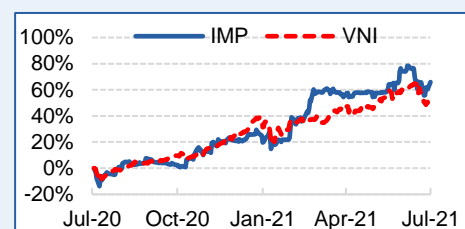




Imexpharm (IMP)

Earnings Flash

Industry:	Pharma		2020	H1/2021	2021F
Report Date:	July 20, 2021	Rev Growth	-2.4%	3.6%	24.1%
Current Price:	VND72,900	EPS Growth	28.0%	-1.4%	21.8%
Target Price**:	VND80,300	GPM	39.9%	42.5%	41.4%
Upside to TP:	+10.2%	NPM	15.3%	14.9%	15.5%
Dividend Yield:	2.7%	EV/EBITDA	15.1x	N/A	11.9x
TSR:	+12.9%	P/CFO	50.9x	N/A	16.6x
Rating**:	OUTPERFORM	P/E	25.6x	N/A	21.0x



Market Cap:	USD211mn		IMP	Peers*	VNI
Foreign Room:	USD0	P/E (ttm)	25.8x	16.6x	17.5x
ADTV30D:	USD64,000	P/B (curr)	2.9x	2.3x	2.6x
State Ownership:	22.9%	Net D/E	-0.0x	-0.1%	N/A
Outstanding Shares:	66.7 mn	ROE	12.9%	15.3%	15.0%
Fully Diluted Shares:	66.7 mn	ROA	10.2%	11.4%	2.4%
3-yr PEG	1.1				

*Domestic and foreign peers
 **TP and rating last updated May 20, 2021

Company Overview

IMP is a generic pharmaceutical company in Vietnam. Its main products include antibiotics and specific treatment medicines. IMP utilizes advanced technology that meets EU-GMP production standards.

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COVID-19, marketing expenses curb earnings

- IMP released its Q2 2021 results with net revenue of VND317bn (USD13.8mn; +10% YoY) and NPAT of VND49bn (USD2.1mn; +4% YoY). For H1 2021, net revenue reached VND614bn (USD26.7mn; +4% YoY) while NPAT amounted to VND91bn (USD4mn; +3% YoY), which completed 36% and 35% of our respective full-year forecasts. We note that in 2018 and 2019 (2020's quarterly results were abnormally volatile due to COVID-19), H1 NPAT accounted for 39%-42% of IMP's full-year NPAT — excluding provisions for the science & technology development fund, which ceased in 2020. Overall, H1 2021 results undershot our expectation, which we attribute to the negative impact from the current COVID-19 outbreaks on both pharmacy and hospital visits. Therefore, we see potential downside risk to our current forecasts, pending a fuller review.
- In-house product revenue (95% and 98% of IMP's H1 2021 revenue and gross profit, respectively) increased 9% YoY in H1 2021, of which pharmacy revenue (60% of IMP's in-house product revenue in H1 2021) advanced 8% YoY while hospital revenue surged 21% YoY. According to IMP, its in-house product revenue slumped 22% YoY in June 2021 when social distancing restrictions were imposed in HCMC — one of IMP's key markets.
- In-house product GPM stepped up 1.2 ppts YoY to 43.5% in H1 2021, driven by economies of scale and a better product mix. Based on our discussion with IMP, while prices of active pharmaceutical ingredients (API) have been advancing, the company has already stocked up for production up to Q3 2021 (and even up to Q4 2021 for some categories) at favorable prices, thereby mitigating this cost pressure.
- The bottom line was dragged by a 28% YoY jump in selling expenses in H1 2021 as IMP resumed marketing activities in April and May 2021.
- In 5M 2021, IMP won VND1.1tn (USD49mn) in contract value in hospital drug tender. 97% of this amount is attributed to tier 1 and 2 — the highest tiers of drug quality in hospitals. Despite short-term headwinds from COVID-19, the fact that IMP's winning value in 5M 2021 was already equivalent to 120% of 2020's winning value bodes well for its medium-term growth, in our view.

A summary of H1 2021 financials is presented on the next page.

IMP's H1 2021 results

VND bn	Q2 2020	Q2 2021	YoY	H1 2020	H1 2021	YoY	H1 2021/ VCSC's 2021F
Net revenue	289	317	10%	592	614	4%	36%
In-house products ⁽¹⁾	263	297	13%	535	586	9%	36%
Others ⁽²⁾	26	21	-19%	57	28	-51%	49%
Total gross profits	107	137	28%	234	261	11%	37%
In-house products ⁽¹⁾	107	132	23%	226	255	13%	37%
Others ⁽²⁾	0	5	N.M.	8	6	-27%	49%
Selling expenses	-32	-60	86%	-86	-109	28%	40%
G&A expenses	-17	-16	-5%	-35	-33	-5%	37%
EBIT	58	61	5%	114	118	4%	35%
Non-operating items	1	0	N.M.	-3	-1	-64%	10%
PBT	59	62	4%	111	117	6%	36%
NPAT	47	49	4%	88	91	3%	35%
Blended GPM	37.1%	43.1%		39.6%	42.5%		
In-house product GPM	40.9%	44.5%		42.3%	43.5%		
EBIT margin	20.2%	19.4%		19.2%	19.2%		
NPAT margin	16.4%	15.5%		14.9%	14.9%		

Source: IMP, VCSC

⁽¹⁾ We assume all reported revenue deductions and promotional goods are attributed to in-house products

⁽²⁾ OEM, exports and trading goods



VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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