



IMP Update- NEUTRAL

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Company Update

Recommendation **NEUTRAL**
HSX: IMP
 Pharmaceuticals

Target price (VND)	48,200
Current price (VND)	47,400
Expected share price return	1.8%
Expected dividend yield	2.1%
Expected total return	3.9%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	0.2	0.2	-0.9	61.1
Relative	-5.2	-3.7	-6.1	54.3

Source: Bloomberg



Ownership

SK and related parties (KBA, Binh Minh Kim)	64.8%
Vietnam Pharmaceutical Corp.	22.0%

Stock Statistics 17-Mar-25

Bloomberg code	IMP VN
52-week range (VND)	29,136-56,500
Shares O/S (m)	154
Mkt cap (VND bn)	7,254
Mkt cap (USD m)	282
Foreign room left (%)	25.6
Est. free float (m)	11.6
3m avg daily vol (shrs)	189,153
VND/USD	25,680
Index: VNIIndex / HNX	1334.7/246.7

IMEXPHARM CORP (IMP VN)

The company retained growth of 10.6% YoY in net revenue and 7.1% YoY in EAT in 2024, from the high bases earlier. 2025 EAT is expected to generate decent growth of 18% YoY given that the company may continue to foster high-value products, advanced production standards, and impact from higher depreciation due to incorporation of IMP4 would normalize. Our target price for the stock by YE2025 is VND48,200/share, equivalent to a total return of 3.9%. Rating **NEUTRAL**.

IMP announced (unaudited) net revenue at VND2,205bn (+10.6% YoY) and EAT at VND321bn (+7.1% YoY) in 2024, reflecting a normalization following stunning growth in 2022-2023. Sales of finished goods captured almost 100% of its net revenue.

Net revenue growth was driven by a jump (of 45% YoY in our estimate) in the hospital channel, which outpaced the pharmacy channel and become IMP's largest earner. The pharmacy channel was estimated to fall by 7% YoY, including a 74% YoY rise in retail chains – whose share in IMP's pharmacy sales was still humble at 9% in 2024.

Value growth, thanks to increased demand for high-value products, has facilitated the expansion of production at its EU-GMP certified factories (i.e IMP2, IMP3, besides the new addition of IMP4) despite dull volume growth (details on the consumption side were unavailable). Antibiotics remain their most crucial products, accounting for 76% of IMP's sales.

Divergence in EAT and revenue growth was attributed to a squeeze in gross margin, primarily due to higher depreciation as IMP4 came online from 3Q2023. However, this impact was offset notably by a well-controlled SG&A expenses to net revenue ratio.

The company is working to set up a new EU-GMP factory - IMP5, aiming at more complicated drugs beyond antibiotics (e.g cardiovascular, diabetes, etc.). The factory is expected to start construction in 3Q2025 and go into operation in Dec 2028 – 1Q2030.

Net revenue and EBT growth (EAT was unavailable) reached 18% YoY and 16% YoY respectively in 2M2025. While the hospital channel sustained vigorous growth of 32% YoY, the pharmacy channel also witnessed improvements with 18% YoY sales growth.

Outlook: We project that the company may deliver VND2,510bn of net revenue (+13.8% YoY) and EAT of VND372bn (+15.9% YoY) in 2025, fueled by the company's continued investments in high-value products, advanced production standards, and that impact from higher depreciation due to incorporation of IMP4 would normalize.

	2023	2024U	2025F	2026F	2027F
Net Sales (VNDbn)	1,994	2,205	2,510	2,833	3,208
Growth	21.3%	10.6%	13.8%	12.9%	13.2%
EBITDA (VNDbn)	446	504	570	647	736
EBITDA margin	22.4%	22.9%	22.7%	22.8%	22.9%
NPATMI (VNDbn)	300	321	372	427	489
Growth	34.1%	7.1%	15.9%	14.8%	14.7%
EPS (bonus-adjusted, VND)	1,709	1,830	2,121	2,435	2,792
Growth	45.6%	7.1%	15.9%	14.8%	14.7%
ROE	15.1%	15.0%	16.2%	16.8%	17.2%
ROA	12.8%	13.1%	14.3%	14.8%	14.9%
Net debt/EBITDA (times)	(0.3)	(0.4)	(0.4)	(0.2)	(0.1)
EV/EBITDA (times)	16.2	14.3	12.6	11.1	9.8
PER (times)	28.2	26.3	22.7	19.8	17.3
DPS (VND)	1,000	1,000	1,000	1,000	1,000
Dividend yield	2.1%	2.1%	2.1%	2.1%	2.1%

Outperforming peers despite growth normalizing in 2024

IMP announced (unaudited) net revenue at VND2,205bn, up by 10.6% YoY in 2024, outperforming some peers such as DHG, TRA, DBD, DMC although growth has normalized from the high bases in 2022-2023 when demand rebounded strongly post-Covid.

2024 business results	Revenue	Revenue growth	EAT	EAT growth
DHG	4,885	-2.6%	779	-25.9%
TRA	2,337	1.6%	257	-9.8%
IMP	2,205	10.6%	321	7.1%
DMC	1,889	9.9%	203	10.6%
DBD	1,728	4.6%	275	2.2%

Source: Companies' financial statements; ACBS

EAT reached VND321bn, +7.1% YoY. The divergence in EAT and revenue growth was attributed to a squeeze in gross margin, primarily due to higher depreciation as IMP4 came online from 3Q2023. However, a well-controlled SG&A expenses to net revenue ratio supported the earnings.

IMP's business results	2024	+/- YoY	Key drivers
Net revenue	2,205	+10.6%	The hospital channel sustained strong performance despite stagnant pharmacy sales.
Gross profit	856	+5.5%	Higher depreciation due to incorporation of IMP4 factory; Material costs rose by 8% YoY with API prices increasing by 3% on average; Low production volume in 1H2024.
Gross margin	38.8%	-1.8 ppt	
SG&A expenses	440	+2.3%	Enhanced cost efficiency.
SG&A/net revenue	20.0%	- 1.5 ppt	
EAT	321	+7.1%	

Source: IMP; ACBS

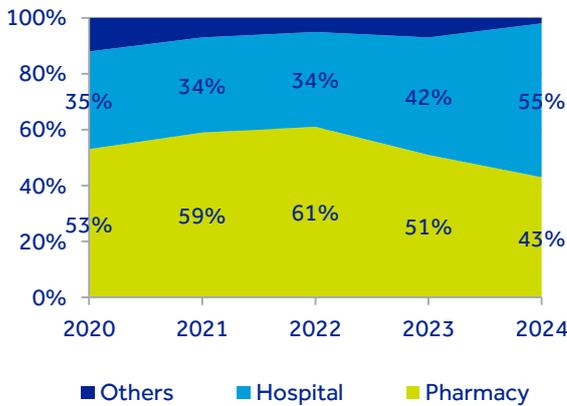
The hospital channel was the growth driver

The hospital channel reported 45% YoY net revenue growth, in contrast to a 7% YoY decline in the pharmacy channel in 2024, in our estimate. The hospital channel turned to IMP's largest earner capturing 55% of the total, aligning with the company's target to expand this channel.

Maintained investments in advanced production standards was one of catalysts that enabled IMP to record a strong upturn of 73.3% YoY in tender value in tier 1 (*) and 29.5% YoY in tier 2 in 2024. Tier 2 still occupied the largest share in the company's tender value into the hospital channel.

(*) Tier 1 includes (i) branded drugs or (ii) produced on EU-GMP (or equivalent) lines at SRA/EMA countries or with MA (Marketing authorization license) granted by SRA countries. Tier 2 including drugs produced on EU-GMP (or equivalent) lines in Vietnam or ICH countries.

Revenue by channel



IMP's tender value by drug tier

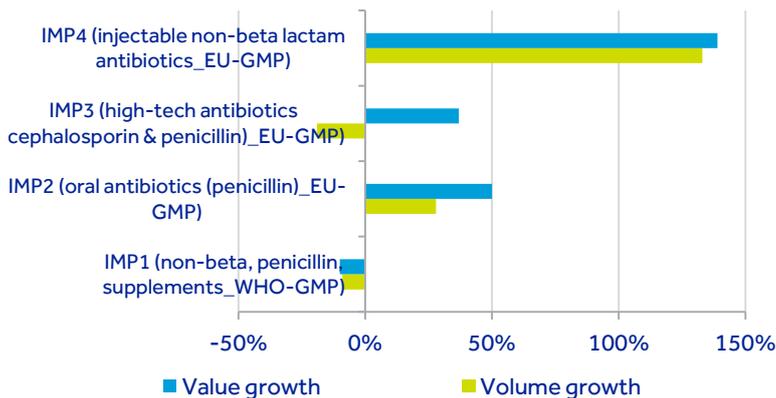


Source: IMP; ACBS

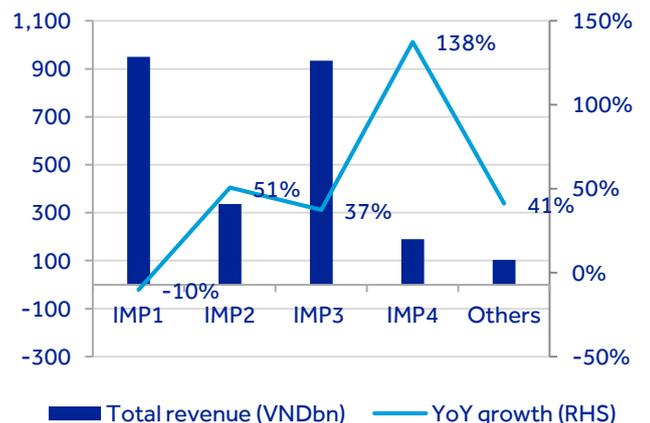
Value growth transcended volume growth

Despite dull volume growth – the common state in the industry in recent years – a dramatic expansion of production at the company’s EU-GMP certified factories (i.e. IMP2, IMP3, besides the new addition of IMP4) was spurred by value growth, as a result of increased demand for high-value products. Their product portfolios have been shifting towards high-tech, high-value products comprising injectable and dispersible medicines; in which, injectable medicines raised their contribution to 33% of the total revenue in 2024 from 26% in 2023. IMP currently owns 12 EU-GMP certified production lines, highest among Vietnamese pharmaceutical companies and favoring the company in bidding to hospitals. Antibiotics remain their most crucial products, accounting for 76% of IMP’s sales.

Production volume and value growth of IMP factories



Total revenue growth of factories



Source: IMP; ACBS

2025 Forecast and Valuation

IMP will still put a priority on investments in advanced production standards, R&D to reinforce its position and competitiveness in the hospital channel, while expansion in the pharmacy channel, especially retail chains may continue. We expect that the company may deliver VND2,510bn of net revenue (+13.8% YoY) and EAT of VND372bn (+15.9% YoY) in 2025, fueled by the company’s continued investments in

high-value products, advanced production standards, and that impact from higher depreciation due to incorporation of IMP4 would normalize. The government's encouragement and regulations on boosting domestically produced drugs and the industry development (e.g. no tender for import drugs that have at least 03 capable local manufacturers in accordance with Circular No.03/2024/TT- BYT; Amended Pharmacy Law No. 44/2024/QH15, etc.) may also benefit the company.

Combining the DCF and PER methods, our **target price for IMP by YE2025 is VND48,200 /share.**

IMP FINANCIALS MODEL	Price (VND):	47,400	Target (VND):	48,200	Mkt cap (VND bn):	7,254
(VND bn except where stated)	2023	2024U	2025F	2026F	2027F	
Total Net Sales	1,994	2,205	2,510	2,833	3,208	
<i>Sales growth (%)</i>	<i>21.3%</i>	<i>10.6%</i>	<i>13.8%</i>	<i>12.9%</i>	<i>13.2%</i>	
CoGS ex-dep'n	1,111	1,253	1,432	1,617	1,832	
Selling expenses ex-dep'n	304	307	350	395	448	
G&A expenses ex-dep'n	115	124	137	150	165	
Financial revenues	8	5	4	5	5	
Financial expenses	26	22	25	28	32	
EBITDA	446	504	570	647	736	
<i>EBITDA margin (%)</i>	<i>22.4%</i>	<i>22.9%</i>	<i>22.7%</i>	<i>22.8%</i>	<i>22.9%</i>	
Depreciation	83	106	108	114	121	
Operating profit	364	399	462	533	615	
<i>Operating profit margin (%)</i>	<i>18.2%</i>	<i>18.1%</i>	<i>18.4%</i>	<i>18.8%</i>	<i>19.2%</i>	
Other profits/losses	3	1	0	0	0	
Profits/Losses from associates	-	-	-	-	-	
Net interest expense	(11)	(4)	(6)	(5)	(1)	
<i>as % of avg net debt</i>	<i>4.9%</i>	<i>2.4%</i>	<i>2.7%</i>	<i>2.6%</i>	<i>1.3%</i>	
<i>Interest cover (x)</i>	<i>(33)</i>	<i>(91)</i>	<i>(72)</i>	<i>(104)</i>	<i>(492)</i>	
Tax	78	83	97	111	127	
<i>Effective tax rate (%)</i>	<i>20.8%</i>	<i>20.7%</i>	<i>20.6%</i>	<i>20.6%</i>	<i>20.6%</i>	
Minority interest	-	-	-	-	-	
NPATMI	300	321	372	427	489	
Cash earnings	382	426	480	541	610	
Total number of shares	70,038,449	154,042,762	154,042,762	154,042,762	154,042,762	
EPS (VND) (after treasury shares)	3,760	1,830	2,126	2,440	2,794	
Bonus factor (x)	0.45	1.00	1.00	1.00	1.00	
Adjusted EPS (VND)	1,709	1,830	2,126	2,440	2,794	
<i>EPS growth (%)</i>	<i>45.6%</i>	<i>7.1%</i>	<i>16.2%</i>	<i>14.5%</i>	<i>14.7%</i>	

KEY CASHFLOW AND BS ITEMS	2023	2024U	2025F	2026F	2027F
Increase in working capital	318	116	116	122	141
Capex	61	90	90	300	300
Change in investment in affiliates	0	-4	0	0	0
Other cashflow items	-82	-86	-84	-85	-85
Free cash flow	-79	138	190	34	85
Share issues	-	-	-	-	-
Dividends paid	67	70	154	154	154
Increase in net debt	145	-68	-36	120	69
Net debt, end of year	-150	-218	-254	-134	-65
Shareholders' equity	2,085	2,183	2,401	2,674	3,009
BVPS (VND)	29,778	14,175	15,589	17,360	19,538
<i>Net debt / equity (%)</i>	<i>-7.2%</i>	<i>-10.0%</i>	<i>-10.6%</i>	<i>-5.0%</i>	<i>-2.2%</i>
<i>Net debt / EBITDA (x)</i>	<i>-0.3</i>	<i>-0.4</i>	<i>-0.4</i>	<i>-0.2</i>	<i>-0.1</i>
Total assets	2,393	2,505	2,686	3,079	3,484

KEY RETURN AND VALUATION RATIOS	2023	2024U	2025F	2026F	2027F
<i>ROE</i>	<i>15.1%</i>	<i>15.0%</i>	<i>16.2%</i>	<i>16.8%</i>	<i>17.2%</i>
<i>ROA</i>	<i>12.8%</i>	<i>13.1%</i>	<i>14.3%</i>	<i>14.8%</i>	<i>14.9%</i>
<i>ROIC</i>	<i>16.5%</i>	<i>16.3%</i>	<i>17.8%</i>	<i>18.0%</i>	<i>17.8%</i>
<i>WACC</i>	<i>8.2%</i>	<i>8.2%</i>	<i>8.2%</i>	<i>8.2%</i>	<i>8.2%</i>
<i>EVA</i>	<i>8.3%</i>	<i>8.1%</i>	<i>9.6%</i>	<i>9.8%</i>	<i>9.6%</i>
<i>PER (x)</i>	<i>28.2</i>	<i>26.3</i>	<i>22.7</i>	<i>19.8</i>	<i>17.3</i>
<i>EV/EBITDA (x)</i>	<i>16.2</i>	<i>14.3</i>	<i>12.6</i>	<i>11.1</i>	<i>9.8</i>
<i>EV/FCF (x)</i>	<i>-91.6</i>	<i>52.2</i>	<i>37.8</i>	<i>211.4</i>	<i>85.1</i>
<i>PBR (x)</i>	<i>1.6</i>	<i>3.4</i>	<i>3.1</i>	<i>2.8</i>	<i>2.5</i>
<i>PSR (x)</i>	<i>3.7</i>	<i>3.4</i>	<i>3.0</i>	<i>2.6</i>	<i>2.3</i>
<i>EV/sales (x)</i>	<i>3.6</i>	<i>3.3</i>	<i>2.9</i>	<i>2.5</i>	<i>2.2</i>
<i>PEG (x, 3 yr prospective)</i>	<i>1.2</i>	<i>2.1</i>	<i>1.5</i>	<i>1.3</i>	<i>1.2</i>
<i>Dividend yield</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>

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DISCLAIMER

Our Recommendation System

BUY: prospective 12 month VND total return (including dividends) will be more than 20%.

e: prospective 12 month VND total return (including dividends) will be 10% to 20%.

NEUTRAL: prospective 12 month VND total return (including dividends) will be -10% to 10%.

UNDERPERFORM: prospective 12 month VND total return (including dividends) will be will be -20% to -10%.

SELL: prospective 12 month VND total return (including dividends) will be lower than -20%.

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