

Upside remains on the elusive side

Finnair's Q4 report didn't include that significant news. Finnair's profitability is poised to rebound, yet valuation doesn't seem to leave much upside given the uncertainties.

The Q4 report didn't deliver any major surprises

Finnair's Q4 revenue grew to EUR 414m, compared to the EUR 452m/387m Evli/cons. estimates. Adj. EBIT landed at EUR -65m vs the EUR -95m/-90m Evli/cons. estimates. Q4 cargo revenue was very high, but Q1 losses are likely to be well above EUR 100m due to Omicron and ramp-up costs. Finnair sees some delay to the opening of most of Asia, which was to be expected.

The whole airline industry is staging rebound this year

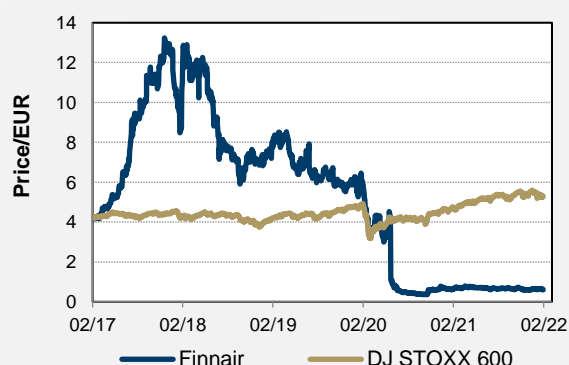
Omicron doesn't seem to be a major negative, only a short-term issue, but losses still loom in Q2. Meanwhile Finnair implements a EUR 200m investment in improved long-haul experience with refitted seats, and we also expect Finnair's fixed costs savings will continue to come through; inflation relating to e.g. Helsinki airport charges is modest compared to those of larger hubs. Finnair's long-term profitability potential is no worse considering the fleet renewal and cost positioning, but high jet fuel prices continue to limit the whole industry's profitability potential.

Valuations continue to reflect surging earnings levels

We believe other airlines' valuations will continue to drive Finnair's multiples: Finnair's profitability will materialize later due to the Asian reliance, but it will nevertheless come through at a certain level. In our view the most essential uncertainty, for Finnair as well as other airlines, now lingers around overall operating cost levels, particularly with respect to jet fuel prices. Higher ticket prices could compensate, but we view such increases still to be uncertain. Air traffic will continue to rebound across the globe, including Asia as well, and is set to reach the pre-pandemic levels sooner or later. We estimate Finnair's FY '22 EBIT is most likely to remain in the red, while some other airlines should be able to reach high profitability this year. We believe the anticipation and materialization of these profits will determine Finnair's valuation over the course of this year. In our view Finnair's current valuation, ca. 12x EV/EBIT on our FY '23 estimates, is somewhat neutral relative to other airlines, however overall sector valuations may still stand on the optimistic side. We retain our EUR 0.60 TP; our rating is now HOLD (SELL).

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 0.61
Target price, EUR 0.6

Latest change in recommendation 18-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 858
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 27-Apr-22
Web site investors.finnair.com

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■ BUY ■ HOLD ■ SELL

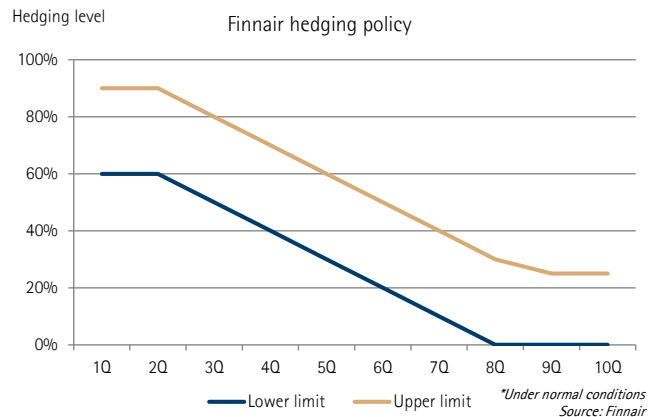
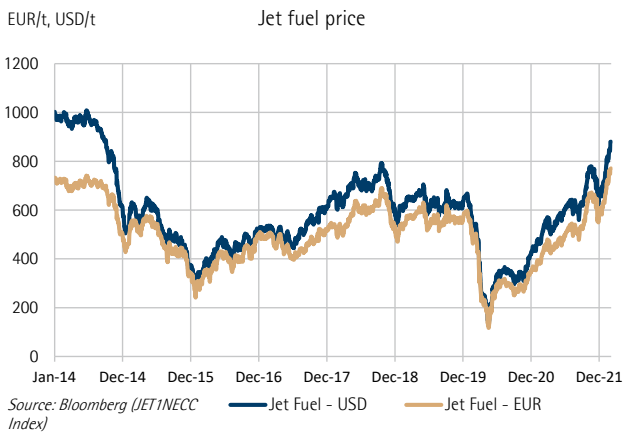
KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2020	829.2	-595.3	-71.8%	-1,281.1	-0.48	-1.6	2.9	-4.1	-119.8	0.00
2021	838.4	-468.9	-55.9%	-997.4	-0.34	-1.7	2.8	-5.1	-119.2	0.00
2022E	2,193.6	-81.5	-3.7%	332.2	-0.11	-5.3	0.9	-24.1	38.7	0.00
2023E	2,710.3	171.1	6.3%	-144.1	0.03	19.4	0.7	11.7	-16.8	0.00
2024E	2,845.8	199.2	7.0%	-265.0	0.05	12.8	0.8	11.4	-30.9	0.02
Market cap, EURm	858			Gearing 2022E, %	263.9		CAGR EPS 2021-24, %		0.0	
Net debt 2022E, EURm	1,106			Price/book 2022E	2.0		CAGR sales 2021-24, %		50.3	
Enterprise value, EURm	1,964			Dividend yield 2022E, %	0.0		ROE 2022E, %		-36.1	
Total assets 2022E, EURm	3,159			Tax rate 2022E, %	20.0		ROCE 2022E, %		-6.6	
Goodwill 2022E, EURm	0			Equity ratio 2022E, %	14.9		PEG, P/E 22/CAGR		0.1	

Estimates

FINNAIR EURm	2017 FY	2018 FY	2019 FY	2020 FY	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 FY	2022E Q1	2022E Q2	2022E Q3	2022E Q4	2022E FY	2023E FY
Passengers (thousands)	11905	13281	14650	3486	259	292	779	1523	2852	945	1490	2353	2559	7346	9603
<i>y/y change</i>	10 %	12 %	10 %	-76 %	-90 %	198 %	72 %	447 %	-18 %	264 %	411 %	202 %	68 %	158 %	31 %
ASK (mkm)	36 922	42 386	47 189	12 938	1 201	1 418	3 294	6 181	12 094	4 378	7 245	9 956	10 385	31 963	42 122
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-88 %	311 %	98 %	392 %	-7 %	264 %	411 %	202 %	68 %	164 %	31.8% <i>-p</i>
RPK (mkm)	30 749	34 660	38 534	8 150	306	434	1 369	3 068	5 178	3 334	5 811	8 434	8 790	26 369	35 014
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-96 %	281 %	112 %	738 %	-36 %	988 %	1238 %	516 %	187 %	409 %	33 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7 %	63.0 %	25.5 %	30.6 %	41.6 %	49.6 %	42.8 %	76.2 %	80.2 %	84.7 %	84.6 %	82.5 %	83.1 %
<i>y/y change</i>	3.5% <i>-p</i>	-1.5% <i>-p</i>	-0.1% <i>-p</i>	-18.7% <i>-p</i>	-47.1% <i>-p</i>	-2.5% <i>-p</i>	2.9% <i>-p</i>	20.5% <i>-p</i>	-20.2% <i>-p</i>	50.6% <i>-p</i>	49.6% <i>-p</i>	43.1% <i>-p</i>	35.0% <i>-p</i>	39.7% <i>-p</i>	0.6% <i>-p</i>
Ancillary and retail	145	161	176	62	9	6	11	19	44	16	35	38	37	126	197
Cargo	197	207	212	178	61	61	65	147	335	76	60	66	110	312	316
Travel services	206	223	230	61	1	0	10	28	39	25	27	29	37	118	133
Total revenue	2569	2835	3098	829	114	112	199	414	838	350	452	641	751	2194	2710
<i>YoY change</i>	11 %	10 %	9 %	-73 %	-80 %	63 %	104 %	305 %	1 %	208 %	305 %	222 %	82 %	162 %	24 %
Other income	77	74	56	48	9	8	32	15	64	13	13	13	13	52	52
Staff costs	-423	-500	-535	-284	-53	-54	-58	-84	-249	-89	-92	-102	-105	-388	-417
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-61 %	12 %	2 %	100 %	-12 %	70 %	70 %	75 %	25 %	56 %	7 %
<i>% of revenue</i>	16 %	18 %	17 %	34 %	46 %	48 %	29 %	20 %	30 %	26 %	20 %	16 %	14 %	18 %	15 %
Fuel	-472	-581	-687	-233	-30	-31	-48	-102	-212	-70	-85	-146	-181	-482	-637
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-79 %	-7 %	65 %	286 %	-9 %	130 %	176 %	204 %	77 %	128 %	70 %
<i>% of revenue</i>	18 %	20 %	22 %	28 %	27 %	28 %	24 %	25 %	25 %	20 %	19 %	23 %	24 %	22 %	24 %
Other OPEX	-1314	-1316	-1444	-613	-100	-105	-134	-227	-566	-248	-248	-276	-333	-1105	-1181
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-67 %	20 %	28 %	94 %	-8 %	147 %	136 %	107 %	46 %	95 %	7 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	88 %	94 %	67 %	55 %	68 %	71 %	55 %	43 %	44 %	50 %	44 %
Comparable EBIT	171	218	163	-595	-143	-151	-109	-65	-445	-131	-46	43	53	-82	171
<i>Comp. EBIT-%</i>	6.6 %	7.7 %	5.3 %	-71.8 %	-126.1 %	-135.3 %	-54.8 %	-15.8 %	-53.1 %	-37.5 %	-10.3 %	6.7 %	7.1 %	-3.7 %	6.3 %

Sources: Finnair, Evli estimates

Jet fuel cost


Valuation

	MCAP local FX	EV/EBITDA			EV/EBIT			P/E			P/B		
		21	22	23	21	22	23	21	22	23	21	22	23
FINNAIR PEER GROUP													
Primary European peers													
SAS AB	8672		9.7x	6.1x			35.1x				3.2x	9.2x	
International Consolidated Airlines Group	8253		8.0x	5.0x		23.3x	9.3x		124.8x	7.2x			
Air France-KLM SA	2648	77.4x	5.7x	3.8x			14.0x			12.3x			
Deutsche Lufthansa AG	9172	272.8x	6.2x	4.4x		36.9x	11.2x		136.0x	10.5x	2.4x	3.2x	2.5x
Norwegian Air Shuttle ASA	10938		12.0x			27.9x			15.0x	8.7x	5.3x	3.9x	
Other European peers													
Aegean Airlines SA	561		4.7x	4.0x		14.1x	9.2x		20.9x	9.1x	3.0x	2.4x	2.0x
easyJet plc	5206		8.2x	4.9x		47.0x	10.6x		298.9x	14.4x	1.6x	1.9x	1.7x
Ryanair Holdings Plc	19103	57.3x	8.7x	6.9x		13.2x	10.0x		14.9x	11.5x	4.3x	3.3x	2.6x
Wizz Air Holdings Plc	4347		8.2x	5.4x		20.5x	10.3x		25.5x	10.9x	19.9x	12.4x	5.8x
North American peers													
American Airlines Group, Inc.	11970		21.4x	7.8x			13.0x			8.5x			
Delta Air Lines, Inc.	28003		11.1x	6.3x		21.0x	9.0x		22.3x	7.7x	7.7x	5.8x	3.3x
JetBlue Airways Corporation	5074		11.0x	5.2x		61.2x	9.0x		946.1x	10.0x	1.3x	1.3x	1.2x
Southwest Airlines Co.	27769		10.2x	5.7x		21.1x	8.5x		41.5x	14.1x	2.7x	2.5x	2.2x
Spirit Airlines, Inc.	2817		13.9x	7.1x		57.2x	12.3x			10.8x	1.3x	1.2x	1.0x
Primary European peers median		175.1x	8.0x	4.7x	-	27.9x	12.6x	-	124.8x	9.6x	3.2x	3.9x	2.5x
Finnair (Evli est)*		-16.0x	7.3x	3.2x	-5.1x	-24.1x	11.7x	-1.7x	-5.3x	19.5x	1.8x	2.1x	1.5x
<i>Finnair discount/premium to primary peer group median*</i>		<i>-109 %</i>	<i>-9 %</i>	<i>-32 %</i>	<i>-</i>	<i>-187 %</i>	<i>-7 %</i>	<i>-</i>	<i>-104 %</i>	<i>104 %</i>	<i>-45 %</i>	<i>-48 %</i>	<i>-39 %</i>

	Ticker	Div yield			EBIT-%			ROCE-%			ROE-%		
		21	22	23	21	22	23	21	22	23	21	22	23
FINNAIR PEER GROUP													
Primary European peers													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-38.8%	-2.1%	2.8%	-14.8%	-2.1%	3.7%	-246.0%	-170.8%	
International Consolidated Airlines Group	IAG-GB	0.3%	0.1%	1.0%	-35.8%	5.2%	10.3%	-13.8%	4.6%	10.8%			
Air France-KLM SA	AF-FR	0.0%	0.0%	0.5%	-16.1%	-0.6%	4.0%	-12.2%	-0.8%	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%	-75.4%	2.3%	23.7%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	2.8%	17.0%	-55.5%	8.1%					-48.3%	26.1%	
Other European peers													
Aegean Airlines SA	AEGN-GR	1.7%	1.8%	5.8%	-5.8%	6.4%	9.1%				-29.7%	11.4%	22.5%
easyJet plc	EZJ-GB	0.0%	0.1%	1.7%	-71.5%	2.4%	7.7%	-14.2%	1.8%	7.6%	-38.7%	0.6%	11.8%
Ryanair Holdings Plc	RYA-IE	0.0%	0.0%	0.3%	-7.5%	16.3%	17.4%	-3.8%	14.2%	16.0%	-7.9%	22.1%	22.2%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-27.1%	9.6%	14.9%	-13.9%	8.9%	15.0%	-182.2%	48.6%	52.9%
North American peers													
American Airlines Group, Inc.	AAL-US	0.0%	0.0%	0.1%	-18.5%	0.0%	6.9%	-11.6%	0.0%	8.2%			
Delta Air Lines, Inc.	DAL-US	0.1%	0.0%	0.5%	-8.6%	5.7%	11.3%	-4.9%	4.6%	10.1%	-70.8%	25.8%	42.4%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-15.1%	1.5%	8.9%	-8.8%	1.2%	7.8%	-21.5%	0.1%	11.6%
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%	15.5%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%		-12.9%	2.3%	8.7%	-5.9%	1.5%	6.6%	-20.7%	-1.6%	9.3%
Primary European peers median		0.0%	0.0%	0.5%	-35.8%	1.8%	4.5%	-13.0%	0.5%	6.3%	-75.4%	2.3%	23.7%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-55.9%	-3.7%	6.3%	-17.9%	-6.6%	2.9%	-69.8%	-36.1%	9.0%

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	0.61 PV of Free Cash Flow	1,063 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.82 PV of Horizon value	1,629 WACC, %	9.6 Market risk premium, %
Share price potential, %	33.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	1.0 Marketable securities	1,266 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	0.7 Debt - dividend	-2,809 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	60.5 Value of stock	1,148 Nr of shares, Mn	1,406.0 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	838	2,194	2,710	2,846	2,931	2,990	3,050	3,111	3,173	3,236	3,301	3,367
<i>Sales growth, %</i>	<i>1.1</i>	<i>161.6</i>	<i>23.6</i>	<i>5.0</i>	<i>3.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	-469	-82	171	199	191	179	183	187	190	210	215	219
<i>Operating income margin, %</i>	<i>-55.9</i>	<i>-3.7</i>	<i>6.3</i>	<i>7.0</i>	<i>6.5</i>	<i>6.0</i>	<i>6.0</i>	<i>6.0</i>	<i>6.0</i>	<i>6.5</i>	<i>6.5</i>	<i>6.5</i>
+ Depreciation+amort.	320	352	454	335	315	329	340	349	358	366	373	
EBITDA	-149	270	625	534	505	508	523	536	548	576	588	
- Paid taxes	-15	16	-34	-40	-38	-36	-37	-37	-38	-42	-43	
- Change in NWC	117	40	39	10	6	4	4	5	5	5	5	
<i>NWC / Sales, %</i>	<i>-43.9</i>	<i>-18.6</i>	<i>-16.5</i>	<i>-16.1</i>	<i>-15.8</i>	<i>-15.7</i>	<i>-15.5</i>	<i>-15.3</i>	<i>-15.2</i>	<i>-15.0</i>	<i>-14.9</i>	
+ Change in other liabs	39	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-434	-400	-450	-400	-250	-250	-240	-240	-240	-240	-240	
<i>opCAPEX / Sales, %</i>	<i>100.5</i>	<i>-4.6</i>	<i>25.1</i>	<i>23.8</i>	<i>14.5</i>	<i>14.0</i>	<i>13.5</i>	<i>13.4</i>	<i>13.2</i>	<i>13.1</i>	<i>7.3</i>	
- 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	-6	-16	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	-448	-90	167	91	211	214	238	251	262	286	297	4,010
= Discounted FCFF		-83	140	70	148	137	139	134	128	127	121	1,629
= DFCF min WACC		-83	142	71	151	140	143	138	133	133	126	1,824
= DFCF max WACC		-82	139	69	146	134	136	130	123	122	115	1,460

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	113.6	111.8	199.5	413.5	838.4	349.7	452.4	640.7	750.8	2,193.6	2,710.3	2,845.8
EBITDA	-60.9	-70.1	-30.6	12.6	-149.0	-45.2	40.5	129.8	145.3	270.5	624.6	533.8
<i>EBITDA margin (%)</i>	<i>-53.6</i>	<i>-62.7</i>	<i>-15.3</i>	<i>3.0</i>	<i>-17.8</i>	<i>-12.9</i>	<i>9.0</i>	<i>20.3</i>	<i>19.4</i>	<i>12.3</i>	<i>23.0</i>	<i>18.8</i>
EBIT	-143.2	-151.3	-109.1	-65.3	-468.9	-131.2	-46.5	42.8	53.3	-81.5	171.1	199.2
<i>EBIT margin (%)</i>	<i>-126.1</i>	<i>-135.3</i>	<i>-54.7</i>	<i>-15.8</i>	<i>-55.9</i>	<i>-37.5</i>	<i>-10.3</i>	<i>6.7</i>	<i>7.1</i>	<i>-3.7</i>	<i>6.3</i>	<i>7.0</i>
Net financial items	-32.7	-11.0	-39.1	-44.7	-127.5	-25.0	-25.0	-25.0	-25.0	-100.0	-100.0	-100.0
Pre-tax profit	-175.9	-162.3	-148.2	-110.0	-596.4	-156.2	-71.5	17.8	28.3	-181.5	71.1	99.2
Tax	36.3	30.1	30.1	21.1	117.6	31.2	14.3	-3.6	-5.7	36.3	-14.2	-19.8
<i>Tax rate (%)</i>	<i>20.6</i>	<i>18.5</i>	<i>20.3</i>	<i>19.2</i>	<i>19.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-139.6	-132.2	-118.1	-88.9	-478.8	-129.0	-61.3	10.1	18.6	-161.6	44.2	66.8
EPS	-0.10	-0.09	-0.08	-0.06	-0.34	-0.09	-0.04	0.01	0.01	-0.11	0.03	0.05
EPS adjusted (diluted no. of shares)	-0.10	-0.09	-0.08	-0.06	-0.34	-0.09	-0.04	0.01	0.01	-0.11	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	0.02
SALES, EURm												
Group total	113.6	111.8	199.5	413.5	838.4	349.7	452.4	640.7	750.8	2,193.6	2,710.3	2,845.8
Total	113.6	111.8	199.5	413.5	838.4	349.7	452.4	640.7	750.8	2,193.6	2,710.3	2,845.8
SALES GROWTH, Y/Y %												
Group total	-79.8	63.0	104.7	305.4	1.1	207.8	304.7	221.2	81.6	161.6	23.6	5.0
Total	-79.8	63.0	104.7	305.4	1.1	207.8	304.7	221.2	81.6	161.6	23.6	5.0
EBIT, EURm												
Group total	-143.2	-151.3	-109.1	-65.3	-468.9	-131.2	-46.5	42.8	53.3	-81.5	171.1	199.2
Total	-143.2	-151.3	-109.1	-65.3	-468.9	-131.2	-46.5	42.8	53.3	-81.5	171.1	199.2
EBIT margin, %												
Group total	-126.1	-135.3	-54.7	-15.8	-55.9	-37.5	-10.3	6.7	7.1	-3.7	6.3	7.0
Total	-126.1	-135.3	-54.7	-15.8	-55.9	-37.5	-10.3	6.7	7.1	-3.7	6.3	7.0

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	2,568.4	2,836.1	3,097.7	829.2	838.4	2,193.6	2,710.3	2,845.8
<i>Sales growth (%)</i>	<i>10.9</i>	<i>10.4</i>	<i>9.2</i>	<i>-73.2</i>	<i>1.1</i>	<i>161.6</i>	<i>23.6</i>	<i>5.0</i>
EBITDA	299.6	512.6	488.2	-251.5	-149.0	270.5	624.6	533.8
<i>EBITDA margin (%)</i>	<i>11.7</i>	<i>18.1</i>	<i>15.8</i>	<i>-30.3</i>	<i>-17.8</i>	<i>12.3</i>	<i>23.0</i>	<i>18.8</i>
Depreciation	-129.2	-294.2	-325.4	-343.8	-319.9	-352.0	-453.6	-334.6
EBITA	170.4	218.4	162.8	-595.3	-468.9	-81.5	171.1	199.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	170.4	218.4	162.8	-595.3	-468.9	-81.5	171.1	199.2
<i>EBIT margin (%)</i>	<i>6.6</i>	<i>7.7</i>	<i>5.3</i>	<i>-71.8</i>	<i>-55.9</i>	<i>-3.7</i>	<i>6.3</i>	<i>7.0</i>
Reported EBIT	169.5	218.3	160.0	-597.7	-474.7	-81.5	171.1	199.2
<i>EBIT margin (reported) (%)</i>	<i>6.6</i>	<i>7.7</i>	<i>5.2</i>	<i>-72.1</i>	<i>-56.6</i>	<i>-3.7</i>	<i>6.3</i>	<i>7.0</i>
Net financials	-13.7	-129.0	-67.0	-190.1	-127.5	-100.0	-100.0	-100.0
Pre-tax profit	156.7	89.4	95.8	-785.4	-596.4	-181.5	71.1	99.2
Taxes	-31.3	-25.6	-18.4	131.2	117.6	36.3	-14.2	-19.8
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	111.9	51.1	61.8	-671.4	-484.6	-161.6	44.2	66.8
Cash NRIs	-0.9	-0.1	-2.8	-2.4	-5.8	0.0	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	1,446	1,547	1,751	1,683	1,215	1,263	1,357	1,544
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	999	878	918	1,182	680	813	968
Inventory	17	121	80	68	56	55	68	71
Receivables	460	210	217	70	137	92	107	111
Liquid funds	965	1,067	952	824	1,266	877	1,084	1,138
Total assets	2,887	3,944	3,878	3,646	4,047	3,159	3,621	4,025
Liabilities								
Shareholder's equity	1,016	918	966	897	476	419	568	635
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	1,159	1,054	1,016	1,381	680	813	968
Deferred taxes	74	48	64	0	0	0	0	0
Interest bearing debt	719	615	521	1,182	1,428	1,303	1,416	1,581
Non-interest bearing current liabilities	566	285	243	176	291	285	352	370
Other interest-free debt	428	811	873	215	271	271	271	271
Total liabilities	2,887	3,944	3,878	3,647	4,047	3,159	3,621	4,025
CASH FLOW, EURm								
+ EBITDA	300	513	488	-251	-149	270	625	534
- Net financial items	-14	-129	-67	-190	-127	-100	-100	-100
- Taxes	-1	-52	-2	-18	11	36	-14	-20
- Increase in Net Working Capital	57	50	-7	-489	117	40	39	10
+/- Other	40	1	-16	-17	-6	-16	-13	-13
= Cash flow from operations	382	383	397	-966	-155	230	537	411
- Capex	-405	-330	-409	-315	-842	102	-681	-676
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	157	214	0	0	0	0	0	0
= Free cash flow	134	268	-12	-1,281	-997	332	-144	-265
+/- New issues/buybacks	60	-110	21	602	64	105	105	0
- Paid dividend	-13	-38	-35	0	0	0	0	0
+/- Other	-30	-17	-89	551	1,376	-825	246	319
Change in cash	151	103	-116	-128	442	-388	207	54

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	908	753	1,069	837	858	858	858
Net debt (excl. convertibles)	707	623	1,374	1,543	1,106	1,145	1,410
Enterprise value	1,615	1,377	2,443	2,380	1,964	2,003	2,268
Sales	2,836	3,098	829	838	2,194	2,710	2,846
EBITDA	513	488	-251	-149	270	625	534
EBIT	218	163	-595	-469	-82	171	199
Pre-tax	89	96	-785	-596	-182	71	99
Earnings	51	65	-669	-479	-162	44	67
Equity book value (excl. minorities)	918	966	897	476	419	568	635
Valuation multiples							
EV/sales	0.6	0.4	2.9	2.8	0.9	0.7	0.8
EV/EBITDA	3.2	2.8	-9.7	-16.0	7.3	3.2	4.2
EV/EBITA	7.4	8.5	-4.1	-5.1	-24.1	11.7	11.4
EV/EBIT	7.4	8.5	-4.1	-5.1	-24.1	11.7	11.4
EV/OCF	4.2	3.5	-2.5	-15.4	8.5	3.7	5.5
EV/FCFF	6.1	8.4	-2.4	-5.3	-21.9	12.0	24.8
P/FCFE	3.4	-61.4	-0.8	-0.8	2.6	-6.0	-3.2
P/E	10.2	11.7	-1.6	-1.7	-5.3	19.4	12.8
P/B	1.0	0.8	1.2	1.8	2.0	1.5	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.2	3.2	4.2
Target EV/EBIT	0.0	0.0	0.0	0.0	-23.9	11.6	11.3
Target EV/FCF	0.0	0.0	0.0	0.0	5.9	-13.8	-8.5
Target P/B	0.0	0.0	0.0	0.0	2.0	1.5	1.3
Target P/E	0.0	0.0	0.0	0.0	-5.2	19.1	12.6
Per share measures							
Number of shares	128,136	128,136	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964
Number of shares (diluted)	128,136	128,136	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964
EPS	0.40	0.50	-0.48	-0.34	-0.11	0.03	0.05
Operating cash flow per share	2.99	3.09	-0.69	-0.11	0.16	0.38	0.29
Free cash flow per share	2.09	-0.10	-0.91	-0.71	0.24	-0.10	-0.19
Book value per share	7.17	7.54	0.64	0.34	0.30	0.40	0.45
Dividend per share	0.27	0.00	0.00	0.00	0.00	0.00	0.02
Dividend payout ratio, %	68.6	0.0	0.0	0.0	0.0	0.0	33.0
Dividend yield, %	3.9	0.0	0.0	0.0	0.0	0.0	2.6
FCF yield, %	29.5	-1.6	-119.8	-119.2	38.7	-16.8	-30.9
Efficiency measures							
ROE	5.3	6.9	-71.8	-69.8	-36.1	9.0	11.1
ROCE	9.9	6.2	-21.1	-17.9	-6.6	2.9	3.3
Financial ratios							
Inventories as % of sales	4.3	2.6	8.2	6.7	2.5	2.5	2.5
Receivables as % of sales	7.4	7.0	8.4	16.3	4.2	4.0	3.9
Non-interest bearing liabilities as % of sales	10.1	7.8	21.2	34.7	13.0	13.0	13.0
NWC/sales, %	-26.4	-23.9	-30.3	-43.9	-18.6	-16.5	-16.1
Operative CAPEX/sales, %	11.6	13.2	38.0	100.5	-4.6	25.1	23.8
CAPEX/sales (incl. acquisitions), %	11.6	13.2	38.0	100.5	-4.6	25.1	23.8
FCFF/EBITDA	0.5	0.3	4.0	3.0	-0.3	0.3	0.2
Net debt/EBITDA, book-weighted	1.4	1.3	-5.5	-10.4	4.1	1.8	2.6
Debt/equity, market-weighted	0.7	0.7	1.1	1.7	1.5	1.7	1.8
Equity ratio, book-weighted	25.4	27.4	25.5	12.2	14.9	17.8	17.8
Gearing, %	77.0	64.5	153.3	324.4	263.9	201.5	222.0

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	479.869	56.0%
Varma Mutual Pension Insurance Company	50,081,263	30.550	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	18.300	2.1%
Elo Mutual Pension Insurance Company	14,008,115	8.545	1.0%
The State Pension Fund	11,000,000	6.710	0.8%
Finnairin Henkilöstöraho Ho.	3,772,902	2.301	0.3%
OP Life Assurance Company Ltd	1,954,798	1.192	0.1%
Finnairin Eläkesäätiö	1,505,262	0.918	0.1%
Finnair Oyj	1,421,133	0.867	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.729	0.1%
Ten largest	901,608,705	549.981	64%
Residual	504,355,367	307.657	36%
Total	1,405,964,072	857.638	100%

EARNINGS CALENDAR

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

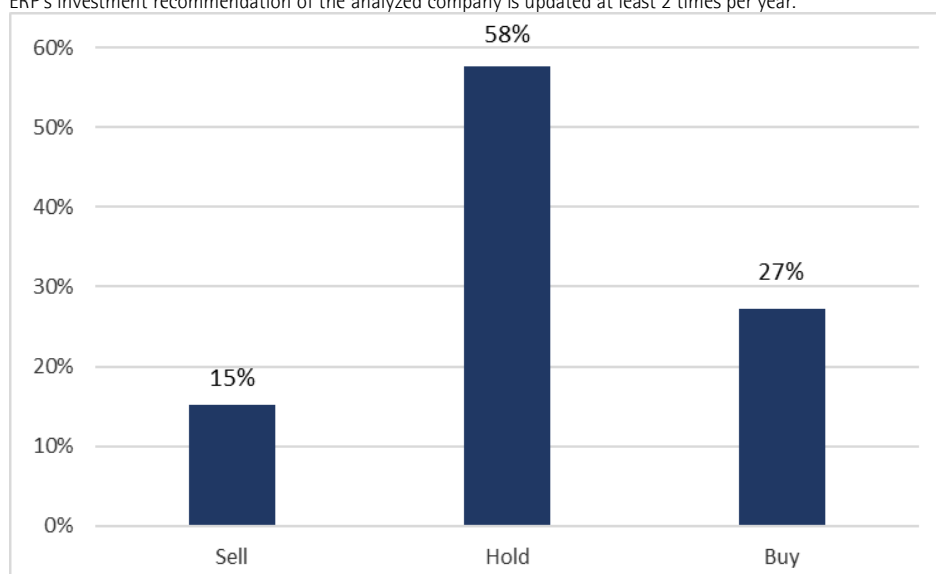
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Investment recommendations are defined as follows:

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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