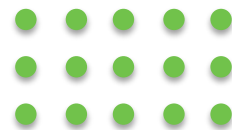


AVIATION INDUSTRY

FIRM STEPS OF GROWTH



Quan Cao – quan.cn@vdsc.com.vn





Negative

Neutral

Positive

Overview

The aviation industry has demonstrated a strong recovery in 2024, following the negative impacts of the COVID-19 pandemic and escalating global inflation between 2020 and 2023. Air travel demand has returned to its pre-pandemic growth despite constraints in capacity. Airfreight volumes have also seen positive trends, supported by a recovery in demand from the low base of 2023 and a shift from sea freight to air freight amid rising ocean freight rates. The robust productivity growth has highlighted "bright spots" in the financial performance of key players in the aviation sector, including ACV (airport operator), HVN, VJC (airlines), and SCS (cargo terminals) in 2024.

In 2025, international passenger traffic and export-import cargo volumes are forecasted to grow steadily, driven by improvements in tourism and consumption. However, growth is expected to slow down to normal levels as the low-base effect fades. This year will mark a preparatory phase for the key project of Long Thanh International Airport, which operates by the end of 2026. The increased capacity will help reduce the congestion at Tan Son Nhat Airport. As a result, there will be growth opportunities for trusted companies to manage non-aeronautical services at Long Thanh Airport.

Overall, we maintain a positive outlook for the aviation sector in 2025. However, much of this potential has already been reflected in stock prices, specifically for **ACV** (Neutral, Target Price: VND 127,800 per share) and **SCS** (Accumulate, Target Price: VND 88,700 per share).

Highlights

Passenger traffic is experiencing steady growth across both international and domestic markets.

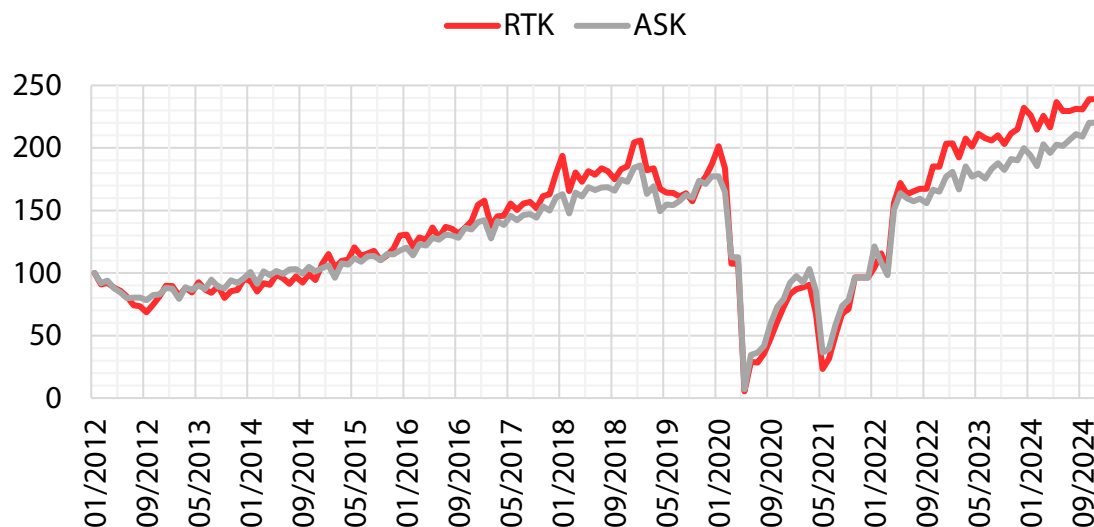
- **International:** The traveling trends of South Korean and Chinese are key drivers for international passenger growth due to tourists from these countries account for nearly 50% of total international arrivals to Vietnam. Specifically, South Korean tourists are increasingly choosing Vietnam as a preferred destination, while Chinese travelers are shifting from domestic to international tourism as global travel demand recovers to pre-COVID growth levels.
- **Domestic:** Demand is currently exceeding airlines' supply capacity. Passenger growth is driven by airlines expanding their fleet, which enables them to meet the high demand in the domestic market.

Consumer purchasing power in the US and EU is expected to gradually improve in 2H2025 as the monetary easing policies of central banks begin to affect the economy. This will stimulate consumer demand, thereby supporting growth in international cargo volumes.

Risks to our call

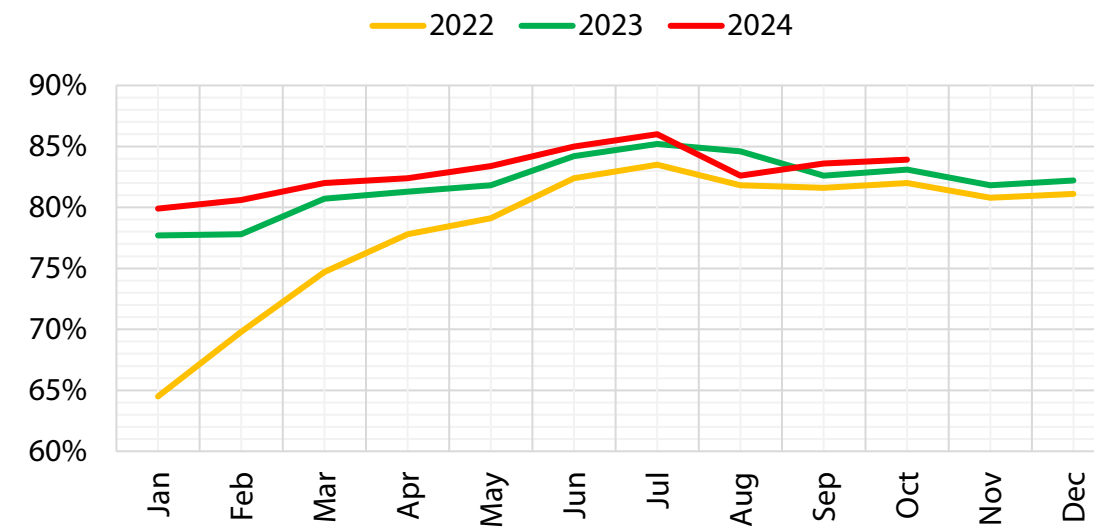
- Delays in delivering new aircraft have resulted in insufficient capacity to meet market demand.
- The recovery of Chinese tourist demand has fallen short of expectations due to the country's weak economic conditions.
- The shift from air to sea freight has occurred as ocean freight rates have decreased.

Figure 1: The two indices, RPK and ASK (January 2012 = 100), return to the pre-COVID-19 growth trajectory



Source: Bloomberg, RongViet Securities

Figure 2: The LF index shows that seat occupancy rates per flight have optimized over the past two years



Source: IATA, RongViet Securities

Global air transport remains robust in 2024, with passenger traffic reaching new record highs, surpassing capacity constraints. Both the RPK and ASK have returned to the growth trajectory ranging from 2012 to 2019, before the COVID-19 pandemic. Passenger traffic is expected to continue along this path, supported by stable demand and the expansion of aviation operations in emerging economies.

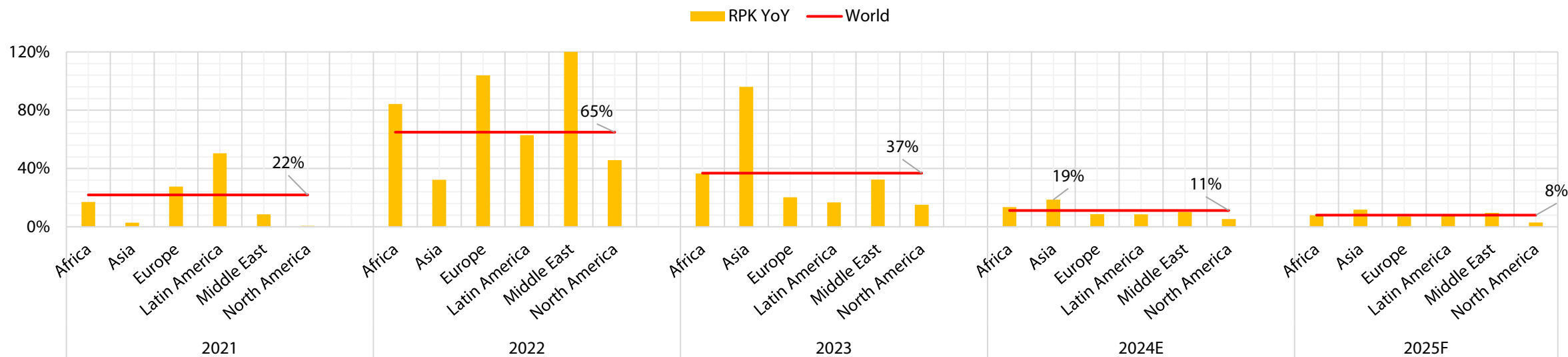
The key metrics commonly used in the aviation industry to assess airline performance include Load Factor (LF), Revenue Passenger Kilometers (RPK), and Available Seat Kilometers (ASK). Airlines apply these indicators to decide on opening new routes, increasing flight frequencies, and expanding their fleet to meet market demand, boost revenue, and grow market share.

RPK – Revenue Passenger Kilometers: A measure of passenger revenue generated by an airline.

ASK – Available Seat Kilometers: A measure of an airline's passenger carrying capacity.

LF – Load factor: A measure of the efficiency in utilizing seats on an aircraft.

Figure 3: Growth rate of passenger revenue by region



Source: IATA, RongViet Securities

According to IATA, global passenger numbers are projected to grow at a CAGR of 3.8% over the next two decades, leading to an additional 4.1 billion passengers by 2043 compared to 2023.

Asia is the leading region, projected to record the highest increase in passenger numbers, contributing over 50% of the net global passenger growth by 2043, with a CAGR of 5.1% (Table 1).

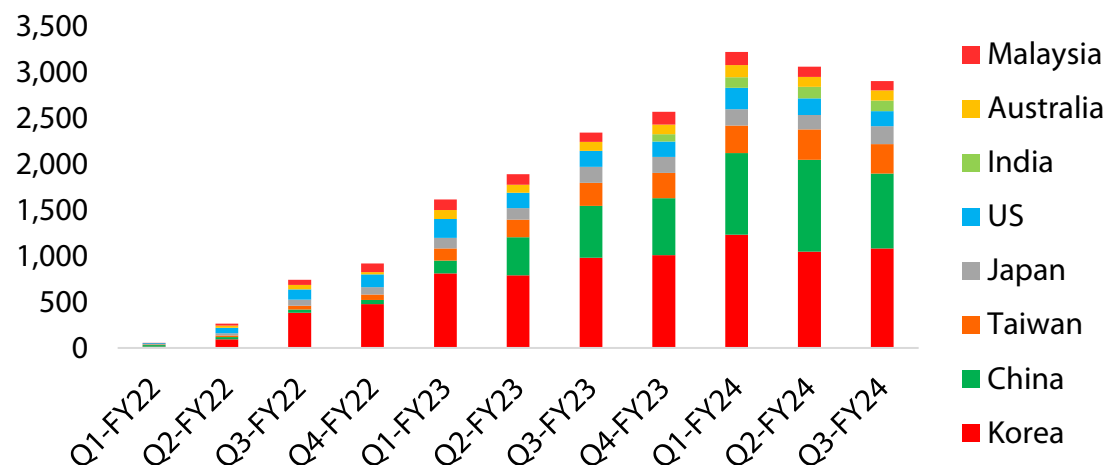
- Economic expansion, improved living standards, and favorable demographic trends are expected to increase passenger traffic within the region.
- Asia has a high level of air connectivity, with over 30% of all passenger trips starting or ending in the region.

Table 1: Projected CAGR of passenger volume

Region	CAGR (2023 – 2043)	Net increase in passenger numbers by 2043 (mn passengers)
Africa	3,7%	182
Asia	5,1%	2.609
Europe	2,3%	662
Middle East	4,1%	314
North America	3,0%	763
Latin America	3,0%	200
World	3,8%	4.138

Source: IATA, RongViet Securities

Figure 4: Number of international visitors to Vietnam



Source: GSO, RongViet Securities

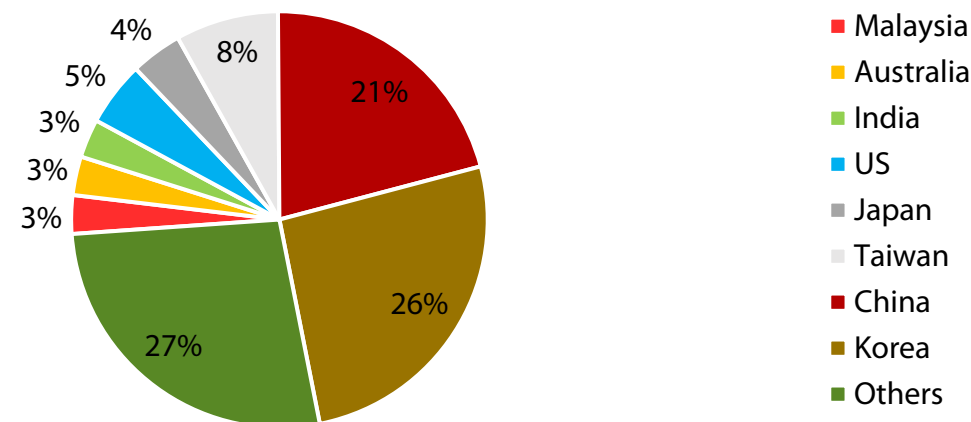
South Korean and Chinese travelers will be key drivers of international passenger traffic to Vietnam.

- For 11M2024, Vietnam has welcomed 15.8 million international passengers by air (+36% YoY). South Korea and China account for nearly 50% of the international arrivals to Vietnam.

We expect the recovery of Chinese tourists will drive growth in 2025.

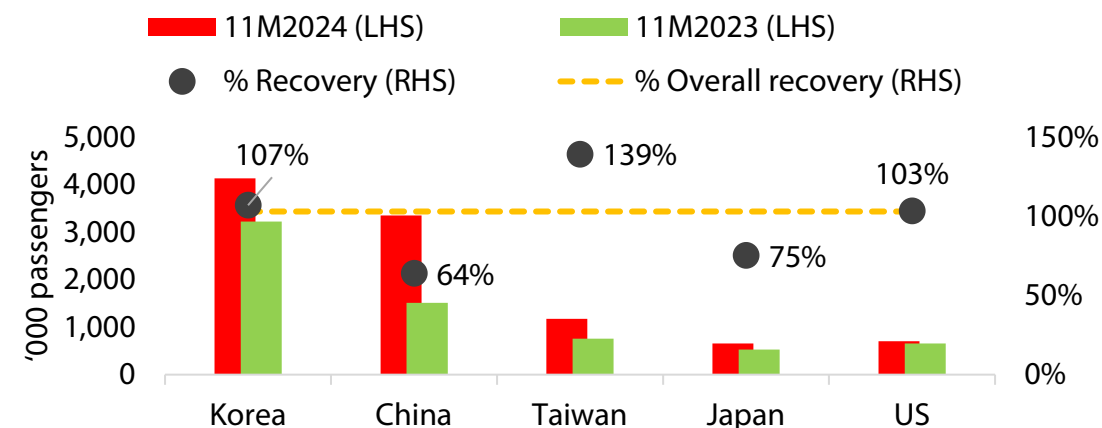
- For 11M2024, the number of Chinese tourists has surged by 122% YoY, reaching 3.4 million visitors. However, this level of traffic has not met expectations as it is still only 64% of pre-COVID levels, while most other markets have fully recovered.

Figure 5: Composition of international visitors to Vietnam in 11M2024



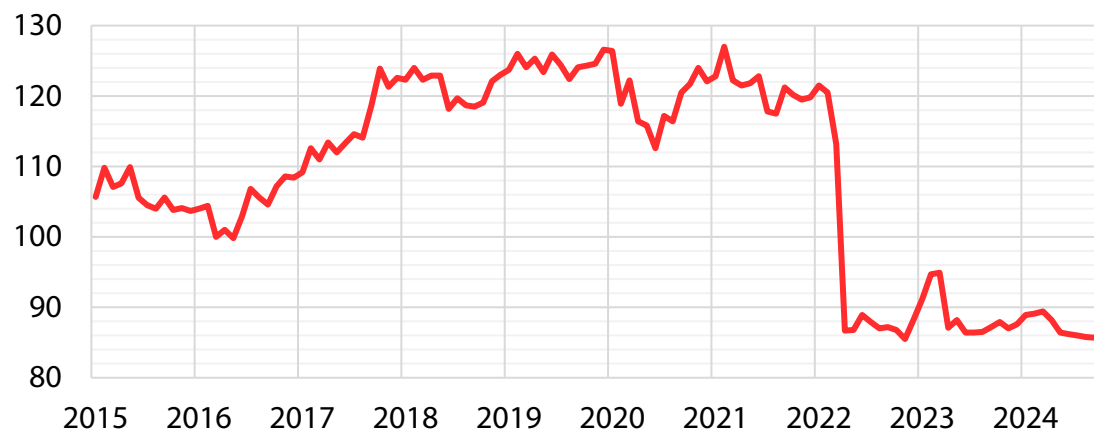
Source: GSO, RongViet Securities

Figure 6: Countries with the highest number of international tourists to Vietnam before COVID compared to the present



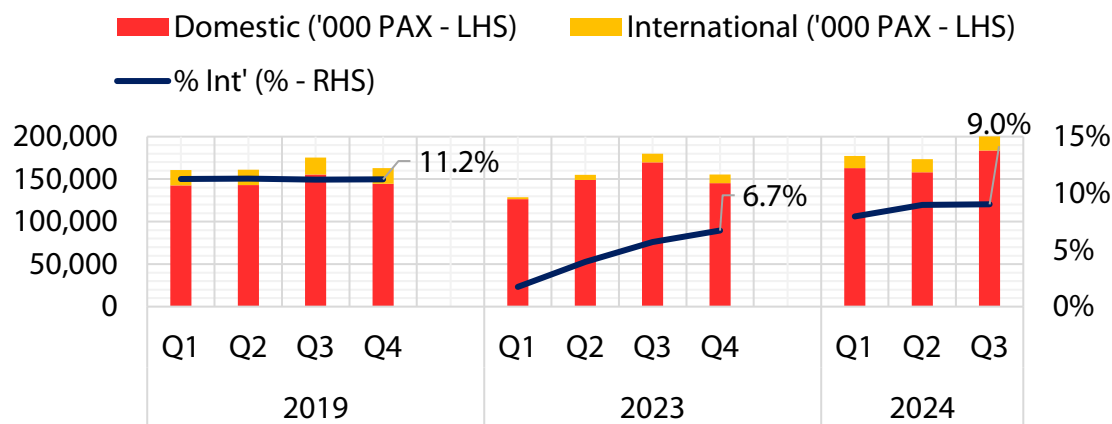
Source: ACV, RongViet Securities

Figure 7: Chinese households remain hesitant to spend, as reflected in the low consumer confidence index...



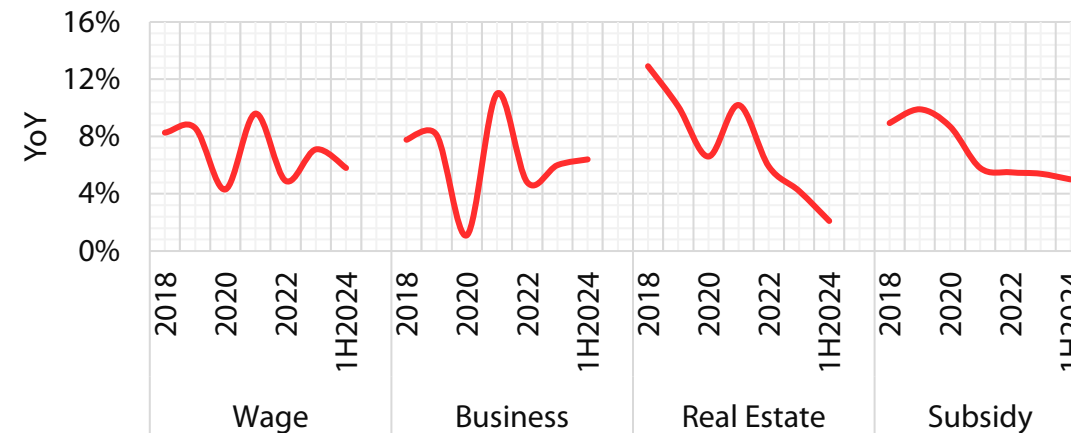
Source: Fred, RongViet Securities

Figure 9: ...However, Chinese citizens are shifting their travel preferences from domestic to international tourism...



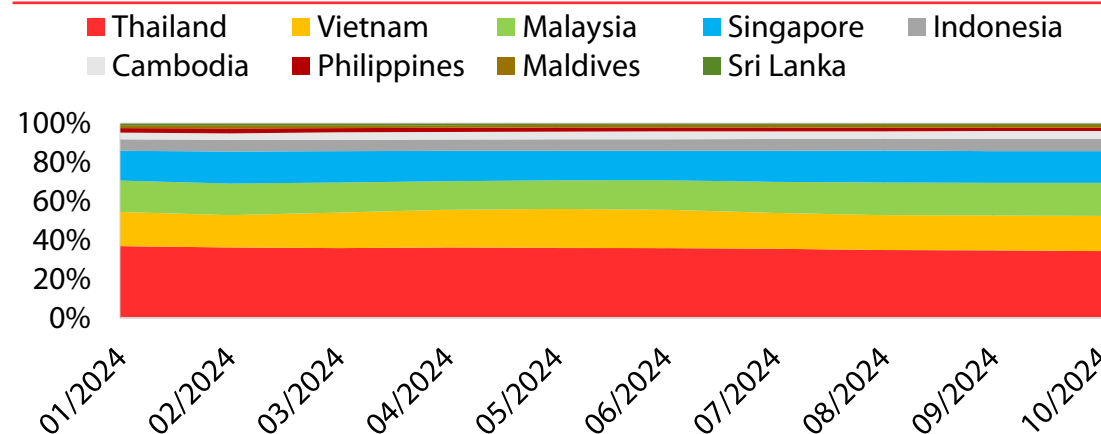
Source: CAAC, RongViet Securities

Figure 8: ...due to declining income growth in China, particularly from the real estate investment sector...



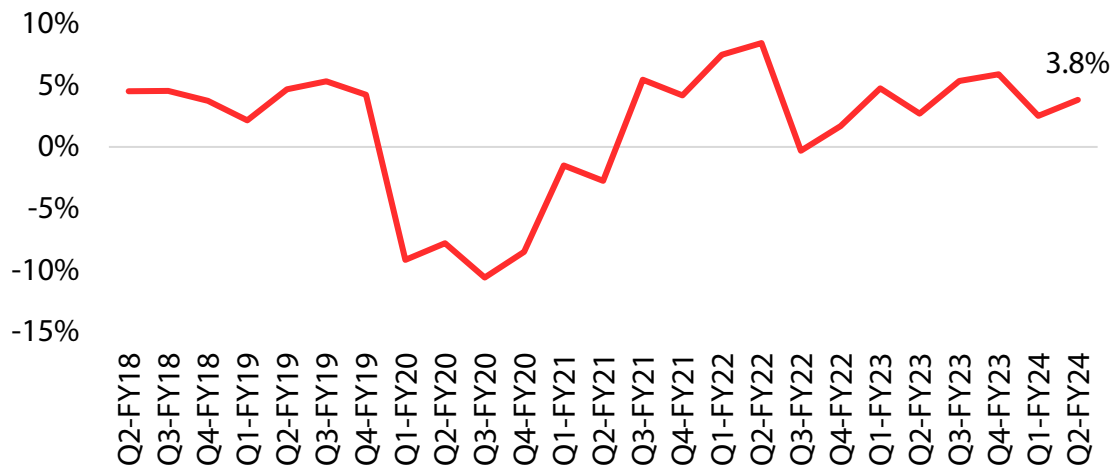
Source: National Bureau of Statistics of China, RongViet Securities

Figure 10: ...Vietnam ranks as the second-most visited ASEAN destination for Chinese tourists, thanks to its proximity and affordable costs



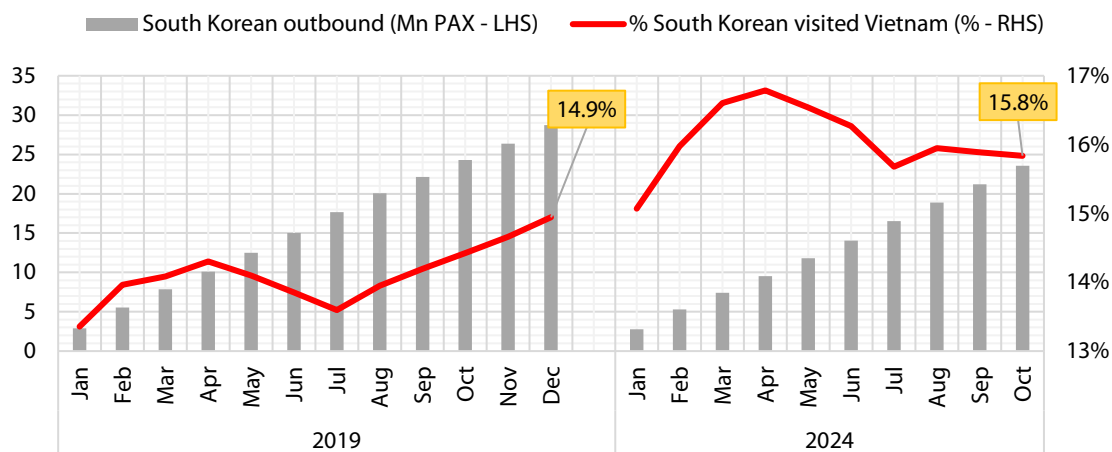
Source: National Tourism Agencies, RongViet Securities, accumulated market share of Chinese tourists to ASEAN in 11M2024

Figure 11: Real income growth (adjusted for inflation) among South Korean households has been improving since 2023



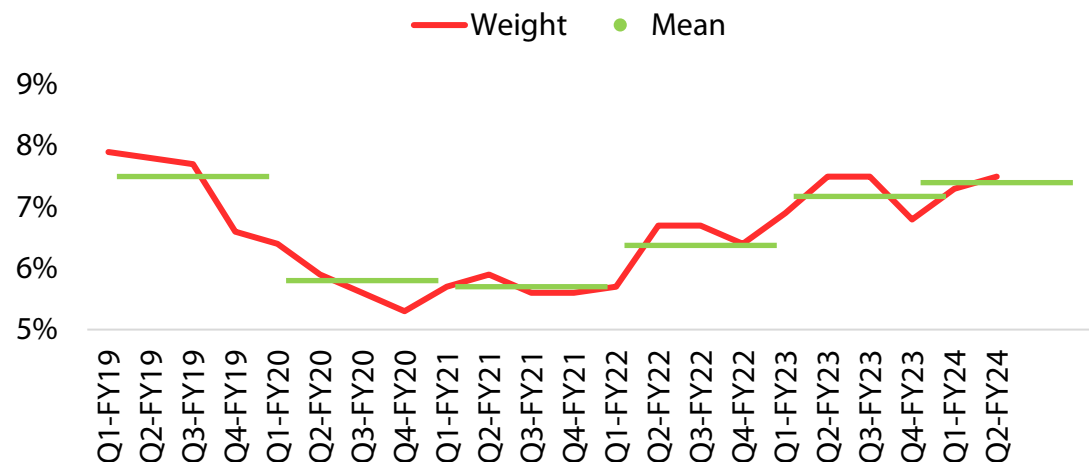
Source: Statistics Korea, RongViet Securities

Figure 13: Cumulative monthly outbound travel by South Koreans



Source: Statistics Korea, GSO, RongViet Securities

Figure 12: Households are increasing their expenditure share on entertainment and cultural activities

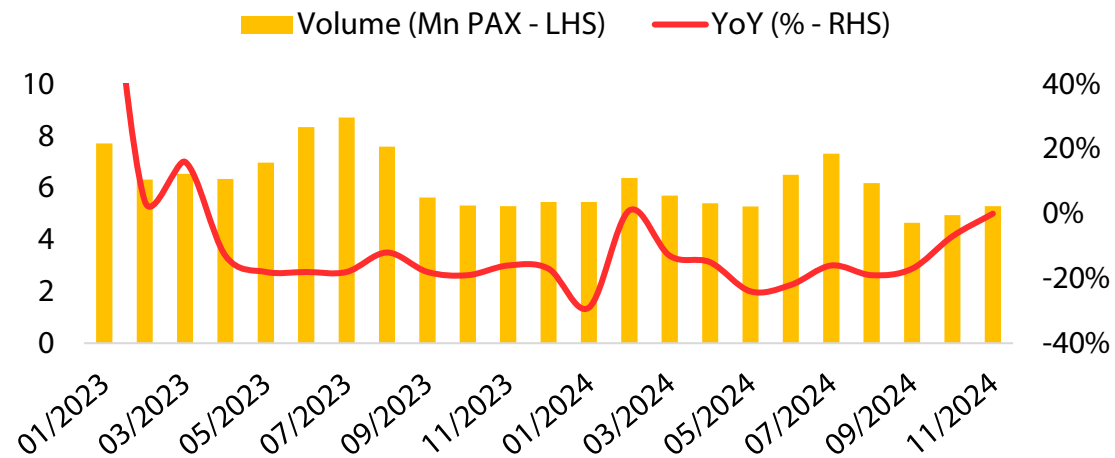


Source: Statistics Korea, RongViet Securities

We believe that the number of South Korean tourists will continue to increase in 2025 due to:

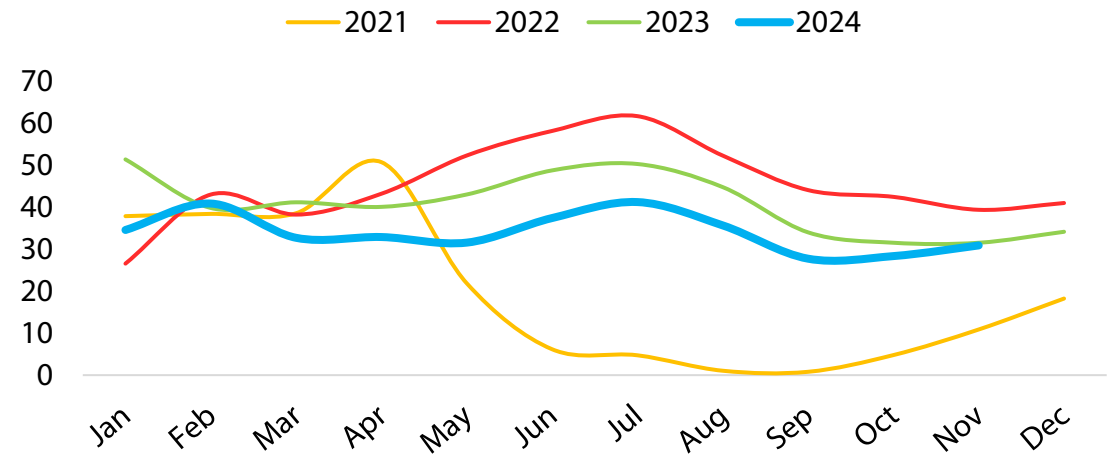
- Rising real incomes in South Korean households have increased spending on leisure and cultural activities.
- Vietnam remains a preferred destination for South Korean tourists due to (1) Lower trip costs compared to pre-pandemic levels, as inflation drives demand for budget-friendly destinations like Vietnam and (2) Visa exemption policies for South Korean travelers.
- In 10M2024, South Korea recorded 23.6 million outbound travelers (+29% YoY), reaching 97% of pre-COVID levels, but the share of travelers heading to Vietnam has increased by 90 bps (Figure).

Figure 14: Domestic passenger volumes via air transportation



Source: ACV, CTCK RongViet Securities

Figure 15: Total number of domestic flight departures/arrivals ('000)



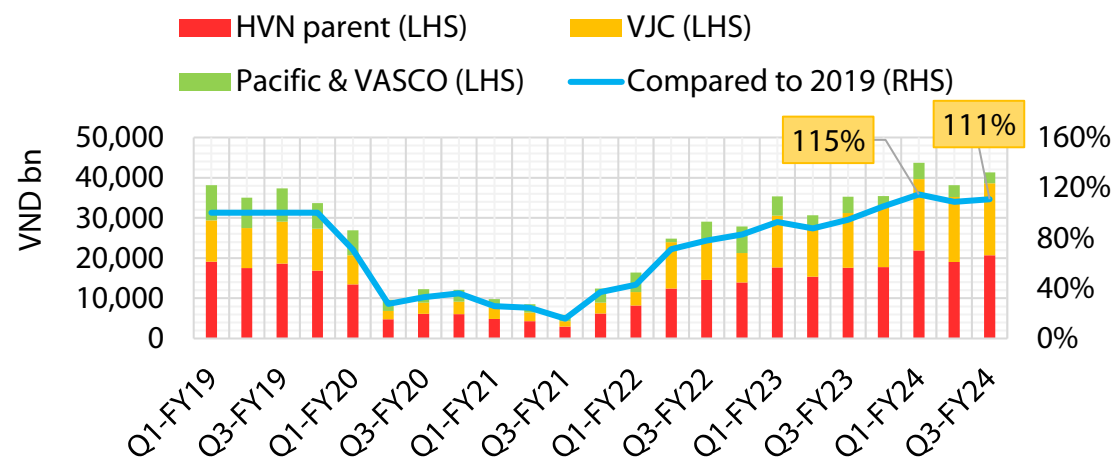
Source: ACV, RongViet Securities

Domestic passenger traffic is expected to recover in 2025, following a slowdown in the final months 2024.

For 11M2024, domestic passenger traffic reached 63 million passengers (-16% YoY). The decline occurred in 1H2024 as airlines faced challenges with their fleets and had to reduce capacity on domestic routes. Bamboo Airways and Pacific Airlines undertook fleet/route/frequency restructuring due to financial difficulties.

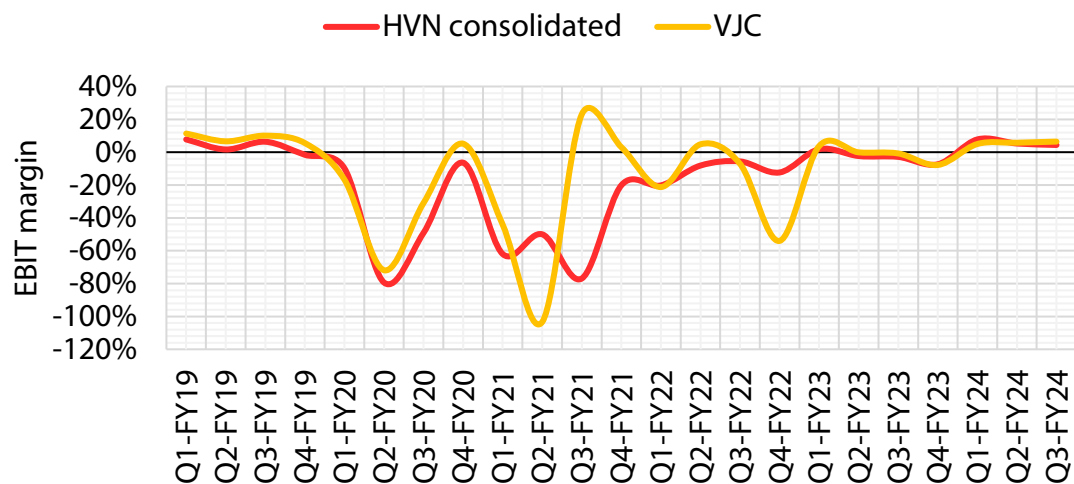
- We expect domestic passenger traffic to grow at a low single-digit rate in 2025, a slowdown in the decline is visible in the final months of 2024. This recovery will be supported by airlines adding to their fleets in preparation for the Lunar New Year, increasing capacity. Vietnam Airlines and VietjetAir have received six new aircraft and wet leasing (short-term leasing) of 6 to 10 more planes. Similarly, Bamboo Airways has added an Airbus A320 to its fleet, bringing its total to 8 aircraft.

Figure 16: Airline revenue has fully recovered...



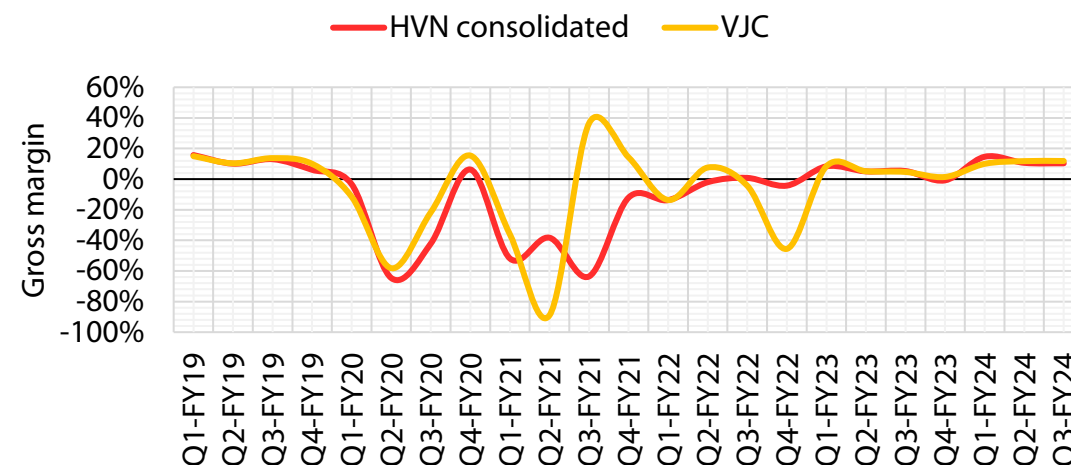
Source: FS of companies, RongViet Securities

Figure 18: ...to cover SG&A expenses



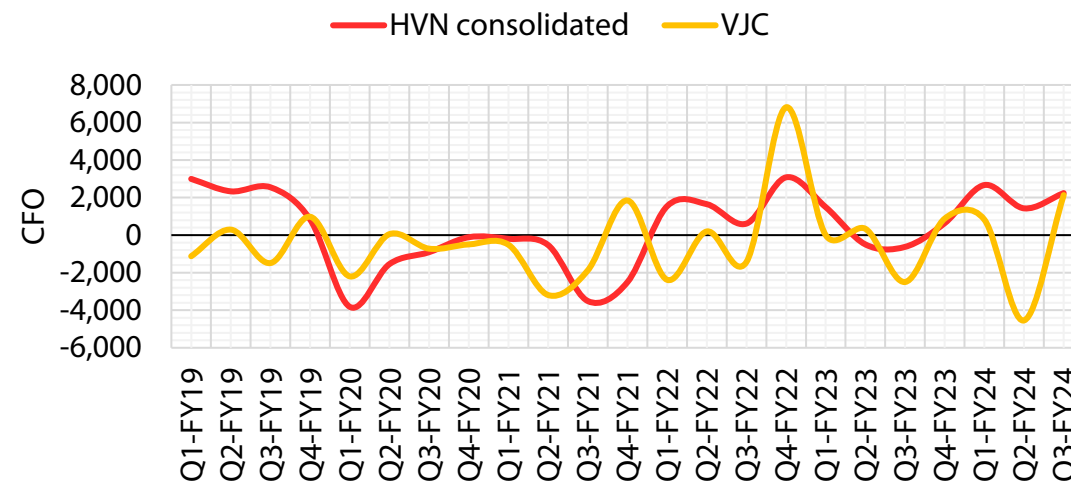
Source: FS of companies, RongViet Securities

Figure 17: ...helping two major carriers avoid gross losses and...



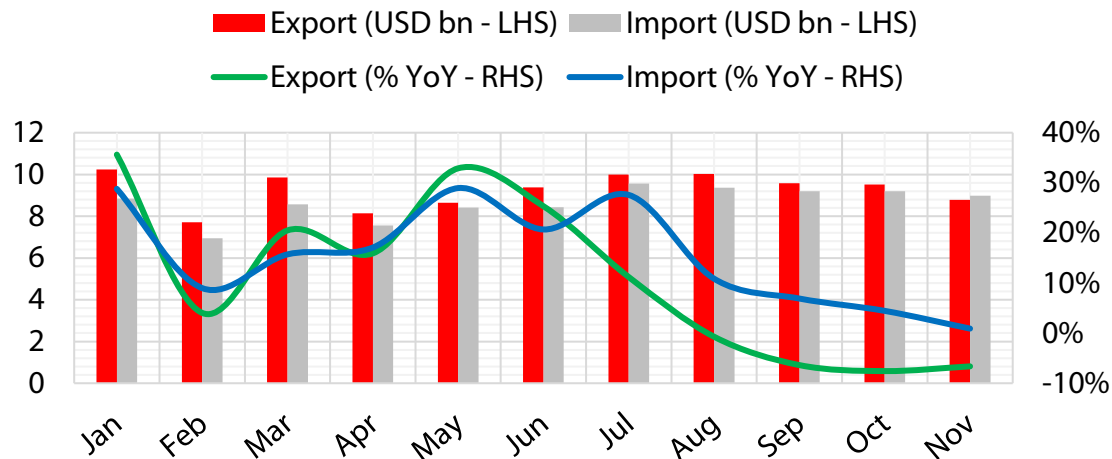
Source: FS of companies, RongViet Securities

Figure 19: CFO cash flow has gradually improved (VND bn)



Source: FS of companies, RongViet Securities

Figure 20: Estimated air cargo export-import value



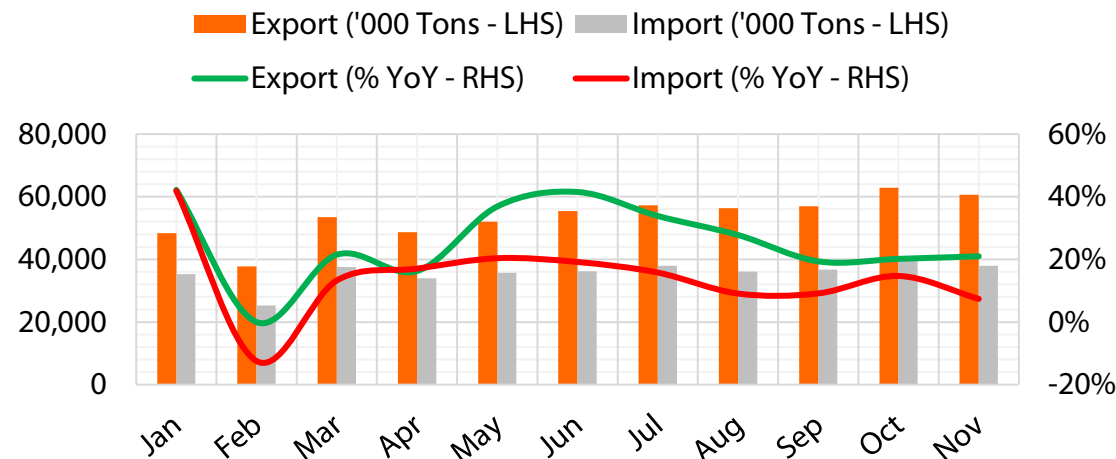
Source: Customs, RongViet Securities

Air cargo volumes have shown double-digit growth through November 2024 but they are expected to decelerate in 2025.

The textile, footwear, and fabric categories, which have low value but large volumes, tend to be transported more by air during high ocean freight rates. This shift has led to faster growth in volume than in export-import revenue. For 11M2024, total export-import volume reached 982 million tons (+20% YoY), while export-import revenue is estimated at USD 197 billion (+12% YoY).

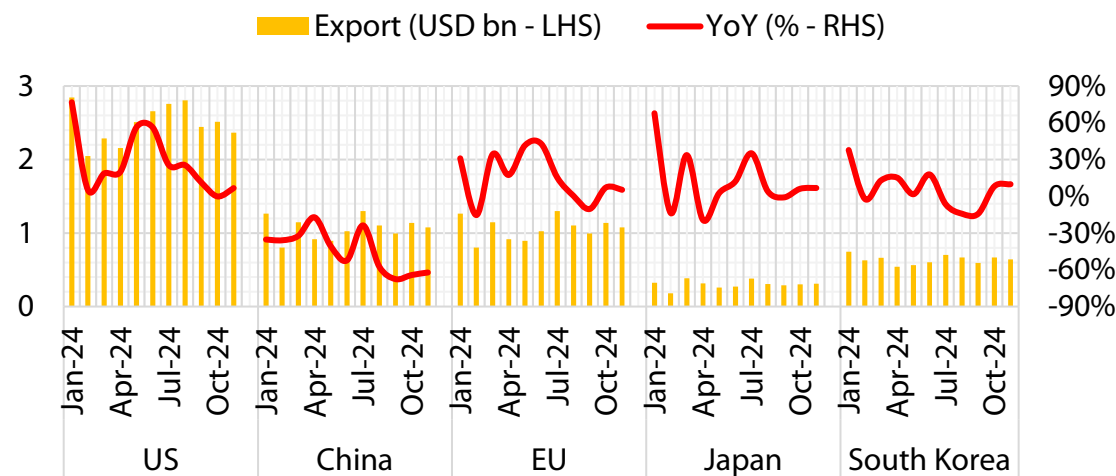
- Consumer demand in the key markets of the US and Europe is expected to improve in 2H2025 as monetary easing gradually affects the economy, which supports growth in export-import volumes. However, the decrease in ocean freight rates may reduce the demand for air cargo transport.

Figure 21: Air cargo export-import volume



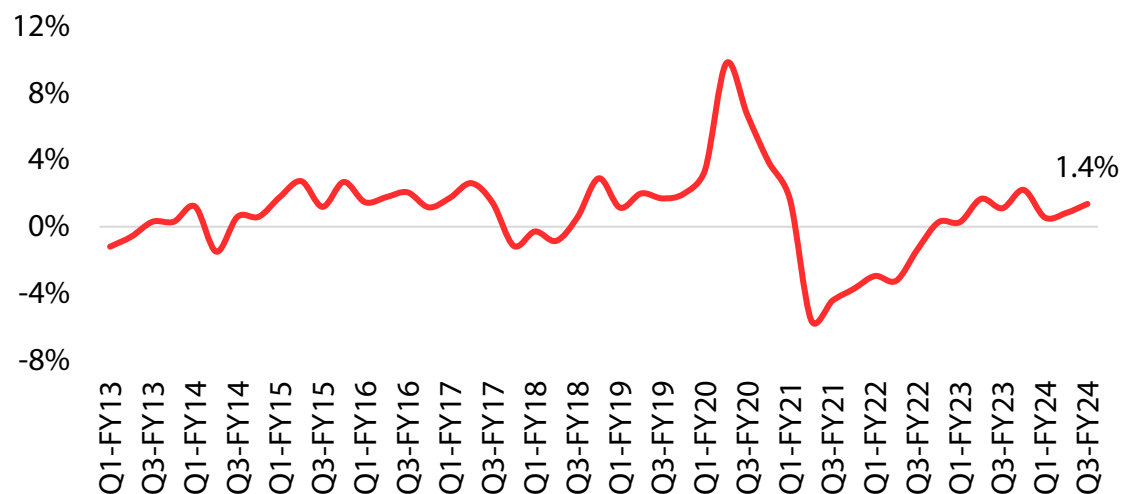
Source: ACV, RongViet Securities

Figure 22: Air export value to major markets via air transport



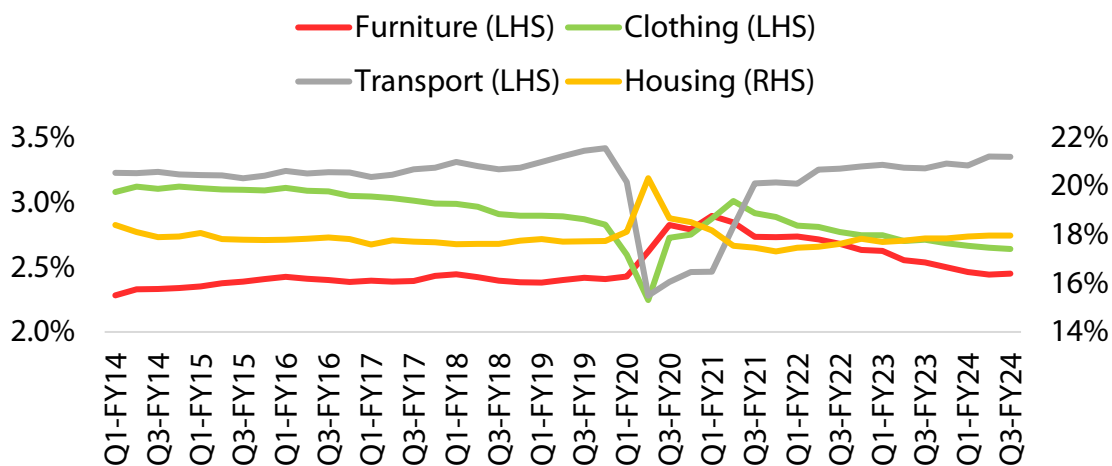
Source: Customs, RongViet Securities

Figure 23: Real income of U.S. residents increased by 1.4% YoY



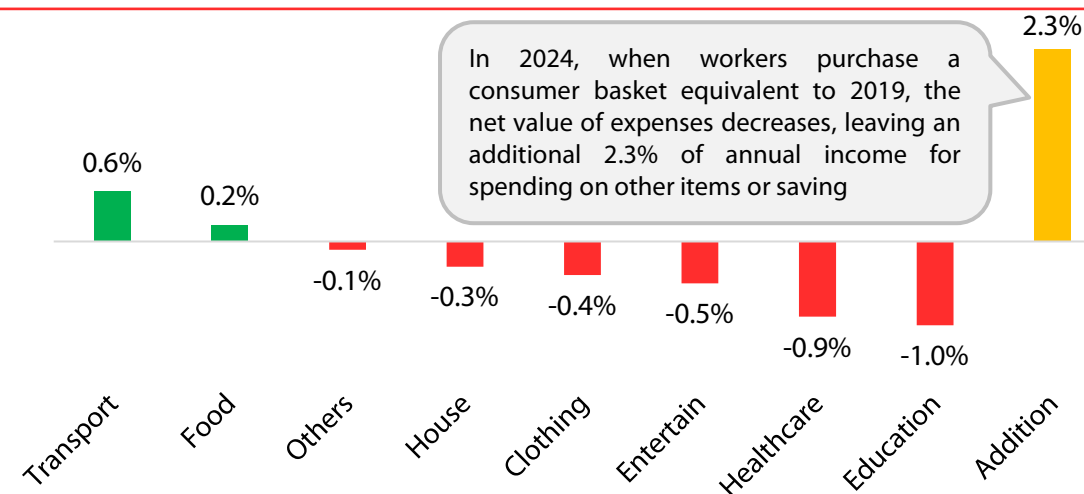
Source: Bloomberg, RongViet Securities

Figure 25: Downward trend in spending on non-essential goods



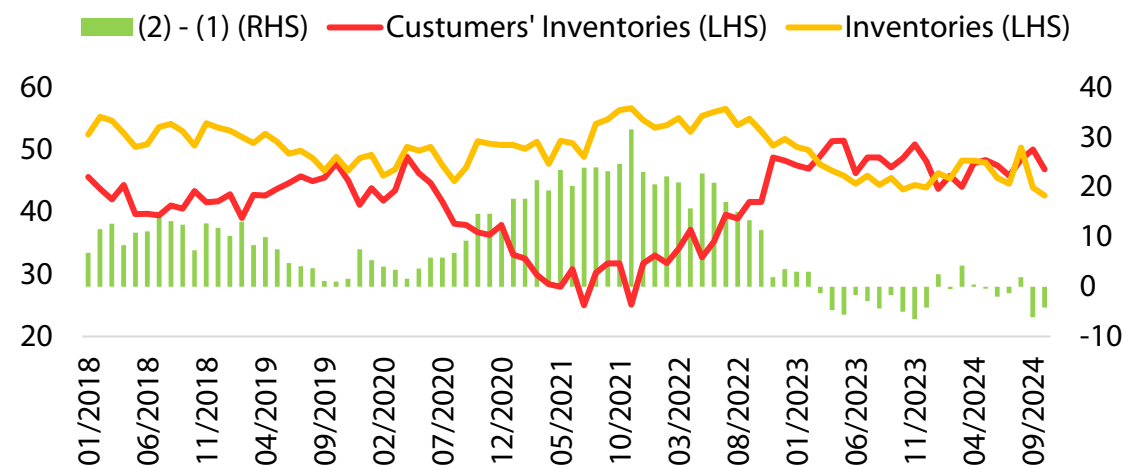
Source: BEA, RongViet Securities, US consumer spending proportion by product group

Figure 24: Changes in US purchasing power by product category



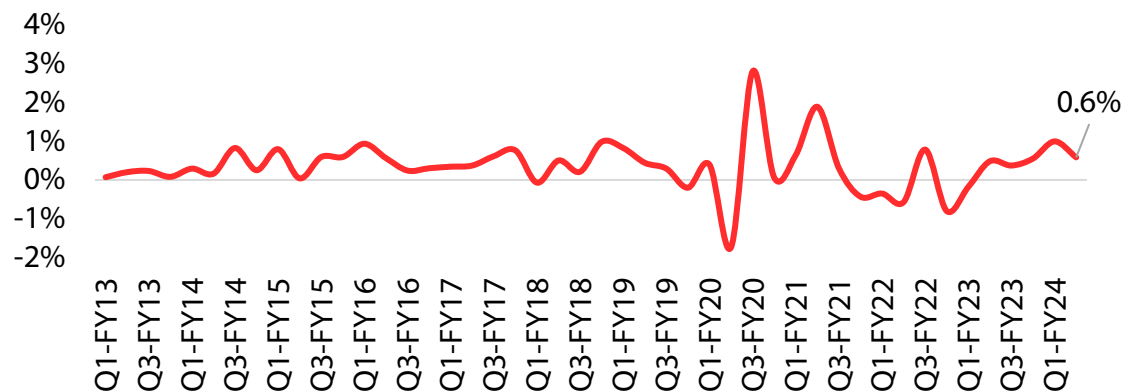
Source: US Treasury, RongViet Securities

Figure 26: Inventory levels in the U.S. remain high



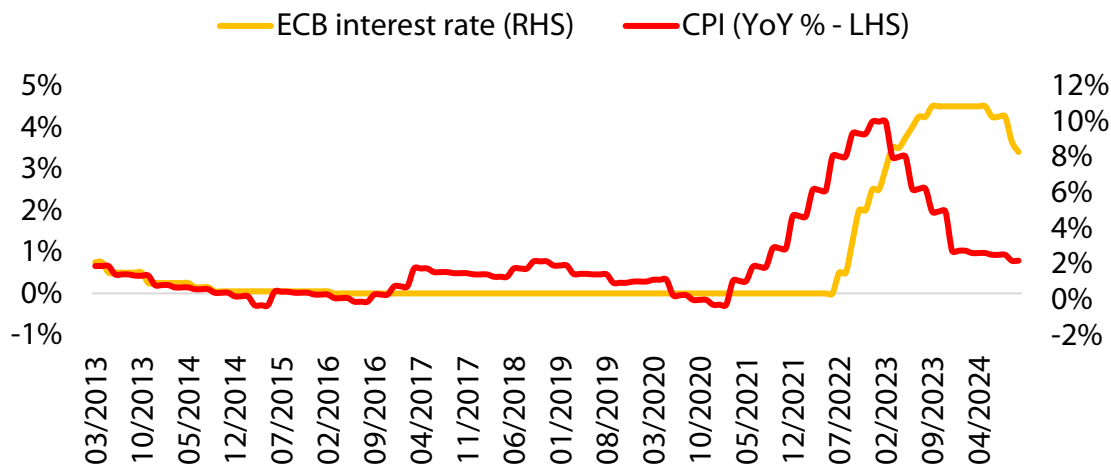
Nguồn: Bloomberg, CTCK Rong Việt

Figure 27: Real household income in the EU has shown an improving trend (QoQ) since early 2023



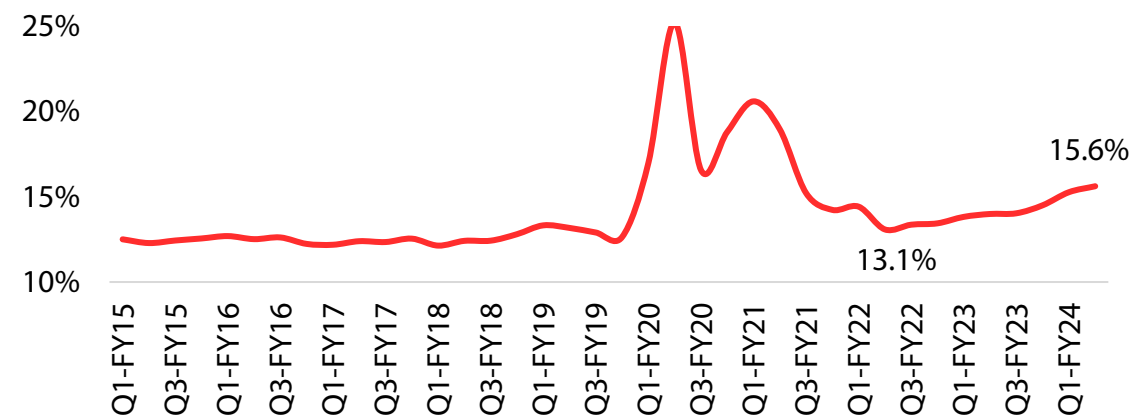
Source: EuroStat, RongViet Securities

Figure 29: Spending is expected to rise as interest rates fall



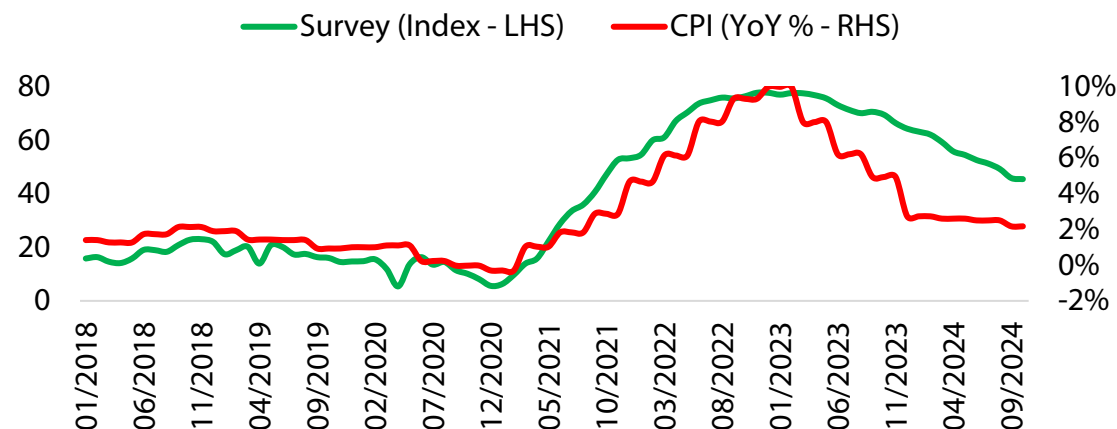
Source: Bloomberg, RongViet Securities

Figure 28: Since the ECB raised interest rates, Europeans have increased their savings rates to benefit more



Source: EuroStat, RongViet Securities

Figure 30: Europeans are more aware of declining inflation, an early indicator of rising consumption in the near future



Source: Euro Commission, RongViet Securities, Consumer Survey on Price Trends Over the Past 12 Months

Figure 31: Expansion of Terminal T2 – Noi Bai



Source: Internet, RongViet Securities

Figure 32: Terminal T3 – Tan Son Nhat (T3-TSN)



Figure 33: Long Thanh International Airport (LTIA)



Table 2: Information on three key projects by ACV

Project	Total investment (VND bn)	Expected completion time	Design capacity (Mn PAX/year)
Long Thanh International Airport	110.000	December 2026	23
Expansion of T2 – Noi Bai	5.000	Early in 2027	5
Terminal T3 – Tan Son Nhat	11.000	May 2025	20
Total	126.000	2025 – 2027	48

Source: ACV, RongViet Securities

Congestion at two major airports will be addressed by opening three new airports between 2025 and 2027

- Upon completion of three major projects (Table 2), capacity will increase by 48 mn PAX annually, exceeding 150 mn PAX per year, a 42% increase, reducing congestion at Tan Son Nhat and Noi Bai airports.

LTIA offers benefits to companies within the industry's value chain

- LTIA is expected to handle 90% of the flight traffic currently managed by TSN, offering growth opportunities for related sectors like cargo services, ground handling, and in-flight catering...
- By December 2024, the company, along with Taseco (HSX: AST) and Saigon Ground Services JSC (HSX: SGN), has been chosen to invest in airline catering and ground handling under Component 4 of the Long Thanh Airport project.

Ticker	Market Cap. (USD mm)	3M.daily turnover AVG. (USD mn)	Current P/E (x)	Current P/B (x)	Trailing 12 M ROE (%)	Target price	Market price as of 01/10/25	Expected return	2023A		2024E		2025F		Revenue Growth		NPAT Growth	
									EPS	BVPS	EPS	BVPS	EPS	BVPS	2024E	2025F	2024E	2025F
ACV	10,296	34,635	36.17	5.19	18.0%	127,800	120,000	-5.5%	3,318	23,133	4,320	27,582	4,697	32,387	-0.2%	9.4%	9.8%	8.7%
SCS	288	24,440	11.23	4.99	46.3%	88,700	77,100	15.0%	4,638	13,423	7,394	14,514	6,934	14,812	41.9%	6.6%	40.1%	-6.3%
VJC	2,105	76,196	n.a	3.20	8.5%	N.R	98,600	n.a	426	28,123	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
HVN	2,339	61,535	n.a	n.a	n.a	N.R	26,800	n.a	-2,678	-7,910	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
AST	95	363	17.97	4.32	26.2%	N.R	53,500	n.a	2,473	11,230	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
SGN	109	975	12.65	2.70	22.3%	N.R	82,200	n.a	6,377	27,983	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
ASG	65	30	58.51	1.26	2.8%	N.R	18,300	n.a	48	13,741	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
NCS	18	82	10.03	3.63	44.1%	N.R	25,800	n.a	2,573	7,116	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
CIA	7	55	23.35	0.57	2.7%	N.R	10,100	n.a	298	17,473	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
MAS	6	51	45.04	4.22	11.2%	N.R	34,000	n.a	666	7,158	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
NCT	117	491	12.18	6.19	52.2%	N.R	113,900	n.a	7,877	16,564	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R

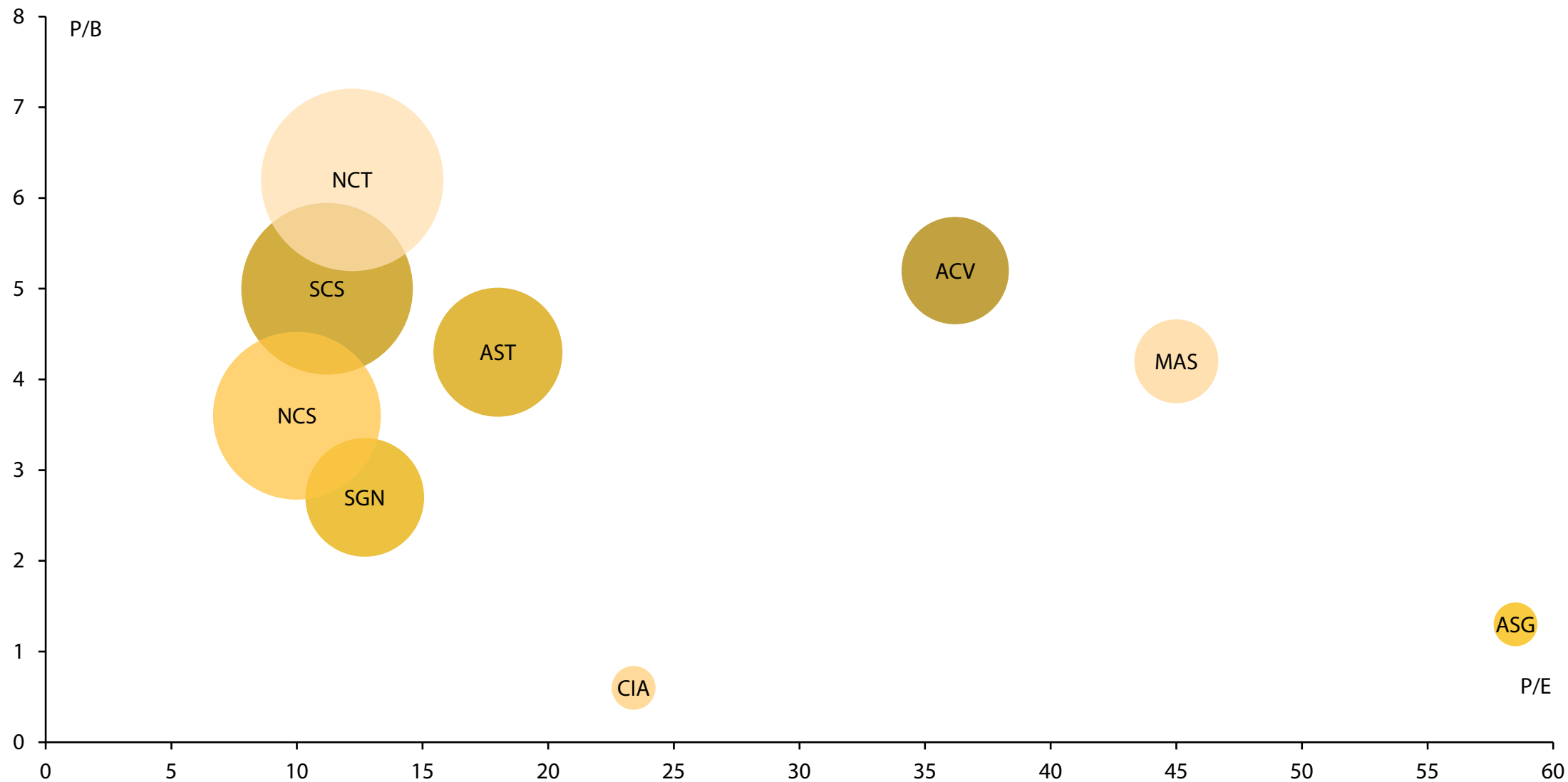
Source: Bloomberg, RongViet Securities. Data was updated as of 01/10/2025.

N.R: Non rate

N.A: Not available

EPS: Earning per share

BVPS: Book value per share



Source: FiinGroup, RongViet Securities. Bubble size equals respective ROE. Share price as of 10 Jan 2025. Excluding companies recorded TTM Loss.

ACCUMULATE: 6%

MP: 120,000

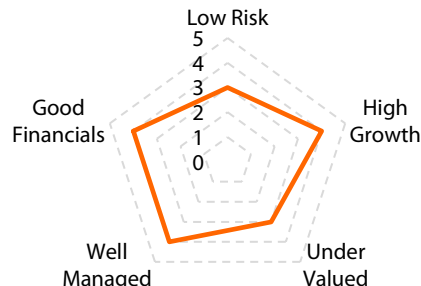
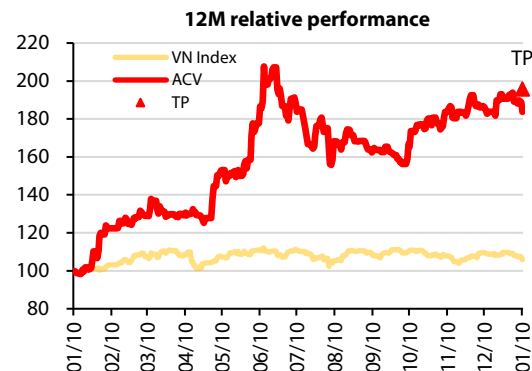
TP: 127,800

STOCK INFO

Sector	Industrial Goods & Services
Market Cap (USD Mn)	10,296
Current Shares O/S (Mn shares)	2,177
3M Avg. Volume (K)	355
3M Avg. Trading Value (VND bn)	35
Remaining foreign room (%)	45.4
52-week range ('000 VND)	63.5 - 138

FINANCIALS

	2023A	2024F	2025F
Revenue (VND bn)	20,033	19,984	21,867
NPATMI (VND bn)	8,562	9,405	10,226
ROA (%)	13.5	11.4	7.3
ROE (%)	14.1	14.9	14.5
EPS (VND)	3,933	4,320	4,697
Book Value (VND)	23,178	27,582	32,387
Cash dividend (VND)	0	0	0
P/E (x)	16.8	29.1	25.5
P/B (x)	2.8	4.6	3.7



INVESTMENT THESIS

Revenue in 2025 is expected to grow steadily, driven by rising international and domestic passenger traffic amidst increasing air travel demand

- **International:** International PAX traffic is forecasted to grow by 9% YoY, driven by the shift in Chinese travelers from domestic to international tourism. Vietnam is becoming a popular destination for South Korean tourists.
- **Domestic:** Demand is currently exceeding the supply capacity of airlines. Domestic passenger traffic is expected to grow by 7% YoY, driven by the low base 2024 and increased supply as airlines expand their fleets, thereby meeting the high demand in the domestic market.

The gross profit margin is expected to continue expanding, driven by the increased share of international traffic, which raises the average selling price of aviation services

- The faster growth rate of international PAX compared to domestic travelers has increased the share of international passengers by +74 bps YoY. The gross profit margin expanded by +91 bps YoY as the service fees for international passengers are estimated to be six times higher than those for domestic passengers.

Provision pressures are easing for airlines like Vietnam Airlines (HSX: HVN) as their financial situations improve

- In Q3-FY24, ACV reversed VND 82 bn in bad debt provisions after allocating VND 250 bn in 1H2024 for HVN. Although the provision-to-overdue debt ratio for HVN remains low, the risk of additional provisions has decreased as the airline's financial performance improves.

RISKS TO OUR CALL

- The component projects at Long Thanh Airport have been delayed.
- The three major projects—LTIA, T2 at Noi Bai, and T3 at Tan Son Nhat—are expected to incur high operational costs, which will slow down growth in the early years of their operation.

Table 1: Forecast for 2024 – 2025

Unit: VND bn	2024E	+/-YoY	2025F	+/-YoY
Passenger volume (mn pax)	114	1%	122	7%
International	42	30%	46	9%
Domestic	72	-11%	76	6%
Net revenue	22,631	13%	24,709	9%
Aeronautical revenue	18,645	13%	20,407	9%
Non-Aeronautical revenue	2,565	3%	2,751	7%
Retail	1,420	19%	1,551	9%
Aerodrome assets	2,647	3%	2,842	7%
Gross profit	14,058	19%	15,573	11%
Financial incomes	1,025	-54%	451	-56%
Financial expenses	-781	646%	-381	-51%
Gain/loss from JVs	312	20%	374	20%
SG&A expenses	-1,369	-64%	-1,727	26%
EBIT	12,689	57%	14,290	9%
NPATMI	10,648	26%	11,497	8%
NPATMI (exclude aerodrome assets)	9,405	34%	10,226	9%

Source: ACV, RongViet Securities

Table 2: ACV's key projects

Project	Total investment (VND bn)	Expected completion date	Design capacity (mn pax/year)
Long Thanh international airport	110,000	December 2026	23
Expansion of T2 – Noi Bai	5,000	Jan 2027	5
T3 – Tan Son Nhat	11,000	May 2025	20
Total	126,000	2025 - 2027	48

Source: ACV, RongViet Securities

Table 3: Summary of valuation

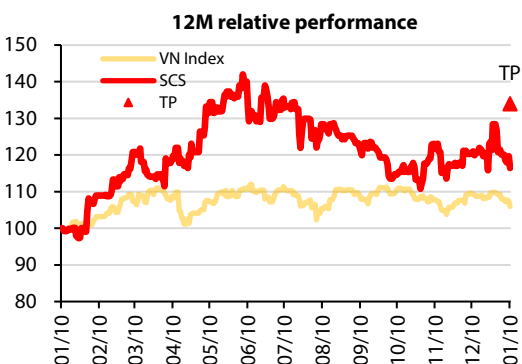
WACC	FCFF	VND bn
Adjusted be	0.6 Cumulative PV of FCFF	60,926
Risk-free rate	2.6% PV of TV	597,590
Risk premium	10.4% (+) Cash and short-term investment	25,251
Cost of equity	8.8% (-) Debt	11,085
Cost of debt after tax	1.2% (-) Minority interest	50
D/(D+E)	40% Equity value	278,193
E/(D+E)	60% Share outstanding (mn)	2,177
WACC	8.0% Target price (VND/share)	127,777

Source: RongViet Securites

ACCUMULATE: 15%

MP: 77.100

TP: 88.700



STOCK INFO

Sector	Travel & Leisure
Market Cap (USD Mn)	288
Current Shares O/S (Mn shares)	95
3M Avg. Volume (K)	310
3M Avg. Trading Value (VND bn)	24
Remaining foreign room (%)	9.2
52-week range ('000 VND)	64.1 - 96

FINANCIALS

	2023A	2024F	2025F
Revenue (VND bn)	705	1,000	1,066
NPATMI (VND bn)	498	698	654
ROA (%)	29.3	45.4	42.7
ROE (%)	37.2	50.7	47.8
EPS (VND)	4,911	7,394	6,934
Book Value (VND)	13,423	14,514	14,812
Cash dividend (VND)	5,000	7,000	7,000
P/E (x)	14.6	10.8	11.1
P/B (x)	5.4	5.5	5.2

INVESTMENT THESIS

Growth in 2025 is expected to slow to a normalized pace, in line with the overall context of the export market

- Consumer purchasing power in the US and EU is improving in 2H2025 as monetary easing policies filter into the economy, supporting growth in international cargo volumes. SCS highly depends on export goods (accounting for 60% of total cargo volume), with the US and EU being the two most important markets, together representing about two-thirds of total export cargo volume.
- The textile sector, which involves large volumes, is shifting towards air transport. This trend could serve as a growth driver for SCS's cargo volumes.

The net profit margin has narrowed but it is not a major concern because it is not driven by internal factors within SCS

- In 2025, SCS will be subject to a corporate income tax rate of 20% after the expiration of the 9-year tax incentive, offering a 50% reduction. As a result, net profit for 2025 is expected to decrease by 6% YoY, reaching VND 654 billion, with a net margin narrowing by 8 pps YoY to 61%.
- Although net profit has declined, it is not a major concern. SCS's business operations remain highly efficient, as evidenced by strong profit indicators, with a gross margin and EBIT margin maintaining high levels of 80% and 74%, respectively.

The expected cash dividend yield over the next 12 months is 8-9%, which is attractive and higher than the interest rates on savings (4-5% per year)

RISKS TO OUR CALL

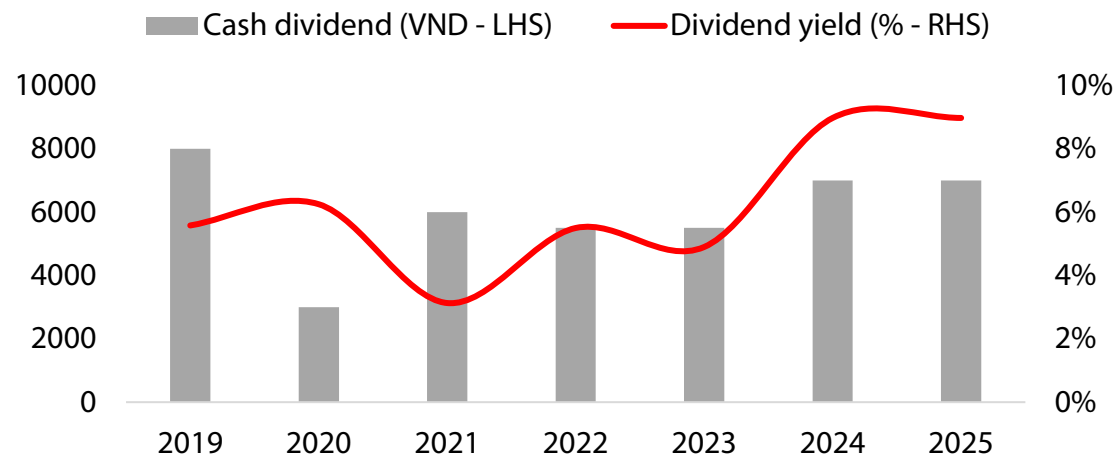
- The decrease in maritime freight rates will shift the demand for air cargo transportation to sea freight.
- The long-term outlook for SCS heavily depends on selecting the cargo terminal operator at LTIA. As a result, SCS could be revalued higher or lower than its historical average.

Table 1: Forecast for 2024 – 2025

Unit: VND bn	2024E	+/-YoY	2025F	+/-YoY
Cargo volume ('000 tons)	260	37%	278	7%
International	202	47%	216	7%
Domestic	58	10%	63	8%
Net revenue	1,000	42%	1,066	7%
Terminal	938	45%	1,004	7%
Aircraft parking	5	0%	5	0%
Office lease	56	6%	56	0%
Other	1	0%	1	0%
Gross profit	801	50%	850	6%
Financial incomes	56	-36%	41	-27%
Financial expenses	0	N/A	0	N/A
PBT	788	39%	818	4%
NPAT	654	40%	698	-6%

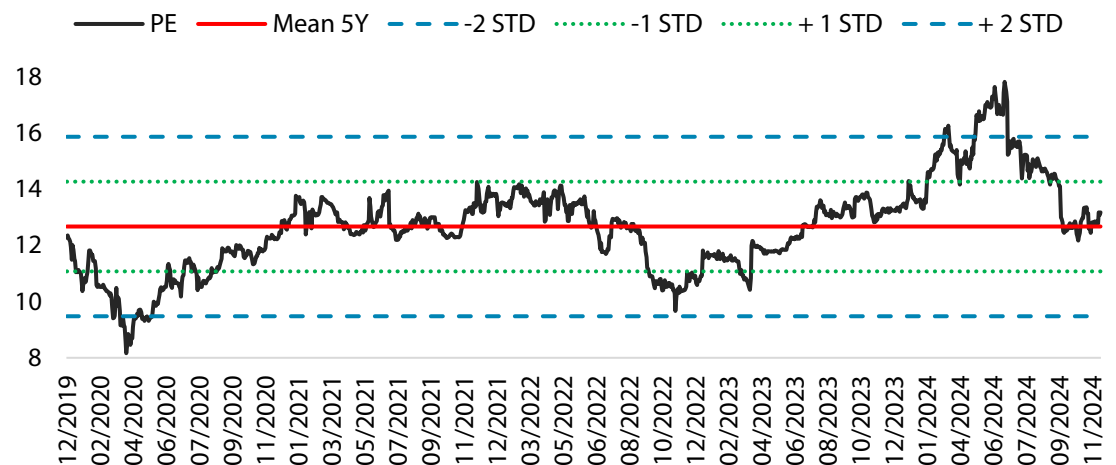
Source: SCS, RongViet Securities

Figure 1: Cash dividend



Source: Bloomberg, RongViet Securities

Figure 2: PE ratio



Source: Bloomberg, RongViet Securities



VIET DRAGON SECURITIES CORPORATION



Floor 1 to Floor 8, Viet Dragon Tower, 141 Nguyen Du Street., Dist.1, HCMC, Vietnam



www.vdsc.com.vn

