

## Pivoting and downsizing

Finnair reports Q3 results on Oct 28. We make only small adjustments to our estimates ahead of the report.

### We make no big estimate revisions before the report

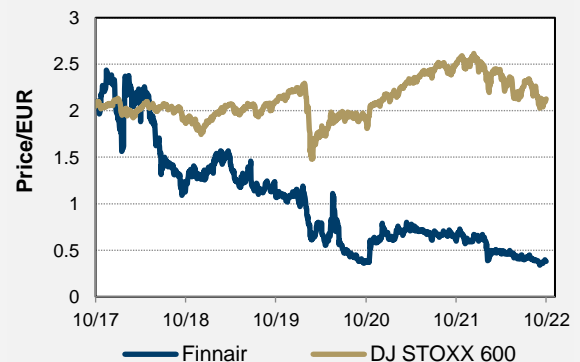
Finnair's Q3 RPK was as we expected, while the 80% load factor was about 5 percentage points higher than we estimated. North Atlantic RPK was already more than 40% above the Q3'19 comparison figure, which is one of the clearest demonstrations of the recent (necessary) updates to strategy. We estimate the continued recovery in passenger volumes, along with some increases to ticket prices, to have helped Finnair's revenue to EUR 645m in Q3. Jet fuel prices seem to have stabilized lately but remain still very high in the historical context. We expect Finnair's EBIT to have continued to improve, however we estimate it to have remained slightly negative in Q3.

### Qatar Airways partnership one of the major recent updates

Finnair formally announced the keys of its updated strategy in September. Many of the points had been already discussed over the spring and summer months, including the pivot to North America and India, but Finnair has also signed a partnership with Qatar Airways which is to better connect Nordic capitals with the Middle East. The updated network as well as favorable terms on leased out planes and crew help Finnair's continued recovery after the pandemic, but the Russian airspace closure still forces the company to make some downsizing choices. We estimate Finnair to reach positive EBIT next year, however our 2.3% EBIT margin estimate remains well shy of the 5% level the company aims to reach in H2'24. Finnair's liquidity position is adequate, although the recent blows will leave their mark on the balance sheet. Then again, Finnair has no need to make major fleet refurbishments in the short to medium term. We look forward to comments regarding ASK and LFs in the coming quarters.

### Valuation has moderated a bit, but still not cheap

Finnair continues to trade at high FY '23 earnings multiples relative to peers as the pandemic already hurt the (legacy) Asian strategy more than those of other airlines. Finnair is valued around 12x EV/EBIT on our FY '24 estimates, while other airlines are valued roughly that level on FY '23 estimates. In our view this puts Finnair's valuation in the fair to fully valued range. We retain our EUR 0.36 TP; our rating is now HOLD (SELL).

 Rating 🟡 HOLD

 Share price, EUR (Last trading day's closing price) 0.38

 Target price, EUR 0.36

Latest change in recommendation	25-Oct-22
Latest report on company	20-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	534
Free float, %	42.9
Exchange rate EUR/USD	0.99
Reuters code	FIA1S.HE
Bloomberg code	FIA1S.FH
Average daily volume, EURm	0.5
Next interim report	28-Oct-22
Web site	investors.finnair.com

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🟢 BUY 🟡 HOLD 🔴 SELL

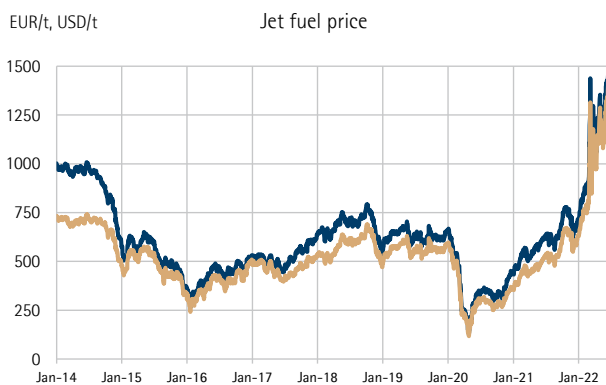
## KEY FIGURES

	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	2,275.6	-218.4	-9.6%	-219.9	-0.36	-1.0	1.0	-10.0	-41.2	0.00
2023E	2,751.6	64.3	2.3%	110.5	-0.04	-9.3	0.7	30.8	20.7	0.00
2024E	2,889.2	144.5	5.0%	202.2	0.02	23.3	0.6	12.3	37.8	0.01
Market cap, EURm	534			Gearing 2022E, %	2,447.6			CAGR EPS 2021-24, %	0.0	
Net debt 2022E, EURm	1,658			Price/book 2022E	7.9			CAGR sales 2021-24, %	51.0	
Enterprise value, EURm	2,192			Dividend yield 2022E, %	0.0			ROE 2022E, %	-188.8	
Total assets 2022E, EURm	3,403			Tax rate 2022E, %	-24.0			ROCE 2022E, %	-11.0	
Goodwill 2022E, EURm	0			Equity ratio 2022E, %	2.2			PEG, P/E 22/CAGR	0.0	

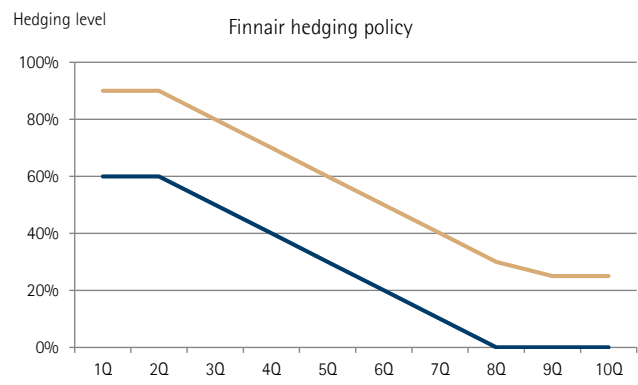
**Estimates**

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	1975	2178	8028	9837
<i>y/y change</i>	10 %	12 %	10 %	-76 %	-90 %	198 %	72 %	447 %	-18 %	482 %	711 %	154 %	43 %	181 %	23 %
ASK (mkm)	36 922	42 386	47 189	12 938	1 201	1 418	3 294	6 181	12 094	6 915	7 841	8 357	8 838	31 951	39 147
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-88 %	311 %	98 %	392 %	-7 %	476 %	453 %	154 %	43 %	164 %	22.5%-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	7 214	22 452	31 992
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-96 %	281 %	112 %	738 %	-36 %	967 %	1114 %	389 %	135 %	334 %	42 %
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 %	80.1 %	81.6 %	70.3 %	81.7 %
<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	38.5%-p	32.0%-p	27.5%-p	11.5%-p
<b>Ancillary and retail</b>	145	161	176	62	9	6	11	19	44	27	28	32	31	118	132
<b>Cargo</b>	197	207	212	178	61	61	65	147	335	121	90	74	96	380	369
<b>Travel services</b>	206	223	230	61	1	0	10	28	39	25	39	34	37	135	138
<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>550</b>	<b>645</b>	<b>681</b>	<b>2275</b>	<b>2752</b>
<b>YoY change</b>	<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>392 %</b>	<b>224 %</b>	<b>65 %</b>	<b>172 %</b>	<b>21 %</b>
Other income	77	74	56	48	9	8	32	13	63	20	41	35	30	125	103
<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>-114</b>	<b>-115</b>	<b>-115</b>	<b>-446</b>	<b>-476</b>
<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 %
<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>-229</b>	<b>-215</b>	<b>-210</b>	<b>-791</b>	<b>-855</b>
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-79 %	-7 %	65 %	286 %	-9 %	350 %	644 %	349 %	105 %	274 %	8 %
<i>% of revenue</i>	18 %	20 %	22 %	28 %	27 %	28 %	24 %	25 %	25 %	34 %	42 %	33 %	31 %	35 %	31 %
<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>-251</b>	<b>-270</b>	<b>-287</b>	<b>-1040</b>	<b>-1103</b>
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-67 %	20 %	28 %	94 %	-8 %	130 %	139 %	102 %	26 %	84 %	6 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	88 %	94 %	67 %	55 %	68 %	58 %	46 %	42 %	42 %	46 %	40 %
<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>-84</b>	<b>-7</b>	<b>6</b>	<b>-218</b>	<b>64</b>
<b>Comp. EBIT-%</b>	<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>-15.3 %</b>	<b>-1.1 %</b>	<b>0.9 %</b>	<b>-9.6 %</b>	<b>2.3 %</b>

Sources: Finnair, Evli estimates

**Jet fuel cost**


Source: Bloomberg (JET1NECC Index)


 Lower limit Upper limit *\*Under normal conditions Source: Finnair*

**Valuation**

FINNAIR PEER GROUP	MCAP	EV/EBITDA			EV/EBIT			P/E			P/B		
	local FX	21	22	23	21	22	23	21	22	23	21	22	23
<b>Primary European peers</b>													
SAS AB	4021		52.4x	12.0x							1.4x		
International Consolidated Airlines Group	5587		7.1x	5.2x		25.8x	11.5x			9.0x		8.3x	4.8x
Air France-KLM SA	3841	15.3x	4.2x	4.0x		17.9x	17.3x			26.9x			
Deutsche Lufthansa AG	7864		5.0x	4.4x		19.5x	12.3x		25.0x	12.9x	1.2x	1.4x	1.3x
Norwegian Air Shuttle ASA	6917		7.4x	3.2x			8.7x			9.7x	2.5x	1.8x	1.6x
<b>Other European peers</b>													
Aegean Airlines SA	435	3.8x	4.0x	3.8x	19.9x	10.7x	9.6x		10.1x	9.0x	2.0x	1.7x	1.5x
easyJet plc	2365		5.4x	3.1x			8.5x			11.5x	0.7x	1.0x	0.9x
Ryanair Holdings Plc	13003	70.5x	6.0x	5.6x		9.5x	9.2x		10.6x	11.0x	2.4x	1.9x	1.6x
Wizz Air Holdings Plc	1452		17.5x	4.5x			11.7x			7.7x	6.6x		
<b>North American peers</b>													
American Airlines Group, Inc.	9053		12.0x	7.5x		33.8x	13.9x			9.5x			
Delta Air Lines, Inc.	21275		7.3x	5.5x		12.4x	8.5x		11.7x	6.9x	7.3x	3.4x	1.9x
JetBlue Airways Corporation	2403		12.8x	5.0x			13.6x			13.0x	0.7x	0.7x	0.6x
Southwest Airlines Co.	20002		4.7x	3.6x		7.9x	5.7x		16.1x	10.9x	2.2x	1.8x	1.5x
Spirit Airlines, Inc.	2265		38.8x	10.0x			27.5x			32.6x	1.2x	1.2x	1.0x
<b>Primary European peers median</b>		<b>15.3x</b>	<b>7.1x</b>	<b>4.4x</b>	<b>-</b>	<b>19.5x</b>	<b>11.9x</b>	<b>-</b>	<b>25.0x</b>	<b>11.3x</b>	<b>1.4x</b>	<b>1.8x</b>	<b>1.6x</b>
<b>Finnair (Evli est)*</b>		<b>-16.0x</b>	<b>20.9x</b>	<b>5.7x</b>	<b>-5.1x</b>	<b>-10.0x</b>	<b>30.7x</b>	<b>-1.7x</b>	<b>-1.0x</b>	<b>-9.3x</b>	<b>1.8x</b>	<b>7.8x</b>	<b>4.6x</b>
<i>Finnair discount/premium to primary peer group median*</i>		<i>-204 %</i>	<i>195 %</i>	<i>29 %</i>	<i>-</i>	<i>-151 %</i>	<i>158 %</i>	<i>-</i>	<i>-104 %</i>	<i>-182 %</i>	<i>23 %</i>	<i>329 %</i>	<i>191 %</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%	-11.5%	-2.3%	-14.8%			-246.0%		
International Consolidated Airlines Group	IAG-GB	0.0%	0.2%	0.7%	-35.1%	3.5%	6.8%	-13.5%	3.2%	7.0%		-0.8%	53.8%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.0%	-11.4%	3.0%	2.9%	-8.7%	3.6%	4.6%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.0%	0.1%	-13.9%	2.6%	3.8%	-8.4%	2.8%	4.6%	-56.4%	5.5%	9.9%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	0.0%	-55.0%	-1.3%	5.6%		-1.6%	7.6%	-43.4%	-31.8%	16.2%
<b>Other European peers</b>													
Aegean Airlines SA	AEGN-GR	0.0%	2.3%	3.0%	4.5%	6.3%	6.6%	3.1%			-29.8%	16.9%	16.3%
easyJet plc	EZJ-GB	0.0%	0.0%	1.4%	-71.5%	-0.7%	4.6%	-14.2%	-0.6%	5.5%	-38.7%	-4.6%	7.8%
Ryanair Holdings Plc	RYA-IE	0.0%	0.0%	0.0%	-9.4%	14.0%	11.6%	-4.4%	12.9%	12.0%	-4.5%	18.0%	14.8%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-28.2%	-7.9%	7.8%	-11.7%	-7.7%	9.2%	-263.9%		
<b>North American peers</b>													
American Airlines Group, Inc.	AAL-US	0.0%	0.0%	0.0%	-18.5%	2.4%	5.3%	-11.6%	2.5%	6.0%			
Delta Air Lines, Inc.	DAL-US	0.2%	0.0%	0.7%	-8.6%	7.3%	9.6%	-4.9%	6.3%	8.8%	-76.9%	28.7%	28.1%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-15.1%	-1.9%	3.9%	-8.8%	-1.7%	3.7%	-21.6%	-7.7%	4.7%
Southwest Airlines Co.	LUV-US	0.0%	0.0%	0.8%	-6.7%	8.6%	10.5%	-3.9%	7.1%	9.5%	-12.5%	11.0%	14.0%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-13.0%	-3.5%	3.7%	-6.0%	-2.5%	3.1%	-20.7%	-11.9%	3.2%
<b>Primary European peers median</b>		<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-35.1%</b>	<b>2.6%</b>	<b>3.8%</b>	<b>-11.1%</b>	<b>3.0%</b>	<b>5.8%</b>	<b>-56.4%</b>	<b>-0.8%</b>	<b>16.2%</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>-9.6%</b>	<b>2.3%</b>	<b>-17.9%</b>	<b>-11.0%</b>	<b>-1.4%</b>	<b>-69.8%</b>	<b>-188.8%</b>	<b>-62.4%</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	0.38 PV of Free Cash Flow	647 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.69 PV of Horizon value	1,860 WACC, %	9.6 Market risk premium, %
Share price potential, %	80.3 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	0.5 Debt - dividend	-2,809 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	74.2 Value of stock	963 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	2,276	2,752	2,889	2,976	3,035	3,096	3,158	3,221	3,286	3,351	3,418
<i>Sales growth, %</i>	<i>1.1</i>	<i>171.4</i>	<i>20.9</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	-218	64	144	193	182	186	189	193	214	218	222
<i>Operating income margin, %</i>	<i>-55.9</i>	<i>-9.6</i>	<i>2.3</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	281	319	206	362	370	376	381	387	392	
EBITDA	-149	105	345	463	399	544	555	565	575	601	610	
- Paid taxes	-15	-52	-13	-29	-39	-36	-37	-38	-39	-43	-44	
- Change in NWC	117	46	36	10	7	4	5	5	5	5	5	
<i>NWC / Sales, %</i>	<i>-43.9</i>	<i>-18.2</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>3.3</i>	<i>5.4</i>	<i>5.2</i>	<i>42.2</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	-8	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	-448	-310	-94	32	105	249	270	279	288	310	319	4,302
= Discounted FCFF		-305	-85	26	78	170	168	159	150	147	138	1,860
= DFCF min WACC		-305	-85	27	79	173	172	163	155	152	144	2,077
= DFCF max WACC		-304	-84	26	77	167	164	154	145	141	132	1,673

## 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	645.0	680.5	2,275.6	2,751.6	2,889.2
EBITDA	-60.9	-70.1	-30.6	12.6	-149.0	-54.7	-5.4	75.7	89.0	104.6	345.5	463.4
<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>11.7</i>	<i>13.1</i>	<i>4.6</i>	<i>12.6</i>	<i>16.0</i>
EBIT	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	-7.3	6.0	-218.4	64.3	144.5
<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>-1.1</i>	<i>0.9</i>	<i>-9.6</i>	<i>2.3</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	-42.3	-24.0	-407.0	-55.7	44.5
Tax	36.3	30.1	30.1	21.1	117.6	-0.7	-110.3	8.5	4.8	-97.7	11.1	-8.9
<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>-24.0</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	-37.9	-23.3	-513.0	-57.2	23.0
EPS	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.19	-0.03	-0.02	-0.36	-0.04	0.02
EPS adjusted (diluted no. of shares)	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.19	-0.03	-0.02	-0.36	-0.04	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
<b>SALES, EURm</b>												
Group total	113.6	111.8	199.5	413.5	838.4	399.8	550.3	645.0	680.5	2,275.6	2,751.6	2,889.2
Total	113.6	111.8	199.5	413.5	838.4	399.8	550.3	645.0	680.5	2,275.6	2,751.6	2,889.2
<b>SALES GROWTH, Y/Y %</b>												
Group total	-79.8	63.0	104.7	305.4	1.1	251.9	392.2	223.3	64.6	171.4	20.9	5.0
Total	-79.8	63.0	104.7	305.4	1.1	251.9	392.2	223.3	64.6	171.4	20.9	5.0
<b>EBIT, EURm</b>												
Group total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	-7.3	6.0	-218.4	64.3	144.5
Total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	-7.3	6.0	-218.4	64.3	144.5
<b>EBIT margin, %</b>												
Group total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-15.3	-1.1	0.9	-9.6	2.3	5.0
Total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-15.3	-1.1	0.9	-9.6	2.3	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	2,275.6	2,751.6	2,889.2
<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>171.4</i>	<i>20.9</i>	<i>5.0</i>
EBITDA	299.6	512.6	488.2	-251.5	-149.0	104.6	345.5	463.4
<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>4.6</i>	<i>12.6</i>	<i>16.0</i>
Depreciation	-129.2	-294.2	-325.4	-343.8	-319.9	-323.0	-281.2	-318.9
EBITA	170.4	218.4	162.8	-595.3	-468.9	-218.4	64.3	144.5
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	-218.4	64.3	144.5
<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>-9.6</i>	<i>2.3</i>	<i>5.0</i>
Reported EBIT	169.5	218.3	160.0	-597.7	-474.7	-218.4	64.3	144.5
<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>-9.6</i>	<i>2.3</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	-407.0	-55.7	44.5
Taxes	-31.3	-25.6	-18.4	131.2	117.6	-97.7	11.1	-8.9
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	-513.0	-57.2	23.0
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	1,445	1,715	1,841
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	999	878	918	1,182	705	303	8
Inventory	17	121	80	68	56	57	69	72
Receivables	460	210	217	70	137	94	109	113
Liquid funds	965	1,067	952	824	1,266	910	1,101	1,156
Total assets	2,887	3,944	3,878	3,646	4,047	3,403	3,488	3,382
<b>Liabilities</b>								
Shareholder's equity	1,016	918	966	897	476	68	116	139
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	705	303	8
Deferred taxes	74	48	64	0	0	0	0	0
Interest bearing debt	719	615	521	1,182	1,428	1,863	2,240	2,388
Non-interest bearing current liabilities	566	285	243	176	291	296	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	3,403	3,488	3,382
<b>CASH FLOW, EURm</b>								
+ EBITDA	300	513	488	-251	-149	105	345	463
- Net financial items	-14	-129	-67	-190	-127	-189	-120	-100
- Taxes	-1	-52	-2	-18	11	-98	11	-9
- Increase in Net Working Capital	57	50	-7	-489	117	46	36	10
+/- Other	40	1	-16	-17	-6	-8	-13	-13
= Cash flow from operations	382	383	397	-966	-155	-144	260	352
- Capex	-405	-330	-409	-315	-842	-76	-149	-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	-220	111	202
+/- 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	-241	-25	-147
Change in cash	151	103	-116	-128	442	-355	190	55

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	908	753	1,069	837	534	534	534
Net debt (excl. convertibles)	707	623	1,374	1,543	1,658	1,443	1,240
Enterprise value	1,615	1,377	2,443	2,380	2,192	1,977	1,775
Sales	2,836	3,098	829	838	2,276	2,752	2,889
EBITDA	513	488	-251	-149	105	345	463
EBIT	218	163	-595	-469	-218	64	144
Pre-tax	89	96	-785	-596	-407	-56	44
Earnings	51	65	-669	-479	-513	-57	23
Equity book value (excl. minorities)	918	966	897	476	68	116	139
<b>Valuation multiples</b>							
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	21.0	5.7	3.8
EV/EBITA	7.4	8.5	-4.1	-5.1	-10.0	30.8	12.3
EV/EBIT	7.4	8.5	-4.1	-5.1	-10.0	30.8	12.3
EV/OCF	4.2	3.5	-2.5	-15.4	-15.3	7.6	5.0
EV/FCFF	6.1	8.4	-2.4	-5.3	-7.1	-21.0	55.1
P/FCFE	18.4	-333.2	-0.8	-0.8	-2.4	4.8	2.6
P/E	10.2	11.7	-1.6	-1.7	-1.0	-9.3	23.3
P/B	1.0	0.8	1.2	1.8	7.9	4.6	3.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	20.7	5.6	3.8
Target EV/EBIT	0.0	0.0	0.0	0.0	-9.9	30.3	12.1
Target EV/FCF	0.0	0.0	0.0	0.0	-9.8	17.6	8.6
Target P/B	0.0	0.0	0.0	0.0	7.5	4.4	3.7
Target P/E	0.0	0.0	0.0	0.0	-1.0	-8.8	22.0
<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	-0.36	-0.04	0.02
Operating cash flow per share	0.55	0.57	-0.69	-0.11	-0.10	0.18	0.25
Free cash flow per share	0.38	-0.02	-0.91	-0.71	-0.16	0.08	0.14
Book value per share	1.32	1.39	0.64	0.34	0.05	0.08	0.10
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	1.4
FCF yield, %	29.5	-1.6	-119.8	-119.2	-41.2	20.7	37.8
<b>Efficiency measures</b>							
ROE	5.3	6.9	-71.8	-69.8	-188.8	-62.4	18.1
ROCE	9.9	6.2	-21.1	-17.9	-11.0	-1.4	1.7
<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	4.1	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	-18.2	-16.4	-15.9
Operative CAPEX/sales, %	11.6	13.2	38.0	100.5	3.3	5.4	5.2
CAPEX/sales (incl. acquisitions), %	11.6	13.2	38.0	100.5	3.3	5.4	5.2
FCFF/EBITDA	0.5	0.3	4.0	3.0	-3.0	-0.3	0.1
Net debt/EBITDA, book-weighted	1.4	1.3	-5.5	-10.4	15.9	4.2	2.7
Debt/equity, market-weighted	0.7	0.7	1.1	1.7	3.5	4.2	4.5
Equity ratio, book-weighted	25.4	27.4	25.5	12.2	2.2	3.8	4.7
Gearing, %	77.0	64.5	153.3	324.4	2,447.6	1,248.5	895.5

**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	298.934	56.0%
Varma Mutual Pension Insurance Company	50,081,263	19.031	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	11.400	2.1%
Elo Mutual Pension Insurance Company	14,008,115	5.323	1.0%
The State Pension Fund	11,000,000	4.180	0.8%
Finnairin Henkilöstöraho Ho.	3,772,902	1.434	0.3%
OP Life Assurance Company Ltd	1,954,798	0.743	0.1%
Finnairin Eläkesäätiö	1,505,262	0.572	0.1%
Finnair Oyj	1,421,133	0.540	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.454	0.1%
Ten largest	901,608,705	342.611	64%
Residual	504,355,367	191.655	36%
Total	1,405,964,072	534.266	100%

**EARNINGS CALENDAR**

October 28, 2022

Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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Tietotie 9, 01053 FINNAIR (VANTAA AIRPORT)

CFO: Kristian Pullola

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

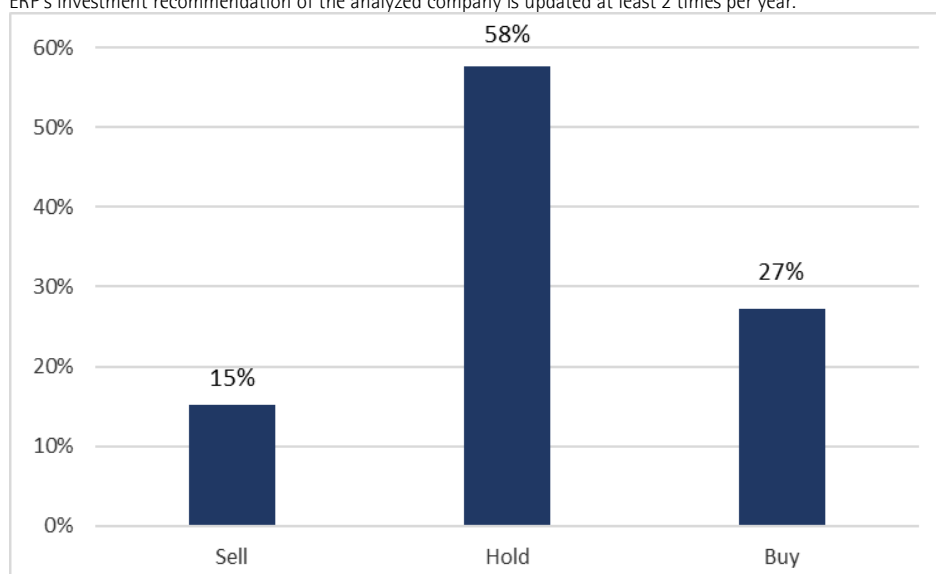
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Investment recommendations are defined as follows:

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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