April 12th, 2023

Shinhan Securities



FPT Corporation

[Vietnam / Technology]

Bloomberg Code (FPT VN) | Reuters Code (FPT.HM)

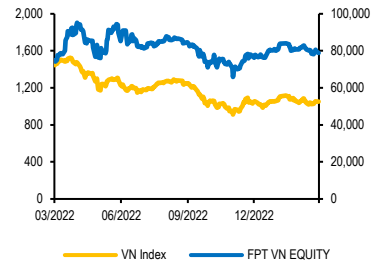
BUY

Update Report

Target price (12 months)	**VND 99,100**
Current price (12/04/22)	VND 80,300
Upside/downside	24%

VNINDEX		1,069
P/E market (23F,x)		10.2
Market Cap (bn VND)		87,982
Outstanding shares (mn)		1,097
FFPT-Floating (mn)		925
52-Wk High/Low (VND)		99,083/61,300
90-day avg. trading volume (mn)		0.87
90-day avg. turnover (bn VND)		62
Foreign ownership (%)		49
Major shareholders (%)	Truong Gia Binh	7.0
	State Capital Invest	5.8

Performance	3M	6M	12M
Absolute (%)	3.4	-6.1	3.1
Relative to VN-Index (%)	3.2	9.1	30.3



Source: Bloomberg

Sustainable profit

Update recommendation BUY, target price VND 99,100

FPT Corporation (HoSE: FPT) is the leading enterprise in the technology sector with 3 main segments: technology, telecom, and education. FPT has strong financial healthy, abundant cash & pay cash dividend regularly. We update the BUY recommendation for FPT with the target price at VND 99,100 based on the estimated revenue and NPAT of FPT continuing to grow.

Update AGM

In 2022, FPT recorded revenue of VND 44,010 billion (+23% YoY) and the net profit of VND 6,491 billion (+21% YoY). All three core segments of the corporation have shown impressive growth. In 2023, FPT plans to increase by 18.8% YoY in revenue to VND 52,289 billion and the EBT at VND 9,055 billion (+18.2% YoY).

Technology: In 2023, FPT targets the revenue of this segment to reach VND 31,150 billion (+20.9%), EBT at VND 4,166 billion (+23.8% YoY) with new sales in international markets hit 01 billion USD(+ 39% YoY). FPT said that the group will continue to invest in developing core products such as Cloud, AI, Blockchain ... and higher-value services (consulting, designing) to broaden profit margins. Notably, revenue from lower-value services contributes only 20% revenue of this segment.

Telecommunications segment FPT sets a revenue target of VND 16,739 billion (+13.6%). In the coming time, FPT will continue to invest in the cable system, quality of domestic telecommunications infrastructure, Data Centers, and digital content.

Education, Investment & Others set a revenue growth target of 25.1% YoY to VND 4,400 billion. FPT plans to continue to expand new schools in Hai Phong, Bac Ninh, Bac Giang, and Ha Nam.

Strategy 2023-2025

FPT sets out a strategy for 2023-2025 with the name DC5-135, in which DC5 stands for Digital Conglomerate 5.0. DC5 tend to digital combination to create happiness for each person and success for each organization. DC-5 will focus on 5 core components: AI, Data, Identity, Communication, and Touchpoint.

For the global market, FPT will expand branches in Latin America, North America, China, and Eastern Europe. FPT's digital transformation solutions will focus on healthcare, finance - insurance, and automobiles. Besides, FPT also focuses on Cloud solutions and smart manufacturing for the world.

For the domestic market, FPT will build comprehensive, highly effective, and affordable integrated solution packages along with a commitment to accompany the government and ministries in digital transformation projects. Particularly, the Data Center segment aims to double its growth in the next 3 years.

After launching the first microchip product in the medical sector, FPT plans to supply 25 million chip units to the global market in the next 2 years. In the education sector, after reaching the Mega scale in 2022, FPT aims to reach the Giga scale by 2025.

Risks: (1) IT demand is lower than expected; (2) Exchange rate risk; (3) Fierce competition from rivals.

Year to Dec.	2020	2021	2022	2023F	2024F
Revenue (bn VND)	**29,830**	**35,657**	**44,010**	**52,792**	**63,419**
OP (bn VND)	4,605	5,415	6,795	7,883	9,386
NP (bn VND)	**4,424**	**5,349**	**6,491**	**7,581**	**8,951**
EPS (VND)	4,120	4,349	4,429	4,663	4,575
BPS (VND)	20,080	19,765	19,183	18,460	17,721
OPM	15%	15%	15%	15%	15%
NPM	15%	15%	15%	14%	14%
ROE	**24%**	**25%**	**26%**	**25%**	**25%**
PER (x)	19.6	18.6	18.2	17.3	17.7
PBR (x)	4.0	4.1	4.2	4.4	4.6
EV/EBITDA (x)	13.5	12.2	9.3	7.9	6.7

Source: Company data, Shinhan Securities Vietnam

Open account [Analyst]

Nhut Nguyen

(84-28) 6299-7751

nhut.nq@shinhan.com

Ly Bui – Head of Research

(84-28) 6299-8029

ly.btt@shinhan.com

Shinhan Securities Vietnam Co., Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Analysts employed by Shinhan Securities Vietnam Co., Ltd. , or a non-US affiliate thereof, are not registered/qualified as research analysts with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. For analyst certification and important disclosures, refer to the Compliance & Disclosure Notice at the end of this report.

Valuation and Recommendation

We use SOTP and discounted cash flow (DCF) valuation methods to value FPT with 50%-50% weighted. We update our BUY recommendation with a target price of VND 99,100 equivalent to a return of 24%.

Weighted Average Cost of Capital (WACC)	
WACC (%)	**13.56**
Risk-free rate (%)	3.5
Equity risk premium (%)	11.13
Beta	1.00
Debt cost (%)	5.2
The cost of equity(%)	14.6
Debt-to-equity ratio	0.14
Total debt (VND billion)	12,382

Source: Company data, Shinhan Securities Vietnam

FCF valuation					
Unit: VND billion	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
CFO	9,180	10,845	12,612	14,945	17,479
Plus: After-tax interest expense	591	619	603	599	611
Minus: CapEx	1,091	1,089	1,392	1,404	1,458
Free Cash Flow (FCF)	**8,680**	**10,375**	**11,823**	**14,141**	**16,632**
Discount rate	0.88	0.78	0.68	0.60	0.53
PV of FCF	7,644	8,045	8,073	8,502	8,806
Terminal growth rate (%)	3%				
Present value of long-term value	85,872				
Enterprise value	126,941				
Debt (billion)	-12,382				
Cash and cash equivalents (billion)	6,440				
Minority interest	-4,310				
Number of shares outstanding (billion)	1.097				
Target price (VND)	**106,369**				

Source: Company data, Shinhan Securities Vietnam

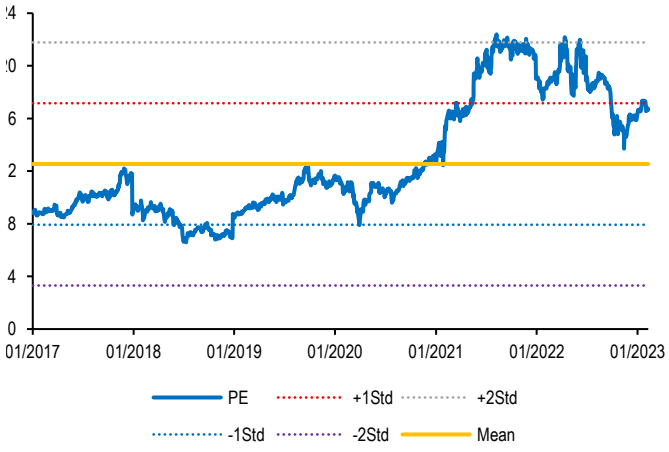
SOTP				
Unit: VND billion	**NP 2023F**	**PE target**	**Value**	**Ownership**
Software	3,352	19.7	66,103	100%
Telecom	2,671	15.7	41,962	46%
Education	1,377	15.5	21,351	100%
Net debt	-5,942			
Implied equity value	100,814			
Total share oustanding	1.097			
Target price (VND)	**91,897**			

Source: Company data, Shinhan Securities Vietnam

Peer valuation				
Ticker	**PE 2023F**	**Market cap (USD million)**	**Growth EPS (%)**	**Growth revenue (%)**
Software				
FPT VN EQUITY		3,779.3	22.2	23.4
HCLT IN EQUITY	18.2	36,238.6	8.1	12.8
INFO IN EQUITY	21.1	71,175.8	15.2	21.1
MPHL IN EQUITY	20.5	4,706.0	48.7	32.1
TCS IN EQUITY	18.5	4,118.5	17.2	23.0
TECHM IN EQUITY	24.8	142,387.7	19.5	16.8
WPRO IN EQUITY	16.5	13,068.7	25.0	17.9
EXLS US EQUITY	15.5	24,555.6	17.0	27.7
G US EQUITY	20.9	5,398.7	25.4	25.8
WNS US EQUITY	21.5	4,462.4	31.1	21.6
Mean	19.7			
Median	20.5			
Telecom				
FOX VN Equity		791.4	19.2	16.1
6823 HK Equity	15.2	10,061.3	1.9	0.5
TLKM IJ Equity	14.0	27,071.3	-16.2	2.9
9436 JP Equity	13.6	1,233.7	2.2	-1.0
MAXIS MK Equity	21.9	7,316.4	-9.6	6.4
T MK Equity	14.0	4,308.0	27.4	5.1
Mean	15.7			
Median	14.0			

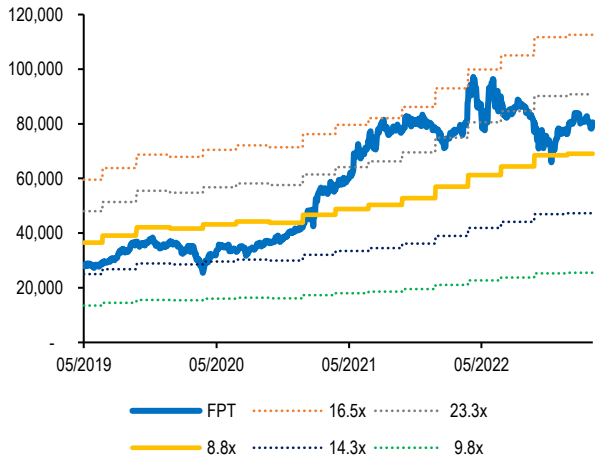
Source: Bloomberg, Shinhan Securities Vietnam

PER of FPT



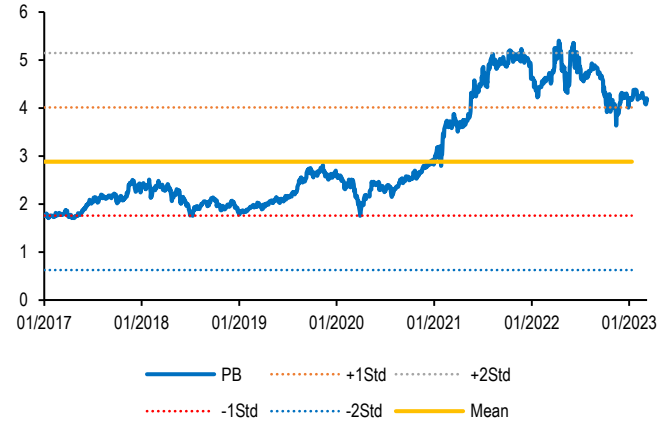
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of FPT



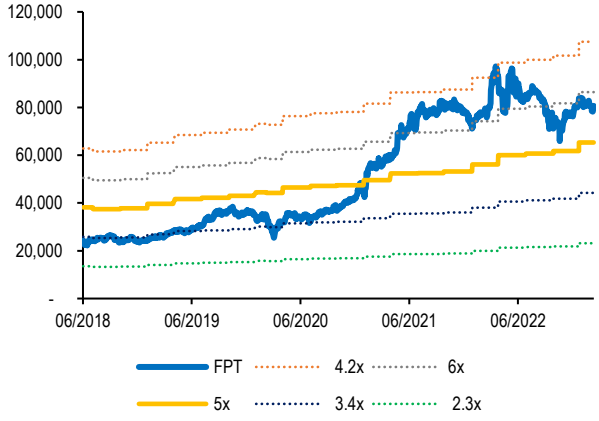
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of FPT



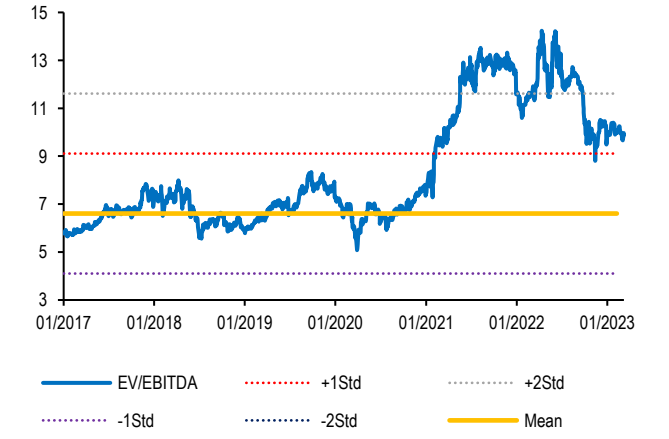
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of FPT



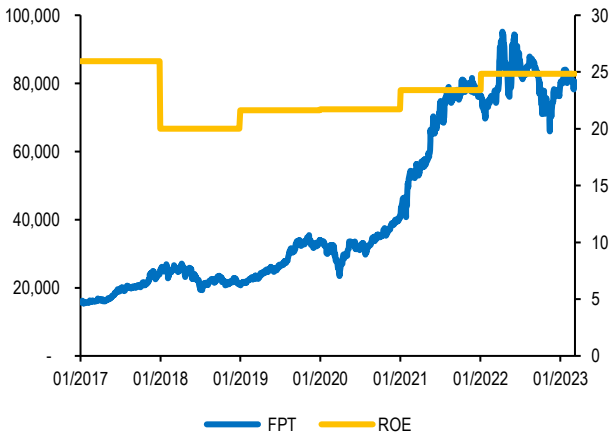
Source: Bloomberg, Company data, Shinhan Securities Vietnam

EV/EBITDA of FPT



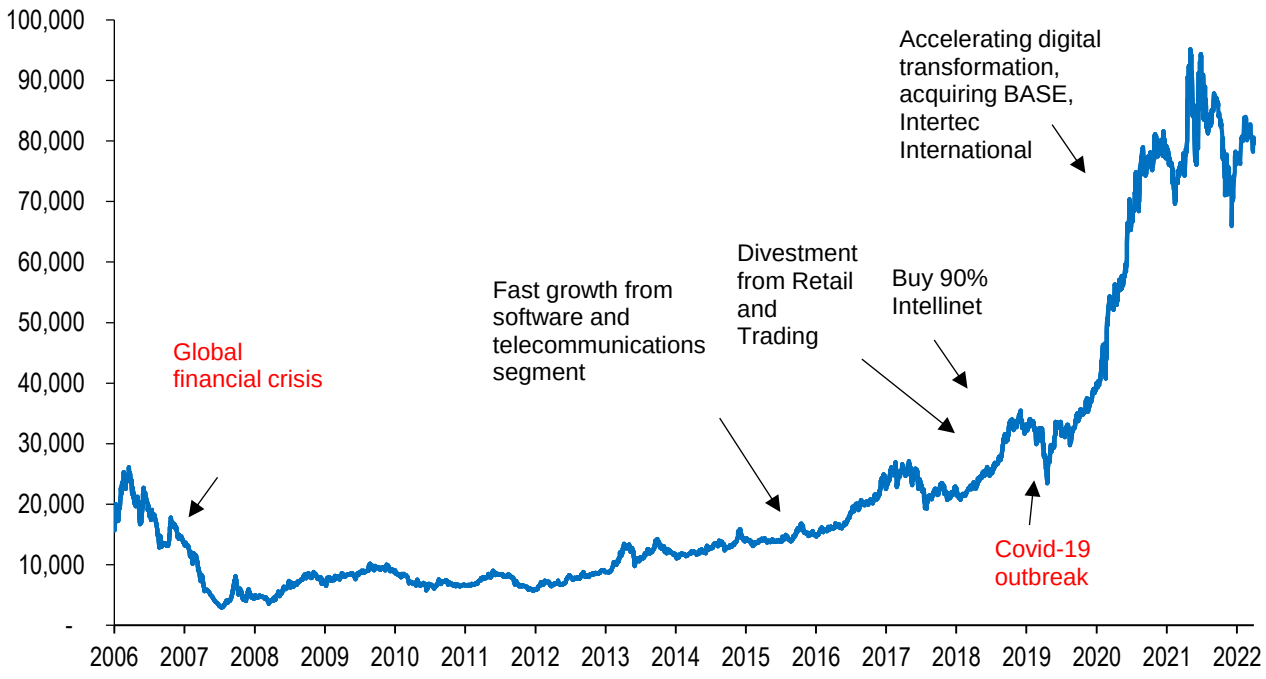
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of FPT and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key events of FPT



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Company background

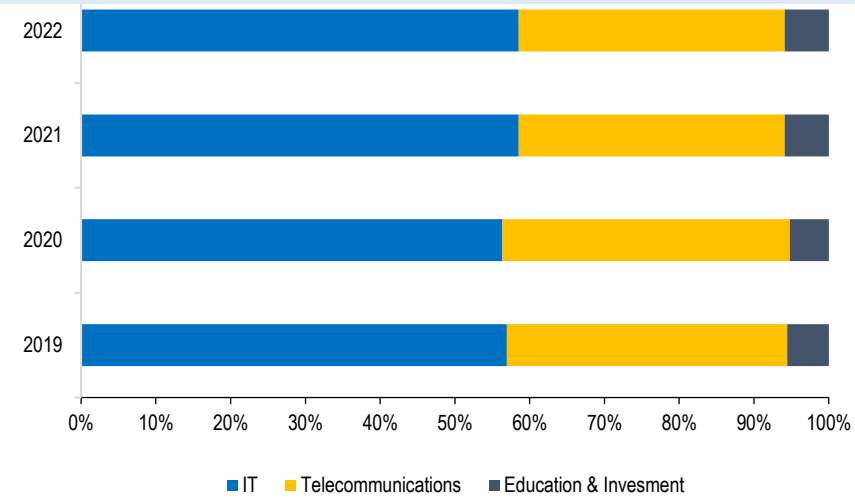
FPT Corporation (HoSE: FPT) was established in 1988, FPT has grown into a leading company in the sector of information technology (IT) in Vietnam thanks to its ability to develop large-scale IT systems in many fields. Besides, FPT has also expanded its business activities globally with prominent markets such as Japan, the US, APAC, and EU... Since 2006, FPT has been officially listed on Ho Chi Minh Stock Exchange

No.	Shareholder	Ownership rate
1	Truong Gia Binh	7.01%
2	State Capital Investment Corporation	5.79%
3	QT Co., Ltd	3.74%
4	DCVFMVN DIAMOND ETF	3.39%
5	Bui Quang Ngoc	1.96%
6	Other	78.11%

Source: Company data, Shinhan Securities Vietnam

FPT operates in three main segments including Technology, Telecommunications, Education & Investment. In the revenue structure, IT plays the leading role with 59%, and Telecommunications and Education & Investment contribute 36% and 6%, respectively in 2022.

Revenue structure of FPT



Source: Company data, Shinhan Securities Vietnam

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2020	2021	2022	2023F	2024F
Total assets	**41,734**	**53,698**	**51,650**	**61,097**	**69,051**
Current assets	25,612	35,118	30,938	40,689	48,966
Cash & equivalents	4,686	5,418	6,440	11,327	13,405
Short-term financial asset	12,436	20,731	13,047	15,651	18,801
Accounts receivable	7,200	7,462	9,485	11,322	13,858
Inventories	1,290	1,507	1,966	2,389	2,901
Non-current assets	16,122	18,580	20,713	20,408	20,085
Net fixed assets	10,691	11,689	13,095	12,229	11,304
Investment assets	2,581	3,102	3,238	3,746	4,281
Other long-term assets	2,849	3,788	4,379	4,433	4,500
Total liabilities	**23,129**	**32,280**	**26,294**	**31,045**	**33,441**
Current liabilities	22,365	29,761	24,521	29,260	31,381
Accounts payable	2,825	2,866	3,209	3,850	4,625
Short-term borrowings	12,062	17,799	10,904	12,976	11,870
Others	7,478	9,096	10,408	12,434	14,887
Non-current liabilities	764	2,519	1,773	1,785	2,060
Long-term borrowings	678	2,296	1,478	1,484	1,753
Other financial liabilities	86	223	295	301	308
Total shareholders' equity	**18,606**	**21,418**	**25,356**	**30,052**	**35,610**
Capital stock	7,840	9,076	10,970	13,161	15,901
Capital surplus	50	50	50	50	50
Other capital	1,465	1,815	2,315	2,315	2,315
Retained earnings	6,391	7,000	7,712	8,773	9,915
Non-controlling interest equity	2,860	3,477	4,310	5,753	7,429
*Total debt	12,740	20,096	12,382	14,460	13,622
*Net debt (cash)	8,054	14,678	5,942	3,133	217

Statement of comprehensive income

Year to Dec. (bn VND)	2020	2021	2022	2023F	2024F
Revenue	**29,830**	**35,657**	**44,010**	**52,792**	**63,419**
Growth (%)	7.6	19.5	23.4	20.0	20.1
COGS	(18,017)	(22,025)	(26,842)	(32,609)	(39,173)
Gross profit	**11,814**	**13,632**	**17,167**	**20,183**	**24,246**
GPM (%)	39.6	38.2	39.0	38.2	38.2
SG&A	(7,209)	(8,217)	(10,373)	(12,300)	(14,860)
Operating profit	**4,605**	**5,415**	**6,795**	**7,883**	**9,386**
Growth (%)	11.0	17.6	25.5	16.0	19.1
OPM (%)	15.4	15.2	15.4	14.9	14.8
Non-operating profit	659	922	868	1,096	1,216
Financial income	822	1,271	1,999	1,661	2,002
Financial expense	(548)	(1,144)	(1,687)	(1,240)	(1,402)
In which: interest expenses	(385)	(484)	(646)	(700)	(733)
Net other non-operating profit	385	796	557	676	616
Pre-tax profit	**5,263**	**6,337**	**7,662**	**8,979**	**10,602**
Income tax	(840)	(988)	(1,171)	(1,399)	(1,652)
Net profit	**4,424**	**5,349**	**6,491**	**7,581**	**8,951**
Growth (%)	13.1	20.9	21.3	16.8	18.1
NPM (%)	14.8	15.0	14.7	14.4	14.1
Controlling interest	3,538	4,337	5,310	6,137	7,275
Non-controlling interest	886	1,012	1,181	1,444	1,676
EBIT	**5,649**	**6,821**	**8,308**	**9,680**	**11,336**
Growth (%)	12.4	20.8	21.8	16.5	17.1
EBIT Margin (%)	18.9	19.1	18.9	18.3	17.9
EBITDA	**7,139**	**8,465**	**10,141**	**11,637**	**13,349**
Growth (%)	11.9	18.6	19.8	14.8	14.7
EBITDA margin (%)	23.9	23.7	23.0	22.0	21.0

Statement of cash flow

Year to Dec. (bn VND)	2020	2021	2022	2023F	2024F
Cash flow from operations	**6,340**	**5,840**	**5,054**	**7,650**	**8,547**
Net profit	4,424	5,349	6,491	7,581	8,951
D&A expense	1,491	1,644	1,833	1,957	2,013
(Gain) from investing activities	(1,134)	(1,958)	(2,482)	(2,246)	(2,536)
Change in working capital	1,650	337	(1,562)	358	119
Others	(90)	467	774	-	0
Cash flow from investments	**(8,144)**	**(10,413)**	**5,757**	**(2,034)**	**(2,238)**
Change in fixed assets	(4,833)	2,266	(2,998)	(1,091)	(1,089)
Change in investment assets	(3,376)	(8,816)	7,547	(2,604)	(3,150)
Others	65	(3,863)	1,208	1,661	2,002
Cash flow from financing	**3,037**	**5,365**	**(9,773)**	**(730)**	**(4,231)**
Change in equity	34	-	75	90	107
Net borrowing	4,903	7,619	(7,626)	2,078	(838)
Dividends	(1,899)	(2,254)	(2,222)	(2,897)	(3,500)
Change in total cash	**1,233**	**791**	**1,038**	**4,887**	**2,078**
Beginning cash	3,453	4,686	5,418	6,440	11,327
Change in FX rates	(0)	(60)	(15)	-	-
Ending cash	4,686	5,418	6,440	11,327	13,405

Source: Company data, Shinhan Securities Vietnam

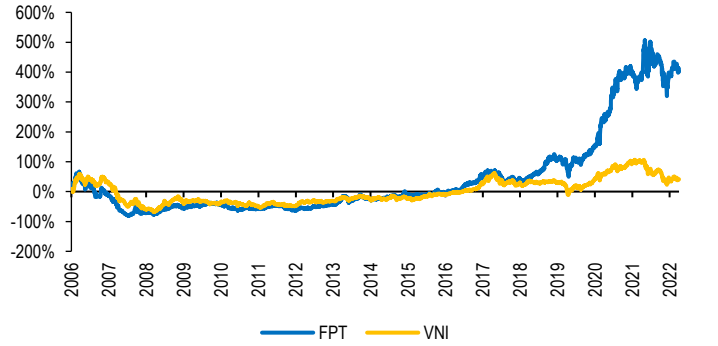
Key ratios

Year to Dec.	2020	2021	2022	2023F	2024F
EPS (VND)	4,120	4,349	4,429	4,663	4,575
BPS (VND)	20,080	19,765	19,183	18,460	17,721
PER (x)	19.6	18.6	18.2	17.3	17.7
PBR (x)	4.0	4.1	4.2	4.4	4.6
EV/EBITDA (x)	13.5	12.2	9.3	7.9	6.7
Dividend payout ratio (%)	42.9	42.1	34.2	38.2	39.1
Dividend yield (%)	2.5	2.5	2.5	2.5	2.5
Profitability					
EBITDA margin (%)	23.9	23.7	23.0	22.0	21.0
OPM (%)	15.4	15.2	15.4	14.9	14.8
NPM (%)	14.8	15.0	14.7	14.4	14.1
ROA (%)	10.6	10.0	12.6	12.4	13.0
ROE (%)	23.8	25.0	25.6	25.2	25.1
Stability					
Debt to equity ratio (%)	68.5	93.8	48.8	48.1	38.3
Net debt ratio (%)	112.8	173.4	58.6	26.9	1.6
Cash ratio (%)	76.6	87.9	79.5	92.2	102.6
Interest coverage ratio (x)	14.7	14.1	12.9	13.8	15.5
Activity (%)					
Working capital turnover (times)	9.7	8.3	7.5	5.9	4.4
Inventory turnover (days)	14.0	15.7	15.5	15.0	14.8
Receivable turnover (days)	4.0	4.9	5.2	5.1	5.0

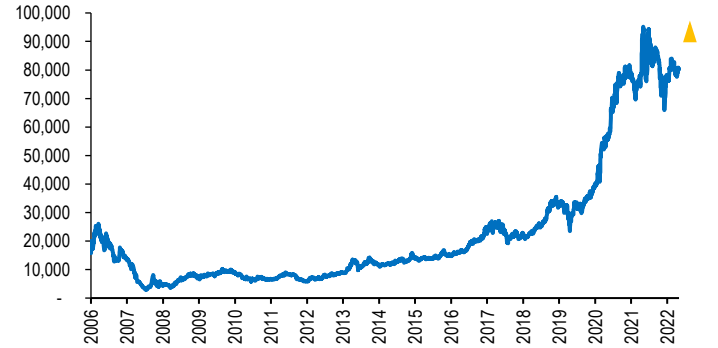
Source: Company data, Shinhan Securities Vietnam

FPT Corporation (FPT VN)

Share price



Target price



Date	Rating	TP (VND)	TP gap (%) TB	TP gap (%) Max/Min
18/05/2021 (Initital report)	BUY	91,100	19.8	1.6/48.7
20/09/2021 (Update report)	BUY	130,000	25.3	16.5/39.8
16/11/2021 (Update report)	BUY	130,000	8.1	1.2/23.2
08/09/2022 (Update report)	BUY	115,300	34.2	20.1/45.6
14/03/2023 (Update report)	BUY	91,700	11.8	-3.8/24.1
12/04/2023 (Update report)	BUY	99,100	18.4	4.0/29.7

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

Compliance & Disclosure Notice

Analyst Certification

- The following analysts hereby certify that their views about the companies and securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Nhut Nguyen

Important Disclosures & Disclaimers

- As of the date of publication, Shinhan Securities Vietnam Co., Ltd. does not beneficially own 1% or more of any class of common equity securities of the following companies mentioned in this report: FPT VN
- Shinhan Securities Vietnam Co., Ltd. or one of its affiliates, and/or their respective officers, directors, or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities of the companies mentioned in this report.
- As of the date of publication, research analysts responsible for this report and members of their households do not have any financial interest in the debt or equity securities of the companies mentioned in this report.
- Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of Shinhan Securities Vietnam Co., Ltd. including profits derived from investment banking. The analysts responsible for this report may also receive compensation based upon, among other factors, the overall profitability of sales and trading businesses relating to the class of securities or financial instruments for which such analysts are responsible.
- All opinions and estimates regarding the companies and their securities are accurate representations of the research analysts' judgments and may differ from actual results.
- This report is intended to provide information to assist investment decisions only, and should not be used or construed as an offer or a solicitation of an offer to buy or sell any securities. The information herein has been obtained from sources deemed reliable, but such information has not been independently verified and no guarantee, representation, or warranty, expressed or implied, is made as to its accuracy, completeness, or correctness. Shinhan Securities Vietnam Co., Ltd. makes the best effort but does not guarantee the accuracy, completeness, or correctness of information and opinions translated into English from original Vietnamese language materials. Shinhan Securities Vietnam Co., Ltd. accepts no liability whatsoever for any direct, indirect, and/or consequential loss arising from any use of this material or its contents. Stock selection and final investment decisions should be made at the investor's own and sole discretion.
- This report is distributed to our customers only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.
- Investing in any Vietnamese securities or related financial instruments discussed in this research report may present certain risks. The securities of Vietnamese issuers may not be registered with, or be subject to the regulations of, the US Securities and Exchange Commission. Information on Vietnamese securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the US. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in currencies other than the Vietnamese won is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Distribution

- United States: This report is distributed in the US by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major US institutional investors as defined in Rule 15a-6(a)(2) of the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and warrant that they are major US institutional investors and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Securities Vietnam Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any US recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the US. The securities described herein may not have been registered under the US Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the US or to US persons unless they have been registered or are in compliance with an exemption from registration requirements.
- All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan Securities Vietnam Co., Ltd. or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan Securities Vietnam Co., Ltd. and its affiliates to any registration or licensing requirement within such jurisdiction.



Shinhan Investment Network

SEOUL
Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK
Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

Hong Kong
Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

Indonesia
PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

Shanghai
Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

Ho Chi Minh
Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai StFPTt,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

Ha Noi
Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam.
Tel : (84-8) 6299-8000