

RECOMMENDATION BUY

**AIRPORTS CORPORATION OF VIETNAM (UPCOM: ACV)
INTERNATIONAL ROUTES ARE RECOVERING**

Current Price:	87,000
Previous target price	
New target price:	105,000
Dividend yield	
Upside potential	21%

Date of writng:	14/09/2022	Shareholder structure	
Outstanding Shares (Mil)	2,177	State Capital Investment	95.4%
Capitalization (VND Bil)	189,177	PYN ELITE FUND	0.8%
Average liquidity:	81,310	TUNDRA FONDER AB/S	0.1%
Foreign ownership	3.76%	NORGES BANK	0.1%

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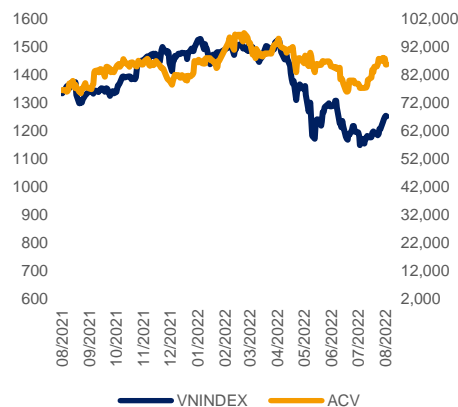
PRICING PERSPECTIVES

We recommend **BUY** for **ACV** shares with a fair **2023 value of VND 105,000/SHARE**, equivalent to Upside **+21%** compared to the closing price on September 13, 2022), based on the EV/EBITDA method, with target EV/EBITDA = **22x**, higher than the average for the period 2016-2019 = 18-19x.

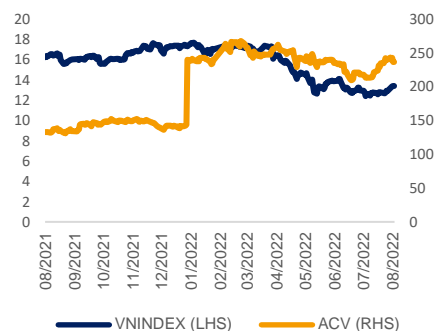
FORECASTING BUSINESS RESULTS

In 2022, BSC forecasts ACV to record DTT = **12,034 billion VND (+153% yoy)**, NPV's NPATMI = **6,495 billion VND (+1254% yoy)**, equivalent to EBITDA FWD = 6,997 VND/CP (+1367% yoy), EV/EBITDA FWD = 27.1x. In 2023, BSC forecasts ACV to record DTT = **16,513 billion VND (+37% yoy)**, NPATMI of ACV = **6,499 billion VND (+0% yoy)**, EBITDA FWD = VND9,374/SHARE (+34% yoy), EV/EBITDA FWD = 20.2x, based on the assumption:

Price comparison of stocks and VN- Index



Comparison between P/E and VN index



1. Aviation activities: Domestic passenger volume = 80 million / 82 million passengers in 2022/2023, equivalent to 108%/110% in 2019. International visitor volume = 7.9 million / 15.5 million visitors in 2022/2023, equivalent to 28% / 55% in 2019. Average service price (excluding flight zone assets) + 51% yoy in 2022. In 2023, the average service price is +16% yoy due to a +7% increase in the proportion of international passengers in the structure.

2. Non-aviation operations: BSC assumes a +5% yoy leasing and advertising services revenue in 2022/2023. Revenue from terminal services, utilities, VIP services, F,C + 177% yoy / 14% yoy, thanks to passenger output + 175% yoy / 13% yoy in 2022/2023.

3. Gross profit margin: In 2022, gross profit margin = 51% thanks to depreciation expense decreased by VND 230 billion due to some airports running out of depreciation, staff costs + 20% yoy – assuming 1H.2022, the remaining expenses +2-5% yoy. In 2023, gross profit margin = 63% thanks to depreciation expense decreased by VND 210 billion, assumed employee expenses + 10% yoy, the remaining expenses +2-5% yoy. According to BSC's estimates, the terminal/apron/taxiway equipment of Noi Bai T2 may be out of depreciation from 2022-2024 (starting operation from the end of 2014, depreciation period: 7-8 years). BSC assumes depreciation expense will decrease by VND 200-300 billion in 2023.

4. Financial revenue/expenses

In 2022, financial revenue = VND 3,628 billion (+12% yoy), thanks to interest from deposits = VND 1,664 billion (-4% yoy), interest from exchange rate difference = VND 1,871 billion (+33% yoy) based on jpy/vnd -14% yoy exchange rate assumption. In 2023, financial revenue = VND 1,364 billion (-62% yoy), of which, interest from deposits = VND 1,271 billion (-24% yoy) assuming: deposits, and short-term investments decreased by 50% yoy, equivalent to VND 40,000 billion due to new investment activities LTIA.

BUSINESS OUTLOOKH 2022-2023

- The core contract is positive thanks to the recovery of the international route network.

CATALYST

(1) Long Thanh, Tan Son Nhat T3, Noi Bai T2 projects expanded into operation. (2) Transfer HOSE after successfully determining the state capital. (3) The Chinese market recovered.

BUSINESS UPDATES

- In 1H.2022, ACV recorded DTT = 5,538 billion VND (+62%yoy), NPATMI = 3,472 (+189% yoy), thanks to (1) passenger output +56.8% yoy, including international visitors +905% yoy, domestic +52.6% yoy, (2) average service price +3% yoy due to increased proportion of international passengers.
- Gross profit margin increased by +40% points thanks to an increase in output and selling prices.

	2021	2022F	Peer	VN-Index
PE (x)	374.8	29.2	-	17.2
PB (x)	4.8	4.3	2.8	2.7
ROE (%)	1%	15%	-10%	15.8%
ROA (%)	1%	11%	-4%	2.60%

KQKD	2020	2021	2022F	2023F
Net revenue	7,767	4,752	12,034	16,513
Gross profit	1,389	(785)	6,105	10,431
NPATMI	1,076	480	6,495	6,499
EPS	494	220	2,983	2,985
EPS's growth	-84%	-55%	1254%	0%

I. BUSINESS UPDATE Q2/2022

ACV	Q2.2021	Q2.2022	% QoQ	% YoY	1H.2021	1H.2022	% YoY	Nhận xét
Revenue	1,524	3,430	63%	125%	3,428	5,538	62%	In 1H.2022, ACV recorded DTT = 5,538 billion VND (+62%yoy), NPATMI = 3,472 (+189% yoy). Inside: <ul style="list-style-type: none"> DT aviation segment + 66% yoy, Non-aviation DT + 22% yoy, DT sales + 86% yoy.
Aviation	1,241	2,920	72%	135%	2,788	4,619	66%	
Non-aviation	276	341	6%	24%	575	703	22%	
Sales	63	77	112%	24%	130	241	86%	
Average price (VND/Cus)	138,322	138,356		0%	131,525	136,072	3%	The reason comes from (1) passenger volume +56.8% yoy, including international visitors +905% yoy, domestic +52.6% yoy, (2) average service price +3% yoy due to increased proportion of international passengers.
Aviation	112,603	117,791		5%	106,974	113,494	6%	
Non-aviation	25,058	13,776		-45%	22,055	17,276	-22%	
Sales	5,690	3,126		-45%	4,984	5,930	19%	
Output (mil passenger)	11.1	24.8		125%	26.1	40.7	56%	
COGS	(1,497)	(1,808)	24%	21%	(3,047)	(3,261)	7%	Gross profit margin increased by +40% points thanks to an increase in output and selling prices.
Gross profit	27	1,622	148%	5977%	381	2,277	498%	
Financial revenue	926	1,906	188%	106%	1,827	2,569	41%	Financial income + 41% yoy. Although the deposit interest rate is -15% yoy, however, the interest from the exchange rate difference of +200% yoy, therefore, still helps DTTC increase sharply. During the period, the JPY/VND exchange rate - 15% ytd.
Financial expense	(88)	(21)	-2%	-76%	(112)	(42)	-63%	
Include: Interest expense	(22)	(18)	-14%	-21%	(45)	(38)	-16%	
P/L from joint venture	58	76	289%	30%	58	96	64%	
Insurance Cost	(26)	(55)	107%	111%	(53)	(81)	52%	
SG&A	(473)	(313)	55%	-34%	(612)	(515)	-16%	Selling expenses + 52% yoy due to increased operating and franchise costs. SG&A expenses – 16% YoY due to decreased spending in favor of the same period.
Profit from operating	423	3,216	196%	660%	1,489	4,304	189%	
Others income	3	2	-1%	-47%	5	3	-33%	
Others expense	(0)	(0)	-83%	112%	(0)	(1)	840%	
Others income, net	3	1	49%	-50%	5	2	-47%	
Profit before tax	426	3,218	196%	655%	1,494	4,306	188%	
Corporate income tax	(88)	(619)	190%	600%	(294)	(833)	183%	
NPAT	338	2,598	197%	669%	1,200	3,473	190%	
Minority interest	(1)	1	267%	-214%	(3)	1	-142%	
NPATMI	339	2,597	197%	667%	1,203	3,472	189%	
Gross profit margin	2%	47%			11%	41%		
Net profit margin	22%	76%			35%	63%		

Source: BSC Research

II. BUSINESS PROSPECTS 2H.2022-2023 – CORE BUSINESS IS POSITIVE THANKS TO THE RECOVERY OF THE FLIGHT PATH

DOMESTIC TRANSPORT – “THE NEW NORMAL AFTER THE PANDEMIC”

By the end of 1H.2022, domestic passenger volume reached 41.5 million passengers (+60.8% yoy) thanks to (1) the epidemic was well controlled, and Vietnam reopened domestic routes, (2) Besides, airlines also actively opened more routes in 2020-2021, helping to create new supply. In the period of 2020 -2021, HVN/VJC has opened 22 and 4 new domestic routes.

By the end of Q2.2022, domestic passenger volume is equivalent to 112% over the same period in 2019. **BSC believes that travel demand has fully recovered to pre-epidemic levels, and expects domestic output to remain at an average level of 20 million per quarter (equivalent to 2019) in 2H.2022 – 2023.** Therefore, BSC forecasts domestic passenger volume to reach **80 million passengers (+173% YoY) in 2022, equivalent to 108% over the same period in 2019, and 82 million passengers (+2% YoY) in 2023 – equivalent to 110% over the same period in 2019.**

Figure 1: Vietnam ranks 5th in ASEAN in terms of vaccine coverage

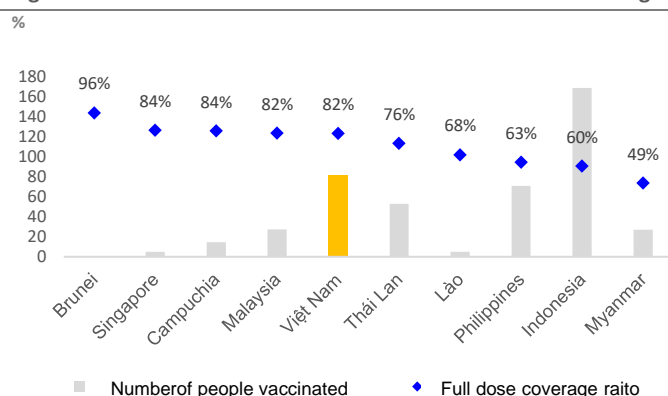
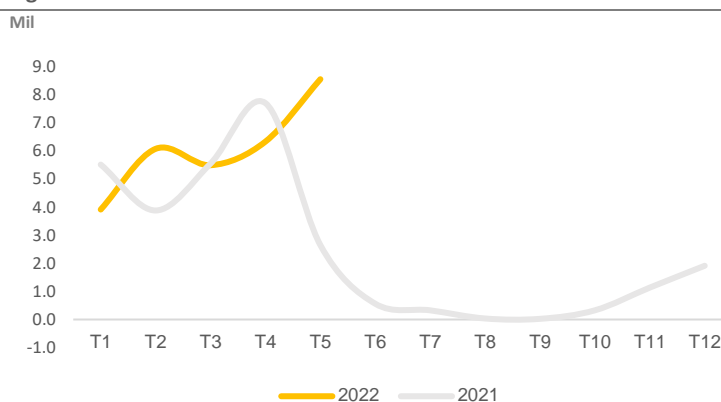


Figure 2: Domestic customer volume +60.8% in 1H.2022



Source: BSC Research

INTERNATIONAL TRANSPORT – FAST RECOVERY AFTER OPENING

By the end of 1H.2022, international passenger volume reached 2.4 million passengers (+922.4% YoY) – equivalent to 12% over the same period in 2019, because Vietnam and other countries have well controlled the epidemic and are gradually reopening international routes. In Q2 2022, Vietnam reopened flights to 20/28 countries and territories.

Figure 3: International passenger volume + 922% yoy in 1H.2022

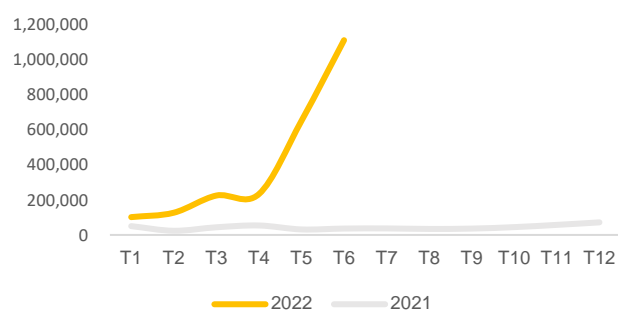
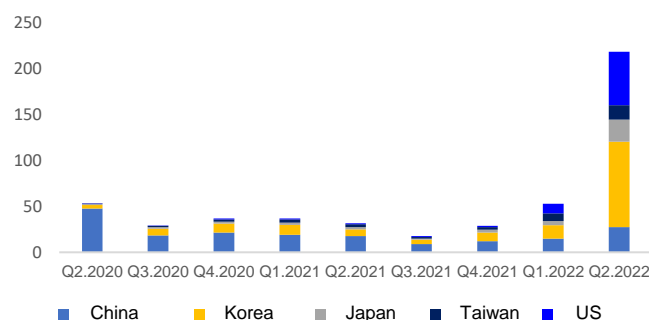


Figure 4: International passenger volume of top 5 main markets



Source: BSC Research

International transport activity recorded a fast recovery rate. According to GSO, international passenger volume to Vietnam + 424% QoQ in Q2.2022, equivalent to 12% over the same period in 2019. **The recovery of the international transport segment is mainly contributed by small and medium-sized markets in Europe and Asia.** Meanwhile, for the Top 5 largest markets of Vietnam, except for the United States, South Korea, Japan, China, Taiwan have not recovered because these countries still maintain the Zero-Covid policy / opening restrictions in 2021-Q1/2022.

Figure 5: Recovery of other international markets to Vietnam in 1H.2022

Country	Proportion of international visitors in 2019 (1)	% recovery 1H.2022 compared to the same period 2019 (2)	Contribution to % recovery (3) = (1) x (2)
Top 5 major markets	70%		3%
- China	32%	1.7%	0.5%
- South Korea	24%	5.2%	1.2%
- Japan	5%	6.2%	0.3%
- Taiwan	5%	5.6%	0.3%
- US	4%	17.3%	0.7%
Remaining small and medium markets	30%		3%
- Russia	4%	2.7%	0.1%
- Malaysia	3%	7.5%	0.3%
- Thailand	3%	9.0%	0.3%
- Australia	2%	14.2%	0.3%
- UK	2%	10.6%	0.2%
- Singapore	2%	23.4%	0.4%
- France	2%	10.4%	0.2%
- Other EU markets	1%	11.8%	0.2%
- Campuchia	1%	3.4%	0.0%
- Germany	1%	13.2%	0.2%
- Philippines	1%	9.8%	0.1%
- India	1%		
- Canada	1%	10.4%	0.1%
- Other Asia markets	1%	26.6%	0.2%
- Indonesia	1%	11.3%	0.1%
- Laos	1%	40.2%	0.2%
- Spanish	0%	10.9%	0.1%
-	0%	13.5%	0.1%
- Italia	0%	10.1%	0.0%
- Other America markets	0%	10.1%	0.0%
- Hong Kong	0%	0.1%	0.0%
- Sweden	0%	5.9%	0.0%
- New Zealand	0%	6.8%	0.0%
- Danmark	0%	9.7%	0.0%
- Switzerland	0%	10.1%	0.0%
- Belgium	0%	12.3%	0.0%
- Norway	0%	12.4%	0.0%
- Finland	0%	6.2%	0.0%
- Africa	0%	10.7%	0.0%
- Other Australia markets	0%	9.9%	0.0%

Source: GSO, BSC Research

2022- SOUTH KOREA, THE UNITED STATES, AND SMALL MARKETS RECOVER STRONGLY

Entering the beginning of Q3.2022:

- 1. South Korea, Japan, and Taiwan continue to relax immigration regulations.** From 15/6, Taiwan reduced the number of days of home isolation from 7 days to 3 days. From August 8, Japan lifted the Covid-19 testing requirement for travelers who have received 3 doses of the vaccine. From September, South Korea lifted the covid-19 testing requirement before entry, however, PCR testing is still required within 24 hours of entry. **Other small and medium markets such as Thailand, Singapore, . . . etc. is recovering.**
- 2. At the same time, BSC found that airlines are also actively increasing the frequency of international flights.** For example, from Vietnam, HVN has increased by 3-4 trips/week between HN,HCM to Seoul, 1-2 trips/week to Japan in June 2022, . . . and continue to increase the frequency (by 1-2 trips) in September 2022. From the partner market, airlines such as Korean Air and Asiana Air are also actively reopening regular flights to Vietnamese airports such as Da Nang and Cam Ranh.

Therefore, BSC believes that international passenger volume will continue to recover in 2H.2022 - 2023, with (1) countries relaxing immigration regulations and (2) airlines increasing flight frequency.

Country	Proportion in the structure of international visitor to Vietnam	Immigration regulations updated to T8/2022	Policy changes from Jan/2022	Notes
1 China	32%	<ul style="list-style-type: none"> Concentrated isolation for 7 days, then, quarantine for 3 days at home. 	Looser	Not yet open
2 South Korea	24%	<ul style="list-style-type: none"> Deregulation of pre-entry Covid-19 testing Exemption from isolation for fully vaccinated cases. 	Looser	Open + request testing
3 Japan	5%	<ul style="list-style-type: none"> Limit the number of people entering the country to 20,000 per day. Testing is required for some countries. 	Looser	Restrict
4 Taiwan	5%	<ul style="list-style-type: none"> Quarantine at 3 days at home. Request a test 	Looser	Open + test required + quarantined
5 US	4%	-		Open
SUM	70%			

Source: BSC Research

In 2022, BSC expects South Korea, the United States and small markets such as Thailand, Singapore, Australia,. . . to lead the international transport segment to recover. Inside:

- South Korea and the United States accounted for 24%/4% of the market share of international visitors to Vietnam before the epidemic. For the whole of 2022, BSC expects passenger volume from these two countries to be equivalent to 16%/36% compared to 2019.
- Small and medium-sized markets account for 30% of the international visitor market share. In 2022, BSC expects passenger output from these markets to be equivalent to 26% compared to 2019 when most countries adjacent to Vietnam have reopened.

On that scenario, BSC forecasts that the number of international visitors through ACV will reach 7.9 million visitors (+1474% yoy) in 2022 – equivalent to 28% compared to 2019, the main contributor was routes to South Korea and the United States, and small markets recovered.

Figure 6: Forecast of recovery of some markets in 2022

Country	Proportion in 2019 (1)	Recovery level 1H.2022	Forecast level of recovery in 2022 compared to 2019 (2)	Contribution % recovery (3) = (1) x (2)	Forecast output (4)
1 China	32%	2%	3%	1%	0.2
2 South Korea	24%	5%	16%	4%	0.7
3 Japan	5%	6%	12%	1%	0.1
4 Taiwan	5%	6%	11%	1%	0.1
5 US	4%	17%	36%	1%	0.3
6 Others	30%	11%	26%	8%	1.4

Include:

- Singapore	2%	23%
- Australia	2%	14%
- Malaysia	3%	14%
- Thailand	3%	17%
- England	2%	21%
- France	2%	21%
- Germany	1%	29%

Total international visitors	12%	15%	2.7
% Of Vietnamese nationals on international flights		70%	
International passenger volume via ACV*		28%	7.8

*Notes: international passenger volume via ACV is calculated based on international arrivals/departures. BSC forecasts the volume of international passengers through ACV based on the assumption that the proportion of Vietnamese nationals accounts for 70% of the passenger structure on international flights (equivalent to the structure of 8T.2022).

Source: BSC Research

2023- EXPECT THE CHINESE MARKET TO RETURN

By 2023, in addition to South Korea, the United States and small and medium-sized markets, BSC expects the Chinese market to reopen. China accounted for 32% of the market share of international visitors to Vietnam before dich. Although China is still applying the Zero-Covid policy at 1H.2022, however, BSC sees some positive signals in the opening from the Chinese Government in Q2.2022 as:

- Shorten the suspension period for international flights with passengers infected with Covid-19.
- Increase quotas for domestic and international flights.
- Vietnam started operating again the Hanoi – Beijing trip with a frequency of 1-2 trips /week from 4/6.

Under a cautious scenario, BSC expects international routes from China to Vietnam to be resumed from Q1-2.2023, and international passenger volume from China will be equivalent to 18% compared to 2019 in 2023.

In addition, BSC expects the Korean, US and small markets to also continue to recover, and forecasts that passenger output from these markets will be equivalent to 55% / 84% / 70% compared to 2019. Accordingly, BSC forecasts international passenger volume of 15.5 million passengers (+96% YoY) – equivalent to 55% compared to 2019, led by China, South Korea, the United States and small markets recovering.

Figure 8: Forecast of recovery of some markets in 2022

	Country	Proportion in 2019 (1)	Forecast recovery level in 2023 compared to 2019 (2)	Contribution % recovery (3) = (1) x (2)	Forecast output (4)
1	China	32%	18%	6%	1.1
2	South Korea	24%	55%	13%	2.4
3	Japan	5%	45%	2%	0.4
4	Taiwan	5%	41%	2%	0.4
5	US	4%	84%	3%	0.6
6	Others	30%	70%	21%	3.7
Total international Visitor				48%	8.6
% of guest with Vietnamese national identity on international flights				45%	
International passenger volume via ACV*				55%	15.5

*Note: international passenger volume via ACV is calculated based on international arrivals/departures. BSC forecasts international passenger volume through ACV based on the assumption that the proportion of Vietnamese nationals accounts for 45% of the passenger structure on international flights.

Source: BSC Research

Details of quarterly forecast scenarios:

Figure 9: Scenario of open-door policy

Country	2022			2023			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 China		0		1	2	2	3
2 South Korea	1	3		4	4	4	4
3 Japan	1	2	3	4	4	4	4
4 Taiwan	1	2	3	4	4	4	4

5	US	4	4	4	4	4
6	Others	3	4	4	4	4

Chú thích:

0- Not yet open

1- Entry restrictions (restrictions on number + countries, quarantine requirements, testing)

2-Open + test + quarantine/certain restrictions

3-Open + test

4- 100% open

Source: BSC Research

Figure 10 : Production recovery scenario

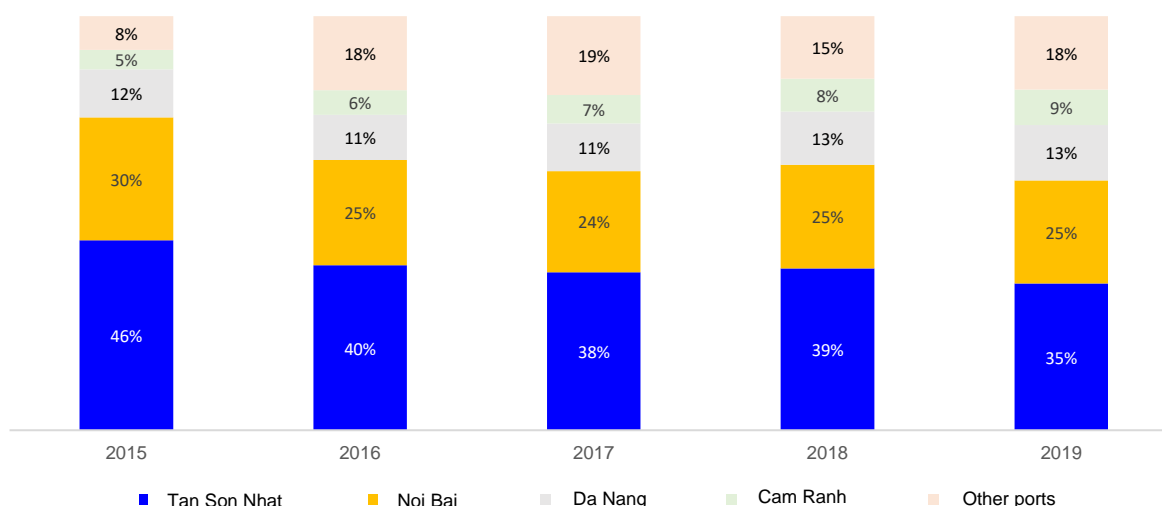
	Country	2022			2023			
		Q2/2022	Q3/2022	Q4/2022	Q1	Q2	Q3	Q4
1	China	2%	3%	5%	10%	15%	20%	25%
2	South Korea	10%	20%	30%	40%	50%	60%	70%
3	Japan	11%	15%	20%	30%	40%	50%	60%
4	Taiwan	7%	12%	18%	25%	35%	45%	55%
5	US	33%	50%	65%	70%	80%	90%	100%
6	Others	22%	35%	45%	55%	65%	75%	85%
	SUM	12%	19%	26%	37%	44%	50%	58%

Source: BSC Research

BSC assesses that ACV's core business will be positive in 2022 – 2023 due to:

- 1. Aviation's worst times are over.** BSC said that the closure of routes such as Q2.2020 and Q3.2021 is unlikely to be repeated as Vietnam and neighboring countries have entered the "New Normal".
- 2. As the largest airport operator in Vietnam, ACV will benefit the most from the recovery of the aviation industry.** ACV currently manages 22 airports in Vietnam. In particular, Tan Son Nhat and Noi Bai ports account for 60% of the total passenger volume of the port network. Therefore, ACV will benefit first and foremost from the recovery of international routes.

Figure 7: Passenger volume through Tan Son Nhat and Noi Bai airports accounted for 60% of the total network output 2019



Source: BSC Research

1. **Long Thanh, Tan Son Nhat T3 project is expected to come into operation in 2024-2026.** In 1H.2022:
 - **LTIA Project:** The project is implementing 2 bidding packages simultaneously: leveling and piling. In particular, the station part has completed 90% piling, then, leveling the drainage foundation, and is scheduled to start construction in October 2022. The flight area is expected to start construction in Q4.2022 – completed in Q3.2025. According to BSC, the LTIA project is implementing 2-3 quarters later than planned in 2021.
 - **Tan Son Nhat T3 project:** As of August 2022, the Government has agreed to advocate for the Ministry of Defense to hand over 27.85 hectares for the T3 Terminal project (14.6 hectares) and connecting roads (1.5 hectares). Accordingly, ACV will be handed over 90% of the station area immediately after the Resolution. BSC believes that the bottleneck on land handover has been dealt with, and ACV can start construction in October 2022. However, this progress is still 2-3 quarters later than planned in 2021.

Details of other projects are updated below:

Figure 8: Updating the investment progress of ACV's projects

Project	Total investment	Time	Investment progress until the end of 6M.2022	BSC notes
1 Long Thanh phase 1	110,000	2021-2025	<ul style="list-style-type: none"> - Clearance: Handed over >90% of priority area land area - Leveling: Completed 14/110 million m³ - Pile foundation: 90% of station piles completed. - Plan: It is expected that T10.2022 will start construction of the terminal, Q4.2022 will start construction of the flight area. 	Slower than planned
2 Tan Son Nhat T3	10,990	2022-2024	<ul style="list-style-type: none"> - Clearance: Basically solved the problem of handing over defense land because (1) it has not been updated in the land use QH, (2) there is no plan to relocate the Combat project to a new location. - Plan: Expected to start construction in Q3.2022. 	Slower than planned
3 Noi Bai T2 expanded	4,983	2023-2024	Preparation of investment work – Approved site documents	N/A
4 Phu Bai T2	2,249	2019-2022	<ul style="list-style-type: none"> - Construction: 80% of the station, 30% of the runway. - Plan: Tapping in Q4.2022 	N/A
5 Dien Bien expanded	1,467	2022-2024	<ul style="list-style-type: none"> - Clearance: Đã hoàn thành GPMB, đang bồi thường, tìm nhà thầu. 	N/A
6 Cat Bi T2	2,405	-	Preparation of investment work – Approval of investment policies	N/A
7 Others	-	-	Proposal to upgrade Vinh T2, Cam Ranh, Lien Khuong, Da Nang projects	N/A

Source: BSC Research

2. **Transfer HOSE after successfully deciding on the state capital.** In 2020, there was a mechanism for ACV to manage, use and exploit aviation infrastructure assets. BSC believes that the biggest bottleneck in the HOSE flooring has been solved. The next procedure is the settlement of the state capital. Progress will depend on the State Audit Department and the BSC believes that it will not be able to complete it in 2022.
3. **The Chinese market recovered.** The Chinese market accounted for 32% of the market share of international visitors to Vietnam before pandemic.

III. FORECASTING

In 2022, BSC forecasts ACV to record DTT = 12,034 billion VND (+153% yoy), NPATMI of ACV = 6,495 billion VND (+1254% yoy), equivalent to EBITDA FWD = 6,997 VND/CP (+1367% yoy), EV/EBITDA FWD = 27.1x. In 2023, BSC forecasts ACV to record DTT = 16,513 billion VND (+37% yoy), NPV's NPATMI = 6,499 billion VND (+0% yoy), FWD EBITDA = 9,374 VND/CP (+34% yoy), EV/FWD EBITDA = 20.2x, based on the following key assumptions:

1. Aviation activities:

- **Domestic visitor volume = 80 million / 82 million visitors in 2022/2023**, equivalent to 108% / 110% in 2019 thanks to (1) Vietnam reopening, and (2) travel demand recovered.
- **International arrival volume = 7.9 million / 15.5 million passengers in 2022/2023**, equivalent to 28% / 55% in 2019, thanks to the recovery of international routes to South Korea, China, the United States and other small markets.
- **Average service price (excluding airport assets) + 51% yoy in 2022** due to the proportion of international passengers +7% points in the structure. **In 2023, the average service price is +16% yoy** due to a +7% increase in the proportion of international passengers in the structure. BSC estimates service prices in 2022/2023 based on the average price according to the service price bracket.

2. Non-aviation activities:

- **BSC assumes a +5% yoy leasing and advertising services revenue in 2022/2023.**
- **Revenue from terminal services, utilities, VIP services, F,C + 177% yoy / 14% yoy**, thanks to passenger output + 175% yoy / 13% yoy in 2022/2023.

3. Gross profit margin

- **In 2022, gross profit margin = 51%** thanks to depreciation expense decreased by VND 230 billion due to some airports running out of depreciation, staff costs + 20% yoy – assuming of 1H.2022, the remaining costs +2-5% yoy.
- **In 2023, gross profit margin = 63%** thanks to depreciation expense decreased by VND 210 billion, assumed employee expenses + 10% yoy, the remaining expenses +2-5% yoy. According to BSC's estimates, the terminal/apron/taxiway equipment of Noi Bai T2 may be out of depreciation from 2022-2024 (starting operation from the end of 2014, depreciation period: 7-8 years). According to BSC's estimates, depreciation expense can be reduced by 800-900 billion VND. However, according to the caution factor, BSC assumes depreciation expense will decrease by VND 200-300 billion in 2023. **Gross profit margin increased by 12 percentage points compared to 2023 due to (1) increased international passenger volume, (2) decreased depreciation expense.**

4. Financial revenue/ expenses

- **In 2022, financial revenue = VND 3,628 billion (+12% yoy)**, thanks to interest from deposits = VND 1,664 billion (-4% yoy), interest from exchange rate difference = VND 1,871 billion (+33% yoy) based on jpy/vnd -14% yoy exchange rate assumption.
- **In 2023, financial revenue = VND 1,364 billion (-62% yoy)**, of which, interest from deposits = VND 1,271 (-24% yoy) assuming: deposits, and short-term investment decreased by 50% yoy, equivalent to VND 40,000 billion due to new investment activities LTIA. Accordingly, ACV only hold 15,000 billion in deposits and short-term investments for regular repair activities by the end of 2023

In 2022, financial expenses = VND 206 billion (+1% yoy), of which, interest expense = VND 76 billion (-14% yoy). In 2023, interest expense = VND 195 billion (-6% yoy), of which, interest expense = VND 68 billion (-11% yoy), loss from exchange rate difference = VND 114 billion based on JPY/VND +2% yoy exchange rate assumption. BSC noted interest expenses from the new loan to LTIA and TSN T3 will be capitalized.

Figure 9: Forecast ACV's business results

Income Statement	2019	2020	2021	2022F	2023F
Net revenues	18,329	7,767	4,752	12,034	16,513
Aviation	14,706	5,969	3,829	10,252	14,433
Non-aviation	2,152	1,318	753	1,295	1,412
Sales	1,506	503	193	486	668
Output (mil)	102.6	62.0	30.0	88.3	97.5
- International	28.1	5.0	0.5	7.9	15.5
% yoy	-23%	-82%	-90%	1474%	96%
- Domestic	74.5	56.9	29.5	80.5	82.1
% yoy	11%	-24%	-48%	173%	2%
COGS	(8,995)	(6,378)	(5,537)	(5,929)	(6,081)
Gross profit	9,334	1,389	(785)	6,105	10,431
Gross profit margin	51%	18%	-17%	51%	63%
Financial income	1,920	2,231	3,254	3,628	1,364
Financial expense	(104)	(968)	(204)	(206)	(195)
Include: Interest expense	(96)	(96)	(89)	(76)	(68)
P/L from joint ventures company	383	147	33	40	48
Insurance expense	(379)	(146)	(85)	(229)	(314)
SG&A	(1,006)	(666)	(1,232)	(746)	(1,024)
Profit from business activities	10,147	1,987	981	8,592	10,311
Other income, net	9	13	9	23	32
Profit before tax	10,156	2,000	990	8,615	10,343
Corporate tax	(1,942)	(359)	(201)	(1,715)	(2,059)
Profit after tax	8,214	1,642	790	6,900	8,284
Profit of noncontrolling interests	13	(6)	(0)	14	17
Profit of ACV	6,748	1,076	480	6,495	6,499
Gross profit margin	51%	18%	-17%	51%	63%
Net profit margin	45%	21%	17%	57%	50%

Source: BSC Research

ACV's business prospects in 2023, depend heavily on the recovery of international/domestic passenger volume. As a result, BSC offers a table of NPATMI sensitivity and EBITDA in terms of fluctuations in passenger volume recovery compared to 2019.

Figure 14: NPATMI, EBITDA sensitivity table

NPATMI		% International segment recovery compared to 2019						
% Domestic segment recovery compared to 2019	95%	4,754	5,080	5,405	5,731	6,056	6,382	6,707
	100%	5,010	5,336	5,661	5,987	6,312	6,638	6,963
	105%	5,266	5,592	5,918	6,243	6,569	6,894	7,220
	110%	5,523	5,848	6,174	6,499	6,825	7,150	7,476
	115%	5,779	6,104	6,430	6,755	7,081	7,406	7,732
	120%	6,035	6,361	6,686	7,012	7,337	7,663	7,988
	125%	6,291	6,617	6,942	7,268	7,593	7,919	8,244
	95%	7,103	7,528	7,952	8,376	8,801	9,225	9,649
EBITDA		% International segment recovery compared to 2019						
% Domestic segment recovery compared to 2019	95%	7,103	7,528	7,952	8,376	8,801	9,225	9,649
	100%	7,436	7,860	8,284	8,709	9,133	9,557	9,982
	105%	7,768	8,193	8,617	9,041	9,466	9,890	10,314
	110%	8,101	8,525	8,950	9,374	9,798	10,223	10,647
	115%	8,434	8,858	9,282	9,707	10,131	10,555	10,980
	120%	8,766	9,191	9,615	10,039	10,464	10,888	11,312
	125%	9,099	9,523	9,948	10,372	10,796	11,221	11,645
	95%	7,103	7,528	7,952	8,376	8,801	9,225	9,649

Source: BSC Research

Risks/ potential changes to the 2023 forecast:

- Passenger output recovered slower/ faster than forecast.
- Financial income fell more/ less than forecast due to projects implementing faster/ slower than expected
- JPY/VND exchange rate fluctuates more strongly than forecast.
- Depreciation expense decreased slightly/ stronger than forecast

IV. VALUATION AND RECOMENDATION

We recommend **BUY** for **ACV** shares with a fair 2023 value of VND **105,000**/SHARE, equivalent to Upside **+21%** from the closing price of 13/09/2022), based on the EV/EBITDA method, with target EV/EBITDA = 22x, higher than the average for the period 2016-2019 = 18-19x.

EV/ EBITDA method

EBITDA FWD 2023	9,374
EV/EBITDA target	22
Number of outstanding shares	2,177
Share price	105,000 VNĐ/CP



Source: BSC Research

APPENDIX

Income statement(VND bil)	2020	2021	2022F	2023F
Net sales	7,767	4,752	12,034	16,513
COGS	(6,378)	(5,537)	(5,929)	(6,081)
Gross profit	1,389	(785)	6,105	10,431
Financial income	2,231	3,254	3,628	1,364
Financial expense	(968)	(204)	(206)	(195)
P/L from joint venture	147	33	40	48
Insurance cost	(146)	(85)	(229)	(314)
SG&A	(666)	(1,232)	(746)	(1,024)
Profit from bussines activities	1,987	981	8,592	10,311
Other income, net	13	9	23	32
Profit before tax	2,000	990	8,615	10,343
Corporate tax	(359)	(201)	(1,715)	(2,059)
Profit after tax	1,642	790	6,900	8,284
Noncontrolling interest	(6)	(0)	14	17
Profit for ACV	1,076	480	6,495	6,499
EPS	494	220	2,983	2,985

Balance Sheet (VND bil)	2020	2021	2022F	2023F
Cash and cash equivalents	499	573	341	1,382
Short-term invesment	33,185	32,717	35,981	14,777
Current accout receivables	3,811	3,660	4,188	5,967
Inventory	357	290	310	318
Other current assets	123	328	241	330
Short-term assets	37,974	37,568	41,061	22,774
Non-current account receivable	278	271	271	271
Tangible assets	42,913	43,560	45,705	45,705
Accumulated depreciation	(28,577)	(31,050)	(33,348)	(35,436)
Investment assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Long-term assets in progress	1,065	1,686	3,141	35,141
Long-term investments	2,891	2,707	2,747	2,795
Other long-term assets	359	238	241	330
Long-term assets	18,928	17,412	18,756	48,806
Total assets	56,902	54,979	59,817	71,580
Current liabilities	3,645	3,326	3,888	5,700
Short-term debt	248	362	254	254
Total short-term liabilities	3,893	3,688	4,142	5,954
Long-term debt	15,345	13,566	11,440	14,875
Other long-term liabilities	99	73	73	73
Total long-term liabilities	15,445	13,639	11,513	14,948
Total liabilities	19,337	17,327	15,655	20,902
Share captital	21,772	21,772	21,772	21,772
Capital premium	15	15	15	15
Other capital	6,032	6,032	6,032	6,032
Undistributed earnings	9,705	9,793	16,288	22,787
Non-controlling interests	42	42	56	72
Total Owner's equity	37,565	37,653	44,161	50,677
Total Liabilites and owner's equity	56,902	54,979	59,817	71,580

Cash flow (VND bil)	2020	2021	2022F	2023F
(Loss)/Profit after tax	2,000	990	8,615	10,343
D&A	2,992	2,530	2,298	2,088
Working capital changes	(940)	(1,573)	(2,084)	(4,049)
Other changes	(1,390)	(2,646)	(3,499)	(1,137)
Net CFO	2,662	(699)	5,330	7,245
Purchase and construction of fixed assets	(2,414)	(1,650)	(3,600)	(32,000)
Other invesment	153	2,676	(1,600)	22,476
Net CFI	(2,261)	1,025	(5,200)	(9,524)
Dividend paid	(3)	(0)	-	-
Net borrowing fund	(246)	(248)	(362)	3,321
Other changes	(1)	-	-	-
Net CFF	(249)	(248)	(362)	3,321
Beginning cash flow	350	499	573	341
Cash flow in year	149	74	(232)	1,041
Ending cash flow	499	573	341	1,382

Raito	2020	2021	2022F	2023F
Liquidity				
Current raito	9.8	10.2	9.9	3.8
Quick raito	9.6	10.0	9.8	3.7
Capital struture				
Debt/ Total assets	34%	32%	26%	29%
Debt/Equity	51%	46%	35%	41%
Efficiency				
Day sales of inventory	20	19	19	19
Day sales outstand ing	179	281	127	132
Profit margin				
Gross	18%	-17%	51%	63%
Net	21%	17%	57%	50%
ROE	3%	1%	15%	13%
ROA	2%	1%	11%	9%
Growth				
Net revenue growth	-58%	-39%	153%	37%
EBIT growth	-80%	-49%	705%	20%
EBT growth	-80%	-50%	770%	20%
EPS growth	-84%	-55%	1254%	0%
Number of outstanding share (mil)	2,177	2,177	2,177	2,177

Source: BSC Research

Disclosure

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