GROUP ASSIGNMENT COVER SHEET

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UNIT AND TUTORIAL DETAILS

Unit name: Corporate Finance   Unit number: CF-DH49ISB-02

Tutorial/Lecture: Group Assignment 1   Class day and time: Thursday 8:00 – 11:15

Lecturer or Tutor name: Mr. Le Anh Tuan and Mr. Minh Le

ASSIGNMENT DETAILS

Title: Group Assignment 1: Financial Analysis and ForecastingAssignment

Length: 28 pages   Due date: 28th July 2024   Date submitted: 28th July 2024

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Group 5

IMP IMEXPHARM

Sự cam kết ngay từ đầu

FINANCIAL ANALYSIS

Presented By
GROUP 5 - CF02

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I. Introduction

1. General Information

IMEXPHARM CORPORATION (IMP) is a Vietnamese pharmaceutical company established on April 28, 1988. It is headquartered at No.4, 30/4 Street, Ward 1, Cao Lanh City, Dong Thap Province, Vietnam, formerly Level II Pharmaceutical Company - Imexpharm Pharmaceutical Joint Stock Company. After more than 47 years of establishment and development, with the orientation of prioritizing investment in product quality according to advanced world standards. world, with strong pioneering steps in the pharmaceutical industry, Imexpharm has become the leading pharmaceutical manufacturer in Vietnam according to European Standards.

Currently, the company owns 4 factory clusters in Dong Thap, Ho Chi Minh City and Binh Duong, of which 3 factory clusters meet EU-GMP standards with a total of 11 production lines. (Về IMexpharm, n.d.).

Summarized relevant information:

- Name of company: IMEXPHARM CORPORATION
- Abbreviation: IMEXPHARM
- Tax code: 1400384433
- Address: No.4, 30/4 Street, Ward 1, Cao Lanh City, Dong Thap Province
- Telephone: 02773851941
- Website: https://www.imexpharm.com/
- Independent (external) audit firm: PwC Vietnam Limited, Deloitte Vietnam Limited

2. Main business fields

- Producing and trading pharmaceuticals
- Importing and purchasing packaging raw materials for production

3. Ticker Symbol: IMP

4. Stock Exchange

The company has been listed on the Ho Chi Minh Stock Exchange (HOSE) with IMP code since 04/12/2006 (VietstockFinance).

5. Company size

Imexpharm is headquartered in Dong Thap province with 20 sales branches spread across the country. Currently, Imexpharm owns 11 product production lines that meet EU - GMP principles with 3 factory clusters, including Vinh Loc high-tech antibiotic factory (IMP2 factory), branch 3 - Company Imexpharm Pharmaceutical Joint Stock Company in Binh Duong (IMP3 factory) includes: Penicillin factory and Cephalosporin factory, Imexpharm Pharmaceutical Joint Stock Company branch - Binh Duong High-tech Factory (IMP4 factory).

6. Board of Directors

BOD Members	Position	Education
Ms. Chun Chaerhan	Chairperson of BOD	MBA
Ms. Tran Thi Dao	General Director BOD member	Bachelor of Pharmacy
Mr. Chung Suyong	Member of BOD	MBA
Ms. Han Thi Khanh Vinh	Member of BOD	Master of International Accounting
Mr. Truong Minh Hung	Member of BOD	Master of Banking and Finance
Mr. Hoang Duc Hung	Independent Board member	Master of International Finance

7. Subsidiaries

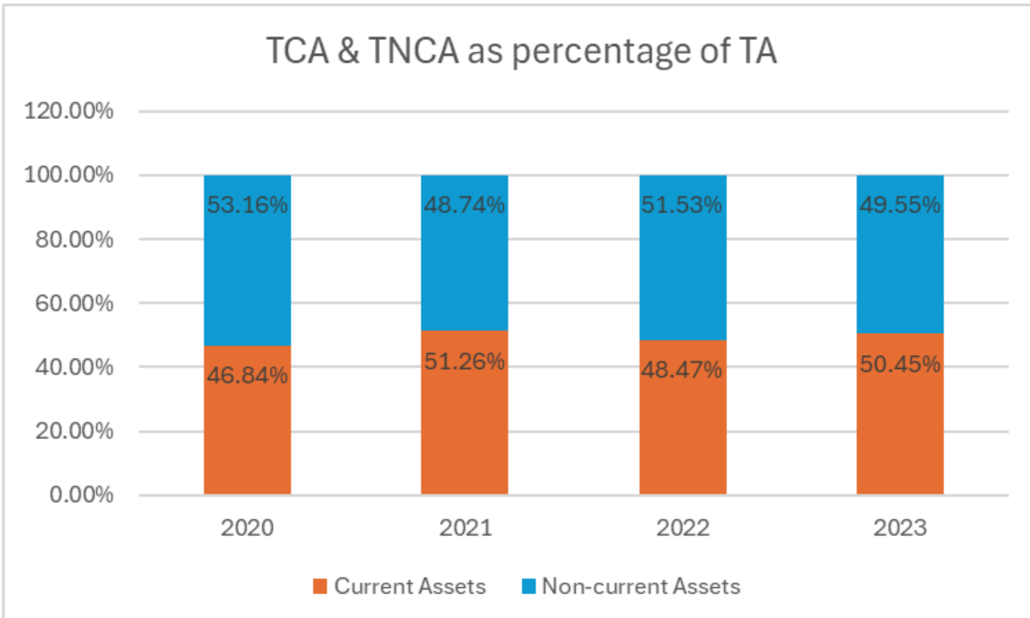
As of 31 December 2023, the company's subsidiaries were:

- Công ty TNHH Dược phẩm Gia Đại - Subsidiary
- CTCP Dược phẩm Agimexpharm - Subsidiary
- CTCP Nghiên cứu Bảo tồn và Phát triển Dược liệu Đồng Tháp Mười - Subsidiary

II. Analysis of Balance Sheet

1. Total Current Assets and Non-current Assets

a. Total current assets

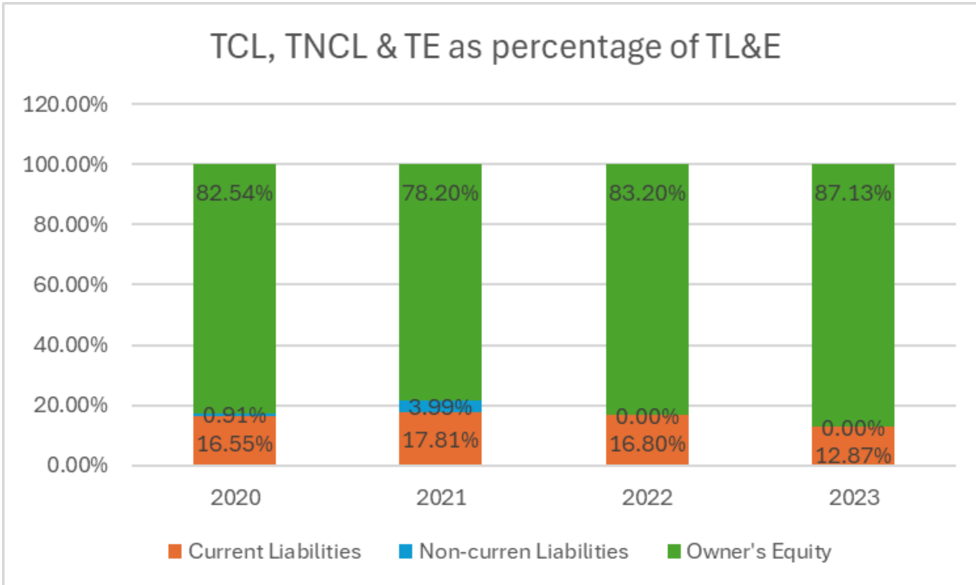


In 2020, current assets constituted 53.16% of the total assets. Over the subsequent two years, this percentage experienced a gradual ascent, reaching 51.26% in 2021 and further rising to 51.53% in 2022. However, by 2023, there was a decline, with current assets constituting a slightly lower proportion at 49.55% of total assets. This fluctuation suggests strategic decisions influenced by industry dynamics, liquidity needs, and investment strategies.

b. Non-current assets

Based on the information, the proportion of non-current assets showed a fluctuating pattern. It started at 46.84% in 2020, increased to 51.26% in 2021, followed by a slight decrease to 48.47% in 2022, and then rose again to 50.45% in 2023. The primary factor contributing to this variation was the composition of fixed assets within the entity. The fluctuations in Non-current assets reflect strategic decisions influenced by industry dynamics, investment choices, and risk tolerance.

2. Total Liabilities and Stockholders' Equity



a. Current liabilities

In 2020, the proportion of current liabilities in relation to total liabilities and equity stood at 16.55%. By 2021, this percentage experienced a noteworthy surge, reaching 17.81%, a significant increase in that particular year. The notable increase in 2021 was primarily propelled by a concurrent rise in short-term borrowings and the introduction of a new account, specifically a provision for short-term creditors. Despite a subsequent increase in the amount of current liabilities in 2022 compared to 2021, it constituted only 16.80% of total liabilities and equity and ultimately declined to 12.87% in 2023. This decline may be attributed to the substantial rise in total equity during this period.

b. Non-current liabilities

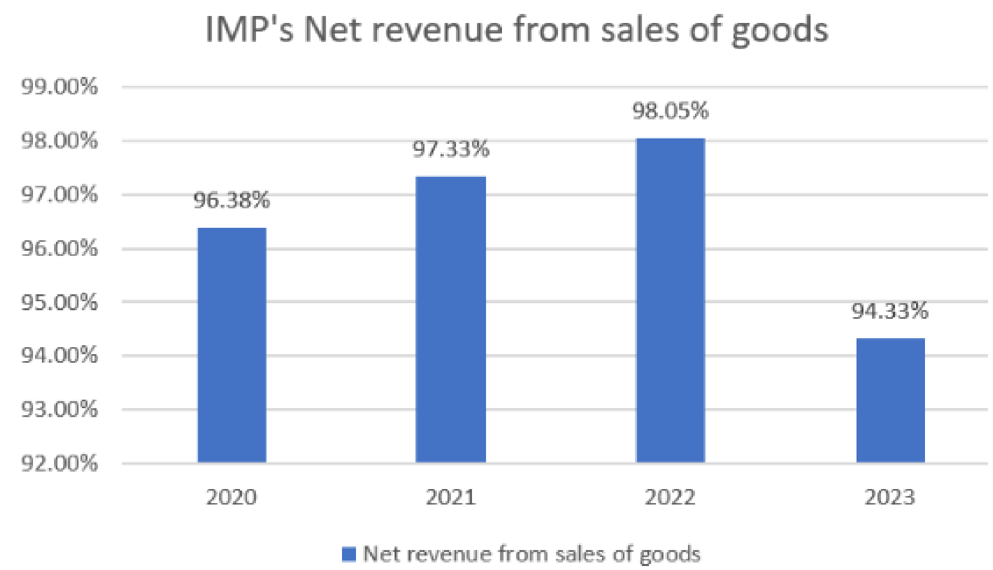
In 2020, non-current liabilities constituted 0.91% of total liabilities and equity. The subsequent year, 2021, witnessed a notable increase to 3.99%, driven by variations in the provision for long-term liability. IMP's strategic shift involving increased investments and technological upgrades further contributed to this rise. However, by 2022 and 2023, non-current liabilities declined significantly to 0%, likely influenced by changes in long-term liability provisions.

c. Owner's Equity

In 2020, the owner's equity stood at 82.54% of the total liabilities and equity. This proportion then decreased to 78.20% in 2021, likely due to an increase in the company's liabilities or a decrease in its equity components. However, the trend reversed in the subsequent years, with the owner's equity increasing to 83.20% in 2022 and further to 87.13% in 2023. This significant growth in the owner's equity showed that the company has been actively reducing its debt or other liabilities, while also improving its profitability and potentially raising new equity capital.

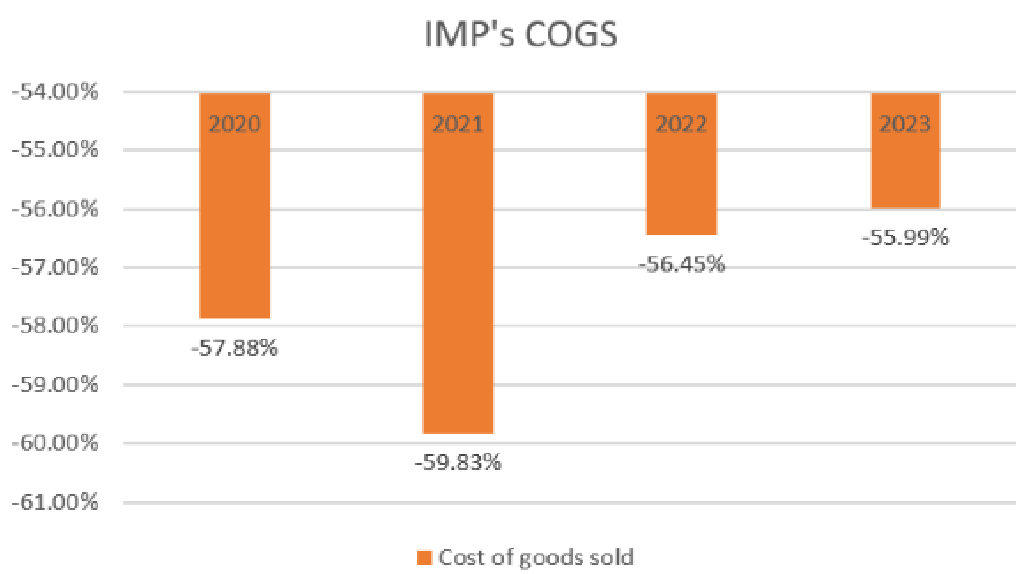
III. Analysis of Income Statement

1. Net Revenues



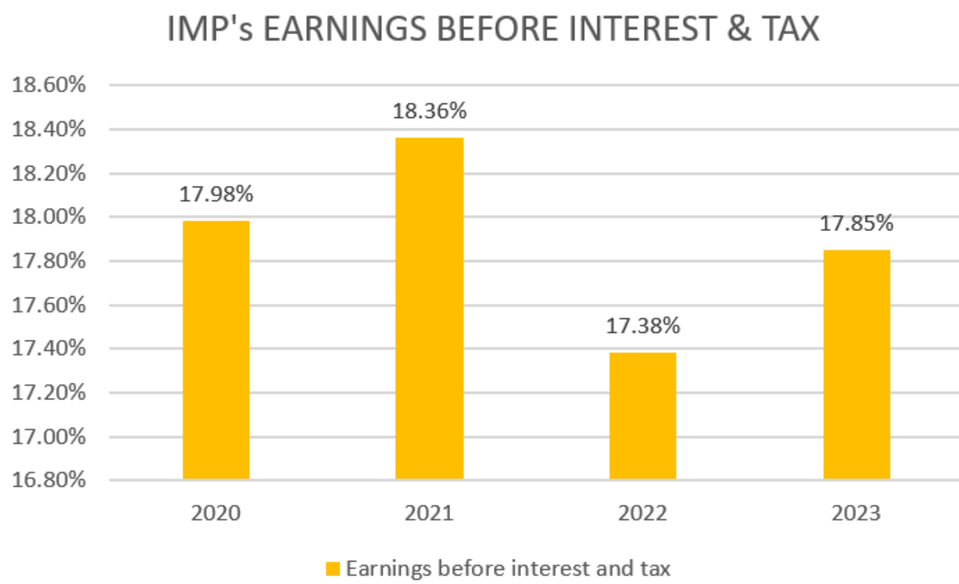
Despite being influenced by the domestic pharmaceutical market and difficulties in cost management, the corporation manages to complete both the revenue and profit plans by taking advantage of opportunities and proper strategy, resulting in the rise of Net Sales from 2020-20222. However, the year of 2023 witnessed a slight fall. The increased competition within the industry leads to pricing pressures or loss of market share, impacting the company's revenue. →

2. COGS



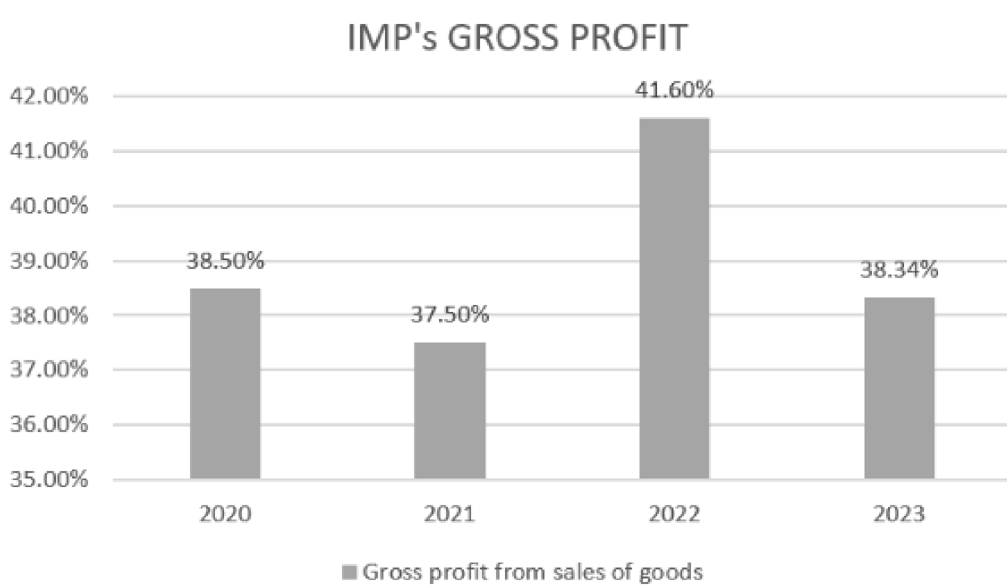
The decreasing trend in COGS as a percentage of revenue from 57.88% in 2020 to 55.99% in 2023 suggests improved cost efficiency or management of input costs. This is a result of supply chain optimizations, renegotiation of contracts, or technological advancements that helped mitigate the effects of market disruptions caused by the pandemic.

3. Earnings Before Interests and Taxes



IMP's net accounting profit before tax for the years 2020 to 2023 exhibited fluctuations, with figures of 255,441,337,429 (17.98%), 238,859,092,220 (18.36%), 291,404,142,440 (17.38%), and 377,272,934,101 (17.85%) respectively. These variations may have been influenced by external factors such as the COVID-19 pandemic, market uncertainties, supply chain disruptions, shifting consumer behaviors, and strategic responses undertaken by the company. Despite the challenges, the significant growth in 2023 suggests successful cost containment strategies, revenue growth initiatives, and optimized operational practices, indicative of Company IMP's adaptability and resilience in navigating uncertainties and driving profitability.

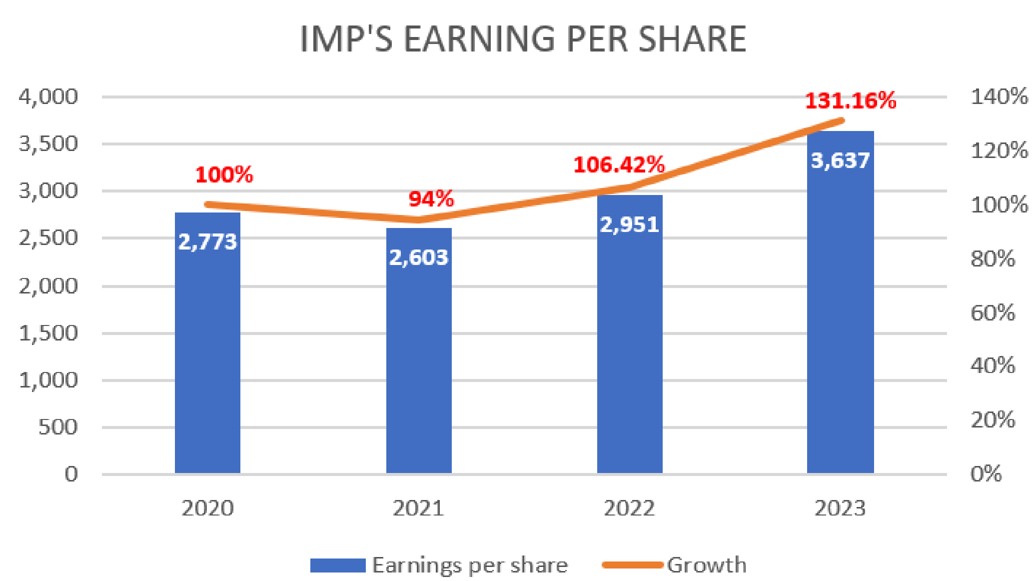
4. Gross Profit



Despite fluctuating margins, the stable percentage of gross profit from sales of goods relative to revenue may indicate a level of pricing stability or effective cost control measures implemented by Company IMP.

The downfall from 2020 might be caused by the burst of COVID-19 when scarcity drives up the prices of most things including raw materials. Applying social distancing in production by rearranging shifts also increased production costs, while Imexpharm did not increase drug prices themselves. Especially in the year of 2022, Imexpharm's gross profit significantly rose to 41.6%. The advantage of human resources management and brand-new product production has contributed to the rise in Imexpharm's gross profit.

5. Earnings Per Share



Earnings per share (EPS) is a critical financial metric that reflects a company's profitability, and EPS growth indicates the rate at which a company's earnings are increasing.

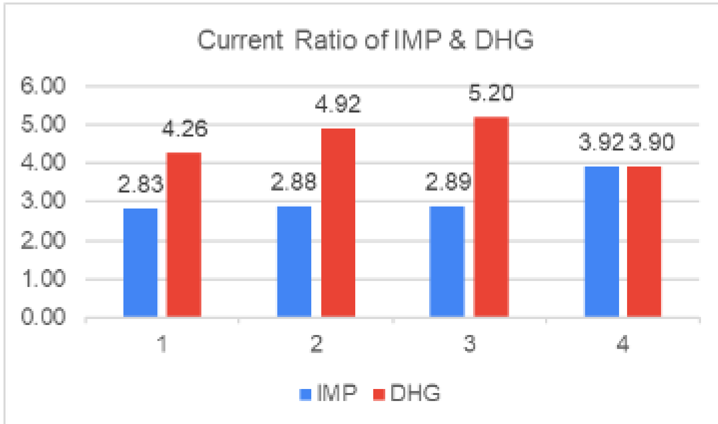
The analysis of IMP's EPS and its growth reveals a positive trend over 4 years, with significant growth percentages in each subsequent year. The consistent increase in EPS and growth rates indicates a healthy financial performance and profitability for IMP. The reasons for these changes are attributed to effective cost management, revenue growth, operational efficiency, strategic investments, or successful expansion into new markets or products. IMP's strong EPS growth trajectory suggests that the company is effectively growing and maximizing its profitability, which is generally seen as a positive indicator for investors and stakeholders. In conclusion, based on the data provided, IMP's EPS performance and growth can be considered good, reflecting the company's ability to generate increasing earnings and deliver value to its shareholders.

IV. Ratio Analysis

Contrast with: Domesco - a Vietnamese pharmaceutical company that manufactures, and develops pharmaceuticals, traditional medicines, and functional foods

1. Short-Term Solvency Ratio

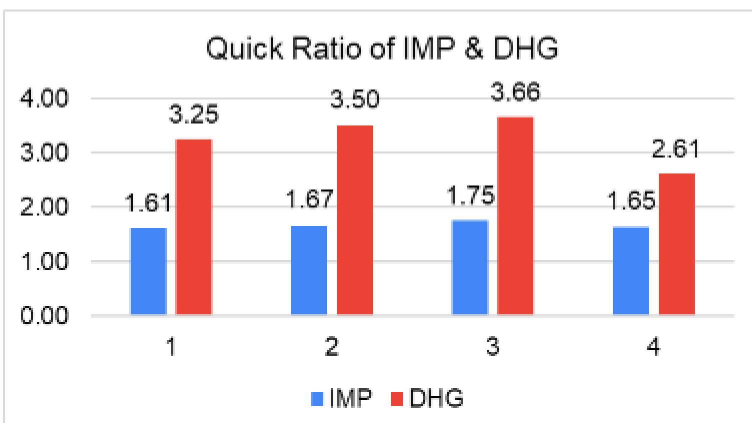
a. Current ratio



The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. (Fernando, 2024). Overall, DHG had a much higher current in 2020 compared to IMP. There was a slight increase in the current ratio of IMP over the 4 years. Starting with 2.83 in 2020, IMP's current ratio insignificantly went to 2.89 in 2022 and then jumped to 3.92 in 2023. This trend could be attributed to improving liquidity and efficiency in managing current assets and liabilities. DHG also follows the current path of IMP, with the highest ratio at 5.2 in 2022. However, the current ratio of DHG dropped significantly to 3.9 in 2023.

In conclusion, IMP seems to be in a better position in terms of current ratio stability and improvement over the years, while DMC has had more variations in its current ratio.

b. Quick ratio



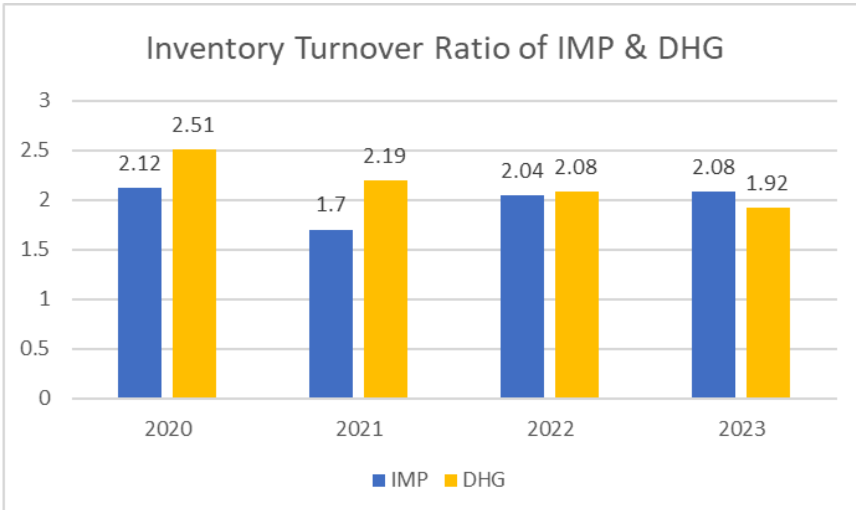
The quick ratio is a liquidity metric used to assess a company's ability to pay its short-term debts. It's calculated by dividing a company's quick assets (cash, cash equivalents, and current accounts receivable) by its current liabilities. A higher quick ratio indicates better liquidity, while a lower ratio may signal concerns about a company's ability to pay its debts.

The consistent quick ratio values above 1 indicate that both IMP and DMC maintained a healthy liquidity position throughout the period. In 2020, IMP's quick ratio stood at 1.61, which gradually increased to 1.75 in 2022 before slightly dropping to 1.65 in 2023. DMC, on the other hand, had a quick ratio of 6.72 in 2020, significantly higher than IMP. However, DMC's quick ratio declined over the years, reaching 4 in

2023, indicating a decreasing ability to cover short-term obligations with liquid assets. Based on the data, IMP's quick ratio seems reasonable, while DMC's declining trend may raise concerns about its liquidity position.

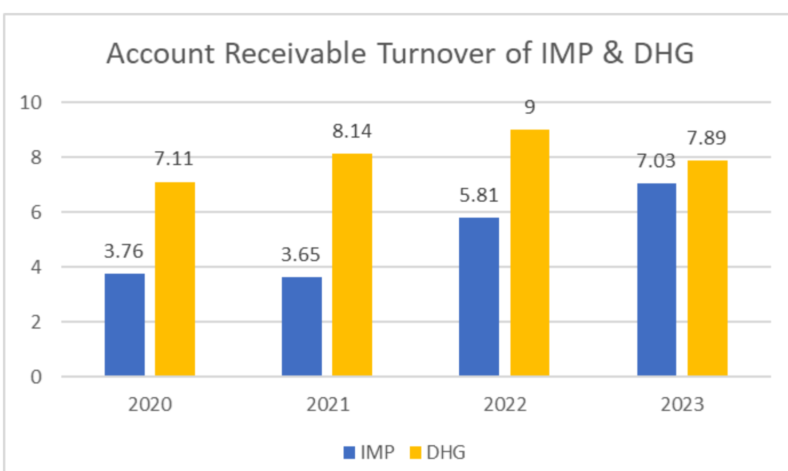
2. Efficiency Ratio

a. Inventory Turnover Ratio of IMP & DHG



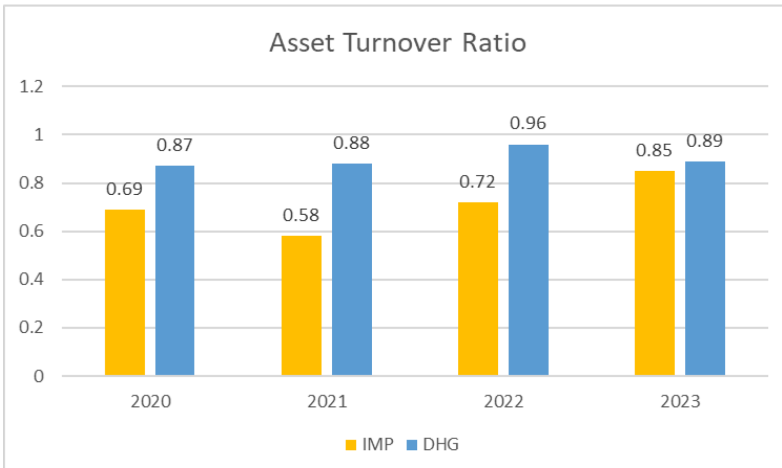
A higher inventory turnover indicates better performance, meaning that stock is managed effectively and inventory is quickly converted into sales (Carlo, 2024). Overall, the IMP's inventory turnover rate experienced a fluctuation over the period. Beginning with 2.12 times in 2020, the inventory turnover ratio of IMP decreased positively to 1.7 times before increasing slightly to 2.08 times in 2023. This increase resulted from the recovery of the retail market after the COVID-19 pandemic the expansion in the Northern market and consolidation of the Southern market (Đỗ, n.d.). The inventory turnover ratio of IMP demonstrated that the firm has become more successful in converting its inventory into sales and optimizing its inventory levels. Conversely, DHG's ITR experienced a steady decline from 2.51 in 2020 to 1.92 in 2023. Although DHG had a higher ITR before 2022, implying better performance regarding managing resources to convert into sales, it is losing its advantages over time, resulting in a lower ITR to IMP in 2023, 1.92 and 2.08 respectively.

b. Account Receivable Turnover of IMP & DHG



The Account Receivable Turnover ratio for IMP and DHG from 2020 to 2023 illustrates an increase throughout the period. IMP's ART demonstrates an upward trend, starting at 3.76 in 2020, slightly declining to 3.65 in 2021, but then rising significantly to 5.81 in 2022 and reaching 7.03 in 2023. This increase indicates that IMP is collecting receivables more efficiently, suggesting improvements in credit management or faster collection processes. Similarly, DHG's ART experienced a slight increase from 7.11 in 2020 to 7.89 in 2023. DHG's consistently lowering gap of ART to IMP suggests slower receivables turnover, possibly due to lenient credit policies or difficulties in collecting outstanding payments. Overall, IMP progressively becomes better than DHG in terms of ART.

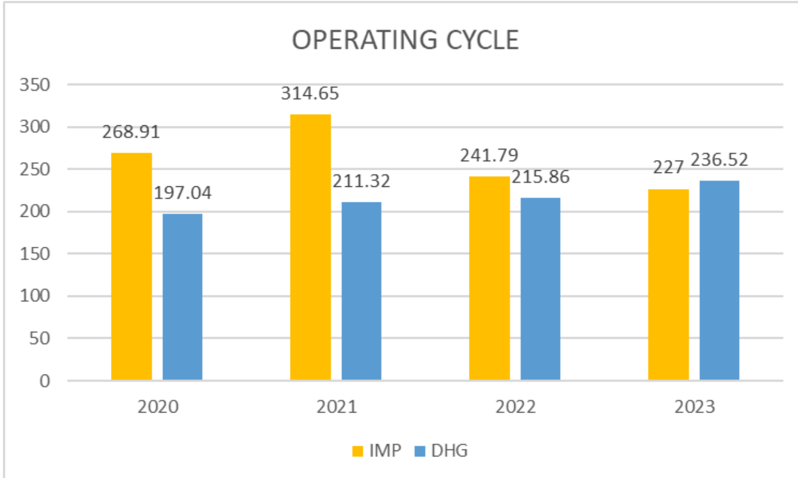
c. Asset Turnover of IMP & DHG



The Asset Turnover Ratio measures the efficiency of a company using its assets to generate sales. Overall, the low ratio (Lower than 1) of both IMP and DHG over 2020-2023 suggests that both companies may need to utilize their assets more efficiently. Based on this ratio, it appears that DHG outperforms IMP with a higher ratio over the period.

In particular, IMP started at 0.69 in 2020 and then experienced a significant drop to 0.58 one year later before rehabilitating to its initial ratio in the subsequent year. Finally, IMP’s ATR rose significantly to 0.85 in 2023. Regarding DHG, it thoroughly performed a relatively stable ratio of approximately 0.88, except for a sudden increase in 2022 with an index of 0.96.

d. Operating Cycle of IMP & DHG

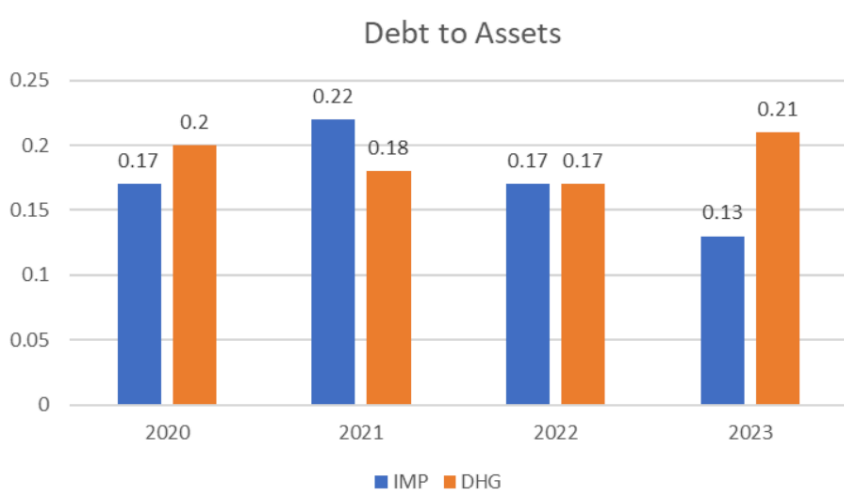


The Operating Cycle is a financial concept indicating the time it takes to purchase inventory, sell to customers, collect sales, and repeatedly of a firm. The Shorter Operating Cycle demonstrates the more efficient a company turning its inventory into cash. In general, DHG performed a stable rise, which is not a good indicator, and IMP, but for a sudden significant growth to 314.65 in 2021, was performing better and better. Eventually, IMP ended with a lower index compared to DHG in 2023.

IMP's Operating Cycle was around 268 days in 2020 and fluctuated upward in 2021 before restoring to its downward trend in the coming years ending with only 227 days in 2023, a remarkable 16% drop. In the same time frame, DHG's indicator grew gradually from 197.04 in 2020, to 211.32 and 215.86 in 2021 and 2022 respectively, and ended at 236.52 days of the Operating Cycle in 2023

3. Long-Term Solvency Ratio

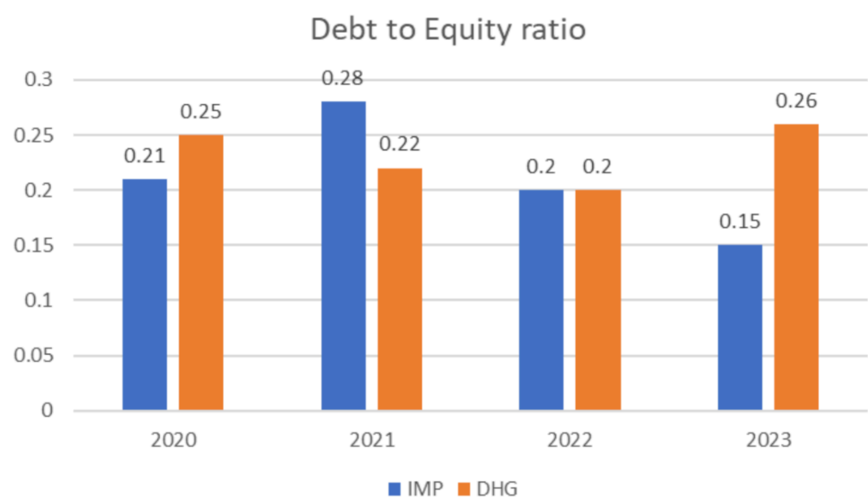
a. Debt to Assets



The Debt to Assets ratio is a metric used to assess the level of leverage in a corporation, with higher levels indicating a greater reliance on debt rather than equity capital (Hayes, 2024). Overall, the D/A of DHG is higher than IMP. In 2020, the debt-to-assets ratio for IMP was 0.17, indicating that 17% of IMP's assets were financed by debt. This ratio slightly increased in 2021 to 22%, suggesting a modest rise in borrowing. However, for the last two years, IMP's debt-to-assets ratio dropped to 17% in 2022 and reached only 13% in the final years. These patterns reflected a significant decrease in debt financing.

Conversely, DHG started with a higher debt-to-assets ratio of about 0.2 in 2020. This ratio increased slightly in 2021 and decreased in 2022, reaching approximately 0.17, which has the same data as IMP. By 2023, DHG's ratio increased again, nearing its 2020 level, suggesting a return to higher borrowing. These trends highlight differing financial strategies, with IMP showing that the company has decided to prioritize raising money by issuing stock to investors instead of taking out loans at a bank, while DHG managed a steadier debt level with a recent increase.

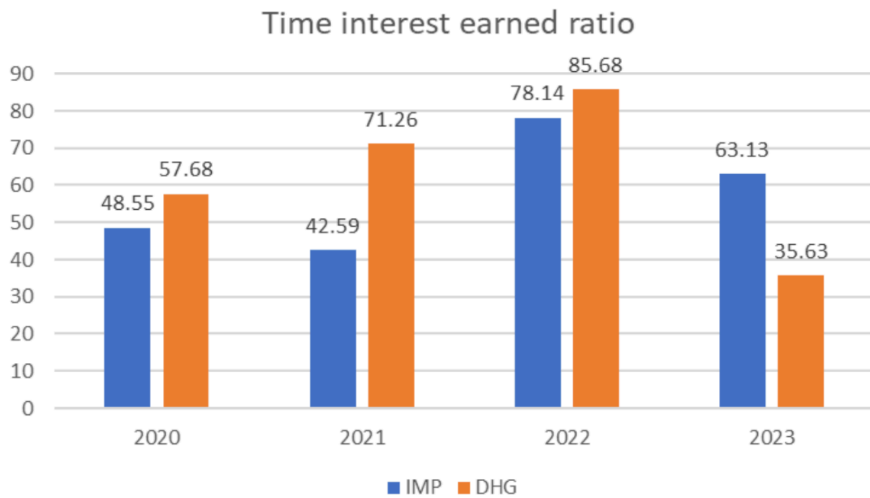
b. Debt to Equity



The Debt-to-Equity ratio is a leverage ratio that calculates the weight of total debt and financial liabilities against total shareholders' equity. This ratio highlights how a company's capital structure is tilted either toward debt or equity financing. A high debt-equity ratio can be good because it shows that a firm can easily service its debt obligations (through cash flow) and is using the leverage to increase equity returns.

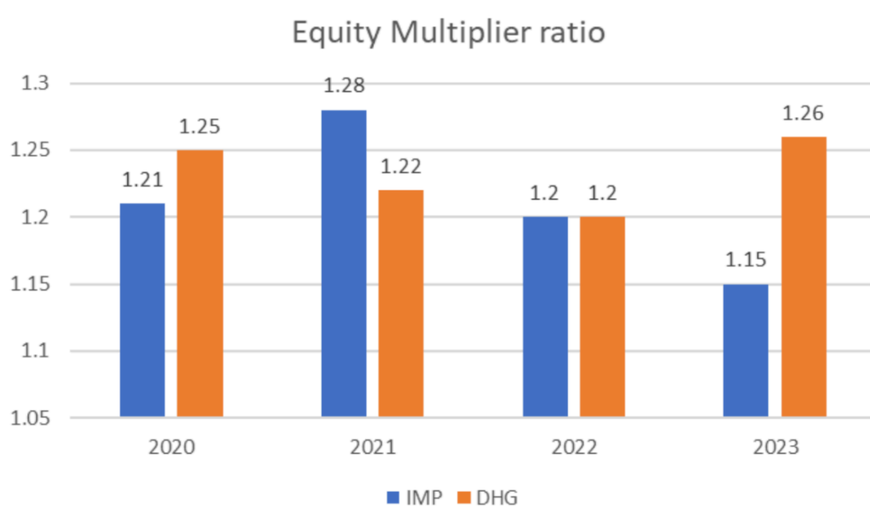
In the case of CTCP Dược phẩm Imexpharm (IMP), the debt-to-equity ratio in 2020 was 0.21, indicating that 21% of the equity was financed by debt. Comparatively, CTCP Dược Hậu Giang (DHG) had a higher ratio of 0.25, suggesting a more radical approach to debt. By 2021, both companies saw a contra ratio, with IMP peaking at 0.28 and DHG slightly decreasing to 0.22. This trend in the following years, with both companies reducing their debt levels. By 2022, both IMP and DHG had equalized their ratios at 0.2, showing similar financial leverage. However, in 2023, IMP significantly reduced its ratio to 0.15, while DHG increased its ratio to 0.26. This indicates that IMP has been more aggressive in reducing its reliance on debt financing compared to DHG, which could be seen as a positive development for IMP's financial health and risk profile.

c. Times Interest Earned Ratio



The Time Interest Earned Ratio (TIE) ratio reflects a company's capacity to fulfill its debt commitments regularly, with a higher ratio implying greater net income than interest expense, thus indicating a lower risk of loan default. In 2020, IMP showcased a TIE of 48.55, indicating that the company has a strong ability to cover its interest expenses with its earnings. However, DHG's TIE saw a positive trajectory, after starting with a TIE of 42.59 in 2020, this data reached 71.26 in 2021, reflecting robust financial stability. Besides, IMP's TIE slightly decreased to 42.59 in 2021, indicating that IMP had less room for error and could be at risk of defaulting. In 2022, both companies saw a surge to nearly 78.14 for IMP and 85.58 for DHG due to the strong recovery after the Covid-19 pandemic. Nevertheless, while IMP’s TIE fell to only 63.13, DHG’s experienced a plunge to 35.63 in the last year. Throughout the period, IMP consistently maintained a lower TIE than DHG, with IMP initially showing a stronger ability to cover interest obligations but encountering difficulties in later years. The disparity in TIE between the two companies primarily stemmed from DHG's lower interest expenses due to fewer payables and borrowings.

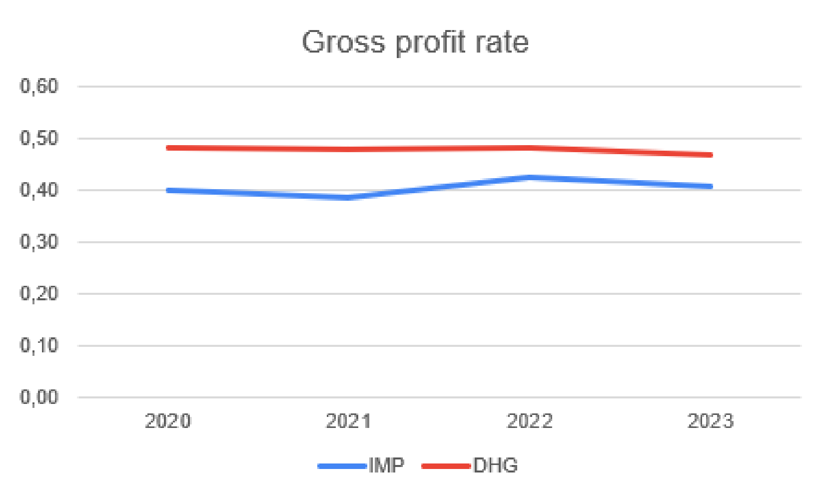
d. Equity Multiplier Ratio



The equity multiplier ratio indicates the proportion of a company's assets financed by stockholders' equity. For CTCP Dược phẩm Imexpharm (IMP) and CTCP Dược Hậu Giang (DHG), the analysis over the period from 2020 to 2023 reveals distinct trends. IMP's equity multiplier started at 1.21 in 2020, slightly below DHG's 1.25, suggesting that IMP used slightly less debt to finance its assets relative to DHG. By 2021, IMP's multiplier increased to 1.28, while DHG's decreased to 1.22, hinting at a simultaneous yet larger increase in debt financing for IMP. However, in 2022, both companies aligned their multipliers at 1.2, indicating a balanced capital structure relative to the previous years. 2023 saw a divergence; IMP's multiplier dropped to 1.15, indicating a reduction in debt financing, whereas DHG's multiplier increased to 1.26, signifying greater reliance on debt. Overall, IMP exhibited a more dynamic approach to debt financing, significantly reducing reliance on debt in 2023. Conversely, DHG maintained a more consistent strategy with a slight increase in debt usage in 2023.

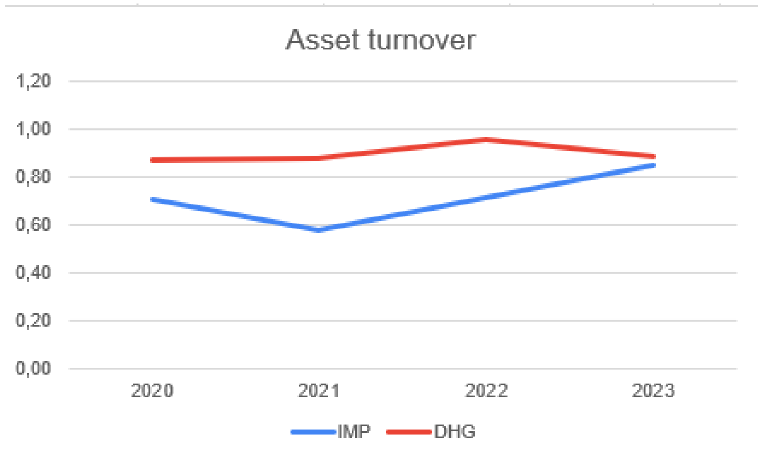
4. Profitability Ratio

a. Gross profit rate



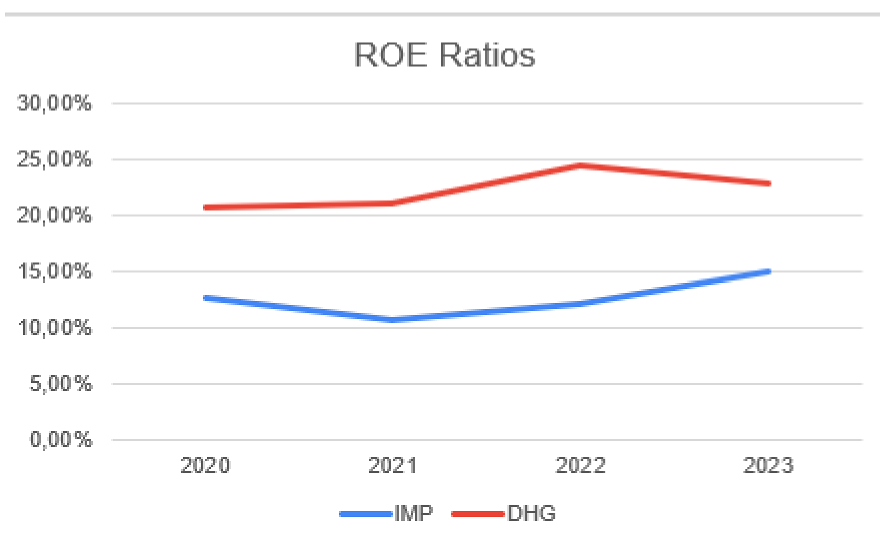
Over the past 4 years, DHG consistently outperformed IMP in gross profit rate by approximately 10%. IMP's gross profit rate started at 0.40 in 2020, declined slightly to 0.39 in 2021, rose to 0.42 in 2022, and then slightly decreased to 0.41 in 2023. In contrast, DHG maintained a consistently high gross profit rate of 0.48 from 2020 to 2022, with a slight decrease to 0.47 in 2023. This indicates a stable and strong ability to maintain profitability.

b. Asset Turnover



From 2020 to 2023, IMP and DHG exhibited different trends in their asset turnover ratios. IMP started at 0.71 in 2020, dropped to 0.58 in 2021, then rose to 0.72 in 2022 and reached 0.85 in 2023, showing improved asset utilization. Conversely, DHG maintained a higher ratio throughout, beginning at 0.87 in 2020, slightly increasing to 0.88 in 2021, peaking at 0.96 in 2022, before slightly declining to 0.89 in 2023. Compared to DHG, IMP showed significant improvement, closing the gap with DHG. This indicates that while DHG consistently maintained better asset efficiency, IMP made strong strides in enhancing its asset turnover performance

c. ROE Ratios



From 2020 to 2023, IMP and DHG showed distinct trends in their Return on Equity (ROE) ratios. IMP started with an ROE of 12.75% in 2020, decreased to 10.73% in 2021, then improved to 12.12% in 2022, and reached 15.06% in 2023, indicating a gradual recovery in profitability. On the other hand, DHG consistently had higher ROE ratios, starting at 20.74% in 2020, slightly increasing to 21.12% in 2021, peaking at 24.45% in 2022, and then slightly declining to 22.98% in 2023. This shows that DHG maintained strong profitability throughout the period, while IMP showed significant improvement over the years. Despite DHG's consistent performance, IMP's steady recovery highlights its efforts to enhance profitability and close the gap with DHG.

d. Dupont Analysis

The DuPont analysis provides a detailed decomposition of Return on Equity (ROE) into three key components: profit margin, asset turnover, and financial leverage. This methodology allows for a nuanced comparison of the 2 companies by breaking down the sources of their profitability and efficiency.

IMP'S DUPONT ANALYSIS					
ITEMS	**2019**	**2020**	**2021**	**2022**	**2023**
Net income		209,696,878,289	189,094,874,963	223,540,317,602	299,556,005,542
Total Assets	1,844,754,581,852	2,096,455,266,870	2,294,700,255,306	2,276,943,567,575	2,392,615,157,119
Average total assets		1,970,604,924,361	2,195,577,761,088	2,285,821,911,441	2,334,779,362,347
Return on assets (ROA)		**10.64%**	**8.61%**	**9.78%**	**12.83%**
Net income		209,696,878,289	189,094,874,963	223,540,317,602	299,556,005,542
Net sales		1,402,454,493,864	1,266,596,707,350	1,643,706,514,646	1,994,036,910,377
Profit margin		**14.95%**	**14.93%**	**13.60%**	**15.02%**
Net sales		1,402,454,493,864	1,266,596,707,350	1,643,706,514,646	1,994,036,910,377
Total Assets	1,844,754,581,852	2,096,455,266,870	2,294,700,255,306	2,276,943,567,575	2,392,615,157,119
Average total assets		1,970,604,924,361	2,195,577,761,088	2,285,821,911,441	2,334,779,362,347
Asset turnover		**0.71**	**0.58**	**0.72**	**0.85**
EBITDA		315,915,696,845	294,484,013,690	356,885,787,637	463,689,234,870
Sales		1,369,421,714,781	1,266,596,707,350	1,643,706,514,646	1,994,036,910,377
EBITDA margin		**0.23**	**0.23**	**0.22**	**0.23**
Gross Profit		547,045,578,338	488,001,326,263	697,355,250,216	810,535,731,199
Net sales		1,369,421,714,781	1,266,596,707,350	1,643,706,514,646	1,994,036,910,377
Gross profit rate		**0.40**	**0.39**	**0.42**	**0.41**
Profit Margin		14.95%	14.93%	13.60%	15.02%
Total Asset Turnover		71.17%	57.69%	71.91%	85.41%
Equity Multiplier		119.82%	124.58%	123.93%	117.35%
ROE (Dupont Analysis)		**12.75%**	**10.73%**	**12.12%**	**15.06%**

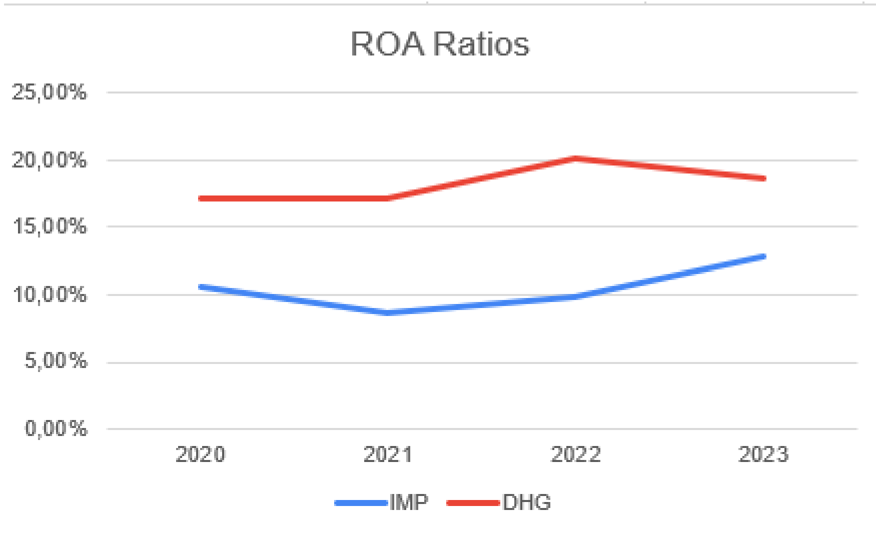
IMP's ROE has shown variability over the years, ranging from 12.75% in 2020 to a peak of 15.06% in 2023. This fluctuation indicates changes in the company's profitability and operational efficiency. The profit margin for IMP has remained relatively stable, remaining around 14.95% to 15.02%, suggesting a consistent ability to generate profit from sales. However, the asset turnover ratio, which measures how effectively the company uses its assets to generate sales, has seen an upward trend, particularly in 2022 and 2023, reaching as high as 0.72 and 0.85 respectively. This indicates improved efficiency in asset utilization. Notably, IMP's equity multiplier has been fluctuating, from 119.82% in 2019 to 117.35% in 2023, reflecting a fluctuation in financial leverage and possibly a more conservative approach to managing its capital structure.

DHG's DUPONT ANALYSIS					
ITEMS	**2019**	**2020**	**2021**	**2022**	**2023**
Net income		739,874,900,345	777,219,726,033	988,454,646,072	1,050,662,658,695
Common stockholders' equity	3,377,551,482,197	3,568,039,364,356	3,793,143,627,133	4,291,536,903,457	4,852,934,674,270
Average common stockholders' equity		3,472,795,423,277	3,680,591,495,745	4,042,340,265,295	4,572,235,788,864
Peferred dividends		17,953,520,103	0	30,011,378,853	27,499,914,117
Return on common stockholders' equity (ROE)		**21.30%**	**21.12%**	**24.45%**	**22.98%**
Net income		739,874,900,345	777,219,726,033	988,454,646,072	1,050,662,658,695
Total Assets	4,146,818,721,257	4,447,503,471,370	4,617,666,192,702	5,168,186,502,845	6,110,474,220,572
Average total assets		4,297,161,096,314	4,532,584,832,036	4,892,926,347,774	5,639,330,361,709
Return on assets (ROA)		**17.22%**	**17.15%**	**20.20%**	**18.63%**
Net income		739,874,900,345	777,219,726,033	988,454,646,072	1,050,662,658,695
Net sales		3,755,619,311,324	4,003,170,417,099	4,676,016,007,827	5,015,395,040,721
Profit margin		**19.70%**	**19.42%**	**21.14%**	**20.95%**
Net sales		3,755,619,311,324	4,003,170,417,099	4,676,016,007,827	5,015,395,040,721
Total Assets	4,146,818,721,257	4,447,503,471,370	4,617,666,192,702	5,168,186,502,845	6,110,474,220,572
Average total assets		4,297,161,096,314	4,532,584,832,036	4,892,926,347,774	5,639,330,361,709
Asset turnover		**0.87**	**0.88**	**0.96**	**0.89**
EBITDA		829,964,929,048	884,532,141,253	1,112,057,633,706	1,179,262,520,803
Sales		3,755,619,311,324	4,003,170,417,099	4,676,016,007,827	5,015,395,040,721
EBITDA margin		**0.22**	**0.22**	**0.24**	**0.24**
Gross Profit		1,811,376,269,242	1,920,910,592,185	2,257,494,943,128	2,343,545,043,335
Net sales		3,755,619,311,324	4,003,170,417,099	4,676,016,007,827	5,015,395,040,721
Gross profit rate		**0.48**	**0.48**	**0.48**	**0.47**
Profit Margin		19.70%	19.42%	21.14%	20.95%
Total Asset Turnover		87.40%	88.32%	95.57%	88.94%
Equity Multiplier		123.74%	123.15%	121.04%	123.34%
ROE (Dupont Analysis)		**21.30%**	**21.12%**	**24.45%**	**22.98%**

In contrast, DHG has consistently demonstrated higher ROE compared to IMP, with values ranging from 21.30% to 24.45% over the same period. This high ROE is a result of strong profit margins, which have consistently been higher than those of IMP, ranging from 10.73% to 15.06%. This suggests that DHG is more effective in converting sales into actual profit, potentially due to superior pricing strategies or more efficient cost management. The asset turnover ratio for DHG has also been consistently higher than IMP's, fluctuating between 0.87 and 0.96, indicating that DHG is more effective in using its assets to generate sales. Additionally, DHG's equity multiplier has remained high, at around 123% over the period, implying a more leveraged capital structure that can amplify returns but also increase financial risk.

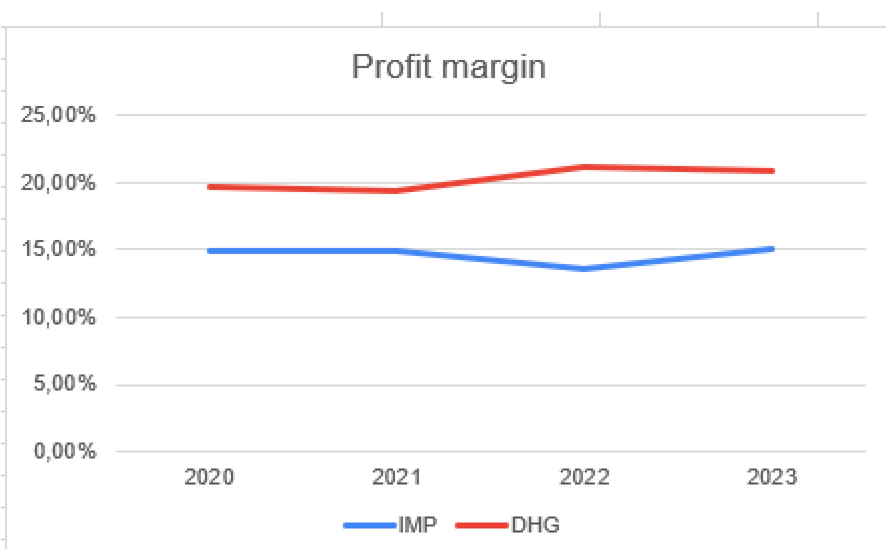
For IMP to improve its ROE and overall performance, the company could focus on enhancing its profit margins by optimizing cost structures, improving pricing strategies, and expanding market reach. Maintaining or improving asset turnover will be crucial for sustaining growth. On the other hand, DHG should continue leveraging its high-profit margins and asset turnover but should also monitor its financial leverage to avoid excessive risk. Continuous innovation, efficiency improvements, and strategic risk management will be key for DHG to sustain its high performance.

e. ROA Ratios



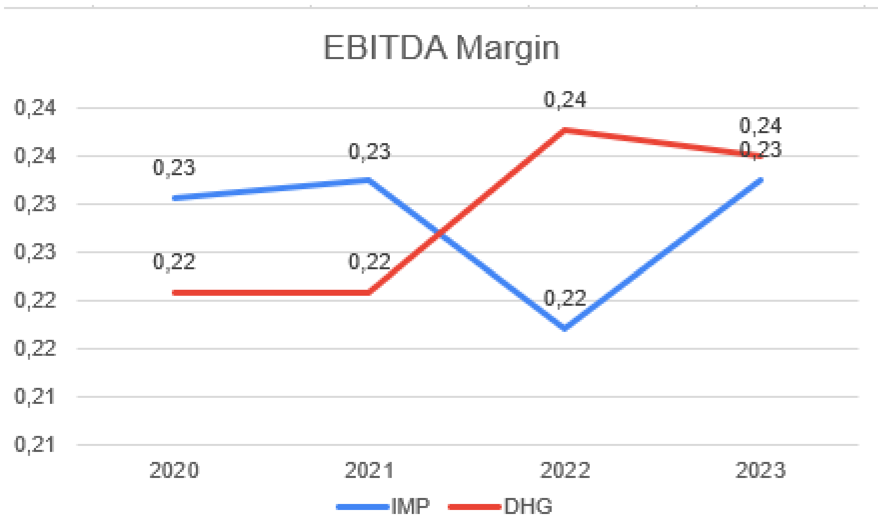
From 2020 to 2023, IMP's ROA began at 10.64% in 2020, decreased to 8.61% in 2021, then rose to 9.78% in 2022, and further increased to 12.83% in 2023, indicating a steady improvement in asset utilization and profitability over time. Conversely, DHG's ROA started at a higher 17.22% in 2020, remained stable at 17.15% in 2021, and peaked at 20.20% in 2022, before slightly declining to 18.63% in 2023. This reflects DHG's consistently strong performance, although with a slight dip towards the end. While DHG maintained superior ROA throughout the period, IMP's continuous improvement highlights its efforts to enhance its efficiency and profitability, progressively narrowing the gap with DHG.

f. Profit Margin



Over the past 3 years, IMP's profit margin started at 14.95% in 2020, slightly decreased to 14.93% in 2021, further declined to 13.60% in 2022, and then increased to 15.02% in 2023, indicating a recovery in profitability after a brief dip. In contrast, DHG maintained consistently higher profit margins, starting at 19.70% in 2020, slightly decreasing to 19.42% in 2021, then rising to 21.14% in 2022, and slightly dropping to 20.95% in 2023. DHG's strong and stable performance reflects its robust profitability, while IMP's fluctuations highlight challenges but also a positive turnaround by 2023.

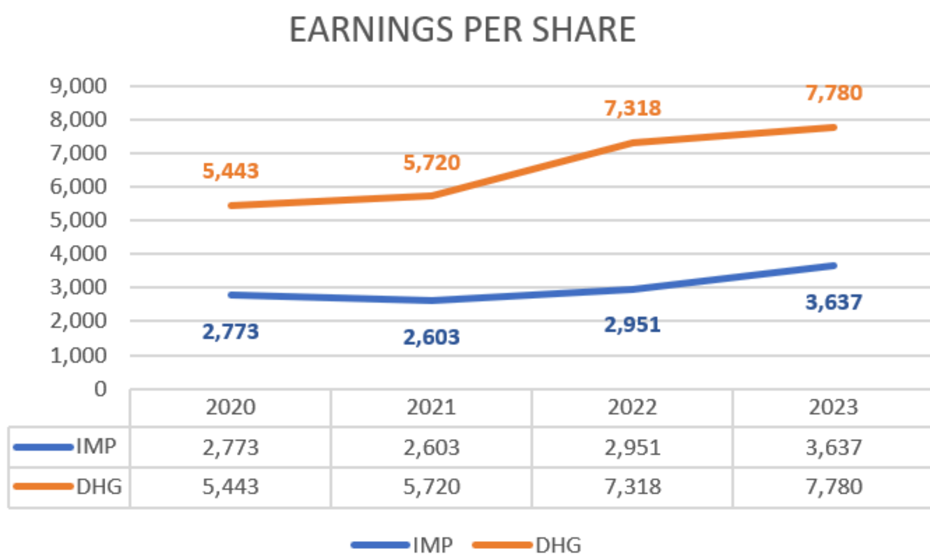
g. EBITDA Margin



From 2020 to 2023, IMP and DHG showed different trends in their EBITDA margins but it still remained the same rate at around 0,24. IMP's EBITDA margin remained constant at 0.23 from 2020 to 2023, with a slight dip to 0.22 in 2022 and then back to 0,23 at the end of the period, indicating steady operating profitability with minimal fluctuation. DHG, on the other hand, started with an EBITDA margin of 0.22 in 2020 and 2021, then improved to 0.24 in both 2022 and 2023.

5. **Market Value Ratio**

a. **Earnings Per Share (EPS)**



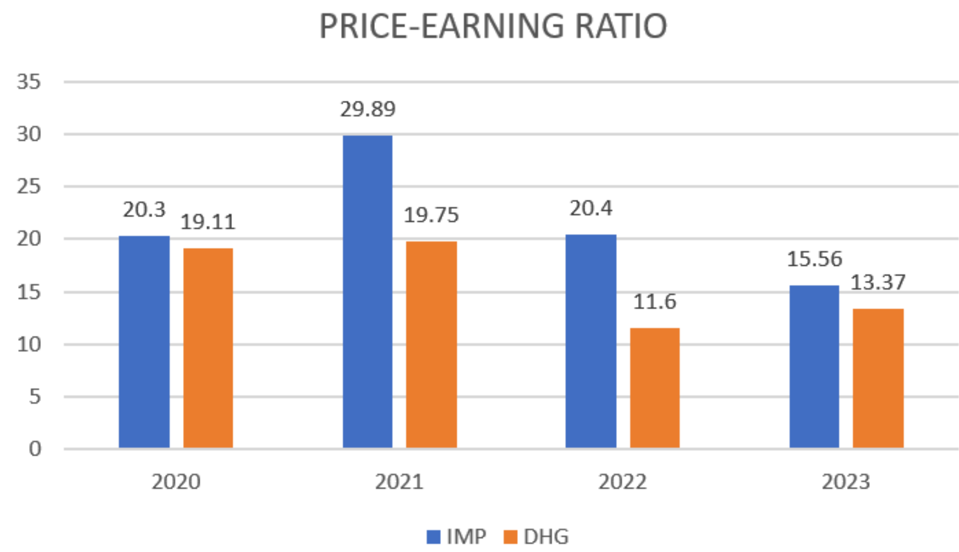
Earnings per share (EPS) is a fundamental financial metric that reflects a company's profitability and is indicative of its ability to generate earnings for each outstanding share.

IMP's EPS was 2,773 in 2020, decreased to 2,603 in 2021, then increased to 2,951 in 2022, and further rose to 3,637 in 2023. The fluctuating trend in IMP's EPS reflects variations in its profitability over the years, with a notable increase in 2023. The initial decline in EPS from 2020 to 2021 might be attributed to the COVID-19 pandemic. The steady and significant increase in EPS over the last two years is a positive indicator of the company's financial health and operational efficiency. The company appears to be in good financial health, with a solid upward trend in EPS indicating a robust recovery and growth phase.

In contrast, DHG shows consistent growth in EPS over the entire period, with particularly strong growth in 2022. This suggests robust business performance and effective strategic initiatives. The continued growth in 2023, albeit at a slower rate, still indicates a healthy financial position and the ability to sustain profitability.

While both companies show positive trends, DHG stands out with higher EPS levels and a more consistent growth pattern. IMP, though showing strong recovery and growth, still lags behind DHG in terms of overall profitability. Investors might favor DHG for its higher and more stable EPS growth, but IMP’s recent strong performance could also present a promising opportunity if the company continues its growth trajectory.

b. Price-Earning Ratio (P/E)

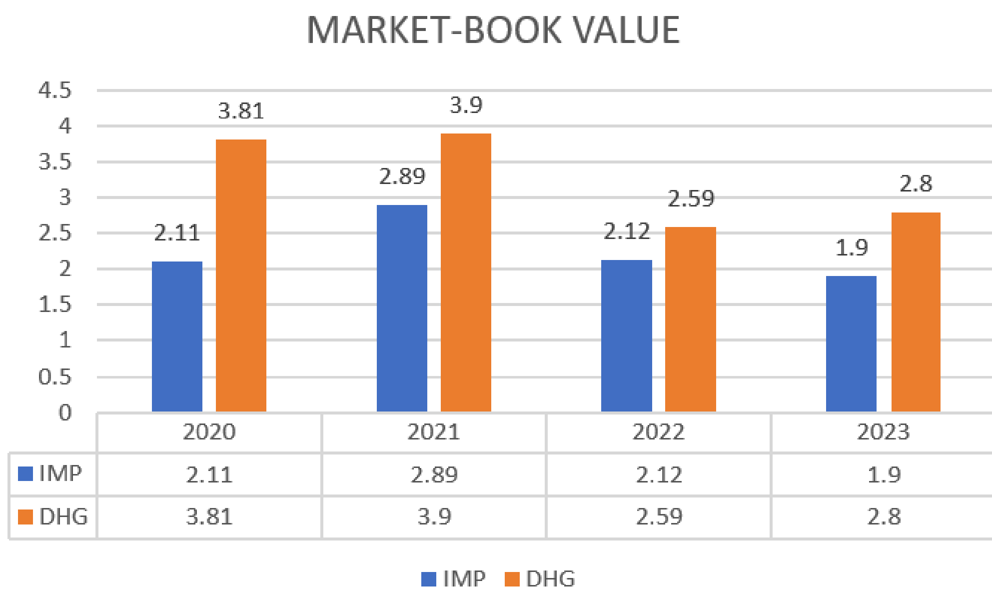


The P/E ratio indicates how much investors are willing to pay for each dollar of earnings. Overall, Imexpharm's P/E index experienced many fluctuations.

IMP's P/E ratio has fluctuated over the years, peaking in 2021 at 29.89 and then decreasing to 15.56 in 2023, which might be caused by internal financial struggles within the company. In contrast, DHG's P/E ratio has also varied, reaching a low point in 2022 at 11.6 and then increasing to 13.37 in 2023. In 2020 and 2021, IMP had a higher P/E ratio than DHG, indicating that investors were willing to pay more for each dollar of IMP's earnings compared to DHG. However, in 2022 and 2023, DHG's P/E ratio was lower than IMP's, suggesting that DHG's stock may have been relatively cheaper compared to its earnings than IMP's.

In 2021, Imexpharm's P/E Ratio saw a dramatic increase, which could be attributed to its successful product launch. According to publicly available information, IMEXPharm launched several new products in 2021. One notable launch was the introduction of new COVID-19 vaccines, which were developed in partnership with global pharmaceutical companies. The company also launched its innovative medication, 'MedSkin', which is a breakthrough in skincare technology. However, it was short-lived as the ratio plummeted to 20.4 and 15.56 in 2022 and 2023, respectively, reflecting a volatile market perception.

c. Market-to-Book Ratio (M/B)



The market-to-book ratio (M/B ratio), also known as the price-to-book ratio, is a financial metric used to evaluate a company's stock price with its book value. A higher P/B ratio indicates that investors are willing to pay more for each dollar of book value, suggesting a presumed higher growth potential.

IMP's M/B ratio shows significant volatility, with an initial increase followed by declines in subsequent years. This trend suggests fluctuating market perceptions and potential challenges in maintaining investor confidence. The current lower M/B ratio in 2023 indicates that the market has become less optimistic about IMP's growth prospects compared to previous years.

In comparison, DHG's M/B ratio shows more stability and resilience, with modest growth in 2021, a significant decline in 2022, and a recovery in 2023. This trend suggests stronger market confidence and effective management responses to challenges. The higher M/B ratio in 2023 compared to IMP indicates that DHG is perceived to have better growth prospects or a more stable financial position.

In conclusion, DHG demonstrates relatively higher market confidence and resilience compared to IMP, as reflected in the M/B ratio trends, while IMP shows greater volatility and declining market perceptions, indicating potential challenges in maintaining investor confidence. Both companies need to address the challenges reflected in their M/B ratio trends to improve market perceptions and investor confidence moving forward.

V. Forecasting & Scenario Analysis

a. Forecast income statement

Income Statement (Forecasting 3 years)				
Year	**2023**	**2024F**	**2025F**	**2026F**
Revenue from sales of goods	2,113,869,795,523.00	2,304,388,060,166.46	2,512,077,301,584.18	2,738,485,100,759.74
Deductions	(119,832,885,146.00)	130,633,149,842.33	142,406,817,769.08	155,241,619,539.86
Net Sales	1,994,036,910,377.00	2,173,754,910,324.12	2,369,670,483,815.10	2,583,243,481,219.88
Cost of goods sold	(1,183,501,179,178.00	(1,295,832,355,961.43	(1,412,622,771,458.87	(1,539,939,240,800.63
Gross proft	810,535,731,199.00	877,922,554,362.69	957,047,712,356.23	1,043,304,240,419.25
Gross profit margin	0.41	0.40	0.40	0.40
Selling expense	(309,885,867,749.00)	(335,762,475,509.01)	(366,023,981,824.04)	(399,012,888,701.23)
General and administration expenses	(119,602,910,146.00)	(135,663,123,580.32)	(147,890,131,570.77)	(161,219,131,911.48)
Total OpEx	(429,488,777,895.00)	(471,425,599,089.33)	(513,914,113,394.81)	(560,232,020,612.71)
Operating profit	381,046,953,304.00	406,496,955,273.36	443,133,598,961.43	483,072,219,806.54
EBITDA	463,689,234,870.00	458,123,634,393.56	499,413,272,952.03	544,424,252,485.52
Depreciation	82,642,281,566.00	51,626,679,120.20	56,279,673,990.61	61,352,032,678.97
EBIT	381,046,953,304.00	406,496,955,273.36	443,133,598,961.43	483,072,219,806.54
Financial Income	24,848,784,739.00	26,280,644,072.01	28,649,258,597.33	31,231,350,948.93
Financial expense (including interest expense)	(31,489,183,352.00)	(33,831,297,716.92)	(36,880,435,438.32)	(40,204,384,989.94)
Other income	3,301,632,737.00	4,901,027,004.99	5,342,745,393.68	5,824,274,853.53
Other expenses	(435,253,327.00)	(832,622,469.96)	(907,664,834.64)	(989,470,596.54)
Net other income	2,866,379,410.00	4,068,404,535.03	4,435,080,559.04	4,834,804,256.99
EBT	377,272,934,101.00	403,014,706,163.49	439,337,502,679.47	478,933,990,022.52
Business Income Taxes	(77,716,928,559.00)	(83,122,031,729.93)	(90,613,630,915.63)	(98,780,430,853.67)
Profit after tax (net profit)	299,556,005,542.00	319,892,674,433.56	348,723,871,763.84	380,153,559,168.86
Net profit %	0.15	0.15	0.15	0.15
Dividends	(66,671,570,000.00)	(73,685,546,448.64)	(81,437,406,610.27)	(90,004,777,260.21)
Retained earnings	232,884,435,542.00	246,207,127,984.92	267,286,465,153.57	290,148,781,908.65

- **Net sales**

ETC channel revenue is forecasted to increase in 2024. This growth is based on the expected expansion of healthcare coverage, the rising prevalence of chronic diseases, and the development of hospital and clinic infrastructure. According to IQVIA, antibiotics currently hold the largest share in the ETC channel and are expected to continue growing well in 2024. As a key product line for IMP, accounting for 71% of the revenue structure in 2023, especially the injectable/infusion antibiotics produced according to EU-GMP standards, IMP will effectively leverage opportunities from the ETC channel in 2024.

However, OTC channel revenue is expected to grow more slowly, as the OTC market tends to saturate.

To forecast IMP's income statement, we used the sales percentage method. First of all, we look back on the historical data of IMP's net revenue from 2013 to 2023. Then we calculated the growth rate by using the CAGR formula and came up with the average Net revenue CAGR is 9,01%. We then based on the market conditions and firm's projected plans adjust the growth rate. With favorable factors such as demographics, universal healthcare goals, and advantages in the production of antibiotics with EU-GMP standard production lines, we believe that Imexpharm will continue to record good growth in 2024, with net revenue increasing by 13.7% YoY to 2,403 billion VND, driven by strong growth in the ETC channel. For the following 2 years, we expect the net revenue will grow slower, at 9.7%, reaching 2,636 billion in 2025 and remaining average at 9.01% at the end of 2026, at 2,874 billion

- **COGS**

To forecast the Cost of Goods Sold (COGS), we based our estimates on data from the previous four years. By analyzing the average percentage of COGS relative to sales during this period and considering current market conditions and business situations, we forecasted the COGS for the next three years.

In 2024, we anticipate that COGS will increase slightly due to the rise in API material costs and the depreciation expense from the IMP4 plant. However, we expect the situation to improve gradually each quarter. The demand for APIs is projected to decrease, leading to a slight reduction in API prices this year as India takes steps to become self-reliant in API production, reducing its dependency on China. We view this as a temporary issue, so we averaged the COGS percentage over the last five years, which stands at around 59.61% of net revenue.

For 2024, we expect the COGS to grow to approximately 1,352 billion VND. Looking ahead, we estimate the COGS to reach around 1,483 billion VND in 2025 and 1,616 billion VND in 2026. This forecast reflects a gradual stabilization of API prices and ongoing efficiency improvements in our production processes.

- **Operating expenses**

In terms of selling expenses, based on the previous figures and also the forecast of IMX, we estimate selling expenses will stay constant throughout the period from 2022-2025. Equal to 15,54% of the net revenue.

Regarding G&A expenses, we estimate they will continue to equal 6% of revenue over the next three years at around 141 billion, 155 billion, and 169 billion in the next 3 years

b. Forecast balance sheet

Balance Sheet (Forecasting 3 years)				
Year	**2023**	**2024F**	**2025F**	**2026F**
Current assets				
Cash and equivalents	300,472,567,142.74	224,433,914,239.59	198,006,969,663.57	177,505,611,743.30
Current assets	1,062,904,639,338.57	1,208,522,574,927.95	1,325,749,264,695.96	1,445,236,022,961.37
Net Fixed assets	757,734,025,943.26	861,543,587,497.49	945,113,315,484.74	1,030,294,223,570.44
Long-term Investment	71,283,556,350.00	71,283,556,350.00	71,283,556,350.00	71,283,556,350.00
Other Assets	178,643,440,631.00	178,643,440,631.00	178,643,440,631.00	178,643,440,631.00
Total assets	2,371,038,229,405.57	2,544,427,073,646.03	2,718,796,546,825.27	2,902,962,855,256.12
Current Liabilities	286,459,285,820.57	325,704,207,977.99	357,297,516,151.85	389,499,926,576.02
Total Liabilities	286,459,285,820.57	325,704,207,977.99	357,297,516,151.85	389,499,926,576.02
Owner's Equity	2,084,578,943,585.00	2,218,722,865,668.04	2,361,499,030,673.42	2,513,462,928,680.10
Total Liabilities & Equity	2,371,038,229,405.5	2,544,427,073,646.0	2,718,796,546,825.2	2,902,962,855,256.1

The balance sheet exhibits several intriguing trends. Firstly, overall assets show steady expansion, rising from about 2.37 trillion VND in 2024 to about 2.9 trillion VND by 2026. Both current assets (anticipated to expand from 1.06 trillion VND to 1.45 trillion VND) and net fixed assets (projected to increase from 0.76 trillion VND to 1.03 trillion VND) are the motivating factors underlying this increasing trend. The asset base of the firm appears to be growing.

Concerning liabilities, there has been a slight rise in both current liabilities leading to the same trend in Total Liabilities since IMP does not have any other factors related to Total Liabilities; nevertheless, the growth in liabilities is not as large as the growth in total assets. This might strengthen the financial stability of IMEXPHARM by indicating a better asset-to-liability ratio.

Additionally, owner's equity portrays attractive development, beginning at around 2.08 trillion VND and approaching 2.51 trillion VND by the conclusion of the projection period. The value of shareholders seems to be rising.

In conclusion, the balance sheet prediction of IMEXPHARM shows a direction toward financial expansion, with rising assets exceeding falling liabilities. Over time, this pattern can improve the company's overall financial situation.

c. Scenario Analysis

IMP SCENARIO ANALYSIS			
in VND	**2024F**	**2025F**	**2026F**
Revenue Scenarios			
1. Best case (+7%)	2,571,712,854,535	2,821,169,001,425	3,075,434,530,719
2. Base case	2,403,469,957,510	2,636,606,543,388	2,874,237,879,177
3. Worst case (-7%)	2,235,227,060,484	2,452,044,085,351	2,673,041,227,635

- **Best case:**

IMP is the enterprise with the highest winning value for the ETC channel in the pharmaceutical industry, about 2.3 times higher than the winning value of the second-ranked enterprise, showing IMP's superior capacity and strong competitive position compared to domestic enterprises in bidding for drugs in the ETC channel. In addition, with the expected increase in the incidence of chronic diseases and the development of infrastructure of hospitals and clinics, Antibiotics - the largest component in the ETC channel and also the key product line of IMP, accounting for 71% of the 2023 revenue structure, will help IMP take advantage of opportunities from the ETC channel in 2024F. In February 2024, IMP officially cooperated with Genuone Sciences - a large Korean pharmaceutical company, marking an important milestone to help Imexpharm excel in the production of high-quality brand-name drugs. This cooperation will pave the way for IMP to participate in hospital channel bidding in the group of generic drugs, competing directly with foreign drugs that have higher costs than domestic drugs. Moreover, in recent years, the race for standards, especially EU-GMP standards, has been fierce among domestic pharmaceutical companies. Among them, IMP has 11 drug production lines meeting EU-GMP standards, among the top 8% of domestic drug manufacturers that meet the bidding standards for groups 1 & 2 in the ETC channel in Vietnam. IMP has a lot of room for growth in both revenue and profit in the period 2023 - 2028. In particular, with the participation of major shareholder SK Investment Vina III Pte Ltd, IMP will have significant technological support, finance, and research and development, thereby perfecting product lines for infusions, pills or liquids, etc. to meet a variety of treatment needs. With many favorable factors such as demographics, the goal of universal health care, and advantages in producing antibiotic drugs with production lines meeting EU-GMP standards, the best case scenario for Imexpharm is their revenue increases 7%.

- **Worst Case:**

The worst-case scenario for Imexpharm is their revenue decreased by 7%. This assumption could be attributed to the increase in API raw material prices and the recorded depreciation costs from the IMP4 factory. The IMP4 factory started to put into depreciation from July 2023 and API raw material prices remained high until early 2024, causing the cost of goods sold in 1Q2024 to increase by 25% YoY to VND 310 billion, the main reason for the decline in profits. In addition, entering 2024, many forecasts show that the pharmaceutical industry in general and IMP in particular face many challenges with heavy pressure from slow economic growth and weak consumer demand. Especially the OTC channel will face many barriers in maintaining growth because the economic recovery is still slow and cannot improve in the short term. Revenue from IMP's OTC channel witnessed instability from quarter to quarter. The proportion of revenue from the OTC channel also decreased to 35% in IMP's revenue structure, compared to an average of over 50% in 2021 - 2023. In addition, although there is great room for development, obstacles in terms of limited research and development (R&D) capacity and new technology transfer... are barriers for pharmaceutical enterprises in expanding the internal market. On the other hand, the competition between foreign investors and domestic businesses in the medical and pharmaceutical fields in Vietnam will continue to be fierce as we enter 2024.

VI. Conclusion

IMP's total assets were much higher than both short and long-term liabilities, and the liabilities were small and declining at the same time. Rising assets exceeding falling liabilities help Imexpharm come through financial difficulties such as COVID-19. Moreover, the current ratio and quick ratio were higher than 1 so the company can avoid the risk of its current liabilities. Additionally, IMP's leverage ratio has been constant, showing positive signs in the near future. Imexpharm has shown its efficiency in making profits with ROA and ROE between 10% to 15%. The forecast & scenario analysis showed a possible great increase in net sales and widened firm size. Furthermore, the positive trend of EPS over the years may help IMP's stock price increase and give its shareholders reliability. With stable gross profit and an increased asset turnover ratio, the firm is expected to maintain strong profitability.

However, based on its volatility in the M/B ratio, followed by a drastically declining P/E ratio with the decreasing prediction, and its ineffectiveness in converting sales into actual profit compared to its opponent may lead to a decrease in its sales. The competition between foreign and domestic pharmaceutical companies can affect Imexpharm's future situation.

In conclusion, based on IMP's financial statements and its ratio analysis, IMP remains in its position as a reliable and profit-earning pharmaceutical company. Because of its good performance over 4 years, despite the COVID-19 economic crisis, competitive market, and financial difficulties, it is believed to expect huge potential growth coming from its high demand for medicine, well-functioning supply chain, and even its acceleration in R&D.

VII. Recommendation

The business should keep concentrating on its strategic goals to improve liquidity, profitability, and operational efficiency in light of IMP's thorough financial analysis. IMP has to look at chances for expansion in both domestic and foreign markets and increase its research and development spending in order to maintain growth. With an estimated 6-7% yearly growth rate for the global pharmaceutical business, IMP has a lot of potential to profit from rising demand. Sustaining competitive advantage will also depend on improving supply chain optimization and cost control. IMP is an appealing purchase because of its consistent development in EPS and growth rates, which indicate strong financial performance.

Additionally, the demand for pharmaceuticals is anticipated to increase due to the increased focus on healthcare internationally, creating a positive market scenario for IMP. IMP is well-suited for outstanding future expansion by maintaining its operational and financial soundness, which will reinforce its standing as a dependable and profitable pharmaceutical company.

With the goal to enhance investor confidence and market perception, IMP should concentrate on stabilizing its profitability and minimizing the variations in its financial ratios. To sustain revenue growth, this can be accomplished by improving efficiency in operation, controlling expenses wisely, and keeping a steady pipeline of new product launches. Furthermore, enhancing investor communication and financial transparency can contribute to the development of stability and trust.

VIII. References

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CORPORATE FINANCE COURSE
GROUP EVALUATION FORM
TRIMESTER 3 – 2023

Team member 1 (leader): Trần Minh Quân
Team member 2: Nguyễn Huỳnh Bảo Như
Team member 3: Nguyễn Thị Ngọc Khánh
Team member 4: Nguyễn Lê Đạt
Team member 5: Lê Việt Hoàng
Team member 6: Nguyễn Thái Nhân

Link to video -> https://youtu.be/ZRkN7EI3Su8

Please rate the performance of each person on your team using the grid below. Write each person's name at the top of this evaluation form. Rate each team member on a scale of 1 to 10 for each item. **Any group not completing this evaluation form will receive a 10% deduction on the final grade.**

Criteria	1	2	3	4	5	6
Contribution	10	10	10	10	10	10
Availability for team meetings	10	10	10	10	10	10
Quality of tasks done	10	10	10	10	10	10
Work ethics/ attitude	10	10	10	10	10	10
Collaboration	10	10	10	10	10	10

Note: The purpose of the evaluation form is to provide feedback to the professor regarding team members' cooperation and participation. The evaluation is used for reference. The instructor reserves the right to make changes regarding this evaluation if (s)he believes that it is necessary.

Justifications / Comments (**compulsory**) by the leader:

Team member 2: Excellent teamwork and communicating effectively.

Team member 3: Contribute to every assigned task and work well as a supporter.

Team member 4: Contributed effectively to the writing and editing process

Team member 5: Work well in a team.

Team member 6: Provided significant contributions to the report.

Signature of members: **Date:** 28 July, 2024

1. *Quan*
2. *Nhu*
3. *Khanh*
4. *Dat*
5. *Hoang*
6. *Nhan*