

## Cost uncertainty surfaces

Finnair reports Q4 results Thu, Feb 17. In our view the latest pandemic twists do not stage any significant further operational challenges for Finnair, yet we believe valuation has inched ahead of itself amid cost uncertainty. Our TP is now EUR 0.60 (0.65); our new rating is SELL (HOLD).

### Finnair will continue to lag peers especially in H1'22

Q4 RPK was very close to what we had estimated despite the onset of Omicron; the latest variant(s) have indicated how there's robust pent-up travel demand as traffic figures continued to grow in December despite uncertainty related to restrictions. Meanwhile Finnair's flows continue to lag those of Western peers as Asian volume recovery is further delayed. We believe China is still set to open in H2'22, but we now expect Japan and South Korea not to contribute much before Q2'22. In our view the Asian lag isn't a major issue for Finnair considering the measures taken to reinforce balance sheet as well as the fact that cash flow already turned positive in Q3. The short as well as long term effects of Omicron are hard to discern because the infection peak happens to play out over months which are very different in terms of seasonal demand, and it's still too early to say whether the variant might accelerate the pandemic towards its end.

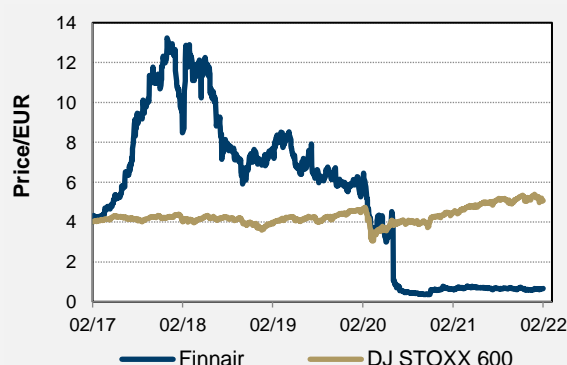
### OPEX cuts help but jet fuel prices have continued to gain

Jet fuel prices have continued to soar, the spot rate up by some 15% in the past three months, meaning the achieved operating expenditure cuts will be valuable in securing profitability during the quarters and years ahead. We expect Q1'22 EBIT to remain in the red similarly as in Q4'21, roughly to the tune of EUR 100m, while we believe some improvement will happen in Q2 but not nearly enough to reach break-even. We make only very minor downward revisions to our volume and revenue estimates, but we revise our FY '22 EBIT estimate down to EUR -11m (prev. EUR 30m) and that for FY '23 down to EUR 164m (prev. EUR 232m).

### Valuation seems to have turned dear amid cost uncertainty

Many carriers' valuations have advanced in the past few months, and thus Finnair also arguably deserves some further boost. Finnair's recovery will however take longer than those of peers; the company close 15x EV/EBIT on our FY '23 estimates, a slight premium relative to a sector that seems itself fully valued. Our TP is now EUR 0.60 (0.65); our new rating is SELL (HOLD).

Rating ■ SELL



Share price, EUR (Last trading day's closing price) 0.67  
Target price, EUR 0.6

Latest change in recommendation 09-Feb-22  
Latest report on company 27-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 942  
Free float, % 42.9  
Exchange rate EUR/USD 1.14  
Reuters code FIA1S.HE  
Bloomberg code FIA1S.FH  
Average daily volume, EURm 2.0  
Next interim report 17-Feb-22  
Web site investors.finnair.com

Analyst Joonas Ilvonen  
E-mail joonas.ilvonen@evli.com  
Telephone +358 44 430 9071

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	876.8	-498.2	-56.8%	137.6	-0.34	-2.0	2.4	-4.2	14.6	0.00
2022E	2,278.4	-10.6	-0.5%	-267.6	-0.07	-9.1	1.0	-214.2	-28.4	0.00
2023E	2,804.2	163.6	5.8%	-282.8	0.03	24.6	0.9	14.9	-30.0	0.00
Market cap, EURm	942			Gearing 2021E, %	283.7			CAGR EPS 2020-23, %	0.0	
Net debt 2021E, EURm	1,161			Price/book 2021E	2.3			CAGR sales 2020-23, %	50.1	
Enterprise value, EURm	2,103			Dividend yield 2021E, %	0.0			ROE 2021E, %	-73.8	
Total assets 2021E, EURm	2,811			Tax rate 2021E, %	19.9			ROCE 2021E, %	-23.2	
Goodwill 2021E, EURm	0			Equity ratio 2021E, %	15.3			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	1523	2852	7759	10192
<i>y/y change</i>	10%	12%	10%	-16%	-97%	-89%	-92%	-76%	-90%	198%	72%	447%	-18%	172%	31%
ASK (mkm)	36 922	42 386	47 189	9 671	345	1 667	1 256	12 938	1 201	1 418	3 294	6 181	12 094	34 135	45 162
<i>y/y change</i>	9%	15%	11%	-9%	-97%	-87%	-89%	-73%	-88%	311%	98%	392%	-7%	182%	32.3%-p
RPK (mkm)	30 749	34 660	38 534	7 025	114	645	366	8 150	306	434	1 369	3 068	5 178	26 798	36 220
<i>y/y change</i>	14%	13%	11%	-16%	-99%	-94%	-96%	-79%	-96%	281%	112%	738%	-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%	49.6%	42.8%	78.5%	80.2%
<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	20.5%-p	-20.2%-p	35.7%-p	1.7%-p
<b>Ancillary and retail</b>	145	161	176	43	6	9	5	62	9	6	11	21	46	144	197
<b>Cargo</b>	197	207	212	37	50	32	60	178	61	61	65	61	249	243	246
<b>Travel services</b>	206	223	230	58	0	2	1	61	1	0	10	16	26	105	106
<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>199</b>	<b>452</b>	<b>876</b>	<b>2278</b>	<b>2804</b>
<i>YoY change</i>	<b>11%</b>	<b>10%</b>	<b>9%</b>	<b>-16%</b>	<b>-91%</b>	<b>-89%</b>	<b>-87%</b>	<b>-73%</b>	<b>-80%</b>	<b>63%</b>	<b>104%</b>	<b>343%</b>	<b>6%</b>	<b>160%</b>	<b>23%</b>
Other income	77	74	56	14	11	11	12	48	9	8	32	15	64	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>-58</b>	<b>-95</b>	<b>-260</b>	<b>-379</b>	<b>-395</b>
<i>y/y change</i>	17%	18%	7%	5%	-65%	-57%	-69%	-47%	-61%	12%	2%	125%	-8%	46%	4%
<i>% of revenue</i>	16%	18%	17%	24%	70%	59%	41%	34%	46%	48%	29%	21%	30%	17%	14%
<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>-48</b>	<b>-126</b>	<b>-236</b>	<b>-542</b>	<b>-805</b>
<i>y/y change</i>	-4%	23%	18%	-1%	-82%	-85%	-85%	-66%	-79%	-7%	65%	377%	1%	130%	70%
<i>% of revenue</i>	18%	20%	22%	26%	48%	30%	26%	28%	27%	28%	24%	28%	27%	24%	29%
<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>-134</b>	<b>-249</b>	<b>-588</b>	<b>-1068</b>	<b>-1136</b>
<i>y/y change</i>	4%	0%	10%	-13%	-76%	-72%	-68%	-58%	-67%	20%	28%	112%	-4%	82%	6%
<i>% of revenue</i>	51%	46%	47%	54%	127%	107%	115%	74%	88%	94%	67%	55%	67%	47%	41%
<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>-31</b>	<b>-4</b>	<b>-165</b>	<b>341</b>	<b>520</b>
Depreciation	-129	-294	-325	-83	-85	-85	-91	-344	-82	-81	-78	-91	-333	-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>-109</b>	<b>-95</b>	<b>-476</b>	<b>-11</b>	<b>164</b>
<i>Comp. EBIT-%</i>	<b>6.6%</b>	<b>7.7%</b>	<b>5.3%</b>	<b>-16.2%</b>	<b>-254.1%</b>	<b>-171.3%</b>	<b>-159.7%</b>	<b>-71.8%</b>	<b>-126.1%</b>	<b>-135.3%</b>	<b>-54.8%</b>	<b>-20.9%</b>	<b>-54.4%</b>	<b>-0.5%</b>	<b>5.8%</b>

**Jet fuel cost**

EUR/t, USD/t

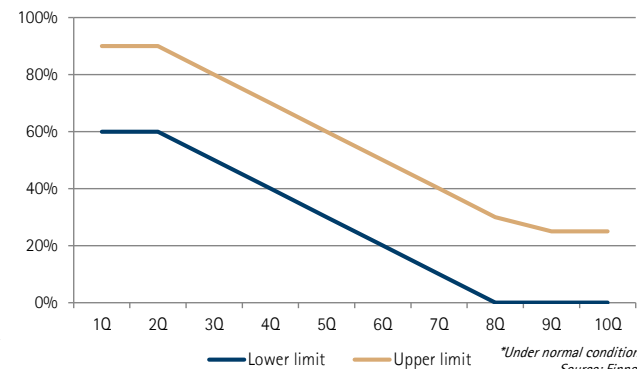
Jet fuel price



Source: Bloomberg (JET1NECC Index)

Hedging level

Finnair hedging policy



Lower limit Upper limit

\*Under normal conditions Source: Finnair

**Valuation**

	MCAP local FX	EV/EBITDA			EV/EBIT			P/E			P/B		
		21	22	23	21	22	23	21	22	23	21	22	23
<b>FINNAIR PEER GROUP</b>													
<b>Primary European peers</b>													
SAS AB	11982		8.4x	6.6x		851.5x	38.0x					4.5x	6.1x
International Consolidated Airlines Group	8248		8.0x	5.0x		23.3x	9.3x		139.1x	7.2x			
Air France-KLM SA	2741	61.2x	5.6x	3.8x			13.8x			10.9x			
Deutsche Lufthansa AG	8714	259.4x	6.0x	4.3x		35.7x	11.1x		129.2x	10.0x		2.3x	3.0x 2.3x
Norwegian Air Shuttle ASA	12164		12.4x			28.8x			16.7x	9.6x		5.9x	4.4x
<b>Other European peers</b>													
Aegean Airlines SA	526		5.0x	4.5x		14.9x	10.0x		18.3x	8.2x		2.7x	2.2x 1.8x
easyJet plc	5106		8.2x	4.8x		49.6x	10.4x		491.8x	14.2x		1.6x	1.9x 1.7x
Ryanair Holdings Plc	19539	53.7x	8.8x	7.1x		13.5x	10.3x		15.3x	11.8x		4.4x	3.4x 2.6x
Wizz Air Holdings Plc	4416		8.1x	5.4x		20.6x	10.4x		25.6x	11.1x		16.2x	10.2x 5.1x
<b>North American peers</b>													
American Airlines Group, Inc.	11521		19.4x	7.3x		493.3x	12.0x			8.3x			
Delta Air Lines, Inc.	26733		10.5x	6.0x		20.1x	8.5x		21.1x	7.3x		7.3x	5.1x 2.9x
JetBlue Airways Corporation	4891		10.6x	5.0x		55.8x	8.8x		545.3x	9.8x		1.3x	1.3x 1.1x
Southwest Airlines Co.	26932	4 132.3x	9.8x	5.5x		20.3x	8.2x		40.4x	13.7x		2.6x	2.5x 2.1x
Spirit Airlines, Inc.	2789		20.7x	11.1x		74.5x	18.2x			9.9x		1.4x	1.3x 1.0x
<b>Primary European peers median</b>		<b>160.3x</b>	<b>8.0x</b>	<b>4.7x</b>		<b>-</b>	<b>32.2x 12.4x</b>		<b>-</b>	<b>129.2x 9.8x</b>		<b>4.5x</b>	<b>4.4x 2.3x</b>
<b>Finnair (Evli est)*</b>		<b>-12.7x</b>	<b>7.4x</b>	<b>5.0x</b>		<b>-4.2x</b>	<b>-214.2x 14.9x</b>		<b>-2.0x</b>	<b>-9.1x 24.6x</b>		<b>2.3x</b>	<b>2.3x 1.7x</b>
<i>Finnair discount/premium to primary peer group median*</i>		<i>-108 %</i>	<i>-7 %</i>	<i>7 %</i>		<i>-</i>	<i>-764 % 20 %</i>		<i>-</i>	<i>-107 % 151 %</i>		<i>-49 %</i>	<i>-48 % -26 %</i>

	Ticker	Div yield			EBIT-%			ROCE-%			ROE-%		
		21	22	23	21	22	23	21	22	23	21	22	23
<b>FINNAIR PEER GROUP</b>													
<b>Primary European peers</b>													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-38.8%	0.1%	2.8%	-14.8%	0.1%	3.7%	-246.0%	-55.8%	
International Consolidated Airlines Group	IAG-GB	0.3%	0.1%	1.0%	-35.7%	5.2%	10.3%	-13.8%	4.6%	10.8%			
Air France-KLM SA	AF-FR	0.0%	0.0%	0.5%	-15.4%	-0.5%	4.1%	-12.1%	-0.7%	6.9%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.0%	0.1%	-13.7%	1.8%	5.0%	-8.3%	1.8%	5.7%	-77.5%	2.3%	23.1%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	2.5%	15.3%	-55.5%	8.1%					-48.3%	26.1%	
<b>Other European peers</b>													
Aegean Airlines SA	AEGN-GR	1.3%	1.4%	4.6%	-5.5%	6.4%	9.6%	-3.8%	6.4%	10.4%	-28.8%	12.0%	21.9%
easyJet plc	EZJ-GB	0.0%	0.1%	1.7%	-71.5%	2.3%	7.7%	-14.2%	1.7%	7.6%	-38.7%	0.4%	11.7%
Ryanair Holdings Plc	RYA-IE	0.0%	0.0%	0.3%	-7.4%	16.3%	17.5%	-3.7%	14.2%	16.0%	-7.9%	22.1%	22.2%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-26.3%	9.6%	14.8%	-13.6%	9.0%	15.0%	-145.6%	39.7%	45.8%
<b>North American peers</b>													
American Airlines Group, Inc.	AAL-US	0.0%	0.0%	0.1%	-18.5%	0.2%	7.0%	-11.6%	0.2%	8.3%			
Delta Air Lines, Inc.	DAL-US	0.1%	0.0%	0.5%	-8.6%	5.7%	11.4%	-4.9%	4.6%	10.2%	-70.8%	24.1%	39.2%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-15.1%	1.6%	9.0%	-8.8%	1.3%	7.9%	-21.4%	0.2%	11.3%
Southwest Airlines Co.	LUV-US	0.0%	0.1%	0.8%	-8.0%	5.7%	11.8%	-4.7%	4.3%	10.1%	-12.5%	6.1%	15.4%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%		-13.1%	2.4%	8.7%	-6.9%	1.8%	7.4%	-22.8%	-0.9%	10.3%
<b>Primary European peers median</b>		<b>0.0%</b>	<b>0.0%</b>	<b>0.5%</b>	<b>-35.7%</b>	<b>1.8%</b>	<b>4.6%</b>	<b>-12.9 %</b>	<b>1.0 %</b>	<b>6.3 %</b>	<b>-77.5%</b>	<b>2.3%</b>	<b>23.1%</b>
<b>Finnair (Evli est)*</b>	FIA1S-FI	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-56.8%</b>	<b>-0.5%</b>	<b>5.8%</b>	<b>-23.2 %</b>	<b>-0.4 %</b>	<b>5.6 %</b>	<b>-73.8%</b>	<b>-25.1%</b>	<b>7.9%</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.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.67 PV of Free Cash Flow	1,006 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.90 PV of Horizon value	1,461 WACC, %	10.3 Market risk premium, %
Share price potential, %	34.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	1.0 Marketable securities	526 Minimum WACC, %	9.8 Equity beta coefficient
Minimum value	0.8 Debt - dividend	-1,687 Maximum WACC, %	10.8 Target debt ratio, %
Horizon value, %	59.2 Value of stock	1,093 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	877	2,278	2,804	2,860	2,917	2,976	3,035	3,096	3,158	3,221	3,286
<i>Sales growth, %</i>	-73.2	5.7	159.9	23.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-595	-498	-11	164	149	152	155	158	161	164	167	171
<i>Operating income margin, %</i>	-71.8	-56.8	-0.5	5.8	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
+ Depreciation+amort.	344	333	315	326	329	372	378	383	387	391	395	
EBITDA	-251	-165	305	489	478	524	533	541	548	556	563	
- Paid taxes	-50	99	0	-33	-30	-30	-31	-32	-32	-33	-33	
- Change in NWC	-489	134	-13	39	4	4	4	4	5	5	5	
<i>NWC / Sales, %</i>	-30.3	-43.9	-16.3	-14.7	-14.5	-14.4	-14.3	-14.1	-14.0	-13.9	-13.7	
+ 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	-18.1	20.5	24.5	23.0	14.2	14.1	13.6	13.4	13.3	7.5	
- 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	37	75	34	40	235	244	262	268	275	281	3,480
= Discounted FCFF		38	69	28	30	161	151	147	137	127	118	1,461
= DFCF min WACC		37	69	28	31	164	155	151	141	132	123	1,620
= DFCF max WACC		38	69	28	30	158	148	143	133	123	114	1,323

## 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	451.9	876.8	2,278.4	2,804.2
EBITDA	-8.6	-89.2	-82.0	-71.7	-251.5	-60.9	-70.1	-30.6	-3.6	-165.2	304.5	489.4
<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>-0.8</i>	<i>-18.8</i>	<i>13.4</i>	<i>17.5</i>
EBIT	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-109.1	-94.6	-498.2	-10.6	163.6
<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>-20.9</i>	<i>-56.8</i>	<i>-0.5</i>	<i>5.8</i>
Net financial items	-82.7	-44.0	-66.3	2.9	-190.1	-32.7	-11.0	-39.1	-20.0	-102.8	-80.0	-100.0
Pre-tax profit	-173.8	-218.3	-233.3	-160.0	-785.4	-175.9	-162.3	-148.2	-114.6	-601.0	-90.6	63.6
Tax	35.6	43.1	49.9	2.6	131.2	36.3	30.1	30.1	22.9	119.4	4.0	-12.7
<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>4.4</i>	<i>20.0</i>
Net profit	-141.4	-178.3	-187.9	-161.3	-669.0	-139.6	-132.2	-118.1	-91.7	-481.6	-103.0	38.3
EPS	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.08	-0.07	-0.34	-0.07	0.03
EPS adjusted (diluted no. of shares)	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.08	-0.07	-0.34	-0.07	0.03
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	199.5	451.9	876.8	2,278.4	2,804.2
Total	561.2	68.6	97.4	102.0	829.2	113.6	111.8	199.5	451.9	876.8	2,278.4	2,804.2
<b>SALES GROWTH, Y/Y %</b>												
Group total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	63.0	104.7	343.0	5.7	159.9	23.1
Total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	63.0	104.7	343.0	5.7	159.9	23.1
<b>EBIT, EURm</b>												
Group total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-109.1	-94.6	-498.2	-10.6	163.6
Total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-109.1	-94.6	-498.2	-10.6	163.6
<b>EBIT margin, %</b>												
Group total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-135.3	-54.7	-20.9	-56.8	-0.5	5.8
Total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-135.3	-54.7	-20.9	-56.8	-0.5	5.8

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	876.8	2,278.4	2,804.2
<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>5.7</i>	<i>159.9</i>	<i>23.1</i>
EBITDA	161.0	299.6	512.6	488.2	-251.5	-165.2	304.5	489.4
<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>-18.8</i>	<i>13.4</i>	<i>17.5</i>
Depreciation	-105.8	-129.2	-294.2	-325.4	-343.8	-333.0	-315.1	-325.9
EBITA	55.2	170.4	218.4	162.8	-595.3	-498.2	-10.6	163.6
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	-498.2	-10.6	163.6
<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>-56.8</i>	<i>-0.5</i>	<i>5.8</i>
Reported EBIT	53.8	169.5	218.3	160.0	-597.7	-504.0	-10.6	163.6
<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>-57.5</i>	<i>-0.5</i>	<i>5.8</i>
Net financials	-10.5	-13.7	-129.0	-67.0	-190.1	-102.8	-80.0	-100.0
Pre-tax profit	44.7	156.7	89.4	95.8	-785.4	-601.0	-90.6	63.6
Taxes	-8.9	-31.3	-25.6	-18.4	131.2	119.4	4.0	-12.7
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	-487.4	-103.0	38.3
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	1,582	1,554	1,779
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	999	878	918	526	706	841
Inventory	15	17	121	80	68	35	57	70
Receivables	512	460	210	217	70	56	81	97
Liquid funds	814	965	1,067	952	824	526	911	1,122
Total assets	2,529	2,887	3,944	3,878	3,646	2,811	3,394	3,993
<b>Liabilities</b>								
Shareholder's equity	857	1,016	918	966	897	409	411	554
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	526	706	841
Deferred taxes	33	74	48	64	0	0	0	0
Interest bearing debt	718	719	615	521	1,182	1,161	1,528	1,782
Non-interest bearing current liabilities	519	566	285	243	176	263	296	365
Other interest-free debt	339	428	811	873	215	291	291	291
Total liabilities	2,529	2,887	3,944	3,878	3,647	2,811	3,394	3,993
<b>CASH FLOW, EURm</b>								
+ EBITDA	161	300	513	488	-251	-165	305	489
- Net financial items	-10	-14	-129	-67	-190	-103	-80	-100
- Taxes	33	-1	-52	-2	-18	119	4	-13
- Increase in Net Working Capital	56	57	50	-7	-489	134	-13	39
+/- Other	-19	40	1	-16	-17	-6	-16	-13
= Cash flow from operations	220	382	383	397	-966	-21	199	404
- Capex	-486	-405	-330	-409	-315	158	-466	-686
- 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	138	-268	-283
+/- 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	-435	548	388
Change in cash	105	151	103	-116	-128	-298	385	210

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	1,643	908	753	1,069	942	942	942
Net debt (excl. convertibles)	-246	707	623	1,374	1,161	1,323	1,501
Enterprise value	1,397	1,615	1,377	2,443	2,103	2,265	2,443
Sales	2,568	2,836	3,098	829	877	2,278	2,804
EBITDA	300	513	488	-251	-165	305	489
EBIT	170	218	163	-595	-498	-11	164
Pre-tax	157	89	96	-785	-601	-91	64
Earnings	113	51	65	-669	-482	-103	38
Equity book value (excl. minorities)	1,016	918	966	897	409	411	554
<b>Valuation multiples</b>							
EV/sales	0.5	0.6	0.4	2.9	2.4	1.0	0.9
EV/EBITDA	4.7	3.2	2.8	-9.7	-12.7	7.4	5.0
EV/EBITA	8.2	7.4	8.5	-4.1	-4.2	-214.2	14.9
EV/EBIT	8.2	7.4	8.5	-4.1	-4.2	-214.2	14.9
EV/OCF	3.7	4.2	3.5	-2.5	-100.8	11.4	6.1
EV/FCFF	6.3	6.1	8.4	-2.4	56.7	30.1	72.8
P/FCFE	12.2	3.4	-61.4	-0.8	6.8	-3.5	-3.3
P/E	14.6	10.2	11.7	-1.6	-2.0	-9.1	24.6
P/B	1.6	1.0	0.8	1.2	2.3	2.3	1.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	-12.1	7.1	4.8
Target EV/EBIT	0.0	0.0	0.0	0.0	-4.0	-204.9	14.3
Target EV/FCF	0.0	0.0	0.0	0.0	14.6	-8.1	-8.3
Target P/B	0.0	0.0	0.0	0.0	2.1	2.1	1.5
Target P/E	0.0	0.0	0.0	0.0	-1.8	-8.2	22.1
<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	-0.34	-0.07	0.03
Operating cash flow per share	2.98	2.99	3.09	-0.69	-0.01	0.14	0.29
Free cash flow per share	1.05	2.09	-0.10	-0.91	0.10	-0.19	-0.20
Book value per share	7.93	7.17	7.54	0.64	0.29	0.29	0.39
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	14.6	-28.4	-30.0
<b>Efficiency measures</b>							
ROE	12.0	5.3	6.9	-71.8	-73.8	-25.1	7.9
ROCE	10.3	9.9	6.2	-21.1	-23.2	-0.4	5.6
<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	6.4	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	-43.9	-16.3	-14.7
Operative CAPEX/sales, %	15.8	11.6	13.2	38.0	-18.1	20.5	24.5
CAPEX/sales (incl. acquisitions), %	15.8	11.6	13.2	38.0	-18.1	20.5	24.5
FCFF/EBITDA	0.7	0.5	0.3	4.0	-0.2	0.2	0.1
Net debt/EBITDA, book-weighted	-0.8	1.4	1.3	-5.5	-7.0	4.3	3.1
Debt/equity, market-weighted	0.4	0.7	0.7	1.1	1.2	1.6	1.9
Equity ratio, book-weighted	39.1	25.4	27.4	25.5	15.3	13.6	15.7
Gearing, %	-24.2	77.0	64.5	153.3	283.7	321.8	270.7

**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	527.069	56.0%
Varma Mutual Pension Insurance Company	50,081,263	33.554	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	20.100	2.1%
Elo Mutual Pension Insurance Company	14,008,115	9.385	1.0%
The State Pension Fund	11,000,000	7.370	0.8%
Finnairin Henkilöstöraho Ho.	3,772,902	2.528	0.3%
OP Life Assurance Company Ltd	1,954,798	1.310	0.1%
Finnairin Eläkesäätiö	1,505,262	1.009	0.1%
Finnair Oyj	1,421,133	0.952	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.801	0.1%
Ten largest	901,608,705	604.078	64%
Residual	504,355,367	337.918	36%
Total	1,405,964,072	941.996	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**

CEO: Topi Manner	Tietotie 9, 01053 FINNAIR (VANTAA AIRPORT)
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

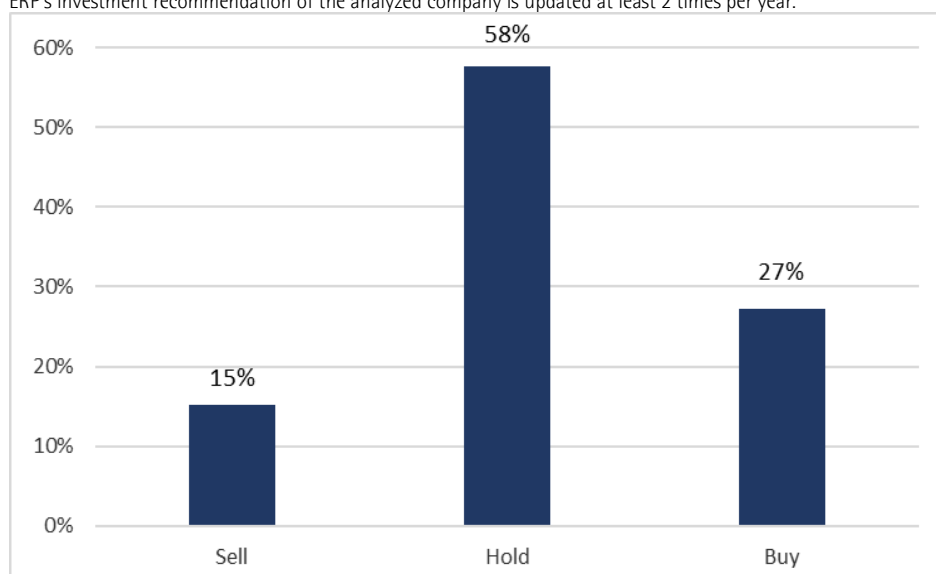
## Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on [9.2.2022, 9:45]. This report has been published on [9.2.2022, 10:00].

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

**Contact information****SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

**Trading**

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Ronkanen	+358 9 4766 9120

**Structured Investments**

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

**Equity Research**

Jonas Forslund	+358 9 4766 9314
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149
Teemu Reiman	+358 40 352 6175

**Evli Investment Solutions**

Johannes Asuja	+358 9 4766 9205
----------------	------------------



**EVLI BANK PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Fax +358 9 634 382  
Internet [www.evli.com](http://www.evli.com)  
E-mail [firstname.lastname@evli.com](mailto:firstname.lastname@evli.com)

**EVLI BANK PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
[stockholm@evli.com](mailto:stockholm@evli.com)  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001