DHG: 1H2022 business results

Hau Giang Pharmaceutical JSC (HSX: DHG) announced 1H2022 net revenue of VND2,184bn (+11.1% YoY) and EAT of VND490bn (+21.1% YoY). Finished products, capturing c.88% of DHG's overall net revenue, generated 18.3% YoY net revenue growth. The company focused on selling its strategic and key products, especially nutritional products and products related to COVID treatment such as Hapacol, Klamentin, Medlon, Bocalex, etc. Strong performance in the company's EAT was largely thanks to gross margin widening to 48.5% in 1H2022, compared with 46.5% in 1H2021, although the company projects 2022 gross margin may be maintained around 2021's level, driven by increased raw material prices owing to higher logistics and transportation costs, according our conversation with the company a few months ago. The SG&A expenses to net revenue ratio was 24% in 1H2022 versus 23.6% in 1H2021.

Comments: The first half result beat our expectations by c. 5% on the top line and c. 10% on EAT, which may be reflected in the coming update. Further details will be available after a full review of the 1H earnings and updated outlook for the company.

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