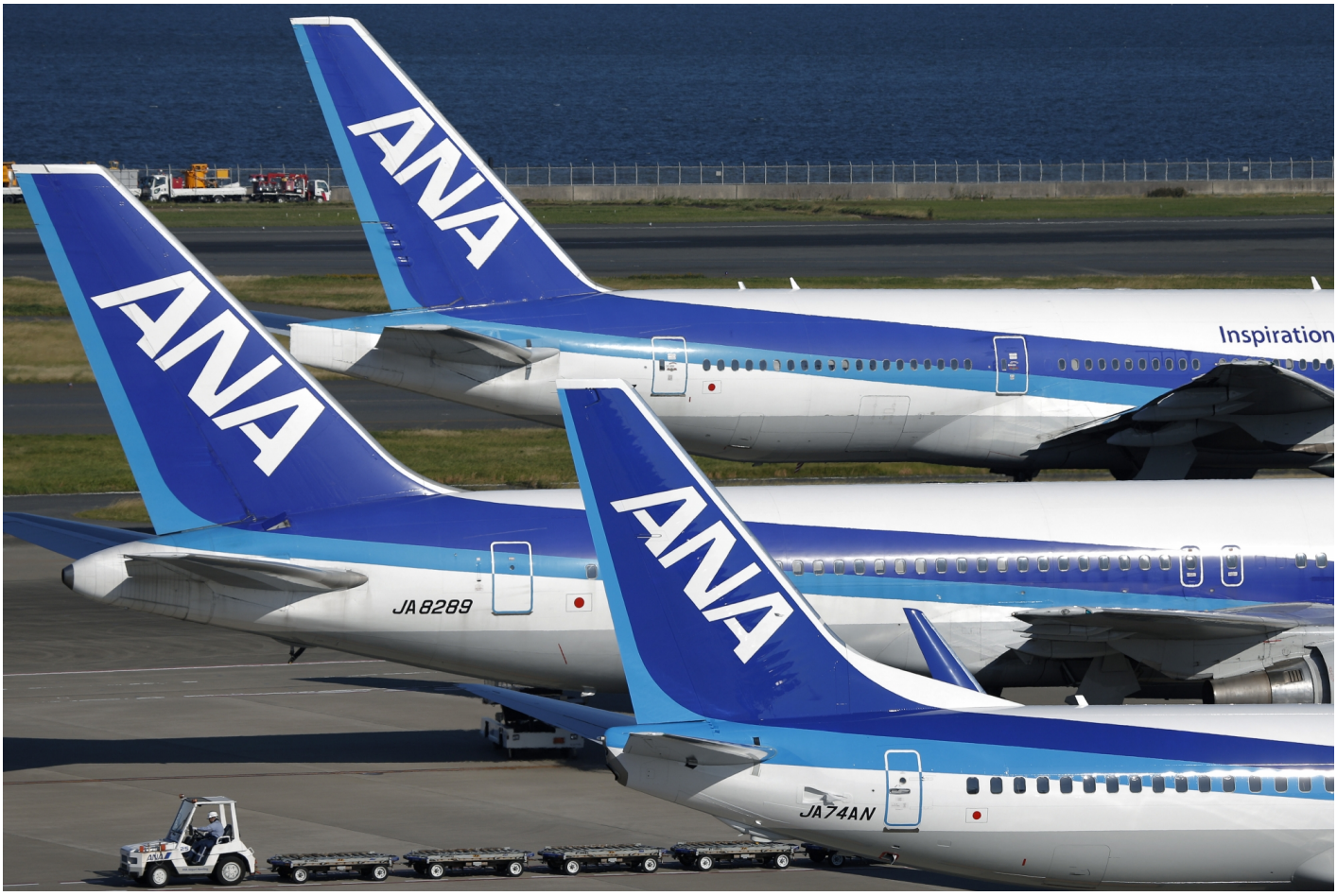
ANA TO BUY 8.8% STAKE IN VIETNAM AIRLINES

News / Finance



All Nippon Airways (ANA) has signed a memorandum of understanding to buy a minority stake in Vietnam Airlines.

The MoU calls for the Japanese carrier to acquire 8.8% of Vietnam Airlinesfor VND2.4 billion ($108 million), says ANA in a one page statement.

The agreement will help the two carriers take “maximum advantage” of air traffic growth between Japan and the Vietnam, Cambodia, Laos, and Myanmar.

The deal, which is subject to regulatory approval in both countries, will see the ANA Group take a seat on Vietnam Airlines’ board. In addition, ANA will assist the Vietnamese carrier with “operational and management knowhow to help support service quality.”

Media reports citing Vietnam Airlines Chairman Pham Ngoc Minh indicate that the deal is expected to close in the second quarter of 2016.

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ANA notes that Vietnam Airlines operates 66 flights weekly on ten routes between Japan and Vietnam, while ANA operates 14 flights on two routes.

Despite the MOU, the two carriers are part of different alliances: ANA is part of Star Alliance, while Vietnam Airlines is part of SkyTeam. The statement makes no mention of codesharing or interlining between the two carriers.

The 8.8% stake is less than the 20% Vietnam Airlines originally aimed to sell to a strategic investor.

In November 2015, Vietnam Airlines sold 49 million shares at an average price of VNDD22,307 to two institutional investors and 1,575 private investors, representing 3.5% of its shares. A further 1.5% was sold to the airline's employees and management.

A 20% stake was allocated for sale to a "strategic investor" at a later date, leaving the Vietnamese government with a 75% stake. Hanoi could reduce its stake further to a minimum of 65%.

ANA has expressed interest in investing in Indochina, but has met with limited success. In July 2014 it called off a $25 million investment in Myanmar's Asian Wings Airways, citing the increasingly competitive environment in the market.

12 JANUARY 2016

SOURCE: FLIGHTGLOBAL
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