

## REPORT

### BUSINESS PERFORMANCE IN 2023 AND PLAN TARGETS FOR 2024

#### I. Overview

#### 1. Macroeconomic Overview, Pharmaceutical Market in Vietnam in 2023

##### 1.1 Vietnam Economy

2023 was a challenging year for the Vietnamese economy, especially in the first six months when both domestic and external demand decreased.

However, the economic situation showed signs of recovery since the third quarter of 2023 thanks to strong support measures from the government to stabilize the macroeconomic environment, keep inflation under control, and ensure major balances. The economic growth for the whole year is estimated to reach 5.05%.

##### 1.2 Pharmaceutical Market in 2023

The pharmaceutical industry demonstrated strong defensive characteristics despite facing significant repercussions from economic downturns, but pharmaceutical enterprises managed to maintain revenue and profit growth rates in 2023.

The ETC channel experienced robust growth, primarily due to the relaxation of drug procurement regulations in hospitals, as stipulated in the Law on Examination and Treatment No. 15/2023/QH15, and the extension of drug registration numbers (Resolution No. 80/2023/QH15).

Conversely, the OTC segment showed signs of stagnation, even slight decline, partly attributed to weakened consumer demand amid decreasing incomes.

#### 2. The external environment in 2024

##### 2.1 Macroeconomic Environment

It is widely forecast that the global macroeconomic, political and corporate operating environment will continue to be complex during 2024. The world economy will face multiple challenges from a wide variety of sources. Commentators cite inflation, geoeconomic fragmentation, geopolitical instability and climate change as just some of the factors that will determine how the world economy performs in 2024. Added to this, the IMF forecasts global GDP in 2024 will increase by only 2.9%, lower than the 3% increase it reported for 2023.

While these global factors will of course affect Vietnam, domestic factors are generally expected to drive continued strong performance in the country's economy during 2024. The IMF is forecasting that Vietnam will be the world's 20<sup>th</sup> fastest growing economy, driven in part by Government measures, such as those relating to the latter stages of Vietnam's 2021-2025 Five Year Plan. Reflecting its ambitions for the economy, the National Assembly has set a 2024 GDP growth target for Vietnam of 6.0-6.5%, more than double the IMF's expectations for that measure globally.

##### 2.2 Pharmaceutical Market in 2024

The outlook for Vietnam's pharmaceutical industry is expected to be similarly positive. According to IQVIA, the Vietnamese pharmaceutical market is expected to grow at a CAGR of 6%-8% between 2023 and 2028.

Commentators are expecting this growth to be driven by the following three factors:

- **The demand for pharmaceutical and other health and wellbeing products is increasing.** This growth is being driven by Vietnam's large and rapidly aging population, and an accelerating trend towards pharmaceutical-level healthcare and treatment options.

- **The Vietnamese Government has put in place policies to support the industry.** The Government recently approved a National Strategy for developing Vietnam's pharmaceutical industry to 2030 with a vision for 2045, providing clear guidelines for the next stage growth.
- **Closer international integration is facilitating overseas expansion:** Vietnam's numerous Free Trade Agreements are helping the country's pharmaceutical industry expand its overseas distribution networks, increasing brand penetration while strengthening international alignment on product and service quality.

Alongside these growth drivers, the pharmaceutical industry will face a number of challenges in 2024. These mainly revolve around the industry's exposure to external factors, in particular the slowdown in global economic growth mentioned above and the continued high costs of research and development. In order for firms to benefit from the growth drivers whilst mitigating the challenges, they will need to adopt proactive and flexible business strategies.

## II. Overview of Imexpharm's performance in 2023

### 1. Highlights

#### Number Five Player in the Fast-Growing Vietnamese Pharmaceutical Sector

Imexpharm is a leading drug manufacturer and distributor in Vietnam. According to IQVIA, the Vietnamese pharmaceutical market is expected to grow at a CAGR of 6%-8% between 2023 and 2028, giving a solid foundation for Imexpharm to continue its growth trajectory. The Company was also the fifth ranked pharmaceutical company in Vietnam, jumping five spots from the prior year, when it was placed tenth – as well as the second fastest player in the market by growth, behind only AstraZeneca.

Imexpharm's products have replaced imported drugs in many Vietnamese hospitals, increasing the Company's competitiveness in its home market and creating new barriers to entry for foreign pharmaceutical firms. In 2023, Imexpharm's growth also outperformed the market in the increasingly competitive OTC channel, with OTC sales contributing 51% of revenue. And despite a volatile operating environment in 2023 both at home and abroad, Imexpharm delivered its strongest performance since listing, and exceeded the activities and targets agreed upon at last year's AGM.

#### Number One in Antibiotics

Total market			Antibiotic			Growth				
Rank TY	Rank LY	Corporation	Rank TY	Rank LY	Corporation	Rank	Corporation	Sales TY	Growth Value	Growth
1	1	SANOFI	1	1	IMEXPHARM ★	1	ASTRAZENECA	3,093	806	35.2%
2	2	DHG	2	▲	5 TENAMYD	2	IMEXPHARM ★	2,108	566	36.7%
3	3	ASTRAZENECA	3		3 SUMITOMO DAINIPPON	3	TENAMYD	1,079	519	92.9%
4	4	NOVARTIS	4		2 PHARBACO (TW1)	4	BOEH, INGEL	1,768	455	34.6%
5	▲	10 IMEXPHARM ★	5	▲	9 GSK	5	CPC1 HA NOI	1,274	403	46.4%
6		6 STELLAPHARM	6	▲	11 PFIZER	6	NOVARTIS	2,600	345	15.3%
7		7 GSK	7		6 MEDOCHEMIE	7	DAVI PHARM	1,158	340	41.7%
8	▲	13 BOEH, INGEL	8		8 PYMEPHARCO	8	ROCHE	1,466	339	30.0%
9		5 TRAPHACO	9	▲	14 BAYER H/C	9	MERCK	1,750	322	22.6%
10	▲	12 MERCK	10	▲	26 FRESENIUS KABI GR	10	PHARBACO (TW1)	1,283	318	32.9%

Source: IQVIA (note sales figures based on IQVIA estimates, not actual 2023 performance)

Imexpharm led the market in the number one spot for both producing and selling antibiotics in Vietnam, with a market share that rose to close to 9%. Imexpharm was also the market leader in the rapidly growing ETC channel with sales at 1.8x higher than the second-place domestic firm.

#### Revenue and Profit growth at record highs in the year

Total gross revenue reached VND 2,113 billion; growth of 26% compared to the overall market growth of 8%. Net revenue reached VND 1,994 billion, up 21% over the same period, and exceeding budgeted revenue by 14%. At the same time, pre-tax profit reached 377.3 billion VND, rising 30% year-on-year, and 8% above budget. Both revenue and profit growth were at record highs in the year.

### 2. Five Year Financial Performance Comparison

#### Financial overview 2019 – 2023

Imexpharm has a solid track record of growth over the past five years: compound growth rate of pre-tax profit and after-tax profit (2019-2023) were 16.8% and 16.5%, respectively. The CAGR of EBITDA



over the past five years was 17.2%, whilst the CAGR of equity was 7.5% in the same period, and the CAGR of Total Assets was at 6.7%.

Target (billion VND)	2019	2020	2021	2022	2023	CAGR (19-23)
Net revenue	1,402.5	1,369.4	1,266.6	1,643.7	<b>1,994.0</b>	9.2%
Profit before tax	202.4	255.4	238.9	291.4	<b>377.3</b>	16.8%
Profit after tax	162.4	209.7	189.1	223.5	<b>299.6</b>	16.5%
EBITDA	247.3	314.2	304.8	355.6	<b>466</b>	17.2%
BV (VND)	31,544	25,941	26,899	28,398	<b>29,778</b>	-1.4%
EPS (VND)	2,892	2,773	2,603	2,951	<b>3,637</b>	5.9%
Total assets	1,847.2	2,096.5	2,294.7	2,276.9	<b>2,392.6</b>	6.7%
Equity	1,558.9	1,730.5	1,794.4	1,894.4	<b>2,084.6</b>	7.5%
Charter capital	494.2	667.1	667.1	667.1	<b>700.4</b>	9.1%
Total liabilities	288.3	366.0	500.3	382.5	<b>308.0</b>	1.7%
Equity/Total assets	84%	83%	78%	83%	<b>87%</b>	
Total debt/Total assets	16%	17%	22%	17%	<b>13%</b>	
Gross profit/Revenue	37.6%	39.9%	38.5%	42.4%	<b>40.6%</b>	
Profit before tax/Revenue	14.4%	18.7%	18.9%	17.7%	<b>18.9%</b>	

Profitability metrics improved significantly during the period. Return on Sales, Return on Assets, and Return on Equity climbed by 1.4%, 3% and 2.9% to 15%, 12.8% and 15% respectively.

#### Profitability Indicators

Target (billion VND)	2019	2020	2021	2022	2023
Profit after tax/Revenue (ROS)	11.6%	15.3%	14.9%	13.6%	<b>15.0%</b>
Profit after tax/Total average assets (ROA)	9.0%	10.6%	8.6%	9.8%	<b>12.8%</b>
Profit after tax/Average equity (ROE)	10.6%	12.8%	10.7%	12.1%	<b>15.0%</b>

#### Dividends

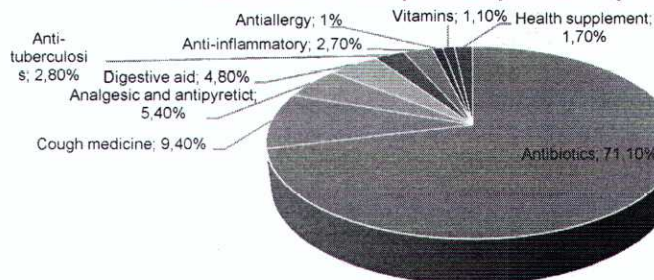
Imexpharm has maintained a strong dividend policy over the past two years, at 15% on charter capital, with 10% in the form of a cash dividend and 5% in the form of stock dividends.

### 3. Operating Performance in 2023

#### 3.1 Product Performance

Imexpharm currently has over 333 products licensed for circulation nationwide by the Ministry of Health, and 11 EU MAs (European Product Registration Numbers) issued in 2023 for six products, including difficult products such as Ampicillin/Sulbactam, bringing the total number of EU MAs to 27 across 11 products.

A breakdown of our product portfolio by category



#### 3.2 Channel Performance

##### Revenue by Customer Type



Imexpharm's growth in 2023 outperformed the market in the increasingly competitive OTC channel, with OTC revenues accounting for the largest proportion of gross revenue in 2023 at 51%. Meanwhile Imexpharm's products have replaced imported drugs in many Vietnamese hospitals, increasing the Company's competitiveness domestically and creating new barriers to entry for foreign pharmaceutical firms. In 2023 Imexpharm was the market leader in the rapidly growing ETC channel with sales at 1.8x higher than the second-place domestic firm.

In the ETC channel, in addition to self-distributing through IMP's sales team (ETC-IMP), where revenue grew by 12% in the period, Imexpharm also partners with distributors (ETC-Partners). Imexpharm uses their extensive networks in hospital tenders to further optimize sales revenue in this channel, which grew by 74% in the period.

Target (billion VND)	2022	2023	Growth
<b>Gross revenue</b>	<b>1,676.3</b>	<b>2,113.9</b>	<b>26%</b>
OTC	1,023.9	1,083.0	6%
ETC-Partners	399.0	696.0	74%
ETC-IMP	167.8	188.0	12%
Other	85.6	146.9	72%
Deductions	32.6	119.8	267%
<b>Net revenue</b>	<b>1,643.7</b>	<b>1,994.0</b>	<b>21%</b>

### 3.3 Manufacturing

The production of Imexpharm's products is carried out on advanced technology assembly lines with strictly managed processes. Our manufacturing is organized across four factory clusters and workshops as outlined in the table below. As of December 2023, we employed approximately 368 people to manufacture our products. We ensure our direct labor manufacturing employees are trained on a regular basis throughout the year, across a variety of relevant topics.

Plant	Volume 2022 (mn units)	Volume 2023 (mn units)	Growth rate (%)	Capacity	Meeting plan 2023 (%)
IMP1	884.5	856.8	-3.1%	67%	91.5%
IMP2	27.2	50.6	85.9%	37%	100%
IMP3	70.1	119.1	70.0%	57%	99.8%
IMP4	0.1	1.0	1,055.0%	61%	97.4%

Output at our factories was in-line with our expectations, with impressive growth at IMP2, IMP3 and IMP4, and a slight adjustment at IMP1 in line with our strategy for this location. This performance – contributing to record revenue for the company – was achieved at levels well below capacity, indicating the strong potential held by the Company in meeting its 2024 targets and beyond.

### 3.4 Production Cost Inputs and Optimization

The Company's management team continued to focus on optimizing production costs in the period. The cost of goods sold in the period rose by 25%, on a gross revenue increase of 26%.

Target (billion VND)	2022	2023	Growth
Cost of goods sold	946.4	<b>1,183.5</b>	25%
Gross profit	697.4	<b>810.5</b>	16%
(%)	42%	<b>41%</b>	

Cost of goods sold increased 25% YoY owing in part to the impact of depreciation at IMP4 and promotion goods in 4Q23. IMP4 began recording stable depreciation from July 2023 onwards. A major input cost for the Company is raw materials. Producing high quality products using high quality materials is a strategic imperative for Imexpharm. The Company uses raw materials that meet CEP standards (as set by the European Union) for several key products manufactured at its EU-GMP factories, ensuring that the products created meet the highest quality standards, for optimal treatment efficacy. Imexpharm also promotes the use of antibiotic ingredients produced using enzymatic



technology, a natural fermentation technology, to ensure products have long-term stability and are safer for patient health.

During the period the Company proactively forecast its raw material demand, efficiently balancing reserves in a volatile market despite its high importation requirements. As a result, raw materials accounted for 64.8% of total production costs in 2023, compared with 65.4% in 2022.

Capacity and production capacity were also improved during the period thanks to the implementation of optimization measures advised by the consulting firm Efeso (France), thereby contributing to the Company's pre-tax profit margin improving from 17.7% in 2022 to 18.9% in 2023.

### 3.5 People First

The Company continued to invest in its people at all levels of the business, to ensure that Imexpharm has the right leadership team, the right scientific team, and the right operational and sales/marketing teams to drive the business forward into continued success.

Recruitment in the period was highly effective, and the company fulfilled 100% of its budgeted hires. Imexpharm was honored to be included in the Top Five places to work in Vietnam in the pharmaceutical, medical equipment and healthcare industries during the period.

As of 31<sup>st</sup> December 2023, Imexpharm's total number of employees was 1,405, an increase of 11.5% over the same period. People costs in the period increased by 31.3% year-on-year, attributed to the rise in the total number of employees, the addition of key experienced person, and the adjustment of the new salary policy which adjusted the average salary upwards by 7%. The employee retention rate in the period was 89% compared with 81% in 2022.

### 3.6 Selling Expenses and Business Management Costs

Selling expenses were also well controlled in the period, with a 15% rise in selling expenses to VND 309.9 billion, representing 14.67% of gross revenue compared with 16.1% in the prior period. Business management costs also fell by 9% in the period.

Target (billion VND)	2022	2023	Growth
Selling expenses	269.0	<b>309.9</b>	15%
General and administrative expenses	131.8	<b>119.6</b>	-9%

### 3.7 Research & Development Costs

Imexpharm continues to invest in Research & Development to ensure that the Company's focus remains on producing optimal, highly effective drugs and wellness products for patients. Imexpharm developed a new product evaluation process in the period, and all drug registrations were completed on schedule with a focus on products at the newly operational IMP4 factory. Reflecting the importance of this area to the Company's continued strong performance, total Research & Development spend in the period was nearly 5% of Net Revenue.

### 3.8 Depreciation

Depreciation rose in the period by 37% on the back of the higher capital cost of the new IMP4 factory.

### 3.9 Capital changes, cash flow movements and other key performance indicators

During the period, Imexpharm continued to adjust and reduce financial loans and debt payments. Specifically, the company's short term financial loans and short-term payables fell by 19.5% and 17.9% respectively. This drove a decrease in debt/total assets to 12.9% from 16.8% in the prior period. At the same time debt/equity also improved to 14.8% in the period, down by 5.4% from 20.2% in the prior period, with the company's equity in 2023 increasing by 10% following record high growth rates in the company's total revenue and profit.

Cash flow from operating activities during the period decreased as planned due to increased inventory of raw materials and prepaid expenses. Cash flow from investment activities increased to VND 79.1 billion in the period driven by lower levels of fixed asset purchases in the year compared to the prior year and cash returned from bank deposits. Cash flow from financing activities improved by nearly 60% due to an increase in short-term loans. This resulted in a drop in overall cash and cash equivalents at the end of the period of just over 40%. At the same time the current payout ratio



rose to a healthy 3.9x driven by an increase in short term assets, and the quick payout ratio remained essentially stable at 1.6x.

During the period the Company reduced inventory days by 2% to 175, from 179 in the prior period. Imexpharm's net receivable days also reduced to 41, from 47 in the prior period, an improvement of 12%, and net payable days decreased by 43% to 15 days, which did not meet the budgeted 30 days.

#### Cashflow

Target (billion VND)	2019	2020	2021	2022	2023
Net cash inflows from operating activities	68.6	73.2	234.9	378.6	<b>-39.5</b>
Net cash outflows from investing activities	-122.7	-136.5	-83.1	-199.3	<b>79.1</b>
Net cash (outflows)/inflows from financing activities	61.4	73.6	34.5	-271.7	<b>-112.2</b>
Cash and cash equivalents at end of year	75.0	85.3	271.3	178.8	<b>106.2</b>

#### Liquidity

Target (Times)	2019	2020	2021	2022	2023
Current payout ratio	3.0	2.8	2.9	2.9	<b>3.9</b>
Quick payout ratio	1.6	1.6	1.7	1.7	<b>1.6</b>

### III. Plan for 2024

#### 1. Strategic orientation

Based on the results of analysis of the macro situation of the economy as well as Vietnam's pharmaceutical industry in the coming period, Imexpharm has outlined the following strategic development areas for 2024:

##### - Expansion of EU MA group 1

Imexpharm currently has a total of 27 EU MAs across 11 products. In 2024, the Company plans to expand this portfolio and has initially identified 30 products as potential candidates.

##### - Expansion into new therapeutic areas

In 2024, Imexpharm plans to explore partnerships with overseas pharmaceutical companies to introduce products in new therapeutic areas such as cardiovascular diseases, diabetes, gastrointestinal disorders, etc., with advanced medical technology into the Vietnamese market.

##### - Acceleration of global business development

In 2024, Imexpharm plans to continue its global expansion, by taking the first steps in its own overseas activities as well as increasing its production partnerships with multinationals.

##### - Expansion and development of the domestic market

Imexpharm sets the goal of expanding its sales and marketing team to increase presence and market share in the Northern and Central regions.

##### - Continued focus on innovation

Imexpharm will expand and develop its innovation activities in 2024, focusing on initiatives such as digital transformation, new factory development and inter-departmental co-ordination.

#### 2. Business goals for 2024

Imexpharm's Board of Directors and management team have agreed the following business goals for 2024, which will be submitted to Shareholders for approval at the Annual General Meeting:

No.	Target (billion VND)	2023	2024	Growth
1	Gross revenue	2,113	<b>2,630.1</b>	24%
2	OTC	1,083	<b>1,214</b>	12%
3	ETC	884.0	<b>1,316.1</b>	49%
4	Net revenue	1,994.0	<b>2,364.9</b>	19%
5	Profit before tax	377.3	<b>423.0</b>	12%
6	EBITDA	466.0	<b>550.0</b>	18%
	<i>EBITDA margin</i>	23%	<b>23%</b>	



In 2024, the Company is targeting a 24% increase in gross revenue and a 19% increase in net revenue. It also plans to grow revenue derived from the OTC channel by 12% (compared with 6% growth in 2023), and significantly grow revenue from ETC channels, targeting an increase of 49%. The Company intends to continue the trend of maintaining in EBITDA margin established over previous years, with a target for 2024 of 23%.

#### IV. Conclusion

Above is the report from the Executive Board on the operational results of 2023, as well as the objectives for business and production activities in 2024. Despite the challenges of 2023, Imexpharm has demonstrated its resilience and strength as a leading pharmaceutical enterprise, achieving remarkable breakthroughs and accomplishments. Today's success serves as a solid foundation for Imexpharm to confidently move forward, pioneering new heights, establishing new growth momentum, expanding internationally, and steadfastly contributing to the prosperity of the nation and the Vietnamese Pharmaceutical industry.

  
**GENERAL DIRECTOR** *[Signature]*  
**PH.D. TRAN THI DAO**



