

Challenging altitude for valuation

Finnair reports Q4 results on Feb 15. Travel demand may remain robust and fuel prices have declined, but high valuation doesn't seem to leave much upside potential.

Q4 EBIT likely to be a bit subdued after strong Q3

Finnair's Q3 topped expectations as yields proved higher than estimated. High passenger revenues (some EUR 50m above estimates), helped by the seasonal strength of Q3, as well as income from wet leases translated into an adj. EBIT of EUR 35m (some EUR 40m above estimates). Q4 EBIT should have improved y/y but should be down somewhat q/q; passenger volumes are still recovering from the pandemic slump, but Q4 also includes slower periods and in the case of Finnair there's the lack of North Atlantic volumes as certain routes have been missing after the summer months. We estimate Q4 revenue at EUR 679m and adj. EBIT at EUR 13m. We believe Finnair will not issue any specific guidance (beyond capacity and load factors) as the company and its main markets are still going through significant changes.

Volumes are still recovering while fuel prices have declined

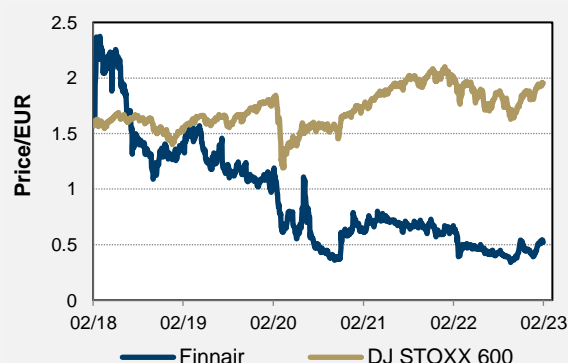
Finnair now breaks out data for the Middle Eastern routes. The region, based on the initial figures, contributed 25% of the volume in January which Europe and Asia each lately turned out; we look forward to comments on how much these new routes might grow over the year. Finnair's Asian volumes are now 50% compared to pre-pandemic levels, and even if China is only now opening it's uncertain how much further the flows may grow as the Russian airspace stays closed. We also look forward to comments regarding ticket pricing as jet fuel prices began to decline in Q4. Jet fuel prices have declined especially in EUR terms (around 20% in the past 3 months) while there should still be significant pent-up travel demand following the pandemic.

Upside appears elusive for now despite lower fuel prices

We estimate 6% EBIT for FY '24 vs Finnair's target of at least 5% after H1'24. Lower fuel prices help airlines' earnings and thus higher valuations are justifiable, however the pace of gains has been rapid in the past few months and sector multiples seem high. Some uplift may be warranted also in the case of Finnair, but the company trades 18x EV/EBIT on our FY '23 estimates (vs 11x for a typical peer) and ca. 11x for next year (vs 8.4x). Our new TP is EUR 0.45 (0.40); our new rating is SELL (HOLD).

Rating

SELL



Share price, EUR (Last trading day's closing price)	0.52
Target price, EUR	0.45

Latest change in recommendation	09-Feb-23
Latest report on company	31-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	731
Free float, %	42.9
Exchange rate EUR/USD	1.07
Reuters code	FIA1S.HE
Bloomberg code	FIA1S.FH
Average daily volume, EURm	0.9
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	2,348.3	-168.3	-7.2%	-235.5	-0.36	-1.4	1.0	-14.3	-32.2	0.00
2023E	2,763.8	121.3	4.4%	119.6	-0.03	-16.8	0.8	18.0	16.4	0.00
2024E	2,902.0	174.1	6.0%	214.3	0.02	23.8	0.7	11.3	29.3	0.01
Market cap, EURm		731	Gearing 2022E, %			2,237.7	CAGR EPS 2021-24, %			0.0
Net debt 2022E, EURm		1,674	Price/book 2022E			9.8	CAGR sales 2021-24, %			51.3
Enterprise value, EURm		2,405	Dividend yield 2022E, %			0.0	ROE 2022E, %			-183.8
Total assets 2022E, EURm		3,465	Tax rate 2022E, %			-23.7	ROCE 2022E, %			-9.3
Goodwill 2022E, EURm		0	Equity ratio 2022E, %			2.4	PEG, P/E 22/CAGR			0.0

Estimates and valuation

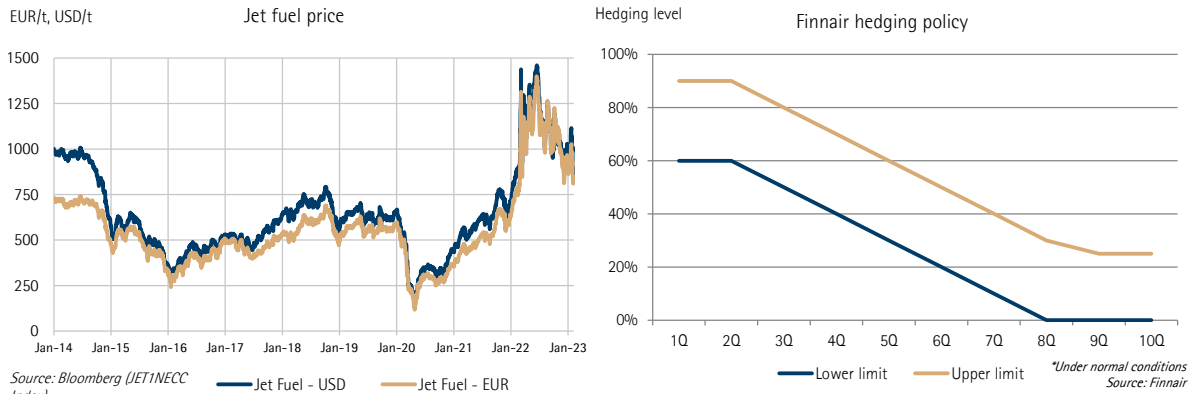
FINNAIR	2017	2018	2019	2020	2021	2021	2021	2021	2021	2021	2022	2022	2022	2022E	2022E	2023E
EURm	FY	FY	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	FY	
Passengers (thousands)	11905	13281	14650	3486	259	292	779	1523	2852	1509	2366	2771	2451	9096	11014	
<i>y/y change</i>	10 %	12 %	10 %	-76 %	-90 %	198 %	72 %	447 %	-18 %	482 %	711 %	256 %	61 %	219 %	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	8 186	31 299	37 647	
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-88 %	311 %	98 %	392 %	-7 %	476 %	453 %	154 %	32 %	159 %	20.3% <i>-p</i>	
RPK (mkm)	30 749	34 660	38 534	8 150	306	434	1 369	3 068	5 178	3 269	5 275	6 695	5 918	21 157	30 760	
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-96 %	281 %	112 %	738 %	-36 %	967 %	1114 %	389 %	93 %	309 %	45 %	
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 %	72.3 %	67.6 %	81.7 %	
<i>y/y change</i>	3.5% <i>-p</i>	-1.5% <i>-p</i>	-0.1% <i>-p</i>	-18.7% <i>-p</i>	-47.1% <i>-p</i>	-2.5% <i>-p</i>	2.9% <i>-p</i>	20.5% <i>-p</i>	-20.2% <i>-p</i>	21.8% <i>-p</i>	36.6% <i>-p</i>	38.5% <i>-p</i>	22.7% <i>-p</i>	24.8% <i>-p</i>	14.1% <i>-p</i>	
Ancillary and retail	145	161	176	62	9	6	11	19	44	27	28	36	41	131	146	
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	679	2348	2764	
<i>YoY change</i>	11 %	10 %	9 %	-73 %	-80 %	63 %	104 %	305 %	1 %	252 %	392 %	261 %	64 %	180 %	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	
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-61 %	12 %	2 %	100 %	-12 %	93 %	111 %	101 %	37 %	80 %	7 %	
<i>% of revenue</i>	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	-222	-830	-837	
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-79 %	-7 %	65 %	286 %	-9 %	350 %	644 %	405 %	117 %	292 %	1 %	
<i>% of revenue</i>	18 %	20 %	22 %	28 %	27 %	28 %	24 %	25 %	25 %	34 %	42 %	34 %	33 %	35 %	30 %	
Other OPEX	-1314	-1316	-1444	-613	-100	-105	-134	-227	-566	-231	-251	-302	-287	-1071	-1136	
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-67 %	20 %	28 %	94 %	-8 %	130 %	139 %	126 %	26 %	89 %	6 %	
<i>% of revenue</i>	51 %	46 %	47 %	74 %	88 %	94 %	67 %	55 %	68 %	58 %	46 %	42 %	42 %	46 %	41 %	
Comparable EBIT	171	218	163	-595	-143	-151	-109	-65	-469	-133	-84	35	13	-168	121	
<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 %	4.9 %	2.0 %	-7.2 %	4.4 %	

Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
SAS	301	34.8x	16.7x	6.7x			44.8x	-9.8 %	-4.8 %	2.5 %
International Consolidated	9423	5.6x	5.0x	4.2x	15.4x	10.6x	7.9x	5.1 %	7.3 %	9.1 %
Air France-KLM	4079	3.4x	3.3x	2.9x	11.4x	11.5x	8.2x	4.0 %	3.8 %	5.0 %
Deutsche Lufthansa	11587	4.1x	4.3x	3.8x	10.2x	10.6x	8.4x	4.6 %	4.6 %	5.4 %
Norwegian Air Shuttle	901	10.9x	3.9x	2.9x	9.3x	9.4x	5.8x	6.0 %	6.2 %	9.2 %
Aegean Airlines	621	3.0x	3.4x	3.1x	6.5x	8.1x	7.3x	9.2 %	7.9 %	8.3 %
easyJet	4150	4.6x	4.2x	3.6x	36.9x	12.1x	8.9x	1.3 %	4.6 %	5.6 %
Ryanair Holdings	17433	7.7x	7.3x	6.1x	13.5x	11.6x	9.3x	11.9 %	13.3 %	14.7 %
Wizz Air Holdings	3354	40.5x	7.9x	4.7x		33.5x	10.2x	-12.8 %	4.1 %	10.8 %
American Airlines Group	10308	11.1x	7.9x	7.1x	23.5x	13.3x	11.1x	3.6 %	6.4 %	7.3 %
Delta Air Lines	23741	7.2x	6.1x	5.3x	12.6x	8.8x	7.4x	7.8 %	10.5 %	12.1 %
Peer Group Average	7809	12.1x	6.4x	4.6x	15.5x	12.9x	11.8x	2.8 %	5.8 %	8.2 %
Peer Group Median	4150	7.2x	5.0x	4.2x	12.6x	11.0x	8.4x	4.6 %	6.2 %	8.3 %
Finnair (Evli est.)	731	16.0x	5.4x	4.0x	-14.3x	18.0x	11.3x	-7.2 %	4.4 %	6.0 %

Finnair prem./disc. to peer median

Source FactSet, Evli Research

Jet fuel cost


Source: Bloomberg (JET1NECC Index)

*Under normal conditions Source: Finnair

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.52 PV of Free Cash Flow	807 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.92 PV of Horizon value	1,921 WACC, %	9.6 Market risk premium, %
Share price potential, %	77.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	1.1 Marketable securities	939 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	0.8 Debt - dividend	-2,613 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	70.4 Value of stock	1,185 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	2,348	2,764	2,902	2,989	3,049	3,110	3,172	3,235	3,300	3,366	3,433
<i>Sales growth, %</i>	<i>1.1</i>	<i>180.1</i>	<i>17.7</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	-168	121	174	194	183	187	190	194	215	219	223
<i>Operating income margin, %</i>	<i>-55.9</i>	<i>-7.2</i>	<i>4.4</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	319	284	323	209	363	371	377	382	388	393	
EBITDA	-149	151	406	497	404	546	557	567	577	602	612	
- Paid taxes	-15	-40	-24	-35	-39	-37	-37	-38	-39	-43	-44	
- Change in NWC	117	52	31	10	7	4	5	5	5	5	5	
<i>NWC / Sales, %</i>	<i>-43.9</i>	<i>-17.9</i>	<i>-16.3</i>	<i>-15.9</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>	
+ 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>4.3</i>	<i>5.5</i>	<i>5.2</i>	<i>41.6</i>	<i>13.9</i>	<i>13.4</i>	<i>13.2</i>	<i>13.1</i>	<i>12.9</i>	<i>7.1</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	-242	-50	60	109	251	272	281	290	312	321	4,327
= Discounted FCFF		-244	-46	51	83	176	174	164	155	152	142	1,921
= DFCF min WACC		-244	-46	51	85	179	178	169	159	157	148	2,142
= DFCF max WACC		-244	-46	50	82	173	170	160	150	146	137	1,730

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	679.0	2,348.3	2,763.8	2,902.0
EBITDA	-60.9	-70.1	-30.6	12.6	-149.0	-54.7	-5.4	114.2	96.5	150.6	405.8	497.3
<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>14.2</i>	<i>6.4</i>	<i>14.7</i>	<i>17.1</i>
EBIT	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	35.3	13.5	-168.3	121.3	174.1
<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>4.9</i>	<i>2.0</i>	<i>-7.2</i>	<i>4.4</i>	<i>6.0</i>
Net financial items	-32.7	-11.0	-39.1	-44.7	-127.5	-47.1	-76.5	-63.8	-50.0	-237.4	-160.0	-120.0
Pre-tax profit	-175.9	-162.3	-148.2	-110.0	-596.4	-180.0	-160.7	-28.5	-36.5	-405.7	-38.7	54.1
Tax	36.3	30.1	30.1	21.1	117.6	-0.7	-110.3	7.6	7.3	-96.1	7.7	-10.8
<i>Tax rate (%)</i>	<i>20.6</i>	<i>18.5</i>	<i>20.3</i>	<i>19.2</i>	<i>19.7</i>	<i>-0.4</i>	<i>-68.6</i>	<i>26.7</i>	<i>20.0</i>	<i>-23.7</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	-33.3	-505.9	-43.5	30.7
EPS	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.19	-0.01	-0.02	-0.36	-0.03	0.02
EPS adjusted (diluted no. of shares)	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.19	-0.01	-0.02	-0.36	-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	719.2	679.0	2,348.3	2,763.8	2,902.0
Total	113.6	111.8	199.5	413.5	838.4	399.8	550.3	719.2	679.0	2,348.3	2,763.8	2,902.0
SALES GROWTH, Y/Y %												
Group total	-79.8	63.0	104.7	305.4	1.1	251.9	392.2	260.5	64.2	180.1	17.7	5.0
Total	-79.8	63.0	104.7	305.4	1.1	251.9	392.2	260.5	64.2	180.1	17.7	5.0
EBIT, EURm												
Group total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	35.3	13.5	-168.3	121.3	174.1
Total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-84.2	35.3	13.5	-168.3	121.3	174.1
EBIT margin, %												
Group total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-15.3	4.9	2.0	-7.2	4.4	6.0
Total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-15.3	4.9	2.0	-7.2	4.4	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	2,348.3	2,763.8	2,902.0
<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>180.1</i>	<i>17.7</i>	<i>5.0</i>
EBITDA	299.6	512.6	488.2	-251.5	-149.0	150.6	405.8	497.3
<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>6.4</i>	<i>14.7</i>	<i>17.1</i>
Depreciation	-129.2	-294.2	-325.4	-343.8	-319.9	-318.9	-284.5	-323.2
EBITA	170.4	218.4	162.8	-595.3	-468.9	-168.3	121.3	174.1
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	-168.3	121.3	174.1
<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>-7.2</i>	<i>4.4</i>	<i>6.0</i>
Reported EBIT	169.5	218.3	160.0	-597.7	-474.7	-168.3	121.3	174.1
<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>-7.2</i>	<i>4.4</i>	<i>6.0</i>
Net financials	-13.7	-129.0	-67.0	-190.1	-127.5	-237.4	-160.0	-120.0
Pre-tax profit	156.7	89.4	95.8	-785.4	-596.4	-405.7	-38.7	54.1
Taxes	-31.3	-25.6	-18.4	131.2	117.6	-96.1	7.7	-10.8
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	111.9	51.1	61.8	-671.4	-484.6	-505.9	-43.5	30.7
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	728	326	27
Inventory	17	121	80	68	56	59	69	73
Receivables	460	210	217	70	137	97	109	113
Liquid funds	965	1,067	952	824	1,266	939	1,106	1,161
Total assets	2,887	3,944	3,878	3,646	4,047	3,465	3,522	3,411
Liabilities								
Shareholder's equity	1,016	918	966	897	476	75	136	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	728	326	27
Deferred taxes	74	48	64	0	0	0	0	0
Interest bearing debt	719	615	521	1,182	1,428	1,885	2,229	2,368
Non-interest bearing current liabilities	566	285	243	176	291	305	359	377
Other interest-free debt	428	811	873	215	271	271	271	271
Total liabilities	2,887	3,944	3,878	3,647	4,047	3,465	3,522	3,411
CASH FLOW, EURm								
+ EBITDA	300	513	488	-251	-149	151	406	497
- Net financial items	-14	-129	-67	-190	-127	-237	-160	-120
- Taxes	-1	-52	-2	-18	11	-96	8	-11
- Increase in Net Working Capital	57	50	-7	-489	117	52	31	10
+/- Other	40	1	-16	-17	-6	-4	-13	-13
= Cash flow from operations	382	383	397	-966	-155	-135	272	364
- Capex	-405	-330	-409	-315	-842	-100	-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	-235	120	214
+/- 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	-196	-58	-159
Change in cash	151	103	-116	-128	442	-326	166	55

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	908	753	1,069	837	731	731	731
Net debt (excl. convertibles)	707	623	1,374	1,543	1,674	1,449	1,235
Enterprise value	1,615	1,377	2,443	2,380	2,405	2,180	1,966
Sales	2,836	3,098	829	838	2,348	2,764	2,902
EBITDA	513	488	-251	-149	151	406	497
EBIT	218	163	-595	-469	-168	121	174
Pre-tax	89	96	-785	-596	-406	-39	54
Earnings	51	65	-669	-479	-506	-44	31
Equity book value (excl. minorities)	918	966	897	476	75	136	167
Valuation multiples							
EV/sales	0.6	0.4	2.9	2.8	1.0	0.8	0.7
EV/EBITDA	3.2	2.8	-9.7	-16.0	16.0	5.4	4.0
EV/EBITA	7.4	8.5	-4.1	-5.1	-14.3	18.0	11.3
EV/EBIT	7.4	8.5	-4.1	-5.1	-14.3	18.0	11.3
EV/OCF	4.2	3.5	-2.5	-15.4	-17.8	8.0	5.4
EV/FCFF	6.1	8.4	-2.4	-5.3	-10.0	-43.7	32.6
P/FCFE	18.4	-333.2	-0.8	-0.8	-3.1	6.1	3.4
P/E	10.2	11.7	-1.6	-1.7	-1.4	-16.8	23.8
P/B	1.0	0.8	1.2	1.8	9.8	5.4	4.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	15.3	5.1	3.8
Target EV/EBIT	0.0	0.0	0.0	0.0	-13.7	17.2	10.7
Target EV/FCF	0.0	0.0	0.0	0.0	-9.8	17.4	8.7
Target P/B	0.0	0.0	0.0	0.0	8.5	4.6	3.8
Target P/E	0.0	0.0	0.0	0.0	-1.3	-14.5	20.6
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	-0.36	-0.03	0.02
Operating cash flow per share	0.55	0.57	-0.69	-0.11	-0.10	0.19	0.26
Free cash flow per share	0.38	-0.02	-0.91	-0.71	-0.17	0.09	0.15
Book value per share	1.32	1.39	0.64	0.34	0.05	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	1.4
FCF yield, %	29.5	-1.6	-119.8	-119.2	-32.2	16.4	29.3
Efficiency measures							
ROE	5.3	6.9	-71.8	-69.8	-183.8	-41.2	20.2
ROCE	9.9	6.2	-21.1	-17.9	-9.3	0.8	2.1
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	-16.3	-15.9
Operative CAPEX/sales, %	11.6	13.2	38.0	100.5	4.3	5.5	5.2
CAPEX/sales (incl. acquisitions), %	11.6	13.2	38.0	100.5	4.3	5.5	5.2
FCFF/EBITDA	0.5	0.3	4.0	3.0	-1.6	-0.1	0.1
Net debt/EBITDA, book-weighted	1.4	1.3	-5.5	-10.4	11.1	3.6	2.5
Debt/equity, market-weighted	0.7	0.7	1.1	1.7	2.6	3.0	3.2
Equity ratio, book-weighted	25.4	27.4	25.5	12.2	2.4	4.4	5.7
Gearing, %	77.0	64.5	153.3	324.4	2,237.7	1,063.4	739.5

COMPANY DESCRIPTION: Finnair is a network airline established in 1923. The company focuses on passenger and cargo traffic between Nordic capitals and destinations across the northern hemisphere 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 restoring profitability according to its new strategy and operating a cost efficient and eco-friendly modern fleet.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Prime Minister's Office	786,669,685	409.068	56.0%
Varma Mutual Pension Insurance Company	50,081,263	26.042	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	15.600	2.1%
Elo Mutual Pension Insurance Company	14,008,115	7.284	1.0%
The State Pension Fund	11,000,000	5.720	0.8%
Finnairin Henkilöstöraho Hr.	3,772,902	1.962	0.3%
OP Life Assurance Company Ltd	1,954,798	1.016	0.1%
Finnairin Eläkesäätiö	1,505,262	0.783	0.1%
Finnair Oyj	1,421,133	0.739	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.622	0.1%
Ten largest	901,608,705	468.837	64%
Residual	504,355,367	262.265	36%
Total	1,405,964,072	731.101	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

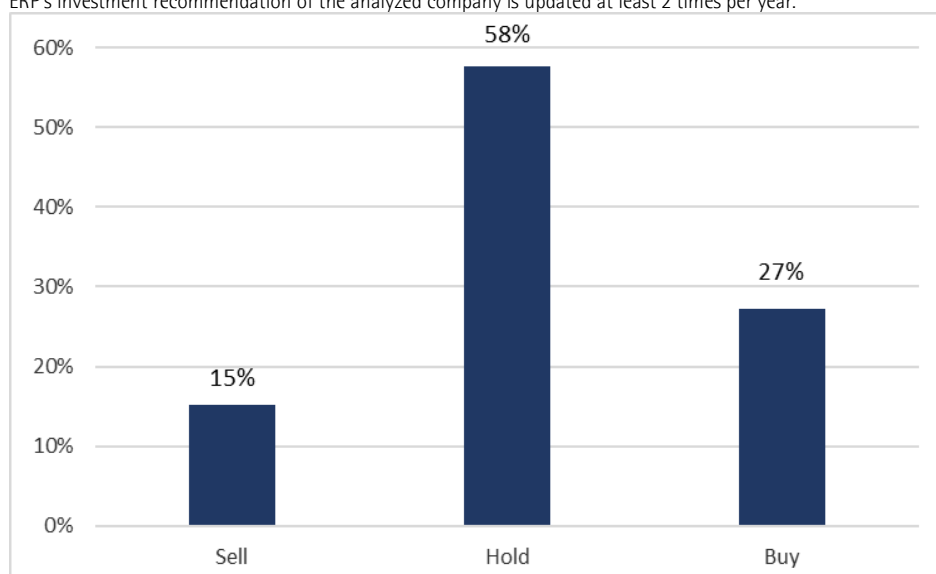
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Plc. Production of the investment recommendation has been concluded on [9.2.2023, 9:05]. This report has been published on [9.2.2023, 9:25].

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Plc is supervised by the Finnish Financial Supervision Authority.

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