

## Thai Airways (THAI TB)

Remain Attentive And Cautious

### Highlights

- We attended THAI's analyst meeting to review its 4Q25 earnings, and the tone during the meeting was neutral.
- The Middle East conflict should continue to be closely monitored as it will dictate the fuel cost for THAI.
- We remain cautious on THAI given the highly volatile fuel prices and the possible margin squeeze expected in the near term. We maintain HOLD with a target price of Bt6.70.

### Analysis

- **Neutral tone from analyst meeting.** We attended Thai Airways' (THAI) analyst meeting to review its 4Q25 earnings, and the tone during the meeting was neutral.
- **Update on the Middle East conflict.** Following the conflict in the Middle East which sparked up last week, the impact on THAI's operations remains minimal as THAI has no destinations in the Middle East. For the flight routes to Europe, THAI has avoided flying over Iran for some time and only required a slight change in route to resume normal operations. However, the impact from the closure of the Strait of Hormuz on jet fuel costs is a concern. We estimate that for every US\$5 increase to the jet fuel cost, THAI's 2026 earnings will be impacted by 7.5%. If the conflict resolves quickly, the impact on earnings will be limited as THAI has hedged 50% of the fuel to be used in 1H26, which should dampen the impact of fuel price volatility.
- **Close monitoring required going forward.** According to management, they are confident that they still can handle the operating performance in Mar 26 as Europe routes are all fully booked, showing a 6% yoy growth, with ticket prices being doubled prior to the conflict. However, the operating performance in Apr 26 remains to be seen as management is still cautious about how the Middle East situation will develop. THAI aims to increase its ticket prices in all routes from Apr 26 onwards to partially pass through its fuel cost increase. We expect to see a margin squeeze from Apr 26 onwards as management is cautious about the price increase and being mindful that the increase could hamper travel demand. If the conflict persists, we could see pressure from rising jet fuel costs and a slowdown in European and Middle Eastern arrivals from the risk of war.

### Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	189,786	184,869	206,175	223,179	234,643
EBITDA	54,866	49,422	58,236	62,529	65,898
Operating profit	41,839	35,430	45,586	48,561	48,521
Net profit (rep./act.)	(26,934)	30,910	33,522	33,634	27,376
Net profit (adj.)	15,064	29,518	33,459	33,571	27,313
EPS (Bt)	0.5	1.0	1.2	1.2	1.0
PE (x)	12.1	6.2	5.5	5.4	6.7
P/B (x)	4.0	2.4	1.8	1.4	1.2
EV/EBITDA (x)	4.1	4.5	3.8	3.6	3.4
Dividend yield (%)	0.0	3.3	4.6	4.6	3.7
Net margin (%)	(14.2)	16.7	16.3	15.1	11.7
Net debt/(cash) to equity (%)	97.8	51.6	38.8	35.5	28.4
Interest cover (x)	3.5	5.7	5.1	4.4	4.6
ROE (%)	n.a.	50.9	37.4	29.0	19.8
Consensus net profit (Btm)	-	-	29,592	28,754	-
UOBKH/Consensus (x)	-	-	1.13	1.17	N.A

Source: THAI, Bloomberg, UOB Kay Hian

**HOLD (Maintained)**

Share Price	Bt6.25
Target Price	Bt6.70
Upside	+7.2%

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### Stock Data

GICS sector	Industrials
Bloomberg ticker:	THAI TB
Shares issued (m):	28,303.3
Market cap (Btm):	182,556.2
Market cap (US\$m):	5,778.2
3-mth avg daily t'over (US\$m):	12.7

### Price Performance (%)

52-week high/low	Bt19.40/Bt13.32			
1mth	3mth	6mth	1yr	YTD
(13.4)	(26.3)	(48.0)	94.3	(7.2)

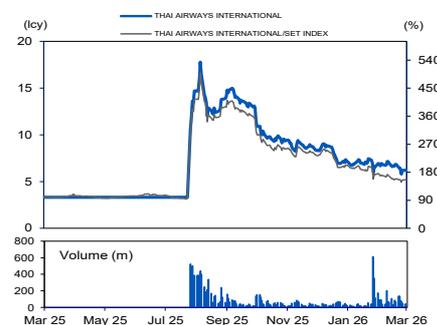
### Major Shareholders

Ministry of Finance	38.90
Bangkok Bank	8.50

### Balance Sheet Metrics

FY26 NAV/Share (Bt)	3.65
FY26 Net Debt/ Share (Bt)	1.42

### 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.

- 2026 guidance.** Management guided for an increase of around 5-6% yoy in Available Seat Kilometers (ASK) on the delivery of 28 new planes. The ASK increase is deemed subtle due to most of the aircraft being delivered in 2H26. THAI will also decommission six of their aircraft that operate with the Rolls-Royce engine to decrease their maintenance cost burden. New routes will be added once THAI receives the new plane deliveries. The focus will be on connecting to new destinations in Europe or adding more flights to the existing route and operating new routes to second tier cities in China and Korea. Another possible route is for THAI to initiate a direct flight from China to India. The travel demand remains to be seen, but Chinese and Indian officials are encouraging THAI to open this new route.
- The second lock-up period awaits.** 25% of the total locked-up 20,989m shares from debt-to-equity conversion became tradable on 4 Feb 26. The remaining 75% will become tradable on 4 Aug 26. From the company's unofficial talks with the shareholders, there could be a gradual sell-off from some non-majority shareholders whose policies do not allow them to invest in THAI shares. Meanwhile, shareholders from financial institutions and the retail investors remain the key candidates to sell THAI shares. We will monitor the upcoming second lock-up period expiry as we could see share price volatility from the large amount of liquidity injected into the market, similar to the first lock-up expiry.
- Interim fleet acquisition plan finalised.** Regarding the interim aircraft acquisition, management stated that it has secured the lease of 10 B787-9 planes from China Southern Airlines. It has also secured four additional B787-9 planes from the factory. However, most of these planes will be gradually delivered from 2H26 onwards as a refurbishment to the inflight entertainment device is required.

## Valuation/Recommendation

- Maintain HOLD with a target price of Bt6.70.** Our valuation for THAI in 2026 is based on a PE multiple of 6.0x (based on 2SD below 2009-19, excluding 2015-16 historical mean multiple covering the period when THAI was under MOF's influence). We remain cautious on THAI given that the situation in the Middle East remains unresolved. We expect to see a margin squeeze in Apr 26 onwards as management cannot fully pass through the fuel cost increase to the ticket price, fearing the negative effect on travel demand.

## 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.

## Operational Expenses

Historical Operating Expenses				
Cost per Available Seat Kilometer (CASK) / Revenue from Sales and Services				
	Q4 2024	Q4 2023	FY 2024	FY 2023
<b>Total CASK</b>	2.043	2.405	2.361	2.221
Fuel expense	0.522	1.141	0.916	0.842
Non-fuel expense	1.521	1.264	1.445	1.379
Flight service expense	0.571	0.396	0.570	0.570
Aircraft rental, BA	0.200	0.200	0.200	0.200
Aircraft repair and maintenance expense	0.345	0.222	0.331	0.231
Employee benefits and other expenses	0.4%	15.8%	0.3%	0.3%
Selling and advertising expenses	0.3%	4.2%	0.5%	0.5%
Other expenses**	10.7%	28.4%	11.2%	11.1%
Prep per Seat Price (CASK/ASK)	95.7	88.8	104.4	88.5
Prep per Available Seat Mile (CASK/ASK)	34.6	32.2	35.3	32.9

Source: THAI

## Thai's Key Markets

### THAI's Top-10 Passenger Revenue by Country of Destination in the Past 12 Months



## 3-Year Business Plan

Key Business Updates (Cont'd)	
<b>Fleet Plan</b> 2026: 102 aircraft, 67 B787-9, 35 A350-900 2027: 112 aircraft, 68 B787-9, 44 A350-900 2028: 129 aircraft, 77 B787-9, 52 A350-900	<b>Commercial Updates</b> Europe: Garuda, Batik Air Australia: Garuda, Batik Air Northern: Garuda, Batik Air India/China: Garuda, Batik Air

Source: THAI

## Lock-Up Period Details

Total THAI outstanding shares	28,303m
Shares from d/e conversion	20,989m
lockup expire on 4 Feb 26 (25%)	5,247m
lockup expire on 4 Aug 26 (75%)	15,742m
d/e conversion cost	Bt2.54/sh

Source: THAI, UOB Kay Hian

## 2026 Guidance

Business & Financial Outlook for FY 2026	
Outlook on Key Items	
ASK	expected to increase ~5% - 6% YOY
Yield	target to maintain at 2025 levels
Cabin Factor	target to maintain ~78% - 80%
Operating Margin	around mid-teens level

Source: THAI

### Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	184,869	206,175	223,179	234,643
EBITDA	49,422	58,236	62,529	65,898
Deprec. & amort.	13,991	12,650	13,968	17,378
EBIT	35,430	45,586	48,561	48,521
Total other non-operating income	1,697	0	0	0
Associate contributions	34	63	63	63
Net interest income/(expense)	(8,695)	(11,417)	(14,102)	(14,346)
<b>Pre-tax profit</b>	<b>28,467</b>	<b>34,233</b>	<b>34,523</b>	<b>34,238</b>
Tax	2,473	(683)	(861)	(6,835)
Minorities	(30)	(27)	(27)	(27)
Net profit	30,910	33,522	33,634	27,376
Net profit (adj.)	29,518	33,459	33,571	27,313

### Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
<b>Operating</b>	<b>31,295</b>	<b>46,485</b>	<b>47,874</b>	<b>44,944</b>
Pre-tax profit	28,467	34,233	34,523	34,238
Tax	2,473	(683)	(861)	(6,835)
Deprec. & amort.	13,991	12,650	13,968	17,378
Working capital changes	1,700	1,098	1,056	700
Non-cash items	(15,184)	(843)	(811)	(537)
Other operating cashflows	(118)	94	63	63
<b>Investing</b>	<b>(25,396)</b>	<b>(41,579)</b>	<b>(45,065)</b>	<b>(32,716)</b>
Capex (growth)	(13,236)	(41,200)	(44,700)	(32,474)
Investment	1,908	1,908	1,908	1,908
Others	(14,068)	(2,288)	(2,273)	(2,150)
<b>Financing</b>	<b>(11,532)</b>	<b>5,777</b>	<b>20,429</b>	<b>(5,301)</b>
Dividend payments	0	(5,944)	(8,381)	(8,409)
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)	10,683	23,239	6,927
Beginning cash & cash equivalent	84,212	78,579	89,262	112,501
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	78,579	89,262	112,501	119,428

### 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	53,101	57,216	59,944
Cash/ST investment	78,579	89,262	112,501	119,428
Other current assets	64,920	70,840	76,534	80,309
<b>Total assets</b>	<b>304,059</b>	<b>353,491</b>	<b>417,270</b>	<b>445,796</b>
ST debt	9,871	9,370	11,541	12,505
Other current liabilities	67,716	73,891	79,830	83,768
LT debt	107,802	120,024	146,662	148,807
Other LT liabilities	42,758	46,657	50,407	52,894
Shareholders' equity	75,834	103,412	128,666	147,634
Minority interest	78	135	162	189
<b>Total liabilities &amp; equity</b>	<b>304,059</b>	<b>353,491</b>	<b>417,270</b>	<b>445,796</b>

### Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
<b>Profitability</b>				
EBITDA margin	26.7	28.2	28.0	28.1
Pre-tax margin	15.4	16.6	15.5	14.6
Net margin	16.7	16.3	15.1	11.7
ROA	10.4	10.2	8.7	6.3
ROE	50.9	37.4	29.0	19.8
<b>Growth</b>				
Turnover	(2.6)	11.5	8.2	5.1
EBITDA	(9.9)	17.8	7.4	5.4
Pre-tax profit	n.a.	20.3	0.8	(0.8)
Net profit	n.a.	8.5	0.3	(18.6)
Net profit (adj.)	95.9	13.4	0.3	(18.6)
EPS	95.9	13.4	0.3	(18.6)
<b>Leverage</b>				
Debt to total capital	60.8	55.5	55.1	52.2
Debt to equity	155.2	125.1	123.0	109.3
Net debt/(cash) to equity	51.6	38.8	35.5	28.4
Interest cover (x)	5.7	5.1	4.4	4.6

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