

Strong earnings

Finnair' Q4 adj. EBIT was clearly better than we expected at EUR +9m vs. our expectation of EUR -9m. Consensus was at -6m. Compared to our estimates the beat looks to be driven by EUR 10m lower fuel costs, and by better revenue. For 2019E Finnair guides 10% capacity growth and revenue growth somewhat behind capacity. We have expected 5% growth for both and hence there is upside to our estimates. Finnair also expects competition to tighten, especially in EU-Asia routes and in short-haul traffic. Dividend is close to estimates. Overall, a good report.

- Q4 revenue was EUR 683m vs. EUR 671/674m Evli/cons.
- Q4 adj. EBIT was EUR +9m vs. EUR -9m/-6m Evli/cons views. Compared to our estimates the beat looks to come from lower fuel costs and better revenue in Q4.
- Absolute costs: actual fuel cost (incl. hedging) was EUR 145m vs. EUR 155m our view. Staff costs were EUR 102m vs. 102m our view. All other OPEX combined were EUR 364m vs. 364m our view.
- Unit costs: CASK was 6.43 eurocents vs. 6.49 our view, while CASK ex fuel was 5.05 eurocents vs. 5.01 our view. CASK in fixed FX and excl. fuel declined by 4% y/y.
- Dividend is EUR 0.274 per share vs. 0.30/0.26 Evli/cons.
- 2019E guidance: Finnair expects capacity growth of about 10% and revenue growth somewhat behind capacity. Adj. EBIT guidance will be provided with Q2 earnings, as usual.

Rating 🟡 HOLD

Q4 2018	Actual	Evli	Cons	Year ago
Net sales	683	671	674	645
Comp. EBIT	9	-9	-6	23
Comp. EBIT margin	1.3%	-1.4%	-0.9%	3.5%
DPS	0.27	0.30	0.26	0.30

Deviation	Evli	Cons	Year ago
Net sales	2%	1%	6%
Comparable EBIT	-197%	-248%	-60%
DPS	-9%	5%	-9%

Consensus by Bloomberg (4 est. avg)

Share price, EUR (Last trading day's closing price) 7.20

Target price, EUR 6.8

Latest change in recommendation 13-Nov-17

Latest report on company 10-Jan-19

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 923

Free float, % 44.0

Exchange rate EUR/USD -

Reuters code FIA1S.HE

Bloomberg code FIA1S FH

Average daily volume, EURm na.

Next interim report -

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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	2,823	151	5.3%	132	0.73	9.9	0.3	3.2	5.2	0.30
2019E	2,976	140	4.7%	120	0.65	11.1	0.3	3.3	6.2	0.30
2020E	3,131	166	5.3%	144	0.80	9.0	0.3	2.9	5.4	0.35

Market cap, EURm	923	BV per share 2018E, EUR	8.4	CAGR EPS 2017-20, %	-3.1
Net debt 2018E, EURm	-140	Price/book 2018E	0.9	CAGR sales 2017-20, %	6.8
Enterprise value, EURm	783	Dividend yield 2018E, %	4.2	ROE 2018E, %	8.9
Total assets 2018E, EURm	3,199	Tax rate 2018E, %	20.0	ROCE 2018E, %	8.1
Goodwill 2018E, EURm	0	Equity ratio 2018E, %	37.2	PEG, P/E 18/CAGR	0.9

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

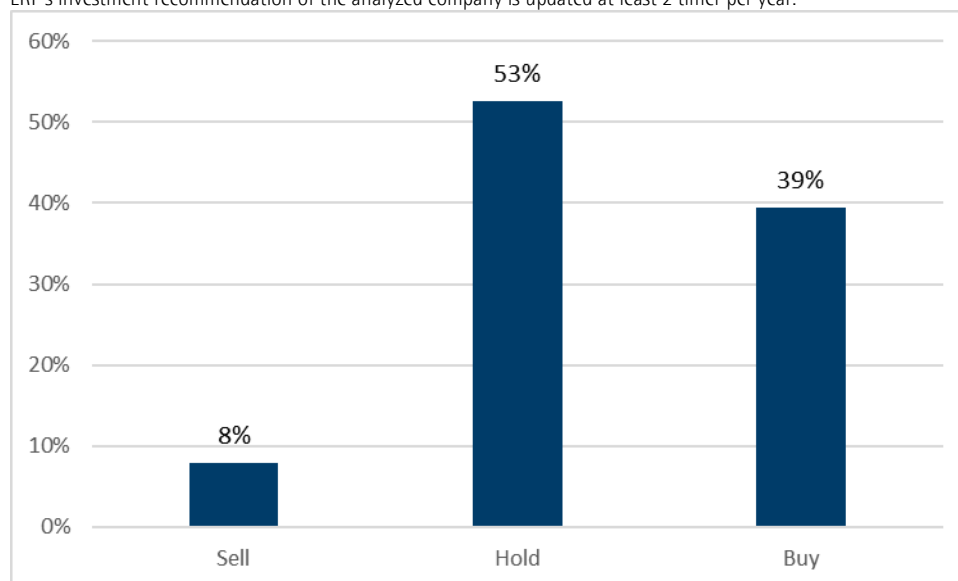
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Investment recommendations are defined as follows:

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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