

[Vietnam] Textile

Everpia JSC

(EVE VN)

1H21 business updates

September 24, 2021

HOLD
(Downgrade)**TP: VND20,400**
Upside: +7.3%

Mirae Asset Securities (Vietnam) LLC.

Chau Bui chau.bn@miraeasset.com.vn

Key points

Everpia JSC (EVE) continued its recovery and strong financial position amid the COVID-19 pandemic. We believe the company will maintain its strength, even with major changes in its business.

1H21 business results**1H21 business results**

In 1H21, EVE recorded total revenue of VND413.9bn (+7.8% YoY), which breaks down to VND249bn (+10.6% YoY) from bedding products; VND123.3bn (+9.5% YoY) from cotton products; and VND40.7bn (-10.9% YoY) from towels. Gross margin was robust, reaching 32.9% (versus less than 27% in 1H20). EVE's 1H21 after-tax profit reached VND8.7bn, a significant improvement from the loss of VND6.4bn in 1H20.

Some notable changes

- On September 22, 2021, EVE announced that the company had successfully redeemed US\$10.1mn in convertible bonds, with a total payment of US\$10.9mn (around VND250bn). The redemption price is based on the put option.
- On June 30, 2021, EVE announced its Giang Dien Project Project ("Everpia JSC's manufacturing site in Giang Dien IP"). The expected investment for the Giang Dien Project is US\$10mn (around VND230bn), with a debt/equity ratio of 1/4. Completion is expected in December 2022.

With the two major changes, we believe the financial position of EVE should remain very healthy. However, the company's financial income may no longer benefit from large deposits and the stronger VND, as a large amount of cash will be withdrawn from its coffers.

Risks

The major risks that could affect EVE's stock valuation include the following: prolonged COVID-19 pandemic; logistics disruption; increased labor costs; stagnant tourism market; and rate changes.

Valuation

We raise our target price to VND20,400 (from VND13,500), and downgrade our rating to Hold (from Buy).

Key data

Share price (09/24/21, VND)	19,000	Market cap (VNDbn)	723
OP (21F, VNDbn)	36.9	Shares outstanding (mn)	38
Consensus OP (21F, VNDbn)	N/A	Free float (%)	66.5
EPS growth (21F, %)	7.4	Foreign ownership (%)	66.8
P/E (21F, x)	14.2	Beta (12M)	0.9
Market P/E (21F, x)	13.7	52-week low (VND)	9,680
VN-Index	1,351	52-week high (VND)	19,950

Share performance

(%)	1M	6M	12M
Absolute	26.7	25.8	90.0
Relative	23.5	9.6	41.3

Earnings and valuation metrics

FY ()	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenue (VNDbn)	1,181	1,004	855	924	998	1,077
OP (VNDbn)	90.8	70.5	27.4	36.9	79.8	86.2
OP margin (%)	7.69	7.03	3.20	4.00	8.00	8.00
NP (VNDbn)	76.2	71.9	42.1	45.1	70.0	78.0
EPS (VND)	1,933	1,889	1,105	1,187	1,840	2,051
ROE (%)	8.38	7.66	4.45	4.75	7.12	7.62
P/E (x)	8.0	5.7	15.2	14.2	9.1	8.2
P/B (x)	0.6	0.4	0.7	0.7	0.7	0.6

Note: NP refers to net profit attributable to controlling interests

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

PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS IN APPENDIX 1 AT THE END OF REPORT.

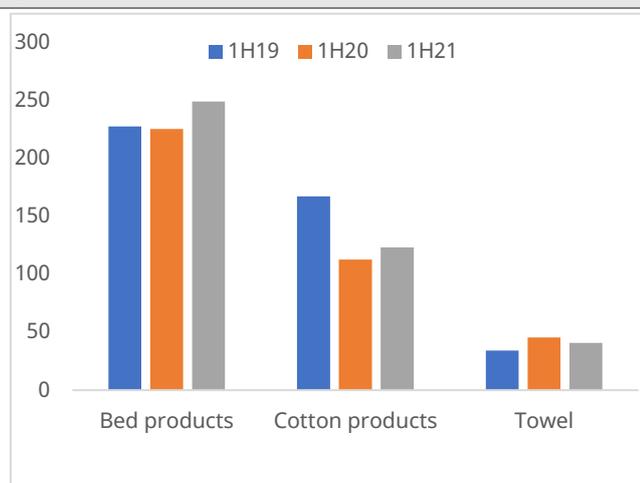
1H21 business results

In 1H21, EVE recorded total revenue of VND413.9bn (+7.8% YoY), which breaks down to VND249bn (+10.6% YoY) from bedding products; VND123.3bn (+9.5% YoY) from cotton products; and VND40.7bn (-10.9% YoY) from towels. Although the recovery of revenue was slower than expected, we believe it was still a positive, with a still-stagnant market amid the COVID-19 pandemic. Besides, gross margin saw a significant improvement, reaching 32.9% (versus less than 27% in 1H20). This may indicate that the company has adapted to the pandemic situation and increased its efficiency.

Moreover, when comparing the 1H21 results to 1H19 figures, we believe EVE has basically returned to its “pre-pandemic” status, which could set up a good foundation for the company to grow in the post-pandemic market.

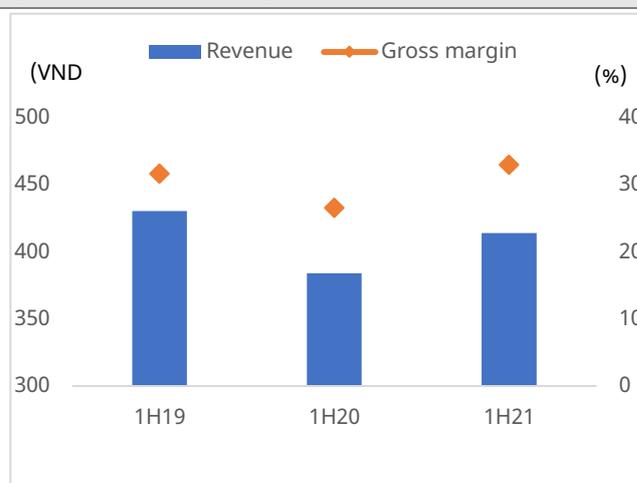
As a result, EVE’s 1H21 after-tax profit reached VND8.7bn, a significant improvement from the loss of VND6.4bn in 1H20.

Figure 1. EVE’s revenue (VND bn)



Source: Company data, Mirae Asset Vietnam Research

Figure 2. EVE’s gross margin



Source: Company data, Mirae Asset Vietnam Research

Some notable changes

Redemption of convertible bonds

On September 22, 2021, EVE announced that the company had successfully redeemed US\$10.1mn in convertible bonds, with total payment of US\$10.9mn (around VND250bn). The redemption price is based on the put option.

Relocation of manufacturing to Dong Nai province

On June 30, 2021, EVE announced its Giang Dien Project (“Everpia JSC’s manufacturing site in Giang Dien IP”), which includes the transfer of its current manufacturing facilities in Bien Hoa I IP to a new site in Giang Dien IP. The project followed the directive of the Dong Nai People’s Committee on the conversion of land-use purpose for Bien Hoa I IP.

According to EVE, the new facilities in Dong Nai will concentrate on producing mattresses, cotton sheets, and towels. Moreover, in the future, EVE will restructure its current manufacturing for specialized production. In particular, the company’s two other factories will specialize in producing cotton sheets and bed drapes (Ha Noi factory) and cotton mattresses (Hung Yen province factory).

The expected investment for the Giang Dien Project is US\$10mn (around VND230bn), with a debt/equity ratio of 1/4. Completion is expected in December 2022.

With the two major changes, we believe the financial position of EVE should remain very healthy, with a forecast debt/equity ratio of only 12% by 2022 (versus 33% at end-2020). However, the company’s financial income may no longer benefit from large deposits and the stronger VND versus the US dollar, as a large amount of cash — about US\$21mn — will be withdrawn from its coffers.

Valuation

With major changes in EVE's financial structure and manufacturing investment, we change our valuation method to the Single-stage Residual Income (RI) method, which we believe better reflects the company's value. We apply the method with a required rate of return (RRR) of 10%, long-term growth rate of 0%, and 10-year normalized ROE of 8.5%.

Thus, we raise our target price to VND20,400 (from VND13,500), and downgrade our rating to Hold (from Buy).

Risks

Macro, industry, and corporate uncertainties could affect the value of EVE's stock:

- The prolonged COVID-19 pandemic in Dong Nai province may delay the Giang Dien Project's schedule.
- Logistics disruption and higher employee costs (COVID-19 testing, pandemic-related costs) because of the pandemic may hit profit margins.
- The still-stagnant hotel and tourism market makes it hard for the company to increase sales and revenue.
- Changes in policy rates would affect the company's interest expense and discount rate, which in turn affects stock valuation.

Everpia JSC (EVE VN)

Income statement (summarized)

(VNDbn)	2020	2021	2022	2023
Revenue	855	924	998	1,078
Cost of Sales	593	637	668	722
Gross Profit	262	286	329	356
Operating expenses	235	249	249	269
Operating Profit	27	37	80	86
Net financial income	26	21	10	14
Financial Income	39	24	15	18
Interest expense	14	3	5	4
Pretax Profit	56	58	90	100
Income Tax	14	13	20	22
Net Profit	42	45	70	78
Controlling Interests	42	45	70	78
Non-Controlling Interests	0	0	0	0
EPS (VND)	1,105	1,187	1,840	2,051

Balance sheet (summarized)

(VNDbn)	2020	2021	2022	2023
Current Assets	1,087	911	782	871
Cash and Cash Equivalents	588	403	246	297
AR & Other Receivables	109	141	152	165
Inventories	339	319	334	361
Other Current Assets	51	48	49	48
Non-Current Assets	266	216	415	353
Net fixed assets	202	151	350	288
Investments	9	9	9	9
Other long-term assets	55	56	56	56
Total Assets	1,353	1,126	1,196	1,224
Current Liabilities	153	174	213	201
AP & Other Payables	81	71	74	80
ST Financial Liabilities	56	80	120	100
Other Current Liabilities	16	23	19	20
Non-Current Liabilities	256	1	0	0
LT Financial Liabilities	1	1	0	0
Other Non-Current Liabilities	255	0	0	0
Total Liabilities	599	175	213	201
Controlling Interests	944	952	983	1,023
Capital Stock	420	420	420	420
Capital Surplus	203	203	203	203
Retained Earnings	398	405	437	477
Non-Controlling Interests	0	0	0	0
Stockholders' Equity	944	952	983	1,023
BVPS (VND)	24,819	25,008	25,848	26,899

Cash flow statement (summarized)

(VNDbn)	2020	2021	2022	2023
CFO	201	80	63	80
Net Profit	42	45	70	78
Depr. & amortization	45	45	23	32
Others	-1	0	0	0
Chg. in Working Capital	115	-11	-30	-30
CFI	-11	5	-222	30
Capital expenditures	-7	6	-223	30
Others	-4	-1	1	0
CFF	-207	-269	1	-58
Dividends	-34	-38	-38	-38
Increase in equity	0	0	0	0
Increase in debt	-173	-231	39	-20
Net Cashflow	-16	-185	-157	52
Beginning Balance	618	588	403	246
Ending Balance	588	403	246	297

Key valuation metrics/ratios

	2020	2021	2022	2023
P/E (x)	15.20	14.16	9.13	8.19
P/CF (x)	N/A	N/A	N/A	12.34
P/B (x)	0.68	0.67	0.65	0.62
EV/EBITDA (x)	0.00	0.00	0.00	0.00
EPS (VND)	1,105	1,187	1,840	2,051
CFPS (VND)	-411	-4,852	-4,139	1,361
BPS (VND)	24,819	25,008	25,848	26,899
DPS (VND)	894	1,000	1,000	1,000
Payout ratio (%)	8.10	9.06	9.06	9.06
Dividend Yield (%)	5.32	5.95	5.95	5.95
Accounts Receivable Turnover (x)	7.84	6.55	6.55	6.55
Inventory Turnover (x)	1.75	2.00	2.00	2.00
Accounts Payable Turnover (x)	6.13	9.00	9.00	9.00
ROA (%)	3.11	4.01	5.85	6.37
ROE (%)	4.45	4.75	7.12	7.62
Liability to Equity Ratio (%)	63	18	22	20
Current Ratio (%)	7.10	5.23	3.67	4.34
Net Debt to Equity Ratio (%)	33	8	12	10
Interest Coverage Ratio (x)	5.10	18.79	19.70	26.01

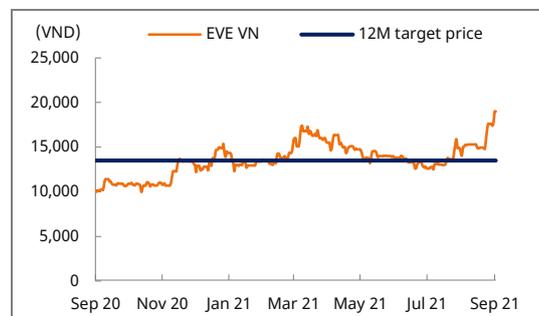
Source: Company data, Mirae Asset Vietnam Research

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (VND)
Everpia JSC (EVE VN)	09/24/2021	Hold	20,400
Everpia JSC (EVE VN)	05/21/2020	Buy	13,500



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

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

* Outside of the official ratings of Mirae Asset Daewoo Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

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

Analyst certification

The research analysts who prepared this report (the “Analysts”) are subject to Vietnamese securities regulations. They are neither registered as research analysts in any other jurisdiction nor subject to the laws and regulations thereof. Opinions expressed in this publication about the subject securities and companies accurately reflect the personal views of the Analysts primarily responsible for this report. MAS policy prohibits its Analysts and members of their households from owning securities of any company in the Analyst’s area of coverage, and the Analysts do not serve as an officer, director or advisory board member of the subject companies. Except as otherwise specified herein, the Analysts have not received any compensation or any other benefits from the subject companies in the past 12 months and have not been promised the same in connection with this report. No part of the compensation of the Analysts was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report but, like all employees of MAS, the Analysts receive compensation that is determined by overall firm profitability, which includes revenues from, among other business units, the institutional equities, investment banking, proprietary trading and private client division. At the time of publication of this report, the Analysts do not know or have reason to know of any actual, material conflict of interest of the Analyst or MAS except as otherwise stated herein.

Disclaimers

This report is published by Mirae Asset Securities (Vietnam) LLC (MAS), a broker-dealer registered in the Socialist Republic of Vietnam and a member of the Vietnam Stock Exchanges. Information and opinions contained herein have been compiled in good faith and from sources believed to be reliable, but such information has not been independently verified and MAS makes no guarantee, representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained herein or of any translation into English from the Vietnamese language. In case of an English translation of a report prepared in the Vietnamese language, the original Vietnamese language report may have been made available to investors in advance of this report.

The intended recipients of this report are sophisticated institutional investors who have substantial knowledge of the local business environment, its common practices, laws and accounting principles and no person whose receipt or use of this report would violate any laws and regulations or subject MAS and its affiliates to registration or licensing requirements in any jurisdiction shall receive or make any use hereof.

This report is for general information purposes only and it is not and shall not be construed as an offer or a solicitation of an offer to effect transactions in any securities or other financial instruments. The report does not constitute investment advice to any person and such person shall not be treated as a client of MAS by virtue of receiving this report. This report does not take into account the particular investment objectives, financial situations, or needs of individual clients. The report is not to be relied upon in substitution for the exercise of independent judgment. Information and opinions contained herein are as of the date hereof and are subject to change without notice. The price and value of the investments referred to in this report and the income from them may depreciate or appreciate, and investors may incur losses on investments. Past performance is not a guide to future performance. Future returns are not guaranteed, and a loss of original capital may occur. MAS, its affiliates and their directors, officers, employees and agents do not accept any liability for any loss arising out of the use hereof.

MAS may have issued other reports that are inconsistent with, and reach different conclusions from, the opinions presented in this report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. MAS may make investment decisions that are inconsistent with the opinions and views expressed in this research report. MAS, its affiliates and their directors, officers, employees and agents may have long or short positions in any of the subject securities at any time and may make a purchase or sale, or offer to make a purchase or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case either as principals or agents. MAS and its affiliates may have had, or may be expecting to enter into, business relationships with the subject companies to provide investment banking, market-making or other financial services as are permitted under applicable laws and regulations.

No part of this document may be copied or reproduced in any manner or form or redistributed or published, in whole or in part, without the prior written consent of MAS.

Mirae Asset Daewoo International Network

Mirae Asset Daewoo Co., Ltd. (Seoul)

One-Asia Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

PT. Mirae Asset Sekuritas Indonesia

Equity Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-53
Jakarta Selatan 12190
Indonesia

Tel: 62-21-515-3281

Mirae Asset Securities Mongolia UTsK LLC

#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai 200120
China

Tel: 86-21-5013-6392

Mirae Asset Securities (HK) Ltd.

Units 8501, 8507-8508, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Tel: 852-2845-6332

Mirae Asset Wealth Management (USA) Inc.

555 S. Flower Street, Suite 4410,
Los Angeles, California 90071
USA

Tel: 1-213-262-3807

Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Ho Chi Minh Representative Office

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building
Vila Olimpia
Sao Paulo - SP
04551-060
Brazil

Tel: 55-11-2789-2100

Mirae Asset Securities (Vietnam) LLC

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)
