

Q4 profitability was very strong

Finnair's Q4 top line and profitability came in above estimates as ticket pricing pressure already eased a bit. Finnair's costs were largely as we estimated and so the EUR 48m comparable EBIT was almost EUR 13m higher than we expected. Finnair already guides FY'25 financial results, however the EBIT range remains wide at this point. There are some cost pressures, but in our view Finnair has a decent chance of achieving improving profitability this year as it plans to grow capacity on its North Atlantic routes.

- Finnair Q4 revenue grew by 7.7% y/y to EUR 782.9m, compared to the EUR 768.5m/754.9m Evli/consensus estimates. Passenger revenue was up 6.6% y/y. Average ticket fares seem to have stabilized.
- Comparable EBIT was EUR 47.9m vs the EUR 35.3m/31.1m Evli/consensus estimates. Industrial action in Nov–Dec had a negative impact of some EUR 5m on the result.
- Fuel costs amounted to EUR 219m vs our EUR 220m estimate while staff costs were EUR 133m vs our EUR 128m estimate. All other OPEX+D&A came in at EUR 415m, compared to our EUR 415m estimate.
- Cost per Available Seat Kilometer was 7.87 eurocents vs our estimate of 7.85 eurocents.
- The BoD proposes a dividend of EUR 0.11 per share to be distributed for FY'24, compared to the EUR 0.10/0.05 Evli/consensus estimates.
- Finnair plans to increase its total capacity by some 10% in FY'25 and sees revenue to be within the range of EUR 3.3–3.4bn and comparable EBIT within the range of EUR 100–200m. Planned capacity growth is to focus on North Atlantic traffic. Profitability will be burdened particularly by additional costs caused by the sustainable aviation fuel distribution obligation introduced in the EU, as well as rising navigation and landing charges. Q1'25 comparable EBIT will also be negatively impacted by the timing of Easter.

Rating Accumulate

Q4'24	Actual	Evli	Year ago	Q3'24
Revenue	782.9	768.5	727.2	818.3
Adj. EBIT	47.9	35.3	22.5	71.5
Adj. EBIT-%	6.1 %	4.6 %	3.1 %	8.7 %

Share price, EUR (Last trading day's closing price) **2.54**
Target price, EUR 2.5

Latest change in recommendation 05–Feb–25

Latest report on company 05–Feb–25

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 521

Free float, % 42.9 %

Exchange rate 1.03

Reuters code FIA1S.HE

Bloomberg code FIA1S FH

Average daily volume, EURm 0.5

Next interim report 13–Feb–25

Web site investors.finnair.com

Analyst Joonas Ilvonen

E-mail joonas.ilvonen@evli.com

Telephone +358 44 430 9071

 BUY  ACCUMULATE  REDUCE  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	3034.4	138.8	4.6%	31.4	0.33	7.8	0.5	10.3	6.0%	0.10
2025E	3125.5	178.2	5.7%	10.9	0.49	5.1	0.5	8.1	2.1%	0.12
2026E	3188.0	184.9	5.8%	14.1	0.49	5.2	0.5	7.8	2.7%	0.13
Market cap, EURm	521		Gearing 2024E, %		141.1 %		CAGR EPS 2023–26, %		-25.9 %	
Net debt 2024E, EURm	908		Price/book 2024E		0.8		CAGR Sales 2023–26, %		2.2 %	
Enterprise value, EURm	1 429		Dividend yield 2024E, %		3.9 %		ROE 2024E, %		11.0 %	
Total assets 2024E, EURm	4 033		Tax rate 2024E, %		18.9 %		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.

Important Disclosures

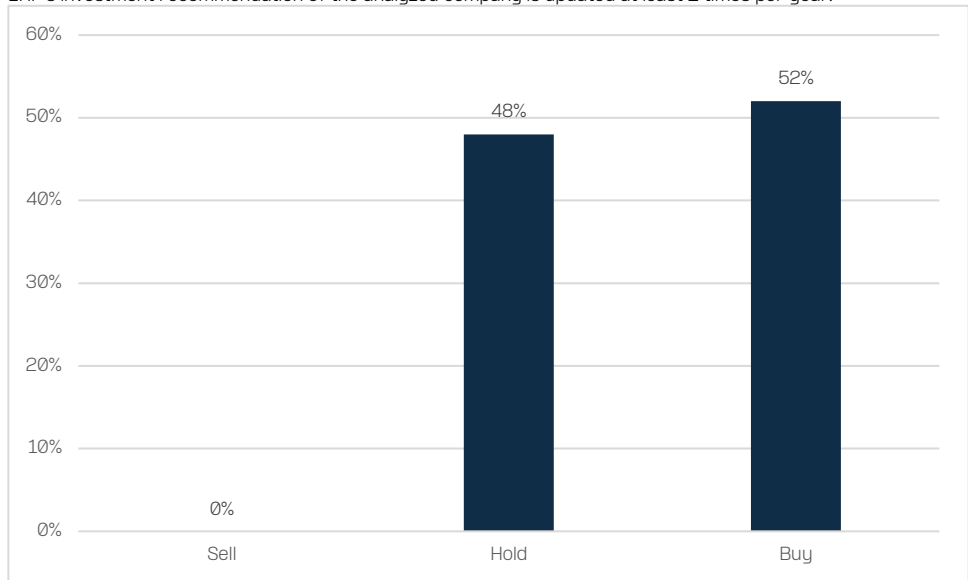
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 - 0 %	REDUCE
0 - (+10) %	ACCUMULATE
> 10 %	BUY

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

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Contact information**SALES, TRADING AND RESEARCH****Equity Sales & Trading**

Joachim Dannberg (head)	+358 9 4766 9123
Aleksi Jalava	+358 9 4766 9123
Pasi Väisänen	+358 9 4766 9123

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
----------------	------------------

Equity Research

Jerker Salokivi (head)	+358 9 4766 9149
Joonas Ilvonen	+358 44 430 9071
Atte Jortikka	+358 40 054 3725
Atte Pitkälampi	+358 44 047 6597

EVLI

EVLI PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000