October, 2019

Pymepharco Joint Stock Company (HSX: PME)

Heightened standards, strengthened position

Particulars (VND B)	3Q-FY19	2Q-FY19	+/- QoQ	3Q-FY18	+/-YoY
Net revenue	454	465	-2%	403	13%
PAT	74	81	-8%	71	5%
EBIT	92	98	-6%	86	7%
EBIT margin	20.3%	21.1%	-80 bps	21.5%	-110 bps

Source: PME, Rong Viet Securities

3Q 2019 results:

- 9M revenue increased 8% YoY, in which sales of finished goods surged 17%. PME's sales in trading goods will gradually decrease to none. In 9M, trading goods sales decreased 65% YoY and accounted only for 3.6% of total sales.
- 9M PBT reached VND 280 bn, -1.7% YoY as: (1) EBIT margins went down due to increase in marketing & promotion expenses and (2) Financial income decreased YoY, after PME disbursed all of its bank deposits to finance a new factory.
- In 9M, PME fulfilled 70% of its revenue and PBT target for 2019.

Prospects for the coming years:

- The new non-beta capsule factory, expected to receive EU-GMP in early 2Q/2020, will strengthen PME's abilities to bid into the ETC channel for high-quality non-beta drugs as well as distribute via the OTC channel.
- Circular 15's reclassification of bid tiers will mitigate the competition in drug tier 1 and 2. We expect that the transition from foreign drugs to domestic ones will progress faster and will benefit domestic companies that have high standard factories such as PME.
- More products transferred from Stada Group (a German pharmaceutical company), especially after Stada's divestment from Stada Vietnam JV in 2021.

Valuation and recommendation:

When the non-beta factory is approved for EU-GMP in early 2Q next year, PME will be the first one in Vietnam to have 3 EU-GMP plants. Along with the strengths in the ETC channel and beneficial changes in government's policies to favor domestic drugs, PME's potential in the coming years is very promising. We forecast PME to have revenue and NPAT CAGR of 10% and 15% over the next 5 years, starting from 2020.

We also expect Stada to transfer more products to PME after increasing its ownership in PME and divesting from Stada Vietnam JV, thereby increasing PME's capacity in the high-quality drug segment which is now dominated by foreign drugs.

PME is trading at a trailing P/E of 13x, lower than the average of 15x of its peers. The reason may come from the stock's low liquidity and not positive short-term business results. Considering the long-term prospects and advantages of the company in the industry; we have a ***POSITIVE*** *rating on the stock.*

POSITIVE

CMP (VND)	54,000
Cash dividend (VND)*	2,000

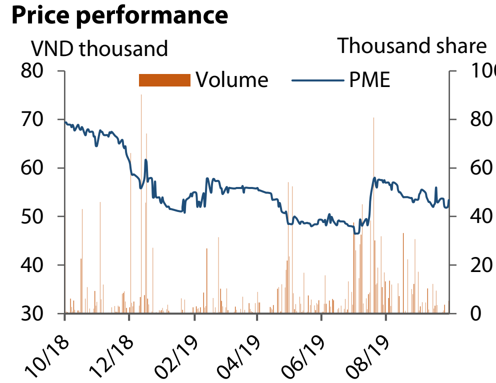
** Expected in the next 12 months*

Stock info

Sector	Pharmaceutical
Market Cap (VND billion)	4,020
Current Shares O/S (mn)	75.0
Avg. Daily Volume (in 20 sessions)	3,194
Free float (%)	20.0
52 week High	69,372
52 week Low	46,500
Beta	-0.04

	FY2018	Current
EPS	4,124	4,073
EPS growth (%)	8%	-1%
P/E	15.4	13.0
P/B	2.7	2.1
EV/EBITDA	8.9	10.0
Dividend yield (%)	3.1	3.7
ROE (%)	17.3	16.8
ROA (%)	14.5	14.0

Price performance



Major Shareholders (%)

Stada Group	62.0
Truong Viet Vu	10.0
Well Light JSC	10.0
Foreign limit room (%)	100.0

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Exhibit 1: 3Q 2019 results

Particulars (VND B)	3Q-FY19	2Q-FY19	+/-(QoQ)	3Q-FY18	+/-(YoY)
Net revenue	454	465	-2.3%	403	12.8%
Gross profit	221	230	-3.7%	191	15.8%
SG&A	129	132	-2.0%	105	23.0%
Operating income	92	98	-6.0%	86	7.0%
EBITDA	104	109	-5.2%	98	5.3%
EBIT	92	98	-6.0%	86	7.0%
Financial expenses	2	2	-19.3%	3	-35.5%
- Interest Expenses	-1	1	-200.0%	-	
Dep. and amortization	11	11	1.7%	12	-6.4%
Non-recurring items (*)					
Extraordinary items (*)					
PBT	93	101	-7.9%	89	4.7%
PAT	74	81	-7.9%	71	4.6%
(*) Adjusted PAT	74	81	-7.9%	71	4.6%

Source: PME, Rong Viet Securities

Exhibit 2: 3Q 2019 performance analysis

Particulars	3Q-FY19	2Q-FY19	+/-(QoQ)	3Q-FY18	+/-(YoY)
Profitability ratios (%)					
Gross margin	48.8	49.5	-71 bps	47.5	+125 bps
EBITDA margin	22.8	23.5	-71 bps	24.4	-160 bps
EBIT margin	20.3	21.1	-80 bps	21.5	-111 bps
Net margin	16.3	17.3	-99 bps	17.6	-128 bps
Adjusted net margin					
Turnover (x)	2	1.9	-0.2	2.1	-0.4
-Inventories	2.6	2.5	0.1	2.5	0.1
-Receivables	3	3.1	-0.6	2.7	-0.2
-Payables					
Leverage (%)	21.5	22.0	-50 bps	18.6	+280 bps
Total debt/ equity	48.8	49.5	-71 bps	47.5	+125 bps

Source: PME, Rong Viet Securities

Exhibit 3: 4Q 2019 performance forecast

Particulars (VND B)	4Q-FY19	+/- QoQ	+/- YoY	2019 forecast	% target
Revenue	515	11%	16%	1,843	96%
Gross profit	253	10%	17%	909	
EBIT	114	9%	26%	389	
PBT	111	16%	10%	391	98%

Source: Rong Viet Securities.

Update

Sales of finished goods grew strongly again in 9M/2019, marketing & promotion expenses increased

In 9M/2019 revenue only increased by 8% YoY. A direct result from the company's reduction in sales of trading goods while raising the foreign ownership limit to 100% (according to regulations, pharmaceutical companies that have 51% of foreign ownership are not allowed to trade drugs). Meanwhile, sales from finished goods increased by 17% YoY (over 19% YoY in 3Q). As a result, gross margin improved by 150 basis points to 49.4% in 9M/2019. Gross profit increased by 11% YoY.

PME began speeding up the construction of the new non-betalactam capsule factory earlier this year, funded by the company's retained earnings. Therefore, PME's bank deposit was almost disbursed, causing financial income in 9M/2019 (accounting for 8% of PBT in the same period last year) to decrease by VND 13.5 bn (-59% YoY).

Selling expenses increased by 17.5% YoY, of which marketing and promotion expenses (accounting for 29% of selling expenses) increased by 53% as the company promoted sales in OTC channel and opened two more branches in Hue and Thai Nguyen.

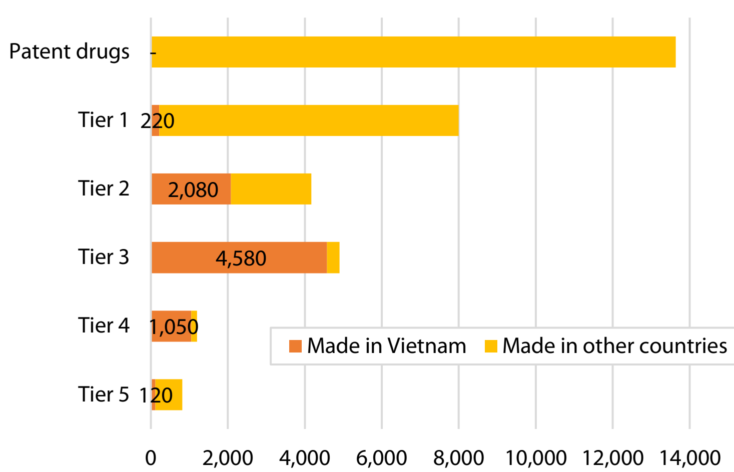
In the first 9 months, profit before tax decreased by 1.7% YoY, completing 70% of the year plan.

2019-2020 drug bidding: advantages of PME due to the EU-GMP factories

According to the bidding results for 2019-2020, drugs produced in Vietnam only meets 40% of the demand for generic drugs in medical examination and treatment facilities. The majority of Vietnamese pharmaceutical companies are bidding in Drug Tier 3, 4 and 5, which only require WHO-GMP standards. Meanwhile, domestic drugs only account for 3% of the winning value for Tier 1 (total value of VND 8,000 bn) and 50% of the winning value for Tier 2 (total value of VND 4,170 bn) - which are the two categories requiring production facilities having EU-GMP or PIC/S-GMP standards.

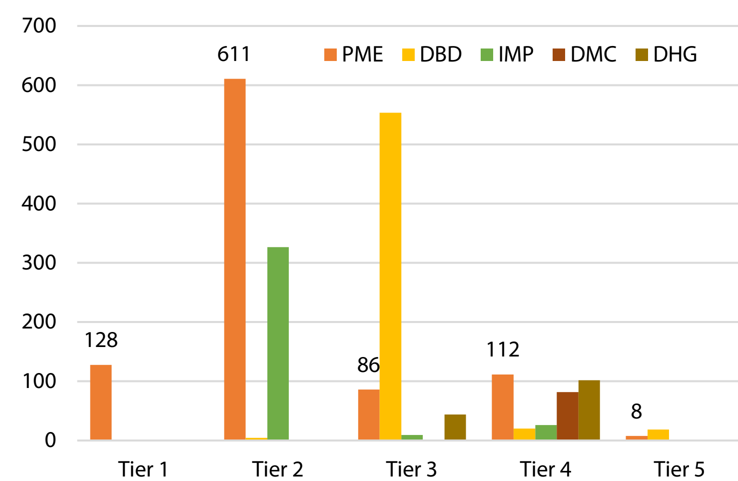
Among listed pharmaceutical companies, only PME and IMP are capable of bidding in Tier 1 and 2. PME is due to deliver of products from Stada (with export visa to Germany) and can win the Group bid.

Figure 1: Bid winning value by drug Tiers (VND bn)



Sources: Drug Administration of Vietnam, Rong Viet Securities
** Collected from bidding result in 2019 reported by medical facilities up until 8/27/2019*

Figure 2: Bidding result of some listed pharmaceutical companies (VND bn)



Sources: Drug Administration of Vietnam, Rong Viet Securities

Both PME's capsule and injection factories have EU-GMP lines. In particular, the capsule workshop that was granted EU-GMP in 2013 is operating near maximum capacity. The powder injection workshop was granted EU-GMP in early 2018 and is running at ~50% designed capacity.

The WHO-GMP standard non-beta workshop is currently operating at maximum capacity of 1 billion units/year and will transfer the majority of its current SKUs to the new EU-GMP plant.

Table 1: PME's factories (capacity utilization at 7/30/2019)

No	Factory	Product type	Designed capacity/1 shift/year	Capacity utilization (at 7/30/2019)
Current factories				
1	Capsule factory			
	+	**Betalactam workshop (GMP - EU)**	300,000,000	73%
	+	Non-betalactam workshop 1 & 2	1,000,000,000	95%
	+	Soft capsule workshop	80,000,000	75%
2	Injection factory			
	+	**Cephalosporin powder injection workshop (GMP-EU)**	12,000,000	50%
	+	Dry injection workshop	5,000,000	26%
	+	Liquid injection workshop	24,000,000	21%
New factory				
1	**Non-Beta Lactam capsule factory (GMP-EU)**		1,200,000,000	0%

Source: PME

The draft by the Vietnam Social Insurance on the list of drugs for centralized bidding was submitted in June 2017 proposed to organize nationwide centralized bidding for 5 common injection antibiotic drugs: Levofloxacin 500mg, Ceftriaxon 1g, Meropenem 500mg / 1g, Cefepim 1g and Cefoperazon + Sulbactam 500mg + 500mg. PME is producing four of those, except for Levofloxacin. *The nationwide bidding not only requires the winner to meet the price and quality standards but also the ability to supply in bulk. Therefore, high scale of production will be an advantage for PME.*

Although the draft has not been approved yet, we believe that there have been significant changes this year as most of the bidding for these five active ingredients have been held at the national level. **PME's injection line which was granted EU-GMP from 2018 has started winning bids for Tier 1 and 2 with rising value compared to the period of 2017-2018 when PME only won bid for Tier 3.**

Specifically, during the period of 2017 - 2018, PME's injection drug only won VND 130 bn (Tier 3 and 5). In this year, the company's winning value for injection drugs increased to VND 520 bn (95% are Tier 1 and 2 drugs), of which VND 280 bn came from the 4 active ingredients mentioned above.

Table 2: Bid winning value for Ceftriaxon 1g (VND bn)

Tier	2017 – 2018		2019 – 2020	
	Country of origin	Winning value	Country of origin	Winning value
Patent drug	Other countries	315	Other countries	493.1
Tier 1	Other countries	90.5	**Pymepharco**	**114.8**
			Other countries	172.2
Tier 2	Vietnam (Tenamyd)	28.3	Other countries	0.3
	Other countries	16.5	Vietnam (Tenamyd)	31.5
Tier 3	Vietnam	30.0	Vietnam	16.7
Tier 5	Vietnam	0.5	Vietnam	0.2
Total		**481.2**		**656.8**

Sources: Drug Administration of Vietnam, Rong Viet Securities

Table 3: Bid winning value for Meropenem 500mg, 1g (VND bn)

Tier	2017 - 2018		2019 - 2020	
	Country of origin	Winning value	Country of origin	Winning value
Patent drug	Other countries	749.6	Other countries	1.377.5
Tier 1	Other countries	284.6	Other countries	365.3
Tier 2	Other countries	73.8	**Pymepharco**	**99.6**
			Other countries	0.3
Tier 3	**Pymepharco**	**21.0**	Vietnam	65.6
	Vietnam	41.0		
Tier 5	Vietnam	5.0	Vietnam	0.8
Total		**1,176.5**		**1,909.2**

Sources: Drug Administration of Vietnam, Rong Viet Securities

Table 4: Bid winning value for Cefepim 1g (VND bn)

Tier	2017 - 2018		2019 - 2020	
	Country of origin	**Winning value**	**Country of origin**	**Winning value**
Patent drug				
Tier 1	Other countries	131.5	Other countries	115.9
Tier 2	Vietnam (Tenamyd)	13.2	**Pymepharco**	**29.2**
	Other countries	8.0		
Tier 3	**Pymepharco**	**5.3**	Vietnam	8.1
	Vietnam	6.7		
Tier 5	Vietnam	0.1		
Total		**164.8**		**153.3**

Sources: Drug Administration of Vietnam, Rong Viet Securities

Table 5: Bid winning value for Cefoperazon + Sulbactam 500mg + 500mg (VND bn)

Tier	2017 - 2018		2019 - 2020	
	Country of origin	**Winning value**	**Country of origin**	**Winning value**
Patent drug	Other countries	207.4	Other countries	356.0
Tier 1	Other countries	1.4		
Tier 2	Other countries	14.5	**Pymepharco**	**36.6**
Tier 3	**Pymepharco**	**7.9**	Vietnam	8.5
	Vietnam	7.1		
Tier 5	Vietnam	0.7	Vietnam	0.5
Total		**239**		**401.6**

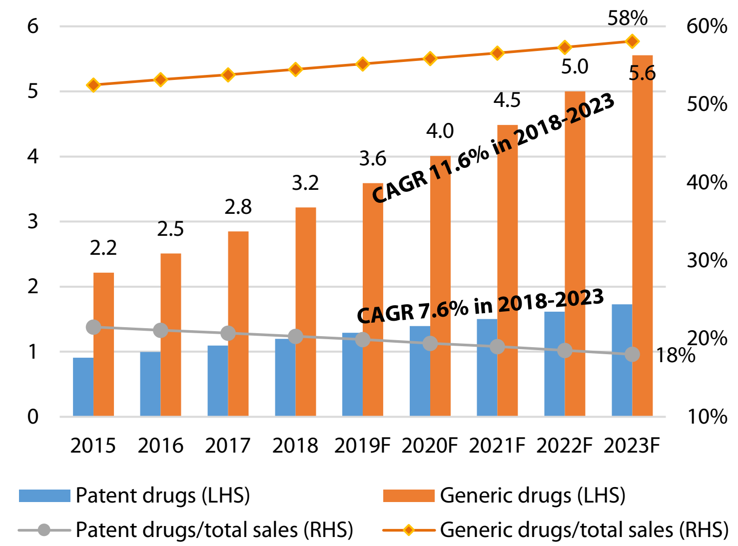
Sources: Drug Administration of Vietnam, Rong Viet Securities

Prospect

Benefiting from the development of the pharmaceutical industry. The Government's orientation is to reduce healthcare costs by promoting social insurance and replacing foreign drugs by qualified domestic drugs, while controlling the abuse of prescription drugs and unauthorized drugs in the OTC channel. Thus, the ETC channel (currently accounting for 75% of total pharmaceutical revenue) is forecasted to have a higher growth than that of the OTC channel. Patent-expired drugs are also being gradually replaced by cheaper and functional equivalent generic drugs. **This trend will allow domestic generic drug manufacturers who have qualified products to replace foreign drugs and will have advantages in the ETC channel. PME will benefit first.**

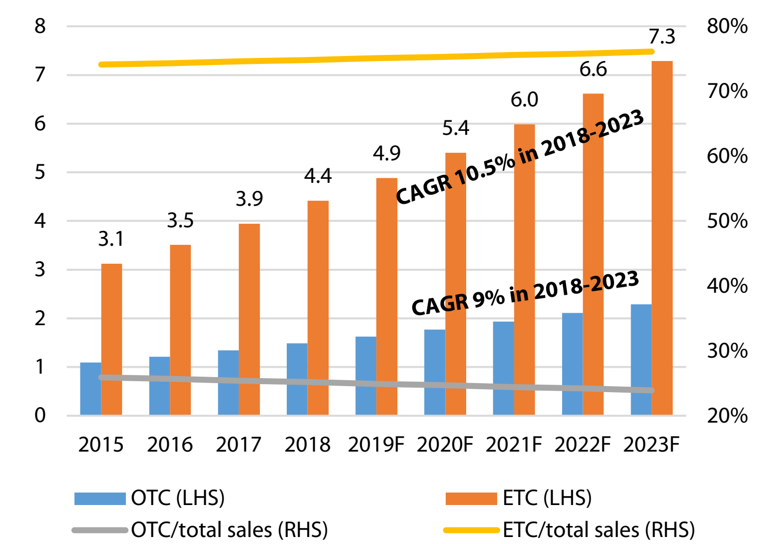
**Compared to foreign drugs, manufacturing cost in Vietnam are cheaper for the same standards, the result of cheaper labor costs, lower construction costs and lower factory operating costs than in developed countries.*

Figure 3: Forecast of pharmaceutical sales (USD bn) and the percentage of patent & generic drugs in total drug sales



Sources: FitchSolutions, Rong Viet Securities

Figure 4: Forecast of sales by channel (USD bn) and the percentage of ETC & OTC channels in total drug sales



Sources: FitchSolutions, Rong Viet Securities

Circular 15 (effective from October 2019) reclassifies drug tiers for ETC generic drugs bidding, replacing Circular 11 (issued in 2016). Comparison between the two circulars: (1) Tightening technical standards for each drug tier, and (2) Preferring domestically produced drugs.

Notably, according to the new circular, in order to bid for Tier 2, production facilities must have EU-GMP or PIC/S-GMP standards granted by countries that are members of PIC/S and ICH – developed countries, distinguished from lower standard PIC/S issued by other countries. Moreover, PIC/S standards, regardless of country issuers, will no longer be able to bid into Tier 1 under the new circular. On the other hand, investing in an EU-GMP standard factory takes three to four years for the preparation, construction and standard approval. *Currently, there are only six production facilities in Vietnam that have EU-GMP standards (see appendix)*. **We consider the above changes to be beneficial for domestic pharmaceutical companies with EU-GMP factories such as PME as the level of competition in Tier 1 and 2 is low.**

Table 6: Some major changes in Tier classification of Circular 15

Drug tier	Circular 11 - 2016	Circular 15 - 2019
Tier 1	Drugs produced on **EU-GMP** or **PIC/S-GMP** lines granted by **ICH member countries or Australia**	Drugs produced **completely** on **EU-GMP** or EU-GMP equivalent lines granted by SRA countries
Tier 2	Drugs produced on **EU-GMP** or **PIC/S-GMP** lines granted by non-ICH member countries nor Australia	Drugs produced **completely** on **EU-GMP or PIC/S-GMP** granted by PIC/S **and** ICH member countries
Tier 3	Drugs produced on WHO-GMP lines	Drugs produced on WHO-GMP lines and are Bioequivalence tested
Tier 4	Drugs are bioequivalence tested by Ministry of Health	Drugs produced on WHO-GMP lines **in Vietnam**
Tier 5	Drugs that do not meet requirements of Tier 1,2,3 and 4	Drugs produced on WHO-GMP lines and do not qualify in Tier 1,2,3 and 4

Sources: Ministry of Health, Rong Viet Securities

Law No.105/2016/QH13 on pharmacy (Section 4, Article 7, Chapter 2) states that bidding is not open for imported drugs when domestic drugs meet the requirements of treatment, price and availability. Although the law became effective from the beginning of 2017, it had not yet affected the ETC bidding of domestic companies since then. The reason was that health facilities were still awaiting supporting documents for specific guidance. **Until recently, Circular 15** (Section 4, Article 27) provides guidance on the preparation of bidding documents. Accordingly, EU-GMP and WHO-GMP standard drugs, which are on the list of domestically manufactured drugs that meet requirements of treatment, drug prices and supply capacity (attached to Circular 03/2019/TT-BYT)), are not open for imported drugs bidding for Tier 2 and 5 drugs, respectively. **Therefore, we expect the transition from foreign drug to qualified domestic drug to progress faster than expected.**

Support from Stada Group (Germany)

Stada Group has been a strategic shareholder of PME since 2008 and recently increased its ownership in the company to 62%. Stada also completed its divestment from Stada Vietnam's joint venture (Stada JV). As such, PME is now the only representative of Stada in Vietnam. We expect Stada-branded products to be used by PME in the coming years.

** According to the bidding results for 2019-2020, the total value that Stada Vietnam won in to Tier 1 and 2 drugs reached VND 355 bn, not to mention the huge revenue from exports and domestic sales through the OTC channels. According to Stada Group's annual report, Stada Vietnam's 2016 revenue reached more than VND 1,000 bn.*

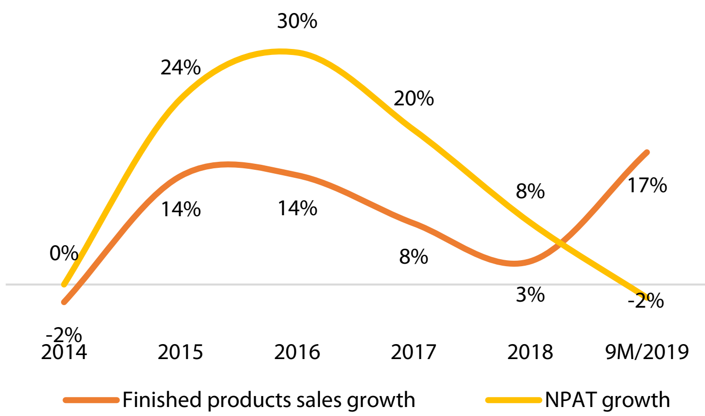
PME is the second largest plant in Stada's global production network and accounts for 50% of Stada's revenue from emerging markets. The prospect that Stada will include PME in the group's global value chain is clear, particularly producing high-standard drugs and exporting to Stada's current markets as well as exclusively distributing in Vietnam.

Financial analysis

PME had revenue and NPAT CAGR in the period of 2013 - 2018 of 7% and 16%, respectively, higher than the average of 3% and 10% for the other top listed pharmaceutical companies (Table 10). Its revenue growth in finished products had been high in recent years (Figure 5), except for the two years of 2017 and 2018 as the Cephalosporin injection line finished testing for EU-GMP just at the beginning of 2018. Thus is could not participate bidding for Tier 2 drug in 2017.

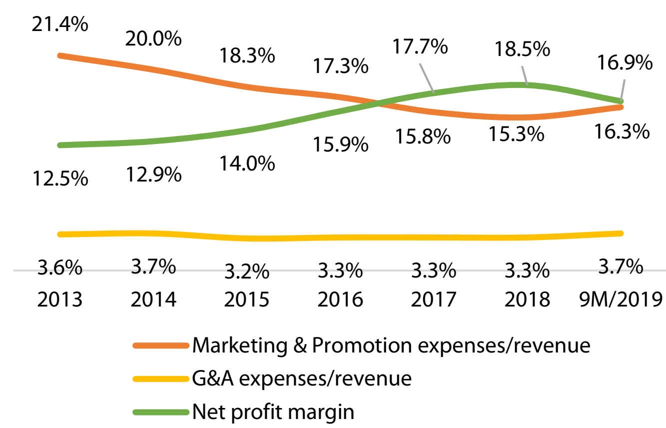
Well-controlled marketing & promotion and administration expenses helped improve the company's profit margin. Despite the high marketing expenses in 9M/2019, this is only a short-term impact from advertising campaigns in OTC channel and the ratio of this item/revenue will start to go down from 2020 on.

Figure 5: Finished products sales and NPAT growth



Sources: PME financial statement, Rong Viet Securities

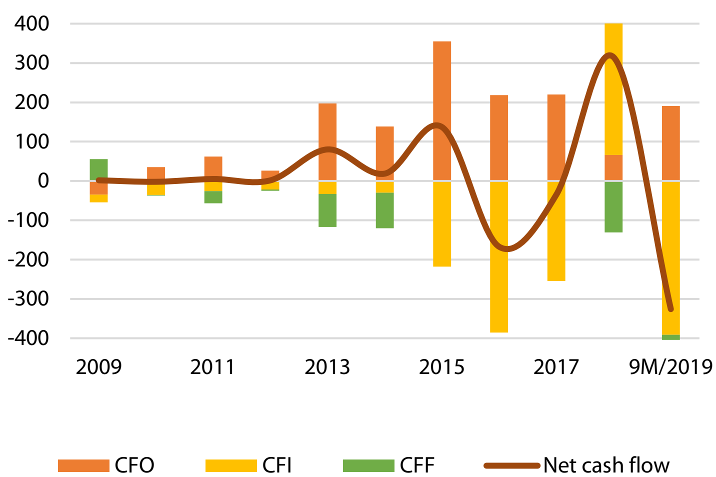
Figure 6: Expenses control help improve net margin



Sources: PME financial statement, Rong Viet Securities

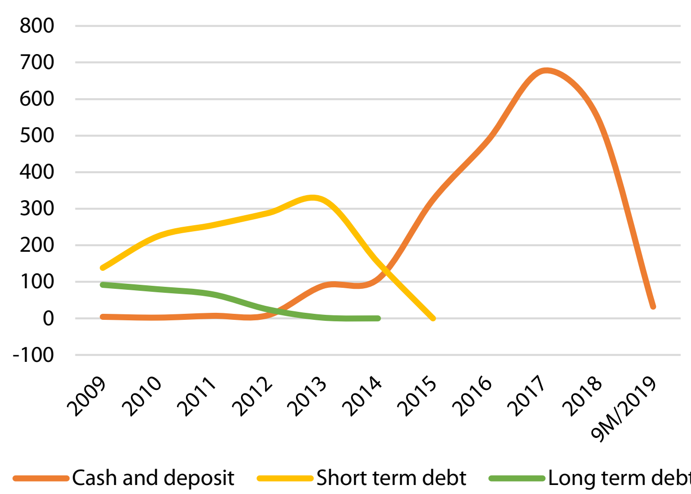
The company has a healthy cash flow from operating activities. It grew over the years, except for 2018 due to an increase in receivables mainly from prepayment of construction costs and machinery purchases for the new factory. The non-beta factory that was completed in July 2019 is the final stage of PME's investment phase. The company has started to pay cash dividends since 2018 with a payout ratio of 45% of earnings per share and nearly 50% in this year. We expect PME to continue to increase the dividend rate in the following years, when capex demand is not much and business results improve.

Figure 7: PME's cash flow (VND bn)



Sources: PME financial statement, Rong Viet Securities

Figure 8: PME stopped using debt since 2015 and accumulated enough cash for the new factory



Sources: PME financial statement, Rong Viet Securities

Forecast

We estimate PME's 2019 revenue to grow by 10% YoY but net income to be flat (+1.2% YoY). Thus PME will almost fulfill its yearly plan. The main reasons are (1) the increase in marketing & promotion expenses led to a sharp increase in selling expenses and (2) no more income from bank deposits this year.

However, we expect PME's business to see significant improvements from 2020 due to (1) the company will have more products transferred from Stada and (2) growth from existing products, especially injections and non-beta EU-standard capsules. PME’s gross profit margin will be maintained at around 49%, a slight improvement compared to previous years.

Meanwhile, PME’s net margin will also improve gradually in the following years as the ratio of selling & administration expenses /revenue decreases. As a leader in manufacturing standards and having a strong portfolio in bidding to the ETC channel, we believe that PME will not need to increase selling expenses much to maintain high sales growth. We forecast that PME will maintain an average revenue growth of over 10% and NPAT growth of over 15% / year for the next five years.

Table 9: Forecast (VND bn)

	2017	2018	9T 2019	2019E	2020F	2021F	2022F
Net revenue	**1,622**	**1,675**	**1,328**	**1,843**	**2,075**	**2,364**	**2,652**
Gross margin	48.1%	48.2%	49.4%	49.3%	49.3%	48.7%	49.0%
Gross profit	**781**	**807**	**656**	**909**	**1,022**	**1,151**	**1,300**
Sales of finished goods/total sales	89.6%	89.8%	96.4%	96.3%	98.4%	99.3%	100%
SG&A expenses/total sales	27.8%	26.7%	28.7%	28.2%	27.3%	26.7%	26.2%
Net profit after tax	**286**	**309**	**224**	**313**	**366**	**434**	**516**
Adjusted EPS	3,818	4,124	2,987	4,146	4,837	5,735	6,825

Source: Rong Viet Securities

Table 10: Comparison with other top pharmaceutical companies

Companies	Market cap (VND bn)	12M trailing results (to Q2/2019)					5-years revenue CAGR (%)	5-years profit CAGR (%)	12M trailing valuation		
		Revenue (VND bn)	Net margin (%)	EPS (VND)	ROA (%)	ROE (%)			P/E	P/B	EV/EBITDA
DHG	12,224	3,789	17.2	5,003	15.5	21.5	1.9	1.9	18.3	3.9	16.3
TRA	2,487	1,794	10.4	3,990	10.9	14.7	1.3	0.4	16	2.6	8.7
DMC	2,434	1,419	16.1	6,566	16.2	20.3	-0.6	16.4	10.6	2.1	7.8
IMP	2,375	1,264	11.4	2,909	8.2	9.6	7.1	18.0	16.5	1.6	11
DBD	2,786	1,314	11.7	2,938	10.8	16.5	1.6	45.7	18.6	3	14.5
MKP	1,040	1,139	6.9	3,870	5.9	7.1	-1.4	3.1	12.8	0.9	11.7
OPC	1,241	977	11.0	3,818	8.5	15.5	12.2	12.4	13	2.2	10.1
DCL	1,037	776	-0.2	-9	0.0	-0.1	3.6	-16.0		1.3	28.4
Average							**3.2**	**10.2**	**15.1**	**2.2**	**13.6**
PME	4,020	1,720	18.0	4,029	14.2	17.0	7.1	15.8	13.5	2.3	10.0

Sources: FiinGroup, Rong Viet Securities

APPENDIX

EU-GMP standard manufacturers in Vietnam

Manufacturer	Products	Granting agency	Bidding tier
Pymepharco	Nonsterile drugs: cefalosporin antibiotics	Germany	2
	Cefaclor Stada 500mg capsules Cepoxitil 200mg Injections: Ceftriaxone EG 1g/10ml		1
Imexpharm	Sterile and nonsterile drugs: beta-lactam antibiotic	Spain	2
Stada Vietnam JV	Nonsterile drugs	Germany	2
	Bisoprodol, Pantostad 40, Paracetam 800 & 1200		1
Teramyd	Sterile drugs: beta-lactam injections	Bulgaria	2
Phil Inter Pharma	Nonsterile drugs	UK	2
Medochemie (Far East)	Sterile and nonsterile drugs	Cyprus	2

Sources: Drug Administration of Vietnam, Rong Viet Securities collected

VND in billions

Income statement	FY2017	FY2018	FY2019F	FY2020F
Revenue	1,622	1,675	1,843	2,075
COGS	842	868	935	1,053
Gross profit	781	807	909	1.022
Selling expense	397	392	455	502
G&A expense	54	55	64	66
Finance income	36	35	10	10
Finance expense	8	10	9	8
Other profits	1	2	1	1
PBT	**359**	**386**	**391**	**457**
Prov. of tax	72	77	78	91
Minority's interest	0	0	0	0
PAT to equity S/H	**286**	**309**	**313**	**366**
EBIT	330	360	389	455
EBITDA	380	408	451	558

%

Financial ratio	FY2017	FY2018	FY2019F	FY2020F
Growth (%)				
Revenue	7.6%	3.2%	10.1%	12.6%
Operating income	14.3%	7.2%	10.7%	23.8%
EBITDA	16.4%	9.1%	8.2%	16.8%
PAT	19.7%	8.0%	1.2%	16.9%
Total assets	28.3%	9.1%	9.7%	6.9%
Equity	21.4%	10.9%	9.0%	10.9%
Profitability (%)				
Gross margin	48.1%	48.2%	49.3%	49.3%
EBITDA margin	23.4%	24.3%	24.5%	26.9%
EBIT margin	20.3%	21.5%	21.1%	21.9%
Net margin	17.7%	18.5%	17.0%	17.6%
ROA	14.6%	14.5%	13.4%	14.6%
ROE	19.9%	19.7%	19.7%	20.8%
Efficiency (x)				
Receivable turnover	3.2	2.4	2.5	3.3
Inventory turnover	2.1	1.9	2.0	2.2
Payable turnover	2.8	2.8	2.9	3.3
Liquidity (x)				
Current	5.4	5.6	3.7	5.0
Quick	4.0	4.1	2.4	3.5
Solvency (%)				
Total debt/equity	0.0%	0.0%	1.6%	0.0%
Current debt/equity	0.0%	0.0%	1.6%	0.0%
Long-term Debt/equity	0.0%	0.0%	0.0%	0.0%

VND in billions

Balance sheet	FY2017	FY2018	FY2019F	FY2020F
Cash and cash equivalents	43	357	113	176
Short-term investments	635	189	0	300
Accounts receivable	512	709	737	623
Inventories	400	450	467	474
Other current assets	8	6	25	10
Property, plant & equipment	280	339	908	824
Acquired intangible assets	42	42	42	42
Long-term investments	26	33	33	33
Other non-current assets	10	7	15	20
Total assets	**1,956**	**2,133**	**2,340**	**2,502**
Accounts payable	296	305	327	316
Short-term borrowings	0	0	32	0
Long-term borrowings	0	0	0	0
Other non-current liabilities	42	32	22	11
Bonus and welfare fund	8	11	13	16
Technology-science, dev. fund	0	0	0	0
Total liabilities	**346**	**348**	**394**	**343**
Common stock and APIC	822	920	920	920
Treasury stock (enter as -)	0	0	0	0
Retained earnings	286	309	313	366
Other comprehensive income	0	0	0	0
Inv. and dev. fund	501	556	713	873
Total equity	**1,610**	**1,786**	**1,947**	**2,159**
Minority interest				

Valuation ratio	FY2017	FY2018	FY2019F	FY2020F
EPS (VND)	3,818	4,124	4,146	4,837
P/E (x)	19.1	15.4	12.5	10.8
BV (VND)	24,677	23,803	25,950	28,787
P/B (x)	3.4	2.7	2.0	1.8
DPS (VND/cp)	2,000	2,000	2,000	2,000
Dividend yield	2.4	3.1	n/a	n/a

Valuation history	*Price*	*Recommendation*	*Period*
12/2018	78,100	Buy	Long term
11/2017	108,000*	Buy	Long term

*In 2018 PME paid stock dividend at 100:15 ratio, pre-adjusted target price was VND 124,000

Result Update

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

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