

Aviation

Not rated

Difficulty leaves no one

Airlines: Two giants, two destinies

VJC: Efforts to overcome difficulties

Whereby, revenue reached VND2,809bn (-79.3% YoY) and PBT was lost VND931bn (in which 3Q19's reached VND1,913bn). In 9M20, VJC booked revenue of VND13,780bn and PBT loss of VND883bn. Noticeably, VJC's core business reported comprehensive revenue with VND2,809bn and no SALB transactions appear.

The core business is a highlight when domestic flights recover. In 3Q20, VJC performs 14,018 flights.

HVN: Tsunami washed everything

HVN reported 3Q20 revenue that was down 70% YoY to VND7,602bn with a PBT loss of VND3,942bn. HVN's 9M20 revenue was VND32,411bn (-56.8% YoY). In 9M20, HVN incurred a net PBT loss of VND10,505bn (-419.1% YoY). Bad result brushed off fruit of HVN's 25-year business, it gives company a negative undistributed profit to VND8,874bn.

Supporting for HVN still has many problems. 1) financial investment – untimely, 2) increase charter capital – violate Securities Law (Issuer must have positive profit), 3) Issue of share for shareholders or private placement (SCIC – State Capital and Investment Corporation) – need direct steering because SCIC invests in only 4 regulated sectors. Besides, HVN's strategic investor – ANA Holding Inc. is also facing difficulties with a net loss of USD1.8bn.

Currently, HVN is also given a 30% stake in Jetstar Pacific Airlines by Qantas Asia Investment Company when Qantas Group withdraws from this joint venture.

Table 1. Number of flights

	2019	2020	% Change
Vietnam Airlines - HVN			
Q1	32,414	27,232	(16.0)
Q2	32,637	16,495	(49.5)
Q3	34,807	19,542	(43.9)
Q4	19,928	-	-
Vietjet Air - VJC			
Q1	33,322	29,491	(11.5)
Q2	35,499	13,792	(61.1)
Q3	33,970	14,018	(58.7)
Q4	36,261	-	-

Source: CAA, KIS

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Airport: Position of a leader

ACV: Save for the rainy day

ACV reported 3Q20 results with revenue and PBT reached VND1,443bn (-68.6% YoY) and VND156bn (-94.3% YoY), respectively. On 3Q20 balance sheet, ACV owns cash, cash equivalents and short-term deposits of VND33,980bn. It brought for ACV deposit income of VND541bn. In general, 9M20 results with revenue of VND6,083bn (-54.9% YoY) and PBT of VND1,672bn (-77.1% YoY).

ACV has supported airlines (international and domestic) by offering to reduce fees to all airlines using services at ACV's airports

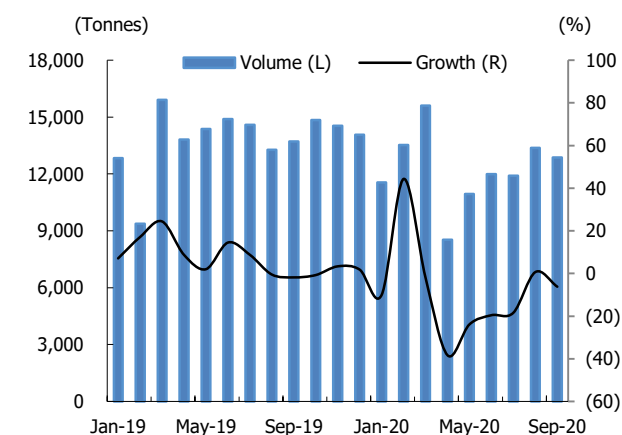
Aviation services: Clear differentiation

SCS: Bright spotlight

SCS reported its 3Q20 results with revenue and profit before tax (PBT) reached VND167bn and VND124bn, shrinking 10% YoY and 9.3% YoY, respectively. SCS's 9M2020 revenue was VND495bn while PBT was VND362bn. Revenue and PBT met 75% and 80.4% of the company's full-year guidance, respectively.

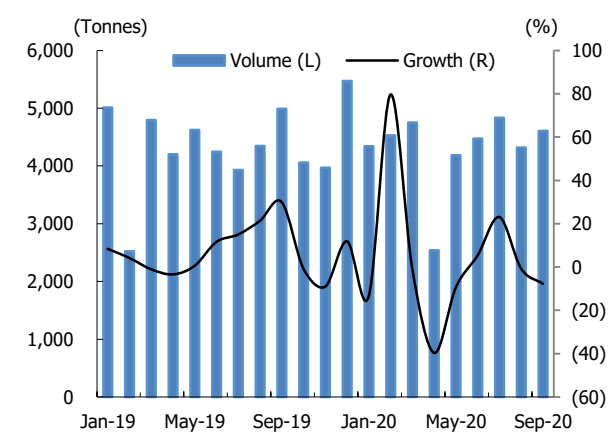
Specifically, international cargo plunged 27% YoY and domestic cargo slumped 14.3% YoY. In 3Q20, domestic cargo was recovered when reached 13,754 tonnes and grow 3.7% YoY but international cargo reached 51,908 tonnes, lower than 3Q19 declined 5.4% YoY. All, 9M2020 total cargo volume was 148,884 tonnes, -7.8% YoY.

Figure 1. International cargo – monthly



Source: SCS, KIS

Figure 2. Domestic cargo – monthly



Source: SCS, KIS

AST: It never rains but it pours

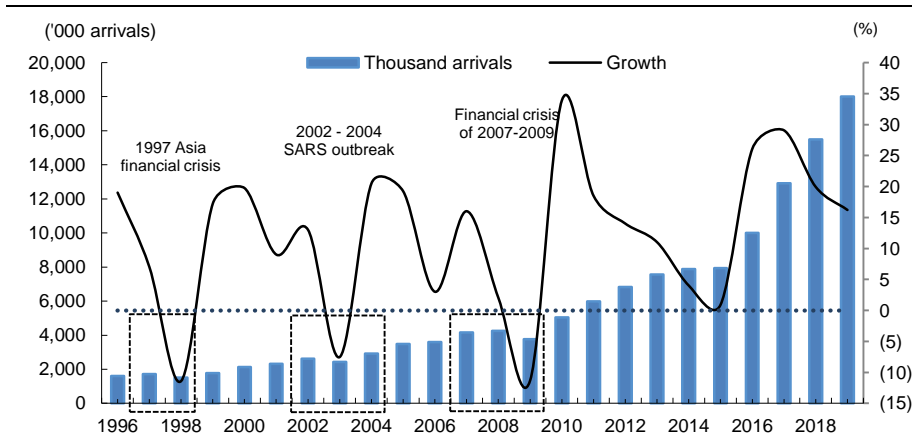
AST reported an 81.5% decrease in net revenue and a 144.7% decrease in PBT. The deterioration was due to impacted COVID-19 affected comprehensive business segments of AST seriously.

The pandemic worsened and restriction flight order had reduced passenger volume and AST's stores had to stopped or operated with low-efficiency rates. To make matters worse, the second wave of Covid-19 at Da Nang hits main AST's business hotel with A La Carte Beach Hotel.

Industry update: Looking forward to a final-quarter recovery

Ministry of Health also published an isolation procedure for international entry and waiting for approval. International flights in the last 2 months of the year will be increased international transportation revenue again.

Figure 3. International passenger volume in 1996 – 2019



Source: GSO, KIS

Airlines continued to expand new domestic routes. From last year until now, HVN and VJC have opened 6 and 4 new routes, respectively (note: VJC announced 8 new routes). Most of new flights have destinations in famous tourist cities. It is preparation for a boom in Vietnam tourism after Covid-19 as historical data. RPK's airlines will rise when demand for tourism increase because restriction travel is finished and holiday is coming.

Table 2. New routes of Airlines

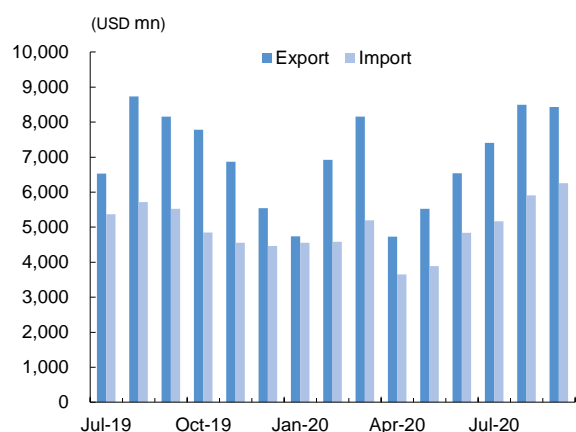
	New routes	IATA code	Status
Vietnam Airlines - HVN			
	Hai Phong – Dat Lat	HPH – DLI	Opened
	Hai Phong – Phu Quoc	HPH – PQC	Opened
	Hai Phong – Can Tho	HPH – VCA	Opened
	Hai Phong – Buon Me Thuot	HPH – BMV	Opened
	Can Tho – Buon Me Thuot	VCA – BMV	Opened
	Vinh – Can Tho	VII – VCA	Opened
Vietjet Air - VJC			
	Da Nang – Phu Quoc	DAD – PQC	Opened
	Da Nang – Da Lat	DAD – DLI	Opened
	Da Nang – Buon Me Thuot	DAD – BMV	Opened
	Vinh – Phu Quoc	VII – PQC	Opened
	Da Nang – Vinh	DAD – VII	n/a
	Da Nang – Thanh Hoa	DAD – THD	n/a
	Ha Noi – Dong Hoi	HAN – VDH	n/a
	Hai Phong – Qui Nhon	HPH – UIH	n/a

Source: Company data, KIS and FlightConnections. Note: n/a – route has not yet book flight

Investment airports had become the mainstream in public investment with big projects such as Long Thanh international airport. Airlines and private businesses continue to also wish to join invest in airport systems, proving attractiveness of aviation industry.

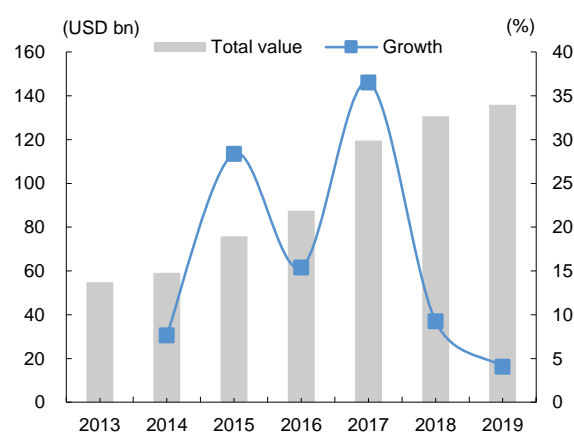
Air cargo terminal operator SCS and airport operator ACV will be strongest man in aviation stock with healthy financial statements and certainty market positions. Airfreight is recovering rapidly for production demand as electrical products. They accounted for more than 80% in value export-import by air cargo from FDI business. Shift in manufacturing to Vietnam is a great advantage for air transportation with technology producing firms.

Figure 4. Export-Import of electrical products (FDI)



Source: GSO, KIS

Figure 5. Export-Import value and growth of FDI



Source: GSO, KIS

Table 3. Business result

(Unit: VND bn, %)

Company	3Q19	3Q20	YoY	9M19	9M20	YoY
VJC						
Revenue	13,578	2,809	(79.3)	38,134	13,780	(63.9)
PBT	1,913	(931)	(148.7)	4,206	(883)	(121.0)
NPAT	1,699	(971)	(157.2)	3,681	(925)	(125.1)
Short-term debt	8,112	8,716	7.4	8,112	8,716	7.4
Long-term debt	1,141	1,712	50.1	1,141	1,712	50.1
Retain Earning	11,395	10,595	(7.0)	11,395	10,595	(7.0)
HVN						
Revenue	25,418	7,602	(70.1)	75,094	32,411	(56.8)
PBT	1,506	(3,942)	(361.8)	3,292	(10,505)	(419.1)
NPAT	1,132	(3,997)	(453.2)	2,513	(10,676)	(524.8)
Short-term debt	8,312	11,684	40.6	8,312	11,684	40.6
Long-term debt	26,787	23,372	(12.7)	26,787	23,372	(12.7)
Retain Earning	2,565	(8,874)	(446.0)	2,565	(8,874)	(446.0)
ACV						
Revenue	4,591	1,443	(68.6)	13,500	6,083	(54.9)
PBT	2,737	156	(94.3)	7,298	1,672	(77.1)
NPAT	2,207	139	(93.7)	5,908	1,366	(76.9)
Short-term debt	247	251	1.3	247	251	1.3
Long-term debt	15,117	15,131	0.1	15,117	15,131	0.1
Retain Earning	6,583	9,427	43.2	6,583	9,427	43.2
SCS						
Revenue	187	167	(10.4)	549	495	(9.7)
PBT	136	124	(9.3)	392	362	(7.8)
NPAT	127	115	(9.9)	373	336	(9.8)
Short-term debt	0	0	-	0	0	-
Long-term debt	0	0	-	0	0	-
Retain Earning	419	425	1.6	419	425	1.6

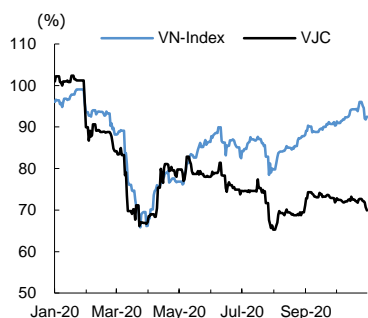
AST

Revenue	300	55	(81.8)	845	297	(64.9)
PBT	71	(32)	(144.7)	211	(27)	(112.9)
NPAT	57	(30)	(153.0)	170	(29)	(116.9)
Short-term debt	0	36	-	0	36	-
Long-term debt	0	0	-	0	0	-
Retain Earning	193	61	(68.3)	193	61	(68.3)

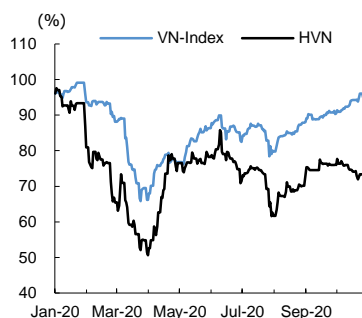
Source: Company data, KIS

Note: PBT = Profit before tax; NPAT = Net profit after tax

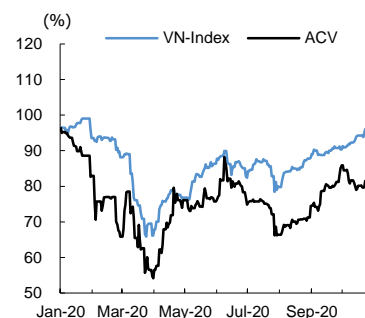
VJC's stock performance vs VN-Index



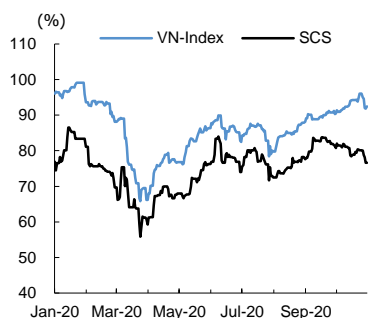
HVN's stock performance vs VN-Index



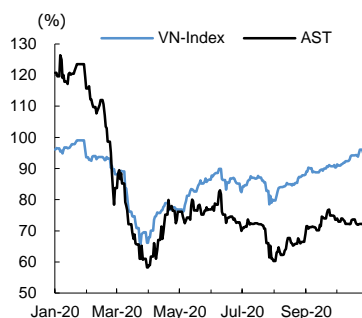
ACV's stock performance vs VN-Index



SCS's stock performance vs VN-Index



AST's stock performance vs VN-Index



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