

AVIATION OUTLOOK 2025

AWAIT THE RETURN OF DOMESTIC DEMAND





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What is the report about?

- 2025F outlook for the aviation sector
- Aircraft groundings in Vietnam
- HVN and VJC would have lower passenger yields in 2025F

Stronger economy fuels a more vibrant industry

I. Executive summary

In 9M24, total air passengers were down 9% YoY, and air traffic rose 8% YoY thanks to higher traffic from international travel. VN and VJC capitalized on this trend, with their combined 9M24 revenue soaring 22% YoY and surpassing pre-pandemic levels by 28%. This impressive performance was driven by (1) less competition, (2) the increase in international traffic, and (3) higher airfare.

In 2025F, we expect that (a) airfares could decline as new supply enters the market and stored aircraft gradually returns, and (b) consumers could spend more on leisure and travel thanks to a better economy. Hence, we expect the aviation industry to be more vibrant as domestic traffic recovers, and airlines' revenue growth in 2025F would be tied to the volume of passengers carried, not solely by the airfares increase, as seen in 2024. Amid the increase in international seat supply, current weak domestic demand, and airlines typically employing high operating leverage, they would likely opt for lower profit margins in the short term in exchange for higher air traffic. Therefore, any slowdown or stagnation in passenger volume growth in 2025F, it poses a significant risk to airlines.

Expansion faces challenges but luckily the number of grounded aircraft peaked

Airbus and Boeing lagged behind their production schedules due to supply chain disruptions and safety assurance, which would limit airlines' fleet expansion plans. Total scheduled seats had two months of recovery in Oct-24 and Nov-24 thanks to new aircraft deliveries and CAAV's increased flight schedule. Additionally, per our observation, the number of grounded PW1100G-powered aircraft in Vietnam has peaked at 26 out of 44 suggesting less pressure from capacity shortage and some aircraft would return to service in 2025F.

Carriers could enjoy rising demand and supply return to support growth

According to OAG, Southeast Asian carriers (SEA) are aggressively adding more international seats while reducing domestic seats to gain the international market share as domestic demand is softening. HVN and VJC 3Q24 business results unveiled the squeezing profits as competition arises in the international market. We believe this trend could persist in 2025, but as eased economic policy penetrates people would be willing to spend more on traveling, carriers could enjoy the best of both worlds where travel demand is rising and grounded aircraft are gradually back to the service to support revenue and profit growth.

According to the consensus, HVN has a potential upside of 26.6% and VJC's upside is 5.5%.

Table 1. Coverage valuation

Recommendation & TP			Earning & Valuation										
			Sales (VND bn)	OP (VND bn)	NP (VND bn)	EPS (VND)	BPS (VND)	ROE (%)	ROA (%)	PE (x)	PB (x)	EV/EBITD A (x)	
Vietnam Airlines JSC (HVN)	TP	N/A	2022A	70,410	(7,840)	(11,298)	(5,102)	(5,222)	-	(18.3)	-	-	(7.2)
	Price	34,500	2023A	91,540	(2,587)	(5,930)	(2,678)	(7,910)	-	(10.0)	-	-	(19.9)
	Market cap (VND bn)	60,896	2024F	104,606	5,572	6,703	2,846	(5,063)	-	(10.1)	9.4	-	14.5
			2025F	113,161	3,076	1,954	830	(4,234)	-	(2.5)	18.7	-	16.9
			2026F	119,496	2,241	1,456	618	(3,615)	-	(1.7)	21.8	-	20.5
Vietjet Air JSC (VJC)	TP	N/A	2022A	40,142	(3,464)	(2,262)	(4,178)	27,470	(14.3)	(3.8)	956	4.0	(21.8)
	Price	105,000	2023A	58,341	(529)	197	363	28,123	1.3	0.3	297	3.8	(158.2)
	Market cap (VND bn)	53,782	2024F	75,368	5,495	2,737	5,054	33,177	16.5	2.9	19.8	3.0	15.8
			2025F	72,360	1,896	648	1,197	34,374	3.5	0.7	83.0	2.9	45.8
			2026F	82,113	1,158	288	532	34,906	1.5	0.3	186.9	2.8	74.9

Source: Company Data, KISVN

Table 2: 2H24 business results

(VNDbn, %, %p)

	Revenue			NPAT		
	2024F	2025F	YoY	2024F	2025F	YoY
HVN	104,606	116,792	8	6,703	3,192	(43)
VJC	75,368	72,360	(2)	2,737	648	199
KIS coverage list	179,974	189,152	5.1	9,440	3,840	(59)

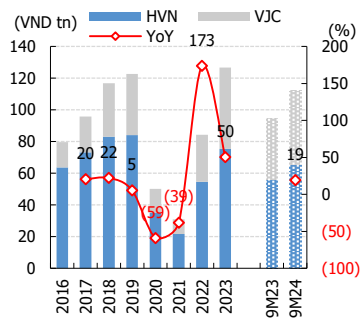
Source: Company data, KISVN

II. 9M24 – A MIXED BAG

1. Navigating turbulence

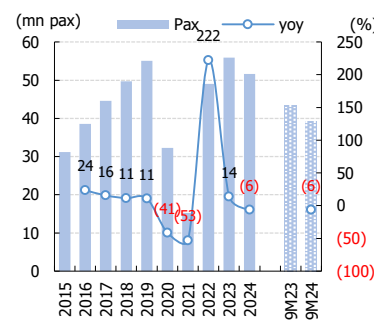
For 9M24, the aggregated revenue of the aviation industry (represented by HVN and VJC) reached VND12.6tn (+19% YoY, figure 1) thanks to higher fares and air traffic (+9% YoY, figure 2) despite lower passenger (-6% YoY, figure 3).

Figure 1. HVN & VJC's 3Q24 revenue increased 9% YoY



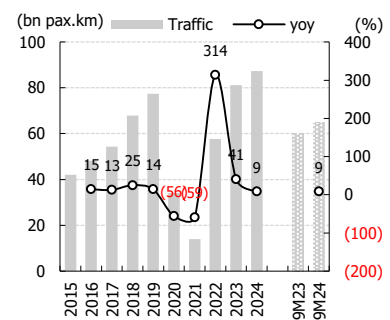
Source: VJC, HVN, KIS Research

Figure 2. Air passengers down 4% YoY in 3Q24



Source: GSO, KIS Research

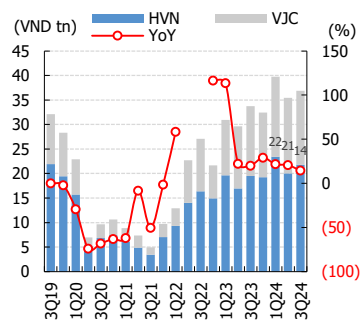
Figure 3. 3Q24 air traffic remains resilient with 7% YoY growth



Source: GSO, KIS Research

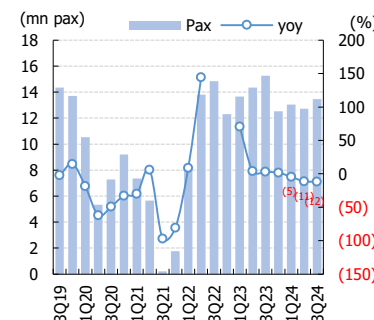
Vietnamese carriers enjoyed good 1Q24 earnings results thanks to (1) airfare hike, (2) less competition, and (3) strong international traffic growth. We first thought the strong international travel demand would continue in 2H24 but it turned out very different. The decline in the number of visitors from China in 3Q24 vs 2Q24, adverse weather conditions, and weak domestic travel demand due to high airfares led to less robust traffic growth in 3Q24 (Figures 5, 6). HVN and VJC's revenue growth slowed and profit margin contracted in 3Q24 (vs 1Q24) despite peak tourism season due to rising competition in Southeast Asia (SEA).

Figure 4. HVN & VJC's 3Q24 revenue increased 9% YoY



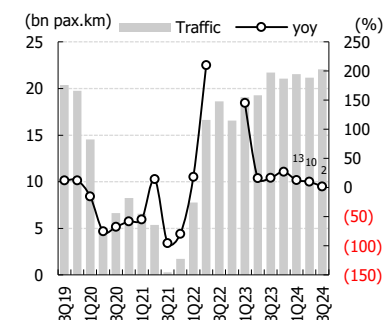
Source: VJC, HVN, KIS Research
Note: 2Q22 (+189% YoY), 3Q22 (+381% YoY); Revenue from transportation and ancillary

Figure 5. Air passengers down 4% YoY in 3Q24



Source: GSO, KIS Research
Note: 3Q22 (+6,625% YoY), 4Q22 (+598% YoY)

Figure 6. 3Q24 air traffic remains resilient with 7% YoY growth



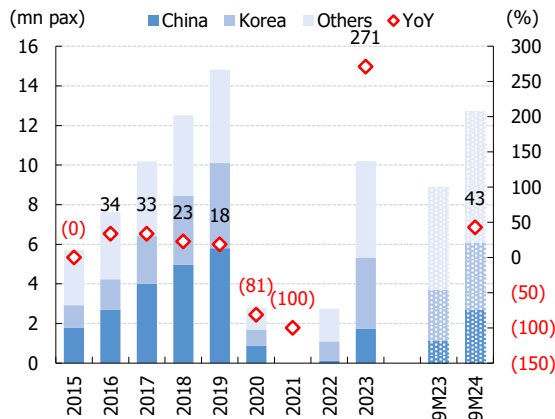
Source: GSO, KIS Research
Note: 3Q22 (+6,262% YoY), 4Q22 (+868% YoY)

2. The number of Chinese arrivals is lagging behind

The overall number of overseas visitors to Vietnam in 9M24 was 12.7 million (+43% YoY, figure 7), however, it fell 1.4% compared to 9M19 due to the slow recovery of the Chinese market. We saw growth slowing down in 3Q24 from Korea and other countries, contrary to the good momentum in 1H24 due to storms, heavy rains, and competition from other SEA countries (Figure 8).

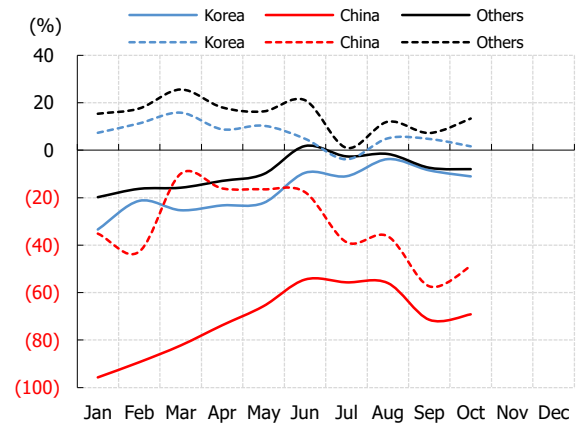
The recovery of Chinese tourists is lagging (historical patterns consistently reveal that Q3 is the busiest travel time for Chinese tourists) due to the slowing economy and the government’s stimulus to encourage domestic tourism, making domestic travel more appealing than traveling abroad. Figure 8 and 9 depict the recovery trend; whereas other markets remain resilient, the number of Chinese tourists plunged during 3Q24. Outbound travel posted negative growth in 3Q24 (figure 10).

Figure 7. Total overseas visitors in 9M24 increase 43% YoY



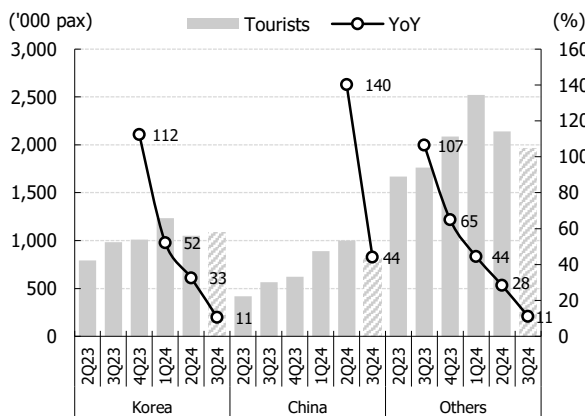
Source: VNAT, KIS Research

Figure 8. Recovery from Chinese tourist short-lived amidst growth in other markets



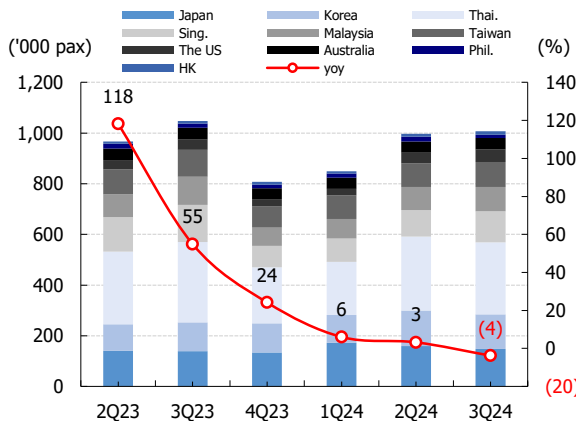
Source: Countries’ Tourism Board, KIS Research
Note: Solid line = 2023, Dash line = 2024; Growth vs same month in 2019

Figure 9. China’s recovery is lagging due to unusual travel pattern



Source: VNAT, KIS Research

Figure 10. Vietnamese outbound travel slowed down in July and August



Source: Countries’ Tourism Board, KIS Research

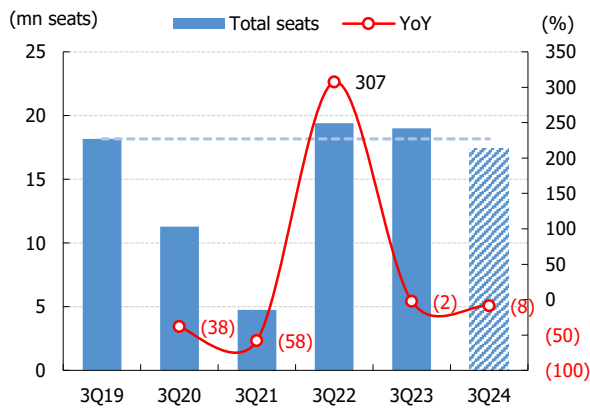
3. Airfares increased but not enough to maintain margins

Intensified overseas competition

Vietnam’s total scheduled seats in 3Q24 are down 8% YoY (figure 11), although this is greater than the lowest seat decrease of 14% YoY in Jun-24 as CAAV optimized slots and increased night flights. Similar to Vietnam, Asian countries are experiencing aircraft shortages and airfare hikes (figure 13). Budget carriers' growth has made people in Southeast Asia (SEA) used to cheap flights, however, the tables turned when aircraft shortages coincided with sluggish economic growth and decreased domestic travel demand. With strong international travel demand, higher yield, and chances to optimize flying time, SEA airlines quickly added more seats in 3Q24 (+13% YoY) to meet the international demand while domestic seats increased slower (+2% YoY, Figure 12).

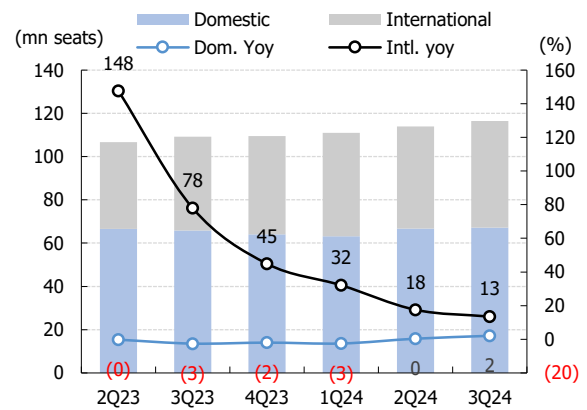
Aircraft leasing rates have surged since late 2023 amid an aircraft shortage (figure 13), forcing airlines to increase or extend existing contracts to maintain adequate seat capacity. However, Ishka data indicates that lease rates stabilized in 3Q24 (Figure 14). This plateau can be attributed to slowing revenue, rising costs, and airlines' having to re-evaluate their capacity.

Figure 11. Vietnam’s scheduled seats in 3Q24 were downed 8% YoY



Source: OAG, KIS Research

Figure 12. SEA carriers have been adding more international seats due to a weak domestic market



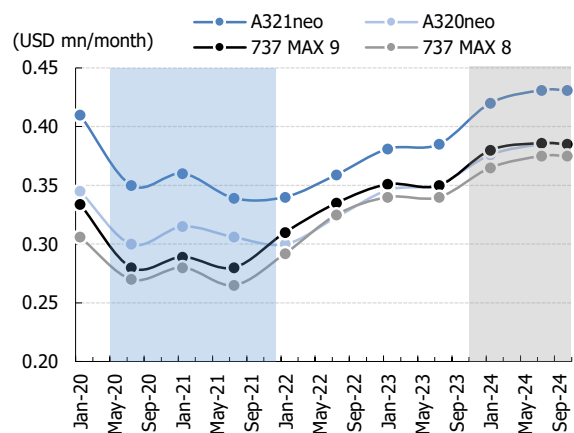
Source: OAG, KIS Research

Figure 13. Airfares rising across APAC, first from travel demand, now from capacity shortage

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
0	19%	28%	30%	21%	22%	22%	17%	22%	27%
1	19%	27%	31%	18%	19%	22%	15%	20%	28%
2	20%	27%	35%	22%	22%	25%	16%	20%	28%
3	21%	27%	35%	24%	22%	26%	18%	19%	29%
4	19%	26%	33%	24%	20%	25%	19%	17%	27%
5	19%	27%	33%	23%	22%	26%	20%	18%	27%
6	18%	27%	31%	24%	24%	27%	23%	18%	26%
7	18%	27%	31%	23%	25%	26%	23%	19%	25%
8	19%	26%	32%	25%	26%	25%	23%	20%	24%

Source: Infare, KIS Research
 Note: vs the same departure month and weeks pre-booked in 2019

Figure 14. Lease rates for new-built narrowbodies have plateaued since the summer

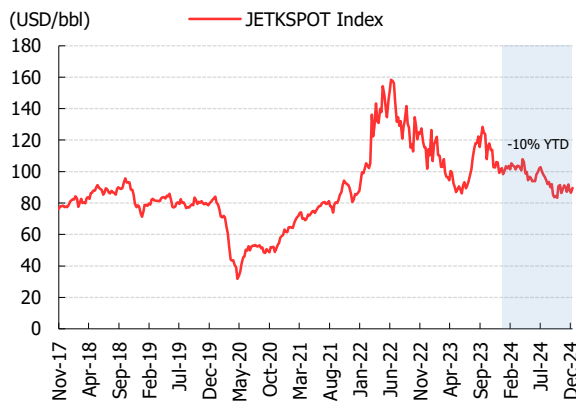


Source: Ishka

Eased jet fuel did not help much

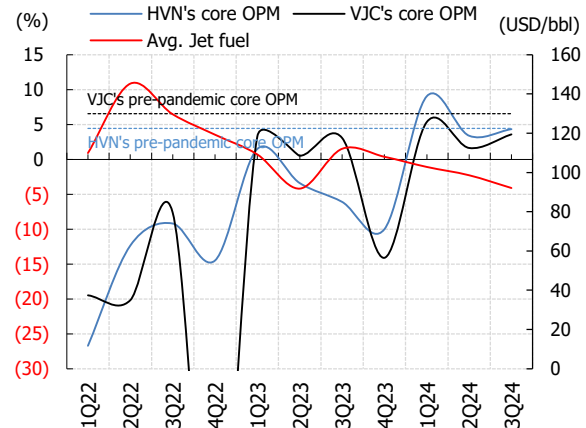
China's slowing economy and shift to greener energy put downward pressure on global oil demand, and jet fuel prices fell close to pre-pandemic levels (Figure 15). In the setting of weak domestic air travel demand and increasing competition in the international market, eased jet fuel doesn't help airlines improve their profit margins; on the contrary, it allows more aggressive pricing to get a slice of the international market.

Figure 15. Jet fuel prices declined 9% YTD



Source: Bloomberg, KIS Research
 Note: Data as end of Dec-24

Figure 16. HVN and VJC's OPM



Source: Company data, KIS Research
 Note: VJC's provision reversal for lease expenses is added back

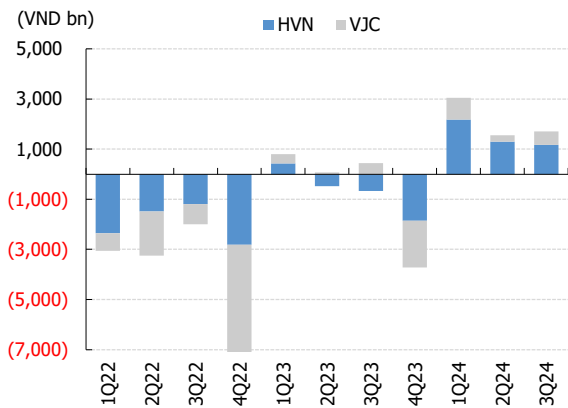
As a result ...

Historically, these airlines have enjoyed peak operating profit margins (OPM) during Q1 (Tet holiday) and Q3 (summer vacation). While strong travel demand during these periods traditionally limited passenger bargaining power, high airfares discouraged some price-sensitive travelers, particularly during summer. In 3Q24, both HVN and VJC struggled to maintain the high OPM achieved in 1Q24, primarily due to weak domestic demand and increased international competition.

Catering to a less price-sensitive customer base, HVN's 3Q24 OPM remained close to pre-pandemic levels. Conversely, VJC, with its focus on budget travel and international expansion, experienced a more pronounced decline in OPM compared to pre-pandemic levels (Figure 16).

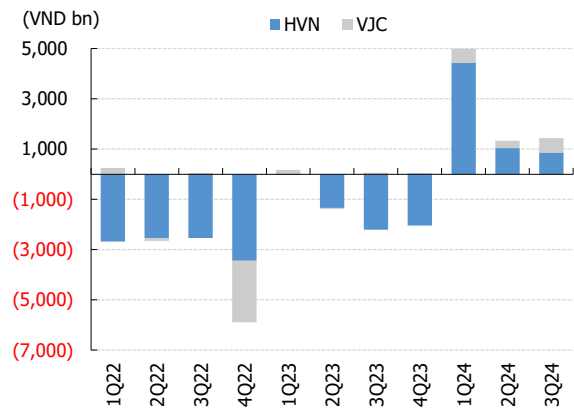
While both HVN and VJC have seen a rebound in operating profits, their net income has been significantly influenced by non-operating income, and SLB transactions (Figures 17 and 18). Consequently, we remain cautious on OP growth, especially as many new and overhauled aircraft are delivered during 4Q24.

Figure 17. HVN and VJC have 3 consecutive quarters of positive OP



Source: Company data, KIS Research

Figure 18. HVN and VJC's NPAT was largely influenced by one-off gains and VJC's SLB profits



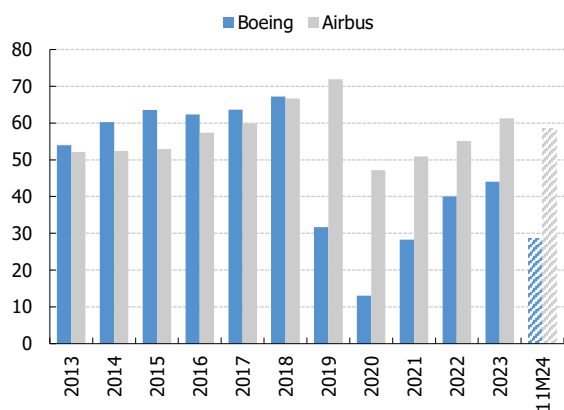
Source: Company data, KIS Research

III. 2025F – airfares decline as airlines ramp up fleet expansion

Global supply - The aircraft shortage continues, but luckily the most pressured period has passed

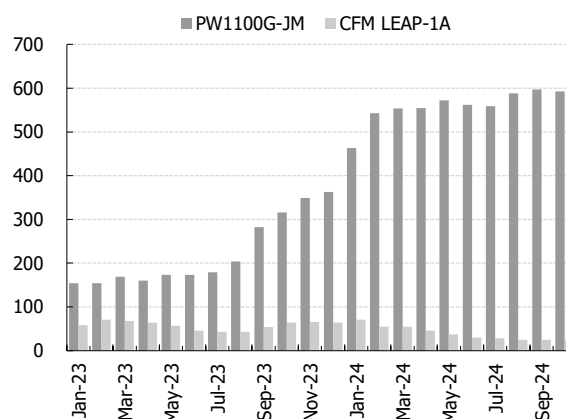
While Boeing and Airbus have modestly increased production since June, their output remains significantly below pre-pandemic levels due to persistent supply chain disruptions (Figure 19). Boeing's FAA-mandated reorganization could further delay its recovery. The 737 MAX production rate, currently capped at 38 per month, is hovering around 23. The number of grounded PW1100G-powered aircraft has stabilized near 600, indicating a potential increase in supply, which could alleviate the current shortage and drive down airfares in 2025F (Figure 20). Additionally, the number of grounded PW1100G-powered aircraft in Vietnam has peaked at 26 out of 44, suggesting a potential easing of capacity constraints and a return of some aircraft to service in 2025.

Figure 19. Boeing and Airbus' average deliveries a month fall far from pre-pandemic years



Source: Boeing, Airbus, KIS Research
 Note: Deliveries for all models

Figure 20. The number of stored PW1100G-powered aircraft has stabilized near 600



Source: Cirium, KIS Research
 Note: Data as of Oct-24, these are 2 engine options on A321neo and A320neo

Capacity recovered, airlines trading profit margins for higher traffic volume

Airlines' profitability hinges on robust economic growth and strong air travel demand, particularly given their high operating leverage. The climate of subdued air travel demand and high ticket prices poses significant challenges. In response, airlines add more seats, prioritizing passenger volume over short-term profit margins, and maintaining their market share. Data from OAG reveals a continued increase in international seats during 4Q24 (figure 22), driven by increased competition as tourists from colder regions seek warmer climates in Southeast Asia during the latter months of the year. In 4Q24, VJC received 8 A321neos, adding more seats to the market and bringing the total scheduled seats in Vietnam to surpass the same months in 2023 (figure 21). The introduction of new supplies from HVN and VJC into the market would significantly reduce airfares (Table 3). We expect the

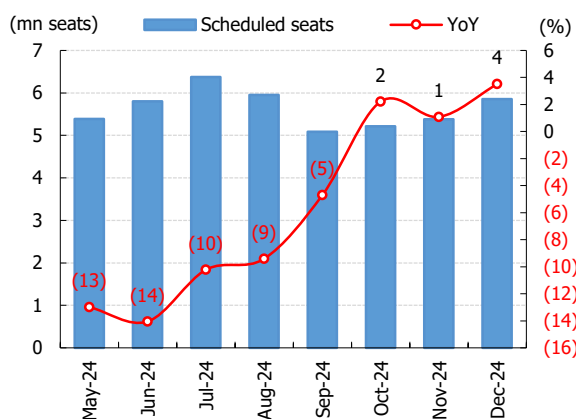
intense competition to persist throughout 2025F.

Table 3. Aircraft fleet in Vietnam

	Dec-23	Dec-24	2025F	
Vietnam Airlines Group (HVN)	101	101	102	
Vietnam Airlines (VNA)	91	93	94	15/20 impacted A321s are currently stored for maintenance
VASCO	6	5	5	
Pacific Airlines (PA)	4	3	3	All 3 are leased from VNA
Vietjet Air (VJC)	87	94	96	9/24 impacted A321s are currently stored for maintenance
Bamboo Airways	9	7	7	
Vietravel	3	2	2	
Total	200	204	207	
Total operating fleet	199	180	192	

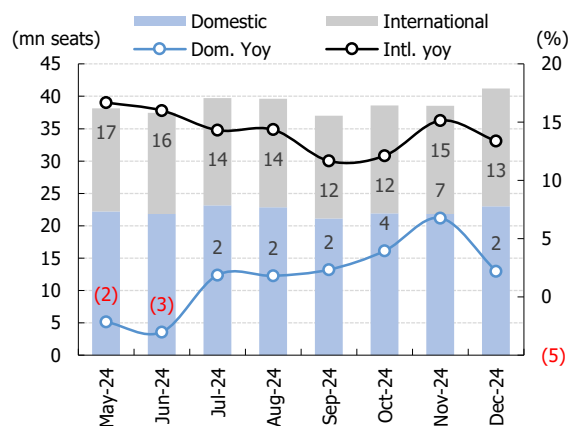
Source: Planespotters, KIS Research
 Note: Most new and overhauled aircraft were delivered during 4Q24

Figure 21. Total scheduled seats in Vietnam have 3 months of recovery



Source: OAG, KIS Research

Figure 22. Domestic would drive traffic growth as overseas competition increases



Source: OAG, KIS Research

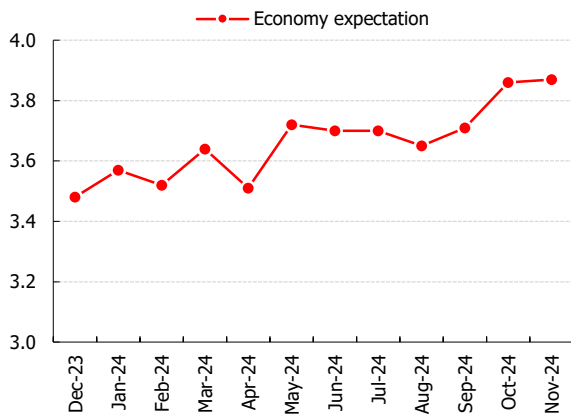
Demand - Stronger economy fuels a more vibrant industry

We expect air passenger and air traffic in 2025F to grow at 8% and 15% respectively (figures 25 and 26) by following key points:

- (1) **Domestic market.** Intage’s survey indicated a generally optimistic consumer outlook on the economy (Figure 23). However, recent months have witnessed a decline in income expectations, resulting in reduced consumer spending (Figure 24). This partly explains the deceleration of domestic demand and the subsequent deterioration in airlines’ domestic revenue. While the stimulative effects of government spending may take time to materialize, we anticipate a recovery in consumer confidence in 2025F. Concurrently, increased airline capacity is expected to lower travel costs, thereby bolstering domestic travel demand and air traffic.

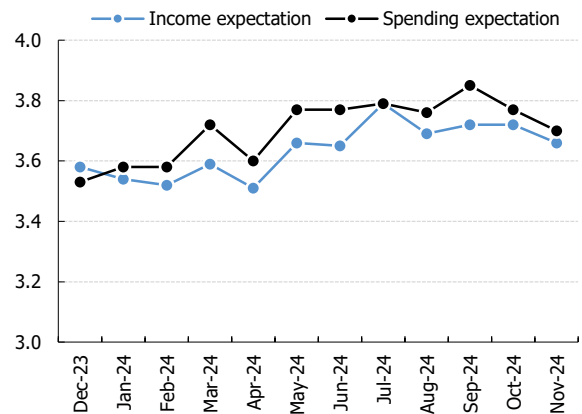
- (2) **International market.** We anticipate international arrivals to grow by 20% in 2025F, mirroring the average growth observed in the pre-pandemic period. Furthermore, we expect outbound travel (excluding China) to fully recover to pre-pandemic levels in 2025. This projection is supported by IATA's forecast of a 1.8% decrease in global average airfares compared to 2024, coupled with Vietnam's continued appeal as a travel destination.
- (3) **Carrier's expansion.** HVN and VJC express confidence in their plans as they accelerate aircraft deliveries in 4Q24 (11/15 new aircraft are delivered in 4Q24).

Figure 23. Consumers are more optimistic about the overall economic outlook



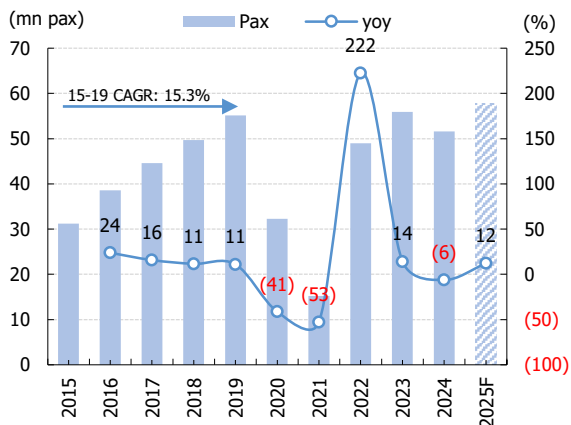
Source: Intage, KIS Research
 Note: 1-Totally worsen, 2-Somewhat worsen, 3-Neutral, 4-Somewhat improve, 5-Totally improve

Figure 24. ... but they have lowered expectations about income and are more cautious about spending



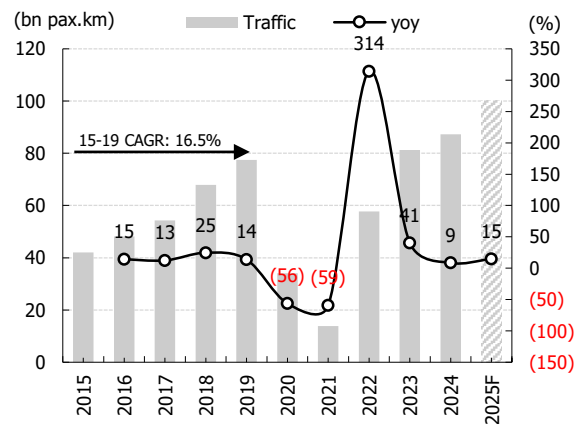
Source: Intage, KIS Research
 Note: 1-Totally worsen, 2-Somewhat worsen, 3-Neutral, 4-Somewhat improve, 5-Totally improve

Figure 25. Total air passengers are expected to increase 8% YoY thanks to lower airfares



Source: GSO, KIS Research

Figure 26. Domestic would drive traffic growth as overseas competition increases



Source: GSO, KIS Research

Jet fuel is expected to lower in 2025F as oil production exceed demand

The global energy landscape is undergoing a significant transformation, with a pronounced shift away from fossil fuels towards more sustainable energy sources. Mature economies are actively reducing their reliance on oil, resulting in a scenario where global oil production now surpasses demand. Based on the Energy Information Administration (EIA) forecast, Brent crude oil prices are anticipated to average around USD74/bbl in 2025F. Concurrently, we expect a decline in jet fuel prices, with an average of approximately USD90/bbl in 2025F (-6% YoY). This moderation in fuel costs, combined with the substantial increase in airline capacity in late 2024, is expected to alleviate airfares and stimulate travel demand, especially for price-sensitive domestic market.

In 2025F, we expect yields on the domestic market to maintain or improve thanks to better consumer confidence while yields on the international market may face pressures due to rapid capacity expansion and intensifying international competition. Efficiently tapping into the domestic market will be crucial for driving profit growth next year.

IV. Risks to be considered

Airlines prioritize passenger traffic growth, especially VJC as they rapidly expand their fleet in a short time, potentially sacrificing short-term profitability. A decline in travel demand would significantly impact their earnings and facilitate an aggressive pricing strategy thanks to the recent easing of jet fuel costs to maintain market share effectively. This strategy would further compress their passenger yield.

The recent Jeju Air accident has raised safety concerns and may erode consumer confidence, potentially impacting airline operations. While HVN and VJC do not operate Boeing 737s and boast strong safety records, the negative sentiment could temporarily affect their operations. We anticipate this negative impact to be short-lived and minimal for both Vietnamese carriers.

Company Analysis

Vietnam Airlines JSC

HVN

Vietjet Air JSC

VJC

Vietnam Airlines JSC (HVN)

NON-RATED

Stock price (Jan 9, VND)	27,500
Market cap (USD mn)	2,399
Shares outstanding (mn)	2,214
52-Week high/low (VND)	36,350/12,300
6M avg. daily turnover (USD mn)	2.75
Free float / Foreign ownership (%)	8.0/7.8
Major shareholders (%)	
Commission for State Capital (CMSC)	55.2
State Capital Investment Corp (SCIC)	31.1

Yr to	Sales	OP	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND)	(x)	(x)	(x)	(%)	(%)
2022A	70,410	(7,840)	(11,298)	(5,102)	-	(5,222)	-	-	(18.3)	-	0.0
2023A	91,540	(2,587)	(5,930)	(2,678)	-	(7,910)	-	-	(10.0)	-	0.0
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2026F	119,496	2,241	1,456	618	(26)	(3,615)	21.8	-	(1.7)	-	0.0

Source: Company data, KIS Research

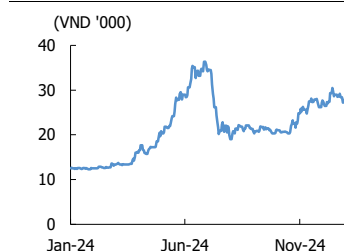
Note: NP and EPS attributed to controlling interest

Increased competition in domestic market

Performance

	1M	6M	12M
Absolute (%)	1.1	(19.6)	120.0
Rel. to VNI (%p)	3.2	(17.5)	110.7

Stock price



Source: Bloomberg

Stronger core business. In 9M24, HVN reported VND79.2tn net revenue (+20% YoY), VND6.3tn NPAT (turnaround) with consecutive 3 quarters of positive OP and strong OPM signaling a full recovery post pandemic. The improvement in HVN's business results was mainly thanks to higher air traffic and better aircraft utilization resulted from less competition in domestic market.

Table 3. HVN earnings forecast

(VNDbn, %)

	1Q25F	2Q25F	1H25F			2025F	Consensus		
				YoY	QoQ		YoY	1H25F	2025F
Revenue	31,235	27,462	58,697	11.7	12.8	116,792	11.6	-	-
Air transport	25,935	22,151	40,652	12.0	16.4	94,389	12.0	-	-
Goods and others	5,300	5,311	8,537	10.0	(1.0)	22,403	10.0	-	-
NPAT	1,672	571	2,243	(58.3)	69.9	3,192	(52.4)	-	-

Source: Company data, Bloomberg, KIS Research

Note: USD/VND = 26,000; Jet fuel price = USD90/bbl

Increased competition could pressure passenger yield. In 2025F, revenue could reach VND116.8tn (+12% YoY) while NPAT contract to VND3.2tn (-52% YoY) due to significant one-off gains in 2024.

- Returned aircraft to support traffic growth:** Of the 20 aircraft requiring engine maintenance, 15 are stored, while 2 have recently returned to service. We expect HVN's operating fleet to increase 14% YoY, however, increased competition and a gradual domestic demand recovery may pressure passenger yield.
- Subsidiaries' goods and services:** we expect the segment to maintain pre-covid average growth of 10% which is also in line with 8% growth in air passenger.

HVN is currently trading at 26 1-year rolling forward EV/EBITDA, which is close to +1.2 SDs pre-covid average EV/EBITDA of 9.7. The consensus target price is VND34,500 (Bloomberg), which implies an upside of 25.5% from the current market price.

Risks: Escalated geopolitical events may lead to higher USD/VND rates, fuel prices and flight rescheduling, which will largely impact airlines' revenue and profits.

Vietjet Air JSC (VJC)

NON-RATED

Stock price (Jan 9, VND)	99,300
Market cap (USD mn)	2,119
Shares outstanding (mn)	542
52-Week high/low (VND)	118,800/99,200
6M avg. daily turnover (USD mn)	3.05
Free float / Foreign ownership (%)	52.5/13.1
Major shareholders (%)	
Sunny Huong Duong Investment	28.6
Nguyen Thi Phuong Thao	8.8

Yr to	Sales	OP	NP	EPS % chg	BPS	PE	P/B	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND) (yoy)	(VND)	(x)	(x)	(x)	(%)	(%)
2022A	40,142	(3,464)	(2,262)	(4,178) 9	27,470	956	4.0	(3.8)	(14.3)	0.0
2023A	58,341	(529)	197	363 (3,133)	28,123	297	3.8	0.3	1.3	0.0
2024F	75,368	5,495	2,737	5,054 1,292	33,177	19.8	3.0	2.9	16.5	0.0
2025F	72,360	1,896	648	1,197 (76)	34,374	83.0	2.9	0.7	3.5	0.0
2026F	82,113	1,158	288	532 (56)	34,906	186.9	2.8	0.3	1.5	0.0

Source: Company data, KIS Research

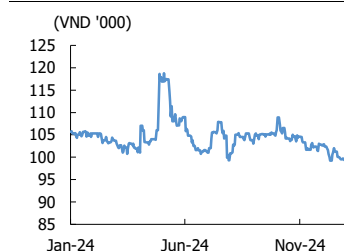
Note: NP and EPS attributed to controlling interest

The trading game

Performance

	1M	6M	12M
Absolute (%)	(3.3)	(1.7)	(6.1)
Rel. to VNI (%p)	(1.3)	0.4	(15.3)

Stock price



Source: Bloomberg

Compressed OPM due to weaker demand and increased competition. In 9M24, VJC reported VND52.2tn net revenue (+19% YoY), VND1.4tn NPAT (7.3x vs 9M23). VJC start the year with robust earnings in Q1, however, Q3 witnessed a decline in demand and intensified competition from Southeast Asian airlines, resulting in a compressed OPM.

Table 4. VJC earnings forecast

(VNDbn, %)

	1Q25F		2Q25F		1H25F		2025F		Consensus	
					YoY	QoQ		YoY	1H25F	2025F
Revenue	19,558	18,603	38,161	12.1	(7.7)	72,360	4.0	-	-	-
Air transport	18,233	17,277	35,510	11.8	25.9	67,057	11.8	-	-	-
Aircraft sales	1,326	1,326	2,651	16.4	(79.8)	5,303	(65.6)	-	-	-
NPAT	215	98	312	(62.6)	(80.5)	648	(76.3)	-	-	1,690

Source: Company data, Bloomberg, KIS Research

Note: USD/VND = 26,000; Jet fuel price = USD90/bbl

A trade-off between growth and profitability. Revenue and NPAT in 2024F are forecasted to reach VND65.6tn (+5% yoy) and VND1.4tn (+310% yoy) respectively.

- Air transport:** VJC currently has 24 aircraft impacted by engine issues, with 9 undergoing repairs and 3 recently returned to service. In 2H24, VJC significantly expanded its fleet with 8 new aircraft, resulting in our estimate of 13% YoY growth in the total operating fleet. To drive traffic growth and maintain market share, VJC is prioritizing fleet expansion over short-term profitability. This strategy, while crucial for market dominance, may negatively impact passenger yield in 2025F.
- Aircraft sales:** We expect VJC continues expand its fleet with 4 new aircraft under SLB transactions in 2025F.

VJC is currently trading at 46 1-year rolling forward EV/EBITDA, which is +12x SDs pre-covid average EV/EBITDA of 13.1. The consensus target price is VND105,000 (Bloomberg), which is 5.7% higher than the current market price.

Risks: VJC faces a significant risk from an ongoing legal dispute with Fitz Walter Aviation (FWA) regarding aircraft lease contracts. VJC has informed us that they have appealed the initial ruling. In the event of an unfavorable outcome in the upcoming trial scheduled for 2025, VJC has stated that they and FWA can negotiate with FWA for a lower compensation.

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- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

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