[Vietnam / Pharmaceutical]

Imexpharm Corp. (IMP VN)

Take a short break

[Maintain / Target price maintained]

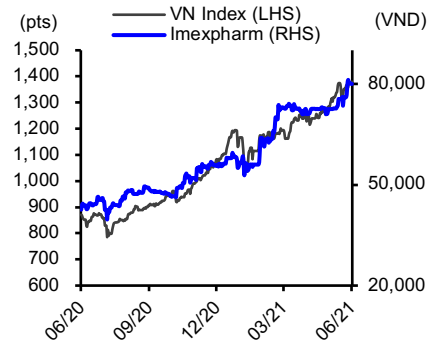
Trading BUY

Target Price (12.months)	**VND75,200**
Current Price (June 22nd)	VND80,000
Upside (%)	-6.0

Lam Do ☎ (+84) 6299-8004 ✉ lam.dt@shinhan.com

VNINDEX			1,380
HNXINDEX			317
Market cap (bn VND)			5,334
Outstanding shares (1mn)			66.7
Free float (1mn)			39.4
52-week high/low			82,000/39,600
60-day avg. trading volume			32,600
60-day avg. turnover			2.68
Foreign ownership (%)			49
Major shareholders		SK INV Vina	29.2
		DVN	22.0
Performance	3M	6M	12M
Absolute	9.9	43.9	84.7
Rel. to VNINDEX	(5.4)	16.8	26.6

Performance



Source: Bloomberg

Maintaining Trading BUY rating with target price of VND75,200

We maintain our target price for Imexpharm Pharmaceutical JSC (IMP VN) at VND75,200. The company share price has increased by +10% compared to our most recent report on April 29th. However, we maintain our recommendation at Trading BUY as our full-year earnings forecast largely unchanged. We believe that the year-to-date increase in share price has fully reflected the 2Q21 and FY21 growth outlook.

An impressive 5M21 earnings results of Imexpharm

Imexpharm posted their 5M21 preliminary earnings results, revenue reached VND508bn (increased sharply by +11.6% YoY) and pre-tax profit reached VND97.6bn (+26% YoY). In terms of distribution revenue breakdown, pharmacy channel (OTC) sales reached VND320bn; meanwhile, hospital channel (ETC) sales were at VND188 bn. Thus, ETC channel accounted for 37% of revenue in 5M21, which is in-line of company's plan. The significant growth of company's sales and profit were mainly due to: 1) low-base of results during April-May of 2020, due to social distancing period, customers tightened their spending and health facilities had lower traffic; and 2) high-value bidding packages on the ETC channel lead to higher gross margin.

Temporarily disturbing matter

For the outlook of June and 1H21, Vietnamese government is maintaining social distancing period in many key provinces (similar to the period of April 2020), which will negatively affect Imexpharm's business results and It is difficult for the company to maintain the double-digit growth rate. As a result, we maintain our forecast for 1H21 business result, with revenue of VND660bn (+11.5%YoY) and net profit of VND94bn (+7%YoY).

Waiting for the spillover effect from strategic investor

Moreover, on June 10, SK Investment Vina III Pte. Ltd. (a subsidiary of SK Group) has completely acquire stakes from VinaCapital to increase its ownership to 29.2% (average purchase price is VND80,000/share, which is 6.4% higher than our target price), and it is in-line with their commitment in 2021 Annual General Meeting. The increased ownership of SK Group, in our opinion, demonstrates the long-term commitment and cooperation with Imexpharm, and a potential up-side factor for our forecast in long-term.

Year to Dec.	2020	2021F	2022F	2023F	2024F
Revenue (bn VND)	**1,369**	**1,560**	**1,799**	**2,171**	**2,548**
OP (bn VND)	263	283	275	368	462
NP (bn VND)	**210**	**226**	**219**	**297**	**375**
EPS (VND)	2,225	3,397	3,279	4,449	5,619
BPS (VND)	24,280	26,313	27,021	28,426	30,200
OPM (%)	19.2	18.2	15.3	17.0	18.1
NPM (%)	15.3	14.5	12.2	13.7	14.7
ROE (%)	**12.8**	**13.5**	**12.3**	**16.0**	**19.2**
PER (x)	**20.8**	**19.3**	**20.0**	**14.7**	**11.7**
PBR (x)	2.5	2.5	2.4	2.3	2.2
EV/EBITDA (x)	14.2	12.6	12.3	9.8	8.1

Source: Company data, Bloomberg, Shinhan Securities Vietnam

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Statement of financial position

Year to December (bn VND)	2019	2020	2021F	2022F	2023F
Total assets	**1,847**	**2,096**	**2,328**	**2,336**	**2,484**
Current assets	780	982	1,175	1,267	1,495
Cash & equivalents	75	85	238	136	162
Short-term financial asset	5	64	6	7	9
Accounts receivable	330	398	522	539	742
Inventories	350	424	388	562	554
Non-current assets	1,067	1,114	1,153	1,068	989
Net fixed assets	477	503	1,049	977	905
Investment assets	52	52	52	52	52
Other long-term assets	48	37	51	39	32
Total liabilities	**288**	**366**	**574**	**534**	**589**
Current liabilities	262	347	426	429	527
Accounts payable	91	60	115	89	150
Short-term borrowings	38	131	131	131	131
Others	134	216	295	298	396
Non-current liabilities	26	19	148	105	62
Long-term borrowings	-	-	129	86	43
Other financial liabilities	26	19	19	19	19
Total shareholders' equity	**1,559**	**1,730**	**1,754**	**1,801**	**1,895**
Capital stock	494	667	667	667	667
Capital surplus	601	507	507	507	507
Other capital	(0)	(0)	(0)	(0)	(0)
Acc.other comprehensive income	306	351	383	416	460
Retained earnings	158	205	197	212	261
Non-controlling interest equity	-	-	-	-	-
*Total debt	38	131	260	217	174
*Net debt (cash)	(37)	46	22	81	12

Statement of comprehensive income

Year to December (bn VND)	2019	2020	2021F	2022F	2023F
Revenue	**1,402**	**1,369**	**1,560**	**1,799**	**2,171**
Growth (%)	18.4	(2.4)	13.9	15.3	20.7
COGS	**(875)**	**(822)**	**(952)**	**(1,114)**	**(1,307)**
Gross profit	**528**	**547**	**608**	**685**	**864**
GPM (%)	37.6	39.9	39.0	38.1	39.8
SG&A	(325)	(284)	(325)	(410)	(495)
Operating profit	**203**	**263**	**283**	**275**	**368**
Growth (%)	19.9	29.3	7.9	(3.0)	34.1
OPM (%)	14.5	19.2	18.2	15.3	17.0
Non-operating profit	(1)	(7)	(7)	(5)	(3)
Financial income	10	10	18	21	25
Financial expense	(19)	(20)	(30)	(31)	(34)
In which: interest expenses	(4)	(5)	(12)	(10)	(9)
Net other non-operating profit	8	3	4	5	6
Pre-tax profit	**202**	**255**	**276**	**270**	**366**
Income tax	(40)	(46)	(49)	(51)	(69)
Net profit	**162**	**210**	**226**	**219**	**297**
Growth (%)	17.1	29.1	8.0	(3.4)	35.7
NPM (%)	11.6	15.3	14.5	12.2	13.7
Controlling interest	162	210	226	219	297
Non-controlling interest	-	-	-	-	-
EBIT	**207**	**268**	**295**	**285**	**377**
Growth (%)	21.2	29.6	10.1	(3.4)	32.3
EBIT Margin (%)	14.7	19.6	18.9	15.8	17.4
EBITDA	**237**	**309**	**349**	**357**	**449**
Growth (%)	17.5	30.3	12.9	2.4	25.8
EBITDA margin (%)	16.9	22.6	22.4	19.9	20.7

Statement of cash flow

Year to December (bn VND)	2019	2020	2021F	2022F	2023F
Cash flow from operations	**132**	**67**	**260**	**101**	**264**
Net profit	162	210	226	219	297
Depreciation expense	31	41	54	72	72
Amortization expense	-	-	-	-	-
Interest expenses	(4)	(5)	(12)	(10)	(9)
Change in working capital	(61)	(152)	(21)	(191)	(105)
Others	4	(27)	12	10	9
Cash flow from investments	**(48)**	**(121)**	**(35)**	**11**	**5**
Increase in tangible assets	(272)	(131)	(78)	-	-
Decrease in tangible assets	2	9	-	-	-
Change in intangible assets	(45)	(32)	-	(1)	(1)
Change in investment assets	255	26	57	-	-
Others	12	7	(14)	12	7
Free cash flow	**(140)**	**(65)**	**165**	**115**	**246**
Cash flow from financing	**(99)**	**18**	**(72)**	**(214)**	**(243)**
Change in equity	(0)	30	-	-	-
Borrowing	160	219	109	-	-
Debt payments	(160)	(181)	-	(61)	(65)
Dividends	(99)	(49)	(181)	(153)	(178)
Change in total cash	**(15)**	**(36)**	**153**	**(102)**	**26**
Beginning cash	190	75	85	238	136
Change in FX rates	-	-	-	-	-
Ending cash	75	85	238	136	162

Source: Company data, Shinhan Securities Vietnam

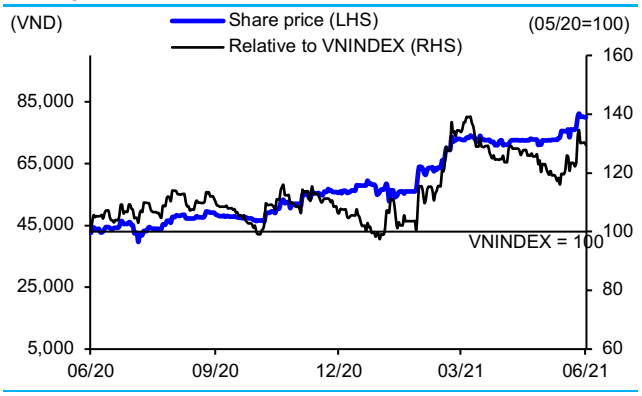
Key ratios

Year to December	2019	2020	2021F	2022F	2023F
EPS (VND)	1,942	2,225	3,397	3,279	4,449
BPS (VND)	23,428	24,280	26,313	27,021	28,426
DPS (VND)	2,001	741	2,717	2,296	2,670
PER (x)	32.9	28.7	18.8	19.5	14.3
PBR (x)	2.7	2.6	2.4	2.4	2.2
EV/EBITDA (x)	18.1	13.9	12.3	12.0	9.6
Dividend payout ratio (%)	60.8	23.6	80.0	70.0	60.0
Dividend yield (%)	3.1	1.2	4.3	3.6	4.2
Profitability					
EBITDA margin (%)	16.9	22.6	22.4	19.9	20.7
OPM (%)	14.5	19.2	18.2	15.3	17.0
NPM (%)	11.6	15.3	14.5	12.2	13.7
ROA (%)	9.0	10.6	10.8	9.4	12.3
ROE (%)	10.6	12.8	13.5	12.3	16.0
Stability					
Debt to equity ratio (%)	2.4	7.6	14.8	12.0	9.2
Net debt ratio (%)	(0.2)	0.1	0.1	0.2	0.1
Cash ratio (%)	28.6	24.6	51.9	31.0	26.9
Interest coverage ratio (x)	55.5	49.5	25.3	28.2	44.1
Activity (%)					
Working capital turnover (times)	2.5	2.4	2.3	2.3	2.4
Inventory turnover (days)	140.7	171.9	148.5	184.2	155.8
Receivable turnover (days)	80.6	97.0	107.7	107.7	107.7

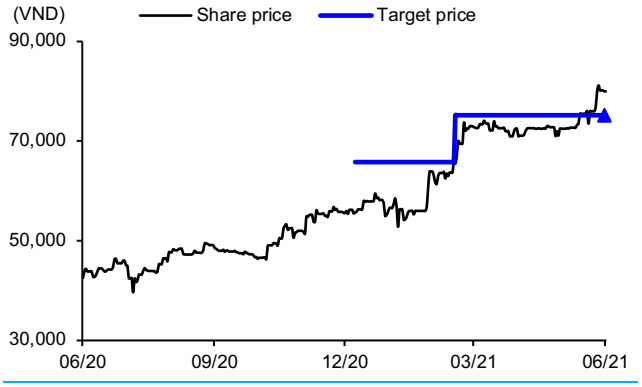
Source: Company data, Shinhan Securities Vietnam

Imexpharm Corp. (IMP VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%)	
			Average	Max/Min
Jun 22, 2021	Trading BUY	75,200	8.0	(6.4)/25.3
Apr 29, 2021	Trading BUY	75,200	9.6	3.0/63.1
Mar 09, 2021	BUY	75,200	26.2	3.0/63.1
Dec 03, 2020 (Initiate)	BUY	65,800	17.3	(6.0)/42.7

Note: Calculation of target price gap based on past 6 months

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- **SELL:** Expected 6-month loss of 20% or more

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- **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated Trading BUY or HOLD
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