

27/02/2024

RECOMMENDATION

BUY

Fair price	81,100 VND
Current price	66,200 VND
Upside/downside	23%

STOCK INFORMATION

Outstanding shares (mil)	70
Free float (mil)	9.1
Market cap. (billion VND)	4,564
3m avg. volume (shares)	28,428
Foreign ownership (%)	49.58%
First listing date	12/04/2006

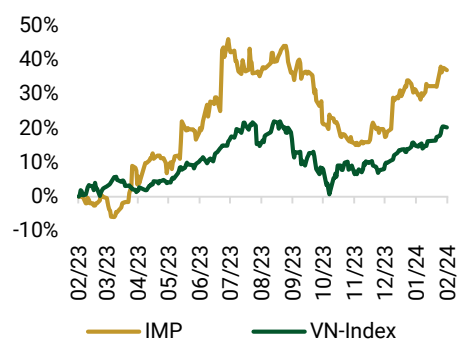
SHAREHOLDER STRUCTURE

SK Investment Vina III Pte. Ltd Vietnam Pharmaceutical Corporation - JSC	47.67%
Sunrise Kim Investment JSC	9.75%
KBA Investment JSC	7.37%
Others	13.18%

KEY ATTRIBUTES

TTM EPS (VND)	4,279
BVPS (VND)	29,778
Debt/Equity (%)	15%
ROA (%)	12.83%
ROE (%)	15.06%
P/E	15.24
P/B	2.19
Dividend yield (%)	0%

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)

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ETC channel leads the growth momentum

- At the end of 2023, IMP reported a 21% YoY increase in Net Revenue and a 34% YoY increase in NPAT, reaching VND 1,994 bn and VND 300 bn respectively, primarily driven by the revenue growth in the ETC channel benefiting from the EU-GMP factories.
- IMP is the only domestic company included in the Tier 1 bidding structure in 2023. The bidding value of IMP in Tier 2 also increased by 92.8% YoY to VND 1,119 bn in 2023.
- Our recommendation is to BUY with potential upside of 23%.

Forecast: We estimate that IMP's Net Revenue and NPAT in 2024F will reach VND 2,267 bn (+13.7% YoY) and VND 355 bn (+18.5% YoY) respectively, driven by the positive outlook for pharmaceutical sales growth, especially from the ETC channel (prescription drugs). We forecast that ETC channel revenue will continue to be positive in 2024F, estimated to VND 1,021 bn (+20% YoY) while revenue from OTC channel (non-prescription drugs) is expected to grow at a slower pace of 10% YoY to VND 1,162 bn. The Gross Profit Margin in 2024F is expected to improve to 41.3% as IMP increases its bidding for Tier 1 and Tier 2 drugs with higher value, and expects stable raw material prices due to effective raw material management policies.

Investment highlights: (1) Factories that meet EU-GMP standards create long-term growth potential: IMP2, IMP3 and IMP4 factories meeting EU-GMP standards will create a strong boost for ETC drug revenue, opens up opportunities to penetrate deeper into the Tier 1 drug bidding segment, while increasing IMP's competitiveness in the face of the increasingly strong entry of foreign drugs into Vietnam.

(2) The primary growth comes from the ETC channel: IMP is the only domestic enterprise participating in the bidding structure for Tier 1 drugs and is one of the companies with the highest bidding value in the antibiotic segment in Tier 2. In the Tier 2, IMP's market share in 2023 accounted for 16.6%, 1.8 times higher than the second-ranked domestic company.

(3) Government policy prioritizing domestic drugs: According to Decision No. 376/QĐ-TTg, the Government is moving towards a domestic/imported drug ratio of 75/25, which will contribute to promote IMP's future bidding value growth and creating increasingly distinct differentiation between ETC and OTC drugs. With no longer selecting the cheapest drugs, this is a golden opportunity for domestic drug manufacturers in Tier 2 and 3 with high-quality, competitively priced products.

Valuation & Recommendation: Using DCF and EV/EBITDA valuation methods, we derive fair value for IMP at 81,100 VND/share. Therefore, we make Buy recommendation for IMP with potential upside of 23%.

Risks: (1) Raw material source risk; (2) Antibiotic products are under high competitive pressure.

Financial Indicators	2020	2021	2022	2023	2024F
Net Revenue (VND bn)	1,369	1,267	1,644	1,994	2,267
Net Profit (VND bn)	210	189	224	300	355
Gross Profit Margin (%)	39.9%	38.5%	42.4%	40.6%	41.3%
Cash Dividend (VND)	1,500	1,500	1,000	N/A	N/A