

# THAI AIRASIA CO., LTD.

No. 25/2025  
20 March 2025

## CORPORATES

**Company Rating:** BBB-  
**Outlook:** Stable

**Last Review Date:** 21/03/24

### Company Rating History:

Date	Rating	Outlook/Alert
21/03/24	BBB-	Stable
23/03/23	BB+	Stable
08/03/22	BB	Negative
16/08/21	B	Alert Negative
11/03/21	B+	Alert Negative
13/08/20	BB	Alert Negative
02/04/20	BBB-	Alert Negative
20/02/20	BBB+	Negative
30/03/17	A-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Thai AirAsia Co., Ltd. (TAA) at “BBB-” with a “stable” rating outlook. The company rating on TAA incorporates its stand-alone credit profile (SACP) of “bbb-” and its status as a “core” subsidiary of AAV PLC (AAV) as per our “Group Rating Methodology”.

The rating reflects TAA’s leading market position in Thailand’s low-cost carrier (LCC) segment and its cost efficiency. We expect TAA to continue delivering solid operating performance driven by strong demand for air traffic and ongoing supply constraints, supporting the company’s earnings potential. Also, TAA’s solid cash flow from operations should support its financial metrics during fleet expansion in coming years. The rating also considers the inherent volatility and cyclical nature of the aviation industry, fluctuations in fuel prices, and economic headwinds, which pose key downside risks to the company’s credit profile.

## KEY RATING CONSIDERATIONS

### Ongoing strong demand for air traffic

We anticipate continued strong demand for air traffic, particularly on domestic routes, to support TAA’s operating results despite a challenging macroeconomic environment. Tourism is an important engine in Thailand’s economic growth, and we expect various government measures to continue supporting the sector. The strong fundamentals of Thai tourism and visa-free measures for travelers from 93 countries are expected to sustain high number of tourist arrivals. TRIS Rating projects 38 million tourist arrivals this year, up from 35.5 million in 2024. For Thai nationals, programs to promote domestic travel, such as the “We Travel Together” program, are also planned to be implemented this year.

However, we foresee more challenges in international routes, primarily due to the slow recovery of Chinese tourists and competition from Chinese airlines. TAA has been increasing routes in the South Asia market to partially offset the decline in the Chinese market. Nonetheless, there is a limitation in the key market of India, where seat capacity is regulated by bilateral agreements between the two governments.

### Maintain high load factor

Considering the outlook on air traffic demand and TAA’s aircraft delivery schedule, we project TAA’s seat capacity to increase from 23 million seats in 2024 to 29 million seats by 2027. Around 65% of the capacity will be allocated to domestic routes. Ongoing supply constraints, such as extended maintenance and overhaul periods and delays in new aircraft deliveries, continue to impede many airlines’ ability to expand capacity. Consequently, we expect TAA’s load factor to remain high at 87%-88% during 2025-2027.

### Modest growth in fares

Our baseline projection anticipates a modest increase in TAA’s average fare, ranging from THB1,950-THB2,030 per passenger during 2025-2027. This is based on the increased proportion of domestic routes. Also, we expect higher levels of promotional activities to maintain a high load factor, following TAA’s capacity expansion. We also expect heightened competition, particularly from TAA’s low-cost peers that are gradually increasing their seat capacity.

Nevertheless, we view that operators will engage in rational competition without resorting to unreasonable pricing strategies, especially considering the financial challenges induced by the pandemic. Furthermore, we project ancillary revenue per passenger to be between THB400 and THB420 during the forecast period, considering the higher share of bookings through online travel agency (OTA) platforms, which generally has lower ancillary sales.

### **Sustained strong earnings**

We expect TAA's operating cash flows to remain solid. Based on our expectations of capacity increases and modest rising fares, TAA's revenue will likely range between THB56-THB62 billion annually during 2025-2027. TAA should be able to sustain its profitability despite persistently high costs. We assume jet fuel prices to range between USD90-USD100 per barrel. Operating expenses including maintenance, repair, and overhaul expenses, as well as ramp and airport operating costs are likely to remain high. The company is subject to the risk of fuel price fluctuations; however, the implementation of fuel surcharges could help mitigate this risk. Therefore, the EBITDA margin is expected to remain at 18%-20%, resulting in an EBITDA of THB10.8-THB11.5 billion annually during the forecast period.

### **Leverage to rise from fleet expansion**

We project TAA's financial leverage to rise due to its planned fleet capacity expansion. The company expects to receive 3-6 new aircraft deliveries annually during 2025-2027. We believe that strong earnings generation will help support TAA's financial metrics throughout this fleet expansion period. The leverage ratio, as measured by the adjusted debt to EBITDA ratio, is projected to rise to 4.6-4.8 times during 2025-2027, compared to 4.3 times in 2024.

At the end of 2024, TAA reported a significant amount due from related parties, where the related party received funds on behalf of the company, amounting to THB10.3 billion, up from THB6.3 billion in 2023. This substantial rise is due to both increased sales volume through OTA platforms and extended payment terms to the company. This could affect TAA's overall financial metrics if the amount increases or delays further.

The main financial covenant on TAA's loan obligations require the company's net interest bearing debt to equity ratio to remain below 3 times. TAA was unable to comply with the covenant in 2024. However, TAA had already obtained the covenant waiver from the lender. We expect TAA to continue its covenant waiver request for at least the next two years due to its negative equity. At the end of December 2024, TAA's equity was a negative THB9.5 billion.

### **Manageable liquidity**

We assess TAA's liquidity to be more manageable over the next 12 months. TAA's sources of funds comprise cash and cash equivalent of THB1.7 billion at the end of 2024 and funds from operations (FFO), excluding lease obligations, estimated at THB3.1 billion. Uses of funds are capital expenditures of THB1.4 billion, debt repayments, including THB1.7 billion in short-term loans, and THB3 billion in long-term debts and debentures. TAA is currently in the process of issuing new debentures to refinance its maturing debentures. Also, we anticipate that improved operating conditions and earnings capabilities to support TAA in refinancing and/or rolling over parts of its maturing debts.

### **Debt structure**

At the end of December 2024, TAA's priority debt to total debt ratio was 46%. Its priority debt included secured debt of THB4 billion and financial lease obligations of THB1 billion out of the total interest-bearing debt of THB11 billion. If the priority debt ratio hits our trigger level of 50%, we view TAA's unsecured creditors could be at a significantly disadvantaged position to its priority debt holders with respect to claims against the company's assets.

### **BASE-CASE ASSUMPTIONS**

TRIS Rating's base-case assumptions for TAA's operations in 2025-2027 are as follows:

- Revenues of THB56-THB62 billion per annum.
- EBITDA margin of 18%-20%.
- Average jet fuel price to range between USD90-USD100 per barrel.
- Capital expenditures (excluding aircraft acquisition) of THB1.4 billion in 2025 and around THB500-THB600 million per annum during 2026-2027.

### **RATING OUTLOOK**

The "stable" outlook reflects our expectation that TAA will maintain its market position in the aviation industry and continue to deliver solid operating performance with strong earnings. It is also anticipated that TAA will be careful in managing its fleet expansion and leverage profile to maintain its credit metrics.

## RATING SENSITIVITIES

The rating could be upgraded if TAA consistently delivers better-than-projected operating results, leading to a firm improvement in financial metrics. Conversely, the rating/outlook could be revised downward if TAA's financial metrics fall short of expectation either from weaker-than-expected operating performances or heightened leverage from aggressive fleet expansion. Any change in AAV's credit profile will affect the rating on TAA.

## COMPANY OVERVIEW

TAA was founded in 2003 through a joint venture between AirAsia Berhad (AAB) and Shin Corporation PLC (or SHIN, formally renamed Intouch Holdings PLC (INTOUCH) on 31 March 2014). In 2006, SHIN sold its 51% stake in TAA to AAV, a holding company established by TAA's management team at that time. In 2012, AAV acquired 3,555,600 newly issued shares, raising its shareholding to 55% while AAB was diluted to 45%. Following shareholding restructuring in January 2022, TAA is currently 100% owned by AAV.

TAA is the leading LCC in Thailand. The company is a member of the AirAsia Group which launched services under the "Thai AirAsia" brand in 2004. At the end of 2024, TAA had a total fleet of 60 aircraft: 55 Airbus A320s and five Airbus A321s. TAA's strategy is to provide the lowest fares, with quality service, safety, and reliability. Its service trajectories cover point-to-point international and domestic destinations within a four-and-a-half-hour flight distance of Thailand.

## KEY OPERATING PERFORMANCE

**Table 1: Total Passengers and Market Share of TAA**

Unit: Million passengers

		2017	2018	2019	2020	2021	2022	2023	2024
<b>International</b>	Industry	75.8	81.1	85.8	15.5	1.6	24.0	59.8	76.6
	TAA's passengers	7.3	8.2	9.1	1.4	0	2.0	7.0	7.7
	TAA's share (%)	9.7	10.1	10.6	9.3	0	8.4	11.7	10.0
<b>Domestic</b>	Industry	57.3	59.3	57.2	31.1	14.6	38.8	46.1	47.4
	TAA's passengers	12.5	13.4	13.0	8.1	2.9	7.9	11.9	13.1
	TAA's share (%)	21.7	22.6	22.8	25.8	20.1	20.5	25.7	27.6
<b>Total</b>	Industry	133.1	140.5	143.0	46.6	16.2	62.8	105.9	124.0
	TAA's passengers	19.8	21.6	22.1	9.5	2.9	9.9	18.9	20.8
	TAA's share (%)	14.9	15.4	15.5	20.3	18.1	15.8	17.8	16.8

Sources: 1) TAA  
2) Airports of Thailand PLC (AOT)

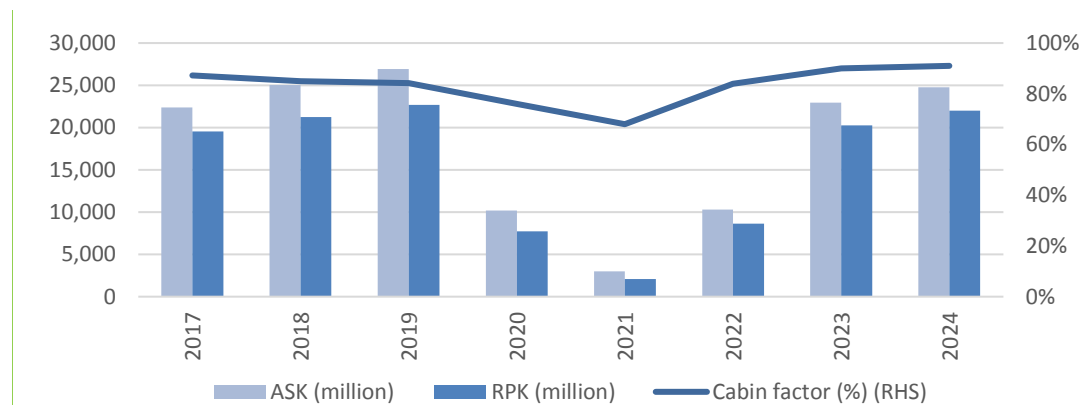
**Table 2: LCC Passengers and Market Share of TAA**

Unit: Million passengers

		2017	2018	2019	2020	2021	2022	2023	2024
<b>International</b>	Industry	22.9	27.1	32.0	4.9	0.1	7.4	22.9	27.8
	TAA's share (%)	32.1	30.1	28.6	29.4	0	27.1	30.7	27.7
<b>Domestic</b>	Industry	39.5	42.5	40.8	24.7	11.4	29.9	35.8	37.1
	TAA's share (%)	31.5	31.5	31.9	32.6	25.7	26.5	33.1	35.3
<b>Total</b>	Industry	62.4	69.6	72.7	29.6	11.5	37.3	58.7	64.9
	TAA's share (%)	31.7	31.0	30.5	32.0	25.6	26.6	32.2	32.0

Sources: 1) TAA  
2) AOT

Chart 1: TAA's Cabin Factor



Source: TAA  
ASK = Million Seat-Kilometers  
RPK = Million Passenger-Kilometers

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total operating revenues	50,167	42,298	17,867	4,116	14,359
Earnings before interest and taxes (EBIT)	6,179	2,184	(7,316)	(8,717)	(7,948)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	10,278	7,176	(1,202)	(3,339)	(2,209)
Funds from operations (FFO)	7,658	4,864	(3,440)	(5,175)	(4,027)
Adjusted interest expense	2,620	2,312	2,238	1,835	1,819
Capital expenditures	664	332	720	100	823
Total assets	54,636	47,026	43,960	45,509	45,130
Adjusted debt	44,475	42,647	43,783	47,661	38,496
Adjusted equity	(9,457)	(12,428)	(12,905)	(10,955)	(3,496)
<b>Adjusted Ratios</b>					
EBITDA margin (%)	20.5	17.0	(6.7)	(81.1)	(15.4)
Pretax return on permanent capital (%)	18.0	6.9	(21.2)	(23.7)	(18.7)
EBITDA interest coverage (times)	3.9	3.1	(0.5)	(1.8)	(1.2)
Debt to EBITDA (times)	4.3	5.9	(36.4)	(14.3)	(17.4)
FFO to debt (%)	17.2	11.4	(7.9)	(10.9)	(10.5)
Debt to capitalization (%)	127.0	141.1	141.8	129.8	110.0

## RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

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**Thai AirAsia Co., Ltd. (TAA)**

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<b>Company Rating:</b>	BBB-
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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