



FPT Corp (FPT) [BUY +38.0%]

Update Report

Industry: Technology/Telecom

Report Date: April 25, 2019

Current Price: VND48,800

Current Target Price: VND65,000

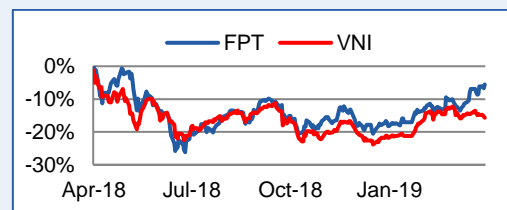
Previous Target Price: VND65,000

Upside to TP: +33.3%

Dividend Yield: +4.7%

TSR: +38.0%

	2018	2019F	2020F	2021F
Rev y/y	-45.6%	18.0%	19.6%	17.3%
Core EPS y/y	20.2%	23.1%	24.0%	21.2%
PBT margin	16.6%	16.6%	17.1%	17.5%
NPM	11.3%	11.8%	12.3%	12.8%
EV/EBITDA	6.9x	5.6x	4.6x	3.8x
P/Op CF	7.4x	6.2x	5.6x	4.4x
P/E	12.7x	10.3x	8.3x	6.9x


Market Cap: USD1.3bn

Foreign Room: USD0.0mn

ADTV30D: USD1.5mn

State Ownership: 6.0%

Outstanding Shares: 613.6 mn

Fully Diluted Shares: 613.6 mn

3-yr PEG (normalized): 0.6

	FPT	Peers*	VNI
P/E (ttm)	12.2x	28.8x	16.4x
P/B (curr)	2.1x	2.5x	2.5x
Net D/E	-17.1%	-17.2%	N/A
ROE	21.9%	9.5%	15.5%
ROA	11.8%	6.5%	2.5%

*Including foreign peers

Company Overview

FPT Corp is a Technology/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, its international revenue CAGR reached 27% over the last three years.

Dao Nguyen

Manager

dao.nguyen@vcsc.com.vn

+848 3914 3588 ext. 185

Phap Dang, CFA

Associate Director

phap.dang@vcsc.com.vn

+848 3914 3588 ext. 143

Core segments bolster bright outlook

- We reiterate a BUY rating on FPT with an unchanged TP. We nudged up our 2019-2021F NPAT-MI by 1%, mostly underpinned by better-than-expected margins in the Domestic IT segment.
- FPT is trading at an attractive three-year PEG of 0.6 against a projected 2018-2021 EPS CAGR of 23%, driven by its fast-growing Software Outsourcing (SO), Telecom and Education segments.
- The above business trio is projected to combine for 84% of 2021 NPAT-MI vs ~72% in 2018.
- Q1 2019 NPAT-MI jumped 23% YoY, led by SO (~47% of Q1 2019 NPAT-MI), which posted solid growth across markets thanks to FPT's prominent cost advantages and improving track record.
- We expect 2019 NPAT-MI to jump 24% YoY, as all three pillars deliver double-digit growth, especially SO (2019F PBT +39% YoY) and Education (2019F PBT +40% YoY).
- Risks to our positive view: insufficient supply of software engineers; failure to extract synergies with Intellinet; fierce competition in telecom from both fixed-line and mobile broadband rivals.

We expect SO to maintain breakneck growth on the back of significant cost advantages and strengthening capabilities. In Q1 2019, SO business saw robust revenue growth across key markets, including 27% in Japan, 79% in the US (39% on a like-for-like basis), 31% in the EU and 35% in APAC, as FPT continued to secure new clients while existing contracts were renewed at higher values. During 2018-2021F, we project revenue and PBT CAGRs for this segment of 28% and 32%, respectively, backed by FPT's improving capabilities, especially in consulting and Digital Transformation (DT) projects thanks to the acquisition of Intellinet and the recent hire of Mr. Phuong Tram as FPT Software's Chief Advisor in DT. Previously, Mr. Tram was the renowned CIO of DuPont.

Telecom Services makes firm strides as broadband subscriber base expands rapidly. In Q1 2019, broadband revenue advanced 16% YoY mainly thanks to estimated high-double-digit subscriber growth, beating our expectation. As such, we revise up our assumption for broadband subscriber CAGR from 11% previously to 15% during 2018-2021F, as FPT is gaining market share on the back of its superior services and competitive pricing. Meanwhile, we assume ASP to decline by 2%-2.5%/year as FPT continues to expand in tier-2 and tier-3 cities.

We expect stable Telecom Services margins in the next three years. We expect the above ASP reduction to be offset by (1) dwindling losses from Pay TV, aided by economies of scale, (2) lower provisions for the Vietnam Public Utility Fund (VTF) in 2019 vs 2018, and (3) gradually easing last-mile costs/revenue, which are typically allocated over 12 months for new subscribers.

Impressive new enrollments propel Education while solidifying SO's long-term prospects. We project Education PBT to jump 40% YoY in 2019 thanks to strong new enrollments in 2018 (+55% YoY). This also bodes well for SO's engineer pool, as we estimate that Education can supply ~60% of FPT Software's annual recruitment in four years, compared to 30%-40% currently.

Q1 2019 recap: Software Outsourcing catapulted earnings

Figure 1: FPT's Q1 2019 results

PBT (VND bn)	Q1 2018	Q1 2019	YoY	VCSC comments
Telecom Services	288	315	10%	*Number of broadband subscribers advanced by high double digits YoY. *PBT growth trailed top line growth (+19% YoY) due to higher last-mile costs for new subscribers. These last-mile costs are typically allocated over 12 months, as such, margins from new subscribers tend to improve materially from the second year.
Technology	249	361	45%	
- Outsourcing	235	329	40%	Robust revenue growth across markets (Japan: +27%, US: +79%, EU: +31% and APAC: +36%) as FPT's competitive labor costs and strengthening track record are enabling it to consistently grow its contract book. Revenue from the US market would grow 39% on a like-for-like basis if we exclude the contribution from Intellinet, which was acquired by FPT in July 2018.
- Domestic IT	14	32	129%	Off a low Q1 2018 base.
Trading and retail	84	85	1%	*FPT Retail (FRT): flat NPAT vs Q1 2018. *FPT Synnex (FTG): NPAT +2% vs Q1 2018 based on our estimates.
Others	160	200	25%	Mainly driven by the Education segment.
PBT	781	961	23%	
NPAT-MI	509	626	23%	

Source: FPT and VCSC

2019 outlook: We expect growth momentum to continue

Figure 2: VCSC's 2019 forecasts

VND bn	2018	2019F (old)	2019F (new)	2019F vs 2018	VCSC comments on 2019F
Revenue	23,214	26,940	27,402	18%	<p>*We project the broadband subscriber base to broaden by 20% YoY (vs 12% in the previous report).</p> <p>*We assume ARPU to shrink 2.5% because FPT Telecom is penetrating deeper into tier-2 and tier-3 cities.</p> <p>*Non-broadband revenue to rise 20%, mainly thanks to Pay TV.</p> <p>*Forecast revised up as broadband subscriber base expansion in Q1 2019 overshoot our expectation.</p>
Telecom Services	8,293	9,422	9,745	18%	<p>*Projected revenue growth by markets: Japan +30%, US +50% (30% excluding Intellinet), EU +30% and APAC +30%. FPT is banking on its cost competitiveness, improving reputation and upgraded capabilities to grow its contract book.</p> <p>*2019 projection nudged up mostly because the EU market is exceeding our expectation.</p>
Software Outsourcing	8,443	11,198	11,336	34%	<p>*We expect Education revenue to surge 40% to VND1.6tn (USD67mn), underpinned by vibrant new enrollments (+55% YoY in 2018).</p> <p>*We forecast Domestic Technology revenue to fall 15% to VND4.5tn (USD193mn) due to fewer new project signings in 2018 vs 2017.</p>
Others	6,478	6,321	6,321	-2%	
PBT	3,852	4,575	4,561	18%	<p>We project a slight PBT margin contraction of 20 bps in 2019 to 13.6% due to higher last-mile costs/revenue % owing to expected strong new subscribers in 2019. Having said that, profits for the new subscribers typically step up significantly in the second year of the contracts when the allocation of last-mile costs has finished.</p>
Telecom Services	1,142	1,402	1,326	16%	<p>Margin expansion premised on (1) an improvement in the US market as we expect added capabilities from Intellinet will bring more full-package projects, ranging from consulting to implementation, and (2) a projected five ppt increase in revenue contribution from high-value DT services to 25% in 2019.</p>
Software Outsourcing	1,360	1,870	1,894	39%	<p>*We project FTG's standalone PBT to edge up 3% to VND397bn (USD17mn) thanks to its product portfolio extension.</p>
Trading and Retail (associate companies)	388	329	326	5%	<p>*We forecast FRT's standalone PBT at VND462bn (USD20mn, +6% YoY) as we expect the weakness of new iPhone sales will dampen its margins in 2019. See our full FRT update reports "New iPhone weakness weighs on margins" dated February 14, 2019, and "Share price correction overdone" dated April 3, 2019 for more details.</p>
Others	962	974	1,014	-2%	<p>*We project Domestic Technology PBT to climb 18% to VND189bn (USD8mn) despite smaller revenue. This is thanks to FPT's focus on higher-margin services rather than hardware integration projects.</p> <p>*Education: we forecast PBT to soar 40% to VND427bn (USD18mn), assuming flat PBT margin in 2019 vs 2018.</p> <p>*Online: flat PBT (VND315bn/USD14mn) as we do not see any notable expansion in FPT's website portfolio.</p> <p>*Forecast is raised, mostly underpinned by the higher PBT projection for Domestic Technology.</p>
NPAT	3,228	3,950	3,946	22%	
NPAT-MI	2,615	3,201	3,236	24%	

Source: VCSC

Valuation

Our valuation for FPT is comprised of five-year DCF (80% weighting) and PER-based sum-of-parts (SoTP, 20% weighting) methods. We attribute a large weighting to DCF because this method better captures our medium and long-term views on the company, while we also adopt the SoTP method due to of FPT's diversified businesses.

We attribute the large discrepancy between our DCF and SoTP-derived fair values to the large projected capex during 2019-2023, which amounts to a total of VND21tn (USD901mn), equivalent to 72% of total 2019-2023F NPAT pre-MI. FPT's planned capex is **mainly for the expansion of its core businesses, such as new campuses for Software Outsourcing and Education, as well as continued infrastructure upgrades and new investments in data centers for the Telecom business.**

Figure 3: Summary of VCSC's valuation for FPT

Method	Fair value (VND/sh)	Weighting	Contribution (VND/sh)
DCF	61,356	80%	49,085
SoTP	79,778	20%	15,956
Target price			65,041
2019F PER @ TP			13.9x

Source: VCSC

Figure 4: DCF valuation for FPT

Cost of Capital	Previous Report	Revised	FCFF (Five Year)	VND bn
Beta	1.0	1.0	PV of Free Cash Flows	8,784
Mkt Risk Premium %	8.4	8.4	PV of Terminal Val (3.5% g)	28,066
Risk Free Rate %	4.5	4.5	PV of FCF and TV	36,850
Cost of Equity %	12.9	12.9	+ Cash & ST investments	9,494
Cost of Debt %	7.0	7.0	- Debt	-6,970
Debt %	25.0	25.0	- Minority Interest	-6,287
Equity %	75.0	75.0	+ FTG, FRT and TPBank stakes	4,752
Corporate Tax Rate %	13.5	13.0*	Equity Value	37,839
WACC %	11.2	11.2	Shares (mn)	617
			Value per share, VND	61,356

Source: VCSC, *revised in accordance with our new projections

Figure 5: Cash flow projections for FPT

VND bn	2019F	2020F	2021F	2022F	2023F
EBIT	4,190	5,080	6,092	7,203	8,547
- Tax	-545	-660	-792	-936	-1,111
+ Depreciation	1,370	1,639	1,923	2,253	2,634
- Capex	-3,014	-3,605	-4,230	-4,866	-5,690
- Working cap increase	-162	-713	-597	-759	-832
Free Cash Flows	1,840	1,740	2,396	2,894	3,549
Present Value of FCF	1,654	1,407	1,743	1,893	2,087
Total PV of FCF	1,654	3,062	4,804	6,697	8,784

Source: VCSC

Figure 6: Sensitivity analysis of our target price for FPT in relation to DCF's WACC and terminal growth rate, ceteris paribus

FPT Target Price (VND)		WACC				
Terminal growth (g)		9.2%	10.2%	11.2%	12.2%	13.2%
	1.5%	59,730	58,321	56,974	55,684	54,448
	2.5%	63,568	62,022	60,543	59,128	57,772
	3.5%	68,404	66,685	65,041	63,467	61,960
	4.5%	74,684	72,740	70,881	69,102	67,398
	5.5%	83,169	80,921	78,771	76,715	74,746

Source: VCSC

Figure 7: Sum-of-parts valuation for FPT

VND bn	Standalone 2019F NPAT	Target PER (x)	FPT's ownership	Attributed equity value	Notes to VCSC's target PER
Software Outsourcing	1,705	19.2	100%	32,702	* Justified by bright growth prospects. * 20% discount to the average of five-year peer median PER of 24.1x due to FPT's inferior scale and a higher proportion of revenue from simple coding work.
Domestic IT	170	9.6	100%	1,635	50% discount to Software Outsourcing due to muted medium-term prospects in line with sluggish domestic IT spending, especially from Government bodies. Domestic IT margins are also far inferior to those of Software Outsourcing.
Telecom Services	1,061	10.0	46%	4,847	30% discount to the average of five-year peer median PER of 14.3x as FPT Telecom only operates in fixed-line broadband (most peers also do mobile broadband) and its scale pales in comparison to peers.
Online	252	10.0	52%	1,311	On par with Telecom Services.
Retail	369	13.2	47%	2,292	Justified by the positive medium-term prospects of FRT's mobile phone business thanks to new sales initiatives and its recent foray into pharmacy.
Trading	318	6.6	48%	998	50% discount to the Retail segment due to inferior growth outlook, given the structural trend of large retailers increasingly seeking to work directly with vendors and bypassing distributors in the process.
Education	427	15.0	100%	6,400	Fast-growing business.
Total				50,186	
+ net cash at parent company level				2,242	
+ TPBank shares				1,630	Based on our house valuation.
Total equity value				54,057	
Share count (mn)				617	
Value per share (VND)				79,778	

Source: VCSC

Comparable peers

We select leading software and telecom players in other Asian countries to form a comparable universe for FPT.

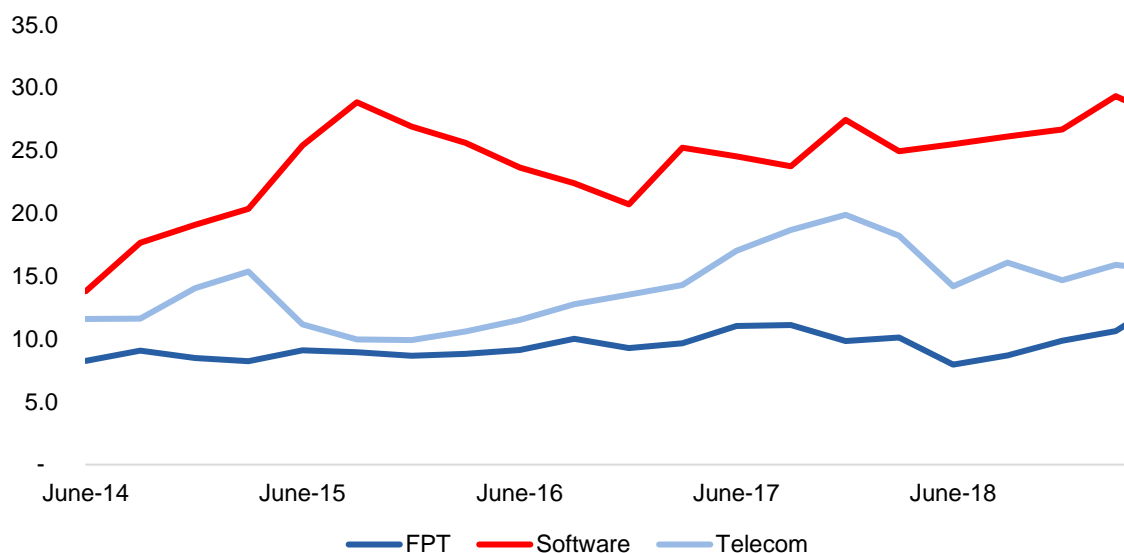
Against a broadening profit contribution from Software Outsourcing in the coming years, we believe FPT's PER should be re-rated to narrow its current discount to peers.

Figure 8: Comparable peers

(USD mn) Company names	Ticker	Mkt cap	TTM Net Sales	Y-o-Y %	TTM NPAT	Y-o-Y %	Debt/ Equity %	ROE %	ROA %	TTM P/E	LQ P/B
Software & IT Services											
Oracle Financial Services Software	OFSS IN	4,381.1	702.3	2.3	191.9	4.4	0.0	31.0	20.7	24.6	6.5
Shenzhen Ysstech Info-tech	300377 CH	1,603.3	105.7	60.9	37.2	39.9	0.3	9.2	8.3	44.3	4.0
Beijing SuperMap Software Co.	300036 CH	1,177.1	227.6	21.5	25.4	-14.6	4.5	9.0	6.1	47.0	4.1
Shenzhen Das Intellitech Co.	002421 CH	1,304.6	390.6	-1.8	39.8	-17.1	25.5	8.5	4.4	34.0	2.8
NIIT Technologies Limited	NITEC IN	1,157.2	511.0	18.4	56.2	31.7	1.3	20.7	14.6	21.0	4.1
Birlasoft Limited	BSOFT IN	383.6	568.3	10.4	39.2	6.0	17.0	14.9	9.6	7.4	1.0
eClerx Services Limited	ECLX IN	629.4	210.1	1.8	45.0	-18.1	0.5	24.0	20.5	15.5	3.6
COSCO SHIPPING Technology	002401 CH	570.7	148.0	6.0	12.6	2.8	1.1	9.8	4.3	45.2	4.3
Anhui Wantong Technology Co Ltd.	002331 CH	681.2	187.8	25.1	16.0	27.9	N/A	5.8	4.2	40.6	2.4
Sasken Technologies Limited	SASKEN IN	181.9	19.4	-73.1	3.9	-66.7	0.0	4.2	3.6	46.1	1.8
Median		919.2	218.8	8.2	38.2	3.6	1.1	9.5	7.2	37.3	3.8
Telecom											
China Telecom	728 HK	42,006.6	57,055.9	2.9	3,208.9	13.8	27.8	6.3	3.2	13.2	0.8
Telekom Malaysia Berhad	T MK	2,600.8	2,929.2	-2.2	38.0	-83.5	122.2	2.0	0.6	69.8	1.4
Dr. Peng Telecom & Media Group	600804 CH	2,461.4	1,082.9	-16.8	77.3	-34.1	58.5	7.2	2.2	33.1	2.4
Jasmine International Public Company	JAS TB	1,437.9	557.0	3.2	152.1	82.4	39.4	31.8	9.5	8.9	2.6
TIME dotCom Berhad	TDC MK	1,278.3	243.7	14.3	71.5	64.6	6.9	12.1	9.2	18.3	2.1
Kazakhtelecom JSC	KZTK KZ	804.9	646.7	5.6	125.3	74.3	52.0	11.7	6.9	6.9	0.8
Median		1,949.6	864.8	3.1	101.3	39.2	45.7	9.5	5.0	15.7	1.8
FPT Corp	FPT VN	1,283.6	1,035.6*	-23.9*	117.2	20.7	47.2	21.9	11.8	12.2	2.1

Source: Bloomberg, VCSC, *total revenue, including intra-company transactions

Figure 9: Historical median PER of regional software/telecom peers vs FPT



Source: Bloomberg

Recommendation History

Figure 10: Historical VCSC target prices vs share prices (adjusted for share splits)



Source: Bloomberg, VCSC

Financial Statements

P&L (VND bn)	2018	2019F	2020F	2021F	B/S (VND bn)	2018	2019F	2020F	2021F
Revenue	23,214	27,402	32,775	38,458	Cash & equivalents	3,926	3,893	3,541	3,589
COGS	-14,490	-17,105	-20,459	-24,006	ST investment	5,568	5,568	5,568	5,568
Gross Profit	8,723	10,297	12,316	14,452	Accounts receivables	5,561	6,006	7,004	7,902
Sales & Marketing exp	-2,048	-2,202	-2,444	-2,622	Inventories	1,341	1,383	1,654	1,941
General & Admin exp	-3,559	-4,201	-5,025	-5,896	Other current assets	1,977	1,977	1,977	1,977
Operating Profit	3,117	3,895	4,848	5,933	Total Current assets	18,373	18,827	19,745	20,977
Financial income	607	611	628	649	Fixed assets, gross	12,567	15,581	19,186	23,417
Financial expenses	-368	-416	-443	-471	- Depreciation	-4,878	-6,248	-7,887	-9,810
- o/w interest expense	-238	-279	-279	-279	Fixed assets, net	7,689	9,333	11,299	13,607
Associates	439	441	520	563	LT investment	2,203	2,527	2,916	3,339
Net other income/(loss)	58	31	41	55	LT assets other	1,461	1,461	1,461	1,461
Profit before Tax	3,852	4,561	5,594	6,729	Total LT assets	11,352	13,322	15,676	18,407
Income Tax	-624	-616	-749	-901	Total Assets	29,726	32,149	35,421	39,384
NPAT before MI	3,228	3,946	4,845	5,828	Accounts payable	2,511	2,836	3,392	3,980
Minority Interest	-614	-710	-812	-916	Short-term debt	6,603	6,603	6,603	6,603
NPAT less MI, reported	2,615	3,236	4,033	4,912	Other ST liabilities	5,318	5,318	5,318	5,318
NPAT less MI, adjusted⁽¹⁾	2,615	3,236	4,033	4,912	Total current liabilities	14,432	14,757	15,313	15,902
EBITDA	4,281	5,265	6,486	7,856	Long term debt	367	367	367	367
EPS reported, VND	3,840	4,728	5,864	7,106	Other LT liabilities	164	164	164	164
EPS adjusted ⁽¹⁾ , VND	3,840	4,728	5,864	7,106	Total Liabilities	14,963	15,288	15,844	16,433
EPS diluted, adj ⁽¹⁾ , VND	3,840	4,728	5,864	7,106	Preferred Equity	0	0	0	0
DPS, VND	2,000	2,200	2,530	2,910	Paid in capital	6,136	6,167	6,198	6,229
DPS/EPS (%)	52%	47%	43%	41%	Share premium	49	49	49	49
⁽¹⁾ Adjusted for one-off items					Retained earnings	5,290	6,647	8,520	10,948
RATIOS	2018	2019F	2020F	2021F	Other equity	986	986	986	986
Growth					Minority interest	2,302	3,012	3,823	4,739
Revenue growth	-45.6%	18.0%	19.6%	17.3%	Total equity	14,763	16,861	19,577	22,951
Op profit (EBIT) growth	-1.4%	25.0%	24.5%	22.4%	Liabilities & equity	29,726	32,149	35,421	39,384
PBT growth	-9.3%	18.4%	22.6%	20.3%	Y/E shares out, mn	613.6	616.7	619.8	622.9
EPS growth, adjusted	20.2%	23.1%	24.0%	21.2%	Y/E treasury shares, mn	0.1	0.1	0.1	0.1
Profitability					CASH FLOW (VND bn)	2018	2019F	2020F	2021F
PBT Margin	16.6%	16.6%	17.1%	17.5%	Beginning Cash Balance	3,481	3,926	3,893	3,541
Op Profit, (EBIT) Margin	13.4%	14.2%	14.8%	15.4%	Net Income	2,615	3,236	4,033	4,912
EBITDA Margin	18.4%	19.2%	19.8%	20.4%	Dep, & amortization	1,165	1,370	1,639	1,923
NPAT-MI Margin, adj,	11.3%	11.8%	12.3%	12.8%	Change in Working Cap	130	-162	-713	-597
ROE	21.9%	24.6%	27.3%	28.9%	Other adjustments	148	385	423	493
ROA	11.8%	12.8%	14.3%	15.6%	Cash from Operations	4,058	4,829	5,382	6,731
Efficiency					Capital Expenditures, net	-2,454	-3,014	-3,605	-4,230
Days Inventory On Hand	29.5	29.5	29.5	29.5	Investments, net	-1,717	0	0	0
Days Accts, Receivable	83.4	80.0	78.0	75.0	Cash from Investments	-4,170	-3,014	-3,605	-4,230
Days Accts, Payable	60.5	60.5	60.5	60.5	Dividends Paid	-1,708	-1,878	-2,160	-2,484
Cash Conversion Days	52.4	49.0	47.0	44.0	Δ in Share Capital	27	31	31	31
Liquidity					Δ in ST debt	-198	0	0	0
Current Ratio x	1.3	1.3	1.3	1.3	Δ in LT debt	2,486	0	0	0
Quick Ratio x	1.0	1.0	1.1	1.1	Other financing C/F	-49	0	0	0
Cash Ratio x	0.7	0.6	0.6	0.6	Cash from Financing	558	-1,848	-2,129	-2,453
Debt / Assets	23.4%	21.7%	19.7%	17.7%	Net Change in Cash	446	-33	-352	48
Debt / Capital	32.1%	29.2%	26.3%	23.3%	Ending Cash Balance	3,926	3,893	3,541	3,589
Net Debt / Equity	-17.1%	-14.8%	-10.9%	-9.5%					
Interest Coverage x	13.0	14.0	17.4	21.3					

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.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

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.

Risks: Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

Disclaimer

Analyst Certification of Independence

I, Dao Nguyen, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Copyright 2013 Viet Capital Securities Company "VCSC". All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by VCSC issued by VCSC has been prepared in accordance with VCSC's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.

Contacts

Corporate

www.vcsc.com.vn

Head Office

Bitexco Financial Tower, 2 Hai Trieu Street
District 1, HCMC
+84 28 3914 3588

Transaction Office

10 Nguyen Hue Street
District 1, HCMC
+84 28 3914 3588

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Banks and Securities

Long Ngo, Associate Director, ext 123

- Nghia Dien, Analyst, ext 138
- Anh Dinh, Analyst, ext 139

Consumer and Pharma

Phap Dang, Associate Director, ext 143

- Dao Nguyen, Manager, ext 185
- Nghia Le, Analyst, ext 181

Real Estate, Construction and Materials

Hong Luu, Senior Manager, ext 120

- Anh Nguyen, Senior Analyst, ext 174
- Vy Nguyen, Senior Analyst, ext 147

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Ha Dao, Analyst, ext 194
- Tra Vuong, Analyst, ext 365
- Trung Nguyen, Analyst, ext 129

Institutional Sales and Brokerage

& Foreign Individuals

Dung Nguyen

+84 28 3914 3588 ext 136
dung.nguyen@vcsc.com.vn

Retail & Corporate Brokerage

Ho Chi Minh City

Quynh Chau
+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn

Hanoi Branch

109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office

236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588

Alastair Macdonald, Head of Research, ext 105

alastair.macdonald@vcsc.com.vn

Macro and Insurance

- Cameron Joyce, Manager, ext 163

Macro

- Luong Hoang, Senior Analyst, ext 364
- Nguyen Truong, Analyst, ext 132

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Senior Analyst, ext 135
- Thanh Nguyen, Analyst, ext 173
- Nam Hoang, Analyst, ext 196

Industrials and Transportation

Lucy Huynh, Senior Manager, ext 130

- Phu Pham, Analyst, ext 124
- Dang Thai, Analyst, ext 149

Hanoi

Quang Nguyen
+84 24 6262 6999, ext 312
quang.nguyen@vcsc.com.vn