

# Equitization of State Owned Enterprises in Vietnam – A Case Study of Vietnam Airlines Company Limited

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This case has been compiled from secondary published sources to illustrate the equitization efforts undertaken by Vietnam Government to improve economic growth. In order to boost the financial and operational strength of the consequently low performing State Owned Enterprises (SOE), the Vietnam Government is equitizing its public sector to push the economy towards a market driven structure.

Though these SOE's have abundance of funds, but their operational efficiency remains at abysmally low level. Thus, equitization is a move towards reforming these sectors towards a more sustainable development. To understand where Vietnam stands in its move towards privatization, we examine a case example of Vietnam Airlines, which came up with an IPO in 2014.

Per Vietnam Prime Minister, Mr. Nguyen Tan Dung "We should successfully equitize 432 state-owned enterprises as set out in the adopted project. This must be considered a major political task for the government."

**Keywords:** Vietnam, Government, SOE, Equitization, Vietnam Airlines, Restructuring, Improved efficiency, Funds, IPO, Stock market, Privatization

## INTRODUCTION

In Vietnam, equitization refers to partial privatization, wherein the government issues shares of the state-owned enterprises to private investors and transforms them into joint stock company. However, in large SOEs and certain sectors, the government continues to hold a controlling stake.

### The need for equitization

In the 1980s, Vietnam was struggling with economic crisis and an enormous poverty trap on account of decades of war, economic mismanagement, unemployment, hyper-inflation, famine, inefficiencies in production, imbalances in demand and supply, cessation of Soviet aid, trade prohibition by the west, and an ever-growing debt situation.<sup>[1]</sup>

SOEs in Vietnam grabbed a large share of the country's aggregate investments; enjoyed favorable tax rates; received preference in government contracts, access to land, export quota, credit facilities; and benefits of cross-subsidization between profit-making and loss-making SOEs. However, their contribution to GDP and aggregate investment is lesser when compared to Non-state and Foreign-invested enterprises. These SOE's utilize 60% of all bank credits and 70% of ODA funds but account for only 35% of national production.<sup>[2]</sup>

Most SOEs operated with unclear objectives, poor management, and soft budget constraints, with easy access to loans from banks, which were in turn

## Equitization of State Owned Enterprises in Vietnam – A Case Study of Vietnam Airlines Company Limited

encouraged by the government to lend money to them without collaterals. The ownership responsibilities and control duties are ambiguous in SOEs and have multiple stakeholders (ministries, such as Ministry of Finance, Ministry of Social Affairs) who monitor the SOE. This therefore results in long decision making time, wastage of resources, and inefficiencies in the organization. Further, the overall corporate framework of Vietnamese SOEs has been weak, with a lack of vision and their role in the development of the economy. They have also not been able to catch up with good corporate governance practices and there was a lack of transparency in the enterprises.<sup>[3]</sup>

To save the country from near-bankruptcy, it was then decided in December, 1986 to transition from its then 'centrally managed system' dependent on state subsidies to a 'socialist-oriented market economy' wherein competition would be encouraged between the private sector and the state in non-strategic

sectors. This top-down reform program was named as 'Doi Moi'. Under this program, state played a decisive role in the economy, and encouraged the private sector to engage in commodity production. The shadow market of unregulated enterprises played a significant role in the initiation of this program.<sup>[4][5]</sup>

The no. of SOEs decreased significantly in the country from 12,084 in 1989 to 6,000 in 1992, on account of merging and shutting down small, inefficient concerns. The government retained a few large dominant SOEs, while equitizing the large no. of smaller SOEs. However, in the period 1992-99, only around 600 SOEs were equitized. By the end of 2005, there were 3,400 SOEs remaining with ~2,000 SOEs equitized over the period 2000-05. The no. of SOEs reduced to 1,200 in 2010, and further to less than 1,000 by 2014 out of which 432 more SOEs are planned to be equitized by 2015.<sup>[6]</sup>

Exhibit 1: Investments by SOE

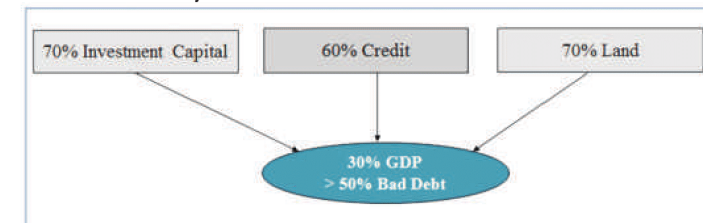
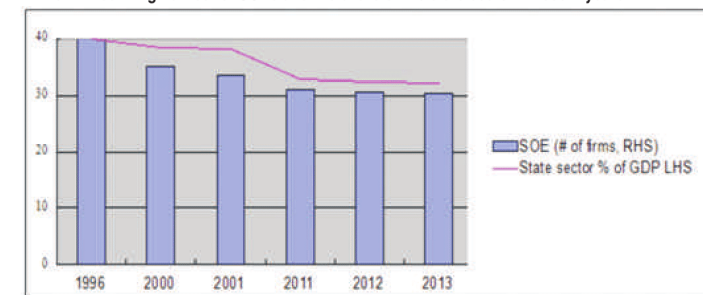


Exhibit2: Declining number of SOEs and the share of the state sector in recent years



Source: WTO, OECD, World Bank, CEIC, HSBC<sup>[7]</sup>

## THE PERCEIVED BENEFITS OF EQUITIZATION

The Government hopes to recover the Vietnamese economy with a speedy pace of privatization. The restructured market structure hopes to bring the following benefits:

1. Increase in revenue: The divestment is expected to bring in healthy cash to the government which it can utilize in financing the deficit in the budget or other important projects.
2. Increase in overall efficiency of the economy: Restructuring would improve the efficiency and performance of the SOE's, which form an integral part of any national economy.

### *Will the 2007 missed opportunity be grabbed this year?*

In 2007 Vietnam joined World Trade Organization, which presented an opportunity for Vietnam to expand its capital market by carrying out equitization on a large scale, however, the opportunities were missed with the world recession mostly to blame.

In 2011-2012, major reforms were started in the earnest with the Prime minister focusing on two major goals to revive the sluggish economy. The first one being the restoration of macroeconomic stability, while the second one involved

restructuring across SOE's, banking, and public investment programs.

In 2014-2015, the government plans to vigorously carry out restructuring initiatives. It has laid a Resolution No.15/NQ-CP, which entails restructuring, reforming and enhancing operational efficiency of SOEs<sup>[6]</sup>.

## VIETNAM AIRLINES COMPANY LIMITED: AN INTRODUCTION

Headquartered in Hanoi, Vietnam Airlines is a flag carrier of Vietnam. The airline was founded in 1956 by the name 'Vietnam Civil Aviation'. The airlines has operations in 17 countries and flies to 52 destinations (21 domestic, 28 international, 3 charter/seasonal). Vietnam Airlines Corporation was established as a state-owned organization by merging the airlines with 20 other service companies, with Vietnam Airlines being the center.

While the core business of the company remains passenger transport; it also focuses on allied areas via its subsidiaries, such as airline catering (Vietnam Airlines Caterers), maintenance and overhauling of aircrafts (Vietnam Airlines Engineering Company), and cargo (Vietnam Airlines Cargo). The airline division flew 13.6 million passengers in 2013 and has

Table 1: The Story so far: (The journey towards equitization)

Year	Event
1986	Introduction of DoiMoi program
1992	Beginning of the Equitization program
1994	Establishment of 18 General Corporations (GC) and 64 Special Corporations (These are large conglomerates incorporating ~2,000 SOEs operating in strategic industries)
1995	Enacting the SOE Law (Amended in 2003) - Improved SOE rights, obligations, operating mechanisms, financial management, etc.
1996	Issuance of a formal decree on equitization
1998	First set of 18 SOEs were equitized
2005	Incorporation of State Capital Investment Corporation (SCIC) - Represents state interests in enterprises and invest in key sectors to strengthen the dominant role of the state sector
2009	128 new wholly state-owned enterprises added

10,180 employees (As of March 2014). The Group structure consists of: (a) The Head Office consisting of divisions and departments; (b) Dependent Units: Consisting of 14 dependent units, 32 branches, and representative offices at 20 countries and territories creating an integrated supply chain. (c) 18 subsidiaries with a shareholding of more than 50%, and 8 associates with a shareholding between 20% and 50%.

Its sales channels consist of: (a) Direct sales at Vietnam Airlines offices and international branches; (b) Indirect sales through Passenger Sales Agents and General Sales Agents (PSA and GSA) designated by Vietnam Airlines, or via the BSP agents and tour operators. As of December 31, 2013 there were 32 representative offices in 20 countries and regions, 14 GSAs, joined BSP/ARC systems of 38 countries for ticket sales and distribution. There are 3 regional offices as a part of the domestic sales network, responsible for ticket sales, distribution

and promotion to ~200 domestic agents. Online sales account for ~6.3% of the total revenue, while the sales agent network contributes to ~90% of the ticket revenue.

## FINANCIAL OUTLOOK

The company has a chartered capital of 14.1 trillion VND (671.4 million USD). It owns 100% of Vietnam Air Service Company, a regional airline in southern Vietnam; 70% of Jetstar Pacific Airlines, a low-cost carrier; and 49% of Cambodia Angkor Air, the flag carrier of Cambodia.

The airline's rate of borrowing on equity is 4.3 times and long-term debt on equity is 3.17 times, both higher than the aviation industry average. Despite having higher ratios, the company managed to have a high solvency and stable sources of capital available due to the operating principles of airlines, wherein cash inflows is quite early with the sale of

Table 2: Timeline: Vietnam Airlines

Year	Event
1956	The Civil Aviation Administration was established by the Government of Vietnam, marking the beginning of Vietnam's civil aviation industry
1993	Separated from the Civil Aviation Administration of Vietnam to become a state-owned enterprise and the flag carrier of Vietnam
1995	Establishment of Vietnam Airlines Corporation with the merger of Vietnam Airlines and 20 other aviation companies
2002	Vietnam Airlines introduced its logo: the Golden Lotus in an attempt towards branding
2003	Restructuring of Vietnam Airlines Introduced a fleet renovation program, commencing its first Boeing 777 flight
2006	Became an official member of IATA
2009	Set-up Cambodia Angkor Air – a joint venture with the government of Cambodia with a share capital of \$100 million resulting in 49%
2010	Re-registered its legal entity to a one member Limited Liability Company wholly-owned by the Government of Vietnam Became the 10th official member of the global alliance SkyTeam
2012	Received transfer of the state capital (68.46%) in Jetstar Pacific Airlines from the Government of Vietnam, thus becoming the majority shareholder of the company
January 2013	The Ministry of Transport approved March 31, 2013 as the valuation date of Vietnam Airlines equitization
May 2014	The Ministry of Transport approved the valuation result of Vietnam Airlines
September 2014	The Prime Minister approved the Equitization Plan of Vietnam Airlines



tickets, while transport services are provided later with many service charges to be paid during the time of flight.

The company does not aim to pay dividend for the 2015-2018 period. The average aircraft depreciation period considered by Vietnam Airlines is 12-15 years, lower than the industry average of 15-20 years, resulting in higher depreciation costs than other carriers. Therefore, its current profit is yet to fully reflect its business efficiency.

The company is aiming at a revenue growth of 14-20% for the holding company by 2018 and after tax profit of 2.99 trillion dong owing to investment in new fleet with the help of which fuel costs can be reduced by 25% and costs for checking, repairing and maintaining by 15-20% resulting in an increased gross profit margin. Also, the new fleet will help upgrade its services to premium higher-paid ones.

"The Vietnamese market has huge growth potential but with low-cost carriers and foreign full-service carriers becoming more intrusive, Vietnam Airlines has challenges to overcome as it starts to accelerate expansion."- Brendan Sobie, Analyst, CAPA-Centre for Aviation.

Vietnam Airlines Equitization

Vietnam Airlines laid down its equitization plans considering floating an initial public offering (IPO) since 2008. Eventually, in November 2014, the company sold more than 49 million shares<sup>[9]</sup> worth 1,093 billion VND (52.05 million USD), representing a 3.48% stake, at its IPO at the HCM City Stock Exchange<sup>[10]</sup>. The shares were purchased by 1,575 individual investors and two institutional investors at an average price of 22,307 VND (1.06 USD). The two institutional investors together bought 98% of the total offering volume (Techcombank - 52% and Vietcombank - 46%)<sup>[11][12]</sup>, while the retail investors were left with just 2% of the equity. Both these banks are also amongst the biggest creditors of Vietnam Airlines (By the end of 2013, Vietnam Airlines had a borrowing of over three trillion dong from Vietcombank and over one trillion dong from Techcombank).<sup>[13]</sup>

With the company's lucrative investment plans, including its expansion in fleet by up to 116 aircrafts by 2018, there will be opportunity for banks to increase their profits from offering credit, because by becoming shareholders, both aforementioned banks will have more advantages. The shareholder banks can also launch other services such as collecting 100% of ticket sales at booking offices of the airline, offering comprehensive personal financial packages to officials and staff of the company and its subsidiaries.

Due to a huge demand for foreign currency, the carrier has long-term loans in foreign currencies, which account for nearly 70% of its long term debts. Since, being a legal entity that is not allowed to exchange foreign currencies, the company needs to go through banks for its transactions.

Post the IPO, the Vietnamese government will retain a controlling 75% stake in Vietnam Airlines. Further, 20% stake will be reserved for strategic partners, 3.5% public equity via the IPO route, and the remaining 1.5% is set aside for company employees.<sup>[14]</sup>

*occur, but when it did finally list...it was a mere \$51.3 million capital raise, not enough to even buy a new plane."*

\*Per the State Owned Enterprises Law 2003, a State Owned Enterprise (SOE) is an economic organization in which the state keeps the whole charter capital or some shares, or contributes controlling capital, and it is established in the form of a state company or a joint-stock company or a limited liability company.

The Way Forward

Vietnam severely needs to speed up its equitization plan and make the process more efficient. The only way forward for the country to grow economically would be to have the current debt-struck public sector enterprises be run by more efficient management that can turn-around businesses, generate employment as well as profitability. Presently, the management of public enterprises and the selling of public assets continue to be mismanaged in the country.

The major selling point for Vietnamese equitization plans is the undervaluation of its economy, as it remains the most undervalued country compared to all other ASEAN economies.<sup>[17]</sup> However, the Vietnamese equitization process has various drawbacks/challenges that it needs to overcome for the successful running of the equitized enterprises and also to attract strategic investors for the enterprises, more specifically Foreign Direct Investments.<sup>[15][16]</sup>

Foremost, Vietnam should consider revising its ownership limit of 49% and 30% in case of banks. Currently, foreign investors are keen on investing in Vietnam companies which hold huge potential, but are constrained by this rule.

The government needs to take steps to ensure transparency and initiate effective corporate governance mechanisms in the SOE sector. Also, the asset valuation models need to be revised as they are inconsistent with no uniform accounting standards between enterprises, and a firm's economic performance is found to be varied amongst different economic regimes.

The government also needs to provide incentives and conduct seminars for employees/managers working in SOEs to motivate them as to how the post-equitized entity would be more beneficial to them in terms of work, monetary benefits, and career

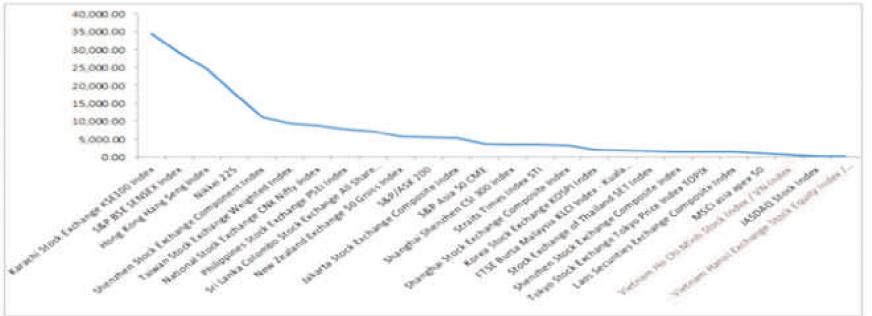
growth. Currently, there is opposition from employees as equitization accompanies fear of job-losses, as well as greater accountability to private investors in contrary to state, while managers oppose the same for the loss of privileges associated with managing a state enterprise<sup>[18]</sup>.

The government also needs to focus on resolving administrative difficulties associated with equitization in Vietnam. Such issues currently faced by the equitization process in the country include, disagreement in parties claiming ownership of SOE assets, the presence of decisive voting rights with the government post-equitization. Further, the proceeds from equitization are controlled by the central authorities, therefore facing opposition from local people's committees.

The Vietnamese government also needs to smoothen and fasten the pace of initiating trading on the stock market post IPO. Presently, the companies raising funds in an IPO often take months or even years to start trading on the stock market. For foreign investors, the challenges are even more as they find it difficult to increase exposure due to foreign ownership restrictions and high valuations.<sup>[19]</sup>

*"What is the point of having a stock market if the rules are more restrictive than those for nonpublic companies?"* - Kevin Snowball, Chief executive, PXP Asset Management

Exhibit 3: Key Asia Pacific Stock Indexes

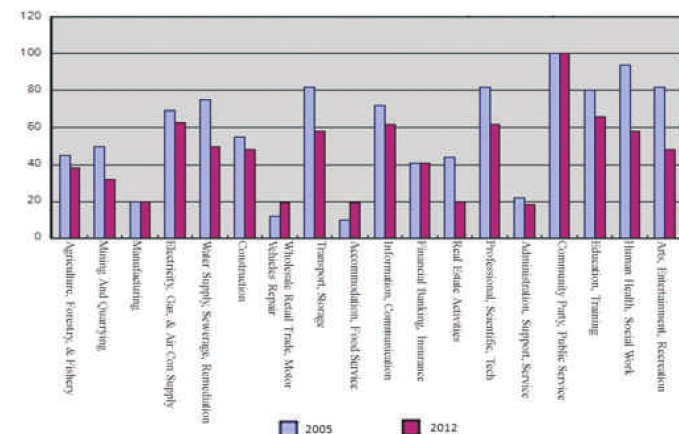


Source: Bloomberg

Equitization of State Owned Enterprises in Vietnam –  
A Case Study of Vietnam Airlines Company Limited

**Appendix**

**Table 4: Declining share of state investment as a % of total investment**



Source: CEC, HSBC

**Table 5: Key Privatization efforts in the Aviation Sector (Asia)**

Airlines	Country	Year of Privatization
Biman Bangladesh Airlines	Bangladesh	2007
Air China	China	2004 (Indirect control through parent company till date)
Japan Airlines	Japan	1987
China Airlines	Taiwan	1993
Philippine Airlines	Philippines	1992, 1996, 1999
Sri Lankan Airlines	Sri Lanka	1998, 2000
Malaysia Airlines	Malaysia	1985, 1994
Pakistan International Airlines	Pakistan	1992, 2004
Singapore Airlines	Singapore	1985, 1987
Thai Airways International	Thailand	1992, 2003

Equitization of State Owned Enterprises in Vietnam –  
A Case Study of Vietnam Airlines Company Limited

**Table 6: Key Privatization efforts in the Aviation Sector (Rest of the World)**

Airlines	Country	Year of Privatization
Qantas	Australia	1992
Cyprus Airways	Cyprus	2000
Austrian Airlines	Austria	1988, 1989, 1990
B&H Airlines	Bosnia and Herzegovina	2008
Air Canada	Canada	1989
LAN Airlines	Chile	1989
Lufthansa	Germany	1994 (Remaining shares sold in 1997)
El Al	Israel	2004
Alitalia	Italy	2008 (Indirect control through a state owned company)
Aeromexico	Mexico	2007
Air New Zealand	New Zealand	1989 (Partially re-nationalized in 2001)
British Airways	United Kingdom	1987
Turkish Airlines	Turkey	1990, 2004, 2006
Ukraine International Airlines	Ukraine	1996, 2000
Estonian Air	Estonia	1996
Finnair	Finland	1989
Air France	France	1999, 2004
KLM Royal Dutch Airlines	Netherlands	1986, 1998, 2005
Air Lithuania	Lithuania	2004
Latvian Airlines	Latvia	1995
Swiss (Swiss International Air Lines)	Switzerland	2005
British Airways	United Kingdom	1987
Aero Peru	Peru	1993, 1994
Olympic Airlines	Greece	2009
Saudi Airlines	Saudi Arabia	2013
Kenya Airways	Kenya	1996
Air Namibia	Namibia	2002

Equitization of State Owned Enterprises in Vietnam –  
A Case Study of Vietnam Airlines Company Limited

**Table 7: Vietnam Airlines - Board of Management**

Designation	Name
Chairman	Mr. Pham Viet Thanh
President & CEO	Mr. Pham Ngoc Minh
Executive Vice President	Mr. Phan Xuan Duc Mr. Le Hong Ha Mr. Trinh Hong Quang Mr. Duong Tri Thanh Mr. Trinh Ngoc Thanh Mr. Nguyen Ngoc Trong

**Table 8: Subsidiaries of Vietnam Airlines**

Subsidiary Name	Vietnam Airlines' Ownership	Principle Activities
Vietnam Air Petrol Company Limited (VINAPCO)	100%	Aviation fuel Trading
Vietnam Airlines Engineering Company Ltd (VAECO)	100%	Aircraft repair and maintenance
Abacus Distribution Systems (Vietnam) Ltd	90%	Automated reservation service
Cambodia Angkor Air	78.67%	Air transportation
Jetstar Pacific Airlines JSC (JPA)	67.83%	Air transportation
Vinako Forwarding Co., Ltd (VINAKO)	65.05%	Forwarding, ground handling and Warehousing services
Aviation Construction JSC (AVICON)	64.54%	Civil construction
Noi Bai Catering Services JSC (NCS)	60%	In-flight Catering
Vietnam Airlines Caterers Ltd	100%	In-flight catering
Noi Bai Cargo Terminal Services JSC (NCTS)	55.13%	Cargo services
Tan Son Nhat Cargo Services Company Limited (TCS)	55%	Cargo services
Air Services Supply Joint Stock Company (AIRSERCO)	52.99%	General aviation services
Aviation Information and Telecommunications JSC (AITS)	52.73%	IT services
Viet Flight Training (VFT)	51.52%	Pilot training
Tan Son Nhat Cargo Services and Forwarding Co., LTD (TECS)	51%	Cargo, Forwarding services
Noibai Airport Services Joint-Stock Company (NASCO)	51%	Air transportation support services
Aviation labor supply and import – export joint stock company (ALSIMEXCO)	51%	Aviation Labor import-export
and tourism service		
Aviation Printing Joint Stock Company (AVIPRINT)	51%	Printing and packaging services

Equitization of State Owned Enterprises in Vietnam –  
A Case Study of Vietnam Airlines Company Limited

**Table 9: Vietnam Airlines - Post IPO Ownership Structure**

	%	No. of shares	Total Value (Billion VND)
The State	75.00	1,057,638,000	10,576.38
Public Issue	3.48	49,009,008	490.09
Foreign State Investors	20.00	282,036,800	2,820.36
Employees	1.48	20,795,100	207.95
Union	0.05	705,092	7.05
<b>Total</b>	<b>100</b>	<b>1,410,184,000</b>	<b>14,101.84</b>

**Table 10: Vietnam Airlines - Assets (FY 2013 - In Million VND)**

Assets	Historical cost	Depreciation & Amortization	Residual value
Tangible fixed assets	11,160,908	4,286,970	6,873,938
Owned aircraft	9,343,240	3,207,173	6,136,067
Plants and Buildings	285,009	109,132	175,877
Equipment and machinery	430,923	202,268	228,655
Vehicles	855,143	609,808	245,335
Tools and other fixed assets	246,593	158,589	88,004
Leased fixed assets	41,513,874	13,278,243	28,235,631
Intangible fixed assets	391,017	187,301	203,716
Land use right	57,054	-	57,054
Other intangible fixed assets	333,963	187,301	146,662
<b>Total</b>	<b>53,065,799</b>	<b>17,752,514</b>	<b>35,313,285</b>

**Table 11: Vietnam Airlines - Revenue Structure**

Revenue (In Million VND)	2009	2010	2011	2012	2013
Total revenues	23,202,718	35,604,454	44,874,845	49,577,019	52,828,835
Air transportation	21,922,250	33,943,447	43,234,000	48,453,993	51,366,955
Passenger	20,037,708	30,499,337	38,623,615	43,064,227	45,407,388
Cargo	1,764,709	3,142,849	4,000,781	4,380,574	4,376,687
Air charter	119,833	301,261	346,598	521,18	924,309
Others	-	-	-	488,012	658,571
Ancillary revenues	1,280,468	1,661,007	1,640,845	1,123,026	1,461,880
Technical & Comm support	538,512	599,022	687,008	720,212	775,221
Commission	44,926	55,019	47,205	50,136	39,928
Unused ticket & Asset leasing	350,024	419,535	484,989	168,249	441,965
Others	347,006	587,431	421,643	184,429	204,766
Deductible revenue	-141,814	-262,584	-347,161	-434,895	-368,775
<b>Net revenue</b>	<b>23,060,904</b>	<b>35,341,870</b>	<b>44,527,684</b>	<b>49,142,124</b>	<b>52,460,060</b>

Equitization of State Owned Enterprises in Vietnam –  
A Case Study of Vietnam Airlines Company Limited

**Table 12: Vietnam Airlines - Financial and Operating data**

Balance Sheet Data (In Million VND)	2009	2010	2011	2012	2013
Total assets	32,130,797	38,513,744	48,546,212	55,499,526	59,336,454
Equity	6,753,009	8,445,488	8,266,960	9,291,848	10,015,808
Total Liabilities	25,376,196	30,066,247	40,277,881	46,206,403	49,319,904
Short-term debts	2,251,654	4,608,207	4,511,909	6,862,131	6,653,146
Long-term debts	17,226,441	17,489,772	26,559,662	29,653,646	31,189,127
Receivables	7,031,118	9,245,357	10,107,716	8,255,221	11,662,524
Short-term receivables	2,964,749	5,574,404	6,166,206	4,790,976	6,519,753
Long-term receivables	4,066,369	3,670,953	3,941,510	3,464,245	5,142,771
Total employee expense	1,212,995	1,806,406	1,850,370	1,991,033	1,860,550

Profit & Loss Data (In Million VND)	2009	2010	2011	2012	2013
Total revenues	24,688,574	37,498,039	47,745,526	51,112,836	54,017,133
Net revenues	23,060,904	35,341,871	44,527,685	49,142,124	52,460,060
Total expenses	-24,553,926	-37,172,268	-47,708,926	-50,974,666	-53,859,458
Pre-tax profit	134,648	325,770	36,600	138,170	157,675
After-tax profit	134,648	314,116	36,600	138,170	147,426
Income tax expense	428,414	394,142	611,079	731,240	

Cash flow Data (In Million VND)	2009	2010	2011	2012	2013
Cash from operating activities	1,899,733	431,527	-1,654,204	5,061,176	2,499,334
Cash from investing activities	-10,285,209	-2,689,672	-2,340,579	-10,340,068	-4,528,518
Cash from financing activities	7,701,968	1,543,119	3,634,491	5,441,344	1,308,282

Operational Ratios	2009	2010	2011	2012	2013
Long-term debt/Equity	2.57	2.09	3.23	3.2	3.14
Total Liabilities/ Equity	3.76	3.56	4.87	4.97	4.92
Equity/Total Assets (%)	21.02	21.93	17.03	16.74	16.88
Total Liabilities/Total Assets (%)	78.98	78.07	82.97	83.26	83.12
Long-term assets investment ratio (%)	83.61	76.11	82	86.64	85.49

Liquidity ratios	2009	2010	2011	2012	2013
Current ratio	0.66	0.74	0.64	0.45	0.48
Quick ratio	0.55	0.67	0.6	0.42	0.45
Total liquidity ratio	1.27	1.28	1.21	1.2	1.2

Equitization of State Owned Enterprises in Vietnam –  
A Case Study of Vietnam Airlines Company Limited

Profitability ratios	2009	2010	2011	2012	2013
Return on Asset	0.42%	0.82%	0.08%	0.25%	0.25%
Return on Equity	1.99%	3.72%	0.44%	1.49%	1.47%
Return on Sales	0.58%	0.89%	0.08%	0.28%	0.28%
Total Asset Turnover	0.72	0.92	0.92	0.89	0.88

**Table 13: Vietnam Airlines - Financial Outlook (2014 - 18)**

Financial Data (In Billion VND)	2014	2015	2016	2017	2018
Sales and revenue	59,295	67,824	81,650	95,484	110,07
Sales returns and allowance	287	327	404	467	541
Net revenue	59,009	67,496	81,246	95,017	109,53
Cost of goods sold	52,560	59,303	69,698	80,927	94,054
Net sales and revenue	6,449	8,194	11,549	14,090	15,479
Financial income	364	401	427	455	487
Financial expense	2,809	2,923	3,697	4,149	4,636
Selling expense	2,904	3,457	4,288	4,906	5,577
Administration expense	1,401	1,568	1,658	1,778	1,892
Profit (loss) from operating activities	-301	647	2,333	3,711	3,860
Other income	670	728	868	969	1,049
Other expense	27	31	38	45	54
Other profit (loss)	642	697	830	924	995
Net profit (loss) before tax	341	1,344	3,163	4,635	4,855
Corporate tax	–	211	602	920	961
Net profit (loss) after tax	341	1,132	2,561	3,716	3,894
Return on Sales - ROS (%)	0.57%	1.96%	3.83%	4.81%	4.37%
Return on Equity - ROE (%)	2.37%	8.75%	14.42%	18.97%	18.27%
Return on Asset - ROA (%)	0.52%	1.62%	3.33%	4.54%	4.50%
Labor Cost	4,361	5,293	5,976	6,873	7,676

Asset (In Billion VND)	2014	2015	2016	2017	2018
Current Assets	13,443	16,077	17,156	18,234	24,382
Cash and cash equivalent	3,620	5,176	5,338	8,986	13,817
Non-current Assets	52,345	66,622	77,936	83,760	83,376
Fixed Assets	37,717	51,276	61,052	68,277	70,962
Total Assets	65,788	82,726	95,118	102,023	107,788



## Equitization of State Owned Enterprises in Vietnam – A Case Study of Vietnam Airlines Company Limited

Asset Structure	2014	2015	2016	2017	2018
Current Assets	20.40%	19.40%	18.00%	17.90%	22.60%
Cash and cash equivalent	5.50%	6.30%	5.60%	8.80%	12.80%
Non-current Assets	79.60%	80.60%	82.00%	82.10%	77.40%
Fixed Assets	57.30%	62.00%	64.20%	66.90%	65.90%
Total Assets	100%	100%	100%	100%	100%

Capital (In Billion VND)	2014	2015	2016	2017	2018
Current liabilities	21,240	24,688	25,527	27,142	30,812
Bank loans and current portion of long-term debt	9,953	11,625	9,437	7,875	8,276
Non-current liabilities	30,154	42,672	47,660	50,443	50,399
Long-term debt	30,037	42,539	47,500	50,256	50,184
Equity	14,394	15,366	21,932	24,437	26,576
Total Capital	65,788	82,726	95,119	102,022	107,787

Capital structure	2014	2015	2016	2017	2018
Current liabilities	32.30%	29.80%	26.80%	26.60%	28.60%
Bank loans and current portion of long-term debt	15.10%	14.10%	9.90%	7.70%	7.70%
Non-current liabilities	45.80%	51.60%	50.10%	49.50%	46.80%
Long-term debt	46%	51%	50%	49%	47%
Equity	21.90%	18.60%	23.10%	23.90%	24.60%
Total Capital	100%	100%	100%	100%	100%

**Table 14: Post IPO Strategic Direction Outlined by the Company**

Maintain our leading position in the national airline industry. We aim at superior economic performance accompanied by effective implementation of political tasks assigned by the State, including maintaining our key position in the industry, offering services to a wider public and serving as a preliminary force for national security.
Position ourselves among top airlines of ASEAN region with regards to scale, and hold the pivotal role in the air transport of the CLMV sub-region; Strive to position Vietnam Airlines in the market as a reputable brand name.
Follow customer-driven strategy for constant services quality improvement; prioritize safety, quality, operating performance, capital preservation and development in business; promote the combination of services with cultural elements to create a distinctive cultural identity among our peer group; expect to have our products and services ranked at a fair level of the region in 2015, embracing Vietnamese cultural identity while meeting the international standards of a 4-star airline; and become a favorite airline in Asia in terms of in-flight quality and ground services in 2020.
Pursue sustainable development through selectively investing in innovative technology, such as technical infrastructure for repair and maintenance, aerospace industry, specialized training facilities and synchronization services at the airport, especially passenger terminal, cargo terminal and infrastructure at the base airport.
Take advantage of the internal resources and creating excellent crew of pilots, engineers, staffs and experts with professional elite, high labor productivity to operate and manage a large-scale professional airline; expand both domestic and international cooperative ventures; renovate the management process for a more scientific, modern, and united system as well as to promote the synergy values throughout the company.
Strive to become one of the most attractive employers in Vietnam for its image of an industry with high technology and international integration; for the inspirations at work and for its excellent remuneration package including high and stable income, training opportunities and career development.

Note: Financial year for Vietnam Airline Company ends December 31 every year

## Equitization of State Owned Enterprises in Vietnam – A Case Study of Vietnam Airlines Company Limited

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