

Aviation

June flights down 38% YoY

Sharp rebound from May but total flights operated still down 38% YoY in May

— Total flights operated in June fell by 38% YoY to 18,623 flights but were up by 116% MoM from May. Passenger traffic dropped sharply to 1.97 million passengers or down 61% YoY but up 250% MoM from May.

Reopen some international routes, still apply two-week quarantine

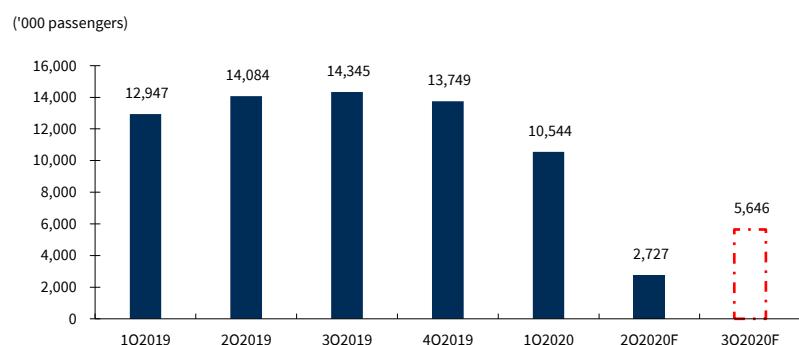
- The lack of international flights continues to weigh heavily on revenue passenger kilometers (RPKs), which were down 70% YoY at a mere 1.74 billion passenger-kilometers in June. This will likely continue and we expect the lack of a vaccine and the Vietnam government's cautious stance on imported coronavirus cases will make it difficult to reopen international flights before 4Q at the earliest.
- Recently, the Government has approved a plan to reopen international flights to several destinations in Asia including Guangzhou, Taiwan, Seoul, and Tokyo with a frequency of 1–2 flights per week. However, customers are still only priority subjects, including Vietnamese citizens and foreigners who enter for diplomatic, investment or skilled labor and must comply with mandatory two-week quarantines.

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 2Q that were only 30% of volumes seen in 1Q and down by nearly 81% yoy. July are the peak months for domestic tourism and should allow a meaningful improvement in 3Q passenger traffic but full recovery will likely be delayed until resuming international flights.

We expect total passenger traffic to increase by 107% QoQ in 3Q20 compared to 2Q20 assuming no international tourists. Domestic passenger traffic in July will remain as high as June and decrease in August and September due to the end of the peak tourist season.

Fig 1. Vietnam Airlines – Quarterly passenger traffic, 1Q19–3Q20F (thousand passengers)



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(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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