

## The long recovery continues

Finnair reports Q1 results on Apr 27. Finnair has lagged its peers in terms of pandemic recovery due to the legacy Asian strategy, while from now on further volume recovery should be found with the help of a pivoted network.

We make only minor estimate revisions ahead of the report Finnair's RPK almost doubled y/y in Q1, as estimated, and thus reached 77% of the Q1'19 comparison figure. Q1 is always seasonally quiet, however yields should have stayed robust as a lot of pent-up demand is yet to be sated. Finnair's EBIT returned to black in H2'22, but Q1 EBIT is likely to be negative unless pricing tailwinds have proved stronger than estimated. We estimate Q1 revenue at EUR 572m and EBIT at EUR -32m.

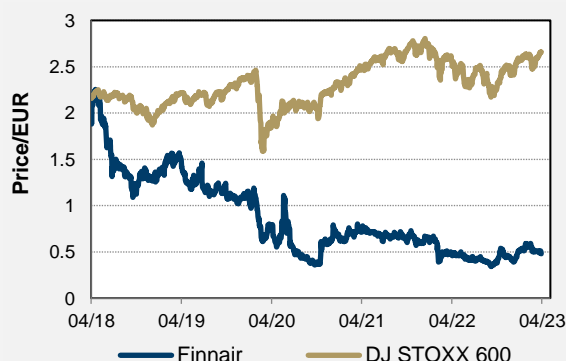
### The pivoted network to be seen clear over the summer

Asian volumes are now catching up as the key countries have lifted their travel restrictions, yet Finnair's Asian volumes in Q1 were still only 54% of the Q1'19 comparison figure while Europe reached more than 80% of the corresponding figure. The Asian figures therefore still have some room to improve after the pandemic slump, but the Russian airspace closure limits their recovery potential and consequently Europe too lacks some of its former potential. Further recovery will thus rely on the network updates and increased density to North Atlantic, Middle East and India routes. We estimate Finnair's FY '23 RPK to reach 82% of FY '19 levels, while strong pricing environment could help revenue to almost 94% of the FY '19 figure this year. We expect FY '23 EBIT at EUR 104m on this basis, well short of targeted levels.

### Valuation closer to neutral from a long-term perspective

Airline valuations haven't budged much in the past few months; absolute valuations have remained steady while earnings outlook has improved further. Finnair remains valued around 15x EV/EBIT on our FY '23 estimates, a considerable premium relative to a typical peer. The multiple is about 9x on our FY '24 estimates, which is still above many peers while we estimate Finnair's profitability to stay well below those of its peers. We hence view Finnair rather fully valued in the short-term perspective; Finnair's 5% EBIT margin target, set to be achieved from H2'24 onwards, may not prove too challenging as long as key value drivers like passenger volumes continue to trend favorably. We retain our EUR 0.47 TP; our new rating is HOLD (SELL).

Rating HOLD



Share price, EUR (Last trading day's closing price) 0.48

Target price, EUR 0.47

Latest change in recommendation 24-Apr-23

Latest report on company 16-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 675

Free float, % 42.9

Exchange rate EUR/USD 1.10

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	2,906.8	104.4	3.6%	-70.4	-0.05	-10.4	0.5	14.8	-10.4	0.00
2024E	3,052.2	177.0	5.8%	-16.4	0.02	27.0	0.5	8.8	-2.4	0.01
2025E	3,143.7	204.3	6.5%	79.0	0.04	11.7	0.5	7.3	11.7	0.01
Market cap, EURm	675			Gearing 2023E, %	192.6		CAGR EPS 2022-25, %		0.0	
Net debt 2023E, EURm	867			Price/book 2023E	1.5		CAGR sales 2022-25, %		10.1	
Enterprise value, EURm	1,542			Dividend yield 2023E, %	0.0		ROE 2023E, %		-15.1	
Total assets 2023E, EURm	3,882			Tax rate 2023E, %	20.0		ROCE 2023E, %		0.2	
Goodwill 2023E, EURm	0			Equity ratio 2023E, %	13.2		PEG, P/E 23/CAGR		0.2	

**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	8 550	10 066	10 815	10 196	39 627
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-7 %	476 %	453 %	154 %	32 %	159 %	24 %	28 %	29 %	25 %	26.6%-p
RPK (mkm)	30 749	34 660	38 534	8 150	5 178	3 269	5 275	6 695	5 918	21 157	6 419	8 065	8 995	8 121	31 600
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-36 %	967 %	1114 %	389 %	93 %	309 %	96 %	53 %	34 %	37 %	49 %
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 %	75.1 %	80.1 %	83.2 %	79.6 %	79.7 %
<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	27.8%-p	12.9%-p	3.1%-p	7.3%-p	12.1%-p
<b>Ancillary and retail</b>	145	161	176	62	44	27	28	36	32	123	37	40	49	41	168
<b>Cargo</b>	197	207	212	178	335	121	90	73	69	352	73	68	64	61	267
<b>Travel services</b>	206	223	230	61	39	25	39	56	51	170	39	44	57	53	193
<b>Total revenue</b>	<b>2569</b>	<b>2835</b>	<b>3098</b>	<b>829</b>	<b>838</b>	<b>400</b>	<b>550</b>	<b>719</b>	<b>687</b>	<b>2356</b>	<b>572</b>	<b>659</b>	<b>870</b>	<b>805</b>	<b>2907</b>
<i>YoY change</i>	<b>11 %</b>	<b>10 %</b>	<b>9 %</b>	<b>-73 %</b>	<b>1 %</b>	<b>252 %</b>	<b>392 %</b>	<b>261 %</b>	<b>66 %</b>	<b>181 %</b>	<b>43 %</b>	<b>20 %</b>	<b>21 %</b>	<b>17 %</b>	<b>23 %</b>
Other income	77	74	56	48	63	20	41	56	37	154	47	49	51	38	185
<b>Staff costs</b>	<b>-423</b>	<b>-500</b>	<b>-535</b>	<b>-284</b>	<b>-249</b>	<b>-102</b>	<b>-114</b>	<b>-117</b>	<b>-115</b>	<b>-447</b>	<b>-115</b>	<b>-122</b>	<b>-123</b>	<b>-119</b>	<b>-479</b>
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-12 %	93 %	111 %	101 %	36 %	80 %	13 %	7 %	5 %	4 %	7 %
<i>% of revenue</i>	16 %	18 %	17 %	34 %	30 %	25 %	21 %	16 %	17 %	19 %	20 %	18 %	14 %	15 %	16 %
<b>Fuel</b>	<b>-472</b>	<b>-581</b>	<b>-687</b>	<b>-233</b>	<b>-212</b>	<b>-137</b>	<b>-229</b>	<b>-242</b>	<b>-228</b>	<b>-836</b>	<b>-213</b>	<b>-233</b>	<b>-267</b>	<b>-252</b>	<b>-965</b>
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-9 %	350 %	644 %	405 %	123 %	295 %	56 %	2 %	10 %	11 %	15 %
<i>% of revenue</i>	18 %	20 %	22 %	28 %	25 %	34 %	42 %	34 %	33 %	35 %	37 %	35 %	31 %	31 %	33 %
<b>Other OPEX</b>	<b>-1314</b>	<b>-1316</b>	<b>-1444</b>	<b>-613</b>	<b>-566</b>	<b>-231</b>	<b>-251</b>	<b>-302</b>	<b>-283</b>	<b>-1067</b>	<b>-236</b>	<b>-260</b>	<b>-359</b>	<b>-333</b>	<b>-1188</b>
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-8 %	130 %	139 %	126 %	24 %	88 %	2 %	4 %	19 %	18 %	11 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	68 %	58 %	46 %	42 %	41 %	45 %	41 %	39 %	41 %	41 %	41 %
<b>Comparable EBIT</b>	<b>171</b>	<b>218</b>	<b>163</b>	<b>-595</b>	<b>-469</b>	<b>-133</b>	<b>-84</b>	<b>35</b>	<b>18</b>	<b>-164</b>	<b>-32</b>	<b>5</b>	<b>85</b>	<b>47</b>	<b>104</b>
<i>Comp. EBIT-%</i>	<b>6.6 %</b>	<b>7.7 %</b>	<b>5.3 %</b>	<b>-71.8 %</b>	<b>-56.0 %</b>	<b>-33.2 %</b>	<b>-15.3 %</b>	<b>4.9 %</b>	<b>2.6 %</b>	<b>-7.0 %</b>	<b>-5.7 %</b>	<b>0.8 %</b>	<b>9.7 %</b>	<b>5.8 %</b>	<b>3.6 %</b>

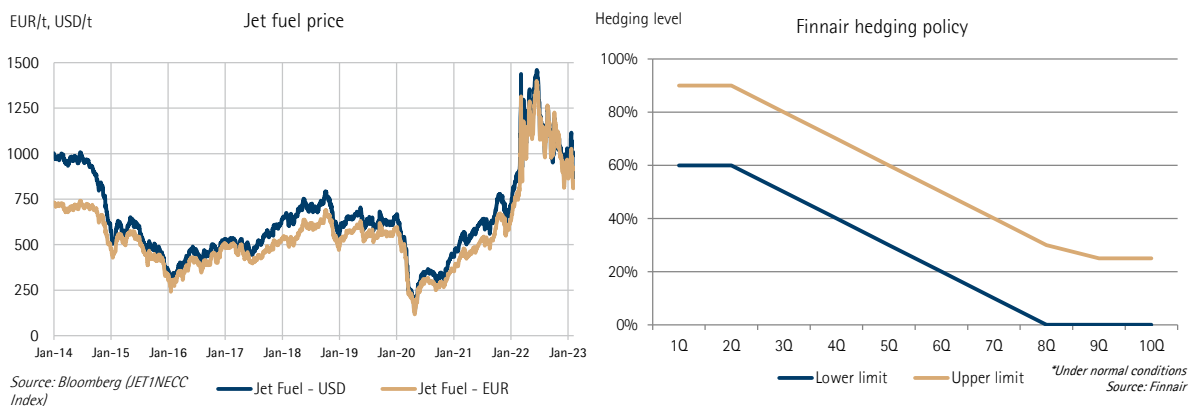
Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
SAS	173	37.6x	20.2x	7.1x			39.9x	-10.0 %	-5.7 %	2.7 %
International Consolidated	8312	5.4x	4.5x	3.8x	14.6x	9.1x	6.9x	5.3 %	7.7 %	9.8 %
Air France-KLM	3902	3.3x	3.0x	2.7x	9.8x	8.4x	6.7x	4.5 %	5.0 %	6.0 %
Deutsche Lufthansa	11509	4.3x	3.9x	3.5x	11.2x	8.6x	7.0x	4.4 %	5.7 %	6.5 %
Norwegian Air Shuttle	798	8.5x	3.6x	2.9x	7.6x	7.1x	4.9x	7.4 %	8.1 %	10.7 %
Aegean Airlines	720	3.5x	3.7x	3.2x	7.1x	8.8x	7.0x	10.3 %	8.9 %	10.4 %
easyJet	4317	4.5x	4.1x	3.6x	29.9x	10.3x	8.2x	1.6 %	5.4 %	6.1 %
Ryanair Holdings	16830	7.6x	6.8x	5.7x	13.5x	10.6x	8.5x	12.0 %	14.0 %	15.4 %
Wizz Air Holdings	3228	43.6x	7.4x	4.5x		28.1x	9.7x	-12.6 %	4.8 %	11.1 %
American Airlines Group	7904	10.9x	7.1x	6.4x	23.5x	11.8x	10.1x	3.6 %	6.8 %	7.6 %
Delta Air Lines	20279	7.2x	5.3x	4.8x	12.6x	7.7x	6.6x	7.8 %	10.9 %	12.2 %
Peer Group Average	7088	<b>12.4x</b>	<b>6.3x</b>	<b>4.4x</b>	<b>14.4x</b>	<b>11.0x</b>	<b>10.5x</b>	<b>3.1 %</b>	<b>6.5 %</b>	<b>9.0 %</b>
Peer Group Median	4317	<b>7.2x</b>	<b>4.5x</b>	<b>3.8x</b>	<b>12.6x</b>	<b>8.9x</b>	<b>7.0x</b>	<b>4.5 %</b>	<b>6.8 %</b>	<b>9.8 %</b>
Finnair (Evli est.)	<b>673</b>	<b>7.8x</b>	<b>3.5x</b>	<b>3.0x</b>	<b>-8.8x</b>	<b>14.8x</b>	<b>8.8x</b>	<b>-7.0 %</b>	<b>3.6 %</b>	<b>5.8 %</b>

Finnair prem./disc. to peer median

8 % -21 % -20 % -170 % 65 % 25 % -254 % -47 % -41 %

Source FactSet, Evli Research

**Jet fuel cost**


VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.48 PV of Free Cash Flow	1,750 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	1.89 PV of Horizon value	1,807 WACC, %	9.6 Market risk premium, %
Share price potential, %	293.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	2.1 Marketable securities	1,524 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	1.7 Debt - dividend	-2,426 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	50.8 Value of stock	2,654 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	2,907	3,052	3,144	3,207	3,271	3,336	3,403	3,471	3,540	3,611	3,683
<i>Sales growth, %</i>	<i>181.1</i>	<i>23.3</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	104	177	204	192	196	200	204	226	230	235	239
<i>Operating income margin, %</i>	<i>-7.0</i>	<i>3.6</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	335	321	316	327	339	350	361	370	379	
EBITDA	186	436	512	526	509	523	539	554	586	601	614	
- Paid taxes	60	-21	-35	-41	-38	-39	-40	-41	-45	-46	-47	
- Change in NWC	274	203	20	13	9	9	9	9	9	9	10	
<i>NWC / Sales, %</i>	<i>-27.3</i>	<i>-29.1</i>	<i>-28.3</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>	<i>-26.3</i>	<i>-26.1</i>	
+ Change in other liabs	171	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-88	-250	-250	-250	-250	-240	-240	-240	-240	-240	-240	
<i>opCAPEX / Sales, %</i>	<i>6.3</i>	<i>18.6</i>	<i>13.0</i>	<i>9.9</i>	<i>12.6</i>	<i>13.0</i>	<i>12.9</i>	<i>12.7</i>	<i>12.6</i>	<i>12.4</i>	<i>6.6</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	355	234	235	216	240	255	270	298	311	324	4,376
= Discounted FCFF		334	201	184	154	156	152	147	148	141	134	1,807
= DFCF min WACC		335	202	186	157	160	156	151	153	147	140	2,022
= DFCF max WACC		333	199	181	152	153	148	142	143	135	128	1,621

## 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	572.1	658.9	870.4	805.4	2,906.8	3,052.2	3,143.7
EBITDA	-54.7	-5.4	114.2	131.8	185.9	50.6	88.1	167.7	129.9	436.4	512.3	525.7
<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>8.8</i>	<i>13.4</i>	<i>19.3</i>	<i>16.1</i>	<i>15.0</i>	<i>16.8</i>	<i>16.7</i>
EBIT	-132.9	-84.2	35.3	17.9	-163.9	-32.4	5.1	84.7	46.9	104.4	177.0	204.3
<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>-5.7</i>	<i>0.8</i>	<i>9.7</i>	<i>5.8</i>	<i>3.6</i>	<i>5.8</i>	<i>6.5</i>
Net financial items	-47.1	-76.5	-63.8	17.2	-170.2	-45.0	-45.0	-40.0	-40.0	-170.0	-130.0	-116.5
Pre-tax profit	-180.0	-160.7	-28.5	35.1	-334.1	-77.4	-39.9	44.7	6.9	-65.6	47.0	87.8
Tax	-0.7	-110.3	7.6	-2.0	-105.4	15.5	8.0	-8.9	-1.4	13.1	-9.4	-17.6
<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	-65.1	-35.0	32.6	2.4	-65.1	25.0	57.7
EPS	-0.13	-0.19	-0.01	0.02	-0.31	-0.05	-0.02	0.02	0.00	-0.05	0.02	0.04
EPS adjusted (diluted no. of shares)	-0.13	-0.19	-0.01	0.02	-0.31	-0.05	-0.02	0.02	0.00	-0.05	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
<b>SALES, EURm</b>												
Group total	399.8	550.3	719.2	687.3	2,356.6	572.1	658.9	870.4	805.4	2,906.8	3,052.2	3,143.7
Total	399.8	550.3	719.2	687.3	2,356.6	572.1	658.9	870.4	805.4	2,906.8	3,052.2	3,143.7
<b>SALES GROWTH, Y/Y %</b>												
Group total	251.9	392.2	260.5	66.2	181.1	43.1	19.7	21.0	17.2	23.3	5.0	3.0
Total	251.9	392.2	260.5	66.2	181.1	43.1	19.7	21.0	17.2	23.3	5.0	3.0
<b>EBIT, EURm</b>												
Group total	-132.9	-84.2	35.3	17.9	-163.9	-32.4	5.1	84.7	46.9	104.4	177.0	204.3
Total	-132.9	-84.2	35.3	17.9	-163.9	-32.4	5.1	84.7	46.9	104.4	177.0	204.3
<b>EBIT margin, %</b>												
Group total	-33.2	-15.3	4.9	2.6	-7.0	-5.7	0.8	9.7	5.8	3.6	5.8	6.5
Total	-33.2	-15.3	4.9	2.6	-7.0	-5.7	0.8	9.7	5.8	3.6	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	2,906.8	3,052.2	3,143.7
<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>23.3</i>	<i>5.0</i>	<i>3.0</i>
EBITDA	512.6	488.2	-251.5	-149.0	185.9	436.4	512.3	525.7
<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>15.0</i>	<i>16.8</i>	<i>16.7</i>
Depreciation	-294.2	-325.4	-343.8	-319.9	-349.8	-332.0	-335.2	-321.4
EBITA	218.4	162.8	-595.3	-468.9	-163.9	104.4	177.0	204.3
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	104.4	177.0	204.3
<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>3.6</i>	<i>5.8</i>	<i>6.5</i>
Reported EBIT	218.3	160.0	-597.7	-474.7	-163.9	104.4	177.0	204.3
<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>3.6</i>	<i>5.8</i>	<i>6.5</i>
Net financials	-129.0	-67.0	-190.1	-127.5	-170.2	-170.0	-130.0	-116.5
Pre-tax profit	89.4	95.8	-785.4	-596.4	-334.1	-65.6	47.0	87.8
Taxes	-25.6	-18.4	131.2	117.6	-105.4	13.1	-9.4	-17.6
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	-65.1	25.0	57.7
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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	1,547	1,751	1,683	1,215	1,165	1,235	1,296	1,408
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	999	878	918	1,182	1,083	1,221	1,221	1,100
Inventory	121	80	68	56	122	73	76	79
Receivables	210	217	70	137	158	111	115	118
Liquid funds	1,067	952	824	1,266	1,524	1,163	1,221	1,257
Total assets	3,944	3,878	3,646	4,047	4,133	3,882	4,010	4,043
<b>Liabilities</b>								
Shareholder's equity	918	966	897	476	411	451	476	525
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	1,221	1,221	1,100
Deferred taxes	48	64	0	0	0	0	0	0
Interest bearing debt	615	521	1,182	1,428	1,299	809	884	970
Non-interest bearing current liabilities	285	243	176	291	452	558	585	603
Other interest-free debt	811	873	215	271	658	658	658	658
Total liabilities	3,944	3,878	3,647	4,047	4,133	3,882	4,010	4,043
<b>CASH FLOW, EURm</b>								
+ EBITDA	513	488	-251	-149	186	436	512	526
- Net financial items	-129	-67	-190	-127	-170	-170	-130	-117
- Taxes	-52	-2	-18	11	6	13	-9	-18
- Increase in Net Working Capital	50	-7	-489	117	274	203	20	13
+/- Other	1	-16	-17	-6	0	-13	-13	-13
= Cash flow from operations	383	397	-966	-155	296	469	380	392
- Capex	-330	-409	-315	-484	-149	-540	-397	-313
- 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	-70	-16	79
+/- New issues/buybacks	-110	21	602	64	374	105	0	0
- Paid dividend	-38	-35	0	0	0	0	0	-8
+/- Other	-17	-89	551	1,018	-262	-396	74	-34
Change in cash	103	-116	-128	442	259	-362	58	37

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	753	1,069	837	546	675	675	675
Net debt (excl. convertibles)	623	1,374	1,543	902	867	884	813
Enterprise value	1,377	2,443	2,380	1,448	1,542	1,559	1,488
Sales	3,098	829	838	2,357	2,907	3,052	3,144
EBITDA	488	-251	-149	186	436	512	526
EBIT	163	-595	-469	-164	104	177	204
Pre-tax	96	-785	-596	-334	-66	47	88
Earnings	65	-669	-479	-439	-65	25	58
Equity book value (excl. minorities)	966	897	476	411	451	476	525
<b>Valuation multiples</b>							
EV/sales	0.4	2.9	2.8	0.6	0.5	0.5	0.5
EV/EBITDA	2.8	-9.7	-16.0	7.8	3.5	3.0	2.8
EV/EBITA	8.5	-4.1	-5.1	-8.8	14.8	8.8	7.3
EV/EBIT	8.5	-4.1	-5.1	-8.8	14.8	8.8	7.3
EV/OCF	3.5	-2.5	-15.4	4.9	3.3	4.1	3.8
EV/FCFF	8.4	-2.4	-26.4	2.4	4.3	6.7	6.3
P/FCFE	-333.2	-0.8	-1.3	3.7	-9.6	-41.2	8.5
P/E	11.7	-1.6	-1.7	-1.2	-10.4	27.0	11.7
P/B	0.8	1.2	1.8	1.3	1.5	1.4	1.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.5	3.0	2.8
Target EV/EBIT	0.0	0.0	0.0	0.0	14.6	8.7	7.2
Target EV/FCF	0.0	0.0	0.0	0.0	-21.7	-94.4	18.7
Target P/B	0.0	0.0	0.0	0.0	1.5	1.4	1.3
Target P/E	0.0	0.0	0.0	0.0	-10.2	26.4	11.5
<b>Per share measures</b>							
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	-0.05	0.02	0.04
Operating cash flow per share	0.57	-0.69	-0.11	0.21	0.33	0.27	0.28
Free cash flow per share	-0.02	-0.91	-0.45	0.10	-0.05	-0.01	0.06
Book value per share	1.39	0.64	0.34	0.29	0.32	0.34	0.37
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	2.8
FCF yield, %	-1.6	-119.8	-76.4	26.9	-10.4	-2.4	11.7
<b>Efficiency measures</b>							
ROE	6.9	-71.8	-69.8	-99.2	-15.1	5.4	11.5
ROCE	6.2	-21.1	-17.9	-8.9	0.2	2.3	4.2
<b>Financial ratios</b>							
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	3.7
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	-29.1	-28.3	-27.9
Operative CAPEX/sales, %	13.2	38.0	57.8	6.3	18.6	13.0	9.9
CAPEX/sales (incl. acquisitions), %	13.2	38.0	57.8	6.3	18.6	13.0	9.9
FCFF/EBITDA	0.3	4.0	0.6	3.2	0.8	0.5	0.4
Net debt/EBITDA, book-weighted	1.3	-5.5	-10.4	4.9	2.0	1.7	1.5
Debt/equity, market-weighted	0.7	1.1	1.7	2.4	1.2	1.3	1.4
Equity ratio, book-weighted	27.4	25.5	12.2	10.9	13.2	13.5	14.8
Gearing, %	64.5	153.3	324.4	219.7	192.6	185.9	154.9

**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	377.601	56.0%
Varma Mutual Pension Insurance Company	50,081,263	24.039	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	14.400	2.1%
Elo Mutual Pension Insurance Company	14,008,115	6.724	1.0%
The State Pension Fund	11,000,000	5.280	0.8%
Finnairin Henkilöstöraho Ho.	3,772,902	1.811	0.3%
OP Life Assurance Company Ltd	1,954,798	0.938	0.1%
Finnairin Eläkesäätiö	1,505,262	0.723	0.1%
Finnair Oyj	1,421,133	0.682	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.574	0.1%
Ten largest	901,608,705	432.772	64%
Residual	504,355,367	242.091	36%
Total	1,405,964,072	674.863	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

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



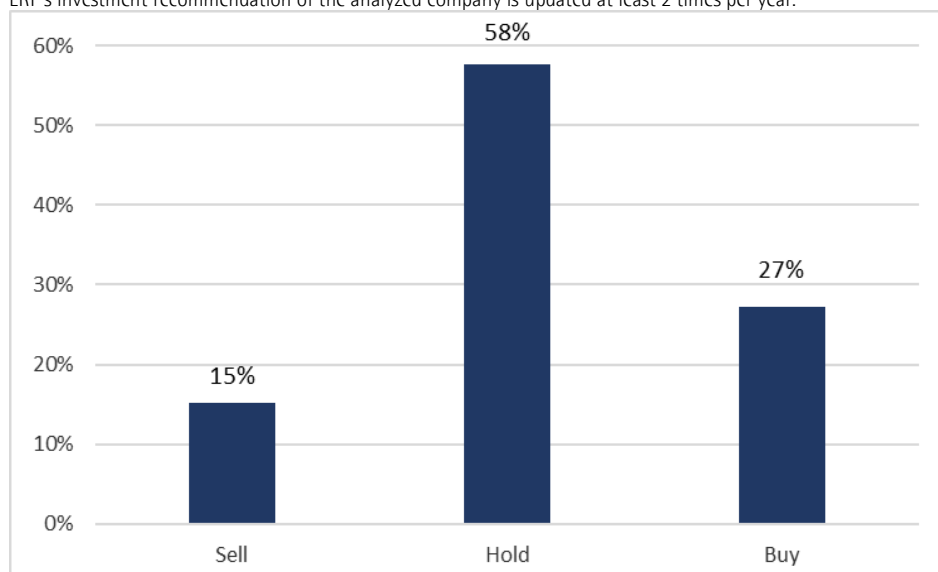
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Investment recommendations are defined as follows:

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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