

22 Aug 2024

Vietnam Airlines JSC (HVN)

Debt write-off saved bottom line

A step back due to the low traveling season

- In 2Q24, HVN carried 5.8mn passengers (+14% YoY), and reported a VND24.9tn revenue (+20% YoY, Figure 1). In particular:
 - *Air transport & Ancillary*: revenue picked up to VND19.8tn (79% of total revenue, +17% YoY).
 - *Goods*: revenue jumped to VND4.3tn (17% of total revenue, +33% YoY).
- HVN's gross margin (GPM) was 14.5% inched down 354 bps QoQ due to (1) low traveling season, (2) jet fuel remains stable at around USD100/bbl. Notably, HVN's operating margin (OPM) was 5.6% inched down yet stayed above the pre-pandemic average thanks to higher airfare, our analysis also find cost efficiency (Figure 2). NPAT increased to VND1.0tn, however, excluding the VND2.97tn and VND1.5tn profits from the debt write-off in 1Q24 and 2Q24, HVN bore a VND330bn loss in 2Q24 (vs VND1,556bn in 1Q24, figure 3), which is in line with our [forecast](#) of NPAT loss in 2Q24.
- By the end of 6M24, HVN recorded VND5.3tn NPAT (fulfilling 124% of 2024 NPAT guidance).

Liquidation profits could add more to positive 2H24 outlook

- In July, HVN received 2 new aircraft, which would put more pressure on HVN's GPM in 2H24. We believe the incremental costs are not so significant to our positive estimates in the [2H24 Outlook report](#), and airlines have added more seats to accommodate the high season, (-9% YoY in August vs -14% YoY low in June, Figure 4).
- HVN would also liquidate 3 Airbus A321ceo (manufactured in 2007, fully depreciated) in 3Q24 starting from USD5mn/each. The average market value for a 15-year-old A321ceo is around USD18mn (Ishka, June 2024), we believe the bidding would be successful thanks to the low starting price.

	2019A	2020A	2021A	2022A	2023A
Sales (VND bn)	99,100	40,757	28,093	70,793	92,231
chg. (% YoY)	1.5	(58.9)	(31.1)	152.0	30.3
Operating profit (VND bn)	2,450	(11,898)	(13,231)	(11,218)	(5,978)
Net profit (VND bn)	2,537	(11,178)	(13,279)	(11,223)	(5,632)
EPS (VND)	1,172	(7,704)	(5,829)	(5,102)	(2,678)
chg. (% YoY)	(0.6)	(757.6)	-	-	-
EBITDA (VND bn)	8,832	3,645	2,510	6,331	8,231
PE (x)	26.29	(2.98)	(2.50)	(2.45)	(8.21)
EV/EBITDA (x)	8.23	(8.13)	(5.92)	(12.54)	21.78
PB (x)	2.41	5.14	21.46	(2.39)	(2.78)
ROE (%)	12.9	(89.3)	(329.4)	224.7	40.8
Dividend yield (%)	0.0	0.0	-	-	0.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

Source: Fiiipro, KISVN

12M rating **NON-RATED**

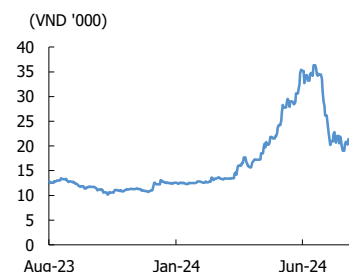
Stock Data

VNIndex (22 Aug, pt)	1,283
Stock price (22 Aug, VND)	22,050
Market cap (USD mn)	1,958
Shares outstanding (mn)	2,214
52-Week high/low (VND)	36,350/10,200
6M avg. daily turnover (USD mn)	3.70
Free float / Foreign ownership (%)	8.0/7.4
Major shareholders (%)	
Commission for State Capital (CMSC)	55.2
State Capital Investment Corp (SCIC)	31.1
ANA Holdings Inc.	5.6

Performance

	1M	6M	12M
Absolute (%)	(9.4)	74.3	71.6
Relative to VNIndex (%p)	(11.7)	68.8	60.9

Stock price trend

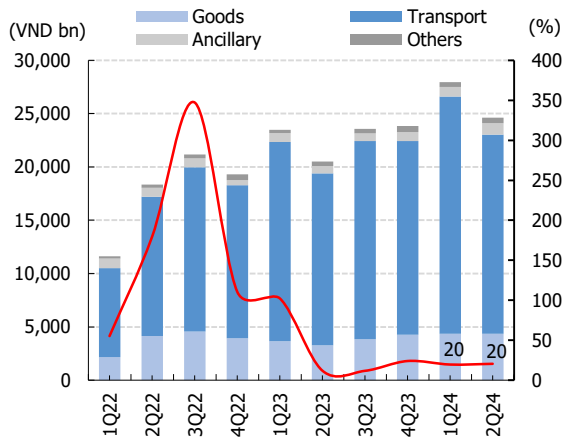


Source: Bloomberg

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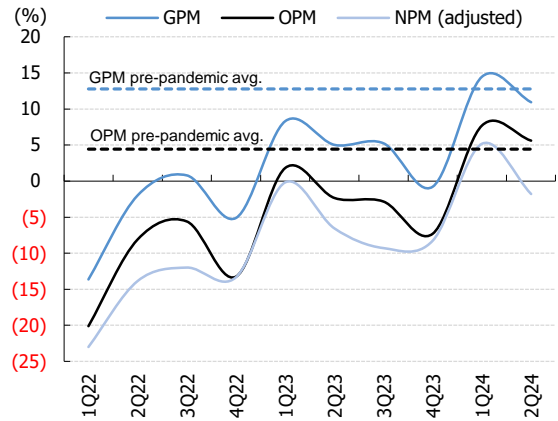
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Figure 1. Revenue up 20% YoY thanks to higher airfare and market share taken from weak players



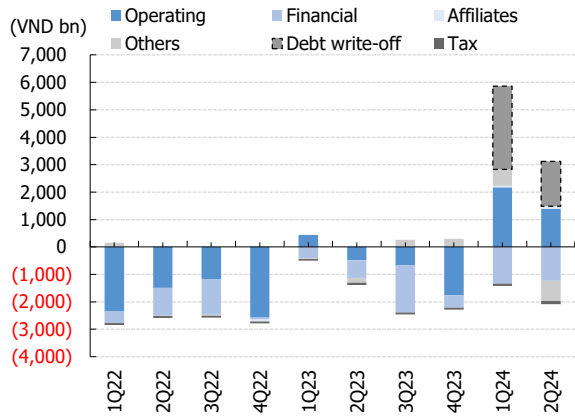
Source: Company data, KISVN

Figure 2. GPM and OPM inched down, but OPM stayed above average thanks to cost reduction



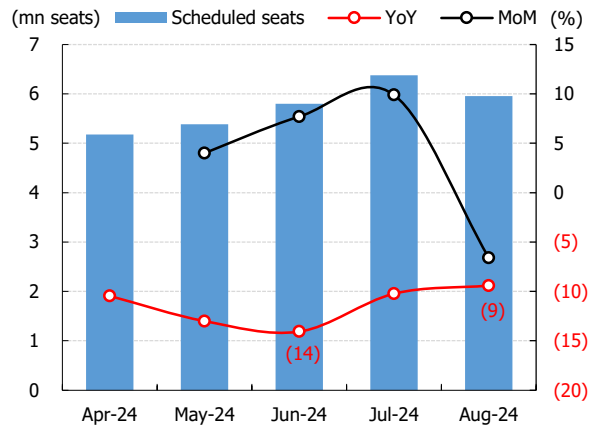
Note: NPM is adjusted by excluding debt write-off profits
Source: Company data, KISVN

Figure 3. Weak NPAT if excluding debt write-off profits



Source: Company data, KISVN

Figure 4. Airlines have added more seats for the high season



Note: Seats available for flights from/to Vietnam
Source: OAG

■ Company Overview

Vietnam Airlines JSC (HVN), a state-owned airline, was established in 1995. The company specializes in air transport services. At the end of 2023, HVN was operating 101 aircraft with 125 routes, including 45 domestic and 56 international routes.

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