



Southern Airports Services JSC: (UPCoM: SAS) *Investment Proposal*

July 2025

Investment Proposal

| | |
|----------------|-------------|
| Analyst | Phuc Nguyen |
| Time Horizon | 2-3 years |
| Recommendation | BUY |

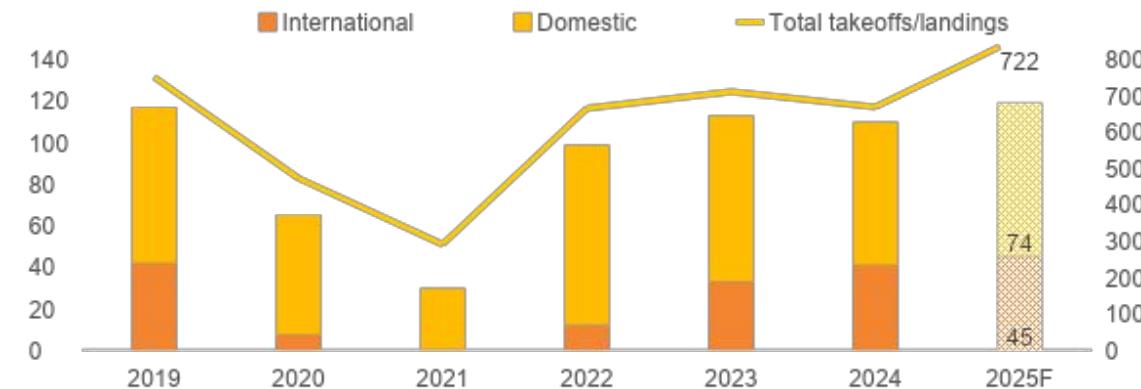
SASCO's investment is driven by increased international traffic, lounge system expansion, and airport capacity growth

Investment Rationale

- International passenger volume has not recovered to pre-COVID-19 levels (only PQ has fully recovered and are now growing).
- Partnering with **Airport Dimensions** (a global airport lounge company) to enhance lounge quality and guest experience.
- Room for growth with **Long Thanh Airport** (expected to operate in Q1 2026), creating potential for stores and lounges expanding.
- Currently trading at **9.7x P/E TTM**, compared to its major competitor AST at 15.0x P/E TTM.
- Consistent dividend payout since 2016 (~6.5% annually).

Targeting 119 million passengers in 2025, up 8% YoY, similar to 2019

Airport Passenger Volume (million passengers & thousand takeoffs/landings, '19-25F)



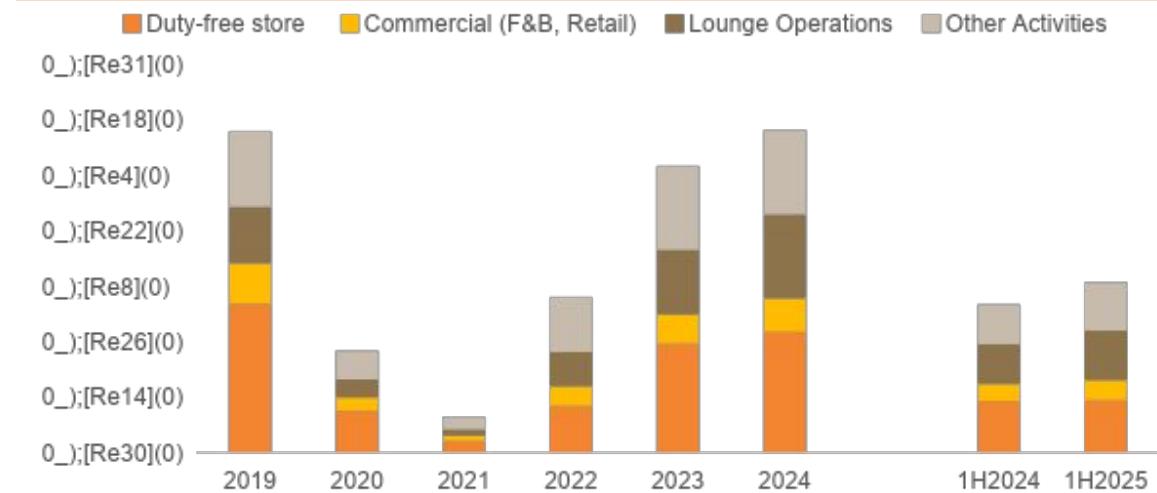
2024 results continues to grow after recovering from Covid-19

Financial Performance (VNDbn, '19-24A)

| | 2019A | 2020A | 2021A | 2022A | 2023A | 2024A |
|--------------|--------|--------|----------|---------|--------|--------|
| Revenue | 2,895 | 918 | 321 | 1,400 | 2,581 | 2,906 |
| YoY Growth | | -68.3% | -65.0% | 336.1% | 84.4% | 12.6% |
| Gross Profit | 1,382 | 446 | 149 | 734 | 1,396 | 1,719 |
| Margin | 47.7% | 48.6% | 46.4% | 52.4% | 54.1% | 59.2% |
| Net Income | 373 | 149 | 3 | 210 | 286 | 422 |
| YoY Growth | | -60.1% | -98.0% | 6900.0% | 36.2% | 47.6% |
| Margin | 12.9% | 16.2% | 0.9% | 15.0% | 11.1% | 14.5% |
| ROE | 23.8% | 9.7% | 0.2% | 14.3% | 19.0% | 27.0% |
| ROA | 16.3% | 7.2% | 0.2% | 11.7% | 13.3% | 18.3% |
| P/E | 10.82x | 27.81x | 1079.81x | 17.55x | 19.01x | 13.88x |

Revenue 1H2025 up 15% YoY, with lounge operations revenue up 25% YoY

Revenue breakdown (VNDbn & %, '19-24A)



Company Services

Vietnam's leading provider of non-aviation services at major airports, specializing in duty-free retail, F&B, airport lounges,...



Duty-free Store

- Over 20 counters, 15 key product categories, and products from more than 200 prestigious brands.
- Located in the International Departure Transit Area of TSN Airport.



Business Lounges

- Providing premium airport lounge for passengers
- TSN Airport: 12 4T1, 6T2, 2T3
Price: 456k/945k
- CR Airport : 2
Price: 760k
- PQ Airport: 1
Price: 760k



Food & Beverage

- Operating restaurants, cafes, and fast-food outlets within TSN airport terminals.
- Cuisine De Saigon: 2, Fresh2Go: 6, Phoenix Restaurant & Café: 2, Pho Cho: 1, +84 Eatery: 7.



Retail Store

- Selling various consumer goods, souvenirs, fashion, and accessories in airport shops.
- Located in TSN Airport, with T1: 1 store, T2: 8 stores, T3: 1 store.



Others

- Sleep Zone
- Travel services
- Airside transfer bus
- FMCG Production
- Leisure Resort

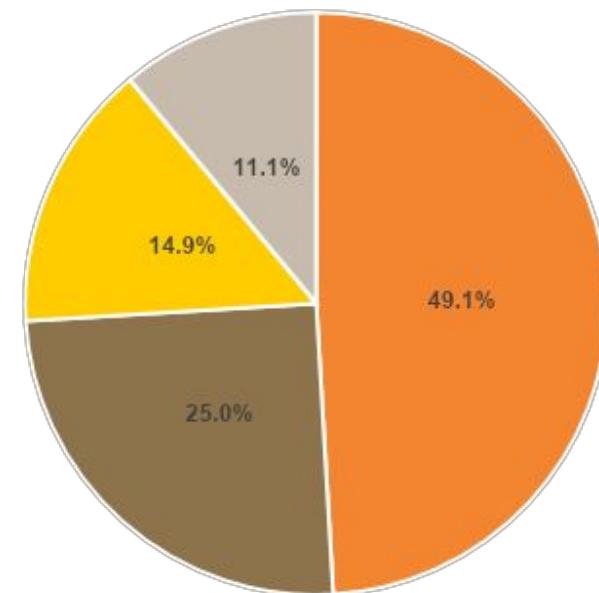
Company Overview

SASCO provides diverse airport commercial services, with a significant ownership stake held by ACV and IPP.



OWNERSHIP STRUCTURE

- Airports of Corporation of Vietnam
- Imex Pan - Pacific Co.Ltd
- Au Chau Fashion and Cosmetics Company
- Others

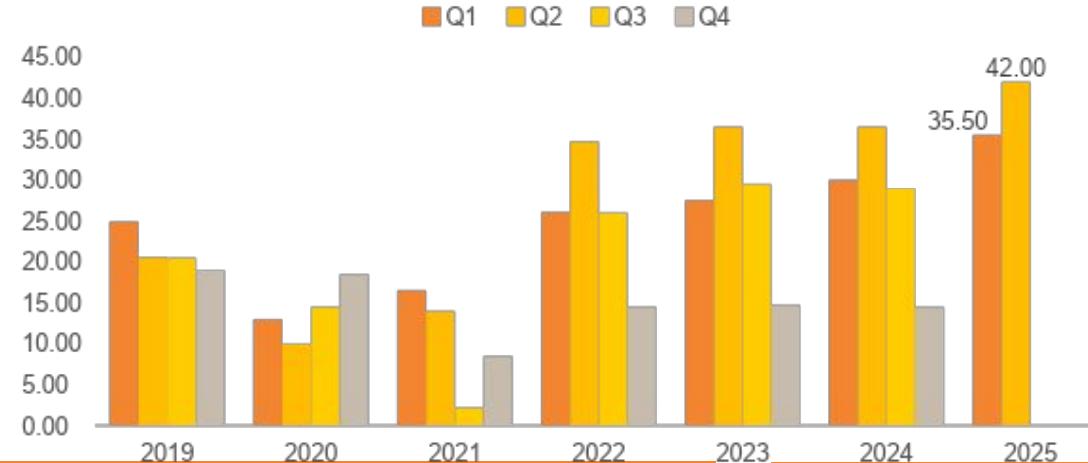


Vietnam's Air Passenger Statistics Overview

International volume rebounds significantly, outpacing domestic recovery at SASCO's operational airports.

Total domestic arrivals 1H2025 shows strong growth and recovery

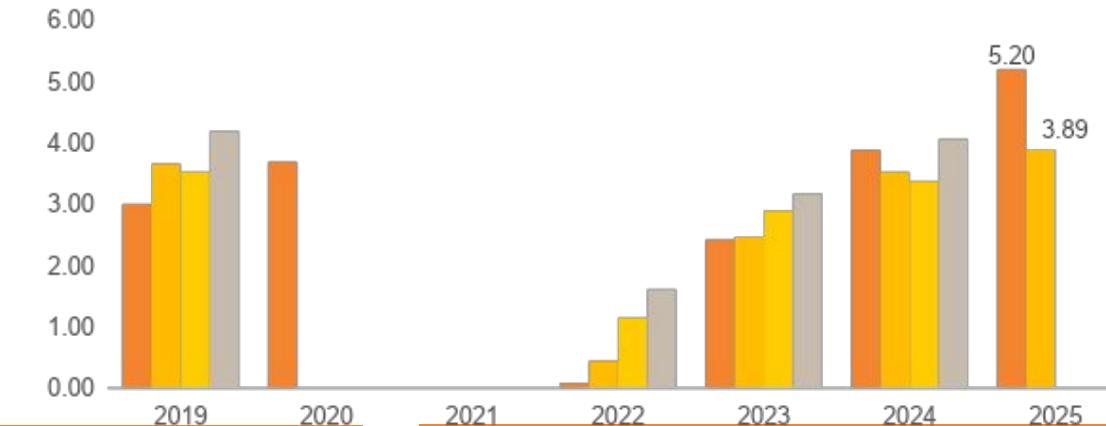
Quarterly domestic passenger volume (million passenger, '19-25)



International arrivals 1H2025 grow consistently; expect more in Q42025

Quarterly international passenger volume (million passenger, '19-25)

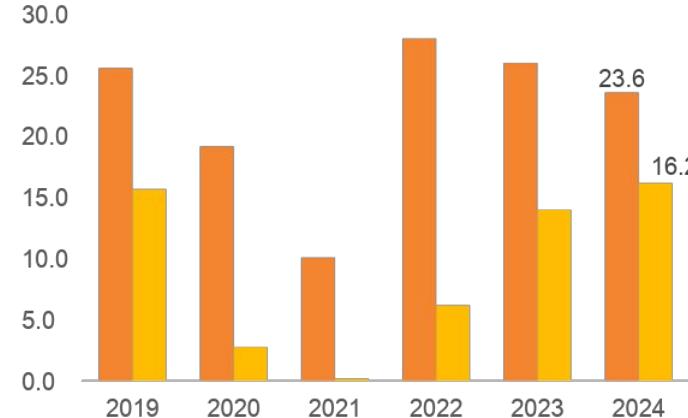
Q1 Q2 Q3 Q4



Domestic struggles; International recovers

Passenger statistic in Tan Son Nhat Airport (million passengers, '19-24)

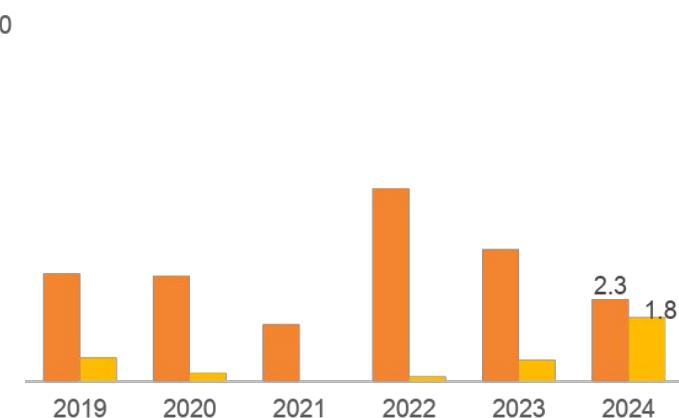
Domestic International



International shows strong growth

Passenger statistic in Phu Quoc Airport (million passengers, '19-24)

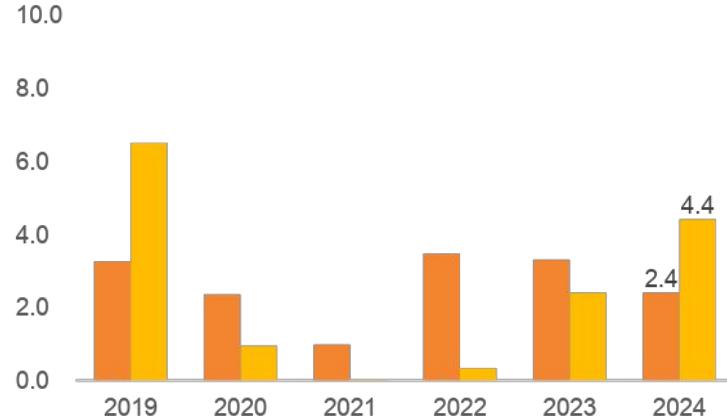
Domestic International



International has not reached highest in 2019

Passenger statistic in Cam Ranh Airport (million passengers, '19-24)

Domestic International



Source: Company Annual Report, VietnamTourism

Future prospect in Tourism Industry

Increased international passenger volume, who are more willing to spend more, will drive up revenue per passenger

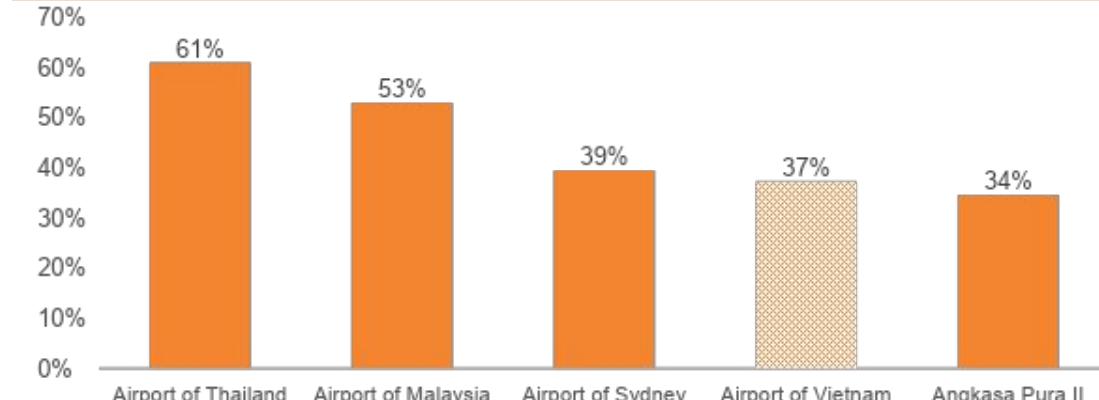
Vietnam eases visa policy to promote tourism

Resolution 44/NQ-CP (2025) and Resolution 11/NQ-CP (2025)

| | 2019 | 2025 |
|--|---------|---------|
| Number of countries with visa exemptions | 22 | 29 |
| Number of countries eligible for e-visas | 80 | 257 |
| E-visa validity period (days) | 15 - 30 | 30 - 90 |

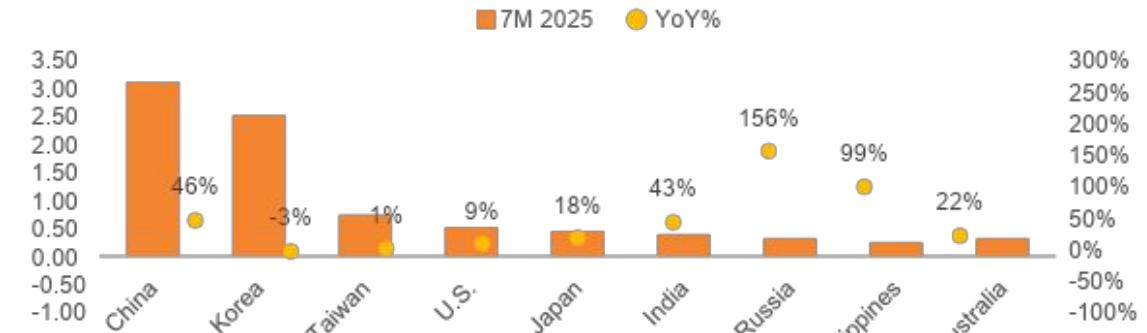
International remains low compared to peers

International passengers / Total Passengers (%), 2024



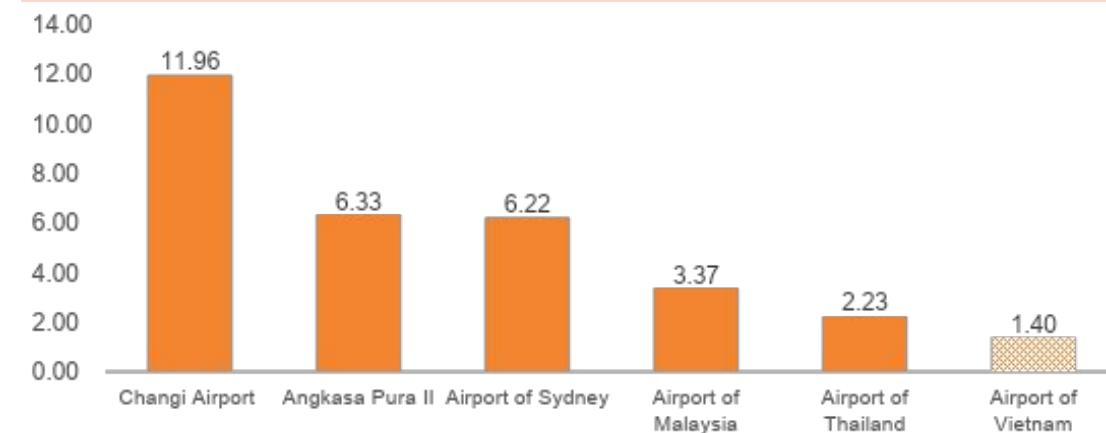
China contributes significantly to the growth in international tourists

Passenger statistic by Countries (million passengers, '2M25)



RPP remains low compared to peers; China contributes highest RPP

Revenue per passenger (USD/person, 2024)

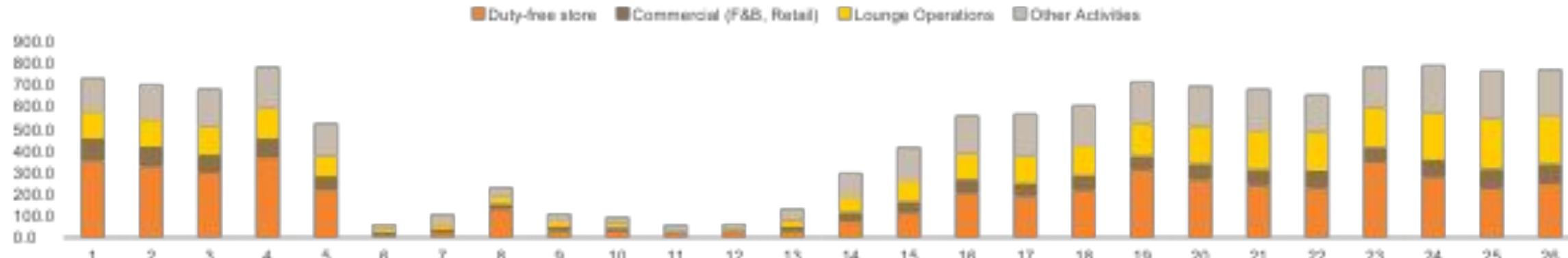


SASCO's Operating Performance

Over time, airport lounge segment contributes more to total revenue, indicating its growing importance within SASCO's overall business

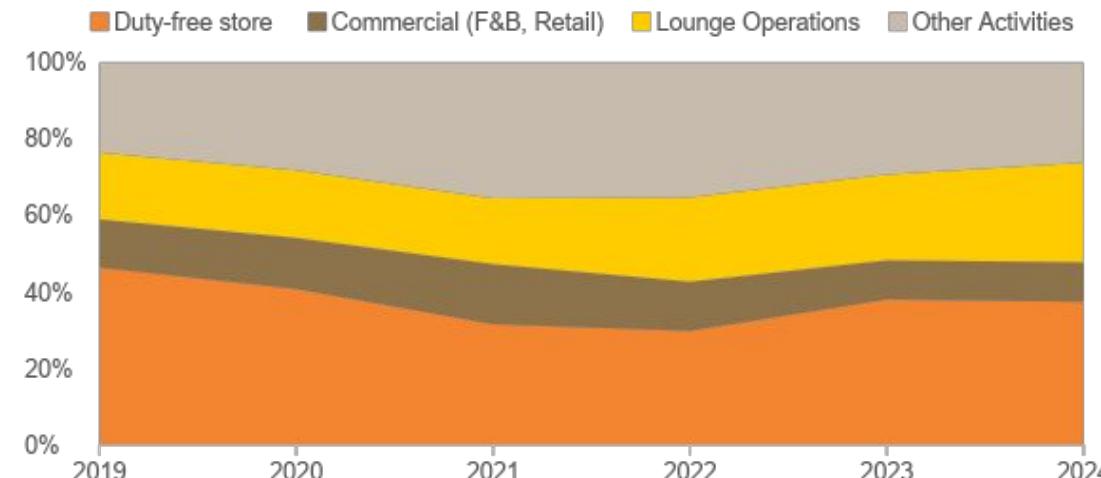
Total revenue in Q22025 shows strong recovery with 18% up compared to Q22024 and 10% up compared to Q22019 pre Covid-19

Revenue each quarter (VNDbn, '19-24)



Lounge operation segment started to contribute more to total revenue

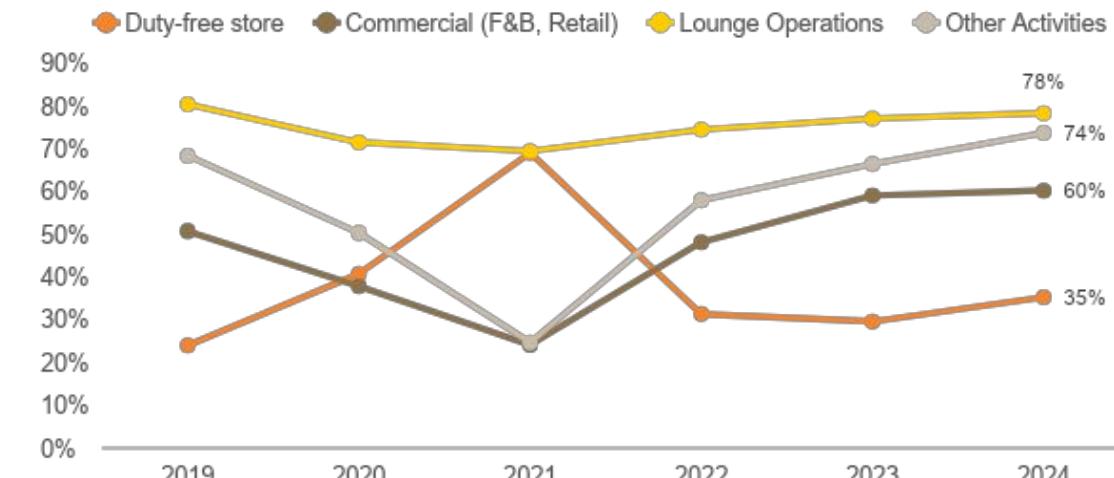
Revenue Composition (%,'19-24)



Source: Company Annual Report

GPM for the lounge segment has been consistently improving

Gross Profit Margin by segments(%, '19-24)



SASCO's Potential in the upcoming Long Thanh airport

SASCO's strategic advantages position it for dominant role in airport services segment at Long Thanh airport

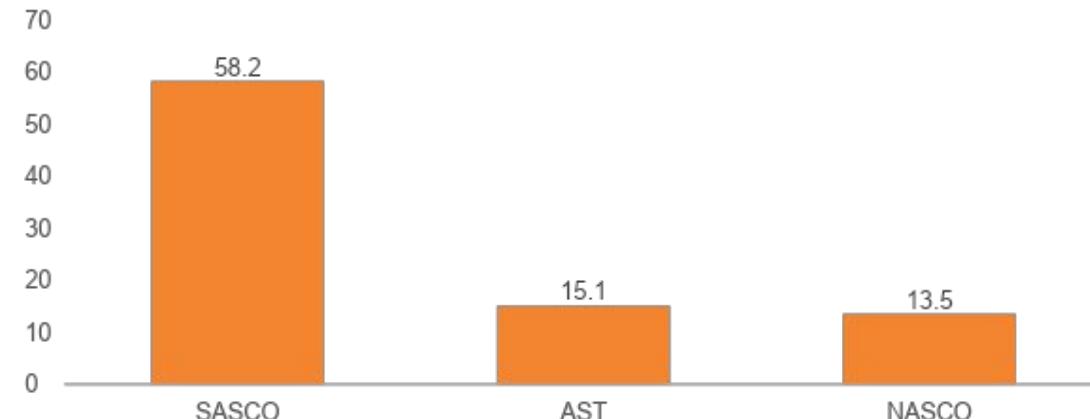
Key Highlights

- Partnership with **Airport Dimensions** in 11/2024: enhance lounge service quality, attracting more premium passenger, access to **Priority Pass network**.
- Link via **Johnathan Hanh Nguyen & IPPG**: Johnathan is chairman of SASCO and IPPG, a leading luxury retail and airport services group.
- ACV Ownership (49%)**: main investor/operation of Long Thanh airport, provides an advantage and understanding of airport development plans.



SASCO has the highest average revenue per lounge among competitors

Revenue per lounge (VNDbn, 2024)



Source: Company Annual Report

SASCO secured location with the largest size with minimum sharing rate

Tan Son Nhat Airport T3 Lounge Location Bidding Result

| Location Code | Size (m ²) | Revenue Sharing Rate (min 16%) | Min Revenue Per m ² Per Month (VND) | Winning Bidder |
|---------------|------------------------|--------------------------------|--|----------------|
| T3-DD401 | 543 | 16% | 1,850,000 | SAS |
| T3-DD402 | 355 | 16.5% | 1,850,000 | SAS |
| T3-DD403 | 442 | 16.5% | 1,850,000 | SAS |
| T3-DD406 | 210 | 16.5% | 1,850,000 | AST |
| T3-DD410 | 445 | 16% | 1,850,000 | AST |
| T3-DD411 | 425 | 16% | 1,850,000 | AST |
| T3-DD404 | 485 | 16.5% | 1,850,000 | NAS |
| T3-DD405 | 330 | 17% | 1,850,000 | NAS |

Financial Projection

The future of SASCO is predicated on the growth rate of international passenger traffic

Key Assumptions (Base Case)

- **Passenger Volume**

- Domestic passenger in 3 airports (TSN, PQ, CR) is projected to reach 100% of 2019 levels by year-end (currently remains 12% below 2019), with 1H2025 of total domestic passengers showing 17% YoY growth.
- International passenger in 3 airports has almost fully recovered compared to 2019 and recorded 200% YoY growth in PQ Airport and 20% YoY Growth in TSN Airport.

- **Airport Business Lounges**

- Business lounge GPM, currently at an all-time high of 83% in Q22025, is expected to reach 85% by the end of 2025 as higher guest numbers make the operations more cost-efficient.
- New, enhanced lounges at Long Thanh International Airport (Phase 1 completion: Q42025) through the Airport Dimensions partnership, will significantly boost international customer visits and revenue, but will increase expense in 2026 as SASCO builds more lounges.

- **Revenue Per Passenger**

- RPP is projected to grow 10% annually, primarily fueled by rising international passenger volume, which directly boosts duty-free and business lounge revenues.

| | Actual | | | Forecasted | | |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2024A | 2025F | 2026F | 2027F | 2028F | 2029F |
| Revenue | 2,906 | 3,318 | 3,737 | 4,160 | 4,589 | 4,965 |
| YoY Growth | 12.6% | 14.2% | 12.6% | 11.3% | 10.3% | 8.2% |
| COGS | 1,187 | 1,327 | 1,607 | 1,706 | 1,881 | 1,986 |
| Gross Profit | 1,719 | 1,991 | 2,130 | 2,454 | 2,707 | 2,979 |
| YoY Growth | 23.1% | 15.8% | 7.0% | 15.2% | 10.3% | 10.0% |
| Margin | 59.2% | 60.0% | 57.0% | 59.0% | 59.0% | 60.0% |
| SG&A | 1,353 | 1,493 | 1,644 | 1,664 | 1,881 | 1,986 |
| EBIT | 366 | 498 | 486 | 790 | 826 | 993 |
| YoY Growth | 120.5% | 36.1% | -2.4% | 62.6% | 4.6% | 20.2% |
| Margin | 12.6% | 15.0% | 13.0% | 19.0% | 18.0% | 20.0% |
| NOPAT | 283 | 380 | 370 | 608 | 637 | 768 |
| YoY Growth | 239.8% | 34.3% | -2.6% | 64.3% | 4.8% | 20.6% |
| Margin | 9.7% | 11.5% | 9.9% | 14.6% | 13.9% | 15.5% |

Valuation

SASCO's valuation is based on its stable operations in airport services and duty-free sales which generate predictable cash flows

| VNDbn | <u>Actual</u> | | <u>Forecasted</u> | | |
|-----------------------------------|---------------|--------------|-------------------|--------------|--|
| | 2024A | 2025F | 2026F | 2027F | |
| Revenue | 2,906 | 3,318 | 3,737 | 4,160 | |
| COGS | 1,187 | 1,327 | 1,607 | 1,706 | |
| Gross Profit | 1,719 | 1,991 | 2,130 | 2,454 | |
| SG&A | 1,353 | 1,493 | 1,644 | 1,664 | |
| EBIT | 366 | 498 | 486 | 790 | |
| Operating Taxes | 83 | 118 | 116 | 182 | |
| NOPAT | 283 | 380 | 370 | 608 | |
| Add: D&A | 41 | 39 | 39 | 37 | |
| Minus: Capex | 27 | 25 | 35 | 22 | |
| Minus: Change in NWC | 191 | (121) | 172 | (171) | |
| FCFF | 107 | 515 | 203 | 794 | |
| Terminal Value as on 2027F | | | | 9,762 | |
| WACC Assumptions | | | | | |
| Risk Free Rate | | 4.4% | | | |
| Expected Market Return | | 12.0% | | | |
| Growth rate | | 4.0% | | | |
| Beta | | 1.06 | | | |
| WACC | 12.46% | | | | |

| | DCF Valuation | | | | | |
|------------------------------|---------------|-----------------------|------------------|--------------|---------------------|-------------|
| | NPV of FCFF | NPV of Terminal Value | Enterprise Value | Equity Value | Implied Share Price | Growth Rate |
| NPV of FCFF | | | | | | 1,176 |
| NPV of Terminal Value | | | | | | 6,864 |
| Enterprise Value | | | 8,040 | | | |
| Add: Cash | | | | | | 504 |
| Minus: Debt | | | | | | 0 |
| Minus: Minority Interest | | | | | | 0 |
| Equity Value | | | | 8,510 | | |
| Shares Outstanding (million) | | | | | | 133.451 |
| Implied Share Price | | | | | 63,767 | |
| WACC | 63,767 | 2.00% | 3.00% | 4.0% | 5.00% | 6.00% |
| | 11.46% | 58,834 | 64,822 | 72,416 | 82,362 | 95,955 |
| | 11.96% | 55,836 | 61,158 | 67,818 | 76,392 | 87,845 |
| | 12.46% | 53,128 | 57,885 | 63,767 | 71,227 | 80,997 |
| | 12.96% | 50,671 | 54,944 | 60,172 | 66,714 | 75,138 |
| | 13.46% | 48,430 | 52,288 | 56,961 | 62,740 | 70,068 |

Final Investment Decision

With consistent dividend payout, along with promising growth, SASCO offers an attractive investment proposition

**Buying SAS with a buying price of 39,500
VND – indicating a 20%-30% IRR within
time horizon of 2-3 years**

| Share Price | Downside | Base | Upside |
|--------------------------------|---------------|---------------|----------------|
| Growth rate | 2.0% | 4.0% | 6.0% |
| WACC | 13.46% | 12.46% | 11.46% |
| Implied Share Price | 48,430 | 63,767 | 95,955 |
| (+) 3 years of dividend | 4,200 | 4,200 | 4,200 |
| Implied Value per Share | 52,630 | 67,967 | 100,155 |
| IRR | 10% | 19.8% | 36.3% |

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