

Still way to go before take-off

Finnair touched a milestone, but there's more to go before EBIT reaches adequate levels while valuation remains full.

High passenger yields drove a revenue and EBIT beat

Finnair's Q3 revenue reached EUR 719m, clearly above the EUR 645m/667m Evli/cons. estimates as passenger revenues were some EUR 50m higher than we estimated. Seasonally strong Q3, including EUR 56m in other operating income mostly attributable to wet leases, coupled with improving unit revenues helped Finnair's EBIT to EUR 35m vs the EUR -7m/-4m Evli/cons. estimates. In our view the top line and EBIT beats were driven by higher than estimated passenger yields. The positive EBIT was an important milestone for Finnair, but there's still distance left to go until profitability reaches a firm footing.

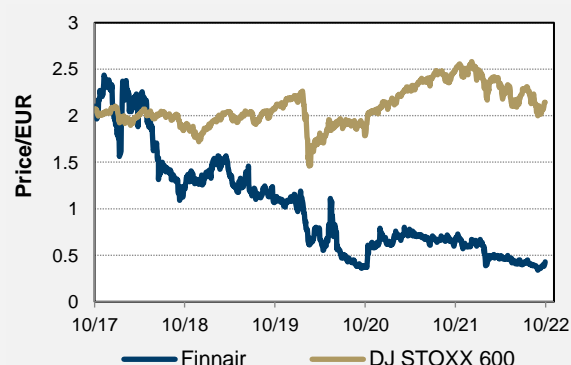
Improvement to continue, but not as steep as in Q3

Q3 EBIT was a major improvement q/q as passenger yields increased by some 10% over Q2. Q4 will be a bit softer in terms of volumes; October bookings look good, but November is seasonally soft before December's seasonal travel volumes. We estimate 5% q/q passenger yield decline for Q4, but high jet fuel prices should still provide some ticket pricing tailwind in addition to a rebound in corporate travel, which has reached around 80% of the pre-pandemic level when adjusted for capacity. Meanwhile Finnair's strategy includes efforts to secure high unit revenues (e.g. the share of direct distribution has already roughly doubled to 60%). Passenger yields are therefore likely to stay relatively high, but there's also uncertainty around next year's passenger volumes as China's opening may be further delayed.

Valuation well anticipates long-term improvement

There's a lot of uncertainty around factors such as yields, volumes as well as costs (including fuel prices) going forward. Finnair should achieve a positive FY '23 EBIT, but it's likely to be muted due to a certain lag in passenger volumes and wouldn't in any case be enough to justify current valuation, which still isn't cheap. Finnair's valuation seems based on the assumption that it will eventually catch up with peer profitability levels; valued about 12x EV/EBIT on our FY '24 estimates, clearly above peers while EBIT margin is to lag by many percentage points. The assumption may be fair, but leaves Finnair pretty much fully valued. We update our TP to EUR 0.40 (0.36); retain HOLD rating.

Rating HOLD



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

Target price, EUR 0.40

Latest change in recommendation	25-Oct-22
Latest report on company	25-Oct-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	605
Free float, %	42.9
Exchange rate EUR/USD	1.00
Reuters code	FIA1S.HE
Bloomberg code	FIA1S.FH
Average daily volume, EURm	0.5
Next interim report	15-Feb-23
Web site	investors.finnair.com

Analyst Joonas Ilvonen
E-mail joonas.ilvonen@evli.com
Telephone +358 44 430 9071

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	2,339.8	-179.8	-7.7%	-190.0	-0.33	-1.3	1.0	-12.4	-31.4	0.00
2023E	2,749.3	73.8	2.7%	112.3	-0.04	-12.0	0.7	27.3	18.6	0.00
2024E	2,886.7	144.3	5.0%	206.1	0.02	26.4	0.6	12.5	34.1	0.01
Market cap, EURm		605	Gearing 2022E, %				1,376.7	CAGR EPS 2021-24, %		0.0
Net debt 2022E, EURm		1,628	Price/book 2022E				5.1	CAGR sales 2021-24, %		51.0
Enterprise value, EURm		2,233	Dividend yield 2022E, %				0.0	ROE 2022E, %		-155.7
Total assets 2022E, EURm		3,458	Tax rate 2022E, %				-24.0	ROCE 2022E, %		-9.7
Goodwill 2022E, EURm		0	Equity ratio 2022E, %				3.8	PEG, P/E 22/CAGR		0.0

Estimates and valuation

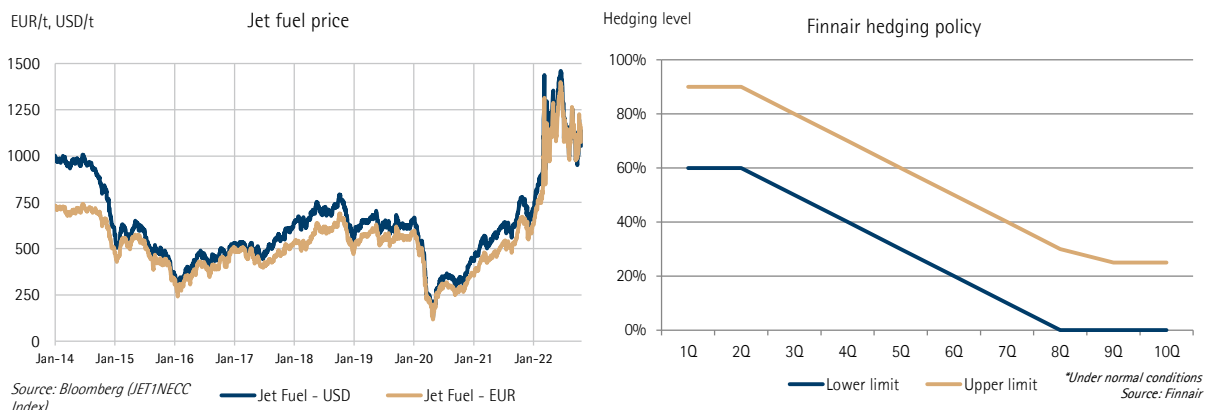
FINNAIR	2017	2018	2019	2020	2021	2021	2021	2021	2021	2021	2022	2022	2022	2022E	2022E	2023E
EURm	FY	FY	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	FY	
Passengers (thousands)	11905	13281	14650	3486	259	292	779	1523	2852	1509	2366	2771	2001	8646	10484	
y/y change	10%	12%	10%	-76%	-90%	198%	72%	447%	-18%	482%	711%	256%	31%	203%	21%	
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	8 121	31 234	37 503	
y/y change	9%	15%	11%	-73%	-88%	311%	98%	392%	-7%	476%	453%	154%	31%	158%	20.1%-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	6 611	21 850	30 674	
y/y change	14%	13%	11%	-79%	-96%	281%	112%	738%	-36%	967%	1114%	389%	115%	322%	40%	
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%	81.4%	70.0%	81.8%	
y/y change	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	31.8%-p	27.1%-p	11.8%-p	
Ancillary and retail	145	161	176	62	9	6	11	19	44	27	28	36	33	124	137	
Cargo	197	207	212	178	61	61	65	147	335	121	90	73	74	358	311	
Travel services	206	223	230	61	1	0	10	28	39	25	39	56	49	169	173	
Total revenue	2569	2835	3098	829	114	112	199	414	838	400	550	719	671	2340	2749	
YoY change	11%	10%	9%	-73%	-80%	63%	104%	305%	1%	252%	392%	261%	62%	179%	18%	
Other income	77	74	56	48	9	8	32	13	63	20	41	56	51	167	165	
Staff costs	-423	-500	-535	-284	-53	-54	-58	-84	-249	-102	-114	-117	-115	-448	-478	
y/y change	17%	18%	7%	-47%	-61%	12%	2%	100%	-12%	93%	111%	93%	37%	80%	7%	
% of revenue	16%	18%	17%	34%	46%	48%	29%	20%	30%	25%	21%	16%	17%	19%	17%	
Fuel	-472	-581	-687	-233	-30	-31	-48	-102	-212	-137	-229	-242	-225	-833	-870	
y/y change	-4%	23%	18%	-66%	-79%	-7%	65%	286%	-9%	350%	644%	405%	120%	294%	4%	
% of revenue	18%	20%	22%	28%	27%	28%	24%	25%	25%	34%	42%	34%	34%	36%	32%	
Other OPEX	-1314	-1316	-1444	-613	-100	-105	-134	-227	-566	-231	-251	-302	-287	-1071	-1136	
y/y change	4%	0%	10%	-58%	-67%	20%	28%	94%	-8%	130%	139%	126%	26%	89%	6%	
% of revenue	51%	46%	47%	74%	88%	94%	67%	55%	68%	58%	46%	42%	43%	46%	41%	
Comparable EBIT	171	218	163	-595	-143	-151	-109	-65	-469	-133	-84	35	2	-180	74	
Comp. EBIT-%	6.6%	7.7%	5.3%	-71.8%	-126.2%	-135.3%	-54.8%	-15.8%	-56.0%	-33.2%	-15.3%	4.9%	0.3%	-7.7%	2.7%	

Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
SAS	424	33.1x	10.9x					-9.6%	-1.8%	
International Consolidated	6654	6.3x	4.5x	3.7x	22.6x	10.0x	6.8x	3.5%	6.8%	9.2%
Air France-KLM	3526	3.6x	3.3x	2.7x	15.2x	14.0x	7.6x	3.0%	2.9%	4.9%
Deutsche Lufthansa	8152	4.4x	3.9x	3.3x	16.1x	10.7x	7.5x	2.8%	3.8%	4.9%
Norwegian Air Shuttle	748	10.6x	3.2x	2.4x		9.1x	5.1x	-1.7%	5.2%	8.6%
Aegean Airlines	446	3.7x	3.3x	2.9x	10.0x	8.6x	6.6x	6.3%	6.6%	8.1%
easyJet	2893	4.5x	3.0x	2.5x	50.3x	7.7x	5.4x	1.0%	5.0%	6.5%
Ryanair Holdings	13356	7.6x	5.9x	4.9x	14.1x	9.6x	7.4x	10.9%	12.1%	13.8%
Wizz Air Holdings	1938	22.3x	5.1x	3.3x		19.1x	7.1x	-10.3%	4.7%	10.1%
American Airlines Group	9112	12.8x	8.2x	6.9x	35.9x	15.7x	11.4x	2.4%	5.3%	6.9%
Delta Air Lines	21821	7.7x	5.9x	4.9x	13.1x	9.0x	7.2x	7.4%	9.6%	11.4%
Peer Group Average	6279	10.6x	5.2x	3.7x	22.2x	11.3x	7.2x	1.4%	5.5%	8.5%
Peer Group Median	3526	7.6x	4.5x	3.3x	15.7x	9.8x	7.2x	2.8%	5.2%	8.4%
Finnair (Evli est.)	600	16.0x	5.6x	3.9x	-12.4x	27.3x	12.5x	-7.7%	2.7%	5.0%

Finnair prem./disc. to peer median

Source FactSet, Evli Research

Jet fuel cost


VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.43 PV of Free Cash Flow	710 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.73 PV of Horizon value	1,862 WACC, %	9.6 Market risk premium, %
Share price potential, %	70.3 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	0.6 Debt - dividend	-2,809 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	72.4 Value of stock	1,029 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	2,340	2,749	2,887	2,973	3,033	3,093	3,155	3,218	3,283	3,348	3,415
<i>Sales growth, %</i>	<i>1.1</i>	<i>179.1</i>	<i>17.5</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	-180	74	144	193	182	186	189	193	213	218	222
<i>Operating income margin, %</i>	<i>-55.9</i>	<i>-7.7</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	319	284	323	209	362	370	376	382	387	392	
EBITDA	-149	139	358	467	402	544	555	565	575	600	610	
- Paid taxes	-15	-43	-15	-29	-39	-36	-37	-38	-39	-43	-44	
- Change in NWC	117	51	31	10	6	4	5	5	5	5	5	
<i>NWC / Sales, %</i>	<i>-43.9</i>	<i>-17.9</i>	<i>-16.4</i>	<i>-16.0</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>4.2</i>	<i>5.5</i>	<i>5.2</i>	<i>41.7</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	-4	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	-448	-257	-89	36	107	250	270	279	288	310	319	4,302
= Discounted FCFF		-253	-80	30	80	171	169	159	150	147	138	1,862
= DFCF min WACC		-253	-80	30	82	174	173	164	155	153	144	2,080
= DFCF max WACC		-253	-79	29	79	167	165	155	145	142	132	1,675

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3	2022Q4E	2022E	2023E	2024E
Net sales	113.6	111.8	199.5	413.5	838.4	399.8	550.3	719.2	670.5	2,339.8	2,749.3	2,886.7
EBITDA	-60.9	-70.1	-30.6	12.6	-149.0	-54.7	-5.4	114.2	85.0	139.1	357.9	467.2
<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>15.9</i>	<i>12.7</i>	<i>5.9</i>	<i>13.0</i>	<i>16.2</i>
EBIT	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	35.3	2.0	-179.8	73.8	144.3
<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>4.9</i>	<i>0.3</i>	<i>-7.7</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	-63.8	-40.0	-189.8	-121.1	-99.9
Pre-tax profit	-175.9	-162.3	-148.2	-110.0	-596.4	-180.0	-160.7	-28.5	-38.0	-369.6	-47.2	44.4
Tax	36.3	30.1	30.1	21.1	117.6	-0.7	-110.3	7.6	7.6	-88.7	9.4	-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>26.7</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	-20.9	-34.5	-462.4	-50.4	22.9
EPS	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.19	-0.01	-0.02	-0.33	-0.04	0.02
EPS adjusted (diluted no. of shares)	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.19	-0.01	-0.02	-0.33	-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
SALES, EURm												
Group total	113.6	111.8	199.5	413.5	838.4	399.8	550.3	719.2	670.5	2,339.8	2,749.3	2,886.7
Total	113.6	111.8	199.5	413.5	838.4	399.8	550.3	719.2	670.5	2,339.8	2,749.3	2,886.7
SALES GROWTH, Y/Y %												
Group total	-79.8	63.0	104.7	305.4	1.1	251.9	392.2	260.5	62.2	179.1	17.5	5.0
Total	-79.8	63.0	104.7	305.4	1.1	251.9	392.2	260.5	62.2	179.1	17.5	5.0
EBIT, EURm												
Group total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	35.3	2.0	-179.8	73.8	144.3
Total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	35.3	2.0	-179.8	73.8	144.3
EBIT margin, %												
Group total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-15.3	4.9	0.3	-7.7	2.7	5.0
Total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-15.3	4.9	0.3	-7.7	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	2,339.8	2,749.3	2,886.7
<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>179.1</i>	<i>17.5</i>	<i>5.0</i>
EBITDA	299.6	512.6	488.2	-251.5	-149.0	139.1	357.9	467.2
<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>5.9</i>	<i>13.0</i>	<i>16.2</i>
Depreciation	-129.2	-294.2	-325.4	-343.8	-319.9	-318.9	-284.1	-322.8
EBITA	170.4	218.4	162.8	-595.3	-468.9	-179.8	73.8	144.3
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	-179.8	73.8	144.3
<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>-7.7</i>	<i>2.7</i>	<i>5.0</i>
Reported EBIT	169.5	218.3	160.0	-597.7	-474.7	-179.8	73.8	144.3
<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>-7.7</i>	<i>2.7</i>	<i>5.0</i>
Net financials	-13.7	-129.0	-67.0	-190.1	-127.5	-189.8	-121.1	-99.9
Pre-tax profit	156.7	89.4	95.8	-785.4	-596.4	-369.6	-47.2	44.4
Taxes	-31.3	-25.6	-18.4	131.2	117.6	-88.7	9.4	-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	-462.4	-50.4	22.9
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	1,450	1,720	1,846
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	999	878	918	1,182	725	323	25
Inventory	17	121	80	68	56	58	69	72
Receivables	460	210	217	70	137	96	109	113
Liquid funds	965	1,067	952	824	1,266	936	1,100	1,155
Total assets	2,887	3,944	3,878	3,646	4,047	3,458	3,512	3,402
Liabilities								
Shareholder's equity	1,016	918	966	897	476	118	173	196
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	725	323	25
Deferred taxes	74	48	64	0	0	0	0	0
Interest bearing debt	719	615	521	1,182	1,428	1,839	2,187	2,335
Non-interest bearing current liabilities	566	285	243	176	291	304	357	375
Other interest-free debt	428	811	873	215	271	271	271	271
Total liabilities	2,887	3,944	3,878	3,647	4,047	3,458	3,512	3,402
CASH FLOW, EURm								
+ EBITDA	300	513	488	-251	-149	139	358	467
- Net financial items	-14	-129	-67	-190	-127	-190	-121	-100
- Taxes	-1	-52	-2	-18	11	-89	9	-9
- Increase in Net Working Capital	57	50	-7	-489	117	51	31	10
+/- Other	40	1	-16	-17	-6	-4	-13	-13
= Cash flow from operations	382	383	397	-966	-155	-92	264	356
- Capex	-405	-330	-409	-315	-842	-98	-152	-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	-190	112	206
+/- 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	-245	-54	-151
Change in cash	151	103	-116	-128	442	-330	164	55

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	908	753	1,069	837	605	605	605
Net debt (excl. convertibles)	707	623	1,374	1,543	1,628	1,411	1,205
Enterprise value	1,615	1,377	2,443	2,380	2,233	2,015	1,809
Sales	2,836	3,098	829	838	2,340	2,749	2,887
EBITDA	513	488	-251	-149	139	358	467
EBIT	218	163	-595	-469	-180	74	144
Pre-tax	89	96	-785	-596	-370	-47	44
Earnings	51	65	-669	-479	-462	-50	23
Equity book value (excl. minorities)	918	966	897	476	118	173	196
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	16.0	5.6	3.9
EV/EBITA	7.4	8.5	-4.1	-5.1	-12.4	27.3	12.5
EV/EBIT	7.4	8.5	-4.1	-5.1	-12.4	27.3	12.5
EV/OCF	4.2	3.5	-2.5	-15.4	-24.2	7.6	5.1
EV/FCFF	6.1	8.4	-2.4	-5.3	-8.7	-22.7	50.3
P/FCFE	18.4	-333.2	-0.8	-0.8	-3.2	5.4	2.9
P/E	10.2	11.7	-1.6	-1.7	-1.3	-12.0	26.4
P/B	1.0	0.8	1.2	1.8	5.1	3.5	3.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	15.7	5.5	3.8
Target EV/EBIT	0.0	0.0	0.0	0.0	-12.2	26.7	12.2
Target EV/FCF	0.0	0.0	0.0	0.0	-11.5	17.6	8.6
Target P/B	0.0	0.0	0.0	0.0	4.8	3.3	2.9
Target P/E	0.0	0.0	0.0	0.0	-1.2	-11.2	24.5
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	-0.33	-0.04	0.02
Operating cash flow per share	0.55	0.57	-0.69	-0.11	-0.07	0.19	0.25
Free cash flow per share	0.38	-0.02	-0.91	-0.71	-0.14	0.08	0.15
Book value per share	1.32	1.39	0.64	0.34	0.08	0.12	0.14
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	1.3
FCF yield, %	29.5	-1.6	-119.8	-119.2	-31.4	18.6	34.1
Efficiency measures							
ROE	5.3	6.9	-71.8	-69.8	-155.7	-34.6	12.4
ROCE	9.9	6.2	-21.1	-17.9	-9.7	-1.0	1.7
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	4.1	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	-17.9	-16.4	-16.0
Operative CAPEX/sales, %	11.6	13.2	38.0	100.5	4.2	5.5	5.2
CAPEX/sales (incl. acquisitions), %	11.6	13.2	38.0	100.5	4.2	5.5	5.2
FCFF/EBITDA	0.5	0.3	4.0	3.0	-1.8	-0.2	0.1
Net debt/EBITDA, book-weighted	1.4	1.3	-5.5	-10.4	11.7	3.9	2.6
Debt/equity, market-weighted	0.7	0.7	1.1	1.7	3.0	3.6	3.9
Equity ratio, book-weighted	25.4	27.4	25.5	12.2	3.8	5.6	6.7
Gearing, %	77.0	64.5	153.3	324.4	1,376.7	816.2	615.3

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	338.268	56.0%
Varma Mutual Pension Insurance Company	50,081,263	21.535	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	12.900	2.1%
Elo Mutual Pension Insurance Company	14,008,115	6.023	1.0%
The State Pension Fund	11,000,000	4.730	0.8%
Finnairin Henkilöstöraho Ho.	3,772,902	1.622	0.3%
OP Life Assurance Company Ltd	1,954,798	0.841	0.1%
Finnairin Eläkesäätiö	1,505,262	0.647	0.1%
Finnair Oyj	1,421,133	0.611	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.514	0.1%
Ten largest	901,608,705	387.692	64%
Residual	504,355,367	216.873	36%
Total	1,405,964,072	604.565	100%

EARNINGS CALENDAR

February 15, 2023	FY 2022 Results
April 27, 2023	Q1 report
July 21, 2023	Q2 report
October 31, 2023	Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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

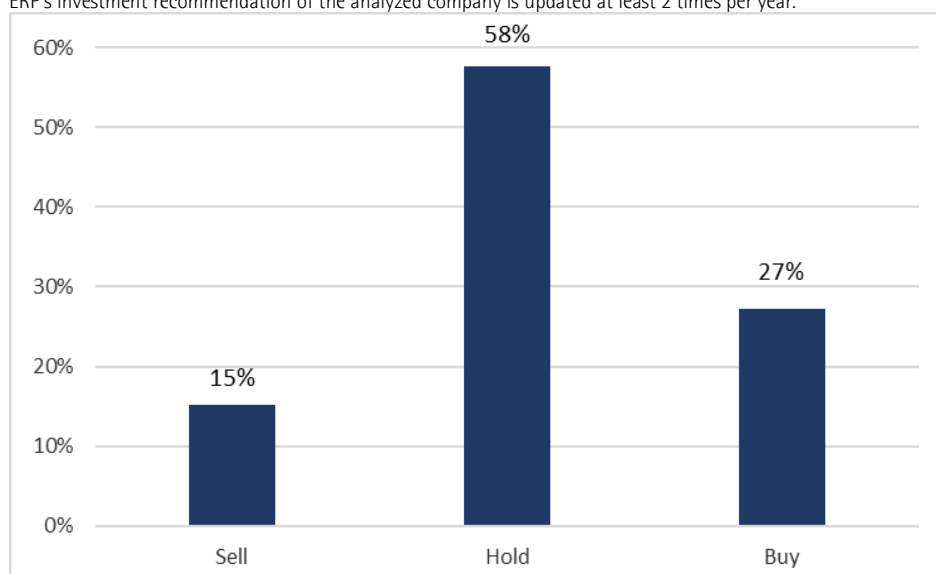
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Ilvonen

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Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lilja	+358 9 4766 9130

Trading

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Ronkanen	+358 9 4766 9120

Structured Investments

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

Equity Research

Jonas Forslund	+358 9 4766 9314
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149
Teemu Reiman	+358 40 352 6175

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
----------------	------------------



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001