Company – Update | Thailand

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Thai Airways (THAI TB)

Gradual qoq Improvement In Earnings Outlook

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Highlights

- 3Q26 bookings have shown yoy growth, which implies improving travel demand.
- THAI should be able to deliver stronger unit margins qoq from its lean CASK and the improving cabin factor that will drive its RASK.
- We see that THAI's valuation remains undemanding while the earnings outlook is gradually recovering on stronger booking demand and improving margins qoq. Maintain BUY with a target price of Bt6.80.

Analysis

- **Positive tone from the analyst meeting.** We attended Thai Airways' (THAI) analyst meeting to review its 2Q26 results and the tone was positive.
- **Strong bookings in 3Q26.** THAI is starting to see stronger flight demand in 3Q26 and will not be reducing flights like in 2Q26. The cabin factor in Europe routes is now very strong at over 80% based on Jul-Aug 26 bookings, which is a strong improvement from 2Q26's cabin factor at 70% for Europe routes. The bookings in 3Q26 currently are already up yoy, which is an improvement from our previous update. Even the seasonally weakest month of Sep 26 has shown bookings growth yoy which reflects strong travel demand. This has shown THAI's ability to improve its weaker areas in 2Q26, such as the Europe route. The passenger yield in 3Q26 should decline slightly qoq from the decrease in ticket price but should remain at a higher level than during the pre-war period.
- **Lower unit cost driving qoq improvement in 3Q26.** THAI's main strategy is to prioritise and maximise passenger yield. Although we foresee passenger yield dropping qoq due to airfares normalising, we still expect the yield to remain at a high level. The qoq improvement in cabin factor will also be a vital Revenue per Available Seat Kilometer (RASK) driver in 3Q26. Meanwhile, the Cost per Available Seat Kilometer (CASK) should drop qoq as the fuel price has settled down from 2Q26. Moreover, management guided that we should see no significant qoq increase in maintenance and employee expenses. Hence, we expect to see a unit margin improvement in 3Q26. THAI currently has one of the leanest CASK as a result of it having recently exited the rehabilitation plan. This is a positive sign that THAI's earnings outlook is improving.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	26,041	26,067	24,718	27,652	29,259
EBITDA	6,992	7,172	4,742	6,914	7,134
Operating profit	5,456	5,592	3,186	5,444	5,632
Net profit (rep./act.)	3,788	3,549	2,121	4,021	4,259
Net profit (adj.)	3,829	3,741	2,121	4,021	4,259
EPS (Bt)	1.8	1.8	1.0	1.9	2.0
PE (x)	10.6	10.9	19.2	10.1	9.6
P/B (x)	2.6	3.1	3.2	2.7	2.4
EV/EBITDA (x)	8.1	7.9	12.0	8.2	8.0
Dividend yield (%)	6.7	6.2	3.6	6.9	7.3
Net margin (%)	14.5	13.6	8.6	14.5	14.6
Net debt/(cash) to equity (%)	122.8	121.4	129.5	87.6	70.0
Interest cover (x)	4.2	4.2	3.4	5.4	6.0
ROE (%)	23.0	24.3	16.3	28.5	26.5
Consensus net profit (Btm)	-	-	3,001	3,801	4,279
UOBKH/Consensus (x)	-	-	0.71	1.06	1.00

Source: Thai Airways, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	Bt5.80
Target Price	Bt6.80
Upside	+17.2%

Stock Data

Sector	Industrials
Bloomberg ticker	THAI TB
Shares issued (m)	28,303.3
Market cap (Btm)	164,159.1
Market cap (US$m)	4,960.4
3-mth avg daily t'over (US$m)	26.7

Price Performance (%)

52-week high/low: Bt16.40/Bt5.25

1mth	3mth	6mth	1yr	YTD
(3.3)	(2.5)	(15.3)	(64.8)	(16.5)

Major Shareholders (%)

Ministry of Finance	38.90
Bangkok Bank	8.50

Balance Sheet Metrics

FY26 NAV/Share (Bt)	3.13
FY26 Net Debt/ Share (Bt)	1.94

Price Chart

Source: Bloomberg

Company Description

Thai Airways is the national flag carrier and largest airline of Thailand. The company operates both domestic and international flights, serving destinations across Asia, Europe, and Oceania, with its main hub at Suvarnabhumi Airport in Bangkok. Its business segments include passenger transport, cargo, mail, catering, and ground services.

- **Bookings in 2H26 still have room for fuel surcharge.** Up to now, THAI has sold up to around 30% of total tickets in 4Q26. This gives THAI flexibility to cope with the possibility of increased jet fuel prices, as the situation in the Middle East has not concluded. The remaining 70% of tickets are still eligible for a price increase due to the fuel surcharge. If fuel prices exceed US$150 per barrel, we could see THAI increase its ticket price again. This wiggle room provides THAI with good protection from possible downsides due to fuel prices.
- **Opportunity in domestic market.** Typically, THAI has three types of customers: Business travel, premium leisure, and economy leisure. The strongest demand comes from business travel, where trips are mandatory, while premium leisure demand remains strong, but bookings are being made later than usual. The weakness in demand comes from economy leisure travellers, who are the most price-sensitive group. Currently, THAI has an operating leverage advantage on the fuel cost over low-cost airlines which are suffering from the surging fuel price. THAI is actively launching promotions for domestic routes as they see the current situation as favourable for them to build up market share. These promotions mainly aim to attract more demand but are expected to be profitable for the company, as THAI prioritises passenger yield over passenger volume.
- **Hedging level remains high in 2H26.** THAI has a policy allowing it to hedge up to 60% of its fuel usage. This hedging and fuel management has mitigated the impact from rising fuel costs by 60% in 2Q26. THAI's hedging level is one of the highest in Asia but remains comparable to peers in Europe. The current level of hedging for 2H26 is around 40%. THAI could still potentially hedge more fuel in case there is no further improvement in the situation in the Middle East. This will give it more shielding to protect itself from further downsides of possible fuel price surges in case the unrest in Middle East escalates.

Valuation/Recommendation

- **Maintain BUY with a target price of Bt6.80.** Our valuation for THAI is rolled over to 2027, based on a PE multiple of 8.0x (based on 2SD below the 2017-19 historical mean multiple). We believe that THAI's valuation remains undemanding while the overhang over the lock-up period expiry has already been resolved. The 3Q26 outlook is gradually improving as the booking demand gets stronger, and margins should also improve qoq.

Environment, Social, Governance (ESG) Updates

Environmental

- Fuel usage: THAI is reducing carbon emissions by improving fuel efficiency through fleet renewal and exploring options for Sustainable Aviation Fuel.
- Net-zero by 2065: THAI has publicly stated a net-zero emissions goal by 2065 as part of its long-term climate strategy.

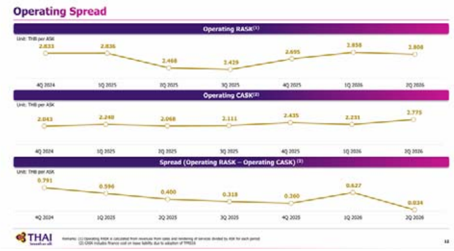
Social

- Supporting the community: THAI supports local communities through CSR initiatives and local sourcing, particularly for in-flight food and amenities.

Governance

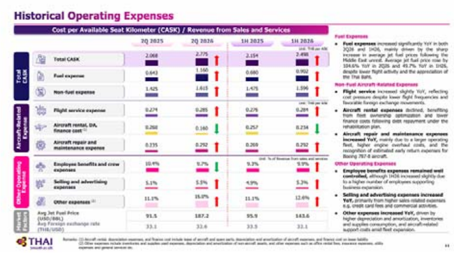
- Strategic ESG partnerships: THAI's partnership with PTT Global Chemical on SAF reflects its commitment to global sustainability standards.

THAI's Operating Spread



Source: THAI

THAI's Unit Cost Structure



Source: THAI

Jet Fuel Price Trend

Source: S&P Global Energy Platts

Fleet Plan Update

Source: THAI

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	184,869	217,218	228,009	236,207
EBITDA	49,422	43,194	52,719	55,354
Deprec. & amort.	13,991	12,650	13,968	17,378
EBIT	35,430	30,544	38,751	37,977
Total other non-op. income	1,697	0	0	0
Associate contributions	34	63	63	63
Net interest income/(expense)	(8,695)	(11,417)	(14,102)	(14,346)
Pre-tax profit	28,467	19,190	24,712	23,694
Tax	2,473	(383)	(616)	(4,726)
Minorities	(30)	(27)	(27)	(27)
Net profit	30,910	18,781	24,069	18,941
Net profit (adj.)	29,518	18,718	24,006	18,878

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	111,737	140,287	171,019	186,115
Other LT assets	48,823	55,843	58,413	60,331
Cash/ST investment	78,579	74,441	91,844	92,751
Other current assets	64,920	74,634	78,190	80,844
Total assets	304,059	345,206	399,467	420,041
ST debt	9,871	9,370	11,541	12,505
Other current liabilities	67,716	77,849	81,558	84,326
LT debt	107,802	120,024	146,662	148,807
Other LT liabilities	42,758	49,156	51,498	53,246
Shareholders' equity	75,834	88,671	108,045	120,969
Minority interest	78	135	162	189
Total liabilities & equity	304,059	345,206	399,467	420,041

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	31,295	31,907	38,217	36,460
Pre-tax profit	28,467	19,190	24,712	23,694
Tax	2,473	(383)	(616)	(4,726)
Deprec. & amort.	13,991	12,650	13,968	17,378
Working capital changes	1,700	1,801	659	492
Non-cash items	(15,184)	(1,383)	(506)	(378)
Other operating cashflows	(118)	94	63	63
Investing	(25,396)	(41,822)	(44,928)	(32,644)
Capex (growth)	(13,236)	(41,200)	(44,700)	(32,474)
Investment	1,908	1,908	1,908	1,908
Others	(14,068)	(2,530)	(2,136)	(2,078)
Financing	(11,532)	5,777	24,114	(2,910)
Dividend payments	0	(5,944)	(4,695)	(6,017)
Proceeds from borrowings	(11,068)	11,721	28,809	3,108
Loan repayment	0	0	0	0
Others/interest paid	(465)	0	0	0
Net cash inflow (outflow)	(5,633)	(4,138)	17,403	907
Beginning cash & cash equivalent	84,212	78,579	74,441	91,844
Ending cash & cash equivalent	78,579	74,441	91,844	92,751

Key Metric

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	26.7	19.9	23.1	23.4
Pre-tax margin	15.4	8.8	10.8	10.0
Net margin	16.7	8.6	10.6	8.0
ROA	10.4	5.8	6.5	4.6
ROE	50.9	22.8	24.5	16.5
Growth (% yoy)				
Turnover	(2.6)	17.5	5.0	3.6
EBITDA	(9.9)	(12.6)	22.0	5.0
Pre-tax profit	n.a.	(32.6)	28.8	(4.1)
Net profit	n.a.	(39.2)	28.2	(21.3)
Net profit (adj.)	95.9	(36.6)	28.3	(21.4)
EPS	95.9	(36.6)	28.3	(21.4)
Leverage				
Debt to total capital	60.8	59.3	59.4	57.1
Debt to equity	155.2	145.9	146.4	133.3
Net debt/(cash) to equity	51.6	62.0	61.4	56.7
Interest cover (x)	5.7	3.8	3.7	3.9