Thai Airways (THAI TB)

3Q26: Earnings Miss Due To Several Expenses

Highlights

- THAI report a net loss of Bt432m in 3Q26 (vs net profit of Bt4.4b in 3Q25 and Bt1.5b in 2Q26), which is below our and consensus expectations.
- Although several expenses pressured 3Q26 earnings, operating metrics remained at a healthy level.
- We believe that THAI's valuation remains undemanding and believe that THAI will be the biggest beneficiary among airlines once fuel prices stabilise. Maintain BUY with a target price of Bt6.80.

3Q26 Results

Year to 31 Dec (Btm)	3Q25	2Q26	3Q26	yoy (%)	qoq (%)	9M25	9M26	yoy (%)
Total revenue	42,923	47,121	48,466	12.9	2.9	136,508	145,279	6.4
Operating EBIT	7,449	2,968	2,071	(72.2)	(30.2)	29,042	17,699	(39.1)
Core profit	5,422	1,561	60	(98.9)	(96.2)	22,364	10,627	(52.5)
Net profit	4,413	1,528	(432)	(109.8)	(128.2)	26,369	11,189	(57.6)
EPS (Bt)	0.16	0.05	(0.02)	(109.8)	(128.2)	0.93	0.40	(57.6)
(%)	**3Q25**	**2Q26**	**3Q26**	**yoy (ppt)**	**qoq (ppt)**	**9M25**	**9M26**	**yoy (ppt)**
Gross margin	16.5	4.6	3.2	(13.3)	(1.5)	20.6	11.1	(9.4)
EBIT margin	20.8	6.6	4.4	(16.4)	(2.2)	21.3	12.2	(9.1)
Core profit margin	12.6	3.3	0.1	(12.5)	(3.2)	16.4	7.3	(9.1)
Net profit margin	10.3	3.2	(0.9)	(11.2)	(4.1)	19.3	7.7	(11.6)

Source: THAI, UOB Kay Hian

Analysis

- **Weaker-than-expected net profit reported in 3Q26.** Thai Airways (THAI) reported a net loss of Bt432m in 3Q26 (from net profit of Bt4.4b in 3Q25 and Bt1.5b in 2Q26), which is below our and consensus expectations. The key miss was mainly due to higher-than-expected expenses following Bt641m in flood compensation. Besides fuel expenses which rose 57% yoy, THAI also saw a significant yoy increase in accrued expenses such as aircraft maintenance and employee expenses. There was also a net forex loss of Bt559m due to the Thai baht appreciation. If we exclude these losses, core profit should be Bt60m. Top-line was Bt48.5b (+12.9% yoy, +2.9% qoq), with the yoy growth mainly driven by a strong increase in passenger yield and cargo yield. Other metrics such as cabin factor and Available Seat Kilometers (ASK) remained fairly flat yoy. Margins remained under significant pressure from high fuel prices.

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)	9.7	4.9	7.8	6.1	7.7
P/B (x)	3.2	1.9	1.6	1.3	1.2
EV/EBITDA (x)	3.7	4.1	4.6	3.8	3.6
Dividend yield (%)	0.0	4.1	3.2	4.1	3.2
Net margin (%)	(14.2)	16.7	8.6	10.6	8.0
Net debt/(cash) to equity (%)	97.8	51.6	62.0	61.4	56.7
Interest cover (x)	3.5	5.7	3.8	3.7	3.9
ROE (%)	n.a.	50.9	22.8	24.5	16.5
Consensus net profit (Btm)	-	-	17,065	20,408	25,187
UOBKH/Consensus (x)	-	-	1.10	1.18	0.75

Source: Thai Airways, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Bt5.15
Target Price	Bt6.80
Upside	+32.0%

Stock Data

Sector	Industrials
Bloomberg ticker	THAI TB
Shares issued (m)	28,303.3
Market cap (Btm)	145,762.0
Market cap (US$m)	4,361.8
3-mth avg daily t'over (US$m)	16.1

Price Performance (%)

52-week high/low				Bt16.40/Bt5.25
1mth	3mth	6mth	1yr	YTD
(8.8)	(10.4)	(13.4)	(44.9)	(25.9)

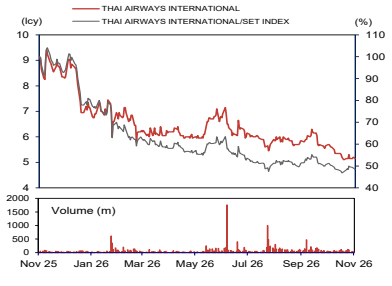
Major Shareholders (%)

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.

- **High fuel hedging to provide protection in 4Q26.** THAI has a policy allowing it to hedge up to 60% of its fuel consumption. Its hedging strategy and fuel management practices helped mitigate approximately 60% of the impact from rising fuel costs in 2Q26. THAI's hedging coverage is among the highest in Asia and remains comparable to that of European peers. Currently, around 40% of its fuel requirements for 4Q26 are hedged, leaving room for further hedging if the Middle East situation shows no signs of improvement. This provides THAI with additional flexibility to strengthen its protection against potential fuel price spikes should regional tensions escalate further.
- **4Q26 bookings retain flexibility for further fuel surcharge adjustments.** To date, THAI has sold approximately 30% of its total tickets for 4Q26, leaving the airline with greater flexibility to respond to potential increases in jet fuel prices amid ongoing uncertainty surrounding the Middle East conflict. The remaining 70% of tickets are still eligible for further price adjustments through fuel surcharges. Should jet fuel prices rise above US$150/bbl, we believe THAI could implement another round of ticket price increases. This pricing flexibility provides a meaningful buffer against potential downside risks from higher fuel costs.
- **Opportunity to gain market share in the domestic market.** THAI typically serves three customer segments: business travellers, premium leisure travellers, and economy leisure travellers. Business travel remains the strongest segment, as these trips are generally essential, while demand from premium leisure travellers remains resilient despite bookings being made later than usual. Weakness is concentrated in economy leisure travellers, who are more price sensitive. THAI currently has an operating cost advantage over low-cost carriers in terms of fuel expenses, as the latter are more exposed to surging fuel prices. Against this backdrop, THAI is actively launching promotional fares on domestic routes to capitalise on the favorable competitive environment and capture additional market share. These promotions are primarily aimed at stimulating demand while remaining profitable, as THAI continues to prioritise passenger yield over passenger volume. In 3Q26, we note that cabin factor of domestic flights remained at a healthy level of 80.5%, while passenger yield rose strongly yoy by 20.2%.

Valuation/Recommendation

- **Maintain BUY with a target price of Bt6.80.** Our valuation is based on 2027 PE multiple of 8.0x, 2SD below the 2017-19 historical average. We believe THAI's valuation remains undemanding, and believe that it will be the biggest beneficiary among airlines once jet fuel prices stabilise. The outlook for 4Q26 is gradually improving - the flood compensation will be less significant qoq and the high travel season will be a tailwind, providing strong 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.

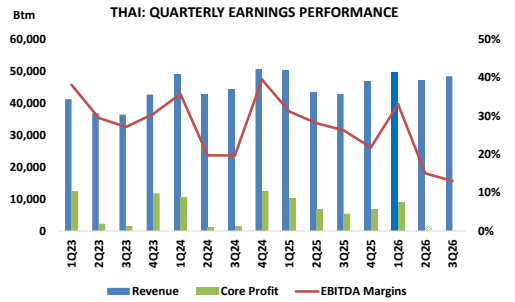
Social

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

Governance

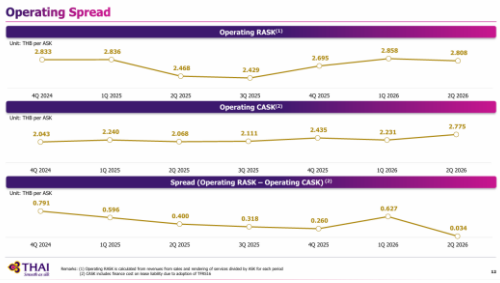
- Strategic ESG partnerships: THAI's partnership with PTT Global Chemical on SAF reflects its commitment to global sustainability standards.

Quarterly Performance



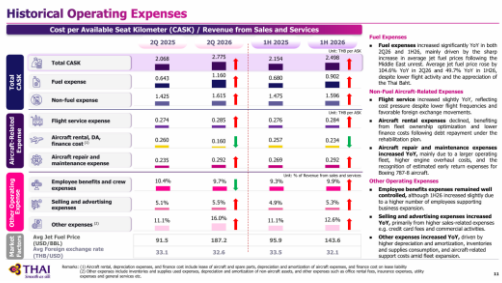
Source: THAI, UOB Kay Hian

Operating spread



Source: THAI

Unit cost structure



Source: THAI

Jet fuel price trend



Source: S&P Global Energy Platts

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

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