

# IR NEWS

*Quarter II of 2021*

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## **I. MACRO ENVIRONMENT IN QUARTER II OF 2021 AND FORECAST**

Although the pandemic is moving complicatedly since the beginning of quarter 3 in 2021, Vietnam economy in quarter 2 in 2021 witnessed a positive growth and many achievements. Total Gross Domestic Product in quarter 2 of 2021 increased by 6.6% year over year while GDP of the first 6 months rose by 5.64% compared to the corresponding period last year. GDP accumulated until the end of quarter 2 has been going up, but the growth rate is lower than the target of 6% set by the National Assembly. Service sector accounted for highest portion of 41.3% in the first 6 month GDP structure, the next position is industry and construction sector with the proportion of 37.61%; agriculture, forestry and fishery made up 12.15% and the last is product tax and subsidies constituting by 9.11%.

Agriculture, forestry and fishery has grown moderately while rice yield in winter-spring season experienced higher growth rate than ever before; Breeding sector and aquaculture have developed stably; key agricultural and aquaculture products also increased considerably.

Manufacturing industry in quarter II has grown positively thanks to the general recovery of export markets such as the USA, China and Europe. In quarter II, industry and construction recorded an increase of 11.45% compared to the corresponding period of previous year whereas the growth rate of the first 6 months of this sector was 8.91%. Garment and cloths witnessed the first half year growth rate of 8.6% and 8.9% respectively after being impacted for a long time due to travel restriction orders. Other industries including metal manufacturing, machine and equipment, producing car with engine all grew considerably.

Service sectors increased by 3.96% year over year. In which, total revenue of retails and service consumption went up 4.9% despite experiencing adverse impacts of the Covid-19 pandemic.

Foreign Direct Investment realized in the first 6 months of 2021 reached 9.24 billion USD, increasing 6.8% compared to the same period last year. In the first 6 months of 2021, total import-export turnover of goods was 316.73 billion USD, rising 32.2% year over year. In which export achieved 157.63 billion USD, increasing by 28.4%; import attained 159.1 billion USD, growing by 36.1%. Balance of trade of the first 6 months of 2021 was estimated at 1.47 billion USD and witnessed a trade deficit (Source: General Statistic Office).

The complicated outbreaks of the Covid-19 pandemic in quarter III of 2021 in Asian countries has been threatening the recovery of the global economy. However, there are some positive statements while the developed nations have been boosting vaccination and opened the prospect to end the pandemic. In the report of global economy outlook published in Jun 2021, World Bank has forecasted the global economic growth rate of 5.6%, the highest ratio after a recession over the last 80 years.

Regard to the Vietnam economy, the Covid-19 pandemic has been spreading fiercely at the end of Jun 2021 and threatening growth prospect of the whole economy. Outbreaks in industrial parks and hospitals have caused many obstacles to control, circle infected areas, and fight against the pandemic. The Vietnam economy in quarter 3 would be hugely affected by the 4<sup>th</sup> wave of the transmission.

There are many growth scenarios drawn for the Vietnam economy in 2021, typically the Vietnam economy would expand from 6% to 6.5% in case that the pandemic is basically controlled in July. On contrary, the Vietnam economy in 2021 would only develop from 5.1% to 5.3% in the negative prospect (Source: Dr. Can Van Luc and the group of authors of BIDV Training and Research center).

The significant resolution Vietnam has to perform is to control tightly and prevent infection momentum of the pandemic as well as implement to inject vaccines quickly to create herd immunity. Besides, in the online workshop “Vietnam economy in the first 6 months of 2021: Improvement to recover and grow sustainably”, the delegates emphasized that Vietnam

should prepare for the recovery and sustainable growth with 3 priorities including: ensure the combination between macroeconomic policies and innovations in microeconomic; stimulate the recovery of businesses and enhance internal forces, the independent level of the economy, boost creations and initiatives; develop technology and science to aim to the digital economy and prepare new skills to improve productivity.

## **II. VIETNAM PHARMACEUTICAL INDUSTRY IN THE FIRST 6 MONTHS OF 2021 AND FORECAST**

In 2020, Vietnam pharmaceutical industry encountered many difficulties due to impacts of the Covid-19 pandemic. At the beginning of 2021, the pharmaceutical industry was forecasted to witness positive growth. Nevertheless, there are many struggles coming to enterprises in quarter 2 when one of the key supply countries – India has experienced the pandemic outbreaks, which induced disruptions of the global material supply chain. As the result, companies have been facing with the risk of material price increase.

In addition, the 4<sup>th</sup> wave of the infection in Vietnam are more related to the hospitals; therefore, ETC channel are adversely influenced due to the fact that residences restrict to go to the hospitals. Lockdown and travel restrictions in some areas at the beginning of July 2021 might significantly impact on revenues of pharmaceutical enterprises in quarter 03.

However, in the long run, prospect of the Vietnam pharmaceutical industry is highly appreciated. According to assessment of Fitch Solutions, spending on healthcare would be estimated at 23 billion USD in 2022 and 42.9 billion USD in 2028. Urbanization ratio increasing year over year results raises in medical expenditures in cities together with aging population and many diseases causing spending for medicines to rise, which proves that Vietnam pharmaceutical industry still has rooms to grow. Furthermore, the development of Internet help accessing to medical services become more easy, thanks to this support, touching to drug distribution channel is smoother than it used to be. Additionally, modern selling channels would be gradually explored by pharmaceutical enterprises beside the traditional ones. Hence, merger and acquisition are predicted to be continually conducted in Vietnam pharmaceutical industry when the growth prospect is highly visible.

In quarter 3 of 2021, it is forecasted that the Vietnam pharmaceutical would encounter many obstacles in both OTC and ETC, social distancing is being applied in the large regions may create avoidable psychology to go to hospitals and medical representatives also are struggling to visit pharmacies and distribute medicines. Most enterprises import materials from overseas, especially from China and India; while India might witness the 4<sup>th</sup> wave of outbreaks in quarter 3, hence the global supply chain could face risk of disruption if India re-imposed social distancing and medicines price would increase due to rise in materials.

The pharmaceutical enterprises have to face duo challenges consisting of ensuring safety for employees in businesses and production during the pandemic as well as have appropriate inventory strategies when the global supply chain is fluctuating.

## **III. IMP STOCK IN QUARTER II 2021**

In quarter 2 of 2021, there were 21,305,381 IMP stocks traded. In which, 3,724,800 stocks are transacted via order matching and 17,580,581 are dealt under put through method. Total transaction volume in quarter 2 is 4 times higher than the figure of quarter 1 and 6 times higher than the same period of last year. Mostly, transactions in quarter 2 have been done

by put through. If order matching deals are separated, then total transaction volume in quarter 2 of 2021 increased by 15.3% year over year but decreased by 5.5% in comparison with the amount of quarter 1 2021.

In quarter 2, Imexpharm welcomed 2 major shareholders with ownership rate being higher than 5%, which were KBA Investment JSC and Sunrise Kim Investment JSC holding 7.37% and 7.71% respectively of total charter capital. Besides, in quarter 2 the shareholder-SK Investment Vina III Pte., Ltd also raised their ownership rate to 29.42 and continue to be the shareholder possessing largest amount of shares at Imexpharm.

#### IV. IMEXPHARM PERFORMANCE IN QUARTER II 2021

No.	Criteria	Q2/2021	% Plan 2021	Q2/2020	Growth rate
<b>I</b>	<b>Business performance (billion dong)</b>				
1	Total net revenue and other incomes	623.8	40.1%	597.3	4.4%
2	Net revenue	613.9		592.4	3.6%
3	Operating profit	112.7		108.0	4.4%
4	Profit before tax	116.9	40.3%	110.7	5.6%
5	Profit after tax	91.2		88.4	3.2%
<b>II</b>	<b>Assets- Resources (billion dong)</b>				
1	Total assets	2,228.8		1,940.3	14.9%
2	Owner's equity	1,696.5		1,586.6	6.9%
3	Charter capital	667.1		494.2	35.0%
<b>III</b>	<b>Liquidity ratio (times)</b>				
1	Current ratio	2.6		2.6	0.0 time
2	Quick ratio	1.5		1.4	0.1 time
<b>IV</b>	<b>Profitability ratio</b>				
1	Profit before tax/net revenue	19.0%		18.7%	0.3%
2	ROS	14.9%		14.9%	0.0%
3	ROE (latest 4 quarters)	13.0%		11.9%	1.1%
4	ROA (latest 4 quarters)	10.2%		9.6%	0.6%
5	EPS (adjust) latest 4 quarters	2,793		2,493	12.0%
6	BV (dong) adjust	25,446		24,713	3.0%
7	P/E (time) adjust	28.6		22.7	6.1 time
8	P/B (time) adjust	3.0		2.3	0.7 time
	Market price on 30/06 (dong)	79,800		56,500	41.0%

Total net revenue and other incomes in the first 6 months of 2021 of Imexpharm attained 623.8 billion dong, increasing 4.4% year over year and being equal to 40.1% of the annual plan approved by the General Meeting of Shareholders. While profit after tax grew 5.6% compared to the rate of the same period last year and met 40.3% of annual target. Impacts induced by the pandemic were more or less influencing to Imexpharm revenues in June in particular and in whole quarter 2 in general. Imexpharm products still played a vital role in

revenue structure with the proportion of 95%. Whereas, the portion of OTC/ETC was approximately 60%/40%.

Total assets at Imexpharm increased by 15% year over year due to raise in working capital to stockpile materials as well as serve for general demands of the Company due to uncertain movements of the market. Total owner's equity rose by 7% compared to the figure as of end of quarter 2 in 2020 thanks to growth of profit after tax in 2020 and issuance of shares for ESOP in quarter 4 of 2020. The Charter capital of the Company experienced an increase of 35% in comparison with the amount as of 30 June 2020 because of issuance stocks to pay dividend, award for existing shareholders and serve for ESOP in the second half of 2020.

Liquidation ratios did not change compared to the same period last year. Quick ratio slightly rose year over year. On the whole, liquidation ratios are in the safe range and complied with working capital policies of the Company.

Profitability ratios increased inconsiderably in comparison with the figures as of end of quarter 2 in 2020. However, due to low growth rate of profit in first half of 2021, profitability ratios could not increase as rapidly as in 2020.

Closing price of 30 Jun 2021 of IMP stock rose dramatically by 41% compared to the figure of the same day in 2020. Thus P/E and P/B also raised. Especially P/E soared 6 times compared to the P/E of the same time last year while P/B increased slightly by 0.7 time.

#### **V. REMARKABLE ACTIVITIES IN QUARTER II AND PLANS IN QUARTER III**

Imexpharm has registered list of shareholders being eligible to receive dividends by cash on 24 June and paid dividend on 16 July with the ratio of 15%/par value.

In the context of complicated movements of the pandemic, the key objective of Imexpharm is to ensure safety for all employees and keep business continuity. The leadership have arranged productions in compliance with the 3 in place criteria to ensure timely delivery of goods and not disrupt. In addition, the General Director of Imexpharm has issued many documents to instruct protection and fight against the pandemic as well as ensure safety in businesses and productions for all Imexpharm staff in compliance with guidelines of the Ministry of Health and of local authorities and functions.

Inventories and account receivable management are being conducted tightly to maintain an appropriate level of inventories and meet the working capital demand of businesses and productions of the Company.

Sales programs and Marketing activities are forecasted to be disrupted in social distancing time. Thus, the Company is enhancing online events to keep connections with customers and ensure continuity of distribution during the pandemic.

Imexpharm revenue growth in quarter 3 may be strongly impacted since many social distancing orders and travel restrictions are being imposed. Imexpharm always puts health and safety of all employees on the top priority as well as reinforce control activities to mitigate risk in the uncertain market with many unforeseen events.