Shinhan Securities



Binh Dinh Pharmaceutical & Medical Equipment JSC

[Vietnam / Pharmaceuticals]

Bloomberg Code (DBD VN) | Reuters Code (DBD.HM)

BUY

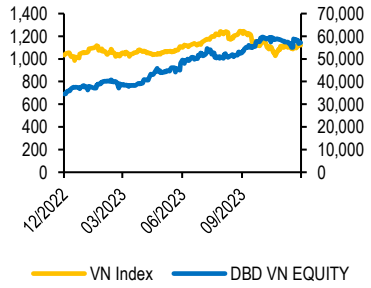
Initiation Coverage

Target price (12 months)	**VND 69,800**
Current price (14/12/2023)	VND 55,900
Return (%)	25%

VNINDEX	1,116
P/E market	11.9
Market Cap (bn VND)	4,184
Outstanding shares (1mn)	75
Free float (1mn)	50
52-week high/low (VND)	60,000/36,050
90-day avg. trading volume (1mn)	0.08
90-day avg. turnover (bn VND)	5
Foreign ownership (%)	11.27

Major shareholders (%)	Binh Dinh Development Investment Fund	13.34
	KWE Beteiligungen AG	6.04

Performance	3M	6M	12M
Absolute (%)	4.5	14.8	53.6
Relative to VN-Index (%)	13.3	14.9	47.3



Source: Bloomberg

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EU-GMP factory story

Initiate coverage with BUY call and Target price of VND 69,800

Binh Dinh Pharmaceutical & Medical Equipment Joint Stock Company (HoSE: DBD) is a pioneering Vietnamese enterprise in the field of cancer drug production in Vietnam. Based on FCFF and PE methods, we initially valued DBD at VND 69,800. In the long term, we expect the company's business results will continue to improve due to (1) The oncology drug business dominates domestically, (2) Investing in large factory projects that meet EU-GMP standards to increase the bidding pool, and (3) Raising the foreign ownership limit to 100% and high free-float.

The oncology drug business dominates domestically

Cancer drug products account for 19% of total revenue, 40% of ETC channel revenue, and span many types of diseases, such as: lung cancer, breast cancer, etc., with products ranging from injectable to pill form. The number of active ingredients the company uses is currently 17—the highest among domestic companies that produce cancer drugs. In which the active ingredients Bleomycin and Etoposide are the only two active ingredients that were only awarded by Bidiphar. Almost all of the company's cancer drug lines are only being bid in group 4 because the factory has not met EU-GMP standards.

Investing in large factories that meet EU-GMP standards to increase the bidding pool

In 2018, the company decided to build the Nhon Hoi factory, the largest cancer drugs factory in Vietnam, and completed it in November 2023. The factory is expected to have an EU-GMP license in 2025. At the same time, Bidiphar approved the decision to build a small-volume sterile injection factory with a total investment of 840 billion VND. The factory has a capacity of 1,600 tons per year and will produce 120 million products per year. In 2024, the company has a policy of approving the project to build a non-betalactam pill factory with a total investment of 820 billion VND. The factory is expected to be completed in 2028 and, at the same time, will also have a certificate to meet EU-GMP standards.

Raising the foreign ownership limit to 100% and high free-float

Bidiphar's foreign ownership limit has been raised to 100%, along with DHG and DMC. Besides, the company's free float ratio is also very high at 80% compared to DMC (14%) and DHG (6%) because it was bought by foreign companies. Therefore, individual investors will easily own pharmaceutical stocks by investing in DBD.

Risk: (1) Risk of drugs recall, (2) Risk of expired drug registration

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**1,555**	**1,778**	**1,909**	**2,056**	**2,273**
OP (bn VND)	273	349	350	388	411
NP (bn VND)	**244**	**294**	**296**	**331**	**352**
EPS (VND)	2,799	3,379	3,958	4,414	4,703
BPS (VND)	18,097	19,454	32,823	36,596	40,618
OPM (%)	18%	20%	18%	19%	18%
NPM (%)	16%	17%	16%	16%	15%
ROE (%)	19.5	20.9	15.1	12.7	12.2
PER (x)	13.4	20.6	17.6	15.8	14.8
PBR (x)	2.1	3.6	2.1	1.9	1.7
EV/EBITDA (x)	9.2	13.6	13.1	12.2	11.7

Source: Company data, Shinhan Securities Vietnam

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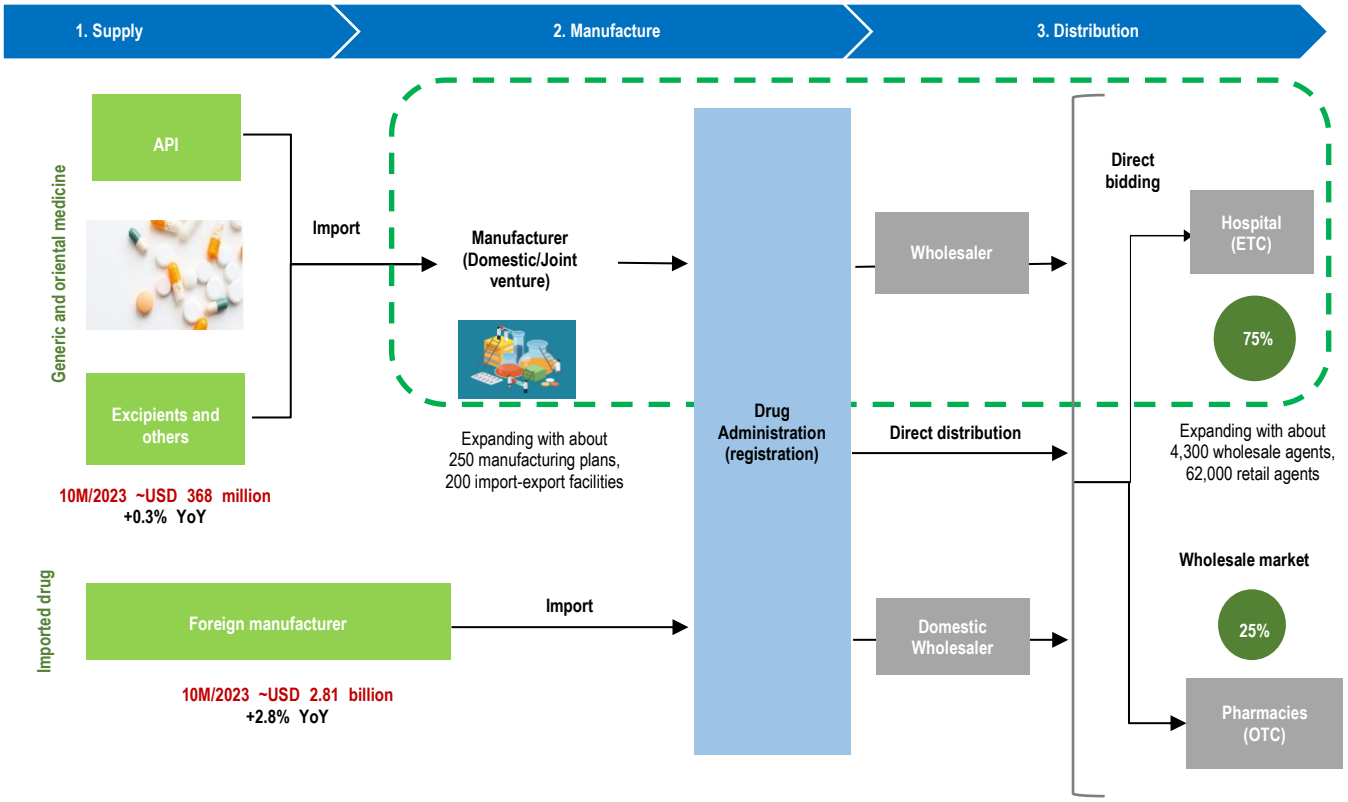
Company background

Industry background

The pharmaceutical industry is an important industry in every country. In 2022, spending on health accounted for 6.8% of GDP, reaching USD 27.9 billion. Input materials for the pharmaceutical industry are mainly imported from China, India, and Europe (69% from China and 20% from India, with a total import value of USD 368 million accumulated 10M/2023). Drugss in our country are mainly generic drugs (copies of original brand-name drugs), and there are no companies that can produce original brand-name drugs themselves. However, the cost of domestic drug production will be cheaper, thereby helping people benefit more. In addition, our country also heavily depends on imported drugs from abroad: France currently accounts for 14%, America for 13%, and Germany for 10%, with a total value of USD 2.81 billion.

According to our estimates based on data from the Drug Administration of Vietnam, out of VND 44,261 billion in cumulative drug winning value from January 1 to November 27, 2023, the winning value of domestically produced drugs reached VND 12,401 billion, accounting for 28%. Although the market share is still growing steadily, it is still quite far from the target of domestically produced drugs reaching a market share of 75% in quantity and 60% in value by 2025, according to Decision No. 376/QD-TTg approving the program to develop the pharmaceutical industry and domestically produced medicinal materials until 2030, with a vision to 2045.

Value chain of pharmaceutical industry



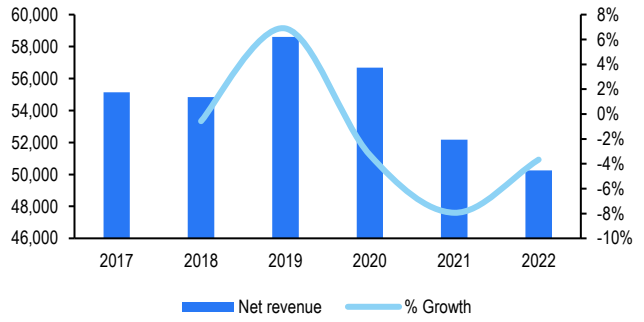
Source: GSO of Vietnam, Shinhan Securities Vietnam

In 2020, the COVID-19 pandemic caused pharmaceutical industry revenue to decline because the two main channels, OTC (Over-the-counter) and ETC (Ethical drugs), were affected by restrictions on medical examination and treatment to avoid cross-infection and even closed some non-essential medical clinics, causing the entire industry's revenue to decline seriously.

There are more and more pharmaceutical companies listed on the stock exchange today, which helps companies access better capital sources to build factories and facilities, invest more in raw materials for further

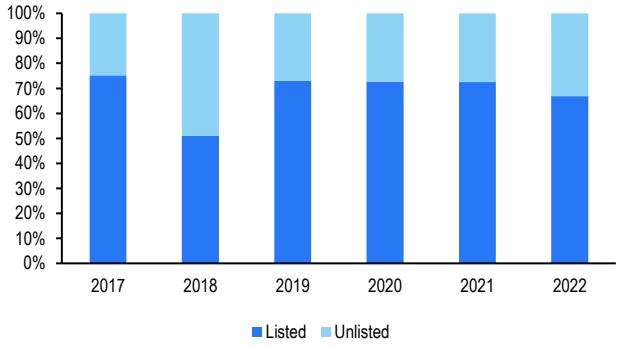
development, and improve the quality of drugs to serve people's medical examinations and treatments..

Revenue and growth of the pharmaceutical industry 2017-2022 (VND trn)



Source: Fiinpro, Shinhan Securities Company

Revenue of listed and unlisted companies 2017-2022



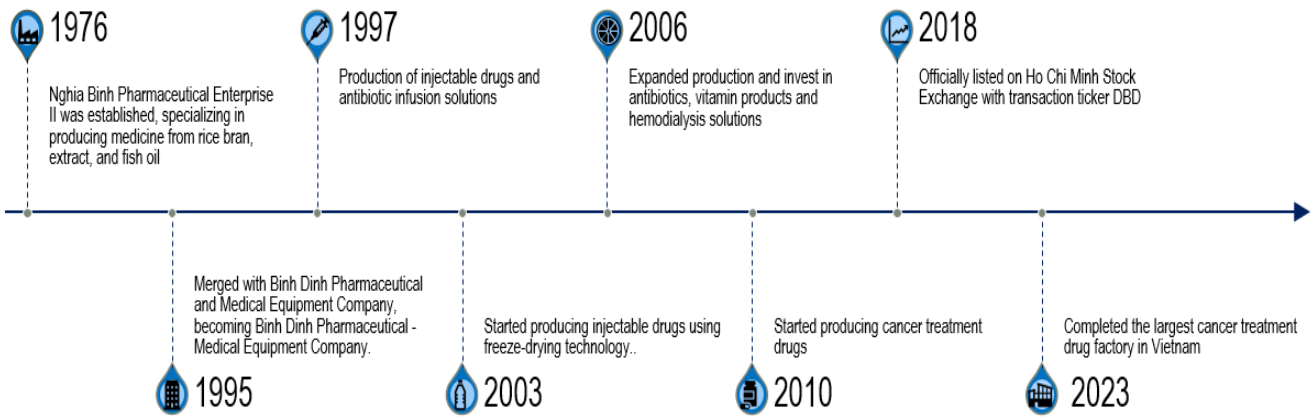
Source: Fiinpro, Shinhan Securities Company

Company background

Binh Dinh Pharmaceutical-Medical Equipment Joint Stock Company is a leading enterprise in manufacturing cancer drugs in Vietnam. The types of cancer drugs that the business is developing span many types of diseases, such as lung cancer, breast cancer, etc., with products ranging from injection to pill form. In addition to cancer drugs products, the company also has antibiotic products, with a revenue proportion of 13%.

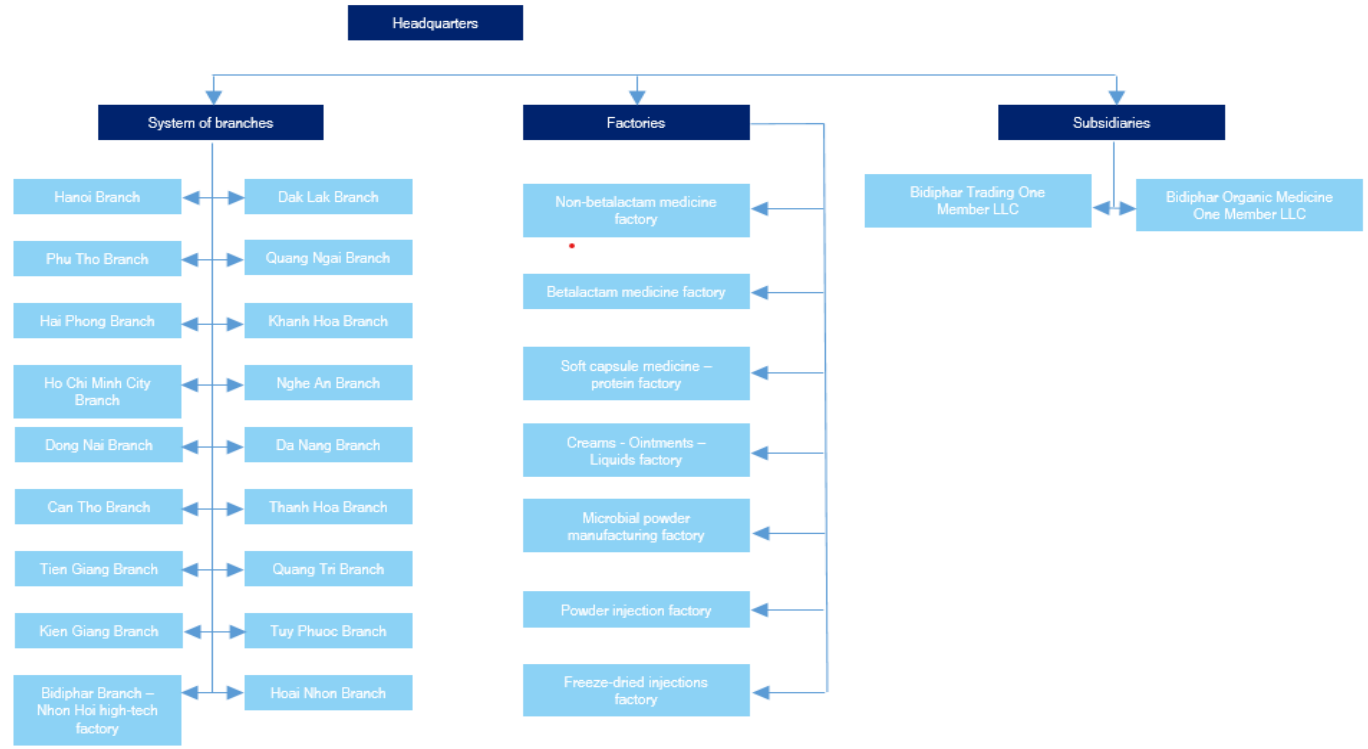
The company owns 2 factories and 7 workshops with 15 production lines, with a total output of 728 million products by 2022. In which the new Nhon Hoi high-tech factory is completed according to EU-GMP standards with 2 dosage forms: injection and tablet, the design capacity/year is 3 million products (injections) and 70 million products (pills).

Key important events of DBD



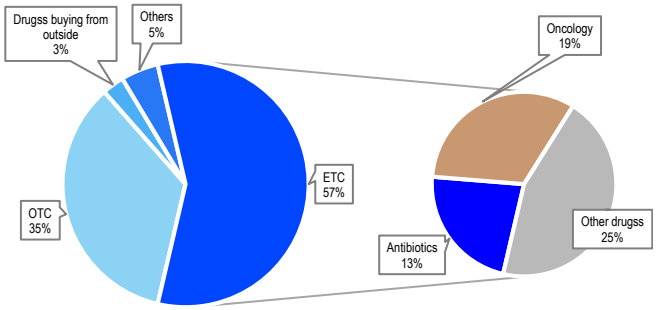
Source: DBD's annual report, Shinhan Securities Vietnam

DBD's structure



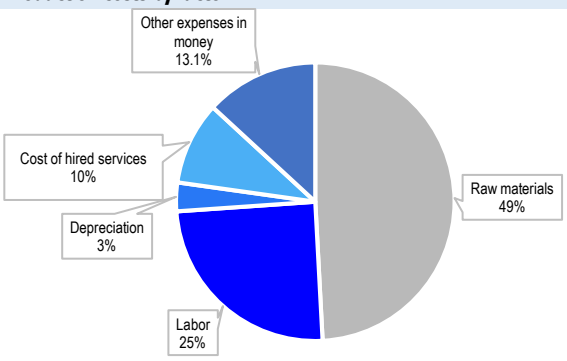
Source: DBD's annual report, Shinhan Securities Vietnam

DBD's revenue structure in 2022



Source: DBD's annual report, Shinhan Securities Vietnam

Production costs by factor



Source: DBD's annual report, Shinhan Securities Vietnam

Investment Catalysts & Theses

The cancer drug business dominates domestically

1. Overview of the cancer situation in Vietnam

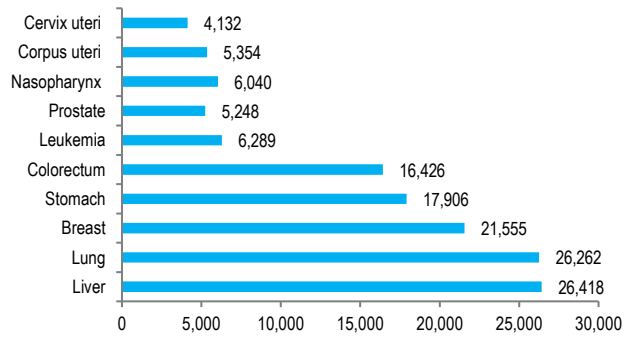
According to GLOBOCAN, in 2020 Vietnam had a total of 182,000 cancer cases, of which liver cancer is leading with nearly 26,500 cases in 2020, and male accounted for 76.7%. The number of deaths reported in 2020 is 122,690.

According to data from the 2022 International Cancer Conference on Cancer Prevention in Hanoi, the cancer incidence rate in Vietnam is the second highest in the world. K Hospital experts said the increase in new cancer cases is due to population growth and increased life expectancy. Cancer is a disease, and the older you get, the higher your risk of getting it. Besides, there are environmental and social factors such as environmental pollution, water, air, food, and unhealthy lifestyles such as smoking, alcohol abuse, lack of exercise, etc. At the same time, advances in diagnosis also help us find more cancer patients.

By gender, men have a higher rate of liver cancer than women, with 77% of cases, and the death rate is similar. Calculated according to the age-standardized disease index (ASR), out of 100,000 people, there are 34 with breast cancer, and the second is liver cancer with 23 cases.

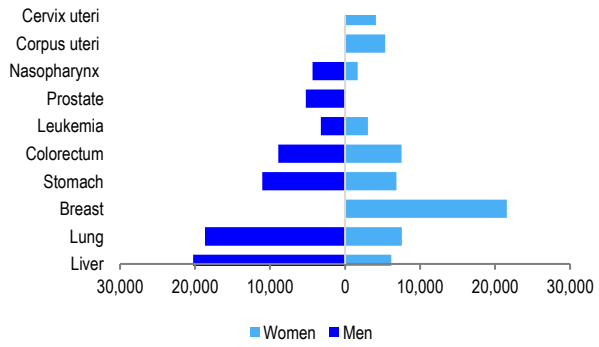
By gender, men have a higher rate of liver cancer than women, with 77% of cases, and the death rate is similar. Calculated according to the age-standardized prevalence rate (ASR) index, out of 100,000 people, there are 34 with breast cancer, and the second is liver cancer with 23 cases.

Top 10 common cancers in Vietnam (number of cases)



Source: GLOBOCAN 2020, Shinhan Securities Vietnam

Main cancers by gender (number of cases)



Source: GLOBOCAN 2020, Shinhan Securities Vietnam

2. Bidiphar's business situation

2.1. The oncology drug segment is the company's strength and main growth driver

The total cancer drug market is 335 million USD/year with a growth rate of 38%/year. For DBD, the 2019-2022 CAGR growth rate is also 38%/year. Bidiphar's production of cancer drugs brings great value to the country's medical industry because the company has helped save drug costs because the drug price is only about 70% compared to imported cancer drugs.

Oncology medicinal products account for 19% of total revenue and 40% of ETC channel revenue. The number of active ingredients the company uses is currently 17—the highest among listed companies that produce cancer drugs. In which the active ingredients Bleomycin and Etoposide are the only two active ingredients that were only awarded by Bidiphar. Almost all of the company's cancer drug lines are only being bid in Group 4 because the factory has not met EU-GMP standards (Circular 06/2023/TT-BYT - Appendix 1). The company is currently investing in two new factories that meet EU-GMP standards to upgrade drug bidding. In addition, based on cumulative data for 11M/2023, Binh Dinh Pharmaceutical always keeps the ETC channel market share at a stable level among listed companies (6%), larger than Hau Giang Pharmaceutical (2%)

and behind Imexpharm (8%).

Currently, DBD's cancer drug winning value in 11M/2023 is estimated by us to be ~ VND 281 billion (+84% YoY), this growth comes from (1) the hospital channel being fully operational again. After the pandemic, people can go to the doctor again after the lockdown period; (2) state management agencies have issued a series of new legal documents to help clear up difficulties and obstacles in bidding work and (3) a priority policy for domestic drugs if biological testing is equivalent to imported drugs.

Besides DBD, other pharmaceutical enterprises producing cancer drugs in Vietnam are mainly large foreign enterprises, such as: Sanofi-Aventis Deutschland GmbH, Ebewe Pharma Ges.m.b.H.Nfg.KG, Fresenius Kabi Oncology Ltd., etc. However, these businesses will not be able to distribute drugs directly into Vietnam but will distribute them through a domestic pharmaceutical company to distribute through the ETC channel.

2.2. Antibiotics

In the revenue structure by product, anti-infectious drugs account for 27%, peritoneal dialysis and hemodialysis solutions account for 11%, pain relievers and fever reducers account for 8%, and other drugs account for 32%. Thus, besides cancer drugs, other drugs also play an important role in Bidiphar's revenue structure. According to our estimates, by 11M/2023 this segment will bring in about VND 423 billion in the bidding channel. Equivalent to 60% of DBD's ETC channel revenue, the majority of which are injectable drugs (accounting for 63% of DBD's total ETC revenue), hemodialysis solutions account for 22%. However, because the factory has not yet granted EU-GMP standards, the company's antibiotic products are still being bid in Groups 3-5. We expect that having EU-GMP certification in the coming years will help the company's revenue increase significantly in the near future.

Invest in large factory projects that meet EU-GMP standards to increase competitiveness

1. Nhon Hoi factory project has been completed and will soon be approved to meet EU-GMP standards:

Nhon Hoi high-tech factory was invested and built in 2019 and has now completed and put into operation the injectable cancer drug line and the tablet cancer drug line from this quarter. The company is currently planning to approve the factory to meet EU-GMP standards. According to our estimates, the time from submitting the application to the government agency in the territory until receiving EU-GMP certification will be at least 6 months. The specific times are as follows:

	Territory authorities evaluates the dossier	Bidiphar fixes the finding GAPs (if any)	Complete the procedure
1. Cancer treatment injectable drug line	15/11/2024		05/2025
2. Cancer treatment pill line	31/03/2025		09/2025

2. Invest in a small volume sterile drugs factory with an initial capital of VND 840 billion

In 2023, Bidiphar approved the decision to build a small-volume sterile injection factory with a total investment of VND 840 billion. The factory has a capacity of 1,600 tons per year, will produce 120 million products per year, and will start construction in November 2023. To finance this project, the company is planning a private offering to up to five investors with a minimum price not lower than 50,000 VND/share. It is expected that the number of additional shares issued will account for ~25% of the total outstanding shares.

The factory mainly produces injectable cancer drugs, with the goal of meeting EU-GMP standards by 2027.

The expected roadmap to build a new factory is as follows:

Q2-Q3/2023: Capacity design and Construction commencement

Q1-Q3/2025: Complete installation, GMP-WHO appraisal, and submit drug registration application

Q4/2026: Has a registration number

Q1/2027: Put the factory into production and have revenue

Q3/2028: Certified to meet GMP-EU

After going into operation, the factory will achieve the following expected revenue:

2027	2028	2029	2030	2031
580,817	676,334	757,405	1,255,420	1,685,095

Source: DBD's investor relations report in Q3/2023

Unit: VND million

2. Invest in a non-betalactam drug factory with an initial capital of VND 820 billion

In 2024, the company has a policy of approving the project to build a non-betalactam (non-antibiotic) pill factory with a total investment of 820 billion VND. The factory is expected to be completed in 2028, and at the same time, it will also have a certificate to meet EU-GMP standards. After going into operation, the factory will achieve the following expected revenue:

2028	2029	2030	2031	2032
356,647	503,808	728,579	1,621,609	1,957,858

Source: DBD's investor relations report in Q3/2023

Unit: VND million

Currently, we have not included this factory in the valuation model but will wait for further announcements from the company on the disbursement plan and will update in the next report.

Raising the foreign ownership limit to 100% and high free-float

Bidiphar's foreign ownership limit has been raised to 100% along with DHG and DMC. Besides, the company's free-float ratio is also very high at 80% compared to DMC (14%) and DHG (6%) because they are owned over 50% by foreign investors. Therefore, individual investors will easily own pharmaceutical stocks by investing in DBD.

Pharmaceutical companies/Hospitals with foreign strategic investors

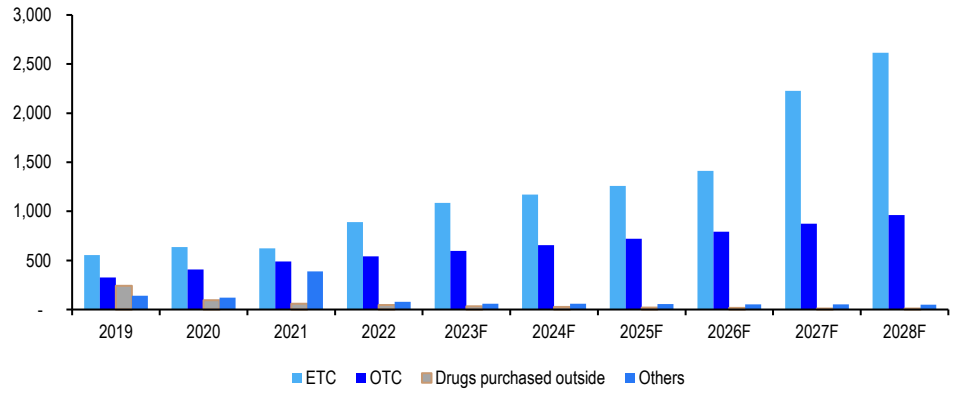
Name of domestic companies	Large foreign investor	Ownership rate
Domesco Medical Import Export JSC (DMC)	Abbott Laboratories (Chile) Holdco SpA	51.69%
DHG Pharmaceutical JSC (DHG)	Taisho Pharmaceutical Co., Ltd	51.01%
Imexpharm Corporation (IMP)	SK Investment Vina III Pte. Ltd	64.79%
Thai Nguyen International Hospital JSC (TNH)	KWE Beteiligungen AG	10.79%
Binh Dinh Pharmaceutical - Medical Equipment JSC (DBD)	KWE Beteiligungen AG	6.04%

Source: Fiinpro, Shinhan Securities Vietnam

Earning Estimates

We forecast that ETC revenue will continue to grow strongly, with a 2023F-2028F CAGR of 16%, with the growth of cancer treatment drugs and antibiotics. The OTC segment will grow more slowly as the company focuses on bidding for drugs through hospital channels. In other revenue, the Medical Equipment segment will decrease its growth rate because demand for machines is currently decreasing, and the company is restructuring this segment and intends to establish a new subsidiary to manage it.

Earnings forecast of DBD (2023F –2028F) (VND billion)



Source: Shinhan Securities Vietnam

We assess that Bidiphar's revenue in 2023 and 2024 will continue to grow with the oncology drug segment being heavily invested. We forecast total revenue in 2024 to reach VND 1,909 billion (+7.4% YoY) and profit after tax to reach VND 294 billion (+0.7% YoY). And it is expected that after completing the construction of the factory meeting EU-GMP standards at the end of 2025, the company's revenue will grow strongly in 2026 and 2027, with revenue increasing by +10.6% YoY and +39.2% YoY, respectively.

DBD's annual earnings trend and outlook (2022-2027F)

(Unit: Bn VND)	2022	2023F	2024F	2025F	2026F	2027F
Net Sales	1,555	1,778	1,909	2,056	2,273	3,164
Drugs	1,501	1,759	1,904	2,057	2,280	3,177
Drugss purchased outside	45	34	26	20	15	11
Medical equipment	38	34	31	27	25	22
Other	34	18	19	20	21	22
Deductions	-62	-68	-70	-69	-67	-68
Operating profit	723	917	967	1,054	1,159	1,612
Gross Profit	273	349	350	388	411	605
Net profit	244	294	296	331	352	520
Margin (%)						
OPM	46.5%	51.6%	50.7%	51.3%	51.0%	50.9%
GPM	17.6%	19.7%	18.4%	18.9%	18.1%	19.1%
NPM	15.7%	16.5%	15.5%	16.1%	15.5%	16.4%
Growth (%YoY)						
Net Sales	-0.3%	14.3%	7.4%	7.7%	10.6%	39.2%
OPM	15.1%	26.8%	5.5%	9.0%	9.9%	39.1%
GPM	27.8%	27.8%	0.3%	10.6%	5.9%	47.3%
NPM	20.8%	20.8%	0.7%	11.5%	6.5%	47.6%

Source: Company Data, Shinhan Securities Vietnam

Valuation and Recommendation

Initiate coverage with BUY call and TP of VND 69,800

We initiate coverage for Binh Dinh Pharmaceutical-Medical Equipment Joint Stock Company with a BUY recommendation and target price of 69,800 VND, corresponding to an upside of 25% compared to the

current price. For a long-term vision, DBD is an investment that can be considered in the current context with the following advantages:

1) The cancer drug business dominates domestically
2) Invest in large factory projects that meet EU-GMP standards to increase competitiveness
3) Raising the foreign ownership limit to 100% and high free-float

Valuation

We apply a combination of P/E and Discounted Cash Flow (DCF) valuation methods with 70% and 30% weights to value DBD.

FCFF valuation

(Unit: VND bn)	2023F	2024F	2025F	2026F	2027F	2028F
Net Income	294	296	331	352	520	593
Plus: Interest after tax	6	5	3	2	1	1
Plus: D&A	80	96	92	88	82	53
Less: Net working capital	(68)	27	(99)	(93)	(302)	(5)
Less: Capex	(420)	(312)	(312)	(312)	(175)	0
FCFF	**(108)**	**112**	**15**	**37**	**125**	**641**
Discount factor	1.0	0.9	0.8	0.8	0.7	0.6
PV of FCF	(108)	102	12	28	86	401
Terminal growth (%)	2%					
PV of Terminal value	5,212					
Enterprise value	5,842					
Net borrowing	(172)					
Cash and equivalent	109					
Total outstanding share	74,883,559					
Target price	**77,174**					

WACC (%)	**9.2%**
Risk-free rate (%)	3%
Equity risk premium (%)	9.57%
Beta	0.51
Liquidity risk	2%
Cost of debt (%)	4.5%
Cost of equity (%)	9.9%
Debt to capital ratio (%)	10.7%
Value of debt (bn VND)	172

Source: Company Data, Shinhan Securities Vietnam

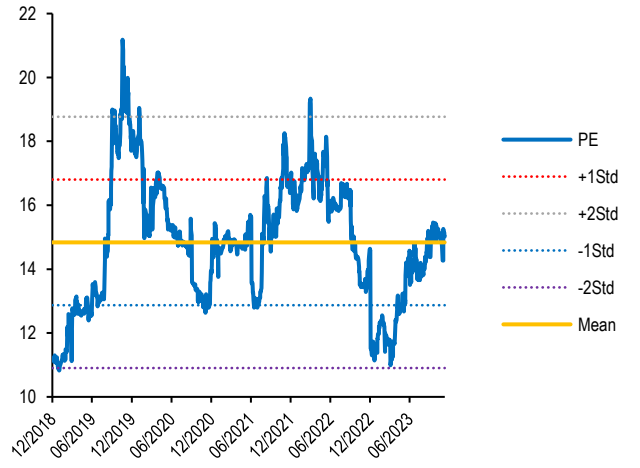
For the Weighted Average Cost of Capital (WACC), we use the 10-year Vietnamese government bond yield at 3.0% as the risk-free rate. Beta is calculated based on the last 5 years' historical data of DBD and VNINDEX. Based on those assumptions, DBD's FCFF target price is valued at VND 77,174.

Based on the P/E method, we collect data from companies in the same industry similar to DBD plus DBD's 5-year average P/E, with a weight of 50%. We estimate DBD's target P/E at 16.8x. With the 2024 forward EPS at VND 3,958, DBD's target price is VND 66,605.

Ticker	Company name	Market Cap (billion VND)	2018-2022 PER
DHG	DHG Pharmaceutical Joint Stock Company	13,585	18.30
DVN	Vietnam Pharmaceutical Corporation - JSC	4,341	19.80
IMP	Imexpharm Corporation	3,850	18.64
TRA	Traphaco Joint Stock Company	3,204	15.92
DMC	Domesco Medical Import Export Joint Stock Corporation	2,025	10.77
OPC	OPC Pharmaceutical Joint Stock Company	1,467	13.03
Average of industry	17.50		
5 yrs average of DBD	16.16		
Target P/E	16.83		
EPS 2023F	3,958		
Target price	**66,605**		

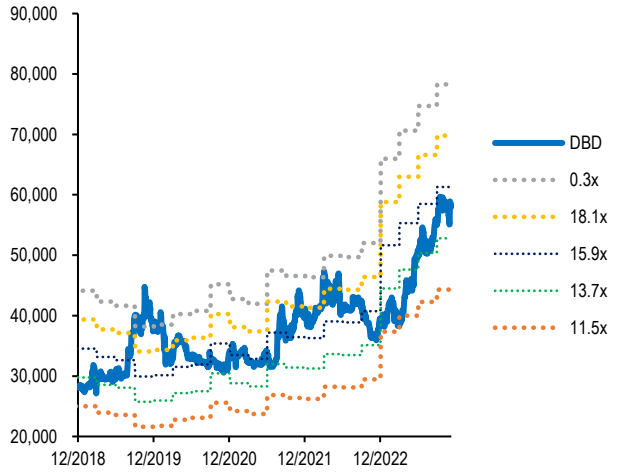
Source: Fiinpro, Shinhan Securities Vietnam, Data as of 06/12/2023

PER of DBD



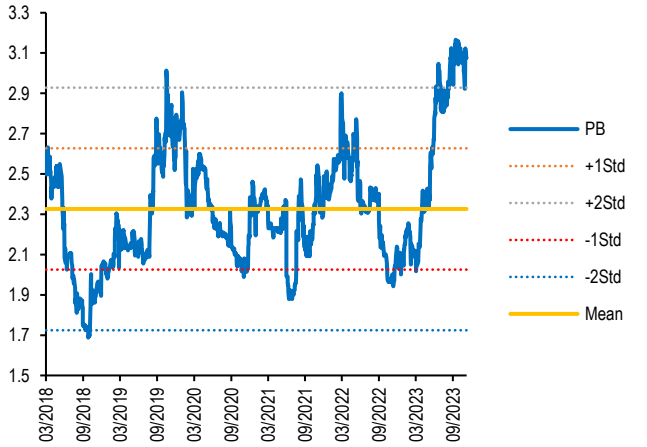
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of DBD



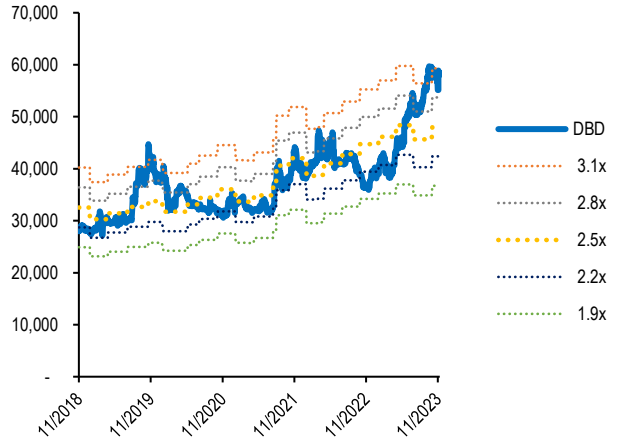
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of DBD



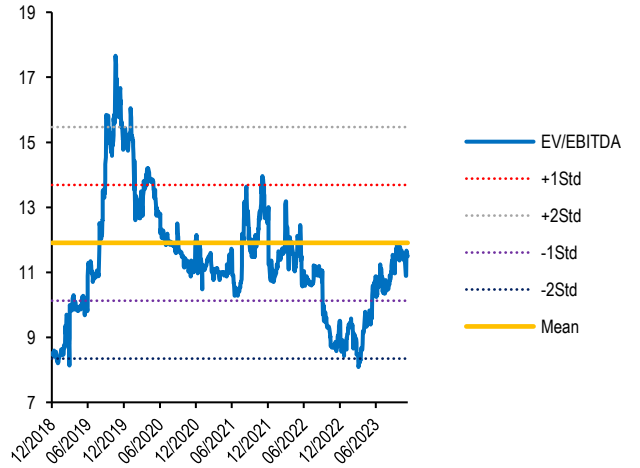
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band of DBD



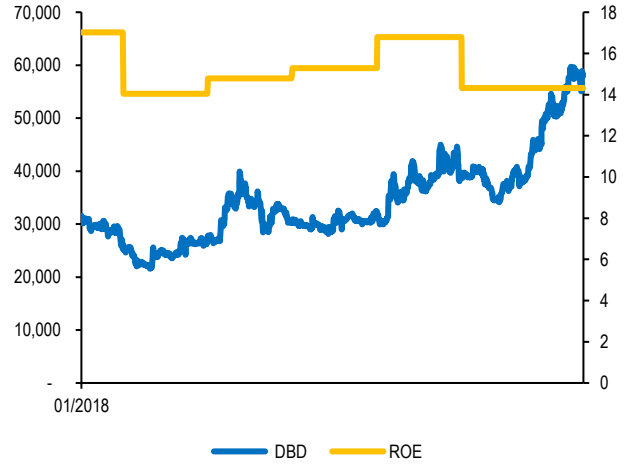
Source: Bloomberg, Company data, Shinhan Securities Vietnam

EV/EBITDA of DBD



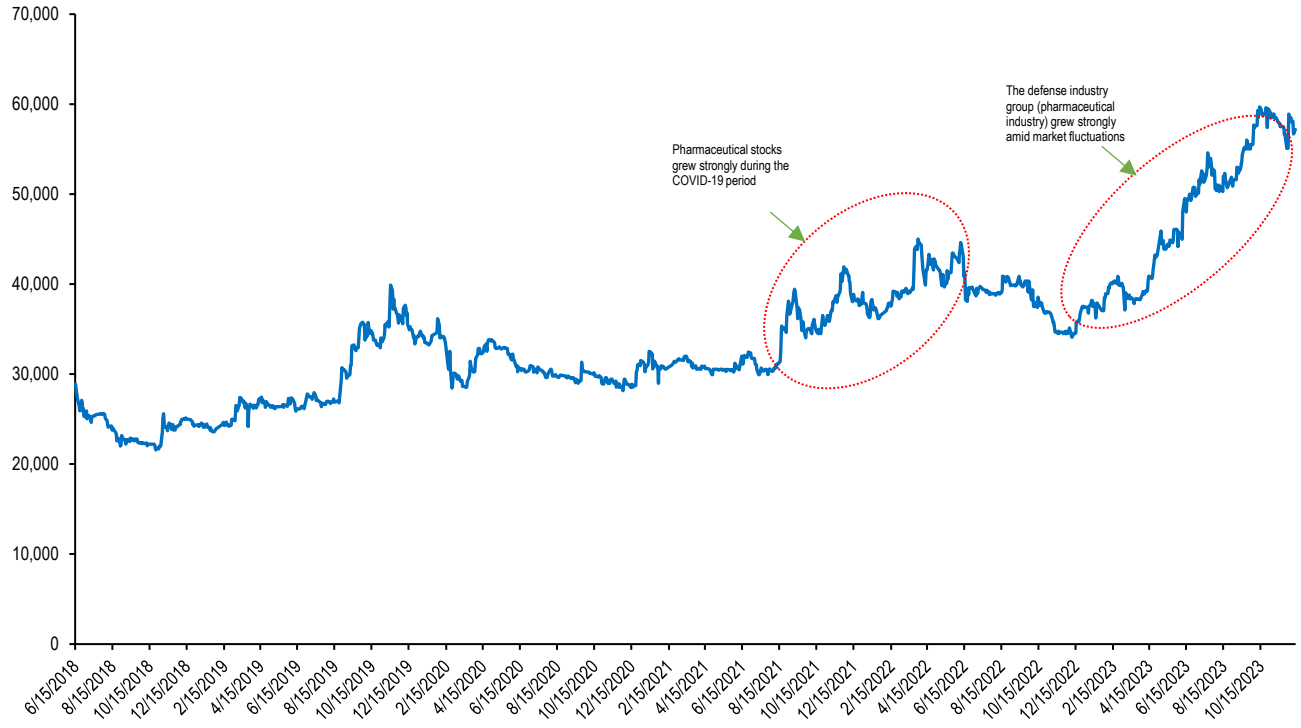
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation between price and ROE of DBD



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key important events of DBD



Source: DBD's annual report, Shinhan Securities Vietnam

Risk

Risk of drugs recall

The company's main business is cancer drugs, which need to be strictly inspected for quality, so the risk of violations leading to the drugs being confiscated is very high. Up to now, Bidiphar has had a batch of Methotrexat 50mg/2ml confiscated due to the production of drugs with level 1 quality violations. This batch of drugs, according to our estimate, in 8M/2023 has a winning bid value of about VND 1.4 billion (stopped bidding in August 2023), 33% lower than the same period last year (reaching VND 2.2 billion), accounting for 3% of the total value of cancer drugs awarded in 2022 and 1% in 2023. The company will also be charged with revoked registration for the circulation of Methotrexat 50 mg/2 ml. This will affect this drug line for a maximum period of 12 months before it is granted a new license.

Risk of expired drugs registration

The validity period of the registration certificate for the circulation of drugs and medicinal ingredients is five years from the date of issuance or extension. Currently, in the company's cancer drug portfolio, 19% of the total value of winning drugs will expire in 2024. In addition, 23% of cancer drugs will expire in 2025. These renewal procedures will take about 3 months, but will partially hinder the company's drug bidding.

Name	License date	Expiration date
Bigemax 1g	12/8/2014	31/12/2022 (CV 62/QĐ-QLD extended until 31/12/2024)
Bigemax 200	12/8/2014	31/12/2022 (CV 62/QĐ-QLD extended until 31/12/2024)
Biluracil 500	19/09/2017	31/12/2022 (CV 62/QĐ-QLD extended until 31/12/2024)
Biluracil 250	6/2/2017	31/12/2022 (CV 62/QĐ-QLD extended until 31/12/2024)
Bocartin 150	12/8/2014	31/12/2022 (CV 62/QĐ-QLD extended until 31/12/2024)
Canpaxel 100	19/09/2014	15/03/2022 (CV 62/QĐ-QLD extended until 31/12/2024)
Bigemax 1g	12/8/2014	31/12/2022 (CV 62/QĐ-QLD extended until 31/12/2024)

Source: Drug Administration of Vietnam Ministry of Health, Bidphar, Shinhan Securities Vietnam

Appendix 1: Some circulars regulating the pharmaceutical industry

1. Circular 06/2023/TT-BYT prescribing bidding for generic drug as below:

Article 7. Generic drug contract packages

A generic drug contract package may contain one or several generic drugs. Each list of generic drugs must be sorted by category. Each generic drug in each category is a part of the contract package. A contract package of generic drugs is divided into 05 (five) categories based on technical criteria as follows:

1. Category 1 consists of the drugs satisfying 01 (one) of the 03 (three) following criteria:

a) The drug has been wholly manufactured on the production line fulfilling EU-GMP requirements or the production line fulfilling EU-GMP-equivalent requirements in a SRA or EMA country and announced by a drug authority of Vietnam to fulfill EU-GMP requirements or EU-GMP-equivalent requirements;

b) The drug is included in the list of original brand-name drugs or reference biologicals announced by the Ministry of Health of Vietnam, except those which are included in the list of drugs procured through price negotiation announced by the Minister of Health of Vietnam and for which price negotiation results have been announced;

c) The drug is wholly manufactured in Vietnam and meets all of the following criteria:

- It has been wholly manufactured on the production line fulfilling EU-GMP requirements or the production line fulfilling EU-GMP-equivalent requirements and announced by a drug authority of Vietnam to fulfill EU-GMP requirements or EU-GMP-equivalent requirements;

- The drug sold in Vietnam and the drug granted certificate of marketing authorization by a drug authority of a SRA or EMA country must have the same dosage form, production process, specifications and testing methods; active ingredients and excipients must have the same specifications and manufactured at the same manufacturing facility or site as prescribed in Clause 8 Article 50 of this Circular.

2. Category 2 consists of drugs satisfying 01 (one) of the 02 (two) following criteria:

a) The drug has been wholly manufactured on the production line fulfilling EU-GMP requirements or the production line fulfilling EU-GMP-equivalent requirements and announced by a drug authority of Vietnam to fulfill EU-GMP requirements or EU-GMP-equivalent requirements.

b) The drug has been wholly manufactured on the production line in a country that is concurrently a member state of PIC/s and a member state of ICH, certified by a competent authority of this country to fulfill PIC/s-GMP requirements, and announced by a drug authority of Vietnam to fulfill PIC/s-GMP requirements.

3. Category 3 consists of drugs which have been granted certificate of marketing authorization or import license for sale in Vietnam and of which evidence of bioequivalence has been announced by a drug authority of Vietnam.

4. Category 4 consists of drugs which have been wholly manufactured in Vietnam on production lines fulfilling GMP requirements as certified by drug authorities of Vietnam.

5. Category 5 consists of drugs which have been granted certificate of marketing authorization or import license for sale in Vietnam.

2. Circular 03/2019/TT-BYT of the Ministry of Health has issued a list of drugs where contractors are not allowed to offer imported drugs but can only offer domestically produced drugs.

Drugs included in the list must meet all of the following criteria:

a) Belongs to the list of drugs for bidding;

b) Has at least 03 (three) registration numbers of at least 03 (three) domestic manufacturers according to the group of technical criteria;

c) The price of domestically produced drugs is not higher than that of imported drugs with equivalent technical criteria (in accordance with preferential regulations for domestically produced drugs in the Bidding Law);

d) Ensuring the ability to supply drugs to medical facilities when not purchasing imported drugs with technical criteria equivalent to domestically produced drugs.

3. Law on bidding 2023 helps helps remove inadequacies in bidding activities

From January 1, 2024, the Law on Bidding 2023 will take effect, continuing to help make drug bidding activities more convenient. Specifically:

- Helps enhance the autonomy and self-responsibility of public health facilities in deciding to purchase drugs and medical equipment, facilitating drug purchasing activities.

- Assign public health facilities to decide on their own to buy drugs outside the list of drugs covered by health insurance and buy vaccines for vaccination in the form of services.

- Facilitate the purchase of specific drugs and medical equipment suitable to the professional activities of the health sector. Specifically, it is allowed to appoint contractors to purchase drugs and medical equipment in cases of emergency for patients or maintain the operation of medical examination and treatment facilities in urgent cases to avoid causing harm to people's health.

- In addition, the Law has improved regulations on incentives for domestically produced drugs in a way that both ensures patients' rights to access good-quality drugs and encourages businesses to invest in technology chains and raw materials to produce drugs of good quality, meeting advanced standards. Regulations on payment of costs for purchasing drugs, chemicals, testing supplies, and medical equipment from health insurance funds for private medical examination and treatment facilities..

Appendix 2: List of bidding drugs by Bidiphar

1. Oncology drugs:

Name	API (Active Pharma Ingredient)	Bidding price	Disease treatment*
Bestdocel 80mg/4ml	Docetaxel	549,150	Breast cancer
Bestdocel 20mg/1ml	Docetaxel	294,000	Breast cancer
Bigemax 1g	Gemcitabin	349,986	Lung cancer
Bigemax 200	Gemcitabin	159,390	Lung cancer
Biluracil 1g	Fluorouracil (5-FU)	83,895	Breast cancer
Biluracil 500	Fluorouracil (5-FU)	42,000	Colon cancer
Biluracil 250	Fluorouracil (5-FU)	26,250	Colon cancer
Bleomycin Bidiphar	Bleomycin	430,000	Bladder cancer
Bocartin 150	Carboplatin	259,980	Bladder cancer
Bocartin 50	Carboplatin	134,925	Ovarian cancer
Calcilinat F100	Acid Folinic	63,000	Colorectum cancer
Calcilinat F50	Acid Folinic	37,790	Colorectum cancer
Canpaxel 100	Paclitaxel	264,999	Ovarian cancer
Canpaxel 150	Paclitaxel	594,993	Ovarian cancer
Canpaxel 250	Paclitaxel	1,197,000	Ovarian cancer
Canpaxel 30	Paclitaxel	127,008	Ovarian cancer
Cisplatin Bidiphar 10mg/20ml	Cisplatin	79,800	Ovarian cancer
Doxorubicin Bidiphar 10	Doxorubicin hydrochlorid	79,800	Lung cancer
Doxorubicin Bidiphar 50	Doxorubicin hydrochlorid	210,000	Lung cancer
Epirubicin Bidiphar 10	Epirubicin hydroclorid	123,795	Breast cancer
Epirubicin Bidiphar 50	Epirubicin hydroclorid	336,000	Breast cancer
Etoposid Bidiphar	Etoposide	109,998	Testicular cancer
Ifosfamid bidiphar 1g	Ifosfamid	384,993	Testicular cancer
Irinotecan Bidiphar 100mg/5ml	Irinotecan	579,999	Colorectum cancer
Irinotecan Bidiphar 40mg/2ml	Irinotecan	294,000	Colorectum cancer
Lyoxatin 100mg/20ml	Oxaliplatin	389,991	Colorectum cancer
Lyoxatin 150mg/30ml	Oxaliplatin	1,050,000	Colorectum cancer
Lyoxatin 50mg/10 ml	Oxaliplatin	256,998	Colorectum cancer
Lyoxatin F50	Oxaliplatin	256,515	Colorectum cancer
Methotrexat 50mg	Methotrexat	73,500	Trophoblast cancer
Vinorelbin Bidiphar 10mg/1ml	Vinorelbin	383,250	Lung cancer

Source: Drug Administration of Vietnam Ministry of Health, Bidphar, Shinhan Securities Vietnam

** Bidding price is taken from January 1, 2023 to November 27, 2023*

** Disease treatment is based on the main therapeutic group of the drug*

2. Antibiotics and other drugs (main):

Name	Dosage forms	Bidding group	Bidding price
Tazopelin 4,5g	Lyophilized powder for injection	4	69,993
Bidilucil 500	Lyophilized powder for injection	4	58,000
Bifopezon 2g	Lyophilized powder for injection	4	65,100
Augbidil	Lyophilized powder for injection	4	29,925
Esogas	Lyophilized powder for injection	4	8,778
Bipisyn	Lyophilized powder for injection	4	29,500
Bidilucil 250	Lyophilized powder for injection	4	45,000
Bidicarlin 3,2g	Lyophilized powder for injection	4	103,992
Bipisyn 3g	Lyophilized powder for injection	4	54,999
Livethine	Lyophilized powder for injection	4	42,000
Bifolox 200mg/100ml	Infusion liquid	4	94,983
Bivelox I.V 500mg/ 100ml	Infusion liquid	4	19,887
Moxifloxacin Bidiphar 400mg/100ml	Infusion liquid	4	224,994
Amikacin 500	Infusion liquid	4	49,455
Tinidazol	Infusion liquid	4	19,782
NATRI BICARBONAT 1,4%	Infusion liquid	4	39,375
Glucose 5%	Infusion liquid	4	7,840
Bimezol I.V. 5mg/ml	Infusion liquid	4	5,586
Kydheamo - 2B	Hemodialysis solution	4	166,950
Kydheamo - 3A	Hemodialysis solution	4	156,309
Bitolysis 2,5% Low calci	Peritoneal dialysis solution	4	72,500
Bitolysis 1,5% low calci	Peritoneal dialysis solution	4	72,500
Kydheamo - 1B	Hemodialysis solution	4	150,003
Kydheamo - 1A	Hemodialysis solution	4	136,000
Bidifolin MR 5mg	Tablets	3,4	1,197
Lazibet MR 60	Extended-release tablets	4	714
Waisan	Film-coated tablets	4	273
Kingdomin vita C	Effervescent tablets	4	798
Bonevit	Effervescent tablets	4	2,793
Celerzin	Film-coated tablets	4	315
Aleucin	Tablets	4	475

Source: Drug Administration of Vietnam Ministry of Health, Bidphar, Shinhan Securities Vietnam

** Bidding price is taken from January 1, 2023 to November 27, 2023*

Appendix 3: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Total assets	**1,560**	**1,896**	**2,099**	**3,174**	**3,470**
Current assets	948	1,248	1,104	1,960	2,032
Cash & equivalents	69	56	38	255	277
Short-term financial asset	139	221	71	668	617
Accounts receivable	479	510	584	621	669
Inventories	254	450	402	406	458
Non-current assets	611	648	994	1,214	1,438
Net fixed assets	247	357	687	892	1,100
Investment assets	315	312	324	252	262
Other long-term assets	41	41	40	39	45
Total liabilities	**419**	**541**	**642**	**716**	**730**
Current liabilities	287	405	507	571	572
Accounts payable	97	163	121	162	166
Short-term borrowings	21	16	128	100	72
Others	169	226	258	309	334
Non-current liabilities	132	135	135	145	158
Long-term borrowings	76	60	44	31	17
Other financial liabilities	56	75	91	114	140
Total shareholders' equity	**1,141**	**1,355**	**1,457**	**2,458**	**2,740**
Capital stock	576	749	899	1,265	1,518
Capital surplus	21	21	21	769	769
Other capital	127	159	188	218	251
Retained earnings	416	427	349	206	202
Non-controlling interest equity	0	0	0	0	0
*Total debt	97	76	172	131	89
*Net debt (cash)	(111)	(201)	63	(793)	(804)

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	**1,559**	**1,555**	**1,778**	**1,909**	**2,056**
Growth (%)	24.0	(0.2)	14.4	7.4	7.7
COGS	**(936)**	**(787)**	**(895)**	**(986)**	**(1,051)**
Gross profit	**623**	**768**	**883**	**924**	**1,005**
GPM (%)	39.9	49.4	49.7	48.4	48.9
SG&A	**(405)**	**(494)**	**(534)**	**(573)**	**(617)**
Operating profit	**217**	**273**	**349**	**350**	**388**
Growth (%)	19.4	25.9	27.8	0.3	10.6
OPM (%)	13.9	17.6	19.7	18.4	18.9
Non-operating profit	**15**	**25**	**20**	**22**	**28**
Financial income	6	13	13	12	13
Financial expense	(9)	(12)	(17)	(17)	(15)
In which: interest expenses	(1)	(2)	(8)	(6)	(4)
Net other non-operating profit	18	25	24	27	30
Pre-tax profit	**232**	**299**	**369**	**373**	**415**
Income tax	(43)	(55)	(75)	(76)	(85)
Net profit	**189**	**244**	**294**	**296**	**331**
Growth (%)	19.8	28.8	20.8	0.7	11.5
NPM (%)	12.1	15.7	16.5	15.5	16.1
Controlling interest	189	244	294	296	331
Non-controlling interest	0	0	0	0	0
EBIT	**234**	**300**	**377**	**379**	**420**
Growth (%)	17.0	28.5	25.5	0.3	10.8
EBIT Margin (%)	15.0	19.3	21.2	19.8	20.4
EBITDA	**256**	**315**	**429**	**446**	**480**
Growth (%)	19.8	23.1	36.3	3.9	7.5
EBITDA margin (%)	16.4	20.3	24.1	23.4	23.3

Statement of cash flow

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Cash flow from operations	**51**	**161**	**306**	**420**	**323**
Net profit	189	244	294	296	331
D&A expense	39	42	80	96	92
(Gain) from investing activities		-	-	-	-
Change in working capital	(149)	(88)	(25)	71	(51)
Others	-	-	-	-	-
Cash flow from investments	**(29)**	**(154)**	**(270)**	**(909)**	**(261)**
Change in fixed assets	29	(145)	(410)	(300)	(300)
Change in investment assets	(44)	(97)	150	(597)	52
Others	(14)	87	(10)	(12)	(12)
Cash flow from financing	**(61)**	**(21)**	**(54)**	**707**	**(41)**
Change in equity	-	-	-	748	-
Net borrowing	14	(21)	96	(41)	(41)
Dividends	(76)	-	(150)	-	-
Change in total cash	**(39)**	**(14)**	**(18)**	**217**	**22**
Beginning cash	109	69	56	38	255
Change in FX rates	-	-	-	-	-
Ending cash	69	56	38	255	277

Source: Company data, Shinhan Securities Vietnam

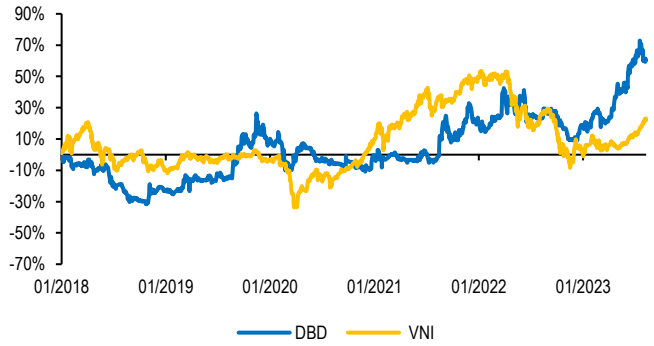
Key ratios

Year to Dec.	2021	2022	2023F	2024F	2025F
EPS (VND)	2,173	2,799	3,379	3,958	4,414
BPS (VND)	19,797	18,097	19,454	32,823	36,596
DPS (VND)	1,311	0	2,000	0	0
PER (x)	17.4	13.4	20.6	17.6	15.8
PBR (x)	1.9	2.1	3.6	2.1	1.9
EV/EBITDA (x)	7.2	9.2	13.6	13.1	12.2
Dividend payout ratio (%)	39.9	0.0	50.9	0.0	0.0
Dividend yield (%)	3.5	0.0	2.9	0.0	0.0
Profitability					
EBITDA margin (%)	16.4	20.3	24.1	23.4	23.3
OPM (%)	13.9	17.6	19.7	18.4	18.9
NPM (%)	12.1	15.7	16.5	15.5	16.1
ROA (%)	12.6	14.1	14.7	11.2	10.0
ROE (%)	17.8	19.5	20.9	15.1	12.7
Stability					
Debt to equity ratio (%)	8.5	5.6	11.8	5.3	3.3
Net debt ratio (%)	(43.6)	(63.8)	14.6	(177.7)	(167.6)
Cash ratio (%)	72.6	68.3	21.5	161.8	156.2
Interest coverage ratio (x)	176.5	156.9	48.7	63.1	100.3
Activity (%)					
Working capital turnover (days)	163	134	219	191	261
Inventory turnover (days)	91	163	174	150	150
Receivable turnover (days)	104	116	112	115	114

Source: Company data, Shinhan Securities Vietnam

Binh Dinh Pharmaceutical and Medical Equipment JSC (DBD VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%)	
			Average	Max/Min
14/12/2023 (Initiation)	BUY	69,800	52.5	16.9/104.7

Note: Calculation of target price gap based on past 12 months

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Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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