Thai Airways (THAI TB)

Expect Weak Earnings In 2Q26, But With An Improving Outlook In 3Q26

BUY (Upgraded)	
Share Price	Bt5.90
Target Price	Bt6.80
Upside	+15.3%
Previous TP	Bt6.20

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Highlights

- THAI should report a net profit of Bt2.27b (-81.3% yoy, -77.5% qoq) in 2Q26, with the decline mainly due to the increasing fuel expense yoy.
- We expect near-term volatility in the share price from the second unlock period and see an opportunity to buy on the dip.
- We see that THAI's valuation is undemanding and we are more positive about the improving 3Q26 outlook. Upgrade to BUY with a target price of Bt6.80 (previously Bt6.20).

Analysis

2Q26 Earnings Preview

Year to 31 Dec (Btm)	2Q25	1Q26	2Q26F	yoy (%)	qoq (%)	1H25	1H26F	yoy (%)
Total revenue	43,312	49,692	46,104	6.4	(7.2)	93,585	95,796	2.4
Operating EBIT	8,974	12,660	2,900	(67.7)	(77.1)	21,593	15,560	(27.9)
Core profit	6,779	9,006	2,397	(64.6)	(73.4)	16,942	11,403	(32.7)
Net profit	12,124	10,093	2,267	(81.3)	(77.5)	21,956	12,359	(43.7)
EPS (Bt)	0.43	0.36	0.08	(81.3)	(77.5)	0.78	0.44	(43.7)
(%)	**2Q25**	**1Q26**	**2Q26**	**yoy (ppt)**	**qoq (ppt)**	**1H25**	**1H26F**	**yoy (ppt)**
Gross margin	20.0	25.0	5.6	(14.4)	(19.4)	22.4	15.7	(6.8)
EBIT margin	25.9	34.0	6.7	(19.2)	(27.3)	23.1	16.2	(6.8)
Core profit margin	15.7	18.1	5.2	(10.5)	(12.9)	18.1	11.9	(6.2)
Net profit margin	28.0	20.3	4.9	(23.1)	(15.4)	23.5	12.9	(10.6)

Source: THAI, UOB Kay Hian

- **Expect a weakened net profit 2Q26, due to the rising jet fuel price.** Thai Airways (THAI) should report a net profit of Bt2.27b in 2Q26 (-81.3% yoy, -77.5% qoq). In this quarter, we expect a net loss of around Bt130m from the foreign exchange loss from Thai baht appreciation which offset the gain from derivatives. The yoy drop in earnings is mainly due to the rising fuel cost which increased by 70% yoy. Considering the volatile situation in 1Q-2Q26, the fact that THAI can still be profit-making is impressive. In 2Q26, there are no notable yoy increases in expenses other than jet fuel. The top-line should be at Bt46.1b (+6.4% yoy, -7.2% qoq) with the yoy growth mainly driven by a strong increase in passenger yield and cargo yield. However, other metrics such as the cabin factor and Available Seat Kilometers (ASK) have declined yoy understandably from the reduction in flights. The margin has been squeezed significantly yoy.

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)	11.1	5.7	8.9	7.0	8.8
P/B (x)	3.7	2.2	1.9	1.5	1.4
EV/EBITDA (x)	4.0	4.5	5.1	4.2	4.0
Dividend yield (%)	0.0	3.6	2.8	3.6	2.8
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)	-	-	19,819	23,515	24,512
UOBKH/Consensus (x)	-	-	0.94	1.02	0.77

Source: THAI, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Industrials
Bloomberg ticker:	THAI TB
Shares issued (m):	28,303.3
Market cap (Btm):	166,989.4
Market cap (US$m):	4,976.7
3-mth avg daily t'over (US$m):	18.1

Price Performance (%)

52-week high/low: Bt19.40/Bt3.32

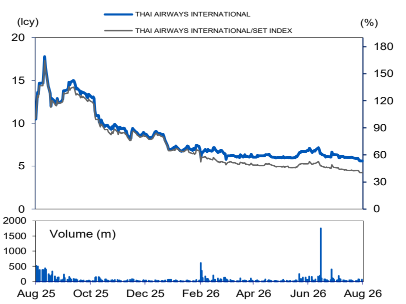
1mth	3mth	6mth	1yr	YTD
(3.3)	(2.5)	(15.7)	77.7	(15.1)

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.

- **Improving outlook in 3Q26.** Jet fuel price dipped in Jun 26, allowing THAI to increase its hedging position. The current level of hedging has been raised to 40% of the total amount of fuel usage in 2H26. THAI is starting to see stronger flight demand and will not prioritise reducing flights like in 2Q26. The cabin factor in Australia and Europe routes showed improvement in 2Q26 and Jul 26, as the forward bookings are indicating narrower yoy declines in these two routes. The bookings in Aug 26 are also showing good momentum in passenger recovery. In 3Q26, THAI aims to improve on its weaker areas in 2Q26, such as the Europe and Australia routes. The passenger yield in 3Q26 should decline slightly yoy from the decrease in ticket price, but should remain at a high level.
- **Second lock-up period to come to an end.** The second lock-up period is due tomorrow, one year after THAI became tradable once again after the exit from the rehabilitation plan. 100% of the total locked-up 20,989m shares from debt-to-equity conversion are now tradable, with an additional 75% of THAI's liquidity injected into the market. According to the company, all state enterprises and the cooperatives are in no rush to sell THAI shares. Meanwhile, financial institutions, in case they want to sell the shares, will be looking to sell in a big lot rather than selling in the market to prevent price fluctuation. THAI also indicates that this second lock-up period is similar to the previous one in that around 70% of the shareholders are willing to wait for their share certificate via post, while the remaining have endorsed their shares and have the share certificate ready for the first lock-up period expiry date. In the near term, we could see the share price being volatile as a large amount of liquidity is injected into the market, but we this as an opportunity to buy on the dip.

Earnings Revision/Risk

- **We revise down our 2026-28 net profit forecasts.** We revise our 2026-28 net profit forecasts down by 44.0%, 28.4%, and 30.8% to reflect the rising fuel price due to the war.

Earnings Revision

	---------------- 2026F ----------------			---------------- 2027F ----------------			---------------- 2028F ----------------		
(Bt m)	New	Old	% chg	New	Old	% chg	New	Old	% chg
Total revenue	210,892	200,170	5.4%	220,939	216,259	2.2%	228,438	226,926	0.7%
Gross profit	24,217	39,581	-38.8%	31,681	41,641	-23.9%	30,208	40,803	-26.0%
Net profit	18,781	33,522	-44.0%	24,069	33,634	-28.4%	18,941	27,376	-30.8%
Margin	**New**	**Old**	**ppt chg**	**New**	**Old**	**ppt chg**	**New**	**Old**	**ppt chg**
Gross margin	11.5%	19.8%	-8.29	14.3%	19.3%	-4.92	13.2%	18.0%	-4.76
Net profit margin	8.9%	16.8%	-7.84	10.9%	15.6%	-4.66	8.3%	12.1%	-3.77

Source: THAI, UOB Kay Hian

Valuation/Recommendation

- **Upgrade to 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 is undemanding and see the next unlock period as an opportunity to buy on the dip. The 3Q26 outlook is improving as the booking demand remains strong, and the fuel hedging level has increased for 2H26 usage.

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.

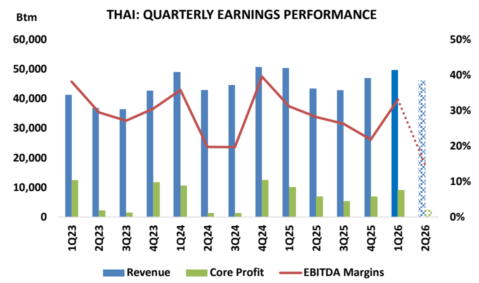
Social

- **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

Operational Statistic By Region

	May-26	Jun-26	2Q25	2Q26	yoy (%)
Passenger					
Passenger carried ('000)	1,161	1,183	3,839	3,662	-4.6%
MASK (million available seat kms.)	5,478	5,544	17,649	16,778	-4.9%
MRPK (million revenue passenger kms.)	3,743	3,670	12,824	11,994	-6.5%
Cabin factor (%)	68.3	66.2	72.7	71.5	-1.2 ppt
Cabin factor by region (%)					
- Domestic	88.6	88.0	83.1	87.7	4.6 ppt
- Regional	70.4	69.2	72.4	71.7	-0.7 ppt
- Australia	57.5	75.3	71.9	70.3	-1.6 ppt
- Europe	68.0	58.6	72.6	70.2	-2.4 ppt
MRPK by region(million revenue passenger kms)					
- Domestic	153	156	472	464	-1.7%
- Regional	1,689	1,662	5865	5327	-9.2%
- Australia	405	517	1457	1459	0.1%
- Europe	1,496	1,335	5687	4744	-16.6%

Source: THAI, UOB Kay Hian

jet Fuel Price Trend

Source: S&P Global Energy Platts

2Q26 Statistics

Passenger business	2Q25	1Q26	2Q26	yoy (%)	qoq (%)
RPK (m pax km) vol	13,521	14,452	11,994	(11.3)	(17.0)
ASK (m pax km) capacity	17,552	17,389	16,778	(4.4)	(3.5)
Cabin Factor	77.0%	83.1%	71.5%	(5.5)	(11.6)
Pax Yield (Bt/pax km)	2.66	2.92	3.21	20.8	10.0
Mail and Freight				**yoy (%)**	**qoq (%)**
RFTK (m ton km) vol	508	490	499	(1.8)	1.8
ADTK (m ton km) capacity	969	972	928	(4.2)	(4.5)
Cargo Load Factor	52.4%	50.4%	53.8%	1.3	3.4
Freight Yield (Bt/ton km)	8.62	8.36	9.20	6.7	10.0

Source: THAI, UOB Kay Hian

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

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-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)
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
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	**78,579**	**74,441**	**91,844**	**92,751**

Key Metrics

Year to 31 Dec (%)	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				
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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