

Earnings landed short of estimates

Finnair's Q2 results were somewhat softer than estimated as the EUR 44m comparable EBIT missed estimates by more than EUR 10m. Finnair's FY '24 EBIT guidance also came in lower than estimated as the midpoint landed at EUR 145m.

- Finnair Q2 revenue increased by 2.3% y/y to EUR 766.1m, compared to the EUR 774.7m/772.2m Evli/consensus estimates. Passenger revenue grew 0.2% to EUR 613.5m while ancillary revenue increased by 34.3%.
- Comparable EBIT was EUR 43.6m vs the EUR 57.3m/55.1m Evli/consensus estimates. Lower yields and passenger load factors affected results, while runway renovation at Helsinki Airport also increased costs. Travel demand is normalizing, albeit still at a high level, which means supply and demand needs to be balanced more carefully than before.
- Fuel costs amounted to EUR 225m, compared to our EUR 219m estimate, while staff costs were EUR 130m vs our EUR 131m estimate. All other OPEX+D&A were EUR 400m vs our EUR 390m estimate.
- Cost per Available Seat Kilometer was 7.37 eurocents, compared to our estimate of 7.32 eurocents.
- Finnair guides FY '24 revenue to be within the range of EUR 3.0-3.2bn while comparable EBIT is expected to be within the range of EUR 110-180m. The consensus estimate for FY '24 EBIT before the earnings release was EUR 178m, so we believe there will be some downward pressure on earnings estimates following the report. Finnair still plans to increase its total capacity, in terms of ASK, by around 10% this year (including the agreed wet leases). Growth mainly focuses on Asia and Europe.

Rating				🟡 HOLD
Q2'24	Actual	Evli	Year ago	Q1'24
Revenue	766.1	774.7	749.2	681.5
Adj. EBIT	43.6	57.3	66.2	-11.6
Adj. EBIT-%	5.7 %	7.4 %	8.8 %	-1.7 %
Share price, EUR (Last trading day's closing price)				2.64
Target price, EUR				3.0
Latest change in				08-Jul-24
Latest report on company				08-Jul-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				541
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
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🟢 BUY 🟡 HOLD 🔴 SELL

PRE-REPORT 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	5.3	0.5	8.2	4.3	0.10
2025E	3,185.6	187.9	5.9%	16.4	0.45	5.9	0.5	7.8	3.0	0.12
2026E	3,249.3	195.0	6.0%	28.5	0.48	5.5	0.4	7.5	5.3	0.13
Market cap, EURm	541		BV per share 2024E, EUR		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	1,457		Dividend yield 2024E, %		3.8		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	

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

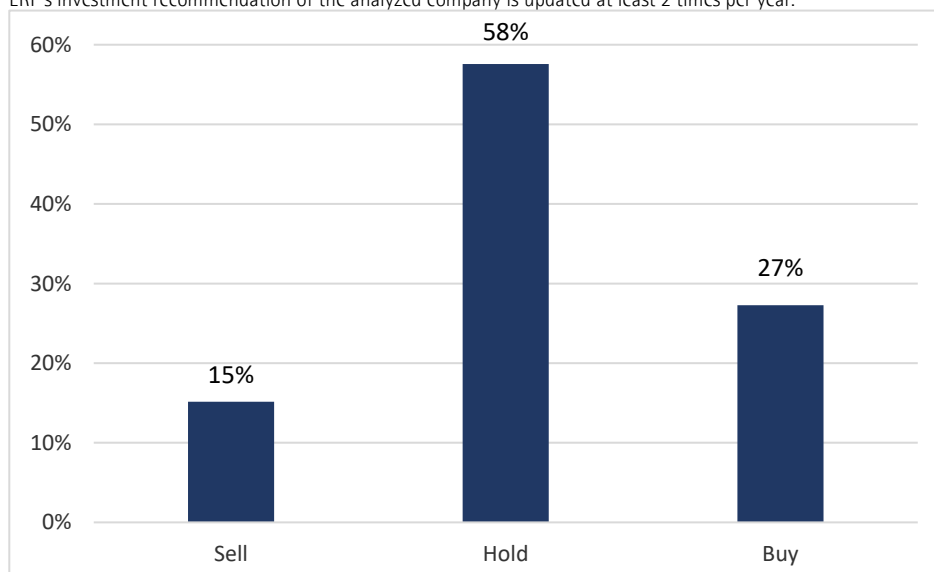
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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