



FPT Flash note - OUTPERFORM

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Earnings Flash note

Recommendation **OUTPERFORM**

HSX: FPT

Technology

Target price (VND) **152,800**

Market price (VND) **135,700**

Expected share price return 12.6%

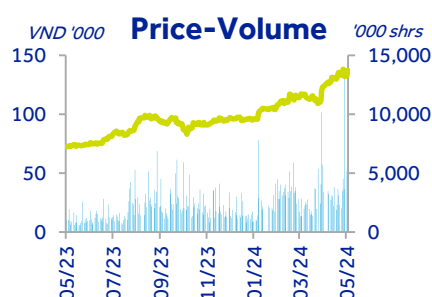
Expected dividend yield 1.5%

Expected total return **14.1%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	40.7	11.2	26.3	123.0
Relative	26.8	4.8	23.6	100.1

Source: Bloomberg



Ownership

Mr. Binh Truong (Chrm)	7.0%
SCIC	5.8%
QT Ltd.	3.7%

Stock Statistics 28-May-2024

Bloomberg code **FPT VN**

52-week range (VND) 72,087-139,700

Shares O/S (m) 1,270

Mkt cap (VND bn) 171,700

Mkt cap (USD m) 6,738

Est. Foreign room left (%) 0.1

Est. free float (%) 85.9

3m avg daily vol (shrs) 3,339,000

VND/USD 25,465

Index: VNIIndex / HNX 1278.48/245.40

FPT CORPORATION (FPT VN)

The company sustained vivid growth in 1Q2024 driven by solid performance of the global IT services segment, in line with our expectation. The stock price has increased by 38% from our latest update and fully reflected 2024's potential earnings. However, looking forward to 2025, the outlook is still very vigorous with 25.5% YoY net profit growth. Thus, we move our target price to 2025 at VND152,800/share with an **OUTPERFORM** rating.

FPT announced 1Q2024 net revenue at VND14,093bn (+20.6% YoY) and EBT at VND2,534bn (+19.5% YoY). The respective numbers were VND18,989bn (+20.6% YoY) and VND3,447bn (+19.7% YoY) in 4M2024.

The **global IT services** segment [Revenue/EBT: VND6,999bn (+28.7% YoY)/VND1,119bn (+25.4% YoY)] continued to be the company's key earner and growth driver, recording glorious growth in all of its major markets in 1Q2024 (and 4M2024). Revenue from digital transformation services jumped by 36% YoY, bringing in nearly 42% of the segmented revenue in 1Q2024.

The **domestic IT services** [VND1,472bn (+5.1% YoY)/VND41bn (+136% YoY)] witnessed some YoY improvements, albeit still far from previous years' levels due to a curb or delay in IT spending of domestic enterprises amid the challenging economy.

The **telecom services** segment [VND3,885bn (+5.1% YoY)/VND805bn (+11.4% YoY)] maintained stable revenue and EBT growth, while the **online advertising** segment [+33.6%/+20 times YoY] bounced back from the low base last year due to a shrinkage in enterprises' advertising budget in light of the challenging economy. The **education** segment continued to generate strong revenue growth of 26% YoY.

Financial profit decreased by 31.6% YoY owing to lower interest income and absence of dividends. Profit from affiliates rebounded by 70.3% YoY, to VND74bn, which might be primarily fueled by FRT's recovery.

Quick comment: We maintain our net revenue and EBT projections for FPT in 2024 at VND63,151bn (+20.0% YoY) and VND10,903bn (+18.5% YoY) and project that the respective growth is 19.6% YoY and 23.2% YoY in 2025. **Our target price for FPT at YE2025 is VND152,800/share, equivalent to a total return of 14.1%.**

	2022	2023	2024F	2025F	2026F
Net Sales (VNDbn)	44,010	52,618	63,151	75,558	90,119
Growth	23.4%	19.6%	20.0%	19.6%	19.3%
EBITDA (VNDbn)	8,235	10,540	12,170	14,360	17,073
EBITDA margin	18.7%	20.0%	19.3%	19.0%	18.9%
Net Profit (VNDbn)	5,310	6,465	7,793	9,779	12,245
Growth	22.4%	21.7%	20.5%	25.5%	25.2%
EPS (bonus-adjusted, VND)	3,843	4,652	5,580	6,968	8,682
Growth	22.1%	21.1%	19.9%	24.9%	24.6%
ROE	27.2%	28.1%	28.2%	28.8%	28.9%
ROA	10.1%	11.6%	12.8%	15.7%	19.3%
ROIC	36.7%	40.7%	47.1%	54.1%	62.1%
Net debt/EBITDA (times)	(0.9)	(1.0)	(1.2)	(1.4)	(1.7)
EV/EBITDA (times)	19.9	15.5	13.4	11.4	9.6
PER (times)	35.6	29.4	24.6	19.7	15.8
PBR (times)	7.1	7.0	5.8	4.7	3.7
DPS (VND)	2,000	2,000	2,000	2,000	2,000
Dividend yield (%)	1.5%	1.5%	1.5%	1.5%	1.5%

The global IT services segment continued to report glorious growth in all of its major markets in 1Q2024 (and 4M2024), including Japan, the US, APAC and Europe. This was attributed to rising investments in IT services, particularly digital transformation in Japan. The number of large contracts – whose value are USD500k+, USD1m+ and USD5m+ – tended to retain a robust uptrend, with USD1m+ and USD5m+ contracts jumping by 35% YoY and 150% YoY, respectively, primarily driven by Japanese and APAC markets.

	YoY growth in 1Q2024	Segmented contribution
Japan	33.5% (44.2% JPY-based)	39%
US	15.7%	29%
APAC	32.9%	25%
Europe	43.8%	7%

Source: FPT

In April 2024, FPT announced a strategic partnership with NVIDIA to drive the advancement of Artificial Intelligence (AI) and cloud computing. FPT plans to invest USD200m to establish an AI Factory to provide a cloud computing platform for AI research and development in Vietnam. This facility will be equipped with supercomputer systems powered by NVIDIA's cutting-edge technology. Moreover, as a Service Delivery Partner within NVIDIA's network and aspiring to become a Global Systems Integrator, FPT will deliver comprehensive software, hardware, cloud computing services, and Generative AI solutions to various enterprises. **This is in line with the company's 2024-2026 strategy to exploit such prominent trends as AI, semiconductor, electronic vehicles, digital transformation and green transformation.** Particularly, FPT plans to focus on:

- Expanding AI ecosystem (which FPT entered into since 2013).
- Investing to enhance their competence in serving the automotive industry, researching smart solutions and providing integration services for the industry.
- Expanding services for the semiconductor sector. Firstly, the company targets to train 10,000 engineers and associates for the sector by 2030. FPT has been involved in designing simple chip products (whose contribution remains tiny with low profit margins) and aims to enhance their competence for more complicated ones. The production is still conducted by partners and the company currently has no intention to engage in production in the near future.

Given their vigorous growth potential, we believe that these fields could pose promising growth opportunities for FPT in the future. However, a material contribution from them could not be realized in a blink as the company may take long time to build human resources and develop capabilities.

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Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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