

FPT Corporation

(FPT VN)

Sustaining solid growth

Buy
(Maintain)

TP: VND102,200
(Upside: +23.1%)

Mirae Asset Securities (Vietnam) JSC

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Investment points

Technology segment to sustain double-digit growth: We expect FPT Corporation to enjoy continued growth, as: 1) FPT can take advantage of synergies from M&A deals, helping sustain high growth rates in the US and domestic markets; 2) the Japanese market will rebound from a low base in 2021; and 3) demand for digital transformation in Asia-Pacific countries is expected to continue to grow. According to International Data Corporation (IDC), Asia Pacific's spending on big data analytics solutions will grow by 19% in 2022 and will rise 1.6 times by 2025 compared with 2021.

Telecommunications to maintain growth: FPT's telecom segment should continue to flourish, thanks to: 1) growth in fixed broadband subscriptions and solid market share; and 2) plans to increase its data center capacity.

Education: The number of students is expected to continue to grow, thanks to the demand for personnel in the IT segment. FPT expects the number of students to grow about 30% pa in the next five years.

Risks to watch: Risks include: 1) volatility of foreign currencies; 2) slower-than-expected recoveries in FPT's foreign markets; and 3) intensified competition in the telecommunications segment.

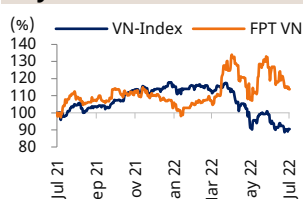
Maintain Buy rating and target price of VND102,200: We maintain our target price of VND102,200, based on key assumptions: 1) 2022 earnings growth of 24.6% YoY; 2) a PE benchmark at 22x, to reflect FPT's position as a top-tier domestic IT provider, with a sustainable earnings growth rate and high ROE compared with its peers; and 3) our WACC assumption of 9.84% using the FCFF model.

1H22 review

Sustained growth momentum: In 1H22, FPT saw revenue and pre-tax profit of VND19,826bn (+22.2% YoY, 47% of its annual target) and VND3,637bn (+23.9% YoY, 48% of its annual target), respectively. Profit after tax and minority interests reached VND2,490bn (+30.6% YoY).

- **Technology:** Revenue maintained solid growth, driven by increasing digital transformation demand (revenue from digital transformation grew by 64.6% YoY, with continued strong growth in revenue from cloud services) and continued recovery in IT spending. The Global IT Services segment reached VND8,622bn (+29% YoY) in revenue, fuelled by the performance of the US market (+48.4% YoY) and APAC (+55.5% YoY). The Japanese market also saw a rapid recovery, with JPY-based revenue growth of 17.8% YoY; however, due to the JPY's depreciation, revenue in VND from the Japanese market only recorded 8.4% YoY growth. For global IT Services, revenue from newly-signed orders saw stable growth of 40% YoY, reaching VND11,681bn.
- **Telecommunications:** The sector recorded revenue of VND6,727bn (+15% YoY), with pre-tax profit margin improving to 19.2% (from 18.3% in 1H21), thanks to solid growth in profit from PayTV.

Key data



Current price (7/19/2022, VND)	83,000	Market cap (VNDbn)	90,505
OP (22F, VNDbn)	7,128	Share outstanding (mn shares)	1,097
Consensus OP (22F, VNDbn)	6,996	Free float (%)	84.4
EPS growth (22F, %)	24.6	Foreign ownership (%)	49.0
P/E (22F, x)	18.3	Beta (12M)	1.0
Market P/E (x)	12.8	52-week low	69,917
VN-Index	1,178	52-week high	99,083

Shares Performance

(%)	1 M	6 M	12 M
Absolute	-7.4	8.4	16.2
Relative	-2.8	30.0	24.5

Earnings and Valuation metrics

Financial year (31/12)	12/18	12/19	12/20	12/21	12/22F	12/23F
Revenue (VNDbn)	23,214	27,717	29,830	35,657	43,181	52,681
OP (VNDbn)	3,122	4,147	4,605	5,415	7,128	8,748
OP margin (%)	13.4	15.0	15.4	15.2	16.5	16.6
NP (VNDbn)	2,620	3,135	3,538	4,337	5,397	6,589
EPS (VND)	2,236	2,659	2,982	3,624	4,512	5,509
ROE (%)	20.0	21.6	21.7	23.4	24.3	24.9
P/E (x)	10.8	13.8	14.4	21.4	18.3	15.0
P/B (x)	2.1	2.8	2.9	4.7	3.5	3.1
Dividend yield (%)	4.7	1.7	1.7	2.2	2.3	2.3

Note: NP refers to net profit attributable to controlling interests

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

FPT Corporation (FPT VN)

Comprehensive Income Statement (Summarized)

(VNDbn)	2020	2021	2022F	2023F
Revenue	29,830	35,657	43,181	52,681
COGS	(18,017)	(21,957)	(26,031)	(31,706)
Gross profit	11,813	13,700	17,150	20,975
SG&A expenses	(7,209)	(8,287)	(10,022)	(12,227)
Operating profit (adjusted)	4,604	5,413	7,128	8,748
Operating profit	4,604	5,413	7,128	8,748
Non-Operating profit	586	813	696	827
Net Financial Income	274	128	696	827
Pretax profit	5,263	6,335	7,932	9,685
Income Tax	(840)	(990)	(1,269)	(1,550)
Profit from Continuing Operations	4,423	5,345	6,663	8,135
Profit from Discontinued Operations	0	0	0	0
Net profit	4,423	5,345	6,663	8,135
Controlling Interests	3,538	4,333	5,397	6,589
Non-Controlling Interest	886	1,012	1,266	1,546
Total comprehensive Profit	4,423	5,345	6,663	8,135
Controlling Interests	3,538	4,333	5,397	6,589
Non-Controlling interests	886	1,012	1,266	1,546
EBITDA	6,095	7,057	9,184	11,172
Free Cash Flow	3,606	3,648	3,654	4,240
EBITDA Margin (%)	20.4	19.8	21.3	21.2
Operating Profit Margin (%)	15.4	15.2	16.5	16.6
Net Profit Margin (%)	14.8	15.0	15.4	15.4

Cash Flows (Summarized)

(VNDbn)	2020	2021	2022F	2023F
Cash flows from operating activities	6,340	5,842	6,088	7,452
Fre-tax Profit	5,263	6,335	7,932	9,685
Depreciation	1,491	1,644	2,056	2,423
Amortization	0	0	0	0
Chg. In Working Capital	1,368	495	-1,322	-1,640
Chg. In AR & other receivables	312	-694	-1,450	-1,833
Chg. In inventories	-55	-218	-303	-398
Chg. In AP & Other Payables	1,061	1,783	543	743
Income Tax	-778	-1,045	-1,269	-1,550
Cash Flows from Inv Activities	-8,144	-10,415	-1,629	-2,276
Capex	-3,018	-2,913	-2,937	-3,742
Chg. In Intangible Assets	-99	38	0	0
Dividends received	894	1,183	1,309	1,465
Cash flow from Financial Activities	3,037	5,365	145	-2,971
Chg. In Financial Activities	4,879	7,533	2,426	-690
Chg. In Equity	60	88	0	0
Dividends Paid	-1,899	-2,254	-2,281	-2,281
Others	-2	-1	0	0
Increase (Decrease) in Cash	1,233	791	4,604	2,205
Beginning Balance	3,453	4,686	5,418	10,022
Ending Balance	4,686	5,418	10,022	12,227

Sources: Mirae Asset Vietnam Research

Statement of Financial Condition (Summarized)

(VNDbn)	2020	2021	2022F	2023F
Current Assets	25,612	35,116	42,871	48,129
Cash and Cash Equivalents	4,686	5,418	10,022	12,227
AR & Other receivable	6,265	6,882	8,332	10,165
Inventories	1,290	1,507	1,811	2,209
Other Current Assets	13,371	21,309	22,706	23,528
Non-Current Assets	16,122	18,580	20,543	21,861
Investment in Associates	2,581	3,100	3,100	3,100
Property, Plant and Equipment	7,220	7,580	8,048	8,542
Intangible Assets	1,095	1,133	1,133	1,133
Total Assets	41,734	53,696	63,414	69,990
Current Liabilities	22,365	29,812	35,010	38,355
AP and other Payables	2,825	2,866	3,409	4,152
Short-Term Financial Liabilities	12,062	17,799	20,226	20,015
Other Current liabilities	7,478	9,146	11,375	14,188
Non-Current liabilities	764	2,465	2,465	2,465
Long-Term Financial liabilities	678	2,296	2,296	2,296
Other Non-Current Liabilities	86	169	169	169
Total liabilities	23,129	32,276	37,475	40,820
Controlling interest	15,746	17,943	22,462	25,693
Capital stock	7,840	9,076	10,970	10,970
Capital surplus	50	50	50	50
Retain Earnings	6,391	6,998	9,623	12,853
Non-Controlling Interests	2,860	3,477	3,477	3,477
Stockholders' Equity	18,606	21,420	25,939	29,170

Forecast/Valuation (Summarized)

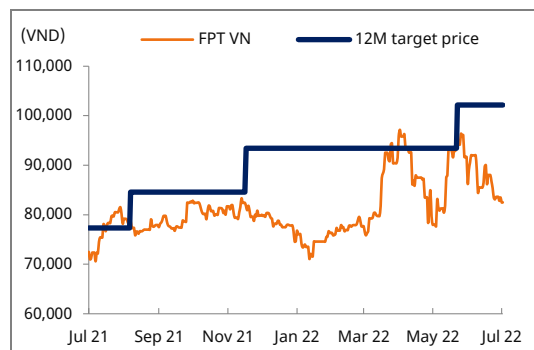
	2020	2021	2022F	2023F
P/E (x)	14.4	21.4	18.3	15.0
P/CF (x)	6.4	15.4	14.8	12.1
P/B (x)	2.9	4.7	3.5	3.1
EV/EBITDA (x)	7.4	7.2	5.3	4.1
EPS (VND)	2,998	3,622	4,512	5,505
CFPS (VND)	9,238	5,364	5,590	6,838
BPS (VND)	20,086	19,668	23,818	26,784
DPS (VND)	2,000	2,000	2,000	2,000
Payout ratio (%)	66.7	55.2	44.3	36.3
Dividend Yield (%)	2.4	2.4	2.4	2.4
Revenue Growth (%)	7.6	19.5	21.1	22.0
EBITDA Growth (%)	10.8	15.8	30.1	21.6
Operating Profit Growth (%)	11.0	17.6	31.7	22.7
EPS Growth (%)	12.7	20.8	24.6	22.0
Account Receivable Turnover (x)	5.6	5.4	5.7	5.7
Inventory Turnover (x)	14.0	15.7	15.7	15.8
Account Payable Turnover (x)	6.6	7.8	8.4	8.5
ROA (%)	9.4	9.1	9.3	10.1
ROE (%)	21.7	23.4	24.3	24.9
ROIC (%)	13.3	14.6	16.1	18.9
Liabilities to Equity Ratio (%)	146.9	93.8	86.8	76.5
Current Ratio (%)	1.1	1.2	1.2	1.2
Net Debt to Equity Ratio (%)	-23.6	-28.3	-31.7	-36.5
Interest Coverage Ratio (x)	11.9	11.2	11.5	13.5

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (VND)
FPT Corporation (FPT VN)	07/19/2022	Buy	VND102,200
FPT Corporation (FPT VN)	06/04/2022	Trading Buy	VND102,200
FPT Corporation (FPT VN)	11/29/2021	Trading Buy	VND93,400
FPT Corporation (FPT VN)	08/19/2021	Hold	VND84,600



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, 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.

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