

FPT Corporation (HSX: FPT)

BUY – Target price: 81,200 VND

Investment Catalyst

We maintain a BUY recommendation for FPT shares with the following points: (1) Digital transformation revenue surged (+41%) in the context of 'new normal condition' after Covid-19; (2) FPT has a competitive advantage in human resources with high quality and low cost compared to its competitors; (3) The value of long-term contracts signed in Q3 increase 48% yoy.

Company Update

In 2020, FPT's consolidated revenue and PBT reached VND 26,341 bn and VND 4,886 bn, respectively, increased 7.4% and 10.1% yoy. Pre-tax profit margin improved over the same period, reaching 18.5 % (17.6% in 2019) due to the continued increase in the share of digital transformation services and software exports.

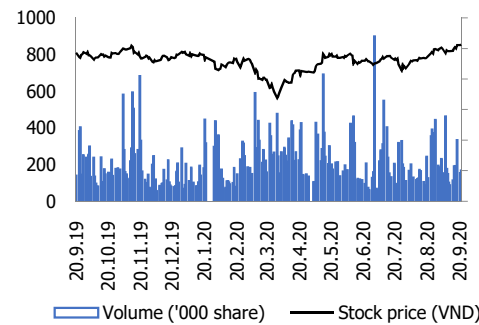
In terms of Technology, in 11M2020, revenue reached VND 14,621 bn (+6%yoy) and EAT reached VND 2,072 bn (+ 9.3%yoy), mainly from software export with revenue growth of more than 10%. . In which, digital transformation service (DX) has outstanding revenue of VND 2,936 bn, up 34% yoy, focusing on technologies such as Cloud, IoT, and Low code. Signed many contracts with large enterprises in Vietnam such as Thien Long, Techcombank, ... and many large orders with partner countries such as Japan, America, Malaysia, ... New signing revenue of Technology segment reached VND 4,826 bn for the domestic market, up 17.5% yoy, and VND 11,581 bn for the foreign market, up 23.6% yoy. With many large orders signed for 2021 and as demand for IT continues to grow, we project that the Technology sector will maintain double-digit growth in 2021.

Telecommunication sector maintained growth of more than 10% in 11M2020, reaching VND 10,354 bn in revenue. FPT Telecom's products are highly appreciated through the use of technology to enhance customer experience, such as FPT Camera, FPT Television and FPT Play - FPT Play box. Recently, FPT Telecom has introduced interactive television products and the ownership of television rights to tournaments under the AFC 2021-2024 system, in which digital content invested is expected to increase user experience as well as attracting new customers.

During the enrollment period for the 2020-2021 school year, the university sector recorded a growth of nearly 45% yoy, reaching nearly 9,000 newly registered students, showing the need for high-quality education, especially the IT industry. The total number of students in the entire Education Division has positive growth of 33%, reaching 66,234 students by the end of October 2020.

FPT's revenue is forecasted to reach VND 30,893 bn and VND 35,366 bn thanks to technology growth of more than 10% and 18% in 2020 and 2021. In which, DX contributes about VND 3,500 bn in 2020, increased 34% yoy. EBT is expected to reach VND 5,125 bn and VND 5,884 bn in 2020 and 2021, up 13% and 14%yoy.

Price Movement



	1M	3M	12M
FPT (%)	8%	11%	5%
VN-Index (%)	6%	4%	-8%

Reporting date	January 29, 2021
Current price	VND 62,700
Target price	VND 81,200
Upside (%)	29.5%
Bloomberg	FPT VN Equity
Market capital	VND 38,013 bn USD 1.65 bn
52-week price movement	VND 33,774 - VND 51,300
Daily trading value	VND 36.57 bn - USD 1.59 mn
Foreign ownership limit (%)	49.0%
Current foreign ownership (%)	49.0%

	Unit	FY19	FY20F	FY21F	FY22F
Revenue	VND bil	27,717	30,893	35,366	40,291
EBIT	VND bil	4,118	5,518	6,334	7,237
Pre-tax profit	VND bil	3,912	4,591	5,238	5,942
Net income	VND bil	3,912	4,591	5,238	5,942
EPS (VND)	VND	4,623	5,298	6,092	6,993
EPS Growth(%)	%	20%	14.6%	15.0%	14.8%
P/E (x)	X	10.47	10.27	8.93	7.78
EV/EBITDA (x)	X	8.89	6.64	5.78	5.06
Dividend (%)	%	4.1%	5.17%	6.20%	7.23%
P/B (x)	X	2.4	2.34	2.06	1.79
ROE (%)	%	22.3%	24.0%	24.1%	22.5%
Debt/Equity (%)	%	56.0%	49.1%	48.5%	48.0%

Source: MBS Research

FPT Group (HSX: FPT)

Income Statement (VND bn)	2019	2020E	2021E	2022E
Revenue	27,717	30,893	35,366	40,291
Cost of good sold	17,006	18,054	20,650	23,504
Gross profit	10,711	12,839	14,716	16,786
Financial income	690	278	318	363
Financial expenses	628	691	791	902
SG & A expenses	6,593	7,322	8,382	9,549
Profit before tax	4,665	5,449	6,223	7,069
Profit after tax	3,912	4,591	5,238	5,942
Profit after tax for parent company	3,136	3,594	4,133	4,744
Non-controlling interest	776	997	1,105	1,198
Balance Sheet (VND bn)	2019	2020E	2021E	2022E
Current assets	19,038	23,567	26,558	29,945
I. Cash & cash equivalents	3,458	7,264	8,052	9,011
II. Short-term investments	6,778	6,179	7,073	8,058
III. Receivables	6,520	6,179	7,073	8,058
IV. Inventory	1,284	1,567	1,800	2,058
V. Other current assets	998	2,378	2,560	2,760
Non-current assets	14,621	13,045	15,967	19,104
I. Long-term receivables	222	256	295	340
II. Fixed assets	7,488	9,376	11,501	13,796
1. Tangible fixed assets	6,294	8,235	10,340	12,615
2. Intangible fixed assets	1,194	1,141	1,161	1,181
IV. Long-term work in progress	1,650	2,233	2,233	2,233
V. Long-term investments	2,497	1,721	2,091	2,460
VI. Other non-current assets	4,188	3,089	3,537	4,029
Total assets	33,659	36,612	42,526	49,049
Liabilities	16,784	16,847	19,215	21,828
I. Current liabilities	16,291	16,353	18,707	21,303
1. Short-term payables	8,775	8,897	10,157	11,543
2. Short-term borrowings	7,516	7,457	8,550	9,760
II. Non-current liabilities	493	494	508	525
1. Short-term payables	143	127	141	158
2. Long-term borrowings	350	367	367	367
Equity	14,037	15,935	18,372	21,081
1. Share capital	6,784	6,784	6,784	6,784
2. Share premium	76	76	76	76
3. Retain earnings	5,999	7,897	10,334	13,043
4. Other capital	1,179	2,176	2,284	2,376
5. Non-controlling interest	2,835	3,832	4,937	6,134
Total resources	33,659	36,612	42,526	49,049

Source: MBS FPT, MBS Research

Ratios	2019	2020E	2021E	2022E
Valuation				
EPS	4,623	5,298	6,092	6,993
Book value per share (BVPS)	20,691	23,489	27,081	31,074
P/E	12.6	10.5	9.1	7.9
P/B	2.4	2.3	2.1	1.8
P/S	1.2	1.1	0.9	0.8
Dividend yield	4.13%	5.17%	6.20%	7.23%
Profitability				
Gross profit margin	39%	42%	42%	42%
EBITDA margin	41%	41%	41%	41%
Net profit margin	14%	15%	15%	15%
ROE	22%	24%	24%	23%
ROA	12%	13%	12%	12%
Growth				
Revenue growth	19%	11%	14%	14%
Profit before tax growth	21%	17%	14%	14%
Profit after tax growth	21%	17%	14%	13%
EPS	20%	15%	15%	15%
Total Asset	13%	9%	16%	15%
Equity	13%	14%	15%	15%
Liquidity				
Current ratio	117%	144%	142%	141%
Quick ratio	103%	120%	119%	118%
Debt/Total assets	23%	21%	21%	21%
Debt/Equity	56%	49%	49%	48%
Interest coverage	14.78	20.15	37.81	47.28
Operating efficiency				
Receivables turnover	4.3	5.0	5.3	5.0
Days sales outstanding	85.9	73.0	69.5	73.0
Inventory turnover	13.2	11.5	11.5	11.4
Days sales of Inventory	27.6	31.7	31.8	32.0
Payables turnover	1.9	2.0	2.0	2.0
Days payables outstanding	188.3	179.9	179.5	179.3

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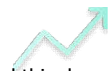
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