

## Q3 will not bring much relief

Finnair's Q2 losses were pretty much as expected. The company estimates Q3 operating loss will also be roughly EUR 150m, in other words comparable to recent quarters.

- Q2 revenue amounted to EUR 111.8m, compared to the EUR 142.1m/145.0m Evli/cons. estimates. Top line grew by 63% y/y.
- Available Seat Kilometers grew 312% y/y in Q2, while Revenue Passenger Kilometers increased by 281%. Passenger Load Factor was thus 30.6% and decreased by 2.4pp y/y. Cargo tonnes grew by 101% y/y and 8% q/q.
- Q2 adjusted EBIT was EUR -151.3m vs the EUR -143.9m/-144.2m Evli/cons. estimates. Q2 comparable EBITDA was EUR -70.0m vs the EUR -58.9m/-58.0m Evli/cons. estimates.
- Fuel costs were EUR 31m vs our EUR 38m expectation. Meanwhile staff costs amounted to EUR 54m, compared to our EUR 55m projection. All other OPEX+D&A combined were EUR 186m vs our EUR 205m estimate.
- Cost per Available Seat Kilometer was 18.55 eurocents, compared to our estimate of 20.09 eurocents.
- Finnair expects Q3'21 operating loss to be of similar magnitude compared to the previous quarters despite gradual increase in revenue (we had estimated EUR -91m Q3 EBIT). Finnair estimates monthly operating cash flow to turn positive by the end of this year.
- Finnair now targets EUR 200m (prev. EUR 170m) in permanent cost savings by 2022 based on 2019 operational volumes. Some EUR 125m are volume-driven and EUR 75m are fixed costs.

Rating		<span style="color: yellow;">■</span> HOLD		
Q2'21	Actual	Evli	Year ago	Q1'21
Revenue	111.8	142.1	68.6	113.6
Adj. EBIT	-151.3	-143.9	-174.3	-143.2
Adj. EBIT-%	-235.3 %	-101.3 %	-254.1 %	-126.1 %
Share price, EUR (Last trading day's closing price)				0.67
Target price, EUR				0.7
Latest change in recommendation				14-Jul-20
Latest report on company				12-Jul-21
Research paid by issuer:				YES
No. of shares outstanding, '000's				1,405,964
No. of shares fully diluted, '000's				1,405,964
Market cap, EURm				942
Free float, %				42.9
Exchange rate EUR/USD				1.19
Reuters code				FIA1S.HE
Bloomberg code				FIA1S FH
Average daily volume, EURm				3.0
Next interim report				15-Jul-21
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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
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.00
2020	829.2	-595.3	-71.8%	-1,281.1	-0.48	-1.6	2.9	-4.1	-119.8	0.00
2021E	1,226.0	-391.7	-31.9%	120.4	-0.27	-2.4	1.7	-5.4	12.8	0.00
2022E	2,859.3	146.0	5.1%	-138.2	0.02	31.0	0.8	14.8	-14.7	0.00
2023E	3,032.1	183.2	6.0%	-184.5	0.04	17.3	0.7	12.2	-19.6	0.00

Market cap, EURm	942	BV per share 2021E, EUR	233.5	CAGR EPS 2020-23, %	0.0
Net debt 2021E, EURm	1,178	Price/book 2021E	1.9	CAGR sales 2020-23, %	54.1
Enterprise value, EURm	2,120	Dividend yield 2021E, %	0.0	ROE 2021E, %	-55.2
Total assets 2021E, EURm	3,237	Tax rate 2021E, %	20.2	ROCE 2021E, %	-14.2
Goodwill 2021E, EURm	0	Equity ratio 2021E, %	16.6	PEG, P/E 21/CAGR	0.0

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

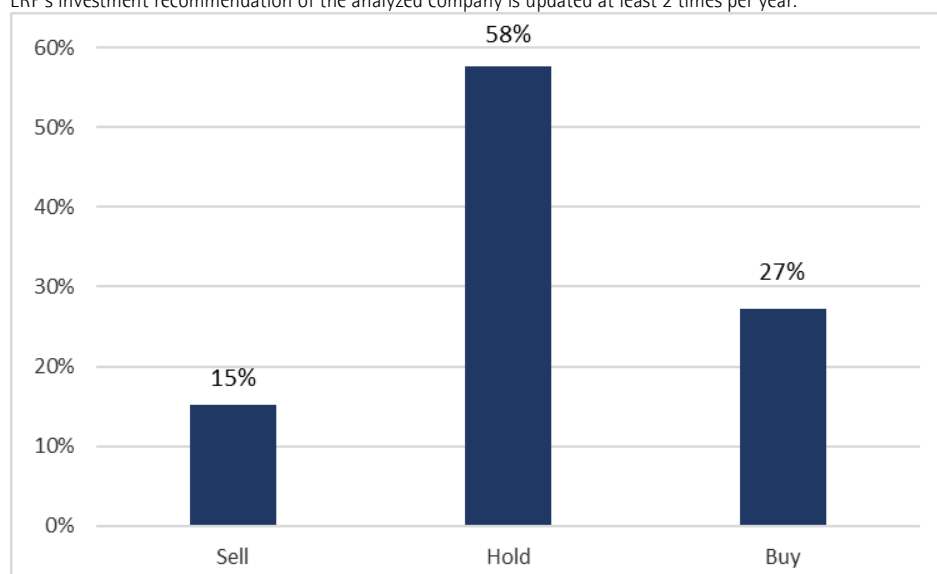
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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