

Room for gains if demand follows

Finnair's earnings continued to decline y/y in Q3, and although there's now again potential for gains financial performance remains sensitive to a couple of key factors.

Ticket price softness caused an earnings miss

Finnair's EUR 818m Q3 revenue was flat y/y, vs the EUR 867m/857m Evli/cons. estimates, as ticket prices declined 9% y/y while we estimated a drop of a couple of percentage points. Especially Asian route prices were lower than we expected as they fell 10% y/y while we estimated them flat, whereas the similar European price decline was some 500bps worse than we expected. Passenger revenue was thus EUR 50m lower than we estimated, and while Finnair achieved good cost discipline it wasn't enough for EBIT to remain as high as it was a year ago. The EUR 71.5m comparable EBIT thus fell by more than EUR 20m y/y and missed the EUR 84.7m/91.2m Evli/cons. estimates.

Q4 is already likely to see y/y earnings gains

The past year has had challenges after a very favorable period last year, however Q4 bookings now look better than they did a year ago. We also note that the North Atlantic routes remain more resilient as ticket prices there continued to increase by some 2% y/y, where Finnair serves certain relatively niche yet attractive destinations such as Dallas, TX. In our view it shouldn't be too hard for Finnair to achieve earnings gains again next year, especially since Q4 already has potential to turn, yet there are still key risks such as jet fuel prices as well as potential lack of travel demand. In our opinion the latter alternative still doesn't seem that significant, but Finnair's recent capacity increases mean even relatively small sentiment changes could leave load factors quite low while ticket prices may remain under pressure.

Earnings gains are the base case scenario next year

Airline earnings are still expected to grow next year, and the EUR 145m mid-point of Finnair's EBIT guidance suggests Q4 could already see some EUR 20m y/y gain. We don't make any large changes to our estimates, but we cut our Q4 EBIT estimate by EUR 7m due to the ticket price softness. We thus estimate EUR 138m FY'24 EBIT and see the FY'25 figure gaining by more than EUR 40m y/y. On this basis Finnair is valued below 8x EV/EBIT on our FY'25 estimates, which isn't very challenging but remains a bit above peers. We retain our EUR 2.5 TP and HOLD rating.

Rating Hold



Share price, EUR (Last trading day's closing price)	2.33
Target price, EUR	2.5
Latest change in recommendation	08-Jul-24
Latest report on company	18-Oct-24
Research paid by issuer:	YES
No. of shares outstanding, '000's	204 811
No. of shares fully diluted, '000's	204 811
Market cap, EURm	476
Free float, %	42.9 %
Exchange rate	1.08
Reuters code	FIA1S.HE
Bloomberg code	FIA1S FH
Average daily volume, EURm	0.5
Next interim report	
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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2022	2356.6	-163.9	-7.0%	146.7	-5.25	-1.2	0.6	-8.8	26.9%	
2023	2988.5	184.0	6.2%	92.1	1.21	3.3	0.6	9.5	11.3%	
2024E	3039.0	137.9	4.5%	29.5	0.32	7.2	0.5	10.0	6.2%	0.10
2025E	3130.2	181.5	5.8%	13.6	0.51	4.6	0.4	7.7	2.9%	0.12
2026E	3192.8	188.4	5.9%	16.7	0.50	4.6	0.4	7.4	3.5%	0.13
Market cap, EURm		476	Gearing 2024E, %		141.5 %	CAGR EPS 2023-26, %		-25.3 %		
Net debt 2024E, EURm		910	Price/book 2024E		0.7	CAGR Sales 2023-26, %		2.2 %		
Enterprise value, EURm		1 386	Dividend yield 2024E, %		4.3 %	ROE 2024E, %		10.8 %		
Total assets 2024E, EURm		4 037	Tax rate 2024E, %		19.1 %	ROCE 2024E, %		1.7 %		
Goodwill 2024E, EURm		0	Equity ratio 2024E, %		14.2 %	PEG, P/E 24/CAGR		0.0		

All the important disclosures can be found on the last pages of this report.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	2.33 PV of Free Cash Flow	1 744 Long-term growth, %	2.0 % Risk-free interest rate, %
DCF share value	11.21 PV of Horizon value	1 492 WACC, %	9.6 % Market risk premium, %
Share price potential, %	382.2 % Unconsolidated equity	0 Spread, %	0.5 % Debt risk premium %
Maximum value	12.2 Marketable securities	922 Minimum WACC, %	9.1 % Equity beta coefficient
Minimum value	10.3 Debt – dividend	-1 862 Maximum WACC, %	10.1 % Target debt ratio, %
Horizon value, %	46.1 % Value of stock	2 297 No. of shares, Mn	204.8 Effective tax rate, %

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	TERMINAL
Net sales	2 989	3 039	3 130	3 193	3 257	3 322	3 388	3 456	3 525	3 596	3 667	3 741
Sales growth (%)	26.8%	1.7%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Operating income (EBIT)	184	138	182	188	199	199	203	225	229	216	220	224
Operating income margin %	6.2%	4.5%	5.8%	5.9%	6.1%	6.0%	6.0%	6.5%	6.5%	6.0%	6.0%	6.0%
+ Depreciation+amort.	346	328	299	315	324	340	356	366	375	383	409	
EBITDA	530	466	481	504	523	540	559	590	604	599	629	
- Paid taxes	-36	-26	-36	-38	-40	-40	-41	-45	-46	-43	-44	
- Change in NWC	64	115	41	-8	7	7	8	8	8	8	8	
NWC / Sales, %	23.7%	-27.1%	27.6%	26.8%	26.5%	26.2%	25.9%	25.6%	25.3%	-25.1%	24.8%	
+ Change in other liabs	-121											
- Operative CAPEX	-404	-250	-250	-250	-240	-240	-240	-240	-240	-300	-325	
opCAPEX / Sales, %	13.8%	15.8%	13.8%	12.3%	13.7%	13.7%	12.8%	12.6%	12.5%	16.0%	8.9%	
- Acquisitions												
+ Divestments												
- Other items		-3	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFE	33	302	223	195	238	255	273	300	313	251	255	3 447
= Discounted FCFE		297	200	160	178	174	171	171	163	119	111	1 492
= DFCF min WACC		298	201	162	181	177	175	176	168	124	115	1 666
= DFCF max WACC		297	199	158	176	171	167	166	158	115	106	1 342

Sensitivity analysis, EUR

		Terminal WACC				
		7.56 %	8.56 %	9.56 %	10.56 %	11.56 %
Terminal EBIT-%	4.00 %	12.96	10.76	9.12	7.85	6.82
	5.00 %	14.64	12.07	10.17	8.70	7.52
	6.00 %	16.33	13.38	11.21	9.55	8.22
	7.00 %	18.01	14.70	12.26	10.40	8.92
	8.00 %	19.69	16.01	13.31	11.25	9.62

Estimates and valuation

FINNAIR	2017	2018	2019	2020	2021	2022	2023	2023	2023	2023	2023	2024	2024	2024	2024E	2024E
EURm	FY	FY	FY	FY	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
ASK (mkm)	36 922	42 386	47 189	12 938	12 094	31 299	8 550	9 213	9 344	9 047	36 154	8 923	9 800	10 195	9 662	38 580
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-7 %	159 %	24 %	17 %	12 %	11 %	16 %	4 %	6 %	9 %	7 %	7 %
RPK (mkm)	30 749	34 660	38 534	8 150	5 178	21 157	6 419	7 031	7 562	6 615	27 627	6 435	7 318	8 108	7 237	29 098
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-36 %	309 %	96 %	33 %	13 %	12 %	31 %	0 %	4 %	7 %	9 %	5 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7%	63.0 %	42.8 %	67.6 %	75.1 %	76.3 %	80.9 %	73.1 %	76.4 %	72.1 %	74.7 %	79.5 %	74.9 %	75.4 %
<i>y/y change</i>	3.5%-p	-1.5%-p	-0.1%-p	-18.7%-p	-20.2%-p	24.8%-p	27.8%-p	9.1%-p	0.8%-p	0.8%-p	8.8%-p	-2.9%-p	-1.6%-p	-1.4%-p	1.8%-p	-1.0%-p
Ancillary and retail	145	161	176	62	44	123	33	33	38	44	148	37	45	48	50	179
Cargo	197	207	212	178	335	352	53	47	41	51	192	46	51	53	52	202
Travel services	206	223	230	61	39	170	55	57	66	60	237	58	57	63	62	239
Total revenue	2569	2835	3098	829	838	2356	695	749	817	727	2989	681	766	818	773	3039
<i>YoY change</i>	11 %	10 %	9 %	-73 %	1 %	181 %	74 %	36 %	14 %	6 %	27 %	-2 %	2 %	0 %	6 %	2 %
Other income	77	74	56	48	63	154	34	28	27	42	130	33	32	31	27	123
Staff costs	-423	-500	-535	-284	-249	-447	-129	-125	-120	-124	-498	-130	-130	-125	-131	-517
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-12 %	80 %	27 %	10 %	2 %	8 %	11 %	0 %	4 %	4 %	6 %	4 %
<i>% of revenue</i>	16 %	18 %	17 %	34 %	30 %	19 %	19 %	17 %	15 %	17 %	17 %	19 %	17 %	15 %	17 %	17 %
Fuel	-472	-581	-687	-233	-212	-836	-220	-220	-238	-222	-900	-210	-225	-239	-218	-892
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-9 %	295 %	61 %	-4 %	-2 %	-3 %	8 %	-4 %	2 %	1 %	-2 %	-1 %
<i>% of revenue</i>	18 %	20 %	22 %	28 %	25 %	35 %	32 %	29 %	29 %	31 %	30 %	31 %	29 %	29 %	28 %	29 %
Other OPEX	-1314	-1316	-1444	-613	-566	-1067	-294	-282	-309	-306	-1191	-304	-318	-331	-335	-1287
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-8 %	88 %	27 %	12 %	2 %	8 %	12 %	3 %	12 %	7 %	9 %	8 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	68 %	45 %	42 %	38 %	38 %	42 %	40 %	45 %	41 %	40 %	43 %	42 %
Comparable EBIT	171	218	163	-595	-469	-164	1	66	94	23	184	-12	44	72	34	138
<i>Comp. EBIT-%</i>	6.6 %	7.7 %	5.3 %	-71.8 %	-56.0 %	-7.0 %	0.1 %	8.8 %	11.5 %	3.1 %	6.2 %	-1.7 %	5.7 %	8.7 %	4.5 %	4.5 %

Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/B		
		23	24	25	23	24	25	23	24	25
United Airlines Holdings	23564	4.6x	5.6x	5.0x	7.0x	8.9x	7.7x	2.7x	2.0x	1.5x
International Consolidated Airlines Group	12377	3.4x	3.3x	3.1x	5.4x	5.3x	4.9x	3.4x	2.2x	1.6x
Air France-KLM	2430	2.9x			7.2x					
Deutsche Lufthansa	7812	3.2x	3.4x	2.9x	5.7x	8.2x	5.9x	0.8x	0.8x	0.7x
Norwegian Air Shuttle	824	3.1x	2.0x	1.9x	8.1x	6.3x	5.8x	1.8x	1.4x	1.1x
Aegean Airlines	909	3.6x	3.6x	3.4x	5.8x	7.0x	6.4x	2.2x	1.9x	1.7x
easyJet	4650	3.2x	2.7x	2.5x	7.5x	5.7x	5.1x	1.4x	1.2x	1.0x
Ryanair Holdings	19828	7.3x	6.4x	5.8x	11.2x	10.6x	9.5x	2.8x	2.6x	2.3x
Wizz Air Holdings	1732	7.3x	5.1x	4.2x	32.2x	15.1x	11.2x	35.6x	5.1x	2.5x
American Airlines Group	8399	7.1x	8.3x	7.5x	10.5x	14.4x	12.2x			
Delta Air Lines	33960	5.4x	6.5x	5.7x	7.7x	9.5x	8.2x	4.0x	2.6x	2.0x
Peer Group Average	10589	4.6x	4.7x	4.2x	9.9x	9.1x	7.7x	6.1x	2.2x	1.6x
Peer Group Median	7812	3.6x	4.4x	3.8x	7.5x	8.6x	7.1x	2.7x	2.0x	1.6x
Finnair (Evli est.)	476	3.3x	3.0x	2.9x	9.5x	10.1x	7.7x	1.4x	0.7x	0.7x

Finnair prem./disc. to peer median

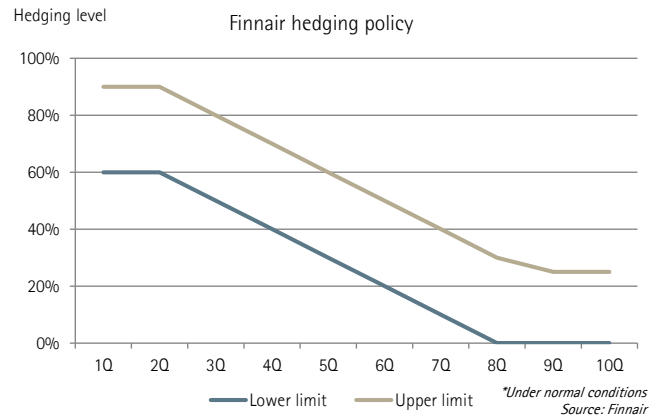
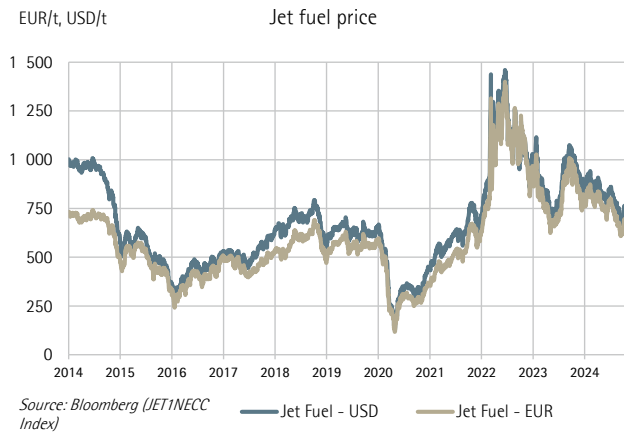
Source FactSet, Evli Research

FINNAIR PEER GROUP	Sales	Sales gr.			EBIT-%			Div. yield		
		23	24	25	23	24	25	23	24	25
United Airlines Holdings	41504	19.5%	5.6%	6.9%	9.6 %	8.9 %	9.6 %	0.0 %	0.0 %	0.0 %
International Consolidated Airlines Group	23066	27.7%	7.8%	3.6%	11.9 %	11.8 %	12.3 %	0.0 %	2.6 %	4.1 %
Air France-KLM	26393	13.7%	3.7%	3.9%	5.7 %	4.7 %	5.9 %	0.0 %	0.0 %	0.0 %
Deutsche Lufthansa	32770	8.1%	6.6%	5.2%	7.6 %	4.3 %	5.8 %	4.2 %	3.7 %	4.6 %
Norwegian Air Shuttle	1724	30.8%	31.5%	3.4%	8.8 %	6.5 %	6.9 %	0.5 %	1.5 %	2.5 %
Aegean Airlines	1337	26.6%	4.7%	6.1%	14.6 %	11.5 %	11.8 %	7.2 %	6.4 %	6.8 %
easyJet	6684	47.6%	15.2%	6.5%	6.1 %	6.8 %	7.2 %	1.3 %	2.5 %	3.0 %
Ryanair Holdings	10775	18.4%	8.0%	7.4%	15.2 %	12.6 %	13.2 %	1.4 %	2.1 %	2.2 %
Wizz Air Holdings	3896	22.5%	10.6%	15.1%	4.5 %	8.7 %	10.2 %	0.0 %	0.0 %	0.0 %
American Airlines Group	45118	8.0%	1.9%	4.7%	7.6 %	5.1 %	5.7 %	0.0 %	0.0 %	0.0 %
Delta Air Lines	42112	18.4%	5.1%	6.1%	11.6 %	10.6 %	11.5 %	0.3 %	0.8 %	0.8 %
Peer Group Average	21398	21.9%	9.1%	6.3%	9.4 %	8.3 %	9.1 %	1.4 %	1.8 %	2.2 %
Peer Group Median	23066	19.5%	6.6%	6.1%	8.8 %	8.7 %	9.6 %	0.3 %	1.5 %	2.2 %
Finnair (Evli est.)	2357	26.8%	1.7%	3.0%	6.2 %	4.5 %	5.8 %	0.0 %	4.3 %	5.2 %

Finnair prem./disc. to peer median

Source FactSet, Evli Research

Jet fuel cost



INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Net sales	694.7	749.2	817.4	727.2	2 988.5	681.5	766.1	818.3	773.1	3 039.0	3 130.2	3 192.8
EBITDA	82.9	149.0	177.8	120.5	530.2	71.2	125.8	153.3	115.9	466.2	480.6	503.9
<i>EBITDA margin (%)</i>	<i>11.9%</i>	<i>19.9%</i>	<i>21.8%</i>	<i>16.6%</i>	<i>17.7%</i>	<i>10.5%</i>	<i>16.4%</i>	<i>18.7%</i>	<i>15.0%</i>	<i>15.3%</i>	<i>15.4%</i>	<i>15.8%</i>
EBIT	0.9	66.2	94.3	22.6	184.0	-11.6	43.6	71.5	34.4	137.9	181.5	188.4
<i>EBIT margin (%)</i>	<i>0.1%</i>	<i>8.8%</i>	<i>11.5%</i>	<i>3.1%</i>	<i>6.2%</i>	<i>-1.7%</i>	<i>5.7%</i>	<i>8.7%</i>	<i>4.5%</i>	<i>4.5%</i>	<i>5.8%</i>	<i>5.9%</i>
Net financial items	-15.7	-22.2	-23.5	-10.9	-72.3	-20.3	-20.0	-5.1	-7.0	-52.4	-36.0	-43.4
Pre-tax profit	-14.8	44.0	70.8	11.7	111.7	-31.9	23.6	66.4	27.4	85.5	145.5	145.0
Tax	10.3	95.1	-14.0	43.8	135.2	7.6	-4.6	-14.3	-5.0	-16.3	-29.1	-29.0
<i>Tax rate (%)</i>	<i>69.6%</i>	<i>-216.1%</i>	<i>19.8%</i>	<i>-374.4%</i>	<i>-121.0%</i>	<i>23.8%</i>	<i>19.5%</i>	<i>21.5%</i>	<i>18.2%</i>	<i>19.1%</i>	<i>20.0%</i>	<i>20.0%</i>
Net profit	-4.5	139.1	56.8	55.5	246.9	-24.3	19.0	52.1	19.3	66.1	103.8	103.4
EPS	-0.02	0.68	0.28	0.27	1.21	-0.12	0.09	0.25	0.09	0.32	0.51	0.50
EPS adj. (diluted)	-0.02	0.68	0.28	0.27	1.21	-0.12	0.09	0.25	0.09	0.32	0.51	0.50
Dividend per share										0.10	0.12	0.13
SALES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Group total	694.7	749.2	817.4	727.2	2 988.5	681.5	766.1	818.3	773.1	3 039.0	3 130.2	3 192.8
Total	694.7	749.2	817.4	727.2	2 988.5	681.5	766.1	818.3	773.1	3 039.0	3 130.2	3 192.8
SALES GROWTH, Y.Y%	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Group total	73.8%	36.1%	13.7%	5.8%	26.8%	-1.9%	2.3%	0.1%	6.3%	1.7%	3.0%	2.0%
Total	73.8%	36.1%	13.7%	5.8%	26.8%	-1.9%	2.3%	0.1%	6.3%	1.7%	3.0%	2.0%
EBIT, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Group total	0.9	66.2	94.3	22.6	184.0	-11.6	43.6	71.5	34.4	137.9	181.5	188.4
Total	0.9	66.2	94.3	22.6	184.0	-11.6	43.6	71.5	34.4	137.9	181.5	188.4
EBIT margin %	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Group total	0.1%	8.8%	11.5%	3.1%	6.2%	-1.7%	5.7%	8.7%	4.5%	4.5%	5.8%	5.9%
Total	0.1%	8.8%	11.5%	3.1%	6.2%	-1.7%	5.7%	8.7%	4.5%	4.5%	5.8%	5.9%

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	3 097.7	829.2	838.4	2 356.6	2 988.5	3 039.0	3 130.2	3 192.8
<i>Sales growth (%)</i>	9.2%	-73.2%	1.1%	181.1%	26.8%	1.7%	3.0%	2.0%
EBITDA	488.2	-251.5	-149.0	185.9	530.2	466.2	480.6	503.9
<i>EBITDA margin (%)</i>	15.8%	-30.3%	-17.8%	7.9%	17.7%	15.3%	15.4%	15.8%
Depreciation	-325.4	-343.8	-319.9	-349.8	-346.2	-328.3	-299.0	-315.5
EBITA	162.8	-595.3	-468.9	-163.9	184.0	137.9	181.5	188.4
Goodwill amortization / writedown								
EBIT	162.8	-595.3	-468.9	-163.9	184.0	137.9	181.5	188.4
<i>EBIT margin (%)</i>	5.3%	-71.8%	-55.9%	-7.0%	6.2%	4.5%	5.8%	5.9%
Reported EBIT	160.0	-597.7	-474.7	-163.9	184.0	137.9	181.5	188.4
<i>EBIT margin (reported) (%)</i>	5.2%	-72.1%	-56.6%	-7.0%	6.2%	4.5%	5.8%	5.9%
Net financials	-67.0	-190.1	-127.5	-170.2	-72.3	-52.4	-36.0	-43.4
Pre-tax profit	95.8	-785.4	-596.4	-334.1	111.7	85.5	145.5	145.0
Taxes	-18.4	131.2	117.6	-105.4	135.2	-16.3	-29.1	-29.0
Minority shares								
Net profit	61.8	-671.4	-484.6	-439.5	246.9	66.1	103.8	103.4
Cash NRIs	-2.8	-2.4	-5.8					
Non-cash NRIs								
BALANCE SHEET, EURm								
Assets								
Fixed assets	1 751	1 683	1 215	1 165	1 325	1 390	1 492	1 581
Goodwill								
Right of use assets	878	918	1 182	1 083	917	1 003	1 033	1 022
Inventory	80	68	56	122	135	91	78	80
Receivables	217	70	137	158	166	103	90	108
Liquid funds	952	824	1 266	1 524	922	1 216	1 252	1 277
Total assets	3 878	3 646	4 047	4 133	3 698	4 037	4 179	4 301
Liabilities								
Shareholders' equity	966	897	476	411	577	643	726	805
Minority interest								
Convertible								
Lease liabilities	1 054	1 016	1 381	1 128	951	1 003	1 033	1 022
Deferred taxes	64							
Interest bearing debt	521	1 182	1 428	1 299	911	1 123	1 136	1 180
Non-interest bearing current liabilities	243	176	291	452	507	515	531	541
Other interest-free debt	873	215	271	658	627	627	627	627
Total liabilities	3 878	3 647	4 047	4 133	3 698	4 037	4 179	4 301
CASH FLOW, EURm								
+ EBITDA	488	-251	-149	186	530	466	481	504
- Net financial items	-67	-190	-128	-170	-72	-52	-36	-43
- Taxes	-2	-18	11	6	-18	-16	-29	-29
- Increase in Net Working Capital	-7	-489	117	274	64	115	41	-8
+/- Other	-16	-17	-6			-3	-13	-13
= Cash flow from operations	397	-966	-155	296	504	510	444	410
- Capex	-409	-315	-484	-149	-412	-480	-431	-394
- Acquisitions								
+ Divestments								
= Free cash flow	-12	-1 281	-639	147	92	30	14	17
+/- New issues/buybacks	21	602	64	374	-81			
- Paid dividend						20	25	27
+/- Other	-89	551	1 018	-262	-614	264	43	33
Change in cash	-116	-128	442	259	-603	294	36	25

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	1 069	837	546	817	476	476	476
Net debt (excl. convertibles)	1 374	1 543	902	940	910	917	925
Enterprise value	2 443	2 380	1 448	1 756	1 386	1 393	1 401
Sales	829	838	2 357	2 989	3 039	3 130	3 193
EBITDA	-251	-149	186	530	466	481	504
EBIT	-595	-469	-164	184	138	182	188
Pre-tax	-785	-596	-334	112	86	146	145
Earnings	-669	-479	-440	247	66	104	103
Equity book value (excl. minorities)	897	476	411	577	643	726	805
Valuation multiple	2020	2021	2022	2023	2024E	2025E	2026E
EV/Sales	2.9	2.8	0.6	0.6	0.5	0.4	0.4
EV/EBITDA	-9.7	-16.0	7.8	3.3	3.0	2.9	2.8
EV/EBITA	-4.1	-5.1	-8.8	9.5	10.0	7.7	7.4
EV/EBIT	-4.1	-5.1	-8.8	9.5	10.0	7.7	7.4
EV/OCF	-2.5	-15.4	4.9	3.5	2.7	3.1	3.4
EV/FCF	-2.4	-26.4	2.4	53.0	4.6	6.2	7.2
P/FCFR	0.0	-0.1	0.2	0.1	16.1	35.0	28.5
P/E	-1.6	-1.7	-1.2	3.3	7.2	4.6	4.6
P/BV	1.2	1.8	1.3	1.4	0.7	0.7	0.6
Target EV/EBITDA					3.1	3.0	2.9
Target EV/EBIT					10.3	7.9	7.6
Target EV/FCFF					48.2	104.9	85.9
Target P/BV					0.8	0.7	0.6
Target P/E, diluted	-1.2	-1.8	-1.3	4.3	7.7	4.9	5.0
Per share measures	2020	2021	2022	2023	2024E	2025E	2026E
Number of shares (million)	83.82	83.75	83.75	204.21	204.81	204.81	204.81
Number of shares (diluted, million)	83.82	83.75	83.75	204.21	204.81	204.81	204.81
EPS	-7.98	-5.72	-5.25	1.21	0.32	0.51	0.50
Operating cash flow per share	-11.52	-1.85	3.53	2.47	2.49	2.17	2.00
Free cash flow per share	-15.28	-7.63	1.75	0.45	0.14	0.07	0.08
Book value per share	10.70	5.68	4.90	2.83	3.14	3.55	3.93
Dividend per share					0.10	0.12	0.13
Dividend payout ratio, %					31.0%	23.7%	25.8%
Dividend yield, %					4.3%	5.2%	5.6%
FCF yield, %	-119.8%	-76.4%	26.9%	11.3%	6.2%	2.9%	3.5%
Efficiency measures	2020	2021	2022	2023	2024E	2025E	2026E
ROE	-71.8%	-69.8%	-99.2%	50.0%	10.8%	15.2%	13.5%
ROCE	-21.1%	-17.9%	-8.9%	3.2%	1.7%	4.1%	2.9%
Financial ratios	2020	2021	2022	2023	2024E	2025E	2026E
Inventories as % of sales	8.2%	6.7%	5.2%	4.5%	3.0%	2.5%	2.5%
Receivables as % of sales	8.4%	16.3%	6.7%	5.6%	3.4%	2.9%	3.4%
Non-int. bearing liabilities as % of sales	21.3%	34.7%	19.2%	17.0%	17.0%	17.0%	17.0%
NWC/sales, %	-30.3%	-43.9%	-27.3%	-23.7%	-27.1%	-27.6%	-26.8%
Operative CAPEX/Sales, %	38.0%	57.8%	6.3%	13.8%	15.8%	13.8%	12.3%
CAPEX/sales (incl. acquisitions), %	38.0%	57.8%	6.3%	13.8%	15.8%	13.8%	12.3%
FCFF/EBITDA	4.0	0.6	3.2	0.1	0.6	0.5	0.4
Net Debt/EBITDA, book-weighted	-5.5	-10.4	4.9	1.8	2.0	1.9	1.8
Debt/equity, market-weighted	1.1	1.7	2.4	1.1	2.4	2.4	2.5
Equity ratio, book-weighted	0.3	0.1	0.1	0.2	0.2	0.2	0.2
Gearing, %	153.3%	324.4%	219.7%	162.9%	141.5%	126.2%	114.9%

COMPANY DESCRIPTION: Finnair is a network airline established in 1923. The company focuses on passenger and cargo traffic between Nordic capitals and destinations across the northern hemisphere and it has over 100 destinations worldwide. The company has modern and eco-friendly fleet that consists of over 80 aircrafts.

INVESTMENT CASE: Finnair's investment case relies on restoring profitability according to its new strategy and operating a cost efficient and eco-friendly modern fleet.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Prime Minister's Office	114 067 105	265.263	55.7 %
Varma Mutual Pension Insurance Company	5 827 783	13.553	2.8 %
Ilmarinen Mutual Pension Insurance Company	2 788 500	6.485	1.4 %
Elo Mutual Pension Insurance Company	2 100 000	4.884	1.0 %
The State Pension Fund	1 795 000	4.174	0.9 %
Sijoitusrahasto Danske Invest Suomi Osake	1 203 042	2.798	0.6 %
Sijoitusrahasto Säästöpankki Pienyhtiöt	729 000	1.695	0.4 %
Sijoitusrahasto Nordea Pro Suomi	558 729	1.299	0.3 %
Finnair Oyj	300 082	0.698	0.1 %
Forsten Visa Tapio	245 700	0.571	0.1 %
Ten largest	129 614 941	301.420	63.3 %
Residual	75 196 059	174.868	36.7 %
Total	204 811 000	476.288	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Turkka Kuusisto
CFO: Kristian Pullola
IR: Erkkä Salonen

Tietotie 9, 01053 FINNAIR (VANTAA AIRPORT)
Tel: +358 9 818 2780

DEFINITIONS

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS $\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV $\frac{\text{Price per share}}{\text{Shareholder's equity} + \text{taxed provisions per share}}$	DPS Dividend for the financial period per share
Market cap Price per share * Number of shares	OCF (Operating cash flow) EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value) Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow) Operating cash flow – Operative CAPEX – acquisitions + divestments
EV/Sales $\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, % $\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX / Sales $\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT $\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital Current assets – current liabilities
Net debt Interest bearing debt – financial assets	Capital employed / Share $\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets Balance sheet total	Gearing $\frac{\text{Net debt}}{\text{Equity}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, % $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, % $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, % $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, % Cumulative annual growth rate = Average growth rate per year
ROE, % $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	

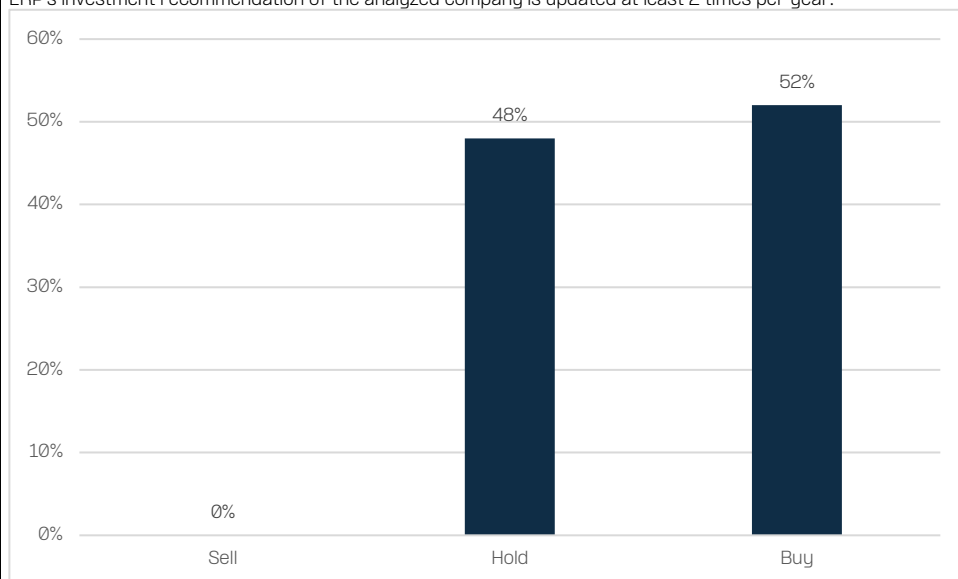
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Joonas Iivonen

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