

## Guidance cut

Finnair' Q3 adj. EBIT came in at EUR 108m, above our estimate (EUR 102m) and consensus (EUR 105m). However, Finnair cut its FY18E guidance and now expects adj. EBIT to be somewhat below last year's level of EUR 170m, vs. flat previously. Finnair states it is experiencing increased competition in its main markets. We have expected EUR 159m adj. EBIT in 2018E, ie below last year's EUR 170m. Consensus has been EUR 160m. However, separately released discontinuation of incentive plan for pilots will have a positive EUR 11m adj. EBIT impact in Q4, which with new guidance seems to imply underlying estimates for Q4 adj. EBIT may be too optimistic.

- Q3 adj. EBITDAR was EUR 184m vs. EUR 177m our view.
- Q3 adj. EBIT was EUR 108m vs. EUR 102m/105m Evli/cons views. Compared to our estimates the beat comes from lower fuel and staff costs in the quarter.
- Absolute costs: actual fuel cost (incl. hedging) was EUR 163m vs. EUR 166m our view. Staff costs were EUR 109m vs. 116m our view. All other OPEX combined were EUR 363m vs. 359m our view.
- Unit costs: CASK was 6.01 eurocents vs. 6.06 our view, while CASK ex fuel was 4.60 eurocents vs. 4.62 our view. CASK in fixed FX and excl. fuel declined by 6.4% y/y. After Q1-Q3'2018 CASK in fixed FX and excl. fuel is down by 6.9%.
- 2018E guidance cut: Finnair expects capacity growth at least 15% (intact), passenger volume growth of 12-13% (prev: in line with capacity growth) and revenue growth of 10-11% (prev: slightly lower than capacity growth). Adj. EBIT is expected to be somewhat below last year's level of EUR 170m (prev: to remain broadly flat). Finnair is experience increased competition in its main markets. We have expected 11% revenue growth and adj. EBIT of EUR 159m for 2018E.

Rating 🟡 HOLD

Q3 2018	Actual	Evli	Cons	Year ago
Net sales	801	801	801	735
Comp. EBITDAR	184	177	na.	189
Comp. EBIT	108	102	105	119
Comp. EBIT margin	13.5%	12.7%	13.1%	16.2%
PTP*	103	98	na.	114

Deviation	Evli	Cons	Year ago
Net sales	0%	0%	9%
Comparable EBITDAR	4% <span style="color: green;">▲</span>	na.	-3%
Comparable EBIT	6%	3%	-9%
PTP	5%	3%	-9%
<i>Consensus by Bloomberg (4 est. Median)</i>		<i>*Excl. IAC and fair value changes</i>	

Share price, EUR (Last trading day's closing price) **6.17**

Target price, EUR **6.8**

Latest change in recommendation	13-Nov-17
Latest report on company	10-Oct-18
Research paid by issuer:	Yes
No. of shares outstanding, '000's	128,136
No. of shares fully diluted, '000's	128,136
Market cap, EURm	791
Free float, %	44.0
Exchange rate EUR/USD	1.15
Reuters code	FIA1S.HE
Bloomberg code	FIA1S FH
Average daily volume, EURm	na.
Next interim report	25-Oct-18
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🟢 BUY 🟡 HOLD 🔴 SELL

### PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	2,317	55	2.4%	45	0.16	24.9	0.2	2.4	7.6	0.10
2017	2,568	170	6.6%	157	0.88	14.6	0.5	4.3	8.2	0.30
2018E	2,854	159	5.6%	141	0.78	7.9	0.2	2.7	4.1	0.30
2019E	3,021	156	5.2%	136	0.75	8.2	0.2	2.7	4.5	0.30
2020E	3,131	175	5.6%	154	0.86	7.2	0.2	2.4	4.2	0.35

Market cap, EURm	791	BV per share 2018E, EUR	8.4	CAGR EPS 2017-20, %	-0.7
Net debt 2018E, EURm	-147	Price/book 2018E	0.7	CAGR sales 2017-20, %	6.8
Enterprise value, EURm	644	Dividend yield 2018E, %	4.9	ROE 2018E, %	9.6
Total assets 2018E, EURm	3,218	Tax rate 2018E, %	20.0	ROCE 2018E, %	8.5
Goodwill 2018E, EURm	0	Equity ratio 2018E, %	37.2	PEG, P/E 18/CAGR	0.7

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

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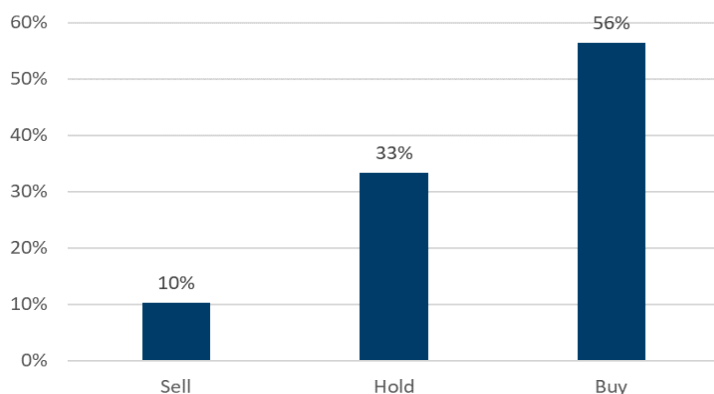
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:

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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): Häyhä

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October 25, 2018

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