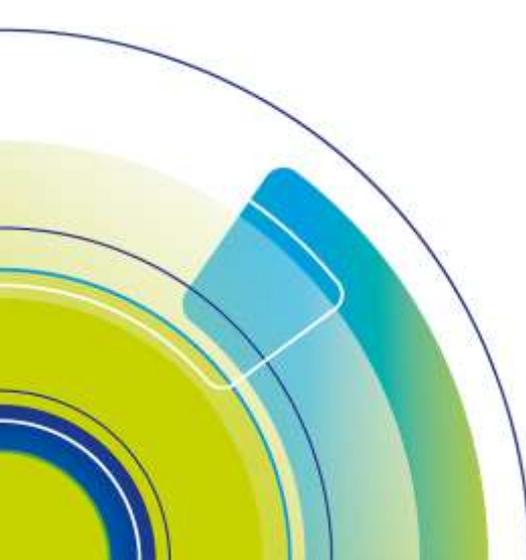




IMP Flash note – NOT RATED

July 3, 2024



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Earnings Flash note

Recommendation **NOT RATED**

HSX: IMP

Pharmaceutical

Target price (VND)	N/A
Market price (VND)	75,100
Expected share price return	N/A
Expected dividend yield	1.3%
Expected total return	N/A

Stock performance (%)

	YTD	1M	3M	12M
Absolute	32.7	9.5	10.5	30.3
Relative	19.4	10.0	12.0	16.2

Source: Bloomberg



Ownership

SK and related parties	64.8%
Vietnam Pharmaceutical Corp	22.0%

Stock Statistics 02-Jul-2024

Bloomberg code	IMP VN
52-week range (VND)	52,100 - 76,400
Shares O/S (m)	70
Mkt cap (VND bn)	5,257
Mkt cap (USD m)	206
Est. Foreign room left (%)	25.3
Est. free float (%)	N/A
3m avg daily vol (shrs)	38,638
VND/USD	25,465
Index: VNIIndex / HNX	1269.79/240.80

IMEXPHARM PHARMACEUTICAL JSC (IMP VN)

The hospital channel's contribution continued to broaden at the expense of the pharmacy channel's. A new factory is in the early phase of establishment.

IMP reported net revenue of VND491bn (+2.5% YoY) and EBT of VND78bn (-21.5% YoY) in 1Q2024, completing 21% and 18% of the company's full-year targets, respectively. Sales of finished goods captured almost 100% of the overall net sales.

The hospital channel (+58% YoY) outpaced the pharmacy channel to become IMP's largest earner, in line with the company's target to expand the hospital channel's contribution over the past years. The former accounted for 50% of the company's revenue in 1Q2024 (1Q2023: 37.5%; 2023: 42%; 2022: 34%) despite making a gap of just 2% from the latter (-9% YoY). A strong rebound in the hospital channel post Covid-19 could explain the result. Although IMP's sales to pharmacy chains jumped by more than 200% YoY in 1Q2024, the pharmacy channel's performance was still driven by drops of wholesales and mom-and-pop stores, which aggregately captured 91% of the channel's sales in 1Q2024. Furthermore, given the stagnant pharmacy market, IMP intentionally slowed down production in IMP1 factory to reduce inventories.

The EBT slumped in 1Q2024 as a result of a squeeze in gross margin despite an improved SG&A expenses to net revenue ratio. The gross margin slid to 36.8% in 1Q2024 (1Q2023: 48.2%), primarily attributed to higher depreciation owing to IMP4 coming online from 3Q2023 and slower production of other factories. Meanwhile, the SG&A expenses to net revenue ratio shrank to 20.0% in 1Q2024 (1Q2023: 27.2%) thanks to heightening cost efficiency.

The company is working to set up a new factory - IMP5, focusing on more complicated drugs (e.g cardiovascular, diabetes, etc.) beyond antibiotics, expected to go into operation in 2027. IMP1 factory captured the largest revenue contribution in 1Q2024 (42%), followed by IMP3 (35%), IMP2 (14%), IMP4 (5%) and others (4%). The mainstream products of these factories are antibiotics with various types of formulations. IMP4, which was qualified for EU-GMP in 2022 and started operation in 3Q2023, is expected to accelerate its operating capacity toward the end of this year. IMP currently owns 11 EU-GMP certified production lines, highest among Vietnamese pharmaceutical companies. The lines favour the company in bidding to hospitals.

Quick comment: IMP has maintained its position as one of Vietnamese prestigious pharmaceutical manufacturers. We believe that the company may continue to attract investors' attention thanks to investments in advanced production standards, R&D, strengths in the hospital channel and good financial health. However, similar to other listed pharmaceutical stocks, IMP has low trading liquidity.

	2022	2023	2024P
Net Sales (VNDbn)	1,644	1,994	2,365
Growth	29.8%	21.3%	18.6%
EBT (VNDbn)	291	377	423
Growth	22.0%	29.5%	12.2%
EPS (bonus-adjusted, VND)	2,582	3,760	
Growth	9.2%	45.6%	
ROE	12.1%	15.1%	
ROA	9.8%	12.8%	
Net debt/EBITDA (times)	(0.9)	(0.3)	
PER (times)	29.1	20.0	
Dividend (VND)	1,000	1,000	
Dividend yield (%)	1.3%	1.3%	

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BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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