Vietnam Airlines JSC (HVN)

HOLD

Transportation

Current Price	VND30,750
52Wk High/Low	VND36,350/17,050
Target Price	VND34,100
Previous TP	NA
TP vs Consensus	NA
Upside	10.9%
Dividend Yield	0.0%
Total stock return	10.9%

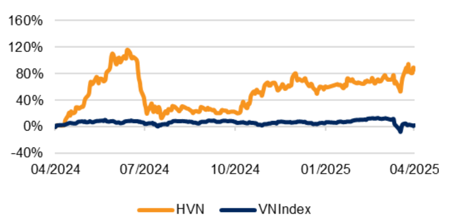
Growth rating	Neutral
Value rating	Neutral
ST Technical Analysis	Neutral

Market Cap	USD2.7bn
3m Avg daily value	USD2.6mn
Avail Foreign Room	USD570.3mn
Outstanding Shares	2,218.3mn
Fully diluted O/S	2,218.3mn

	HVN	Peers	VNI
P/E TTM	9.0x	11.9x	12.1x
P/B Current	NA	3.3x	1.6x
ROA	13.2%	2.6%	5.6%
ROE	NA	9.5%	12.0%

**as of 4/25/2024*

Share Price performance



Performances (%)	1M	3M	12M
HVN	4.3%	16.4%	29.7%
VNIndex	-8.0%	-3.3%	10.9%

Ownership

The Ministry of Transport	86.3%
All Nippon Airways	5.6%
Others	8.1%

Business Description

The Vietnam Airlines JSC (HOSE: HVN) group comprises the parent full-service carrier (FSC) Vietnam Airlines (VNA), along with four affiliates and 15 subsidiaries spanning various segments of the aviation value chain. This includes a controlling stake in the low-cost carrier (LCC) Pacific Airlines (PA)

Analyst(s):

Quyen Nguyen

quyen.nguyen2@vndirect.com.vn

Positive recovery, though capacity limitations persist

- We initiate with the HOLD rating with 10.9% upside.
- HVN is a group that comprises parent full-service carrier (FSC) Vietnam Airlines (VNA).
- Current EV/EBITDAR of 3.5x is above its two-year average of 3.1x but below the peer average of 4.1x and its pre-pandemic average of 4.3x. Given that the company's shareholder equity remains negative post-pandemic and and that risks regarding HVN's limited fleet expansion, we consider this valuation to be reasonable.

Financial Highlights

- 2024 transportation revenue increased 15% YoY to VND83.0tn (USD3.2bn), driven by the strong growth of international air travel.
- 2024 HVN gross profit margin expanded to 13.1% from 4.2% in 2023 thanks to a higher proportion of international passengers, higher load factor and lower jet fuel prices.
- We forecast FY25/26 core net profit to surge 70%/32.6% to VND6.0tn/VND7.9tn (USD229.8mn/USD304.7mn), respectively.

Investment Thesis

HVN benefits from better traffic demand and cost conditions

HVN is expected to benefit from the aviation industry's infrastructure expansion, with passenger traffic projected to sustain growth during FY25–26. As the national carrier, HVN is well-positioned to capture rising domestic and international travel demand, driven by tourism growth. Additionally, the anticipated decline in global oil prices and improved fleet efficiency could strengthen margins and accelerate its turnaround.

Support from the value chain

HVN and its subsidiaries and associates cover every node in Vietnamese aviation's value chain. This structure enhances operational efficiency, cost control, and service synergies, positioning HVN as the primary direct beneficiary of the industry's strong growth.

Potential from share issuance plan

In November 2024, HVN received government approval to issue additional shares to raise up to VND22tn (USD846.2mn). This reflects the government's commitment to ensuring the airline's solvency and its strategic role in the national economy. The additional funding will support debt restructuring, long-term investment projects at LTIA, and aircraft investment.

Risks related to HVN's limited fleet expansion

Nonetheless, HVN faces significant risks due to its limited fleet expansion in the near term. While demand is rising, the airline's constrained capacity may limit its ability to fully capitalize on the market recovery and new international opportunities. Insufficient aircraft availability could weaken competitiveness, and overextend existing assets, potentially leading to service inefficiencies. Given this limitation, coupled with the heavy swing of FX rates and high macro uncertainties, we recommend HOLD on HVN for a one-year investment period with 10.9% upside.

	2023	2024	2025F	2026F
Revenue growth	34,2%	15,7%	11,7%	10,6%
EPS growth	(47,5%)	(227,5%)	(21,0%)	32,6%
Gross margin	4,2%	13,1%	14,8%	15,6%
Net profit margin	(6,5%)	7,1%	5,0%	6,1%
P/E (x)	NA	8,4	11,4	8,6
P/B (x)	NA	NA	NA	37,1

Source: VNDIRECT RESEARCH

Industry overview

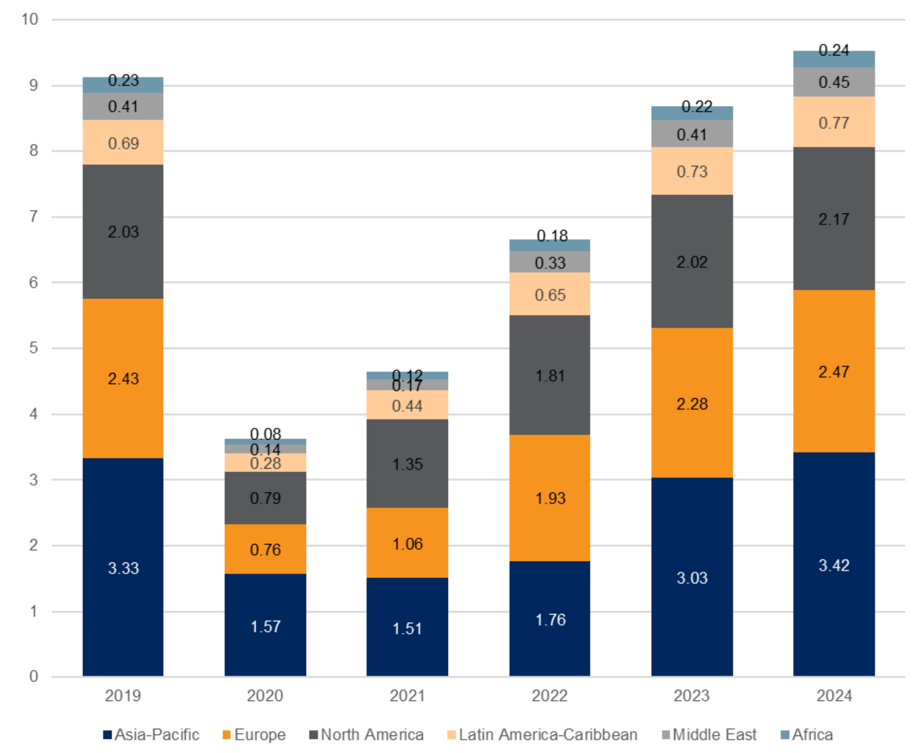
Global airline industry

Traffic to reach all-time high

Due to the significant decline in air traffic caused by lockdowns and restrictions implemented to fight the global pandemic, global passenger numbers were devastated in the FY20-22 period.

- According to ACI World statistics, in FY20, global passenger traffic dropped to 3.6 billion (-66% YoY), of which, international passenger traffic fell below 1 billion (-76% YoY), while domestic passenger traffic was 2.3 billion (-52% YoY). This gap reflected the greater reduction in long-haul international flights compared to short-haul domestic flights during the early stages of the pandemic.
- Global passenger volumes recovered to 6.7 billion (73% of the 2019 level) and 8.7 billion (95% of the 2019 level) in FY22 and FY23, respectively, as restrictions were gradually removed worldwide.
- In 2024, air travel demand remained strong, setting a new all-time high. Global passenger volume fully recovered and surpassed pre-pandemic levels, reaching 9.5 billion passengers (104% of 2019 levels).
- That momentum has been carried by the buoyant performance in the largest passenger markets and the rise in international traffic. Asia Pacific sports the highest growth numbers, at 17.2% YoY in 2024, with China and India driving developments in the region.

Figure 1: Global total passengers (billions)



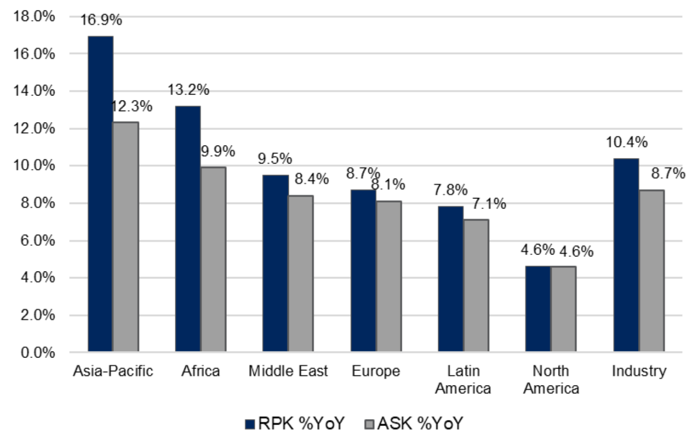
Sources: ACI World, VNDIRECT RESEARCH

This buoyant aviation activity in 2024 has pushed global RPK to a new record high of 8.8 trillion (+10.4% YOY), surpassing the 2019 threshold by 3.8%. 2024 was also marked by total regional recovery, as all regions have overperformed their pre-pandemic levels. Asia Pacific airlines led by a large margin in terms of annual growth (+16.9% YoY). Africa also grew above the industry average

(+13.2% YoY) while North American airlines experienced more modest growth (+4.6% YoY), due to a higher base level.

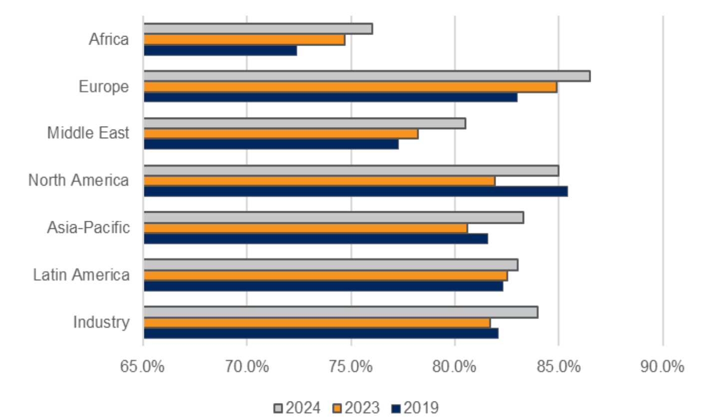
The growth in seat supply (ASK) in 2024 is lower than the growth in demand (RPK) in most regions, except for North America, driven by: 1) a shortage of new aircraft due to low delivery rates; and 2) engine issues affecting some airlines. This has resulted in a higher Passenger Load Factor (PLF) across the industry, which reached a new record level of 84.0%.

Figure 2: Industry and regional RPK, ASK growth in 2024



Sources: IATA, VNDIRECT RESEARCH

Figure 3: Industry load factor reached the highest level in 2024



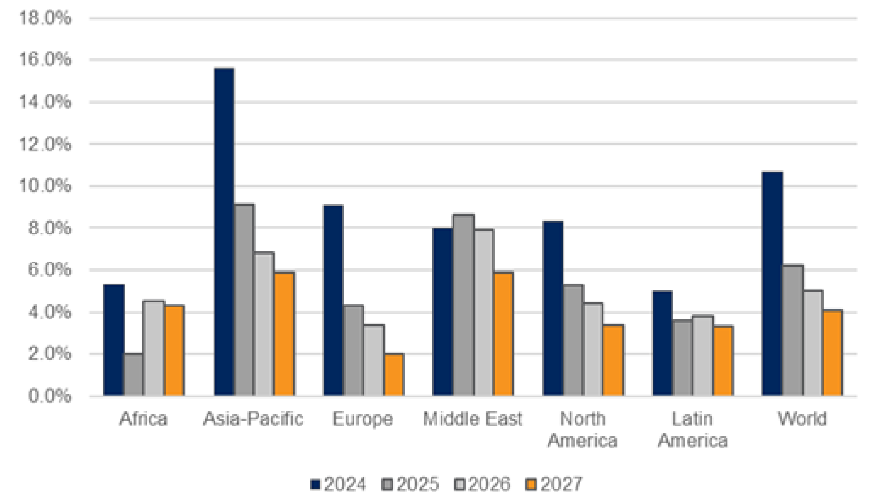
Sources: IATA, VNDIRECT RESEARCH

Tariffs may negatively impact air travel demand in the near term

Earlier this year, IATA estimated that passenger traffic would continue to grow in FY25-27, driven by stable demand and the expansion of airline operations in emerging economies. However, the growth rate will slow due to supply chain issues and the Passenger Load Factor (PLF) reaching record high levels across the industry. In terms of regions, growth is as follows:

- Europe & North America: Maintaining stable growth due to international passenger traffic
- Asia-Pacific & Middle East: Expected to experience the strongest growth in the coming years
- Latin America: Maintaining high growth after a strong recovery
- Africa: Growth primarily driven by large aviation markets in the region

Figure 4: Regional, global yearly forecast growth rates in total passenger numbers, % YoY



Sources: IATA, VNDIRECT RESEARCH

However, in April, US President Donald Trump announced a sweeping new wave of tariffs on countries around the world, asserting that these measures are intended to protect American businesses and stimulate domestic economic growth. Starting April 5, 2025, a blanket 10% tariff was applied to imports from most countries.

Additionally, the President introduced steeper “reciprocal” tariffs—reaching up to 49%—targeting countries that impose taxes on US exports. While Trump has announced a 90-day pause in the implementation of these tariffs, the proposal of additional tariffs suggests a clear risk of escalating trade tensions across multiple markets. Tariffs and trade conflicts generally do not support economic growth, and the risk of an economic slowdown—or even a recession—is increasing. Although much remains uncertain, the general consensus is that global GDP growth could slow by ~0.7-1 percentage points over the coming year, from the previously projected growth rate of 2.7% to around 1.7–2%.

For the aviation industry, the outlook is becoming increasingly challenging. Fundamentally, the extent to which economic disruption affects air passenger traffic depends on how sensitive passenger demand is to changes in income—reflecting the broader effects of trade restrictions on income, consumption, and employment.

According to IATA, estimates of the income elasticity of air passenger demand vary between developed and emerging markets, but are consistently positive and greater than one. In other words, a 1% change in income typically results in more than a 1% change in air travel demand. Developed markets have an estimated income elasticity of around 1.3 nationally, while developing countries show a higher elasticity of ~1.8.

Based on these figures, we have constructed a table that presents several estimates of the near-term impact of escalating trade restrictions on air passenger growth, using a range of economic impact scenarios and passenger income elasticity assumptions.

Figure 5: Implied reduction on near-term passenger growth relative to baseline

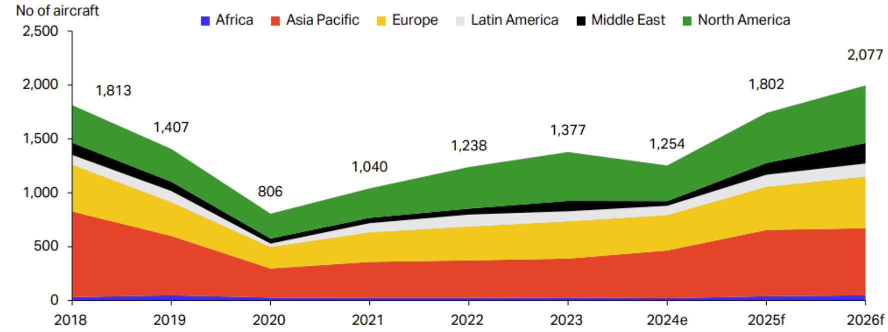
Estimated negative impact on GDP	Assumed income elasticity		
	1	1.3	1.8
0.70%	-0.7%	-0.9%	-1.3%
0.90%	-0.9%	-1.2%	-1.6%
1.10%	-1.1%	-1.4%	-2.0%

Sources: IATA, VNDIRECT RESEARCH

This is a moment of record uncertainty. In an optimistic scenario, if trade tensions ease, the impact on global passenger traffic is expected to be modest. However, if tensions escalate, growth could slow by around 2.0% compared to the baseline scenario.

Supply chain disruption continues to impact the industry in 2025

Figure 6: Aircraft delivery numbers over 2018-2026



Sources: IATA, VNDIRECT RESEARCH

Aircraft deliveries have fallen sharply from a peak of 1,813 aircraft in 2018. Deliveries in 2024 were 1,254 aircraft, 30% fewer than what was predicted at the start of the year. In 2025, deliveries are forecast to rise to 1,802, having been revised down from 2,293, and further cuts to this number are expected.

The backlog (the cumulative number of unfulfilled orders) of new aircraft has reached 17,000 planes this year, a record high for the industry. At present delivery rates, it would take 14 years to clear the backlog, double the six-year average of the 2013-2019 period. However, the waiting time is expected to shorten as delivery rates increase.

As a result of delayed deliveries, the average age of the global fleet has risen to a record 14.8 years, a significant increase from the 13.6 years average for the period 1990-2024. An older fleet means more expensive maintenance and higher fuel burn. We also note a sharp increase in leasing costs amid delays in new fleet deliveries.

President Trump has issued an executive order that imposes a 25% tariff on steel and aluminium products imported into the US, aiming to bolster domestic steel production and ensure 'national security.' There are no exceptions or exemptions stated in the order. These tariffs may increase the cost of raw materials needed to build aircraft, potentially raising production costs for the company and further exacerbating ongoing supply chain disruptions.

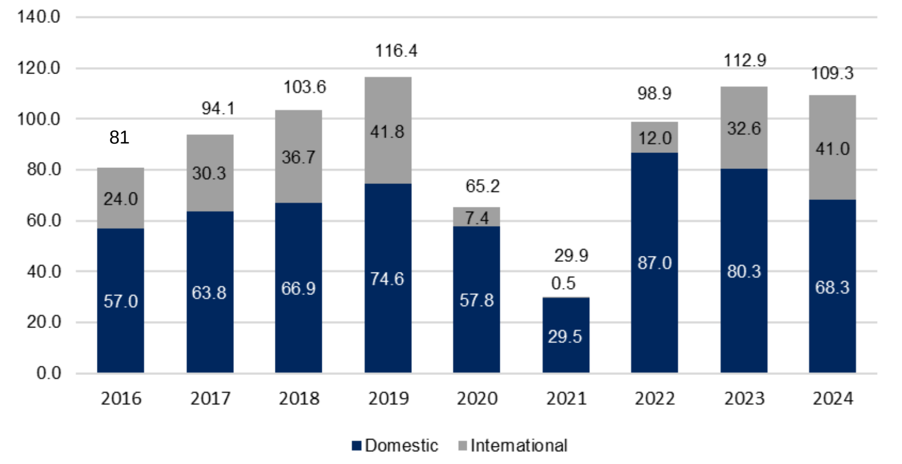
Vietnam’s airline industry

In the FY16-19 period, Vietnam’s aviation industry recorded a high passenger volume CAGR of 16%. In FY19, the total number of air passengers reached 79 million (+13% YoY), including 37 million domestic passengers (+12% YoY) and 42 million international passengers (+13.9% YoY).

Passenger numbers dropped significantly in FY20-Y21 due to the pandemic. However, the sector experienced a recovery in FY22-23, driven by overall economic growth, rapid urbanization, and a significant rebound in Vietnam's tourism sector.

In FY24, international visitor numbers continued to recover, reaching 41 million, nearly returning to pre-pandemic levels, while domestic travelers declined slightly to 68.3 million. This decline in domestic traffic was due to a reduction in domestic seat capacity, driven by: 1) the significant number of A321 aircraft undergoing engine inspections, leading to a reduced number of flights; 2) aircraft being allocated to international routes instead of domestic operations.

Figure 7: Vietnam's air passenger numbers over 2016-2024 (millions)

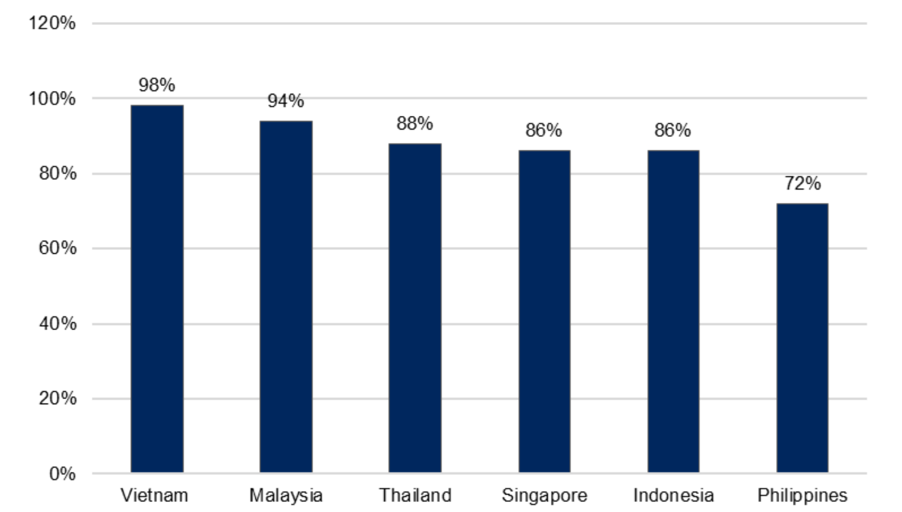


Sources: VNDIRECT RESEARCH

Vietnam saw the highest international tourism recovery rate in the region

In 2024, Vietnam's tourism industry welcomed 17.6 million international visitors (+38.9% YoY), reaching 98% of the figure recorded in the same period of 2019. This growth rate aligns with the global tourism recovery rate of 99% and significantly surpasses other major tourist destinations within Southeast Asia.

Figure 8: Vietnam's tourism industry showed the strongest recovery in the region



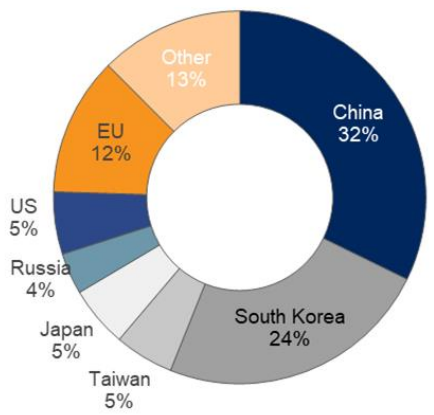
Sources: VNDIRECT RESEARCH

Chinese tourists to Vietnam recover impressively in 1Q25

In 2024, the recovery of the Chinese market lagged behind many international markets, such as the US, Thailand, Singapore, and South Korea, which have already surpassed pre-pandemic levels. Chinese arrivals, however, have only reached 64% of their pre-pandemic levels.

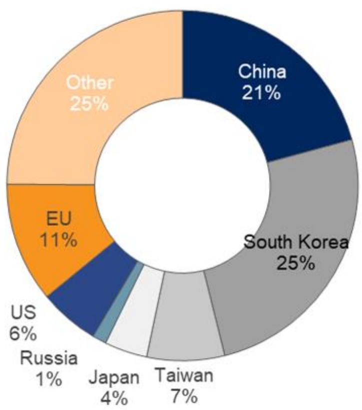
However, in 1Q25, the number of Chinese tourists visiting Vietnam saw strong growth, reaching 1.6 million arrivals. This accounted for 26.3% of total international visitors (+178.3% YoY) and a 123.8% recovery compared to 2019. This surge has restored China as the largest source of international visitors to Vietnam, surpassing South Korea.

Figure 9: Vietnam tourist arrivals in FY19



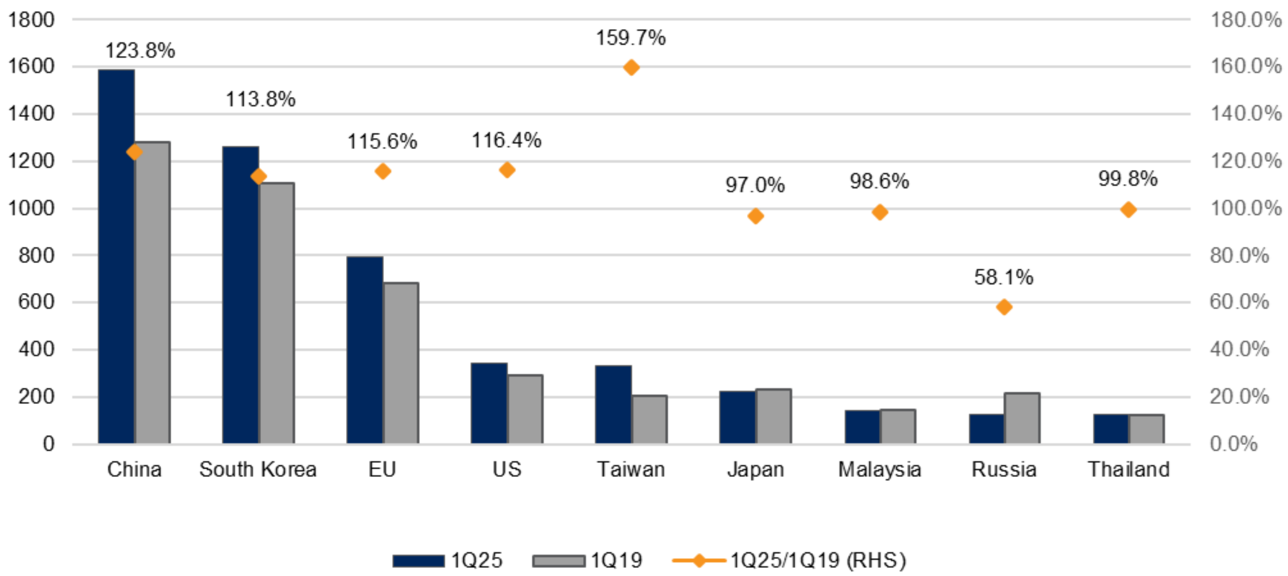
Source: GSO, VNDIRECT RESEARCH

Figure 10: Vietnam tourist arrivals in FY24



Source: GSO, VNDIRECT RESEARCH

Figure 11: Key tourist markets to Vietnam in 1Q25



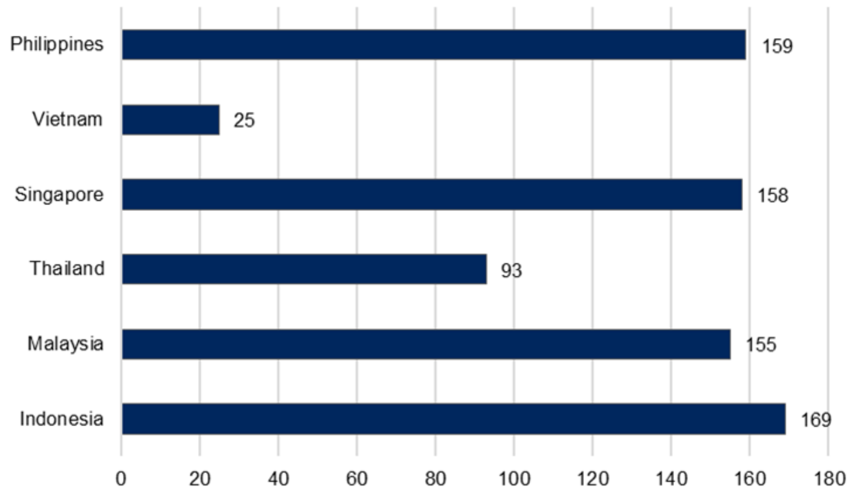
Source: GSO, VNDIRECT RESEARCH

With uncertainty around how Trump's tariff policy will evolve, the coming months will likely see rising costs across the global tourism sector. But we note that when similar tariffs were introduced during President Trump's first term in 2018, the number of international tourists to Vietnam still increased by 16.2%, rising from 15.5 million to 18 million, with Chinese tourist arrivals growing by 16.9%, from 4.9 million to 5.8 million. Due to their broader scope, the 2025 tariffs are anticipated to exert a more substantial impact on the goods and services across the world.

International arrivals may grow further as visa policies could expand

Vietnam is targeting 25 million foreign arrivals by 2025, implying an increase of 38% YoY - a faster pace than the 18% annual growth recorded from 2008-2019. Vietnam's visa policy remains relatively stricter compared to other countries in the region. For example, Vietnam grants visa exemptions to citizens of 25 countries, whereas Thailand offers visa-free entry to citizens of 93 countries. Meanwhile, Malaysia, Singapore, and the Philippines provide visa exemptions to citizens of more than 150 countries. We believe that to welcome the target number of visitors in 2025, one of the key solutions is to continue considering visa exemptions for citizens of countries that represent Vietnam's key tourism markets. This measure would significantly contribute to fostering growth in international tourism. As a result, the number of passengers per flight is projected to improve steadily.

Figure 12: Comparison of ASEAN countries in terms of visa-free entry



Sources: VNDIRECT RESEARCH

Investment in aviation infrastructure will support long-term growth

Vietnam's airport capacity will expand nearly triple by FY30F. Vietnam currently has 22 airports, including nine international airports and 13 domestic airports with a total capacity of 106.5 million passengers. On June 7, 2023, the Vietnamese Government approved the 'Master plan for the development of the national airport and airport system for the period 2021-2030, with a vision to 2050'. According to the master plan, Vietnam targets to have 30 airports by 2030, including 14 international airports and 16 domestic airports, with total capacity expected to grow nearly threefold to 294.5 million passengers. Currently, key airport investments are under construction, as outlined below:

- According to information from the Government, Long Thanh International Airport (LTIA) has changed its completion schedule to before December 31, 2025 (instead of September 2026). LTIA phase 1 includes the key airport facilities of passenger terminal (25 million pax/annum), runways, taxiways, aircraft aprons and one cargo terminal (550,000 tonnes of cargo). Phase 2 is expected to be implemented from 2028 to 2032.

- Terminal 3 of Tan Son Nhat International Airport (TIA) became operational in April 2025. Once fully operational, TIA's total capacity reach 48 million pax, up 71% vs the current capacity of 28 million pax. In FY24, TIA operated at 120% of its utilization rate.
- Terminal 2 of Noi Bai airport started construction on May 19. The project is expected to be completed by the end of 2025. This project adds an additional capacity of 5 million passengers, bringing NIA's total international capacity to 15 million pax. In FY24, NIA also ran at a 120% utilization rate.
- These key projects will help increase capacity and prevent congestion when planes take off/land at the two main hubs in Vietnam.

In addition to the major airport projects currently underway, ACV is working on the expansion plan of several other airports, including Phu Quoc, Cat Bi International Airport and Phu Cat, Dong Hoi Airport. These investments in the aviation infrastructure will support solid long-term growth of the Vietnamese aviation industry.

Figure 13: Main aviation infrastructure projects in coming years

Projects	Total investment (VNDbn)	Pre-construction capacity (mn pax)	Additional capacity (mn pax)	Investor	2025	2026	2027	2028	2029	2030
LTIA phase 1	109,000	0.0	25.0	ACV						
LTIA phase 2	76,600	25.0	25.0	ACV						
T3 in TIA	10,990	30.0	20.0	ACV						
T2 expansion in NIA	4,983	25.0	5.0	ACV						
T2 in Cat Bi - Hai Phong	2,405	2.0	5.0	ACV						
T2 in Dong Hoi - Quang Binh	1,844	0.5	3.0	ACV						
Quang Tri domestic airport	5,800	0.0	1.0	T&T						
Sapa domestic airport	3,651	0.0	1.5	BOT						
Expansion in Ca Mau airport	2,400	0.0	1.0	ACV						
Phan Thiet domestic airport	13,833	0.0	2.0	BOT						
Total	**231,506**									

Note: Under construction Plan

Source: CAAV, VNDIRECT RESEARCH

Company Profile

The Group includes the airline along with 20 subsidiaries and affiliates

Vietnam Airlines JSC (Hose: HVN), hereinafter referred to as The Group/Vietnam Airlines JSC/HVN, comprises Vietnam's national carrier, Vietnam Airlines (VNA), along with 15 subsidiaries and five affiliates spanning various segments of the aviation value chain.

Vietnam Airlines was established in 1993 as the country's national airline, while The Group was officially formed in 1995 through the consolidation of 20 aviation enterprises, with Vietnam Airlines as its core business.

Figure 14: HVN's subsidiaries and affiliates

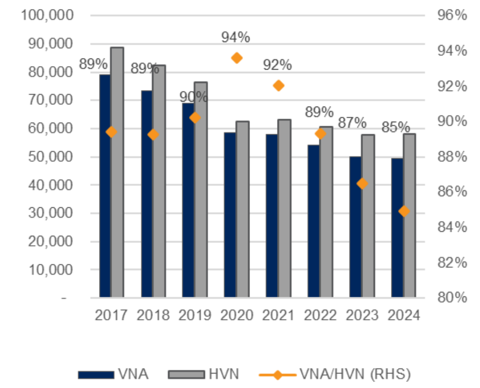
Company name	Abbreviation	Business lines	Actual charter capital (VNDbn)	Stake of HVN
Subsidiaries				
Vietnam Airlines Engineering Limited	VAECO	Maintenance - Repair - Overhaul (MRO) services	1,093	100%
Vietnam Air Petrol Limited	SKYPEC	Aviation petroleum distribution	800	100%
Vietnam Airlines Caterers Limited	VACS	Air catering	85	100%
Vietnam Airport Ground Services	VIAGS	Ground handling service	250	100%
Pacific Airlines	PA	Aviation transportation	3,522	99%
Noi Bai Cargo Terminal Services	NCT	Air cargo services	262	55%
Tan Son Nhat Cargo Services Limited JSC	TCS	Air cargo services	94	55%
Services and Forwarding Limited	TECS	Air cargo services	51	51%
Vinako Forwarding Company Limited	VIN AKO	Air forwarding	9	65%
Noi Bai Catering Services JSC	NCS	Air catering	179	60%
Noi Bai Airport Services JSC	NASCO	Airport retail and lounges	83	51%
Viet Flight Training JSC	VFT	Aviation training	66	52%
Aviation Information and Telecommunications JSC	AITS	Aviation information technology	58	53%
Aviation Labor Supply and Import-Export JSC	ALSIMEXC	Aviation labor supply	10	51%
Sabre Vietnam JSC	SABRE VN	Aviation information technology	5	52%
Affiliates				
Vietnam Aircraft Leasing JSC	VALC	Aircraft leasing	1,583	32%
Da Nang Airport Service JSC	MASCO	Air catering	43	36%
General Aviation Import-Export JSC	AIRIMEX	Aviation machinery distribution	31	41%
Aviation High-Grade Plastic JSC	APLACO	High-grade plastic	45	30%

Source: VNDIRECT RESEARCH

The financial statements of HVN's parent company incorporate the financials of both Vietnam Airlines and VASCO, a subsidiary operating small-sized turboprop aircraft primarily on short-runway routes that cannot accommodate conventional jets.

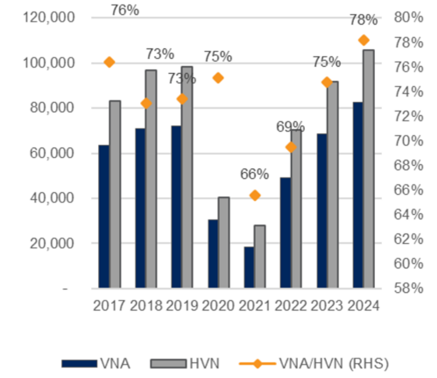
HVN's parent company holds 85-95% of HVN's total assets but generates only 75-85% of total revenue and operating profit. This disparity stems from the airline's higher capital intensity and lower profitability relative to HVN's non-airline operations.

Figure 15: Total assets of VNA and HVN (VNDbn)



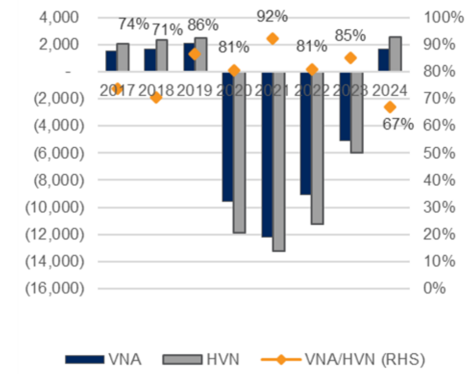
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 16: Revenue of VNA and HVN (VNDbn)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 17: Operating profits of VNA and HVN (VNDbn)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

VNA: Vietnam's flag carrier

VNA, the national carrier of Vietnam, was officially established in 1993, though its history dates back to 1956 with the founding of the Civil Aviation Department. As of the end of 2024, Vietnam Airlines serves 22 domestic destinations and 30 international destinations, holding a 41% domestic market share and a 18% international market share. Most of VNA's international routes operate on a point-to-point basis, as Vietnam is not a transit hub.

VNA also owns 98% of Pacific Airlines, which was established in 1990 and was originally a low-cost carrier. Initially, HVN owned a 65% stake in the carrier and Qantas Airways held 35%. However, Qantas sold all its stake in JPA in FY20 due to the poor performance of this LCC after many years of booking losses. In March 2024, Pacific Airlines temporarily suspended operations and returned its aircraft to lessors due to financial difficulties. The airline underwent restructuring and resumed limited operations in June 2024, utilizing three aircraft provided by Vietnam Airlines. Currently, HVN officially holds a 98.9% stake in JPA. JPA held a 6% domestic market share and below 1% of the international market in FY24.

As part of its restructuring, Pacific Airlines shifted from a low-cost model to a full-service carrier, focusing on select domestic routes. The airline's management is actively seeking additional funding and strategic partnerships to stabilize operations and expand services. The success of these efforts will be crucial for Pacific Airlines' long-term viability in Vietnam's highly competitive aviation market.

Shareholder structure

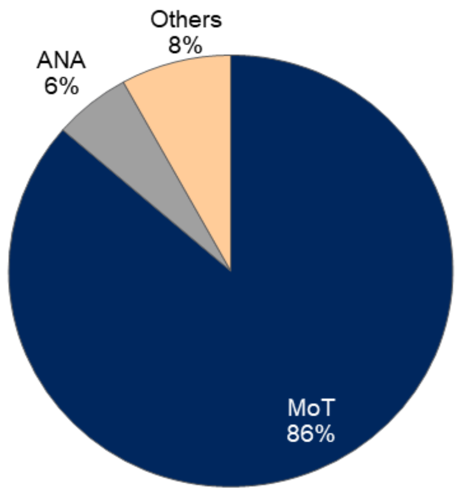
HVN was privatized in 2014 with two major shareholders, Techcombank and Vietcombank, which later divested their stakes in early 2017 and early 2018, respectively. In mid-2016, HVN issued new shares equivalent to 8.77% of total shares to strategic investor All Nippon Airways (ANA).

In 2021, due to the impact of the pandemic, VNA faced severe cash flow deficits and a significant decline in equity. To sustain its business operations, VNA increased its charter capital by issuing additional shares to existing shareholders at a 56.4% ratio. The State Capital Investment Corporation (SCIC), on behalf of the Government, disbursed VND6.895tn (USD265.2mn) to purchase 689.5

million HVN shares, equivalent to 31% ownership. Meanwhile, strategic shareholder ANA Holdings transferred its entire purchase rights for 70 million shares to VNA employees.

As the end of 2024, the Ministry of Transport (MOT) currently owns an 86.34% stake in HVN while strategic investor All Nippon Airways (ANA) from Japan holds 5.62%. The remaining stake is held by employees and other investors (8.04%).

Figure 18: HVN's shareholder structure



Source: COMPANY REPORTS, VNDIRECT RESEARCH

Key personnel

Most of HVN's BOD members and BOM members have more than 20 years of experience in the aviation industry and have long tenures with HVN. In addition, HVN has two non-executive directors, one of which comes from ANA, HVN's strategic investor.

Figure 19: HVN's Board of Directors

Member	Current position	Professional qualifications	Other organizations
Mr.Dang Ngoc Hoa	Chairman	Bachelor of Foreign Trade Economics; Master's in Aviation Engineering 30 years of experience in the aviation in dustry	Vice President of the Vietnam – China Friendship Association (VII term, 2023 - 2028). Member of the Executive Committee of VCCI (VII term, 2021 - 2026)
Mr. Le Hong Ha	BOD member/CEO	Bachelor of Economics; Bachelor of Law 31 years of experience in the aviation in dustry	Chairman of SKYPE
Mr. Dinh Viet Tung	BOD member	Master of Economics	Vice CEO of SCIC Chairman of Licogi Corporation - JSC. Chairman of BMI
Mr. Daisuke Suzuki	BOD member	Bachelor of Economics	Executive Vice President, Chief Strategy and Future Creation Officer of ANA Holdings
Mr. Le Truong Giang	BOD member	Master of Business Administration 32 years of experience in the aviation industry	Chairman of TCS
Mr. Ta Manh Hung	BOD member	Master of Economic Management 29 years of experience in the aviation industry	Chairman of VIAGS
Mr. Truong Van Phuoc	Non-excutive member	Doctor of Finance, Monetary Circulation, and Credit	Standing Member of the Prime Minister's Economic Advisory Group; Member of the Scientific Council of the National Assembly Standing Committee.

Source: VNDIRECT RESEARCH

Financial Analysis

Revenue and cost structure

Revenue breakdown

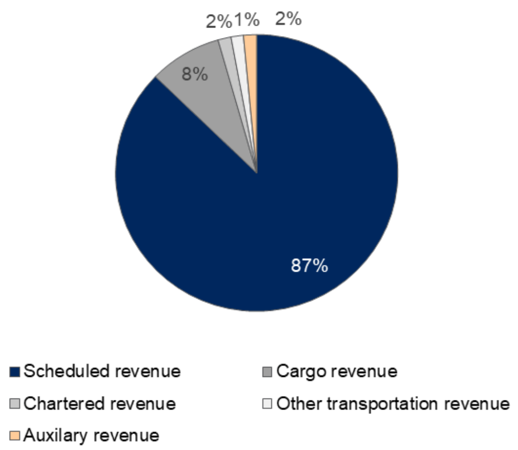
Scheduled and non-scheduled (charter) flight ticket revenue typically accounted for around 86%-88% of total revenue in FY15-19. During the pandemic, VNA's passenger revenue was hit significantly, dropping 66% YoY and 58% YoY, respectively, in FY20-21, leading to the proportion of passenger transportation revenue decreasing to 76% and 46% of total sales in the respective years. As the strict lockdowns ended in October 2021 and international borders began to reopen (from March 2022), FY22 passenger numbers and revenue subsequently improved significantly. In FY23-24, passenger revenue improved by 55%/19% YoY, reaching VND62.2tn/VND74.2tn (USD2.4bn/USD2.9bn), accounting for 90%/88% of total sales, respectively

Cargo transportation revenue normally accounts for 7-9% of VNA's total sales. During the pandemic, VNA pushed cargo sales and transferred several passenger airplanes to the cargo fleet to maximize aircraft utilization rates in the context of dismal air passenger demand. As such, FY20-22 cargo sales contributed 15%, 48% and 18% to total sales in the respective years.

However, due to the recovery in passenger numbers, it narrowed the cargo business to focus on passenger transportation. In FY23-24, cargo sales declined 32% YoY to VND1.5tn (USD57.7mn) and accounted for only 4% and 8% of total sales, equivalent to the pre-pandemic level. Vietnam Airlines does not have dedicated cargo planes and only transports cargo in its passenger aircraft.

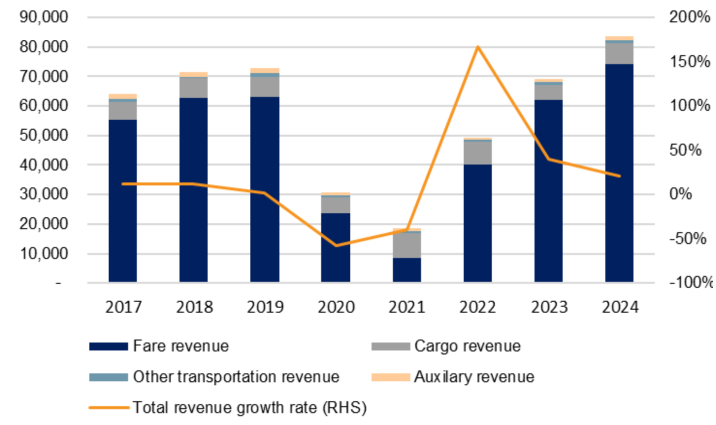
Ancillary service revenue remains low, accounting for only 2-4% of total revenue, compared to 15% at VJC. This difference is driven by HVN's practice of including basic services in its ticket prices, resulting in a lower share of ancillary revenue. In contrast, VJC adopts a low-fare strategy while adding various ancillary fees, increasing its revenue from these services.

Figure 20: VNA's revenue in 2024



Source: VNDIRECT RESEARCH

Figure 21: VNA's historical revenue (VNDbn)



Source: VNDIRECT RESEARCH

Cost structure

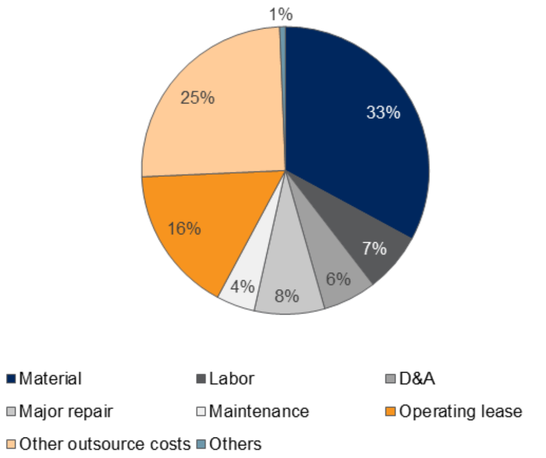
Fuel and aircraft lease expenses are VNA's primary expenses, accounting for 45-60% of total costs, of which fuel expenses typically fluctuate between 25-40% of total operating expenses under normal conditions. However, in FY20-21, due to the impact of the pandemic, the fuel cost ratio dropped to 19-20%.

Aircraft leasing expenses typically account for 15-20%, except during the pandemic period, when this ratio surged to 33-36% of total unit cost. We note that, in December 2021, VNA successfully signed a fleet restructuring agreement with its largest aircraft lessor, Air Lease Corporation (ALC). Under the contract, ALC agreed to reduce fees on all 16 aircraft for the remaining lease term. This saves VNA ~VND1tn (USD38.5mn) per year in total leasing costs over the duration of the remaining contracts.

Furthermore, depreciation expenses/labor expenses account for around 6-9% and 5-9% of total operating expenses. Other expenses include aircraft maintenance, ground handling expenses, and other flight operation expenses that make up around 21-23% of total operating expenses.

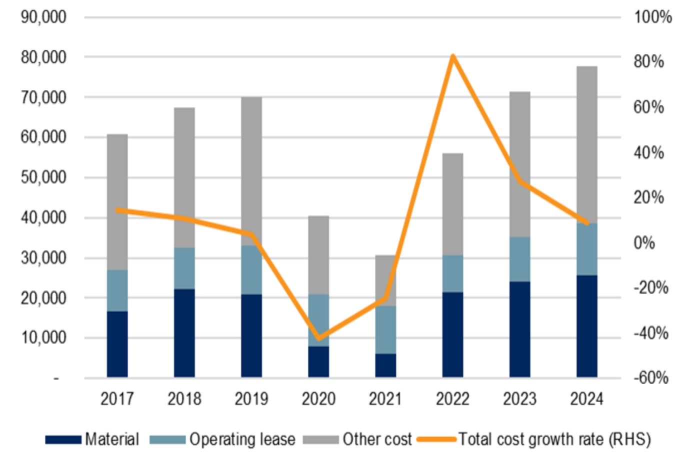
SG&A has gradually fallen as VNA has cut costs dramatically over the last four years to minimize the pandemic's impact. As a result, VNA reduced its SG&A-to-sales ratio from 11.5% in 2021 to 6.8% in 2024.

Figure 22: VNA's cost structure in 2024



Source: VNDIRECT RESEARCH

Figure 23: VNA's historical cost (VNDbn)



Source: VNDIRECT RESEARCH

Operational efficiency of VNA's transportation business

A high-cost airline in Vietnam but still maintains a cost advantage over other regional FSCs

VNA has higher unit costs compared to VJC

As of March 2025, there are five domestic airlines operating in Vietnam, including VNA, VJC, Bamboo Airways, Pacific Airlines, and Vietravel Airlines. However, since other airlines do not provide operational data, we only compare VNA's performance metrics with its main competitor, VJC.

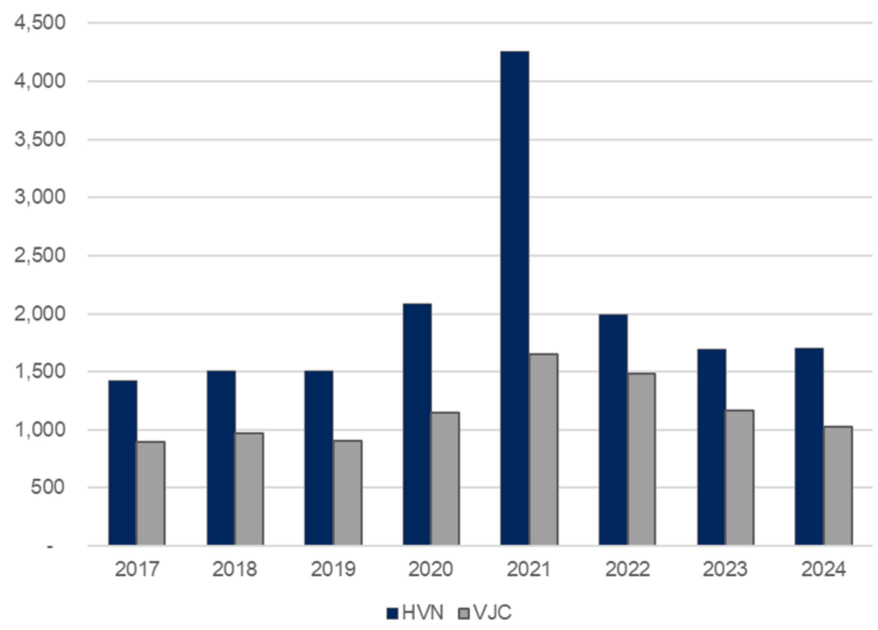
In FY23-24, VNA's unit cost was 45% and 65% higher, respectively, than VJC's, driven by the fact that VNA operates under a Full-Service Carrier (FSC) model, while VJC follows a Low-Cost Carrier (LCC) model. Several key factors contribute to this cost disparity:

- Higher Operating Costs: 1) Diverse fleet: VNA operates multiple aircraft types to serve different routes (short-haul, long-haul, international), leading to higher maintenance and training costs. 2) Premium airport fees: VNA primarily operates at major airports with higher landing and ground handling fees, while VJC utilizes secondary airports with lower costs. 3) Hub-and-spoke network: VNA maintains a complex route network requiring costly scheduling, ground handling, and operational coordination.

- Extensive Customer Services: 1) Baggage allowance: VNA includes checked baggage in the ticket price, while VJC charges extra. 2) In-flight services: Meals, beverages, entertainment, and Wi-Fi are included in VNA fares, whereas VJC offers these as paid add-ons. 3) Lounge access and frequent flyer programs: VNA provides loyalty benefits, increasing overhead costs.

- Less Efficient Aircraft Utilization. VNA typically has slower aircraft turnaround times due to baggage handling, boarding procedures, and catering services, leading to lower aircraft utilization compared to VJC.

Figure 24: VNA has higher unit costs compared to VJC (VND)



Sources: VNDIRECT RESEARCH

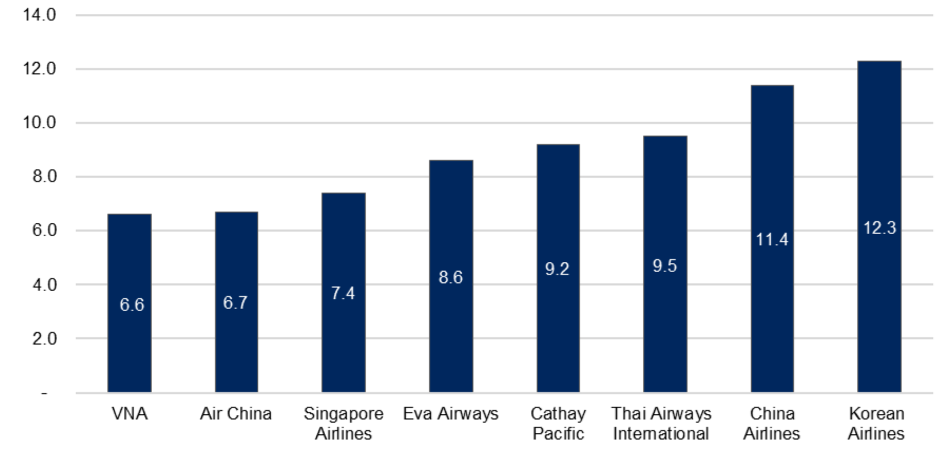
Competitive costs compared to other regional FSCs

VNA is competitive compared to other FSCs in the region, with a relatively lower unit cost (cost/ASK). In FY24, VNA’s unit cost was 6.6 US cents, compared to 7.4, 9.2, 9.5, 11.4 and 12.3 US cents for Singapore Airlines, Eva Airways, Cathay Pacific, Thai Airways, China Airlines, and Korean Air, respectively. This cost advantage is primarily due to:

- Lower labor costs in Vietnam: The country's average wage is lower than that of Singapore, Thailand, and Malaysia, allowing VNA to significantly reduce personnel expenses.

- Lower ground and flight operation fees: Vietnam’s aviation-related costs are lower than those in other regional countries, further contributing to VNA’s cost advantage.

Figure 25: VNA has the lowest unit cost vs other FSCs in the region (US cents)



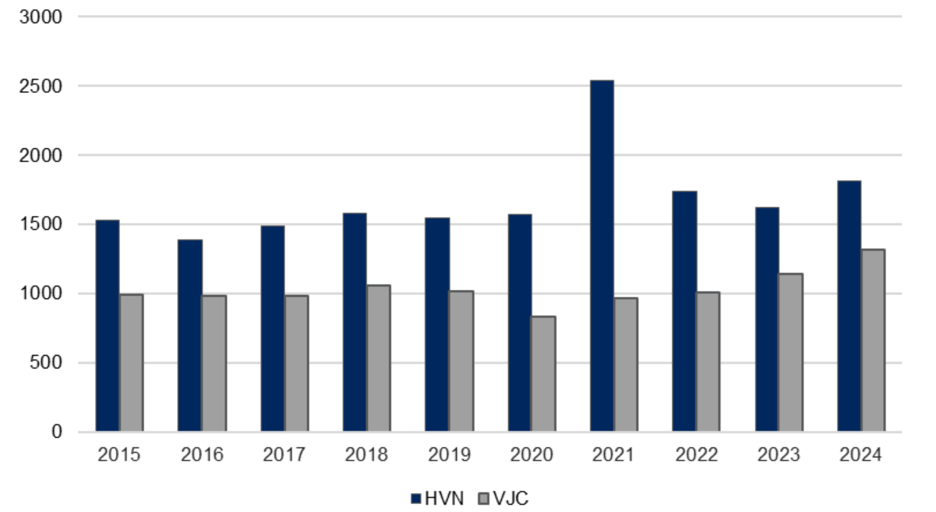
Sources: VNDIRECT RESEARCH

VNA is the airline with the highest passenger yield in Vietnam and it still has room for improvement compared to other regional FSCs

VNA has a higher passenger yield compared to VJC

In FY23-24, VNA's passenger yield – measured as passenger revenue per pax.km (RPK) – was 44% and 37% higher than VJC, respectively (the VJC data includes ancillary revenue such as baggage fees, meal, seat selection fees, etc.). The primary reason for this gap is VJC's competitive strategy of offering the lowest fares.

Figure 26: VNA has a higher passenger yield than VJC (VND)



Sources: VNDIRECT RESEARCH

Potential yield improvement compared to other regional FSCs

However, compared to other regional FSCs, Vietnam Airlines (VNA) has a significantly lower yield. In FY24, its yield was 19% lower than Thai Airways, 33% lower than Qantas Airways, and 50% lower than Japan Airlines. This is due to several key factors.

- **Lower Premium Passenger Demand:** Unlike FSCs in Singapore and Thailand, which benefit from strong business travel demand, Vietnam's market relies heavily on price-sensitive leisure travellers. Weaker corporate travel further limits VNA's ability to charge higher fares, constraining yield growth. Additionally, intense competition from LCCs like VJC and Bamboo Airways in Vietnam's domestic market forces VNA to keep fares low to maintain market share.

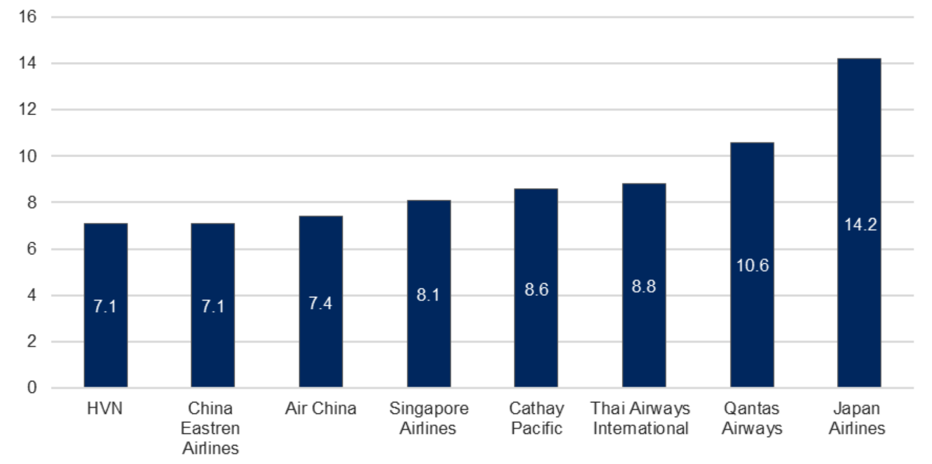
- **Lack of a Major International Transit Hub.** VNA does not operate a major air transit hub like Singapore Airlines (Changi), Thai Airways (Suvarnabhumi), or Malaysia Airlines (KLIA). Vietnam functions mainly as a point-to-point market, missing out on high-yield connecting passengers who typically pay more for long-haul flights.

- **Underdeveloped Ancillary Revenue Streams:** Regional FSCs maximize ancillary revenue through premium lounges, frequent flyer programs, and additional services. VNA relies heavily on ticket sales and has a weaker ancillary revenue model, limiting its ability to boost overall yield.

- **Government Influence and Pricing Constraints:** As a state-owned airline, VNA sometimes faces government-mandated fare caps or pressure to maintain affordable pricing for domestic routes. Meanwhile, private or more independent FSCs (Singapore Airlines, Thai Airways, Malaysia Airlines…) have greater pricing flexibility, allowing them to adjust fares dynamically based on market conditions. VNA's limited pricing power further constrains its ability to increase yield.

In the long term, to improve yield, VNA would need to: 1) expand premium services to attract higher-paying business travelers; 2) strengthen international transit passenger traffic by leveraging partnerships and codeshare agreements; and 3) develop stronger ancillary revenue streams to increase non-ticket income and enhance profitability. By addressing these structural challenges, VNA can work toward closing the yield gap with regional FSCs.

Figure 27: VNA still has room for improvement compared to other regional FSCs (US cents)



Sources: Bloomberg, VNDIRECT RESEARCH

Group business performance: Earnings rebounded in 2024

HVN's net profits were devastated by the pandemic in the FY20-22 period, but its core transportation business gradually recovered from 2023 and officially returned to profitability in 2024, with the details as follows:

- In FY20, due to the severe impact of the pandemic, HVN's revenue dropped by 58.7% YoY, reaching only VND40.1tn (USD1.5bn). The company posted a record loss of VND11.2tn (USD430.8mn) due to a severe decline in air travel demand and high fixed costs.
- In FY21: Losses continued due to prolonged lockdowns, with revenue reaching VND27.9tn (USD1.1bn) (-32.1% YoY) and a net loss of VND13tn (USD500mm). However, HVN undertook financial restructuring and increased its charter capital through new share issuance.
- In FY22: With the reopening of international tourism, HVN announced 2022 revenue of VND70.4tn (USD2.7bn) (+152.3% YoY). However, the company still recorded a net loss of VND11.2tn (USD430.8mn) due to soaring fuel costs. HVN's owner's equity turned negative at VND11.1tn (USD427mn) in 2022 after its third consecutive year of losses.
- In FY23: HVN's revenue was VND91.5tn (USD3.5bn) (+30% YoY), and it recorded a net loss of VND5.6tn (USD215.4mn), an improvement compared to 2022. The recovery was driven by strong international passenger growth and cost-cutting measures.
- In FY24: HVN recorded revenue of VND105.8tn (USD4.1bn) (+15.6 YoY) and a net profit of VND7.3tn (USD280.8mn), returning to positive territory. Excluding one-off gains, mainly from the restructuring of HVN's 98%-owned Pacific Airlines, core profit before tax surged to VND3.0tn (USD115.4mn) in 2024, compared to a loss of VND5.3tn (USD203.8mn) in 2023. The profit improvement was driven by stronger traffic demand, improved load factors, higher yields, and lower jet fuel prices. Below are the key highlights of VNA's 2024 operations:

✓ Capacity (ASKs – available seat kilometers) improved 8% YoY, while traffic (RPKs – revenue passenger kilometers) grew by a higher rate of 10.7% YoY. As a result, the load factor increased to 80.6% in 2024 from 78.3% in 2023.

✓ Improved traffic growth was driven by higher international demand (passenger volume up 16.1% YoY), while domestic passenger volume declined by 2.9% YoY due to weak consumer confidence and likely higher domestic air fares.

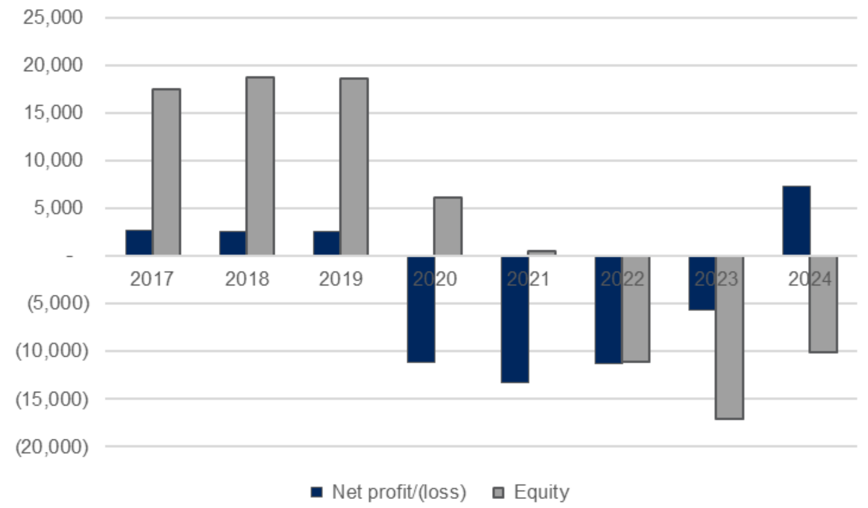
✓ Passenger yield rose by 11.8% YoY, likely supported by higher air fares amid lower competition on key routes following the downsizing of Bamboo Airways (BAV) since 2H23.

✓ Unit costs (CASK) increased by 1% YoY, a lower rate than yield growth. The rise was mainly driven by higher outsourcing expenses. Notably, average prices for jet fuel (normally accounting for about 30-40% of VNA's unit costs) fell to USD96 per barrel in 2024 (-12% YoY).

✓ 2024 gross profit margin improved significantly to 13.1% from 4.3% in 2023.

Accordingly, HVN's accumulated losses decreased from VND41tn (USD1.6bn) in 2023 to VND34.3tn (USD1.3bn) in 2024, aligning with an improvement in shareholder equity from negative VND17tn (USD65.4mn) in 2023 to negative VND10tn (USD38.5mn) in 2024. HVN still relied on debt and extended payables for its operations, with its payables increasing 90% vs the 2019 level to VND30tn (USD1.2bn), equivalent to 52% of HVN's total assets at YE 2024.

Figure 28: HVN's net profit and equity (VNDbn)



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

FY25-26 outlook: Core earnings to maintain growth

Figure 29: FY25-26F earnings forecast

VNDbn	Actual	Forecasts		%YoY		Comments
	FY24	FY25	FY26	FY25	FY26	
Total Revenue	**105,942**	**118,378**	**130,937**	**12%**	**10.6%**	
VNA	**83,708**	**95,580**	**104,776**	**14.2%**	**9.6%**	
Transportation revenue	*82,523*	*94,219*	*103,278*	*14.2%*	*9.6%*	We expect FY25/FY26F core revenue increase by 14.2%/9.6% YoY thanks to growth of international passengers and the rebound of domestic passengers
Auxiliary revenue	*1,185*	*1,362*	*1,498*	*15.0%*	10.0%	
Subsidiaries	20,465	23,825	27,327	16.4%	14.7%	
Gross profit (VNDbn)	**13,902**	**17,531**	**20,440**	**26.1%**	**16.6%**	
Gross profit margin	*13.1%*	*14.8%*	*15.6%*	*1.7% pts*	*0.8% pts*	*We forecast an improvement in HVN's GPM in FY25-26 thanks to higher load factor and lower jet fuel prices.*
Financial income	1,266	1,428	1,579	12.8%	10.6%	
Financial expenses	4,951	5,591	5,429	12.9%	-2.9%	
Net financial expenses	**(3,685)**	**(4,164)**	**(3,850)**	**13.0%**	**-7.5%**	
Selling expenses	4,898	5,234	5,756	6.9%	10.0%	
G&A expenses	2,191	2,527	2,837	15.3%	12.3%	
Pre-tax profit	**8,416**	**6,916**	**9,455**	**-17.8%**	**36.7%**	We forecast PBT in FY25 to decline 17.8% YoY due to the absense of one-off gains
Net profit	**7,564**	**5,977**	**7,924**	**-21.0%**	**32.6%**	

Source: VNDIRECT RESEARCH

Traffic demand is expected to sustain growth in FY25-26

In FY24, HVN’s total passenger traffic reached 23.1 million (+2.8% YoY), primarily driven by a 16.1% YoY increase in international passengers to 7.4 million, which offset a 3% YoY decline in domestic passengers to 15.8 million.

In 2M25, domestic passenger numbers rose 3% YoY to 2.8 million passengers. With this positive trend, we expect HVN’s domestic passenger numbers to return to growth, increasing by 5% and 10% YoY in FY25 and FY26, respectively. This recovery is anticipated due to: 1) Vietnam’s continued focus on stimulating domestic consumption and tourism to offset the decline in exports and drive sustainable economic growth; and 2) reasonable airfare prices, supported by lower fuel costs, allowing airlines to adjust their strategies to better align with market demand.

For international demand, due to the challenges presented by tariff policies, we expect HVN's international passenger numbers to grow at a slower pace than in FY24 but still maintain double-digit growth, increasing by 13% and 10% YoY in FY25 and FY26, respectively. This growth is driven by:

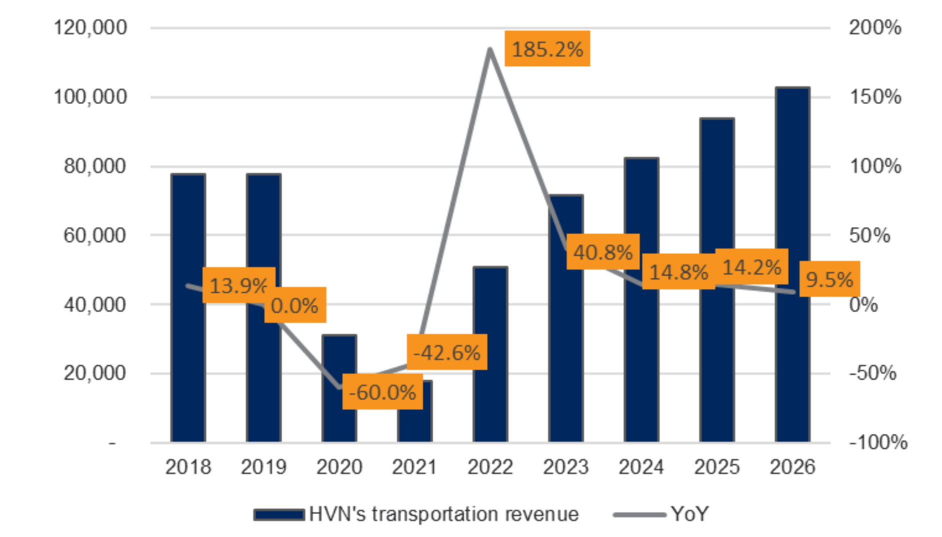
1) China will be the main driver of international passenger growth in 2025. In 3M25, Chinese tourist arrivals reached 1.5 million (+178.3% YoY). We expect the number of Chinese passengers to fully recover by the end of 2025.

2) The return of the Russian market: In March 2025, HVN resumed direct flights between Russia and Vietnam after a long suspension due to the COVID-19 pandemic and the Russia-Ukraine conflict. We expect Russia to return to being one of the top 10 key source markets for Vietnam, as before the pandemic.

3) The solid demand growth of other key markets aligned with Vietnam's ambitious tourism goals.

4) New airport developments supporting higher arrivals. Major airport projects, including Tan Son Nhat Terminal 3 (20 million passengers), Noi Bai Terminal 2 expansion (5 million passengers) are scheduled to be completed in 2025, increasing total capacity by 18%. LTIA phase 1 is projected to be completed in 2026, boosting capacity by 19% from that year onward. These projects will provide strong long-term support for the growth of Vietnam's aviation industry.

Figure 30: We forecast HVN's core revenue in FY25-26 (VNDbn)



Source: VNDIRECT RESEARCH

As of the end of 2024, HVN had a fleet of 103 aircraft, with plans to add no new aircraft in FY25-26, only wet lease additional aircraft during peak seasons. Due to limited capacity expansion, we believe that HVN will prioritize expanding international routes and optimize operations by managing flight schedules effectively to maximize aircraft utilization. As such, we expect ASK to increase by 9.7%/10.8% over FY25-26, primarily driven by longer flight distances. We forecast RPK growth of 11.6%/12.7% over FY25-26 – higher than ASK growth thanks to solid growth of international passengers and a rebound of domestic passengers. The load factor is thus expected at 81.7%/83% in FY25-26, up from 80.6% in FY24.

We project HVN's core revenue to increase by 14.2%/9.5% YoY in FY25-26 to reach VND93.8tn/VND102.8tn (USD3.6bn/USD3.9bn), respectively.

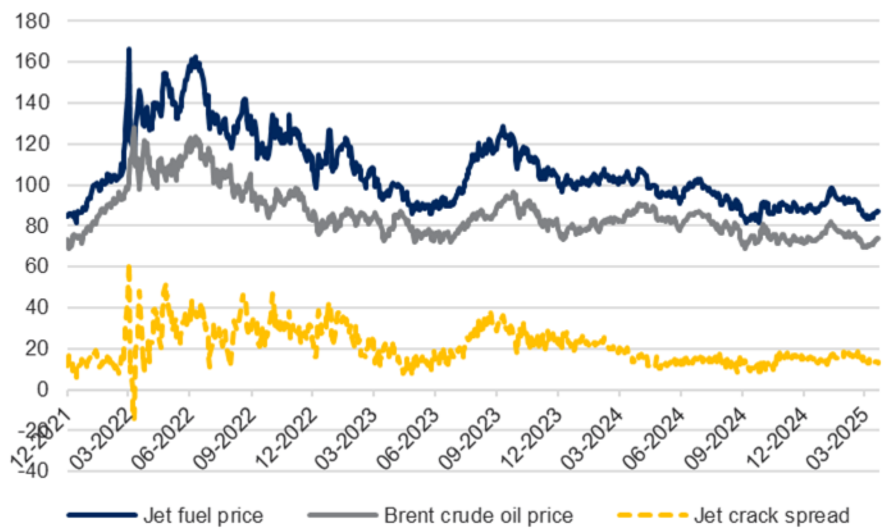
Lower oil prices could bolster airline profitability

Global oil prices are under increasing downward pressure, with Brent crude retreating from USD90/bbl in mid-2024 to around USD70/bbl – the lowest level since 2022. Based on our energy team's forecast, this decline is likely to continue in FY25-26, due to a combination of uncertain demand growth and an anticipated increase in supply, specifically: 1) OPEC+ raising output from April 2025; and 2) slowing oil demand growth due to ongoing trade tensions.

These developments imply that jet fuel prices, closely tied to crude benchmarks, should ease by 2025. Jet fuel prices in 2024 averaged USD96 per barrel (-12% YoY). We estimate jet fuel prices to average ~USD85 per barrel (-11.5% YoY) in 2025-2026, based on a jet fuel crack spread of USD15 per barrel and a crude price of USD70 per barrel. This decline could result in a 4-5% reduction in HVN's cost base, as fuel costs accounted for ~30%–40% of HVN's COGS in 2019-2024.

We also expect that lower oil prices could lead to reduced ticket prices, thereby boosting demand for air travel. However, airlines face limitations in expanding their fleets due to persistent supply chain issues, which constrain capacity growth. As a result, these capacity constraints will partly offset this potential benefit.

Figure 31: Global oil and jet fuel prices trended downward (USD)



Source: VNDIRECT RESEARCH

Supported by an integrated valuation chain

Besides HVN's three-airline group—Vietnam Airlines (FSC), VASCO (soon to be rebranded as SkyViet), and Jetstar Pacific Airlines (LCC)—its distinct advantage lies in its network of subsidiaries and joint ventures, which are integrated across every segment of Vietnam's aviation value chain. This broad presence allows HVN to directly benefit from the industry's growth. As passenger numbers increase, both HVN's airlines and its subsidiaries will see positive impacts, not only from HVN's own operations but also from the overall rise in air traffic, including that of competitors.

In addition, HVN's integrated ecosystem strengthens its operational efficiency, cost management, and service quality, enabling it to compete effectively with both regional full-service carriers and low-cost airlines. However, to maximizing these advantages, VNA must continue enhancing productivity, optimizing partnerships, and expanding ancillary revenue streams.

Furthermore, as of 1Q25, HVN's subsidiaries, including Vietnam Airport Ground Services Company Limited (VIAGS), Vietnam Airlines Engineering Company Limited (VAECO) and Vietnam Airlines Catering Services Company Limited (VACS), successfully secured contracts through a bidding process to invest in sub-projects at Long Thanh International Airport (LTIA). These projects include Ground Service No.1, Catering Project No.1, and Aircraft Maintenance Hangars No.1 and No.4, with total capital expenditure of VND3.0tn (USD115.4mn) and an estimated construction period of around 18 months to be completed by 2H26. As a result, these subsidiaries will enhance HVN's long-term profitability, cash flow stability, and overall financial resilience from 2027 onward.

Share issuance plans

In November 2024, HVN received approval from the National Assembly to issue additional shares to raise up to VND22tn (USD846.2mn). The proposed capital increase is structured in two stages:

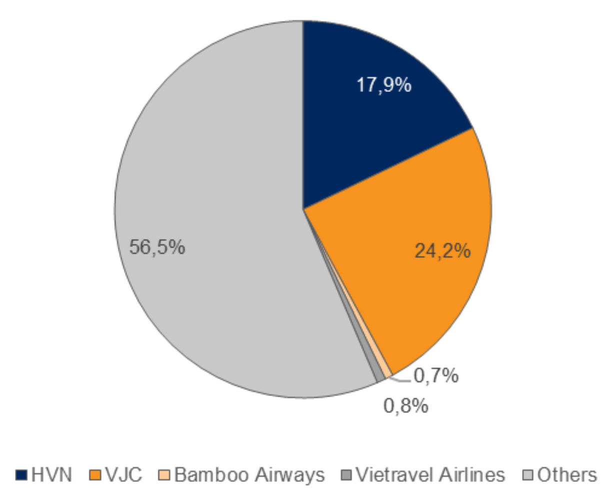
- First Stage: The State Capital Management Committee will purchase shares worth VND9tn (USD346.2mn).
- Second Stage: Private entities will be permitted to buy up to VND13tn (USD500mn) worth of shares.

The additional funding would help the airline to restructure debt, and finance LTIA investment projects and aircraft investment.

Risks related to HVN’s limited fleet expansion

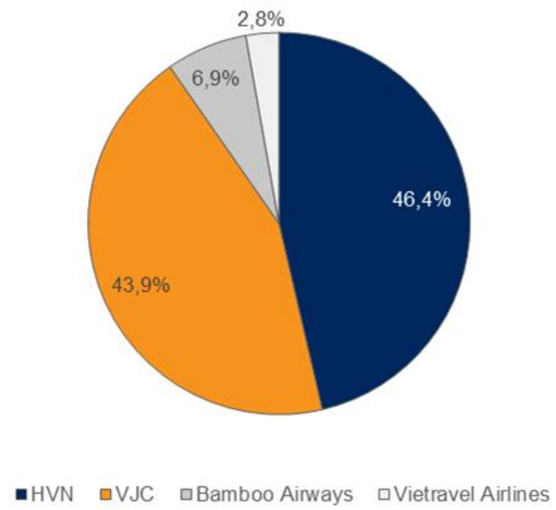
HVN has lost market share amid fierce competition. HVN experienced a decline in international market share, dropping from 21.2% in 2022 to 20.4% in 2023, and further to 17.9% in 2024. In contrast, VJC’s international market share (measured by passenger volume) increased from 20.9% in 2022 to 24.4% in 2023 and has remained stable through 2024. In the domestic market, HVN's market share is also being closely followed as VJC reaches 43.9%, approaching HVN's 44.3% in 2024.

Figure 32: Vietnamese carriers’ international market share (by passenger volume)



Source: CAAV, VNDIRECT RESEARCH

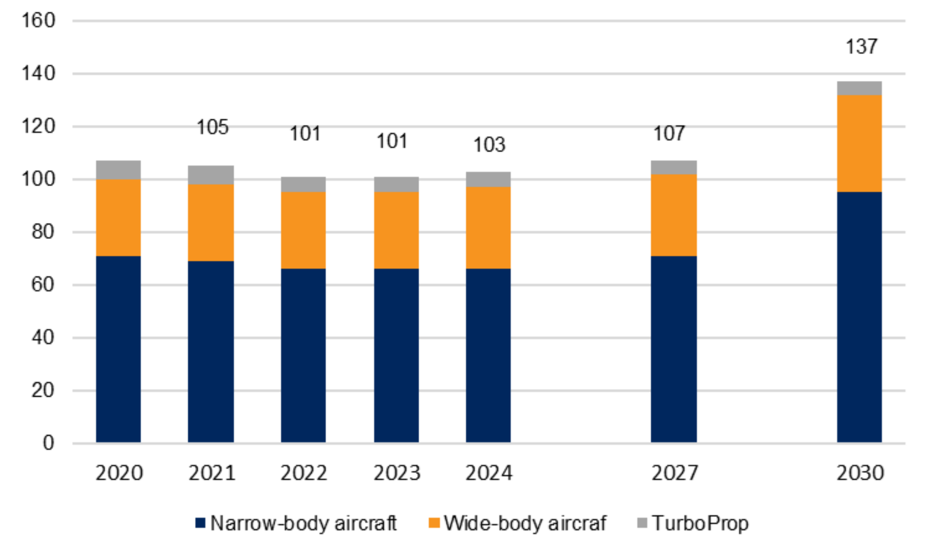
Figure 33: Vietnamese carriers’ domestic market share (by passenger volume)



Source: CAAV, VNDIRECT RESEARCH

HVN’s limited fleet expansion may restrict growth and erode market share. As mentioned earlier, as of the end of 2024, HVN had a fleet of 103 aircraft, with plans to add no new aircraft in FY25/26F. Conversely, VJC, with its existing fleet of 85 aircraft, aims to expand significantly by adding 10/21 aircraft in FY25/26F, respectively, increasing its total fleet size to ~120 by the end of 2026. The limitation in fleet expansion capacity compared to competitors may cap its ability to capture increases in traffic and lead to further erosion of its market share.

Figure 34: HVN's fleet development plan for 2020-2030



Source: VNDIRECT RESEARCH

Recently, HVN received official guidance from the Ministry of Finance on the procedures, approval process, and authority for deciding on an investment plan for 50 narrow-body aircraft. The potential options include the Airbus A320NEO or Boeing B737 MAX, with a total estimated value of ~USD3.7bn. However, even if this deal is approved, options to increase fleet size in the medium term could be limited even after its 50-plane deal with Boeing, given aircraft might not be delivered until beyond 2026 due to ongoing supply shortages in both the OEM and leasing markets.

Valuation: We initiate a HOLD rating and a target price of VND34,100

We use the DCF valuation method to give a target price of VND28,500/share for HVN, based on the following assumptions:

- We use a risk-free interest rate of 3% (10-year Vietnam Government bond yield as of December 31, 2024)
- We apply a market risk premium of 8.35% **(**based on Damodaran's update report on market risk premium on January 1, 2025).

Figure 35: Discounted cash flow model (Unit: VNDbn)

	2025	2026	2027	2028	2029	2030	2031	2032
EBIT	**8,054**	**10,456**	**17,521**	**16,092**	**16,417**	**15,614**	**15,769**	**15,127**
Less: Taxes	1,208	1,568	2,628	3,218	3,283	3,123	3,154	3,025
EBIAT	**6,846**	**8,888**	**14,893**	**12,874**	**13,133**	**12,491**	**12,615**	**12,102**
Plus: Depreciation and amortization	4,355	4,434	4,982	6,076	7,208	8,324	9,426	10,568
Less: Capital expenditure	(1,086)	(1,086)	(15,429)	(15,715)	(16,008)	(16,306)	(16,611)	(16,921)
Less: Increase in net working capital	(5,900)	(4,062)	(595)	2,014	5,768	2,817	2,696	3,280
Unlevered free cash flow (FCFF)	**4,215**	**8,174**	**3,851**	**5,248**	**10,101**	**7,326**	**8,126**	**9,029**
Present value of FCF	3,921	6,906	2,955	3,657	6,393	4,211	4,242	4,280
Cumulative Present value of FCFF	**36,564**							

Source: VNDIRECT RESEARCH

Figure 36: Cost of equity

DCF key input	
Cost of equity	13.0%
Cost of debt	9.0%
Target D/E	1.00
Effective tax rate	20.0%
WACC	10.1%
Long term growth	2.0%

Source: VNDIRECT RESEARCH

Figure 37: DCF valuation model

Unit	VNDbn
Terminal FCFF	**9,029**
Growth	2.0%
Terminal value	**113,555**
Discount factor	0.47
Present value of terminal value	**53,832.8**
Enterprise Value	**90,396.9**
Less: Total debt	(20,482.8)
Plus: Cash and Cash Equivalents	5,641.9
Implied equity value	**75,556.0**
Outstanding shares	2,214,394,174
Equity value per share (VND)	**34,100**

Source: VNDIRECT RESEARCH

Figure 38: Sensitivity analysis for DCF valuation

Terminal growth rate	WACC							
	34,100	9.5%	9.7%	9.9%	**10.1%**	10.3%	10.5%	10.7%
	1.0%	34,100	33,100	32,200	31,200	30,400	29,500	28,700
	1.5%	35,700	34,600	33,600	32,600	31,600	30,700	29,900
	2.0%	37,600	36,400	35,200	**34,100**	33,100	32,100	31,100
	2.5%	39,700	38,300	37,100	35,800	34,700	33,600	32,600
	3.0%	42,100	40,600	39,200	37,800	36,500	35,300	34,200

Source: VNDIRECT RESEARCH

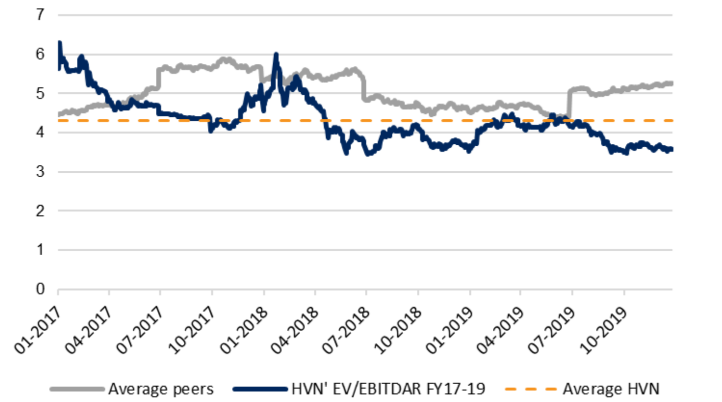
Figure 39: Peer comparison (as of 4/22/2025)

Ticker	Company	Country	Mkt Cap	TTM net revenue	yoy	TTM net profit	yoy	Net Debt/equity	ROE	TTM P/E	LQ P/B
			USDmn	USDm	%	USDm	%	%	%	x	x
601111 CH	Air China Ltd	CN	15,999.6	23,153.8	18.1	(340.3)	77.1	550.0	(0.6)	#N/A	2.9
600115 CH	China Eastern Airlines Corp Lt	CN	10,595.8	18,350.9	16.1	(666.4)	48.4	456.0	(23.4)	#N/A	5.5
9202 JP	ANA Holdings Inc	JP	9,090.9	14,635.0	11.2	946.5	(19.1)	118.3	13.2	10.3	1.1
9201 JP	Japan Airlines Co Ltd	JP	7,611.8	11,441.0	10.4	685.7	(3.1)	91.0	11.0	9.9	1.1
600029 CH	China Southern Airlines Co Ltd	CN	12,838.3	24,199.0	8.9	21.4	59.7	415.8	(4.7)	#N/A	3.1
SIA SP	Singapore Airlines Ltd	SG	14,447.4	14,581.0	3.8	2,217.6	8.9	83.4	19.0	7.3	1.2
QAN AU	Qantas Airways Ltd	AU	8,201.5	15,132.1	9.1	860.8	(19.2)	972.9	#NA	10.4	17.5
293 HK	Cathay Pacific Airways Ltd	HK	7,375.0	13,376.2	10.5	1,267.2	6.0	130.4	18.7	7.2	1.1
003490 KS	Korean Air Lines Co Ltd	KR	5,258.2	13,106.2	10.9	1,013.4	24.4	177.2	13.1	6.1	0.7
2618 TT	Eva Airways Corp	TW	6,514.0	6,880.5	10.3	946.9	34.3	42.2	25.2	7.5	1.7
THAI TB	Thai Airways International PCL	TH	2,820.3	5,314.0	18.9	(763.4)	#N/A	282.4	#N/A	0.3	2.1
BA TB	Bangkok Airways PCL	TH	1,040.0	739.0	21.9	107.8	21.8	80.7	23.0	9.0	2.2
020560 KS	Asiana Airlines Inc	KR	1,397.3	6,100.7	9.1	(302.9)	#N/A	667.1	#NA	51.1	2.2
Median			7,611.8	13,376.2	10.5	685.7	21.8	177.2	13.2	8.3	2.1
Average			7,937.7	12,846.9	12.3	461.1	21.7	312.9	9.5	11.9	3.3
HVN VN	Vietnam Airlines JSC	VN	2,806.7	4,223.3	15.7	317.7	#N/A	#N/A	#N/A	9.0	#N/A

Source: VNDIRECT RESEARCH, BLOOMBERG

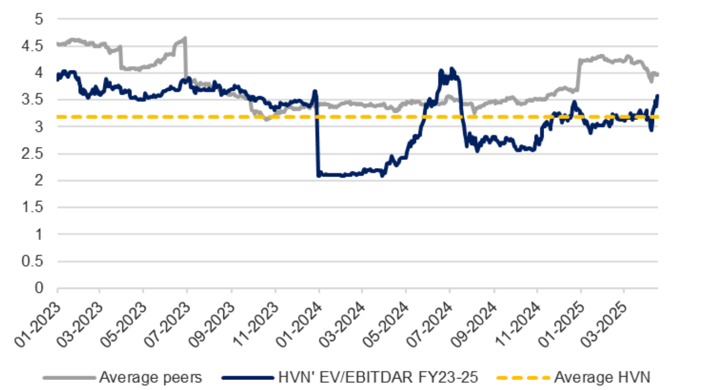
HVN is trading at a one-year forward EV/EBITDAR of 3.5x, slightly above its two-year average of 3.1x but below the peer average of 4.1x and its pre-pandemic average of 4.3x. We find this valuation reasonable, considering the company's shareholder equity remains negative post-pandemic and there are risks associated with HVN's limited fleet expansion.

Figure 40: HVN's EV/EBITDAR pre-COVID



Source: VNDIRECT RESEARCH

Figure 41: HVN's EV/EBITDA since 2023



Source: VNDIRECT RESEARCH

Potential re-rating catalyst:

- Higher-than-expected international traffic recovery since FY25F.

Downside risk:

- Geo-political uncertainties may affect global air transportation.
- Slower-than-expected construction of aviation infrastructure.
- Higher-than-expected fuel price leading to higher operating cost.

Figure 42: HVN price movement from January 2017 to April 2025

Source: VNDIRECT RESEARCH

Income statement

(VNDbn)	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Net revenue	40,538	27,911	70,410	91,540	105,942	118,378	130,937
Cost of sales	(47,975)	(37,930)	(73,286)	(87,654)	(92,040)	(100,847)	(110,497)
Gross Profit	**(7,437)**	**(10,018)**	**(2,876)**	**3,885**	**13,902**	**17,531**	**20,440**
Gen & admin expenses	(1,468)	(1,680)	(1,769)	(2,096)	(2,191)	(2,527)	(2,837)
Selling expenses	(2,049)	(1,238)	(3,195)	(4,377)	(4,898)	(5,234)	(5,756)
Operating profit	**2,450**	**(11,898)**	**(13,132)**	**(11,218)**	**(5,978)**	**3,199**	**5,688**
Operating EBITDA	**5,411**	**(9,848)**	**(9,596)**	**(5,232)**	**(883)**	**7,553**	**10,123**
Depreciation and amortisation	2,961	2,049	3,536	5,986	5,095	4,355	4,434
Operating EBIT	**(10,035)**	**(12,158)**	**(9,781)**	**(3,808)**	**9,697**	**8,054**	**10,456**
Interest income	882	1,557	980	926	1,266	1,428	1,579
Financial expense	(1,669)	(1,549)	(4,432)	(4,405)	(4,951)	(5,591)	(5,429)
Net other income	938	167	273	615	5,217	1,227	1,365
Income from associates & JVs	(157)	(203)	74	88	70	82	94
Pre-tax profit	**(10,960)**	**(12,965)**	**(10,945)**	**(5,363)**	**8,416**	**6,916**	**9,455**
Tax expense	218	314	278	269	458	1,037	1,418
Net profit	**(10,927)**	**(12,907)**	**(11,298)**	**(5,930)**	**7,564**	**5,977**	**7,924**
Adj. net profit to ordinary	(10,927)	(12,907)	(11,298)	(5,930)	7,564	5,977	7,924

Balance sheet

(VNDbn)	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Cash and equivalents	1,654	1,714	2,490	2,551	4,627	7,085	13,343
Short term investments	487	2,230	897	920	1,015	1,015	1,015
Accounts receivables	3,430	4,000	4,898	6,122	7,322	10,198	11,252
Inventories	1,849	2,250	2,875	3,431	3,369	3,775	4,176
Other current assets	829	1,163	1,170	1,860	1,004	1,108	1,218
Total current assets	**8,249**	**11,356**	**12,330**	**14,884**	**17,338**	**23,182**	**31,004**
Fixed assets	44,531	43,252	40,672	34,359	29,591	25,433	24,826
Total investments	1,974	1,636	1,751	1,673	1,795	2,151	1,795
Other long-term assets	6,047	5,564	4,182	5,037	7,486	8,364	9,252
Total assets	**62,562**	**63,058**	**60,636**	**57,717**	**58,187**	**61,344**	**69,327**
Short-term debt	11,194	14,375	13,400	17,562	14,311	14,386	14,633
Accounts payable	13,307	19,113	28,175	30,797	30,504	30,899	27,764
Other current liabilities	8,205	7,707	10,225	12,812	12,344	9,434	10,073
Total current liabilities	**32,705**	**41,194**	**51,800**	**61,171**	**57,159**	**54,719**	**52,469**
Total long-term debt	22,857	20,425	14,868	9,806	6,172	9,963	10,324
Other liabilities	795	728	1,278	1,316	1,377	1,509	1,654
Share capital	14,183	22,144	22,144	22,144	22,144	22,144	22,144
Retained earnings reserve	(9,329)	(21,961)	(35,072)	(41,057)	(33,614)	(29,067)	(22,750)
Shareholders' equity	**6,072**	**524**	**(11,056)**	**(17,026)**	**(9,344)**	**(4,854)**	**1,838**
Minority interest	(259)	(982)	507	489	672	574	687
Total liabilities & equity	**62,562**	**63,058**	**60,636**	**57,717**	**58,187**	**61,344**	**69,327**

Cash flow statement

(VNDbn)	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Pretax profit	**(10,960)**	**(12,965)**	**(10,945)**	**(5,363)**	**8,416**	**6,916**	**9,455**
Depreciation & amortisation	2,961	2,049	3,536	5,986	5,095	4,355	4,434
Tax paid	(356)	(263)	(274)	(231)	(458)	(1,037)	(1,418)
Other adjustments	(1,233)	(695)	182	15	(265)	1,772	2,377
Change in working capital	3,132	5,114	14,394	597	(3,346)	(3,375)	(3,781)
Cash flow from operations	**(6,456)**	**(6,759)**	**6,894**	**1,004**	**9,441**	**8,630**	**11,068**
Capex	(516)	(489)	(952)	(318)	(320)	(1,086)	(1,086)
Proceeds from assets sales	365	93	89	642	568	0	0
Others	3,503	(1,548)	2,327	343	2	30	791
Other non-current assets changes	0	0	(8)	0	0	(0)	(0)
Cash flow from investing activities	**3,353**	**(1,945)**	**1,456**	**667**	**250**	**(1,056)**	**(295)**
New share issuance	0	0	0	0	0	0	0
Shares buyback	0	0	0	0	0	0	0
Net borrowings	5,414	3,643	(4,041)	1,621	(3,425)	(232)	(592)
Other financing cash flow	(3,217)	5,401	(3,154)	(2,928)	(3,964)	(3,776)	(2,816)
Dividends paid	(398)	(278)	(409)	(306)	(220)	(1,107)	(1,107)
Cash flow from financing activities	**1,798**	**8,766**	**(7,604)**	**(1,613)**	**(7,609)**	**(5,115)**	**(4,515)**
Beginning cash and equivalents	2,957	1,654	1,714	2,490	2,551	4,627	7,085
Total cash generated	**1**	**(2)**	**31**	**3**	**(6)**	**0**	**0**
Ending cash and equivalents	1,654	1,714	2,490	2,551	4,627	7,085	13,343

Key ratios

Valuation Ratios	2020A	2021A	2022A	2023A	2024A	2025F	2026F
EPS (VND)	(7.704)	(7.106)	(5.102)	(2.678)	3.416	2.699	3.578
Price Earnings	(2,9)	(4,0)	(2,7)	(4,6)	8,4	11,4	8,6
1-yr PEG	51,3	1.631,4	2.185,5	962,8	(368,6)	(5.437,9)	2.641,6
EV to EBIT	(6,4)	(6,1)	(5,8)	(13,8)	8,2	10,7	7,7
EV to EBITDA	(9,0)	(7,3)	(9,1)	24,1	5,4	6,9	5,4
Price to Sales	0,6	0,8	0,2	0,1	0,3	0,3	0,2
Price to Book	5,2	80,2	NA	NA	NA	NA	37,1
Dividend Yield	-1,3%	-0,7%	-1,3%	-1,1%	-0,3%	-1,6%	-1,6%
Dividend Payout Ratio	3,6%	2,2%	3,6%	5,2%	-2,9%	-18,5%	-14,0%

Growth Rates	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Net Revenue YoY	-58,8%	-31,8%	148,1%	34,2%	15,7%	11,7%	10,6%
Gross Profit YoY	-167,8%	34,7%	-71,3%	-235,1%	257,8%	26,1%	16,6%
Net Profit YoY	-565,8%	18,1%	-12,5%	-47,5%	-227,5%	-21,0%	32,6%
EPS YoY	-565,8%	-24,3%	-12,5%	-47,5%	-227,5%	-21,0%	32,6%

Profitability Ratios	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Gross Margin	-18,3%	-35,9%	-4,1%	4,2%	13,1%	14,8%	15,6%
EBITDA Margin	-17,4%	-36,2%	-8,9%	2,4%	14,0%	10,5%	11,4%
Operating Margin	-24,8%	-43,6%	-13,9%	-4,2%	9,2%	6,8%	8,0%
Net Profit Margin	-27,0%	-46,2%	-16,0%	-6,5%	7,1%	5,0%	6,1%
Return on Avg Assets	-16,1%	-21,1%	-18,1%	-9,5%	13,7%	9,8%	12,3%
Return on Avg Equity	-90,6%	-402,6%	213,1%	40,1%	NA	NA	NA

Leverage Ratios	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Interest Coverage Ratio (EBIT/I)	(10,8)	(15,1)	(8,4)	(2,4)	7,6	7,1	10,4
EBITDA / (I + Cap Ex)	(17,3)	(31,8)	(29,4)	1,8	15,4	237,2	(173,8)
Tot Debt/Capital	0,9	1,0	1,2	1,3	1,2	1,1	1,0
Tot Debt/Equity	9,3	119,3	NA	NA	NA	NA	36,7
Net Debt/Equity	5,3	58,9	NA	NA	NA	NA	5,8

Liquidity Ratios	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Asset Turnover	0,6	0,4	1,1	1,5	1,8	2,0	2,0
Accounts Receivable Turnover	7,2	7,5	15,8	16,6	15,8	13,5	12,2
A/R DOH	51,0	48,6	23,1	22,0	23,2	27,0	29,9
Accounts Payable Turnover	3,3	2,3	3,1	3,0	3,0	3,3	3,8
A/P DOH	111,0	156,0	117,8	122,8	121,6	111,1	96,9
Inventory Turnover	17,7	18,5	28,6	27,8	27,1	28,2	27,8
Inv DOH	20,6	19,7	12,8	13,1	13,5	12,9	13,1
Current Ratio	0,1	0,0	0,0	0,0	0,1	0,1	0,3
Quick Ratio	1,2	1,2	1,7	1,1	1,0	1,1	1,1

DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

RECOMMENDATION FRAMEWORK

Stock Ratings	Definition:
Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Ngoc Pham Thi Bich – Manager
Email: ngoc.phambich@vndirect.com.vn
Quyen Nguyen – Analyst
Email: quyen.nguyen2@vndirect.com.vn

VNDIRECT Securities Corporation
1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi
Tel: +84 2439724568
Email: research@vndirect.com.vn
Website: https://vndirect.com.vn