Thai Airways International Pcl (THAI TB) - SELL

Earnings Preview

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87% y-y drop in 2Q26F norm earnings

- **A more than 70% y-y surge in jet fuel prices and…**
- **…softer air travel demand will weigh on 2Q26F earnings.**
- **The expiry of the lock-up period for 19.8m shares...**
- **…could create additional selling pressure on the stock.**

- THAI's share price has remained under pressure, which we believe is due to:

  1) a sharp decline in 2Q26F earnings mainly due to a surge in jet fuel prices and softer air travel demand. Amid the Middle East conflict, jet fuel prices increased by more than 70% y-y during the quarter. Even though THAI reduced its available seat kilometers (ASK) by 6% y-y in 2Q26, weaker demand, particularly on long-haul routes, resulted in a 14% y-y decline in revenue passenger kilometers (RPK), causing the cabin factor to fall to 71% (from 77% in 2Q25). Despite an average fare increase of more than 20% y-y and an expected tax reversal of approximately Bt1.8bn, we forecast THAI's 2Q26F earnings to decline by 87% y-y.

  2) the expiry of the lock-up period for 19.8bn shares (70% of total outstanding shares) from the debt-to-equity conversion at a cost of Bt2.5/share on 3 August 2026. While 11.7bn shares are held by strategic shareholders who will likely hold them for the long term, the remaining 8.1bn shares could create short-term selling pressure.

- Despite our view on easing jet fuel prices and Thailand's tourism recovery next year, we remain cautious on the airline industry over the medium term as competitive pressures are likely to intensify. Middle Eastern carriers are rapidly restoring capacity, while the global aircraft shortage is gradually easing as aircraft deliveries accelerate. At the same time, THAI plans an aggressive fleet expansion, increasing its fleet from 80 aircraft in 2025 to 102/111/128 aircraft in 2026–28F.

- Given these headwinds, we believe THAI deserves to trade at a discount to its peers. We therefore maintain our SELL recommendation with a target price of Bt5.5/share.

Key Valuations

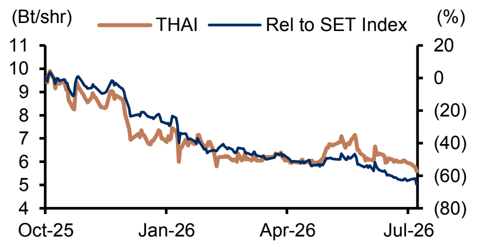
Y/E Dec (Bt m)	2025A	2026F	2027F	2028F
Revenue	183,442	195,973	210,157	224,265
Net profit	30,910	21,424	23,130	20,375
Norm net profit	29,213	21,424	23,130	20,375
Norm EPS (Bt)	1.03	0.76	0.82	0.72
Norm EPS gr (%)	(80.9)	(26.7)	8.0	(11.9)
Norm PE (x)	5.4	7.4	6.9	7.8
EV/EBITDA (x)	2.5	3.2	3.2	3.6
P/BV (x)	2.1	1.7	1.4	1.2
Div. yield (%)	3.8	2.7	2.9	2.6
ROE (%)	48.1	25.5	22.8	17.1
Net D/E (%)	(50.2)	(28.5)	(15.2)	(5.6)

Source: ttb wealth estimates

Stock Data

Closing price (Bt)	5.60
Target price (Bt)	5.50
Market cap (US$ m)	4,747
Avg daily turnover (US$ m)	15.3
12M H/L price (Bt)	17.80/5.60

Price Performance



Source: Bloomberg

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