

## FPT CORP (FPT) – EARNINGS UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND86,600	N/A	2.31%	N/A	TECHNOLOGY

21 July 2021

**Outlook – Short term:** Positive  
**Outlook – Long term:** Positive  
**Valuation:** Positive

Consensus\*: Add:13 Hold:2 Reduce:0

Target price / Consensus: 28.8%

### Key changes in the report

➤ N/A.

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	92,700
52w low (VND)	36,825
3m Avg daily value (VNDmn)	208,418
Market cap (VND bn)	76,863
Free float (%)	59
TTM P/E (x)	21.3
Current P/B (x)	5.0

### Ownership

Truong Gia Binh	7.1%
Vietnam SCIC	5.9%
Macquarie Bank Limited OBU	5.4%
Others	81.6%

Source: VND RESEARCH

### Analyst(s):



Toan Chu Duc

toan.chuduc@vndirect.com.vn

## All business lines kept on track

- FPT's 1H21 net profit rose 17.2% yoy, in line at 44.5% of our FY21F forecast.
- Unrealised revenue of tech contracts surged 43.9% yoy in 2Q21 to VND5,848bn.
- 1H21 digital transformation (Dx) revenue grew 19.3% yoy to VND2,116bn, accounting for 23.3% of the technology revenue.

### 1H21 results on track with double-digit revenue growth across all business segments

- FPT's net revenue rose 19.2% yoy to VND16,228bn in 1H21 thanks to double-digit revenue growth across all business segments, forming 45.8% of our full-year forecast. 1H21 net profit increased by 17.2% yoy to VND1,906bn, in line at 44.5% of our projection. Notably, 1H21 top line witnessed an impressive growth in domestic IT services revenue (+40.7% yoy), online advertising sales (+26.2% yoy), and education & others (+55.7% yoy) after being hit by COVID-19 in 1H20.
- In technology segment, new signed revenue in 1Q21 reached VND5,848bn, increasing 43.9% yoy, showing strong technology revenue growth potential in upcoming quarters. Digital transformation (Dx) revenue totaled VND2,116bn in 1H21, accounting for 23.3% of the technology revenue and up by 19.3% yoy.
- Telecommunications segment continues to improve EBT margin to 21.9% in 1H21 from 19.3% in 1H20 thanks to better results of Pay-TV and postponement of capex investment in infrastructure due to Covid-19. There has been a recent good news for FPT telecom, which is that FPT TV will exclusively broadcasts the UEFA club tournament. Thereby, it can rapidly increase FPT telecom's subscriber base.

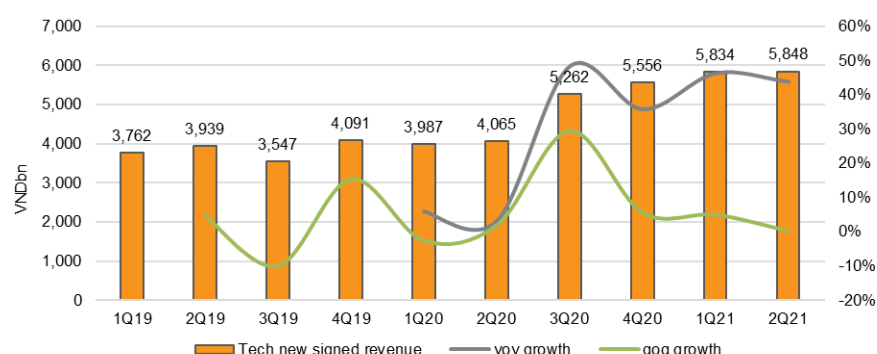
### We maintain a positive view on FPT's 2021-22F outlook

We expect that FPT's business lines will maintain their growth trajectory in 2H21F and FY22F with the introduction of vaccines. We forecast FPT's FY21F revenue and net profit to grow 18.7% yoy and 21.0% yoy, respectively. For FY22F, we expect FPT will deliver a growth of 18.0% yoy in net profit.

### Risks and catalysts

Potential re-rating catalysts include the expansionary government fiscal policy and a successful M&A deal with an overseas technology company. Downside risks are fewer technology contracts if the pandemic prolong.

Figure 1: FPT's quarterly signed tech contract value



**Figure 2: 1H21 results comparison**

	1H20	1H21	yoy%	FY21 forecast	vs. FY21 forecast	FY21 guidance	vs. FY21 guidance	Notes/Comments
<b>Net revenue</b>	<b>13,610</b>	<b>16,228</b>	<b>19.2%</b>	<b>35,397</b>	<b>45.8%</b>	<b>34,720</b>	<b>46.7%</b>	
<b>Technology</b>	<b>7,527</b>	<b>9,098</b>	<b>20.9%</b>	<b>20,677</b>	<b>44.0%</b>	<b>19,620</b>	<b>46.4%</b>	New signed revenue rose 43.9% yoy in 2Q21, showing strong growth potential in upcoming quarters.
Global IT services	5,810	6,683	15.0%	15,369	43.5%			Revenue growth accelerated in all markets, especially in the US market (+41% yoy). Digital transformation revenue reached VND2,116bn, up 19.3% thanks to implementation of new digital technology solutions such as Low Code, Cloud and Blockchain.
Domestic IT services	1,717	2,415	40.7%	5,308	45.5%			Made-by-FPT software products increased 53.6% yoy to VND255bn in 1H21.
<b>Telecommunications</b>	<b>5,438</b>	<b>6,126</b>	<b>12.7%</b>	<b>12,800</b>	<b>47.9%</b>	<b>12,700</b>	<b>48.2%</b>	
Telecom services	5,217	5,847	12.1%	12,141	48.2%			Thanks to profit growth from the Pay-TV service, along with the postponement of investment in infrastructure due to Covid-19, the margin of the telecom service segment improved (1H21 EBT margin: 21.9% vs 19.3% in 1H20).
Online advertising	221	279	26.2%	659	42.3%			
<b>Education &amp; Others</b>	<b>645</b>	<b>1,004</b>	<b>55.7%</b>	<b>1,920</b>	<b>52.3%</b>	<b>2,400</b>	<b>41.8%</b>	
<b>Pre-tax profit</b>	<b>2,428</b>	<b>2,936</b>	<b>20.9%</b>	<b>6,362</b>	<b>46.2%</b>	<b>6,210</b>	<b>47.3%</b>	
Profit after tax	2,021	2,410	19.2%	5,336	45.2%			
<b>Net profit</b>	<b>1,626</b>	<b>1,906</b>	<b>17.2%</b>	<b>4,281</b>	<b>44.5%</b>			

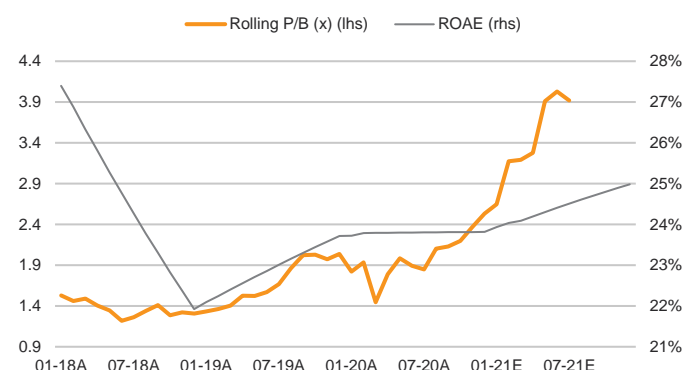
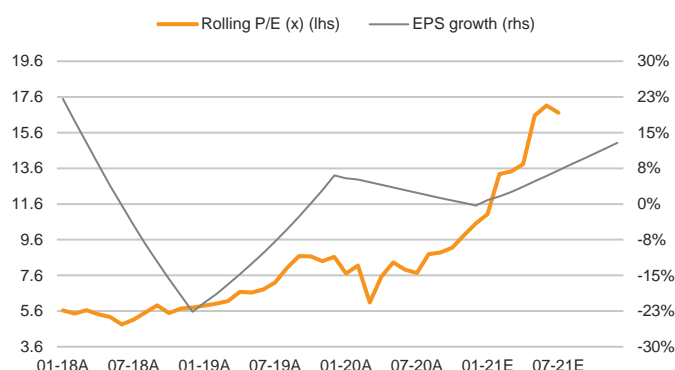
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 3: Peer comparison (data as at 21 Jul 2021)**

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Market Cap (US\$m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)		EV/EBITDA (x)		Recurring ROE (%)	
					FY21F	FY22F		FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
<b>FPT CORP</b>	<b>FPT VN</b>	<b>ADD</b>	<b>86,600</b>	<b>3,425.0</b>	<b>18.2</b>	<b>15.5</b>	<b>14.0</b>	<b>4.2</b>	<b>3.6</b>	<b>9.6</b>	<b>8.6</b>	<b>25.0</b>	<b>25.0</b>
<b>Telecom</b>													
TELSTRA CORP	TLS AU	NR	3.73	32,455.0	27.8	26.3	(14.8)	3.1	3.2	8.4	8.4	10.4	11.4
TELEKOMUNIKASI	TLKM IJ	NR	3,210	21,862.0	14.0	12.8	(0.5)	2.8	2.7	5.0	4.7	20.7	21.7
MAXIS BHD	MAXIS MK	NR	4.32	7,987.0	23.4	21.5	(14.3)	4.7	4.6	11.2	10.7	20.3	22.1
INTOUCH HOLDINGS	INTUCH TB	NR	64.50	6,297.0	19.2	18.4	(5.7)	5.1	4.8	18.7	17.9	27.9	27.6
GLOBE TELECOM	GLO PM	NR	1,897	5,036.0	11.3	11.7	13.5	2.7	2.6	5.3	5.1	25.5	23.0
PLDT INC	TEL PM	NR	1,290	5,537.0	9.7	10.6	16.7	2.2	2.1	5.2	5.0	22.8	19.8
<b>Average</b>					<b>17.6</b>	<b>16.9</b>	<b>(0.9)</b>	<b>3.4</b>	<b>3.3</b>	<b>9.0</b>	<b>8.6</b>	<b>21.3</b>	<b>20.9</b>
<b>Median</b>					<b>16.6</b>	<b>15.6</b>	<b>(3.1)</b>	<b>3.0</b>	<b>3.0</b>	<b>6.9</b>	<b>6.8</b>	<b>21.8</b>	<b>21.9</b>
<b>Software &amp; IT Services</b>													
INFOSYS LTD	INFO IN	NR	1,550.1	88,602.0	29.7	26.0	9.1	8.6	7.7	20.5	18.0	28.8	31.3
WIPRO LTD	WPRO IN	NR	568.1	41,754.0	25.9	23.4	16.1	5.0	4.5	17.4	15.7	20.1	20.1
HCL TECH LTD	HCLT IN	NR	977.2	35,571.0	19.5	17.2	10.2	3.9	3.5	11.9	10.7	21.1	21.5
TECH MAHINDRA LT	TECHM IN	NR	1,087.2	14,131.0	18.1	16.4	6.5	3.5	3.1	12.1	11.1	20.2	20.2
L&T INFOTECH LTD	LTI IN	NR	4,357.6	10,217.0	34.8	29.7	20.6	9.0	7.5	24.2	20.7	27.3	27.1
NIIT LTD	NIIT IN	NR	281.5	538.0	21.9	18.6	435.2	2.5	2.3	11.7	10.4	15.6	17.1
CYIENT LTD	CYL IN	NR	977.8	1,444.0	22.9	19.3	0.2	3.5	3.2	12.6	10.8	15.6	16.9
MPHASIS LTD	MPHL IN	NR	2,368.5	5,947.0	30.8	26.7	15.3	6.3	5.7	20.2	17.8	21.3	22.4
MINDTREE LTD	MTCL IN	NR	2,763.0	6,105.0	33.6	29.4	33.4	8.8	7.3	22.3	19.6	28.5	26.9
<b>Average</b>					<b>26.4</b>	<b>23.0</b>	<b>60.7</b>	<b>5.7</b>	<b>5.0</b>	<b>17.0</b>	<b>15.0</b>	<b>22.1</b>	<b>22.6</b>
<b>Median</b>					<b>25.9</b>	<b>23.4</b>	<b>15.3</b>	<b>5.0</b>	<b>4.5</b>	<b>17.4</b>	<b>15.7</b>	<b>21.1</b>	<b>21.5</b>

Sources: VNDIRECT RESEARCH, BLOOMBERG

## Valuation



## Income statement

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	29,830	35,397	41,833
Cost of sales	(18,015)	(21,323)	(25,127)
Gen & admin expenses	(2,713)	(3,031)	(3,582)
Selling expenses	(4,501)	(5,387)	(6,366)
<b>Operating profit</b>	<b>4,602</b>	<b>5,657</b>	<b>6,757</b>
Operating EBITDA	3,145	3,955	4,850
<b>Depreciation and amortisation</b>	<b>1,458</b>	<b>1,702</b>	<b>1,907</b>
<b>Operating EBIT</b>	<b>4,602</b>	<b>5,657</b>	<b>6,757</b>
Interest income	822	1,387	1,525
Financial expense	(548)	(1,114)	(1,242)
Net other income	73	73	87
Income from associates & JVs	312	359	377
<b>Pre-tax profit</b>	<b>5,261</b>	<b>6,362</b>	<b>7,504</b>
Tax expense	(839)	(1,026)	(1,210)
Minority interest	(885)	(1,055)	(1,245)
<b>Net profit</b>	<b>3,538</b>	<b>4,281</b>	<b>5,049</b>
Adj. net profit to ordinary	3,538	4,281	5,049
Ordinary dividends	(1,568)	(1,568)	(1,568)
<b>Retained earnings</b>	<b>1,970</b>	<b>2,713</b>	<b>3,481</b>

## Balance sheet

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	4,685	5,530	9,185
Short term investments	12,436	13,623	14,899
Accounts receivables	5,880	7,640	9,028
Inventories	1,290	1,632	1,923
Other current assets	1,318	1,713	2,024
<b>Total current assets</b>	<b>25,608</b>	<b>30,138</b>	<b>37,060</b>
Fixed assets	10,691	12,431	14,277
Total investments	2,606	2,910	3,245
Other long-term assets	2,844	3,092	3,654
<b>Total assets</b>	<b>41,749</b>	<b>48,570</b>	<b>58,237</b>
Short-term debt	12,062	13,329	14,725
Accounts payable	2,859	3,255	3,836
Other current liabilities	7,461	8,796	11,922
<b>Total current liabilities</b>	<b>22,382</b>	<b>25,380</b>	<b>30,483</b>
Total long-term debt	678	813	976
Other liabilities	87	179	211
Share capital	7,840	7,840	7,840
Retained earnings reserve	6,391	9,018	12,112
<b>Shareholders' equity</b>	<b>15,744</b>	<b>18,524</b>	<b>21,908</b>
Minority interest	2,859	3,673	4,659
<b>Total liabilities &amp; equity</b>	<b>41,749</b>	<b>48,570</b>	<b>58,237</b>

## Cash flow statement

(VNDbn)	12-20A	12-21E	12-22E
<b>Pretax profit</b>	<b>5,261</b>	<b>6,362</b>	<b>7,504</b>
Depreciation & amortisation	1,491	1,702	1,907
Tax paid	(778)	(1,026)	(1,210)
Other adjustments	(1,039)	(81)	(90)
<b>Change in working capital</b>	<b>2,897</b>	<b>(834)</b>	<b>2,900</b>
<b>Cash flow from operations</b>	<b>7,833</b>	<b>6,123</b>	<b>11,011</b>
Capex	(3,018)	(2,592)	(2,865)
Proceeds from assets sales	3	0	0
Others	(5,954)	(1,187)	(1,276)
Other non-current assets changes	842	0	0
<b>Cash flow from investing activities</b>	<b>(8,127)</b>	<b>(3,779)</b>	<b>(4,141)</b>
New share issuance	60	0	0
Shares buyback	0	0	0
Net borrowings	4,879	1,402	1,559
Other financing cash flow	(2)	0	0
Dividends paid	(1,899)	(1,960)	(1,960)
<b>Cash flow from financing activities</b>	<b>3,037</b>	<b>(558)</b>	<b>(401)</b>
Cash and equivalents at beginning of period	3,453	4,685	5,530
<b>Total cash generated</b>	<b>2,743</b>	<b>1,786</b>	<b>6,469</b>
Cash and equivalents at the end of period	6,196	6,470	11,999

## Key ratios

	12-20A	12-21E	12-22E
<b>Dupont</b>			
Net profit margin	11.9%	12.1%	12.1%
Asset turnover	0.79	0.78	0.78
ROAA	9.4%	9.5%	9.5%
Avg assets/avg equity	2.53	2.64	2.64
ROAE	23.8%	25.0%	25.0%
<b>Efficiency</b>			
Days account receivable	60.9	68.2	68.2
Days inventory	26.2	27.9	27.9
Days creditor	58.1	55.7	55.7
Fixed asset turnover	3.01	3.06	3.13
ROIC	11.3%	11.8%	11.9%
<b>Liquidity</b>			
Current ratio	1.1	1.2	1.2
Quick ratio	1.1	1.1	1.2
Cash ratio	0.8	0.8	0.8
Cash cycle	29.0	40.4	40.4
<b>Growth rate (yoy)</b>			
Revenue growth	7.6%	18.7%	18.2%
Operating profit growth	11.0%	22.9%	19.5%
Net profit growth	12.8%	21.0%	18.0%
EPS growth	(0.3%)	12.9%	18.0%

Source: VND RESEARCH

## DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

## RECOMMENDATION FRAMEWORK

### Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

## Hien Tran Khanh – Head of Research

Email: [hien.trankhanh@vndirect.com.vn](mailto:hien.trankhanh@vndirect.com.vn)

## Toan Chu Duc – Senior Analyst

Email: [toan.chuduc@vndirect.com.vn](mailto:toan.chuduc@vndirect.com.vn)

## VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn)

Website: <https://vndirect.com.vn>