



FUND LAUNCHED

2005

FUNDS UNDER
MANAGEMENT

£512.0
MILLION

NET ASSET VALUE
PER SHARE

386.4%
SINCE INCEPTION*

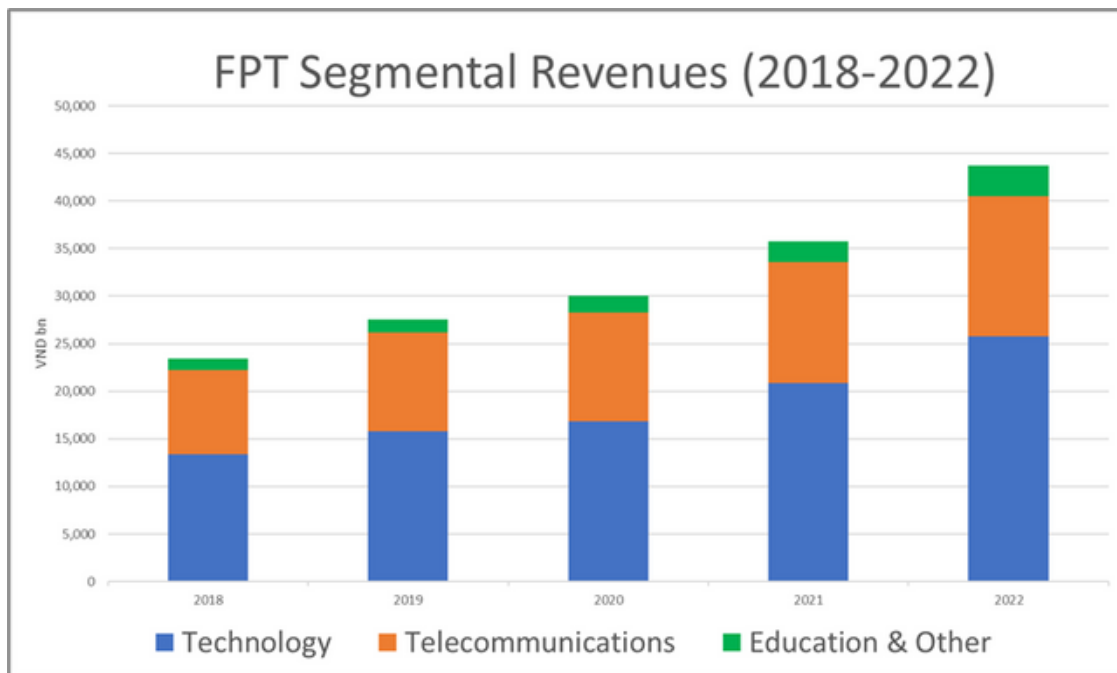


Holding Highlight: FPT Corporation

November 2023

FPT Corp is a rapidly growing Vietnamese IT services and telecoms group. With a market capitalisation of US\$4.3 billion (31 October 2023), it is already one of the largest private companies in Vietnam. The company, which recently celebrated its 35th anniversary, has a long-term vision of being a major global technology company.

UEM first invested in FPT Corp (FPT) in 2019 and it is now one of UEM's top 10 holdings. We remain excited about FPT's future growth prospects as it is well positioned to take advantage of a number of digital infra megatrends.



Source: Factset

FPT is a telecoms and technology conglomerate with a number of subsidiaries, primarily grouped into three reporting segments: Technology, Telecoms and Education & Others. Each segment has grown strongly in recent years and continues to have considerable potential for further growth.

The Technology segment provides IT and software development services, which it delivers primarily using staff based in Vietnam. Revenues in this segment are mainly generated from international customers in key markets such as Japan, Korea, Singapore and the USA.

FPT Software has longstanding relationships with its clients, many of whom are large multinational corporations undertaking projects often worth millions of US Dollars. It is a testament to both the quality and cost effectiveness of its solutions that it has continued to deepen its relationships with several key customers this year.

In June 2023, FPT announced a co-operation agreement with Honda¹ where FPT will set up a team in Japan for the development, maintenance and operation of IT services, and open an offshore delivery centre (in Vietnam) dedicated to Honda, which will employ hundreds of FPT employees by the end of 2025. Honda aims to speed development of new products and services, and to reduce development and operational costs by up to 30%. FPT has announced a number of similar contracts this year, predominantly with Japanese companies.

Having generated US\$800m in international IT services revenues in 2022, the company is on course to generate its target of US\$1bn in international revenues in 2023. Revenues in the first nine months of 2023 grew by 30.8%² in this segment. Growth this year has been largely driven by Japanese and Asian customers, whilst growth in the US has slowed. The company remains bullish on its future growth prospects, although it has witnessed a slow-down in order flow in recent months, which may impact growth volume in 2024.

FPT benefits from a significant cost advantage in software developer costs. Vietnamese IT salaries are not only much lower than in developed economies, they are also lower than in many other outsourcing centres, such as India and China.

FPT sees education as a key driver, not only of its own business in the long term, but for the future prosperity and economic growth of Vietnam, through the development of a wide talent pool. FPT is one of the largest private education providers in Vietnam with over 100,000 students, and like its software business, this is a rapidly growing segment with revenues up 43.0% in the first nine months of 2023. There is still plenty of potential for further significant growth in the coming years.

FPT Telecom is one of the top three telecommunications companies in Vietnam, with an extensive fibre-to-the-home broadband network enhanced by an expanding pay-tv offering. Services to enterprise customers, including data centre services, in which FPT is one of Vietnam's leading players, are increasingly driving growth in this part of the business. The company is currently building a new data centre outside Hanoi which will more than double its capacity when it opens in the second half of 2024.

President Biden's recent visit to Vietnam highlighted the deepening relationship between the country and the US. In the technology arena, Biden said that cloud computing, semiconductors and AI are all areas of focus for increased co-operation between the two nations, and FPT is well placed to play an outsized role in these areas.

In a recent interview with Reuters³, FPT's chairman, Truong Gia Binh, said that he was particularly excited about the prospects for FPT to grow in the semiconductor sector. FPT has recently set up a semiconductor design facility (with manufacturing currently outsourced to Korea and Taiwan) and FPT University has set up a Semiconductor Circuit Faculty which will open in 2024.

Whilst semiconductors are not currently manufactured in Vietnam, the company's management believe that semiconductor fabrication plants and an associated eco-system could be built out in the country by the end of the decade, potentially employing tens of thousands of engineers and technicians. FPT believe they can play a key role in industry training and recruitment.

The company has net cash on the balance sheet and continues to invest in new technical facilities, office space, educational establishments, synergistic acquisitions and strategic investments, whilst adopting a progressive dividend policy.

Despite a strong appreciation in the company's share price since UEM first invested in 2019, we believe that FPT remains good value on valuation metrics: FY 2023 estimated EV/EBITDA 9.6x and FY 2023 estimated P/E 16.7x⁴. We remain excited about the future prospects for the company and the value of our investment in FPT.

Mark Lebbell
26 November, 2023

Source Data: ICM Limited,

[1] <https://fpt.com/en/news/fpt-news/fpt-software-ky-hop-tac-voi-honda>

[2] https://fpt.com/-/media/project/fpt-corporation/fpt/ir/information-disclosures/year-report/2023/october/fpt_earnings-report-9m2023.pdf

[3] <https://www.reuters.com/technology/vietnams-top-tech-firm-fpt-eyes-ai-chips-growth-no-immediate-plans-us-ipo-2023-09-14/>

[4] Source/reference: Factset consensus broker forecasts, as at 31 October 2023.

*Total return is calculated based on undiluted Net Asset Value, plus dividends reinvested and adjusted for the exercise of warrants and subscription shares

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