INFORMATION TECHNOLOGY (IT)

SUITAINABLE GROWTH IN THE LONG TERM

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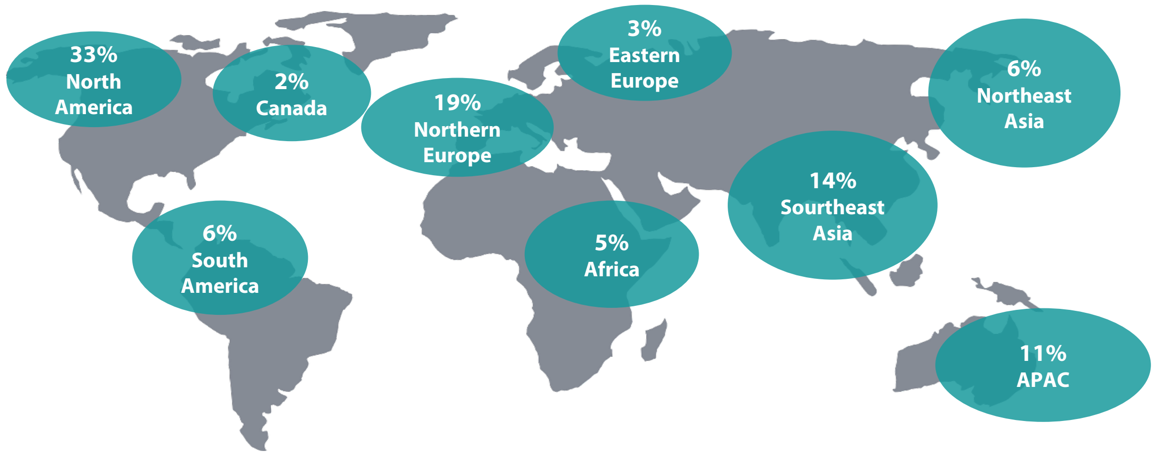
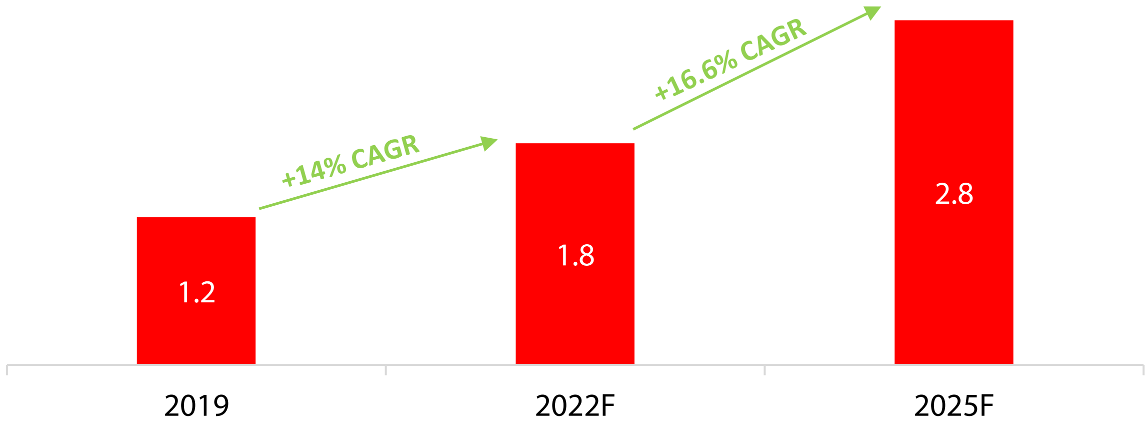
Figure 1: Global IT industry spending share by region



Source: IDC, Rong Viet Secutities

Figure 2: Digital Transformation spending (USD trillion)



Source: IDC, Rong Viet Securities

Spending on digital transformation will continue to grow strongly from 2022 to 2025

According to the forecast of IDC – A provider of market data on IT:

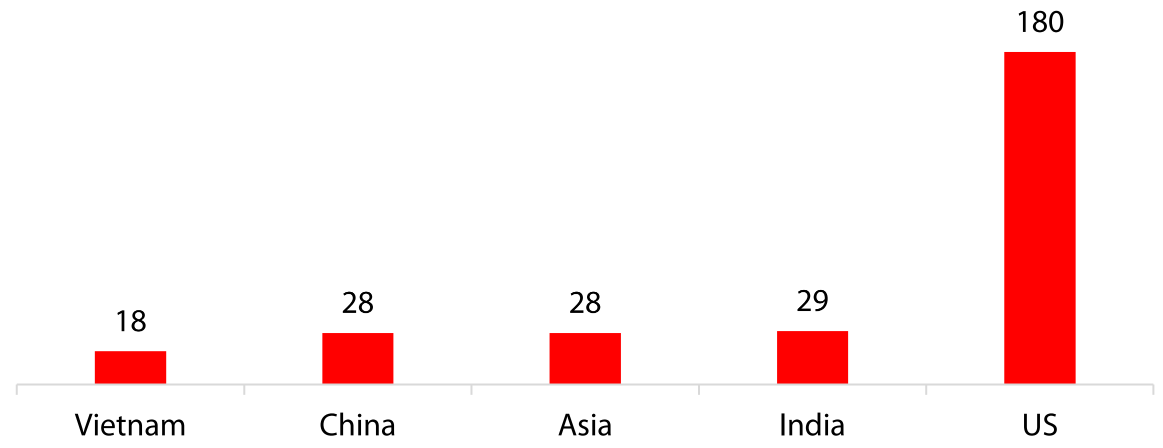
- The technology industry is on track to surpass USD 5,300 billion by 2022, with an average annual growth rate of 5% - 6%. In which, the US is the world's largest technology market, accounting for 33% of total spending, equivalent to about USD 1.8 trillion for 2022.
- Digital Transformation is forecast to grow 17.6% this year to reach USD1.8 trillion and continue to grow sustainably at 16.6% CAGR over the next three years.

Vietnamese software outsourcing companies have been stepping into the most potential markets

- FPT started in international markets such as Japan, US, EU, APC with software outsourcing services and now has gradually moved into the field of digital transformation combined with consulting.
- CMG currently has customers in the Asia-Pacific region, the EU region and will officially enter the potential US market in 2022.

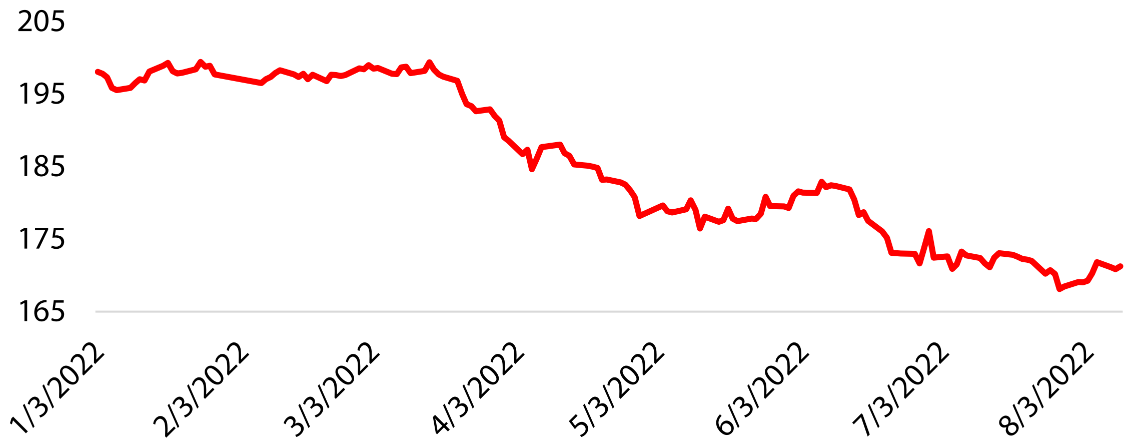
VIETNAM ENTERPRISES HAVE DEFINITE ADVANTAGES AND RISKS WHEN GOING GLOBAL

Figure 3: Hourly software development cost (USD)



Source: HSBC, Rong Viet Securities

Figure 4: Exchange rate of JPY/VND



Source: Bloomberg, Rong Viet Securities

Cheap labor costs and reasonable business orientation increase the competitiveness of Vietnamese enterprises

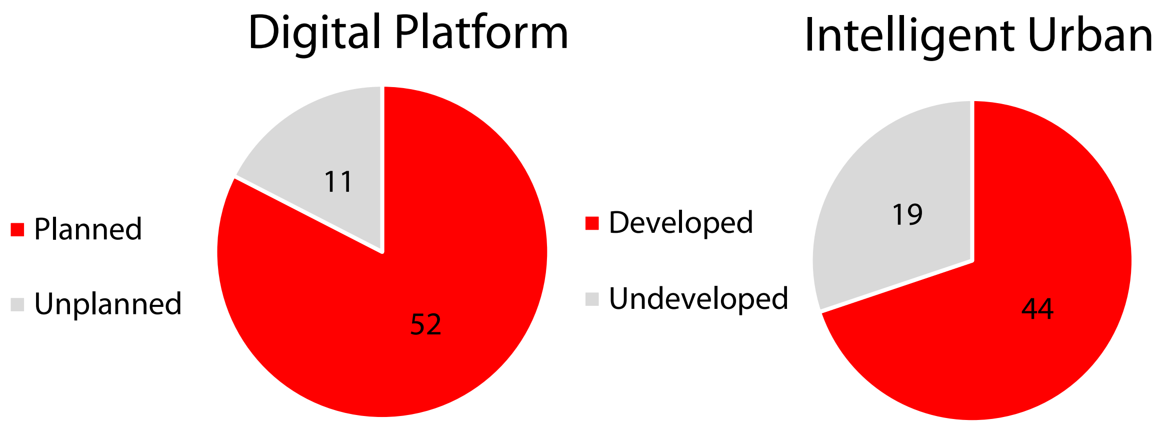
- Vietnam is selected as the ideal destination for international customers when the hourly software development cost of engineers is only 64% and 10% when compared with Asian countries and the US, respectively.
- The strategy of accompanying big consulting firms in the world helps FPT and CMG make remarkable progress when entering the world.

Fluctuations from the world economy have negative impacts

- Japan is a big market for many Vietnamese outsourcing enterprises. Since the beginning of the year, the JPY/VND exchange rate has decreased by 13% YTD, negatively impacting revenue transfer to Vietnam.
- Inflation in the US has increased rapidly since February 2022, the CPI reached a record of 9.1% in June 2022. We are concerned that inflation will affect IT spending in the US market. However, a stronger USD can offset this effect.

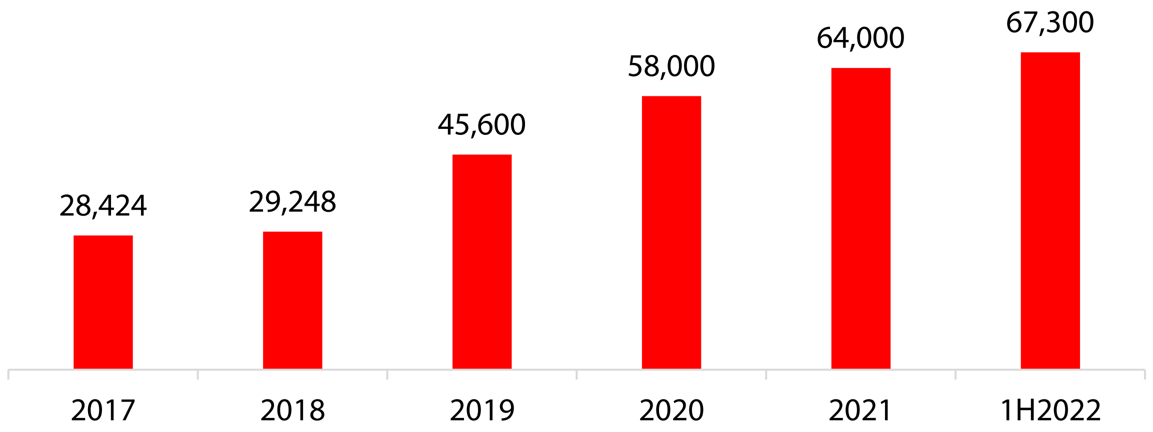
VIETNAM IS IN THE EARLY STAGE OF DIGITAL TRANSFORMATION

Figure 5: Number of local number of digital transformation 1H2022



Source: Ministry of information and communication, Rong Viet Securities

Figure 6: Number of digital transformation enterprises 1H2022



Source: Ministry of information and communication, Rong Viet Securities

The trend of digital transformation spreads across the public and private sectors

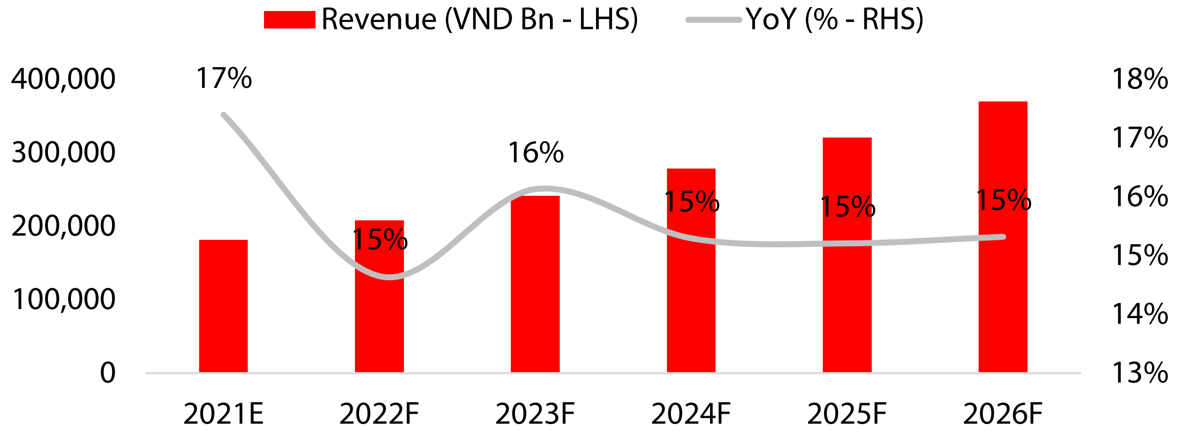
- By the end of the second half of 2022, 52/63 localities have announced the selection of digital platforms to deploy in 2022. The Government's mandate is that 63/63 localities must have at least one digital platform in 2022.
- Currently, 44/63 localities have deployed provincial intelligent monitoring and control centers.
- The goal is that by the end of the year, Vietnam will have 70,000 digital transformation businesses, growing by 9% YoY. The cumulative number of businesses participating in digital transformation in Vietnam in 1H2022 reached 67,300 enterprises, an increase of 3,300 compared to the beginning of the year and completing 55% of the year plan.

According to the Ministry of Planning and Investment in March 2022, the total amount of public investment capital under the state budget for the technology sector in the period of 2021 - 2025 is about VND 10,157 billion (accounting for 0.35% of total investment capital), of which 8,312 billion dong for the central government and 1,845 billion dong for the local.

There are many limitations in the local digital transformation process

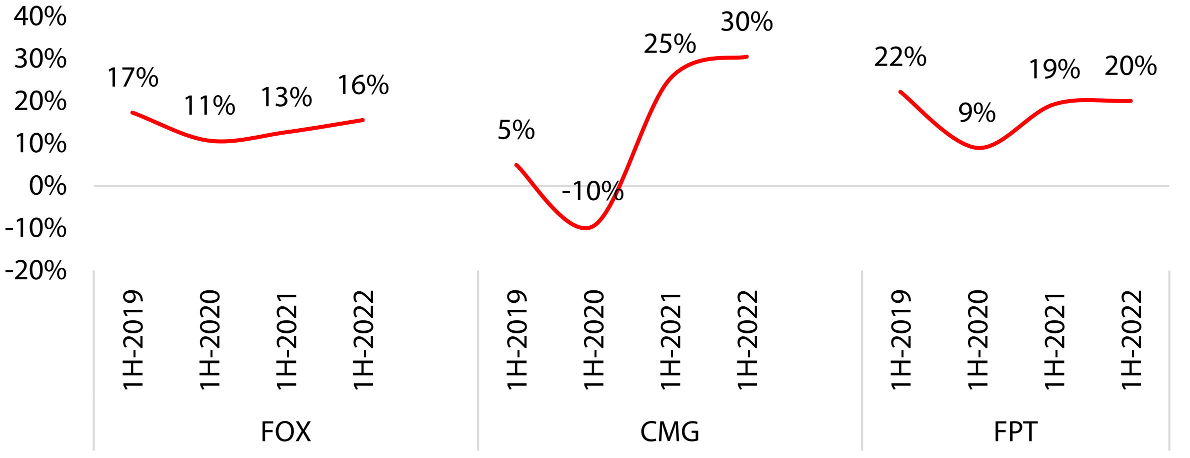
- The local digital transformation platform stops at a basic level.
- The implementation of digital transformation across the country is uneven, lacks a consistent structure, and the disbursement speed is still slow.

Figure 7: Estimated IT revenue



Source: BMI, Rong Viet Securities

Figure 8: Revenue growth of typical companies YoY (%)



Source: FOX, CMG, FPT, Rong Viet Securities

The information technology sector is forecast to maintain double-digit growth in the long term

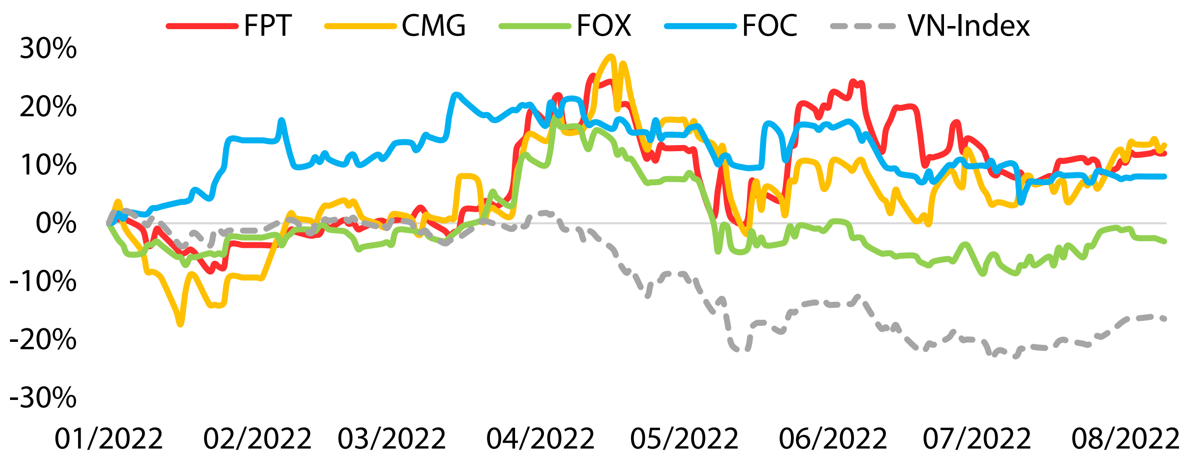
Fitch Solutions forecasts that the Vietnamese IT market size will reach VND 208 trillion in 2022 and VND 370 trillion in 2026, equivalent to CAGR of 15%. Growth drivers come from:

- High demand for multi-sector digital transformation in the public and private sectors to keep pace with the world's development.
- Digital transformation is considered as a solution to improve efficiency and optimize work processes, thereby boosting Vietnam's economy to an expected GDP growth rate of 6.5% - equivalent to developing countries.

In the post-COVID-19 period, IT businesses

- Leading technology companies such as FOX, CMG, and FPT recorded 1H2022 revenue of VND 7,077 billion (+16% YoY), VND 3,485 billion (+30% YoY) and VND 19,480 billion (+20% YoY), respectively.
- The growth rate of these companies continues to remain high in the first half of 2022, which is quite similar to the forecast of Fitch Solutions.

Figure 9: Technology's stock prices performance (%)



Source: Bloomberg, Rong Viet Securities

The price movement of technology stocks tends to be similar to the VNINDEX index and is somewhat more positive when it does not drop too strongly during the market correction period.

- FPT increased strongly in the period of May 2022 thanks to the cash flow of ETF VN Diamond which improved its performance better than other stocks in the same industry and VNINDEX.
- After a sideways period in Q2/2022, CMG announced positive Q1-2022 results (reporting period March 1 - June 30) thanks to growth in international business and the recovery of the general market. help stock price rise again.

Figure 10: FPT P/E

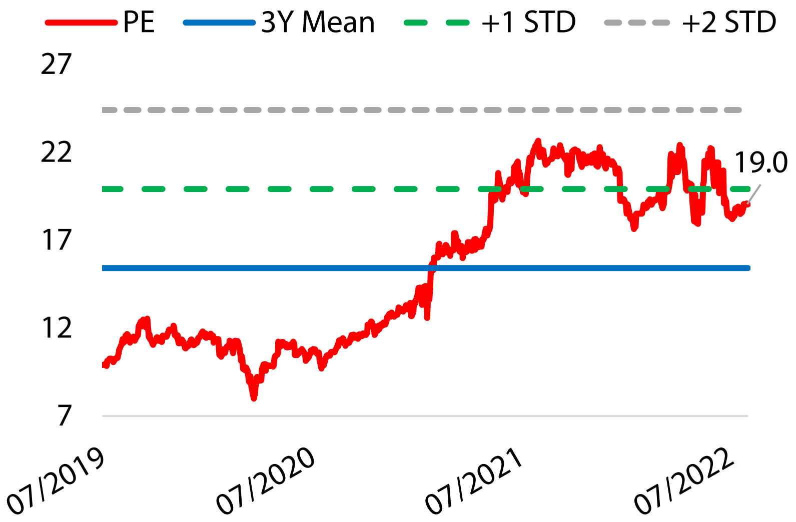


Figure 11: CMG P/E

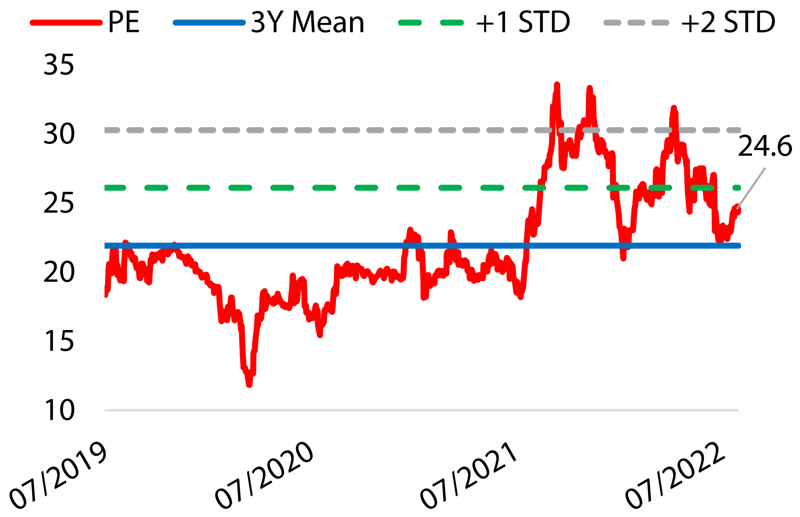
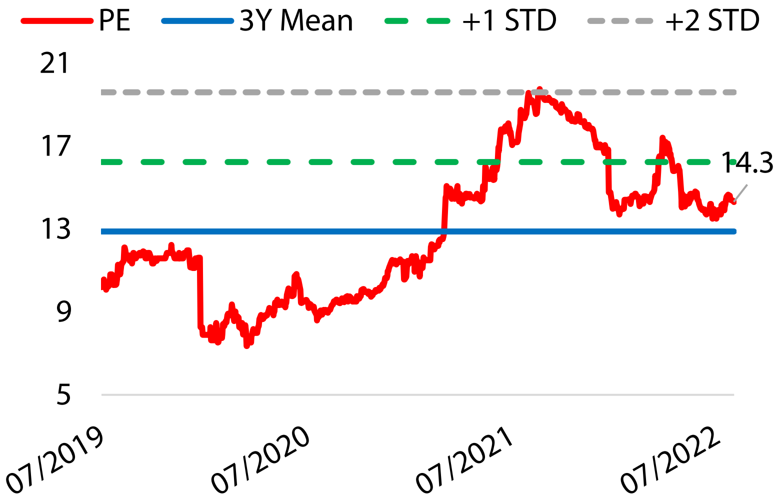


Figure 12: FOX P/E



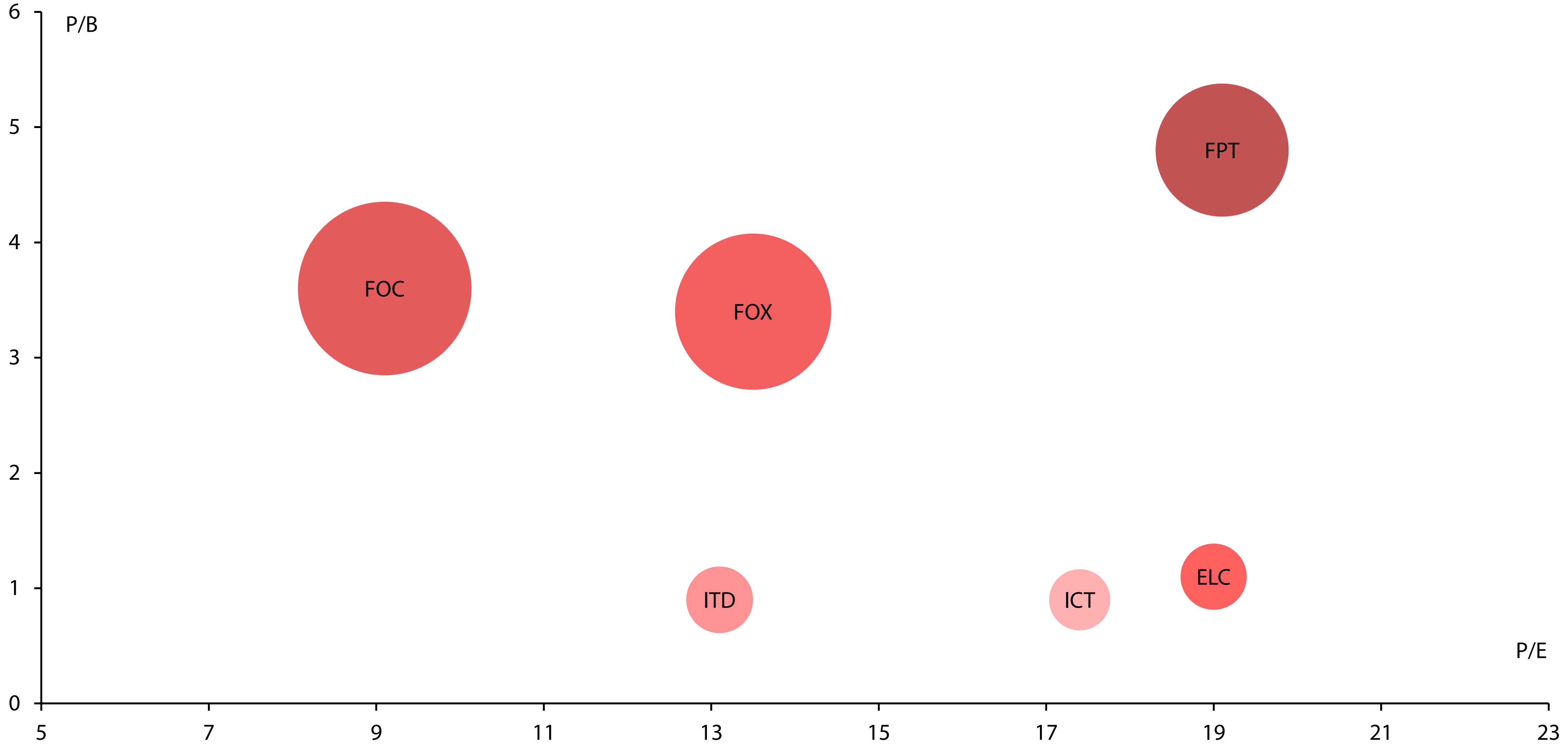
Source: Bloomberg, Rong Viet Securities

INDUSTRY COMPARABLE (TTM)

Ticker	Market cap (VND bn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
FPT	94,344	110,300	16.83	302.93	19.32	17.66	25.08	15.37	9.20	22.32	1.16	19.09	4.82
CMG	6,747	N/A	31.39	440.70	9.55	6.44	81.23	5.18	4.60	10.50	0.00	24.37	2.96
FOC	2,210	N/A	26.52	268.75	42.28	44.90	17.21	35.83	27.88	37.97	6.67	9.09	3.57
FOX	23,277	N/A	12.64	306.96	25.85	19.45	21.02	15.54	9.61	30.72	1.41	13.49	3.43
ICT	563	N/A	12.22	247.67	4.51	3.64	-90.35	1.75	1.79	4.68	7.43	17.35	0.86
ELC	916	16,100	51.48	226.24	6.03	8.79	-58.83	7.53	4.13	5.49	0.00	19.01	1.05
ITD	262	N/A	169.00	158.00	3.63	13.41	-381.12	10.42	3.42	5.55	0.00	13.08	0.87

Source: Fiinpro, Rong Viet Securities. Share price as of August 10^{th}, 2022.

PE, PB & ROE (TTM)

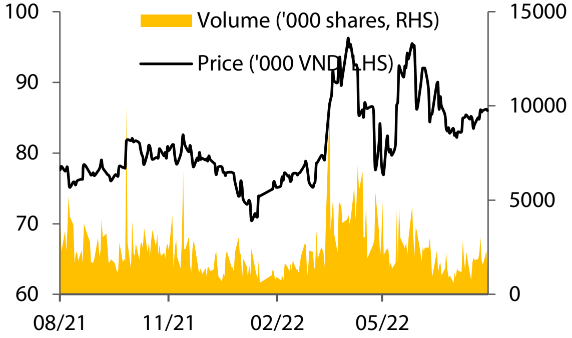


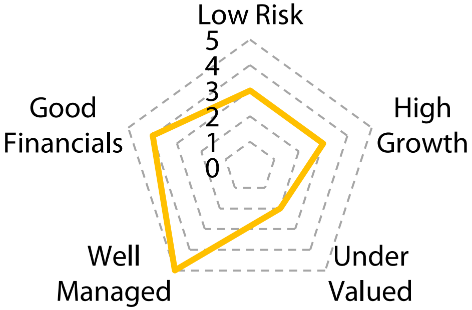
Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

SHORT-TERM HEADWINDS TO CREATE OPPORTUNITIES

HSX: FPT

BUY: 30% <MP: 86,400> <TP: 110,300>





STOCK INFO

Sector	Technology
Market Cap ($ mn)	4,049.1
Current Shares O/S (mn shares)	94,344.3
3M Avg. Volume (K)	2,033
3M Avg. Trading Value ($ mn)	0.0
Remaining foreign room (%)	0.0
52-week range ('000 VND)	70.4-96.3

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	35,657	43,254	52,284
NPATMI VND bn)	4,337	6,114	7,310
ROA (%)	8.1%	11.4%	8.9%
ROE (%)	24.2%	34.1%	25.1%
EPS (VND)	4,779	5,552	6,639
Book Value (VND)	19,765	19,765	26,598
Cash dividend (VND)	2,000	2,000	2,000
P/E (x)	19.5	15.6	13.0
P/B (x)	3.9	4.4	3.2

INVESTMENT RATIONALES

We believe the Global IT services segment's attractive long-term outlook remain intact; The segment will be spearheading the Group's earnings growth in the next 3Y.

- While a global economy recession remains as our key concern as it will impact IT spending, but it also make enterprises opt for more optimal alternatives, which should bring opportunities for mid-sized IT vendor like FPT Software, who is offer competitive prices vs Indian competitors.
- We see that F-Soft is well positioned in capitalizing structural trend of digital adoption with enhanced core technology capabilities, bolstered by highly adaptive to new technologies young workforce, and wider scope of services (i.e. consulting).
- The US market the second largest market, will be spurring the segment as FPT Software is also upgrading its US's near-shore delivery capabilities with new investment in Intetec, and new offices in the US (New York in May 2022 and Miami in 2H-2022).

Short-term deceleration of domestic IT services will create room for higher growth in 2H-2022 and onwards. Though FIS' some domains like Banking, Real estate have faced some slowdown in 1H-2022 and affected overall growth rate of the segment, we believe that there is a huge opportunities for FIS to cater healthy DX demand in the domestic market in the long run as we believe that the digital adoption is an inevitable trend.

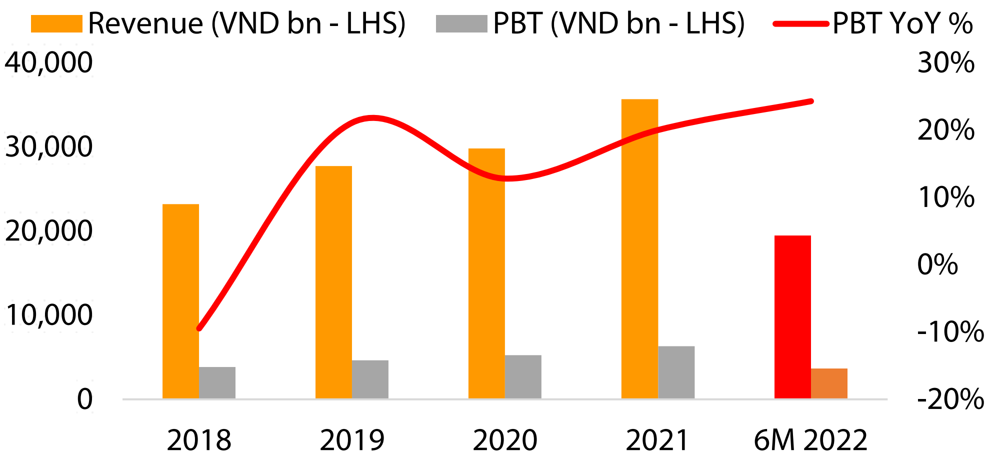
Pay TV, Data center (DC) to provide high growth opportunities for Telecom segment while K-12 education expansion is the key driver for Education segment.

RISK TO OUR CALL

- Foreign currencies depreciation to impact F-Soft revenue growth in respective markets.

1H-2022: GLOBAL IT SERVICES AND TELECOM ARE MAIN PILLARS

Figure 1: 6M 2021 Business results overview



Source: FPT, RongViet Securities

Figure 2: Business results by segment

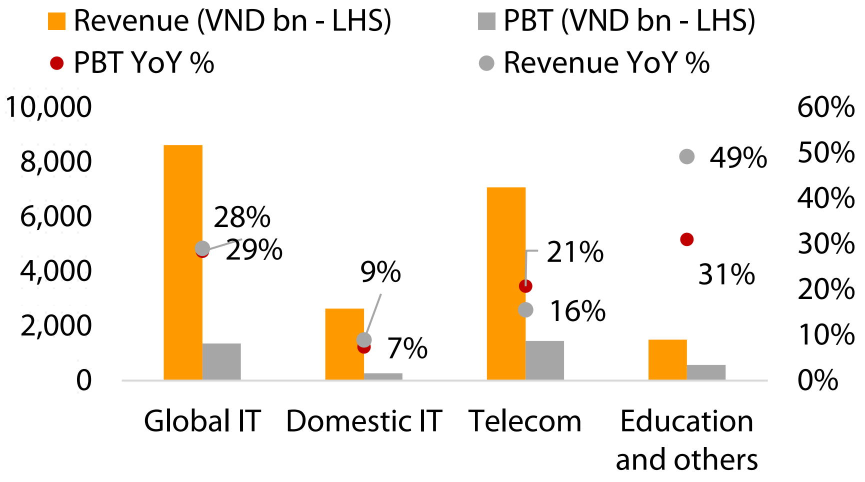


Figure 3: PBT Margin

Segment	6M-2022	YoY
Global IT	15.8%	-8 bps
Domestic IT	10.0%	-14 bps
Telecom	19.1%	+86 bps
Online ads	44.9%	-102 bps
PBT margin	**18.3%**	**+25 bps**

Technology sector continues to play a key role, contributing 57% of the Group's revenue and 45% of PBT. In which, global IT services' performance robust resilient despite recession risk and JPY devaluation. Meanwhile, domestic IT services segment has decelerated in Q2-2022 due to headwinds in banking (limited lending room) and real estate domains .

Telecom segment saw PBT jumping by 21% YoY, contributing 40% of total PBT with expanding profit margins in both broadband services and Pay TV services.

Education, investments and others segment's PBT grew by 31% YoY on the back of strong results of key JVs namely FPT Retail and Synnex FPT, while education activities still see gradual growth in the number of students.

Figure 4: Business results overview

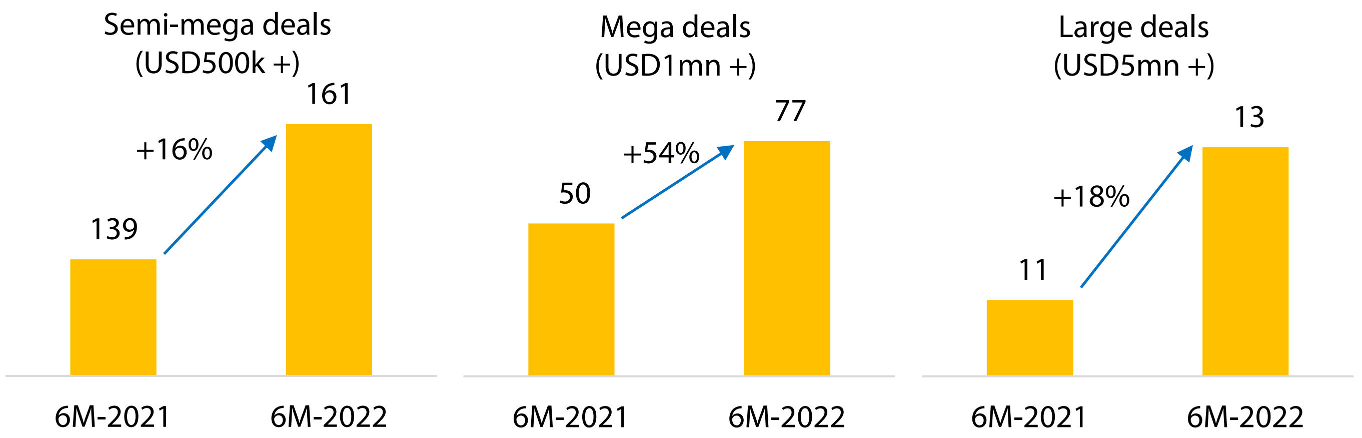


Figure 5: Signed revenue

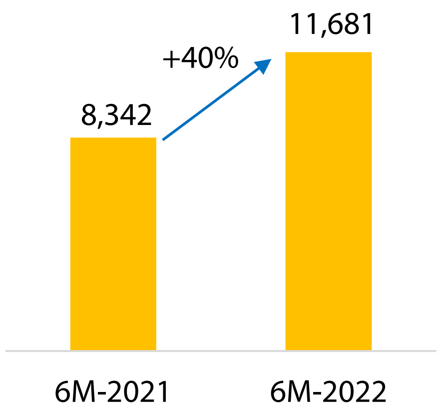


Figure 6: DX revenue

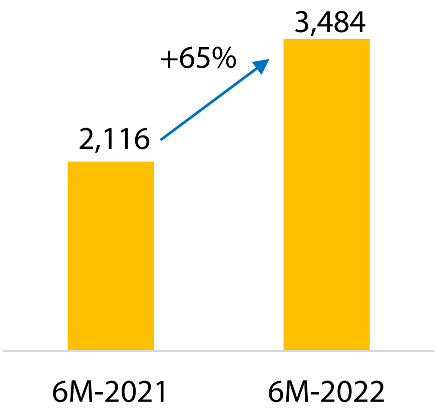
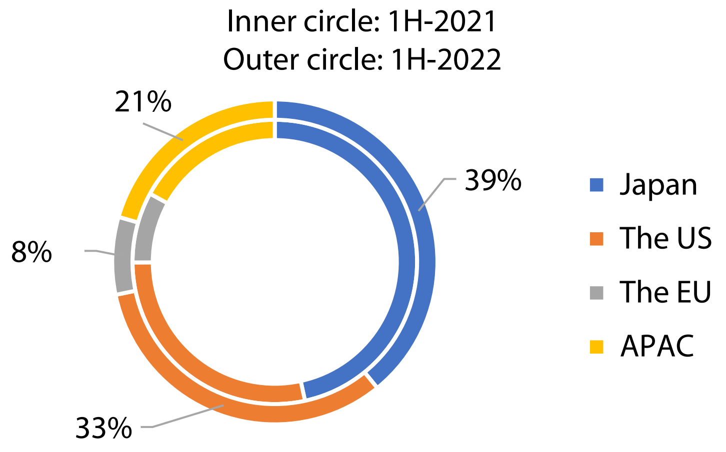


Figure 7: International market contribution



Market	6M-2022 (VND bn)	YoY
Japan	3,375	8%
The US	2,811	48%
The EU	666	24%
APAC	1,770	56%
Global IT services	**8,622**	**29%**

Source: FPT, RongViet Securities

- The value of newly signed orders robustly surged by 40% YoY to VND11.7 Tn.
- Additionally, FPT's efforts in implementing new technology solutions in the field of Low code, Cloud and Blockchain for international clients drove DX revenue to reach VND 3,484 bn, up 65% YoY.
- Notably, the Group secured 13 large deals (contract value of more than USD 5mn) in 6M 2022.

Figure 8: 2022F-23F forecasts

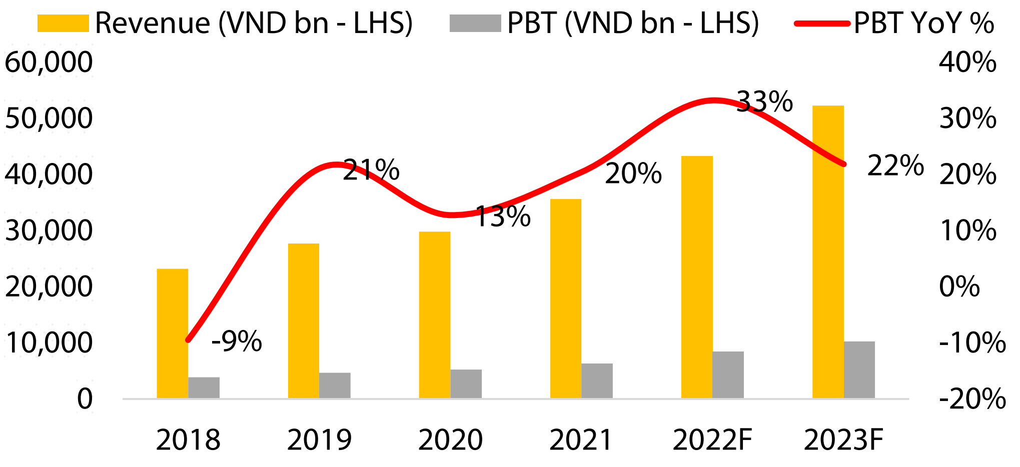
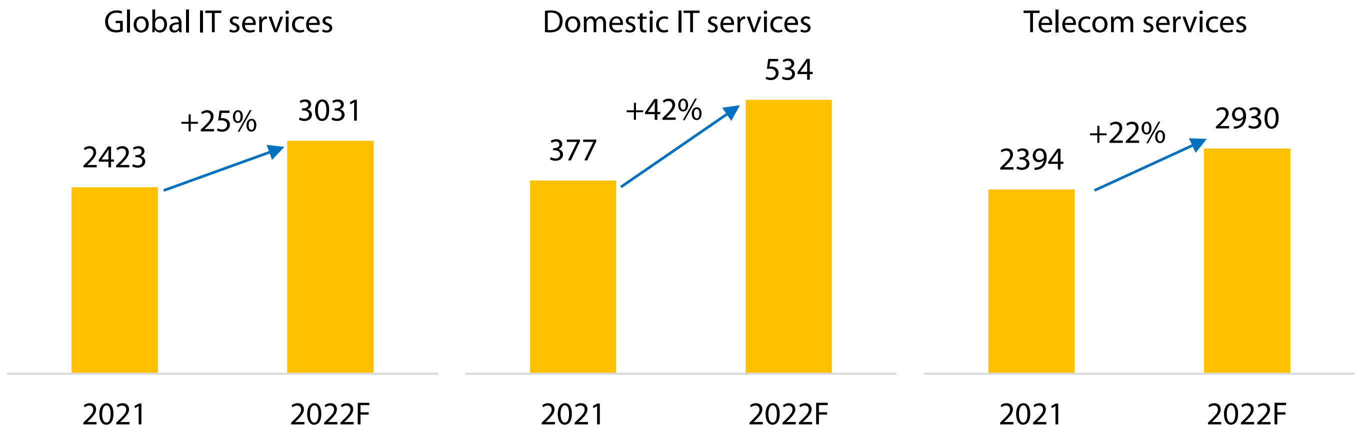


Figure 9: Segments' PBT forecasts



Source: FPT, RongViet Securities

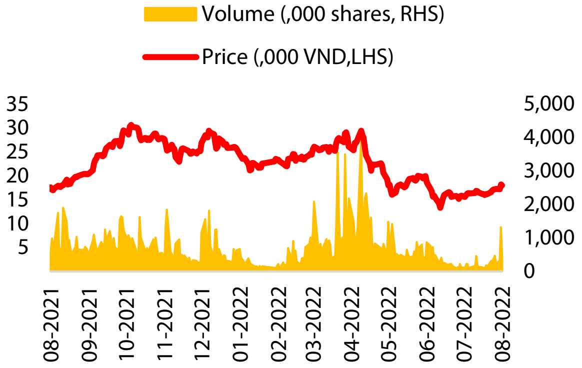
For 2022F/23F we project that PBT will grow by 33% YoY/22% YoY with respective PBT growth rates are as follows:

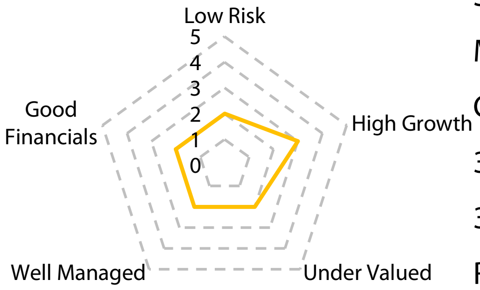
- Global IT services 25% YoY/22%. We believe the Global IT services will maintain its high growth over the next two years given robust growth of signed revenue in 6M-2022. The competitive advantage of young labor force and cheaper prices should protect FPT Software well in case the global economies slowdown worsens.
- Domestic IT services 42% YoY/33%. The low base of domestic IT services in Q4-2021 should drive the growth of this segment in the 2H-2022, with upside from the recovery of key domains of Banking and Real estate.
- Telecom segment 22% YoY/17% YoY. We expect PayTV and Data center to support the segment in terms of revenue and PBT margin while the broadband services seem to be affected by the saturation of the industry.

GROWTH PROSPECTS FROM PUBLIC INVESTMENT TRENDS

HSX: ELC

<ACCUMULATE: -7%> **<MP: 18,000>** **<TP: 16,100>**





STOCK INFO

Sector	Technology
Market Cap (USD mn)	39
Current Shares O/S (mn shares)	51
3M Avg. Volume (K)	397
3M Avg. Trading Value (VND mn)	7
Remaining foreign room (%)	45.4
52-week range ('000 VND)	30.85 – 12.7

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	659	908	970
NPATMI VND bn)	48	58	64
ROA (%)	4.2%	4.2%	4.5%
ROE (%)	5.6%	5.7%	6.2%
EPS (VND)	946	1,092	1,215
Book Value (VND)	16,828	14,537	14,853
Cash dividend (VND)	600	600	0
P/E (x)	27.3	20.4	18.4
P/B (x)	1.5	1.1	1.1

INVESTMENT RATIONALES

Public investment will provide a "fertile ground" for an ample-experienced-enterprise in Intelligent Transport Systems (ITS) as ELC.

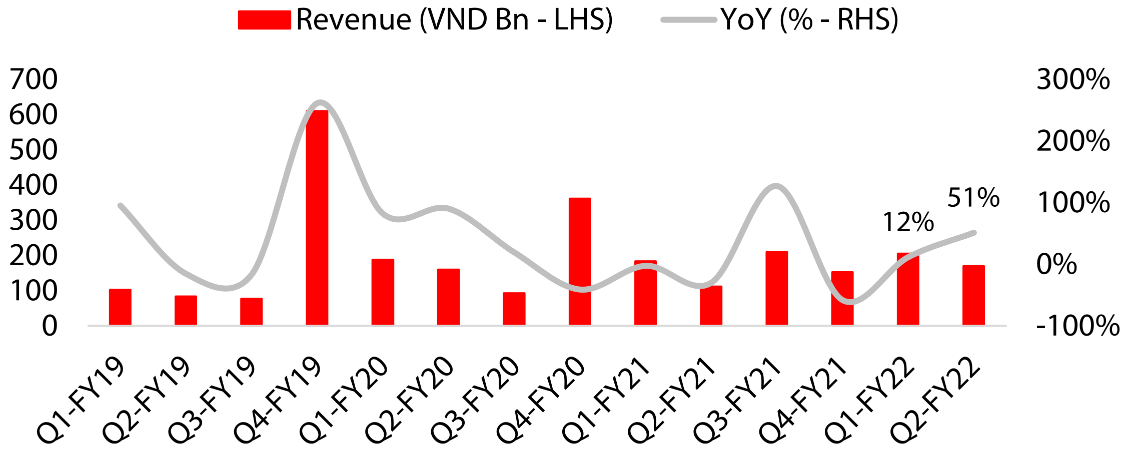
- **The significant investment scale for smart traffic on North-South expressways and in urban areas.** North-South Expressway is a pivotal project of the Government in the period 2017 - 2025, with a vast investment budget worth up to VND 265,000 bn, divided into two phases from 2017 - 2021 and 2021 – 2025. We estimate the ITS value to be about VND 9,500 bn. Meanwhile, the trend of localities to build ITS in urban areas is increasing rapidly in recent years. Enterprises estimate the scale for urban ITS construction projects to be up to VND 6,000 billion from 2022 to 2026.
- **The government is boosting digital transformation, applying a non-stop automatic toll collection system (ETC) at all toll stations nationwide**. In 2Q2022, Vietnam transformed 246 non-stop ETC lanes, thereby completing all 821/821 ETC lanes belonging to 118 toll stations that have been put into operation.
- **ELC – an ample experience contractor in ITS.** ELC has accomplished many projects to supply and install ITS equipment on urban and highways. Thus, we believe that ELC's revenue in the ITS segment could maintain over VND300 bn in the forthcoming five years.
- **Telecommunications and National Defense Security bring stable revenue.** Yet enterprises that have focused on advancement in these two sectors in 2022 - 2026. Therefore, the primary revenue will come from annual projects worth 200 – 300 billion/year for each field.

RISKS TO OUR CALL

- The North-South Expressway construction progress is slower than expected.

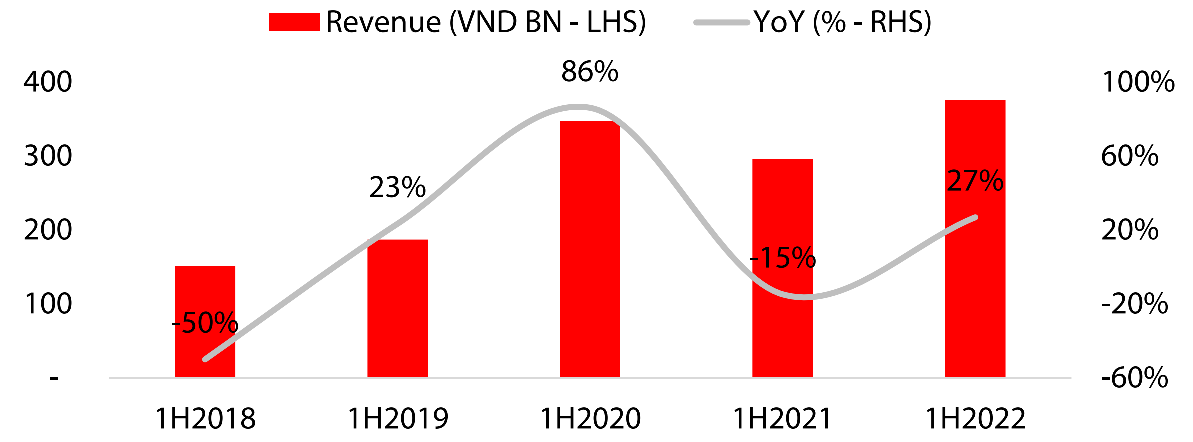
1H2022: ITS SEGMENT DRIVES THE REVENUE GROWTH

Figure 1: Quarterly revenue and growth



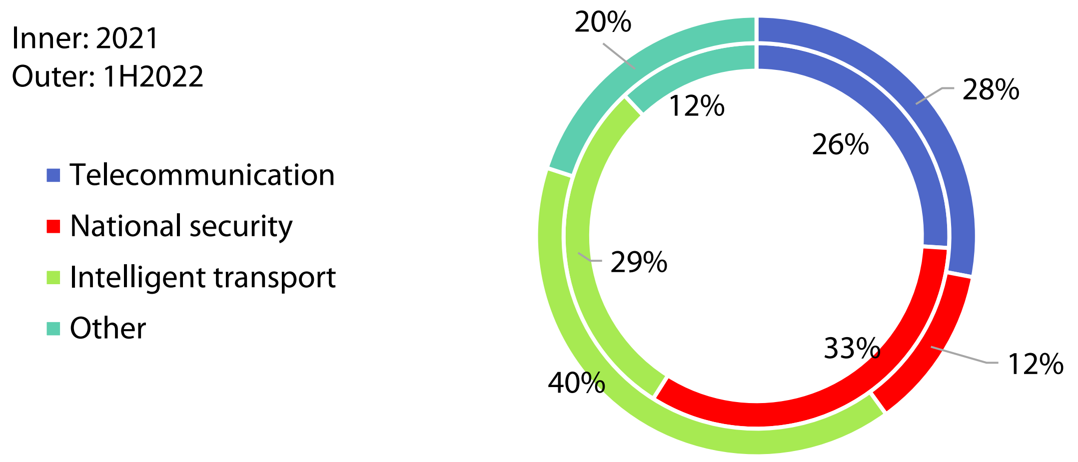
Source: ELC, Rong Viet Securities

Figure 2: Cumulative revenue and growth in 1H2022



Source: ELC, Rong Viet Securities

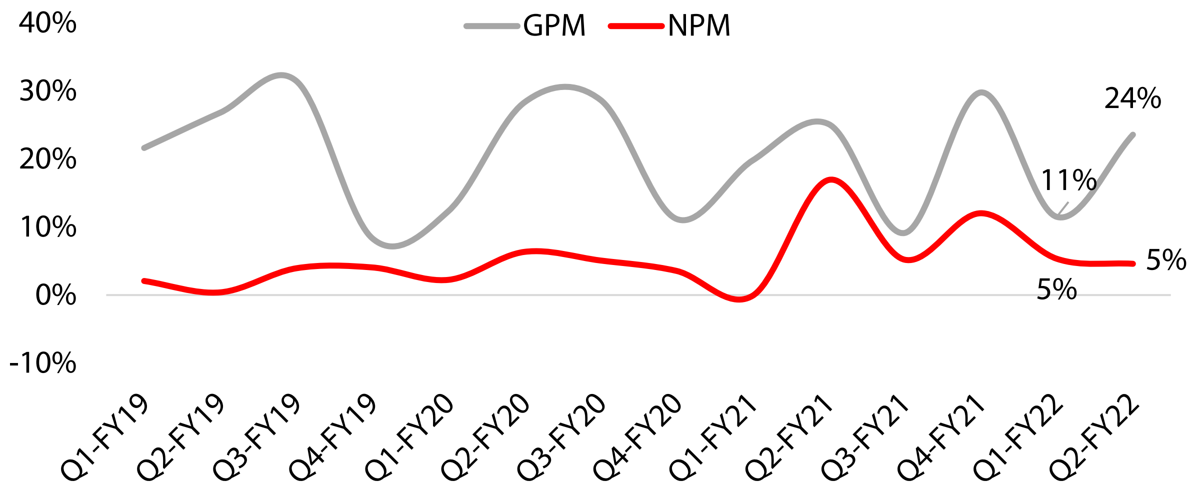
Figure 3: Revenue breakdown by sectors



Source: ELC, Rong Viet Securities

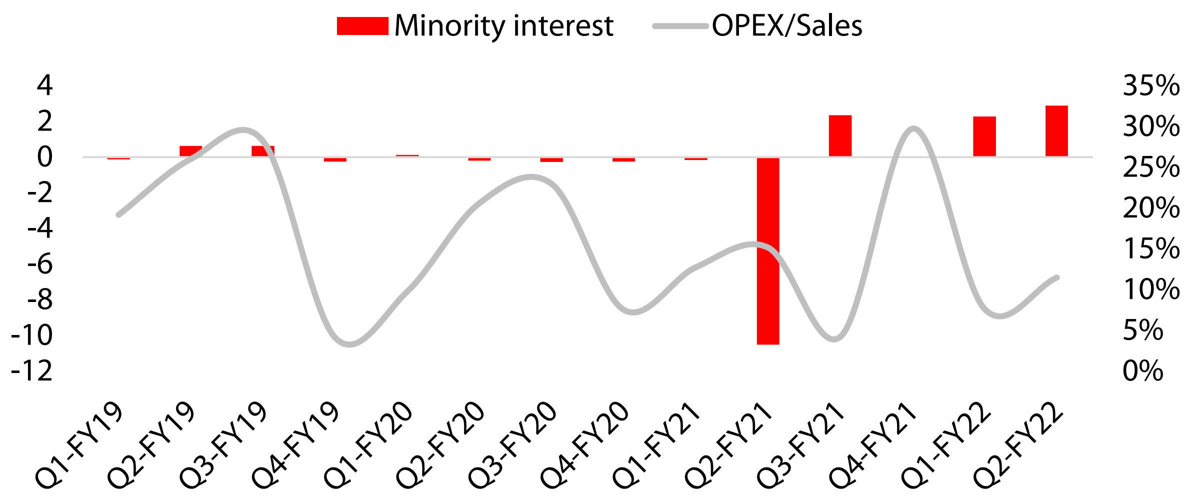
- In the end of 1H2022, revenue and NPAT reached VND 376 bn (+27% YoY) and VND 19 bn (+0% YoY), respectively, completing 38% and 27% of the plan.
- The traffic segment grew positively thanks to the toll stations nationwide applying the non-stop ETC, accounting for 40% of 1H2022 revenue.
- The telecommunications segment contributed 28% of the revenue in 1H2022 and there was a slight fluctuation.
- The proportion of other business activities unexpectedly surged to 20% compared to 12% in 2021 due to the advancement in occupancy rate and office rental rates at Elcom buildings.

Figure 4: GPM increased sharply but net margin did not improve…



Source: ELC, Rong Viet Securities

Figure 5: …because of the rapid surge in OPEX/Revenue and minority interests



Source: ELC, Rong Viet Securities

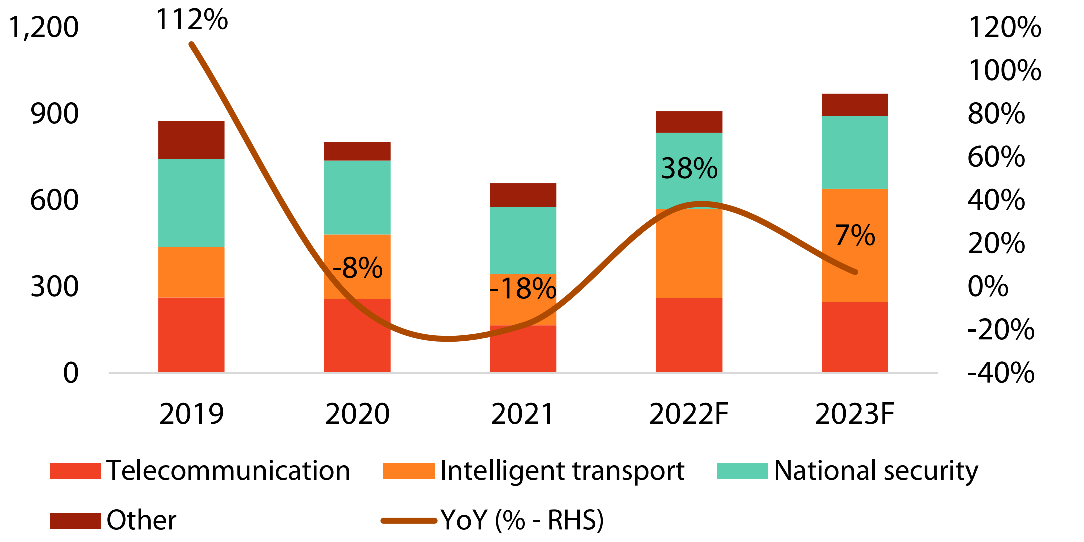
Gross profit margin improved thanks to changes in revenue breakdown

Commercial activities in National Security & Defense and Intelligent Transport Systems obtain a higher gross profit margin (about 20% - 25%) than in telecommunications (about 15%), thanks to the implementation of many projects. The project on highway traffic in 2Q2022 bolster GPM to 24% compared to 11% in 1Q2022.

Operating expenses and minority interests rose abnormally, reducing NPAT-MI

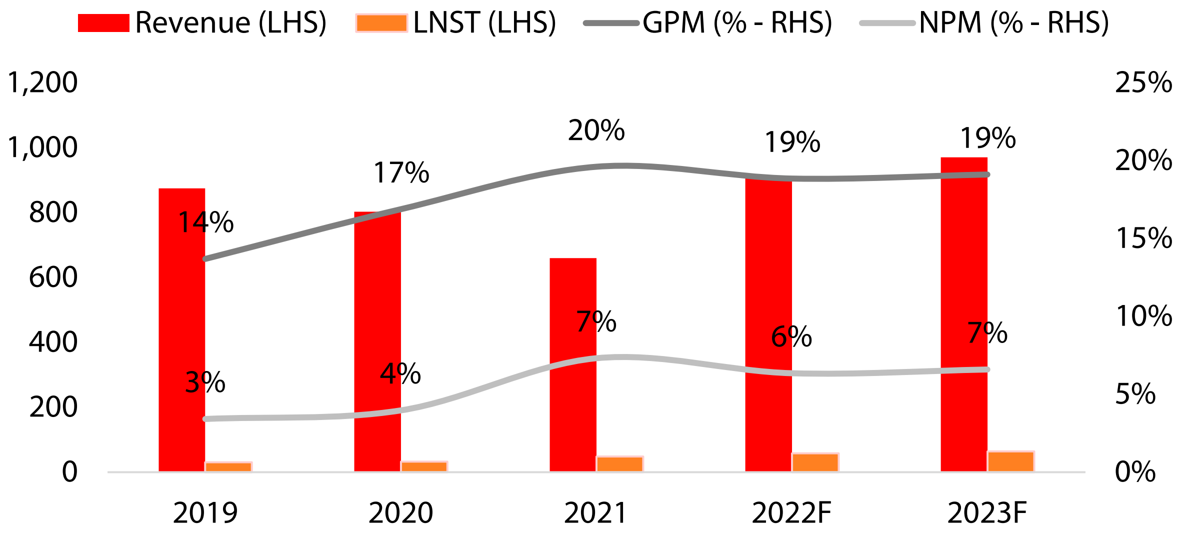
- In 2Q2022, the company made a provision of VND 6 bn due to the transfer of 15% shares in VFT associate company, because before that ELC recorded a profit difference between investment and book value in 4Q2021.
- Minority shareholder interest in 1H2022 recorded a value of VND 5 bn, accounting for 22% of consolidated NPAT. The main profit comes from Smartek Investment Joint Stock Company with ELC's interest rate of 74.29%.

Figure 5: Forecasted revenue breakdown in 2022 – 2023 (VND bn)



Source: Rong Viet Securities

Figure 6: Forecast of business results in 2022 – 2023 (VND bn)



Source: Rong Viet Securities

Intelligent Transportation Systems will be the main pillar of lifting the mid-term and long-term growth

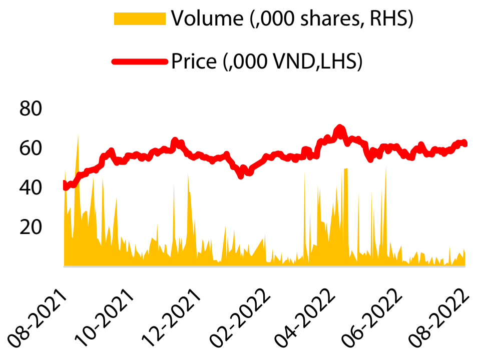
- **The ITS segment** is the main driver of ELC growth in the medium and long term thanks to the Government's public investment policy. We estimate that sales from the IST segment will reach VND 308 bn (+73% YoY), VND 387 bn (27% YoY) in 2022F and 2023F, respectively.
- **The telecommunications segment** will record revenue from annual projects such as providing DWDM/Viba/Metro transmission equipment for Viettel and upgrading the SDC system for Mobifone. We believe that telecommunications revenue will remain at a stable level of about VND 200-300 bn/year.
- **National Security & Defense segment** has a special nature and high security. Based on historical data, we forecast this segment's revenue will remain stable in the range of VND 200-300 bn/year.

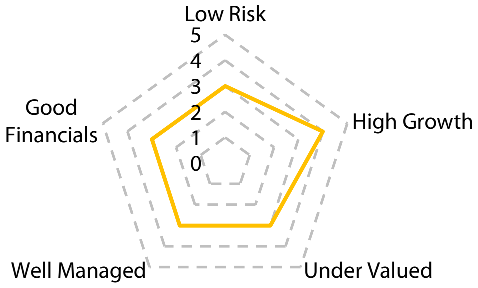
Revenue/NPAT in 2022F and 2023F is expected to reach VND908 bn (+32% YoY)/VND58 bn (+20% YoY) and VND970 bn (+6.8% YoY)/VND 64 bn (+10.8% YoY), respectively.

GROWTH PROSPECTS FROM DIGITAL TRANSFORMATION TRENDS

HSX: CMG

OBSERVES <MP: 61.900> <TP: N/A>





STOCK INFO

Sector	Technology
Market Cap (USD mn)	289
Current Shares O/S (mn shares)	109
3M Avg. Volume (K)	46
3M Avg. Trading Value (VND mn)	3
Remaining foreign room (%)	9.4
52-week range ('000 VND)	71 – 40.37

FINANCIALS

FINANCIALS	2019A	2020A	2021A
Revenue (VND bn)	4,856	5,181	6,290
NPATMI VND bn)	144	175	242
ROA (%)	5%	4%	6%
ROE (%)	6%	6%	9%
EPS (VND)	1,440	1,754	2,216
Book Value (VND)	22,412	23,989	24,678
Cash dividend (VND)	1,500	1,000	0
P/E (x)	26.4	23.6	24.8
P/B (x)	1.6	1.6	2.2

INVESTMENT RATIONALES

- **Data center (DC) Tan Thuan officially put into operation will bring long-term revenue.** In 2022, DC Tan Thuan with a scale of 1,200 racks has officially come into operation, a modern data center with Tier-3 standards will meet the needs of many large customers in the Banking and Real Estate sectors.,…
- **The potential for growth from the digital transformation trend is huge.** Thanks to low labor costs and the companionship of strategic partners Samsung SDS will help CMG confidently with its plan to go global. In 2022, it will expand to a new market in Singapore and open a second branch in Japan (Osaka), and also enter the US market when it is expected to open the first representative office in this potential market.
- **Officially entering the field of Education.** In February 2022, CMG carried out an M&A deal with Asia University (later renamed CMC University). CMC Uni has officially enrolled students in 2022.

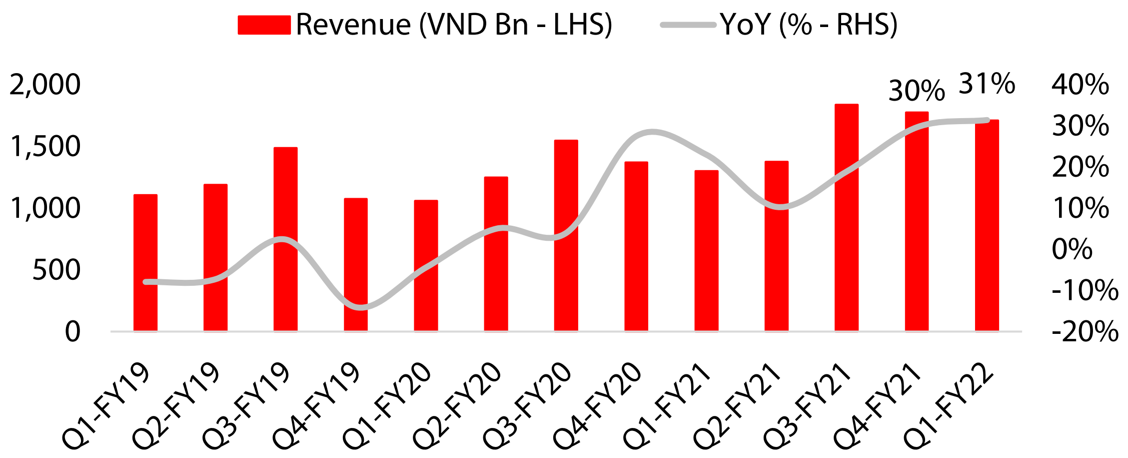
RISKS TO OUR CALL

- Bad developments from the world economy may reduce spending on digital transformation activities.
- The decline in JPY/VND exchange rate may affect CMG's business results.

(*) Note: Financial reporting period from 01/04 – 31/03

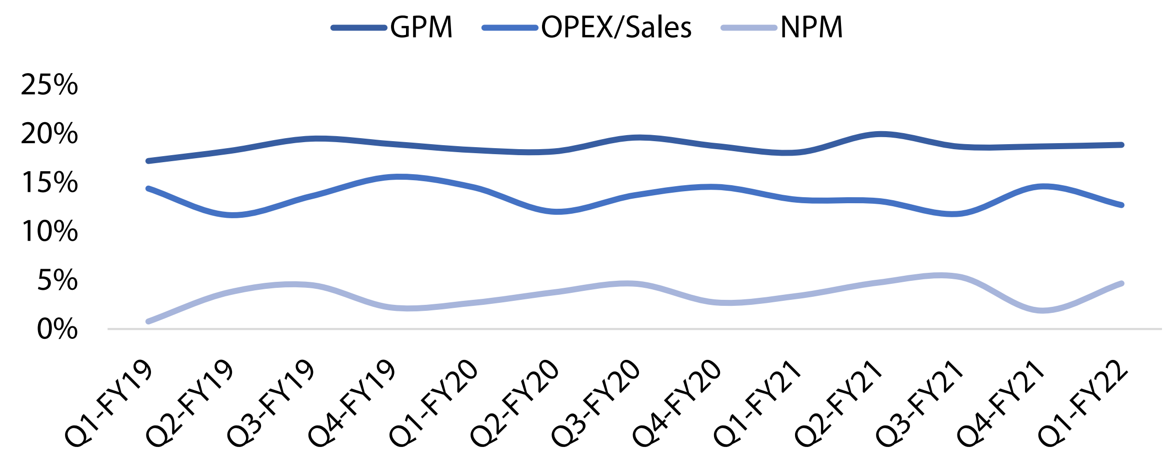
SUSTAINABLE HIGH GROWTH IN BUSINESS BOARDS

Figure 1: Quarterly revenue and growth*



*Source: CMG, Rong Viet Securities, *Financial reporting period from 01/04 – 31/03*

Figure 2: Profit margin without multiple changes



Source: CMG, Rong Viet Securities

From the low base level of 2021, all business sectors achieved good growth

- At the end of Q1/2022 of fiscal year 2022 (April 1, 2022 – March 31, 2022), CMG recorded revenue and PBT of 1,710 billion dong (+31% YoY) and 106 billion dong (+45 billion dong) respectively (+45% YoY), respectively completed 20% and 25% of the plan. Impressive revenue growth in all three business segments: International Business, Telecommunications and Technology Solutions, respectively, increased by 90%, 23% and 29% over the same period.
- Q1/2022 NPAT recorded at VND80 billion (+82% YoY), mainly contributed by International Business and Technology solutions, growing by 97% and 67% YoY, respectively.

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