

Q1 flew clearly above estimates

Finnair's Q1 results topped estimates as high unit yields drove passenger revenue. EBIT remained slightly positive, despite the seasonally slow quarter, as the company has managed to revamp its strategy while also benefiting from a favorable market situation.

- Finnair Q1 revenue was EUR 694.7m vs the EUR 572.1m/646.8m Evli/consensus estimates. High unit yields drove passenger revenues way above estimates.
- Adjusted EBIT landed at EUR 0.9m, compared to the EUR -32.4m/-23.1m Evli/consensus estimates. The positive surprise, especially as Q1 EBIT is often negative even in more normal circumstances, reflects both the new strategy's successful implementation as well as current favorable market environment.
- Fuel costs were EUR 220m vs our EUR 213m estimate. Staff costs amounted to EUR 129m, compared to our EUR 115m estimate. All other OPEX+D&A amounted to EUR 376m, compared to our EUR 319m estimate.
- Cost per Available Seat Kilometer was 8.11 eurocents vs our estimate of 7.07 eurocents.
- Finnair reiterates guidance, expecting FY '23 ASK levels to reach 80-85% of those of FY '19. Unit yields should develop favorably at least over the summer season as demand remains high, however there's uncertainty beyond that timeframe due to e.g. normal seasonality and inflation. FY '23 revenue will therefore significantly increase and comparable EBIT will significantly improve y/y, especially due to H1'22 weakness, but will not yet reach the levels of FY '19.

Rating 🟡 HOLD				
Q1'23	Actual	Evli	Year ago	Q4'22
Revenue	694.7	572.1	399.8	687.3
Adj. EBIT	0.9	-32.4	-132.9	17.9
Adj. EBIT-%	0.1 %	-5.7 %	-33.2 %	2.6 %
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				24-Apr-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

PRE-REPORT 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		BV per share 2023E, EUR		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		

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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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