

Thai Airways (THAI TB)

Resuming Normal Operations

Highlights

- THAI has returned to trading after successfully completing debt restructuring, resetting its cost structure.
- The airline's operational expansion continues with phased fleet additions, supported by a favourable oil price outlook.
- Initiate coverage with a BUY recommendation and a target price of Bt17.00.

Analysis

- **Completed debt restructuring.** Thai Airways (THAI) exited rehabilitation on 16 Jun 25 after meeting all conditions, emerging with a leaner cost structure, industry-leading margins, and improved efficiency from addressing inflated employee costs and high maintenance expenses.
- **Fleet expansion to regain market share.** THAI is growing its fleet, focusing on fuel-efficient narrow-body aircraft for short- to mid-haul routes, to restore market share and accelerate revenue growth. After its market share dropped from 37% in 2019 to 26% in 2024, management aims for a recovery to 35% by 2029. Backed by strong airline partnerships and a premium positioning over low-cost carriers, the addition of 45 new aircraft (with potential for more) is set to be a major revenue driver.
- **Oil price downtrend to lift earnings.** Fuel accounts for about one-third of THAI's total expenses and remains its largest cost item. With crude oil and jet fuel prices projected to decline through 2025–26, THAI is expected to see reduced fuel costs, which should meaningfully support profitability.
- **THAI's fleet expansion with fuel-efficient narrow-body aircraft to drive profitability.** As part of its long-term growth plan, THAI will add 32 A321neo aircraft from 2026 onwards. These narrow-body planes are more fuel efficient on short- to mid-haul routes - THAI's most profitable segment - helping cut fuel costs and lift passenger yield. They also provide greater operational flexibility by accessing more airports and boosting utilisation. Combined with its wide-body fleet for long-haul routes, the balanced mix enhances efficiency, connectivity, and earnings resilience.

Click [here](#) for Full Report dated 15 Sep 25

Key Financials

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	160,140	189,786	193,202	206,175	223,179
EBITDA	49,634	54,866	59,044	61,338	64,950
Operating profit	38,245	41,839	45,362	46,876	48,871
Net profit (rep./act.)	28,096	(26,934)	32,459	33,522	33,634
Net profit (adj.)	25,867	15,064	32,396	33,459	33,571
EPS (Bt)	11.9	0.5	1.1	1.2	1.2
PE (x)	1.2	27.8	12.9	12.5	12.5
P/B (x)	n.a.	9.2	5.4	4.1	3.3
EV/EBITDA (x)	8.9	8.1	7.5	7.2	6.8
Dividend yield (%)	0.0	0.0	1.9	2.0	2.0
Net margin (%)	17.5	(14.2)	16.8	16.3	15.1
Net debt/(cash) to equity (%)	(258.0)	97.8	29.6	22.3	18.9
Interest cover (x)	3.5	3.5	4.7	4.8	4.5
ROE (%)	n.m.	n.m.	52.6	37.0	29.0
Consensus net profit (Btm)	-	-	33,052	30,307	29,611
UOBKH/Consensus (x)	-	-	0.98	1.10	1.13

Source: THAI, Bloomberg, UOB Kay Hian

BUY

Share Price	Bt14.80
Target Price	Bt17.00
Upside	+14.9%

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Stock Data

GICS sector	Industrials
Bloomberg ticker:	THAI TB
Shares issued (m):	28,303.3
Market cap (Btm):	418,888.7
Market cap (US\$m):	13,199.2
3-mth avg daily t'over (US\$m):	86.5

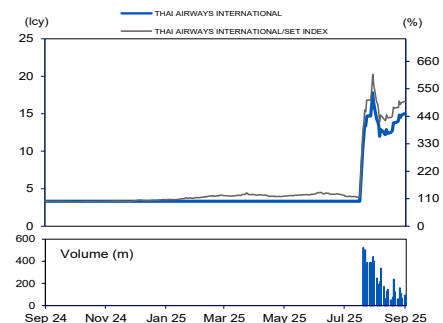
Price Performance

52-week high/low	Bt19.40/Bt8.85
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Major Shareholders

	%
Ministry of Finance	38.90
Bangkok Bank	8.50
FY25 NAV/Share (Bt)	2.75
FY25 Net Debt/ Share (Bt)	0.81

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.

- **Fleet rationalisation.** THAI is restructuring its fleet by phasing out Rolls-Royce engines and shifting toward Boeing aircraft powered by General Electric engines, with 45 B787s secured. The goal is to reduce engine types from nine to five, lowering maintenance costs and improving flexibility.
- **Reorganising staff structure.** THAI has cut its staff count from 35,700 to 22,196 under the rehabilitation plan, reducing employee expenses from 23% to 10.7% of revenue. While costs will rise with fleet expansion, THAI targets to cap them at 13% of revenue in the long term, with compensation already adjusted to market levels in early-25.
- **Lower possibility of THAI reverting to SOE.** With the Ministry of Finance's stake reduced to 38.9% after debt-to-equity conversions and rights offerings, THAI is unlikely to revert to an SOE, easing investor concerns about the rigid state-enterprise culture and ensuring greater operational flexibility.
- **Retrofitting to add high-margin seats.** THAI plans to retrofit its fleet by upgrading economy to a high-margin premium economy seats, raising the premium cabin share from 12% to 26%. This is expected to boost revenue by 18.1%, enhance passenger experience, attract premium travellers, and improve efficiency through lighter materials that reduce fuel costs.

Valuation/Recommendation

- **Recommend BUY with a target price of Bt17.00.** Our valuation for THAI in 2026 is based on a PE multiple of 14.0x (based on 1 SD above the three-year mean multiple prior to the rehabilitation plan). Compared with industry peers' average of 10.2x blended forward PE, we think THAI deserves a premium valuation. The stock is likely to command a premium valuation given its: a) fleet additions of fuel-efficient narrow-body aircraft, b) decreasing maintenance cost due to fewer engine types, c) declining fuel cost given the downtrend in oil prices, d) increasing number of high-margin seats via cabin retrofits, and e) reduction of employee costs on the back of company restructuring. We deem PE multiple as the most suitable method of valuation as earnings will be the best reflection of THAI's valuation going forward.

Environment, Social, Governance (ESG) Updates

Environmental

- **Fuel usage:** THAI has committed to reducing its carbon emissions and improving fuel efficiency. Part of this is managed through fleet renewal - adding more fuel-efficient narrow-body and wide-body aircraft - and seeking partnerships for Sustainable Aviation Fuel (SAF).
- **Net-zero by 2065:** THAI has publicly stated a net-zero emissions goal by 2065 as part of its long-term climate strategy.

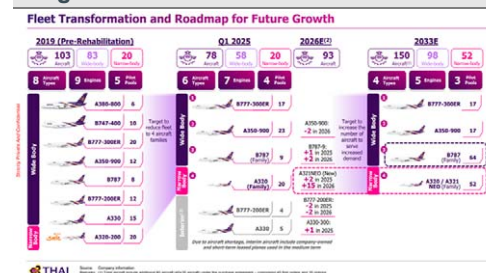
Social

- Supporting the community:** THAI emphasises community support and local sourcing programmes, particularly through its in-flight food and amenity procurement strategy. This ties into broader corporate responsibility (CSR) mechanisms and stakeholder engagement with Thai producers.

Governance

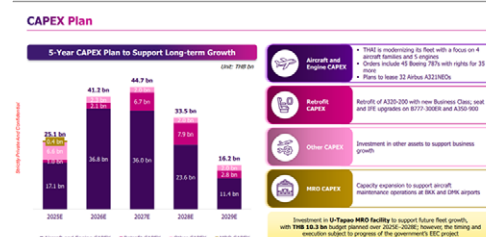
- **Strategic ESG partnerships:** Its partnership with PTT Global Chemical for SAF production signals a governance commitment to aligning with global sustainability trends and regulatory expectations.

Long-Term Fleet Plan



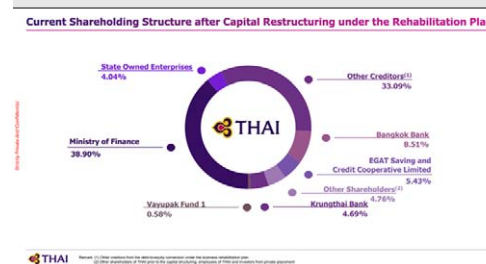
Source: THAI, UOB Kay Hian

Capex Usage Plan



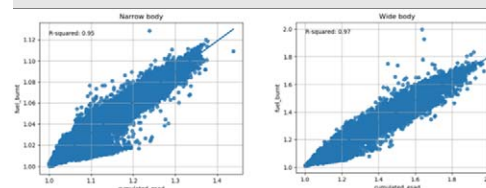
Source: THAI. UOB Kay Hian

Shareholder Structure



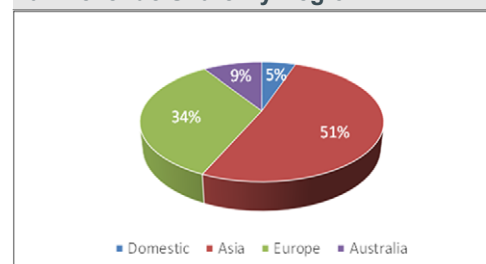
Source: THAI, UOB Kay Hian

Fuel Consumption Of Wide & Narrow Body Aircraft



Source: Research Gate, UOB Kay Hian

Pax Revenue Share By Region



Source: THAI. UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Net turnover	189,786	193,202	206,175	223,179
EBITDA	54,866	59,044	61,338	64,950
Deprec. & amort.	13,026	13,682	14,462	16,079
EBIT	41,839	45,362	46,876	48,871
Total other non-operating income	(52,576)	0	0	0
Associate contributions	63	63	63	63
Net interest income/(expense)	(15,852)	(12,446)	(12,707)	(14,412)
Pre-tax profit	(26,526)	32,979	34,233	34,523
Tax	(374)	(494)	(683)	(861)
Minorities	(33)	(27)	(27)	(27)
Net profit	(26,934)	32,459	33,522	33,634
Net profit (adj.)	15,064	32,396	33,459	33,571

Balance Sheet

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Fixed assets	112,492	123,910	150,648	179,269
Other LT assets	45,007	45,752	47,985	51,694
Cash/ST investment	84,212	90,533	102,053	126,833
Other current assets	50,797	51,674	54,302	58,667
Total assets	292,508	311,870	354,989	416,463
ST debt	9,510	9,672	10,650	12,572
Other current liabilities	67,077	68,235	71,706	77,469
LT debt	119,231	103,904	114,496	138,613
Other LT liabilities	51,102	51,984	54,628	59,019
Shareholders' equity	45,510	77,969	103,377	128,630
Minority interest	79	106	132	159
Total liabilities & equity	292,508	311,870	354,989	416,463

Cash Flow

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	(24,815)	46,802	48,854	51,139
Pre-tax profit	(26,526)	32,979	34,233	34,523
Tax	(374)	(494)	(683)	(861)
Deprec. & amort.	13,026	13,682	14,462	16,079
Working capital changes	6,235	179	535	888
Non-cash items	(15,828)	103	307	511
Other operating cashflows	(1,285)	416	63	63
Investing	(25,215)	(24,963)	(40,789)	(44,018)
Capex (growth)	(15,770)	(25,100)	(41,200)	(44,700)
Investment	1,845	1,845	1,845	1,845
Others	(11,291)	(1,708)	(1,434)	(1,163)
Financing	81,303	(15,517)	3,455	17,658
Dividend payments	0	0	(8,115)	(8,381)
Proceeds from borrowings	(35,677)	(15,165)	11,570	26,039
Loan repayment	0	0	0	0
Others/interest paid	116,980	(352)	0	0
Net cash inflow (outflow)	31,273	6,321	11,520	24,780
Beginning cash & cash equivalent	52,939	84,212	90,533	102,053
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	84,212	90,533	102,053	126,833

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	28.9	30.6	29.8	29.1
Pre-tax margin	(14.0)	17.1	16.6	15.5
Net margin	(14.2)	16.8	16.3	15.1
ROA	(10.1)	10.7	10.1	8.7
ROE	n.a.	52.6	37.0	29.0
Growth				
Turnover	18.5	1.8	6.7	8.2
EBITDA	10.5	7.6	3.9	5.9
Pre-tax profit	n.a.	n.a.	3.8	0.8
Net profit	n.a.	n.a.	3.3	0.3
Net profit (adj.)	(41.8)	115.1	3.3	0.3
EPS	(95.5)	115.1	3.3	0.3
Leverage				
Debt to total capital	73.8	59.3	54.7	54.0
Debt to equity	282.9	145.7	121.1	117.5
Net debt/(cash) to equity	97.8	29.6	22.3	18.9
Interest cover (x)	3.5	4.7	4.8	4.5

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