

FPT Corporation (FPT)

2Q24: Positive growth with highlights on AI

On 18th Jul, FPT has released the 2Q24 financial report. Here are some notable updates.

Signed revenue grew with 27 projects valued above USD5bn

- In 2Q24, FPT's revenue and PBT continued to climb up to VND15.2tn (+22.1% yoy) and VND2.6tn (+20.1% yoy) respectively (figure 1 & 4). For 6M24, FPT's revenue and PBT reached VND29.3tn (+21.4% yoy) and VND5.2tn (+19.8% yoy), completing 47%/48% of the year guidance.
- Technology continued to be the driver with revenue of VND9.6tn (+30.5% yoy) and PBT of VND1.3tn (+18.0% yoy) in 2Q24 (figure 2). In which:
 - o Global IT services's revenue surged to VND7.6tn (+30.8% yoy), which was driven by Japan (VND3.0tn; +36.9% yoy) and APAC (VND2.0tn; +30.9% yoy). Digital transformation (DX) revenue surged to VND3.7tn (+34.7% yoy), coming mainly from cloud computing, AI/data analytics, product engineering, etc.
 - o For 6M24, signed revenue rose again to VND18.6tn (+22.4% yoy) with 27 projects valued above USD5mn after seeing a slight decrease of 3.3% yoy in 3M24 (figure 3) because of FPT's acceleration in securing contracts in 4Q23. This would secure FPT's high growth in upcoming quarters.
 - o Domestic IT services's revenue rose to VND2.0tn (+29.6% yoy) thanks to cloud computing and AI for local enterprises.
- Telecommunication's revenue and PBT increased to VND4,232bn (+8.7% yoy) and VND933 (+18.1% yoy).
- Education's revenue and PBT rose to VND1.4tn (+14.2% yoy) and VND434bn (+31.9% yoy). In 2024, FPT University will enroll the first 1,000 students in Integrated Circuit (IC) Design and Semiconductor Research.
- Based on our research, Vietnam currently has 9 universities that offer training on this semiconductor-related field such as Hanoi University of Science and Technology (HUT); Vietnam National University, Ho Chi Minh City (VNU-HCM), etc.

12M rating **NON-RATED**

12M TP
Up/Downside

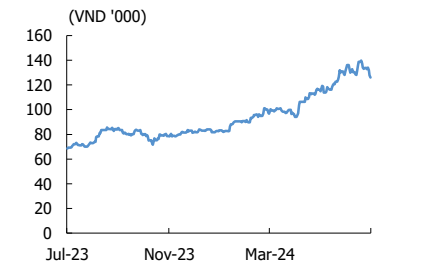
Stock Data

VNIndex (19 Jul, pt)	1,265
Stock price (19 Jul, VND)	126,000
Market cap (USD mn)	7,265
Shares outstanding (mn)	1,460
52-Week high/low (VND)	139,600/69,146
6M avg. daily turnover (USD mn)	21.48
Free float / Foreign ownership (%)	85.9/45.3
Major shareholders (%)	
Truong Gia Binh	6.08
Samsung Vietnam Investment Trust	4.38
Dragon Capital	4.38

Performance

	1M	6M	12M
Absolute (%)	(4.2)	51.5	87.9
Relative to VNIndex (%p)	(3.3)	43.4	77.9

Stock price trend



Source: Bloomberg

Research Department

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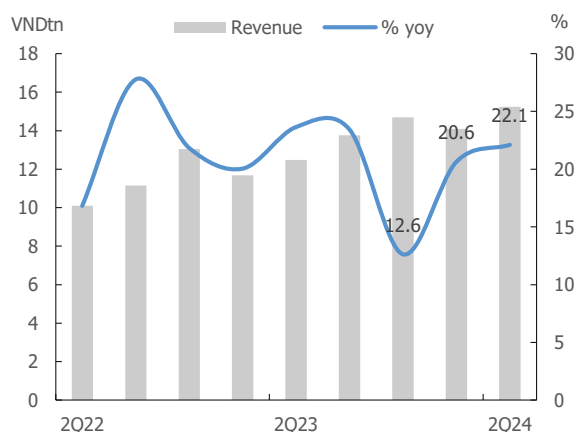
	2019A	2020A	2021A	2022A	2023A
Sales (VND bn)	23,259	27,792	29,922	35,671	44,023
chg. (% YoY)	19.5	7.7	19.2	23.4	19.5
Operating profit (VND bn)	4,610	5,191	6,228	7,589	9,112
Net profit (VND bn)	3,234	3,912	4,424	5,349	6,491
EPS (VND)	4,220	4,120	4,349	3,847	4,661
chg. (% YoY)	8.1	-2.4	5.6	-11.5	21.2
EBITDA (VND bn)	5,501	6,095	7,059	8,628	10,738
PE (x)	15.8	19.5	16.7	19.6	24.8
EV/EBITDA (x)	9.0	12.7	12.9	13.3	15.9
PB (x)	3.2	4.4	4.0	5.0	6.4
ROE (%)	23.7	23.8	25.8	27.2	28.1
Dividend yield (%)	3.0	2.3	2.5	0.0	1.6

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

AI / Data Centers: Ambition comes with action

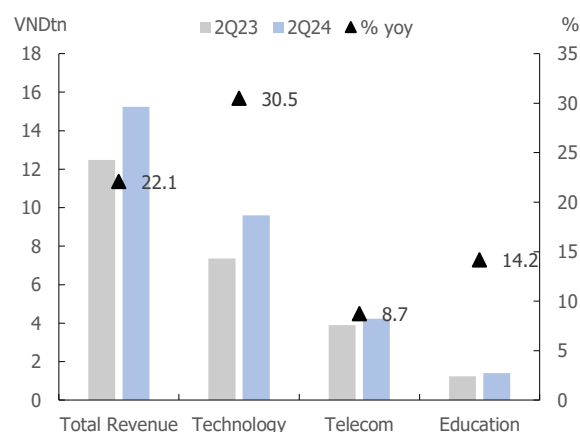
- On 9th May 24, FPT received the first DGX H100 AI system from NVIDIA after the MoU to build USD200mn AI factory on 23rd Apr 24. Per FPT, the remaining DGX H100 series will continue to be brought to Vietnam in the near future.
- On 4th Jun 24, FPT Telecom International (a subsidiary of FPT Telecom – FOX: Upcom) and 5 regional telecom & data center giants¹ announced to establish AseanConnect.One – a regional alliance aiming to create one destination for all demand. We think that this could allow FPT to access to a larger customer base, especially in the AI field.
- According to Jones Lang LaSalle (NYSE: JLL), the capacity of data centers in Viet Nam only reached 143 MW as of 2023, which is much lower compared to other APAC countries such as India (6,283 MW) and Japan (4,000MW) – this implies that there is still a lot of room to growth.
- FPT currently has 2 data centers in the construction phase, which are located in Thu Duc (3,600 racks² – the largest in Vietnam) and Da Nang. The two data centers could raise the total capacity to about 8,200 racks, being expected to be completed in 2H24 – 1H25 (figure 6).

Figure 1. Revenue continued to climb up in 2Q24.



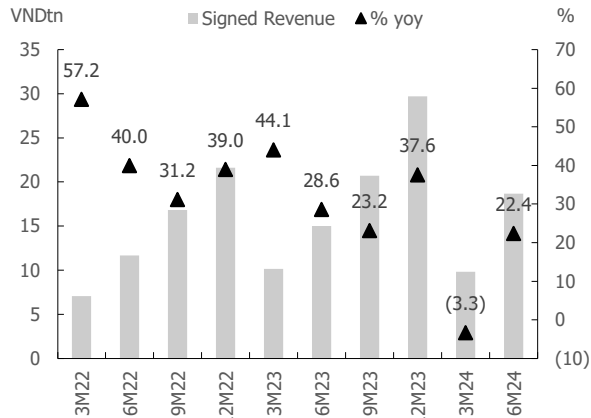
Source: Company Data, KISVN

Figure 2. Technology continued to be the sales driver in 2Q24



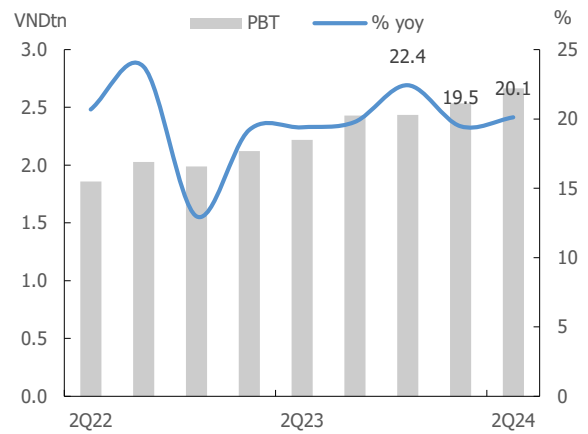
Source: Company Data, KISVN

Figure 3. Signed revenue grew in 2Q24 after declining in 1Q24 with 27 projects above USD5mn



Source: Company Data, KISVN

Figure 4. PBT continued to rise in 2Q24.



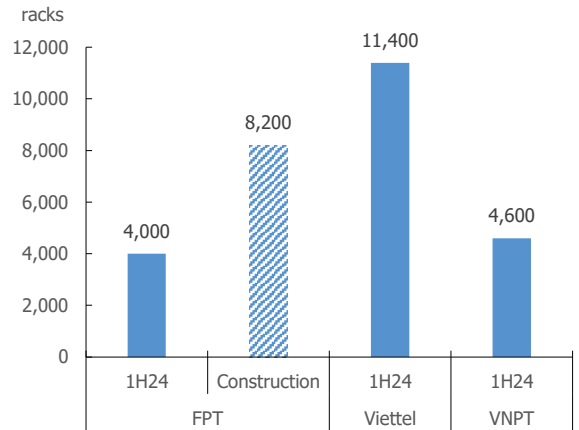
Source: Company Data, KISVN

Figure 5. AseanConnect.One could allow FPT to access to a larger regional customer base



Source: FPT Telecom's website, KISVN

Figure 6. FPT could double the capacity when the 2 data centers are put into operation



Source: Company Data, KISVN

¹ AseanConnect.One members: FPT Telecom International (Vietnam); APT Satellite (Hong Kong); Interlink Telecom Public (Thailand); Neocom ISP (Cambodia); NTC Asia (Hong Kong); SEAX Global (Singapore) and Telin (Indonesia).

² A data center rack is used to store servers, networking devices, cables and other equipment. In Vietnam, a small data center has about 500 racks, while a mid-size has 1,000 – 2,000 racks. A big data center could have more than 5,000 racks (international practice).

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