

EBIT outlook remains cloudy

Finnair continues to address its challenges, and EBIT will improve, but a lot of uncertainty lingers around outlook while valuation multiples remain high relative to peers.

We make downward revisions to our estimates

Finnair's EUR 550m Q2 revenue matched the EUR 549m/542m Evli/cons. estimates. Top line continued to rebound with higher passenger loads while cargo revenue was down q/q. Wet leases amounted to 6% of ASK and the figure continues to increase to above 10% as strong demand will extend over the winter and probably even up to next summer. The EUR -84.2m adj. EBIT missed the EUR -41.3m/-56.5m Evli/cons. estimates as jet fuel prices spiked during Q2. Ticket prices are to catch up with the resulting higher unit costs, but the big gap may not close for a while; yields picked up in June as demand matched capacity sufficiently to help revenue management efforts, but the pricing environment is to remain somewhat volatile. Finnair's guidance for H2'22 implies further top line recovery, but we make some downward revisions to our ASK estimates. We expect Q3 EBIT to remain negative (EUR -9m vs our previous estimate of EUR 18m).

Roughly 10-15% of ASK could still be rerouted or sold

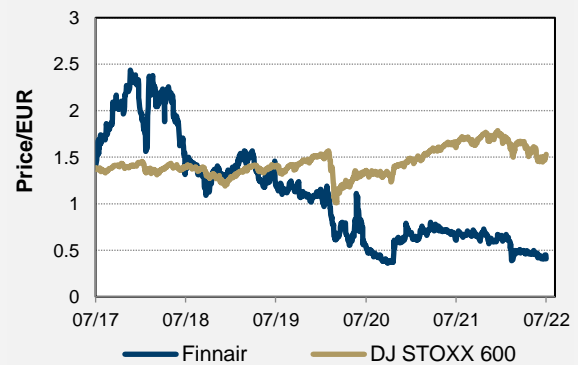
The EUR 60m in cuts should come in as planned and the new strategy, to be ready during the autumn, is to deliver more savings. Partnerships play an important role in the network strategy and the weight of previously marginal destinations, such as the US and India, will increase. Yet the new strategy also likely implies some aircraft sales. Leases can be included in the strategy, but we believe they are unlikely to amount to more than 10% of ASK. Hence some 10-15% of ASK needs to find new routes or be sold. Finnair has a strong record when it comes to flight and crew performance, and we expect the strategy will be able to secure profitability. FY '23 is likely to see a meaningful positive EBIT, but there remains much uncertainty around the level. We now estimate the figure at EUR 77m (prev. EUR 116m).

Valuation appears tight relative to peer multiples

The competitive landscape remains stable; we see valuation tight against this backdrop when Finnair's outlook is still subject to elevated uncertainty. Finnair trades around 26x and 12x EV/EBIT on our FY '23-'24 estimates; we find the levels high relative to peers. Our new TP is EUR 0.36 (0.43); our rating is SELL (HOLD).

Rating

SELL



Share price, EUR (Last trading day's closing price)	0.41
Target price, EUR	0.36

Latest change in recommendation	20-Jul-22
Latest report on company	15-Jul-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	576
Free float, %	42.9
Exchange rate EUR/USD	1.00
Reuters code	FIA1S.HE
Bloomberg code	FIA1S.FH
Average daily volume, EURm	1.0
Next interim report	28-Oct-22
Web site	investors.finnair.com

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BUY HOLD SELL

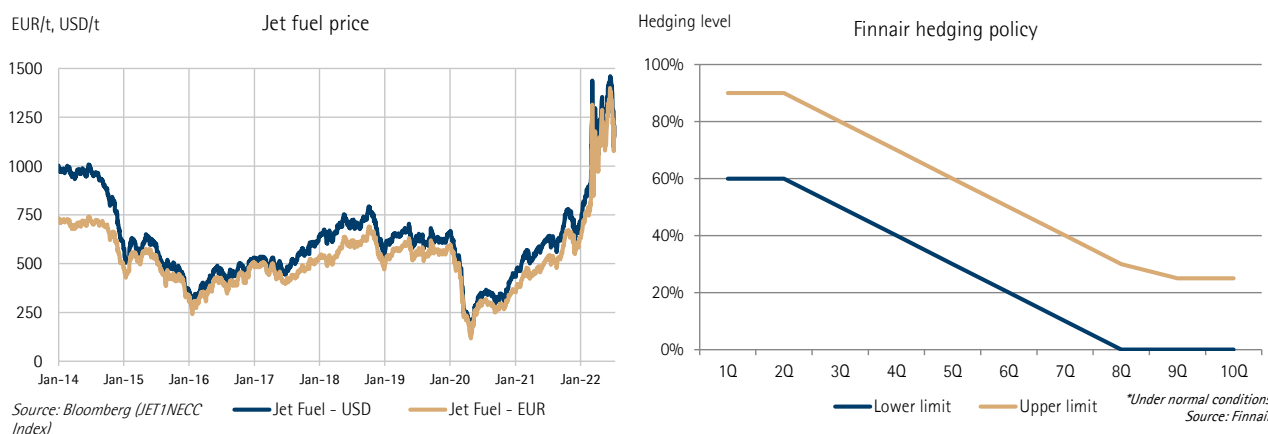
KEY FIGURES

	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	2,256.9	-199.1	-8.8%	-200.1	-0.35	-1.2	1.0	-11.1	-34.7	0.00
2023E	2,821.2	77.0	2.7%	127.3	-0.03	-12.3	0.7	25.8	22.1	0.00
2024E	2,962.3	148.1	5.0%	204.5	0.02	22.3	0.6	12.0	35.5	0.01
Market cap, EURm	576 Gearing 2022E, %			1,969.4 CAGR EPS 2021-24, %			0.0			
Net debt 2022E, EURm	1,638 Price/book 2022E			6.9 CAGR sales 2021-24, %			52.3			
Enterprise value, EURm	2,215 Dividend yield 2022E, %			0.0 ROE 2022E, %			-178.0			
Total assets 2022E, EURm	3,389 Tax rate 2022E, %			-26.2 ROCE 2022E, %			-10.4			
Goodwill 2022E, EURm	0 Equity ratio 2022E, %			2.7 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	2022 Q2	2022E Q3	2022E Q4	2022E FY	2023E FY
Passengers (thousands)	11905	13281	14650	3486	259	292	779	1523	2852	1509	2366	2098	2242	8215	10633
<i>y/y change</i>	10 %	12 %	10 %	-76 %	-90 %	198 %	72 %	447 %	-18 %	482 %	711 %	170 %	47 %	188 %	29 %
ASK (mkm)	36 922	42 386	47 189	12 938	1 201	1 418	3 294	6 181	12 094	6 915	7 841	8 876	9 101	32 734	42 181
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-88 %	311 %	98 %	392 %	-7 %	476 %	453 %	170 %	47 %	171 %	28.9%-p
RPK (mkm)	30 749	34 660	38 534	8 150	306	434	1 369	3 068	5 178	3 269	5 275	6 695	7 411	22 649	34 401
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-96 %	281 %	112 %	738 %	-36 %	967 %	1114 %	389 %	142 %	337 %	52 %
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 %	67.3 %	75.4 %	81.4 %	69.2 %	81.6 %
<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	36.6%-p	33.9%-p	31.8%-p	26.4%-p	12.4%-p
Ancillary and retail	145	161	176	62	9	6	11	19	44	27	28	34	32	121	142
Cargo	197	207	212	178	61	61	65	147	335	121	90	74	96	380	369
Travel services	206	223	230	61	1	0	10	28	39	25	39	34	37	135	138
Total revenue	2569	2835	3098	829	114	112	199	414	838	400	550	625	682	2257	2821
<i>YoY change</i>	11 %	10 %	9 %	-73 %	-80 %	63 %	104 %	305 %	1 %	252 %	392 %	214 %	65 %	169 %	25 %
Other income	77	74	56	48	9	8	32	13	63	20	41	35	30	125	103
Staff costs	-423	-500	-535	-284	-53	-54	-58	-84	-249	-102	-114	-115	-115	-446	-476
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-61 %	12 %	2 %	100 %	-12 %	93 %	111 %	97 %	37 %	79 %	7 %
<i>% of revenue</i>	16 %	18 %	17 %	34 %	46 %	48 %	29 %	20 %	30 %	25 %	21 %	18 %	17 %	20 %	17 %
Fuel	-472	-581	-687	-233	-30	-31	-48	-102	-212	-137	-229	-195	-190	-751	-910
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-79 %	-7 %	65 %	286 %	-9 %	350 %	644 %	307 %	86 %	255 %	21 %
<i>% of revenue</i>	18 %	20 %	22 %	28 %	27 %	28 %	24 %	25 %	25 %	34 %	42 %	31 %	28 %	33 %	32 %
Other OPEX	-1314	-1316	-1444	-613	-100	-105	-134	-227	-566	-231	-251	-272	-287	-1042	-1105
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-67 %	20 %	28 %	94 %	-8 %	130 %	139 %	104 %	26 %	84 %	6 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	88 %	94 %	67 %	55 %	68 %	58 %	46 %	44 %	42 %	46 %	39 %
Comparable EBIT	171	218	163	-595	-143	-151	-109	-65	-469	-133	-84	-9	27	-199	77
<i>Comp. EBIT-%</i>	6.6 %	7.7 %	5.3 %	-71.8 %	-126.2 %	-135.3 %	-54.8 %	-15.8 %	-56.0 %	-33.2 %	-15.3 %	-1.4 %	4.0 %	-8.8 %	2.7 %

Sources: Finnair, Evli estimates

Jet fuel cost


Valuation

FINNAIR PEER GROUP	MCAP local FX	EV/EBITDA			EV/EBIT			P/E			P/B			
		21	22	23	21	22	23	21	22	23	21	22	23	
Primary European peers														
SAS AB	5441		16.4x	10.8x								2.0x		
International Consolidated Airlines Group	5676		7.5x	5.0x		33.9x	10.6x			7.3x			13.0x	4.8x
Air France-KLM SA	3290	15.3x	4.8x	3.7x		83.3x	16.2x			20.2x				
Deutsche Lufthansa AG	7404		5.7x	4.5x		33.7x	14.4x		285.0x	13.1x	1.2x	1.7x	1.6x	
Norwegian Air Shuttle ASA	8586		5.1x	2.4x		6.2x	5.1x			8.4x	3.2x	2.5x	2.0x	
Other European peers														
Aegean Airlines SA	442	3.8x	3.4x	2.8x	19.9x	11.4x	7.0x		20.4x	8.9x	2.1x	1.8x	1.6x	
easyJet plc	2935		5.5x	3.3x		82.5x	8.3x			11.5x	0.9x	1.1x	1.0x	
Ryanair Holdings Plc	13980	70.5x	6.9x	6.0x		10.8x	9.2x		11.9x	10.4x	2.6x	2.1x	1.8x	
Wizz Air Holdings Plc	1937		17.0x	4.9x			12.2x			9.2x	9.0x		34.6x	
North American peers														
American Airlines Group, Inc.	9444		14.7x	7.5x		94.6x	13.4x			7.2x				
Delta Air Lines, Inc.	19963		7.7x	5.0x		12.7x	7.4x		11.1x	5.7x	6.6x	3.9x	1.9x	
JetBlue Airways Corporation	2637		13.4x	4.6x			10.4x			10.5x	0.8x	0.7x	0.7x	
Southwest Airlines Co.	23689		5.4x	4.2x		8.3x	6.1x		14.7x	10.6x	2.5x	2.0x	1.7x	
Spirit Airlines, Inc.	2609		33.4x	9.4x			21.2x			19.7x	1.3x	1.3x	1.2x	
Primary European peers median		15.3x	5.7x	4.5x	-	33.8x	12.5x	-	285.0x	10.7x	2.0x	2.5x	2.0x	
Finnair (Evli est)*		-16.0x	17.9x	5.5x	-5.1x	-11.1x	25.8x	-1.7x	-1.2x	-12.3x	1.8x	6.9x	4.1x	
<i>Finnair discount/premium to primary peer group median*</i>		-204 %	215 %	23 %	-	-133 %	107 %	-	-100 %	-215 %	-13 %	170 %	104 %	

FINNAIR PEER GROUP	Ticker	Div yield			EBIT-%			ROCE-%			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%	-38.8%	-6.2%	-1.1%	-14.8%	-5.1%	-1.1%	-246.0%		
International Consolidated Airlines Group	IAG-GB	0.0%	0.0%	0.8%	-35.1%	2.8%	7.5%	-13.5%	2.5%	7.9%		-29.0%	66.5%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.0%	-11.4%	0.6%	3.0%	-8.7%	0.8%	4.9%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.0%	0.0%	-13.9%	1.6%	3.3%	-8.4%	1.7%	3.9%	-56.4%	0.6%	12.0%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	2.2%	-55.0%	9.7%	9.5%				-43.4%	-11.8%	24.0%
Other European peers													
Aegean Airlines SA	AEGN-GR	0.0%	1.0%	2.2%	4.5%	4.8%	6.6%	3.1%	5.6%	9.8%	-29.8%	9.0%	17.8%
easyJet plc	EZJ-GB	0.0%	0.1%	1.4%	-71.5%	0.8%	5.3%	-14.2%	0.7%	6.3%	-38.7%	-1.9%	9.1%
Ryanair Holdings Plc	RYA-IE	0.0%	0.0%	0.3%	-9.4%	13.8%	12.8%	-4.4%	13.1%	13.9%	-4.5%	17.6%	17.0%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-28.1%	-6.8%	8.1%	-11.7%	-6.7%	9.6%	-258.0%		375.3%
North American peers													
American Airlines Group, Inc.	AAL-US	0.0%	0.0%	0.2%	-18.5%	0.9%	5.9%	-11.6%	1.0%	6.9%			
Delta Air Lines, Inc.	DAL-US	0.2%	0.0%	0.6%	-8.6%	7.2%	10.8%	-4.9%	6.3%	10.0%	-76.9%	35.2%	33.1%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-15.1%	-2.8%	5.1%	-8.8%	-2.4%	4.6%	-21.6%	-6.1%	6.3%
Southwest Airlines Co.	LUV-US	0.0%	0.2%	0.9%	-6.7%	10.3%	12.2%	-3.9%	8.6%	11.1%	-12.5%	13.5%	16.1%
Spirit Airlines, Inc.	SAVE-US				-13.0%	-3.0%	5.0%	-6.0%	-2.2%	4.1%	-20.7%	-11.5%	6.1%
Primary European peers median		0.0%	0.0%	0.0%	-35.1%	1.6%	3.3%	-11.1%	1.3%	4.4%	-56.4%	-11.8%	24.0%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-55.9%	-8.8%	2.7%	-17.9%	-10.4%	-0.9%	-69.8%	-178.0%	-41.9%

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	0.41 PV of Free Cash Flow	693 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.72 PV of Horizon value	1,865 WACC, %	9.6 Market risk premium, %
Share price potential, %	76.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	0.9 Marketable securities	1,266 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	0.6 Debt - dividend	-2,809 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	72.9 Value of stock	1,015 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	2,257	2,821	2,962	3,051	3,112	3,174	3,238	3,303	3,369	3,436	3,505
<i>Sales growth, %</i>	<i>1.1</i>	<i>169.2</i>	<i>25.0</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	-199	77	148	198	187	190	194	198	219	223	228
<i>Operating income margin, %</i>	<i>-55.9</i>	<i>-8.8</i>	<i>2.7</i>	<i>5.0</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	323	280	318	205	366	373	380	385	391	397	
EBITDA	-149	124	357	466	403	552	564	574	584	610	620	
- Paid taxes	-15	-52	-15	-30	-40	-37	-38	-39	-40	-44	-45	
- Change in NWC	117	45	42	11	7	5	5	5	5	5	5	
<i>NWC / Sales, %</i>	<i>-43.9</i>	<i>-18.3</i>	<i>-16.1</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>	<i>-14.7</i>	<i>-14.6</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>3.1</i>	<i>5.3</i>	<i>5.1</i>	<i>42.1</i>	<i>13.7</i>	<i>13.2</i>	<i>13.1</i>	<i>12.9</i>	<i>12.8</i>	<i>7.0</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	-8	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	-448	-292	-78	34	108	257	278	287	296	319	328	4,421
= Discounted FCFF		-280	-69	28	79	171	169	159	150	147	138	1,865
= DFCF min WACC		-280	-69	28	80	175	173	164	155	153	144	2,085
= DFCF max WACC		-279	-68	27	77	168	165	155	145	142	132	1,676

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	113.6	111.8	199.5	413.5	838.4	399.8	550.3	625.2	681.5	2,256.9	2,821.2	2,962.3
EBITDA	-60.9	-70.1	-30.6	12.6	-149.0	-54.7	-5.4	74.0	110.0	123.9	357.4	466.1
<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>-13.7</i>	<i>-1.0</i>	<i>11.8</i>	<i>16.1</i>	<i>5.5</i>	<i>12.7</i>	<i>15.7</i>
EBIT	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	-9.0	27.0	-199.1	77.0	148.1
<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>-15.3</i>	<i>-1.4</i>	<i>4.0</i>	<i>-8.8</i>	<i>2.7</i>	<i>5.0</i>
Net financial items	-32.7	-11.0	-39.1	-44.7	-127.5	-47.1	-76.5	-35.0	-30.0	-188.6	-120.0	-100.0
Pre-tax profit	-175.9	-162.3	-148.2	-110.0	-596.4	-180.0	-160.7	-44.0	-3.0	-387.7	-43.0	48.1
Tax	36.3	30.1	30.1	21.1	117.6	-0.7	-110.3	8.8	0.6	-101.6	8.6	-9.6
<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>-68.6</i>	<i>20.0</i>	<i>20.0</i>	<i>-26.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-139.6	-132.2	-118.1	-88.9	-478.8	-180.7	-271.0	-39.3	-6.5	-497.5	-47.0	25.9
EPS	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.19	-0.03	0.00	-0.35	-0.03	0.02
EPS adjusted (diluted no. of shares)	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.19	-0.03	0.00	-0.35	-0.03	0.02
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
SALES, EURm												
Group total	113.6	111.8	199.5	413.5	838.4	399.8	550.3	625.2	681.5	2,256.9	2,821.2	2,962.3
Total	113.6	111.8	199.5	413.5	838.4	399.8	550.3	625.2	681.5	2,256.9	2,821.2	2,962.3
SALES GROWTH, Y/Y %												
Group total	-79.8	63.0	104.7	305.4	1.1	251.9	392.2	213.4	64.8	169.2	25.0	5.0
Total	-79.8	63.0	104.7	305.4	1.1	251.9	392.2	213.4	64.8	169.2	25.0	5.0
EBIT, EURm												
Group total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	-9.0	27.0	-199.1	77.0	148.1
Total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	-9.0	27.0	-199.1	77.0	148.1
EBIT margin, %												
Group total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-15.3	-1.4	4.0	-8.8	2.7	5.0
Total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-15.3	-1.4	4.0	-8.8	2.7	5.0

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	2,256.9	2,821.2	2,962.3
<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>169.2</i>	<i>25.0</i>	<i>5.0</i>
EBITDA	299.6	512.6	488.2	-251.5	-149.0	123.9	357.4	466.1
<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>5.5</i>	<i>12.7</i>	<i>15.7</i>
Depreciation	-129.2	-294.2	-325.4	-343.8	-319.9	-323.0	-280.4	-318.0
EBITA	170.4	218.4	162.8	-595.3	-468.9	-199.1	77.0	148.1
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	-199.1	77.0	148.1
<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>-8.8</i>	<i>2.7</i>	<i>5.0</i>
Reported EBIT	169.5	218.3	160.0	-597.7	-474.7	-199.1	77.0	148.1
<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>-8.8</i>	<i>2.7</i>	<i>5.0</i>
Net financials	-13.7	-129.0	-67.0	-190.1	-127.5	-188.6	-120.0	-100.0
Pre-tax profit	156.7	89.4	95.8	-785.4	-596.4	-387.7	-43.0	48.1
Taxes	-31.3	-25.6	-18.4	131.2	117.6	-101.6	8.6	-9.6
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	-497.5	-47.0	25.9
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	1,445	1,715	1,841
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	999	878	918	1,182	700	298	3
Inventory	17	121	80	68	56	56	71	74
Receivables	460	210	217	70	137	94	111	115
Liquid funds	965	1,067	952	824	1,266	903	1,128	1,185
Total assets	2,887	3,944	3,878	3,646	4,047	3,389	3,514	3,410
Liabilities								
Shareholder's equity	1,016	918	966	897	476	83	141	167
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	700	298	3
Deferred taxes	74	48	64	0	0	0	0	0
Interest bearing debt	719	615	521	1,182	1,428	1,841	2,237	2,383
Non-interest bearing current liabilities	566	285	243	176	291	293	367	385
Other interest-free debt	428	811	873	215	271	271	271	271
Total liabilities	2,887	3,944	3,878	3,647	4,047	3,389	3,514	3,410
CASH FLOW, EURm								
+ EBITDA	300	513	488	-251	-149	124	357	466
- Net financial items	-14	-129	-67	-190	-127	-189	-120	-100
- Taxes	-1	-52	-2	-18	11	-102	9	-10
- Increase in Net Working Capital	57	50	-7	-489	117	45	42	11
+/- Other	40	1	-16	-17	-6	-8	-13	-13
= Cash flow from operations	382	383	397	-966	-155	-130	276	354
- Capex	-405	-330	-409	-315	-842	-70	-148	-150
- 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	-200	127	204
+/- 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	-268	-7	-148
Change in cash	151	103	-116	-128	442	-363	226	56

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	908	753	1,069	837	576	576	576
Net debt (excl. convertibles)	707	623	1,374	1,543	1,638	1,406	1,201
Enterprise value	1,615	1,377	2,443	2,380	2,215	1,982	1,778
Sales	2,836	3,098	829	838	2,257	2,821	2,962
EBITDA	513	488	-251	-149	124	357	466
EBIT	218	163	-595	-469	-199	77	148
Pre-tax	89	96	-785	-596	-388	-43	48
Earnings	51	65	-669	-479	-498	-47	26
Equity book value (excl. minorities)	918	966	897	476	83	141	167
Valuation multiples							
EV/sales	0.6	0.4	2.9	2.8	1.0	0.7	0.6
EV/EBITDA	3.2	2.8	-9.7	-16.0	17.9	5.5	3.8
EV/EBITA	7.4	8.5	-4.1	-5.1	-11.1	25.8	12.0
EV/EBIT	7.4	8.5	-4.1	-5.1	-11.1	25.8	12.0
EV/OCF	4.2	3.5	-2.5	-15.4	-17.1	7.2	5.0
EV/FCFF	6.1	8.4	-2.4	-5.3	-7.6	-25.3	51.5
P/FCFE	18.4	-333.2	-0.8	-0.8	-2.9	4.5	2.8
P/E	10.2	11.7	-1.6	-1.7	-1.2	-12.3	22.3
P/B	1.0	0.8	1.2	1.8	6.9	4.1	3.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	17.3	5.4	3.7
Target EV/EBIT	0.0	0.0	0.0	0.0	-10.8	24.8	11.5
Target EV/FCF	0.0	0.0	0.0	0.0	-10.7	15.0	8.4
Target P/B	0.0	0.0	0.0	0.0	6.1	3.6	3.0
Target P/E	0.0	0.0	0.0	0.0	-1.0	-10.8	19.5
Per share measures							
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	-0.35	-0.03	0.02
Operating cash flow per share	0.55	0.57	-0.69	-0.11	-0.09	0.20	0.25
Free cash flow per share	0.38	-0.02	-0.91	-0.71	-0.14	0.09	0.15
Book value per share	1.32	1.39	0.64	0.34	0.06	0.10	0.12
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	1.5
FCF yield, %	29.5	-1.6	-119.8	-119.2	-34.7	22.1	35.5
Efficiency measures							
ROE	5.3	6.9	-71.8	-69.8	-178.0	-41.9	16.8
ROCE	9.9	6.2	-21.1	-17.9	-10.4	-0.9	1.8
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	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	-18.3	-16.1	-15.7
Operative CAPEX/sales, %	11.6	13.2	38.0	100.5	3.1	5.3	5.1
CAPEX/sales (incl. acquisitions), %	11.6	13.2	38.0	100.5	3.1	5.3	5.1
FCFF/EBITDA	0.5	0.3	4.0	3.0	-2.4	-0.2	0.1
Net debt/EBITDA, book-weighted	1.4	1.3	-5.5	-10.4	13.2	3.9	2.6
Debt/equity, market-weighted	0.7	0.7	1.1	1.7	3.2	3.9	4.1
Equity ratio, book-weighted	25.4	27.4	25.5	12.2	2.7	4.6	5.7
Gearing, %	77.0	64.5	153.3	324.4	1,969.4	996.1	719.3

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	322.535	56.0%
Varma Mutual Pension Insurance Company	50,081,263	20.533	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	12.300	2.1%
Elo Mutual Pension Insurance Company	14,008,115	5.743	1.0%
The State Pension Fund	11,000,000	4.510	0.8%
Finnairin Henkilöstöraho Ho.	3,772,902	1.547	0.3%
OP Life Assurance Company Ltd	1,954,798	0.801	0.1%
Finnairin Eläkesäätiö	1,505,262	0.617	0.1%
Finnair Oyj	1,421,133	0.583	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.490	0.1%
Ten largest	901,608,705	369.660	64%
Residual	504,355,367	206.786	36%
Total	1,405,964,072	576.445	100%

EARNINGS CALENDAR

October 28, 2022

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

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

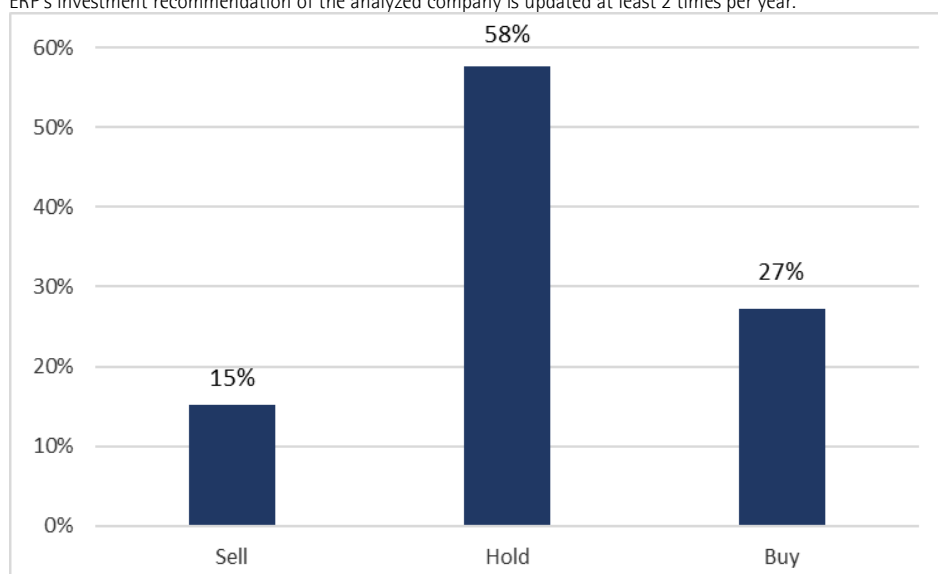
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Investment recommendations are defined as follows:

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

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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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