

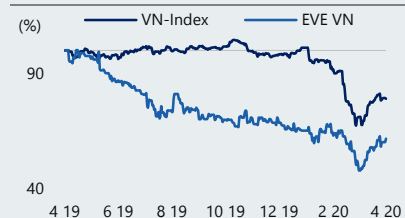
Textile

Company Report
April 27, 2020

(Maintain)	HOLD
Target Price (12M, VND)	10,082
Share Price (04/27/20, VND)	9,600
Expected Return	5.02%

OP (20F, VNDbn)	55
Consensus OP (20F, VNDbn)	NA
EPS Growth (20F, %)	-19
Market EPS Growth (20F, %)	3.0
P/E (20F, x)	6
Market P/E (20F, x)	11.8
VN-Index	773
Market Cap (VNDbn)	374
Shares Outstanding (mn)	38
Free Float (%)	74.0
Foreign Ownership (%)	64.5
Beta (12M)	0.8
52-Week Low (VND)	7,100
52-Week High (VND)	16,000

(%)	1M	6M	12M
Absolute	29.0	-12.1	-38.5
Relative	17.9	10.6	-17.4



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Everpia JSC

(EVE VN)

Distinctive financial position

Key takeaways

We recommend Hold for EVE at a target price of VND10,082 (upside 5.02%). EVE has a strong financial position which derived from its leading in market shares and possession of many brands.

Good financial condition

Two main product lines of EVE are bedding and padding, which are leading the markets with 23% and 31% market share, respectively. The superior position enable EVE reap a higher-than-average profit margin. Besides, the company has been operated in much better liquidity condition than peers.

EVE managed to receive good cashflows over the years. Since 2015, the company's CFO and FCF has been never in negative. EVE also maintained its dividends stably, which prove the company's financial health is in good condition. In the foreseeable future, with favorable movement of cotton price, we expect EVE will be easier in cost control which is necessary amid COVID-19 pandemic.

Business and financial risks

EVE's business showed its lower conversion speed than peers, especially in sales and inventory. This puts the company at risks, particularly, credit risk and degradation risk. Plus with much longer cash conversion cycle, EVE business model seems to employ much more working capital than other companies in textile industry.

In addition, EVE's convertible bonds, which is in USD, contains exchange rate risk. In the circumstance which the USD grows stronger, the company may have to record a financial loss. The probability is high amid the USD grew stronger and VND/USD exchange rate jumped in 1Q20.

Valuation

We employ FCF to value EVE share based on an assumption that total revenue will go down significantly in FY20 for the pandemic and return growing gradually afterwards. Our target price for EVE is VND10,082 per share.

FY (Dec)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 (F)
Revenue (VNDbn)	880.63	863.91	994.43	1,180.72	1,004.20	803.36
OP (Vbn)	148.64	112.52	61.23	90.80	70.56	55.24
OP Margin (%)	16.88	13.02	6.16	7.69	7.03	6.88
NP (VNDbn)	113.54	89.61	50.92	76.21	71.89	56.50
EPS (VND)	2,752.00	2,148.00	1,215.00	1,933.00	1,889.00	1,485.09
ROE (%)	12.52	9.34	5.56	8.38	7.66	5.46
P/E (x)					4.92	6.26
P/B (x)					0.38	0.34
Dividend Yield (%)					10.75	10.68

Note: NP refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Securities (Vietnam) LLC Research estimates

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Strong financial health

Trademark brings profitability

Figure 1. Brands of EVE



Source: Bloomberg, Mirae Asset Vietnam Research

EVE main products are bedding, mattress and padding. The company has the largest market share in Vietnam’s bedding market (23% in 2019) and is one of the leading producer in Vietnam’s padding market (31% in 2018).

For bedding products, EVE established an extensive distribution network of total 384 showrooms and agents throughout the country. Every year, the company presents more than 50 new products of blankets. For padding products, EVE is a veteran player, with long-term relationships with Korean and Vietnamese customers.

Different from other textile companies on HOSE by possessing several brands and doing many brands marketing activities, both B2B and B2C, EVE achieved a distinctive gross margin which led to a higher-than-average net income margin. From 2015 to 2019, the gross margin of the company maintained high at around 35%, much higher than peers of around 17% on average. Despite seeing sharp drop in 2017, EVE’s net income margin was still higher than peers from 2015 to 2019

Figure 2. Gross margin (%):

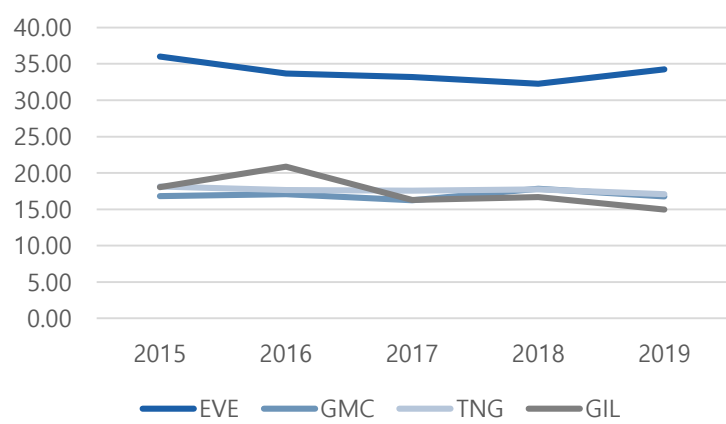
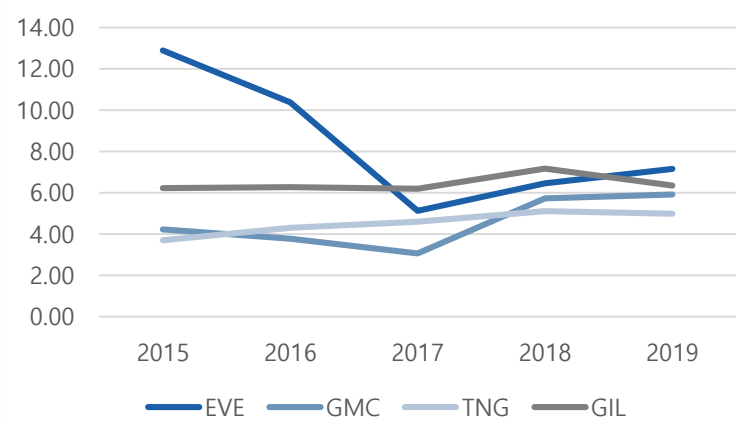


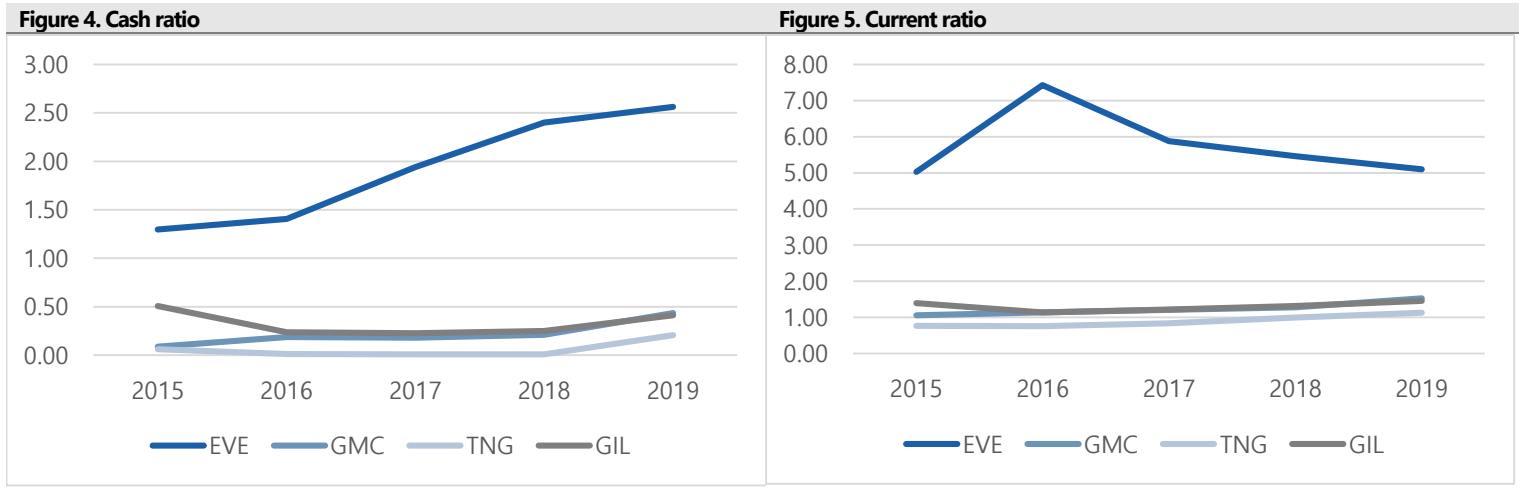
Figure 3. Net income margin (%):



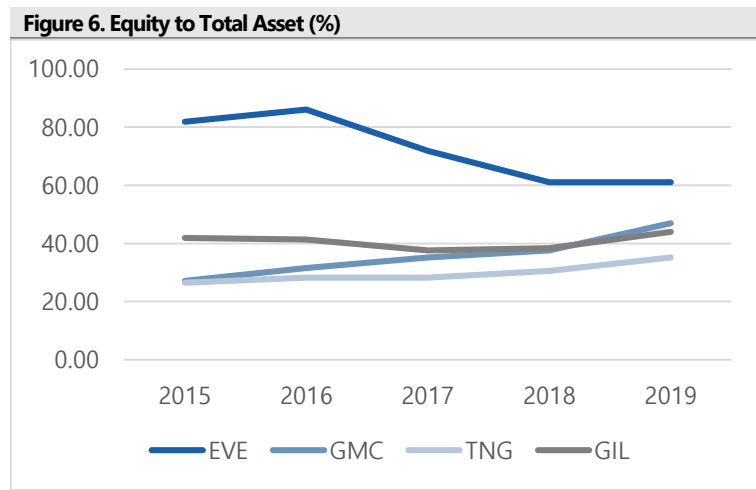
Source: Company data, Mirae Asset Vietnam Research

Better liquidity to peers

About financial position, EVE showed a much better condition than peers with both cash ratio and current ratio were much higher than average. In capital structure, EVE was also in safer condition than peers with 60% total asset financed by equity, while others maintained just around 40%.



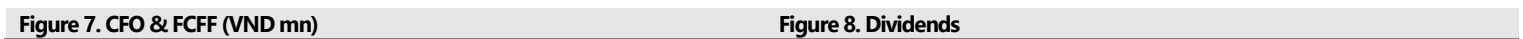
Source: Company data, Mirae Asset Vietnam Research

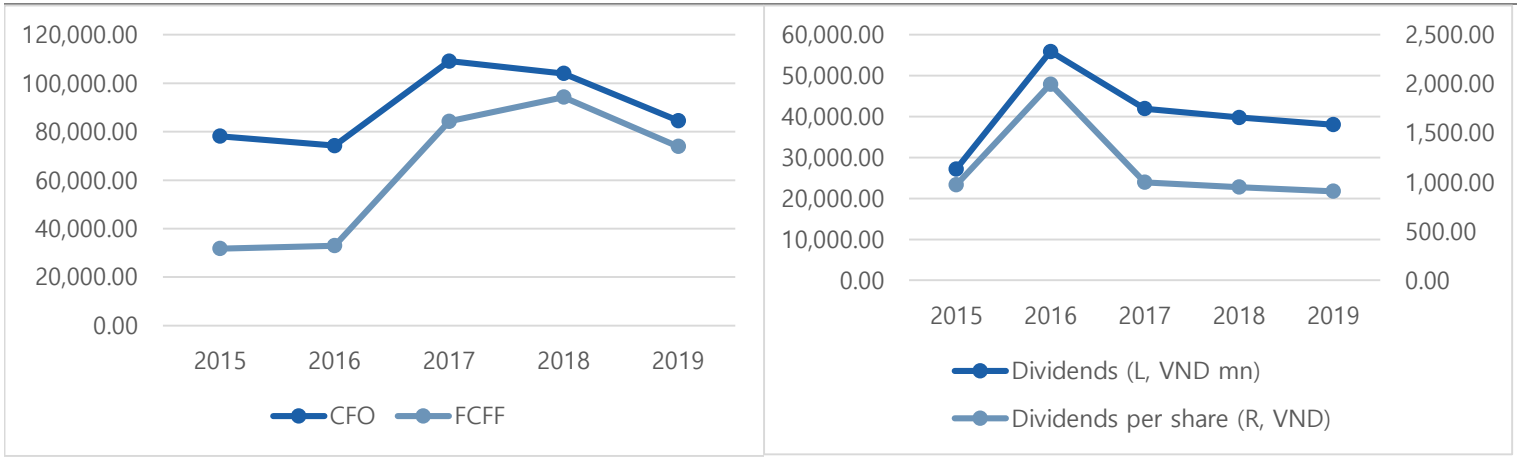


Source: Company data, Mirae Asset Vietnam Research

Stable cashflow and dividends

Another proof of healthy financial condition comes from cashflow and dividends. From 2015 to 2019, both CFO and FCFF of EVE recorded positive that proved a healthy business. Despite being quite fluctuated, these cashflows has been growing in the long-term. Besides, EVE maintained its cash dividends in a stable current, which is another evidence of a good financial condition.

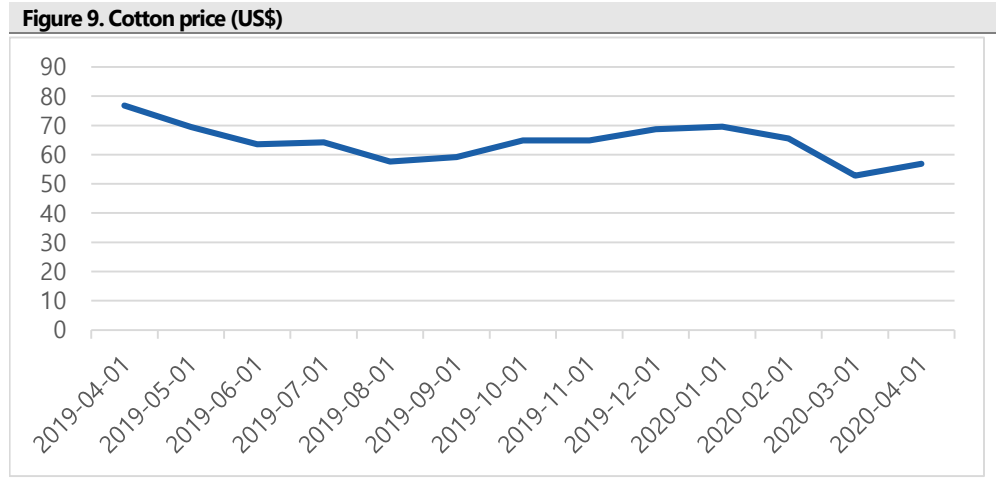




Source: Company data, Mirae Asset Vietnam Research

Opportunity from commodity market

For the main input material of EVE is cotton, current price movement of this commodity favors the company. Average price of cotton plunged nearly 20% in one year, from US\$75 down to around US\$58. This will enable EVE to control expenses better, especially while the business is in chaos amid COVID-19 pandemic.



Source: Bloomberg, Mirae Asset Vietnam Research

Business and financial risks

A slow business

Although EVE have a higher profit margin than other companies in textile industry, its business has drawbacks. The major one is the conversion pace that bedding and padding market showed much slower speed than the industry average. Both days sales outstanding (DSO) and days inventory outstanding (DIO) of EVE were much higher than peers. At around 80 days of DSO, EVE's business bears higher credit risk. Moreover, with DIO of above 210 days compared to an industry average of 100 days, EVE bears higher products degradation risk and has to use much more working capital to do business than peers.

The slow pace also shows in cash conversion cycle (CCC) criteria. Average CCC of EVE are around 250 days, nearly 2.5 times higher than textile peers.

Figure 10. Days sales outstanding

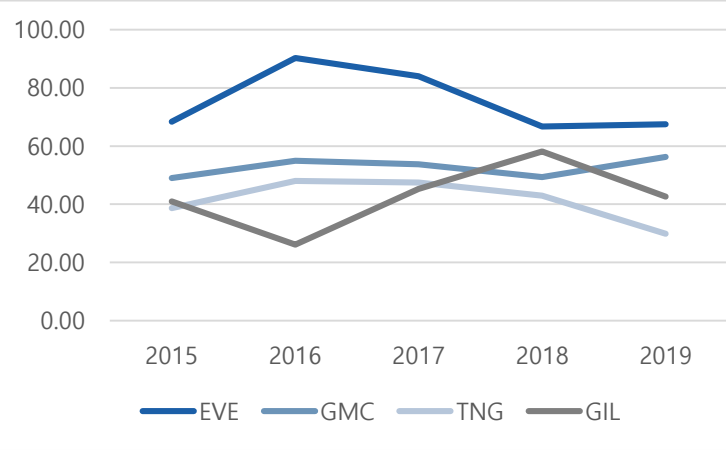
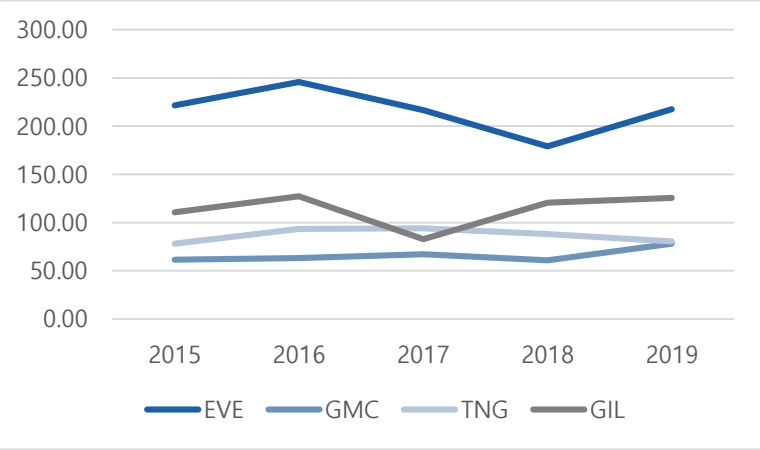
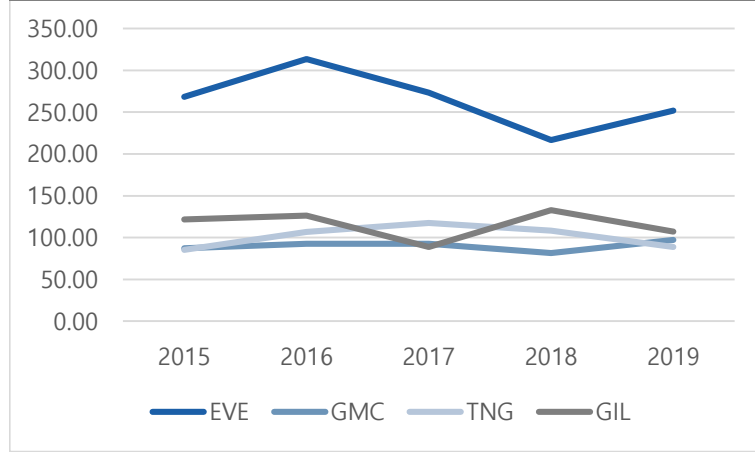


Figure 11. Days inventory outstanding



Source: Company data, Mirae Asset Vietnam Research

Figure 12. Cash conversion cycle



Source: Company data, Mirae Asset Vietnam Research

Financial risk from convertible bonds

The convertible bonds, which were issued in 2018 in USD that brings EVE the exchange rate risk. For the VND/USD has been increasing since last year and USD is forecast to be appreciated in the near future, EVE may have to record exchange losses relative to these bonds.

VND/USD	Value in VND	Mark-to-market P/L	P/L per share
25,172.00	254,237,200,000.00	-22,212,829,000.00	-583.81
24,972.00	252,217,200,000.00	-20,192,829,000.00	-530.72
24,772.00	250,197,200,000.00	-18,172,829,000.00	-477.63
24,572.00	248,177,200,000.00	-16,152,829,000.00	-424.54
24,372.00	246,157,200,000.00	-14,132,829,000.00	-371.45
24,172.00	244,137,200,000.00	-12,112,829,000.00	-318.36
23,972.00	242,117,200,000.00	-10,092,829,000.00	-265.27
23,772.00	240,097,200,000.00	-8,072,829,000.00	-212.18
23,572.00	238,077,200,000.00	-6,052,829,000.00	-159.08
23,372.00	236,057,200,000.00	-4,032,829,000.00	-105.99
23,172.00	234,037,200,000.00	-2,012,829,000.00	-52.90
22,972.71	232,024,371,000.00	0.00	0.00
22,772.00	229,997,200,000.00	2,027,171,000.00	53.28
22,572.00	227,977,200,000.00	4,047,171,000.00	106.37
22,372.00	225,957,200,000.00	6,067,171,000.00	159.46
22,172.00	223,937,200,000.00	8,087,171,000.00	212.55
21,972.00	221,917,200,000.00	10,107,171,000.00	265.64
21,772.00	219,897,200,000.00	12,127,171,000.00	318.73
21,572.00	217,877,200,000.00	14,147,171,000.00	371.82
21,372.00	215,857,200,000.00	16,167,171,000.00	424.92
21,172.00	213,837,200,000.00	18,187,171,000.00	478.01
20,972.00	211,817,200,000.00	20,207,171,000.00	531.10
20,772.00	209,797,200,000.00	22,227,171,000.00	584.19
20,572.00	207,777,200,000.00	24,247,171,000.00	637.28

Source: Company data, Mirae Asset Vietnam Research

Figure 13. VND/USD

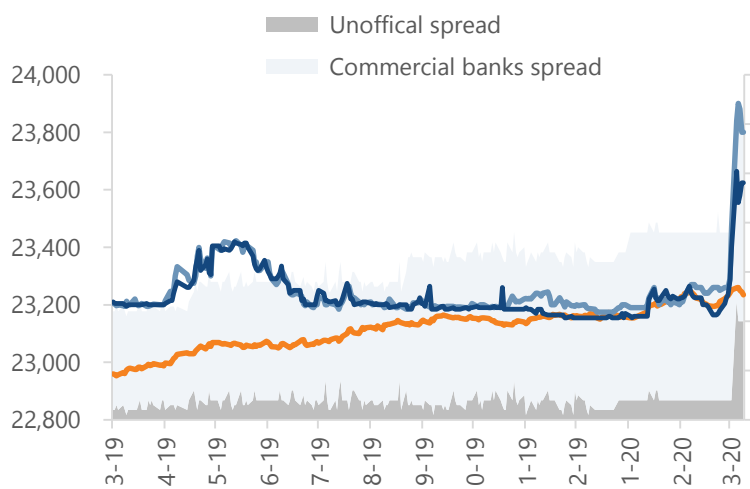
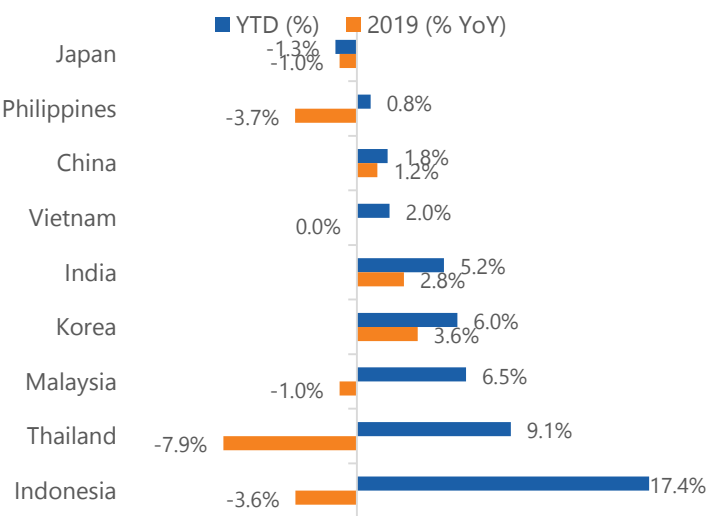


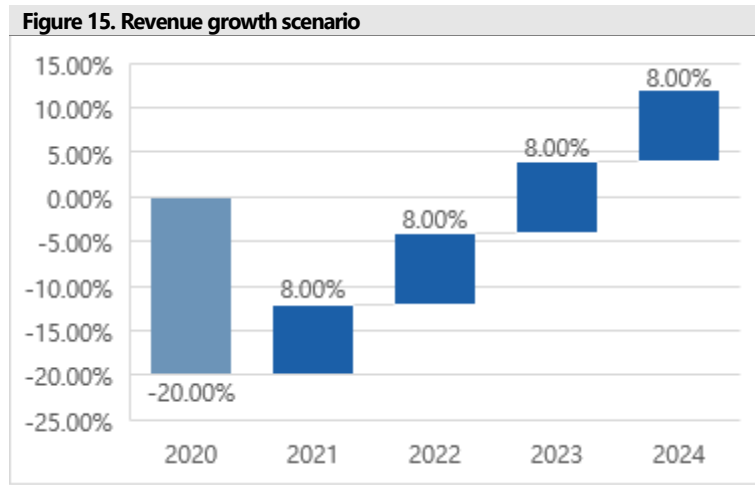
Figure 14. USD becomes stronger as other currencies depreciate in 1Q20



Source: SBV, Bloomberg, Mirae Asset Vietnam Research

Valuation

We use FCF method in EVE valuation with a assumption that total revenue of the company may drop sharply by 20% YoY in FY20 because of COVID-19 pandemic disruption and return growing at average compounded rate of 8.00% YoY afterwards. By this approach, we believe the fair price of EVE should be VND10,082 per share.



Source: Mirae Asset Vietnam Research

Everpia JSC (EVE VN/투자의견/TP: W목표주가)

Comprehensive Income Statement (Summarized)

(VNDbn)	2019	2020F	2021F	2022F
Revenue	1,004	803	868	937
Cost of Sales	660	531	574	620
Gross Profit	344	272	294	317
SG&A Expenses	273	217	206	222
Operating Profit (Adj)	71	55	88	95
Operating Profit	71	55	88	95
Non-Operating Profit	22	17	18	27
Net Financial Income	22	17	18	27
Net Gain from Inv in Associates	0	0	0	0
Pretax Profit	94	72	107	122
Income Tax	22	16	23	27
Net Profit	72	57	83	95
Controlling Interests	72	57	83	95
Non-Controlling Interests	0	0	0	0
EPS (Controlling Interests, VND)	1,889	1,485	2,185	2,503

Growth & margins (%)

Revenue growth	-14.95	-20.00	8.00	8.00
Gross profit growth	-9.80	-20.82	8.00	8.00
EBIT growth	-3.95	-18.73	39.56	6.66
Net profit growth	-5.67	-21.40	47.13	14.54
EPS growth	-2.28	-21.38	47.13	14.54
Gross margin	34.23	33.88	33.88	33.88
EBIT margin	10.73	10.90	14.08	13.91
Net profit margin	7.16	7.03	9.58	10.16

Cash Flows (Summarized)

Cash Flows from Op Activities	85	80	86	208
Net Profit	72	57	83	95
Depr. & amortization	45	43	48	51
Others	-5	0	0	0
Chg in Working Capital	-27	-20	-45	62
Cash Flows from Inv Activities	-90	0	-52	-60
Capital expenditures	-21	-55	-48	-51
Others	-69	55	-4	-9
Cash Flows from Fin Activities	8	-54	1	-126
Dividends	-38	-38	0	-42
Increase in equity	0	0	0	0
Increase in debt	46	-16	1	-84
Beginning Balance	517	620	646	682
Ending Balance	620	646	682	704

Statement of Financial Condition (Summarized)

(VNDbn)	2019	2020F	2021F	2022F
Current Assets	1,233	1,280	1,360	1,320
Cash and Cash Equivalents	620	646	682	704
AR & Other Receivables	171	202	218	196
Inventories	398	383	413	372
Other Current Assets	44	49	47	48
Non-Current Assets	304	301	304	303
Net fixed assets	239	250	250	250
Investments	8	0	0	0
Other long-term assets	57	51	54	53
Total Assets	1,538	1,581	1,664	1,622
Current Liabilities	242	196	211	216
AP & Other Payables	95	49	53	46
Short-Term Financial Liabilities	124	116	132	148
Other Current Liabilities	23	32	26	22
Non-Current Liabilities	357	350	335	235
Long-Term Financial Liabilities	105	100	100	0
Other Non-Current Liabilities	252	250	235	235
Total Liabilities	599	546	546	451
Controlling Interests	939	1,035	1,118	1,171
Capital Stock	420	420	420	420
Capital Surplus	203	203	203	203
Retained Earnings	393	412	495	548
Non-Controlling Interests	0	0	0	0
Stockholders' Equity	939	1,035	1,118	1,171
BVPS (VND)	24,667	27,200	29,385	30,784

Forecasts/Valuations (Summarized)

P/E (x)	4.92	6.26	4.26	3.72
P/CF (x)	136.95	13.23	10.04	16.18
P/B (x)	0.38	0.34	0.32	0.30
EPS (VND)	1,889	1,485	2,185	2,503
CFPS (VND)	68	703	926	575
BPS (VND)	24,667	27,200	29,385	30,784
DPS (VND)	1,000	993	0	1,103
Payout ratio (%)	9.06	9.00	0.00	10.00
Dividend Yield (%)	10.75	10.68	0.00	11.86
Accounts Receivable Turnover (x)	5.34	3.98	3.98	4.78
Inventory Turnover (x)	1.65	1.39	1.39	1.67
Accounts Payable Turnover (x)	10.80	10.80	10.80	13.34
ROA (%)	4.68	3.57	5.00	5.87
ROE (%)	7.66	5.46	7.44	8.13
Liability to Equity Ratio (%)	64	53	49	39
Current Ratio (x)	5.10	6.52	6.44	6.10
Net Debt to Equity Ratio (%)	51	45	42	33
Interest Coverage Ratio (x)	7.82	5.79	7.83	15.78

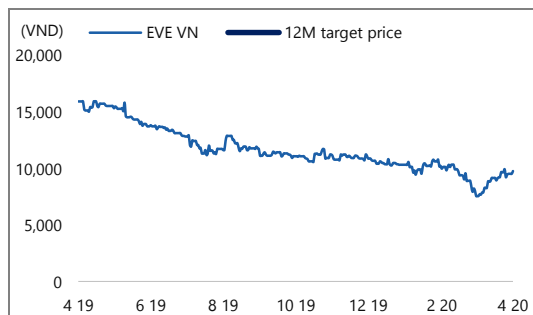
Source: Company data, Mirae Asset Daewoo Research estimates

APPENDIX 1

Important Disclosures & Disclaimers

1-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Everpia JSC(EVE VN)	04/27/20	Hold	10,082



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (■), Not covered (□), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at Mirae Asset Daewoo Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

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