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Aviation

July flights down 18% YoY

Total flights operated still down 18% YoY in July

— Total flights operated in July fell by 18.2% YoY to 24,505 flights but were up 31.6% MoM from June. Passenger traffic dropped slightly to 4.95 million passengers or down 8.6% YoY but up 147% MoM from June.

Aftertax earning of HVN is VND(-4,030) billion in 2Q/2020

— Aftertax earning in 2Q/2020 of HVN is VND(-4,030) billion on a 75.2% YoY decrease in revenue to VND5,995 billion. In 1H2020, total revenue reached VND24,808 billion, down by 50% YoY; 1H earning recorded a loss of VND6,642 billion compared to a gain of VND1,275 billion in 1H2019. Moreover, the cash flow from operating activities was VND(-5,371) billion in 1H2020, causing HVN to raise its debt, making the debt/total assets ratio of 52.5% compared to 41.8% in the beginning of 2020.

2Q earning of VJC is VND1,063 billion, up 71% YoY thanks to Sale and lease back and abnormal financial revenue

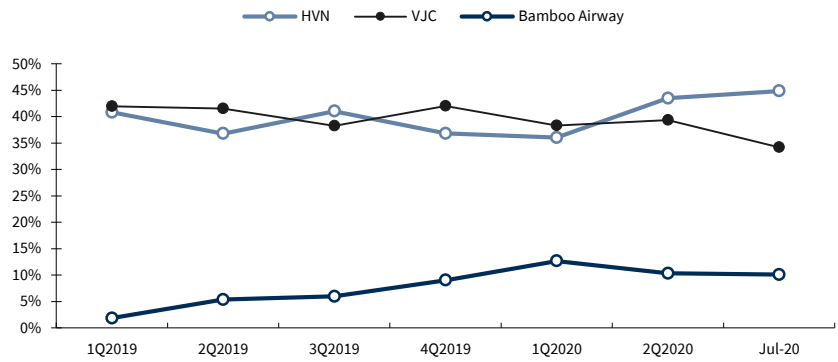
— 2Q earning in 2Q/2020 of VJC is VND1,063 billion, up by 71% YoY on a 60.8% YoY decrease in revenue to VND4,969 billion. VJC continued to record a profit of VND2,006 billion from aircraft sale and lease back and other financial income of VND598 billion. If only considering the business results from air transport activities, 2Q earning of VJC is VND(-1,541) billion, equivalent to the 1H earning of VND(-2,530) billion. In addition, we believe that it is unreasonable to continue receiving new aircraft during this period, resulting in an increase in rent costs while not using all available aircraft due to the impact of the Covid-19.

The recovery in 3Q will face many difficulties, recommending no new buy for stocks of air transport industry.

— Although the number of flight operations has improved significantly in July, but the recovery of aviation industry in 3Q-2020 will still face many difficulties because of the comeback of Covid-19. Along with that, businesses have to increase the debt structure to run the business, which will make the increase of interest payment until the main business activity becomes profitable. KBSV recommends not buying for stocks of air transport industry during this period.

During the epidemic period, HVN's market share increased sharply thanks to the government policy. Meanwhile, VJC's market share plummeted due to sharing passengers with Bamboo Airway.

Fig 1. Market share of Vietnam Air transport Industry



Source: CAA, KBSV

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Investment ratings & definitions

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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