



## BUSINESS PERFORMANCE REPORT

(For the accounting period from 1<sup>st</sup> Jan to 31<sup>st</sup> Dec 2017 \_ based on consolidated financial report)

### Planning Team – Everpia JSC

- *The 4<sup>th</sup> quarter of 2017 witnessed an outstanding growth of sales up to 39%, which brought the whole year revenue mostly reach thousand billion. However, the investments in advertising, selling activities together with the provisions at affiliated company had made the profit of the year dropped to 57% compared to 2016. All these expenses are in purpose to preparing for a blooming year of 2018, through a drastic and detailed action plan.*
- *January's estimated performance showed an impressive enlargement in both sales and profit.*

#### Business performance 2017 overview

Unit: mil. VND

Items	Q4/2017	Q4/2016	+/-	FY 2017	FY 2016	+/-
Net revenue	344,915	248,755	39%	994,222	863,915	15%
Cost of Goods sold	231,761	167,809	38%	664,328	572,836	16%
Gross profit	113,154	80,946	40%	329,894	291,078	13%
Selling & GA expense	84,999	57,271	48%	268,006	178,562	50%
Profit before tax	24,296	19,635	24%	64,458	113,490	-43%
Net profit after tax	18,822	15,103	25%	51,437	89,615	-43%

**Sales** in 4<sup>th</sup> quarter of 2017 earned an outstanding growth of 39%, which brought the whole year revenue to 994 billion (15% increased over 2016), mainly contributed by bedding segment due to the effect of marketing programs during the year together with sales events at shopping centers and opening new large-scaled showrooms. It is proved that the strategy of investment in marketing has initially shown positive result, well impacted on customers' taste and choice, strengthened the brand power of Everon. This would be an important basis to increase sales in coming years.

However, in preparation for this breakthrough achievement, the Company had to invest a huge capital in advertising and selling, through major campaigns such as: (i) Hired famous actress Kim Tae Hee as brand representative; (ii) Carried out large-scaled marketing programs like "Catching dawn on Jeju island with Mother"; (iii) Upgraded the interiors and billboards, expanded and standardized brand recognition for agents. Total expense for Kim Tae Hee marketing campaign alone was around 20 billion.



In addition, the year of 2017 recorded quite a big provision for affiliated company Texpia under a strict provision policy, with the determination of Management to thoroughly clear the existing issues at this company, and prepare for the plan of acquisition, restructuring and developing this cleaner manufacturing business in 2018. Total deducted provision for Texpia in 2017 is approximately 26 billion.

The selling & general administrative expense of 2017 thereby increased by 50% over 2016, to reach 268 billion.

Profit after tax of 2017 dropped dramatically to 51.4 billion, equal to 57% of 2016. The net profit margin respectively was 5.2%, while the margin without all mentioned abnormal facts was remained at 10% like previous years.

### Increase sales strategies for 2018

#### 1. Bedding business

- ❖ **Diversify product portfolio:** In 2018, the Company will further develop several new product lines in order to enhance the flexibility of providing capability, including:
  - **Mattress:** adding latex mattress and new series of Everon spring mattress into the portfolio. Imported from Belgium, made from rubber with the advantages of good elasticity, high duration, well supported for the spine, cheaper price but higher quality and design, latex mattress could satisfy lots of customers' demands.
  - **Pillow:** diversify the material of insert & create functional pillows to increase facilities for end users, such as: memory foam, latex,... in various shape to support neck, anti-snore,... and take better care of users.
  - **Specialized products for online selling:** Especially designing some simple bedding items with young and dynamic style, lower to average price to sell online.
- ❖ **Expand the market:** In 5-year strategy 2018-2023, the Company will focus on dominating the South market and extend new modern sales channels in addition to maintaining traditional ones.
  - **In South market:** the Company expects to open further 40-50 large agents, 10 showrooms, upgrade the qualified agents to showroom in order to standardize the brand image. Also, right in 2018, the Company will set up a separate Design Institute for Southern market to make Research and Development on the characteristics in climate, customer taste, so as to launch a distinctive product range that best suitable to Southern consumers. The timeline for launching new collection would also change in accordance with regional nature.



- **Develop new sales channels:** the South has run successfully the sales method of collaboration with electronics appliance centers (Modern Trade). Expectedly, the Company will test and popularize this sales channel in the North if its effectiveness is proved.
- ❖ **Increase production capacity:** Solving the overload of orders in 2017, adapting to the growing orders of B2B and especially export business, Everpia will expand production capacity through equipping further 140 sewing machines and recruiting more workers for both Hung Yen and Dong Nai factory. The capacity of bedding segment thereby will increase at least 50% and create a good condition for the sales increase in 2018.

## 2. Padding business

### ❖ **Strategies on product:**

- Increasing the sales contribution of exclusive padding international brand Invista. This is high-end product licensed by an American partner, but revenue from this product line just accounted for under 10% of total padding sales, because of limited number of customers in this segment. The Company is now working on an exclusive marketing plan for this brand targeted not only to Columbia but also other major customers in European.
- Developing new padding model to flexibly adapt to diverse demand of the market. In 2017, we had successfully developed and produced the item using non-formalin glue, satisfied the customer's high requirement on chemical testing. For the coming year, besides continuously selling this new product, especially for Japanese customers, the Company will develop new other products for multiple segments, such as:
  - Use cheap and recycled fiber for low-end and average market.
  - Elastic microfiber padding product for high-end market.
  - Research on substitute of premium material (goose down,...) with similar characteristics and lower price.
- Finishing procedure for Recycle control system certificate (RCS) to better approach the foreign customers.

### ❖ **Strategy on customers:**

- Besides reinforcing relationship with existing customers, the Company also approaches new customers in multiple industries to widen and diversify customer network.
- Due to severe coldness both in Asia, EU and USA this winter, which are main markets for EVE's padding jackets, whole stocks of padding jackets have been sold out. It may cause bigger orders of padding jackets in the coming seasons.

❖ **Strategy on fixed asset investment:**

In preparation for the sales increase plan, the Company will buy new modern padding machines with high productivity to strengthen the supply capacity. Also, current machines will be upgraded and rearranged for better and more effective operation. As a result, padding production capacity could increase by ~20%.

**3. New business:**

- ❖ **Rolled blinds and curtains:** Got license since mid of 2017, the Company expects to sell rolled blinds and curtains in addition to bedding items via current distribution channels from the end of 1<sup>st</sup> quarter 2018. This supplement would make a highly appropriate product package for hotels, real-estate projects market which are gradually recovered. As planned, these product are settled at middle & high-end market with the material imported from Korea, eye-catching design and environmentally friendly.
- ❖ **Towels, cleaners:** In 1<sup>st</sup> quarter of 2018, the Company will popularly distribute Texpia products after acquiring its entire factory. The towels and cleaners portfolio will be specified by customer segments, including: (i) consumer: cleaner for smart phones, TV, family rugs & mats, towel,... and (ii) industrial cleaning business.

**Estimated performance of Jan 2018**

With these clear strategies, business performance of the first month of 2018 has shown positive signs with the estimated number as follows:

*Unit: mil. VND*

Items	Jan 2018	Jan 2017	+/-	Jan 2016	+/-
Net revenue	75,288	47,397	59%	50,571	49%
Cost of Goods sold	51,029	31,190	64%	33,593	52%
<b>Gross profit</b>	<b>24,258</b>	<b>16,208</b>	<b>50%</b>	<b>16,978</b>	<b>43%</b>

Net revenue increased by 59% over last year period, and by 49% compared to January 2016. At the same time, gross profit even recorded a bigger enlargement, formed a big gap with previous years. The profit margin before tax is expected to be at 10%, considering normal Selling and General administrative expense ratio of 21%.

These meaningful numbers were seen as the result of multiple actions and investments made previously. The brandname of Everon has become a more and more welknown brand in consumer industry.



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## Other activities

- **Strengthen the production efficiency management:** In the beginning of 2018, the Company has signed consulting contract with a group of Korean experts on factory consultant. Accordingly, with the long experience at many big companies, corporations over the world, these experts will examine the factory site, point out the unadequate arrangements, and advise the plan of factory innovation in order to minimize the production time and increase the working efficiency.
- **Tighten operational cost management:** By the end of 2017, the Company has started to upgrade the accounting management software system, tie up the requirement on accounting papers from departments in order to more closely manage the operational expense of each business unit, each department. The accurate cost breaking down by business unit will help the Management to give more detailed business strategy in the coming time, and re-organize the operational system in a focused and efficient way.



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