WORLD'S BEST PERFORMING AIRLINE HITS TURBULENCE AS RESULTS DISAPPOINT

News / Airlines



Thai Airways expects a profit in the fourth quarter, after three straight years of losses, due to lower fuel costs and as more people travel during the holiday season, said the chief financial officer, Narongchai Wongthanavimok.

While Thai Airways does not plan to introduce new routes, it aims to increase the frequency of its existing profitable flights in major cities in Europe and South East Asia to boost revenue over October to December, Mr Narongchai said.

In 2017, the firm will take delivery of seven new planes, including the purchase of two Airbus 350-900s and five under-lease contracts, while decommissioning two old ones in a bid to expand its fleet and keep maintenance costs low, he said.

This will bring the number of planes in its fleet to 99 by the end of next year, versus 94 now, he added.

In order to maximise profits in the long term, the airline needs to boost passenger yields,

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especially in the domestic market where the price competition is intense, Mr Narongchai added. The airline is currently working on a 10-year business plan.

As part of its long-term strategy, Thai Airways will look to hike its online sales, which currently account for only 13 to 14 per cent of its total ticket sales, compared with about 30 per cent for Singapore Airlines and more than 50 per cent for budget carriers, he said.

On the debt front, the firm plans to seek low-interest foreign loans, such as in the Swiss franc, to restructure foreign debt worth around 15 billion baht (Dh1.55bn), which should help cut interest expenses by 300 million baht a year, he said.

Thai Airways International fell the most in about a month today after reporting a quarterly loss at the weekend, with DBS Vickers Securities saying the national flag carrier needs more operational improvements.

The stock slid to close 11.4 per cent down on Friday’s close, the biggest decline since at least October 13, after reporting losses narrowed to 1.6bn in the three months through September from 9.9bn baht a year earlier. The company needs to pick up the pace of recovery to achieve a profitable final quarter of the year, according to the DBS Vickers Securities’ analysts Marvin Khor and Paul Yong.

The airline plans to add routes and buy new, more fuel-efficient aircraft to replace ageing jets as part of a 10-year plan through 2027 to bolster passenger growth, said the president Charamporn Jotikasthira. While costs are easing, they are still "overwhelming," DBS said on Monday.

The third-quarter net loss was worse than expected and may lead to negative short-term sentiment toward the stock, said Suppata Srisuk, an analyst at Bualuang Securities in Bangkok. But expectations of core operational improvements in October through December and the high season for Thai tourism should support the share price after that, Mr Suppata said.

Thai Airways has surged about 164 per cent so far this year as investors bet the turnaround plan and moderating oil costs would boost the carrier. That is the best performance in the 46-member BI Global Airlines Competitive Peers index, and exceeds the 15 per cent climb in Thailand’s SET index.

Thai Airways trades at 11.1 times estimated 12-month earnings, compared with an average of 29.9 for the past five years.

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