

Announcement of Annual Issuer Credit Rating Surveillance Result

VIETJET AVIATION JOINT STOCK COMPANY

INDUSTRY: AIRLINE

NATIONALITY: VIETNAM

No.14/2024/TBKQXH-SGR

June 26, 2024

RATING SNAPSHOT

Credit Rating	vnBBB-	
Outlook	Stable	
Information disclosure	Public	
Credit Rating History		
Date	Credit Rating	Outlook
17/11/2023	vnBBB-	Stable
27/3/2023	vnBB+	Stable

Rating Methodology

Airline industry credit rating methodology of Saigon Ratings (2024)

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OVERVIEW OF ISSUER

Vietjet Aviation Joint Stock Company (hereinafter referred to as "Vietjet" or the "Company") is currently the largest Low-Cost Carrier (LCC) operating in Vietnam with a scale of 89 aircraft including 07 A330 aircraft, 82 A320 and A321 aircraft, and a network of 140 routes including 37 domestic routes and 103 international routes. With the LCC model, Vietjet has met the demand for air travel at a reasonable cost for domestic and foreign customers.

Currently, Vietjet is the Vietnamese airline ranking the second largest share of domestic passenger transport with 41% and the largest share of international passenger transport with 55% (based on passengers transported). In 2023, Vietjet transported 25.3 million passengers, an increase of 23% compared to 2022. By the end of Q1/2024, Vietjet safely transported more than 6.3 million passengers, up 16% over the same period in 2023. In the period 2018–2023, Vietjet's average annual passenger growth reached 15.6%.

According to business strategic direction, Vietjet keeps on promoting investment activities in its aircraft fleet and flight network, especially international routes, and there are signs of positive growth in 2023. Specifically, international passenger transport increased by 317% and ancillary increased by 62% compared to 2022.

We think that in the short and medium term, Vietjet may face pressure to arrange liquidity sources for the maturity of VND5,000 billion of bonds in 2024, along with increasing debt leverage.

However, in the long term, we believe that the developing potential and outlook of the international and domestic aviation market are huge and expect that Vietjet's current investments will bring more positive growth results to reduce debt pressure.



Based on the premises, Saigon Ratings maintains the long-term Issuer Credit Rating for Vietjet Aviation Joint Stock Company as "vnBBB-" with "Stable" Outlook.

CREDIT HIGHLIGHTS

Key strengths

- The Company's total revenue in 2023 grew strongly at 45% compared to 2022. In particular, the ancillary and international passenger transport activities are being exploited very well by Vietjet with growth rates of 62% and 317%, respectively. Revenue from international flights exceeded the peak in 2019, prior to the COVID-19 pandemic ("The Pandemic").
- After the period affected by the Pandemic, the Company has executed the strategy of opening and operating new international flight routes (operating 103 routes compared to 80 routes in 2023), which is bringing positive results and exceeding expectations, and the room to develop this segment is still very large.
- Vietjet has expanded its routes to 05 Australian cities (Melbourne, Sydney, Brisbane, Perth and Adelaide), successively opened more routes to Japan, China, making Ho Chi Minh City and Hanoi international airline hubs alongside Singapore, Taipei (Taiwan, China), Incheon (Seoul, South Korea).
- Vietjet succeeded in finance leasing 03 A321neo aircraft, fixed assets increased significantly compared to 2022 and the Company diversified the type of aircraft lease and purchase.
- Currently, Vietjet is leading in international market share (51%) and ranks second in domestic share (41%) compared to other domestic airlines. Operating results related to occupancy rate (87%) and operational efficiency (13.8 hours) have improved significantly compared to 2022 and Q1/2023.
- Vietjet has developed comprehensive and diverse aviation products and services on digital platforms, attracting domestic and foreign customers through the "SkyJoy" loyalty program and the "Fly now - Pay later" service.
- In recent years, Vietjet has gradually gained more advantages and competitive positions to increase market share, while other domestic airlines are struggling with management and operations, and are in the process of restructuring post-Pandemic.
- International and domestic macroeconomics are forecast to continue to recover remarkably and gradually develop steadily in the short and medium term, despite facing many difficulties and challenges ahead. However, with a remarkable recovery and a rapid turnaround in the business situation; along with the proactive preparation of important conditions and prerequisites of the Company in 2022 and 2023, Vietjet can make a breakthrough in a faster and more sustainable development in the medium and long term.

Key weaknesses

- Vietjet's on-balance sheet debt obligations and off-balance sheet commitments are of great value (debt and finance lease increased sharply in 2023 with VND9,000 billion of newly issued bonds). The adjusted Debt/Total assets ratio is 0.6 times and is forecast to remain high to serve the

expansion of international flight routes in the upcoming time.

- Customer receivables have a large outstanding value, which materially affects cash flow from operating activities.
- Interest rates of bonds issued in 2023 (from 10.5–12%) are no longer as low as previous issuances, putting pressure on Vietjet's cost of capital in the short and medium term.

OUTLOOK

Saigon Ratings assigns a "Stable" Outlook for Vietjet Aviation Joint Stock Company to reflect our view on the ability to maintain Credit Rating in the short to medium term.

Rating Outlook is assessed based on growth potential in the freight segment and especially international passenger transport. At the same time, with the world economy and domestic macroeconomy has completely recovered after the Pandemic and gradually developed steadily, it will contribute to supporting the growth momentum of the aviation industry in general and Vietjet in particular in the medium and long term.

However, we believe that while the favorable external factors supporting this growth, it does not necessarily mean Vietjet will achieve correspondingly favorable business results in the near future, as current profit margins are relatively low and there are many outstanding receivables.

These are key factors that we need to continuously monitor to update the Outlook in the next Credit Rating Surveillance period. As these risk factors may directly put pressure on the Company's ability to repay debt and interest, while current debt obligations show a tendency to increase.

Upgrade scenarios

Saigon Ratings will analyze, evaluate, and consider upgrading the credit rating of Vietjet Aviation Joint Stock Company in the following cases:

- Vietjet shows that revenue growth can create more positive cash flow in the short and medium term, thereby compensating for the risks of increased debt leverage and improving the ability to fulfill debt obligations more positively than our projection.
- The Company's activities related to passenger transport (international and domestic) and ancillary both show stable and significant increases in value, quantity and efficiency; concurrently achieving and exceeding expectations.
- Customer receivables are collected quickly in 2024, especially overdue debts from Chinese partners to reduce pressure on liquidity in the short and medium term.
- Vietjet diversifies its internal management policies in response to unpredictable fluctuations of fuel prices in the market, ensuring efficiency in business operations and not losing the competitive advantages of low-cost airlines.
- The capital increase plan in 2024 is implemented and has a material positive impact on leverage and the ability to fulfill debt obligations.

Downgrade scenarios

Saigon Ratings will analyze, evaluate, and consider downgrading the credit rating of Vietjet Aviation Joint Stock Company in the following cases:

- In case of aviation market declines, Vietjet's business performance results might be less efficient than projected, which may cause difficulties in bond payment obligations due in 2024 (VND 5,000 billion) and off-balance sheet commitments.
- Unfavorable changes in the domestic credit market may affect the ability to raise short-term and long-term funds, or lead to higher peaks in the cost of capital.
- Emergence of abnormal risk factors, characterized by significant volatility in the global political-economic situation and domestic macro-economy, could negatively impact the aviation industry as a whole and Vietjet's business performance in particular.

CREDIT RATING HISTORY OF THE ISSUER

Date	Credit Rating	Outlook
26/6/2024	Issuer Credit Rating Surveillance: vnBBB-	"Stable"
17/11/2023	Issuer Credit Rating Surveillance: vnBBB-	"Stable"
27/3/2023	First-time Issuer Credit Rating: vnBB+	"Stable"

Rating surveillance is valid until: November 17, 2025.

OWNERSHIP INFORMATION

The following declaration information is made public and transparent to ensure absolute compliance with current legal regulations in implementing the credit rating process and Announcement of First-time Issuer Credit Rating result:

- Equity ownership at Saigon Ratings by Vietjet Aviation Joint Stock Company: 0%.
- Equity ownership at Vietjet Aviation Joint Stock Company by the employee* of Saigon Ratings: 0%.

(*) Including ownership of members of the Board of Directors, members of the Credit Rating Committee, members of the Analyst Team, and other related Saigon Ratings' employees.

The above figures are reviewed, updated, and checked through the Internal Control system throughout the process of providing Credit Rating services, from the date of the official signing of the Credit Rating contract with Vietjet Aviation Joint Stock Company and updated to the date of publication of this report.

INDEPENDENCE, OBJECTIVITY, INTEGRITY, AND TRANSPARENCY COMMITMENT

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We strictly comply with the Saigon Ratings Internal Control System, preventing potential conflicts of interest that may occur and absolutely ensuring objective principles in implementing the assessment process for the Credit Rating of the Issuer and/or debt instruments on market.

Accordingly, direct and indirect personnel of Saigon Ratings participating in the task of providing credit rating services are not allowed to own and/or conduct any transactions in securities, shares, or debt instruments of the Issuer, throughout the duration of the contract to provide credit rating

services with Vietjet Aviation Joint Stock Company (including the First-time Credit Rating and Annual Surveillance Credit Rating).

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RATING SCALE AND ITS MEANINGS

RATING SCALE	MEANINGS
vnAAA	An issuer rated vnAAA has an extremely strong capacity to meet its financial commitments. vnAAA is the highest issuer credit rating assigned by Saigon Ratings.
vnAA	An issuer rated vnAA has a very strong capacity to meet its financial commitments. At the same time, the vnAA rating is not too different from the vnAAA rating.
vnA	An issuer rated vnA has a strong capacity to meet its financial commitments, but this ability can be affected by adverse changes in the business environment and economic conditions.
vnBBB	An issuer rated vnBBB has adequate capacity to meet its financial commitments. However, this ability can be affected by adverse changes in the business environment and economic conditions.
vnBB	An issuer rated vnBB is likely to be less affected in the short term compared to organizations with lower ratings. However, susceptibility to significant impact from instability in business operations and unfavorable economic and financial conditions may jeopardize the issuer's ability to meet financial obligations fully and on time.
vnB	An issuer rated vnB is more vulnerable than the entity rated vnBB, but the entity currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the entity's capacity or willingness to meet its financial commitments.
vnCCC	An issuer rated vnCCC is currently vulnerable to negative impacts by the risk of insolvency and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
vnCC	An issuer rated vnCC is facing the risk of insolvency. The possibility of default has not yet materialized, but it is likely to do so soon, but the exact date is unknown.
vnC	An issuer rated vnC is highly likely to fail to meet its debt obligations in the short term. The ability to pay is impaired and may be irreversible.
vnR	An issuer rated vnR is under regulatory supervision owing to its financial condition. During the pendency of regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.
vnSD and vnD	An issuer rated vnSD or vnD applies to organizations that have become insolvent with one or more debt obligations when they come due, whether rated or unrated, except for obligations arising from hybrid instruments that are included in the legal capital or are not required to pay. The vnD credit rating is applied when there are sufficient grounds to determine that the organization is completely insolvent and is unable to pay all or almost all its debt obligations when due. The vnSD credit rating is applied when there are sufficient grounds to believe that an organization has partially defaulted on a particular debt obligation or a type of debt obligation but will still meet its obligations on time with other residual obligations. The credit rating of the organization will be downgraded to vnSD or vnD if the enterprise/institution is in the process of dissolution or merger to resolve the crisis.

* The Credit Rating scales from 'vnAA' to 'vnCCC' may be adjusted by adding a plus sign "+" or a minus sign "-" to indicate the relative Credit Rating between Issuers in the same rating scale.

** The symbol "vn" before the Credit Rating is interpreted as the Credit Rating according to the National Rating (Vietnam) scale of Saigon Ratings.

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