

[Vietnam] Textile

**Everpia JSC**

(EVE VN)

**1H21 business updates**

September 24, 2021

**HOLD**

(Downgrade)

**TP: VND20,400**

Upside: +7.3%

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**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.

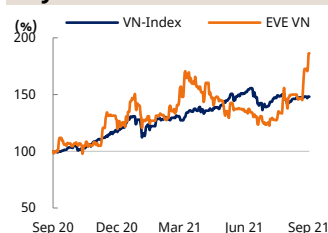
With the two major changes, we believe the financial position of EVE should remain very healthy. However, the company's financial income may no longer benefit from large deposits and the stronger VND, as a large amount of cash will be withdrawn from its coffers.

**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 (I)	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

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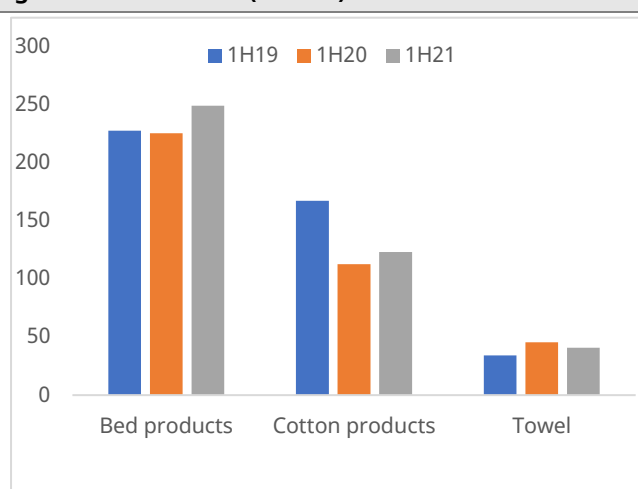
## 1H21 business results

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.

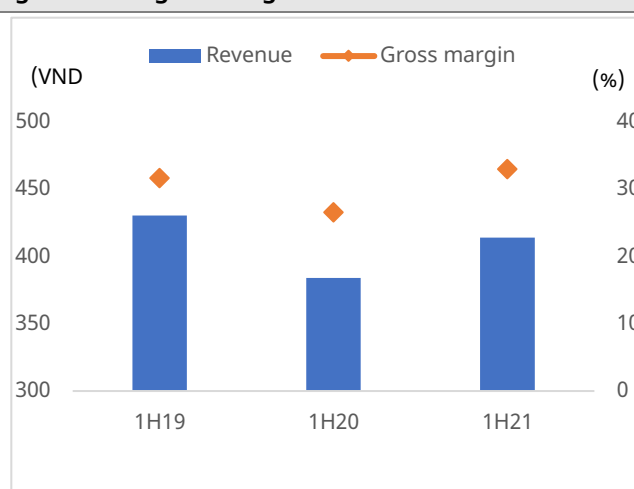
As a result, EVE’s 1H21 after-tax profit reached VND8.7bn, a significant improvement from the loss of VND6.4bn in 1H20.

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

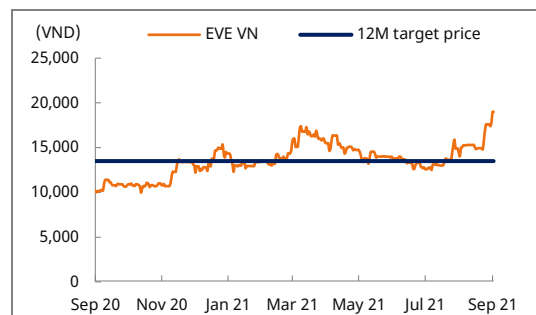
Source: Company data, Mirae Asset Vietnam Research

# 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.

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

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