

HYPHENS PHARMA INTERNATIONAL LIMITED (SGX:1J5)

Initiation of Coverage | 7 October 2025

Analyst : Jaimes Chao

+65 6011 1700 | research@tickrs.com.sg

Rating: BUY

Last Close: S\$0.37

Target Price: S\$0.45

Upside: 21.6%

Prescription for High-Margin Growth

Executive Summary

We initiate coverage on Hyphens Pharma International Limited (“Hyphens”) with a **BUY** rating and a **S\$0.45 Target Price**. The market is currently mispricing Hyphens by focusing on a steep, but largely non-cash, earnings decline in 1H2025, while overlooking a powerful underlying story of margin expansion and robust cash generation.

Hyphens is in the midst of a successful strategic pivot. The 66% decline in 1H2025 net profit to S\$2.0 million is not a signal of operational failure but a transitional phase, heavily impacted by:

1. A **S\$2.1 million non-cash inventory provision** for a specific brand (Sterimar®).
2. **S\$2.0 million in unrealized foreign exchange losses**.

Critically, beneath these accounting charges, the core business is strengthening:

- **Gross Margin Expansion:** The Group's gross profit margin surged 450 basis points to **39.4%**, driven by a deliberate shift to higher-margin Proprietary Brands (e.g., Ceradan®, Ocean Health®, Winlevi®) and Medical Aesthetics.
- **Strong Cash Generation:** This operational improvement translated into robust operating cash flow of **S\$7.3 million** in 1H2025, allowing the company to reduce debt and strengthen its net cash position.

Trading at 9.5x FY2025F P/E, Hyphens trades at a steep discount to regional peers. We expect a significant re-rating as the market recognizes the sustainability of its new, higher-margin profile and as the non-cash headwinds subside. Key catalysts include the ongoing rollout of **Winlevi®** and the full integration of **Ardence Pharma**.

Hyphens presents a compelling opportunity. The 1H2025 P&L is a misleading indicator of the company's health. Investors who look through the non-cash charges will see a company with a superior margin structure, a solid balance sheet, and a clear pathway for earnings to rebound sharply as its strategic initiatives fully mature. We forecast a return to robust profit growth in FY2026.

Key Metrics (FY2024 – FY2026)

Metric	FY 2024 A	FY 2025 F	FY 2026 F
Share Price (SGD)	0.37 (as of 6 Oct 2025)	—	—
Target Price (SGD)	—	0.45 (blended DCF / P E / EV)	—
Market Cap (SGD m)	114	118 (E)	122 (E)
P / E (x)	18.8 ×¹	9.5 ×	8.9 ×
EV / EBITDA (x)	8.5 ×²	6.5 ×	6.0 ×
ROE (%)	13.6 %	15.8 %	16.2 %
Net Cash (SGD m)	7.0 m (net cash as at 30 Jun 2025)	~12–15 m (E)	~16 m (E)
Gross Gearing (%)	18 %	17.5 (E)	17 (E)
Dividend Yield (%)	4.1 % (FY 2024 1.5 ¢ DPS)	0–2 % (E)³	~4 % (E) (1.5 ¢ resumption)

1. FY 2024 P/E uses reported EPS of ~1.97 ¢ post-restatement (lower earnings base due to 1H 2025 decline).
2. FY 2024 EV/EBITDA includes lease liabilities; comparable to 6.5 × forward multiple.
3. FY 2025 dividend range reflects Board’s statement (“no interim dividend declared; payout to be reviewed at year-end”). Our base model assumes **0.0%** (no dividend) to reflect the Board’s current prudent stance. However, we acknowledge a clear possibility of a final dividend should 2H performance rebound, which could result in a yield of up to **~2.0%** (approx. 0.75 ¢ DPS).

(All forecasts TFS estimates unless otherwise stated.)

Business Overview

Hyphens Pharma operates a diversified healthcare model built on three core business pillars: **(1) Specialty Pharma Principals**, **(2) Proprietary Brands**, and **(3) Medical Hypermart & Digital**. In the specialty pharma segment, Hyphens in-licenses and distributes branded drugs and medical devices from leading global principals – focusing on dermatology, paediatrics, and ophthalmology therapeutics across Southeast Asia. Key products include *Nabota*[®] (a botulinum toxin for aesthetics) and newly launched *Winlevi*[®] (*clascoterone*) *cream*, the first-in-class topical acne therapy introduced to Singapore and Malaysia in July 2025 under an exclusive 10-country license from Italy’s Cassiopea. The **Proprietary Brands** segment comprises Hyphens’ own dermatological and supplement brands – notably **Ceradan**[®] (eczema skincare), **TDF**[®] and **CG 210**[®] (medical skin/hair care), and **Ocean Health**[®] (vitamins and supplements). These products are developed in-house and marketed through medical

professionals and retail channels, contributing ~14% of revenue in FY2024. The **Medical Hypermart & Digital** arm (25% of revenue) is a B2B platform and supply chain network (“DocMed”) that serves over 25,000 healthcare providers online with pharmaceuticals and medical supplies. Hyphens leverages this digital marketplace (operational in Singapore, Malaysia and Vietnam) to drive procurement efficiency and support its wholesale distribution (Pan-Malayan Pharmaceuticals, est. 1940s).

Geographically, Hyphens Pharma has a pan-ASEAN presence anchored by its core markets of Singapore and Vietnam. Singapore remains the largest revenue contributor (S\$90.9 m, 46% of FY2024 sales), reflecting the Group’s home-base strength in specialty pharma and consumer health retail. Vietnam is the second-largest market (S\$57.1 m, ~29% of FY2024 sales), where Hyphens has built on its long-standing distribution of paediatric and dermatology products. Notably, Vietnam sales rebounded +16% in 2024 after a dip in 2023 (FY2023: S\$49.0 m vs S\$54.6 m in 2022) as the company navigated currency depreciation and normalized post-pandemic demand. Malaysia contributed S\$25.8 m in FY2024 (13% of revenue), boosted by the Group’s acquisition of a 23% stake in **Ardence Pharma** (consolidated from 1H2024) to expand its medical aesthetics portfolio. Hyphens also distributes in the Philippines, Indonesia, and Indochina (“Others” – 11% of revenue), and continues to enter new ASEAN markets via product registrations (e.g. *Wynzora*® psoriasis cream licensed in 2024 and *Metoject*® arthritis autoinjectors signed for distribution in 4 countries). This regional breadth – Hyphens operates in 5 ASEAN countries directly, with partner networks in 15 others – positions the Group to scale new product launches across a wider addressable market.

Hyphens Pharma - FY2024 Revenue by Geography

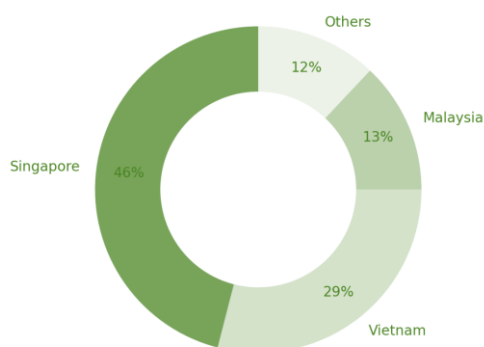


Chart 1 – FY2024 Revenue by Geography: doughnut showing SG 46 %, VN 29 %, MY 13 %, Others 12%.

In essence, Hyphens Pharma’s business model is **asset-light and scalable**. The Group focuses on commercial excellence – securing licenses for innovative specialty drugs, building proprietary brands via R&D and marketing, and leveraging an efficient digital distribution infrastructure – rather than heavy capital investments in manufacturing. This strategy affords high flexibility and responsiveness to market needs, as evidenced by Hyphens being first-to-market with Winlevi® in Southeast Asia. Management’s vision is to be “ASEAN’s leading specialty pharmaceutical and consumer healthcare group,” supported by trusted brands and strong partnerships. Over 2018–2024, the Group has demonstrated a CAGR of ~8% in revenue and successfully navigated challenges from supply chain disruptions to regulatory delays. With ~310 employees and an experienced leadership team (founder-Chairman Mr. Lim See Wah has led Hyphens for 20+ years), the company combines entrepreneurial agility with professional governance. We expect Hyphens to continue reinforcing its key pillars –

growing proprietary brands in new markets, expanding the specialty portfolio via **exclusive licensing deals**, and scaling its digital health platform – to drive the next leg of growth.

Financial Highlights

FY2024 Performance (reported)

- **Revenue: S\$195.4m (+14.6% YoY)** — record high, driven by broad-based growth.
- **Segment mix (FY2024 naming):**
 - **Specialty Pharma Principals: S\$124.2m (+21.6% YoY)**. *Note:* This is the FY2024 segment label used in the Annual Report; the segment is referred to as “**Pharmaceutical & Medical Aesthetics**” in 1H2025 materials following a taxonomy update.
 - **Proprietary Brands: S\$27.6m (+7.4% YoY)**.
 - **Medical Hypermart & Digital: S\$43.6m (+2.1% YoY)**.
- **Gross profit / margin: S\$69.5m; 35.6%** (vs **36.3%** in FY2023).
- **Operating expenses:** grew below revenue (distribution **+10.7%**, admin **+7.8%**).
- **Net profit: S\$10.9m (+26.5% YoY); net margin 5.6%** (up from 5.0%).

Clarification on segment label: FY2024 uses “**Specialty Pharma Principals.**” In 1H2025 decks the label appears as “**Pharmaceutical & Medical Aesthetics.**” The underlying product scope is substantially the same; the growth figure (**+21.6%**) references FY2024 AR data, not a re-based taxonomy.

1H2025 Update (reported)

- **Revenue: S\$89.5m (–10.1% YoY)** — reflects deliberate portfolio rationalisation (exit of low-margin infant formula in Indochina).
- **Gross profit / margin: S\$35.3m (+1.5% YoY); 39.4%** (up from **34.9%** in 1H2024) — clear mix shift toward higher-margin proprietary/specialty products.
- **Reported net profit: S\$2.0m (–66.3% YoY)**, impacted by:
 - **Inventory obsolescence provision: ~S\$2.15m** (Sterimar®), and
 - **FX translation losses: ~S\$2.0m** (primarily VND/IDR vs EUR).
- **Working capital:** inventories **reduced** from **S\$34.4m (Dec-2024)** to **S\$26.3m (Jun-2025)**; inventory allowance increased to **~S\$3.17m** reflecting the Sterimar® write-down.
- **Cash flow (1H2025): Operating cash flows before changes in working capital ~S\$4.6m.** (*We refrain from quoting a FY2024 “before WC” figure since it’s not in the provided docs.*)

Note on “core” earnings: Because tax effects on one-offs are not disclosed, we do **not** publish a quantified “core PATMI.” Management’s mix shift is evident in the margin uplift; reported PATMI incorporates the provision and FX losses.

Balance Sheet & Liquidity (as of 30 Jun 2025, reported)

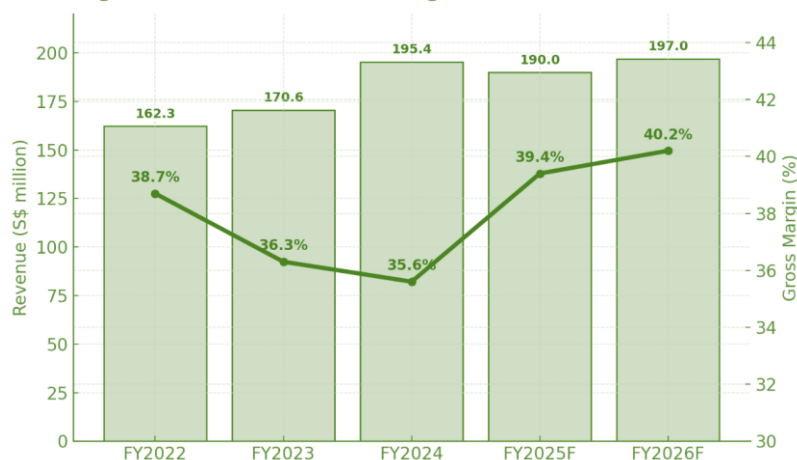
- Cash & equivalents: S\$18.79m
- Total debt (incl. leases): S\$11.74m → Net cash ~S\$7.05m
- Equity attributable: S\$65.23m (total equity S\$67.72m)
- Gross debt / equity: ~18%; Interest coverage: ~10.6×

Period labels: FY2024 equity (year-end) was S\$70.90m; the ~18% gearing above explicitly references 30 Jun 2025 figures.

Outlook (Tickrs Financial estimates — not reported figures)

- **Revenue:** ~S\$190m in FY2025F (–2.8% YoY) on the tail of portfolio pruning; ~S\$197m in FY2026F (+3.7% YoY) as new launches scale.
- **Earnings:** FY2025F/FY2026F EPS ~3.9¢ / 4.2¢; gross margin from 35.6% (FY2024) toward ~40.2% (FY2026F) on richer mix and FX normalisation.
- **Dividend:** The board **did not declare an interim dividend** for 1H2025 and will **reassess after FY close**. We therefore present **FY2025 dividend as 0–2% yield (scenario range)** and **FY2026 at ~4%** assuming earnings normalisation.

Figure 1: Revenue & Gross Margin Trend (FY2022-FY2026F)



As Figure 1 illustrates, Hyphens' strategic pivot is yielding tangible results—while revenue is expected to temporarily consolidate during FY2025 due to portfolio optimization, gross margins have already surged to 39.4% in 1H2025, demonstrating the success of the company's shift toward higher-value products.

Forecasts are analyst estimates. All forward numbers are explicitly identified as such and are not historical facts.

Investment Thesis

We see three core themes underpinning our bullish view on Hyphens Pharma:

1. Structural Margin Expansion Through Portfolio Transformation

Hyphens is executing a deliberate strategic shift from low-margin distribution toward higher-value proprietary and specialty products. This transformation is yielding tangible results, with **gross margin reaching a record 39.4% in 1H2025** (up from 34.9% in 1H2024) despite a 10.1% revenue decline. The company's exit from low-margin infant formula distribution in Indochina and focus on proprietary dermatological brands (Ceradan®, Ocean Health®) and medical aesthetics (Ardence Pharma) is fundamentally reshaping its profitability profile.

Key Evidence:

- Proprietary Brands segment grew +22.5% YoY in 1H2025 while overall revenue declined
- Management explicitly prioritizes "portfolio mix to achieve higher gross profit margin" (1H2025 Report, Page 23)
- Inventory reduction of S\$8.1m in 1H2025 indicates active portfolio optimization

We expect this margin expansion to be sustainable as the company's product mix continues evolving toward higher-value segments.

2. Near-Term Growth Catalysts from New Product Launches

Hyphens has built a pipeline of innovative products with significant growth potential across ASEAN markets:

Winlevi®: Launched in Singapore and Malaysia in July 2025 as the first novel topical acne treatment in 40 years. Hyphens holds exclusive rights across 10 ASEAN countries, with registrations underway in other markets for 2026-2027 launches.

Additional Pipeline:

- Wyzora® (psoriasis treatment) and Metoject® (rheumatoid arthritis) awaiting regulatory approvals
- Ongoing expansion of Ceradan® and Ocean Health® into new markets and channels
- Recent trademark acquisitions (Visiopro®, Fenosup®) strengthening proprietary portfolio

These launches provide multiple growth vectors that should drive revenue acceleration in FY2026 and beyond, complementing the margin expansion story.

3. Compelling Valuation with Multiple Re-rating Catalysts

Hyphens trades at a significant discount to regional peers despite its improving fundamentals:

Current Valuation:

- FY2025F P/E: 9.5x vs. regional peers at 13-16x
- EV/EBITDA: 6.5x vs. peers at 8-9x
- ROE: 15.8% (FY2025F) demonstrating efficient capital allocation

Balance Sheet Strength Supports Returns:

- Net cash position of S\$7.05m provides financial flexibility
- History of shareholder returns with 45.4% payout ratio in FY2024
- Active share buyback program (321,200 shares repurchased in 2024)

We see multiple catalysts for re-rating: sustained margin demonstration in 2H2025 results, successful Winlevi® adoption, and potential dividend resumption in FY2026. The current valuation fails to reflect the company's transformed business model and growth prospects.

Valuation & Peer Comparison**Valuation & Peer Comparison (Revised)**

We use a **blended valuation** (DCF, relative P/E, and EV/EBITDA) to derive a **target price of S\$0.45**. This captures both intrinsic value (cash flow durability) and market-relative value (peers).

Valuation Methodology**1) Discounted Cash Flow (DCF)**

Our 10-year DCF (terminal growth **2.0%**) indicates fair value in the **S\$0.43–0.44** range depending on WACC:

- **Base case WACC 12.5% → S\$0.44/share**
- **Sensitivity: WACC 13.5% → ~S\$0.43/share**

Key assumptions:

- Revenue recovers from **~S\$190m (FY2025F)** to **~S\$215m (FY2030F)**
- **EBITDA margin** expands to **7.5–8.0%** by FY2027F (mix shift & FX normalisation)
- **Maintenance capex S\$1–2m p.a.**, in line with historical levels

2) P/E Multiple

Applying **11.5x** to **FY2025F EPS 3.9¢** gives **~S\$0.45**. The multiple embeds a discount to ASEAN specialty/consumer-health peers while acknowledging margin improvement and pipeline visibility (Winlevi®, Wyzora®, Metoject®).

3) EV/EBITDA Multiple

Using **6.5x** on **FY2025F EBITDA ~S\$13.5m** plus **net cash ~S\$7.1m** implies equity value **~S\$95m**

(~S\$0.31 per share). We view this as a **floor valuation**, given it assumes a below-peer multiple and takes a conservative stance on execution risk.

Blended Valuation

Weighting **40% DCF / 40% P/E / 20% EV/EBITDA** yields a **blended TP = S\$0.45**.

Peer Comparison (CY2025F basis)

*Note: Peers are shown on a **calendar-year** basis; Hyphens' FY ends in Dec and is thus equivalent to CY2025F.*

Company	Country	Mkt Cap (US\$m)	CY2025F P/E (x)	CY2025F EV/EBITDA (x)	ROE (%)	Div. Yield (%)
Hyphens Pharma	Singapore	84	9.5	6.5	15.8	0–2.0*
Duopharma Biotech	Malaysia	307	12.9	8.6	11.5	3.0
Kalbe Farma	Indonesia	4,030	16.3	11.4	15.3	3.0
Mega Lifescience	Thailand	800	12.8	7.3	18.4	4.4

Source: Company filings, Bloomberg consensus, TFS estimates. Market data as of 6 Oct 2025. Hyphens dividend range reflects uncertainty around FY2025 final dividend.

Key Observations

- **Valuation discount remains material:** Hyphens trades at ~25–40% discounts to peers on P/E and EV/EBITDA despite comparable ROE (~16%).
- **Growth-adjusted value is undemanding:** With an EPS CAGR of ~8–10% (FY2024–26F), implied PEG ~1.2x is reasonable for a pipeline-backed story.
- **Balance sheet provides downside protection:** Net cash ~S\$7m, gross D/E ~18%, and light capex afford flexibility peers with higher leverage don't enjoy.
- **Yield optics are temporarily suppressed:** The lack of an interim dividend in 1H2025 is prudent; dividend **normalisation** (toward ~4% yield) is a potential **re-rating catalyst** if earnings recover in FY2026F.

Re-rating Catalysts

- **Sustained 35%+ gross margins** and visible **EBITDA margin** lift (toward ~8%).
- **Winlevi® outperformance** (adoption/market approvals tracking ahead of plan).

- **Dividend resumption** to ~4% yield once earnings normalise.
- **Broader institutional ownership** as the “brand-led ASEAN platform” story gains traction.

At S\$0.45, Hyphens would trade at ~11.5× FY2025F P/E and ~6.5× EV/EBITDA — still below peer averages, but more reflective of execution and improving profitability

Catalysts & Risks

Catalysts

1. Winlevi® Regional Rollout - Dermatology Growth Engine

- **Evidence:** Successfully launched in Singapore & Malaysia (July 2025) with exclusive rights across 10 ASEAN countries
- **Near-term Impact:** Initial prescription data in 2H2025 will validate commercial potential
- **Regional Expansion:** Registration underway in Indonesia, Thailand, Vietnam for 2026-2027 launches
- **Monitoring Points:** Quarterly prescription trends, formulary inclusions, physician adoption rates

2. Broader Launch Pipeline + Proprietary Brand Extensions

- **Wynzora®:** Psoriasis treatment awaiting regulatory approvals (typical 12-24 month timeline)
- **Metobject®:** Rheumatoid arthritis autoinjector licensed for SG/MY/PH/VN markets
- **Proprietary Expansion:** Ceradan® clinical SKU launches, Ocean Health® channel expansion (7-Eleven, regional markets)
- **Monitoring Points:** Regulatory approval timelines, initial order patterns, reorder velocity

3. FX Stabilization & Portfolio Mix Benefits

- **Current Headwind:** EUR strength vs. VND/IDR created S\$2.0m FX loss in 1H2025
- **Mitigation Strategy:** Active portfolio rebalancing toward higher-margin products
- **Upside Potential:** Any ASEAN currency recovery or successful price pass-through
- **Monitoring Points:** Gross margin trajectory (39.4% in 1H2025), EUR/ASEAN forex trends

4. Strategic M&A & Partnership Opportunities

- **Track Record:** Successful Ardence Pharma acquisition (82% stake) enhancing medical aesthetics portfolio
- **Balance Sheet Capacity:** Net cash position of S\$7.05m provides acquisition flexibility
- **Strategic Focus:** Bolt-on brands in dermatology, aesthetics, or digital health

- **Monitoring Points:** M&A announcements, new licensing deals, integration milestones

5. Investor Recognition & Liquidity Improvement

- **Current Discount:** Trading at 9.5x P/E vs. peers at 13-16x
- **Visibility Programs:** SGX GEMS participation, potential broker coverage expansion
- **Re-rating Potential:** Consistent execution could narrow valuation gap
- **Monitoring Points:** Additional analyst coverage, institutional ownership trends, trading liquidity

Key Risks

1. Foreign Exchange Volatility - Near-term P&L Sensitivity

- **Evidence:** S\$2.0m FX translation losses in 1H2025 from EUR/VND/IDR moves
- **Mitigation:** Portfolio mix optimization, selective price adjustments
- **Monitoring:** Quarterly FX impact disclosure, gross margin resilience

2. Regulatory & Launch Execution Risk

- **Evidence:** Typical 12-24 month regulatory timelines for new product approvals
- **Mitigation:** Staggered regional launches, physician education programs
- **Monitoring:** Approval timelines, prescription ramp-up, reorder patterns

3. Inventory & Product Concentration Risk

- **Evidence:** S\$2.15m Sterimar[®] provision in 1H2025 highlights obsolescence risk
- **Mitigation:** Improved demand planning, portfolio diversification
- **Monitoring:** Inventory turnover (improved to S\$26.3m in 1H2025), provision levels

4. Competitive Intensity in Key Segments

- **Market Dynamics:** FMCG brands in supplements, local distributors in pharmaceuticals
- **Strategic Defense:** Focus on proprietary brands, dermatology specialization
- **Monitoring:** Market share trends, pricing pressure, channel access

5. Liquidity & Small-Cap Discount Persistence

- **Current State:** ~S\$114m market cap, concentrated ownership structure
- **Mitigation:** SGX GEMS participation, consistent dividend history

- **Monitoring:** Daily trading volume, bid-ask spreads, institutional ownership

Risk-to-Catalyst Linkages

Foreign Exchange:

- *Upside:* EUR weakness vs. ASEAN currencies → immediate margin expansion
- *Downside:* Further EUR strength → continued P&L pressure

Product Launches:

- *Upside:* Winlevi® adoption exceeds expectations → earnings upgrades and re-rating
- *Downside:* Regulatory delays or slow uptake → growth timeline extended

Capital Allocation:

- *Upside:* Dividend resumption in FY2026 → yield support at ~4%
- *Downside:* Earnings softness continues → yield muted but net cash provides downside protection

Strategic Execution:

- *Upside:* Successful M&A or partnership → accelerated growth trajectory
- *Downside:* Integration challenges → diverted management attention

Dividend & Balance Sheet Commentary

Hyphens has historically demonstrated a shareholder-friendly approach to capital returns, though recent earnings pressure has prompted a more conservative stance.

Historical Context

- **FY 2023:** Paid a total dividend of **4.46 Singapore cents per share**, including a **special interim dividend of 3.6 cents**, representing a 161 % payout ratio.
- **FY 2024:** Dividend normalised to **1.5 cents per share** (paid May 2025), reflecting a sustainable post-special payout.
- **1H 2025:** **No interim dividend declared** due to earnings volatility and “grounds of prudence.”

Current Outlook

- The Board stated it “*will review the dividend pay-out after the close of the financial year*” (1H 2025 Report, p. 28).
- Our base case assumes **no FY 2025 final dividend**, with resumption expected in **FY 2026** upon earnings recovery.

- The company retains flexibility for **special dividends** if cash generation strengthens, supported by its net-cash balance sheet.

Share Buybacks

- Repurchased **321,200 treasury shares** in 2024 for **S\$ 85,248**.
- **No buyback activity** in 1H 2025.
- Treasury shares represent **~0.1 %** of total issued capital.

Balance Sheet & Capital Structure: A Position of Strength

As of **30 June 2025** (verified figures):

Metric	Amount (S\$ m)	Comment
Cash & equivalents	18.79	Confirmed (SoFP p. 4)
Total debt (incl. leases)	11.74	Note 14 p. 20 – 10.48 current + 1.26 non-current
Net cash position	7.05	18.79 – 11.74
Equity (attributable)	65.23	SoFP p. 4 (67.72 m total equity incl. NCI)
Debt-to-equity ratio	18 %	Conservative leverage
Interest coverage ratio	10.6x	$(\text{PBT} + \text{Fin. costs}) / \text{Fin. costs} = (2.885 + 0.299) / 0.299$

Working Capital Management

- **Trade receivables:** S\$ 44.09 m with minimal impairment allowance of S\$ 0.3 m.
- **Inventories:** Reduced to S\$ 26.31 m (from S\$ 34.45 m at FY 2024 YE), showing tighter management.
- **Inventory provisions:** Increased to S\$ 3.17 m (from S\$ 1.09 m) due to the Sterimar® write-down.

Strategic Investments

- **82 % stake in Ardence Pharma Sdn Bhd** (post-Tranche 2 May 2025) strengthens medical-aesthetics footprint.

- **49 % interest in Vietnam dermatology-clinic JV** provides direct market-access platform.

Capital Structure Analysis

Item	Detail
Share count	308.9 m shares outstanding (321,200 treasury shares)
Book value per share	21.12 Singapore cents
P/B ratio	1.75× @ S\$ 0.37
Net cash position	S\$ 7.05 m → balance-sheet buffer and M&A capacity
Leverage	18 % D/E → ample headroom for growth
Interest-rate exposure	Minimal; short-term floating borrowings only

Financial Flexibility & Strategic Positioning

- **Net cash of S\$ 7.05 m** offers downside protection.
- **Conservative leverage (18 % D/E)** preserves acquisition capacity.
- **Operating cash flow of S\$ 7.3 m in 1H 2025** supports organic growth initiatives.
- **Limited interest-rate risk** given modest debt levels.

Hyphens' balance sheet remains a **core competitive advantage**. While dividend visibility is temporarily curtailed by near-term earnings softness, the company's **financial resilience and disciplined working-capital execution**—evidenced by the **S\$ 8.1 m inventory reduction**—reinforce its long-term investment case.

In short, **liquidity, prudence, and optionality** define Hyphens' capital profile: the group can **withstand short-term profit pressure** while retaining **strategic flexibility** for future expansion and eventual dividend reinstatement.

ESG Commentary

Although Hyphens Pharma is not yet rated by major ESG rating agencies (LSEG/MSCI) due to its smaller size, the company demonstrates a commendable commitment to **Environmental, Social, and Governance (ESG)** principles, which augur well for its long-term sustainability and brand equity:

- **Product Safety & Quality (Social/Governance):** Since its listing in 2018, Hyphens has **no record of product recalls or safety controversies**. This reflects strict adherence to regulatory

standards and quality control in both its distributed and proprietary products. As a pharmaceutical distributor and brand owner, maintaining high product safety and efficacy is paramount – Hyphens’ spotless track record in this regard builds trust with healthcare professionals and consumers. The company works only with reputable principals and complies with HSA/MOH regulations in Singapore, ensuring that all products meet relevant standards. This focus on quality is a key intangible asset, underpinning customer loyalty (e.g. doctors’ confidence in prescribing Ceradan or Ocean Health supplements).

- **Ethical Business Practices (Governance):** Hyphens has a **zero-tolerance policy towards corruption and bribery**, with formal codes of conduct governing employee and partner behaviour. The company’s governance framework (led by a mostly independent board) emphasizes transparency and accountability. It’s noteworthy that Hyphens has reported **zero cases of corruption or code breaches** since listing – an important point in the healthcare sector where ethical marketing is critical. Internally, the management fosters a culture of professionalism and “doing the right thing”, which not only reduces regulatory and legal risks but also attracts principled talent to the firm. Hyphens was awarded “Best Partner for People and Planet” by a principal (Chiesi Group) in 2023, evidencing its reputation among partners.
- **Environmental Initiatives (Environmental):** As a distributor, Hyphens’ direct environmental footprint is moderate (mostly from office operations and logistics). Nonetheless, the company is taking steps to reduce waste and promote sustainability. A standout initiative is **Ocean Health’s refill pack** for its Omega-3 fish oil, introduced in 2021 – this pouch uses 90% less plastic than a typical bottle and is the first of its kind in Singapore’s supplements market. Should consumers embrace this eco-friendly option, Hyphens plans to roll out similar sustainable packaging across more products. Additionally, the company’s offices in Singapore, Vietnam, etc., have implemented recycling programs and energy-saving measures (e.g. Hyphens Vietnam cut electricity use via intensifying energy-saving efforts). While these environmental efforts are still nascent, they indicate a forward-looking attitude. Hyphens is also working on setting greenhouse gas emission targets, per its sustainability reporting.
- **Social Responsibility (Social):** Hyphens contributes to community healthcare through initiatives like annual **medical missions in Vietnam** – partnering with local hospitals to provide free health screenings, treatment, and training for underserved communities. Over 20 years, Hyphens (with partner Chiesi) has treated thousands of infants with respiratory distress in Vietnam, literally saving lives and building goodwill. In Singapore, the company encourages staff volunteering, such as participating in local charity drives (e.g. packing and distributing provisions to needy families). These social efforts enhance employee engagement and company pride, and align with Hyphens’ mission to “improve lives together”. The diversity of Hyphens’ workforce (spread across ASEAN) also fosters a culture of inclusion and local empowerment.

From an ESG investment perspective, while Hyphens may not have formal ratings, its **ESG fundamentals appear strong**. No red flags have emerged in governance (auditors’ reports are clean, RPTs minimal) and the controlling shareholders have acted in interest of all shareholders (paying dividends, etc.). The “pharmaceutical & supplements” industry inherently carries responsibilities, and

Hyphens thus far is meeting them. Improvement areas could include setting quantifiable sustainability targets (e.g. carbon footprint reduction) and obtaining external ESG certifications to gain recognition. Overall, we believe Hyphens' ESG profile complements its investment thesis: a responsible healthcare player contributing positively to society, which in turn supports its brand value and long-term growth.

Conclusion

Hyphens Pharma's strategic transformation from a traditional distributor to an integrated healthcare group with owned intellectual property is delivering measurable results. The company's deliberate pivot toward higher-margin proprietary brands and medical aesthetics has driven **gross margin expansion to a record 39.4% in 1H2025**, providing a clear pathway to sustainable profitability despite near-term revenue headwinds.

We expect **FY2025–26 to mark an earnings inflection point** as the company moves beyond one-time provisions (Sterimar® inventory, FX losses) and begins realizing contributions from new product launches. The recent introduction of **Winlevi®** in Singapore and Malaysia, coupled with the upcoming regional rollout, represents a significant growth catalyst that the market has yet to fully price in.

From a valuation perspective, Hyphens presents a compelling opportunity. Trading at 9.5× FY2025F P/E—a substantial discount to regional peers—the stock offers an attractive entry point for a company demonstrating:

- **Sustainable margin improvement** through portfolio transformation
- **Multiple growth vectors** from new product launches
- **Balance sheet strength** with net cash of S\$7.05 million
- **Proven cash generation** with S\$7.3 million operating cash flow in 1H2025

While near-term dividend uncertainty exists following the suspension of the 1H2025 interim payment, we anticipate a return to normalized shareholder returns in FY2026 as earnings recover. The company's **conservative financial policy and net cash position provide substantial downside protection**.

Investment Rating: BUY – Initiation of Coverage

Target Price: S\$0.45 (Upside: +21.6%)

Dividend Outlook: FY2025F 0-2% yield; FY2026F ~4% yield expected

We recommend investors accumulate Hyphens Pharma shares for exposure to a unique ASEAN healthcare story that combines defensive characteristics with growth optionality, all at a valuation that fails to reflect the company's transformed business model and future prospects.

— End of Report —

Sources: Hyphens Pharma Annual Reports 2023–2024; SGX company announcements; Company press releases; Management briefing (1H2025); CGS-CIMB Research; Minichart analysis; Yahoo Finance/SGX data; and various public available news articles.

Appendices

Appendix A: Statement of Income

	<u>Notes</u>	<u>Group</u>		<u>Change</u>
		<u>6 months ended 30 June 2025</u>	<u>6 months ended 30 June 2024</u>	
		<u>\$'000</u>	<u>\$'000</u>	
Revenue	4	89,546	99,648	(10.1)
Cost of sales		(54,227)	(64,854)	(16.4)
Gross profit		35,319	34,794	1.5
Other income and gains		253	305	(17.0)
Distribution costs		(19,845)	(18,659)	6.4
Administrative expenses		(7,867)	(7,364)	6.8
Finance costs		(299)	(199)	50.3
Other losses		(4,676)	(1,420)	>100.0
Profit before tax	6	2,885	7,457	(61.3)
Income tax expense	7	(906)	(1,580)	(42.7)
Profit for the financial period, net of tax		1,979	5,877	(66.3)
<u>Other comprehensive income:</u>				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations, net of tax		172	143	20.3
Other comprehensive income for the period		172	143	20.3
Total comprehensive income		2,151	6,020	(64.3)
Profit attributable to:				
Equity holders of the Company		1,682	5,416	
Non-controlling interests		297	461	
Total comprehensive income attributable to:				
Equity holders of the Company		1,905	5,576	
Non-controlling interests		246	444	
Earnings per share for profit for the period attributable to equity holders of the Company				
Earnings per share currency unit		<u>Cents</u>	<u>Cents</u>	
Basic				
Continuing operations		0.54	1.75	
Diluted				
Continuing operations		0.53	1.72	

Readers who wish to review the explanatory Notes corresponding to the numerical annotations in the financial statements may access Hyphens Pharma International Ltd's complete financial reports on its Investor Relations <https://www.hyphensgroup.com/investor-relations/annual-report-other-reports/> or the following SGX website:

https://links.sgx.com/FileOpen/Hyphens_Half%20Yearly%20Results_1H2025.ashx?App=Announcement&FileID=855442

Appendix B: Statement of Financial Position

	<u>Notes</u>	<u>Group</u>		<u>Company</u>	
		30 Jun 2025 \$'000	31 Dec 2024 \$'000	30 Jun 2025 \$'000	31 Dec 2024 \$'000
ASSETS					
<u>Non-current assets</u>					
Plant and equipment	11	4,225	4,898	6	8
Intangible assets	10	24,264	24,530	–	–
Investments in subsidiaries		–	–	19,986	19,986
Deferred tax assets		123	234	–	–
Total non-current assets		28,612	29,662	19,992	19,994
<u>Current assets</u>					
Inventories	13	26,313	34,445	–	–
Trade and other receivables	12	44,094	45,423	15,051	20,600
Prepayments		3,301	2,530	70	119
Other current financial assets		270	270	–	–
Cash and cash equivalents		18,787	23,420	90	106
Total current assets		92,765	106,088	15,211	20,825
Total assets		121,377	135,750	35,203	40,819
EQUITY AND LIABILITIES					
<u>Equity</u>					
Share capital	15	35,216	35,216	35,216	35,216
Treasury shares		(85)	(85)	(85)	(85)
Retained earnings		39,337	45,231	(626)	4,654
Other reserves		(9,241)	(9,464)	–	–
Equity attributable to equity holders of the Company		65,227	70,898	34,505	39,785
Non-controlling interests		2,495	3,568	–	–
Total equity		67,722	74,466	34,505	39,785
<u>Non-current liabilities</u>					
Deferred tax liabilities		942	1,024	–	–
Other financial liabilities, non-current	14	1,257	2,573	–	–
Total non-current liabilities		2,199	3,597	–	–
<u>Current liabilities</u>					
Income tax payable		2,712	2,576	–	–
Other financial liabilities, current	14	10,481	11,541	–	–
Trade and other payables		38,263	43,570	698	1,034
Total current liabilities		51,456	57,687	698	1,034
Total liabilities		53,655	61,284	698	1,034
Total equity and liabilities		121,377	135,750	35,203	40,819

Analyst Certification and Disclaimer

Analyst Certification: I, Jaimes Chao, hereby certify that the views expressed in this report accurately reflect my personal opinions about Hyphens Pharma International Ltd and its securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Disclaimer:

This report has been prepared by Tickrs Financial Singapore Pte Ltd (“TFS”), a licensed capital markets services holder and an exempt financial advisor in Singapore. It is provided for informational purposes only and does not constitute an offer, invitation, or solicitation to buy or sell any securities, investments, or financial instruments.

The information, opinions, and estimates contained herein are based on publicly available sources (including company filings, SGX announcements, financial statements, and reputable news providers) believed to be reliable, but TFS makes no representation or warranty as to the accuracy, completeness, or timeliness of such information. Any forward-looking statements are based on certain assumptions and are subject to risks and uncertainties that could cause actual results to differ materially. There is no assurance that any forward-looking statements will materialize. Past performance is not indicative of future results.

TFS and its affiliates, and each of their respective directors, officers, employees, connected parties, associates and agents (“Representatives”), shall not be liable for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance upon this report. The views expressed reflect the personal opinions of the analyst(s) and do not necessarily represent those of TFS or its Representatives.

This report does not take into account the specific investment objectives, financial situation, risk profile, or needs of any person who may receive or read it. Readers should independently evaluate the information herein and seek advice from a licensed investment adviser regarding the appropriateness of any securities, instruments, or strategies mentioned.

Conflict of Interest Disclosure:

The analyst(s) responsible for this report certify that they have not received and will not receive direct compensation in exchange for any specific recommendation. As of the date of this publication, TFS, its directors, officers, and research staff do not have any proprietary financial interest in Hyphens Pharma International Ltd or its securities. TFS has not received any investment banking fees from Hyphens Pharma International Ltd in the past 12 months, and no part of TFS’s compensation is tied to the specific recommendations in this report.

Risk Disclosure:

Investing in equities, especially small- and mid-cap stocks, involves risk, including the risk of loss of principal. Investors should consider their own objectives and risk tolerance before making any investment decisions.

Copyright:

© 2025 Tickrs Financial Singapore Pte Ltd. All rights reserved. This report is confidential and may not be reproduced, redistributed, or published in whole or in part without the prior written consent of TFS.