

# **Binh Dinh Pharmaceutical & Medical Equipment JSC**

**HoSE: DBD**

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# TEAM MEMBERS

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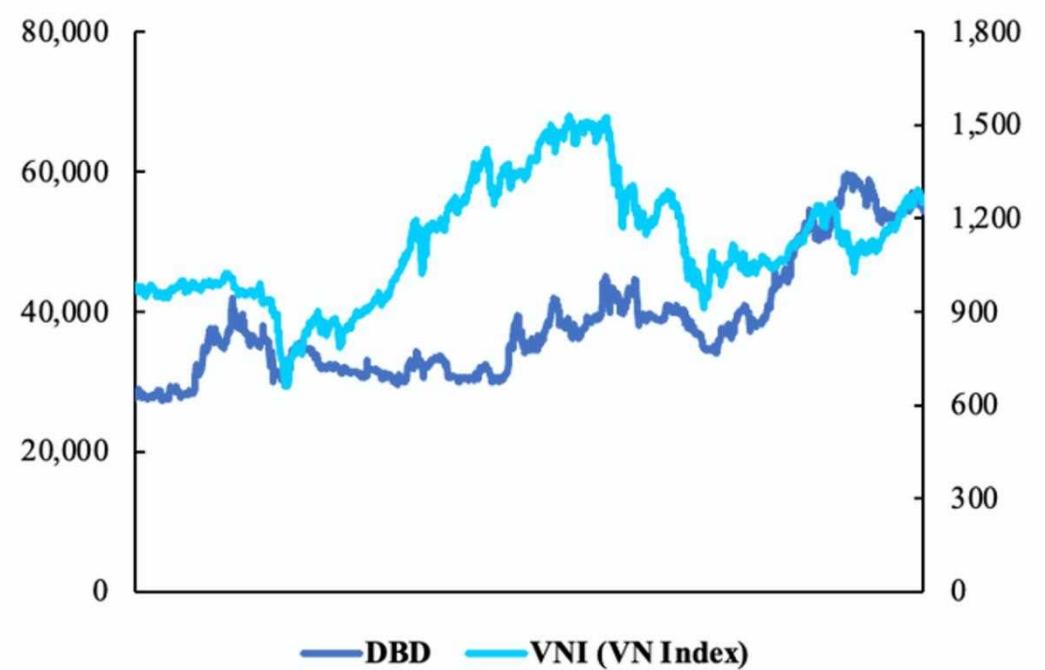
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# Investment Summary



# BUY

**65,000**

**55,200**

**18%**

Market Overview	
Market Cap	<b>4,108.9 (Billion)</b>
Price	54,900
52-week high/low (VND)	59,640/38,320
Shares outstanding (m)	6.915
EV/EBITDA	12.05x
Foreign Ownership	13.2%

## Target price

## Current price

## ROI

- 01** The business segment of cancer drugs dominates the domestic market
- 02** Investing in large-scale factory projects that meet EU-GMP standards to increase the bidding group
- 03** The foreign ownership limit has been raised to 100%



# Market & Industry Overview

# Market Overview

**Macroeconomic performance is steady: 10-year US bond interest rate and Forex rate both increased, PMI Vietnam has slightly declined, while Vietnam's CPI have risen.**

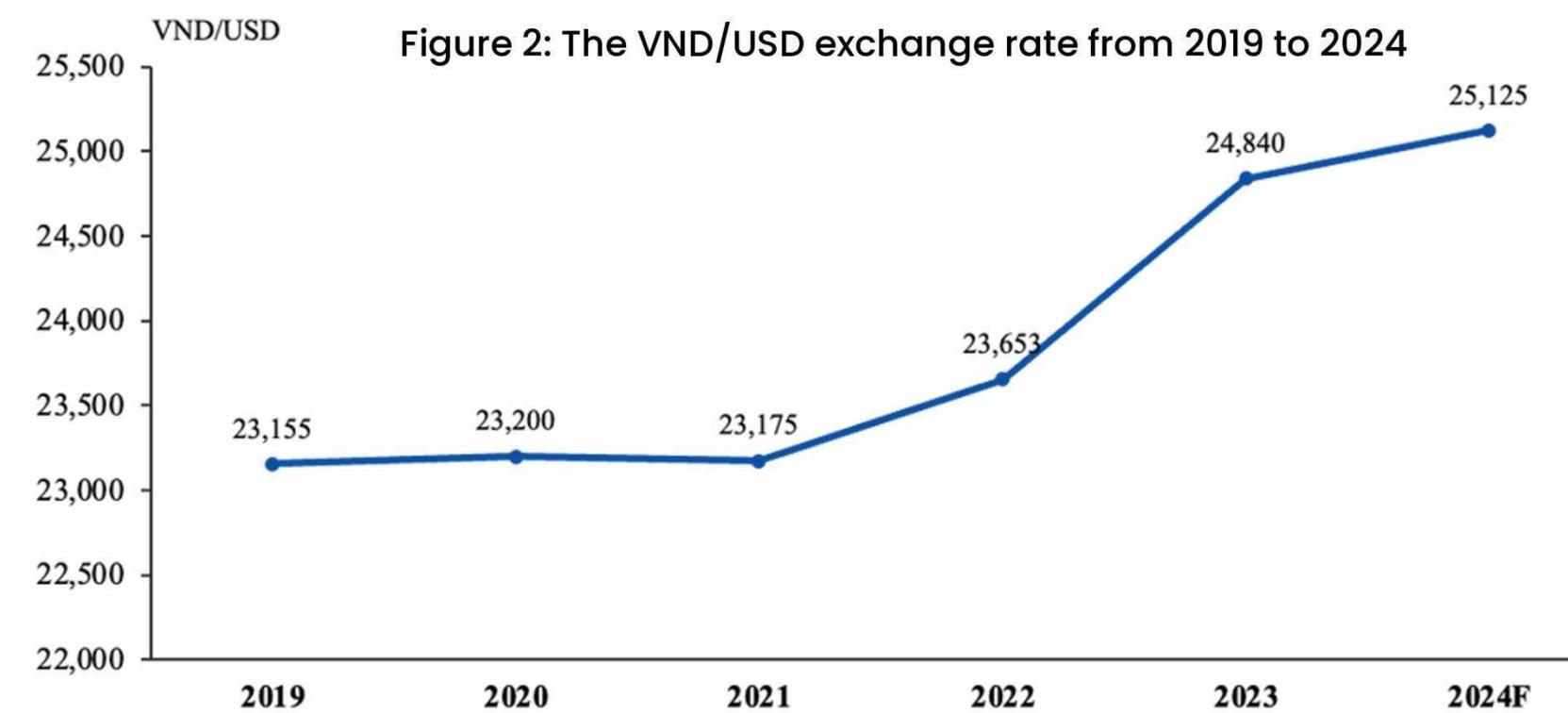
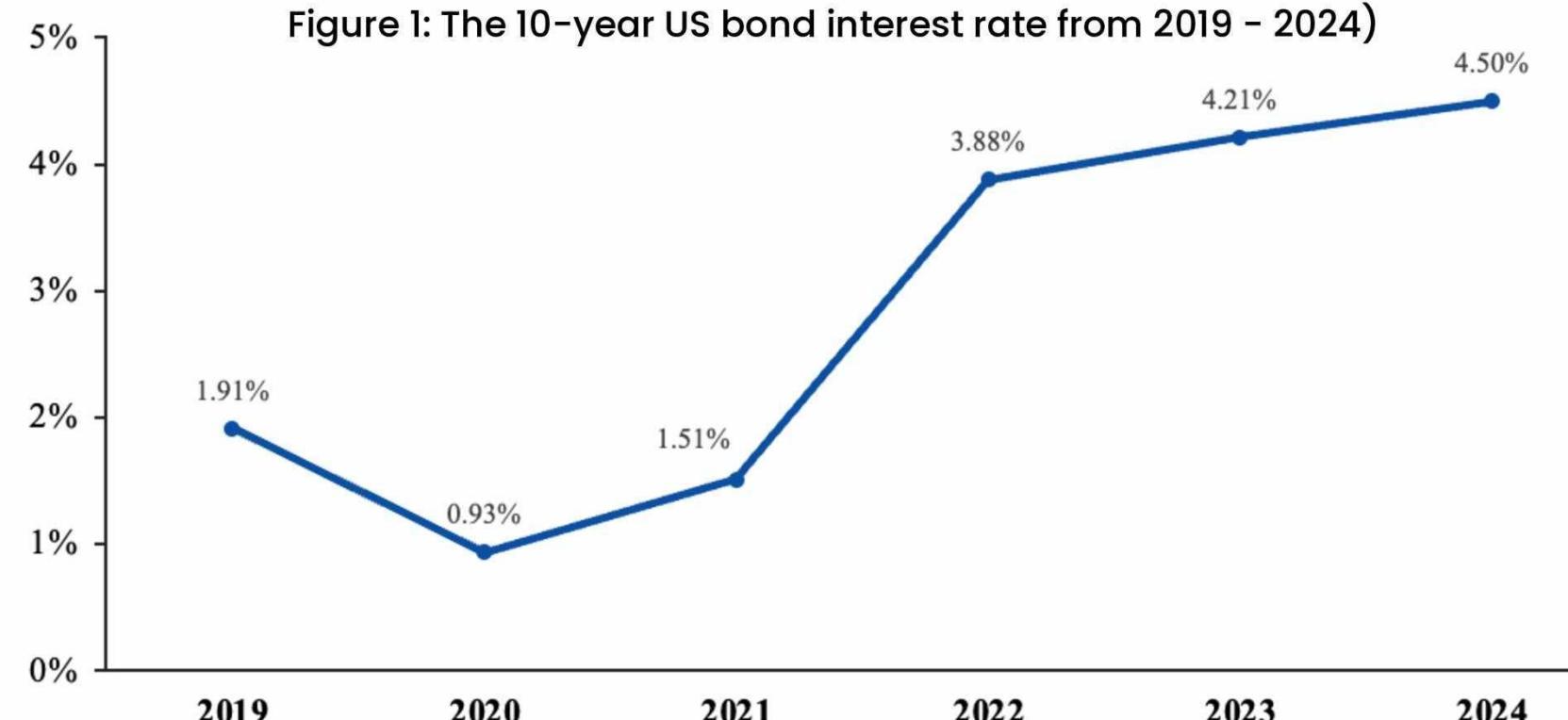
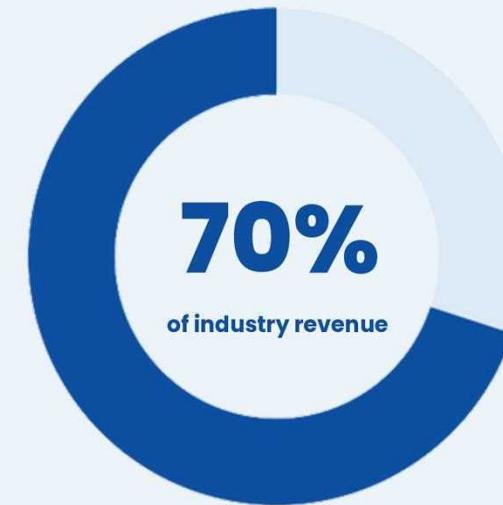


Figure 3: Fluctuation of PMI and CPI from 3/23-3/24.

# Industry Overview - Supply Sources

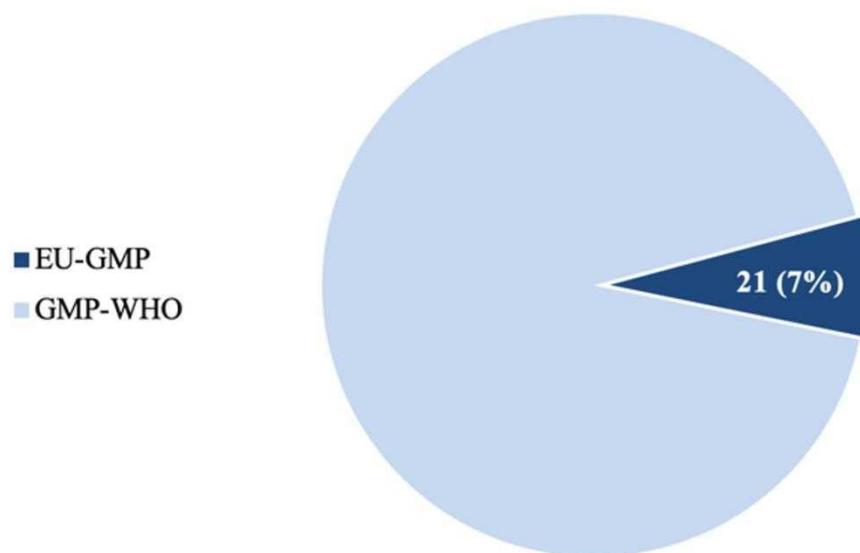
*Abundant pharmaceutical supply thanks to self-manufacturing and government promotion policies...*

- Vietnam Government has published **the specific and strategic goal for domestic manufacture** of the pharmaceutical industry to 2030.
- Besides, government also launched policies for pharmaceutical manufactures to **meet the EU-GMP standard** with the main purpose of improving and enhancing the finished products.
- This contributed to **lower prices** for pharmaceutical products into domestic market with **the high-effective outcomes**. However, self-manufacturing is still questionable through the high demand on imported raw materials.



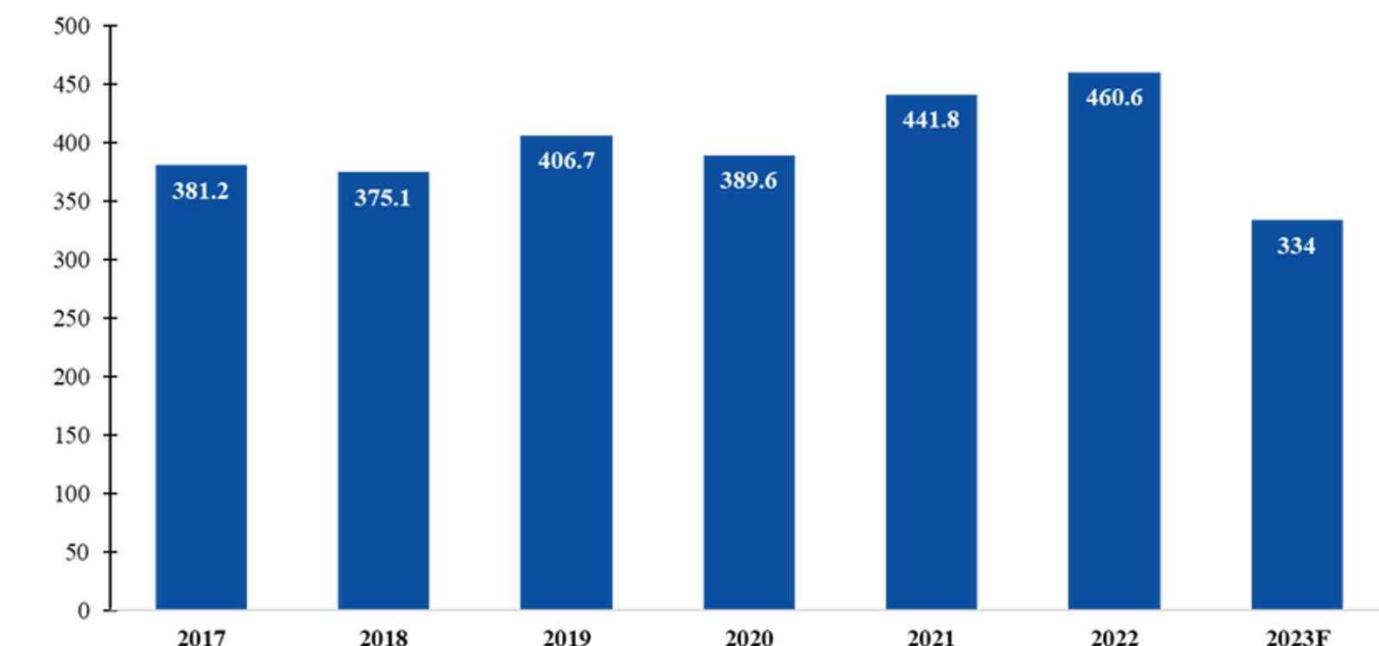
**Figure xx: Government Strategy & Goals in Pharmaceutical Industry**

In spite of government's expectations, the number of manufacturing factories achieving EU-GMP certificates remained quite low (7%)



**Figure xx: The proportion of EU-GMP over GMP pharmaceutical factories**

Besides, **75% of raw materials** for production is imported and then macro-economic factors may negatively impact supply sources (geopolitics,...)



**Figure xx: The amount of import raw material among years**

# Industry Overview - Purchasing Power

*Consumption of Vietnamese is limited but the purchasing power of P&M products is expected to boom...*

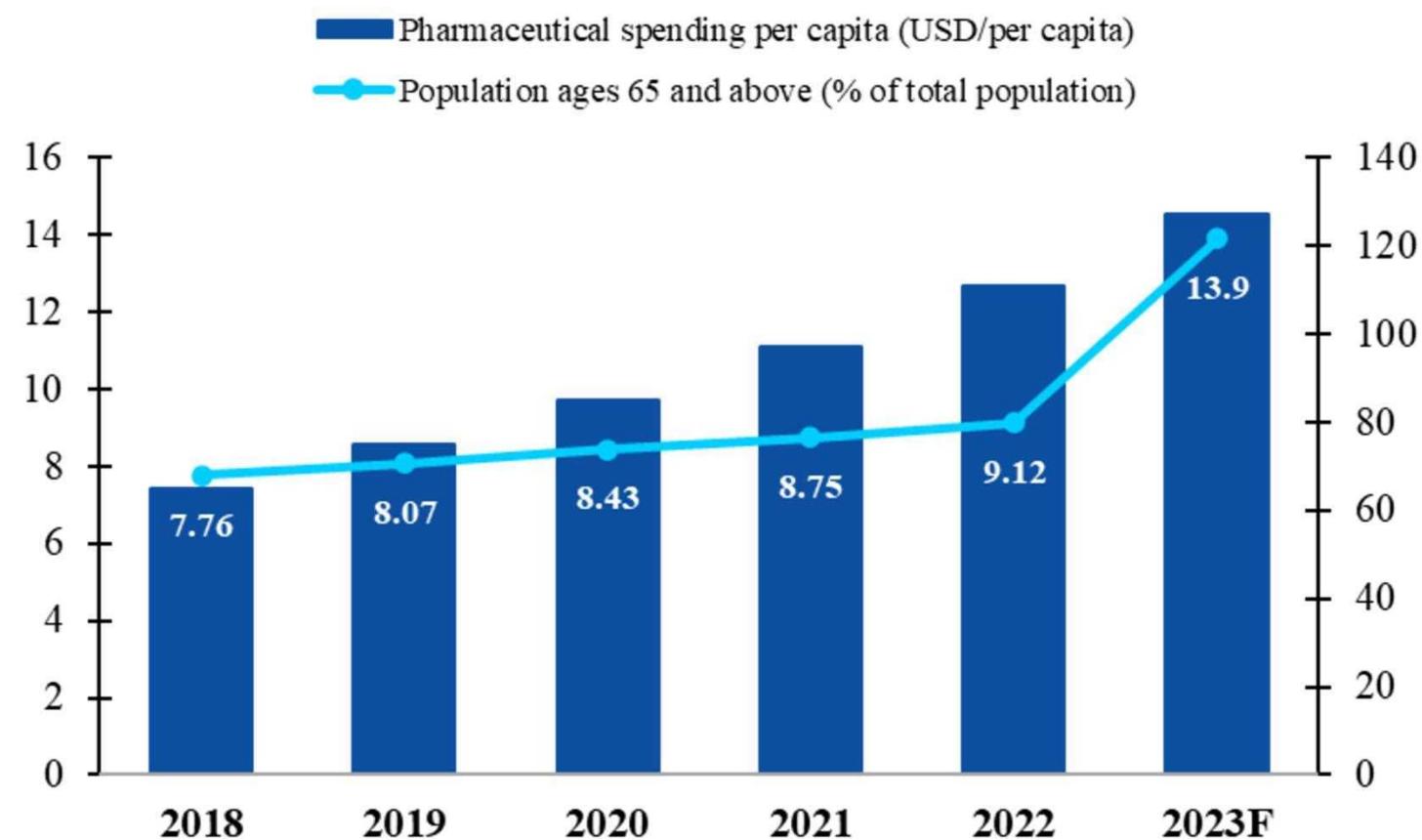


Figure 7: Population ages 65 and above and average spending per capita

- The population of Vietnam is aging currently indicating the high demand on pharmaceutical products in future prospects.
- An average person's expenditure of medicine is expected to rise from 65 to 127 USD due to the impact of Covid-19 pandemic.

The higher number of people registering Health Insurance illustrated the higher demand on pharmaceutical products through ETC channel.

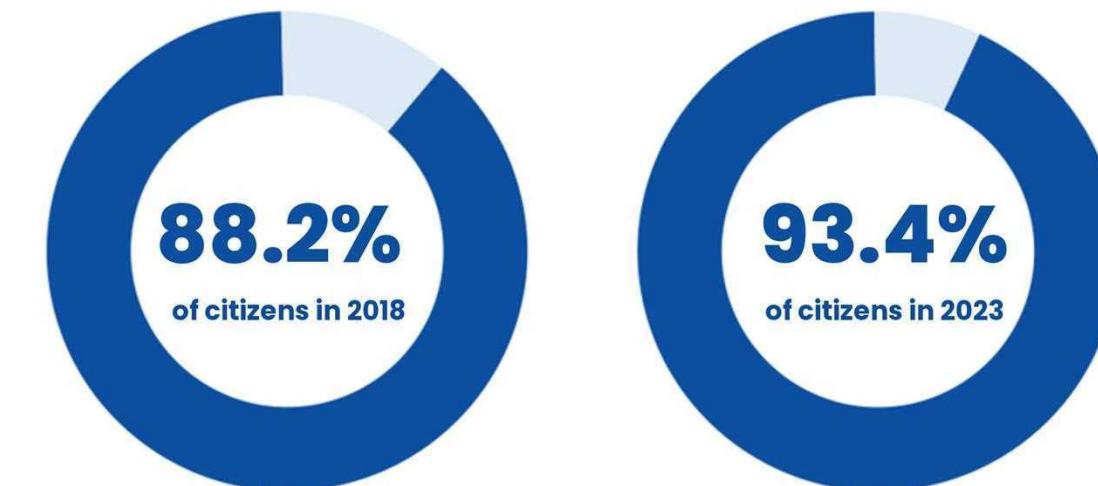


Figure xx: Proportion of people purchasing Health Insurance by year

Besides, pharmaceutical manufacture companies may gain advantages for OTC channel through the market share battle of retail branches.

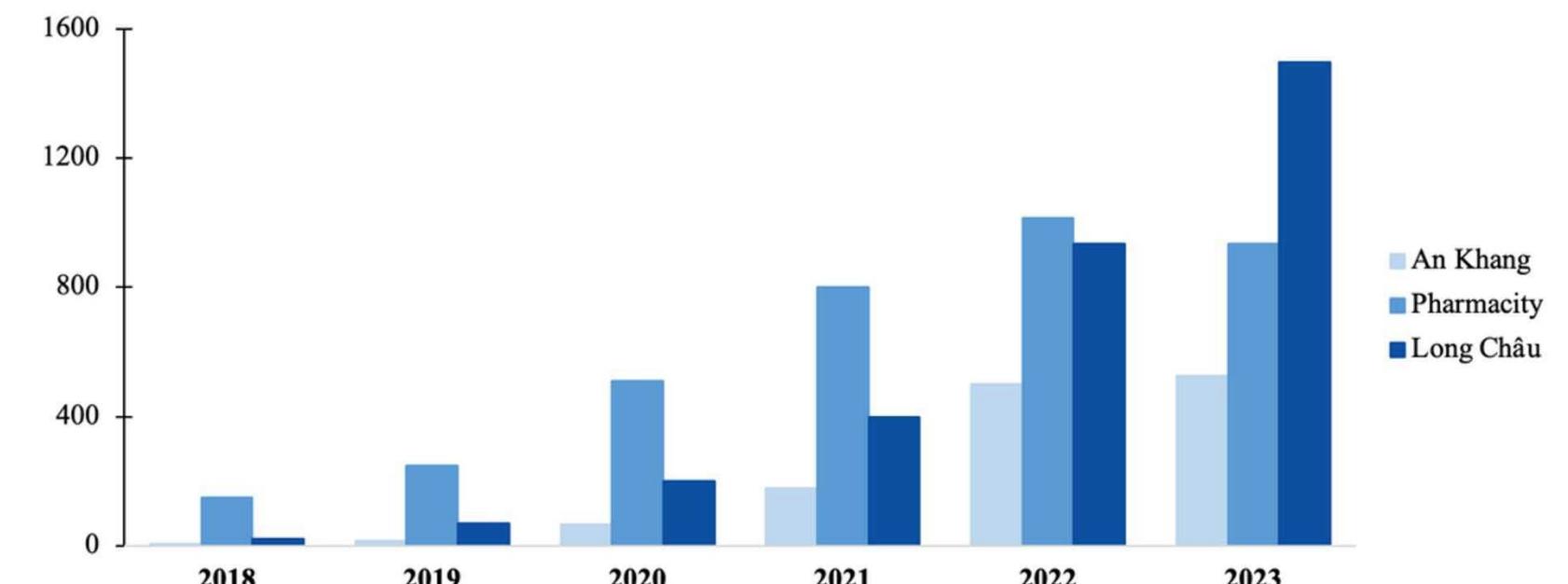


Figure xx: The expansion trend of pharmaceutical retail branches



# Business Description



# Binh Dinh Pharmaceutical & Medical Equipment JSC

- HoSE: BLI
- Establishment: 1980
- With 45 years of **experience**, Bidiphar has been listed in the Top 5 reputable pharmaceutical company and be awarded as a national brand in 2022.

## Company Development

Establishment

1997

2003

2010

Listed on HOSE.

2023

2027F

1980

Produced Infusion  
Solution of Essential  
Nutrients.

Launch a line of  
Lyophilized Injection  
products.

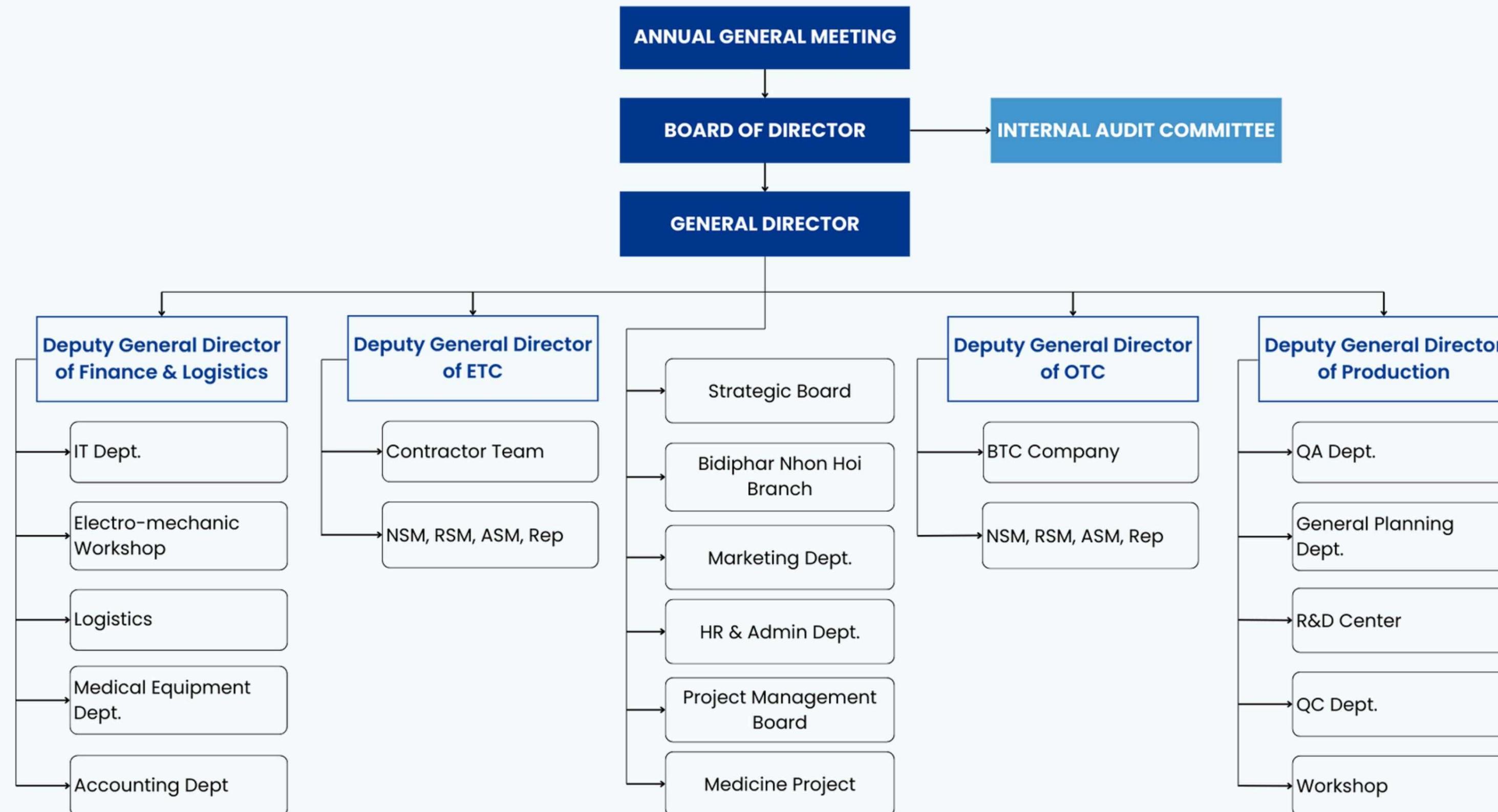
First enterprise to  
successfully manufacture  
cancer drugs.

2018

Established largest  
production facilities.

Establishing small  
volume aseptic drug  
manufacturing factory

# Organizational Structure





DBD's products is representing in **63/63** cities and provinces of Vietnam with:

- **16** branches nationwide and **01** distribution company
- **03** factories in Binh Dinh with **the maximized capacity of 02** billion units
- **17** product lines for **300** separated products and divided into **6** product types, of which anti-cancer is a bright spot of DBD
- Delivering to more than **2,000** medical facilities through ETC and **21,000** pharmacies and drugstores across Vietnam

**E**

- Pharmaceuticals are considered a relatively clean industry.
- Fully implements government-required environmental principles.
- Lacks proactive actions and significant concern for the environment.

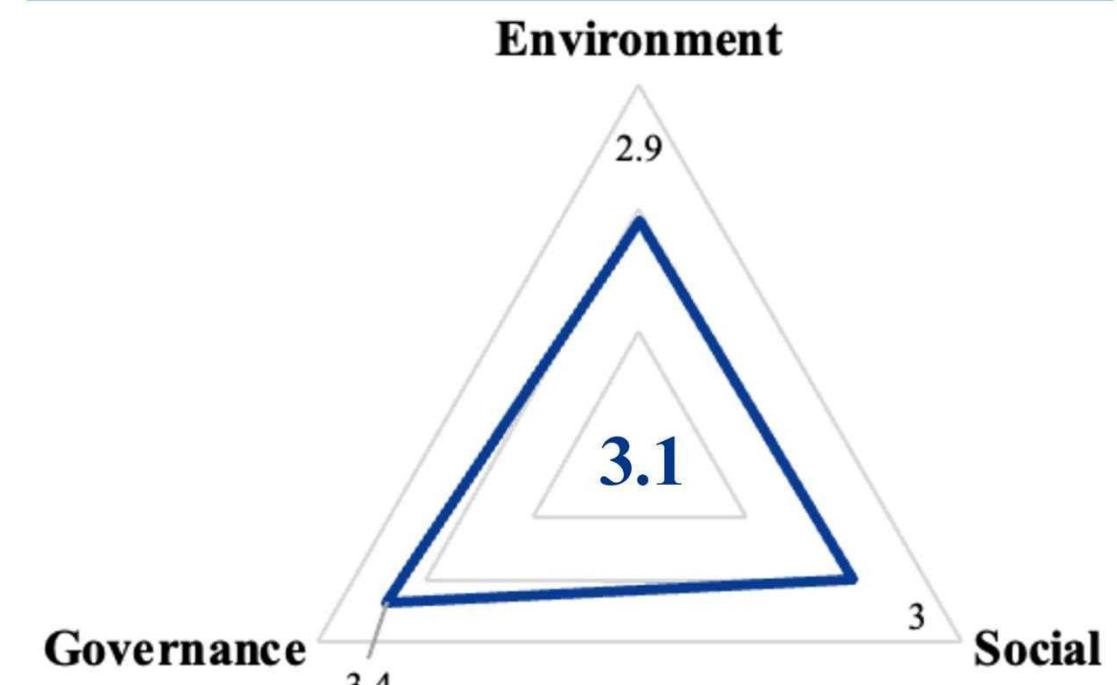
**S**

- **Employees**
  - Compensation & Bonus based on the 3Ps (Position - Person - Performance).
  - Provides training workshops for professional capacity.
  - Most employees have university & college degrees
  - Balance in the genders
- **Social Activities**
  - Blood donation activitie "BidiPhar - mỗi giọt máu một tấm lòng"
  - Regular charity activities

**G**

- **Base on ACGS, BidiPhar has**
  - Transparency in information and fair treatment of shareholders.
  - Main shareholder from state-owned - Binh Dinh Development Investment Fund (13.34%)
  - BidiPhar's directors and executives holds advanced degrees in pharmaceuticals.

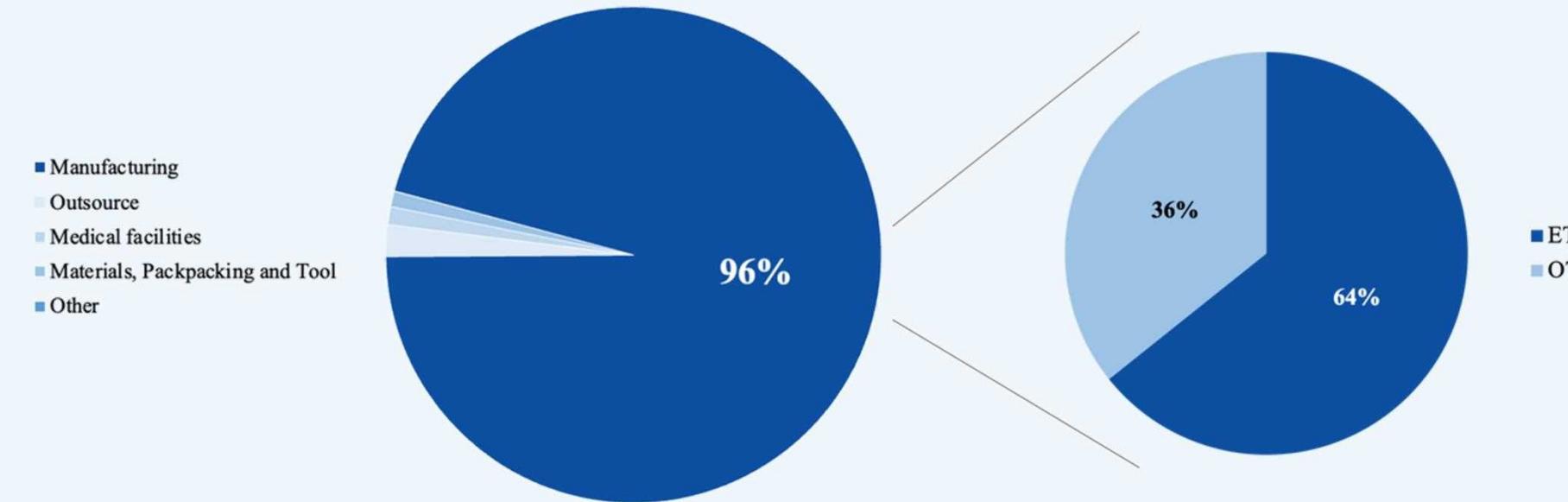
## AVERAGE - A



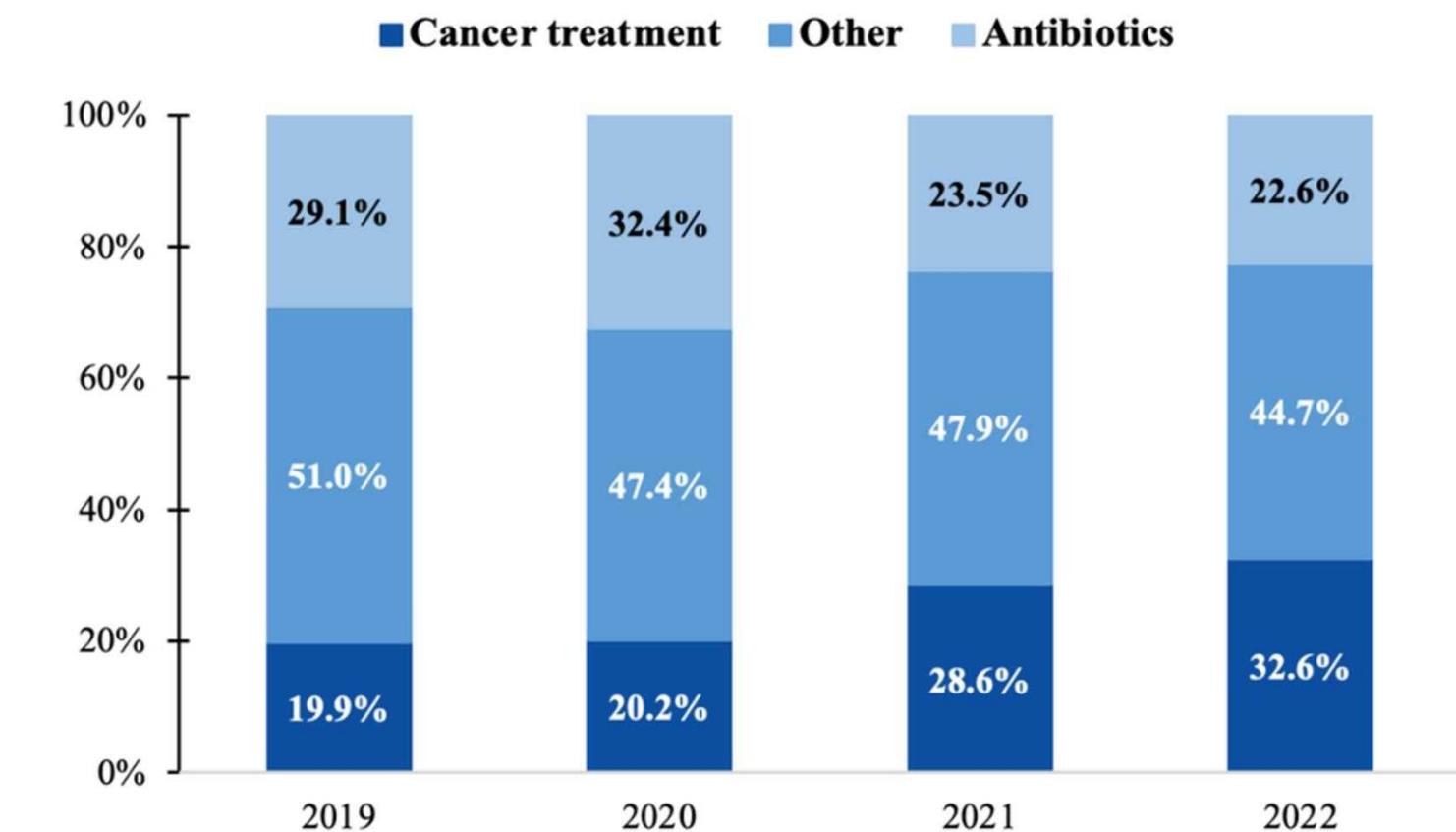
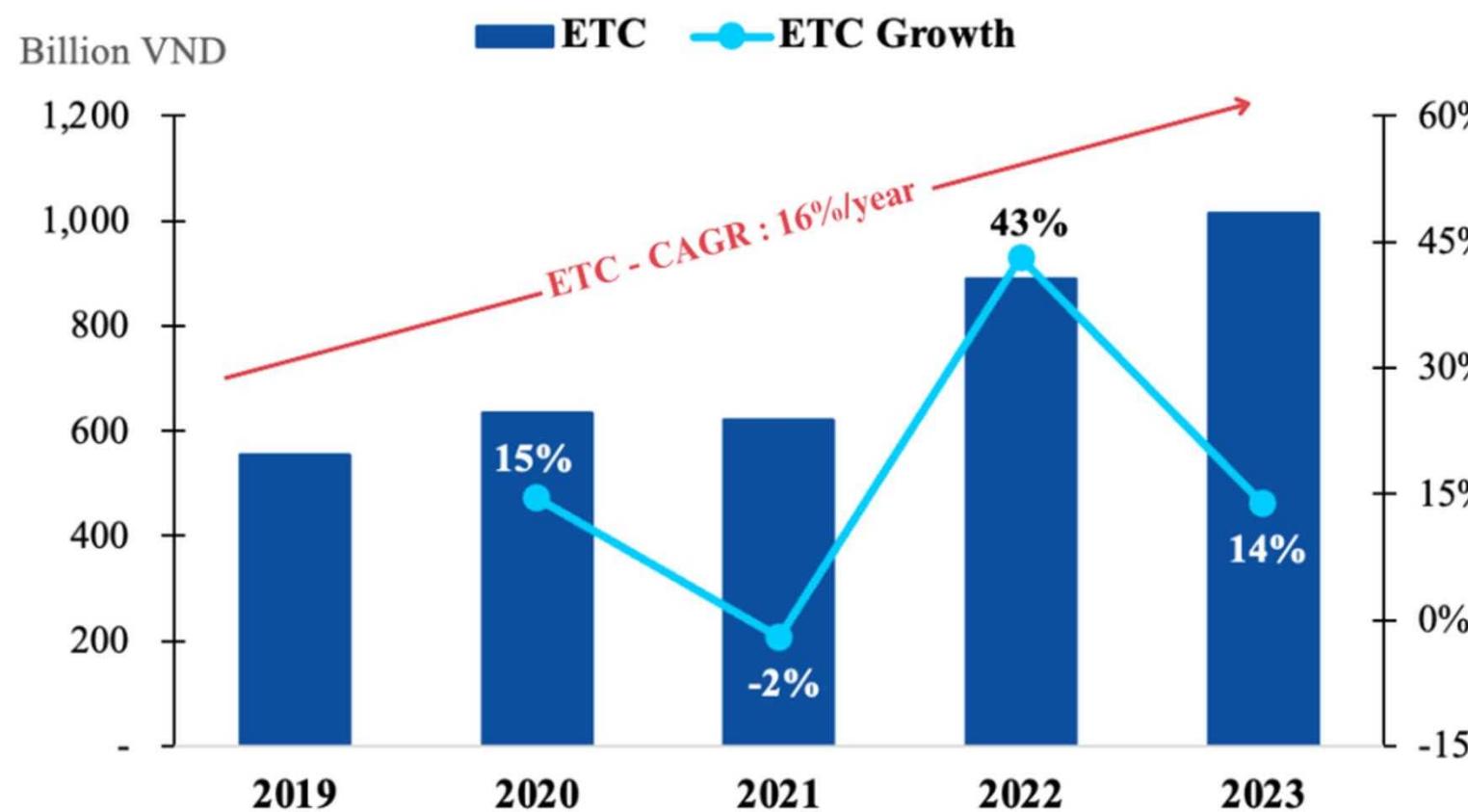
## Qualification

Postgraduate Education	44
University	414
College	484
Tertiary	238
<b>Gender</b>	
Female	607
Male	617

# Revenue portfolio



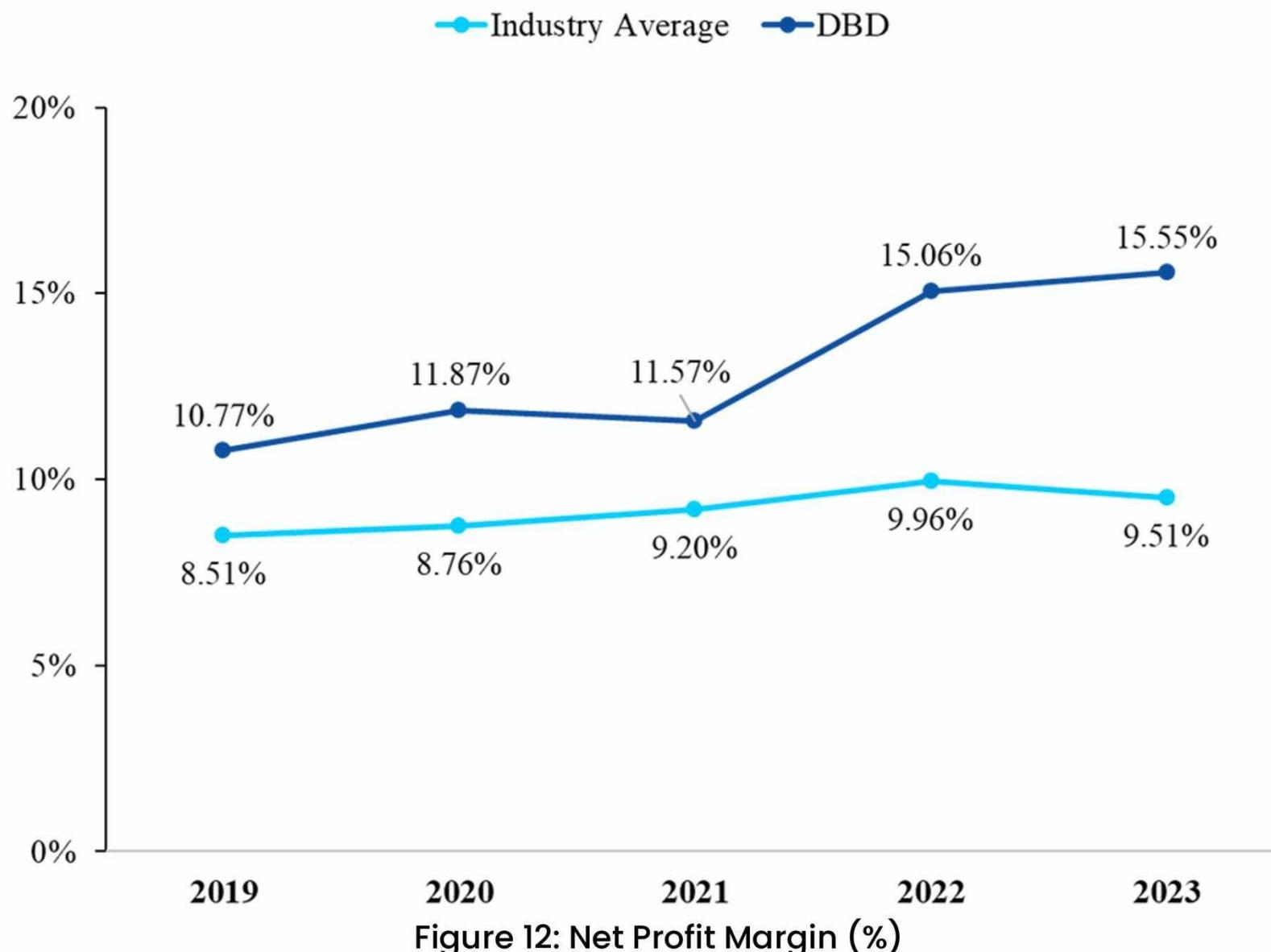
- 96% of revenue stemmed from manufacturing products, which is directly distributed into 2 channel including ETC and OTC
- Going with the trend of industry, DBD recorded the significant revenue growth of ETC with 1800 winning bids valued more than 1,000 billion VND.
- Under the main of product types, DBD illustrated its concentration in cancer-medical manufacture. The percentage of other sectors gradually decrease among year





# Financial Analysis

## Increasing net profit margin thanks to the company's restructuring strategy

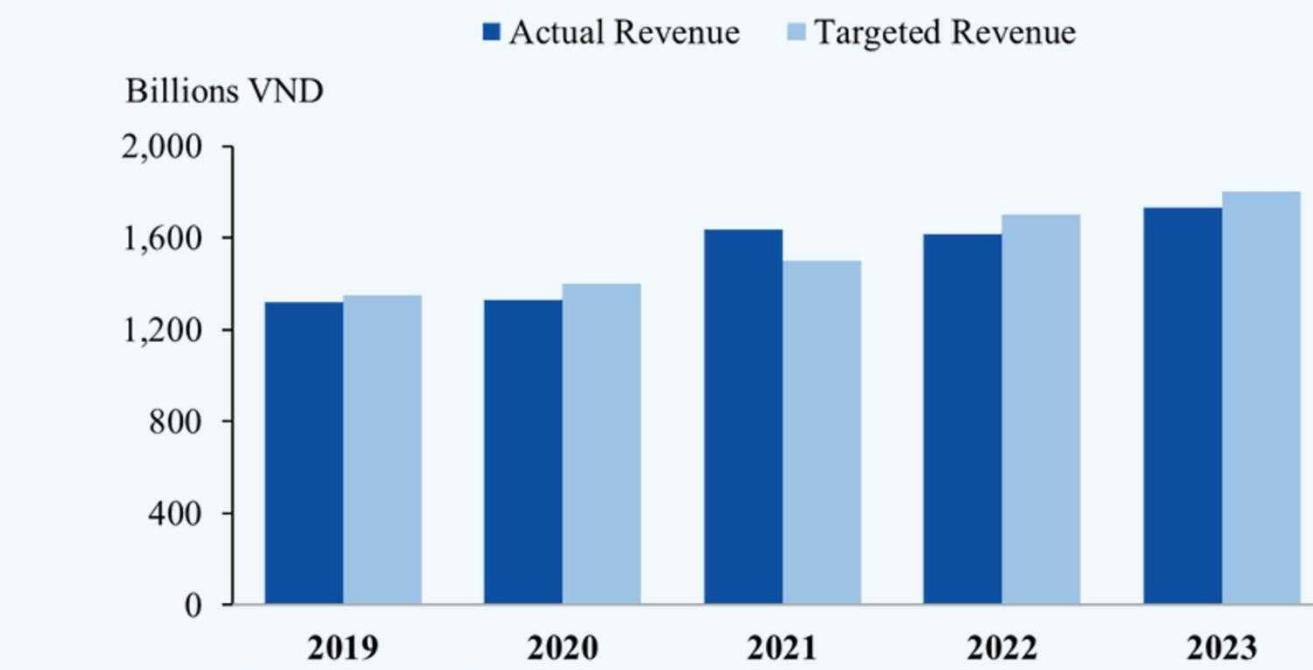


DBD has achieved an rising trend in NPM triggered by both increasing revenue and decreasing expenses.

Since 2022, DBD's shift to **self-manufacturing** has **cut COGS**, but **SG&A rose** to enhance the probability of winning bids and trigger the raise on sales.



In spite of gaining **positive indicators in revenue** trend among years, DBD **consecutively failed to materialize** its targeted goals.



# Financial Analysis

*More retained earnings, DBD confidently ready for the upcoming year.*

Thanks to the successful **restructuring strategy**, **CFO/EBITDA** has significantly increased

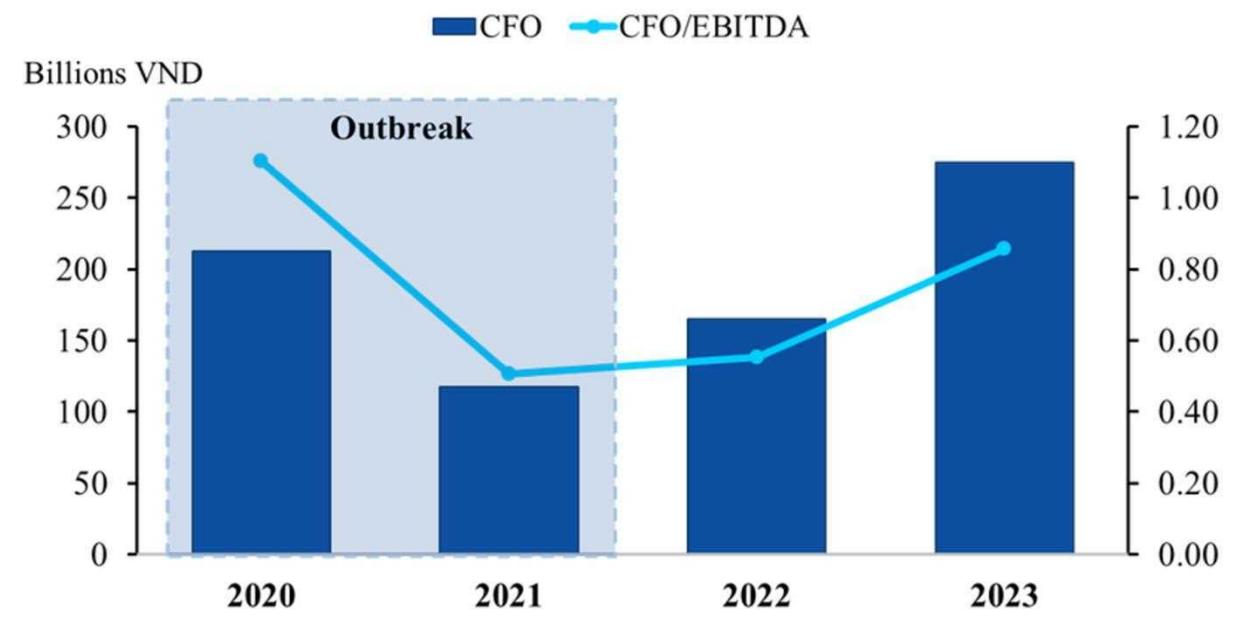


Figure 15: CCC of DBD and the Industry

... which made them more confident for the upcoming year, so more products produced **results high Cash Conversion Cycle**

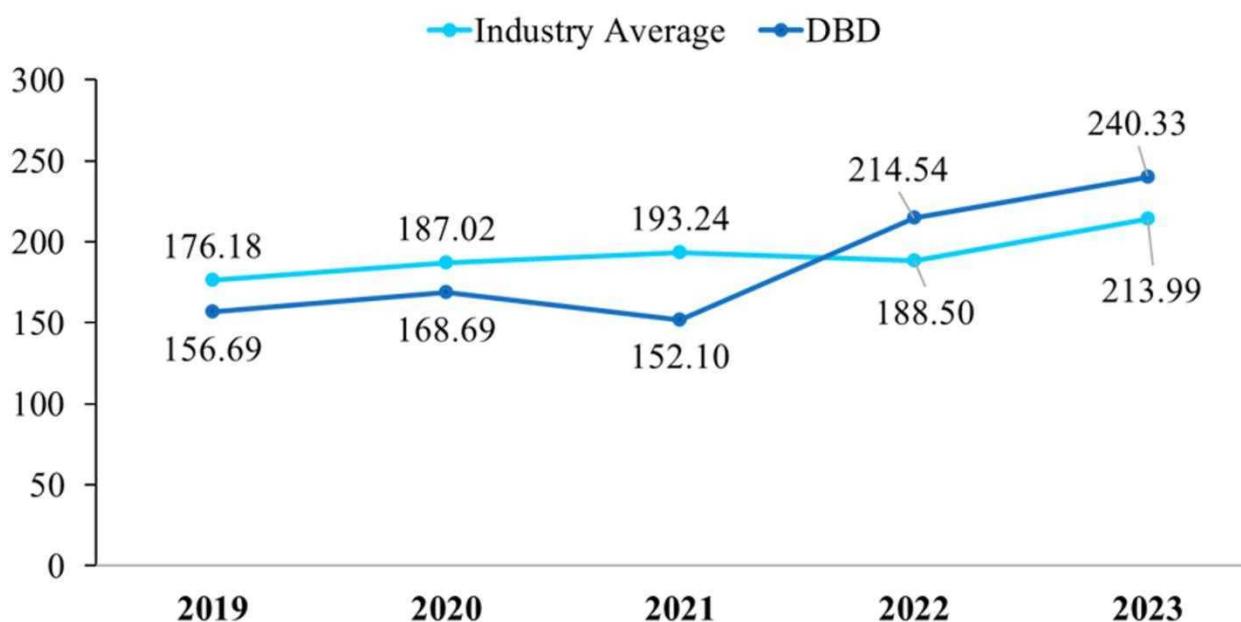


Figure 16: DBD Cash Conversion Cycle Component

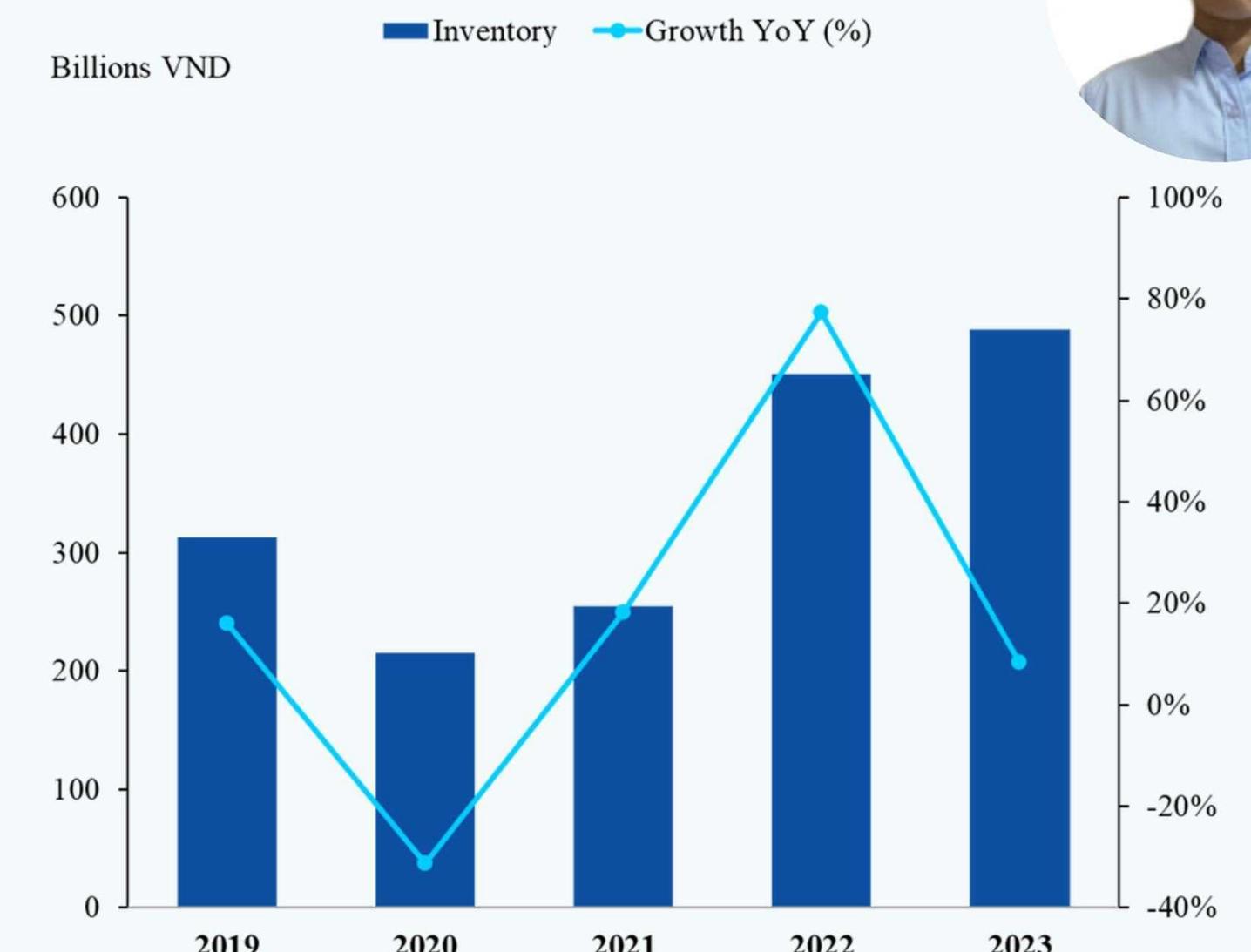


Figure 17: DBD Inventory Overtime

**Inventories are kept at high level** with the hoping for higher revenue next year enhance in production. In addition, DBD's inventory was high due to some product line maintainance. If they **successfully handle these inventories**, DBD **will be profitable** as high CFO/EBITDA **surpluses free cash flows**.



# Investment Thesis

# Investment Thesis #1



*The domination in manufacturing domestic anti-cancer medicines is a bright spot of DBD's future prospect...*

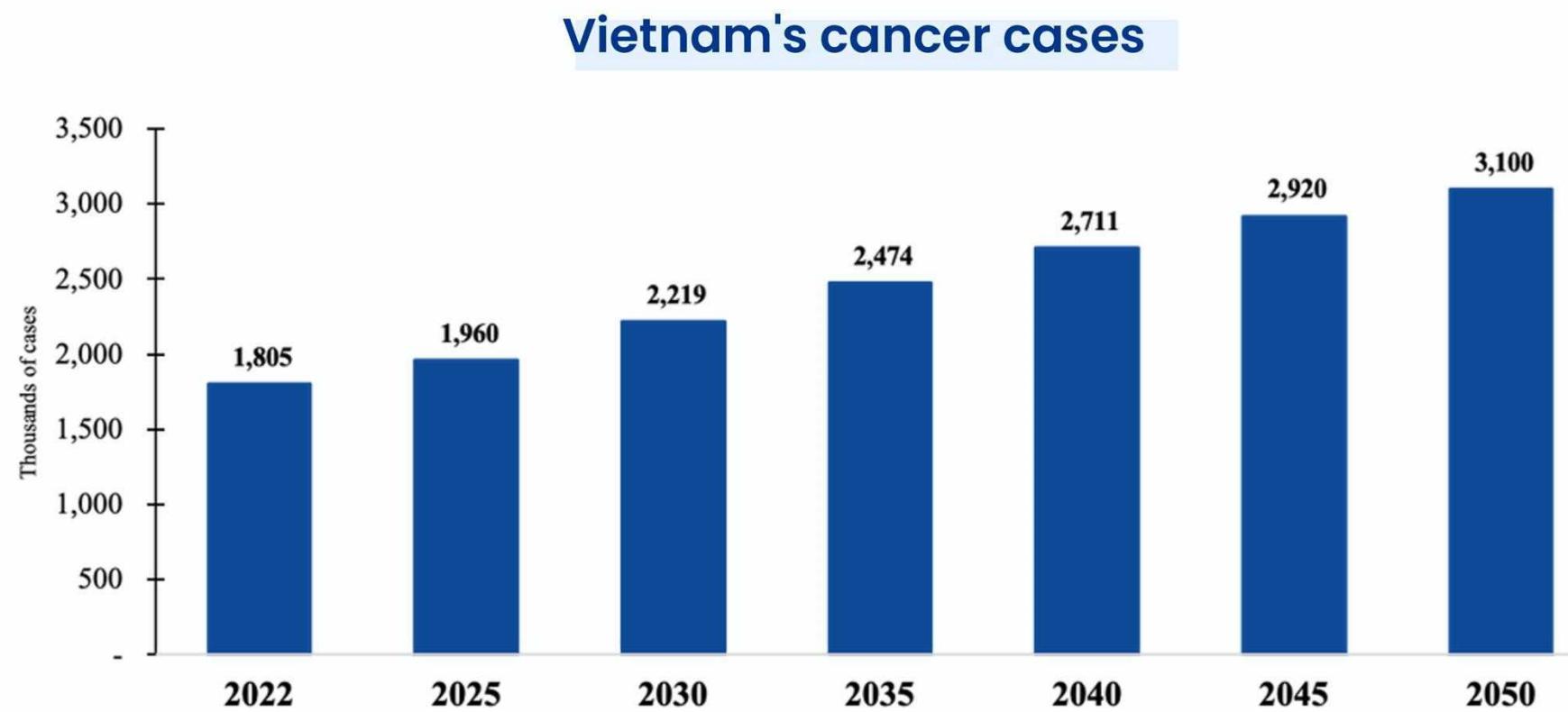


Figure 18: Number of cancer cases forecasted in Vietnam among years

## Binh Dinh Pharmaceutical & Medical Equipment JSC

- #1 The **only listed pharmaceutical company** producing anti-cancer drugs in Vietnam
- #2 Having the **separated factory** for anti-cancer drugs at the **GMP-WHO standards** with TIV of \$550 million
- #3 CAGR of anti-cancer treatment is **38% per year**
- #4 Providing **17 ingredients** through anti-cancer products and **2 of them are monopoly distributed**

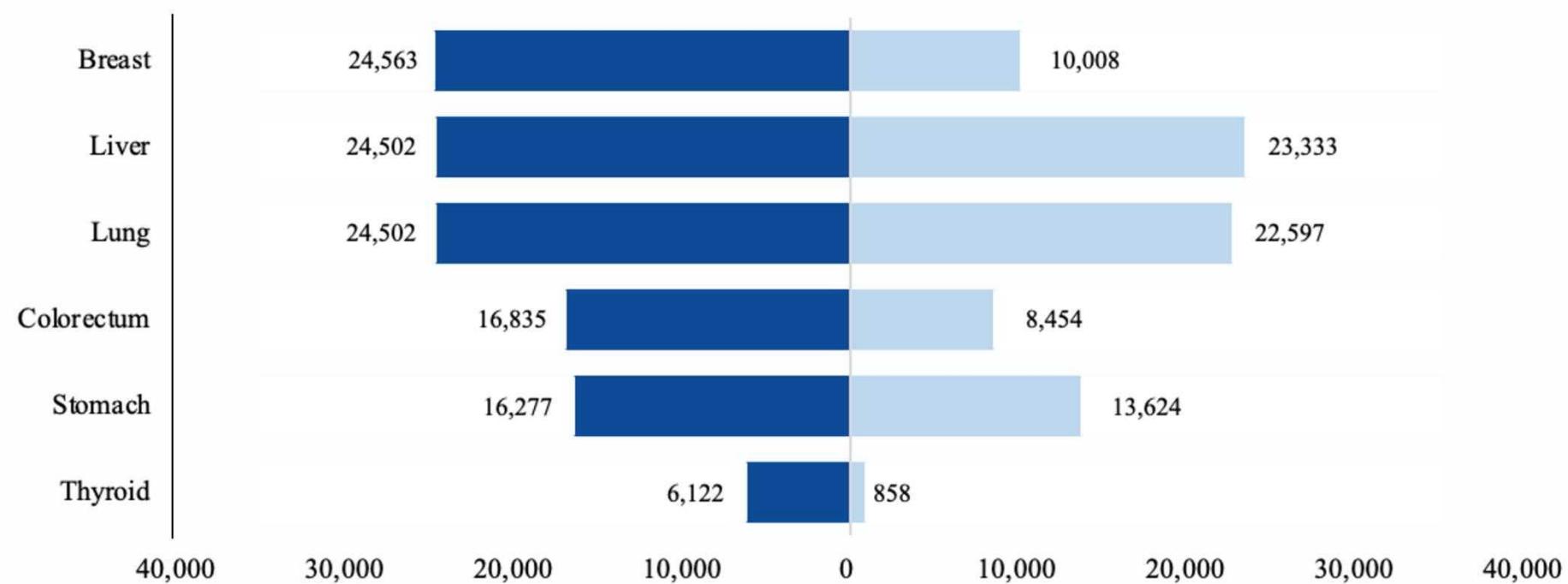


Figure 19: Number of cancer cases and mortality in Vietnam

## Competitive advantages:

- Minimizing the cost of goods sold due to self-manufacture and then able to deliver the lower prices into the market
- Receiving beneficial privileges due to the significant increase in self-production and domestic supply (ticking to the goals of government)
- Avoiding external risk, including geopolitical, fluctuated exchange rate,... may disrupt the supply chain and then result in inventory deficits detrimentally impact on branding and market shares

# Investment Thesis #2



Continuously pouring money to upgrade and establish new factory of EU-WHO standard for bid expansion...

## Vietnam's Government Policy for Pharmaceutical Bidding Participation

- According to **Circulars 03/2019/TT-BYT**, it forces contractors to deliver the self-manufacturing products without any suggestion of imported pharmaceutical products for items registered to be able for domestic production and supply under the medicine portfolio.
- According to **Circulars 06/2023/TT-BYT**, bidding packages of generic medicine are divided into 5 different groups with the main purpose of better classification and evaluating bidding option:
  - Group 1 & 2 require manufacturing facilities to achieve the EU-GMP standards for pharmaceutical bidding participation



### Anticancer injection production line

15.11.2024 → 15.05.2025

### Anticancer tablet production line

31.03.2025 → 31.09.2025

DBD have 3 factories with a maximized capacity of xx billion units per year at GMP-WHO standard. (No EU-GMP)

→ **Limited in bidding participation caused by only join as Group 3&4**

DBD has applied the **Nhon Hoi anticancer facilities** into the manufacturing process since Dec 2023, which is planned to gain EU-GMP certificates in 2024 & 2025 for:

- Anticancer injection production line
- Anticancer tablet production line

Expand the bidding opportunity and enhance the products' quality

**Maximize the revenue inflows and market share of DBD**

# Investment Thesis #2



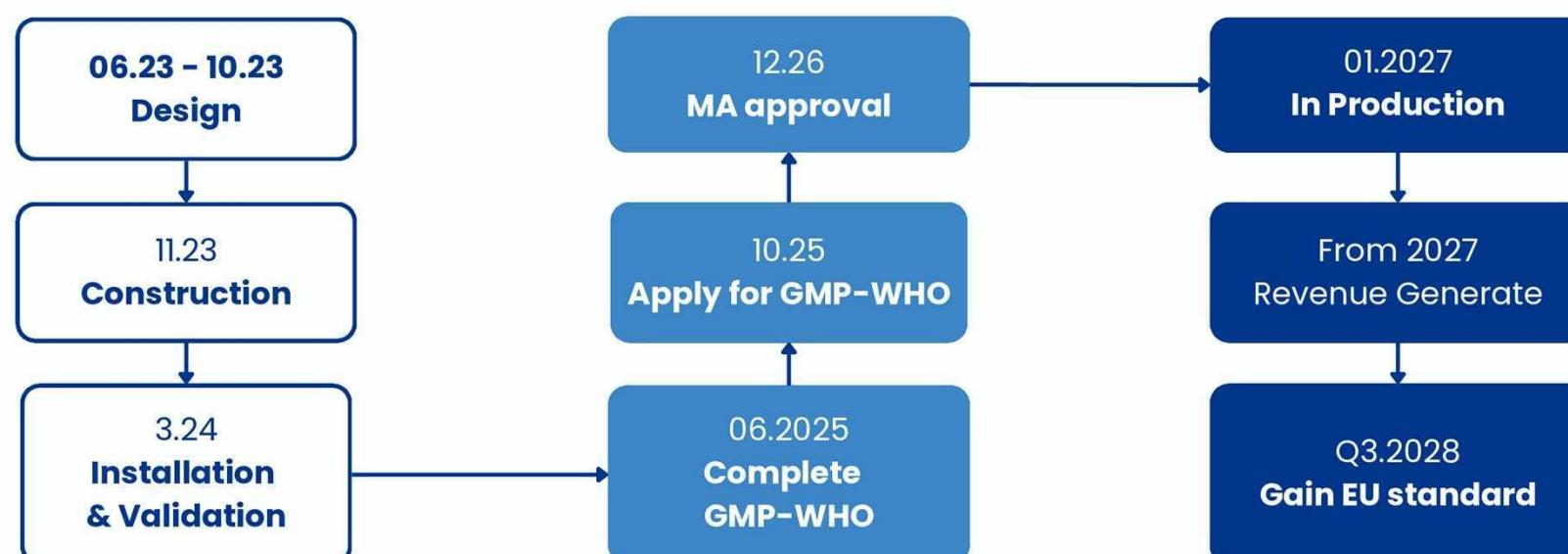
*Continuously pouring money to upgrade and establish new factory of EU-WHO standard for bid expansion ...*

## Small volume injection facility

### Information

- Total Expected Investment is 840 billion VND
- Area: 24,900 squared meters
- Expected Capacity: 120 millions units / year
- Location: Nhon Hoi economic Zone, Quy Nhon – Binh Dinh

### Progress



### Expected Revenue

2027	2028	2029	2030	2031
580.817	676.334	757.405	1.255.420	1.685.095

## Non-beta lactam OSD facility

### Information

- Total Expected Investment is 820 billion VND
- Area: 19,900 squared meters
- Expected Capacity: 1.2 billions units / year
- Location: Nhon Hoi economic Zone, Quy Nhon – Binh Dinh
- Expected Construction: 2024

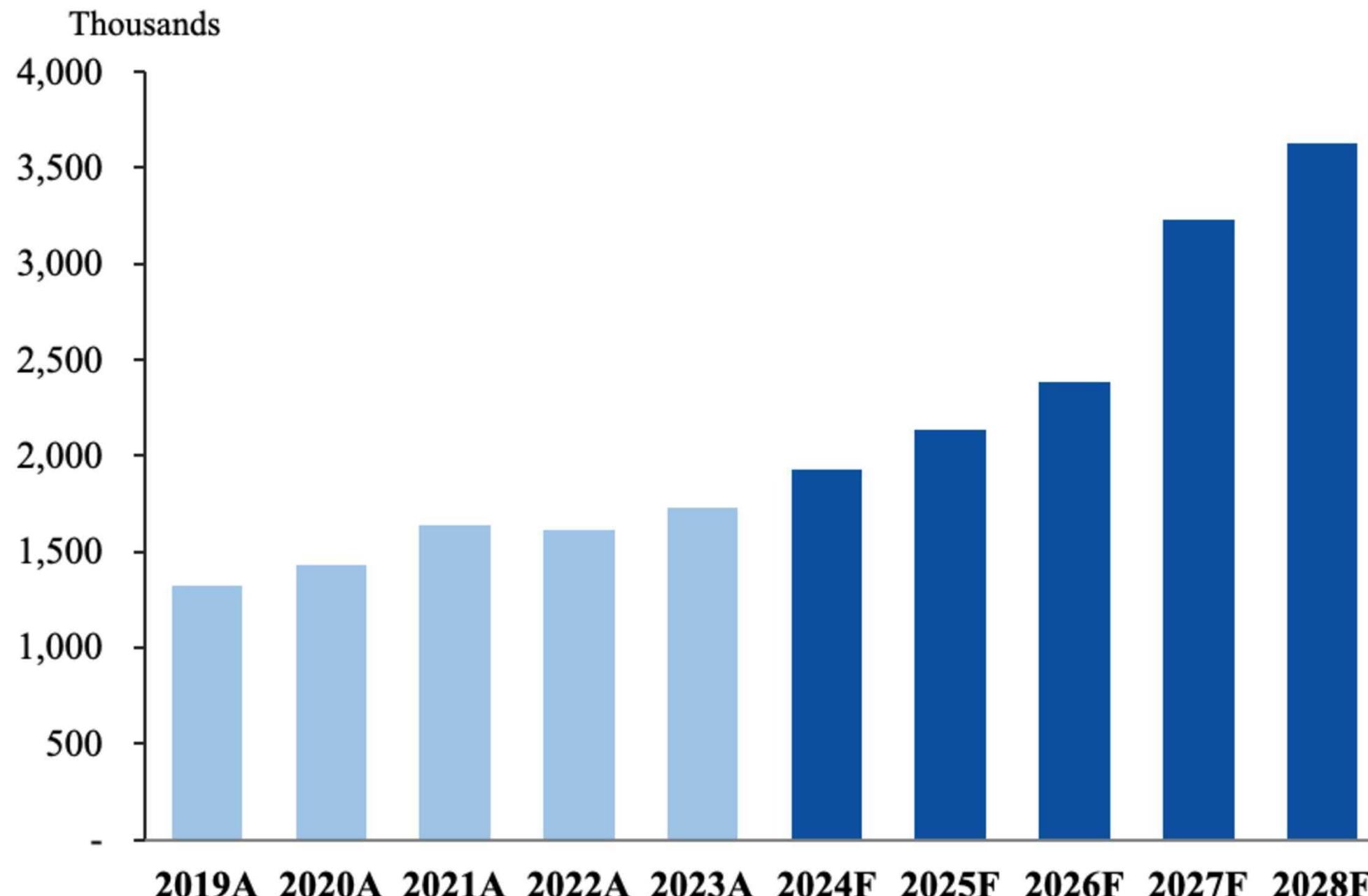
### Expected Revenue

2028	2029	2030	2031	2032
356.647	503.808	728.579	1.621.609	1.957.858

With the process of continuously **enhancing the quality of manufacture process** and **the scope of facilities** into outstanding segments, revenue of DBD is **expected to boom**.



# Valuation



- Manufacturing products is projected to remain at the CAGR of 16%/year :
  - CAGR - ETC: 19%
  - CAGR - OTC: 3%
- Small volume injection facility is planned for official application in 2027 with earned expected revenue:
  - 2027F: 580,817 million VND
  - 2028F: 676,334 million VND
- Other products is forecast based on the CAGR or trend of historical data from 2019 - 2023.

Figure 20: DBD Revenue Forecast

# Weighted Average Cost of Capital



Note		
Risk-free rate	2.59%	Vietnam 10-year Bond Yield Historical Data by worldgovernmentbonds.com
Beta	0.254	Historical data from DBD's stock price
Market Risk Premium	8.5%	Based on return of VN100's and DBD's stock price
<b>Cost of Equity</b>	<b>4.75%</b>	<b>CAPM: Cost of Equity = Risk-free rate + Beta*Market risk premium</b>
Pre-tax Cost of Debt	9%	Short-term interest rate of DBD
Tax rate	20%	Viet Nam corporate tax rate
<b>After-tax Cost of Debt</b>	<b>7.06%</b>	<b>Pre-tax cost of Debt * (1 - Tax rate)</b>
Weight of Debt	27.96%	Liabilities /Total resources
Weight of Equity	72.04%	Owner's equity /Total resources
<b>WACC (annually)</b>	<b>5.40%</b>	<b>WACC = Cost of Debt* Weighted of Debt + Cost of equity * Weighted of Equity</b>
Terminal growth rate	1%	Adjusted real Revenue growth of pharmaceutical sector in VietNam

## Discounted cash flow



Year	2024F	2025F	2026F	2027F	2028F
Net Income	313,782	350,165	370,100	499,663	566,123
Plus: Interest exp. after tax	9,788	13,111	18,362	26,085	32,755
Plus: Total D&A	72,260	78,375	85,594	93,108	84,962
Less: WCInv	110,725	743,585	(392,356)	1,094,701	100,562
Less: CapEx	333,625	347,251	363,337	380,079	189,320
<b>FCFF</b>	<b>-48,520</b>	<b>-649,185</b>	<b>503,075</b>	<b>-855,925</b>	<b>393,958</b>
Discount period	1	2	3	4	5
Discount factor	0.9488	0.9002	0.8541	0.8104	0.7689
Present Value	(46,036)	(584,419)	429,701	(693,662)	302,928

**Discount rate = WACC (annually) = 5.4%**

**(591,487)**  
**DCF value**

## Valuation Summary

Total PV	(591,487)
Terminal Value	8,162,618
PV of Terminal Value	6,276,529
<b>Enterprise Value</b>	<b>5,685,042</b>
Plus: Cash	87,837
Less: Debt	556,068
Equity Value	5,216,811
<b>Implied Stock Price</b>	<b>69,666</b>

## 2023

DHG	13.75
DMC	10.26
IMP	10.15
DVN	24.2
DHG	13.75
DBT	14.1
SPM	12.65
<b>Average</b>	<b>14.12</b>

## VALUATION SUMMARY

EBITDA	5,324,145
Equity Value	4,768,077
<b>Implied Stock Price (EV/EBITDA)</b>	<b>63,673</b>
Implied Stock Price (DCF)	69,666

→ After 2 valuations method, we conclude the stock price of DCF method and EV/EBITDA is quite similar.

Growth						
WACC	64,747	0.50%	1.00%	1.50%	2.00%	2.50%
	7.40%	37,995	44,250	52,430	63,588	79,708
	6.40%	42,404	49,272	58,255	70,507	88,207
	5.40%	47,295	54,843	64,747	78,181	97,635
	4.40%	52,726	61,029	71,889	86,701	108,101
	3.40%	58,762	67,905	79,862	96,170	119,732

## 01. RETRACTION OF MEDICINAL GOODS THAT DID NOT SATISFY THE REQUIRED STANDARDS.

Oncology drugs have strict requirement of quality, there has been 2 cases of product recalled, claimed 3% of total bidding amount.

## 02. EXPIRATION OF DRUG CIRCULATION LICENSE

The expiration period of circulation of raw material of pharmaceutical product is 5 years, there are 19% of the total pharmaceutical products of DBD will expired in 2024, 23% of Oncology drugs will expired in 2025.



**THANK YOU  
FOR LISTENING**

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# Appendix

# Competitors List



Code	Company Name
DBD	Binh Dinh Pharmaceutical and Medical Equipment Joint Stock Company
IMP	Imexpharm Pharmaceutical Joint Stock Company
OPC	OPC Pharmaceutical Joint Stock Company
DCL	Cuu Long Pharmaceutical JSC
DMC	Domesco Medical Import Export Joint Stock Corporation
TRA	Traphaco Joint Stock Company
DHG	DHG Pharmaceutical Joint Stock Company
SPM	SPM Joint Stock Company
DBT	Ben Tre Pharmaceutical JSC
DVN	Vietnam Pharmaceutical Corporation – JSC
VMD	Vimedimex Medi - Pharma Joint Stock Company
VDP	Vidiphia Central Pharmaceutical Joint Stock Company
DHT	Ha Tay Pharmaceutical Joint Stock Company
PPP	Phong Phu Pharmaceutical JSC
PMC	Pharmedic Pharmaceutical Medicinal Joint Stock Company

## DBD Terminal Growth rate

GDP Growth		6%
<b>Real GDP Growth</b>	$r = (i - g)/(1 + g)$	<b>1.92%</b>
<b>Industry Revenue Growth</b>		4.99%
Inflation rate		4.0%



## INCOME STATEMENT

	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F
In Billion VND										
<b>1 Revenue</b>	<b>1,321,006</b>	<b>1,430,803</b>	<b>1,634,684</b>	<b>1,617,019</b>	<b>1,731,726</b>	<b>1,925,239</b>	<b>2,137,444</b>	<b>2,387,960</b>	<b>3,229,503</b>	<b>3,624,665</b>
2 Deduction from revenue	59,277	72,823	76,179	62,187	79,956	87,406	97,040	108,413	146,619	164,560
<b>3 Net revenue</b>	<b>1,261,729</b>	<b>1,256,952</b>	<b>1,558,504</b>	<b>1,554,821</b>	<b>1,651,770</b>	<b>1,837,833</b>	<b>2,040,404</b>	<b>2,279,547</b>	<b>3,082,884</b>	<b>3,460,105</b>
4 Cost of goods sold	846,933	765,813	935,939	787,170	853,250	942,905	1,046,834	1,169,527	1,581,681	1,775,215
<b>5 Gross profit</b>	<b>414,796</b>	<b>491,139</b>	<b>622,566</b>	<b>767,652</b>	<b>798,520</b>	<b>894,929</b>	<b>993,570</b>	<b>1,110,020</b>	<b>1,501,203</b>	<b>1,684,890</b>
6 Financial income	13,251	7,752	6,320	12,519	14,240	13,050	12,756	19,239	17,449	36,532
- Interest Income	11,916	6,165	5,137	8,733	11,635	13,050	12,756	19,239	17,449	36,532
- Income from currency differences	319	696	1,183	3,786	2,604	-	-	-	-	-
- Others	1,016	891	-	-	-	-	-	-	-	-
7 Financial expenses	14,623	14,326	8,647	11,970	17,892	12,235	13,147	15,971	21,336	24,781
- Interest Expense	10,314	6,589	1,325	1,916	6,998	3,953	3,953	5,698	7,444	9,189
- Expenses from currency differences	583	1,972	450	3,431	3,087	-	-	-	-	-
- Payment discounts	3,726	5,764	6,873	6,623	7,806	8,282	9,194	10,272	13,892	15,592
8 Share of associates and joint ventures' result	14,439	15,238	16,083	24,786	28,704	24,382	27,070	30,242	40,900	45,905
9 Selling expenses	169,938	220,855	278,389	357,371	375,562	421,510	467,969	522,817	707,063	793,580
10 General and administrative expenses	84,109	88,501	127,048	136,941	125,976	139,466	154,838	172,986	233,948	262,573
<b>11 Operating profit</b>	<b>173,817</b>	<b>190,448</b>	<b>230,885</b>	<b>298,674</b>	<b>322,034</b>	<b>359,151</b>	<b>397,440</b>	<b>447,728</b>	<b>597,204</b>	<b>686,392</b>
12 Other income	346	2,873	1,870	914	774	1,704	1,892	2,114	2,859	3,209
13 Other expenses	150	130	307	1,030	2,722	1,002	1,112	1,242	1,680	1,886
<b>14 Other profit</b>	<b>196</b>	<b>2,744</b>	<b>1,563</b>	<b>(116)</b>	<b>(1,947)</b>	<b>703</b>	<b>780</b>	<b>872</b>	<b>1,179</b>	<b>1,323</b>
<b>15 Profit before tax</b>	<b>174,013</b>	<b>193,191</b>	<b>232,448</b>	<b>298,558</b>	<b>320,086</b>	<b>359,854</b>	<b>398,221</b>	<b>448,599</b>	<b>598,383</b>	<b>687,715</b>
16 Current corporate income tax expenses	31,894	35,317	46,116	56,710	54,408	66,531	73,624	82,938	110,631	127,146
17 Deferred income tax expenses (*)	(108)	15	(2,792)	(1,708)	(3,377)	(15,662)	(10,442)	(5,221)	-	-
<b>18 Net profit after tax</b>	<b>142,227</b>	<b>157,860</b>	<b>189,124</b>	<b>243,555</b>	<b>269,055</b>	<b>308,986</b>	<b>335,038</b>	<b>370,882</b>	<b>487,753</b>	<b>560,569</b>



<b>E</b>	<ul style="list-style-type: none"><li>• Achieved Average score (A) on the environmental framework</li><li>• In terms of environmental impact, pharmaceuticals are considered a relatively clean industry.</li><li>• Despite implementing environmental protection principles fully as required by the state, BidiPhar is not considered to take an active role in protecting the environment.</li></ul>
<b>S</b>	<ul style="list-style-type: none"><li>• The pay and bonus systems at BidiPhar are based on the 3Ps, and employees are provided with training programs to enhance their career qualifications.</li><li>• For social activities, BidiPhar distributes free medicine, builds charity houses, supports the poor, and has a blood donation program.</li></ul>
<b>G</b>	<ul style="list-style-type: none"><li>• Directors and executives at BidiPhar are highly qualified employees in the pharmaceutical industry, including masters and pharmacists.</li></ul>

# Industry Overview

*The industry is flourishing, but is still not independent*

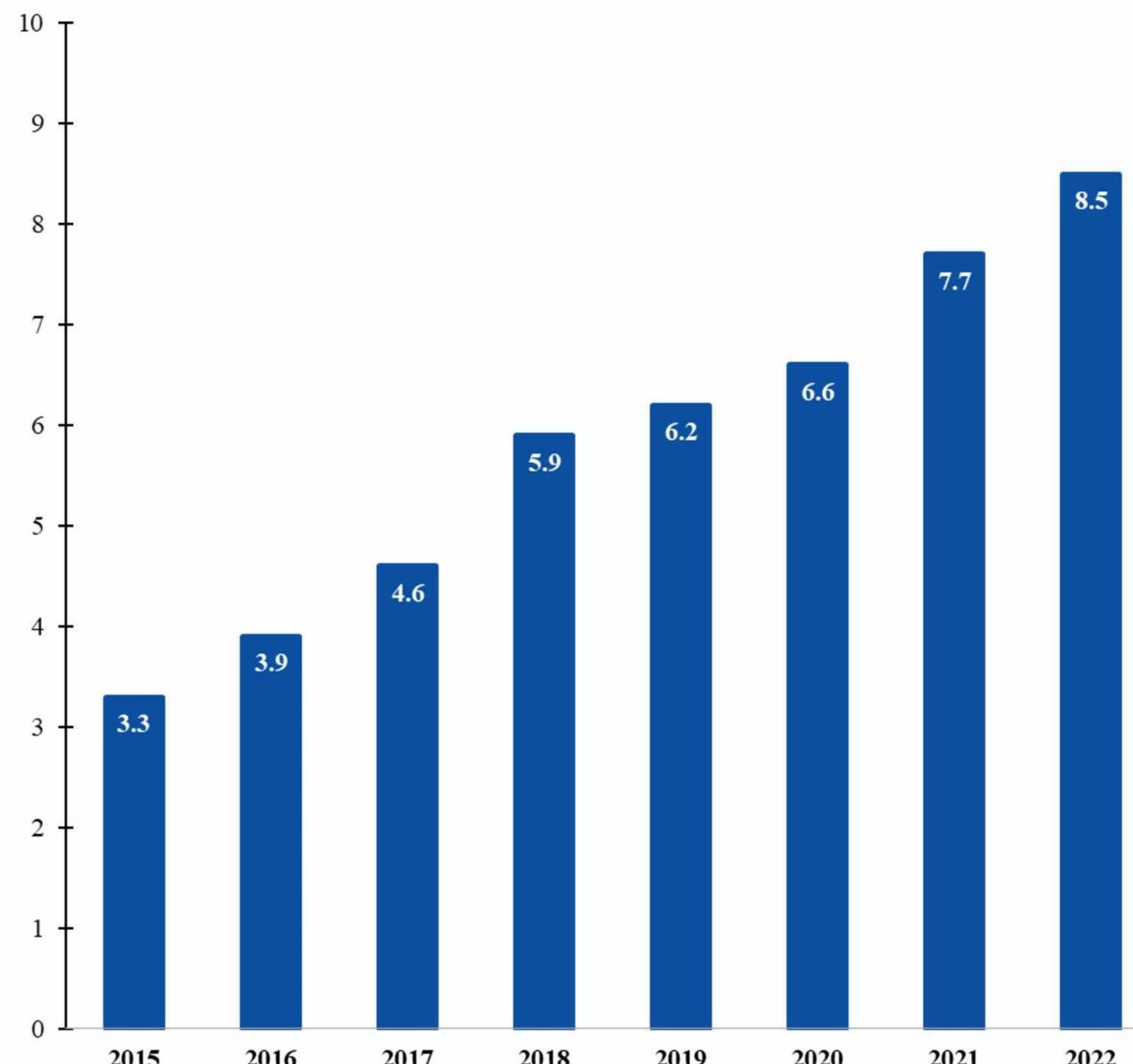


Figure 4: Scale of pharmaceutical industry in Vietnam in the period 2015–2022  
(Unit: Billion USD)

The pharmaceutical market benefits from rising incomes and increased health awareness. 75% of products is domestic...

ETC still take up most of the market while OTC are predicted to be USD 2.2B in 2024

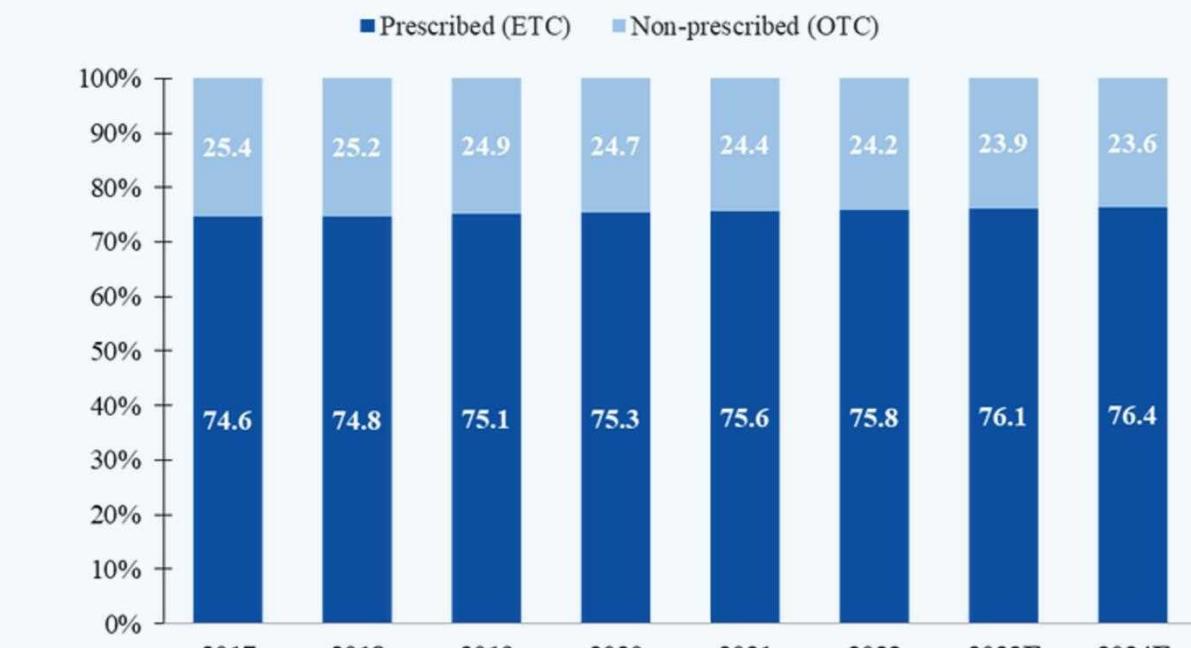


Figure 5: Proportion of ETC/OTC drug sales revenue

However, 85% of the raw material is imported mainly India and China.

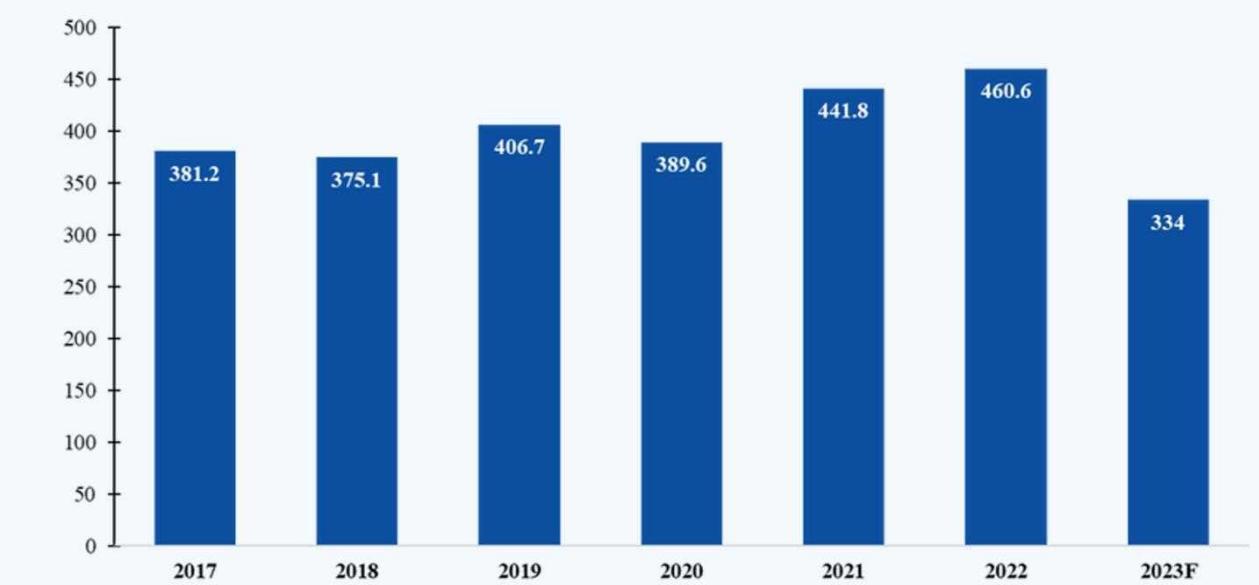


Figure 6: Value of imported pharmaceutical raw materials in recent years  
(Unit: Million VND)

# Industry Overview - Purchasing Power

Vietnam's population current consumption demands is increasing steadily

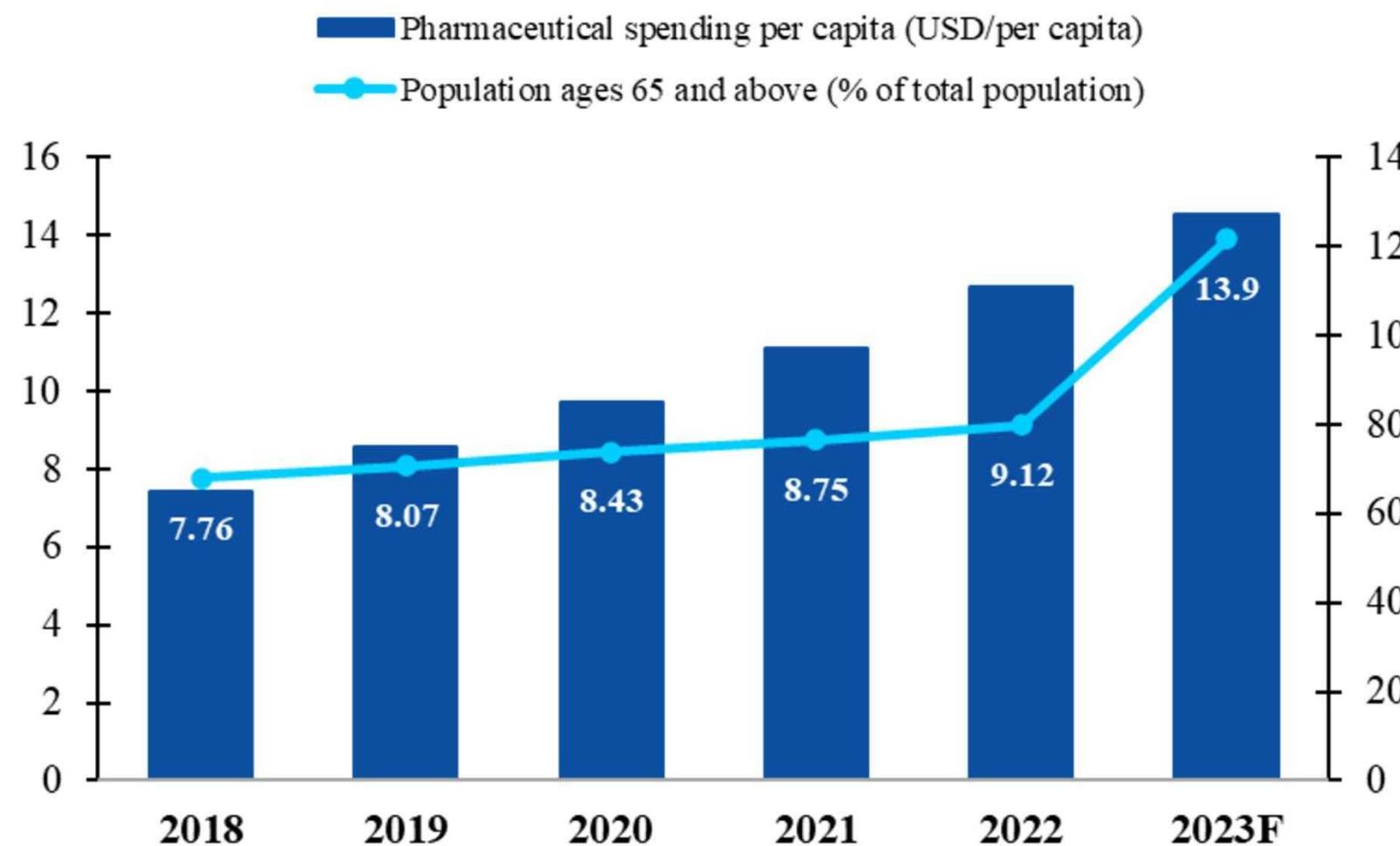


Figure 7: Population ages 65 and above and average spending per capita

- The population is aging, with those aged 65 and over accounting for the majority of the population.
- An average person's expenditure of medicine is expected to rise from 65 to 127 USD.

Using health insurance (Unit: Percentage)

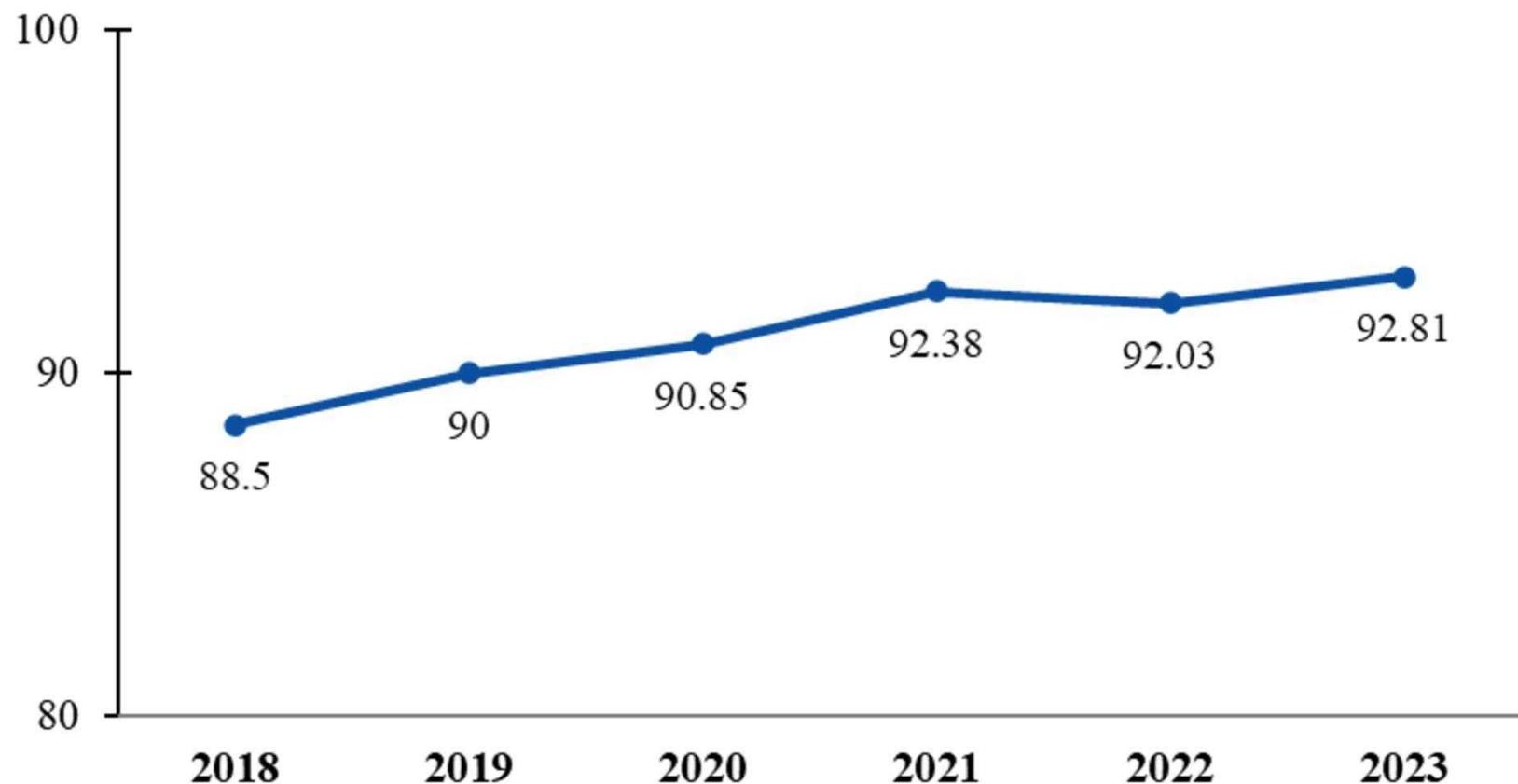


Figure 8: Number of people using health insurance

- The percentage of persons with health insurance continues to exceed the government's target.
- Approximately 70% of participants in health insurance for medical examinations and treatments.

# Financial Analysis

## High financial leverage building future for DBD backed by strong cash flow position

Thanks to the firm restructuring strategy, the **leverage ratio sharply decreased in 2020 and has stabilized since then.**

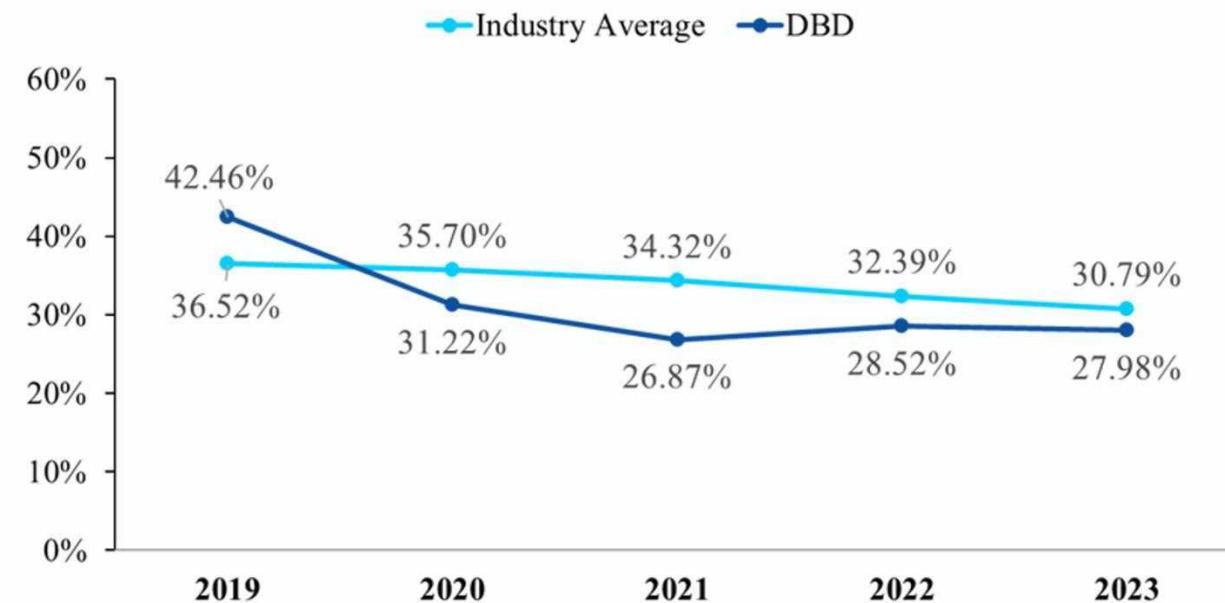


Figure 15: Leverage Ratio

Although **reinvestment in the production process led to high level of long-term debt, it enhanced the effectiveness of the firm operation.**

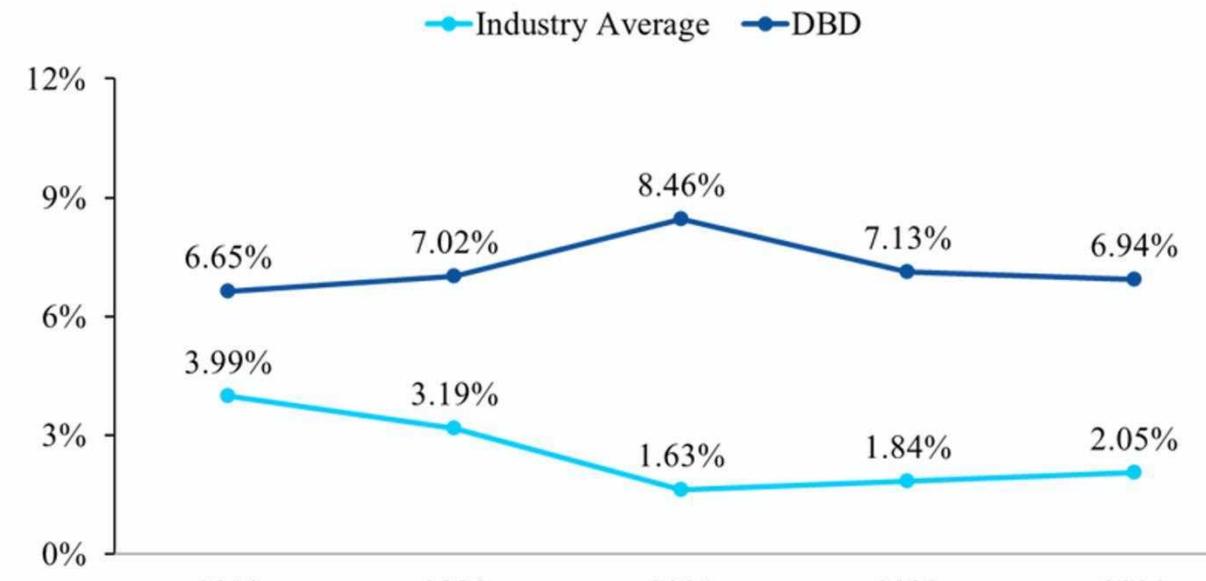


Figure 17: Long-term Debt/Asset

The **financial leverage of DBD since 2020 has significantly decreased as the settlement of short-term debt.**

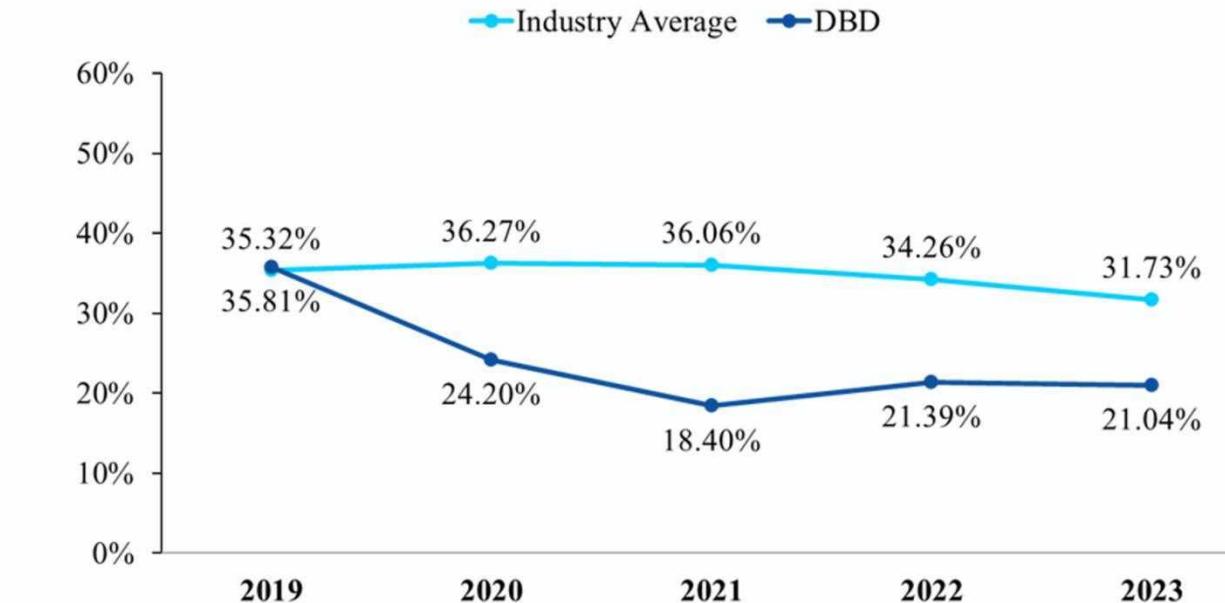


Figure 16: Short-term Debt/Assets

In 2022, DBD has **successfully mitigated the company's cost, helped DBD to have higher CFO/EBITDA lead to more retain earning.**

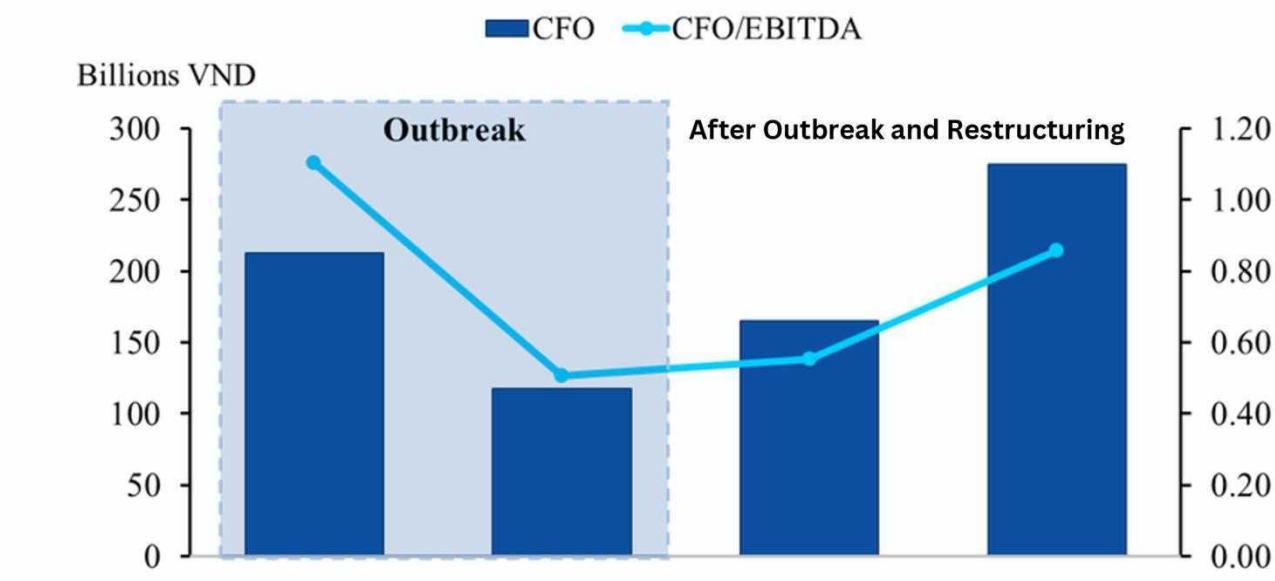


Figure 18: DDB's CFO overtime

## Overconfidence of new launched overhead, DBD may face opearation problem

Thanks to the successful **restructuring strategy**, **CFO/EBITDA** has significantly **increased**

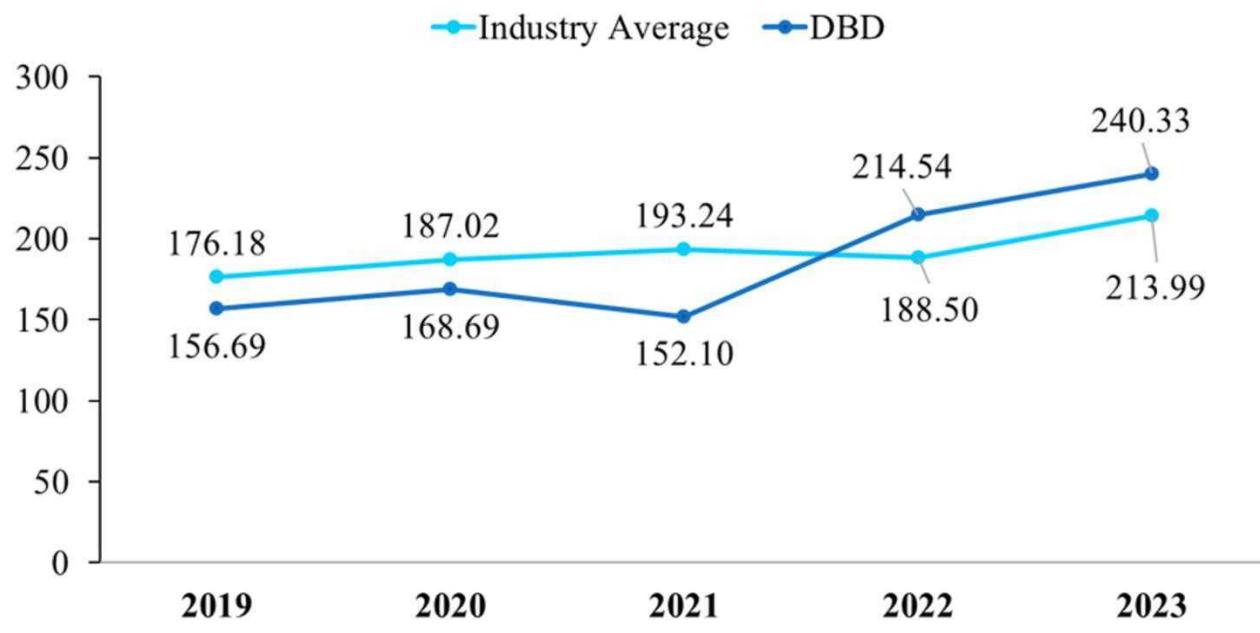


Figure 19: CCC of DBD and the Industry

**The rise in inventory turnover in days has primarily effected** DBD cash conversion cycle.

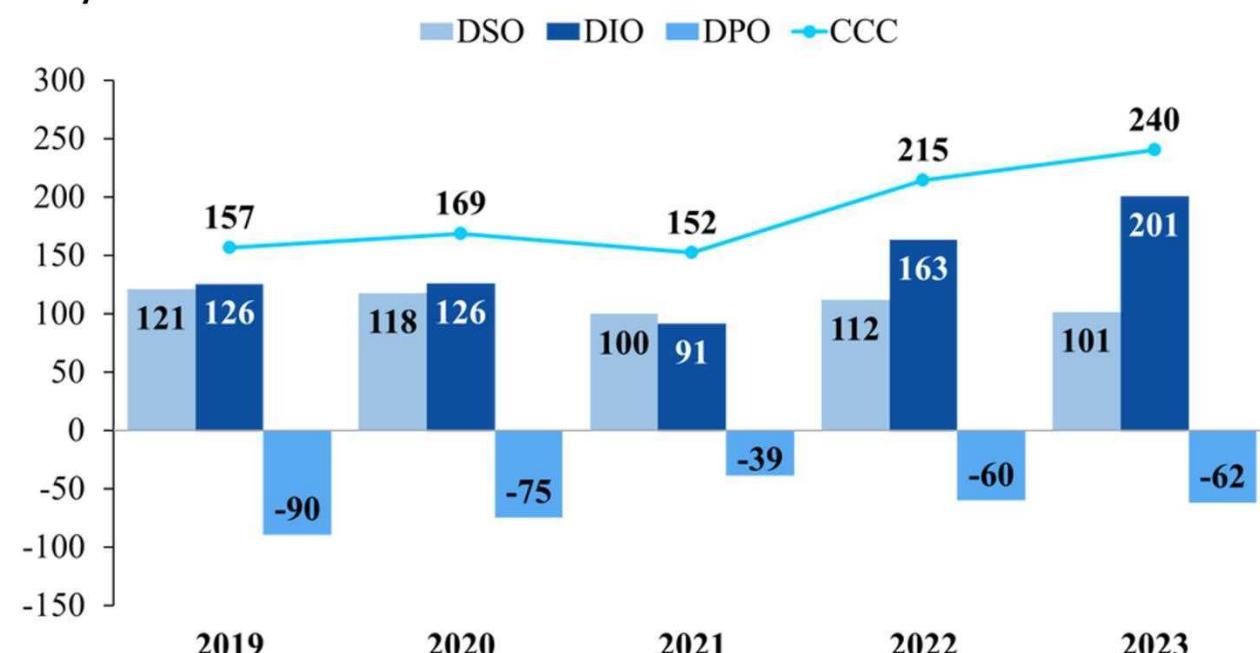


Figure 20: DBD Cash Conversion Cycle Component

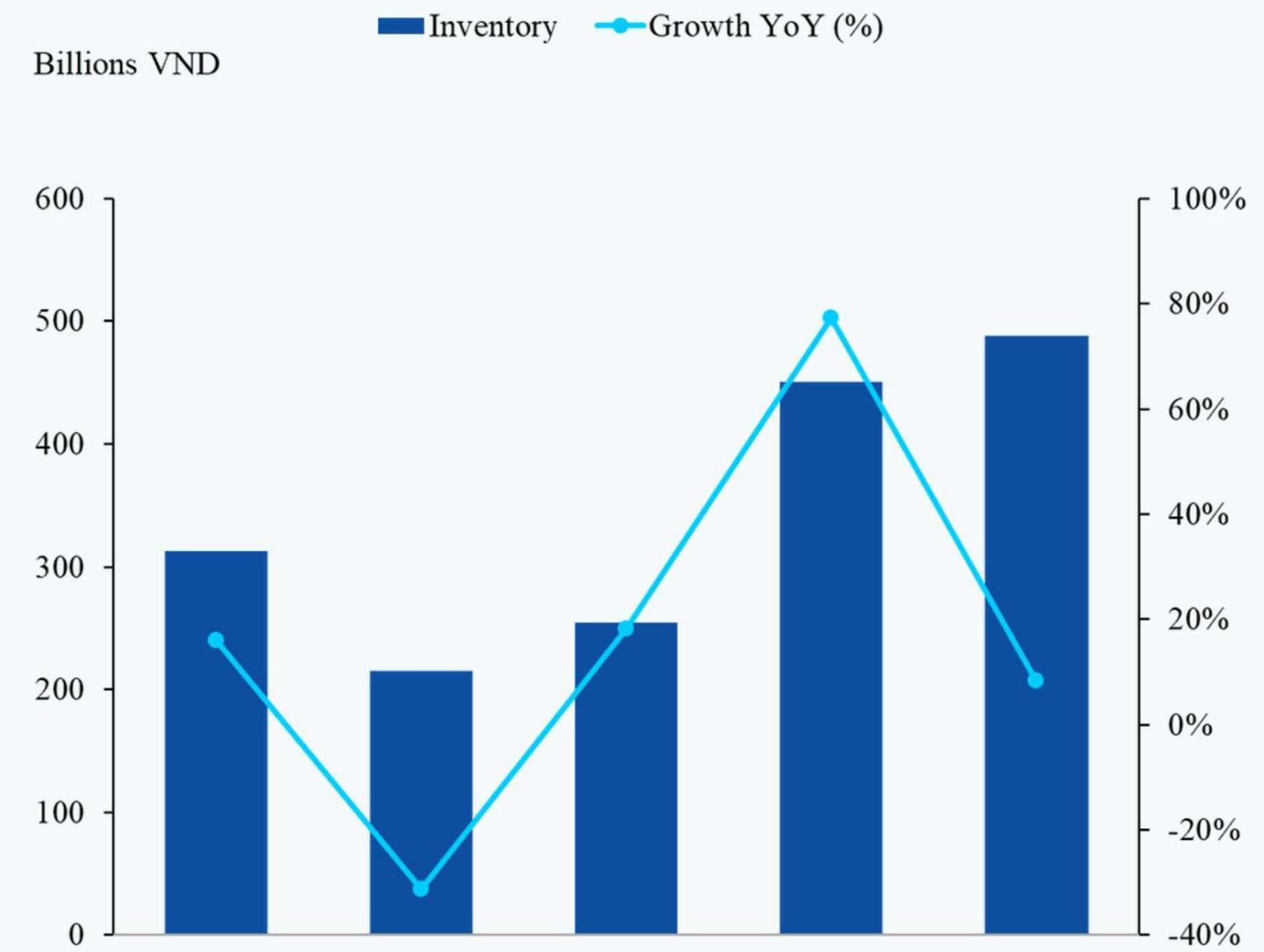


Figure 21: DBD Inventory Overtime

**Inventories are kept at high level** thanks to the enhance in production. Moreover, DBD's inventory was high due to some product line maintainance. However, **if its last for longer period, DBD might face more challenges as inventories are not in-the-market**