

June 3, 2020

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# Aviation

## May flights down 70% YoY

### Sharp rebound from April but total flights operated still down 70% YoY in May

— Total flights operated in May fell by 70% YoY to 8,623 flights but were up by 74% MoM from April. Passenger traffic dropped sharply to 563,700 passengers or down 88% YoY but up 203% MoM from April.

### All domestic routes now open but hard to reopen international routes before 3Q

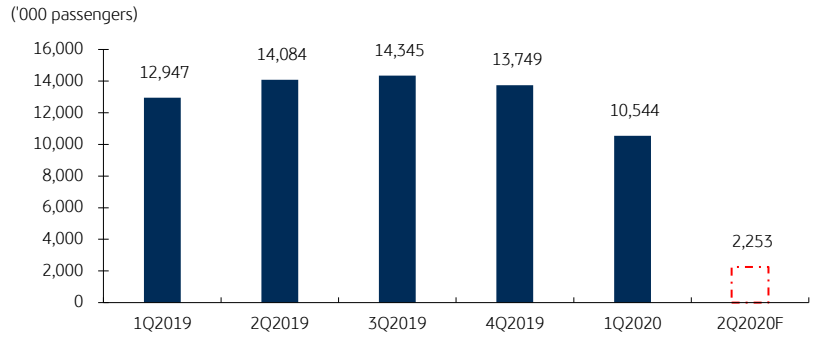
- Vietnam's carriers have largely restarted all flights on domestic routes. Vietnam Airline (HVN) also opened five new domestic routes and is expected to add another six more new domestic routes in June. All carriers are running promotions and offering incentives to quickly restore domestic tourism on hopes that the return of domestic flights will minimize losses from the coronavirus.
- New coronavirus cases have spiked up in countries that are reopening their economies and this has kept mandatory two-week quarantines in place for international travelers and complicated the restart of international routes. The lack of international flights continues to weigh heavily on revenue passenger kilometers (RPKs), which were down 92% YoY at a mere 483 million passenger-kilometers in May. This will likely continue and we expect the lack of a vaccine and the Vietnam government's cautious stance on imported coronavirus cases will make it difficult to reopen international flights before 3Q at the earliest.

### 2Q results worse than 1Q and full recovery only after international flights resume

- We expect 2Q results at the airlines to be weaker than 1Q given the sharper declines in passenger traffic volumes in April and May that were respectively only 10% and 30% of volumes seen in March (1Q's hardest-hit month due to the coronavirus). June and July are the peak months for domestic tourism and should allow a meaningful improvement in June passenger traffic but full recovery will likely be delayed until 3Q with the possibility of resuming international flights. Restarting international flights will be meaningless if mandatory two-week quarantines continue and we expect it will be at least 3Q before the government will relax guidelines for international travelers.

**Fig 1. Vietnam Airlines – Quarterly passenger traffic, 1Q19–2Q20E (thousand passengers)**

We expect total passenger traffic to fall by 78.6% QoQ in 2Q20 compared to 1Q20.



Source: GSO, KBSV

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### Investment Ratings for Stocks

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

Buy:	Hold:	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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