true friend KIS Viet Nam Securities Corporation

KIS Research | October 15, 2025

AVIATION

HOLD ALTITUDE

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Aviation: Airlines

Hold altitude

2H25F is expected to remain positive thanks to a favorable business environment.

Vietnam's aviation industry recorded a strong recovery in 1H25 with outstanding revenue and profit growth thanks to high international demand, domestic recovery and lower fuel prices. In 2H25F, we forecast total passengers to reach 57.5mn (+12% YoY) and RPK to hit 87.1bn (+11% YoY), supported by rising international traffic and domestic recovery driven by lower airfares. In addition, total aircraft supply is expected to increase 11.5% YoY, as aircraft returning from maintenance and newly delivered planes enable airlines to fully meet demand.

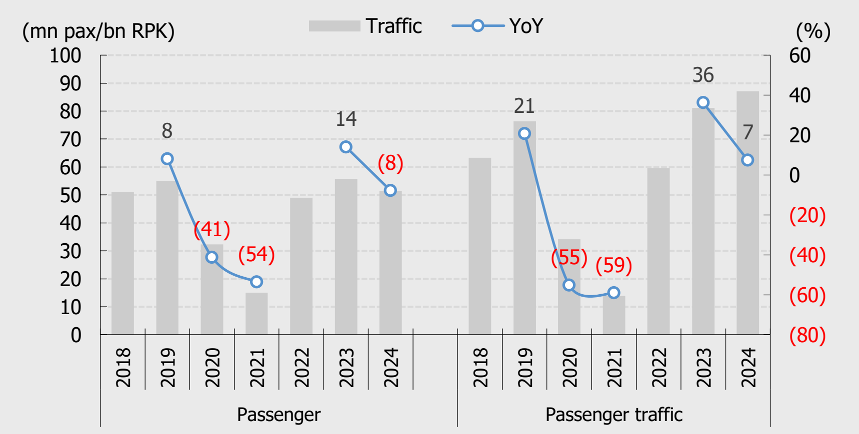
2026F Outlook: Rapid growth in aircraft supply in 2026F could put pressure on profitability

Demand is expected to keep improving, supported by stronger consumer confidence and rising international arrivals. However, 2026F capacity is forecast to increase +15.3% YoY due to fleet expansion, slightly outpacing passenger growth. Along with that, higher expected fuel prices may weigh on industry-wide profit margins. At a more detailed level, we expect HVN's OPM to decline slightly, while VJC's OPM continue to improve as the airline expand the fare gap by increasing capacity.

VJC and HVN maintain their leading positions, but HSR will reshape the industry's long-term outlook

During 2021-2024, Bamboo Airways reduced its operations, HVN and VJC consolidated market share and maintained their competitiveness. From 2025-30F, the aviation industry is forecast to grow at a CAGR of 8%/year. However, from 2030F, after HSR begins to operate, air passenger volume will be significantly affected. Our findings suggest: (1) from 2029F, short-haul routes under 800 km could decline by 34–36%, (2) from 2035F, major long-haul routes over 800 km could drop by 34–35%. We forecast that CAGR growth of passenger volume in this period will fall to 4%/year.

Vietnam's air pax and air traffic 2018-2024



Source: NSO, KIS Research

Sector
In-depth

Aviation

15 October 2025

Neutral

Company	Rating	TP (VND)
Vietnam Airlines	HOLD	18,800
Vietjet Air	BUY	109,200

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TCT Hàng không Việt Nam (HVN)
CTCP Hàng không Vietjet (VJC)

APPENDIX 31

What is the report about?

- 2025-26F – Aviation Industry Outlook
- Prospects & risks of the Aviation industry in the medium-long term
- Industry forecasts & stock recommendations

I. Report overview

2H25F will continue to be positive thanks to favorable business conditions.

Vietnam's aviation industry recorded a strong recovery in 1H25 with outstanding revenue and profit growth thanks to high international demand, domestic recovery and lower fuel prices. In 2H25F, we forecast total passengers to reach 57.5mn (+12% YoY) and RPK to hit 87.1bn (+11% YoY), supported by rising international traffic and continued domestic recovery driven by lower airfares. In addition, active aircraft fleet is expected to increase 11.5% YoY, as aircraft returning from maintenance and newly delivered planes enable airlines to fully meet surging demand.

Rapid aircraft supply increase in 2026F puts pressure on OPM

Alongside continued demand recovery driven by stronger consumer confidence and rising international arrivals, VJC and HVN are expanding their operations while the number of stored aircraft declines. In addition, Sun Phu Quoc (SPQ) will enter the market, bringing the total number of active aircraft in 2026F up +15.3% YoY. According to the EIA, jet fuel prices are expected to slightly edge up, limiting airlines' ability to benefit from fuel cost savings. In 2026F, HVN's OPM is projected to fall to 7.8% (-1.3%p YoY), while VJC's is expected to rise to 7.8% (+2.0%p YoY) thanks to narrowing fare gaps with HVN and the fading impact of external shocks. Consequently, the industry OPM in 2026F is projected at 7.8%.

HVN and VJC maintain leading position in the industry

During the 2021–2024, when Bamboo Airways scaled down operations, HVN and VJC consolidated market share and maintained competitiveness. From 2025F onward, the aviation industry is expected to rebound strongly, supported by robust economic growth, a booming tourism sector driven by easing visa policies, and improved infrastructure. Between 2025–30F, the industry is projected to grow at a CAGR of 8%/year.

HSR will reshape the aviation industry long-term outlook

However, from 2030F onward, we expect Vietnam's domestic air transport market share to peak at 12–14%, before facing increasing competition from the HSR, a trend similar to China, where HSR dominates routes under 800 km while aviation retains an edge on longer-haul segments. Aircraft supply is projected to expand steadily during 2025–35F; however, once the HSR begins operation from 2030F, air passenger volume will likely be significantly affected. Our findings suggest that from 2029F, short-haul routes under 800 km could decline by 34–36%, and from 2035F, major long-haul routes over 800 km could decrease by 34–35%. We therefore forecast the CAGR of air passenger volume during this period to moderate to ~4%/year.

The group of small carrier will be differentiated.

During 2024–30F, we expect demand to grow strongly, outpacing supply expansion (CAGR: 9.4%/year). However, from 2030–35F, competition from the HSR will cause domestic demand to decline, potentially leading to oversupply (CAGR: 4.7%/year) and forcing airlines to expand international routes. Among smaller carriers, KIS Research believes SPQ to achieve stronger growth by leveraging its tourism ecosystem and niche routes, while Bamboo is expected to perform the weakest. KIS Research forecasts fleet size CAGR for major airlines VJC and HVN at 12%/4% during 2024–30F, moderating to 6–7%/2–3% during 2030–35F. The remaining carriers will be differentiated but are expected to maintain long-term growth approx. the industry average.

NEUTRAL, recommend HOLD VJC (GMT: VND109,200) and HOLD HVN (GMT: VND18,800)

Stock recommendation: Despite positive 2025–28F outlook, we believe the long-term risks from the North–South HSR have not been fully priced. On this basis, we issue a HOLD recommendation for HVN (GMT: VND18,800) and VJC (GMT: VND109,200) for long-term investments.

II. Coverage projection and valuation

Table 1. Coverage valuation

Recommendation & TP				Earning & Valuation									
Company				Sales (VND bn)	OP (VND bn)	NP (VND bn)	EPS (VND)	BPS (VND)	ROE (%)	ROA (%)	PE (x)	PB (x)	EV/EBITDA (x)
Vietnam Airlines	Recommendation	HOLD	2023A	91,540	(2,587)	(5,632)	(2,678)	(7,910)	-	(9.5)	-	-	-
(HVN)	TP	18,800	2024A	105,942	6,813	7,958	3,416	(4,523)	-	13.7	8.0	-	11.6
	Price	35,200	2025F	120,588	12,377	10,037	3,063	359	-	16.3	10.9	98.1	9.8
	Market cap	109,627	2026F	127,265	10,413	8,430	2,573	2,932	156.4	12.7	13.0	12.0	11.6
	(VND bn)		2027F	137,565	10,484	8,631	2,634	5,566	62.0	12.3	12.7	6.3	11.6
Vietjet Air	Recommendation	HOLD	2023A	58,341	(529)	231	426	28,123	1.5	0.3	252.8	3.8	-
(VJC)	TP	109,200	2024A	72,045	3,161	1,404	2,591	31,566	8.7	1.5	38.6	3.2	27.9
	Price	152,500	2025F	78,779	4,801	1,751	2,960	40,374	8.5	1.7	47.2	3.5	25.8
	Market cap	90,221	2026F	106,323	7,154	3,196	5,403	39,487	13.5	2.8	25.8	3.5	17.3
	(VND bn)		2027F	127,377	10,008	5,193	8,777	42,240	21.5	4.0	15.9	3.3	12.4

Source: Company data, KIS Research. Oct 14 closes.

III. 2024 – Signs of Recovery

Rising airfares, along with 39% YoY increase in international pax and the initial rebound of the domestic market, helped airlines restore positive OPM

In 2024, engine issues caused a sharp reduction in the number of operational aircraft, coinciding with the peak travel season in 1Q24. This supply constraint drove a strong surge in airfares. Nevertheless, airlines still had room to increase flight frequency to capitalize on robust international demand, with inbound foreign visitors reaching 17.6mn (+39% YoY) and outbound Vietnamese travelers remaining stable. As a result, HVN and VJC reported total passenger transport revenue of VND149bn (+18% YoY). Improved operational efficiency also turn OPM back to positive territory, marking the beginning of the recovery phase.

Notable developments in 2024:

- **Industry performance:** Domestic pax volume fell sharply, leading to 7% YoY decline in total pax. However, strong international demand drove RPK up 8%, reflecting improved traffic utilization (Figures 1, 2).
- **International passengers**: Chinese arrivals surged 114% YoY but remained below pre-pandemic levels. Korea led the growth with a 27% YoY increase - surpassing 2019 levels. Other markets also exceeded pre-pandemic figures, supported by relaxed visa policies and aggressive tourism promotion programs (Figures 3, 4).
- **Business performance**: Both HVN and VJC showed signs of recovery but with diverging trend - HVN's margin rebounded much more strongly than VJC's (Figures 5, 6). The main reason was that VJC had a larger number of aircraft under maintenance, limiting its ability to maintain low fare advantage, while HVN continued to cut costs and sell more economy domestic seats. As domestic demand remained weak and international competition intensified, low-cost carriers like VJC faced additional profit margin pressure. Consequently, both airlines accelerated new aircraft deliveries in 4Q24 to add more seats, lower airfares and stimulate domestic travel, leading to a recovery in OPM in 4Q24.

IV. 2025-26F – Overcoming aircraft shortage and ready to take off

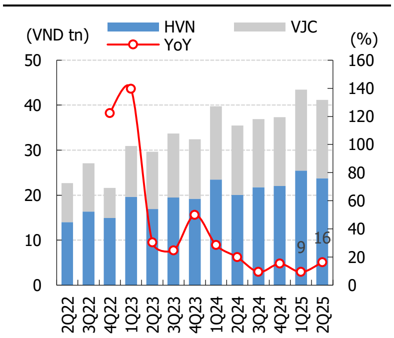
1. 2025F – Favorable year

In 1H25 , the aviation industry recorded a strong recovery, with HVN and VJC's transport revenue in 6M25 reaching VND84.6tn (+12% YoY) and net profit reaching VND4.1 trillion (+22% YoY), while OP soared to VND10.3tn (+124% YoY) and OPM continued to improve (figures 7, 9) .

Domestic travel recovered thanks to lower airfares, while China market led international passenger growth in 6M25.

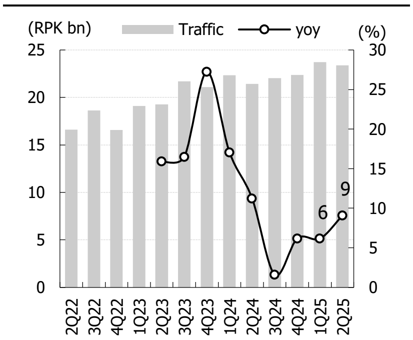
The strong performance was driven by robust international travel demand, domestic market recovery (Figure 12), and favorable fuel prices (down 12%/17% YoY in Q1/Q2), which supported OPM improvement despite capacity expansion. International pax volume reached 10.7mn (+21% YoY), led by Chinese travelers thanks to bilateral tourism cooperation programs, lower travel costs, and stimulus policies that pushed demand beyond pre-COVID levels. Meanwhile, outbound travel from Vietnam also recovered, though showing a slight slowdown in April–May (Figure 11). In addition, capacity decline in Indonesia and Myanmar, where some airlines ceased operations further highlighted Vietnam's outperformance, as local carriers benefited from lower airfares, strong demand and tourism stimulus policies, particularly those targeting China.

Figure 7. 1H25 revenue +12% YoY



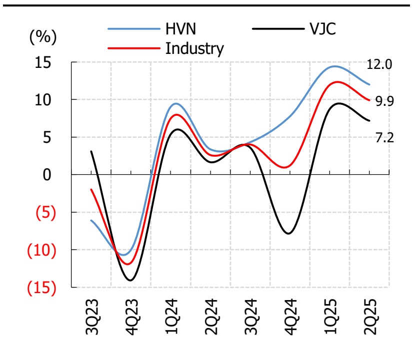
Source: VJC, HVN, KIS Research
Note: Revenue from transportation and ancillary

Figure 8. 1H25 air traffic+7% n/n



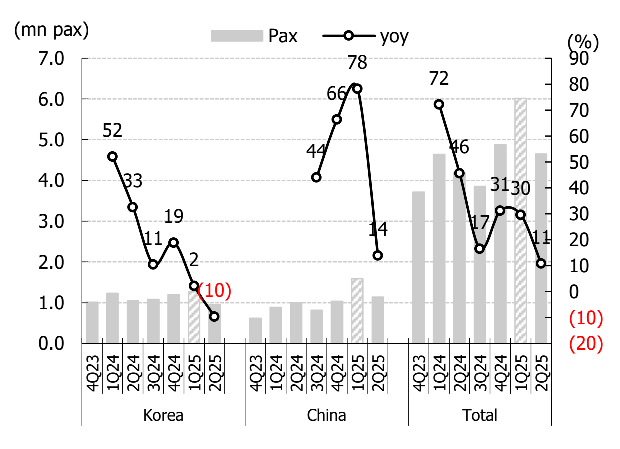
Source: NSO, KIS Research

Figure 9. OPM improvement in 1H25



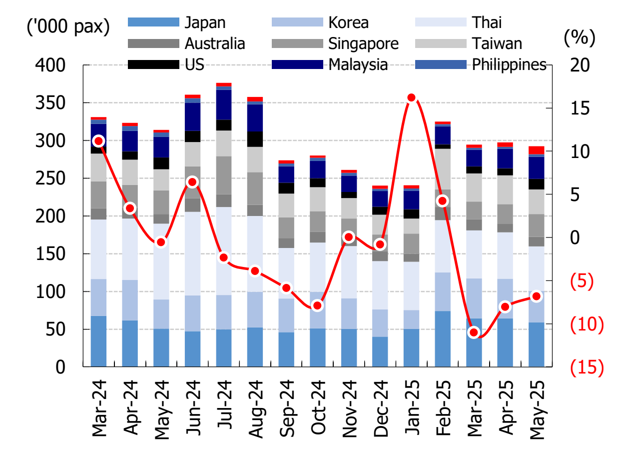
Source: NSO, KIS Research

Figure 10. Korea led 2024 growth, Chinese tourists are returning in 2025



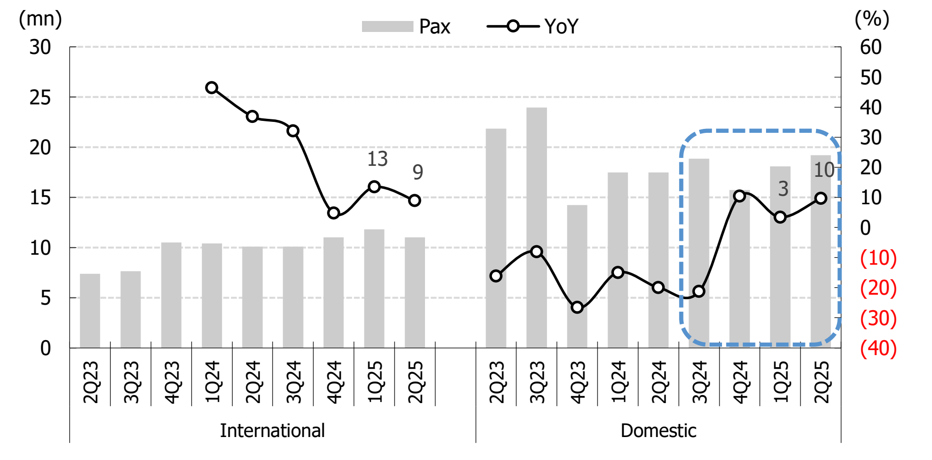
Source: NSO, KIS Research

Figure 11. Outbound to selected countries in 1H25



Source: Countries' Tourism Board, KIS Research

Figure 12. ACV's passenger volume: domestic market continues to recover

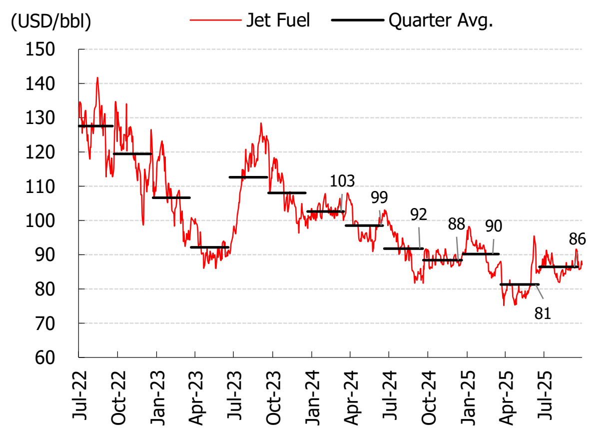


Source: ACV, KIS Research

Continuing demand and falling fuel prices create favorable conditions for airlines to increase seat supply.

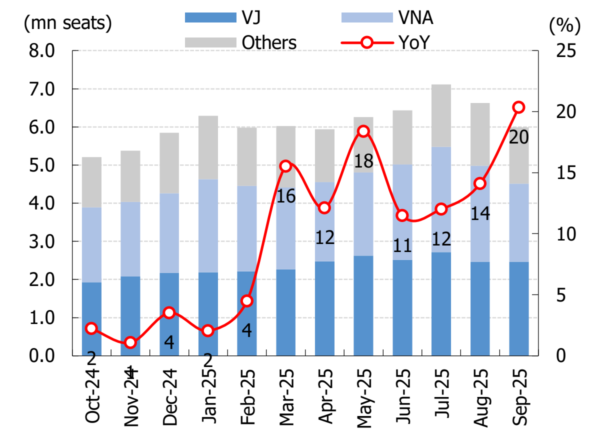
Since March, seat capacity has increased sharply (Figure 14), driven by: (1) significant decline in fuel prices (-17% YoY, Figure 13), enabling airlines to lower fares; (2) rising in international arrivals to Vietnam; and (3) stable recovery in domestic passenger. Based on the strong capacity expansion and robust demand absorption in 6M25, the aviation industry's profit margins continued to improve in 1Q25 and 2Q25, and we expect this trend to persist into 2H25F.

Figure 13. Jet fuel on a declining trend



Source: Bloomberg, KIS Research

Figure 14. Supply continues to rise in 2H25



Source: OAG, KIS Research

In 2H25F, we expect total passengers and revenue passenger kilometers (RPK) to grow 22%/19% YoY. This reflects continued recovery in domestic travel, which reduces the average flown distance, resulting in RPK growth lagging behind passenger growth.

In 2025F, total passengers are expected to increase 12% YoY, and RPK is projected to rise 11% YoY.

For the full year 2025F, total passenger volume is projected to reach 57.5mn (+12% YoY, Figure 15). Based on the 2024 average domestic/international flown distances, total RPK is estimated at 87.1bn (+11% YoY) (Figure 16).

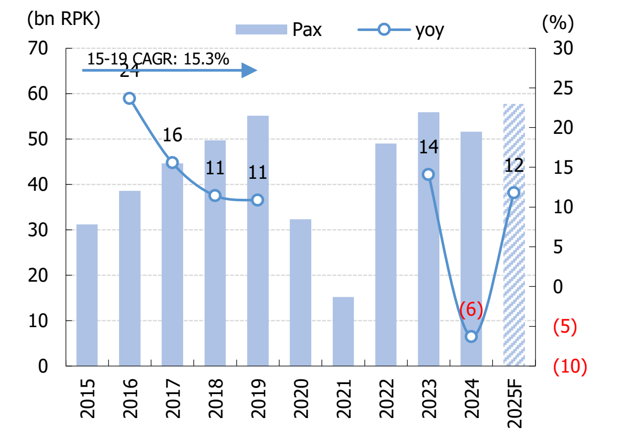
(1) Domestic pax and RPK are both expected to increase 9% YoY, supported by lower airfares and recovering domestic demand. However, volumes will remain below 2023 and 2019 levels due to still-weak consumer confidence.

(2) International pax and RPK are projected to grow 16.5%/12.4% YoY, respectively, driven by (a) 2% increase in outbound travelers and (b) 20% increase in inbound arrivals.

The active fleet by the end of 2025F is expected to increase by 11% YoY.

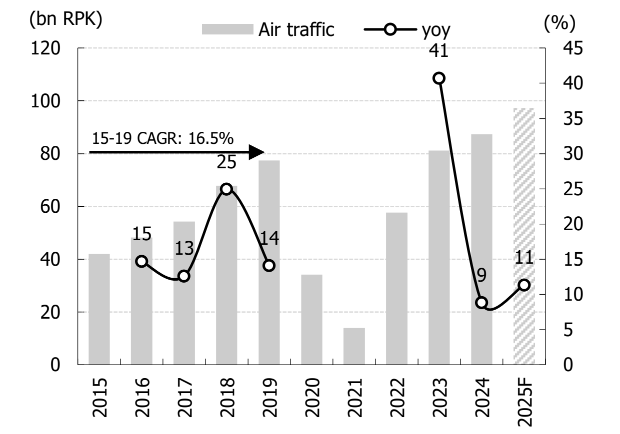
On the aircraft supply side, we expect stored aircraft to gradually return to service after engine maintenance, along with Vietjet's and Vietravel's new aircraft deliveries. Therefore, the active fleet size in Vietnam is projected to increase by around 11.0% by end of 2025 (Table 2).

Figure 15. 2025F pax is forecasted to grow 12% YoY



Source: NSO, KIS Research

Figure 16. ... and 11% YoY for 2025F air traffic



Source: NSO, KIS Research

Table 2. Vietnam fleet 2017-2026F

	2017	2018	2019	2020	2021	2022	2023	2024	2025F	2026F
HVN group	100	104	117	121	118	113	103	101	101	102
Vietjet Air	51	64	71	73	75	79	87	94	101	112
Bamboo Airways	-	1	23	26	29	29	9	7	7	7
Vietravel	-	-	-	1	3	3	3	2	3	5
Sun Phu Quoc (1)	-	-	-	-	-	-	-	-	7	13
Total	**151**	**169**	**211**	**221**	**225**	**224**	**202**	**204**	**219**	**239**
Work	**151**	**169**	**211**	**221**	**225**	**224**	**202**	**182**	**202**	**233**
Growth (%)		*11.9*	*24.9*	*4.7*	*1.8*	*(0.4)*	*(9.8)*	*(9.9)*	*11.0*	*15.3*

Source: Planespotters, KIS Research
Note: Pacific Airlines leases 3 A321s from Vietnam Airlines from 2024, (1) Ticket sales open from October 2025

2. 2026F – Increased supply could put pressure on profit margins

Open visa policies and economic stimulus drive demand

On the demand side, we expect positive development regarding US tariffs, economic stimulus and lower fares due to increased capacity to boost consumer confidence. In addition, supported by strong travel sentiment and easing visa policies, international passenger is expected to maintain robust growth, particularly from China. Thereby, the total passenger volume in 2026F is expected to reach 66mn (+12.4% YoY, figure 17).

VJC continues to expand its fleet. New carrier appears!

On the aircraft supply side, we expect VJC, Vietravel, and Sun PhuQuoc to continue expanding their fleets, as most of their grounded aircraft will return. This will lift total capacity by 15.3% YoY in 2026F (Table 3).

VJC's OPM continues to improve, HVN's narrows

Profit margin. EIA forecasts a slight uptick in jet fuel prices, limiting further cost-saving benefits for airlines. We project HVN's OPM to decline to 7.8% (-1.3%p YoY), while VJC's OPM will improve to 7.8% (+2.0%p YoY), supported by expanding fare gaps with HVN through expanded capacity. Meanwhile, HVN may face more competition from SPQ, which plan to operate under a FSC model rather than VJC's LCC.

V. LONG-TERM PROSPECTS

1. Demand outlook 2025-35F

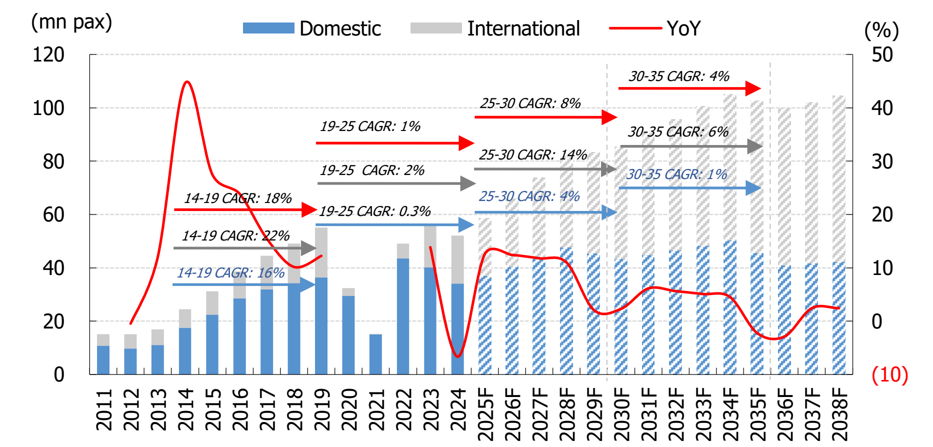
Vietnam experienced high growth phase of low-cost effect

During the period 2011-2019, the compound annual growth rate (CAGR) in passenger volume reached 17.5%/year, making it one of the fastest growing countries in the Southeast Asia region. During 2014–2019, the industry experienced an explosive growth phase as the market structure shifted following Vietjet's entry, which broke Vietnam Airlines' monopoly. The adoption of Vietjet's LCC model made air travel more affordable to the mass compared with previous years.

The pandemic has filtered out the two leading airlines, VJC and HVN

However, since the pandemic, airlines continue to face many major challenges – including high fuel prices in 2023 and fierce domestic competition – while international operations remain limited due to the slow reopening of borders in many countries. Therefore, Bamboo Airways has been forced to reduce its fleet size from 20 aircraft to just 7 aircraft by the end of 2024. In that context, only Vietnam Airlines (HVN) and Vietjet (VJC) remained resilient, gaining market share and sharply improving margins in 2025 after years of optimization.

Figure 17. Air pax: 2025-2030F CAGR at 8%, 2030-2035F CAGR at 4%



Source: NSO, KIS Research
Note: Blue arrow = Domestic, Grey arrow = International, Red arrow = Total

Passenger growth period: 2025-30F is 8%/year 2030-35F is 4%/year.

In the 2025-35F period, we believe that Vietnam's aviation industry can maintain growth at 6%/year, supported by rising income and more open visa policies. In particular, in the 2025-30F CAGR period, we forecast that aviation industry growth will remain at 8%/year and will be down to 4%/year in the 2030-35F period, partly due to the rapid decline in the latter period when we see the risk of losing market share from the North-South HSR expected to operate from 2029 when referring to the impact in the two countries of China and Thailand.

1.1. Vietnam's GDP per capita is forecast to grow very high based on the Government's target.

Growth from low-cost flight effect weakens

Historical data (figure 18) shows a strong correlation between income and passenger growth. The income-demand elasticity was around 1.1 before VJC entered the market (1% income growth leads to 1.1% demand growth), then increased sharply due to the low-cost effect from 2012–2019. Post-COVID, the trend appears to start normalizing, with elasticity expected to stabilize around ~1.0–1.1x.

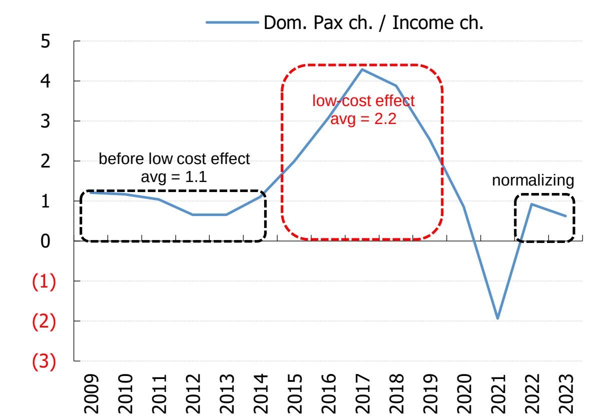
The government expects high economic growth in the coming years.

Vietnam still has potential for flying demand growth compared to the region.

The government targets strong GDP growth in the 2025F–30F period, driven by a focus on infrastructure development, technology, and international trade promotion. We expect average GDP per capita growth to reach 8%/year over the next 5 years, reaching USD8.2tn, and then decline to ~5%/year over the following 5 years (Figure 19). Figure 20 shows that high-income countries (Japan, South Korea) have high demand for air travel, while Thailand and Malaysia appear to be much higher than low-income groups in Southeast Asia.

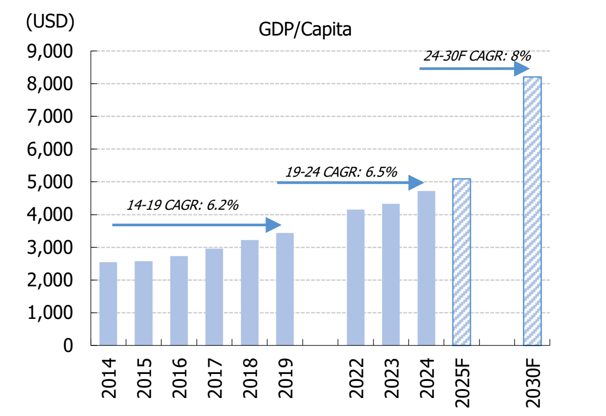
Based on these factors, we believe that in the next 5-10 years, high economic growth and increasing per capita income will remain a major support for the air travel demand of Vietnamese people, both domestically and internationally.

Figure 18. Strong link between income and air travel demand



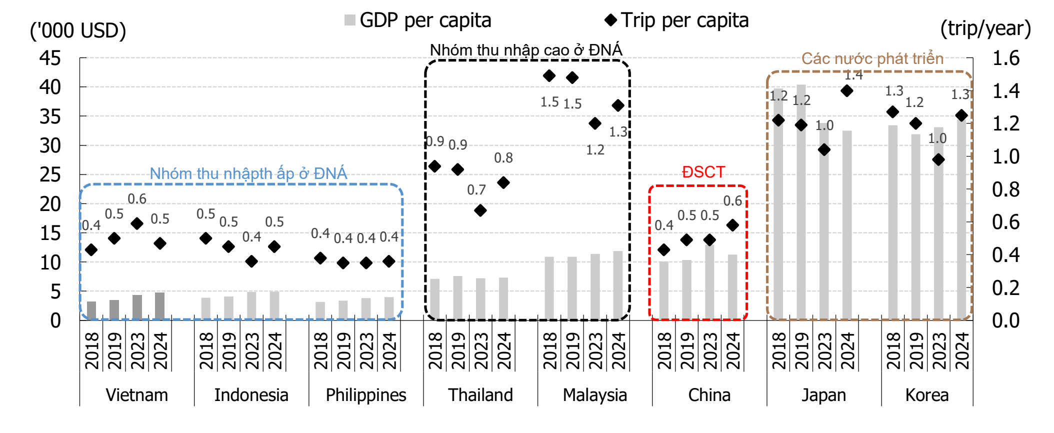
Source: Airbus, Sabre, World Bank, KIS Research
Note: Trailing 5 year growth

Figure 19. GDP per capita is projected to grow 8%/year in the next 5 years



Source: Ministry of Finance, World Bank, KIS Research

Figure 20. Trip per capita and Income: Vietnam vs other markets in Asia



Source: Airbus, Sabre, World Bank, KIS Research
Note: Trip per capita = (Domestic pax + Outbound pax)/Population

1.2. More open visa policies, open skies agreements and infrastructure upgrades will support international passenger growth.

Table 3. Visa policies of selected countries

Country	Visa policy	2010	2015	2019	2023	2025
Vietnam (17.5 mn pax)	Visa-free	15	16	24	25	38
	E-visa	-	-	80	All	All
	Other policies	- Extend length of stay for ASEAN visitors - Simplify group visa procedures	Visa exemption for arrivals to Phu Quoc		Extend length of stay for multiple European countries	
Japan (36.9 mn pax)	Visa-free	62	67	66	70	74
	E-visa	-	-	-	-	20*
	Other policies	Relax visa requirements for ASEAN countries, some have exemptions	Relax visa requirements for group and individual Chinese tourists			
Thailand (35.5 mn pax)	Visa-free	49	55	64	78	95
	E-visa	-	-	-	73	Tất cả
	VOA/e-VOA	28	19	18	18	32
	Other policies	Extend length of stay for ASEAN visitors	- Relax visa requirements for Chinese group travelers - Simplify VOA procedures		Grant visa exemption for Chinese group tourists	
Korea (16.4 mn pax)	Visa-free	113	113	112	113	118
	K-ETA (e-Visa)	-	-	-	112	108
	Other policies	- Simplify visa procedures for Chinese tourists - Ease visa requirements for ASEAN and China	Expand VOA eligibility for Jeju from 8 to 20 countries			
Malaysia (38.0 mn pax)	Visa-free	157	157	159	167	167
	eNTRI/e-Visa	-	7	10	33	30
Indonesia (13.8 mn pax)	Visa-free	13	13	174	11	17
	VOA/e-VOA (from 2022)	63	63	68	98	98
	Other policies		Extend length of stay to 60 days for e-VOA holders			
India (9.9 mn pax)	Visa-free	3	3	3	3	3
	VOA/e-Tourist Visa	12	113	135	160	167

Source: UNWTO, Countries' Department of Foreign Affairs, KIS Research
Note: VOA (Visa on Arrival) = visa granted at the airport or border without registration beforehand;
(*) Through travel agencies

The number of international visitors still has room for high growth.

When compared with selected countries in Asia, we see that Vietnam still has a lot of room to maintain a high growth rate, given the scale of inbound visitors and current visa policy (Table 3) .

Vietnam benefits from new tourism trends. New visa policies are showing good results.

In addition, tourism trends are shifting toward new, less crowded and natural destinations, creating favorable conditions for Vietnam. Easing visa policies and upgrading infrastructure (including HSR) will help improve the experience and increase the return rate of tourists. In fact, the number of visitors from visa-exempt countries has increased rapidly in recent years, showing that the visa policy is effective. With a well-planned tourism plan, along with advantages in culture, cuisine and landscape, Vietnam has the opportunity to shorten the gap with leading markets in the region like Thailand.

Air service agreements with many countries and regions

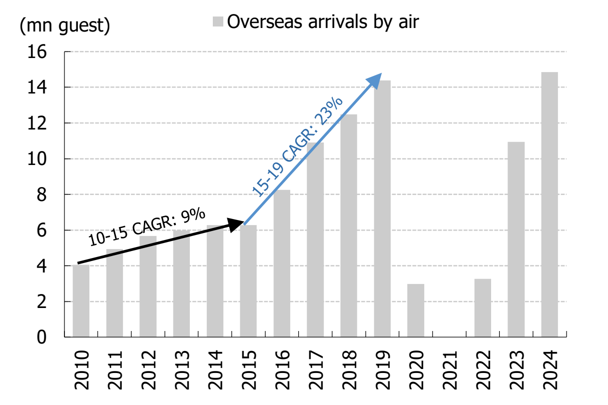
In addition, Vietnam is gradually perfecting its aviation legal framework through agreements such as ASEAN-EU, ASEAN Open Skies, and upgrading air freedom with China. Previously, the process of opening the sky was limited due to policies that tend to protect domestic carriers and caused overload at major airports. However, thanks to HVN and VJC actively expanding the international flight network, combining infrastructure investment and strategic location advantages, Vietnam is in a favorable position to promote global integration.

Rapid aircraft supply increase in 2026F could put pressure on profits

Finally, the Government aims to develop financial centers, thereby creating momentum for business and transit tourism, making Vietnam an important complement to major aviation hubs in the Southeast Asian region.

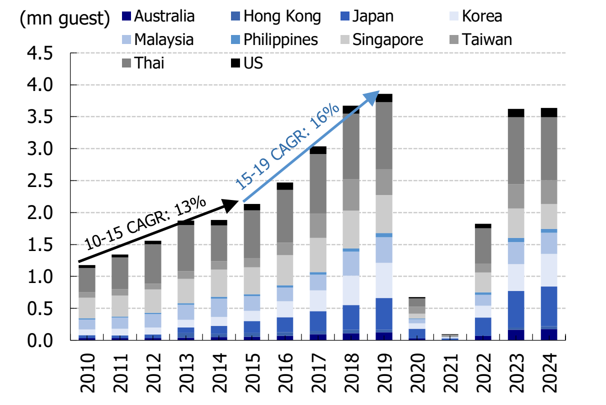
On that basis, we expect the number of **international visitors to Vietnam to increase (inbound)** will continue to grow at around 20%/year in the period 2025–2027F, in which Chinese visitors contribute greatly thanks to the strongly promoted tourism cooperation programs between the two countries. Then gradually decrease to 10%/year by 2030F, corresponding to a CAGR of 14% in 2025–2030F. In 2030–2035F, inbound CAGR is expected at 6%. We also expect **Vietnamese visitors going abroad (outbound)** CAGR is forecast to reach 12% in 2025–2030F, decrease to 6% in 2030–2035F and 2–3%/year in the following years, thanks to rising income and improved air connectivity.

Figure 21. Opening ASEAN skies and other policies could trigger international visitor growth



Source: General Statistics Office , KIS Research

Figure 22. ..., as well as the need for outbound tourism



Source: Tourism Ministries of countries, KIS Research

1.3. High-speed railway (HSR) will reshape Vietnam's aviation industry

The Government is promoting the upgrading of airport infrastructure and the construction of high-speed railways.

Infrastructure bottlenecks and delayed expansion at major airports have led to longer ground times, increased flight delays, and a poor passenger experience in the past cycle. Accelerating airport and transport infrastructure upgrades will help to address these constraints, improving both passenger satisfaction and airlines’ aircraft utilization. However, HSR is expected to completely reshape the aviation industry.

1.3.1. Lessons from developed markets

In China, HSR dominates over air at distances under 800km.

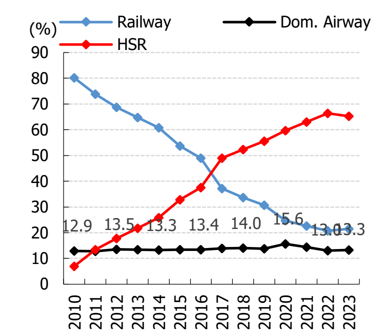
China: In the world's largest HSR network, research by H. Yang (2018)[1] shows that routes competing with HSR with a distance of less than 800 km are most vulnerable to competition, as faster check-in and lower fares cause airlines to cut direct capacity and focus on transit passengers.

Thailand's metro system increases airport-city connection

Thailand: Rail investment has largely focused on the Bangkok metro, which improves connection to airport but does not directly compete with air travel . Long-distance rail remains slow, so air travel remains dominant. Overall, the metro plays a complementary role to air travel rather than a substitute.

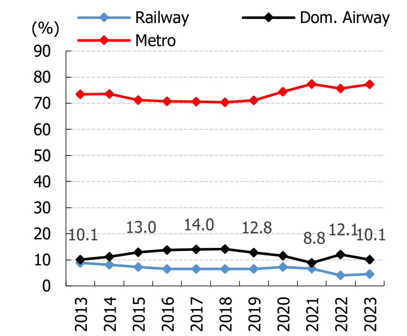
[1] The implications of high-speed railways on air passenger flows in China (H. Yang, 2018)

Figure 23. Airway market share in China



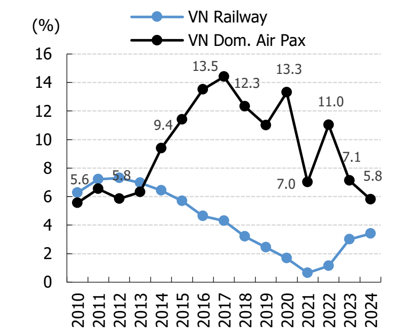
Source: EPS China Data, KIS Research
Note: Market share = Railway + Airway + Waterway

Figure 24. Airway market share in Thailand



Source: Thai Ministry of Transportation, KIS Research
Note: Market share = Railway + Airway + Waterway

Figure 25. Airway market share in Vietnam



Source: NSO, KIS Research
Note: Market share = Railway + Airway + Waterway

1.3.2. Prospects for Vietnam

Vietnam's airway market share is unlikely to increase further

Based on China and Thailand (domestic airway market share ~13–14% excluding roads , figure 23 and 24), we expect Vietnam's domestic air market share to peak at 12–14%. The initial development of ***HSR and metro systems will complement domestic air travel, as railway stations do not directly connect major economic centers*** . But in the long term, the expansion of HSR will put pressure on domestic market share.

H. Yang's research shows that:

- **For short flights** overlapping HSR routes under 800 km, airlines can barely compete. Some airlines still operate but with low frequencies, mainly to keep slots or support connecting flights (Table 4).
- **For long-haul flights** that overlap with HSR routes of over 800 km, airlines expand their presence and have an advantage over longer distances. On the Beijing-Shanghai corridor (~Vietnam's HSR route), strong demand from business travelers helps maintain the competitiveness of air travel compared to rail.

At the population scale of Vietnam, the North-South HSR is unlikely to be profitable compared to the Beijing-Shanghai route.

The **Beijing-Shanghai line** became profitable when passenger volume reached 100mn, four years after its opening. Using this as a reference, Vietnam's **North-South HSR** would hardly be profitable if economy fares remained 20-40% lower than airfares (similar to China's policy before 2016), given its much smaller population.

We set the base case for the impact on the aviation industry based on the government's plan.

The North-South HSR (expected to start construction in Dec-26) aims to be one of the fastest HSR projects in the world, comparable to the Beijing-Guangzhou line (Table 5). Vietnam is likely to rely on Chinese HSR technology to optimize costs. Although the risk of delays remains, strong political will, leading technology, and ability to mobilize capital under the TOD model can help mitigate budget overrun risk. In our base case, we assume the project will be completed in 2027–2035F to assess the impact on the aviation industry.

Table 4. HSR vs Airway: Airlines couldn't compete on routes shorter than 800km

Corridor	Route	HSR			Airway		
		Time	Price	Mid. stop	Time	Airfare	Mid. stop
Shanghai – Shenzen (1,623 km)	Shanghai Hongqiao – Shenzhenbei	7h22 – 7h41	$121.5-122.5	5-8	2h30 – 2h50	$72-78	0
Beijing – Shanghai (1,318-1,462 km)	Beijingnan – Shanghai Hongqiao (1,318)	5h40 – 6h00	$77.4-92.7	7-9	2h05 – 2h15	$90-142*	0
	Beijingnan – Shanghai (1,462)	4h30 – 4h45	$84.9-94.2	2			
Wuhan – Guangzhou (943-968 km)	Wuhan – Guangzhou Baiyun (943)	3h27 – 4h50	$63.3-71.7	1-9	1h50 – 2h05	$58-94	0
	Wuhan – Guangzhounan (968)	3h28 – 4h42	$64.6-77.4	1-7			
Xi'an – Chengdu (658 km)	Xianbei – Chengdudong	3h30 – 4h09	$36.8	6	4h20 – 6h25	$102-236	1
Shanghai – Nanjing (301 km)	Shanghai Hongqiao – Nanjingnan	1h21 – 2h17	$17.9-20.4	3-5	1h15	$47-85	0
Shanghai – Hangzhou (202 km)	Shanghai Hongqiao – Hangzhoudong	45' – 1h21	$8.1-10.2	0-3	-	-	-
Beijing – Tianjin (117 km)	Beijingnan – Tianjin/Tianjinan	30' – 35'	$7.4-7.6	0	-	-	-
Guangzhou–Shenzhen (102-142 km)	Guangzhounan – Shenzenbei (102)	38' – 48'	$10.4	1	-	-	-
	Guangzhounan – Futian (142)	41' – 59'	$11.5	2			

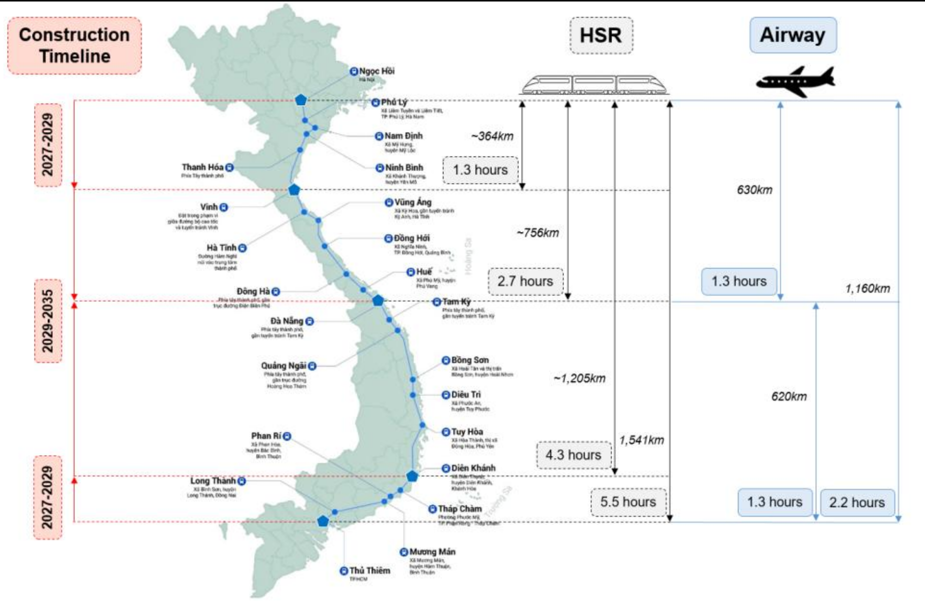
Source: Trip.com, KIS Research
Note: Departure date of Sep 12th, economy class only; Green-filled = profitable by 2024;
(*) Wide fare range, but mostly under USD100

Table 5. Construction timeline: Ambitious plan for

Corridor	Population*	Construction time (days/100km)	Length (km)	Design speed (km/h)	Timeline	
					Start date	Open date
China		**247**				
Beijing – Harbin	193.5		1,700	350	23/08/2007	22/01/2021
Beijing – Shanghai	158.8	122	1,433	350	08/01/2008	16/10/2012
Beijing – Guangzhou – Shenzhen – Hong Kong	454.3	214	2,229	350	01/09/2005	23/09/2018
Qingdao – Taiyuan	235.3	607	817	350	01/06/2005	26/12/2018
Xuzhou – Lanzhou	309.8	324	1,363	350	01/06/2005	09/07/2017
Shanghai – Kunming	289.2	141	2,066	350	28/12/2008	28/12/2016
Indonesia[1]		**2,037**				
Jakarta – Bandung	60.1		138	350	21/01/2016	02/10/2023
Korea		**1,347**				
Seoul – Daegu	41.3		310	330	30/06/1992	01/04/2004
Daegu – Busan	13.8		128	330	23/06/2002	01/11/2010
Seoul – Mokpo	38.3		252	330	04/12/2009	02/04/2015
Japan		**2,827**				
Nagano – Kanazawa	4.3		228	260	14/11/1993	14/03/2015
Kanazawa – Tsuruga	2.1		125	260	8/2012	16/03/2024
Takeo-Onsen – Nagasaki	2.2		260	260-320	28/03/2008	23/09/2022
Taiwan		**717**				
Taipei – Kaohsiung	20		349	300	3/2000	05/01/2007
Europe		**1,596**				
Paris – Baudrecourt	5.4		300	350	28/01/2002	10/06/2007
Baudrecourt – Vendenheim	2.2		106	350	23/06/2010	03/07/2016
Fawkham Junction – Channel Tunnel	1.9		74	300	05/10/1998	28/09/2003
London St Pancras – Fawkham Junction	10.8		39	300	24/7/2001	14/11/2007
UAE		**777**				
Medina – Mecca	18.1		450	360	3/2009	25/09/2018
Vietnam (Plan)		**213**				
Ha Noi – HCMC	49.7		1,541	350	31/12/2026	31/12/2035

Source: KIS Research
Note: (*) Population of cities with stations that the HSR line passes through; (1) 2-year delay due to Covid pandemic

Figure 26. HSR construction timeline and comparison of HSR and Airway



Source: MOT, KIS Research
Note: (1) H. Yang (2018) indicated that air passenger volumes declined by 18-21%/34-36%/22-24% on rail distances of ≤500km/500-800km/>800km. On some of the busiest HSR lines such as Wuhan-Guangzhou (1,039km)/Beijing-Shanghai (1,318km), air passenger volume dropped by 37-39%/34-35%.
(2) The red arrow shows the direction of railway construction.(Ex: 2027-2029, from HCMC to Khanh Hoa)

1.3.3. Forecasting the impact of HSR on domestic passenger volume

We separate the main and secondary routes into two groups to assess the impact in each phase.

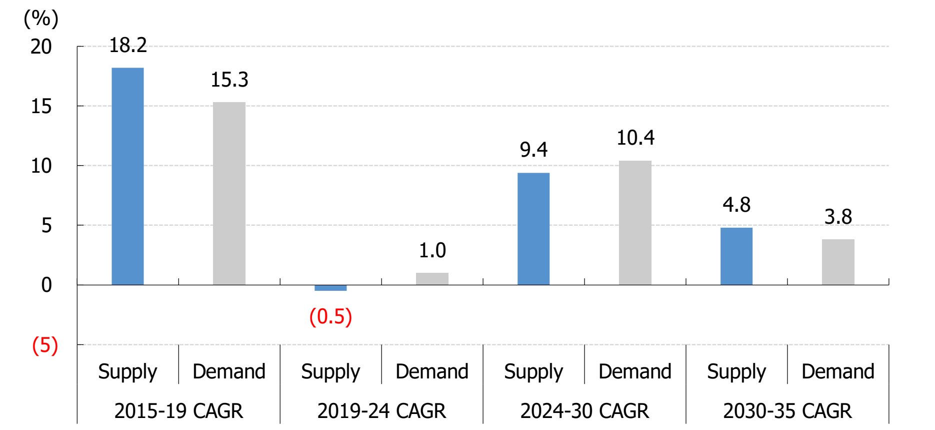
We divide domestic passenger traffic into two groups: ***main routes*** (connecting the three cities of Hanoi – Da Nang – Ho Chi Minh City), which currently account for nearly 50% of the total domestic seat capacity (OAG), and ***secondary routes*** , which include all other domestic routes, most of which are in the direct competition range of HSR. Based on the government's construction plan, we believe that:

(1) ***Secondary routes*** growth is expected to remain at 8–10%/year in 2025–2028F, but passenger volume will decline by 34–36% in the first two years of HSR operation (2029–2030), before stabilizing at an average growth rate of 1–2% per year in the following years.

(2) ***Main routes*** in the period 2025–30F, there will not be direct competition from HSR, because HSR does not connect major economic centers (HCMC, Hanoi, Da Nang) with provinces/cities at a distance that directly competes with aviation. In 2025–30F, major routes are expected to maintain growth of 8–10%/year, slowing down to 5%/year in the period 2030–2034F. However, once the entire HSR line is operational, passenger volume in 2035–36F is forecast to decrease by 34–35%, then grow steadily at 1–2%/year.

2. Supply Outlook 2025-35F

Figure 27. Comparison of supply and demand over each period from 2015-2035F

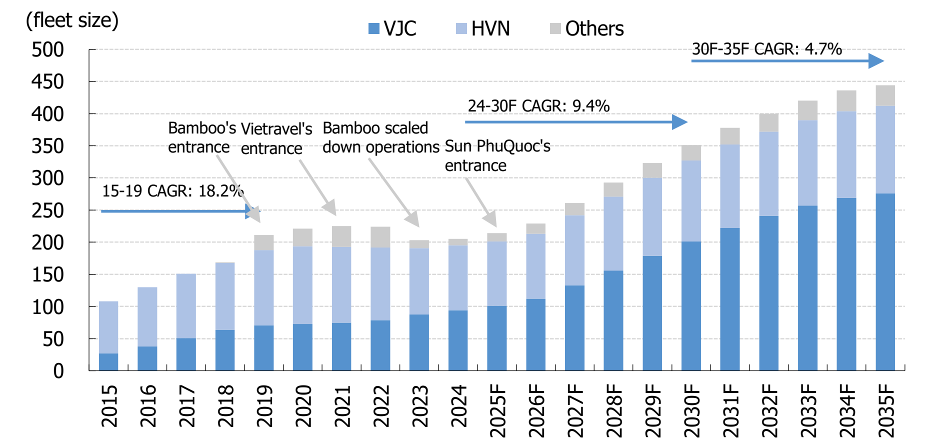


Source: NSO, Planespotters, KIS Research
Note: Supply based on fleet size in Vietnam, Demand based on total air passengers

During the 2015–2019 period, VJC led industry growth thanks to its low-cost strategy, which strongly stimulated air travel demand. However, in 2019, Bamboo entered the market with a fleet of 23 aircraft, leading to oversupply (Figure 27). During the 2019–2024 period, Bamboo reduced its operations from 2023, lowered supply, thus, 2024 marks the recovery of VJC and HVN.

During the 2024-30F period, we expect strong demand growth, outpacing supply expansion (CAGR ~9.4%/year). However, from 2030-35F, competition from HSR will cause domestic demand to decline, creating a possible oversupply situation (CAGR ~4.7%/year) and forcing airlines to increase international flights. Our forecasts are based on the demand outlook, strategies and financial situations of five current Vietnamese airlines, specifically:

Figure 28. Our projection for 2025F-2035F domestic carriers' fleet size



Source: Company data, Planespotters, KIS Research
Note: Based on companies' order backlogs and our assumptions for aircraft retirement

KIS Research forecasts that the CAGR of the fleet size of the two major airlines, VJC and HVN, in the 2024-30F period will be 12%/4%, respectively; and in the 2030-35F period, it will decrease to 6~7%/2~3%, respectively.

In the group of small airlines, there is differentiation and can maintain long-term growth according to the industry average:

- **Bamboo Airways'** service is not different, while it is under financial pressure and major shareholder FLC is also facing difficulties, limiting its ability to expand.
- **Vietravel Airlines (VT)** has not yet created an advantage from the combined travel-aviation model, when travel agencies prioritize low prices and flexible flight times, which are the strengths of large airlines. The service is not different from other airlines, while the major shareholder (T&T) is oriented towards developing freight transport, so the potential for expansion is at an average level.
- **Sun Phu Quoc Airways (SPQ)** a member of Sun Group, which has the advantage of a tourism-hotel ecosystem and owns two airports (Van Don, Phu Quoc). SPQ can be given priority slots at these two airports and effectively exploit niche routes connecting Sun Group's tourist destinations. According to SPQ's plan, the airline focuses on developing international routes connecting to Phu Quoc.

Table 6. Assessing the ability to expand the fleet of airlines

	Fleet size & slots	Product differentiation	Major shareholder	Ability to scale up fleet
HVN group	Large. Various slots.	FSC. Little difference	Vietnam Government	HIGH
Vietjet Air	Large. Various slots.	LCC. Little difference	Sovico Holdings	HIGH
Bamboo	Small. Less slots.	Hybrid. Little difference	FLC Group under hardship	LOW
Vietravel	Small. Less slots.	LCC/Leisure. Little difference	T&T Group	MEDIUM
Sun PhuQuoc	Small. Hard to find good slots. Sun Group own PQ and VD Airport	FSC/Leisure. Accommodation and entertainment offers at the Group's tourist destinations.	Sun Group	MEDIUM HIGH

Source: KIS Research

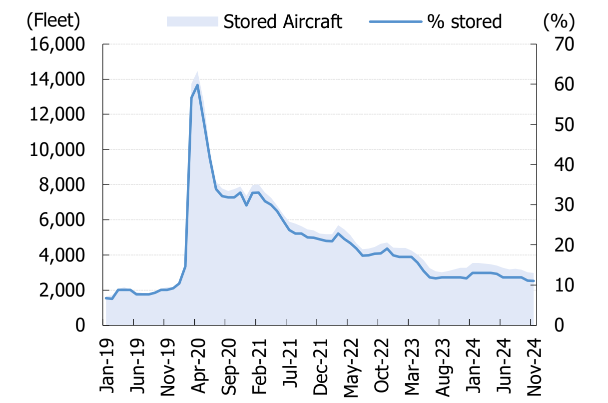
3. Operating profit 2025-35F

Global - In the short term, tightening production rates will further unbalance the supply-demand balance.

Technical problems reduce aircraft production

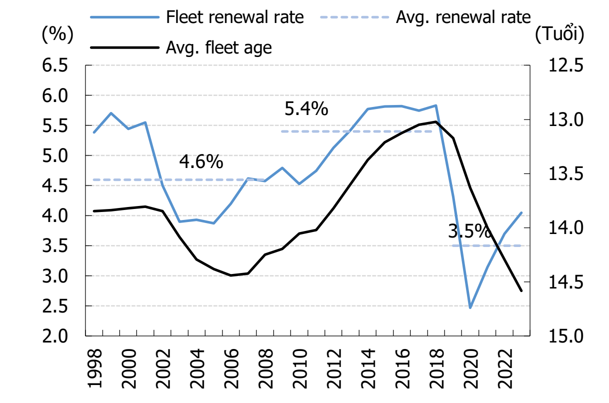
The grounding rate has fallen back to near pre-pandemic levels since early 2024 (Figure 29), helping to alleviate supply pressure related to the PW1000G engine failure. However, Airbus and Boeing production remains lower than pre-COVID levels due to supply chain disruptions and Boeing's tight scrutiny of its 737 MAX production.

Figure 29. Stored aircraft is declining



Source: SMBC Aviation Capital, Cirium, KIS Research

Figure 30. Pent-up aircraft renewal demand



Source: IATA, Cirium, KIS Research

Pent-up fleet renewal demand would worsen the short-term aircraft shortage.

In addition, the fleet replacement cycle – which has been delayed by the pandemic – will resume, pushing up aircraft prices and leasing costs over the next 5–10 years (Figure 30). Based on current delivery rates and order backlog trends, IATA predicts that normalization (equilibrium between aircraft prices and delivery times) will not occur before 2031, and may even extend to 2034.

Global - In the long term, demand is forecast to exceed supply for the next 20 years, airlines that have secured aircraft delivery slots will benefit

Table 7. Supply-demand long-term forecasts from major aviation organizations

	LCHK	Passenger		Aircraft fleet			
	ICAO	ACI	IATA	Airbus	Boeing	Avolon	Cirium
2023-2028 CAGR	6.1%	6.3%	-	-	-	-	-
2023-2032 CAGR	5.1%	5.2%	-	-	-	-	-
2023-2042 CAGR	4.6%	4.1%	3.8%	3.5	3.2%	3.4%	3.7%
2023-2042 CAGR avg.	4.6%	3.95%		3.45%			

Source: ICAO, ACI, IATA, Airbus, Boeing, Avolon, Cirium, KIS Research

Forecasts from major aviation organization show that demand will outpace supply in the next 20 years

Forecasts from major aviation organizations show that long-term industry growth will outpace global GDP growth and fleet growth (Table 6) . Emerging economies are expected to lead the next wave of expansion, particularly in the Asia-Pacific and Middle East regions. IATA highlights India, Indonesia, and Vietnam as the fastest-growing markets. In addition, SMBC AC forecasts no major aircraft upgrades until the mid-2030s, meaning there will be no significant increases in technology and average capacity per aircraft. This implies:

1. Future CAPEX and MRO will rise, putting pressure on smaller firms.

2. Capacity expansion by carriers with large pre-COVID orders will be less disrupted.
3. Carriers with guaranteed aircraft delivery slots will have the flexibility to adjust the pace of fleet expansion when demand is outstripping supply.

HVN and VJC are expected to control profit margins better from the global context.

With a large number of orders, VJC and HVN are flexible in adjusting fleet expansion according to industry growth.

HVN and VJC's fleet expansion is supported by large orders, giving them the flexibility to expand and lowering the risk of aircraft shortages. Smaller carriers are expected to grow in line with the industry average, avoiding a repeat of past oversupply and protecting profit margins. If oversupply occurs, HVN and VJC can lease or sell excess aircraft on the secondary market, given the global shortage.

Finally, we expect VJC to continue to lead the Vietnam market in terms of both passenger and air traffic. In an industry dominated by VJC and HVN, smaller or new carriers must target niche segments or adopt different strategies to survive and be profitable due to high competition.

Industry OPM forecast

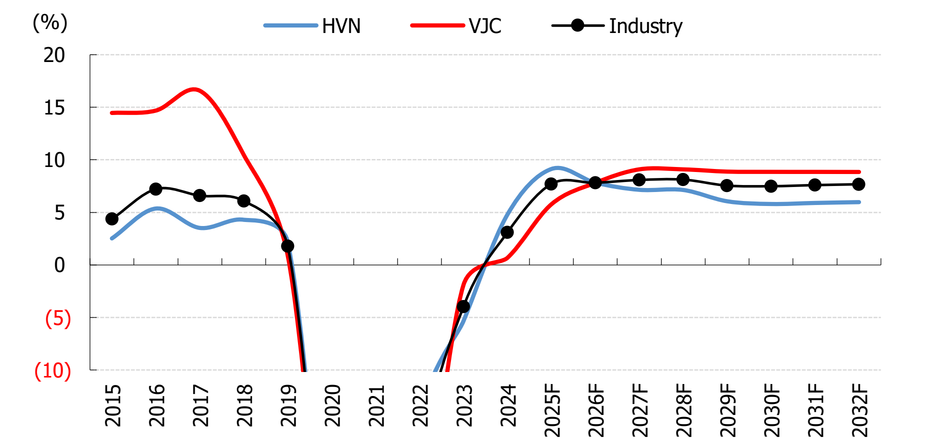
In the short and medium term, the OPM begin to converge to the past averages.

In the long term, the OPM will remain stable at the historical average and is unlikely to expand due to its weak position in the industry value chain.

In the short to medium term, we expect OPMs begin to converge to historical averages. In 2026F, HVN's OPM will decline to 7.8% (-1.3%p), while VJC's will increase to 7.8% (+2.0%p) thanks to narrowing fare gap with HVN and as external shocks fade. As a result, the industry's OPM in 2026F is expected to be at 7.8%.

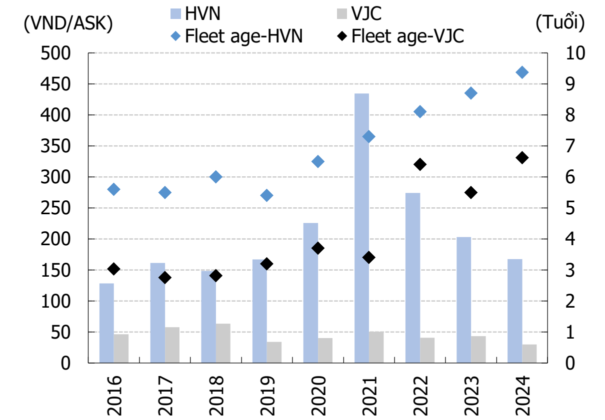
In the long term, due to their weak position in the aviation value chain and high competition, airlines barely increase fares in line with inflation (compared to CPI) (Appendix 2). Instead, they focus on cutting costs and optimizing operations to maintain unit profits. Therefore, in the long term, profit margins are difficult to increase in stable economic conditions. To increase profits, airlines prioritize selling as many seats as possible by using very high operating leverage. However, if airlines continue their international expansion strategy in search of growth, long-term profit margins might slide.

Figure 31. Projected airlines' transport OP margin 2025-32F



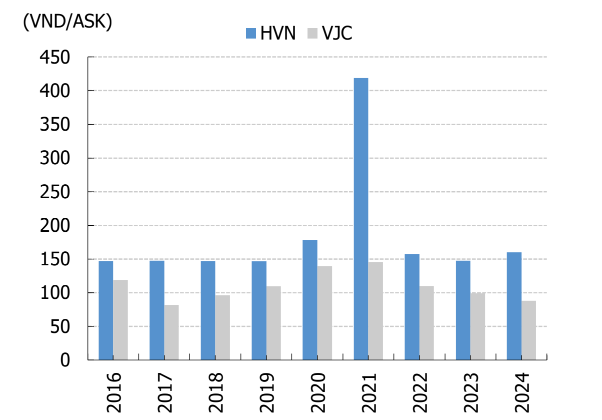
Source: HVN, VJC, KIS Research
Note: Industry = VJC + HVN

Figure 32. A younger and more modern fleet gives VJC MRO cost advantages



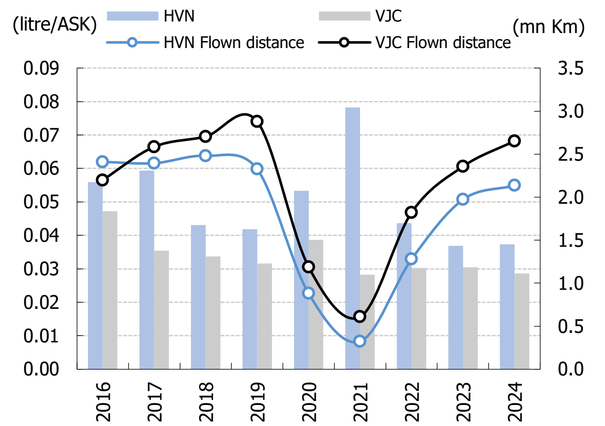
Source: HVN, VJC, KIS Research
Note: VJC's MRO costs and HVN's fleet age are estimates

Figure 33. VJC also spread labor costs over more seats



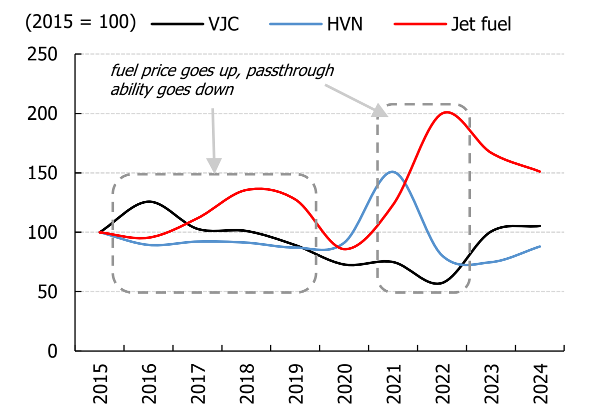
Source: HVN, VJC, KIS Research
Note: VJC is more flexible on labor adjustment than HVN, labor expenses in 2021 down 42% vs HVN's 10% cut in labor expenses

Figure 34. VJC have lower fuel conssumption



Source: HVN, VJC, KIS Research
Note: Flown distance per aircraft per year

Figure 35. HVN and VJC could barely pass fuel costs to passngers



Source: Company data, KIS Research
Note: We use RASK ex-fuel as proxy to assess cost throughput ability

VI. Risks to consider

***2025-27F**:* We expect that aircraft with engine failures after maintenance will gradually return to service from 2H25F to 2027F and will not significantly impact the profit margins of airlines. In addition, the strong upward movement of oil prices will also cause profits to decline.

However, the fact that the industry's capacity increases more strongly than expected after Sun PhuQuoc Airways enters the market could put pressure on profit margins: According to the 2024 summer slot schedule of the Civil Aviation Authority, about 15% of slots are still available (open for confirmation from November 2023), the fleet size at that time is equivalent to the expected end of 2025F. During Jan-Jul 2025, the slot utilization rate of domestic airlines at Tan Son Nhat and Noi Bai is often above 90%, showing that this group will be prioritized for slots in the following seasons. Thus, although SPQ can enter the market, the airline will likely have difficulty accessing favorable flight times because it has no history of slot usage for the CAAV to assess.

Table 8. Vietnam's fleet 2017-2027F

	2018	2019	2020	2021	2022	2023	2024	2025F	2026F	2027F
HVN group	104	117	121	118	113	103	101	101	102	110
Vietjet Air	64	71	73	75	79	87	94	101	112	127
Bamboo Airways	1	23	26	29	29	9	7	7	7	7
Vietravel	-	-	1	3	3	3	2	3	5	6
Sun PhuQuoc[(1)]	-	-	-	-	-	-	-	7	13	17
Total	**169**	**211**	**221**	**225**	**224**	**202**	**204**	**219**	**239**	**267**
Active	**169**	**211**	**221**	**225**	**224**	**202**	**182**	**202**	**233**	**267**
Growth (%)	*11.9*	*24.9*	*4.7*	*1.8*	*(0.4)*	*(9.8)*	*(9.9)*	*11.0*	*15.3*	*14.6*

Source: Planespotters, KIS Research
Note: Pacific Airlines has leased 3 A321s from Vietnam Airlines since 2024, (1) Ticket sales starts from 10/2025

Table 9. Flight frequencies on some routes that SPQ plans to operate

	HCM ↔ Hanoi	Hanoi ↔ Da Nang	HCM ↔ Phu Quoc	Hanoi ↔ Phu Quoc
HVN group	170	100	45	14
Vietjet Air	151	78	36	27
Bamboo	35	9	4	0
Vietravel	30	13	13	0
Total	**~386**	**~ 200**	**~ 98**	**~ 41**
Sun Phu Quoc [1]	~56	~ 21	~ 56	~ 35
% increase	*+15%*	*+11%*	*+57%*	*+85%*

Source: Trip.com, KIS Research
Note: Including round trips during the week of October 20-26, (1) Information from the press

In the long term: Although we have considered and reflected the impacts of similar HSR axes in China when making projections on the industry's prospects, we do not rule out that the domestic passenger market share of the aviation industry may decline more sharply than expected. The opening of the sky increases opportunities and challenges for domestic airlines, competition from foreign rivals will negatively impact the growth prospects and profit margins of domestic airlines.

VII. Conclusion and Ratings

We issue a **NEUTRAL** recommendation based on the short, medium and long term prospects and risks of the Aviation industry:

- *In 2H25F,* we expect positive developments in the industry, as international demand continues to increase, most notably the recovery of visitors from China, while the domestic market also recovers strongly thanks to the lower airfares and economic stimulus policies. At the same time, the pressure on aircraft supply in 2H25F is expected to remain under control as demand recovers well, in addition, the entry of Sun PhuQuoc, in our opinion, has not had a significant impact on the industry. Low fuel prices will also support profits for airlines.
- *In the long term,* we believe the aviation industry is entering the initial stage of a new growth cycle. This is supported by ongoing infrastructure upgrades, which are expected to ease congestion at major airports. In addition, the open skies policy is strengthening international connectivity, while more open visa regulations create a favorable environment for well-capitalized airlines to expand internationally. However, as the HSR is completed in phases, it will slow down domestic passenger growth. At this time, expanding and effectively exploiting the international market will be the key factor determining the ability of airlines to maintain growth.

Stock recommendation: Although we remain optimistic about the short- and medium-term prospects of Vietnam's aviation industry as analyzed above, from a stock valuation perspective, we recommend **HOLDING for HVN** (TP: VND 18,800) and **VJC** (TP: VND 109,200), as we believe that the risks from the long-term impacts of the North-South High Speed Rail have not yet been fully reflected in the stock price.

Top picks

Vietnam Airlines (HVN)

Vietjet Air (VJC)

Vietnam Airlines (HSX: HVN)

HOLD (Initiation), TP (VND18,800)

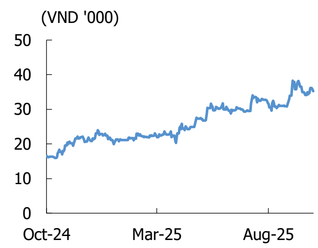
Stock price (14 Oct, VND)	35,200
Market cap (USD mn)	4,156
Shares outstanding (mn)	3,111
52W High/Low (VND)	38,250/15,999
6M avg. daily turnover (USD mn)	3.21
Free float (%)	34.6
Foreign ownership (%)	9.3
Major shareholders (%)	
SCIC	47.1
Ministry of Finance	39.3
ANA Holdings	5.6

Yr to Dec	Sales (VND bn)	OP (VND bn)	NP (VND bn)	EPS (VND)	% chg (YoY)	EBITDA (VND bn)	PE (x)	EV/EBITDA (x)	PB (x)	ROE (%)	DY (%)
2023A	91,540	(2,587)	(5,632)	(2,678)	-	(7,910)	-	-	(9.5)	-	-
2024A	105,942	6,813	7,958	3,416	-	(4,523)	7.4	-	13.7	-	-
2025F	120,588	12,377	10,037	3,063	(10.3)	359	11.0	99.2	16.3	-	-
2026F	127,265	10,413	8,430	2,573	(16.0)	2,932	13.1	12.1	12.7	156.4	-
2027F	137,565	10,484	8,631	2,634	2.4	5,566	12.8	6.4	12.3	62.0	-

Performance

	1M	6M	12M
Absolute (%)	3.7	42.9	113.2
Relative to VNI (%p)	(2.3)	(0.8)	73.9

Stock price trend



Successful restructure

HOLD, target price (TP) 18,800 VND/share: We initially priced HVN with a HOLD recommendation, with a TP of VND18,800/share. DCF valuation is based on the following assumptions: (1) risk-free rate of 3.5%, (2) beta = 1.0, (3) equity risk premium of 8.35%, and (4) long-term growth of 2%.

2025-26F – Jet fuel prices increase slightly increased supply creates pressure to lower ticket prices:

In 2025F, we forecast RPK (Air traffic)/Pax yield to increase by +13%/+4% YoY, respectively, transportation revenue to increase by 11% YoY, GPM to reach 17.0% (+5.2%p YoY), thanks to international expansion and domestic recovery, increased flight frequency. Goods revenue is expected to increase by 15% YoY, with GPM of 16.5% (+1.8%p YoY). Thereby, HVN's revenue/NPAT-MI is estimated at VND120.6tn (+14% YoY)/VND9,541bn (+26% YoY).

In 2026F, we forecast RPK/Pax yield to increase by +7%/-2% YoY, respectively, and transport/cargo revenue to increase by 6%/11% YoY, respectively. Total revenue/EAT-EAT in 2026 is estimated to reach VND127.3tn/VND8,014bn, respectively, growing by +6%/-16% YoY.

Table 9. HVN's transport segment assumptions

	2023A	2024A	2025F	2026F	2027F
ASK	44,900	46,500	51,535	56,174	60,668
RPK	35,440	37,500	42,511	45,501	49,141
Load factor	79%	81%	81%	81%	81%
Pax yield (USD cents)	8.65	8.88	9.22	9.04	9.01
Unit profit (USD cents)	(0.31)	0.43	0.69	0.57	0.52

Source: Company data, KIS Research

Restructuring and plan to increase capital by 13,000 billion in 2026F:
In Nov-24, the National Assembly approved HVN's plan to increase its capital by a maximum of VND22tn, divided into two phases (VND9tn and VND13tn). Phase 1 has been completed with the participation of SCIC, while phase 2 is expected to take place in 2026 when the State sells purchase rights and reduces its ownership ratio in HVN. We believe this is the main driver supporting the stock price recently and in the near future.

Risks of opening new routes and fuel price fluctuations.

Opening new routes may result in losses due to lower-than-expected demand. Global political instability may lead to higher jet fuel prices.

Company overview & Glossary

Vietnam Airlines JSC (HVN), a state-owned airline, was established in 1995. The company specializes in air transport services. At the end of 2024, HVN was operating 108 aircraft with 100 routes, including 69 domestic and 39 international routes.

VALUATION & FORECAST

Cost of equity assumption %

Item	
Beta	1.00
Risk free rate	3.5
Equity risk premium	8.4
Cost of equity	**11.9**

Source: KIS Research

WACC assumption %

Item	
Cost of debt	11.7
Target debt to capital	22.9
Tax rate	20.0
WACC	**11.7**

Source: KIS Research

FCFF summary VND bn

FCFF	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
EBIT(1-tax)	9,893	8,200	8,334	8,599	6,944	6,929	7,318	7,568
add: depreciation	5,111	5,199	5,436	5,677	5,921	4,015	2,491	1,566
less: capex	(511)	(534)	(2,370)	(2,411)	(2,438)	(2,452)	(2,467)	(2,474)
(increase) / decrease in NWC	(805)	(5,259)	(5,789)	581	357	250	271	162
less: bonus & welfare funds	-	-	-	(847)	(694)	(697)	(735)	(763)
Add: Interest Expenses*(1-t)	1,230	904	638	546	475	504	524	539
FCFF	14,919	8,509	6,250	12,145	10,566	8,550	7,402	6,598
PV of FCFF	3,191	8,509	6,250	12,145	10,566	8,550	7,402	6,598
Cumulative sum PV of FCFF in 8 years	**42,040**							
Terminal value	**31,480**							
FCFF	**18,800**							

Source: KIS Research

Balance sheet

(VND bn)

FY-ending Dec.	2023A	2024A	2025F	2026F	2027F
Current assets	14,884	17,338	27,555	35,246	41,488
Cash & cash equivalent	2,551	4,627	13,638	20,512	25,628
Accounts & other receivables	8,903	9,342	10,074	10,589	11,365
Inventory	3,431	3,369	3,843	4,146	4,494
Non-current assets (Adj.)	42,833	40,849	37,222	33,129	30,944
Fixed Asset	34,359	29,591	24,991	20,326	17,259
Investment assets	1,673	1,795	1,795	1,795	1,795
Others	6,802	9,463	10,436	11,008	11,890
Total assets	57,717	58,187	64,776	68,375	72,432
Advances from customers	974	485	2,077	2,192	2,369
Unearned revenue	1,217	1,669	1,666	1,666	1,666
Trade payables	31,561	30,773	30,771	27,384	24,098
Others	13,622	10,461	11,637	10,731	10,242
ST debt & bond	17,562	14,311	13,428	12,175	10,933
LT debt & bond	9,806	6,172	-	-	-
Total liabilities	74,743	67,531	62,491	57,659	53,085
Controlling interest	(17,515)	(10,017)	1,117	9,131	17,335
Capital stock	22,144	22,144	23,044	23,044	23,044
Capital surplus	1,220	1,220	1,220	1,220	1,220
Other Reserves	178	233	926	926	926
Retained earnings	(41,057)	(33,614)	(24,073)	(16,060)	(7,856)
Minority interest	489	672	1,169	1,586	2,012
Shareholders' equity	(17,026)	(9,344)	2,286	10,716	19,347

Income statement

(VND bn)

FY-ending Dec.	2023A	2024A	2025F	2026F	2027F
Sales	91,540	105,942	120,588	127,265	137,565
COGS	87,654	92,040	100,189	108,087	117,160
Gross profit	3,885	13,902	20,399	19,178	20,405
SG&A expense	6,473	7,089	8,022	8,765	9,921
Operating profit	(2,587)	6,813	12,377	10,413	10,484
Financial income	926	1,266	1,335	1,433	1,507
Interest income	72	56	125	223	297
Financial expense	4,405	4,951	3,584	3,304	3,238
Interest expense	1,555	1,282	952	672	606
Other non-operating profit	615	5,217	250	250	250
Gains (Losses) in associates, subsidiaries and JV	88	70	82	82	82
Earnings before tax	(5,363)	8,416	10,461	8,874	9,085
Income taxes	269	458	424	444	454
Net profit	(5,632)	7,958	10,037	8,430	8,631
Net profit of controlling interest	(5,930)	7,564	9,541	8,014	8,204
EBITDA	2,178	14,792	16,524	14,746	15,128

Cash flow

(VND bn)

FY-ending Dec.	2023A	2024A	2025F	2026F	2027F
C/F from operating	1,004	9,441	16,030	9,611	9,603
Net profit	(5,363)	8,416	10,461	8,874	9,085
Depreciation	5,986	5,095	5,111	5,199	5,436
Net incr. in W/C	(1,371)	(5,093)	(1,541)	(6,083)	(6,400)
C/F from investing	667	250	(1,558)	(1,483)	(3,245)
CAPEX	(863)	324	248	(261)	(284)
Incr. in investment	343	2	(1,297)	(1,199)	(1,125)
C/F from financing	(1,613)	(7,609)	(5,461)	(1,253)	(1,242)
Incr. in equity	-	-	1,593	-	-
Incr. in debts	(1,308)	(7,389)	(7,054)	(1,253)	(1,242)
Dividends	(306)	(220)	-	-	-
Others	-	-	-	-	-
Increase in cash	58	2,082	9,011	6,874	5,116

Key financial data

FY-ending Dec.	2023A	2024A	2025F	2026F	2027F
per share data (VND)					
EPS	(2,678)	3,416	3,063	2,573	2,634
BPS	(7,910)	(4,523)	359	2,932	5,566
DPS	138	99	-	-	-
Growth (%)					
Sales growth	30.0	15.7	13.8	5.5	8.1
OP growth	-	-	81.7	(15.9)	0.7
NP growth	(49.8)	(241.3)	26.1	(16.0)	2.4
EPS growth	-	-	(10.3)	(16.0)	2.4
EBITDA growth	-	579.0	11.7	(10.8)	2.6
Profitability (%)					
OP margin	(2.8)	6.4	10.3	8.2	7.6
NP margin	(6.2)	7.5	8.3	6.6	6.3
EBITDA margin	2.4	14.0	13.7	11.6	11.0
ROA	(9.5)	13.7	16.3	12.7	12.3
ROE	40.8	(54.9)	-	156.4	62.0
Dividend yield	0.5	0.4	-	-	-
Dividend payout ratio	(5)	3	-	-	-
Stability					
Net debt (VND bn)	24,817	15,856	(209)	(8,337)	(14,695)
Int.-bearing debt/equity (%)	(146)	(170)	(9)	(78)	(76)
Valuation (X)					
PE	-	-	8.0	10.9	13.0
PB	-	-		98.1	12.0
EV/EBITDA	-	-	11.6	9.8	11.6

Vietjet Air (HSX: VJC)

BUY (Initiation), TP VND109,200

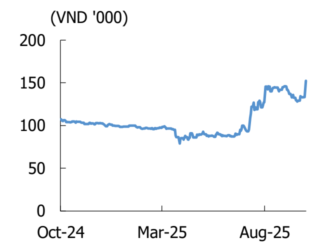
Stock price (14 Oct, VND)	31,900
Market cap (USD mn)	171
Shares outstanding (mn)	133
52W High/Low (VND)	39,700/24,600
6M avg. daily turnover (USD mn)	2.37
Free float (%)	31.3
Foreign ownership (%)	1.0
Major shareholders (%)	
Sunflower Sunny	26.2
Nguyen Thi Phuong Thao	8.0
Sovico	7.6

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2023A	58,341	(529)	231	426	-	28,123	256.3	3.9	0.3	1.5	-
2024A	72,045	3,161	1,404	2,591	508.5	31,566	38.6	3.2	1.5	8.7	-
2025F	78,779	4,801	1,751	2,960	14.3	40,374	47.2	3.5	1.7	8.5	-
2026F	106,323	7,154	3,196	5,403	82.5	39,487	25.8	3.5	2.8	13.5	4.5
2027F	127,377	10,008	5,193	8,777	62.4	42,240	15.9	3.3	4.0	21.5	4.3

Performance

	1M	6M	12M
Absolute (%)	3.7	42.9	113.2
Relative to VNI (%p)	(2.3)	(0.8)	73.9

Stock price trend



New growth phase

HOLD, target price (TP) 109,200 VND/share: We initiated VJC with a HOLD recommendation (TP: VND109,200/share). DCF valuation is based on the following assumptions: (1) risk-free rate of 3.5%, (2) beta = 1.0, (3) equity risk premium of 8.35%, and (4) 3% long-term growth.

2025-26F – Low fuel prices are favorable for expansion, optimizing ancillary services to improve passenger yield (LSHK):

In 2025F, we forecast RPK (Air traffic)/Pax yield to increase +22%/-4% YoY, transportation revenue to increase by 20% YoY, and GPM to reach 12.0% (+1.5 %p YoY), thanks to the declining fuel price trend and good domestic recovery. Aircraft sales (ACS) is expected to decrease by 49% YoY, recording VND498bn GP. Thereby, VJC's revenue/NPAT-MI is estimated at VND78.8tn (+9% YoY)/VND1,751bn (+25% YoY).

In 2026F, we forecast RPK/Pax yield +18%/+0.5% YoY, respectively, and transportation/ACS revenue to increase by +20%/+330% YoY. Total revenue/NPAT-MI in 2026 is estimated to reach VND106.3tn/VND3,196bn, representing growth of +35%/+83% YoY.

Table 10. VJC's transport segment assumptions

	2023A	2024A	2025F	2026F	2027F
ASK	44,329	55,520	64,635	76,916	90,760
RPK	38,566	46,637	5.06	5.11	5.16
Load factor	87%	84%	87%	87%	87%
Pax yield (USD cents)	5.28	5.11	4.91	4.94	5.06
Unit profit (USD cents)	(0.09)	0.03	0.26	0.34	0.41

Source: Company data, KIS Research

Update on the lawsuit with FWA

The Court of Appeal has rejected the global blockade request from FWA, which is a positive sign as Vietjet has a very large aircraft order. Regarding the fine of about USD182mn, Vietjet previously said that it is actively negotiating with FWA to reduce the fine. Monitoring the fleet in Vietnam, we found that 2/3 of Sun Phu Quoc (SPQ) aircraft were leased from FWA, which are also 2/4 aircraft in the FWA-VJ dispute. In addition, Vietjet has not yet recorded the fine that should have been paid from 2Q25. We believe that the negotiation between Vietjet and FWA is progressing smoothly with the participation of SPQ, which is also reflected in the positive stock price movement, although Vietjet has not yet made any official announcement regarding this.

Risks of opening new routes and fuel price fluctuations.
Opening new routes may result in losses due to lower-than-expected demand. Global geopolitical instability may lead to higher jet fuel prices.

Company overview & Glossary

Vietjet Aviation JSC (VJC), Vietnam's first private airline, was established in 2007. The company specializes in air transport services. At the end of 2024, VJC is operating 98 aircraft (not including 18 aircraft of Thai Vietjet) with 137 routes, including 40 domestic routes and 97 international routes.

VALUATION & FORECAST

Cost of equity assumption %

Item	
Beta	1.00
Risk free rate	3.5
Equity risk premium	8.4
Cost of equity	**12.2**

Source: KIS Research

WACC assumption %

Item	
Cost of debt	12.1
Target debt to capital	141.1
Tax rate	20.0
WACC	**12.1**

Source: KIS Research

FCFF summary

VND bn

FCFF	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F
EBIT(1-tax)	1,590	3,077	5,073	6,202	7,122	8,193	9,226	10,204	11,046	11,757	11,890
add: depreciation	876	1,089	1,358	1,627	1,894	2,154	2,423	2,693	2,962	3,231	3,501
less: capex	(3,979)	(2,693)	(4,039)	(4,039)	(4,039)	(4,039)	(4,039)	(4,039)	(4,039)	(4,039)	(4,039)
(increase) / decrease in NWC	(899)	(926)	(2,152)	(3,922)	(4,221)	(3,997)	(3,452)	(2,666)	(1,645)	(372)	1,201
less: bonus & welfare funds	-	-	-	-	-	-	-	-	-	-	-
add: Interest Expenses*(1-t)	2,299	3,055	3,279	3,423	3,626	3,914	4,123	4,310	4,429	4,474	4,442
FCFF	(114)	3,602	3,519	3,291	4,383	6,226	8,282	10,502	12,753	15,051	16,994
PV of FCFF	(26)	3,602	3,519	3,291	4,383	6,226	8,282	10,502	12,753	15,051	16,994
Cumulative sum PV of FCFF in 11 years	**38,442**										
Terminal value	**60,206**										
FCFF	**109,200**										

Source: KIS Research

Balance sheet (VND bn)

FY-ending Dec.	2023A	2024A	2025F	2026F	2027F
Current assets	40,827	38,578	38,046	46,822	51,536
Cash & cash equivalent	5,051	4,559	4,985	6,728	8,060
Accounts & other receivables	35,073	32,013	30,918	37,201	40,056
Inventory	703	2,005	2,142	2,893	3,420
Non-current assets (Adj.)	46,098	60,738	68,531	74,368	83,723
Fixed Asset	10,173	14,166	18,793	20,397	23,079
Investment assets	149	149	149	149	149
Others	35,776	46,422	49,588	53,821	60,495
Total assets	86,925	99,315	106,577	121,190	135,259
Advances from customers	3,546	1,516	1,418	1,914	2,293
Unearned revenue	3,600	4,253	3,425	3,425	3,425
Trade payables	8,805	6,195	4,884	6,592	7,897
Others	24,910	10,461	11,637	10,731	10,242
ST debt & bond	13,554	12,460	14,983	18,389	21,944
LT debt & bond	17,257	30,052	29,701	29,350	28,999
Total liabilities	71,672	82,197	82,669	97,807	110,248
Controlling interest	15,232	17,097	23,885	23,361	24,989
Capital stock	5,416	5,416	5,466	5,466	5,466
Capital surplus	247	247	4,747	4,747	4,747
Other Reserves	319	780	1,268	1,268	1,268
Retained earnings	9,250	10,653	12,404	11,879	13,508
Minority interest	21	22	22	22	22
Shareholders' equity	15,253	17,119	23,908	23,383	25,012

Income statement (VND bn)

FY-ending Dec.	2023A	2024A	2025F	2026F	2027F
Sales	58,341	72,045	78,779	106,323	127,377
COGS	55,820	64,892	69,327	93,609	110,662
Gross profit	2,521	7,153	9,452	12,715	16,715
SG&A expense	3,049	3,993	4,651	5,560	6,707
Operating profit	(529)	3,161	4,801	7,154	10,008
Financial income	2,955	1,991	2,046	2,026	2,164
Interest income	395	660	716	695	833
Financial expense	2,242	3,480	4,551	4,863	5,065
Interest expense	1,950	3,212	4,271	4,583	4,785
Other non-operating profit	422	151	151	151	151
Gains (Losses) in associates, subsidiaries and JV	-	-	-	-	-
Earnings before tax	606	1,823	2,448	4,468	7,258
Income taxes	375	419	697	1,271	2,065
Net profit	231	1,404	1,751	3,196	5,193
Net profit of controlling interest	231	1,403	1,751	3,196	5,193
EBITDA	2,970	5,648	7,594	10,140	13,401

Cash flow (VND bn)

FY-ending Dec.	2023A	2024A	2025F	2026F	2027F
C/F from operating	(4,247)	(1,682)	(9)	3,206	3,696
Net profit	606	1,823	2,448	4,468	7,258
Depreciation	413	613	876	1,089	1,358
Net incr. in W/C	(9,992)	(7,121)	(5,686)	(5,037)	(7,669)
C/F from investing	(957)	(10,816)	(702)	(796)	(2,004)
CAPEX	(1,217)	598	(7,928)	(3,828)	(2,541)
Incr. in investment	(1,555)	(2,889)	3,126	1,746	1,884
C/F from financing	8,412	11,964	7,210	(667)	(360)
Incr. in equity	-	-	5,038	-	-
Incr. in debts	8,412	12,022	2,172	3,055	3,204
Dividends	-	(58)	-	(3,721)	(3,564)
Others	-	-	-	-	-
Increase in cash	3,208	(534)	6,498	1,743	1,332

Key financial data

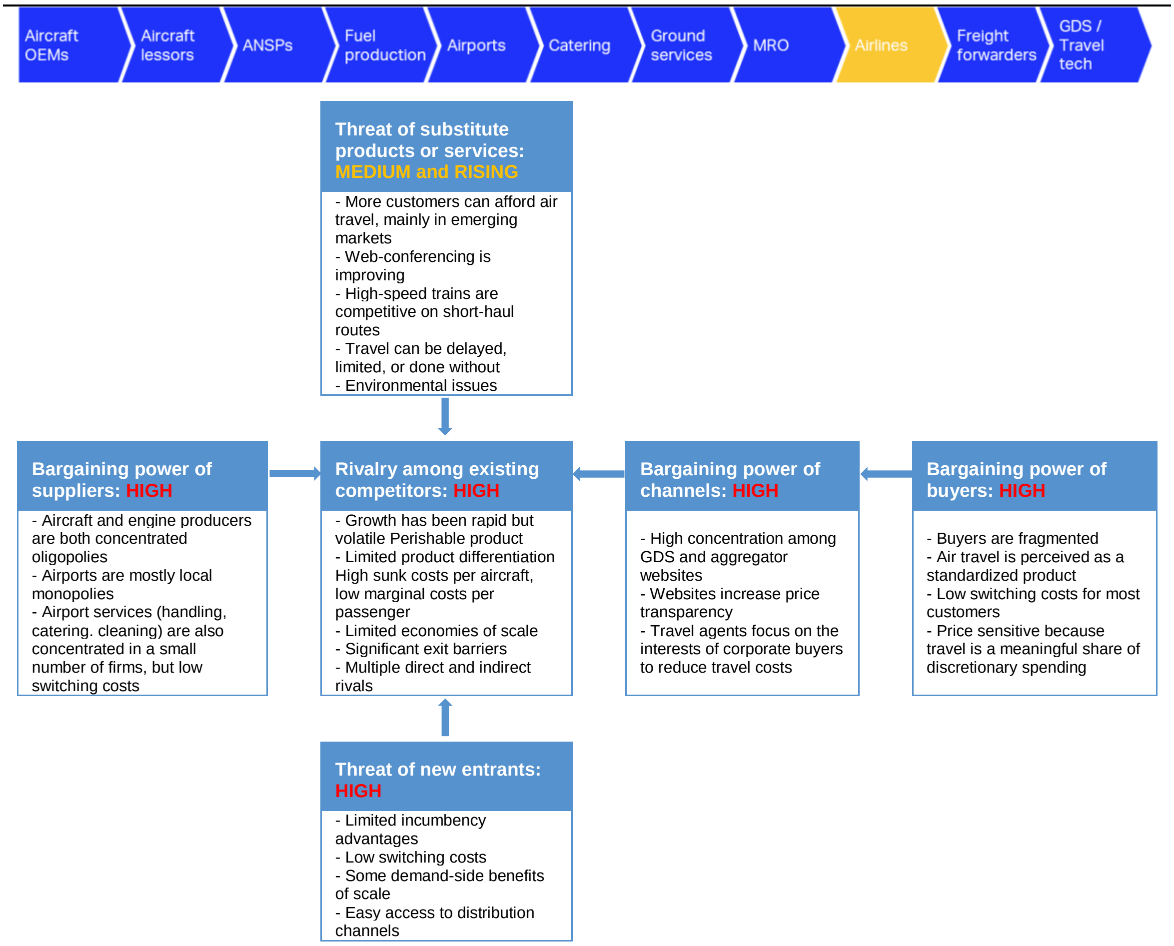
FY-ending Dec.	2023A	2024A	2025F	2026F	2027F
per share data (VND)					
EPS	426	2,591	2,960	5,403	8,777
BPS	28,123	31,566	40,374	39,487	42,240
DPS	-	107	-	6,290	6,024
Growth (%)					
Sales growth	45.3	23.5	9.3	35.0	19.8
OP growth	-	-	51.9	49.0	39.9
NP growth	(110.2)	506.7	24.7	82.5	62.4
EPS growth	-	508.5	14.3	82.5	62.4
EBITDA growth	-	90.2	34.5	33.5	32.2
Profitability (%)					
OP margin	(0.9)	4.4	6.1	6.7	7.9
NP margin	0.4	1.9	2.2	3.0	4.1
EBITDA margin	5.1	7.8	9.6	9.5	10.5
ROA	0.3	1.5	1.7	2.8	4.0
ROE	1.5	8.7	8.5	13.5	21.5
Dividend yield	-	-	-	5.3	5.1
Dividend payout ratio	-	-	-	116	69
Stability					
Net debt (VND bn)	24,817	15,856	39,699	41,011	42,883
Int.-bearing debt/equity (%)	(146)	(170)	166	175	171
Valuation (X)					
PE	252.8	38.6	47.2	25.8	15.9
PB	3.8	3.2	3.5	3.5	3.3
EV/EBITDA		27.9	25.8	17.3	12.4

APPENDIX

In the aviation value chain, airlines are the weakest link as the bargaining power is tilted towards suppliers and customers. In addition, the barriers to entry are relatively low, and the risk of substitution is increasing. Therefore, the inevitable trend in the world aviation industry in recent decades is ***restructuring and consolidation***. Previously, the market was very fragmented, but M&A deals have helped improve operational efficiency and profit margins.

However, foreign airlines still face significant barriers to entry due to capital and ownership constraints. In addition, airfares have very short life cycles, forcing airlines to maximize ticket sales to avoid operating losses on each flight. This dynamic has led LCCs to adopt some features of the FSC model and vice versa, in order to balance profit per seat and maintain load factors. In Vietnam, both Vietjet (VJC) and Vietnam Airlines (HVN) are moving towards a hybrid model. VJC has introduced business class seats, while HVN has increased sales of economy class tickets.

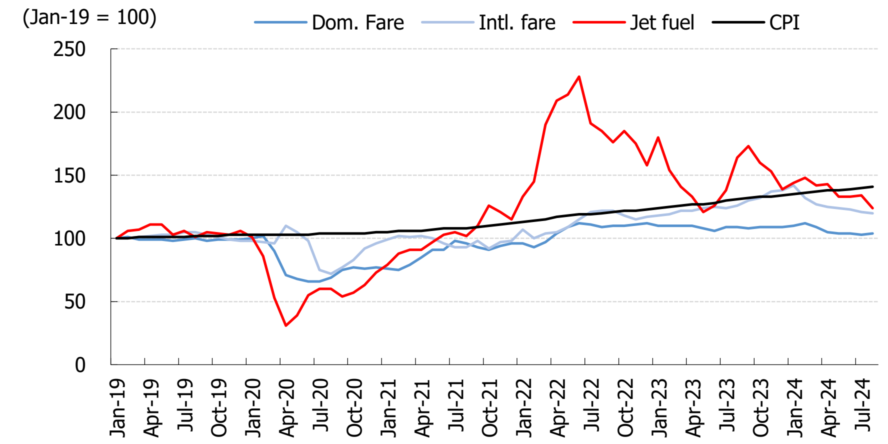
Appendix 1. Aviation Value Chain and Michael Porter's Competition Framework



Source: Prof. Michael Porter, IATA, KIS Research

In the long run, due to their weak position in the aviation value chain and high competition, airlines hardly increase ticket prices in time with inflation (compared to CPI) (Appendix 2). Instead, they focus on cutting costs and optimizing operations to maintain unit profits (RASK-CASK). Therefore, in the long run, profit margins are difficult to increase in stable economic conditions. To increase profits, airlines prioritize selling as many seats as possible by using very high operating leverage.

Appendix 2. Airfare did not catch up the inflation, airlines struggle to earn real profits



Source: IATA, KIS Research

Appendix 3. Air freedoms and applied air service agreements

	Summary	Vietnam has applied
1st Freedom	The right to fly over a foreign country without landing - *Ex: Overflight rights*	Most countries
2nd Freedom	The right to land in a foreign country for technical stops - *Ex: Refueling, technical issues…*	Most countries
3rd Freedom	The right to carry passengers/cargo from the airline's home country to another country - *Ex: VNA flying passengers from Vietnam to Thailand*	Most countries
4th Freedom	The right to carry passengers/cargo from another country back to the airline's home country - *Ex: VNA flying passengers from Thailand back to Vietnam*	Most countries
5th Freedom	The right to carry passengers/cargo between 2 foreign countries as part of a service that originates or ends in the airline's home country - *Ex: Singapore Airlines flying passengers from Singapore to Vietnam and then onwards to Japan*	- Full: Brazil, Canada, UAE, Laos, Kazakhstan… - Limited*: Saudi Arabia, Turkey, India, China…
6th Freedom	The right to carry passengers/cargo between 2 foreign countries via the airline's home country - *Ex: Singapore Airlines flying passengers from Australia to Singapore and then onwards to London*	No
7th Freedom	The right to carry passengers/cargo between 2 foreign countries without involving the airline's home country - *Ex: Ryanair (Ireland) flying passengers from Vienna (Austria) to Athens (Greece)*	No
8th Freedom	The right to carry passengers/cargo within a foreign country that as part of a service originates or ends in the airline's home country - *Ex: Lufthansa (Germany) flying passengers within France as part of a route originating or ending in Germany*	No
9th Freedom	The right to carry passengers/cargo within a foreign country - *Ex: Lufthansa (Germany) can operate domestic flights within France*	No

Source: KIS Research
Note: 5th freedom is granted to selected carriers, (*) Limited to routes connecting to HCMC, Ha Noi or Da Nang

Appendix 4. Master Plan for the Development of the National Airport System for the 2021–2030 Period, vision toward 2050

Airport	Operation plan	Type	Design capacity			
			2024	2025	2030F	2050F
Noi Bai	Existing	International	25.0	25.0	30.0	50.0
Van Don	Existing	International	2.5	2.5	5.0	20.0
Hai Phong	-	International	-	-	-	12.0
Tho Xuan	Existing	International	1.2	1.2	5.0	7.0
Vinh	Existing	International	2.8	2.8	8.0	14.0
Phu Bai	Existing	International	1.5	1.5	7.0	12.0
Da Nang	Existing	International	10.0	10.0	25.0	30.0
Chu Lai	Existing	International	1.2	1.2	10.0	30.0
Cam Ranh	Existing	International	6.5	6.5	25.0	36.0
Lien Khuong	Existing	International	2.0	2.0	5.0	7.0
Long Thanh	From 2026	International	-	-	25.0	100.0
Tan Son Nhat	Existing	Intl./Dom.*	28.0	48	50.0	50.0
Can Tho	Existing	International	3.0	3.0	7.0	12.0
Phu Quoc	Existing	International	5.0	5.0	10.0	18.0
Cat Bi	Existing	Intl./Dom.*	3.6	3.6	12.0	18.0
Gia Binh	End of 2026	International	-	-	30.0	50.0
Cao Bang	-	Domestic	-	-	-	2.0
Lai Chau	-	Domestic	-	-	0.5	1.5
Dien Bien	Existing	Domestic	0.3	0.3	2.0	3.0
Sapa	-	Domestic	-	-	3.0	5.0
Na San	-	Domestic	-	-	1.0	2.0
Hanoi 2nd Airport	-	Domestic	-	-	-	-
Dong Hoi	Existing	Domestic	0.5	0.5	3.0	5.0
Quang Tri	From Jul-26	Domestic	-	-	1.0	2.0
Pleiku	Existing	Domestic	0.6	0.6	4.0	5.0
Phu Cat	Existing	Domestic	1.5	1.5	5.0	7.0
Tuy Hoa	Existing	Domestic	0.6	0.6	3.0	5.0
Buon Ma Thuot	Existing	Domestic	2.0	2.0	5.0	7.0
Phan Thiet	End of 2026	Domestic	-	-	2.0	3.0
Rach Gia	Existing	Domestic	0.3	0.3	0.5	1.0
Ca Mau	Existing	Domestic	0.2	0.2	1.0	3.0
Con Dao	Existing	Domestic	0.4	0.4	2.0	3.0
Bien Hoa	-	Domestic	-	-	5.0	10.0
Thanh Son	-	Domestic	-	-	1.5	3.0
Total			**98.7**	**118.7**	**295.5**	**536.5**

Source: Decision 648/QD-TTg, Decision 1102/QD-BXD, KIS Research
Note: (*) Expected to become a domestic airport after an international airport replaces it

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