

## Further cost savings help recovery

Finnair's Q2 report didn't contain major news, considering the big picture. We revise our volume estimates down, however additional cost savings support our EBIT estimates.

**No big surprises, but Q3 profitability will not much improve**  
Finnair's Q2 revenue amounted to EUR 112m, below the EUR 142m/145m Evli/cons. estimates. Passenger, ancillary and cargo revenues were all soft compared to our estimates, but travel is resuming as passenger revenue topped that for cargo in June. Working capital situation is beginning to improve due to growing bookings and Finnair expects monthly OCF to turn positive by the end of this year. The situation, however, remains challenging from profitability perspective. Finnair's Q2 adj. EBIT was EUR -151m, compared to the EUR -144m/-144m Evli/cons. estimates. Finnair sees similar losses for Q3 as well. We revise our Q3 adj. EBIT estimate to EUR -132m (prev. EUR -91m).

### Cost savings support profitability amid volume challenges

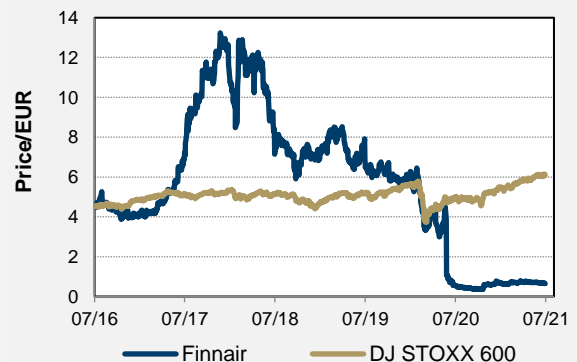
Finnair turned more cautious regarding the following years' travel rebound, not a big surprise considering the latest developments. Asian vaccination rates have begun to pick up and important Northeast Asian countries are expected to have fully vaccinated 70% of their population during Q4. Finnair's passenger volume rebound will lag those of Western short-haul focused carriers, but meaningful recovery should begin to materialize during the next few quarters. We now expect Finnair to reach ca. 90% of FY '19 business levels (in terms of ASK & RPK) in FY '23. We revise these estimates down a few percentage points and now expect EUR 2.8bn top line for FY '23 (prev. EUR 3.0bn). Meanwhile Finnair's upsized permanent cost savings projection supports our EBIT estimates. In our view the company could achieve healthy EBIT margins already next year and we see potential for 7% profitability in FY '23. We have made only very small revisions to our absolute profitability estimates.

### In our view profitability potential has been fully valued

In our opinion Finnair is set to return to good profitability levels, however this potential has been appreciated for a while. Finnair is valued roughly 15x EV/EBIT on our FY '22 estimates, not an unreasonable level compared to other airlines but nonetheless fully valued given the persistent level of uncertainty. Our TP is now EUR 0.65 (0.7) and we retain our HOLD rating.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 0.65  
Target price, EUR 0.65

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	914
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	26-Oct-21
Web site	investors.finnair.com

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■ BUY ■ HOLD ■ SELL

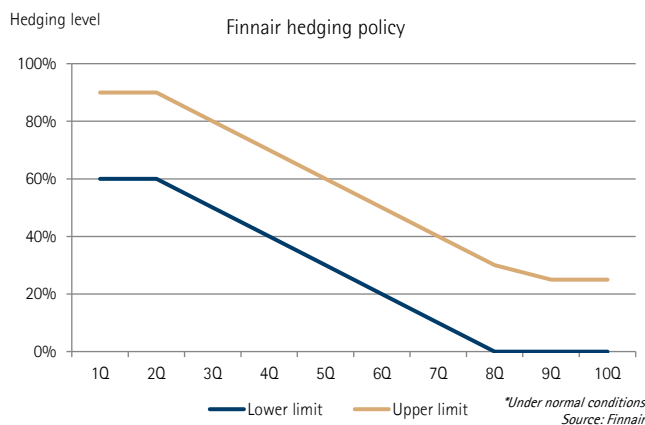
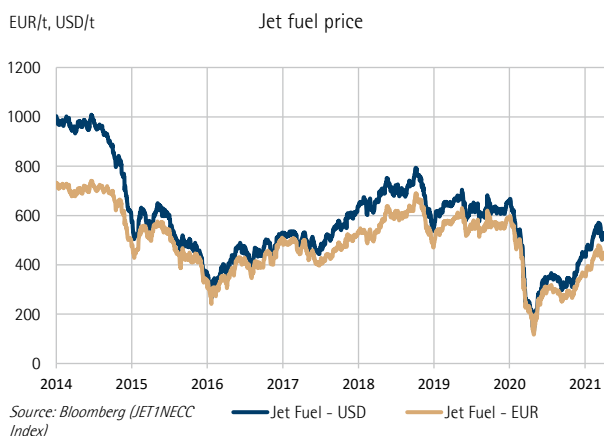
## KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
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	1,143.9	-439.3	-38.4%	108.1	-0.30	-2.2	1.8	-4.8	11.8	0.00
2022E	2,619.1	150.4	5.7%	-106.6	0.03	25.1	0.8	14.0	-11.7	0.00
2023E	2,797.4	196.2	7.0%	-173.0	0.05	13.3	0.8	11.1	-18.9	0.00
Market cap, EURm	914			Gearing 2021E, %	254.9			CAGR EPS 2020-23, %	0.0	
Net debt 2021E, EURm	1,190			Price/book 2021E	2.0			CAGR sales 2020-23, %	50.0	
Enterprise value, EURm	2,104			Dividend yield 2021E, %	0.0			ROE 2021E, %	-62.1	
Total assets 2021E, EURm	3,138			Tax rate 2021E, %	20.2			ROCE 2021E, %	-16.2	
Goodwill 2021E, EURm	0			Equity ratio 2021E, %	15.8			PEG, P/E 21/CAGR	0.0	

**Estimates**

FINNAIR EURm	2017 FY	2018 FY	2019 FY	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 FY	2021 Q1	2021 Q2	2021E Q3	2021E Q4	2021E FY	2022E FY	2023E FY
Passengers (thousands)	11905	13281	14650	2656	98	454	278	3486	259	292	1164	2366	4080	9648	10503
y/y change	10%	12%	10%	-16%	-97%	-89%	-92%	-76%	-90%	198%	156%	750%	17%	136%	9%
ASK (mkm)	36 922	42 386	47 189	9 671	345	1 667	1 256	12 938	1 201	1 418	4 275	8 176	15 070	39 169	42 680
y/y change	9%	15%	11%	-9%	-97%	-87%	-89%	-73%	-88%	311%	156%	551%	16%	160%	9.0%-p
RPK (mkm)	30 749	34 660	38 534	7 025	114	645	366	8 150	306	434	2 694	5 712	9 146	30 775	34 137
y/y change	14%	13%	11%	-16%	-99%	-94%	-96%	-79%	-96%	281%	318%	1460%	12%	236%	11%
Load factor (RPK/ASK), PLF	83.3%	81.8%	81.7%	72.6%	33.1%	38.7%	29.2%	63.0%	25.5%	30.6%	63.0%	69.9%	60.7%	78.6%	80.0%
y/y change	3.5%-p	-1.5%-p	-0.1%-p	-5.7%-p	-49.4%-p	-47.5%-p	-49.8%-p	-18.7%-p	-47.1%-p	-2.5%-p	24.3%-p	40.7%-p	-2.3%-p	17.9%-p	1.4%-p
<b>Ancillary and retail</b>	145	161	176	43	6	9	5	62	9	6	18	33	66	175	197
<b>Cargo</b>	197	207	212	37	50	32	60	178	61	61	62	61	245	240	242
<b>Travel services</b>	206	223	230	58	0	2	1	61	1	0	14	26	40	126	129
<b>Total revenue</b>	<b>2569</b>	<b>2835</b>	<b>3098</b>	<b>561</b>	<b>69</b>	<b>97</b>	<b>102</b>	<b>829</b>	<b>114</b>	<b>112</b>	<b>332</b>	<b>587</b>	<b>1144</b>	<b>2619</b>	<b>2797</b>
YoY change	11%	10%	9%	-16%	-91%	-89%	-87%	-73%	-80%	63%	241%	475%	38%	129%	7%
Other income	77	74	56	14	11	11	12	48	9	8	10	10	37	52	52
<b>Staff costs</b>	<b>-423</b>	<b>-500</b>	<b>-535</b>	<b>-136</b>	<b>-48</b>	<b>-57</b>	<b>-42</b>	<b>-284</b>	<b>-53</b>	<b>-54</b>	<b>-86</b>	<b>-95</b>	<b>-287</b>	<b>-420</b>	<b>-432</b>
y/y change	17%	18%	7%	5%	-65%	-57%	-69%	-47%	-61%	12%	50%	125%	1%	46%	3%
% of revenue	16%	18%	17%	24%	70%	59%	41%	34%	46%	48%	26%	16%	25%	16%	15%
<b>Fuel</b>	<b>-472</b>	<b>-581</b>	<b>-687</b>	<b>-144</b>	<b>-33</b>	<b>-29</b>	<b>-27</b>	<b>-233</b>	<b>-30</b>	<b>-31</b>	<b>-88</b>	<b>-152</b>	<b>-301</b>	<b>-607</b>	<b>-683</b>
y/y change	-4%	23%	18%	-1%	-82%	-85%	-85%	-66%	-79%	-7%	205%	473%	30%	101%	70%
% of revenue	18%	20%	22%	26%	48%	30%	26%	28%	27%	28%	27%	26%	26%	23%	24%
<b>Other OPEX</b>	<b>-1314</b>	<b>-1316</b>	<b>-1444</b>	<b>-304</b>	<b>-87</b>	<b>-104</b>	<b>-117</b>	<b>-613</b>	<b>-100</b>	<b>-105</b>	<b>-213</b>	<b>-272</b>	<b>-691</b>	<b>-1141</b>	<b>-1182</b>
y/y change	4%	0%	10%	-13%	-76%	-72%	-68%	-58%	-67%	20%	104%	132%	13%	65%	4%
% of revenue	51%	46%	47%	54%	127%	107%	115%	74%	88%	94%	64%	46%	60%	44%	42%
<b>Comparable EBITDA</b>	<b>300</b>	<b>512</b>	<b>488</b>	<b>-9</b>	<b>-89</b>	<b>-82</b>	<b>-72</b>	<b>-251</b>	<b>-61</b>	<b>-70</b>	<b>-46</b>	<b>78</b>	<b>-99</b>	<b>502</b>	<b>552</b>
Depreciation	-129	-294	-325	-83	-85	-85	-91	-344	-82	-81	-86	-91	-341	-352	-356
<b>Comparable EBIT</b>	<b>171</b>	<b>218</b>	<b>163</b>	<b>-91</b>	<b>-174</b>	<b>-167</b>	<b>-163</b>	<b>-595</b>	<b>-143</b>	<b>-151</b>	<b>-132</b>	<b>-13</b>	<b>-439</b>	<b>150</b>	<b>196</b>
Comp. EBIT-%	6.6%	7.7%	5.3%	-16.2%	-254.1%	-171.3%	-159.7%	-71.8%	-126.1%	-135.3%	-39.6%	-2.3%	-38.4%	5.7%	7.0%
IAC t fair value changes	54	39	-3	-4	3	-16	148	131	-6	-6	0	0	-12	0	0
EBIT	225	256	160	-96	-171	-183	-15	-465	-149	-157	-132	-13	-451	150	196

Sources: Finnair, Evli estimates

**Jet fuel cost**


**Valuation**

FINNAIR PEER GROUP	MCAP local FX	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	P/E	P/E	P/E	P/B	P/B	P/B	
		21	22	23	21	22	23	21	22	23	21	22	23	
<b>Primary European peers</b>														
SAS AB	14983	2 796.9x	7.9x	5.9x		56.4x	17.3x			10.7x	4.8x	4.3x	4.7x	
International Consolidated Airlines Group	8203		6.0x	4.2x		14.2x	7.4x		13.1x	5.2x			7.5x	
Air France-KLM SA	2436		5.4x	3.8x						12.0x				
Deutsche Lufthansa AG	5717	166.8x	5.7x	4.3x		30.5x	11.1x		104.3x	7.0x	42.1x	10.1x	3.6x	
Norwegian Air Shuttle ASA	7689		8.8x	8.1x		52.7x	39.4x							
<b>Other European peers</b>														
Aegean Airlines SA	460		3.1x	2.6x		11.1x	6.1x		12.5x	7.4x	3.7x	2.5x	2.0x	
easyJet plc	3738		7.2x	4.5x		19.8x	8.2x		18.7x	8.2x	3.2x	2.8x	2.2x	
Ryanair Holdings Plc	17725	29.0x	7.8x	6.2x	599.4x	11.4x	8.5x		12.3x	9.4x	3.8x	2.9x	2.3x	
Wizz Air Holdings Plc	4526	20.1x	6.4x	4.8x		11.8x	8.3x		14.0x	9.8x	7.7x	4.9x	3.2x	
<b>North American peers</b>														
American Airlines Group, Inc.	13123		13.2x	7.3x		31.7x	11.8x			8.2x				
Delta Air Lines, Inc.	26460	132.7x	6.0x	4.2x		9.0x	5.7x		9.8x	6.1x	10.5x	4.8x	2.8x	
JetBlue Airways Corporation	4933		6.0x	4.1x		10.6x	6.3x		14.1x	7.2x	1.4x	1.3x	1.1x	
Southwest Airlines Co.	30622	38.6x	5.9x	4.0x		8.5x	5.4x		15.9x	11.1x	3.2x	2.7x	2.2x	
Spirit Airlines, Inc.	3021	140.6x	9.7x	8.7x		17.4x	13.9x		15.0x	8.0x	1.4x	1.1x	1.1x	
<b>Primary European peers median</b>		<b>1 481.9x</b>	<b>6.0x</b>	<b>4.3x</b>		<b>-</b>	<b>41.6x</b>	<b>11.1x</b>	<b>-</b>	<b>58.7x</b>	<b>8.8x</b>	<b>23.4x</b>	<b>7.2x</b>	<b>4.7x</b>
<b>Finnair (Evli est)*</b>		<b>-21.3x</b>	<b>4.3x</b>	<b>4.1x</b>		<b>-4.8x</b>	<b>14.0x</b>	<b>11.1x</b>	<b>-2.2x</b>	<b>25.1x</b>	<b>13.3x</b>	<b>2.0x</b>	<b>1.5x</b>	<b>1.2x</b>
<i>Finnair discount/premium to primary peer group median*</i>			-101 %	-29 %	-5 %	-	-66 %	-25 %	-	-57 %	51 %	-91 %	-79 %	-74 %
FINNAIR PEER GROUP	Ticker	Div yield	Div yield	Div yield	EBIT-%	EBIT-%	EBIT-%	ROCE-%	ROCE-%	ROCE-%	ROE-%	ROE-%	ROE-%	
		21	22	23	21	22	23	21	22	23	21	22	23	
<b>Primary European peers</b>														
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-32.9%	2.5%	7.9%	-13.9%	2.4%	8.7%	-175.3%	-10.1%	43.9%	
International Consolidated Airlines Group	IAG-GB	0.2%	0.5%	1.5%	-20.5%	7.9%	12.4%	-10.7%	7.6%	13.5%			144.9%	
Air France-KLM SA	AF-FR	0.0%	0.0%	0.7%	-21.7%	-0.3%	4.0%	-20.2%	-0.5%	8.9%				
Deutsche Lufthansa AG	LHA-DE	0.0%	0.0%	0.7%	-13.3%	2.1%	5.4%	-9.3%	2.2%	6.3%	-1686.0%	9.6%	52.1%	
Norwegian Air Shuttle ASA	NAS-NO	0.0%	2.3%	9.2%	-39.6%	3.4%	4.6%							
<b>Other European peers</b>														
Aegean Airlines SA	AEGN-GR	0.0%	1.2%	7.6%	-7.6%	5.8%	9.5%	-5.6%	5.5%	10.3%	-44.5%	20.2%	26.9%	
easyJet plc	EZJ-GB	0.0%	0.5%	4.8%	-68.1%	5.5%	10.3%	-19.0%	5.3%	11.3%	-78.0%	15.2%	27.1%	
Ryanair Holdings Plc	RY4C-IE	0.0%	0.2%	0.2%	0.7%	18.7%	20.8%	0.4%	16.3%	18.6%	-0.6%	23.7%	23.9%	
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-4.0%	16.4%	18.2%	-2.2%	13.7%	15.4%	-15.7%	34.8%	32.2%	
<b>North American peers</b>														
American Airlines Group, Inc.	AAL-US	0.0%	0.0%	0.0%	-18.5%	3.4%	7.8%	-10.2%	2.7%	8.0%				
Delta Air Lines, Inc.	DAL-US	0.1%	0.0%	1.1%	-6.1%	11.6%	14.7%	-3.2%	8.7%	13.0%	-89.1%	49.1%	45.6%	
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-12.4%	9.3%	13.3%	-6.6%	6.9%	11.5%	-22.1%	9.1%	15.0%	
Southwest Airlines Co.	LUV-US	0.1%	0.1%	0.4%	-3.6%	13.5%	16.8%	-2.0%	10.6%	15.5%	-8.6%	16.8%	19.7%	
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-8.3%	8.8%	11.2%	-4.0%	5.7%	8.5%	-16.0%	7.6%	13.6%	
<b>Primary European peers median</b>		<b>0.0%</b>	<b>0.0%</b>	<b>0.7%</b>	<b>-21.7%</b>	<b>2.5%</b>	<b>5.4%</b>	<b>-12.3 %</b>	<b>2.3 %</b>	<b>8.8 %</b>	<b>-930.6%</b>	<b>-0.2%</b>	<b>52.1%</b>	
<b>Finnair (Evli est)*</b>	FIA1S-FI	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-38.4%</b>	<b>5.7%</b>	<b>7.0%</b>	<b>-14.2 %</b>	<b>5.4 %</b>	<b>5.8 %</b>	<b>-55.2%</b>	<b>5.3%</b>	<b>7.5%</b>	

Source: Factset, Evli Research

Note: Our model treats Finnair's EUR 200m hybrid bond as 100% equity. Our estimates exclude IAC and fair value changes, but include hybrid interest.

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	561.2	68.6	97.4	102.0	829.2	113.6	111.8	331.8	586.6	1,143.9	2,619.1	2,797.4
EBITDA	-8.6	-89.2	-82.0	-71.7	-251.5	-60.9	-70.1	-45.5	77.7	-98.8	489.3	535.0
<i>EBITDA margin (%)</i>	<i>-1.5</i>	<i>-130.0</i>	<i>-84.1</i>	<i>-70.3</i>	<i>-30.3</i>	<i>-53.6</i>	<i>-62.7</i>	<i>-13.7</i>	<i>13.2</i>	<i>-8.6</i>	<i>18.7</i>	<i>19.1</i>
EBIT	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-131.5	-13.3	-439.3	150.4	196.2
<i>EBIT margin (%)</i>	<i>-16.2</i>	<i>-254.1</i>	<i>-171.3</i>	<i>-159.7</i>	<i>-71.8</i>	<i>-126.1</i>	<i>-135.3</i>	<i>-39.6</i>	<i>-2.3</i>	<i>-38.4</i>	<i>5.7</i>	<i>7.0</i>
Net financial items	-82.7	-44.0	-66.3	2.9	-190.1	-32.7	-11.0	-20.0	-20.0	-91.9	-84.4	-94.7
Pre-tax profit	-173.8	-218.3	-233.3	-160.0	-785.4	-175.9	-162.3	-151.5	-33.3	-531.2	66.1	101.5
Tax	35.6	43.1	49.9	2.6	131.2	36.3	30.1	30.3	6.7	107.5	-13.2	-20.3
<i>Tax rate (%)</i>	<i>20.5</i>	<i>19.7</i>	<i>21.4</i>	<i>1.6</i>	<i>16.7</i>	<i>20.6</i>	<i>18.5</i>	<i>20.0</i>	<i>20.0</i>	<i>20.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-141.4	-178.3	-187.9	-161.3	-669.0	-139.6	-132.2	-121.2	-26.7	-423.7	36.5	68.6
EPS	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.09	-0.02	-0.30	0.03	0.05
EPS adjusted (diluted no. of shares)	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.09	-0.02	-0.30	0.03	0.05
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>SALES, EURm</b>												
Group total	561.2	68.6	97.4	102.0	829.2	113.6	111.8	331.8	586.6	1,143.9	2,619.1	2,797.4
Total	561.2	68.6	97.4	102.0	829.2	113.6	111.8	331.8	586.6	1,143.9	2,619.1	2,797.4
<b>SALES GROWTH, Y/Y %</b>												
Group total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	63.0	240.5	475.1	37.9	129.0	6.8
Total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	63.0	240.5	475.1	37.9	129.0	6.8
<b>EBIT, EURm</b>												
Group total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-131.5	-13.3	-439.3	150.4	196.2
Total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-131.5	-13.3	-439.3	150.4	196.2
<b>EBIT margin, %</b>												
Group total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-135.3	-39.6	-2.3	-38.4	5.7	7.0
Total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-135.3	-39.6	-2.3	-38.4	5.7	7.0

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	2,316.8	2,568.4	2,836.1	3,097.7	829.2	1,143.9	2,619.1	2,797.4
<i>Sales growth (%)</i>	<i>2.8</i>	<i>10.9</i>	<i>10.4</i>	<i>9.2</i>	<i>-73.2</i>	<i>37.9</i>	<i>129.0</i>	<i>6.8</i>
EBITDA	161.0	299.6	512.6	488.2	-251.5	-98.8	489.3	535.0
<i>EBITDA margin (%)</i>	<i>6.9</i>	<i>11.7</i>	<i>18.1</i>	<i>15.8</i>	<i>-30.3</i>	<i>-8.6</i>	<i>18.7</i>	<i>19.1</i>
Depreciation	-105.8	-129.2	-294.2	-325.4	-343.8	-340.5	-338.9	-338.9
EBITA	55.2	170.4	218.4	162.8	-595.3	-439.3	150.4	196.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	55.2	170.4	218.4	162.8	-595.3	-439.3	150.4	196.2
<i>EBIT margin (%)</i>	<i>2.4</i>	<i>6.6</i>	<i>7.7</i>	<i>5.3</i>	<i>-71.8</i>	<i>-38.4</i>	<i>5.7</i>	<i>7.0</i>
Reported EBIT	53.8	169.5	218.3	160.0	-597.7	-445.1	150.4	196.2
<i>EBIT margin (reported) (%)</i>	<i>2.3</i>	<i>6.6</i>	<i>7.7</i>	<i>5.2</i>	<i>-72.1</i>	<i>-38.9</i>	<i>5.7</i>	<i>7.0</i>
Net financials	-10.5	-13.7	-129.0	-67.0	-190.1	-91.9	-84.4	-94.7
Pre-tax profit	44.7	156.7	89.4	95.8	-785.4	-531.2	66.1	101.5
Taxes	-8.9	-31.3	-25.6	-18.4	131.2	107.5	-13.2	-20.3
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	19.4	111.9	51.1	61.8	-671.4	-429.5	36.5	68.6
Cash NRIs	-1.4	-0.9	-0.1	-2.8	-2.4	-5.8	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	1,189	1,446	1,547	1,751	1,683	1,566	1,539	1,767
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	999	878	918	686	812	839
Inventory	15	17	121	80	68	46	65	70
Receivables	512	460	210	217	70	70	91	96
Liquid funds	814	965	1,067	952	824	686	1,048	1,119
Total assets	2,529	2,887	3,944	3,878	3,646	3,138	3,640	3,976
<b>Liabilities</b>								
Shareholder's equity	857	1,016	918	966	897	467	609	782
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	1,159	1,054	1,016	686	812	839
Deferred taxes	33	74	48	64	0	0	0	0
Interest bearing debt	718	719	615	521	1,182	1,190	1,428	1,540
Non-interest bearing current liabilities	519	566	285	243	176	343	340	364
Other interest-free debt	339	428	811	873	215	291	291	291
Total liabilities	2,529	2,887	3,944	3,878	3,647	3,138	3,640	3,976
<b>CASH FLOW, EURm</b>								
+ EBITDA	161	300	513	488	-251	-99	489	535
- Net financial items	-10	-14	-129	-67	-190	-92	-84	-95
- Taxes	33	-1	-52	-2	-18	107	-13	-20
- Increase in Net Working Capital	56	57	50	-7	-489	190	-44	13
+/- Other	-19	40	1	-16	-17	-6	-16	-13
= Cash flow from operations	220	382	383	397	-966	101	332	421
- Capex	-486	-405	-330	-409	-315	8	-438	-594
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	153	157	214	0	0	0	0	0
= Free cash flow	-113	134	268	-12	-1,281	108	-107	-173
+/- New issues/buybacks	110	60	-110	21	602	0	105	105
- Paid dividend	0	-13	-38	-35	0	0	0	0
+/- Other	108	-30	-17	-89	551	-245	363	139
Change in cash	105	151	103	-116	-128	-137	361	71

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	1,643	908	753	1,069	914	914	914
Net debt (excl. convertibles)	-246	707	623	1,374	1,190	1,192	1,260
Enterprise value	1,397	1,615	1,377	2,443	2,104	2,106	2,174
Sales	2,568	2,836	3,098	829	1,144	2,619	2,797
EBITDA	300	513	488	-251	-99	489	535
EBIT	170	218	163	-595	-439	150	196
Pre-tax	157	89	96	-785	-531	66	101
Earnings	113	51	65	-669	-424	36	69
Equity book value (excl. minorities)	1,016	918	966	897	467	609	782
<b>Valuation multiples</b>							
EV/sales	0.5	0.6	0.4	2.9	1.8	0.8	0.8
EV/EBITDA	4.7	3.2	2.8	-9.7	-21.3	4.3	4.1
EV/EBITA	8.2	7.4	8.5	-4.1	-4.8	14.0	11.1
EV/EBIT	8.2	7.4	8.5	-4.1	-4.8	14.0	11.1
EV/OCF	3.7	4.2	3.5	-2.5	20.9	6.4	5.2
EV/FCFF	6.3	6.1	8.4	-2.4	14.1	10.6	46.7
P/FCFE	12.2	3.4	-61.4	-0.8	8.5	-8.6	-5.3
P/E	14.6	10.2	11.7	-1.6	-2.2	25.1	13.3
P/B	1.6	1.0	0.8	1.2	2.0	1.5	1.2
Target EV/EBITDA	0.0	0.0	0.0	0.0	-21.3	4.3	4.1
Target EV/EBIT	0.0	0.0	0.0	0.0	-4.8	14.0	11.1
Target EV/FCF	0.0	0.0	0.0	0.0	19.5	-19.8	-12.6
Target P/B	0.0	0.0	0.0	0.0	2.0	1.5	1.2
Target P/E	0.0	0.0	0.0	0.0	-2.2	25.1	13.3
<b>Per share measures</b>							
Number of shares	128,136	128,136	128,136	1,407,231	1,405,964	1,405,964	1,405,964
Number of shares (diluted)	128,136	128,136	128,136	1,407,231	1,405,964	1,405,964	1,405,964
EPS	0.88	0.40	0.50	-0.48	-0.30	0.03	0.05
Operating cash flow per share	2.98	2.99	3.09	-0.69	0.07	0.24	0.30
Free cash flow per share	1.05	2.09	-0.10	-0.91	0.08	-0.08	-0.12
Book value per share	7.93	7.17	7.54	0.64	0.33	0.43	0.56
Dividend per share	0.30	0.27	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	34.1	68.6	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	2.3	3.9	0.0	0.0	0.0	0.0	0.0
FCF yield, %	8.2	29.5	-1.6	-119.8	11.8	-11.7	-18.9
<b>Efficiency measures</b>							
ROE	12.0	5.3	6.9	-71.8	-62.1	6.8	9.9
ROCE	10.3	9.9	6.2	-21.1	-16.2	5.8	6.5
<b>Financial ratios</b>							
Inventories as % of sales	0.7	4.3	2.6	8.2	4.0	2.5	2.5
Receivables as % of sales	17.9	7.4	7.0	8.4	6.1	3.5	3.4
Non-interest bearing liabilities as % of sales	22.0	10.1	7.8	21.2	30.0	13.0	13.0
NWC/sales, %	-18.7	-26.4	-23.9	-30.3	-38.6	-15.2	-14.7
Operative CAPEX/sales, %	15.8	11.6	13.2	38.0	-0.7	16.7	21.2
CAPEX/sales (incl. acquisitions), %	15.8	11.6	13.2	38.0	-0.7	16.7	21.2
FCFF/EBITDA	0.7	0.5	0.3	4.0	-1.5	0.4	0.1
Net debt/EBITDA, book-weighted	-0.8	1.4	1.3	-5.5	-12.0	2.4	2.4
Debt/equity, market-weighted	0.4	0.7	0.7	1.1	1.3	1.6	1.7
Equity ratio, book-weighted	39.1	25.4	27.4	25.5	15.8	18.9	22.2
Gearing, %	-24.2	77.0	64.5	153.3	254.9	195.9	161.1

**COMPANY DESCRIPTION:** Finnair is a network airline established in 1923. The company specializes in passenger and cargo traffic between Asia and Europe and it has over 100 destinations worldwide. The company has modern and eco-friendly fleet that consists of over 80 aircrafts.

**INVESTMENT CASE:** Finnair's investment case relies on growth and profitability improvement which stems from its competitive advantage of operating the transfer traffic between Europe and Asia due to its geographical position and operating a growing cost efficient and eco-friendly modern fleet.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Prime Minister's Office	786,669,685	511.335	56.0%
Varma Mutual Pension Insurance Company	50,081,263	32.553	3.6%
Ilmarinen Mutual Pension Insurance Company	37,000,000	24.050	2.6%
The State Pension Fund	14,978,215	9.736	1.1%
Elo Mutual Pension Insurance Company	14,671,668	9.537	1.0%
OP-Finland Fund	8,000,000	5.200	0.6%
OP-Finland Small Firms Fund	4,917,610	3.196	0.3%
Finnairin Henkilöstörahoisto Hr	4,000,000	2.600	0.3%
Veritas Pension Insurance Company Ltd.	2,707,011	1.760	0.2%
Länsiauto Oy	1,854,505	1.205	0.1%
Ten largest	924,879,956	601.172	66%
Residual	481,084,116	312.705	34%
Total	1,405,964,072	913.877	100%

**EARNINGS CALENDAR**

October 26, 2021

Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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Tel: +358 9 818 2780

IR: Erkkä Salonen

## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		



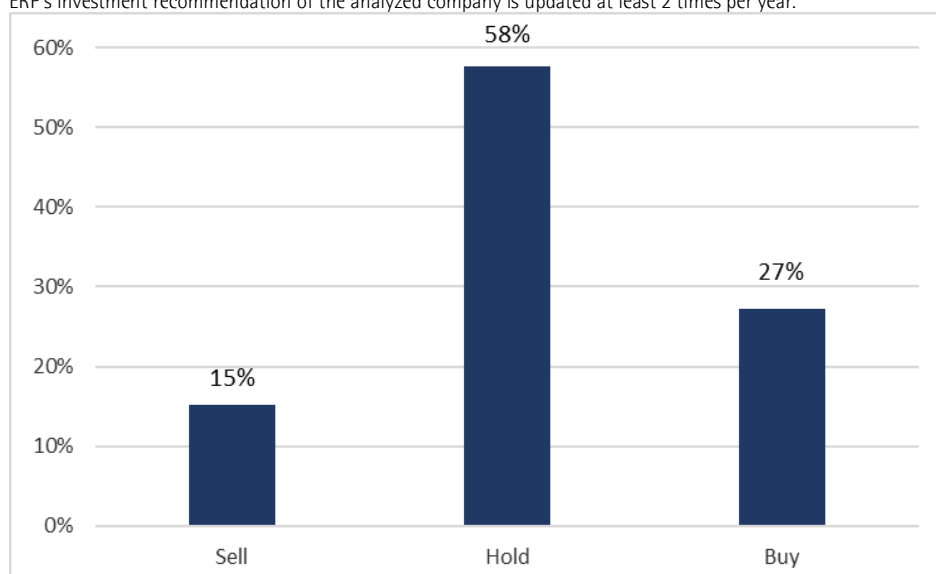
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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