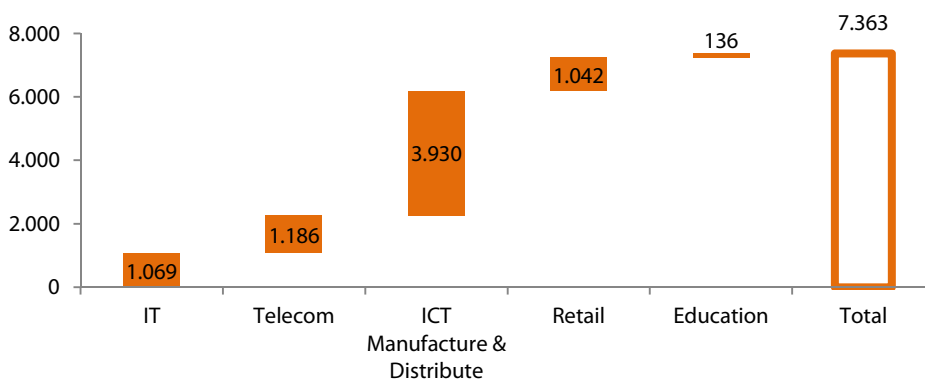


FPT GROUP (FPT – HNX)

Leaping revenue

FPT's total PBT flattened as profits margin of most segments lessened, while revenue added 26% yoy in 1Q2014. Total revenue reached VND10,867 bn in 1Q2014, up by a quarter from a year ago. Telecom and ICT distribution are the two business lines with the highest growth, i.e. 21% and 42% yoy respectively. Revenue from the commercial arm was VND7,363 bn, up by 30% yoy and fulfilling 23% of the year's target.

Graph 01. Three-month revenue of business segments (VND bil)



Source: FPT, Rongviet Securities database

In contrast to the optimistic sales growth, PBT was posted at VND581.6 bn, up only 1% yoy. Such modest growth was justified by the decline of profit margins in the majority of business segments for the following reasons:

- (1) Staff relocation cost incurred as the Company moved a number of employees to Hoa Lac High Tech Park (HTP). According to FPT's interpretation, this 40-billion-dong one-time item is exclusive only the fiscal year 2014 and will be recognized in the first half of the year.
- (2) Booked fixed cost from the software solutions business was not accompanied by revenue recognition of. Under its globalization strategy FPT joined in international bidding in the first quarter. This incurred higher expenses but still it needs some more time to show the efficiency.
- (3) The aggregate profit margin of online services shrank dramatically to 6.1% from 15.2% of 1Q2013 as a result of the gloomy online game market.

Particulars (VND bn)	1QFY14	4QFY13	% Chg. (qoq)	1QFY13	% Chg. (yoy)
Net revenue	10,867	11,283	-3.7%	8,611	26.2%
NPAT	362	474	-23.7%	358	0.9%
EBIT	617	752	-17.9%	610	1.2%
EBIT margin	5.7%	6.7%	-99bps	7.1%	-141bps

Source: FPT Financial statement, RongViet Securities' compilation and estimates

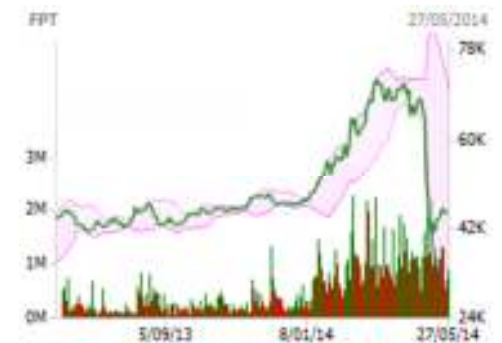
ACCOMULATE

CMP (VND)	45,600
Target Price (VND)	51,600

Investment Period Intermediate-term

Stock Info

Sector	Technology
Market Cap (VND bn)	9,499
Beta	213,944,561
Free float (%)	1.3
52 weeks High	77.4
52 weeks Low	56,500
Avg. Daily Volume (in 20 sessions)	29,800



Performance (%)

	3M	1Y	3Y
FPT	-0.7	49.0	58.6
Technology	-0.1	25.3	N/A
VN30 Index	-7.6	5.6	N/A
VNIndex	-5.9	9.2	24.2

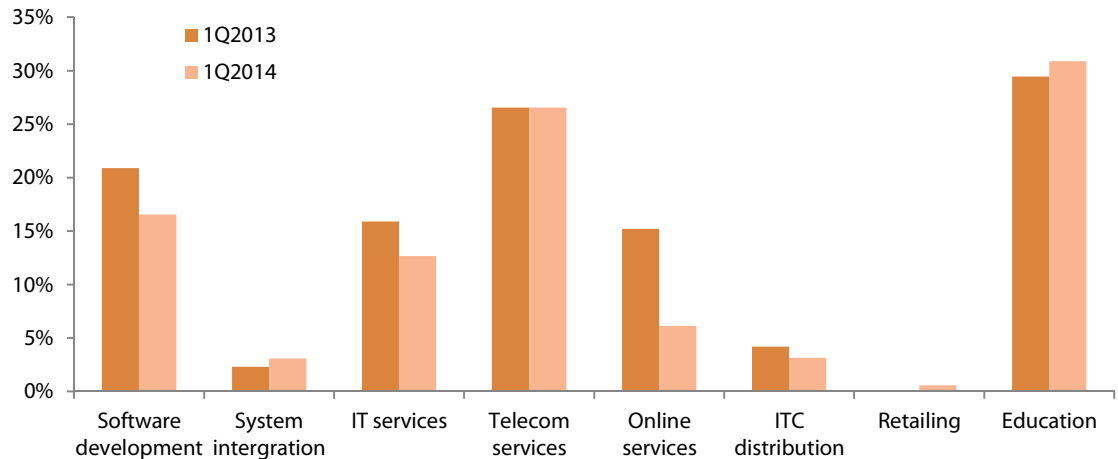
Shareholders pattern (%)

Truong Gia Binh	7.1
State capital investment Co, Ltd (SCIC)	6.1
Red River Holding	5.7
Bui Quang Ngoc	3.7
Foreigner Investor Room (%)	0.0

Lam Nguyen

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Graph 02. PBT margin in 1Q of FPT's business segments (%)



Source: FTP, Rongviet Securities database

The retail arm started to make profit thanks to increased operating efficiency of the FPTShop chain. 10 more FPTshops were added to the system in the first four month of 2014, increasing the total shop number of 110 by the end of April. From discussions with FPT's representatives, we know that the average per-shop sale revenue is so far in 2014 is about VND3.3 bn a month, up by 10% from the average of 2013. Most of the shops ran efficiently and started to make profit shortly after the opening. Therefore, retail segment post PBT of VND8 bn in 1Q2014 as compared with of loss in the same period in 2013.

Since 2013, FPT has expanded its ITC distribution business to cover both the low and high end of the market whereas it has become a distributor for Apple's products and the pursuit of the establishment of FPTshop chain has added significantly to the Corp's revenue surge.

2014's sales growth is expected to outperform 2013's. In light of bright sales results in 1Q2014, we are optimistic with regard to FPT's revenue outlook in 2014. Putting on top of that forecasts of rapid growth for telecom and ITC distribution and retail (FPT two key revenue drivers), we expect FPT's sales to expand 20% yoy and to VND32,433.5 bn in 2014. Nonetheless, PBT is estimated roughly the same as the year guidance at around VND2,763.3 bn.

Starting to exploit the cableTV service. Regarding to the cableTV service, we know that FPT has begun trial broadcasts in Binh Duong and some suburban districts of HCMC. The Company plans to offer the service commercially in several provinces since 3Q2014. At the present, the market share of established service providers like VTVC, SCTBV... is quite large, which urges us to think that price competition aiming at market share expansion is unfeasible. Also, we see FPT's purpose in entering this business is more about service implementation experience and understanding of about custom demand than market share gain, at least for the early stages.

Cash dividend at 15% of face value per share and stock dividend at 25% expected in May 2014. After the payment of stock dividends, FPT's chartered capital will increase to VND3,440 bn, driving 2014 forward EPS down to VND5,159. At the closing price on May 15th of VND41,500/share this means a forward PE multiple of 8x.

Outlook:

The ITC distribution and retail segments have shown a bright revenue result. Besides, vast growth prospect for the information technology arm, FPT's unwavering market leader position and its

globalization strategy altogether shows that the Corporation is just halfway into the growing phase. Nonetheless, our forecast for 2014 profit is rather conservative under the fact that most of FPT's expansion plans are still in the early stages and it will take quite some more time before the Corp can pick the fruits.

With forecast FPT's 2014 PBT at VND2,763 bn and NPAT about VND1,775 bn or VND5,159 per share. Taking reference from average PE ratios of regional companies operating in the same industry as FPT with comparable market capitalization, which is about 10x, our estimate for the fair price for FPT's stock is VND51,591 per share. Still, FPT is one of leading technology companies preferred by both foreign investors and investment funds. Information related to foreigner room expansion as well as the inception of open-ended funds in Vietnam can be catalysts that may push FPT's price higher our estimated value.

Exhibit 01: Key financials

Y/E Sep (VND bn)	FY2011	FY2012	FY2013E	FY2014F
Net sales	25,370	24,594	27,028	32,433
% chg	26.7	-3.1	9.9	20.0
Net profit	1,682	1,540	1,608	1,775
% chg	33.0	-8.4	4.4	10.4
Net margin (%)	6.6	6.3	5.9	5.5
EPS (VND) (**)	4,920	4,503	4,684	5,159
Book value (VND)	25,538	22,564	26,184	26,109
Dividend (VND)	2,000	2,000	3,000	2,000
P/E (x)*	9.2	10.0	9.6	8.8
P/BV (x)*	1.8	2.0	1.7	1.7
ROA (%)	9.2	8.4	8.2	8.1
ROE (%)	21.9	19.4	18.4	17.8

Source: Source: NTP Financial statement, RongViet Securities' compilation and estimates, *As of 26/05/2014

(**) EPS adjusted to dividend

BRIEF UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings / Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to 10%	-15% to -5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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RongViet Securities Corporation (RongViet) was established in 2007, licensed to perform the complete range of securities services including: brokerage, financial investment, underwriting, financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders, also our strategic partners, are reputable institutions, i.e Eximbank, Satra, Viet Dragon Fund Management, etc... Along with a team of the professional and dynamic staffs, RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially, RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews

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