Bangkok Airways (BA TB)

No Improvement In 2H26 Earnings Outlook

Highlights

- Forward bookings through Dec 26 remain weak, with bookings on the Samui route down 1% yoy and showing no improvement from May 26.
- Upside from a potential PSC increase at Samui Airport remains limited, while elevated jet fuel prices are expected to continue weighing on 2H26 earnings.
- Maintain SELL with a target price of Bt11.70.

Analysis

- **Negative tone from the analyst meeting.** We attended Bangkok Airways' (BA) analyst meeting to review its 2Q26 results and the tone was negative.
- **Forward bookings weaken.** The management provided an update on forward bookings from Sep-Dec 26 and the number of bookings has weakened yoy. This implies that instead of showing a recovery momentum, the travel demand has weakened even further. Samui route has also weakened, with bookings dropping by 1% yoy, while bookings from international routes dropped by 19% yoy and domestic bookings increased by 4% yoy. This indicates that overall travel demand remains weak despite improved air connectivity. Together with BA's limited room to raise ticket prices, especially with the Samui route, we believe its earnings outlook will remain under pressure in the coming quarters.
- **The upside from PSC increase is insignificant and will not be realised in the near future.** BA's management is currently preparing a request to increase its passenger service charge (PSC) rate at Samui Airport to be submitted to the Civil Aviation Authority of Thailand (CAAT). BA has started its renovation plan at Samui Airport and hence will enclose the amount of capex (Bt1.5-2.0b) as supporting information for the PSC increase request. The timeline of the approval remains unclear, and the new PSC rate is not specified. However, we believe that the process will be time-consuming as we have seen Airports of Thailand (AOT) take around two years until the new PSC rate became active. Assuming the new PSC rate at Samui Airport matches AOT's at Bt1,120 per outbound foreign passenger, the upside to our 2027 forecast would only be 1.6%, which is insignificant. Unlike AOT, we believe that this PSC increase will not be a significant catalyst for BA.

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)	10.6	10.9	19.2	10.1	9.6
P/B (x)	2.6	3.1	3.2	2.7	2.4
EV/EBITDA (x)	8.1	7.9	12.0	8.2	8.0
Dividend yield (%)	6.7	6.2	3.6	6.9	7.3
Net margin (%)	14.5	13.6	8.6	14.5	14.6
Net debt/(cash) to equity (%)	122.8	121.4	129.5	87.6	70.0
Interest cover (x)	4.2	4.2	3.4	5.4	6.0
ROE (%)	23.0	24.3	16.3	28.5	26.5
Consensus net profit (Btm)	-	-	3,001	3,801	4,279
UOBKH/Consensus (x)	-	-	0.71	1.06	1.00

Source: Bangkok Airways, Bloomberg, UOB Kay Hian

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SELL (Maintained)

Share Price	Bt19.20
Target Price	Bt11.70
Upside	-39.7%

Stock Data

Sector	Industrials
Bloomberg ticker	BA TB
Shares issued (m)	2,074.3
Market cap (Btm)	40,656.4
Market cap (US$m)	1,217.7
3-mth avg daily t'over (US$m)	5.2

Price Performance (%)

52-week high/low: Bt19.80/Bt12.00

1mth	3mth	6mth	1yr	YTD
3.2	40.6	12.8	32.0	31.1

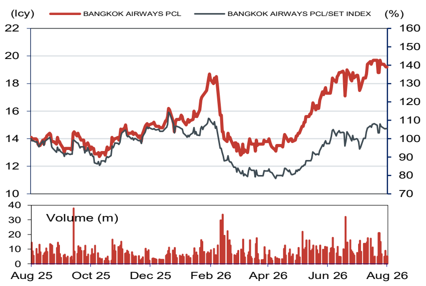
Major Shareholders (%)

Prasartthongosoth Family	58.1
Bangkok Bank	5.0

Balance Sheet Metrics

FY26 NAV/Share (Bt)	6.11
FY26 Net Debt/ Share (Bt)	7.91

Price Chart



Source: Bloomberg

Company Description

Bangkok Airways is a Thailand-based regional airline headquartered in Bangkok. It operates a network of domestic and international routes across Asia, focusing on tourist destinations such as Samui, Phuket, and Chiang Mai. It also owns and operates several airports, including Samui International Airport, as part of its integrated tourism-focused business model.

- **Limited ability to pass through higher costs.** BA implemented a 15-20% airfare increase on 1 Apr 26 to partially offset the sharp increase in jet fuel prices. However, the company has limited flexibility to raise fares further, particularly on its key Samui routes, where management believes ticket prices can only be increased by less than 8% before demand starts to weaken. As a result, management acknowledged that the fare increase implemented earlier this year will not be sufficient to fully offset the higher fuel costs. For 1H26, BA's ticket price was only 2% higher yoy. Compared with the rising fuel cost of 49% yoy in 2Q26, the ticket price increase was weak. Consequently, we expect BA to absorb the higher operating costs, putting heavy pressure on margins.
- **Jet fuel prices remain a key earnings pressure in 2H26.** BA had hedged around 30% of its total fuel consumption for 2026, and the level remains the same for 2H26. This leaves BA with less protection against elevated jet fuel prices, as the company will still need to purchase a larger portion of its fuel at the prevailing market price of around US$140-150 per barrel, compared with its hedged price of below US$80 per barrel. Given that the current situation remains volatile, this will put further pressure on BA's earnings in 2H26, particularly as forward bookings for 3Q26 have yet to show a strong recovery despite it being the peak season for Samui.
- **Ground operator contract at BKK extended.** BA was informed by AOT that its ground business was given a concession contract extension for the next three years or until a new operator is established. The bidding process for new suitors will happen, but there should be no significant competitors that would threaten BA's position. Hence, we expect that BA will be able to maintain its ground business operation at Suvarnabhumi Airport (BKK).

Valuation/Recommendation

- **Maintain SELL with a target price of Bt11.70.** Our valuation is based on a 2026F PE of 11.0x, in line with its three-year historical average. The forward bookings until end of 2026 have weakened compared to earlier. Meanwhile, the best routes like Samui have also weakened in terms of bookings demand. Given that the current situation remains volatile, we expect BA's 2H26 earnings will continue to be pressured by the high fuel prices. We prefer THAI, which has posted stronger operational performance while trading at much lower PE at 9.0x.

Environment, Social, Governance (ESG) Updates

Environmental

- Fleet modernisation and operational efficiency: BA is gradually incorporating more fuel-efficient aircraft (eg, ATR 72-600), optimising flight routes, and improving fuel management to lower emissions.
- Net-zero by 2050: BA has set a long-term net zero target by 2050, aligning with global aviation industry goals such as those from IATA and ICAO.

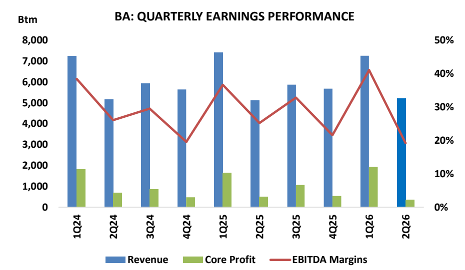
Social

- Local community development: BA contributes to the community development through employment generation.

Governance

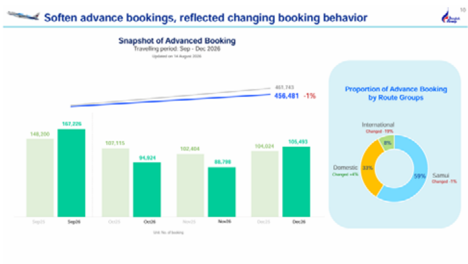
- Discipline in capital allocation and capacity management: prioritising profitability over aggressive expansion, ensuring operational efficiency, which has generally been well maintained.

Quarterly Performance



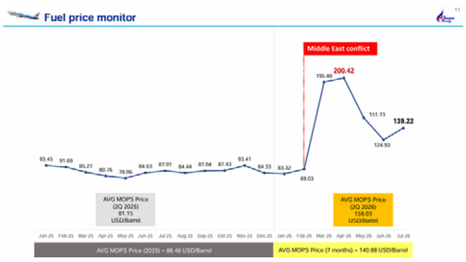
Source: BA, UOB Kay Hian

Updated Forward Bookings



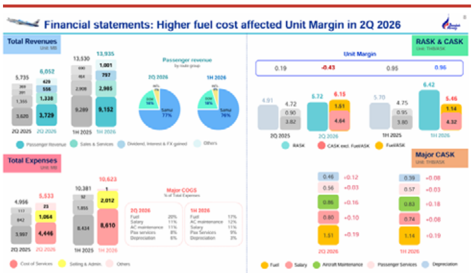
Source: BA

Jet Fuel Price Trend



Source: BA

Cost Structure of BA



Source: BA

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	26,067	24,718	27,652	29,259
EBITDA	7,172	4,742	6,914	7,134
Deprec. & amort.	1,580	1,556	1,470	1,502
EBIT	5,592	3,186	5,444	5,632
Total other non-op. income	(240)	0	0	0
Associate contributions	705	709	723	738
Net interest income/(expense)	(1,714)	(1,398)	(1,277)	(1,184)
Pre-tax profit	4,343	2,498	4,890	5,186
Tax	(763)	(358)	(833)	(890)
Minorities	(31)	(19)	(35)	(37)
Net profit	3,549	2,121	4,021	4,259
Net profit (adj.)	3,741	2,121	4,021	4,259

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	12,408	12,155	12,443	12,699
Other LT assets	25,767	25,676	25,862	25,962
Cash/ST investment	9,560	8,220	10,758	11,836
Other current assets	2,665	2,509	2,827	2,998
Total assets	50,399	48,560	51,890	53,495
ST debt	4,453	4,188	4,588	4,588
Other current liabilities	7,729	7,278	8,200	8,696
LT debt	21,163	20,640	19,625	19,011
Other LT liabilities	3,782	3,561	4,012	4,255
Shareholders' equity	13,225	12,826	15,362	16,807
Minority interest	48	67	102	139
Total liabilities & equity	50,399	48,560	51,890	53,495

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	8,583	4,109	6,854	6,861
Pre-tax profit	4,343	2,498	4,890	5,186
Tax	(763)	(358)	(833)	(890)
Deprec. & amort.	1,580	1,556	1,470	1,502
Working capital changes	(302)	12	(24)	(13)
Non-cash items	5,358	(307)	628	338
Other operating cashflows	(928)	1,419	1,447	1,476
Investing	(545)	(1,433)	(1,493)	(1,616)
Capex (growth)	(1,342)	(1,303)	(1,758)	(1,758)
Investment	24,203	24,203	24,203	24,203
Others	(23,406)	(24,333)	(23,939)	(24,061)
Financing	(6,009)	(3,307)	(2,100)	(3,430)
Dividend payments	(176)	(2,520)	(1,485)	(2,815)
Proceeds from borrowings	(2,184)	(787)	(615)	(615)
Loan repayment	0	0	0	0
Others/interest paid	(3,649)	0	0	0
Net cash inflow (outflow)	2,029	(630)	3,261	1,816
Beginning cash & cash equivalent	8,236	9,560	8,220	10,758
Ending cash & cash equivalent	10,265	8,929	11,481	12,574

Key Metric

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	27.5	19.2	25.0	24.4
Pre-tax margin	16.7	10.1	17.7	17.7
Net margin	13.6	8.6	14.5	14.6
ROA	6.7	4.3	8.0	8.1
ROE	24.3	16.3	28.5	26.5
Growth (% yoy)				
Turnover	0.1	(5.2)	11.9	5.8
EBITDA	2.6	(33.9)	45.8	3.2
Pre-tax profit	(3.8)	(42.5)	95.8	6.1
Net profit	(6.3)	(40.2)	89.5	5.9
Net profit (adj.)	(2.3)	(43.3)	89.5	5.9
EPS	(2.3)	(43.3)	89.5	5.9
Leverage				
Debt to total capital	65.9	65.8	61.0	58.2
Debt to equity	193.7	193.6	157.6	140.4
Net debt/(cash) to equity	121.4	129.5	87.6	70.0
Interest cover (x)	4.2	3.4	5.4	6.0