

Still some way until profitable levels

Finnair's Q3 results and updated outlook didn't provide major surprises considering the persistent uncertainty around long-haul air travel, however the operating loss guidance until the end of H1'22 was a minor negative.

Some initial steps towards profitability

Q3 revenue amounted to EUR 199m, compared to the EUR 264m/247m Evli/cons. estimates. Passenger revenue came in lower than we estimated, but cargo continued to support operations and in our view the freight performance explains a large part of the narrowing in Q3 operating loss. Q3 EBIT was EUR -109m vs the EUR -149m/-144m Evli/cons. estimates. Demand is right now focused on European leisure travel, while business travel has taken some tentative initial steps in Northern Europe. Finnair's operating cash flow already turned positive in Q3, the first time since Q4'19. The company has built a EUR 1.2bn cash position; the buffer stands high in part to meet loan repayments due next year. Finnair doesn't expect any major narrowing in Q4 operating loss. Our updated Q4 EBIT estimate is EUR -76m (prev. EUR -65m).

Profitable RPK levels will still have to wait many quarters

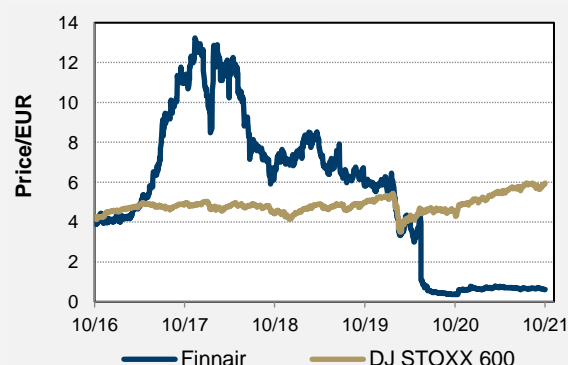
Finnair opens routes to Thailand and the US in November, while Japan and South Korea should follow around year-end. China may not open before H2'22; China is an important destination for Finnair and thus decent profitability will probably have to wait until H2'22. Q1'22 at least will remain in the red, but we would expect losses to narrow considerably already in Q2'22 if destinations excluding China are able to support adequate volumes. Q2'22 is still likely to result in an operating loss. Finnair's updated outlook wasn't a huge surprise as it was well known Asian passenger volume recovery will lag those of Western routes. We revise our FY '22 RPK estimate down by 12%. We now estimate FY '22 EBIT at EUR 30m (prev. EUR 75m), however we make only minor revisions to our FY '23 estimates.

We consider FY '23 multiples to be in line with peers'

Finnair is valued high relative to peers on our FY '22 estimates (6x EV/EBITDA and 70x EV/EBIT) due to slow Asian route recovery, but on our FY '23 estimates the multiples narrow to 4x EV/EBITDA and 10x EV/EBIT. We find the levels to be, overall, in line with peers. We retain our EUR 0.65 TP and HOLD rating.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 0.62

Target price, EUR 0.65

Latest change in recommendation 16-Jul-20

Latest report on company 19-Oct-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 872

Free float, % 42.9

Exchange rate EUR/USD 1.17

Reuters code FIA1S.HE

Bloomberg code FIA1S.FH

Average daily volume, EURm 2.0

Next interim report 17-Feb-22

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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	911.3	-479.7	-52.6%	139.0	-0.33	-1.9	2.2	-4.2	15.9	0.00
2022E	2,319.0	30.2	1.3%	-217.0	-0.04	-15.5	0.9	71.0	-24.9	0.00
2023E	2,846.9	232.3	8.2%	-225.4	0.07	9.1	0.8	9.7	-25.9	0.00
Market cap, EURm	872			Gearing 2021E, %	273.4			CAGR EPS 2020-23, %	0.0	
Net debt 2021E, EURm	1,159			Price/book 2021E	2.1			CAGR sales 2020-23, %	50.9	
Enterprise value, EURm	2,031			Dividend yield 2021E, %	0.0			ROE 2021E, %	-70.7	
Total assets 2021E, EURm	2,855			Tax rate 2021E, %	19.9			ROCE 2021E, %	-18.4	
Goodwill 2021E, EURm	0			Equity ratio 2021E, %	15.7			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	2021 Q3	2021E Q4	2021E FY	2022E FY	2023E FY
Passengers (thousands)	11905	13281	14650	2656	98	454	278	3486	259	292	779	2087	3417	8627	11202
<i>y/y change</i>	10%	12%	10%	-16%	-97%	-89%	-92%	-76%	-90%	198%	72%	650%	-2%	153%	30%
ASK (mkm)	36 922	42 386	47 189	9 671	345	1 667	1 256	12 938	1 201	1 418	3 294	6 226	12 139	34 070	45 052
<i>y/y change</i>	9%	15%	11%	-9%	-97%	-87%	-89%	-73%	-88%	311%	98%	396%	-6%	181%	32.2%-p
RPK (mkm)	30 749	34 660	38 534	7 025	114	645	366	8 150	306	434	1 369	3 085	5 195	26 898	36 294
<i>y/y change</i>	14%	13%	11%	-16%	-99%	-94%	-96%	-79%	-96%	281%	112%	742%	-36%	418%	35%
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%	41.6%	49.5%	42.8%	78.9%	80.6%
<i>y/y change</i>	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	2.9%-p	20.4%-p	-20.2%-p	36.2%-p	1.6%-p
Ancillary and retail	145	161	176	43	6	9	5	62	9	6	11	29	54	157	197
Cargo	197	207	212	37	50	32	60	178	61	61	65	61	249	243	246
Travel services	206	223	230	58	0	2	1	61	1	0	10	26	36	118	120
Total revenue	2569	2835	3098	561	69	97	102	829	114	112	199	486	911	2319	2847
<i>YoY change</i>	11%	10%	9%	-16%	-91%	-89%	-87%	-73%	-80%	63%	104%	377%	10%	155%	23%
Other income	77	74	56	14	11	11	12	48	9	8	32	15	64	52	52
Staff costs	-423	-500	-535	-136	-48	-57	-42	-284	-53	-54	-58	-95	-260	-379	-414
<i>y/y change</i>	17%	18%	7%	5%	-65%	-57%	-69%	-47%	-61%	12%	2%	125%	-8%	46%	9%
% of revenue	16%	18%	17%	24%	70%	59%	41%	34%	46%	48%	29%	19%	29%	16%	15%
Fuel	-472	-581	-687	-144	-33	-29	-27	-233	-30	-31	-48	-119	-228	-497	-698
<i>y/y change</i>	-4%	23%	18%	-1%	-82%	-85%	-85%	-66%	-79%	-7%	65%	350%	-2%	118%	70%
% of revenue	18%	20%	22%	26%	48%	30%	26%	28%	27%	28%	24%	25%	25%	21%	25%
Other OPEX	-1314	-1316	-1444	-304	-87	-104	-117	-613	-100	-105	-134	-272	-611	-1112	-1198
<i>y/y change</i>	4%	0%	10%	-13%	-76%	-72%	-68%	-58%	-67%	20%	28%	132%	0%	82%	8%
% of revenue	51%	46%	47%	54%	127%	107%	115%	74%	88%	94%	67%	56%	67%	48%	42%
Comparable EBITDA	300	512	488	-9	-89	-82	-72	-251	-61	-70	-31	15	-147	382	588
Depreciation	-129	-294	-325	-83	-85	-85	-91	-344	-82	-81	-78	-91	-333	-352	-356
Comparable EBIT	171	218	163	-91	-174	-167	-163	-595	-143	-151	-109	-76	-458	30	232
<i>Comp. EBIT-%</i>	6.6%	7.7%	5.3%	-16.2%	-254.1%	-171.3%	-159.7%	-71.8%	-126.1%	-135.3%	-54.8%	-15.6%	-50.3%	1.3%	8.2%
IAC t fair value changes	54	39	-3	-4	3	-16	148	131	-6	-6	-6	0	-17	0	0
EBIT	225	256	160	-96	-171	-183	-15	-465	-149	-157	-115	-76	-497	30	232

Sources: Finnair, Evli estimates

Jet fuel cost

EUR/t, USD/t

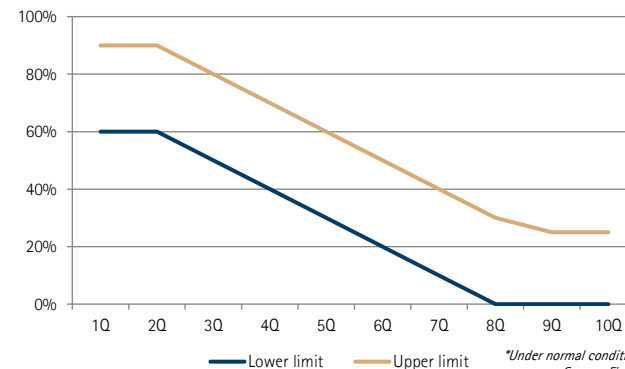
Jet fuel price



Source: Bloomberg (JET1NECC Index)

Hedging level

Finnair hedging policy


 *Under normal conditions
 Source: Finnair

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	
Primary European peers														
SAS AB	10972		6.9x	3.9x		82.4x	10.1x			5.4x	4.4x	5.4x	9.4x	
International Consolidated Airlines Group	7981		7.0x	4.6x		19.0x	8.4x		23.1x	5.9x			8.0x	
Air France-KLM SA	2525		5.8x	3.9x			15.5x			14.2x				
Deutsche Lufthansa AG	6743	380.6x	6.0x	4.3x		35.9x	11.3x		370.6x	7.5x	3.2x	4.2x	2.5x	
Norwegian Air Shuttle ASA	8966		3.4x			7.3x		12.9x	11.5x	7.1x	5.1x	3.5x		
Other European peers														
Aegean Airlines SA	464		3.9x	3.4x		11.0x	8.0x		12.3x	7.2x	2.5x	2.0x	1.6x	
easyJet plc	4639		7.5x	4.7x		25.7x	8.9x		34.5x	10.2x	1.8x	2.1x	1.8x	
Ryanair Holdings Plc	18416	31.2x	7.9x	6.2x		11.6x	8.7x		12.6x	9.8x	4.0x	3.0x	2.3x	
Wizz Air Holdings Plc	4740	21.9x	7.2x	5.3x		13.6x	9.1x		15.6x	10.3x	8.3x	5.4x	3.4x	
North American peers														
American Airlines Group, Inc.	12808		12.0x	6.9x		26.4x	10.8x		149.3x	7.8x				
Delta Air Lines, Inc.	25696		7.1x	4.9x		10.6x	6.5x		11.4x	6.5x	11.7x	5.3x	2.8x	
JetBlue Airways Corporation	4748		6.4x	4.2x		13.0x	6.5x		18.6x	7.5x	1.3x	1.2x	1.1x	
Southwest Airlines Co.	28411		6.5x	4.1x		10.3x	5.6x		20.6x	11.3x	3.0x	2.6x	2.2x	
Spirit Airlines, Inc.	2503		11.4x	7.8x		24.1x	12.7x		27.7x	8.1x	1.3x	1.2x	1.0x	
Primary European peers median		380.6x	6.0x	4.1x		-	27.4x	10.7x	-	23.1x	7.1x	4.4x	4.2x	8.0x
Finnair (Evli est)*		-13.8x	6.1x	4.0x		-4.2x	70.9x	9.7x	-1.9x	-15.4x	9.1x	2.0x	1.8x	1.3x
<i>Finnair discount/premium to primary peer group median*</i>			-104 %	3 %	-2 %	-	158 %	-9 %	-	-167 %	28 %	-54 %	-56 %	-84 %

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
Primary European peers													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-41.5%	1.5%	9.1%	-15.1%	1.3%	10.3%	-270.0%	-34.2%	175.0%
International Consolidated Airlines Group	IAG-GB	0.3%	0.1%	1.4%	-32.2%	6.2%	11.2%	-14.4%	6.0%	12.3%			135.0%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.5%	-20.0%	-0.6%	3.9%	-15.1%	-0.8%	6.0%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.0%	0.2%	-13.9%	1.8%	5.1%	-8.7%	1.8%	5.7%	-154.7%	1.1%	33.7%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	5.2%	20.7%	-59.0%	9.1%					39.6%	30.1%	
Other European peers													
Aegean Airlines SA	AEGN-GR	0.0%	1.5%	5.3%	-1.6%	7.2%	9.2%	-1.1%	7.0%	10.3%	-12.5%	16.0%	21.7%
easyJet plc	EZJ-GB	0.0%	0.4%	3.6%	-75.6%	4.2%	9.2%	-17.6%	3.5%	9.5%	-52.4%	6.0%	17.7%
Ryanair Holdings Plc	RY4C-IE	0.0%	0.2%	0.2%	-0.1%	18.0%	19.7%	0.0%	16.2%	18.1%	-1.2%	24.1%	23.9%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-5.8%	15.3%	17.6%	-3.2%	12.2%	14.7%	-23.0%	34.3%	33.3%
North American peers													
American Airlines Group, Inc.	AAL-US	0.0%	0.1%	0.2%	-18.5%	3.8%	7.8%	-10.5%	3.2%	7.6%			
Delta Air Lines, Inc.	DAL-US	0.0%	0.0%	1.2%	-9.3%	9.9%	13.3%	-5.0%	7.8%	11.5%	-128.9%	46.4%	43.3%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-14.7%	6.7%	11.4%	-8.1%	5.0%	9.4%	-21.9%	6.6%	14.1%
Southwest Airlines Co.	LUV-US	0.1%	0.3%	0.7%	-10.6%	10.3%	15.1%	-6.1%	8.2%	14.0%	-15.9%	12.8%	19.3%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-14.3%	6.1%	10.1%	-7.2%	4.5%	8.5%	-24.1%	4.4%	12.9%
Primary European peers median		0.0%	0.0%	0.5%	-32.2%	1.8%	7.1%	-14.7%	1.5%	8.2%	-154.7%	1.1%	135.0%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-52.6%	1.3%	8.2%	-18.4%	1.3%	7.9%	-70.7%	-12.6%	16.7%

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.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.62 PV of Free Cash Flow	1,092 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.83 PV of Horizon value	1,444 WACC, %	10.3 Market risk premium, %
Share price potential, %	33.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	1.0 Marketable securities	824 Minimum WACC, %	9.8 Equity beta coefficient
Minimum value	0.7 Debt - dividend	-2,198 Maximum WACC, %	10.8 Target debt ratio, %
Horizon value, %	56.9 Value of stock	1,162 Nr of shares, Mn	1,406.0 Effective tax rate, %

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	829	911	2,319	2,847	2,904	2,962	3,021	3,082	3,143	3,206	3,270	3,336
<i>Sales growth, %</i>	-73.2	9.9	154.5	22.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-595	-480	30	232	151	154	157	160	163	167	170	173
<i>Operating income margin, %</i>	-71.8	-52.6	1.3	8.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
+ Depreciation+amort.	344	333	319	328	331	375	380	386	390	394	398	
EBITDA	-251	-147	349	560	482	529	537	546	553	561	568	
- Paid taxes	-50	95	-6	-46	-30	-31	-31	-32	-33	-33	-34	
- Change in NWC	-489	141	-17	40	4	4	4	5	5	5	5	
<i>NWC / Sales, %</i>	-30.3	-43.1	-16.2	-14.6	-14.4	-14.3	-14.2	-14.0	-13.9	-13.8	-13.6	
+ Change in other liabs	-71	76	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-138	-100	-200	-450	-400	-250	-250	-240	-240	-240	-240	
<i>opCAPEX / Sales, %</i>	38.0	-15.1	19.9	24.2	22.8	14.1	13.9	13.5	13.3	13.2	7.3	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	-17	-6	-16	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	-1,017	59	109	90	44	240	248	266	273	279	286	3,537
= Discounted FCFF		58	97	73	32	159	149	145	135	126	117	1,444
= DFCF min WACC		58	97	74	33	162	153	150	140	130	122	1,602
= DFCF max WACC		58	96	72	32	156	146	141	131	121	112	1,306

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3	2021Q4E	2021E	2022E	2023E
Net sales	561.2	68.6	97.4	102.0	829.2	113.6	111.8	199.5	486.4	911.3	2,319.0	2,846.9
EBITDA	-8.6	-89.2	-82.0	-71.7	-251.5	-60.9	-70.1	-30.6	14.9	-146.7	348.7	559.9
<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>-15.3</i>	<i>3.1</i>	<i>-16.1</i>	<i>15.0</i>	<i>19.7</i>
EBIT	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-109.1	-76.1	-479.7	30.2	232.3
<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>-54.7</i>	<i>-15.6</i>	<i>-52.6</i>	<i>1.3</i>	<i>8.2</i>
Net financial items	-82.7	-44.0	-66.3	2.9	-190.1	-32.7	-11.0	-39.1	-20.0	-102.8	-80.1	-97.0
Pre-tax profit	-173.8	-218.3	-233.3	-160.0	-785.4	-175.9	-162.3	-148.2	-96.1	-582.5	-49.9	135.3
Tax	35.6	43.1	49.9	2.6	131.2	36.3	30.1	30.1	19.2	115.7	10.0	-27.1
<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>20.3</i>	<i>20.0</i>	<i>19.9</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	-118.1	-76.9	-466.8	-56.3	95.6
EPS	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.08	-0.05	-0.33	-0.04	0.07
EPS adjusted (diluted no. of shares)	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.08	-0.05	-0.33	-0.04	0.07
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
SALES, EURm												
Group total	561.2	68.6	97.4	102.0	829.2	113.6	111.8	199.5	486.4	911.3	2,319.0	2,846.9
Total	561.2	68.6	97.4	102.0	829.2	113.6	111.8	199.5	486.4	911.3	2,319.0	2,846.9
SALES GROWTH, Y/Y %												
Group total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	63.0	104.7	376.9	9.9	154.5	22.8
Total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	63.0	104.7	376.9	9.9	154.5	22.8
EBIT, EURm												
Group total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-109.1	-76.1	-479.7	30.2	232.3
Total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-109.1	-76.1	-479.7	30.2	232.3
EBIT margin, %												
Group total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-135.3	-54.7	-15.6	-52.6	1.3	8.2
Total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-135.3	-54.7	-15.6	-52.6	1.3	8.2

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	911.3	2,319.0	2,846.9
<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>9.9</i>	<i>154.5</i>	<i>22.8</i>
EBITDA	161.0	299.6	512.6	488.2	-251.5	-146.7	348.7	559.9
<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>-16.1</i>	<i>15.0</i>	<i>19.7</i>
Depreciation	-105.8	-129.2	-294.2	-325.4	-343.8	-333.0	-318.5	-327.7
EBITA	55.2	170.4	218.4	162.8	-595.3	-479.7	30.2	232.3
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	-479.7	30.2	232.3
<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>-52.6</i>	<i>1.3</i>	<i>8.2</i>
Reported EBIT	53.8	169.5	218.3	160.0	-597.7	-485.5	30.2	232.3
<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>-53.3</i>	<i>1.3</i>	<i>8.2</i>
Net financials	-10.5	-13.7	-129.0	-67.0	-190.1	-102.8	-80.1	-97.0
Pre-tax profit	44.7	156.7	89.4	95.8	-785.4	-582.5	-49.9	135.3
Taxes	-8.9	-31.3	-25.6	-18.4	131.2	115.7	10.0	-27.1
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	-472.6	-56.3	95.6
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
BALANCE SHEET, EURm								
Assets								
Fixed assets	1,189	1,446	1,547	1,751	1,683	1,582	1,554	1,779
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	999	878	918	547	719	854
Inventory	15	17	121	80	68	36	58	71
Receivables	512	460	210	217	70	58	82	98
Liquid funds	814	965	1,067	952	824	547	928	1,139
Total assets	2,529	2,887	3,944	3,878	3,646	2,855	3,425	4,026
Liabilities								
Shareholder's equity	857	1,016	918	966	897	424	473	673
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	547	719	854
Deferred taxes	33	74	48	64	0	0	0	0
Interest bearing debt	718	719	615	521	1,182	1,159	1,480	1,677
Non-interest bearing current liabilities	519	566	285	243	176	273	301	370
Other interest-free debt	339	428	811	873	215	291	291	291
Total liabilities	2,529	2,887	3,944	3,878	3,647	2,855	3,425	4,026
CASH FLOW, EURm								
+ EBITDA	161	300	513	488	-251	-147	349	560
- Net financial items	-10	-14	-129	-67	-190	-103	-80	-97
- Taxes	33	-1	-52	-2	-18	116	10	-27
- Increase in Net Working Capital	56	57	50	-7	-489	141	-17	40
+/- Other	-19	40	1	-16	-17	-6	-16	-13
= Cash flow from operations	220	382	383	397	-966	1	245	463
- Capex	-486	-405	-330	-409	-315	138	-462	-688
- 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	139	-217	-225
+/- 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	-416	493	332
Change in cash	105	151	103	-116	-128	-277	381	211

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	1,643	908	753	1,069	872	872	872
Net debt (excl. convertibles)	-246	707	623	1,374	1,159	1,271	1,392
Enterprise value	1,397	1,615	1,377	2,443	2,031	2,143	2,263
Sales	2,568	2,836	3,098	829	911	2,319	2,847
EBITDA	300	513	488	-251	-147	349	560
EBIT	170	218	163	-595	-480	30	232
Pre-tax	157	89	96	-785	-582	-50	135
Earnings	113	51	65	-669	-467	-56	96
Equity book value (excl. minorities)	1,016	918	966	897	424	473	673
Valuation multiples							
EV/sales	0.5	0.6	0.4	2.9	2.2	0.9	0.8
EV/EBITDA	4.7	3.2	2.8	-9.7	-13.8	6.1	4.0
EV/EBITA	8.2	7.4	8.5	-4.1	-4.2	71.0	9.7
EV/EBIT	8.2	7.4	8.5	-4.1	-4.2	71.0	9.7
EV/OCF	3.7	4.2	3.5	-2.5	1,663.3	8.8	4.9
EV/FCFF	6.3	6.1	8.4	-2.4	34.3	19.7	25.0
P/FCFE	12.2	3.4	-61.4	-0.8	6.3	-4.0	-3.9
P/E	14.6	10.2	11.7	-1.6	-1.9	-15.5	9.1
P/B	1.6	1.0	0.8	1.2	2.1	1.8	1.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	-14.1	6.3	4.1
Target EV/EBIT	0.0	0.0	0.0	0.0	-4.3	72.4	9.9
Target EV/FCF	0.0	0.0	0.0	0.0	14.9	-10.1	-10.2
Target P/B	0.0	0.0	0.0	0.0	2.2	1.9	1.4
Target P/E	0.0	0.0	0.0	0.0	-2.0	-16.2	9.6
Per share measures							
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	-0.33	-0.04	0.07
Operating cash flow per share	2.98	2.99	3.09	-0.69	0.00	0.17	0.33
Free cash flow per share	1.05	2.09	-0.10	-0.91	0.10	-0.15	-0.16
Book value per share	7.93	7.17	7.54	0.64	0.30	0.34	0.48
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	15.9	-24.9	-25.9
Efficiency measures							
ROE	12.0	5.3	6.9	-71.8	-70.7	-12.6	16.7
ROCE	10.3	9.9	6.2	-21.1	-18.4	1.3	7.9
Financial ratios							
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	6.4	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	-43.1	-16.2	-14.6
Operative CAPEX/sales, %	15.8	11.6	13.2	38.0	-15.1	19.9	24.2
CAPEX/sales (incl. acquisitions), %	15.8	11.6	13.2	38.0	-15.1	19.9	24.2
FCFF/EBITDA	0.7	0.5	0.3	4.0	-0.4	0.3	0.2
Net debt/EBITDA, book-weighted	-0.8	1.4	1.3	-5.5	-7.9	3.6	2.5
Debt/equity, market-weighted	0.4	0.7	0.7	1.1	1.3	1.7	1.9
Equity ratio, book-weighted	39.1	25.4	27.4	25.5	15.7	15.5	18.9
Gearing, %	-24.2	77.0	64.5	153.3	273.4	268.9	206.7

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	487.735	56.0%
Varma Mutual Pension Insurance Company	50,081,263	31.050	3.6%
Ilmarinen Mutual Pension Insurance Company	37,000,000	22.940	2.6%
The State Pension Fund	14,978,215	9.286	1.1%
Elo Mutual Pension Insurance Company	14,671,668	9.096	1.0%
OP-Finland Fund	8,000,000	4.960	0.6%
OP-Finland Small Firms Fund	4,917,610	3.049	0.3%
Finnairin Henkilöstörahoisto Hr	4,000,000	2.480	0.3%
Veritas Pension Insurance Company Ltd.	2,707,011	1.678	0.2%
Länsiauto Oy	1,854,505	1.150	0.1%
Ten largest	924,879,956	573.426	66%
Residual	481,084,116	298.272	34%
Total	1,405,964,072	871.698	100%

EARNINGS CALENDAR

February 17, 2022	FY 2021 Results
April 27, 2022	Q1 report
July 19, 2022	Q2 report
October 28, 2022	Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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CFO: Mika Stirkkinen	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

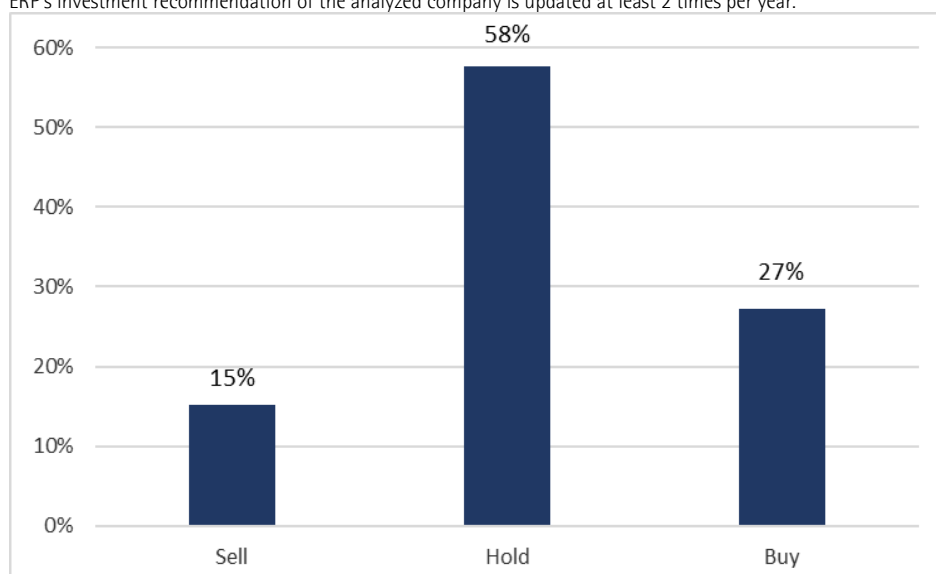
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Investment recommendations are defined as follows:

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

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

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