

2H25F AVIATION OUTLOOK

HOLD ALTITUDE



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2H25F Aviation Outlook

Hold altitude

Sector Rating	<div><div>NEGATIVE</div><div>NEUTRAL</div><div>POSITIVE</div></div>
Sector Overview	<ul style="list-style-type: none">• In 1Q25, domestic passenger volume continues to recover and a significant surge in Chinese visitors. We attribute the recovery of domestic passengers to a decline in airfares as airlines increased their capacity. Meanwhile, international passenger volume benefited greatly from a sharp increase in arrivals from China, fueled by cultural and tourism programs hold by Vietnam and China.• Notably, even though Vietnam's total seats in 1Q25 increased 6%, both Vietnam's 2 main carriers (HVN & VJC) experienced great performance in 1Q25, unlike others in SEA whom face weakness in their traditional market or rising costs. We think the growing trend of tourists choosing Vietnam for their travel experiences, effective domestic strategy and lower jet fuel prices are drivers of strong results in 1Q25.
2H25F Outlook	<ul style="list-style-type: none">• Industry outlook:<ul style="list-style-type: none">• Supply: VJC and Vietravel would be receiving new AC, bringing Vietnam's AC fleet to 213 (+4% yoy). More importantly, the number of active aircraft is projected to grow by 9% yoy, indicating a significant boost in operational capacity.• Demand: We expect domestic pax to continue its recovery while international travel enter peak season of the year. This combination is projected to result in 22%/19% in pax/air traffic in 2H25F• Companies' profit margin: Even though airfares could decline due to increased supply, we anticipate a positive impact on airline profitability. With currently low jet fuel prices, we believe Vietnam Airlines (HVN) and Vietjet Air (VJC) will benefit significantly. Not all of the cost savings from lower fuel prices are expected to be passed on to customers, which should lead to improved profit margins for these carriers.
Recommendation	<ul style="list-style-type: none">• Based on our analysis, we rate POSITIVE recommendation for Aviation Sector.

AVIATION SECTOR COVERAGE LIST

Table 1. Sector coverage list

Ticker	Recommendation	TP	Upside	2025F Rev	2025F NPAT	Rev - yoy	NPAT - yoy	2025F ROE	Trailing PE	Trailing PB	Current DY
HVN	Non-rated	-	-	117,853	8,910	11.2	12.0	-	7.4	-	-
VJC	Non-rated	-	-	84,741	2,307	17.6	64.3	12.6	41.7	3.4	-



2H25F Aviation

I. Industry analysis

1. 1H25 – Sweet spot
2. 2H25 – Profits hold altitude

1. 1H25 – Sweet spot

Revive domestic market & lower jet fuel price support a surge in profits

Figure 1. HVN & VJC's 1Q25 transport revenue increased 10% YoY

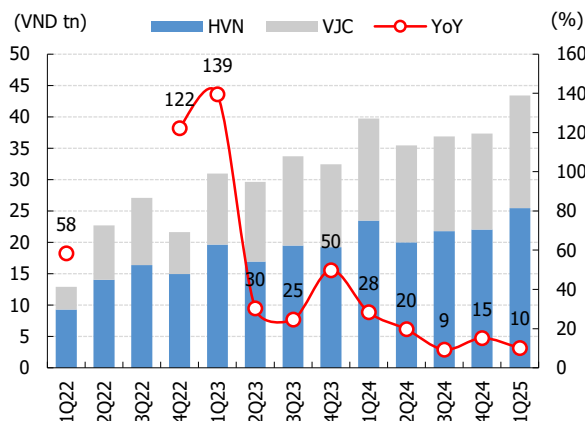


Figure 2. Total air passengers rebounded 6% YoY in 1Q25

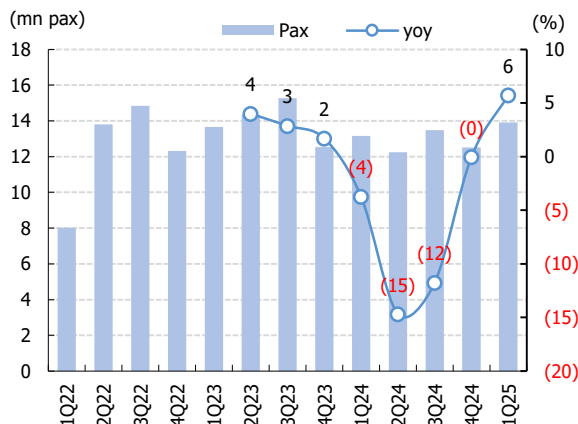
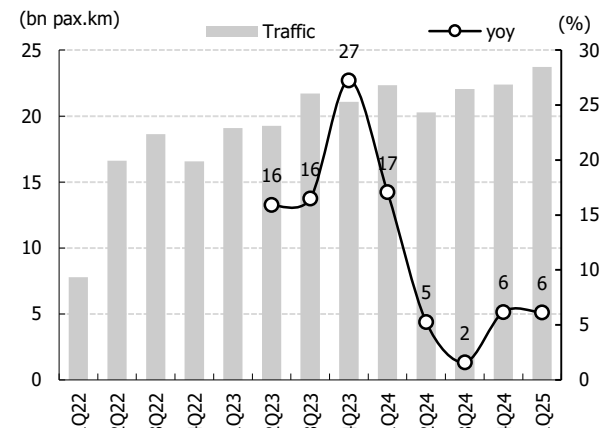


Figure 3. 1Q25 air traffic remains resilient with 6% YoY growth



Source: Company Data, NSO, KIS Research

Industry overview

- VJC & HVN's total transport revenue in 1Q25 was up 10% yoy mostly contributed by (1) higher demand from both international and domestic market, (2) declining jet fuel.
- Per our observation, new aircraft deliveries allowed airlines to offer more seats and reduce airfares. This, in turn, stimulated domestic demand, which was hit by high airfares in 2024.
- Increased capacity in peak season, lower fuel prices – airlines found their sweet spot.

1. 1H25 – Sweet spot

Demand – Chinese tourists are returning strong, leading inbound travel growth

Figure 4. Chinese tourists are returning strong, leading inbound travel growth

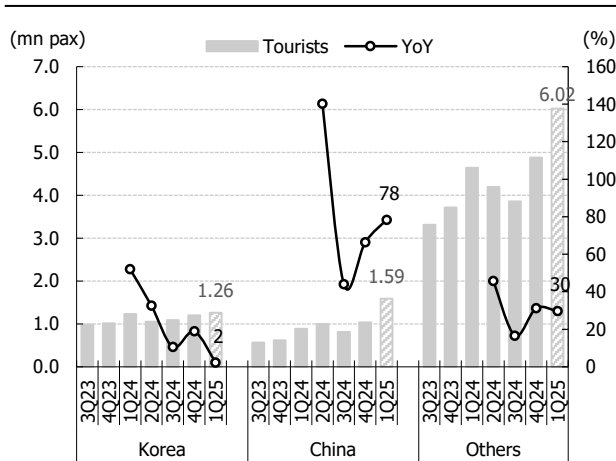


Figure 5. Vietnamese outbound travel in 1Q25 rebounded 1% YoY

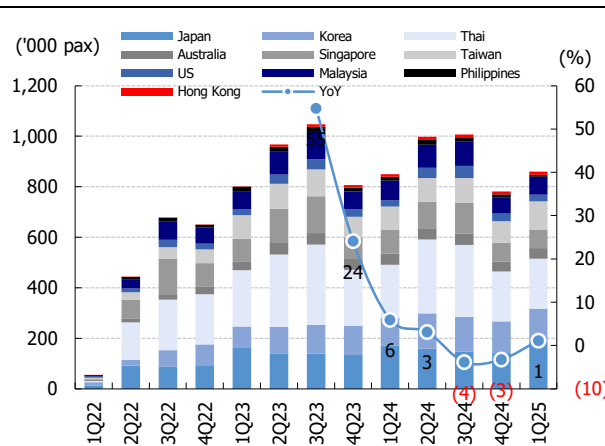
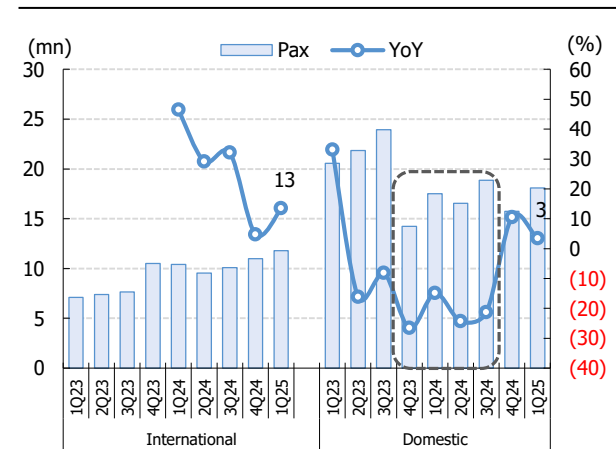


Figure 6. ACV's pax volume shows the recovery of domestic demand



Source: NSO, ACV, Countries' Tourism Boards, KIS Research

Inbound

- Overseas arrivals in 1Q25 were 6mn (+30% yoy), which was driven by China market as Korea market growth slows down.

Outbound

- Outbound travel growth has rebounded in 1Q25 (+1% yoy) with a shift of Vietnamese preference from Southeast (Thailand, Malaysia, Singapore...) to East Asian destinations (Taiwan, China, Japan, Korean...) as traveling costs lower.

Domestic

- ACV's total domestic pax throughput also see 2 quarters of recovery.

1. 1H25 – Sweet spot

Supply – Seats in Vietnam increased, but see less competition unlike others

Figure 7. Scheduled seats in 1Q25 were up 6% YoY

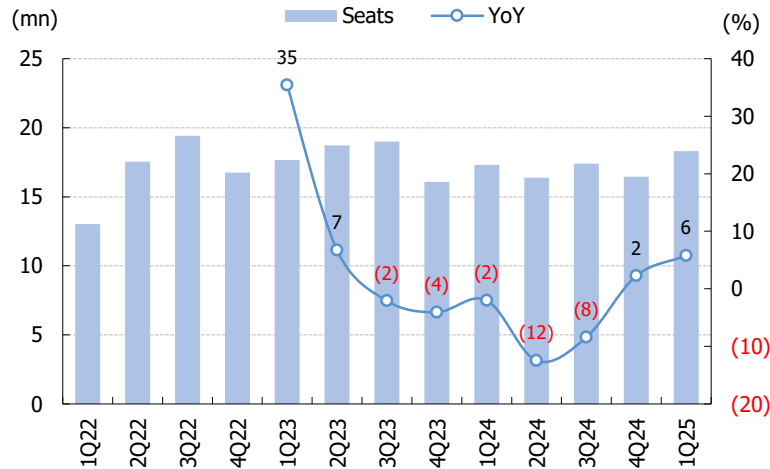


Figure 8. We also saw the airlines now look into their domestic market.

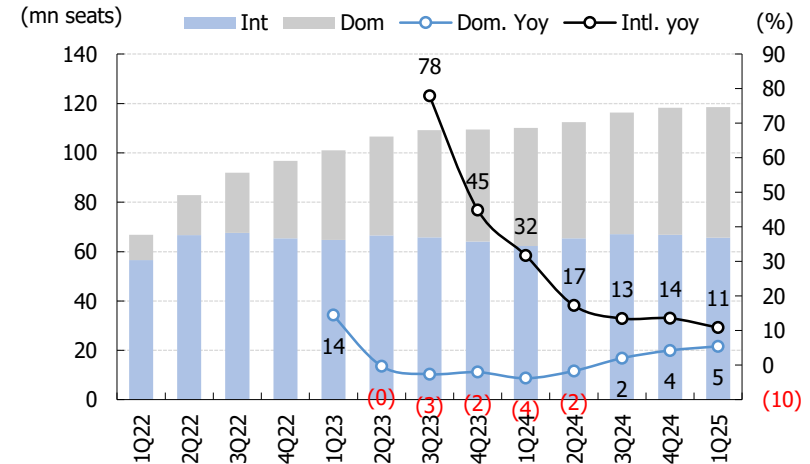
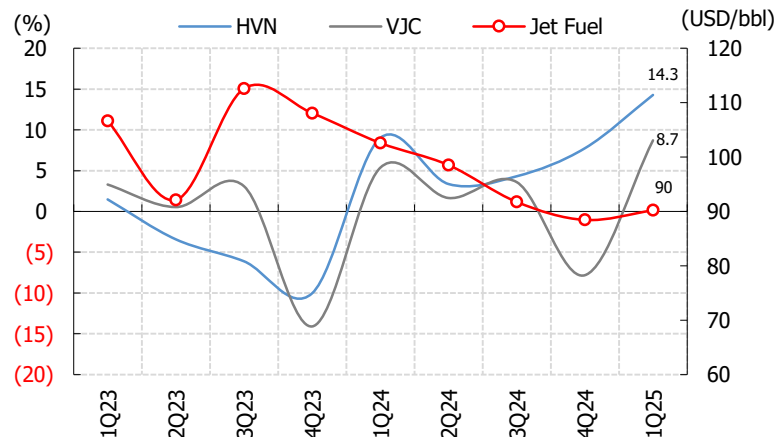


Figure 9. HVN and VJC's OPM soared thanks to 12% yoy decline in jet fuel



Capacity

- SEA carriers airlines have increased domestic seat capacity to offset challenges like weak sentiment in traditional international markets or rising operating costs, with Vietnam's scheduled seats up 6% in 1Q25.

Impact on VJC & HVN:

- After suffering weak domestic demand in 2024, VJC and HVN's strategy to increase supply and lower airfares led to a rebound in domestic passenger volume in 4Q24 and 1Q25.
- Further reduction in fuel prices also provided VJC and HVN with more room to maximize profits, leading to a **significant increase in 1Q25 OPM** despite the increased supply.

2. 2H25F – More supply incoming

Supply – Such a sweet time for airlines to be more aggressive

Figure 14: Total seats in 1H25 rise 10% YoY, we expect this growth to continue in 2H25F align with fleet growth

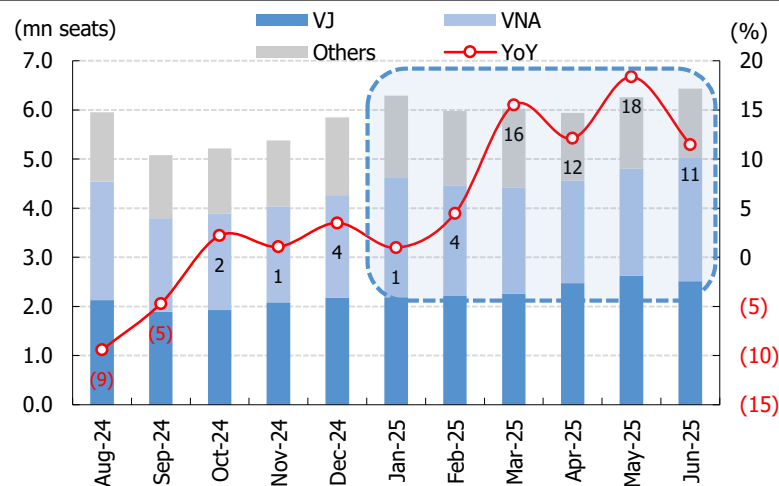


Figure 15: Domestic seats growth has been higher since 4Q24 as traditional international markets have weaker sentiment.

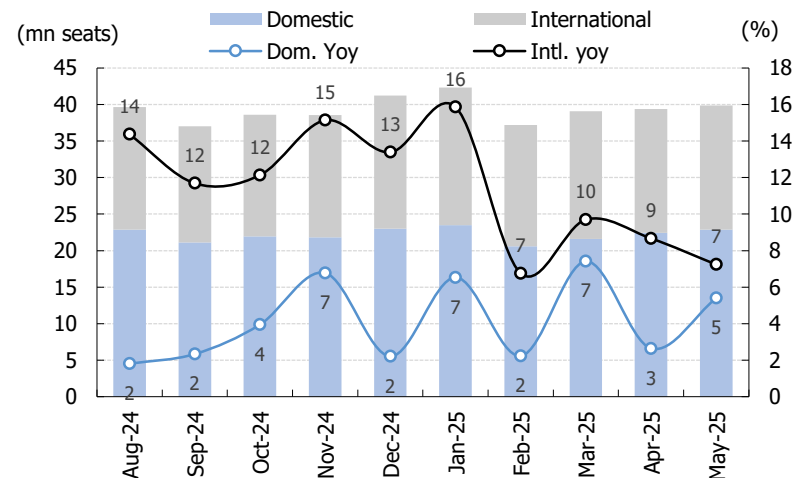


Table 3. Vietnam's aircraft fleet:

Carrier	Dec-23	Dec-24	Dec-25	
Vietnam Airlines group (HVN)	101	101	101	12/20 PW AC under maintenance
Vietjet Air (VJC)	87	94	101	10/22 PW AC under maintenance
Bamboo Airways	9	7	7	
Vietravel	3	2	4	
Total	200	204	213	
Operating	200	182	198	
Growth		-9.0%	8.8%	*End of year

- Domestic passenger volume began recovering in 1Q25 after a year-long decline, fueled by increased supply and lower airfares. We anticipate this gradual recovery will continue throughout 2025, as sustained supply growth and further fare reductions encourage cautious consumers to resume domestic air travel.
- Total scheduled seats in Vietnam continue to increase as the total fleet expands (+9% YoY), and airlines are even more aggressive as jet fuel prices move in their favor.

=> Affordable airfares stimulate demand, lower jet fuel continues to gives airlines room to improve profit margin in 2H25F.

2. 2H25F – Airfares decline as airlines ramp up fleet expansion

Domestic demand gradually recover along with strong international travel demand

Table 2. We expect (1) total domestic pax to increase 9% yoy driven by the recovery of domestic pax as airfares decline, yet still lower than 2023 and 2019 due to ongoing weak consumer confidence; (2) total international pax increase 16.5% yoy thanks to (a) 2% growth in outbound pax and (b) 20% yoy inbound pax growth, mirroring 5M25 inbound growth of 23%

	Outbound Pax** (mn)	Inbound Pax (mn)	Domestic Pax (mn)	International Pax (mn)	Domestic Flown Distance (‘000 km)	International Flown Distance (‘000 km)	Blended Flown Distance (‘000 km)
2019	3.89	14.4	36.4	18.7	1.00	2.19	1.405
- 15-19 Growth	16.0%	23.0%	12.8%	21.2%	12.0%	-9.1%	1.6%
2024	3.64	14.8	32.2*	19.2*	0.86*	2.99*	1.694
- Growth	0.4%	35.6%	-20.0%	22.8%	0.0%	0.0%	16.5%
2025F	3.71	17.81	35.06	22.39	0.86	2.99	1.687
- Growth	2.0%	20.0%	9.0%	16.5%	0.0%	0.0%	-0.4%

Figure 12. 2H25F air pax is estimated to increase 22% YoY, we believe that lower ticket prices would boost domestic demand

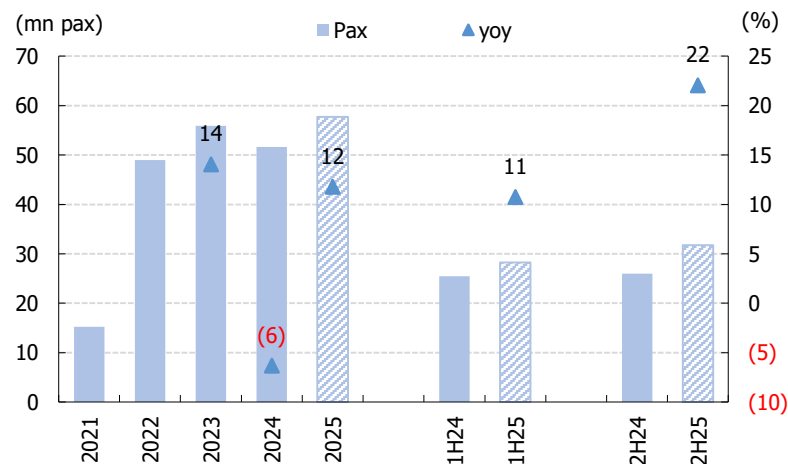
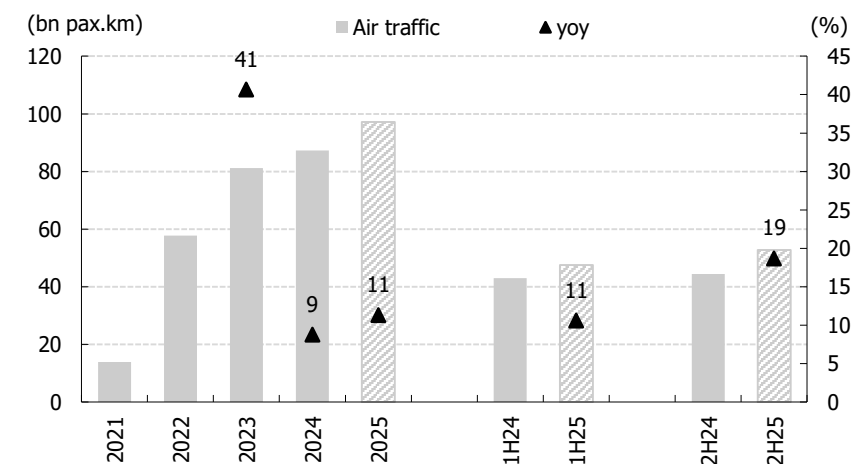


Figure 13. 2H25F air traffic up 19% YoY, we expect lower average flown distance per pax and 11% yoy growth in 2025 air traffic.



Source: Countries' Tourism Boards, ACV, GSO, KIS Research

(*) Estimates, (**) To selected countries

true friend

KIS Viet Nam
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Aviation 2H25F – Profits hold altitude

II. Company analysis

1. HVN – Improved efficiency is now paying off
2. VJC – Fuel down to suit their favors

1. HVN – (NON-RATED)

Improved efficiency is now paying off

Investment Theme

- VNA has increased more economy seats to expand their customer base, and open new routes to India and North East Asia destinations.
- Jet fuel are low, es. at 86 USD/bbl (-10% YoY) in 2025F.
- Domestic market reacted well to lower airfare t. to avgas domestic passengers in 1Q25 rebounded.

Risks to be considered

- Operating new routes could bear losses due to lower anticipated demand.
- Lengthened geopolitical tensions in the Middle East could lead to a rise in fuel prices.

Table 4. KIS Research forecast on HVN, 2025-2027F

	1Q25	2Q25F	3Q25F	4Q25F	2024A	2025F	2026F	2027F
Net Revenue	30,551	26,192	30,713	30,398	105,942	117,853	119,232	128,022
Transportation	25,935	21,215	25,504	25,670	88,518	98,324	97,554	104,177
Goods	4,616	4,976	5,209	4,728	17,424	19,529	21,678	23,845
Growth (%)	9.3	6.5	15.5	13.5	15.7	11.2	1.2	7.4
Transportation	9.8	4.8	15.8	13.4	15.7	11.1	-0.8	6.8
Goods	6.0	14.3	14.0	14.0	15.8	12.1	11.0	10.0
Gross Profit	6,271	4,245	4,764	5,469	13,902	20,749	15,368	16,473
% yoy	53.5	62.1	73.6	22.8	257.8	49.3	-25.9	7.2
% gross margin	20.5	16.2	15.5	18.0	13.1	17.6	12.9	12.9
Operating Profit	4,145	2,805	2,776	2,679	6,813	12,405	7,556	8,129
% yoy	90.3	115.6	137.9	23.6		82.1	-39.1	7.6
% OP margin	13.6	10.7	9.0	8.8	6.4	10.5	6.3	6.4
Net Profit	3,486	1,787	1,760	1,666	7,958	8,910	4,399	5,044
% yoy	-21.5	72.7	104.1	66.0		12.0	-50.6	14.7
% net margin	11.4	6.8	5.7	5.5	7.5	7.6	3.7	3.9
% ROE							769.3	95.3
Multiple ratio								
PE					7.4	9.4	19.1	16.6
PB							31.9	11.3
DY					0.0	0.0	0.0	0.0

1. HVN – (NON-RATED)

Improved efficiency is now paying off

Figure 18. Large unit profit could hold, but larger operating fleet could compress it

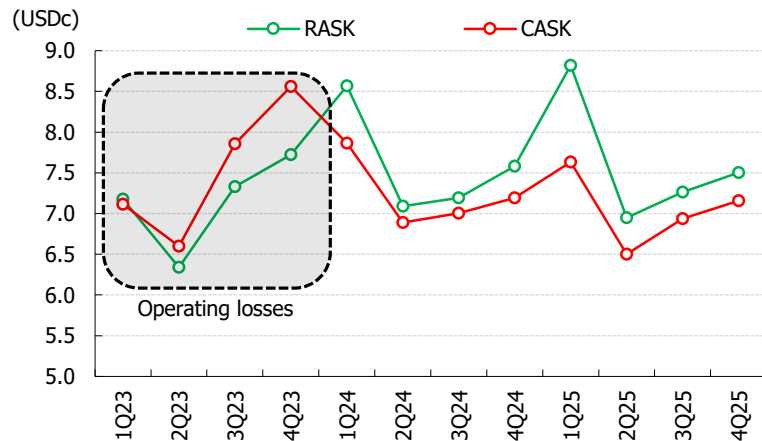


Table 5. VJC expand its fleet rapidly to offset next large (12) aircraft maintenance in 2025F and for capacity growth

	2024				2025F			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fleet	97	97	99	101	101	101	101	101
Operating	89	86	87	89	88	88	91	94
Operating Stats								
ASK	11,339	11,379	12,369	11,935	11,906	11,493	13,482	13,182
RPK	9,298	9,103	10,142	9,548	10,001	9,424	11,190	10,634
LF	82%	80%	82%	80%	82%	80%	81%	81%
Pax Yield (USDc)	10.34	8.77	8.68	9.38	10.20	8.68	8.77	9.28
Unit Op. Profit (USDc)	0.70	0.20	0.19	0.38	1.15	0.71	0.58	0.59

Source: Company data, Planespotters, KIS Research
Note: Operating stats are estimates and assumptions

HVN changing its self to be more competitive

- Operating cost reductions and lower leasing costs allowing VNA to sell more economy seats, which they have a competitive edge over service quality and on-time performance.
- Lower jet fuel also gives airlines more room to adjust their ticketing strategies to maximize profits.

Capturing fast-growing market

- As Vietnam is becoming more attractive to international tourists, HVN actively opened more routes to fast growing market such as India, Italy.

2. VJC – (NON-RATED)

Fuel down to suit their favors

Investment Theme

- VJC open new routes/increase flights to North East and India destinations, which have higher inbound and outbound growth from both than SEA destinations.
- Jet fuel are low, est. to avg. at 86 USD/bbl (-10% YoY) in 2025F.
- Domestic market reacted well to lower airfare as domestic passengers in 1Q25 rebounded.

Risks to be considered

- Operating new routes could bear losses due to lower anticipated demand.
- Lengthened geopolitical tensions in Middle East could lead to a rise in fuel prices.
- Adverse ruling in the VJ-FWA litigation.

Table 6. KIS Research forecast on VJC, 2025-2027F

	1Q25	2Q25F	3Q25F	4Q25F	2024A	2025F	2026F	2027F
Net Revenue	17,952	23,094	22,092	21,603	72,045	84,741	96,879	119,979
Transportation	17,952	18,013	19,544	19,055	62,192	74,564	86,687	100,869
Aircraft business	0	5,081	2,548	2,548	9,853	10,177	10,192	19,110
Growth (%)	0.9	42.2	21.6	8.8	23.5	17.6	14.3	23.8
Transportation (%)	10.1	16.6	29.6	24.1	21.0	19.9	16.3	16.4
Aircraft business (%)	-100.0	544.3	-17.3	-43.3	42.1	3.3	0.1	87.5
Gross Profit	2,404	2,561	2,601	2,159	7,153	9,724	11,726	14,896
% yoy	37.7	27.5	18.1	102.8	183.8	35.9	20.6	27.0
% gross margin	13.4	11.1	11.8	10.0	9.9	11.5	12.1	12.4
Operating Profit	1,562	1,173	1,394	825	3,161	4,956	6,183	8,446
% yoy	73.9	58.6	16.7	-	-	56.8	24.8	36.6
% OP margin	8.7	5.1	6.3	3.8	4.4	5.8	6.4	7.0
Net Profit	641	678	899	330	1,404	2,307	3,292	4,952
% yoy	19.0	129.5	57.5	1,437.9	506.7	64.3	42.7	50.4
% net margin	3.6	2.9	4.1	1.5	1.9	2.7	3.4	4.1
% ROE					8.7	12.6	17.2	25.5
Multiple ratio								
PE					41.7	20.7	14.5	9.6
PB					3.4	2.5	2.5	2.4
DY					0.0	0.0	8.2	7.8

2. VJC – (NON-RATED)

Fuel down to suit their favors

Figure 19. Unit profit continue to improve, but contract towards the end of 2025 due to larger operating fleet

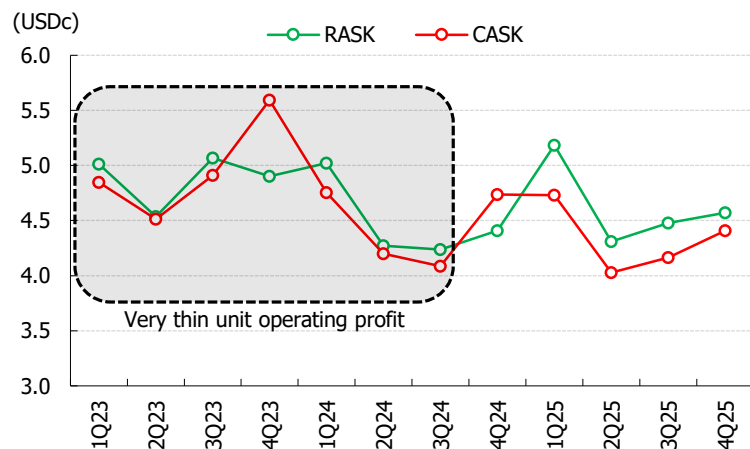


Table 7. VJC expand its fleet rapidly to offset next large (12) aircraft maintenance in 2025F and for capacity growth

	2024				2025F			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fleet	85	85	86	94	94	98	99	101
Operating	78	75	75	83	84	88	89	93
Operating Stats								
ASK	13,220	14,269	14,222	13,785	13,628	16,041	16,782	15,879
RPK	11,237	11,843	12,089	11,441	12,129	13,956	14,936	13,814
LF	85%	83%	85%	83%	89%	87%	89%	87%
Pax Yield (USDc)	5.70	4.95	4.79	5.05	5.65	4.80	4.89	5.10
Unit Op. Profit (USDc)	0.27	0.07	0.15	-0.33	0.45	0.27	0.31	0.19

Source: Company data, Planespotters, KIS Research
Note: Operating stats are estimates and assumptions

VJC prioritized growth over immediate profitability

- 4 AC would be delivered in the latter of 2025 to help VJC maintain capacity growth as more AC would be under maintenance.
- Lower jet fuel prices allowing VJC to follow their cost leadership and also more room to maximize profits.

Stronger demand in VJC's traditional international markets

- Per our observation, Vietnam is becoming more attractive to international tourists, particularly from VJ's core markets in Northeast Asia, while Vietnamese outbound travel demand to the region is also rising.