

Uncertainty extends through spring

Finnair's Q4'21 losses were a bit lower than estimated, however the company expects the combination of Omicron and certain other operational expenses to lead to somewhat higher losses again in Q1'22. Finnair expects Omicron to postpone the opening of Asia to some extent.

- Q4 revenue grew by 305.5% y/y and amounted to EUR 413.5m, compared to the EUR 451.9m/387.4m Evli/consensus estimates.
- Adjusted EBIT was EUR -65.2m vs the EUR -94.6/-90.1m Evli/consensus estimates.
- Fuel costs were EUR 102m vs our EUR 126m estimate. Staff costs amounted to EUR 84m, compared to our EUR 95m estimate. All other OPEX+D&A amounted to EUR 305m vs our EUR 340m estimate.
- Cost per Available Seat Kilometer was 7.75 eurocents vs our estimate of 8.84 eurocents.
- Finnair sees Q1 losses due to Omicron notable but short-lived and as a result, in addition to increased fuel prices and incremental costs caused by the need to ramp up capacity for summer 2022, expects Q1'22 losses to be of a similar magnitude as in Q1'21 (EUR -143m in terms of EBIT). Finnair reiterates its previous estimate that the losses will continue during the entire H1'22. There's prolonged uncertainty with respect to the opening of China and Hong Kong, while countries such as Japan and South Korea should open towards the end of Q2'22.
- The EUR 200m cost savings programme's full run-rate impact will be visible this year.

Rating ■ SELL				
Q4'21	Actual	Evli	Year ago	Q3'21
Revenue	413.5	451.9	102.0	199.4
Adj. EBIT	-65.2	-94.6	-162.9	-109.1
Adj. EBIT-%	-15.8 %	-20.9 %	-159.7 %	-54.7 %
Share price, EUR (Last trading day's closing price)				0.64
Target price, EUR				0.6
Latest change in recommendation				09-Feb-22
Latest report on company				09-Feb-22
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				900
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
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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	876.8	-498.2	-56.8%	137.6	-0.34	-1.9	2.4	-4.1	15.3	0.00
2022E	2,278.4	-10.6	-0.5%	-267.6	-0.07	-8.7	1.0	-210.2	-29.7	0.00
2023E	2,804.2	163.6	5.8%	-282.8	0.03	23.5	0.9	14.7	-31.4	0.00
Market cap, EURm	900		BV per share 2021E, EUR		283.7		CAGR EPS 2020-23, %		0.0	
Net debt 2021E, EURm	1,161		Price/book 2021E		2.2		CAGR sales 2020-23, %		50.1	
Enterprise value, EURm	2,061		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	

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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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