

FPT CORP – 1H2016 PERFORMANCE

In 1H2016, FPT recorded consolidated revenue of VND 17,818 billion, equal to 94.7% of the YTD target. Profit before tax was VND 1,258 billion, equal to 100.1% of the YTD target. Profit after tax was VND 1,077 billion in 1H2016, equal to 101.2% of the YTD target. PAT attributed to parent company's shareholders was VND 862 billion in 1H2016, achieving 102.0% of the YTD target. EPS was VND 1,881, achieving 102.1% of the YTD target. YTD earnings was lower than prior year period, yet being on par with the YTD target due to foreseeable factors will be specified in segment reporting section below.

Overseas markets continued to grow healthily. In 1H2016, revenue from overseas markets was VND 2,713 billion, up 34% YoY. Profit before tax from overseas markets was VND 377 billion in the same period, up 31% YoY.

Summary of financial performance

Unit: VND in billions

Items	1H2015	1H2016	YoY change	vs. YTD guidance
Net revenue	19,328	17,818	-7.8%	94.7%
Profit before tax	1,350	1,258	-6.9%	100.1%
Profit after tax (PAT)	1,138	1,077	-5.4%	101.2%
PAT attributed to parent company's shareholders	881	862	-2.2%	102.0%
Basic EPS (VND)	1,934	1,881	-2.7%	102.0%

Table 1 - Summary of financial performance in 1H2016

Segment reporting

Unit: VND in billions

Segments	REVENUE				PROFIT BEFORE TAX			
	1H2015	1H2016	YoY change	% YTD guidance	1H2015	1H2016	YoY change	% YTD guidance
Software development	2,055	2,671	30%	97%	295	311	5%	78%
Software outsourcing	1,721	2,359	37%	100%	275	349	27%	92%
Software solutions	333	311	-7%	82%	20	(38)	N/A	N/A
System integration	991	889	-10%	94%	44	14	-68%	119%
IT services	415	384	-7%	113%	56	32	-42%	79%
Subtotal Technology	3,460	3,944	14%	98%	395	358	-9%	79%
Telecom services	2,358	2,960	26%	102%	473	422	-11%	110%
Online advertising	163	217	33%	104%	69	110	59%	130%
Subtotal Telecom	2,521	3,178	26%	102%	543	533	-2%	113%
Distribution and manufacturing of IT products and mobile handsets	9,420	5,613	-40%	82%	300	182	-39%	86%
Retail	3,575	4,736	32%	104%	71	98	38%	113%
Subtotal Distribution & Retail	12,995	10,349	-20%	91%	371	280	-24%	94%
Education & investments	352	347	-1%	N/A	42	87	109%	N/A
Total	19,328	17,818	-8%	95%	1,350	1,258	-7%	100%

Table 2 - Financial performance by segments in 1H2016

Note: Subtotals may not add up due to rounding error

TECHNOLOGY SECTOR

The Technology sector recorded revenue of VND 3,944 billion, up 14% YoY, achieving 98% of the YTD target. Profit before tax (PBT) was VND 358 billion, down 9% YoY and equal to 79% of the YTD target due to the slow performance of domestic project-based segments in the first six months, while the software outsourcing segment continued to grow healthily.

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, most of the revenue of which is derived from the domestic market with increased 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 six months, while domestic market was weak. In 1H2016, **software development**'s revenue was VND 2,671 billion, up 30% YoY in which **software outsourcing**'s revenue was VND 2,359 billion, up 37% YoY. Earnings of the **software outsourcing** business also grew well, which was up 27% YoY, to VND 349 billion. However, profit margin was lower than prior year period as there was a higher percentage of people working on-site versus last year, which is seen as a necessary step to enter bigger contracts going forward.

On top of that, **software solution**'s revenue was VND 311 billion, down 7% YoY and equal to 82% of the YTD target as less projects came to completion phase as compared to prior year period. Lower revenue has led the **software solution** sub-segment to record a loss of VND 38 billion in 1H2016.

System integration and IT services

The (hardware) system integration segment recorded VND 889 billion in 1H2016, down 10% versus the prior year period. The segment recorded PBT of VND 14 billion (versus a loss before tax of VND 2 billion in 5M2016). Similarly to software solutions segment, lower revenue being recorded in 1H2015 has caused a lower profit for the system integration segment.

The IT services segment recorded revenue of VND 384 billion, down 7% YoY, while PBT was VND 32 billion, down 42% YoY and reached 79% of the YTD guidance.

Total value of contract signed in 1H2016 was VND 2,014 billion, down 4% as compared to prior year period and mainly comprises of software solutions, IT services and overseas contracts, of which the delivery time is longer than hardware (system integration) contracts, of which the delivery time is shorter and revenue can be booked normally within a year. Backlog balance for the three segments including system integration, software solutions and IT services ended up being VND 2,997 billion by the end of June.

TELECOM SECTOR

The Telecom sector reported 1H2016 revenue of VND 3,178 billion, up 26% YoY, and profit before tax of VND 533 billion, down 1.9% YoY. Revenue and PBT of the Telecom sector exceeded the YTD target by 2% and 13%, respectively.

Telecom services

Telecom services segment recorded VND 2,960 billion in revenue, growing by 26% YoY, equal to 102% of the YTD target. PBT was VND 422 billion in the first six months, down 11% YoY. YTD earnings achieved 110% of the YTD target. As mentioned in our previous monthly newsletters, the negative YTD earnings growth was reflected in the YTD plan due to the cost allocation of the fiber optic swap projects in both Hanoi/HCMC and the Tier-2 cities. In 2015, FPT completed the fiber optic swap project in Hanoi and Ho Chi Minh City (HCMC) in June 2015 and allocated the costs relating to last-mile cable and modem in 12 months accordingly. Besides, starting from September 2015, FPT implemented the fiber optic swap project in Tier-2

cities, of which the total number of accounts to be swapped is expected to be around one-third of that in Hanoi and HCMC, hence a lower cost. However, as we look at only earnings in 1H2016, costs being allocated to COGS include both costs relating to the project in Hanoi and HCMC (which will finish its allocation period in June 2016), and the on-going project in the Tier-2 cities, therefore, are higher than 1H2015. Costs from July onwards are expected to be lower thanks to lower costs of implementing the project in Tier-2 cities versus the two major cities Hanoi and HCMC due to smaller scale, and that the cost allocation for the project in Hanoi and HCMC will also end in July.

In more details, revenue from providing broadband services to individuals and households recorded a healthy growth of 19% YoY, achieving VND 2,058 billion in 1H2016. Other non-broadband telecom services, including leased line, voice, data center and IPTV services have also performed well and recorded 44% top-line growth on a year-over-year basis, to VND 902 billion in the same period.

Digital content

Revenue of **digital content** segment (include only online advertising from 2016) was VND 217 billion, up impressively by 33% YoY, and PBT of VND 110 billion in 1H2016, increasing by 59% YoY and exceeded the YTD target by 30%. 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 44% YoY growth.

DISTRIBUTION AND RETAIL SECTOR

Revenue from distribution and retail sector was VND 10,349 billion in 1H2016, down 20% YoY, and profit before tax of VND 280 billion, down 24% YoY (5M2016: down 27% YoY).

Distribution of IT products and mobile handsets

The distribution business recorded revenue of VND 5,613 billion, achieving 82% of the YTD target, and PBT of VND 182 billion, achieving 86% of the YTD target. Earnings growth was less negative as compared to that in 5M2016 showing some improvements.

It should be noted that the distribution segment had delivered double digit growth in the first eight months last year thanks to the strong performance of the iPhones. Performance of the distribution business this year has been negatively affected mostly in accordance with the change in iPhone distribution policy by Apple. Besides, performance of FPT Trading's smartphone distribution was also weak due to the poor sales performance of Lumia models globally. IT products, on the contrary, was performing well and exceeded target in terms of earnings. From July 24, FPT Trading will distribute Xiaomi Mi4 smartphone in Vietnam ([click for more details](#)).

Retail business

Technology product retail business, on a contrary has maintained impressive growth. Ending the first six months, retail revenue was VND 4,736 billion, up 32% YoY, and profit before tax was VND 98 billion, up 38% YoY. Both revenue and profits were slightly higher than the YTD target. FPT Retail has completed its initial full year store roll-out plan right in the first six months, ending having 318 stores by the end of June. Online sales continued to prove as a revenue accelerator by delivering 48% YoY growth in the first six months, accounting for 10.1% of retail sales during the same period, versus plan of 7.2%.

EDUCATION SEGMENT

The Education segment has returned to the double digit growth track thanks to higher number of students enrolled in 2015. Ending the first six months, the education segment recorded revenue of VND 298 billion, up 14% YoY, equal to 100% of YTD target.

SUMMARY OF NOTABLE EVENTS IN 1H2016

EARNING PRETIGIOUS AWARDS

The ASEAN's only tech firm in Nikkei Asia 300: Japanese business publication Nikkei Asian Review recently listed the 300 largest companies in Asia (Asia 300). FPT was ASEAN's sole representative in the field of information technology in the list. This is the 3rd consecutive year that FPT is featured by Nikkei. [Read more](#)

Best for Corporate Governance in Vietnam: On February 17, in Hong Kong, FPT was recognized as the company with the best corporate governance in Vietnam by Asia Money – one of Asia's leading financial publications. This is the largest annual corporate governance award in Asia selected by hundreds of leaders and financial experts in the region. [Read more](#)

The only tech firm among Forbes VN's Top 50 for 4 years in a row: With a market capitalization of VND 19,197 billion, FPT continued to be ranked among Forbes' Top 50 companies listed on HOSE and HNX in 2015. The company has been picked as the only tech firm among Forbes Vietnam's Top 50 for 4 years in a row. [Read more](#)

Named in IAOP Global Outsourcing 100 list for third consecutive year: On February 16, International Association of Outsourcing Professionals (IAOP) just announced that FPT Software was named in the Global Outsourcing 100 list for the 3rd consecutive year. [Read more](#)

Named "Cool Vendor in Emerging market" by Gartner: FPT Software, the leading software & outsourcing service company in South East Asia has been named "Cool Vendor" by Gartner, Inc. – a top global IT research firm. The company is among 5 companies in the markets identified by Gartner as interesting, new and innovative vendors that provide cutting-edge IT solutions to end users. [Read more](#)

Vietnam's most Attractive Employer: Universum (Sweden) recently published the rankings of most ideal employers voted by students in Vietnam in 2016. FPT surpassed IT giants Google and Microsoft to top the list in IT field, from a third position last year. [Read more](#)

SIGNING BIG CONTRACTS

The biggest overseas ERP of Vietnam: On April 7, the contract signing ceremony for design, supply, instruction and implementation of Enterprise Resource Planning/Enterprise Asset Management with Gas Transmission Company in Bangladesh (GTLC) took place in Dhaka, Bangladesh. With a total value of 9.1 million USD, this is the largest ERP contract to date to be signed by a Vietnamese company in an overseas market. [Read more](#)

A contract to "Build National Database on Social Assistance" worth more than VND 61 billion signed: The scope of the contract is using optical scanning technology and identity to enter the survey data obtained from two surveys to collect information on poor households, nearly poor households (bill C) and monthly social assistance households (bill C1) in 63 provinces/cities; transferring data into the database of social assistance management system. [Read more](#)

Deploy the first Predix project in Japan: FPT will be in charge of the full life cycle implementation in order for the IoT platform to run smoothly on Predix and cloud environments. This project is located in the strategic partnership agreement between the customer and IoT Platform GE to provide customers with the technology platform of GE Predix serves Tokyo Olympics 2020. This project will also help FPT continued to assert Plate capacity in IoT technology. [Read more](#)

ENHANCING TECHNOLOGY CAPABILITIES

FPT Software deploys a series of tech events for customers in Japan: Technology capability, in which SMAC and IoT stand out from the surface, was introduced at FPT Technology Road Show for major customers in Japan in May and June, 2016. On May 11, the first event was held for the leading manufacturer of optical imaging products including cameras, copiers and printers in Japan. The event attracted 300 people from many departments. [Read more](#)

FPT Japan achieves Microsoft Silver Cloud Platform competency: By achieving a silver competency, FPT Japan has the opportunity to approach Microsoft Azure Cloud Service projects and is encouraged to deploy Azure for end users. To earn a Microsoft silver competency, FPT Japan must successfully demonstrate expertise in Notes Migration as well as Azure deployment particularly in the field of IoT. [Read more](#)

FTI becomes Microsoft gold certificated cloud partner: In May, FPT Telecom International (FTI, under FPT Telecom) achieved Microsoft gold certificated cloud partner status in Vietnam. [Read more](#)

FPT IS becomes the first Platinum Partner for CyberPower in Vietnam: *At the end of April*, FPT IS has been recognized as a Platinum Partner for CyberPower Systems Inc. FPT IS is the first company in Vietnam to be granted this certificate. [Read more](#)

FPT Software named Platinum partner of Hitachi Finance segment: This result comes from contracts of Banking, Insurance (including: Core banking, Stamp certificate, Longevity insurance, etc.) deployed by FPT Software for Hitachi Finance Segment. The company is among 4 foreign partners in the list of 33 companies recognized by Hitachi Finance Segment. [Read more](#)

FPT to get 500 employees working for Honda by 2020: On June 23, FPT Chairman Truong Gia Binh and some representatives of FPT Japan had a meeting with Honda Techno Ford (HTFT) to review the bilateral cooperation and make next plans. Accordingly, HTFT hoped that FPT would nominate many skilled members as planned, confirm a periodic increase in personnel as well as focus on human resources training. It planned an increase in personnel from now to 2020. 30% of them would be FPT employees, equivalent to 500 people. HTFT expected that FPT would help the company in building its business orientation in Vietnam. [Read more](#)



FPT opens the largest IT service center in central region: On April 22, FPT officially inaugurated the Information Technology (IT) Service Centre, FPT Complex, in Đà Nẵng, providing 5.9ha office space for 3,200 IT employees in the first stage and 10,000 engineers in the second stage. It's the biggest IT service centre in the central region with an aim of contributing USD 1 billion to FPT's software export revenue in 2020. [Read more](#)

FPT and Fujitsu officially open Fujitsu_FPT Akisai Farm and Vegetable factory: On February 24, FPT Corporation and Fujitsu Limited today inaugurated Fujitsu - FPT Akisai Farm and Vegetable Factory to spotlight the FUJITSU Intelligent Society Solution "Akisai" Food and Agriculture Cloud. [Read more](#)

BOOSTING BUSINESS ACTIVITIES IN TELECOM SERVICES SEGMENT

FPT inaugurates two data centers with Uptime Tier III certification: On June 6-7, FPT Telecom inaugurated the expansion of two data centers with Uptime Tier III certification in Tan Thuan Export Processing Zone (EPZ), Ho Chi Minh City, and FPT Building in Cau Giay precinct, Hanoi. The Data Centre EPZ is considered the largest data centre in the south. [Read more](#)

FPT Telecom officially deploys IPv6 on a large scale: From July 1, FPT Telecom will offer IPv6 services to households having broadband Internet access and business sector. After the successful trial offer with more than 200,000 users across the country in recent years, FPT officially offers IPv6 services on a large scale and is expected to reach more than half a million users in 2016. [Read more](#)

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