

Sector : Textiles | RETAIL RESEARCH ([Link](#))

Recommendations

BUY

Everpia Joint Stock Company (HSX: EVE) GROWTH FROM A LOW BACKGROUND

Current price:	16,500
Previous target price	-
New target price:	19,000
Dividend yield	-
Upside	16%

Date of writing of the report:	27/04/2022
Outstanding shares (Million)	38,047,973
Capitalization (Billion VND)	637
Average liquidity of 10 sessions:	784,800
Foreign ownership	68.9%

SHAREHOLDER STRUCTURE	
Lee Jae Eun	16.6%
AFC Vietnam Fund	10.1%
NH Investment & Securities	7.7%
Korea Investment & Securities	6.8%

Retail Research Department:

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VALUATION

BSC recommends BUYING for EVE shares with a target price of VND19,000, (+16% compared to the April 27, 2022 price) for 2022 based on FCFE and PE methods at a ratio of 60%/40%.

Technical analyst:

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Target price (short-term investor): VND
Cut-loss price: VND

BUSINESS PLAN

EVE sets its 2022 business plan of 1 trillion revenues (+15.6% YoY) and 70 billion after-tax profits (+17% YoY) respectively.

FORECAST BUSINESS RESULTS

BSC forecasts 2022 results for EVE of 1.092 billion revenue (+26% YoY) and 81 billion after-tax profit (+36% YoY) respectively. EPS fw in 2022 reached VND 2,150 per share, equivalent to P/E fw of 7.6.

EVE and VN- Index price comparison table



BUSINESS UPDATE

- **Revenue and profit after tax in the Q1/ 2022 recovered with revenue reaching 193 billion (+3% YoY) and profit after tax reaching 14.7 billion (compared to the same period of 4.5 billion).** Bedding business go sideways while padding are recovering strongly (+21% YoY) when export orders return.
- **Revenue structure according to products Q1.2022:** Bedding reached 126 billion (+0% YoY), Padding reached 48 billion (+21% YoY) and Cleaner reached 18 billion (-21% YoY), Other reached 18 billion (-6% YoY).
- **Gross margin increased from 33.1% to 35.9%** as the gross margin of Bedding from 32% to 36%.

P/E comparison table of EVE and VN-Index



	2021	2022	Peer	VN-Index
PE (x)	11.3	7.2	10.8	14.7
PB (x)	0.7	0.5	2.0	1.9
PS (x)	0.7	0.6	0.8	1.5
ROE (%)	6%	7%	17%	13%
ROA (%)	4%	4%	5%	2%

	2019	2020	2021	2022F
Net revenue	1,004	855	865	1,092
Gross profit	344	263	295	384
Profit after tax	72	42	60	81
EPS	1,889	1,105	1,570	2,150
EPS Growth	-6%	-42%	42%	36%

BUSINESS OVERVIEW

Established in 1993, Everpia Joint Stock Company was formerly a branch of Viko Moolsan Co., Ltd., specializing in manufacturing and trading of padding product. After many years of operation and development, the Company is currently doing business in the following main lines industries: Bedding; Padding and Cleaner.

Table: EVE's Field of activity

Field	Product	Gross Margin 2021
Bedding business	Provides products blanket covers, pillowcases, bed sheets, duvet (Everon, Everon Lite, K – bedding), PE mattress, spring mattress (Everon, King Koil)	33.9%
Padding business	Provide Quilting and Padding (Dexfil, Everfil)	40.9%
Cleaner business	Provide cleaner made of microfiber	20.7%
Curtain business	Provide blinds/ curtain and other decorations (Everon curtain)	19.4%

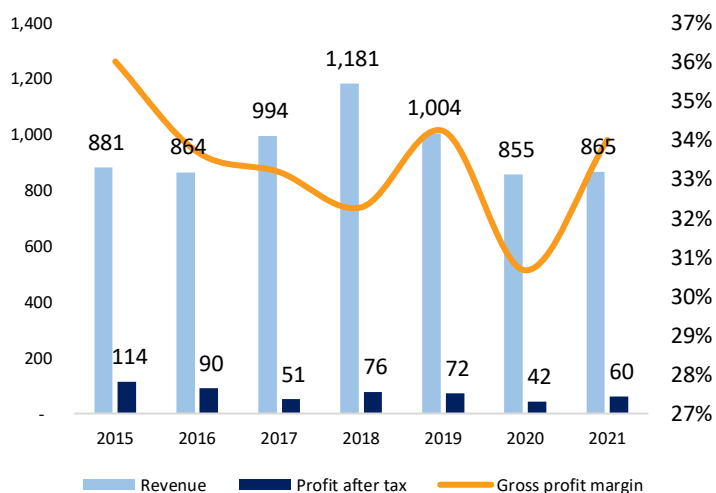
Table: EVE's Factory List

Factory	Address	Power
NM Hanoi	Gia Lam District, Hanoi	Capacity of Padding, Quilting: 15 million yards/year
Hung Yen NM	Van Lam District	Capacity of Linen - insert - mattresses: 3 million products/year
Dong Nai NM	Bien Hoa District	Capacity of Padding: 10 million yards/year Capacity of Linen – insert - mattresses: 1 million products/year Capacity of Cleaner: 15 million products/year

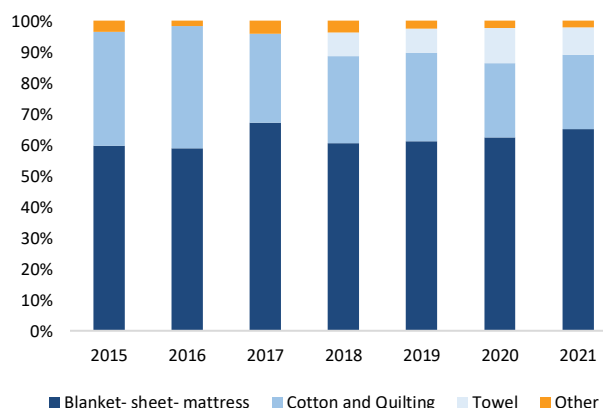
Source: EVE

Although EVE has a long-standing Everon bedding brand, in recent years EVE's operations have been sideways due to changing user brands as well as an increasingly competitive mattress market. In 2020, Bedding business accounted for the main proportion with 62% of revenue, followed by Padding business accounting for 24% of revenue. The rest are new product groups: cleaner, curtains and household items from fabrics.

EVE's annual business results

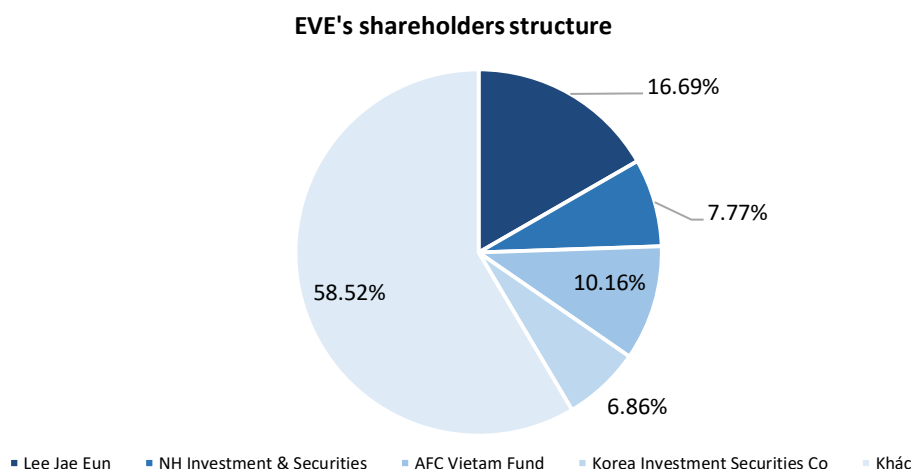


EVE's revenue structure in the period 2015 - 2021



Source: EVE

SHAREHOLDER STRUCTURE



Source: Fiipro

BSC said that EVE's shareholder structure is quite concentrated, the major shareholders at EVE are mainly the board of directors (Koreans) and Korean financial institutions (NH Investment & Securities and Korea Investment & Securities). In addition, recent times showed the structural move of shareholder funds:

- + AFC Vietnam Fund increases ownership: buys 66,000 shares - equivalent to 0.17% of shares
- + Korea Investment & Securities reduces ownership: sells 262,700 shares, or 0.69% of shares
- + NH Investment & Securities reduces ownership: sells 416,200 shares, equivalent to 1.09% of shares

UPDATE BUSINESS RESULTS FOR Q1/2022

Billion VND	Q1. 21	Q2.22	% YoY	2022 Plan	Comment
Net revenue	187	193	3%	1,000	<ul style="list-style-type: none"> ▪ Revenue and profit after tax in the first quarter of 2022 recovered with revenue reaching 193 billion (+3% YoY) and profit after tax reaching 14.7 billion (compared to the same period of 4.5 billion). Bedding business go sideways while padding are recovering strongly (+21% YoY) when export orders return. ▪ Revenue structure according to products Q1.2022: Bedding reached 126 billion (+0% YoY), Padding reached 48 billion (+21% YoY) and Cleaner reached 18 billion (-21% YoY), Other reached 18 billion (-6% YoY). ▪ Gross margin increased from 33.1% to 35.9% as the gross margin of Bedding business from 32% to 36%.
Gross profit	62	69	11%		
Gross profit margin	33.1%	35.7%			
Selling expenses	(42)	(38)	-9%		
Management costs	(21)	(18)	-14%		
SG&A/ DTT	33.6%	29.0%			
EBIT	15	27	80%		
Financial revenue	9	9	0%		
Financial expenses	(1)	(4)	300%		
Profit before tax	6	18	200%		
Profit after tax	4	14	250%	70	
NPAT	4	14	250%		
NPAT of parent company	4.9%	6.9%			
EPS	120	359	199%		

BUSINESS OUTLOOK FOR 2022

BSC said that in 2022, EVE's business outlook is positive thanks to the following factors (i) Benefiting from the economic recovery after Covid: export orders and orders from hotels (ii) Expectations of restructuring Bedding business after a long period of competition

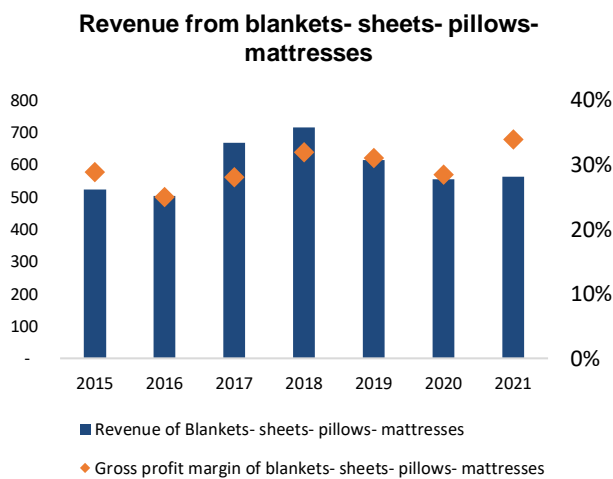
(i) Benefit from the economic recovery after the Covid epidemic: export orders and hotel orders return

After two years of being affected by the epidemic, BSC expects export orders to return (including Padding products and Bedding product). In addition, BSC expects the company to benefit from the increased demand for Padding products along with some orders switching to EVE due to the lack of personnel from rival factories due to Covid.

Not only that, after two years of being affected by Covid, the tourism industry in Vietnam is gradually recovering with both domestic and international visitors. Consumers' willingness to increase spending on tourism is expected to boost hotels' spending on items, including bedding product. Revenue for Bedding orders with B2B customers usually accounts for 9% - 11% of total revenue.

(ii) Expectations from buffer segment restructuring after a long period of competition

Although Epepia has a long-standing mattress brand, in recent times, the Everon brand is witnessing a decline as (i) the market is increasingly competitive (ii) brand recognition (especially with younger customers) declines.



Some samples



Source: EVE

Therefore, in the coming time, Everpia will conduct market research to identify, locate and develop a plan to redevelop the Everon brand, with a focus on millennial customers.

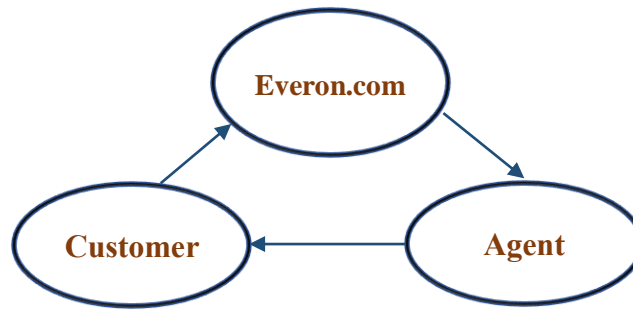
In addition, the company in parallel conducts an upgrade (Digital Transformation) of the dealer system:

Currently, Everpia has about 427 distribution stores nationwide and the company continues to consider the dealer channel as the main distribution channel.

In order to meet the trend of online shopping and multi-channel sales, Everpia will design, manage and operate the company's website and promote marketing and advertising activities to attract customers to shop on the company's website. The orders will be pushed back to the nearest dealer executed by the customer.

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

BSC expects that with the strategy of restructuring the brand identity along with the demand for mattresses recovering from the epidemic as well as the unaffected sales as in 2021, buffer consumption in 2022 gradually recovered to pre-epidemic levels.

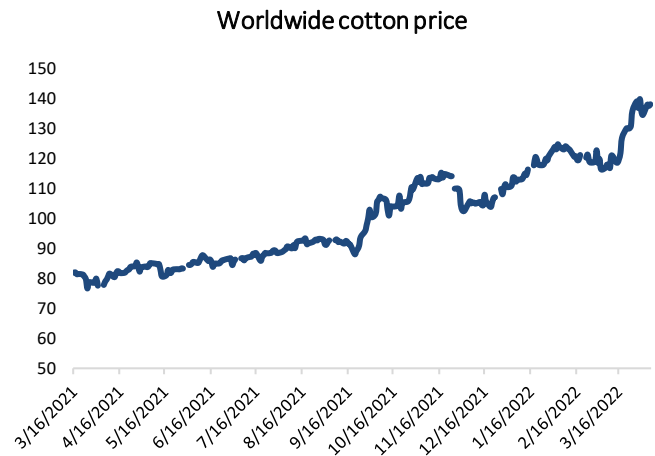
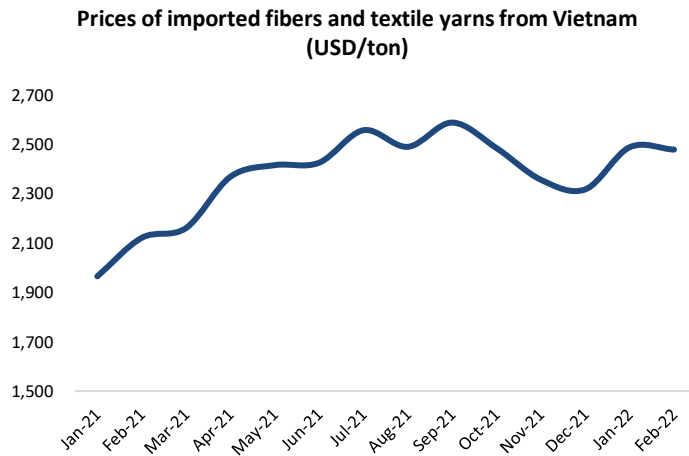


RISKS

BSC said that the high price of anchor input materials in 2022 will affect eve's costs due to the company importing fibers, fabrics (from Korea, China) to produce blankets- sheets- pillows and padding.

+ The average price of fibers and textile fibers imported into Vietnam in the first 2 months of 2022 is 2,483 USD/ton, up 22% YoY and up 7% YTD

The average world cotton price in the first 3 months of 2022 was \$ 1.3/lb, up 56% YoY and 8% YTD.



Source: TCHQ, Bloomberg

FORECAST AND VALUATION

Forecast of business results in 2022: BSC forecasts that EVE's 2022 net revenue and profit after tax will reach VND 1,092 billion (+26% YoY) and VND 82 billion (+37% YoY) based on the following assumptions:

+ Revenue structure in 2022 by product:

	2021		2022F	
	Revenue (billion VND)	Quantity (thousands of products)	Revenue (billion VND)	Quantity (thousands of products)
Bedding	561	1,598	683	1,886
Padding	209	12,319	313	14,783
Cleaner	76	4,870	96	5,601

EVE's Business Results Forecast Table

Unit: billion VND	2020	2021	2022F	2023F
Net Revenue	855	866	1,092	1,235
Cost of goods sold	(593)	(570)	(708)	(791)
Gross profit	262	295	383	443
Gross profit margin	30.7%	34.1%	35.1%	35.9%
Selling expenses	(140)	(150)	(188)	(212)
Selling Cost Margin	19.4%	17.4%	17.2%	17.2%
Management cost of DN	(94)	(85)	(109)	(123)
Marginal Management Cost of Enterprises	11.0%	9.8%	10.0%	10.0%
Profit before tax	54	74	102	123
Profit after tax	42	59	81	99
EPS	1,105	1,570	2,150	2,600

Source: BSC Research

PE method: BSC uses a target P/E for EVE of 9.0x, 16% discount from the average PE of the Textile industry.



Price comparison table of some textile and garment enterprises on the stock exchange

Stock	Market capitalization (trillion VND)	P/B	P/E
VGT	9.55	1.3	12.1
TCM	4.99	2.8	38.1
MSH	4.55	3.2	10.2
STK	3.85	2.8	13.5
TNG	2.92	2.0	10.8
PPH	2.37	1.3	6.7
VGG	1.98	1.1	35.5
HTG	1.30	2.2	6.9
EVE	0.63	0.6	10.6
Median		2.0	10.8

	2021	2022F*	2023F*
EPS	1,570	2,150	2,600
P/E		9	9
Target price		19,350	23,400

Discounted Cash Flow Method:

Average cost of capital	
Rf	6.5%
Beta	0.6
Ke	12%
Kd	10%
E/A	50%
Tax	20%
WACC	12%
g	1%

	2022F	2023F	Terminal
The company's free cash flow	12	-32	589
Present value	456		
Total enterprise value	882		
In debt	167		
Equity	715		
Number of shares	38,047,973		
Value per share (VND)	18,800		

	Price	Proportion	Average price
FCFF	18,800	60%	11,300
P/E	19,350	40%	7,700
		Target price	19,000
		Current price	16,400
		Upside	16%

We recommend **BUY** for EVE stock with a target price of VND 19,000, (+16% compared to April 27, 2022) for 2022 based on two methods FCFE and PE with a weighting of 60%/40 %.

Disclosure

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