



INVESTOR NEWSLETTER

Q2 2023

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I. Macroeconomic environment in the first 6 months of 2023 and forecast

In the first 6 months of 2023, common challenges (political instability, strategic competition, discrepancies in monetary policy management in major economies, etc.) have continued to persist, resulting in overall growth falling short of expectations. According to data from the General Statistics Office, the GDP growth for the second quarter and the first half of the year reached 4.14% and 3.72% respectively, marking one of the lowest levels in over a decade.

Indeed, this has created significant pressure for the remaining quarters of 2023.

Scenario 1:	Scenario 2:
<p>The full-year growth is projected to reach 6%</p> <ul style="list-style-type: none"> ⇒ Q3 growth is expected to reach 6.8%, and Q4 growth to reach 9% (0.3 percentage points and 1.9 percentage points higher, respectively, compared to the plan in Resolution No. 01/NQ-CP). ⇒ Overall, the growth for the last 6 months of the year must achieve 8.0%. 	<p>The full-year growth is projected to reach 6.5%</p> <ul style="list-style-type: none"> ⇒ Q3 growth is expected to reach 7.4%, and Q4 growth to reach 10.3% (0.9 percentage points and 3.2 percentage points higher, respectively, compared to the plan in Resolution No. 01/NQ-CP). ⇒ Overall, the growth for the last 6 months of the year must achieve 8.9%.

(As per the Ministry of Planning and Investment)

In the coming period, the Government and relevant ministries, as well as local authorities at all levels, will implement measures to boost growth across all three key areas: investment, consumption, and exports. Notably, there will be significant policies in place, such as reducing interest rates for loans, increasing credit balances, and transitioning monetary policies from being "strict" (before October 2022) and "firm" (after October 2022) to "more relaxed and flexible" starting from this July.

Alongside the approval of the Power Development VIII Plan, prioritizing renewable energy production, and commencing four important expressway projects in the southern region, accelerating the disbursement of public investment capital, and so on, will serve as the prerequisites to drive growth in the upcoming period.

II. Vietnam Pharmaceutical industry in the first 6 months of 2023 and forecast

While the business results of many industries have experienced a slowdown, even facing losses in the early months of 2023, the pharmaceutical sector has shown a contrasting high growth picture. In contrast to the general situation, the second quarter of 2023 is also the period when measures to address difficulties in the Pharmaceutical industry began to take effect, resulting in extremely positive outcomes. The Ministry of Health has issued legal documents to address drug shortages and create conditions for the long-term development of the ETC system.

One prominent factor among them is the extension of drug registration numbers (Resolution 80/2023/QH15) effective from January 2023 and Circular No. 06/2023/TT-BYT, which regulates drug procurement at public healthcare facilities, resolving difficulties related to drug procurement, and implementing drug prices effective from April 27. These measures have contributed to the strong growth of the ETC channel in the first six months of the year. Additionally, the emergence of diseases such as Covid-19 (with the appearance of the XBB.1.16 variant), measles, hand-foot-mouth disease, etc., has led to an increased demand for drugs at public healthcare facilities. As a result, ETC drug procurement activities have become vibrant in the latter months of the second quarter, bringing optimistic growth for many pharmaceutical enterprises operating in the domestic market.

Additionally, the supply of goods has shown signs of improvement and relative adequacy in hospitals. At the same time, imported medicines have been more readily available compared to previous periods.

On the other hand, the OTC market has maintained its growth momentum in the first quarter of 2023. However, from the second quarter onwards, OTC sales have shown a declining trend. In the last 6 months of 2023, the OTC channel is expected to face various challenges in sustaining and growing due to the overall economic difficulties.

III. Performance of IMP stocks in Q2 2023

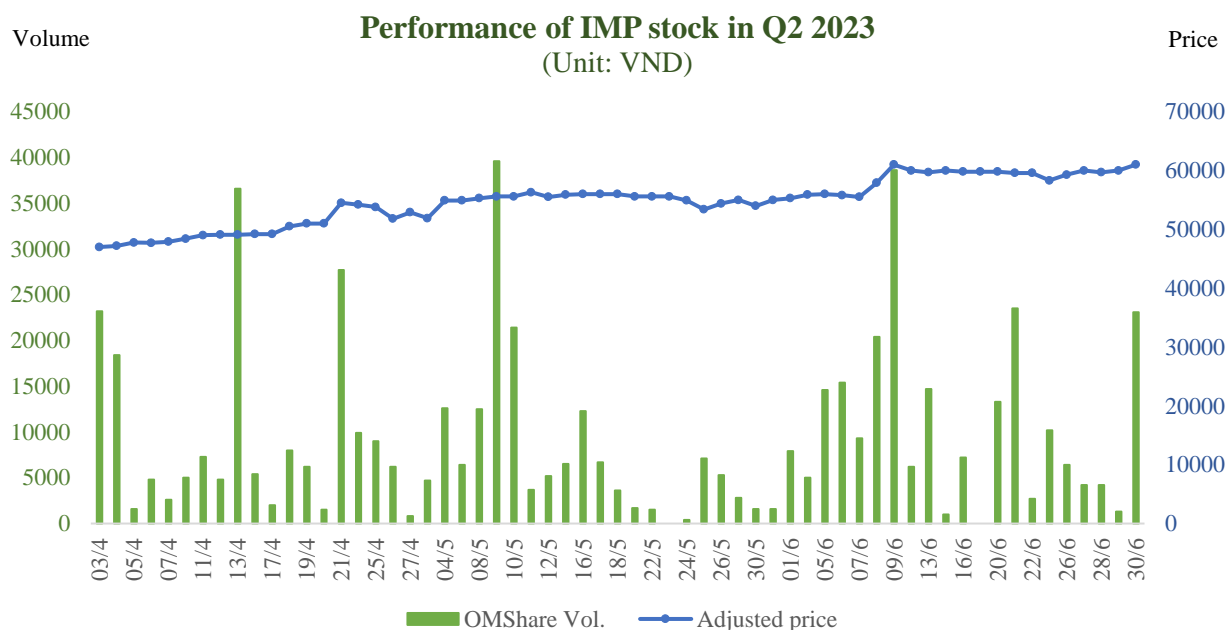
As of June 30, 2023

❖ Stock code	IMP
❖ Stock exchanges	HOSE

◇ Charter capital (VND billion)	667,1
◇ The number of shares outstanding (in millions of shares)	66,7
◇ Market Capitalization (VND billion)	4.067

In the second quarter of 2023, the IMP stock had 62 trading sessions with a total matched trading volume of 570,300 shares, and there were no negotiated transactions. Compared to the trading volume of 344,100 shares in the first quarter of 2023, the trading volume in the second quarter of 2023 increased by 65.7%. On average, there were 9,198 shares traded per day in the second quarter of 2023.

The highest closing price of IMP stock in the second quarter of 2023 was 61,000 VND per share on June 9, 2023, while the lowest price was 47,000 VND per share on April 3, 2023. The closing price of the last trading session in the second quarter of 2023 was 61,000 VND, an increase of 13,950 VND per share compared to the closing price of the last session in the first quarter of 2023.



Source: VietstockFinance

IV. Business activities of IMP in the first 6 months of 2023

No.	Financial ratios	6M2023	% plan	6M2022	Growth
I	Operating results (billion VND)				
1	Net revenue	919.0	52.5%	668.7	37.4%
2	Cost of goods sold	494.9		385.0	28.5%
3	Selling expenses	163.1		114.9	41.9%
4	Administrative expenses	63.5		43.9	44.6%
5	Operating profit	197.4		124.8	58.2%

6	Profit before tax	199.2	56.9%	125.2	59.1%
7	Profit after tax	157.5		99.2	58.8%
II	Assets – Capital (billion VND)				
1	Total assets	2,522.7		2,097.2	20.3%
2	Owner's equity	1,942.5		1,770.1	9.7%
3	Charter capital	667.1		667.1	0.0%
III	Liquidity (times)				
1	Current ratio	2.3		2.9	-0.6
2	Quick ratio	1.2		1.6	-0.4
IV	Profitability				
1	Profit before tax/Net revenue	21.7%		18.7%	3.0%
2	ROS	17.1%		14.8%	2.3%
3	ROE (last 4 quarters)	15.8%		11.4%	4.4%
4	ROA (last 4 quarters)	12.7%		9.1%	3.6%
5	EPS (basic) last 4 quarters (VND)	4,096		2,643	55.0%
6	BV (VND)	29,135		26,550	9.7%
7	P/E (times)	23.1		22.5	0.6
8	P/B (times)	2.1		2.2	-0.1
	<i>Market price on June 30 (VND)</i>	<i>61,000</i>		<i>59,500</i>	<i>1,500</i>

1. Business results

As of the first half of 2023, Imexpharm achieved a net revenue of 919 billion VND and a pre-tax profit of 199.2 billion VND, representing a 37.4% and 59.1% increase, respectively, compared to the first half of 2022. With these results, Imexpharm has accomplished 52.5% of the revenue plan and 56.9% of the profit target set in the 2023 Annual General Meeting. Imexpharm primarily sells products manufactured by the company itself, with Imexpharm's products accounting for 99% of sales, and other purchased products making up approximately 1% of the total sales.

In the months of May and June, the OTC channel experienced a decline due to reduced demand and the global economic difficulties, as well as the economic downturn in Vietnam. However, thanks to Imexpharm's efforts in supply, the company managed to leverage this situation to achieve strong growth momentum in the first quarter, maintaining a growth rate of 8.4% in the first six months of 2023, accounting for 58.1% of Imexpharm's total revenue structure. Sales and marketing activities were actively implemented by sales branches during the first 6 months to achieve these results.

Meanwhile, the ETC channel has seen an impressive growth of nearly 118% compared to the same period last year in the first six months of 2023, accounting for 41.9% of the total revenue. This can be explained by the low base effect of the first half of 2022, along with the government's measures to facilitate the sector, including the extension of drug registration numbers and resolving procurement obstacles for drugs and medical supplies. Additionally, the increasing demand for antibiotics, cough, and fever treatment products has contributed to the sales of the ETC channel.

Moreover, Imexpharm's efforts and flexibility in adapting to the market conditions have also played a significant role in achieving these positive results.

In the first half of 2023, the cost of goods sold increased by 28.5% compared to the same period last year, but it remained lower than the growth rate of net revenue, which was 37.4%. This occurred amidst a global supply chain disruption, political tensions, and escalating prices due to inflation. Imexpharm responded by restructuring its business lines, focusing on strategic and core products, and proactively increasing reserves of raw materials and finished products to meet market demand. Additionally, the company maintained a close and efficient distribution system and established strong connections with customers.

Selling expenses increased by 41.9% compared to the same period last year, mainly due to significant investments in sales and marketing activities. Additionally, business management costs also rose by 44.6%, primarily driven by increased employee salaries and expenses for outsourcing services to support enhanced management activities at Imexpharm.

2. Total assets – Owner's equity

As of June 30, 2023, Imexpharm's total assets amounted to 2,522.7 billion VND, a 20.3% increase compared to the same period in 2022, mainly driven by an increase in inventory. The company's equity capital increased by 9.7% compared to the end of the second quarter of 2022. However, the company's charter capital remained unchanged from the end of the 2022 financial year.

3. Liquidity - Profitability

Imexpharm's current ratio decreased by 0.6 times compared to the same period in 2022 due to the company stockpiling raw materials for production, especially for the IMP4 factory, which began supplying the market in 2023 after obtaining the EU-GMP certificate from the National Institute of Nutrition and Pharmacy of Hungary in the third quarter of 2022. Additionally, the quick ratio also decreased by 0.4 times compared to the same period. Overall, all payment ratios still remain at a safe level and are in line with the cautious working capital management strategy set by the Imexpharm's management board.

ROS increased by 2.3% compared to the same period last year, attributed to the growth in revenue along with the implementation of measures to reduce production, management, and operation costs. Additionally, efforts to enhance operational efficiency through risk management improvement, asset utilization, process optimization, and product quality enhancement have also contributed to this positive outcome.

In the first 6 months of 2023, ROE and ROA increased compared to the previous period due to a significant increase in after-tax profit compared to the same period last year. Additionally, EPS rose by 55% compared to the previous year, driven by the significant increase in profit margin and revenue.

As of June 30, 2023, the closing price of IMP stock was 61,000 VND, representing a 2.5% increase compared to the closing price of the last session in the second quarter of 2022. Due to the increase in stock price compared to the same period last year, the P/E ratio increased by 0.6 times, while the P/B ratio slightly decreased by 0.1 times.

V. Key activities in Q2 and plans for Q3 2023

1. Key activities in Q2 2023

On April 28, 2023, the AGM 2023 of Imexpharm Corporation was successfully held at the company's headquarters. The meeting also passed several important resolutions, including changes to the

structure of the Board of Directors and the organizational structure of the company following a new model. After the meeting, Imexpharm collaborated with SK to review all activities of the company, which helped the entire system operate efficiently and optimally. Additionally, it encouraged departments to propose initiatives and improvements for their work processes.

During the quarter, Imexpharm actively promoted activities in the ETC channel to increase its share in the overall revenue structure. At the same time, the company maintained marketing efforts and sales promotion in the OTC channel to boost sales volume and market share.

2. Plans for Q3 2023

In the third quarter of 2023 and the last six months of the year, Imexpharm aims to maintain a growth rate of 7%-10% in the OTC channel, despite the challenges posed by the difficult economic situation. Simultaneously, the company will focus on the development of the ETC channel with a more vertically integrated management approach. This strategy will enable Imexpharm to concentrate on providing the best solutions and products for the industry, thereby enhancing service quality, increasing customer satisfaction, and optimizing business efficiency.

Given the upcoming challenges in the market, Imexpharm will strengthen its alert system, review and prevent bad debt risks. The company will continue to effectively control inventory levels, ensuring that inventory is not excessively high to avoid impacting working capital, while still maintaining sufficient raw materials for production and meeting market demand in a timely manner.

In addition, Imexpharm will capitalize on and maximize opportunities to explore the depth of its product portfolio at the EU-GMP certified factories, as well as in the pharmaceutical industry market, to ensure the best implementation of revenue and profit targets entrusted by the AGM 2023.

In the third quarter as well, Imexpharm will continue to collaborate with SK Group in the process of restructuring the organizational management chart based on functions, aiming to ensure efficient operations and maximize benefits for all parties involved. Furthermore, the company will seek the Board of Directors' opinion on the dividend payment date for shareholders, following the resolution of the 2023 Annual General Meeting of Shareholders.

Please scan the QR code to send us any questions or inquiries you may have.



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