Bangkok Airways (BA TB)

Expect Weak Earnings In 2Q26

SELL (Maintained)

Share Price	Bt19.60
Target Price	Bt11.70
Upside	-40.3%

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Highlights

- We expect BA to report a weak 2Q26 net profit of Bt290m (-27.7% yoy, -86.1% qoq), pressured by a strong yoy increase in fuel expense due to the war.
- The special dividend from BDMS should be the key contributor. If we exclude the special dividend, BA would be loss making from its operations in 2Q26.
- Forward bookings in 3Q26 remain weak despite being the high season at Samui. The high fuel price will remain as a significant headwind to BA's earnings in 2H26. Maintain SELL with a target price of Bt11.70.

2Q26 Earnings Preview

Year to 31 Dec (Btm)	2Q25	1Q26	2Q26F	yoy (%)	qoq (%)	1H25	1H26F	yoy (%)
Total revenue	5,127	7,264	4,851	(5.4)	(33.2)	12,546	12,115	(3.4)
Gross profit	1,129	3,099	671	(40.5)	(78.3)	4,110	3,770	(8.3)
Operating EBITDA	1,293	2,984	951	(26.4)	(68.1)	4,014	3,935	(2.0)
Core profit	494	1,926	250	(49.3)	(87.0)	2,148	2,176	1.3
Net profit	402	2,091	290	(27.7)	(86.1)	2,077	2,381	14.7
EPS (Bt)	0.01	0.07	0.01	(27.7)	(86.1)	0.07	0.08	14.7
(%)	2Q25	1Q26	2Q26F	yoy (ppt)	qoq (ppt)	1H25	1H26F	yoy (ppt)
Gross margin	22.0	42.7	13.8	(8.2)	(28.8)	32.8	31.1	(1.6)
EBITDA margin	25.2	41.1	19.6	(5.6)	(21.5)	32.0	32.5	0.5
Recurring profit margin	9.6	26.5	5.2	(4.5)	(21.4)	17.1	18.0	0.8
Net profit margin	7.8	28.8	6.0	(1.8)	(22.8)	16.6	19.7	3.1

Source: BA, UOB Kay Hian

Analysis

- **Weak earnings expected in 2Q26.** Bangkok Airways (BA) is projected to report a net profit of Bt290m (-27.7% yoy, -86.1% qoq). If we exclude a foreign exchange gain of around Bt50m in this quarter, core profit should be at Bt250m (-49.3% yoy, -87% qoq). The biggest savior in 2Q26 should be the special dividend income from Bangkok Dusit Medical Services (BDMS), amounting to around Bt343m. If we exclude this special dividend, BA would be loss making from its core operations due to rising fuel expenses, which could increase by 40% yoy as a result of the war in the Middle East. We expect around 12% yoy reduction in average seat kilometers (ASK), similar to 1Q26, due to the flight frequency reduction in several regions and fewer planes yoy. The passenger yield on the other hand should grow by around 6.5% yoy due to more optimised routes and higher ticket prices. EBITDA margin should decline significantly yoy.

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)	10.7	11.0	19.4	10.2	9.7
P/B (x)	2.6	3.1	3.2	2.7	2.4
EV/EBITDA (x)	8.2	8.0	12.1	8.3	8.0
Dividend yield (%)	6.6	6.1	3.6	6.8	7.2
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)	-	-	2,927	3,737	4,186
UOBKH/Consensus (x)	-	-	0.72	1.08	1.02

Source: Bangkok Airways, Bloomberg, UOB Kay Hian

Stock Data

GICS 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
4.3	45.2	28.1	28.1	32.4

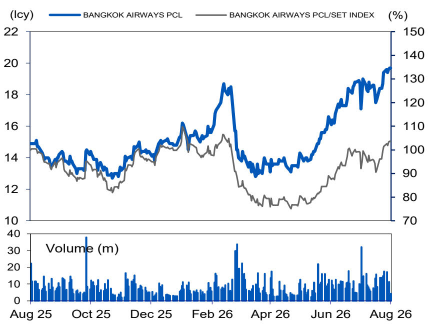
Major Shareholders | **%**

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.

Key Statistics

Passenger business	2Q25	1Q26	2Q26F	yoy (%)	qoq (%)
RPK (m pax km) vol	583	742	509	-12.6	-31.3
ASK (m pax km) capacity	838	860	737	-12.0	-14.3
Cabin Factor	69.6%	86.2%	69.1%	-0.5	-17.1
Pax Yield (Bt/pax km)	6.17	7.29	6.57	6.5	-9.9

Source: BA, UOB Kay Hian

- **Forward bookings remain flat.** Since end-May 26, forward bookings for 3Q26 have remained broadly flat yoy, indicating that demand has yet to show a meaningful improvement. The only route delivering growth is Samui, where bookings are increasing by around the mid-single digits yoy, while bookings across other routes continue to decline from last year. This suggests that overall travel demand remains soft despite the improvement in air connectivity. Coupled with BA's limited ability to raise ticket prices further, the company's earnings outlook could remain under pressure in the coming quarters.
- **Limited ability to pass through higher costs.** BA implemented a 15-20% airfare increase on 1 Apr 26 in an effort to offset the sharp rise 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 increase by less than 8% before demand begins to weaken. As a result, management acknowledged that the fare adjustment implemented earlier this year will not be sufficient to fully compensate for the higher fuel costs. Consequently, we expect the company to absorb part of the higher operating costs, leading to margin compression, with the impact likely to become increasingly visible from the 2Q26 earnings onwards.
- **Jet fuel prices remain a key earnings pressure in 2H26.** Previously, BA had hedged 30% of the total fuel usage for this year, but as of end-1Q26, this had declined to 25-26% of fuel usage for 2Q-4Q26 as some contracts had expired. This gives BA less protection against high fuel prices as it will still need to purchase jet fuel at the market price of around US$160 per barrel vs its hedged price of below US$80. This would put pressure on BA's earnings in 2H26, as bookings for 3Q26 have not yet shown a strong sign of incoming travel demand despite it being the high season for Samui.

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. Forward bookings in 3Q26 remain weak. Meanwhile, the most profitable routes like Samui has limited upside in pricing. We expect BA's 2H26 earnings to remain pressured by the high fuel prices. We prefer THAI who is expected to post a stronger operational performance while trading at a much lower PE of 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.

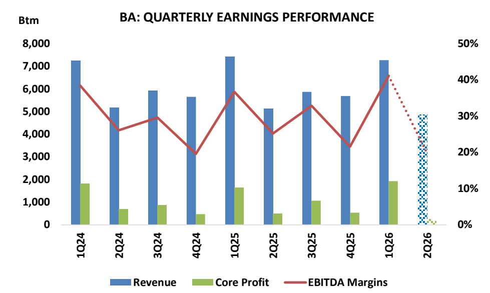
Social

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

Governance

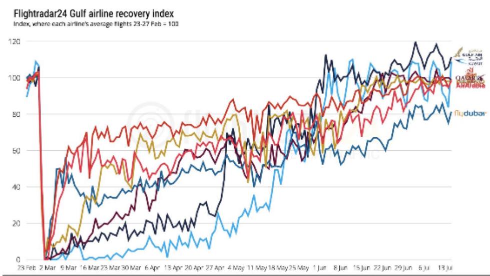
- **Discipline in capital allocation and capacity management:** prioritising profitability over aggressive expansion, ensuring operational efficiency, which has generally been well maintained.

Earnings Performance



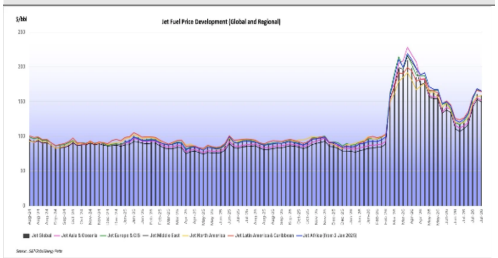
Source: BA, UOB Kay Hian

Recovery Of Middle Eastern Airlines



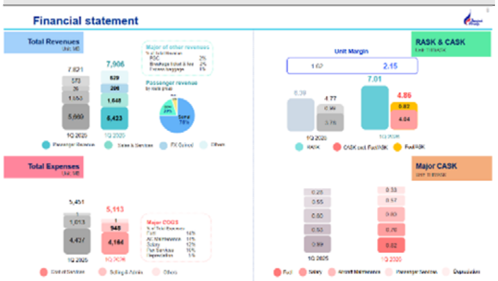
Source: Flightradar24

Jet Fuel Price Trend



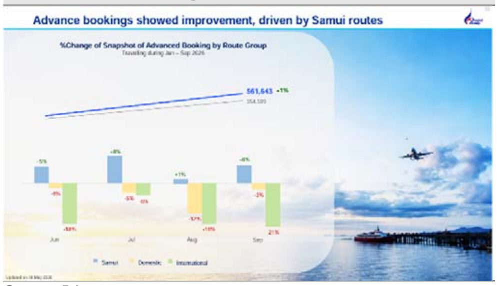
Source: S&P Global Energy Platts

Revenue And Expense Breakdown



Source: BA

Forward Booking Trend



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-operating 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
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	10,265	8,929	11,481	12,574

Key Metrics

Year to 31 Dec (%)	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				
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

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