



BUSINESS PERFORMANCE REPORT

(For the accounting period from 01st Jan to 30th Sep 2018, based on consolidated financial statement)

Planning team – Everpia JSC

- *Net sales in the first 09 months of 2018 reached 825.5 billion, increasing by 27.1% over the same period of 2017 due to the breakthrough of both Bedding, Padding business as well as the contribution of Cleaner business.*
- *The final preparations have been rushing to complete, thereby the curtains, blinds and King Koil spring mattress are going to officially launch to the market in November 2018.*
- *Everpia had completed the issuance of convertible bonds valued 10.100.000 USD with the term of 05 years, coupon interest rate of 1%/year to a Korean investment fund.*
- *The bedding collection of 2019 including 49 patterns in natural style designed on modern materials: modal, tencel, satin, bamboo, micro was highly appreciated by customers with the pre-order values increased by 14% over last year period.*

Business performance review

1. Business performance overview:

Items	9M2018	9M2017	+/- (%)
Net revenue	825,467	649,307	27.1%
Cost of Goods sold	556,462	432,567	28.6%
Gross profit	269,005	216,740	24.1%
Selling expense	116,942	79,678	46.8%
General administrative expense	78,998	103,330	-23.5%
Profit before tax	74,839	40,163	86.3%
Net profit after tax	60,238	32,616	84.7%

Revenue maintained good wellspring since the end of 2017 with the growth of 27.1% after the first 09 months, reaching 825.5 billion VND, fulfilling 72% of 2018 yearly sales target. As the high season of bedding business – the greatest sales contributor – extends from end of 3rd quarter till middle of next 1st quarter, the Company’s leaders are strongly confident with the possibility of achieving sales target assigned by General Shareholders’ meeting.



Due to the rise of input material cost (*fabric, fiber*) early this year, the **Cost of goods sold** increased by 28.6%, resulting in the slight shrink of gross profit margin from 33.4% down to 32.6%.

The running of cleaner production lines as well as the introduction of new businesses of curtains, blinds and King Koil spring mattress have pushed the selling cost up by 46.8%, mainly from receiving entire personnel from Texpia and further recruitment for new businesses (*labor cost increased by 65%*) and advertising activities (*up 35%*). This is a necessary preparation to assure that the new product lines with Everon brand be well-recognized and widely accepted.

Thanks to the drastic innovation in production under consultation of Korean experts, the general administrative expense has been considerably optimized. Also, partially due to the special provisions as at 3rd quarter 2017, this expense decreased by 23.5% YoY.

Therefore, net profit after tax enlarged by 84.7% to 60.2 billion. Although it has not met the expectation, but in the context of increasing investment demand for the launch of new businesses toward a diversified business model on the basis of core business, this is still considered as a positive result.

2. Structure of revenue and gross profit by business line

The first 09 months of 2018 recorded the first time contribution of cleaner business, after Everpia had acquired entire production lines from Texpia in Jan 2018. As a result, the revenue structure showed a certain movement with the contribution of Cleaner business. Particularly, the sales proportion of bedding, padding and cleaner business is 55.8%, 35.4% and 8.1% respectively.

Item	9M 2018		9M 2017		+/-
	825,467	Proportion	649,307	Proportion	
Bedding	460,677	55.8%	399,422	61.5%	15.3%
Padding	295,976	35.9%	249,462	38.4%	18.6%
Cleaner	66,472	8.1%	-		
Other	2,342	0.3%	422	0.1%	
Gross profit	269,005	Gross margin	216,740	Gross margin	
Bedding	127,273	27.6%	113,706	28.5%	11.9%
Padding	128,929	43.6%	102,612	41.1%	25.6%
Cleaner	10,461	15.7%			
Other	2,342		422		



Bedding business:

Bedding business was still the growth driver of the whole Company, with growth of sales at 15.3% and gross profit margin at 12%. The key sales channel of B2C was blooming with the growth of 31.4% thanks to the effects from the previous marketing programs in 2017 until now and positive response of customers toward the new Bedding collection in 2019 with important innovations in materials. For the B2B and Export channels, after a long period of high growth and continuously set new records of sales that put a considerable pressure on product capacity, the Company's leaders have steered to filter orders with net profit margin of 8% at least, and eliminate low margin orders to optimize plant capacity. As a result, sales from these two channels remained stable over the same period in 2017.

Another highlight in bedding business is the initial success of the Southern domination plan. The domestic bedding sales in the Southern provinces climbed by 52.5% YoY, in which the B2C sales growth was 43% and B2B up to 153%. This is the sweet outcome after great efforts of understanding local market via the Southern Design Institute, restructuring agent system, and promoting marketing activities in the area. These impressive growth figures are also in line with the recognition of Everon brand in the South, which is a stepping stone for further actions following the Southern capturing plan.



Padding business:

The recovery of export orders and the strong increase in the number of domestic orders, the sales of Padding and Quilting rose by 18.6% YoY. Several big customers such as HaHae, Ospinter, Pan-Pacific has increased the order value by 30% -50% after a period of cooperation. The first 9 months of 2018 also witnessed the success of Padding sales team while continuously set deals with major domestic partners who are FDI enterprises.

Although the fiber price strongly fluctuated after crude oil price, the Padding gross profit margin still remained high at 43.6% thanks to many hedging measures such as: selecting big reputable suppliers and fixing price since the beginning of the year, while selling prices were also mostly set at the principle contract signing date from early season.



Cleaner business:

Cleaner business contributed more than 66 billion of revenue in the first 09 months of this year, bringing 10.5 billion of gross profit, equivalent to 15.7%. Although it is relatively modest compared

to the overall net margin, this is a significant improvement over the situation before incorporation into Everpia. Benefited from the factory innovation, the Cleaner business is expected to make a breakthrough once handling the previous backlog of management and production capacity to better take existing advantages of products and customers network.

New businesses update

1. Cleaner business

Following the strategy of conquering the domestic market from the beginning of the year, at the end of August, the Company held the launching event to agents for cleaner products under the brand of Everon Home Décor.

The Cleaner collection introduced 05 product lines in middle and high end market for home use or industrial cleaning service, including: Multi microfiber cloth, Glass cloth, Car-motorbike cloth, and Floor cleaner.

MULTI MICROFIBER CLOTH
 130x80mm



Beside displaying products in the agents and showrooms network, the Company has also promoted the online and offline marketing campaigns to further advertise about new products.

Consequently, the domestic cleaner sales reached 7.2 billion after the first 09 months, accounting for 10.8% of total cleaner sales, and expectedly achieve big progress in coming time.

2. Curtains and blinds under Everon BCH brand

The earliest curtain and blind had been introduced to agents in the Agent Meeting in 15th June 2018. The Company has received many honest opinions and comments on the selling implementation method from the agents. The introduced patterns are various from solid pattern, embroidery, light



blocking, quilting and shape pattern. In 2018, Everpia will distribute products and provide the installing service via agents and showrooms in Hanoi and Hochiminh only, before popularizing nation-wide.

At present, a new 05-floor showroom with area of 250m² per floor, 16.5m facade on Ton That Thuyet Street in Hanoi is rushing to be completed and officially open in late November with the presence of the Brand ambassador Kim Tae Hee. Designed in the Korean modern style, in addition to displaying curtains, blinds and bedding products, the showroom serves a special space to customers to experience and relax with beverage and photo booth. This idea desires to bring customers a wonderful and impressive shopping experience with Everon.

3. King Koil spring mattress

In Apr 2018, Everpia signed a strategic cooperation agreement with the world's no. 1 spring mattress brand, King Koil. Accordingly, Everpia will be exclusively licensed to produce and distribute spring mattress products under King Koil brand throughout Vietnam. This will be a considerable competitive advantage for Everon, especially in the luxury hotel segment, while most of the large-scaled hotels have currently imported spring mattresses from overseas brands such as King Koil, Simon, Sealy, ... with high cost and difficulty in the warranty and after-sales service.

The first King Koil mattresses which are manufactured at King Koil plant in Arizona, USA, are going to dock and present at Everpia at the end of Oct 2018 for product launching and offering. The company is also completing final steps to start manufacturing King Koil mattresses at Everpia's factory from Jan 2019. This will be the key product in the competition strategy of B2B channel, and enrich the product portfolio for the high-end segment of the B2C channel in the near future.

Highlight events

- **Convertible bonds:** After efforts of negotiations and completing registrations procedures with state authorities, on 06th Sep 2018, Everpia successfully issued \$10.1 million of convertible bonds to RHINOS VIETNAM CONVERTIBLE BOND PRIVATE INVESTMENT FUND NO.4 to invest in fixed assets, expand distribution network and new businesses, enhance marketing activities. The bonds have coupon interest rate of only 1%/year and the term of 05 years. The bondholders own the right to partially convert into shares after 01 years from the issuance date, with the original conversion price of 18.245 VND/share, adjusted after dilution events and terms & conditions of the bonds. In case of not converted, the compound rate payable is 3.5%/year.



- **Annual Agent meeting:**

- The annual agent meeting was held in Hanoi and Hochiminh on 15th Jun. and 20th Sep. 2018 to introduce the Bedding Collection 2019 and express sincere thanks to agents.
- Mini agent meeting: This year, in addition to the Agent meeting hosted by the Company, the General Distributors will also organize mini agent meeting in their in-charge province with the support from Company, in order to enhance the communicative effect to local customers and inspire fully and effectively the designing ideas as well as the characteristics of new materials.



Business plan in the last quarter

- ❖ **Business activities:**

- **Bedding business:**

- **Distribution network:** 02 new showrooms had been opened in Ecopark – Hung Yen and Thu Dau 1 city – Binh Duong during the last 09 months, while other 02 showrooms in Nguyen Chanh and Ton That Thuyet have been registered to the authorities and will open in coming Nov. Besides, the Company is in negotiation process on location leasing contract for 02 other showrooms in 02 southern provinces with dynamic economics of Can tho and Nha Trang – Khanh Hoa. Expectedly, these new showrooms will be opened in the end of 4th quarter 2018.

- **Marketing activities:** Continue to target to young consumers, in addition to extending contract with Brand ambassador Kim Tae Hee; the introduction of new products via the highly interacted websites with vivid and descriptive videos of materials, designs, specifications of products is



expected to widely and efficiently spread the useful information to consumers, for better and more economical marketing effect to major customers.

- **Padding business**

The company has been granted RCS certificate for recycled padding production process and quality, and is applying for GRS certificate – a higher international certificate on Global recycling standard. These will be important weapons for the Company to obtain orders from foreign customers who have strict requirements, to increase the product value, improve profitability and consolidate the brand prestige on the market.

- ❖ **Other activities:**

- **Factory innovation:** With the proven results, factory innovation will continue to be the key activity in 4th quarter 2018, focusing on thoroughly handling of slow-moving inventories, as well as boosting and implementing specific innovation ideas of staff.
- **Finalize the standardization of internal risk control process under Sarbanes-Oxley act:** In Nov 2018, the Company will conduct the final review on the compliance of key controls on internal risk control process that has been established under PwC's consultation.



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