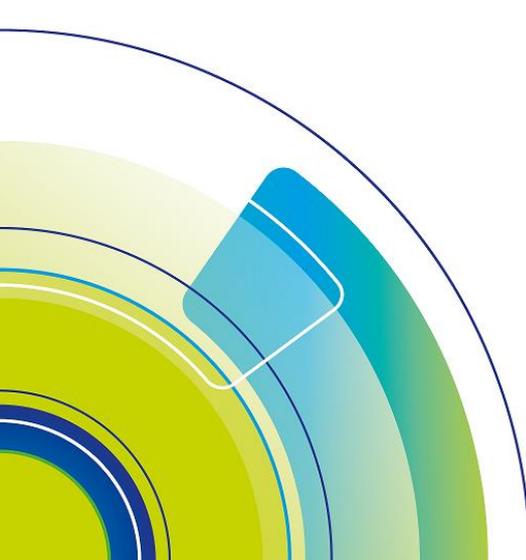




FPT Update- NEUTRAL

February 21, 2025



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Company Update

Recommendation

NEUTRAL

HSX: FPT

Technology

Target price (VND)

145,700

Current price (VND)

142,000

Expected share price return

2.6%

Expected dividend yield

1.4%

Expected total return

4.0%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-6.9	-4.7	8.8	59.8
Relative	-9.3	-8.2	2.2	52.8

Source: Bloomberg



Ownership

Mr. Binh Truong (Chrm)	6.9%
SCIC	5.7%

Stock Statistics

21-Feb-2025

Bloomberg code	FPT VN
52-week range (VND)	89,826 - 156,000
Shares O/S (m)	1,471
Mkt cap (VND bn)	208,892
Mkt cap (USD m)	8,173
Foreign room left (%)	4.4
Est. free float (m)	77.9
3m avg daily vol (shrs)	4,124,172
VND/USD	25,560
Index: VNIIndex / HNX	1296.7/237.5

FPT CORPORATION (FPT VN)

The company sustained healthy growth in 2024 driven by solid performance of the global IT services segment. Looking forward to 2025, the vigorous outlook persists given 20% YoY EBT growth in our projection; however, the market price seems to have almost reflected the growth potential. Rating **NEUTRAL** with a target price at **VND145,700/share** by the end of 2025 (1% lower than the prior update).

FPT announced (unaudited) net revenue at VND62,849bn (+19.4% YoY) and EBT at VND11,071bn (+20.3% YoY) in 2024, in line with our expectations.

The **global IT services** segment [Revenue/EBT: VND30,953bn (+27.4% YoY)/VND4,770bn (+26.1% YoY)] continued to be the company's key driver on the back of rosy growth in most of its major markets (e.g Japan, APAC, Europe). Revenue from digital transformation services jumped by 37% YoY, bringing in 46% of the segmented revenue.

The **domestic IT services** segment [VND8,157bn (+13.9% YoY)/VND460bn (+21.1% YoY)] experienced a recovery in revenue and EBT thanks to boosting cloud computing and Artificial Intelligence solutions for domestic enterprises and digital transformation services in the governmental sector.

The **telecom services** segment [VND16,906bn (+11.3% YoY)/VND3,420bn (+18.1% YoY)] heightened profitability thanks to better cost control and an increase in ARPU (details were not disclosed), despite stable top line growth. As one of FPT's fast-growing arms, the **education** segment delivered revenue growth of 14.3% YoY, slower than the previous years' due to lower enrolment.

A rebound in profit from affiliates (by 9-fold YoY to VND393bn, primarily fueled by FRT's recovery) contributed to the overall EBT. Meanwhile, financial profit dropped by 81% YoY owing to lower interest income and dividends.

Outlook: For 2025, we project net revenue and EBT for FPT in 2024 at VND74,800bn (+19% YoY) and VND13,245bn (+19.6% YoY), primarily underpinned by growth momentum in the global IT services segment and steady contribution of the telecom services segment. Furthermore, AI factories will have their first contribution this year with expected revenue of USD40m. Our target price for FPT by YE2025 is VND145,700/share, equivalent to a total return of 4%.

	2023	2024U	2025F	2026F	2027F
Net Sales (VNDbn)	52,618	62,849	74,800	88,888	104,947
Growth	19.6%	19.4%	19.0%	18.8%	18.1%
EBT (VNDbn)	9,203	11,071	13,245	16,033	19,362
Growth	20.1%	20.3%	19.6%	21.0%	20.8%
NPATMI (VNDbn)	6,465	7,849	9,305	11,444	14,021
Growth	21.7%	21.4%	18.5%	23.0%	22.5%
EPS (bonus-adjusted, VND)	4,046	4,877	5,752	7,040	8,582
Growth	21.1%	20.5%	18.0%	22.4%	21.9%
ROE	28.1%	28.6%	28.1%	28.2%	27.8%
ROA	11.6%	11.9%	12.8%	15.7%	19.3%
Net debt/EBITDA (times)	(1.0)	(1.3)	(1.5)	(1.8)	(2.0)
EV/EBITDA (times)	15.6	13.1	11.3	9.5	8.1
PER (times)	35.1	29.1	24.7	20.2	16.5
DPS (VND)	2,000	2,000	2,000	2,000	2,000
Dividend yield	1.4%	1.4%	1.4%	1.4%	1.4%

Extending decent growth in most of segments

FPT announced (unaudited) net revenue at VND62,849bn (+19.4% YoY) and EBT at VND11,071bn (+20.3% YoY) in 2024. The global IT services and telecom services segments still made the lion's share, together capturing 76-77% of the overall results, besides a continued growth stream in most other segments, except education.

Telecom services grew by 11.3% YoY in revenue in 2024, largely fueled by a 12.3% YoY upturn in fixed broadband internet service, which was responsible for 52% of the segmented revenue. Others services (including Pay TV, data centers – accounting for around 20% and 4% of the segmented revenue, respectively, in our estimate – and others) climbed by 10% YoY. The segmented EBT margin strengthened to 20.2% (2023: 19.1%) thanks to better cost control and an increase in ARPU (details were not disclosed).

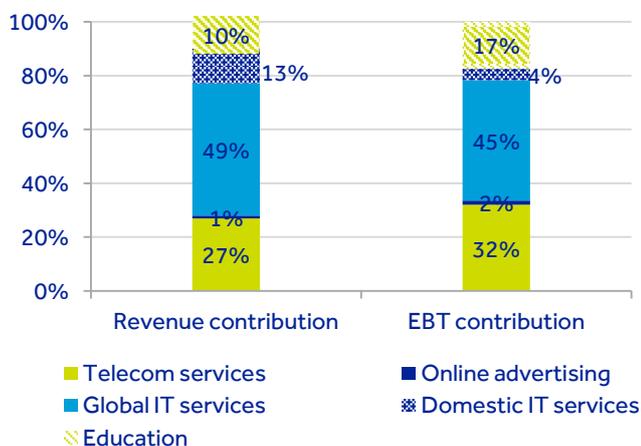
Warming up from a gloomy 2023 were the **online advertising** and **domestic IT services** segments. Domestic IT services, accounting for 13% of the overall revenue, reported a decent rise in top line (+13.9% YoY) as a result of boosting cloud computing and Artificial Intelligence solutions for domestic enterprises and digital transformation in the governmental sector.

The education segment witnessed a slowdown with 14.3% YoY revenue growth in 2024 (note that we calculated the segmented result by deducting other segments' results from the consolidated numbers). This was explained by low enrolment in light of tough economy and stiffer competition from public universities, which started to bring IT-related courses into their training programs.

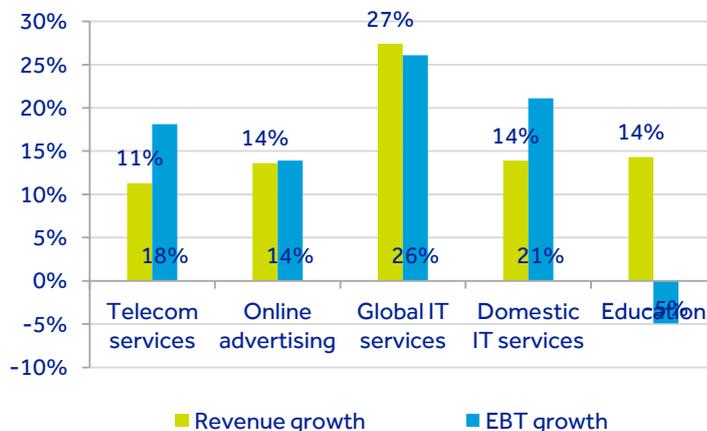
Segmented results	2024				2023	
	Revenue	YoY growth	EBT	YoY growth	EBT margin	EBT margin
Telecom services	16,906	11.3%	3,420	18.1%	20.2%	19.1%
Online advertising	705	13.6%	167	13.9%	23.8%	23.7%
Global IT services	30,953	27.4%	4,770	26.1%	15.4%	15.6%
Domestic IT services	8,157	13.9%	460	21.1%	5.6%	5.3%
Education	6,128	14.3%	1,860	-4.9%	30.4%	36.5%
Total	62,849	19.4%	11,071	20.3%	17.6%	17.5%

Source: FPT; ACBS

Revenue and EBT breakdown (2024)



YoY growth by segment in 2024



Source: FPT; ACBS

Global IT services – the growth engine

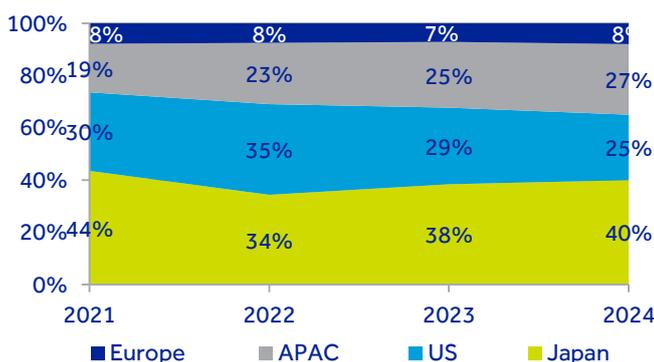
The global IT services segment sustained vibrant growth of 27.4% YoY in revenue, to VND30,953bn, and 26.1% YoY in EBT, to VND4,770bn in 2024. Signed revenue increased by 13% YoY, lower than the previous year’s mostly stemming from a slowdown in the US market.

Most of its major markets performed well, including Japan (+32.2% YoY; +36.3% JPY-based), the US (+9% YoY), APAC (+34.8% YoY), Europe (+51.9% YoY). Japan, APAC and the US were the largest earners, capturing 40%, 27% and 25% of the segmented revenue, respectively. The APAC region, which has been keen on exploiting new technologies, enlarged its share to overcome the US.

Global IT services (VNDbn)	2024	YoY growth
Revenue	30,953	27.4%
Japan	12,325	32.2%
US	7,751	9.0%
Europe	2,636	51.9%
APAC	8,240	34.8%
EBT	4,770	26.1%

Source: FPT; ACBS

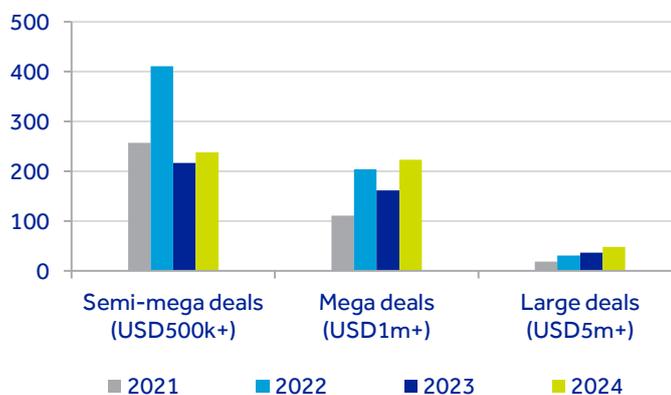
Global IT services' revenue by market



Source: FPT; ACBS

The number of USD5m+ worth deals jumped by 50% YoY to 48 deals in 2024, in line with the company’s aim to boost large deals. In addition, the number of mega deals reported splendid growth of 35.2% YoY.

Number of deals by size



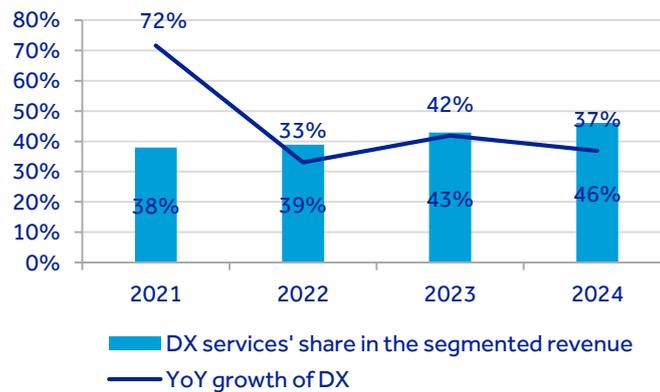
Source: FPT; ACBS

Number of deals by size	2024	YoY growth
Semi-mega deals (USD500k+)	238	8.7%
Mega deals (USD1m+)	223	35.2%
Large deals (USD5m+)	48	50.0%

Source: FPT; ACBS

Revenue from digital transformation (DX) services still occupied a major portion of 46% of the segmented revenue, from 43% in 2023. They maintained a high double-digit revenue growth momentum, leaping by 37% YoY in 2024, spurred by such technologies as cloud computing, AI/data analytics, product engineering, etc.

DX services extended vivid growth momentum



Source: FPT; ACBS

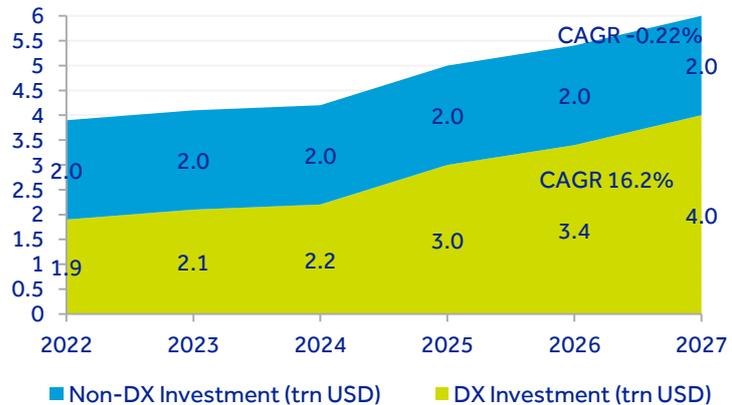
2025 Forecast

We believe that telecom services and global IT services will continue to be FPT's pillars in 2025.

Global IT services remain the most auspicious segment in the context that Vietnam is recognized as an appealing hub for IT services, primarily thanks to its cost advantage (illustrated by The Kearney Global Services Location Index, which compares various factors that make countries attractive as potential locations for offshoring). Vietnamese companies make good impression for enthusiasm, adaptability, industriousness, etc., benefit from Japanese companies looking for other partners beyond China, and the shortage of workforce in many countries. In terms of services, according to Vietnam Software & IT services (VINASA), Vietnamese technology companies have expanded beyond on-demand software development and testing to include consulting, researching, designing digital transformation for global clients.

The segment enjoys a positive outlook for DX market as DX continues to be spurred globally. According to International Data Corporation (IDC), worldwide DX spending is forecast to magnify with a CAGR of 16.2% to nearly USD4trn in the 2022-2027 period.

DX Spending forecast by IDC



Source: IDC; ACBS

We expect a 26.6% YoY revenue growth rate for FPT’s global IT services segment in 2025. Japan and APAC could still outstand with expected revenue growth of 30% YoY, bolstered by robust IT spending, especially for digital transformation and AI. While APAC will experience growth thanks to new contracts with large firms and a strong focus on technological renovation, the Japanese market is likely fostered by rising demand for cost reduction through automation and labor savings, renewal of legacy systems, incremental investments to strengthen efficiency across various industries. For the US market, we expect a growth rate of 20%, sharing the company’s expectation about a resumption in this market, given that Trump’s policies may favor businesses in the US and positive signs in signed revenue in 4Q2024.

The telecom services segment is projected to retain stable growth of 9%, providing the company with steady contribution. FPT aims to boost growth by value-added services and other businesses (data center, Pay TV, etc.) as fixed broadband internet service has approached the maturation phase. The delayed data center in district 9 is planned to go into operation in late 2025 once finishing logistic issues. The company is also cooperating with partners to establish hyper-scale data centers in Vietnam though details have yet been released. Nevertheless, we think that a structural change could hardly take place in the telecom services segment in a few coming years, as the sub-segments need time to amplify their shares in the segmented revenue.

The education segment is projected to flat in 2025 because of low enrolment in 2024. FPT targets to increase enrolment by 20% in 2025 by launching more marketing campaigns, expanding network and education programs, focusing on fields that are currently emphasized by the government.

For the **domestic IT services and online advertising** segments, we expect their performance may witness a further revival and a brighter picture with revenue growth of 10-15% YoY in 2025.

AI Factories' first revenue contribution is expected to be recorded in 2025. In 2024, FPT made investments in AI Factories in Vietnam and Japan. The establishment in Vietnam has been completed while the one in Japan is scheduled to go online in mid-March 2025. FPT expects this business will generate its first revenue contribution of USD40m (which we assume an EBT margin at 20%) in 2025. The results are going to be reflected in FPT Smart Cloud Ltd. Co. financials.

Regarding the emergence of low-cost AI models such as DeepSeek – despite doubts around the exact development costs, FPT believes that they will accelerate the deployment of AI, creating more opportunities for IT companies. Additionally, concerns about the security of these models may drive clients to seek more secure models through using services and infrastructure of such IT companies as FPT. The company found that demand for high-end models (e.g with H100, H200 GPUs) continues. Therefore, FPT plans to proceed with additional investments for AI Factories in 2025 (including USD50m each for Vietnam and Japan).

Valuation

We project net revenue and EBT for FPT in 2025 at VND74,800bn (+19.0% YoY) and VND13,245bn (+19.6% YoY). Using SOTP approach, our **target price for FPT by the end of 2025 is VND145,700/share.**

FPT FINANCIALS MODEL	Price (VND):	142,000	Target (VND):	145,700	Mkt cap (VND bn):	208,892
(VND bn except where stated)	2023	2024U	2025F	2026F	2027F	
Total Net Sales	52,618	62,849	74,800	88,888	104,947	
<i>Sales growth (%)</i>	<i>19.6%</i>	<i>19.4%</i>	<i>19.0%</i>	<i>18.8%</i>	<i>18.1%</i>	
CoGS ex-dep'n	30,203	36,665	44,026	52,518	62,241	
Selling expenses	5,243	6,205	7,229	8,421	9,767	
G&A expenses	6,435	6,904	8,315	9,994	11,907	
Financial revenues	688	729	383	383	383	
Financial expenses	886	1,260	1,126	1,126	1,126	
EBITDA	10,540	12,544	14,488	17,213	20,290	
<i>EBITDA margin (%)</i>	<i>20.0%</i>	<i>20.0%</i>	<i>19.4%</i>	<i>19.4%</i>	<i>19.3%</i>	
Depreciation	2,287	2,560	2,802	3,108	3,375	
Operating profit	8,254	9,984	11,686	14,105	16,915	
<i>Operating profit margin (%)</i>	<i>15.7%</i>	<i>15.9%</i>	<i>15.6%</i>	<i>15.9%</i>	<i>16.1%</i>	
Other profits/losses	91	45	45	45	45	
Profits/Losses from associates	42	393	500	541	588	
Net interest expense	(816)	(649)	(1,014)	(1,333)	(1,793)	
<i>as % of avg net debt</i>	<i>9.4%</i>	<i>4.9%</i>	<i>5.4%</i>	<i>5.1%</i>	<i>5.0%</i>	
<i>Interest cover (x)</i>	<i>-10.1</i>	<i>-15.4</i>	<i>-11.5</i>	<i>-10.6</i>	<i>-9.4</i>	
Tax	1,415	1,651	2,307	2,791	3,369	
<i>Effective tax rate (%)</i>	<i>15.6%</i>	<i>15.5%</i>	<i>18.2%</i>	<i>18.1%</i>	<i>18.0%</i>	
Minority interest	1,323	1,571	1,633	1,788	1,950	
NPATMI	6,465	7,849	9,305	11,444	14,021	
Cash earnings	8,752	10,409	12,107	14,552	17,396	
Total number of shares	1,269,968,875	1,471,069,183	1,478,424,529	1,485,816,652	1,493,245,735	
EPS (VND) (after treasury shares)	4,652	4,877	5,752	7,040	8,582	
Bonus factor (x)	0.87	1.00	1.00	1.00	1.00	
Adjusted EPS (VND)	4,046	4,877	5,752	7,040	8,582	
<i>EPS growth (%)</i>	<i>21.1%</i>	<i>20.5%</i>	<i>18.0%</i>	<i>22.4%</i>	<i>21.9%</i>	

KEY CASHFLOW AND BS ITEMS	2023	2024U	2025F	2026F	2027F
Increase in working capital	-1,398	-2,572	-822	-900	-978
Capex	3,949	4,247	4,247	3,949	3,949
Change in investment in affiliates	-98	174	219	256	303
Other cashflow items	-197	384	21	70	158
Free cash flow	6,102	8,945	8,484	11,317	14,281
Share issues	73	163	74	74	74
Dividends paid	2,931	3,292	2,957	2,972	2,986
Increase in net debt	-3,245	-5,816	-5,601	-8,419	-11,368
Net debt, end of year	-10,337	-16,153	-21,754	-30,173	-41,541
Shareholders' equity	24,974	29,863	36,284	44,831	55,940
BVPS (VND)	19,665	20,300	24,543	30,173	37,462
<i>Net debt / equity (%)</i>	<i>-41.4%</i>	<i>-54.1%</i>	<i>-60.0%</i>	<i>-67.3%</i>	<i>-74.3%</i>
<i>Net debt / EBITDA (x)</i>	<i>-1.0</i>	<i>-1.3</i>	<i>-1.5</i>	<i>-1.8</i>	<i>-2.0</i>
Total assets	60,283	72,013	72,834	72,962	72,702

KEY RETURN AND VALUATION RATIOS	2023	2024U	2025F	2026F	2027F
<i>ROE</i>	<i>28.1%</i>	<i>28.6%</i>	<i>28.1%</i>	<i>28.2%</i>	<i>27.8%</i>
<i>ROA</i>	<i>11.6%</i>	<i>11.9%</i>	<i>12.8%</i>	<i>15.7%</i>	<i>19.3%</i>
<i>ROIC</i>	<i>40.7%</i>	<i>51.7%</i>	<i>60.2%</i>	<i>71.1%</i>	<i>86.6%</i>
<i>WACC</i>	<i>12.9%</i>	<i>12.9%</i>	<i>12.9%</i>	<i>12.9%</i>	<i>12.9%</i>
<i>EVA</i>	<i>27.7%</i>	<i>38.8%</i>	<i>47.2%</i>	<i>58.2%</i>	<i>73.7%</i>
<i>PER (x)</i>	<i>35.1</i>	<i>29.1</i>	<i>24.7</i>	<i>20.2</i>	<i>16.5</i>
<i>EV/EBITDA (x)</i>	<i>15.6</i>	<i>13.1</i>	<i>11.3</i>	<i>9.5</i>	<i>8.1</i>
<i>EV/FCF (x)</i>	<i>26.9</i>	<i>18.4</i>	<i>19.4</i>	<i>14.5</i>	<i>11.5</i>
<i>PBR (x)</i>	<i>7.2</i>	<i>7.0</i>	<i>5.8</i>	<i>4.7</i>	<i>3.8</i>
<i>PSR (x)</i>	<i>3.4</i>	<i>2.9</i>	<i>2.4</i>	<i>2.0</i>	<i>1.7</i>
<i>EV/sales (x)</i>	<i>3.1</i>	<i>2.6</i>	<i>2.2</i>	<i>1.8</i>	<i>1.6</i>
<i>PEG (x, 3 yr prospective)</i>	<i>1.8</i>	<i>1.4</i>	<i>1.2</i>	<i>1.0</i>	<i>0.9</i>
<i>Dividend yield</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>

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DISCLAIMER

Our Recommendation System

BUY: prospective 12 month VND total return (including dividends) will be more than 20%.

OUTPERFORM: prospective 12 month VND total return (including dividends) will be 10% to 20%.

NEUTRAL: prospective 12 month VND total return (including dividends) will be -10% to 10%.

UNDERPERFORM: prospective 12 month VND total return (including dividends) will be will be -20% to -10%.

SELL: prospective 12 month VND total return (including dividends) will be lower than -20%.

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