

FPT CORP – 9M2016 PERFORMANCE

EARNINGS CONTINUED TO IMPROVE THANKS TO LARGE DOMESTIC CONTRACTS

In 9M2016, FPT recorded consolidated revenue of VND 28,468 billion, equal to 93% of the YTD target. Profit before tax came as VND 2,012 billion, equal to 104% of the YTD target. Profit after tax was VND 1,744 billion in 9M2016, equal to 107% of the YTD target. PAT attributed to parent company's shareholders was VND 1,330 billion in 9M2016, achieving 104% of the YTD target. EPS was VND 2,900 and achieving 104% of the YTD target.

Year-over-year growth rates of both top line and bottom line indicators continued to improve in 9M2016 as compared to prior months thanks to revenue booking from a number of large system integration contracts in September, most notably the contract to “Provide IT equipment and data center for the project of installing the Electronic toll collection and Weight control system on No. 1 National Road that passed Central highland of Vietnam”, which amounted to VND 265 billion in September, among others.

Overseas markets continued to grow healthily. In 9M2016, revenue from overseas markets was VND 4,169 billion, up 27% YoY. Profit before tax from overseas markets was VND 604 billion in the same period, up 33% YoY.

Summary of YTD financial performance

Unit: VND in billions

Items	9M2015	9M2016	YoY change	vs. YTD guidance
Net revenue	29,257	28,468	-3%	93%
Profit before tax (PBT)	1,969	2,012	2%	104%
Profit after tax (PAT)	1,657	1,744	5%	107%
PAT attributed to parent company's shareholders	1,270	1,330	5%	104%
Basic EPS (VND)	2,786	2,900	4%	104%

Table 1 - Summary of financial performance in 9M2016

YTD segment reporting

Unit: VND in billions

Segments	REVENUE				PROFIT BEFORE TAX			
	9M2015	9M2016	YoY change	% YTD guidance	9M2015	9M2016	YoY change	% YTD guidance
Software development	3,523	4,210	20%	98%	451	482	7%	87%
<i>Software outsourcing</i>	2,901	3,666	26%	100%	448	556	24%	98%
<i>Software solutions</i>	622	544	-13%	87%	3	(74)	N/A	N/A
System integration	1,606	1,838	14%	124%	63	135	115%	N/A
IT services	609	593	-3%	96%	86	32	-62%	49%
Subtotal Technology	5,737	6,641	16%	104%	600	649	8%	107%
Telecom services	3,706	4,578	24%	103%	694	676	-3%	110%
Online advertising	269	343	27%	107%	121	177	46%	133%
Subtotal Telecom	3,975	4,922	24%	103%	815	853	5%	114%
Distribution and manufacturing of IT products and mobile handsets	13,500	8,965	-34%	75%	391	240	-39%	64%
Retail	5,589	7,368	32%	104%	109	157	44%	102%
Subtotal Distribution & Retail	19,089	16,333	-14%	86%	500	397	-21%	76%
Education & investments	455	572	26%	N/A	53	113	112%	N/A
Total	29,257	28,468	-3%	93%	1,969	2,012	2%	104%

Table 2 - Financial performance by segments in 9M2016

Note: Subtotals may not add up due to rounding

TECHNOLOGY SECTOR

The Technology sector recorded revenue of VND 6,641 billion in 9M2016, up 16% YoY, achieving 104% of the YTD target. Profit before tax (PBT) was VND 649 billion, up 8% versus prior year period (8M2016: up 0% YoY), and equal to 107% of the YTD. Such continuous improvement in terms of year-to-date earnings growth was attributed to revenue recognition of large system integration contracts in August and September.

Software development

Software development comprises of **software outsourcing** sub-segment, which mostly serves customers in *developed markets* including Japan, the US, Europe and Asia Pacific (APAC), and **software solutions** sub-segment, of which most of the revenue is derived from the domestic market with increasing contribution from *developing markets* such as Laos, Cambodia, Myanmar, and especially South Asian countries including Bangladesh.

Overseas markets have played a key role in delivering growth for the software development in the first nine months. In 9M2016, **software development**'s revenue was VND 4,210 billion, up 20% YoY in which **software outsourcing**'s revenue was VND 3,666 billion, up 26% YoY. On top of that, **software solution** revenue was VND 544 billion, down 13% YoY (8M2016: up 1% YoY), and equal to 87% of the YTD target.

In terms of earnings, the Software development segment recorded a modest growth of 7% versus prior year period, in which high growth of the **software outsourcing** business (up 24% YoY, to VND 556 billion) was offset by a year-to-date loss of VND 74 billion of the **software solutions** segment as lower YTD revenue has not been able to cover the overheads incurred to-date.

System integration and IT services

The (hardware) system integration segment has maintained the turn-around since August by recording another VND 524 billion in revenue in September, as compared to an average of VND 164 billion in revenue per month in the first eight months. This was mostly thanks to a notably large contract of providing the IT and datacenter system for the Electronic toll collection and weight control system project, amounting to VND 265 billion, which has been finished earlier than plan in September. As a result, the segment recorded an accumulated revenue of VND 1,838 billion in nine months, up 14%, and profit before tax of VND 135 billion in the same period, up 115% YoY.

The IT services segment recorded revenue of VND 593 billion, down 3% YoY, while PBT was VND 32 billion, down 62% YoY.

Total value of contract signed in 9M2016 was VND 3,055 billion, up 13% against the prior year period. Backlog balance for the three segments including system integration, software solutions and IT services ended up being VND 2,647 billion by the end of September, flat versus last year.

TELECOM SECTOR

The Telecom sector reported 9M2016 revenue of VND 4,922 billion, up 24% YoY, and profit before tax of VND 853 billion, up 5% versus the prior year period. Revenue and PBT of the Telecom sector exceeded the YTD target by 3% and 14%, respectively.

Telecom services

Remaining the key growth driver of the Telecom sector's revenue and profits, the Telecom services segment recorded VND 4,578 billion in revenue, growing by 24% YoY, equal to 103% of the YTD target. The YTD PBT has showed improvement with PBT of VND 676 billion in the nine-month period, down 2.6% YoY (8M2016: down 5.5% YoY). This has been expected by the management, and explained to investors in our monthly investor newsletters during the first half of 2016. YTD earnings achieved 110% of the YTD target.

In more details, revenue from providing *broadband services* to individuals and households recorded a healthy growth of 17% YoY to VND 3,171 billion in 9M2016, led by 23% subscriber growth.

Other non-broadband telecom services, including leased line, voice, data center and IPTV services have also performed well and recorded 40% top-line growth on a year-over-year basis, to VND 1,408 billion in the same period, exceeding by 7% in terms of revenue target.

Online advertising

Revenue of *digital content* segment, which include only *online advertising* from 2016 (as compared to prior years, when revenue from online game and related services, i.e. payment gateway, was included). The segment recorded revenue of VND 343 billion in 9M2016, up 27% YoY, and PBT of VND 177 billion in 9M2016, increasing impressively by 46% YoY and exceeded the YTD target by 33%. Excluding the irregular financial gain from selling stake owned by FPT Online in a member company to a strategic investor, as explained in our previous monthly newsletters, the YTD earnings also delivered an impressive 37% YoY growth.

DISTRIBUTION AND RETAIL SECTOR

Revenue from distribution and retail sector was VND 16,333 billion in 9M2016, down 14% YoY, and profit before tax of VND 397 billion, down 21% YoY.

Distribution of IT products and mobile handsets

The distribution business recorded revenue of VND 8,965 billion, and PBT of VND 240 billion in 9M2016, both were still lower than the management expectation for the year to date and lower than prior year period. However, the segment booked the VND 1,137 billion in revenue in September, which was 16% higher than average monthly revenue of VND 978 billion/month in the first eight months, showing improvement. However, stock clearance of some product lines has negatively affected earnings.

Retail business

Technology product retail business has maintained impressive growth with even higher earnings growth year-to-date. Ending the first nine months, retail revenue was VND 7,368 billion, up 32% YoY, and profit before tax was VND 157 billion, up 44% YoY, showing margin expansion. Besides, both revenue and profits were slightly higher than the YTD target. FPT Retail was operating more than 350 stores by the end of September. Online sales continued to be a key growth driver by delivering impressively 97% YoY growth in the first nine months, accounting for 11.2% of retail sales during the same period, versus plan of 7.4%.

In October, FPT Retail and Vinamilk gave the first two stores a trial run in Ho Chi Minh City. The cooperation will take advantage of FPT Retail capacity in operation, retail chain management, while increasing the efficiency of premise use and regular customers as such specialized stores of Vinamilk's products will use part of FPT Retail's existing stores rather than opening new ones. [Read more](#)

SUMMARY OF NOTABLE EVENTS



“GLOBALIZATION” STRATEGY UPDATE

- ❖ **Opens an office in Fukuoka to welcome the new opportunities from the western region of Japan.** This is the 4th office of FPT in Japan following ones in Tokyo, Osaka and Nagoya. Besides the four offices, FPT Japan also opened two dormitories with nearly 200 rooms for employees travelled from Vietnam. [Read more](#)
- ❖ **Uses Pepper robot as the receptionist of FPT Japan's head office.** Bought by FPT Japan from Softbank Company, Pepper is the NAO's new life robot and uses image recognition

technology – a recognition API developed by FPT’s technology experts. When going to the company, customers can interact with built-in display and select options to get assistance from Pepper. [Read more](#)

- ❖ **Wins the USD 8.8 million project to "Provide and implement ERP/EAM" for Electricity Generation Company of Bangladesh Limited (EGCB).** After two years in Bangladesh market, FPT IS has won four big contracts with a total value of nearly USD 60 million, equivalent to VND 1,350 billion. [Read more](#)



PROJECTS

- ❖ **Kicks off Distribution Management System project for Uniben.** This is a very important project of Uniben and is one important component of Uniben’s outstanding business management system. The project affects 148 partners and over 1,000 employees of Uniben in 63 provinces and cities. [Read more](#)
- ❖ **First hospital to run Electronic Medical Records system by FPT IS.** The electronic medical records system, a part of FPT.eHospital is deployed for Women's and Children's Hospital of Quang Ninh Province from July 1, 2016. This is the first e-health project FPT IS has been deployed in Quang Ninh and one of the key projects of the province towards a paperless hospital. [Read more](#)
- ❖ **Deploys ERP project for Seven System Vietnam (SSV), a member company of Seven - Eleven - a world's leading retail group.** It is expected that the project will be implemented within four months, and will be put into operation in January 2017. To win this contract, FPT IS beat nearly 10 giants in the ERP sector from countries such as Japan, USA and Singapore. [Read more](#)
- ❖ **Deploys the comprehensive management system FPT.eHospital for Tam Duc Heart Hospital.** This is the first private hospital to put FPT.eHospital into application. FPT.eHospital is being deployed in nearly 100 hospitals and medical centers all over the country. [Read more](#)



AWARDS

- ❖ **FPT Brand increases by nearly VND 1,400 billion after one year.** According to the list of 50 most Vietnam valuable brands released by the UK-based Brand Finance, FPT stands at USD 302 million, an increase of USD 63 million, equivalent to VND 1,400 billion compare to last year. [Read more](#)
- ❖ **Wins Vietnam HR awards in two categories for the second year in a row.** At Vietnam HR Awards 2016 ceremony, FPT won in two categories including Best working environment and Training & Human Capital Development. For the second consecutive year, FPT has won Vietnam HR awards in two categories. [Read more](#)
- ❖ **Ranks among 5 most desirable technology firms.** In the ranking for all the sectors of JobStreet.com Vietnam, FPT is one of 10 most desirable employers. The positions, respectively, are occupied by Unilever, Vinamilk, Vingroup, Samsung, FPT, Viettel, Intel, Nestlé, Procter & Gamble and PepsiCo. In retail sector, FPT ranked at No. 2 in the Top 5 most desirable Retail companies, over Viettel, Mobile World and AEON. [Read more](#)



RETAIL

- ❖ **Signs a cooperation agreement with the Vietnam General Confederation of Labor on welfare program for unionists and workers.** Accordingly, FPT Retail (a member company FPT) will offer workers technology products (laptop, tablet, cell phones, copyrighted software and other products) at zero interest up to 6-month installments. Besides, those with Union membership cards will enjoy a discount of 5% when *paying* in full to all products at FPT Shop. [Read more](#)
- ❖ **Signs a cooperation agreement to open chain stores specializing in Vinamilk products.** In October, FPT Retail and Vinamilk gave the first two stores a trial run in HCMC, which will specialize in selling Vinamilk's products. The cooperation will take advantage of FPT Retail capacity in operation, retail chain management, while increasing the efficiency of premise use and regular customers as such specialized stores of Vinamilk's products will use part of FPT Retail's existing stores rather than opening new ones. [Read more](#)



EDUCATION

- ❖ **FPT University comes third at online round of Northern region ACM/ICPC** with solving 8 out of 11 problems in the shortest time possible, getting 647 points. ACM / ICPC is the international scale programming contest, annually gathering outstanding student teams worldwide to compete in the programming contents. [Read more](#)
- ❖ **Signs the memorandum of understanding with Herzing University (USA).** Accordingly, the two sides will implement MBA courses with more affordable cost. It is equal to 50% of the fee of courses in the US. This training program is designed for students who are busy and want to save time. [Read more](#)



SUPPORTING THE START-UP COMMUNITY

- ❖ **Invests and establishes programmatic advertising company.** Acting on the field of Intelligent Programmatic Online Advertising - FPT AdTrue is the latest business project, which is based on a modern technology platform invested by FPT. This is a potential field, with the global turnover of around 36 billion dollars in 2016. Vietnam market makes up about 45 million dollars. [Read more](#)
- ❖ **Launches the website and seeks technology startups in the Southeast Asia** <http://www.viisa.vn>. VIISA is currently active with four major shareholders including FPT, Dragon Capital Group, Hanwha Group (Korea) and BIDV Securities JSC (BSC). FPT will provide expertise in technology solutions. Dragon Capital will support in investment and finance expertise. Hanwha will help to provide a platform for global expansion, especially in Korea market. BSC will add their expertise in financial management services. [Read more](#)

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