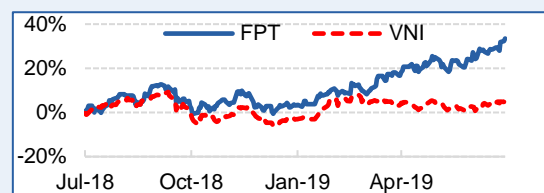


FPT Corp (FPT)
Earnings Flash

Industry:	Diversified		<u>2018</u>	<u>H1/19*</u>	<u>2019F</u>
Report Date:	July 23, 2019	Rev y/y	-45.6%	N/A	18.0%
Current Price:	VND48,800	EPS y/y**	22.5%	28.0%	21.4%
Last Target Price:	VND59,100	PBT margin	16.6%	N/A	16.6%
Upside:	+21.1%	NPM	11.3%	N/A	11.8%
Dividend yield:	4.1%	EV/EBITDA	8.0x	N/A	6.5x
TSR:	<u>+25.2%</u>	P/Op CF	8.2x	N/A	6.9x
Rating:	BUY	P/E	13.8x	N/A	11.4x

Market Cap:	USD1.4bn		<u>FPT*</u>	<u>VNI</u>
Foreign Room:	USD0	P/E (ttm)	12.2x	17.1x
ADTV30D:	USD2.6mn	P/B (curr)	N/A	2.5x
State Ownership:	6.0%	Net D/E	N/A	N/A
Outstanding Shares:	678.3 mn	ROE	N/A	14.7%
Fully Diluted Shares:	678.3 mn	ROA	N/A	2.5%
3-yr PEG	0.6	*H1 2019 FS not yet published; prelim revenue includes inter-company transactions; **Recurring		


Company overview

FPT Corp is a technology and telecom conglomerate with a top three market share in Vietnam's broadband internet market and market-leading position in technology services. Driven by its globalization strategy, FPT's international revenue CAGR reached 27% over the last three years.

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Earnings growth accelerates in Q2 2019

FPT announced H1 2019 NPAT-MI of VND1.4tn (USD61mn, +29% YoY). NPAT-MI growth sped up to 33% YoY in Q2 2019 vs 23% in Q1 2019 mainly thanks to an acceleration in Telecom Services. Other businesses remained strong, led by Software Outsourcing and Education. FPT's H1 2019 results reinforce our positive view on the stock while we foresee non-material changes to our current forecasts, pending a fuller review.

Software Outsourcing: Revenue +38%, PBT +39% YoY as all markets delivered. The Japanese market (54% of Software Outsourcing's revenue) posted top-line growth of 26% YoY in H1 2019. Meanwhile, revenue from other markets, namely the US, EU and APAC, soared 86% (49% excluding the consolidation of Intellinet, which started in Q3 2018), 33% and 29% YoY, respectively, underpinned by new client acquisitions while existing contracts were renewed at greater values.

Telecom Services: Revenue +18%, PBT +16% YoY on double-digit broadband subscriber growth. Broadband revenue increased 14% YoY in H1 2019 on the back of new subscribers. Meanwhile, revenue from other segments (leased line, voice, data center and Pay TV) jumped 24% YoY, primarily fueled by Pay TV. Telecom Services PBT growth strengthened to 21% YoY in Q2 2019 vs 9% in Q1 2019. We are obtaining more colors on this QoQ improvement from management.

Robust new enrollments propelled Education. In 2018, FPT Education recorded an impressive 55% jump in new enrollments vs 2017, equivalent to 19,380 new students. The total number of students amounted to 36,635 as of end-2018, surging 48% YoY. Per management, this translated to stellar growth in H1 2019 for this segment, although specific numbers were not disclosed.

Domestic IT bounced off a low H1 2018 base. This segment's PBT rocketed 88% YoY in H1 2019, including 76% YoY in Q2 2019.

FPT's H1 2019 results

PBT (VND bn)	H1 2018	H1 2019	YoY	VCSC comments
Telecom Services	592	684	16%	Broadband subscribers advanced by double digits.
Technology	592	855	44%	
- Outsourcing	532	742	39%	Robust growth across markets as FPT's competitive labor costs and strengthening track record enable it to consistently grow its contract book.
- Domestic IT	60	113	88%	Off a low H1 2018 base.
Trading and retail	183	190	4%	Retail PBT rose 12% YoY in Q2 2019 vs 1% in Q1 2019 on the back of stronger sales and profit margins in both iPhones and accessories.
Others	320	410	28%	Mainly driven by the Education segment.
PBT	1,687	2,139	27%	
NPAT-MI	1,103	1,418	29%	

Source: FPT, VCSC

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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