

Information technology

Growing on high demand

Analyst Nguyen Viet Anh
(+84) 24-7303-5333 anhnv3@kbsec.com.vn

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Positive maintain

Recommendations	
FPT	NEUTRAL
Price target	VND148,500

Global IT spending will grow in the future

KBSV believes that global IT spending will continue to grow, led by manufacturing recovery in major economies. Market research organizations are positive about the growth prospects for technology spending in 2025, with Gartner and Canalys forecasting 9.3% YoY and 8.3% YoY, respectively.

Growth expectations in major markets

KBSV believes that in 2025, Vietnam's major software outsourcing markets will continue to grow with the trend of increasing investment in technology. For each market, the growth drivers will be different, including the high economic growth characteristics of the Asia-Pacific region promoting digital transformation, the wave of production shifting in the US that will increase spending on technology services, and the growing automobile industry that boosts spending in the EU market.

Labor advantage helps Vietnam continue to attract large customers

KBSV assesses that the growth potential of the software export sector in Vietnam heavily depends on the advantage of a large, young workforce that is ready to adapt to new requirements. In the long term, the application of new AI tools will improve work efficiency and the competitiveness of business services, thereby boosting revenue growth.

We assess the outlook for the Technology industry as POSITIVE

As IT consumer demand will keep rising and production capacity is improving with the application of AI, KBSV believes that IT companies will post a recovery in business results, some of which will make breakthroughs thanks to their technological advantages.

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I. Business performance in 9M24

IT sector revenue posted remarkable growth of 20% in 11M24

According to the announcement of the Ministry of Information and Communications, the total revenue of the IT industry in the 11 months of 2024 is estimated at over VND3.9 million billion, equivalent to USD160.8 billion (+20% YoY), completing 95.6% of the full-year objective. The total industry profit is estimated at VND291,219 billion (+17.5% YoY) or 100.2% of the 2024 plan. The increasing application of new technologies with higher contribution value to production activities has helped raise the profit margin of Vietnam's IT sector. The number of registered digital technology enterprises has been on a steady rise. According to data from the Ministry of Planning and Investment (Business Registration Management Department), by September 2024, the total number of digital technology enterprises registered for establishment and operation reached 82,070 (+11.7% YoY).

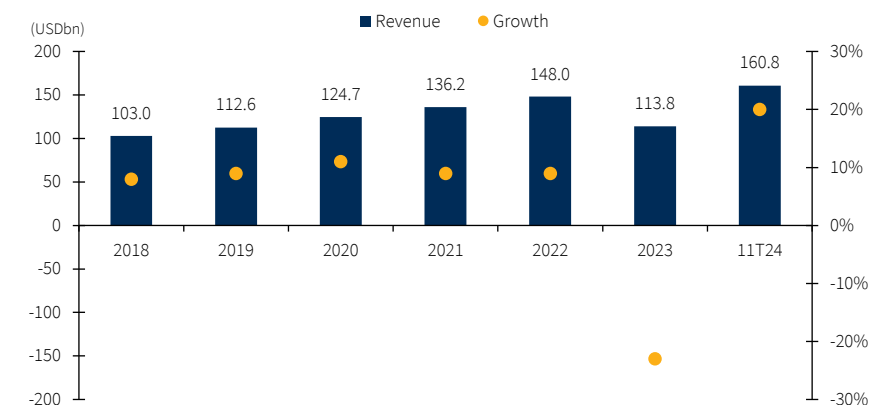
IT outsourcing growth came from vibrant global demand

Regarding IT outsourcing, Vietnam recorded positive results from: (i) The demand for global software export is more vibrant, promoting domestic business activities. For example, FPT Corporation's (FPT) accumulated revenue in 11M24 of foreign IT sector surged 28.1% YoY to VND28,270 billion. (ii) The hardware outsourcing segment benefits from the trend of recovering ICT consumption with 10M24 export value reaching USD112.2 billion (+16% YoY).

Domestic IT consumption grew thanks to digital transformation needs

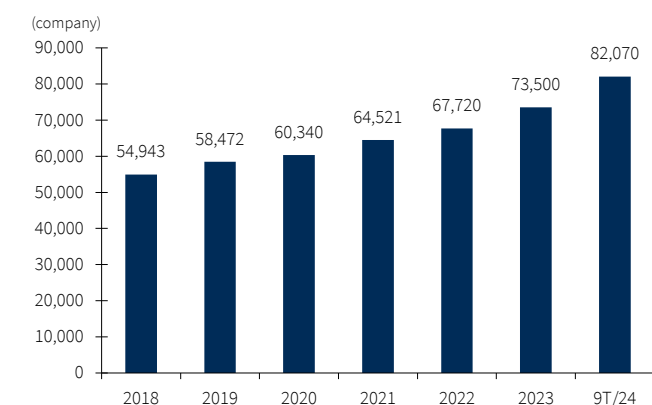
For domestic technology consumption, the policy of promoting national digital transformation has strengthened the cooperation of enterprises with the government, ministries and branches in the fields of cloud computing and AI. FPT's domestic revenue hit VND5,296 billion in 9M24 (+8.3% YoY). In addition, telecommunications infrastructure investment, implementing the goal of deploying and covering 5G are also taking place at an urgent pace. The huge demand for 5G station rental is a positive driving force for Viettel Construction's (CTR) infrastructure rental revenue in 11M24, increasing 45% YoY to VND568 billion.

Fig 1. Vietnam – Total IT revenue in 2019–2024 (USDbn)



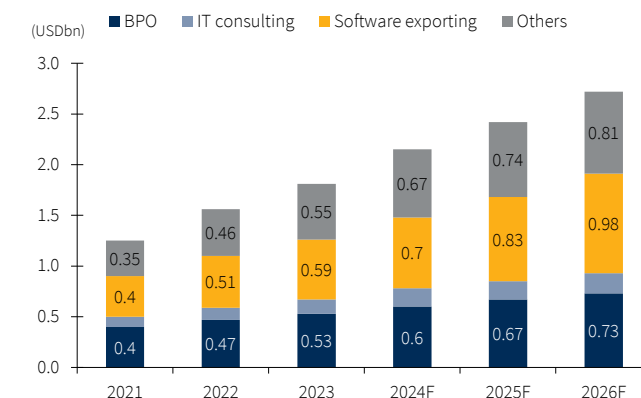
Source: Made in Vietnam, KB Securities Vietnam

Fig 2. Vietnam – Number of IT companies (company)



Source: Made in Vietnam, KB Securities Vietnam

Fig 3. Vietnam – Revenue from IT services by sector (USDbn)

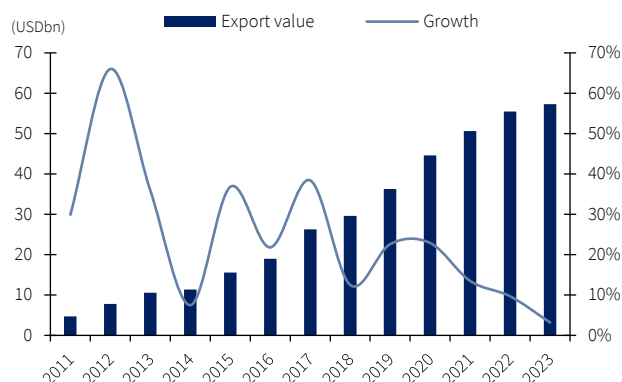


Source: Top Dev, KB Securities Vietnam

Hardware exports rebounded thanks to vibrant global supply chains after the difficult period

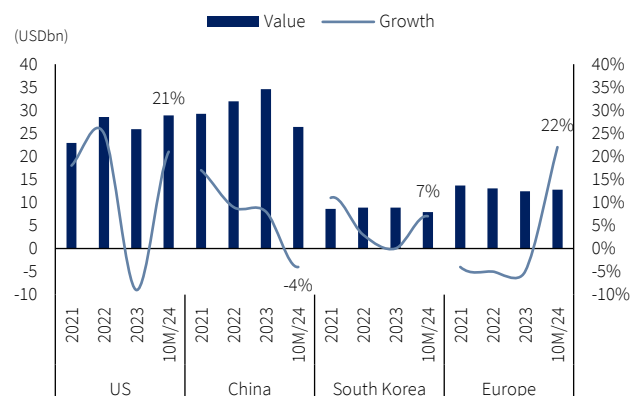
Vietnam's hardware technology export value (computers, phone components, and cameras) recovered from low base in 2023, reaching USD112 billion (+16% YoY) in 10M24. Although employment indicators and inflation factors are persistent, people's spending during the economic recovery will be boosted by the massive shopping stimulus policies from brands. In addition, the replacement cycle of electronic devices will narrow due to the increasingly fierce competition in applying new technology, making production costs higher, forcing brands to find ways to increase sales by reducing product life.

Fig 4. Vietnam – Export turnover of electric components (USDbn)



Source: General Statistics Office, KB Securities Vietnam

Fig 5. Vietnam – Export turnover of electric components by market (USDbn)



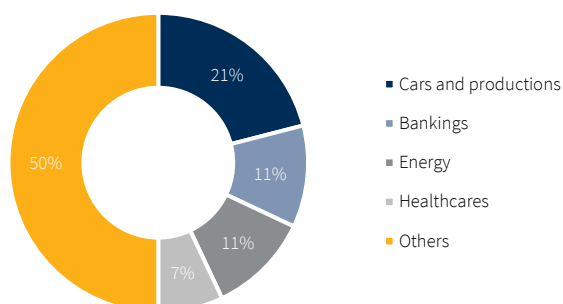
Source: General Statistics Office, KB Securities Vietnam

Market diversification strategy is effective, helping businesses continue to seek new contracts

Vietnam's software outsourcing showed positive results thanks to adaptive strategies that help businesses improve their competitiveness, including: (i) The advantage of a young population of working age and stable employment at a high level of 92% (+0.78ppts compared to 2021) helps offset the shortage of technology personnel in countries experiencing aging populations. (ii) A team of young and adaptable engineers helps them master programming languages in a short time to meet customer requirements. (iii) Vietnamese businesses actively improve their ability to access new technologies to serve high-growth industries (automotive & AI) to offset the slow growth of the financial and service groups.

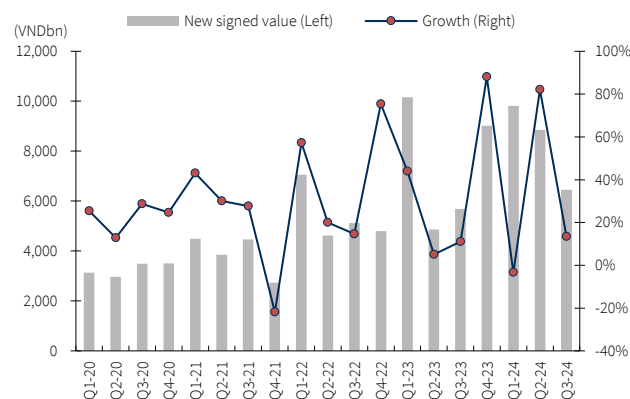
For example, FPT had the value of new contracts signed in 9M24 surged by 150% YoY thanks to continuously signing large-value contracts and diverse fields of business.

Fig 6. FPT – Contract value by business field in 2023 (%)



Source: FPT Corporation, KB Securities Vietnam

Fig 7. FPT – Revenue from new contracts (VNDbn)

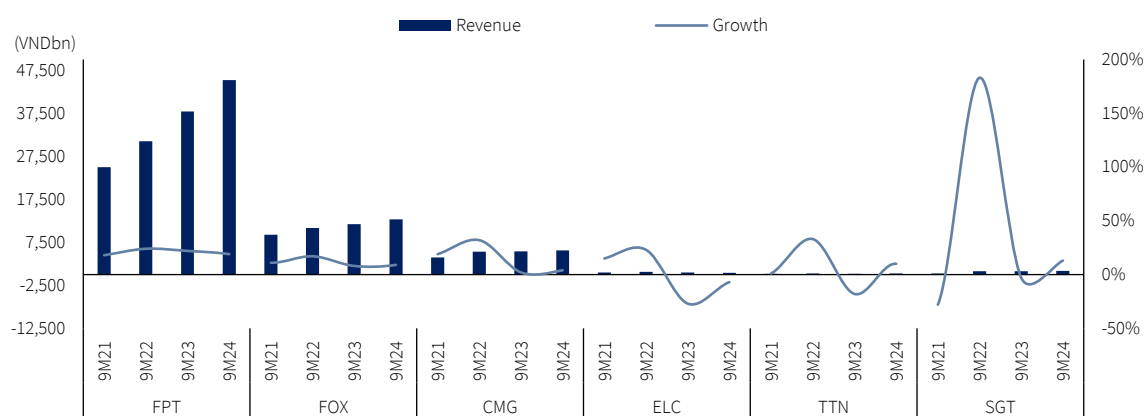


Source: FPT Corporation, KB Securities Vietnam

Revenue and net profit of the whole IT industry are clearly diverged

In 9M24, IT companies recorded positive business results with revenue of five companies (FPT, FPT Telecom – FOX, CMC Corporation – CMG, Elcom Technology Communications – ELC, and Global Electrical Technology – GLT) reaching VND64,160 billion (+16% YoY). Of that, revenue from FPT accounted for a high proportion, reaching VND45,240 billion (+19% YoY). Revenue of CMG and FOX recorded single-digit growth, reaching 9% YoY and 4% YoY, respectively. While CMG's Go Global campaign is gradually proving its effectiveness and contributing significantly to revenue growth. FOX's fixed broadband segment currently gained a large market share and is reaching saturation point, so the growth momentum mainly comes from changing pricing policies and providing entertainment utility services in the ecosystem. In contrast, GLT recorded a revenue contraction of 22% YoY due to the general difficulties of the industry. In summary, the pre-tax profit of the five companies reached more than VND11,000 billion (+18% YoY), but if excluding FPT, it was around VND2,900 billion (+14% YoY).

Fig 8. Vietnam – Revenue of IT companies in 9M24 (VNDbn)



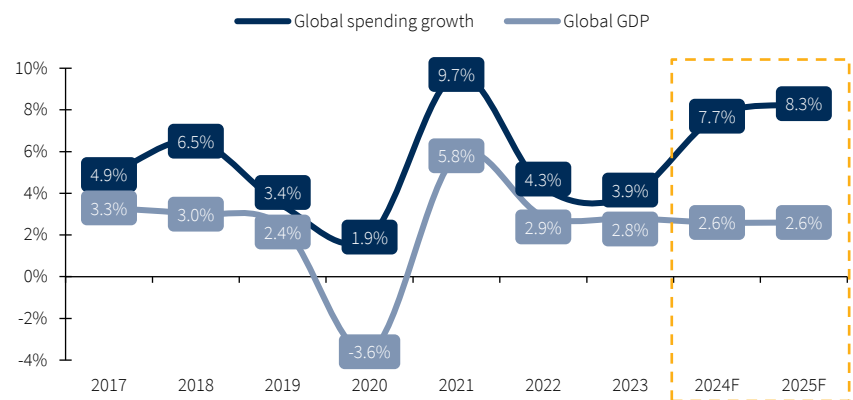
Source: FiinPro, KB Securities Vietnam

II. Business outlook for 2025

Global IT spending will maintain growth in the future

KBSV believes that global IT spending in 2025 will rebound thanks to: (i) the trend of cost savings, limiting large spending by businesses to focus on production recovery activities and (ii) prioritized technology solutions that effectively solve the problem of cost savings. In this trend, reputable and experienced software export businesses in the international market will prove their capacity compared to unknown competitors, thereby bringing positive business results. Market research organizations have positive comments on the growth prospects for technology spending in 2025, with Gartner and Canalys forecasting 9.3% YoY and 8.3% YoY, respectively.

Fig 9. Global – IT spending growth in 2017–2025 (%)



Source: Canalys, KB Securities Vietnam

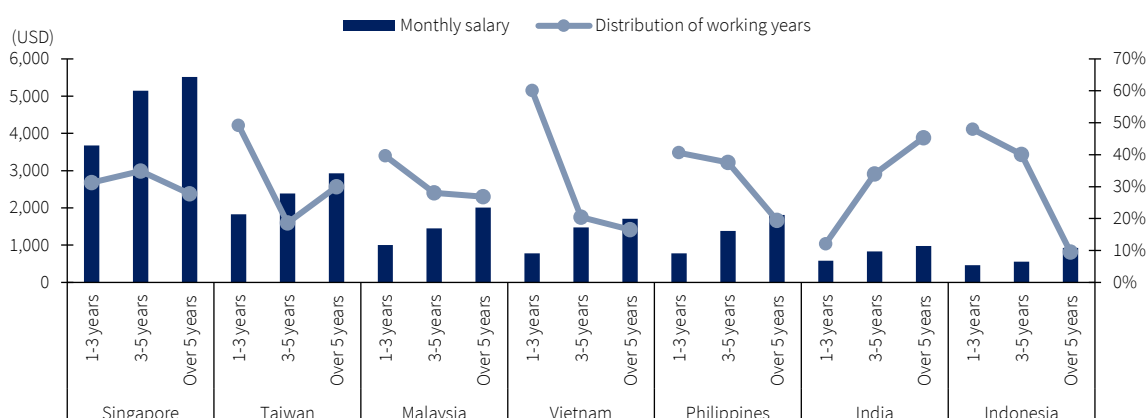
E expected rapid growth in Asia-Pacific and the US and slow growth in the European market

For the Asia-Pacific market, the demand for digital transformation of businesses will increase thanks to (i) strong economic growth, (ii) young population and responsiveness to technology trends, and (iii) Government policies to promote digital transformation. For the North American market (accounting for up to 40% of the total global technology budget), the wave of production shifting to the US under President Trump will create a huge demand for digital transformation despite the challenges from tariff barriers. For the EU market, KBSV assesses that the growth rate will slow down due to persistent geopolitical instability that will negatively affect the economy. However, spending on digital transformation in the EU is expected to grow by a single digit, 6.4% YoY in 2025.

Vietnam will still be a good choice for foreign enterprises thanks to its young workforce and costs that match the quality of human resources

KBSV assesses that the growth potential of the software outsourcing market in Vietnam depends largely on the advantage of a young workforce with a large number and costs that match the quality of human resources. According to Top Dev, nearly 60% of Vietnam's software engineering workforce is between the ages of 20–29, more than 50% of them are equipped with a university education background, which helps increase their adaptability to work and new languages in a short time. It is estimated that the workforce related to the IT sector is up to 560,000 people, which keeps increasing by 55,000–60,000 people each year. Regarding salary structure, the salary of software engineers with one to three years of experience in Vietnam is USD750/month, lower than Malaysia and equal to the Philippines. However, the above years of experience accounts for a high proportion of the total workforce, making Vietnam's labor costs continue to remain competitive in the software outsourcing market.

Fig 10. Asia – Average monthly salary of IT programmers (USD)

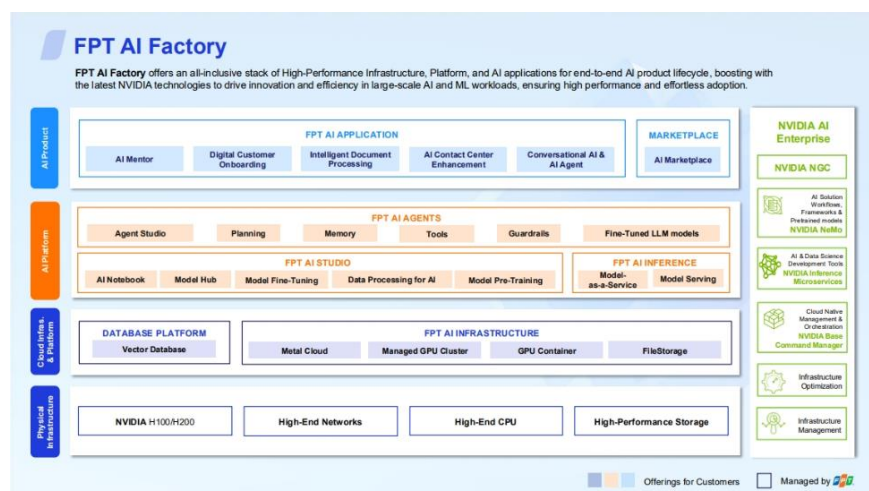


Source: Nodeflair, KB Securities Vietnam

Cooperation between FPT and NVIDIA opens up a potential direction for AI service business in Vietnam

By 2025, Vietnam's AI market will have robust growth thanks to the revenue contribution from the AI Factory project, a cooperation between FPT and Nvidia. The project has a total investment of USD100 million USD, built in Vietnam and Japan with the foundation of Nvidia's modern graphics GPU generation, which will optimize data processing time and AI training. KBSV believes that FPT is a pioneer in the field of applying AI to software export and has an advantage as: (i) FPT AI Factory owns a modern infrastructure that allows access and processing of AI data at high speed. (ii) FPT is proactive in data center infrastructure, helping businesses deploy a large number of complex AI models. (iii) FPT owns a diverse product ecosystem, suitable for customer groups with high demand for products and services. The project is expected to be completed in 2025 and start contributing revenue in 2026 with an EBITDA margin of around 50%. KBSV expects this to be the first step to help Vietnam take further steps on the path to becoming the world's software export center.

Fig 2. FPT – FPT AI Factory model

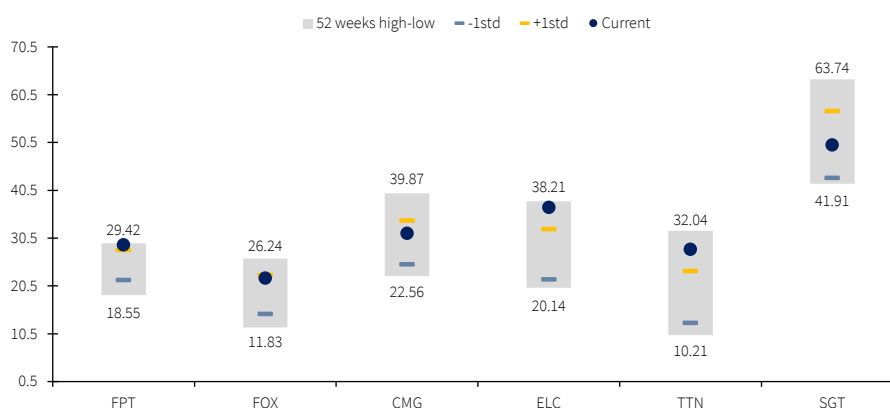


Source: FPT Smart Cloud, KB Securities Vietnam

We rated the IT industry outlook
POSITIVE

We maintain a POSITIVE view on the IT industry in 2025 as IT spending will increase in line with the global trend. We believe that with solid prospects for demand, this group of stocks will maintain double-digit growth in business results. Investors can consider FPT shares because this is a prominent enterprise in the field of software outsourcing and digital transformation and is investing heavily in Data Centers. However, the price movements of IT stocks since the beginning of 2024 have also shown positive results compared to the general market, so corrections will be a good opportunity to buy stocks and are suitable for long-term holding positions.

Fig 12. Vietnam – P/B of some IT companies (x)



Source: Bloomberg, KB Securities Vietnam



Companies

FPT Corporation (FPT)

FPT Corporation (FPT)

FPT AI Factory to unleash growth potential

Analyst Nguyen Viet Anh

anhnv3@kbsec.com.vn

(+84) 24-7303-5333

December 9, 2024

In 3Q2024, revenue and earnings continued to demonstrate impressive growth

In 3Q2024, FPT reported NPAT of VND2,478 billion (+19% YoY, +8% QoQ) on revenue of VND15,903 billion (+22% YoY, +4% QoQ), reflecting a gross profit margin (GPM) of 38.7%. During the quarter, global IT saw a 13.5% increase in new signed value, reaching VND6,450 billion, which significantly contributed to IT revenue of VND8,095 billion (+26.5% YoY).

Global IT sustained double-digit growth

For 9M2024, new signed value amounted to VND25,121 billion (+21% YoY), largely driven by the corporation's proactive efforts to secure new contracts since late 2023. FPT also continued to secure high-value contracts with international partners, winning 33 large deals (valued at over USD5 million each) (up 65% YoY), with a particular focus on the Japanese and Asia-Pacific markets.

High-tech investment projects would unlock growth potential

Looking ahead to 2025, the FPT AI Factory project, centered around GPU-as-a-Service (GPUaaS) in collaboration with Nvidia and other partners, is expected to unlock significant growth potential in both the domestic and Japanese markets. With Japan's aging population and supply shortages creating favorable conditions, the project is forecast to generate annual revenue of USD100 million and achieve an EBITDA margin of ~50%.

We maintain our NEUTRAL stance on FPT with a target price of VND148,500/share

Based on valuation results, business outlook, and potential risks, we maintain our NEUTRAL stance on FPT with a target price of VND148,500 per share, representing a 2.4% upside from the closing price on December 6, 2024.

Neutral maintain

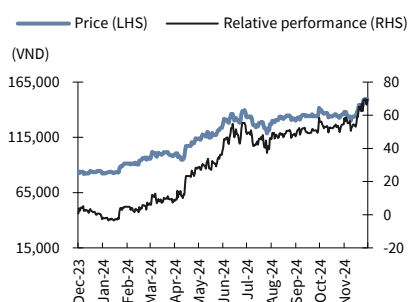
Target price	VND148,500
Upside	2.4%
Current price (Dec 6, 2024)	VND145,500
Consensus target price	VND156,200
Market cap (VNDtn/USDbn)	213.6/8.4

Trading data	
Free float	86.0%
3M avg trading value (VNDbn/USDmn)	517.2/20.6
Foreign ownership	45.8%
Major shareholder	Truong Gia Binh (6.99%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	9.2	9.0	19.9	78.2
Relative	8.8	11.1	22.5	66.6

Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	44,010	52,618	61,358	71,187
Operating income/loss (VNDbn)	6,491	7,788	9,418	11,562
NPAT-MI (VNDbn)	5,310	6,465	7,911	9,712
EPS (VND)	5,802	5,854	7,330	9,272
EPS growth (%)	33.4	0.9	25.0	26.0
P/E (x)	26.1	25.9	20.6	16.3
P/B (x)	6.6	6.4	6.2	5.7
ROE (%)	25.6	26.0	26.5	26.1
Dividend yield (%)	1.3	1.3	1.4	1.4



Source: Bloomberg, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Research Division

research@kbsec.com.vn

Nguyen Xuan Binh – Head of research

binhnx@kbsec.com.vn

Financials**Nguyen Anh Tung – Manager**

tungna@kbsec.com.vn

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Consumer**Nguyen Duc Quan – Analyst**

quannd@kbsec.com.vn

Nguyen Hoang Duy Anh – Analyst

anhnhd@kbsec.com.vn

Real Estate**Pham Hoang Bao Nga – Manager**

ngaphb@kbsec.com.vn

Nguyen Thi Trang – Analyst

trangnt6@kbsec.com.vn

Industrials & Materials**Nguyen Thi Ngoc Anh – Analyst**

anhntn@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

Macro & Strategy**Tran Duc Anh – Head of macro & strategy**

anhtd@kbsec.com.vn

Nghiem Sy Tien – Analyst

tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Energy, Utilities & IT**Pham Minh Hieu – Analyst**

hieupm@kbsec.com.vn

Nguyen Viet Anh – Analyst

anhnv3@kbsec.com.vn

Support Team**Nguyen Cam Tho – Assistant**

thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

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

Buy:	Neutral:	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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