

HYPHENS PHARMA INTERNATIONAL LIMITED

(Company Registration No. 201735688C)
(Incorporated in the Republic of Singapore)

**Quarterly Business Update
For the Third Quarter and Nine Months Ended 30 September 2021**

The Group wishes to provide the investing community with quarterly business update for the three months ended 30 September 2021 ("3Q2021") and nine months ended 30 September 2021 ("9M2021").

Financial Highlights

	3Q2021 S\$'000	3Q2020 S\$'000	Change %	9M2021 S\$'000	9M2020 S\$'000	Change %
Revenue ¹	29,135	30,359	-4.0	92,942	90,747	2.4
Gross profit	10,640	10,347	2.8	35,392	31,452	12.5
Profit before tax	1,519	1,053	44.3	6,749	6,202	8.8
Profit, net of tax	1,091	847	28.8	5,405	5,129	5.4

	As at 30 September 2021 S\$'000	As at 31 December 2020 S\$'000
Cash and cash equivalents	33,631	27,526

Financial Review
3Q2021 compared to 3Q2020

The Group's revenue decreased by 4.0% or S\$1.2 million from S\$30.3 million in 3Q2020 to S\$29.1 million in 3Q2021. The reduction in revenue was contributed by lower sales from the specialty pharma principals segment, mainly resulting from reduced demand in Vietnam due to COVID-19 restrictions.

Gross profit rose by 2.8% in 3Q2021 to S\$10.6 million (3Q2020: S\$10.3 million) with gross profit margin improving to 36.5% (3Q2020: 34.1%).

The Group's net profit after tax in 3Q2021 improved by 28.8% to S\$1.1 million. The higher gross profit, coupled with lower allowance for inventory obsolescence, was partially negated by absence of Jobs Support Scheme ("JSS") grant in 3Q2021 and due diligence expenses relating to proposed acquisition as announced on 9 November 2021.

9M2021 compared to 9M2020

The Group's revenue increased by 2.4% or S\$2.2 million from S\$90.7 million in 9M2020 to S\$92.9 million in 9M2021. All three business segments contributed to the revenue increase.

¹ S\$1.1 million and S\$2.3 million for 3Q2020 and 9M2020 respectively have been reclassified from cost of sales to revenue, to be comparable with current periods. These amounts pertain to variable considerations in relation to the Group's sales to Vietnam. These reclassifications have no impact on the Group's net profit for the respective periods.

9M2021 compared to 9M2020 (cont'd)

Gross profit rose by 12.5% in 9M2021 to S\$35.4 million (9M2020: S\$31.5 million) with gross profit margin improving to 38.1% (9M2020: 34.7%).

The Group's net profit after tax in 9M2021 improved by 5.4% to S\$5.4 million. The increased gross profit and lower allowance for inventory obsolescence was partially negated by lower government grants (mainly from the JSS) received in 9M2021, increased advertising and promotional expenses to promote its products in proprietary brands and specialty pharma principals segments.

The Group delivered strong operating cash inflow and lifted cash and cash equivalents to S\$33.6 million as of 30 September 2021 (31 December 2020: S\$27.5 million).

Outlook**Growing our Proprietary Brands**

Proprietary Brand business remains the Group's key focus. Hyphens brands, including Ocean Health®, Ceradan®, TDF® and CG210® have enjoyed robust growth in sales and brand equity. The Group will continue to nurture these brands in markets where it already has presence, seek out new international partnership opportunity, and invest into innovation.

The Group has recently introduced its latest product, Ceramoz® Mosquito Repellent Patch, which is a 100% natural patch with ingredients that is US EPA approved and regulated and protects up to 12 hours indoors and outdoors.

Expand through Acquisition

As announced on 9 November 2021, the Group has entered into a sale and purchase agreement to acquire three target entities ("Proposed Acquisition"). This Proposed Acquisition presents a strategic opportunity for the Group to acquire a portfolio of businesses that is financially attractive from a revenue scale and earnings accretion perspective and with a good management team. We aim to complete the Proposed Acquisition expeditiously.

Through the Proposed Acquisition, the Group will gain access to new brand principals, products and customers that will enhance and enlarge the Group's revenue and profits, and strengthen its presence in the Singapore market. This will further solidify the Group's market leadership position in Singapore and enhance its ability to deliver a variety of high quality healthcare products and services to an enlarged customer base comprising both private and public sectors.

In line with the Group's growth strategy of investing in proprietary brands, the Group believes that the Proposed Acquisition will further strengthen its proprietary brands business segment with the addition of target entities' proprietary brand of products.

The Group will continue to seek out acquisition opportunities that are in alignment with its strategic goals.

Strengthen Specialty Pharma Portfolio

The Group remains focused on further cementing its leadership position and deepening its presence in the ASEAN region. We will continue to capture market opportunities with our existing products, build brand equity for newly launched products, and is actively seeking licencing opportunities for new products.

Going Digital

The Group has maintained resolute in expanding its digital presence and is working to further enhance its service offering to capture the growing opportunity in telemedicine. The Group has recently incorporated a subsidiary DocMed Technology Pte Ltd ("DocMed"). DocMed will conduct investment holdings and development of digital healthtech platform solution for the healthcare industry. DocMed plans to develop an integrated digital healthtech platform, incorporating various healthtech solutions to cater to various healthcare stakeholders in Singapore and the region. This will be further integrated with Hyphens' existing digital assets POM - leading B2B digital hypermart and WellAway Pharmacy, with e-pharmacy licence awarded by the Health Sciences Authority of Singapore (HSA).

DocMed has appointed Timothy Chen as CEO-designate. He is an experienced venture capital investor and venture builder. He will be leading this new initiative in terms of strategy, execution and resource gathering and deployment.

Impact from COVID-19

Market recovery in the region has been inconsistent and unpredictable. With the recent lockdowns in several ASEAN countries, demand in certain markets may be affected. The Group will remain agile and vigilant to respond to market conditions.

BY ORDER OF THE BOARD

Lim See Wah

Chairman and Chief Executive Officer

12 November 2021

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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