

# **FPT Corporation** (FPT)

## 18.3% for 2023E NPAT growth target

March 20, 2023

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4Q22 NPAT increased 3.9% YoY to VND1,620 billion

FPT Corporation (FPT) recorded a 21.8% YoY growth in 4Q22 revenue, reaching VND13,042 billion. Of that, the technology sector increased by 20.8% YoY, the telecommunications sector rose 13.6% YoY and the education & investment sector gained 66.1% YoY. High expenses made 4Q22 NPAT go up 3.9% YoY to VND1,620 billion. 2022 accumulated revenue reached VND44,010 billion (+23.4% YoY), and NPAT reached VND6,491 billion (+21.3% YoY).

New registration income in 2022 increased by 38.9% YoY. FPT acquired Interec's technology services business

2022 new registration income from foreign IT services gained 38.9% YoY to VND21,594 billion, a sharp increase compared to the growth rate of 18.7% in 2021. On February 23, 2023, FPT announced the acquisition of the entire technology services segment of Intertec International (US) to expand its global technology service centers, thereby strengthening this segment on international markets and making the most of opportunities in English–speaking countries.

FPT plans to raise 2023 revenue by 18.8% YoY and PBT by 18.3% YoY

2023E revenue & PBT targets are VND52,289 billion (+18.8% YoY) and VND9,055 billion (+18.3% YoY). For the foreign IT segment, FPT will focus on providing digital transformation services and services with higher added value. For the telecommunications services, FPT will focus on developing PayTV and Data Center segments and continue to invest in infrastructure to improve service quality.

BUY recommendation – target price VND102,900/share

Based on valuation results, business outlook and possible risks, we recommend BUY for FPT stocks. The target price is VND102,900/share.

# Buu maintain

Target price	VND102,900
Upside/Downside	30.3%
Current price (Mar 17, 2023)	VND79,000
Consensus target price	VND104,400
Market cap (VNDbn)	86,665

Trading data	
Free float	87.2%
3M avg trading value (VNDbn/USDmn)	117/4.9
Foreign ownership	49%
Major shareholder	Mr Truong Gia
	Binh (7.01%)

Share price perfe	Share price performance					
(%)	1M	3M	6M	12N		
Absolute	-5	3	-4	(		
Relative	-1	1	10	34		

Forecast	earnings	&	valuation

FY-end	2021	2022	2023F	2024F
Net revenue (VNDbn)	35,657	44,010	53,098	61,953
Net revenue growth (%)	19.5%	23.4%	20.7%	16.7%
Gross profit (VNDbn)	13,632	17,167	20,708	24,161
Gross profit margin (%)	38.2%	39.0%	39.0%	39.0%
NPAT (VNDbn)	5,349	6,491	7,620	9,030
NPAT growth (%)	20.9%	21.3%	17.4%	18.5%
EPS (VND)	4,779	4,840	5,682	6,733
EPS growth (%)	5.9%	1.3%	17.4%	18.5%
P/E (x)	16.5	16.3	13.9	11.7



Source: Bloomberg, KB Securities Vietnam

## **Business operation**

# 4Q22 NPAT increased 3.9% YoY to VND1,620 billion

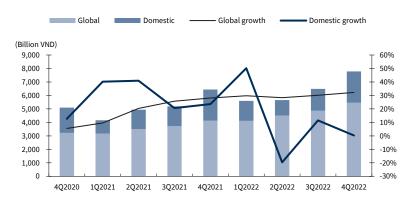
FPT Corporation (FPT) recorded a 21.8% YoY growth in 4Q22 revenue, reaching VND13,042 billion. Of that, the technology sector increased by 20.8% YoY, the telecommunications sector rose 13.6% YoY and the education & investment sector gained 66.1% YoY. Gross profit margin (GPM) was 40.2% (+194bps YoY). Financial income surged 41.3% YoY to VND 526 billion while expenses increased with the ratio of SG&A expenses to sales reaching 24.9% (+27bps YoY). High expenses made 4Q22 NPAT go up 3.9% YoY to VND1,620 billion. 2022 accumulated revenue reached VND44,010 billion (+23.4% YoY), and NPAT reached VND6,491 billion (+21.3% YoY).

Fig 1. FPT - Revenue from technology in 2020-2022 (VNDbn)

Technology revenue in 4Q22 increased by 20.8% YoY; EBT increased 11.8% YoY.

The software export segment continued its steady growth with revenue up 32.2% YoY.

Meanwhile, domestic technology growth slowed down to 0.3% YoY



Source: FPT Corporation, KB Securities Vietnam

Fig 2. FPT - Revenue from technology in 2020-2022 (VNDbn)

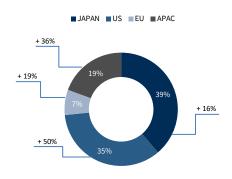
The software export segment recorded the highest quarterly growth in recent years.

Growth in the US market in 4Q22 returns to a high level, reaching 50%.

The EU market had a contraction in growth, reaching only 19% YoY compared to 25% in the previous quarters.

APAC market maintained a strong growth momentum compared to recent quarters, reaching 36% YoY.

The Japanese market increased 16% YoY in 4Q22, the highest quarterly increase recently.



Source: FPT Corporation

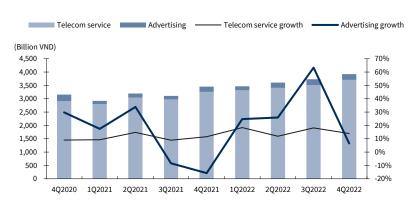
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In 4Q22, telecommunications services growth reached 13.9% while the online advertising segment increased 6.6% YoY because this segment has begun to recover from the Covid-19 since 4Q21. 4Q22 PBT of the telecommunications segment gained 6.0% YoY to VND649 billion.

Revenue from education investment in 4Q22 reached VND1,342 billion, up 66.1% YoY thanks to an increase in the number of students and an increase in tuition fees, helping PBT to increase 24.2% YoY to VND554 billion.

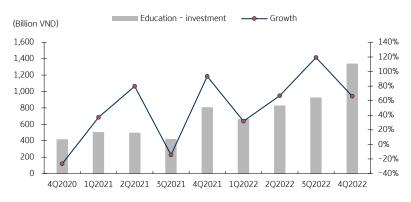
Revenue from education & investment in 4Q22 reached VND1,342 billion, up 66.1% YoY thanks to an increase in the number of students and an increase in tuition fees, helping EBT to reach VND554 billion, up 24.2% YoY.

Fig 3. FPT - Telecoms revenue in 2020-2022 (VNDbn)



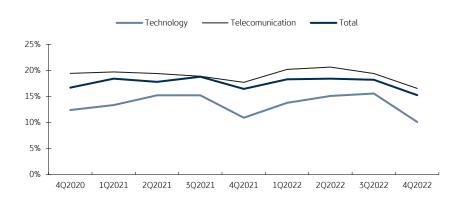
Source: FPT Corporation, KB Securities Vietnam

Fig 4. FPT - Education - Investment revenue in 2020-2022 (VNDbn)



Source: FPT Corporation, KB Securities Vietnam

Fig 4. FPT - NPAT margin in 2020-2022 (%)



Source: FPT Corporation, KB Securities Vietnam

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New registration income in 2022 gained 38.9% YoY. FPT acquired Interec's technology services division.

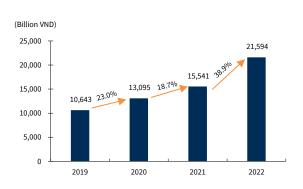
2022 new registration income from foreign IT services gained 38.9% YoY to VND21,594 billion, a sharp increase compared to the growth rate of 18.7% in 2021. By the end of 2022, the number of new large customers continued to increase (the group of revenue of over USD500 thousand increasing by 18.8% YoY and the revenue group of over USD1 million rising by 28.6% YoY). The number of mega projects (>USD1 million) and large projects (>USD5 million) surged 83.8% YoY and 63.2% YoY respectively. On February 23, 2023, FPT announced the acquisition of the entire technology services segment of Intertec International (US) to expand its global technology service centers, thereby strengthening this segment on international markets and making the most of opportunities in English–speaking countries.

FPT plans to increase revenue by 18.8% YoY and PBT by 18.3% YoY in 2023

2023E revenue & PBT targets are VND52,289 billion (+18.8% YoY) and VND9,055 billion (+18.3% YoY). For the foreign IT segment, FPT will focus on providing digital transformation services and services with higher added value such as consulting and design and exploiting large corporate clients in the Fortune 500 list and continue to expand the market with new offices and M&As. For domestic IT services, FPT continues to promote the development of Made-by-FPT products and service provision for both state-owned enterprises and private enterprises. For the telecommunications services segment, FPT will focus on developing PayTV and Data Center and continue to invest in infrastructure to improve service quality.

Fig 6. FPT - New registration income growth (%YoY)

Fig 7, FPT - Digital transformation revenue growth (%YoY)



Source: FPT Corporation



Source: FPT Corporation

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### Forecast & valuation

#### 2023F business performance

We estimate FPT's 2023 revenue at VND53,098 billion, up 20.7% YoY, based on the following factors:

- Technology revenue grew by 22.2% YoY to VND31,193 billion with foreign IT revenue increasing by 23.0%, down from 2022 due to the shrinking technology investment scale of enterprises under the impact of negative macro factors.
- Telecommunications revenue is estimated at VND17,008 billion, up 15.5% YoY, of which telecommunication services increased by 16.0% YoY with the motivation from PayTV segment while digital content segment returned to a low growth rate at 6% YoY.

Parent company's NPAT is expected to reach VND6,233 billion, up 17.4% YoY, EPS should reach VND5,682 per share.

Table 8. FPT - 2023-2024F business results

	2021	2022	2023F	2024F
Net Revenue	35,657	44,010	53,098	61,953
Cost of goods sold	22,025	26,842	32,390	37,791
Gross profit	13,632	17,167	20,708	24,161
Selling expenses	3,605	4,526	5,416	6,319
G&A expenses	4,612	5,846	7,062	8,178
Financial expenses	1,144	1,687	1,324	1,066
Profit before taxes (PBT)	6,337	7,662	8,994	10,658
NPAT of parent company	4,337	5,310	6,233	7,386

Source: KB Securities Vietnam

Valuation – BUY recommendation, target price VND102,900/share We use two valuation methods FCFE and P/E comparison among companies in the same industry with the same capital size in Asia's developing markets for two segments (technology and telecommunications. As for the technology segment, we discount 10% compared to the industry's current average PE, reflecting concerns about a decline in demand for technology services in 2023 amid negative macro factors. For the education segment, since there is no separation between the education and investment segments, we assume the current P/E is reasonable.

Combining the above two valuation methods with the ratio of 50–50, we find the final fair price for FPT shares at VND102,900/share, 30.3% higher than the price on March 17, 2023.

Table 9. FPT - Share price according to FCFE method

	=		
Cost of equity	12.8%	Present value of long-term value (VND billion)	70,909
Risk-free rate	5.0%	Present value for the period 2023–2028 (VNDbn)	30,477
Risk premium	8.1%	Equity value (VNDbn)	101,386
Beta	0.95	Number of shares outstanding (thousand shares)	1,097,027
Long term growth	3.0%	Equity/outstanding shares (VND)	92,419
Projection time	6 years		

Source: KB Securities Vietnam

Table 10. FPT - Valuation according to P/E method

	Industry Average P/E	Proportion in total revenue	Weight
Technology	26.2	45%	11.7
Telecommunications	14.4	37%	5.3
Education & Investment	16.3	19%	3.0
Total			18.7
The target price			VND113,476

Source: FPT Corporation, KB Securities Vietnam

Table 11. Asian developing countries - Comparison of P/E of telecoms companies

	Market capitalization (USDbn)	Forward PE	Weight	PE per weight
Axiata Group Bhd	5,957	20.3	11,2%	2.3
Route Mobile Ltd	955	23.5	1.8%	0.4
XL Axiata Tbk PT	1,591	13.7	3.0%	0.4
Tata Communications Ltd	4,054	19.3	7.6%	1.5
LG Uplus Corp	3,603	6.2	6.8%	0.4
Telekom Malaysia Bhd	4,078	13.4	7.7%	1.0
PLDT Inc	5,113	9.6	9.6%	0.9
China Communications Services	3,185	6.1	6.0%	0.4
TIME dotCom Bhd	2,227	20.7	4.2%	0.9
Sarana Menara Nusantara Tbk PT	3,009	11.9	5.7%	0.7
GrameenPhone Ltd	3,624	11.8	6.8%	0.8
Jasmine Broadband Internet Inf	1,801	6.8	3.4%	0.2
Indosat Tbk PT	3,633	20.0	6.8%	1.4
Globe Telecom Inc	4,537	12.5	8.5%	1.1
Converge Information and Commu	1,868	10.5	3.5%	0.4
Tianjin 712 Communication & Br	3,954	22.5	7.4%	1.7
P/E average	47,369			14.4

Source: Bloomberg

Table 12. Asian developing countries – Comparison of P/E of technology companies

	Market capitalization (USDbn)	Forward PE	Weight	PE per weight
Persistent Systems Ltd	4,140	29.1	8.9%	2.6
Mphasis Ltd	4,337	19.1	9.3%	1.8
Chinasoft International Ltd	1,986	8.8	4.3%	0.4
Coforge Ltd	2,846	23.1	6.1%	1,4
Hyundai Autoever Corp	2,388	24.3	5.1%	1,2
Sonata Software Ltd	1,379	21.6	3.0%	0.6
China TransInfo Technology Co	2,774	31.6	6.0%	1.9
DHC Software Co Ltd	3,076	56.1	6.6%	3.7
Happiest Minds Technologies Lt	1,441	42.9	3.1%	1.3
Shenzhen Sunline Tech Co Ltd	1,233	28.7	2.6%	0.8
PCI Technology Group Co Ltd	1,924	26.7	4.1%	1.1
Yusys Technologies Co Ltd	1,825	21.6	3.9%	0.8
Digital China Information Serv	1,794	24.9	3.9%	1.0
Hand Enterprise Solutions Co L	1,545	26.0	3.3%	0.9
Taiji Computer Corp Ltd	3,864	46.5	8.3%	3.9
Fujian Boss Software Developme	1,994	31.8	4.3%	1.4
Beijing eGOVA Co Ltd	1,692	31.1	3.6%	1.1
Richinfo Technology Co Ltd	1,651	37.5	3.5%	1.3
Jiayuan Science & Technology C	1,077	36.5	2.3%	0.8
Isoftstone Information Technol	3,581	13.4	7.7%	1,0
P/E average	46,546			29.1

Source: KB Securities Vietnam

Table 23. FPT - Final valuation

Valuation method	Forecast price	Weight	Forecast price per weight
FCFE	92,419	50%	46,210
P/E	113,476	50%	56,738
Target price			VND102,900

Source: KB Securities Vietnam

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### FPT - 2021A-2024F financials

Income Statement					Balance Sheet				
(VND billion)	2021	2022	2023F	2024F	(VND billion)	2021	2022	2023F	202
Netsales	35,657	44,010	53,098	61,953	TOTAL ASSETS	53,698	51,650	54,598	60,7
Costofsales	22,025	26,842	32,390	37,791	CURRENT ASSETS	35,118	30,938	30,579	32,6
Gross Profit	13,632	17,167	20,708	24,161	Cash and cash equivalents	5,418	6,440	5,000	5,0
Financial income	1,271	1,999	1,501	1,444	Short-term investments	20,731	13,047	13,047	13,0
Financial expens es	1,144	1,687	1,324	1,066	Accounts receivable	6,882	8,503	9,281	10,8
of which: interest expenses	484	646	368	260	Inventories	1,507	1,966	2,218	2,5
Gain/(loss) from joint ventures	687 3,605	484 4,526	498 5,416	513 6,319	LONG-TERMASSETS  Long-term trade receivables	18,580 167	20,713 225	24,019 225	28,0 2
Selling expenses General and admin expenses	4,612	5,846	7,062	8,178	Fixed assets	11,689	13,095	16,401	20,4
Operating profit/(loss)	5,542	7,106	8,408	10,042	Long-term incomplete assets	1,291	1,062	1,062	1,0
Other incomes	133	184	222	259	Long-term investments	3,102	3,238	3,238	3,2
Other expenses	25	111	134	157	Goodwill	466	408	408	4
Net other income/(expenses)	109	73	88	103	LIABILITIES	32,280	26,294	24,297	24,5
Net accounting profit/(loss) before tax	6,337	7,662	8,994	10,658	Current liabilities	29,761	24,521	22,673	22,9
Corporate income tax expenses	988	1,171	1,374	1,629	Trade accounts payable	2,866	3,209	3,837	4,4
Net profit/(loss) after tax	5,349	6,491	7,620	9,030	Short-term unrealized revenue	2,530	3,200	0	
Mnority interests	1,012	1,181	1,387	1,643	Short-term borrowings	17,799	10,904	6,277	3,7
Attributable to parent company	4,337	5,310	6,233	7,386	Long-term liabilities	2,519	1,773	1,624	1,6
					Long-term trade payables	0	0	0	
					Long-term advances from cus tomers	0	0	0	
Margin ratio					Unrealized revenue	35	28	28	
(%)	2021	2022	2023F	2024F	Long-term borrowings	2,296	1,478	1,478	1,4
Gross profitmargin	38.2%	39.0%	39.0%	39.0%	OWNER'S EQUITY	21,418	25,356	30,309	36,1
EBITDA margin	23.7%	23.0%	21.1%	21,6%	Paid-in capital	9,076	10,970	10,970	10,9
EBIT margin	19.1%	18.9%	17.6%	17.6%	Share premium	50	50	50	
Pre-tax profit margin	17.8%	17.4%	16.9%	17.2%	Undis tributed earnings	7,000	7,712	4,953	5,8
Operating profit margin	15.5%	16.1%	15.8%	16.2%	Other funds	660	1,176	1,176	1,1
Net profit margin	15,0%	14.7%	14.3%	14.6%	Mnority interes ts	3,477	4,310	4,310	4,3
Cash Flow Statement					Key ratios				
(VND billion)	2021	2022	2023F	2024F	(x,%,VND)	2021	2022	2023F	202
Net profit/(loss) before tax	6,337	7,662	8,994	10,658	Multiple				
Depreciation and amortis ation	1,644	1,833	1,846	2,452	P/E	16.5	16.3	13.9	11
Profit/loss from investing activities	-1,700	-1,987	0	0	P/E diluted	16.5	16.3	13.9	11
Interest expense	484	646	368	260	P/B	4.0	4.1	3.3	2
Operating profit/(loss) before changes in Working Capital	7,053	9,042	11,209 -778	13,371	P.5	2.0	2.0	1.6	1
(Increase)/decrease in receivables	-694 -218	-1,949		-1,548	P/Tangible Book	1.4 12.3	1.7 17.1	1.6 7.8	1
(Increase)/decrease in inventories Increase/(decrease) in payables	1,910	-498 1,300	-253 628	-370 649	P/Cash Flow EV/EBITDA	10.2	8.5	7.7	6
(Increase)/decrease in prepaid expenses	-376	-634	167	163	EV/EBIT	10,2	10.4	9.3	7
Interest expense	0	0	0	0	E V/EBIT	12.7	10,4	7.5	,
Net cash inflows /(outflows) from operating activities	5,840	5,054	11,164	12,141	Operating performance				
Purchases of fixed assets and other long term assets	-2,911	-3,215	-5,310	-6,495	ROE	24,2%	25,2%	24,0%	23.2
Proceeds from disposal of fixed assets	3	6	0	0	ROA	8.1%	10,3%	11,4%	12,2
Loans granted, purchases of debtins truments	-35,827	-32,995	0	0	ROIC	14.8%	20.7%	23.0%	24.8
Collection of loans, proceeds from sales of debts instruments	27,590	40,669	0	0	Financial structure				
Investments in other entities	-451	-557	0	0	Cash Ratio	87.9%	79.5%	79.6%	78.7
Proceeds from divestment in other entities	0	56	0	0	Quick Ratio	102,3%	106.5%	112.5%	117.6
Dividends and interest received	1,183	1,794	0	0	CurrentRatio	118.0%	126,2%	134,9%	142.4
Net cas h inflows (loutflows) from investing activities	-10,413	5,757	-5,310	-6,495	LT Debt/Equity	10.7%	5.8%	4.9%	4.1
Proceeds from issue of shares	88	77	0	0	LT Debt/Total Assets	4.3%	2.9%	2,7%	2.4
Payments for share returns and repurchases	0	0	0	0	ST Debt/Equity	83.1%	43.0%	20.7%	10.5
Proceeds from borrowings	34,464	28,120	0	0	ST Debt/Total Assets	33.1%	21,1%	11.5%	6.2
Repayment of borrowings	-26,931	-35,740	-10,904	0	ST Liabilities Æquity	139.0%	96.7%	74,8%	63.4
Finance lease principal payments	-1	-8	0	0	ST Liabilities /Total Assets	55.4%	47.5%	41.5%	37.8
Dividends paid	-2,254	-2,222	-2,667	-3,160	Total Liabilities /Equity	150.7%	103.7%	80,2%	67.9
Interests, dividends, profits received	0	0	0	0	Total Liabilities /Total Assets	60.1%	50.9%	44.5%	40.4
		<del>-9</del> ,773	-7,294	-5,645	Activity ratios				
Net cash inflows (outflows) from financing activities	5,365	2,113	1,274	5,015	7 cang 10003				
Net cash inflows (outflows) from financing activities  Net increase in cash and cash equivalents	5,365 791	1,038	-1,440	0	Account Receivable Turnover	5.4	5.7	6.0	
					·	5.4 15.7	5.7 15.5	6.0 15.5	15

Source: FPT Corporation, KB Securities Vietnam

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#### Investment ratings & definitions

#### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

#### **Investment Ratings for Sectors**

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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