

# IMEXPHARM INVESTOR NEWSLETTER Q3 2022

## I. SOCIO-ECONOMIC SITUATION IN THE FIRST 9 MONTHS OF 2022 AND FORECAST

Vietnam's socio-economic development in the first 9 months of 2022 prospered in most fields with many "bright spots". Production and business activities in Q3 2022 grew strongly, especially compared to the same period last year. Many industries have recovered quickly to achieve higher growth rates than before the Covid-19 epidemic. Accordingly, the macro-economy continues to remain stable, inflation is under control; Monetary and fiscal policies are operated proactively, flexibly and effectively. The business investment environment has been positively improved, contributing to socio-economic recovery and development, creating trust and support of the people and business community.

According to the General Statistics Office, the gross domestic product (GDP) in the third quarter of 2022 was estimated to increase quite high at 13.67% compared to the same period last year. GDP in the first 9 months of 2022 increased by 8.83% over the same period, which is the highest increase of the first 9 months of the year in the period 2011 – 2022. In the general growth rate of the whole economy, the strong growth of the service sector played a key role in contributing to the GDP growth of the whole country (up 10.57%, contributing 54.17%), followed by an impressive growth of industry and construction (up 9.44%, contributing 41.79%) and efforts of the agriculture, forestry and fishery sector (increased 2.99%, contributed 4.04%).

Meanwhile, the world situation remained complicated and unpredictable, with regional and global geopolitical tensions, high inflation and interest rate hikes; prices of crude oil, gas, some basic commodities fluctuated strongly; World economic growth declines, potential recession risk. These developments are beyond the forecast of other countries and international organizations and put great pressure on the Vietnamese economy, especially the pressure to control inflation but still have to promote economic growth. economy in the last months of 2022 and 2023.

Optimistic about Vietnam's growth prospects in 2022, however, Vietnam's economy has a large openness and increasingly deep relationships with economies around the world, so commodity prices fluctuate. In the world, there is a certain impact on domestic prices and inflation, economic growth depends on aggregate demand from abroad.

Assessment from ADB shows that Vietnam's economic outlook will continue to face increasing risks such as a global economic downturn that may affect Vietnam's exports; the labor shortage is expected to impact the rapid recovery of labor-intensive export manufacturing and service industries; the delay in disbursement of public investment and social expenditures compared to the plan, especially the slow implementation of the Government's economic recovery and development program, may reduce the growth rate this year and next year.

In the last 3 months of 2022, the domestic economy is likely to recover more strongly, inflation pressure will continue to increase gradually when the world price of input materials and domestic producer prices are increasing day by day. Therefore, it is necessary to closely monitor developments

in the world economic situation, prices, inflation and monetary and fiscal policies of major partners in the world; proactively develop scenarios and promptly respond to minimize impacts, take advantage of opportunities to both control inflation, stabilize the macro-economy and promote economic recovery.

## **II. VIETNAM PHARMACEUTICAL INDUSTRY IN THE FIRST 9 MONTHS OF 2022 AND FORECAST**

In the world, the forecast of the Covid-19 epidemic is still complicated, unpredictable and difficult to predict with the appearance of many new strains. Vietnam's health sector has also made great efforts in the first 9 months of 2022, plans and targets are on schedule. However, the health sector is still facing many great challenges due to the emergence of mutations in Vietnam. Many localities have recorded new variants BA.4, BA.5, BA2.74, BA2.12.1 with the ability to spread quickly.

Facing opportunities and challenges, pharmaceutical enterprises still persist in their efforts. Analysis results from the General Statistics Office show that the production of drugs, pharmaceutical chemicals and medicinal herbs increased by 18.3% over the same period last year. In Vietnam, the pharmaceutical retail market is highly fragmented, with more than 50,000 pharmacies, mostly small businesses. According to market research firm BMI, this market sales will increase from 7.7 billion USD in 2021 to 16.1 billion USD in 2026. The pharmaceutical industry has a compound growth rate of up to 11%, in Vietnam Dong. Large pharmaceutical retail chains such as Pharmacity, Long Chau and An Khang soon recognized this opportunity and are accelerating their expansion, with the ambition to consolidate market share. Therefore, the potential for growth in pharmaceutical spending in Vietnam is still very positive; especially in a fragmented, undominated and potential market like pharmaceutical retail.

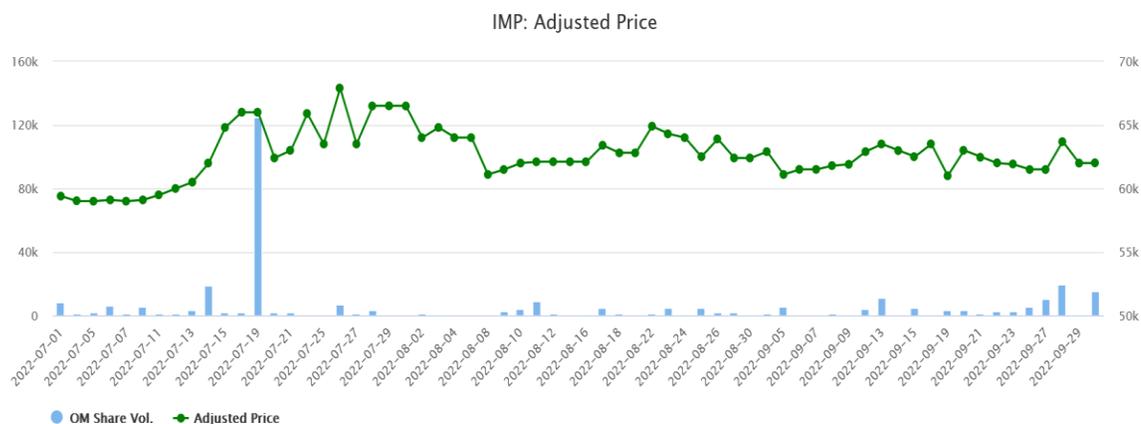
However, the pharmaceutical industry also faces new challenges such as active ingredients (API)-accounting for a high proportion in the production cost of drugs - still have to import from abroad. Imports are facing difficulties due to supply chain disruptions and exchange rate fluctuations. Besides, foreign drugs are also dominating the sales channel through hospitals. In the medium and long term, the competitiveness of domestic drugs is assessed to improve because the Ministry of Health is prioritizing the use of qualified domestic drugs to save costs for the Social Health Insurance Fund.

## **III. IMEXPHARM STOCK MOVEMENT Q3 2022**

The total trading volume of IMP shares in the third quarter of 2022 reached 210,900 shares, decreased 65% compared to the second quarter of 2022 and was only about 21.8% of the ordering matching volume of the third quarter of 2021. The highest closing price in the third quarter of 2022 for IMP shares was VND 67,900/share (recorded on July 26, 2022), while the lowest price was VND 59,000/share (July 4, 2022). On average, every business day in the Q3 of 2022, there were 3,295 shares traded.

The closing price of the last trading session in September 2022 was VND 62,000, increased by VND 2,500 /share in comparison with the closing price of the last round of June 2022. In addition, in the

Q3, the shareholder-SK Investment Vina III still held the highest share ownership rate in Imexpharm (55.04%).



#### IV. IMEXPHARM ACTIVITIES IN THE FIRST 9 MONTHS OF 2022

No.	Financial ratios	9 <sup>M</sup> 2022	%Planned 2022	9 <sup>M</sup> 2021	Growth
<b>I</b>	<b>Operational results (VND billion)</b>				
1	Total net revenue and other incomes	1,102.1	76.0%	885.4	24.5%
2	Net Revenue	1,086.5		870.1	24.9%
3	Cost of goods sold	630.8		520.3	21.2%
4	Selling expenses	180.3		146.1	23.4%
5	Administrative expenses	73.8		49.4	49.4%
6	Operating profit	196.9		150.9	30.5%
7	Profit before tax	197.5	71.8%	155.1	27.3%
8	Profit after tax	155.0		122.5	26.5%
<b>II</b>	<b>Assets – Resources (VND billion)</b>				
1	Total assets	2,189.0		2,152.6	1.7%
2	Owner’s Equity	1,825.9		1,727.8	5.7%
3	Charter capital	667.1		667.1	0.0%
<b>III</b>	<b>Ability to pay (times)</b>				
1	Current ratio	2.8		3.2	-0.4%
2	Quick ratio	1.7		1.8	-0.1%
<b>IV</b>	<b>Profitability</b>				
1	Profit before tax/Net Revenue	18.2%		17.8%	0.4%

2	ROS	14.3%		14.1%	0.2%
3	ROE (last 4 quarters)	12.5%		11.5%	1.0%
4	ROA (last 4 quarters)	10.2%		9.1%	1.1%
5	EPS (basic) last 4 quarters (VND)	3,089		2,600	18.8%
6	BV (VND)	27,386		25,915	5.7%
7	P/E (times)	20.1		28.1	-8.0
8	P/B (times)	2.3		2.9	-0.6
<i>Market price at 30 Sep (VND)</i>		<i>62,000</i>		<i>73,000</i>	<i>-15.1%</i>

## 1. BUSINESS RESULTS

Imexpharm's total net revenue and income in the first 9 months of 2022 reached VND 1,102.1 billion, increased 24.5% over the same period and made up 76% of the annual plan set by the General Meeting of Shareholders. Imexpharm's OTC channel grew nearly 44.9% and accounted for 68% of the revenue structure. Meanwhile, the ETC channel has shown signs of positive recovery of 7% in the first 9 months of 2022 after experiencing negative growth months. Imexpharm mainly distributes products manufactured by the Company, which account for 97.6% of total net revenue whereas franchising products and other purchases made up about 2.4%.

Meanwhile, Imexpharm's pre-tax profit in the first 9 months of 2022 attained VND 197.5 billion, increased by 27.3% year over year made up 71.8% of the annual plan. Imexpharm has well controlled cost of goods sold. In the first 9 months of 2022 COGS went up by 21.2% over the same period, lower than the growth rate of net revenue of 24.9%, in the context that global supply chain are still broken and prices are escalating due to inflation. Selling and administrative expenses both increased by 23.4% and 49.4%, respectively, to VND 180.3 billion and VND 73.8 billion because of the rise in basic salary along with influenced of fuel price and other commodity. Imexpharm's gross profit margin was 42% and slightly higher than 40.2% for the same period in 2021.

## 2. TOTAL ASSETS – EQUITY

As of September 30th, Imexpharm's total assets were VND 2,189 billion, decreased 4.6% compared to the beginning of the year, mainly from debt reduction. IMP's equity increased by 5.7% in comparison with the end of the third quarter of 2021. IMP's charter capital has not changed compared to September 30th, 2021.

## 3. PAYABILITY – PROFITABILITY

Current ratio decreased 0.4 times over the same period. Quick ratio also declined slightly over year over. In general, the liquidity ratios are kept within a safe range and consistent with IMP's conservative working capital management strategy.

ROE, ROA in the last 4 quarters increased compared to the previous period due to strong increased in profit after tax over the same period, while average equity and average total assets increased

slightly over year over. Besides, 4-quarter EPS also increased by 18.8% y/y due to the impact of increasing profits. ROS also growth slightly.

IMP's stock price closed on September 30, 2022 at VND 62,000, decreased by 15.1% comparison with the closing price of the last session in Q3 2021. Because the closing price of the stock at the end of the third quarter of 2022 declined compared to the same period last year, so P/E and P/B decreased by 8 times and 0.6 times respectively.

## **V. KEY ACTIVITIES OF Q2 AND PLAN FOR Q3 2022**

### **1. Key activities of Q2 2022**

The third quarter of 2022 is considered a very special milestone for the Imexpharm family with valuable points. Last July 30, 31 and August 1 marked important events for Imexpharm with a series of activities to celebrate the 45<sup>th</sup> year of establishment, with the participation of more than 1,000 employees from all factories and branches nationwide.

In particular, IMP4 Factory has completed the review process and certified the EU - GMP Certificate by the Hungarian National Institute of Pharmacy and Nutrition on July 18, 2022. This will open up opportunities for Imexpharm to penetrate more deeply into the Grade 1, 2 bidding segment, while increasing Imexpharm's competitiveness in the face of the increasingly strong entry of foreign drugs into the Vietnamese market.

### **2. Plan for Q3 2022**

Imexpharm's key plan in the fourth quarter is still to well control key BSC indicators of the divisions, at the same time speeding up the completion of the annual plan set by the General Meeting of Shareholders. IMP will closely monitor the production progress of factories to ensure enough supplies for business activities at the end of the year. In addition, the control ensures an appropriate material storage policy so that the Company has high resistance to fluctuations in raw materials, contributing to minimizing risks and stabilizing profit margins.

In addition, IMP also organizes a training program for the successor team for the sales department. This is one of the activities to prepare human resources for the upcoming development stages, and also equipping knowledge and skills to cope with market fluctuations in the future.