compete increasingly not on physical assets, but on intangible assets, such as intellectual property (IP), data, and user networks." - DPM Heng Swee Keat, Budget 2018*

*"Unlike the goods that powered our economy in the past, software is an intangible asset... data, insurance, e-books, even movies work in similar ways. The portion of the global economy that doesn't fit the old model just keeps getting larger... This is one of the biggest trends in the global economy that isn't getting enough attention." - Bill Gates, 2018*



The value of intangible assets has grown so significantly that it has overtaken tangible assets to be the main driver of value in a company. For companies in the US S&P 500, intangible assets comprise more than 80% of their value<sup>1</sup> (graph on left).

Similarly, in Asia, intangible asset value of companies in China, India and Indonesia more than doubled between 2012 and 2016.

**In Singapore and Hong Kong, approximately 10% and 12% of the companies listed on the SGX and Hang Seng Index respectively have more than 80% of their market value in intangible assets<sup>2</sup>.**

<sup>1</sup>Ocean Tomo, Intangible Asset Market Value Study, 2017

<sup>2</sup>Eyes on the Invisible and Intangible, 2018



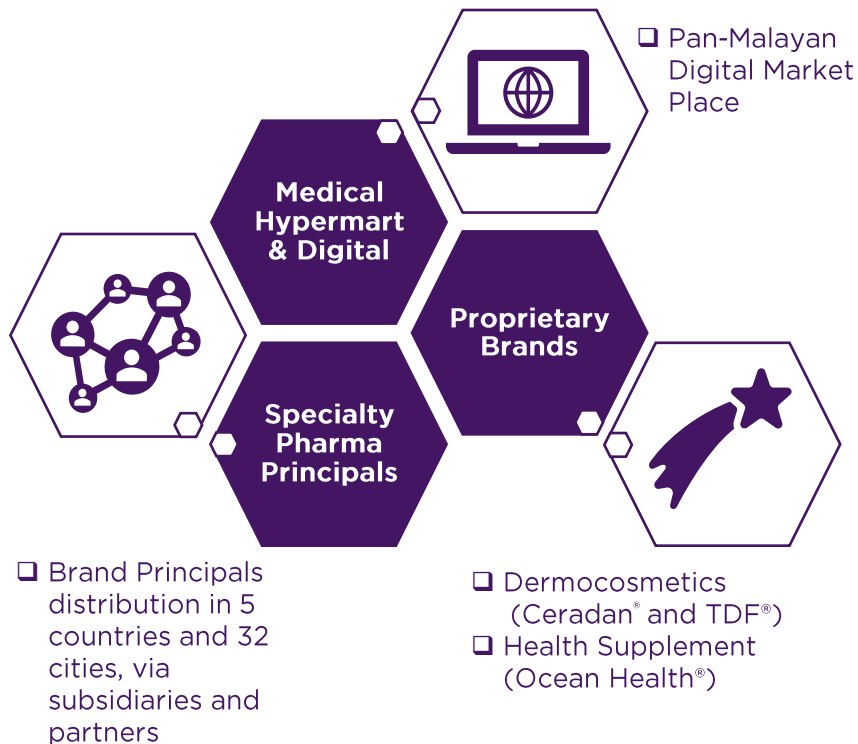
## **Corporate Mission:**

**To be a dominant ASEAN Pharmaceutical & Consumer Healthcare Group built on trusted brands and relationships**

“Innovation is at the heart of value creation... Revenue of our Proprietary Brands segment has grown by 10% in 2019 and we have seen several milestones reached in the development of our Proprietary Brands business. ”

– Mr Lim See Wah (Chairman, Executive Director & CEO)  
April 2020

# Corporate Strategy: Investing for Growth



Hyphens Pharma International Limited (“Hyphens”) is Singapore’s leading specialty pharmaceutical and consumer healthcare group, consisting of three businesses, namely Hyphens Pharma, Pan-Malayan Pharmaceuticals and Ocean Health. These run the three business segments of **Medical Hypermart & Digital**, **Specialty Pharma Principals** and **Proprietary Brands**.

Hyphens’ strategy includes acquiring and developing talent to ensure it has the right capabilities, and expanding and enhancing product offerings. Continued investments in R&D to develop new proprietary products, refreshing proprietary brands, and expanding its specialty pharma lines and markets are some of the activities it has carried out to ensure the company remains prepared to handle the uncertainties in the macro environment.

As a proprietary product owner, Hyphens has more control over the product lines and reduces its business risk of over reliance on principals. This allowed it to differentiate itself from other pure distributors who are more at risk should their distribution rights be withdrawn. The ownership of its own IP rights also provides Hyphens the option to generate future revenue streams via out-licensing.

The expansion of the business from a pure distributor to proprietary brand owner has allowed Hyphens to capture new markets in dermocosmetics and reduce its business risk of overreliance on third-party products. It has also expanded Hyphens’ business in the growing B2C segment. This is supported by its existing strengths in its network and relationships across 5 countries and 32 cities, and its brand and reputation developed over the years as an established medical products distributor.

# Intangible Asset Identification

We understand that Hyphens Pharma International Limited (“Hyphens”) is an entity that operates through its subsidiaries (collectively, “Hyphens Group”). We have identified the key intangible assets that support Hyphens’ competitive advantages. This report does not provide a detailed identification of the intangible asset classes residing in each subsidiary of the Hyphens Group unless the intangible asset is registered with the IP Office. An assessment of each intangible asset class is provided in the subsequent pages.



## Networks and Relationships

Hyphens’ networks and relationships are primarily focused into 3 groups working with brand principals and medical businesses:

| HQ                                                                                | Established Offices                                                                                                                                                                                                                                                                                                          | Via distributing partners                                                         |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
|  |                                                                                                                                                                                                                                             |  |
| Network for product/brand owners to access medical professionals and vice versa.  | For most of products, Hyphens has exclusive regional distribution rights and has driven the sales to #1 for a number of them. The years of close relationships with brand principals and sales performance make it easy for them to renew distribution agreements, while providing medical businesses products they require. |                                                                                   |

- In Singapore, Pan-Malayan is the oldest and largest wholesaler serving private clinics and pharmacies for more than 70 years.

## TM Branding and Reputation

### Reputation

As a distributor for principals:

- Hyphens has built up its reputation over the years as a B2B distributor of medically endorsed pharmaceutical products with a wide network in the region, covering 5 countries and 32 cities.
- Many of the products Hyphens distributes are number one in the market such as Sterimar, Vivomixx. It has also secured rights to co-brand with some of the principals to further drive its brand awareness amongst consumers.

As an e-platform for medical professionals:

- It has achieved good standing with medical professionals, with many of its products being launched through hospitals and doctors.

### Branding

In support of the brand, Hyphens has taken steps to protect the different brands it represents through filing of trade marks and registration of domain names.

| B2B                                                                                                                                                            | B2C                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Co-branded Products                                                                                                                                            | Proprietary Products (e.g. Ceradan®, Ocean Health®) |
| Registered domain names for subsidiaries and products, which require different approaches.                                                                     |                                                     |
| Other than the brands of its proprietary products, Hyphens also owns the trade marks of many of the products in the markets it is exclusively distributing in. |                                                     |

# Intangible Asset Identification (continued)

Other IP and IA rights that support the business include:

## Trade Secrets and Know-how

Hyphens has unique trade secrets and know-how relating to:

- New product pipelines, formulations and manufacturing processes of proprietary brands.
  - Market knowledge
  - In-house product registration
  - Systems and processes for logistical efficiency
- Across the vastly different markets and cities it operates and distributes in.

## Product Registrations

- Hyphens owns the product registrations in its five key markets:



- For the six other markets, Hyphens works closely with its partner distributors who hold the product registrations due to regulatory requirements:



## Patents

Hyphens has filed the national phase applications for the patent related to the dermatology line:

- “Skin Barrier Composition”

PCT Application no: PCT/GB2018/051262

Priority Claimed: 10/05/2017 (GB 1707489.9)

Status: Granted in UK in July 2020, pending in 13 countries

## Copyright

- Copyright resides in Hyphens’ websites, publicity materials, videos and product information.

## Data

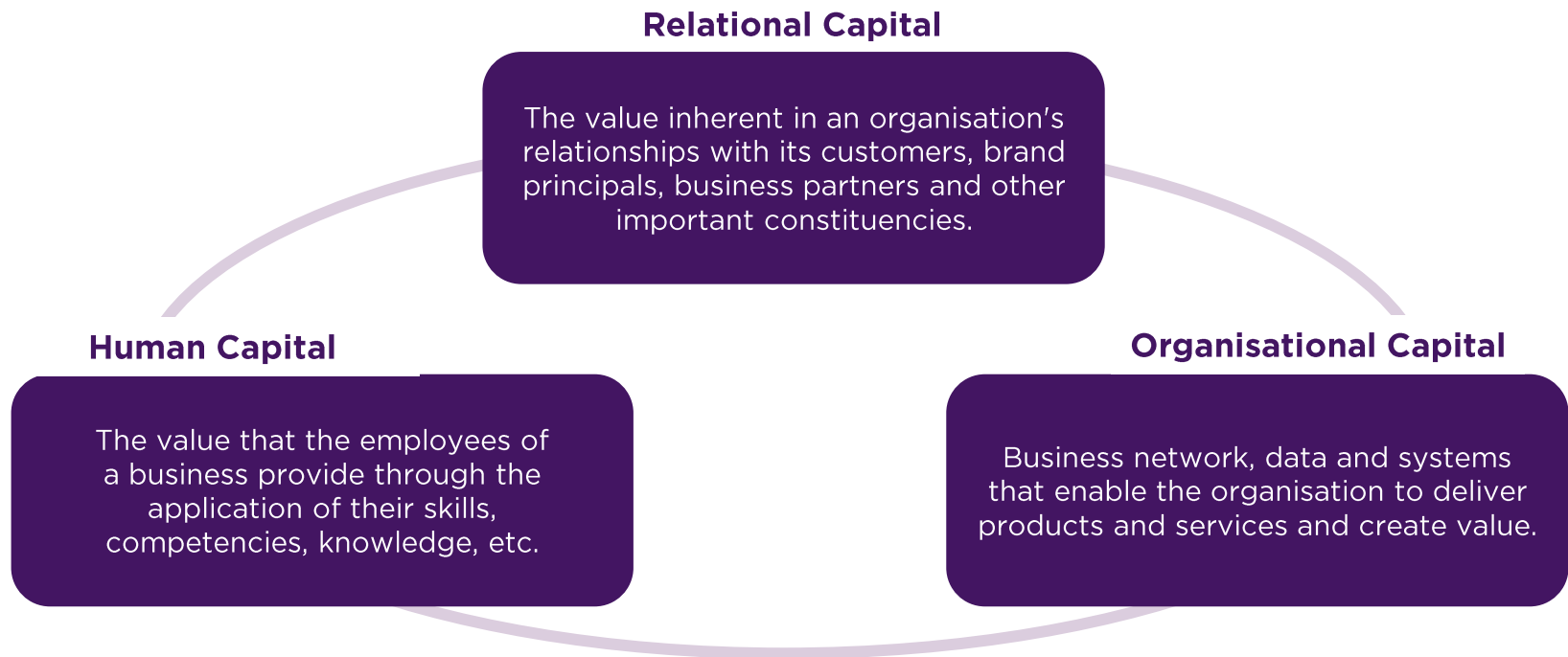
- Hyphens has collected or access to market specific data through its distribution network. These include data relating to product demand and demographic trends.



# Value Creation from Intangible Assets

From growing the distribution business where it developed significant networks in various countries, to a brand proprietor, Hyphens has grown a significant portfolio of intangible assets where the interplay of these assets has contributed to its current success.

Hyphens' key intangible assets may be categorised according to the WICI Intangibles Reporting Framework<sup>3</sup> as follows:



<sup>3</sup>WICI stands for the World Intellectual Capital/Assets Initiative. For more information on each category, please refer to the Annex.

# Hyphens Today:

## Intangible Assets Underpin Value Creation

### Relational Capital

- **Brand and Reputation:** Reputation as a B2B distributor of medically endorsed pharmaceutical products with wide regional network and good standing with medical professionals which further build on this credibility amongst consumers.
- **Network and Relationships:** Multiple strategic relationships across 5 countries and 32 cities they distribute in, both with upstream principals and downstream distributors as well as end users amongst the medical professionals.

### Human Capital

- **Know-how:** Market specific knowledge including regulatory compliance and business operations across its wide and diverse distribution network in medical businesses enable it to produce good sales results for its principles across multi-cities.
- **Know-how:** Sales capabilities are held in Hyphens' sales staff across the region, reducing the risk of principals going straight to Hyphen's third-party downstream distributors which only handle the logistics.

### Organisational Capital

- **Trade Secrets:** New product pipelines, formulations and manufacturing processes of proprietary brands protect investments in new products.
- **Trade Secrets / Data:** Data from product lines movement improves efficiency and reduces cost as well as provide insights on the demographics which may be of value in future.
- **Patent:** Patents provide strong protection over technology which Hyphens invested to develop.
- **Product Registration:** Ownership contributes to retention of distribution rights with principals as these may be difficult to obtain due to regulatory complexity.
- **Copyright:** Residing in materials that support the branding and marketing efforts.

<sup>3</sup>WICI stands for the World Intellectual Capital/Assets Initiative. For more information on each category, please refer to the Annex.

# Hyphens Tomorrow: Driving Growth with Intangible Assets

Hyphens' vast **network and relationships** is a key strength driving its competitive advantage as a partner for principals seeking to access these markets. It has developed important know-how and capabilities such as product registrations which allows Hyphens to overcome regulatory hurdles to access markets more efficiently.



As a distributor, it is keenly aware of its business risk in reliance on product owners. This prompted the development of **proprietary products and brands** to safeguard business continuity. Moving into dermocosmetics and foray into retail channels with Ceradan® has significantly extended the Hyphens brand awareness beyond medical professionals (B2B) to the end users (B2C), contributing to **growth in brand and reputation** amongst the general public.

The investment into R&D created new **trade secret** formulations and the grant of its first **patent\***. This milestone symbolises the grant of competitive advantage in key markets over its platform technology, central to future product pipelines.

Over the years, Hyphens has also collected market specific **data**, which could provide important insights for new products or even opportunities for future revenue streams. With continued performance and **clear strategies** in place, Hyphens will continue to use its intangible assets to drive business growth to truly **become a dominant ASEAN pharmaceutical and consumer healthcare group built on trusted brands and relationships**.

\*UK patent has been granted in July 2020.

# Annex



# Description of Intangible Asset Categories in WICI Framework

WICI was formed in October 2007, and its participants include organisations representing companies, analysts and investors, the accounting profession and academia, who collaborate together to promote better corporate reporting by recognising the role of intangibles/intellectual capital in the sustainability of an organisation's value generation.

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|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Organisational capital</b> | <p>Business processes, data and systems that enable the organisation to deliver products and services and create value.</p> <p>(e.g., Organisational culture; Organisational climate; Corporate Governance; Data quality; Data sets; Processes; Rapidity in the development of products and services).</p>                                                                                                                                                                                               |
| <b>Human capital</b>          | <p>The value that the employees of a business provide through the application of their skills, competencies, knowledge, etc.</p> <p>(e.g., Employee competencies and skills; Leadership; Loyalty to one's organisation; Capability of intellectual creation supported by a broad base of engineers and technicians).</p>                                                                                                                                                                                 |
| <b>Relational capital</b>     | <p>The value inherent in an organisation's relationships with its customers, vendors, suppliers, business partners and other important constituencies.</p> <p>(e.g., Medium-term business relationships between consumers, business partners and other organisations (High-quality network; Speed with which a problem is solved through communication with customers; Image and reputation with customers, institutions and other stakeholders; Level of (e)valuation from financial institutions).</p> |

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