



BUSINESS PERFORMANCE REPORT

(For the accounting period from 1st Jan to 30th Sep 2017_ based on Consolidated financial report)

Planning Team – Everpia JSC

- Ending the first 09 months of 2017, sales increased by over VND 34 bil. in comparison to the same period last year. However, the boosting investment in advertising and marketing together with a substantial provision for the loans to the affiliate Company of Texpia had brought the Profit after tax down to VND 32.6 bil. only.
- Bedding export and B2B are the bright highlights in Everpia's overview business picture, with the growth of 111.7% và 78.1% respectively over the same period in 2016.
- On 30/08/2017, the Company had successfully issued VND 150 bil. of corporate bonds named EVE_BOND_2017 to Vietcombank, certifying our financial prestige in the market.

Business performance

1. Business performance overview:

Unit: mil. VND

Items	9M 2017	9M 2016	+/- (%)
Net revenue	649,307	615,160	5.6%
Cost of Goods sold	432,567	405,027	6.8%
Gross profit	216,740	210,133	3.1%
Selling & GA expense	183,008	121,290	50.9%
Profit before tax	40,163	93,855	-57.2%
Net profit after tax	32,616	74,512	-56.2%

Total sales in the first 09 months of 2017 grew slightly by 5.6%, equivalent to VND 34.1 bil. over the same period of 2016.

However, **gross margin** just modestly improved by 3.1% because of the prevailed increase in **COGS** at 6.8% due to: (i) the cost of hotel and export products were much higher than conventional one; and (ii) the Company had implemented a number of promotional campaigns, focusing on demand enhancement to clear inventory of furniture, mattress and bedding items in 2010-2015 collection.



Selling and general administrative expenses experienced a subnormal inflation than last year period, in which:

- i) Selling expense** increased VND **26 bil.**, equal to **48.2%** mainly due to the Company's strong investment in advertising through 3 big campaigns: i) Promotion campaign of “Catching dawn on Jeju Island with your Mom”; ii) hire famous actress Kim Tae Hee to represent for Everon brand within 01 year; iii) Investment in billboards and interior furniture for agents. Total investment for advertisement of first 09 months was up to VND 21.4 bil, which is VND 13.5 bil higher than the same period of 2016. It could be seen that besides continuing to invest in the distribution system in depth, the Company's advertising campaigns lately focused on young consumers, who account for 40% of the population.
- ii) General administrative expense** increased by VND **36 bil.**, mainly due to the loan provision of VND 23 bil. in Texpia, over the total value of VND 60.7 bil of loan granted by Everpia to Texpia.

As a result, **profit after tax** has sunk to **VND 32.6 bil**, correspondingly net profit margin is 5%.

2. Revenue Structure

Revenue structure for the first 09 months of 2017 has changed considerably compared to 2016. Padding sales contributed only 38.4% instead of 46.8% as in 2016, while the bedding business, with the strong growth of exportation and B2B, had risen to occupy 61.6% of total sales.

Unit: mil. VND

Item	9M 2017	%	9M 2016	%	+/-
Grand total	649,307	100%	615,160	100%	5.6%
Padding	249,462	38.4%	288,068	46.8%	-13.4%
Bedding	399,845	61.6%	327,092	53.2%	22.2%

Bedding business:

In line with the orientation of the Board of Directors, the revenue structure of bedding business is step by step moving towards the three-legged model: gradually increasing the contribution of the export sales channel and the B2B sales channel, creating a balance and stability for the business development, in the context of increasingly competitive local retail market. Revenue from bedding export showed a record growth of 111.7%, with the high density of orders coming from traditional partners (accounting for more than 70% of export sales). This is also a memorable milestone in affirming Everpia's reputation in the international market, by gradually gaining absolute trust from customers, and this reputation will surely spread further. B2B channel had also captured impressive growth of 78.1%, and



achieved a definite success in approaching and introducing the brand of Everon to many national and international scaled corporations and hotels such as: Intercontinental, Summer Set, Techcombank, Panasonic...

In preparation for the future development following new orientation, the Company has expanded a new factory with modern equipment at Hung Yen factory, and it is expected to further expand the production infrastructure in correspondance to the growth of the two above distribution channels.

Padding business:

Padding field has faced many challenges recently, resulting in a major drop in revenue (13.4%), namely: i) Some domestic partners who are regular clients of Everpia has also imported machinery to produce themselves. ii). Increased cost pressures due to rising raw material costs. These are also the common difficulties of the whole industry. However, the Company's management has prepared certain strategies to welcome development opportunities from the international trade agreements of Vietnam such as: Vietnam-EU FTA, TPP,... At the moment, the Company is focusing on product development and looking for new customers for the upcoming season, and has already received positive feedback from customers.

The main factors impact on profit

1. Selling expenses

Selling expense components during first 09 months 2017:

Components	9M2017	9M2016	+/- (%)
Selling expense	79,678	53,768	48.2%
<i>Staff</i>	29,045	25,369	14.5%
<i>Material</i>	3,413	2,395	42.5%
<i>Depreciation</i>	2,081	1,965	5.9%
<i>Outsources</i>	20,081	21,890	-8.3%
<i>Others</i>	25,058	2,150	1065.5%

Oher expense increased mainly at the advertisement expense:

- **For branding activities:** (i) Sign a brandname representative contract with Kim Tae Hee - the most favorite actress of Korea for one year, (ii) Associate with many popular magazines and newspapers to futher communicate on our new brand recognition, (iii) The promotion campaign named "Catching dawn on Jeju Island with your Mom", in which 12 lucky customers with their beloved mother had interesting experiences in beautiful Korea, (iv) upgrade some



big & qualified agents in Hanoi, Ho Chi Minh, Da Nang,... to become showrooms in order to polish the brand image among local community.

- **For distribution system:** continue to develop agent system in depth, and also support agents to upgrade and replace the billboards and interior under the new brand recognition.

Staff cost increased due to: (i) The Company applies the basic salary increase policy in accordance with the state regulations, (ii) Increase of overtime hours and the number of skilled workers for export and hotel orders.

2. Loans and investment in Texpia

In the third quarter of 2017, after revaluation of loans and financial investments, the Company has made the provision of VND 23 bil. of bad debts given to the affiliate Company of Texpia. Everpia's consolidated profit after tax fell correspondingly by VND 23. bil.

2.1. Business performance of Texpia

Started investing in Texpia since Sep 2015 with the capital of VND 11.6 bil., the Company's Board of Directors has put much effort in reforming the management and systematization the production in Texpia to improve efficiency. The Company had also appointed Mr. Lee Je Won, a long-experienced manager to take over the Director position at Texpia, to be in charge and monitor the reformation.

Consequently, the business performance has shown a remarkable change. In Sep 2017, Texpia recorded a profit of VND 1.228 bil, with the net margin of 13%. This figure has been substantially improved over Texpia's underperformance prior to Everpia's involvement.

Despite the sales dropping by 23%, gross margins has shown strong growth, reaching 19% in the first nine months of this year. This ratio of September 2017 was up to 25%, which determines that the production management has been clearly effective.

This is the result of continuously tireless effort of Everpia's management to reorganize the Company's entire production system and management method, to take the huge advantage of Texpia's potential output market with following specific measures: i) Review and refine the list of customers and orders, prioritizing on efficiency instead of quantity; ii) Reorganize machinery and personnel in production, to minimize pending time between production process and optimize personnel; iii) Filtering Company management, recruiting high qualified personnel with management expertise.



2.2. Competitive advantage and potential of Texpia

Significant improvement in the business performance of Texpia recently has shown that the Everpia BOD's assessment of its potential for growth is well founded.

The Texpia's abundance and loyalty of export customers in Europe and Korea not only creates momentum for Texpia, but also serves as a stepping stone for Everpia's products to penetrate into the developed nations' market, thus boosting the exportation of padding and bedding as well as enhancing Everpia's international brand position.

Financial statement and liquidity status

	9M. 2015	9M. 2016	9M. 2017
Profitability			
Gross profit margin	33%	34%	33%
ROS	7.7%	7.9%	3.4%
ROE	6.3%	6.7%	2.5%
ROA	11.0%	12.1%	5.0%
Liquidity			
Current Ratio	5.03	7.08	5.57
Quick Ratio	2.64	3.41	3.19
Debt/ Equity	18%	15%	28%

Even the gross profit margin was still kept at 33%, but most of other profit ratios showed the downturn due to the huge increase of expenses and provisions. However, these investments are within BOD's plan and will surely bring back results in the following periods.

With the addition of VND 150. bil of bonds issued to Vietcombank, the Debt on Equity ration had climbed to 28% from the number of 15% last year period. However, the current ratio and quick ratio is still remained at the safe level.

Highlight events

Business activities:

- Officially open a new showroom at Park Hill Building - Times city on 27th October 2017. Located in the high-end residential area of Vinhomes Times City with a complex of 23 buildings with 27-35 floors each and ancillary infrastructure support system, which is considered as a shopping paradise of middle and upper class, the showroom at Park Hill is supposed to be potential in both sales and branding. Hence, along with the showroom at Nguyen Thi Thap Street and Thu Thiem New Urban Area, Ho Chi Minh City; the system of 09 showrooms of Everpia not only bring to



customers with the convenient shopping space with full range of products but also be the ideal venues to introduce new product line for the family in the coming time.

- During the week of July 9th-14th, 24 pairs of mother and child were given a trip to Korea valued 40,000,000 VND/person under the promotion campaign of "Catching dawn on Jeju Island with your Mom". The program has left many impressive and good memories for the public, contributing to build the brand of Everon familiar and warm of family love.
- In May 2017, Everpia had signed an exclusive advertising contract with Korea's No.1 favorite actress Kim Tae Hee. Advertisement clip and series of other media publications was introduced to consumers from July 2017.



Others activities:

- On 30/08/2017, the Company had successfully issued 150 bil convertible bonds with secured assets to Vietcombank for the purpose of:
 - (i) Expanding the business operations, details as follows:
 - Payment of opening fees for new agents, showrooms;
 - Pay for upgrading agent fees, current showrooms;
 - Pay the cost of hiring a brand representative;
 - Pay for PR, Marketing
 - (ii) Investment in machinery and equipment, fixed assets for production and business activities

The bonds have term of 05 years and preferential interest rate, insisting the strong financial credibility of the Company to the bank in particular and Company's partners in general.

- In August 2017, the Company had completed the procedures for expanding the business scope for the Company as approved by the General Meeting of Shareholders. The Company will continue to carry out business expansion procedures for branches.



Action plan for 4th quarter 2017

❖ Business activities:

• **Padding business:**

The last 3 months of the year is the right time to push up researching, approaching new customers as well as taking care of and increasing the proportion of orders from traditional customers, to prepare for the main season at the beginning of next year. Along with the current prestige, the Company is diversifying product portfolio, research and develop further high-end products, adapt to flexible demands from customers. Up to now, orders received for the 2018 season have increased by 15% over the same period.

• **Bedding business:**

- **Advertising activities:** With the large capital raised from the bond issuance, the Company plans to strengthen branding activities by: i) Continuing to deliver advertising messages with representative Kim Tae Hee on TV and other social networks; ii) Implementing brand awareness programs through advertising on buildings, LCD facilities, and popular locations that attract lots of our target customers aged 28-45, good income and modern shopping mindset.
- **Distribution network:** The Company will open 01 new showroom in Hanoi and one in Ho Chi Minh City, also look for new agents with area of over 100m². In addition to displaying bedding products, the Company will exhibit and introduce products in new category that the Company has just been licensed.
- **For B2B business:** i) continue to strengthen the marketing activities in the Nha Trang, Phu Quoc and south tourism provinces (ii) Focus on exploiting business opportunities from year-end programs – gifts to gratitude staff of large corporations.
- **For export business:** In addition to increasing the proportion of orders to existing customers, the Company focuses on speeding up the standardization of production processes as well as the origin of input materials to meet International quality standards for imported goods. EVE continues to export bedding through the following ways: i) direct export through subsidiaries, ii) co-operation agreements, iii) affiliated investments.

❖ Other activities:

- **Factory management:** In October, a group of senior consultants from Korea had been invited to visit the Company's factories in Hanoi and Hung Yen to prepare for the year of reformation, to



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increase productivity and improve the production management. The contract with the consultants will be implemented in 2018 with the following objectives: i) Risk management, waste detection and elimination; ii) Effective 5S deployment; iii) Improve management capacity and product quality.

- **Preparations for listing on the Korean Stock Exchange:** i) the Company continues to complete the preparation of IFRS financial statements for the year of 2016 under KPMG's guidance, ii) the establishment of an internal governance system under the Sarbanes-Oxley Act has completed the Standardization of the processes and Setting up key controls. PwC will conduct an independent post-consultative evaluation in this mid-December.



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