

Airports Corporation (ACV)

International transport as the key growth catalyst

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In 3Q2024, ACV reported NPAT of VND2,339 billion (-15% YoY) on revenue of VND5,655 billion (+6% YoY)

Sustainable growth potential arises from both domestic & international transport

Domestic airlines are planning to expand their fleets and launch new routes

Terminal T3 at Tan Son Nhat International Airport and Long Thanh International Airport serve as long-term growth drivers for ACV

Valuation: NEUTRAL rating – Target price VND130,700/share

Neutral initiate

Target price	VND130,700
Upside	5.5%
Current price (Dec 20, 2024)	VND123,900
Consensus target price	VND121,300
Market cap (VNDtn/USDbn)	261.2/10.3

Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	13,805	19,998	21,802	23,689
Operating income/loss (VNDbn)	8,861	10,467	10,045	12,648
NPAT-MI (VNDbn)	6,338	7,222	6,883	8,660
EPS (VND)	2,580	3,318	3,161	3,978
EPS growth (%)	1287%	29%	-5%	26%
P/E (x)	24.1	18.7	19.7	15.6
P/B (x)	3.1	2.7	2.4	2.0
ROE (%)	16%	17%	14%	15%
Dividend yield (%)	0%	0%	0%	0%

In 3Q2024, ACV recorded revenue of VND5,655 billion (+6% YoY), with aviation revenue contributing 83% at VND4,685 billion. NPAT reached VND2,339 billion (-15% YoY) due to exchange rate losses. For 9M2024, ACV's revenue and NPAT stood at VND16,834 billion (+12% YoY) and VND8,488 billion (+21% YoY).

Domestic transport is projected to grow at a slow but steady pace in the coming years. Meanwhile, international transport is considered the main growth driver for ACV, supported by: (i) deeper trade integration and the China Plus One (C+1) trend and (ii) tourism development policies, including simplified visa procedures.

Vietnam Airlines (HVN) and Vietjet Aviation (VJC) are aggressively opening new routes and planning significant fleet expansions. Both airlines have committed to increasing their aircraft numbers, which will drive passenger and cargo volumes, provide growth opportunities for the carriers, and support ACV's recovery.

Terminal T3 at Tan Son Nhat International Airport (set for completion in 2025) and Long Thanh International Airport (Phase 1 is scheduled for operations in 2027) are ACV's flagship projects. Upon completion, these projects will form a major airport cluster in the south, driving aviation growth and boosting the regional economy.

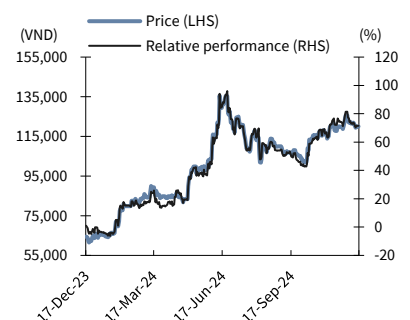
Despite ACV's promising outlook, its stock price has already reflected much of the supportive factors. Therefore, we recommend HOLD for ACV with a target price of VND130,700 per share, 5.5% higher than the closing price on December 20, 2024.

Trading data

Free float	4.6%
3M avg trading value (VNDbn/USDmn)	25.6/1.0
Foreign ownership	3.6%
Major shareholder	State Capital Management Committee (95.4%)

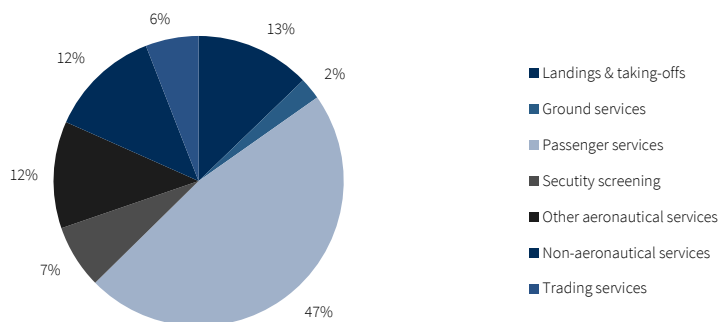
Share price performance

(%)	1M	3M	6M	12M
Absolute	1.9	13.1	-8.8	86.0
Relative	-1.8	12.7	-8.0	71.4



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: Airports Corporation of Vietnam, KB Securities Vietnam

Business operation

Airports Corporation of Vietnam (ACV) currently manages, invests in, and operates 22 airports nationwide, including 11 international and 11 domestic airports. ACV's core business activities involve providing direct support services for air transport, including aviation services, non-aviation services, and sales.

Investment Catalysts

Sustainable growth potential arises from both domestic and international transport. ACV's domestic and international passenger traffic should grow at a CAGR of 3% and 12%, respectively, in 2024–2030.

Domestic airlines are aggressively expanding their fleets. VJC and HVN have both signed purchase agreements for Airbus aircraft, with plans to increase their fleet sizes by 20–30% by 2030.

T3 Terminal at Tan Son Nhat International Airport and Long Thanh International Airport would drive ACV's long-term growth. These projects are expected to begin operations in mid-2025 and early 2027, respectively, increasing ACV's total capacity by 20 million and 25 million passengers.

Notes

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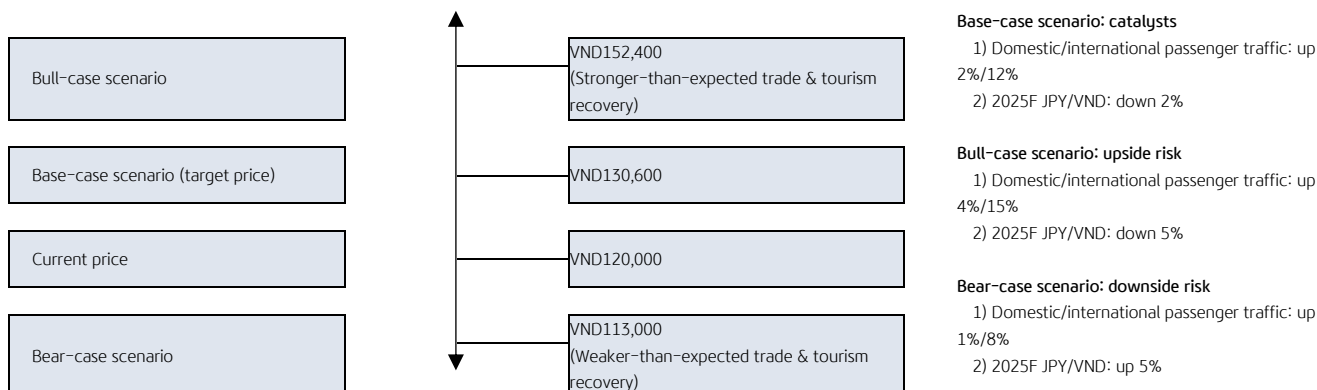
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Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	21,802	23,689	-	-	23,002	25,929	-5%	-9%
EBIT	11,870	13,083	-	-	12,514	14,697	-5%	-11%
NP after MI	6,837	8,466	-	-	9,686	11,197	-29%	-24%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



I. Business overview

ACV currently manages, invests in, and operates 22 airports nationwide

Airports Corporation of Vietnam (UPCOM: ACV) was established in 2012 by decision of the Ministry of Transport through the merger of three corporations: Northern Airports Corporation, Middle Airports Corporation, and Southern Airports Corporation.

ACV currently manages, invests in, and operates a network of 22 airports across the country, including 10 international airports: Tan Son Nhat, Noi Bai, Da Nang, Vinh, Cat Bi, Phu Bai, Cam Ranh, Phu Quoc, Can Tho, and Lien Khuong, as well as 12 domestic airports: Buon Ma Thuot, Rach Gia, Ca Mau, Con Dao, Phu Cat, Pleiku, Tuy Hoa, Chu Lai, Dong Hoi, Dien Bien, Tho Xuan, and Na San. ACV's core business activities involve providing direct support services for air transport, including aviation services, non-aviation services, and sales.

Table 1. ACV – History of establishment & development

1976	• The Civil Aviation Authority of Vietnam was founded.
1993	• Northern, Middle, and Southern Airports Region was established.
1998	• Northern, Middle and Southern Airports Region was transformed into Northern, Middle and Southern Airports Authority.
Jul 2010	• Northern, Middle, and Southern Corporation were transferred into the model of One Member State Owned Limited Company.
2012	• Airports Corporation of Vietnam (ACV) was established on the basis of merging three corporations namely Northern, Middle and Southern Airports Corporation.
Oct 2015	• The Prime Minister approved the privatization plan for the parent company - Airports Corporation of Vietnam.
Dec 2015	• Airports Corporation of Vietnam offered 77.8 million shares (93.47% of its charter capital) for its initial public offering (IPO) on the Ho Chi Minh City Stock Exchange (HSX).
2016	• Airports Corporation of Vietnam was officially listed on the UPCOM stock exchange under the ticker ACV.
2018	• The Ministry of Transport transferred the state ownership rights in ACV to the State Capital Management Committee at Enterprises.

Source: Airports Corporation of Vietnam, KB Securities Vietnam

Table 2. ACV – Business operations

Aviation services	Non-aviation services	Sales services
<ul style="list-style-type: none"> • Takeoff and landing services • Basic/Full-service ground handling • Passenger services • Passenger and baggage security • Others 	<ul style="list-style-type: none"> • Leasing space • Advertising leasing • Airport infrastructure services • Utility services (electricity, water, gas, sanitation, medical) • VIP, First Class, and Business Class services • Others 	<ul style="list-style-type: none"> • Duty-free sales • Retail sales of general merchandise, souvenirs, and food items

Source: Airports Corporation of Vietnam, KB Securities Vietnam

Table 3. ACV – Subsidiaries and joint ventures/affiliates

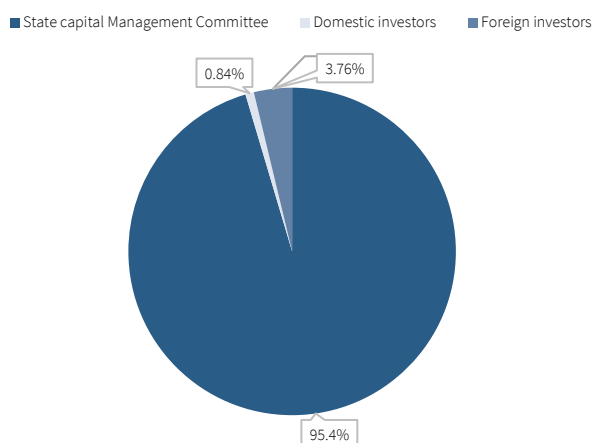
Company name	ACV's ownership
Noi Bai Aviation Fuel Service JSC	60%
Southern Airports Aircraft Maintenance Services Co., Ltd	51%
Southern Airports Services JSC (SASCO)	49.07%
Saigon Ground Services (SAGS)	48.03%
Southern Airport Transportation JSC (SATSCO)	30%
Southern Airports Trading JSC	29.35%
Hanoi Ground Services JSC	20%
SCSC Cargo Service Corporation (HSX: SCS)	14%
Cam Ranh International Terminal JSC	10%
Da Nang International Terminal Investment and Operation JSC	10%

Source: Airports Corporation of Vietnam

ACV's ownership structure as of September 30, 2024

ACV operates as a joint-stock company under a parent-subsidary model. The State, through the State Capital Management Committee at Enterprises, maintains controlling ownership. This structure ensures that the State retains decision-making authority over the airport system, a critical component of national infrastructure. Domestic and foreign investors collectively hold a minority stake of 4.6% in ACV. Foreign investors account for 3.76% of this minority stake, while domestic entities hold the remaining 0.84%.

Fig 4. ACV – Ownership structure



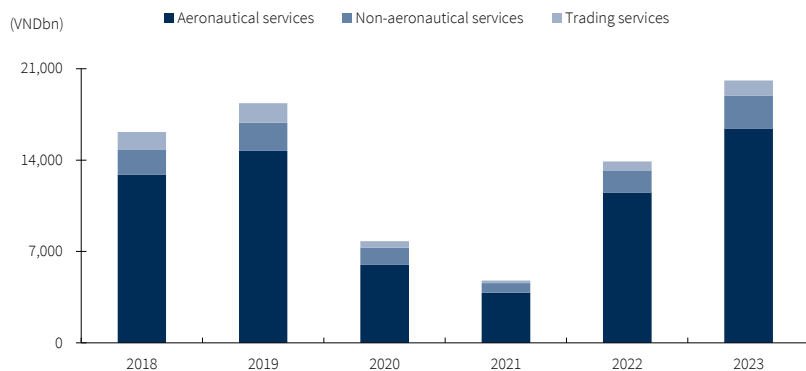
Source: Airports Corporation of Vietnam, KB Securities Vietnam

Aviation services represent the core business of ACV and are a major contributor to its overall performance

Aviation services constitute the core business of ACV, consistently accounting for over 80% of the company's total revenue. Non-aviation activities represent 18–20% of overall revenue, with non-aviation services making up approximately 12% and retail operations contributing 6–8%. ACV maintains a relatively stable revenue structure over the years as its three main business segments grow in line with terminal capacity and passenger traffic.

The aviation industry faced significant challenges during 2020-2021, resulting in a sharp decline in ACV's revenue across all segments. However, with the strong recovery of domestic and international trade and tourism from 2022 onwards, ACV's 2023 revenue surpassed pre-COVID levels across all service segments.

Fig 5. ACV – Revenue composition (VNDbn)



Source: Airports Corporation of Vietnam, KB Securities Vietnam

II. Business operations

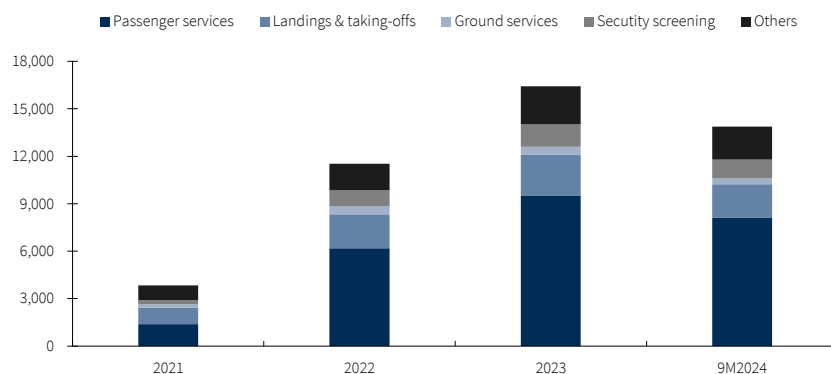
1. Aviation services

ACV's aviation services are categorized into five main groups

Aviation services refer to services directly related to aircraft operations, air transportation, and flight activities conducted at airports. Aviation services provided by ACV are divided into five main categories:

- **Passenger services:** These include providing terminals, lounges, jet bridges, and other amenities for passengers.
- **Takeoff and landing services:** These involve providing runways and lighting systems.
- **Ground handling services:** These cover passenger check-in, baggage/cargo loading/unloading and transport, flight coordination, and shuttle services for passengers and crew between aircraft and terminals.
- **Passenger and baggage security services:** These include screening services for passengers, baggage, and cargo.
- **Others**

Fig 6. ACV – Aviation service revenue composition (VNDbn)



Source: Airports Corporation of Vietnam, KB Securities Vietnam

Passenger services are the largest revenue contributor to aviation services

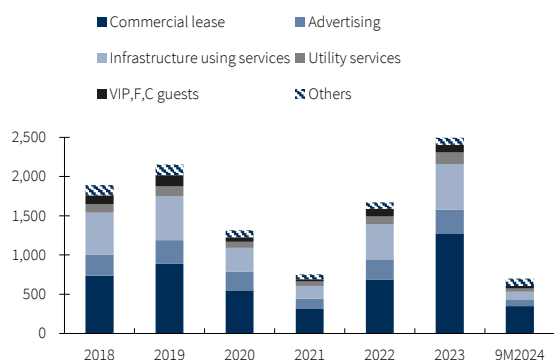
Except for 2020–2021, when passenger service revenue fell sharply due to travel restrictions and reduced tourism demand during the COVID-19 pandemic, passenger services consistently contributed over 50% of aviation service revenue. In addition to passenger services, landing and ground handling services account for the majority of the remaining revenue. Like passenger services, the growth of other aviation services depends on passenger and cargo traffic volumes, the structure of international and domestic transport, and the frequency of aircraft takeoffs and landings. ACV's fee collection methods are as follows:

- **Passenger service and security screening fees:** Collected indirectly through airlines for each passenger or ton of cargo handled at the airport.
- **Landing and ground handling service fees:** Collected directly from airlines based on the aircraft's payload for each takeoff and landing.

2. Non-aviation & sales services

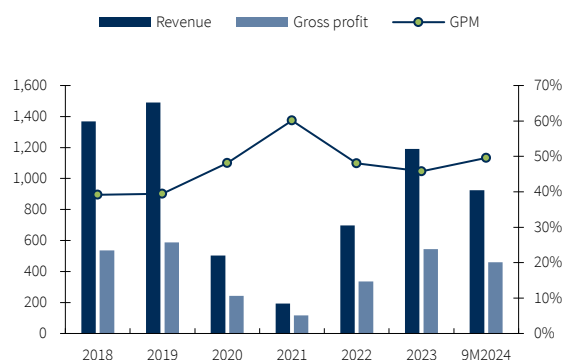
In addition to its core aviation services, ACV also offers non-aviation services and sales services, capitalizing on commercial advantages at its airport facilities. Non-aviation services include leasing space at passenger terminals, cargo terminals, charging for parking, advertising, and office leasing. Retail operations encompass duty-free goods, general merchandise, souvenirs, food and beverages, utilities, etc. Non-aviation and retail revenue contribute 18–20% of ACV’s annual revenue. The growth of these two activities primarily depends on (i) passenger traffic volume and (ii) available commercial space.

Fig 7. ACV – Non-aviation service revenue composition (VNDbn)



Source: Airports Corporation of Vietnam

Fig 8. ACV – Sales service revenue, gross profit, gross profit margin (VNDbn, %)



Source: Airports Corporation of Vietnam

Key airports have been experiencing congestion

Congestion at major airports in Vietnam, particularly Tan Son Nhat and Noi Bai, has grown increasingly severe in recent years. The primary cause is the rapid increase in passenger and cargo traffic, coupled with delays in airport upgrade projects and the construction of efficient transportation links. These delays in expanding and upgrading airport infrastructure could hinder the growth momentum of Vietnam's aviation industry in the short to medium term.

Table 9. Vietnam – Utilization rate of some airports

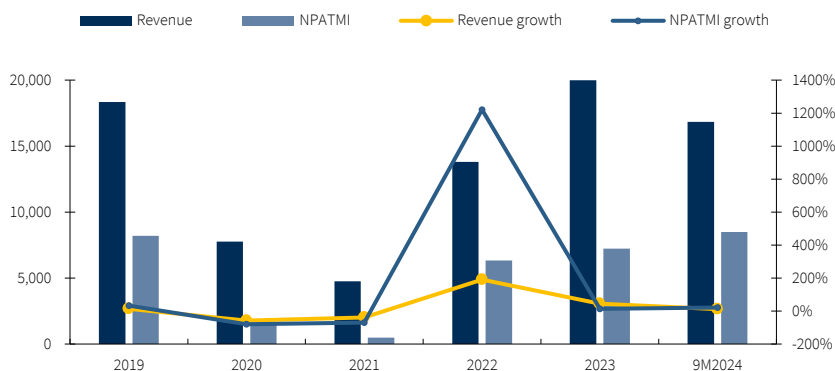
Airport	Location	Design capacity	Utilization rate
Tan Son Nhat	Ho Chi Minh City	28 million passengers/year	Overloaded, serving more than 41 million passengers/year
Noi Bai	Hanoi	25 million passengers/year	Approaching design capacity
Cam Ranh	Khanh Hoa	8 million passengers/year	Approaching design capacity
Phu Quoc	Kien Giang	4 million passengers/year	Operating beyond capacity, serving nearly 5 million passengers/year
Pleiku	Gia Lai	1 million passengers/year	Operating stably, approaching design capacity

Source: KB Securities Vietnam

III. Business performance

In 2022, ACV experienced remarkable growth in both revenue and profit following the Covid-19 period of 2020-2021. This growth was driven by a nearly threefold increase in domestic passenger traffic and a 24-fold surge in international passengers compared to 2021, although figures remain below pre-Covid levels. In 2023, ACV sustained its strong performance, with revenue and earnings up 45% and 14% YoY, respectively, surpassing pre-Covid 2019 levels by 10% and 3%. Passenger numbers continued to recover, reaching 113 million, up 14% YoY.

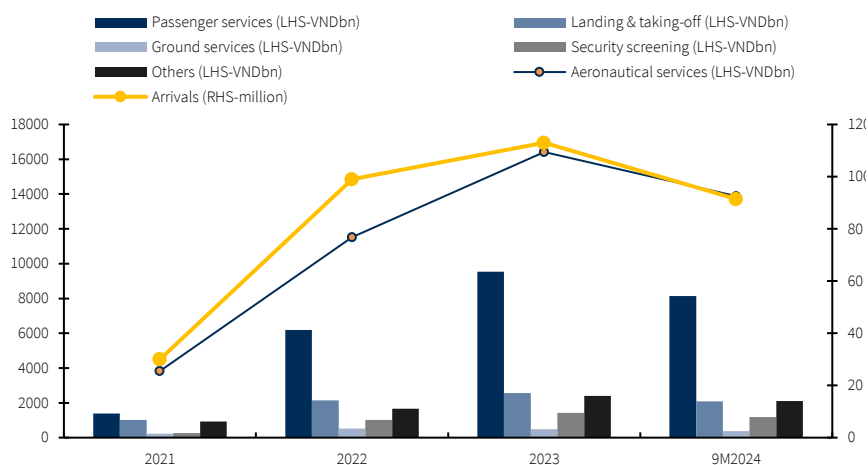
Fig 10. ACV – Revenue, NPAT-MI (VNDbn, %YoY)



Source: Airports Corporation of Vietnam, KB Securities Vietnam

After two years of disruptions caused by the Covid-19 pandemic, passenger service revenue in 2022 rebounded to 2019 levels (pre-pandemic) and grew by 30% compared to pre-pandemic figures in 2023. The robust recovery of passenger services in 2023 was driven by a sharp rebound in passenger traffic, particularly among international passengers, which reached 33 million, up 175% YoY. International passengers also generated 4-5 times higher profit per passenger compared to domestic travelers.

Fig 11. ACV – Revenue composition & passenger traffic (VNDbn, million arrivals)



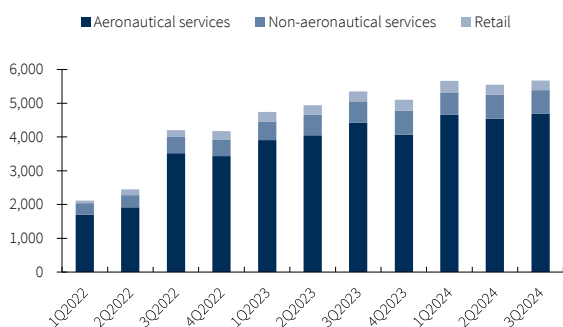
Source: Airports Corporation of Vietnam, KB Securities Vietnam

Table 12. ACV – 9M2024 business performance

(VNDbn)	3Q2023	3Q2024	+/-%YoY	9M2023	9M2024	+/-%YoY	Notes
Revenue	5,328	5,655	6%	14,985	16,834	12%	Met 83% of the 2024 revenue target of VND20,325 billion
Aviation services	4,418	4,685	6%	12,383	13,883	12%	In 9M2024, ACV recorded passenger traffic at 83.3 million passengers (-5% YoY), with takeoff and landing movements reaching over 500,000 (-8% YoY), due to a reduction in aircraft operations by domestic airlines. Specifically, (1) over 30 Airbus A321 aircraft from Vietnam Airlines (VNA) and Vietjet Air (VJC) were undergoing overhauls, and (2) Bamboo Airways reduced its fleet by 20 aircraft compared to 2023 for business restructuring. Revenue continued to grow despite the decline in traffic, driven by the recovery of the international aviation market. The volume of international passengers and takeoff and landing movements – which generate higher revenue per passenger/flight – saw strong growth, recording a 28% and 19% YoY increase, respectively.
Non-aviation services	637	700	10%	1,788	2,076	16%	
Sales	291	288	-1%	864	925	7%	
Gross profit	3,331	3,642	9%	9,226	10,702	16%	
Gross profit margin	63%	64%	+1 ppt	62%	64%	+2 ppt	Driven by increased proportion of international services
Financial income	995	294	-70%	1,853	1,600	-14%	In 9M2024, deposit interest decreased by nearly VND400 billion compared to the same period in 2023.
Financial expenses	-20	-809	3936%	-366	-854	133%	Driven by an increase in exchange rate loss, from VND302 billion in 9M2023 to nearly VND800 billion at the end of 9M2024 due to the appreciation of the JPY against the VND
Shared profits from joint ventures/affiliates	113	134	19%	243	258	6%	
SG&A	-1,009	-385	-62%	-2,285	-1,214	-47%	Driven by a decrease of nearly VND1.1 trillion in provisions for bad debts due to improved business results of airlines
Operating income/loss	3,410	2,877	-16%	8,671	10,492	21%	
Other income	4	1	-76%	8	14	78%	
Profit before tax (PBT)	3,414	2,878	-16%	8,679	10,506	21%	Met 112% of the 2024 NPAT target of VND9,378 billion
Net profit after tax (NPAT)	2,764	2,339	-15%	7,007	8,488	21%	
NP after MI (NPAT-MI)	2,415	1,978	-18%	7,001	8,479	21%	
NPAT margin	45%	35%	-10 ppts	47%	50%	+3 ppts	

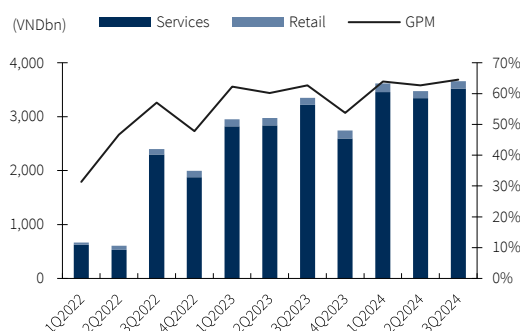
Source: Airports Corporation of Vietnam, KB Securities Vietnam

Fig 13. ACV – Revenue composition (VNDbn)



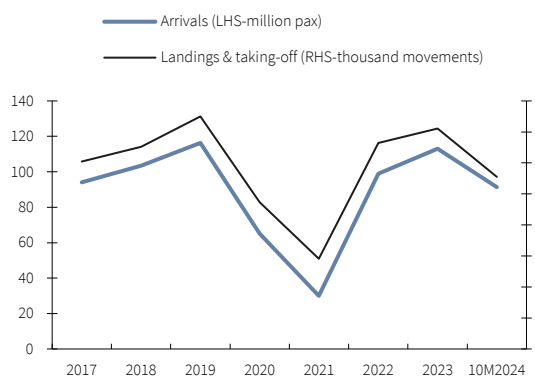
Source: Airports Corporation of Vietnam, KB Securities Vietnam

Fig 14. ACV – Profit composition, GPM (VNDbn, %)



Source: Airports Corporation of Vietnam, KB Securities Vietnam

Fig 15. ACV – Passenger traffic, landing/takeoff frequency (million arrivals, thousand movements)



Source: Airports Corporation of Vietnam, KB Securities Vietnam

Fig 16. ACV – Passenger composition (million arrivals)



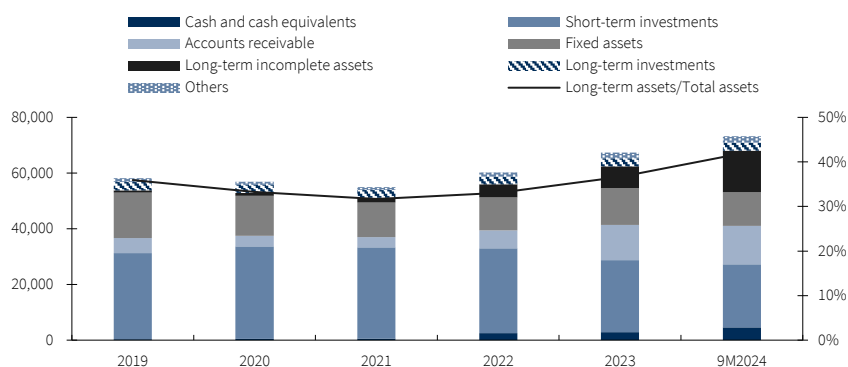
Source: Civil Aviation Authority of Vietnam

IV. Financial status

ACV sustains a stable cash flow from its operations and a robust financial structure, with the majority of its loans sourced from Official Development Assistance (ODA) at favorable low interest rates.

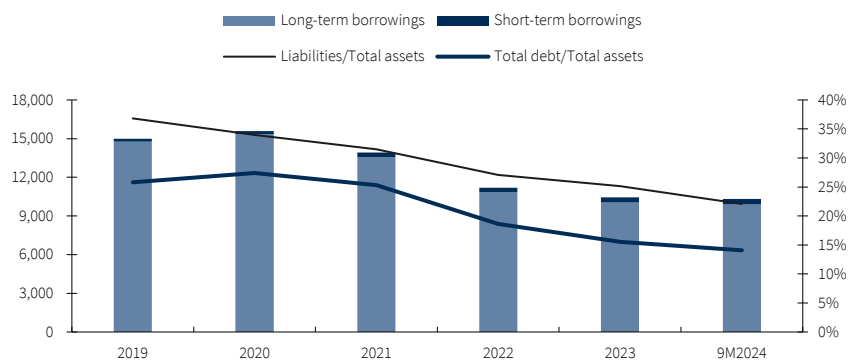
ACV's asset structure has remained relatively stable over the years. Aside from the Covid-impacted period of 2020-2021, steady revenue and profit growth have ensured a consistent cash flow for the company. As of the end of 3Q2024, ACV reported cash and cash equivalents of VND4,546 billion. Long-term assets in progress have been on the rise in recent years due to ongoing expansion projects, reaching VND14,498 billion by the end of 3Q2024—an increase of over VND6,000 billion compared to the beginning of the year—primarily driven by the Long Thanh International Airport project and Terminal T3 at Tan Son Nhat International Airport.

Fig 17. ACV - Total asset composition (VNDbn)



Source: Airports Corporation of Vietnam, KB Securities Vietnam

Fig 18. ACV - Debt composition, total debt-to-total assets ratio (VNDbn, %)



Source: Airports Corporation of Vietnam, KB Securities Vietnam

ACV's debt-to-asset ratio has decreased from 37% in 2019 to 22% as of the end of 3Q2024. The company's debt is predominantly composed of long-term borrowings. As of the end of 3Q2024, ACV's short-term and long-term debt stood at VND9,896 billion and VND418 billion, respectively. The majority of ACV's borrowing consists of long-term ODA loans, with an outstanding balance in Japanese Yen amounting to approximately JPY62.6 billion at the end of the period. These loans carry favorable interest rates ranging from 0.2% to 1.6% per annum. However, the reliance on long-term ODA loans subjects ACV's profitability to significant fluctuations in the JPY/VND exchange rate.

V. Investment catalysts

1. Sustainable growth potential of Vietnam's aviation industry

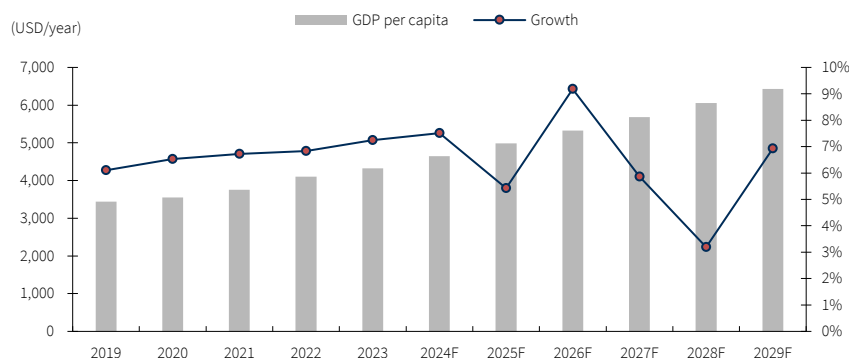
Domestic passenger traffic should maintain stable growth in the long term despite slowing down until 2025

The number of domestic air passengers has recorded negative growth in the past two years due to (1) a high base in 2022 when the figure tripled compared to 2021, 17% higher than the pre-pandemic levels, on pent-up demand and (2) a plunge in the number of operating aircraft of domestic airlines (more than 30 A321 aircraft were overhauled, and Bamboo Airways cut more than 20 out of 30 aircraft to restructure its business operations), leading to a serious supply shortage, increasing domestic airfares, and affecting domestic travel and tourism demand. Domestic passenger traffic is expected to grow slowly in 2025 as domestic travel demand has declined on (1) the suspension of many domestic routes and (2) the increase in air tickets due to higher operating costs and ongoing aircraft overhauls. We assess that the long-term domestic passenger growth potential is sustainable, maintaining an average growth rate of 3-4%/year from 2026 thanks to (1) the stable increase in GDP and (2) Vietnam's population as the third largest population in Southeast Asia and 15th in the world, which ensures a stable growth for the passenger traffic despite the slow growth in recent years.

Vietnam's GDP in 2023 reached a growth rate of 5.8%, the second highest in Southeast Asia after the Philippines.

According to the IMF, Vietnam's GDP is forecast to reach about USD4.65 thousand in 2024 and increase by more than USD300 to 4.99 thousand in 2025, with a CAGR of 6.8%/year in the period 2024-2030.

Fig 19. Vietnam – GDP (USD/year)



Source: Bloomberg, IMF

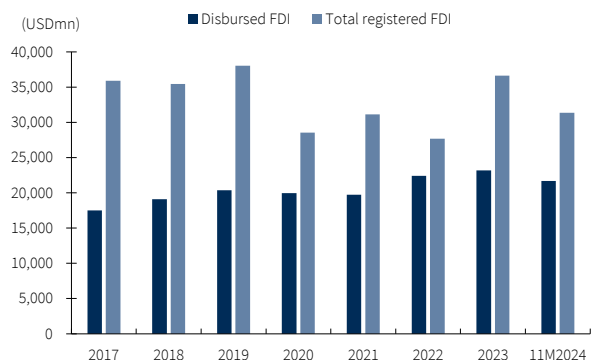
International passenger traffic is the main growth driver of ACV

The growth potential of international passenger traffic was attributable to the development of the national tourism industry and international trade. In the first 10 months of the year, the number of international air passengers through Vietnam's airports reached 34 million (+28.2% YoY). We expect ACV's international air passenger volume to maintain an average growth rate of 12-13%/year from now until 2030, based on:

- Participating in free economic zones, establishing trade relations, and signing bilateral cooperation documents with major countries help Vietnam become an attractive destination for investors, increasing the demand for travel and trade with other countries, attracting many international visitors, and boosting the demand for air travel.

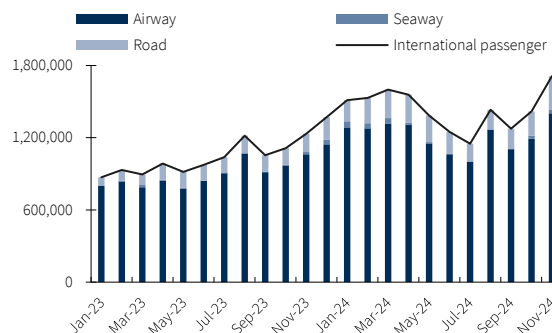
- International visitors are expected to continue to grow in 2025 thanks to Vietnam's tourism stimulus policy. The number of visitors from Europe, Australia, and the US to Vietnam will continue to climb thanks to the policy of simplifying procedures and granting e-visas for tourists who can enter Vietnam multiple times, which will be applied from the end of 2023.

Fig 20. Vietnam – Registered & disbursed FDI (USDmn)



Source: Vietnam Statistics Office of Vietnam

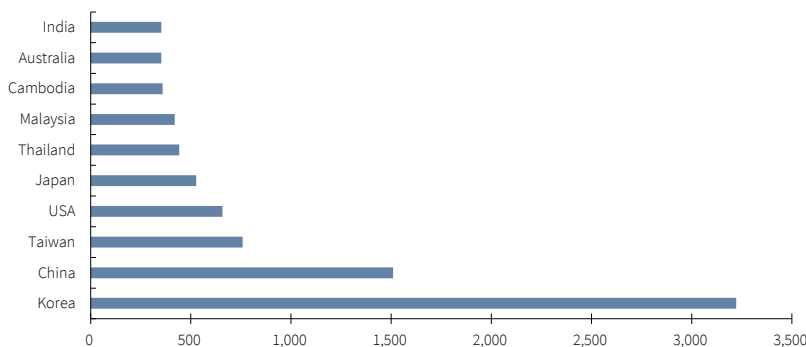
Fig 21. Vietnam – International visitors (arrival)



Source: FiiPro

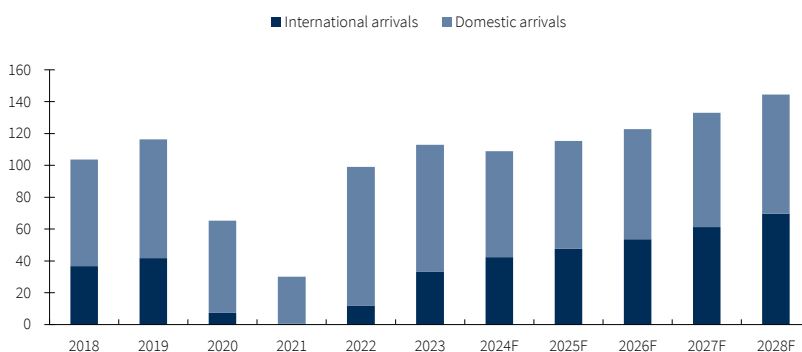
Fig 22. Vietnam – 10 countries with the largest tourist traffic to Vietnam in 2024 (arrival)

Before Covid in 2019, China was Vietnam's largest international tourist market. However, South Korea has now taken China's place. Russia, France, and the UK are no longer in the top 10 due to the unstable economic and political situation in Europe after the Russia-Ukraine war, which has strongly hit the travel of customers in this region.



Source: General Statistics Office of Vietnam

Fig 23. Vietnam – Air passenger traffic in 2019–2028 (million arrivals)



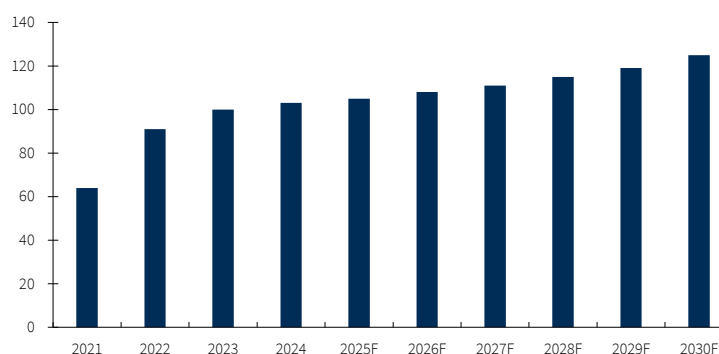
Source: Civil Aviation Authority of Vietnam, KB Securities Vietnam

Domestic airlines are expanding their fleets and new routes

According to IATA's forecast, the Vietnamese aviation market is one of the fastest growing markets in the world, with the number of passengers and cargo throughput at airports expected to maintain an average growth rate of 10.81% and 8.5% per year from now until 2029. To meet the increasing demand, domestic airlines are continuously opening new routes and planning to add more large aircraft, significantly increasing their fleet size, creating momentum for the development of passenger and cargo output and domestic airlines, promoting the recovery momentum for ACV. Specifically:

- In 2024, the two leading airlines in Vietnam, Vietnam Airlines (HVN) and Vietjet Aviation (VJC), have increased the opening of new routes such as Da Nang – India, Xi'an – HCM, Hanoi – Kuala Lumpur, expanded the European network with new destinations such as Munich, Copenhagen and Warsaw and increased the frequency of direct flights to Australia, Korea, Japan, and Hong Kong. By the end of 3Q24, the number of VJC routes rose from 125 to 155, mainly international routes.
- Also in the same year, both airlines added three new aircraft compared to the end of 2023. Regarding the long-term plan, HVN plans to bring its fleet size to 109–129 aircraft by 2030, while VJC has also signed a contract with Airbus to purchase 20 new generation wide-body aircraft A330neo for USD7.4 billion. In addition, Bamboo Airways has also recently leased one new aircraft, and the company plans to increase the number of aircraft from nine to 18 by the end of 2025.

Fig 24. HVN – Plans to expand the fleet size



Source: Vietnam Airlines, KB Securities Vietnam

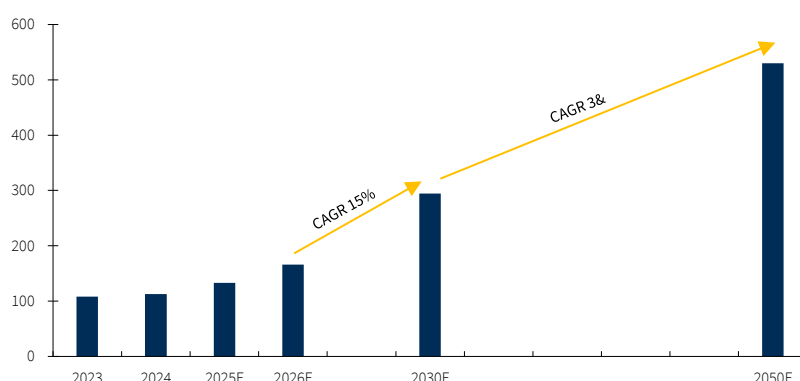
2. Major projects to expand supply capacity ensure long-term growth potential

As many key airports are overloaded and operating beyond their design capacity, leading to increased operating costs as at present, upgrading, expanding and building new airports will improve operational capacity, service quality and optimize business efficiency for ACV in the long term.

According to the Government's master plan until 2030, seven new airports have been approved for construction, bringing the total to 30 airports

According to Decision No. 648/QĐ-TTg on the master plan for the development of airports and airport systems for the period 2021–2030, with a vision to 2050, the Government has approved the construction of seven new airports, bringing the total to 14 international airports and 16 domestic airports. Accordingly, the plan is to increase the total number of airports to 30 by 2030 and 33 by 2033. Currently, ACV is focusing resources on key national projects including the investment in construction of Component project 3 – Long Thanh International Airport Project Phase 1, Terminal T3 – Tan Son Nhat International Airport, and Expansion of Terminal T2 – Noi Bai International Airport.

Fig 25. Vietnam – Design capacity of domestic airlines (million passengers)



Source: Airports Corporation of Vietnam, KB Securities Vietnam

Table 26. ACV – Key projects to be implemented from now to 2030

Projects	Total investment (VNDbn)	Current capacity (million passengers)	Added capacity (million passengers)	Construction term	Progress
Long Thanh Phase 1	109,000	0	25	2023–2026	Construction started from the end of October 2023, and the construction policy of the runway 2 has just been approved. Component projects 1, 2, and 3 are being accelerated, expected to be completed before December 31, 2025. However, the component project 3 is meeting some obstacles related to equipment that is mainly imported from abroad.
Long Thanh Phase 2	76,600	25	25	2027–2030	The project has not yet been implemented.
Tan Son Nhat Terminal T3	10,990	30	20	2023–2025	The construction started in December 2022. About 80% of the work has been completed, expected to be put into operation from May 2025.
Noi Bai Terminal T2 Expansion	4,983	25	5	2023–2025	Construction started in May 2024.
Cat Bi Terminal T2 – Hai Phong	3,147	2	5	2024–2026	Cargo terminal project started in November 2024.
Dong Hoi Terminal T2	1,750	0.5	2.5	2024–2026	Investment policy has been approved.

Source: Airports Corporation of Vietnam, KB Securities Vietnam

The T3 Passenger Terminal– Tan Son Nhat International Airport and Long Thanh International Airport are the long-term growth drivers of ACV

The T3 Passenger Terminal– Tan Son Nhat International Airport and the Long Thanh International Airport are currently the two largest projects of ACV. When completed, they will form a large port cluster in the South, consolidating a solid transport infrastructure, promoting the development of the aviation industry in particular and the regional economy in general.

- Long Thanh International Airport with a capacity of 100 million passengers and five million tons of cargo/year is one of the 16 most expected airports in the world. The project - Phase 1 has an investment scale of a runway and a passenger terminal along with synchronous auxiliary items. When completed, it will have a capacity to serve 25 million passengers/year and 1.2 million tons of cargo/year. The National Assembly recently approved the investment policy to add runway 2 to Phase 1. Currently, Long Thanh International Airport is planning to accelerate the progress of putting it into operation from early 2026 instead of late 2026 as previously planned.
- Tan Son Nhat T3 Passenger Terminal after completion (expected in mid-2025) can serve 20 million passengers/year.

Fig 2. ACV - Tan Son Nhat T3 Passenger Terminal progress



Source: Airports Corporation of Vietnam

Fig 3. ACV - Long Thanh International Airport progress



Source: Airports Corporation of Vietnam

The exclusive position helps ACV fully benefit from the sustainable growth potential of the Vietnamese aviation industry

As a provider of infrastructure and equipment to all enterprises operating in the aviation sector, ACV directly benefits from the above positive factors, including the stable growth in demand for air transport and the expansion of supply from all airlines. The growth potential of (1) the number of passengers and cargo passing through the port, especially the international group and (2) the business premises area will ensure growth for ACV's aviation and non-aviation service segments. In addition, the corporation is converting its pure sales and leasing activities into business cooperation, which will increase operational efficiency and expand the profit margin for these activities.

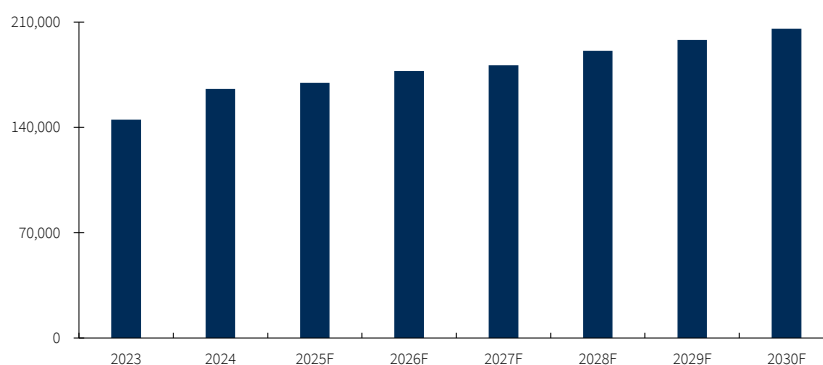
3. Average service price per passenger grows steadily

International visitors support average service rate per passenger

ACV's aviation service rates are regulated in the air transport service rate framework issued by the Ministry of Transport and usually do not see significant changes. Before 2020, aviation service rates were relatively stable. During the Covid period, operating costs climbed along with the spread of the pandemic. Since 2022, aviation service rates have gained 2-10% for some types of services, higher increases are applied to major airports and international airports. We expect that the rates will be further increased periodically every two or three years, with an average rate of 2-3%, mainly reflecting the high cost of operating and investing in aviation infrastructure from now until 2035.

In the short and medium term, the outpace of international passenger volume compared to domestic passengers will significantly change the passenger structure of ACV. The proportion of international passengers who bring in two-eight times higher revenue/trip and three-five times higher profit/passenger - expects a robust growth, benefitting ACV's gross margin.

Fig 29. ACV – Average air service rate/passenger in 2023-2030F (VND)

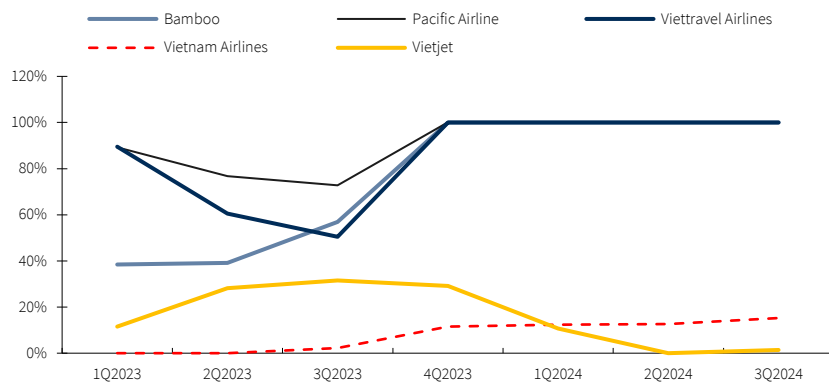


Source: KB Securities Vietnam

Provisions should change positively thanks to the recovery of local airlines

By the end of 3Q24, ACV's total NPL reached VND8,844 billion, of which Bamboo Airways accounted for VND2,340 billion, HVN VND2,989 billion, and VJC VND2,242 billion. Of that, ACV has set aside VND3,948 billion in provisions, mainly for Bamboo and Pacific Airlines. The provision ratio for Pacific Airlines, Bamboo, and Vietravel has remained at 100% since the beginning of 2024. We expect ACV's provisions for HVN and VJC to improve as the business results of the two airlines are rebounding. VJC's profit in 3Q24 was recorded to be four times higher than the same period last year, and HVN has returned to profit after four consecutive years of loss.

Fig 30. ACV - Provision/total NPL ratio by airline (%)



Source: Airports Corporation of Vietnam

VI. Risks

Exchange rate risks

ACV faces the risk of exchange rate fluctuations, especially from the JPY as the company has a large long-term debt from ODA, estimated at JPY63.5 billion. The risk of JPY appreciation will put more pressure on the business's finance.

Declining economic growth

In addition, we should note the risks from a gloomy global economy with slowing growth in most countries, increasing political instability, prolonged Russia-Ukraine conflict leading to a decrease in international trade, and a decrease in non-essential travel demand. These could negatively affect ACV's business results.

Slower-than-expected legal progress of expansion projects

The risk of upgrading, expanding and building new airports due to legal problems related to licensing, compensation and clearance may prolong the time to put new projects into use. Furthermore, the lack of capacity at many airports that is not resolved promptly may slow down ACV's growth rate in the medium term.

VII. Forecast & valuation

Table 31. ACV – 9M2024 business performance

(VNDbn)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
Revenue	19,998	21,802	9%	23,689	9%	ACV may complete 107% of full-year revenue plan (VND20,325 billion). Estimated revenue for 2024 of ACV is VND21,639 billion. International passenger volume in 2024/2025 achieves growth rates of 29% and 12% YoY, respectively, recording 42.4/47.5 million passengers.
Aviation services	16,416	18,011	10%	19,541	8%	Domestic passenger volume starts to increase again from 2025 when overhauled aircraft return to operation. The traffic for 2024/2025 should -17%/+2% YoY, equivalent to 66.4/68 million passengers.
Non-aviation services	2,497	2,653	6%	2,846	7%	
Sales	1,190	1,261	6%	1,392	10%	
Gross profit	11,861	13,281	12%	14,235	7%	
Gross profit margin	59%	61%	+2 pts	60%	-1 ppt	Gross margin in 2024 increase slightly despite a decrease in total throughput due to an increase in the proportion of international passengers. Gross margin 2025 slightly may witness a modest decline although the proportion of international cargo keeps climbing due to the start of recording depreciation of Tan Son Nhat Terminal T3.
Financial income	2,215	2,122	-4%	2,361	11%	
Financial expenses	-105	-1805	1626%	-388	-79%	JPY/VND exchange rate increase by 2.2%
Shared profits from joint ventures/affiliates	260	155	-40%	157	1%	
SG&A	-3765	-3706	-2%	-3716	0%	
Operating income/loss	10,467	10,045	-4%	12,648	26%	ACV should complete 107% of the 2024 planned EBIT (VND9,378 billion). Estimated EBIT of ACV in 2024 reaches VND9,980 billion.
Other income	26	44	71%	47	9%	
Profit before tax (PBT)	10,492	10,089	-4%	12,695	26%	
Net profit after tax (NPAT)	8,470	8,071	-5%	10,156	26%	
NP after MI (NPAT-MI)	7,222	6,883	-5%	8,660	26%	
NPAT margin	36%	32%	-4 pts	37%	+5 pts	

Source: Airports Corporation of Vietnam, KB Securities Vietnam

Valuation: NEUTRAL rating – Price target VND130,700/share

Using FCF for ACV (with a 15-year period due to large CAPEX invested projects, especially Long Thanh International Airport), we gave a NEUTRAL recommendation on ACV shares with a target price of VND130,700/share, equivalent to a potential price increase of 5.5% compared to the closing price of VND123,900/share on December 20, 2024 based on the following assumptions:

- The number of international passengers maintains an increase of 12-14%/year. Domestic passenger traffic after the aircraft overhaul in 2025 will start to recover by 2-4%/year.
- The T3 terminal – Tan Son Nhat project will be put into operation from mid-2025, the Noi Bai T2 Terminal Expansion project will be completed in 2026, and the Long Thanh project phase 1 and phase 2 will start operating from early 2027 and early 2030.
- The average rate of aviation services will be adjusted to increase every two or three years, each time increasing by an average of 2-3%.

Table 32. ACV – Valuation

(VNDbn)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	2037F	2038F
EBIT	10,089	12,695	12,759	12,896	12,766	14,439	15,049	16,737	20,013	25,458	30,702	36,091	43,892	50,964	47,145
Depreciation	1,856	2,048	2,258	3,574	5,862	7,547	7,745	7,895	9,649	11,426	6,005	6,832	7,782	8,875	10,133
Fixed asset investment	-12,837	-13,812	-14,047	-10,746	-72,146	-12,602	-12,993	-13,441	-4,380	-4,969	-5,645	-6,422	-7,315	-8,343	-9,525
Increase in working capital	1,580	128	-457	386	-1,289	-757	-217	-1,117	-1,605	-2,282	-1,599	-2,337	-3,484	-2,694	-3,516
PV of FCFF	-822	-773	-1,176	3,220	-40,155	4,199	4,372	4,144	10,398	11,919	10,538	11,189	12,252	13,501	11,193
Long-term value															213,635
Enterprise value															267,634
Cash															27,242
Debt															10,315
Equity															284,560
Outstanding shares (million shares)															2,177
Fair value (VND/share)															130,700

Source: Airports Corporation of Vietnam, KB Securities Vietnam

Fig 33. ACV – P/B (x)



Source: Bloomberg

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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