Thai Airways (THAI TB)

Positive Earnings Outlook For 4Q26

Highlights

- We attended THAI's analyst meeting to review its 3Q26 results, and the tone was positive.
- Operations in 4Q26 remain strong, with bookings indicating robust demand for Nov-Dec 26. We do not expect any operational cost surge in 4Q26.
- We believe THAI's valuation remains undemanding, while its earnings outlook is gradually improving, supported by positive booking momentum and sequential margin recovery. Maintain BUY with a target price of Bt6.80.

Analysis

- **Positive tone during analyst meeting.** We attended Thai Airways' (THAI) analyst meeting to review its 3Q26 results, and the tone was positive.
- **Positive bookings in 4Q26.** THAI will keep its available seat kilometres (ASK) high just like in 3Q26, on the back of stronger flight demand in 4Q26. In Oct 26, the overall cabin factor rose yoy to a healthy 80.5%. Regional and Australia routes were the key drivers of the yoy improvement in cabin factor, while Europe and domestic routes remained weaker yoy. Revenue passenger kilometres (RPK) remain strongly up yoy, implying robust travel demand. Bookings in Nov-Dec 26 are up yoy, indicating resilient travel demand despite elevated ticket prices. THAI will carry out aggressive marketing campaigns to improve routes that saw weak performance in Oct 26. For 4Q26, management targets maintaining passenger yield at 3Q26 levels, supported by the fuel surcharge introduced in early-Oct 26.
- **New fleet arrivals.** As of 3Q26, THAI's fleet had 61 wide-body planes and 30 narrow-body planes. Its aircraft delivery plan should be on track, with THAI having already received some A321NEO and B787 planes. We see this as a good time to add narrow-body planes as they have high fuel efficiency, flying in Asia routes. There are 10 new B787-8 planes that will need to be refurnished before they can commence operations, while another four new B787-9s are ready for operation. Three wide-body aircraft will be phased out of THAI's fleet in 4Q26, reducing maintenance complexity as the newer aircraft use engines from a single manufacturer. We should start to see a more meaningful increase in ASK from 1Q27 onwards once the planes are refurnished and ready for full operations.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	189,786	184,869	217,218	228,009	236,207
EBITDA	54,866	49,422	43,194	52,719	55,354
Operating profit	41,839	35,430	30,544	38,751	37,977
Net profit (rep./act.)	(26,934)	30,910	18,781	24,069	18,941
Net profit (adj.)	15,064	29,518	18,718	24,006	18,878
EPS (Bt)	0.5	1.0	0.7	0.8	0.7
PE (x)	9.2	4.7	7.4	5.8	7.3
P/B (x)	3.0	1.8	1.6	1.3	1.1
EV/EBITDA (x)	3.5	3.9	4.5	3.7	3.5
Dividend yield (%)	0.0	4.3	3.4	4.4	3.4
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	Bt4.88
Target Price	Bt6.80
Upside	+39.3%

Stock Data

Sector	Industrials
Bloomberg ticker	THAI TB
Shares issued (m)	28,303.3
Market cap (Btm)	138,120.1
Market cap (US$m)	4,067.1
3-mth avg daily t'over (US$m)	13.8

Price Performance (%)

52-week high/low				Bt16.40/Bt4.78
1mth	3mth	6mth	1yr	YTD
(8.8)	(15.9)	(18.0)	(45.8)	(29.8)

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.

- **No more accrued costs or significant flood compensation in 4Q26.** In 3Q26, non-fuel costs such as aircraft maintenance and employee expenses surged significantly yoy due to the accrued amounts from 1Q-2Q26. Fuel expenses and maintenance expenses are not expected to decline yoy in 4Q26 as fuel prices remain high and THAI has received several new planes. The expenses in 2025 were more evenly spread out. Hence, we expect 4Q26 expenses to be more moderate than in 3Q26 especially employee expenses. Moreover, passenger compensation costs arising from the floods should be significantly lower than in 3Q26, as flight cancellations were limited to 1-2 Oct 26. Compensation costs for THAI's cargo business remain uncertain, as the company is still assessing the extent of compensation required. Hence, we do not expect any significant increase in expenses in 4Q26, apart from fuel and maintenance costs.
- **Starting to hedge fuel for 2027.** THAI has a policy that allows it to hedge up to 60% of its fuel usage. THAI's hedging level is one of the highest in Asia but remains comparable to peers in Europe. THAI has hedged around 40% of its fuel requirements for 4Q26. It has also hedged around 10% of its 2027 fuel usage ever since fuel prices dropped in Jun 26. THAI could increase its fuel hedging if prices soften in the near term, providing an additional buffer against potential fuel price spikes should geopolitical tensions in the Middle East escalate.
- **Process of finding new CEO remains on track.** Management indicated that THAI is in the final stage of its CEO selection process, with three internal candidates shortlisted for the position. The successful candidate will be promoted internally once the process is concluded. The Selection Committee plans to complete the final selection process within Dec 26 and targets to have the new CEO to start his/her position in Jan 27. The Selection Committee is composed of more than half of the Board of Directors. Management has confirmed that there should be no significant changes to the company's direction given that these three candidates have been in the working committee.

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 and its operations remain fairly strong in the high travel season. THAI's 4Q26 outlook is improving, with bookings trending higher yoy and no significant expense spikes expected on either a yoy or qoq basis.

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.

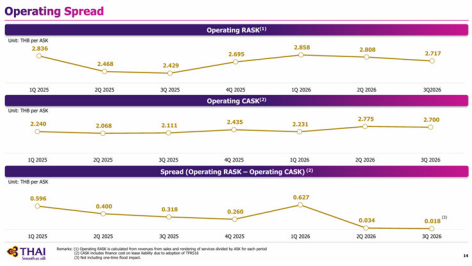
Social

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

Governance

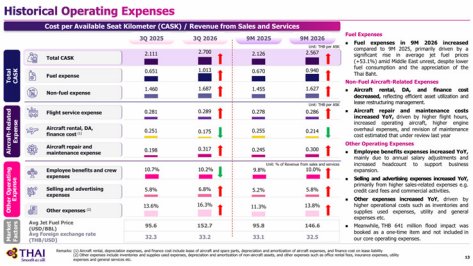
- Strategic ESG partnerships: THAI's partnership with PTT Global Chemical on SAF reflects its commitment to global sustainability standards.

Operating Spread



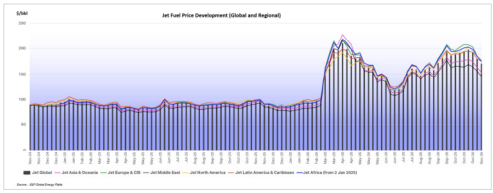
Source: THAI

Unit Cost Structure



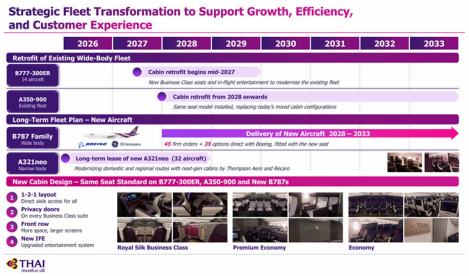
Source: THAI

Jet Fuel Price Trend



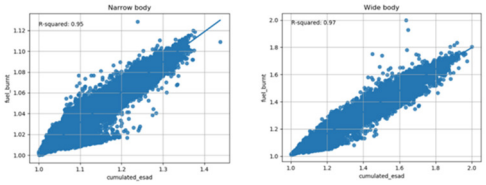
Source: S&P Global Energy Platts

Fleet Timeline



Source: THAI

Fuel Consumption Efficiency



Source: Research Gate

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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