

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 2022

The Group wishes to provide the investing community with quarterly business update for the three months ended 30 September 2022 ("3Q2022") and nine months ended 30 September 2022 ("9M2022").

Financial Highlights

	3Q2022 S\$'000	3Q2021 S\$'000	Change %	9M2022 S\$'000	9M2021 S\$'000	Change %
Revenue	42,755	29,135	46.7	123,460	92,942	32.8
Gross profit	17,203	10,640	61.7	48,281	35,392	36.4
Profit before tax	5,340	1,519	251.5	13,171	6,749	95.2
Profit, net of tax	4,045	1,091	270.8	10,286	5,405	90.3

Financial Review
3Q2022 compared to 3Q2021

The Group's revenue increased by 46.7% or S\$13.6 million from S\$29.1 million in 3Q2021 to S\$42.8 million in 3Q2022. The newly acquired Novem group of companies ("Novem") contributed S\$3.8 million in revenue.

All three business segments contributed to the revenue increase:

- Specialty pharma principals segment led the growth with 77.1% increase in revenue, with increased demand mainly in Singapore, Vietnam and Malaysia, coupled with sales contribution from Novem.
- Proprietary brands segment grew by 51.4%, contributed by higher demand for Ceradan® and TDF® dermatological products, Ocean Health® health supplement products and Novem® nutraceutical products.
- Revenue from the medical hypermart and digital segment remained stable with a growth of 2.6%.

Gross profit correspondingly rose by 61.7% or S\$6.6 million from S\$10.6 million in 3Q2021 to S\$17.2 million in 3Q2022. Gross profit margin improved from 36.5% in 3Q2021 to 40.2% in 3Q2022.

The Group's net profit after tax in 3Q2022 has improved by 270.8% to S\$4.0 million. This was a result from higher revenue, partially offset by increased distribution costs which rose in tandem with the higher sales achieved and increased R&D spending in the quarter.

9M2022 compared to 9M2021

The Group's revenue increased by 32.8% or S\$30.6 million from S\$92.9 million in 9M2021 to S\$123.5 million in 9M2022. Novem contributed S\$13.0 million in revenue.

All three business segments contributed to the revenue increase:

- Specialty pharma principals segment led the growth with 54.6% increase in revenue, with increased demand mainly in Singapore, Vietnam and Malaysia, coupled with sales contribution from Novem.
- Proprietary brands segment grew by 26.9%, contributed by higher demand for Ceradan® and TDF® dermatological products, Ocean Health® health supplement products and Novem® nutraceutical products.
- Revenue from the medical hypermart and digital segment remained stable with a growth of 2.5%.

Gross profit correspondingly rose by 36.4% or S\$12.9 million from S\$35.4 million in 9M2021 to S\$48.3 million in 9M2022. Gross profit margin improved slightly from 38.1% in 9M2021 to 39.1% in 9M2022.

The Group's net profit after tax in 9M2022 has increased by 90.3% to S\$10.3 million mainly due to higher revenue and share of profit of an equity-accounted associate, partially offset by increased distribution costs in tandem with higher sales achieved and increased administrative expenses mainly due to higher cost base with inclusion of Novem and increased R&D spending.

Outlook

Internationalisation and Investment in Proprietary Brands

Proprietary Brand business remains the Group's key focus. Hyphens' brands, including Ocean Health®, Ceradan®, TDF® and CG 210® 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 opportunities to enter new markets, and invest in innovation to develop new and improved products under the respective brands.

As part of the Group's efforts to continue developing and delivering innovative and high-quality health supplements, the Group has recently launched Ocean Health Skin Moist Omega-3 Formula, developed with natural Omega-3 fish oil from deep sea small fish and a patented Phytoceramides complex to help improve healthy skin barrier function, relieve dry, itchy skin and maintain skin moisture.

Going Digital

The Group is accelerating its investment in digital initiatives to spearhead business expansion in its Medical Hypermart and Digital segment, which includes developing an integrated healthtech platform, incorporating various healthtech solutions to cater to healthcare stakeholders in Singapore and the Asia-Pacific region.

Expanding through Acquisition

Following the acquisition of Novem in December 2021, Novem had contributed positively to the Group's revenue and profits.

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

Strengthening Specialty Pharma Portfolio

The Group remains focused on further cementing its leadership position and deepening its presence in the ASEAN region and is actively seeking licencing opportunities and registering new products for its specialty pharma principals segment.

Impact from Post COVID-19 challenges

The global environment remains volatile and challenging. All countries that the Group is operating in have resumed normal economic activities. However, there is demand volatility that leads to difficulty in demand forecast. Supply chain has also been disrupted for some products. Inflationary pressure is expected to lead to increase in supply price and operating expenditure. The Group is unlikely to be able to pass on the full impact of such cost increase to the market. The volatility of local currencies (of the markets the Group is operating in) versus USD and EURO, the Group's major purchase currencies, also leads to fluctuation in exchange gain or loss.

This volatile operating environment will impact all market participants. The Group will remain vigilant, diligent and agile in navigating the challenges. Importantly, the Group's sound financial position put it in good stead to seize any opportunities that are relevant to its business strategy.

BY ORDER OF THE BOARD

Lim See Wah

Chairman and Chief Executive Officer

9 Nov 2022

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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