

Sector : Textile | RETAIL RESEARCH

Everpia Joint Stock Company (HSX: EVE)  
Company Update

Recommendation

Current price:	<b>18,400</b>	Date:	01/12/2021	<b>SHAREHOLDER STRUCTURE</b>	
Previous target price	-	Outstanding Shares	38,047,973	Lee Jae Eun	18.42%
New target price:	-	Market Cap (VND billion)	738	NH Investment & Securities	8.58%
Dividend yield	-	Avg. 10D Trading vol:	214,240	AFC Vietnam Fund	8.03%
<b>Potential price</b>	<b>N/A</b>	% Foreign Shareholder	66.54%	Korea Investment & Securities	8.04%

**Sector Analyst:**

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**VALUATION**

By the end of December 1st 2021, EVE closed at VND 18,400 per share, equivalent to trailing P/E multiple of 15.0 which is equivalent to the industry median P/E.

**Technical analyst:**

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Target price: VND  
Stop-loss price: VND

**BUSSINESS PLAN**

EVE set the target of revenue and profit after tax of VND 1,060bn (+24% YoY) and VND 75bn (+78% YoY). Forward EPS for FY2021 is 1,973 VND/share, forward PE is 8.9.

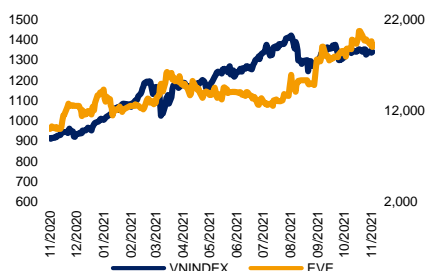
**TECHNICAL ANALYSIS**

BSC recommends that medium and long-term investors open positions at an attractive price range of 17.5-18.0, take profits at 20.0 and cut losses if the stock loses the support level of 16.7.

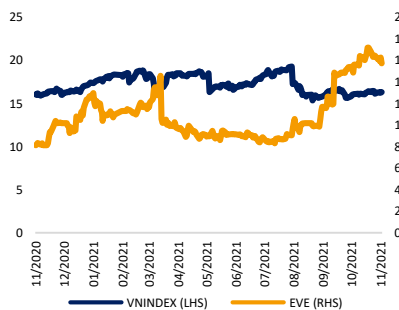
**COMPANY UPDATE**

- **Revenue and Net Income in the third quarter of 2021 dropped sharply with revenue reaching 155 billion (-27% YoY) and 6 billion (-64% YoY).** BSC believes that the sharp drop is due to (i) the outbreak of the Covid-19 epidemic, affecting retail activities and hotel orders (ii) increase of 3 on-site deployment costs (iii) Increase of transportation costs.
- **Revenue breakdown by product:** Bedding reached 86 billion (-31% YoY), Padding reached 57 billion (-12% YoY) and Cleaner reached 11 billion (-46% YoY) and Other reached 1 billion.
- **Revenue structure by geography:** Export reached 83 billion (-17% YoY), domestic reached 72 billion (-36% YoY).
- **Gross profit margin decreased from 33.5% to 30.8%** as gross margin of Cleaner product plummeted from 12% to 4% due to increase in raw material prices and unusual labour costs. Meanwhile, the gross margin of Bedding and Padding achieved a positive level (from 25% and 43% to 32% and 41%).

**Compare prices of EVE and VN-Index**



**Compare P/E of EVE and VN-Index**



	2020	2021	Peer	VN-Index
PE (x)	5.7	14.6	14.7	14.1
PB (x)	0.4	0.7	1.8	2.4
PS (x)	0.4	0.8	0.8	2.0
ROE (%)	5%	3%	13%	13%
ROA (%)	3%	2%	5%	2%

	2017	2018	2019	2020
Net Sales	994	1,181	1,004	855
Gross Profit	330	381	344	263
Net Income	51	76	72	42
EPS	1,215	1,933	1,889	1,105
EPS growth	-43%	50%	-6%	-42%

## BUSSINESS OVERVIEW

Established in 1993, Everpia Joint Stock Company, formerly a branch of Viko Moolsan Co., Ltd., specializes in manufacturing Padding products. After many years of operation and development, the Company is currently doing business in the following product lines: Bedding, Padding and Cleaner.

**Table: EVE's field of activity**

Field	Product	2020 Gross Profit margin
Bedding	Provide blanket & pillow covers, bed sheets, blanket insert (Everon, Artemis, Everon Lite, K - bedding), PE mattresses, Spring mattresses (Everon, King Koil)	28.4%
Padding	Provide Padding and Quilted padding products (Dexfil, Microfiber, Everfil)	44.5%
Cleaner	Provide all kind of cleaner products	13.5%
Curtain	Provide curtains, pillows, other decoration products (Everon Curtain and Home Decor Everon)	

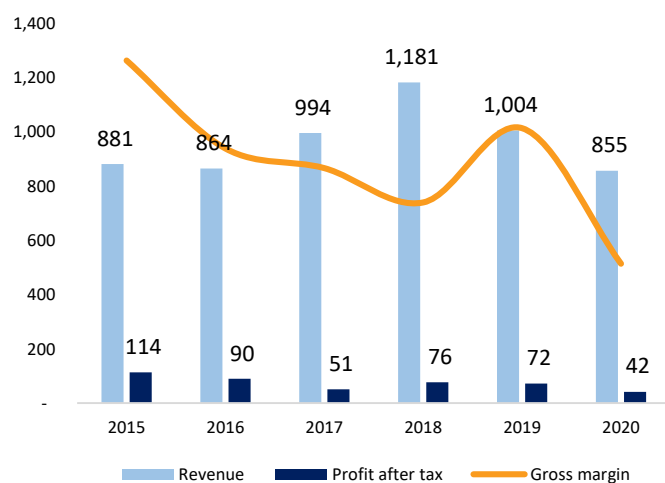
**Table: EVE's Factory List**

Factory	Address	Capacity
Ha Noi Factory	Gia Lam, Ha Noi	Padding, quilted padding: 15 million yards/year
Hung Yen Factory	Van Lam, Hung Yen	Bedding capacity: 3 million products/year
Dong Nai Factory	Bien Hoa, Dong Nai	Padding capacity: 10 million yards/year Bedding capacity: 1 million products/year Cleaner capacity: 15 million products/year

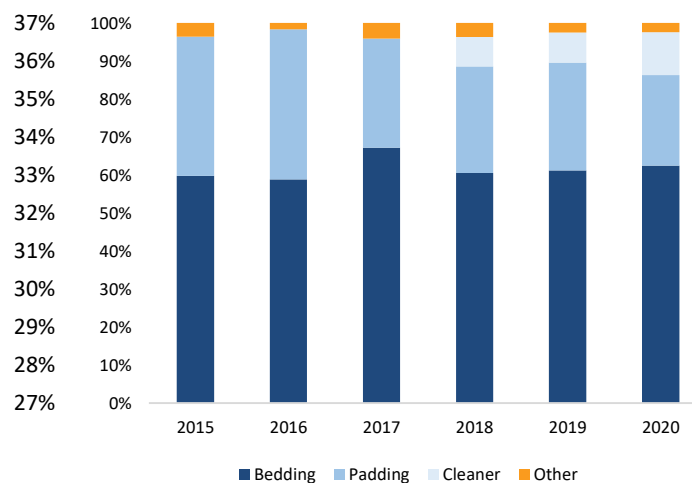
Source: EVE

Although EVE has a long-standing Everon mattress brand, in recent years, EVE's activity has been flat due to changing customer tastes as well as the increasingly competitive mattress market. In 2020, the Bedding segment accounted for the main proportion with 62% of revenue, followed by the Padding segment accounting for 24% of revenue. The rest are new product lines: Cleaners, Curtains, fabric household items.

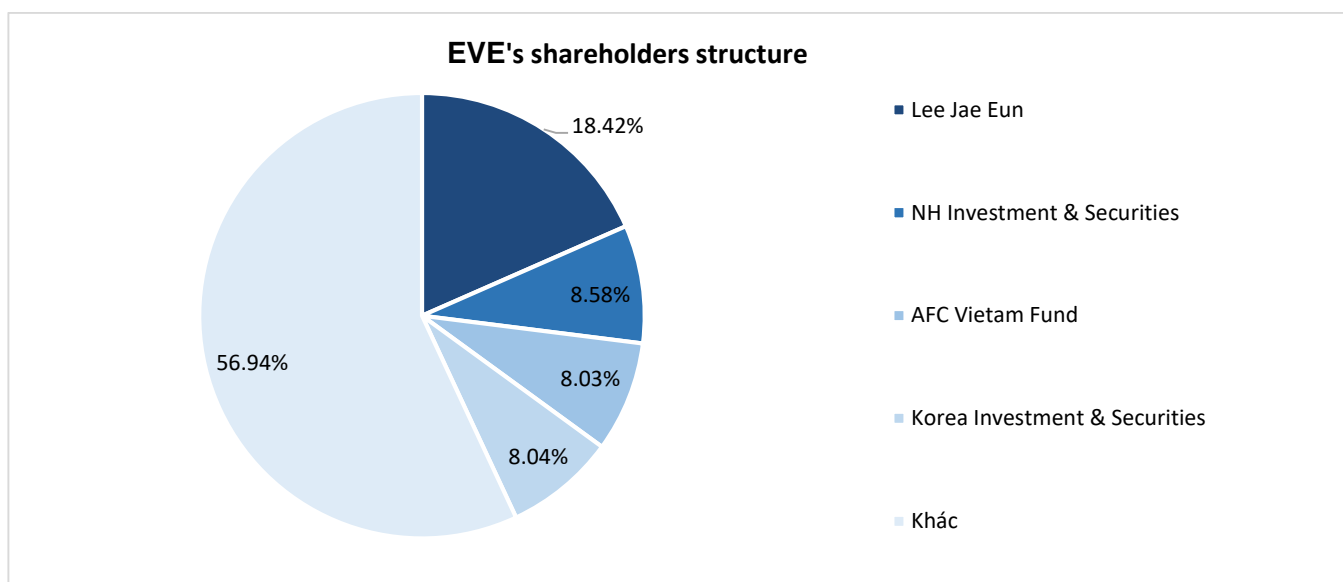
**EVE's annual bussiness results**



**EVE's revenue breakdown in 2015-2020**



## SHAREHOLDERS STRUCTURE



Source: Fiiipro

BSC believes that EVE's shareholder structure is quite condensed, the major shareholders at EVE are mainly the management board (Korean) and Korean financial institutions (NH Investment & Securities, Korea Investment & Securities). In addition, recently, AFC Vietnam Fund has moved to increase its ownership rate at EVE (buying 66,000 shares - equivalent to 0.17% ownership rate).

## COMPANY UPDATE

### Business recap in 3Q2021:

VND billion	Q3.20	Q3.21	% YoY	9M.20	9M.21	% YoY	Comment
<b>Net Sales</b>	<b>212</b>	<b>155</b>	<b>-27%</b>	<b>596</b>	<b>568</b>	<b>-5%</b>	<ul style="list-style-type: none"> <li>- <b>3Q net revenue decreased by 27% when all business segments decreased due to Covid-19:</b> Bedding reached 86 billion (-31% YoY), Padding reached 57 billion (-12% YoY), Cleaner reached 11 billion (-46% YoY).</li> <li>- <b>Geographical structure:</b> Export reached 83 billion (-17% YoY) and domestic reached 72 billion (-36% YoY). Exported items (padding, cleaner) are affected at the shipping stage when the shipping line cancels/delays the schedule. Meanwhile, domestic demand was affected by the Covid-19 epidemic.</li> <li>- <b>Gross profit margin decreased from 33.5% to 30.5%</b> due to a sharp decrease in the gross margin of Cleaner segment (from 12% to 3%) due to high transportation costs.</li> </ul>
Gross Profit	71	47	-34%	173	184	6%	
GPM	33.5%	30.8%		29.1%	32.3%		
Selling expenses	(34)	(29)	-14%	(104)	(111)	7%	
SG&A	(22)	(19)	-15%	(74)	(61)	-18%	
SG&A/ Net sales	26.6%	31.2%		29.9%	30.2%		
EBIT	21	10	-52%	27	39	44%	
Financial revenue	15	11	-26%	41	33	-19%	
Financial expenses	(7)	(3)	-57%	(19)	(27)	42%	
PBT	22	8	-64%	16	18	11%	
<b>Net Income</b>	<b>18</b>	<b>6</b>	<b>-64%</b>	<b>11</b>	<b>15</b>	<b>33%</b>	
<b>NPATMI</b>	<b>18</b>	<b>6</b>	<b>-64%</b>	<b>11</b>	<b>15</b>	<b>33%</b>	
NPM	8.4%	4.1%		1.9%	2.7%		

EPS                      467                      167                      -64%                      299                      398                      33%

Source: EVE

## COMPANY UPDATE

We arranged an online meeting with the representative from EVE and came up with these following updates:

### Development Strategy:

#### a. Bedding:

+ For short and medium term: Re-branding Everon

+ For long term: Developing Everon as Home Total Brand

The short-term plan for the period of 2022 - 2024 mainly focuses on 2Ps: Product and Place (Distribution Channel).

#### (i) Product

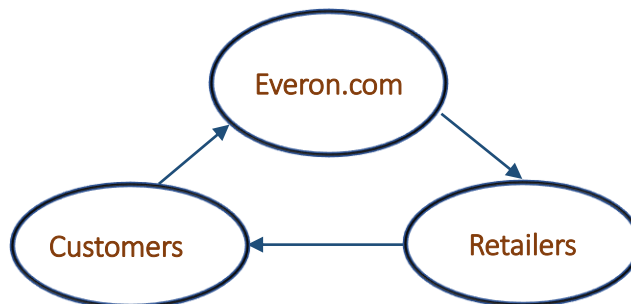
Although Everon has always been a well-known brand in the market, Everon brand is witnessing a decline in recognition recently due to: (i) The market has become more and more competitive (ii) Brand awareness decreased (especially for young customers). Therefore, Everpia plans to conduct market research to identify, position and develop a plan to re-brand Everon, with a focus on millennials customer.

#### (ii) Upgrading/ Digital transformation distribution channel:

Currently, Everpia has about 600 agents nationwide (in which 425 are exclusive agents) and the company continues to consider these agent system as the main distribution channel.

In order to meet the trend of online shopping and omnichannel sales, Everpia creates, manages and operates Everon e-commerce site, and carries out online marketing and advertising activities at the company's expense to attract customers and satisfy their online shopping demand for Everon products. The orders will be transferred directly to the agent which is closest to the customer.

Agents will be installed point-of-sale software, inventory update software and business operations of each agent.



#### b. Padding : Reaching high quality standards

EVE has aimed to produce 100% NF Padding (Padding using NF resin) towards the goal of sustainability for both the environment and customers. In addition, Everon will expand the customers in Vietnam and retail brands that have demand to use Padding as raw materials.

#### c. Other product lines: Cleaners and Curtains

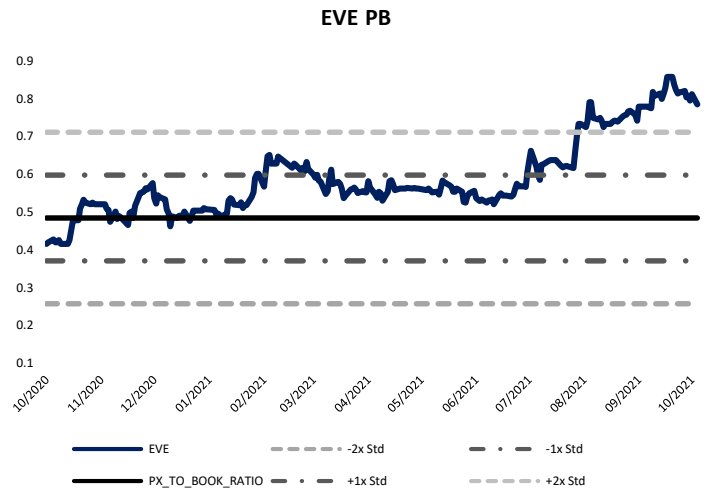
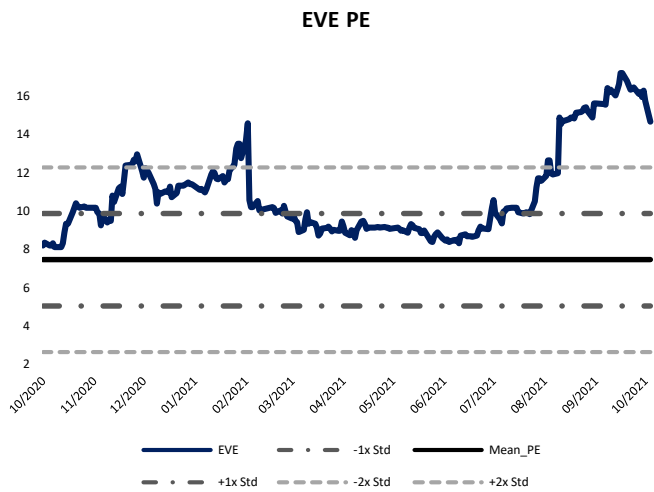
Cleaners: The business performance of Cleaners and carpets in the domestic market is not as high as expected. Currently, more than 95% of sales of Cleaners (mainly industrial sanitary cleaner) come from those exports to European countries.

Curtain: This is a new product developed in 2020 and is still in the process of branding.

**d. Investment plan: Building a new factory in Giang Dien Industrial Park to replace the factory in Bien Hoa, Dong Nai**

Total estimated investment capital for the new factory is 10 million USD, of which 50% is own capital and 50% is borrowed capital. After the relocation is completed, EVE will rearrange production activities at 3 factories in the following direction:

- + Factory in Hanoi: for Padding production
- + Factory in Hung Yen: for Bedding and PE Padding production
- + New factory in Giang Dien: for Padding, PE mattress, Cleaners, and specializing in Spring Mattress products



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