

FPT CORP (FPT) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND93,500	VND117,000	2.14%	Add	TECHNOLOGY

25 May 2021

Outlook – Short term: Positive
Outlook – Long term: Positive
Valuation: Positive

Consensus*: Add:12 Hold:2 Reduce:0

Target price / Consensus: 30.9%

Key changes in the report

- Revise FY22F/23F EPS up by 2.4%/4.1%.
- Rolling over TP to mid-2022 to derive higher TP of VND117,000.



Source: VND RESEARCH

Key statistics

52w high (VND)	95,500
52w low (VND)	42,786
3m Avg daily value (VNDmn)	177,682
Market cap (VND bn)	74,019
Free float (%)	60
TTM P/E (x)	20.0
Current P/B (x)	4.4

Ownership

Truong Gia Binh	7.1%
Vietnam SCIC	5.9%
Macquarie Bank Limited OBU	5.4%
Others	81.6%

Analyst(s): Source: VND RESEARCH


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Rerating on surging new tech contract

- FPT's 4M21 net profit rose 19.6% yoy, in line with 29.2% of our forecast.
- Unrealised revenue of newly contracts surged 43.1% yoy in 1Q21 to VND4,489bn.
- Acquiring Base.vn is a strategic piece to help FPT boost technology revenue at domestic SMEs and develop in-house products.
- Reiterate our Add call with a higher SOP-based TP of VND117,000 by rolling over to mid-FY22F with minor increases in FY21-23F EPS.

4M21 results: double-digit revenue growth across all business segments

FPT's net revenue rose 18.0% yoy to VND10,431bn in 4M21 thanks to double-digit revenue growth across all business sectors, forming 30.0% of our forecast. 4M21 net profit increased by 19.6 yoy to VND1,245bn, in line at 29.2% of our full-year projection. Therein, 4M21 top line witnessed an impressive recovery in Domestic IT services revenue (+45.2% yoy), Online advertising sales (+25.9% yoy), and Education & others (+58.6% yoy) after being hit by COVID-19 in 1H20. Signed revenue in 1Q21 reached VND4,489bn, increasing 43.1% yoy.

FPT acquires Base.vn to accelerate domestic digital transformation (Dx)

FPT announced its acquisition in Base.vn – a software as a service (SaaS) startup which provides cloud-based technology solutions to help small and medium enterprises (SMEs) assign their workflows, project, and human resources management via Dx. Base.vn currently has more than 5,000 customers in different sectors, 50 of which are the top ones in Asia. Per FPT, Base.vn align perfectly with FPT's strategy to target the market of over 800,000 SMEs in Vietnam, boosting the revenue of the domestic IT sector.

Reiterate our Add call with a higher SOP-based TP of VND117,000/share

We reiterate our Add call with a higher TP of VND117,000 by rolling over our TP to mid-FY22F with minor increases in FY21-23F EPS. Our valuation is still based on the sum-of-parts methodology, with the P/E-based multiples approach for its three main business segments. We still apply multiples which are derived from the regional FY21-22F P/E average corresponding to each segment with a discount of 15% on technology and telecom peer's average P/E due to the distance in interest rates between Vietnam and other observed countries.

Re-rating catalysts and downside risks

Potential re-rating catalysts are a successful M&A deal with an overseas tech company and higher-than-expected signed IT services revenue. Downside risks include a shortage of high-quality IT personnel to achieve its long-term strategies and fewer tech contracts if COVID-19 prolongs and becomes more complicated.

Financial summary (VND)	12-19A	12-20A	12-21E	12-22E
Net revenue (bn)	27,717	29,830	35,397	41,833
Revenue growth	19.4%	7.6%	18.7%	18.2%
Gross margin	38.6%	39.6%	39.8%	39.9%
EBITDA margin	13.2%	14.0%	15.2%	15.2%
Net profit (bn)	3,135	3,538	4,281	5,049
Net profit growth	19.7%	12.8%	21.0%	18.0%
Recurring profit growth				
Basic EPS	4,854	4,838	5,460	6,441
Adjusted EPS	4,720	4,727	5,571	6,318
BVPS	20,585	20,081	23,628	27,944
ROAE	23.7%	23.8%	25.0%	25.0%

Source: VND RESEARCH

RERATING ON SURGING NEW TECH CONTRACT

We raise our 1-year target price on higher FY21-22F EPS and bright prospects from FY22 onward thanks to surging new tech contract

We reiterate our Add call with an SOP-based TP of VND117,000 with minor increases in FY21-23F EPS and rolling over our TP to mid-FY22. Our valuation is still based on the sum-of-parts methodology, with the P/E-based multiples approach for its three main business segments. Our valuation is derived from the regional FY21-22F P/E average corresponding to each segment with a discount of 15% on technology and telecom peer's average P/E due to the distance in interest rates between Vietnam and other observed countries (e.g. India, Philippines, Thailand). We apply these multiple to our average FY21-22F net profit forecast for each business.

Figure 1: SOP-based valuation

VNDbn	FPT's ownership	NP 2021F	NP 2022F	P/E	Equity value	
					FY20F	FY21F
Technology	100%	2,459	3,030	19.0	46,715	57,564
Telecommunication	46%	2,063	2,283	14.0	28,880	31,959
Education	100%	644	774	13.0	8,373	10,056
Total					83,968	99,578
Average equity value FY20-21F						91,773
Outstanding share						783,987,000
Value per share (VND/share)						117,060
Target price (rounded) (VND/share)						117,000

Sources: VND RESEARCH

Figure 2: Peer comparison (data as in 24 May 2021)

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)		EV/EBITDA (x)		Recurring ROE (%)	
						FY21F	FY22F		FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
FPT CORP	FPT VN	ADD	93.500	117.000	3.200,0	17,1	14,5	14,0	4,0	3,3	9,1	8,2	25,0	25,0
Telecom														
TELSTRA CORP	TLS AU	NR	3,43	3,70	31.485,0	24,0	24,0	(14,8)	2,9	2,9	7,9	7,9	11,1	11,5
TELEKOMUNIKASI	TLKM IJ	NR	3.260	4.131	22.491,0	14,5	13,1	(0,5)	2,8	2,7	5,2	4,9	20,4	21,4
MAXIS BHD	MAXIS MK	NR	4,63	4,90	8.735,0	25,0	23,0	(14,3)	5,1	4,9	11,8	11,3	20,3	22,1
INTOUCH HOLDINGS	INTUCH TB	NR	64,25	68,60	6.568,0	19,4	18,4	(5,7)	5,1	4,8	18,8	18,3	27,8	32,1
GLOBE TELECOM	GLO PM	NR	1.796	2.202	4.981,0	10,7	10,8	13,2	2,6	2,4	5,2	4,9	25,5	23,5
PLDT INC	TEL PM	NR	1.259	1.595	5.654,0	9,8	10,1	16,7	2,1	2,0	5,2	4,9	22,4	20,1
Average						17,2	16,6	(0,9)	3,4	3,3	9,0	8,7	21,3	21,8
Median						17,0	15,8	(3,1)	2,9	2,8	6,6	6,4	21,4	21,8
Software & IT Services														
INFOSYS LTD	INFO IN	NR	1.350,8	1.592,1	78.931,0	25,5	22,7	9,1	7,2	6,4	17,6	15,8	28,7	29,9
WIPRO LTD	WPRO IN	NR	515,0	461,5	38.702,0	24,9	22,4	16,1	4,6	4,2	15,3	14,0	19,2	19,4
HCL TECH LTD	HCLT IN	NR	934,5	1.127,1	34.779,0	18,3	16,3	5,9	3,7	3,3	11,2	10,2	21,4	21,5
TECH MAHINDRA LT	TECHM IN	NR	989,1	1.125,9	13.138,0	16,5	15,0	6,5	3,2	2,9	11,0	10,0	20,4	20,4
L&T INFOTECH LTD	LTI IN	NR	3.676,8	4.060,1	8.812,0	29,1	25,2	20,4	7,5	6,3	19,8	17,3	28,2	27,5
NIIT LTD	NIIT IN	NR	182,1	220,0	355,0	19,4	17,0	482,2	1,6	1,6	9,5	7,9	9,6	10,6
CYIENT LTD	CYL IN	NR	808,5	799,0	1.220,0	19,0	16,2	(0,8)	2,9	2,7	10,2	8,8	15,2	16,7
MPHASIS LTD	MPHL IN	NR	1.811,9	1.910,7	4.649,0	23,6	20,6	15,3	4,9	4,4	15,3	13,5	21,2	22,3
MINDTREE LTD	MTCL IN	NR	2.140,5	2.058,9	4.836,0	26,8	23,7	33,1	6,9	5,8	17,1	15,3	28,3	26,9
L&T TECHNOLOGY S	LTTS IN	NR	2.594,2	2.591,8	3.737,0	31,0	26,0	11,6	6,9	5,9	20,2	17,3	23,6	23,9
Average						23,4	20,5	59,9	4,9	4,4	14,7	13,0	21,6	21,9
Median						24,3	21,5	13,5	4,8	4,3	15,3	13,8	21,3	21,9

Sources: VNDIRECT RESEARCH, BLOOMBERG

Risks and catalysts

Downside risks

- Fierce competition from 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 that 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. We believe that competition from Indian rivals is a big challenge for FPT in terms of its ability to gain global market share.

Domestically, we believe fierce 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.

- Shortage of IT personnel and increase in labour costs are also potential risks for FPT, in our view. We believe this could partly affect FPT because the IT services sector is labour-intensive, hence, a significant increase in labour costs may affect the company's operating costs.

Potential re-rating catalysts

- FPT is focusing on M&A to expand its brand and customer base overseas to expand its digital transformation business 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 4M21, 25.8% of FPT's technology revenue came from the domestic market, where FPT IS (Unlisted) is implementing many government technology projects. Thus, we think that if the government of Vietnam continues to implement an expansionary fiscal policy from FY21F onwards, it may be a catalyst for FPT IS' revenue to grow.

4M21 results review: double-digit revenue growth across all business segments

FPT's net revenue rose 18.0% yoy to VND10,431bn in 4M21, forming 30.0% of our forecast. 4M21 net profit increased by 19.6 yoy to VND1,245bn, in line with 29.2% of our full-year projection. Therein, 4M21 top line witnessed an impressive recovery in Domestic IT services revenue (+45.2% yoy), Online advertising sales (+25.9% yoy), and Education & others (+58.6% yoy) after being hit by COVID-19 in 1H20.

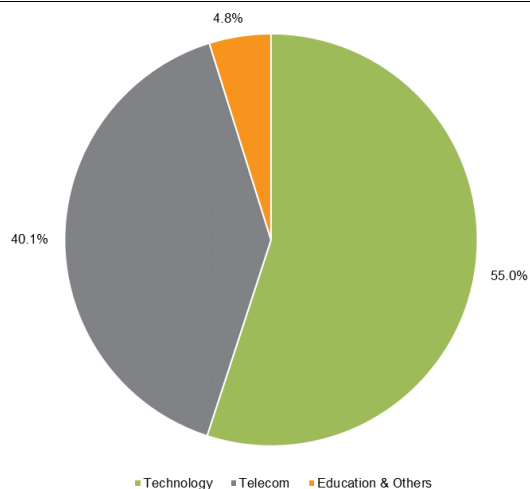
Figure 3: Results comparison

	1Q21	1Q20	% yoy	4M21	4M20	% yoy	% FY21F guidance	% FY21 forecast	Comments
Net revenue	7,586	6,631	14.4%	10,431	8,841	18.0%	30.0%	29.5%	
Technology	4,155	3,594	15.6%	5,786	4,864	19.0%	29.5%	28.0%	
Global IT Services	3,169	2,891	9.6%	4,295	3,837	11.9%			New signed revenue rose 43% yoy in 1Q21, showing strong growth potential in upcoming quarters.
Domestic IT Services	986	703	40.3%	1,491	1,027	45.2%			
Telecommunications	2,925	2,668	9.6%	3,966	3,549	11.7%	31.2%	31.0%	
Telecom services	2,804	2,565	9.3%	3,796	3,414	11.2%			FPT in partnership with Google has just launched FPT Play Box S, the first device to combine TV Box and smart speaker in the world. From 1 May 2021, FPT customers can increase the internet bandwidth without added costs.
Online advertising	121	103	17.5%	170	135	25.9%			
Education & Others	506	368	37.5%	679	428	58.6%	28.3%	35.4%	
Gross profit	2,895	2,624	10.3%						
Gross profit margin	38.2%	39.6%	-1.4% pts						
SG&A expenses	1,814	1,574	15.2%						
SG&A as % of revenue	23.9%	23.7%	+0.2% pts						
Profit/losses from affiliates	115	80	43.6%						Robust earnings growth from a FPT's affiliate in 1Q21: VND146bn of net profit at FPT Securities (FTS) in 1Q21 vs. VND97bn loss in 1Q20.
Pre-tax profit	1,397	1,142	22.3%	1,920	1,573	22.1%	30.9%	30.3%	
Profit after tax	1,151	937	22.8%	1,577	1,300	21.3%		29.7%	
Net profit	906	747	21.3%	1,245	1,041	19.6%		29.2%	

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

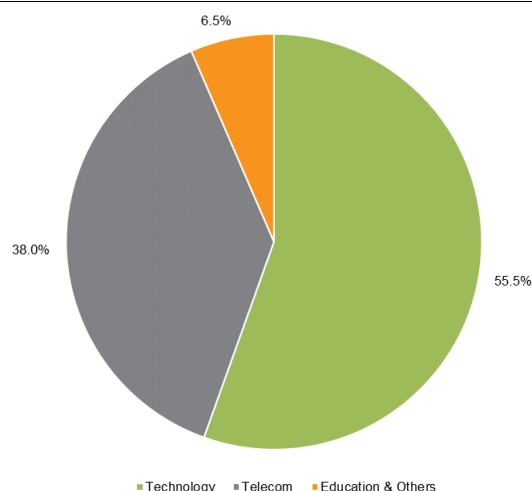
The technology segment contributed 55.5% of total revenue in 4M21 (4M20: 55.0%). Telecommunications revenue accounted for 38.0% of total revenue in 4M21 (4M20: 40.1%). The remaining 6.5% came from education and other sectors.

Figure 4: Revenue by segment in 4M20



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

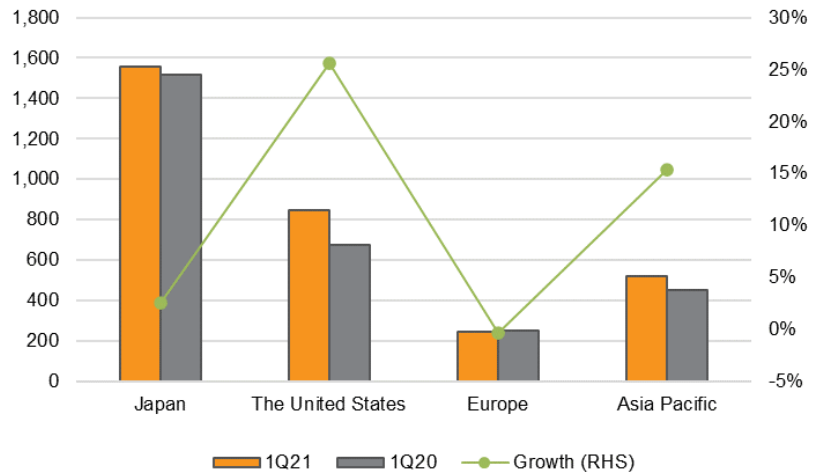
Figure 5: Revenue by segment in 4M21



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

- In 1Q21, revenue from IT services in overseas markets increased 9.6% yoy to VND3,169bn, accounting for 76.3% of technology revenue. The US market delivered an outstanding performance with revenue growing 25.6% yoy as the signed revenue from major clients in the US at the end of FY20 started to be realised in 1Q21. Notably, at the end of 2020, an automotive trading platform corporation in the USA has chosen FPT over hundreds of other global IT vendors as the champion for their IT budget for the next 3 years.

Figure 6: FPT's global IT services revenue by markets

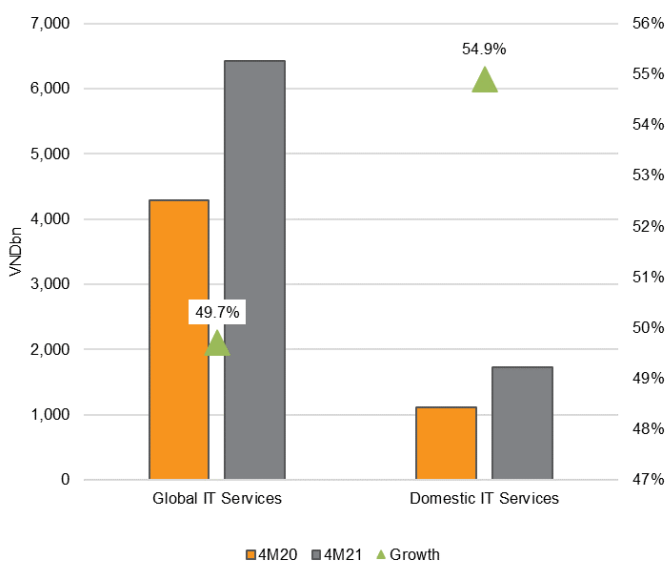


Sources: VND RESEARCH, COMPANY REPORTS

In 1Q21, FPT received multiple orders from global clients to implement digital transformation projects. There were 4 projects with the size larger than US\$5m in 1Q21 (vs. 2 projects in 1Q20), signed revenue in 1Q21 reached VND4,489bn, increasing 43,1% yoy.

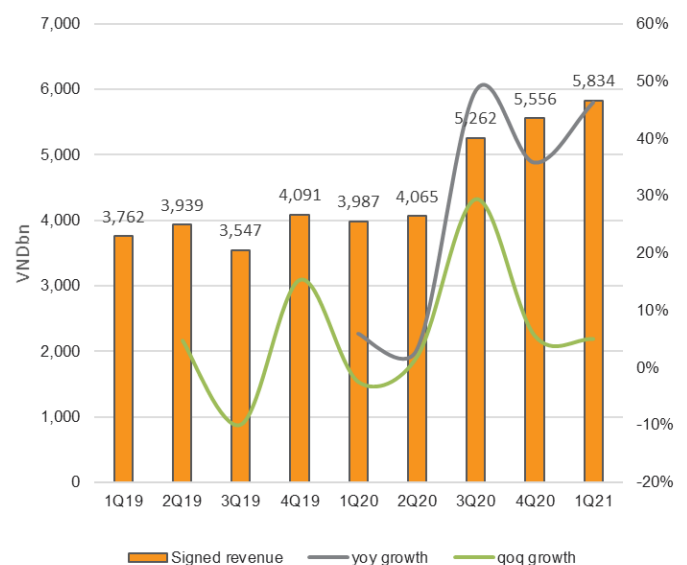
- Technology revenue from the domestic market in 4M21 posted a remarkable recovery from being hit in 1H20 by the pandemic. In particular, domestic IT services revenue reached VND1,491bn in 4M21, increasing by 45.2% yoy.

Figure 7: FPT's tech signed revenue in 4M21 vs. 4M20 by sub-sectors



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 8: FPT's quarterly signed tech orders



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

- Digital transformation (Dx) revenue only increased slightly due to the impact of Japan's slow growth on manufacturing-focused technology. Specifically, Dx revenue totaled VND1,172bn in 4M21, accounting for 20.3% of the technology revenue and up only 1.2% yoy.
- Telecom services revenue increased by 11.2% yoy, accounting for 95.7% of the telecom segment's topline and in line at 31.3% of our expectation. Online advertising revenue rose 25.9% yoy, showing a significant recovery after poor result in 4M20; however, this sector accounted for only 4.3% of the telecom segment's sales (+11.7% yoy). According to FPT, having high growth in several business lines of broadband services, PayTV, and online advertising, EBT of telecom segment increased 28.4% yoy.
- In 4M21, Education & others' revenue reached VND679bn (+58.6% yoy). However, EBT of this segment decreased due to the losses of business lines launched in 2020 including Smart Cloud and Digital.

Strong consolidation of domestic IT segment with an investment in startup Base.vn

On 4 May 2021, FPT announced its acquisition in Base.vn – a software as a service (SaaS) startup which provides cloud-based technology solutions to help small and medium enterprises (SMEs) assign their workflows, project and human resources management via digital transformation. According to media releases, Base.vn currently has more than 5,000 customers in different sectors, 50 of which are the top ones in Asia. Per FPT, Base.vn align perfectly with FPT's software product strategy to target the market of over 800,000 SMEs in Vietnam.

With Base.vn' openness, more than 77 Dx solutions based on the latest technologies including AI, Blockchain, Cloud, RPA... of FPT will soon be integrated. Along with that, the synergistic value also comes from the experienced human resources of more than 17,000 engineers and a consulting team of more than 7,000 individuals of FPT, ready to support SMEs across the region. We believe Base.vn will accelerate FPT's strategy of developing its made-by-FPT products and help FPT quickly and strongly approach the pool of SMEs in Vietnam, boosting the revenue of the domestic IT segment.

Figure 9: Base.vn provides a comprehensive digital transformation solution for SMEs



Sources: VND RESEARCH, COMPANY REPORTS

We believe that Base.vn is an important piece of FPT's overall strategy in promoting digital transformation services as well as developing FPT in-house

products, which are business lines that enhance the company's profit margin. As we mentioned in previous reports, with a higher proportion of IT-based products rather than IT-based services, FPT will deserve to be re-evaluated with better valuations in the future. Made-by-FPT software products recorded VND133bn in revenue in 1Q21, up 146% yoy.

FY21-22F outlook: Digital transformation remains a growth engine. The domestic IT services regain its growth momentum

We maintain a positive view on FPT's 2021-22F outlook with minor changes from our previous projection. We expect technology segment revenue to rise 23.0% yoy to VND20,677bn in FY21F and exceed US\$1bn (c. VND23,000bn) by FY22F.

We estimate the domestic IT services to return to double-digit growth. Specifically, we forecast this sector to grow by 10.5% in revenue thanks to the effect of Base.vn. Besides, FPT signed the agreement of digital transformation consulting for Binh Dinh province in the period of 2021-23, with the vision by 2050. Partnering with McKinsey, FPT hopes to turn Binh Dinh into an economic powerhouse of the central region of Vietnam and the artificial intelligence (AI) center of Southeast Asia.

We believe FPT's GPM should continue to improve on the back of higher proportion of Dx in technology revenue. For FY21F, Dx revenue is expected to rise to VND4,303bn (+33.7% yoy), contributing 20.8% of technology revenue and 12.2% of FPT's total revenue, based on our estimates. We expect blended GPM to gain 0.2% pt to 39.8% in FY21F.

For FY21F, we expect the pandemic situation to improve thanks to the presence of vaccines. As a result, we forecast FPT's FY21F revenue and net profit to grow 18.7% yoy and 21.0% yoy, respectively.

For FY22F, we expect that FPT's business segments will maintain their growth trajectory. We revise FY22F revenue and net profit up by 2.4% yoy and 2.3% yoy, respectively. As a result, FY22F delivers a growth of 18.0% yoy in net profit.

Figure 10: Detailed forecast of FPT's performance for FY21-23F

VNDbn	2018	2019	2020F	2021F	2022F	2023F
Net revenue	23,214	27,717	29,830	35,397	41,833	49,563
%yoy	-45.6%	19.4%	7.6%	18.7%	18.2%	18.5%
Technology	13,401	15,783	16,805	20,677	25,301	30,948
%yoy	20.9%	17.8%	6.5%	23.0%	22.4%	22.3%
Telecom	8,831	10,398	11,466	12,800	14,226	15,872
%yoy	15.4%	17.7%	10.3%	11.6%	11.1%	11.6%
Education % others	1,376	1,792	1,559	1,920	2,306	2,743
%yoy	31.8%	30.2%	-13.0%	23.1%	20.1%	19.0%
Gross profit	8,723	10,712	11,816	14,074	16,705	19,867
Blended GPM	37.6%	38.6%	39.6%	39.8%	39.9%	40.1%
SG&A	5,601	6,565	7,214	8,418	9,948	11,786
as % of revenue	24.1%	23.7%	24.2%	23.8%	23.8%	23.8%
Pre-tax profit	3,858	4,665	5,261	6,362	7,504	8,873
Profit after tax	3,234	3,912	4,422	5,336	6,294	7,443
Minority interest	614	776	885	1,055	1,245	1,472
Net profit	2,620	3,135	3,538	4,281	5,049	5,971
%yoy	-10.6%	19.7%	12.8%	21.0%	18.0%	18.2%

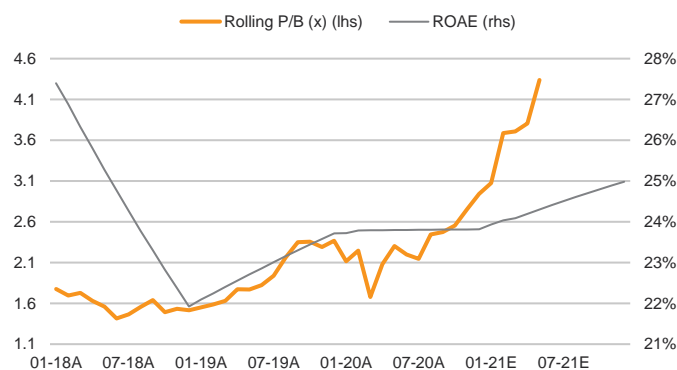
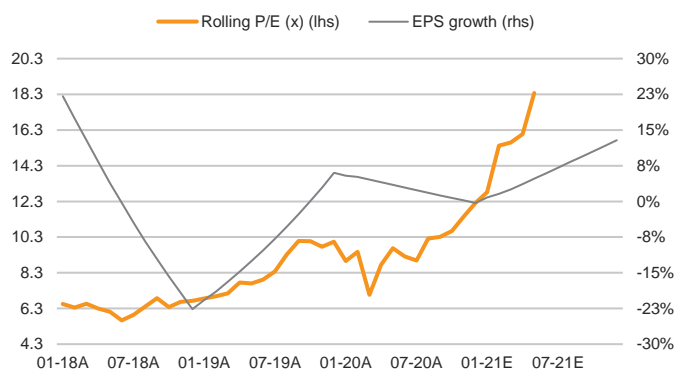
Sources: VND RESEARCH, COMPANY REPORTS

Figure 11: Forecast revision

(VNDbn)	Old forecast			New forecast			% change of forecast			Comments on FY22F forecast changes
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	
Revenue	35,375	40,864	47,409	35,397	41,833	49,563	0.1%	2.4%	4.5%	
Technology	20,655	24,585	29,383	20,677	25,301	30,948	0.1%	2.9%	5.3%	Higher backlog thanks to a sharp increase in the value of new signed contracts.
Telecom	12,800	14,212	15,858	12,800	14,226	15,872	0.0%	0.1%	0.1%	
Education & others	1,920	2,066	2,168	1,920	2,306	2,743	0.0%	11.6%	26.5%	Raising education revenue forecast from new high school campus in Quy Nhon from FY21F. In addition, we expect two new companies including FPT Smart Cloud and FPT Digital to expand segment's revenue from 2023.
Gross profit	14,047	16,306	19,006	14,074	16,705	19,867	0.2%	2.4%	4.5%	
Gross profit margin	39.7%	39.9%	40.1%	39.8%	39.9%	40.1%	+10 bp	0 bp	0 bp	
SG&A	8,412	9,718	11,274	8,418	9,948	11,786	0.1%	2.4%	4.5%	
Profit/Losses from affiliates	359	377	391	359	377	397	-0.1%	0.0%	1.6%	
Pre-tax profit	6,340	7,334	8,522	6,362	7,504	8,873	0.3%	2.3%	4.1%	
Profit after tax	5,318	6,151	7,148	5,336	6,294	7,443	0.3%	2.3%	4.1%	
Net profit	4,266	4,935	5,734	4,281	5,049	5,971	0.3%	2.3%	4.1%	

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Valuation



Income statement

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	29,830	35,397	41,833
Cost of sales	(18,015)	(21,323)	(25,127)
Gen & admin expenses	(2,713)	(3,031)	(3,582)
Selling expenses	(4,501)	(5,387)	(6,366)
Operating profit	4,602	5,657	6,757
Operating EBITDA	3,145	3,955	4,850
Depreciation and amortisation	1,458	1,702	1,907
Operating EBIT	4,602	5,657	6,757
Interest income	822	1,387	1,525
Financial expense	(548)	(1,114)	(1,242)
Net other income	73	73	87
Income from associates & JVs	312	359	377
Pre-tax profit	5,261	6,362	7,504
Tax expense	(839)	(1,026)	(1,210)
Minority interest	(885)	(1,055)	(1,245)
Net profit	3,538	4,281	5,049
Adj. net profit to ordinary	3,538	4,281	5,049
Ordinary dividends	(1,568)	(1,568)	(1,568)
Retained earnings	1,970	2,713	3,481

Balance sheet

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	4,685	5,530	9,185
Short term investments	12,436	13,623	14,899
Accounts receivables	5,880	7,640	9,028
Inventories	1,290	1,632	1,923
Other current assets	1,318	1,713	2,024
Total current assets	25,608	30,138	37,060
Fixed assets	10,691	12,431	14,277
Total investments	2,606	2,910	3,245
Other long-term assets	2,844	3,092	3,654
Total assets	41,749	48,570	58,237
Short-term debt	12,062	13,329	14,725
Accounts payable	2,859	3,255	3,836
Other current liabilities	7,461	8,796	11,922
Total current liabilities	22,382	25,380	30,483
Total long-term debt	678	813	976
Other liabilities	87	179	211
Share capital	7,840	7,840	7,840
Retained earnings reserve	6,391	9,018	12,112
Shareholders' equity	15,744	18,524	21,908
Minority interest	2,859	3,673	4,659
Total liabilities & equity	41,749	48,570	58,237

Cash flow statement

(VNDbn)	12-20A	12-21E	12-22E
Pretax profit	5,261	6,362	7,504
Depreciation & amortisation	1,491	1,702	1,907
Tax paid	(778)	(1,026)	(1,210)
Other adjustments	(1,039)	(81)	(90)
Change in working capital	2,897	(834)	2,900
Cash flow from operations	7,833	6,123	11,011
Capex	(3,018)	(2,592)	(2,865)
Proceeds from assets sales	3	0	0
Others	(5,954)	(1,187)	(1,276)
Other non-current assets changes	842	0	0
Cash flow from investing activities	(8,127)	(3,779)	(4,141)
New share issuance	60	0	0
Shares buyback	0	0	0
Net borrowings	4,879	1,402	1,559
Other financing cash flow	(2)	0	0
Dividends paid	(1,899)	(1,960)	(1,960)
Cash flow from financing activities	3,037	(558)	(401)
Cash and equivalents at beginning of period	3,453	4,685	5,530
Total cash generated	2,743	1,786	6,469
Cash and equivalents at the end of period	6,196	6,470	11,999

Key ratios

	12-20A	12-21E	12-22E
Dupont			
Net profit margin	11.9%	12.1%	12.1%
Asset turnover	0.79	0.78	0.78
ROAA	9.4%	9.5%	9.5%
Avg assets/avg equity	2.53	2.64	2.64
ROAE	23.8%	25.0%	25.0%
Efficiency			
Days account receivable	60.9	68.2	68.2
Days inventory	26.2	27.9	27.9
Days creditor	58.1	55.7	55.7
Fixed asset turnover	3.01	3.06	3.13
ROIC	11.3%	11.8%	11.9%
Liquidity			
Current ratio	1.1	1.2	1.2
Quick ratio	1.1	1.1	1.2
Cash ratio	0.8	0.8	0.8
Cash cycle	29.0	40.4	40.4
Growth rate (yoy)			
Revenue growth	7.6%	18.7%	18.2%
Operating profit growth	11.0%	22.9%	19.5%
Net profit growth	12.8%	21.0%	18.0%
EPS growth	(0.3%)	12.9%	18.0%

Source: VND RESEARCH

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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.

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