

Thai Airways Int'l Pcl (THAI TB) - SELL, Price Bt6.85, TP Bt7.70**Results Comment**

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Lower-than-expected 4Q25 earnings

- THAI reported a normalized profit of Bt6.8bn in 4Q25, down 46% y-y but up 26% q-q. Earnings came in below our expectations. The y-y decline was mainly due to rising operating costs, while the q-q growth was driven by seasonal factors.
- With the weaker-than-expected 4Q25 earnings, we see a downside risk to our FY26F earnings forecast. We thus put our earnings projection and TP under review.
- We maintain our SELL call on THAI, given its deteriorating earnings trend amid intensifying industry competition. We are also concerned about rising risks from potential board restructuring and additional sellable shares following the lock-up expiry of debt-to-equity swap shares in August 2026.
- THAI's revenue declined 8% y-y in 4Q25, pressured by weaker tourist arrivals to Thailand and intensifying competition. Passenger numbers fell 6% y-y, while passenger yield dropped 5% y-y. Although the airline reduced capacity (ASK) by 1% y-y, its cabin factor slipped to 80% in 4Q25 from 82% in 4Q24.
- Operating costs surged 16% y-y in 4Q25, driven by an increase in employee expenses (16% of total costs) by 68% y-y due to incentive payments, flight operation expenses (38%) by 11% y-y from higher repair and maintenance costs, and fuel expenses (31%) by 16% y-y. As a result, gross margin declined sharply to 19% in 4Q25 from 36% in 4Q24.
- SG&A expenses rose sharply by 38% y-y in 4Q25, and we will seek further clarification on the drivers behind this increase. Interest expenses declined 31% y-y, reflecting lower debt levels following the debt-to-equity conversion.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q24	1Q25	2Q25	3Q25	4Q25	(Bt m)	q-q%	y-y%	% 2025F	2025A	2026F
Revenue	50,770	50,274	43,312	42,923	46,933	Revenue	9	(8)	98	183,442	192,027
Gross profit	18,195	14,690	10,874	9,578	8,986	Gross profit	(6)	(51)	89	44,129	47,288
SG&A	2,207	2,388	2,209	2,492	3,037	SG&A	22	38	108	10,126	9,773
Operating profit	15,988	12,303	8,665	7,086	5,949	Operating profit	(16)	(63)	85	34,003	37,514
EBITDA	19,464	15,379	11,892	10,922	9,802	EBITDA	(10)	(50)	90	47,994	52,138
Other income	1,458	1,351	1,516	1,486	1,534	Other income	3	5	91	5,886	6,252
Other expense	0	0	0	0	0	Other expense					
Interest expense	4,549	3,481	3,392	3,137	3,144	Interest expense	0	(31)	100	13,154	12,651
Profit before tax	12,898	10,172	6,789	5,435	4,338	Profit before tax	(20)	(66)	80	26,735	31,116
Income tax	363	1	1	6	(2,481)	Income tax	na	na	na	(2,473)	156
Equity & invest. income	9	32	(1)	(8)	10	Equity & invest. income	na	14	53	34	65
Minority interests	(7)	(8)	(10)	(8)	(5)	Minority interests	na	na	na	(30)	(35)
Extraordinary items	(54,666)	(364)	5,346	(1,001)	(2,283)	Extraordinary items	na	na	na	1,697	0
Net profit	(42,129)	9,832	12,124	4,413	4,541	Net profit	3	na	93	30,910	30,990
Normalized profit	12,537	10,196	6,778	5,415	6,824	Normalized profit	26	(46)	88	29,213	30,990
EPS (Bt)	(1.82)	0.42	0.43	0.16	0.16	EPS (Bt)	3	na	99	1.09	1.09
Normalized EPS (Bt)	0.54	0.44	0.24	0.19	0.24	Normalized EPS (Bt)	26	(55)	94	1.03	1.09
Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q24	1Q25	2Q25	3Q25	4Q25	(%)	4Q24	1Q25	2Q25	3Q25	4Q25
Cash & ST investment	84,212	92,526	82,693	84,703	78,579	Sales grow th	18.7	12.0	0.8	(3.6)	(7.6)
A/C receivable	13,973	15,594	14,099	15,426	12,294	Operating profit grow th	95.6	23.6	76.3	64.5	(62.8)
Inventory	4,000	4,296	4,491	4,692	5,061	EBITDA grow th	72.2	19.0	45.6	43.0	(49.6)
Other current assets	32,824	34,036	39,657	40,506	47,565	Norm profit grow th	83.3	58.4	464.6	306.7	(45.6)
Investment	682	707	695	688	698	Norm EPS grow th	(82.7)	(85.1)	(56.5)	(68.6)	(55.4)
Fixed assets	37,025	36,458	44,080	43,148	42,356	Gross margin	35.8	29.2	25.1	22.3	19.1
Other assets	119,792	114,136	111,975	110,568	117,506	Operating margin	31.5	24.5	20.0	16.5	12.7
Total assets	292,508	297,753	297,691	299,730	304,059	EBITDA margin	38.3	30.6	27.5	25.4	20.9
S-T debt	0	0	430	493	986	Norm net margin	24.7	20.3	15.6	12.6	14.5
A/C payable	28,311	29,673	29,983	28,947	29,393	D/E (x)	0.8	0.7	0.6	0.6	0.5
Other current liabilities	48,276	44,943	47,892	48,033	47,208	Net D/E (x)	(1.0)	(1.0)	(0.6)	(0.6)	(0.5)
L-T debt	38,134	38,694	38,842	39,376	39,494	Interest coverage (x)	4.3	4.4	3.5	3.5	3.1
Other liabilities	132,199	129,005	112,987	110,904	111,066	Interest rate	30.2	36.2	34.8	31.7	31.3
Minority interest	79	86	65	73	78	Effective tax rate	2.8	0.0	0.0	0.1	(57.2)
Shareholders' equity	45,510	55,353	67,492	71,904	75,834	ROA	18.0	13.8	9.1	7.3	9.0
Working capital	(10,338)	(9,783)	(11,393)	(8,830)	(12,038)	ROE	573.2	80.9	44.1	31.1	37.0
Total debt	38,134	38,694	39,272	39,869	40,480						
Net debt	(46,078)	(53,832)	(43,421)	(44,834)	(38,099)						

Sources: Company data, Thanachart estimates

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