

## Weathering another major blow

The Q1 report didn't contain many surprises, but we make some upgrades to our estimates as Finnair may be able to maneuver the situation a bit better than we expected.

### Network pivots to West and South Asia

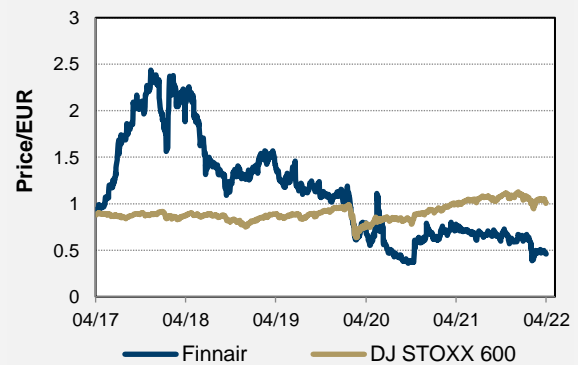
Finnair's EUR 400m Q1 revenue and EUR -133m adj. EBIT matched the respective EUR 397m/391m and EUR -128m/-141m Evli/cons. estimates. Air travel recovers and Omicron caused only a brief but sharp dip in volume. Finnair sees the ratio of bookings relative to capacity now above the pre-pandemic levels as available capacity has been reduced. Major North Asian hubs such as Tokyo, Seoul and Shanghai will remain on the schedule, but the Russian airspace closure will limit possibilities to smaller North Asian cities. South Asia's weight will increase as it supports transfer flights to the US and hence Finnair's network will also pivot to West, where demand is now robust.

### Volume outlook prompts us to raise estimates

We raise our estimates as our previous view on volumes seems a bit low in the light of Finnair's comments on capacity over the summer (we assume some 60-70% load factors for Q2 and Q3). Finnair has already signed leases and the comments on them indicate such deals are now profitable when many Western airlines have need for additional capacity. These can add other operating income some EUR 10-100m annually. Finnair also looks for EUR 60m in further permanent cost savings. The network adjustments, fleet redeployments (including potential aircraft sales) and cost measures didn't come as a surprise, although these may help Finnair guard profitability better than we initially expected. We upgrade our revenue estimates by more than 10% while we also revise our EBIT estimates up a bit, but there remains a lot of uncertainty around volumes and costs.

### Finnair will come through, but upside is still not evident

The EUR 400m hybrid between the State and Finnair will convert to a capital loan and thus supports equity. In our view high demand helps Finnair to successfully maneuver the challenges, but medium to long-term profitability potential remains unclear in the current high inflation environment. Finnair is valued a bit below 14x EV/EBIT on our FY '24 estimates, still not a low level although our FY '23 EBIT estimate could prove too conservative. We retain our EUR 0.43 TP; our rating is now HOLD (SELL).

 Rating 🟡 HOLD


Share price, EUR (Last trading day's closing price)	0.46
Target price, EUR	0.43

Latest change in recommendation	28-Apr-22
Latest report on company	21-Apr-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	647
Free float, %	42.9
Exchange rate EUR/USD	1.07
Reuters code	FIA1S.HE
Bloomberg code	FIA1S.FH
Average daily volume, EURm	2.0
Next interim report	19-Jul-22
Web site	investors.finnair.com

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🟢 BUY 🟡 HOLD 🔴 SELL

## KEY FIGURES

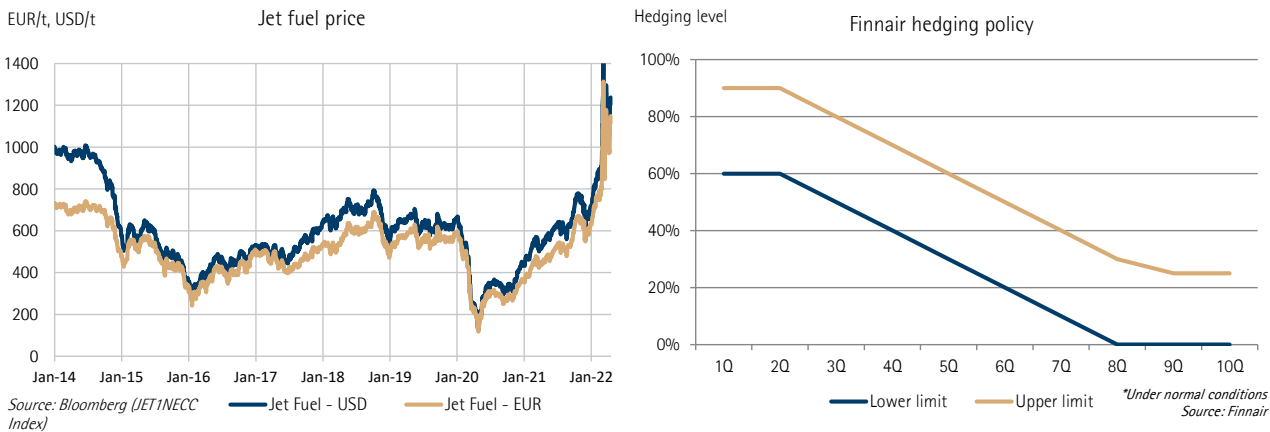
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2020	829.2	-595.3	-71.8%	-1,281.1	-0.48	-1.6	2.9	-4.1	-119.8	0.00
2021	838.4	-468.9	-55.9%	-997.4	-0.34	-1.7	2.8	-5.1	-119.2	0.00
2022E	2,188.3	-148.2	-6.8%	165.4	-0.19	-2.4	0.9	-12.9	25.6	0.00
2023E	2,755.4	73.1	2.7%	-309.9	-0.04	-12.9	0.8	29.1	-47.9	0.00
2024E	2,893.1	173.6	6.0%	-268.1	0.03	14.0	0.8	13.8	-41.4	0.01
Market cap, EURm	647			Gearing 2022E, %	414.0			CAGR EPS 2021-24, %	0.0	
Net debt 2022E, EURm	1,273			Price/book 2022E	2.1			CAGR sales 2021-24, %	51.1	
Enterprise value, EURm	1,919			Dividend yield 2022E, %	0.0			ROE 2022E, %	-69.8	
Total assets 2022E, EURm	3,212			Tax rate 2022E, %	6.9			ROCE 2022E, %	-8.8	
Goodwill 2022E, EURm	0			Equity ratio 2022E, %	10.8			PEG, P/E 22/CAGR	0.0	

### Estimates

FINNAIR EURm	2017 FY	2018 FY	2019 FY	2020 FY	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 FY	2022 Q1	2022E Q2	2022E Q3	2022E Q4	2022E FY	2023E FY
Passengers (thousands)	11905	13281	14650	3486	259	292	779	1523	2852	1509	1657	2180	2375	7721	9936
<i>y/y change</i>	10 %	12 %	10 %	-76 %	-90 %	198 %	72 %	447 %	-18 %	482 %	468 %	180 %	56 %	171 %	29 %
ASK (mkm)	36 922	42 386	47 189	12 938	1 201	1 418	3 294	6 181	12 094	6 915	8 059	9 222	9 638	33 834	43 847
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-88 %	311 %	98 %	392 %	-7 %	476 %	468 %	180 %	56 %	180 %	29.6%-p
RPK (mkm)	30 749	34 660	38 534	8 150	306	434	1 369	3 068	5 178	3 269	4 717	6 903	7 814	22 703	35 745
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-96 %	281 %	112 %	738 %	-36 %	967 %	986 %	404 %	155 %	338 %	57 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7%	63.0 %	25.5 %	30.6 %	41.6 %	49.6 %	42.8 %	47.3 %	58.5 %	74.8 %	81.1 %	67.1 %	81.5 %
<i>y/y change</i>	3.5%-p	-1.5%-p	-0.1%-p	-18.7%-p	-47.1%-p	-2.5%-p	2.9%-p	20.5%-p	-20.2%-p	21.8%-p	27.9%-p	33.3%-p	31.4%-p	24.3%-p	14.4%-p
<b>Ancillary and retail</b>	145	161	176	62	9	6	11	19	44	27	35	35	34	131	197
<b>Cargo</b>	197	207	212	178	61	61	65	147	335	121	75	71	96	362	366
<b>Travel services</b>	206	223	230	61	1	0	10	28	39	25	27	29	37	118	133
<b>Total revenue</b>	<b>2569</b>	<b>2835</b>	<b>3098</b>	<b>829</b>	<b>114</b>	<b>112</b>	<b>199</b>	<b>414</b>	<b>838</b>	<b>400</b>	<b>485</b>	<b>606</b>	<b>698</b>	<b>2188</b>	<b>2755</b>
<i>YoY change</i>	<b>11 %</b>	<b>10 %</b>	<b>9 %</b>	<b>-73 %</b>	<b>-80 %</b>	<b>63 %</b>	<b>104 %</b>	<b>305 %</b>	<b>1 %</b>	<b>252 %</b>	<b>334 %</b>	<b>204 %</b>	<b>69 %</b>	<b>161 %</b>	<b>26 %</b>
Other income	77	74	56	48	9	8	32	13	63	20	23	30	25	98	85
<b>Staff costs</b>	<b>-423</b>	<b>-500</b>	<b>-535</b>	<b>-284</b>	<b>-53</b>	<b>-54</b>	<b>-58</b>	<b>-84</b>	<b>-249</b>	<b>-102</b>	<b>-108</b>	<b>-102</b>	<b>-105</b>	<b>-417</b>	<b>-425</b>
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-61 %	12 %	2 %	100 %	-12 %	93 %	100 %	75 %	25 %	67 %	2 %
<i>% of revenue</i>	16 %	18 %	17 %	34 %	46 %	48 %	29 %	20 %	30 %	25 %	22 %	17 %	15 %	19 %	15 %
<b>Fuel</b>	<b>-472</b>	<b>-581</b>	<b>-687</b>	<b>-233</b>	<b>-30</b>	<b>-31</b>	<b>-48</b>	<b>-102</b>	<b>-212</b>	<b>-137</b>	<b>-150</b>	<b>-151</b>	<b>-186</b>	<b>-623</b>	<b>-920</b>
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-79 %	-7 %	65 %	286 %	-9 %	350 %	387 %	214 %	82 %	195 %	48 %
<i>% of revenue</i>	18 %	20 %	22 %	28 %	27 %	28 %	24 %	25 %	25 %	34 %	31 %	25 %	27 %	28 %	33 %
<b>Other OPEX</b>	<b>-1314</b>	<b>-1316</b>	<b>-1444</b>	<b>-613</b>	<b>-100</b>	<b>-105</b>	<b>-134</b>	<b>-227</b>	<b>-566</b>	<b>-231</b>	<b>-243</b>	<b>-279</b>	<b>-292</b>	<b>-1045</b>	<b>-1066</b>
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-67 %	20 %	28 %	94 %	-8 %	130 %	132 %	109 %	28 %	85 %	2 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	88 %	94 %	67 %	55 %	68 %	58 %	50 %	46 %	42 %	48 %	39 %
<b>Comparable EBIT</b>	<b>171</b>	<b>218</b>	<b>163</b>	<b>-595</b>	<b>-143</b>	<b>-151</b>	<b>-109</b>	<b>-65</b>	<b>-469</b>	<b>-133</b>	<b>-80</b>	<b>17</b>	<b>48</b>	<b>-148</b>	<b>73</b>
<i>Comp. EBIT-%</i>	<b>6.6 %</b>	<b>7.7 %</b>	<b>5.3 %</b>	<b>-71.8 %</b>	<b>-126.2 %</b>	<b>-135.3 %</b>	<b>-54.8 %</b>	<b>-15.8 %</b>	<b>-56.0 %</b>	<b>-33.2 %</b>	<b>-16.6 %</b>	<b>2.8 %</b>	<b>6.9 %</b>	<b>-6.8 %</b>	<b>2.7 %</b>

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	7655		14.0x	6.9x			48.7x				2.9x		
International Consolidated Airlines Group	7011		7.8x	4.9x		27.7x	9.4x			6.7x		4 439.8x	7.3x
Air France-KLM SA	2527	15.7x	5.4x	3.7x			15.0x			22.6x			
Deutsche Lufthansa AG	8480		6.5x	4.7x		56.3x	13.0x			11.9x	1.4x	2.1x	1.9x
Norwegian Air Shuttle ASA	11517		7.8x	3.0x		23.4x	6.2x			10.8x	4.4x		2.7x
<b>Other European peers</b>													
Aegean Airlines SA	491		5.5x	3.9x		50.6x	10.5x		175.9x	9.0x		2.3x	1.9x
easyJet plc	4233		6.8x	4.2x		41.3x	9.9x		591.2x	13.8x	1.3x	1.6x	1.4x
Ryanair Holdings Plc	16127	59.3x	7.6x	6.3x		11.7x	9.5x		12.8x	10.6x	3.6x	2.8x	2.2x
Wizz Air Holdings Plc	3216		10.9x	5.2x		570.6x	11.1x			10.7x	15.7x	18.6x	6.1x
<b>North American peers</b>													
American Airlines Group, Inc.	12191		19.9x	7.8x		673.8x	13.0x			8.1x			
Delta Air Lines, Inc.	26861		9.7x	5.9x		16.9x	8.3x		16.3x	7.2x	8.5x	4.8x	2.6x
JetBlue Airways Corporation	3712		15.4x	5.1x			9.8x			10.6x	1.0x	1.0x	0.9x
Southwest Airlines Co.	26690		9.5x	5.6x		19.6x	8.4x		39.9x	14.5x	2.7x	2.4x	2.1x
Spirit Airlines, Inc.	2715		53.4x	8.5x			15.9x			14.3x	1.3x	1.3x	1.1x
<b>Primary European peers median</b>		<b>15.7x</b>	<b>7.8x</b>	<b>4.7x</b>	<b>-</b>	<b>27.7x</b>	<b>13.0x</b>	<b>-</b>	<b>-</b>	<b>11.4x</b>	<b>2.9x</b>	<b>2 220.9x</b>	<b>2.7x</b>
<b>Finnair (Evli est)*</b>		<b>-16.0x</b>	<b>6.4x</b>	<b>4.6x</b>	<b>-5.1x</b>	<b>-13.0x</b>	<b>29.1x</b>	<b>-1.7x</b>	<b>-2.4x</b>	<b>-12.9x</b>	<b>1.8x</b>	<b>2.1x</b>	<b>1.8x</b>
<i>Finnair discount/premium to primary peer group median*</i>		<i>-202 %</i>	<i>-17 %</i>	<i>-2 %</i>	<i>-</i>	<i>-147 %</i>	<i>123 %</i>	<i>-</i>	<i>-</i>	<i>-213 %</i>	<i>-39 %</i>	<i>-100 %</i>	<i>-33 %</i>
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%	-38.8%	-5.2%	2.1%	-14.8%	-4.7%	2.5%	-246.0%		
International Consolidated Airlines Group	IAG-GB	0.0%	0.5%	1.3%	-35.1%	3.8%	9.2%	-13.5%	3.5%	9.7%		-2488.0%	108.5%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.0%	-11.4%	-0.6%	3.5%	-8.3%	-0.8%	5.9%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.0%	0.1%	-45.3%	1.1%	4.1%	-8.1%	1.1%	4.8%	-53.4%	-2.8%	15.8%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	1.6%	-55.0%	6.3%	9.6%				-43.4%		24.8%
<b>Other European peers</b>													
Aegean Airlines SA	AEGN-GR	0.0%	0.7%	4.5%		1.8%	7.3%		2.3%	14.0%		1.3%	20.8%
easyJet plc	EZJ-GB	0.0%	0.0%	1.4%	-71.5%	2.2%	6.5%	-14.2%	1.7%	6.7%	-38.7%	0.3%	10.3%
Ryanair Holdings Plc	RYA-IE	0.0%	0.0%	0.3%	-7.7%	15.3%	15.4%	-3.8%	13.6%	14.8%	-7.9%	22.1%	21.3%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-30.4%	0.3%	11.2%	-15.6%	0.3%	12.9%	-216.8%	-32.5%	57.1%
<b>North American peers</b>													
American Airlines Group, Inc.	AAL-US	0.0%	0.0%	0.1%	-18.5%	0.1%	6.6%	-11.6%	0.1%	7.9%			
Delta Air Lines, Inc.	DAL-US	0.1%	0.0%	0.5%	-8.6%	6.3%	11.1%	-4.9%	5.6%	10.6%	-76.9%	29.4%	36.1%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-15.1%	-1.9%	6.6%	-8.8%	-1.6%	5.9%	-21.6%	-4.7%	8.3%
Southwest Airlines Co.	LUV-US	0.0%	0.1%	0.8%	-6.7%	5.7%	11.3%	-3.9%	4.4%	9.9%	-12.5%	6.0%	14.3%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-13.0%	-3.5%	7.0%	-6.0%	-2.4%	5.5%	-20.7%	-12.7%	7.5%
<b>Primary European peers median</b>		<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>-38.8%</b>	<b>1.1%</b>	<b>4.1%</b>	<b>-10.9%</b>	<b>0.1%</b>	<b>5.4%</b>	<b>-53.4%</b>	<b>-1245.4%</b>	<b>24.8%</b>
<b>Finnair (Evli est)*</b>	FIA1S-FI	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-55.9%</b>	<b>-6.8%</b>	<b>2.7%</b>	<b>-17.9%</b>	<b>-8.8%</b>	<b>-1.0%</b>	<b>-69.8%</b>	<b>-69.8%</b>	<b>-15.0%</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	0.46 PV of Free Cash Flow	1,044 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.87 PV of Horizon value	1,719 WACC, %	9.6 Market risk premium, %
Share price potential, %	88.6 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, %	62.2 Value of stock	1,220 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	2,188	2,755	2,893	2,980	3,040	3,100	3,162	3,226	3,290	3,356	3,423
<i>Sales growth, %</i>	<i>1.1</i>	<i>161.0</i>	<i>25.9</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	-148	73	174	194	182	186	190	194	214	218	222
<i>Operating income margin, %</i>	<i>-55.9</i>	<i>-6.8</i>	<i>2.7</i>	<i>6.0</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	448	393	356	329	341	351	360	367	375	381	
EBITDA	-149	299	466	530	522	524	537	549	561	588	600	
- Paid taxes	-15	10	-15	-35	-39	-36	-37	-38	-39	-43	-44	
- Change in NWC	117	40	43	10	7	4	5	5	5	5	5	
<i>NWC / Sales, %</i>	<i>-43.9</i>	<i>-18.7</i>	<i>-16.4</i>	<i>-15.9</i>	<i>-15.7</i>	<i>-15.5</i>	<i>-15.4</i>	<i>-15.2</i>	<i>-15.1</i>	<i>-14.9</i>	<i>-14.8</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>2.2</i>	<i>25.2</i>	<i>23.5</i>	<i>14.3</i>	<i>13.9</i>	<i>13.4</i>	<i>13.3</i>	<i>13.1</i>	<i>13.0</i>	<i>7.2</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	-12	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	-448	-63	32	93	227	229	252	263	274	298	308	4,159
= Discounted FCFF		-59	27	73	163	149	150	143	136	135	127	1,719
= DFCF min WACC		-59	27	74	165	153	154	148	141	140	133	1,924
= DFCF max WACC		-59	27	72	160	146	146	139	131	130	122	1,542

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	113.6	111.8	199.5	413.5	838.4	399.8	484.7	605.8	697.9	2,188.3	2,755.4	2,893.1
EBITDA	-60.9	-70.1	-30.6	12.6	-149.0	-21.3	31.7	129.1	159.8	299.4	466.4	530.0
<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>-5.3</i>	<i>6.5</i>	<i>21.3</i>	<i>22.9</i>	<i>13.7</i>	<i>16.9</i>	<i>18.3</i>
EBIT	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-80.3	17.1	47.8	-148.2	73.1	173.6
<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>-33.2</i>	<i>-16.6</i>	<i>2.8</i>	<i>6.9</i>	<i>-6.8</i>	<i>2.7</i>	<i>6.0</i>
Net financial items	-32.7	-11.0	-39.1	-44.7	-127.5	-47.1	-35.0	-25.0	-25.0	-132.1	-120.0	-100.0
Pre-tax profit	-175.9	-162.3	-148.2	-110.0	-596.4	-180.0	-115.3	-7.9	22.8	-280.3	-46.9	73.6
Tax	36.3	30.1	30.1	21.1	117.6	-0.7	23.1	1.6	-4.6	19.4	9.4	-14.7
<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>-0.4</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>6.9</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-139.6	-132.2	-118.1	-88.9	-478.8	-180.7	-96.4	-10.4	14.2	-273.3	-50.1	46.3
EPS	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.07	-0.01	0.01	-0.19	-0.04	0.03
EPS adjusted (diluted no. of shares)	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.07	-0.01	0.01	-0.19	-0.04	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	0.01
<b>SALES, EURm</b>												
Group total	113.6	111.8	199.5	413.5	838.4	399.8	484.7	605.8	697.9	2,188.3	2,755.4	2,893.1
Total	113.6	111.8	199.5	413.5	838.4	399.8	484.7	605.8	697.9	2,188.3	2,755.4	2,893.1
<b>SALES GROWTH, Y/Y %</b>												
Group total	-79.8	63.0	104.7	305.4	1.1	251.9	333.6	203.7	68.8	161.0	25.9	5.0
Total	-79.8	63.0	104.7	305.4	1.1	251.9	333.6	203.7	68.8	161.0	25.9	5.0
<b>EBIT, EURm</b>												
Group total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-80.3	17.1	47.8	-148.2	73.1	173.6
Total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-80.3	17.1	47.8	-148.2	73.1	173.6
<b>EBIT margin, %</b>												
Group total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-16.6	2.8	6.9	-6.8	2.7	6.0
Total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-16.6	2.8	6.9	-6.8	2.7	6.0

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	2,188.3	2,755.4	2,893.1
<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>161.0</i>	<i>25.9</i>	<i>5.0</i>
EBITDA	299.6	512.6	488.2	-251.5	-149.0	299.4	466.4	530.0
<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>13.7</i>	<i>16.9</i>	<i>18.3</i>
Depreciation	-129.2	-294.2	-325.4	-343.8	-319.9	-447.6	-393.3	-356.4
EBITA	170.4	218.4	162.8	-595.3	-468.9	-148.2	73.1	173.6
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	-148.2	73.1	173.6
<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>-6.8</i>	<i>2.7</i>	<i>6.0</i>
Reported EBIT	169.5	218.3	160.0	-597.7	-474.7	-148.2	73.1	173.6
<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>-6.8</i>	<i>2.7</i>	<i>6.0</i>
Net financials	-13.7	-129.0	-67.0	-190.1	-127.5	-132.1	-120.0	-100.0
Pre-tax profit	156.7	89.4	95.8	-785.4	-596.4	-280.3	-46.9	73.6
Taxes	-31.3	-25.6	-18.4	131.2	117.6	19.4	9.4	-14.7
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	-273.3	-50.1	46.3
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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	1,446	1,547	1,751	1,683	1,215	1,320	1,474	1,641
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	999	878	918	1,182	678	827	984
Inventory	17	121	80	68	56	55	69	72
Receivables	460	210	217	70	137	92	109	113
Liquid funds	965	1,067	952	824	1,266	875	1,102	1,157
Total assets	2,887	3,944	3,878	3,646	4,047	3,212	3,772	4,159
<b>Liabilities</b>								
Shareholder's equity	1,016	918	966	897	476	307	362	409
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	678	827	984
Deferred taxes	74	48	64	0	0	0	0	0
Interest bearing debt	719	615	521	1,182	1,428	1,470	1,753	1,919
Non-interest bearing current liabilities	566	285	243	176	291	284	358	376
Other interest-free debt	428	811	873	215	271	271	271	271
Total liabilities	2,887	3,944	3,878	3,647	4,047	3,212	3,772	4,159
<b>CASH FLOW, EURm</b>								
+ EBITDA	300	513	488	-251	-149	299	466	530
- Net financial items	-14	-129	-67	-190	-127	-132	-120	-100
- Taxes	-1	-52	-2	-18	11	19	9	-15
- Increase in Net Working Capital	57	50	-7	-489	117	40	43	10
+/- Other	40	1	-16	-17	-6	-12	-13	-13
= Cash flow from operations	382	383	397	-966	-155	214	386	413
- Capex	-405	-330	-409	-315	-842	-49	-696	-681
- 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	165	-310	-268
+/- 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	-661	432	323
Change in cash	151	103	-116	-128	442	-390	227	55

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	908	753	1,069	837	647	647	647
Net debt (excl. convertibles)	707	623	1,374	1,543	1,273	1,478	1,746
Enterprise value	1,615	1,377	2,443	2,380	1,919	2,124	2,392
Sales	2,836	3,098	829	838	2,188	2,755	2,893
EBITDA	513	488	-251	-149	299	466	530
EBIT	218	163	-595	-469	-148	73	174
Pre-tax	89	96	-785	-596	-280	-47	74
Earnings	51	65	-669	-479	-273	-50	46
Equity book value (excl. minorities)	918	966	897	476	307	362	409
<b>Valuation multiples</b>							
EV/sales	0.6	0.4	2.9	2.8	0.9	0.8	0.8
EV/EBITDA	3.2	2.8	-9.7	-16.0	6.4	4.6	4.5
EV/EBITA	7.4	8.5	-4.1	-5.1	-12.9	29.1	13.8
EV/EBIT	7.4	8.5	-4.1	-5.1	-12.9	29.1	13.8
EV/OCF	4.2	3.5	-2.5	-15.4	9.0	5.5	5.8
EV/FCFF	6.1	8.4	-2.4	-5.3	-30.5	66.9	25.7
P/FCFE	18.4	-333.2	-0.8	-0.8	3.9	-2.1	-2.4
P/E	10.2	11.7	-1.6	-1.7	-2.4	-12.9	14.0
P/B	1.0	0.8	1.2	1.8	2.1	1.8	1.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.3	4.5	4.4
Target EV/EBIT	0.0	0.0	0.0	0.0	-12.7	28.5	13.5
Target EV/FCF	0.0	0.0	0.0	0.0	11.4	-6.7	-8.8
Target P/B	0.0	0.0	0.0	0.0	2.0	1.7	1.5
Target P/E	0.0	0.0	0.0	0.0	-2.2	-12.1	13.1
<b>Per share measures</b>							
Number of shares	695,894	695,894	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964
Number of shares (diluted)	695,894	695,894	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964
EPS	0.07	0.09	-0.48	-0.34	-0.19	-0.04	0.03
Operating cash flow per share	0.55	0.57	-0.69	-0.11	0.15	0.27	0.29
Free cash flow per share	0.38	-0.02	-0.91	-0.71	0.12	-0.22	-0.19
Book value per share	1.32	1.39	0.64	0.34	0.22	0.26	0.29
Dividend per share	0.05	0.00	0.00	0.00	0.00	0.00	0.01
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	2.4
FCF yield, %	29.5	-1.6	-119.8	-119.2	25.6	-47.9	-41.4
<b>Efficiency measures</b>							
ROE	5.3	6.9	-71.8	-69.8	-69.8	-15.0	12.0
ROCE	9.9	6.2	-21.1	-17.9	-8.8	-1.0	2.4
<b>Financial ratios</b>							
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	3.9	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	-18.7	-16.4	-15.9
Operative CAPEX/sales, %	11.6	13.2	38.0	100.5	2.2	25.2	23.5
CAPEX/sales (incl. acquisitions), %	11.6	13.2	38.0	100.5	2.2	25.2	23.5
FCFF/EBITDA	0.5	0.3	4.0	3.0	-0.2	0.1	0.2
Net debt/EBITDA, book-weighted	1.4	1.3	-5.5	-10.4	4.3	3.2	3.3
Debt/equity, market-weighted	0.7	0.7	1.1	1.7	2.3	2.7	3.0
Equity ratio, book-weighted	25.4	27.4	25.5	12.2	10.8	10.9	11.1
Gearing, %	77.0	64.5	153.3	324.4	414.0	407.9	427.3

**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	361.868	56.0%
Varma Mutual Pension Insurance Company	50,081,263	23.037	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	13.800	2.1%
Elo Mutual Pension Insurance Company	14,008,115	6.444	1.0%
The State Pension Fund	11,000,000	5.060	0.8%
Finnairin Henkilöstöraho Ho.	3,772,902	1.736	0.3%
OP Life Assurance Company Ltd	1,954,798	0.899	0.1%
Finnairin Eläkesäätiö	1,505,262	0.692	0.1%
Finnair Oyj	1,421,133	0.654	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.550	0.1%
Ten largest	901,608,705	414.740	64%
Residual	504,355,367	232.003	36%
Total	1,405,964,072	646.743	100%

**EARNINGS CALENDAR**

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

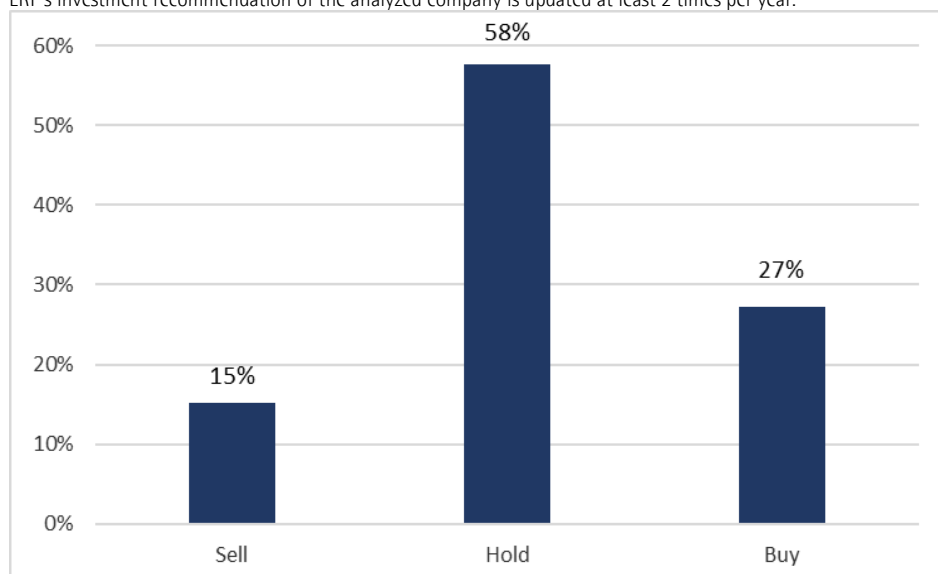
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Investment recommendations are defined as follows:

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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