

COMPANY MEETING NOTE

18/11/2024

RECOMMENDATION HOLD

Fair price	42,550
Current price	41,800
Upside/downside	2%

STOCK INFORMATION

Outstanding shares (mil)	154.0
Free float (%)	12%
Market cap. (billion VND)	6,376.97
3m avg. volume (shares)	150,991
Foreign ownership (%)	49.27%
First listing date	04/12/2006

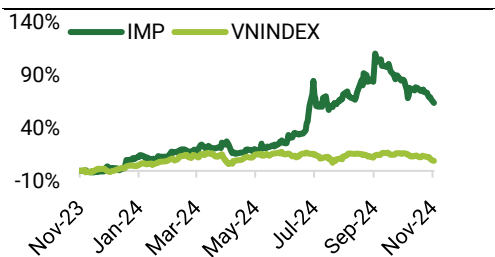
SHAREHOLDER STRUCTURE

SK Investment Vina III Pte. Ltd	47.70%
Vietnam Pharmaceutical Corporation - JSC	22.04%
Sunrise Kim Investment JSC	9.76%
KBA Investment JSC	7.37%
Others	13.13%

KEY ATTRIBUTES

TTM EPS (VND)	1,538
BVPS (VND)	13,961
Debt/Equity (%)	4.85%
ROA (%)	10.76%
ROE (%)	11.88%
P/E	25.73
P/B	2.97
Dividend yield (%)	2.36%

PRICE PERFORMANCE



PRICE PERFORMANCE

Imexpharm Pharmaceutical JSC (HSX: IMP) was established in 1977, originally known as Grade-2 Pharmaceutical Company in Cao Lanh City, Dong Thap Province. Imexpharm operates in the field of manufacturing and trading various pharmaceutical products, including various types of medicines and other medical products. IMP currently operates 4 factories, including 12 production lines meeting EU-GMP standards and leading the antibiotic market share in Vietnam, reaching 9.6%.

ANALYST(S)

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- Leveraging its leading position in the ETC channel and the recovery of the OTC channel, IMP reported quite positive performance in 3Q2024, with Net Revenue reaching VND 545 bn (+5.3% QoQ, +16.7% YoY) and PBT reaching VND 91 bn (+9.6% QoQ, +5.0% YoY).
- Notably, IMP continues to expand its market share in Tier 2, driving ETC channel revenue to grow by 47% YoY in 3Q2024, significantly outperforming the industry average.
- However, IMP has only achieved 66% of its revenue target after 9M2024, while PBT declined by 11.8%, reaching just 60% of the 2024 target. Compared to PHS's forecast, IMP's results underperformed expectations due to (1) sluggish OTC channel performance in 1H2024, underutilization of production capacity, compounded by offering higher discounts to pharmacy chains, (2) a 3% YoY increase in API prices and a 41% YoY rise in depreciation costs for the IMP4 plant to VND 79 bn. Consequently, we revised our 2024F projections for revenue and PBT to VND 2,159 bn (+8.3% YoY) and VND 360 bn (-4.5% YoY), respectively.
- The company recently commenced operations of the 3rd production line at its IMP4 plant in late October. Additionally, IMP plans to develop the Cat Khanh Pharmaceutical Factory Complex Project in Dong Thap meeting EU-GMP standards, with a total investment of nearly VND 1,500 bn.
- Our recommendation for IMP is HOLD with target price of VND 42,550/share, based on confidence in the overall outlook for the pharmaceutical industry and IMP's sustained position as a leading company in the sector.

9M2024 Business results update

IMP reported quite positive 3Q2024 performance with Net Revenue reaching VND 545 bn (+5.3% QoQ, +16.7% YoY) and PBT amounting to VND 91 bn (+9.6% QoQ, +5.0% YoY), primarily driven by leveraging its leading position in the ETC channel and the recovery of the OTC channel. In which:

- ETC channel revenue in 3Q2024 surged by 47% YoY, significantly outperforming the overall industry, which recorded a growth rate of 11% YTD. The majority of IMP's ETC revenue comes from Tier 2, which accounts for approximately 80%–90% of ETC channel revenue. IMP currently holds an 18% – 20% market share in Tier 2 as of 1H2024 and continues to expand its share through 3Q2024.
- OTC channel has shown signs of recovery with 3Q2024 revenue increasing by 8% YoY, driven by enhanced collaboration with major pharmacy chains like Pharmacy. As a result, sales revenue from pharmacy chains grew by 92% QoQ and 182% YoY in 3Q2024. For 9M2024, revenue from pharmacy chains increased by 158% YoY, with its contribution to OTC channel revenue rising to 10% in 3Q2024 from 5% at the end of last year.

Cumulatively 9M2024, IMP recorded Net Revenue growth of 12.1% YoY to VND 1,553 bn, achieving 66% of its 2024 revenue target, aligned with PHS PHS projections. However, PBT decreased by 11.8% YoY to VND 252 bn, fulfilling 60% of the 2024 profit target and 77% of PHS's full-year forecast.

Production line expansion

IMP has recently commenced operations of Line 3 at the IMP4 factory since late October. The factory has received quite a lot of pre-orders for the IMP4 plant, with its utilization rate expected to reach 80% - 90% in 4Q2024. Additionally, IMP4 generated positive cash flows in 3Q2024 and is anticipated to reach breakeven in 4Q2024.

IMP plans to build the Cat Khanh Pharmaceutical Factory Complex Project in Dong Thap province, adhering to EU-GMP standards with four therapeutic areas: cardiovascular, musculoskeletal, diabetes, and gastrointestinal treatments. The project will cover a total area of 25,000m², require an investment of VND 1,495 bn, and is designed with a capacity of 1.4 bn product units. The company plans to complete the necessary legal procedures in 1Q2025, start construction in 3Q/2025 with the goal of completing construction by the end of 2028.

Additionally, IMP plans to liquidate some unused real estates to focus its capital on the new project, expected to be implemented in 2025.

Projection of business results in 2024F and 2025F

We revise downward our 2024F earnings forecast and target price for IMP based on (1) lower-than-expected profitability due to the sluggish OTC channel in 1H2024, low factory utilization rates and offering high discounts to pharmacy chains, (2) a 3% YoY increase in API prices and a 41% YoY rise in depreciation costs for the IMP4 factory to VND 79 bn, (3) completion of a bonus share issuance at a 1:1 ratio in September 2024. We forecast IMP would record 2024F Net Revenue and NPAT of VND 2,159 bn (+8.3% YoY) and VND 286 bn (-4.5% YoY), respectively.

Based on the expectations of (1) the overall positive outlook for the pharmaceutical sector, driven by growing healthcare demand due to demographic factors and government policies favoring domestic drug manufacturers, (2) IMP's leading industry position, with 12 production lines meeting EU-GMP standards, providing long-term growth potential in the ETC channel, (3) recovery of the OTC channel in 2025 with contributions from pharmacy chain partnerships creating positive momentum, we forecast IMP would record 2025F Net Revenue and NPAT of VND 2,391 bn (+10.7% YoY) and VND 349 bn (+21.8% YoY), respectively.

Using DCF and EV/EBITDA methods, we estimate the fair price for IMP to be VND 42,550/share. Therefore, we recommend HOLD for IMP with a potential upside of 2% from the current price.

Table 1: Financial Indicators

	3Q24	3Q23	% YoY	9M24	9M23	% YoY	24F PHS Forecast - Old	24F PHS Forecast - New	25F PHS Forecast
Net Revenue (VND Bn)	545	467	16.7%	1,553	1,386	12.1%	2,267	▼ 2,159	2,391
PBT (VND Bn)	91	87	5.0%	252	286	-11.9%	435	▼ 360	439
NPAT (VND Bn)	72	70	3.9%	200	227	-11.9%	345	▼ 286	349
Gross Profit Margin (%)	38.3%	38.8%		38.0%	43.7%		40.2%	▼ 38.3%	40.0%
Net Profit Margin (%)	13.3%	14.9%		12.9%	16.4%		15.2%	▼ 13.2%	14.6%

Source: IMP, PHS compiled and projected

FINANCIAL STATEMENTS

VND Bn

Income statement	2022A	2023A	2024F	2025F	2026F
Net revenue	1,644	1,994	2,159	2,391	2,651
COGS	(946)	(1,184)	(1,331)	(1,433)	(1,576)
Gross profit	697	811	828	957	1,075
Selling expenses	(269)	(310)	(336)	(370)	(405)
SG&A expenses	(132)	(120)	(130)	(143)	(154)
EBIT	297	381	363	444	517
Financial income	(6)	(7)	(6)	(8)	(9)
Interest expenses	(4)	(6)	(6)	(7)	(8)
Profit before tax	291	377	360	439	511
Profit after tax	224	300	286	349	405
PAT of the parent company	224	300	286	349	405
Balance sheet	2022A	2023A	2024F	2025F	2026F
Current Assets	1,104	1,207	1,372	1,495	1,636
Cash & cash equivalents	179	106	173	191	225
Short-term investments	211	93	101	112	124
Short-term receivables	271	297	299	331	367
Inventories	436	699	787	847	905
Other current assets	7	12	13	14	16
Non-current Assets	1,173	1,185	1,140	1,041	946
Long-term receivables	0	2	2	2	2
Fixed assets	489	936	875	758	642
Investment properties	-	-	-	-	-
Construction in progress	581	47	56	66	78
Long-term investment	71	71	78	86	95
Other non-current assets	33	129	129	129	129
Goodwill	0	0	0	0	0
Total Assets	2,277	2,393	2,512	2,536	2,582
Liabilities	382	308	368	383	394
Current liabilities	382	308	368	383	394
Non-current liabilities	-	-	-	-	-
Equity	1,894	2,085	2,144	2,153	2,189
Contributed capital	667	700	1,540	1,540	1,540
Minority interest	-	-	-	-	-
Total Liabilities & Owners' Equity	2,277	2,393	2,512	2,536	2,582

Cashflow statement	2022A	2023A	2024F	2025F	2026F
Net Operating CF	379	(30)	303	407	481
Net Investing CF	(199)	70	(47)	(53)	(58)
Net Financing CF	(272)	(112)	(190)	(336)	(390)
Net Cash Flow	(92)	(73)	67	19	34
Opening balance	271	179	106	173	191
Closing balance	179	106	173	191	225
Key ratios (%)	2022A	2023A	2024F	2025F	2026F
Growth rate					
Sales	29.8%	21.3%	8.3%	10.7%	10.9%
PAT	18.2%	34.0%	-4.5%	21.8%	16.3%
Total assets	-0.8%	5.1%	5.0%	1.0%	1.8%
Equity	5.6%	10.0%	2.8%	0.4%	1.7%
Profitability					
Gross margin	42.4%	40.6%	38.3%	40.0%	40.5%
EBIT margin	18.0%	19.1%	16.8%	18.6%	19.5%
Profit margin	13.6%	15.0%	13.2%	14.6%	15.3%
ROA	9.8%	12.5%	11.4%	13.7%	15.7%
ROE	11.8%	14.4%	13.3%	16.2%	18.5%
Operating cycle					
Receivables days	62	54	50	50	50
Inventory days	168	214	214	214	207
Payables days	35	18	18	18	18
Liquidity					
Current ratio	2.89	3.92	3.73	3.90	4.15
Quick ratio	1.75	1.65	1.59	1.69	1.86
Financial structure					
Liabilities/Total Assets	0.17	0.13	0.15	0.15	0.15
Total Debt/Equity	0.20	0.15	0.17	0.18	0.18
Short-term debt/Equity	0.20	0.15	0.17	0.18	0.18
Long-term debt/Equity	-	-	-	-	-

(Source: PHS compiled and estimated)

Analyst Certification

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BUY: Stock has potential upside of more than 20%.

OVERWEIGHT: Stock has potential upside between 10% and 20%.

HOLD: Stock with limited potential upside of less than 10%.

UNDERWEIGHT: Stock has downside potential of 0% to -10%.

SELL: Stock has potential downside of below -10%.

NON-RATED: Stock is not rated under PHS's coverage or have not yet been listed.

Performance is defined as total return over 12 months (including dividends).

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