


EBIT below expectations

Finnair' Q1 adj. EBIT was clearly below what we expected at EUR -16.2 vs. our expectation of EUR -6m. Consensus was at -6m. Finnair 2019E guidance reiterated; 10% capacity growth and revenue growth somewhat behind capacity. Especially transfer traffic between Asia and Europe grew well as well as cargo. Finnair expects the competition to increase especially between Europe and Asia and in Asian traffic as the capacity increases. Finnair's figures were largely impacted by IFRS 16 changes.

- Q1 revenue was EUR 673m vs. EUR 679m/680m Evli/cons.
- ASK grew by 10.4 % whereas RASK decreased 4.9 % in Q1.
- Q1 adj. EBIT was EUR -16m vs. EUR -6m/-6m Evli/cons. The difference is caused by increased expenses and higher price of fuel compared to the previous year.
- Q1 comparable EBITDA was 60m vs. 75m our view. Pre-tax profit was -49m vs. -31m our view. The difference comes partly from financial expenses that were EUR 31.6m vs. EUR 25m our view.
- Absolute costs: Fuel costs were EUR 145m vs EUR 155m our view. Staff costs were EUR 130 vs. 128m our view. All other OPEX combined were EUR 429m vs. 339m our view.
- Unit costs: CASK was 6.46 eurocents vs. 6.42 our view while CASK ex fuel was 5.02 eurocents vs. 4.97 our view.

Rating

 HOLD

Q1 2019	Actual	Evli	Cons	Year ago
Net Sales	673	679	680	635
Comp. EBIT	-16	-6	-6	0
Comp EBIT margin	-2,4 %	-0,9 %	-0,8 %	0,0 %
PTP	-49	-31	-24	-3

Deviation	Evli	Cons	Year ago
Net sales	-1 %	-1 %	6 %
Comparable EBIT	167 %	167 %	na.
PTP	58 %	104 %	1533 %

Consensus by Bloomberg (4 est avg)

Share price, EUR (Last trading day's closing price) 8.13

Target price, EUR 8.0

Latest change in rating 13-Nov-17

Latest report on company 17-Apr-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 1,042

Free float, % 44.0

Exchange rate EUR/USD 1.170

Reuters code FIA1S.HE

Bloomberg code FIA1S.FH

Average daily volume, EURm 0.0

Next interim report 24-Apr-19

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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
2017	2,568	170	6.6%	157	0.88	14.6	0.5	4.3	8.2	0.30
2018	2,850	218	7.7%	89	0.40	17.7	0.6	2.4	7.4	0.27
2019E	3,071	203	6.6%	103	0.55	14.9	0.6	2.1	8.6	0.30
2020E	3,211	234	7.3%	106	0.56	14.4	0.5	1.9	7.5	0.35
2021E	3,339	270	8.1%	130	0.72	11.4	0.5	1.8	6.4	0.40
Market cap, EURm		1,042		BV per share 2019E, EUR		7.4		CAGR EPS 2018-21, %		21.4
Net debt 2019E, EURm		707		Price/book 2019E		1.1		CAGR sales 2018-21, %		5.4
Enterprise value, EURm		1,749		Dividend yield 2019E, %		3.7		ROE 2019E, %		7.5
Total assets 2019E, EURm		4,084		Tax rate 2019E, %		20.0		ROCE 2019E, %		7.4
Goodwill 2019E, EURm		0		Equity ratio 2019E, %		25.5		PEG, P/E 19/CAGR		1.3

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

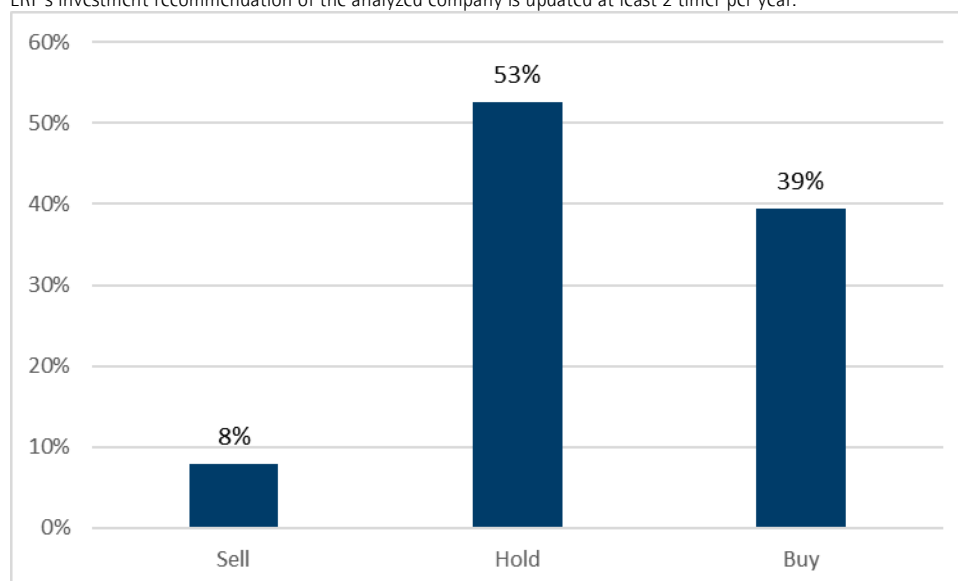
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Investment recommendations are defined as follows:

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

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

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