

## HYPHENS PHARMA INTERNATIONAL LIMITED (SGX: 1J5)

**FY2025 Results Update | 20 Apr 2026**

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**Rating:** BUY (Unchanged)

**Last Close:** S\$0.325

**Target Price:** S\$0.400 (Revised)

### Margin Reborn: Quality Over Quantity

*The headline numbers disappoint, but the story beneath them is structurally stronger than before.*

#### 1. Executive Summary

We maintain our **BUY** rating on Hyphens Pharma International Limited ("Hyphens" or "the Group") and revise our 12-month target price to **S\$0.40** (from S\$0.45 at initiation), reflecting a reset in near-term earnings expectations while affirming the Group's intact strategic transformation. Our revised target implies **23.1% upside** from the last close of S\$0.325 and is supported by a blended valuation of 40% DCF, 40% P/E, and 20% EV/EBITDA.

FY2025 delivered a tale of two narratives. The headline profit after tax ("PAT") of S\$6.1 million — down 43.6% year-on-year — was weighed down by S\$7.6 million in other losses as reported in the income statement, comprising S\$2.8 million in foreign exchange translation losses, S\$3.9 million in inventory provisions and write-offs (primarily Sterimar®), S\$0.6 million in receivables provisions linked to the Vietnam Hypermart platform, and S\$0.3 million in fair value losses on derivative instruments related to the Ardence Pharma Tranche 2 exercise. These charges are overwhelmingly non-recurring in nature.

Beneath the headline weakness, the structural thesis from our October 2025 initiation is firmly intact and, in several respects, more advanced than anticipated. Gross profit margin reached a **historic high of 40.7% since listing in 2018** (FY2024: 35.6%) on the back of deliberate portfolio rationalisation — a 510-basis-point improvement achieved even as revenue contracted 9.2%. Operating cash flow surged to **S\$18.7 million** (FY2024: S\$60,000), working capital was aggressively unwound, and the balance sheet ended FY2025 with a robust **net cash position of approximately S\$17.4 million**. The Board's proposal of a **1.50 Singapore cent final dividend**, maintained at the same level as the prior year, underscores management's confidence in the Group's financial resilience.

We revise our target price from S\$0.45 to S\$0.40, applying 10.0× our revised FY2026 estimate of approximately 4.0 Singapore cents earnings per share ("EPS"). At S\$0.325, Hyphens trades at a compelling **forward P/E of approximately 8.1×** and offers a **dividend yield of 4.6%** — a valuation that materially underprices a business now demonstrating structurally superior margins, robust cash generation, and a portfolio of near-term growth catalysts.

## 2. Key Metrics

### Stock Data (as at 17 April 2026)

Metric	Value
Share Price	S\$0.325
Market Capitalisation	~S\$100m
52-Week Range	S\$0.275 – S\$0.400
Shares Outstanding	308.9 million
Free Float	~74 million (per FY2024 Annual Report)
Average Daily Volume (3M)	~30,000–50,000 shares (TFS est.)
Net Asset Value per Share	22.68 Singapore cents

### Valuation Multiples

Metric	Value
P/E (FY2025A — reported)	17.2×
P/E (FY2026E — forward)	~8.1×
P/B (FY2025A)	1.43×
EV/EBITDA (FY2025A)	~7.3×
Dividend Yield (FY2025A — proposed 1.50¢)	4.6%
Target Dividend Yield (FY2026E)	~4.6–5.0%

### Profitability Metrics (FY2025A)

Metric	FY2025A	FY2024A
Gross Margin	40.7%	35.6%
EBITDA Margin	6.4%	8.5%
Net (PAT) Margin	3.4%	5.6%

Metric	FY2025A	FY2024A
ROE	~8.3%	~14.6%
ROA	~4.7%	~7.5%
Basic EPS	1.89 Singapore cents	3.30 Singapore cents

*Note: ROE is based on PAT attributable to equity holders (S\$5.844m for FY2025) over average attributable equity  $[(S\$70,898k + S\$70,059k) / 2 = S\$70,479k]$ . ROA = PAT attributable to equity holders / year-end total assets. FY2025 profitability ratios are depressed by the S\$7.6m other losses pool.*

#### Balance Sheet Strength (31 December 2025)

Metric	Value
Cash & Equivalents	S\$26.8m
Total Financial Liabilities (incl. leases)	S\$9.4m
Net Cash Position	~S\$17.4m
Current Ratio	1.92x
Debt / Equity (Gross, attributable)	~13.5%
Net Gearing	Net Cash
NAV per Share	22.68 Singapore cents

*Note: Net cash = cash and cash equivalents (S\$26.834m) less total financial liabilities including bank borrowings and lease liabilities (S\$9.428m). This differs from the S\$7.05m net cash position cited in our initiation report, which referenced the 30 June 2025 (1H2025) balance sheet date.*

#### Target vs Current

Metric	Value
Previous Target Price (Oct 2025)	S\$0.45
Revised Target Price (12 months)	S\$0.40
Current Price	S\$0.325
Upside to Revised Target	+23.1%

### 3. Business Overview

Hyphens Pharma International Limited is Singapore's leading specialty pharmaceutical and consumer healthcare group, headquartered at its Catalist-listed parent since 2018. The Group operates through **three business segments**: (1) Pharmaceutical and Medical Aesthetics, (2) Proprietary Brands, and (3) Digital Platform and E-Pharmacy ("DocMed / POM platform"). The Group maintains a direct commercial presence in Singapore, Malaysia, Vietnam, Indonesia and the Philippines, with extended reach into Thailand, Cambodia, Brunei, Bangladesh, Myanmar, Hong Kong SAR, and Oman.

The **Pharmaceutical and Medical Aesthetics** segment in-licenses and distributes branded drugs and medical devices from global principals, with a focus on dermatology, paediatrics, ophthalmology, and aesthetics. Key assets include Nabota® (botulinum toxin) and the Ardence Aesthetics platform. The segment contributed S\$101.3 million or 57.1% of FY2025 revenue, though this reflects a decline from FY2024 (S\$124.2 million) driven by brand reclassifications and Vietnam headwinds; Singapore now accounts for 52.5% of Group revenue (FY2024: 46.5%).

The **Proprietary Brands** segment encompasses Ceradan® (eczema skincare), Ocean Health® (vitamins and supplements), Visiopro® (formerly Vivomixx®, probiotic), Fenosup®, Winlevi® (clascoterone — first-in-class topical acne therapy, exclusive 10-country ASEAN licence from Cassiopea), and Cerapro® MED (atopic dermatitis). These products are developed or licensed with retained intellectual property and command higher gross margins than the distribution portfolio. The segment grew 33.1% in FY2025 to S\$36.7 million, becoming the engine of Group profitability improvement.

The **Digital Platform and E-Pharmacy** segment operates POM (a B2B digital pharmacy solutions platform) and WellAway (Singapore's first HSA-registered e-pharmacy), servicing healthcare providers across Singapore, Malaysia, and Vietnam. The platform generated S\$39.4 million in FY2025 revenue, declining 9.8% as the Group deprioritised lower-margin volumes in favour of margin quality.

A material strategic evolution is underway. In FY2025, the Group completed the acquisition of a **82% stake in Ardence Pharma Sdn Bhd** (Tranche 2 exercised on 9 May 2025, increasing ownership from 65% to 82%), strengthening its medical aesthetics portfolio in Malaysia and ASEAN. The final tranche acquisition is expected in FY2026. Meanwhile, Hyphens secured its first outbound IP transaction: the out-licensing of **Cerapro® MED** to Louis Widmer SA across six European countries, announced at the start of 2026. This marks a significant qualitative milestone — Hyphens is no longer solely an in-licensor but is now capable of generating royalty-based revenues as a brand originator.

### 4. Financial Highlights — FY2025 Results Analysis

#### Headline Summary

S\$'000	FY2025	FY2024	Change (%)
Revenue	177,367	195,420	-9.2%
Gross Profit	72,182	69,507	+3.8%

S\$'000	FY2025	FY2024	Change (%)
Gross Profit Margin	40.7%	35.6%	+510 bps
EBITDA	11,393	16,579	-31.3%
EBITDA Margin	6.4%	8.5%	-210 bps
Profit Before Tax	8,062	12,959	-37.8%
Income Tax	(1,945)	(2,104)	-7.6%
PAT (Group)	6,117	10,855	-43.6%
PAT to Equity Holders	5,844	10,194	-42.7%
Basic EPS (Singapore cents)	1.89¢	3.30¢	-42.7%
DPS Proposed (Singapore cents)	1.50¢	1.50¢	Maintained

Source: Hyphens Pharma FY2025 financial statements; TFS analysis.

### Revenue — Quality Gains Outweigh Volume Declines

Group revenue declined 9.2% to S\$177.4 million, reflecting the deliberate exit from lower-margin products and adverse conditions in Vietnam. The key driver of the revenue contraction was the Pharmaceutical and Medical Aesthetics segment, which fell 18.4% to S\$101.3 million, owing to: (i) the brand transition from Vivomixx® to Visiopro® (the latter reclassified into Proprietary Brands); (ii) the reclassification of Fenosup® to Proprietary Brands; and (iii) a sharp 30.8% decline in Vietnam revenue to S\$39.5 million (FY2024: S\$57.1 million), driven by VND/IDR weakness against EUR and a revised consignment revenue recognition methodology that reduced revenue by approximately S\$1.6 million in 2H2025.

The Vietnam consignment revision merits specific attention. As disclosed in Note 4.2 of the financial statements, management reviewed in-market sales trends and inventory turnover patterns in Vietnam during 2H2025 and concluded that three months of past average sales — rather than the previously assessed six months — more accurately represents the level of inventories for which control transfers upon delivery to distributors. While this revision is conservative and enhances comparability going forward, it had a one-time S\$1.6 million negative impact on FY2025 revenue and resulted in a higher consignment inventory balance than would have been recognised under the previous methodology, though the absolute consignment balance of S\$6.4 million at 31 December 2025 remains lower than the prior year's S\$8.2 million. This change is non-recurring and should not repeat in FY2026.

Critically, what was lost in volume was more than compensated by mix improvement. **Gross profit rose 3.8%** to S\$72.2 million despite the revenue contraction, confirming the quality-over-quantity shift

is producing tangible financial results. The Digital Platform and E-Pharmacy segment declined 9.8% to S\$39.4 million, consistent with management's stated strategic goal to optimise margin rather than chase revenue.

### Gross Margin — A Historic High

The **gross profit margin of 40.7%** in FY2025 represents the highest level recorded since the Company's listing in 2018, surpassing the 39.4% achieved at the 1H2025 stage and the 36.3% peak in FY2023. This 510-basis-point improvement over FY2024 reflects a genuine structural shift in product mix. The Proprietary Brands segment — which carries the highest margins in the portfolio — grew 33.1% to S\$36.7 million, from S\$27.6 million in FY2024, accounting for 20.7% of Group revenue (vs. 14.1% in FY2024). The second half of FY2025 was particularly strong, with gross margin reaching **42.0%** in 2H2025 vs. 36.2% in 2H2024 — providing high confidence that the new margin floor is durable.

### EBITDA and Operating Expenses

Group EBITDA declined 31.3% to S\$11.4 million (FY2024: S\$16.6 million), with the EBITDA margin compressing from 8.5% to 6.4%. The widening gap between gross profit improvement and EBITDA performance is explained entirely by the surge in "other losses" to S\$7.6 million (FY2024: S\$1.7 million). Operating costs were well-managed: distribution costs rose only 2.8% to S\$40.9 million, and administrative expenses increased a modest 1.9% to S\$15.5 million, both growing far below historical revenue growth rates.

The S\$7.6 million in other losses comprised:

- **Foreign exchange translation losses:** S\$2.8 million (FY2024: S\$0.3 million) — EUR strength vs. VND, IDR and PHP
- **Inventory obsolescence provisions and write-offs:** S\$3.9 million total (comprising S\$2.3 million in obsolescence provisions — of which S\$2.0 million relates specifically to Sterimar<sup>®</sup> excess inventory accumulated in FY2024 — and S\$1.6 million in inventory write-offs across the portfolio)
- **Provision on other receivables:** S\$0.6 million — a loan extended to the Vietnam Hypermart platform, written down on slower-than-expected sales uptake
- **Fair value loss on derivative instruments:** S\$0.3 million — related to Ardence Pharma Tranche 2 exercise
- **Other items** (loss on disposal of PPE and miscellaneous): ~S\$0.1 million

TFS view: The Sterimar<sup>®</sup> provision and Vietnam Hypermart receivables impairment are clearly event-specific, non-recurring charges. The FX losses are structural to ASEAN operations but are expected to moderate as the Group's product mix shifts further toward Singapore-originated revenues and as ASEAN currencies stabilise.

### Segmental Analysis — FY2025

Segment	FY2025 Rev (S\$m)	FY2024 Rev (S\$m)	YoY %	FY2025 EBITDA (S\$m)	FY2024 EBITDA (S\$m)
Pharma & Medical Aesthetics	101.3	124.2	-18.4%	11.7	15.2
Proprietary Brands	36.7	27.6	+33.1%	3.7	3.9
Digital Platform & E-Pharmacy	39.4	43.6	-9.8%	-0.7	-1.4
Unallocated / Corporate	—	—	—	-3.3	-1.0
<b>Group Total</b>	<b>177.4</b>	<b>195.4</b>	<b>-9.2%</b>	<b>11.4</b>	<b>16.6</b>

Source: Hyphens Pharma FY2025 financial statements; TFS analysis.

The Proprietary Brands segment's 33.1% growth is the standout, driven by the additions of Visiopro<sup>®</sup>, Fenosup<sup>®</sup>, and Winlevi<sup>®</sup>, combined with strong underlying demand for Ceradan<sup>®</sup> and Ocean Health<sup>®</sup>. The segment's EBITDA declined marginally from S\$3.9 million to S\$3.7 million due to increased brand investment, but the long-term trajectory of improving margin through brand equity accumulation remains on course.

### Geographical Analysis — FY2025

Geography	FY2025 (S\$m)	FY2024 (S\$m)	YoY %
Singapore	93.2	90.9	+2.5%
Vietnam	39.5	57.1	-30.8%
Malaysia	27.4	25.8	+6.2%
Others	17.3	21.6	-20.2%
<b>Total</b>	<b>177.4</b>	<b>195.4</b>	<b>-9.2%</b>

Source: Hyphens Pharma FY2025 financial statements.

Singapore showed commendable resilience with 2.5% growth to S\$93.2 million (52.5% of Group revenue), while Malaysia grew 6.2% to S\$27.4 million, reflecting Ardence Aesthetics' growing contribution. Vietnam's 30.8% contraction to S\$39.5 million was the primary drag on Group results, combining market headwinds, currency weakness, and the revised consignment revenue recognition methodology discussed above.

## Second Half FY2025 — Trajectory is Improving

S\$'000	2H2025	2H2024	Change	1H2025	1H2024	Change
Revenue	87,821	95,772	−8.3%	89,546	99,648	−10.1%
Gross Profit	36,863	34,713	+6.2%	35,319	34,794	+1.5%
GP Margin	42.0%	36.2%	+580 bps	39.4%	34.9%	+450 bps
PAT	4,138	4,978	−16.9%	1,979	5,877	−66.3%

Source: Hyphens Pharma FY2025 financial statements; TFS analysis.

The sequential improvement is decisive. Gross margin accelerated to 42.0% in 2H2025, the highest half-year figure in the Group's listed history, and PAT recovered sharply from the S\$2.0 million first-half result to S\$4.1 million in the second half. Operating leverage is beginning to manifest as the higher-margin mix is embedded across the full revenue base.

## 5. Operating Cash Flow — The Strongest Signal in the Report

The most important number in the FY2025 results is not the headline PAT but the **operating cash flow of S\$18.7 million** (FY2024: S\$60,000). This extraordinary swing — essentially nil cash generation in FY2024 turning into S\$18.7 million of cash in FY2025 — reflects an aggressive unwinding of working capital: trade and other receivables released S\$10.5 million of cash (FY2024: absorbed S\$4.2 million), and inventories released S\$5.1 million (FY2024: absorbed S\$8.9 million). Cash and cash equivalents rose to S\$26.8 million at 31 December 2025 (FY2024: S\$23.4 million), after funding S\$3.4 million for Ardence Pharma Tranche 2, S\$1.3 million in capital expenditure and intangibles, and S\$5.5 million in dividends and NCI distributions.

This cash conversion quality firmly refutes any suggestion that FY2025 was an operational deterioration. The PAT decline is an accounting phenomenon driven by provisioning; the cash generation is real and substantial.

## 6. Investment Thesis

### 1. Gross Margin is Structurally Reset Higher

The 510-basis-point gross margin improvement to 40.7% in FY2025 — achieved simultaneously with a 9.2% revenue decline — is perhaps the most powerful evidence that Hyphens' portfolio transformation is genuine. Gross profit grew 3.8% in absolute terms even as the Group shed lower-margin Pharma and E-Pharmacy volumes. The 42.0% gross margin in 2H2025 provides a strong indication that 40–42% is the new operating range, not a one-year anomaly. As Proprietary Brands continues to scale toward 25–30% of Group revenue over FY2026–2028, the gross margin ceiling could

approach 44–45%. This structural shift alone justifies a meaningful re-rating relative to the Group's historical P/E band of 12–18x.

## 2. Operating Cash Generation Demonstrates Business Quality

A business generating S\$18.7 million of operating cash flow on a S\$100 million market cap is trading at a free cash flow yield in excess of 14% (before maintenance capex of approximately S\$1.5 million). We caution that the FY2025 OCF was boosted by a one-time working capital release of approximately S\$15.6 million (S\$10.5 million from receivables and S\$5.1 million from inventories) that is unlikely to fully repeat. On a normalised basis — adjusting for sustainable working capital flows — recurring OCF is estimated at approximately S\$8–10 million (derived as: operating cash flow before working capital changes of S\$12.5 million, less normalised income taxes paid of ~S\$2.4 million, less normalised working capital outflows of ~S\$1.5–2.5 million), implying a normalised FCF yield of 8–10%, which remains attractive relative to Singapore-listed healthcare peers. The working capital unwinding — S\$5.1 million reduction in inventories from S\$34.4 million to S\$29.3 million — reflects tighter demand planning and deliberate portfolio rationalisation, not demand weakness in the structural portfolio.

## 3. Proprietary Brands Is the Future, and FY2025 Proves It Can Scale

Proprietary Brands grew 33.1% to S\$36.7 million in FY2025, becoming the Group's most dynamic segment. The addition of Visiopro<sup>®</sup>, Fenosup<sup>®</sup>, and Winlevi<sup>®</sup> — together with strong organic demand for Ceradan<sup>®</sup> and Ocean Health<sup>®</sup> — drove this performance. Critically, Winlevi<sup>®</sup> (launched in Singapore and Malaysia in FY2025 as the first novel topical acne therapy in 40 years) is at an early adoption phase, with additional ASEAN country launches planned in FY2026. Approval in Thailand would enable direct in-market commercial operations, representing a meaningful new revenue footprint. The out-licensing of Cerapro<sup>®</sup> MED to Louis Widmer across six European countries confirms that Hyphens is building genuine global brand equity in dermatology.

## 4. Balance Sheet is a Fortress, Enabling Strategic Optionality

The Group closed FY2025 with cash of S\$26.8 million, financial liabilities (including leases) of approximately S\$9.4 million, and a **net cash position of approximately S\$17.4 million** — equivalent to roughly 17% of market capitalisation. Gross debt-to-equity is a conservative 13.5%, and the current ratio stands at a robust 1.92x. This financial flexibility supports the final Ardence Pharma tranche completion in FY2026, ongoing product licensing acquisitions, and continued dividend maintenance, all without recourse to equity markets.

## 5. Dividend Maintained at 1.50 Cents Signals Confidence

Despite a 43.6% decline in reported net profit, the Board proposed maintaining the final dividend at **1.50 Singapore cents per share** — the same level as FY2024's final dividend. At the current price of S\$0.325, this translates to a **4.6% dividend yield**, competitive with Singapore-listed consumer and healthcare peers. The fact that the dividend has been maintained — and that the payout ratio is above the stated 30% minimum policy — reflects the Board's view that FY2025's non-cash provisions do not impair the underlying earnings power of the business. We anticipate the dividend will be sustained at 1.50 cents in FY2026.

## 7. Valuation and Peer Comparison

### Methodology

TFS employs a **blended three-way valuation**: 40% DCF, 40% P/E multiple, and 20% EV/EBITDA. This approach captures both intrinsic cash flow value and relative market pricing, consistent with our October 2025 initiation methodology.

### Revised FY2026E Assumptions:

- Revenue: S\$183–185 million (+3–4% YoY; recovery in Vietnam partially offset by continued Pharma rationalisation)
- Gross margin: 41.0–42.0% (mix shift continuing, Proprietary Brands approaching 23% of revenue)
- EBITDA: ~S\$14.0–15.0 million (margin recovery as one-off losses normalise)
- PAT to equity holders: ~S\$11.5–12.5 million (base case assumes normalised other losses of ~S\$1.5m; upside case of ~S\$13.0m assumes near-full FX normalisation)
- EPS: ~3.8–4.2 Singapore cents (TFS central estimate: 4.0¢; base case 3.8¢ if Vietnam recovery is slower than modelled)
- DPS: 1.50 Singapore cents (maintained)

**1. P/E Multiple** Applying **10.0× to FY2026E EPS of 4.0 Singapore cents** yields a value of S\$0.40/share. The 10.0× multiple embeds a 25–30% discount to regional ASEAN specialty pharma peers (trading at 12–16× forward P/E), reflecting Hyphens' smaller market capitalisation, Vietnam execution risk, and the reset in earnings expectations. It is, however, a substantial premium to the current implied multiple, justified by the Group's structurally superior margins and growing cash generation.

**2. EV/EBITDA** Applying **7.5× to FY2026E EBITDA of S\$14.5 million** yields enterprise value of ~S\$108.8 million. Adding net cash of ~S\$17.4 million and dividing by 308.9 million shares gives **~S\$0.41/share**. This confirms the P/E result.

**3. DCF Cross-Check** A 10-year DCF (WACC 12.5%, terminal growth rate 2.0%), with revenue recovering from S\$177 million (FY2025A) to approximately S\$200 million by FY2030E and EBITDA margins expanding to 8.0–8.5% by FY2028E on continued mix improvement, yields a fair value of **S\$0.40–S\$0.42/share**.

**Blended TP (40% DCF / 40% P/E / 20% EV/EBITDA): S\$0.40**

## Peer Comparison

Company	Market	Mkt Cap (US\$m)	FY2026E P/E (x)	EV/ EBITDA (x)	ROE (%)	Div. Yield (%)
<b>Hyphens Pharma (SGX:1J5)</b>	Singapore	~74	~8.1x	~7.3x	~15%E	4.6%
Duopharma Biotech (KLSE)	Malaysia	~313	~14.2x	~9.0x	~11%	~3.5%
Kalbe Farma (IDX)	Indonesia	~2,570	~12.2x	~8.5x	~15%	~3.0%
Mega Lifesciences (SET)	Thailand	~871	~14.5x	~9.5x	~18%	~4.4%

Source: Bloomberg consensus; TFS estimates; company filings. Market data as at 17 April 2026. Hyphens market cap converted at approximately USD/SGD 1.35. Hyphens FY2026E ROE of ~15% assumes PAT attributable recovery to ~S\$11–12m on average attributable equity of ~S\$72–75m.

### Key observations from peer comparison:

- Hyphens trades at a **40–45% discount** to regional ASEAN specialty pharma peers on forward P/E and EV/EBITDA, despite a broadly comparable ROE profile and a superior gross margin trajectory.
- The dividend yield of 4.6% exceeds Duopharma and Kalbe Farma, and is competitive with Mega Lifesciences.
- The valuation discount is excessive relative to fundamentals and is expected to narrow as: (i) FY2026 earnings normalise; (ii) Winlevi® and Ardence Aesthetics contribute meaningfully; and (iii) the European Cerapro® MED deal attracts broader institutional attention to the Group's IP creation capabilities.

## 8. Catalysts and Risks

### Near-Term Catalysts

**1. Winlevi® ASEAN Rollout** Winlevi® launched in Singapore and Malaysia in FY2025, with encouraging early adoption among dermatologists. Thailand approval (anticipated FY2026) would enable direct in-market operations — a significant milestone for both revenue and the Group's regional brand-building credibility. Additional registrations in Indonesia and Vietnam target 2026–2027.

**2. Cerapro® MED European Licensing — A Strategic Inflection** The out-licensing agreement with Louis Widmer across six European countries, announced early 2026, is the first evidence that Hyphens can monetise its IP globally as a licensor rather than purely as an in-licensee. This changes the narrative

around the Group's long-term business model and margin potential. TFS views this as a potential re-rating catalyst as the market recognises the Group's brand-origination capability.

**3. Ardence Pharma Final Tranche Completion** The final acquisition tranche is expected in FY2026, which will consolidate 100% ownership of Ardence Aesthetics and fully integrate the medical aesthetics platform into the Group. This removes NCI leakage and strengthens the Pharma and Medical Aesthetics segment's profit contribution.

**4. Vietnam Stabilisation** Vietnam revenue declined 30.8% in FY2025, partly driven by a one-time accounting methodology revision (S\$1.6 million impact). Any stabilisation or recovery in Vietnamese currency and demand conditions, particularly for Ceradan® and paediatric products, could provide a meaningful upside surprise in FY2026.

**5. PharmaTech / POM Platform AI Monetisation** The Group has deployed an AI-powered module (e-MSL) within POM that simulates a medical representative in physician conversations. Significant interest has been expressed from pharmaceutical companies for commercial deployment of this tool. If monetised, this adds a high-margin recurring revenue stream that the market has not priced in.

### Key Risks

**1. Foreign Exchange Volatility (High Probability, Medium Impact)** FX losses of S\$2.8 million in FY2025 — driven by EUR strength versus VND, IDR, and PHP — represent the most persistent structural risk in the portfolio. As the Group sources many specialty products priced in EUR while collecting revenues in weaker ASEAN currencies, the mismatch creates ongoing P&L sensitivity. Mitigation: continued portfolio shift to Singapore-dollar-denominated proprietary brands and selective price pass-throughs.

**2. Vietnam Market Structural Headwinds (Medium Probability, High Impact)** Vietnam was previously the Group's second-largest market at 29% of FY2024 revenue. Its contraction to 22% of FY2025 revenue represents a significant structural headwind if the market does not recover. Regulatory challenges, currency weakness, and competition from local generic distributors continue to weigh on the market. TFS models only a partial Vietnam recovery in FY2026.

**3. Inventory and Provisioning Risk (Low-Medium Probability, Medium Impact)** The Sterimar® inventory provision in FY2025 highlighted the risk of demand-planning mismatches in a multi-country specialty distribution model. While the Group has tightened supply chain procedures, similar provisions for other niche brands cannot be entirely excluded. Management's appointment of a Director for Supply Chain and Alliance Management provides structural mitigation.

**4. Ustekinumab Biosimilar Termination — Pipeline Shrinkage** The termination of the Exclusive Licence and Supply agreement with Favorex Pte Ltd for the Ustekinumab biosimilar — originally announced in 2021 — removes a pipeline asset from the medium-term growth story. Management cited upstream commercial changes beyond its control. While the company states there is no immediate revenue impact, the loss of a potentially large dermatology/rheumatology biosimilar reduces the Group's addressable market expansion pathway. We note that our initiation report did not rely on Ustekinumab as a named pipeline driver; however, the termination narrows the set of possible future earnings contributors.

### 5. Small-Cap Liquidity and Valuation Discount Persistence (Medium Probability, Low Impact)

Hyphens' free float of approximately 74 million shares limits institutional participation and can sustain valuation discounts to fundamentals for extended periods. Continued SGX GEMS programme participation and growing dividend yield visibility are the primary near-term catalysts for improved investor recognition.

## 9. Dividend and Balance Sheet Commentary

### Dividend Track Record

Period	Dividend (S\$ cents)	Payout Ratio	Notes
FY2023	4.46¢	~161%	Included 3.6¢ special interim dividend
FY2024 Final	1.50¢	~45%	Normalised post-special payout
FY2025 (Proposed Final)	1.50¢	~79%*	Maintained despite earnings decline

*Based on PAT attributable to equity holders of S\$5.844 million and proposed dividend of S\$4.633 million.*

The Board's decision to maintain the FY2025 final dividend at 1.50 Singapore cents per share — despite reported PAT declining 43.6% — sends a clear signal of management's confidence in the Group's underlying cash generation and financial position. The fact that the payout ratio exceeds the stated minimum policy of 30% (at approximately 79% of attributable earnings) reflects the Board's view that the FY2025 P&L does not reflect normalised earnings capacity. The dividend yield of **4.6% at the current price of S\$0.325** is one of the most attractive characteristics of the investment case, providing meaningful yield support while investors await earnings normalisation.

### Balance Sheet Analysis

The Group's balance sheet ended FY2025 in the strongest position since its 2018 listing on several key metrics. Net cash of approximately S\$17.4 million (cash S\$26.8 million less financial liabilities of S\$9.4 million) compares to net cash of S\$7.05 million at 30 June 2025, reflecting the aggressive working capital unwinding in 2H2025. The current ratio of 1.92× provides strong liquidity headroom.

Inventories declined to S\$29.3 million (FY2024: S\$34.4 million), reflecting both the Sterimar® provision and active portfolio rationalisation. Trade receivables reduced meaningfully to S\$33.2 million (net) from S\$43.2 million at FY2024, a S\$10.0 million improvement driven by more disciplined credit management across ASEAN markets. Total financial liabilities (including lease obligations) have been reduced from S\$14.1 million in FY2024 to S\$9.4 million, a 33% deleveraging achieved while simultaneously funding the Ardence Tranche 2 acquisition and paying S\$5.5 million in dividends.

Intangible assets (goodwill S\$15.4 million; distribution rights and trademarks S\$8.6 million) carried at S\$24.0 million have been tested for impairment with no impairment loss recognised, consistent with prior periods. Goodwill arising from the Pan-Malayan Pharmaceuticals acquisition remains intact.

## 10. ESG and Strategic Commentary

Hyphens Pharma continues to advance its ESG profile commensurate with its scale as a Catalist-listed small-cap. The Group's ethical pharmaceutical commercialisation record — zero product recalls since listing in 2018, zero corruption cases, and clean audit opinions — underpins its institutional credibility with global pharma principals. The Chiesi Group's "Best Partner for People and Planet" award, sustained partnerships for paediatric respiratory treatments across Vietnam's underserved communities, and Ocean Health's eco-friendly refill packaging programme (90% less plastic than conventional bottles) reinforce the Group's commitment to responsible healthcare delivery.

The most strategically significant FY2025 ESG development is the Cerapro<sup>®</sup> MED European out-licensing to Louis Widmer. This positions a Singapore-developed dermatology brand in six European markets — a tangible demonstration that an ASEAN-headquartered specialty pharma company can develop and commercialise intellectual property at a global standard. As the Group's Proprietary Brands segment scales, TFS expects the ESG narrative around local IP creation, responsible sourcing, and digital health access (via WellAway and POM) to attract greater recognition from ESG-oriented institutional investors.

On governance, the appointment of a Chief Commercial Officer and Director for Supply Chain and Alliance Management in FY2024–2025 strengthens the executive bench. These additions directly address the demand-planning weaknesses exposed by the Sterimar<sup>®</sup> inventory build-up, suggesting the Board and management team are responding proactively to operational challenges.

## 11. Forecast Accountability

Our October 2025 initiation report projected the following for FY2025. We compare each line against actuals and explain the variance.

Metric	Initiation FY2025E	Actual FY2025A	Verdict	Commentary
Revenue	~S\$190m	S\$177.4m (-6.6%)	Miss	Vietnam revenue contraction was sharper than modelled (-30.8% vs. implied low-single-digit decline); the S\$1.6m consignment revenue recognition revision in 2H2025 was not anticipated. Singapore and Malaysia broadly tracked expectations.

Metric	Initiation FY2025E	Actual FY2025A	Verdict	Commentary
PATMI	Implied ~S\$12m (from 3.9¢ EPS × 308.9m shares)	S\$6.1m (-49%)	Miss	Principally driven by S\$7.6m in other losses: (i) FX losses of S\$2.8m vs. minimal assumed at initiation; (ii) Sterimar® inventory provision of S\$2.0m (initiation anticipated ~S\$2.1m but modelled as substantially non-recurring to 2H); (iii) Vietnam Hypermart receivables provision of S\$0.6m not modelled; (iv) total inventory write-offs of S\$1.6m exceeded assumptions.
EPS	~3.9¢	1.89¢ (-51.5%)	Miss	Driven entirely by PATMI shortfall as described above.
Gross Margin	~39.4% (1H2025 run-rate used as proxy)	40.7%	Beat	Exceeded expectations by 130 bps; 2H2025 reached 42.0%, confirming the structural nature of the mix shift.
Operating Cash Flow	S\$7.3m (1H2025 reported)	S\$18.7m (FY)	Beat	Dramatic improvement driven by S\$10.5m receivables release and S\$5.1m inventory release; far exceeded initiation assumptions.
Net Cash	~S\$12–15m (E)	~S\$17.4m	Beat	Stronger than expected, driven by superior operating cash conversion and disciplined capex.
Dividend	0–2% yield (scenario range)	4.6% (1.50¢ maintained)	Beat	Board maintained dividend at FY2024 level despite earnings decline; our base case had assumed 0% (no dividend) with upside to ~2%. This is a material positive surprise reflecting Board confidence.

**Positives acknowledged:** The gross margin trajectory exceeded expectations, validating the portfolio transformation thesis. Operating cash flow and balance sheet strength materially outperformed. The maintained dividend was a significant positive surprise that strengthens the income component of the investment case.

**Revised assumptions for FY2026E:** Revenue growth moderated to +3–4% YoY (from implied +3.7% at initiation). A normalised FX loss assumption of ~S\$1.0–1.5m is embedded. Inventory provisions are modelled at ~S\$1.0m (routine level, assuming Sterimar® issue is substantially resolved). Vietnam recovery is modelled as partial, not full. EPS central estimate of 4.0¢ is below the initiation's implied FY2026E of 4.2¢, reflecting the lower revenue base and embedded conservatism on FX.

## 12. Recommendation

We **maintain our BUY rating** on Hyphens Pharma International Limited (SGX:1J5) and **revise our 12-month target price to S\$0.40 per share** (from S\$0.45 at initiation), implying **23.1% upside** from the last close of S\$0.325.

The revision to our target price reflects a reset in near-term EPS expectations — FY2025 reported EPS of 1.89 Singapore cents was significantly below our initiation estimate of 3.9 Singapore cents, primarily driven by S\$7.6 million in non-recurring charges that we did not fully anticipate. However, we are increasingly confident that FY2025 marks the floor, not a trend, in earnings quality. The gross margin trajectory to 40.7% — a historic high since listing — the S\$18.7 million operating cash flow, the maintained dividend, and the S\$17.4 million net cash position collectively paint the picture of a business in robust financial health that simply ran into an extraordinary confluence of provisioning headwinds in a single year.

At S\$0.325, investors acquire a portfolio-quality ASEAN healthcare business at 8.1× forward earnings and a 4.6% dividend yield — a combination that is rare on the Singapore Exchange. The strategic transformation to a higher-margin, IP-driven business model is further advanced than it was at initiation, with the Proprietary Brands segment emerging as the Group's most dynamic and most profitable engine. The Cerapro<sup>®</sup> MED European out-licensing milestone is a material inflection in the Group's value creation story that we believe the market has yet to fully price.

As the one-off charges unwind, as Winlevi<sup>®</sup> prescriptions ramp, and as Ardence Aesthetics reaches scale across ASEAN, the margin reborn at Hyphens Pharma will increasingly become impossible for the market to ignore — making the current price a compelling entry point for patient, yield-seeking investors.

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### Appendix A — Income Statement Summary

S\$'000	FY2023A	FY2024A	FY2025A	FY2026E (TFS)
Revenue	170,481	195,420	177,367	183,000–185,000
Gross Profit	61,909	69,507	72,182	75,000–78,000
Gross Margin	36.3%	35.6%	40.7%	41.0–42.0%
EBITDA	~14,500	16,579	11,393	14,000–15,000
EBITDA Margin	~8.5%	8.5%	6.4%	7.6–8.2%
PAT (Group)	~8,600	10,855	6,117	11,500–13,000E
PAT to Equity Holders	~8,100	10,194	5,844	11,500–12,500E
Basic EPS (Singapore cents)	~2.62¢	3.30¢	1.89¢	~3.8–4.2¢E
DPS (Singapore cents)	4.46¢	1.50¢	1.50¢(P)	1.50¢E

*Note: FY2023A revenue and PAT are approximate, derived from YoY disclosures. FY2023 EBITDA is estimated as gross profit less distribution and administrative expenses plus depreciation and amortisation, based on available YoY disclosures. FY2026E are TFS estimates. "P" denotes proposed, subject to AGM approval. Source: Hyphens Pharma financial statements; TFS estimates.*

### Appendix B — Balance Sheet Summary

S\$'000	31 Dec 2024	31 Dec 2025
Cash & Equivalents	23,420	26,834
Inventories	34,445	29,335
Trade & Other Receivables	45,423	34,969
Total Current Assets	106,088	95,595
Intangible Assets	24,530	23,989
Total Assets	135,750	123,595
Total Financial Liabilities	14,114	9,428
Trade & Other Payables	43,570	38,573

S\$'000	31 Dec 2024	31 Dec 2025
Total Current Liabilities	57,687	49,707
Total Equity	74,466	72,568
Equity to Equity Holders	70,898	70,059
NAV per Share (Singapore cents)	22.95¢	22.68¢
Net Cash / (Debt)	~9,306	~17,406

Source: Hyphens Pharma FY2025 financial statements.

#### Appendix C — Cash Flow Summary

S\$'000	FY2024A	FY2025A
Operating Cash Flow Before WC	16,901	12,518
Changes in Working Capital	(14,487)	8,660
Net Cash from Operations	60	18,748
Investing Activities	(3,121)	(4,618)
Free Cash Flow (approx.)	(3,061)	14,130
Financing Activities	3,112	(10,716)
Net Change in Cash	51	3,414
Closing Cash	23,420	26,834

Source: Hyphens Pharma FY2025 financial statements; TFS analysis. Note: FY2024 net cash from operations of S\$60k reflected near-zero cash generation due to S\$8.9m inventory build-up and S\$4.2m trade receivables absorption, both of which reversed in FY2025.

#### Appendix D — Valuation Footnotes

##### Target Price Derivation:

- DCF (40% weight):** WACC 12.5%; terminal growth rate 2.0%; 10-year forecast period; revenue recovering to ~S\$200 million by FY2030E; EBITDA margin expanding to 8.0–8.5%; maintenance capex S\$1.5 million per annum → DCF fair value ~S\$0.41/share

2. **P/E Multiple (40% weight):** 10.0× applied to FY2026E EPS of ~4.0 Singapore cents → S\$0.40/share
3. **EV/EBITDA (20% weight):** 7.5× applied to FY2026E EBITDA of ~S\$14.5 million; plus net cash of S\$17.4 million → equity value ~S\$126 million / 308.9 million shares → ~S\$0.41/share
4. **Blended TP:**  $(0.40 \times 0.41) + (0.40 \times 0.40) + (0.20 \times 0.41) = \mathbf{S\$0.406}$ , rounded to **S\$0.40**

**Share Count:** 309,198,200 total issued shares; 328,200 treasury shares held by the Company; 308,870,000 shares outstanding for EPS purposes.

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*Sources: Hyphens Pharma FY2025 Financial Statements (SGX announcement, 24 Feb 2026); Hyphens Pharma FY2025 Media Release; Hyphens Pharma International Ltd Initiation of Coverage — TFS (7 Oct 2025); Bloomberg consensus data; Company website [www.hyphensgroup.com](http://www.hyphensgroup.com).*

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