

Vietnam

ADD (no change)

Consensus ratings*: Buy 11 Hold 1 Sell 0

Current price:	VND47,000
Target price:	VND61,700
Previous target:	VND64,300
Up/downside:	31.3%
CGS-CIMB / Consensus:	5.3%
Reuters:	FPT.HM
Bloomberg:	FPT VN
Market cap:	US\$1,590m
	VND36,843,540m
Average daily turnover:	US\$3.45m
	VND80,152m
Current shares o/s:	784.00m
Free float:	78.9%

*Source: Bloomberg

Key changes in this note

- FY20F net profit forecast cut by 8.2%.
- FY21F net profit forecast revised down by 6.6%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.7	0.1	5.8
Relative (%)	1.5	-1.7	19.3

Major shareholders	% held
Truong Gia Binh	7.1
Vietnam SCIC	5.9
Macquarie Bank Limited OBU	5.4

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FPT Corporation

Coronavirus attack to slow IT growth

- 2Q20: Revenue edged up only 2.3% yoy amid the more pronounced impact of Covid-19; domestic IT services and online advertising were the hardest hit.
- FPT's 1H20 net revenue rose 9.0% yoy and net profit rose 14.7% yoy, coming in at 42.5% of our full-year forecast, slightly below expectation.
- We reiterate our Add call with a lower SOP-based TP of VND61,700.

2Q20 topline growth decelerated due to lockdown

2Q20 net revenue edged up only 2.3% yoy to VND6,980bn due to the weak performance of the domestic IT services (-24.9% yoy) and online advertising (-24.4% yoy) segments. However, 2Q20 net profit still rose 11.0% yoy to VND879bn, thanks to higher GPM during the quarter (39.0% vs. 37.8% in 2Q19).

1H20 results were slightly lower than our expectation

1H20 net revenue rose 9.0% yoy to VND13,611bn, fulfilling 41.9% of our full-year projection, while net profit increased 14.7% yoy to VND1,626bn, coming in at 42.5% of our full-year forecast. Blended GPM widened 39bp yoy to 39.3% in 1H20 on higher revenue contribution from digital transformation (Dx) and the telecom services segment, which earn high margins.

A more conservative scenario set for FY20F

We believe that the impact of the Covid-19 pandemic on FPT was the worst in 2Q20 due to the lockdown measures in the company's key markets, including Japan, the United States, the European Union and Vietnam. We conservatively revise down FY20F/21F EPS by 8.2%/6.6% on the back of lower backlog in technology businesses amid growing concerns over the possibility of a second spate of worldwide social distancing measures.

Reiterate Add with a lower TP of VND61,700

Our lower TP reflects a 6.6-8.2% downward adjustment in FY20-21F EPS. Our valuation is based on a sum-of-parts methodology, with a P/E-based multiple approach for its three main business segments derived from the regional FY20-21F P/E median corresponding to each segment with discounts given the difference in interest rates between countries. We hold a positive view on FPT's long-term outlook, especially when the pandemic blows over.

Re-rating catalysts and downside risks

Potential re-rating catalysts are expansionary government fiscal policy and a successful M&A deal with an overseas technology company. Downside risks include loss of market share due to competition and fewer technology contracts if the pandemic prolongs.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	23,214	27,717	30,930	36,228	41,971
Operating EBITDA (VNDb)	4,286	5,501	6,351	7,525	8,880
Net Profit (VNDb)	2,620	3,139	3,514	4,226	4,997
Core EPS (VND)	4,578	4,859	4,806	5,391	6,374
Core EPS Growth	(22.7%)	6.1%	(1.1%)	12.2%	18.2%
FD Core P/E (x)	10.27	9.67	9.78	8.72	7.37
DPS (VND)	2,500	2,000	2,000	2,000	2,000
Dividend Yield	5.32%	4.26%	4.26%	4.26%	4.26%
EV/EBITDA (x)	5.71	5.16	4.91	4.20	3.22
P/FCFE (x)	12.65	32.31	9.34	7.91	6.37
Net Gearing	(17.1%)	(13.7%)	(18.9%)	(26.9%)	(35.4%)
P/BV (x)	2.31	2.28	2.16	1.88	1.60
ROE	21.9%	23.7%	22.6%	23.0%	23.5%
% Change In Core EPS Estimates			(8.20%)	(6.64%)	(6.38%)
CGS-CIMB/Consensus EPS (x)			1.08	1.02	1.00

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Coronavirus attack to slow down IT growth

More pronounced impact of the pandemic in 2Q20

2Q20 results: Solid net profit extension despite the deceleration in topline growth ►

As we expected, the negative impact of Covid-19 on FPT's business was more pronounced in 2Q20 due to the lockdown measures in the company's key markets including Japan, the US, Europe and Vietnam.

In particular, in 2Q20, FPT's net revenue rose only 2.3% yoy to VND6,980bn due to the subdued performance of the domestic IT services and online advertising businesses, the revenues of which fell 24.9% yoy and 24.4% yoy in 2Q20, respectively. However, FPT's net profit still rose 11.0% yoy to VND879bn, thanks to higher GPM in 2Q20 (39.0% vs. 37.8% in 2Q19).

Figure 1: Results comparison

FYE Dec (VNDbn)	2Q20	2Q19	yoy%	qoq%	1H20	1H19	yoy%	vs. forecast	Comments
Net revenue	6,980	6,826	2.3%	5.3%	13,611	12,492	9.0%	41.9%	
Technology	3,933	3,980	-1.2%	9.4%	7,527	6,964	8.1%	43.3%	
Global IT Services	2,919	2,629	11.0%	1.0%	5,810	4,932	17.8%	44.9%	Slowed in 2Q20 due to global travel restrictions, which have delayed the execution of existing projects and hurting the ability of the company to ramp up projects and close deals.
Domestic IT Services	1,014	1,351	-24.9%	44.2%	1,717	2,032	-15.5%	38.8%	Affected as clients reduced technology spending in the domestic market following lockdowns. Total backlog and signed contracts fell 16.1% and 20.1% yoy, respectively.
Telecommunications	2,770	2,543	8.9%	3.8%	5,438	4,921	10.5%	47.0%	
Telecom services	2,652	2,387	11.1%	3.4%	5,217	4,650	12.2%	47.2%	Better than expected, given the increase in Internet usage by individuals and businesses during the social distancing period.
Online advertising	118	156	-24.4%	14.6%	221	271	-18.5%	43.7%	Hit by customers' cuts in ads spending as the pandemic spread.
Education & Others	277	302	-8.3%	-24.7%	645	607	6.3%	32.5%	
Gross profit	2,722	2,578	5.6%	3.7%	5,346	4,857	10.1%	42.2%	
Gross profit margin	39.0%	37.8%	1.2%	-0.6%	39.3%	38.9%	0.4%	0.3%	Improved product mix with higher contribution of digital transformation and data centre business.
SG&A expenses	1,619	1,498	8.1%	2.9%	3,193	2,967	7.6%	41.3%	
Profit/Losses from affiliates	69	124	-44.2%	-13.4%	149	219	-31.8%	28.0%	Disappointing results from FPT Retail (FRT VN, Non rated) with a loss of VND17.7bn in 2Q20 (vs. a profit of VND103.9bn in 2Q19) due to the lockdown impact during the outbreak. FRT's 1H20 net profit plunged 88.1% yoy to only VND19.2bn.
Operating profit	1,268	1,165	8.9%	12.5%	2,396	2,102	14.0%	48.6%	
Pre-tax profit	1,285	1,179	9.1%	12.5%	2,428	2,139	13.5%	42.7%	
Profit after tax	1,084	986	9.9%	15.7%	2,021	1,780	13.5%	42.4%	
Net profit	879	792	11.0%	17.6%	1,626	1,418	14.7%	42.5%	

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

1H20 results: Slightly lower than our expectation ►

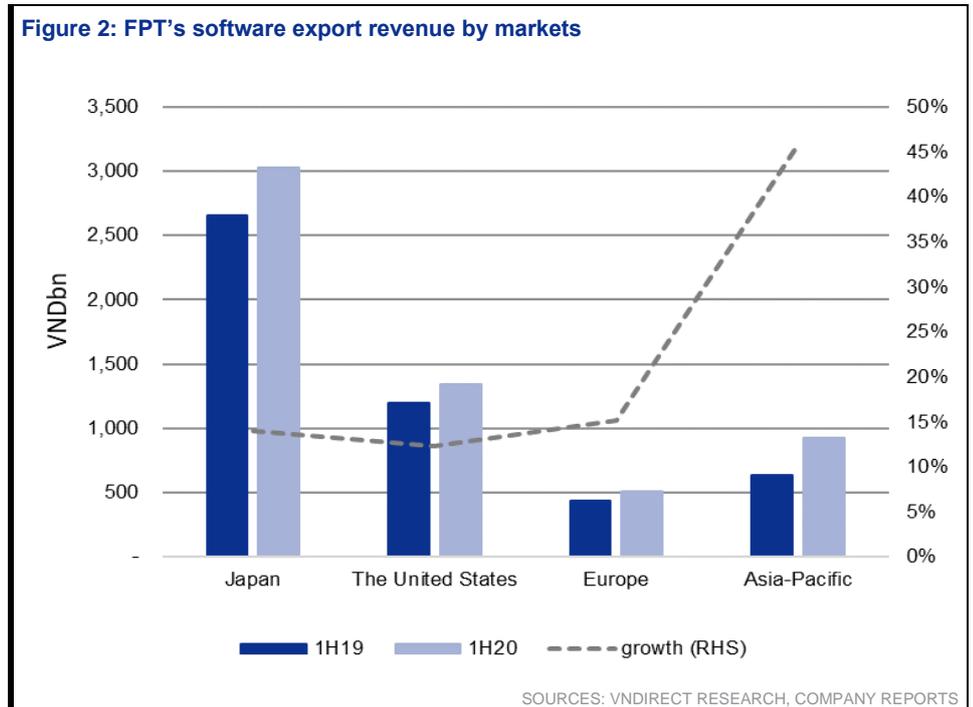
Net revenue rose 9.0% yoy to VND13,611bn in 1H20, fulfilling 41.9% of our FY20F projection, while the net profit climbed 14.7% yoy to VND1,626bn, coming in at 42.5% of our full-year forecast.

In 1H20, the technology segment contributed 55.3% to the total topline (1H19: 55.7%) while telecommunications revenue accounted for 40.0% (1H19: 39.4%). The remaining 4.7% came from education and other sectors.

- In 1H20, revenue from IT services in overseas markets increased 17.8% yoy, accounting for 77.2% of the segment's total and fulfilling 44.9% of our full-year projection. The APAC market delivered an outstanding performance, with revenue jumping 46% yoy as FPT beat the competition for technology projects (at an initial value of US\$20m) from Petronas, Malaysia's leading retailer and marketer of downstream petroleum products. FPT's technology

revenue growth in the US and EU markets slowed due to the challenging sales process during the pandemic at end-1Q20 and the start of 2Q20. In particular, FPT's respective growth rates in the US and EU markets were 15% (1H19: 85.8%) and 12% (1H19: 32.5%).

Figure 2: FPT's software export revenue by markets



- The brightest spot in the technology segment remains Dx. Specifically, Dx revenue totalled VND1,773bn in 1H20, accounting for 23% of the technology revenue and up 65% yoy, thanks to the increasing demand for new digital technology worldwide.
- Telecom services revenue increased 12.2% yoy, accounting for 95.9% of the telecom segment's topline and in line at 47.2% of our expectation, while the segment's pre-tax profit rose 21.8% yoy, thanks to higher revenue of data centres and other businesses in the telecom segment (+16.7% yoy in 1H20) with wider profit margins. Online advertising revenue decreased 18.5% yoy as customers cut ad spending when the pandemic was spreading, accounting for only 4.7% of the segment's sales.

Figure 3: Covid-19 affected the off-season enrolment of vocational and international affiliate programme

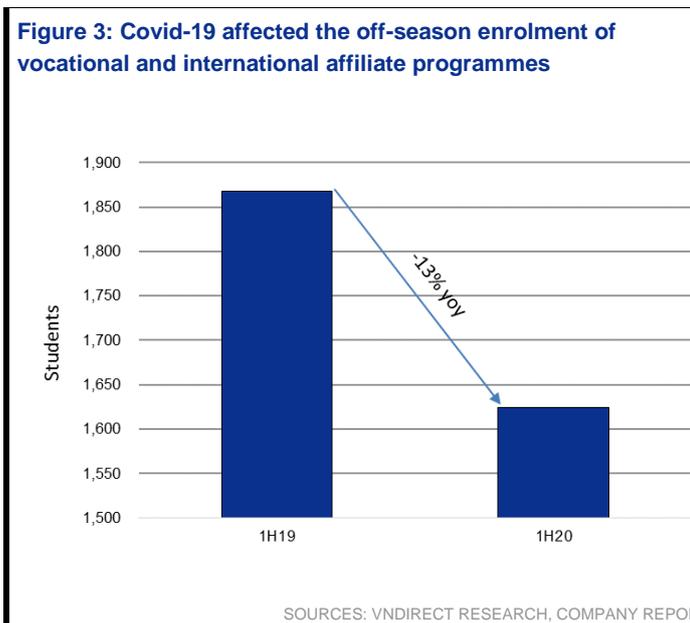
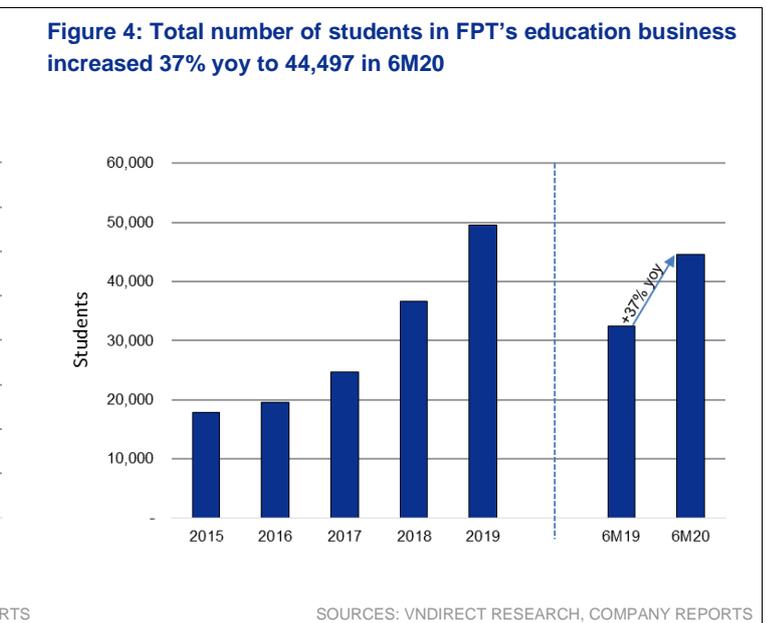


Figure 4: Total number of students in FPT's education business increased 37% yoy to 44,497 in 6M20



- By end-2Q20, FPT's education segment had 44,497 students, an increase of 37% yoy. Education and others' revenue rose 6.3% yoy to VND645bn,

fulfilling 32.5% of our forecast as the first half of the year is off-season enrollment.

FY20-21F outlook: A more conservative context in 2020F and a 'new normal' next year

We have a more cautious view compared to the beginning of the year on FPT's growth prospects in FY20F due to the complexity of the pandemic, with the second wave emerging worldwide and in Vietnam. Therefore, we revise our forecasts, with more conservative business results (see Figure 5).

We expect technology segment revenue to rise 10.1% yoy to VND17,375bn in FY20F and to exceed US\$1bn (c.VND23.200bn) by FY22F, thanks to the Dx business line, with revenue CAGR of 37.4% in FY19-23F. We estimate telecom segment revenue to climb 11.3% yoy in FY20F while FPT's overall net profit is projected to increase 12.1% yoy in FY20F.

We believe FPT's GPM will further improve on the back of the higher proportion of the Dx business line in technology revenue. For FY20F, Dx revenue is expected to jump to VND3,884bn, contributing more than 22.4% to the technology segment's revenue and roughly 12.6% of FPT's total revenue, based on our estimates. We expect FPT's blended GPM to gain 0.6% pts to 39.2% in FY20F.

For FY21F, we expect the pandemic situation to improve due to the presence of vaccines. As a result, we forecast FPT's FY21F revenue and net profit to grow by 17.1% and 20.3% yoy, respectively. We also forecast the company's GPM to continue to improve, thanks to the increasing proportion of high margin businesses, reaching 39.5% (+ 0.3% pts yoy) in FY21F.

Figure 5: Changes in our forecasts

(VNDbn)	Old forecast			New forecast			% change of forecast			Comments on FY20 forecast changes
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	
Revenue	32,452	37,570	43,292	30,930	36,228	41,971	-4.7%	-3.6%	-3.1%	
Technology	19,010	22,433	26,441	17,375	20,656	24,479	-8.6%	-7.9%	-7.4%	
Global IT services	13,801	17,094	20,968	12,946	16,005	19,712	-6.2%	-6.4%	-6.0%	We lower 15.2% in the average amount of production employees from previous projection due to lower backlog caused by COVID-19. We revise the average productivity to VND810m per employee given higher-than-expected actual productivity (vs. VND730m in previous forecast).
Domestic IT services	5,209	5,339	5,473	4,430	4,651	4,767	-15.0%	-12.9%	-12.9%	We assume a decrease of 10.2% yoy in backlog instead of a 2.5% increase in our previous projection.
Telecom	11,368	12,728	14,129	11,569	13,065	14,673	1.8%	2.6%	3.9%	
Telecom services	10,769	12,100	13,467	11,064	12,509	14,089	2.7%	3.4%	4.6%	We lower the FPT's Internet subscribers growth to +4.1% yoy from +10.9% yoy in the previous forecast due to lower market share in Vietnamese fixed Internet broadband market. Besides, we raise the assumption of asp to +8.6% from -0.8% in previous projection because 83% of Internet subscribers registered for the combo including Internet and payTV with higher price.
Online advertising	600	628	662	505	556	584	-15.8%	-11.5%	-11.8%	Revise advertising backlog to -17% from +5% due to customers' cuts in ads spending as the pandemic spread.
Education & others	2,073	2,408	2,722	1,986	2,508	2,820	-4.2%	4.2%	3.6%	
Gross profit	12,662	14,819	17,283	12,121	14,315	16,785	-4.3%	-3.4%	-2.9%	
Gross profit margin	39.0%	39.4%	39.9%	39.2%	39.5%	40.0%	+17 bp	+7 bp	+7 bp	
SG&A	7,736	8,956	10,320	7,347	8,605	9,969	-5.0%	-3.9%	0.0%	
Profit/Losses from affiliates	534	579	631	276	372	391	-48.2%	-35.8%	-38.0%	Subdued results from FPT Retail (FRT VN, Non rated). We expect FRT's profit after tax to plunge by 73% instead of rising 15% in previous forecast.
Pre-tax profit	5,686	6,725	7,929	5,220	6,278	7,423	-8.2%	-6.6%	-6.4%	
Profit after tax	4,768	5,639	6,649	4,377	5,264	6,224	-8.2%	-6.7%	-6.4%	
Net profit	3,828	4,527	5,338	3,514	4,226	4,997	-8.2%	-6.6%	-6.4%	

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Reiterate Add with a lower TP of VND61,700 ►

Our lower TP reflects a 6.6-8.2% downward adjustment in FY20-21F EPS. Our valuation is based on a sum-of-parts methodology, with a P/E-based multiple approach for its three main business segments. Our P/E valuation is derived from the regional FY20-21F P/E median corresponding to each segment. We apply a 25% discount to technology and telecom peers' median P/E due to the difference in interest rates between Vietnam and other observed countries (e.g. India, the Philippines and Thailand).

Overall, we hold a positive view on FPT's long-term outlook, especially when the pandemic blows over. The use of data-driven software has been growing as effective tools for remote working and business continuity. Rapid technological innovations, such as facial recognition, 5G, better online security, virtual reality, and cloud-based solutions, will fuel greater adoption of these applications.

Figure 6: Sum-of-parts valuation

VNDbn	FPT's ownership	NP 2020F	NP 2021F	P/E	Equity value FY20F	Equity value FY21F
Technology	100%	1,937	2,477	14.0	27,111	34,673
Telecommunication	46%	709	798	12.5	8,860	9,974
Education	100%	666	736	11.5	7,660	8,464
Total					43,631	53,111
Average equity value FY20-21F						48,371
Outstanding share						783,987,486
Value per share (VND/share)						61,699
Target price (rounded) (VND/share)						61,700

SOURCES: VNDIRECT RESEARCH

Figure 7: Peer comparison

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA		Dividend Yield (%)	
						FY20F	FY21F		FY20F	FY21F	FY20F	FY21F	FY20F	FY21F	FY20F	FY21F
FPT CORP	FPT VN	ADD	47,000	61,700	1,589.7	9.8	8.7	12.4	2.2	1.9	22.6	23.0	4.9	4.2	4.3	4.3
Telecom																
TELSTRA CORP	TLS AU	ADD	3.40	3.73	28,969.2	17.8	19.3	(3.2)	2.6	2.6	15.1	13.4	6.2	6.6	0.0	0.0
TELEKOMUNIKASI	TLKM IJ	ADD	2,970	3,600	20,085.7	13.4	12.3	9.5	2.7	2.6	21.1	21.5	5.1	4.8	5.6	6.1
MAXIS BHD	MAXIS MK	REDUCE	5.18	5.10	9,656.0	28.2	26.3	1.9	5.5	5.5	19.8	21.0	13.1	12.4	3.1	3.9
INTOUCH HOLDINGS	INTUCH TB	ADD	57.00	62.70	5,868.0	17.5	16.8	(0.9)	4.8	4.4	28.6	27.4	13.9	13.1	4.0	4.4
GLOBE TELECOM	GLO PM	HOLD	2,180	2,060	5,933.9	16.0	N/A	3.1	3.6	N/A	22.9	N/A	6.6	N/A	0.0	N/A
PLDT INC	TEL PM	ADD	1,390	1,780	6,126.3	11.8	11.3	(3.4)	2.6	2.7	20.8	22.2	5.2	4.9	5.1	5.3
Average						17.4	17.2	1.2	3.6	3.6	21.4	21.1	8.3	8.4	3.0	3.9
Median						16.7	16.8	0.5	3.1	2.7	21.0	21.5	6.4	6.6	3.6	4.4
Software & IT Services																
INFOSYS LTD	INFO IN	ADD	951.1	990	54,085.7	24.3	23.1	8.4	6.1	5.7	25.5	25.5	16.9	15.0	1.8	4.0
WIPRO LTD	WPRO IN	ADD	277.4	265	21,164.1	16.8	16.1	5.6	2.9	2.5	17.3	16.5	11.3	9.7	0.4	2.8
HCL TECH LTD	HCLT IN	ADD	692.1	740	25,073.3	16.8	15.6	8.5	3.6	3.0	23.7	21.0	10.5	9.3	0.9	1.8
TECH MAHINDRA LT	TECHM IN	ADD	681.9	785	8,796.5	14.6	15.5	8.7	2.7	2.3	19.2	16.2	9.2	8.6	2.2	3.0
L&T INFOTECH LTD	LTI IN	HOLD	2,519.8	2,320	5,866.6	28.8	25.4	15.7	8.1	6.6	29.5	28.7	20.2	16.2	1.1	1.4
HEXAWARE TECHNOL	HEXV IN	ADD	400.9	420	1,604.6	18.3	16.6	9.2	3.8	3.3	22.3	21.5	11.1	9.7	2.1	3.0
NIIT LTD	NIIT IN	ADD	1,989.2	2,035	1,608.5	27.9	26.6	15.6	5.2	5.3	20.2	20.3	16.5	14.4	1.2	0.9
CYIENT LTD	CYL IN	ADD	359.6	380	527.9	11.8	13.6	6.3	1.6	1.5	14.5	11.2	5.9	6.2	4.1	3.7
MPHASIS LTD	MPHL IN	ADD	1,180.9	1,245	2,941.2	19.0	18.6	11.8	3.9	3.5	20.6	19.8	12.5	10.9	2.9	3.1
MINDTREE LTD	MTCL IN	HOLD	1,142.2	1,020	2,509.7	29.1	19.9	23.8	5.8	4.8	19.5	26.5	15.6	10.7	1.2	2.0
L&T TECHNOLOGY S	LTTS IN	ADD	1,630.2	1,560	2,275.3	20.2	26.4	6.9	6.0	5.3	31.2	21.2	14.2	15.9	1.3	1.3
Average						20.7	19.8	11.0	4.5	4.0	22.1	20.8	13.1	11.5	1.7	2.4
Median						19.0	18.6	8.7	3.9	3.5	20.6	21.0	12.5	10.7	1.3	2.8

SOURCES: VNDIRECT RESEARCH, CGS-CIMB RESEARCH, BLOOMBERG

RISKS AND CATALYSTS

Downside risks ►

- Fierce competition is expected from Chinese and Indian peers in overseas markets and from domestic Internet service providers in the telecom segment. In the global market, India is generally the first IT outsourcing destination for businesses given it has a mature software industry, with a large number of skillful IT specialists. As such, we predict that India will continue to be a favourite destination for IT outsourcing. Meanwhile, China's strengths are low costs and productive labour, in our view. We believe that competition from these two countries poses a huge challenge for FPT in terms of its ability to gain global market share.

Domestically, we believe the strong competition from two large state-owned carriers, Viettel (Unlisted) and VNPT (Unlisted), is a concern for FPT in the telecom segment. In order to compete, FPT needs to boost spending on upgrading infrastructure to expand its penetration, which would lead to rising investment costs.

- Another downside risk may come from fewer-than-expected technology contracts if the pandemic prolongs.

Potential re-rating catalysts ►

- FPT has started providing Dx solutions and consultancy services to move up the software value chain. Moreover, FPT has launched a series of software products to showcase its ability to develop patented products and reduce dependence on outsourcing. Tech firms with a higher proportion of patented products than outsourcing services often trade at higher valuations thanks to their superior gross margins, based on our analysis. With a higher proportion of made-by-FPT products, FPT could be traded at a higher valuation.

In 1H20, revenue from made-by-FPT products delivered VND361bn, accounting for 4.8% of FPT's technology revenue. The company expects these products to generate VND800bn in FY20F revenue, posting a CAGR of 45% in FY20-25F.

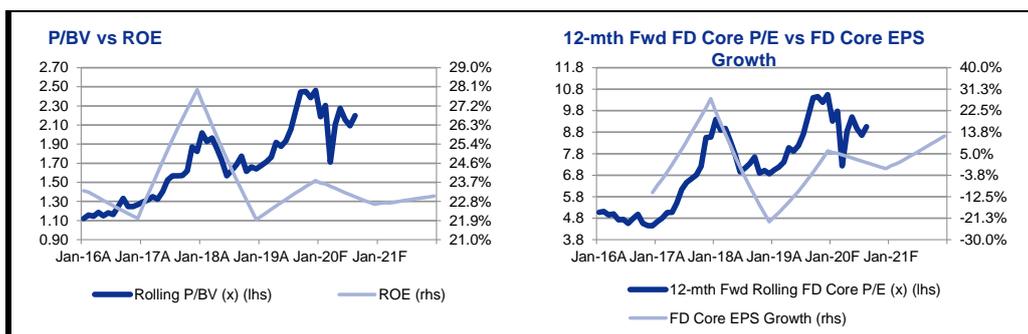
Figure 8: Product-based IT company usually gets a higher valuation than Service-based one

Factors	Product-based IT companies	Service-based IT companies
Description	Focusing on creating tech products to promote and sell them on the market. The profits are made when end-users pay for their products.	Providing services to clients to help them carry out projects, focusing on all or parts of the IT functions. The profits are made from projects that have been carried out for their clients.
Example companies	Google, Microsoft, IBM Products, Oracle, SAP, Facebook, Paypal, Uber, Pegasystems etc.	Infosys, Wipro, TCS, Cognizant, Accenture, HCL Tech, etc.
Resource intensity	Capital intensive.	Labour intensive.
Processes	Creating, designing, developing and maintaining products.	Helping out clients for their IT needs to ease the way their businesses function. Using company workforce to develop, maintain and support the clients' products.
Technical needs	High levels of creativity and technical skills.	Less creative and general technical skills.
Margins	High gross margins, for example TTM GPM: - Facebook: 81.5% - Google: 54.2% - Microsoft: 67.8% - SAP: 70.5% - Adobe: 85.6%.	Lower gross margin, for example TTM GPM: - Infosys: 33.5% - Wipro: 28.9% - Cognizant: 35.6% - Accenture: 31.4%.
Valuation	Higher valuation in general due to higher margins. For example: TTM P/E ratios of several companies as of 10 Aug 2020: - Facebook: 32.8x - Alphabet: 34.3x - Microsoft: 36.6x - SAP: 35.5x - Adobe: 59.4x	Relatively lower valuation. For example: TTM P/E ratios of several companies as of 10 Aug 2020: - Infosys: 23.8x - Wipro: 16.4x - Cognizant: 19.9x

SOURCES: VNDIRECT RESEARCH, BLOOMBERG

- FPT is focusing on M&A to expand its brand and customer base overseas. FPT is considering M&As in either the UK, Singapore or the Middle East which use digital transformation extensively, translating into great potential for the company, in our view. A successful M&A deal will help FPT increase market share in the host country.
- In 1H20, 22.8% of FPT's technology revenue came from the domestic market, where FPT IS (Unlisted) is executing many government technology projects. Thus, we think that if the government of Vietnam implements an expansionary fiscal policy from FY20F onwards, it may be a catalyst for FPT IS's revenue to grow.

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	23,214	27,717	30,930	36,228	41,971
Gross Profit	8,723	10,712	12,121	14,315	16,785
Operating EBITDA	4,286	5,501	6,351	7,525	8,880
Depreciation And Amortisation	(1,165)	(1,355)	(1,577)	(1,815)	(2,065)
Operating EBIT	3,122	4,147	4,774	5,710	6,815
Financial Income/(Expense)	234	114	158	182	198
Pretax Income/(Loss) from Assoc.	439	405	276	372	391
Non-Operating Income/(Expense)	63	3	11	15	18
Profit Before Tax (pre-EI)	3,858	4,668	5,220	6,278	7,423
Exceptional Items					
Pre-tax Profit	3,858	4,668	5,220	6,278	7,423
Taxation	(624)	(753)	(843)	(1,013)	(1,198)
Exceptional Income - post-tax					
Profit After Tax	3,234	3,916	4,377	5,264	6,224
Minority Interests	(614)	(776)	(863)	(1,038)	(1,227)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,620	3,139	3,514	4,226	4,997
Recurring Net Profit	2,620	3,139	3,514	4,226	4,997
Fully Diluted Recurring Net Profit	2,620	3,139	3,514	4,226	4,997

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	4,286	5,501	6,351	7,525	8,880
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(111)	(606)	29	43	31
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(183)	(293)	236	312	324
Other Operating Cashflow	(178)	(233)	(16)	(18)	(19)
Net Interest (Paid)/Received	204	155	186	214	236
Tax Paid	(430)	(639)	(843)	(1,013)	(1,198)
Cashflow From Operations	3,588	3,886	5,943	7,063	8,253
Capex	(2,454)	(3,233)	(2,399)	(2,573)	(2,759)
Disposals Of FAs/subsidiaries	1	2	0	0	0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1,244)	(614)	(1,079)	(1,136)	(1,118)
Cash Flow From Investing	(3,697)	(3,845)	(3,478)	(3,710)	(3,878)
Debt Raised/(repaid)	2,235	899	1,215	1,308	1,412
Proceeds From Issue Of Shares	27	72	0	0	0
Shares Repurchased	0	(0)	0	0	0
Dividends Paid	(1,708)	(1,484)	(1,960)	(1,960)	(1,960)
Preferred Dividends					
Other Financing Cashflow	0	0	0	0	0
Cash Flow From Financing	553	(513)	(745)	(652)	(548)
Total Cash Generated	445	(472)	1,719	2,701	3,827
Free Cashflow To Equity	2,126	940	3,679	4,661	5,787
Free Cashflow To Firm	130	407	2,902	3,853	4,943

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	9,494	10,162	12,961	16,798	21,744
Total Debtors	6,174	6,218	6,717	7,867	9,115
Inventories	1,341	1,284	1,456	1,696	1,950
Total Other Current Assets	1,397	1,315	1,758	1,788	2,072
Total Current Assets	18,406	18,979	22,892	28,150	34,879
Fixed Assets	5,210	6,298	7,732	9,084	10,346
Total Investments	2,202	2,497	2,743	3,074	3,423
Intangible Assets	1,630	1,420	1,168	1,144	1,123
Total Other Non-Current Assets	2,309	4,200	4,609	5,436	6,371
Total Non-current Assets	11,351	14,415	16,252	18,738	21,263
Short-term Debt	6,599	7,514	8,658	9,882	11,193
Current Portion of Long-Term Debt					
Total Creditors	4,958	5,066	5,644	6,583	7,581
Other Current Liabilities	2,894	3,522	3,750	5,874	8,407
Total Current Liabilities	14,451	16,102	18,052	22,339	27,181
Total Long-term Debt	367	350	420	504	604
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	164	143	167	195	224
Total Non-current Liabilities	531	493	587	698	829
Total Provisions	0	0	0	0	0
Total Liabilities	14,982	16,595	18,638	23,038	28,010
Shareholders' Equity	12,473	13,964	17,072	19,641	22,973
Minority Interests	2,302	2,835	3,434	4,209	5,160
Total Equity	14,775	16,799	20,506	23,850	28,133

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	(45.6%)	19.4%	11.6%	17.1%	15.9%
Operating EBITDA Growth	1.9%	28.3%	15.4%	18.5%	18.0%
Operating EBITDA Margin	18.5%	19.8%	20.5%	20.8%	21.2%
Net Cash Per Share (VND)	4,121	3,389	4,953	8,179	12,686
BVPS (VND)	20,327	20,585	21,776	25,053	29,303
Gross Interest Cover	13.10	11.32	10.92	11.42	12.00
Effective Tax Rate	16.2%	16.1%	16.1%	16.1%	16.1%
Net Dividend Payout Ratio	58.5%	43.2%	44.6%	37.1%	31.4%
Accounts Receivables Days	79.83	70.77	66.66	63.60	63.93
Inventory Days	29.73	28.17	26.66	26.25	26.42
Accounts Payables Days	60.32	55.29	53.64	51.78	52.10
ROIC (%)	37.3%	40.6%	39.3%	40.7%	46.8%
ROCE (%)	18.0%	20.1%	19.9%	20.1%	20.5%
Return On Average Assets	11.0%	12.0%	11.6%	11.8%	11.7%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Rev. growth (% , main biz.)	20.9%	17.8%	10.1%	18.9%	18.5%
EBITDA mgns (% , main biz.)	N/A	N/A	N/A	N/A	N/A
Rev. as % of total (main biz.)	57.7%	56.9%	56.2%	57.0%	58.3%
EBITDA as % of total (main biz.)	N/A	N/A	N/A	N/A	N/A
Rev. growth (% , 2ndary biz.)	15.4%	17.7%	11.3%	12.9%	12.3%
EBITDA mgns (% , 2ndary biz.)	N/A	N/A	N/A	N/A	N/A
Rev. as % of total (2ndary biz.)	38.0%	37.5%	37.4%	36.1%	35.0%
EBITDA as % of total (2ndary biz.)	N/A	N/A	N/A	N/A	N/A
Rev. growth (% , tertiary biz.)	31.8%	30.2%	10.8%	26.3%	12.4%
EBITDA mgns (% , tertiary biz.)	N/A	N/A	N/A	N/A	N/A
Rev.as % of total (tertiary biz.)	5.9%	6.5%	6.4%	6.9%	6.7%
EBITDA as % of total (tertiary biz.)	N/A	N/A	N/A	N/A	N/A

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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THAI, THANI, THG, TISCO, TKN, TMB, TOA, TOP, TPIPP, TQM, TRUE, TTW, TU, VGI, WHA, BEAUTY, JMART, LPN, SISB, WORK.

Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association (“IOD”) regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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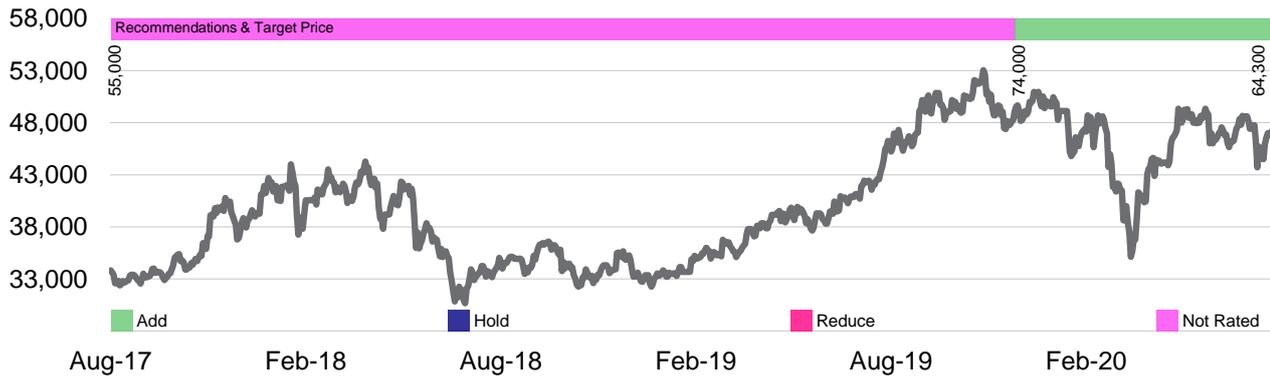
institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2020		
800 companies under coverage for quarter ended on 30 June 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	0.3%

Spitzer Chart for stock being researched (2 year data)

FPT Corporation (FPT VN)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI) .

RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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