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Vietnam Airlines (HVN)

Hard hit due to Covid-19

Hit with losses due to Covid-19

— Steep 1Q losses of VND2,589 billion due to: 1) sharp 70.3% YoY drop in total flights in March that led to 18.5% YoY drop in flights for the quarter to 27,232 flights; and 2) high fixed-cost base that also witnessed a rise in financial expenses from foreign exchange losses. Revenue fell by 26.5% YoY to VND18,937 billion; gross profit turned negative to minus VND632 billion compared to VND3,952 billion during the same period last year; and financing costs jumped by 43.8% YoY to VND1,128 billion.

Recovery in 2Q may be too premature

— The number of flights during the nationwide lockdown between March 18 and April 18 were only 1,522 or down 85% YoY according to statistics from the Aviation Administration. With the restart of international flights still to be determined, the impact from COVID-19 will also likely spill over to 2Q results and limit any possible recovery. Moreover, HVN was forced to raise an additional VND4,274 billion in short-term borrowings in 1Q and should see the additional interest burden impact results for the rest of the year.

Management estimates 2020E losses at VND20 trillion; initiates restructuring & cost cuts

— Management has warned that the negative impact from COVID-19 will likely be felt until 4Q and expects full-year revenue to be down a whopping 61.2% YoY to VND38,140 billion. At this level of performance, management estimates 2020E losses at VND19,651 billion. Restructuring efforts include staff cuts and sale of five A321 aircraft valued at USD37 million (handover expected for June). HVN also sold its 49% stake in Cambodia Angkor Air to private investors as reported by Cambodian media.

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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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