

10/05/2024

RECOMMENDATION	BUY
Fair price	77,200
Current price	66,500
Upside/downside	16%

STOCK INFORMATION

Outstanding shares (mil)	70.00
Free float (mil)	9.10
Market cap. (billion VND)	4,655.31
3m avg. volume (shares)	32,855
Foreign ownership (%)	49.65%
First listing date	12/04/2006

SHAREHOLDER STRUCTURE

SK Investment Vina III Pte. Ltd	47.67%
Vietnam Pharmaceutical Corporation - JSC	22.04%
Sunrise Kim Investment JSC	9.75%
KBA Investment JSC	7.37%
Others	13.17%

KEY ATTRIBUTES

TTM EPS (VND)	4,051.87
BVPS (VND)	30,662
Debt/Equity (%)	15%
ROA (%)	11.49%
ROE (%)	13.86%
P/E	16.41
P/B	2.17
Dividend yield (%)	1.50%

PRICE PERFORMANCE



COMPANY PROFILE

Imexpharm Pharmaceutical Joint Stock Company (HSX: IMP) was established in 1977, originally known as Grade-2 Pharmaceutical Company with a role in distributing drugs 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.

ANALYST(S)

Duong Trung Hoa
hoaduong@phs.vn

"PERFORMANCE-ENHANCING DRUGS"

- In 1Q2024, IMP reported contrasting financial results with a 2.5% YoY increase in Net Revenue to VND 491 bn, while PBT decreased by 21.5% to VND 77.8 bn, achieving 21% and 18% of the 2024 plan, respectively.
- IMP is the domestic company with the highest ETC channel winning value in the industry in 1Q2024, showing IMP's outstanding capacity and strong competitive position compared to domestic companies in ETC channel drug bidding.
- We believe that IMP would continue to record good growth in 2024 thanks to (1) domestic drugs being given priority in the bidding structure thanks to the Government's policies, (2) strong growth from the channel ETC and (3) factories meeting EU-GMP standards create long-term growth potential.
- We maintain our **BUY** recommendation with a fair price for IMP of 77,200 VND/share, corresponding to a potential upside of 16% compared to the current price.

1Q2024 Business results

At the end of 1Q2024, IMP recorded a Net Revenue increase of 2.5% YoY to VND 491 bn while PBT decreased by 21.5% YoY to 77.8 bn, completing 21% and 18% of the 2024 plan, reaching 97% and 86% compared to PHS's previous forecast, respectively. IMP4 factory began depreciation from July 2023 and API raw material prices remained high until early 2024, causing COGS in 1Q2024 to increase by 25% YoY to VND 310 bn, which was the main reason for the decline in profitability during the period. Therefore, Gross Profit Margin decreased to only 36.8%.

By the end of 2023, IMP4 factory's operational capacity had reached 61%, generating revenue of 80 billion VND after 5 months of operation. Meanwhile, IMP1, IMP2, and IMP3 factories had not yet reached their maximum capacity, indicates that IMP still has plenty of room to further accelerate its growth from 2024 onwards.

2024F Business plan

For 2024F, IMP has set a business plan to continue its strong growth compared to the previous year, with Gross Revenue increasing by 24% YoY to VND 2,630 bn. Specifically, revenue from the ETC channel is expected to grow even more robustly, reaching VND 1,316 bn (+49% YoY), while revenue from the OTC channel is projected to VND 1,214 bn (+12% YoY). Additionally, IMP anticipates Net Revenue for 2024F to increase by 19% YoY to VND 2,365 bn, and PBT to rise by 12% YoY to VND 423 bn.

In 2024, IMP continues to aggressively drive growth in both the ETC and OTC channels, with plans to expand OTC coverage in the Northern region, maximize penetration in the Central and Southern regions, and fully exploit the ETC channel with products including infusions and lyophilized powder.

We have the same viewpoint as IMP that revenue from the ETC channel will grow stronger than the OTC channel, with growth in 2024F forecast by us to be 20% YoY and 10% YoY respectively, lower than with IMP's forecast based on the expectation that ETC channel growth is expected to return to normal levels because it has recovered well in 2023 and the OTC market is saturated. Thereby, PHS forecasts that IMP will record net revenue and PBT

of VND 2,267 billion (+13.7% YoY) and VND 435 billion (+15.3% YoY), respectively.

Gross Profit Margin in 2024F is expected to decrease by 40 basis points to 40.2% due to the impact of rising API raw material prices and recording depreciation costs from the IMP4 factory. However, GPM is likely to witness a slight improvement quarter-on-quarter, with expectations that API demand will decrease, leading to a slight reduction in API prices this year as India takes steps towards self-reliant in API sourcing, reducing depend on China.

Dividend policy: IMP plans to pay dividends in 2023 and 2024 at 20% each year, including 10% in cash and 10% in shares.

Table 1: Financial Indicators

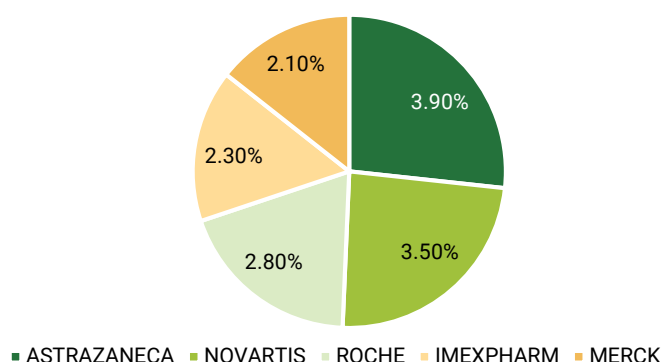
	2021A	2022A	2023A	2024F	2025F
Net Revenue (VND bn)	1,267	1,644	1,994	2,267	2,486
NPAT (VND bn)	189	224	300	345	383
Gross Profit Margin (%)	38.5%	42.4%	40.6%	40.2%	40.0%
Dividend (VND)	1,500	1,000	1,000	1,000	1,000

Source: PHS compiled and forecasted

1Q2024 Business results

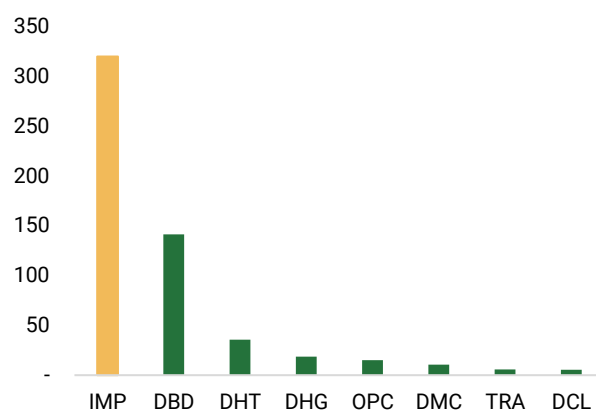
In 2023, Imexpharm was the only domestic pharmaceutical company to enter the top 5 companies in terms of revenue from the largest hospital channel, with a market share of 2.3% of total hospital channel sales. By 1Q2024, according to data from the Drug Administration of Vietnam, the value of winning bids for ETC channel drugs decreased by 31.7% YoY to VND 12,277 bn as healthcare facilities opted for rational drug structures, limiting less competitive drugs and reducing costs. However, IMP continues to experience strong growth in the bidding structure for ETC channel drugs, with revenue from this channel reaching VND 320 bn in 1Q2024 (+102% YoY). Meanwhile, revenue from the OTC channel in 1Q2024 decreased by 47% YoY to approximately VND 171 bn.

Figure 1: ETC channel market share in 2023



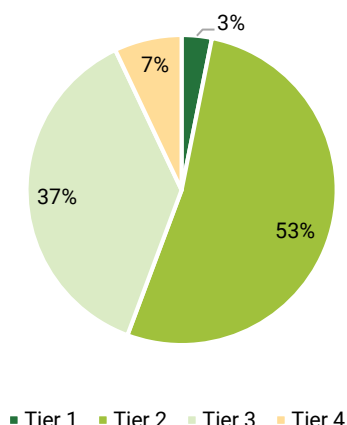
Source: VTMA Ethical Market, PHS compiled

Figure 2: ETC channel winning value of listed pharmaceutical companies 1Q2024 (VND bn)



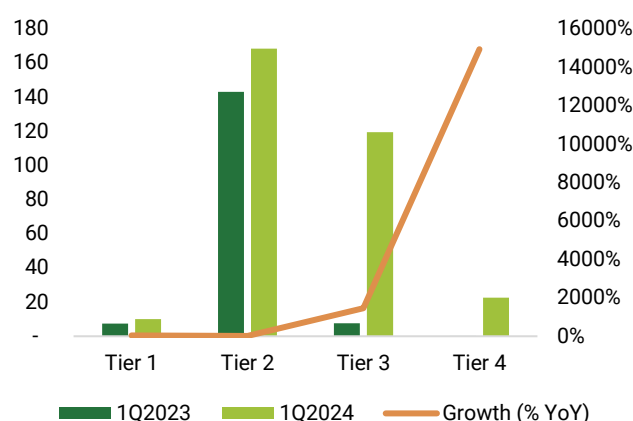
Source: DAV, PHS compiled and estimated

Figure 3: IMP's ETC revenue structure in 1Q2024



Source: DAV, IMP, PHS estimated

Figure 4: Winning value of IMP's ETC channel in 1Q2024 (VND bn)



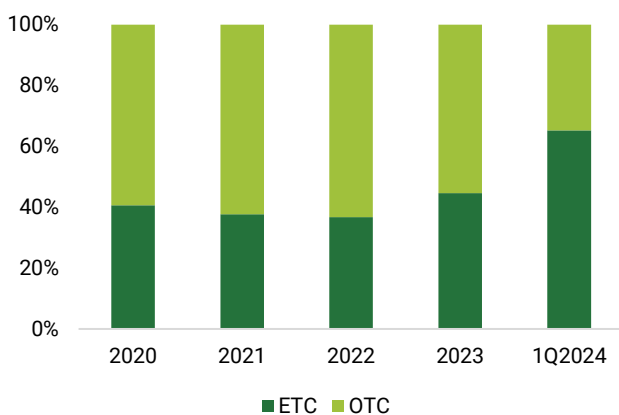
Source: DAV, PHS compiled and estimated

According to our estimates, IMP is the pharmaceutical company with the highest bidding value in the ETC channel in the industry in 1Q2024, approximately 2.3 times higher than the bidding value of the company ranked second, demonstrates IMP's superior capabilities and strong competitive position compared to domestic companies in the bidding for

ETC channel drugs. Additionally, the Ministry of Health has recently issued Circular 03/2024 on the list of drugs, with at least 03 domestic manufacturers producing drugs on production lines that meet EU-GMP standards, or equivalent EU-GMP standards and meet technical criteria as regulated by the Ministry of Health on quality, price, and supply capability. This provides certain advantages for IMP as the company has 17 types of drugs in the total list of 93 drugs issued under this Circular. Therefore, we believe that the ETC channel would continue to be the main growth driver for IMP in 2024.

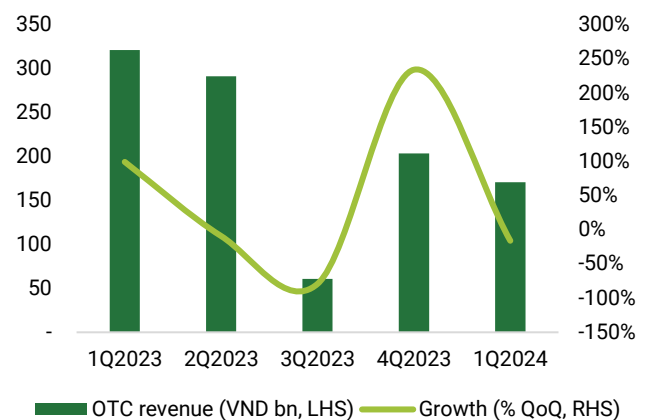
Revenue from ETC channel drugs in Tier 1, 2, 3, and 4 all saw strong growth compared to 1Q2023, reaching 35%, 18%, 1454%, and 14931% YoY, respectively. Among these, revenue from Tier 2 is the main growth driver for ETC channel revenue, accounting for approximately 53% of total ETC channel revenue in 1Q2024. The bidding value for Tier 2 drugs focuses on antibiotics such as Amoxicillin + Clavulanic Acid, Cefixime, and Sulbactam. Among the winning bid drugs manufactured by Imexpharm, Ampicillin + Sulbactam is a product with many suppliers, but Imexpharm's antibiotic products are considered the market leader in Vietnam (including both foreign and domestic companies). Meanwhile, revenue from Tier 1 and Tier 4 drugs accounts for a negligible proportion of ETC revenue structure, representing approximately 3% and 7% of total ETC revenue, respectively.

Figure 5: Revenue structure by distribution channel of IMP



Source: DAV, IMP, PHS estimated

Figure 6: IMP's OTC channel revenue over quarters



Source: PHS compiled and estimated

Additionally, revenue from IMP's OTC channel has experienced instability quarter by quarter and also recorded a decrease of approximately 47% YoY to VND 170 bn in 1Q2024. The proportion of revenue from the OTC channel has also decreased to 35% in IMP's revenue structure, compared to an average of over 50% during the 2021-2023 period. However, IMP still plans to continue expanding its coverage in the OTC channel through development strategies in the Northern market and maximizing penetration in the Central and Southern regions.

Projection of business results in 2024F

With several favorable factors such as demographics, the goal of universal healthcare, and the advantages in producing antibiotic drugs with production lines meeting EU-GMP standards, we believe that Imexpharm would continue to achieve good growth in 2024, with Net Revenue increasing by 13.7% YoY to VND 2,267 bn.

The revenue from the ETC channel is expected to increase by 20.0% YoY to VND 1,021 bn based on expectations of expanding health insurance coverage, increasing rates of chronic diseases and the development of hospital and clinic infrastructure. Additionally, according to IQVIA, antibiotic drugs currently have the largest share in the ETC channel and are forecasted to continue growing well in 2024. This is also IMP's main product line, accounting for 71% of revenue structure in 2023, especially injectable antibiotic products manufactured to EU-GMP standards, enable IMP to capitalize on opportunities in the ETC channel in 2024F. However, revenue from the OTC channel is expected to grow slower, reaching VND 1,162 bn (+10% YoY) as the OTC market tends to become saturated.

With the IMP4 factory operational since 2H2023 and the increase in API raw material prices, we adjust IMP's 2024F Gross Profit Margin to decrease to 40.2% (a 1.1% decrease from the previous forecast). Consequently, NPAT for 2024F is expected to increase by 15.3% YoY to VND 345 bn.

In 2024, Imexpharm also plans to expand its Non-antibiotic product portfolio and intends to build a new IMP5 factory in Quang Khanh Industrial Zone, Dong Thap Province. The new product line includes medications for cardiovascular diseases, diabetes, ENT (Ear, Nose, Throat) medications, cough and digestive medications. The company expects to receive land allocation in Quang Khanh Industrial Zone and commence construction in 2Q2024. The factory is projected to be completed and operational by 2026 - 2027.

In addition, in February 2024, IMP officially collaborated with Genuone Sciences - a major pharmaceutical company from South Korea, marking a significant milestone that enhances Imexpharm's superiority in producing high-quality specialty drugs. We believe that this collaboration would pave the way for IMP to participate in bidding for hospital channel drugs in the brand name drug, directly competing with imported drugs that have higher costs than domestic ones.

For 2025F, we believe that IMP would record Net Revenue and NPAT of VND 2,486 bn (+9.7% YoY) and VND 383 bn (+10.9% YoY), respectively, the main growth would still come from the ETC channel with ETC revenue in 2025F expected to VND 1,175 bn (+15% YoY).

Valuation and Recommendation

Using DCF and EV/EBITDA methods, we estimate the fair price for IMP at 77,200 VND/share. Therefore, we make a **Buy** recommendation with potential upside compared to the current price of 16%.

FINANCIAL STATEMENTS

VND bn

Income statement	2021A	2022A	2023A	2024F	2025F
Net revenue	1,267	1,644	1,994	2,267	2,486
COGS	(779)	(946)	(1,184)	(1,354)	(1,490)
Gross profit	488	697	811	912	996
Selling expenses	(181)	(269)	(310)	(345)	(371)
SG&A expenses	(73)	(132)	(120)	(130)	(143)
EBIT	234	297	381	437	482
Financial income	0	(6)	(7)	(6)	(3)
Interest expenses	(5)	(4)	(6)	(7)	(7)
Profit before tax	239	291	377	435	482
Profit after tax	189	224	300	345	383
PAT of the parent company	189	224	300	345	383
Balance sheet	2021A	2022A	2023A	2024F	2025F
Current Assets	1,176	1,104	1,207	1,354	1,513
Cash & cash equivalents	271	179	106	121	157
Short-term investments	112	211	93	106	116
Short-term receivables	295	271	297	314	344
Inventories	492	436	699	800	881
Other current assets	5	7	12	14	15
Non-current Assets	1,118	1,173	1,185	1,218	1,120
Long-term receivables	0	0	2	2	2
Fixed assets	510	489	936	947	828
Investment properties	-	-	-	-	-
Construction in progress	519	581	47	58	72
Long-term investment	51	71	71	81	89
Other non-current assets	38	33	129	129	129
Goodwill	0	0	0	0	0
Total Assets	2,295	2,277	2,393	2,572	2,633
Liabilities	500	382	308	396	348
Current liabilities	409	382	308	396	348
Non-current liabilities	92	-	-	-	-
Equity	1,794	1,894	2,085	2,176	2,285
Contributed capital	667	667	700	700	700
Minority interest	-	-	-	-	-
Total Liabilities & Owners' Equity	2,295	2,277	2,393	2,572	2,633

Cashflow statement	2021A	2022A	2023A	2024F	2025F
Net Operating CF	235	379	(30)	349	435
Net Investing CF	(83)	(199)	70	(117)	(115)
Net Financing CF	34	(272)	(112)	(218)	(283)
Net Cash Flow	186	(92)	(73)	15	37
Opening balance	85	271	179	106	121
Closing balance	271	179	106	121	157
Key ratios (%)	2021A	2022A	2023A	2024F	2025F
Growth rate					
Sales	-7.5%	29.8%	21.3%	13.7%	9.7%
PAT	-9.8%	18.2%	34.0%	15.3%	10.9%
Total assets	9.5%	-0.8%	5.1%	7.5%	2.4%
Equity	3.7%	5.6%	10.0%	4.4%	5.0%
Profitability					
Gross margin	38.5%	42.4%	40.6%	40.2%	40.0%
EBIT margin	18.5%	18.0%	19.1%	19.3%	19.4%
Profit margin	14.9%	13.6%	15.0%	15.2%	15.4%
ROA	8.2%	9.8%	12.5%	13.4%	14.5%
ROE	10.5%	11.8%	14.4%	15.9%	16.8%
Operating cycle					
Receivables days	87	62	54	50	50
Inventory days	228	168	214	214	214
Payables days	40	35	18	18	18
Liquidity					
Current ratio	2.88	2.89	3.92	3.42	4.35
Quick ratio	1.67	1.75	1.65	1.40	1.82
Financial structure					
Liabilities/Total Assets	0.22	0.17	0.13	0.15	0.13
Total Debt/Equity	0.28	0.20	0.15	0.18	0.15
Short-term debt/Equity	0.23	0.20	0.15	0.18	0.15
Long-term debt/Equity	0.05	-	-	-	-

(Source: PHS compiled)

Analyst Certification

The report was prepared by **Duong Trung Hoa, Analyst** – Phu Hung Securities Corporation. Each research analyst(s), strategist(s) or research associate(s) responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to each issuer or security that the research analyst, strategist or research associate covers in this research report, all of the views expressed by that research analyst, strategist or research associate in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s), strategist(s) or research associate(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst, strategist or research associate in this research report.

Ratings Definition

Buy = Expected to outperform the local market by >10%

Hold = Expected to in line with the local market by +10%~ -10%

Sell = Expected to underperform the local market by >10%.

Not Rated = The stock is not rated in Phu Hung's coverage universe or not listed yet.

Performance is defined as 12-month total return (including dividends)

Disclaimer

Phu Hung Securities Corporation does not hold itself responsible for completeness or accuracy of the report. It is not an offer to sell or solicitation of an offer to buy any securities. Phu Hung Securities and its affiliates, officers, employees may or may not have a position in or with respect to the securities mentioned herein. Phu Hung Securities (or one of its affiliates) may from time to time perform investment banking or other services or solicit investment banking or other business for any company mentioned in this report. All opinions and estimates included in this report constitute are based on the assessments of Phu Hung Securities as of this date and are subject to change without notice.

© Phu Hung Securities Corporation

21st Floor, Phu My Hung Tower,

8 Hoang Van Thai Street, Tan Phu Ward, District 7, HCMC

Phone number: (84-28) 5 413 5479

Fax: (84-28) 5 413 5472

Customer Service: 1900 25 23 58

Call Center: (84-28) 5 413 5488

E-mail: info@phs.vn / support@phs.vn

Web: www.phs.vn

Phu My Hung Trading office

CR2-08 building,

107 Ton Dat Tien, Tan Phu Ward, District 7, HCMC

Tel: (84-28) 5 413 5478

Fax: (84-28) 5 413 5473

District 1 Branch

Room 1003A, 10th Floor, Ruby Building,
81-83-83B-85 Ham Nghi, Nguyen Thai Binh
Ward, District 1, HCMC

Phone: (84-28) 3 535 6060

Fax: (84-28) 3 535 2912

District 3 Branch

4th & 5th Floor, D&D Tower,

458 Nguyen Thi Minh Khai, Ward 2, District
3, HCMC

Tel: (84-28) 3 820 8068

Fax: (84-28) 3 820 8206

Tan Binh Branch

Park Legend Building

251 Hoang Van Thu, Ward 2, Tan Binh Dis-
trict, HCMC

Tel: (84-28) 3 813 2401

Fax: (84-28) 3 813 2415

Thanh Xuan Branch

5th Floor, UDIC Complex Building,

N04 Hoang Dao Thuy, Trung Hoa Ward, Cau
Giay District, Hanoi

Phone: (84-24) 6 250 9999

Fax: (84-24) 6 250 6666

Hanoi Branch

5th Floor, Vinafor Building,

No.127 Lo Duc, Dong Mac Ward, Hai Ba
Trung District, Hanoi

Phone: (84-24) 3 933 4566

Fax: (84-24) 3 933 4820

Hai Phong Branch

F2, Eliteco Building,

Tran Hung Dao, Hong Bang District, Hai
Phong

Tel: (84-225) 384 1810

Fax: (84-225) 384 1801