

Sector : Textile | RETAIL RESEARCH

Everpia Joint Stock Company (HSX: EVE) Company Update

Recommendation

Current price:	17,950	Date:	29/11/2021	SHAREHOLDER STRUCTURE	
Previous target price	-	Outstanding Shares (Million)	38,047,973	Lee Jae Eun	16.69%
New target price:	-	Market Cap (VND billion)	738	NH Investment & Securities	7.77%
Dividend yield	-	Avg. 10D Trading vol:	214,240	AFC Vietnam Fund	8.03%
Upside	N/A	% Foreign float	66.54%	Korea Investment & Securities	8.02%

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Target price: VND
Stop-loss price: VND

VALUATION

By the end of November 29th 2021, EVE closed at VND 17,950 per share, equivalent to trailing PE multiple of 14.9 which is equivalent to the industry median P/E.

BUSSINESS PLAN

EVE set the target of revenue and profit before 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.

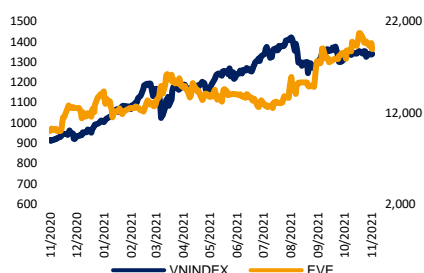
TECHNICAL ANALYSIS

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.

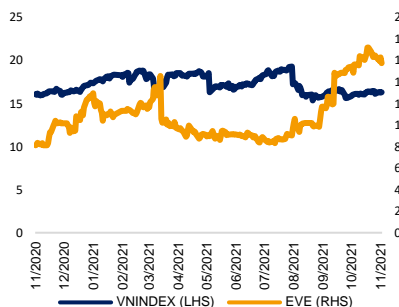
COMPANY UPDATE

- **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) Increased costs due to 3 on-site deployment (iii) Increased transportation costs high.
- **Revenue breakdown by product:** Bed sheets reached 86 billion (-31% YoY), Cotton sheets reached 57 billion (-12% YoY) and Towels reached 11 billion (-46% YoY).
- **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 Towel product plummeted from 12% to 4% due to increase in raw material prices and unusual costs related to employees. Meanwhile, the gross margin of Bedding and Cotton 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 and trading cotton sheets. After many years of operation and development, the Company is currently doing business in the following main lines of business: Blankets - sheets - pillows - cushions; Handkerchiefs and curtains.

Table: EVE's field of activity

Field	Product	2020 Gross Profit margin
Bedding - pillow - mattress	Provide duvet covers, pillowcases, bed sheets, duvets (Everon, Everon Lite, K - bedding), pressed cotton mattresses, spring mattresses (Artemis, King Koil)	28.4%
Cotton sheet	Provide Cotton and Cotton products (Dexfil, Microfiber, Everfil)	44.5%
Towels & wipes	Provide face towels, bath towels and other wipes (Home Decor Everon)	13.5%
Blinds & furniture	Provide curtains, pillows, other decorations (Everon blinds)	

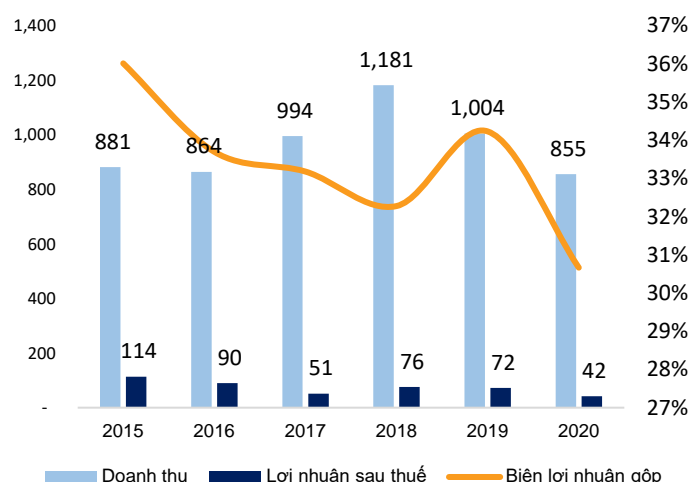
Table: EVE's Factory List

Factory	Address	Capacity
Ha Noi Factory	Gia Lam, Ha Noi	Cotton sheet, blanching capacity: 15 million yards/year
Hung Yen Factory	Van Lam, Hung Yen	Blanket - sheet - pillow - mattress capacity: 3 million products/year
Dong Nai Factory	Bien Hoa, Dong Nai	Cotton sheet capacity: 10 million yards/year Blanket - sheet - pillow - mattress capacity: 1 million products/year Towel capacity: 15 million products/year

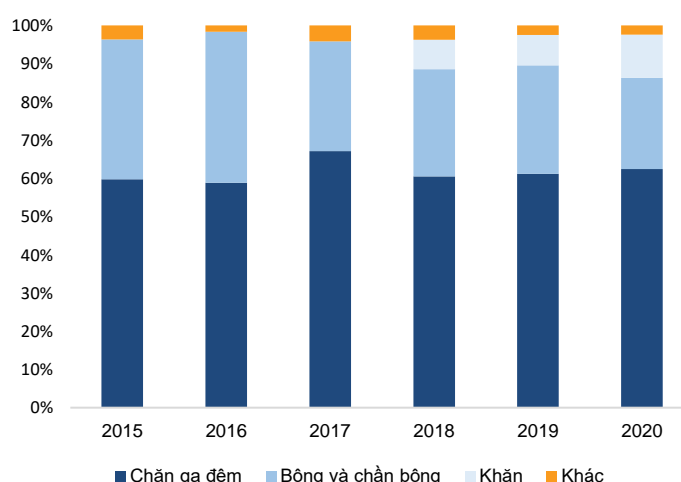
Source: EVE

Although EVE has a long-standing Everon mattress brand, in recent years, EVE's activity has been flat due to changing user tastes as well as the increasingly competitive mattress market. In 2020, the blanket - sheet - mattress segment accounted for the main proportion with 62% of revenue, followed by the cotton segment accounting for 24% of revenue. The rest are new product groups: towels, carpets, curtains.

EVE's annual bussiness results

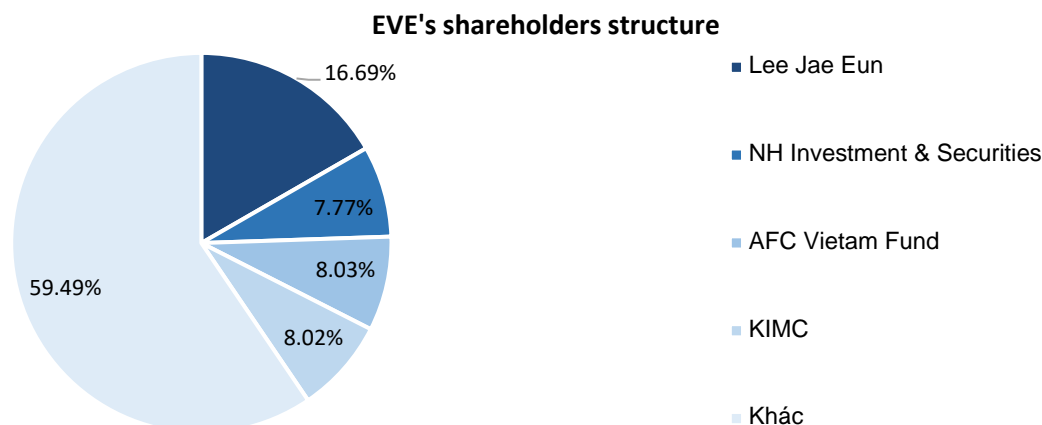


EVE's revenue breakdown in 2015-2020



Source: EVE

SHAREHOLDERS STRUCTURE



Source: Fiinpro

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 (KIMC, Korea Investment & Securities, Woori 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

Bussiness recap in 3Q2021:

VND billion	Q3.20	Q3.21	% YoY	9M.20	9M.21	% YoY	Comment
Net Sales	212	155	-27%	596	568	-5%	- 3Q net revenue decreased by 27% when all business segments decreased due to Covid-19: Bedding reached 86 billion (-31% YoY), Cotton sheets reached 57 billion (-12% YoY), Towels reached 11 billion (-46% YoY).
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%	- Geographical structure: Export reached 83 billion (-17% YoY) and domestic reached 72 billion (-36% YoY). Exported items (cotton, towels) are affected at the shipping stage when the shipping line cancels/delays the schedule. Meanwhile, domestic demand was affected by the Covid-19 epidemic in the southern provinces.
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%	- Gross profit margin decreased from 33.5% to 30.5% due to a sharp decrease in the gross margin segment (from 12% to 3%) due to high transportation costs.
PBT	22	8	-64%	16	18	11%	
Net Income	18	6	-64%	11	15	33%	
NPATMI	18	6	-64%	11	15	33%	
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. Blankets – Sheets – Pillows – Cushions:

+ For short and medium term: repositioning Everon brand

+ For long term: Developing Everon as the brand of household appliances

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

(i) Product

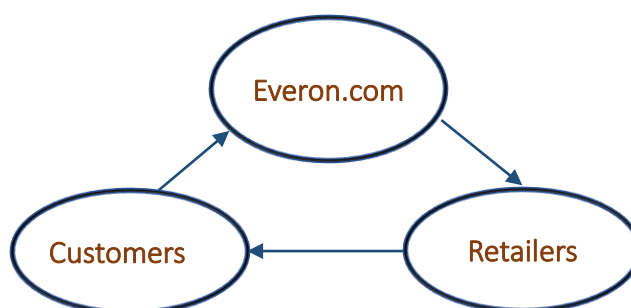
Although Everon has always been a well-known brand in the market, however, Everon brand is witnessing a decline in recognition recently due to: (i) The market has become more and more competitive (ii) Brand awareness decreased, especially in the young segment. Therefore, in the coming time, Everpia plans to conduct market research to identify, reposition and rebrand Everon brand as a must for the millennials.

(ii) Upgrading authorized retail networks (Digital transformation):

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

In order to meet the trend of online shopping and omnichannel sales, Everpia will redesign, and operate the company's website and promote marketing activities to attract customers to shop on the company's website. The orders will be transferred directly to the agent which is closest to the customer.

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



b. Cotton Sheet : Reaching high quality standards

EVE has aimed to produce 100% NF cotton (cotton without using NF resin) towards the goal of sustainability for both the environment and users. In addition, Everon will expand the customer base in Vietnam and retail brands that have demand to use Cotton as raw materials.

c. Other product lines: Towels and Curtains

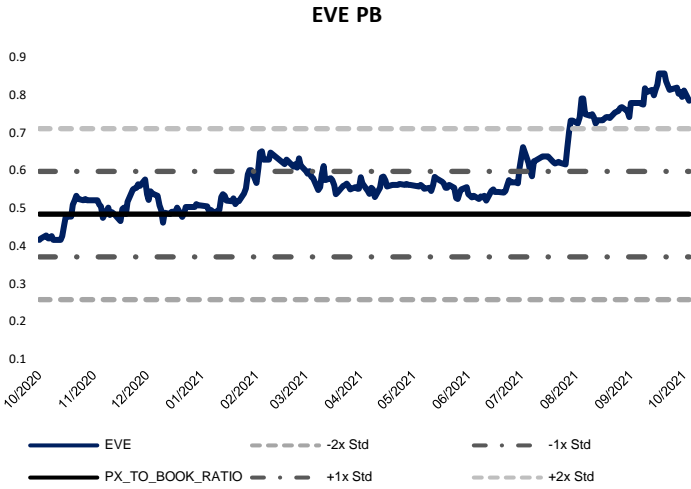
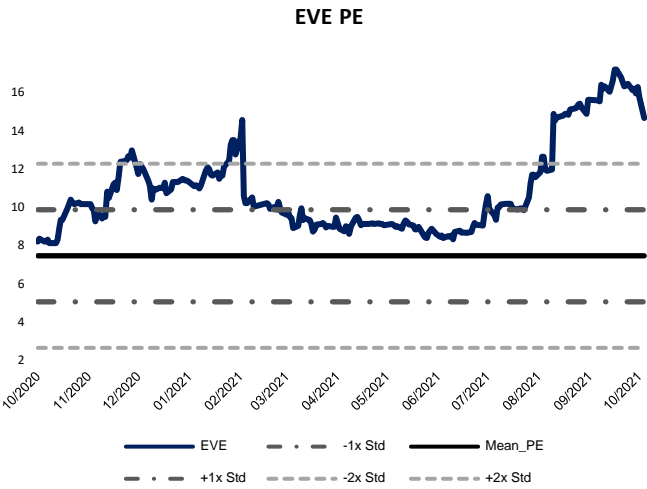
Towel: The business performance of towels and rugs in the domestic market is not as high as expected. Currently, more than 95% of sales of towels (mainly industrial sanitary towels) come from those exports to European countries.

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 cotton sheets
- + Factory in Hung Yen: for blankets and pillows, pressed cotton
- + New factory in Giang Dien: for towels, cushions, cotton sheets, and specializing in spring mattress products



Disclosure

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