

3rd Quarter, 2023

Business performance update



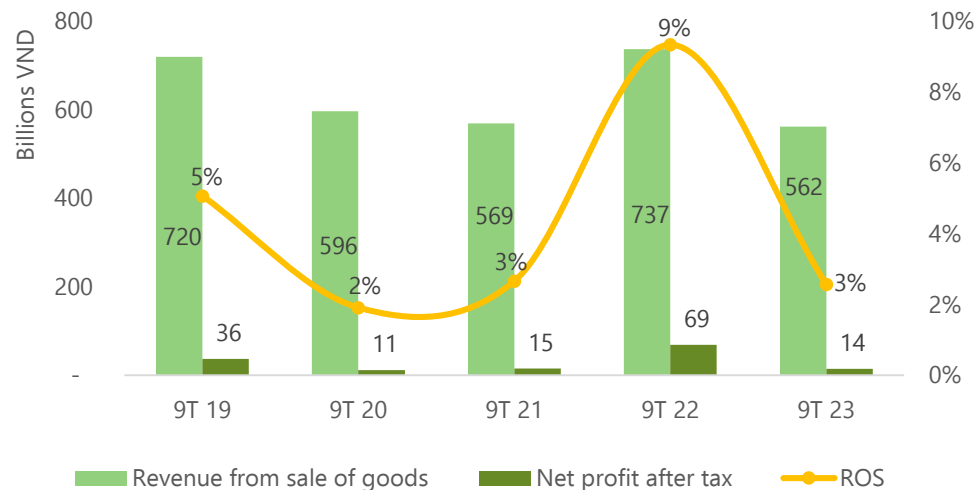
Everpia JSC | Planning team

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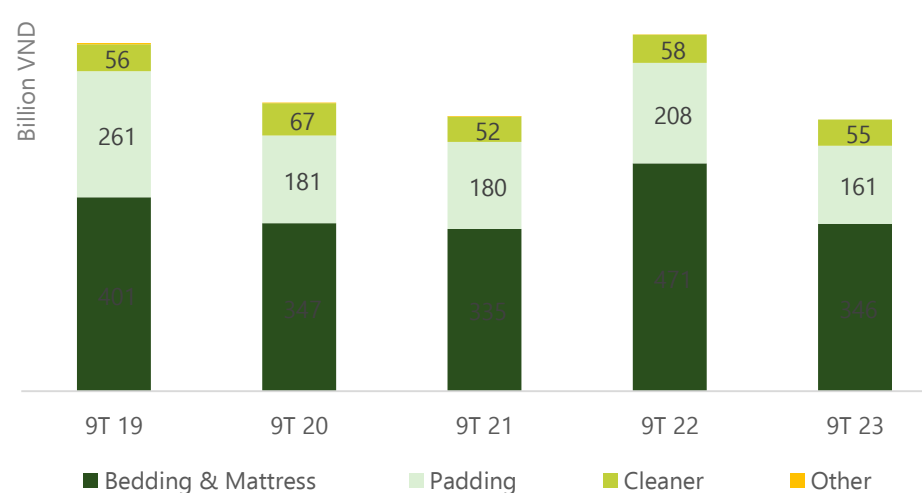
Highlight of Q3.2023

Business Performance Result



- The CPI index remained high despite being well-controlled compared to the earlier months of 2023. The average CPI for the 9 months increased by 3.16%. Consumers still tend to limit their spending on non-essential items.
- The export turnover of textile and garment industry for the accumulated 9M reached \$25 billion, a 14% decrease YoY.
- Everpia's sales revenue of 3rd quarter and accumulated 9 months recorded a **decrease of 52 billion and 176 billion**, respectively, equivalent to a **20% and 24% decline** YoY.

Revenue by product category



- Profit of the 3rd quarter and the accumulated 9 months decreased significantly by **91% and 79%** respectively.
- Bedding products:** The 9M2023 sales revenue for bedding products decreased by **125 billion**, equivalent to a **26%** decline.
- Padding products and Cleaner:** Global political instability and high inflation posed challenges for the sales of Padding and Cleaner throughout all 3 quarters. The accumulated sales revenue for Padding decreased by 23% and Cleaner decreased by 6% for 9M 2023.



Revenue

562 billion VND



Profit after tax

14 billion VND



Revenue of Bedding

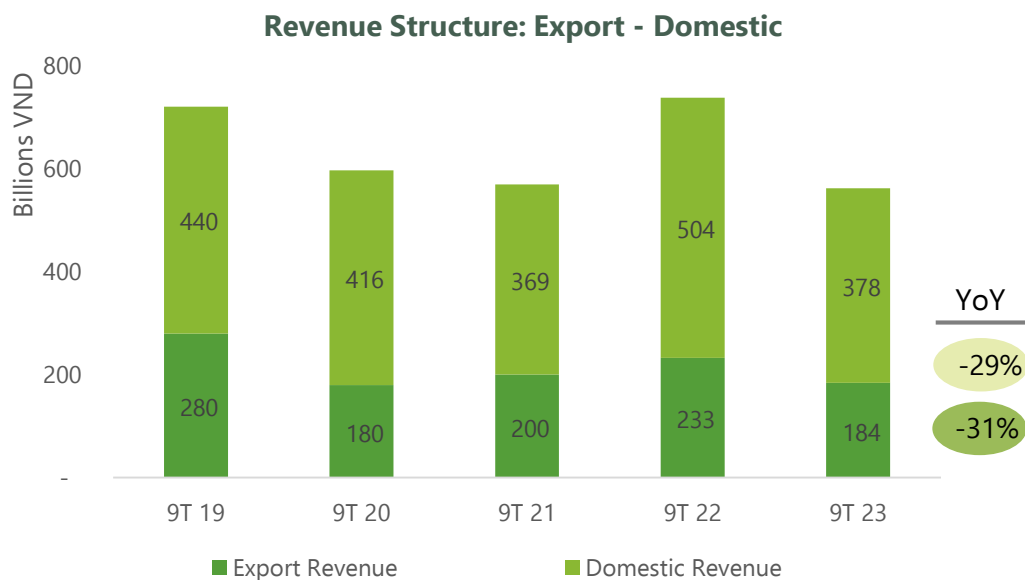
▼ 26% YoY



Revenue of Padding

▼ 23% YoY

Revenue structure



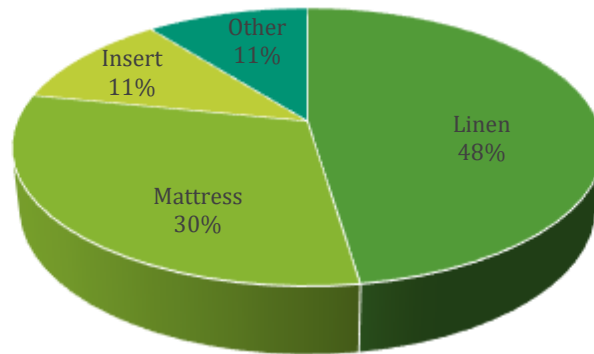
- The pressure from inflation, tightening consumer spending on non-essential items, and the challenges faced by the real estate and hotel services industry have led to a **31% decrease in domestic business performance**.
- The revenue from export activities has **decreased by 29%** due to the following factors:
 - Existing customers only plan to reorder once they have sold out their current inventory, resulting in a decrease in the number of reorders compared to previous orders.
 - New customers are only placing minimum order quantities.

Distribution system

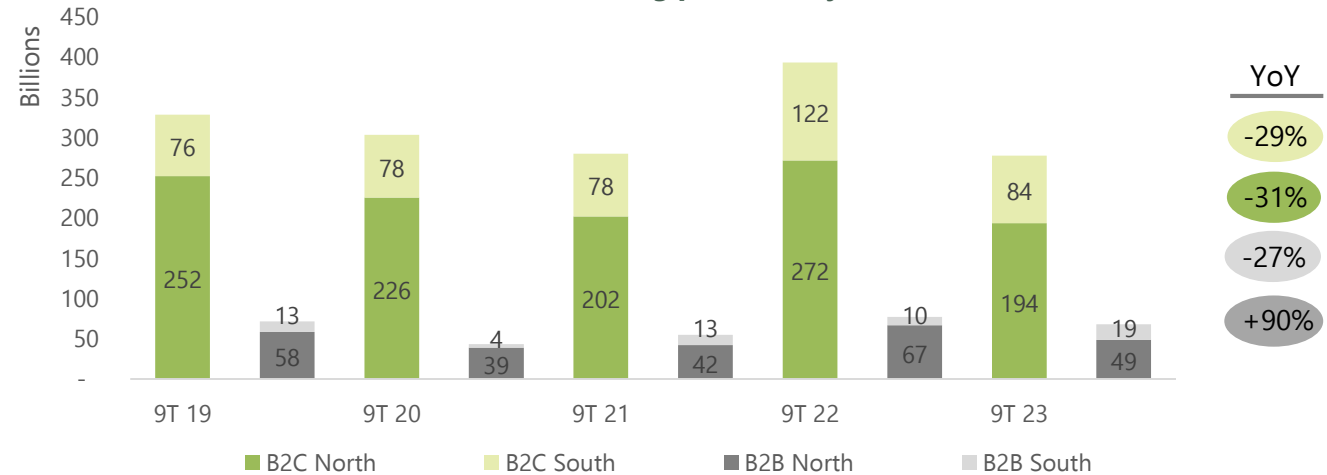
Agents/ Showroom	North	Da Nang	South	Total
Number of agents	120	34	209	363
- Agents	55	28	58	141
- Provincial Agents	65	6	151	222
<i>Among which:</i>				
- Newly opened in 9T2023	9	2	5	16
- Closed in 9T2023	1	2	37	40
Plan to open in Q4	5	2	11	18
Plan to close in Q4	16	0	0	16
Number of showrooms	7	4	11	22

- Everpia continues to evaluate agents based on criteria such as sales history, location, area, and potential growth in order to develop tailored support packages for each agent.
- In 9M 2023, company closed 40 agents and opened 16 new ones. The newly opened agents are expected to bring more positive sales in the coming months.
- An **additional 18 new agents/showrooms** is planned to be opened in Q4, among which: 11 agents are based in the South, the rest are in the North and Da Nang.

Revenue structure of Bedding and Mattress products

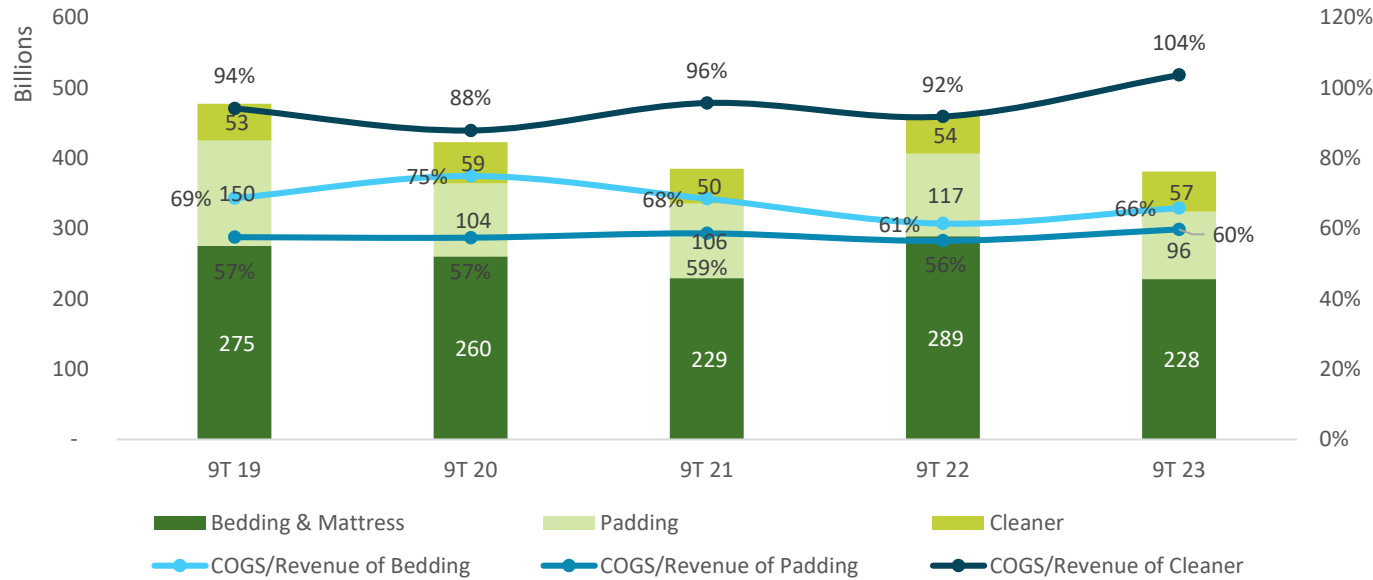


Revenue structure of Bedding products by distribution area

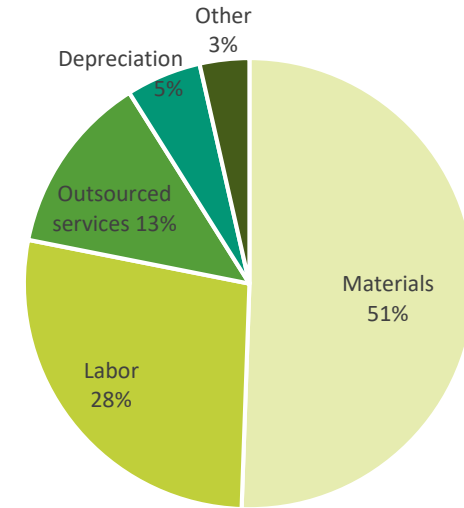


- **Linen** brought **165 billion dong** in sales revenue, accounting for nearly 50% of the total revenue. **Mattress** products contributed **106 billion** (equivalent to 31% of total revenue), while **Insert** products reached **91 billion dong** (equivalent to 11%). Other products such as curtains, pads, carpets, multipurpose cleaners, etc. contributed 11% of the total revenue.
- **Total revenue from Retail decreased significantly (33%)**, with the northern region decreasing by 31% and the southern region decreasing by 29%. Q3 revenue mainly relies on bedding collection pre-orders every year. However, due to the low assessment of the 2024 collection from agents, the value of pre-orders for the 2024 collection is only 46% compared to the 2023 collection. Furthermore, inventory levels at agents' warehouses are still high, resulting in a lower volume of take-out from pre-orders, which reached 58% in the northern region solely.
- Revenue from **online sales** maintained relatively stable revenue, with e-commerce platforms experiencing a growth of +55% YoY. Everon remained to be the best-selling bedding brand on both Shopee and Lazada. Online sales of the South has slowed down this year after continuous growth of 50% per year from 2020 to 2022. Meanwhile, online sales in the North achieved a revenue growth of **144%**.
- Revenue from the **B2B channel** has slightly decreased with **-12%** YoY. There is a contrast between the two regions, **South increased by 90%** and **North decreased by 27%**.

Cost Of Good Sold (COGS)

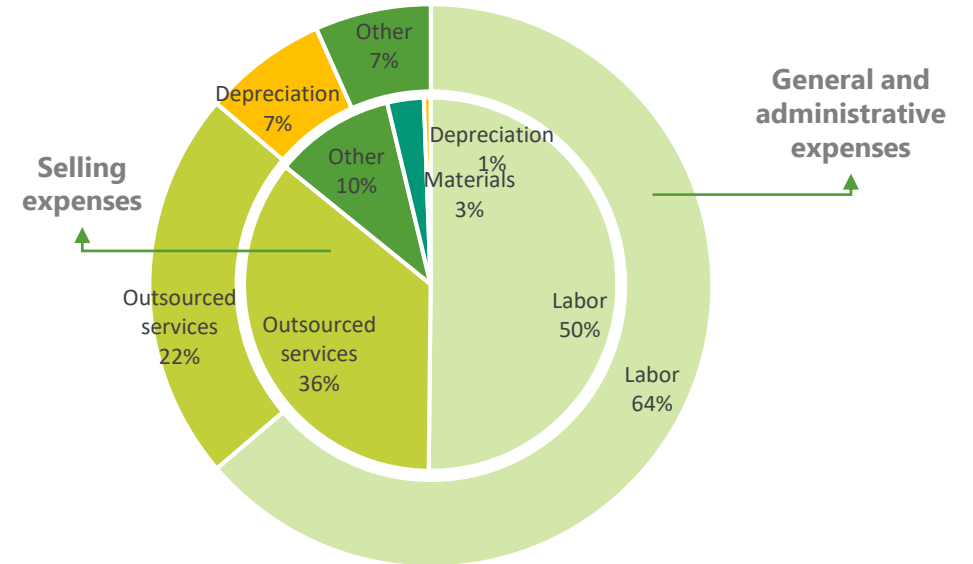
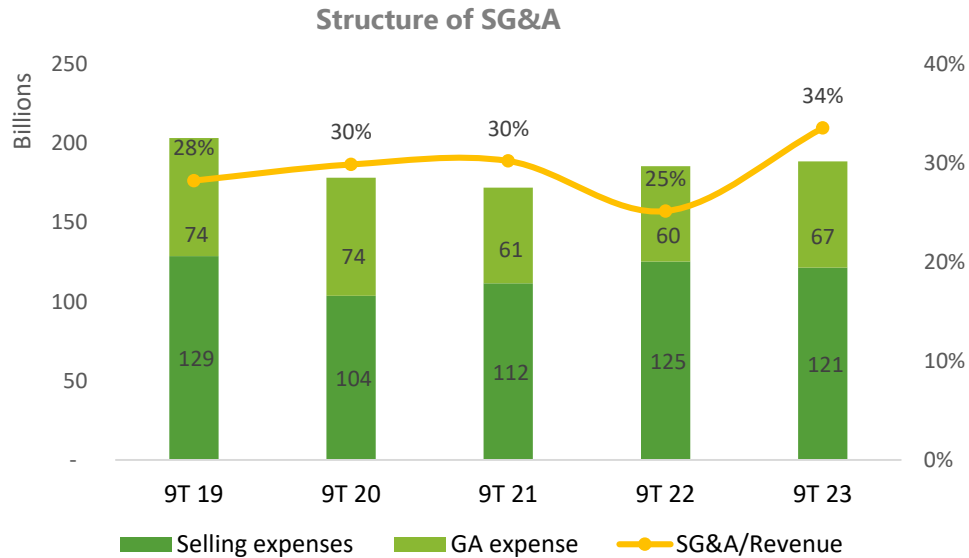


Structure of cost of good sold



- Revenue decreased by **-24%** YoY, while cost of goods sold only decreased by 17%, resulting in a cost of goods sold to revenue ratio of 68% in 2023, compared to 62% in 2022.
- The **COGS-to-Revenue ratio** increased in all three product categories: **Bedding, Padding and Cleaner** with ratios of **66%, 60%, and 104%** respectively. The reason for abnormal increase in the COGS of Cleaner was that in 9M2023, Company conducted the inventory inspection and evaluation of finished goods and raw materials and made **provisions** for all over-two-year inventory items.
- Raw materials cost and labor cost accounts for **80%** of the total COGS. The **raw materials costs** in 9M 2023 **decreased slightly by 3%** after successful negotiations with suppliers for price support. Additionally, Company generated revenue in foreign currency from exports, hence the importation of raw materials wasn't affected by the exchange rate. **Labor costs** increased as Company implemented an **8% salary raise** according to Decree on minimum wage of employees.

Selling expenses & General and administrative expenses (SG&A)

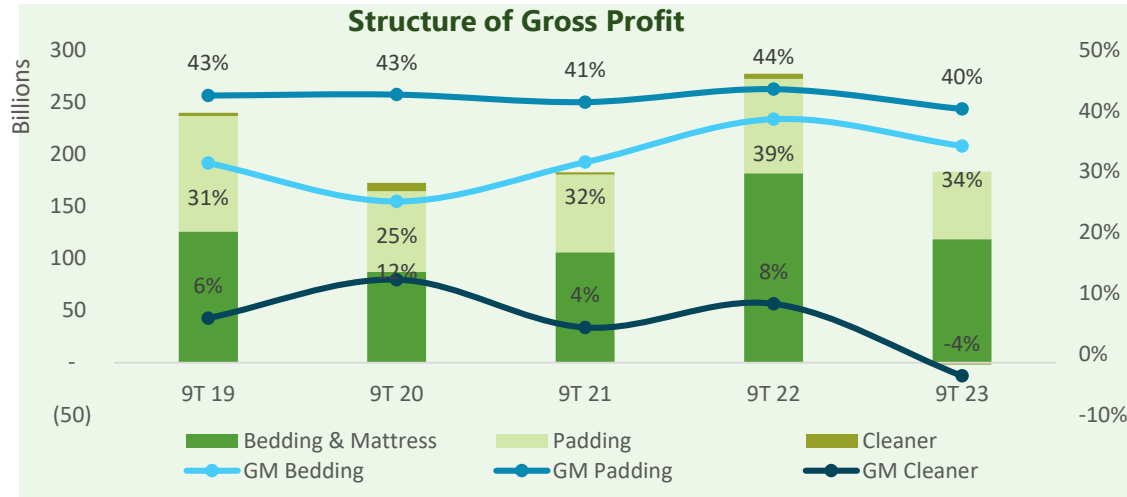


- The selling and administrative expenses for 9M 2023 amounted to **189 billion dong**, representing a 2% increase YoY. However, due to a significant decrease in revenue (-24% YoY), the ratio of SG&A-to-Revenue reached **34%** (compared to 25% in 2022).
- The increase in **Selling expenses** was attributed to the impact of labor costs and partly to expenses related to online and offline advertising activities as part of the Everon's rebranding plan, KingKoil's promotion, and customer experience activities.

The **General and administrative expenses** went up due to the impact of labor costs and outsourced service costs:

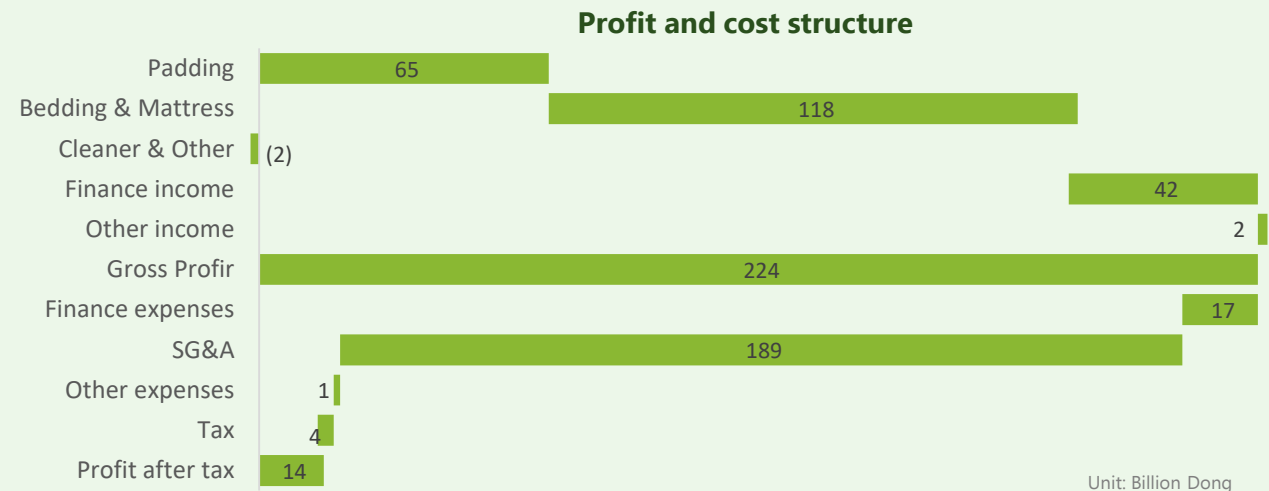
- Employee expenses** raised by 4.1 billion YoY, attributed to: (i) Company implementing salary raises according to the State's and (ii) after 5 years of not organizing team-building activities, the company organized a summer vacation for all employees with a total cost of 3.4 billion.
- Outsourced service expenses** expanded because of the relocation of the Dong Nai factory from Bien Hoa IP to Giang Dien IP.

Profit structure



- All 3 factories have been running below their full capacity, leading to a fall in Gross Profit Margin of all products.
- **Bedding and Mattress products** maintained their dominance in the profit structure, generating **119 billion dong**, accounting for **70%** of the total profit, with a gross profit margin of 34%.
- Despite a slight downturn in 2023, Padding segment displayed the **most stable** gross profit margin compared to other business segments, at **over 40%**.
- For the first time ever, **Cleaner segment experienced a negative gross profit** due to the impact of making provision for inventory obsolescence.

- During 9 months, Company recorded a financial income of **25 billion dong**, which includes financial revenue from activities such as interest on deposits, foreign exchange gain, and held-for-trading securities.
- The subsidiary companies, Everpia Korea, and the MAOF Fund, contributed a profit of 3.6 billion dong.
- The net profit after tax for Q3 and 9M 2023 were **3.6 billion and 14 billion** respectively, representing a **decrease of 91% and 79% YoY**.





B2C CHANNEL

Shop for our bedding products on E-commerce platforms here:

Shopee Mall: <https://shopee.vn/everon.official.store>

Lazada: <https://www.lazada.vn/shop/everon-store>

Bounce sales in provincial multi-brands stores

- Increase the effectiveness via the better supports and more attractive policies to encourage the provincial agent selling more Everon products than other brand products
- Develop a private collection for the province market named "Dawn sunlight"

Modernize Showroom

- Using data from AI cameras in showrooms, including product sales by area, customer movements, and display locations, to create tailored sales programs for each showroom.
- Continuously enhance display effectiveness and refine operational processes to establish an exemplary operation model for distributors.

Boost sales on E-commercial platforms

- Continuously diversify products which are designed for the E-commerce platforms.
- Promote sales of bundled products to increase value per order.
- Improve productivity of packaging and delivery processes, as well as negotiate with the 3rd party providers to shorten delivery time and optimize costs.

To stimulate sales with premium spring mattress products – KingKoil Arise which will be developed and manufactured directly by Everon

KING KOIL
MATTRESS CO.



Arise Pure

Arise Pure

With high quality PU foam layer and knitted surface with a dense density of interwoven fibers, Arise Pure helps reduce pressure on your body, dispel motion for when moving, and especially doesn't cause allergies to users.

Arise Plus

Arise Plus is installed with a Memory foam layer, an excellent innovation from NASA, and separate support zones, with the special elasticity of the 2.5cm mini coil system, absorbs high energy while delivering a perfect amount of comfort for a better night's sleep.



Arise Lux

Arise Lux

Arise Lux is the perfect combination among a 5cm latex layer and Memory, Visco, and Rail foam layers with a high elastic dual-spring system, delivers an ideal sleeping experience with optimal comfort and all-night support.



Arise Plus

B2B CHANNEL

HOTEL PROJECTS AND GIFTS

- The signed contracts for hotel bedding orders that will be delivered in the fourth quarter are projected to generate 30 billion VND in revenue.
- Beside the efforts of finalizing ongoing negotiations with hotels for bedding contracts, B2B team is actively introducing the new bedding products with many gifts and special offers which are spent for year-end customer gratitude event.

Sales of Q4 are expected to grow up 37% YoY.

- Sales from European customers are anticipated to slightly decrease.
- Sales from US customers remain steady and have the potential for a slight growth, given the particularity of supplying orders to hospital system.
- Sales from Japanese customers play a significant role in fostering growth, not only since Q4/2023 but also in the foreseeable future with a robust expansion in 2024.

CLEANER



ONLINE CHANNEL

Shop for the K-bedding products on E-commerce platforms here:

Shopee Mall Hanoi: https://bit.ly/K-Bedding_ShopeeMall-HN

Shopee HCM: https://bit.ly/K-Bedding_Gian-hang-Shopee-HCM

Lazada : https://bit.ly/K-Bedding_gian-hang-Lazada

Tiki: https://bit.ly/K-Bedding_gian-hang-Tiki

TikTok: <https://www.tiktok.com/@kbedding.official>

Grow sales in Modern Trade Channel

- Collaborate with shopping centers to sell K-Bedding product directly to consumers through their sales programs
- Display and sell products at shopping center store as consignment goods
- Directly open store at some new large supermarkets

To boost sales of whole commercial platforms

- Continuously innovate product offerings to meet the diverse demands of customers.
- Revise packaging methods and reduce product's dimension to minimize packaging and delivering costs.
- Maintain a loyalty program and preferential policies across E-commerce platforms and consistently engage with customer to enhance retention by issuing vouchers or points exchanging.

PADDING AND QUILTING

For customers:

- Expand customers base to include non-sewing companies and other international sewing companies that based in Vietnam such as: interior companies, gloves, hand bag and backpack manufactured companies,...
- Approaching and partner Europe vendors such as Russia, Switzerland and Canada who are transitioning their orders from China to Vietnam
- Revise and improve sales policies to prioritize and increase sales from TOP 100 customers as well as turn new customers into long-term loyal customers.

For products:

- Optimize production cost by completing sample products to ensure a consistent material quality across the entire order, and reduce production costs for subsequent manufacturing runs.
- Manufacture quilting products using Ultrasonic Quilting Machine, eliminating the need for cotton exudation and needle holes to secure the padding and minimizing dust generation during production.
- Develop high-end Micro Wellon padding products.

HANOI

HOME TEXTILE SHOWROOM

Our first Flagship Store will be opened on 11/ 11 /2023.

- Store area: over 1 000m²
- Address: **17-18 Ton That Thuyet**, Dich Vong Hau, Cau Giay, Ha Noi
- Diverse inferior products with 03 distinct styling group: Indochine, Modern and Floral
- Products will be displayed and simulated in different space of bedroom, living room, dining room and more, providing the customers with an intuitive view and making it easier to select the suitable products.



PATTERN

PATTERNS

HOME TEXTILE PRODUCTS



INDOCHINE

- Classic
- Luxurious
- Prominent

FLORAL

- Graceful
- Gentle
- Exquisite

MODERN

- Minimalism
- Sophisticated
- Elegant

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Please direct any questions to:

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