

**FPT –
OUTPERFORMED**

STOCK'S INFORMATION
(June 15th 2022)

Stock Exchange	HOSE
Price (VND)	90.500
10-day average volume	2.559.220
Market value (billion VND)	99.281
Shares outstanding	1.097.035.096

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MAINTAIN POSITIVE OUTLOOK

- **Booming in digital transformation revenue thanks to:** (1) The demand of digitizing document systems, automating work processes on digital platforms post pandemic; (2) FPT's target digital transformation markets have basically completely lifted social distancing policies; (3) Great demand for cloud services to optimize costs.
- **Telecom segment returns to double-digit growth:** FPT's telecommunications revenue may return to an average growth rate of over 13%/ year in the next 3-5 years thanks to (1) Support from demographic factors; (2) The trend of upgrading Internet service packages; (3) High growth prospects of pay television and enterprises services.
- **Solid foundation from the education business:** FPT's education revenue is expected to maintain a growth rate of over 30% in the next few years, thereby significantly contributing to the business's growth and is an important source of human resources in the highly competitive human resource environment of IT industry.

Recommendation: In 2022, FPT is expected to record a strong growth in business results, significantly surpassing the growth base that the company has established in the last few years thanks to the boom in the IT service and the telecom segment returns to double-digit growth.

VCBS forecasts FPT's 2022 revenue will reach **VND 46.399 billion (+30,1% yoy)**, profit attributable to parent company shareholders will reach **VND 5.707 billion (+31,6% yoy)**, equivalent to EPS of **5.717 VND/share**. We recommend **OUTPERFORMED** for FPT stock with the fair valuation of **VND 103.890/share**.

	2020	2021	2022F	2023F
Revenue (billion VND)	29.922	35.671	46.400	55.844
+/- yoy (%)	7,66%	19,21%	30,08%	20,36%
Net profit	3.538	4.337	5.707	6.913
+/- yoy (%)	12,84%	22,59%	31,58%	21,13%
ROA (%)	10,60%	9,96%	12,03%	13,44%
ROE (%)	23,78%	24,98%	29,50%	31,00%
EPS - TTM (VND)	4.839	5.128	5.717	6.348

BUSINESS RESULTS

In the first 4 months of 2022, FPT recorded net revenue of VND 12.991 billion dong, up 24,5% over the same period, driven mainly by technology revenue when the demand for information technology services increased strongly in most key markets such as the US (+67% yoy) and Asia-Pacific (+40% yoy). In particular, revenue from digital transformation activities recorded a boom in the period with a growth of 90,2%, thereby increasing the contribution proportion in foreign IT service revenue to 40,3%.

FPT recorded pre-tax profit in 4M.2022 reaching VND 2.418 billion (+25,9% yoy). Profit margin improved along with: (1) Increasing profit efficiency of the telecommunications segment, especially the pay TV segment after surpassing the break-even point; (2) Domestic IT service profit margin expanded thanks to an increase in the proportion of contributions from high-margin Made by FPT services.

Figure 1: Business results of FPT (VND billion)

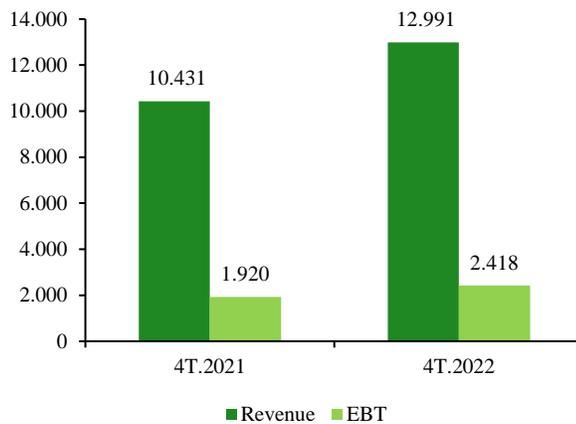
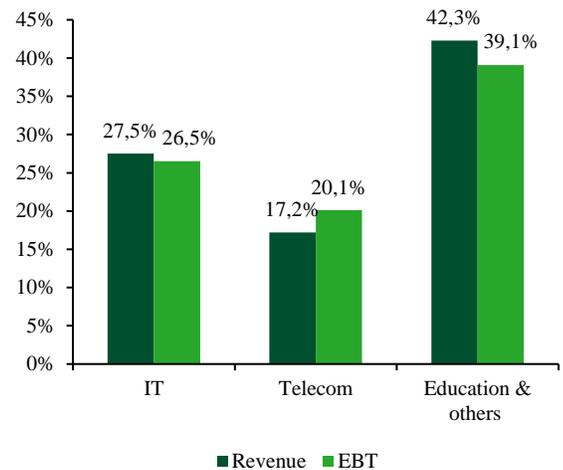


Figure 2: Revenue and EBT growth by segments



Source: FPT, VCBS

BUSINESS OUTLOOK

Booming in digital transformation revenue

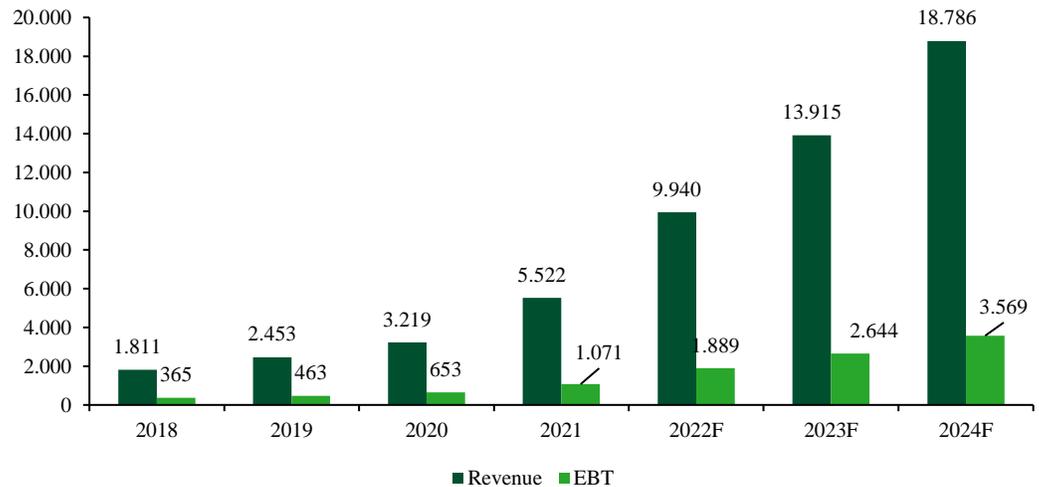
Covid-19 pandemic and long-term distancing and remote working measures have brought many fundamental changes to the business environment and working processes on a global scale, especially when businesses that had completed digital transformation and automating processes has demonstrated outstanding advantages in post-pandemic resilience and recovery. VCBS believes that FPT's digital transformation service revenue can record a growth rate of over 40%/ year in the next 2-3 years thanks to:

- The demand for digitizing documents, automating work processes on digital, cloud and applications to help remotely connect information systems is forecasted to increase sharply after the pandemic along with: (1) The popularity of technology applications and the inevitable development trend of the digital economy, especially when businesses realize that many activities can be completed online; (2) The trend of remote working and hybrid

(combined model) is favored after the pandemic in developed countries when employees have formed new working habits and are familiar with the automation systems and processes.

- FPT's target digital transformation markets (USA, Japan, EU) have basically completely lifted the distancing order, thereby bringing many advantages to connecting with customers and signing contracts; field trips, researching on processes and products by BA (Business Analyst) team, especially in the Japanese market (Accounting for 44% of FPT's foreign IT revenue and still prefers the traditional consulting model).
- The booming trend of digital economy places requirements on developing IT systems for all businesses in the economy. Meanwhile, investing in hardware, servers, IT team and building a software system from beginning is not cost-effective for small businesses or companies that lack of experience in IT, thereby creating a great demand for IAAS (Infrastructure as a Service) and PAAS (Platform as a Service) cloud services - FPT's strength areas and accounting for the highest proportion in the market. digital transformation revenue.

Figure 3: Business results of FPT's digital transformation segment



Source: FPT, VCBS

Telecom segment returns to double-digit growth

In the years 2020-2021, the revenue growth of the telecommunications segment, especially FPT's broadband Internet service, has slowed down significantly compared to the previous rapid growth period since: (1) Covid-19 pandemic and social distancing measures limited selling and installing equipment at households; (2) Broadband internet market experienced slowing growth when internet service has already been available to the majority of households.

However since the beginning of 2022, FPT has recorded a positive recovery in the growth rate of the telecommunications sector with revenue growth in 4M.2022 reaching 17,2% - double the rate recorded in 2021 thanks to resume business activities and benefit from pent-up demand during the pandemic. VCBS estimates that FPT's telecommunications revenue may return to an average growth rate of over 13%/year in the next 3-5 years considering the following factors:

- Support from demographic trends when the Millennial generation (the highest proportion in the population of Vietnam) is getting married and separating from parents' houses, thereby boosting the demand for internet system and television services. In addition, this is a tech-familiar generation, demands for large internet capacity and tends to spend freely on essential

services, so they often prefer to use high-speed internet packages.

- The trend of upgrading internet service packages along with: (1) Increasing the standard of graphic quality and processing speed of digital content/applications on internet; (2) Positively improved income level makes internet service cost insignificant in total household expenditure.
- The scale of revenue from pay TV services (FPT Play) and business telecommunications services is large enough to offset the impact of slowing growth in the broadband segment. We believe that FPT Play service can maintain a high growth rate (15-25%/year) in the coming period thanks to: (1) The tightening of copyright of digital content makes access to movies and shows free on internet becomes difficult; (2) The trend of maintaining the use of traditional pay TV services (such as FPT Play, MyTV,...) to access television content and sports matches; (3) The advantage of cross-selling products when providing with Internet in a service package.

Figure 4: Growth in telecom revenue of FPT



Source: FPT, VCBS

Solid foundation from the education business

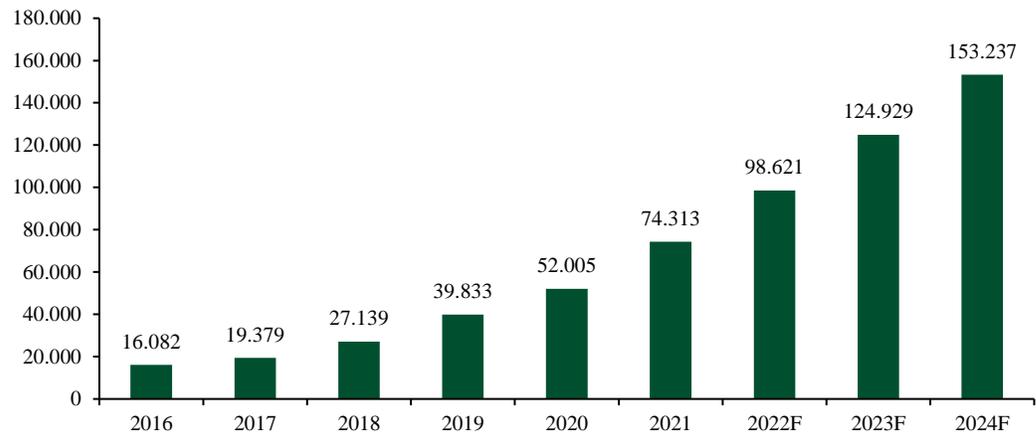
With more than 15 years of experience and a system of schools and campuses spanning many provinces, FPT is one of the most successful enterprises in the field of private education business in Vietnam. FPT's education revenue is expected to maintain a growth rate of over 30% in the next few years and become an important contributor to the business's growth besides telecommunications and IT services. Specifically:

- Increasing trend of studying IT when the later Gen Z (who will enter college in the next few years) is well oriented, exposed to technology from a young age and influenced by labor market preferences. With a well-established brand name in the field of technology training with proven quality, FPT University will be one of the biggest beneficiaries of this trend.
- The proportion of students attending private schools for general education is forecasted to remain increasing sharply in the coming period when: (1) Newly enrolled students mostly have parents in the 80s and 90s generation who have more progressive opinion on private education than previous generations and wants their children to learn in an open and full

developing environment; (2) The improved income level helps to increase the ability of households to pay for private education programs.

In the coming period, FPT will promote investment in expanding the educational institutions system and increase its presence in new cities and provinces such as Ha Nam, Bac Ninh, Hai Phong,... to meet the demand for the target of 200.000 students, thereby contributing positively to business results and being an important source of human resources for the corporation in the context of high competition for human resources in the industry.

Figure 5: Number of students in FPT education system



Source: FPT, VCBS

RECOMMENDATION

In 2022, FPT is expected to record a strong growth in business results, significantly surpassing the growth base that the company has established in the last few years thanks to the boom in the IT service and the telecom segment returns to double-digit growth. In the next 5 years, VCBS assesses that FPT possess abundant prospect to maintain a positive business outlook along with the boom of the digital economy and improved business efficiency in many service areas.

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