

Coming through the storm

Finnair's Q4 report was a bit better than expected, however we see current valuation limiting upside potential too much unless more positive surprises are yet to come.

Q4 report a bit better than expected but nothing major

Finnair's EUR 687m Q4 revenue was near the EUR 679m/681m Evli/cons. estimates as passenger revenues were some EUR 20m higher than we estimated (ancillary and cargo were a bit soft relative to what we expected). Finnair's Q4'22 saw 79% of ASK relative to Q4'19, including wet leases, as demand stays high. Fuel prices remained high in the historical context, a crucial factor limiting EBIT when Finnair still missed major volumes due to the recent years' double whammy. Finnair achieved another positive adj. EBIT, at EUR 17.9m vs the EUR 13.5m/2.7m Evli/cons. estimates, as unit yields continued to advance. Prices should hold up also in Q1 and beyond as demand persists despite potential economic headwinds. We didn't find any big surprises in terms of cost inflation, but the topic remains very much on the agenda as Finnair continues to proceed towards its 5% EBIT margin target.

Volumes and pricing support profitability development

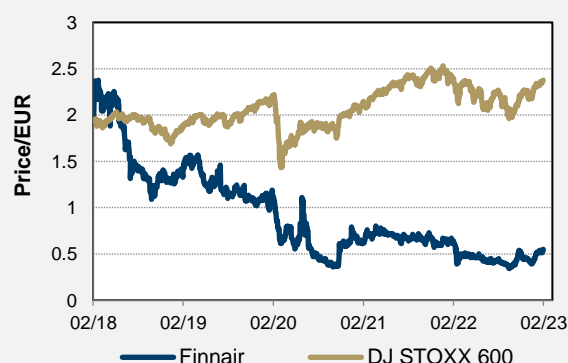
There are still uncertainties around Chinese demand in particular; from Finnair's point of view the focus now rests much on Shanghai and Beijing, as opposed to any secondary Chinese cities. Finnair has extended its wet leases, and dynamic pricing has helped unit revenues increase by 25%; ancillary revenue per passenger also increased by 13% compared to 2019. Hence Finnair's revenue will increase significantly this year, but we expect it to remain 10% short of that for FY '19. We believe Q1'23 EBIT will be negative as the market has recovered enough so that certain seasonal patterns can again be seen, but for FY '23 we estimate a positive EBIT of EUR 105m.

Coming through, but most good news seem to be priced in

In our view Finnair is set to achieve a positive EBIT this year, and the positive development should continue in FY '24, but the company's profitability continues to lag other airlines. Finnair is valued about 16x and 10x EV/EBIT on our FY '23-24 estimates, which are levels well above peers'. We see Finnair's recovery already priced in and hence upside would probably require more than one factor to deliver a positive surprise. We update our TP to EUR 0.47 (0.45) but retain our SELL rating.

Rating

SELL



Share price, EUR (Last trading day's closing price) 0.55

Target price, EUR 0.47

Latest change in recommendation 09-Feb-23

Latest report on company 09-Feb-23

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 773

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 27-Apr-23

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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
2021	838.4	-468.9	-55.9%	-639.2	-0.34	-1.7	2.8	-5.1	-76.4	0.00
2022	2,356.6	-163.9	-7.0%	146.7	-0.31	-1.2	0.6	-8.8	26.9	0.00
2023E	2,795.7	104.9	3.8%	-80.5	-0.04	-13.6	0.6	15.7	-10.4	0.00
2024E	2,935.5	170.3	5.8%	-56.0	0.02	28.0	0.6	10.0	-7.2	0.01
2025E	3,023.6	196.5	6.5%	81.4	0.04	14.2	0.5	8.3	10.5	0.01
Market cap, EURm	773			Gearing 2023E, %	191.2		CAGR EPS 2022-25, %		0.0	
Net debt 2023E, EURm	878			Price/book 2023E	1.7		CAGR sales 2022-25, %		8.7	
Enterprise value, EURm	1,651			Dividend yield 2023E, %	0.0		ROE 2023E, %		-13.0	
Total assets 2023E, EURm	3,835			Tax rate 2023E, %	20.0		ROCE 2023E, %		0.2	
Goodwill 2023E, EURm	0			Equity ratio 2023E, %	13.6		PEG, P/E 23/CAGR		0.3	

Estimates and valuation

FINNAIR EURm	2017 FY	2018 FY	2019 FY	2020 FY	2021 FY	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY	2023E Q1	2023E Q2	2023E Q3	2023E Q4	2023E FY
ASK (mkm)	36 922	42 386	47 189	12 938	12 094	6 915	7 841	8 357	8 186	31 299	8 276	9 841	10 805	9 327	38 249
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-7 %	476 %	453 %	154 %	32 %	159 %	20 %	26 %	29 %	14 %	22.2%-p
RPK (mkm)	30 749	34 660	38 534	8 150	5 178	3 269	5 275	6 695	5 918	21 157	6 402	8 165	9 333	6 898	30 798
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-36 %	967 %	1114 %	389 %	93 %	309 %	96 %	55 %	39 %	17 %	46 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7%	63.0 %	42.8 %	47.3 %	67.3 %	80.1 %	72.3 %	67.6 %	77.4 %	83.0 %	86.4 %	74.0 %	80.5 %
<i>y/y change</i>	3.5%-p	-1.5%-p	-0.1%-p	-18.7%-p	-20.2%-p	21.8%-p	36.6%-p	38.5%-p	22.7%-p	24.8%-p	30.1%-p	15.7%-p	6.3%-p	1.7%-p	12.9%-p
Ancillary and retail	145	161	176	62	44	27	28	36	32	123	32	37	49	38	156
Cargo	197	207	212	178	335	121	90	73	69	352	80	68	64	61	274
Travel services	206	223	230	61	39	25	39	56	51	170	30	35	57	53	175
Total revenue	2569	2835	3098	829	838	400	550	719	687	2356	504	635	886	771	2796
<i>YoY change</i>	11 %	10 %	9 %	-73 %	1 %	252 %	392 %	261 %	66 %	181 %	26 %	15 %	23 %	12 %	19 %
Other income	77	74	56	48	63	20	41	56	37	154	47	51	53	40	191
Staff costs	-423	-500	-535	-284	-249	-102	-114	-117	-115	-447	-104	-115	-123	-118	-460
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-12 %	93 %	111 %	101 %	36 %	80 %	2 %	1 %	5 %	3 %	3 %
<i>% of revenue</i>	16 %	18 %	17 %	34 %	30 %	25 %	21 %	16 %	17 %	19 %	21 %	18 %	14 %	15 %	16 %
Fuel	-472	-581	-687	-233	-212	-137	-229	-242	-228	-836	-184	-210	-267	-225	-886
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-9 %	350 %	644 %	405 %	123 %	295 %	35 %	-8 %	10 %	-1 %	6 %
<i>% of revenue</i>	18 %	20 %	22 %	28 %	25 %	34 %	42 %	34 %	33 %	35 %	37 %	33 %	30 %	29 %	32 %
Other OPEX	-1314	-1316	-1444	-613	-566	-231	-251	-302	-283	-1067	-236	-260	-365	-320	-1180
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-8 %	130 %	139 %	126 %	24 %	88 %	2 %	4 %	21 %	13 %	11 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	68 %	58 %	46 %	42 %	41 %	45 %	47 %	41 %	41 %	42 %	42 %
Comparable EBIT	171	218	163	-595	-469	-133	-84	35	18	-164	-60	13	97	56	105
<i>Comp. EBIT-%</i>	6.6 %	7.7 %	5.3 %	-71.8 %	-56.0 %	-33.2 %	-15.3 %	4.9 %	2.6 %	-7.0 %	-12.0 %	2.0 %	10.9 %	7.2 %	3.8 %

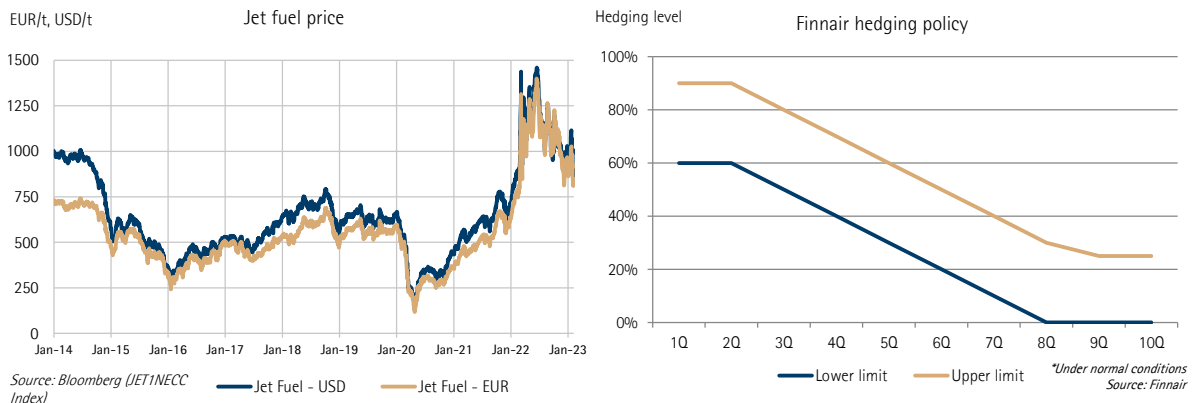
Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
SAS	294	34.8x	16.6x	6.7x			44.7x	-9.8 %	-4.8 %	2.5 %
International Consolidated	9352	5.6x	5.0x	4.2x	15.2x	10.4x	7.7x	5.2 %	7.3 %	9.2 %
Air France-KLM	4207	3.3x	3.3x	2.9x	10.6x	11.3x	8.1x	4.2 %	3.8 %	5.2 %
Deutsche Lufthansa	11529	4.1x	4.3x	3.8x	10.2x	10.4x	8.2x	4.6 %	4.6 %	5.5 %
Norwegian Air Shuttle	889	11.0x	3.8x	2.8x	9.2x	9.1x	5.7x	6.0 %	6.3 %	9.2 %
Aegean Airlines	667	3.0x	3.6x	3.2x	6.5x	8.5x	7.6x	9.2 %	7.9 %	8.3 %
easyJet	4258	4.6x	4.3x	3.7x	36.0x	12.0x	8.8x	1.4 %	4.7 %	5.8 %
Ryanair Holdings	17268	7.7x	7.3x	6.0x	13.5x	11.5x	9.2x	12.0 %	13.4 %	14.8 %
Wizz Air Holdings	3200	39.6x	7.8x	4.7x		33.1x	10.1x	-12.8 %	4.1 %	10.7 %
American Airlines Group	10200	11.1x	7.9x	7.1x	23.5x	13.1x	11.0x	3.6 %	6.4 %	7.3 %
Delta Air Lines	23533	7.2x	6.0x	5.3x	12.6x	8.8x	7.4x	7.8 %	10.5 %	12.1 %
Peer Group Average	7763	12.0x	6.3x	4.6x	15.3x	12.8x	11.7x	2.9 %	5.8 %	8.2 %
Peer Group Median	4258	7.2x	5.0x	4.2x	12.6x	10.9x	8.2x	4.6 %	6.3 %	8.3 %
Finnair (Evli est.)	773	7.8x	3.8x	3.1x	-8.8x	15.7x	10.0x	-7.0 %	3.8 %	5.8 %

Finnair prem./disc. to peer median

8 % -24 % -25 % -170 % 45 % 23 % -252 % -40 % -30 %

Source FactSet, Evli Research

Jet fuel cost


VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.55 PV of Free Cash Flow	1,620 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	1.74 PV of Horizon value	1,722 WACC, %	9.6 Market risk premium, %
Share price potential, %	215.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	1.9 Marketable securities	1,524 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	1.6 Debt - dividend	-2,426 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	51.5 Value of stock	2,440 Nr of shares, Mn	1,406.0 Effective tax rate, %

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	2,357	2,796	2,935	3,024	3,084	3,146	3,209	3,273	3,338	3,405	3,473	3,543
<i>Sales growth, %</i>	<i>181.1</i>	<i>18.6</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>	<i>2.0</i>
Operating income (EBIT)	-164	105	170	197	185	189	193	196	217	221	226	230
<i>Operating income margin, %</i>	<i>-7.0</i>	<i>3.8</i>	<i>5.8</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>	<i>6.5</i>
+ Depreciation+amort.	350	332	373	325	320	329	340	350	360	369	377	
EBITDA	186	437	544	522	505	517	532	547	577	590	603	
- Paid taxes	60	-21	-34	-39	-37	-38	-39	-39	-43	-44	-45	
- Change in NWC	274	187	19	12	8	8	9	9	9	9	9	
<i>NWC / Sales, %</i>	<i>-27.3</i>	<i>-29.7</i>	<i>-28.9</i>	<i>-28.5</i>	<i>-28.2</i>	<i>-27.9</i>	<i>-27.6</i>	<i>-27.4</i>	<i>-27.1</i>	<i>-26.8</i>	<i>-26.6</i>	
+ Change in other liabs	171	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-88	-300	-300	-250	-250	-240	-240	-240	-240	-240	-240	
<i>opCAPEX / Sales, %</i>	<i>6.3</i>	<i>19.4</i>	<i>16.2</i>	<i>10.3</i>	<i>12.9</i>	<i>13.3</i>	<i>13.1</i>	<i>13.0</i>	<i>12.9</i>	<i>12.7</i>	<i>6.9</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	0	-13	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	603	291	216	232	213	236	250	264	290	302	314	4,242
= Discounted FCFF		268	182	178	150	151	146	141	141	134	128	1,722
= DFCF min WACC		269	184	181	152	154	150	145	146	140	134	1,929
= DFCF max WACC		267	181	176	147	148	142	136	136	129	122	1,544

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1E	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	399.8	550.3	719.2	687.3	2,356.6	503.8	634.9	886.5	770.6	2,795.7	2,935.5	3,023.6
EBITDA	-54.7	-5.4	114.2	131.8	185.9	22.6	95.9	179.6	138.8	436.9	543.6	521.7
<i>EBITDA margin (%)</i>	<i>-13.7</i>	<i>-1.0</i>	<i>15.9</i>	<i>19.2</i>	<i>7.9</i>	<i>4.5</i>	<i>15.1</i>	<i>20.3</i>	<i>18.0</i>	<i>15.6</i>	<i>18.5</i>	<i>17.3</i>
EBIT	-132.9	-84.2	35.3	17.9	-163.9	-60.4	12.9	96.6	55.8	104.9	170.3	196.5
<i>EBIT margin (%)</i>	<i>-33.2</i>	<i>-15.3</i>	<i>4.9</i>	<i>2.6</i>	<i>-7.0</i>	<i>-12.0</i>	<i>2.0</i>	<i>10.9</i>	<i>7.2</i>	<i>3.8</i>	<i>5.8</i>	<i>6.5</i>
Net financial items	-47.1	-76.5	-63.8	17.2	-170.2	-40.0	-40.0	-40.0	-40.0	-160.0	-120.0	-112.8
Pre-tax profit	-180.0	-160.7	-28.5	35.1	-334.1	-100.4	-27.1	56.6	15.8	-55.1	50.3	83.7
Tax	-0.7	-110.3	7.6	-2.0	-105.4	20.1	5.4	-11.3	-3.2	11.0	-10.1	-16.7
<i>Tax rate (%)</i>	<i>-0.4</i>	<i>-68.6</i>	<i>26.7</i>	<i>5.7</i>	<i>-31.5</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-180.7	-271.0	-20.9	33.1	-439.5	-83.5	-24.8	42.1	9.5	-56.7	27.6	54.4
EPS	-0.13	-0.19	-0.01	0.02	-0.31	-0.06	-0.02	0.03	0.01	-0.04	0.02	0.04
EPS adjusted (diluted no. of shares)	-0.13	-0.19	-0.01	0.02	-0.31	-0.06	-0.02	0.03	0.01	-0.04	0.02	0.04
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
SALES, EURm												
Group total	399.8	550.3	719.2	687.3	2,356.6	503.8	634.9	886.5	770.6	2,795.7	2,935.5	3,023.6
Total	399.8	550.3	719.2	687.3	2,356.6	503.8	634.9	886.5	770.6	2,795.7	2,935.5	3,023.6
SALES GROWTH, Y/Y %												
Group total	251.9	392.2	260.5	66.2	181.1	26.0	15.4	23.3	12.1	18.6	5.0	3.0
Total	251.9	392.2	260.5	66.2	181.1	26.0	15.4	23.3	12.1	18.6	5.0	3.0
EBIT, EURm												
Group total	-132.9	-84.2	35.3	17.9	-163.9	-60.4	12.9	96.6	55.8	104.9	170.3	196.5
Total	-132.9	-84.2	35.3	17.9	-163.9	-60.4	12.9	96.6	55.8	104.9	170.3	196.5
EBIT margin, %												
Group total	-33.2	-15.3	4.9	2.6	-7.0	-12.0	2.0	10.9	7.2	3.8	5.8	6.5
Total	-33.2	-15.3	4.9	2.6	-7.0	-12.0	2.0	10.9	7.2	3.8	5.8	6.5

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	2,836.1	3,097.7	829.2	838.4	2,356.6	2,795.7	2,935.5	3,023.6
<i>Sales growth (%)</i>	<i>10.4</i>	<i>9.2</i>	<i>-73.2</i>	<i>1.1</i>	<i>181.1</i>	<i>18.6</i>	<i>5.0</i>	<i>3.0</i>
EBITDA	512.6	488.2	-251.5	-149.0	185.9	436.9	543.6	521.7
<i>EBITDA margin (%)</i>	<i>18.1</i>	<i>15.8</i>	<i>-30.3</i>	<i>-17.8</i>	<i>7.9</i>	<i>15.6</i>	<i>18.5</i>	<i>17.3</i>
Depreciation	-294.2	-325.4	-343.8	-319.9	-349.8	-332.0	-373.4	-325.2
EBITA	218.4	162.8	-595.3	-468.9	-163.9	104.9	170.3	196.5
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	218.4	162.8	-595.3	-468.9	-163.9	104.9	170.3	196.5
<i>EBIT margin (%)</i>	<i>7.7</i>	<i>5.3</i>	<i>-71.8</i>	<i>-55.9</i>	<i>-7.0</i>	<i>3.8</i>	<i>5.8</i>	<i>6.5</i>
Reported EBIT	218.3	160.0	-597.7	-474.7	-163.9	104.9	170.3	196.5
<i>EBIT margin (reported) (%)</i>	<i>7.7</i>	<i>5.2</i>	<i>-72.1</i>	<i>-56.6</i>	<i>-7.0</i>	<i>3.8</i>	<i>5.8</i>	<i>6.5</i>
Net financials	-129.0	-67.0	-190.1	-127.5	-170.2	-160.0	-120.0	-112.8
Pre-tax profit	89.4	95.8	-785.4	-596.4	-334.1	-55.1	50.3	83.7
Taxes	-25.6	-18.4	131.2	117.6	-105.4	11.0	-10.1	-16.7
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	51.1	61.8	-671.4	-484.6	-439.5	-56.7	27.6	54.4
Cash NRIs	-0.1	-2.8	-2.4	-5.8	0.0	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	1,547	1,751	1,683	1,215	1,165	1,285	1,387	1,488
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	999	878	918	1,182	1,083	1,174	1,174	1,058
Inventory	121	80	68	56	122	70	73	76
Receivables	210	217	70	137	158	107	112	114
Liquid funds	1,067	952	824	1,266	1,524	1,118	1,174	1,209
Total assets	3,944	3,878	3,646	4,047	4,133	3,835	4,001	4,027
Liabilities								
Shareholder's equity	918	966	897	476	411	459	487	532
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	1,159	1,054	1,016	1,381	1,128	1,174	1,174	1,058
Deferred taxes	48	64	0	0	0	0	0	0
Interest bearing debt	615	521	1,182	1,428	1,299	822	934	1,013
Non-interest bearing current liabilities	285	243	176	291	452	536	563	580
Other interest-free debt	811	873	215	271	658	658	658	658
Total liabilities	3,944	3,878	3,647	4,047	4,133	3,835	4,001	4,027
CASH FLOW, EURm								
+ EBITDA	513	488	-251	-149	186	437	544	522
- Net financial items	-129	-67	-190	-127	-170	-160	-120	-113
- Taxes	-52	-2	-18	11	6	11	-10	-17
- Increase in Net Working Capital	50	-7	-489	117	274	187	19	12
+/- Other	1	-16	-17	-6	0	-13	-13	-13
= Cash flow from operations	383	397	-966	-155	296	463	420	392
- Capex	-330	-409	-315	-484	-149	-543	-476	-310
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	214	0	0	0	0	0	0	0
= Free cash flow	268	-12	-1,281	-639	147	-81	-56	81
+/- New issues/buybacks	-110	21	602	64	374	105	0	0
- Paid dividend	-38	-35	0	0	0	0	0	-9
+/- Other	-17	-89	551	1,018	-262	-431	112	-37
Change in cash	103	-116	-128	442	259	-406	56	35

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	753	1,069	837	546	773	773	773
Net debt (excl. convertibles)	623	1,374	1,543	902	878	934	861
Enterprise value	1,377	2,443	2,380	1,448	1,651	1,707	1,635
Sales	3,098	829	838	2,357	2,796	2,935	3,024
EBITDA	488	-251	-149	186	437	544	522
EBIT	163	-595	-469	-164	105	170	197
Pre-tax	96	-785	-596	-334	-55	50	84
Earnings	65	-669	-479	-439	-57	28	54
Equity book value (excl. minorities)	966	897	476	411	459	487	532
Valuation multiples							
EV/sales	0.4	2.9	2.8	0.6	0.6	0.6	0.5
EV/EBITDA	2.8	-9.7	-16.0	7.8	3.8	3.1	3.1
EV/EBITA	8.5	-4.1	-5.1	-8.8	15.7	10.0	8.3
EV/EBIT	8.5	-4.1	-5.1	-8.8	15.7	10.0	8.3
EV/OCF	3.5	-2.5	-15.4	4.9	3.6	4.1	4.2
EV/FCFF	8.4	-2.4	-26.4	2.4	5.7	7.9	7.1
P/FCFE	-333.2	-0.8	-1.3	3.7	-9.6	-13.8	9.5
P/E	11.7	-1.6	-1.7	-1.2	-13.6	28.0	14.2
P/B	0.8	1.2	1.8	1.3	1.7	1.6	1.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.5	2.9	2.9
Target EV/EBIT	0.0	0.0	0.0	0.0	14.7	9.4	7.7
Target EV/FCF	0.0	0.0	0.0	0.0	-19.1	-28.5	18.7
Target P/B	0.0	0.0	0.0	0.0	1.4	1.4	1.2
Target P/E	0.0	0.0	0.0	0.0	-11.7	23.9	12.2
Per share measures							
Number of shares	695,894	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964	1,405,964
Number of shares (diluted)	695,894	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964	1,405,964
EPS	0.09	-0.48	-0.34	-0.31	-0.04	0.02	0.04
Operating cash flow per share	0.57	-0.69	-0.11	0.21	0.33	0.30	0.28
Free cash flow per share	-0.02	-0.91	-0.45	0.10	-0.06	-0.04	0.06
Book value per share	1.39	0.64	0.34	0.29	0.33	0.35	0.38
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	33.0	33.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	1.2	2.3
FCF yield, %	-1.6	-119.8	-76.4	26.9	-10.4	-7.2	10.5
Efficiency measures							
ROE	6.9	-71.8	-69.8	-99.2	-13.0	5.8	10.7
ROCE	6.2	-21.1	-17.9	-8.9	0.2	2.0	4.0
Financial ratios							
Inventories as % of sales	2.6	8.2	6.7	5.2	2.5	2.5	2.5
Receivables as % of sales	7.0	8.4	16.3	6.7	3.8	3.8	3.8
Non-interest bearing liabilities as % of sales	7.8	21.2	34.7	19.2	19.2	19.2	19.2
NWC/sales, %	-23.9	-30.3	-43.9	-27.3	-29.7	-28.9	-28.5
Operative CAPEX/sales, %	13.2	38.0	57.8	6.3	19.4	16.2	10.3
CAPEX/sales (incl. acquisitions), %	13.2	38.0	57.8	6.3	19.4	16.2	10.3
FCFF/EBITDA	0.3	4.0	0.6	3.2	0.7	0.4	0.4
Net debt/EBITDA, book-weighted	1.3	-5.5	-10.4	4.9	2.0	1.7	1.7
Debt/equity, market-weighted	0.7	1.1	1.7	2.4	1.1	1.2	1.3
Equity ratio, book-weighted	27.4	25.5	12.2	10.9	13.6	13.8	15.0
Gearing, %	64.5	153.3	324.4	219.7	191.2	191.9	162.0

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	432.668	56.0%
Varma Mutual Pension Insurance Company	50,081,263	27.545	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	16.500	2.1%
Elo Mutual Pension Insurance Company	14,008,115	7.704	1.0%
The State Pension Fund	11,000,000	6.050	0.8%
Finnairin Henkilöstörahoisto Hr.	3,772,902	2.075	0.3%
OP Life Assurance Company Ltd	1,954,798	1.075	0.1%
Finnairin Eläkesäätiö	1,505,262	0.828	0.1%
Finnair Oyj	1,421,133	0.782	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.658	0.1%
Ten largest	901,608,705	495.885	64%
Residual	504,355,367	277.395	36%
Total	1,405,964,072	773.280	100%

EARNINGS CALENDAR

April 27, 2023	Q1 report
July 21, 2023	Q2 report
October 31, 2023	Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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Tietotie 9, 01053 FINNAIR (VANTAA AIRPORT)

CFO: Kristian Pullola

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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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