EVLI

FINNAIR

Transportation/Finland, July 8, 2024
Preview

Earnings rely more on H2

Finnair reports Q2 results on Jul 19. The market still looks stable, however there have been some estimate cuts lately and Finnair may not see any further gain in EBIT this year.

H1 a bit soft, H2 should see higher RPK and PLFs

Finnair's Q2 traffic data came in softer than we expected as RPK was 9% below our estimate. European PLFs declined around 800bps y/y in April and May, although they did increase sharply q/q in June. Finnair's capacity continues to grow this year in Asia and Europe, thus further RPK growth and stable PLFs are important especially within the latter routes. In our view this shouldn't be too hard to achieve as e.g. IATA sees sector PLFs improving a bit more this year. We estimate Q2 EBIT at EUR 57m.

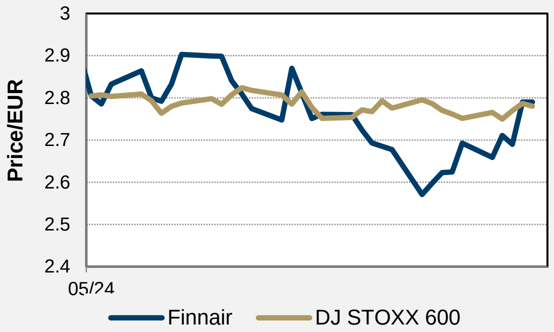
Capacity to be allocated to some less-competed routes

Finnair will issue FY '24 guidance in connection with the report, and we expect the EBIT range's midpoint to land close to the EUR 184m comparison figure. We note H2 PLFs should stabilize and even improve given the softness seen in H1 as well as the somewhat undemanding ratios seen last year. The aviation market has largely normalized from the perspective of supply and demand. The summer season continues to be crucial for profitability, although there are some tentative signs the profile of trips is changing as seen e.g. in Finnair's latest additions to Northern Norwegian destinations and flights to certain Mediterranean places outside the busiest summer months. The trend could help make earnings less dependent on Q3 over the long-term, however we estimate Q3'24 EBIT at EUR 95m as we see the seasonal profile not much changed from the previous year.

Multiples not high, but sector estimates have been trimmed

Airline valuations have declined recently as growth and margin estimates saw some downward revisions, however Finnair's peer group as well as IATA estimates still point to high single-digit growth this year while profitability should continue to improve slightly. We estimate Finnair's FY '24 revenue to grow 3.5% and expect EBIT to decline a bit to EUR 178m, which implies an EV/EBIT of above 8x. The multiple isn't yet very challenging, especially as our estimates appear on the cautious side, however it already represents a premium to the around 7x typical peer levels. Our new TP is EUR 3.0 (3.5); our rating is now HOLD (BUY).

Rating: HOLD



Share price, EUR (Last trading day's closing price)	2.79
Target price, EUR	3.0
Latest change in recommendation	08-Jul-24
Latest report on company	24-Apr-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	571
Free float, %	42.9
Exchange rate EUR/USD	1.08
Reuters code	FIA1S.HE
Bloomberg code	FIA1S FH
Average daily volume, EURm	0.5
Next interim report	19-Jul-24
Web site	investors.finnair.com

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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	2,356.6	-163.9	-7.0%	146.7	-5.25	-1.2	0.6	-8.8	26.9	0.00
2023	2,988.5	184.0	6.2%	92.1	1.21	3.3	0.6	9.5	11.3	0.00
2024E	3,092.8	178.1	5.8%	23.4	0.50	5.6	0.5	8.4	4.1	0.10
2025E	3,185.6	187.9	5.9%	16.4	0.45	6.3	0.5	7.9	2.9	0.12
2026E	3,249.3	195.0	6.0%	28.5	0.48	5.8	0.5	7.6	5.0	0.13

Market cap, EURm	571	Gearing 2024E, %	134.8	CAGR EPS 2023-26, %	-26.3
Net debt 2024E, EURm	916	Price/book 2024E	0.8	CAGR sales 2023-26, %	2.8
Enterprise value, EURm	1,487	Dividend yield 2024E, %	3.6	ROE 2024E, %	16.4
Total assets 2024E, EURm	4,110	Tax rate 2024E, %	6.2	ROCE 2024E, %	3.2
Goodwill 2024E, EURm	0	Equity ratio 2024E, %	18.8	PEG, P/E 24/CAGR	0.0

Estimates and valuation

FINNAIR EURm	2017 FY	2018 FY	2019 FY	2020 FY	2021 FY	2022 FY	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2023 FY	2024 Q1	2024E Q2	2024E Q3	2024E Q4	2024E 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	10 111	9 662	38 496
y/y change	*9 %*	*15 %*	*11 %*	*-73 %*	*-7 %*	*159 %*	*24 %*	*17 %*	*12 %*	*11 %*	*16 %*	*4 %*	*6 %*	*8 %*	*7 %*	*6 %*
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	8 241	7 237	29 231
y/y change	*14 %*	*13 %*	*11 %*	*-79 %*	*-36 %*	*309 %*	*96 %*	*33 %*	*13 %*	*12 %*	*31 %*	*0 %*	*4 %*	*9 %*	*9 %*	*6 %*
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 %	81.5 %	74.9 %	75.9 %
y/y change	*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*	*0.6%-p*	*1.8%-p*	*-0.5%-p*
Ancillary and retail	145	161	176	62	44	123	33	33	38	44	148	37	34	40	45	157
Cargo	197	207	212	178	335	352	53	47	41	51	192	46	38	33	41	158
Travel services	206	223	230	61	39	170	55	57	66	60	237	58	62	73	67	261
Total revenue	**2569**	**2835**	**3098**	**829**	**838**	**2356**	**695**	**749**	**817**	**727**	**2989**	**681**	775	863	774	**3093**
YoY change	***11 %***	***10 %***	***9 %***	***-73 %***	***1 %***	***181 %***	***74 %***	***36 %***	***14 %***	***6 %***	***27 %***	***-2 %***	*3 %*	*6 %*	*6 %*	***3 %***
Other income	77	74	56	48	63	154	34	28	27	42	130	33	23	22	25	103
Staff costs	**-423**	**-500**	**-535**	**-284**	**-249**	**-447**	**-129**	**-125**	**-120**	**-124**	**-498**	**-130**	-131	-128	-131	**-521**
y/y change	*17 %*	*18 %*	*7 %*	*-47 %*	*-12 %*	*80 %*	*27 %*	*10 %*	*2 %*	*8 %*	*11 %*	*0 %*	*5 %*	*7 %*	*6 %*	*5 %*
% of revenue	*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**	-219	-233	-221	**-883**
y/y change	*-4 %*	*23 %*	*18 %*	*-66 %*	*-9 %*	*295 %*	*61 %*	*-4 %*	*-2 %*	*-3 %*	*8 %*	*-4 %*	*-1 %*	*-2 %*	*0 %*	*-2 %*
% of revenue	*18 %*	*20 %*	*22 %*	*28 %*	*25 %*	*35 %*	*32 %*	*29 %*	*29 %*	*31 %*	*30 %*	*31 %*	*28 %*	*27 %*	*29 %*	*29 %*
Other OPEX	**-1314**	**-1316**	**-1444**	**-613**	**-566**	**-1067**	**-294**	**-282**	**-309**	**-306**	**-1191**	**-304**	-309	-346	-328	**-1287**
y/y change	*4 %*	*0 %*	*10 %*	*-58 %*	*-8 %*	*88 %*	*27 %*	*12 %*	*2 %*	*8 %*	*12 %*	*3 %*	*9 %*	*12 %*	*7 %*	*8 %*
% of revenue	*51 %*	*46 %*	*47 %*	*74 %*	*68 %*	*45 %*	*42 %*	*38 %*	*38 %*	*42 %*	*40 %*	*45 %*	*40 %*	*40 %*	*42 %*	*42 %*
Comparable EBIT	**171**	**218**	**163**	**-595**	**-469**	**-164**	**1**	**66**	**94**	**23**	**184**	**-12**	57	95	37	**178**
Comp. EBIT-%	***6.6 %***	***7.7 %***	***5.3 %***	***-71.8 %***	***-56.0 %***	***-7.0 %***	***0.1 %***	***8.8 %***	***11.5 %***	***3.1 %***	***6.2 %***	***-1.7 %***	*7.4 %*	*11.0 %*	*4.8 %*	***5.8 %***

Sources: Finnair, Evli estimates

	MCAP	EV/EBITDA			EV/EBIT			P/B		
FINNAIR PEER GROUP	MEUR	23	24	25	23	24	25	23	24	25
United Airlines Holdings	14758	4.6x	4.5x	4.1x	7.0x	7.0x	6.1x	1.7x	1.1x	0.9x
International Consolidated	10099	3.4x	3.5x	3.3x	5.4x	5.7x	5.3x	2.8x	1.8x	1.3x
Air France-KLM	2203	2.9x			7.2x					5.9x
Deutsche Lufthansa	7244	3.2x	2.9x	2.6x	5.7x	6.2x	4.9x	0.8x	0.7x	0.6x
Norwegian Air Shuttle	924	3.1x	2.5x	2.3x	8.1x	6.7x	6.0x	1.9x	1.4x	1.1x
Aegean Airlines	1074	3.6x	3.6x	3.4x	5.8x	6.0x	5.9x	2.6x	2.3x	2.0x
easyJet	4152	3.2x	2.3x	2.2x	7.2x	4.8x	4.5x	1.2x	1.1x	0.9x
Ryanair Holdings	19084	7.3x	5.1x	4.6x	11.2x	7.6x	6.8x	2.7x	2.2x	1.9x
Wizz Air Holdings	2580	7.3x	5.3x	4.5x	32.2x	12.2x	10.1x	53.0x	5.2x	2.7x
American Airlines Group	6750	7.1x	7.0x	6.1x	10.5x	11.5x	9.6x			
Delta Air Lines	28295	5.4x	5.5x	5.1x	7.7x	7.8x	7.1x	3.4x	2.1x	1.6x
Peer Group Average	8833	**4.6x**	**4.2x**	**3.8x**	**9.8x**	**7.6x**	**6.6x**	**7.8x**	**2.0x**	**1.9x**
Peer Group Median	6750	**3.6x**	**4.1x**	**3.8x**	**7.2x**	**6.9x**	**6.0x**	**2.6x**	**1.8x**	**1.5x**
Finnair (Evli est.)	**573**	**3.3x**	**2.9x**	**3.1x**	**9.5x**	**8.4x**	**7.9x**	**1.4x**	**0.8x**	**0.8x**
Finnair prem./disc. to peer median		*-8 %*	*-27 %*	*-19 %*	*32 %*	*22 %*	*31 %*	*-45 %*	*-53 %*	*-48 %*

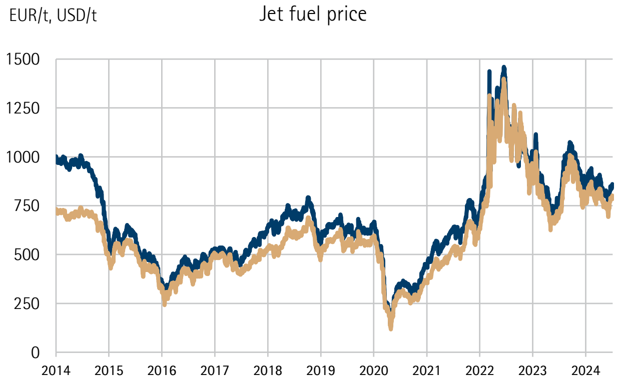
Source FactSet, Evli Research

	Sales	Sales gr.			EBIT-%			Div. yield		
FINNAIR PEER GROUP	22	23	24	25	23	24	25	23	24	25
United Airlines Holdings	41504	19.5%	7.2%	6.1%	9.6 %	9.2 %	9.9 %	0.0 %	0.0 %	0.0 %
International Consolidated	23066	27.7%	7.5%	4.0%	11.9 %	11.2 %	11.5 %	0.0 %	2.4 %	4.0 %
Air France-KLM	26393	13.7%	4.6%	4.3%	5.7 %	5.2 %	5.9 %	0.0 %	0.0 %	0.0 %
Deutsche Lufthansa	32770	8.1%	7.7%	6.7%	7.6 %	5.4 %	6.4 %	4.6 %	4.6 %	5.5 %
Norwegian Air Shuttle	1724	30.8%	16.6%	7.0%	8.8 %	8.6 %	9.0 %	0.5 %	1.1 %	1.8 %
Aegean Airlines	1337	26.6%	4.7%	4.8%	14.6 %	14.0 %	13.7 %	6.2 %	5.9 %	6.1 %
easyJet	6684	47.5%	14.9%	7.0%	6.2 %	7.2 %	7.3 %	1.4 %	3.0 %	3.4 %
Ryanair Holdings	10775	18.4%	13.2%	10.2%	15.2 %	16.2 %	16.4 %	1.5 %	2.6 %	3.1 %
Wizz Air Holdings	3896	22.5%	13.1%	17.4%	4.5 %	12.1 %	12.4 %	0.0 %	0.0 %	0.0 %
American Airlines Group	45118	8.0%	4.4%	5.2%	7.6 %	6.1 %	6.9 %	0.0 %	0.0 %	0.0 %
Delta Air Lines	42112	18.4%	7.4%	4.8%	11.6 %	11.5 %	12.1 %	0.4 %	0.8 %	0.9 %
Peer Group Average	**21398**	**21.9%**	**9.2%**	**7.0%**	**9.4 %**	**9.7 %**	**10.1 %**	**1.3 %**	**1.8 %**	**2.3 %**
Peer Group Median	**23066**	**19.5%**	**7.5%**	**6.1%**	**8.8 %**	**9.2 %**	**9.9 %**	**0.4 %**	**1.1 %**	**1.8 %**
Finnair (Evli est.)	**2357**	**26.8%**	**3.5%**	**3.0%**	**6.2 %**	**5.8 %**	**5.9 %**	**0.0 %**	**3.6 %**	**4.3 %**

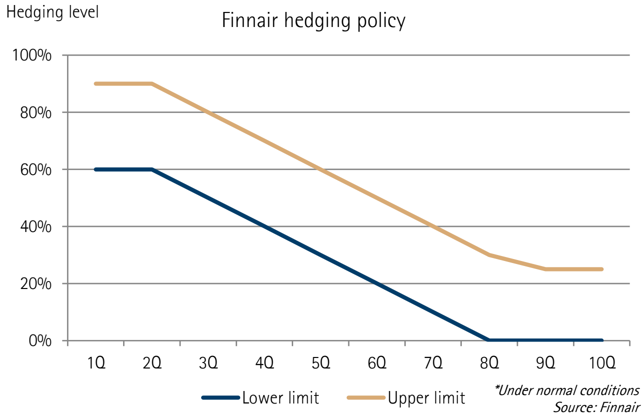
Finnair prem./disc. to peer median

Source FactSet, Evli Research

Jet fuel cost



Source: Bloomberg (JET1NECC Index)



**Under normal conditions*
Source: Finnair

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	2.79	PV of Free Cash Flow	1,783	Long-term growth, %	2.0	Risk-free interest rate, %	2.25
DCF share value	11.38	PV of Horizon value	1,488	WACC, %	9.6	Market risk premium, %	5.8
Share price potential, %	308.1	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	2.8
Maximum value	12.4	Marketable securities	922	Minimum WACC, %	9.1	Equity beta coefficient	1.35
Minimum value	10.5	Debt - dividend	-1,861	Maximum WACC, %	10.1	Target debt ratio, %	20
Horizon value, %	45.5	Value of stock	2,331	Nr of shares, Mn	204.8	Effective tax rate, %	25

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Horizon
Net sales	2,989	3,093	3,186	3,249	3,314	3,381	3,448	3,517	3,587	3,659	3,732	3,807
Sales growth, %	*26.8*	*3.5*	*3.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Operating income (EBIT)	184	178	188	195	205	203	207	229	233	220	224	228
Operating income margin, %	*6.2*	*5.8*	*5.9*	*6.0*	*6.2*	*6.0*	*6.0*	*6.5*	*6.5*	*6.0*	*6.0*	*6.0*
+ Depreciation+amort.	346	327	302	318	327	343	359	369	378	386	412	
EBITDA	530	505	490	513	533	546	566	597	611	606	636	
- Paid taxes	-36	-11	-38	-39	-41	-41	-41	-46	-47	-44	-45	
- Change in NWC	64	90	57	7	7	8	8	8	8	8	8	
NWC / Sales, %	*-23.7*	*-25.8*	*-26.8*	*-26.5*	*-26.2*	*-25.9*	*-25.6*	*-25.4*	*-25.1*	*-24.8*	*-24.6*	
+ Change in other liabs	-121	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-404	-250	-250	-250	-240	-240	-240	-240	-240	-300	-325	
opCAPEX / Sales, %	*13.8*	*16.1*	*13.6*	*12.2*	*13.6*	*13.6*	*12.6*	*12.5*	*12.4*	*15.9*	*8.7*	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	-9	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	33	325	246	219	246	261	279	307	320	257	262	3,537
= Discounted FCFF		311	215	175	179	173	169	170	161	119	110	1,488
= DFCF min WACC		312	217	177	182	177	174	175	167	123	115	1,664
= DFCF max WACC		310	214	173	176	170	165	165	156	114	106	1,337

INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2E	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	694.7	749.2	817.4	727.2	2,988.5	681.5	774.7	862.5	774.0	3,092.8	3,185.6	3,249.3
EBITDA	82.9	149.0	177.8	120.5	530.2	71.2	138.7	176.7	118.6	505.2	489.6	513.2
EBITDA margin (%)	*11.9*	*19.9*	*21.8*	*16.6*	*17.7*	*10.4*	*17.9*	*20.5*	*15.3*	*16.3*	*15.4*	*15.8*
EBIT	0.9	66.2	94.3	22.6	184.0	-11.6	57.3	95.3	37.1	178.1	187.9	195.0
EBIT margin (%)	*0.1*	*8.8*	*11.5*	*3.1*	*6.2*	*-1.7*	*7.4*	*11.0*	*4.8*	*5.8*	*5.9*	*6.0*
Net financial items	-15.7	-22.2	-23.5	-10.9	-72.3	-20.3	-12.0	-13.0	-13.0	-58.3	-58.0	-55.2
Pre-tax profit	-14.8	44.0	70.8	11.7	111.7	-31.9	45.3	82.3	24.1	119.8	129.9	139.7
Tax	10.3	95.1	-14.0	43.8	135.2	7.6	-5.0	-5.0	-5.0	-7.4	-26.0	-27.9
Tax rate (%)	*69.6*	*-216.1*	*19.8*	*-374.4*	*-121.0*	*23.8*	*11.0*	*6.1*	*20.7*	*6.2*	*20.0*	*20.0*
Net profit	-4.5	139.1	56.8	55.5	246.9	-24.3	37.1	74.1	16.0	102.9	91.4	99.2
EPS	-0.02	0.68	0.28	0.27	1.21	-0.12	0.18	0.36	0.08	0.50	0.45	0.48
EPS adjusted (diluted no. of shares)	-0.02	0.68	0.28	0.27	1.21	-0.12	0.18	0.36	0.08	0.50	0.45	0.48
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.12	0.13
SALES, EURm												
Group total	694.7	749.2	817.4	727.2	2,988.5	681.5	774.7	862.5	774.0	3,092.8	3,185.6	3,249.3
Total	694.7	749.2	817.4	727.2	2,988.5	681.5	774.7	862.5	774.0	3,092.8	3,185.6	3,249.3
SALES GROWTH, Y/Y %												
Group total	*73.8*	*36.1*	*13.7*	*5.8*	*26.8*	*-1.9*	*3.4*	*5.5*	*6.4*	*3.5*	*3.0*	*2.0*
Total	*73.8*	*36.1*	*13.7*	*5.8*	*26.8*	*-1.9*	*3.4*	*5.5*	*6.4*	*3.5*	*3.0*	*2.0*
EBIT, EURm												
Group total	0.9	66.2	94.3	22.6	184.0	-11.6	57.3	95.3	37.1	178.1	187.9	195.0
Total	0.9	66.2	94.3	22.6	184.0	-11.6	57.3	95.3	37.1	178.1	187.9	195.0
EBIT margin, %												
Group total	*0.1*	*8.8*	*11.5*	*3.1*	*6.2*	*-1.7*	*7.4*	*11.0*	*4.8*	*5.8*	*5.9*	*6.0*
Total	*0.1*	*8.8*	*11.5*	*3.1*	*6.2*	*-1.7*	*7.4*	*11.0*	*4.8*	*5.8*	*5.9*	*6.0*

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	3,092.8	3,185.6	3,249.3
Sales growth (%)	*9.2*	*-73.2*	*1.1*	*181.1*	*26.8*	*3.5*	*3.0*	*2.0*
EBITDA	488.2	-251.5	-149.0	185.9	530.2	505.2	489.6	513.2
EBITDA margin (%)	*15.8*	*-30.3*	*-17.8*	*7.9*	*17.7*	*16.3*	*15.4*	*15.8*
Depreciation	-325.4	-343.8	-319.9	-349.8	-346.2	-327.2	-301.7	-318.2
EBITA	162.8	-595.3	-468.9	-163.9	184.0	178.1	187.9	195.0
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	162.8	-595.3	-468.9	-163.9	184.0	178.1	187.9	195.0
EBIT margin (%)	*5.3*	*-71.8*	*-55.9*	*-7.0*	*6.2*	*5.8*	*5.9*	*6.0*
Reported EBIT	160.0	-597.7	-474.7	-163.9	184.0	178.1	187.9	195.0
EBIT margin (reported) (%)	*5.2*	*-72.1*	*-56.6*	*-7.0*	*6.2*	*5.8*	*5.9*	*6.0*
Net financials	-67.0	-190.1	-127.5	-170.2	-72.3	-58.3	-58.0	-55.2
Pre-tax profit	95.8	-785.4	-596.4	-334.1	111.7	119.8	129.9	139.7
Taxes	-18.4	131.2	117.6	-105.4	135.2	-7.4	-26.0	-27.9
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	61.8	-671.4	-484.6	-439.5	246.9	102.9	91.4	99.2
Cash NRIs	-2.8	-2.4	-5.8	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	1,751	1,683	1,215	1,165	1,325	1,390	1,492	1,581
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	878	918	1,182	1,083	917	1,021	1,051	1,040
Inventory	80	68	56	122	135	108	80	81
Receivables	217	70	137	158	166	120	107	109
Liquid funds	952	824	1,266	1,524	922	1,237	1,274	1,300
Total assets	3,878	3,646	4,047	4,133	3,698	4,110	4,238	4,345
Liabilities								
Shareholder's equity	966	897	476	411	577	680	751	825
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	1,054	1,016	1,381	1,128	951	1,021	1,051	1,040
Deferred taxes	64	0	0	0	0	0	0	0
Interest bearing debt	521	1,182	1,428	1,299	911	1,133	1,143	1,176
Non-interest bearing current liabilities	243	176	291	452	507	524	540	551
Other interest-free debt	873	215	271	658	627	627	627	627
Total liabilities	3,878	3,647	4,047	4,133	3,698	4,110	4,238	4,345
CASH FLOW, EURm								
+ EBITDA	488	-251	-149	186	530	505	490	513
- Net financial items	-67	-190	-127	-170	-72	-58	-58	-55
- Taxes	-2	-18	11	6	-18	-7	-26	-28
- Increase in Net Working Capital	-7	-489	117	274	64	90	57	7
+/- Other	-16	-17	-6	0	0	-9	-13	-13
= Cash flow from operations	397	-966	-155	296	504	520	450	425
- Capex	-409	-315	-484	-149	-412	-497	-434	-396
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-12	-1,281	-639	147	92	23	16	29
+/- New issues/buybacks	21	602	64	374	-81	0	0	0
- Paid dividend	-35	0	0	0	0	0	-20	-25
+/- Other	-89	551	1,018	-262	-614	292	41	22
Change in cash	-116	-128	442	259	-602	315	37	25

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	1,069	837	546	817	571	571	571
Net debt (excl. convertibles)	1,374	1,543	902	940	916	920	916
Enterprise value	2,443	2,380	1,448	1,756	1,487	1,492	1,488
Sales	829	838	2,357	2,989	3,093	3,186	3,249
EBITDA	-251	-149	186	530	505	490	513
EBIT	-595	-469	-164	184	178	188	195
Pre-tax	-785	-596	-334	112	120	130	140
Earnings	-669	-479	-439	247	103	91	99
Equity book value (excl. minorities)	897	476	411	577	680	751	825
Valuation multiples							
EV/sales	2.9	2.8	0.6	0.6	0.5	0.5	0.5
EV/EBITDA	-9.7	-16.0	7.8	3.3	2.9	3.0	2.9
EV/EBITA	-4.1	-5.1	-8.8	9.5	8.4	7.9	7.6
EV/EBIT	-4.1	-5.1	-8.8	9.5	8.4	7.9	7.6
EV/OCF	-2.5	-15.4	4.9	3.5	2.9	3.3	3.5
EV/FCFF	-2.4	-26.4	2.4	53.0	4.6	6.1	6.8
P/FCFE	0.0	-0.1	0.2	0.1	24.4	34.9	20.0
P/E	-1.6	-1.7	-1.2	3.3	5.6	6.3	5.8
P/B	1.2	1.8	1.3	1.4	0.8	0.8	0.7
Target EV/EBITDA	*0.0*	*0.0*	*0.0*	*0.0*	*3.0*	*3.1*	*3.0*
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*8.6*	*8.2*	*7.9*
Target EV/FCF	*0.0*	*0.0*	*0.0*	*0.0*	*65.3*	*93.9*	*53.7*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*0.9*	*0.8*	*0.7*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*6.0*	*6.7*	*6.2*
Per share measures							
Number of shares	83,825	83,749	83,749	204,210	204,811	204,811	204,811
Number of shares (diluted)	83,825	83,749	83,749	204,210	204,811	204,811	204,811
EPS	-7.98	-5.72	-5.25	1.21	0.50	0.45	0.48
Operating cash flow per share	-11.52	-1.85	3.53	2.47	2.54	2.20	2.07
Free cash flow per share	-15.28	-7.63	1.75	0.45	0.11	0.08	0.14
Book value per share	10.70	5.68	4.90	2.83	3.32	3.67	4.03
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.12	0.13
Dividend payout ratio, %	0.0	0.0	0.0	0.0	19.9	26.9	26.8
Dividend yield, %	0.0	0.0	0.0	0.0	3.6	4.3	4.7
FCF yield, %	-119.8	-76.4	26.9	11.3	4.1	2.9	5.0
Efficiency measures							
ROE	-71.8	-69.8	-99.2	50.0	16.4	12.8	12.6
ROCE	-21.1	-17.9	-8.9	3.2	3.2	4.3	3.0
Financial ratios							
Inventories as % of sales	8.2	6.7	5.2	4.5	3.5	2.5	2.5
Receivables as % of sales	8.4	16.3	6.7	5.6	3.9	3.4	3.4
Non-interest bearing liabilities as % of sales	21.2	34.7	19.2	17.0	17.0	17.0	17.0
NWC/sales, %	-30.3	-43.9	-27.3	-23.7	-25.8	-26.8	-26.5
Operative CAPEX/sales, %	38.0	57.8	6.3	13.8	16.1	13.6	12.2
CAPEX/sales (incl. acquisitions), %	38.0	57.8	6.3	13.8	16.1	13.6	12.2
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	1.8	1.9	1.8
Debt/equity, market-weighted	1.1	1.7	2.4	1.1	2.0	2.0	2.1
Equity ratio, book-weighted	25.5	12.2	10.9	17.9	18.8	20.2	21.6
Gearing, %	153.3	324.4	219.7	162.9	134.8	122.6	111.0

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	318.190	55.7%
Varma Mutual Pension Insurance Company	5,827,783	16.257	2.8%
Ilmarinen Mutual Pension Insurance Company	2,788,500	7.779	1.4%
Elo Mutual Pension Insurance Company	1,974,505	5.508	1.0%
The State Pension Fund	1,795,000	5.007	0.9%
Sijoitusrahasto Danske Invest Suomi Osake	1,447,328	4.037	0.7%
Sijoitusrahasto Säästöpankki Pienyhtiöt	729,000	2.034	0.4%
Sijoitusrahasto Nordea Pro Suomi	589,326	1.644	0.3%
Nordea Bank ABP	372,241	1.038	0.2%
Finnair Oyj	354,315	0.988	0.2%
Ten largest	129,945,103	362.482	63%
Residual	74,865,897	208.838	37%
Total	204,811,000	571.320	100%

EARNINGS CALENDAR	
July 19, 2024	Q2 report
October 29, 2024	Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS	
CEO: Turkka Kuusisto	Tietotie 9, 01053 FINNAIR (VANTAA AIRPORT)
CFO: Kristian Pullola	Tel: +358 9 818 2780
IR: Erkka Salonen	

DEFINITIONS

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	**EPS** $\frac{\text{Profit before extraord. items and taxes– income taxes + minority interest}}{\text{Number of shares}}$
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity + taxed provisions per share}}$	**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** $\frac{\text{Capital expenditure – divestments – acquisitions}}{\text{Sales}}$
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** $\frac{\text{Total assets – non-interest bearing debt}}{\text{Number of shares}}$
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, %** $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	**Equity ratio, %** $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses+ other financial costs}}{\text{Balance sheet total – non-interest bearing debt (average)}}$	**CAGR, %** Cumulative annual growth rate = Average growth per year

ROE, % $$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$$	

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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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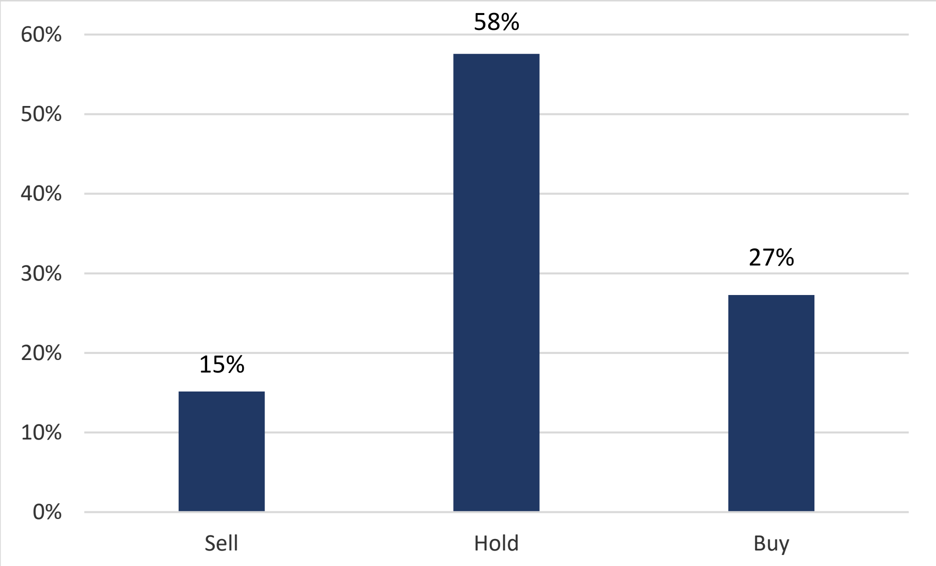

The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Ilvonen

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